



**Myanmar Tax Administration Reform
and
Experience in Capacity Building**

The Union of Myanmar

The Land

The largest country on the main land of South East Asia

Capital : Nay Pyi Taw

Total land area

676,577 sq. km (216,228 sq. miles)

Total coastal line

2,832 km

Neighboring countries:

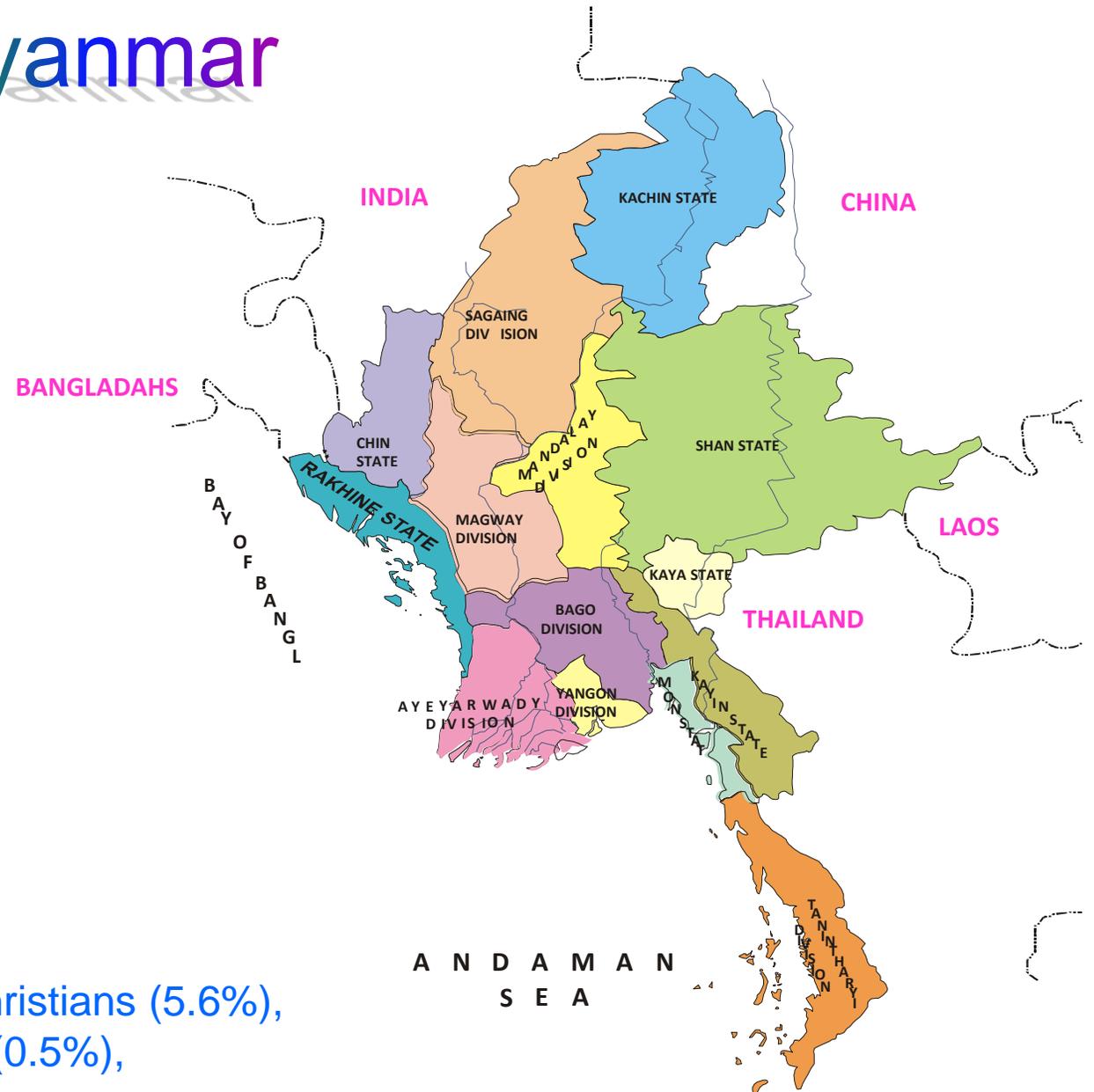
Bangladesh, India, China, Laos, Thailand

Population

➤ 55 millions

Religion

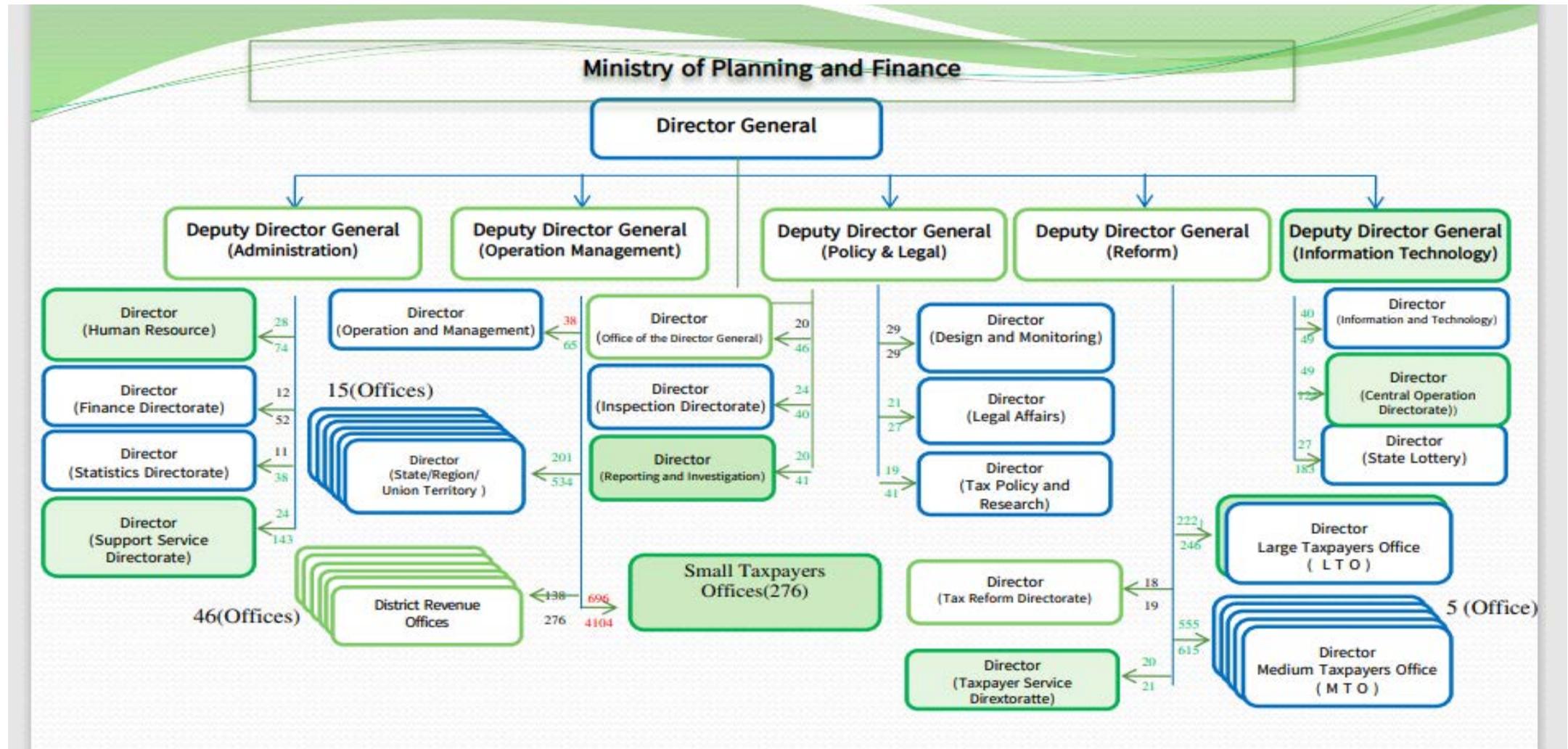
➤ Buddhism (89.3%), Christians (5.6%), Islam (3.8%), Hindus (0.5%), Animism (0.5%)



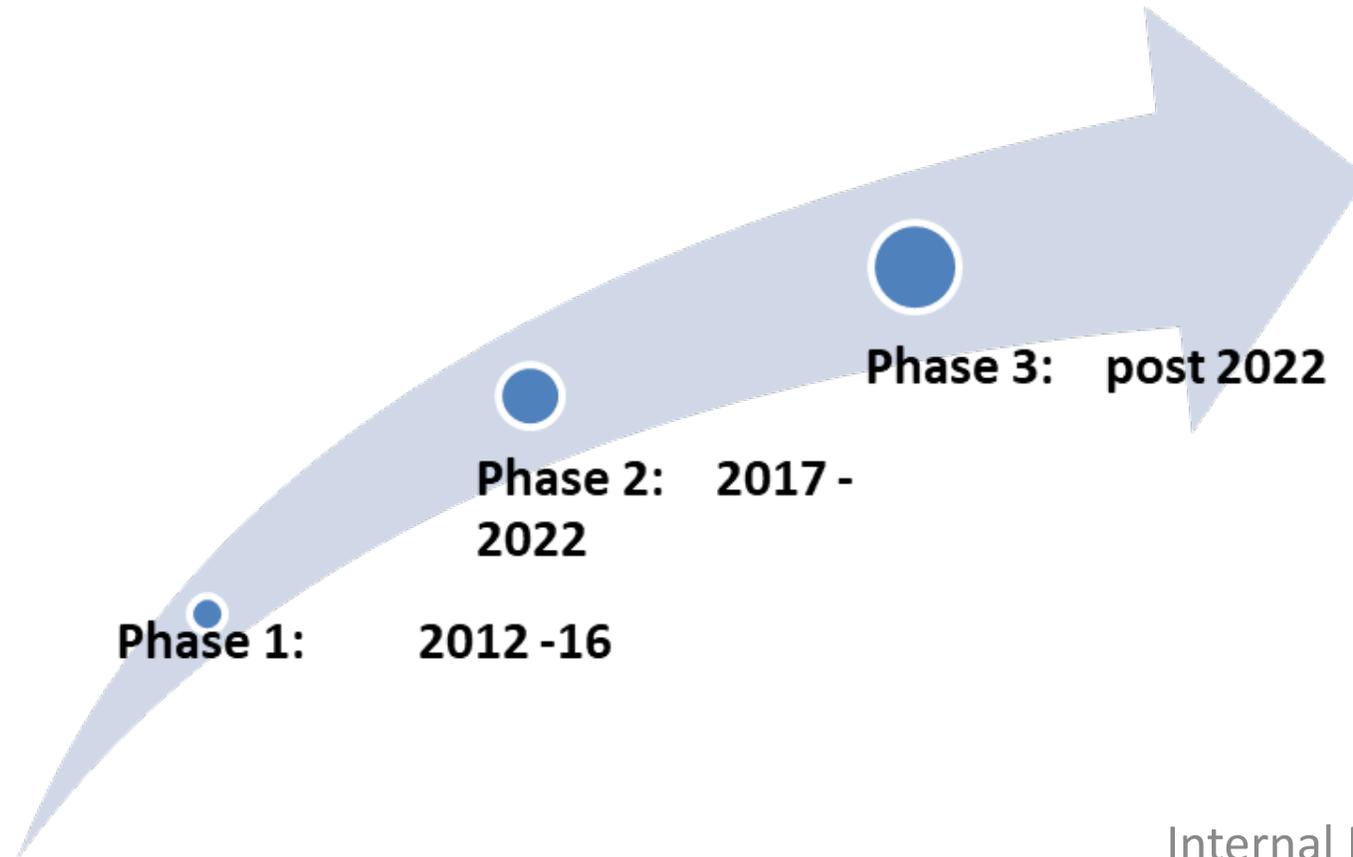
History of IRD

- Established the Internal Revenue Department in 1972.
- Commenced the process of transforming to a modern tax administration in 2012.
- Aim to be an accountable and transparent modern tax administration recognized for our integrity.

Organizational Structure



Reform Journey of Myanmar



Internal Revenue Department

Why we need to implement tax reform

- Tax administration in Myanmar is characterized by:
 - Low capacity in the tax administration
 - Low levels of compliance in the community
 - Outdated systems, processes, procedures and approaches.
 - Seriously inadequate IT infrastructure and systems
 - Outdated and unclear taxation policies and Legislation.
 - Tax to GDP Ratio is currently almost 8% (almost 3 times below what it should be).
 - Cost of collection is 0.3% (almost 8 times below most other countries)
 - Foreign investor expectations of IRD are high.

We need to reform our tax system as a matter of urgency.

Reform Program

- Reform Program commenced in 2012.
- This set out a very ambitious reform agenda.
- A plan was formulated to encapsulate all aspects of the Reform Program.
- We have modified the program over time to better reflect our capacity and budget.
- To guide us a Strategic Plan has been developed – strong base from which to build IRD.

Strategic Plan

Outcomes/Goals of Reform

- *Maximize revenue*
 - Revenue collection is maximized over time and within the law.
- *Broaden the tax base*
 - All those who should be in the tax system, are in the tax system. Indirect taxes in the form of VAT are a feature of the tax system. Systems and processes are aligned to ensure all taxpayers are treated equally and information is available. Enforcement activity is targeted at those who choose not to comply.
- *Maintain and improve compliance*
 - Taxpayers understand their obligations and comply voluntarily.
- *Modernize Tax administration*
 - The organization is modern, utilizes technology and international best practice in tax administration is applied and tailored for the needs of Myanmar.

Vision & Mission

Vision

(What we are striving for)

“We will be a modern organization that acts with integrity and is recognized Internationally as a highly effective tax administration.”

Mission

(IRD’s Purpose – why we exist)

“To make taxpayers willingly pay tax as good citizens, by delivering quality service in order to maximize revenue for the prosperity of the people”

Values

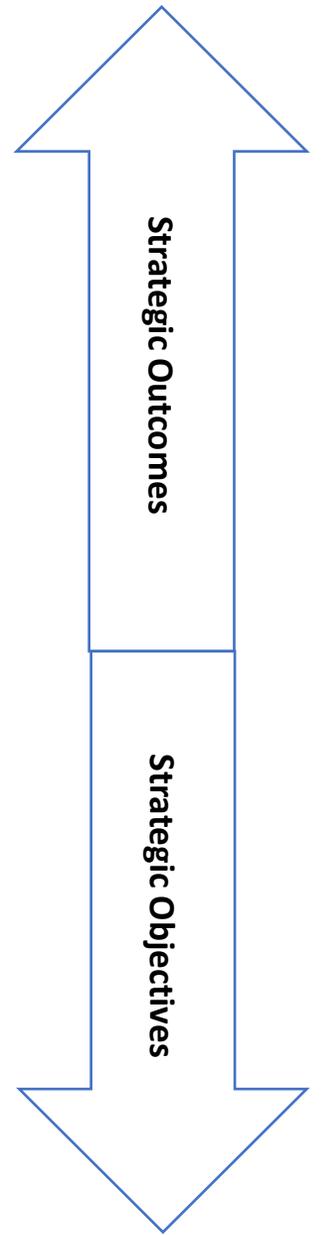
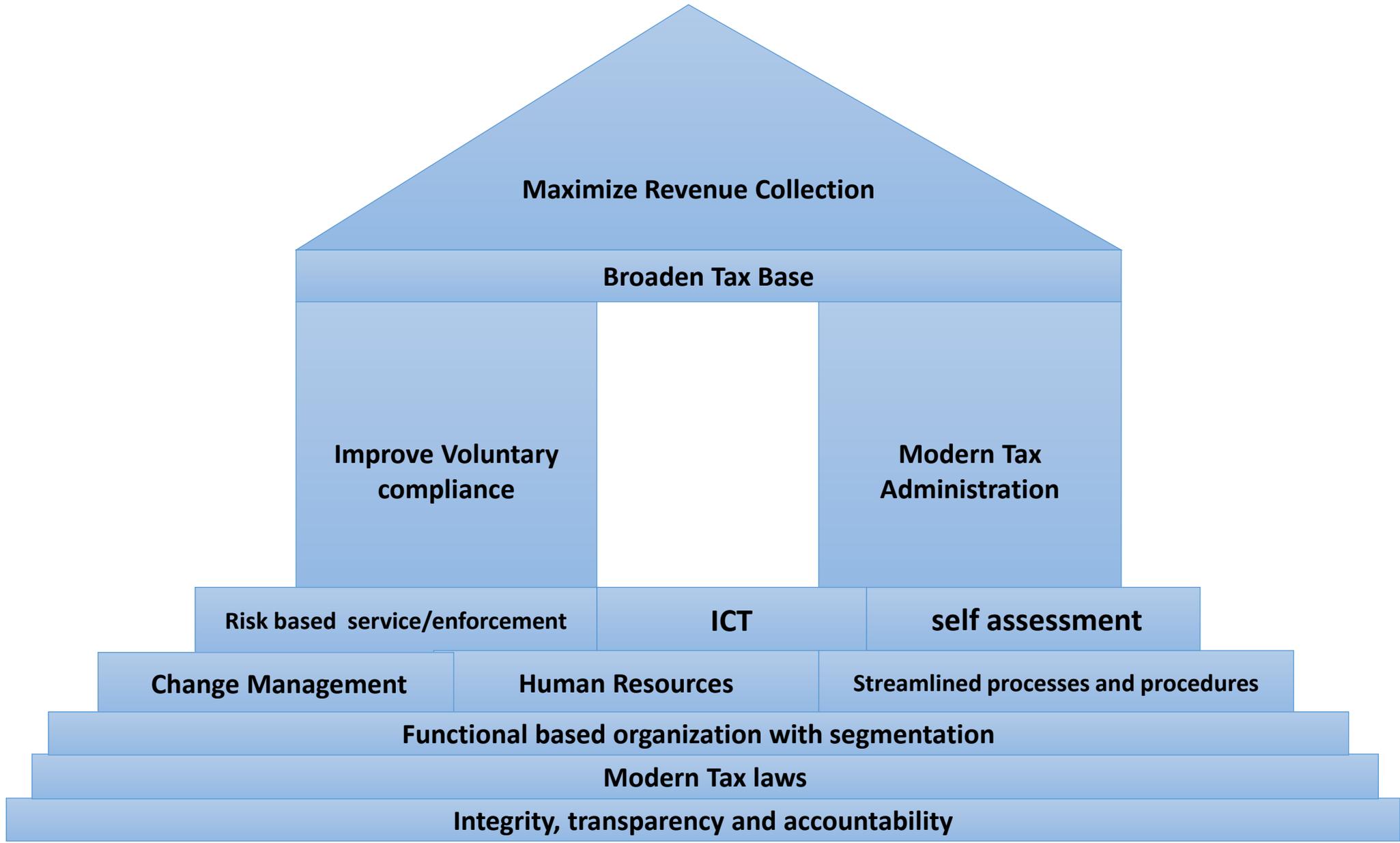
(The way we will operate)

- Professionalism
- Integrity
- Collaboration
- Service Delivery
- Valuing people
- Commitment

Reform Objectives

We have eight streams of work – these are based on our objectives.

1. Develop enabling legislation
2. Re-organize IRD to enable improved efficiency and effectiveness
3. Modernize Assessment Processes
4. Introduce Technology and reliable IT infrastructure
5. Develop Service and Enforcement programs and capability
6. Develop our people capability and capacity
7. Establish a governance framework
8. Increase transparency and accountability.



Design Approach

- Sequencing and capacity development are central to the reform process.
- Reforms are managed and led by IRD management.
- New approaches will be implemented progressively.
- International good practice will be adjusted for the environment in Myanmar.
- All Projects and activities will be planned.
- Project disciplines will be applied.
- Post implementation reviews undertaken to ensure lessons are learned.

Implementation

- Detailed implementation plans have been developed.
- Based on what our current position is and what we need to do and how, to achieve our vision.
- These have been modified to reflect IRD's current environment – capacity and speed with which reforms can be implemented given the environment – both internally and externally.

Implementation

Legislation

- Tax administration Law – by 1 October 2019
- Re-write of the Income tax Law.
- VAT to be implemented.

Implementation

Reorganization

- Headquarters restructured – 1 April 2015 – still embedding changes.
- Large Taxpayer Office – 1 April 2014
- Medium Taxpayer Offices – 1 April 2016 and 2021, - two out of five established to apply new approach.
- Small Taxpayer Offices to be restructured over time.

Implementation

Assessment Processes

- LTO, MTO1 and MTO2 – Full self assessment operating.
- Significant underreporting.
- Progressively move to MTO's and STO's when a satisfactory level of compliance has been achieved.

Implementation

Service and Enforcement

- We have established Taxpayer Service Teams in operation area and have Centralized taxpayer service Directorate in HQ focused on providing better service to taxpayers.
- Broaden our taxpayer service capability to all tax office sites
- Established enforcement capability in Audit and Debt Collection.
- Institute enforcement regimes to support the Administration (contingent on updated Legislation).
- Establish intelligence systems (using both third party data and internal IRD data and intelligence), technical and legal support and modern disputes resolution processes (largely contingent on IT system and legislation).

Implementation

Introduce Technology

- Currently our systems are mainly paper based and inefficient.
- Maximize the use of an integrated technology platform in IRD.
- Integrated tax administration system is still in procurement process.
- New and updated e-services: e-file and e-pay mandated for large and medium taxpayers

Implementation

Develop our People

- Review HR systems Processes and procedures to ensure they will support the new approaches.
- Establish a targeted training and development programs to assist in building capacity.
- For integrity, transparency and accountability by establishing an Internal Audit function in HQ reporting to DG directly.

Management of Reforms

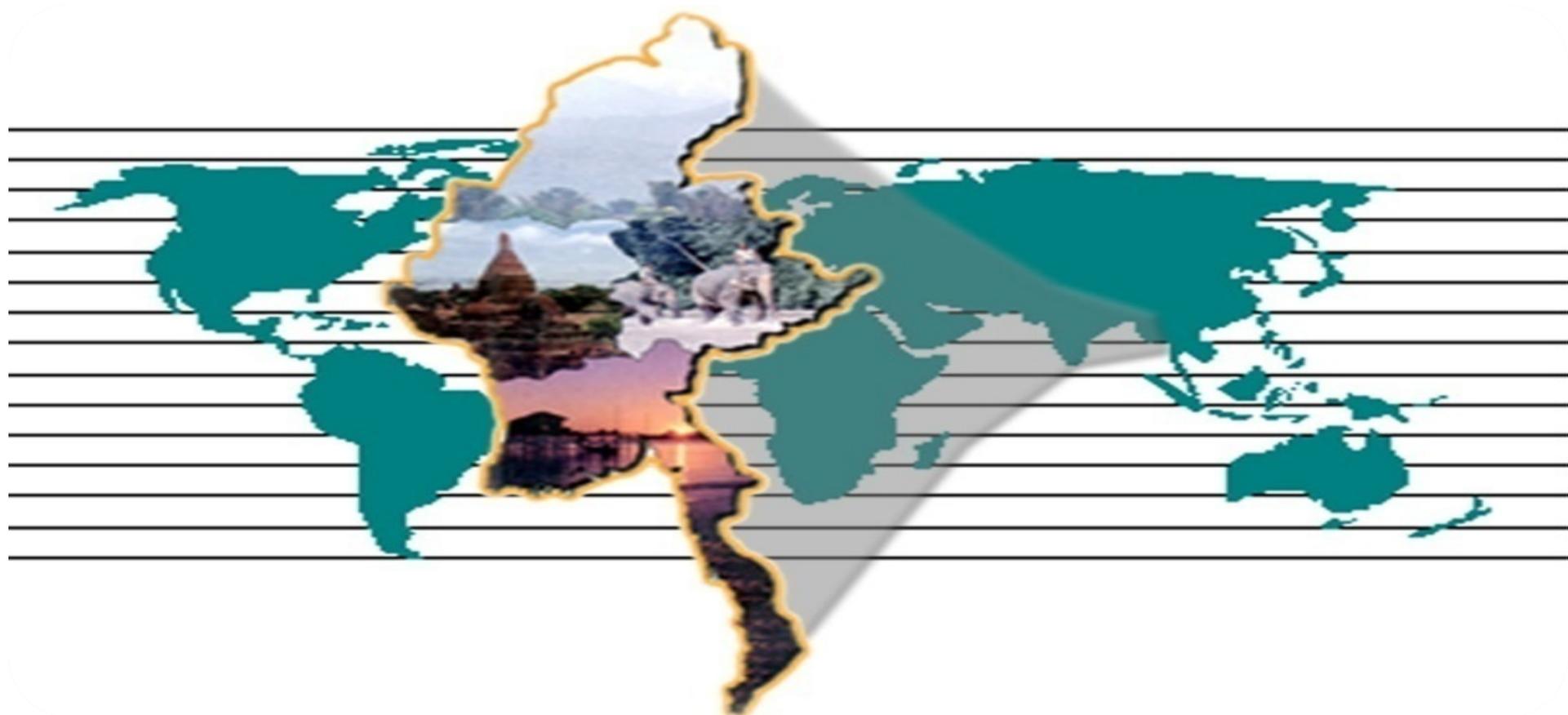
- The reforms are significant and we have developed a Governance Framework which is operational.
- This enables us to lead, monitor and direct the reforms and make decisions quickly.
- We have established a Tax Reform Program Management Unit (TRPMU) – oversee the reforms. This has been in operation since April 2014. Now it become a full Directorate running by new approach.
- Steering Committee Chaired by the DG in place and meeting monthly.
- Each Project reports monthly to the Steering Committee on their progress.

Management of Reforms

- We need to improve planning processes at strategic and operational levels.
- Improve management information and reporting.
- Established an Internal Audit Function.
- Change management will be a key to achieving buy in from Staff and managers.
- Communication Strategy has been developed and is being implemented.

Challenges Ahead

- Building capacity from such a low base.
- Changing the mindset of taxpayers and citizens about taxation.
- IRD staff are hesitating to change.
- Moving forward at a pace IRD staff can manage. Risk of organizational fatigue.
- Educating taxpayers on obligations.
- Developing Audit capability.
- Determining correct resource requirements.
- Meeting expectations of Government for increased revenue at a time of considerable change.
- Embedding Reforms into day to day business.



Thank you