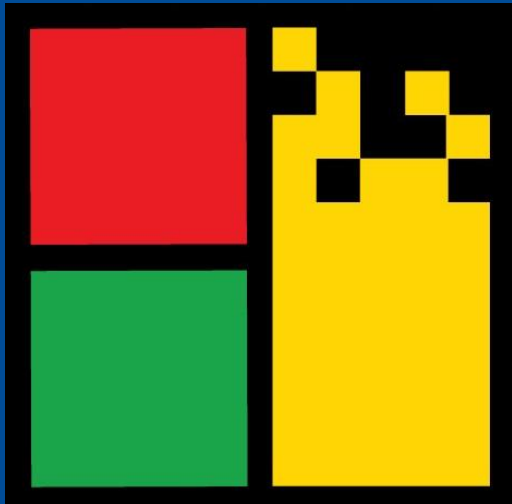




**FISCAL AFFAIRS**



# **Launch of Tax Gap Toolkit**

Supriyo De

Technical Assistance Advisor

Revenue Administration Gap Analysis Program (RA-GAP)

**December 10, 2024**

# Complementary approaches to tax gap estimation

- Tax gap estimation plays vital role: (i) explaining shortfalls of tax revenues, (ii) high-level performance indicator of tax administration's overall effectiveness, (iii) input for compliance risk management (CRM).
- IMF RA-GAP team happy to have collaborated with the UNU-WIDER team during final phases of their tax gap model preparations and testing.
- Two broad approaches to tax gap estimation: top-down and bottom-up. Top-down techniques: Use independent statistical data, typically from national accounts, to model a potential tax base. Bottom-up techniques: Gross up or extrapolate from random or operational audit results.
- UNU-WIDER bottom-up tax gap ML model complements IMF's top-down, VAT gap and CIT gap models, and resonates with IMF's bottom-up PIT gap model.
- Gives countries options for tax gap estimation. Ideally tax authorities should use more than one technique to cross-validate their tax gap results. Choice of modeling technique is also determined by availability of data, time, and trained personnel.

# Useful model with great potential

- IMF RA-GAP team impressed with technical acumen of UNU-WIDER team. The model they have developed enables tax administrations to keep pace with technological advances.
- Appreciate that model has been piloted and tested in a developing country context.
- Launched in ready-to-use form making it an invaluable asset for tax administrations wishing to embark on or improve their tax gap estimations.
- UNU-WIDER team has put together very good learning material and training program. This makes the model very accessible to tax administrations wanting to adopt it.
- IMF RA-GAP team pleased to carry on collaboration with UNU-WIDER. e.g. by reviewing the model transcription which is currently in Stata and examine other possible platforms such as R or Python.
- Great potential for further developments in other areas of tax compliance, such as payments gap or filing gap, and converting it to open source for broader adoption.
- Wish UNU-WIDER team and larger ATI Community all success in adopting, using, and improving this useful tool.

**Thank you!**