



**Amendment to
Project Proposal for
THE PHILIPPINES**

March 2026

Component: Revenue

Module: RM-II: Revenue Administration



PROJECT SUMMARY

COUNTRY: The Philippines

LEAD DEPARTMENT: FAD

REGION: APD

PLANNED DATES: FY26/27

PROJECT MANAGERS: Sebastian Beer (Tax Policy, FADT2, Lead)
Supriyo De (Revenue Administration, FADR1)

ESTIMATED BUDGET \$ 406,600

BUDGET FOR ENDORSEMENT: \$ 406,600

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy; RM-II Revenue Administration	January 2024
AMENDMENT 1	Update of RM-II Revenue Administration module to provide additional CD requested by country authorities and maintain momentum of work on revenue administration reforms; this would also have implications for tax policy reform implementation.	March 2026

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ACRONYMS

ADB	Asian Development Bank
APD	IMF's Asia and Pacific Department
BIR	Bureau of Internal Revenue, Philippines
CD	Capacity development
CIP	Compliance improvement plan
CIT	Corporate income tax
CRM	Compliance risk management
DOF	Department of Finance, Philippines
FAD	IMF's Fiscal Affairs Department
GovTech	Digitalization of public finance
GPFP	Global Public Finance Partnership
MTRS	Medium-term revenue strategy
STX	Short-term expert
TADAT	IMF's Tax Administration Diagnostic Assessment Tool
VAT	Value-added tax

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

The Philippines continues strengthening revenue mobilization, with strong assistance from the IMF's Fiscal Affairs Department (FAD). Revenue improvements will reflect a strengthened tax system design, including through the modernization of the value-added tax (VAT) from the tax policy side, but also through critical tax administration reforms. Reforms in these areas, when accompanied by concomitant strategic insights, managerial input and human resource enhancements, could raise tax to GDP ratio by around 1.8 percent of GDP.

The Bureau of Internal Revenue (BIR) has expressed interest in further capacity development (CD) following on the 2024 Tax Administration Diagnostic Assessment Tool (TADAT) assessment and the recommendations of the recent mission on compliance risk management (CRM) and data analytics, both of which were funded by Global Public Finance Partnership (GPFP). The BIR had abandoned a previous effort at CRM adoption, but the TADAT process helped demonstrate the need for it. The amendments in this proposal will help the authorities develop the capacity needed to make CRM a success. With CRM in place, the BIR can move from a system of ad hoc and decentralized decision making on audits to a more centralized, systematic and data-driven approach.

The Department of Finance (DOF) has also requested CD for VAT and corporate income tax (CIT) compliance gap estimation and analysis, which would also feed into the CRM process. These requests have arisen from a coordinated engagement between FAD tax policy and revenue administration staff with the DOF. This proposal seeks to capitalize on this reform momentum and the requests for additional CD.

Description of Modules

The tax policy module included a comprehensive VAT diagnostic to address low VAT efficiency, tax expenditure assessments to improve incentive frameworks, and capacity building in revenue forecasting and analysis. Authorities have committed to modernizing the VAT law and ongoing evaluation of tax incentives. This emphasis adds to an already established emphasis on tax expenditure assessment and revenue mobilization strategy. In FY26 the tax policy CD will focus on VAT modernization (recasting the VAT law) and evaluation of select tax expenditures.

RM II: Revenue Module II – Revenue Administration

The revenue administration module focused on conducting a TADAT assessment to establish a baseline understanding of tax administration, followed by reform planning emphasizing digitalization and governance improvements. After the 2024 TADAT assessment, a CRM roadmap was developed and endorsed by BIR management, with further CD requested for CRM strategy and tax gap analysis. This complements the tax policy module in preparing for VAT reforms and e-invoicing.

A post-TADAT follow-up mission and assistance on CRM and data analytics was completed in September 2025. Authorities then created a CRM Roadmap developed combining the workshop's insights with lessons from past attempts. CRM re-implementation has been endorsed by the BIR Management Committee (ManCom) ensuring organizational engagement.

The additional CD proposed here would support the BIR in formulating its CRM strategy and enhance data analytics. Tax-gap analysis CD for the DOF to feed into BIR CRM would determine the extent and nature of non-compliance and provide evidence to support compliance management decisions.

The estimated budget for this project amendment is \$406,600, covered within the total budget endorsement request for the Philippines of \$1,468,477 through FY27.

II. BACKGROUND

Macro-fiscal situation

The Philippine economy is expected to remain resilient, despite losing some momentum amid external headwinds. Economic growth is projected at a 5.4 percent rate in 2025, accelerating to 5.7 percent in 2026. However, downside macroeconomic risks warrant close attention and reinforce the need for revenue mobilization, starting with vulnerability to natural disasters and global trade uncertainty.

More gradual medium-term fiscal consolidation is appropriate and should be underpinned by durable revenue mobilization efforts and public financial management reforms to enhance budgetary accountability and transparency, according to recommendations from the 2025 Article IV consultation. Over the medium term, the authorities should continue implementing gradual fiscal consolidation, in line with their targets, to replenish fiscal buffers and support external balance. However, implementing concrete and durable tax measures would limit the need for restraint in priority spending, which tends to

have a larger impact on growth and disproportionately impacts vulnerable populations.¹ This GPFP amendment is designed to enhance revenue mobilization through improved revenue administration, which will help authorities deliver on their broad development goals as well as directly address the Article IV recommendations.

Country engagement and alignment to reform priorities

This GPFP project amendment seeks to build on recent successful engagements with country authorities. Relationships were cultivated and momentum created during the various GPFP-funded tax policy and revenue administration engagements, such as the tax expenditures assessment and VAT modernization work; and the 2024 TADAT assessment and post-TADAT missions to support the priorities assessment. CD priorities aligned with the assessment include CRM and data analytics.

In tax policy, authorities have worked to improve the overall strategy for revenue mobilization and tax expenditure assessment. Progress on tax expenditures in FY25 came in part because of a medium-term revenue strategy (MTRS) engagement workshop in November 2024, jointly developed with revenue administration and focused on gap analysis. It equipped the authorities with essential inputs and tools for tax reforms to increase revenue and improve the efficiency of taxation.

These efforts, and an attempt to introduce CRM concepts, are not new. Between 2011 and 2016, BIR pursued CRM with CD and assistance from other development partners.² However, reforms stalled after 2017, largely due to a lack of clarity and follow through on appropriate organizational arrangements. The low scores in the 2024 TADAT assessment highlighted the need for CRM and reignited BIR's interest. It signaled initial CRM reform follow-up by establishing a Compliance Improvement Strategy Committee (CISCOM) and endorsing CRM re-implementation. This renewed momentum encouraged the IMF FAD team to follow up with further missions and seek additional GPFP funding.

Following an engagement with FAD in 2024 covering tax policy, the DOF decided to revamp and modernize the Philippines' VAT. Key components of the reform include improving input tax recovery and refunds to remove distortions in production efficiency. For the medium term, catalyzed by the successful engagement on the tax policy side, the authorities are committed to adopting a progressive VAT, which

¹ [IMF Staff Completes 2025 Article IV Consultation with the Philippines.](#)

² CRM is a methodology used to identify compliance risks within the taxpayer population. Identifying the largest relative risks to the tax base allows tax administration leaders to make informed decisions on how to address the noncompliance and promote higher rates of voluntary compliance over the long term. See [Betts, S. \(2022\). Revenue Administration: Compliance Risk Management Framework to Drive Revenue Performance \(IMF Technical Notes and Manuals No. 2022/005\), IMF.](#)

implies base broadening through the removal of exemptions and other types of relief. Given that the progressive VAT requires a real-time electronic invoicing system, the timeline for its implementation is dependent on the speed of introducing that system. At present, the BIR is in the early stages of piloting this technology and estimates that it will be implemented in approximately five years. Improved CRM and data analytics are likely to accelerate and catalyze this transition by developing synergies between digitalization and compliance management. Hence, additional GPFP funding is being sought. This GPFP project amendment will leverage and build upon the successful engagement with country authorities cultivated during the GPFP funded 2024 TADAT assessment and post-TADAT missions to support priorities outlined in the 2024 TADAT assessment. CD priorities aligned with the assessment cover CRM and data analytics.

IMF priority areas and cross-cutting themes

The project addresses one of the IMF's three cross-cutting themes, digitalization, by including the use of data analytics for improved CRM, leveraging benefits from digitization initiatives supported by other development partners such as the Asian Development Bank (ADB) and the World Bank, and strategically preparing for real-time electronic invoicing system for VAT. Coordination with ADB is particularly important as it is financing the overall digitalization process at BIR, which provides a strong foundation for CRM adoption. This hand-in-hand approach is based on regular meetings with the ADB to monitor the progress of digitalization, and ensures that GPFP CD is sequenced to match BIR's technical ability to absorb it.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to the Philippines in revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	Strengthened revenue administration management and governance arrangements (SDG 17.1)

A. RM II - Revenue Administration

Scope

The BIR has expressed interest in further CD to follow up on the 2024 TADAT assessment and the recommendations of the recent mission on CRM and data analytics. The DOF has also requested CD for VAT and CIT compliance gap estimation and analysis, which would also feed into the CRM process.

Purposeful steps are needed to improve CRM and move closer to international good practice across FY26 and FY27. A range of immediate and medium-term improvements have been categorized into six groupings: (1) strengthening governance and management arrangements; (2) adopting a structured process for the identification of risks; (3) implementing a CRM risk register to record compliance risks; (4) use of compliance improvement plans (CIPs) for significant compliance risks; (5) strengthening intelligence gathering; and (6) building CRM-oriented data analytics capability.

Given the need for BIR to retain the momentum gained during the IMF missions, remote engagement through online helpdesk or routine check-in arrangements would be prioritized. These would be divided into two separate and complementary workstreams: (1) support for implementing the organizational structure of and processes for CRM; and (2) support for enhancing and re-orienting data analytics. For the former, assisting in operationalizing the CISCOP and holding online sessions to enhance regional CRM capabilities would be helpful. For the latter, assessing and synchronizing BIR's ongoing and diverse data analytics initiatives would be a first step. Separate remote short-term expert (STX) missions are planned to address each of these. BIR also needs to dovetail the data analytics work with its ongoing digitalization projects such as the digitalization initiative financed by the ADB and e-invoicing implementation plans.

In the medium term, FAD would conduct two in-person missions to assess progress and integration of the above workstreams. FAD would also help with tax gap analysis to inform BIR's CRM and data analytics work. In the Philippines, this is under the mandate of the DOF's Fiscal Policy and Monitoring Group, which has sent a request to FAF for CD to embark on this activity. A third separate HQ mission is planned to address this.

Program Objectives

The objective is “strengthened revenue administration management and governance arrangements.” The BIR would be provided with CD support to assist in CRM strategy formulation, and data analytics enhancement. Tax-gap analysis CD for DOF to feed into BIR CRM is envisaged to determine the extent and nature of non-compliance and provide evidence to support compliance management decisions.

Expected Results (outcomes)

The CRM approach provides a structured and systematic framework for identifying compliance risks, assigning priorities, developing responses, and evaluating the impact of measures taken. However, implementing an effective CRM framework and processes requires sustained effort by tax administrations. The key indicators value of the outcome would be: “updated or complete procedures for internal and/or external review of revenue administration management, governance, and operations.” This would comprise:

Identification of major compliance risks: As the initial step in using the CRM process, CD would help BIR put in place a process to identify key compliance risks. This could include using bottom-up (operational perspective) and top-down (strategic perspective) process as an input into the strategic planning in 2026. Conducting a small number of workshops involving key regional staff and headquarters functional areas to identify compliance risks from an operational perspective would be an effective approach.

Establishing a compliance risk identification and monitoring framework: The CD will also help set up a CRM risk register to be used as a key management tool. This would include identified risks and the nature of the threat they pose to the tax system including the impact on tax revenue, government policy goals and reputation of the tax administration.

Compliance Improvement Plans for Improved Voluntary Compliance: CIPs are a valuable tool to address appropriate treatment strategies to counter noncompliance by high risk taxpayers. The purpose of the CIPs is to identify the main causes contributing to non-compliance as well as related corrective measures. With FAD CD, the BIR would develop CIPs for the most significant risks identified through the bottom-up/top-down process.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The TADAT assessment completed in June 2024 serves as a critical tool for evaluating and improving the tax administration system in the Philippines. A joint tax policy and revenue administration workshop on MTRS was held in November 2024. DOF subsequently requested assistance on a phased MTRS approach to their Comprehensive Tax Reform Program. A firm request for further CD to implement this has been received. A firm request has also been received from DOF for tax gap CD which complement CRM efforts. This has arisen from a coordinated engagement between tax policy and revenue administration with DOF. The proposal seeks to follow up on this reform momentum and the requests for additional CD.

In providing CD support, the IMF's Fiscal Affairs Department (FAD) has coordinated closely with the IMF's Asia and Pacific Department (APD) and development partners, including ADB and the World Bank. The IMF FAD mission team also engaged online with the BIR Management Committee, which includes the commissioner and deputy commissioners heading the four main function groups: operations, legal, information systems and resource management. This proved instrumental in convincing them to endorse the roadmap for CRM and data analytics reforms and request further CD. Previously during the mission, the team engaged with several BIR staff and further engagements are planned to build broad-based ownership and support for the planned reforms. The previous BIR Commissioner was replaced by a former DOF undersecretary in November 2025. The newly appointed BIR Commissioner in his previous role was very supportive of the CRM and data analytics CD and reforms. Therefore, we are now more assured of management support on these reforms.

B. Delivery Modalities

CD will comprise a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned with plans, coordinate with other CD providers, and adjust reform implementation plans.

- **STX** visits to help implement the recommendations delivered by the HQ missions. Three or four STXs will be assigned to provide specialized assistance in specific areas of revenue administration.
- **Workshops** during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and to discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
APD and IMF Resident Representative	Sharing information, insights, and recommendations	Revenue administration – priorities, recommendations, and status of reforms	Quarterly
ADB	Project and mission timelines and objectives. Insights on reforms and developing synergies.	Coordination between CRM and data analytics CD of IMF and digitalization project of ADB	Bi-annually
World Bank	Sharing information, insights, and recommendations	TADAT and other diagnostics.	Annual

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II - Revenue Administration	Risk that external events create a more challenging environment to implement reforms. This includes geo-political events, recent global economic volatility, and natural disasters such as tropical storms. Demonstrations to protest alleged corruption were held by activists. Typhoon Fung-wong left Philippines with 10 dead, 1.4 million displaced.	Very High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events. Remote and alternative meeting options.
POLITICAL SUPPORT			
RM II - Revenue Administration	Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices. Recent domestic political developments such as corruption blamed for substandard, defective or non-existent flood control projects may derail the reform momentum. A broad-based general tax amnesty (GTA) proposed by some legislators for the Philippines. can undermine tax morale and regular voluntary compliance.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms. APD colleagues have been leveraged to enhance traction at higher political levels. FAD has worked with the Area Department to instead suggest implementing Voluntary Disclosure Programs (VDPs), which are more targeted and effective for improving compliance without negative side effects.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	The former BIR Commissioner was replaced by former DOF Undersecretary as new BIR chief in November 2025. Newly appointed BIR Commissioner suspended audits, describing the move as part of his reform agenda. He has ordered the creation of a technical working group to identify operational and systemic weaknesses. But staff enthusiasm for change may be limited, particularly in satellite offices, as a degree of control will migrate from them to headquarters.	High	Getting BIR ManCom endorsement for the CRM roadmap, which was vital, has been achieved. Enhance virtual and in-person discussions with BIR management and staff to assuage concerns and address questions, particularly those in satellite offices. Coordinate with DOF.
RESOURCE ADEQUACY			
RM II - Revenue Administration	Inadequate technical capacity, organizational structures, and human resources to effectively provide data and analyze data.	Medium	Strong preparatory online workshops and discussion of mission schedules to ensure BIR readiness. Similarly, intensive workshops were held for CRM and data analytics mission. Further online workshops to enhance capacity are planned.
OTHER RISKS			
RM II - Revenue Administration	Multiple development partners such as ADB and the World Bank are involved in the BIR's reform program leading to possible CD overlaps.	Low	In keeping with the MTRS process, other interested development partners have been kept looped in. Meetings were held with ADB to coordinate CD approaches.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY26	FY27	Grand Total
RM II – Revenue Administration			
HQ-led CD mission	1	2	3
STX visits	1	1	2
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1 (during mission/visits)	2 (during mission/visits)	3 (during mission/visits)
TOTAL	3	5	8

Note:

- In-person delivery was chosen in some instances because of the sensitivity of the CD messages being conveyed and the need for in-person technical exchanges.
- Remote delivery was chosen in several instances because of the short duration of the activity and the cost of travel.
- Hybrid delivery was chosen in several instances to enable APD colleagues and other development partners to join the opening and closing meetings.
- Collectively, the blend of CD delivery proposed over the duration of this project reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q4/FY26	Duty station-based Work - DS	STX: CRM Follow up
Q4/FY26	Field-Based work - FB	HQ: CRM Strategy (including workshop)
Q1/FY27	Duty station-based Work - DS	STX: Data Analytics Follow up
Q2/FY27	Field-Based work - FB	HQ: Revenue Administration Tax Gap Analysis Program (RA-GAP) VAT Gap (including workshop)
Q2/FY27	Field-Based work - FB	HQ: CRM Implementation (including workshop)

VII. PROGRAM FINANCIALS

Module	FY26	FY27	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	220,000	160,000	380,000
Trust Fund Management Fee (7%)	15,400	11,200	26,600
TOTAL	235,400	171,200	406,600

Note: The estimated budget for this project amendment is \$406,600, and endorsement is requested for the full amount through FY27. Endorsement for future plans will be requested later as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue administration operations	Procedures for internal and/or external review of revenue administration management, governance, and operations are established to produce baselines and identify opportunities for improvement.
Corporate priorities are better managed through effective risk management	Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3)
	Better mitigation of risks through a compliance improvement program (TADAT POA2-4)