The 6th BRITACOF

Shared Progress in Taxpayer Service for a Better Business Environment

9-11 September 2025 | Kathmandu, Nepal

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Tax Administration portfolios and current context

Objective of portfolios

"helping BRI jurisdictions to enhance their tax administration capabilities and contributing to the establishment of a growth-friendly tax environment"

Challenges in administration of tax systems during rapid change

- *Public finance challenges -increased financing needs, aspirations in Global South*
- *Aid fatigue amongst dissatisfaction – in both North and South*
- *Range of economic models in many BRI nations – subsistence farmers interact with global MNCs*
- *A globalized and digitized economy while tax systems remain largely designed for "bricks and mortar" world focused on national economies*
- *Ongoing evolution in processes and technology in tax administrations themselves*

The global context

- Change in international business and globalized supply chain
  - Growth in intercompany transactions of global business
  - Growth in international trade

- Fragmentation and unbundling of production and distribution
  - A globalized supply chain – specialized production, across borders
  - Growth in value of intangibles
  - Centralization of certain functions, assets and risks in principal entities
  - Growth and diversification of capital sources

- New economy
  - Digitization of demand, supply and distribution
  - Disruption of business models
  - Demand shifts away from traditional consumption
  - Centralization of cloud capital and related flows – “scale without mass”

A growth friendly tax environment – issues seen

- Broadening stakeholder groups in fiscal policy
  - Often no longer controlled by a small group of dominant actors.
  - Proliferation of taxing powers beyond Ministries of Finance –e.g. telecom taxes
  - Groups outside government calling for more taxes or tax concessions force broader balancing act between policy choices.

- New tax areas – e.g. money transfers – that tax administrations have to resource

- Issues for international business in tax compliance worldwide
  - Evolving global taxation and transfer pricing rules, and mismatches
  - Managing enhanced compliance responsibilities including WHT
  - Reputational risk for business - fair share of tax, name and shame

- Issues for SMEs/national businesses in tax compliance
  - Perceived pressures on additional tax collections - tax disputes, capacity issues
  - Unfamiliarity with new and evolving tax instruments
  - Perception of current taxpayers of carrying unfair burdens

Global tax policy impacts on tax administration

- Implementing administrative processes for global initiatives
  - Minimum standards from BEPS 1.0 for countries that joined the IF
  - Pillar 2 implementations, with first GloBE returns due in June 2026 and upcoming registration / notification deadlines
  - Multiple rounds of Administrative Guidance, with more to come
  - Claims of disproportionate compliance costs

- Challenges on Pillar 2 - potential for disputes,
  - Actual working of the system - legality of UTPRs, dispute resolution processes
  - Compatibility with US (“side by side”) – e.g. how does IIR/ UTPR apply to US profits of US subs of foreign companies

- UN based initiatives –future Framework convention, current WHT/treaty based approaches in taxing digital economy transactions

BRITACOM tax administration portfolios

- Tax Administration Product Portfolio (v1.0) seen seems quite comprehensive

- See number of Products planned, with some issued and suggest that these
  - Are expanded with "how to" guidelines that tax administrations can use
  - Include model skill sets for staff for functions with indicative training
  - Indicate some management metrics to measure that typical staff/resources ratio to targeted outputs can be managed.

- Suggest a new Product guidelines to address credit or exemption issues for countries that have not joined the IF or not yet implemented Pillar 2

- Suggest a separate Product Portfolio focused on tax administration operations
  - Methods to continuously enhance organization and management
  - Data-driven strategy Formulation and Business Planning
  - Budgeting, Financial Management and Asset Management;
  - Operational Management and Reporting/Feedback systems
  - Personnel Management and Training

Looking ahead - tax administration in BRI countries in 2030

- The world of 2030
  - Demographics – distribution, demand, workforce;
  - Growth beyond BRICS and climate change impact
  - Trade in goods is now being overtaken by trade in services
  - Retreat of globalization

- Trade tensions - tax becomes a barrier to trade
  - E.g potential US government retaliation for global tax initiatives
  - Tariffs on services? – e.g. US tax on foreign films

- Developing countries reclaiming policy space to foster sustainable productive capacities – SDGs?

- Policy measures to address climate change and achieve energy transition

- Ensuring tax administrations are fit for purpose
  - Continuous capacity development
  - Leverage technology wherever possible
  - Intensified effort to capture the shadow economy

Thank you