

Project Completion Report of Project for the Capacity Development of Tax Administration in Lao P.D.R.

June 2022

**Japan International Cooperation Agency
(JICA)**

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Project Completion Report

I. Basic Information of the Project

1. Country: Lao P.D.R.

2. Title of the Project: Project for the Capacity Development of Tax Administration

3. Duration of the Project (Planned and Actual)

From July 2019 to June 2022 (Planned and Actual)

4. Background (from Record of Discussions(R/D))

The economy in Lao P.D.R has grown rapidly and real GDP growth rate has averaged around 7 percent since 2002 to 2018. However, growth has steadily slowed and there are challenges on fiscal deterioration such as the accumulation of public debt and an increase in expenditure while large scale FDI including in the construction of hydroelectric power station is expected to keep contributing the growth.

Under these circumstances, the Prime Minister, Dr. Thongloun focused on the fiscal stability, and the Government announced ten goals, which contained macroeconomic stabilization and fiscal improvement issues in October 2016. In this regard, the various measures such as tightening the process management and enacting the debt management law have been carried out in order to achieve the target indicator of the budget deficit of 5 percent stipulated in the 8th Socio-Economic Development Five-Year Plan (2016-2020).

Meanwhile, Lao tax administration has been facing many challenges including the imbalanced revenue base.

The strengthening the revenue base is necessary, taking into account that large-scale taxpayers those contribute more than half of revenue and the registered taxpayers' share is only two percentage of the population. In terms of taxpayer management, more properly information collection and management is needed for conducting the systematical tax audit. In addition, the improvement of the awareness of taxpayers among population is also a significant factor for revenue growth. In light of this, more effective public relations and trainings are required to be carried out for establishment of cooperative relationships with various stakeholders (chambers of commerce, etc.) though the tax authorities are aiming to promote awareness-raising activities.

Given the above, it is essential to strengthen the capacity of the Lao tax authority responsible for implementing appropriate taxpayer management and promoting taxpayer services of tax administration in Lao P.D.R.

5. Overall Goal and Project Purpose (from Record of Discussions(R/D))

Overall Goal:

The self-assessment tax system for the sake of further tax revenue is promoted.

Project Purpose:

Capacity of tax administration in Tax Department related to the self-assessment tax system is strengthened.

6. Implementing Agency: Tax Department, Ministry of Finance

II. Results of the Project

1. Results of the Project

1-1 Input by Japanese side

<Dispatch of Experts>

- 2 Long-term Experts (tax administration)
- 3 Short-term Experts

Short-term Experts organized the seminar on Taxpayer service (Oct.2019), VAT(Dec.2019) in collaboration with TD.

<Training in Japan>

- 1 training on Taxpayer Management and Taxpayer Services (Feb. 2020)

1-2 Input by Lao side

- Project Director
- Project Managers
- Project Members
- Project office at TD
- Others (necessary data for project implementation, operational costs etc.)

1-3 Activities (Planned and Actual)

1.1 Understand necessity of segmentation of taxpayers and types of standard through cases in other countries.

Training on Taxpayers Management was implemented as follows;

- One In-country seminar: 20 participants in June 2019.
- One training in Japan:10 participants in Feb.2020.

Through these activities, experience in Taxpayers Management of Japan were introduced to participants.

1.2 List up necessary information for Taxpayers Management.

Long-term Expert had several meetings with Project Manager and Project Members of this Working Group to discuss the issues and list up necessary information from Feb.2021 to May 2021.

1.3. Identify actual information asset.

Long-term Expert had several meetings with Project Manager and Project Members of this Working Group to discuss the issues, reviewed audit record documents and identified actual methods of the audit from Feb.2021 to Sep.2021.

1.4 Make a format to collect taxpayer information of risk indicator through the audit process.

From Feb. to May 2021, Long -term Expert had discussions with Project Members to develop “the draft-format”, as well as “draft-criteria” stipulated in 1.5 below. Then, in Nov. 2021, Long-term Expert made both “draft-format” and “draft-criteria”, and submitted them to Project Director and Project Manager of this Working Group with suggestion as below.

1 At the end of an inspection, the person in charge of the inspection should briefly record the results of the inspection and make a tax compliance risk assessment (primary assessment) by filling out the format of "Inspection Record" and "Tax Compliance Risk Assessment Table".

2 After that, the manager (the supervisor of the person in charge of the inspection) should check the inspection record prepared by the person in charge of the inspection and make a final judgment on the tax compliance risk.

3 The Risk Management and Inspection Division (RMID) and other divisions should manage this information and use it as supplementary information for taxpayer risk management and selection of objects for inspection using the 16 indicators.

1.5 Draft a proposal of the risk-based taxpayer management criteria.

The Working Group decided to continue to elaborate and finalize the format and criteria, and undertake to draft the “guidelines” for the utilization of above format and the criteria in May 2022.

1.6 Monitor the operation of taxpayers management.

The project is still in the process of developing the format, the criteria and the guidelines. Therefore, the project did not start monitoring the operation.

2.1 Confirm challenges on Taxpayers Service through occasions relating to public

relations.

Training on Taxpayers Service was implemented as follows;

- One In-country seminar: 20 participants in Oct. 2019.
- One training in Japan:10 participants in Feb.2020.

Through these activities, experience in Taxpayers Service of Japan and necessary information were introduced to participants.

2.2 Identify target taxpayers in a short-run and long-run for raising awareness.

Long-term Expert had several meetings with Project Manager and Project Members of this Working Group from Dec.2020 to Feb.2021.

Target taxpayers in short-run is identified as SMEs and long-run is decided as students of universities.

2.3 Provide assistance and advice in line with the Tax Department plan of taxpayer service.

2.3.1 【long-run】

In Mar.2021, Long-term Expert organized the In-country training with 40 participants on enhancing taxpayers awareness focusing the tax education at school. Afterward, TD held a Tax education session in Mar.2021 for the students of National University of Lao applying the knowledge obtained at the in-country training, including teaching materials.

2.3.2 【others】

Long-term Expert had several discussions with Project Manager attempting to assist TD related to these activities (Output 2) in Sep. 2021. As a result, Long-term Expert started assisting to make FAQ for Taxpayers' service center. In May 2022, Working Group made the prototype of FAQ with the assistance of Long-term Expert.

2.4 Monitor the operation of taxpayer service.

TD has implemented several information sessions on Tax Law etc. for SMEs.

3.1 Review practical subjects lectured by Tax Department in the past.

Long-term Expert conducted 2 workshops on the current situation of training courses implementation with Project Members in July 2019 and Dec.2019 and shared the opinions.

3.2 Identify practical subjects and target officials for Training of Trainers trainings.

From Nov.2020 to Mar.2021, Long-term Expert had several meetings for these issues with Project Manager and Project Members of this Working Group. Long-term Expert agreed with Working Group to provide assistance to implementation of ToT* organized by MoF for

TD in 2021. * On Tax Law, Tax Audit and Tax Administration etc.

3.3 Provide assistance and advice in line with the Tax Department plan of ToT.

3.3.1

In Apr. 2021, Long-term Expert provided technical and financial support to make the two kind of textbooks (Tax law, Accounting) for training courses of TD including TOT.

3.3.2

Long-term Expert and Working Group had several meetings on implementation of TOT, including technical and financial assistance. However, we were not able to hold the TOT in 2021 due to the outbreak of COVID-19.

3.3.3

In May 2022, Long-term Expert organized the training on International Taxation as one of TOT to have the TD officials get the basic knowledge on International Taxation (20 participants).

3.4 Monitor the operation of ToT.

TD has implemented one TOT Training in March 2020(25 participants).

2. Achievements of the Project

2-1 Outputs and indicators

<Output 1>

2 out of 2 indicators have not yet met the target as of May 2022. The Output 1 is expected to be achieved upon fixing the draft format etc,by working group).

1.1 Source of taxpayer risk indicator and a format to collect such information is proposed.

Expected to be achieved.

Long-term Expert drafted the format in Nov.2021 and submitted to Project Director. Working Group is in the process of fixing the said draft-format as of May 2022, and TD is expected to approve it after necessary consideration.

**1 Proposal document have been submitted within 1.1.*

1.2 Criteria for risk-based taxpayer management is proposed.

Expected to be achieved.

Long-term Expert drafted the criteria in Nov.2021 and submitted to Project Director. Working Group is in the process of fixing the draft-criteria as of May 2022. It is expected to

be approved by TD.

**1 Proposal document have been submitted within 1.2.*

<Output 2>

2 out of 2 indicators have met the target as of May 2022. The Output 2 has been achieved.

2.1 Materials for taxpayer service (including university students) are diversified.

Achieved. **Number and content of material was 1 mentioned as below.*

2.1.1

In Mar. 2021, TD developed the material for the tax education session for university students.

2.1.2

In May 2022, Working group made the prototype of FAQ for Taxpayers' service Center with the assistance of Long-term Expert.

2.2 Opportunities of enlightenment of tax payment for taxpayers is increased.

Achieved. **Number of Opportunity was 1.*

In Mar.2021, TD held a Tax education session for the students of National University of Lao (half day, approximately 200 participants).

<Output 3>

3 out of 3 indicators have met the target as of May 2022. The Output 3 has been achieved.

** 2 TOT are implemented with totally 45 people, 2 materials have been developed.*

3.1 TOT Training are implemented two times for subjects such as Tax Law, Tax Audit, and Tax Administration.

3.2 40 people participate in TOT Training.

Achieved.

• TD has implemented one TOT Training on Tax Law, Tax Audit, and Tax Administration in March 2020(25 participants).

• Long-term Expert organized the training on International Taxation as one of TOT in May 2022 (20 participants).

3.3 Materials for TOT Training (syllabus, guidelines and texts etc.) are developed.

Achieved.

In Apr. 2021, Long-term Expert provided technical and financial support to make the two kind of textbooks for training courses including TOT on Tax Law, Tax Audit and Tax

Administration.

2-2 Project Purpose and indicators

2 out of 3 indicators have met the target as of May 2022. The Project Purpose has been almost achieved.

1) Tools for taxpayer management are developed and agreed to be utilized.

Expected to be achieved.

Long-term Expert has drafted totally 2 tools (format and criteria) which was generally agreed to be utilized by Project Director and Project Manager. As of May 2022, Working Group is in the process of fixing the format, the criteria and making its guidelines.

2) Awareness of tax payment is enhanced for taxpayers/citizens, including university students.

Achieved.

Since TD has undertaken the activities for raising the awareness of taxpayers, their awareness on tax payment is expected to be improved gradually.

**2 contents of materials have been developed and 1 relevant activity was carried out.*

**Questioners for the activity "Tax Education Session" has not been collected due to the time constraint.*

3) TOT Training are implemented and trainees gain new knowledge to implement training based on the Annual Training Plan.

Achieved.

TOT Training were implemented as above (2-1,3.1 and 3.2). Trainees gained the necessary Knowledge to implement the training.

3. History of PDM Modification

- June 2021: change of "Indicators for Project Purpose and Outputs" and "Activities"

4. Others

4-1 Results of Environmental and Social Considerations (if applicable): N/A

4-2 Results of Considerations on Gender/Peace Building/Poverty Reduction (if applicable):
N/A

III. Results of Joint Review

1. Results of Review based on DAC Evaluation Criteria

(1) Relevance : High

Based on the necessity of the country's strengthening the revenue basis, the Project purpose is aligned with the Public Finance Development Plan by MOF. Particularly, taking account of the important role of Tax authority for domestic revenue mobilization, target group was properly selected. Besides, each Activities and Outputs of the Project is also aligned with the Development Plan for the Tax Administration (DPTA, 2018-2020 and 2021-2025).

(2) Coherence: High

Each Activity of the Project is not only aligned with the activities of other donors, such as World Bank's support that assists TD to utilize the "16 indicators"; Both of the relatively quantitative method using the objective indicators suggested by World Bank and the one based on the qualitative information advised by Long-Term Expert are expected to generate the synergy effect to improvement of TD's taxpayers risk management.

(3) Effectiveness: Medium

The project outputs are considered properly set based on the project purpose, as the quality improvement of risk-based taxpayers management and the delivery of the service to the taxpayers are quite significant to strengthening of the self-assessment tax system. On the other hand, though the Project purpose has been almost achieved, there was a delay in activities of Output 1(Taxpayer Management) due to COVID-19's spread and the personnel reshuffling etc. Continuous follow-up is expected.

(4) Efficiency: High

While the Project could not hold the Country-Focus Training Courses in Japan as we expected due to the widespread of COVID-19 infection, the Project utilized the opportunities of carrying out the On-line Seminars. Such opportunities contributed to efficient implementation of the Project.

(5) Impact: Medium

TD's actions for the various new activities to improve the quality of tax administration through the Project implementation have been delayed to be undertaken. However, it will be obvious that project activities will give positive impact on the Overall Goal as several phenomena have been recognized, such as an increase of staff members and certain speeding up of the consideration of the proposal presented by Long-Term Expert. For maximization of the positive impact, continuous efforts of TD is expected in the forthcoming cooperation with JICA.

(6) Sustainability: Medium

The Project provided necessary information to implement the various new activities to improve tax administration. TD has acquired enough skill and knowhow to continue the activities. In this respect, results of the Projects are not transient but more

sustainable. Moreover, TD should try to mitigate risks (e.g. Reshuffle of the personnel or decrease of the necessary budget) to ensure sustainability.

2. Key Factors Affecting Implementation and Outcomes

Under the circumstances with outbreak of COVID-19 pandemic,

- Long-term Expert had to remotely work from Japan from March to November 2020.
- Long-term Expert had to basically work from home in Laos from April 2021 to May 2022.
- The Project and TD had to change or cancel the plans of training courses.
- Face to Face meeting was often postponed by various reasons (infected, self-quarantine etc).

These led to the delay in each activity.

3. Evaluation on the results of the Project Risk Management

The project changed the plan (PDM and PO) to narrow down the scope of Activities in June 2021. After that, the Project attempted to implement the activities according to the situation of the outbreak.

4. Lessons Learnt

It took time to find the smooth way for communication between TD and Long-Term Expert under the circumstance of lockdown after spreading of COVID-19. Therefore, Long-Term Expert attempted to keep communicating in on-line format; however, it took time get used to work online which affected the implementation of the Project.

IV. For the Achievement of Overall Goals after the Project Completion

1. Prospects to achieve Overall Goal

Although the Project had to lower its outcome goals, the issues stipulated as three Outputs of the Project are so important that Lao P.D.R. is continuously required to tackle. In particular, proper operation of taxpayer management in Output 1 including the registration, updating of taxpayers' information, and identifying the compliance risks is quite significant for enhancing the domestic revenue mobilization because it is a basis of the tax administration.

2. Plan of Operation and Implementation Structure of the Lao side to achieve Overall Goal

Taking 1. above into account, TD and the forthcoming Expert are expected to explore the crucial issues such as risks to be identified and mitigated in the context of Lao tax administration and then develop and implement solutions for the proper taxpayers

management. The draft format and criteria, which Long-Term Expert proposed in the framework of the Project, would be a discussion basis. Close communication for sharing the context of Lao tax administration will be essential to optimize the solutions.

3. Recommendations for the Lao side

N/A.

END