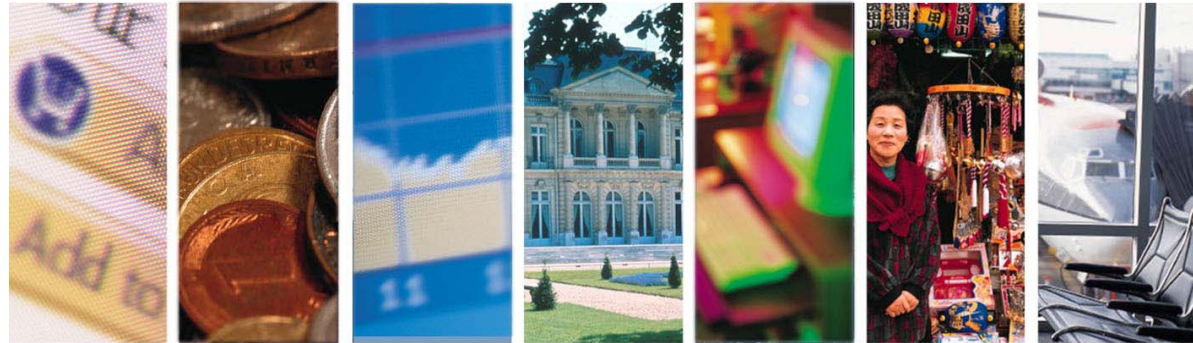




ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2006)

Prepared by the
Forum on Tax Administration

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CENTRE FOR TAX POLICY AND ADMINISTRATION

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FOREWORD

This information series, prepared by the Centre for Tax Policy and Administration and approved by the Committee on Fiscal Affairs (CFA), provides internationally comparative data on aspects of tax systems and their administration in OECD and selected non-OECD countries. The primary purpose of the series is to provide information that will facilitate dialogue among tax officials on tax administration issues, and which may also identify opportunities for revenue bodies to improve the design and administration of their respective tax systems.

There is a considerable amount of useful information that could be shared on the design of tax systems and aspects of their administration. This information series, the second edition, contains an expanded array of information that should be of interest to tax officials in most countries and to other observers. It is the CFA's intention that this information series be progressively expanded and updated around every two years and that it evolves to become the definitive source of comparative tax administration-related information for OECD and selected non-OECD countries.

The information provided in this series has been obtained from a survey of national revenue bodies conducted in 2005, revenue bodies' annual reports, third party information sources (e.g. the International Bureau of Fiscal Documentation (IBFD), selected other OECD tax publications and other sources. Every effort has been made with relevant revenue bodies to validate the information displayed in the series and to note the sources of information used.

This edition of the series was approved by the Committee on Fiscal Affairs in October 2006. The Committee would welcome feedback from OECD members and other countries that can be taken into account for future editions of this information series.

The series is published under the responsibility of the Secretary-General of the OECD.

Chair, Committee on Fiscal Affairs
October 2006

1 INTRODUCTION

Background

1. Implementing tax policy in an increasingly globalised world is becoming more challenging for tax administrators. Recognizing this and the potential value of administrators working together to explore and agree approaches to key strategic issues, the Committee on Fiscal Affairs (CFA) established the Forum on Strategic Management in 1997. In 2002, the CFA reconstituted this Forum into the Forum on Tax Administration (FTA) with the objective of further increasing its focus on domestic tax administration matters. Coinciding with the creation of the FTA, a number of Sub-groups were established to deal with specific aspects of tax administration – compliance and taxpayer services.
2. As the work of the FTA and its Sub-groups has proceeded, it has become increasingly apparent that there are many differences in the tax system arrangements across countries that directly impact on how tax systems are administered, and potentially their relative efficiency and effectiveness. For example, as identified in this information series:
 - There are significant variations in the organisational setups and the degree of autonomy of national revenue bodies across OECD and non-OECD countries.
 - The national revenue body in a number of countries is also responsible for customs administration and/or various other non-tax functions.
 - In around half of OECD countries, the system of administration for income tax is based on administrative assessment while in others the system is based on self-assessment principles.
 - In around half of OECD countries, the vast majority of employee taxpayers are not required to file annual income tax returns owing to the special tax withholding arrangements and other tax system design features in place; in most other OECD countries the majority of employees are required to file an annual income tax return, although an increasing number of revenue bodies are assisting taxpayers by providing fully/partially completed tax returns (referred to as “pre-filled” tax returns in this series).
 - Tax burdens across OECD countries range from below 20 percent of GDP to just over 50 percent, implying substantially different administrative workloads and tax compliance management considerations.
 - In some OECD and non-OECD countries, the collection of social contributions has been integrated into the tax administration arrangements whereas in others it is the responsibility of a separate agency or agencies.
 - In some OECD countries, the national revenue body is responsible for real property and/or motor vehicle taxes while in others such taxes are administered by separate sub-national government agencies.
3. While there are many reasons for such differences, the absence of a comprehensive and current information series contrasting aspects of country tax systems and their administration has meant that much of the dialogue between officials on tax administration matters has often taken place without a full appreciation of these differences. In recognition of this, the FTA decided in 2003 to establish a comparative

information series covering important aspects of tax administration. The prior edition of this series was published in October 2004.

Countries covered by the information series

4. Compared to the first edition of this series, this edition includes a selection of non-OECD countries to enhance its international comparison objective. The criteria used to identify these additional countries were:
 - Countries that are formal observers to the CFA (i.e. Argentina, Chile, China, India, Russia and South Africa);
 - Non-OECD countries that are members of the European Union (i.e. Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia);
 - Countries that have a comprehensive engagement strategy with the CFA for the purposes of its Outreach Program (i.e. Brazil); and
 - Countries whose revenue body has worked closely with the CFA's Forum on Tax Administration over recent years (i.e. Singapore).

Structure of the information series

5. The series is structured along the following lines:
 - Part 2 provides a comparison of the institutional and organisational setups of revenue bodies for the administration of national taxes in OECD and selected non-OECD countries.
 - Part 3 provides a high level description of management practices generally and for selected revenue bodies.
 - Part 4 provides a comparison of the tax filing and payment obligations for the major taxes (i.e. personal income tax (PIT), social contributions, corporate profits/income tax (CIT), and value added tax (VAT)).
 - Part 5 provides a summary of selected administrative powers given to revenue bodies to carry out their mandate.
 - Part 6 provides a comparison of country tax burdens (measured in terms of taxes as a proportion of gross domestic product (GDP)) and the relative mix of the major taxes in total revenue collections.
 - Part 7 provides a summary of selected operational performance information for all countries, along with guidance as to how such information should be interpreted.
 - Part 8 provides a description of selected administrative practices.
6. For ease of reference all tables, with minor exception, are located at the end of each relevant part.

2 INSTITUTIONAL AND ORGANISATIONAL ARRANGEMENTS FOR TAX ADMINISTRATION OPERATIONS

Introduction

7. This part provides details of the institutional and organisational arrangements put in place by the 30 OECD member countries and 14 selected other countries—hereafter referred to collectively as ‘the surveyed countries’—to conduct national/federal revenue administration operations. As described later in this part, these arrangements can have significant implications for the overall effectiveness and efficiency of revenue administration.
8. The information provided by surveyed countries for this part is described hereunder:
 - Table 1 describes in broad terms the type of institutional arrangements for revenue administration established to carry out revenue administration functions; it also provides an indication of whether the body has been given non-tax roles.
 - Table 2 provides data on the range of non-tax related functions that have been assigned to national revenue bodies.
 - Table 3 describes the major tax types collected by the national revenue bodies.
 - Table 4 describes selected internal organisational design features that have been adopted by the respective bodies.
 - Table 5 provides an indication of the range of powers given to revenue bodies to carry out their mission, which collectively reflect their individual degree of autonomy.
 - Table 6 provides information concerning the features of the office networks established by national revenue bodies to carry out their assigned functions.
 - Figures 1-5 provide examples of official revenue body organizational structures for a cross-section of countries covered by the series.

Key observations and trends

9. Based on an analysis of the information contained in Tables 1 to 6 there are a number of important observations that can be made:

Institutional arrangements

- Governments in surveyed countries have evolved a variety of institutional arrangements for the administration of tax laws. These include:

- Unified and semi-autonomous bodies (in 23 surveyed countries) with a broad range of powers (refer later comments) that are responsible for the administration of most, if not all federal/national taxes (including, where applicable, social contributions), that report direct to a government minister, sometimes via a separate board).
 - Separate bodies for the collection of tax and social contributions, the latter in many European countries being the predominant source of federal government revenue collections.
 - Semi-autonomous or single directorates in MOF bodies responsible for both tax and customs administration operations (16 surveyed countries).
 - Single or multiple directorates within the formal structure of the Ministry of Finance with fairly limited autonomy.
- In a small number of surveyed countries, a formal management board comprised of external representatives has been interposed between the head of the revenue body and the relevant government minister (a description of a number of these arrangements is provided later in this part).
 - To a large extent, these varied institutional arrangements reflect underlying differences in the political structures and systems of public sector administration in countries, as well as longstanding historical practice.
 - Revenue bodies in many countries have been given a considerable degree of autonomy to carry out their mission; however, there is scope in many OECD countries for greater autonomy (e.g. to design their internal structure (8/30 countries), budget expenditure/discretion (9/30 countries), and to set staffing levels within overall expenditure limits (7/30 countries)).
 - In the 28 OECD member countries that have a separate regime of social contributions, 17 member countries have chosen to have such contributions collected by a separate social security agency (or multiple agencies), while in the balance of countries the collection of these revenues is integrated with normal revenue administration functions carried out by the revenue body; in the 14 selected non-OECD countries integration is the preferred approach with 8 countries adopting this approach (refer later comments).
 - The great majority of surveyed countries have merged the administration of direct and indirect taxes within a single revenue collection body; countries where this is yet to occur are largely members of the British Commonwealth that adopted the model of separate direct and indirect revenue bodies that was, until recently, the prevailing model in the United Kingdom.
 - Six OECD member countries have aligned the operations of tax and customs operations within a single agency, although there appears to be no trend in this direction¹; in the 14 non-OECD countries, the alignment of tax and customs administration within a single agency is applied more widely with 5 countries adopting this approach.
 - Where there are separate tax and customs administration agencies, 12 countries have allocated the administration of excises to the customs body, not the main revenue body.

¹ The most recent change in this area was undertaken by the Canadian Government which decided in December 2003 to remove responsibility for customs administration from the Canadian Customs and Revenue Agency and attach it to a new agency responsible for homeland security functions.

- The national revenue body in most European OECD member countries is also responsible for the collection of real property taxes (and in many, motor vehicle taxes), while in virtually all non-European OECD member countries these taxes are administered by tax bodies of sub-national governments.
- There is a trend to allocate additional tasks of a non-taxation nature to the national revenue agency in many countries. These tasks include government valuation tasks, the payment of various social welfare benefits, the collection of non-tax government debts (e.g. child support, student loans), and the maintenance of population registers.

Organisational structure

- The general trend seems to be that more and more countries do not use a main structural criterion but rather shows an eclectic and pragmatic approach incorporating all structural models. The tax type structure is certainly giving way to either a functional, taxpayer or mixed structure. Of the OECD countries, 9 countries have a pure functional structure, 4 countries have a mix of functional and tax type/taxpayer structure, whereas 12 report use of all structures. Only 5 countries do not use functional structuring of their tax administrations at all.
- The majority of surveyed countries maintain a dedicated debt collection enforcement operation, as well as separate tax fraud investigation and appeals functions.
- In line with the progressive establishment of a functional structure over the last decade, member countries are increasingly integrating their direct and indirect taxes compliance activities.
- To achieve economies of scale, many surveyed countries have established dedicated information/ transaction processing centres.
- Arrangements in member countries for the provision of information technology support vary significantly, and include (1) comprehensive in-house operations covering both infrastructure operations and applications development; (2) shared arrangements across areas of government (e.g. a single IT department supporting all MOF functions); and (3) largely outsourced operations involving private contractors. The large scale outsourcing of IT functions to private contractors occurs in relatively few countries.
- While most countries maintain traditional office networks which are geographical and hierarchical, more and more countries are creating national call centres, data processing centres, and large taxpayer offices as their administrations become organized on 'functional' or 'taxpayer' basis.
- Particularly with Europe, there is a tendency for revenue bodies to operate relatively large networks of small offices; a number of countries (e.g. Austria, Denmark, Norway, and Russia) have rationalised their office networks in recent years to achieve greater efficiency.

The institutional arrangements for revenue administration

10. Governments have at their disposal a range of "institutional" options for the carriage of revenue administration functions. These include:
 - a separate directorate within/under the direction of the ministry of finance;

- multiple directorates- one for direct taxes, another for indirect taxes-within/under the direction of the ministry of finance;
 - a semi-autonomous unified body responsible for the administration of all taxes;
 - separate semi-autonomous bodies - one for direct taxes, the other for indirect taxes;
 - shared/ decentralized arrangements where the administration of some/ all taxes are delegated to sub-national bodies; and
 - some of the foregoing options but with or without the inclusion of responsibility for the collection of social contributions and/ or customs administration.
11. Generally speaking, the option chosen will depend on a range of political, cultural, and historical factors. While there is no single “right” approach, a number of trends can be identified from prevailing practices and recent country reforms:
- allocation of responsibility for the administration of both direct and indirect taxes to a single unified body;
 - provision of a broad range of autonomous powers to the revenue body;
 - integration of the collection of social contributions with other taxes; and
 - recognition that customs administration is a separate and quite different business to revenue administration that requires its own dedicated leadership, management, and support infrastructure.
12. Table 1 provides information on the institutional options adopted by OECD and selected non-OECD countries while further commentary on other features of the options in place are discussed later in this part.

The extent of revenue body autonomy

13. Generally speaking, the extent of powers given to the national revenue body depends on the system of government in place and the state of development of a country’s public sector administration practices. Although this matter was not examined in detail as part of the data collection and research leading to this series, the extent of an agency’s autonomy is likely to have important implications for operational efficiency and effectiveness.
14. Table 1 indicates that around 50 percent of member countries have established semi-autonomous bodies while Table 5 provides a greater insight as to the range and nature of powers that revenue bodies have at their disposal.
15. In practice, this autonomy includes some or all of the following powers/ responsibilities:
- **Tax law interpretation:** The authority to provide interpretations, both in the form of public and private rulings, of how tax laws will be interpreted, subject only to review by judicial bodies.

- **Penalties and interest:** The authority to impose administrative sanctions (i.e. penalties and interest) for acts of non-compliance and to remit such sanctions in appropriate circumstances.
- **Organisation and management:** Responsibility for the internal organisation of tax operations, including the size and geographical location of tax offices; discretion to formulate and implement strategic and operational plans; and discretion to allocate/reallocate budgeted administrative funds across administrative functions to meet emerging/changed priorities.
- **Information technology:** Authority to administer their own in-house IT systems, or to outsource the provision of such services to private contractors.
- **Performance standards:** Discretion to establish administrative performance standards (e.g. taxpayer service objectives).
- **Personnel:** The ability to set academic/technical qualification standards for categories of recruits, and to recruit and fire staff, in accordance with public sector policies and procedures; the ability to establish and operate staff training/development programmes; and the ability to negotiate staff remuneration in accordance with broader public sector-wide policies and arrangements.

Boards of management

16. In a number of countries, a management/advisory board (comprising externally-appointed officials) has been interposed between the revenue body and the relevant minister/arm of government to provide a degree of independent advice on the general operations of the revenue body and tax administration matters in general. In a number of countries where such an arrangement has been established, its introduction coincided with the establishment of new institutional arrangements for the conduct of tax administration (e.g. in Canada, Singapore, and South Africa²).
17. Set out hereunder is a brief description of the arrangements in place in those countries where a formal management/advisory board has been established:
 - **Canada Revenue Agency (CRA):** The CRA's Board of Management was established in 1998 with the creation of a new more independent government agency—then known as the Canada Customs and Revenue Agency—to administer Canada's tax and customs laws. The Board is comprised of 15 members appointed by the Governor in Council, 11 of who have been nominated by the provinces and territories. The Board has the responsibility of overseeing the organization and management of the CRA, including the development of the Corporate Business Plan, and the management of policies related to resources, services, property, personnel, and contracts. The Commissioner of the CRA, who is a member of the Board, is responsible for the CRA's day-to-day operations. Unlike the boards of other crown corporations, the Board is not involved in all business activities of the CRA. In particular, the Board has no authority in the administration and enforcement of legislation, for which the CRA remains fully accountable to the Minister of National Revenue. The Board is denied access to confidential client information.³

² An Advisory Board for the South Africa Revenue Service (SARS), created in 1997 with the establishment of SARS as a semi-autonomous revenue authority, was dissolved in 2002. In its place, a new governance framework was introduced that makes provision for the establishment of specialist committees to advise the Commissioner and Minister on any matter concerning the management of SARS's resources. To date, two specialist committees have been established—a Human Resource specialist committee and an Information Technology specialist committee.

³ Canada Revenue Agency website

- ***Finland's National Board of Taxes:*** An Advisory Board to the National Board of Taxes was established by government Ordinance in 2002 and commenced in 2003. It is comprised of a senior official of the Ministry of Finance, the Director-General of the National Tax Board, and six other members from local government, union, taxpayer and commerce bodies. The role of the Board is to provide guidance/advice on strategic planning, tax administration priorities and operational guidelines. The Board convene around five times per year.⁴
- ***Inland Revenue Authority of Singapore (IRAS):*** The IRAS Board was established in 1992, as part of legislation authorizing the creation of a new statutory authority with autonomy in managing its operations to administer the tax laws. The Board comprises the chairman, the Commissioner of Inland Revenue, and five other members (comprised of current and former public and private sector representatives). The Board is responsible for ensuring that the IRAS carries out its functions competently, and generally meets twice a year to review major corporate policies and approve financial statements, the annual budget and major expenditure projects. To assist it in carrying out its duties the Board has established two committees—a Staff Committee and an Audit Committee. The Staff Committee's role is to review key personnel policies. It is also the approving authority for key appointments and promotion of senior executives in the IRAS. The Audit Committee ensures that accounting policies and internal controls are in place and reviews the adequacy of IRAS accounting and financial policies. It also approves the annual internal audit plan.⁵
- ***United States Internal Revenue Service (IRS):*** A nine-member IRS Oversight Board was created by Congress under the IRS Restructuring and Reform Act of 1998. The Board's responsibility is to oversee the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws. The Board was created to provide long-term focus and specific expertise in guiding the IRS so it may best serve the public and meet the needs of taxpayers. Seven board members are appointed by the President of the United States and confirmed by the Senate for five-year terms. These members have professional experience or expertise in key business and tax administration areas. Of the seven, one must be a full-time federal employee or a representative of IRS employees. The Secretary of Treasury and the Commissioner of Internal Revenue are also members of the Board.

The Board operates much like a corporate board of directors, but is tailored to fit a public sector organization. The Board provides the IRS with long-term guidance and direction, and applies its private-sector experience and expertise in evaluating the IRS's progress in improving its service. It reviews and approves IRS strategic plans and its budget requests, and evaluates IRS efforts to monitor its own performance. The Board reviews the hiring and compensation of senior IRS officials. It also recommends candidates to the President to serve as IRS commissioner, and can recommend a commissioner's removal. The Board meets in sessions every other month, and holds at least one public meeting each year. The Board's web site provides information on upcoming public meetings. The Board publishes an annual report, as well as a separate mid-year report reviewing the progress of IRS' electronic tax filing efforts. The Board may also publish interim reports throughout the year on specific topics, such as the budget. All reports are available on its web site. The Board also is invited to testify before Congress periodically. The Board's

⁴ Annual Report of National Board of Taxes 2003, 2004 and 2005

⁵ 2003 Annual Report of IRAS.

testimony is posted on its web site, and complete testimony from all witnesses is usually posted on the web site of the congressional committee that held the hearing. The Board distributes press releases to the media at the end of each of its bimonthly meetings describing its activities. Under the law, the Board cannot be involved in specific IRS law enforcement activities, including audits, collection activities, or criminal investigations. The Board also cannot be involved in specific procurement activities or most personnel matters. The Board does not develop or formulate tax policy on existing or proposed tax laws. However, the Board has an ongoing interest in IRS operations and administration and would be interested in the insights and observations of those working with the IRS. These insights can be helpful in understanding the IRS' progress in communicating and implementing its long-term plans.⁶

Responsibility for the collection of social contributions

18. As will be evident from the information in Table 22, social security contributions are now the largest single source of general government revenue in a number of OECD countries—Austria, the Czech Republic, France, Germany, Japan, the Netherlands, the Slovak Republic, and Spain.⁷ However, as will be evident from the information in Table 1, governments in OECD countries have taken different paths as to how these revenues are collected in practice.
19. Table 1 reveals that of the 28 OECD countries with separate social security regimes, the majority (some 17 countries) administer the collection of social contributions via a separate social security agency, rather than the main tax revenue collection agency. In the other 11 OECD countries, the collection of social contributions has been integrated with domestic tax collection operations. (Korea has recently announced its intention to integrate the collection of social contributions under the National Tax Service from 2009. Beyond the OECD economies, this dichotomy in approach is also apparent—Chile, China, and Singapore all administer the collection of social contributions via a separate agency while countries such as Argentina, Brazil, Bulgaria, Estonia, Latvia, Romania, Russia, and Slovenia have all integrated (or are in the process of integrating) the collection of these contributions with revenue administration operations.
20. The pros and cons of these two fundamentally different approaches to administering government revenue collection have not been examined by the OECD's Committee on Fiscal Affairs. However, the matter has been the subject of recent analytical work undertaken by officials of the IMF's Fiscal Affairs Department—see Box 1 below which identifies the reasons why a number of countries have chosen over the last decade or so to integrate the collection of social contributions with domestic tax collection operations.
21. The experiences of countries that have integrated the collection of social contributions with tax revenue administration generally may provide a useful source of information, particularly concerning any perceived improvements in compliance and efficiency, to authorities in other countries contemplating reform along these lines.

⁶ IRS Oversight Committee Website

⁷ The dominant role of such contributions in most of these countries stems directly from the so-called Bismarck model which remains the foundation of the social security system in much of Europe today. The model sees government-provided social security as a special form of insurance, with both benefits and contributions tied to the wages of workers. In a number of countries, the contributions are channelled through separate funds which are kept apart from the budget of central government. By contrast, notably in some of the Scandinavian and the English-speaking OECD countries, a substantial part of public spending on social benefits tends to be financed directly out of general tax revenues of the government although, even in countries following the Bismarck model, social security funds may also show a persistent deficit requiring subsidies from general taxation.

Box 1: An analysis by IMF officials of the reasons certain countries have integrated the collection of tax revenue and social contributions

Commonality of core processes

The argument for unifying the collection of tax and social contribution collections stems from the commonality of the core processes involved in collection of tax and social contributions including the need to (1) identify and register contributors and taxpayers using a unique registration number; (2) have systems to collect information in the form of returns from employers and the self employed, usually based on similar definitions of income; (3) for employers, withhold tax and contributions from the income of their employees and pay this to the agencies (usually through the banking system); (4) have effective collection systems to follow up those employers who do not file, or do not account for payments; and (5) verify the accuracy of the information shown on returns using modern risk based audit methods.

Efficient use of resources

Countries that have moved to integrate social contribution collection activities into their revenue administrations have often found that the marginal costs of expanding systems used for tax administration to include social security contributions are relatively minor. This is a particularly important factor to consider for those countries that lack the resources to implement two very similar sets of reforms in different agencies. For example, some countries have integrated the collection of payments as diverse as accident compensation insurance contributions, Medicare contributions, child support contributions, and student loans repayments into the tax administration. While the features of each are very different, the countries in question have seen the value of using the tax administration's core collection capacity to lower collection costs and improve collection rates.

From a collection administration viewpoint, social insurance contributions (particularly those based on income) have many of the features of a "tax type"—albeit one tied to a particular purpose. Special arrangements relating to separate accounting apply to these contributions, and information transfers must be made to another agency but the principles of collection are strongly aligned to those used for core taxes—particularly employee withholding taxes.

Perceptions on the nature of social contribution collection

It is worth noting that the OECD treats social contributions as in the nature of 'taxes' and includes them in its compilation of tax burden statistics. Some developed countries, of course, simply pay benefits out of consolidated tax revenues.

Public perceptions of tax and social contributions may differ, but if the social contribution is compulsory general attitudes to payment and non-compliance are likely to be similar. That said, it is recognized that attitudes to compliance may vary between tax and social contributions, and between social contributions of different types. For example, attitudes to compliance, and therefore collection rates, arguably may be better for unemployment insurance contributions than for pension contributions—reflecting that contributors believe that benefits of making unemployment contributions are likely to flow in the shorter term—compared with the greater uncertainty of benefits associated with contributions toward longer-term pension schemes.

In this example, it is possible that age of the contributors is likely to be a significant factor, with compliance rates for pension schemes being lower for younger age-groups than for contributors in the age groups closer to retirement. Compliance improvement strategies of modern revenue administrations are designed to recognize and implement programs to deal with these complex compliance risks associated with the various revenues they collect.

Core competencies of tax and social organisations

Over time, tax administrations build core competencies in relation to collection functions. There are countries where tax administrations have been shown to have improved collection levels in relation to social contribution type payments, or been able to do this more efficiently, when they have been transferred from social insurance agencies. Tax administrations, where the sole focus is on revenue collection, develop compliance-based organisational cultures and strongly-aligned processes suited to the assessment and collection of monies.

Similarly, social insurance agencies typically build a strong focus on establishing individual entitlements to benefits and efficiently paying them out to recipients. They develop organisational cultures and processes aligned to this role and it is logical to conclude that incorporating the somewhat counter-intuitive responsibility for collections compromises both the collection efficiency and the provision of benefits. Social insurance agencies may have limited success in proceeding beyond a certain level of collection performance.

Lowering government administration costs

Placing responsibility for collections with the tax administration eliminates duplication of core functions that would otherwise occur in the areas of processing, enforced collection of returns and payments, and audit of

employers. This can contribute to significantly reducing government administration costs, with: (1) fewer staff and economies of scale in human resource management and training, fewer numbers of managers, and common processes for filing and payment and enforcement and data entry data and verification; (2) lower infrastructure costs in office accommodation, telecommunications networks, and related functions; and (3) elimination of duplicated IT development costs and less risk in system development and maintenance.

There is often an opportunity presented during the modernization program of the tax administration to incorporate improved processes and modern information technology systems for the collection of social contributions. These systems can be designed with the inter-agency transfer of information in mind.

It might be argued that significant costs can be incurred under a unified system with transferring information and data between organisations and managing other linkages. On the other hand, if parallel collection systems are to work effectively, significant coordination of effort will be required including data matching across registration and income bases. While no empirical evidence exists that measures the relative information transfer costs, it can be argued that the coordination costs in a parallel system would be at least as high as in a unified system.

Lowering taxpayer and contributor compliance costs

Placing responsibility for collections with the tax administration can also significantly reduce compliance costs for employers, with less paperwork as a result of common forms and record-keeping systems, and a common audit programme covering income, VAT and payroll taxes, and social contributions based on income and payrolls. The increasing use of Internet-based electronic filing and payment systems within the tax administration also lowers taxpayer and contributor compliance costs. This simplification can also improve the accuracy of the calculations made by employers, and therefore compliance levels.

Sources: IMF Working Paper: Integrating Tax and Social Security Contribution Collections Within a Unified Revenue Administration: The Experience of Central and Eastern European Countries (Peter Barrand, Graham Harrison, Stanford Ross (December 2004))

The placement of customs administration

22. A small number of OECD countries have aligned in an organizational sense the administration of tax and customs operation by bringing them within a single management structure (e.g. Austria (from 2003), Canada (till December 2003),⁸ Denmark, Ireland, Mexico, Netherlands, Spain, and the United Kingdom). This practice is also followed to a degree outside the OECD and appears to have its origins in a number of factors (e.g. perceived synergies with customs operations which are responsible for the collection of VAT on imports, efforts to get economies of scale with HRM and IT functions, historical factors associated with the separation of direct and indirect taxes administration).

Internal organisational structure of revenue administration bodies

Types of organizational structures for revenue administration

23. Table 4 briefly highlights some features of the internal organizational structure of revenue administration bodies in surveyed countries. As will be evident from the information in this table, significant variations in the organizational structures of revenue bodies exist from country to country. However, there appears to be a substantial reliance on the 'functional' model of organization—over four out of every five surveyed countries appear to have adopted the functional model as the primary (but not sole) method for structuring tax administration operations, mirroring a trend that is occurring more broadly.
24. Box 2 provides brief background information describing the evolution of the organizational structures of revenue bodies. The description in Box 2 is largely conceptual in nature—in practice, the organizational structure of many OECD and

⁸ Customs operations were removed from the Canada Customs and Revenue Agency (CCRA) in December 2003 and placed in a new Canada Border Services Agency (Department of Public Safety and Emergency Preparedness).

non-OECD revenue bodies is a hybrid of the models described, a common structure being one based largely on 'functional' criteria, but with a dedicated multi-functional division/ unit to administer the affairs of the largest taxpayers. This can be seen in Figures 1-5 which illustrate the current organizational structure, in high level terms, of a number of national revenue bodies. As will be evident from the examples provided, which are drawn from a culturally diverse range of countries, the 'functional' model features prominently. In a number of examples it is complemented by a separate organizational unit/division responsible for administering large taxpayers.

Box 2. How the organisational structures of revenue bodies have evolved

Over the last 20-30 years, there has been a clear trend in the way the internal organisational structures of national revenue bodies have evolved.

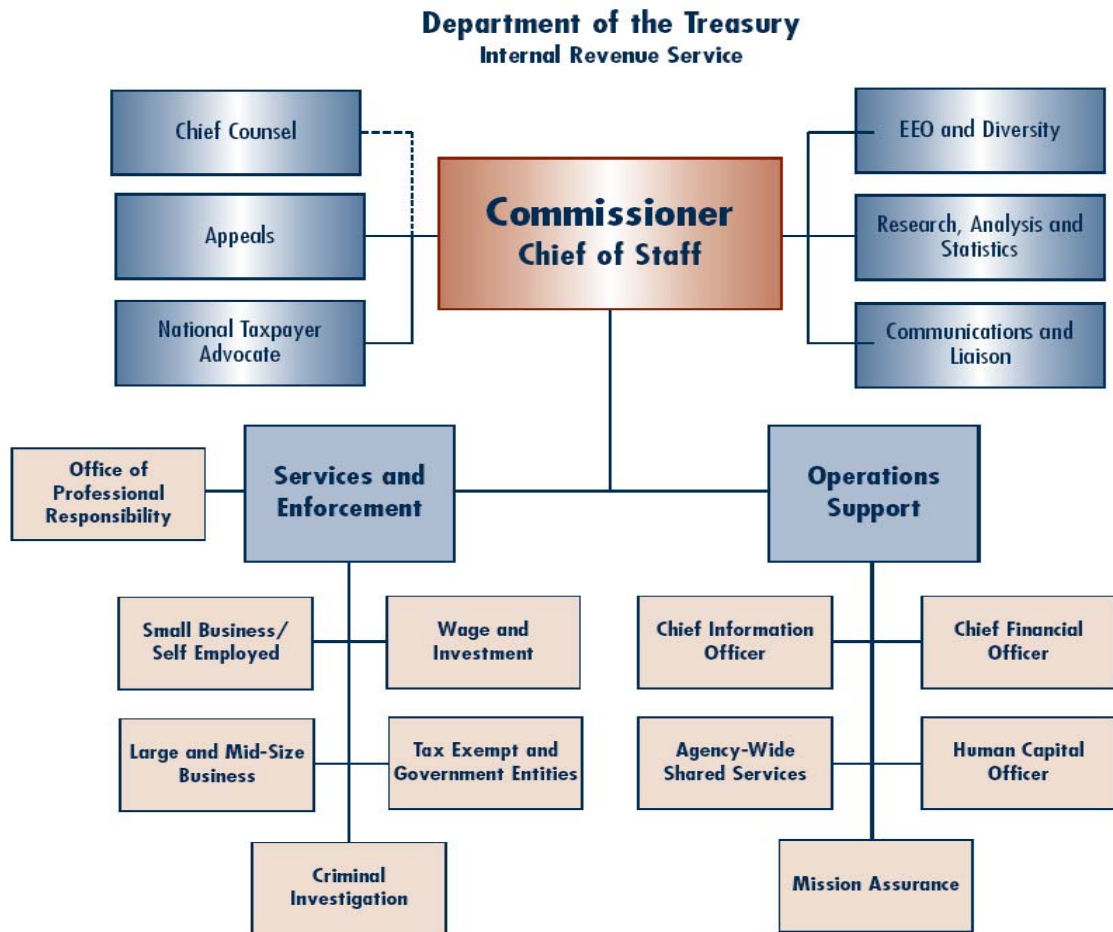
The type of tax model: The earliest organisational model employed by tax administrators was based principally on "type of tax" criterion. This entailed the operation of separate multi-functional departments for each tax that were largely self-sufficient and independent of each other. While this model served its purpose, it was eventually seen to have numerous shortcomings: (1) with its inherent duplication of functions, it came to be seen as inefficient; (2) it was inconvenient for those taxpayers with multiple tax dealings (e.g. businesses), requiring them to deal with different departments on similar issues; (3) it severely complicated the management of taxpayers' compliance, with its separate audit and debt collection functions; (4) it increased the likelihood of uneven and inconsistent treatment of taxpayers across taxes; (5) it impeded the flexible use of staff whose skills were largely confined to a particular tax; and (6) it unnecessarily fragmented the overall management of tax administration, thus complicating organisational planning and co-ordination. Faced with these shortcomings, many revenue bodies have evolved their organizational design to one based largely on functional criteria.

The functional model: Under the functional model, staffs are organized principally by functional groupings (e.g. registration, accounting, information processing, audit, collection, appeals, etc.) and generally work across taxes. This approach to organizing tax work was introduced to enable greater standardization of work processes across taxes, to simplify computerization and arrangements for taxpayers, and to generally improve operational efficiency. Compared to the 'tax type' model, this model was perceived to offer many advantages and its adoption has facilitated many developments aimed at improving tax administration performance (e.g. providing single points of access for tax inquiries, unified system of taxpayer registration, common tax payment and accounting approaches, and more effective management of tax audit and debt collection functions.) However, this model also is not without its weaknesses—fragmentation by function can lead to poor/inconsistent service while standardization (e.g. a "one size fits all" approach) may not be appropriate on some areas of revenue administration work given the myriad of behaviours and varying attitudes to tax compliance to be addressed.

The taxpayer segment model: A more recent development among a small number of developed countries has been to organize service and enforcement functions principally around segments of taxpayers (e.g. large businesses, small/ medium businesses, employees, etc.). The rationale for organizing these functions around taxpayer segments is that each group of taxpayers has different characteristics and tax compliance behaviours and, as a result, presents different risks to the revenue. In order to manage these risks effectively, the revenue body needs to develop and implement strategies (e.g. law clarification, taxpayer education, improved service, more targeted audits) that are appropriate to the unique characteristics and compliance issues presented by each group of taxpayers. Proponents of the 'taxpayer segment' type of structure contend that grouping key functional activities within a unified and dedicated management structure increases the prospects of improving overall compliance levels.

While application of the 'taxpayer segment' model is still in its early stages of use, many countries have partially applied this approach by creating dedicated large taxpayer divisions/ units.

Figure 1. Organizational Structure of the US Internal Revenue Service



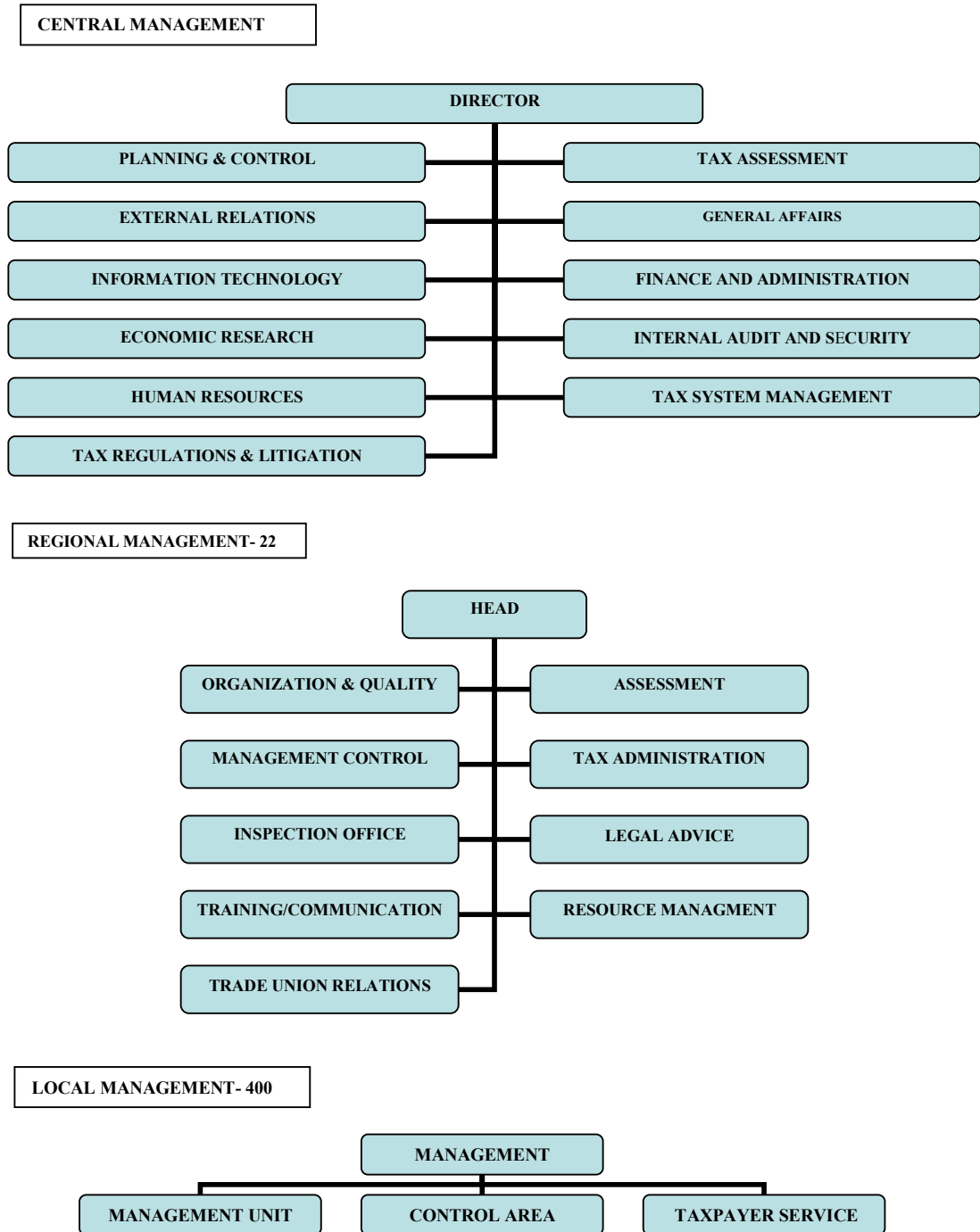
Background:

“To conform to the provisions of the RRA 98, our organizational structure closely resembles the private sector model of organizing around customers with similar needs. Each of our four operating primary divisions meets the needs of the specific taxpayer segment it serves..... The realignment helped clarify accountability and responsibilities for improving taxpayer service, strengthening enforcement initiatives, and continuing modernization efforts. To support this structure and ensure accountability, one Deputy Commissioner position was created to oversee service and enforcement work. The second Deputy Commissioner position integrates the support functions, facilitating economy of scale efficiencies and better business practices in the IRS.

The four operating divisions, along with the Criminal Investigation and Office of Professional Responsibility, report to the Deputy Commissioner for Services and Enforcement. IRS specialized units— including: Chief Tax Counsel; Appeals, the Taxpayer Advocate service; Equal Employment Opportunity and Diversity; Research, Analysis, and Statistics; and Communications and Liaison—report directly to the Commissioner. The IRS Chief Tax Counsel also reports to the Treasury General Counsel on certain matters. The Deputy Commissioner for Operations Support oversees all IRS support functions, including Modernization and Information Technology Services, Agency-wide Shared services, Mission Assurance, Chief Human Capital Officer and the Office of the Chief Financial Officer.”

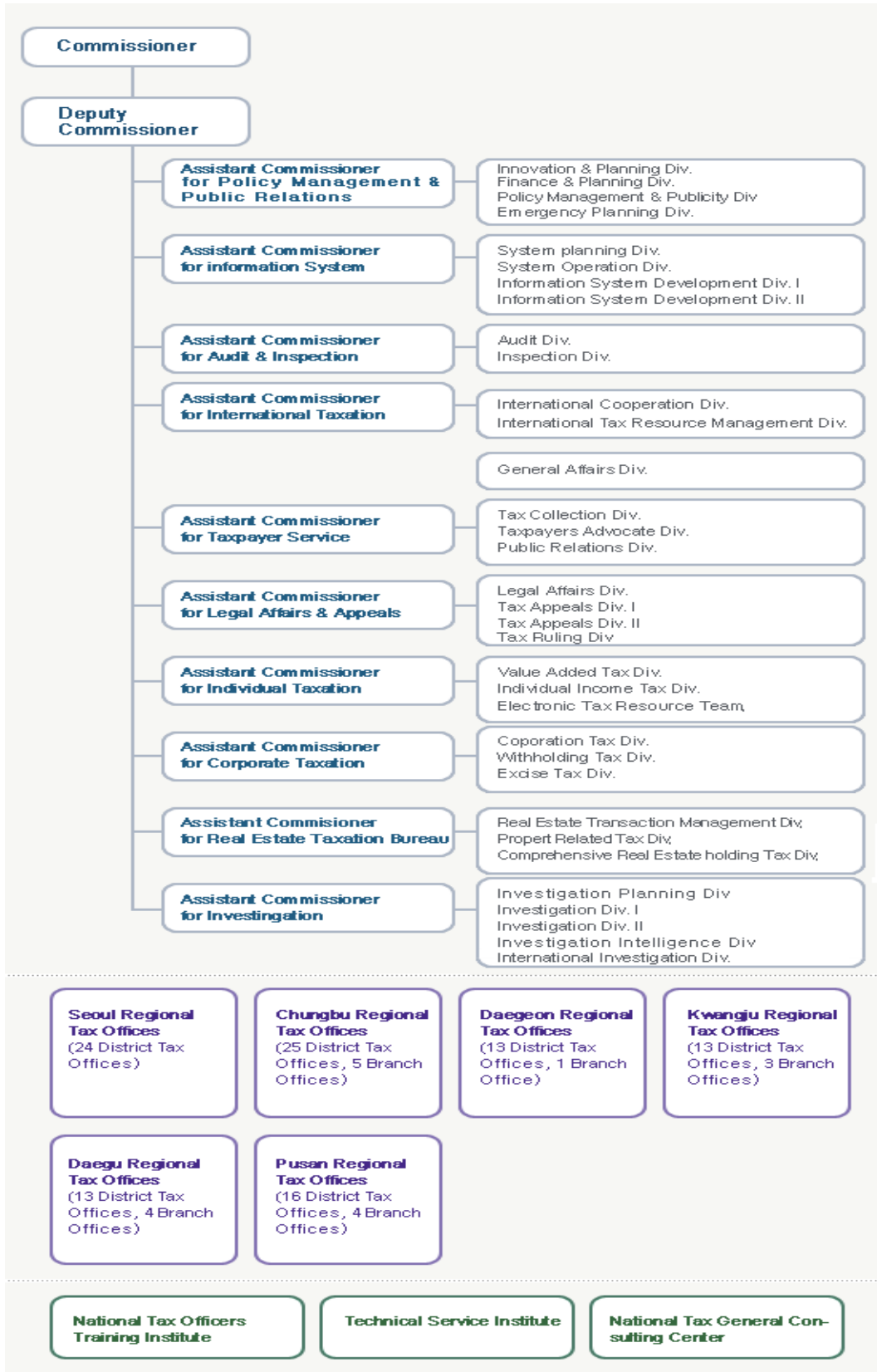
Source: US IRS Strategic Plan 2005-09

Figure 2. Organization Structure of the Italian Revenue Service



Source: Italian Revenue Service: A Modern Organization Serving the State—External Relations (June 2003)

Figure 3. Organization Structure of the Korean National Tax Service



Source: Website of Korean National Tax Service (September 2006)

Figure 4. Organization Structure of Chilean Internal Revenue Service

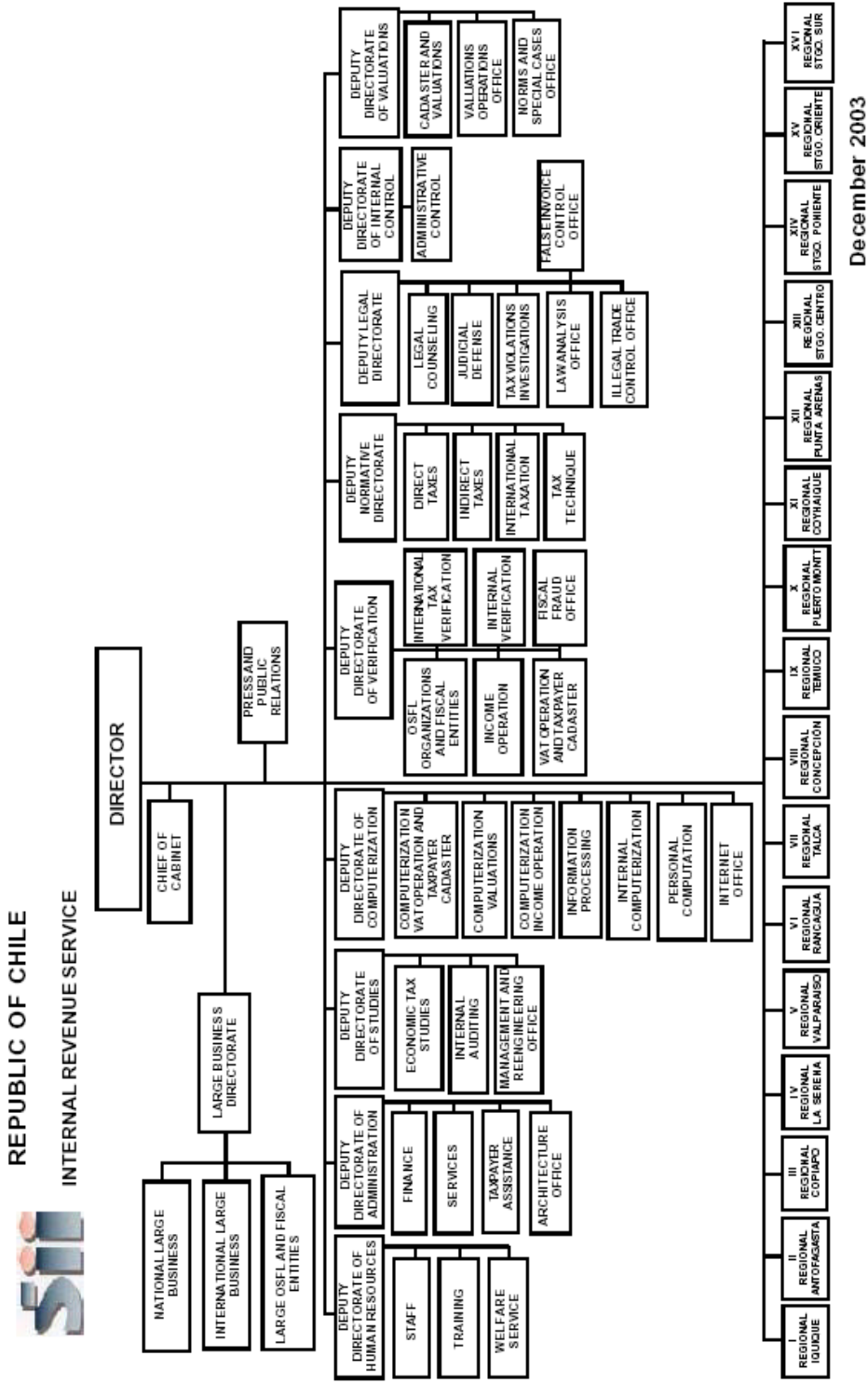
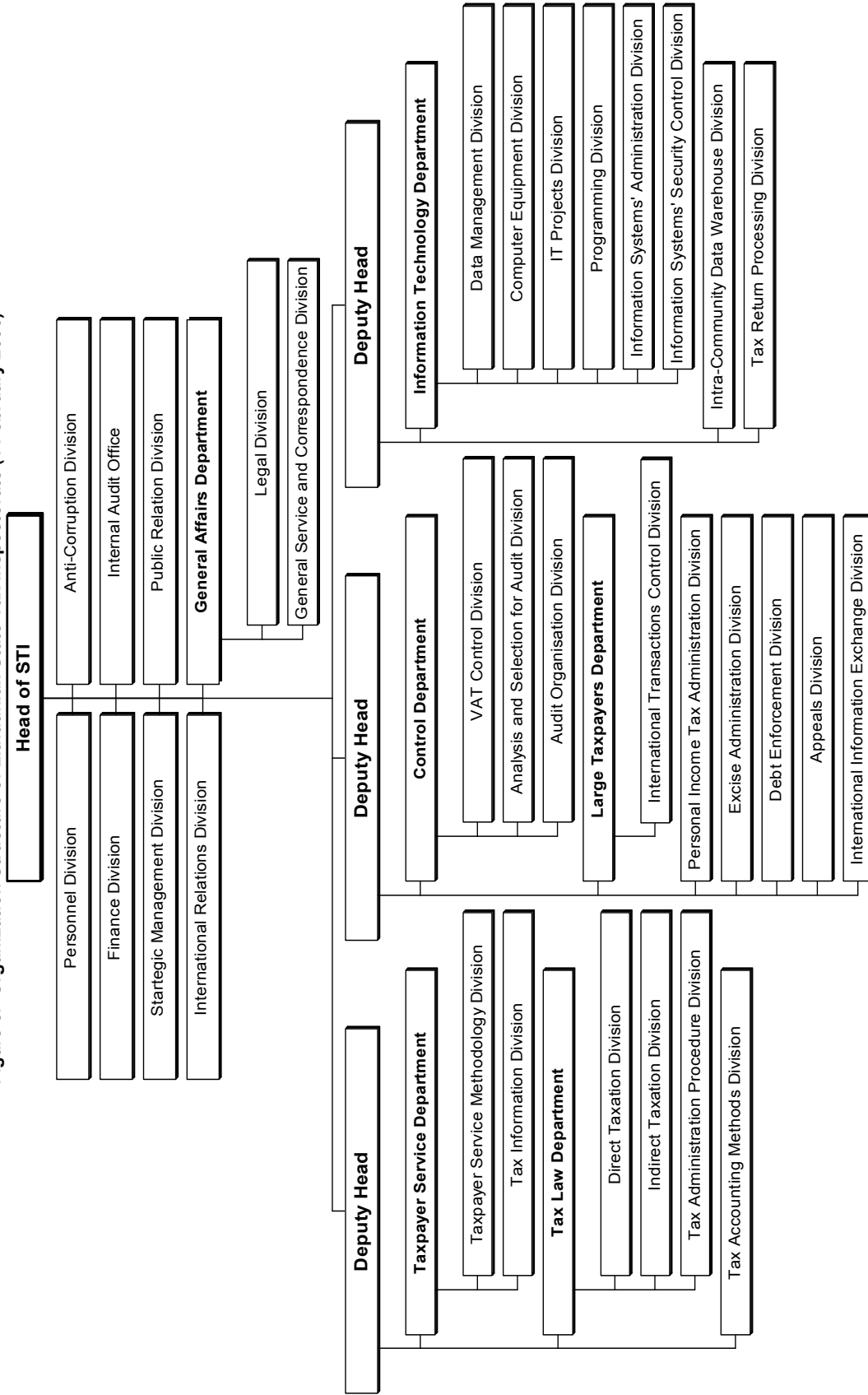


Figure 5. Organization Structure of Lithuanian State Tax Inspectorate (1 February 2006)



Large taxpayer operations

25. A clear trend in tax administration worldwide (including almost two thirds of surveyed countries) has been the establishment of special organisational arrangements for the revenue body's largest taxpayers.⁹
26. The experience of many national revenue bodies is that the payment of taxes is generally concentrated among a relatively small number of taxpayers (all taxes taken into consideration). Typically, many of these large taxpayers also have complex tax affairs, characterised by one or more of the following factors: (1) multiple operating entities that are widely dispersed geographically; (2) diverse business activities and/or involvement in transactions that frequently raise complex/ novel law interpretation issues; (3) significant off-shore transactions, often with related parties; (4) high volume of transactions in the course of day to day business activities; 5) use of complex financing arrangements; and (6) use of professional tax advisers, part of whose brief is to minimize their exposure to taxation. This combination of features inevitably means that these taxpayers (who pay the bulk of tax revenues) also present the greatest risk to effective tax administration.
27. To address these sorts of risks, many countries have established special organisational arrangements to administer the tax affairs of their largest taxpayers. While there are various models that are employed in practice, a fairly common approach is to establish at the operational level a fully multi-functional organisational unit responsible for major tax administration functions (e.g. registration, account management, information processing, taxpayer service, audits, debt collection enforcement) to administer all the tax affairs of specially-designated large taxpayers. In some countries, there is a large taxpayer management and co-ordination division with the revenue authority's headquarters to provide strategic and operational support. The primary objective of these sorts of arrangements is to enhance the coordination and monitoring of those taxpayers responsible for the bulk of tax payments.
28. Selected examples of three OECD countries that have adopted such an arrangement are described in Boxes 3, 4 and 5, while an example from a non-OECD country that has recently established such an operation is described in Box 6.

Box 3. Features of Large Taxpayer Divisions - United States

Background. A new organizational structure for the IRS, including the establishment of four operating divisions based on “customer segments” (i.e. large and mid-size business, small business and self-employed, wage and investment, and tax exempt and government entities, was implemented in late 2000. The fundamental change in structure proposed (moving from a functional and regional-based structure) followed a study of IRS operations which concluded that its existing structure no longer supported the achievement of its major goals. The move to a “customer segment” structure recognized that the needs of taxpayers in each segment were quite different; serving them effectively required diverse services and distinct ways of delivering those services. As part of this restructure, the Large and Mid-Size Business Division (LMSB) was established to administer the tax affairs of the largest taxpayers.

Role. The stated mission of the LMSB operating division is 1) to be a world-class organization, responsive to the needs of its customers in a global environment, while applying innovative approaches to customer service and compliance; 2) to apply the tax laws with integrity and fairness through a highly skilled and satisfied workforce in an environment of inclusion, where each employee can make a maximum contribution to the mission of the team.

⁹ For further information on this development, see *'Improving Large Taxpayers' Compliance: A Review of Country Experiences'* (IMF Fiscal Affairs Department, 2002).

Taxpayers administered. The Large and Mid-Size Business (LMSB) Division serves corporations, subchapter S corporations, and partnerships with assets greater than \$10 million. For 2004, this represented around 48,000 taxpayers who paid around \$US 145 billion in taxes.

Organization structure. LMSB is organized along five industry lines, with each industry headquarters located where the core businesses reside. These industries are 1) Heavy Manufacturing and Transportation; 2) Natural Resources and Construction; 3) Financial Services; 4) Communications, Technology and Media; and 5) Retailers, Food, Pharmaceuticals and Healthcare. The Office of Field Specialists completes the field operations.

Headquarters functions that support the field include: 1) International; 2) Pre-filing and Technical Guidance; 3) Strategy, Research, and Program Planning; 4) Management and Finance; 5) Performance Management, Quality Assurance and Audit Assistance; 6) Communication and Liaison; 7) Business Systems Planning; 8) EEO and Diversity; 9) Division Counsel; and 10) Division Appeals.

Audits. In fiscal year 2004, over 9,500 audits were conducted of corporations and large taxpayer leading to adjustments totalling \$16.0 billion dollars.

Sources: 2004 IRS Databook, Research and Program Planning of LMSB Office of Strategy

Box 4. Features of Large Taxpayer Divisions – Australia

Background. The Australian Taxation Office (ATO) is structured into divisions known as business and service lines. A line focuses on a type of taxpayer (such as small business or large business), a type of tax (such as excise or GST), or an area of internal support (such as information technology or financial support). The current structure comprises a number of business lines, including the 'Large Business and International' (LB&I) line.

Role. Large Business and International administers the income tax system for large business and associated key individuals. It conducts a range of programs, including research, advice, education, and auditing. It also represents Australia in treaty negotiations to ensure that Australia gets its fair share of tax. For this purpose, it develops the Tax Office's insights into how Australia's tax system links with economic activity and global frameworks, and the elements needed to ensure that Australia remains internationally competitive. It also develops insights into compliance behaviour so that these can be taken into account in developing laws and leverage approaches to support, facilitate and encourage corporate citizenship and cooperation between the Tax Office and taxpayers.

Taxpayers administered. The large business segment consists of around 1,450 business groups with a turnover of \$A 100 million or more, and some 700 high wealth individuals who (together with their families and business entities) control more than \$A30 million in assets. The segment contributes around 52% of total tax revenue.

Helping taxpayers to comply. In 2004/05, key achievements were 1) successful introduction of a priority process for private ruling requests on complex matters; 2) reduction in the average time to provide written advice by 21%; 3) finalisation of 278 requests for written binding advice; 4) provision of 158 corporate groups with key client manager services to resolve issues; and 5) resolution of 799 objections and finalise 47 litigation cases involving complex compliance issues.

Audits. In 2004/05, one third of large businesses were subject to active compliance activities across all taxes. Audit adjustments were made, amounting to \$2.1 billion tax and \$1.0 billion penalties and interest, and representing almost 50% of total audit results.

Sources: Annual reports and compliance program

Box 5. The Large Business Centre of the South African Revenue Service

About the centre: A dedicated facility was created to deal with the few hundred large corporations that contribute a great share of SARS's total revenue. The Large Business Centre (LBC), an integrated facility in Maxwell Drive Sunninghill, provides SARS's administrators and taxpayers with the information and tools they need to assess liability for all taxes – quickly, accurately and collaboratively.

The centre aims to improve interaction between SARS and South Africa's largest corporate taxpayers by having expert tax advisors provide excellent customer service. The centre aims to improve SARS's audit capacity and facilitate a culture of voluntary tax compliance.

The centre's main clients include: companies listed on the JSE Securities Exchange; parastatals; unlisted companies with a turnover greater than R250 million; major financial institutions; multinational corporations and their local branches; and individuals with a high net worth.

Sector teams: There are eight specific economic sector teams: 1) primary, energy and transport industries; 2) mining; 3) manufacturing; 4) construction; 5) retail; 6) financial services; 7) information technology & communication; 8) general; and 9) high net worth individuals.

Services: The tax services offered by the sector teams include: 1) income tax; 2) secondary tax on companies; 3) Value Added Tax; 4) PAYE - including the Unemployment Insurance Fund and the Skills Development Levy; 5) Marketable Securities Tax and Uncertificated Securities Tax; 6) donations tax; 7) royalties tax; 9) stamp duty; and 10) certain customs services. Additional features to be introduced include: a transparent compliance approach; a dispute-resolution process; electronic filing of returns; a clear audit policy; and advance rulings.

Sources: SARS' website (May 2005) and survey reply

Tax fraud investigation function

29. As noted in Table 4, the great majority of surveyed revenue bodies in OECD countries maintain a dedicated organisational unit responsible for the handling of serious cases of tax fraud/evasion. In two OECD member countries (i.e. Italy and Hungary), this work is performed mainly by a separate law enforcement agency, although in the case of Italy, the revenue agency is the only body responsible for the issue of notices of assessment.

Office networks for tax administration

30. Revenue bodies are relatively large employers within their respective public sectors and thus require substantial accommodation holdings (with attendant costs to government) to carry out their mandate. Overlaying the need for accommodation holdings is the requirement to provide certain services (e.g., for personal taxpayer inquiries, for field audits) in reasonable proximity (i.e. via a physical presence) to taxpayers to minimize their compliance burden and the administrative costs associated with conducting fieldwork. In some countries, there are also demographic (e.g. geographical remoteness) and/or political factors (e.g. the administration of property taxes) that dictate the need for national revenue bodies to maintain a physical presence in a particular location, notwithstanding the fact that this may be difficult to justify on a cost/benefit basis. Other relevant considerations include 1) the use and costs of available information technology; 2) the costs of training remotely-located staff; 3) the management structures/layers (e.g. the interposition of a regional layer of management) employed; and 4) decisions concerning the use of large centralized/regionalized operations (e.g. call

centers, data processing centers). For all these sorts of reasons, the design of a revenue authority's office network can be a critical determinant of operational efficiency and, therefore, the overall costs of tax administration operations.

31. Over the last 10-15 years, a number of national revenue bodies have initiated large-scale office network rationalization programs in order to improve operational efficiency. A number of these are briefly described in Box 6 below.

Box 6. Examples of revenue bodies conducting large scale office network rationalization programs.

Finland: In their 2004 and 2005 annual reports, Finnish tax officials reported on plans to reform aspects of their organizational arrangements taking into account taxpayers views on service needs, regional balancing of resources, staff views, and objectives of cost efficiency and economy. A large number of changes were underway or in course of development at the end of 2005, including:

- Contact centers provide centralized responsibility for telephone and web response consultation.
- In January 2005, a centralized Service Center in one geographic location only, took over a number of accounting and payment operations that concern the entire administration. During 2005 preparations for similar Service Centers were in progress: a new Human Resources Center will be responsible for all the HR services within the administration and a new Production Center, which began its operations in February 2006, will handle the automated operations related to the assessment process. In the future payroll accounting and other recurring tasks within HR will be centralized and a comprehensive Personnel Management Center is planned to be established in 2009.
- Planning was in course to organize the whole of the administration on a functional basis around taxpayer groups as opposed to the existing regional and geographical divisions, with these changes expected to be fully in place by 2008.
- The stated long term objective is to have one single authority to replace existing multiple authorities at different levels of government.

Denmark: In 2005 the central and municipal tax administration bodies merged thereby creating a country-wide, unified tax administration dealing with all aspects of tax, contributions to the unemployment and sickness leave fund, real estate valuations, VAT, customs and tax collection. There are 30 local tax offices altogether, a considerable reduction from 275 when each municipality had its own local tax office.

Norway: In 2001, tax administration was structured across 19 counties in Norway, with some 436 local assessment offices. In 2002, this structure was reorganized, with the number of local tax assessment offices reduced to 99.

Russia: By the late 1990's, the organization of tax administration arrangements in Russia's mirrored the design of the country's political structure, with some 89 regional centers responsible for a network of around 2,600 local inspectorates (organized largely on a 'tax type' basis). In 2000, as part of its World Bank-funded modernization program, plans were announced to 1) redesign the network by amalgamating many of the smaller uneconomic offices and in the process reduce the network by over 1,000 local offices; 2) organize local offices on the basis of a functional model; 3) create a number of regional data processing centers to undertake bulk information processing work; and 4) establish a small network of large taxpayer inspectorates to administer the tax affairs of designated large taxpayers.

Sources: Revenue body annual reports, survey responses, World Bank reports

32. Table 6 displays data on the office networks used in OECD and selected non-OECD countries and the staffing numbers at each level of network. Most countries have hierarchical office network structure: 1 head office under which a number of regional and local offices.

Table 1: Institutional Arrangements for Tax Administration

| COUNTRY | Type of revenue body | FEATURES | | |
|---------------------------------------|---|-------------------------------|----------------------------|------------------------------|
| | | Collects most social security | Performs customs functions | Performs other non-tax roles |
| <i>1) OECD countries</i> | | | | |
| Australia | Unified semi-autonomous body | n.applic. | No | Yes |
| Austria | Single directorate in MOF | No | Yes | Yes |
| Belgium | Multiple directorates in MOF | No | Yes | Yes |
| Canada | Unified semi-autonomous body with board | Yes | No | Yes |
| Czech Rep. | Single directorate in MOF | No | No | Yes |
| Denmark | Single directorate in MOF | No | Yes | Yes |
| Finland | Unified semi-autonomous body with board | Yes | No | Yes |
| France | Multiple directorates in MOF | No | No | Yes |
| Germany /1 | Multiple directorates in Federal MOF and 16 State MOF | No | No | Yes |
| Greece | Multiple directorates in MOF | No | No | Yes |
| Hungary | Unified semi-autonomous body | Yes | No | Yes |
| Iceland | Unified semi-autonomous body | Yes | No | Yes |
| Ireland | Unified semi-autonomous body | Yes | Yes | Yes |
| Italy | Semi-autonomous body /1 | Yes | No | No |
| Japan | Unified semi-autonomous body | No | No | Yes |
| Korea | Unified semi-autonomous body | No | No | No |
| Luxembourg | Multiple directorates in MOF /1 | No | Yes | Yes |
| Mexico | Unified semi-autonomous body | No | Yes | No |
| Netherlands | Single directorate in MOF | Yes | Yes | Yes |
| N. Zealand | Unified semi-autonomous body | n.applic. | No | Yes |
| Norway | Unified semi-autonomous body | Yes | No | Yes |
| Poland | Multiple directorates in MOF /1 | No | Yes | No |
| Portugal | Multiple directorates in MOF | No | No | Yes |
| Slovak Rep. | Unified semi-autonomous body | No | No | Yes |
| Spain | Unified semi-autonomous body | No | Yes | Yes |
| Sweden | Unified semi-autonomous body with board | Yes | No | Yes |
| Switzerland | Single directorate in MOF /1 | No | No | No |
| Turkey | Unified semi-autonomous body | No | No | No |
| UK | Unified semi-autonomous body with board | Yes | Yes | Yes |
| USA | Unified semi-autonomous body with board | Yes | No | Yes |
| <i>2) Selected Non-OECD countries</i> | | | | |
| Argentina | Unified semi-autonomous body | Yes | Yes | Yes |
| Brazil | Single directorate in MOF | Yes | Yes | No |
| Chile | Unified semi-autonomous body | No | No | Yes |
| China | Separate body with minister | No | No | Yes |
| Cyprus | Multiple directorates in MOF /1 | No | Yes | No |
| Estonia | Single directorate in MOF | Yes | Yes | No |
| India | Separate departments for direct & indirect taxes /1 | No | Yes | No |
| Latvia | Unified semi-autonomous body | Yes | Yes | No |
| Lithuania | Separate inspectorate in MOF | No | No | No |
| Malta | Multiple directorates in MOF /1 | Yes | Yes | Yes |
| Russia | Single directorate in MOF /1 | Yes | No | - |
| Singapore | Unified semi-autonomous body with board | No | No | Yes |
| Slovenia | Single directorate in MOF | Yes | No | No |
| South Africa | Unified semi-autonomous body | Yes /1 | Yes | No |

Sources: Survey responses, revenue bodies' annual reports.

1. **Cyprus, Luxembourg, Malta**—There separate directorates for Direct Taxes, Indirect Taxes, and/or Customs and Excise; **Germany**—The major taxes are administered separately by 16 State (*Länder*) MOFs, and subject to coordination and supervision by the Federal MOF; additionally, a Federal Central Tax Office, subordinated to the Federal MOF, performs certain central functions. **India**—All coordinated by Department of Revenue; **Italy**—Tax fraud functions are carried out by a separate government agency while enforced debt collection work is carried out by separate agents; **Poland**—with common head, Secretary of State; **Russia**—Serious tax fraud investigation work is carried out by the Tax Police within the Ministry of Internal Affairs; **Switzerland**—Some direct taxes are administered at sub-national level (by cantons); **S. Africa**—Collects unemployment insurance fund on behalf of Department of Labor.

Table 2: Non-tax Functions of Revenue Bodies

| COUNTRY | NATURE OF NON-TAX FUNCTIONS ADMINISTERED | | | | | | |
|---------------------------------------|--|------------------|---------------|---------------|--------------------|---------------------|--------|
| | Customs laws | Welfare benefits | Child support | Student loans | Property valuation | Population register | Other |
| <i>1) OECD countries</i> | | | | | | | |
| Australia | No | Yes | No | Yes | Yes | No | Yes /1 |
| Austria | Yes | Yes | No | No | Yes | No | No |
| Belgium | Yes | No | No | No | No | No | Yes /1 |
| Canada | No | Yes | No | No | Yes | No | Yes |
| Czech Rep. | No | No | No | No | No | No | Yes /1 |
| Denmark | Yes | Yes | No | Yes | Yes | No | Yes /1 |
| Finland | No | No | No | No | Yes | No | Yes |
| France | No | No | No | No | Yes | No | Yes /1 |
| Germany | No | No | No | No | No | No | Yes /1 |
| Greece | No /1 | No | No | Yes | Yes | No | Yes /1 |
| Hungary | No | No | No | Yes | No | No | - |
| Iceland | No | Yes | No | No | No | No | Yes /1 |
| Ireland | Yes | No | No | No | Yes | No | Yes /1 |
| Italy | No | No | No | No | No | No | No |
| Japan | No | No | No | No | No | No | Yes /1 |
| Korea | No | No | No | No | No | No | No |
| Luxembourg /1 | Yes | No | No | No | Yes | No | No |
| Mexico | Yes | No | No | No | No | No | No |
| Netherlands | Yes | No | No | No | No | No | Yes /1 |
| N. Zealand | No | Yes | Yes | Yes | No | No | No |
| Norway | No | No | No | No | No | Yes | No |
| Poland | Yes | No | No | No | No | No | No |
| Portugal | No | No | No | No | Yes | No | No |
| Slovak Rep. | No | Yes | No | No | No | No | Yes /1 |
| Spain | Yes | Yes | No | No | No | No | Yes /1 |
| Sweden | No | No | No | No | Yes | Yes | Yes /1 |
| Switzerland | No | No | No | No | No | No | No |
| Turkey | No | No | No | No | No | No | No |
| UK | Yes | Yes | No | Yes | Yes | No | Yes /1 |
| USA | No | Yes | No | No | No | No | No |
| <i>2) Selected Non-OECD countries</i> | | | | | | | |
| Argentina | Yes | No | No | No | Yes | No | No |
| Brazil | Yes | No | No | No | No | No | No |
| Chile | No | No | No | No | Yes | No | No |
| China | No | No | No | No | Yes | No | No |
| Cyprus | Yes | No | No | No | No | No | No |
| Estonia | Yes | No | No | No | No | No | No |
| India | Yes | No | No | No | No | No | - |
| Latvia | Yes | No | No | No | No | No | No |
| Lithuania | No | No | No | No | No | No | No |
| Malta /1 | Yes | No | No | No | No | No | Yes /1 |
| Russia | No | No | No | No | - | No | No |
| Singapore | No | No | No | No | Yes | No | Yes /1 |
| Slovenia | No | No | No | No | No | No | No |
| South Africa | Yes | No | No | No | No | No | No |

Sources: Country survey responses and revenue bodies' annual reports.

/1. **Australia**—fuel rebate & grants scheme, Australian Business Register & some aspects of social welfare & student loan scheme; **Belgium**—counter-terrorism activities at ports and at airports; **Canada**—administer national charities program, collect debts on behalf of other departments, distribute federal and provincial payments for social programs; **Czech Rep**—lotteries & gambling games; **Denmark**—agricultural export refund; **Finland**—statistical functions; **France**—state property management; **Germany**—premiums for owner-occupied homes, the Capital Formation Law, saving for home ownership, and for miners, allowances under the Investment Subsidy Law, and gaming casinos levy; **Greece**—collection of certain obligatory contributions, revenue of local authorities, and management of state property, state lotteries and public endowments; **Iceland**—maintains companies register, & supervises accounting rules; **Ireland**— government sponsored national savings scheme (SSIA); **Japan**—administers liquor industry; **Malta**—ECO contribution and permanent resident applications; **Netherlands**—housing and care allowances; **Singapore**— supervises charities & regulatory authority for housing agents, appraisers and promoters of private houses; **Slovakia**—administers judicial fees, supervises lotteries & processing of bookkeeping data; **Spain**—enforced collection of debts of other public bodies; **Sweden**—administers collection of private debts and congestion tax (during a test period); **UK**—anti-smuggling & counter-terrorism activities at ports & airports.

Table 3: Taxes Administered by Revenue Bodies (2005)

| COUNTRY | MAJOR TAX TYPES ADMINISTERED BY THE NATIONAL REVENUE BODY | | | | | | |
|---------------------------------------|---|--------------|-----------|---------|---------------------|---------------------|---------------------|
| | Direct taxes | Social funds | VAT | Excises | Real property taxes | Wealth/estate taxes | Motor vehicle taxes |
| <i>1) OECD countries</i> | | | | | | | |
| Australia | Yes | n.applic. | Yes | Yes | No | No | No |
| Austria | Yes | No | Yes | Yes | No | Yes | Yes |
| Belgium | Yes | No | Yes | Yes | No | No | Yes |
| Canada | Yes | Yes | Yes | Yes | No | No | No |
| Czech Rep. | Yes | No | Yes | No | Yes | Yes | Yes |
| Denmark | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Finland | Yes | Yes | Yes | No | Yes | Yes | No |
| France | Yes | No | Yes | No | Yes | Yes | Yes |
| Germany | Yes | No | Yes | No | Yes /1 | Yes /1 | Yes |
| Greece | Yes | No | Yes | No | Yes | Yes | Yes |
| Hungary | Yes | Yes | Yes | No | Yes | No | No |
| Iceland | Yes | Yes | Yes | Yes | No | Yes | Yes |
| Ireland | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Italy | Yes | Yes | Yes | No | Yes | Yes | Yes |
| Japan | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Korea | Yes | No | Yes | Yes | Yes /1 | Yes | No |
| Luxembourg /1 | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Mexico | Yes | No | Yes | Yes | No | No | No |
| Netherlands | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| N. Zealand | Yes | n.applic. | Yes | No | No | No | No |
| Norway | Yes | Yes | Yes | No | No | Yes | No |
| Poland | Yes | No | Yes | Yes | No | Yes | No |
| Portugal | Yes | No | Yes | No | Yes | Yes | Yes |
| Slovak Rep. | Yes | No | Yes | No | Yes | No | Yes |
| Spain | Yes | No | Yes | Yes | No | Yes | No |
| Sweden | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Switzerland | Yes | No | Yes | No | No | No | No |
| Turkey | Yes | No | Yes | Yes | Yes | Yes | Yes |
| UK | Yes | Yes | Yes | Yes | Yes | Yes | No |
| USA | Yes | Yes | n.applic. | Yes | No | Yes | No |
| <i>2) Selected Non-OECD countries</i> | | | | | | | |
| Argentina | Yes | Yes | Yes | Yes | No | Yes | No |
| Brazil | Yes | Yes | No /1 | Yes | No | No | No |
| Chile | Yes | No | Yes | Yes | Yes | Yes | No |
| China | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Cyprus /1 | Yes | No | Yes | Yes | No | Yes | No |
| Estonia | Yes | Yes | Yes | Yes | Yes | No | Yes /1 |
| India | Yes | n.avail. | No /1 | Yes | No | No | No |
| Latvia | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Lithuania | Yes | No /1 | Yes | Yes | Yes | Yes | No |
| Malta /1 | Yes | Yes | Yes | Yes | No | No | No |
| Russia | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Singapore | Yes | No | Yes | No | Yes | Yes | No |
| Slovenia | Yes | Yes | Yes | No | Yes | Yes | Yes |
| South Africa | Yes | Yes /1 | Yes | Yes | Yes /1 | Yes | No |

Sources: Country survey responses and revenue bodies' annual reports.

/1. **Brazil**—Administer taxes similar to VAT (e.g. PIS/COFIN); **Germany**—Revenue bodies determine property values for real property tax collected by municipalities, and administer inheritance tax.; **India**—VAT is administered by States; **Lithuania**—Social contributions are collected by the State Insurance Fund Board while the revenue body undertakes taxpayer registration and control functions; **Luxembourg, Cyprus, India, and Malta**—Revenue administration functions performed by separate bodies in these countries—information reflects taxes collected by all bodies; **Korea**—a new Comprehensive Real Estate Holding Tax introduced in 2005; **South Africa**—SARS collects only unemployment insurance fund contributions; **Estonia**—heavy goods vehicle tax; **Malta and South Africa**—capital transfer duties only.

Table 4: Selected Features of the Organisational Structure of Revenue Bodies

| COUNTRY | SELECTED FEATURES OF THE INTERNAL ORGANISATIONAL STRUCTURE | | | | | | | |
|---------------------------------------|--|-------------------------|--|--------------------------|--------------------|-------------------------------------|--------------------------------------|---------------------------|
| | Main criterion (*) for structure | Large taxpayer division | Dedicated transaction processing centres | Debt collection function | Tax fraud function | Dedicated appeals disputes function | Audits—separate by tax or integrated | Full in-house IT function |
| <i>1) OECD countries</i> | | | | | | | | |
| Australia | All | Yes | Yes | Yes | Yes | Yes | Separate | Yes /1 |
| Austria | T, TP | Yes | No | Yes | Yes | Yes | Integrated | Yes /1 |
| Belgium | All | Yes | Yes | Yes | Yes | Yes | Integrated | No |
| Canada | F | Yes /2 | Yes | Yes | Yes | Yes | Integrated | Yes |
| Czech Rep. | F, T | No | No | Yes | Yes | Yes | Integrated | Yes/1 |
| Denmark | All | Yes | Yes | Yes | Yes | Yes | Integrated | No /1 |
| Finland | F,TP | Yes | Yes | Yes | Yes | No | Integrated | No /1 |
| France | TP | Yes | Yes | Yes | Yes | No | Integrated | Yes |
| Germany /2 | F, TP | Yes/ 2 | Yes | Yes | Yes | Yes | Integrated | Yes |
| Greece | All | Yes/2 | Yes | Yes | Yes | No | Separate | Yes |
| Hungary | F | Yes | Yes | Yes | No | Yes | Integrated | Yes |
| Iceland | F | No | Yes | No | No | No | Integrated | No /1 |
| Ireland | TP | Yes | Yes | Yes | Yes | No | Integrated | Yes |
| Italy | F | Yes | Yes | No /2 | No /2 | Yes | Integrated | No |
| Japan | All | Yes | Yes | Yes | Yes | Yes | Integrated | Yes |
| Korea | F | No | Yes | Yes | No | Yes | Integrated | Yes |
| Luxembourg | T, F | No | Yes | Yes | Yes | Yes | Separate | No /1 |
| Mexico | All | Yes | Yes | Yes | Yes | Yes | Integrated | Yes |
| Netherlands | F | Yes | Yes | No | Yes | No | Integrated | Yes |
| N. Zealand | All | Yes | Yes | Yes | Yes | Yes | Integrated | Yes |
| Norway | All | Yes | Yes | Yes | Yes | Yes | Integrated | Yes |
| Poland | All | Yes | Yes | Yes | Yes | Yes | Integrated | Yes /1 |
| Portugal | F | Yes | No | Yes | Yes | Yes | Separate | No |
| Slovak Rep. | F | Yes | No | Yes | Yes | Yes | Integrated | No /1 |
| Spain | All | Yes | Yes | Yes | Yes | No | Integrated | Yes |
| Sweden | All | Yes | Yes | Yes/2 | Yes | No | Integrated | Yes |
| Switzerland | T | No | Yes | No | Yes | No | Separate | Yes |
| Turkey | F | Yes | No | Yes | Yes | Yes | Integrated | Yes |
| UK | All | Yes | Yes | Yes | Yes | Yes | Separate | No /1 |
| USA | TP | Yes | Yes | Yes | Yes | Yes | Integrated | Yes |
| <i>2) Selected Non-OECD countries</i> | | | | | | | | |
| Argentina | All | Yes | No | Yes | No | Yes | Integrated | Yes |
| Brazil | F | No /2 | Yes | Yes | Yes | No | Integrated | No |
| Chile | F | Yes | No | No | Yes | Yes | Integrated | Yes |
| China | All | No | Yes | Yes | Yes | Yes | Integrated | Yes |
| Cyprus- IR | All | No | Yes | Yes | Yes | Yes | Separate | No |
| Cyprus-VAT | All | No | Yes | Yes | Yes | Yes | Separate | No |
| Estonia | F | No | No | Yes | Yes | No | Integrated | Yes |
| India | T, F | - | - | - | - | - | Separate | - |
| Latvia | F | Yes | No | Yes | Yes | Yes | Integrated | Yes |
| Lithuania | All | Yes | Yes | Yes | Yes | Yes | Integrated | Yes |
| Malta- IR | F | No | Yes | Yes | Yes | Yes | Separate | No /1 |
| Malta- VAT | All | No | Yes | Yes | Yes | Yes | Separate | No /1 |
| Russia | All | Yes | Yes | Yes | No | Yes | Integrated | Yes |
| Singapore | F,T | No | Yes | Yes | Yes | No /2 | Separate | Yes |
| Slovenia | F | Yes | No | Yes | No | Yes | Integrated | Yes |
| South Africa | F, TP | Yes | Yes | Yes | Yes | Yes | Separate | Yes |

(*) Structural criterion: Function-F; Tax type-T; and Taxpayer type-TP.

/1. **Australia**—Mainframe, network and communications hardware and support outsourced; **Austria, Czech Rep., Luxembourg, Malta, & Poland**—IT functions provided by central ministry of finance or similar department; **Denmark, Iceland, Italy, Slovakia, and UK**—IT operations are largely outsourced to private contractors; **Finland**—IT operations are partly outsourced;

/2. **Brazil**—dedicated unit for financial institutions only; **Canada & Greece**—dedicated large case audit function; **Germany**—Most states have tax office for large taxpayer audits and tax fraud function, specialized debt collection units, appeals units, and full in-house IT functions; **Italy**—Debt collection outsourced to separate agents while most tax fraud carried out by the Guardia di Finanza; **Singapore**—function in each tax management division; **Sweden**—Enforcement Service also collects private/ non-tax debts.

Table 5: Powers of Revenue Bodies

| COUNTRY | POWERS THAT CAN BE EXERCISED BY THE NATIONAL REVENUE BODY /1 | | | | | | | | | |
|--------------------------|--|---------------------------------|-------------------------------------|-----------------|---------------------------|---------------------------|--------------------------------|--------------------------------|-------------------|----------------------------|
| | Make tax law rulings | Remit penalties and/or interest | Establish internal design/structure | Allocate budget | Fix levels & mix of staff | Maintain own IT operation | Set service performance levels | Influence recruitment criteria | Hire & fire staff | Negotiate staff pay levels |
| <i>1) OECD countries</i> | | | | | | | | | | |
| Australia | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Austria | Yes | Yes | No | No | No | No | Yes | Yes | No | No |
| Belgium | No /2 | No/2 | No | No | No | No | Yes | Yes | No | No |
| Canada | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Czech Rep. | Yes | Yes | Yes /2 | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Denmark | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Finland | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes -2006 |
| France | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | No |
| Germany /1 | Yes | Yes | Yes | No | No | Yes | Yes | Yes | Yes | No |
| Greece | Yes | Yes | Yes | No | Yes | No | No | Yes | Yes | No |
| Hungary | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Iceland | Yes | Yes | Yes /2 | Yes /2 | Yes | Yes | Yes | Yes | Yes /2 | Yes /2 |
| Ireland | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Italy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Japan | Yes | Yes | No | No | No | Yes | Yes | Yes | Yes | No |
| Korea | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Luxembourg | Yes | Yes | Yes | No | Yes | Yes /2 | Yes | Yes | No | No |
| Mexico | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Netherlands | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| N. Zealand | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Norway | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Poland | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Portugal | Yes | Yes | No | No | No | No | Yes | Yes | No | No |
| Slovak Rep. | Yes | Yes | No | No | Yes | Yes | Yes | No | Yes | Yes |
| Spain | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Sweden | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Switzerland | Yes /2 | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Turkey | Yes | Yes | Yes | No | No | Yes | Yes | Yes | No | No |
| UK | Yes | Yes | Yes | Yes | Yes (limited) | Yes | Yes /2 | Yes | Yes | Yes |
| USA | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

| POWERS THAT CAN BE EXERCISED BY THE NATIONAL REVENUE BODY /1 | | | | | | | | | | |
|--|----------------------|---------------------------------|-------------------------------------|-----------------|---------------------------|---------------------------|--------------------------------|--------------------------------------|-------------------|----------------------------|
| COUNTRY | Make tax law rulings | Remit penalties and/or interest | Establish internal design/structure | Allocate budget | Fix levels & mix of staff | Maintain own IT operation | Set service performance levels | Influence staff recruitment criteria | Hire & fire staff | Negotiate staff pay levels |
| <i>2) Selected non-OECD countries</i> | | | | | | | | | | |
| Argentina | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Brazil | Yes | No | Yes | Yes | No | No / 2 | Yes | Yes | No | No |
| Chile | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| China | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Cyprus- IR | Yes | Yes | Yes | Yes | No | No | Yes | Yes | No | No |
| Cyprus- VAT | Yes | No | Yes | Yes | No | No | Yes | Yes | No | No |
| Estonia | - | - | - | - | - | Yes | - | - | - | - |
| India | Yes | Yes | - | - | - | - | - | - | - | - |
| Latvia | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | - |
| Lithuania | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Malta- IR | Yes | Yes | Yes | No | No | No | Yes | Yes | No | No |
| Malta- VAT | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | No |
| Russia | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Singapore | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Slovenia | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| South Africa | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

/1. Separate references for countries with multiple revenue bodies.

/2. **Belgium**—tax rulings are made by the Office for advance decisions in tax matters, remittance of interest and penalties for tax offences are under the jurisdiction of Minister; **Brazil**—IT functions are provided by a state owned company SERPRO; **Czech Republic**—tax office network is fixed by a special law; **Germany**—Generally, 16 States MOF can decide on the internal structure. Most important decisions on levels & mix staff are made by State and Federal Parliaments as part of the budget. Each of 17 MOF can hire within the limitations provided by its budget and can influence recruitment criteria, but firing staff is virtually impossible under German civil service law. Most of 16 States and Federal MOF maintain own IT operations.; **Luxembourg**—supervised by the National IT Centre; **Iceland**— not including the regional tax offices; **Switzerland**—No for VAT; **UK**—top level Public Service Agreement targets have to be agreed with Ministers.

Table 6. Office Networks of Revenue Bodies

| COUNTRY | Total staffing /1 | Head-quarters operations | | Regional offices (i.e. for regional management functions) /3 | | Local / branch offices | | Satellite offices (i.e. limited service functions) | | National / regional information processing and / or call centres | | Other special purpose offices / operations | |
|--------------------------|-------------------|--------------------------|--------|---|--------|------------------------|--------|--|--------|--|------------|--|------------|
| | | Staffing | Number | Staffing | Number | Staffing | Number | Staffing | Number | Staffing | Number | Staffing | Number |
| <i>1) OECD countries</i> | | | | | | | | | | | | | |
| Australia | 20,645 | 3,327 | 28 | 15,848 | 10 | 207 | - | - | - | 3 | 1,219 | 10 | 44 |
| Austria | 6,820 | 30 | 5 | 90 | 49 / 2 | 6,700 | - | - | - | - | - | - | - |
| Belgium | 18,696 | 885 | 96 | 4,003 | 427 | 13,808 | - | - | - | 3 / 2 | 141 | - | - |
| Canada | 38,809 | 8,248 | 6 | 311 | 46 | 20,910 | - | - | - | 7 | 9,340 | - | - |
| Czech Rep. | 15,845 | 241 | 8 | 1,277 | 222 | 14,218 | - | - | - | - | - | 2 / 2 | 109 |
| Denmark / 2 | 10,770 | 730 | 5 | 7,770 | 30 | - | - | - | - | 5 | 1,000 / 2 | - | - |
| Finland / 2 | 6,305 | 369 | 8 | 1,837 | 50 | 3,927 | 70 | In locals | 1 | 150 | 1-LTO | 1 | 121 |
| France | 73,083 | 5,150 | 17 | 2,846 | 107 | 62,215 | - | - | - | 16 | 2,439 | 3 | 433 |
| Germany / 2 | 118,000 | 1,450 | 14 | 3,800 | 606 | 109,000 | - | - | - | 12 | 2,000 | 1 | 950 |
| Greece | 12,779 | 767 | 8 / 2 | 630 | 284 | 10,844 | - | - | - | 1 | n.avail. | n.avail. | 538 / 2 |
| Hungary | 11,962 | 1,684 | 22 | (in local) | 480 | 10,278 | - | - | - | - | - | - | - |
| Iceland | 300 | 100 | 9 | 200 | - | - | - | - | - | - | - | - | - |
| Ireland | 6400 | 1,010 | 4 | 70 | 109 | 4,220 | - | - | - | 10 | 1,100 | - | - |
| Italy | 35,142 | 1,453 | 21 | 3,327 | 386 | 29,479 | - | - | - | 7 | 588 | 2 | 295 |
| Japan | 56,239 | 634 | 12 | 10,693 / 2 | 524 | 44,086 | - | - | - | 12 within regional | - | 26 | 826 |
| Korea | 17,404 | 795 | 6 | 2,719 | 107 | 13,667 | - | - | - | 1 | 125 | 2 | 98 |
| Luxembourg | 1,386 | 200 | - | - | - | - | - | - | - | 94 | 1,186 | - | - |
| Mexico | 32,690 | 9,165 | - | - | 66 | 23,378 | - | - | - | 4 | 147 | - | - |
| Netherlands | 31,160 | 160 | 17 / 2 | 21,250 | - | - | - | - | - | 2 | 2,700 | 6 | 7,050 |
| N. Zealand | 4,864 | 1,038 | - | - | 18 | 2,807 | - | - | - | 9 | 1,019 | - | - |
| Norway | 6,058 | 640 | 37 | 1,638 | 99 | 3,600 | - | - | - | 3 | 180 | - | - |
| Poland / 2 | 65,851 | 2,201 | 32 | 14,375 | 447 | 44,316 | 163 | 4,779 | 4 | 180 | - | - | - |
| Portugal | 11,560 | 1,458 | 22 | 3,947 | 372 | 6,155 | - | - | - | 1 call centre in 2006 | - | - | - |
| Slovak Rep. | 6,097 | n.avail. | 8 | n.avail. | 101 | n.avail. | - | - | - | - | - | 1-LTO | n.avail. |
| Spain | 27,415 | 3,326 | 17 | 24,089 | 51 | In regions | 239 | - | - | 6 | In regions | 7-LTO, 1 | In regions |
| Sweden / 2 | 10,318 | 1,080 | 7 | 9,238 | 120 | In regions | - | - | - | 3 | n.avail. | - | - |
| Switzerland | 1,000 | 1,000 | - | - | - | - | - | - | - | - | - | - | - |
| Turkey / 2 | 44,691 | 1,631 | 29 | 43,060 | 448 | In regions | - | - | - | 81 | In regions | 1 | In regions |
| UK / 2 | 95,000 | | | HMRC has a total of 900 sites including garages, dog kennels etc. of which over 700 building are office accommodation | | | | | | | | | |
| USA / 2 | 98,735 | 17,043 | 369 | 36,214 | 194 | 28,170 | - | - | - | 35 | 16,988 | 5 | 320 |

| COUNTRY | Total staffing /1 | Head-quarters operations | | Regional offices (i.e. for regional management functions) /3 | | Local/ branch offices | | Satellite offices (i.e. limited service functions) | | National/ regional information processing and /or call centres | | Other special purpose offices/ operations | |
|-----------------------|-------------------|--------------------------|--------|--|--------|-----------------------|--------|--|--------|--|--------|---|------------|
| | | Staffing | Number | Staffing | Number | Staffing | Number | Staffing | Number | Staffing | Number | Staffing | Number |
| 2) Non-OECD countries | | | | | | | | | | | | | |
| Argentina | 20,415 | 2,690 | 32 | 6,190 | 197 | 7,255 | - | - | - | 1 | 87 | - | - |
| Brazil | 14,123 | 686 | 10 | 13,437 | 557 | In regions | - | - | - | - | - | - | (6,135) /2 |
| Chile | 3,499 | 694 | 17 | 2,051 | 50 | 754 | - | - | - | - | - | - | - |
| China | 737,963 | 327 | 61 | 16,031 | 6,345 | 719,732 | - | - | - | 61 | 610 | 3 | 1,263 |
| Cyprus-IR | 576 | 41 | 5 | 535 | - | - | - | - | - | - | - | - | - |
| Cyprus-VAT | 537 | 143 | - | - | 8 | 394 | - | - | - | - | - | - | - |
| Estonia | 2,268 /2 | 430 | 4 | 868 | - | - | - | - | - | - | - | - | - |
| India | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Latvia | 3,098 | 522 | 5 | 839 | 33 | 1,737 | - | - | - | - | - | - | - |
| Lithuania | 3,978 | 400 | 10 | 2,457 | 50 | 960 | - | - | - | 2 | 161 | - | - |
| Malta- IR | 228 | 201 /2 | 1 | 23 | - | - | - | - | - | - | - | 1 | 4 |
| Malta- VAT | 136 | 135 /2 | 1 | 1 | - | - | - | - | - | - | - | - | - |
| Russia | 166,000 | 1,051 | 82 | /2 | 1,184 | 164,949 | - | - | - | 5 | /2 | 16 | /2 |
| Singapore | 1,683 | - | - | - | - | - | - | - | - | - | - | - | - |
| Slovenia | 2,675 | 158 | 15 | 1,717 | 49 | 735 | - | - | - | - | - | 1- LTO | 65 |
| South Africa | 13,135 | 1,734 | 7 | 65 | 108 | 11,336 | - | - | - | 2 | 232 | - | - |

Sources: Revenue authority annual reports, country surveys.

/1. Number of total staffs may not equal to the number of staff in tax only work in table 25 owing to the inclusion of non-tax staffs.

/2. Austria—recent reduction in number of local offices from 90 to 49 including large taxpayer audit offices; Belgium—one call center (41 staff) and two scanning center (100 staff); Brazil—the 6,135 employees are not employees of the revenue body, but contractors to support the activities by SRF employees; Czech Rep.—training centers; Denmark—Data reflects creation of new unified organization (including around 950 customs staffs) from 1 November 2005; staffing to be reduced to between 7-8,000 by 2009; the 1,000 includes staff in IT services and Boards of Appeal; Estonia—total staffing as at the end of 2004 including customs operations, the number of HQ staffs derived from data in annual report (2004); Finland—authorities are planning to move from a three level organization (i.e. central, regional and local offices to a unified central body with divisions under it; France—headquarter staff number 2,109 in central services and 3,041 in national directorates; Germany—Numbers are for 2004; headquarters are tax directorates of Federal MOF and 16 State MOF; special purpose office is Federal Central Tax Office (former Federal Finance Office); Greece—tax officials serving in the headquarters and regional offices of the Service for Special Controls (i.e. financial crime task force); 8 regional offices have only tax audit function; Japan—the figure includes the number of staffs at one processing centre and tax payment call centres located at each Regional Taxation Bureau; Malta—each body has a single site for HQ and most tax administration work; Netherlands—17 regional offices are 13 revenues and 4 customs; Poland—data includes some 45,718 staff across all levels performing customs functions; Russia—staff in these offices included in number for local offices; Sweden—a new unified national organisation for taxpayer services (including call centres) will be introduced on September 1-2006, staffed with approximately 550 officials; Turkey—the number of staffs as per annual report 2005, national call centre project in 2005; UK—includes customs and national insurance contribution agency of over 20,000 staffs; USA—office network structure is decentralized and organized around taxpayer, head office has 12 distinct semi-autonomous business and functional units, each with its own head office operations.

/3. For some of the countries identified (e.g. Australia, United States) the staffing data in this column includes staff delivering front-line operations, as well as regional management responsibilities.

3 ASPECTS OF MANAGEMENT APPROACHES AND PRACTICES

Introduction

33. This part provides brief information on key trends in public sector management approaches as an introduction to identifying selected management approaches for the administration of tax laws in a sample of countries. The specific country-related information provided in this part is described hereunder:
- Table 7 provides an indication of availability of multi-year business plans, service delivery standards, annual performance reports, and official statements of taxpayers' rights.
 - Table 8 provides selected information from the official strategic/business plan documents of revenue bodies in two surveyed countries.
 - Table 9 provides examples of service delivery standards applied by revenue bodies in selected surveyed countries.

Key observations and trends

34. Based on the data in Table 7 and Table 9, there are numbers of observations that can be made:
- One third of OECD countries do not, as yet develop and publish a multi-year business plan and/or do not set and publish service delivery standards.
 - About two thirds of surveyed countries with a semi-autonomous revenue body develop and publish taxpayer service delivery standards.
 - Almost all surveyed countries, regardless of their institutional arrangements, publish annual performance report and are guided by formal taxpayer rights in law or in official document. However, concerning annual performance reports, a reading a many of these reports reveals that there is considerable variation in the nature and scope of information reported to Government and central planning agencies and taxpayers at large.

Context—Enhancing public sector performance in general

35. The work leading up to the preparation of this information series did not entail any in-depth study of the approaches of individual revenue bodies to high level/strategic planning and performance management. Rather, the opportunity is being taken to introduce readers of this series to selected findings of recent OECD work¹⁰ describing key trends and issues in public sector management practice and to

¹⁰ See *'Modernizing Government'* (30 March 2005), OECD reference GOV/PGC/RD(2005)2

illustrate, by way of examples, related approaches as described in materials provided by revenue bodies of two OECD countries.

Planning and management approaches in the public sector ¹¹

36. In the 1960s, there was a strong trend towards centrally planned and measured approaches to government. In some countries this took the form of very detailed multi-year national planning systems. In the United States, less ambitious about the role of government, it took the form of the Planning Programming Budgeting Systems (PPBS). Both systems ultimately failed because they were too rigid to take account of uncertainty and unpredictability, and too formal in that they did not recognize the limitations of formal systems in influencing peoples' behaviour.
37. Public sector performance oriented reform has had a revival over the past two decades. Learning from the failure of central planning, the approaches adopted within government ministries in a number of OECD member countries have been: a) strategic planning—focusing on goals but not trying to be precise on how to get there; b) strategic management—how to adapt to new circumstances while still remaining focused on the main goals; c) mission and vision articulation – a process aimed at aligning the hearts and minds of staff with organizational goals; and more recently d) leadership—enhancement of the capacity of certain individuals to touch the internal motivation of staff in support of organizational purposes.
38. Within public service agencies, these approaches to strengthening performance are now of well proven validity, and they remain the most important and fundamental steps in moving organizations to become more performance oriented.

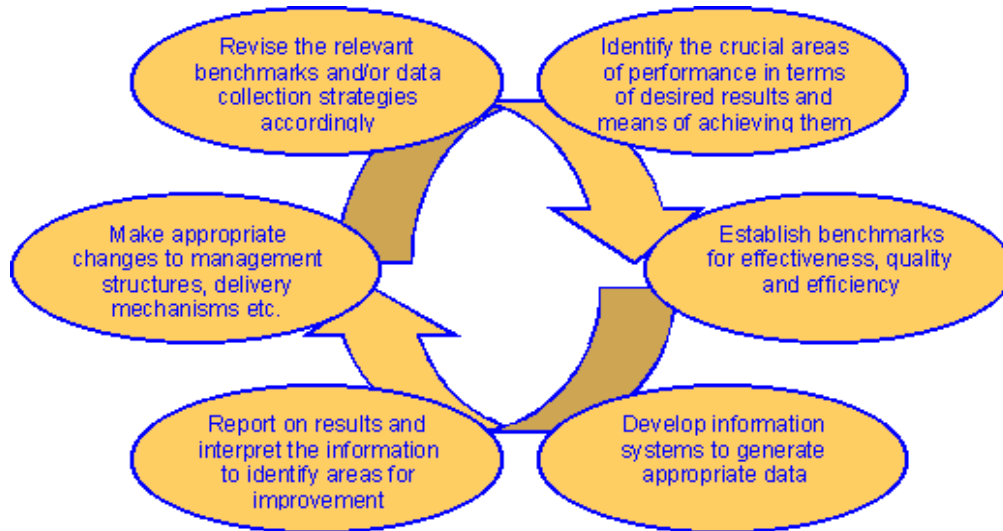
Performance budgeting and performance management

39. The strongest current performance oriented trend across OECD member countries is performance-oriented budgeting and performance management. While performance budgeting and performance management can be seen as separate concepts, in practice many governments have sought to adopt a results-based approach to both management and budgeting in which input controls are relaxed and managers/organisations are given flexibility to improve performance and are held accountable for results measured in the form of outputs and/or outcomes.
40. There are numerous definitions of performance budgeting and performance management. Results/performance-based budgeting is subject to diverse interpretation. It can be broadly defined as any budget that presents information on what agencies have done or expect to do with the money provided (Allen Schick, *The Performing State*, GOV/PUMA/SBO(2003)17. In this case it can simply refer to performance information presented as part of the budget documentation or to a budget classification in which appropriations are divided by groups of outputs or outcomes. A strict definition of performance-based budgeting, however, is a form of budgeting that relates funds allocated to measurable results. These results are measured in the form of outputs and/or outcomes. Resources can be related to results either in a direct or indirect manner.
41. Broadly, performance management covers corporate management, performance information, evaluation, performance monitoring, assessment and performance reporting. In the context of the new performance trend, however, a stricter definition is a management cycle under which program performance targets and objectives are determined (and often published in official planning documents), managers have flexibility to achieve them, actual performance is measured and reported (often in agency annual performance reports), and this information feeds

¹¹ This and the following sections draw directly on the text of the report 'Modernising Government', in particular pages 42-45 and 58-60 (OECD reference GOV/PGC/RD(2005)2) of March 2005.

into decisions about future program funding, design, operations and rewards and penalties (OECD, *Governance in Transition*, 1995). Such a cycle is illustrated in Figure 6 below.

Figure 6. Example—The performance management cycle



Source: Australian Department of Finance and Administration

42. It is possible to discern four broad objectives for which countries have adopted the formalisation of targets and measures in the government management process:
 - Managing the efficiency and effectiveness of agencies and ministries and/or the internal control and accountability within individual ministries.
 - Improving decision making in the budget process, and/or in the allocation of resources and accountability of ministries to the Ministry of Finance.
 - Improving external transparency and accountability to parliament and the public and clarifying the roles and responsibilities of politicians and civil servants.
 - Achieving savings.
43. In summary, this reform lever seeks to shift the emphasis of budgeting, management and accountability away from the traditional emphasis on controlling inputs towards results measured in the forms of outputs and/or outcomes. The provision of performance information is not an end in itself: rather its overall objective is to support better decision making by politicians and public servants, leading to improved performance and/or accountability and ultimately improved outcomes for society.

Future challenges

44. A great deal of rhetoric has surrounded the introduction of performance management, and budgeting supporters claim it has the capacity to transform governments. However, it is important that this reform should not be seen as a panacea and that governments have realistic expectations about what it can achieve and the time needed to achieve these objectives. A number of challenges that countries continue to struggle with are described in the following comments.

Measurement

45. Even countries that have been using this approach for over fifteen years continue to struggle with issues of measurement; this is especially the case for 'outcomes'. A key challenge for all countries is obtaining good quality information which is valid, reliable, and timely. Numerous challenges can be encountered including setting clear objectives, finding accurate measures of performance and having good systems of data collection.
- **Setting objectives:** For some agencies or programs, even setting clear objectives can be a problem when there is no agreement on what the mission is, or there are diverse missions, overlapping and fragmented programmes, and stakeholders with different interests.
 - **Finding accurate measures of performance:** The design of measures is made difficult by finding measures for specific activities, and relating what an agency or programme actually contributes towards achieving specific outcomes. Output and outcome measures each present a different set of challenges. Outcomes are technically more difficult to measure; they are complex and involve the interaction of many factors, planned and unplanned. Also there are problems with time lag issues and in some cases the results are not within the control of the government. Outcomes, however, have a strong appeal for the public and politicians. Most countries appear to have adopted a combination of outputs and outcomes; this is potentially more beneficial than concentrating on just one type of measure.
 - **Establishing and maintaining systems of data collection:** To ensure quality there needs to be a process by which data collected is verified and validated. However, setting up and maintaining these systems can be both complex and costly. The auditing of performance information can help to improve standards and provide some legitimacy for the reported results. It is especially challenging to assure the quality of the data when agencies are dependent on third parties to provide the information. This is particularly a problem in federalist systems.

Setting and using performance targets

46. Performance targets help to clarify performance expectations for an organisation for given a time period. Countries, however, continue to struggle with the issues of target level and numbers. There are problems with setting targets too low and/or too high. Setting targets too low means that agencies are not challenged to improve performance. Setting them too high, while it can serve as a motivation, also creates unrealistic expectations and situations in which agencies will fail. It takes time to get the right level and to get the comparative data to realize that targets are set at too high or too low a level.
47. There is also an issue about how many targets to have. Too many targets create information overload and make it difficult to select priorities; having too little creates distortion effects. Again it takes time to get a realistic balance. Several countries have started out with a large number of targets and subsequently reduced them.
48. This is a challenge for all governments in using this approach. Possible perverse effects include goal distortion – that is, organisations and managers focusing on a few specific indicators and targets at the expense of the overall objectives or program. Other problems arise from agencies or staff under pressure to meet targets; they may present misleading information or even - in extreme cases- cheat.

Challenges with using the budget process to improve performance

49. In many OECD countries, the objective of introducing performance into the budget process is to improve budgetary decision making and to act as an incentive for agencies to improve performance. Most countries, however, continue to struggle with this approach. As discussed above, one of the key issues is obtaining good quality and reliable performance data. Briefly, other challenges include establishing some link between financial information and performance information. This is particularly challenging for outcome measures. In many countries there are also problems with the structure of the budget and accounting issues. Budgets tend to be structured in accordance with institutional and functional boundaries and not results categories. Also, if there is no system of cost recording it is difficult to relate true costs to results.
50. Getting the right mix of incentives is an issue when countries use performance information in resource allocation. A fundamental question is: Should financial rewards be given for good performance, and bad performance punished, and if so, how? To do the former can create the appearance of rewarding poor performance; to do the latter, while creating positive incentives, could condemn failing agencies to continue to under-perform. Punishing failure by removing resources creates a clear signal to other agencies that performance is considered important. However, it does not help address the underlying causes of poor performance. Indeed in some cases failure to meet targets can be the result of lack of funding or other resources. While rewarding good performance is intuitively appealing, it does not take into account cost issues and government priorities. In a climate of budgetary saving, a question is whether to give additional funding to an agency, especially one that is not a government priority. In either case, there is always the danger that linking results to financial resources can create incentives to distort and cheat in presenting information.

Changing the behaviour and culture

51. One of the most difficult challenges is to create a results based culture within organisations and throughout government. To achieve change in behaviour and culture across government requires a whole of government approach and the creation of the right mix of incentives that takes account of how the actions of key actors influence each other. Most countries continue to struggle with achieving change in the behaviour of public servants and politicians; this is a long-term process.

Planning and management approaches of national revenue bodies

52. For the purpose of this information series, revenue bodies were asked to answer four relatively basic questions: 1) Does your agency prepare and publish a multi-year business plan? 2) Does your agency formulate and publish service performance standards for its main taxpayer service functions? 3) Does your agency prepare and publish an annual report of its performance? 4) Are taxpayers' rights codified in law or administrative documents? A summary of the responses to these questions is provided in Table 7 and the key findings are set out hereunder:
 - Around one third of surveyed revenue bodies, including 10 in OECD countries, do not as yet prepare and publish a multi-year business plan; a number of these revenue bodies indicated that an annual plan is prepared.
 - Around one third of surveyed revenue bodies, including many in the aforementioned category, have not as yet established taxpayer service delivery standards that are made public to taxpayers at large.

- The vast majority of surveyed revenue bodies—those in Germany, Greece and Switzerland being the exceptions—prepare and publish an annual performance report describing the overall results of their tax administration activities for each fiscal year; a reading of many of these reports, however, reveals that there are substantial variations in the quality (i.e. scope and nature) of the information provided.
 - The vast majority of surveyed revenue bodies are required to recognize a formal set of taxpayers’ rights that are reflected in the law or official administrative documents.
53. Boxes 7 to 8 and accompanying information in Table 8 set out in fairly brief terms a description of the approaches to performance planning and budgeting (and associated outputs) adopted by two revenue bodies. Specifically;
- **US Internal Revenue Service (IRS):** Box 7 provides an overview of the performance planning and budgeting process followed by the IRS while Table 8 provides a description of key elements (i.e. vision, values, mission, goals, objectives and key measures of success) from the IRS’s official strategic plan for 2005-2009.
 - **The Canada Revenue Agency (CRA):** Box 8 provides an overview of the performance planning and budgeting process followed by the CRA while Table 8 provides a description of key elements (i.e. vision, values, mission, strategic outcomes, expected results, and performance measures) from its official business plan for 2005-2008.
54. These examples are presented to illustrate a number of points:
- Both agencies are committed to preparing and publishing a multi-year business plan, as part of Government-wide requirements, that provides a direct linkage between strategic, financial, and program planning.
 - Both agencies have a formalized internal planning process, the end-product of which is the formal multi-year business plan.
 - Officially-published plans provide a clear articulation of agency mission, vision, values, and strategic goals and related objectives and key measures of performance, and the linkages between each element.
 - Agency plans are subject to external scrutiny, as are underlying elements of program activity.
 - Official goals are relatively few in number and so far as tax collection is concerned have a clear orientation to taxpayer service, enforcement, and internal capability requirements.
 - Key measures of success/ performance for each goal and related objectives are both ‘outcome’ and ‘output’ related; concerning the measurement of ‘outcomes’, measures/ indicators used by these agencies include 1) taxpayer satisfaction with services delivered and overall perceptions of agency management of the tax system; 2) rates of taxpayers’ compliance achieved; 3) compliance burden reduction; and 4) perceptions of employee engagement/ satisfaction.
 - The results of agency operations are published in annual performance reports, against the framework reflected in the formal business plan.

Table 7. Selected Management Practices

| COUNTRY | Type of revenue body | Management Practices | | | |
|---------------------------------------|--|--|--|---|---|
| | | Develops/ publishes multi-year business plan | Develops/ publishes service delivery standards | Publishes annual perform- ance report | Guided by formal taxpayers' rights in law or official documents |
| <i>1) OECD countries</i> | | | | | |
| Australia | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Austria | Single directorate in MOF | No | No | Yes | Yes |
| Belgium | Multiple directorates in MOF | Yes | No | Yes | Yes |
| Canada | Unified semi-autonomous body with board | Yes | Yes | Yes | Yes |
| Czech Rep. | Single directorate in MOF | No | Yes | Yes | Yes |
| Denmark | Single directorate in MOF | Yes | Yes | Yes | Yes |
| Finland | Unified semi-autonomous body with board | Yes | Yes | Yes | Yes |
| France | Multiple directorates in MOF | Yes | Yes | Yes | Yes |
| Germany | Multiple directorates in Federal MOF and 16 State MOFs | No | No | No | Yes |
| Greece | Multiple directorates in MOF | No /1 | No | No | Yes |
| Hungary | Unified semi-autonomous body | No | Yes | Yes | Yes |
| Iceland | Unified semi-autonomous body | Yes | No | Yes | Yes |
| Ireland | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Italy | Semi-autonomous body | Yes | Yes | Yes | Yes |
| Japan | Unified semi-autonomous body | No | Yes | Yes | Yes |
| Korea | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Luxembourg | Multiple directorates in MOF | No | No | Yes | Yes |
| Mexico | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Netherlands | Single directorate in MOF | Yes | Yes | Yes | Yes |
| N. Zealand | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Norway | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Poland | Multiple directorates in MOF | Yes | Yes | Yes | No |
| Portugal | Multiple directorates in MOF | No | No | Yes | Yes |
| Slovak Rep. | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Spain | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| Sweden | Unified semi-autonomous body with board | Yes | No | Yes | Yes |
| Switzerland | Single directorate in MOF | No | No | No | No |
| Turkey | Unified semi-autonomous body | No | No | Yes | Yes |
| UK | Unified semi-autonomous body with board | Yes | Yes | Yes | Yes |
| USA | Unified semi-autonomous body with board | Yes | Yes | Yes | Yes |
| <i>2) Selected non-OECD countries</i> | | | | | |
| Argentina | Unified semi-autonomous body | No | Yes | Yes | Yes |
| Brazil | Single directorate in MOF | Yes | No | Yes | No |
| Chile | Unified semi-autonomous body | Yes | Yes | Yes | Yes |
| China | Separate body with minister | Yes | Yes | Yes | Yes |
| Cyprus-IR | Multiple directorates in MOF | No | Yes | Yes | Yes |
| Cyprus-VAT | | Yes | No | Yes | Yes |
| Estonia | Single directorate in MOF | Yes | - | Yes | - |
| India | Separate departments for direct & indirect taxes | - | - | - | - |
| Latvia | Unified semi-autonomous body | No | No | Yes | Yes |
| Lithuania | Separate inspectorate in MOF | Yes | Yes | Yes | Yes |
| Malta- IR | Multiples directorates in MOF | Yes | No | Yes | Yes |
| Malta- VAT | | No | Yes | Yes | Yes |
| Russia | Single directorate in MOF | - | - | - | - |
| Singapore | Unified semi-autonomous body with board | Yes /1 | Yes | Yes | Yes |
| Slovenia | Single directorate in MOF | Yes | Yes | Yes | Yes |
| South Africa | Unified semi-autonomous body | No | Yes | Yes | Yes |

Sources: Survey responses and official country documents (e.g. Business plans, annual reports).

/1. Greece—annual plan prepared, certain directorates prepare annual performance reports; Singapore—a five-year plan not published for public.

Box 7. Strategic/business planning — The approach of the US Internal Revenue Service

Background

The IRS Strategic Planning Process is designed to support the Internal Revenue Service executives in making decisions about what goals and strategies should drive the agency in meeting its overall goals of ensuring that taxpayers understand and meet their tax obligations in a timely and accurate manner, allocating resources to achieve those goals, and evaluating the results. In 1993, the United States Congress passed the Government Performance Results Act. The law applies to all U.S. agencies, including the Internal Revenue Service. The purpose of the Government Performance Results Act of 1993 (GPRA) is to: 1) improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, service delivery, and satisfaction; 2) improve Congressional decision-making by providing more objective information on the relative effectiveness and efficiency of Federal programs and spending; and 3) improve internal management of the Federal Government. GPRA requires that federal agencies produce the following three documents:

- **Strategic Plan.** The Strategic Plan provides a framework for both the Annual Performance Plan and Annual Performance Report. It must include general agency goals and objectives with outcome-related measures and how these relate to specific program performance goals. It must provide objective, quantifiable criteria by which to measure the success of each program activity.
- **Performance Plan.** The Annual Performance Plan (APP) provides performance goals and indicators for the fiscal year; a description of the resources needed to meet the goals for the fiscal year including processes, skills, technology, personnel, and capital; and an explanation of how the results will be verified and validated. The APP is linked to the budget providing program justification for allocating resources as shown in the budget.
- **Performance Report** - The Annual Performance Report (APR) reviews and evaluates the success of achieving the performance goals from the previous fiscal year. These reports establish a system for measuring each agency's performance that is tied to the congressional appropriations process. The content for the APR is developed by the operating divisions during the Performance Management Phase.

The six phases of the strategic planning process are:

1. **Strategic Assessment** – A broad assessment of the customer segment to determine emerging trends, issues and problems that impact tax administration. During this phase, proposed solutions to these trends, issues and problems are generated, and a determination of resource availability is made.
2. **Commissioner's Planning Guidance** – The IRS Commissioner outlines strategic priorities, resource availability and target allocations IRS-wide.
3. **Program Planning Phase** – Operating divisions prepare Strategy and Program Plans (SPPs) that address the questions: what will be done to achieve identified strategies; what resources are needed; what are the performance expectations.
4. **Congressional Justification** - The Performance Plan and Budget Justification phase includes preparing and submitting the IRS Annual Performance Plan (APP), Treasury and OMB Budget Submissions, and Congressional Justification (CJ).
5. **Business Planning Phase** - During this phase, the strategic initiatives developed in the Strategy and Program Plans are translated and developed into business plans, taking the strategic to the tactical. At this stage, measures and targets are finalized and linked to specific action plans and managers' commitments.
6. **Performance Management Phase** - The Business Performance Review is the central process for measuring, reporting and reviewing performance against plans.

The sixth phase of the cycle—Performance Management -- is quite different from the preceding phases in that it is performed as a continuous, iterative process throughout the year. As such, it is a common integrating theme throughout all phases of the cycle. Organizational performance management hinges

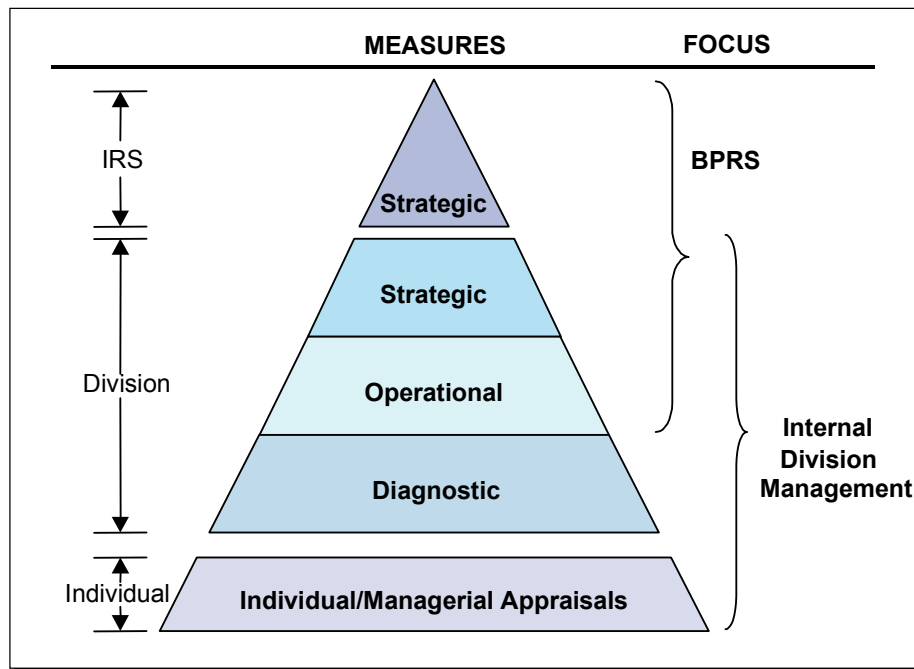
on using measures developed within the balanced measurement framework to gain insights into an agency's performance against plan. The performance management phase emphasizes achieving specific results against plans and linking these results to achievement of the overall mission and strategic goals of the IRS. This system ensures that three components of balanced measures—customer satisfaction, employee satisfaction, and business results—are carefully considered when setting organizational objectives, establishing goals, and assessing progress and results.

The Key Role of Performance Measures:

Performance measures are the common language terms that link all phases of the planning cycle—from planning and execution, to reviewing and revision. Measures are key indicators of performance for the review process. The agency uses balanced measures at both the strategic level and the operational level to gauge an organization's performance.

The balanced measures framework below depicts how the review process links with operational and diagnostic performance measures. Measures (and supporting diagnostic tools) are employed in the Business Performance Review System to focus management attention on achievement of strategic and operational goals, and to show linkages between performance and achievement of IRS-level strategic goals.

IRS Balanced Measures Framework



A Tool-Box of Measures

Strategic measures are used to assess overall performance in delivering on the IRS-wide mission and the strategic goals of improving taxpayer service, enhancing enforcement of the tax law, and modernizing the IRS through its people, processes and technology. Operational measures are used to assess the effectiveness of program and service delivery of particular components of the IRS. Diagnostic tools are used to explain or discover the factors impacting changes in balanced measures. Workload indicators are used to project an expected level of activity for an organizational unit or program and are necessary to identify resource needs and justify resource requests.

Source: The Control of Strategic Plans (US Internal Revenue Service), CIAT Technical Conference (October 2004).

Box 8. Canada Revenue Agency: Planning, measuring and reporting

Background and Legislation

The Canada Revenue Agency (CRA) operates within a robust planning, measuring and reporting framework. This framework was enhanced when, in 1996, the Government announced in the *Speech from the Throne* that it intended to convert Revenue Canada from a department of government into what it then called a "revenue commission". In taking this step, the Government wanted the new organization to achieve three objectives: 1) provide better service to Canadians; 2) become a more efficient and effective organization; and 3) establish a closer partnership with the provinces and territories.

Bill C-43, *An Act to Establish the Canada Customs and Revenue Agency*, was introduced into Parliament in June 1998 and received royal assent in April 1999. The Canada Customs and Revenue Agency, later referred to as the Canada Revenue Agency (CRA), came into existence on November 1 of that year. The legislation contains five major elements: mandate and governance of the Agency; accountabilities; partnership responsibilities; human resource authorities; and administrative authorities.

The Agency was created as part of the Government's exploration of 'alternative service delivery' and the legislation gives the CRA considerable flexibility and latitude in the human resources, financial, and administrative areas. Apart from the management of public monies, which continues to be governed by the *Financial Administration Act* (FAA), the Agency is effectively given full authority for human resource and general administration – authorities which to this point had been the responsibility of Treasury Board, the Public Service Commission, and Public Works and Government Services Canada.

The legislation also established a governance regime for the Agency that is unique in Canada. The Minister of National Revenue retains full responsibility and accountability for the administration by the Agency of tax and benefit legislation, notably the *Income Tax Act* and the GST legislation. The *CRA Act* created a Board of Management whose members, with the exception of the Commissioner, are appointed from the private sector. The Board oversees the human resources, financial, and administrative authorities that were formerly the responsibility of central agencies. The *CRA Act* also created a Commissioner who is effectively accountable to the Minister for the day-to-day administration of the program legislation and to the Board which has oversight responsibilities over HR and administration.

The provisions of the legislation give the Agency the authority to implement agreements with other federal departments and agencies, with provincial and territorial governments, and with aboriginal governments. The important relationship with provinces and territories is strengthened by the requirement that they nominate eleven of the fifteen members of the Board of Management. The accountability provisions round out the legislation by putting in place a strong and transparent regime that ensures Agency actions are reported upon and given proper scrutiny by appropriate authorities. Indeed, the Agency is arguably subject to stronger accountability requirements than virtually any other federal organization.

Accountability to Parliament is guaranteed by the longstanding concept of ministerial responsibility, coupled with the fact that the Auditor General is named as the Agency's auditor. As well, the CRA is required not only to submit for tabling the *Report on Plans and Priorities (RPP)* and the *Departmental Performance Report (DPR)* required by the *Financial Administration Act*, but it also must submit two additional documents: the *Summary of the Corporate Business Plan* and the *Annual Report*. The Public Service Commission is required to report on aspects of the Agency's staffing regime.

Strengthened accountability to the provinces and territories is demonstrated by the Agency's annual report to the provinces and territories, required by the *CRA Act*. The Agency is also required to apprise government departments, on whose behalf it administers programs, of significant developments affecting them.

Planning

One of the Board's key responsibilities, as defined in the *CRA Act* is the development of the *Corporate Business Plan*. The Plan must include the CRA's:

- objectives;
- strategies to achieve objectives (operational and financial, and human resource strategies);
- expected performance;
- operating and capital budgets; and
- any other strategic information required by the Treasury Board.

The Corporate Business Plan is a confidential document that sets a three-year course for the Agency and is normally submitted to Treasury Board for approval each February. Once approved, the confidential Plan forms the basis for two public documents: the *Summary of the Corporate Business Plan* and the

[Report on Plans and Priorities](#), both of which are tabled in Parliament in March. The two documents are in effect the same, under separate cover, to meet the dual reporting requirements resulting from the CRA's agency status.

The corporate planning process begins each spring, at which time the Board of Management and Agency Management Committee review priorities, risks and opportunities. The planning process is designed to produce a corporate planning document that builds direct linkages between strategic, financial, and program planning, and ensures a full consideration of the human resources, funding, and information technology realities of the organization. Following a series of meetings, the Board approves a set of themes and priorities for the Corporate Business Plan. Once these themes and priorities are set, a call letter is sent to all functional branches, which then identify their input into the plan by Program Activity.

Based on the content submitted by Branches, the Corporate Planning, Governance and Measurement Directorate drafts the Plan and provides the branches, the Agency Management Committee and the Board with a series of opportunities for comment. In January, the Board recommends the final plan to the Minister, who then presents it to Treasury Board for approval. Based on the approved Plan, the [Summary of the Corporate Business Plan](#) and [Report on Plans and Priorities](#) are then prepared and tabled in Parliament: the Summary by the Minister responsible for CRA and the RPP by the President of the Treasury Board who tables all of the Government's RPPs.

In 2005, as required by legislation, the CRA tabled in parliament a review of the first five years of the Agency. The CRA took advantage of this opportunity to perform a major strategic review in order to set the course for the next five years and beyond. The result of this review was the Agency 2010 vision, which forms the basis of the *Corporate Business Plan 2006-2007 to 2008-2009*. The CRA Summary of the Corporate Business Plan can be found at http://www.cra-arc.gc.ca/agency/business_plans/menu_e.html

Reporting

As prescribed by the *CRA Act*, the Minister must annually table a copy of its annual report in each House of Parliament. The two key components of the *Annual Report* are the CRA's financial statements and performance information with respect to achieving the objectives set out in the Corporate Business Plan.

The *CRA Act* requires that the Auditor General for Canada provide an opinion on the financial statements and periodic assessments of the fairness and reliability of CRA's performance information. These opinions and assessments are to be included in the Annual Report to Parliament. While this process is time consuming and costly, it adds significantly to the transparency and accountability elements of CRA's planning and reporting processes, and ultimately increases the reliability and trust Canadians place in their Tax and Benefits systems.

As is the case for the Corporate Business Plan, the CRA is also required to respect the *Financial Administration Act* regarding the preparation of a [Departmental Performance Report](#). For the purposes of efficiency and effectiveness, the DPR is identical in content to the Annual Report. The DPR report is tabled in Parliament by the President of the Treasury Board, along with the reports from all government departments and agencies.

The Treasury Board Secretariat uses departmental RPP and DPR documents as a basis for the President of the Treasury Board's annual planning and reporting documents: the *Government-wide Report on Plans and Priorities* (new in 2006) and [Canada's Performance Report](#). These documents are designed to improve reporting to Parliament by providing a whole-of-government view on federal spending, plans, and results. The electronic version of the report allows the reader to drill down from Government of Canada outcomes to specific planning, resource, and results information contained in both RPPs and DPRs. This mapping enables parliamentarians and Canadians to see how departments and agencies are working together toward shared outcomes.

Reporting Framework

Departments and agency are required to develop their own Management Resources and Results Structure (MRRS). The intention of the MRRS is to provide a standard, government-wide approach to planning and managing the relationship between resources and results, while serving as a consistent and enduring foundation for financial and non-financial reporting to Parliament. Each MRRS contains clearly defined strategic outcomes that reflect the department's mandate and vision and that are linked to the thirteen Government of Canada outcomes – the long-term benefits to Canadians that the federal government is working to achieve. Each MRRS also contains a Program Activity Architecture (PAA) that links program activities to strategic outcomes, allowing departments to provide a consistent reporting structure to Parliament. Each program activity is accompanied by performance expectations and supported by performance indicators and targets.

Sources: CRA

Table 8. Key Elements of Multi-year Strategic/ Business Plans
— United States

| Elements | Description | | |
|--|---|--|--|
| Vision | The IRS in 2009 is a 21st Century agency with the human capital and technology capabilities to effectively and efficiently collect the taxes owed with the least disruption and burden to taxpayers. | | |
| Values | Integrity, Accountability, Accuracy, Respect, Professionalism, & Partnering. | | |
| Mission | Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. | | |
| Goals (or strategic outcomes) | Improve Taxpayer Service | Enhance Enforcement Of The Tax Law | Modernize the IRS Through Its People, Processes & Technology |
| Objectives (for each goal) | * Improve Service Options for the Tax Paying Public | * Discourage and Deter Non-Compliance with Emphasis on Corrosive Activity by Corporations, High-Income Individual Taxpayers & Other Contributors to the Tax Gap | * Increase Organizational Capacity to Enable Full Engagement and Maximum Productivity of Employees |
| | * Facilitate Participation in the Tax System by all Sectors of the Public | * Ensure that Attorneys, Accountants and Other Tax Practitioners Adhere to Professional Standards and Follow the Law | * Modernize Information Systems to Improve Service and Enforcement |
| | * Simplify the Tax Process | * Detect & Deter Domestic & Off-Shore Based Tax and Financial Criminal Activity | * Ensure the Safety & Security of People, Facilities & Information Systems |
| | | * Deter Abuse within Tax-Exempt & Governmental Entities and Misuse of such Entities by Third Parties for Tax Avoidance or Other Unintended Purposes | * Modernize Business Processes and Align the Infrastructure Support to Maximize Resources Devoted to Front-line Operations |
| Strategies/ means | Elaborated for each goal and objective in plan document | | |
| Key measures of success (for each goal and objective) | <ul style="list-style-type: none"> ◇ Customer satisfaction data ◇ Rate of accuracy ◇ Burden reduction ◇ Levels of service ◇ Rate of electronic interactions ◇ Timeliness of responses | <ul style="list-style-type: none"> ◇ Rate of reporting compliance ◇ Rate of return filing compliance ◇ Rate of payment compliance ◇ Percent of priority guidance list items published ◇ Percent of Americans who think it is OK to cheat on taxes ◇ Average cycle time | <ul style="list-style-type: none"> ◇ Level of employee engagement ◇ Index of employee perceptions of Performance Management System ◇ President's Management Agenda Scorecard ◇ Ratio of mission-critical occupations (MCOs) employees to non-MCO employees ◇ Benchmark IT services and development to Private Industry Standards for costs, scheduling, and functionality |
| Accountability | Annual Performance Report | | |

Source: IRS Strategic Plan 2005-2009.

Table 8. Key Elements of Multi-year Strategic/ Business Plan — Canada

| Elements | Description | |
|--|---|---|
| Vision | To be recognized & respected by our clients for our integrity, fairness, & innovation in administering high-quality, yet affordable programs. To encourage new intergovernmental & international partnerships fostering greater government efficiency & a stronger economic union. | |
| Values | Integrity, Professionalism, Respect, and Co-operation | |
| Mission | To promote compliance with Canada's tax legislation & regulations through communication, quality service, & responsible enforcement, thereby contributing to the economic & social well-being of Canadians. | |
| Goals(or strategic outcomes) | <i>Tax Services</i> | <i>Benefits Programs</i> |
| | Taxpayers meet their obligations & Canada's revenue base is protected. | Eligible families & individuals receive timely & correct benefit payments contributing to the integrity of Canada's income security system. |
| Objectives (for each goal) | ER1: Clients receive timely, accurate, and accessible information | |
| | ER2: Assessment, eligibility determination, & payment processing are timely & accurate | |
| | ER3: High levels of compliance are achieved & non-compliance is identified & addressed | ER3: Non-compliance is identified & addressed |
| | ER4: Tax debt is resolved on a timely basis and is within targeted levels | |
| | ER5: Taxpayers receive an impartial and timely review of contested decisions | |
| | The CRA has, at all times, a knowledgeable, skilled, & representative workforce able to carry out the CRA mandate; a culture that promotes CRA values and the well-being of the workforce; & employees engaged in & committed to the CRA success & program delivery | |
| | Sound financial & treasury management, & excellence in the provision of internal financial & administrative services | |
| | Agency management & internal services to advance program goals through reliable & efficient policies, processes, & practices | |
| Strategies/ means | Elaborated for each goal and objective in plan document | |
| Key measures of success (for each goal and objective) | <ul style="list-style-type: none"> ◊ ER1: Clients are served within target (as prescribed for a range of services); client satisfaction ratings (measured by CRA Annual Survey and other surveys). ◊ ER2: Timeframe for processing is done within target; trend in \$ value of interest paid on refunds; % of returns assessed accurately; % take-up of electronic service delivery options. ◊ ER3: \$ value of non-compliance identified and tax assessed through tax review programs; % of non-compliance identified through random versus targeted reviews. ◊ ER4: \$ amount of cash collected; % of accounts receivable over 5 years old; accounts resolved compared to new account intake; % of intake resolved in year of intake. ER5: % of files meeting targets for timely completion; % of files not requiring court action | <ul style="list-style-type: none"> ER1: Caller accessibility (% of callers who reach our telephone service); call service level (% of calls answered within 2 minutes of entering the queue). ER2: Timeliness of benefit payments; timeliness of processing – benefit applications/elections and account maintenance adjustments; accuracy of processing – benefit payments, applications, account maintenance adjustments; client satisfaction ratings; and client evaluation of products / satisfaction with service. ER3: % of clients that receive the proper entitlement under random sample; % of accounts reviewed; % of targeted reviews resulting in an adjustment; \$ value of validation adjustments recouping benefits; and \$ value of validation adjustments in favor of client. |
| Account-ability | CRA Annual Report | |

Source: CRA Summary of Business Plan (2005-08)

Taxpayers' rights and charters, and service delivery standards

Taxpayers' rights and charters

55. An emerging trend in revenue tax administration practice over recent decades has been an increasing recognition that taxpayers have 'rights', as well as 'obligations', that should be respected in the way revenue authorities go about their activities. In a number of countries (e.g. Netherlands and Russia), these rights have been codified in tax laws, while in others (e.g. Australia, Ireland, New Zealand, Singapore, and South Africa) they have been elaborated in administrative documents, sometimes referred to as 'taxpayers' or 'service' charters.
56. In 2003, the CFA approved a practice note, drawing on the experiences of revenue authorities in a number of OECD countries, which described the elements (expressed in terms of both 'taxpayers' rights' and 'taxpayers' obligations' of an illustrative taxpayers' charter. An illustrative version of the element dealing with 'rights' is set out in Box 9.
57. A survey of practices of revenue authorities in OECD member countries in 2004 found that around two thirds of revenue authorities had formal statements (e.g. charters) specifying taxpayers rights and/or the services they could expect. Examples of a number of such statements, including for one non-OECD country, appear in Boxes 10, 11 and 12.

Box 9. Taxpayers' Charter-illustrative description of taxpayers' rights

Your rights

1. Your right to be informed, assisted and heard: We will treat you with courtesy and consideration at all times and will, in normal circumstances, strive to:

- help you to understand and meet your tax obligations;
- explain to you the reasons for decisions made by us concerning your affairs;
- finalise refund requests within ... days/[as quickly as possible] and, where the law allows, pay you interest on the amount;
- answer written enquiries within ... days/ [as quickly as possible];
- deal with urgent requests as quickly as possible;
- answer your telephone call promptly and without unnecessary transfer;
- return your telephone call as quickly as possible;
- keep your costs in complying with the law to a minimum;
- give you the opportunity to have your certified legal or taxation adviser present during any investigation; and
- send you, within ... days/[as quickly as possible] of the completion of an investigation, written advice of the result of that investigation including the reasons for any decision and, where an assessment has been issued, details of how the assessment was calculated.

2. Your right of appeal: We will, in normal circumstances, strive to:

- fully explain your rights of review, objection and appeal if you are unsure of them or need clarification;
- review your case if you believe that we have misinterpreted the facts, applied the law incorrectly or not handled your affairs properly;
- ensure that the review is completed in a comprehensive, professional and impartial manner by a representative who has not been involved in the original decision;
- determine your objection within ... days/[as quickly as possible], unless we require more information to do so, or the issues are unusually complex;
- give you reasons if your objection has been completely or partially disallowed; and
- request further information from you only where it is necessary to resolve the issues in dispute.

3. Your right to pay no more than the correct amount of tax: We will:

- act with integrity and impartiality in all our dealings with you, so that you pay only the tax legally due and that all credits, benefits, refunds and other entitlements are properly applied.

4. Your right to certainty: We will, in normal circumstances, strive to:

- provide you with advice about the tax implications of your actions;
- let you know at least ... days/[as quickly as possible] before the conduct of an interview;
- advise you of the scope of an interview and our requirements; and
- arrange a suitable time and place for the interview and allow you time to prepare your records.

5. Your right to privacy: We will:

- only make enquiries about you when required to check that you have complied with your tax obligations;
- only seek access to information relevant to our enquiries; and
- treat any information obtained, received or held by us as private.

6. Your right to confidentiality and secrecy: We will:

- not use or divulge any personal or financial information about you unless you have authorized us in writing to do so or in situations where permitted by law; and
- only permit those employees within the administration who are authorized by law and require your personal or financial information to administer our programs and legislation, to access your information.

Source: Practice note: Taxpayers' Rights' and Obligations (OECD CFA, July 2003)

Box 10. Ireland—Revenue Customer Service Charter

Revenue collects taxes and duties which fund the provision of public services for the benefit of all citizens. Revenue protects society through its Customs Service working on frontier control. The effective and fair administration of tax and customs law requires Revenue and citizens to recognise certain basic rights and responsibilities. This Customer Charter sets out mutual expectations in this context.

Consistency, Equity and Confidentiality

- Revenue will administer the law fairly, reasonably and consistently and will seek to collect no more than the correct amount of tax or duty.
- Revenue will treat the information you give us in confidence and ensure that it will not be used or disclosed except as provided for by law.

Courtesy and Consideration

- You can expect to be treated courteously, with consideration and in a non-discriminatory way in your dealings with Revenue.
- We expect you to treat Revenue officials with courtesy and to give them all reasonable cooperation.

Information and Assistance

- You can expect to be given the necessary information and all reasonable assistance to enable you to clearly understand and meet your tax and customs obligations and to claim your entitlements and credits.
- We expect you to provide true and correct information in all your contacts with Revenue and to advise Revenue in a timely manner of developments (such as change of address, commencement or cessation of business) that are relevant to your tax and customs affairs.

Presumption of Honesty

- You can expect to be treated as honest in your dealings with Revenue unless there is clear reason to believe otherwise and subject to Revenue's responsibility for ensuring compliance with tax and customs law.
- We expect you to deal in an honest way with Revenue by returning the tax and duty which you are due to pay and seeking only those entitlements and credits to which you are due.

Compliance Costs

- You can expect that Revenue will administer the tax and duty regimes in a way that will minimise, as far as possible, compliance costs.
- We expect you to maintain proper records and accounts and to ensure that your Returns and Declarations are completed fully, accurately and in a timely manner.

Complaints, Review and Appeal

There are comprehensive complaints and appeal procedures open to all customers of Revenue and we encourage you to avail of these if you are in any way dissatisfied with the service you receive from us.

- You can expect that if you make a complaint, Revenue will deal with it promptly, impartially and in confidence; and That availing of Revenue's own complaints procedures will never prejudice your rights to raise issues with the Ombudsman or lodge, within the statutory time limits, a formal appeal to the Office of the Appeal Commissioners against an assessment raised by Revenue or against certain determinations made by Revenue officials.

Source: Revenue's Website (May 2005)

Box 11. Rights in Taxpayers' Charter—Australian Taxation Office

Your rights

You can expect us to:

- A. Treat you fairly and reasonably.
- B. Treat you as being honest in your tax affairs unless you act otherwise.
- C. Offer you professional service and assistance to help to help you understand and meet your obligations.
- D. Accept you can be represented by a person of your choice and get advice about your tax affairs.
- E. Respect your privacy.
- F. Keep the information we hold about you confidential in accordance with the law.
- G. Give you access to information we hold about you in accordance with the law.
- H. Give you advice and information you can rely on.
- I. Explain to you the decisions we make about your tax affairs.
- J. Respect your right to a review.
- K. Respect your right to make a complaint.
- L. Administer the tax system in a way that minimises your costs of compliance.
- M. Be accountable for what we do.

Source: Extract of 'Taxpayers' Charter—in Detail' (ATO, November 2003)

Box 12. Our Service Pledge—Inland Revenue Authority of Singapore

We are committed to providing excellent service. You can expect courtesy, competence, clarity and convenience from us.

Courtesy. We will be attentive and polite when we serve you.

Competence. We will ensure that you are served by well-trained officers and our tax assessments are accurate.

Clarity. We will provide clear and complete information to help you fulfill your tax obligations.

Convenience. We will continuously seek improvements to make it simple for you to meet your tax obligations.

We will respond to you in a timely manner :

- We will answer most of your telephone calls within 2 minutes.
- We will reply to most letters within 3 weeks.
- We will usually attend to you within 20 minutes when you visit us.
- We will usually make refunds to you within 30 days.

We recognise your desire for excellent service. To help us deliver service to meet your expectations, we need your co-operation to: 1) be timely in filing your return; 2) give us accurate and complete information; 3) pay your tax on time; and 4) comply with tax laws.

Source: Internet website of Inland Revenue Authority of Singapore (May 2005)

Are you being served? The emergence of service delivery standards in tax administration

58. In line with the sorts of developments in public sector administration that are described in the Box 13, revenue authorities are increasingly being required to achieve higher standards in service delivery.

Box 13. 'Responsive Government –Doing more with less but doing it nicer'

"Services to the community are a substantive part of government budgets and public policy. Community demand for public services is increasing and governments face resource constraints arising from the pressure to achieve budget surpluses. The demand is for greater value, which is better service at lower cost. The choice is stark; governments have to increase productivity and service quality or reduce services. At the same time, recipients of public services or their advocates increasingly expect to participate in the design and delivery of public services (O'Faircheallaigh *et al.* 1999). Together, this has created pressure for substantive changes in the funding and delivery of public services to increase efficiency, effectiveness and responsiveness to users. Governments have responded to these pressures with public management reforms intended to improve performance by making service providers more accountable for results achieved. Performance management is the foundation of what has become known as New Public Management (NPM) (Hood 1991; Pollitt 1995; Hughes 1998). Governments want to improve quality and cost-effectiveness of public services for the benefit of users or clients, taxpayers and the community.

Since 1990, the OECD's Public Management Committee (PUMA) reports, analyzing and evaluating public management developments in member countries, have supported managerialist reforms including service quality initiatives (PUMA 1994, 1996, 1997, 1999b). In March 1996, the OECD held its first ministerial meeting on public management chaired by Alice Rivlin, then director of the US Office of Budget and Management (Osborne and Plastrik 1997: 8). The summary report of that meeting identified a number of similarities in public management reform in member countries. These included decentralization; re-examining the role of government (what it should do and pay for); downsizing; contracting, market mechanisms and user charges; customer orientation including explicit quality standards for public services; benchmarking; and simplifying and reducing the costs of regulation.

Service Charters are in essence a quality assurance strategy that offers a type of consumer guarantee. An explicit objective is to improve the responsiveness of public services providers to clients or users. The UK Citizen's Charter pioneered the application of consumerism to public services (Walsh 1994). Despite the title, the Citizen's Charter conceived of consumers of public services as customers rather than citizens. PUMA has had a role in disseminating the UK experience in developing the first comprehensive Service Charter initiative. Customer service plans, introduced in the USA in 1993 by the Clinton Administration, and the Australian Government Service Charters introduced by the Howard Government in 1998, were both influenced by the Citizen's Charter.

The Service Charter initiatives are based on a common idea of extending the market logic of consumer sovereignty to public services provision (Pollitt 1994; Walsh 1994). There are essentially two approaches to increasing the sovereign power of consumers of public services. The first is to make providers more responsive to consumers by consultation and more accountable to government and the community through performance monitoring. Consumer power depends on the effectiveness of voice mechanisms. The second approach is to make providers more responsive to consumers by providing consumers with choice based on competition between providers of public services. Despite the rhetoric of choice, Service Charters generally rely on voice mechanisms in the form of monitoring performance against specified standards and complaint mechanisms. Service Charters programs have incorporated a range of quality assurance techniques including setting service standards, consultative mechanisms, providing information to citizens and clients, complaints and redress mechanisms and quality awards."

Source: *SERVICE CHARTERS—GLOBAL CONVERGENCE OR NATIONAL DIVERGENCE?* (Linda McGuire, Dept. of Management, Monash University, Victoria, Australia (2001)).

59. The increasing use of service standards can be seen in the operations of a number of revenue bodies in surveyed countries and their significance is well reflected in the following comment from the Corporate Business Plan (2005-2008) of the Canada Revenue Agency (CRA)..... "Client service standards state publicly the level of performance that citizens can reasonably expect from the CRA under normal circumstances. The CRA is committed to developing, monitoring, and reporting on a full suite of service standards in areas of significance to our clients. Service standards support our commitment to Canadians, transparency in government, management accountability, and citizen-centred service"

60. A survey of revenue bodies in the 30 OECD countries carried out in 2004 found that around 80 percent had established time-bound service standards for some or most aspects of taxpayer service delivery but less than half reported having a comprehensive set of such standards and making public the results achieved. (Table 9 provides examples of the service standards applied by a number of OECD and non-OECD countries.) Noticeably, substantial variations were observed in the standards of timeliness offered for some services. The survey also revealed that around two thirds of revenue bodies conduct periodic surveys of taxpayers' perceptions of the quality of these services, the results of which, with few exceptions, are made public.

Table 9: Examples of Service Delivery Standards Applied by Selected OECD and Selected Non-OECD Countries

| NATURE OF SERVICE STANDARD FOR MAJOR SERVICES INDICATED | | | | | | | |
|---|---|---|--|---|--|---|--|
| COUNTRY | Sending personal income tax refunds | Sending VAT refunds | Sending a substantive response to a written letter on a routine matter | Attendance to a taxpayer's office visit | Responding to taxpayers' telephone calls | Resolving taxpayers complaints | Registering a new business |
| <i>1) Selected OECD countries</i> | | | | | | | |
| Australia | 90% completed in 42 days- paper returns; 95% completed in 14 days- electronic returns | 90% completed in 14 days | 84% completed within 28 days- general inquiries; 75% completed within 28 days – advance rulings. | All attended to within 10 minutes (non-peak) and 15 minutes (peak). | 80% connected within 2 minutes (non-peak) and 5 minutes (peak) | Taxpayer contacted within 3 days of substantiated complaint | 91% completed within 28 days |
| Canada | Within 28 - 42 days- paper returns; within 14 days-electronic returns | Within 28 - 42 days | All completed within 60 days (advance rulings) & 90 days - technical interpretations. | All attended to within 20 minutes (except during peak periods) | 80% connected within 2 minutes. | Acknowledged within 2 days, resolution within 15 working days | n.applic. |
| Ireland | 80% within 10 working days.; balance within 20 days | 85% within 10 working days; balance within 20 working days | All completed within 20 working days | n.applic. | Calls connected within 30 seconds. | All resolved within 20 working days (less complex cases) | 100% completed within 5 days -PIT withholding and CIT, and 10 days - VAT |
| Korea | All completed within 30 days | All completed within 15 days or 30 days | 50% completed within 14 days | All attended to within 10 minutes (normal) or 15 minutes (in peak time) | 50% connected within 20 seconds | All resolved within 14 days | n.applic. |
| Mexico | All completed within 40 days | Completed within 40 days; volume exporter completed within 5/6 days | All completed within 3 months | All attended to within 20 minutes | 80% connected within standard time | Acknowledged within 24 hours, resolution within 15 days | Within 15 days; immediately for business registered by a Public Notary |
| Netherlands | All completed within 3 months | All completed within 1 month | 6 weeks on appeals and 8 weeks on requests | n.applic. | 80% connected within 30 seconds | All completed within 4 weeks | n.applic. |
| New Zealand | 90% completed within 21 days | All completed within 15 working days | 85% completed within 21 days | n.applic. | Priority calls within 30 seconds; all others in 2 minutes | n.applic. | n.applic. |
| Norway | All completed within 42 days | All processed within 21 days | All completed within 3 weeks | n.applic. | 70% connected within 30 seconds | n.applic. | n.applic. |
| Poland | All completed within 3 months | n.applic. | All completed within 30 days | n.applic. | n.applic. | All completed within 30 days | n.applic. |
| Slovakia | All completed within 1 month | All completed within 1 month | All completed within 30 days | n.applic. | n.applic. | All resolved within 30 days | n.applic. |
| UK | n.applic. | n.applic. | 77% completed within 15 working days | 85% attended to within 15 minutes | 90% connected within 20 seconds | n.applic. | n.applic. |
| <i>2) Selected Non-OECD Countries</i> | | | | | | | |
| Argentina | - | - | - | 10 minutes | Connected in 7 minutes | 48 hours | - |
| Singapore | All completed within 30 days | All completed within 30 days | 80% completed within 3 weeks | 80% attended to within 20 minutes | 75% connected within 2 minutes | 6 working days | n.applic. |
| South Africa | Process income tax refunds in 30 working days | Process VAT refunds in 21 working days of receipt | Respond within 21 working days to 80% of all written correspondence | Attend to 95% of visitors to a branch office within 15 minutes of arrival | Answer 90% of calls within 20 seconds | n.applic. | n.applic. |

Source: Forum on Tax Administration note on Trends in the Delivery of Taxpayer Services Using New Technologies (February 2005) and country surveys

4 RETURN FILING, PAYMENT, AND ASSESSMENT REGIMES FOR THE MAJOR TAXES

Introduction

61. This part identifies selected features of the return filing, payment, and assessment regimes for the collection of personal income tax, corporate tax, and value added tax. While these design features may be seen to be “policy in nature” many of them have important implications for overall administrative workloads, the nature and scope of administrative programs that need to be conducted to achieve compliance with the laws, and the general efficiency and effectiveness of revenue administration operations. The specific information in this part is described hereunder:
- Table 10 identifies the collection and assessment regimes in place for employee taxpayers.
 - Table 11 identifies the categories of personal income normally subject to withholding of tax at source.
 - Table 12 identifies the categories of personal income normally subject to information reporting requirements.
 - Table 13 identifies payment and reporting obligation for employers.
 - Table 14 identifies payment and filing obligations for personal income tax payers.
 - Table 15 identifies payment and filing obligations for corporate income tax payers.
 - Table 16 identifies payment and filing obligations for VAT taxpayers.

Key observations and trends

Personal Income Taxes and Social Contributions

62. Tables 10-14 reflect selected features of personal income tax systems in surveyed countries. Significantly:
- The vast majority of countries—France, Singapore and Switzerland being the three exceptions—rely on withholding at source arrangements for the collection of bulk of personal tax revenue in respect of salary and wage income.
 - Employers are typically required to deduct tax from salaries and wages and remit withheld taxes on a monthly basis. However, three countries (i.e. Australia, New Zealand, and the United States) expedite the collection of employer withholdings from large employers, while many countries ease the payment burden of small businesses by providing a bi-monthly, quarterly, or annual payment cycle.
 - Employers are typically required to report details of salaries and wages paid and taxes withheld for each employee on an annual basis. However, a small number of countries require more regular reporting, in many cases on a monthly basis, which may raise compliance burden issues.

- Withholding at source arrangements are also widely used across surveyed countries for the collection of personal income tax on dividends (30 countries) and interest (31 countries) income received by resident taxpayers.
- All countries provide for the gradual collection of income tax on income not subject to withholding of tax at source (e.g. income of self-employed persons) with a regime of advance/ instalment payments, although the requirements of these arrangements vary substantially in terms of the number of payments to be made, the basis of their computation, and the precise timing of individual payments (refer later comments).
- Other than for employee, dividend and interest income, mandatory third party reporting of income (e.g. for independent personal services) varies significantly, although a few countries (e.g. Japan, Spain, and the United States) have substantial programmes.
- Just over 50 percent of member countries have evolved their systems of administration to one based on self-assessment principles, as opposed to administrative assessment (refer later comments).
- Annual return filing requirements in respect of employee taxpayers, who constitute the vast population of payers of personal income tax, vary substantially across member countries, and fall into four distinct models (refer later comments).
- Substantial use is being made of third party information reporting requirements by countries in the Nordic region and Chile to assist taxpayers complete their return filing obligations—this is being achieved with systems known as ‘pre-filled returns’ or ‘tax proposals’.
- The period of time provided to taxpayers to settle end-of-year tax liabilities (based on annual returns) varies substantially across member countries, ranging from just under 3 months to up to 11 months.

Corporate Income Taxes

63. Table 15 reflects selected design features of corporate income tax systems in surveyed countries. Significantly:
- All countries provide for the gradual collection of income tax with a regime of advance/ instalment payments, although the requirements of these systems vary substantially in terms of the number of payments to be made, the basis of their computation, and the precise timing of individual payments (refer later comments).
 - Just over 50 percent of member countries have evolved their systems of administration to one based on self-assessment principles, as opposed to administrative assessment.
 - Annual return filing requirements and practices vary substantially across surveyed countries (refer later comments).
 - Around two thirds of member countries have introduced systems of electronic filing for the reporting of annual tax obligations, a few through the introduction of mandatory requirements for prescribed taxpayers.
 - The period of time provided to taxpayers to settle end-of-year tax liabilities (based on annual returns) varies substantially across countries, ranging from 2 months to up to 11 months.

Value Added Taxes

64. Table 16 reflects selected features of VAT systems in surveyed countries. Significantly:
- Registration thresholds applied across surveyed countries vary substantially; however, the impact of these thresholds on administrative workloads and taxpayers’ compliance burden is “softened” in many countries with extended tax payment and return filing requirements

(e.g. quarterly, six-monthly or annually) and/or with the use of ‘flat rate’ schemes for computing VAT liabilities.

- For large and medium VAT traders, the majority of surveyed countries adopt a monthly (for large) and quarterly (for medium/small) payment and return filing model to balance revenue collection, administrative workload considerations, and taxpayers’ compliance burden considerations; a small number of member countries (e.g. Australia and Denmark) provide for the integrated reporting of regular direct and indirect tax liabilities.
- Around two-thirds of OECD countries have introduced systems of electronic filing for the reporting of monthly/ quarterly VAT liabilities.
- The periods of time given to large and medium traders for the payment of VAT liabilities vary substantially across OECD member countries, ranging from 10 to 60 days after the end of the relevant liability period.
- Generally speaking, countries’ legislation requires VAT liabilities to be computed on an “accruals” basis; however, a small number of countries permit use of a “cash” basis for liability determination by a prescribed class of smaller traders (using turnover criteria) to simplify taxpayers’ compliance burden.
- The period of time provided to large taxpayers to settle regular (for most countries, monthly and quarterly) tax liabilities varies substantially across member countries, ranging from 10 to 60 days.

Administrative assessment versus self-assessment procedures

65. As indicated in Tables 14 and 15, just under 50 percent of OECD countries have evolved their systems for the administration of income taxes to one based on self-assessment principles, as opposed to administrative assessment (which typically requires the examination of all/most returns by technical officials prior to issuing assessments to taxpayers). The proportion of non-OECD surveyed countries applying self-assessment principles was larger, at around 60 percent.
66. Generally speaking, the use of self assessment principles in the countries concerned reflects an abandonment of administrative assessment procedures on efficiency and effectiveness grounds, in favor of a more targeted verification approach (e.g. risk-based desk and field audits, computerized matching of income reports) to verify the information contained in tax returns. In countries where this change has been made, it has generally been initiated with the objective of improving overall compliance with the laws and efficiency through (1) the earlier collection of tax revenue; (2) an expanded and better-targeted program of audit inquiries; and (3) reducing the incidence of disputed assessments. The data in Tables 14, 15 and 16 partially bear out this observation:
 - In those countries where self assessment procedures are in place, the practice is generally to require the annual tax return earlier in the year after the year of income, and to seek payment of any residual tax due with the return when it is filed, as opposed to the practice of later filing and payment obligations typically seen in countries using administrative assessment.
 - At least 7 OECD countries with relatively low complements of audit/verification staff employ administrative assessment procedures.
67. That said, it should also be recognized that a number of countries applying systems of administrative assessment have largely automated the process so that only a minority of returns are identified for technical scrutiny before a formal notice of assessment is sent to the taxpayer.

Collection of income taxes by regime of advance/instalments and end-of-year assessments

68. All taxing legislation is required to contain basic provisions for the payment of a tax (i.e. when to pay, the number of payments to be made, and how each payment is to be computed). Factors relevant to the design of these basic rules include (1) *timing*: when the taxing event occurs; (2) *equity*: taxpayers in similar circumstances should be treated equally; (3) *compliance burden*: taxpayers should have a reasonable period of time to be able to compute their liability (with external assistance if needed), assemble requisite information from their books and records, and prepare any associated paperwork; (4) *budget management*: the government generally requires a regular flow of revenue to meet its outlays; (5) *efficiency*: the volume of payments and information to be processed by the revenue body; and (6) *effectiveness*: the need to achieve a high level of overall compliance with the relevant law.
69. Taking these sorts of factors into account, all surveyed countries have evolved systems for the advanced collection of personal income and corporate profits taxes. Tables 7 and 8 set out some basic features of these arrangements, an analysis of which reveals some notable characteristics:
- There is a clear trend to maximise the amount of tax collected by country tax regimes within the year the relevant income is derived (26 countries); typically, this is achieved with a regime of monthly and/or quarterly instalments to be paid largely within the year of income.
 - 11 countries have aligned their personal tax (largely representing self-employed taxpayers) and corporate tax instalment regimes.
 - There are a variety of bases used for the calculation of instalment liabilities (e.g. proportion of prior year tax, proportion of estimated current year liability) reflecting, on the one hand, ease of administration and, on the other hand, aligning the payment of tax to the derivation of the underlying income.
 - There are substantial differences between many member countries in the timing of tax collection that may warrant closer examination.

Design of personal income tax arrangements for employee taxpayers

70. Personal income tax is a major source of tax revenue in most OECD member countries (refer Table 21). With the vast bulk of personal income tax paid by employee taxpayers, the design of effective and efficient administrative arrangements for the collection of tax and the assessment of employees' liabilities are important objectives for all countries. In this respect, it is notable that while almost universal use is made of withholding arrangements for the collection of personal income tax on employment income, there are four quite distinct systems used across OECD countries for the collection and assessment of personal income tax of employee taxpayers. Each of these systems is briefly described in Box 14, while Table 10 identifies their use by individual member countries. More information on arrangements involving the preparation by revenue bodies of pre-populated returns is provided later in this section.

Box 14. Employees: Systems for the Collection and Assessment of Personal Income Tax

1) Cumulative withholding—largely return free. Under this system employees are required to provide employers with details of relevant entitlements (which tend to be fairly limited in number). Employers withhold tax from income paid, taking account of entitlements and determining withholdings on a progressive/ cumulative basis over the course of the fiscal year. For the majority of employees, the total amount of taxes withheld over the course of a fiscal year approximates to their full-year liability. Employees may, or may not, be registered with the revenue body.

Employers report annually or more regularly in some countries to revenue bodies on incomes paid and taxes withheld in respect of individual employees. Employees generally are not required to file tax returns. (In some countries, where employees derive income from more than one source of employment, they must file an annual return.) Other income, such as interest and dividends, is typically taxed at source.

2) Non-cumulative withholding—annual tax return required. This system enables employees to provide employers with details of relevant entitlements that can be taken into account for withholding calculation purposes. Employers withhold tax from income paid, which is calculated on a periodic (i.e. non-cumulative) basis. Employees generally must be registered with the revenue body; in some countries, failure by employees to provide their taxpayer identification numbers to their employer can result in additional withholdings at source. Employers provide advice to employees at year-end of total income paid and taxes withheld, which must be disclosed in an annual tax return provided to the revenue body. The revenue body confirms the overall liability for each taxpayer and refunds any excess tax paid, or seeks payment of any balance of owing by taxpayers.

Following the processing of the bulk of annual tax returns, revenue bodies generally match income reports provided by employers and other payers (e.g. banks) with tax returns/taxpayer master file records to detect undeclared income, the non-filing of tax returns, and to validate credits for tax withholdings claimed in tax returns.

3) Pre-populated returns sent to taxpayers. Under this system, employees provide employers with details of relevant entitlements that can be taken into account for regular withholding purposes. Employees must also be registered with the revenue body and provide their unique taxpayer identification number to employers and a wide range of other parties that are required to report information and, in some situations withhold taxes, to the revenue body. Employers withhold tax from income paid, calculated on a periodic (i.e. non-cumulative) basis. Employers withhold tax and report details to revenue body.

All third party reports (covering both income, deduction and other tax-related items) received by the revenue body are computer-processed relatively quickly after the end of the fiscal year to produce a 'pre-populated' tax return that are made available to taxpayers, either in paper, electronic or both formats. Taxpayers are required to validate the information contained in the return. Any adjustments required must be advised to the revenue body. Refunds of any overpaid tax are subsequently paid to the taxpayer by the revenue body.

4) No withholding; taxpayers' pay tax by instalments—annual tax return required. Under this system, employees are required to pay their own tax via a system of instalments and file an annual tax return declaring relevant information. The revenue body issues an assessment to the taxpayer advising of any further amounts payable or refundable.

The revenue body may match reports from employers with tax returns/ taxpayer master file records to detect undeclared income and the non-filing of tax returns. It is also required to ensure that all employees make regular installments payments, as required under the law.

Information Reporting

71. Systems of information reporting are an important compliance tool for the administration of income tax systems in many countries. For the purpose of this series, the term 'information reporting' refers to a mandatory requirement on prescribed third parties to report payments of income (and other tax-related transactions) and payee details (generally with a taxpayer identifying number) to the revenue body for systematic matching with tax return data or, as described later in this section to prepare pre-populated tax returns for taxpayers.
72. The traditional objective of these arrangements is to detect and deter non compliance resulting from a failure to report income and/or tax related transactions, including by the non-filing of tax returns. Over the last decade or so, revenue bodies in a number of countries have started to use systems of third party reporting to facilitate taxpayer's preparation of their annual tax returns. This development is described in greater detail later in this section.

73. As indicated in Table 12, many countries require the mandatory reporting of payments in respect of salaries and wages, dividend and interest income (much of which is also subject to withholding). However, beyond these categories of payments, use of mandatory third party reporting varies substantially. The Internal Revenue Service (IRS) in the United States is a good example of a revenue body that administers a substantial program of information reporting.
74. Under the requirements of the US tax code, an extremely wide variety of transactions must be reported to the IRS, generally in electronic format, including agricultural payments, allocated tips, barter exchange income, brokers' transactions, capital gains distributions, non-employee compensation and fees, fishing boat crew member proceeds, fish purchases for cash, prescribed gambling winnings, interest, dividends, real estate transactions, rents, sales of securities and wages. In 2004-05, almost 1.5 billion such reports were received (96.7% electronically or magnetically) and computer matched with taxpayer records. During that year, the program entailed some 3.5 million taxpayer contacts (including over 2.5 million in respect of non-filed returns) and resulted in additional assessments amounting to almost \$US 12.4 billion (averaging almost \$US 3,517 per taxpayer contact).¹²
75. Unlike audit activities which are labor-intensive and as a result generally achieve relatively low levels of taxpayer coverage, comprehensive programs of information reporting and matching can provide an extremely effective tool to detect non-compliance and to encourage the correct reporting of income. However there are generally at least two pre-conditions for such arrangements to be sufficiently efficient to make them attractive to revenue bodies: 1) the ability of reporting bodies to capture and refer information reports electronically to the revenue body; and 2) the use of a high integrity taxpayer identifier that is captured and reported by the reporting body, enabling such reports to be readily matched by the revenue body with tax records.

The use of pre-filled tax returns to assist taxpayers meet their return filing obligations

76. In countries where personal income taxpayers are generally required to file annual tax returns, revenue authorities have till relatively recent times followed a fairly similar approach encompassing four basic steps:
 - Taxpayers are provided general information concerning the tax system and their obligations under the law to assist them (or their representatives) prepare their annual tax returns.
 - Returns submitted by taxpayers are processed by the revenue body applying either assessment or self-assessment principles, generally with limited checking, and a formal assessment notice is issued to the taxpayer along with details of any further amounts payable or refundable, after taking account of taxes already paid.
 - Information reported by third parties (e.g. employers and financial institutions) under the law is processed for matching with tax records to detect cases of inaccurate returns or return non-filing.
 - Actions are taken (e.g. office audits, correspondence inquiries) to examine suspected cases of unreported income, and if needed, to issue reassessments, and to obtain outstanding tax returns; taxpayers may also seek amendments to their returns after discovering any errors.
77. Over the last decade or 20 years, countries in the Nordic region (i.e. Denmark, Estonia, Finland, Norway, and Sweden), and more recently in Chile and Spain, have fundamentally reformed this approach by making third party information available to taxpayers by way of a 'pre-filled' or 'pre-populated' tax return, or 'tax proposal'. The term 'pre-filled returns' is used in this series to describe all these arrangements.
78. Potential benefits of pre-filled return system for both taxpayers and revenue bodies include :

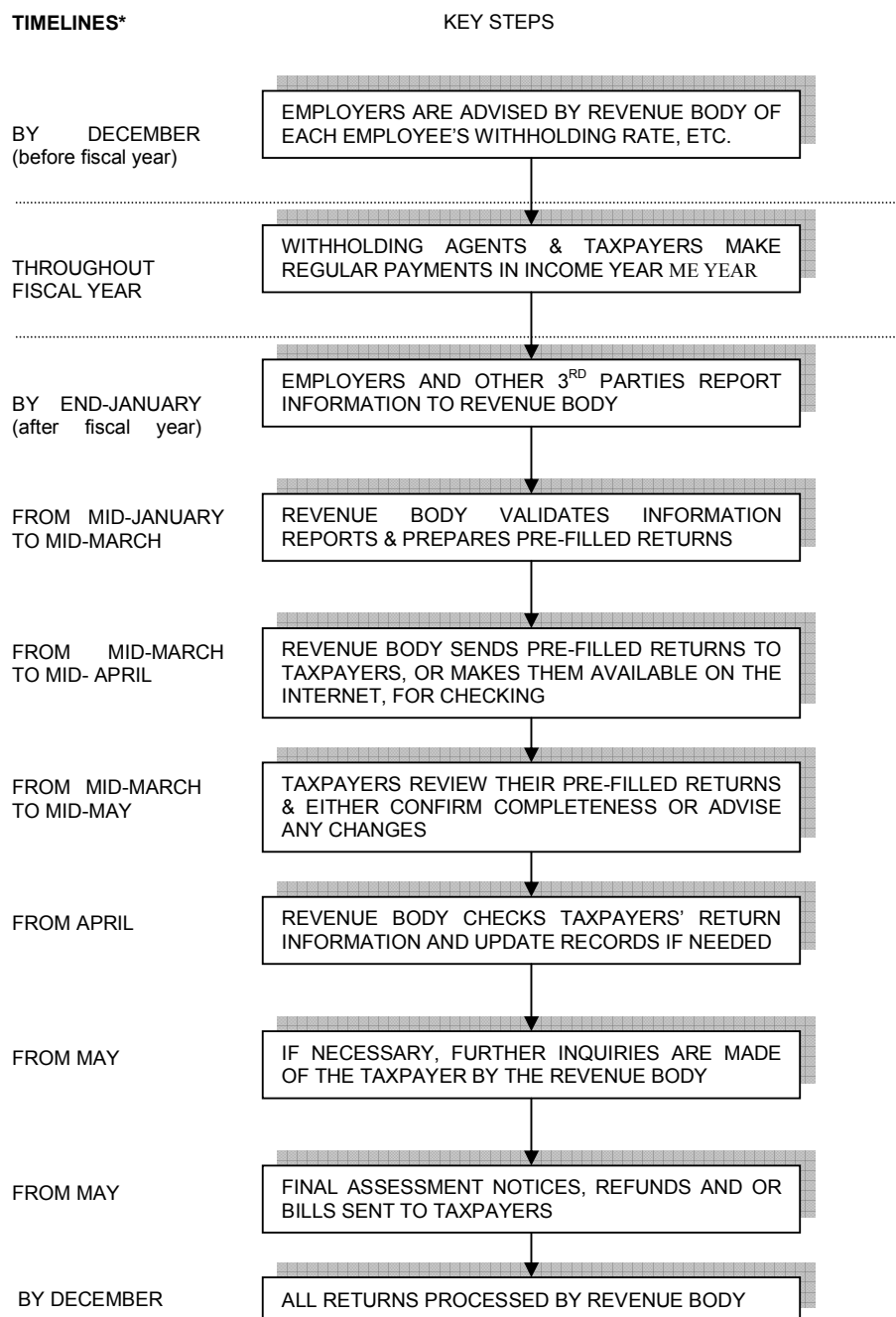
¹² 2005 Data Book. US Internal Revenue Service.

- a substantially reduced compliance burden for taxpayers;
- greater certainty for taxpayers that they have fully reported their income and properly claimed their deduction entitlements;
- an improved image of revenue body, resulting from the more personalized service being given to taxpayers;
- faster processing of taxpayers' tax return information;
- quicker refunds of overpaid tax to taxpayers; and
- the elimination of much of revenue bodies' work associated with raising amended assessments that result from unintended taxpayers' errors and/or traditional post-assessment verification programs.

An outline of how these systems operate in Nordic region countries is illustrated in Figure 7.

79. Establishing an effective and efficient system of pre-filled returns requires a number of preconditions to provide the majority of taxpayers with complete and timely pre-filled returns for their examination. In particular:
- Accurate withholdings at source can minimise the incidence of large refunds of tax, and thus the desire of taxpayers to file their tax returns shortly after the end of fiscal year.
 - High integrity taxpayer identifiers contained in the information provided by third parties would enable revenue body to match large volumes of third party reports with tax records.
 - Comprehensive system of third party reporting to the revenue body can maximize the extent of information presented in each pre-filled return.
 - Compatible legislative framework which limits the scope for tax deductions, rebates, credits, and discretions that cannot be predicted by revenue body using third party information can reduce the adjustments by taxpayers after examining pre-filled returns.
 - High degree of automation in third party information reporting to revenue body can greatly facilitate the data processing in revenue body.
 - Large scale information processing systems are required to capture, validate, and prepare relevant data for the generation of pre-filled returns in 6-10 weeks, a period typically given to revenue bodies.
 - Mechanisms to minimize the interactions with taxpayers are required to avoid large scale clerical vetting of completed pre-filled returns returned by taxpayers to revenue body.

Figure 7. Overview of pre-filled tax return systems used by Nordic region countries



*TIMELINES MAY VARY SLIGHTLY FROM COUNTRY TO COUNTRY

(NB: The fiscal year is the calendar year in all Nordic countries)

Table 10: Systems for the Collection/Assessment of Employees' Personal Income Tax Liabilities

| COUNTRY | NATURE OF SYSTEM IN PLACE | | | |
|---------------------------------------|--|--|---|--|
| | Cumulative withholding—largely tax return free for most employee taxpayers | Non-cumulative withholding—return required from most employees | Non-cumulative—pre-populated returns sent to taxpayers for validation | No withholding/instalments required from taxpayer—annual return required |
| <i>1) OECD countries</i> | | | | |
| Australia | | Yes | | |
| Austria | Yes | | | |
| Belgium | | Yes | (Being developed) | |
| Canada | | Yes | | |
| Czech Rep. | Yes | | | |
| Denmark | | | Yes | |
| Finland | | | Yes | |
| France | | | (Being piloted) | Yes |
| Germany | Yes | | | |
| Greece | | Yes | | |
| Hungary | | Yes | | |
| Iceland | | | Yes | |
| Ireland | Yes | | | |
| Italy | Yes | | | |
| Japan | Yes | | | |
| Korea | Yes | | | |
| Luxembourg | Yes | | | |
| Mexico | Yes | | | |
| Netherlands | Yes | | (In 2008) | |
| NZ | Yes | | | |
| Norway | | | Yes | |
| Poland | | Yes | | |
| Portugal | | Yes | (In 2008) | |
| Slovak Rep. | Yes | | | |
| Spain | | Yes | Yes | |
| Sweden | | | Yes | |
| Switzerland | | | | Yes |
| Turkey | Yes | | | |
| UK | Yes | | | |
| USA | | Yes | | |
| <i>2) Selected Non-OECD countries</i> | | | | |
| Argentina | Yes | | | |
| Brazil | Yes | | | |
| Chile | Yes | | Some taxpayers | |
| China | Yes | | | |
| Cyprus | Yes | Yes | | |
| Estonia | | | Yes | |
| India | | | | |
| Latvia | Yes | | | |
| Lithuania | Yes | | | |
| Malta | | (Simple tax declaration) | | |
| Russia | Yes | | | |
| Singapore | | | Yes /1 | Yes |
| Slovenia | Yes | | | |
| South Africa | Yes | | | |

Sources: Revenue bodies' annual reports and IBFD.

/1. Singapore— for returns filed over the internet.

Table 11: Personal Income Tax: Withholding Tax Systems

| COUNTRY | TYPE OF INCOME OF RESIDENT TAXPAYERS WHERE TAX NORMALLY WITHHELD BY PAYER | | | | | |
|---------------------------------------|--|------------|------------|-------------------------------|-------------------------|-----------------------|
| | Wages & salaries | Dividends | Interest | Independent personal services | Royalties, patents etc. | Other income payments |
| <i>1) OECD countries</i> | | | | | | |
| Australia | Yes | No | No | No | No | |
| Austria | Yes | Yes | Yes | No | No | |
| Belgium | Yes | Yes (F) /1 | Yes (F) /1 | No | Yes /1 | |
| Canada | Yes | No | No | No | No | |
| Czech Rep. | Yes | Yes | Yes | Yes | Yes | |
| Denmark | Yes | Yes | No | No | No | |
| Finland | Yes | Yes /1 | Yes | No | No | |
| France | No | No | No | No | No | |
| Germany | Yes | Yes | Yes | No | No | |
| Greece | Yes | No | Yes | Yes | Yes | /2 |
| Hungary | Yes | Yes (F) | Yes | Yes | Yes | /2 |
| Iceland | Yes | Yes | Yes | No | No | |
| Ireland | Yes | Yes | Yes | Yes /1 | Yes | /2 |
| Italy | Yes | Yes | Yes | Yes /1 | No | |
| Japan | Yes | Yes | Yes | Yes /1 | Yes | /2 |
| Korea | Yes | Yes | Yes | Yes | Yes | /2 |
| Luxembourg | Yes | Yes | No | No | No | |
| Mexico | Yes | Yes | Yes | Yes | Yes | /2 |
| Netherlands | Yes | Yes | No | No | No | |
| N. Zealand | Yes | No | Yes | Yes | No | |
| Norway | Yes | No | No | No | No | |
| Poland | Yes | Yes | Yes | No | Yes | /2 |
| Portugal | Yes | Yes | Yes | No /1 | Yes | /2 |
| Slovak Rep. | Yes | Yes | Yes | No | No | /2 |
| Spain | Yes | Yes | Yes | Yes | Yes | /2 |
| Sweden | Yes | Yes | Yes | No | No | |
| Switzerland | No | Yes | Yes | No | No | /2 |
| Turkey | Yes | Yes | Yes | Yes | Yes | /2 |
| UK | Yes | No | Yes | Yes /1 | Yes | /2 |
| USA | Yes | No | No | No | No | |
| <i>2) Selected Non-OECD countries</i> | | | | | | |
| Argentina | Yes | No | No /1 | Yes | Yes | |
| Brazil | Yes | No | Yes | Yes | Yes | /2 |
| Chile | Yes | No | No | Yes | Yes | /2 |
| China | Yes | Yes | Yes | Yes | Yes | /2 |
| Cyprus | Yes | Yes | Yes | No | No | |
| Estonia | Yes | No | Yes | Yes | Yes | |
| India | Yes | Yes | Yes | No | No | |
| Latvia | Yes | Yes | Yes | Yes | Yes | |
| Lithuania | Yes | Yes | Yes | No | Yes | /2 |
| Malta | Yes | Yes | Yes | No | No | |
| Russia | Yes | Yes | Yes | No | No | |
| Singapore | No | No | No | No | No | |
| Slovenia | Yes | Yes | No | Yes | Yes | |
| South Africa | Yes | No | No | No | No | |

Sources: Revenue bodies' annual reports, and IBFD.

1. **Argentina**—Yes, if receiver is not regulated by central bank; **Austria**—except income of non-resident artists and athletes; **Belgium**—exempt from withholding under certain circumstances; **Finland**—dividends paid by publicly quoted company; **Ireland**— For payments by government/ public bodies & gross payments made under contracts in certain industries (unless the payee is authorized by the revenue authority to receive payment in full; **Italy and Japan**—for services prescribed in the law; **Mexico**—where paid by a legal entity; **Portugal**—Yes if the payer is a corporation or individual entrepreneur that are required to keep accounting book; **Slovak Republic**—Certain lottery winnings, prizes, insurance policies rents, benefits from supplementary retirement funds ; and **United Kingdom**—for the building industry.

2. **Brazil**—certain capital gains; **Chile**—director fees, gambling winnings, horseracing winnings, withdrawals from voluntary social security savings; **China**—certain rental payments; **Greece**—directors fees, rents prizes, and certain capital gains; **Hungary**—capital gains on securities; **Ireland**—rents paid to non-residents; **Japan**—prizes, racehorse winnings; **Korea**—retirement income, pension; **Lithuania**—rental income (unless derived in the framework of a business activity conducted with a business certificate; **Mexico**—rents, sale of goods, prizes, exchange profits, payments to non-residents; **Poland**—pensions, retirements, agricultural production society, grants; **Portugal**—rents, prizes; Romania—gambling income, commissions; **Slovakia**—certain lottery winnings, prizes, insurance policies, rents, benefits from supplementary retirement funds; **Spain**—prizes, rents, certain capital gains; **Switzerland**—prizes, insurance payouts; **Turkey**— rents; **UK**— certain rents.

Table 12: Income Taxes: Information Reporting Requirements

| COUNTRY | CATEGORIES OF INCOME SUBJECT TO INFORMATION REPORTING BY PAYERS | | | | | | |
|---------------------------------------|---|-----------|----------|----------|-------------------------------|-------------------------------------|-------|
| | Wages & salaries | Dividends | Interest | Rents | Independent personal services | Sales of shares and/ or real estate | Other |
| <i>1) OECD countries</i> | | | | | | | |
| Australia | Yes | Yes | Yes | No | No | No | /2 |
| Austria | Yes | No | No | No | Yes /1 | No | |
| Belgium | Yes | No | No | No | Yes | No | |
| Canada | Yes | Yes | Yes | No | Yes /1 | No | |
| Czech Rep. | Yes | Yes | Yes | Yes | Yes | Yes | /2 |
| Denmark | Yes | Yes | Yes | No | No | Yes | /2 |
| Finland | Yes | Yes | Yes | No | No /1 | Yes | /2 |
| France | Yes | Yes | Yes | No | No | Yes | |
| Germany /1 | Yes | Yes | No | No | No | Yes | /2 |
| Greece | Yes | No | Yes | Yes | Yes | Yes | /2 |
| Hungary | Yes | Yes | Yes | No | Yes | Yes | |
| Iceland | Yes | Yes | Yes | Yes | No | Yes | /2 |
| Ireland | Yes | Yes | Yes | No | No | Yes /1 | |
| Italy | Yes | n.avail. | Yes | n.avail. | n.avail. | n.avail. | |
| Japan | Yes | Yes | Yes | Yes | Yes | Yes | /2 |
| Korea | Yes | Yes | Yes | No | Yes /1 | Yes /1 | /2 |
| Luxembourg | Yes | Yes | No | No | No | No | |
| Mexico | Yes | No | Yes /1 | Yes | Yes /1 | Yes /1 | /2 |
| Netherlands | Yes | No | Yes | No | No | No | |
| N. Zealand | Yes | Yes | Yes | No | Yes | No | |
| Norway | Yes | Yes | Yes | No | No | Yes /1 | |
| Poland | Yes | Yes | No | Yes | Yes | Yes | |
| Portugal | Yes | Yes | Yes /1 | Yes/1 | Yes /1 | Yes | /2 |
| Slovak Rep. | Yes | No | Yes | No | No | No | /2 |
| Spain | Yes | Yes | Yes | Yes | Yes | Yes | /2 |
| Sweden | Yes | Yes | Yes | No | No | Yes | |
| Switzerland | Yes | No | No | No | No | No | |
| Turkey | Yes | Yes | Yes | Yes | Yes | - | /2 |
| UK | Yes | Yes | Yes | Yes | No | Yes | /2 |
| USA | Yes | Yes | Yes | Yes | Yes | Yes | /2 |
| <i>2) Selected Non-OECD countries</i> | | | | | | | |
| Argentina | Yes | No | No | Yes | Yes | No | |
| Brazil | Yes | - | - | - | - | - | |
| Chile | Yes | Yes | Yes | Yes | Yes | Yes | /2 |
| China | Yes | Yes | Yes | Yes | Yes | - | /2 |
| Cyprus | Yes | Yes | Yes | Yes | Yes | Yes | /2 |
| Estonia | Yes | Yes | Yes | Yes | No | No | |
| India | Yes | - | - | - | - | - | |
| Latvia | Yes | - | - | - | - | - | |
| Lithuania | Yes | - | - | - | - | - | |
| Malta | Yes | Yes | Yes | No | No | Yes /1 | |
| Russia | Yes | - | - | - | - | - | |
| Singapore | Yes | No /1 | Yes /1 | Yes | Yes | No /1 | |
| Slovenia | Yes | Yes | Yes | Yes | Yes | Yes | |
| South Africa | Yes | Yes | Yes | No | No | Yes /1 | |

Sources: Country survey responses, revenue body annual reports, and IBFD.

1. **Austria**—very limited range; **Canada**—building industry; **Finland**—services for domestic households can be reported; **Germany**—interest is reportable when no withholding of tax, certain rents and independent personal services payments are reportable when they are paid by public corporations; real estate sales and sales of shares in a German private limited company(GmbH) are reported by notary; **Korea**—independent personal services payments to individuals, only for payment for sales of shares or real estate to non-resident; **Ireland**—real estate sales only; **Malta**—by notary or tax practitioner; **Mexico**—for payments by legal entities only; **Norway**—sale of shares only; **Portugal**—interest reported when taxpayer opts for global aggregation, rents and independent personal services reported when the payer is a corporation or individual entrepreneur required to keep accounting book; **South Africa**—sales of collective investment scheme and financial instruments administered by a portfolio administrator; **Singapore**—dividends are not taxed from 2008, interest on deposits with approved banks are tax exempt, but other interests are taxed and should be reported by payers, no capital gain tax.

2. **Australia**—royalties; **Chile**—royalties, mutual funds returns, pensions, endowment insurances; **China**—royalties; **Cyprus**—royalties, goodwill, pensions; **Czech Rep.**—royalties, gambling winnings/gains; **Denmark**—royalties, pensions; **Finland**—pensions; **Germany**—life insurance benefits, pensions; **Greece**—royalties and gambling winnings/gains; **Iceland**—gambling winnings/gains; **Japan**—royalties and gambling winnings/gains; **Korea**—royalties; **Mexico**—royalties, gambling winnings/gains; **Portugal**—pensions, royalties; **Slovak Rep.**—life insurance benefits, gambling winnings; **Spain**—royalties, gambling winnings/gains; **Turkey**—agricultural goods, royalties; **UK**—fees and commissions to agency worker; **USA**—goods prescribed in the law, royalties, gambling winnings/gains.

Table 13: Personal Income Tax: Employers' Withholding, Payment, and Reporting Obligations in OECD & Selected Non-OECD Countries

| COUNTRY | WITHHOLDING PAYMENT OBLIGATIONS | | | | WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS | | | |
|--------------------------|---------------------------------|--|---|--|---|--|---------------------------------------|--|
| | Prescribed large employers | | Other employers | | Prescribed large employers | | Other employers | |
| | Payment frequency | When payable | Payment frequency | When payable | Reporting frequency | When reportable | Reporting frequency | When reportable |
| <i>1) OECD countries</i> | | | | | | | | |
| Australia | Depends on payment salary cycle | Within 6 to 9 days of payment | Monthly and quarterly (very small employers) | By the 21 st day after end of liability period | Annually | By 14 August after the end of financial year | Annually | By 14 August after the end of financial year |
| Austria | | Monthly- By 15 th day of following month | Monthly (normally)/ quarterly/ yearly | Within 15 days after the end of the period during which the income is paid | Monthly | Annually- By end of February in following year | Monthly (normally)/ quarterly/ yearly | Within 15 days after the end of the period during which the income is paid |
| Belgium /1 | Monthly | Within 15 days after the month during which the income is paid | Monthly (normally)/ quarterly/ yearly | Within 15 days after the end of the period during which the income is paid | Annually | Annually – By the last day of February | Monthly | By 15 th day of following month |
| Canada | | Monthly- By 15 th day of following month | | By 15 th day of following month | Annually | By 20 th January after end of income year | Monthly | By 15 th day of following month |
| Czech Republic | Monthly | By 15 th day of following month | Monthly | By 15 th day of following month | Annually | Annually- By 20 th January after end of income year | Monthly | By 15 th day of following month |
| Denmark | Monthly | Last weekday in the month of withholding | Monthly | By 10 th day of following month | | | | |
| Finland | | Monthly- By 10 th day of following month | | By 10 th day of following month | | | | |
| France | | No employer withholding of personal income tax required | | | | | | |
| Germany | Monthly | By the 10 th day of the following month | Monthly (generally), quarterly/annually if previous year's wages tax less than €3000/€800 | By the 10 th day after the end of the relevant period | Annually | By the 28 th February of the following year | Annually | By the 28 th February of the following year |
| Greece | | Monthly- by end of the following month | | | | | | |
| Hungary | | Monthly- By 12 th day of following month | | | | | | |
| Iceland | | Monthly- By 15 th day of following month | | | | | | |
| Ireland | | Monthly- By 14 th day of following month | | | | | | |
| Italy | | | | | | | | |
| Japan | | Monthly- By 10 th day of following month | | | | | | |
| Korea | | Monthly – By 10 th day of following month (pre-approved small companies) | | | | | | |
| Luxembourg | Monthly | Biannually – By 10 th day of following month (pre-approved small companies) | Monthly | | | | | |

| COUNTRY | WITHHOLDING PAYMENT OBLIGATIONS | | | | WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS | | | |
|--------------------------------|---|---|---|---|---|--|----------------------|--|
| | Prescribed large employers | | Other employers | | Prescribed large employers | | Other employers | |
| | Payment frequency | When payable | Payment frequency | When payable | Reporting frequency | When reportable | Reporting frequency | When reportable |
| Mexico | | Monthly- By 17 th day of following month | | | Monthly-By 17 th day of the following month / Annually-By February 15 | Annually | Annually | By 30 th of April after the end of income year |
| Netherlands | Monthly | Before last day of following month | Monthly | Before last day of following month | Annually | Annually | Annually | Annually |
| New Zealand | | Twice monthly: By 20 th of month for payments made up to 15 th day; by the 5 th of following month for payments later in the month | Monthly | By 20 th day of following month | Monthly | By 5 th of following month | Monthly | By 5 th of following month |
| Norway | | Bi-monthly- By 15 th day following end of bimonthly period | | | Annually- By 20 th January after end of income year | | | |
| Poland | | Monthly- By 20 th day of following month | | | Annually- By the last day of February after end of income year | | | |
| Portugal | Monthly | Mainly by 20 th of following month | Monthly | Mainly by 20 th of following month | Monthly and Annually | Annually: by end of February after income year | Monthly and Annually | Annually: by end of February after income year |
| Slovak Rep. | | Monthly- By 15 th of following month | | | Monthly-by the 30 th of the following quarter | | | |
| Spain | Monthly | - | Quarterly | - | Annually- By 31 st January after end of income year | | | |
| Sweden | | Monthly- By 12 th day of following month | | | Annually- By 31 st January after end of income year | | | |
| Switzerland | | No employer withholding obligations in place | | | No employer withholding obligations in place | | | |
| Turkey | | Monthly- By 20 th day of following month | | | Annually- By 19 th May after end of income year | | | |
| UK | | All employers withhold tax from wages based on periods and rules set out by tax authorities that determine personal level of deductions from employees | | | Annually- by 19 th May of the following tax year | | | |
| United States /1 | Semi-weekly | 3 business days after date of payment | Monthly | By 15 th day of following month | Quarterly | The last day of the month following the end of the quarter | Quarterly | The last day of the month following the end of the quarter |
| 2) Selected Non-OECD Countries | | | | | | | | |
| Argentina | Monthly- By 10 th day of following month | | Monthly- By 10 th day of following month | Monthly- By 10 th day of following month | Monthly- By 10 th day of following month | | | |
| Brazil | - | - | - | - | - | - | - | - |
| Chile | | Monthly- By 12 th day of following month | | | Annually- By 15 th March after end of income year | | | |
| China | | Monthly- By 7 th day of following month | | | Monthly- By 7 th day of following month | | | |
| Cyprus | | Monthly- By 30 th day of following month | | | Annually- by end- April after end of income year | | | |
| Estonia | | Monthly – by 10 th day of following month | | | Monthly – by 10 th day of following month | | | |
| India | | Monthly – by 7 th day of following month | | | Six Monthly – by 30 October for period ending 30 September and by 30 April for period | | | |

| COUNTRY | WITHHOLDING PAYMENT OBLIGATIONS | | | | WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS | | | |
|--------------|---|---|-------------------|--------------|--|-----------------|---------------------|-----------------|
| | Prescribed large employers | | Other employers | | Prescribed large employers | | Other employers | |
| | Payment frequency | When payable | Payment frequency | When payable | Reporting frequency | When reportable | Reporting frequency | When reportable |
| Latvia | - | - | - | - | - | - | - | - |
| Lithuania | Twice monthly; By 15 th of relevant month for payments made up to 15 th day; by the 30 th of relevant month for payments after the 15 th | Monthly – by end of the following month | | | | | | |
| Malta | | | | | | | | |
| Russia | Monthly- By last day of payment month | | | | | | | |
| Singapore | There is no general withholding system on employee income except for non-citizen employees who are quitting their jobs or are leaving Singapore. Employers should withhold tax and keep it until tax authority gives tax clearance. | | | | | | | |
| Slovenia | - | On payday | - | On payday | - | On payday | - | On payday |
| South Africa | Monthly- By 7 th day of following month | | | | Annually – within 60 days following end of income year (i.e. end – February) | | | |

Sources: *IBFD, survey responses, and country revenue officials.*

/1. **Belgium**—employers that make use of the service of an officially registered social secretariat have generally two weeks more for payment and reporting, quarterly payment and reporting for other employers that have paid withholding less than €25,000 during previous year, yearly for farmers under certain conditions; **US**—IRS Publication 15-(Circular E) Employers' tax guide.

Table 14: Personal Income Tax: Payment and Return Filing Obligations in OECD and Selected Non-OECD Countries

| COUNTRY | ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE) | | | | ANNUAL INCOME TAX RETURN | | | |
|--------------------------|--|---|---|---|---|---|-----------------------------|---|
| | Who is liable /1 | Number/ payment frequency | When payable /2 | Standard computation of payments | When normally due /3 | Employees' filing obligations /4 | Self-assessed / assessed | When is any final tax payable /3 |
| <i>1) OECD countries</i> | | | | | | | | |
| Australia | All with income not taxed at source (small threshold applies) | 4 / quarterly, 2 in 3 rd and 4 th quarters for certain payers | 28 days after the end of each quarter of income year | Gross quarterly income x prior year average tax rate or 1/4 of prior year tax adjusted for GDP growth | 4 months (registered tax agents can file progressively) up to 9 months) | Employees generally have to file tax returns | Self-assessed | 21 days after notice issued. |
| Austria | Self-employed | 4 / quarterly | 15 February, May, August, and November of income year | 1/4 of the prior year's tax plus adjustment factor | 3 months (extension possible if registered tax consultant used) | Employees do not have file tax returns if income only from one source | Assessed | One month after assessment notice issued |
| Belgium /5 | Self-employed and other specified individuals | 1 to 4 times a year / No obligation of advance payment | 10 April, July, and October, and 22 December of income year | Determined by taxpayer. | Date indicated on tax return | Employees generally have to file tax returns | Assessed | 2 months after assessment notice issued |
| Canada | Self-employed (tax payable above small threshold) | 4 / quarterly | 15 March, June, September, December of income year | 1/4 of prior year's tax or current year estimate | 4 months | Employees generally have to file tax returns | Self-assessed | 4 months (due with filing of return) |
| Czech Repub. | All with income other than employment income | Large: 12/ monthly; small: 4/ quarterly | Large- last day of each month: small- by 15 th day of 3 rd , 6 th , 9 th , & 12 th months of income year | 1/12 (large) or 1/4 (small) of prior year's tax | 3 months (can be extended by 3 months if tax advisor used) | Employees generally do <u>not</u> have to file tax returns | Assessed | 3 months (due with filing of return) |
| Denmark | All with income not taxed at source | 10/ monthly | 20 th of each month: January-May, July-November of income year | 1/10 of estimated tax ability | 4 months (for pre-populated returns); 6 months for others | Employees receive pre-populated return for vetting | Assessed | 9 months (3 instalments: in September, October and November after assessment) |
| Finland | All with income not taxed at source | 12/ monthly | By the 23 rd day of each month in income year | 1/12 of the prior year's tax | Varies for different types of taxpayer- up to 3 months | Employees receive pre-populated return for vetting | Assessed | 11 months (2 instalments: December and February after assessment) |
| France | All personal taxpayers (no withholding system, except employees' social contributions) | 2 | 15 February and May of assessment year | 1/3 of prior year tax | 2 months/ 3 months (business income earners) | Employees generally have to file annual return | Assessed | 270 days (September or October of assessment year), 11 months (Nov & Dec of assessment year). |
| Germany | All with income not taxed at source | 4 / quarterly | 10 March, June, September and December of income year | 1/10 of prior year tax; 1/4 of prior year's tax; current year estimate where tax office has | 5 months (12 months where tax advisor used) | Employees generally do <u>not</u> have to file tax returns | Assessed | 1 month after assessment notice issued. |

| COUNTRY | ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE) | | | ANNUAL INCOME TAX RETURN | | | | |
|-------------|--|---------------------------------|--|--|---|---|-----------------------------|--|
| | Who is liable /1 | Number/ payment frequency | When payable /2 | Standard computation of payments | When normally due /3 | Employees' filing obligations /4 | Self-assessed / assessed | When is any final tax payable /3 |
| Greece | All with income not subject to withholding | 4 | End of month for specific independent services; for others, by 15 April, July, October & January | information on expected relevant difference to prior year's income As notified: equal to 55% of prior year's in aggregate | Varies for different classes of taxpayer-up to 5 months | Employees generally have to file tax returns | Assessed | 5 months (from May of the assessment year) |
| Hungary | All with income not subject to withholding | 4/ quarterly | 12 th day following end of each quarter | Prorated share of estimated current tax | 80 days (45 days for VAT payers) | Employees generally have to file tax returns | Self-assessed | 80 days (due with filing of return) |
| Iceland | All with income not taxed at source | Monthly | 1 February to June | Monthly—10.5% of previous year's tax | 1 month | Employees generally have to file tax returns | Assessed | Over 5 months (August to December) |
| Ireland | Taxpayers with income not taxed at source | 1/ annually | 31 October of income year | 90% of estimated tax payable | 10 months | Employees generally do <u>not</u> have to file tax returns | Self-assessed | 10 months (due with filing of return) |
| Italy | | 2/ biannually | 20 June and 30 November of income year | 39.2% and 58.8% of prior year's tax | 5 months and 20 days (10 months for electronic filers) | Employees do not have to file if only in receipt of employment income and no deductions | Self-assessed | 5 months and 20 days (due with filing of tax return) |
| Japan | All (threshold applies) | 2/ biannually | 31 July and 30 November of income year | 1/3 of prior year tax payable (with some adjustments) | 75 days | Employees generally do <u>not</u> have to file tax returns | Self assessed | 75 days (due with return). |
| Korea | All with business and rental income | 1/ annually | 30 November | 1/2 of tax paid or payable for the previous year plus any penalty tax | 5 months | Employees generally do <u>not</u> have to file tax returns | Self-assessed | 5 months (due with return) |
| Luxembourg | All with incomes not taxed at source | 4/ quarterly | 10 March, June, September, December of income year | 1/4 of prior year tax | 3 months (in practice it may be extended) | Employees generally do <u>not</u> have to file tax returns | Assessed | 1 month after tax assessment |
| Mexico | All individuals not subject to withholding | 12/ monthly; | 17 th day after end of relevant month | Generally net income of the period times tax rate | During April of following year | No obligation to file if income is less than \$300,000 and interest less than \$100,000 | Self-assessed | 4 months after the end of the tax period |
| Netherlands | All with income not taxed at source | Up to 12/ monthly | Progressively each month following receipt of assessment notice for prior year's income | Based upon the prior year's tax (plus inflation factor) divided by number of months remaining in income year | 3 months (may be extended) | Employees generally do <u>not</u> have to file tax returns | Assessed | 2 months after assessment notice issued |
| New Zealand | All with income not taxed at source (threshold applies) | 3/ trimester | By 7 April, August, and December of income year | 1/3 of 105% of prior year tax payable | 158 or 188 days depending on income source | Employees generally do <u>not</u> have to file tax returns | Self-assessed | 37 days after: month of balance day |
| Norway | All with income not taxed at source | 4/ quarterly | 15 March, May, September, and | Prior year assessment and the tax rates for | 1 month | Employees receive pre-populated return for | Assessed | Two instalments: one 3 weeks, the |

| COUNTRY | ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE) | | | | ANNUAL INCOME TAX RETURN | | | |
|------------------|--|---|---|--|--|---|-----------------------------|---|
| | Who is liable /1 | Number/ payment frequency | When payable /2 | Standard computation of payments | When normally due /3 | Employees' filing obligations /4 | Self-assessed / assessed | When is any final tax payable /3 |
| Poland | All taxpayers in business | 12/ monthly | November of income year | the coming year | | vetting | | second 12 weeks, after assessment notice issued |
| Portugal | Self-employed, professionals businessmen and farmers | 3/ trimester | 20 th day of each month following income month | Based on progressive rates of income tax (i.e. 19%, 30%, or 40%) | 4 months | Employees generally have to file tax returns | Self-Assessed | 4 months (due with filing of return). |
| Slovak Republic | All individuals with income not subject to withholding (threshold applies) | Large: 12/ monthly; small: 4/ quarterly | 20 July, September, and November of income year | 85% of the tax payable for the year two years prior to the income year | Varies for different classes of taxpayer: from 2.5 up to 4 months | Employees have to file tax returns | Assessed | 5/6 months (for employees-31 May; for others- 30 June of assessment year). |
| Spain | Self-employed professionals and businessmen | 4/ quarterly | Monthly- within the end of each month; quarterly- within the end of each quarter | 1/12 or 1/4 of prior year tax | 3 months (up to 3 months longer where certified tax advisor used) | Employees generally do <u>not</u> have to file tax returns | Self-assessed | 90 days after end of fiscal year |
| Sweden | Income from business | 12/ monthly | 20 April, July, October of the income year and 30 January of the following year | Varies for different classes of taxpayer | 4-6 months | Employees generally do have to file tax returns | Self-assessed | 180 days (two instalments: 60% by June and the balance by 5 November) |
| Switzerland | Tax collection arrangements vary across individual cantons. Generally speaking, all taxpayers make advance payments and there is no system of tax withholding at source on employee income (other than for guest workers). | | From February of the income year, generally between 12 th and 17 th of month. | Between 105-110% of prior year final tax | 4 months | Employees receive pre-populated return for vetting | Assessed | 90 days after assessment notice issued. |
| Turkey | Persons with rental, business and professional income | 2/ biannual | 15 th day of the 2 nd month following the semi-annual period | 15% of actual income during income period | 1-2 months (depending on income type) | Employees generally do <u>not</u> have to file tax returns | Assessed | 1-2 months (3 instalments: one with return and the other between April and August |
| UK | Taxpayers with income not taxed at source | 2/ biannual | 31 January of income year, and 31 July of following year (Tax year runs 6 April to 5 April) | 50% of prior year's tax | 6 months where liability not self-calculated: 10 months where taxpayer self-calculates | Employees generally do <u>not</u> have to file an tax returns | Self-assessed | 10 months approx. (by 31 January after the tax year) |
| United States /5 | All with income not taxed at source | 4/ quarterly | 15 days of month following end of the quarter | 1/4 of the lesser of (i) 90% of the estimated current year tax; or (ii) 100% of prior year tax | 15 th day of 4 th month of the following year | Employees generally have to file tax returns | Self-assessed | 15 th day of 4 th month of the following year (final payment due with return) |

2) Selected Non-OECD countries

| COUNTRY | ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE) | | | ANNUAL INCOME TAX RETURN | | | | |
|-----------|--|---------------------------------|---|--|--|---|-----------------------------|--|
| | Who is liable /1 | Number/ payment frequency | When payable /2 | Standard computation of payments | When normally due /3 | Employees' filing obligations /4 | Self-assessed / assessed | When is any final tax payable /3 |
| Argentina | All with income not taxed at source | 5 | In June, August, October and December of income year, and following February | 20% of prior year tax | 4/5 months (depending on tax ID) | Employees do not have to file where in receipt of employment income only | Self-assessed | 4/5 months (with filing of return) |
| Brazil | All with income not taxed at source | 12/ monthly | By end of the following month | % of net income for period | 4 months | General exemption for employees where tax withheld at source | Self-assessed | 4 months days (with return) or option to pay in equal instalments over 6 months |
| Chile | Self-employed | 12/ monthly | By 12 th day of following month | Fixed percentage of monthly receipts, as advised by tax body | 4 months | Employees do not have to file where income from one employer | Self-assessed | 4 months (with filing of return) |
| China | All with income not taxed at source | 12/ monthly | By 7 th day of following month | Varies according to the nature of income | 3 months (business income and income earned abroad); 30 days (annual income more than RMB 120,000) | General exemption for employees where tax withheld at source | Self-assessed | 3 months (business income and income earned abroad); 30 days (annual income more than RMB 120,000) |
| Cyprus | All with income not taxed at source | 3 | On 1 st August, 30th September, and 31st December of income year | Equal instalments of estimated tax | 4 months | Employees with taxable income must file returns | - | 8 months (i.e. 1 st August) |
| Estonia | Self-employed | 4/ quarterly | - | 1/4 of prior year's tax | 3 months | Employees receive pre-populated return for vetting | Self-assessed | 6 months, 9 months (business income, capital gains) |
| India | All (in respect of income not taxed at source). Small threshold applies | 3 | By 15 th September, December & March of year | 30%, 60% and balance of estimated liability | 5 months (7 months if audit is required) | - | Assessed | As notified by assessment |
| Latvia | Self-employed | 4/ quarterly | - | 1/4 of either prior year's tax or estimated current year tax | 3 months | Employees do not have to file where employment income only | Self-assessed | 15 days after filing return (automatic extension of 3 months for larger debts) |
| Lithuania | No system of advance payments for tax on income not subject to withholding | | | | 4 months | Employees do not have to file where income from employment only | Self-assessed | 4 months (with filing of return) |
| Malta | Self-employed taxpayers | 3 | End-April, August, and December of income year | 20%, 30%, and 50% respectively of prior year of assessment tax | 6 months | Employees are generally required to file a simplified tax (in lieu of return) | Self-assessed | 6 months (with return) |
| Russia | Individual entrepreneurs and professionals | 3 | 15 th July and 15th October of income year, and 15 th January of following year | 50% of estimated liability (July), half of balance in both October and January | 4 months | Employees need not file unless they wish to claim deductions | Assessed | 108 days (i.e. 15th July of following year) |
| Singapore | No general system of advance payments applies | | | | 105 days - 15 th April | Employees generally are required to file an annual | Assessed | Within 1 month from the date of |

| COUNTRY | ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE) | | | ANNUAL INCOME TAX RETURN | | | | |
|--------------|--|---------------------------------|---|---|-------------------------|--|-----------------------------|--|
| | Who is liable /1 | Number/ payment frequency | When payable /2 | Standard computation of payments | When normally due /3 | Employees' filing obligations /4 | Self-assessed / assessed | When is any final tax payable /3 |
| Slovenia | Sole entrepreneurs – prior advance payment | 12/ monthly; 4/ quarterly | Monthly – till 15 th day in a month; Quarterly- in 15 days after the end of a quarter | 1/12 (1/4) of prior year tax assessed | 3 months | return Employees generally are required to file an annual return | Assessed | assessment notice Within 1 month of the notice advising liability |
| South Africa | All with income other than salaries and wages. Threshold applies. | 2/ 6 monthly | After 6 and 12 months of start of tax year | 1/2 of prior year assessed tax or estimated liability | 129 days | In practice, majority of employees are not required to file returns; only employees with net income over R60,000 required to file | Assessed | 7 months after end of income year |

Sources: *IBFD, survey responses, and country revenue officials.*

1. Many countries apply small threshold, or exclude specific categories of low income businesses.
2. Income year equals a calendar year unless otherwise stated.
3. Expressed as duration from end of income year to normal filing or payment deadline.
4. Many countries operate special withholding arrangements that free the bulk of employees (generally those with one source of employment and small amounts of other income) from having to file annual tax returns. In Denmark, Finland, Iceland, Norway, and Sweden, the tax bodies compile a return with data from third party sources and refer it to taxpayers for vetting. The majority of employees confirm these returns and no other action is required.
5. **Belgium**—Tax amount is increased if no or insufficient advance payments are waived. Basis of advance payment is last year's tax amount. Advance payments are waived during the first three years upon start-up; **US**—IRS Publication 17—Your federal income tax.

Table 15: Corporate Income Tax: Payment and Return Filing Obligations in OECD and Selected Non-OECD Countries

| COUNTRY | ADVANCE PAYMENTS OF TAX | | | | ANNUAL INCOME TAX RETURN | | | |
|--------------------------|---|--|--|--|--|---|---------------------------|--|
| | Who is liable / 1 | Number of payments | When payable / 2 | Computation of payments | When normally due / 3 | Self-assessed or assessed by tax body | Use of electronic filing? | When is any final tax due / 3 |
| <i>1) OECD countries</i> | | | | | | | | |
| Australia | All taxpayers (small threshold applies) | 4—quarterly | 28 days after end of each quarter of income year | Quarterly income x PY average tax rate | 5 months | Self-assessed | Yes | With return |
| Austria | All | 4—quarterly | 15 February, May, August, and November of income year | 1/4 of prior assessment plus adjustment factor | 3 months (extension possible if tax professional used) | Assessed | Yes | One month after assessment notice issued |
| Belgium / 4 | All | 4—quarterly | Respective 4 deadlines: 10 April, July, October, and 20 December of income year. | 1/4 of estimated liability | Date indicated on tax return | Assessed | Yes | Two months after assessment notice issued. |
| Canada | All | 12—monthly | At end of each month in income year | 1/12 of PY tax or estimated CY liability | 6 months | Self-assessed | Yes | Two months after end of income year |
| Czech Repub. | All | None (last known tax liability in last year is less than 30,000CZK), 2-biannually (30,000 – 150,000 CZK), 4-quarterly (more than 150,000CZK) | By 15 th of last month of this period | Proportion of PY tax of the period | 3 months (6 months if chartered accountant used) | Self-assessed | Yes | With return |
| Denmark | All | 2 | Due by 20 March and November of income year | 50% of average tax paid in three prior years | 6 months | Assessed (full annual accounts required with return – only for large firms from 2006) | No (Yes from 2006) | 10 months after end of income year |
| Finland | All | 12—monthly | Each month of income year | 1/12 of estimated liability | 4 months | Assessed | Yes | 11 months after end of tax year |
| France | All (except those below very small threshold) | 2 for very small liabilities 4—quarterly | March and September of income year By 15 March, June, September, and December of year of income | Prorated share of estimated liability 8.3% of PY ordinary income (plus other % for other income) | 105 days | Self-assessed | Yes | With return |
| Germany | All with taxable income | 4—quarterly | By 10 March, June, September, and December of income year | 1/4 of prior year's tax; current year estimate where tax office has information on expected relevant difference to prior year's income | 5 months (12 months where tax advisor is used) | Assessed (full financial statements required with return) | No | 1 month after assessment |

| COUNTRY | ADVANCE PAYMENTS OF TAX | | | | ANNUAL INCOME TAX RETURN | | | |
|-------------|--|--|--|--|--|--|---------------------------|--|
| | Who is liable / 1 | Number of payments | When payable / 2 | Computation of payments | When normally due / 3 | Self-assessed or assessed by tax body | Use of electronic filing? | When is any final tax due / 3 |
| Greece | All taxpayers | 5—equal monthly | First payment due with the return, balance in four equal instalments in subsequent months. | Based on CY estimate | 130 days | Assessed | No | With return |
| Hungary | All | 12—monthly for large taxpayers; 4—quarterly for others. | End of following month or quarter of income year | Prorated proportion of PY tax | 5 months | Self-assessed | Yes | With return |
| Iceland | All | 10—monthly except in January and July of assessment year | 1 each month | Monthly—10.5% of previous year's tax | 1 month | Assessed | Yes | In equal instalments in last two months of assessment year |
| Ireland | All | Two (subject to transitional arrangements) | One month prior to end of income year; balance six months after end of income year | First payment; 20% for 2002 income year rising progressively to 100% by 2006 | 9 months | Self-assessed | Yes | Transitional arrangements in place |
| Italy | All | Two | By the 6 th & 11 th month of income year | First—39.1% of PY liability; second—59.1 of PY liability; third—balance | 10 months | Self-assessed | Yes (mandatory) | Balance due by 6 th month of following year |
| Japan | All taxpayers (small threshold applies) | 1 | By the end of the 8 th month in the income year | 1/2 of PY liability (or CY liability if interim return filed) | 2 months | Self-assessed | Yes | With return |
| Korea | All | 1 | 8 months into the income year (for annual filers) | 1/2 of PY liability or CY estimate | 3 months | Self-assessed | Yes | With return |
| Luxembourg | All | 4—quarterly | By 10 March, June, September, and December of income year | 1/4 of PY liability | 5 months (taxpayer can request an extension) | Assessed (full accounts and minutes of shareholders meetings required) | No | Within one month of official assessment. |
| Mexico | All | 12—monthly | By 17 th day after end of relevant month | Estimated CY liability | 3 months | Self-assessed | Yes | With return (90 days after end of fiscal year) |
| Netherlands | All | Up to 12/ monthly | Progressively each month following receipt of assessment notice for prior year's income | Average of two prior year's tax (plus inflation factor) divided by number of months remaining in income year | 5 months (extension can be requested) | Assessed (annual reports etc. required) | Yes (mandatory) | Two months after receipt of official assessment. |
| New Zealand | All taxpayers (except those below a small threshold) | 3 | 7 July, November, and March | Previous year residual plus 5%, or 1/3 of estimation (mandatory for non-individual taxpayers). | 97 days | Self-assessed (from 2002/03 income year) | Yes | 14 months where extension of time is given; interest applies to residual tax |

| COUNTRY | ADVANCE PAYMENTS OF TAX | | | | ANNUAL INCOME TAX RETURN | | | |
|---------------------------------|--|--|--|---|--|--|---------------------------|--|
| | Who is liable / 1 | Number of payments | When payable / 2 | Computation of payments | When normally due / 3 | Self-assessed or assessed by tax body | Use of electronic filing? | When is any final tax due / 3 |
| Norway | Petroleum producers and transporters Others | 2 2 | 1 October of income year, 1 April of following year 15 February and April, in assessment year | 50% of estimated liability 50% of estimated liability +/- amount prescribed by authorities | 2 months (extra 1 month on application) | Assessed (returns must include audited statements) | Yes | Paid in two instalments, due on 15 September and November of assessment year. |
| Poland | All | 12—monthly | 20 th day of each month following income month | Difference between estimated tax for income during the year and accumulated advance payment to previous month | 3 months | Self-assessed | No | With return (3 months after end of income year) |
| Portugal | All | 3 | July, September and December of income year | Large- 85% of PY liability; others- 75% of PY liability | 5 months | Self-assessed | Yes (mandatory for all) | 30 days after any notice. |
| Slovak Republic | All legal entities (over prescribed threshold) | Large: 12—monthly; others: 4—quarterly | Monthly- within the end of each month; quarterly- within the end of each quarter | Large: 1/12 of PY liability; Small: 1/4 of PY liability | 3 months (further 3 months where use of tax advisor) | Self-assessed | Yes | With return 90 days after end of fiscal year |
| Spain | All | 3 | By 20 April, October, and December of income year | Large—progressive % of CY estimated liability; others—% of PY liability | Up to 205 days (depending on timing of annual general meeting) | Self-assessed | Yes | On filing of return. |
| Sweden | All | 12/monthly | Each month of income year | Based on a preliminary return required from taxpayer | 3 months | Assessed | No | 90 days after receipt of notice |
| Switzerland | Tax collection arrangements vary across individual cantons | | | | | | | |
| Turkey | All | 4 | 15 th day of second month after end of quarter | CY estimate | 4 months | Self-assessed | Yes | After 15 days of filing tax return. |
| United Kingdom | Large (taxpayers with profit > £1.5m) | 4 | Due in the 7 th , 10 th , 13 th , and 16 th months after the income year | 1/4 of estimated tax liability | 12 months | Self-assessed | Yes | Nine months after end of income year. |
| United States / 4 | All | 4/quarterly | By 15 th day of 4 th , 6 th , 9 th , and 12 th months of the corporation's tax year | Generally, 1/4 of either estimated current year tax or previous year tax | 15 th day of 3 rd month after the end of its tax year. | Self-assessed | Yes | By 15 th day of the 3 rd month after the end of tax year |
| 2) Selected Non- OECD countries | | | | | | | | |
| Argentina | All legal entities except for non-profit organization | 10/ monthly | From 6 th month after accounting year, and thereafter monthly | First payment—25% of prior year liability; others—8.33% of prior year tax | 5 months | Self-assessed | Yes | 140 days (on filing of return) |
| Brazil | All legal entities | 4/quarterly | By end of the following quarter | % of actual net profit for quarter | 3 months | Self-assessed | Yes | 90 days (with filing of return) |

| COUNTRY | ADVANCE PAYMENTS OF TAX | | | | ANNUAL INCOME TAX RETURN | | | |
|--------------|--|---|---|--|---|---------------------------------------|-------------------------------------|---|
| | Who is liable / 1 | Number of payments | When payable / 2 | Computation of payments | When normally due / 3 | Self-assessed or assessed by tax body | Use of electronic filing? | When is any final tax due / 3 |
| Chile | All enterprises | 12/ monthly | By 12 th day of following month | Fixed percentage of monthly receipts which is recalculated yearly on the basis of prior year's percentage. / 4 | 4 months | Self-assessed | Yes (mandatory for large taxpayers) | With filing of return |
| China | All enterprises | 4/ quarterly | Within 15 days of end of each quarter | 1/4 of prior year tax, or tax on actual quarterly profits | 45 days after end of income year | Self-assessed | Yes / 4 | 4 months after end of income year |
| Cyprus | All | 3 | On 1 st August, 30 th September, and 31 st December of income year | Equal instalments of estimated tax | 7 months | - | - | 210 days (with filing of return) |
| Estonia | Income derived by companies is not taxed if retained. Upon distribution, a distribution tax is levied at a rate prescribed in the law. The taxable period of legal entities is a calendar month. Where a distribution is made, a return and payment must be made by the 10 th day of the month following the payment of the distribution. | | | | - | Self-assessed | - | - |
| India | All (with income above prescribed threshold) | 4/ quarterly | By 15 June, September, December, and March of March-ending income year | 15%, 45%, 75%, and balance respectively of estimated liability | 8 months | Assessed | No | As notified in assessment |
| Latvia | All | 12/ monthly | By 15 th day of each month | Based on prior years tax, with adjustment for CPI movements | 7 months (large taxpayers), 4 months (others) | Self-assessed | No | 30 days after receipt of assessment notice |
| Lithuania | All taxpayers (except those below LTL100,000 threshold) | 4/ quarterly | By last day of each quarter (Q1/ Q3); by 25 th days of last quarter (Q4) | - | 9 months | Self-assessed | Yes | - |
| Malta | All | 3 | End-April, August, and December of income year | 20%, 30%, and 50% respectively of prior year of assessment tax | 9 months | Self-assessed | Yes | 270 days (with filing of return) |
| Russia | All | 12/ monthly (large); 4/ quarterly (other) | - | Large- 1/3 rd of liability for prior quarter; other- estimated quarterly liability | 88 days (i.e. 28 th March) | Self-assessed | Yes | 88 days (with filing of return) |
| Singapore | Companies are required to file estimated assessments of their chargeable income within 3 months of the end of their accounting year. Payment commences with the filing of these estimated assessments. | | | | 31 st July of the following year / 4 | Assessed | Yes (for estimated assessments) | Within 1 month from the date of assessment notice |
| Slovenia | All | 12/ monthly; 4/ quarterly | 10 days after the arrival | 1/12 (1/4) of prior year tax assessed | 3 months | Self-assessed | Yes | 30 days after submission of the tax settlement |
| South Africa | All | 2/ 6 monthly | End of August and February | 1/2 of prior year assessed tax or estimated liability | End of July | Assessed | Yes | 6 months after end of income year |

Sources: *IBF, country survey responses, and country revenue officials*

1. Many countries apply small threshold, or exclude specific categories of low income businesses.
2. Income year equals a calendar year unless otherwise stated.
3. Expressed as duration from end of income year to normal filing or payment deadline.

4. **China**—tax law allows electronic filing while it must be accompanied by paper return in practice; **Belgium**—when taxpayer opts for one single advance payment, the deadline is 20 December. Specific rules for advance payment deadline exist for companies with accounting year that coincide with calendar year or less than one year.; **Chile**—This percentage is 1% in the first commercial year, or when the company has tax losses in the previous year.; **Singapore**—if the company's accounting year ends on 31 March 2005, it is required to file the return by 31 July 2006; **US**—IRS Publication 542-corporations.

Table 16: Value Added Tax: Registration, Payment, and Filing Obligations in OECD and Selected Non-OECD Countries

| COUNTRY | Registration threshold /1 | Liability basis: cash and/or accruals | General payment requirements (i.e. frequency and days after end of liability period) /2 | | | General filing requirements (i.e. frequency) /3 | | Provision for electronic filing | Special filing obligations? |
|--------------------------|---|---|---|--|---|--|--|--|---|
| | | | Large | | Other | Large | Other | | |
| | | | Monthly- within days | Monthly- within days | Quarterly- within days | Monthly | Quarterly | | |
| <i>1) OECD countries</i> | | | | | | | | | |
| Australia | \$A 50,000 | Accruals (with cash basis permitted for businesses with turnover below \$A 1 million) | Monthly- within 28 days | Monthly- within 28 days | Quarterly- within 28 days | Monthly | Quarterly | Yes | Yes- all regular tax obligations reported in single statement |
| Austria | € 22,000 | Accruals (with cash basis permitted for certain types of small businesses) | Monthly- within 45 days | Monthly- within 45 days | Quarterly- within 45 days | Monthly | Quarterly | Yes | Annual return required by end-March |
| Belgium /5 | Zero | Accruals (with cash basis under specific conditions, flat rate scheme) | Monthly- within 20 days | Monthly- within 20 days | Monthly- within 20 days | Monthly | Quarterly | Yes | Yes- Annual sales listing to all registered purchasers is required |
| Canada | \$C 30,000 | Accruals (with simplified 'quick method' scheme for prescribed traders with turnover below \$C200,000) | Monthly- within 30 days | Monthly- within 30 days | Quarterly- within 30 days | Monthly | Quarterly | Yes | Yes- some business sectors have specific reporting requirements |
| Czech Rep. | CZK 1,000,000 (in last 12 calendar months) | Accruals | Monthly- within 25 days, Quarterly- within 25 days | Monthly- within 25 days, Quarterly- within 25 days | Monthly- within 25 days, Quarterly- within 25 days | Monthly (turnover in last calendar year is more than 10 million CZK), Quarterly (turnover in last calendar year is less than 10 million CZK) | Monthly | Yes | |
| Denmark | DKK 50,000 | Accruals | Monthly- within 25 days | Monthly- within 25 days | Quarterly and half-yearly- within 40 days and two months respectively | Monthly | Quarterly and half-yearly | Yes | Yes- all regular tax obligations reported in single statement |
| Finland | € 8,500 | Accruals | Monthly- within 45 days | Monthly- within 45 days | Monthly- within 45 days; annual payment for primary producers and artists | Monthly | Monthly; annual filing for primary producers and artists | Yes (via an external agent who may charge for service) | Yes- all regular tax obligations reported in a single monthly statement |
| France | € 76,300 (threshold of € 27,000 for suppliers of services) | Accruals (with simplified scheme for prescribed businesses (turnover thresholds apply); instalments based on prior year tax | Monthly- within 19/24 days | Monthly- within 19/24 days | Quarterly- within 19/24 days; | Monthly | Quarterly and annual | Mandatory for large payers; optional for others | Under simplified scheme, prescribed businesses make 4 instalment payments during year and file annual tax return by end-April |
| Germany | € 17,500 prior year turnover and €50,000 current year expected turnover | Accruals (cash basis permitted in certain cases, e.g. prior year turnover not exceeding €125,000) | Monthly- within 10 days | Monthly- within 10 days | Monthly (generally, quarterly/annually if previous year's tax does not exceed €6,136/€512 | Monthly | Monthly (generally), quarterly/annually if previous year's tax does not exceed €6,136/€512 | Yes | Annual return required from all payers (monthly or quarterly filings are provisional advance returns) |
| Greece | € 9,000 (€ 4,000 for suppliers of services) | Flat rate scheme applied to special sectors (e.g. farming, fishing) | Monthly- within 20 days | Monthly- within 20 days | Quarterly- within 20 days | Monthly | Quarterly | Yes | Annual return required from all payers |

| COUNTRY | Registration threshold /1 | Liability basis: cash and/or accruals | General payment requirements (i.e. frequency and days after end of liability period) /2 | | | General filing requirements (i.e. frequency) /3 | Provision for electronic filing | Special filing obligations? |
|-------------|--|--|---|---|-------------------------|---|-----------------------------------|--|
| | | | Large | Other | Large | | | |
| Hungary | Zero | Accruals | Monthly-within 20 days | Quarterly and annually- within 20 days | Monthly | Quarterly, and annually for very small payers | Yes (but limited) | |
| Iceland | ISK 220,000 | Accruals | Bi-monthly- within 35 days | Bi-monthly- within 35 days | Bi-monthly | Bi-monthly, twice a year for farmers & yearly for very small payers | Yes | No |
| Ireland | € 51,000 (threshold of € 25,500 for suppliers of services) | Retailers can use apportionment scheme where sales are at a number of rates. Flat rate scheme for prescribed businesses (e.g. farming) | Bi-monthly- within 19 days | Bi-monthly- within 19 days | Bi-monthly | Bi-monthly | Yes | Annual return of trading details required from all payers |
| Italy | Zero | Various schemes for a range of prescribed business categories | Monthly- 16 days | Quarterly- within 46 days for Q1-Q3, and 76 days for Q4 | Annual | Annual | Yes (mandatory for larger payers) | Annual consolidated return required from all payers |
| Japan | JPY 10 million | Accruals | Monthly within 2 months | Quarterly, semi-annually or annually -within 2 months | Monthly | Quarterly, semi annually or annually | Yes | Annual return required |
| Korea | Zero | Accruals | Quarterly (corporates and large individuals) within 25 days | Bi-annual- within 25 days | Monthly | Quarterly corporations; bi-annual -others | Yes | |
| Luxembourg | € 10,000 | Accruals | Monthly- within 15 days | Quarterly- within 15 days | Monthly | Quarterly, and annually for very small traders | Yes /4 | Annual return required from all payers |
| Mexico | Zero | Cash flow basis | Monthly- within 17 days | Monthly- within 17 days | Monthly | Monthly | Yes | Information return at end of tax period |
| Netherlands | Zero | On application, traders including certain retailers may use simplified method. | Monthly- within 30 days | Quarterly- within 30 days | Monthly | Quarterly, and annually for very small traders | Yes (mandatory) | |
| New Zealand | \$NZ 40,000 | Use of cash or cash/ accruals by small businesses | Monthly- within 30 days | Bi-monthly- within 30 days, & 6 monthly for small payers | Monthly | Bi-monthly, & 6 monthly for small payers | Yes | |
| Norway | NOK 50,000 | Accruals | Bi-monthly- within 40 days | Bi-monthly- within 40 days | Bi-monthly | Bi-monthly | Yes | No |
| Poland | 10,000 euros | Accruals (with cash basis permitted for businesses with turnover below prescribed threshold) | Monthly- within 25 days | Monthly / Quarterly- within 25 days (small taxpayers or farmers who opt to) | Monthly- within 25 days | Monthly- within 25 days / Quarterly- within 25 days (small taxpayers or farmers who opt to) | No | Intra-community transactions of goods- declared quarterly within 25 days |
| Portugal | Zero | Special flat rate scheme for small retailers | Monthly- within 40 days | Quarterly- within 45 days | Monthly | Quarterly | Yes | Annual consolidated return required from all payers |

| COUNTRY | Registration threshold /1 | Liability basis: cash and/or accruals | General payment requirements (i.e. frequency and days after end of liability period) /2 | | | General filing requirements (i.e. frequency) /3 | Provision for electronic filing | Special filing obligations? |
|---------------------------------------|---|--|---|--|------------------------|---|---------------------------------|---|
| | | | Large | Other | Large | | | |
| Slovak Rep. | SKK 1.5 million previous consecutive months | Accruals | Monthly- within 25 days | Quarterly- within 25 days | Monthly | Quarterly | Yes | No |
| Spain | Zero | Simplified scheme for unincorporated businesses- tax calculated applying specific indices | Monthly- within 20 days | Quarterly- within 20 days | Monthly | Quarterly | Yes | Annual return required from all payers |
| Sweden | Zero | Accruals | Monthly- within 26 days | Monthly- within 42 days | Monthly (*) | Monthly; some traders can declare with annual income tax return | Yes | (*) Yes- all regular tax obligations reported in a single monthly statement by most businesses; |
| Switzerland | CHF 75,000 | Accruals (and cash basis where requested). Flat rate scheme for prescribed traders | Quarterly- within 60 days | Monthly / Six monthly – both within 60 days | Quarterly | Monthly / Six monthly – both within 60 days | Yes (2006) | |
| Turkey | Zero | - | Monthly- within 26 days | Quarterly- within 26 days | Monthly | Quarterly | Yes | |
| United Kingdom | £ 61,000 | Traders with turnover to £ 660,000 can use cash basis; special flat rate schemes for retailers and farmers | Quarterly - within 1 month | Quarterly - within 1 month | Quarterly | Quarterly; annually for businesses with turnover under £660,000 | Yes | |
| United States | ***** Not applicable ***** | | | | | | | |
| <i>2) Selected Non-OECD countries</i> | | | | | | | | |
| Argentina | ARS 144,000 | Accruals (special lump sum scheme exists for small businesses covering VAT & income tax) | Monthly- actual date varies (based on tax ID) | Monthly- actual date varies (based on tax ID) | Monthly | Monthly | Yes | Office of import |
| Brazil | Zero | Accruals | Monthly within 12 days | Monthly within 12 days | Monthly within 12 days | Monthly within 12 days | Yes | Largest registrants required of file annual return of purchases and sales |
| China | Various /5 | Accruals (small traders pay flat % of turnover) | Within 1,3, 5,10, 15 or monthly, depending on size of business | Various | Various | Various | Yes | |
| Cyprus | CYP 9,000 | Accruals (with special scheme for farmers and retailers) | Quarterly- by 10 th day of second month after liability month | Quarterly- by 10 th day of second month after liability month | Quarterly | Quarterly (annually permitted farmers) | Yes | |
| Estonia | EEK 250,000 | Accruals (special schemes for travel agents, lumber sales, and second hand goods) | Monthly- within 20 days | Monthly- within 20 days | Monthly | Monthly | Yes | |
| India | ***** No national VAT ***** | | | | | | | |
| Latvia | LVL 10,000 | Accruals | Monthly- within 15 days | Quarterly- within 15 days | Monthly | Quarterly | No | Annual return required from all registrants |

| COUNTRY | Registration threshold /1 | Liability basis: cash and/or accruals | General payment requirements (i.e. frequency and days after end of liability period) /2 | | | General filing requirements (i.e. frequency) /3 | | | Provision for electronic filing | Special filing obligations? |
|--------------|------------------------------------|--|---|--|-------------------------|---|---|-------|--|-----------------------------|
| | | | Large | Other | Large | Other | Large | Other | | |
| Lithuania | LTL 35,000 | Accruals (with flat rate scheme for farmers) | Monthly- within 25 days | Semi-annually- within 25 days | Monthly | Monthly | Semi-annually | Yes | | |
| Malta | Equivalent to €10,000 | Accruals | Quarterly- within 15 days | Quarterly- within 15 days | Quarterly | Quarterly | Quarterly | Yes | Prescribed small businesses must file report of annual turnover | |
| Russia | RUR 1 million (quarterly turnover) | Cash and accruals | Monthly- within 20 days | Quarterly- within 20 days | Monthly | Monthly | Quarterly | Yes | | |
| Singapore | SGD 1 million | Accruals | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Yes | | |
| Slovenia | SIT 5 million | Accruals or cash | Monthly- within 30 days | Quarterly/ semi-annually- within 30 days | Monthly- within 30 days | Monthly- within 30 days | Quarterly / semi-annually- within 30 days | Yes | New taxpayers have to fill the statements monthly (for the first year) | |
| South Africa | ZAR 300,000 | Accruals (Cash basis for individuals with turnover up to R2.5 million) | Monthly- within 25 days | Bi-monthly / Four-monthly - within 25 days | Monthly | Monthly | Bi-monthly / Four-monthly | Yes | Farmers with turnover up to ZAR 1.2 million may account semi-annually | |

Sources: IBFD, European Commission (July 2002 and 2004 summaries of EU member VAT arrangements).

1. Threshold based on business turnover level unless otherwise indicated.
2. Most countries provide special payment and filing regimes for designated business categories (e.g. agriculture, fishing).
3. Most countries provide special filing procedures for taxpayers who regularly receive refunds of VAT overpayment (e.g. exporters).
4. System of electronic filing for annual reporting introduced implemented for fiduciaries; to be extended to monthly and quarterly reporting.
5. **Belgium** – flat rate scheme for unincorporated traders with turnover below €500,000 and exempted from issuing invoices; **China** – RMB 2,000-5,000 per month (taxable sales), RMB 1,500-3,000 per month (taxable services), RMB 150-200 (sales one time/day)

5 SELECTED ADMINISTRATIVE POWERS OF REVENUE BODIES

Introduction

80. This part describes selected administrative powers of revenue bodies, and also takes account of previous OECD work in this area.¹³ The specific information provided is described hereunder:
- Table 17 identifies features of the systems in place for obtaining public and private tax rulings.
 - Table 18 describes features of the information gathering powers of revenue bodies.
 - Table 19 describes features of the enforced collection powers of revenue bodies.
 - Table 20 describes features of the penalty and interest requirements for certain non-compliance offences.

Key observations and trends

Advance Rulings

81. Table 17 reflects the powers of surveyed revenue bodies' to issue public and/or private rulings. Significantly:
- The vast majority (40 countries) of surveyed countries provide public rulings. They are binding on revenue bodies in the great majority of countries.
 - Private rulings are also provided by most surveyed revenue bodies (40 countries) to taxpayers who make ruling requests; such rulings are generally binding on revenue bodies (34 out of 40 countries) and for around half of surveyed revenue bodies there are legislated time limits for replying to taxpayers' private ruling requests.
 - Around one quarter of surveyed revenue bodies are empowered to charge a fee for private ruling requests.

Information Access and Search Powers of Tax Officials

82. Table 18 reflects revenue bodies' powers to gather information, to access taxpayers' premises and to seize documents to assist with the verification or establishment of taxpayers' liabilities. Significantly:
- Generally speaking, all surveyed revenue bodies have powers to obtain relevant information and can extend their requests for information to third

¹³ See *'Taxpayers' Rights and Obligations: A Survey of the Legal Situation in Member Countries'* OECD (1990).

parties. However, there are some limitations in obtaining information from government departments in a small number of surveyed countries (8 countries).

- Revenue bodies in most surveyed countries have broad powers of access to taxpayers' business premises and dwellings for the purpose of obtaining information required to verify or establish tax liabilities. However, in exercising this power, a search warrant is required to enter business premises in 14 countries for any purposes and in 6 countries only in criminal cases. Revenue bodies' access power is narrowed with regard to dwellings in surveyed countries. A search warrant is required in 28 surveyed countries to enter taxpayers' dwellings for any purposes and in 3 countries only for fraud or criminal cases.
- Around half of surveyed countries require a warrant to seize taxpayers' documents.

Powers to Enforce Tax Debt Collections

83. Table 19 reflects revenue bodies' power to enforce tax debt collection. Significantly:

- Revenue bodies in most surveyed countries have traditional powers to enforce tax debt collection: 1) to grant taxpayer further times to pay; 2) to make payment arrangements; 3) to collect from third parties that have liabilities to taxpayer; 4) to seize taxpayer's asset; 5) to offset taxpayer's liabilities to his/her tax credits; and 6) to initiate bankruptcy.
- Other powers such as 1) obtaining lien over taxpayer's assets; 2) withholding government payment to debtor taxpayers; 3) requiring tax clearance for government contracts; and 4) imposing tax liabilities on company directors when certain conditions are satisfied are available in between half and two thirds of surveyed countries.
- Additional powers are given to some surveyed revenue bodies to facilitate tax collection that entail the imposition of restrictions on taxpayer's business or private activities, including 1) limits on overseas travel; 2) closure of businesses or cancellation of business licenses; and 3) denial of access to government services; additionally, a small number of surveyed bodies are permitted to 'name and shame' taxpayers through the public disclosure of individual taxpayers' offenses.

Penalties and Interest for Non-compliance

84. Table 20 reflects the nature and quantum of penalties imposed for the most common tax offenses (i.e. taxpayers' failure to file returns on time, to report their correct tax liabilities, a taxpayers' failure to pay tax on time) by surveyed revenue bodies. Significantly:

- Most surveyed revenue bodies impose failure-to-file penalties as a certain percentage of income or additional tax liability while some countries charge lump-sum amount (Argentina) or at certain rates of tax liability according to the delayed period (Denmark, Greece, Portugal, and the United States). Many surveyed countries have ceilings failure-to-file penalties go up to.
- All surveyed revenue bodies impose interest on taxes not paid on time.
- The common feature in administrative penalties on underreporting tax liabilities is the penalty varies according to the seriousness of offense:

failure to exercise reasonable care, deliberate underreporting, or fraud/criminal case.

Provision of tax rulings on the application of tax laws

85. Compared to the situation identified in last comprehensive survey of the powers of revenue bodies (in 1990), the vast majority of OECD countries now provide public rulings and, at the request of taxpayers, private rulings.
86. In brief, public rulings are published statements of how a revenue body will interpret provisions of the tax law in particular situations. They are generally published to clarify the application of the law, especially in situations where large numbers of taxpayers may be impacted by particular provisions and/or where a particular provision has been found to be causing confusion and/or uncertainty. In the majority of cases, rulings are binding on the revenue body, meaning that taxpayers are protected from further assessment, penalties and interest where they have acted in accordance with the advice given in the ruling.
87. Many revenue bodies now also provide private rulings in response to specific requests from taxpayers seeking clarification of how the law would apply in relation to their completed or proposed transactions. The objective of private ruling system is to generally guide taxpayers in their tax affairs so as to avoid their exposure to reassessments involving further tax and, potentially, penalties and interest. In many countries, these rulings are binding on the revenue body, but only where the taxpayer has disclosed all relevant facts when seeking the ruling and, in the case of proposed transactions, where those transactions were actually carried out in accordance with the way were described when the ruling request was made.
88. In order to ensure that taxpayer's ruling requests are dealt with expeditiously, in a number of countries there are legal or administrative requirements that a ruling request be dealt with in a prescribed period of time- refer Table 17 for examples. In addition, a minority of countries impose a fee for the provision of private rulings.

Control and search powers of tax authorities

89. As evident from the information in Table 18, revenue bodies generally have powers to obtain all information relevant to the correct assessment of tax liabilities – powers which extend beyond the taxpayer to third parties. In addition, revenue bodies also have some more specific powers: (1) taxpayers must produce records and documents on request; and (2) tax authorities have extensive powers to enter business premises, though in a small number of countries, access is limited to certain times of day, or requires the taxpayer's consent. Many countries require a search warrant to enter private dwellings though most do not for entering business dwellings. Table 18 also shows that the power to seize documents usually requires some kind of warrant.

Enforced collection of tax debts

90. The efficiency and effectiveness of a revenue body's enforced debt collection activities depends critically on the underlying legal framework in place, including the provision of an appropriate regime of sanctions (e.g., interest and/or penalties) to deter and penalize non-compliance. In practice, this legal framework is set out separately in the laws governing each tax administered or, preferably for ease of legislative maintenance, in a single comprehensive law on tax administration that provides a common set of provisions, including for enforced debt collection, covering all taxes.

91. Table 19 sets out details of information gathered from revenue bodies and other sources on the nature of the specific powers available to them to secure the payment of unpaid taxes. Of particular note:
- A number of powers are fairly universal in their availability to revenue bodies. These include powers to 1) grant extensions of time to pay; 2) formulate payment arrangements; 3) collect tax debts through specific third parties who owe money to a taxpayer or hold money on their account; 4) offset taxpayers' tax debts against credits arising under other taxes; 5) initiate (or arrange for) seizure action; and 6) initiate bankruptcy/liquidation action.
 - Other powers found to be less frequently available (and for some requiring a court order), included powers to:
 - impose restrictions on overseas travel by debtor taxpayers;
 - effect the closure of a business or withdrawal of a business licence;
 - obtain a lien over a taxpayer's assets;
 - withhold non-tax payments owed by government to debtor taxpayers;
 - disqualify debtor taxpayers from bidding for government contracts;
 - impose liability on company directors for certain company tax debts; and
 - require a tax clearance certificate from taxpayers (in some cases, subject to a threshold) who bid for government contracts.

Interest and penalties

92. All countries impose interest on taxes not paid by the prescribed date (refer Table 20). The rate of interest applied varies greatly across countries, but is generally influenced by market/bank interest rates and inflation factors. A number of countries set the rate of interest according to an official bench rate (e.g. average interest rate on 90-day Treasury Bills) plus a few percentage points. Such rates are reviewed and adjusted periodically.
93. Administrative penalties for understatements of tax liability are generally imposed as a percentage of the additional tax payable and vary according to the seriousness of the offence. While practices vary, a common approach sees penalties for minor offences in the region of 10-30 percent of the tax evaded while more serious offences involving deliberate evasion are in the region of 40-75 percent of the tax evaded.

Table 17: Access to Advance Rulings

| COUNTRY | FEATURES OF THE RULINGS SYSTEM | | | | | |
|-------------------------------------|--------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--|---------------------------|
| | Public rulings are issued /1 | Binding/ not binding on revenue body | Private rulings are issued /2 | Binding/ not binding on revenue body | Legislated time limits for private rulings | Fees for private rulings? |
| <i>1) OECD countries</i> | | | | | | |
| Australia | Yes | Binding | Yes | Binding | Yes | No |
| Austria | Yes | Not binding | Yes | Binding | Yes | No |
| Belgium | Yes | Binding | Yes | Binding | Yes | No |
| Canada | Yes | Binding | Yes | Binding | No /3 | Yes |
| Czech Repub. | Yes | Not binding | Yes | Not binding | No | No |
| Denmark | Yes | Binding | Yes | Binding | Yes | Yes |
| Finland | Yes | Binding | Yes | Binding | Yes | Yes |
| France | Yes | Binding | Yes | Binding | Yes | No |
| Germany | Yes | Binding | Yes | Binding | No | No |
| Greece | Yes | Binding | Yes | Binding | Yes | No |
| Hungary | No | n.applic. | Yes | Binding | Yes | Yes |
| Iceland | Yes | Binding | Yes | Binding | Yes | Yes |
| Ireland | Yes | Binding | No | n.applic. | No | n.applic. |
| Italy | Yes | Binding | Yes | Binding | Yes | No |
| Japan | Yes | Binding | Yes | Not binding | No | No |
| Korea | Yes | Binding | Yes | Binding | No | No |
| Luxembourg | Yes | Binding | No | n.applic. | n.applic. | n.applic. |
| Mexico | Yes | Binding | Yes | Binding | Yes | No |
| Netherlands | Yes | Binding | Yes | Binding | Yes | No |
| N. Zealand | Yes | Binding | Yes | Binding | No | Yes |
| Norway | Yes | Binding | Yes | Binding | No | Yes /3 |
| Poland | Yes | Not binding | Yes | Binding | Yes | No |
| Portugal | Yes | Binding | Yes | Binding | No | No |
| Slovak Rep. | Yes | Not binding | Yes | Not binding | No | No |
| Spain | Yes | Binding | Yes | Binding | Yes | No |
| Sweden | Yes | Binding | Yes | Binding | - | Yes |
| Switzerland | Yes | Not Binding | Yes | Binding | No | No |
| Turkey | Yes | Binding | Yes | Binding | No | No |
| UK | Yes | Binding | Yes | Binding | Yes | No |
| USA | Yes | Not binding | Yes | Not binding | No | Yes |
| <i>2) Select non-OECD countries</i> | | | | | | |
| Argentina | Yes | Binding | Yes | Binding | Yes | No |
| Brazil | Yes | Binding | Yes | Binding | No | No |
| Chile | Yes | Not binding | Yes | Not binding | No | No |
| China | Yes | Binding | Yes | Binding | Yes | No |
| Cyprus- IR | Yes | Binding | Yes | Binding | No | No |
| Cyprus- VAT | Yes | Binding | Yes | Binding | Yes | No |
| Estonia | No | n.applic. | Yes | Not binding | No | No |
| India | No | n.applic. | Yes | Binding | Yes | Yes |
| Latvia | Yes | Not binding | Yes | Binding | Yes | No |
| Lithuania | Yes | Binding | Yes | Binding | Yes | No |
| Malta- IR | No | n.applic. | Yes | Binding | No | No |
| Malta- VAT | Yes | Binding | Yes | Binding | No | No |
| Russia | No | n.applic. | No | n.applic. | n.applic. | n.applic. |
| Singapore | Yes | Binding | Yes /3 | Binding | Yes | Yes |
| Slovenia | Yes | Binding | No | n.applic. | No | No |
| South Africa | Yes | Binding | Yes | Binding (from 2006) | No | Yes (from 2006) |

Sources: IBFD and country survey responses

/1. Public rulings are formal expressions of how provisions of the law will generally be interpreted and applied by the revenue body.

/2. Private rulings are interpretations of the law in respect of a specific set of facts provided by a taxpayer, on which a ruling is being sought.

/3. **Canada**—Though not legislated, time limits are established and published: within 60 to 90 days for income tax rulings, within 30 to 45 days for excise and GST rulings; **Norway**—Yes, if binding; **Singapore**—for income tax.

Table 18: Verification of Taxpayers' Liabilities: Information Access and Search Powers of Tax Officials

| COUNTRY | Do powers to obtain all relevant information exist? | Does this power extend to third parties? | Taxpayers are required to produce all records in request | Powers of entry to: | | Search warrant required | | Seizure of documents | | Powers to obtain information from other government departments |
|--------------------------|---|--|--|---|---|--|--|---|------------------|--|
| | | | | Business premises | Dwellings | Business premises | Dwellings | Limited to | Warrant required | |
| <i>1) OECD Countries</i> | | | | | | | | | | |
| Australia | Yes | Yes | Yes | Full and free access to Custodians to provide "reasonable assistance". | Warrant required at all times. Custodians to provide "reasonable assistance". | No, but in fraud cases warrants may be used. | Yes | Seized only when warrant used. Officials can copy documents under access provisions | Yes | Yes, unless specifically excluded. |
| Austria | Yes | Yes | Yes | Full and free access | Warrant required | Yes | Yes | Penal procedure | Yes | Yes |
| Belgium | Yes | Yes | Yes | Full and free access, provided any activity takes place at that time | Yes, if authorized by the Judge of the police court and between 5 am and 9 pm. | No | With authorization by Judge of the police court | VAT: audit purpose, Income tax: No without consent of taxpayer /1 | n.avail. | Yes |
| Canada | Yes | Yes | Yes | Full and free access. Custodians of records must provide reasonable assistance. | Full and free access. Custodians of records must provide reasonable assistance. | No | Yes | Reasonable suspicion | Yes | Limited |
| Czech Repub. | Yes | Yes | Yes | Full and free access | Yes, if used for business | No | Yes | Reasonable suspicion | Yes | Yes |
| Denmark | Yes | Yes | Yes | Full and free access | Warrant required | Yes (for criminal cases) | Yes | Penal procedure | Yes | Yes |
| Finland | Yes | Yes | Yes | Full and free access | Yes, if penal crime suspected | No | Yes | Criminal cases | Yes | Yes |
| France | Yes | Yes | Yes | Yes | Warrant required | No | Yes | Reasonable suspicion | Yes | Yes |
| Germany | Yes | Yes | Yes | Access during normal working hours | Only with taxpayer's consent or search warrant | Required in criminal cases (unless taxpayer consent) | Required in criminal cases (unless taxpayer consent) | Criminal cases | Yes | Yes (some limitations) |
| Greece | Yes | Yes | Yes | Full and free access during working hours | Full and free access during normal working hours | No | Yes | Reasonable suspicion | No | Yes |
| Hungary | n.avail. | n.avail. | n.avail. | Full and free access in working hours | Full and free access in normal working hours | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| Iceland | Yes | Yes | Yes | Full and free access | Yes | No | Yes | None | No | Yes |
| Ireland | Yes | Yes | Yes | Full and free access times | Full and free access at pre-specified times | No | No | None | No | Yes |
| Italy | Yes | Yes | Yes | Full and free access | Authorization of public prosecutor required | Yes (for fraud cases) | Yes (for fraud cases) | Criminal cases (by Guardia di Finanza) | - | Yes |
| Japan | Yes | Yes | Yes | Full and free access | Full and free access | Yes (for criminal investigation cases) | Yes (for criminal investigation cases) | Criminal cases | Yes | Yes |

| COUNTRY | Do powers to obtain all relevant information exist? | Does this power extend to third parties? | Taxpayers are required to produce all records in request | Powers of entry to: | | | Search warrant required | | | Seizure of documents | | Powers to obtain information from other government departments |
|-----------------|---|--|--|--|---|---|--------------------------------|-----------|-------------------------------------|----------------------|-----------------------------------|--|
| | | | | Business premises | Dwellings | Business premises | Business premises | Dwellings | Limited to | Warrant required | | |
| Korea | Yes | Yes | Yes | With taxpayer's consent | With taxpayer's consent | Yes | Yes | Yes | Criminal cases | Yes | Yes (some limitations) | |
| Luxembourg | Yes | Yes | Yes | Full and free access during normal working hours | No | No | n-applic. | n-applic. | Seizure not allowed | | Yes | |
| Mexico | Yes | Yes | Yes | Full and free access | Full and free access | Yes | Yes | Yes | No | No | Yes (some limitations) | |
| Netherlands | Yes | Yes | Yes | Full and free access in normal working hours | Search warrant required | Yes (for criminal cases) | | | Criminal cases | No | Yes | |
| New Zealand | Yes | Yes | Yes | Full and free access | | No | No | No | Criminal cases | No | Yes, unless specifically excluded | |
| Norway | Yes (but limited) /1 | Yes | Yes | Full and free access (but force not permitted) | Taxpayer must be present and warrant required | No | Yes | Yes | Criminal cases | No | Yes (some limitations) | |
| Poland | Yes | Yes | Yes | Yes with authorization | With taxpayer's consent | Yes | Yes | Yes | Specifications in Tax Ordinance Law | Yes | Yes | |
| Portugal | Yes | Yes | Yes | Full and free access | Requires taxpayer's consent or warrant | No | Yes | Yes | For restricted period | No | Yes | |
| Slovak Republic | Yes | Yes | Yes | Full and free access | With taxpayer's consent | Yes | Yes | Yes | None | Criminal cases | Yes | |
| Spain | Yes | Yes | Yes | With taxpayers consent | With taxpayer's consent | Judicial authorization to registered office | With judicial authorization | | No | No | Yes | |
| Sweden | Yes | Yes | Yes | Full and free access (but force not permitted) | - | - | Yes | Yes | Serious fraud | Yes | Yes (some limitations) | |
| Switzerland | Yes | Yes. For certain groups | Yes | Access only for certain types of investigations | | Yes | Yes | Yes | Reasonable suspicion | Yes | Yes | |
| Turkey | Yes | Yes | Yes | Full and free access during working hours | Warrant required | Yes | Yes | Yes | Reasonable suspicion | Yes | Yes | |
| United Kingdom | Yes | Yes | Yes | /1. | Warrant required | Yes/No /1 | Yes | Yes | Serious fraud | Yes | Yes | |
| United States | Yes | Yes | Yes | Requires taxpayer's order | Requires taxpayer's consent or court order | Yes | Yes (unless taxpayer consents) | Yes | Where tax offense committed | Yes | Yes | |

2) Selected Non-OECD Countries

| COUNTRY | Do powers to obtain all relevant information exist? | Does this power extend to third parties? | Taxpayers are required to produce all records in request | Powers of entry to: | | | Search warrant required | | Seizure of documents | | Powers to obtain information from other government departments |
|--------------|---|--|--|---------------------|---|--|-------------------------|-------------------|---|------------|--|
| | | | | Business premises | Full and free access (but force not permitted) | Requires taxpayer's consent or warrant | Dwellings | Business premises | Dwellings | Limited to | |
| Argentina | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Judge's determination | Yes | Yes |
| Brazil | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | No | Yes | Yes |
| Chile | Yes | Yes | Yes | Yes | Yes | Yes | n.applic. | n.applic. | In case of reasonable suspicion of fiscal fraud | Yes | Yes |
| China | Yes | Yes | Yes | Yes | Yes (for business premises), no (for dwellings) | Yes | n.applic. | n.applic. | None | Yes | Yes |
| Cyprus-IR | Yes | Yes | Yes | Yes | Access permitted to business premises and dwellings | Yes | Yes | Yes | None | Yes | Yes |
| Cyprus- VAT | Yes | Yes | Yes | Yes | Access permitted to business premises and dwellings | No | Yes | Yes | None | Yes | Yes |
| Estonia | - | - | - | - | - | - | - | - | - | - | - |
| India | - | - | - | - | - | - | - | - | - | - | - |
| Latvia | Yes | Yes | Yes | Yes | Yes | No | - | - | - | - | Yes |
| Lithuania | Yes | Yes | Yes | Yes | Access permitted to business premises and dwellings | No | No | No | None | No | Yes |
| Malta- IR | Yes | Yes | Yes | Yes | Access permitted to business premises and dwellings | No | Yes | Yes | Seizure not permitted | n.applic. | Yes |
| Malta- VAT | Yes | Yes | Yes | Yes | Access permitted to business premises but not dwellings | No | Yes | Yes | Reasonable suspicion | No | Yes |
| Russia | - | - | - | - | - | - | - | - | - | - | - |
| Singapore | Yes | Yes | Yes | Yes | Access permitted to business premises and dwellings | No | No | No | None | No | Yes (subject to legislation) |
| Slovenia | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | 90 days | Yes | Yes |
| South Africa | Yes | Yes | Yes | Yes | Access permitted to business premises and dwellings / 1 | Yes / 1 | Yes / 1 | Yes / 1 | None | Yes | Yes |

Sources: IBFD, country survey responses, description of selected country audit practices compiled by the Netherlands Tax and Customs Organisation

/1. **Belgium**—VAT: officers can take documents for audit, but must hand them back afterward. Income tax: officers can seize documents with an explicit consent of taxpayer.; **Norway**—All information for specific taxpayer & certain information for unrelated taxpayers; **South Africa**—no warrant required for entry into business premises if reasonable prior notice is given, for entry into dwelling if consent is given, or for customs and excise investigations; and **United Kingdom**—Warrant required for income tax; full and free access for VAT.

Table 19. Enforced tax debt collection powers

| POWERS PROVIDED FOR ENFORCED PAYMENT OF TAXES AND FILING OF TAX RETURNS (* DENOTES COURT ORDER REQUIRED) | | | | | | | | | | | | | | | |
|--|---------------------------|---------------------------|----------------------------|------------------------------------|------------------------------------|------------------------|-----------------------------|-------------------------|--|--|---------------------------------------|------------------------------------|---------------------------------------|--------------------------|---------------------|
| COUNTRY | Grant further time to pay | Make payment arrangements | Collect from third parties | Restrict overseas travel by debtor | Arrange seizure of debtors' assets | Close business/licence | Offset debts on tax credits | Obtain lien over assets | Withhold government payments to debtor | Tax clearance for government contracts | Bar debtors from government contracts | Deny access to government services | Impose tax debts on company directors | Publish names of debtors | Initiate bankruptcy |
| <i>1) OECD countries</i> | | | | | | | | | | | | | | | |
| Australia | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes | No | No | No | No | No | Yes* |
| Austria | Yes | Yes | Yes | No | Yes | No | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| Belgium | Yes | Yes | Yes | No | Yes | No | Yes | No | Yes | Yes | No | No | Yes | No | Yes* |
| Canada | Yes | Yes | Yes | No | Yes* | No | Yes | Yes* | Yes | No | No | No | Yes* | No | Yes* |
| Czech Rep. | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes | No | Yes | Yes | No | No | No | Yes* |
| Denmark | Yes | Yes | Yes | Yes* | Yes* | Yes*/Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes* |
| Finland | Yes | Yes | Yes | No | No | No/1 | Yes | Yes | Yes | Yes | Yes | No | Yes* | Yes | Yes |
| France | Yes | Yes | Yes | No | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes* | No | Yes* |
| Germany | Yes | Yes | Yes | Yes*/1 | Yes | Yes/1 | Yes | Yes | Yes | Yes/1 | Yes/1 | No | Yes | No | Yes* |
| Greece | Yes | Yes | Yes | No | Yes | Yes | - | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Hungary | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | No | Yes | Yes* |
| Iceland | No | Yes | Yes | No | Yes | Yes | Yes | Yes | No | No/1 | No/1 | No | Yes | No | Yes |
| Ireland | Yes | Yes | Yes | No | Yes | No | Yes | Yes* | No | Yes | Yes | No | Yes* | No | Yes |
| Italy | No | Yes | Yes | No | Yes* | No | Yes | No | Yes | Yes | Yes | No | No | No | No |
| Japan | Yes | Yes | Yes | No | Yes | No | Yes | No | No | Yes | Yes | No | No | No | No |
| Korea | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | No | No | No | Yes | Yes | No |
| Luxembourg | Yes | Yes | Yes | No | Yes | No | No | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| Mexico | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes* | Yes | No | No | Yes | No | Yes |
| Netherlands | Yes | Yes | Yes | Yes | Yes | No | Yes | No | No | Yes | No | No | Yes | No | Yes |
| New Zealand | Yes | Yes | Yes | Yes* | Yes* | No | Yes | Yes* | No | No | No | No | Yes* | No | Yes* |
| Norway | Yes | Yes | Yes | Yes* | Yes | No | Yes | Yes | Yes | Yes | No | No | Yes | No | Yes |
| Poland | Yes | Yes | Yes | No | Yes | No | Yes | Yes | Yes | Yes | Yes | No | No | No | Yes |
| Portugal | Yes/1 | Yes/1 | Yes | No | Yes | No | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes/1 | No |
| Slovak Rep. | Yes | Yes | Yes | No | Yes | No | Yes | Yes | No | Yes | Yes | Yes | No | Yes | Yes |
| Spain | Yes | Yes | Yes | No | Yes | No | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes* |
| Sweden | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| Switzerland | Yes | Yes | Yes* | No | Yes | No | Yes | No | Yes* | Yes | No | No | Yes | No | Yes* |
| Turkey | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes |
| UK | Yes | Yes | Yes* | No | Yes | No | Yes* | Yes* | No | No | No | No | Yes | No | Yes* |
| USA /1 | Yes | Yes | Yes | Yes* | Yes* | Yes* | Yes | Yes | Yes | No | No | No | No | No | Yes |

POWERS PROVIDED FOR ENFORCED PAYMENT OF TAXES AND FILING OF TAX RETURNS (* DENOTES COURT ORDER REQUIRED)

| COUNTRY | Grant further time to pay | Make payment arrangements | Collect from third parties | Restrict overseas travel by debtor | Arrange seizure of debtors' assets | Close business/ cancel licence | Offset debits on tax credits | Obtain lien over assets | Withhold government payments to debtor | Tax clearance for government contracts | Bar debtors from government contracts | Deny access to government services | Impose tax debts on company directors | Publish names of debtors | Initiate bankruptcy |
|---------------------------------------|---------------------------|---------------------------|----------------------------|------------------------------------|------------------------------------|--------------------------------|------------------------------|-------------------------|--|--|---------------------------------------|------------------------------------|---------------------------------------|--------------------------|---------------------|
| <i>2) Selected non-OECD countries</i> | | | | | | | | | | | | | | | |
| Argentina | Yes | No | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Brazil | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Chile | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | No | No | Yes | Yes |
| China | Yes | No | Yes | Yes | Yes | No | Yes | Yes | Yes | No | No | Yes | Yes | Yes | Yes |
| Cyprus- IR | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | No | Yes | No | No | Yes | No | No |
| Cyprus- VAT | Yes | Yes | No | No | Yes | Yes | No | Yes | No | Yes | Yes | No | Yes | No | Yes |
| Estonia | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| India | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Latvia | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes | - | Yes | Yes | Yes | Yes | Yes | Yes |
| Lithuania | Yes | No | Yes | No | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes | Yes | Yes |
| Malta- IR | Yes | Yes | Yes | No | Yes | No | No | Yes | Yes | Yes | No | No | No | No | Yes |
| Malta- VAT | Yes | Yes | Yes | No | Yes | Yes | No | No | n.avail. | n.avail. | n.avail. | n.avail. | Yes | No | No |
| Russia | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Singapore | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes | No | No | No | No | No | No |
| Slovenia | Yes | Yes | Yes | No | Yes | No | Yes | Yes | Yes | Yes | No | No | No | No | Yes |
| South Africa | Yes | Yes | Yes | No /1 | Yes* | Yes | Yes | Yes* | No | Yes | Yes | No | Yes | Yes /1 | Yes |

Sources: Country survey responses

/1. **Finland** – can cancel company's or entrepreneur's registration at the prepayment register; **Germany**—actions of other authorities needed (can be initiated/requested by tax administration), vehicle registration may be denied if vehicle tax is not paid; **Iceland** – not generally, but used by some government agencies; **Portugal**—further time to pay and payment arrangements are limited by law and no bargaining allowed, publish names of debtors from 2006; **South Africa**—cannot restrict travel under tax legislation but court order can be obtained in exceptional circumstances; can publish names in respect of criminal convictions; **US**—cannot withhold contractually binding payments to government vendors, can impose tax debts on company directors only in specific situations where director is liable for payment of trust fund taxes.

Table 20: Enforcement of Taxpayers' Liabilities: Penalties and Interest for Non-compliance

| COUNTRY | Failure to file returns on time | Failure to pay tax on time | Failure to correctly report tax liability |
|--------------------------|--|--|--|
| <i>1) OECD countries</i> | | | |
| Australia | One penalty unit for up to 28 days late; each unit valued at \$A110. Penalty increased to two and five units for medium and large taxpayers respectively. | General interest charge imposed—calculated as the monthly average yield of 90-day Accepted Bank Bills plus 7% (daily compound). | Penalty tax ranging from 25% of tax payable (for failure to exercise reasonable care) to 50/75% (for reckless or deliberate acts). Plus a general interest charge. |
| Austria | Penalty of up to 10% of tax due. | Surcharge of 2% is imposed; additional 1% after 3 months; and additional 1% after 6 months. | Penalties of up to double the amount evaded. |
| Belgium | i) Tax increase, in case non-declared profits exceed €620. No tax increase, if unintentional. Tax increase ranges between 10% and 200% of the unpaid tax, but the sum of unpaid tax and tax increase can not exceed the non-declared profit. ii) Administrative penalties are between €50 and €1,250, but rarely used, in principle only if the tax increase would be less than the administrative penalty. | Interest of 7% per annum (with minimum charge of € 5). | i) Tax increase, in case non-declared profits exceed €620. No tax increase, if unintentional. Tax increase ranges between 10% and 200% of the unpaid tax, but the sum of unpaid tax and tax increase can not exceed the non-declared profit. ii) Administrative penalties are between €50 and €1,250, but rarely used, in principle only if the tax increase would be less than the administrative penalty. |
| Canada | 5% of unpaid tax, plus extra 1% for each month of delay. | Interest calculated according to average yield of 90 day Government of Canada Treasury Bill plus 4%. | Penalty ranging up to 50% according to the seriousness of the offence. |
| Czech Republic | Penalty up to 10% of tax payable | Interest chargeable at the rate of 0.1% per day (for up to 500 days). After that, interest charged at 140% of Czech national Bank discount rate. | Penalty at the rate of 0.1% per day (for up to 500 days). After that, interest charged at 140% of Czech national Bank discount rate. |
| Denmark | Penalty of DKK 200 for each day of delay, up to maximum of DKK 5,000. | Interest of 0.6 % per month. | For serious evasion, penalty from 100-200% of the tax evaded and/or imprisonment of up to 4 years. |
| Finland | Penalty of up to € 300 | Penalty surcharge imposed at rate of 9,5% for 2004 – 2006 /1 | For unintentional errors, penalty of € 150-300; penalty of 5-20% of additional income for reckless and/or deliberate behavior; with a minimum of € 800; under penal code, penalty for tax fraud is imprisonment of up to 2 years. |
| France | Penalty of 10% of tax payable, in addition to late payment interest of 0.75% per month. Penalty can be increased for extended failure. | Penalty of 10% of tax payable, in addition to late payment interest of 0.75% per month. | For unintentional errors, penalty of 0.75% per month; for other cases, penalty ranging from 10-80% of tax evaded. For criminal tax fraud, penalty of fine up to €37,500, and or prison sentence of up to 5 years; higher penalties for repeat offenses. Court may also suspend driving license and/r prohibit operation of business for up to 3 years. |
| Germany | Penalty of up to 10% of tax payable, maximum of €25,000, no penalty if failure is excusable. | Penalty of 1% per month. | Generally no penalty unless facts are intentionally or gross negligently reported incorrect or incomplete. Criminal penalties for intentionally incorrect reporting (tax fraud, up to 5 years prison). Administrative fines for gross negligence (up to €50,000). |
| Greece | Interest of 1.5% per month on tax due (up to 300% of tax payable). If there is no tax due, penalty up to € 888. | Interest of 1.5% per month of tax due (up to 300% of tax payable) | Penalty of 3.0-3.5% per month, up to 300%. For criminal tax fraud where tax evaded is more than €30,000, prison sentence of 1 year. |
| Hungary | Fine up to HUF 200,000 | Interest, set at twice the prime rate of the Hungarian National Bank. | Penalty of 50% of tax evaded, plus late payment interest (for up to 3 years). |
| Iceland | Penalties up to 25% of tax payable | Penalty interest | Penalties up to 10% plus late payment penalty interest |

| COUNTRY | Failure to file returns on time | Failure to pay tax on time | Failure to correctly report tax liability |
|-------------|---|---|--|
| Ireland | Surcharge of either 5% of amount due (maximum of €12,695) where the tax return is not more than 2 months late or 10% (maximum of €63,458 where the return is more than 2 months late | Interest of 0.0322% per day | For tax fraud, penalty up to 200% of tax evaded; for neglect, penalty up to 100% of tax evaded. |
| Italy | - | Interest of 5% per annum; penalty up to 30% of tax due may also be imposed. | Penalty ranging up to 240%, according to the seriousness of the offense. For criminal offenses, imprisonment from 6 months-6 years. |
| Japan | Penalty of 5% for voluntary filing; 15% filing as a result of tax audit | Until the date when two months have elapsed from the date following the specific due date for tax payment, either 7.3% per annum or official discount rate on November 30 of the preceding year plus 4%, whichever is lower. After the date when two months have elapsed from the date following the specific due date of tax payment 14.6% per annum | Administrative sanction of 10-40% according to seriousness of offense. |
| Korea | 20 % of tax due or 0.07% of gross income, whichever is greater | Interest of 0.03% per day | Penalty tax of 10-30%, according to the size of the understatement. |
| Luxembourg | Penalty of up to 10% of amount due | Interest of 0.6% per month; an additional 10% may be imposed for persistent failure to pay liabilities on time. | Penalty up to 40% of tax evaded. |
| Mexico | Inflationary adjustments and surcharges plus penalty ranging between \$773.00-15,835.00 | Inflationary adjustments and surcharges plus penalty ranging between 70-100% of unpaid taxes | Inflationary adjustments and surcharges plus penalty ranging between 50-100% of unpaid taxes |
| Netherlands | Omission: max. penalty € 1,134 Offence: max. penalty 100% of amount of tax return For criminal offences: max. fine of €16,750 or, if higher the amount of tax return or imprisonment of up to 4 years | Maximum penalty of € 4,537 and applicable rate of interest on the amount of tax return | Offence: maximum penalty of 100% of amount of tax return. For criminal offences: max. fine of € 67,000 or, if higher, 1 x amount of tax return or imprisonment of up to 6 years |
| New Zealand | Penalty ranging from \$NZ 50-500, according to the size of the taxpayers' net income | Late payment penalty imposed at rate of 5% of tax payable, compounding at an additional 2% of unpaid tax and penalty for each subsequent month. | Administrative sanctions ranging from 20% (not taking reasonable care) to 150% for serious evasion/fraud. For criminal evasion offenses, a fine of up to \$NZ 50,000 or imprisonment not exceeding 5 years. |
| Norway | Penalty ranging from 0.1to 2% of net income | Interest of 15% for employers' withholding tax; 12% for income not subject to withholding | Administrative sanctions: surcharge up to 60% of the tax payable; for criminal offenses, fines and/or imprisonment of up to 2 years. |
| Poland | Fine or confinement, or both | Interest equal to 200% of the basic interest rate on pawn credits as announced by the National Bank of Poland. Rate was 13.5% as of January 2004. | Fine or confinement, or both |
| Portugal | Compensatory interest chargeable of 4% per annum. Penalty ranging from €199 up to €2,500. | Compensatory interest chargeable of 1% per month. | Administrative sanctions: a fine of up to € 15,000 for minor offenses; other offenses subject to higher fines according to degree of seriousness (up to €25,000). For criminal offenses fine or imprisonment up to 3 years. |
| Slovak Rep. | Penalty ranging from 0.2-10% of tax declared in return, up to SKK 1 million | Default interest on overdue amount equal to 4 times the base amount set by National Bank of Slovakia | For criminal offences, a fine or imprisonment of up to 12 years. |
| Spain | Surcharge | Interest for delay (with rate varied annually) plus surcharge | Administrative sanctions: Fine equivalent to fixed amount of deficiency; for less serious offenses ranges from 0-50%, for serious offenses from 50-100%, for serious offenses from 100-150%. Criminal offences: Court imposed fines can range up to 6 times the amount evaded and also a jail sentence of up to 4 years. |
| Sweden | Fine of SEK 1,000; further fine of SEK 4,000 if not filed after a reminder sent. | Interest calculated day by day | 40% surcharge on undeclared income; reduced to 20% if relevant information was in the possession of the tax body. |

| COUNTRY | OFFENCE | | |
|---------------------------------------|--|---|---|
| | Failure to file returns on time | Failure to pay tax on time | Failure to correctly report tax liability |
| Switzerland | | Vary across cantons | |
| Turkey | - | Late payment charge of 4% per month | Administrative sanction of up to 100% of deficiency plus one half of late payment charge imposed. For criminal tax fraud, imprisonment from 6 months to 3 years. |
| United Kingdom | PIT- fine of £100 is due if filed late; additional fine of £100 if not filed within 6 months of due date; further fine of 100% of tax due if not filed within one year; and further penalties possible | Interest is due on all tax paid late a variable rate. A surcharge of 5% is payable on any unpaid tax after 28 days from due date; a further 5% surcharge is payable if still unpaid after six months. | Additional tax up to 100% of tax payable, according to the seriousness of the offence. |
| United States | 5% penalty for each month (or part of a month) during which there is a failure to file any returns, up to 25%. Interest accrues from the return due date, or extended due date. | 1/2% of the tax not paid, for each month (or part of month) it remains unpaid up to 25%. The rate increases to 1% per month where the account is in field status, and reduces to 1/4% where taxpayer enters in payment agreement and makes payments timely. The failure to file penalty is reduced by the amount of failure to pay penalty. | The penalty range from 20% to 75%, according to the seriousness of the offence. Interest on the penalty amount accrues from the return due date, or extended due date. Interest on the tax deficiency starts from return due date, without regard to extensions. Underpayment interest on the tax is in addition to the interest on penalty. On the penalty, interest accrues from the date of the notice and demand or the assessment date of the penalty. The interest rate on the underpayment varies according to the type of return. For individual returns the current rate is 7% (compounded daily), and for corporate it is 9%. |
| 2) Selected Non-OECD countries | | | |
| Argentina | Fine of ARS 200 for individuals and ARS 400 for entities | Compensatory interest of 1.5% per month calculated from due date; additional penal interest of 2.5% per month from commencement date of court collection procedure. | 50-100 % of tax evaded |
| Brazil | - | - | - |
| Chile | Penalty of 10% of unpaid tax, plus an extra 2% for each month of delay after the sixth month. The total percentage cannot exceed 30%. | Penalty of 10% of unpaid tax, plus an extra 2% for each month of delay after the sixth month. The total percentage cannot exceed 30%. When the tax administration detects a failure in the payment of withholding taxes in an audit, the previous limits increase to 20% and 60%, respectively | Penalty ranging from 5% to 20% of evaded tax. In case of fraudulent report of tax liability, the previous limits increase to 50% and 300%, respectively, plus penal servitude |
| China | Penalty up to RMB10,000 | Late payment penalty of 0.05% per day | 50-500% of tax evaded. Imprisonment might be incurred. |
| Cyprus | £30 penalty for the failure, 5% penalty on 30 days from due date, 9% per annum from due date | Interest of 9% per annum from due date on late payment, 5% penalty imposed on 30 days from due date | 10% of additional tax when declared taxable income is lower than ¾ of the final taxable income |
| Estonia | A penalty of up to EEK 50,000 can be imposed on a company | Interest of 0.06% per day until payment | Penalty of up to EEK 50,000 can be imposed on a company |
| India | - | Interest of 1.25% per month generally | - |
| Latvia | Up to 15 days late—0.1% of declared liability (with ceiling); 16-30 days—0.5%; and over 30 days—1.0% of declared liability | Interest charged at the refinancing rate determined by Bank of Latvia for the period of delay. Additional surcharge of 0.05% is also charged. | Penalty of up to 100% of the tax evaded. |
| Lithuania | - | Interest in daily basis up to the unpaid tax amount, MOF determines interest rate | Penalty of up to 100% of the undeclared tax is imposed. The actual percentage depends on the nature of the taxpayer's violation. |

OFFENCE

COUNTRY

| | Failure to file returns on time | Failure to pay tax on time | Failure to correctly report tax liability |
|--------------|---|---|--|
| Malta | Fixed values for Persons (Lm5) and Companies (Lm20) for filing up to six months after the date. 1% per month thereafter subject to maximum amounts. | Interest of 1% per month on late payment | 1% per month of “unreported tax” subject to maximum amounts. |
| Russia | Penalty of 5% of the tax payable per month of delay, up to 30% of the amount of tax due; after 180 days the fine is 30% of the tax payable increased by 10% of the tax payable per month of delay starting from the 181st day of the delay | Interest of 1/300 of the refinancing rate of the Central Bank of Russia per day | Penalty of 20% of the understated tax (40% if intentional) |
| Singapore /1 | Fine not exceeding \$1,000; In default of payment, imprisonment not exceeding 6 months | 5% of tax payable; Further, 1% of tax unpaid for each completed month, up to 12% | Range of penalties depending on nature of error. Maximum penalty for willful intent to evade: penalty-300% of tax undercharged, fine-not exceeding \$10,000, imprisonment-not exceeding 3 years. |
| Slovenia | The penalty for individuals is €208.6; if returns are not filed at all, the penalty for individuals is between €417.3 and €1,251.8; penalty for legal entities and individuals performing business activities is between €1,669 and €25,037.5 if they fail to file VAT settlements on time the penalty is between €1,251.8 and €41,729.3. | The penalty for legal entities and individuals performing business activities is between €1,669 and €25,037.5; if they fail to pay VAT on time, the penalty is between €2,086.5 and €125,187.8. | The penalty for individuals is between €417.3 and €1,251.8; the penalty for legal entities and individuals performing business activities is between €1,669 and €25,037.5 if they fail to settle VAT or if they settle it incorrectly, the penalty is between €2,086.5 and €125,187.8. |
| South Africa | 1 st offence R300, 2 nd offence R600, 3 rd and repeat offender R900 | Interest is charged at a rate set from time to time by the Minister of Finance for debt owed to government. | Penalties depend on nature of understatement. Administrative penalty reaches a maximum of 200% for tax evasion with no extenuating circumstances. Criminal penalty for tax evasion is a fine and/or imprisonment not exceeding 5 years |

Sources: *IBFD, country revenue officials, and summary of country audit practices prepared by the Netherlands Tax and Customs Administration.*

/1. **Finland** — after June 2006 new reference rate for penalty rate will be fixed by national central bank; **Singapore**—penalties are for income tax.

6 TAX REVENUE COLLECTIONS

Introduction

94. The OECD generally seeks to publish internationally comparable data on the tax revenues of OECD countries for all strata of government. The term “taxes” is confined to compulsory, unrequited payments to government. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments. It is important to recognize that the tax ratios published by the OECD depend just as much on the denominator (GDP) as the numerator (tax revenue), and that the numerator is subject to revision for a variety of reasons. Readers are directed to the OECD publication ‘Revenue Statistics 1965-2004’ (page 30) for more information concerning the impact of GDP revisions on reported tax ratios in member countries.
95. Table 21 provides aggregate country tax revenues (for the major tax types and covering all levels of government) as a percentage of gross domestic products (GDP) for 2003. These ratios are calculated by expressing total tax revenues as a percentage of GDP at market prices. A provisional or actual aggregate figure for all taxes is also provided, where available, for 2004. The data for OECD countries has been sourced from the OECD’s ‘Revenue Statistics’ publications while the data for other countries have been obtained from a variety of sources (that are referenced at the foot of the Table). Care needs to be taken when comparing the tax burdens of OECD and non-OECD countries given the possibility of differences in the way the underlying aggregate data may have been compiled.
96. Table 22 reflects the tax structures of surveyed countries for fiscal year 2003. Tax structures reflect the share of major taxes in total tax revenue, and in turn the degree of reliance by governments on the various taxes.

Key observations and trends

97. Tax ratios vary enormously between surveyed countries, as does their evolution over time. For fiscal year 2003, in the European region nine countries—Austria, Belgium, Denmark, Finland, France, Italy, Luxembourg, Norway and Sweden—had tax/GDP ratios of more than 40 per cent. In contrast, total tax revenues of Chile, China, India, Mexico, and Singapore were less than 20 per cent of GDP, while eight countries—Argentina, Ireland, Japan, Korea, Latvia, Lithuania, the United States, and South Africa—had tax ratios in the 20-30 per cent range. Just over half of surveyed countries had an aggregate tax burden equivalent to between 30-40 percent of GDP.
98. The variations evident from Tables 21 and 22 have a number of implications from a tax administration viewpoint, particularly in the context of international comparisons.
99. The significant variations in reported tax ratios coupled with variations in the mix of direct and indirect taxes mean that there can be quite different administrative workloads and compliance considerations from country to country.

Table 21: Taxes/GDP in OECD and Selected Non-OECD Countries (2003 & 2004)
(All levels of government)

| COUNTRY | Tax/GDP (%) for major tax types (2003) | | | | | All taxes- all levels of government | |
|---------------------------------------|--|---------------------|---------------------------|--------------------|----------------------------------|-------------------------------------|------------------------------|
| | Personal income (1100) | Social funds (2000) | Corporate /profits (1200) | Value added (5111) | Specific goods & services (5120) | 2003 | 2004 (provisional or actual) |
| <i>1) OECD Countries</i> | | | | | | | |
| Australia | 12.2 | n.applic. | 5.3 | 4.2 | 4.3 | 31.6 | n.avail. |
| Austria | 9.9 | 14.5 | 2.2 | 7.9 | 3.4 | 43.1 | 42.9 |
| Belgium | 14.3 | 14.4 | 3.4 | 7.0 | 3.3 | 45.4 | 45.6 |
| Canada | 11.7 | 5.2 | 3.5 | 3.4 | 3.2 | 33.8 | 33.0 |
| Czech Rep. | 4.9 | 16.4 | 4.6 | 6.4 | 3.8 | 37.7 | 37.6 |
| Denmark | 25.6 | 1.2 | 2.9 | 9.7 | 5.4 | 48.3 | 49.6 |
| Finland | 13.9 | 12.0 | 3.5 | 8.7 | 5.3 | 44.8 | 44.3 |
| France | 7.6 | 16.4 | 2.5 | 7.1 | 3.5 | 43.4 | 43.7 |
| Germany | 8.5 | 14.4 | 1.3 | 6.4 | 3.7 | 35.5 | 34.6 |
| Greece | 4.9 | 12.9 | 3.3 | 7.8 | 3.6 | 35.7 | 35.1 |
| Hungary | 7.3 | 11.7 | 2.2 | 8.4 | 4.9 | 38.5 | 37.7 |
| Iceland | 14.9 | 3.4 | 1.5 | 10.1 | 4.1 | 39.8 | 41.9 |
| Ireland | 7.9 | 4.4 | 3.8 | 7.3 | 3.6 | 29.7 | 30.2 |
| Italy | 10.8 | 12.7 | 2.9 | 6.1 | 3.8 | 43.1 | 42.2 |
| Japan | 4.4 | 9.7 | 3.3 | 2.4 | 2.1 | 25.3 | n.avail. |
| Korea | 3.2 | 4.9 | 3.9 | 4.6 | 4.5 | 25.3 | 24.6 |
| Luxembourg | 7.1 | 11.5 | 7.9 | 6.2 | 5.1 | 41.3 | 40.6 |
| Mexico | 2.9 | 3.2 | 1.9 | 3.7 | 6.1 | 19.0 | 18.5 |
| Netherlands | 6.9 | 14.1 | 2.9 | 7.7 | 3.5 | 38.8 | 39.3 |
| N. Zealand | 14.6 | n.applic. | 4.7 | 9.1 | 2.4 | 34.9 | 35.4 |
| Norway | 10.8 | 10.0 | 8.1 | 8.7 | 4.0 | 43.3 | 44.9 |
| Poland | 4.4 | 14.1 | 1.8 | 7.4 | 4.8 | 34.2 | 32.9 |
| Portugal | 5.8 | 11.7 | 3.2 | 8.5 | 5.0 | 37.1 | 34.5 |
| Slovak Rep. | 3.3 | 12.3 | 2.8 | 6.8 | 3.9 | 31.1 | 30.8 |
| Spain | 6.5 | 12.3 | 3.1 | 6.0 | 3.2 | 34.9 | 35.1 |
| Sweden | 15.8 | 14.7 | 2.5 | 9.2 | 3.7 | 50.6 | 50.7 |
| Switzerland | 10.1 | 7.5 | 2.5 | 4.0 | 2.5 | 29.5 | 29.4 |
| Turkey | 5.2 | 6.8 | 2.6 | 8.2 | 7.2 | 32.8 | 31.1 |
| UK | 10.2 | 6.6 | 2.8 | 7.0 | 4.1 | 35.6 | 36.1 |
| USA | 9.0 | 6.7 | 2.1 | n.applic. | 1.8 | 25.6 | 25.4 |
| Aver. Unw. | 9.4 | 9.5 | 3.4 | 6.7 | 4.0 | 36.3 | n.avail. |
| <i>2) Selected Non-OECD Countries</i> | | | | | | | |
| Argentina /1 | 3.9 | 4.4 | In PIT | 5.6 | 2.0 | 21.1 | 24.2 |
| Brazil | - | - | - | - | - | - | - |
| Chile /1 | 2.2 | 1.4 | 2.2 | 8.3 | 1.9 | 19.0 | 18.7 |
| China | 1.2 | - | 2.6 | 8.6 | 1.0 | 17.4 | 18.8 |
| Cyprus | 4.5 | 7.1 | 4.4 | 8.9 | 3.8 | 33.3 | 34.1 |
| Estonia | 7.0 | 11.5 | 1.7 | 8.9 | 3.3 | 32.9 | 32.6 |
| India | 1.6 | - | 2.3 | n.applic. | 3.3 | 15.0 /1 | 15.7 |
| Latvia | 5.9 | 9.0 | 1.5 | 7.3 | 3.3 | 28.5 | 28.6 |
| Lithuania | 6.6 | 8.6 | 1.4 | 6.8 | 3.2 | 28.2 | 28.4 |
| Malta | 6.6 | 6.8 | 4.7 | 7.3 | 2.8 | 32.2 | 35.1 |
| Russia | 4.0 | 8.6 | 3.4 | 6.7 | 2.6 | 34.0 | 35.2 |
| Singapore | 2.4 | n.avail. | 3.7 | 1.8 /1 | 1.2 | 14.3 | 13.9 |
| Slovenia | 6.0 | 14.9 | 1.9 | 8.9 | 3.5 | 39.4 | 39.7 |
| South Africa | 7.7 | - | 4.8 | 6.3 | 1.0 | 23.6 | 25.0 |

Sources: **OECD members**—OECD Revenue Statistics (1965-2004) published in October 2005 and country survey; **Non-OECD EU members**—Structures of the Tax Systems of European Countries (2006 edition); **Argentina**—IMF Country Report No. 05/236 (July 2005); **India**—IMF Country Report No. 05/87 (March 2005); **Russia**—IMF Country Report No. 05/378 (October 2005); **Singapore**—Budget Table 2006; **South Africa**—Budget Table 2006.

/1. **Argentina**—PIT and CIT cannot be separated; **India**—includes taxes on commodities and services levied at sub-national level; **Singapore**—Goods and service tax.

Table 22: Tax Structure—Major Taxes/Total Country Taxation-2003 (%)

| COUNTRY | Major direct taxes | | | Major indirect taxes | | Other taxes /1 |
|---------------------------------------|------------------------|---------------------|---------------------------|----------------------|---------------|----------------|
| | Personal income (1100) | Social funds (2000) | Corporate /profits (1200) | Value added (5111) | Excise (5121) | |
| <i>1) OECD Countries</i> | | | | | | |
| Australia | 38.5 | n.applic. | 16.7 | 13.3 | 8.5 | 23.0 |
| Austria | 23.1 | 33.7 | 5.1 | 18.4 | 6.2 | 13.5 |
| Belgium | 31.4 | 31.8 | 7.4 | 15.5 | 5.0 | 8.9 |
| Canada | 34.6 | 15.4 | 10.4 | 10.2 | 5.5 | 23.9 |
| Czech Rep. | 13.0 | 43.6 | 12.3 | 17.1 | 9.1 | 4.9 |
| Denmark | 53.1 | 2.5 | 5.9 | 20.1 | 10.3 | 8.1 |
| Finland | 31.0 | 26.7 | 7.7 | 19.4 | 9.7 | 5.5 |
| France | 17.5 | 37.7 | 5.7 | 16.3 | 6.2 | 16.6 |
| Germany | 23.9 | 40.5 | 3.5 | 17.9 | 9.0 | 5.2 |
| Greece | 13.7 | 36.1 | 9.2 | 21.8 | 8.9 | 10.3 |
| Hungary | 18.9 | 30.5 | 5.8 | 21.7 | 9.9 | 13.2 |
| Iceland | 37.6 | 8.6 | 3.9 | 25.5 | 7.7 | 16.7 |
| Ireland | 26.5 | 14.8 | 12.9 | 24.5 | 11.7 | 9.6 |
| Italy | 25.1 | 29.5 | 6.6 | 14.2 | 5.8 | 18.8 |
| Japan | 17.5 | 38.5 | 13.0 | 9.5 | 7.6 | 13.9 |
| Korea | 12.7 | 19.5 | 15.3 | 18.2 | 13.1 | 21.2 |
| Luxembourg | 17.1 | 27.9 | 19.1 | 14.9 | 11.8 | 9.2 |
| Mexico | 24.6 /2 | 16.9 | - /2 | 19.4 | 9.3 | 29.8 |
| Netherlands | 17.9 | 36.3 | 7.6 | 19.7 | 8.3 | 10.2 |
| N. Zealand | 41.9 | n.applic. | 13.6 | 26.1 | 4.8 | 13.6 |
| Norway | 24.8 | 22.9 | 18.5 | 20.0 | 8.4 | 5.4 |
| Poland | 12.8 | 41.4 | 5.3 | 21.7 | 12.3 | 6.5 |
| Portugal | 15.8 | 31.7 | 8.7 | 22.9 | 11.5 | 9.4 |
| Slovak Rep. | 10.8 | 39.6 | 9.1 | 22.0 | 10.1 | 8.4 |
| Spain | 18.6 | 35.3 | 9.0 | 17.2 | 7.2 | 12.7 |
| Sweden | 31.3 | 29.1 | 5.0 | 18.2 | 6.5 | 9.9 |
| Switzerland | 34.3 | 25.5 | 8.5 | 13.4 | 6.3 | 12.0 |
| Turkey | 15.7 | 20.8 | 8.0 | 24.9 | 19.2 | 11.4 |
| UK | 28.7 | 18.5 | 7.8 | 19.8 | 9.7 | 15.5 |
| USA | 35.3 | 26.4 | 8.1 | n.applic. | 4.3 | 25.9 |
| Aver. Unw. | 24.9 | 26.1 | 9.3 | 18.1 | 8.8 | 13.1 |
| <i>2) Selected Non-OECD Countries</i> | | | | | | |
| Argentina /2 | 20.3 | 21.0 | In PIT | 26.4 | 9.4 | 22.9 |
| Brazil | - | - | - | - | - | - |
| Chile | 11.7 | 7.6 | 11.4 | 43.6 | 10.2 | 15.5 |
| China | 6.9 | - | 14.9 | 49.3 | 6.0 | 22.9 |
| Cyprus | 13.5 | 21.2 | 13.1 | 26.8 | 11.5 | 13.9 |
| Estonia | 21.0 | 34.5 | 5.1 | 26.5 | 9.9 | 3.0 |
| India | 10.5 | - | 15.2 | n.applic. | - | - |
| Latvia | 20.1 | 31.5 | 5.2 | 25.2 | 11.6 | 6.4 |
| Lithuania | 23.3 | 30.3 | 4.9 | 23.9 | 11.1 | 6.5 |
| Malta | 19.5 | 20.3 | 13.9 | 21.7 | 8.3 | 16.3 |
| Russia | - | - | - | - | - | - |
| Singapore | 16.8 | n.avail. | 25.7 | 12.8 /2 | 8.4 | 36.4 |
| Slovenia | 15.1 | 37.1 | 4.7 | 22.3 | 8.8 | 12.0 |
| South Africa | 32.6 | - | 20.1 | 26.7 | 4.1 | 16.5 |

Source: OECD Revenue Statistics (1965-2004) published in 2005 and country survey responses.

1. This category is comprised of an array of federal, state, and local government taxes (e.g. non-resident withholding taxes, customs duties, payroll taxes, property taxes, and sales taxes other than VAT) that vary in nature and relative magnitude from country to country.

2. **Argentina**—PIT and CIT cannot be separated; **Mexico**—ratio of tax on income not allocable between 1100 and 1200; **Singapore**—Goods and service tax

7 OPERATIONAL PERFORMANCE INFORMATION

Introduction

100. This part provides a limited array of operational performance information of the kind that is sometimes used in international comparisons of tax administration systems. For the reasons outlined in this part and elsewhere in this document, considerable care should be taken when interpreting this information and in drawing any conclusions as to the relative efficiency and effectiveness of the individual revenue bodies identified.
101. The information provided in this part is described hereunder:
- Table 23 provides aggregate data on the overall costs of tax administration with separate data on salary and information technology expenditure for 2003 and 2004 fiscal year.
 - Table 24 provides information on the computed 'cost of collection' ratio (that is, the ratio of total administration expenditure for tax administration to net revenue collections. Where available, multiple years' data are provided. Given that this ratio is frequently used (and sometimes misinterpreted) in international comparisons, a brief indication is also given of known factors that may influence the ratio for individual countries.
 - Table 25 displays aggregate staffing levels (expressed as FTE's) of revenue bodies for tax-related activities. For international comparison purposes, two comparative measures are provided- the number of citizens per one staff member and the number of labor participants per one staff member. Known abnormal factors that may influence these comparative measures are also indicated.
 - Table 26 displays aggregate staffing levels, along with sub-organizational allocation of staff by major functional groupings.
 - Tables 27 and 28 provide information on the performance of audit and other verification activities, including the number of completed actions, the amounts assessed and collected, and the ratio of the assessment to total net revenue collections.
 - Table 29 displays data on the incidence of unpaid taxes and associated debt caseloads.

Key Observations and trends

102. Based on the data in Table 23 to 29, the key observations are as follows:
- Although more and more operations are becoming computerised, salary is the single largest cost item for tax administration functions in 2003 and 2004 in all surveyed countries because revenue body's mission is to collect revenues by enforcing tax laws, not to make government expenditures. Salary ratios in 2004 are in the 60-90 per cent range of total tax administration cost in two thirds of surveyed countries while others 50-60 per cent range.

- Cost of collection ratios (i.e. the ratio of administrative costs/tax revenue collections), which are widely used internationally to draw conclusions on the relative efficiency and effectiveness of revenue bodies, vary substantially across surveyed countries, in part due to factors unrelated to efficiency and effectiveness; for this reason, these ratios need to be interpreted with considerable care, and used only as a pointer to further analysis.
- For similar reasons, comparisons of the relative staffing levels of revenue bodies need to be made with a degree of caution, in particular to take account of non-tax functions performed (e.g. customs, welfare-related roles) where these have not been separately identified, and the scope of taxes administered by the bodies concerned.
- Staff resources devoted to tax audit and other verification functions appear to vary substantially across surveyed countries, most likely reflecting a range of factors (e.g. different systems of assessment, varying definitions of tax audit activities), varying priorities to the management of compliance risks, and wide variations in the degree of modern technology usage to support operational activities).
- Notwithstanding the little amount of revenue collected by those functions, compared to total staff usage, tax audit and verification activities are important measures for compliance management purposes.
- Available data (although limited) suggests that the collection of tax debts is a growing and/or significant problem for a number of surveyed countries.

Ratio of Administrative Costs to Revenue Collections

103. It has become a fairly common practice for revenue bodies to compute and publish (e.g. in their annual reports) a 'cost of collection' ratio as a surrogate measure of the efficiency/ effectiveness of administration.¹⁴ The ratio is computed by comparing the annual costs of administration incurred by a revenue authority, with the revenue collected over the course of a fiscal year. It can be expressed as a percentage or as the cost of collecting 100 units of revenue. The ratio is sometimes calculated for a particular tax, but as this tends to raise 'cost apportionment' issues it is not common practice. A summary of such ratios for a number of OECD countries (drawn from published reports and survey data) is provided in Table 24.
104. Most tax authorities tend to publish the ratio for a number of years and, all other things being equal, changes in the ratio over time should reflect movements in relative efficiency and/or effectiveness. This arises from the fact that the ratio is derived from a comparison of inputs (i.e. administrative costs) to outputs (i.e. tax revenue collections); initiatives that reduce relative costs (i.e. improve efficiency) or improve compliance and revenue (i.e. improve effectiveness) will impact on the ratio. In practice, however, there are a number of factors that inevitably come into play and influence the cost/ revenue relationship, but which have nothing to do with relative efficiency or effectiveness (refer Box 15 which identifies a number of these factors). Clearly, any analysis of movements in the ratio should pay regard to the sorts of factors described.

Box 15. Is the 'Cost of Collection Ratio' a Reliable Indicator of Efficiency/Effectiveness?

Observed over time, a downward trend in the 'cost of collection' ratio can constitute evidence of a reduction in relative costs (i.e. improved efficiency) and/or improved tax compliance (i.e. improved effectiveness). However, experience has also shown that there are many factors that can influence the ratio which are not related to changes in a revenue authority's efficiency and/or effectiveness:

¹⁴ Examples include Australia, Hong Kong, Ireland, Japan, Singapore, United Kingdom, and the United States.

a. Changes in tax rates: The legislated rates of tax are an important factor in determining the cost/revenue relationship. In theory, a policy decision to increase the overall tax burden should, all other things being equal, improve the ratio by a corresponding amount, but this has nothing to do with improved operational efficiency or effectiveness.

b. Macroeconomic changes: Abnormal changes in rates of economic growth etc. or inflation over time are likely to impact on the overall revenue collected by the tax administration and the cost/revenue relationship. This is especially likely to occur in countries that are prone to considerable volatility in the movement of such indicators.

c. Abnormal expenditure of the revenue authority: From time to time, a tax authority may be required to undertake an abnormal level of investment (e.g. the building of a new information technology infrastructure, acquisition of more expensive new accommodation). Such investments are likely to increase overall operating costs over the medium term, and short of off-setting efficiencies, will impact on the cost/revenue relationship. The introduction of new taxes may also present additional up front administrative costs that initially impact on the cost/revenue ratio, but which are dissipated over time. (The use of accrual accounting may reduce the impact of these expenditures on the cost/revenue relationship.)

d. Changes in the scope of taxes collected by a revenue authority: From time to time, governments decide to shift responsibility for the collection of particular taxes from one agency to another. For example, in Australia, responsibility for administration of excises was moved from the Customs Authority to the Australian Taxation Office (ATO) in 1999; in the UK, responsibility for the collection of national insurance contributions fell for many years to the IRD but was excluded from 'cost of collection' computations until 1999/2000, when the IRD assumed a broader set of responsibilities in relation to its administration. For both agencies, the incorporation of a new revenue stream had a substantial positive impact on the ratio reported by the respective agencies.

As the 'cost of collection' ratio takes account of total revenue collections, there has been a tendency by some observers to use it as an indicator of effectiveness. However, its usefulness in this regard is limited for one fundamental reason. The difference between the amount of tax actually collected and the maximum potential revenue is commonly referred to in tax literature as the "tax gap". Put another way, the amount of revenue collected compared with the maximum potential revenue, expressed as a percentage, is the overall level of compliance or effectiveness achieved by the tax administration. All other things being equal, initiatives that improve compliance with the laws (i.e. improve effectiveness) will impact on the cost/revenue relationship. **However, because the cost/revenue ratio ignores the revenue potential of the tax system, its value as an indicator of effectiveness is limited.** This is particularly relevant in the context of international comparisons—countries with similar cost/ revenue ratios can be poles apart in terms of their relative effectiveness.

International Comparisons of Cost of Collection Ratios

105. Given the many similarities in the taxes administered by federal revenue collection authorities from country to country, there has been a natural tendency by observers to make comparisons of 'cost of collection ratios' and draw conclusions on the respective administration's efficiency and effectiveness. However, experience shows that such comparisons are difficult to carry out in a consistent fashion, given the range of variables to be taken into account (refer Box 16).

Box 16. International Comparisons of Cost of Collection Ratios

From analytical work that has been undertaken in conducting such comparisons, there are many factors that have been found to explain the marked variations in the ratio that are reported from country to country. The more significant factors are described below:

a. Differences in tax rates and structure: Rates of tax and the actual structure of taxes all will have a bearing on revenue and, to a lesser extent, cost considerations. For example, comparisons between high-taxing countries (e.g. from within Europe where tax burdens regularly exceed 40 percent) and low-taxing countries (e.g. from within Asia or Africa) are hardly realistic given their respective tax burdens.

b. Differences in the range and nature of taxes administered by federal revenue authorities: There are a number of differences that can arise here. In some countries, more than one major tax authority may operate at the national level (e.g. India, Cyprus and Malta), or taxes at the federal level are predominantly of a direct tax nature, while indirect taxes are administered largely by separate regional/state authorities (e.g. in the United States of America). In other countries, one national authority will collect taxes for all levels of government, i.e. federal, regional and local governments (a number of EU countries). Comparisons between countries should pay careful regard to this factor.

c. Collection of social insurance, retirement contributions, etc.: As described earlier in this

series, there are significant variations from country to country in the collection of social security contributions. Some countries do not have special regimes (e.g. Australia, New Zealand), while others make separate provision for them and have them collected by the main tax revenue collection agency. Some countries have them collected by a separate government agency. Given that social contributions are a major source of tax revenue for many countries, the inclusion/exclusion of social contributions in the revenue base for 'cost of collection' calculation purposes can have a significant bearing on the computed ratio.

d. Differences in the range of functions undertaken: The scope of functions undertaken by the national revenue body can vary from country to country. For example, in some countries 1) tax fraud investigations are undertaken by a separate government agency (whose costs are excluded from the 'cost of collection' ratio), rather than the main revenue collection agency and 2) the tax authority is also responsible for carrying out functions not directly related to tax administration (e.g. administration of customs laws, valuation functions, payment of certain welfare benefits).

e. Lack of a common measurement methodology: There is no universally accepted methodology for the measurement of administrative costs. Tax authorities that publish a 'cost of collection' ratio generally do not reveal details of the measurement approach adopted for their calculations. In relation to administrative costs, the treatment of employee pension costs, accommodation costs, interest paid on overpaid taxes, the use of cash and non-cash methods (e.g. by means of a float) to recompense financial institutions for collecting tax payments, and capital equipment purchases are some of the potentially significant areas where the measurement approaches adopted may vary. The ratio is also influenced by the selection of the revenue base i.e. 'gross' or 'net' (i.e. after refunds) revenue collections figure for its computation. For example, the US Internal Revenue Service (IRS), which has one of the lowest reported 'cost of collection' ratios for any national revenue authority, and the Irish Revenue Authority, both use 'gross' revenue as the basis of their reported computation, while most other authorities use a 'net' figure. As a result, for both countries the reported ratio is around 10-12 percent lower than if it were computed on a 'net' revenue basis.

106. Many of the factors described in Box 16 are evident from the data provided in Table 24. For example;

- for many of the surveyed countries (particularly some in Asia and Europe) social security contributions, which in many countries constitute a significant revenue stream, are collected by a separate agency and therefore are excluded from the revenue base used to compute the ratio;
- the inability of some revenue bodies (i.e. Ireland, Mexico, South Africa and Spain) to exclude the costs of non-tax functions (e.g. customs, welfare – related roles) from the cost base used to calculate the ratio;
- there are substantial differences in the statutory tax burden (and hence the potential tax revenue base) across surveyed countries (ranging from below 20% to to over 50% of GDP) that influences what is collected in practice, and hence the computed ratio; and
- unusual institutional arrangements exist in some countries (e.g. Italy—tax fraud functions, and Chile—tax debt collection functions) that see some mainstream tax administration-related functions performed by a body separate from the main revenue body; as a result, the cost data used to compute the ratio for these countries understates the real costs of tax administration, and hence the computed ratio.

107. For these sorts of reasons, international comparisons of this ratio need to be made with considerable care and take account of any abnormal factors highlighted, as well as other differences in approach to revenue administration highlighted elsewhere in this series.

Relative Staffing Levels of Revenue Bodies

108. A summary of the staffing levels of national revenue bodies is set out in Table 25. To the extent possible, account has been taken to remove the staffing related to the performance of some non-taxation related roles performed by some revenue bodies.

109. In order to reflect a degree of relativity, aggregate staff levels have been compared with overall official country population and labor force data. Comparisons of this nature are naturally subject to some of the qualifications referred to earlier concerning ‘cost of collection’ ratios—in addition to efficiency considerations, exogenous factors such as the range of taxes administered (e.g. social contributions, motor vehicle and property taxes) and the performance of non-tax related roles (where these cannot be isolated) all impact on the magnitude of the reported ratio.¹⁵ For some countries, demographic features (e.g. country age profile, rate of unemployment) are also likely to be relevant. To assist readers, known abnormal factors influencing the reported ratios have been identified.
110. Concerning OECD countries, it will be evident that the greatest level of consistency occurs in relation to the measure based on country labour forces:
- some 5 revenue bodies have a ratio less than 300 (for some including customs operations);
 - 15 revenue bodies have a ratio in the range 301-500; and
 - 10 revenue bodies have a ratio over 500 (including 5 “outliers” (i.e. Japan, Korea, Mexico, Switzerland and the United States) where the ratio exceeds 1,000).
111. In the case of Japan, staffing levels of the NTA have remained in the region of 50,000 to 56,000 for the last 50 years, reflecting decisions both to keep resources roughly constant and, importantly, to minimize workloads. Concerning the latter, administrative workloads have been kept well below the levels of other revenue bodies in a relative sense by tax system design features (high reporting thresholds, infrequent tax payment obligations, wide use of tax withholding) that reduce operational workloads. For example, until recently¹⁶, there was an abnormally high threshold for VAT registration (i.e. equivalent to around €300,000) and bi-annual payment and filing requirements for VAT. In addition, there are biannual return filing and payment obligations in respect of corporate tax, withholding of tax at source on dividend and interest income and certain payments for independent services, while a final wage withholding system applies for most employee taxpayers (with minimal recording of taxpayer registrations). Also relevant is the collection of social security contributions by a separate agency.
112. Korea also imposes withholding at source for dividend and interest income and certain payments for independent services, makes substantial use of final withholding systems for the bulk of employee taxpayers (employers withhold monthly, calculate employees’ tax liability and clear the balance off at the end of year, which keeps minimal recording of taxpayer registrations), and applies bi-annual reporting and payment arrangements for VAT liabilities. Korea introduced a new electronic third party information providing system to relieve documentation burden of employers and employees in 2005.
113. With annual tax collections equivalent to around 19 percent of GDP, Mexico’s tax system is of a considerably smaller scale than all other OECD countries. Its tax system arrangements are characterized by substantial use of final withholding system arrangements for employee taxpayers (with quite limited registration of personal taxpayers (equivalent to around 20 percent of the official labor force)), and a relatively small population of registered business taxpayers.

¹⁵ Also relevant to this matter is the fact that a number of national revenue bodies (e.g. Denmark, Netherlands) are required to undertake government-directed staff reduction programmes. In addition, as part of the reform of tax administration arrangements recently announced in the UK involving the merging of the UK IRD and C&E, significant staff reductions are envisaged in the coming years.

¹⁶ From 2004 registration, return filing, and payment obligations have been brought more into line with the requirements seen in most OECD countries.

114. The ratio for Switzerland is greatly impacted by the fact that personal income taxes are administered at the sub-national level by separate agencies in each canton. To a very large extent, the ratio reflects only the costs of VAT administration thus making it incomparable with all other revenue bodies.
115. In the case of the United States, a comparison of relative staffing levels with other surveyed countries is complicated by the absence of a national VAT (or a similar tax) administered at the national level, as in most other surveyed countries. A further complication is that, unlike most other surveyed countries, there are income taxes and retail sales taxes levied at the state level in the United States that are administered separately, not by the IRS. For these reasons, the computed ratio for the IRS—and this would also apply to its computed ‘cost of collection’ ratio—is not really comparable with that of revenue bodies in surveyed OECD countries.
116. Concerning revenue bodies in non-OECD surveyed countries, the computed ratio reflects a similarly divergent pattern, ranging from less than 300 to over 6,000. The factors that might explain this disparity have not been identified but may be similar in nature to those applying in OECD countries.

Staff Resources Devoted to Verification and Related Functions

117. Revenue bodies are allocated finite resources to carry out their responsibilities. Employees constitute the major resource of all revenue bodies and a critical decision is the allocation of these resources across many competing demands (e.g. resources for critical “front-line” compliance functions such as taxpayer services, education, audits, and debt collection; resources for essential “back room” information processing/ taxpayer account maintenance work; and resources for corporate support functions such as information technology, human resource management, etc.).
118. Table 26 provides an indication of country practices concerning the allocation of resources to compliance functions, in particular for audit and related verification functions, and other key functional groupings. Given definitional issues (e.g. what constitutes “tax audit” work?), and the possibility of some inconsistencies in the compilation of data, this information needs to be interpreted with care. Nevertheless, it does indicate that there are potentially substantial differences in the levels of resources devoted to these important functions, which may warrant further inquiry and potentially action to address any perceived imbalances. Factors that may explain some of these differences in staff functional resource allocations between countries include (1) the use of administrative assessment versus self-assessment for income tax; (2) the extent of automated systems in place; (3) the extent of staff devoted to overheads; and (4) the size of the revenue bodies’ network of offices and rules associated with the allocation of staffing across office networks.

Tax Audit Activities

119. Tax audit and verification activities represent a major investment of revenue body resources in surveyed countries—based on the data in Table 26, just on half of surveyed revenue bodies reported that over 30% of staff resources are devoted to tax audit, investigation, and verification activities. For this reason alone, how audit resources are applied and the contribution they make to revenue collections and rates of compliance are of interest to all revenue bodies.
120. Tables 27 and 28 attempt to provide an idea of the scale of tax audit and related verification activities, in terms of the numbers of audits conducted, the value of assessments resulting from such actions. Ideally this information should also be read in conjunction with information on taxpayer populations provided in Table 30.

These data need to be interpreted with care given possible differences in understanding/ practice in the definition of 'tax audit' activities.

Tax arrears inventories

121. The collection of tax debts is another important responsibility of revenue bodies. As noted in Table 4, with very few exceptions all revenue bodies in surveyed countries maintain a dedicated debt collection function to pursue the non-payment of tax debts.
122. Included in Table 29 is the ratio of aggregate tax arrears (i.e. all unpaid taxes, including those where a dispute is involved, for all years recorded on taxpayers' accounts) to the denominator of annual net revenue collections of all taxes for the years indicated, reported by surveyed countries. A number of countries apply this measure, or a variant thereof, in their management information systems to gauge the broad trend over time of tax payment compliance and their debt collection performance. Generally speaking, a declining trend in the ratio is likely to indicate improved payment compliance and/or debt collection effectiveness. Table 29 also displays, where available, data on the size of debt inventories and cases finalized in 2004. These data should be read in conjunction with the registered taxpayer population data in Table 30.
123. From the data provided in Table 29, a number of observations can be made:
 - the relative incidence of unpaid taxes varies enormously across surveyed countries, for some revenue bodies at less than 5% of annual net revenue, for around 25% of surveyed countries exceeding 15%, and for a very few exceeding over 50% of annual net revenue collections;
 - relatively large numbers of countries were unable to provide data on the volumes of finalized and year-end cases, suggesting possible weaknesses in the management information systems in place.
124. Comparisons between countries need to be made with care, for the sorts of reasons described earlier in this part. In addition, the size of a revenue body's reported volume of tax arrears will be affected by the debt write-off policies in place and the extent of their use, which may vary substantially across surveyed countries, and potentially by the scale of enforcement/ verification activities.

Table 23. Aggregate Administrative Costs for Tax Administration Functions (2004)
(All amounts in millions of local currency, unless otherwise stated)

| COUNTRY | Aggregate administrative costs for all tax functions (incl. salaries) | | Total salary costs for tax functions | | Salary costs/aggregate administrative costs (%) | | Total IT costs | | IT costs/ aggregate administrative costs (%) | |
|--------------------------|---|----------|--------------------------------------|------------|---|------|----------------|-----------|--|----------|
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 |
| <i>1) OECD countries</i> | | | | | | | | | | |
| Australia | 2,299.9 | 2,438.9 | 1,466.2 | 1,528.8 | 63.8 | 62.7 | 412.0 | 420.5 | 17.9 | 17.2 |
| Austria | 534 | 481 | 451 | 404 | 84.4 | 84.0 | 100 | 100 | 18.7 | 20.8 |
| Belgium | - | 1,500 /1 | - | 1,226.6 /1 | - | 81.8 | - | - | - | - |
| Canada /1 | 3,164 | 2,946 | n.avail. | n.avail. | - | - | 366 | 370 | 11.6 | 12.6 |
| Czech Rep. | - | - | - | - | - | - | - | - | - | - |
| Denmark | € 759 | € 752 | € 503 | € 502 | 66.3 | 66.8 | € 97/1 | € 124/1 | 12.8 | 16.5 |
| Finland | 317 | 324 | 215 | 222 | 67.8 | 68.5 | 53 | 51 | 16.7 | 15.7 |
| France | 4,348 | 4,423 | 3,514 | 3,587 | 80.8 | 81.1 | 138 | 125 | 3.2 | 2.8 |
| Germany | n.avail. | 6,435 | n.avail. | 5,486 | - | 85.3 | n.avail. | n.avail. | - | - |
| Greece | 568.9 | 620.2 | 489.7 | 537.6 | 86.1 | 86.7 | 7.1 | 6.2 | 1.2 | 1.0 |
| Hungary | n.avail. | 71,143 | n.avail. | 52,587 | - | 73.9 | n.avail. | n.avail. | - | - |
| Iceland | 3,029 | 3,181 | 2,000 | 2,080 | 66.0 | 65.4 | 598 | 619 | 19.7 | 19.5 |
| Ireland/1 | 337 | 365 | 246 | 266 | 73.0 | 73.0 | 31 | 38 | 9.3 | 10.4 |
| Italy | 1,864 | 2,275 | 956 | 1,155 | 51.3 | 50.8 | 107 | 116 | 5.7 | 5.1 |
| Japan | 723,221 | 717,627 | 568,620 | 569,512 | 78.6 | 79.4 | 73,258 /1 | 70,079 /1 | 10.1 | 9.8 |
| Korea | 879,651 | 949,234 | 579,627 | 641,733 | 65.9 | 67.6 | 47,508 | 58,056 | 5.4 | 6.1 |
| Luxembourg | n.avail. | 102 | n.avail. | 87 | - | 85.3 | n.avail. | n.avail. | - | - |
| Mexico | 7,978 | 7,701 | 6,426 | 6,256 | 80.5 | 81.2 | 454/1 | 492/1 | 9.6 | 10.8 |
| Netherlands | 1,903 | 1,862 | 1,232 | 1,234 | 64.7 | 66.3 | 449 | 457 | 23.6 | 24.5 |
| N. Zealand | 289 | 310 | 168 | 188 | 58.1 | 60.6 | 67 | 68 | 23.1 | 21.9 |
| Norway | 3,369 | 3,295 | 1,989 | 2,209 | 59.0 | 67.0 | 263 | 231 | 7.8 | 7.0 |
| Poland/1 | 2,837 | 3,789 | 1,783 | 2,526 | 62.8 | 66.7 | n.avail. | n.avail. | n.avail. | n.avail. |
| Portugal | 358 | 353 | 298 | 290 | 83.2 | 82.1 | 55.7 /1 | 58.3 /1 | 15.6 | 16.5 |
| Slovak Rep. | 2,381 | 2,572 | 1,520 | 1,641 | 63.8 | 63.8 | 530 | 391 | 22.2 | 15.2 |
| Spain | 1,086 | 1,149 | 730 | 768 | 67.2 | 66.8 | 69/1 | 70/1 | 6.3 | 6.1 |
| Sweden | 6,517 | 6,963 | 4,681 | 5,009 | 71.8 | 71.9 | n.avail. | 1,018 | - | 19.1 |
| Switzerland | 143 | 142 | 127 | 127 | 88.8 | 89.4 | 16 | 15 | 11.2 | 10.6 |
| Turkey | 666 | 922 | 543 | 682 | 81.5 | 74.0 | 31 | 57 | 4.7 | 6.2 |
| UK /1 | 3,140 | 3,146 | 1,866 | 1,871 | 59.4 | 59.5 | 430 | 529 | 13.7 | 16.8 |
| USA | 9,400 | 9,760 | 6,850 | 7,120 | 72.9 | 72.9 | 1,560 | 1,600 | 16.6 | 16.4 |

| COUNTRY | Aggregate administrative costs for all tax functions (incl. salaries) | | | Total salary costs for tax functions | | | Salary costs/aggregate administrative costs (%) | | | Total IT costs | | | IT costs/ aggregate administrative costs (%) | | | |
|------------------------------|---|----------|----------|--------------------------------------|----------|-------------------|---|------|---------|----------------|------|------|--|------|------|------|
| | 2003 | 2004 | 2004 | 2003 | 2004 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 |
| 2) Non-OECD countries | | | | | | | | | | | | | | | | |
| Argentina | 1,362.21 | 1,637.17 | 1,034 | 1,358 | 1,358 | 82.9 | 75.9 | 82.9 | 31 | 41 | 2.3 | 2.5 | | | | |
| Brazil | 1,919 | 2,878 | 1,247 | 1,773 | 1,773 | 61.6 | 65.0 | 61.6 | - | - | - | - | | | | |
| Chile | 69,295.1 | 77,331.6 | 52,661.3 | 57,715.0 | 57,715.0 | 74.6 | 76.0 | 74.6 | 1,104.8 | 3,092.1 | 1.6 | 4.0 | | | | |
| China | | | | | | No data available | | | | | | | | | | |
| Cyprus- IR | 6.9 | 8.2 | 6 | 6.8 | 6.8 | 82.9 | 86.9 | 82.9 | - | - | - | - | | | | |
| Cyprus- VAT | 145.4 | 129.2 | 18.7 | 20.7 | 20.7 | 16.0 | 12.7 | 16.0 | 2.2 | 2.6 | 1.5 | 2.0 | | | | |
| Estonia | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| India | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Latvia | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Lithuania | 147.1 | 184.2 | 84.3 | 93.0 | 93.0 | 50.5 | 57.3 | 50.5 | 6.3 | 8.1 | 4.3 | 4.4 | | | | |
| Malta- IR | 3.65 | 4.31 | 2.76 | 2.73 | 2.73 | 82.3 | 82.1 | 82.3 | 0.22 | 0.22 | 6.5 | 6.6 | | | | |
| Malta- VAT | 2.12 | 2.17 | 1.07 | 1.11 | 1.11 | 51.2 | 50.5 | 51.2 | 0.012 | 0.01 | - | - | | | | |
| Russia | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Singapore | 166.6 | 183.3 | 106.6 | 108.6 | 108.6 | 59.2 | 64.0 | 59.2 | 33.3 | 48.2 | 20.0 | 26.3 | | | | |
| Slovenia | 19,117 | 20,528 | 12,832 | 13,581 | 13,581 | 66.2 | 67.1 | 66.2 | 988 | 2,012 | 5.2 | 9.8 | | | | |
| South Africa /1 | 3,653 | 4,312 | 1,658 | 2,210 | 2,210 | 51.2 | 45.4 | 51.2 | 426 | 598 | 11.7 | 13.9 | | | | |

Sources: Country survey responses, annual reports.

/1. **Canada**—All expenditures exclude services provided by other government departments, 2003 and 2004 aggregate administrative costs do not include costs of customs operations, salary cost solely for tax functions is not measured; **Denmark, Ireland, Mexico, Poland and South Africa**—Aggregate costs include costs of customs operations; **Japan**—the figures include KSK system (comprehensive tax administration system)-related expenditures and expenditures to improve convenience for taxpayers (touch screen computers and the development of e-Tax and tax return preparation website); **Portugal**—software and informatics equipments not included (around €9 million); **Spain**—IT costs shown are investments in equipment and external applications only.; **UK**—figures are a combination of the two former revenue bodies that were formally merged in 2005; **Belgium**—total administrative expense and total salary expense are for all revenue body functions in 2005.

Table 24: Comparison of Aggregate Administrative Costs to Net Revenue Collections / 1

| COUNTRY | Administrative costs/ net revenue collections (costs per 100 units of revenue) | | | | Abnormal or unusual factors likely or known to influence reported ratio | |
|--------------------------|---|----------|----------|----------|---|---|
| | 2000 | 2001 | 2002 | 2003 | | 2004 |
| <i>1) OECD Countries</i> | | | | | | |
| Australia / 2 | - | 1.06 | 1.07 | 1.05 | 1.05 | |
| Austria | 0.80 | 0.71 | 0.72 | 0.91 | 0.78 | High tax burden; revenue base <u>excludes</u> social contributions |
| Belgium | - | - | - | - | 1.89 | |
| Canada | 1.07 | 1.08 | 1.20 | 1.33 | 1.17 | Removal of customs functions to separate agency at the end of 2003; Costs and revenue bases for 2003 and 2004 exclude customs |
| Czech Rep. | - | - | 2.08 | - | - | Revenue base <u>excludes</u> social contributions and, from 2004, excise revenues. |
| Denmark | - | - | 0.73* | 0.87 | 0.83 | High tax burden; revenue base includes VAT on imports; * 2002 excludes municipalities |
| Finland | 0.73 | 0.77 | 0.82 | 0.82 | 0.80 | High tax burden; revenue base includes social contributions and local government taxes. |
| France | 1.40 | 1.41 | 1.44 | 1.41 | 1.35 | Revenue base <u>excludes</u> social contributions |
| Germany | n.avail. | n.avail. | n.avail. | n.avail. | 1.8 | 2004 ratio is a projection based on data from 12 of 16 states; revenue base <u>excludes</u> social contributions. |
| Greece | n.avail. | n.avail. | n.avail. | 1.65 | 1.69 | Revenue base <u>excludes</u> social contributions ; cost base includes some non-tax administration costs |
| Hungary | 1.45 | 1.23 | 1.35 | n.avail. | 1.14 | Revenue base includes social contributions |
| Iceland | - | - | 1.12 | 1.06 | 1.02 | Revenue base includes social contributions |
| Ireland | 0.81 | 0.90 | 0.95 | 0.91 | 0.86 | Costs include customs operations; revenue base includes social contributions and VAT on imports. |
| Italy | n.avail. | n.avail. | n.avail. | 0.42 | 0.52 | Costs exclude substantial tax fraud work carried out by Guardia di Finanza (tax police) |
| Japan | 1.42 | 1.54 | 1.66 | 1.67 | 1.58 | Relatively low tax burden; revenue base <u>excludes</u> separately-collected social contributions; substantially reduced administrative workloads due to design features of tax systems- refer text |
| Korea | 0.80 | 0.85 | 0.85 | 0.82 | 0.86 | Substantially reduced administrative workloads due to tax systems design features - refer text |
| Luxembourg | n.avail. | n.avail. | n.avail. | n.avail. | 1.59 | Revenue base <u>excludes</u> social contributions |
| Mexico | 1.47 | 1.20 | 1.19 | 1.21 | 1.17 | Ratio is slightly overstated as cost element includes overheads for customs |
| Netherlands | 1.70 | 1.74 | 1.76 | 1.39 | 1.30 | Costs include customs administration; revenue base includes social contributions and VAT on imports |
| N. Zealand | 0.89 | 0.90 | 0.87 | 0.83 | 0.81 | |
| Norway | - | 0.56 | 0.59 | 0.59 | 0.56 | High tax burden; revenue base includes social contributions |
| Poland | 1.54 | 1.50 | 1.78 | 1.95 | 2.62 | Costs and revenue base <u>include</u> customs operations; revenue base <u>excludes</u> social contributions |
| Portugal | 1.60 | 1.61 | 1.68 | 1.51 | 1.49 | Revenue base <u>excludes</u> social contributions |
| Slovak Rep. | 1.30 | 1.43 | 1.46 | 1.45 | 1.26 | Revenue base includes VAT on imports but <u>not</u> social contributions or some income tax refunds |
| Spain | - | 0.81 | 0.78 | 0.83 | 0.82 | Revenue base includes customs administration and VAT on imports |
| Sweden | 0.52 | 0.55 | 0.56 | 0.57 | 0.59 | High tax burden & revenue base includes social contributions; cost base includes Enforcement Service which also collects non-tax debts |

| COUNTRY | Administrative costs/ net revenue collections (costs per 100 units of revenue) | | | | | Abnormal or unusual factors likely or known to influence reported ratio |
|--------------------------------|---|------|------|----------|----------|--|
| | 2000 | 2001 | 2002 | 2003 | 2004 | |
| | Switzerland | - | - | - | 0.66 | |
| Turkey /2 | 0.83 | 0.81 | 0.72 | 0.74 | 0.83 | |
| UK—IRD | 1.02 | 1.06 | 1.11 | 1.04 | 0.97 | Revenue base includes national insurance contributions while cost base includes all staff of national contributions agency |
| UK—HMRC | | | | | | |
| USA /2 | 0.43 | 0.46 | 0.52 | 0.57 | 0.56 | Revenue base includes social contributions; no national VAT |
| 2) Selected Non-OECD countries | | | | | | |
| Argentina | 0.93 | 0.88 | 0.86 | 0.85 | 0.83 | Revenue base includes VAT on imports |
| Brazil | | | | 0.70 | 0.89 | |
| Chile | | | | 0.85 | 0.85 | Cost base excludes tax debt collection function which is carried out by separate agency |
| China | | | | n.avail. | n.avail. | |
| Cyprus- IR | | | | 1.20 | 1.39 | Covers direct taxes only and <u>excludes</u> social contributions |
| Cyprus- VAT | | | | 12.88 | 9.91 | Covers indirect taxes only |
| Estonia | | | | - | - | |
| India | | | | - | - | |
| Latvia | | | | - | - | |
| Lithuania | | | | 2.36 | 2.11 | Revenue base <u>excludes</u> social contributions |
| Malta- IR | | | | 0.85 | 0.83 | Direct taxes only and includes social contributions |
| Malta- VAT | | | | 1.71 | 1.53 | VAT administration role only |
| Russia | | | | - | - | |
| Singapore | 0.87 | 0.90 | 0.99 | 1.01 | 1.02 | Very low tax burden (that does not include social contributions or their equivalent) |
| Slovenia | | 1.14 | 1.13 | 1.17 | 1.05 | Revenue base includes social contributions |
| South Africa | | | | 1.21 | 1.25 | Costs include customs operations; revenue includes VAT on imports and customs duties |

Sources: Country survey responses, annual reports of revenue bodies.

/1. Observations and conclusions based on the information in this table should pay close regard to the comments in the preceding text in this chapter.

/2. **Australia, Turkey**—data as per revenue body's annual report for 2006 (Australia) and 2005 (Turkey); **USA**—ratios indicated vary from IRS-published ratios owing to use of 'net' and not 'gross' collections as the denominator.

Table 25: Staff Usage on Tax Administration Functions: Comparison of Staff-related Measures

| COUNTRY | STAFF-RELATED MEASURES | | | UNUSUAL/ ABNORMAL FACTORS LIKELY/KNOWN TO INFLUENCE REPORTED RATIO |
|-------------|--|---------------------------|-------------------------------|---|
| | Staff usage (FTEs) on tax functions in 2004 /2 | Citizens/ full-time staff | Labour force/ full-time staff | |
| Australia | 20,645 | 974 | 494 | |
| Austria | 5,331 | 1,533 | 739 | |
| Belgium | 18,696 | 528 | 246 | Includes real property, motor vehicle taxes/fees /4 |
| Canada | 37,323 | 856 | 462 | |
| Czech Rep. | 15,077 | 677 | 323 | Includes real property, motor vehicle taxes/fees /4 |
| Denmark | 9,826 | 550 | 293 | Includes real property, motor vehicle taxes/fees /4 |
| Finland | 6,305 | 825 | 412 | Includes real property, motor vehicle taxes/fees /4 |
| France | 76,208 | 790 | 359 | Includes real property, motor vehicle taxes/fees /4 |
| Germany | 118,000 | 699 | 339 | Staff numbers include Federal and State tax administration (as described in footnote of Table 1). |
| Greece | 12,779 | 865 | 377 | Staff numbers include some non-tax functions |
| Hungary | 9,399 | 1,075 | 442 | |
| Iceland | 541 | 542 | 298 | Includes motor vehicle taxes/fees /4 |
| Ireland | 6,400 | 625 | 297 | Includes customs component |
| Italy | 34,677 | 1,659 | 702 | Ratio excludes tax investigation staff in Guardia di finanza and outsourced debt collection function |
| Japan | 56,239 | 2,270 | 1,181 | Substantially reduced administrative workloads- refer text. |
| Korea | 17,023 | 2,824 | 1,373 | Substantially reduced administrative workloads- refer text. |
| Luxembourg | 1,386 | 361 | 216 | |
| Mexico | 26,737 | 3,889 | 1,592 | Substantially reduced administrative workloads- refer text. |
| Netherlands | 26,000 | 627 | 323 | Includes motor vehicle taxes/fees and some overhead functions for customs /4 |
| N. Zealand | 3,179 | 782 | 663 | |
| Norway | 6,058 | 759 | 396 | |
| Poland | 50,132 | 762 | 345 | |
| Portugal | 11,560 | 909 | 474 | Includes real property, motor vehicle taxes/fees /4 |
| Slovak Rep. | 6,097 | 883 | 436 | Includes motor vehicle taxes/fees /4 |
| Spain | 27,415 | 1,557 | 736 | Includes customs staff |
| Sweden | 10,851 | 829 | 416 | Includes real property, motor vehicle taxes/fees and collection of non-tax debts /4 |
| Switzerland | 1,000 | 7,391 | 4,368 | Staffing data is largely for VAT administration; most income taxes administered by separate sub-national bodies |
| Turkey | 39,943 | 1,797 | 621 | Includes real property, motor vehicle taxes/fees /4 |
| UK /2 | 73,863 | 810 | 398 | |
| USA | 98,735 | 2,974 | 1,505 | No national VAT |

| COUNTRY | STAFF-RELATED MEASURES | | | UNUSUAL/ ABNORMAL FACTORS LIKELY/KNOWN TO INFLUENCE REPORTED RATIO |
|---------------------------------------|--|---------------------------|-------------------------------|---|
| | Staff usage (FTEs) on tax functions in 2004 /2 | Citizens/ full-time staff | Labour force/ full-time staff | |
| <i>2) Selected Non-OECD Countries</i> | | | | |
| Argentina | 20,079 | 1,904 | 764 | Includes customs function |
| Brazil | 14,123 | 13,043 | 6,402 | Includes customs function and outsourced work forces are not included in staff number |
| Chile | 3,569 | 4,511 | 1,765 | Staffing figure excludes tax debt collection function undertaken by separate body |
| China | 530,939 | 2,455 | 1,490 | |
| Cyprus- IR | 576 | 1,736 | 642 | |
| Cyprus- VAT | 537 | 1,862 | 689 | Includes customs function |
| Estonia | 2,268 | 573 | 295 | Includes customs function |
| India | - | - | - | |
| Latvia | 5,106 | 450 | 217 | |
| Lithuania | 3,066 | 1,109 | 522 | |
| Malta- IR | 200 | 2,000 | 800 | |
| Malta- VAT | 149 | 2,690 | 1,074 | |
| Russia | 166,000 | 861 | 447 | |
| Singapore | 1,683 | 2,519 | 1,297 | |
| Slovenia | 2,690 | 743 | 290 | |
| South Africa | 13,258 | 2,537 | 1,149 | Staffing data includes customs operations |

Sources: *Country survey responses, annual reports of revenue bodies; OECD in Figures (2005 Supplement 1), 2005 World population data sheet-PRB, CIA World fact book.*

/1. Observations and conclusions based on the information in this table should pay close regard to the comments in the preceding text in this chapter.

/2. **All countries**—the data shown has been drawn from individual country survey responses unless otherwise indicated; the definition of the number of person-days that constitute one person year (one FTE) varies from country to country. For the purpose of this analysis no attempt has been made to apply a standard definition in order to arrive at a more consistently based summary of aggregate FTEs/ revenue body; **UK**—figures are a combination of the two former revenue bodies that were formally merged in 2005.

/3. Population and labour force data obtained from 'OECD in Figures' (2005 Supplement 1).

/4. Real property taxes and motor vehicle taxes/ fees are collected at the sub-national level in other OECD countries.

Table 26. Aggregate Staff Usage on Major Tax Administration Functions in 2004

| COUNTRY | Total staff usage on major tax functions / 1 | | | | | | | | | | | |
|--------------------------|---|------------|-------------------------------------|------------|---|------------|--|------------------------|--------------------------------|------------|--|--|
| | Total staff usage in 2004 (FTEs), or year-end employees | | Client account management functions | | Audit, investigation & other verification functions | | Enforced debt collection and related functions | | Corporate management functions | | | |
| | No. | % of total | No. | % of total | No. | % of total | No. | % of total | No. | % of total | | |
| <i>1) OECD countries</i> | | | | | | | | | | | | |
| Australia | 20,645 | | 3,823 | 18.5 | 6,980 | 33.8 | 3,367 | 16.3 | 3,212 | 15.6 | | |
| Austria | 5,331 | | 417 | 7.8 | 2,631 | 49.3 | 1,148 | 21.5 | 181 | 3.4 | | |
| Belgium / 2 | 18,696 | | 6,547 | 35.0 | 9,468 | 50.1 | 2,634 | 14.1 | 2,695 | 14.4 | | |
| Canada | 37,323 | | n.avail. | - | 10,188 | 27.3 | 5,195 | 13.9 | 7,940 | 21.2 | | |
| Czech Rep. | 15,077 | | 8,683 | 57.6 | 3,289 | 21.8 | 1,016 | 6.7 | 1,687 | 11.2 | | |
| Denmark | 9,826 | | 3,567 | 36.3 | 3,321 | 33.8 | 992 | 10.1 | 1,946 | 19.8 | | |
| Finland | 6,305 | | 4,562 / 2 | 72.4 | 732 | 11.6 | 206 | 3.3 | 805 | 12.8 | | |
| France | 76,208 | | 24,359 | 32.0 | 5,865 | 7.7 | 26,918 | 35.3 | - | - | | |
| Germany | 118,000 | | n.avail. | - | n.avail. | - | n.avail. | - | n.avail. | - | | |
| Greece | 12,779 | | n.avail. | - | n.avail. | - | n.avail. | - | n.avail. | - | | |
| Hungary | 9,399 | | 2,763 | 29.4 | 3,881 | 41.3 | 2,397 | 25.5 | 226 | 2.4 | | |
| Iceland | 541 | | - / 2 | - | 337 | 62.3 | 83 | 15.3 | 121 | 22.4 | | |
| Ireland | 6,400 | | 2,535 | 55.2 | 1,985 | 31.0 | 575 | 9.0 | 1,085 | 17.0 | | |
| Italy | 34,677 | | n.avail. | - | 13,362 | 38.5 | Function is outsourced | Function is outsourced | 5,679 | 16.4 | | |
| Japan | 56,239 | | n.avail. / 2 | - | 38,466 | 68.4 | 8,045 | 14.3 | 4,619 | 8.2 | | |
| Korea | 17,023 | | 7,377 | 43.3 | 4,489 | 26.4 | 2,232 | 13.1 | 1,880 | 11.0 | | |
| Luxembourg | 1,386 | | n.avail. | - | n.avail. | - | n.avail. | - | n.avail. | - | | |
| Mexico | 26,737 | | 1,104 | 4.1 | 8,202 | 30.7 | n.avail. | - | 3,444 | 12.9 | | |
| Netherlands | 26,000 | | 1,400 | 5.4 | 9,450 | 36.3 | 1,000 | 3.8 | 1,500 | 5.8 | | |
| New Zealand | 3,179 | | 1,222 | 38.4 | 1,100 | 34.6 | 869 | 27.3 | 786 | 24.7 | | |
| Norway | 6,058 | | 2,544 | 42.0 | 1,333 | 22.0 | 848 | 14.0 | 1,333 | 22.0 | | |
| Poland | 50,132 | | n.avail. | - | n.avail. | - | n.avail. | - | n.avail. | - | | |
| Portugal | 11,560 | | 1,250 | 10.8 | 1,500 | 13.0 | 1,413 | 12.2 | 1,514 | 13.1 | | |
| Slovak Rep. | 6,097 | | 2,287 | 37.5 | 1,867 | 30.6 | 330 | 5.4 | 110 | 1.8 | | |
| Spain | 27,415 | | 6,774 | 24.7 | 4,994 | 18.2 | 4,556 | 16.6 | 3,353 | 12.2 | | |
| Sweden | 10,851 | | 965 | 8.9 | 3,526 | 32.5 | 2,281 | 21.0 | 918 | 8.5 | | |
| Switzerland | 1,000 | | 89 | 8.9 | 330 | 33.0 | 64 | 6.4 | 122 | 12.2 | | |
| Turkey | 39,943 | | 3,066 | 7.7 | 4,279 | 10.7 | 585 | 1.5 | 168 | 0.4 | | |
| UK | 73,863 | | 2,686 | 3.6 | 10,238 | 13.9 | 1,371 | 1.9 | 7,232 | 9.8 | | |
| USA | 98,735 | | 17,150 | 17.4 | 17,874 | 18.1 | 21,184 | 21.4 | 16,608 | 16.8 | | |

| COUNTRY | Total staff usage on major tax functions /1 | | | | | | | | | |
|---|---|-------------------------------------|----------|---|----------|--|----------|--------------------------------|----------|------------|
| | Total staff usage in 2004 (FTEs), or year-end employees | Client account management functions | | Audit, investigation & other verification functions | | Enforced debt collection and related functions | | Corporate management functions | | % of total |
| | No. | % of total | No. | % of total | No. | % of total | No. | % of total | No. | |
| <i>2) Selected non-OECD countries</i> | | | | | | | | | | |
| Argentina | 20,079 | 710 | 3.54 | 6,911 | 34.42 | 3,654 | 18.20 | 3,090 | 15.39 | |
| Brazil | 14,123 | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | |
| Chile | 3,569 | 173 | 4.8 | 2,150 | 60.2 | Performed by separate body | 402 | 11.3 | | |
| China | 530,939 | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | |
| Cyprus- IR | 576 | 87 | 15.0 | 79 | 13.7 | 60 | 10.4 | 98 | 17.0 | |
| Cyprus- VAT | 537 | 10 | 1.9 | 206 | 38.4 | 4 | 0.7 | n.avail. | - | |
| Estonia | 2,268 /2 | - | - | - | - | - | - | - | - | |
| India | - | - | - | - | - | - | - | - | - | |
| Latvia | 5,106 | - | - | 2,776 | 54.4 | - | - | 409 | 8.0 | |
| Lithuania | 3,066 | 1,129 | 36.8 | 1,549 | 50.5 | 184 | 6.0 | 762 | 19.9 /2 | |
| Malta-IR | 200 | 11 | 5.5 | 23- | 11.5 | 15 | 7.5 | 22 | 11 | |
| Malta- VAT | 149 | - | - | 56 | 37.6 | - | - | - | - | |
| Russia | - | - | - | - | - | - | - | - | - | |
| Singapore | 1,683 | 974 /2 | 57.87 | 35 /2 | 2.08 | 198 | 11.76 | 158 | 9.39 | |
| Slovenia | 2,690 | 396 | 14.7 | 1,573 | 58.4 | 121 | 4.5 | 32 | 1.2 | |
| South Africa | 13,258 | 6,910 | 52.1 | 1,941 | 14.6 | 488 | 3.7 | 1,239 | 9.3 | |
| <i>Sources: Country survey responses and annual reports</i> | | | | | | | | | | |

/1. The data on distribution of resources should be treated with caution owing to differences in interpretation between countries on the functional split described and organizational arrangements in place.

/2. **Belgium**—a same staff who is in charge of multiple functions is counted several times; **Estonia**—total staff number includes customs; **Finland**—includes staffs on tax assessment process and supportive functions; **Iceland**— included in audit, investigation & other verification function; **Japan**—inseparable from the audit, investigation and other verification function; **Lithuania**—ratio to total staff usage for all functions (3,828); **Singapore**— 974 includes staff for tax assessment and audit functions, 35 includes staff for investigation functions only.

Table 27. Tax Audit Activities in 2003 and 2004

(All monetary values in millions of national currency unless otherwise indicated)

| COUNTRY | Tax audit activities (2003) | | | | Tax audit activities (2004) | | | |
|--------------------------|-----------------------------|-----------------------------|--|---|-----------------------------|----------------------|--|---|
| | Number of audits completed | Value of assessments raised | Value of collections on these assessment | Value of assessments /total net revenue collections (%) | Number of audits completed | Value of assessments | Value of collections on these assessment | Value of assessments /total net revenue collections (%) |
| <i>1) OECD countries</i> | | | | | | | | |
| Australia | 118,000 | 4,092 | 2,828 | 2.06 | 94,530 | 4,870 | 2,873 | 2.27 |
| Austria | 38,800 | 1,200 | n.avail. | 0.00 | 41,900 | 1,200 | n.avail. | 1.95 |
| Belgium | 556,963 | 2.36 | n.avail. | 0.00 | 609,603 | 1.87 | n.avail. | 0.00 |
| Canada | 301,714 | 9,200 | n.avail. | 3.87 | 304,707 | 10,200 | n.avail. | 4.04 |
| Czech Rep. | - | - | - | - | 119,428 | 5,403 | n.avail. | n.avail. |
| Denmark | 216,710 | €3,109 | n.avail. | 3.57 | 210,022 | €3,078 | n.avail. | 3.39 |
| Finland | 4,500 | € 241 | n.avail. | 0.64 | 4,500 | € 270 | n.avail. | 0.71 |
| France | 51,242 | 9,922 | n.avail. | 3.22 | 51,964 | 9,914 | n.avail. | 3.04 |
| Germany | 503,535 | 16,998 /1 | n.avail. | 4.70 | 499,551 | 16,024 /1 | n.avail. | 4.46 |
| Greece | 80,782 | 2,985 | n.avail. | 8.65 | 36,046 | 3,229 | n.avail. | 8.80 |
| Hungary | n.avail. | n.avail. | n.avail. | - | 391,143 | 121,589 | 36,719 | 1.95 |
| Iceland | 832 | 1,024 | n.avail. | 0.36 | 1,001 | 1,139 | n.avail. | 0.38 |
| Ireland | 16,042 | 429.2 | 408.4 | 1.12 | 16,321 | 549.6 | 527.7 | 1.29 |
| Italy | 291,195 | 85,311 | n.avail. | 19.63 | 228,337 | 101,138 | n.avail. | 23.27 |
| Japan | 508,000 | 646,800 /1 | n.avail. | 1.63 | 682,000 | 691,500 | n.avail. | 1.63 |
| Korea | 20,625 | 3,240,700 | n.avail. | 3.03 | 26,526 | 4,715,800 | n.avail. | 4.28 |
| Luxembourg | n.avail. | n.avail. | n.avail. | - | - | - | - | - |
| Mexico | 87,906 | 2,454 | n.avail. | 0.32 | 66,428 | 3,763 | n.avail. | 0.49 |
| Netherlands | 72,000 | 3,476 | n.avail. | 2.49 | 62,000 | 2,854 | n.avail. | 1.99 |
| New Zealand | 41,000 | 898 | n.avail. | 2.57 | 31,500 | 785 | n.avail. | 2.07 |
| Norway | 18,013 | 4,000 | n.avail. | 0.00 | 17,501 | 3,400 | n.avail. | 0.06 |
| Poland | 312,621 | 886 | n.avail. | 0.61 | 390,056 | 1,323 | n.avail. | 0.91 |
| Portugal | 84,122 | 1,180.5 | n.avail. | 4.99 | 86,436 | 1,573.9 | n.avail. | 6.66 |
| Slovak Rep. | 47,600 | 6,428 | 1,442 | 3.92 | 33,747 | 8,395 | 1,746 | 4.11 |
| Spain | 759,112 | 5,264 | n.avail. | 4.04 | 801,352 | 5,817 | n.avail. | 4.13 |
| Sweden | 7,393 | 6,726 | n.avail. | 0.59 | 7,553 | 3,199 | n.avail. | 0.27 |
| Switzerland | 8,450 | n.avail. | 467.4 | n.avail. | 9,100 | n.avail. | 387.5 | n.avail. |
| Turkey | 68,251 | 3,168 | n.avail. | 3.76 | 153,881 | 11,398 | n.avail. | 11.28 |
| UK | 442,352 | 2,173 | n.avail. | 0.63 | 439,349 | 2,559 | n.avail. | 0.69 |
| USA | 278,000 | 14,011 | 10,498 /1 | 0.85 | 261,000 | 20,099 | 13,145 /2 | 1.16 |

| COUNTRY | Tax audit activities (2003) | | | Tax audit activities (2004) | | |
|---------------------------------------|-----------------------------|-----------------------------|--|-----------------------------|--|---|
| | Number of audits completed | Value of assessments raised | Value of collections on these assessment | Value of assessments raised | Value of collections on these assessment | Value of assessments /total net revenue collections (%) |
| <i>2) Selected non-OECD countries</i> | | | | | | |
| Argentina | 434,465 | 3,929.6 | n.avail. | 4,375.3 | n.avail. | 4.0 |
| Brazil | 16,513 | n.avail. | 36,303 | n.avail. | 68,352 | - |
| Chile | 318,991 | 393,794 | 177,010 | 412,179 | 178,282 | 4.52 |
| China | | Data not available | Data not available | Data not available | Data not available | |
| Cyprus- IR | 8,443 | 47.2 | n.avail. | 172.4 | n.avail. | 29.25 |
| Cyprus- VAT | 976 | 5.7 | n.avail. | 5.7 | n.avail. | 0.4 |
| Estonia /1 | - | - | - | - | - | - |
| India | - | - | - | - | - | - |
| Latvia | 2,768 | 133.1 | n.avail. | 98.3 | n.avail. | 4.3 |
| Lithuania | 10,944 | 293.8 | n.avail. | 212.9 | n.avail. | 2.44 |
| Malta- IR | 779 | 10.2 | n.avail. | 8.2 | n.avail. | 2.05 |
| Malta- VAT | 295 | 0.82 | n.avail. | 1.36 | n.avail. | 0.96 |
| Russia | - | 275 | - | 1,099.4 | - | 24.39 |
| Singapore | 36,791 | n.avail. | 396.26 | n.avail. | 232.41 | 1.29 /1 |
| Slovenia | 6,223 | 34,866 | 20,260 | 33,309 | 25,803 | 1.71 |
| South Africa | 58,986 | 19,068 | n.avail. | 14,482 | 5,253 | 4.19 |

Sources: Country survey responses

/1. **Belgium**—does not include corporate income tax audit; **Cyprus, Malta**—direct tax revenue and indirect tax revenue are separately used for denominators; **Estonia**—the number of audits is the number of verification of tax return in 2004 annual report; **Germany**—includes trade tax, a municipal tax essentially not included in total net revenue collections, does not include interest or penalties. Audit-related interest or penalties are not recorded separately from other interest or penalties. **Greece**—Number of audits is for audits carried out by the Regional and Interregional Tax Audit Centre, the local tax offices, and the Service for Special Controls. Assessment amount is amount levied through audits by the Regional and Interregional Tax Audit Centre and the local tax offices, which correspond to 18,652 audits in 2004 and 7,998 audits in 2004; **Japan**—value of assessment does not include interest; **USA**—amounts shown as collected includes finalized cases from current and prior years; **Singapore**—ratio for value of collections.

/2. The information need to be interpreted with care as the results from some countries appear to include the results of those assessing functions (including correspondence inquiries) which were not included in the survey definition of an audit.

Table 28. Other Verification Activities in 2003 and 2004
(All monetary values in millions of national currency unless otherwise indicated)

| COUNTRY | Other verification activities (2003) | | | Other verification activities (2004) | | |
|--------------------------|--------------------------------------|----------------------|---|--------------------------------------|----------------------|---|
| | Number of actions completed | Value of assessments | Value of assessments collections on these assessment /total net revenue (%) | Number of actions completed | Value of assessments | Value of assessments collections on these assessment /total net revenue (%) |
| <i>1) OECD countries</i> | | | | | | |
| Australia | 916,000 | 2,316 | 1.17 | 1,828,000 | 1,908 | 0.89 |
| Austria | 46,800 | 88.5 | 0.15 | 34,500 | 301 | 0.49 |
| Belgium | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Canada | 2,650 | 87 | 0.04 | 3,327 | 91 | 0.04 |
| Czech Rep. | - | - | - | 112,194 | 1,337 | - |
| Denmark | 214,207 | €224 | 0.26 | 211,095 | €260 | 0.29 |
| Finland | 1,200 | n.avail. | - | 1,300 | n.avail. | - |
| France | - | 4,602 | 1.49 | - | 4,649 | 1.42 |
| Germany | n.avail./1 | n.avail. | - | n.avail. | n.avail. | - |
| Greece | 18,794/1 | 158 | 0.46 | 106,862/1 | 481 | 1.31 |
| Hungary | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Iceland | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Ireland | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Italy | 11,304 | n.avail. | - | 8,326 | n.avail. | - |
| Japan | 738,000/1 | 24,900 | 0.06 | 547,000/1 | 7,500 | 1.29 |
| Korea | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Luxembourg | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Mexico | 26,292 | 54 | 0.01 | 31,606 | 75 | 0.01 |
| Netherlands | 600,000 | 2,590 | 1.85 | 480,000 | 3,400 | 2.38 |
| New Zealand | 1,179 | 1.5 | 0.00 | 400 | 1.6 | 0.00 |
| Norway | 7,113 | 238 | 0.00 | 10,306 | 287 | 0.00 |
| Poland | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Portugal | 37,556 | 947.8 | 4.00 | 30,329 | 877.3 | 3.71 |
| Slovak Rep. | n.avail. | 3,145 | 1.92 | n.avail. | 1,990 | 0.98 |
| Spain | n.avail. | n.avail. | - | n.avail. | n.avail. | - |
| Sweden | 549,100 | 13,800 | 1.22 | 459,000 | 15,100 | 1.28 |
| Switzerland | 2,350 | n.avail. | - | 2,150 | n.avail. | - |
| Turkey | 3,118,069 | 76 | 0.09 | 4,579,677 | 92 | 0.09 |
| UK | 365,585 | 2,125 | 0.62 | 386,843 | 1,618 | 0.44 |
| USA | 6,759,000 | 17,321 | 1.05 | 11,743,000 | 19,412 | 1.12 |

| COUNTRY | Other verification activities (2003) | | | Other verification activities (2004) | | | | |
|---------------------------------------|--------------------------------------|----------------------|--|---|-----------------------------|----------------------|--|---|
| | Number of actions completed | Value of assessments | Value of collections on these assessment | Value of assessments /total net revenue collections (%) | Number of actions completed | Value of assessments | Value of collections on these assessment | Value of assessments /total net revenue collections (%) |
| <i>2) Selected non-OECD countries</i> | | | | | | | | |
| Argentina | 152,157 | 787.6 | n.avail. | 0.98 | 142,915 | 789.1 | n.avail. | 0.72 |
| Brazil | 38,409 /1 | n.avail. | 4,993 | - | 10,859 /1 | n.avail. | 4,661 | - |
| Chile | 204,860 | 3,802 | 1,383 | 0.05 | 261,112 | 6,194 | 2,230 | 0.07 |
| China | n.avail. | n.avail. | n.avail. | - | n.avail. | n.avail. | n.avail. | - |
| Cyprus- IR | 5,430 | 7.0 | n.avail. | 1.21 /1 | 3,715 | 4.4 | n.avail. | 0.74 |
| Cyprus- VAT | 51 | 0.09 | n.avail. | 0.01 /1 | 74 | 0.07 | n.avail. | 0.01 |
| Estonia | - | - | - | - | 1,113 | - | - | - |
| India | - | - | - | - | - | - | - | - |
| Latvia | 53,797 | 0.7 | n.avail. | 0.03 | 61,890 | 0.6 | n.avail. | 0.03 |
| Lithuania | n.avail. | n.avail. | n.avail. | - | 42,677 | 1.73 | n.avail. | 0.02 |
| Malta- IR | 393 | 0.765 | n.avail. | 0.19 /1 | 42 | 0.361 | n.avail. | 0.09 |
| Malta- VAT | 878 | 0.71 | n.avail. | 0.57 /1 | 719 | 1.36 | n.avail. | 0.96 |
| Russia | - | - | - | - | - | - | - | - |
| Singapore | 81 /1 | n.avail. | 26.53 | 0.16 /1 | 83 /1 | n.avail. | 22.42 | 1.25 /1 |
| Slovenia | 203,535 | 9,256 | n.avail. | 0.57 | 225,302 | 13,430 | n.avail. | 0.69 |
| South Africa | 3,954,559 | n.avail. | n.avail. | - | 4,470,123 | n.avail. | n.avail. | - |

Sources: Country survey responses.

/1. **Brazil**—customs auditing included, customs administration system changed between 2003 and 2004; **Cyprus, Malta**—direct tax revenue and indirect tax revenue are separately used for denominators; **Estonia**—the number of other verifications is the number of inspections of persons liable to tax and operations to detect unrecorded wages in 2004 annual report; **Germany**—generally, all returns are checked at least on coherency, either by personnel or by machines. Especially in employee cases, incoherent or unusual statements in returns are verified through inquiries by correspondence or telephone from within the office. The number of these checks and inquiries is not recorded, neither is the value of additional assessments realized through such inquiries; **Greece**—special verification actions carried out by the local tax offices; **Japan**—the number of phone calls or asking taxpayers to visit tax offices to correct errors in individual income tax return and individual consumption tax return; **Singapore**—actions are investigation cases, ratios are for value of collection.

Table 29: Selected Data on Unpaid Taxes

| COUNTRY | Total year-end gross debt (incl. disputed debt) / net annual revenue collections (%) | | | Debt cases finalised in 2004(000's) | Debt cases on hand at end- 2004 (000's) |
|-------------------------------------|---|----------|----------|---|---|
| | 2002 | 2003 | 2004 | | |
| <i>1) OECD countries</i> | | | | | |
| Australia | 9.3 | 8.5 | 8.1 | 1,474 | 1,497 |
| Austria | - | 14.1 | 12.7 | n.avail. | 102 |
| Belgium | 35.8 | 39.9 | 38.7 | n.avail. | 1,740 |
| Canada | 8.3 | 8.7 | 9.0 | 531 | 794 |
| Czech Rep. | 49.7 | 44.2 | 32.0 | n.avail. | n.avail. |
| Denmark | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| Finland | 8.2 | 7.9 | 7.5 | n.avail. | 268 |
| France | 7.1 | 6.7 | 5.9 | 929 | 399 |
| Germany | 5.3 | 5.3 | 4.8 | n.avail. | 3,788 |
| Greece | 25.6 | 31.4 | 42.8 | 368 | 836 |
| Hungary | 12.3 | 11.5 | 13.4 | 197 | 192 |
| Iceland | - | - | - | n.avail. | n.avail. |
| Ireland | 4.4 | 4.3 | 3.4 | n.avail. | n.avail. |
| Italy | 3.1 | 2.8 | 9.9 | n.avail. | n.avail. |
| Japan | 5.6 | 5.1 | 4.4 | 1,866 | 4,370 |
| Korea | 3.0 | 2.7 | 3.6 | n.avail. | 704 |
| Luxembourg | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| Mexico | 47.0 | 49.6 | 55.4 | 1,970 | 1,738 |
| Netherlands | 2.9 | 3.4 | 3.0 | n.avail. | 250 |
| N. Zealand | 6.1 | 6.7 | 6.2 | 456 | 256 |
| Norway | n.avail. | 2.5 | 2.4 | n.avail. | n.avail. |
| Poland | 11.8 | 10.8 | 11.0 | n.avail. | n.avail. |
| Portugal | 41.5 | 44.6 | 51.3 | 639 | 2,473 |
| Slovak Rep. | - | 49.5 | 33.0 | n.avail. | n.avail. |
| Spain | 7.9 | 7.8 | 7.8 | 3,625 | 2,142 |
| Sweden | 3.1 | 3.0 | 2.7 | n.avail. | 200 |
| Switzerland | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| Turkey | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| UK | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| USA | 5.9 | 6.1 | 6.2 | 12,580 | 26,429 |
| <i>2) Select non-OECD countries</i> | | | | | |
| Argentina | n.avail. | n.avail. | n.avail. | 91.13 | 288.44 |
| Brazil | - | 6.5 | 8.7 | n.avail. | 199 |
| Chile | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| China | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. |
| Cyprus- IR /1 | - | 49.9 | 55.1 | - | - |
| Cyprus- VAT/1 | - | 5.1 | 4.8 | 1,082 | 7,430 |
| Estonia | - | - | - | - | - |
| India | - | - | - | - | - |
| Latvia | - | 20.7 | 17.4 | - | - |
| Lithuania | n.avail. | 27.5 | 17.2 | 153 /1 | 29 /1 |
| Malta- IR /1 | 28.4 | 25.6 | 24.7 | n.avail. | 203 |
| Malta- VAT /1 | - | - | - | - | - |
| Russia | - | - | - | - | - |
| Singapore | 9.46 | 9.47 | 8.58 | n.avail. | 721.4 |
| Slovenia | 6.82 | 6.64 | 5.16 | - | - |
| South Africa | 19.8 | 20.3 | 19.1 | n.avail. | n.avail. |

Sources: Country survey responses, annual reports.

/1. **Cyprus, Malta**— direct tax revenue and indirect tax revenue are separately used for denominators; **Lithuania**— authorities advise data incomplete owing to limited functional capacity of tax information system.

8 ADMINISTRATIVE PRACTICES

Introduction

125. This part briefly examines selected features of revenue bodies arrangements/practices for the registration of taxpayers
126. The information provided in this part is described hereunder:
 - Table 30 provides the number of active registered taxpayers for personal and corporate income tax and VAT together with the ratio of registered personal taxpayers to labour force.
 - Table 31 displays features of taxpayer identifiers used for personal and corporate income tax and VAT administration.
 - Table 32 displays the extent of usage of taxpayer identifiers for information reporting and matching.
 - Table 33 provides electronic filing take-up rates in 2004 and popularity of each method of tax payment.

Key observations and trends

127. Based on an analysis of the information in Tables 30-33, there are a number of important observations that can be made:
 - Using country labour force data as a benchmark, the proportion of individual taxpayers who are registered with the revenue body varies substantially across surveyed countries, with implications for administrative workloads and practices, and potentially the efficacy of enforcement operations in those countries where the proportion is substantially below 100%; and
 - Taxpayer identification numbering systems, unique for each major tax type, are widely used in surveyed countries although a number of countries use a citizen identification number or business registration number as their 'taxpayer identifier' for tax administration purposes.
 - Revenue bodies in most surveyed bodies rely extensively on the inclusion of 'taxpayer identifiers' with reports on the major categories of income required from payers under their personal income tax arrangements.

Registration of taxpayers and the use of unique taxpayer identifiers

128. Comprehensive systems of taxpayer registration and numbering are a critical feature of the tax administration arrangements in many countries, supporting numerous tax administration processes. In addition to recording basic taxpayer identifying information (e.g. for individuals—full name and address, date of birth, for businesses—full name, business and postal addresses) that permits the routine identification of taxpayers for a range of administrative functions (e.g. issue of

notices, follow-up enforcement actions (e.g. detection of non-filers), the use of unique taxpayer identification numbers (TINs) as part of the registration system facilitates the matching of information reports with tax records to detect instances of potential non-compliance, the exchange of information between government agencies (where permitted under the law), and numerous other applications.

129. Information pertaining to registered taxpayer populations in surveyed countries and the use of taxpayer identification numbers is set out in Tables 30-32. Significantly;
- In almost one quarter of OECD countries, less than 50% of personal income taxpayers are registered with the revenue body; while all of these countries operate final withholding systems for employees thus negating the need for an end-of-year tax return the absence of registrations for a significant proportion of the citizen population may seriously complicate enforcement activities to detect persons who should but have failed to register with the revenue body.
 - The vast majority of revenue bodies in surveyed countries utilize a unique taxpayer identifier (or some other high integrity number (e.g. a citizen identification number)) for personal taxation purposes and a unique number of business tax purposes; typically, these numbering systems are all numeric and incorporate a check digit for point-of-entry validation purposes (refer Table 31).
 - Unique taxpayer identifiers are widely used with information reports covering wages, pensions, government benefits, interest, dividends, contract income, and/or asset sales and purchases reported to revenue bodies for verification purposes (refer Table 32).

Electronic Services

130. Over the last 10 to 15 years, revenue bodies in many countries have been transforming their administrative processes for receiving tax payment and tax return data to realize the significant benefits of optimally employing modern technology, in particular for the electronic transmission of critical taxpayer data. (The findings of a comprehensive survey of trends in taxpayer service delivery using new technologies by revenue bodies in OECD member countries can be found on the OECD website- see www.oecd.org).¹⁷
131. Historically, the paper-based processes associated with tax returns and payments processing have consumed a considerable proportion of the resources of revenue authorities, in some cases in the region of 20-30 percent. With pressures to reduce staff and expand value-adding compliance work (both of a service and enforcement nature), revenue authorities have had considerable incentive to automate these processes through greater use of technology. Significantly, there are other benefits to be attained from optimal use of technology in these areas: 1) faster collection of government revenue; 2) improved data accuracy and elimination of reverse workflows; 3) reduced paperwork for taxpayers; 4) speedier crediting of tax refunds; and 5) speedier capture of taxpayer data for a range of administrative purposes. In aggregate, there is strong business case for revenue authorities to invest substantial funds and efforts to establish modern and comprehensive systems of electronic filing (EF) and payment.

¹⁷ See 'Survey of Trends in Taxpayer Service Delivery Using New Technologies', Forum on Tax Administration (February 2005).

132. With enormous benefits to be realized some revenue bodies have established quite sophisticated electronic filing services only to find that their take up by taxpayers has been far below expectations. Indeed, the experience of many revenue bodies is that substantial progress is only achieved after a long and sustained effort entailing a range of strategies. Work undertaken by the Forum on Tax Administration on this specific aspect in 2005 is summarized in Box 17 while further information can be found in the relevant information note published in early 2006.¹⁸

Box 17. Key findings of a survey on strategies for improving the take up rates of electronic services

The 2006 report summarizes the findings of a survey across 8 member countries to gather information on the key strategies employed to promote increased take-up of electronic services. The key findings were as follows:

- Revenue bodies that have achieved a relatively high take-up of electronic services typically have a multi-faceted set of strategies to promote usage by taxpayers.
- Information campaigns utilising a variety of channels are an essential component of revenue bodies' set of strategies.
- The use of incentives (e.g. faster refunds of overpaid taxes and extended filing periods) appears to play a significant role in encouraging a good rate of take-up, particularly concerning the personal income tax.
- Tax professionals, who prepare a fair proportion of tax returns in many countries, are critical stakeholders to the effective operation of electronic filing systems and should be consulted widely and regularly on the development and operation of electronic filing systems.
- Revenue bodies that have implemented mandatory electronic filing arrangements have typically targeted larger businesses and taken a cautious 'softly/softly approach' in the early years of these arrangements.
- Short of imposing mandatory requirements which may present their own problems, there are no "silver bullets" for rapid success towards achieving good outcomes; a considerable investment of time, money, and staff is inevitably required over a fair period of time to achieve a good level of success.

133. Information pertaining to the extent of electronic filing take up (i.e. the proportion of all taxpayers who file electronically) achieved by revenue bodies for the latest completed fiscal year is set out in Table 32 for the major taxes (i.e. personal income tax, corporate profits tax, and VAT). The table also displays the range of payment methods available for the collection of taxes and a ranking in terms of their relative usage, as reported by surveyed countries.

¹⁸ See '*Strategies for Improving the Take up Rates of Electronic Services*', Forum on Tax Administration (March 2006).

Table 30: Comparison of Registered Taxpayer Populations

| COUNTRY | Number of citizens (mlns) | Labour Force (mlns) | Number of active registered taxpayers (mlns) | | | Relative indicators | |
|---------------------------------------|---------------------------|---------------------|--|----------------------------|-----------------------|---|---|
| | | | Personal income tax (PIT) | Corporate income tax (CIT) | Value added tax (VAT) | Registered personal taxpayers/labour force (%) /1 | Employees generally file annual returns |
| <i>1) OECD Countries</i> | | | | | | | |
| Australia | 20.1 | 10.2 | 17.04 | 1.05 | 2.4 | 167.1 | Yes |
| Austria | 8.2 | 3.9 | 5.3 | 0.11 | 0.72 | 135.9 | No |
| Belgium | 10.4 | 4.6 | 6.0 | 0.5 | 0.6 | 130.4 | Yes |
| Canada | 31.9 | 17.2 | 23.3 | 1.5 | 2.2 /4 | 135.4 | Yes |
| Czech Rep. | 10.2 | 5.1 | 2.48 | 0.29 | 0.597 | 48.6 | No |
| Denmark | 5.4 | 2.9 | 4.6 | 0.15 | 0.4 | 158.6 | Yes /3 |
| Finland | 5.2 | 2.6 | 4.8 | 0.35 | 0.51 | 184.2 | Yes /3 |
| France | 60.2 | 27.4 | 34 | 1.2 | 3.6 | 124.3 | Yes |
| Germany | 82.5 | 40.0 | 27.9 /4 | 1.0 | 5.1 | 69.8 | No /4 |
| Greece | 11.1 | 4.8 | 10.72 | 0.62 | 0.93 | 223.3 | Yes |
| Hungary | 10.1 | 4.1 | 4.4 | 0.39 | 1.9 | 107.3 | Yes |
| Iceland | 0.29 | 0.16 | 0.23 | 0.02 | 0.03 | 143.8 | Yes /3 |
| Ireland | 4.0 | 1.9 | 1.99 | 0.111 | 0.236 | 104.6 | No |
| Italy | 57.6 | 24.4 | n.avail. | n.avail. | n.avail. | - | No |
| Japan | 127.7 | 66.4 | 46.14 /4 | 2.74 /4 | 2.13 /4 | 69.5 | No |
| Korea | 48.1 | 23.4 | 2.2 | 0.34 | 4.0 | 9.4 /2 | No |
| Luxembourg | 0.5 | 0.3 | 0.133 | 0.50 | 0.38 | 44.3 | No |
| Mexico | 104.0 | 42.6 | 8.3 | 0.6 | 6.3 | 19.5 | No /4 |
| Netherlands | 16.3 | 8.4 | 7.14 | 0.65 | 1.07 | 84.9 | No |
| N. Zealand | 4.1 | 2.1 | 5.1 | 0.40 | 0.62 | 242.9 | No |
| Norway | 4.6 | 2.4 | 3.66 | 0.163 | 0.316 | 152.5 | Yes /3 |
| Poland | 38.2 | 17.3 | 28.26 | 0.37 | 1.857 | 163.4 | Yes |
| Portugal | 10.5 | 5.5 | 6.7 | 0.3 | 1.5 | 121.8 | Yes |
| Slovak Rep. | 5.4 | 2.7 | 0.51 | 0.13 | 0.13 | 18.9 /2 | No |
| Spain | 42.7 | 20.2 | 37.6 | 1.1 | 2.9 | 186.1 | Yes |
| Sweden | 9.0 | 4.5 | 7.1 | 0.45 | 0.91 | 157.7 | Yes /3 |
| Switzerland | 7.4 | 4.4 | n.avail. | n.avail. | 0.31 | - | Vary /4 |
| Turkey | 71.8 | 24.8 | 3.162 | 0.593 | 2.166 | 12.8 /2 | No |
| UK | 59.8 | 29.4 | 28.5 | 0.7 | 1.8 | 96.9 | No |
| USA | 293.6 | 148.6 | 222.5 | 10.5 | n.applic. | 149.7 | Yes |
| <i>2) Selected Non-OECD Countries</i> | | | | | | | |
| Argentina | 38.6 | 15.34 | 0.9 | 0.26 | 0.87 | 42.9 | No |
| Brazil | 184.2 | 90.41 | 98.44 | 7.91 /4 | n.avail. | 108.9 | No |
| Chile | 16.1 | 6.3 | 1.6 | 0.7 | 0.7 | 25.4 | No |
| China | 1,303.7 | 791.4 | - /4 | 2.71 | 12.26 | - | No |
| Cyprus- IR | 1.0 | 0.37 | 0.243 | 0.088 | - | 65.7 | No |
| Cyprus- VAT | | | - | - | 0.063 | - | - |
| Estonia | 1.3 | 0.67 | - | - | - | - | Yes /3 |
| India | 1,103.6 | 496.4 | - | - | - | - | - |
| Latvia | 2.3 | 1.11 | 0.97 | 0.06 | 0.06 | 87.4 | No |
| Lithuania | 3.4 | 1.6 | 1.58 | 0.085 | 0.05 | 98.8 | No |
| Malta- IR | 0.4 | 0.16 | 0.23 | 0.024 | n.applic. | 143.8 | No |
| Malta-VAT | | | n.applic. | n.applic. | 0.047 | n.applic. | n.applic. |
| Russia | 143.0 | 74.22 | - | - | - | - | No |
| Singapore | 4.24 | 2.183 | 1.73 /4 | 0.101 /4 | 0.066 | 79.36 | Yes |
| Slovenia | 2.0 | 0.78 | 1.167 | 0.062 | 0.085 | 259.1 | Yes |
| South Africa | 46.9 | 15.23 | 4.65 | 1.44 | 0.58 | 30.5 | No |

Sources: OECD in Figures: Statistics on Member Countries (2005 Supplement 1), country survey responses, 2005 World population data sheet, CIA world fact book

/1. This indicator may exceed 100% for a variety of reasons e.g. requirement for a tax registration before having to file a tax return, taxpayers who are not members of the labour force (e.g. investors), registrations required for non-tax purposes, old/ inactive registrations.

/2. Most employees in these countries are not required to file an annual return; however, employers in these countries are typically required to report details of income paid and tax withheld along with a relevant identification number for each employee.

/3. Most employees in these countries receive pre-filled statements of income and deductions for vetting.

/4. **Brazil**—CIT+VAT; **Canada**—figure excludes VAT registration in Quebec; **China**—personal income taxpayer can register as many as the number of income type; **Germany**—Married taxpayers filing joint returns count as one. Generally no legal obligations for employees to file returns, but majority of employees does file returns to claim deductions and other allowances.; **Japan**—PIT includes 38.7 million wage earners who are not required to file tax return, CIT indicates the number of corporate tax return for 2004 business year (July 2004-June 2005), VAT indicates the number of consumption taxpayers (both individual and corporation) for 2004 calendar year; **Mexico**—compulsory for employees with gross income over 300,000 pesos; **Singapore**—number of assessment for 2004; **Switzerland**—Tax return requirements vary across individual cantons.

Table 31: System of Taxpayer Identifiers for Revenue Administration

| COUNTRY | Personal Income Tax (PIT) | | | | Corporate Income Tax (CIT) | | | | Value Added Tax (VAT) | | | | | | |
|--------------------------|---------------------------|------------------|---------------|-------------|----------------------------|------------|------------------|---------------|-----------------------|--------------------|------------|------------------|---------------|-------------|--------------------|
| | Unique TIN | Num. or Alpha-N. | No. of digits | Check digit | Taxpayer specifics | Unique TIN | Num. or Alpha-N. | No. of digits | Check digit | Taxpayer specifics | Unique TIN | Num. or Alpha-N. | No. of digits | Check digit | Taxpayer specifics |
| <i>1) OECD Countries</i> | | | | | | | | | | | | | | | |
| Australia | Yes | N | 9 | Yes | No | Yes | N | 8 | Yes | No | Yes | N | 11 | Yes | No |
| Austria | Yes | N | 9 | No | No | Yes | N | 9 | No | No | No/1 | - | - | - | - |
| Belgium | Yes | N | 11 | Yes | No | Yes | N | 10 | Yes | No | Yes | AN | 12 /1 | Yes | No |
| Canada /1 | No/1 | N | 9 | Yes | No | Yes | AN | 15 | Yes | No | Yes | AN | 9 - 15 | Yes | No |
| Czech Rep. /1 | Yes | AN | 12 | Yes | No | Yes | AN | 12 | Yes | No | Yes | AN | 12 | Yes | No |
| Denmark /1 | Yes | N | 10 | Yes | No | Yes | N | 8 | Yes | No | Yes | N | 8 | Yes | No |
| Finland /1 | No | N & AN | 10 | Yes | Yes | No | N | 8 | Yes | Yes | No | AN | 10 | Yes | Yes |
| France /1 | No | N | 13 | - | - | Yes | N | - | No | No | Yes | N | - | No | No |
| Germany /1 | No | - | - | - | - | No | - | - | - | - | Partially | - | - | - | - |
| Greece | Yes | N | 8 | - | - | Yes | N | 8 | - | - | No/1 | - | - | - | - |
| Hungary | Yes | N | 10 | - | - | Yes | - | 11 | - | - | Yes | - | - | - | - |
| Iceland | No/1 | N | 8 | Yes | Yes | No/1 | N | 10 | Yes | Yes | Yes | N | 5 | No | No |
| Ireland | Yes | AN | 7 | Yes | Yes | Yes | AN | 7 | Yes | Yes | Yes | AN | 7 | Yes | Yes |
| Italy | Yes | AN | 11 | Yes | Yes | Yes | AN | 11 | Yes | Yes | Yes | N | 16 | No | No |
| Japan | No | - | - | - | - | No | - | - | - | - | No | - | - | - | - |
| Korea /1 | No | N | 13 | Yes | Yes | Yes | N | 10 | Yes | Yes | Yes | N | 10 | Yes | Yes |
| Luxembourg | Yes | N | 11 | Yes | Yes | Yes | N | 11 | Yes | Yes | Yes | AN | 11 | Yes | Yes |
| Mexico /1 | Yes | AN | 13 | Yes | Yes | Yes | AN | 12 | Yes | Yes | Yes | AN | 12(13) | Yes | Yes |
| Netherlands | Yes | N | 9 | Yes | No | Yes | N | 9 | No | No | No/1 | AN | 9 | Yes | No |
| N. Zealand | Yes | N | 8 | Yes | No | Yes | N | 8 | Yes | No | Yes | N | 8 | Yes | No |
| Norway /1 | Yes | N | 11 | Yes | Yes | Yes | N | 9 | Yes | No | Yes | N | 9 | Yes | No |
| Poland | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No |
| Portugal | Yes | N | 9 | Yes | No | Yes | N | 9 | Yes | Yes | Yes | N | 9 | Yes | Yes |
| Slovak Rep. | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No |
| Spain | Yes | AN | 9 | Yes | Yes | Yes | AN | 9 | Yes | Yes | No/1 | AN | 9 | Yes | Yes |
| Sweden /1 | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No | No | N | 10 | Yes | No |
| Switzerland /1 | No | AN | Vary | No | Yes | No | Vary | Vary | Vary | Vary | Yes | N | 6 | No | No |
| Turkey | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No |
| UK /1 | Yes | N | 10 | Yes | No | Yes | N | 10 | Yes | No | Yes | N | 9 | Yes | No |
| USA /1 | No/1 | N | 9 | No | No | Yes | N | 9 | No | Yes | - | - | - | - | - |

| COUNTRY | Personal Income Tax (PIT) | | | | Corporate Income Tax (CIT) | | | | Value Added Tax (VAT) | | | | | |
|---------------------------------------|---------------------------|------------------|---------------|-------------|----------------------------|------------------|---------------|-------------|-----------------------|------------------|---------------|-------------|--------------------|-----|
| | Unique TIN | Num. or Alpha-N. | No. of digits | Check digit | Unique TIN | Num. or Alpha-N. | No. of digits | Check digit | Unique TIN | Num. or Alpha-N. | No. of digits | Check digit | Taxpayer specifics | |
| <i>2) Selected Non-OECD Countries</i> | | | | | | | | | | | | | | |
| Argentina | Yes | N | 11 | Yes | Yes | N | 11 | Yes | No | Yes | N | 11 | Yes | Yes |
| Brazil | Yes | N | - | Yes | No | N | - | Yes | No | - | - | - | - | - |
| Chile | No/1 | N | 8 | Yes | No | N | 8 | Yes | No | Yes | N | 8 | Yes | No |
| China | Yes | N | 18 | No | Yes | AN | 9 | Yes | No | No | AN | 9 | Yes | No |
| Cyprus | Yes | AN | - | Yes | Yes | AN | - | Yes | Yes | Yes | AN | 9 | Yes | Yes |
| Estonia | - | N | 11 | Yes | Yes | N | 8 | Yes | No | Yes | - | - | - | - |
| India | Yes | AN | 10 | - | - | AN | 10 | - | - | - | - | - | - | - |
| Latvia | No | N | - | - | Yes | N | - | - | - | No | N | - | - | - |
| Lithuania | No/1 | N | - | Yes | Yes | N | - | Yes | No | Yes | AN | - | Yes | No |
| Malta / 1 | No/1 | AN | Vary | No | Yes | N | 9 | Yes | Yes | Yes | N | 8 | Yes | No |
| Russia | Yes | N | - | - | - | - | - | - | - | - | - | - | - | - |
| Singapore | Yes | AN | 9 | Yes | No | AN | 9 | Yes | No | Yes | AN | 9 | Yes | No |
| Slovenia | Yes | N | 8 | Yes | No | N | 8 | Yes | No | Yes | AN | 10 | Yes | No |
| South Africa | Yes | N | 10 | Yes | No | N | 10 | Yes | No | Yes | N | 10 | Yes | No |

Source: Information series compiled by CFA Working Party 8 and country survey responses.

/1. Austria, Netherlands, Spain—same TIN for both direct tax and indirect tax purposes; Belgium—BE+10 digits; Canada and USA—use social security/ insurance number for individuals; Chile, Denmark, Korea, Lithuania, Malta, and Norway—use citizen identification number for PIT; Czech Rep.—one TIN for all taxes; Denmark—VAT identifier is the exact same as identifier for corporate income tax; Finland, Sweden—social security number for PIT and individual VAT, business registration number for CIT and corporation VAT; Germany—Legislation on use of TIN for both individuals and legal entities are recently enacted, but technical implementation is still underway. Unique VAT TIN is for taxpayers with cross-border activities.; Greece—TIN for VAT is same to those for PIT and CIT; Mexico—VAT TIN has 12 digits for legal entities, 13 digits for individuals; UK—for companies only; Norway—VAT TIN is part of that of PIT or CIT; Singapore—National Identification Card number for PIT, company/business registration number for CIT & GST, year of birth or registration included; Switzerland—Direct taxes are imposed by 26 Cantons while VAT is imposed by Swiss Federation; United Kingdom—a separate numbering system (i.e. the National Insurance Number) applies to PAYE taxpayers who do not self assess and file returns.

Table 32: Use of Taxpayer Identifiers for Information Reporting and Matching

| COUNTRY | Use of taxpayer identifiers (or some other number) for information reporting and matching /1 | | | | | |
|---------------------------------------|--|--------------------------------|----------|----------|---------------------------|------------------------|
| | Wages | Pensions & government benefits | Interest | Dividend | Asset sales and purchases | Prescribed contractors |
| <i>1) OECD Countries</i> | | | | | | |
| Australia | Yes | Yes | Yes | Yes | No | No |
| Austria | Yes | Yes | No | No | No | No |
| Belgium | Yes | Yes | No | No | Yes | Yes |
| Canada | Yes | Yes | Yes | Yes | Some | Yes |
| Czech Rep. | Yes | Yes | Yes | Yes | Yes | Yes |
| Denmark | Yes | Yes | Yes | Yes | No | No |
| Finland | Yes | Yes | Yes | Yes | Yes | Yes |
| France | Yes | No | No | No | No | Yes |
| Germany | Yes | No /2 | No | No | No | No |
| Greece | Yes | Yes | No | No | No | Yes |
| Hungary | Yes | Yes | Yes | Yes | Yes | Yes |
| Iceland | Yes | Yes | No | Yes | Yes | Yes |
| Ireland | Yes | Yes | Yes | No | No | Yes |
| Italy | Yes | Yes | Yes | Yes | Yes | Yes |
| Japan | No | No | No | No | No | No |
| Korea | Yes | Yes | Yes | Yes | Yes | Yes |
| Luxembourg | Yes | Yes | No | Yes | Yes | Yes |
| Mexico | Yes | Yes | Yes | No | Yes | Yes /2 |
| Netherlands | Yes | Yes | Yes | Yes | Yes | No |
| NZ | Yes | Yes | Yes | Yes | No | Yes |
| Norway | Yes | Yes | Yes | Yes | Yes | Yes |
| Poland | Yes | Yes | No | Yes | Yes/No | Yes |
| Portugal | Yes | Yes | No | Yes | Yes | Yes |
| Slovak Rep. | No | No | No | No | No | No |
| Spain | Yes | Yes | Yes | Yes | Yes | Yes |
| Sweden | Yes | Yes | Yes | Yes | Yes | No |
| Switzerland | No | No | No | No | No | No |
| Turkey | Yes | No | Yes | Yes | Yes | No |
| UK | Yes | Yes | No | No | Yes | Yes |
| USA | Yes | Yes | Yes | Yes | Yes | Yes |
| <i>2) Selected Non-OECD Countries</i> | | | | | | |
| Argentina | Yes | No | Yes | Yes | Yes | Yes |
| Brazil | Yes | Yes | Yes | Yes | Yes | Yes |
| Chile | Yes | Yes | Yes | Yes | No | No |
| China | Yes | No | No | No | No | Yes |
| Cyprus- IR | Yes | Yes | Yes | Yes | Yes | Yes |
| Cyprus- VAT | No | No | No | No | No | No |
| Estonia | Yes | Yes | Yes | Yes | No | No |
| India | - | - | - | - | Yes | - |
| Latvia | Yes | No | No | No | No | No |
| Lithuania | Yes | Yes | Yes | Yes | Yes | Yes |
| Malta- IR | Yes | Yes | Yes | Yes | Yes | Yes |
| Malta- VAT | No | No | No | No | No | No |
| Russia | Yes | Yes | Yes | Yes | Yes | Yes |
| Singapore | Yes | Yes | Yes | Yes | Yes | Yes |
| Slovenia | Yes | Yes | Yes | Yes | No | No |
| South Africa | Yes | Yes | Yes | Yes | Yes | Yes |

Source: Country survey responses.

/1. Types of identifiers used are described in Table 31.

/2. **Germany**—legislation enacted, but technical implementation underway; **Mexico**—contractors done with the government.

Table 33. Use of Electronic Services in Taxpayer Service Delivery

| COUNTRY | Electronic filing take-up rates in 2004 (%) | | | Methods for the collection of tax payments (ranking (and %) in terms of relative usage) | | | | | | | |
|--------------------------|---|----------------------|-----------|---|---------------|--------------|-----------------------|---------------|--------------------------------|-------------------|--|
| | Personal income tax | Corporate income tax | VAT | Phone banking | Direct online | Direct debit | Payment kiosk | Mailed cheque | In person at tax body or agent | In person at bank | |
| <i>1) OECD countries</i> | | | | | | | | | | | |
| Australia | 80 | 88 | 36 | 2 | 4 | 5 | - | 3 | 1 | - | |
| Austria | 10 | 30 | 80 | 2 | 6 | 1 | 7 | 1 | 3 | - | |
| Belgium | 3 | 1 | 9 | 1 | 1 | 1 | 1 | 1 | No | 1 | |
| Canada | 48 | 1.5 | 11 | /1 | 3(14) | <1% | <1% | 1(42) | 4(7) | 2(37) | |
| Czech Rep. | 1 | 1 | 1 | - | - | 1(97.64) | - | 3(0.55) | 2(1.81) | - | |
| Denmark | 68/1 | n.avail. | 60 | 1 | 1 | - | - | 3 | 5 | 4 | |
| Finland | - | 1 | 35 | - | 1(60) | 3(8) | 2(34)/1 | 4(6)/1 | - | 5(5) | |
| France | 4 | 26 | 2 | - | 2 | 1 | 3 | - | - | - | |
| Germany/1 | 7 | - | 19 | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | n.avail. | |
| Greece | 4 | - | 51 | 4 | 3 | 1 | n.applic. | n.applic. | 2 | - | |
| Hungary | 2.5 | 3.4 | 6.1 | 2 | 5 | 6 | 4 | 1 | 3 | - | |
| Iceland | 86 | 99 | 16 | 1 | - | - | - | - | 2 | - | |
| Ireland | 62/1 | 18 | 13 | - | 2 | 3 | - | 1 | 4 | - | |
| Italy/1 | 100 | 100 | 100 | 1 | 2 | - | - | - | - | - | |
| Japan/1 | n.avail. | n.avail. | n.avail. | - | n.avail. | n.avail. | - | n.avail. | n.avail. | - | |
| Korea | 43 | 92 | 50 | 4 | 3 | - | 5 | - | 2 | 1 | |
| Luxembourg | - | - | 8 | - | - | - | - | 1 | 1 | - | |
| Mexico | 48 | 100 | 55 | 1 | 2 | - | - | - | - | - | |
| Netherlands | 69 | n.avail. | - | - | - | 1 | - | - | - | - | |
| N. Zealand | 56 | 67 | 9 | 3 | 5 | 2 | - | 1 | 4 | - | |
| Norway | 37 | 47 | 38 | - | 1 | 2 | - | 4 | 3 | - | |
| Poland/1 | n.applic. | n.applic. | n.applic. | - | - | - | - | - | - | - | |
| Portugal/1 | 24 | 100 | 83 | - | - | 2 | - | 3 | 1(46) | 4 | |
| Slovak Rep. | - | In course of testing | - | - | - | - | - | - | - | 1 | |
| Spain | 23 | 17 | 21 | 3 | 2 | 1 | - | - | - | - | |
| Sweden | 15 | - | 3 | 1 | 1 | 1 | - | - | - | - | |
| Switzerland/1 | Vary | Vary | n.avail. | - | - | - | Various in 26 Cantons | - | - | - | |
| Turkey | 30 | 72 | 70 | - | - | - | - | 1 | 1 | - | |
| UK | 17 | 1 | 0.2 | 3 | 4 | 2 | 6 | 1 | 5 | - | |
| USA | 47 | 1 | n.applic. | - | 4(4) | 2(28) | - | 1(46) | 3(22) | - | |

| COUNTRY | Electronic filing take-up rates in 2004 (%) | | | | Methods for the collection of tax payments (ranking (and %) in terms of relative usage) | | | | | | | |
|---------------------------------------|---|----------------------|----------|--|---|---------------|--------------|---------------|---------------|--------------------------------|-------------------|--|
| | Personal income tax | Corporate income tax | VAT | | Phone banking | Direct online | Direct debit | Payment kiosk | Mailed cheque | In person at tax body or agent | In person at bank | |
| <i>2) Selected non-OECD countries</i> | | | | | | | | | | | | |
| Argentina | 18 | 34 | 30 | | 5 (0.1) | 4 (1.6) | 3 (2.8) | - | - | 2 (8.5) | 1 (87) | |
| Brazil | 98 | 100 | - | | - | - | - | - | - | - | 1 / 1 | |
| Chile | 83 | 92 | 38 | | - | 1 | 1 | - | 4 | 3 | - | |
| China | - | - | - | | 4 | 3 | 2 | - | 5 | 1 | - | |
| Cyprus-IR | 15 | n.avail. | - | | - | - | 3 | - | 2 | 1 | - | |
| Cyprus- VAT | - | - | 1 | | - | - | - | - | 2 | 1 | - | |
| Estonia | 59 | - | 75 | | - | - | - | - | - | - | - | |
| India | - | - | - | | - | - | - | - | - | - | - | |
| Latvia /1 | - | - | 8.6 | | - | - | - | - | - | - | - | |
| Lithuania | 14 | 34 | 35 | | 3 | - | - | - | 1 | 2 | - | |
| Malta- IR | 21 | 82 | - | | 4 | 3 (0.6%) | - | - | 1 (80.4%) | 2 (19%) | - | |
| Malta- VAT | - | - | n.avail. | | - | - | - | - | 1 | 2 | - | |
| Russia | - | - | - | | - | - | - | - | - | - | - | |
| Singapore | 67 | 84 | 12 | | 5 (0.43) | 6 (0.18) | 1 (82.95) | 2 (6.59) | 3 (4.96) | 4 (4.60) | No | |
| Slovenia /1 | 0.1 | - | 4 | | - | - | - | - | - | - | - | |
| South Africa | 4.5 | - | 6.96 | | - | 1 | 3 | - | 2 | 2 | - | |

Sources: Country survey responses.

/1. **Belgium**—tax payment to bank account of tax administration is mandatory; cash payments are not allowed; **Brazil**—payment can be made only through banking system; **Canada**—phone banking included in the 'direct online' category; **Denmark**—percentage indicated relates to the proportion of pre-populated where adjustments were advised by electronic means; **Finland**—the second important is GIRO ATM method and the fourth important is payment service envelope method with which taxpayer puts bills to be paid in an envelope (offered by bank) to the bank and taxpayer's account is charged accordingly, payment by mail or by cheque is no longer used; **Germany**—Figures are partly estimates. Electronic filing take-up rate of PIT is 13% and that of VAT is 90% in 2005. VAT electronic filing is mandatory for most taxpayers from 2005; **Ireland**—personal income tax take-up rate is 53% if employee group targeted for non-electronic return only are included; **Italy**—tax professionals must use e-file arrangements, companies can also present them at banks or post offices which must capture all requisite relevant data and transmit these electronically to the tax agency; bank and post offices are reimbursed by the revenue authority for the cost of this service (on average €7 per return), which in 2003 covered around 1% of returns; **Japan**—electronic filing system became available in June 2004; **Singapore**—CIT for estimated assessment, GST e-filing launched in Dec. 2004, phone banking includes internet banking and ATM; **Latvia**—payment methods are 'From taxpayer's account' or 'Hard net cash by using brokerage of the credit institution'; **Poland**—Electronic filing is planned on August 2006; **Portugal**—Electronic filing take-up rates of personal income tax are 37% in 2005 and 48% in 2006, direct on line payment is made by ATM; **Slovenia**—100% of tax payments are made via commercial banks; **Switzerland**—Direct taxes are imposed by 26 Cantons while VAT is imposed by Swiss Federation.