

BLOCKCHAIN FOR TAXATION #1

Blockchain technology enables transparency and trust between governments and citizens, including truthful reporting of tax data

PROBLEM

With limited visibility on tax payments, countries fail to collect revenue owed to them and lose over **\$427B** in taxes per year

Revenue Diversion & Tax Evasion



Higher income countries lose more money, but **lower income countries suffer disproportionate financial effects***

Effects on public services can be significant

	Total revenue loss per year	Average tax revenue loss as % of total tax revenue	Average tax revenue loss as % of health expenditure
Lower income countries	\$45B	5.8%	52.4%
Higher income countries	\$382B	2.5%	8.4%

*Aligned with January 2021 World Bank income classifications

SOLUTION

Traceable revenue improves accountability, bringing a **holistic view** of taxpayer obligations and corresponding payments



Certainty for taxpayer and administrator that taxable event occurred, authentication of actors and data to assess tax implications



Clear and simple processes to monitor and administer compliance with tax obligations



Data immutability and transparency to empower the tax function and support better policy design



Reduced data silos to align tax requirements with other government services (e.g., trade, social services, justice, welfare distribution)

Tax Authorities Can...

- Join decentralized trust networks
- Oversee real-time tax collections
- Make decisions on tax events as they occur
- Increase trust from citizens with accountability



TAX AUTHORITIES EXPLORING BLOCKCHAIN

Blockchain ensures data is not manipulated to benefit tax processes, law, and policy

Balancing privacy and transparency improves data sharing across jurisdictions and functions



**Infrastructure also adopted for customs by countries in the Mercosur free trade agreement (Argentina, Brazil, Paraguay, Uruguay)

1 <https://taxjustice.net/reports/the-state-of-tax-justice-2020/> 2 GBBC GSMI 2.0 Report (November 2021)

3 <https://www.ciat.org/blockchain-in-tax-administrations/?lang=en> <http://news.bloombergtax.com/daily-tax-report-international/how-global-tax-administrations-are-using-blockchain-technology>

4 <https://kramerlaw.com/en/articles/crypto-and-fintech-regulations-are-soon-to-be-in-panama/> 5 https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/tax/KE_Article_Tax_Administration_Going_Digital.pdf