Digital Revolutions in Public Finance
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The book can be downloaded free from: http://www.elibrary.imf.org/drpf
Outline

• Digitalization
• Implications for fiscal policy
• Scope for innovations in policy design
• New challenges
• Way forward
I. Digitalization

- Data Sharing and Linking
- Data Storage and Availability
- Data Capture
- Data Processing
- Data Analysis
1. Digitalization

DOING THINGS BETTER

INNOVATIONS IN POLICY DESIGN

NEW or INTENSIFIED FISCAL POLICY CHALLENGES
II. Implications for Fiscal Policy

- Tax authorities capture private sector data
- Tax authorities creating a profile of individual income
- Digital platforms allow access to data across gov’t departments
II. Implications for Fiscal Policy

- Growth in Peer-to-Peer platforms
  - Withholding agent (hotel taxes by Airbnb)
  - Third-party information
- Cross-border exchange of information
- Digital tax administration systems
  - E-filling, e-invoicing
  - Pre-populated tax returns
  - Mobile technology
II. Implications for Fiscal Policy

- Biometric identification and digital payment systems
  - Cuts bureaucratic inefficiencies
  - Improved targeting and delivery of benefits and public services
- Availability of real time fiscal data
  - Better monitoring of economic activity
  - Better forecasting and budget preparation
III. Scope for Innovations in Policy Design

More efficient tax design:
- A longer time horizon for income tax
- Progressive individualized VAT

More targeted subsidies/benefits
III. Scope for Innovations in Policy Design

- Use of big data for assessing the impact of tax and spending policies
- Use of blockchain technology for customs administration; replace VAT?
IV. New Challenges

Privacy Considerations

Cybersecurity

Digital Inclusion

Institutional Capacity
IV. New Challenges

Defining ‘Physical Presence?
Rethink Source vs. Destination

AUTOMATION

TAX?
V. A Way Forward

- There is urgency of government action to harness the opportunities afforded by digitalization and mitigate its risks.
- Each country’s path to digitalization depends on its circumstances.
- “Leapfrogging” by developing countries is possible.
- But all countries must act including by strengthening their fiscal, political and governance institutions to deal with challenges arising from digitalization.
Thank You