

## I. COUNTRY REFORM PROGRESS

The tax policy module was approved during the January 2025 Global Public Finance Partnership (GPFP) Steering Committee meeting. To date, two capacity development (CD) activities have been delivered, focusing on the identification, quantification and reporting of tax expenditures and the provision of training to the newly established tax policy unit (TPU). This CD has helped authorities build foundational knowledge on tax policy analysis, which ultimately supports improvements in institution building, governance, and domestic revenue mobilization.

On the revenue administration side, the GPFP project has closely supported advancing tax (improving large and medium taxpayers' compliance, broadening the tax base, tackling tax fraud by crosschecking tax and customs data, adopting a tax arrears collection strategy and preparing for the digitalization of core tax procedures) and customs administrations (cleansing customs duties arrears, introducing performance contracts, setting up the tariff in SYDONIA). These were structural reforms and benchmarks established by the IMF's Extended Credit Facility (ECF) lending program. Since June 2025, the resident advisor based in Moroni, financially supported by the GPFP project, ensures on site the coordination of interventions from the IMF's Fiscal Affairs Department (FAD) and the Regional Technical Assistance Center for Southern Africa (AFS) with those of other CD providers (such as France, the World Bank, and the OECD).

## II. PROJECT DELIVERY HIGHLIGHTS

### RM I: Revenue Module I – Tax Policy

**Key Progress in FY26:** The first year of meaningful substantive engagement on tax policy showed promising outlook but evidenced institutional fragility justifying sustained engagement to the extent possible. A key milestone was the production of the country's first tax expenditures report. A second milestone was dedicated training provided to the newly established TPU, which would benefit from additional support to ensure that it can meaningfully contribute to the assessment of tax policy reform options.

**Previous Progress:** Previous engagement in FY25 focused on supporting the preparation of the tax expenditures report, which was finalized in October 2025.

**Next Steps:** Additional support on tax expenditures is being planned for summer 2026, after which the priority for the next engagement (also planned for FY27) will be determined.

### RM II: Revenue Module II – Revenue Administration

**Key Progress in FY26:** A compliance improvement plan (CIP) is now in place and produced significant increases in on-time filing and payment among large and medium taxpayers and a reduction in outstanding tax debts between 2024 and 2025 for large and medium-sized taxpayers. Progress on tax base expansion is evidenced by field census work and data cross-checks with customs, which helped register new taxpayers. The number of active large and medium taxpayers increased from 677 to 831 between 2024 and 2025.

**Previous Progress:** The capacities of the large and medium-sized taxpayers' office were strengthened, and a CIP was developed. Hands-on support from the GPFP tax resident advisor and AFS's short-term expert

visits helped the tax administration to improve tax and customs' data cross-checking, improved tax audit planning and modernizing tax forecast capacities. On customs, FAD and AFS visits took stock of CD provided and assessed the ongoing needs with the new customs management.

**Next Steps:** The authorities plan to modernize the tax procedures code and will continue to broaden the tax base, notably by increasing the number of active large and medium taxpayers by 20 percent from January to December 2026. An extension of the GPFP project for customs is underway. This support will allow us to continue providing help to implement the performance contract and strengthen internal control.

### III. LOGICAL FRAMEWORK

| Country – Comoros                                                                                               |                      |                                                                                                                                                                                                                                                                                                    |
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| RM I: Objective – Objective – Improve Tax Policy Design - TPD                                                   |                      | Rating - 2                                                                                                                                                                                                                                                                                         |
| Outcome                                                                                                         | Rating               | Narrative                                                                                                                                                                                                                                                                                          |
| Increased/decreased revenue quantity                                                                            | 2 Partially Achieved | Comoros initiated the repeal of some of its tax expenditures including tax exemptions related to the Consumption Tax, the <i>Accompte sur les Impôts</i> , and Excise Duties.                                                                                                                      |
| Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures | 1 Not Achieved       | Reforms intended to address existing distortions to consumption, investment, savings, and labor market decisions have not yet been implemented.                                                                                                                                                    |
| Improved distributional fairness across taxpayers due to amended tax rates or base                              | 1 Not Achieved       | Reforms intended to improve equity (mostly through amendments to income taxes) have not yet been implemented.                                                                                                                                                                                      |
| RM I: Objective –Strengthen Policy Monitoring, Evaluation and Institutions - TPM                                |                      | Rating - 3                                                                                                                                                                                                                                                                                         |
| Outcome                                                                                                         | Rating               | Narrative                                                                                                                                                                                                                                                                                          |
| Improved transparency and outreach                                                                              | 3 Largely Achieved   | Comoros finalized its first tax expenditures report by end-October 2025, consistent with the deadline for this Structural Benchmark under the IMF Program. As for writing time, the report has not yet been made public although expectations are that this will likely happen in the near future. |
| RM II: Objective –Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM   |                      | Rating - 3                                                                                                                                                                                                                                                                                         |
| Outcome                                                                                                         | Rating               | Narrative                                                                                                                                                                                                                                                                                          |
| Capacity for reform increased due to clear reform strategy and a                                                | 2 Partially Achieved | In view of the very limited capacity of the tax administration, priority has been given for the time                                                                                                                                                                                               |

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| strategic management framework adopted and institutionalized                                                          |                      | being to strengthen core functions, including broadening the tax base. This activity benefited from hands-on support provided by the tax resident advisor.                                                                                                                                                                                                                                                        |
| Corporate priorities are better managed through effective risk management                                             | 4 Fully Achieved     | A CIP based on main risks and targeting large and medium-sized taxpayers is in place and monitored with the support of the tax resident advisor.                                                                                                                                                                                                                                                                  |
| Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols | 2 Partially Achieved | In view of the very limited capacity of tax administration, priority has been given for the time being to strengthen core functions, including broadening the tax base. However, reform of the tax procedures code will begin in FY27. An initial review of the texts has already been carried out.                                                                                                               |
| <b>RM II: Objective –Strengthened core tax administration functions (SDG 17.1) - TAD</b>                              |                      | <b>Rating - 3</b>                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Outcome</b>                                                                                                        | <b>Rating</b>        | <b>Narrative</b>                                                                                                                                                                                                                                                                                                                                                                                                  |
| The integrity of the taxpayer base and ledger is strengthened                                                         | 4 Fully Achieved     | As a result of census work in the field and the cross-referencing of information and data with customs, new taxpayers have been taxed and registered in the tax authorities' database. The number of active large or medium taxpayers increased by 23 percent at end December 2025. The GPFP project will continue to assist in broadening the tax base. Taxpayer's database cleansing work is still in progress. |
| A larger proportion of taxpayers meet their filing obligations as required by law                                     | 3 Largely Achieved   | Large and medium taxpayer's TCA and PAYE withholding returns submitted at due date increased significantly in 2025.                                                                                                                                                                                                                                                                                               |
| A larger proportion of taxpayers meet their payment obligations as required by law                                    | 3 Largely Achieved   | Number of large and medium taxpayers paying TCA and PAYE withholding increased significantly in 2025. The amount of outstanding debts owned by large and medium taxpayers decreased between 2024 and 2025.                                                                                                                                                                                                        |
| <b>RM II: Objective –Improved customs administration functions (SDG 17.1) - CAD</b>                                   |                      | <b>Rating - 2</b>                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Outcome</b>                                                                                                        | <b>Rating</b>        | <b>Narrative</b>                                                                                                                                                                                                                                                                                                                                                                                                  |
| Customs control during the clearance process more effectively ensures accuracy of declarations                        | 2 Partially Achieved | Implementation of the tariff in the IT customs system is in progress.                                                                                                                                                                                                                                                                                                                                             |
| Audit and anti-smuggling programs more effectively ensure enforcement of customs laws                                 | 2 Partially Achieved | A task force has been set up and trained, jointly with AFS, to collect arrears due to special regimes, before the end of 2024, as part of achieving a structural benchmark of the ECF.                                                                                                                                                                                                                            |

#### IV. RISK ASSESSMENT

| Description                                                                                                                                                                                                | Rating | Mitigation Measures                                                                                                                                                                                                                                                                                                            |
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| <b>External Climate/Conditions</b>                                                                                                                                                                         |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: World economy, security, weather, etc.                                                                                                                                                               | Medium | Factor authorities' priorities into our work program and remain flexible in delivering the workplan.                                                                                                                                                                                                                           |
| RM II: The tax administration is located on three islands with little means of communication. It poses problems in terms of information sharing, work supervision and financial reporting.                 | Medium | Engaged with the staff of the local branch of tax administration located in Ndzuwani and Mwali. Ensure CD plans include sufficient training for staff of these two islands.                                                                                                                                                    |
| <b>Political Support</b>                                                                                                                                                                                   |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: Obtain needed leadership from the Minister and sufficient buy-in from the whole government to enact meaningful legislative reforms.                                                                  | High   | Engage constructively with high-level officials to ensure that they appropriate themselves of proposed reform options and that their views are considered and reflected in the analysis and recommendations. Work closely with country team.                                                                                   |
| RM II: Lack of political support for reforms inhibits resources being allocated that are needed to enhance the performance and restore the credibility of the tax administration.                          | High   | Engage regularly with the Minister to ensure ownership of reforms. Ensure CD on revenue is focused on the ECF program and engage with the IMF's African Department team to align structural benchmarks with the CD recommendations.                                                                                            |
| <b>Management and Technical Staff Support and Commitment</b>                                                                                                                                               |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: Buy-in and commitment by our direct counterparts at the budget ministry.                                                                                                                             | High   | Engage constructively with counterparts to ensure that they appropriate themselves of reform options and that their views are considered in the analysis and recommendations. Remain agile and build the CD program based on their needs and preferences. Ensure frequent communication, including regular in-person missions. |
| RM II: Commitment by the director-general has been gained but that of his staff is still weak. Several regional appointments, and reform's ownership by managers on the two of three islands is still low. | Medium | Engage proactively with management and technical staff, including in Ndzuwani and Mwali, and explain the importance of the tax administration reform plan and strengthening tax risk management.                                                                                                                               |
| <b>Resource Adequacy</b>                                                                                                                                                                                   |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: Resource adequacy in budget ministry, including number of staff and skillset.                                                                                                                        | Medium | Sequence CD and reform proposals to align with country capacity. Offer complementary CD in the form of follow-up engagements or support in legal drafting. Coordinate closely with FAD revenue administration colleagues.                                                                                                      |

| Description                                                                                                                                                     | Rating | Mitigation Measures                                                                                                                                            |
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| RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.                                                          | High   | Ensure CD plans include sufficient training and prioritize CD to risks areas where resources are limited.                                                      |
| <b>Other Risks</b>                                                                                                                                              |        |                                                                                                                                                                |
| RM II: Supervision of work on the other two islands is inadequate, due to the lack of interconnection of the IT systems and the influence of local authorities. | Medium | Ensure that the IT system (SIGIT) is interconnected, developed a clear job description, and engaged regularly with the local authority during CD missions.     |
| RM II: Multiple donors are providing intense technical assistance on tax area and contradictory recommendations, or overlaps may arise as a result.             | Low    | Take an active role, with the support of the IMF local office, in engaging with other donors to ensure support is well coordinated or organize joint missions. |

## V. PROJECT MANAGERS: CONTACT INFORMATION

| Project Manager             | Module Project Manager                                                        | E-mail                                                                                                                 |
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