

APPENDIX 5. PROJECT COMPLETION REPORTS

APRIL 2022 ***Project Assessment***
Myanmar: Tax Policy and Administration
Strengthening (RMTF)

April 2017 - April 2022

Final Report

COUNTRY (S): Myanmar, Union Of (MMR)

PROJECT DATES: 4/1/2017 to 4/30/2022

PROJECT ID: FAD_MMR_2018_01

LEAD DEPARTMENT: Fiscal Affairs Department

AREA DEPARTMENT: Asia and Pacific Department

FUNDING SOURCE: RMTF

BUDGET: \$6,093,448

PROJECT MANAGER: Markov, Stoyan Evtimov

IMF PROGRAM: No

I. PROJECT PURPOSE

The overall aim of this project was to strengthen Myanmar's tax administration management, governance, and core tax functions, improve tax policy and legal analysis skills and modernize the tax legislation. The project built on earlier efforts to introduce a Myanmar medium-term reform strategy that started in 2012 and was supported under the Tax Policy and Administration topical Trust Fund (TPA-TTF). The project sought to mature and embed the good progress made in the preceding five-year period and to expand the objectives of the technical assistance by including more features of international good practice across a wider base.

The medium-term reform strategy anticipated intensive and coordinated assistance covering three disciplines: tax policy, tax legislation and tax administration. This required launching six Revenue Mobilization Trust Fund (RMTF) modules reflected and advanced by the projects stated objectives and intended outcomes. The modules were: Module I – reform strategy and management; Module II - tax policy design; Module III – tax administration organization; Module IV – tax administration corporate and compliance risk management; Module V – tax administration core business functions and procedures and Module VI – tax administration support functions.

The strategic reform plan of the Internal Revenue Department (IRD) of Myanmar over the period of this project largely mirrored the project's aims. IRD remains accountable for the delivery, by 2022, of the outcomes published in its *Reform Journey: A Plan to Mobilize Domestic Revenue 2017-18 to 2021-22*.

This project ceased prematurely because of a military coup ousting the legitimate Myanmar Government at the start of February 2021. RMTF donors have determined to pause capacity development support for the immediate future. Following the military coup IMF suspended all CD activities to Myanmar. This project assessment report covers activities during the period from April 1, 2017 to February 1, 2021.

II. PROJECT IMPLEMENTATION AND ACHIEVEMENTS

Results Overview and Key Achievements

To support the Myanmar program, Fiscal Affairs Department (FAD) in conjunction with Legal (LEG) provided an intensive program of technical assistance. At the strategic level TA was delivered from IMF headquarters staff via in-country missions, short staff visits and headquarters-based advice. At the operational level, an intensive program of in-country resident advisor support was provided. A full-time strategic advisor was resident in the IRD headquarters until the end of August 2020 (working remotely after this until the end of January 2021) and a near full time resident advisor was based in Yangon focusing on the Medium Taxpayer Office 1 (MTO1) reforms for the first year of the project to give the MTO reforms a strong head start. These two positions were a continuation of intensive advice provided in Phase I. This long-term expert (LTX) assistance was supplemented at the tactical level by a series of short-term expert (STX) visits in specialist areas to supplement the advice provided from IMF headquarters and the resident advisors. The tax policy program was initially supported by a peripatetic advisor intended to support the authorities in developing a tax reform plan and build capacity on policy and research in the IRD.

There was significant evidence of strengthened revenue administration management and governance arrangements. The former Tax Reform Project Management Unit (TRPMU) became the Tax Reform Directorate (TRD) under the strong leadership of a Deputy Director General (DDG) Reform in 2017 and (more recently) a

competent Director. This allowed support for a more effective reform steering committee – the Program Steering Committee (PSC) providing improved reform governance. A suite of up-to-date reform project activity plans and monthly reform project progress reports is in place. A hiatus in reform governance resulted from COVID-19 constraints imposed in 2020, however the PSC recommenced meetings in December 2020. Business plans and key performance indicators (KPIs) were developed and instituted in the 2019 year however they were not replicated for the 2020 year despite not being impacted by COVID-19.

More recently there was greater acknowledgement by IRD Headquarters (HQ) of its role and responsibilities as distinguished from those of field offices. Some progress was made in rebalancing accountability for reform progress away from the Yangon region Large and Medium Taxpayer Offices. Technical guidance was strengthened by the establishment and successful operation of a Technical Review Committee (TRC) responsible for the development and publication of interpretation and practice statements providing increased certainty in the application of the tax laws for IRD officers and taxpayers. As at cessation of this project, progress was being made in centralizing functions such as returns and payment processing, taxpayer registration and compliance risk identification, to provide support for field offices via HQ oversight and direction. Progress was slowed by relatively low capacity and narrow breadth of understanding of reform by some HQ Directorates.

IRD HQ was restructured on functional lines in 2017, however the design was not fully understood, and further refinement is required. At cessation of this project IRD had drafted a new organizational structure and was reviewing its appropriateness with the resident LTX. It was anticipated that STX support would provide encouragement for the development of capabilities in the Legal Affairs Directorate. This would have allowed the Directorate to take on its legal interpretation responsibilities in connection with the Tax Administration Law (TAL) and the draft Income Tax Law (ITL) which to date have been undertaken by the Policy & Research Directorate. Full implementation of its organizational structure would also support it to better manage resolution of taxpayer disputes. STX support was also planned in FY21 for the development of capabilities in the Design & Monitoring Directorate (DMD) in support of the more effective implementation of the Integrated Tax Administration System (ITAS) anticipated over three years from 2021.

Several functions were centralized to secure administrative efficiencies and support greater integrity for taxpayer interactions. Returns and payment processing were centralized for LTO and MTO 1 and 2, followed by centralizing of taxpayer services, including registrations, for MTOs operating under self-assessment system (SAS). Standard operating procedures (SOPs) were developed to ensure that processing staff did not have any engagement with taxpayers, leaving this to taxpayer services staff in owning offices. No progress was made towards the establishment of call center functionality as this was dependent on technology not yet available to IRD.

Expansion of the SAS was advanced. During the project period MTO1 and MTO2 were established and commenced operations with their respective taxpayers moved under self-assessment arrangements. This resulted in numbers of taxpayers under SAS increasing from around 900 to more than 8,000 by October 1, 2020. MTO1 and MTO2 operate on functional lines. Also in 2020, IRD determined the roll out schedule for further SAS expansion with individual taxpayers under the Union Territory Taxpayer Office and all corporate taxpayers in MTO3, 4 and 5 (Mandalay) moving to SAS arrangements by 2025. IRD informed the Minister for Finance of its intention to move all remaining taxpayers to SAS by 2030 with this made possible by the implementation of ITAS. This schedule was placed on hold due to the military coup.

Tax laws were updated. The TAL was passed on June 4, 2019. IRD has since deployed some of the powers granted to the Director General by this legislation. LEG provided significant TA over several years to secure passage. IRD invested heavily in educating relevant members and committees of the Parliament also. That experience was called upon in developing the draft of the modernized Income Tax Law. In 2019, FAD, accompanied by LEG, contributed with a policy mission suggesting enhancements to aspects of the draft. At

the Minister's direction, the incomplete draft was referred to the Parliament during the August/September 2020 session. It did not secure priority for consideration and passage at that time. This allowed IRD and LEG further time to enhance the draft law. Its future is uncertain, currently. At the request of the Minister, FAD undertook a remote policy mission during January 2021 to review and suggest amendments to aspects of the Commercial Tax Law in transition to the design of a VAT proposed for the 2022 year. IRD had also indicated its desire to amend Myanmar's Specific Goods Tax Law to bring it more into line with other excise legislation.

Communication and change management strategies were developed to advance reform outcomes. STX support provided in May and August 2019 assisted IRD to re-evaluate the potential of its website to support taxpayer education and provide services more efficiently. Interpretation and practice statements and other guidance were published on the website in both the Myanmar and English languages. An official IRD Facebook page was established. Further changes to IRD's traditional 'face to face' interactions resulted from COVID-19 developments in 2020 and a need to develop alternate service delivery channels. A Change Management Reform Activity plan was developed and progressed by a project team oversighted by TRD.

A human resource management team was established. In 2020, IRD planned to have this be the foundation of a new Human Resources Directorate resulting from its organizational restructure. However, despite a World Bank review and recommendations and significant capacity development (CD) support provided by another donor, little real progress was made to implement modern human resource practices such as workforce planning and staff welfare strategies. FAD did not provide STX support in this area.

A Compliance Risk and Intelligence Unit was established. Good progress was made in developing this capability in the Operations Management Directorate (OMD) in HQ and several the officers in the unit were outposted to Yangon in 2020 to work more closely with audit teams in the LTO and MTO1 and 2. The next level of effectiveness for this team would have been possible with the implementation of a data analytics module in ITAS (planned for 2024). IRD acknowledged the need for enterprise level risk management through its proposal to establish a new HQ Directorate to take this role, however significant CD support would be necessary before this could be operational in HQ. The importance of business continuity planning was not understood.

A sectoral Compliance Improvement Strategy (CIS) was developed for the Building & Construction Industries. This work was led from HQ. As at January 2020, it was planned to establish a project team and steering committee to oversight progress of the strategy which would focus on operators in these industries who were, or should be, in the tax system.

Challenges Encountered and Lessons Learned

COVID-19 developments did not significantly impact key aspects of reform. The virus was largely dormant in Myanmar until the end of August 2020. IRD was able to advance its plans for SAS expansion for MTO2 taxpayers from October 2020 and initiate a new tender and evaluation process for ITAS. Audit activities in the LTO and MTO1 were impacted however, after several audit staff contracted the virus and many Myanmar businesses closed. Reform operational governance was adversely impacted by the need for HQ to respond to Government COVID economic recovery initiatives and by the imposition of 'work from home' arrangements for a period. The LTX remained in HQ until the end of August and other advisors continued CD support remotely.

The Myanmar Government evidenced little appreciation of, and support for, tax reform. The Director General (DG) and DDG Reform remained strong advocates of the need for reform and guided progress in IRD and in the tax system through the passage of the TAL and the preparations for the ITL and VAT design. The Ministry of Finance did not always have the lead role one would have expected in moving forward a

comprehensive tax reform agenda, partly reflecting thin capacity on tax policy and perhaps lack of a clear mandate. Project support for building capacity on tax policy analysis focused predominantly on the IRD rather than the Ministry of Finance which contributed to continued capacity gaps.

Staff rotation policies challenged the development of sustainable capability development in HQ and SAS field offices. IRD did manage to accommodate retention of skills in some key areas including IT with the establishment of a 'super user' team of staff drawn from all areas of the organization on the understanding that these officers would remain attached to the team for the three-year anticipated span of ITAS implementation. A conscious effort was also made to identify staff with the potential to develop data analytical skills for the Risk & Intelligence Unit. A new management team for MTO2 was drawn from experienced officers working with SAS in LTO and MTO1. However, in other important HQ areas such as DMD and TRD, turnover remained high.

Geographical distances between HQ and SAS field offices presented difficulties for sharing reform experience. IRD sought to rebalance reform progress during the period of this project, placing emphasis on HQ leadership of reform and certain operational aspects. Initial reform effort focused on establishment of the LTO which gave Yangon based staff exposure to the practical consequences of reform. This continued with the establishment of MTO1 as an SAS office while HQ staff had no incentive to understand the drivers or impacts of tax administration reform. This made progress to operating along functional lines slow with the result that directorates like OMD and DMD did not understand their roles in supporting field offices. Reform governance was slow to develop because neither PSC members nor TRD officers had any experience of SAS or other reform areas. Staff establishment and budget dictates make it difficult to transfer staff with any flexibility. TRD built a level of understanding and capability to better support reform progress in recent times, but rotation policies may continue to erode this.

As a reform leader, IRD is not understood or supported by oversighting agencies. Certain aspects of IRD's reform efforts are held back by agencies like the Offices of the Union Auditor General and the Union Attorney General, which themselves have not experienced significant reform. Constraints in the Civil Service Law and Government budgetary processes make it difficult for IRD to develop modern HR practices or address integrity risks.

Partner Outreach and Coordination

The LTX coordinated the CD contributions made by other donors and worked closely with their advisors on several fronts. United States Treasury, Office of Technical Assistance (OTA) provided a full-time resident advisor to support the LTO until they were required to withdraw in March 2019. Through the Public Finance Management (PFM) modernization project, the World Bank administered a multi donor fund providing full-time audit (Yangon) and IT contract management (HQ) advisors together with a loan for the new core IT system, ITAS. The Japan International Co-operation Agency (JICA) provided a full-time audit advisor supporting MTO1 and working with FAD STX and LTX on operationalizing the sectoral CIS.

The LTX developed job descriptions and selection criteria for advisor positions. These were advertised by the European Union, MyGovernance Program and Australian Volunteers International (AVI). The LTX also participated in the selection process for the United Kingdom, Department for International Development (DFID) funded full-time SAS expansion advisor.

Next Steps

Project activities ended on February 1, 2021. The budgeted end date for the project could not be met due to the intervening military coup and uncertainties resulting. Should the situation return to normal, IRD's record of successful reform progress suggests that a new CD project can be considered for the future. Implementing a successful revenue reform process would however require a stronger lead role by the Ministry of Finance.

III. LOGICAL FRAMEWORK

Myanmar, Union Of (MMR)				
OBJECTIVE: Strengthened revenue administration management and governance arrangements				
Outcome	Rating	Verifiable Indicators	Baselines	Results
Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized	Partially Achieved	1. Strategic and operational plans prepared and adopted 2. Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated 3. Reform management capacity strengthened or in place for reform implementation, including dedicated resources 4. Key performance indicators established, regularly reported and monitored	1. Baseline: A strategic and multi-year reform plan (the MTRS) is in place but need refreshing and updating. Resource Plan yet to be developed. Tax Reform Program Management Unit (TRPMU) in place with dedicated resources. An initial set of KPI's has been developed and deployed in LTO and are being deployed in the balance of the organization. Target: Both strategic (the MTRS) and reform plans are approved by Cabinet and disseminated in IRD. TRPMU processes fully operational. Full set of KPI's is developed and fully deployed. Monitoring, reporting and analysis is part of daily operations. 2. Baseline: A strategic and multi-year reform plan (the MTRS) is in place but need	1. Largely achieved. A strategic plan (IRD Reform Journey 2017/18 to 2022/23) guides the reform program. 2. Improvements to annual reform planning processes evident in 2018-19, 2019-20 and 2020-21 years. 3. Tax Reform Directorate established; capacity strengthening remains challenged by staff rotation practices. 4. Key performance indicators developed for all reform offices. Monitored by ODG and OMD. Monthly reports to BoD from April 2019. Covid-19 developments have resulted in a deterioration of governance oversight in 2020.

			refreshing and updating. Resource Plan yet to be developed. Tax Reform Program Management Unit (TRPMU) is in place with dedicated resources. An initial set of KPI's has been developed and deployed in LTO and are being deployed in the balance of the organization. Target: Both strategic (the MTRS) and reform plans are approved by Cabinet and disseminated in IRD. TRPMU processes fully operational. Full set of KPI's is developed and fully deployed. Monitoring, reporting and analysis is part of daily operations. 3. Baseline: A strategic and multi-year reform plan (the MTRS) is in place but need refreshing and updating. Resource Plan yet to be developed. Tax Reform Program Management Unit (TRPMU) is in place with dedicated resources. An initial set of KPI's has been developed and deployed in LTO and are being deployed in the balance of the	
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Milestones	Rating	Milestone Achievements		
TRPMU processes updated.	Fully Achieved	Achieved.		
TRPMU processes fully operational.	Largely Achieved	Commencement of new Director from October 1, 2019 brings renewed opportunities for focus and improved capabilities and processes.		
Full set of annual business plans prepared	Partially Achieved	All HQ Directorates and LTO and MTO1 have business plans for the transitional fiscal year: April 1 to September 30, 2019. These plans were not revised for the fiscal year October 2019 to September 2020 and the following 2020-21 year.		
A full set of KPI's is operational.	Partially Achieved	HQ KPIs formally endorsed with effect from April 1, 2019. LTO and MTO1 KPIs in place.		
Integrated business planning process developed.	Partially Achieved	Business planning processes in place, but not sustained.		
New Strategic Plan developed for Phase III		Not yet due.		
Outcome	Rating	Verifiable Indicators	Baselines	Results
Organizational arrangements enable more effective delivery of strategy and reforms	Partially Achieved	1. Appropriate institutional settings in place 2. Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened 3. Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted	1. Baseline: Headquarters (HQ) and LTO restructured along functional lines. Adjustments being made to Headquarters and MTO-1 is moving to functions. Balance of IRD not yet restructured. Roles have been defined in Headquarters but not embedded. More work needed to embed the new role and responsibilities of HQ. Target: Within five years LTO, and a small number (three to five) of MTOs in key sites will be functional.	1. Strong management and governance arrangements in place for both operational and reform programs however have recently been adversely impacted by Covid-19. 2. Achieved in part. ITAS implementation over next 2-3 years will provide major impetus for continued re-engineering of administration processes and organizational structures. 3. Separation of roles and responsibilities for HQ and

			Balance of the organization will take longer. New units for data processing and taxpayer service developed within the structure. Clear separation of roles and responsibilities HQ and local branches adopted. 2. Baseline: Headquarters (HQ) and LTO restructured along functional lines. Adjustments being made to Headquarters and MTO-1 is moving to functions. Balance of IRD not yet restructured. Roles have been defined in Headquarters but not embedded. More work needed to embed the new role and responsibilities of HQ. Target: Within five years LTO, and a small number (three to five) of MTOs in key sites will be functional. Balance of the organization will take longer. New units for data processing and taxpayer service developed within the structure. Clear separation of roles and responsibilities HQ and local branches adopted. 3. Baseline: Headquarters (HQ) and LTO restructured along functional lines.	local offices will be assisted by activities to implement the Tax Administration Law (TAL). ITAS implementation will force IRD to direct efforts for greater clarity in this area. Roles and responsibilities for offices operating under the Self-Assessment System need some rebalancing to ensure that HQ embraces its responsibilities. This process is underway.
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			Adjustments being made to Headquarters and MTO-1 is moving to functions. Balance of IRD not yet restructured. Roles have been defined in Headquarters but not embedded. More work needed to embed the new role and responsibilities of HQ. Target: Within five years LTO, and a small number (three to five) of MTOs in key sites will be functional. Balance of the organization will take longer. New units for data processing and taxpayer service developed within the structure. Clear separation of roles and responsibilities HQ and local branches adopted.	
Milestones	Rating	Milestone Achievements		
Centralized taxpayer service unit established within MTO structure.	Fully Achieved	CTSU Reform Project Activity Plan 2020-21 will be amended to show detailed requirements and timeline for securing accommodation and equipment. Public education campaign to be developed. Decision made to amalgamate with centralized registration processes for all Yangon region new entrants.		
Centralized data processing unit established for LTO, MTO.	Fully Achieved	Unit established and operational from November 1, 2018. SOP clarifying roles for LTO1, MTOs and CPU close to finalization.		
Clear separation of roles between HQ and field offices.	Partially Achieved	HQ has recently made decisions to outpost but continue to control functions such as Risk Management & Intelligence and centralized processing, registrations and taxpayer services for medium SAS taxpayers . Tax Administration Law supports this separation of roles progress.		
Headquarters operating on functional lines.	Fully Achieved	New organizational structure formally adopted in 2017 however it is currently under revision. Functional design not fully understood and further refinement required. ITAS implementation will drive this as a necessity		

MTO 1 operating on functional lines.	Fully Achieved	Achieved with MTO1 and former MTO 2 combined.		
MTO 2 operating on functional lines.	Partially Achieved	New MTO2, responsible for foreign corporate taxpayers will move to functional lines when taxpayers enter the self-assessment regime. Plan developed in 2019 with commencement on October 1, 2020.		
MTO 3 and 4 operating on functional lines.		Not yet due.		
Organizational design updated including proposal for Small Taxpayer Offices (STOs).	Partially Achieved	Draft organizational structure developed.		
Outcome	Rating	Verifiable Indicators	Baselines	Results
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	Partially Achieved	1. Substantive provisions of the tax and customs laws are better aligned with modern standards and/or protocols, and are widely communicated, and applied	1. Baseline: TAPL drafted and under review. Target: TAPL passed into law. Communication strategy developed and deployed.	1. TAL passed June 4, 2019; Income Tax Law rewritten and submitted to Union Attorney General for review. Presented to the Parliament in the September 2020 sittings. Will now be held over until after the National Elections in November 2020. Assistance from FAD sought for review of Commercial Tax Law in transition to VAT design.
Milestones	Rating	Milestone Achievements		
TAPL passed by parliament.	Fully Achieved	TAPL now the TAL, passed June 4, 2019.		
Communications strategy developed.	Largely Achieved	Strategy completed. STX support provided, May and August 2019.		
Communications strategy deployed.	Partially Achieved	IRD has commenced the process of informing staff and taxpayers using its traditional process of face to face" meetings. Communications strategy approaches not employed, initially, however the impact of COVID-19 has required some rethinking and greater use of email and website information will be used for MTO2 taxpayers to transition into SAS .		

TAPL policy and procedures progressively implemented.	Partially Achieved	Law passed; implementation plan currently being reviewed.		
Outcome	Rating	Verifiable Indicators	Baselines	Results
More independent, accessible, effective and timely dispute resolution mechanisms adopted	Partially Achieved	1. Existence of an independent, workable, and graduated dispute resolution process (TADAT POA7-19)	1. Baseline: TAPL includes a disputes resolution process. Current process is inadequate to meet IRD needs going forward. Target: Disputes resolution process in place and implemented.	1. Some progress made with Revenue Appellate Tribunal Law (RATL) coming into effect.
Milestones	Rating	Milestone Achievements		
Disputes procedures developed and published.	Partially Achieved	Limited progress to date.		
Incorporated in the communications strategy.		Not yet due.		
Disputes procedures implemented.	Partially Achieved	Limited progress to date.		
Post implementation review of disputes procedures		Not yet due.		
Outcome	Rating	Verifiable Indicators	Baselines	Results
Support functions enable more effective delivery of strategy and reforms	Partially Achieved	1. Support functions and policies strengthened or in place, including infrastructure, finance, legal, research, and communications 2. Improved human resources strategies and practices to support the tax administration	1. Baseline: HQ legal and policy, research and communications support functions not fully established and operational. Support functions exist but are in the formative stages. Low capacity a major problem. Work allocation by function is not consistent. Minimal	1. Some progress made however more needs to be done to strengthen both support functions and policies. 2. Human Resources Directorate established. Focus on human resource strategies and practices scheduled for 2020. Progress now delayed

			support functions exist in local offices. HR strategies and practices do not support the tax administration Target: Support functions are fully established and operational. 2. Baseline: HQ legal and policy, research and communications support functions not fully established and operational. Support functions exist but are in the formative stages. Low capacity a major problem. Work allocation by function is not consistent. Minimal support functions exist in local offices. HR strategies and practices do not support the tax administration Target: Support functions are fully established and operational.	with cessation of advisor support due to COVID-19.
Milestones	Rating	Milestone Achievements		
Support functions in place.	Largely Achieved	Some progress has been made.		
Workforce planning strategy developed.		Not yet due. Scheduled for actioning in 2020-21. Donor support by EU proposed. Now postponed due to COVID-19.		
HR strategy updated and aligned to organizational design.	Partially Achieved	Scheduled for actioning in 2020-21. Now postponed due to COVID-19.		
Support functions processes designed.	Largely Achieved	Some progress has been made.		
Support function processes developed and implemented.	Largely Achieved	Some progress has been made.		

Support functions operational as designed.	Partially Achieved			
Workforce planning strategy developed updated for STOs.		Not yet due.		
Outcome	Rating	Verifiable Indicators	Baselines	Results
Corporate priorities are better managed through effective risk management	Partially Achieved	1. Better identification, assessment and mitigation of institutional risks (TADAT POA2-6) 2. Better mitigation of risks through a compliance improvement program (TADAT POA2-4) 3. Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5)	1. Baseline: Risks not identified and documented. Analytical and research skills to be developed. No compliance improvement strategy in place. Compliance mitigation activities to be identified. Target: Compliance risks identified, assessed, ranked, and quantified through intelligence and research. Compliance improvement plan in place with program to mitigate identified risks. Compliance risk mitigation activities monitored and evaluated. 2. Baseline: Risks not identified and documented. Analytical and research skills to be developed. No compliance improvement strategy in place. Compliance mitigation activities to be identified. Target: Compliance risks identified, assessed,	1. Some progress has been made to identify institutional risks; however, this is still at a superficial level 2. Some progress made (at a sectoral level). Not yet at a detailed level for all risks and all segments. 3. Sectoral Compliance Improvement Plan developed for LTO and MTOs with HQ input. Deployment in 2020-21 – impacted by Covid-19.

			ranked, and quantified through intelligence and research. Compliance improvement plan in place with program to mitigate identified risks. Compliance risk mitigation activities monitored and evaluated. 3. Baseline: Risks not identified and documented. Analytical and research skills to be developed. No compliance improvement strategy in place. Compliance mitigation activities to be identified. Target: Compliance risks identified, assessed, ranked, and quantified through intelligence and research. Compliance improvement plan in place with program to mitigate identified risks. Compliance risk mitigation activities monitored and evaluated.	
Milestones	Rating	Milestone Achievements		
Compliance Improvement Strategy (CIS) for LTO developed.	Largely Achieved	Completed for one industry sector.		
CIS developed for MTO.	Largely Achieved	Completed for one industry sector.		
Framework in place to monitor and evaluate mitigation activities.	Partially Achieved	No substantive progress to date.		

CIS developed for IRD.	Partially Achieved	
Risk and Intelligence Unit established.	Fully Achieved	Unit formally established, December 2018. Partially deployed to Yangon in March 2020 to better support SAS audit teams.
CIS and processes enhanced.		Not yet due.
Data analytics capability enhanced.	Partially Achieved	Some basic capability established in the new risk team.

Myanmar, Union Of (MMR)				
OBJECTIVE: Strengthened core tax administration functions				
Outcome	Rating	Verifiable Indicators	Baselines	Results
Taxpayer services initiatives to support voluntary compliance are strengthened	Partially Achieved	1. Scope, currency and accessibility of information for taxpayers improved (TADAT POA3-7)	1. Baseline: Limited taxpayer information available. KPI for service delivery has been developed but limited application. Monitoring has commenced in LTO. Monitoring yet to commence for wider organization. No measurement of taxpayer perceptions. Target: Education and information publications developed for taxpayers. Legal interpretation statements published. Service standards in place for IRD and routinely monitored. LTO taxpayer perception survey undertaken, and results evaluated.	1. Some progress has been made for LTO/MTO however not yet fully operational

Milestones	Rating	Milestone Achievements		
Taxpayer service strategy developed.	Largely Achieved	A draft, developed in 2016, needs to be finalized.		
Complete set of taxpayer service KPI's developed and deployed.	Largely Achieved	Partially developed for LTO, MTO1 and HQ.		
Legal interpretation statements published as developed—first publication.	Fully Achieved	Developed and published on IRD website at direction of the Technical Review Committee. Myanmar language versions from March 2019; English language versions from May 2019. Timing of further publications impacted by Covid-19.		
Taxpayer perception survey undertaken (limited to LTO).	Fully Achieved	Limited survey undertaken in 2017.		
Taxpayer service strategy implemented and aligned to CIS.		Not yet due.		
Outcome	Rating	Verifiable Indicators	Baselines	Results
Audit and other verification programs more effectively ensure accuracy of reporting	Partially Achieved	1. Automated cross-checking used to verify return information (TADAT POA6-16) 2. Sound methodologies used to monitor the extent of inaccurate reporting and tax gaps (TADAT POA6-18, RA-GAP results)	1. Baseline: Integrated Tax Administration System not yet developed. Limited cross checking of data outside LTO. No methodologies exist to monitor inaccurate reporting and tax gaps. Target: Automated crosschecking of data is in place. Simple methodologies to monitor the extent of inaccurate reporting and tax gaps developed. 2. Baseline: Integrated Tax Administration System not yet developed. Limited cross checking of data outside LTO. No methodologies exist to	1. No progress to date 2. No progress to date.

			monitor inaccurate reporting and tax gaps. Target: Automated crosschecking of data is in place. Simple methodologies to monitor the extent of inaccurate reporting and tax gaps developed.	
Milestones	Rating	Milestone Achievements		
Taxpayer Audit strategy aligned to CIS.	Partially Achieved	Limited progress made to date. A pilot CIS for the building and construction segment to be deployed in 2020-21.		
Processes to crosscheck data are developed, implemented, and deployed in LTO and MTOs.		Not yet due.		
Simple methodologies to monitor the extent of inaccurate reporting and tax gaps developed and deployed.		Not yet due.		

Myanmar, Union Of (MMR)				
OBJECTIVE: Change Revenue				
Outcome	Rating	Verifiable Indicators	Baselines	Results
Amendments are made to tax base in relation to [consumption/income/property and wealth/other/sector specific taxes (oil and gas, mining, telecommunications, fisheries, etc.)] taxes	Partially Achieved	1. Estimated targeted revenue change (increase or decrease) 2. Laws implementing amendments are passed	1. In relation to Income tax:- Baseline: Tax to GDP ratio is currently 8.2 percent. Target: Increase the tax-to-GDP ratio closer to regional average. In relation to Consumption tax:- Baseline: There is currently a commercial tax that is not consistent with international practice. Target: Introduce a Value Added Tax (VAT).	1. No tangible progress. Tax to GDP impacted by increased level of tax incentives and relief measures. 2. Income Tax legislation drafted and expected to be passed by Parliament in 2020-21. However, this may be affected by the timing of elections in November 2020.

			2. In relation to Income tax:- Baseline: Tax to GDP ratio is currently 8.2 percent. Target: Increase the tax-to-GDP ratio closer to regional average. In relation to Consumption tax:- Baseline: There is currently a commercial tax that is not consistent with international best practice. Target: Introduce a Value Added Tax (VAT).	Minister has requested FAD and LEG assistance to enhance Commercial Tax Law as a precursor to transition to a VAT.
Milestones	Rating	Milestone Achievements		
Develop revised draft income tax policy.	Largely Achieved	Law has been drafted and consultation has taken place. Further policy recommendations subject to review and oversight by Ministry. Review process determined.		
Introduce income tax law to Parliament.	Largely Achieved	Introduced to Parliament at September 2020 session.		
Income tax law enacted	Partially Achieved	Awaiting passage of legislation.		
Develop draft VAT policy.				
Introduce VAT law to Parliament.				
VAT law enacted				

Myanmar, Union Of (MMR)				
OBJECTIVE: Design taxes to maximize transparency (including in the policy process), maximize potential for enforcement, and minimize administration and compliance costs				
Outcome	Rating	Verifiable Indicators	Baselines	Results
Tax expenditures are prepared in relation to [consumption/income/property and wealth/other/	Partially Achieved	1. Tax expenditures are published	1. Baseline: Tax expenditures are widespread and are not estimated or published.	1. No progress to date. However, some analysis of exemptions data held for LTO

sector specific taxes (El, telecommunications, fisheries, etc.)] taxes			Target: All tax expenditures are estimated and published.	and MTO1 taxpayers has been undertaken.
Milestones	Rating	Milestone Achievements		
Identification of tax expenditures.	Partially Achieved	Identification of tax exemptions has commenced.		
Estimation of tax expenditures and publication of tax expenditure statement.	Partially Achieved	IRD has approved access to data and the development of a paper on the cost/benefit of current exemptions policies.		

Myanmar, Union Of (MMR)				
OBJECTIVE: Improve the structures related to tax policy advice and analysis, wherever they are located within government, including: organization of tax policy units and building tax models or other tools for analysis and revenue forecasting				
Outcome	Rating	Verifiable Indicators	Baselines	Results
Tax analysis unit is set up (includes cases of mining and oil and gas sector)	Partially Achieved	1. Tax policy and analysis unit is staffed and operational 2. Tax policy and analysis unit produces policy analysis/advice/monitoring work	1. Baseline: There is currently no dedicated tax policy and analysis unit in the Myanmar government. Target: Have a fully functioning tax policy and analysis unit. 2. Baseline: There is currently no dedicated tax policy and analysis unit in the Myanmar government. Target: Have a fully functioning tax policy and analysis unit.	1. Some progress made however not yet fully operational. 2. Some progress made however not yet fully operational. Forecasting team have produced analysis to support Government revenue policy response to COVID-19 developments.
Milestones	Rating	Milestone Achievements		
Establish plans for developing the tax policy unit, including required staffing and capacity development needs assessment.	Fully Achieved	A Policy & Research Directorate has been established		
Establish Tax Policy unit.	Fully Achieved	Included in Policy & Research Directorate under functional structure introduced in September 2017.		

Establish policies and procedures for Tax Policy unit	Partially Achieved	Some procedures are in place.
Tax Policy unit contributes to income tax policy reforms	Partially Achieved	Some progress. Revenue forecasting capability established with first quarterly forecast report produced in support of a move to evidence-based policy making, April 2019. Analysis produced to support Government revenue policy response to COVID-19 developments.
Tax policy unit contributes to VAT policy reforms		Not yet due.

Myanmar, Union Of (MMR)				
OBJECTIVE: Improve the effectiveness and efficiency of the tax system to improve tax collection by introducing new—or amending existing—tax legal frameworks in accordance with international best practices				
Outcome	Rating	Verifiable Indicators	Baselines	Results
Country adopts or amends laws incorporating changes to the tax legal framework	Partially Achieved			
Milestones	Rating	Milestone Achievements		
Draft Income Tax Law released for public consultation	Fully Achieved	Draft law circulated for consultation and subsequently presented to Parliament.		
Draft Income Tax law introduced to Parliament	Fully Achieved	Draft law submitted to Parliament in September 2020.		
New Income Tax law entered into effect		Further consideration of draft law postponed until March 2021 session of Parliament. Progress now uncertain.		

IV. RISK ASSESSMENT AND MITIGATION

Risks are assessed based on probability and impact. Risk ratings are low, medium, high and very high.

Risk Description	Risk Rating	Mitigation Measures	Risk Update
Political Support	High		
Economic Policy 10 reflects the government's priority for tax reforms. However, the government's reform program is extensive and the MTRS will need to compete with other Economic Policy priorities for time and attention. A culture of tax compliance is not evident in the community, and tax reforms will likely generate significant political lobbying.		Senior government officials receive briefings on the importance of taxation and reform progress. The government is briefed on the criticality and impact of delays in passing legislation.	Given the current political situation, all CD support for IRD has been paused due to uncertainty and all advisors supporting IRD reforms have departed the country. It is uncertain whether IRD will be successful in enlisting government's support for continuing reform progress.
Management Support and Technical Staff Commitment	Medium		
Management support and commitment are limited to a few key staff. A broader base of management understanding and support, across IRD, is needed to ensure staff are also supportive and the reforms are sustainable.		Stakeholder engagement plan updated and implemented.	
Resource Adequacy	High		
Current capacity to achieve results required by such a big reform program is low.		Capacity development plans in place supported by intensive technical assistance.	
External Climate/Conditions	High		
Longer term sustainability of the reforms is at risk from a number of quarters including: long standing corrupt practices, the absence of a tax paying culture, HR policies and procedures (e.g., remuneration, rotation,		Anti-corruption measures put in place with supporting HR (and remuneration) policies.	

Risk Description	Risk Rating	Mitigation Measures	Risk Update
recruitment, retention, performance management, etc.) that do not support the new approaches and gaps in technical assistance.		Public awareness campaign developed and approved by the government with appropriate funding. Donors identified to assist with HR development. Donors identified to assist in the areas not covered by the IMF program of assistance.	
Other Risks	High		
If the reforms are not sequenced through careful planning, implementation will become disjointed and cause unnecessary delays.		Strategic plan developed. Reform master plan in place and monitored regularly through a governance framework. Program dependency management improved.	