Tax Administration 2013

COMPARATIVE INFORMATION ON OECD AND OTHER ADVANCED AND EMERGING ECONOMIES

OECD

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OECD
BETTER POLICIES FOR BETTER LIVES

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Abbreviations and Acronyms

ACSI	American Customer Satisfaction Index
AE	Agenzia Entrate (Italy's revenue body)
AFIP	Argentina's revenue body
AN	Alpha-numeric
AO	Adjudicator's Office
AO	The Adjudicator's Office – United Kingdom
ATIP	Access to Information and Privacy
ATO	Australian Taxation Office
ATP	Aggressive Tax Planning
AWDL	Average working days lost
BAS	Business activity statements
BoMOF	Board of Management Oversight Framework
CAP	Core Audit Programme
CC	Call centre
CE	Continuing education
CFA	Committee on Fiscal Affairs
CIT	Corporate income tax
CPTA	Certified public tax accountants
CRA	Canada Revenue Agency
CTPA	Centre for Tax Policy and Administration
DFID	Department for International Development
DGFIP	France`s Tax Administration
DIAN	Colombia's National Tax and Customs Administration
DPC	Data processing centres
DT	Direct Taxes
DZIT	Department of Zakat and Income Tax (Saudi Arabia)
EC	European Commission
ECA	External collection agents

ECF	Employment Control Framework
EISS	European Institute of Social Security
EOI	Exchange of Information
ERM	Enterprise Risk Management
ETCB	Estonia's Tax and Customs Board
ETSP	Electricians' Tax Safe Plan
EU	European Union
FTA	Forum on Tax Administration
FTE	Full-time equivalent
FTS	Federal Tax Service (Russian Federation)
GDP	Gross domestic product
GST	Goods and Services Tax
HMRC	Her Majesty's Revenue and Customs (United Kingdom)
HNWI	High Net Wealth Individuals
HRD	Human Resource Development
HRM	Human Resource Management
HST	Harmonised Sales Tax
ICAEW	Institute of Chartered Accountants in England and Wales
ICPAS	Institute of Certified Public Accountants of Singapore
IGT	Inspector-General of Taxation
IMF	International Monetary Fund
IRAS	Inland Revenue Authority of Singapore
IRBM	Malaysia's Board of Management for Inland Revenue
IRD	Inland Revenue Department – New Zealand
IRS	Internal Revenue Service – United States
IT	Information technologies
IVR	Interactive voice response
L&R	Legal and Research
LB&I	Large Business and International
LTU	Large Taxpayer Unit
MAF	Management Accountability Framework
MDMO	Multiple directorates in MOF
MOF	Ministry of Finance
NAFA	National Agency for Fiscal Administration (Romania)

NAO	National Audit Office
NRA	National Revenue Agency (Bulgaria)
NRP	National Research Programme
NTCA	Netherlands Tax and Customs Administration
OCS	Organisational Climate Survey
OIG	Treasury Office of the Inspector General (United States)
OPR	Office of Professional Responsibility
OVDP	Offshore voluntary disclosure programme
PAYE	Pay-as-you-earn tax
PIT	Personal income tax
PTIN	Preparer Tax Identification Number
RICS	Return Integrity and Correspondence Services
ROS	Revenue On-Line Service (Ireland)
RRA 98	The Internal Revenue Service Restructuring and Reform Act of 1998 – United States
RTI	Real Time Information
RTO	Return Preparer Office
SARS	South Africa Revenue Service
SCM	Standard Cost Model
SDMO	Single directorate in Ministry of Finance
SIATP	Singapore Institute of Accredited Tax Professionals
SME	Small and medium-sized enterprises
SMT	Social media technologies
SSC	Social Security Contributions
STA	Swedish Tax Agency
STI	State Tax Inspectorate (Lithuania)
TA	Tax Academy
TALC	Tax Administration Liaison Committee
TAS	Taxpayer Advocate Service (United States)
TAS	Tax Agent Services
TBS	Treasury Board Secretariat
TCMP	Taxpayer Compliance Measurement Programme
BES	The islands of Bonaire, Sint Eustatius and Saba
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Numbers

TO	Taxpayers' Ombudsman
TRP	Tax Return Preparer
USB	Unified semi-autonomous body
USBB	Unified semi-autonomous body with formal board or advisory group comprised of external officials
VAT	Value added tax
VDP	Voluntary Disclosure Programme
VERO	Finnish Tax Administration
VRU	Voice response unit
WB	World Bank

Executive summary

Tax Administration 2013 (previously published as the Comparative Information Series) offers a broad view of tax system administration in OECD and other countries. The series draws attention to the many developments and trends in operational performance. This executive summary presents the key points covered in this report.

- Institutional and organisational reforms are a prominent feature of efforts in many countries as governments strive to improve efficiency and effectiveness; in particular, these include;
  - The establishment of revenue institutions with increased autonomy and, in a number of countries (*e.g.* Hungary, Malta, Portugal, and the Slovak Rep.), integrating the administration of tax and customs operations;
  - Decisions to integrate the collection of tax and social security contributions (*e.g.* in the Czech and Slovak Republics) over the medium term; similar reforms have also been foreshadowed for some other countries (*e.g.* Greece and Portugal) for the longer term;
  - The introduction of organisational structures with reduced layers of management and providing for a more centralised form of national management (*e.g.* Estonia, Finland, and Latvia); ongoing efforts to establish taxpayer segment-based compliance structures, including for large taxpayers (*e.g.* in Belgium, Czech Rep., and Portugal);
  - In some countries (*e.g.* Greece, Norway, and Portugal), there are wide-ranging programmes underway to significantly downsize the size of office networks.
- An increasing number of revenue bodies are taking steps to increase the focus of their planning, monitoring and evaluation towards the "outcomes" being achieved from their administration (*e.g.* taxpayers' compliance, service quality, taxpayers' compliance burden, and levels of taxpayer satisfaction); the series provides examples of outcomes-focused reporting from official revenue body publications concerning taxpayers' compliance, service delivery performance and taxpayers' perceptions of administrative competence.
- Chapter 4 draws attention to many of the human resource management challenges that revenue bodies must confront as relatively large employers within their respective public sectors and, in particular, highlights issues related to high rates of attrition, relatively low levels of academically qualified staff, and ageing workforces that apply to some revenue bodies.
- Revenue bodies in many countries (*e.g.* Australia, Canada, Denmark, and Ireland) are subject to cost-cutting/downsizing mandates although for some (*e.g.* Netherlands and United Kingdom) there is potential to re-invest savings in revenue-producing compliance improvement initiatives; analyses of resource data

and a range of associated comparative ratios suggest fairly large variations in operational efficiency although more detailed benchmarking would be needed to be conclusive and informative on this aspect.

- The series provides a broad array of performance-related data aggregates and ratios for some critical areas of administration, for some categories covering up to seven years to highlight trends; important observations here include:
  - In overall terms, there is an increasing trend in the proportion of tax being refunded to taxpayers, with implications for revenue body workloads and the risk of tax fraud, although for some countries this trend appears to have been partly influenced by reduced tax revenues arising in the aftermath of the global financial crisis.
  - Concerning service delivery, the data reported when presented in a relative and comparative context suggest that many revenue bodies have considerable potential to eliminate and/or shift taxpayer service demand from costly to more cost efficient service channels (*e.g.* self-service via the Internet); many revenue bodies appear to not have sufficient data (and knowledge) of their service demands for some of their more costly service channels (*e.g.* in-person and phone inquiries); the practice of applying performance standards for key areas of service delivery and reporting the performance actually achieved remains a relatively immature practice; on a positive note, the series provides a good range of examples from a broad cross-section of revenue bodies of responsive service standards and exemplary performance.
  - Concerning tax debts, average tax debt levels in OECD countries continued to ease in 2011 following their peak in 2009 (*i.e.* the year following the global financial crisis) but remain in excess of 20% of the average level reported for 2007; the incidence of unpaid taxes, as reflected in the relative value size of debt inventories, varies enormously across the 52 surveyed countries, suggesting that there are also substantial variations in the overall incidence of taxpayers' payment compliance.
- With considerable emphasis being placed on improving operational efficency and service delivery, the provision of modern electronic services by revenue bodies has become essential; importantly, the series observes that:
  - Good progress is being made with the establishment of systems of electronic filing of tax returns and over half of all surveyed revenue bodies now achieve usage for the majority of their clients for each of the major taxes (*i.e.* PIT, CIT, and VAT); however, there remains a small core of revenue bodies where there is potential for substantially greater usage (+75%) across each of the major taxes;
  - The pre-filling of personal income tax returns continues to evolve with almost half of revenue bodies reporting some use of this approach; seven revenue bodies (*e.g.* in Denmark, New Zealand, and Sweden) reported they fully prepare tax returns (or equivalent tax summaries) for the majority of their PIT taxpayers; and
  - Reasonable progress is being made in the automation of tax payments from taxpayers and high levels of proficiency were reported by a number revenue bodies (*e.g.* Chile, Estonia, France, and Sweden); however, almost 40% of revenue bodies do not appear to have adequate knowledge of such usage and

are therefore unaware of the potential for savings (both for them and their taxpayers), while almost half still provide relatively costly on-site payment services for taxpayers.

- Relatively few countries appear to have comprehensive laws in place regulating the tax administration-related responsibilities of tax intermediaries, while there is a significant disparity in the range of services offered by revenue bodies to tax intermediaries; generally speaking, many revenue bodies appear to have considerable potential for leveraging improved tax compliance and easing taxpayers' compliance burden by increasing engagement with tax intermediaries and their representatives and/or offering a comprehensive range of services to facilitate their interaction with the tax system

- The series provides a fairly extensive description of key elements of the legislated administrative frameworks (*e.g.* taxpayers' rights and return filing and payment regimes) in place for tax administration; among many observations, the series notes that:

  - A number of countries appear to have potential to vary the design of their payment and/or reporting mechanisms (for PIT, CIT, and/or VAT) to achieve one or more benefits; for some, this would entail changes that advance the collection of taxes, while for others changes that reduce taxpayers' compliance burden.

  - Use of voluntarily disclosure policies and programmes appears to be an under-utilised strategy for many revenue bodies; results from selected countries indicate they can be an effective tool for encouraging taxpayers to report past acts of non-compliance.

Introduction

Tax Administration 2013 is the fifth edition of the OECD Centre for Tax Policy and Administration's Comparative Information Series. This series provides internationally comparative data on aspects of tax systems and their administration in 52 advanced and emerging economies. 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 ministries of finance and revenue bodies to improve the design and administration of their tax systems.

The information provided in this edition has been obtained from a survey of revenue bodies in the countries covered by the series conducted in 2012, and from research of revenue bodies' key corporate documents (*e.g.* strategic plans and annual performance reports), other OECD tax publications and other sources conducted by officials of the OECD's Centre for Tax Policy and Administration. 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.

As for prior editions, a selection of non-OECD countries has also been included in the series to enhance the objective of providing a rich set of international comparisons and to benefit a larger number of economies. The criteria used to identify non-OECD countries invited to participate in the series were:

- Countries that are formal observers to the CFA (*i.e.* Argentina, China, India, South Africa, and the Russian Federation);
- Non-OECD countries that are members of the European Union (*i.e.* Bulgaria, Cyprus [1, 2], Latvia, Lithuania, Malta, and Romania);
- Countries whose revenue body has worked closely with the FTA over recent years (*i.e.* Colombia, Hong Kong (China), Malaysia and Singapore); and
- G20 countries not captured by the abovementioned criteria (*i.e.* Brazil, Indonesia and Saudi Arabia).

The series identifies fundamental elements of modern tax administration systems and uses data, analyses and examples to highlight key trends, recent innovations, and examples of good practice and performance measures/indicators. It also includes reasonably comprehensive data and related ratios on resource usage and revenue body performance, for some categories including data for the seven years up to fiscal year 2011. Armed with such knowledge, revenue body officials should be better equipped to undertake their own comparative analyses and benchmarking studies, particularly for performance-related aspects and for assessing comparative efficiency.

The publication is structured as follows:

- Chapter 1 describes the institutional arrangements put in place by Governments to conduct national revenue administration operations, including related oversight bodies.
- Chapter 2 outlines the organisational set-ups adopted by revenue bodies and identify important reforms recently implemented, in course of adoption, or planned.
- Chapter 3 provides brief information on revenue body practices for specific aspects of strategic management, including the management of taxpayers' compliance.
- Chapter 4 provides an overview of human resource management aspects, including recruitment, development, performance management, and remuneration.
- Chapter 5 provides summary data and analyses (covering multi-years) of the resources allocated to revenue bodies to administer national tax laws.
- Chapter 6 sets out summary operational performance data (covering multi-years) for key areas of administration (*e.g.* revenue collections and refunds, service delivery, verification, disputes, and debt collection).
- Chapter 7 identifies approaches and developments with the provision of modern electronic services to assist taxpayers meet their tax obligations, and include performance data concerning the take-up of electronic filing and payments systems and use of prefilled tax returns.
- Chapter 8, a new addition to the series, describes features of revenue bodies' approaches for supporting the work of tax intermediaries.
- Chapter 9 provides an overview of the legal/administrative frameworks in place for tax collection including: taxpayers' rights; provision of rulings; return filing, tax payment and assessment (major taxes); information gathering, enforced debt collection, and sanctions.

The publication concludes with a set of tables containing important historical tax-related data that are used to compute the ratios contained in chapters five and six, and a summary of individual country/revenue body-related information.

Notes

1. Footnote by Turkey:

   The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus" issue."

2. Footnote by all the European Union Member states of the OECD and the European Union:

   "The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus."

Chapter 1

Institutional arrangements for tax administration

This chapter provides details of the institutional arrangements put in place by governments to conduct national revenue administration operations in the 52 countries covered by the series.

Key points

Institutional arrangements

- The majority of countries (around 60%) have adopted the "unified semi-autonomous body" form of institutional setup for the revenue body responsible for the administration of direct and indirect taxes; in 11 countries, a formal management/advisory board comprised of external representatives has been established as part of the overall governance framework.
- Other less autonomous forms of institutional setups include: 1) a single directorate within the ministry of finance (MOF) comprising all relevant functions and responsible for both direct and indirect taxes (nine countries); 2) a set of multiple directorates/agencies within the formal structure of the MOF (nine countries); and 3) separate direct and indirect tax administrations, generally comprising all relevant functions (five countries).
- There is a clear dichotomy of approach taken to the collection of social security contributions (SSCs), a major source of tax revenue in many countries – of the 32 OECD countries with SSC regimes 19 administer their collection through separate social security bodies, while the balance have integrated their collection with tax administration operations; of the 18 non-OECD countries, seven have integrated SSC and tax collection; two countries are currently planning integration (i.e. Czech Rep and Slovak Rep.,) to improve the efficiency and effectiveness of SSC collection and enforcement while integration has also been foreshadowed as a possible future development in both Greece and Portugal.
- Twelve OECD member countries have aligned the operations of tax and customs operations within a single agency, including Hungary (2011), Portugal (2012) and Slovakia (2011), while Malta has enacted legislation to achieve this outcome; in the 18 non-OECD countries, the alignment of tax and customs within a single agency has been adopted in six countries.
- The national revenue body in the majority of European countries is also responsible for the administration of property taxes (and often, motor vehicle taxes); elsewhere, these taxes are generally administered by revenue bodies of sub-national governments.

Non-tax related functions

- Many revenue bodies reported they have been given additional tasks of a non-taxation nature (e.g. payment of social welfare benefits, the collection of non-tax debts such as child support, student loans, and administration of elements of the Government's retirement income policy

Autonomy of revenue bodies

- The degree of autonomy of surveyed revenue bodies varies significantly; the powers least frequently devolved are: 1) to design their internal structure (16 countries); 2) budget allocation discretion (11 countries); 3) to set the levels and mix of staff within overall budget limits (16 countries); and 4) to influence/negotiate staff remuneration levels (23 countries).

Special complaints handling and tax administration oversight bodies

- Governments in eleven countries have established independent and dedicated bodies to handle tax administration-related complaints (e.g. a tax ombudsman), while in most other countries dealing with taxpayers' complaints is the responsibility of the government Ombudsman's Office (or something similar); two countries have established separate and independent tax administration oversight bodies.

This chapter is structured as follows:

1. Introduction;
2. The revenue body as an institution;
3. The extent of revenue body autonomy;
4. The scope of responsibilities of revenue bodies (including non-taxation roles);
5. Special governance arrangements; and
6. Special institutional arrangements for dealing with taxpayers' complaints etc.

Introduction

In most countries, the tax system is responsible for generating the vast bulk of revenue required to fund public services. Given the range and nature of the laws to be administered, the systems of assessment and self-assessment enacted, and the large numbers of clients, revenue bodies require adequate powers and autonomy to perform in an efficient and effective manner. On the other hand, they must operate and be seen to operate in a fair and impartial manner, and be subject to a range of checks and balances to ensure transparency in their operations and proper accountability for their overall management of the tax system.

While this topic has not been the subject of detailed study by the FTA, valuable work has been carried out by other bodies to define the desirable features and characteristics of the institutional, organisational and operational arrangements appropriate for effective and efficient administration of a country's tax system. One example of such work is the set of *Fiscal Blueprints*[1] developed by the European Commission (EC) to guide EU candidate countries (and, presumably, countries already in the EU) in strengthening their revenue bodies.

The EC's fiscal blueprints, structured in the form of a diagnostic tool, are organised according to a logical structure in five groups and contain valuable practical guidance for revenue officials and others, expressed in terms of strategic objectives (or "principles"), relative weightings reflecting their perceived importance, and key indicators. These groups are 1) framework, structures and basis; 2) human and behavioural issues; 3) systems and functioning; 4) taxpayer services; and 5) support. The initial grouping covered by the blueprints – *Framework, structures and basis* – addresses the institutional and organisational arrangements appropriate for effective and efficient tax administration and it provides a useful backdrop for the comparative analysis in this series.

Box 1.1 sets out guidance from the blueprints concerning what is termed "the overall framework of a tax administration". This segment of the blueprints emphasises the following desirable features for a national revenue body:

- It is guaranteed an adequate level of autonomy;
- Its obligations are clearly translated into its mission, vision, and objectives;
- It has its own structure and powers for effectiv*e and efficient ope*ration;
- It is provided with adequate resources;
- It has a stable legal framework; and
- It is accountable for its operations and is subject to control and assessment.

More is said about the autonomy of revenue bodies covered by this series later in this chapter while many of the other matters are dealt with in later chapters.

Box 1.1. **EU Fiscal Blueprints: An overall framework for tax administration**

Strategic objectives	Key indicators *(abbreviated for this series)*
1. The tax administration is guaranteed an *adequate level of autonomy*	Is autonomy provided for by law? Is there a statutory basis defining to whom the head reports? Is autonomy reflected in its structure and operational responsibilities? Is it able to design and implement its own operational policy? Is there a clear description of responsibilities of bodies at the central, regional and local level?
2. The obligations of the tax administration ***are clearly translated into its mission, vision and objectives***	Are its tasks in line with its mission and vision? Does it draw up strategies providing objectives, benchmarks and plans for its operations? Is its mission publicised among taxpayers and other stakeholders, as well as among its personnel?
3. The tax administration has its ***own structure and powers*** allowing for efficient and effective operations	Does its structure allow the fulfilment of its tasks and obligations? Does it provide for the decentralisation of responsibilities, so that decisions concerning the taxpayer are made at the most appropriate level?
4. The tax administration is provided with ***adequate resources*** to implement and manage the tax system	Is it given sufficient resources and funding to ensure the efficient implementation of its policies and performance of duties? Does its funding result from budget dialogue based on performance agreements? Does its budget planning cycle cover several years, allowing strategic planning and the carryover of funding surpluses?
5. The tax administration is provided with a ***stable legal framework*** ensuring proper administration and enforcement of tax dues	Is it responsible for the formulation of laws concerning the assessment, collection and enforcement of taxes (leaving the responsibility for the formulation of other tax laws with the ministry of finance)? Is it provided by law with sufficient powers to efficiently undertake all its statutory responsibilities?
6. The tax administration is ***accountable*** for its operations ***which are subject to control and assessment***	Is there a system of internal audit in the tax administration? Is there an independent external institution carrying out the tax administration's audit of operations and assessing its performance?

Source: Fiscal Blueprints (European Commission, Taxation and Customs Union) 2007.

Guidance from the blueprints concerning the structural and organisational arrangements seen as desirable for effective and efficient tax administration are set out in Box 1.2. This segment of the blueprints highlights the importance of the following features:

- There is a unified body for tax administration:
  - responsible for all national taxes (direct and indirect) and with "linkages" to the collection of social contributions;
  - comprised of all the functions necessary for effective and efficient administration of the tax laws;

Box 1.2. **EU Fiscal Blueprints: Structure and administration**

Strategic objectives	Examples of key indicators
1. The tax administration is structured and organised to identify and manage all significant risks and priorities	Does it have systems and procedures for a quick identification and response to risks (both fiscal and other)? Is it structured to understand and meet the needs of key taxpayer groups or segments? Is there a large taxpayer unit (LTU) in place, at a national level, to deal with the most important companies? Are there special units with specific skills, offering operational economies of scale (*e.g.* intelligence, enforced collection)?
2. There is a unified tax administration	Is it responsible for all taxes and linked to social contributions? Is it responsible for all fiscal functions (assessment, collection, data processing, audit, taxpayer service and claim investigation) and organised accordingly (*i.e.* by function)? Do some other administrations or bodies play a role in the management of local taxes and is there any rationality for it?
3. The tax administration has a robust and adequately resourced headquarters function	Does it have a headquarters function able to undertake strategic and operational planning? Can headquarters' departments develop national programs and provide technical advice and guidance to operational units? Is there a specific department dealing with "think tank studies", the establishment of performance objectives, and the measurement, monitoring and evaluation of field operations? Is this department – or another specific unit – responsible for the identification, gathering, and dissemination of good practices and knowledge?
4. Clear relationship rules are established and agreed upon between the headquarters, regional and local levels	Do regional and local managers understand and support the business strategy and are they made responsible for its implementation? Are operational functions in place at central, regional and local levels appropriate and free of duplication or overlapping risks? Have regional and local managers sufficient flexibility in organising their business? Does the organisational structure allow most decisions concerning taxpayers to be made at the local level? Are internal audit systems in place to evaluate the operation of the tax administration and assess its performance?
5. A flexible and reactive allocation of resources	Does headquarters have performance indicators to evaluate workload and risks? Are these periodically reviewed and updated? Is the allocation of resources to operational units reviewed and adjusted accordingly?

Source: Fiscal Blueprints (European Commission, Taxation and Customs Union) 2007.

  - structured primarily on a functional basis, and with a dedicated large taxpayer operation overseeing the largest taxpayers; and
  - with a headquarters operation sufficiently resourced and empowered to carry out all strategic planning tasks, as well as provide guidance, technical advice, and direction and support to operational units.
- There are clearly defined responsibilities and relationships at the national, regional and local levels.
- There are flexible processes in place for resource allocation at all levels of the organisation.

More is said about the structural and organisational arrangements of revenue bodies covered by this series later in this chapter and, in particular, in Chapter 2.

The revenue body as an institution

There have been considerable changes in the organisation of public sector functions over the last decade. As noted in Kidd and Crandall (2006):

> Restructuring of government has been a constant theme over the last three decades as Governments have sought to deliver services more effectively and at a lower cost to citizens.

A key part of the reforms made has centered on organisational autonomy. As noted in Crandall (2010):

> […] there has been a tendency for governments to increase the autonomy of its departments and agencies. The basic principle is that such autonomy can lead to better performance by removing impediments to effective and efficient management while maintaining appropriate accountability and transparency.
>
> Autonomy can mean many things, including independence or even self-government, but in the context of public sector administration it usually refers to … the degree to which a government department or agency is able to operate independently from government, in terms of legal form and status, funding and budget, and financial, human resources and administrative practices […].
>
> While the trend toward increased autonomy is clearly a general one for governments, revenue administration has been very much at the forefront of this movement. Many believe there is a compelling case for increased autonomy for revenue administration because it is the source of revenue for the whole of government. It is recognised that the problems addressed by increased autonomy affect the entire government but, it is argued, such problems are felt much more acutely in revenue administration as compared to most other public sector activities, largely on account of the specialised skills needed and because of its revenue-producing role. This "uniqueness" argument may not be as strong as its proponents believe, especially in the context of world-wide public service reform and good governance initiatives.

Activity to reform revenue administration by revamping institutional arrangements and increasing revenue body autonomy has been uneven across countries covered by the CIS. As a result, there is in 2012 a fairly divergent set of institutional set ups in place. For the purposes of this series, four broad categories of institutional setups for conducting tax administration have been identified, although in practice there are a number of exceptions.[2] These are:

- **A single directorate in ministry of finance (MOF)**: Tax administration functions are the responsibility of a single organisational unit (*e.g.* a directorate) located within the structure of the ministry of finance (or its equivalent).
- **Multiple directorates in MOF**: Tax administration functions are the responsibility of multiple organisational units (*e.g.* directorates) located within the ministry of finance (often sharing necessary support functions such as information technology and human resources);
- **Unified semi-autonomous body**: Tax administration functions, along with necessary support functions (*e.g.* information technology, human resources) are carried out by a unified semi-autonomous body, the head of which reports to a government minister.
- **Unified semi-autonomous body with board**: Tax administration functions, along with necessary support functions (*e.g.* information technology, human resources) are carried out by a unified semi-autonomous body, the head of which reports to a government minister and oversight body/board of management comprised of external officials.

As indicated in Table 1.1, 31 of 52 surveyed countries have established a unified semi-autonomous body (or in the case of China a separate ministry) responsible for tax administration (and in some cases customs administration) operations, while the balance of countries operate with other (generally less unified and/or autonomous) models.[3] To a large extent, these varied institutional arrangements reflect underlying differences in the political structures and systems of public sector administration in surveyed countries, as well as longstanding historical practice. Key observations from the data provided are set out below:

- All but five surveyed countries (*i.e.* India, Luxembourg, Malaysia, Malta[4] and Cyprus) have merged the administration of direct and indirect taxes within a single revenue collection body; where this approach is not followed, tax administration is carried out by a number of separate directorates/agencies, generally forming part of the internal structure of the Ministry of Finance.
- In the 32 OECD member countries that have a separate regime of social security contributions (SSC), 19 countries have them collected by a separate social security agency (or multiple agencies),[5] while the balance of countries have integrated the collection of these revenues with normal tax administration operations; in the 15 of 18 non-OECD countries that administer SSC integration is preferred and eight countries adopt this approach.
- Thirty four countries have separate bodies for tax and customs administration; of these, 18 countries have allocated excise administration to the customs body, not the revenue body.
- The national revenue body in the majority of 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 the revenue bodies of sub-national governments.

Table 1.1. **Institutional arrangements for tax administration**

Country	Nature of body*	Major tax types administered by the national revenue body/multiple directorates						
		PIT	SSC	CIT	VAT	Excises	Real estate	Other taxes: Estate: **E**; Wealth: **W**; Motor vehicle: **M**
OECD countries								
Australia	USB	✓	n.app.	✓	✓	✓	x	-
Austria	SDMOF	✓	x	✓	✓	✓	x	M
Belgium	MDMOF/1	✓	x	✓	✓	✓	x	M/1
Canada	USBB	✓/1	✓/2	✓/1	✓/1	✓	x	/ 2
Chile	USB/1	✓	x/2	✓	✓	✓	✓	E -/3
Czech Rep.	USB	✓	x	✓	✓	x	✓	E, M
Denmark	USB/1	✓	x	✓	✓	✓	✓	
Estonia	SDMOF	✓	✓	✓	✓	✓	✓	M/2
Finland	USB	✓	✓	✓	✓	x/1	✓	E
France	SDMOF	✓	x	✓	✓	x	✓	E, W, M
Germany	Other/1	✓	x	✓	✓	x	✓/2	
Greece	MDMOF	✓	x/1	✓	✓	✓	✓	E, W, M
Hungary	USB	✓	✓	✓	✓	✓	x	E, M
Iceland	USB	✓	✓	✓	✓	✓	x	W, M
Ireland	USB	✓	✓	✓	✓	✓	x	E, M
Israel	SDMOF	✓	x	✓	✓	✓	✓	M
Italy	Other/1	✓	x	✓	✓	x	x	-
Japan	USB	✓	x	✓	✓	✓	x	E, M
Korea	USB	✓	x	✓	✓	✓	✓/1	E
Luxembourg	MDMOF/1	✓	x	✓	✓	✓	x	E, W
Mexico	USBB	✓	x	✓	✓	✓	x	
Netherlands	SDMOF	✓	✓	✓	✓	✓	x	E, M
New Zealand	USB	✓	n.app.	✓	✓	x	x	-
Norway	USB	✓	✓	✓	✓	x	x	E, W
Poland	MDMOF/1	✓	x	✓	✓	x	x	
Portugal	SDMOF	✓	x	✓	✓	✓	✓	E, M
Slovak Rep.	USB	✓	x/1	✓	✓	x	x	M
Slovenia	USB	✓	✓	✓	✓	x	✓	
Spain	USB	✓	x	✓	✓	✓	x	
Sweden	USBB/1	✓	✓	✓	✓	✓	✓	
Switzerland	SDMOF/1	✓	x	✓	✓	x	x	-
Turkey	Other/1	✓	x	✓	✓	✓	✓	
United Kingdom	USBB	✓	✓	✓	✓	✓	✓	E
United States	USBB	✓	✓	✓	n.app.	✓	x	E
Non-OECD countries								
Argentina	USBB/1	✓	✓	✓	✓	✓	x	
Brazil	USB/1	✓	✓	✓	x/2	x	✓	W
Bulgaria	USBB	✓	✓	✓	✓	x	x	
China	Other/1	✓	✓/2	✓	✓	✓	✓	
Colombia	USBB	✓	x	✓	✓	x	x	E, W
Cyprus	MDMOF/1	✓	x	✓	✓	✓	✓	-
Hong Kong, China	SDMOF	✓	x	✓	x	x	x	-
India	USB	✓	x	✓	x	x	x	W
Indonesia	SDMOF	✓	x	✓	✓	x	✓	-
Latvia	USB	✓	✓	✓	✓	✓	✓	M
Lithuania	USB	✓	x	✓	✓	✓	✓	
Malaysia	Other/1	✓	x	✓	x	x	✓	-
Malta	MDMOF/1	✓	✓	✓	✓	✓	x	-
Romania	USB	✓	✓	✓	✓	✓	x	
Russia	USB	✓	x	✓	✓	✓	✓/1	M
Saudi Arabia	SDMOF	x/1	x	✓	x	x	x	-
Singapore	USBB	✓	x	✓	✓	x	✓	E
South Africa	USBB	✓	✓/1	✓	✓	✓	x	E

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 51.

* **USB**: Unified semi-autonomous body; **USBB**: Unified semi-autonomous body with formal board or advisory group comprised of external officials; **SDMOF**: Single directorate in Ministry of Finance; **MDMOF**: Multiple directorates in MOF.

Source: CIS survey responses & Secretariat research (*e.g.* revenue body reports).

- Based on research conducted for this series, management boards/advisory bodies comprised of external members have been established in 11 countries to oversee and/or provide advice on the operation of tax administration arrangements.

The practice of establishing a separate unified body for tax administration covering all taxes (and sometimes customs), removed from the formal internal structure of the MOF (or its equivalent) and with a broad range of autonomous powers mirrors a broader development in public sector administration sometimes described as the "executive agency" model. The model, in a revenue administration context often referred to as the "revenue authority model", has been the subject of a fair amount of external scrutiny on behalf of various national and international organisations (Jenkins, 1994; Taliercio, 2004; Kidd and Cradall, 2006; Mann, 2004). The rationale for this model has been described in the following terms (Delay, Devas, and Hubbard, 1998):

> The arguments for the executive agency model relate primarily to effectiveness and efficiency: 1) as a single purpose agency, it can focus its efforts on the single task; 2) as an autonomous organisation, it can manage its affairs in a businesslike way, free of political interference in day-to-day operations; and 3) freed from the constraints of the civil service system, it can recruit, retain (or dismiss) and motivate staff to a higher level of performance.

It is beyond the scope of this series to explore in detail the pros and cons of this development other than to emphasise a few key points drawn from the cited research:

- Studies conducted to evaluate the success or otherwise of the "revenue authority" model for tax administration have not been able to draw any firm conclusions as to its overall impacts on revenue body efficiency and effectiveness.
- As noted in a 2005 study report prepared by the UK Department for International Development (DFID), and in other reports, on experience with revenue authorities, there are a number of practical issues concerning the quantification of any benefits resulting from the introduction of the model. These include: 1) measurement: the difficulty inherent in gauging the impacts, in quantitative terms, of a concept such as autonomy; 2) data: limitations with obtaining relevant data items on pre- and post-implementation basis; and 3) attribution/causality: the existence of exogenous factors that make it very difficult to establish causality and thus to attribute any observed benefits to specific initiatives (including the model itself).
- Effective implementation of the model requires various types of support (*e.g.* good relationships with the MOF, strong leadership by senior management, and human resource policies for achieving good performance and addressing poor performance).
- As noted in the IMF working paper, improved effectiveness and efficiency is likely to flow most directly from an ongoing commitment to the reform of structures, systems and processes, in particular, well designed programs of service and enforcement, the sound allocation of resources, and effective management. Implementation of a new governance structure is, at best, a first step in this direction.
- Many countries that have applied the model see it as a catalyst for reform. As noted in Kidd and Crandall (2006):

> Notwithstanding the lack of demonstrated basis for establishing a revenue authority, there is a strong perception held by those countries that have adopted the revenue authority concept that this particular governance model has made a significant contribution to reform and improved performance.

The extent of revenue body autonomy

Generally speaking, the range of powers given to a national revenue body depends on a range of factors including the system of government in place and the state of development of a country's public sector administration practices, as well as the institutional model adopted for tax administration. As noted earlier, increased autonomy brings with it a prospect of increased efficiency and effectiveness, but it has been difficult in practice to produce clear evidence of such outcomes. As outlined above and indicated in Table 1.1 over half of the OECD member countries have established semi-autonomous bodies while Table 1.2 provides a greater insight into the range and nature of powers that revenue bodies have been delegated. In practice, this autonomy includes some or all of the powers/responsibilities described in Box 1.3.

Box 1.3. **Typical powers of autonomous revenue bodies**

- ***Budget expenditure management***: Discretion to allocate/adjust budgeted administrative funds across administrative functions to meet newly emerging priorities. In practice, this power should enable a revenue body to use its resources more wisely, obtaining "better value for money spent".
- ***Organisation and planning***: Responsibility for: 1) determining the internal organisational structure of the revenue body to conduct tax administration operations, including network size and geographical location of tax offices; and 2) formulating the revenue body's strategic and operational plans. Effective exercise of these powers could be expected to enable a revenue body to be more responsive to changed circumstances, contributing to its overall efficiency and effectiveness.
- ***Performance standards***: Discretion to set its own administrative performance standards (*e.g.* for taxpayer service delivery).
- ***Personnel recruitment, development, and remuneration*****:** The ability to set academic/technical qualification standards for categories of recruits, and to recruit and dismiss 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 levels in accordance with broader public sector-wide policies and arrangements. In practice, effective use of these powers should enable the revenue body to make more effective use of its human resources.
- ***Information technology***: Authority to administer its own in-house IT systems, or to outsource the provision of such services to private contractors. Given the ubiquity of technology in tax administration, effective use of this responsibility could contribute enormously to overall organisational performance (including responsiveness).
- ***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. The proper exercise of this power in practice can be expected to assist taxpayers by clarifying the application of the law and its administration.
- ***Enforcement*****:** The authority to exercise, without referral to another body, certain enforcement powers associated with administration of the laws (*e.g.* to obtain information from taxpayers and third parties and to impose liens over property in respect of unpaid debts,). The proper exercise of this power enables revenue bodies to respond quickly to taxpayers' non-compliance.
- ***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. In practice, effective use of this power would engender greater flexibility to the revenue body in its treatment of taxpayers' non-compliance.

Table 1.2. **Delegated authority of national revenue bodies**

Country	Delegated authority that can be exercised by the national revenue body/1								
	Make tax rulings	Remit penalties/ interest	Design internal structure	Allocate budget	Fix levels/mix of staff	Set service standards	Influence staff recruitment criteria	Hire and dismiss staff	Negotiate staff pay levels
OECD countries									
Australia	✓	✓/2	✓	✓	✓	✓	✓	✓	✓
Austria	✓	✓	✓	✓	✓	✓	✓	✓	x
Belgium	✓/2	✓/3	x	x	x	✓	✓	x	x
Canada	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chile	✓	✓	✓	✓	✓	✓	✓	✓	✓
Czech Rep.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	✓	✓	✓	✓
Estonia	✓	✓	x	✓	✓	✓	✓	✓	✓
Finland	✓	✓	✓	✓	✓	✓	✓	✓	✓
France	✓	✓	✓	✓	✓	✓	✓	✓	✓
Germany/1	✓	✓	✓	x	x	✓	✓	✓	x
Greece	✓	✓	✓	✓	✓	✓	✓	✓	x
Hungary	✓	✓	x	✓	✓	✓	✓	✓	✓
Iceland	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ireland	✓	✓	✓	✓	✓	✓	✓	✓	x
Israel	✓	✓	✓	✓	✓	✓	✓	✓	x
Italy	✓	✓	✓	✓	x	✓	✓	✓	x
Japan	✓	✓	x	x	x	✓	✓	✓	x
Korea	✓	✓	x	✓	x	✓	✓	✓	x
Luxembourg	✓	✓/2	✓	x	x	✓	✓	x	x
Mexico	✓	✓	x/1	x/2	✓	✓	✓/3	✓	✓
Netherlands	✓	✓	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Norway	✓	✓	✓	✓	✓	✓	✓	✓	✓
Poland	✓	✓	x	✓	✓	✓	✓	✓	✓
Portugal	✓	✓	x	x	x	✓	✓	x	x
Slovak Rep.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Slovenia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Spain	✓/2	✓	✓	✓	✓	✓	✓/3	✓/3	✓
Sweden	✓	✓	✓	✓	✓	✓	✓	✓	✓
Switzerland	✓	✓	✓	✓	✓	✓	✓	✓	✓
Turkey	✓	✓	✓	x	x	✓	x	✓	x
United Kingdom	✓	✓	✓	✓	✓	✓/1	✓	✓	✓
United States	✓	✓	✓	✓	✓	✓	✓	✓	✓
Non-OECD countries									
Argentina	✓	x	✓	x	✓	✓	✓	✓	✓
Brazil	✓	✓/2	x	x	x	x	✓	x	x
Bulgaria	✓	x	✓	✓	✓	✓	✓	✓	✓
China	✓	✓	✓	✓	✓	✓	✓	✓	x
Colombia	✓	x	x	✓	x	✓	✓	✓	x
Cyprus	✓	✓/2	✓	✓	x	✓	x	x	x
Hong Kong, China	✓	x	✓	x	x	✓	✓	✓	x
India	✓	✓	✓	✓	✓	✓	✓	✓	x
Indonesia	✓	✓	x	x	✓	✓	✓	x	x
Latvia	✓	✓	x	✓	✓	✓	✓/2	✓	✓
Lithuania	✓	✓	x/2	✓	✓	✓	✓	✓	x
Malaysia	✓	✓	✓	✓	x	✓	✓	✓	✓
Malta	✓	✓/2	✓	✓	✓	✓	✓	x	x
Romania	✓	x	x	✓	x	✓	✓	✓	x
Russia	x	✓	✓	✓	✓	✓	✓	✓	✓
Saudi Arabia	✓	x	x	✓	x	✓	✓	x	x
Singapore	✓	✓	✓	✓	✓	✓	✓	✓	✓
South Africa	✓	✓	✓	✓	✓	✓	✓	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 53.

Source: CIS survey responses.

Based on revenue bodies' survey responses as reflected in Table 1.2, the areas of least flexibility/autonomy in an overall sense were:

1. the design of their own internal organisational structure (16 countries);
2. the ability to allocate budgeted funds to meet new priorities (11 countries);
3. the ability to determine the levels and mix of staff (16 countries);
4. the authority to hire and dismiss staff (9 countries)
5. the ability to influence/negotiate staff remuneration levels (23 countries).

Among OECD countries, the overall degree of autonomy appeared relatively limited in revenue bodies in Belgium, Japan, Luxembourg, Portugal and Turkey, based on the information reported by them.

Table 1.3 provides a summary of how the distribution of powers/autonomy aligns with the nature of the institutional body reported by surveyed revenue bodies. As will be evident from the data displayed those revenue bodies reporting that they were established as semi-autonomous bodies (with or without a board) tended to report having greater autonomy/freedom in relation to the design of their internal structure, the allocation of budgeted funds, fixing the levels and mix of staff, influencing staff recruitment criteria, hiring and dismissing staff, and negotiating pay levels.

Table 1.3. **Authority delegated to revenue bodies**

	Number of institutions with delegated authority in the areas specified					
Nature of authority delegated	Single or multiple directorate(s) within MOF	% of total number (16)	Semi-autonomous body with or without a board	% of total number (31)	Other	% of total number (5)
To make tax rulings	16	100	30	100	5	100
To remit penalties/interest	14	87	27	87	5	100
To design internal structure	10	62	24	77	4	80
To allocate budget	10	62	29	94	3	60
To fix levels and mix of staff	9	56	25	81	1	20
To set service standards	16	100	30	97	5	100
To influence staff recruitment criteria	14	87	31	100	5	100
To hire and dismiss staff	10	62	29	94	4	80
To negotiate pay levels	4	25	24	77	1	20

Even with increased autonomy, revenue bodies still must operate within frameworks designed to ensure they remain accountable to wider government and the citizens whom they serve. For some, these frameworks include the establishment of management boards and the existence of external agencies that are tasked to oversee the operation of the tax system. Both these areas are covered in more detail later in the chapter and in Chapter 2.

Scope of responsibilities of the revenue body

A unified body for the collection of direct and indirect taxes

Table 1.1 also provides an overview of the taxes administered by revenue bodies. With few exceptions, surveyed countries have unified the collection of direct and (most) indirect taxes. The most recent occurrence of unification was the UK's amalgamation of its Inland Revenue and Customs and Excise departments into a single organisation – Her Majesty's Revenue and Customs (HMRC) – that commenced operations in April 2005.

As of end-2011, the operation of separate tax bodies among surveyed countries is confined to very small number (*i.e.* Cyprus, India, Luxembourg, Malta, and Malaysia). In late-2011, Malta's Government enacted legislation that creates a position of "Commissioner of Revenue" that will head an integrated tax and customs body to be created in the coming years.

There is one fairly common exception to this more unified approach to administration. As reported in Table 1.1, 19 countries administer the collection of excises through a body other than the main revenue body, in most countries the body responsible for customs administration.

The collection of social security contributions

Social security contribution (SSC) regimes have been established in the vast majority of countries as a complementary source of government revenue to fund specific government services (*e.g.* health, unemployment and pensions).[6] As evident from the data in Table 6.1 (Chapter 6), SSC are the largest single source of government revenue in many OECD countries, particularly those in Europe. However, as indicated in Table 1.1, Governments have taken quite different paths as to how the collection of SSC should be administered.

Of the 32 OECD countries with separate social security regimes, ***the majority (some 19 countries) currently administer their collection through a separate social security agency (or a number of such agencies), rather than through the main tax revenue body.*** In the other 12 OECD countries, the collection of SSC has been integrated with tax collection. However, notwithstanding the dominance of the separate approach to SSC and tax collection, the clear trend over the last two decades has been towards integrating their collection. At the time of preparing this series, three countries – the Czech and Slovak Republics, and Japan – had work underway to integrate the collection of tax and SSC over the coming years while integration has been foreshadowed as a likely future direction for both Greece and Portugal.

Beyond OECD economies, this dichotomy in approach to government revenue collection is also apparent – Cyprus, Malaysia, Singapore and South Africa all administer the collection of SSC via a separate agency while other countries (*i.e.* Argentina, Brazil, Bulgaria, China (for some, but not all provinces), Estonia, Latvia, and Romania have integrated the collection of SSCs and tax revenue. The Russian Federation transferred responsibility for SSC collection to its revenue body in the early 2000s but subsequently reversed that decision following reform of its SSC regime.

The rationale for integrating the collection of taxes and social security contributions

The pros and cons of these fundamentally different approaches to administering government revenue collection have not been studied by the FTA. However, the operation of separate bodies for the collection of taxes and SSCs raises some obvious questions concerning their relative efficiency and effectiveness, not to mention the additional compliance burden imposed on businesses from having to deal with separate collection bodies.

Research by the IMF's Fiscal Affairs Department to identify the reasons why so many countries have chosen to integrate the collection of SSC with tax collection operations over the last decade or so provides some useful insights as to the potential benefits from an

Box 1.4. **The integration of tax and social security contributions (SSC) collection**

The main arguments for integration presented in the IMF working paper are as follows:

1. ***Commonality of core processes***: This argument for integration stems from the commonality of the core processes involved in the collection of tax and SSC, 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 via 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 in returns using modern risk-based audit methods.
2. ***Efficient use of resources:*** Countries that have moved to integrate SSC collection activities into their revenue administrations have often found that the marginal costs of expanding systems used for tax administration to include SSC 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.
3. ***Core competencies of tax and social organisations*:** Over time, tax administrations build core competencies in relation to revenue 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.
4. ***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, verification, and enforced collection of returns and payments. 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.
5. ***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.

integrated approach to tax and SSC collection (see Box 1.4). These considerations are likely to be particularly relevant to developing countries that are contemplating the establishment of SSC regimes or are experiencing difficulties with regimes already in place (in the absence of an integrated approach), and to advanced economies with separate regimes that are looking for opportunities to improve effectiveness and efficiency.

The arguments set out in Box 1.4 raise important considerations for Governments and are supported by the observed experiences of a number of countries that have integrated tax and SSCs collection.

In 2010, researchers working on behalf of the European Institute of Social Security (EISS) examined the approaches and experiences of five countries that had undertaken integration activities over the prior 10-15 years, including Estonia, Hungary, Netherlands and United Kingdom. In addition to many observations they concluded that integration can be a cost-effective and efficient approach, burdens on employers and individuals can be greatly reduced, collection is facilitated by new technologies and the ensuing opportunities for stricter control and enforcement procedures can be expected to result in higher contribution compliance, thereby safeguarding the sustainability of the social security systems. On the other hand, they acknowledge that in practice there are various obstacles and challenges that must be overcome to undertake a successful integration exercise. Proper planning and effective execution of the steps required is clearly critical to achieving the potential benefits to be realised. A brief summary of their observations is set out in Table 1.4.

Table 1.4. **Case studies: Obstacles, challenges and benefits with SSC integration**

Country	Obstacles and challenges	Benefits from integration
Estonia	• Implications to the registering, calculating and recording systems caused by the implementation of new procedures and the introduction of new forms. • Human resources and IT related problems. • Communication issues.	• Creation of a more efficient administration system. • Reduction of the administrative burdens for the employers. • Smoother introduction of the mandatory funded pension and unemployment insurance schemes. • Decrease of cases of SSC fraud.
Hungary	• ***Obstacles:*** In the beginning of the merger, the tax administration showed limited attention towards the specific needs of SSC collection, and the reforms were held up by legislation not yet adopted and updated. • ***Disadvantages:*** There was no precise information on the calculation basis of SSC and amounts actually paid for the social security administration because the collection was made in aggregate amounts (not always the same amount is used for the calculation of tax and social security contributions). There were also gaps in record-keeping due to the lack of a unified identifying number for contributors.	• Simplified administrative procedures for employers. • The overall collection procedure was more efficient. • There were stricter means of collection enforcement. • There was higher compliance with the SSC payment obligations.

Table 1.4. **Case studies: Obstacles, challenges and benefits with SSC integration** *(continued)*

Country	Obstacles and challenges	Benefits from integration
Netherlands	• ***Disadvantages:*** The vulnerability of the operation system due to the massive processes, the large flows of information, the transfer of data and the transfer of personnel, and data failures in the insurance file administration.	• Levying and collecting SSC were simplified. • The administrative burdens on employers were reduced. • The implementation costs for the government were reduced. • Contradictory decisions within administrative bodies have declined.
United Kingdom	• Complications caused by different legal frameworks that were in place. • The tax authority could only show limited attention towards the special nature and purpose of SSC.	• The elimination of duplicate operations in the accounting, reporting and collecting procedure. • The harmonisation and simplification of taxation and social security rules as a result of the administrative changes due to the merger. • Possibility to reinvest personnel in new programs achieving efficiency savings.

Source: Bakirtzi, E., P. Schoukens, and D. Pieters (2010), *Case Studies in Merging the Administrations of Social Security Contribution and Taxation*, European Institute of Social Security (EISS).

With increasing pressures on Government agencies to improve performance and cut costs, it is inevitable that other countries will take steps to consider the feasibility of integrating the collection of SSCs and taxes. At the time of preparing this series, three countries were undertaking preparations to integrate the collection of tax and SSCs in the coming years:

- ***Slovak Republic:*** A detailed account of plans to unify the collection of taxes and SSC within a single agency, and the rationale for this, were set out in CIS 2010 (pages 26-27). For this series, officials reported that integration is scheduled to take effect from January 2014 (although this date could be delayed owing to Parliamentary elections and the need to complete formalities).
- ***Czech Republic:*** Plans to re-organise tax administration into a single organisation (on 1 January 2011) and to transfer competence to collect SSC from the Czech Social Security Administration and health insurance funds to an integrated revenue agency (on 1 January 2013) were set out in CIS 2010 (page 27). For this series, officials reported that integrated collection will now commence in 2014.
- ***Japan*** reported that in a recent statement– *the Outline of Comprehensive Social Security and Tax Reform (Cabinet Decision on 17th February 2012)* – the (then) Government announced that it would immediately launch work to establish a "Revenue Agency" to collect both tax and social security premiums. Accordingly, a working team was set up to plan such an agency. However, with a change of government in December 2012 it is now unclear whether the proposal will be implemented.

Assistance provided by revenue bodies to social security agencies

In those countries where separate arrangements exist for tax and SSC collection, the overlapping nature of the revenue collection responsibilities of the respective bodies and their client base presents opportunities for co-operation and mutual assistance. In their survey responses, a number of countries indicated that this occurs in practice to varying degrees in a variety of ways (*e.g.* through use of common audit programs, information exchange between agencies, assistance with enforced collection of unpaid contributions, and collaboration to streamline information exchange procedures) – see Table 1.5.

On the other hand, quite a few revenue bodies, including a number where SSC are a substantial source of government revenue, reported that no practical assistance is provided to SSC agencies, raising questions as to amount of duplicated effort that occurs in administering both tax and SSC collection and whether there is potential for increased efficiency and effectiveness from a more collaborative "whole of government" approach to SSC administration.

Table 1.5. **Social security contributions: Assistance provided by revenue bodies not having primary collection responsibility**

Country	SSCs as share of all taxes in 2010 (%)	Revenue body assists SSC agencies	Nature of assistance provided by revenue body				Integrated collection of taxes and SSC	
			Verifies taxpayers' liabilities	Provides details of evasion	Collects SSC debts	Other roles/ actions	Study/plans underway	Expected timing of integration
OECD countries								
Austria	34.5	✓	✓	✓	x	✓/1	x	
Belgium	32.4	x	x	x	x	x	x	
Chile	6.9	✓	x/1	x	x	✓/2	x	
Czech Rep.	44.7	x	x	x	x	x	✓	2014
Denmark	2.1	✓	✓	✓	✓		x	
France	38.7	✓	x	✓	x	x	x	
Germany	39.1	x	x	x	x	x	x	
Greece	35.3	✓	x	x	✓	x	✓	Not known
Israel	17.3	x	x	x	x	x	✓	
Italy	31.2	✓	x	x	x	x/1	x	
Japan	41.3	✓	x	x	✓		✓	Not known
Korea	22.7	✓	x	x	x	✓	x	
Luxembourg	29.1	✓/1	✓/1	✓/1	x	x	x	
Mexico	15.4	✓	x	✓	x	x	x	
Poland	35.0	x	x	x	x	x	✓/1	
Slovak Rep.	43.5	✓	✓	✓	x	x	✓	01/2014/1
Spain	37.5	✓	x	✓/1	x	x	x	
Turkey	23.7	x	x	x	x	x	x	
Non-OECD countries								
Lithuania		✓	✓	✓	x	x	x	
Russia		✓	x	✓	x	x	x	
Singapore		✓	x	x	x	✓/1	x	
South Africa		x	x	x	x	x	x	

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 53.

Sources: CIS survey responses, OECD Revenue Statistics (2011), EC, and IMF Article IV Staff Reports.

Non-tax related roles of national revenue bodies

As noted in prior series, Governments in many countries have over the last decade or so allocated additional roles (hereafter referred to as non-tax related roles) to their revenue bodies, not directly related to the collection of tax revenue. In some cases, these roles have entailed use of a country's tax legislation framework to provide economic benefits to taxpayers (*e.g.* welfare-type benefits) or to use the tax system collect non-tax amounts owing

Table 1.6. **Selected non-tax roles of revenue bodies**

(Table only includes revenue bodies with one or more such functions)

	Nature of non-tax roles administered						
Country	Customs law	Welfare benefits	Collection of child support	Collection of student loans	Property valuation	Population register	Other
OECD countries							
Australia	x	✓	x	✓	✓	x	✓/1
Austria	✓	✓	x	x	✓	x	✓/1
Belgium	x/1	x	x	x	✓	x	✓/
Canada	x	✓	x/1	x/1	x/2	x	✓/3
Chile	x	x	x	x	✓	x	✓/1
Czech Rep.	x	x	✓	x	x	x	✓/1
Denmark	✓	✓	x	x	✓	x	✓/1
Estonia	✓	x	x	x	✓	x	
Finland	x	x	x	x	x	x	x
France	x	x	x	x	✓	x	✓/1
Germany	x	x	x	x	x	x	x
Greece	✓	✓	✓	x	✓	x	✓/1
Hungary/1	✓	x	x	✓	x	x	✓/1
Iceland	x	✓	x	x	x	x	✓/1
Ireland	✓	x	x	x	x	x	
Israel	✓	✓	x	x	✓	x	
Japan	x	x	x	x	x	x	✓/1
Korea	x	✓	x	✓/1	x	x	n.a
Luxembourg	x	x	x	✓/1	✓/2	x	✓/3
Mexico	✓	x	x	x	x	x	
Netherlands	✓	✓	x	x	x	x	
New Zealand	x	✓	✓	✓	x	x	✓/1
Norway	x	x	x	x	x	✓	
Portugal	✓	x	x	x	✓	x	
Slovenia	x	x	x	x	x	x	✓/1
Spain	✓	✓/1	x	x	x	x	
Sweden	x	x	x	x	✓	✓	✓
United Kingdom	✓	✓	x	✓	✓	x	/1
United States	x	✓	x	x	x	x	
Non-OECD countries							
Argentina	✓	x	x	x	x	x	/1
Brazil	✓	x	x	x	x	x	x
Bulgaria	x	✓	x	x	x	x	✓/1
China	x	x	x	x	✓	x	n.a
Cyprus	x	x	x	x	✓/1	x	
India	x	x	x	x	x	x	x
Indonesia	x	✓	x	x	✓	x	x
Latvia	✓	x	x	x	x/1	x	✓
Lithuania	x	x	x	x	x	x	✓/1
Malaysia	x	x	x	✓	x	x	✓/1
Romania	✓	x	x	x	x	x	✓/1
Russia	x	x	x	x	x	x	✓/1
Saudi Arabia	x	x	x	x	x	x	x
Singapore	x	x	x	x	✓	x	✓/1
South Africa	✓	x	x	x	x	x	

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 53.

Source: CIS survey responses (of countries reporting one or more such roles).

to Government (*e.g.* student loans). In other situations, the role/function linkage has been less directly related to "tax system" administration (*e.g.* oversight of certain gambling activities).

Information concerning the "non-tax" functions of revenue bodies and reported for this series is set out in Table 1.6. (Countries not mentioned in the table reported no such roles). As will be apparent from the information displayed, the vast majority of surveyed countries reported one or more such roles, and this practice appears to have grown over the last decade. The most common of these roles are: a) customs administration; b) the collection of non-tax debts owed to Government (*e.g.* student loans and overpaid welfare benefits); c) payments of various categories of "welfare" to citizens, some of which are integrated with elements of the tax system, or whose payment relies on information held by the revenue body; d) administration of aspects of a Government's retirement incomes policy (*e.g.* New Zealand's KiwiSaver scheme or Australia's Superannuation Arrangements); and e) administration of elements of the Government's child support arrangements; and f) a Government property valuation function (and for some countries linked to the administration of property taxes). The resource implications of such arrangements are discussed in Chapter 5.

For this series, Austria reported that its newly established Financial Police function is responsible for regulatory policy tasks (in particular labour market tasks as well as controls to ensure compliance with the Gambling Act) including the following: 1) uncovering the illegal employment of foreign workers; 2) uncovering breaches of the provisions of the Employment Law Harmonisation Act; 3) uncovering breaches of the registration duties contained in the Unemployment Insurance Act; 4) uncovering illegal practice of a trade under the Industrial Code; 5) uncovering social welfare fraud under the Criminal Code; and 6) gambling.

Customs administration

As of mid-2012, 12 OECD countries (*i.e.* Austria, Denmark, Estonia, Greece, Hungary, Ireland, Israel, Mexico, Netherlands, Portugal, Slovak Republic and Spain) had aligned the administration of tax and customs operations within a single organisation, while the Czech Republic is planning to complete the merger of its tax and customs administrations under a single body by 2014. This practice is also followed by some of the non-OECD countries surveyed (*e.g.* Argentina, Brazil, Colombia, Latvia, Romania and South Africa) and is envisaged by Malta for its new integrated tax and customs body. The internal organisational arrangements for these integrated bodies have not been studied although organisational charts for selected revenue bodies set out in Chapter 2 suggest that the degree of integration achieved in practice varies quite significantly.

This development appears to have its origins in a number of factors, including; 1) perceived synergies with customs operations which are responsible for the collection of VAT on imports, a major revenue source in many developing countries; 2) efforts to obtain economies of scale (*e.g.* human resource and IT functions; and 3) historical factors associated with the separation of direct and indirect taxes administration). Countries that have most recently integrated tax and customs operations are Hungary (2011), Portugal (2012) and the Slovak Republic (2012).

On the other hand, experience from two other larger countries has gone in the opposite direction. Customs operations were moved from the Canada Customs and Revenue Agency to the newly established Canada Border Services Agency in 2003, and in 2007 the United Kingdom Government created a new UK Border Agency which, among other things, entailed a transfer of staff (over 4 800) and funding from HMRC.

Special governance arrangements

Like all government bodies, revenue bodies are ultimately accountable to the citizens they serve. The framework within which this accountability operates varies between countries and is a result of many factors including the institutional arrangements and government structures in place. The following section identifies special/unusual governance mechanisms in place to ensure this accountability is achieved. It focuses on examples of the oversight mechanisms in place in selected revenue bodies. Some approaches for achieving improved accountability for performance are covered in Chapter 3.

Formal management boards and advisory bodies

As indicated in Table 1.1, in 11 countries a management/advisory board or council has been interposed between the revenue body and the relevant minister/arm of government to provide a degree of independent advice on the plans and operations of the revenue body and tax administration arrangements in general.[7] In all of the examples cited hereunder, the board's membership includes non-revenue body officials. Whilst the specific functions of the boards vary between countries all execute an oversight function and/or would appear to have a role in strategy development and planning and the sign-off of formal business plans. Without exception, board members are not involved in issues concerning the tax affairs of individual taxpayers and do not have access to specific taxpayer information. For a number of the countries where this arrangement has been established, its introduction coincided with the establishment of a new more autonomous body for tax administration operations (*e.g.* in Argentina, Canada, Singapore and South Africa[8]). A brief description of the set-up in selected countries is set out hereunder:

Argentina: Advisory Council for AFIP (Spanish acronym for name of revenue body)

Background	The Advisory Council was established in the late 1990s with the creation of single agency (*i.e.* AFIP) to administer tax customs and social contributions collection
Role	The Council periodically evaluates and verifies the AFIP's Management Plans that are submitted to the Chief Cabinet Minister.
Composition	The Council is made up of representatives from the different sectors of society, both public and private, among which are the Ministry of Economy and Production, the Central Bank of Argentina, the National House of Representatives and Senate, the National Social Security Administration, provincial government officials and renowned tax experts.

Source: Integration of the Administration of Internal Taxes, Customs Duties and Social Security Contributions for the 41st Assembly of CIAT, Barbados.

Bulgaria's National Revenue Agency Managing Board

Background	The Managing Board was created in 2006, coinciding with the establishment of a new revenue body (*i.e.* the NRA) and in conjunction with its new responsibilities for the collection of social insurance contributions.
Role	The Board considers and approves the NRA's strategic plan, its draft budget, regular reports of performance, its annual report, decisions concerning the organisation and scope of activities of its headquarters and territorial structures, strategies for human resource, information systems development, buildings and facilities, decisions for writing off receivables, and issues of co-ordination and interaction with other key Government agencies.

Composition	The Managing Board is comprised of the Minister of Finance, the Governor of the National Social Security Institute, the Director of the National Health Insurance Fund, a deputy minister of finance appointed by the Minister of Finance, and the Executive Director of the NRA. The Minister chairs the Board.
Features of its operation	The Board settles its own working arrangements and decisions are adopted if two thirds of its members (effectively four out of the five members) have voted in favour. Under the law established for its operation, the Board should meet at least once a month and there are formal requirements concerning the provision of meeting papers and the recording of proceedings and decisions made.

Source: Law of National Revenue Agency (NRA).

Canada Revenue Agency (CRA) Board of Management

Background	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.
Role	The Board has the responsibility of overseeing the organisation 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 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.
Composition	The Board is comprised of 15 members appointed by the Governor in Council, 11 of who have been nominated by the provinces and territories.
Features of its operation	To help the Board fulfil its governance responsibilities, committees have been established to undertake much of the detailed review of items brought before the full Board for its consideration. The Audit, Governance, Human Resources, and Resources Committees apprise the Board of the items that fall within their scope and provide advice and make recommendations to the Board about these items. Each committee establishes an annual work plan to guide its activities in the upcoming fiscal year. The *Audit Committee* reviews the Agency's accounting framework, financial and performance information, internal controls and financial risks, and compliance with financial and environmental legislation. The *Governance Committee* reviews all aspects of the Board's governance framework to ensure that the Board functions in an effective and efficient manner that successfully supports the operations of the CRA. The *Human Resources Committee* reviews the management of human resources within the Agency and provides recommendations and advice on the Agency's human resources management strategies, initiatives, and policies. The *Resources Committee* reviews the Agency's operating and capital budgets and its capital investment plans, along with the development of administrative management strategies and policies for the management of funds, real property, contracts, equipment, information, information technology, and environmental obligations. A Board of Management "Oversight Framework (BoMOF) – Assessment of Performance" is an assessment of management performance conducted by the Board each year in areas of its oversight as per the *Canada Revenue Agency Act*. The Board is responsible for the oversight of the organisation and administration of the Agency and the management of its resources, services, property, personnel and contracts. The BoMOF, the results of which are made public, complements the Treasury Board Secretariat's (TBS) Management Accountability Framework (MAF) and together the two assessment tools provide a complete evaluation of the Agency's management performance. Both Frameworks are structured around key elements that establish expectations for good management.

Source: Canada Revenue Agency website (June 2010).

Colombia's National Tax and Customs Administration (DIAN)

Background	The Management Board of DIAN was created in November 2011.
Role	The Board's main responsibilities are to: a) advise the General Commissioner on tax, customs and foreign exchange administration policy matters; b) approve and to monitor DIAN's business plan; c) evaluate progress reports presented by the General Commissioner and to put forth recommendations to improve performance; d) to approve the yearly budget; e) approve changes to the internal organisational design and staffing levels; and f) request for impact assessments of the initiatives which implementation require follow up according to the Board.
Composition	The Board has six members: the Minister of Finance, the General Tax Commissioner (DIAN), the head of the agency responsible for enforcing regulations regarding Social Security contributions (UGPP), and three independent members (experts with extensive experience in the areas of competence of DIAN) appointed by the Finance Minister
Features of its operation	The Board reports to the national government through the Finance Minister. It meets once a month. If an additional meeting is necessary, it can take place via Web conference. The decree that created the Board is posted online at: *www.dian.gov.co/descargas/normatividad/2011/Decreto_4171_03112011.pdf*. Board proceedings are confidential and, therefore, not made public. Since its first official session in December 2011, it has met nine times (up to June 2012).

Finland's Tax Administration Advisory Board

Background	An Advisory Board was established by government Ordinance in 2002 and commenced operating in 2003.
Role	The role of the Board is to provide guidance/advice on strategic planning, tax administration priorities and operational guidelines. The Board convenes around six times per year.
Composition	The Board is comprised of a senior official of the Ministry of Finance, the Director-General of Tax Administration, and 6 members from local government, union, taxpayer and commerce bodies.
Features of its operation	The Advisory Board met six times in 2012. The meetings addressed issues such as the results of the job satisfaction survey and planning documents and monitoring reports related to operations and finances.

Source: Revenue body's annual report (various years).

Hong Kong Board of Inland Revenue

Role	The Board of Inland Revenue is constituted under section 3 of the Inland Revenue Ordinance. Its role is to prescribe a) Returns to be used for property tax, salaries tax, profits tax and personal assessment or the form of the returns; b) Rates of annual allowance for depreciation on machinery and plant; and c) Procedures relating to applications for refunds and relief, appeals procedures, and, miscellaneous matters as authorised
Composition	It has the Financial Secretary as its Chairman and 4 other appointed members, of which only one can be a Government official. Its Secretary is a Deputy Commissioner of Inland Revenue.
Features of its operation	The Board operates independently of the Inland Revenue Department.

Source: Inland Revenue website.

Mexico's Governing Board for the SAT

Background	The creation of the Governing Board coincided with the establishment of a new more autonomous revenue and custom body in 1996.
Role	The Board's roles are as follows: 1) assist in the development of fiscal policy and customs measures necessary for the development and implementation of the National Development Plan and sectoral programs; 2) provide opinions on draft bills, decrees, resolutions, administrative and general provisions in tax and customs matters; 3) approve programs and budgets of the SAT (*i.e.* the Tax Administration Service); 4) approve the basic organisational structure of the SAT; 5) consider and approve measures proposed by the chairman of the SAT to improve operational efficiency and taxpayer orientation; 6) approve the annual programme of continuous improvement for the SAT, including setting and monitoring targets for increased efficiency and improved taxpayer service delivery (NB: Descriptions of measures/performance indicators that must be used are set out in Chapter 3 of this series.); 7) analyse proposals for continuous improvement.
Composition	The Board consists of: 1) the Secretary of the Ministry of Finance and Public Credit, who will preside; 2) three directors selected by the Secretary of Finance from the employees of Finance; and 3) three independent directors appointed by the President of the Republic (two of whom must have been nominated by the national meeting of tax officials in the terms of the Fiscal Coordination Law). To be appointed, independent directors must not have held a federal or municipal government appointment in the prior year. Once appointed, they must not engage in tax or customs related-activities that are incompatible with their role and must attend 70% of convened meetings.
Features of its operation	The Board is required to hold regular meetings, one at least every three months, and a quorum requires at least 50% of members. Board decisions are made by majority vote, with the Secretary of Finance, as chair, having a casting vote in the event of a tie.

Source: SAT's website.

Malaysia's Board of Management for Inland Revenue

Background	The IRBM was established in March 1996 in accordance with the Inland Revenue Board of Malaysia Act 1995 to give it more autonomy especially in financial and personnel management as well as to improve the quality and effectiveness of direct taxes tax administration. A Board of external members was also created at this time.
Role	The Board ensures that the Government's interests are upheld, and that decisions for implementation by the management of IRBM are in line with Government aspirations. The Board is supported by several committees: 1) Internal Audit: 2) Finance; 3) Procurement; 4) Establishment; 5) Disciplinary; and 6) Appeal.
Composition	IRBM is regulated by the following Board Members: a) The Secretary General of Malaysian Treasury who is the IRBM Chairman; b) Attorney General or its representative; c) Director General of Public Services or its representative; d) Not more than two other persons representing the Government, who are appointed by the Finance Minister; and e) Not more than two other persons appointed by the Finance Minister from the private sector.
Features of its operation	Board members meet regularly throughout each fiscal year (*e.g.* six times in 2010).

Source: Revenue body's website.

Board of the Inland Revenue Authority of Singapore (IRAS)

Background	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.
Role	The Board is responsible for ensuring that the IRAS carries out its functions competently, and meets three times a year to review major corporate policies and approve financial statements, the annual budget and major expenditure projects.
Composition	The Board comprises the chairman who is also the Permanent Secretary of the Ministry of Finance, the Commissioner of Inland Revenue, and seven other members (comprising public and private sector representatives).
Features of its operation	The Board has established three committees-the *Audit Committee*, the *Staff Committee A* and the *Investment Committee*-to assist in carrying out its duties. The *Audit Committee* reviews and ensures that IRAS" accounting and financial policies and internal controls are in place, adequate and adhered to. The Committee works closely with the external auditor, the Auditor-General, to review the financial statements of IRAS, the scope of audit plans and the audit results. The Committee also reviews the annual audit plan of the Internal Audit Branch and the results of its work. The *Staff Committee A* is the approving authority for key remuneration policies in IRAS as well as key appointments, promotion and remuneration of senior executives in IRAS. *The Investment Committee* sets investment policies and guidelines and manages surplus funds available for investments.

Source: Revenue body's website.

South Africa Revenue Service's external governance framework

Background	The South African Revenue Service is an administratively autonomous organ of the state: it is outside the public service, but within the public administration. So although South Africa's tax regime is set by the National Treasury, it is managed by SARS. The external governance framework is provided for by: • The Public Finance Management Act 1 of 1999; • The South African Revenue Service Act 34 of 1997; • Specialist advisory committees which advise the Commissioner and the Minister of Finance on any matter concerning the management of SARS resources; and • The Audit Committee which oversees the effectiveness of internal controls.
Role	1. ***Audit Committee***: This committee must, among other things, review the effectiveness of the internal control systems in SARS; the effectiveness of internal audit; the risk areas of SARS operations to be covered in the scope of internal and external audits; the adequacy, reliability and accuracy of financial information provided to management and other users of such information; any accounting and auditing concerns identified as a result of internal and external audits; SARS compliance with legal and regulatory provisions, the activities of the internal audit function (including its annual work programme), co-ordination with the Auditor-General, the reports of significant investigations and the responses of management to specific recommendations; and where relevant, the independence and objectivity of the external auditors (not applicable to SARS). It must report and make recommendations to the Commissioner, report on the effectiveness of internal controls in the annual report of SARS and comment on its evaluation of the financial statements in the annual report. 2. ***Specialist Advisory Committees: Human Resources, Operations, Customs, Procurement, Finance, Legal and Policy.***

Composition	The chairperson of the Audit Committee: must be independent; must be knowledgeable of the status of the position; must have the requisite business, financial and leadership skills; and may not be the chairperson of the Executive Committee or a person who fulfils an executive function in SARS. The majority of the members of the Audit Committee shall consist of non-executive members appointed by the Executive Committee, although committee members may not all be members of the Executive Committee. The majority of persons serving on an Audit Committee must be financially literate. The executive authority (the Minister of Finance) must concur with any premature termination of services of a member of the Audit Committee.

Source: Revenue body's website.

Swedish Tax Agency Advisory Council

Background	The Council was created as part of broader public sector reforms when, from January 2008, the Swedish Tax Agency became an agency managed by a Director-General, who alone is responsible to the Government for the activities of the Agency.
Role	The task of the Council is to exercise public control and give advice to the Director-General. The Council has no decision-making responsibilities. The Advisory Council of the Swedish Tax Agency meets six times a year.
Composition	By the side of the Director-General there is now an Advisory Council that may have up to 12 members. The members of the Council are appointed by the Government for a period of three years. In the current Advisory Council of the Tax Agency there are 9 members including the Director-General who is the chairman, academics with backgrounds in economics and/or finance, representatives of industry and commerce, information technology consultants, the Deputy Director-General of another large Government agency, and some members of parliament.

Source: Inquiries with revenue body.

United Kingdom: The Board of Her Majesty's Revenue and Customs (HMRC)

Background	Legislation to create HMRC in 2005 included provision for the creation of a Board, to be comprised of members of HMRC's internal Executive Committee and (four) non-executive (external) board members. In 2008, HMRC implemented a new governance structure appointing a non-executive Chairman and a new Chief Executive. The Chairman and the Board are responsible for the effective governance of HMRC. The Chief Executive and Executive Committee are responsible for running HMRC.
Role	The Board sits for a minimum of ten times a year and is chaired by the HMRC Chairman. The Board is supported by the Audit and Risk, Ethics and Responsibilities and People sub-committees and has the following responsibilities: 1) Development and final approval of HMRC's overall strategy; 2) Development and final approval of HMRC's communications strategy and sign off of significant HMRC communications identified within it; 3) Development and final approval of the culture and values objectives and strategies; 4) Approval of the final sub-strategies of lines of business and functions; 5) Approval of final business plans (incl. the annual financial plan); and 6) Advise the Chief Executive on the appointment of senior executives. Ensuring the strength of the top team by participating in the appointment of and advising on the ongoing competence of Board members, Executive Committee members and other key appointments.
Composition	The Board's membership currently comprises the Chair, the Chief Executive, the Permanent Secretary of Tax, eight executive HMRC officials and six non-executive directors. Non-executive directors are senior business figures from outside the department who bring a diverse mix of expertise and skills from across both public and private sector. HMRC looks to its Non-Executive Directors to bring guidance and advice, support and challenge management about the department's strategic direction, and provide support in monitoring and reviewing progress.

Features of its operation	In approving the strategies and plans, the Board ensures that the views of HMRC's stakeholders are taken into account. It also periodically reviews the work of the three sub-committees to assure the highest standards of corporate governance are in place. Brief minutes of the Board's proceedings are published regularly on HMRC's website. There are very clear accountabilities for the Chairman and the Chief Executive. Setting the strategic direction and ensuring the highest standards of governance lies with the Chairman. The responsibility for delivery and expenditure lies with the Chief Executive. The top team is further strengthened by the appointment of a Permanent Secretary for Tax who is the senior tax professional in HMRC and also the Deputy Chief Executive.

Source: Revenue body's website.

United States: Internal Revenue Service's Oversight Board

Background	A nine-member IRS Oversight Board was created by Congress under the IRS Restructuring and Reform Act of 1998.
Role	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.
Composition	Seven board members are appointed by the President 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.
Features of its operation	The Board operates much like a corporate board of directors, but is tailored to fit a public sector organisation. 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 reaches out to a wide variety of stakeholders to understand their views on tax administration and its impact on taxpayers. The Board interacts regularly with external groups that include tax professionals, taxpayer advocacy groups, representatives of state tax departments, IRS advisory committees, IRS employees, the National Treasury Employees Union, and other groups that have an interest in tax administration. The Board also conducts an annual survey of taxpayers' attitudes about compliance and other issues relating to tax administration. 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 (see *www.ustreas.gov/irsob/board-reports.shtml*), as well as a 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 the Board's web site. The Board also is invited to testify before Congress periodically. The Board's testimony is posted on its web site. The Board distributes press releases describing its activities to the media at the end of each of its meetings. Under the law, the Board cannot be involved in specific law enforcement activities, including audits, collection activities, or criminal investigations. It also cannot be involved in specific procurement activities or most personnel matters and it does not develop or formulate tax policy on existing or proposed tax laws.

Source: Oversight Board's website.

External/independent oversight of the tax administration system

Governments in Australia and the United States have established special bodies independent of the revenue body to report on the workings of the tax system, in particular, on aspects of tax administration. These bodies operate separately and independently of the national audit bodies in these two countries that oversee the workings of all government agencies. A brief description of these arrangements is set out hereunder:

Australia: Inspector-General of Taxation

Background	The Inspector-General of Taxation (IGT) was established as an independent statutory agency in 2003.
Role	The IGT's role is to review: 1) systems established by the Australian Taxation Office (ATO) to administer the tax laws; and 2) systems established by tax laws in relation to administrative matters; for the purpose of reporting and making recommendations to Government on how those systems could be improved. The Act precludes the IGT from reviewing the imposition of taxes and tax rates, and the eligibility criteria for, or levels of, any rebates or grants administered by the ATO. The IGT seeks to improve the administration of the tax laws for the benefit of all taxpayers. Individuals and/or groups of taxpayers, professional associations and businesses are welcome to bring systemic administration issues to the attention of the IGT. The IGT endeavours to address taxpayers' concerns on defective administration while ensuring resources of the agency are directed to those areas of most benefit to taxpayers overall. The overall aim is to identify how to reduce the administrative burden for taxpayers in meeting their tax obligations.
Features of operation	While a number of Commonwealth Government agencies examine systemic taxation administration matters, the IGT is the only agency with sole responsibility for such reviews. To ensure that reviews undertaken reflect areas of key concern, and to avoid duplication with other agencies, the Inspector-General develops the work programme following consultation with: 1) taxpayers and their representatives; 2) Ombudsman; 3) Auditor-General; 4) Commissioner of Taxation; and 5) The Secretary of the Commonwealth Treasury. In conducting reviews the IGT may invite submissions and/or request/require the tax officials to provide information and documentation. The Act contains specific provisions on the confidentiality of submissions made to the Inspector-General. On completion of a review the Inspector-General reports directly to Government. All reports are subsequently made available within the timeframe outlined in the Act. The IGT provides an annual report to parliament on its operations.
Examples of studies in 2012	• Review into the ATO's administration of class rulings. • Review into the ATO's small and medium enterprise audit and risk review policies, procedures and practices. • Review into the Australian Taxation Office's use of early and Alternative Dispute Resolution.

United States: Treasury Inspector General for Tax Administration

Background	The Treasury Inspector General for Tax Administration (TIGTA) was established in January 1999 in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98). As mandated by RRA 98, TIGTA assumed most of the responsibilities of the IRS" former Inspection Service.
Role	Its role is to provide independent oversight of Internal Revenue Service (IRS) activities.

Features of operations	TIGTA consists mainly of auditors and investigators focused on the duties and responsibilities of an Inspector General organisation on matters relating to the IRS. TIGTA is organisationally placed within the Department of the Treasury, but is independent of the Department and all other Treasury offices, including the Treasury Office of the Inspector General (OIG). TIGTA's focus is devoted entirely to tax administration, while Treasury OIG is responsible for overseeing other Treasury bureaus. TIGTA's audit and investigative activities are designed to: 1) promote economy, efficiency, and effectiveness in administering the Nation's tax system; 2) detect and deter fraud and abuse in IRS programs and operations; 3) protect IRS against external attempts to corrupt or threaten its employees; 4) review and make recommendations about existing and proposed legislation and regulations related to IRS and TIGTA programs and operations; 5) prevent fraud, abuse, and deficiencies in IRS programs and operations; and 6) inform the Secretary of the Treasury and Congress of problems and progress made to resolve them.
Examples of studies in 2012	• There Are Billions of Dollars in Undetected Tax Refund Fraud Resulting From Identity Theft. • Substantial Changes Are Needed to the Individual Taxpayer Identification Number Program to Detect Fraudulent Applications.

Source: Treasury Inspector General for Tax Administration's website.

In addition to the Treasury Inspector in the United States, there is also the Office of Taxpayer Advocate which is responsible for both individual complaints received from taxpayers as well as reporting on systemic issues that arise with the operation of the tax system. More is said on this Office in the following section.

Special institutional arrangements for dealing with taxpayers' complaints

Governments in many countries have established special bodies (*e.g.* an Ombudsman's Office) to handle individual complaints concerning government agencies (including revenue bodies) in their dealings with citizens and business. In some countries, an agency dedicated to dealing only with tax-related complaints from citizens and business arising from actions/inactions of the revenue body has been established (*e.g.* an Office of Tax Ombudsman). The primary purpose of these sorts of arrangements is to ensure that citizens and businesses have an opportunity to raise matters where they believe they have been treated harshly or unfairly and to have these matters handled independently of the agency to which the matter relates.

For this series, revenue bodies were asked to identify: 1) whether such a body has been created; 2) if so, whether its operations are based on a specific legal framework and set of powers; 3) whether it is autonomous from the revenue body; and 4) whether it is empowered to report on systemic issues (in addition to dealing with individual complaints of citizens and businesses). In addition, some research was undertaken to identify the nature of the specific arrangements in place in selected countries.

A summary of survey responses is set out in Table 1.7 and the key points are as follows:

- Revenue bodies reported a broad mix of arrangements entailing a special body for handling taxpayers' complaints:
  - Eighteen bodies reported that taxpayers' complaints are dealt with, along with non-tax complaints, by an Office of Ombudsman (or the equivalent);
  - Ten bodies reported that a dedicated body exists for dealing solely with tax-related complaints (often described as a "Tax Ombudsman" or "Taxpayers Advocate"); and
  - Five bodies reported that there was an internal part of their agency for dealing independently with taxpayers' complaints (whose existence and operations were based on a specific legal framework).

Table 1.7. **Special body for dealing with taxpayers' complaints**

Countries	Special body exists	Specific legal frame-work	Autonomous from revenue body	Reports on systemic issues	Name of body (ies)
OECD countries					
Australia	✓	✓	✓	✓	Ombudsman and Inspector General of Taxation
Austria	✓	✓	✓	✓	Tax Ombudsservice
Belgium	✓	✓	✓	✓	Tax Mediator
Canada	✓	✓	✓	✓	Office of Taxpayers' Ombudsman
Chile	x	-	-	-	
Czech Rep.	✓	✓	✓	x	Public Defender of Rights – Ombudsman
Denmark	✓	✓	x	✓	Citizen Ambassador/1
Estonia	x	-	-	-	-
Finland	✓	✓	✓	✓	Parliamentary Ombudsman
France	✓	✓	✓	x	Mediator of the Republic, Mediator of MOF/1, Provincial Mediator
Germany	x	-	-	-	
Greece	✓	✓	✓	✓	Ombudsman/General Inspector of Public Administration
Hungary	✓	✓	✓	✓	Commissioner for Fundamental Rights; National Authority for Data Protection and Freedom of Information/1
Iceland	✓	✓	✓	✓	Althing (Parliamentary) Ombudsman
Ireland	✓	✓	✓	✓	Office of the Ombudsman
Israel	x/1	x	x	x	
Italy	✓	✓	✓	x	Tax Ombudsman ("Garante del Contribuente")
Japan	✓	✓	x	✓	Taxpayer Support
Korea	✓	✓	x	✓	Taxpayer Advocate
Luxembourg	✓	✓	✓	✓	Ombudsman
Mexico	✓	✓	✓	✓	Prodecon (Taxpayers Attorneys Office)
Netherlands	✓	✓	✓	✓	National Ombudsman
New Zealand	x	-	-	-	-
Norway	✓	✓	✓	✓	Ombudsman
Poland	x	-	-	-	
Portugal	✓	✓	✓	✓	Ombudsman
Slovak Rep.	x	-	-	-	
Slovenia	-	-	-	-	
Spain	✓	✓	x	✓	Taxpayers' Counsel/1
Sweden	x	-	-	-	
Switzerland	x	-	-	-	-
Turkey	x/1	-	-	-	
United Kingdom	✓/1	✓	✓	✓	Adjudicators Office/Parliamentary Health and Service Ombudsman
United States	✓	✓	✓	✓	Taxpayer Advocate Service
Non-OECD countries					
Argentina	✓	✓	x	✓	
Brazil	✓	x	✓	✓	Public Ombudsman
Bulgaria	✓	✓	✓	✓	National Ombudsman
China	?	?	?	?	
Colombia	✓	✓	✓	✓	Taxpayers' Advocate/1
Cyprus	✓/1	✓	✓	✓	Ombudsman (DT, VAT),/2
Hong Kong, China	✓/1	✓	✓	✓	Office of Ombudsman
India	✓	✓	✓	✓	Ombudsman
Latvia	x	-	-	-	-
Lithuania	x	x	x	x	
Malaysia	✓	✓	✓	✓	
Malta	✓	✓	✓	✓	Office of the Ombudsman
Romania	x	x	x	x	
Russia	x	-	-	-	
Saudi Arabia	x	-	-	-	
Singapore	x	-	-	-	
South Africa	✓/1	✓	✓	✓	Tax Ombud/Public Protector

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 55.

Source: CIS survey responses.

- With few exceptions, all of these bodies are empowered to report on systemic issues identified from the complaints they are required to help resolve.

A brief outline of the features of a number of these bodies is set out hereunder:

Canada: Taxpayers' Ombudsman

Background	The Office of Taxpayers' Ombudsman (TO) was established in early 2007, coinciding with the establishment of the Taxpayer's Bill of Rights.
Role	The TO is generally responsible for ensuring that the CRA respects the service rights contained in the Taxpayers' Bill of Rights[9] and specifically to: 1) conduct impartial and independent reviews of service-related complaints about the Canada Revenue Agency (CRA); 2) facilitate taxpayer access to assistance within the CRA; 3) identify and review systemic and emerging service-related issues within the CRA that have a negative impact on taxpayers; and 4) provide advice to the Minister of National Revenue about service related matters in the CRA.
Features of operations	The TO may review any service provided by the CRA at its own initiative. In so doing, the TO can identify systemic and emerging service-related issues within the CRA that have a negative impact on taxpayers, and make recommendations to the CRA to improve service delivery. The TO operates independently and at arm's length from the management of the CRA and reports directly to the Minister of National Revenue.
Recent reports on systemic issues	***Acting on ATIP***, which examines the service issues related to the Canada Revenue Agency's (CRA) processing of Access to Information and Privacy (ATIP) requests.
	Earning Credits, which looks at the CRA's policies and procedures for determining students' eligibility for tuition tax credits, against the background of complaints that claims were being denied unfairly.
Website	*www.oto-boc.gc.ca/menu-eng.html*

Source: Ombudsman's website.

Colombia's Taxpayers' Advocate

Background	The Office of Taxpayer Advocate (defensoria del contribuyente) was created in 2002.
Roles	• Make recommendations to the General Directorate of the DIAN to ensure adequate, fair and timely provision of service tax. • To follow up, at the request of taxpayers and customs users to control processes, to ensure compliance with due process. • Participate, if deemed appropriate, as an observer in meetings where corrections are promoted declarations by taxpayers and users, and to ensure that once produced the respective correction, they are respected by DIAN officials. • Ensure that the performances of the different units of the DIAN are met within the framework of the constitutional principles of fairness and transparency governing the exercise of the prosecutor. • Participate in meetings of the Joint National Committee tax and customs administration, and submit to it a quarterly report on the development of their activities. • Channeling the parent's concerns about taxpayers and users adequate gaps in service provision by the DIAN, make such investigations as are the case, make recommendations to overcome them and to inform the authorities and units concerned its findings, with in order to apply the corrective and / or sanctions may be applicable.
Website	*www.dian.gov.co/content/defensoria/index*.htm (Spanish only)

Source: Taxpayer Advocate's website.

United Kingdom: Adjudicator's Office

Background	The Adjudicator's Office (AO) was originally established in 1993 to investigate complaints made concerning the former Inland Revenue Department.
Role	The AO investigates and helps to resolve complaints from individuals and businesses that remain unhappy about the way their affairs have been handled by: 1) HMRC, including the Tax Credit Office and the Valuation Office Agency (VOA; 2) the Insolvency Service; and 3) the Public Guardianship Office. It looks to add value to the complaints handling of the organisations by aiming to be widely seen and used by the departments and the communities served, as a trusted provider of assurance and, where appropriate, redress, and as an informed advocate for service improvement.
Features of operations	The AO's remit and service standards are set out in "service level agreements" with the Commissioners of HMRC. However, it functions independently and an annual report of its operations is produced. In practice, it deals with complaints concerning mistakes, unreasonable delays, poor or misleading advice, inappropriate staff behaviour, and the use of discretion. However, it cannot deal with matters of government or departmental policy, matters which can be considered on appeal by independent tribunals, disputes with the VOA about property valuations, issues that the courts have already considered, or could have considered, complaints that have been, or are being, investigated by the Parliamentary Ombudsman; and complaints about HMRC's or the VOA's, handling of requests under both the Freedom of Information Act 2000 and the Data Protection Act 1998, which should be considered by the Information Commissioner.
Publications	In addition to an annual report, the office has assembled a set of case studies which illustrate the work it does and to demonstrate how complaints are resolved, *e.g.* • Case study 1: Recovery of an overpayment where the parties have separated • Case study 2: Overpayments of Tax Credits • Case study 3: Main responsibility for qualifying child
Website	See *www.adjudicatorsoffice.gov.uk/*

Source: Adjudicator's Office website

United States: Taxpayer's Advocate

Background	The Taxpayer Advocate Service (TAS) was established by the Taxpayer Bill of Rights 2 legislation in 1996, replacing the Office of the Taxpayer Ombudsman.
Role	The TAS is an independent organisation located within the IRS whose employees assist taxpayers who are experiencing economic hardship, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. The National Taxpayer Advocate heads the programme and each state and campus has at least one local Taxpayer Advocate who is independent of the local IRS office and reports directly to the National Taxpayer Advocate. The goals of the TAS are to protect individual and business taxpayers' rights and to reduce taxpayer burden.
Features of operations	The Taxpayer Advocate independently represents taxpayers' interests and concerns within the IRS. This is accomplished in two ways: 1) Ensuring that taxpayer problems which have not been resolved through normal channels, are handled promptly and fairly; and 2) Identifying issues that increase burden or create problems for taxpayers-bringing those issues to the attention of IRS management and making legislative proposals where necessary. In Taxpayer Bill of Rights 2, Congress established the Office of the Taxpayer Advocate and also described its functions: 1) To assist taxpayers in resolving problems with the Internal Revenue Service; 2) To identify areas in which taxpayers have problems in dealings with the Internal Revenue Service; 3) To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and 4) To identify potential legislative changes which may be appropriate to mitigate such problems. The TAS provides two reports annually to Congress-one setting out its objectives for a fiscal year, the other on its achievements in the fiscal year.

Examples of studies in 2010-11	• An analysis of the IRS examination strategy: Suggestions to maximise compliance, improve credibility, and respect taxpayer rights. • Analyzing Pay-as-you-earn Systems as a path for Simplification of the U.S. tax system
Website	See *www.irs.gov/advocate/*

Source: Taxpayer Advocate's website.

In their survey response, South Africa's revenue body reported that its Government had recently taken steps to pass laws leading to the creation of an "Office of Tax Ombud". Brief details of this reform are set out in Box 1.5.

Box 1.5. **South Africa moves to establish Office of Tax Ombud**

The Tax Administration Bill, 2011, which was passed by Parliament in 2011 and promulgated into law in 2012 makes provision for the appointment of an independent Tax Ombud by the Minister of Finance. The Tax Ombud may review complaints and, if necessary, resolve them through mediation or conciliation. The Tax Ombud may also identify and review systemic and emerging issues related to service matters, the application of the Tax Administration Act or procedural or administrative provisions of a tax Act that impact negatively on taxpayers. The Tax Ombud will report directly to the Minister and must submit an annual report to the Minister dealing with at least the ten most serious issues encountered by taxpayers, as well as the identified emerging and systemic issues. The report may also contain recommendations for administrative action to resolve issues encountered by taxpayers. The Minister must table this report in the National Assembly in Parliament.

Source: SARS CIS survey response.

Notes

1. The fiscal blueprints, originally developed in 1999 and updated in 2007, are described as a set of practical guidelines laying down clear criteria based on EU best practice, against which a tax or fiscal administration is able to measure its own operational capacity. The blueprints are regarded as having broad international application: *http://ec.europa.eu/taxation_customs/resources/documents/common/publications/info_docs/taxation/fiscal_blueprint_en.pdf*

2. The main "exceptions" are seen in Germany, Italy and Switzerland.

3. In Germany, responsibility for tax administration is largely devolved to regional (*i.e.* Lander) administrations while a relatively small central body exercises a high level co-ordination role. Customs operations are administered separately (and centrally) while the collection of SSC is also carried out by separate social security agencies.

4. In the case of Italy, responsibility for tax administration is spread across a number of separate bodies: 1) Agenzia delle Entrate (AE) is primarily responsible for tax administration; 2) Agenzia delle Dogane (Customs Agency) is responsible for administering excise duties, VAT on imports and customs duties; and 3) the Agenzia del Territorio (Territorial Agency) is responsible for cadastre, property registers and property valuations. In addition, some tax administration functions are not dealt with by the AE directly but provided by other agencies. Tax fraud work is carried out by a separate tax police body (the Guardia di Finanza), the enforced collection of tax and social contribution debts is carried out by a government-owned body (*i.e.* Equitalia s.p.a.) and information processing activities are carried out by a separate private body (*i.e.* Sogei s.p.a.).

5. In Switzerland, responsibility for the administration of personal income tax and corporate income/profits tax is undertaken by sub-national "cantons" which number 26 across Switzerland, on behalf of the federal government. The VAT is administered centrally by the Federal Tax Administration–VAT.

6. The term "unified semi-autonomous body" is also intended to encompass the model elsewhere described as the "revenue authority" model seen in some developing countries (*e.g.* Kenya, Peru, South Africa, and Zambia).

7. Malta's Minister of Finance foreshadowed the creation of a unified tax and customs body in his 2010 Budget statement and laws enacted in late-2011 provide for the creation of a position of Commissioner of Revenue who will lead a new body responsible for tax and customs administration. (Further detail is set out in Chapter 2.)

8. This number includes three countries that have announced plans to integrate tax and SSC collection (*i.e.* the Czech and Slovak Republics) or have the issue under review (*i.e.* Japan)

9. The dominant role of such contributions in most of these countries stems directly from the application of 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 workers' wages. In some countries, the contributions are channelled through separate funds which are kept apart from the central government budget. By contrast, notably in some Scandinavian and English-speaking OECD countries, a substantial part of public spending on social benefits tends to be financed directly out of government general tax revenues although, even in countries following the Bismarck model, social security funds may also show a persistent deficit requiring subsidies from general taxation.

10. A review of Australia's tax system completed in early 2010 also recommended the establishment of a board to advise the Commissioner of Taxation on the general organisation and management of the Australian Taxation Office. The board would not be a decision-making body and would have no role in interpreting the tax laws or examining individual taxpayer issues. The Government would appoint members to the board. The Government announced in July 2010 that it would proceed with the introduction of an advisory board but no final announcements concerning implementation have as yet been made.

11. 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.

12. See Chapter 8 for further details on this.

Notes to Tables

Table 1.1. Institutional arrangements for tax administration

/1. **Argentina**: There is an Advisory Council with representatives of state-owned institutions. **Belgium**: The Federal Public Service Finances is now comprised of six general administrations: 1) taxation; 2) collection and recovery of taxes; 3) serious tax fraud; 4) customs and excise; 5) patrimonial documentation; and 6) treasury; **Brazil**: The Secretariat of Federal Revenue – RFB is a body that reports to the Ministry of Finance. Due to constitutional federal regime, there are 3 independent levels of Tax Administration; Federal level: The Secretariat of Federal Revenue of Brazil – RFB; Regional level: 27 Member States' Tax Administrations; Local level: more than 5 000 Tax Administrations. Cities and towns have Tax Administrations. Most small villages do not, although they receive revenue transfers from Federal and State levels. **Canada**: CRA also administers subnational taxes (PIT, CIT and VAT) for most of Canada's ten provinces and three territories; **Chile**: Revenue body (Servicio de Impuestos Internos, SII) is responsible for tax compliance procedures, audit and enforcement of internal taxes; Custom duties are administered by "Servicio Nacional de Aduanas, SDA" and the collection of taxes is the responsibility of Tesorería General de la República (Treasury); **China**: Separate body with minister; **Cyprus, Luxembourg, Malta**: There are separate directorates for Direct Taxes, Indirect Taxes, and/or Customs and Excise; **Denmark**: As of March 2010, the Danish Tax Administration has merged with the Danish Ministry of Taxation to form a single unified and autonomous tax administration with a corporate structure, headed by a single (internal) board chaired by the Permanent Secretary of the Ministry of Taxation; this integrated Danish revenue body is now officially referred to as the "Danish Ministry of Taxation"(Skatteministeriet); **Finland**: Excise and motor vehicle taxes administered by separate state bodies. **Germany**: Major taxes are administered separately by 16 State (*Länder*) MOFs, and subject to co-ordination and supervision by the Federal MOF; additionally, a Federal Central Tax Office, subordinated to the Federal MOF, performs certain central functions; **Greece**: From 2007 there is the possibility for the revenue body to assess, collect and recover SSC with 10% commission. This possibility is not in force yet, but it is predicted to be in force within the next semester for a part of the non-collected SSC; **Italy**: Italian Tax administration functions are carried out by a number of separate government and partly government-owned bodies due to a reorganisation of the Public Administration (Legislative Decree 30 July 1999, n. 300) The purpose of this reform was to separate the political guidelines (given by the Ministry of Economy and Finance which maintains control over policy orientation) from the managerial and operational charge (Agencies): 1) Revenue Agency (Agenzia Entrate), with the task of managing the direct taxes, VAT and other tax revenues; 2) Financial Police (Guardia di Finanza GDF) is responsible for dealing with tax fraud, financial crime, smuggling, money laundering, international illegal drug trafficking, customs and borders checks, counterfeiting; 3) Customs Agency (Agenzia Dogane) excise and VAT on imports; 4) Land Registry Agency (Agenzia del Territorio) with functions relating to cadastre, cartographic Services, conservation real estate registry; 5)The State Property Agency (Agenzia del demanio) has the task of administering the State Property; and 6) Equitalia Spa is the public company (51% Revenue Agency and 49% "National Social Security Institute – INPS) entrusted with the task of tax debt collection. **Korea**: Comprehensive Real Estate Holding Tax introduced in 2005, assess bracket of real property tax as national tax. **Malaysia**: There are two semi-autonomous bodies, each with a board comprised of external officials – the Inland Revenue Board (for direct taxes) and Customs and Excise Department (which also administers a sales tax); **Poland**: With common head, Secretary of State; **Russia**: Federal Tax Service administers three property taxes: land tax (paid by individuals and organisations); individual property tax (immovable property); corporate property (movable and immovable property). **Saudi Arabia**: Saudi Arabian DZIT also administers "zakat", a tax-like duty on commercial activities of Saudi persons. No taxes on wages and salaries (employment), but other activities by individuals (such as professional and trading activities) are taxable. **Slovak Republic**: There are plans for integration, with the effect from 2014. **South Africa**: Collects unemployment insurance fund contributions on behalf of Department of Labour; **Sweden**: Swedish Tax Agency with the Advisory Council; **Switzerland**: Direct taxes are administered at the sub-national level (by cantons); **Turkey**: Tax administration operations are conducted by a semi-autonomous authority known as the Presidency of Revenue Administration which provides all mainstream tax administration functions; it is supported in carrying out its mandate by the Tax Inspection Board which carries out audits of the taxpayers.

/2. **Brazil**: There is no national VAT, but two other taxes: One imposed by each Federal Member-State, the "Imposto sobre a Circulação de Mercadorias e Serviços" (ICMS) and another imposed by each municipality, the "Imposto sobre Serviços" (ISS); **Canada**: Employment Insurance and Canada Pension Plan contributions are collected for other departments that administer these national programmes**. Chile**: Self-employed persons are liable to pay contributions for retirement pension and occupational accident and sickness insurance as from 2012 (they can choose not to pay between 2012 and 2014, but it will be compulsory starting 2015). Health contributions may be voluntarily paid as from 2012, but it will be compulsory from 2018. Yearly, during the Income Tax Operation period, the SII will be in charge of assessing, based on the previous years' annual taxable income of the self-employed persons, the mandatory contributions to pension they have to pay, deducting the voluntary monthly contributions they could have made in the past year. On the same annual taxable income, the SII will determine the compulsory occupational accident and sickness insurance, deducting the previous monthly payments too (the same assessment will be made with the health contributions). The assessed amounts will be deducted from the taxpayer's withholding of monthly receipts or provisory payments, and the family allowances (if applicable), and reported to the Treasury in order to be transferred to the Pension Funds and Insurance companies, as appropriate; also, in the event that the refunds withheld by the SII are not enough to pay the assessed contributions, the debt will be informed. **China**: Varies from province to province; **Estonia**: Heavy goods vehicle tax; **Germany**: Revenue bodies determine property values for real property tax collected by municipalities; the motor vehicle tax will be administered by the

Länder tax administrations by means of the official delegation of powers to them until 30 June 2014; **Iceland**: Wealth tax was re-introduced in 2010 for net wealth 2009, 2010 and 2011; **Korea**: Comprehensive Real Estate Holding Tax introduced in 2005, assess upper bracket of real property tax as national tax; **Saudi Arabia**: PIT is limited to professional personal taxpayers like individual accounting firm, individual physician and individual legal firms; **Spain**: Revenue body collaborates only in some aspects; wealth tax was abolished in 2008; excise duty on certain means of transport;

/3. **Belgium**: Motor Vehicle Tax is not administered for the Flemish Region as from 2012. **Chile**: However the revenue body (SII) establishes the tax base for the application of fees for motor vehicles.

Table 1.2. Delegated authority of national revenue bodies

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

/2. **Australia**: Not for penalties imposed by a court; **Belgium**: Tax rulings are made by the Service for advance decisions in tax matters which is an autonomous body within the Federal Public Service Finances. **Brazil**: Depends on legal authorisation; **Cyprus**: Only penalty for compromise of offence. **France**: Recruitment by competitive examination; **Germany**: Generally 16 States MOF can decide on the internal structure. Most important decisions on levels and 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 dismissing staff is virtually impossible under German civil service law. Most of 16 States and Federal MOF maintain own IT operations; **Latvia**: The revenue body may set additional requirements for selection/hire of new staff, *e.g.* specific tests, however, one must comply with requirements of the Civil Service Law which provides for basic requirements as to how civil servant staff positions are filled up. **Lithuania**: STI designs internal structure, but it must be approved by Minister of Finance **Luxembourg**: Only penalties. Data relate to direct tax and VAT directorates; **Malta**: Only with regards to penalties. **Mexico**: It is necessary to obtain authorisation from (Secretaría de la Función Pública) regarding the organisational structure and from the Ministry of Finance and Public Credit concerning the budget. **Saudi Arabia**: Some of these powers are under the direct authority of Ministry of Finance to which DZIT reports; **Spain**: Tax rulings are mainly made by the DG for Taxation, within the MOF. **United Kingdom**: Public Service Agreement targets have to be agreed with Ministers.

/3. **Belgium**: Remittance of interest and penalties for tax offences are under the jurisdiction of Minister, however, for excises this remittance is executed by the regional directors of excises; **Mexico**: Appointments for 6 of the 11 high level positions must be designated by the President and ratified by the Senate; **Spain**: The recruitment is made by competitive examination. Recruitment and dismissal of staff should be done under the General Spanish Civil Service Law. Dismissal is extremely rare.

Table 1.5. Social security contributions: Assistance provided by revenue bodies not having primary collection responsibility

/1. **Austria**: Joint audits involving tax and SSC agency officials; **Chile**: Starting 2013, the SII will be responsible for assessing the self-employeds’ liabilities for pension contributions, and from 2018, for health contributions. **Italy**: There is a useful exchange of information and tools between revenue body and National Social Security Institute (INPS); available web services enable INPS to access tax register information system to verify taxpayers’ data with cross reference verifications; **Korea**: NTS notifies individuals income data to the National Health Insurance Corporation; **Luxembourg**: Direct Taxes Department only; **Poland**: An integrated approach to tax and SSC collection is being examined in the context of MOF’s plans for e-services; **Singapore**: IRAS assists Central Provident Fund by transmitting income information of self-employed taxpayers to aid in computation of the contribution amount payable. **Slovak Republic**: Date of implementation is tentative, subject to completion of legal formalities after Parliamentary election. **Spain**: The “Plan for the Prevention and Correction of Tax, Labour and Social Security Fraud” (approved March 2010) widens and improves collaboration between the Tax Agency and the Social Security Administration and is based on three instruments: the shared use of information, the design of joint inspections and more coordinated actions in the recovery of taxes and SSC.

/2. **Chile**: The SII collaborates with: the Social Security Institute (IPS), providing information relevant to determine the entitlement to pensions under the “pension solidaria” system; and the National Health Fund (FONASA), by providing information on the income of those paying contributions to FONASA to ensure that the benefits granted correspond to their level of income, among others.

Table 1.6. Selected non-tax roles of revenue bodies

/1. **Australia**: Three categories: 1) From 1 July, 2010, the Australian Taxation Office is responsible for administering excise equivalent goods (EEGs) imported into Australia and stored in a warehouse licensed;

2) Some aspects of social welfare and student loan schemes; and 3) Fuel rebate and grants scheme, Australian Business Register, Superannuation systems; **Austria**: Financial Police – Regulatory policy tasks (in particular labour market tasks as well as controls to ensure compliance with the Gambling Act); **Argentina**: The Revenue Body of Argentina has also the tax examination and collection function of the Social Security Contributions and their subsequent distribution to the security and health systems in charge of their administration. **Belgium**: Specific general administration of customs; **Bulgaria**: Statistical functions; collects some non-tax revenues for the central government budget (*e.g.* traffic control fines); **Canada**: Only collects past due amounts. **Chile**: Self-employed persons are liable to pay contributions for retirement pension and occupational accident and sickness insurance as of 2012 (they can choose not to pay between 2012 and 2014 provided they comply with an administrative procedure before the SII, but it will be compulsory starting 2015). Payment of health contributions will be compulsory from 2018. Yearly, during the annual Income Tax Operation period, the SII will be in charge of assessing, based on a percentage of the previous years' annual taxable income of the self-employed persons, the mandatory contributions to pension and occupational accident and sickness insurance they have to pay, deducting the voluntary monthly contributions they could have made in the past year. Over the same annual taxable income, the SII will determine the compulsory occupational accident and sickness insurance, deducting the previous monthly payments too (the same assessment will be made with the health contributions). The assessed amounts will be deducted from the monthly receipts withheld to the taxpayer, provisory payments and the family allowance (if applicable), and reported to the Treasury in order to be transferred to the Pension Funds and Insurance companies, as appropriate; also, in the event that the refunds due are not enough to pay the assessed contributions, the debt will be informed. **Cyprus**: For purpose of ascertaining taxable income or capital**; Czech Rep.**: Supervises lotteries and gambling games; **Denmark**: Agricultural export refund; **France**: The French General Directorate of Public Finances (DGFIP) created in April 2008 is responsible for tax administration and for the management of public finances; **Germany**: Premiums for owner-occupied homes, investment allowances, measures designed to promote saving, church tax; **Greece**: Treasury and budget, chemical state laboratory, public property and national legacies; **Hungary**: NTCA is responsible for the collection of member fee for pension funds, supervises gambling games**; Iceland**: Maintains companies register, and supervises accounting rules; **Japan**: Administers liquor industry; **Korea**: NTS only administers loaners repayment of loans; **Latvia**: Accounting, evaluation, realisation and destruction of property under the state jurisdiction. Providing for granting the status of Public Benefit Organisation. Acceptance of Public Officials' Declarations; **Lithuania**: Includes takeover, accounting, safekeeping, realisation, return and write-off of property under the state jurisdiction including forfeited, derelict, inherited property of the state, material evidences, treasures and findings and, since 2012, acceptance of Public Officials' declarations on public and private interests. **Luxembourg**: Direct taxes Department; **Malaysia**: Assists collect higher education loans on behalf of National Higher Education Fund; **Mexico**: The Revenue Body also controls businesses providing money exchange and money transfer services; **Netherlands**: The Tax and Customs Administration manages rent benefit, health care benefit, childcare benefit and supplementary child benefit; **New Zealand**: Administers "KiwiSaver", a voluntary savings scheme started in July 2007, which promotes savings by low to medium income earners and has various incentives such as employer and member tax credits. The funds are invested by commercial fund managers; **Romania**: Applies in Romania some sets of international sanctions, like freezing assets, sanctions established by the UN Security Council or the EU Council of Ministers; **Russia**: Tax authorities perform other functions: a) the support of bankruptcy procedures, b) registration and maintenance of register of economic entities, c) licensing of certain activities; d) control and oversight of lotteries (including the target use of lottery proceeds; e) control and oversight the compliance of legislation by gambling organisers, including the inspection of safety equipment; f) control and supervision of cash registers; and g) control and supervision of currency legislation. **Saudi Arabia**: DZIT collects both Zakat and Tax; however, Zakat amounts are directed to welfare and distributed to recipients through Social Security Department. **Singapore**: Regulatory authority for property appraisers; **Slovenia**: Collection of certain non-tax obligations; **Spain**: Deduction for working mothers; **Sweden**: The revenue body administers the public marriage register which was previously administered by the local courts since 2011. **United Kingdom**: Customs policy responsibilities; collection and provision of data to the Office for National Statistics for the production of overseas trade statistics and generation of UK Balance of Payments, administration of law in relation to the Proceeds of Crime Act 2002.

/2. **Belgium**: Cooperates with/gives relevant information to the public service managing welfare benefits, child support, student loans, etc., other non-tax functions include counter-terrorism activities at ports and at airports. **Canada**: Conducted only for support to income tax programmes. **Luxembourg**: Indirect taxes only.

/3. **Canada**: Administer national charities programme, collect debts on behalf of other departments, distributes federal and provincial payments for social programmes; **Luxembourg**: AED is in charge of the administration of the state property (drawing up contracts, collection of rents etc).

Table 1.7. Special body for procedural justice/dealing with tax-related complaints

1/. **Cyprus**: For direct taxes an additional body is the Tax Tribunal. **Hong Kong, Luxembourg**: Information relates to office of Government Ombudsman (or equivalent title); **Colombia**: Title of office in Spanish is "defensoria del contribuyente" and website address is *www.dian.gov.co/content/defensoria/index.htm}*; **Denmark**: By Danish law, the "ombudsman" title may only be used by the official Parliament ombudsman. As such, SKAT does not have an ombudsman; instead, it has a Citizen Ambassador and a Head of Public Security with the following mandates: 1) By authority of Danish Tax Law § 14, 3, and 64, the Citizen Ambassador – "Borgerambassadøren" – has the following mandate: Any tax payer who is unhappy with the mode or outcome of a tax matter or settlement, may complain to the Citizen Ambassador as a second instance, in case he is unhappy with the outcome of his first complaint through the regular instances; and 2) Retssikkerhedschef" – Head of Public Security. Has the authority to change rules and procedures on the grounds of specific inquiries or experience gained in the administration itself, to ensure that rule of law and public security is met; **France**: Mediator of the Republic is competent for all issues between citizens and public service (not only tax administration); Mediator of the Ministry of Finances is competent for issues between taxpayers and tax administration; **Hungary**: Commissioner for Fundamental Rights and National Authority for Data Protection and Freedom of Information. **(**See *www.ajbh.hu/allam/eng/index.htm* and *www.naih.hu/general-information.html*). **Luxembourg**: The Ombudsman ("médiateur") has as mission to receive the claims of all people aimed at Article 2, paragraph (1) of the law of August 22nd, 2003 instituting a "médiateur". The claim has to be formulated on the occasion of an affair which concerns the person, relating to the functioning of the administrations of the country and of the municipalities, as well as the state-owned companies recovering from the country and from the municipalities, with the exception of their industrial activities, financial and commercial. The Ombudsman can deal with complaints raised by taxpayers; **South Africa**: The Tax Administration Act, 2011, which was passed by Parliament in 2011 and commenced on 1 October 2012 makes provision for the appointment of an independent Tax Ombud by the Minister of Finance; **Spain**: The Office of the Taxpayers' Counsel (Consejo para del Contribuyente) is regulated by Royal Decree 1676/2009; it is a college of supervisors attached to the Secretariat of State for Finances; **Spain**: The Office of the Taxpayers' Counsel (Consejo para del Contribuyente) is regulated by Royal Decree 1676/2009; it is a college of supervisors attached to the Secretariat of State for Finances; **Turkey**: An internal complaints management system is being piloted in 2012; **United Kingdom**: HMRC operates a complaints process based on 2 internal tiers, an independent tier (tier 3 – the Adjudicator) and then the Parliamentary and Health Service Ombudsman (generally tier 4);

/2. **Cyprus**: From Feb 2013 activities of Tax Tribunal have been suspended by a decision of the Council of Ministers

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Chapter 2

The organisation of revenue bodies

This chapter describes aspects of the organisational arrangements of surveyed revenue bodies, including recent developments or changes in course of implementation.

Key points

Organisational structures/features

- Many revenue bodies are undergoing major organisational reform to achieve improved outcomes, in particular significant cost reductions; important reform themes observed include institutional reform (e.g. integrating tax and customs administrations, increased responsibilities for revenue bodies), increasing application of customer segment approaches (incl. large taxpayer units), reducing layers of management allied with shifts towards a more centralised form of management, office network rationalisation, and shared services approaches involving multiple government agencies (e.g. personnel functions and IT).
- The "function" criterion continues to be significant in the design of revenue bodies' structures but around two thirds reported a design based on a mix of criterion (i.e. function, taxpayer segment and/or tax type).
- The vast majority of revenue bodies have concentrated their information processing work in a small number of dedicated sites and maintain large in-house tax fraud investigation and enforced tax debt collection functions.
- While the majority of revenue bodies reported the operation of a full in-house IT function, ten revenue bodies rely significantly on outsourced arrangements or other parts of government for their IT support.

Office networks and resource allocation

- Across surveyed bodies, there is an enormous variation in the relative size of revenue bodies' headquarters function, reflecting a variety of factors (e.g. a more centralised approach to the national management of tax administration operations, large in-house IT functions);
- While all revenue bodies operate with office networks which are geographical and hierarchical, many have created centralised operations (e.g. call centres, data processing centres, and large taxpayer offices) to increase efficiency and effectiveness.
- Many revenue bodies, especially a number in Europe (e.g. Greece and Portugal), are taking steps to significantly scale down the size of their office networks to reduce operating costs; however, many revenue bodies still operate with what appear to be abnormally large office networks, having regard to the size of their client base.

Large taxpayer units

- The vast majority (around 85%) of surveyed revenue bodies have established dedicated units responsible for administering their largest taxpayers; however, these units vary significantly in the scale of their operations – a product of the varying criteria used to identify relevant taxpayers – and in the scope and range of their responsibilities.

High net worth individuals

- Despite evidence of significant growth in the numbers and wealth of high net worth individual taxpayers over recent years, relatively few revenue bodies (no more than 8) have established specialist units to oversee their administration, as recommended by the FTA in its 2009 study.

Getting organised to collect taxes

Organisational structures of revenue bodies and their evolution

Over the last two decades or so, the organisational structure of many revenue bodies has been the subject of major reform aimed at improving operational efficiency and effectiveness and the delivery of services to taxpayers. By and large, these reform efforts have mirrored a broader trend in the evolution of the structure of revenue bodies, moving initially from a structure based largely on “tax type” criterion to one based principally on “functional” criterion. For many revenue bodies, steps have also been taken to structure their compliance (*i.e.* service and verification) functions on the basis of “taxpayer segment”, at least so far as large taxpayers are concerned, while a few bodies have gone further with the “taxpayer segment” approach (*e.g.* Australia and the United States of America). A description of some of the factors relevant to this evolution is set out below:

- *The “type of tax” organisational model:* The earliest organisational model employed by tax administrators was based principally on “type of tax” criterion. As part of this model, separate multifunctional departments were responsible for each tax and were largely self-sufficient and independent of each other. While this model served its early purposes, it was eventually seen to have a number of shortcomings, including:
  - it was inefficient and excessively costly, largely as a result of its inherent duplication of functions (*e.g.* registration, accounting, information processing);
  - taxpayers with multiple tax dealings (*e.g.* businesses) were inconvenienced as they had to deal with different departments on similar issues (*e.g.* debt issues);
  - there were complications, both to revenue bodies and taxpayers, in managing and co-ordinating compliance actions across different taxes;
  - separate administration of taxes increased the likelihood of inconsistent treatment of taxpayers (*e.g.* for services, enforced debt collection, and audit);
  - the arrangements impeded the flexible use of staff whose skills (and often entire careers) were largely confined to a particular tax; and
  - it excessively fragmented management of the tax system, complicating organisational planning and co-ordination.

To address such shortcomings, many revenue bodies decided to restructure their organisational arrangements, adopting a model based largely on “functional” principles.

- *The “functional” organisational model:* Under the functional model, staffs are organised principally by functional groupings (*e.g.* registration, accounting, information processing, audit, collection, appeals, etc.,) and generally work across taxes. This approach to organising tax work permits greater standardisation of work processes across taxes, thereby simplifying computerisation and arrangements for taxpayers, and contributes to improving operational efficiency. Compared to the “tax type” model, the functional model has come to be seen as offering many advantages and its adoption has led to many developments aimed at improving tax administration performance (*e.g.* single points of access for tax inquiries, the development of a unified system of taxpayer registration, common approaches to tax payment and accounting, and more effective management of tax audit and debt collection functions.) However, a number of revenue bodies have taken the view that this model is not entirely appropriate for the delivery of compliance-related activities across different segments of taxpayers given their differing features, behaviours, and attitudes to tax compliance.
- *The “taxpayer segment” organisational model*: A more recent development among a small number of developed countries (*e.g.* Australia and United states) has been to organise service and enforcement functions principally around “segments of taxpayers” (*e.g.* large businesses, small/medium businesses, high net worth individuals, etc.). The rationale for organising 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 that require a more tailored treatment approach. 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. Revenue bodies also need a structured approach to researching and understanding what these compliance issues are. 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.

Table 2.1 highlights a number of high level structural features of revenue bodies in surveyed countries. As will be evident from the information reported, there are significant variations in the organisational structures of revenue bodies from country to country. However, there appears to be a substantial reliance on the "functional" model of organisation-14 out of the 52 surveyed revenue bodies indicated that the functional model has been adopted as the primary criterion for structuring their tax administration operations, while 35 revenue bodies reported that a broad mix of criteria, including "function", are applied in practice. As will also be apparent from Table 2.1, 44 revenue bodies have complemented their largely functional structure with a dedicated division (in a few cases limited to audit-related tasks) to administer the tax affairs of their largest taxpayers. Other important observations are:

- The vast majority of revenue bodies (42 of 52 countries) operate some form of dedicated processing centres (*e.g.* for processing of tax returns and payments);
- Less than one quarter of surveyed revenue bodies operate dedicated units to manage the tax affairs of high net worth individuals, notwithstanding significant growth in this segment of taxpayer and increased concentration of wealth (further comments provided later in this chapter);
- All but 7 revenue bodies have an in-house debt collection function. Survey responses and related research identified some unusual arrangements for enforced debt collection in 3 countries (*i.e.* Chile, Italy and Sweden), entailing the conduct of much/most of this work outside the revenue body;
- ***Chile*** reported that enforced tax debt collection is the responsibility of a separate government body (Treasury) that also collects other government debts; in ***Sweden***, enforced tax debt collection is the responsibility of a separate Enforcement Authority (EA) that, until July 2006, had been part of the Tax Agency; while the EA operates as an independent authority and collects debts other than those resulting from taxation, it has close linkages with the tax agency (*e.g.* for IT and administrative support); in ***Italy***, the enforced debt recovery function is outsourced to "Equitalia Spa".
- The great majority of revenue bodies in OECD countries maintain a dedicated division responsible for the investigation of serious cases of tax fraud/evasion;
- Organisational arrangements for the delivery of information technology functions vary significantly across surveyed revenue bodies, ranging from comprehensive in-house operations performing a range of functions, centralised IT operations that are shared across a number of bodies within the MOF, to partially and fully outsourced arrangements involving private sector organisations. A further recent development

Table 2.1. **Selected features of the organisational structure of revenue bodies**

	Selected features of revenue bodies' internal organisational structure							
Country	Main criterion* for structure	High net worth individual unit	Large taxpayer division/unit	Dedicated processing centres	Debt collection function	Tax fraud function	Dedicated disputes function	Full in-house IT function
OECD countries								
Australia	All	✓	✓	✓	✓	✓	✓	✓/1
Austria	All	x	✓	x	✓	✓	✓	✓/1
Belgium	All	x	✓	✓	✓	✓	✓	x
Canada	F	x	✓/1	✓	✓	✓	✓	✓/2
Chile	All	x	✓	✓	x/1	✓	✓	✓/2
Czech Rep.	T, F	x	✓	✓	✓	✓	✓	✓
Denmark	All	x	✓	✓	✓	✓	✓	x/1
Estonia	All	x	x	✓	✓	✓	✓	✓
Finland	F,TP	x	✓	✓	✓	✓	x	x/1
France	TP	✓/1	✓	✓	✓	✓	✓	✓
Germany/1	F,TP	✓	✓	✓	✓	✓	✓	✓
Greece	All	x/1	✓/2	✓	✓	✓	✓/3	✓
Hungary/1	All	x	✓	✓	✓	✓	✓/1	✓
Iceland	All	x	x	x	x/1	✓/2	✓	x/3
Ireland	TP	✓	✓	✓	✓	✓	x/1	✓
Israel	All	x	✓	✓	✓	✓	✓	✓
Italy	All	x	✓	✓	x/1	✓/2	✓	✓
Japan	All	✓/1	✓	✓	✓	✓	✓	✓
Korea	All	x	x/1	x	x/2	x	✓	✓
Luxembourg	F,T	x	x	✓	✓	✓	✓	x
Mexico	F,TP	x	✓	✓	✓	✓	✓	✓/1
Netherlands	F/1	x/1	✓/2	✓	✓/3	✓	✓/3	✓
New Zealand	All	✓	✓	✓	✓	✓	✓	✓
Norway	All	x	✓	✓	✓	✓	✓	✓
Poland	All	x	✓	✓	✓	✓	✓	✓
Portugal	All	x	✓	✓	✓	✓	✓	✓/1
Slovak Rep.	F	✓	✓	x	✓	✓	✓	x/1
Slovenia	F,TP	x	✓	✓	✓	✓	✓	✓
Spain	All	✓/1	✓	✓	✓	✓	x/2	✓
Sweden	All	x	✓	x	x/1	x/2	x	✓
Switzerland	All	x	x/1	✓	x/2	✓	✓	✓
Turkey	F	x	✓	✓	x	✓	✓	✓
United Kingdom	All	✓	✓	✓	✓	✓	✓	x/1
United States	TP	✓/1	✓	✓	✓	✓	✓	✓
Non-OECD countries								
Argentina	All	✓	✓	✓	✓	✓	✓	✓
Brazil	F	✓	✓	x	✓	✓	✓	x
Bulgaria	F	x	✓	x	✓	✓	✓	✓
China	All	✓	✓	✓	✓	✓	✓	✓
Colombia	F	x	✓	✓	✓	x	✓	✓
Cyprus	All	x	x/1	✓	✓	✓/2	✓	x
Hong Kong, China	All	x	x	✓	✓	✓	✓	✓
India	F	X	✓	✓	✓	✓	✓	✓
Indonesia	F	✓	✓	✓	✓	✓	✓	✓
Latvia	F	x	✓	x	✓	✓	✓	✓/1
Lithuania	F	x	✓	✓	✓	x	✓	✓/1
Malaysia	F	✓/1	✓	✓	✓	✓	✓	✓
Malta	All	x	x	✓	✓	✓	✓	x
Romania	F,T/1	✓	✓	✓	✓	✓	x	✓
Russia	All	x	✓	✓	✓	x	✓	✓
Saudi Arabia	F	x	✓	x	✓	✓/1	✓	✓
Singapore	F,T	x	✓/1	✓	✓	✓	x	✓
South Africa	All	✓	✓	✓	✓	✓	✓	✓

* Structural criterion: Function: **F** – Tax type: **T** – Taxpayer type: **TP**.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 97.

Source: CIS survey responses.

reported by Canada describes the creation of a new government department – Shared Services Canada – to provide IT support to multiple government agencies (including the CRA), intended to lower costs and streamline operations.

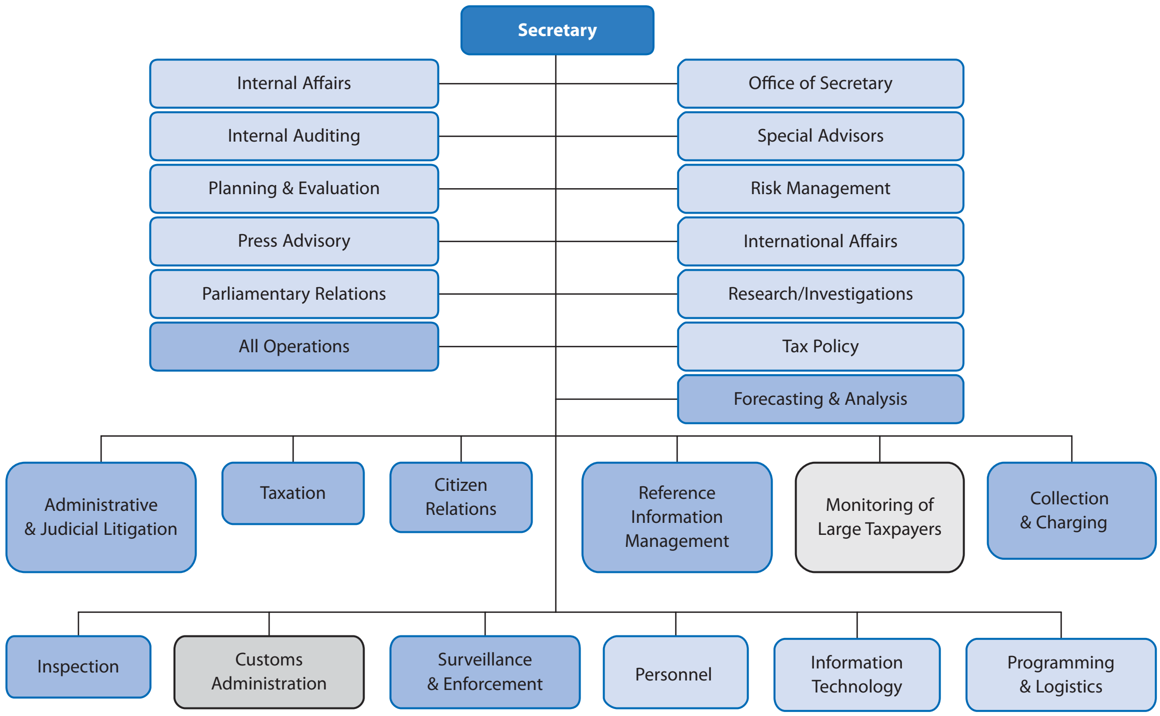
Country examples of high level organisational arrangements

Prior editions of the CIS have provided examples of the high level organisational structure of national revenue bodies' headquarters and identified a number of themes and similarities across sub-groupings of these countries. These are summarised in Table 2.2. In this series, examples are provided from a further 11 revenue bodies (*i.e.* Brazil, Czech Rep., Finland, Ireland, Italy, Netherlands, Russia, Singapore, South Africa, Sweden and Turkey) and categorised as appropriate within the previously observed groupings – see Figures 2.1 to 2.11 (generally derived from revenue bodies' own published materials).

Table 2.2. **Features of the organisation structure of selected revenue bodies**

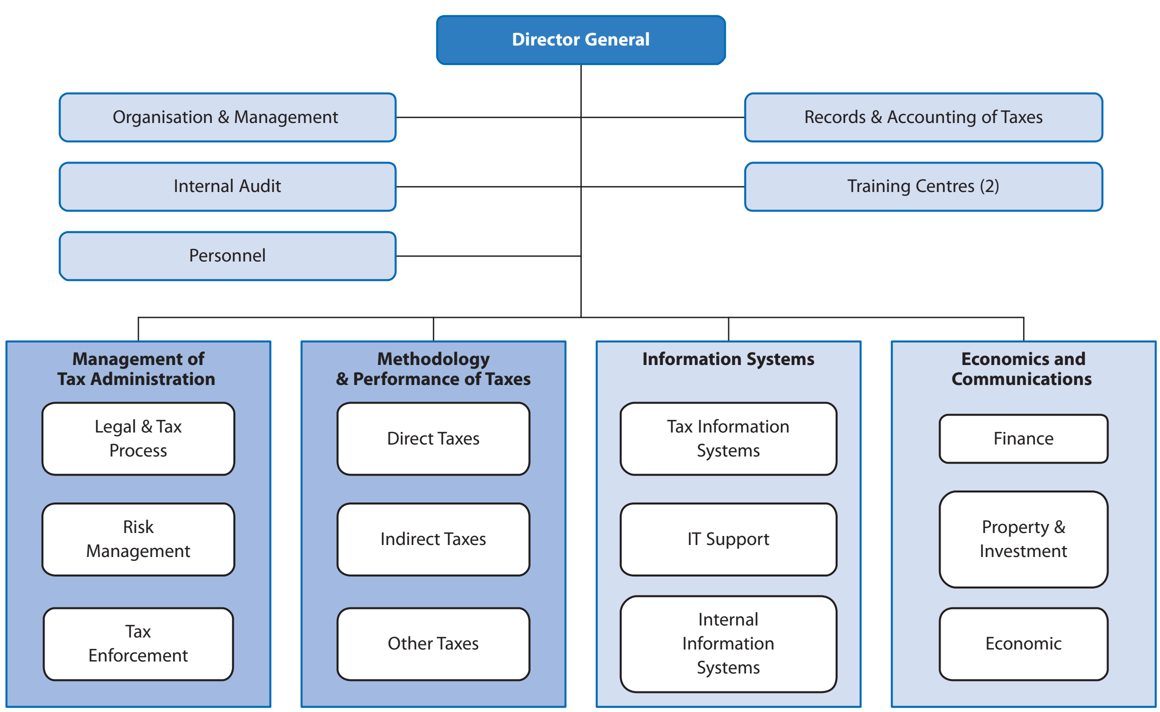
Design themes observed in revenue bodies' organisational structures	Examples displayed (and CIS edition)		
	2008	2010	2013
Taxpayer segment: This model is *characterised by a number of "taxpayer segment" divisions* responsible for delivering compliance activities (service and verification) for taxpayers in each segment. There are also a number of functional units (*e.g.* client contact and debt) supporting the work of all segments. For the USA, the model replaced a more functionally-oriented setup for the delivery of service and enforcement activities, which was overseen by a formal layer of management and co-ordination at the regional level. This regional management layer was abandoned with the new structure.	Australia and USA (Figures 1 and 9)	-	
Function (within a unified semi-autonomous body): The organisational models depicted for these revenue bodies *reflect the more traditional model of a functionally-organised body* with, for most, a formal layer of regional management. For New Zealand, there is also a tax policy function, an arrangement generally not seen in other OECD countries.	Canada, Chile and Korea (Figures 2, 3 and 5)	Hungary, Japan and New Zealand (Figures 6, 7 and 9)	Czech Rep., Finland, Italy, Russia, Sweden, and Turkey (Figures 2.2, 2.3, 2.5, 2.7, 2.9 and 2.11)
Function (also with customs administration): The models shown for these revenue bodies are *based largely on functional criteria, and also reflect the integration of customs operations*, as well as a layer of regional management overseeing local operations. As noted in Chapter 1, a number of countries have aligned tax and customs operations within a single agency. The Brazilian, Spanish, Irish, Mexican and South African models also show a customer segment operation for large taxpayers.	Estonia and Spain (Figures 4 and 7)	Argentina, Austria, Israel, and Mexico (Figures 3, 4, 8 and 10)	Brazil, Ireland, Netherlands, and South Africa (Figures 2.1, 2.4, 2.6 and 2.10)
Function (within the MOF): This model is *a less autonomous set-up where tax administration functions are grouped together under common management within the formal structure of the Ministry of Finance (MOF).* A feature of this model is that support functions such as finance, human resources and information technology are shared with other MOF operational arms.		France (Figure 5)	
Different approaches: The UK model reflects the evolution of HMRC's internal structure over a few years following the merger in 2005 of separate direct and indirect tax administrations (incl. customs) to create an integrated revenue and customs body. The model, driven in part by an objective of establishing clearer lines of accountability, is based on a matrix style of management where both "functional" and "tax type" considerations are given emphasis. The Singaporean model bears some similarities with its function and tax type configuration.	UK (Figure 8)	-	Singapore (Figure 2.8)

Figure 2.1. **Brazil's Secretariat of Federal Revenue**



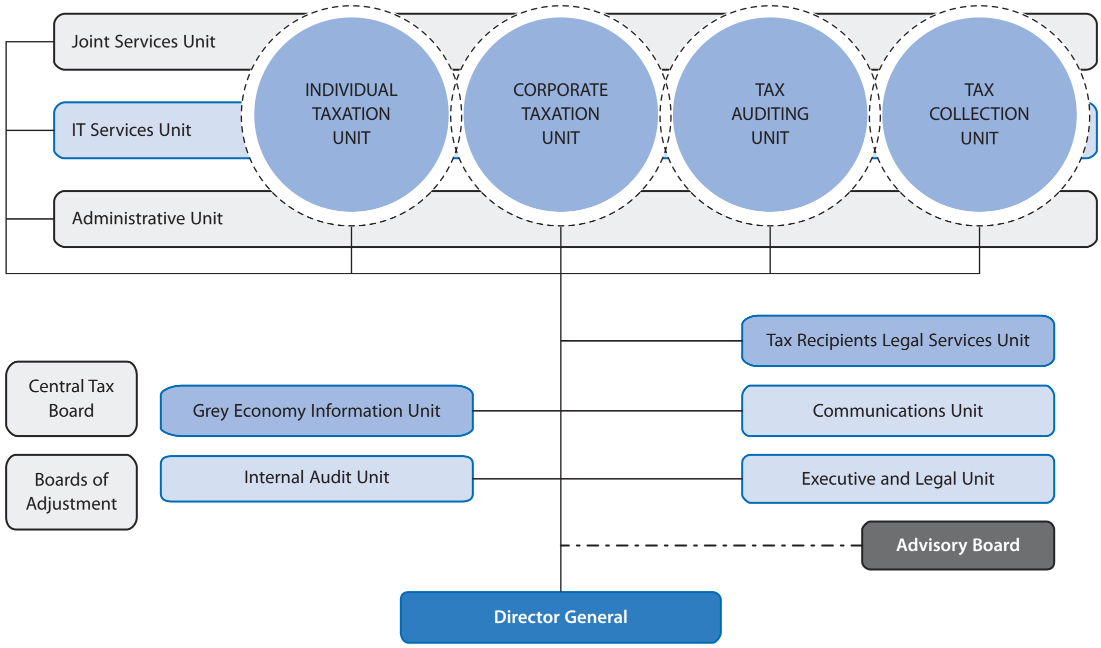
Source: Revenue body website (August 2012).

Figure 2.2. **Czech Republic's General Financial Directorate**



Source: GFD website (May 2012).

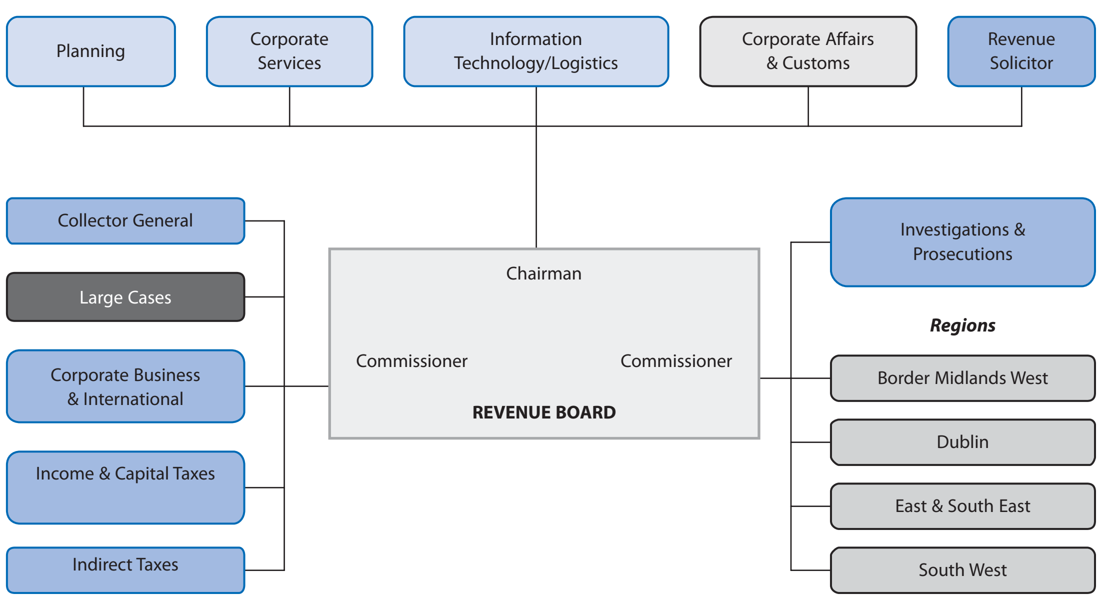
Figure 2.3. **Finnish Tax Administration (Vero)**



Notes: The Joint Services Unit is responsible for the Tax Administration's transaction channels and services, language services, tax risk management processes and the co-ordination of development projects, quality control and international stakeholder co-operation. The Corporate and Individual Tax Units are responsible for service, customer information and control activities.

Source: Tax Agency Annual Report 2012.

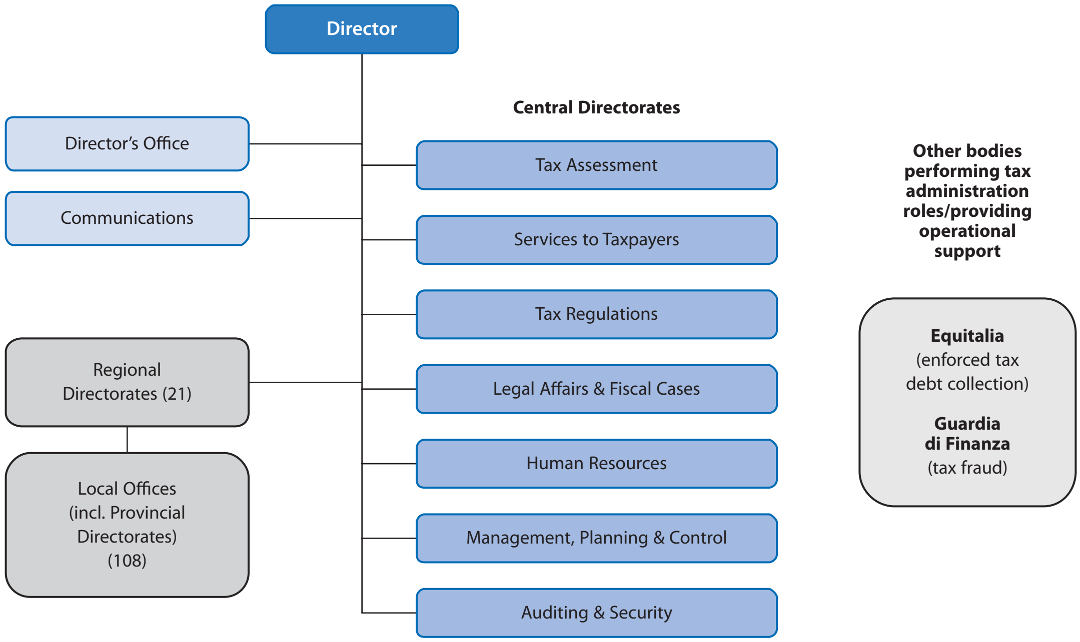
Figure 2.4. **Ireland Revenue**



Notes: Planning Division includes Development and Evaluation of Operational Policy, Business Processes Engineering and Forecasting and Analysis. Corporate Services includes HRM, Finance and Internal Audit. Income and Capital Taxes, & Indirect Taxes Divisions deal with policy, legislation and interpretation-related responsibilities. Large Cases Division includes service, compliance & audit functions for the largest businesses and wealthiest individuals.

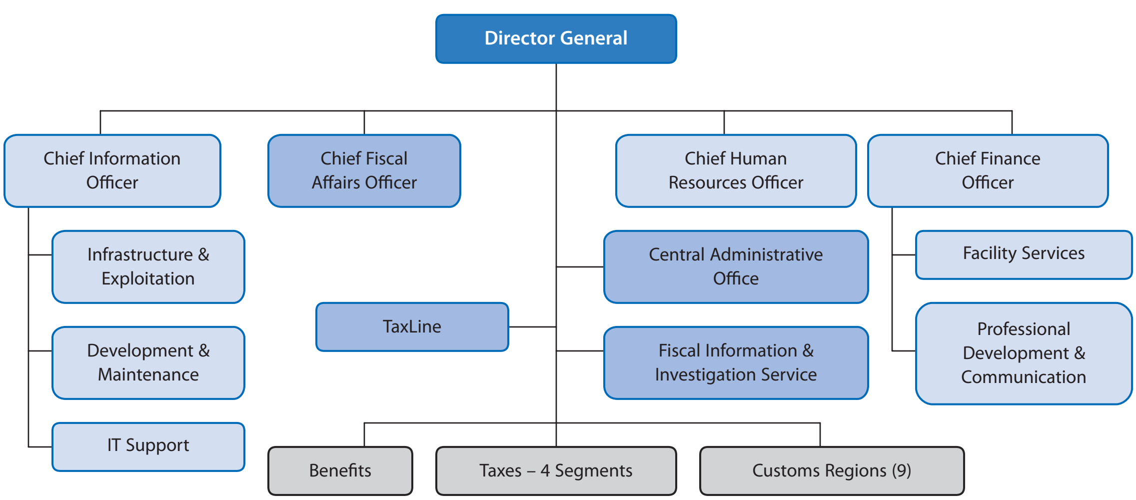
Source: Revenue (May 2012).

Figure 2.5. **Italian Revenue Agency (Agenzia Entrate)**



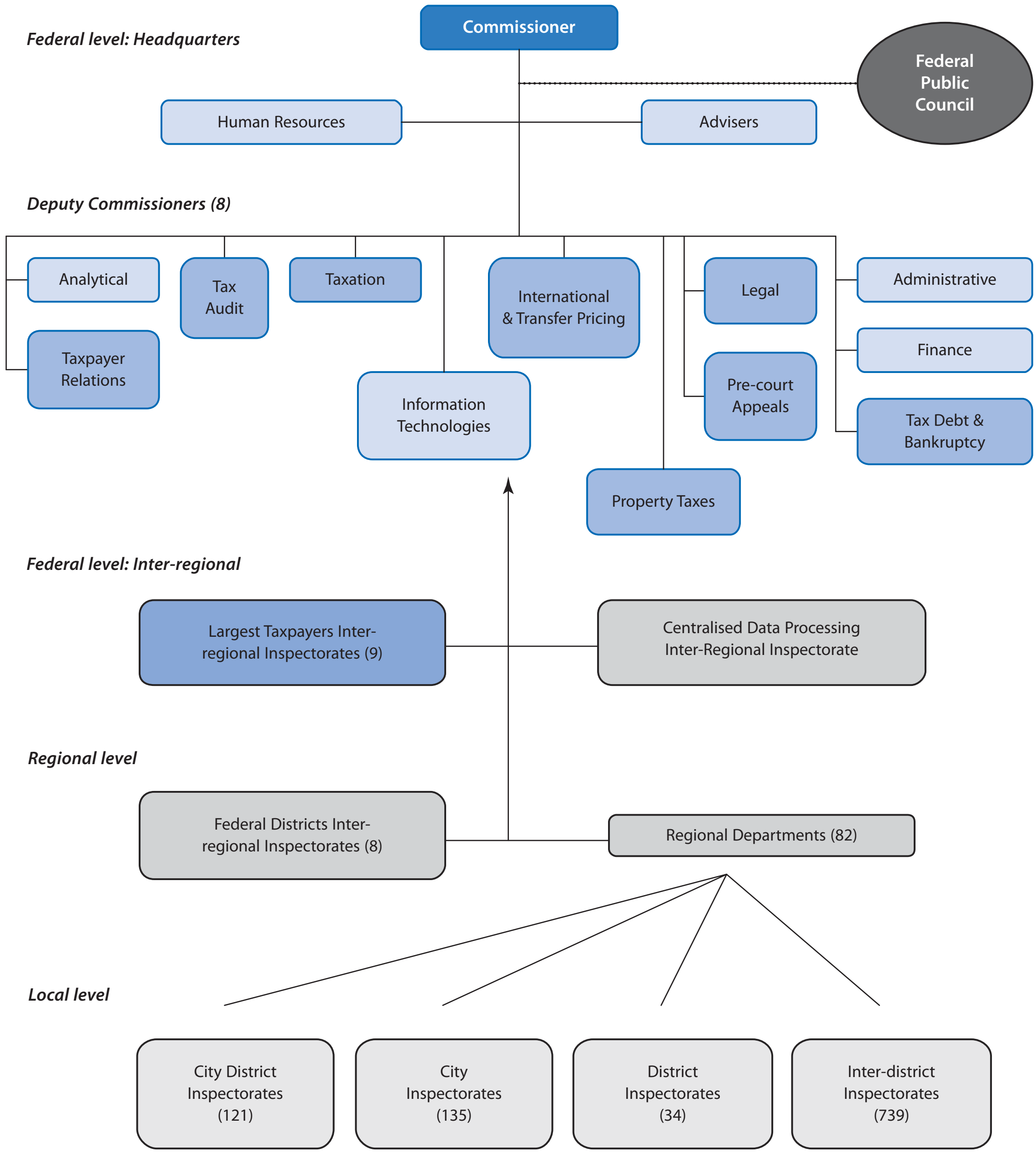
Source: Italian Revenue Agency Annual Report (2011).

Figure 2.6. **The Netherlands Tax and Customs Administration (NTCA)**



Notes: Central Office is responsible for the execution of the bulk and central part of these processes of the Tax and Customs Administration. This involves administrative duties – from dispatching and processing the various tax returns to dispatching notifications in this respect – and bulk (supervisory) duties. The Tax Line is the unit of the NTCA that private individuals and entrepreneurs can contact with questions about, for instance, tax returns, national insurance contributions and benefits. It also answers questions regarding Customs and motor vehicle tax.

Figure 2.7. **Russia's Federal Tax Service**

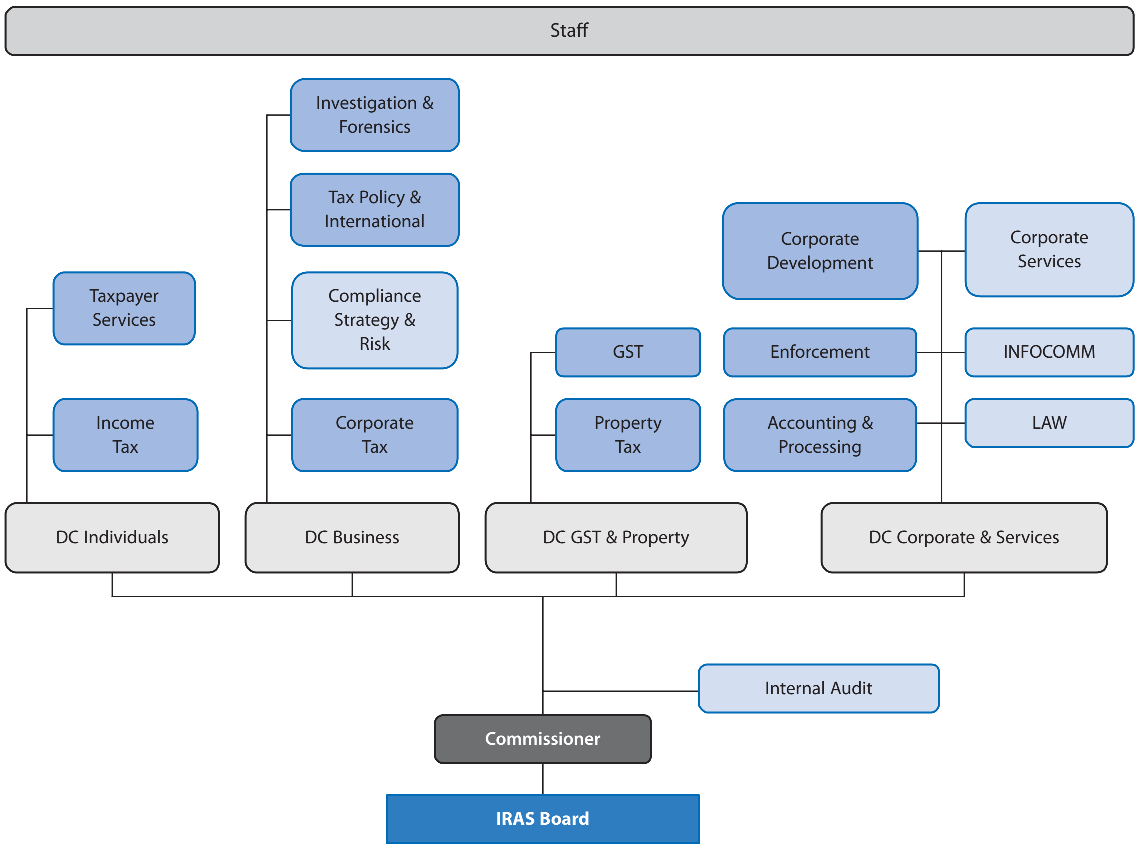


Notes: Organised principally on functional lines, and with dedicated large taxpayer operations organised largely on an industry basis, the FTS's organisational structure and network of offices reflect Russia's administrative divisions, the FTS's overall responsibilities for the administration of federal, regional and local government taxes, Russia's population size, and density, and enormous geographical spread (covering eight time zones).

The FTS Public Council is a standing consultative body which operates on a voluntary basis. Scientists, businessmen, journalists, public figures and directors of the largest and socially important enterprises comprise its membership, aiming to provide constructive input to the FTS's ongoing modernization efforts directed at improved customer service delivery, the modernization of service opportunities and information transparency.

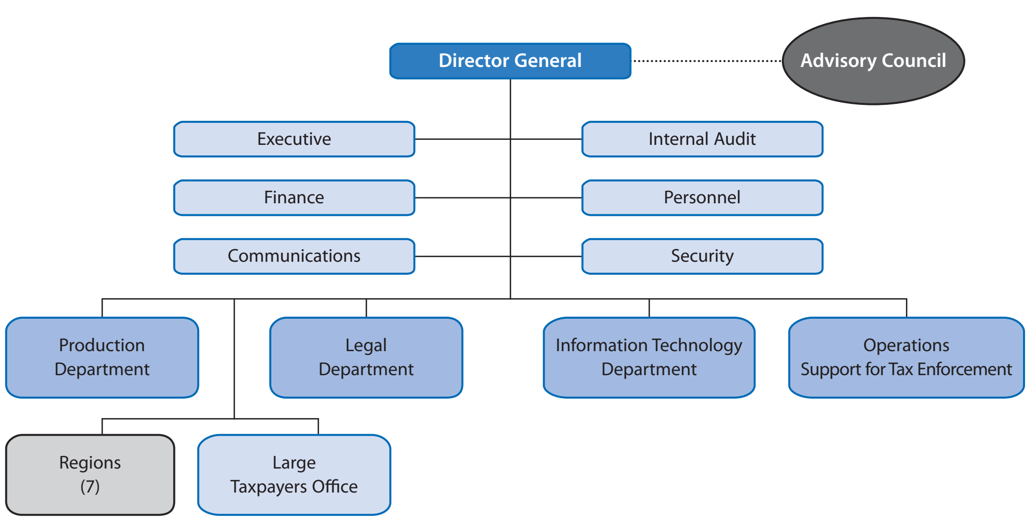
Source: FTS website (May 2012).

Figure 2.8. **Inland Revenue Authority of Singapore**



Source: IRAS website/Annual Report.

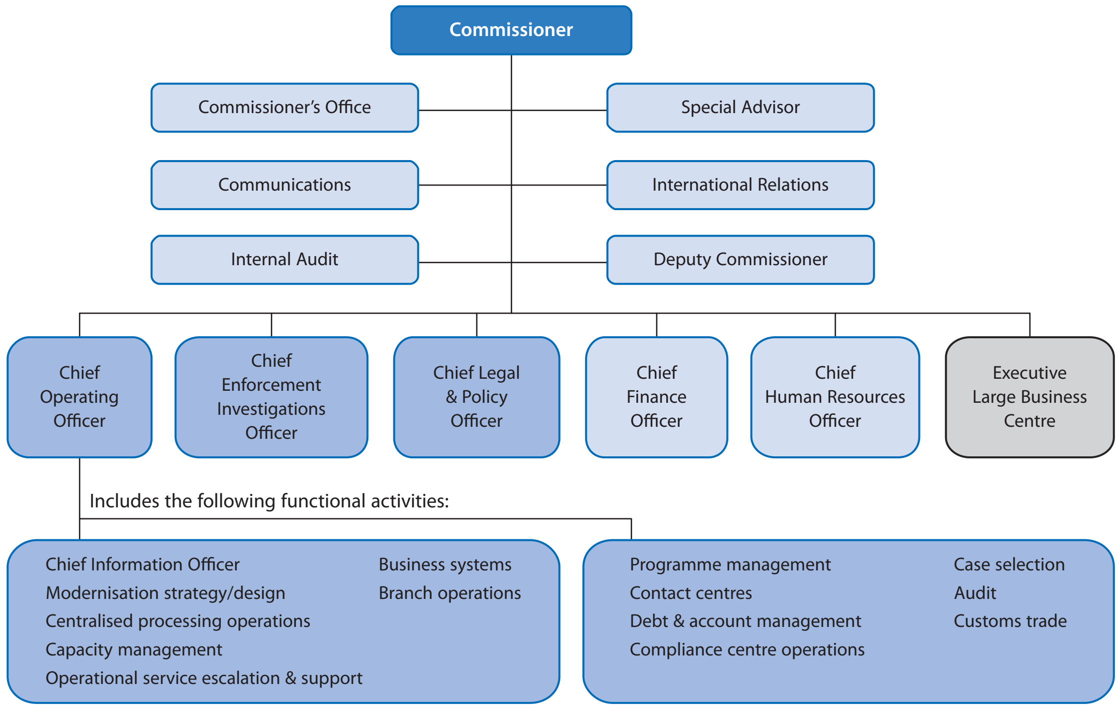
Figure 2.9. **Swedish Tax Agency**



Notes: Until July 2006, the Enforcement Authority, responsible for collecting both public (incl. tax) and private debts, was part of the Tax Agency. It was then separated and now operates as a separate independent authority. However, in technical matters (*e.g.* IT, and strategy) it still has links to the STA.

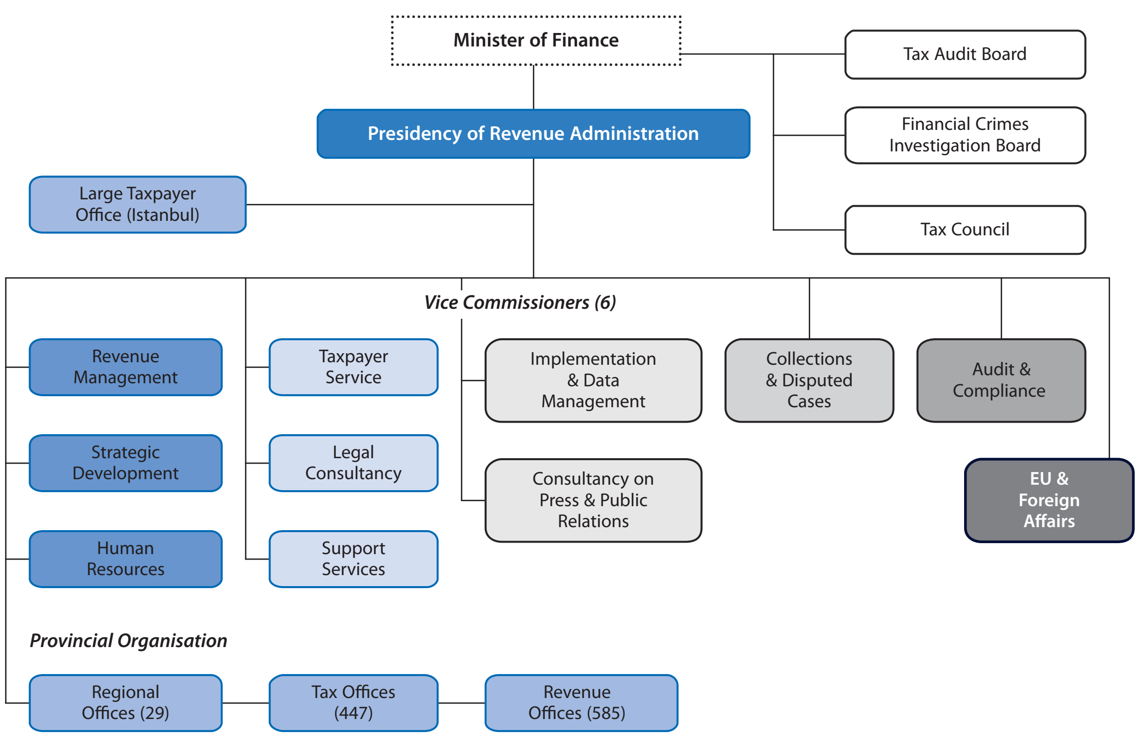
Source: Swedish Tax Agency website (May 2012).

Figure 2.10. **South African Revenue Service**



Source: SARS.

Figure 2.11. **Turkish Tax Administration**



Source: Presidency of Revenue Administration (Fiscalis presentation, March 2012).

Reform, reform reform… a never-ending story!

Based on survey responses and research of published materials, reforming tax administration operations continues to receive considerable attention in many countries and appears to have intensified over the last year as Governments intensify efforts to improve efficiency and cut costs. Generally speaking, these enhancements fall into the following categories: 1) institutional reform; 2) allocating additional roles to revenue bodies; 3) consolidating office networks and sites to achieve greater economies of scale; 4) eliminating administrative duplication (*e.g.* integration of tax and SSC collection); 5) fundamental business process redesign underpinned by more effective use of modern technology; and 6) "whole of government" service delivery approaches. Details of the more notable country reforms identified are summarised below:

- ***Austria*** reported a series of reforms. From January 2011, new legislation covering gambling activities came into force and the revenue body is responsible for administering related control activities. A new tax office, with a complete new structure entailing an office reorganisation of the entire organisational and command structure to take account of the new areas of responsibility (Gambling), has been established. A new body, known as the Financial Police, has also been in place since January 2012 and has been granted expanded control and oversight powers – for example, the power to enter premises, to stop vehicles and to stop and check the identity of persons. In particular, the Financial Police will become involved in very substantial cases of tax evasion, tax fraud and wherever the social welfare state is being harmed.
- A major restructuring of ***Belgian*** tax administration is underway. An important realignment of staff and a reorganisation of logistics is in progress for the years 2012-15 to implement the segmentation of the tax administration in three entities: large companies / small and medium enterprises / individuals.
- The ***Bulgarian*** National Revenue Agency (NRA) reported that as of January 2010 it became responsible for performing all functions related to the enforced collection of public debts such as taxes, SSC and other debts owing to the state budget.
- ***Canada*** reported that in fiscal year 2010-11, the federal government created a new department – Shared Services Canada – with a mandate to lower costs and improve services by consolidating and streamlining government IT networks, data centres, and email systems. Existing resources related to these services were transferred from 43 federal departments and agencies to create Shared Services Canada. The CRA transferred some 750 FTEs to the new department.

  The CRA also reported that a separate Enterprise Risk Management Branch had been established in 2010 to support its efforts to better understand enterprise risks so that they can be responsibly managed. A further realignment of responsibilities in January 2013 created the Audit, Evaluation and Risk Branch.

  During 2012, the CRA became the first Canadian public sector agency to join the Risk Response Network of the World Economic Forum, being recognised as an organisation that has successfully embedded risk management into decision-making and fosters a working culture that promotes responsible risk-based decisions. The CRA expects that as its Enterprise Risk Management programme matures, it will generate progressively more concrete results in the form of efficient, innovative tax and benefit programmes and services that are informed by risk-based planning, priority setting, and decision making.

- ***Colombia*** indicated that it is upgrading a number of its support functions and re-organising audit functions in its regional offices. To better engage in information exchange with other revenue bodies, it will enhance its information security and improve its information technology tools. The Information Technology Department will become a first level division (instead of a second level unit under the organisational management division), and answer directly to the General Commissioner. There will be two new offices: Information Security and Detection. To improve human resource management, the Human Resource Management (HRM) Department will become a first level division (instead of a second level unit under another division) and will integrate all functions related to HRM (currently spread across two separate divisions). Finally, steps are being taken to promote specialisation by taxpayer type-the 32 regional offices in charge of tax auditing will have separate units specialising on both corporate and individual taxpayers.
- ***Czech Republic*** officials reported the establishment of a new specialised large taxpayer office, which commenced operations in January 2012. Work is also proceeding with plans to integrate the collection of tax and social contributions from 2014.
- ***Estonia's Tax and Customs Board (ETCB)*** reported that it will in 2012 abandon the concept of a region. The ETCB is moving from the concept of everybody doing everything towards a more centralised form of management via "competence centres". It emphasises that its clients will not suffer as a result of this centralised approach-as part of the reform, the ETCB will maintain its present services network together with the services offered, which are also available electronically. The competence centre manages the entire country, not only the region where it is located. Face to face communication with clients takes place in the closest Tax Office for a client.
- ***Finland*** noted that a major reorganisation was completed in the end of year 2011. The focus was to establish national units and abolish regional tax offices. The aim of the national units is to distribute work in a more flexible manner, ensure uniformity of taxation and establish a closer connection between steering, development and operations. In the national units, taxation tasks can be distributed around the country or centralised nationally.

  The office network is to be reduced. Customers can carry out most of the tax affairs in the online and telephone services and the current level of the office network is not needed. Operations will be concentrated in growth centres, where skilled labour is readily available. The larger offices have, from customers' viewpoint, the advantage of extensive knowledge and expertise.
- ***France*** reported that following the creation of the General Directorate of Public Finances (DGFIP) in 2008, further rationalisation of structures had been made to unify operations at the local directorate level (by merging the public accountancy and tax administration). In addition, unified tax assessment and collection structures had been implemented. New specialised collection arrangements had been established for individuals and professionals with non-payment risk or complex proceedings. Finally, a new "judicial tax service" was implemented in late 2010, involving a small unit of tax officials being empowered with judicial prerogatives (re hearing, search, and detention) to seek out complex evasion. The unit is being placed in a special squad in the Ministry of Interior, where it works with police and operates under the supervision of a judge.

- ***Germany:*** As noted in Chapter 1, Germany has a highly decentralised system of tax administration where federal taxes are administered by sixteen separate regional *Lander* Governments. Officials reported that at the present time, a system for concluding agreements on objectives between the federal revenue authorities and each *Länder* is being developed in a pilot project. The goal is that the Federal Ministry of Finance will each year agree with all the *Länder* on binding objectives for tax collection, beginning for 2014.
- ***Greece:*** Officials reported that a major programme of reform/re-organisation is in course to improve operational performance and taxpayers' compliance. Box 2.1, based on information contained in a formal memorandum of policies agreed between the Greek Government and IMF, sets out the key institutional reforms implemented and/or being planned. Many of these align with the directions for reform being considered or implemented elsewhere, as described in this and previous CIS editions.
- ***Hungary****:* As foreshadowed in CIS 2010, a new institution – the National Tax and Customs Administration (NTCA) – commenced operations 1 January 2011, resulting from the merger of two predecessor organisations (*i.e.* the Hungarian Tax and Financial Control Administration and Customs and Finance Guard). To date, there has been limited internal re-organisation as a key objective was to ensure stable and efficient organisational operation from the outset. Nevertheless, the NTCA reports that by implementing integration processes the professional areas have induced further tasks, good examples being the development of a unified taxpayer registration system (covering both taxes and customs), the standardisation of leaflets, as well as the integration of the current accounts. These steps are key elements of more customer-focused administrative proceedings, and at the same time they impact the formation and shaping of a unified corporate image and administrative practice. The renewed website of NTCA contains thematically structured information related to professional areas (*e.g.* downloadable documents). The coordination of diverse activities, work processes and related IT systems will comprise a multi-year process with a special focus on the development of organisational and customer relations.
- ***Iceland*** reported that effective from January 2010, there was a merger of the local tax commissioners and the Directorate of Internal Revenue. The key objectives were to harmonise and co-ordinate implementation of tax law and practices as well as to reduce resources and streamline procedures. There was limited time given to prepare or plan the actual merger but officials reported that they have already seen positive impacts on taxpayer services and operational efficiency.
- ***Ireland*** reported that as part of the Government's Employment Control Framework it has been set a staff target of 5 467 by end-2015 (compared with actual usage of 5 962 FTE's in 2011), almost 10% of existing workforce. Working within the target set, it will continue a process of targeted recruitment to fill crucial skills gaps and strengthen capabilities in key strategic areas. In addition, there has been a Government-wide Comprehensive Review of Expenditure by all departments to reduce costs and / or increase efficiencies and productivity. This is an ongoing process, which for Revenue includes increasing the use of electronic systems and the transfer of some administrative functions, such as HR, to government-shared service arrangements.

Box 2.1. Greece: Directions and developments in institutional reform

Strengthening of operations was the near-term priority in 2012:

- ***The dispute resolution system.*** As upfront actions, steps are being taken to: (i) approve legislation making it compulsory for large tax cases to exhaust the administrative dispute phase before accessing judicial appeals; (ii) tighten rules for waiving the deposit to access judicial appeals (without prejudice to the independence of the judicial system); and (iii) issue secondary legislation enabling the certification of tax arbitrators, making the arbitration system established in 2011 fully operational.
- ***Making use of additional tools.*** Anti-money laundering tools are being integrated into the anti-tax evasion strategy. Initially, steps are being taken to: clarify the Bank of Greece's rules on financial institutions' obligations to detect and report to the Financial Intelligence Unit (FIU) transactions suspected of being related to tax evasion; and to ensure that complaint reports related to confirmed unpaid tax debts arising from an audit are sent to the prosecution services and to the FIU as required under the system in place.
- ***Upgrading personnel.*** Consistent with operational plans, the administration is to complete the reassessment and hiring of 1 000 auditors and gradually bring the numbers of auditors to 2 000 (consistent with public sector attrition and hiring rules). For existing employees, a formal performance review framework is being established that will specify targets against which to evaluate manager performance. Managers that have underperformed their targets are to be replaced.
- ***Anti-corruption measures.*** The internal affairs service established by law is being set up and the role of the financial inspection unit is being reformed so as to limit its focus to the revenue administration. Steps are to be taken to improve the system to protect whistle-blowers reporting corruption in the tax administration, introduce procedures for the rotation of managers, and set targets for audits of asset declarations of tax administration officials. A fully-fledged anti-corruption plan is being prepared.

The intention is to progressively restructure the administration, creating an independent but accountable revenue body with a functional organization centred in a strong headquarters. Priorities for 2012 included:

- ***Establishing key functional units.*** The major units have been set up, including the large taxpayer unit, the debt collection unit and the audit department. Looking ahead, the priority is to build capacity in these directorates. In 2012, the debt collection directorate staffing is being increased by 50 and the audit capacity of the large taxpayer unit doubled.
- ***Consolidating tax administration operations***. Some 200 underutilized local tax offices are being closed.
- ***Securing greater control over local tax offices.*** The GSTC headquarters is now setting operational targets for local tax offices for core activities including audits, dispute resolution and filing, and performance targets for local managers against which they will be assessed. The GSTC headquarters is being given legal powers to direct how local tax office resources must be used. Additionally, collection of large debts is being placed under direct central control and consolidated in the largest 35 tax offices.
- ***Outsourcing of tax payment collection***. Processing of all tax payments in local offices is being discontinued and replaced by mandatory bank transfers and payments at banks.
- ***Steps towards independence***. A position of Secretary General (Revenue Administration) has been created. To support independent decision-making, increased powers are being delegated from the ministerial to the administrative level, via a ministerial decision, along with control over core business activities and human resource management. Activities of the tax administration headquarters will be externally audited.
- ***Collection of social security contributions will be strengthened.*** There is to be a thorough review of current collection and enforcement practices, drawing on external assistance. A fully articulated reform plan will be developed which will include a timeline and set of intermediate steps to fully integrate tax and SSC collections. For the short term, to help stem recent deep problems with SSC collections, monthly declarations to a wider range of large taxpayers are being expanded, the collection of tax and SSC debts of the largest tax debtors is being unified, there are common audits of tax and social security contribution of large taxpayers, and the number of inspections is being increased, along with targets for inspectors.
- ***The government undertakes to fully enforce the tax code, and to forego any tax amnesties.*** The law is being amended to restrict the extension of payment terms for tax debt and overdue social security contributions and the suspension of criminal prosecution and asset freezing, in line with good international practices.

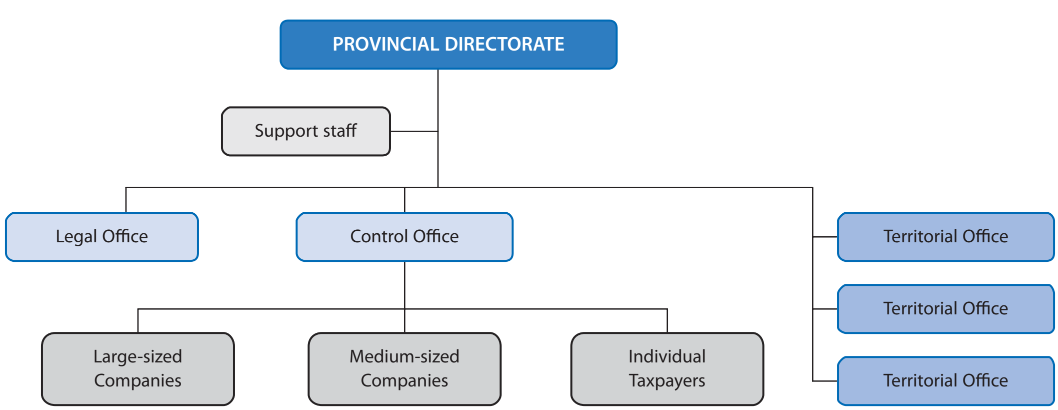
Source: Greece: Request for Extended Arrangement Under the Extended Fund Facility – Staff Report, IMF, March 2012.

- Information obtained from ***Indonesian*** authorities (from both its survey response and Annual reports) reveals that organisational reform is a constant theme of their efforts to create a robust tax administration. Following the completion of a first phase of modernisation in 2008, work commenced in 2009 to evaluate tax administration business processes. The outcomes of this evaluation led to recommendations for restructuring the revenue body's headquarters and data processing operations, and to merge in-bound and out-bound call center operations into one contact center. During 2010 and 2011, actions were taken to expand the operations of the data processing centers and to establish a Data and Document Processing Office. The decision was also taken (and implemented) to transfer the tax policy function from the revenue body to the Fiscal Policy Agency in the Ministry of Finance.
- ***India***'s Central Board of Direct Taxes reported that new dedicated directorates for Human Resource Development (HRD), Legal and Research (L&R), and Criminal Investigation have been set up. Further, a dedicated Exchange of Information (EOI) cell has been set up to expedite Exchange of Information for tax purposes and is fully functional. New posts have been created in Investigation and Foreign Tax Division.

  A Tax Return Preparer (TRP) Scheme is being implemented to better service taxpayers and reduces their compliance costs. Tax Kiosks are being set up in various parts of the country to help taxpayers. In addition, single-window mobile vans manned by TRPs travel to remote parts of the country to assist the taxpayers in their various needs. Taxpayers Lounges are being set up during major annual events in various cities.

  Finally, the Income Tax Department is currently in the process of carrying out restructuring of the entire department. This exercise will result in more efficient usage of the available manpower. It will facilitate revenue mobilisation as well as provide better services to the taxpayers.
- ***Italy*** indicated that national legislation allows the revenue agency to determine, in line with her own "rule of administration", the offices that carry out the fight against non-compliance and tax evasion with functions of control and assessment. In line with this rule, the Revenue Agency from 2009 to 2011 set up new provincial structures (108) in which it converged all the previous local district offices (384). The Provincial Directorate is structured with one or more territorial offices, a Control Office and a Legal Office – Figure 2.12 refers. The Territorial Offices

Figure 2.12. **Italy: Structure of provincial directorates**



perform activities related to customer care, information and assistance to taxpayers, tax refunds and all types of tax submission, assistance for the major taxes. The Control office administers the functions of control and assessment of taxes with competencies totally different from the ones assigned to territorial offices. Control Offices are divided into areas of up to three according to the different types of taxpayers (*i.e.* large companies, medium-sized companies) and different activities. This enables them to deal more effectively with complex cases that would otherwise suffer from a more fragmented distribution of competencies. The Legal Office deals with tax litigation records, both for Control Office and Territorial Offices. It handles also the new institutions of the complaint and tax mediation.

Officials reported that the reform of provincial directorates has contributed to a rationalisation on the territory through a union (also logistic) of structures.

- ***Japan*** reported that as foreshadowed in the 2008 series the NTA implemented its "*Unification of In-office Work*" project from July 2009. Under this project, there has been significant unification of office work – integrating internal operations in a cross-sectional manner by eliminating the NTA's previous vertically divided (*i.e.* by tax type) office tasks, and by standardising in-office work processes. Under this system, the contact point of Tax Offices has been unified into a single division.

- ***Latvia*** gave a further update of its major organisational reforms that were described briefly in CIS 2010. The main objective of the reorganisation was the introduction and optimisation of a new structure for the SRS within the framework of allocated budgeting. The transition from a horizontal and vertically fragmented multi-layer structure to a one level organisation was put forward as the basic underlying principle for restructuring. Before the reorganisation, the SRS consisted of six regional authorities subordinated to the central administration. All regional offices, like the central administration alongside with its core activity structural units, had their own supporting units. The reorganisation started with optimising support functions by implementing centralised administration of human resources, administration and management of financial resources, administration and management of material and technical resources. At the next stage, the structural units with the functions of control, service and monitoring were reorganised. The completed reorganisation aims for more efficient and higher quality supervision over SRS operations and facilitates the application of uniform and consistent practice in tax and customs administration.

  All of the changes are seen as having a considerable impact, especially in regard to service delivery. All client service centres and customs control posts provide the customers with the possibility to receive services at the nearest and most convenient client service centre irrespective of their declared or legal address. As a result of the accomplished reorganisation, the structure of the SRS was optimised in such a way as to make the most rational and efficient use of the labour and material resources available to the SRS. By centralising and optimising of the support units, the majority of functions were made more efficient including the reviewing and modifying the way of implementation of some supporting functions and also resigning from the performance of some overlapping and inefficient processes. The number of SRS employees decreased from 5 338 in 2008 to 4 374 in 2011 which is 984 or 18.4% less. Reduction of costs of one collected LVL−from LVL 0.160 in 2008 to LVL 0.143 in 2011 or 10.6% less − shows performance efficiency gains.

- ***Lithuania*** reported that a reorganisation of the State Tax Inspectorate (STI) was made late in 2011 to implement the directions of the EU funded project "*The improvement of functional structure and management models of STI*". As a result, STI's main functions were centralised by establishing dedicated Tax Accounting, Debt Administration, Excise Duty Administration, Tax Information, Financial Accounting, Selection and Audit Support Departments in the central office. In addition, the control system was re-organised. Key objectives of these organisational reforms were improvement of activity processes, application of the same practices, increased functional efficiency and reductions in costs and staff numbers (from 3 816 to 3 516).
- ***Malta*** reported that a specific Act of Parliament was enacted in November 2011 to facilitate the transitional period until full integration is achieved of the current separate Inland Revenue, VAT and Customs Departments. The Act has created the post of Commissioner for Revenue who will have overall responsibility for the Revenue departments (Income Tax, VAT and Customs). Like in all other countries which have merged or are merging the revenue departments, the process is not simple and cannot be rushed due to the importance and sensitivity of revenue. Work is currently underway with regards to the over-all organisational set-up, the role of IT during and after the merger, further legislative amendments that will be necessary to bring about the full merger of the revenue departments, and which functions of Customs will form part of the new entity. It is envisaged that full integration will be achieved in 2-3 years.
- ***Malaysia*** reported that its organisation had been bolstered by an additional 600 positions, covering critical areas/functions such as tax audit, investigation and intelligence, tax forensic, stamp duty, upstream and downstream operational activities and risk management, to meet current and projected revenue collection and also operational requirements.
- The ***Netherlands*** Tax and Customs Administration (NTCA) reported that it has made changes in the management of its operations over recent years. The main changes are:
  - *General Directors for Customs and Regional Tax Offices:* From July 2010, the four Regional Offices for Customs and (then) 13 Regional Offices for Tax were brought under the leadership of a General Director for Customs and a General Director for Tax Regions with the objective of increasing effectiveness and efficiency. Previously, the regional offices were autonomous units working closely together. The new Directors are responsible for the regional offices; this ensures uniformity in processes and procedures with the aim of equitable treatment for taxpayers. The General Directors are also responsible for the nationwide compliance risk management strategies for their respective areas. They are supported by national offices.
  - *Changes in structure of the Kingdom of the Netherlands:* Bonaire, Sint Eustatius and Saba (the BES islands) became special municipalities within the structure of the Kingdom of the Netherlands on 10 October 2010. As a result, the NTCA is now responsible for taxation on the islands. The new Belastingdienst / Caribbean Netherlands unit took up its tax and customs duties on 10 October. From an administrative perspective, this new part of the NTCA is positioned as a Tax district. A total of about 20 000 people live on Bonaire, Sint Eustatius and Saba, and around half are taxpayers.

- *Governance of ICT procedures:* Following an external review of ICT processes which recommended a complete administrative and operational redesign of the process, a transformation programme was set up to implement its recommendations. The governance structure has changed: a CIO has been appointed and the workload in the "information supply chain" in a Centre for Infrastructure and Exploitation, a Centre for development and maintenance of applications and a Centre of IT support.

Restructuring is continuing; from 2013 the tax districts are organised according to taxpayer segments.

- ***New Zealand***'s IRD described how its business transformation programme now underway is taking a long-term approach to making compliance faster, easier and less costly for customers, providing innovative online services, helping IRD to respond faster to future changes and maintaining the integrity of the tax system. More specifically, key features of its future operations will include: 1) efficient self-management options for customers providing speed and certainty; 2) enhanced compliance approaches, making smarter use of information and a wider range of interventions;3) strategic partnerships with other organisations to deliver some services; 4) less transactional work and less direct contact with customers: 5) excellence in complex technical work; 6) More automation and streamlined information flows; 6) greater use of commercial IT products in IRD's systems and services; and 7) a healthy culture which staff value and thrive in.

  High level planning for the programme was carried out in early 2012. During 2011, IRD carried out a work programme to improve the way it targets customer needs and compliance issues. This programme aims to provide better services by standardising processes, reducing duplication of effort and delivering prioritised services to meet local needs. For example, IRD worked on tailoring advice and education to meet the needs and compliance behaviour of customers in provincial locations; grouped non face-to-face work in the four main metropolitan centres of New Zealand to increase efficiency and effectiveness; kept local counters for customers and is looking for more co-location opportunities with other agencies; and managed customer-facing work nationally to provide consistent customer services. IRD also analysed information about its customers and their compliance behaviour as well as demographic statistics. Changes will start to be implemented in early 2012 and completed by June 2013.

- ***Norway*** reported that it is carrying out an office network rationalisation programme that is expected to see the network of local offices reduced by over half-from 225 in January 2011 to 110 expected by the beginning of 2013.

- ***Portugal*** reported that on 1 January 2012, a new tax and customs administration organisation – "*Autoridade Tributária e Aduaneira (AT)*" – commenced operations, resulting from the merger of the Tax Directorate, Customs Directorate and Directorate for Tax and Customs' Information Technology. A reorganisation of the structure and functions and an integration of the human resources are being implemented during 2012, with the key objective being to create a more efficient and effective tax and customs administration. Simultaneously, other reforms are in course of implementation, including rationalisation and a reduction of regional and local and tax offices, and others reflected in agreements between the Government and IMF-see Box 2.2.

Box 2.2. **Tax administration reform directions for Portugal**

Revenue administration reforms are proceeding apace, with a strong focus on fighting non-compliance. The implementation of the multi-year Plan to Combat Fraud and Evasion is being progressed and includes measures to (i) enable the tax administration to access information gathered in the context of anti-money laundering and other criminal investigations and (ii) press ahead with a wider adoption of electronic invoicing in Portugal. In particular, an incentive scheme to combat evasion through encouraging taxpayers to ask for the issuance of invoices, notably in hard-to-tax sectors, will be adopted.

Reforms to streamline the local branches network and implement a full-fledged Large Taxpayers Office are in course. A working group has concluded that a merger between the revenue body (AT) and the revenue collection function of the Social Security was not feasible in the short-middle term, but stressed the advantages of greater coordination between the two entities. Accordingly, actions are being taken to: i) prepare a draft proposal to enhance the exchange of information between the AT and the Social Security; and (ii) study ways of possible implementation of the other working group recommendations to strengthen control and simplify compliance.

Efforts are being advance to modernise tax appeals at the judicial level: A task force of judges has increased the pace of its work on high-value tax cases, and there is commitment to clear the remaining such cases in courts. Based on the report already presented, an action plan with concrete measures and timelines to resolve the backlog related to the regularisation of VAT bad debts is being prepared.

Source: Portugal: Fourth Review Under the Extended Arrangement and Request for a Waiver of Applicability of End-June Performance Criteria – Staff Report; Country Report No. 12/179.

- Officials from the ***Romanian*** National Agency for Fiscal Administration (NAFA) reported that their Government had approved in April 2012 a World Bank memorandum regarding a multi-year programme for the modernisation of the fiscal administration, in accordance with the recommendations of the IMF, EC and World Bank missions from 2009-11. The objective of the programme is to assure the efficiency and effectiveness of the fiscal administration, thereby increasing revenue collection and reducing taxpayers' compliance costs. Negotiations are underway and it is expected that implementation of the Tax Modernisation Project will commence in the first semester of 2013, once formal Government ratification of the Loan Agreement is received. Box 2.3 sets out some of the tax reforms being planned/implemented by NAFA, many of which follow themes or directions for reform outlined elsewhere in CIS 2012 (*e.g.* SSC integration and office network rationalisation programmes.)
- ***Russia's Federal Tax Service (FTS)*** reported a number of recent developments: 1) Administrative functions concerned with social security contributions were transferred from the FTS to the Pension Fund in 2010; 2) in 2010, a deliberate policy to significantly reduce direct communications between taxpayers and tax inspectors was introduced, facilitated by substantially increased availability of electronic services (via some 27 separate online services on the FTS's website); 3) A Taxpayers Relations Directorate was established in FTS headquarters to improve the quality of services and level of transparency; 4) From 2011, both citizens and businesses have the opportunity to be provided with available public services (both tax and non-tax) in special multi-functional (one stop shop) centers; 5) in 2011, a unified call center was established to improve service quality and efficiency of responses on taxpayers' phone calls; and 6) A Transfer Pricing and

International Directorate was established in 2011 to improve administration of transfer pricing matters and international co-operation;

- ***Saudi Arabia's*** revenue body, the Department of Zakat [1] and Income Tax (DZIT), has been implementing a major computerisation project encompassing a web-based

Box 2.3. **Tax reform news from Romania**

Progress is being made on a comprehensive reform of the tax administration (ANAF), including the following:

- The administrative measures designed to reduce ***the number of small taxpayers registered for VAT*** purposes are expected to produce the desired results starting with July. There is a commitment to reduce by 20% in the number of these taxpayers. Following the revised provisions of the Fiscal Code to facilitate the cancellation of firms' registration for VAT purposes, 11 000 small taxpayers have been removed or have voluntarily deregistered from VAT system since end-2011.
- To further streamline the tax rolls, the new government has decided to reactivate plans to introduce a mandatory ***simplified tax regime for small taxpayers***. With help from the IMF and EC, it will prepare draft legislation in this area by end-October 2012. Approval has been received from the EU Council of Ministers for increasing the VAT mandatory threshold to EUR 65 000. The simplified regime needs to be discussed with business representatives in Romania and confirmed by the EU VAT Committee before entering into force in January 2013.
- With regard to ***High Net Wealth Individuals*** (HNWI), 300 individual taxpayers have been identified who will be included in NAFA's dedicated compliance programme, based on available public information and on the analysis of tax records. By May 10, 2012, NAFA will issue letters to encourage voluntary compliance as a first step to increased enforcement. Agreement has been reached on the provision of training courses on indirect audit methods provided by tax administration specialists from other European countries and steps are being taken to acquire finance for acquiring an IT tool to be used in risk analysis.
- ***ANAF restructuring*** and modernisation will proceed to increase the capacity and efficiency of the administration, including with technical assistance from the IMF. As part of this, steps will be taken to consolidate to eight regional directorates by mid-2013 and 47 local tax offices, down from current 221, by the beginning of 2015. Approval of a multi-year project with the World Bank to support the modernisation is expected soon.
- ***Tax enforcement efforts*** are being strengthened by increasing NAFA's capacity for risk analysis and audit, and by improving the inter-operability with the Customs Authority and the Financial Guard. It has intensified audit actions, and redesigned the monitoring system for intra-community acquisitions (Traffic Control system). It will improve the procedure for transmitting the referrals for tax crimes and will enhance the cooperation between ANAF, the Police and the Prosecutor's Office. By July 1, a central unit will be created for fighting intra-community fraud, with a focus on high-risk areas. NAFA will also implement the centralised transmission of the garnishments within the enforcement proceeding and the introduction of an electronic system for monitoring of the enforcement results.
- There will be a further expansion of ***e-filing*** and improvement of the one-stop shop for tax declarations. In March 2012, almost 90% of the main tax returns filed to ANAF by companies were using the new e-filing facilities.
- NAFA will take over the collection of ***social contributions from self-employed individuals*** starting July 2012. By December 2012, it will adopt the necessary regulations to complete the integration of these categories of social contributions within its tax collection processes and to allow the individual taxpayers to submit a single declaration for income tax and social contributions as of January 2013.

Source: Comments from documents forming part of *Romania: Fifth Review Under the Stand-By Arrangement – Staff Report*, IMF, July 2012.

fully integrated system with modules that cover all functions of a modern tax administration. Once all modules are fully implemented in all sites, it will have many readily-available management tools and complete and accurate statistics of all activities. DZIT had earlier undergone a major organisational structural change to a functional administration with a Large Taxpayer Office. All tax core functions (taxpayers' services, audit, and collection) are in the head-office with identical operational entities in field offices. Such modernisation efforts have improved the operational efficiency and taxpayer services.

- ***Slovakia*** indicated that reform of its network of Tax Offices was realised in 2011. 101 tax offices were transformed into 8 tax offices on 1 January 2012 while the Tax Office for Large Taxpayers was retained. Reform at the headquarters level also took effect at this time – the Customs Directorate of the Slovak Republic and the Tax Directorate of the Slovak Republic merged into the Financial Directorate of the Slovak Republic. Reform of the Slovak Financial Administration will continue by merging of tax and customs offices into financial offices. During the intermediate period, the organisational structure of the Slovak Financial Administration will be: Financial Directorate of the SR, one Tax Office for Large Taxpayers, eight tax offices with its branches and contact places, nine customs offices with its branches and stations and one Criminal Office of the Financial Administration. The objective of ongoing reform is to unify collection of customs duties and taxes with collection of insurance fees which will increase the effectiveness of the financial administration, decrease the administrative costs, eliminate duplicity activities, and simplify processes connected with the tax and fees duties for taxpayers. These measures are also expected to reduce bureaucracy and benefit citizens and enterprises.
- ***South Africa*** reported that a new SARS operating model was implemented in May 2010. The new model is based on aligning related and complementary activities within the organisation under new operating portfolios. The aim is to improve efficiency and productivity by optimising cooperation and coordination and reducing duplication and "silos". The key reforms include:
    - Customs modernisation (ongoing);
    - Migrating customs functions to existing structures;
    - Implementing a dedicated enforcement portfolio – all enforcement investigation functions of SARS have been grouped together under the direction of a Chief Enforcement Investigations Officer. This portfolio will incorporate all current investigative and enforcement operations for both tax and customs legislation.
    - A shift in strategy with regards to segmentation from an operating model/ structural design principle to a compliance approach philosophy in which compliance and service strategies are developed to cater for different segments but are implemented within the existing operational structures within SARS.
- The ***United Kingdom's HMRC*** reported that it is in the process of completing a work programme to improve its overall capability by ensuring that its operating model, structures, processes, performance measures and culture, all align to deliver its goals and targets and at the same time reduce overall spending by 25% by 2014. In implementing the operating model, a new organisational structure has been designed. The new structures will have no more than 7 tiers of management, where the chief executive is at Tier 1 and frontline staffs are at tier 8. HMRC has

carried out robust selection exercises aimed at having people with the right skills in business critical and key leadership posts. The impact of this programme of work will be to streamline processes, improve performance, make decisions more effectively, and be clear who is accountable for what and stop duplication and waste. As part of the UK Civil Service, HMRC is also expecting to implement any changes that emerge from the developing Civil Service Reform Plan, the details of which have not yet been established.

- The ***USA*** reported a series of organisational reforms had been made in recent times. *Return Integrity and Correspondence Services (RICS)* is a new umbrella organisation that brings together Units responsible for the Accounts Management Taxpayer Assurance Program, Earned Income Tax Credit, Health Coverage Tax Credit and the Office of Taxpayer Correspondence. These organisations individually work in the overall administration, education and outreach, fraud detection and revenue protection process. By combining these programmes into one organisation, the IRS expects to see increased efficiencies in the refundable tax credit administration, better coordination across the pre-refund process and focus on pre-refund revenue protection. Further reforms were advised concerning Large Business and International-described later in this chapter under "*Large Taxpayer Operations*" and "*Office of Professional Responsibility"* and the "*Return Preparer Office"*. Details of these latter reforms are set out in Chapter 8.

Office networks for tax administration

The design of a revenue body's office network faces a number of competing objectives- the provision of services that are reasonably accessible to the majority of taxpayers and staff and cost minimisation goals driven by demands for greater operational efficiency. Particularly over the last decade, various initiatives largely underpinned by technological advances have facilitated substantial reform of revenue bodies' office networks in many countries.

Historically, the office networks of revenue bodies in many countries were comprised of large numbers of regional and/or local offices to carry out the full range of functions required for effective administration of tax laws. Factors driving the need for these large networks included the large number of taxpayers to be administered, their geographical spread and the general objective of providing services that were reasonably accessible to the majority of citizens and businesses who needed them. Over recent decades, a number of developments have seen significant changes to both the size and nature of revenue bodies' office networks in many countries. Significantly:

- ***Government mandates for increased efficiency:*** In response to demands by Governments for increased efficiency and responsiveness, office networks in many countries have been reconfigured into a smaller number of larger offices to achieve "economies of scale". In some countries, management structures and lines of reporting have been streamlined, involving for some the elimination of a regional layer of management.
- ***Technology-driven changes in information processing work****:* The advent of new technology has seen steps taken by many revenue bodies to concentrate some routine/seasonal functions (*e.g.* the processing of tax returns and payments) into large dedicated processing centres, centralising much of this work.

- ***Technology-driven changes enabling enhanced service delivery:*** Driven by objectives to improve both the efficiency and quality of taxpayer services, many revenue bodies have taken steps to make more effective use of the various service delivery channels available to them (*e.g.* phone, walk-in offices, and Internet) for delivering services to taxpayers. This has included the use of dedicated call centres to replace/reduce the need for in-person inquiry services and/or distributed phone inquiry services, the introduction of more efficient tax payment methods (*e.g.* direct debits, and on-line payment via the Internet), negating the need for revenue bodies to offer in-person payment services, and use of the Internet to provide comprehensive information, guides and forms for taxpayers.
- ***Developments based on "whole of government" approaches:*** The delivery of some government services on a "whole of government" basis has in some countries seen the emergence of government shopfronts delivering some tax-related services that were previously delivered via local offices. For example, Australia reported the introduction of a cross-agency co-location strategy which has seen some ATO customers receiving information and assistance at shop-front sites of other Australian Government agencies. Among other things, this has contributed to a downwards trend in face to face visits to its own offices.

Tables 2.3 and 2.4 display data on the make-up of the office networks used for tax administration surveyed countries and the staffing numbers at each level of the network. Some of the more noteworthy observations and common features apparent from the data provided are set out below:

- Office networks in quite a few countries, particularly within Europe are relatively larger, in comparison with the set up in many other countries, in part it would seem as a result of their responsibilities for the collection of local real property and/or motor vehicles taxes; however, quite a few revenue bodies in some of these countries (*e.g.* Czech Rep., Greece, and Portugal) have signalled their intention to significantly reduce the size of these networks while others have already taken steps to do so (see Box 2.1).
- Over half of surveyed revenue bodies have established dedicated information processing centres for bulk information processing work; around 20 revenue bodies make use of dedicated call centre operations for handling taxpayers' inquiries and providing information, and outwards bound inquiry work.
- Across surveyed bodies, there is enormous variation in the relative size of the headquarters function,[2] reflecting a variety of factors, for example a more centralised approach to the national management of tax administration operations and large in-house IT functions. The practice of maintaining large HQ operations (*i.e.* aggregate staffing in excess of 15% of total staffing) appears particularly prominent in countries such Argentina, Australia, Canada, Hungary, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, South Africa, Spain, Sweden, and USA.

Table 2.3. **Office network for tax administration role-number of office types**

Country	Revenue bodies' office network for tax administration (number of formal operational units) at end 2011					
	Headquarters	Regional offices	Local/branch offices	National data processing centres	Call centres	Other offices
OECD countries						
Australia	1	31	31	2/1	2/2	5
Austria	1	5	40	-	-	3
Belgium	1	63	1 182	5	1	14
Canada	1	5	40	8	9	-
Czech Repub.	1	8	199	-	-	2
Chile	1	19	46	1	1	-
Denmark	1	9	28	2	2	5
Estonia	1	4	-	-	-	-
Finland	1	-	43	1	2	-
France	1	110	1 500/1	9	14	6
Germany	17/1	12	551	11	-	-
Greece	1	8/1	339/1	1	1	1/1
Hungary	1	25	52	1	8	2
Iceland	1	8	-	-	2	-
Ireland	1/1	7/1	74/1	-	-	6/1
Israel	1	79	-	1	1	-
Italy	1	21	108	2	7	-
Japan	1	12	524	-	-	-
Korea	1	6	107	1	1	2
Luxembourg	2	-	83/1	4	-	-
Mexico	1	-	67	2	3	49
Netherlands	1/1	14	-	1	1	3
New Zealand	1	-	17	3	6	-
Norway	1	5	200/1	1	1	1
Poland	1	32	400	1	4	-
Portugal	1	21	343	-	1	-
Slovak Rep.	1	8	102	-	-	-
Slovenia	1	16	60	1	-	1
Spain	1	68/1	202/1	2	2	1
Switzerland	1	-	-	-	-	-
Sweden	1	84	-	-	1	-
Turkey	1	30	1 063	2	2	45
United Kingdom	1	-	224	9	19	167
United States	1	119	134	27	22	-
Non-OECD countries						
Argentina	1	38	201	1	1	5
Brazil	1	10	118	11	-	-
Bulgaria	1	6	23	-	1	-
China	1	-	70	72	70	-
Colombia	1	173	-	-	-	-
Cyprus	2	15/1	0	(Outsourced – for direct tax)	0	1
Hong Kong, China	1	-	-	-	-	-
India	1	18	500	1	-	-
Latvia	1	-	34	-	1	-
Lithuania	1	10	-	1	1	1
Malaysia	1	12	67/1	2	2	-
Malta	3/1	1	-	-	-	-
Romania	1	42	221	1	1	-
Russia	1	82	1 029	1	1	17
Saudi Arabia	1	11	-	-	-	-
Singapore	1	-	-	-	-	-
South Africa/1	1	40	35	7	4	49

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 98.

Source: CIS survey responses.

Table 2.4. **Office network for tax administration role-number of staff and office type**

Country	Revenue bodies' office network for tax administration (x number of staff in 2011 (FTE's))						
	Headquarters	Regional offices	Local/branch offices	National data processing centres	Call centres	Other offices	All offices – TOTAL
OECD countries							
Australia	2 945	17 483	108	-	1 207	21	21 764/1
Austria	225	215	7 250	-	-	-	7 690
Belgium	639	870	8 617	223	49	91	10 488
Canada	9 055	134	20 659	7 228	1 646	-	38 722
Czech Rep.	354	1 158	13 021	-	-	107	14 640
Chile	770	2 534	794	66	5	-	4 169
Denmark	738	1 915	3 048	270	395	505	6 871
Estonia	88	695	-	-	-	-	783
Finland	325	0	4 706	48	150	-	5 229
France	1 779	10 192	52 180	2 337	527	2 635	69 650
Germany	1 234	4 931	100 775	2 821	/1	754?	110 515
Greece	600	-------------5 800-------------		1 800	100	1000	9 300
Hungary	1 722	3 673	15 712	1 226	264/1	726/1	23 059/1
Iceland	141	127	-	-	14	-	282
Ireland	663/1	111	4 449	-	-	738/1	5 962
Israel	784	4 239	-	343	55	-	5 521/1
Italy	1 442	3 488	26 792	336	561	-	32 619
Japan	715	10 854	43 630	/1	/1	811	56 261
Korea	714	3 452	15 179	113	120	93	19 671
Luxembourg	148/1	-	707/1	59	-	-	914/1
Mexico	7 207	-	20 946	7/1	10/1	7 548	35 718/1
Netherlands	5 597/1	15 948	-	1 138	428		23 111
New Zealand	974	-	2 016	366	433	-	3 789
Norway	298	------------4 828--------------		850	351	46	6 373
Poland	374	9 354	39 280	100	165	-	49 273/1
Portugal	1 443	3 300	5 330	-	147		10 073
Slovak Rep	582	135	4 626	-	-	-	5 343
Slovenia	199	2 036		32	-	150	2 417
Spain	3 606	-----------24 006------------		/2	/2	/2	27 613
Sweden	1 831	7 752	-	-	/1		9 584
Switzerland	985	-	-	-	-	-	985
Turkey	697	-----------39 601------------		600	79	198	39 801
United Kingdom	1 600	-	40 676	2 777	19 392	375	64 820/1
United States	4 569/1	9 400	50 462	11 945/1	18 333	-	94 709
Non-OECD countries							
Argentina	3 052	8 343	7 496	95	94	3 751	22 832/1
Brazil	1 407	1 728	21 543	1 162	-	-	25 840
Bulgaria	911	--------------6 797------------		-	31		7 708
China	850	-	722 700	25 000	2 300		750 850
Colombia	721	3 938	-	-	-	-	-
Cyprus	180/1	698	0	-	-	10	888/1
Hong Kong, China	2 818	-	-	-	-	-	-
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	40 756
Latvia	873	-	1 987	-	23	-	
Lithuania	1 295	2 221	-	70/1	62/1	66/1	3 516
Malaysia	2 483	346	7 709	448	94	-	10 209
Malta	764	17	-	-	-	-	781
Romania	1 148	10 675	11 159	2	1	-	22 985
Russia	713	11 914	131 018	153	49	2 292	146 080
Saudi Arabia	470	916	-	-	-	-	1 386
Singapore	1 851/1	-	-	-	-	-	1 851
South Africa/1	3 311	1 887	2 905	2 207	762	3 872/1	14 944

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 99.

Source: CIS survey responses.

Examples of large scale office network rationalisation programs

Over recent years, a number of revenue bodies have responded to the need for greater efficiency and effectiveness by rationalising their office networks. A number of examples are described in Box 2.4.

Box 2.4. **Examples of large scale office network rationalisation programs**

Austria: Since 2004, the office network of the Directorate General for Taxes and Customs has been reshaped to achieve increased efficiency. From a network previously comprised of 7 regional directorates and 81 tax offices, the new network implemented from mid-2004 now sees five regional management areas, 41 tax offices, and one Large Trader Audit Division).

Bulgaria: In 2004 and 2005, centralisation of the maintenance of national taxes was accomplished and since then the collection of local taxes and fees is done by municipalities. This required the transfer of some 1 300 employees (about 14% of 9 000 employees) from NRA to the municipalities, and enabled a substantial reduction in the number of structures situated in the district centres (under the NRA) from 340 in 2003 to 29 in 2006.

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. As a result of the merger, a major restructuring of the office network was undertaken. There are now 30 regional tax offices altogether (comprising just under 80% of total revenue body staffing), a considerable reduction from the 275 separate offices when each municipality had its own local tax office.

Greece: By the end of 2012, the Ministry of Finance plans to reduce the number of local tax offices to one (1) for each Prefecture, with the exception of the Prefectures of Attica, Salonica and island areas. This could entail up to 200 office closures. Since 2010, already 49 local tax offices have been merged, and 6 Regional Audit Centers and 4 Inspectorates have been abolished.

Norway: There is an office rationalisation programme underway with the network expected to be cut by over 50% by early 2013 compared to the number existing at the beginning of 2011 (*i.e.* 225)

Portugal: Officials reported that there is a target of 20% for reducing the size of its local office network, which currently numbers over 340 offices.

Romania: Reform efforts currently being planned include attention being given to the scale of Romania's current network of local offices. Currently, NAFA's structure includes 42 regional offices and 221 local offices**.** Steps will be taken to consolidate to eight regional directorates by mid-2013 and 47 local tax offices by the beginning of 2015.

Sources: Revenue body annual reports, survey responses, and IMF reports (referenced elsewhere in CIS).

Large taxpayer operations

As mentioned earlier in this chapter, the vast majority of revenue bodies surveyed have established special dedicated units – hereafter referred to as Large Taxpayer Units (LTUs)-to manage some/all aspects of the tax affairs of their largest taxpayers.[3] Further background on this development and its rationale follow.

The common characteristics of large taxpayers

Large taxpayers are very different from other categories of taxpayers and present certain significant risks to effective tax administration. Many revenue bodies have recognised that managing these risks requires strategies and approaches appropriate to the unique characteristics and compliance behaviour of these taxpayers. Key characteristics of the large business segment identified from previous OECD work include:

- *Concentration of revenue* – a small number of large taxpayers have a critical role in revenue collection, paying and withholding taxes. The concentration of tax revenue results from the size of these taxpayers and the range of taxes they are responsible for, including their role as withholding agents for large numbers of employees.
- *Complexity of their business and tax dealings* – several countries describe large taxpayers as complex for a variety of reasons, including: 1) multiple operating entities and/or diverse business interests; 2) high volume of transactions in day-to-day business activities; 3) large number of employees; 4) many have international dealings, often involving cross-border transactions with related parties; 5) operate in an industry that presents unique tax issues (*e.g.* banking and insurance); 6) many are widely spread in geographical terms; 6) deal with complicated issues involving complex tax law and accounting principles; and 7) the use of complex financing and tax planning arrangements.
- *From the revenue bodies' perspective, major tax compliance risks* – for revenue bodies, many of these large taxpayers present major tax compliance risks due to various factors including: 1) significant offshore activities; 2) policies and strategies to minimise tax liabilities; 3) large portion of tax assessments result from audit activity of large taxpayers; and 4) growing/significant differences between financial accounting profits and the profits computed for tax purposes.
- *Use of professional/dedicated tax advice* – many large businesses engage professional advisors to handle their tax planning etc., while others maintain their own in-house tax advisors.
- *Status* – generally, most large businesses are publicly-listed corporate companies, and also include multinational companies and some private groups.

Given these sorts of considerations, many revenue bodies have established dedicated LTUs, supported by highly skilled and expert staff to manage all/most aspects of the tax affairs of their largest taxpayers. Across surveyed revenue bodies, these organisational units are likely to have different names and the scope and nature of their activities may vary but most have been established to improve the revenue body's capability to manage and improve the compliance of this important segment of taxpayers.

Criteria used by revenue bodies to identify large businesses

The criteria applied for identifying "large businesses" vary from country to country, having regard to local factors and conditions, and internal revenue body management decisions as to where the boundary between "large" and "non-large" taxpayers should be drawn. While the definition of "large" differs from one revenue body to another, most have established clear and specific criteria for identifying large taxpayers – see Table 2.5. As will be evident from Table 2.5, the criteria commonly used to define taxpayers as "large business" or to place them under the responsibility of the large business unit (regardless of the size of the taxpayer) include: 1) size of turnover or gross sales; 2) size of assets; 3) the aggregate amount of tax paid per annum across all taxes; 4) businesses operating in certain business sectors (*e.g.* banking, insurance and oil); 5) businesses with significant international business activities and/or which are foreign-controlled; and 6) number of employees.

As will also be evident from Table 2.5, many revenue bodies place emphasis on management of corporate groups and related affiliates to ensure that a "whole of taxpayer" focus is brought to the tasks of identifying and treating compliance risks. In addition, some revenue bodies (*e.g.* Ireland and South Africa) have placed responsibility for the administration of "high net-worth" individuals (HNWIs) under the control of their LTU, recognising that many of the taxpayers concerned have direct links with the large corporate taxpayers also under its control.

Table 2.5. **Large taxpayer operations: Criteria, taxpayer numbers and staff (2011)**

Countries	Criteria applied to identify large corporate taxpayers	No. of entities	Staff (FTEs)
OECD countries			
Australia	Turnover over AUD 250 m	32 000/2	1 310
Austria	Turnover over EUR 9.68 m	6 619	509
Belgium	Multiple criteria – balance of account, turnover, number of employees	/1	65/1
Canada	Income tax: Gross revenue over CAD 250 m/1; Indirect taxes (GST/HST): Gross revenue over CAD 100 m/1	25 748/2 13 000	510 170
Chile	Turnover equal to or higher than 90 000 UTA during each of prior 3 years or other criteria also applicable./1	1 534	188
Czech Rep.	Multiple criteria – turnover over CZK 2 bn, banks, insurance, group members	n.a./1	n.a./1
Denmark	Groups with total turnover over DKK 3 billion; companies with over 250 staff	2 000	225
Finland	Turnover exceeds EUR 50 m/1	4 000	139
France	Turnover over EUR 400 m (exclusive of VAT or assets) and related companies/1	36 396	304
Germany/1	Trading companies: turnover over EUR 6.9 m or profit over EUR 265 000 and industry related criteria/1	194 000	n.a.
Greece	Turnover over EUR 30 m and banks and insurance/1	n.a.	n.a
Hungary	Banks, insurance and others with tax capacity over HUF 3 250 m in 2012/1	651	235
Ireland	Turnover exceeds EUR 162 m or tax payments over EUR 16 m and entity type/industry/1	12 638/2	201
Italy	Turnover exceeds EUR 100 m	3 000	507
Japan	Corporations with over Y 100 m in capital	32 010	2 326
Korea	Total income over WON 50 billion/1	5 185	/1
Mexico	Gross income over 618 m pesos, financial institutions, and others/1	17 248	1 368
Netherlands	Multiple: Tax paid, foreign subsidiaries, specific industries, complex/1	2 000	700
New Zealand	Enterprises with turnover over NZD 100 m, or in specialist industries or subject to specialised tax laws	15 600	177
Norway	Sales/turnover over NOK 5 bn; other criteria may also apply/1	3 066	53
Portugal	Turnover/1	1 425/1	142/1
Poland	Multiple – annual revenue over PLN 5 m, banks, insurance etc/1	66 126	2 442
Slovak Rep./1	Turnover exceeds EUR 40 m, banks, branches of foreign banks, and insurance	640	74
Slovenia	Turnover exceeds EUR 50 m	446	57
Spain	Turnover over EUR 100 m, large groups, major banks and insurance/1	2 795	915/2
Sweden	Groups with over 800 employees, companies with annual payroll over SEK 50 m, companies supervised by Swedish Financial Supervisory Authority	350 groups 15 000	375
Turkey	Mix of criteria-turnover, taxes paid, assets, employees, and industry	841	195
United Kingdom	*Large Business Service*: Turnover over GDP 600 m, or assets over GDP 2 bn; *Local Compliance Large and Complex*: Turnover over GDP 30 m or over 250 employees	778 groups 9 600 groups	3 457 (both services)
United States	All corporations and partnerships with assets over USDUS 10 m/1	244 623/2	6 414

Table 2.5. **Large taxpayer operations: Criteria, taxpayer numbers and staff (2011)** *(continued)*

Countries	Criteria applied to identify large corporate taxpayers	No. of entities	Staff (FTEs)
Non-OECD countries			
Argentina	Mix of tax assessed, tax paid, annual sales, VAT debt, economic sector and number of employees	907	497
Brazil	Gross revenue and size of treasury, payroll and social security debt/1	12 600	n.a./1
Bulgaria	Mix of turnover, taxes paid, tax refunds, and industry/1	1 569	166
China	Combination of industry, turnover and ownership	45/1	21/1
Colombia	Largest taxpayers representing 60% of total taxes paid, no debts, and operating over 3 years	2 655/1	257
Cyprus	Tax revenue and size of business (VAT taxpayers only)	200	11
India	Mix of where return s are assessed, and levels of major taxes/1	172	165
Latvia	Turnover, taxes paid and entity type/industry/1	1 314	129
Lithuania	Turnover over LTL 50 m and number of employees exceeds 10, finance and insurance, holding companies etc	523	66
Malaysia	Specific sectors	n.a.	n.a
Romania	Tax paid, income, assets, specific expenditure, industry/1	3 000	465
Russia	At Federal level: Total federal taxes exceed RUR 1 bn, total income received exceeds RUR 20 bn, or total assets exceed RUR 20 bn/1	7 400 (2 300 federal level)	n.a.
Saudi Arabia	1) Significant industries/activities (*e.g.* oil, banks, etc), 2) equity of over SR 100 m; and 3) gross income over SR 100 m/1	1 920	76
Singapore	1) Corporate income tax: Net tax assessed, turnover, complexity; 2) VAT/GST: Annual GST supplies over SGD 100 m	1) 1 600 2) 1 500	1) 50 2) 25
South Africa	Groups with turnover >ZAR 1 bn; groups engaged in mining and financial services with turnover>ZAR 250 m; entities part of MNE with turnover >ZAR 250 m/1	700 groups 7 800 entities	400

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 99.
Source: CIS survey responses.

Common and/or important features of large taxpayer units

More detailed exploratory work undertaken by the FTA's Task Group on large taxpayers has identified a number of other fairly common and/or important features of large taxpayer units (*e.g.* internal structure, range of taxes administered, and number of staff):

- The LTU's responsibilities tend to cover both direct and indirect taxes, enabling a "whole of taxpayer" focus to be given to administering these taxpayers' tax affairs.
- Business units typically provide both service and enforcement functions; reflecting this and the significant revenue and compliance risks they are responsible for, considerable resources are devoted to large taxpayer administration in many countries (*e.g.* Argentina, Australia, Austria, Canada, Italy, Japan, Mexico, Netherlands, Poland, South Africa, Spain, United Kingdom, and United States).
- The use of an "account manager" approach – providing designated large businesses with a nominated contact point for interactions with the revenue body.
- To optimise performance, considerable emphasis is given to the development of industry knowledge through the use of industry-based teams and experts for key sectors of each country's economy. The information in Table 2.6, drawn from a

selection of countries, indicates two broad approaches in this respect: 1) teams for the key/major industries of a country's economy (*e.g.* Australia and Netherlands); and 2) teams for each industry grouping (as established by individual revenue bodies (*e.g.* United Kingdom and United States).

- In addition to tax and accounting skills, the inclusion of specialist teams/expertise for support in areas such as industry knowledge, economics, international tax issues and computer-based examination techniques.

Table 2.6. **Selected Large Taxpayer Units (LTUs)**

Country	Organisation (including industry specialisation)	Taxes
Australia	Under new management arrangements (effective 1 December 2010) there are discrete business units responsible for Internationals; Case Leadership; Risk and Intelligence; Government Relations; and Industry based strategy. Broad industry based compliance strategies are developed around Manufacturing; Financial Services [for major banks (including regional banks), foreign and investment banks, insurance and superannuation]; Energy and Resources; Sales and Services. Local delivery units reporting to Assistant Commissioners are responsible for the delivery of the national strategies for the large market. Led by a Deputy Commissioner with responsibility for compliance with the Income Tax law for the large market. An additional Deputy Commissioner is assigned to provide focused senior leadership on complex case work. Staffing usage in 2011 was 1 310 FTEs	Company tax and petroleum resource rent tax
Ireland	The Division's case base is handled in business units based on economic sectors: 1) Construction, Property, Mining and Energy; 2) Alcohol, Tobacco and Multiples; 3) Financial Services (Banking); 4) Financial Services (Insurance and Investment Funds); 5) Financial Services (Pensions); 6) Betting, Food and Media; 7) Healthcare and General Manufacturing; 8) Information, Communications and Technology; 9) Motor, Oils and Transport 10) High Wealth Individuals; The Division also has specialist Anti-Avoidance Units, a Central Audit Unit including Computer E-Audit, a Customer Service/Processing Unit, and a Central Office. LCD is responsible, with some exceptions, for all operational activities in respect of its case base. Staffing in the Division in 2011 was 219 FTE.	Company tax, employment and social taxes, VAT, Customs duties and excises and various other taxes
Netherlands	Specialist industry teams for 1) finance; 2) communications, technology, and energy; and 3) natural resources/oil and gas. Because of the risks with these taxpayers, the efforts of the nine offices are co-ordinated by two members of the management teams of the tax offices in Amsterdam and Rotterdam together with the Co-ordination Group on the treatment of very large organisations. Staffing usage in 2011 was 700 FTEs.	Company tax, employment, social taxes and VAT
United Kingdom	Compliance operations are organised into 17 industry-based sectors: Agriculture and Food, Alcohol and Tobacco, Automotive, Banking, Business Services, Chemicals, Healthcare and Pharmaceuticals, Construction, General Retailing, Insurance, Leisure and Media, Manufacturing, Oil and Gas, Public Bodies, Real Estate, Telecommunications and Information Technology, Transport, and Utilities. Staffing usage in 2011 was 3 457 FTEs.	Company tax, employment and social taxes and VAT
United States	The LB&I Division is led by a Commissioner and two Deputy Commissioners (DC)-DC Operations (DCO) and DC International (DCI). The DCO oversees the following departments: 1) Planning, Quality and Assurance; 2) Research and Workload Identification; 3) Management and Finance; 4) Business Systems Planning, 5) five industry-based operations groups; and 6) a field specialist group. The industry-based groups are: 1) Financial services; 2) Heavy manufacturing and transportation; 3) Communications, media, and technology; 4) Natural resources and construction; and 5) Retailers, food, pharmaceuticals and healthcare. Field Specialists include Computer Audit Specialists, U.S. LB&I Employment Tax Specialists, Economists, Engineers, Financial Products and Transactions Specialists and International Examiners integrated in industry workforce. Staffing usage in 2011 was 6 414 FTEs.	Company tax, employment and social taxes and excise

Source: Report of FTA task group examining aspects of large taxpayer operations and survey response data.

- An increasing emphasis on the use of co-operative compliance strategies (*e.g.* Netherlands Horizontal Monitoring programme, Spain's Code of Good Tax Practice, and the USA's Compliance Assurance Process).
- As will be evident from the data in Table 6.12 of Chapter 6, verification checks constitute a major element of the work of LTUs in many countries, generally resulting in a high degree of coverage for the taxpayers concerned and significant adjustments to assessments.

For CIS 2012, a number of revenue bodies reported on developments that affect the management of large taxpayers. The Canada Revenue Agency noted that in 2011 it decombined its income tax and GST/HST (VAT) compliance programmes to prioritise and strengthen its focus on GST/HST in conjunction with the implementation of provincial HST. The Czech Republic reported the establishment of a new specialised large taxpayer service, effective from January 2012. Portugal reported the creation of a new upgraded Large Taxpayer Division, effective from early 2012 as part of the newly integrated tax and customs administration. The United States Internal Revenue Service reported that it was beginning a process of reorganising parts of its Large Business and International Division into clearer geographical sections in order to improve its efficiency and reduce travel costs; the changes will allow the LB&I Division to keep its six industry groups, but the industries will be realigned so they have clearer boundaries of contiguous states. The realignment will be effective from October 2012, the start of the Service's next fiscal year. In addition, in the 2011 fiscal year the IRS made organisational changes designed to realign its international functions into a single international unit within the Large Business and International Operating Division.

Managing the tax affairs of high net worth individuals taxpayers

High net worth individuals (HNWIs) is another segment of taxpayers that has drawn the attention of international organisations and a number of revenue bodies. The FTA's 2009 report *"Engaging with High Net Worth Individuals*" drew attention to the challenges posed to revenue bodies from this segment of taxpayers.[4] Its key findings were:

- The HNWI segment consists of high wealth and high income individuals and is of particular interest for revenue bodies because of the 1) complexity of their affairs and the large numbers of entities they may control; 2) amounts of tax revenue at stake; 3) opportunity to undertake aggressive tax planning; and 4) impact on overall integrity of the tax system.
- To improve compliance, revenue bodies could consider changing the structure of their operations to more effectively focus resources, for example, through the creation of a dedicated HNWI unit and to include a focus on the activities of HNWI-related activities.
- Greater international co-operation, at both a strategic and an operational level, would improve the sharing of information and expertise between revenue bodies, particularly on cross-border changes.

Drawing on these conclusions, the study made a number of recommendations, including that revenue bodies could improve the compliance of HNWIs by:

- Gaining a greater understanding of the risks posed by the HNWI segment by: 1) looking at the types of aggressive tax planning (ATP) schemes in the marketplace, the suppliers of ATP, and the HNWIs motivation; and 2) developing a strong commercial awareness of the broader concerns of HNWIs, including privacy, wealth preservation and their ability to pass wealth to future generations.

- Building an effective capability to manage tax risks by establishing an appropriate structure in revenue bodies to deal with HNWIs and focusing resources by: 1) creating dedicated units which are adequately staffed by experienced officials; and 2) establishing a framework for dialogue between senior revenue officials, HNWIs and their advisers.
- Improving international co-operation, including the use of regular meetings between heads of HNWI units and other specialists within revenue bodies.
- Creating an appropriate legislative framework targeted at specific aggressive tax planning risks by taking a holistic approach to focus their strategies.

Emerging trends in the growth and wealth of HNWIs

The FTA's May 2009 report on HNWIs observed that this taxpayer segment should be of interest to revenue bodies given the complexity of their affairs and the tax revenue potentially at stake from any non-compliance. However, it did not attempt to quantify the possible scale of this risk or provide data on the likely population or wealth of HNWI taxpayers across member countries.

Box 2.5. **The state of the world's wealth: some recent research findings**

Overall findings

- After witnessing robust growth of 8.3% in 2010 and 17.1% in 2009, the global HNWIs population grew marginally by 0.8% in 2011.
- HNWIs' aggregate investable wealth, as measured by asset values, declined by 1.7% to USD 42 trillion, amid high volatility in global markets and challenging macroeconomic conditions.
- The global population of ultra-HNWIs declined by 2.5% to around 100 000 in 2011, and their wealth declined by 4.9%, after gaining 11.5% in 2010.

Key findings by region

- The number of HNWIs in Asia-Pacific expanded 1.6% to 3.37 million in 2011, making Asia-Pacific the largest HNWI region for the first time, surpassing North America's HNWI population of 3.35 million; however, growth in the region was constrained by significant declines in the numbers and wealth of HNWIs in both India (down 18.0%) and Hong Kong (down 17.6%).
- North America remained the largest region for HNWI wealth at USD 11.4 trillion compared to USD 10.7 trillion in the Asia-Pacific region. Growth in all regions is depicted in Figure 2.13.
- Various pockets of growth emerged in HNWIs ranks beyond Asia-Pacific; for example, the HNWI population grew by 2.6% in Brazil where gross national income, national savings, real estate and other metrics were all positive, Thailand also saw large growth (by 12.8%).
- While growth in wealth was down in Europe, the number of HNWIs rose by 1.1%, due largely to the growing number of HNWIs in Russia, the Netherlands and Switzerland.

Key findings by country ***(estimated numbers of HNWIs and movement over prior year)***

- USA: 3.068 million (down 1.2%)
- Japan: 1.822 million (up 4.8%)
- Germany: 0.951 million (up 3.0%)
- China: 0.562 million (up 5.2%)
- UK: 0.441 million (down 2.9%)
- France: 0.404 million (up 1.9%)
- Canada: 0.280 million (down 0.9%)
- Switzerland: 0.252 million (up 3.6%)
- Australia: 0.180 million (down 6.9%)
- Italy: 0.168 million (down 1.3%)
- Brazil: 0.165 million (up 6.2%)
- South Korea: 0.144 million (down 1.5%)

Source: World Wealth Report 2012, by Capgemini and RBC Wealth Management.

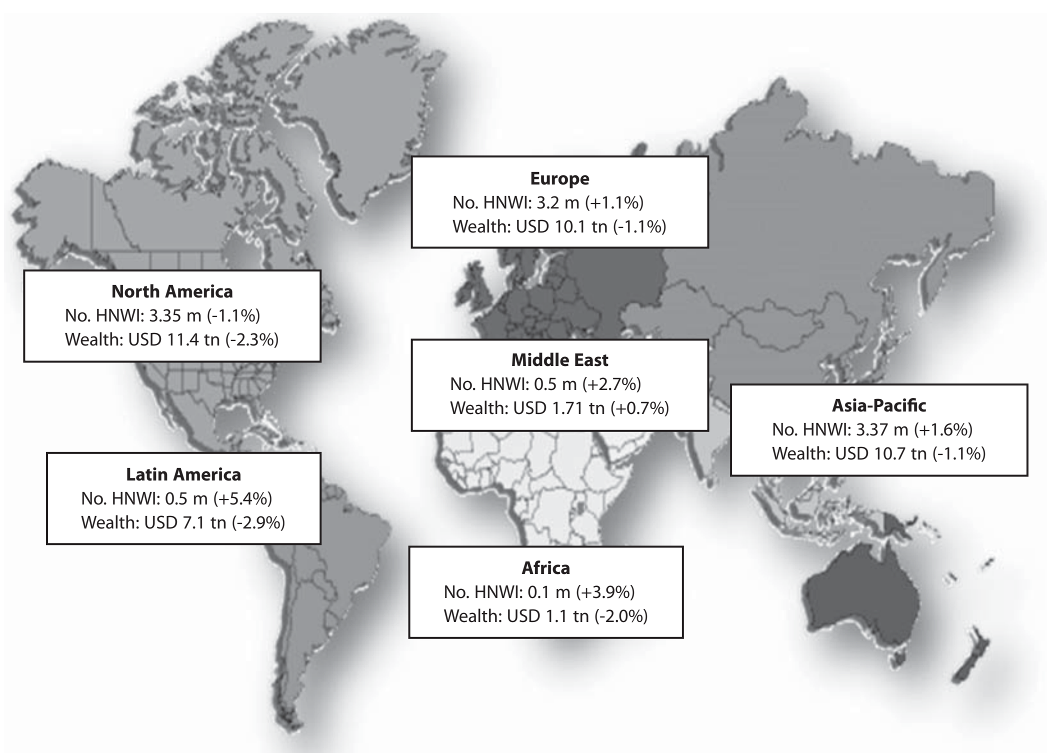
For CIS 2010, in addition to seeking details of developments by participating revenue bodies, a short review was carried out of research conducted by wealth management specialists of trends in the growth and associated wealth of HNWIs between 2008 and 2009. The review found, somewhat surprisingly coming in the aftermath of the global financial crisis, that the world's population of HNWIs (as defined by the researchers) grew some 17.1% to around 10 million in 2009 and their wealth by an equally remarkable 18.9% to USD 39 trillion. Similarly, after losing 24% in 2008, ultra-HNWIs (as defined by the researchers and numbering some 93 100 in 2009) saw their wealth rebound by 21.5% in 2009.

For CIS 2013, similar research sources have been used to gauge trends over the following two years and the key findings are set out in Box 2.5 and Figure 2.13.[5] Significantly, these findings (Capgemini, 2010) point to a significant slowing in overall wealth growth and related numbers of HNWIs, although some significant changes in growth patterns at a regional level are highlighted.

Other research findings (Crédit Suisse, 2011) provide additional perspectives on the population of HNWIs, although using different classifying criteria and sources of information.

Taken as a whole, the findings of the abovementioned research, assuming their general accuracy, lend support to the findings of the FTA's 2009 study and the need for revenue bodies to be especially vigilant in respect of this segment of taxpayers.

Figure 2.13. **High net worth individuals – Estimated numbers and wealth in 2011 (and movements since 2010)**



Sources: Capgemini and RBC Wealth Management: World Wealth Report 2012.

Dedicated HNWI organisational units and their staff resources

In recommending that revenue bodies set up dedicated organisational units where this was not already the case, the FTA's study made a number of observations as to the rationale for such arrangements, that are re-iterated below (from page 42 of the study report).

> It is important that tax administrations have regular and continued interaction with the HNWI segment and their advisers on issues such as planning, compliance and service. This can increase the tax administration's understanding of not only specific taxpayers but also its broader understanding of the HNWI population. It will also help the HNWI segment and their advisers gain an understanding of the tax administration. A tax administration will most effectively gather information on the HNWI segment where it tasks certain parts of its organisation with doing so.
>
> The way in which resources are focussed on the HNWI segment can take a number of forms. The most prevalent is that of a dedicated unit. Advisers clearly stated in the consultation process that this was also their preferred method of dealing with the tax administration in relation to their HNWI clients. Such a unit will typically take responsibility for those taxes that have a direct impact on the HNWI's personal tax liabilities. In some countries the coverage extends further to dealing with associated investment and business entities such as trusts, controlled investment companies and other operating entities, and the unit may also take responsibility for family members to enable the administration to take a wider view of the HNWI.
>
> A dedicated unit is not a goal in itself but is a delivery vehicle that serves several functions: it sends a clear message to the non-compliant HNWI that he or she faces a real risk of being pursued by the tax administration which may in turn reduce aggressive behaviour and improve voluntary compliance; it enables a tax administration to match the level of expertise and knowledge of the HNWI's advisers in addition to developing the commercial awareness of tax administration staff; and it also allows for the concentration of skills, targeted training, the retention of knowledge and thus an improvement over time of the understanding of the HNWI population. A dedicated unit can be monitored, and further improved, more easily than when resources are spread.

The approaches of revenue bodies in 2012

For the purpose of this series participating countries were surveyed on whether any special steps had been taken to create dedicated HNWI units, what resources were being devoted to the administration of HNWI taxpayers, the criteria used to identify HNWIs and related entities and the numbers of HNWIs being administered, and the results of related verification activities.

Information concerning the operation of dedicated units to administer HNWIs, as viewed from the CIS 2012 survey, is set out in Table 2.7. The key observations and findings are:

- Relatively few revenue bodies have established dedicated units to oversee HNWIs;
- A number of revenue bodies reported other organisational arrangements or developments for HNWIs-France reported that while it does not have a specific service to manage HNWI's situations, there is a dedicated directorate responsible for the control (*i.e.* audit) of the wealthiest taxpayers (as defined in Table 2.7); the US IRS reported that its Large Business and International (LB&I) operating

division created a Global Wealth Unit in November 2009 which it will use to focus compliance expertise on high-wealth individuals and the enterprises they control (once identifying criteria are settled and operationalised); and Spain reported that it administers special arrangements for designated HNWI's taxpayers through its large taxpayer unit;

- The scale of these units varies significantly in terms of the numbers of HNWIs administered and the resources used, suggesting differences in the roles/functions-carried out by the respective units.
- Given the indications of growth in recent years in the numbers and wealthy individuals referenced in Box 2.5 and the relatively small number of revenue bodies reporting they have dedicated units to deal with such taxpayers (however defined at the individual country level), there would seem a case for many revenue bodies to consider whether they have the appropriate organisational and management arrangements in place to ensure that this segment of taxpayers receives the appropriate level of scrutiny to detect and deter non-compliance.

Table 2.7. **High net worth individuals: criteria, taxpayer numbers and staffing**
(For revenue bodies with dedicated units for their high net worth individuals)

	Criteria applied to identify HNWIs	Number of taxpayers	Staff in 2011 (FTEs)
OECD countries			
Australia	Residents (and any associates) who effectively control over AUD 30 m in net wealth	2 628	243/1
Canada	Individuals who, either alone or with related parties, control net worth over CAD 50 m grouped in 30 or more entities	550-600 (E)	/1
France/1	Two categories: Regular HNWIs and Top HNWIs using asset, income etc criteria/1	4 300/1	269
Hungary	/1	-	-
Ireland	Individuals with assets > EUR 50 m and non-residents with substantial economic interests in Ireland	1 066	18
Japan	*(Confidential)*	226	76
New Zealand	Assets over USD 50 m (most have over 30 entities associated with them)	177	9
Spain/1	Income > EUR 1 m or personal assets > EUR 10 m, or individuals/partners related to other large taxpayers or who manage complex economic transactions	244	/1
United Kingdom	Assets over GDP 20 m	5 400	370
United States	*(Under development)/1*	*(Tbd)*	94
Non-OECD countries			
Argentina	Mix of tax assessed, tax paid, annual sales, VAT debt, economic sector and no. of employees	1 164	497 (*i.e.*LTU)
Brazil	Not disclosed but identification based on studies focusing on income, assets	5 000	/1
Lithuania	/1		
Malaysia	Individuals with statutory income over MYR 1 m, assets over MYR 5 m or both together over MYR 5 m	4 272	152/1
Romania	Wealth (as per open sources), declared income over threshold and estimates of assets held/1	/1	25/1
South Africa	Gross income >ZAR 7 m or unencumbered assets >ZAR 75 m, and connected individuals (I) and entities (E)	468 (I) 1 205 (E)	10

Source: CIS survey responses.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 101.

Criteria being used to identify HNWIs and numbers of taxpayers administered

The FTA's study noted that revenue bodies have limited resources to dedicate to this taxpayer segment. As a result, allocating and managing resources requires an understanding of the segment to establish the thresholds and other limits that can be used for identifying those individuals to be included in any focus on the HNWI population. For the countries studied, it was reported that a range of criteria is used to define the HNWI population for administrative purposes. These include income and/or wealth thresholds and criteria indicating complex tax affairs, such as a variety of income sources and international tax issues. Some countries pay particular attention to public company executives and directors or to wealthy individuals with high public profiles. Others are particularly concerned about "emerging" wealthy taxpayers, sometimes observed in the media. Generally there will be a combination of these factors together with others that a particular revenue body feels are relevant to its own situation.

Concerning the use of "wealth" as a key criterion, the FTA's study report noted that its use may be feasible as a criterion even by countries that do not have a wealth tax. To acquire wealth an individual generally requires substantial income, whether taxed or not. In addition, wealth as an indicator tends to be relatively stable whereas income can vary substantially from year to year and, as a measure, can also be affected by tax planning. Consequently, a definition of the HNWI population based on income alone may be problematic. Relevant data on accumulated wealth can be derived from sources such as the tax return (which in some countries includes a statement of assets and liabilities), data held by other government departments (*e.g.* concerning real property and share holdings, information returns made by financial institutions, and media reports, etc.

As indicated in Table 2.7, the criteria used by revenue bodies with dedicated HNWI units (albeit, from a small number of revenue bodies) tend to focus primarily on estimated wealth/asset levels of the taxpayers concerned.

Examples: The risks presented by HNWI taxpayers and the approaches being adopted

The examples provided in Boxes 2.6 and 2.7, extracted from the published compliance programmes of the revenue bodies indicated, provide some insight as to their concerns in relation to the nature and scale of risks presented by their respective HNWI segments and what actions they propose to take to deal with potential compliance issues.

Box 2.6. **South Africa: SARS compliance focus on wealthy individuals and their trusts**

Understanding HWI

SARS has around 2 300 wealthy individuals on register. This group of taxpayers is a significant contributor to the fiscus, with wealthy individuals contributing an average of ZAR 1.7 million each to tax annually.

Key concerns

SARS's preliminary sampling exercise has shown that under-declaration of income is an area of concern, where an individual's declared income is not consistent with their asset base. To date, 467 potential wealthy individuals have been identified where there are discrepancies between their asset base and declared income, and they can expect much closer scrutiny from SARS. Wealthy individuals are also generally linked to a number of trusts and companies, some of which are used as vehicles to channel and hide their assets and income. Most of the wealthy South Africans we have reviewed are linked to more than 10 associated companies on average and 87% of these associated companies and 59% of trusts have outstanding returns. A total of 67% of audits conducted into trusts show serious under-reporting. Among the issues which are cause for concern are:

- Fringe benefits not being declared;
- Input VAT claimed without declaring VAT on trade income;
- Artificial losses and deductions;
- Assets and income diverted through associated entities; and
- Salary restructuring;
- Incorrect declaration of revenue profit as capital in nature.

SARS's approach to compliance

Compliance activities for this segment includes a range of initiatives:

- Increase the use of data flows from other jurisdictions through the international Exchange of Information programme;
- Improving our collaboration with the Master's Office with regard to administration of trusts, specifically in terms of obtaining information electronically and uniformly as well as acquiring complete information on trustees and beneficiaries;
- Reviewing how best to leverage "industry" norms and benchmarks, and improving our ability to trace the flow of funds around the world through a multi-agency approach;
- Moving towards more pre-emptive engagement with taxpayers based on real-time data, and the use of pre-filing meetings;
- Improving our rulings regime, and encouraging more taxpayers to make use of advance rulings;
- Broaden our audit and investigations to include additional third party information including the lifestyle and related entities questionnaire;
- Ensuring the registration of wealthy individuals currently not on register
- Audit will focus on those individuals identified as having discrepancies between their asset base and declared income;
- Reviewing the structure of tax returns for both wealthy individuals and trusts;
- Encouraging taxpayers to make voluntary disclosures – and making known to them the consequences if they do not.

Source: Extract from SARS Compliance Programme: 2012/13-2016/17.

Box 2.7. Australia: Reported approaches/experiences for highly wealthy individuals

Understanding HWI

Australia's wealthiest individuals often have complex business structures which can create opportunities for sophisticated tax planning. The ATO utilises innovative data matching and risk modelling to support its comprehensive understanding of the relationships, arrangements and tax risks within these business structures. These models help it develop tailored compliance strategies based on each taxpayer's specific risk categorisation. As of end-2011, over 2 600 HWI taxpayers were under the administration of its HWI unit.

Key concerns

The ATO identifies tax risks associated with significant restructures and events including mergers, acquisitions, initial public offerings, asset sales and generational change. Key concerns include:

- lifestyles funded without relying on income in a conventional taxable form;
- use of business assets for private purposes;
- classifications of income and expenses between capital and revenue accounts;
- capital gains tax not returned or inappropriately minimised;
- accessing company profits other than via dividends; and
- concealment of overseas interests and international dealings.

Identifying/monitoring HWI taxpayers

The ATO has invested significantly in data acquisition and system development. Its systems have become increasingly effective in identifying and monitoring HWI and their groups. It now actively monitors over 2 600 HWI. Information sources include:

- Tax returns and activity statements
- Expanded returns and Private Group Structure questionnaires
- AUSTRAC (*e.g.* large cash dealings)
- Australian Securities and Investments Commission
- Land title, motor vehicle and share registries
- Investment, interest and dividend data
- Intelligence and referrals from overseas tax agencies.

Impacts – correct reporting

While acknowledging HWI's sensitivity to the economic cycle, the ATO's increased compliance activity since 2006 appears to be having a positive impact on correct reporting. For example, improvements have been seen in the effective tax rates of HWI and their associated beneficiaries compared to other individuals. Where HWI have been subject to an income tax review or audit, the ATO measures their tax performance for three years following its compliance interventions. The ATO estimates that since 2006 over USD 200 million of additional income tax has been voluntarily paid in the years following the completion of audits. Further, 16 HWI reported offshore income / assets leading to USD 9.9 million in liabilities.

Source: ATO Compliance Program 2012-13.

Notes

1. The "Zakat" is a levy applied at a flat rate of 2.5% on the net worth (not net income) of Saudi natural persons, wholly Saudi owned companies, and Saudi partners in joint ventures (except for rain-fed agricultural products and irrigated agricultural products for which the rate is 10% and 5% respectively).

2. For CIS purposes, a reasonably broad definition is taken of what constitutes "headquarters functions"; that is, it includes all functions that support national planning and operations, including the national executive and programme policy development and management, as well as all support functions such as information technology operations, human resource management, public relations, security, finance, and internal audit.

3. The comments provided draw largely on survey responses and separate work carried out by a FTA's Task Group (involving Australia, Canada, France, Ireland, Netherlands, Norway, UK, and USA) set up in 2007 to explore and share experiences and latest thinking on the approaches and practices for dealing with the tax compliance issues of large businesses. For more detailed information see *Compliance Management of Large Business: Experience and Practice in Eight OECD Countries* (OECD, 2008).

4. Both the FTA report and this series use the term "High Net Worth Individuals" (HNWIs) to refer to individuals at the top of the wealth or income scale. The term is used broadly and thus includes both high wealth and high income individuals. However, it is recognised that there are segments within this broad definition that display different characteristics and may, therefore, require different administrative responses from revenue bodies.

5. For their purposes, the authors use a proprietary methodology which defines HNWIs as those individuals having investable assets of USD 1 million or more. For "ultra-HNWIs", the investable assets criterion is set at USD 30 million. Details of the methodology are elaborated in the report.

Notes to Tables

Table 2.1. Selected features of the organisational structure of revenue bodies

/1. **Australia**: Mainframe, network and communications hardware and support are outsourced; **Austria**: IT functions provided by the MOF or similar department; **Canada**: Dedicated large taxpayer compliance programme; **Chile**: The revenue body (SII) perform only the initial effort to collect tax debts, with primary responsibility for enforced debt collection resting with the Treasury (TGR); **Cyprus**: VAT Department has a large taxpayer division; **Denmark, Finland, Slovak Rep., United Kingdom**: IT operations are largely outsourced; **France**: The French tax administration doesn't have a specific service to manage HNWIs. It is done by local services. Nevertheless, a dedicated directorate (DNVSF) is responsible for the control of the wealthiest individuals, as defined (see Table describing criteria for HNWI's); **Germany**: Most states have tax office for large taxpayer audits and tax fraud function, specialised debt collection units, appeals units, and full in-house IT functions; **Greece**: Large taxpayer audit functions; **Hungary:** However NTCA does not have a specified unit for out of court settlements or for consultation with taxpayers. **Iceland**: Debt collection is handled by Customs; **Ireland**: While Revenue do not have a dedicated unit in charge of appeals disputes, it does have an appeals function. Customers may lodge complaints at their local office, submit their case for an internal or external review and/or make an appeal under statutory provisions (via the Appeals Commissioners, Ombudsman's Office or the Equality Tribunal); **Italy:** Debt collection outsourced to separate company (Equitalia spa). **Japan**: Special units are located at regional level to examine international taxation issues of HNWIs and small/medium enterprises; **Korea**: Large taxpayer unit at regional level only;

Lithuania: Revenue body has a separate IT department which provides all internal services and system support but systems development is done by external companies; **Malaysia:** Special Units at branches set up in December 2010 to handle tax cases related to High Net Worth Individuals and VIP/Staff. **Mexico:** A dedicated organisational unit responsible for IT functions but with substantial outsourcing of its operations; **Netherlands**: * At regional tax offices, no separate HNWI-units but a coordinated approach is taken as an integral part in the horizontal monitoring programme. * From 2013, tax districts will be organised according to taxpayer segments in addition to the functional approach; **Portugal:** From 2012 onwards. **Romania**: Mainly organised based on the functional criterion, but also use also the "taxpayer segment" criterion with specialised structures within the tax administration to administer large taxpayers (one large taxpayers department) and middle-sized taxpayers (42 county units for middle-sized taxpayers); **Singapore**: There are separate large taxpayer departments for Corporate Tax and Goods and Services Tax; **Slovak Rep.**: Some tax offices have departments for auditing large taxpayers (HMWIs); There is a department for audit techniques for large taxpayers established at the Tax Directorate of the SR Tax Office for Large Taxpayers Bratislava – manages banks, branches of non-resident banks, insurance agencies, branches of non-resident insurance agencies, reinsurance agencies and branches of non-resident reinsurance agencies, taxpayers with a turnover>EUR 33.2 milion; **Spain**: HNWI taxpayers can be assigned to the Spanish Large Taxpayers Central Office under certain circumstances by the Head of the Service for Planning and Institutional Relations; other wealthy taxpayers are managed by provincial or, where appropriate, regional offices; **Sweden**: Enforcement of the collection of public and private debt is carried out by a separate Enforcement Agency, previously part of the Swedish Tax Agency but fully independent from January 2008. Separate units for tax fraud, but not for tax evasion cases; **Switzerland:** For large taxpayers a personal contact person in the field of VAT is projected for 2012. **United States**: Establishment of HNWI unit in course of development.

/2. **Canada:** In 2011, the Federal Government created Shared Services Canada (SSC) "to streamline and consolidate government networks, data centres, and email systems, and to get better services and value for money. SSC brings together resources from the 43 organisations that SSC serves, including some 750 FTEs from the CRA. **Chile:** Only relates to tax return and sworn statement processing. **Cyprus:** It has been many years that criminal prosecutions have not been carried out by Direct Tax Department; **Greece:** There is no permanent organisational unit responsible for HWI. A special team focusing on HWI operated during 2009 – 2011. In late 2011 the functions of this team were transferred to the Directorate of Audits and HWI are now audited by special audit teams. **Iceland:** The Directorate of Internal Revenue (DIR) has a special Tax Control Division that is responsible for tax control/tax audits; the Directorate of Tax Investigations is responsible for all tax investigations (criminal tax matters). **Italy:** The Central Directorate of Tax Assessment performs operational tasks in fiscal control activities of particular relevance. Within it there is a Central Anti-fraud Unit dealing with: 1) analysis of widespread fraud in the tax and development of law enforcement strategies and the resulting operational methods; 2) coordination and monitoring of control activities linked to widespread fraud and conducted in the territory; and 3) conducting investigations and audits at national level on the phenomena of fraud of greater importance and danger; however, the Financial Guard (Guardia di Finanza) by virtue of its primary role of economic and financial police plays the central role in dealing with serious criminal tax evasion cases, under direction of Prosecutor Offices. **Latvia**: IT operations are partly outsourced; **Korea:** Debt collection unit at regional level for all taxpayers including large taxpayers only; **Netherlands:** Large Business Taxpayers Units in Regional Tax Offices; **Spain:** The Tax Appeals Courts (central and regional level) are part of the Ministry of Finance and Public Administration, independent of the Tax Agency; **Switzerland:** The organisational unit for debt collection is projected for 2013.

/3. **Greece:** There is a committee which is competent for resolving tax disputes exceeding certain amounts of taxes, duties, contributions or fines. **Iceland:** A large portion of IT operations are outsourced; **Italy**: IT functions provided by the MOF or similar department; **Netherlands**: separate dedicated units for each function of debt collection and disputes in regions.

Table 2.3. Office network for tax administration-numbers by office type (end-2011)

/1. **Australia:** But co-located with branch and regional sites. **Cyprus, Luxembourg:** There are separate departments/offices at all levels for direct and indirect taxes; **France:** Structures dedicated to individuals, SMEs, land registry, and property registration**. Germany:** There are 16 decentralised Lander administrations and one national co-ordinating organisation; **Greece:** Regional level: these are 2 Inter-regional Audit Centres and 6 Regional Audit centres; local level: these are 239 local tax offices and 100 local customs offices; other: this is the Special Secretary of the Financial and Economic Crime unit with central and regional services. **Ireland:** Headquarters comprises the Board of the Revenue Commissioners, Corporate Services Division, Planning Division and ICT&L Division; regional offices comprise four regional entities and the Large Cases Division, Collector Generals Division and the Investigations and Prosecutions Division, all headed by an Assistant Secretary reporting to the Board; other offices include 3 Revenue Legislation Service Divisions and the Revenue Solicitors Office; **Malta:** Taxes are administered by three separate departments, that are planned to be integrated into one organisation over the next 2 to 3 years; **Malaysia:** Comprised of 36 assessment branches, 17 investigation branches and 14 revenue service centres; **Mexico**: These are customs offices; **Netherlands:** Headquarters is the Directorate General; regional tax districts are led by a dedicated head office and Centres for ICT, Facilities and Professional Education and Communication are labelled under "other offices". **Poland**: Numbers of staff include Fiscal Audit Offices. **Norway:** There is an office reduction project underway; at the beginning of 2011, there were 225 offices and 175 at year-end, giving an average in 2011 of around 200; it is expected the number will be around 110 by January 2013; **South Africa:** Data includes customs operations; **Spain:** There are 17 regional offices and 51 provincial offices; in addition to the 202 local tax offices there are 36 customs and excise local offices.

/2. **Australia:** With a further 6 co-located with local, branch or regional branch offices.

Table 2.4. Office network for tax administration-number of staff by office type (end-2011)

/1. **Argentina: S**taffing aggregates shown include customs administration staff**. Australia:** Figures represent average staffing (FTE) over the 2010-11 financial year. **Cyprus and Luxembourg**: Staff usage figures cover both direct and indirect taxes, administered separately. **Germany**: Call centre staff FTEs included in local office aggregates; **Hungary:** Aggregate data includes Customs operations; data for call centres are also included in aggregates for headquarters and regional offices where they are located; data for other offices include Training etc Institute (369) and Directorate of Criminal Affairs (357). **Ireland**: Headquarters is comprised of the Board of the Revenue Commissioners, Corporate Services Division, and Planning Division (251 FTEs in total) and the ICT&L Division (412 FTEs). **Israel: S**taff aggregates include Customs; **Japan**: The number of staff at regional offices includes staff in processing centres and call centres; **Lithuania**: These aggregates are included in HQ aggregate. **Mexico**: National processing and call centre operations are outsourced, numbers shown are SAT's supervisors; in addition to aggregate staff number shown, there are 7 548 staff located in 49 customs offices. **Netherlands**: These figures include staff at the head office of tax regions and a rough estimate of staff at the Directorate General for Tax and Customs Administration and at the Centres for ICT, Professional Education and Facilities, the latter three not defined as headquarters in the Netherlands. **Poland**: Numbers of staff include Fiscal Audit Offices. **Singapore**: Staff strength at end March 2011. **South Africa**: Data aggregates include customs operations; other offices FTEs are principally customs operations. **Spain**: Other offices included in headquarters data. **Sweden**: Staff FTEs of one call centre in regional office data. **United Kingdom**: In addition to staff in the table categories, there is an additional 258 FTE in non office accommodation (stores/garages). **United States**: The IRS advised that it defines "headquarters" as the office within the IRS that is responsible for providing core leadership, developing short and long-term strategic plans, providing guidance on the implementation of programmes and monitoring of the execution of approved policies and plans. The Data Processing Centre is not directly involved in these functions and therefore it is not included in "headquarters"; the change in headquarters and regional office data from prior editions of CIS is primarily the result of changes to the current IRS structure and how the organisation's operations are managed; the regional office component includes the IRS's central computing centre and the large tax return submission centres.

Table 2.5. Large taxpayer operations: Criteria, numbers and staffing

/1. **Belgium:** A new large taxpayer organisation is being established that is expected to administer around 15 000 large taxpayers, and require around 495 staff when fully operational in 2014. **Brazil:** General criteria are gross revenue > RUSD 100 m, treasury debts > RUSD 10 m, payroll > RUSD 18 m, or social security debts > RUSD 6 m**;** limited data available on staffing for 2009 when some 146 FTE were employed full time with assistance from a further 358 persons; an additional three units (one for HNWIs) have recently been created, one in Sao Paulo (devoted to auditing activities), another in Rio de Janeiro provides a full range of services to large entities and the other in Belo Horizonte (for HNWIs); **Bulgaria:** Main criteria are: 1) Taxable persons meeting at least two of the following criteria: a) sales in 2009 of over BGN 20 m; b) over 120 persons on average in 2009; c) taxes and SSCs paid in 2009 of over BGN 2 m; d) taxes refunded in 2009 of over BGN 2 m; 2) Companies in the industries of banking, insurance, reinsurance, pension and health insurance. **Canada:** The first category refers to income tax; the target population is large, complex corporations and their related entities, including trusts, partnerships and controlled subsidiaries; as of April 2008, the definition of "Large Business" was changed to include any entity for which the large business team audit approach would be effective. As risk and complexity have become more important factors in determining whether or not to treat the entity as being part of the large business population, files under the USD 250 million threshold that meet these new criteria could be considered for inclusion in this population; The second category concerns the Goods and Services Tax/Harmonised Sales Tax and includes GST/HST registrants, excluding the Municipalities, Universities, Schools, and Hospitals (MUSH sector), with annual revenue in excess of USD 100 million; Companies controlled by those large registrants; and Complex non-resident registrants.; **Chile:** Annual turnover equal to or higher than 90 000 UTA, during each of the last three commercial years;

taxable capital equal or higher than 110 000 UTA, during each of the last three tax years; and other criteria. NB: UTA=Unidad Tributaria Anual (Annual Tax Unit, equal to twelve times the Monthly Tax Unit of December, which is a unit indexed to inflation); **China**: The SAT advised that there is a dedicated Large Taxpayer Department (LTD) in SAT, but currently there is no national uniform standard/threshold for large taxpayers in China.; the LTD in the head office of SAT administers 45 large taxpayers, and their selection is based on a combination of industry, turnover and ownership; SAT offices at and below provincial levels set their own standards for large taxpayers, taking into consideration of the not-so-small gaps among the provinces with respect to the level of economic development; there are 21 people (FTE) in the Large Taxpayer Department in the head office of SAT, nationally speaking there are around 2 600 at SAT offices at different levels administering large businesses; **Colombia**: Number shown refers to taxpayers administered by Office of Large Taxpayers; regional offices also manage large taxpayers, bringing the total number to 7 167: **Finland**: Threshold of EUR 50 m applies to an individual company or group of companies; **France**: Companies which are related directly or indirectly by a link, ascending or descending at more than 50%, with a company that meets the turnover criterion. **Germany:** Most regional "Lander" administrations have a large taxpayer audit function; industry criteria applied are 1) manufacturing: turnover > EUR 4 m or profit > EUR 235 000; Freelancers: turnover > EUR 4.3 m or profit > EUR 540 000; Financial Institutions: actual net worth > EUR 128 m or profit > EUR 530 000, insurance companies: insurance premium revenues > EUR 28 m, agricultural and silvicultural companies: economic value on the basis of land> EUR 210 000 or profit > EUR 116 000; Other enterprises: Turnover > EUR 5.3 m or profit > EUR 305 000; **Greece**: new Large Taxpayer Division was created in late 2011. **Hungary**: The method for "tax capacity" is ruled by the decree of Ministry of National Economy; "tax capacity" shall mean the yearly average of a taxpayer's gross tax liabilities on the aggregate (including budgetary subsidies, tax allowances and tax relief) within the term of limitation; it shall also include the amount of value added tax payable or the amount charged and deductible, whichever is greater in terms of absolute value. The calculation is based on the tax data available on 1st September in the previous fiscal year. In 2012, the limit for tax capacity is HUF 3 250 millions; **India**: All taxpayers assessed in five major cities who have paid excise of over Rs 50 million, service tax over Rs 50 million or advance corporations tax over Rs 100 million; **Ireland**: Criteria also includes semi-state commercial organisations; financial services sector; and relatively large scale enterprises in certain sectors; **Korea**: No dedicated national function for co-ordination but regional units manage tax resources and conduct audits for prescribed large taxpayers; **Mexico**: Also includes companies reporting consolidated results, foreign entities and state public entities, government oil companies and related entities, the social security agency; **Netherlands**: Criteria are 1) listed company at the (Amsterdam) stock exchange and/or 2) standard weighted fiscal worth exceeding 25 million euro and/or; 3) foreign parent and own standard weighted fiscal worth exceeding 12.5 million euro; and/or 4) at least 5 foreign subsidiaries and own standard weighted fiscal worth exceeding 12.5 million euro; and/or; 5) all non-profit organisations standard weighted fiscal worth exceeding 37.5 million euro; and/or 6) all companies in the financial industry (banks, insurance), the oil and gas industry (upstream and downstream) and in the energy-supply industry; and 7) other taxpayers not meeting the above factors, may be covered under the supervision concept for very large taxpayers if complex issues exist, or a taxpayer is viewed as potentially a high-profile case or with certain degree of financial risk; **Norway:** Other criteria that can apply include larger companies operating in multiple municipalities, with significant linkages to foreign countries, or as part of corporate groups, and shipping companies. **Poland**: Criteria are capital tax groups, banks, insurance establishments, units providing public trade of securities and provisions on investment funds, units operating as pension funds, branches or agencies of a foreign company, and companies that raised annual net revenue of at least 5 million in the previous year, participated directly or indirectly in the management of companies located abroad or control thereof or has a share in their capital, were managed directly or indirectly by a non-resident, or where a non-resident has a minimum of 5% of the votes at a meeting of shareholders or at a general meeting, and as a resident jointly participates directly or indirectly in the management of a domestic entity and foreign entity, or controls or has at the same time a share in the capital of such entities. **Portugal:** From January 2012, a new Large Taxpayer Office was created and commenced operations, as part of a major re-organisation of tax and customs operations; **Romania:** The base criteria, named "aggregated value criteria", are derived from the aggregation of 4 indicators calculated for the prior 2 years, selected from an economic and budgetary point of view in the following proportions: 1) the volume of the owed fiscal obligations, declared by the taxpayer – 40%; 2) the volume of income from the operating activities – 30%; 3) the volume of expenditures for staff – 15%; 4) the volume of tangible and non tangible fixed assets; other criteria applied capture banking, insurance and other financial institutions, and newly established enterprises that have committed to make investments exceeding EUR 10 m; **Saudi Arabia:** Activities of economic significance: Oil, banks, stock companies, insurance, air-transportation, subsidiaries of international companies, and holding companies and their subsidiaries; **Slovak Rep.**: At the present time the Tax Office for Selected Taxpayers does not have state-wide scope, administering only large taxpayers in Bratislava and surroundings; the scope of the Tax Office for Selected Taxpayers will be extended to the whole territory from January 2013. **South Africa**: Major project carried out in 2009 to review operating model of the Large Business Centre, resulted in revised criteria from October 2010; **Spain**: Criteria also includes those third party reporters providing over 10 000 records; **United States**: Includes corporations, foreign corporations, subchapter S corporations and partnerships with assets USD 10 million and greater.

/2. **Australia:** Around 1 300 economic groups encompassing 32 000 entities that file around 6 000 returns due to Australia's consolidation rules; **Canada**: The Income Tax category includes 1 165 groups comprising 25 748 entities; **Ireland**: There are 11 211 companies (being part of 690 groups) and also 1 427 securitisation companies; **Spain**: Resources also include administration of designated large personal taxpayers/HNWIs; **United States**: The number reported is the number of returns filed in 2010 by Corporations (USD 10 m – USD 250 m)-46 002 returns; Corporations (over USD 250 m)-13 289 returns; Foreign Corporations (over USD 10 m)-2 831 returns; Partnerships (large business)-141 668 returns; and S Corps (USD 10 m and over)-40 833 returns.

Table 2.7. High net worth individuals: criteria, numbers and staffing

/1. **Australia**: These staff are also supported by technical specialists, centres of expertise and Tax Counsel in active compliance activities which are not included in this number. **Brazil:** There is only one unit for HNWIs (largely devoted to auditing activities) and its resources are included in large taxpayer operations; **Canada**: Resources and results included in data for large taxpayers. **Hungary**: The decree dealing with large taxpayers, in addition to certain large companies, also categorises other taxpayers (including entrepreneurs, companies, and budgetary bodies) as "large" which have a tax capacity over HUF 140 m; these are subject to audit by special dedicated units in regional offices. **France**: The tax administration does not have a specific service to manage HNWI taxpayers' situation – it is done by local services. Its HNWI Unit called DNVSF (National Directorate of Fiscal Situation Audits) is exclusively dedicated to audits and shared between regular HNWIs' and "Top HNWIs". The criteria described hereunder concern the control of the wealthiest individuals, which is done by a dedicated directorate (DNVSF) and dedicated local audit services. Objective criteria for "Regular HNWIs": Taxpayers with total income (before allocation of deficits) over EUR 762 000, gross value assets over EUR 6 900 000; Members of non-commercial professions, whatever their legal form, with a pre-tax income of more than EUR 1 220 000. Subjective criteria: taxpayers whose national or international reputation is proven, either by professional or elective position or for any other reason; Taxpayers claiming residents of another country whose domicile is established, when the gross value of assets known in France is over than EUR 1 million. Complexity of situations: 1) the taxpayer's situation comes under at least two international conventions signed by France; 2) known or suspected activities are diversified in the national territory or abroad and require dispersed investigation; and 3) known or suspected activities are diversified and are the subject of a judicial proceeding. Criteria for **"**Top HNWIs" Since 2011, DNVSF gets a new competence on taxpayers called "top HNWIs" whose gross income is over EUR 2 millions or whose gross income is below EUR 2 millions but whose assets liable to wealth tax is over EUR 15 million. It represents around 4 300 taxpayers whose situation regarding tax is examined every 3 years by DNVSF. This latter can carry out firstly a desk audit and, if necessary, a field audit. **Lithuania:** While there is no formal organisational unit as such, in 2011 a working group was established which analysed selected individuals' wealth and income data according to various selection criteria, in order to determine risks related to possible tax evasion common for these individuals and determine the attributes to identify threats that could be applied while performing the monitoring of HNWIs' tax obligations and selection for control actions. The working group evaluated the value of person's real estate objects, capital of controllable units they manage, loan sums they have given (overdue) to legal persons, etc. and selected a number of risky HNWIs for examination; in 2012, control actions of selected risky HNWIs commenced. **Netherlands**: There are no separate HNWI units but at regional tax offices there is a coordinated approach designed as part of the compliance risk management strategy; the principles of horizontal monitoring (as developed along the lines of the 2009 OECD Study Engagement with High Net Worth Individuals) are applied as much as possible; **Malaysia**: The unit also administers VIPs tax affairs; **Romania**: This is a new development in Romanian tax administration, resulting from NAFA's recent implementation of a compliance risk management approach; concerning the HNWI population, a special unit has been created, responsible for this tax compliance risk management process, which evaluates and applies the correct treatment for each HNWI associated risk identified, from notices and assistance all the way to the traditional treatment such as a tax audit; presently, the unit numbers 25 staff, managers included, with an option of a final staff number set at 50, as the activity is developed; **Spain**: Designated HNWIs are administered from within the Large Corporate Taxpayers Division; staff FTEs included in data for Large Corporate Division taxpayers; **United States**: The LB&I operating division created a Global High Wealth (GHW) unit in November 2009. Through the GHW unit, the IRS focuses compliance expertise on high income/high wealth individuals and the enterprises they control. The IRS is in the process of developing a model to define and profile high wealth taxpayers. (Note that the majority of IRS data and definition is focused on taxpayer income rather than overall wealth, since the U.S. does not tax wealth.)

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Chapter 3

Selected aspects of strategic management

This chapter describes key aspects of revenue bodies' practices for the preparation and publication of strategic plans, and the measurement and reporting of organisational performance. It concludes with a section on strategic approaches for improving taxpayers' compliance.

Key points and observations

Planning and management approaches of revenue bodies

- Around three quarters reported that they were required to meet one or more Government/MOF-imposed targets over and above budgeted revenue goals. The most commonly cited targets were for cost reductions, administrative burden reduction, increased taxpayer satisfaction levels and reduced tax debts.
- The series data suggest that quite a few revenue bodies could be more transparent in reporting publicly how the tax system is being administered, either in an overall sense and/or for key areas of their operations-gaps observed include reporting overall performance (five bodies), publishing annual/multi-year business plans (14 bodies) and service standards and levels of service performance achieved (22 bodies).
- On a positive note, the series displays some exemplary examples of transparent reporting of revenue body outcomes-progress against key strategic goals (United States), taxpayers' compliance (Canada and United Kingdom), service delivery (Australia, Canada and Ireland), community perceptions of service and competence (Netherlands, Spain and New Zealand).
- The practice of setting some form of service delivery standards was reported by 28 of 34 revenue bodies in OECD countries, with 26 indicating that their standards are made public. Of the 18 surveyed non-OECD revenue bodies, 14 produce and publish service delivery standards; public reporting of results achieved against service delivery standards occurs in 22 OECD and 7 non-OECD countries.
- Around two thirds of surveyed bodies regularly survey taxpayers and other stakeholders to gauge their views and perceptions of service delivery and overall administration.
- While not the subject of detailed research, it appears that a growing number of revenue bodies have taken steps to increase the focus of their planning and performance evaluation towards the "outcomes" to be achieved from their administration. For those revenue bodies, this has included the use of: 1) direct and indirect measures of taxpayers' compliance across the major risk types; 2) measures that reflect the quality of services delivered to taxpayers and tax professionals; 3) reductions in taxpayers' compliance burden; and/or 4) measures reflecting the level of taxpayer satisfaction with, and confidence in, the revenue body.

Managing and improving tax compliance

- There appears potential for many revenue bodies to increase awareness of their compliance activities, serving to deter non-compliance, by greater use of the media.
- Reflecting its contentious nature, less than half of revenue bodies undertake or arrange for research to produce estimates of the aggregate tax gap for some/all of the main taxes administered. Related to this, just over half reported the use of random audit programs for risk profiling and/or compliance research purposes.

This chapter commences with a brief description of aspects of revenue body practices concerning the preparation and publication of strategic/business plans and the measurement of revenue body performance, against the background of broader trends in public sector management. It concludes with a section on strategic approaches to improving taxpayers' compliance.

Managing for improved performance

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 strategic planning and performance measurement. Nor has the FTA in the relatively short time it has been in existence conducted any detailed studies into how revenue bodies go about this important aspect of their administration or provided guidance on practical approaches. Rather, the opportunity is being taken to acquaint readers to the approaches of a few selected revenue bodies, drawing on related research of publicly-available documents. This is accompanied by some introductory material that highlights broader trends observed in OECD countries in the management of public sector agencies, including national revenue bodies.

There have been enormous changes in the management of public sector agencies over the last two decades. As outlined in Box 3.1 (OECD, 2005), these changes have included a commitment to open government,[1] more formalised planning approaches (both at the strategic and operational levels), a much increased focus on performance (*e.g.* performance management and budgeting systems), institutional and organisational restructuring, the use of market-based mechanisms, and modernising employee management arrangements, bringing them more into line with what is seen in the private sector. Revenue bodies have not been immune to these reform drivers, as evidenced by:

- The growing practice of preparing formal strategic and business plans, many containing outcomes-focused performance targets and measures for their key goals and objectives;
- The emergence of customer/service charters setting out the nature and standards of service taxpayers can expect; the establishment of tax ombudsman offices etc;
- The use of annual performance contracts between the revenue body and the MOF; the preparation (and publication) of comprehensive annual performance reports, for some with performance reporting aligned with their plan's goals and objectives;
- A more structured and systematic approach to the allocation of resources, monitoring resource usage, and evaluating performance;
- Institutional and organisational restructuring designed to drive change and improve efficiency of government operations (*e.g.* autonomous revenue authorities, the integration of social security contribution collection, streamlining of office networks);
- Expanding use of consultation (*e.g.* business and tax agents' consultative fora);
- The use of outsourcing and/or user pays mechanisms to achieve increased efficiency;
- In response to external demands, increased efforts to reduce government "red tape";
- The introduction of modern human resource management approaches (*e.g.* contracts, performance pay, and employee performance management approaches).

Box 3.1. Key trends in public sector administration reform

In the past 20 years, governments have made major changes to the way they manage the public sector. Most OECD public administrations have become more efficient, more transparent and customer oriented, more flexible, and more focused on performance. However, public administrative arrangements are inextricably linked to fundamental institutions of public governance. Reformers need to be aware of the possible effects of reforms on wider governance values.

Lessons learned from key public policy levers

Open government: Across OECD member countries, governments are becoming more open and more transparent, accessible and consultative. This phenomenon has found expression through new legislation and institutions and a wide array of policy measures. Today 90% of OECD countries have a Freedom of Information Act and an Ombudsman Office and over 50% have customer service standards.

Enhancing public sector performance: Governments have become much more performance focused. The performance movement has increased formalised planning, reporting and control across many governments. Most OECD countries have introduced performance management and budgeting:

72% include non-financial performance data in their budget documentation. Thus information available to managers and policy makers has both increased and improved.

Modernising accountability and control: How governments keep control over large and complex operations has changed over the past 15 years because of technological innovations, changes in the size and structure of government, and the introduction of performance budgeting and management. The main trends in control across OECD countries are the move from *ex ante* to *ex post* control, and the development of stronger processes of internal control. In practice there is a move from the inefficient

but relative certainty of checking the regularity and legality of individual transactions to the more efficient but relative uncertainty of verifying the proper operation of systems. The challenge is to maintain control in systems that are more delegated, with more autonomous agencies and third-party providers.

Reallocation and restructuring: The need for government to set outer limits for expenditure and to reallocate within those limits has changed national budgeting from a support function to the primary vehicle for strategic management. The budget process is also frequently used as a vehicle for wider managerial reform. The ability to change organisational structures is essential for a modern government. However, structural change – either the dismantling of existing organisations or the creation of new ones – should not be undertaken lightly. Dismantling organisations can lead to a loss of continuity, of institutional memory and of long-term capacity. The proliferation of more or less autonomous arm's-length public bodies makes collective action and coordination difficult. Governments should understand the structural strengths and weaknesses of their existing systems and build on their strengths.

The use of market-type mechanisms: Market-type mechanisms of various kinds have become more common across OECD member countries, although there are marked country differences in their use. These mechanisms have the potential to produce significant efficiency gains. The decision to use market-type mechanisms needs, however, to be made on a case-by-case basis, and the specific design of these instruments is critical to their successful application. It remains important to protect key governance principles, not to confuse private gain and public interest or to obscure public responsibility or accountability. Governments must protect their freedom for future action if priorities change.

Modernising public employment: The nature of public employment in OECD countries has evolved significantly. In many countries the employment arrangements of public servants have become more like those of the private sector by altering the legal status and employment conditions. Individualised employment policies have become increasingly common; these include the introduction of contracts and performance-related pay, the latter now being implemented in two-thirds of OECD countries.

The implementation of these policies tends to make a collective culture more difficult to achieve. Early reformers underestimated the complexity of introducing private sector techniques into the public service. Staying with traditional public employment arrangements, however, is not a feasible option for most countries.

Source: Modernising Government: The Way Forward, OECD (2005).

However, reforms such as these are not a "once off" effort. As emphasised in the referenced OECD publication the public sector, and by implication, its constituent agencies face the need to continuously adapt to the challenges of their ever-changing environments:

> Governments must adapt to constantly changing societies. It is not a matter of one-off "reform" but of having a whole-of-government public management policy capability that enables governments to make adjustments with the total system in mind. Effective public management policies need clear problem diagnosis and outcome evaluation.
>
> Governments must adapt to constantly changing societies. It is not a matter of one-off "reform" but of having a whole-of-government public management policy capability that enables governments to make adjustments with the total system in mind. Effective public management policies need clear problem diagnosis and outcome evaluation.
>
> Citizens' expectations and demands of governments are growing, not diminishing: they expect openness, higher levels of service quality delivery, solutions to more complex problems, and the maintenance of existing social entitlements. Reforms to the public sector in the past 20 years have significantly improved efficiency, but governments of OECD countries now face a major challenge in finding new efficiency gains that will enable them to fund these growing demands on 21st century government. For the next 20 years, policy makers face hard political choices. Since most governments cannot increase their share of the economy, in some countries this will put pressure on entitlement programmes. These new demands on builders of public management systems will require leadership from officials with enhanced individual technical, managerial and political capacities who think and plan collectively and who can work well with other actors.

Planning and management approaches of revenue bodies

For the purpose of this aspect of the information series, revenue bodies were asked to answer a number of relatively basic questions:

1. Is the revenue body required to meet any specified goals or targets, ***in addition to annual budget revenue targets***, that are reflected in formal agreements with Government and/or MOF?
2. Does the revenue body prepare a business plan (annual or multi-year) and, if so, is it made public?
3. Does the revenue body agency prepare and publish an annual report of its performance?
4. Does the revenue body have a formal set of service delivery standards, and are they made public?
5. Does the revenue body publish the results it achieves vis-à-vis its formal service standards?
6. Does the revenue body regularly survey citizens, business taxpayers and/or tax professionals on their views/perceptions on aspects of service delivery and administration of tax laws?

Revenue bodies were also surveyed on aspects of their strategic approach to the management of tax compliance risks, while prior work carried out in 2011/12 by the

FTA looked at the approaches of selected revenue bodies in managing taxpayers' service demand and provided some insights as to the effectiveness of the arrangements in place. Both of these aspects are dealt with later in the chapter.

Survey responses were supplemented by research of publicly-available strategic/business plans and annual performance report documents of as many revenue bodies as practicable. This research aimed to: a) gather insights as to the key elements of revenue bodies' business plans from a small sample of countries; b) shed some light on emerging practices in the setting of high level goals and objectives, targets and related performance measures for revenue bodies; c) given their primary mandate to achieve compliance with tax laws, to better understand aspects of revenue bodies' approaches to compliance risk management; and d) gain some insights as to the degree of transparency of revenue bodies in their planning processes and in relation to their reporting of performance outcomes.

Preparing and publishing business plans and annual performance reports

A summary of the responses to the issues raised is provided in Tables 3.1, 3.2 and 3.3. Key observations and findings from analysis of responses and related research are set out below:

- Three-quarters of revenue bodies reported that they were expected to meet mandated goals/targets of one form or another, in addition to annual budget revenue targets (see examples in Table 3.2); the most commonly cited targets were:
  - Reductions in costs of administration/staffing (24 revenue bodies);
  - Reductions in administrative burdens (21 revenue bodies);
  - Improved taxpayer satisfaction, as measured by survey (28 revenue bodies);
  - Reductions in end-year tax debts outstanding (20 revenue bodies)
- The practice of Government/MOF-imposed targets is used widely in many countries (*e.g.* Argentina, Austria, Chile, Denmark, Finland, France, Greece, Ireland, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, Portugal, Romania, Russia, South Africa, and Spain);
- With few exceptions, all revenue bodies reported that they prepare a multi-year business plan, although the number indicating that such plans were made public was less than 80%.
- The practice of preparing an annual performance report appears just about universal; only a five revenue bodies do not currently make such reports publicly available; while not the subject of detailed research, there appears to be considerable variation in the scope and nature of information disclosed in annual reports, with some failing to disclose important information on aspects of tax administration (*e.g.* the incidence of tax debts).
- The practice of setting formal standards for service delivery was reported by 28 of the 34 OECD revenue bodies surveyed, and by 14 of the 18 non-OECD revenue bodies; however, this observation needs to be treated with a fair degree of caution as the number of revenue bodies reporting their use of service standards for some of the more routine and voluminous areas of service (*e.g.* processing returns with refund claims and answering taxpayers' letters and phone inquiries) was considerably less. (Further information on the more commonly used service standards and related performance of revenue bodies is provided in Chapter 6.)

Table 3.1. **Revenue bodies' mandated business performance targets**

Country	Budgeted revenue	Tax debt reduction	Tax gap reduction	Improved taxpayer satisfaction	Compliance burden reduction	Operating costs/staff reductions	Other
	Business performance targets mandated for 2012 (and beyond)						
OECD countries							
Australia	✓	x	x	x	x	x	
Austria	✓	✓	✓	✓	✓	✓	
Belgium	✓	x	x	x	✓	✓	
Canada	✓	✓	x	x	✓	✓	
Chile	✓	x	✓	✓	x	✓	
Czech Rep.	✓	x	x	x	✓	✓	
Denmark	✓	✓	✓	✓	✓	✓	
Estonia	✓	x	x	x	x	x	
Finland	✓	✓	x	✓	x	✓	
France	✓	✓	x	✓	x	✓	
Germany	✓	x	x	x	✓	✓	
Greece	✓	✓	✓	✓	✓	✓	
Hungary	✓	x	x	✓	x	✓	
Iceland	✓	x	x	x	x	x	
Ireland	✓	✓	x	x	✓	✓	
Israel	✓	x	x	x	x	x	
Italy	✓	x	x	✓	x	x	
Japan	✓	x	x	✓	✓	x	
Korea	✓	x	x	x	x	x	
Luxembourg	✓	x	x	✓/1	✓/1	✓/1	
Mexico	✓	✓	✓	✓	✓	✓	
Netherlands	✓	✓	x	x	✓	✓	
New Zealand	✓	x	✓	✓	x	✓	
Norway	✓	✓	x	✓	x	x	
Poland	✓	✓	x	✓	x	x	
Portugal	✓	x	x	✓	x	✓	
Slovak Rep.	✓	x	x	x	x	x	
Slovenia	✓	-	-	-	-	-	
Spain	✓	✓	✓	✓	✓	✓	
Sweden	x/1	x	✓	✓	x	x	
Switzerland	✓	x	x	x	x	✓	
Turkey	✓	x	x	✓	x	x	
United Kingdom	✓	x	x	✓	x	✓	
United States	✓	x	x	✓	x	x	
Non-OECD countries							
Argentina	✓	✓	x	✓	✓	x	
Brazil	✓	x	x	x	x	x	
Bulgaria	✓	✓	✓	✓	✓	✓	
China	✓	x	x	x	x	x	
Colombia	x	x	x	x	✓	x	
Cyprus	✓	✓	✓	✓	✓/1	✓	
Hong Kong, China	✓	x	x	x	x	x	
India	✓	✓	x	✓	x	x	
Indonesia	✓	✓	x	✓	x	x	
Latvia	✓	x	x	✓	x	x	
Lithuania	✓	✓	✓	✓	✓	✓	
Malaysia	✓	✓	x	x	x	x	
Malta	✓	✓	✓	✓	✓	x	
Romania	✓	✓	x	✓	✓	✓	
Russia	✓	✓	x	✓	✓	x	
Saudi Arabia	✓	x	x	x	x	x	
Singapore	✓	✓	x	✓	x	x	
South Africa	✓	✓	✓/1	✓	✓	✓	

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 144.

Source: CIS survey responses.

Table 3.2. **Examples of Government: Ministry targets for revenue bodies**

Area	Description of targets being used	Country
Tax debt reductions	Recovery for failure to pay-annual goal of 80%	Argentina
	Debt available for collection no greater than EUR 1 billion at end-2012	Ireland
	Achieve collection rate for roll taxes of 98%.	France
	Unpaid PIT and VAT at end-2012 not to exceed 2.25% of declared liabilities	Lithuania
	Reduce total tax debt at beginning of fiscal year by 58% during that year	Malaysia
	Maximum tax arrears: 2.5 – 3.0% of total tax receipts	Netherlands
	% of total taxes collected from employees to total liabilities exceeds 99.5%	Norway
Improved taxpayer satisfaction	85% of taxpayers contacting IRD are satisfied with the service received	New Zealand
	Target of 65% for audited taxpayers who are satisfied with experience	
	1) At least 60% of taxpayers are satisfied with the online tax return and payment systems; and 2) At least 80% of taxpayers are satisfied with the filing assistance on NTA's website.	Japan
	At least 75% of taxpayers report service levels as being good.	Norway
	1) Improve taxpayer satisfaction with Internet services to 79%; 2) reduce waiting time to be attended at tax offices to 15 mins; 3) decrease average time to reply to complaints to 17 days.	Portugal
	Improvement in taxpayers' satisfaction with: 1) homepage-from 3.1 to 3.8 (on scale of 1 (low) to 5 (high)); 2) phone service-on a scale of 1 to 5, with different goals set for different types of calls (*e.g.* debt, personal entitlements); 3) online declaration service – target of 3.9 on a scale of 1 to 5; and 4) email service-target of 3.6 on a scale of 1 to 5.	Denmark
	80% of taxpayers have confidence and receive good treatment.	Sweden
	By 2015, 75% of customers find HMRC straightforward to deal with.	United Kingdom
	Long term goal to achieve 72 on ACSI* scale by 2013.	United States
	Achieve "whole of government" service quality standard-objective of 70%	France
Compliance burden reduction	Reduce compliance costs by 25% by 2012 in line with Government policy	Ireland
	Citizens: No increase to 2012, 5% reduction per annum to 2015.	Netherlands
	For businesses: 10% reduction to 2012; 5% reduction per annum to 2015.	Netherlands
Reduced operating costs/ staff numbers	Reduce staffing by 577 in 2012 (around 2.5% of 2012 level).	Hungary
	Reduce no. of tax offices by 20% and managerial positions by 15% in 2012	Portugal
	Reduce operating budget from GDP 3.77 bn (2012) to GDP 3.47 bn (2015).	United Kingdom
	Reduce costs to achieve savings of EUR 400 m per annum from 2016.	Netherlands
	Funding reduction of CAD 253 m over 3 years (2013-15), 6.9% of base.	Canada
	Achieve staffing reduction targets: 2 471 FTE in 2010 and 2 910 in 2011.	France
	8% administrative staff reduction by end 2010 and 4% by end 2011.	Mexico
	2% reduction in operating costs for 2012, compared with 2011	Lithuania
	Staffing: Permitted to engage only two recruits for every five departures.	Belgium
	Cost reduction programme of 3% per year	Switzerland
	Reduce staffing by 600 FTE by 2016	Austria

* ACSI: All Individual Taxpayer Score. The American Customer Satisfaction Index (ACSI) is a national indicator of customer satisfaction with the quality of products and services available to household consumers in the United States. ACSI scores range between 0 and 100, are published annually and over 55 Federal government agencies have used the ACSI to measure citizen satisfaction services and programs. The IRS long term ACSI goal is 72 for income tax filed by FY 2013.

- Public reporting of results achieved against service delivery standards is made by around 60% of revenue bodies (from 22 OECD and 7 non-OECD countries).
- Around three quarters of all revenue bodies reported that they conduct regular surveys of taxpayers (*i.e.* both citizens and businesses) to gauge their views and perceptions of service delivery quality and the overall standard of administration; the approach taken in relation to surveying tax intermediaries is discussed in Chapter 8.

Preparing the strategic plan: what the research reveals

Extracts of key elements of the formally published strategic/business plans of a sample of revenue bodies (*i.e.* Brazil, Bulgaria, Canada, Hungary, Ireland, South Africa, and the United Kingdom). (Similar examples of plans, still current, for revenue bodies in Denmark, Sweden and the United States were set out in chapter 3 of CIS 2010). These examples have been drawn from a wide cross-section of countries to highlight common themes (*e.g.* mission, vision, and goals) and the nature of the high level strategies that have been adopted by the countries identified. Drawing on these examples and those in CIS 2010, there are a number of points that can be made:

- Officially-published strategic plans tend to provide a clear (relatively brief) articulation of revenue body mission, vision, values, and strategic goals and related objectives and key measures of performance, and the linkages between each element.
- Statements of mission, in addition to a revenue body's role/mandate, frequently emphasise the broader societal role and benefits of a well functioning tax (and for some customs also) system;
- Expressions of a revenue body's values (*i.e.* norms of behaviour that the revenue body aspires to demonstrate) typically include integrity, professionalism/ competence, mutual respect/trust, and fairness/procedural justice;
- While not always the case, some revenue bodies include in their plans a brief description of the major external environmental factors or context that have shaped or influenced their plans; some of the more common factors cited in the examples given are globalisation, accelerating changes in business models, demographic changes, trends in societal exclusion, increasing incidence of financial crime, and technology trends/developments (including security threats).
- Formal strategic goals tend to be relatively few in number and, in relation to tax administration, tend towards improving taxpayers' compliance, improved service delivery, and strengthening internal capabilities; contrasted to observations in prior series on this aspect, it appears that much greater attention is being given to reducing administrative costs, one of the repercussions of the global financial crisis that has seen Governments in many countries impose significant curbs on their expenditure, including reduced funding for many revenue bodies. This matter is discussed in later in this and other chapters.
- Key measures of success/performance for each goal and related objectives are, in the main, both "outcome" and "output" related; concerning the measurement of "outcomes", measures/indicators used by these revenue bodies include:
  - The timeliness of service delivery;
  - The trend of measures of taxpayer satisfaction with the services provided and overall perceptions of revenue body administration of the tax system, measured by surveys and charted over time;

Table 3.3. **Selected management practices: business plans, annual reports, surveys**

	Selected management practices of revenue body								
	Business plan		Annual report		Service delivery standards			Surveys of taxpayers	
Country	Prepared	Made public	Prepared	Made public	Set	Made public	Results made public	Citizens	Business
OECD countries									
Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Austria	✓	x	✓	✓	✓	✓	✓	✓	✓
Belgium	✓	x	✓	x	x	x	x	x	✓
Canada	✓	✓/1	✓	✓	✓	✓	✓	✓	✓/2
Chile	✓	x	✓	✓/1	✓	✓	x	✓/2	✓/2
Czech Rep.	✓	✓	✓	✓	x	x	x	✓	✓
Denmark	✓	✓	✓	✓	✓	✓	✓	✓	✓
Estonia/1	✓	✓	✓/1	✓/1	✓	✓	✓	✓	✓
Finland	✓	✓	✓	✓	✓	✓	✓	✓	✓
France	✓	✓	✓	✓	✓	✓	✓	✓	✓
Germany	x	x	✓/1	x	x	x	x	✓	✓
Greece	✓/1	✓	✓	✓/2	x	x	x	x	x
Hungary	✓	✓	✓	✓	✓	✓	✓	x	x
Iceland	✓	x	✓	✓	x	x	x	x	x
Ireland	✓	✓	✓	✓	✓	✓	✓	✓/1	✓/1
Israel	✓	✓	✓	✓	✓	✓	✓	x/1	x/1
Italy	✓	✓	✓	✓	✓	✓	✓	✓	x
Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Korea	✓	✓	✓	✓	✓	✓	x	✓	✓
Luxembourg/1	x	x	✓	✓	x/1	x	x	x	x
Mexico	✓	✓	✓	✓	✓	✓	✓	✓	✓
Netherlands	✓	x	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Norway	✓	✓	✓	✓	✓	✓	x	✓	✓
Poland	✓	✓	✓	✓	✓	✓	x	✓	✓
Portugal	✓	✓	✓	✓	✓	✓	✓	✓	✓
Slovak Rep.	✓	✓	✓	✓	✓	✓	✓	x	x
Slovenia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Spain	✓	✓	✓	✓	✓	✓	✓	✓/1	✓
Sweden	✓	✓	✓	✓	✓	x	x	✓	✓
Switzerland	✓	x	✓	x	✓	x	x	✓/1	✓
Turkey	✓	x	✓	✓	✓	✓	✓	✓/1	✓/1
United Kingdom	✓	✓	✓	✓	✓	✓	✓	✓	✓
United States	✓	✓	✓	✓	✓	✓	✓	✓	✓
Non-OECD countries									
Argentina	✓/1	✓	✓	✓/2	✓	✓	x	✓	✓
Brazil	✓	✓	✓	✓	✓	✓	✓	x	x
Bulgaria	✓	✓/1	✓	✓	✓	✓	x	✓	✓
China	✓	✓	✓	✓	x	x	x	✓	✓
Colombia	✓	✓	✓	✓	x	x	x	x	x
Cyprus	✓	x	✓	✓/1	✓	✓	x	x	x
Hong Kong, China	✓	✓	✓	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓	✓	✓	x	✓	✓
Latvia	✓	x	✓	✓	✓/1	✓	n. a.	✓	✓
Lithuania	✓	✓	✓	x/1	✓	✓	✓	✓	✓
Malaysia	✓	x	✓	✓	✓	✓	✓	✓	✓
Malta	✓	✓	✓	✓	✓	✓	x	x	x
Romania	✓	✓	✓	✓	✓/1	✓/1	✓/1	✓	✓
Russia	✓/1	✓	✓/1	✓/2	✓	✓	x	✓	✓
Saudi Arabia	x	x	✓	✓	✓	x	x	✓	✓/1
Singapore	✓	x	✓	✓	✓	✓	✓	✓	✓
South Africa	✓	✓	✓	✓	x	x	x	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 144.

Source: CIS survey responses.

- Rates of taxpayers' compliance achieved (*e.g.* for filing, reporting and payment for the major taxes), and their trend over time;
- Reductions in compliance/administrative burden, for some revenue bodies as measured by a costing tool (*e.g.* the Standard Cost Model); and
- Perceptions of employee engagement/satisfaction, measured by staff surveys, and their trend over time.

• Example of how some revenue bodies report on their performance in relation to the sorts of outcomes described are set out later in this chapter – see Boxes 3.3 to 3.10.

Key elements of selected revenue bodies' strategic plans

Elements	**Argentina Federal Administration** *(Strategic Plan 2011-15)*		
Mission	To administer the application, collection, control and supervision of the national taxes, the social security resources and the activities related to foreign trade, promoting voluntary compliance, economic development and social inclusion.		
Vision	AFIP will position itself at a level of excellence aimed at generating a fiscal climate that encourages formal economy, registered employment and foreign trade security.		
Values	• Legality • Integrity	• Professionalism • Commitment to service	• Proactive action • Social responsibility
Principles	• To encourage compliance with tax legislation; strengthen the relationship between the State and the society; and encourage the integration of the management institutional nets. • To promote an internet-oriented tax administration-citizen relationship; facilitate transactions within a legal security framework; and enlarge operational capacities of the specific areas. • To add value to everyday work, promote development of human resources as a basis of knowledge; and strategically use the information available		
Strategic objectives	***Control fiscal behaviour***: Includes measures to strengthen primary control management, strengthen in-person tax controls and verifications, and systematically induce compliance		
	Facilitate compliance: Includes measures to develop services aligned with the needs of the citizens, simplify rules and procedures, and facilitate foreign trade.		
	Efficiently administer resources: Includes measures to develop quality services, strengthen human resources skills, and To efficiently use resources		
	Contribute to national development: Includes measures to encourage social inclusion and tax culture, establish strategic alliances, and actively participate in the creation of regulations		
Measures	Not specified		

Elements	**Brazil** (*Strategic Map 2012-15*)		
Mission	Carry out tax and customs administration with fiscal justice and respect for the citizen, to the benefit of society		
Vision	To be an institution achieving excellence in tax and customs administration, acknowledged both in Brazil and internationally		
Values	• Respect for citizens	• Legality	• Professionalism
	• Integrity	• Transparency	• Loyalty to the institution

Overall results/ outcomes expected	Achieve budgeted revenue targets
	Increase compliance with tax and customs obligations
	Contribute to the strengthening of foreign trade and the protection of society
	Increase the perception of fairness in the performance of the institution
	Strengthen the image of the institution in society
Objectives (internal processes)	Reduce the time between when tax falls due and is collected
	Raise the perception of risk and the presence of taxation
	Increase the effectiveness and safety of customs processes
	Reduce tax and customs disputes
	Improve and expand services provided to society
	Increase the effectiveness of the credit guarantee mechanisms for tax
	Strengthen surveillance and prevention activities of customs
	Improve participation in the formulation of tax and customs policy
	Know the taxpayer's full profile
	Strengthen institutional relations
	Strengthen institutional communications
Measures	None specified

<table>
<tr><th>Elements</th><th colspan="3">Bulgaria's National Revenue Agency (2011-15 Strategic Plan)</th></tr>
<tr><td>Mission</td><td colspan="3">The National Revenue Agency (NRA) effectively collects taxes and SSC, while encouraging voluntary compliance and requiring from everyone to fulfil their lawful liabilities.</td></tr>
<tr><td>Vision</td><td colspan="3">A modern and effective revenue administration in service of the society.</td></tr>
<tr><td>Approach/ principles</td><td colspan="3">The National Revenue Agency aims at gaining high public trust based on the following principles: 1) Rule of law, equality and fairness; 2) Responsibility, honesty, transparency; and 3) Effectiveness, efficiency, accessibility, reliability.</td></tr>
<tr><td>Values</td><td>• Quality service
• Team work and corporate spirit</td><td>• Honesty and trust</td><td>• Motivation and development of people's potential</td></tr>
<tr><td rowspan="4">Strategic/ corporate goals</td><td colspan="3">Collection of taxes and social security contributions at high level of effectiveness and efficiency, and encouraging voluntary compliance.</td></tr>
<tr><td colspan="3">NRA – reliable partner in the cooperation with national and international institutions.</td></tr>
<tr><td colspan="3">NRA – preferred place to work.</td></tr>
<tr><td colspan="3">Enhancing the organisational performance</td></tr>
<tr><td>Measures</td><td colspan="3">(The measures specified to monitor performance are described later in the chapter.)</td></tr>
</table>

Elements	Ireland Revenue (Statement of Strategy *2011-14*)
Context and directions	The current economic environment presents significant challenges for Revenue's frontline activities, which we are determined to meet and overcome – by building on our strong culture and track record of innovation, flexibility and professionalism. Our overriding priority for the next three years will be to maintain and improve the levels of tax and duty compliance that we have worked so hard to achieve over the past decade. We see this as our most important contribution to the Programme for Government, the EU/ECB/IMF Programme and the national objective of economic recovery, particularly fiscal consolidation.

Challenges and opportunities	• Pressures on collection • Shadow economy • Smuggling • Compliance costs	• Tax reform • International developments • Growth in online transactions • Loss of skills and experience	• Public sector reform • Flexibility and productivity • Value for money • Accountability for performance
Mission	Serve the community by fairly and efficiently collecting taxes/duties and implementing customs controls		
Where we want to be (vision)	We want the community, the Government and all our stakeholders to have the highest possible level of trust and confidence in the integrity, quality and efficiency of our operations and in our contribution to economic and social development.		
How we do our work	We apply the law in a fair, consistent and sensible manner. We treat people in an even-handed way, presuming their honesty and giving them respect and courtesy. We use risk analysis and intelligence to target and confront suspected non-compliance and to minimise intrusion on compliant taxpayers. We continuously innovate to simplify processes and improve effectiveness. We build partnerships and consultation mechanisms to work towards common goals.		
Objectives	*(Insufficient space to detail all; full information can be found on the Revenue website at www.revenue.ie/en/about/publications/statement/index.html*		
Intermediate outcomes	People meet their obligations and claim their entitlements on time and at low compliance cost, with reduced need for Revenue intervention.		
	People meet their filing and payment obligations on time and overall debt reduces		
	People are deterred from filing inaccurate returns and declarations and from engaging in shadow economy activity and smuggling.		
	Our tax and customs administration contributes to economic recovery and competitiveness		
Strategic outcome	A more tax and customs compliant society and a Revenue administration that fosters economic recovery and development		

Elements	**Hungary's National Tax and Customs Administration** (*Strategy 2011-15)*		
Mission	The mission of the National Tax and Customs Administration is to 1) strengthen the Hungarian economy, the social stability and the security in law; 2) combat economic crime and therefore strengthen business security; and 3) support a balanced, transparent and sustainable management of the state budget through living up to the expectations imposed on it and contribute to the implementation of the Government's objectives to simplify the taxation system and reduce the tax burdens, as well as to improving the competitive position of Hungary.		
Vision	To deliver our mission we set up an authentic government administration that enjoys the trust and respect of the society and preserves the values of its organisational culture.		
Values	• Legitimacy • Efficiency and cost effectiveness • Integrity • Consistency	• Professionalism • Transparency • Commitment • Client-oriented approach	• Focus on results • Impeccability • Reliability
Principles	The principles of the strategy are: 1) a value-based operation; 2) strengthening the service feature; 3) to help and induce clients to display a compliant attitude; 4) to strengthen the level of execution; 5) equality of professional and functional tasks in delivering our duties; 6) to create a uniform image; 7) effectiveness, efficiency, and economy; 8) need for a task-oriented operation; 8) simplicity and transparency; 9) balance specialisation and generalisation; and 10) preserving values.		

Strategic directions	Voluntary compliance and willingness to pay taxes by the clients are promoted via developing services that encourage them to meet their liabilities, making the administration of affairs simpler and more comfortable, and providing targeted communication.
	Making use of all lawful administrative means granted to the administration, we consistently take measures against those who fail to meet their obligations and we strive to discourage those who are prone to take such a risk.
	Deriving from our auditing function, we increase our economic and social role played to protect domestic economic, financial and environmental interests and those of the Community.
	In order to achieve our professional objectives, we implement efficient organisational solutions; strive to employ highly qualified, committed and impeccable staff members and ensure appropriate financial and ethical conditions for their work.
	Our goal and commitment is to enable the Administration to take advantage of the benefits provided by technology in e-administration, in data asset management and in institutional sharing of knowledge.
Measures	Not specified in plan

Elements	**United Kingdom (Her Majesty's Revenue and Customs** *2012-15 Business Plan***)**
Context and directions	By 2015, we aim to become an organisation that is more efficient, more flexible in our response to customers and more effective in bringing in revenues. We will be smaller and more streamlined as we remodel services for customers and invest in work against tax avoidance, evasion and criminal attacks. Our strategy is to use our understanding of our customers to focus our efforts where we can have the biggest effect, and tailor our services and interventions to the needs, abilities and behaviours of our customers.
Our purpose	We make sure that the money is available to fund the UK's public services. We also help families and individuals with targeted financial support.
Our vision	We will close the tax gap, our customers will feel that the tax system is simple for them and even-handed, and we will be seen as a highly professional and efficient organisation
Our way	• We understand our customers and their needs • We make it easy for our customers to get things right • We believe that most of our customers are honest and we treat everyone with respect • We are passionate in helping those who need it and relentless in pursuing those who bend or break the rules • We recognise that we have privileged access to information and we will protect it • We behave professionally and with integrity • We do our own jobs well and take pride in helping our colleagues to succeed • We develop the skills and tools we need to do our jobs well • We drive continuous improvement in everything we do
Goals/ objectives or focus areas	Maximise revenue flows
	Stabilise and improve the customer experience.
	Create sustainable cost reductions
	HMRC people
Measures	*(The measures/indicators specified to monitor performance are described later in the chapter.)*

Elements	South African Revenue Service *(2012/13-2016/17 Strategic Plan)*
Context and directions	Our ability to generate and collect sufficient tax revenue to fund public expenditure will remain a key determinant of how successful we continue to be in managing public finances responsibly. Tax revenues are derived directly from economic activity and higher levels of tax compliance. Any successful developmental state needs a proficient tax and customs administration that is capable of collecting the required revenue. For the medium term it is anticipated that the demands on revenue collection growth will be between 10% and 12% per annum, which represents another challenge for SARS. In order for SARS to provide the means for government to deliver on these goals, the cornerstone of all SARS's plans must be to improve the levels of compliance to tax and customs legislation. To this end SARS has, over the past few years, embarked on a sustained programme to improve its services, educate the public on their obligations and to detect and deter non-compliance in line with its compliance philosophy.
Mission/ mandate	In terms of the South African Revenue Service Act (No. 34 of 1997), SARS is mandated to: 1) collect all revenues due; 2) ensure optimal compliance with tax and customs legislation; and 3) provide a customs service that will optimise revenue collection, protect our borders and facilitate legitimate trade.
Vision	SARS is an innovative revenue and customs agency that enhances economic growth and social development that supports the country's integration into the global economy in a way that benefits all South Africans.
Values	• Mutual respect and trust • Equity and fairness • Integrity and honesty • Transparency and openness • Courtesy and commitment
External and major trends	***Global economic trends***-South Africa is significantly impacted by global economic events, since a large amount of its trade is with USA, Europe and Japan. ***Domestic economic trends***-towards end of 2011, impacted by hesitant global demand and stagnation in world trade ***Government priorities***-enable job creation in South Africa, supporting Government's social infrastructure projects, and accelerate the fight against corruption. ***Risks facing SARs***-fiscal pressures exacerbate revenue collection process, the illicit economy continues to threaten the local economy and have a negative impact on the fiscus, unfavourable public and media perception of poor state service delivery and corruption, changes to SARs mandate as part of Government efforts to improve service delivery, major compliance risks (*i.e.* business avoidance and evasion schemes, high net worth individuals and tax debts, and under pressure VAT processes
Goals/ objectives or focus areas	Increased customs compliance
	Increased tax compliance
	Increased ease and fairness of doing business with SARS
	Increased cost effectiveness, internal efficiencies and institutional respectability
Measures	*(The measures specified to monitor performance are described later in the chapter.)*

Measuring for improved performance

As noted earlier in this chapter, governments have become more performance-focused. However, what does this mean in general terms and, in particular, for revenue bodies and their stewardship of the tax administration system? As noted by the OECD (2005):

> "Performance" is a term that encompasses many different concepts. Performance means the yield or results of activities carried out in relation to the purposes being pursued. Its objective is to strengthen the degree to which governments achieve their purposes […].

Box 3.2. **Setting targets and measuring performance: Emerging directions and issues**

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.

Measurement

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, for example:

- *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

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 realise that targets are set at too high or too low a level. 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.

Source: Modernising Government, pages 42-45, 58-60 (OECD reference GOV/PGC/RD [2005]2).

> Governments have adopted a number of different approaches to improving the efficiency and effectiveness of the public sector. These include: strategic management; business planning; performance budgeting and management; devolved and delegated decision making; structural change such as the creation of executive agencies; the use of contracts; and the introduction of competition and market-type mechanisms in service provision […].
>
> Currently, the strongest trend in performance across OECD member countries is the introduction of performance-oriented budgeting and performance management. Many governments have sought to adopt an approach to both management and budgeting which seeks to shift the emphasis of budgeting, management and accountability away from controlling inputs towards achieving results. In theory, input controls are relaxed and managers and/or organisations are given flexibility to improve performance. In return they are held accountable for results measured in the form of outputs and/or outcomes.
>
> Moves to formalise targets and measurement in government management and budgeting systems have a long history. In fact, performance budgeting has existed in one form or other since the first Hoover Commission in the United States recommended it in 1949.

Historically, revenue bodies (like other public sector agencies) have tended to focus their reporting for accountability purposes on "outputs" (*e.g.* numbers of returns filed, inquiries handled, audits completed, etc.) more so than on "outcomes". This is not surprising given the difficulties in measuring expected outcomes (for example, the extent to which taxpayers' compliance has been improved, for a specific aspect of the tax law, a tax and/or for all taxes in aggregate). Furthermore, as indicated by the comments set out in Box 3.2 pertaining to broader public sector experience, the difficulty often associated with setting objectives, targets and performance measures that are "outcomes-focused" is not confined to revenue bodies.

Measuring for improved performance in tax administration

In response to central agency requirements and their own wish to better understand their performance, many revenue bodies have taken steps to increase the focus of their planning and performance evaluation towards the "outcomes" (both intermediate and final) to be achieved from their administration. For some revenue bodies, this has included use of the following "outcome focused" measures (in addition to various output related measures):

- Direct and indirect measures of taxpayers' compliance across the major risk types (for example, by monitoring operational performance and/or using of random audits);
- Measures that reflect the quality of services delivered to taxpayers and tax professionals (as measured by external surveys);
- Reductions in taxpayers' compliance burden (as measured, for example, by use of the Standard Cost Model (SCM); and
- Measures reflecting taxpayers' satisfaction with, and confidence in, the revenue body (as measured by external surveys).

Where relevant, some revenue bodies have also developed "outcome-focused" measures for their non-tax functions (*e.g.* concerning the payment of benefits and customs). In many cases, formal targets have also been set for improved "outcomes" (and outputs) as a means of setting the direction for improved performance and for use by the revenue body to gauge overall progress towards its stated goals and objectives.

To date, the FTA's principal work in this area has been undertaken in the context of its focus on compliance risk management processes at the strategic level. Its 2008 guidance note described the features of a compliance monitoring framework and encouraged revenue bodies to develop their approaches in this area. In the model envisaged there, such a framework should embody a set of "compliance effectiveness" indicators that included, to the extent practicable, measures and indicators for each of the major compliance risk types (*i.e.* failure to register, file, and pay on time, and failure to correctly report liabilities) across each of the major taxes and taxpayer segments administered by the revenue body. Ideally, these would be complemented by a range of measures and indicators reflecting the impacts of specific risk treatments in targeted risk areas. The note gave many practical examples of measures and indicators used by member revenue bodies.

In this section, observations are made of the approaches being taken by a small number of revenue bodies in surveyed countries to derive a comprehensive performance measurement framework, both for compliance and for other aspects relevant to the overall performance of revenue bodies. Significantly, this includes the practice of setting "targets" that focus on the "outcomes" to be achieved and which are made public, and against which progress is reported in annual performance reports of the individual revenue bodies referenced. Snapshots of these frameworks are set out below, along with some concluding observations. (NB: For some countries, not all their published strategic outcomes and performance indicators are displayed)

- ***Bulgaria:*** The National Revenue Agency is a specialised state authority under the Minister of Finance for establishing, securing and collection of public receivables, as well as statutory state's private receivables. NRA's effective operation is essential for providing revenue to the budget. The NRA released its third strategic plan for the period 2011 to 2015 in late-2010. The plan sets out four strategic goals for the period, a summary of its key strategies to achieve the goals and a set of key results and indicators that will be used to gauge progress.

Strategic goals	Key results and indicators
Collection of taxes and SSCs at high level of effectiveness and efficiency, and encouraging voluntary compliance.	Annual revenue plan
	Revenue per BGN 1 of expenditure
	Level of voluntary compliance with tax and SSC legislation – a system of measuring the tax gap developed by end June 2012
	% of clients using e-services
	Relative share of decisions entirely or partially confirmed by Courts
	NRA's client quality of service satisfaction
	Annual level of debts as % of total revenue collected
	Pre-filled returns for individuals' annual declarations introduced by end-2011
	Functionality of NRA's website enabled for persons with disabilities by end-2011.
NRA – reliable partner in the cooperation with national and international institutions.	System for analysis of the partnerships developed by end 2012.
	Share of electronic exchange with partners compared to the total volume of information exchanged.
	A strategy for cooperation with non-governmental and industry organisations developed by June 2012
	Balance between the information requests sent and received by the EU
	Media profile of NRA, including the total number of media releases sent, number of publications in print media initiated by the NRA, number of interviews (in print and electronic media) of NRA experts.
	Number of participations of NRA experts in multilateral controls with other EU member states and the results of them.

NRA – the preferred place to work.	Having a strategy for developing the NRA's human resources and management capacity approved by the NRA Managing Board by June 2011.
	Level of satisfaction of the employees with the Organisation as an employer (according to the main motivation factors)
	Having a developed system for evaluating training effectiveness by end-2011.
	Level of employee turnover, and reasons for quitting
Enhancing the organisational performance	Number of innovations introduced from projects implemented.
	Risk management strategy in the NRA developed and adopted by June 2011, and introduced in the entire organisation by end 2011
	Management information system (data warehouse) introduced by end-2012.
	Administrative Programm for Managers Evaluation and Development developed (yearly approval of programme's modules).
	System for assessing the effecitveness of structural units introduced by June 2012
	System of key indicators and targets for assessing the results from NRA's operation and performance of NRA's Territorial Directorates introduced by June 2011
	A strategy for information technologies development elaborated and approved by the Managing Board, including quantitative and qualitative indicators for its implementation by September 2011
	Number of new information modules/functionalities introduced
	A strategy for the development of NRA's facilities and archive by elaborated and approved by the Managing Board by December 2011
	Providing buildings in Sofia for the NRA by December 2012.

- ***Denmark:*** Danish tax authorities have reported their public commitment to goals and targets concerning personal tax compliance, improvements in the attitudes and satisfaction of individuals and business to the revenue body (measured by regular surveys), and reductions in overall and individual tax arrears.

Focus area	Targets set
Reductions in aggregate tax debt outstanding.	Maintain tax and duty arrears at DKK 9.7 billion; maintain other arrears at DKK 14.5 billion
Reductions in the tax gap.	Ensure that the tax gap does not exceed 3.5% of GDP
Reductions in operating expenditure/staffing.	A reduction of approximately 8% for 2010.
Improved taxpayer service levels.	Maintain customer satisfaction at 0.56 among individuals and 0.55 among businesses on a scale from -1 to + 1
Reductions in administrative expenditure.	Contribute to the 25% burden reduction target.

Source: CIS survey response.

- ***New Zealand:*** The Inland Revenue Department's (IRD) Statement of Intent (2010-13) sets out IRDs plans for helping Government to meet its economic and social goals. Among other things, the plan describes the strategic direction of the organisation over the period and the key measures and targets that will be used to gauge progress:

Strategic directions	Measures	Targets
Proactive compliance management.	The volume, value and age of debt reduces over time relative to revenue assessed.	By 2012
	Investigative interventions are based on nationally prioritised risk assessment.	80% by 2014
	Non-investigative interventions (*e.g.* calls, advisories) are proactive and based on risk assessment.	50% by 2014
Customers are enabled to self-manage.	Customer satisfaction with our e-products will be measured and benchmarks established.	By 2011
	Customers find our e-products and services easy to use.	85% by 2012
	Service contacts (*e.g.* in-bound phone and correspondence) are reduced.	By 20% (volume and cost) compared to June 2009 levels.
	Service contacts are shifted to e-channels.	By 40% compared to June 2009 levels.
Delivering effective and efficient systems.	The proportion of returns and payments that are made electronically.	55% (2011), 75% (2012), 85% (2013) and 95% (2014)
	PAYE returns processed without manual intervention.	95% by 2013
An intelligence-led organisation.	Returns received by straight-through processing software are automatically risk-profiled within 48 hours to mitigate the risk of revenue loss from fraudulent refund claims.	80% by 2011

- ***South Africa:*** SARS latest strategic plan (2012/13-2016/17) describes in considerable detail its four core outcomes to be achieved, its five-year priorities for each outcome and its intended approach to measuring delivery against its core outcomes. It notes "SARS needs to align its performance management approach to that of the government's new planning, performance monitoring and evaluation approach, with the emphasis on delivery. This new planning approach emphasises the need for SARS to set and achieve against clear outcomes measures for each of the core outcomes."

  1. **Core outcome**: Increased customs compliance (Refer page 43 of Strategic Plan for details).
  2. **Core outcome:** Increased tax compliance

Measures	Baseline	Targets (for each year: 2013 to 2017
Total revenue (excl. Customs revenue) collected	Actual collections for 2011/12	As per agreed target with Minister of Finance
% PIT filing compliance (No. of PIT returns filed in tax year due vs. No. of PIT returns required in tax year)	83	Targets for each year for progressive improvement over the period

Measures	Baseline	Targets (for each year: 2013 to 2017
Cash recovered from debt book (Rbn)	9.6	Targets for each year for progressive improvement over the period
% Audit coverage of registered taxpayers above the threshold	2.4	
% In-depth audit coverage of registered taxpayers above the threshold	0.2	
% Increase in the Small Business register	Measure and develop baseline	Track against baseline
Debt book as a % of tax revenue		
% CIT filing compliance (No. of CIT returns filed in tax year due vs. No. of CIT required in tax year)		
Tax compliance index for each tax product	Not defined currently	Develop measure/baseline and track against baseline
% VAT filing compliance	Measure and develop baseline	Track against baseline

3. **Core outcome**: Increased ease and fairness of doing business with SARS

Measures	Baseline	Targets
% Uptake in electronic filing, declaration and payment sub-missions for all tax products	93	Targets for each year for progressive improvement over the period
% Uptake in electronic customs bills/declarations (EDI)	96	
Average processing turnaround time for PIT returns (working days)	0.54	
Average processing turnaround time for CIT returns (working days)	1.92	
Average processing turn-around time for VAT refunds (working days)	45.82	
Average processing time for VAT registrations (working days)	Not defined currently	Develop measure and baseline Track against baseline
% First contact resolution in contact centre and branches		
% Reduction in escalated service queries		
Taxpayer and trader compliance burden		

4. **Core outcome:** Increased cost effectiveness, internal efficiency and institutional respectability

Measures	Baseline	Targets
Employee Engagement (%)	49.5	
Leadership Effectiveness Index (%)	86	
Employment Equity: Demographics (%)	69.66	
Employment Equity: Gender on Management Level (%)	40	
Employment Equity: Disability (%)	2.04	
Treasury allocation to revenue percentage	Not available	Between 1.0 and 2.0
Unqualified report by Auditor General	Unqualified report	Unqualified report
Unit cost per process	Measure and develop baseline	Track against baseline
Productivity per employee		

- ***United Kingdom:*** HMRC's Business Plan *Delivering Our Vision* for the period 2012-15 describes its objectives and the performance indicators which its progress will be measured. These are summarised hereunder:

Objectives	Performance indicators (and related targets)
Maximise revenue flows: Our compliance activities from investment will bring in additional revenues on top of the work that we already undertake.	By 2014-15 we will have: • Prevented tax credit losses due to error and fraud of £8 billion • Increased the number of criminal prosecutions fivefold • Reinvested £917 million of our savings into additional compliance activities to bring in additional revenues rising each year to £20 billion in 2014-15.
Stabilise and improve the customer experience: Our objective is to improve the customer experience and the UK business environment by reducing the costs on customers and making our products and processes more simple and straightforward.	By March 2015, our customers can expect that: • We will be answering 90% of the telephone calls made • If they write to us, 80% will be dealt with within 15 working days • New UK claims for benefits and credits will be dealt with on average within 22 calendar days • By 2015, 76% of our customers will find us straightforward to deal with.
Create sustainable cost reductions: Our objective is to deliver an affordable and sustainable cost base providing value for money for the taxpayer. Over the course of the SR 10 period we will have made sustainable efficiency savings of 25% gross, or 15% after reinvestment, by 2014-15.	In 2012-13 we will: • Make total cost reductions of £578 million, measured against 2010-11 baselines while maintaining or improving performance on quality, lead time and work done on time. £488 million of these will arise from sustainable efficiency savings • Reinvest £190 million of those savings to maximise additional revenues • Reduce staff numbers to around 61 000 permanent FTEs
HMRC people: Our objective is to improve our leadership capability and create a working environment that motivates our people to give of their best and take pride in working for HMRC in order to contribute to the transformation of our business. We will improve our professionalism in dealing with customers and stakeholders, the security of our customers' information and our external impact.	Over the next three years we will: • Achieve a year-on-year improvement in narrowing the gap between HMRC's employee engagement index score and the civil service benchmark • Reduce the number of average working days lost (AWDL) in the department as a whole to 6.5 AWDL • Achieve a sustainable improvement in leadership and skills capability to meet HMRC's strategic objectives • strengthen the tax profession across HMRC through the development of a Tax Academy • Drive down the number of incidents reportable to the Information Commissioner towards zero and to report 90% of incidents within two working days in 2012-13 and 95% in future years.

- ***United States:*** The high level indicators used by the IRS to measure its performance are set out in its strategic plan. These and specific targets set in for a number of these are set out hereunder: [2]

Goals	Measures	Target
Improve service to make voluntary compliance easier	The amount of tax that is paid voluntarily and in a timely manner as a % of the corresponding estimate of true tax liability.	86% (by 2012).
	We will monitor the American Customer Satisfaction Index score related to the electronic and paper filing processes for the individual income tax.	A score of 72 by 2013.
	The % of all major tax returns filed electronically by individuals, businesses and tax-exempt entities. "Major" tax returns are those in which filers account for income, expenses and/or tax liabilities.	80% of all major returns by 2012.
	We will administer surveys across all types of service to assess whether the taxpayer's issue was resolved in a reasonable amount of time.	
Enforce the law to ensure everyone meets their obligation to pay taxes.	We will track all enforcement contacts including audits, notices, and "Automated Under-Reporter" to arrive at a more complete measure of coverage rate. Enforcement contacts being tracked also now include the Automated Substitute for Return (ASFR) Program.	
	We will track our enforcement activities that promote compliance yet do not primarily focus on increasing tax revenue (*e.g.* tax-exempt compliance programs or Bank Secrecy Act activities).	
	We will analyse/estimate the number of individuals who do not file income tax returns but have such an obligation.	
	Taxpayer Perception of Fairness: We will administer surveys to taxpayers who were subject to an enforcement action to assess whether they were treated fairly.	
Strategic foundations: Invest for high performance	We will use the annual employee surveys to measure employee satisfaction and engagement.	
	Effectiveness of Recruitment – Average Time to Fill a Job: We will measure the average time it takes to fill a job from an applicant's point of view.	
	New Hire Retention Rate: We will measure our success at retaining the employees that we hire.	
	Modernisation-Timely Data: We will measure the timeliness of data delivery to IRS service/enforcement staff.	

Sources: IRS Strategic Plan (2009-13) and CIS survey response.

Reporting revenue body performance

Research conducted for the preparation of this series entailed examination of many revenue bodies' annual performance reports, with particular attention given to identifying innovations, emerging practices concerning the reporting of "outcomes" as opposed to "outputs", and related issues of accountability and transparency. This section provides examples observed of exemplary and/or innovative reporting by revenue bodies taking account of issues raised earlier in this chapter.

Reporting outcomes against strategic goals and objectives

As noted earlier in this chapter, many revenue bodies have taken steps to formulate and publish strategic planning documents that set out, among other things, their high level goals and objectives for the period covered by the plan (normally three to five years), and the measures indicators they intend to use to gauge their progress. However, in practice there is not always a complete and clear alignment of these stated aspirations and the information provided in their annual performance reports. There are however, a number of good examples that have been identified and these are discussed briefly hereunder, with illustrative samples of the reporting set out in Boxes 3.3 to 3.10.

- ***United States Internal Revenue Service***: The IRS's Strategic Plan for 2009 to 2013 identifies a small number of strategic goals for the period covered by the plan and sets out the long term measures to be used to assess its progress. In addition, a more comprehensive set of operational measures and targets are set in respect of each goal that can be used to assess and monitor in-year progress. Since the plan's formulation, the IRS's Oversight Board has been tracking progress on its long term measures and related goals and sharing that information with stakeholders via a series of graphs on its website. In addition, the information is also contained in its Annual Report to Congress, along with related commentary on the progress being made. (See example in Box 3.3 from the IRS oversight Board's 2012 Annual Report.)
- ***United Kingdom HMRC***: Over recent years, the UK HMRC has introduced a practice of providing comprehensive reporting of its compliance-related performance outcomes. This initiative takes two forms: 1) a comprehensive set of tables (by tax type and/or taxpayer segment) presented in its annual performance report setting out a time series of estimated tax gaps for the respective categories of tax/taxpayer; and 2) a separate more detailed report detailing its overall approach to measuring tax compliance along with a composite picture of the estimated aggregate tax gap and for specific taxes and segments of taxpayers (over multiple years). The example reporting in Box 3.4 is from HMRCs *Measuring Tax Gaps 2012*.
- The **Canada** Revenue Agency (CRA) provides a comprehensive performance report card on its key measures of taxpayers' compliance and services that sets a high standard for other national revenue bodies to achieve. Key tax-related elements of this reporting are reproduced hereunder. (NB: There is also similar reporting in relation to administration of benefits programs). The examples at Boxes 3.5 and 3.7 are from the CRA's 2010-11 Annual Report.
- ***Australia***: The ATO has comprehensive set of service standards that state its commitment to the community in terms of the time they can expect when dealing with it under normal circumstances. The ATO and the taxpayer may negotiate an extended timeframe. Performance standards are published on the website and performance is reported annually in its annual report. The information displayed at Box 3.6 is from the ATO's 2011 Annual Report.
- **Ireland's** Revenue annual report notes that it aims to provide services to compliant taxpayers that are efficient, speedy and cost effective and that it has set out Customer Service Standards by which it will be measured. These standards were set in 2009. In 2011, Revenue maintained a high level of service delivery, for most key service areas, in the face of increasing customer service expectations and a reduction in Revenue resources. The information displayed in Box 3.8 is taken from Ireland Revenue's 2011 Annual Report.
- ***Spain***: The Spanish Tax Agency's annual report notes that it regards public opinion

research findings as important to its decision-making. Accordingly, public opinion and perceptions of services are gauged through regular studies carried out by public institutions not connected to the Tax Agency (*e.g.* the Sociological Research Centre and the Institute for Fiscal Studies). Results are published in the Agency's annual report. The Tax Agency also uses its website to survey the opinions of the people who have used its electronic Personal Income Tax filing service. The example in Box 3.9 is taken from Spain's 2011 and prior year Annual Reports.

- ***The Netherlands Tax and Customs Administration (NTCA)*** is another revenue body that places value on gathering feedback and opinions-"segment" by "segment" of clients. As reported in its 2011 Management Report, the NTCA conducts an annual Tax Monitor survey to review the perceptions individuals and enterprises have of the tax authorities and their assessment of the actions of the Tax and Customs Authorities. The Tax Monitor encompasses a survey of 4 300 persons divided between six target groups, namely private individuals, persons entitled to benefits, entrepreneurs, Customs clients, tax service providers and benefit intermediaries. In addition, in 2011 a client monitor was conducted amongst both Medium-Sized Businesses and Very Large Businesses. 84% of the respondents from the Very Large Businesses who came into contact with horizontal monitoring had a favourable to very favourable perception of horizontal monitoring developments. 80% of the respondents from the Medium-Sized Businesses who came into contact with horizontal monitoring had a favourable to very favourable perception of these developments. The Medium-Sized Businesses monitor was conducted for the second time in 2011. The scores for compliance, client satisfaction and the speed of processes were than higher than those in 2009.

  The NTCA's general performance was awarded an average score of 6.5 in the 2011 Tax Monitor, the same score as in the preceding year. The respondents were satisfied with the service provided by the website and the Tax districts' front desks, as well as with the clear answers provided to letters and notices of objection. The respondents were less satisfied with the speed at which notices of objection are processed. Private individuals are satisfied with the use of pre-completed returns in the return process. Private individuals are less satisfied with the speed at which amendments to benefits are processed and with the treatment of income tax returns. Entrepreneurs are satisfied with the returns process and the performance of the Customs processes.

- ***New Zealand*** Inland Revenue (IR)'s annual report notes that measuring customer satisfaction helps it understand how effective customers think it is in delivering timely and appropriate services. IR adopts a "customer segment" and "channel by channel" approach for gathering the feedback it relies on and publishes its results. The information displayed in Box 3.10 is taken from its 2010-11 annual report.

Summary observations

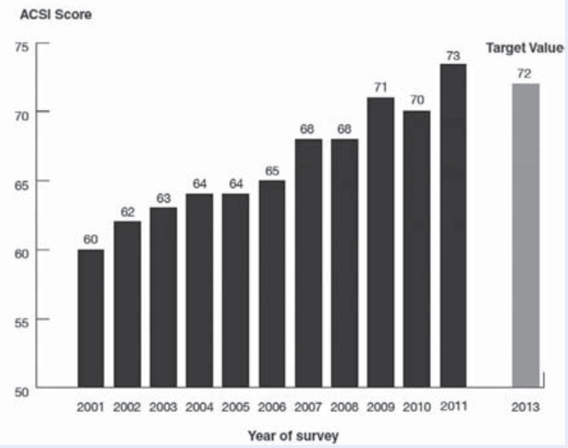
As will be evident from the preceding commentary, many revenue bodies have taken steps to increase the focus of their planning and performance evaluation towards the "outcomes" to be achieved from their administration, in particular concerning taxpayers' compliance.

For some revenue bodies, this has included the use of: 1) direct and indirect measures of taxpayers' compliance across the major risk types; 2) measures that reflect the quality of services delivered to taxpayers and tax professionals; 3) reductions in taxpayers' compliance burden; and 4) measures reflecting the level of taxpayer satisfaction with, and confidence in, the revenue body. Where applicable, some revenue bodies have devised "outcomes-focused" measures for their non-tax functions (*e.g.* the payment of benefits and customs administration). In many cases, formal targets have also been set for improved "outcomes" (and outputs) as a means of setting the direction for improved performance and for use by the revenue body to gauge overall progress towards its stated goals and objectives.

Box 3.3. **United States: Monitoring progress towards strategic goals**

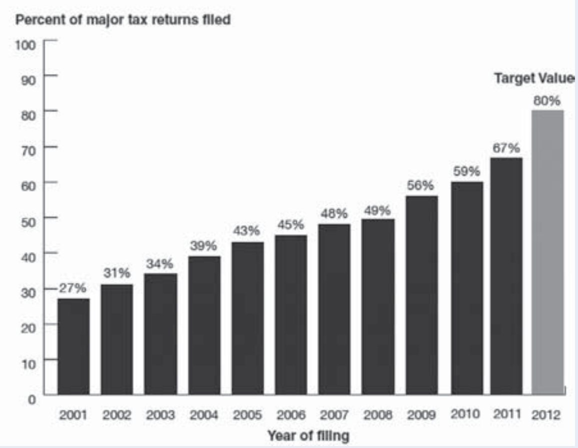
American Customer Satisfaction Index Score for Individual Tax Filers

The American Customer Satisfaction Index (ACSI) is a national indicator of customer satisfaction with the quality of products and services available to household consumers in the United States. Each December, the ACSI issues a report on satisfaction of recipients of services from the federal government. Agency participation is voluntary, linking customer expectations and perceptions of quality and value to satisfaction. In 1999, the federal government selected the ACSI to be a standard metric for measuring citizen satisfaction. The ACSI customer satisfaction score for individual income tax filers is measured on a 0 - 100 scale and assesses taxpayer satisfaction with the return filing processes. The target value is for the IRS ACSI score to reach 72 by the year 2013.



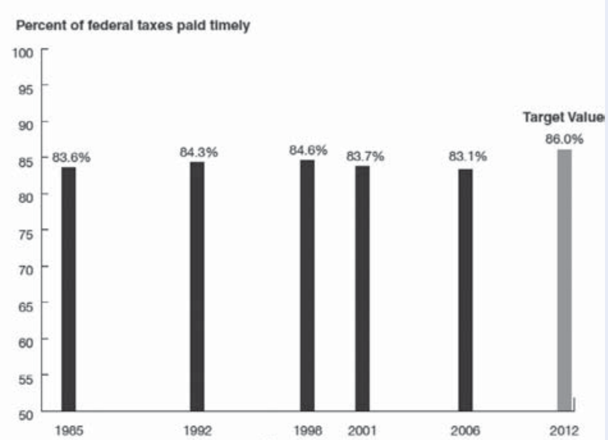
e-File Rate: All Major Tax Returns

Although the IRS has tracked the rate of electronic filing for individual tax returns since its inception in 1987, this long-term measure is somewhat broader and gauges the percentage of all major tax returns filed electronically by individuals, businesses, and tax exempt entities. Major tax returns are those in which filers account for income, expenses, and/or tax liabilities. The target value is for 80 percent of all major tax returns by individuals, businesses, and tax exempt entities be filed electronically by 2012.



Voluntary Compliance Rate

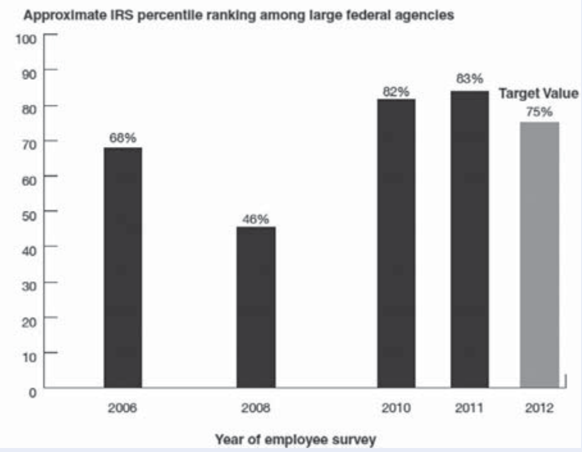
The Voluntary Compliance Rate (VCR) is an estimate of the amount of tax for a given year that is paid voluntarily and timely. It is expressed as a percentage of the estimate of true tax liability for that year, reflecting the impact of non-filing, underreporting, and underpayment combined. The most recent VCR is based primarily on the IRS National Research Program evaluation of 2006 individual income tax returns and extrapolation of earlier estimates attributed to other taxpayer segments. The target value is to reach a VCR of 86 percent by tax year 2012.



Box 3.3. **United States: Monitoring progress towards strategic goals** *(continued)*

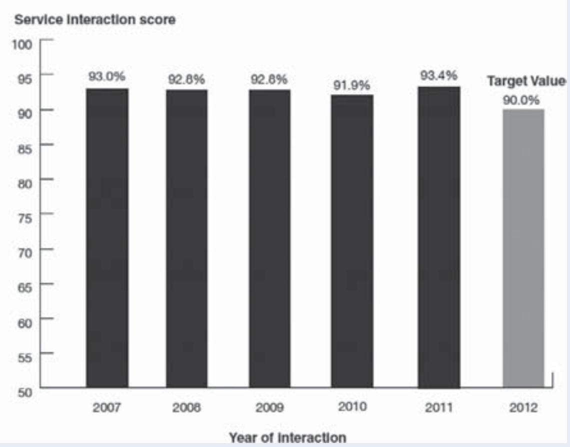
Employee Engagement Index

The US Office of Personnel Management conducts an annual employee survey to obtain feedback on a wide range of workplace issues. Using 11 questions from that survey, the IRS has developed an index that measures employee engagement and is using the index to compare itself to other large Federal agencies with 20,000 or more civilian employees. The target value is for the IRS to remain in the top quartile among the large federal agencies by 2012 based on that employee engagement index.



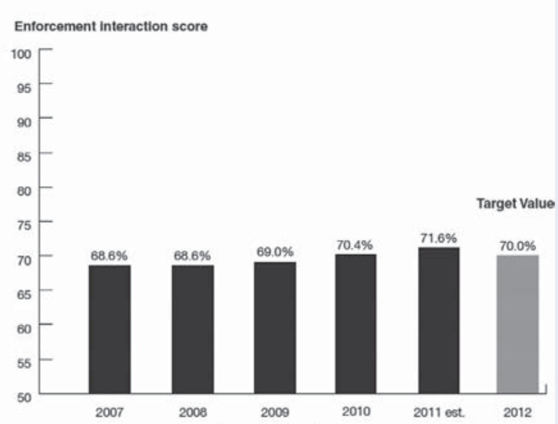
Service Interaction Score

The service interaction score attempts to measure taxpayer satisfaction with the services that they received in-person at IRS offices as well as through toll-free telephone service. It captures more than 90 percent of service program interactions with taxpayers through these channels. The IRS target value is to retain a score of at least 90 percent through 2012.



Enforcement Interaction Score

The enforcement interaction score attempts to measure the extent to which taxpayers contacted as part of the IRS compliance efforts, such as its examination and collection programs, feel that the process was satisfactory. It attempts to measure taxpayer interactions independent of the ultimate outcome of the enforcement activity, although it is likely that the final outcome of an IRS compliance contact impacts the rating some taxpayers provide under this interaction score. The score captures more than 90 percent of enforcement program interactions with taxpayers. The IRS target value is to attain a score of at least 70 percent by 2012.



Source: IRS Oversight Board Annual Report to Congress 2011.

Box 3.4. United Kingdom HMRC's reporting of tax compliance (in aggregate and by selected taxpayer segments)

Results and tables

Tax gaps for HMRC administered taxes – 2009-10 (revised) and 2010-11 (£ billion)

Tax	Component	Point estimates (£ billion)[1,2,4] 2009-10 revised	Point estimates (£ billion)[1,2,4] 2010-11	Percentage tax gap[3] 2009-10 revised	Percentage tax gap[3] 2010-11
Indirect taxes[5]					
Value Added Tax (VAT)		8.6	9.6	10.8%	10.1%
Spirits duty		0.1	0.2	4%	5%
Beer duty		0.4	0.4	9%	10%
Cigarette duty		1.2	1.0	11%	9%
Hand rolled tobacco duty		0.5	0.5	42%	38%
Great Britain diesel duty		0.5	0.1	3%	1%
Great Britain petrol duty[6]		N/A	N/A	N/A	N/A
Northern Ireland diesel duty[7]		0.1	0.1	12%	25%
Northern Ireland petrol duty[6,7]		N/A	0.0	N/A	13%
Other indirect taxes[8]		1.0	1.0	6%	5%
Total indirect taxes		12.3	12.9	9.0%	8.4%
Direct taxes					
Income Tax, National Insurance Contributions, Capital Gains Tax	Individuals in Self Assessment	4.6	4.4		
	Business taxpayers	4.2	4.0		
	Non-business taxpayers	0.4	0.4		
	Large partnerships in Self Assessment[9]	0.7	0.8		
	Small and medium employers (PAYE)[10]	0.9	0.8		
	Large employers (PAYE)	2.0	2.1		
	Avoidance	1.9	2.1		
	Non-declaration of income and capital gains by individuals not in Self Assessment	0.9	1.0		
	Ghosts[11]	1.3	1.3		
	Moonlighters[12]	1.8	1.9		
	Total	14.1	14.4	5.6%	5.5%
Corporation Tax	Businesses managed by the Large Business Service	1.1	1.4		
	Avoidance	0.9	1.1		
	Technical issues	0.3	0.3		
	Large and Complex businesses	1.3	1.2		
	Small and medium-sized businesses	1.4	1.4		
	Total	3.8	4.1	9.6%	8.8%
Other direct taxes	Inheritance tax	0.2	0.2		
	Stamp duties[13]	0.5	0.6		
	Stamp duty land tax	0.2	0.3		
	Shares stamp duty	0.3	0.3		
	Petroleum revenue tax	0.02	0.03		
	Total	0.8	0.8	6.5%	4.6%
Total direct taxes		18.7	19.3	6.2%	5.9%
Total tax gap		31	32	7.1%	6.7%

■ Developing methodology, estimate updated annually
■ Experimental methodology, not updated annually and illustrative indicators for gaps with no direct measure

Estimated Self Assessment tax gap by type of taxpayer (£ billion)[1]

	2006-07	2007-08	2008-09	2009-10	2010-11
Under-declared liabilities due to incorrect returns					
Net total tax gap	5.5	6.0	4.1	4.6	4.4
Business taxpayers	5.1	4.9	3.9	4.2	4.0
Non-business taxpayers	0.5	1.1	0.2	0.4	0.4

Estimated tax gap for small and medium-sized employers (£ billion)[1]

	2006-07	2007-08	2008-09	2009-10	2010-11
Under-declared liabilities due to incorrect returns					
Point estimate	0.9	1.0	0.6	0.5	0.5
Lower estimate	0.8	0.8	0.5	0.4	0.4
Upper estimate	1.0	1.1	0.6	0.5	0.5
Compliance yield[2]	0.4	0.3	0.3	0.2	0.3
Non-payment	0.5	0.5	0.4	0.7	0.6
Net total tax gap					
Point estimate	1.0	1.1	0.7	0.9	0.8
Lower estimate	0.9	1.0	0.6	0.8	0.7
Upper estimate	1.1	1.3	0.7	0.9	0.8
Total tax liabilities	82.4	91.0	86.9	81.3	84.9
Proportion of liabilities	1.3%	1.4%	0.8%	1.1%	1.0%

Estimated VAT gap (£ billion)[1]

	2006-07	2007-08	2008-09	2009-10	2010-11[2]
Net VTTL	87.8	91.5	91.2	80.0	94.9
Net VAT receipts[3]	77.6	82.0	79.8	71.4	85.3
VAT gap (point estimate)	10.2	9.6	11.3	8.6	9.6
of which MTIC fraud	2.0-2.5	1.0-1.5	1.0-1.5	1.0-1.5	0.5-1.0
of which debt		0.9	2.4	1.8	0.9
VAT gap (per cent)[4]	11.6%	10.5%	12.4%	10.8%	10.1%

Box 3.5. Canada: Reporting outcomes re taxpayers' compliance

Filing and registration non-compliance

Our indicators	Current target	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Canadian businesses that were registered for the GST/HST Table note 1	90%	97.8%	98.4%	95.8%	93.5%	93%
Individuals 18 years and older who filed their returns on time	90%	93%	92.5%	92.8%	92.8%	92.6%
Corporations - Taxable incorporated businesses that filed their returns on time Table note 2	90%	86.4%	85.8%	84.4%	85.5%	85.1%

Table note 1: These estimates use the number of businesses who file timely returns as a proxy for registrants. The population of businesses includes some small businesses which are not required to register as part of the calculation. As a result, the estimate may understate the proportion of businesses who actually register to collect GST/HST.

Table note 2: Almost all of taxable corporations used for this calculation filed their returns within 5 years, either voluntarily or as a result of our non-filer work.

Reporting compliance

In 2010-11, we estimated that 17.6% of claims or deductions made by individuals on key tax credits and deductions not subject to third-party reporting were non-compliant, meaning they were disallowed following a review. The increase may be attributed, among other factors, to the change in deductions and credits that were reviewed in each program year.

Our Indicator	Current target	2007-2008	2008-2009	2009-2010	2010-2011
Key tax credits and deductions not subject to third-party reporting – Individuals Table note 1	Downward trend	14.8%	16.5%	15.4%	17.6%

Table note 1: It should be noted that this type of non-compliance is found in a relatively small segment of the population of individual taxpayers.

One of our pre-assessment review programs is the Confidence Validity Program. Through this program, various deductions and credits on returns are reviewed and corrected before a notice of assessment is issued. During 2010-2011, we identified an average of USD 472 of additional tax assessed per review, for a total of USD 162 million in taxes additionally assessed. This represents a decrease of 5% over the previous year. The variance is attributed to our review strategies which adjust the volume of each deduction and credit reviewed each year. While the Confidence Validity Program corrects returns before the Notice of Assessment is issued, our Processing Review Program selects files for review after the assessment notice (and any refunds) have been issued. The program promotes compliance and helps to maintain confidence in the fairness of our programs through increased education, effective risk-scoring systems, and a balanced approach to our file selection process. In 2010-11, this program identified and assessed USD 232 million in additional taxes, an increase of 15% over the previous year.

Our T1 Matching Program compares information on an individual's tax return with information provided by third-party sources, such as employers or financial institutions. In 2010-11, this program identified and addressed additional tax assessments of almost USD 600 million.

Individual filers assessment programs	2007- 2008	2008-2009	2009-2010	2010- 2011
Confidence validity (USD million)	USD 126	USD 120	USD 171	USD 162
Processing review (USD million)	USD 190	USD 152	USD 201	USD 232
T1 matching (USD million)	USD 574	USD 623	USD 615	USD 600

Remittance non-compliance

Our indicators	Current target	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Individuals who paid their reported taxes on time	90%	92.9%	91.5%	93.2%	93.7%	94.3%
Percentage of payable corporations taxes paid on time	90%	90.9%	92.4%	92.2%	93.5%	93.5%

Source: CRA Annual report 2010-11.

Box 3.6. **Australia: Reporting performance outcomes re service delivery**

Service standard	Benchmark	2009-10		2010-2011	
		Achieved %	Indicator	Achieved %	Indicator
Registrations					
Registrations-Commissioner of Taxation	93% in 28 days	92.3	Not met	96.2	Met
Registrations-Australian Business Register	93% in 28 days	91.3	Not met	93.7	Met
Return filings					
Electronic tax returns-taxable individuals	94% in 14 days	85.8	Not met	82.7	Not met
Paper tax returns-taxable individuals	80% in 42 days	93.4	Met	93.9	Met
Electronic tax returns-non- individuals	92% in 14days	78.3	Not met	93.0	Met
Paper tax returns-non-individuals	80% in 56 days	81.8	Met	91.0	Met
Electronic credit activity statements	92% in 14 days	98.2	Met	98.0	Met
Paper credit activity statements	85% in 14 days	97.5	Met	97.7	Met
Electronic debit activity statements	95% in 14 days	99.6	Met	99.8	Met
Paper debit activity statements	90% in 42 days	98.9	Met	98.5	Met
Refunds and payments					
Refund of overpaid tax	90% in 28 days	82.5	Not met	88.9	Not met
Superannuation holding accounts special account payment requests	80% in 21 days	72.1	Not met	81.4	Met
Excise fuel scheme claims	92% in 14 days	93.7	Met	94.6	Met
Enquiries					
Automated email response	90% in 3 days	95.9	Met	97.0	Met
Inbound correspondence	85% in 28 days	83.9	Not met	90.1	Met
Private written advice	80% in 28 days	69.3	Not met	87.9	Met
Telephone general inquiries	80% in 5 min	81.3	Met	81.3	Met
Tax practitioners premium service phone enquiries	90% in 2 min	90.9	Met	90.5	Met
Visit general enquiry service	90% in 10-15 min	92.5	Met	93.1	Met
Amendments and reviews					
Electronic amendments	90% in 28 days	95.1	Met	96.3	Met
Paper amendments	75% in 56 days	85.2	Met	88.0	Met
Reviews of private written advice	85% in 28 days	71.4	Not met	90.3	Met
Reviews other than private written advice	70% in 56 days	59.0	Not met	79.5	Met
Audits					
Audits and reviews finalised advice	99% in 7 days	99.2	Met	99.5	Met
Errors					
Clerical and administrative errors	70% in 21 days	N/A		N/A	
Complaints					
Complaints - initial contact	85% in 3 days	66.6	Not met	71.1	Not met
Complaints - resolution	85% in 21 days	74.7	Not met	78.2	Not met

Source: ATO Commissioner's Annual Report 2011.

Box 3.7. **Canada: Reporting performance outcomes re taxpayer services**

OUR PERFORMANCE MEASUREMENT FRAMEWORK – BUILDING TRUST TO PROMOTE COMPLIANCE

Our indicators	Current target	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	Rating
Information for taxpayers							
General calls answered within two minutes of entering the agent queue	80%	82%	83%	82.4%	80.9%	81.8%	✓
Business calls answered within two minutes of entering the agent queue	80%	81%	81.7%	86.8%	86%	84.1%	✓
Percentage of general callers who reach our telephone service[1]	90%	83%	84%	92%	91%	91%	✓
Percentage of business callers who reach our telephone service[1]	90%	86%	79%	94%	93%	92%	✓
Service for taxpayers							
Average number of days to issue an income tax technical interpretation to taxpayers	90 days (avg)	105	89	91	89	87	✓
Average number of days to issue an advance income tax ruling to taxpayers	60 days (avg)	94	101	104	98	102	✕
Providing redress							
Service standard for initial contact – Appeals	85%	89%	84%	68%	50%	50.5%	✕
Average age of workable inventory (in days) – Income tax files	Neutral or Downward trend	175	177	205	215	228	✕
Appeals activities that met standards for consistency – income tax files	97%	99.6%	99.5%	99.0%	98.6%	98.7%	✓
Appeals activities that met standards for transparency – income tax files	98%	99.3%	99.6%	99.5%	99.7%	99.0%	✓
Service complaints—acknowledged within 48 hours	90%	N/A	N/A	93.8%	97.9%	96.6%	✓
Service complaints—taxpayers contacted within 15 days	90%	N/A	N/A	86.7%	94.5%	93.1%	✓
Taxpayer relief provisions—consistent application (per Quality Assurance Program)	95%	N/A	N/A	95%	97%	97%	✓
Voluntary disclosures							
Average processing time for voluntary disclosures (in days)	Downward trend	225	227	253	196	180	✓

1 The caller accessibility targets for general and business callers were raised from 80% in 2008-2009

✓ Met	M Mostly met	✕ Not met	n/a Not available	N/A Not applicable

Source: 2010-11 CRA Annual Report.

Box 3.8. Ireland: Reporting performance outcomes re service delivery

Customer service standards and results

Service	Standard	Results 2011	Results 2010
Complaints	Processed within 20 working days	96%	99%
Telephone*	***PAYE 1890 calls***: 50% within 30 secs 85% within 3 mins 100% within 5 mins	37% within 30 secs 68% within 3 mins 85% within 5 mins	51% within 30 secs 82% within 3 mins 92% within 5 mins
	Other calls answered: 50% within 30 secs 85% within 3 mins 100% within 5 mins	69% within 30 secs 92% within 3 mins 97% within 5 mins	77% within 30 secs 94% within 3 mins 98% within 5 mins
Registrations	PAYE Customers registering for PAYE anytime, passwords will be issued within 5 working days by ordinary post.	76%	80%
	Business customers registering for ROS, passwords will normally be issued within 8 working days by ordinary post.	100%	100%
	Business customers registering for secure email, passwords will normally be issued within 3 working days by ordinary post.	100%	100%
Returns, Declarations, Applications	ROS 100% within 5 working days	89%	90%
	Non ROS 80% processed within 10 working days	Income Tax 12% CT 33% Other 96%	IT 28% CT 44% Other 96%
	Non ROS: 100% processed within 20 working days**	IT 22% Corpoate Tax 61% Other 98%	Income tax 44% Corporate tax 74% Other 99%
Repayments	Non-ROS – 80% processed in 10 working days	94%	92%
	Non-ROS – 100% processed in 20 working days	98%	97%
	ROS – 100% processed in 5 working days	Income tax: 92%; Corporate tax: 70%; PAYE: 96%	Income tax: 91%; Corporate tax: 64%; PAYE: 97%
Correspondence, email, fax	50% in 10 days 85% in 20 days 100% in 30 days	66% 83% 93%	74% 86% 93%
Applications for tax clearance certificates (TCC)	100% processed in 5 working days	92%	86%
Applications for non-resident TCC	100% processed in 5 working days	88%	87%
Applications for standards in Public Office TCC	100% processed in 5 working days	97%	99%

* Results for 2010 only covered the period April to December.

** This calculation includes all Registered VAT Repayments, a portion of which will be ROS claims. We are unable to split them by source at this time but their inclusion is in line with prior years.

Source: Revenue Annual Report 2011, page 26.

Box 3.9. Spain: Reporting outcomes re perceptions of services and competence

Issue	Opinion and perceptions	Year of survey (and response % or average rating)					
		2005	2006	2007	2008	2009	2010
Level of satisfaction with treatment and service in tax agency offices	Very satisfied/ satisfied	82.5	84.8	83.5	81.2	81.8	
	OK	8.4	6.7	8.5	9.2	8.8	
	Not satisfied/dissatisfied	8.6	8.1	8.0	9.4	9.0	
	Don't know/No comment	0.5	0.3	0.0	0.2	0.4	
Public opinion on treatment and service provided	Has improved	54.8	51.3	49.3	50.2	47.5	
	Is the same	31.6	37.2	40.1	36.0	38.9	
	Is worse	1.9	2.0	2.4	4.8	3.7	
	Don't know	10.5	9.2	7.8.	8.8	9.2	
	No comment	1.2	0.3	0.3	0.2	0.7	
Ratings awarded to the Taxpayer Information and Assistance Service	Good	69.3	70.1	67.2	66.3	68.3	
	Ok	22.8	24.2	25.2	25.1	23.9	
	Bad	6.0	5.0	6.8	8.0	6.3	
	Don't know/ no comment	1.9	0.6	0.9	0.6	1.5	
Knowledge and use of services	Have knowledge	65	67	61	74	68	72
	Use services	35	37	33	47	38	38
Opinions relating to services	Positive	82	85	87	78	84	88
	Negative	18	15	12	21	16	12
	Average rating 1-4	3.0	2.9	3.0	2.9	2.9	3.0
Opinions relating to the Tax Agency's staff (rating from 1-7)	Impartiality	4.6	4.7	4.9	4.7	4.6	4.6
	Technical training	5.0	4.9	5.0	4.9	4.8	5.0
	Appropriate treatment	4.7	4.7	5.0	4.8	5.0	5.0
	Concern for taxpayers' problems	3.9	3.7	4.2	4.0	3.8	3.9
Taxpayers satisfaction with e-filing service		n.a	59.4	51.5	56.8	61.2	63.9

Source: Spanish Tax Agency's annual reports (up to memoria 2011).

Box 3.10. New Zealand: Reporting re perceptions of services and competence

Customer satisfaction – summary of results

Customer and channel categories	2009-10		2010-11	
	Satisfied %	Very satisfied %	Satisfied %	Very satisfied %
Customer				
*** Overall satisfaction (all groupings)	87	71	86	69
Tax agents	91	78	90	71
Small and medium enterprises	87	71	88	74
Working for families tax credits	90	75	88	71
Large enterprises	90	71	89	71
Student loans	85	65	85	70
Individuals	86	70	84	66
Not for profits	84	68	88	71
Child support	79	62	76	52
KiwiSaver	89	66	87	71
Channel				
Telephone	90	74	87	70
Correspondence	74	58	78	57
Counter	90	66	86	70

Source: New Zealand Inland Revenue Annual Report 2011.

Managing and improving taxpayers' compliance

As evident from the extracts of selected revenue bodies' plans, improving taxpayers' compliance is very much the underpinning rationale for a revenue body's existence. Since its creation in 2002, the FTA has provided a substantial amount of practical guidance on the features of a strategic approach for improving taxpayers' compliance, drawing on leading revenue body approaches.

The guidance note published in 2004, hereafter referred to as "the 2004 guidance note" provided a framework for the application of modern compliance risk management principles to the management of tax compliance risks. It also described a step-by-step strategic process for the identification and treatment of compliance risks, supported by a number of practical examples drawn from revenue bodies to illustrate particular approaches and their impacts.

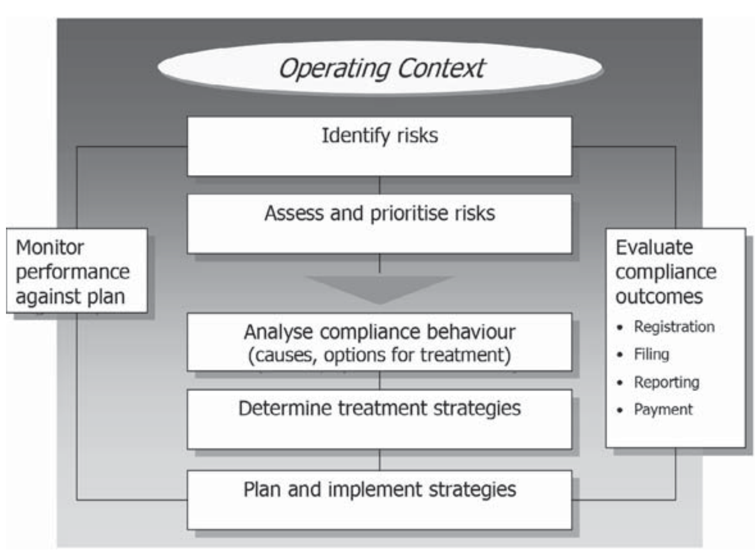
Domains of taxpayer obligation

The 2004 guidance note considered that while specific obligations of taxpayers will vary from one taxation role to another and from one jurisdiction to the next, four universal categories of obligation are likely to exist for almost all taxpayers. These are: 1) registration in the tax system; 2) the timely filing of tax returns; 3) reporting of complete and accurate information in tax returns; and 4) payment of tax obligations on time. It suggested that, irrespective of jurisdiction, "compliance" will relate to the extent to which taxpayers meet these obligations. Taxpayers who fail to meet any of them may be considered to be "non-compliant", although the reason for their non-compliance may fall along a continuum extending from unintentional error to intentional/deliberate actions

Adopting a risk management approach

The 2004 guidance note acknowledged that revenue bodies operate with finite resources, and that effective tax administration needed to focus on optimising collections under the tax laws in ways that instill confidence in a revenue body and ensured the tax system

Figure 3.1. **The compliance risk management process**



is operating, and is being seen to operate, correctly. It promoted the notion that revenue bodies require a structured and systematic process for deciding what is important in a tax compliance context, how major compliance risks will be addressed and how to determine the most effective allocation of their resources-the compliance risk management process. In this regard, it defined compliance risk management as a series of steps entailing the systematic identification, assessment, ranking, and treatment of tax compliance risks, as well as related monitoring and evaluation activities, to support improved decision-making. A model of the compliance risk management proposed for use by revenue bodies is depicted in Figure 3.1.

Through greater understanding of the environmental context, it was suggested that use of this model would enable revenue bodies to assess and determine which risks/taxpayer behaviors it can or cannot influence, and to consider and prioritise which risk treatments were required.

Recognising the influences on taxpayers' compliance behaviour

Research supporting the 2004 guidance note described two broad approaches to the problem of non-compliance behaviour, the first based on economic rationality and the second based on wider behavioral issues. It considered that these approaches were not necessarily competing and that each approach can be valuable in terms of understanding tax compliance. In combination with the research of Australian academic Dr Valerie Braithwaite around the sets of values, beliefs and attitudes of individual taxpayers (persons or businesses), the 2004 guidance note offered the BISEP model[3] for thinking about the combination of these factors and the attitudes of individuals in the way they may relate to a revenue body and the tax system it administers. This model (see Figure 3.2) allows users to categorise the factors in a consistent manner and form to aid understanding and is also sufficiently robust to stand up to applied and practical application in a tax administration environment.

Figure 3.2. **The BISEP model and spectrum of taxpayer attitudes to compliance**

It was highlighted that an individual taxpayer is capable of adopting any of the attitudes described at different times and may also adopt all of the attitudes simultaneously in relation to different issues. It noted that these attitudes are not fixed characteristics of a person or group, but reflect the interaction between the person or group and those that impose demands upon them. The 2004 guidance note considered that the value of this model is in the contribution it makes in developing a deeper understanding of taxpayer behaviour and being able to lay the groundwork for the development of targeted strategies which encourage the motivation to do the right thing and constrain the motivation to resist or evade compliance. Today, many revenue bodies (*e.g.* Denmark, the Netherlands, New Zealand and the United Kingdom) have adopted this model, or a variant of it, to guide their planning for delivering improved compliance outcomes.

Monitoring and evaluation of compliance risk management strategies

A key element of the recommended compliance risk management process was a compliance measurement framework that would provide revenue bodies with a range of compliance indicators that could be used to monitor and evaluate the impacts of their compliance activities, both at the aggregate level and in respect of specific risk treatments strategies. Such a framework would enable a continual cycle of review and refinement. This issue was addressed in some detail in the FTA's 2008 guidance note which explored and promoted the idea of a compliance monitoring framework at the aggregate/macro level. Among other things, the note acknowledged that a number of revenue bodies took steps to produce periodic estimates of the tax gap for their major taxes to improve their understanding of the likely scale and composition of non-compliance, and to provide some insights into the trend of aggregate non-compliance.

Managing taxpayers' compliance in 2012

This context provides a useful backdrop to assessing in high level terms the compliance management approaches of revenue bodies in 2012, as gleaned from revenue bodies' survey responses. In this respect, revenue bodies were asked the following questions:

1. Is there a formal process for identifying, assessing, and prioritising the key compliance risks?
2. Are the revenue body's key compliance risks and mitigation strategies made public?
3. Is there periodic reporting on the progress in addressing the key compliance risks?
4. Is there a mandated requirement (either from Government or the MOF) to produce periodic estimates of the tax gap for some/all of the major taxes?
5. Is research undertaken to produce periodic estimates of the aggregate tax gap for the major taxes?
6. Are the results of tax gap estimation studies made public?
7. Are random audit programs used to test compliance and/or for risk profiling purposes in targeted sectors or for the major taxes.

Survey responses were supplemented by research of publicly-available documents of as many revenue bodies as practicable. This research aimed to gain greater insights as to the approaches being adopted, shed light on some emerging interesting and novel developments concerning tax compliance risk management, and to identify examples/references to assist revenue bodies' research in this field. A summary of responses is set out in Table 3.4. From this and related research, the key observations and findings are as follows:

Compliance risk identification, assessment, prioritisation, and treatment

- The vast majority (49 of 52 revenue bodies) reported that they have a formal process for identifying, assessing and prioritising their key compliance risks areas (*e.g.* profit shifting, VAT fraud, return non-filing, non-payment of liabilities) as part of their organisational planning; however, the number reporting that they made public the key risks identified and how they will be treated was considerably less (27 of 52 revenue bodies);

Table 3.4. **Strategic approach for managing taxpayers' compliance**

	Aspects of revenue body's approach for managing taxpayers' compliance						
Country	Formal risk management process is in place	Key risks and strategies are published	Reports of outcomes are made public	Periodic estimates required of tax gap	Periodic estimates made of tax gap	Estimates of tax gap are made public	Random audits used for research
OECD countries							
Australia	✓	✓	✓	✓/1	x	n.a.	x
Austria	✓	x	✓	x	x	x	✓
Belgium	✓	x	✓/1	✓	✓	✓	✓
Canada	✓	✓	✓	x	x	x	✓
Chile	✓	✓	✓	✓/1	✓	✓	x
Czech Rep.	✓	x	✓	✓	x	x	x
Denmark	✓	✓	✓	✓	✓	✓	✓
Estonia	✓	✓	✓	✓	✓	✓/1	✓/2
Finland	✓	x	x	x	x	x	x
France	x	x	x	x	✓	x	x/1
Germany	✓	x	x/1	x	x	x	✓
Greece/1	✓	✓	✓	✓	✓	✓	✓
Hungary/1	✓	✓	✓	x	x	x	✓/1
Iceland	✓	x	✓	x	x	x	✓/1
Ireland	✓	x	✓	x	x	n.a.	✓/1
Israel	✓	✓	x	✓	x	✓	x
Italy	✓	x/1	✓	x	x	x	x
Japan	✓	✓	✓	x	x	x	x
Korea	✓	x	x	x	x	x	x
Luxembourg	✓/1	✓/2	x	✓/1	✓/1	x	x
Mexico	✓	✓	✓	✓/1	✓/1	✓	✓
Netherlands	✓	✓	✓	x	x	x	✓
New Zealand	✓	✓	✓	x	x	n.a.	x
Norway	✓	x	✓	x	x	n.a.	✓
Poland	x/1	✓	✓	n.a.	n.a.	n.a.	x/1
Portugal	✓	x	✓	x	x/1	x/1	✓
Slovak Rep.	✓	✓	✓	x	x	x	x
Slovenia	✓	✓	✓	x/1	✓	✓	✓
Spain	✓	✓	✓	x	x/1	x	x/2
Sweden	✓	✓	✓	x	x	x	✓
Switzerland	x	x	x	x	x	x	✓
Turkey	✓	x	✓	✓	✓	✓	x
United Kingdom	✓	✓	✓	✓	✓	✓	✓
United States	✓	✓	✓	x	✓/1	✓	✓/2
Non-OECD countries							
Argentina	✓	✓	✓	x	✓	x	✓
Brazil	✓	✓	✓	x	x	x	✓
Bulgaria	✓	x	✓	x	✓	x/1	✓
China	✓	x	x	x	✓	x	x
Colombia	✓	x	✓	x	✓	✓	x
Cyprus	✓	x	x	x	x	x	✓
Hong Kong, China	✓	x	x	x	x	x	✓
India	✓	✓/1	✓	✓	✓	✓/1	✓
Indonesia	✓	x	✓	✓	✓	x	x
Latvia	✓	x	✓	x	x	x	x
Lithuania	✓	✓	✓	✓	✓/1	x	x/2
Malaysia	✓	x	x	x	x	x	x
Malta	✓	x	✓	x	x	x	✓/1
Romania	✓	x	x	x	x	x	✓
Russia	✓	✓	✓	x	x	x	✓
Saudi Arabia	✓	x	✓	x	x	x	✓
Singapore	✓	✓	✓	x	x	x	✓/1
South Africa	✓	✓	✓	x	x	x	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 145.

Sources: CIS survey responses.

- Research identified three revenue bodies (*i.e.* Australia, New Zealand, and South Africa) that publish a formal Compliance Programme setting out a summary of the major tax compliance risks identified and how they will be dealt with. (Boxes 3.11 and 3.12 refer.)
- Around 75% of surveyed revenue bodies reported that they periodically make public (*e.g.* in their annual reports) details of the progress being made in dealing with their key compliance risks.

Box 3.11. **Australia: Publication of key compliance risks and strategies**

The ATO commenced its practice of developing and publishing an annual comprehensive compliance programme statement in 2002. Each programme statement commences with a description of the ATO's broad strategic directions and approach to managing taxpayers' compliance and, against this background, it then details the compliance risks of most concern and the actions to be taken to address them. The description of risks is structured around key market segments (*e.g.* large businesses and micro-enterprises), each of which are briefly profiled in the statement. For each market segment, there is an account of the key compliance risks identified and the main strategies/treatments will be used. The statement concludes with a summary of compliance programme activities for the immediate financial year. The ATO released its Compliance Program for 2012-13 in July 2013. When releasing the programme, the ATO Commissioner commented:

> One of our values is being open and accountable to the Australian community. Publishing our compliance program each year is an important part of this. We feel strongly that the community should have the opportunity to understand (and tell us what they think about) our compliance activities and practices. To that end, one of the things we have done is to engage more purposefully with tax practitioners in preparing this year's compliance program.
>
> Underpinning the compliance program every year is our assessment of the most significant risks to compliance with the tax and superannuation systems. These assessments, informed by our understanding of these systems in operation and by consultation with the community, form the basis of the choices we make in the allocation of resources to our compliance activities, and the types of activities we undertake.
>
> This year we worked with two of our peak tax practitioner consultative groups to test the risks that we identified, and invited tax practitioners to contribute their views on other risk areas we should consider. These discussions are encouraging in that they broadly confirmed our areas of focus as those rightly requiring attention. We will therefore continue having them as we develop compliance programs in the years to come.
>
> We also asked some individual tax practitioners to help us make the compliance program publication more reader-friendly and relevant to their needs. I hope that the improvements we have made in response to this feedback will be apparent as you read through and that it hits the mark.
>
> Another innovative approach this year is the inclusion (together with the usual performance statistics) of an update of the work we did in 2011-12 to develop new ways of demonstrating the effectiveness of our activities through the use of participation indicators. A better understanding of whether we have influenced compliance behaviour in a positive and sustainable way is important to us and to community confidence.

For more information, see *www.ato.gov.au*.

Source: ATO Compliance Program 2012-13.

Box 3.12. **South Africa publishes its first Compliance Programme**

Commencing in 2012, SARS published its first compliance programme. In explaining the rationale for publication of its Compliance Programme SARS's Commissioner observes:

> It may appear somewhat counter intuitive for us to publicly announce those areas of risk that will come under the SARS microscope. But in doing so, we would like to help people recognise behaviours that pose a risk to them and take measures to avoid them, thereby encouraging voluntary compliance. We are not out to catch people. Rather we are in the business of getting everyone to do the right thing willingly. This is a bit like road signs which alert drivers to upcoming speed traps. In the same way that these have been shown to reduce speeding, international best practice has shown that by highlighting areas of high risk and non-compliance with tax and customs legislation, taxpayers and traders are encouraged to adjust their behaviour.

For the period covered by the programme, SARs will give emphasis to seven broad areas:

- Large business and transfer pricing
- Construction industry
- Illicit cigarettes
- Small businesses
- Undervaluation of imports in the clothing and textile industry
- Tax practitioners and trade intermediaries
- Wealthy South Africans and their associated trusts

For more information, see *www.sars.gov.za*.

Source: SARS Compliance Programme: 2012/13-2016/17.

Tax gap estimation

Tax gap estimation activities are a relatively contentious issue among tax administrators with opponents questioning their accuracy, reliability and overall value to management of the tax system, while proponents argue that, properly conducted, they provide useful information for a variety of internal and external stakeholders (notwithstanding their limitations). Over recent years, there appears to have been increased interest in their use as Governments, tax administrators and others have sought to gauge the extent of revenue leakage from countries' tax systems and/or to better understand the impacts of revenue bodies' compliance improvement activities.

Drawing on survey responses, the following observations can be made:

- Around 30% of revenue bodies (15 of 52) reported they are required to provide periodic estimates of the tax gap for some/all of the major taxes administered.
- Around 40% of surveyed revenue bodies (19 of 52), including those with a formal mandate to do so, reported that they undertake research efforts to produce estimates of the aggregate tax gap for some/all of the major taxes administered – a brief description of the approach of selected revenue bodies is set out in Box 3.13.
- Relatively few revenue bodies (13 of 52 surveyed) reported that estimates made of the tax gap in their country (for some or all taxes) are made public.

Box 3.13. Tax gap estimation activities of selected revenue bodies, etc.

Australia: Until relatively recently, the ATO did not undertake tax gap estimation exercises given concerns for their accuracy and reliability, and doubts as to their value in understanding and monitoring tax compliance levels. However, over the last two to three years work was undertaken to explore their value in relation to Australia's VAT (*i.e.* the Goods and Services Tax (GST)) and a few other minor taxes administered by the ATO, as part of broader efforts to better understand the impacts of its compliance activities. The work proceeded satisfactorily and in October 2012 the ATO published its first series of tax gap estimates. Among other things, the ATO's annual report notes that "The GST gap analysis is most useful when viewed on a trend basis rather than as an absolute measure."

Chile: The Internal Revenue Service of Chile has carried out measurements of the tax gap dating back to 1980. The gap rates have been mainly estimated for VAT, the major source of tax revenue. The methodology for the estimation of the tax gap uses data from National Accounts, published by Chile's Central Bank. The last available figures for VAT gap, based on the National Accounts referenced to 2008, can be found in *www.gob.cl/informa/2012/05/10/ministro-de-hacienda-y-director-del-sii-anuncian-virtual-cumplimiento-de-meta-oficial-de-reduccion-d.htm* (in Spanish).

Denmark: The Danish Tax and Customs Administration carried out a comprehensive compliance measurement exercise for its major taxes (*i.e.* personal income tax, corporation tax, and the VAT) in 2007/2008. The programme was based on the results of a programme of random audits entailing some 11-13 000 audits conducted in the latter half of 2007. The programme was used to gather a broad array of data on taxpayer compliance, including the nature and magnitude of taxpayer errors and regional/local compliance patterns, to be used to refocus and redesign its compliance strategies. Reports of its findings were published in 2009 (see *www.itdweb.org*).

Sweden: The Swedish Tax Agency (STA) has measured the tax gap and its composition-described as a "tax gap map"-using a variety of data sources/methodologies. Swedish officials have indicated that the main reason for preparing the "tax gap map" was to construct a simple and pedagogic overview of what is known of the tax gap to facilitate internal and external communication and to identify areas where deeper knowledge is required. The STA has published the results of its tax gap assessments in its annual report. Reports of its findings are published – see *www.skatteverket.se* (English portion).

United Kingdom: HMRC (and its predecessor agencies) have over the last decade published regular assessments of the tax gap, primarily in the area of indirect taxes (VAT and Excise). Over the last five years or so the programme of research has been extended to direct taxes, with the results published in its annual performance report and/or in a separate publication. In 2009, HMRC published a comprehensive assessment of the tax gap for all taxes administered, based on what are described as "top-down" and "bottom-up" measurement approaches, which was published in conjunction with the UK Chancellor's Pre-budget report. HMRC has signalled its intention to continue publishing annual updates of its tax gap estimates in its annual report, in line with its strategic goal "to close the tax gap"., and further releases of updated tax gap information were published in both 2011 and 2012. For more information on this development, see *www.hmrc.gov.uk/about/reports.htm*

United States: Historically, IRS estimates of reporting compliance were based on its Taxpayer Compliance Measurement Program (TCMP). This programme entailed line by line audits of random samples of returns, enabling the production of information on compliance trends and allowing it to update audit selection formulae. However, the programme came to be regarded as extremely burdensome on taxpayers and the last TCMP audits were done in 1988.

The National Research Program (NRP), which the IRS has used to develop comprehensive tax gap updates for 2001 and subsequent years, arose out of a desire to find a less intrusive means of measuring tax compliance. The IRS's latest series of tax gap estimates was published in January 2012 in respect of the 2006 fiscal year and a rolling programme of further studies is underway to update the 2006 estimates. The results of the NRP are published on the IRS's website: *www.irs.gov/uac/The-Tax-Gap*

European Union: Concerned for the incidence of VAT revenue leakage, the European Commission (EC) in 2007 engaged external consultants to undertake a comprehensive study of the VAT tax gap for all 25 EU member states covering a period of six years (up to 2006) for each country. The methodology employed entailed a "top-down" approach, drawing on National Accounts expenditure data. The results of the study were published in 2009 and have been used in a variety of ways. Further work to update these findings is currently underway.

Sources: Revenue body reports and EC.

The use of random audit programs

Random audit programmes have been used by revenue bodies for many years for a variety of purposes: 1) to develop/refine audit risk profiling systems; 2) to develop tax gap estimates; 3) to monitor compliance in specific areas of the tax system; 4) as a general deterrent to non-compliance; and 5) as a source of data to support legislative changes, where appropriate. While such programmes also have their opponents given the additional compliance costs they impose on compliant taxpayers and the revenue foregone from deploying audit staff away from more revenue productive work, proponents generally argue that the overall benefits of such programmes outweigh the the costs involved. Drawing on the survey responses and related research, the following observations can be made:

- Over half of surveyed revenue bodies (29 of 52) reported the use of, or intention to use, random audit programmes for some of the taxes administered;
- While the scale and nature of revenue bodies' random audit programmes was not surveyed, the information hereunder obtained from survey responses and/or published materials of the revenue body outlines the approaches of selected revenue bodies:
    - **Canada:** The CRA conducts a number of random audit programmes each year, the results of which are reported in aggregate in its annual performance report. According to its 2011 performance report, a review of a random sample of individual tax returns is conducted each year to learn about the non-compliant behaviour of the entire population of individual taxpayers with respect to key credits and deductions, and to measure the effectiveness of the CRA's targeted reviews. Similarly, the CRA's core audit programme (CAP) selects a random sample of SMEs to estimate a reliable rate of reporting compliance. In 2010-11, a non-compliance rate estimate was established for SME filers based on audits conducted in the 2009-10 programme year.
    - **France:** The DGFIP implemented a random audit programme of some 400 VAT taxpayers in late 2010. The primary purpose of the programme was to provide estimates of the overall incidence of non-compliance that could be contrasted with other estimates made using National Accounts data as part of a "top down" estimating methodology. There are currently no plans to repeat the programme.
    - **Hong Kong, China:** In conjunction with regular audit programmes, the IRD conducts its tax compliance audit by adopting a stratified random sampling methodology with two segmentation models built in, one for corporations and partnerships and another for sole proprietorships covering all assessed returns.
    - **Ireland:** Revenue conducts a random audit programme each year on a sample of cases drawn from a defined population of cases (largely self-employed and investor type taxpayers). The primary purpose of the programme is to ensure that no self-assessed taxpayer is exempt (or believes himself or herself exempt) from the possibility of being audited. Additionally, the programme is designed to measure and track compliance with tax legislation and to provide feedback and insight on new trends and types of compliance issues within the taxation system, thereby informing Revenue's compliance strategy.
    - **United Kingdom:** HMRC undertakes research to produce an aggregate tax gap for all major taxes annually, together with details of the components and methodologies. This is published under the Code of Practice for Official

Statistics and is available publicly. See *www.hmrc.gov.uk/stats/mtg-2011.pdf.* The results of the random programmes are used to test the effectiveness of the risk assessment process for SMEs (VAT, income tax (including payroll taxes) and corporation tax) and individuals sent a return (income tax). HMRC has a practice of regularly publishing a time series of the compliance rates derived from each of these random programmes and other sources – Box 3.4 refers.

- **United States:** Random audit programmes have been used by the US IRS over many years and are a key element of its current National Research Program (NRP) to produce estimates of compliance, to provide information to support legislative proposals (*e.g.* new information reporting regimes, and to refine its audit selection systems.

Notes

1. "*Modernising Government"* describes "open government" as embodying the following characteristics: 1) *transparency*: that its actions, and the individuals responsible for those actions, will be exposed to public scrutiny and challenge; 2) *accessibility*: that its services and information on its activities will be readily accessible; and 3) *responsiveness*: that it will be responsive to new ideas, demands and needs.

2. The IRS Measures and Targets for the Goals in this table are under review and may be revised. Changes being considered are not available for publication at this time.

3. The BISEP model is intended to promote thinking about the factors that go together to influence the attitudes and behaviours of small businesses. It is comprised of five elements **(B)** usiness, **(I)**ndustry, **(S)**ociological, **(E)**conomic and **(P)**sychological that represent different views of the taxpayer entity. Taken in combination, the five elements offer the means to determine the behavioural drivers as a step towards the successful selection of compliance treatment strategies. The guidance note provides further elaboration.

Notes to Tables

Table 3.1. Revenue bodies' mandated business performance targets

/1. **Cyprus:** 20% by the end of 2012. **Luxembourg:** Direct Tax Department only; **South Africa:** Tax compliance index for each tax product to be developed and tracked. **Sweden:** The Tax Agency has no budgeted revenue as a performance target, the Ministry of Finance makes forecasts for the revenue for the budget of the Swedish state.

Table 3.3. Selected management practices: business plans, annual reports, surveys etc.)

/1. **Argentina:** The Annual Management Plan is developed and executed continuously since 2002. Furthermore, AFIP elaborated and made public in 2011 its Strategic Plan 2011-15 detailing its institutional mandates (mission, vision and values) and the strategic objectives defined in long term; **Bulgaria:** Only the 5-year business plan of the NRA is published; **Canada**: The Corporate Business Plan is a confidential document. Only the Summary of the Corporate Business Plan is published and made available to the public; **Chile**: The

SII does not publish the annual report; however, relevant information is made public in the Annual Public Account. Information published includes data re taxpayer population, amounts of tax collected, tax gap estimates, human resources of the tax administration, e-services offered, etc.; **Cyprus:** Only collections are published by Direct Tax Department. Results of Direct Tax and VAT Departments are published in the General Auditors Report**; Estonia:** Annual performance report: the performance results of ETCB are incorporated into the annual report of Ministry of Finance and it is published on the website of ETCB; ETCB does not prepare separate annual report since 2008; **Germany**: Federation Level: Annual report on binding objectives for tax collection with the Federal States (at pilot stage); Federal States Level: Controlling reports. **Greece:** The Directorate of Quality and Efficiency (D.E.P.) is the competent authority for the evaluation of targets and performance indicators given by all Directorates of the Ministry of Finance. D.E.P. prepares issues and notifies towards the General Secretariat its annual report. This report outlines the performance indicators and their implementation by the Directories of the Ministry. D.E.P. indirectly participates in the definition of strategic and operational goals, therefore it might contribute to the reductions of the administrative burden and operating costs. By the end of 2012, the D.E.P. receives the targets and performance indicators of the year 2013 as given by the Directorates of the Ministry. In addition, it gathers the authorities, targets and necessary actions for each one Directory. In particular, according to the provisions of annex II l. N.4046/2012 there is a quarterly obligation until 31.12.2012 to publish the recovery rate for all tax cases, meaning the ratio of the amount collected by the creditor in enforcement proceedings – following the issuance of an enforceable title – to the amount adjudicated by the court. **Ireland:** Surveys are regularly conducted on different sectors of taxpayers. Two surveys of SME taxpayers and two of PAYE taxpayers have been completed. All reports are available on the Revenue website; **Israel**: Revenue body plans to carry out such surveys in the near future; **Latvia:** The Taxpayer Service Standard was approved on 13 July 2011. **Lithuania:** STI annual report is not made public because STI is not a separate holder of assignments since 2011.**Luxembourg**: For direct taxes only; **Netherlands**: Business strategy and goals incorporated in Annual Budget (the Ministry of Finance). **Romania**: Romania has delivery standards, available to the public, as are the results with regard to these standards; **Russia**: Plan of activities of the Federal Tax Service of Russia for the next calendar year is approved by the Minister of Finance of Russia and published on the official website of the Federal Tax Service of Russia. **Saudi Arabia**: Done informally through website and weekly newspapers where views and comments are received and responded to through workshops and seminars; **Spain:** Each year, the Institute for Fiscal Studies (within the MOF) launches a Public Opinion Survey on tax matters (including areas related to the Tax Agency). In addition, the Tax Agency keeps a public poll on the e-services related to the PIT. **Switzerland**: federal cantons are in charge of contact with citizens and conduct their own surveys. **Turkey**: Surveys to all kind of taxpayers are applied as whole not separately.

/2. **Argentina:** AFIP prepares a Final Report of the Annual Management Plan, in which the tasks performed and results achieved throughout the year are detailed. This Report is submitted for the approval of an Advisory Council formed by representatives of different public institutions. **Canada**: Beginning in 2011. **Chile:** Surveys required by law introduced in 2010 that establishes an economic incentive to improve service quality based on an annual survey that measures a quality indicator (or net satisfaction rate) for both individual and business taxpayers; there are annual targets to be met to achieve the economic incentive. **Russia:** Report on the results and main activities (DROND) of the FTS of Russia for the medium term is sent to the Russian Ministry of Finance annually and published as part of Russian Ministry of Finance's DRONDa on the official website of the Ministry of Finance of Russia.

Table 3.4. Strategic approach for managing taxpayers' compliance

/1. **Belgium:** Limited to some specific actions. **Bulgaria**: Updating carried out of the Gap Analysis covering the 2008-11 period; **Chile:** Reports on the policy of reduction in tax evasion and the advance in the compliance of those policies are required by the Budget Law. **Estonia**: ETCB produces the annual Strategic Base Analysis, where tax gaps are calculated and analysed; **France**: In 2011 a programme of random audits on the targeted population of VAT taxpayers was implemented to participate in VAT tax gap assessment; at this time, there are no plans to conduct further random audit programmes; **Greece:** Since April 2011, there has been a risk analysis procedure used to refer non complying taxpayers to Audit Centres for further auditing action after non compliance; **Hungary:** The Hungarian revenue body has created a committee for tax gap. This committee is responsible for working up the methodology for measuring tax gap. **India**: Partial attention given to both aspects; **Ireland**: Each year 400 cases are selected for the random audit programme; any self-assessed case can potentially be selected for random audit. **Italy**: Reported as being done on a selective basis; **Lithuania:** State Tax Inspectorate (STI) ordered services from a independent research agency to evaluate tax gap, also STI makes survey of random auditors to identify indicators of the extent and distribution of various shadow economy phenomena and calculate estimates of officially unaccounted revenues; **Luxembourg**: For direct taxes only; Indirect Taxes Department has set up a working group to identify a formal process in order to build an EDP based risk analyses for VAT fraud. **Mexico**: Revenue body is required by law to produce two studies each year related to aspects of the tax gap; **Malta**: Random audit programme is very limited in scale; **Poland:** Exists just for Fiscal audit offices, which are responsible for fiscal audits and support Tax Administration; **Portugal**: Annually tax administration make a public report on tax evasion and fraud with data about detected tax crimes and amounts of the tax debts. Furthermore, the Portuguese tax administration is not required to make periodic estimates of the tax gap. Estimates of the tax gap are occasionally made but not published. **Singapore:** IRAS conducted a random audit programme for Goods and Services Tax in 2011; **Slovenia:** The Statistical Office of the Republic of Slovenia calculates the tax gap in the field of VAT only with the purpose of monitoring effectiveness of VAT collection; **Spain:** Periodic estimates made of tax gap: A logical comparison with the National Accounts Statistics is made each year; **United States**: IRS estimates tax gap for most components on a recurring basis, typically every five years.

/2. **Estonia:** Programme of random audits in the VAT refund sector; **Lithuania:** Special projects in risky areas subject to shadow economy are carried out, *e.g.* control of trade in flowers, fruits and vegetables, taxi control, control of excisable goods, investigation of illegal enrichment of natural persons that received unaccounted income, payments of "unofficial" salaries etc. **Luxembourg**: The Indirect Taxes Department publishes its responses to the key compliance risks in the annual report. Furthermore AED publishes monthly on its website the specific sector to be audited the month thereafter. **Spain:** Random audit used for research: "Business intelligence" system is used in the selection of taxpayers to be audited; **United States:** IRS currently conducts random audits both annually (for individual income tax) and on an ad hoc basis (for other taxes) as part of its research/risk profiling programme.

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Chapter 4

Human resource management and tax administration

This chapter outlines revenue body approaches to aspects of human resources management (HRM), organisational capability and staff performance, and concludes with selected metrics (e.g. age profiles).

Key points

Aspects of Human Resources Management Strategy

- The vast majority (88%) of revenue bodies reported having a formal HRM strategy, with around the same proportion (90%) having conducted assessments of current and future skills and capability needs, and having plans in place to meet these needs.
- Most revenue bodies periodically survey staff on their levels of satisfaction, engagement and motivation. Almost all of these share survey results with staff and most (83%) also consult with staff when considering responses to survey findings.

Staff Recruitment, Appointment and Development

- About two thirds of revenue bodies have major changes planned or underway in their policies in one or more of the areas of recruitment, training, performance or rewards; many revenue bodies (42%) have plans for significant changes to policies regarding staff levels or capabilities.
- Most revenue bodies have a fair degree of autonomy for the recruitment and appointment of staff, although for many this is limited to within the limits of an overall budget set by government or the MOF; a number of governments have implemented recruitment freezes as part of government policies to cut expenditure.
- Most revenue bodies (88%) are able to recruit staff and make appointments based on clearly defined qualification and experience criteria.
- Most revenue bodies reported they are undertaking staff development in the areas of commercial awareness (77%), risk management (82%) and financial management (77%). About two thirds (68%) of the 40 revenue bodies that are undertaking staff development in the area of commercial awareness use external networks for this purpose.

Performance Management and Remuneration

- All but four revenue bodies (92%) have performance management systems in place, although a fair proportion of these (29%) do not set objectives for each member of staff at the start of the performance period; the vast majority of revenue bodies (92%) review the performance of each staff member at least annually.
- Most revenue bodies (79%) have staff remuneration levels tied to wider public sector pay scales, although over two thirds have some flexibility to reward good performance.

Attrition

- A majority of revenue bodies (58%) reduced staffing over the last two years while about a third (33%) increased staffing; attrition rates vary considerably, from 0.8% (Israel) to over 18% (Russian Federation) but are concentrated towards the lower end of this range.

Age profiles and educational qualifications

- There are significant variations in the age profiles of revenue bodies' staff when viewed across different geographical groupings, with considerably older workforces seen in Nordic countries, other European countries (e.g. Belgium, Italy, Netherlands, and Portugal) and the United States.
- There is a particularly high correlation between those revenue bodies reporting both a relatively high proportion of staff with academic qualifications and a workforce that is predominantly comprised of staff under 50 years of age.

For all revenue bodies, the costs associated with staff – human resources – are the single largest component of their total costs (often exceeding 80% of total operating costs, as identified in Chapter 5. Staff are also seen by most revenue bodies as the single most important enabler to carry out their basic mandate. Therefore the overall competence, integrity and performance of staff is clearly a critical issue for all revenue bodies.

Recent years has seen a clear trend of revenue bodies reducing the size of their workforces. The rate of these reductions has accelerated partly as a consequence of the impact of the global financial crisis on public expenditures. The budget pressure is not likely to change in any foreseeable future. At the same time revenue bodies often face an environment with a changing risk picture, increasing volumes and complexity, and rising expectations. These factors increase the need for appropriate human resource strategies to support revenue bodies in meeting their current and future challenges.

This chapter highlights some approaches taken by revenue bodies drawing on survey responses, annual reports and other data. The topic was only recently included in the series based on wide interest expressed by revenue bodies seeking to improve their performance in this space. The chapter therefore makes no attempt at making comparisons across time, but instead seeks to present a detailed and accurate picture of the state of play and provide examples and references that may inspire revenue bodies as they assess their current situation and lay out directions for the future. The chapter broadly follows the structure outlined in the HRM chapter in the European Commission's Fiscal Blueprint (referenced in Chapter 1), which sets out a framework to promote "the development of human resources management strategy, policies, systems and procedures that support the achievement of the tax administration's objectives and the development of members of staff through structured training and professional development." The blueprint lays out the key components of a modern and efficient HRM function under the following broad headings:

- ***Strategy:*** Development of human resource management strategy, policies and systems which fully support the tax administration's business strategy;
- ***Autonomy:*** The tax administration is autonomous in making decisions about recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal and retirement;
- ***Policies and practices:*** Human resource policies and practices that motivate, support and protect employees;
- ***Training and development strategy:*** A long-term training and development strategy for employees endorsed at top management level;
- ***Structure and systems:*** An organisational structure and systems to support the delivery of employee training and development needs within the tax administration.

Aspects of HRM Strategy

For this aspect of the information series, revenue bodies were asked a number of questions relating to key elements of their approach to human resources management:

1. Does the revenue body have a formal human resources management strategy/plan?
2. Does it assess current and future staff skills and capability needs, and does it have a plan for filling identified gaps?

3. Does it have formal targets for increasing staff capabilities?
4. Does it periodically survey staff on their attitudes, perceptions and workplace satisfaction, and does it assess staff engagement and motivation?
5. Are the results of any such surveys and assessments shared with staff?
6. Is staff consulted in developing and implementing actions plans in response to such survey and assessment findings?

Revenue bodies were also surveyed on whether they were planning major changes in key areas of policy in relation to human resources management: recruitment, training and development, performance management, reward and remuneration, and plans for dealing with anticipated staff or capability increases or reductions. Other issues raised concerned their degree of autonomy and practices of revenue bodies regarding recruitment and appointments; aspects of staff development, performance management, reward and remuneration; and staff metrics covering overall staff numbers, recruitment, attrition, age profile and qualifications.

Survey responses were supplemented by research of publicly-available strategic plans, annual business plans, and annual performance reports of as many revenue bodies as practicable, and other relevant public documents, as well as a small number of unpublished documents provided by revenue bodies to aid this research. The research aimed to: a) gather insights on key elements of revenue bodies' human resources management practices and priorities; b) highlight selected but by no means all examples of good practice described in revenue body publications, and c) identify opportunities for revenue bodies to consider when reviewing aspects of their human resources management performance.

A summary of responses to the issues raised is provided in Table 4.1. Observations from analysis of responses and related research are set out below:

- A vast majority of revenue bodies (88%) reported having a formal HRM strategy or plan covering some if not all of their activities, and many now report against aspects of this in their annual reports, with a broad range of topics covered including:
  - Recruitment;
  - Staff development skills;
  - Leadership and talent management
  - Staff satisfaction and engagement;
  - Staff achievements;
  - Diversity;
  - Age profiles and demographics;
  - Remuneration and Benefits;
  - Staff numbers/turnover rates;
  - Issues to be faced.
- A large majority of surveyed revenue bodies (90%) have conducted assessments of their current and future skills and capability needs, and have developed plans to fill any gaps in such needs; Box 4.1 sets out some perspectives of one revenue body on its approach in this area and the types of issues receiving attention.

Table 4.1. **Revenue bodies' human resources management (HRM) strategies**

	Aspects of HRM Strategy						Major policy changes planned on	
Country	Formal HRM strategy exists	Capabilities assessed and plan made to fill gaps	Targets set to increase staff capability	Periodic surveys of staff on satisfaction	Survey results shared with staff	Staff consulted on survey findings	Recruitment: **R** Training: **T** Performance: **P** Rewards: **Re**	Plans for staff increase/ reduction
OECD countries								
Australia	✓	✓/1	✓	✓	✓	✓	R/2, T	✓
Austria	✓	✓	✓	✓	✓	✓	R1/, P/2	x
Belgium	✓	x/1	✓	✓	✓	✓	R, T/2, P/3	✓
Canada	✓	✓	✓	✓	✓	✓	R, P/1	x
Chile	✓	✓	✓	✓	✓	✓	T/1, P, Re/1	x
Czech Rep.	✓	✓	✓	✓	✓	✓	P	✓/1
Denmark	✓	✓	✓	✓	✓	✓	-	✓
Estonia	✓	x	✓	✓	✓	✓	-	n.a.
Finland	✓	✓	✓	✓	✓	✓	R, T/1, P	✓/2
France/1	✓	✓	✓	✓	✓	✓	R, T, P, Re/2	✓/2
Germany	✓/1	✓	x	✓	✓	✓	-	x
Greece	✓/1	✓	✓	x	x	x	T, P, Re	✓/2
Hungary	✓/1	✓	✓	x	x	x	T	x
Iceland	✓	✓	x	✓	✓	✓	-	x
Ireland	✓	✓	✓	✓	✓	✓	T/1, P/2	✓/3
Israel	✓	✓	✓	✓	✓	✓	T, P	x
Italy	✓	✓	✓	✓/1	✓	x	R, T, P, Re	✓
Japan	✓	✓	✓	✓	✓	✓	-	x
Korea	✓	✓	✓	✓	x	x	-	x
Luxembourg	x/1	✓	✓	✓	x	x	T, P	x
Mexico	✓	✓	✓	✓	✓	✓	R, T, P	✓
Netherlands	✓	✓	✓	✓	✓	✓	T/1	✓/2
New Zealand	✓	✓	✓	✓/1	✓	✓		x
Norway	✓	✓	✓	✓	✓	✓	-	x
Poland	✓	✓	✓	✓	✓	✓	T/1	x
Portugal	✓	✓	✓	✓	✓	x	R/1	x
Slovak Rep.	x/1	✓	✓	x	x	x	-	x
Slovenia	✓	✓	✓	✓	✓	✓	-	x
Spain	✓	✓	✓	x	n.a.	n.a.	-	x/1
Sweden	✓	✓/1	x	✓	✓	✓	-	x
Switzerland	✓	✓	✓	✓	✓	✓	-	x
Turkey	✓	✓	✓	✓	✓	✓	R, T	x
United Kingdom	✓	✓	✓	✓	✓	✓	T/1, P	✓
United States	✓	✓	✓	✓	✓	✓	R/1	x
Non-OECD countries								
Argentina	✓	✓	✓	✓	✓	✓	R, T, P, Re/2	x
Brazil	✓	✓	✓	✓	✓	✓	T	✓
Bulgaria	✓	x	✓	✓	✓	✓	T/1, Re	✓
China	x	x	x	x	x	x		x
Colombia	✓	✓	✓	x	x	x	R, T, Re	✓
Cyprus	✓	✓	✓	x	x	x	P	x
Hong Kong, China	✓	✓	x	x	x	x	-	x
India	✓	✓	✓	✓	✓	✓	R, T, P, Re	✓
Indonesia	x	✓	✓	x	x	x	T, P, Re	✓
Latvia	✓	✓	✓	✓	✓	x	P	x
Lithuania	x	✓	✓	✓	x	x	T	x
Malaysia	✓	✓	✓	✓	✓	✓	R, T/1, P	x
Malta	✓	✓/1	✓	✓	x	x		x
Romania	✓/1	✓	✓	✓	n.a.	n.a.	T, P	✓
Russia	✓	✓	✓	✓	✓	✓	R/1, T/2, P/3, Re/4	✓/5
Saudi Arabia	✓	✓	✓	x	x	x	R, T/1, P, Re	✓
Singapore	✓	✓	✓	✓	✓	✓		x
South Africa	✓	✓	✓	✓	✓	✓	R/1, T/2, P/3, Re/4	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 164.

Source: CIS survey responses.

Box 4.1. New Zealand: Developing our People Capability

A culture of service and excellence

One of the *IR for the future* priorities is: We retain, develop, and attract high-calibre people with the skills required in the future, enabling a culture of service and excellence.

To build a culture of service and excellence, we need our people to have the right skills and competencies required for the future. Strong leadership is central to delivering our priorities. This year, we introduced leadership expectations to provide our leaders with clarity about what is expected of them. To help embed our leadership expectations and build our desired culture, we are implementing a number of initiatives to empower them. We:

- delivered Making it real leadership forums, focusing on what culture means for leadership behaviour and demonstrating our organisational values as set out in IR for the future
- included leader expectations in our job expectation templates
- aligned our 360° survey tools to the leader expectations and use them to assess leadership development needs
- developed an internal coaching model to help leaders demonstrate required behaviour, develop coaching skills and improve performance
- refreshed components of our leadership framework to reinforce the leadership expectations.

International research shows that engaged employees are more productive, customer-focused and more likely to stay longer with an organisation. An engaged workforce will help us meet our customers' needs and improve compliance.

Planning for our future workforce

We are focusing on developing strengths in key areas to ensure that we have the skills for a successful business transformation. They include designing services in collaboration with users, external stakeholder management and gaining product knowledge of the new technology being introduced. We are developing key areas by:

- conducting an IT capability assessment
- focusing on project resources
- developing and implementing individual development
- planning tools
- strengthening our stakeholder management capability, including introducing a toolkit to support our stakeholder management skills.

This year we have focused on identifying and addressing our future capability requirements. An example of this is our work on the Future Direction of Service Delivery project. We also introduced succession planning at a business unit level to supplement our "critical roles" work at a senior level.

Developing skills and knowledge

To develop high-calibre people now and for the future, we need to provide access to effective and relevant development opportunities. We developed and shared training across priority areas (*e.g.* debt collection, systems training, senior technical knowledge and networking). We also introduced new learning frameworks for customer-facing roles, which has helped us to identify and plan for skill gaps.

We analysed performance needs to ensure our training aligns with our capability priorities. A wider use of on-the-job training and use of online media has ensured our flexibility in responding to the Canterbury earthquakes, and supporting changes in how we deliver our services.

We also led and collaborated with other government agencies to improve our learning management system. The system allows us to share our training resources with other government agencies and helps align planning development with performance goals.

Source: Reproduced with minor adaption from New Zealand Inland Revenue Annual Report 2011.

- A large majority of revenue bodies reported having targets for increasing staff capability, and it is probable (although the question was not asked) that this is closely linked with a higher objective of increasing organisational capability. There is a strong inverse correlation between those countries who are not targeting increasing staff capability and those who are not planning or undertaking major changes in policy in areas of recruitment, training, performance or reward and remuneration *i.e.* those countries who are not planning or undertaking significant changes in these policy areas are most likely not targeting staff capability increases.
- High performing organisations tend to score highly in staff engagement, satisfaction and motivation, sharing the results of surveys of these areas with staff, and involving them in the selection, design and implementation of changes determined to be needed – refer examples in Box 4.2. It is important to note that everyone has a role to play in this – it is not just the responsibility of the senior leadership. Most revenue bodies (81%) conduct periodic surveys of staff satisfaction, although the frequency of surveys varies from twice per year to once every two or three years. Almost all (93%) of those revenue bodies who survey staff also share survey results with staff and most (83% also consult with staff when considering responses to survey findings.
- There is a statistically significant variation between OECD and non-OECD revenue bodies in these aspects of HRM strategy. More than two thirds (68%) of OECD-countries responded positively across all categories in this basket of indicators while the same is only true for a minority (39%) of non-OECD countries. The variation is in large part explained by the fact that a higher proportion of non-OECD revenue bodies do not survey staff on satisfaction, and that those who do survey staff are less likely to communicate findings and engage staff in designing plans to respond to issues identified.

Changes in policy in aspects of HRM within revenue bodies

About two thirds of revenue bodies reported that they have major policy changes planned or underway in at least one of the following key HRM areas: recruitment, training, performance management, and rewards and remuneration (see Table 2.5) – refer Box 4.3 for a number of examples. More than three quarters of these (77%) are planning changes in two or more of these major areas. The most affected area is training (77%) followed by performance management (63%), recruitment (54%), and rewards and remuneration (40%).

In the current budgetary climate it is perhaps not surprising that revenue bodies have less freedom in the area of reward and remuneration, although more innovation in terms of non-monetary rewards might help revenue bodies overcome other HRM challenges. Some examples of such non-monetary rewards are included in the section on reward and remuneration.

Just over 50% of surveyed revenue bodies experienced (sometimes quite significant) reductions in headcount over the last year while only about a third expanded their workforce. Other revenue bodies reported significant budget reductions over recent years or planned for the coming years. For most revenue bodies, staff are the single biggest cost. Reductions in budgets therefore have a significant impact on numbers of staff revenue bodies are able to maintain. To be able to achieve objectives in times of an often increasing scope of responsibility combined with reductions in budgets and staffing levels, an increase in both organisational and individual capability is likely to be required.

Box 4.2. **Measuring staff engagement and satisfaction**

Finland: Job satisfaction in the Finnish Tax Administration is measured using the annual VMBaro job satisfaction survey. VMBaro has been used for seven years and each time the response rate has been high. In 2011, it was 68%. The high response rate and the positive results are explained by the fact that the results are discussed in individual units with staff members and the decisions on areas for development and concrete measures are made jointly by all those involved. In 2011, staff members' opportunities to reconcile work with family life (4.01 in a scale of 1-5), fair treatment by colleagues (3.86) and the challenges encountered at work (3.85) were rated highest.

Since 2005, the biggest improvements have been in the reconciling of work with family life, employer reputation, feedback from supervisors and fair treatment by supervisors. At the same time, there has been a slight decrease in the ability to work independently, opportunity to influence work content, and working facilities and equipment. This may be a result of the fact that regional units have lost some of their autonomy as a result of the introduction of a nation-wide organisation.

Compared with employees in other central government agencies, the personnel rate job security and the overall employer image of the Tax Administration as positive factors. Almost 71% of the respondents would recommend a job in the Tax Administration to their friends.

Results of job satisfaction surveys at the Tax Administration, 2007-11

(Scale 1-5, 1 = very dissatisfied and 5 = very satisfied)

	2007	2008	2009	2010	2011
Supervisors	3.39	3.41	3.45	3.39	3.40
Work content and job challenges	3.69	3.68	3.69	3.64	3.64
Pay	2.80	2.89	2.98	2.91	2.92
Self-improvement	3.32	3.36	3.38	3.24	3.27
Workplace atmosphere and cooperation	3.65	3.65	3.68	3.69	3.69
Physical environment	3.67	3.64	3.62	3.70	3.71
Flow of information	3.21	3.21	3.22	3.20	3.16
Total	-	-	-	-	3.42

* New questions and indices were introduced in 2010. Results are therefore not fully comparable with previous years.

Singapore: IRAS conducts the Organisational Climate Survey (OCS) biennially to gather staff feedback on its development and initiatives. The feedback also helps IRAS to identify areas of improvement to make it a better workplace for staff. IRAS engaged an external consultant – Towers Watson – to conduct the OCS in January 2011 and 95% of staff participated in the survey.

The survey found that 73% of staff are satisfied or very satisfied working in IRAS. This is a 3% improvement over the rate achieved for OCS 2009 and 6% higher than the 2010 Towers Watson Singapore National Norm, which comprises survey results from local and international companies in Singapore.

United States: The US Office of Personnel Management conducts an annual employee survey to obtain feedback on a wide range of workplace issues. Using 11 questions from that survey, the IRS has developed an index that measures employee engagement and is using the index to compare itself to other large Federal agencies with 20 000 or more civilian employees. The target value is for the IRS to remain in the top quartile among the large federal agencies by 2012 based on that employee engagement index.

IRS employee engagement index

Year of employee survey	2006	2008	2010	2011	2012 target
Approx. IRS percentile ranking among large federal agencies	68	46	82	83	75

Source: Reproduced with minor adaption from the Annual Reports (2011) of the Finnish and Singaporean revenue bodies, and the 2011 report of the IRS Oversight Board.

Box 4.3. **Revenue body examples of major HRM policy change**

Belgium: Increased focus on developing capabilities of staff, making sure these are aligned with strategies, improving the quality of training offers, and taking advantage of innovative learning solutions, including e-learning. Key Performance Indicators have been identified starting from a strategy map covering key HR activities across the organisation. When possible these indicators are used to set and evaluate objectives. As from May 2012 the indicators are being actualised in order to reflect modifications in the operational plan 2012-13 and in the strategic plan 2012-17.

Malaysia: Increased requirements for training with 60% of staff required to attend 56 hours of training per year. Performance management is now managed online and supported by a new competence model.

Romania: A HR training plan is being developed. Training and consultancy in specific areas will be developed with support from the World Bank, as part of a multi-year modernisation programme that will include re-organisation of local units and redesign of critical processes. A HR strategy is also being developed to increase productivity, increase voluntary compliance, and reduce the cost of collection.

Finland: Training is planned in accordance with operational and strategic needs. Model study paths help to plan the training. Internet, videos and video conferences are used in training.

Ireland: Government-wide performance management and development framework was simplified in 2012 with further changes (including the competency framework, the ratings system and the role of the independent reviewer) under consideration. Revenue has also developed a new performance measurement system to assist managers in maximising resource efficiencies.

Source: CIS survey responses.

Reductions in headcount also constitute a major HR challenge in itself. There are several elements to this. If the reductions are over and above what can be achieved through expected staff turnover, the revenue body need as a first step to manage both the uncertainties and practical aspects related to this in accordance with the values of the organisation. Significant reductions will also often require careful knowledge management and possibly involve training and/or redeployment of remaining staff. These challenges calls for a systematic approach, and one revenue body (the Netherlands) report having developed a strategy to accommodate projected reductions in staff numbers over the coming years. Measures include hiring restrictions, training and initiatives to support internal mobility, and assistance to find employment outside the revenue body.

Staff recruitment and appointment

Governments in most countries give some autonomy to their revenue body for determining: the numbers and types of staff to be hired; the skills and qualifications required for specific jobs; the duration and types of employment contracts; and the location of staff (see Table 2.6). However, most revenue bodies have autonomy governed by laws or budgetary constraints determined at governmental level, and there is wide variation in the extent of the autonomy. Revenue bodies report most autonomy in location of staff (83%) and skills and qualifications (83%) followed by duration of contract (77%) and finally number and types of staff to be hired (65%). Recruitment freezes were reported by a number of revenue bodies.

Although the rate of external recruitment has declined in many revenue bodies, it remains important to have high quality recruitment processes allowing critical skills and new talent to be brought in when and where it is needed. A number of revenue bodies reported initiatives in this area for this series – Box 4.4.

Box 4.4. Revenue body examples of developments with recruitment practices

Australia: The ATO has recently completed a job profiling project to identify and categorise the work performed by all positions. This has enabled the revenue body to streamline recruitment processes and implement more robust work level standards for each job. It will also help focus manager/employee conversations on performance and identify training requirements. A new rating scale is used to assess applications and interviews, a new candidate assessment template has been introduced, and a recruitment officer provides selection panels with end-to-end client service throughout each recruitment process.

Italy: Recruitment policies have been highly influenced by changes in legislation which recently have been rather restrictive concerning the possibility of public sector agencies taking autonomous recruitment action. Nevertheless, financial laws have allowed the Revenue Agency to hire qualified graduates in support of increasing and improving tax controls. As a result of this recruitment policy, about 8 000 officials have been employed since 2003 (opposed to about 1 100 retired employees per year). The selective procedure takes place through four phases:1) Technical-professional tests: to verify the academic knowledge in a specific subject area; 2) Aptitude tests: to verify candidates' aptitudes and skills, required for professional profile; 3) Apprenticeship: applicants must also serve an apprenticeship period of at least six months in Revenue Agency offices, during which the applicant must demonstrate the ability to apply knowledge in the solution of operational problems and demonstrate organisational behaviours (*e.g.* problem solving, team building, results orientation competencies) so called workplace performance appraisal; and 4) A final oral exam/interview, based on an evaluation of professional preparation, aptitudes and motivations.

During the apprenticeship period, the candidate has access to a blended learning training path, a methodology that combines different modes of learning: classroom training, on-the-job training and training with the aid of computer-based tools (*e.g.* e-tutors, posted blogs of different case-studies related to the Revenue Agency's main activities). At the end of the apprenticeship period the Director of the Office assesses the candidate's suitability for work.

Source: CIS survey responses.

Most surveyed revenue bodies (88%) reported that they are able to recruit staff and make appointments based on clearly defined qualification and experience criteria. A number of revenue bodies reported that whilst requirements are not published, they are assessed prior to any recruitment exercise and used to inform the recruitment process. Some countries (including France, India, Ireland and Luxembourg) have separate recruitment agencies or other mechanisms to manage recruitment for all of the public sector.

Staff development

Most revenue bodies reported they are undertaking staff development in the areas of commercial awareness (77%), risk management (82%) and financial management (77%) – see Table 4.2. About two thirds (68%) of the 40 revenue bodies that are undertaking staff development in the area of commercial awareness utilise networks with external organisations including legal and accounting firms, at least in part to help develop commercial awareness skills of their staff. For instance in South Africa activities like dialogue with large corporates, participation in commercial forums and attendance to presentations of annual financial statements are considered essential in helping technical staff in the large business area understand the climate within which large businesses operate. The "networked" approach to commercial awareness may also be reflected in other areas, although this was not covered by the survey. For instance in Argentina training activities in the area of risk management have been developed in co-operation with other state entities addressing complex risks, including the central bank, police, national security and intelligence.

Table 4.2. **Aspects of staff recruitment and development**

Country	Staff recruitment and appointment		Staff development in areas of			
	Flexibility exists for: No./type of staff hired: **N** Skills and qualifications: **S** Duration of contracts: **D** Location of staff: **L**	Appointments based on merit (*e.g.* skills and experience)	Commercial awareness using networks of externals	Commercial awareness using other initiatives	Risk management skills	Financial management skills
OECD countries						
Australia	N, S, D, L	✓	✓	✓	✓	✓
Austria	N/1, S, D, L	✓/2	x	✓	✓	✓
Belgium	N/1, S, D, L	✓	✓	✓/2	✓	✓
Canada	N, S, D, L	✓	✓	✓	✓	✓
Chile	N, S, D, L/1	✓	✓	x	✓	✓
Czech Rep.	N, S, D, L	✓	x	✓	✓	✓
Denmark	S, D	x/1	✓	✓	✓	✓
Estonia	N, S, D, L	✓	x	✓	✓	✓
Finland	S, D, L/1	✓	✓	✓	✓	✓
France	L/1	x/2	x	x	✓/3	✓
Germany	N/1, D, L	✓	✓	x	x	x
Greece	S/1, L	✓	x	x	✓/2	x
Hungary	/1, D, L	✓	x	x	✓/2	✓
Iceland	N, S, D/1, L/1	✓	x	x	x	x
Ireland	N/1, S, D, L	✓	✓	✓	✓	✓
Israel	S, D, L	✓	x	x	x	✓
Italy	N/1, S, D, L	✓/1	✓	x	✓	✓
Japan	D/1	✓	✓	x	✓	✓
Korea	N/1, D/1, L	✓	✓	✓	✓	✓
Luxembourg	N/1, S/1, D/1, L	✓	x	✓/2	✓	x
Mexico	/1, S, D, L	✓	✓	✓	✓	✓/2
Netherlands	N, S, D, L	✓	✓1	✓/2	✓	✓
New Zealand	N, S, D, L	✓	✓	✓	✓	✓
Norway	N, S, D, L	✓	✓	✓	✓	✓
Poland	S	✓	x	x	✓	✓
Portugal	L	✓	✓	✓	✓	✓
Slovak Rep.	N/1, S/1, D, L	✓	x	✓	✓	✓
Slovenia	S, D, L	✓	x	x	✓	✓
Spain	N/1, S/1, L	✓	x	x	✓	x
Sweden	N, S, D	✓	x	x	✓	x
Switzerland	S	✓	✓	✓	✓	✓
Turkey	N, S, D, L	✓	✓	✓	✓	✓
United Kingdom	S, D, L	✓	✓	✓	✓	✓
United States	N, S, D, L	✓	✓	✓	✓	✓
Non-OECD countries						
Argentina	N, S, D, L	✓	✓/1	✓	✓	✓
Brazil	S, L	✓	x	x	✓	
Bulgaria	N, D, L	✓	x	✓	✓	✓
China	N/1, S, D, L/1	x	✓	✓	✓	✓
Colombia	S, D, L	✓	x	x	✓	✓
Cyprus	L/1	✓	x	✓	✓	✓
Hong Kong, China	S	✓/1	x	✓	✓	✓
India	N/1, S, D, L	x	x	✓	✓	✓
Indonesia	n.a.	x	✓	✓	✓	✓
Latvia	N, S, D, L	✓	✓	✓	✓	✓
Lithuania	N, S, L	✓	x	x	✓	x
Malaysia	N, S, D, L/1	✓	✓	✓	✓	✓
Malta	S, L	✓	x	✓	✓	✓/2
Romania	S, D, L/1	✓	x	x	✓	x
Russia	N/1, S, L/1	✓	✓	✓	✓	✓
Saudi Arabia	N, S, L	✓	x	✓	✓	✓
Singapore	N, S, D, n.a.	✓	x	✓	✓	x
South Africa	N, S, D, L	✓	✓/1	✓	✓/2	✓/3

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 166.

Sources: CIS survey responses.

An interesting development seen in a number of countries concerns revenue bodies partnering with educational establishments for training purposes. Three revenue bodies (*i.e.* United Kingdom, Ireland and Saudi Arabia) reported having worked directly with universities to develop externally accredited training programmes, and an additional revenue body (*i.e.* the Netherlands) reported nurturing a close relationship with a number of universities that offer training in tax and risk management topics – see Box 4.5. Among the obvious benefits of these arrangements is that they contribute to raising the professional standing of the tax profession. This is in line with the overall tendency in some OECD countries to further professionalise the public sector through increased access to university-accredited training in a range of public services professions. One revenue body (*i.e.* Ireland) reported being in the process of identifying appropriate training and accreditation options.

Box 4.5. **Examples of training partnerships**

United Kingdom: HMRC launched its Tax Academy in April 2012. Once fully established, it will provide staff with access to training and externally accredited qualifications up to BA (Honours) degree level. It is the ambition that new tax professional qualifications, underpinned by external accreditation from the Association of Accounting Technicians and Manchester Metropolitan University, will help raise the capability of some 18 000 staff. At the same time, the Academy will provide clearer career options for staff and increase the pool of talent available for recruitment.

Hungary: The revenue body's central office and several of its local directorates have close cooperation with universities. The universities provide opportunities for the professional education of employees. The revenue body cooperates with the universities in the shaping of subjects where it has special knowledge (*e.g.* taxes, customs, and excise duties).

Saudi Arabia: The revenue body has worked with the Institute for Public Administration to develop an advanced two-year taxation programme that qualifies candidates who are holders of a Bachelor's Degree in accounting to work in technical positions (audit) within the revenue body.

Netherlands: Nyenrode Business University has developed a tax assurance programme. A range of other universities also offer courses and programs on risk management strategies. Experts from the revenue body contribute to and participate in these programs.

Singapore: IRAS" training arm, the Tax Academy (TA) has jointly set up the Singapore Institute of Accredited Tax Professionals (SIATP) with the Institute of Certified Public Accountants of Singapore (ICPAS). The SIATP aims to raise the standards of tax practice and the technical competence and capabilities of tax professionals in practice, business and government through accreditation. This initiative reflected IRAS" emphasis on the important role that tax agents play in tax administration especially in the facilitation of tax compliance.

Source: CIS survey responses, UK HMRC 2012-15 business plan, and survey responses concerning the FTA's 2012 project – Engaging and involving SME taxpayers and stakeholders.

Performance management

Almost all revenue bodies (92%) reported that they have performance management systems in place, although close to a third of these (29%) do not set individual objectives for each staff member at the start of the performance period – see Table 4.3. Some of the revenue bodies that already have performance management systems in place reported that they are in the process of improving these. For instance Canada reported being in the process of redesigning performance management policies and tools to shift the emphasis away from paper-based reporting and towards continuous feedback. A number of revenue bodies underscored the importance of relating individual objectives and behaviours to the overall objectives and values of the organisation,

Table 4.3. **Performance management and remuneration**

Country	Performance management			Remuneration	
	A performance management system is in place	Objectives set for all staff at start of performance period	Performance of all staff formally evaluated at least annually	Pay levels tied to public sector pay scales	Flexibility to reward good performance
OECD countries					
Australia	✓	✓	✓	✓/1	✓/2
Austria	✓	✓/1	✓	✓	✓
Belgium	✓/1	x	x	✓	x
Canada	✓	✓	✓	x/1	✓/2
Chile	✓	x	✓	x	✓/1
Czech Rep.	✓	✓	✓	✓	✓
Denmark	✓	x	✓	✓	✓
Estonia	x	x	✓/1	✓	x
Finland	✓/1	x	✓	✓	✓/2
France	✓/1	✓/2	✓/3	✓/4	✓/5
Germany	✓/1	✓/2	✓	✓	✓/3
Greece	✓/1	x	✓	✓	x
Hungary	✓/1	✓	✓	x/2	✓/3
Iceland	x	✓	✓	✓	✓/1
Ireland	✓	✓	✓	✓	x
Israel	✓	✓	✓	✓	✓
Italy	✓/1	x	x	✓	✓/2
Japan	✓	✓	✓	✓	✓/1
Korea	✓	✓	✓	✓	✓
Luxembourg	✓/1	✓/1	✓/1	✓	x
Mexico	✓	✓	✓/1	✓	x
Netherlands	✓	✓	✓	✓	✓/1
New Zealand	✓	✓	✓/1	✓	✓/2
Norway	✓	✓	✓	✓	✓
Poland	✓	✓	x	✓	✓
Portugal	✓	✓	✓	✓	x
Slovak Rep.	✓	x	x	✓	✓/1
Slovenia	✓	x	✓	✓	✓
Spain	✓	✓	✓	✓	✓/1
Sweden	x	x	✓	x/1	✓
Switzerland	✓	✓	✓	✓	✓/1
Turkey	✓	✓	✓	✓	✓
United Kingdom	✓	✓	✓	✓	✓/1
United States	✓	✓	✓	✓	✓/1
Non-OECD countries					
Argentina	✓	✓	✓/1	x/2	✓/3
Brazil	✓	x	✓	✓	x
Bulgaria	✓	✓	✓	✓	✓/1
China	✓	x	✓	✓	x
Colombia	✓	✓	✓	x/1	✓
Cyprus	✓	✓/1	✓	✓	x
Hong Kong, China	✓	✓	✓	✓	x
India	✓	✓	✓	✓	x
Indonesia	✓/1	x	✓	x	✓/2
Latvia	✓	✓	✓	✓	x
Lithuania	✓	✓	✓	✓	x
Malaysia	✓	✓	✓	x/1	✓/2
Malta	✓	✓	✓	✓	✓/1
Romania	✓	✓	✓/1	✓	x
Russia	✓/1	x	✓	✓	✓
Saudi Arabia	x	x	✓	✓	✓/1
Singapore	✓	✓	✓	x/1	✓/2
South Africa	✓/1	✓	✓/2	x/3	✓/4

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 167.

Sources: CIS survey responses.

A large majority of surveyed revenue bodies (90%) review the performance of each staff member at least annually while an additional revenue body (Italy) reviews the performance of staff with management responsibility annually. These performance reviews can be based on any combination of individual objectives, objectives set for a particular team or unit, and overall objectives and values, and the performance review is frequently linked to rewards and remuneration as well as personal development plans. Normally the performance review is carried out by the closest manager, often in dialogue with the individual staff member concerned, but a small number of revenue bodies also reported the use of so-called "360 degree" assessment systems (where an individual's performance is assessed based on input from a wide selection of people with whom the individual interact professionally) – see Box 4.6.

Box 4.6. **Use of 360 degree feedback on employee performance**

In human resources or industrial psychology, **360-degree feedback,** also known as **multi-rater feedback, multi source feedback,** or **multi source assessment,** is feedback that comes from members of an employee's immediate work circle. Most often, 360-degree feedback will include direct feedback from an employee's subordinates, peers, and supervisor(s), as well as a self-evaluation. It can also include, in some cases, feedback from external sources, such as customers and suppliers or other interested stakeholders. It may be contrasted with "upward feedback," where managers are given feedback only by their direct reports, or a "traditional performance appraisal", where the employees are most often reviewed only by their managers. The results from a 360-degree evaluation are often used by the person receiving the feedback to plan and map specific paths in their development. Results are also used by some organisations in making administrative decisions related to pay and promotions. When this is the case, the 360 assessment is for evaluation purposes, and is sometimes called a "360-degree review". However, there is a great deal of controversy as to whether 360-degree feedback should be used exclusively for development purposes,[1] or should be used for appraisal purposes as well.

Source: Wikipedia.

Reward and remuneration

A large majority of revenue bodies (almost 80%) reported have staff remuneration levels tied to wider public sector pay scales. Just over two thirds of revenue bodies (71%) report having some flexibility to reward good performance. The nature of reward mechanisms vary greatly and include individual or collective bonuses; permanent salary raises or promotion; and non-monetary rewards – see Table 4.3.

A number of revenue bodies have a set portion of the total salary budget available for awarding performance bonuses, and bonuses can constitute a significant proportion of total remuneration. For instance in Finland individual bonuses may add up to 48% of basic salary according to the pay scale and in Slovakia they may add up to 100% of basic salary. In some countries (*e.g.* Australia, Canada, France, Italy and Saudi Arabia) individual bonuses are limited to senior staff or staff with special responsibilities, and overall there is a clear tendency to have a larger proportion of the salary for senior staff tied to performance. There is great variation with respect to the frequency with which individual bonuses are paid ranging from a monthly over a quarterly and six-monthly to an annual basis, and in one country (*i.e.* United Kingdom) excellent performance can under some circumstances be promptly rewarded. A number of revenue bodies (*e.g.* Argentina, France and South Africa) reported having collective bonuses based on the performance of the organisation as a whole, and at least one additional revenue body (*i.e.* Chile) indicated that there are collective bonuses that reward the performance of teams or areas. In Argentina, the collective bonus is proportionate to the amount of taxes collected by the revenue body. These collective bonus systems may co-exist with individual bonus systems within more complex reward structures. One revenue body (*i.e.* the Netherlands) reported that its flexibility to reward good performance has been restricted with recent initiatives to limit spending across the public sector.

Many revenue bodies (*e.g.* Australia, Bulgaria, Germany, France, Hungary, Malaysia, Japan, South Africa, Sweden and Switzerland) reported having flexibility to adjust salaries to reward good performance, and often the basic salary is subject to review in connection with the performance review. Some revenue bodies (*e.g.* Australia) report advancement in the pay scalebeing conditional on performance being at least satisfactory, while others (*e.g.* France) reported that advancement in the pay scale can be accelerated to reward excellent performance. In Malaysia, a combination between individual one-off bonuses and permanent salary increases apply, as those who receive salary increases also receive a one-off bonus equivalent to the salary for half a month or a whole month. Similarly a number of revenue bodies (*e.g.* Germany) reported that good performance may be acknowledged with promotions. One revenue body (*i.e.* New Zealand) reported having a remuneration system entirely based on performance – meaning that advancement on the pay scale is conditional on improved performance.

Experience with non-monetary rewards appears quite limited. The United States IRS reported the use of time off (*i.e.* paid leave as bonus) and framed certificates signed by the Commissioner or the Division Commissioner while UK HMRC reported sometimes using publicity and monetary rewards in combination when rewarding innovative ideas for improving processes or services. On this background, it is possible that many other revenue bodies could make more use of non-monetary rewards and consider their potential value also in a change management perspective. Non-monetary rewards reinforce the intrinsic motivation and have the additional benefit of being less sensitive to budget constraints.

Staff metrics: Staff numbers and attrition, age profiles and qualifications

The survey sought limited quantitative data concerning staffing recruitment and departures, and staff age profiles and educational qualifications – see Table 4.4 and the comments that follow.

Staff numbers – attrition

Attrition rates cover a large range across revenue bodies with exceptionally low rates (*i.e.* under 2%) seen in Israel (0.8%), and China, Japan and Malaysia (all 1.3%) and exceptionally high levels (*i.e.* over 12%) in Russia (18.5%), Turkey (14.5%) and the United States (12.5%) – see Table 4.4. However, attrition rates are clustered towards the lower end of the range indicated, with over half of revenue bodies having a rate under 5%, and around two thirds having a rate less than half the maximum observed. The relatively low rates of attrition are most likely the outcome of the difficult economic circumstances prevailing in many countries during 2012, resulting in less external job opportunities for revenue body staff, while revenue bodies themselves have significantly cut back staff recruitment in the face of expenditure cutbacks.

Even more dramatic than attrition rates are the rates of total external staff churn within revenue bodies, *i.e.* the total impact of both external recruitment and attrition – those joining and leaving the organisation. Across the total surveyed population (including only those countries that were able to provide this data) the average churn was 10%, with 10 countries reporting a churn of 15% or more and maximum levels reported by Mexico at 30% and the USA at 31%. Accepting that this can include quite significant number of short term hires, as in the case of the USA this, nevertheless this imposes a huge workload on the organisation. The management and human resources effort needed to provide effective support to bring in and manage out such large proportions of staff cannot be underestimated.

As well as the external churn, revenue bodies have to manage the internal churn – those people who move jobs, get promoted, take career breaks or secondments etc, which adds another significant but here unquantified burden on their HR capacity and processes. The series does not attempt to address this issue for this series, but it cannot be forgotten.

Age profiles of revenue body staffing

Drawing on the data in Table 4.4, there are significant variations between the age profiles of revenue bodies' staff when viewed across different geographical groupings, more than likely resulting from a complex mix of cultural, economic, and sociological factors (*e.g.* economic maturity, recruitment, remuneration, and retirement policies, and rates of morbidity) and suggesting substantial differences in relative levels of experience of revenue body officials across the different groupings. For example;

- Revenue body staff are older in Nordic countries where, on average, around 50% are aged over 50 (including over 56% in Finland) and in many other European countries (*e.g.* Belgium (48.6%), Italy (51.8%), Netherlands (56.8%) and Portugal (49.9%); the United States also shows a large workforce over 50 years (47.9%).
- By way of contrast, staff are considerably younger, on average, in surveyed Asian countries, in South America, and in the Middle East, Russia and South Africa.

	Percentage of staff by age bands			
Country groupings/1	<30 years	30-50 years	50-60 years	>60 years
Regional groupings				
North America (3)	13	52	28	7
South America (4)	6	55	31	8
Europe (27)	8	53	32	7
Nordic countries (5)	6	44	32	18
Russia (1)	29	52	18	1
Middle East (3)	12	71	12	5
South Africa (1)	14	73	11	2
Asia (6)	21	59	20	<1
Pacific (2)	16	52	25	7
OECD Countries (32)	9	54	30	7
Non-OECD countries (16)	14	58	25	3

/1. Data reflects information in Table 3.1 for all countries except India, Israel, Italy and Spain.

Table 4.4. **Staff metrics**

Country	Staffing				Age profile (% within age ranges)				% with degree or equivalent qualification
	At start of FY11	Recruited in FY11	Departures in FY11	Attrition rate % *	< 30 years	30-50 years	50-60 years	> 60 years	
OECD countries									
Australia	21 333	1 671	1 241	5.8	12.4	53.6	28.2	5.8	43
Austria	7 793	140	243	3.1	7.0	54.0	37.0	2.0	54
Belgium	15 598	380	669	4.3	6.1	45.3	44.0	4.6	30
Canada/1	36 399	570	1 770	4.9	5.9	53.2	34.0	6.9	n.a.
Chile	4 053	207	91	2.2	8.3	61.8	20.8	9.0	73
Czech Rep.	14 375	998	1 285	9.0	6.0	53.5	34.5	6.0	39
Denmark	8 353	278	666	8.2	3.9	44.8	35.8	15.4	45
Estonia	1 928	106	193	10.2	14.7	49.4	27.0	9.0	60
Finland	5 466	227	326	6.0	4.6	39.2	39.9	16.3	40
France/1	117 657	2 086	5 588	4.8	4.0	51.0	45.0	0.0	n.a.
Germany	109 442	n.a.	n.a.	n.a.	8.6	48.3	36.0	7.2	51
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	22 835	1 831	1 774	7.8	17.4	61.9	19.3	1.3	59
Iceland	268	17	21	7.9	8.7	39.0	25.8	26.5	50
Ireland	6 076	5	194	3.2	5.1	48.1	42.2	4.6	29 (est.)
Israel	5 566	118	45	0.8	12.4	68.8	4.1	14.7	35
Italy	33 237	1 004	1 051	3.2	1.7	46.5	43.7	8.1	46
Japan	56 773	1 524	753	1.3	15.5	55.9	28.6	0.0	n.a.
Korea	20 150	166	422	2.1	9.2	72.3	18.4	0.0	81
Luxembourg/1	915	20	21	2.3	16.3/2	64.0/2	18.4/2	1.2/2	3.8
Mexico	35 753	3 606	3 641	10.2	23.4	59.7	13.9	2.9	67
Netherlands	29 955	111	1 057	3.6	4.0	39.2	38.3	18.5	27
New Zealand/1	5 621	622	556	9.8	18.6	51.5	21.2	8.6	30
Norway	6 469	296	392	6.1	4.2	50.8	31.4	13.6	42
Poland	49 774	124	840	1.7	14.0	64.0	21.0	1.0	87
Portugal	10 170	391	510	5.0	0.1	50.0	46.1	3.8	42
Slovak Rep.	5 536	394	587	10.8	9.1	55.0	34.1	1.8	78
Slovenia	2 442	2 417	66	1.8	2.9	65.6	29.9	1.6	57
Spain/1	27 880	2 341	2 608	9.4	1.6	51.8	39.3	7.2	38
Sweden/1	9 922	895	775	7.8	6.2	45.8	28.0	20.0	61
Switzerland	1 046	50	54	5.2	10.8	60.4	24.1	4.7	65
Turkey	40 298	2 080	941	2.3	11.3	63.9	23.2	1.6	75
United Kingdom	74 380	4 654	4 169	5.6	11.0	56.1	28.1	4.8	30
United States/1	107 622	9 944	13 294	12.5	8.4	43.7	36.0	11.9	44
OECD ave. (unw.)				5.6	8.9	53.6	30.2	7.3	49.4
Non-OECD countries									
Argentina	23 108	95	371	1.6	5.3	55.3	30.1	9.3	51
Brazil	26 694	318	1 172	4.5	5.2	48.4	37.5	8.9	48
Bulgaria	7 708	283	141	1.8	7.8	65.3	24.7	2.2	77
China	755 000	12 000	10 000	1.3	n.a.	n.a.	n.a.	n.a.	58
Colombia	4 548	295	184	4.0	6.1	55.1	34.3	4.6	63
Cyprus/1	891	19	22	2.5	3.3 (e)	54.3 (e)	37.5 (e)	4.9 (e)	55
Hong Kong, China	2 749	133	95	3.4	7.3	57.3	35.4	0.0	26
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	31 410	835	835	2.7	36.1	54.0	9.9	0.0	51
Latvia	4 176	150	246	6.0	17.6	55.2	23.8	3.4	2
Lithuania	3 585	245	302	8.5	12.2	48.6	33.2	6.0	78
Malaysia	10 086	350	129	1.3	18.6	60.6	20.8	0.0	46
Malta/1	790	42	62	7.9	6.8	56.6	35.8	0.8	n.a.
Romania/1	22 985	336	1 626	7.3	4.7	67.6	25.5	2.3	92
Russia	155 000	18 888	27 909	18.5	29.5	52.0	18.2	0.3	97
Saudi Arabia	1 297	117	28	2.1	15.4	74.2	10.5	0.0	51
Singapore	1 823	150	122	6.6	30.0	52.0	17.0	1.0	66
South Africa/1	14 944	610	648	4.3	13.7	72.7	11.6	2.0	45-55

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 168.

* Attrition Rate= [Number of staff who left during year/(Number of staff at the beginning of the year + Number of staff at the end of the year)/2]

Source: CIS survey responses.

Qualifications

The section on staff development identified an apparent tendency of revenue bodies beginning to partner with universities to provide externally accredited training. Such a tendency would be in line with the overall trend in some OECD countries to further professionalise the public sector through increased access to university accredited training. The proportion of staff with university or degree-level qualifications varies significantly, however, with less than 25% of staff qualified at equivalent to degree level in three revenue bodies, 25-49% in 17 revenue bodies, 50-75% in 18 revenue bodies and over 75% in seven revenue bodies. The average (unweighted) for the 45 revenue bodies able to report this information was 51%-up from 46% in the 2010 edition of the series, although the difference may be accounted for by a range of factors. Encouragingly, there was a particularly high correlation between those revenue bodies reporting both a relatively high proportion of staff with academic qualifications and a workforce that was predominantly comprised of staff under 50 years of age:

	Proportion of staff (%)			
Country	<30 years	30-50 years	Total under 50 years	% with degree or equivalent qualification
Bulgaria	7.8	65.3	73.1	77
Chile	8.3	61.8	70.1	73
Korea	9.2	72.3	81.5	81
Mexico	23.4	59.7	83.1	67
Poland	14	64	78	87
Romania	4.7	67.6	72.3	92
Russia	29.5	52	81.5	97
Singapore	30	52	82	66
Turkey	8.1	71.2	79.3	72

A number of revenue bodies make explicit reference in their annual reports and/or business plans to their strategies and plans to increase overall internal qualification levels, either as a general aim or targeting specific skills. The series will continue to monitor overall tendencies and specific initiatives in this area.

Notes to Tables

Table 4.1. Revenue bodies' human resources management (HRM) strategies

/1. **Australia:** The ATO has recently completed a job profiling project to identify and categorise the work performed by all positions. This has enabled the revenue body to streamline recruitment processes and implement more robust work level standards for each job. It will also help focus manager/employee conversations on performance and identify training requirements. **Austria:** E-recruiting tool under implementation; **Belgium:** Work is ongoing in this area. **Bulgaria:** E-learning is being piloted based on assessment of competences and needs of the administration. Centres for evaluation and development are also being established. **Canada:** Performance management policies and tools are being modernised and redesigned to shift the emphasis away from paper-based reporting and towards continuous feedback. **Chile:** Staff training needs have been identified and training plans developed to achieve higher efficiency levels in work teams.

Training activities have also been evaluated for effectiveness. Changes in Performance Evaluation System aim to advance modernisation, focusing on quality, designing and implementing new tools and practices, and encouraging commitments. Rewards: The Law 20.431 of April 2010 establishes an economic incentive linked to taxpayer satisfaction with quality service, measured by surveyed taxpayers. **Czech Rep.:** Pension reform to be implemented from 2013 includes opt-out agenda. **Finland:** Training is planned in accordance with operational and strategic needs. Model study paths help to plan the training. Internet, videos and video conferences are used in training. **Germany:** HR strategies fall under the discretion of federal states and can therefore differ quite a bit. **Greece:** These functions are under development. **Hungary:** HR strategy under preparation to support overall 2011-15 strategy. **Ireland:** Currently reviewing the market in relation to training delivery and accreditation options. **Italy:** In 2003 and 2007 the Revenue Agency surveyed employees both on the quality of their work organisation and their workplace. **Luxembourg:** Direct taxes only. **Malaysia:** Increased requirements for training with 60% of staff required to attend 56 hours of training per year. Performance management is now managed online and supported by a new competence model. **Malta:** VAT only. **Netherlands:** Training programme on leadership with the goal to better equip managers to fulfil their role in a changing organisation. **New Zealand:** Annual organisation-wide survey applied since 2005. **Poland:** New training programme is being developed. **Portugal:** Changes regarding the allocation of human resources and the integration of careers have been made or are underway following 2012 merger of tax, customs and IT directorates. **Romania:** A HR training plan is being developed. Training and consultancy in specific areas will be developed with support from the World Bank. A multi-annual modernisation programme include reorganisation of local units and critical processes. A HR strategy is also being developed to increase productivity, increase voluntary compliance, and reduce the cost of collection. **Russia:** Regular staff testing and creation of personnel reserve. **Saudi Arabia:** The revenue body has worked with the Institute for Public Administration to develop an advanced two-year taxation programme that qualifies candidates who are holders of a Bachelor’s Degree in accounting to work in technical positions (audit) within the revenue body. **Slovak Rep**.: Strategy in place for 2010-11; **South Africa:** Policy under revision for alignment with other frameworks. **Spain:** The reduction plans for the whole Public Sector exclude the staff devoted to the fight against fraud; **United Kingdom:** Tax Academy launched in April 2012 to provide staff with access to training and externally accredited qualifications up to BA (Honours) degree level. **United States:** As part of a major US government-wide policy change to streamline and simplify government hiring, IRS is re-engineering its hiring processes, including workforce planning process improvements that should better identify and deal with anticipated staff increases and reductions.

/2. **Australia:** The ATO has streamlined its recruitment methodology to provide a consistent, standardised approach to recruitment for processes with less than 20 vacancies. The streamlined approach has significantly reduced the time required to fill vacancies. **Austria:** Focus on outcome-orientation as a new budgetary principle; **Belgium:** Renewed focus on developing capabilities of staff, making sure these are aligned with strategies, improving the quality of training offers, and taking advantage of innovative learning solutions, including e-learning. **Finland:** The number of supporting staff is being reduced according to government productivity programme. At the same time the number of professional staff is being increased to better address compliance risks. **Greece:** New integrated information systems are being introduced. **Ireland:** Civil service performance management and development framework (PMDS) simplified in 2012 with further changes under consideration. Revenue has also developed a new performance measurement and reporting system to assist managers in maximising resource efficiencies. **Netherlands:** Strategy developed to accommodate reductions in staff numbers in coming years. Measures include hiring restrictions; focus on training and internal mobility, and assistance to find employment elsewhere. **Russia:** Development of concept to improve training system. **South Africa:** Capacity programme offered to staff identified as excess or whose roles have changed.

/3. **Belgium:** Key Performance Indicators have been identified starting from a strategy map covering key HR activities across the organisation. When possible these indicators are used to set and evaluate objectives. As from May 2012 the indicators are being actualised in order to reflect modifications in the operational plan 2012-13 and in the strategic plan 2012-17. **Ireland:** Staff numbers have been reduced by 13% since the start of 2009. Revenue has redeployed within the remaining resources to meet business priorities as well as undertaking targeted recruitment and training to replace critical skills gaps. **Russia:** Development of motivation programme. **South Africa:** Changes in performance management processes underway to better align individual objectives with key business priorities, enhance utilisation of performance contributions in people management, and support monitoring and evaluation.

/4. **Russia:** Development of universal system of remuneration for complex types of work. **South Africa:** Move towards pay for performance and flexibility on total package structuring.

/5. **Russia:** Outreach activities directed at scholars and university students.

Table 4.2. Aspects of staff recruitment and development

/1. **Argentina:** Specialist training has developed and scholarships awarded for external courses on specific topics. **Austria:** Autonomy within four-year framework negotiated with Ministry of Finance. **Belgium:** Autonomy within limits of the yearly personnel plan. Fixed-term contracts are possible. Federal selection and hiring agency ensures identical recruitment process across all government bodies. **Chile:** Annual budget and staffing levels authorised by the government and determined by law. Certain staff has legal status which cannot be changed. **China:** Autonomy within levels defined by State Commission Office for Public Sector Reform. **Cyprus:** Flexibility in location of staff if transfers within same town. **Denmark:** Before every recruitment action an assessment of the needed qualifications is conducted. In the screening of applicants a match is sought but there is flexibility to accommodate the best use of the offered qualifications. **Finland:** The number of staff is adapted according to the Finnish national productivity programme. **France:** Staff numbers are determined by the budget law. Requirements to be allowed to pass competitive examinations are determined by law. Geographical location of staff is determined by special commissions. **Germany:** The requirements for some functions are regulated by law. A general trend towards greater flexibility is discernible. **Greece:** The revenue body makes suggestions and reports about the vacancies and its staff needs but the final decision is made by the Ministry of the Interior. **Hong Kong:** The revenue body publishes clearly defined qualification and experience requirements for each job and appoints the most suitable candidate into any position. **Hungary:** The number, types of skills and academic qualifications of staff are stipulated by government decree. **Iceland:** Short term contracts can run for a maximum of two years. The revenue body has some flexibility with respect to deciding the location of staff. **India:** Staff is hired by separate recruitment agencies. **Ireland:** Subject to Government Employment Control on staffing numbers and sanction to fill individual posts. **Italy:** Autonomy in making decisions about the numbers and types of staff to be hired within the given financial constraints. Staff recruitment regulated by laws on public competition. A new recruitment system introduced in 2003 based on assessment of trainees following a six months traineeship. In 2007 an assessment of professional experiences was carried out to allocate employees to the right activities. **Japan:** The revenue body has recruited experts specialised in legal and financial affairs with limited assignment terms. The requirements are published. **Korea:** The revenue body has autonomy to decide types of staff to be hired (within set staff numbers) as well as the length of the contract period for fixed-term appointments. **Luxembourg:** Recruitment is made by a specific government body. The direct and indirect tax administrations can propose the number and type of staff to be hired, but the final decision is made by the minister of finance/cabinet. **Malaysia:** The creation, grading and revocation of post in IRBM require the approval from Ministry of Finance and Public Service Department. **Malta**: Training in financial management for direct tax area. **Mexico:** Authorisation from an external government agency is required to modify the number and type of staff. **Netherlands:** Nyenrode Business University has developed a tax assurance programme. A range of other universities also offer courses and programmes on risk management strategies. Experts from the revenue body contribute to and participate in these programmes. **Romania:** Permanent contracts is the norm. Decisions about the geographical location of staff are subject to approval from the MOF. **Russia:** Automomy regarding numbers of staff within the limits set by legislation. Duration of contracts regulated by legislation. **Slovak Rep.:** Staffing levels determined by MOF. Conditions for admission into the civil service established by law. **South Africa:** Technical staff within the large business area need to understand the economic, commercial and business climate within which large businesses operate. This has been achieved through dialogue with large corporates, participation in commercial fora, attendance to presentations of annual financial statements for large corporate, monitoring of the economic environment, training, and international cooperation. **Spain**: Number and skills of the staff coordinated with the Ministry of Finance. Contracts are virtually permanent due to legal requirements for recruitment to the public sector. Only a small number of staff (not specialised) are hired temporarily.

/2. **Austria:** Revenue body publishes clearly defined qualification and experience requirements for each job and appoints the most suitable candidate into any position. **Belgium:** Training focused on professional awareness (conflict management) rather commercial awareness as such. **France:** Appointments of most suitable staff are only made for some local offices and for specific positions. **Greece:** Tax officials are trained in tax audit software. **Hungary:** Training in risk management methodology (basic and advanced) offered to staff. **Luxembourg:** Indirect taxes only. **Mexico:** Training programmes established with legal and accounting organisations as well as universities. **Netherlands:** Commercial awareness is central to the strategy and offered as part of the in-house training portfolio. **South Africa:** SARS believe that all staff has the ability to identify risk; key to this philosophy is the belief that staffs within each functional area know their area well. However, they need to be transitioned out of their comfort zones, to realise that what they see in their area affects other areas within the organisation. Staff members are therefore sent on technical tax and systems interventions.

/3. **France:** Specific trainings have been set up. **South Africa:** Training in financial management provided to some line and senior managers. Training for team leaders is being implemented.

Table 4.3. Performance management and remuneration

/1. **Argentina:** The performance appraisal process focus on capacity and commitment to overall objectives rather than individual objectives. **Australia:** Pay scales are determined in accordance with a framework of remuneration policies provided under the Australian Public Service Bargaining Framework. Agencies are (subject to parameters established in the framework) able to negotiate productivity-based salary increases to meet their business needs. **Austria:** Clear objectives or at least clear performance expectations are established for all staff at team level. **Belgium:** Under development. **Bulgaria:** Basic wage review is based on annual performance assessment. Additional bonuses are dependent on quarterly evaluation of individual and collective contribution. **Canada:** Pay scales are generally closely aligned with those of the core public service, although they are not tied directly to these. The rates of pay are determined through review of market conditions (taking into account the pay rates provided by the core public service) and are negotiated through collective bargaining processes. **Chile:** Annual collective bonuses for teams or areas which achieve objectives shared between staff with satisfactory performance. **Colombia:** Revenue body officials have a 26% premium over the normal public sector pay scales. Additionally, officials working in the areas of tax auditing and debt collection get an additional 10% over their salary. **Cyprus:** Only for some functions. **Estonia:** Activity-based costing and work time management system (in some area branch). Goals and objectives are set but not all of them are clearly measurable. Annual performance appraisal. **Finland**: Performance targets are set on the office level and not as personal objectives. Annual performance evaluation for all staff. **France:** For executives only. **Germany:** The systems differ across federal states. **Greece:** System is under development. **Hungary:** The performance management systems for staff and for the revenue body as a whole are not linked. **Iceland:** Some flexibility to reward good performance. **Italy:** Performance evaluation only regards managers and team leaders. A capability model describes skills, knowledge and abilities of managers. In 2008 an assessment of key competences (problem solving, achievement orientation, initiative, and teamwork capability) was conducted among the 2 000 staff with management functions. **Indonesia:** New performance management system (aligned with strategic objectives) is under development. **Japan:** Salary is adjusted based on performance in preceding year. Possibility of one-off bonus when objectives have been achieved over six months. **Luxembourg:** The objectives are fixed for each different tax. AED has to deal with or for each tax office/department, but nor for each staff member. **Malaysia:** Pay scales have differed from general public sector pay scales since the revenue body became an independent statutory body. **Malta:** A number of incentive schemes are applicable to reward good performance in the tax area. In the VAT area such incentives apply for higher grades only. **Mexico:** Performance assessments include self evaluation, assessments by line manager, clients, colleagues and subordinates as well as workplace satisfaction survey and the contribution to fulfil business objectives. **Netherlands**: Flexibility to reward good performance, although this has been restricted with recent initiatives to limit spending across the public sector. **New Zealand:** The remuneration system is performance-based, *i.e.* the only way staff can progress through their pay range is by improving their performance level. **Saudi Arabia**: Flexibility to reward good performance is available to management as it has the authority to approve extra payments of up to three months of employees' basic salaries for awarding good performance. **Singapore:** The revenue body has its own scheme of service and a set of salary pay grades which are benchmarked to the jobs market. **Slovak Rep.:** Performance bonus of up to 100% of basic salary. **South Africa:** Performance management system operates at both organisation and individual levels with organisational objectives reflected in individual objectives. **Spain:** A performance-related bonus is paid in a monthly basis and re-evaluated at the end of the year taking into account the objectives set in the annual plan. **Sweden:** Public agencies negotiate and decide on employment conditions within a collective bargaining framework. Salary growth must be effective and carried out inside the budget. The aim is to be able to recruit, develop and retain staff with adequate skills. Salaries are set or adjusted taking into account qualifications, experience, nature of the tasks performed, actual performance, and the market situation. **Switzerland:** Salaries are adjusted according to goal achievements and the reach of objectives. **United Kingdom:** Flexibility to reward good performance (achievement of annual objectives and display of appropriate behaviours) with bonuses. One-off excellent or meritorious pieces of work can also be promptly recorded and rewarded. Innovative and effective ideas for improving processes and service or for reducing the cost of a process can be recognised with a monetary reward and publicity. **United States:** Awards consist of performance awards, special act awards, quality step increases, time off awards, and non-monetary Commissioner and Division Commissioner framed certificates.

/2. **Argentina:** Separate agreements for customs officials and for tax and social security officials. **Australia:** Annual advancement within the pay scale is available provided performance and other related factors are at least satisfactory. Staff at the Senior Executive Service level are eligible for performance-based pay, which is paid as a one-off bonus proportionally linked to the rating achieved through the performance appraisal process. **Canada:** Performance pay is only available to executives, managers and senior HR practitioners. **Finland**: Performance bonus of up to 48% of basic salary. **France:** Objectives set for all employees, but measurable only for some of them. **Germany:** An appraisal interview is conducted with every staff member or civil servant annually. **Hungary:** The revenue body has its own pay scales, although these are influenced by the scales for the rest of the public sector with remuneration depending on qualifications and experience. **Italy:** Flexibility to reward good performance only extends to managers and team leaders. **Indonesia:** Some flexibility to reward good performance. **Malaysia:** Annual salary adjustments of 7-8% for outstanding performers compared to 6% average. Those who receive upwards adjustments also receive a bonus equivalent to the salary for half a month or a whole month. **New Zealand:** A limited number of bonuses are awarded for exceptional short-term performance. **Singapore:** The remuneration system is tied to the performance of individual staff as well as the organisation. The quantum of payment is also tied to the organisation's ability to pay. Appropriate payments are made year-on-year to staff and the payments will fluctuate, reflecting the performance of both organisation and staff. **South Africa:** Individual performance is reviewed quarterly (senior managers on a six monthly basis) and evaluated at least twice a year.

/3. **Argentina:** There is a variable remuneration called *Account of Hierarchy*. This account consists of a 0.70 of the total amount of AFIP's tax collection. To the corresponding monthly total amount, firstly 24 is withdrawn as employer's social security contributions, to the amount obtained 5 is withdrawn for the payment of an incentive for the effective provision of the service and the remainder is divided into two subsections: a) general part and b) selective part which effect employee assessment and determines amount received. **France:** Performance evaluated during an annual meeting with the nearest manager. **Germany:** Good performance can be remunerated by premiums and acknowledged in the context of promotions and assessments. **Hungary:** Good performance can be rewarded with a one-off bonus or salary adjustments. **South Africa:** Benchmarking is done to ensure market-related pay scales are applied for all jobs.

/4. **France:** Remuneration of civil servants (including pay scales and allowances) defined by law. **South Africa:** Flexibility to reward good performance with bonuses and salary adjustments.

/5. **France:** Individual bonus system in place for senior staff and collective system in place for all staff. Line managers may also reward indivual staff with accelerated step advancement.

Table 4.4. Staff metrics

/1. **Canada:** Indicators are based on the indeterminate employees only. **Cyprus:** Figures includes staff from both direct and indirect taxes. Number of staff qualified at degree equivalent is calculated as average for direct and indirect tax areas. **France:** Number of aggregate staff covers both fiscal and public accountancy functions of the Finance Ministry. **Luxembourg:** Number of staff qualified at degree equivalent is calculated as average for direct and indirect tax areas. **Malta:** Number of staff qualified at degree equivalent is calculated as average for direct and indirect tax areas. **New Zealand:** Data is for all staff, tax and non-tax. Numbers given are actual headcount rather than sum of FTE. The first three questions count only permanent staff (excluding fixed-term contracts). The age profile staff numbers includes all permanent and fixed-term staff. **Romania:** All the figures include the National Customs Authority and the Financial Guard. **South Africa:** Employee totals include permanent and exclude temporary employees. **Sweden:** Figures refer to employees on permanent contracts. **Spain:** The Average age of the Tax Agency staff is 47 years. **Spain**: Only 36% of staff must have a degree to occupy their post but most staff have a degree. **United States:** A large number, 18% (19 757) of total staff (107 622) are seasonal staff that for the most part support specific tax season requirements. A majority of yearly hiring, 61% (6 055) of the 9 944 employees recruited represent the normal yearly hiring requirements for seasonal staff. Because of the fluctuation with seasonal staff, 42% (5 525) of the 13 294 employees who left the revenue body in 2011 separated after their seasonal rotation.

/2. **Luxembourg:** Indirect taxes only.

Chapter 5

Resources of national revenue bodies

This chapter provides summary data and analyses concerning the resources used for tax administration and, where applicable, other revenue body roles.

Key points and observations

Government mandates to cut costs of operations

- Revenue bodies in many countries have been directed to cut their administrative costs as part of fiscal consolidation efforts, for some requiring significant staffing reductions.

Aggregate salary and IT costs

- Aggregate salary costs vary enormously from just under 50% to over 90% of aggregate administrative costs; a factor explaining the relatively low salary costs in some revenue bodies (e.g. Italy and New Zealand) appears to be the significant use of outsourcing for IT and/or other services).
- IT-related costs (both salary and other administrative costs) are a significant component of the overall expenditure budget of many revenue bodies; across all revenue bodies, total IT-related costs were reported by 18 revenue bodies as exceeding 10.0% in 2011 (including 10 that consistently report amounts in excess of 15%).
- Revenue bodies reporting consistently high levels of IT expenditure (as a share of total expenditure) score fairly highly across a series of performance-related measures calculated and reported in other parts of this series (i.e. e-filing (Tables 7.1 to 7.3), e-payment (Table 7.4), average staffing (Table 5.5), total administrative costs/GDP (Table 5.4), total costs/net revenue (Table 5.3), and average debt levels (Table 6.16).

Expenditure and staffing related ratios

- Cost of collection ratios vary widely across revenue bodies, significantly influenced by structural and other factors unrelated to relative efficiency, of the kind described throughout this series (e.g. a country's legislated tax burden and the taxes collected).
- For the vast majority of revenue bodies, there is a decreasing trend in their respective ratios up to 2007/08 followed by a significant decline in 2009 in the aftermath of the global economic crisis; for many of these revenue bodies, the ratio improved in 2010 and/or 2011 but remains beyond the level attained in 2007.
- The computed ratios for tax-related expenditure as a proportion of GDP vary significantly but there is a concentration of revenue bodies with a ratio in the region of 0.15 to 0.25% of GDP for most/all of the period covered.
- Staffing ratios (e.g. number of citizens or labour force members/FTE) vary enormously across OECD countries due to structural and efficiency related factors.
- There are significant variations in the relative distribution of staff resources across key functional groups, more than likely resulting from a complex mix of factors, and point to the need for substantial care when undertaking detailed cross-country benchmarking exercises.

Outsourcing of tax administration-related activities

- Outsourcing is used widely for some tax administration tasks, in addition to the provision of IT services; interesting initiatives are noted concerning debt collection (Australia) and the provision of HR administrative support services (New Zealand and United Kingdom).

The resources of national revenue bodies

The overall level of resources allocated for tax system administration is an important and topical issue for many governments, their revenue bodies, and external observers. All governments have limits on the funds at their disposal for public sector administration (including for revenue bodies) and many are actively seeking to reduce public sector costs. For their part, revenue bodies must decide how to make optimal use of the funds allocated to them to administer the laws in the most efficient and effective manner. As noted earlier in this series, most revenue bodies have some flexibility in deciding how their available funding is used for carrying out their responsibilities. Where this flexibility exists, resource allocation can be a critical part of a revenue body's planning, enabling resource shifts to be made to meet newly emerging priorities.

This chapter provides a relatively detailed account of the aggregate resource allocations made to revenue bodies to carry out their mandate, an array of comparative analyses and trend data, and some insights on expected developments in staffing, in particular for those revenue bodies where Government decisions have been taken to improve efficiency and/or downsize operations. Various ratios/indicators, etc., are presented as some of these are used regularly in international comparisons of tax administration systems. Given the "comparative" nature of this series, every effort has been made to validate the accuracy of the information displayed, while steps have been taken to exclude (where practicable) from relevant tabulations those revenue body resources attributable to non-tax functions, a topic dealt with at the end of the chapter. For the reasons outlined, 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. Further background on resource management issues in revenue bodies can be found in the FTA note "*Working smarter in structuring the administration, in compliance, and through legislation*" published in January 2012 (*www.oecd.org/dataoecd/53/6/49428209.pdf*).

Impacts of recent Government decisions on revenue bodies' budgets

At the time of planning the preparation of this edition, it was generally known that governments in many countries were taking steps to reduce their public sector costs, in some cases by fairly significant amounts. As large employers, revenue bodies are prime targets for expenditure reduction efforts, with potential impacts on their service delivery and compliance programmes, not to mention the consequences of managing the human resource management aspects in achieving large reductions in staffing. The survey accordingly sought details of any expenditure reduction policies that were in place to gain some insight as to their scale and how they were being realised. Details of some the policy initiatives reported are set out hereunder:

- ***Australia*** reported that the Government applies an annual reduction to the funding of most departments and agencies (including the ATO) to promote improved productivity, known as the "efficiency dividend". In addition to an ongoing efficiency dividend of 1.5%, the Australian Government is implementing an additional, one-off efficiency dividend of 2.5% in 2012-13, giving 4% overall for 2012-13.

  The ATO monitors recruitment and overall staffing levels to maintain a sustainable workforce, and is also reviewing and prioritising its capital investment plans for 2012-13. It will continue to manage staffing levels through natural attrition and ensure that any recruitment activities source staff of appropriate levels and employment types (for example, casual) for the work required. This strengthens the flexibility of the ATO's workforce, ensuring that performance targets and commitments can be achieved, whilst maintaining an appropriate level of responsiveness. The ATO also maintains a focus on administrative spending to ensure that a balanced end of year position is achieved. Focus areas include: accommodation holdings, competitive procurement processes, discretionary supplier expenditure, including travel and consultancies, considering the requirement to fill the roles left vacant by departing staff (natural attrition), reviewing the required APS classifications required for work types to ensure the right level for the right work, containing the number of non-ongoing and casual staff and utilising them to focus on seasonal workload peaks, and reviewing and reducing other supplier expenditure wherever possible. By focusing on these strategies, the ATO believes it will be able to target savings to minimise the impacts of the cuts on core service delivery, compliance activities and revenue collection commitments.

- Staffing of the ***Austrian*** tax administration-around 7 700 FTEs in 2011-has to be reduced by 600 FTEs by 2016; the administration is also required to absorb about 400 FTEs from other administrations in the next year.
- ***Canada*** reported that for 2010-11, departmental budgets, including the CRA's, were not adjusted to fund wage increases that took effect after April 2010 (Budget 2010 measure). Departments and Agencies were required to reallocate from the remainder of their operating budgets to fund these increases. Furthermore, for 2011-12 and 2012-13, operating budgets of departments are frozen at 2010-11 levels. Practically speaking, this means that CRA's salary and operating budgets were frozen at their 2010-11 levels for both 2011-12 and 2012-13. Combined with other identified operating pressures, the CRA has estimated an impact of around 4% of its budget by 2012-13. In line with normal practice when faced with unfunded operating pressures, it undertook a targeted internal review to identify opportunities for cost savings and resource realignment. It also examined ways to ease demand in key workload areas. The resulting cost containment plan identified opportunities to realign existing resources in ways that would minimise impact on core programmes and staff.
- ***Denmark*** indicated that as part of a MOF downsizing plan, it is required to reduce staff by almost 25% from 2007 to 2013, ending up with 6 500 full-time employees in total (currently 7 589). This reduction will be achieved primarily through natural retirements, while the general service level will be maintained through increased automation, incremental increases in efficiency and taxpayer demand management.
- Expenditure reduction targets set for ***France***'s tax administration translated into reductions of 2 471 FTEs in 2009-10 and 2 902 FTEs in 2010-11.
- ***Ireland's*** Revenue reported that the Government has set Employment Control Framework (ECF) targets as part of its overall policy to reduce Public Service staff numbers. It has been set a staff target of 5 467 by end-2015, a 17% reduction – by 1 March 2012, staffing had reduced to 5 732, a 13% reduction since 2008. Revenue has reviewed this requirement as part of a comprehensive review of expenditure and considers that it can reach this target but over a slightly longer period – by around 2015/16-provided it is allowed to recruit openly and from within to replace skills at the same time it is reducing numbers.
- ***Mexico***'s tax and customs administration faced an 8% reduction in administrative staffing in 2010 and a further 4% by end-2011.

- The ***Netherlands Tax and Customs Administration*** reported that it is required to reduce budget by EUR 400 million by the end of 2015, equivalent to around 12% of its 2010 budget. Savings will be achieved through efficiency gains (EUR 240 million) and changes in legislation that lead to simplification of tax administration proceses and tasks (EUR 160 million). In addition, a reinvestment programme has been approved by parliament: EUR 157 million will be invested in hiring and educating staff for targeted compliance activities.
- The ***United Kingdom's HMRC*** reported that it is required to reduce staffing levels by the equivalent of 10 000 FTEs over a 4 year period to end March 2015. Over the four years, covered by the review, HMRC will also reduce its overall spending by 25%, with the administration budget reduced by 33%. However, Government Ministers have agreed to "reinvest" £900 million of these gross savings over the four years to transform HMRC's work against avoidance, evasion and criminal attack. In return, HMRC has a target to raise an extra £7 billion a year in revenue by 2014/2015.

Overall tax administration expenditure

This part focuses on the aggregate level of expenditure of revenue bodies (all categories of expenditure) to carry out their tax and other mandated responsibilities. For comparison purposes, efforts have been made to separately identify the resources used (and costs of) tax and non-tax related functions. A number of ratios are used to make relative comparisons across surveyed bodies countries – where relevant, any known abnormal factors influencing the ratios for individual countries are also identified. Separate expenditure information is also provided in respect of information technology operations and human resource management (covering both tax and non-tax responsibilities. For these areas of revenue bodies' operations, the survey sought data concerning:

- *Information technology operations:* Actual or estimated costs of providing all information technology support for administrative operations (incl. non-tax roles).
- *Human resource management functions:* Actual or estimated costs of providing all human resource management support functions (*e.g.* personnel, payroll, recruitment, learning and development) for administrative operations (incl. non-tax roles).

Aggregate Tables A.4 to A.6 located in the Annex A of this series set out for a seven year period (2005 to 2011) categories of aggregate expenditure data reported by revenue bodies for this and prior series. Table 5.1 sets out relative aggregate salary expenditure data for all years to display trends, while Table 5.2 similarly displays relative total expenditure attributable to the use of information technology (IT) (2007 to 2011), and HRM expenditure (2010 and 2011). The key observations are as follows:

Aggregate salary expenditure

- Aggregate salary costs vary widely within a band of 60-90% of aggregate administrative costs for the vast majority of revenue bodies;
- Viewed over the seven year period (2005-11), aggregate salary costs as a share of total administrative costs for OECD countries averaged around 72% from 2005 to 2009 but declined sharply by 6% (absolute) in each of 2010 and 2011, most likely reflecting the impacts of Government-mandated reductions in staffing and/or efficiency gains from automation and internal re-organisations initiatives, etc.;

Table 5.1. **Salary expenditure/total expenditure-tax administration**

	Salary expenditure/total expenditure for all tax administration and support functions (%)						
Country	2005	2006	2007	2008	2009	2010	2011
OECD countries							
Australia	69.5	70.6	71.3	59.6	62.3	62.1	63.1
Austria	80.3	80.2	82.2	63.2	67.5	80.0	80.3
Belgium	79.4	82.5	81.7	81.9	81.7	82.9	81.4
Canada	76.6	79.7	77.0	77.2	78.9	76.7	77.8
Chile	80.8	80.4	78.1	78.4	80.3	81.8	83.3
Czech Rep.	76.4	75.6	78.7	60.3	59.8	81.7	72.1
Denmark	67.2	67.2	68.5	n.a.	n.a.	78 2	77 6
Estonia	70.7	72.3	75.9	76.5	77.3	78.4	76.5
Finland	68.5	66.7	65.2	64.9	64.4	65.6	64.5
France	78.6	79.3	79.1	81.3	81.1	81.5	80.8
Germany	84.3	84.3	83.3	83.7	82.3	81.3	81.6
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	80.8	83.3	80.0	61.6	71.4	48.5/1	51.7/2
Iceland	n.a.	n.a.	n.a.	53.6	52.7	65.6	69.4
Ireland	73.3	70.9	71.5	68.5	71.7	72.6	74.9
Israel	n.a.	n.a.	n.a.	87.5	87.9	68.2	68.3
Italy/1	66.2	68.8	69.5	56.5	56.4	44.8	46.0
Japan	80.2	80.5	81.1	80.7	80.8	80.5	80.7
Korea	68.0	67.5	66.5	64.0	63.6	61.9	64.4
Luxembourg	84.0	84.7	81.5	80.0	81.3	83.6	82.9
Mexico	84.0	84.2	82.5	82.4	83.1	88 9	85 2
Netherlands	59.9	61.2	64.0	65.5	67.1	70.6	72.0
New Zealand	61.9	62.2	63.0	62.5	64.3	59.9	59.2
Norway	59.9	60.3	63.1	64.0	65.2	66.4	68.5
Poland	73.6	74.5	71.8	71.7	72.8	80.4	81.7
Portugal	80.6	80.9	79.4	79.0	81.0	81.9	80.3
Slovak Rep.	43.5	47.4	49.6	n.a.	n.a.	50.9	44.8
Slovenia	67.4	59.8	68.5	68.4	68.3	65.7	66.3
Spain/1	66.6	67.0	67.1	68.5	73.1	71.7	72.2
Sweden/1	70.5	71.9	69.6	65.3	69.0	69.5	68.4
Switzerland	90.2	89.7	90.6	90.6	89.4	94.0	92.6
Turkey	64.9	65.9	68.4	67.6	66.1	71.2	71.7
United Kingdom	63.0	60.1	61.2	58.8	55.2	54.4	57.1
United States	71.5	71.3	71.5	70.4	71.5	71.6	72.9
OECD ave. (unw.)	72.3	72.6	72.9	70.8	71.9	66.9	66.9
Non-OECD countries							
Argentina	90.7	90.1	94.2	94.7	95.3	95.8	96.9
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	60.1	59.8
Bulgaria	59.2	68.5	76.0	76.6	85.1	81.7	80.6
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	76.4	75.8
Cyprus	n.a.	n.a.	n.a.	71.0	78.1	81.4	81.8
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	86.6	88.9
India	n.a.	n.a.	n.a.	57.5	65.5	66.0	61.3
Indonesia	n.a.	n.a.	n.a.	31.7	37.3	65.0	50.5
Latvia	66.7	61.0	61.5	72.4	68.9	58.6	65.6
Lithuania	65.5	71.2	68.6	73.1	77.8	79.6	78.9
Malaysia	66.4	63.1	67.3	51.2	39.2	79.2	82.4
Malta	62.2	63.0	66.7	66.7	60.0	68.0	73.9
Romania	72.7	75.0	76.5	85.9	97.1	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	66.5	68.2	74.4	71.8
Saudi Arabia	81.4	79.4	82.8	80.9	79.2	n.a.	n.a.
Singapore	59.6	55.4	58.2	58.9	55.0	52.8	55.3
South Africa	58.1	57.2	60.9	56.6	53.1	n.a.	n.a.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 191.

Source: CIS survey responses.

Table 5.2. **IT and human resource management expenditure (% of all expenditure)**

	Total IT expenditure/total revenue body expenditure %					Total HRM costs/total expenditure %	
Countries	2007	2008	2009	2010	2011	2010	2011
OECD countries							
Australia	19.5	21.7	22.9	21.7	21.5	5.3	6.0
Austria	6.9	12.1	10.4	13.5	15.4	5.0	5.0
Belgium	7.7	8.4	7.8	6.4	6.1	n.a.	n.a.
Canada	8.4	11.4	12.6	11.3	10.5	1.9	1.9
Chile	5.1	5.5	5.2	5.6	5.7	3.2	3.4
Czech Rep.	13.4	13.8	13.7	3.4	20.4	0.5	0.5
Denmark	15.1	14.5	16.2	14.5	14.8	2.1	1.9
Estonia	n.a.	13.8	11.5	11.5	15.8	1.5	2.6
Finland	21.4	18.3	20.0	n.a.	27.5	n.a.	n.a.
France	5.3	4.1	4.2	3.6	3.6	n.a.	n.a.
Germany	5.3	5.7	6.4	6.5	6.5	1.3	1.3
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	11.7	13.3	12.0	4.8	5.2	1.6	2.9
Iceland	n.a.	29.8	30.4	16.4	16.8	n.a.	n.a.
Ireland/1	11.8	n.a.	n.a.	13.6	10.2	1.3	1.4
Israel	n.a.	8.4	8.8	5.0	5.2	1.3	1.2
Italy	3.9	5.0	4.9	4.6	5.2	3.8	3.9
Japan	8.5	8.1	8.3	8.5	8.6	0.04	0.05
Korea/1	6.4	8.0	6.3	8.8	7.1	0.7	0.7
Luxembourg	n.a.	4.9	5.5	2.1	3.6	0.02/1	0.02/1
Mexico	4.5	4.5	3.9	4.1	4.1	1.2	1.0
Netherlands	24.7	19.1	18.1	16.2	14.2	2.5	1.9
New Zealand	20.0	21.4	19.2	24.5	22.5	1.5	1.6
Norway	19.9	22.4	21.0	21.9	20.8	2.2	2.3
Poland	n.a.	5.1	2.8	1.4	1.6	0.1	0.4
Portugal	1.7	2.5	2.4	1.4	1.2	n.a.	n.a.
Slovak Rep.	13.6	n.a.	n.a.	8.6	15.5	0.9	0.8
Slovenia	7.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain/1	n.a.	5.3	4.6	5.7	5.6	n.a.	n.a.
Sweden	17.0	17.0	19.5	16.8	17.7	n.a.	n.a.
Switzerland	9.4	8.2	8.9	2.0	2.6	0.7	0.7
Turkey	3.8	6.2	3.6	0.8	2.2	n.a.	n.a.
United Kingdom	n.a.	23.3	21.2	20.3	22.8	1.7	1.6
United States	15.1	15.8	14.9	15.4	15.0	2.0	1.8
OECD ave. (unw.)	11.1	11.9	11.6	9.5	11.0	2.0	2.1
Non-OECD countries							
Argentina/1	1.5	1.1	0.7	0.6	0.8	0.04.	0.1.
Brazil	n.a.	n.a.	n.a.	16.2	15.5	n.a.	n.a.
Bulgaria	n.a.	1.9	n.a.	0.6	2.4	1.2	1.2
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	3.4	3.5	1.1	1.3
Cyprus	n.a.	n.a.	n.a.	2.3	3.0	0.7	1.1
Hong Kong, China	n.a.	n.a.	n.a.	9.1	9.6	1.2	1.3
India	n.a.	n.a.	n.a.	7.0	7.1	0.1	0.3
Indonesia	n.a.	n.a.	n.a.	4.2	1.5	n.a.	n.a.
Latvia	n.a.	9.5	14.8	13.3	9.8	5.0	4.9
Lithuania	11.9	10.6	6.7	7.3	7.8	1.1	0.9
Malaysia	4.0	12.0	27.5	5.9	2.4	2.7	3.0
Malta	n.a.	8.3	7.9	0.2	0.2	0.6	0.6
Romania	n.a.	n.a.	n.a.	n.a.	2.7	n.a.	n.a.
Russia	n.a.	6.7	5.7	5.9	6.9	1.8	1.8
Saudi Arabia	3.4	1.2	6.7	n.a.	n.a.	n.a.	n.a.
Singapore	32.3	31.3	33.8	40.4	39.4	1.5	1.7
South Africa	n.a.	4.7	4.5	n.a.	n.a.	n.a.	n.a.

For notes indicated by “/ (number)”, see Notes to Tables section at the end of the chapter, p. 191.

Source: CIS survey responses.

- A number of revenue bodies reporting relatively high salary costs also report relatively low amounts of expenditure on IT and/or relatively large local office networks, low e-filing usage, use of manual payment methods for taxpayers and/or limited use of data processing centres/call centres, *e.g.*

Country	% of total costs in 2011		Size of local office network	Electronic filing take-up (overall) *	Manual payment methods (*i.e.* mailed cheques) are used	Data processing centres (DPC)/call centres (CC) are used
	Salary	IT				
Argentina	96.9	0.8	n.a.	✓✓	n.a	Very limited
Belgium	81.4	6.1	1 182	✓	✓✓	Minor usage
Bulgaria	80.6	2.4	23	✓	n.a.	One small CC
Cyprus	81.8	3.0	15	xx	✓✓	Very minor
France	80.8	3.6	1 500	x	✓✓	Extensive (both)
Germany	81.6	6.5	551	xx	✓	Extensive DPC
Japan	80.7	8.6	524	x	✓	None reported
Luxembourg	82.9	3.6	83	xx	✓✓	DPC only
Malaysia	82.4	2.4	67	✓	✓✓	2 DPC and 2 CC
Poland	81.7	1.6	400	xx	✓✓	Limited
Switzerland	92.6	2.6	-	xx	xx	Nil

* ✓✓ above average ✓ average **x** below average **xx** well below average.

This observation, along with a number of computed ratios that are described later in this chapter, point to potential for increased utilisation of technology and/or new ways of organising the processing of large work volumes.

- A factor explaining the relatively low salary costs in some revenue bodies appears to be the significant use of outsourcing for the provision of IT and other services, as seen in Australia, Denmark, Finland, Italy, New Zealand the United Kingdom; Australia also reported that its ratio was also impacted by significant additional capital funding in recent years for its Change Programme.

Information technology (IT) expenditure

- Reported IT-related costs also vary widely in their relative magnitude which may result from a variety of factors (*e.g.* low real investment in IT, errors and inconsistency across revenue bodies in properly classifying IT-related expenditure for this survey, sharing of IT costs with other parts of MOF;
- Notwithstanding the wide variation, IT-related costs (*i.e.* salary and other administrative costs) [1] are a significant component of the overall expenditure budget of many revenue bodies; across all revenue bodies, total IT-related costs were reported by 18 revenue bodies as exceeding 10% of total expenditure in 2011 (with 14 reporting amounts in excess of 15%);
- Viewed over the five year period (2007-12), average IT costs for all OECD revenue bodies countries are reported fairly consistently at around 12% of total revenue body expenditure; for non-OECD countries the average investment in IT was much lower at the commencement of this period but there are some notable exceptions to this pattern (*e.g.* Brazil, Latvia, and Singapore);

Of the 10 revenue bodies reporting IT expenditure consistently in excess of 15% of total expenditure over the five year period, just about all perform favourably across a series of performance-related measures calculated and reported in other parts of this series (*i.e.* e-filing (Tables 7.1 to 7.3), e-payment (Table 7.4), average staffing (Table 5.5), total administrative costs/GDP (Table 5.4), total costs/net revenue (Table 5.3), and average debt levels (Table 6.16). In the case of the Netherlands and United Kingdom, cost reduction initiatives described earlier in this chapter can be expected to lead to further improvements in a number of the ratios indicated.

	Service/efficiency/performance indicators					
Country	Overall e-filing rates *	Electronic payment rates *	Average staffing ratio *	Total costs/ GDP **	Costs/ net revenue **	Debt levels/ net revenue **
Australia	✓✓	✓	✓✓	✓	✓	✓✓
Finland	✓	n.a	✓✓	✓	✓	✓✓
Iceland	✓✓	n.a	✓✓	✓✓	✓✓	x
Netherlands	✓✓	✓✓	x	x	✓	✓✓
New Zealand	✓✓	✓✓	✓✓	✓	✓	✓✓
Norway	✓✓	n.a	x	✓✓	✓✓	✓✓
Sweden	✓	✓✓	✓✓	✓✓	✓✓	✓✓
Singapore	✓✓	✓✓	✓✓	✓✓	✓	✓✓
United Kingdom	✓	✓✓	✓	✓	✓	✓✓
United States	✓	✓	✓✓	✓✓	✓✓	✓✓

* ✓✓ above average ✓ average **x** below average **xx** well below average

** ✓✓ very favourable ✓ favourable **x** unfavourable **xx** very unfavourable

Human resource management expenditure

As relatively large employers, revenue bodies must invest fair amounts in their HRM support functions. Accordingly, for CIS 2012 it was decided to ascertain information concerning the level of resources devoted in 2010 and 2011 to a range of HRM functions.[2] Table 5.2 sets out the level of expenditure for HRM functions as a proportion of all revenue body expenditure – the data should be interpreted with care owing to the possibility of misinterpretation/inconsistencies in its compilation. The key observations are:

- Data reported by 36 (of 52 surveyed) revenue bodies revealed an average expenditure of around 2% on HRM functions, but there were a number of countries reporting substantially higher amounts-Australia (5-6%), Austria (5%), Chile (8.6%), and Latvia (around 5%).
- Revenue bodies reporting a relatively high amount of HRM expenditure all reported major changes underway or planned concerning a mix of recruitment, training, performance management and/or rewards related changes (see Table 4.1 of Chapter 4).

Measures of relative costs of administration

The cost of collection ratio

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 their administration.[3] The ratio is computed by comparing the annual costs of administration incurred by a revenue body, with the total revenue collected (after refunds) over the course of a fiscal year, and is often expressed as a percentage or as the cost of collecting 100 units of revenue. Most revenue bodies 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 may influence the cost/revenue relationship, but which have nothing to do with relative efficiency or effectiveness. Examples of such factors are elaborated in Box 5.1. Clearly, any analysis of movements in the trend of the ratio over time should pay regard to such factors.

Box 5.1. **The cost of collection ratio as an indicator of efficiency and/or 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:

- **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.
- **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.
- **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.)
- **Changes in the scope of taxes collected by a revenue body*:*** From time to time, governments decide to shift responsibility for the collection of particular taxes from one agency to another. For example, in Bulgaria, responsibility for the collection of most social contributions was moved from social security bodies to the newly formed National Revenue Authority in 2006.

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 extremely 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.

A summary of computed cost of collection ratios covering an extended (seven year) timeframe to highlight trends for surveyed revenue bodies is provided in Table 5.3.[4] The table highlights a few countries where the computed ratio is impacted negatively, in comparison with those of other countries, due to one or more "abnormal" factors (*e.g.* the exclusion of SSC and the inclusion of customs operations). Important observations are as follows:

- Cost of collection ratios vary widely across revenue bodies, significantly influenced by structural and other factors unrelated to relative efficiency, of the kind described throughout this series (*e.g.* a country's legislated tax burden and the taxes collected).
- For the majority of revenue bodies, a statistically significant upwards movement in the ratio occurred in 2009 in the aftermath of the global financial crisis in late calendar year 2008 that led to a serious deterioration in tax revenues in many countries – examples here include Austria, Canada, Chile, Czech Rep., France, Ireland, Japan, Latvia, Lithuania, Portugal, Russia, Spain, and the United States.
- For a few revenue bodies, there have been significant changes in the ratio calculated as a result of "structural" factors (*e.g.* responsibilities involving the collection of new revenue streams (*e.g.* SSC)).

Taken as a whole, the data presented emphasise the need for considerable care when undertaking cross-country comparisons of the cost of collection ratio in the context of assessments of relative efficiency in order to avoid erroneous conclusions. (This matter is discussed in further detail later in this chapter.)

Ratio of administrative expenditure to GDP

The relative size and trend of a revenue body's tax-related administrative expenditure over time can also be viewed by way of comparison with a country's aggregate GDP (as is the practice for observing the trend of country aggregate tax burdens over a number of years). In other words, what proportion of a country's resources (expressed in terms of GDP) is expended by Government each year to administer tax laws?

Such a comparison removes the impact of changes in the legislated tax burden and economic factors that are inherent in the "cost of collection" ratio, and is particularly relevant in times of austerity when Government budgets are under strain. However, the ratio and its trend can be influenced by some abnormal factors (*e.g.* major new investments in technology, costs associated with implementing a new tax) that also need to be recognised. Computations of this ratio are set out in Table 5.4, with the key observations as follows:

- The computed ratios for tax-related expenditure as a proportion of GDP vary significantly but there is a concentration (around one third) of revenue bodies with a ratio generally in the region of 0.15 to 0.25% of GDP for most/all of the period covered.
- Relatively low ratios (*i.e.* less than 0.120%) are consistently displayed for revenue bodies in 10 countries (*i.e.* Chile, Colombia, Estonia, India, Indonesia, Korea, Mexico, Saudi Arabia, Singapore and United States); with minor exception, these are all low tax burden countries and/or the revenue body does not administer the full range of major taxes covered by this series.

Table 5.3. **Cost of collection ratios (administrative costs/net revenue)/1**

Countries	Administrative costs for tax administration/net revenue collected %/2							Significant factors affecting comparability between countries' ratios
	2005	2006	2007	2008	2009	2010	2011	
OECD countries								
Australia	1.04	0.99	0.93	0.95	1.00	1.05	0.99	
Austria	0.66	0.66	0.64	0.79	0.85	0.70	0.66	SSC not included
Belgium	1.43	1.57	1.39	1.27	1.40	1.29	1.36	SSC not included
Canada	1.32	1.32	1.22	1.13	1.31	1.36	1.31	
Chile	0.69	0.63	0.60	0.67	0.91	0.77	0.68	Costs exclude debt collection
Czech Rep.	1.29	1.38	n.a.	1.18	1.46	1.27	1.34	SSC and excises not included
Denmark	0.74	0.63	0.61	0.64	0.67	0.76	0.71	
Estonia/3	1.02	0.88	0.86	0.38	0.40	0.35	0.34	
Finland	0.78	0.79	0.77	0.80	0.88	0.84	0.80	Excises not included
France	1.08	1.28	0.96	1.17	1.31	1.25	1.20	SSC and excises not included
Germany	1.66	1.55	1.38	1.36	1.46	1.50	1.40	SSC and excises not included
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Hungary	0.99	1.11	1.15	1.17	1.20	1.20	1.12	
Iceland	n.a.	n.a.	n.a.	0.28/3	0.32/3	0.62	0.60	
Ireland	0.82	0.78	0.79	0.95	1.08	1.26	1.14	Costs include customs
Israel	n.a.	n.a.	n.a.	0.74	0.79	1.01	0.90	
Italy	n.a.	n.a.	n.a.	1.08/3	1.20/3	1.08/3	1.00/3	(See footnote indicated)
Japan	1.65	1.52	1.50	1.49	1.71	1.93	1.75	SSC not included
Korea/3	0.80	0.78	0.70	0.79	0.84	0.81	0.76	SSC not included
Luxembourg	1.42	1.25	1.17	1.01	1.13	0.84	0.84	SSC not included
Mexico	0.55	0.52	0.48	0.43	0.58	0.71	0.70	SSC not included
Netherlands	1.36	1.14	1.12	0.99	1.11	1.02	0.97	
New Zealand	0.76	0.71	0.75	0.76	0.88	0.81	0.89	Excises not included
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Poland	1.94	1.75	1.42	1.59	1.72	3.04	2.73	SSC and excises not included
Portugal	1.34/3	1.22/3	1.18/3	1.27/3	1.57/3	1.55	1.37	SSC and excises not included
Slovak Rep.	2.43	2.49	2.41	n.a.	n.a.	3.06	3.04	SSC and excises not included
Slovenia	0.95	0.97	0.84	0.81	0.90	0.96	0.93	Excises not included
Spain	0.74	0.68	0.64	0.82	0.97	0.88	0.86	SSC not included, costs include customs (2008-11)
Sweden	0.38	0.39	n.a.	0.39	0.40	0.41	0.40	Costs exclude debt collection
Switzerland	0.30	0.29	n.a.	0.45	0.46	0.37	0.38	VAT administration only
Turkey	0.87	0.84	0.83	0.85	0.93	0.78	0.76	
United Kingdom	1.10	1.09	1.11	0.90	0.91	0.98	0.83	
United States/3	0.52	0.47	0.45	0.49	0.61	0.66	0.62	
Non-OECD countries								
Argentina	0.89	1.01	1.08	0.93	1.14	1.32	1.25	
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	1.02	0.91	costs include Customs
Bulgaria	3.19	1.69	1.13	1.18	1.20	1.41	1.34	Excises not included
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	0.93	0.68	
Cyprus	n.a.	n.a.	n.a	0.78/3	0.94/3	1.25	1.23	SSC not included
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	0.85	0.75	Excises not included
India	n.a.	n.a.	n.a.	0.76	0.75	0.61	0.55	Data for direct taxes only
Indonesia	n.a.	n.a.	n.a.	0.64	0.58	0.48	0.55	Excises not included
Latvia	1.20	1.14	1.29	1.04	1.41	0.78	0.70	
Lithuania	1.40	1.23	1.14	1.06	1.18	1.06	0.98	
Malaysia	1.20	1.14	1.29	1.04	1.41	1.27	1.09	Data for direct taxes only
Malta	1.14	1.09	0.97	n.a.	n.a	1.15	1.02	
Romania	0.63	0.72	0.91	0.81	0.72	0.50	0.87	
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	1.10	0.90	
Saudi Arabia	n.a.	n.a.	n.a.	1.06	1.26	1.38	1.57	Very limited range of taxes
Singapore	1.02	0.93	0.83	0.77	0.80	0.89	0.87	SSC and excises not included
South Africa	1.20	1.21	0.99	1.05	1.11	0.82	0.80	costs include Customs

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 191.
Source: CIS survey responses.

Table 5.4. **Tax administration expenditure/gross domestic product (GDP)**

Country	Administrative costs for tax administration/gross domestic product %/1 2005	2006	2007	2008	2009	2010	2011	Significant factors affecting comparability between countries' ratios
OECD countries								
Australia	0.229	0.220	0.197	0.204	0.205	0.190	0.182	
Austria	n.a.	n.a.	0.146	0.193	0.196	0.160	0.154	
Belgium/1	0.384	0.357	0.341	0.344	0.352	0.331	0.345	
Canada	0.226	0.226	0.215	0.210	0.241	0.230	0.227	
Chile	0.109	0.100	0.105	0.116	0.124	0.121	0.118	Costs exclude debt collection
Czech Rep.	0.221	0.219	0.197	0.186	0.204	0.186	0.198	
Denmark	0.367	0.303	0.293	0.296	0.308	0.210	0.202	
Estonia	n.a.	n.a.	3.688	1.913	1.857	1.821	0.106	
Finland	0.209	0.205	0.199	0.208	0.227	0.213	0.206	
France	0.263	0.250	0.239	0.231	0.237	0.231	0.226	
Germany	0.298	0.294	0.281	0.279	0.294	0.292	0.284	
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Hungary	0.298	0.333	0.397	0.392	0.398	0.420	0.375	
Iceland	n.a.	n.a.	n.a.	0.074	0.077	0.163	0.157	
Ireland	0.238	0.237	0.236	0.269	0.286	0.258	0.247	Costs include customs
Israel	n.a.	n.a.	n.a.	0.182	0.178	0.153	0.145	
Italy/2	0.272	0.264	0.294	0.192	0.205	0.185	0.174	Some major costs not included
Japan	0.139	0.136	0.137	0.141	0.149	0.143	0.142	
Korea	0.120	0.121	0.111	0.121	0.122	0.114	0.111	
Luxembourg	0.246	0.223	0.219	0.230	0.253	0.225	0.221	
Mexico	0.093	0.088	0.074	0.073	0.078	0.070	0.069	
Netherlands	0.419	0.413	0.391	0.349	0.365	0.351	0.330	
New Zealand	0.202	0.199	0.199	0.210	0.232	0.192	0.204	
Norway	0.188	0.179	0.169	0.157	0.177	0.170	0.162	
Poland	0.306	0.289	0.277	0.236	0.228	0.272	0.248	
Portugal	0.257	0.249	0.247	0.249	0.270	0.269	0.255	
Slovak Rep.	0.215	0.195	0.174	n.a.	n.a.	0.176	0.181	
Slovenia	n.a.	n.a.	0.263	0.265	0.281	0.292	0.289	
Spain	n.a.	n.a.	0.126	0.130	0.134	0.134	0.130	Costs include customs
Sweden	0.185	0.187	0.188	0.182	0.184	0.175	0.173	Costs exclude debt collection
Switzerland	n.a.	n.a.	0.028	0.028	0.029	0.023	0.023	VAT administration only
Turkey	0.161	0.152	0.151	0.149	0.169	0.149	0.149	
United Kingdom	n.a.	n.a.	0.338	0.283	0.290	0.268	0.237	
United States	0.084	0.081	0.077	0.080	0.084	0.086	0.082	
Non-OECD countries								
Argentina	n.a.	n.a.	0.257	0.254	0.306	0.326	0.321	
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	0.206	0.196	Costs include customs
Bulgaria	0.334	0.245	0.214	0.222	0.236	0.240	0.226	
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	0.072	0.061	
Cyprus	n.a.	n.a.	n.a.	0.179/2	0.189/2	0.246	0.248	
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	0.060	0.057	
India	n.a.	n.a.	n.a.	0.042	0.043	n.a.	n.a.	Direct taxes only
Indonesia	n.a.	n.a.	n.a.	0.064	0.053	0.041	0.050	
Latvia	n.a.	n.a.	0.352	0.358	0.344	0.228	0.226	
Lithuania	n.a.	n.a.	0.229	0.220	0.212	0.173	0.157	
Malaysia	n.a.	n.a.	0.139	0.115	0.161	0.081	0.084	Costs exclude indirect taxes
Malta	n.a.	n.a.	n.a.	n.a.	n.a.	0.406	0.360	
Romania	n.a.	n.a.	0.253	0.229	0.196	0.126	0.227	
Russia	n.a.	n.a.	n.a.	0.224	0.226	0.187	0.160	
Saudi Arabia	n.a.	n.a.	0.011	0.009	0.013	0.013	0.015	Limited range of taxes in place
Singapore	0.088	0.079	0.071	0.083	0.089	0.086	0.092	
South Africa	n.a.	n.a.	0.255	0.271	0.295	0.187	0.185	Costs include customs

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 192.
Source: CIS survey responses, OECD Statistics Database, Eurostat and World Bank Statistics.

- Very high ratios (*i.e.* greater than 0.300%) are consistently displayed for three revenue bodies (*i.e.* Belgium, Hungary and the Netherlands).
- A consistent downwards trend in relative administrative costs can be observed for a small number of countries (*e.g.* Australia, Denmark, France, Lithuania, Malaysia, Mexico, Netherlands, Norway, Russia and United Kingdom).
- Within-country comparisons of this ratio over time may be suitable for drawing assessments of relative efficiency over time, although the indicator is susceptible to regular revisions of GDP made by the respective government bodies.
- As for the cost of collection ratio already discussed, cross-country comparisons of this ratio in the context of assessments of relative efficiency need to be undertaken with considerable care to avoid ill-founded conclusions.

International comparisons of administrative expenditure and staffing

Cost of collection ratios

Given the many similarities in the taxes administered by federal revenue bodies from country to country, there has been a natural tendency by observers to make cross-country comparisons of "cost of collection" ratios and draw conclusions on revenue body efficiency and effectiveness. However, experience shows that such comparisons are difficult to carry out in a consistent fashion given a range of variables to be taken into account – see Box 5.2. The most significant factors to be taken account of that are not related to efficiency and effectiveness are: 1) variations in the size of the legislated tax burden; and 2) the range and nature of taxes administered, in particular whether the revenue body is responsible for the collection of social security contributions.

Many of the factors referred to are evident from the data in Table 5.3. For example:

- For many surveyed countries (particularly a number in Europe) social security contributions, which in many countries constitute a significant revenue stream, are collected by a separate agency and therefore their costs and the revenue collected are excluded from the calculation used to compute the ratio – see information below which illustrates this particular aspect):

	Countries (by level of tax/GDP in 2011) *		
Cost of collection ratio in 2011	20-30%	30-40%	Over 40%
Less than 0.60		Estonia	Norway, Sweden
0.61 -0.80	United States	Iceland	Austria,* Denmark, Finland
0.81-1.00	Korea,* United Kingdom	Netherlands, Luxembourg,* Slovenia, Spain*	
1.01-1.20		Hungary, Ireland,	France*
1.21-1.40		Portugal*	Czech. Rep.,* Germany*
Over 1.41	Japan*	Poland,* Slovak Rep.*	Belgium*

* For these countries, SSC are collected by separate agencies, not the revenue body.

- The inability of some revenue bodies (*i.e.* Ireland, Mexico (prior to 2005), 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 almost 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 for tax fraud functions, Chile and Sweden for 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 bodies understates the real costs of tax administration, and hence the computed ratio.

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

Box 5.2. **International comparisons of cost of collection ratios**

Analytical work undertaken in conducting comparisons of cost of collection ratios has revealed that there are many factors to explain the marked variations in the ratio observed from country to country. The more significant factors are described below:

- **Differences in tax rates and structure*:*** Rates of tax and the actual structure of taxes all will have a bearing on aggregate revenue and, to a lesser extent, cost considerations. For example, comparisons of the ratio involving high-taxing countries (*e.g.* those where tax burdens regularly exceed 40% of GDP) and low-taxing countries (*e.g.* those where tax burdens are less than 20%) are hardly realistic given their widely varying tax burdens.
- **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.* as in 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.* the United States). 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).
- **Collection of social insurance contributions, etc.:** As described earlier in this series, there are significant variations from country to country in the collection of social security contributions. A few countries (*e.g.* Australia, New Zealand) do not have separate regimes of mandatory social contributions, 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.
- **Differences in the range of functions undertaken*:*** The range of functions undertaken by revenue bodies can vary from country to country. For example, in some countries the revenue body is also responsible for carrying out activities not directly related to tax administration (*e.g.* administration of customs laws, the administration of certain welfare benefits), while in others some tax-related functions are not carried out by the revenue body (*e.g.* enforced debt collection). Ideally, these sorts of differences should be allowed for in any cross-country comparisons undertaken of relative aggregate costs and related ratios.
- **Lack of a common measurement methodology*:*** There is no universally accepted methodology for the measurement of administrative costs. Revenue bodies that publish a cost of collection ratio generally do not reveal precise 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 body, and the Irish Office of the Revenue Commissioners, 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 % lower than if it were computed on a "net" revenue basis. (NB: For this series, calculations are made on the basis of "net revenue" collections.

Relative staffing levels of revenue bodies

A summary of the staff usage (expressed as FTEs) by national revenue bodies is set out in Table 5.5. To the extent possible and to allow cross-country comparisons, efforts have been made to exclude staffing related non-tax related roles. In order to reflect a degree of relativity, aggregate staff levels have been compared with overall official country population and labor force data to compute two ratios: 1) the number of citizens per one full-time staff member: and 2) the number of labor force participants per full-time staff member.

Comparisons of this nature are naturally subject to some of the qualifications referred to 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. For some countries, demographic features (*e.g.* country age profile and rate of unemployment) are also likely to be relevant. Revenue bodies in a number of countries (*e.g.* UK) also have major restructuring programmes underway, some of which project significant planned staffing reductions over the coming years. To assist readers, known abnormal factors influencing the reported ratios have been identified.

Concerning OECD countries, it will be evident that the greatest level of consistency occurs in relation to the ratio based on country labour forces (*i.e.* the number of labour force participants/one revenue body staff member (FTE)):

- Seven revenue bodies have a ratio less than 400 (for some, including customs work);
- Twelve revenue bodies have a ratio between 401-600;
- Seven are between 601-800; and
- Eight revenue bodies have a ratio over 800 (with six "outliers" (*i.e.* Chile, Japan, Korea, Mexico, Switzerland and the United States) where the ratio exceeds 1 000).

For ***Chile*** (1 943:1), the staffing data provided do not cover the full range of normal tax administration functions and as a result the respective ratios are not directly comparable with others (although probably not to a significant degree). In the case of ***Japan,*** where the ratio is 1 113:1, staffing levels of the revenue body (*i.e.* the NTA) have remained in the region of 50 000 to 56 000 for the last 50 years, reflecting decisions both to keep staff resources roughly constant and, importantly, to minimise workloads. Compared to other countries, administrative workloads have been kept relatively low with the assistance of, among other things; special tax system design features (*e.g.* high thresholds for various reporting and payment obligations, less frequent tax payment obligations and extensive use of tax withholding). (Further information on some of these features can be found in Chapter 9.) Also relevant is the collection of social security contributions by a separate agency. ***Korea*** (with a ratio of 1 383:1) also makes extensive use of tax system design features that minimise workloads, in comparison with arrangements seen in other countries. For example, there is 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), withholding at source arrangements for dividend and interest income and certain payments for independent services, and biannual reporting and payment arrangements for VAT liabilities.

Table 5.5. **Revenue body staff usage for fiscal year 2011 and related ratios/1**

Country	Staff usage aggregates (FTEs)			Staff usage ratios		
	All revenue body functions	Tax and related support functions)	% FTEs for tax and support functions	Citizens/ FTEs on tax and support functions	Labour force/ FTEs on tax and support functions	Factors affecting comparability of countries' computed ratios (*i.e.* ratios in columns 5 and 6)
OECD countries						
Australia	21 764	18 169	83.5	1 245	663	
Austria	7 728	7 690	99.5	1 095	561	
Belgium	10 488	10 472	99.8	1 040	464	
Canada	40 173	38 722	96.4	881	483	
Chile	4 169	4 169	100.0	4 137	1 943	FTEs exclude debt collection
Czech Rep.	14 640	13 944	95.2	753	376	
Denmark	7 589	6 871	90 5	810	413	
Estonia	1 787	783	43.8	1 711	889	
Finland	5 229	5 229	100.0	1 030	511	
France	117 657	69 650	59.2	942	409	
Germany	110 515	110 515	100.0	740	381	
Greece	9 300	9 300	100.0	1 216	534	
Hungary	23 059	16 976	73.6	589	251	
Iceland	257	257	100.0	1 241	700	
Ireland	5 962	5 962	100.0	752	355	FTEs include customs
Israel	5 566	5 566	100.0	1 393	627	
Italy/2	32 619	32 619	100.0	1 849	767	
Japan	56 261	56 261	100.0	2 272	1 113	
Korea	19 671	18 145	92.2	2 743	1 383	
Luxembourg	914	891	97.5	574	432	
Mexico	35 718	25 009	70.0	4 492	1 944	
Netherlands	29 410	23 014	78.3	722	381	
New Zealand	5 513	3 789	68.7	1 163	625	
Norway	5 947	5 947	100.0	833	440	
Poland	48 634	48 305	99.3	791	370	
Portugal	10 073	10 073	100.0	1 048	547	
Slovak Rep.	5 343	5 173	96.8	1 050	526	
Slovenia	2 417	2 417	100.0	847	387	
Spain	27 613	23 556	85.3	1 958	976	
Sweden	9 584	8 205	85.6	1 152	612	FTEs exclude debt collection
Switzerland	985	940	95.4	8 324	5 211	Data for VAT administration only
Turkey	40 298	40 268	99.9	1 836	664	
United Kingdom	66 466	66 466	100.0	929	474	
United States	94 709	94 709	100.0	3 290	1 622	No major indirect tax
Non-OECD countries						
Argentina	22 832	17 596	77.1	2 398	952	
Brazil	25 840	25 840	100.0	7 714	4 052	FTEs include customs
Bulgaria	7 708	7 703	99.9	914	320	
China	755 000	755 000	100.0	1 779	1 054	
Colombia	8 543	4 659	54.5	9 710	4 819	
Cyprus	888	878	98.9	957	490	
Hong Kong, China	2 818	2 574	91.3	2 779	1 439	
India	40 756	n.a.	n.a.	n.a.	n.a.	Data for direct taxes only
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	
Latvia	4 145	2 860	69.0	766	409	
Lithuania	3 516	3 516	100.0	1 003	462	
Malaysia	10 209	10 209	100.0	2 858	1 167	Data for direct taxes only
Malta	781	770	98.6	532	221	
Romania	27 016	24 009	88.9	909	385	
Russia	146 089	141 806	97.1	1 005	532	
Saudi Arabia	1 386	1 386	100.0	19 145	5 505	Very limited range of taxes
Singapore/2	1 851	1 851	100.0	2 892	1 767	
South Africa	14 944	13 594	91.0	3 591	1 299	

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 192.

Source: CIS survey responses, OECD Statistics Database and CIA Factbook.

With annual tax collections equivalent to around 20% of GDP, ***Mexico's*** tax system (ratio of 1 944:1) is of a considerably smaller scale than most other OECD countries. Its tax system arrangements are characterised by substantial use of final withholding system arrangements for employee taxpayers (with quite limited registration of personal taxpayers (equivalent to around to 20 % of the official labor force)), and a relatively small population of registered business taxpayers. The very high ratio for ***Switzerland*** (*i.e.* 5 211:1) results from the fact that the Federal Tax Administration is responsible only for VAT administration, with both personal and corporate income taxes administered at the sub-national level by separate agencies in each canton. For this reason, the ratio largely reflects the resources required for VAT administration, thus making it incomparable with all other national revenue bodies.

In the case of the ***United States*** (where the ratio is 1 622:1), a meaningful comparison of relative staffing levels with other surveyed countries is complicated by the absence of a national VAT (or a similar tax), as is the case in all other OECD countries. A further consideration is that, unlike most other surveyed countries, there are separate income taxes and retail sales taxes levied at the state level in the United States that are administered separately by state revenue agencies, not by the IRS. (A more appropriate comparison would necessitate account being taken of the staff required by these agencies, which is beyond the scope of what is feasible for CIS purposes.) For these reasons, the computed ratio for the IRS – and this observation applies also to its computed "cost of collection" ratio – is not really comparable with that of revenue bodies in any other OECD country.

For revenue bodies in non-OECD surveyed countries, the computed ratio reflects an even greater divergent pattern, ranging from 221:1 to over 5 000:1. The full range of factors that might explain this disparity has not been identified.

Allocation of staff resources by functional groupings

Given the similarity in the taxes administered across most surveyed countries, an important issue concerns how resources are allocated across broad functional groupings. Table 5.6 provides an indication of country practices for just under 90% of revenue bodies concerning the allocation of resources in 2011 to compliance functions (*i.e.* audit and related verification functions, and enforced debt collection) and other key functional groupings.

Given definitional issues (*e.g.* what constitutes "verification" work), and the possibility of some inconsistencies in the compilation of data, this information needs to be interpreted with care.[5] Nevertheless, it does indicate that there are potentially substantial differences in staff allocation policies and practices, which may warrant further inquiry. For example:

- *Client account management functions:* Significantly for this grouping, just over one third of revenue bodies (17) reported staff usage exceeding 30% of aggregate staff; of these revenue bodies, 12 reported IT expenditure less than 10% of total expenditure (or were unable to quantify the amount of IT expenditure incurred).
- *Audit, investigation and other verification activities:* Survey responses for this category varied significantly ranging from around 9 to almost 70%. Around 40% of surveyed revenue bodies reported usage in excess of 30%, including five with over 50% allocated to this functional activity (*i.e.* Austria, Iceland, Japan, Netherlands, and Singapore).

Table 5.6. **Staff usage (2011) by major tax functional groupings (% of total usage)**

Country	Total FTEs for all tax functions and support)	Total staff usage on major tax functions as a share of total usage/1					
		Account management	Verification	Tax debt collection	Other tax operations	Support: human resource	Support: other functions
OECD countries							
Australia	18 169	20.4	34.0	10.7	15.5	6.2	13.1
Austria	7 690	11.9	69.8	10.5	1.7	6.0	0.0
Belgium	10 472	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Canada	38 722	28.3	26.2	19.2	6.7	3.9	15.7
Chile	4 169	20.0	39.0	0.0	1.5	3.2	36.3
Czech Rep.	13 944	59.3	20.3	6.0	14.3	0.0	0.0
Denmark	6 871	25.2	37.9	14.5	2.1	2.5	17.8
Estonia	783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	5 229	36.5	40.7	9.6	3.5	2.0	7.8
France	69 650	43.8	14.9	10.8	11.6	-------------- 18.9 -------------	
Germany	110 515	40.3	30.2	9.9	11.2	8.4	0.0
Greece	9 300	n.a.	--------------- 18.7 --------------		n.a.	n.a.	n.a.
Hungary	16 976	25.7	32.0	16.3	1.4	1.4	23.3
Iceland	257	13.2	63.0	0.0	7.4	0.8	15.6
Ireland/2	5 962	29.6	28.2	12.3	8.8	1.8	19.3
Israel	5 566	12.6	33.8	14.4	32.3	0.5	6.4
Italy/2	32 619	34.5	48.2	0.0	0.0	5.2	12.1
Japan/2	56 261	0.0	63.1	21.2	2.3	0.7	12.7
Korea/2	18 145	63.5	22.2	4.7	1.5	0.6	7.6
Luxembourg	891	51.2	11.4	19.2	11.4	3.2	3.6
Mexico	25 009	15.5	35.2	23.9	8.0	2.9	14.5
Netherlands	23 014	29.4	30.9	6.8	10.8	1.4	20.7
New Zealand	3 789	42.6	19.6	8.1	15.2	1.8	12.8
Norway	5 947	36.1	22.2	5.1	16.4	20.3	0.0
Poland	48 305	17.0	27.0	11.9	19.3	1.6	23.2
Portugal	10 073	52.0	17.7	21.7	0.1	1.2	7.3
Slovak Rep.	5 173	42.9	30.9	6.2	8.3	1.4	10.3
Slovenia	2 417	41.7	14.2	10.8	24.9	0.0	8.2
Spain	23 556	31.4	22.4	19.6	0.0	0.0	26.5
Sweden/2	8 205	0.0	29.6	2.7	11.7	0.0	56.0/3
Switzerland	940	9.0	26.1	7.4	41.5	13.8	2.1
Turkey	40 268	75.4	0.0	10.8	0.0	4.3	9.5
United Kingdom	66 466	40.4	33.9	9.8	8.0	1.7	6.2
United States	94 709	31.9	16.4	33.0	2.8	1.8	14.1
OECD ave. (unw.)		31.7	30.4	11.5	9.4	3.3	13.7
Non-OECD countries							
Argentina	17 596	19.2	35.6	7.0	12.7	2.2	23.3
Brazil/2	25 840	16.3	16.9	21.8	7.6	2.0	35.4
Bulgaria	7 703	25.5	41.9	9.5	13.3	1.1	8.8
China	755 000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	4 659	13.1	23.9	27.3	11.0	2.9	21.8
Cyprus	878	20.5	37.0	11.5	17.8	0.9	12.3
Hong Kong, China	2 574	59.4	9.3	16.9	2.1	0.1	12.2
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	2 860	39.3	23.0	8.9	14.7	1.3	12.8
Lithuania	3 516	38.7	28.7	6.8	14.1	1.0	10.7
Malaysia	10 209	8.0	23.3	15.9	29.9	1.8	21.3
Malta	770	16.2	18.4	4.3	50.8	1.9	8.3
Romania	24 009	22.1	22.9	13.9	15.1	1.3	24.8
Russia	141 806	16.3	41.5	8.6	9.2	1.9	22.4
Saudi Arabia	1 386	11.8	36.2	11.0	6.9	31.5	2.5
Singapore/2	1 851	8.8	51.8	11.3	10.5	1.7	15.9
South Africa	13 594	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 192.
Source: CIS survey responses & Secretariat research (*e.g.* revenue body reports).

- *Enforced debt collection and related functions:* Usage for this functional grouping ranged from a low 2% (in Sweden where this work is primarily the responsibility of a separate body) to almost 34% (in the United States); significantly, over half of surveyed bodies disclosed total usage exceeding 10% of aggregate staff, and in 12 countries the proportion exceeded 15% indicating the relative importance of this function in these offices; of the 12 countries devoting over 15% of aggregate resources to enforced debt collection, it is noteworthy that 8 reported a relative decline in debt levels for 2011, two reported a stable position, and an increase was reported by only one revenue body. Generally speaking, revenue bodies in OECD countries devote a substantially greater proportion of their resources to this area of tax administration.
- *Corporate overhead functions (including IT support and human resources):* Usage for this functional grouping also varied enormously, suggesting some inconsistency in how these functions are viewed and quantified. Against an average across OECD countries of around 17%, seven revenue bodies (*i.e.* Argentina, Brazil, Chile, Romania, Saudi Arabia, and Spain) reported an abnormally high proportion (*i.e.* over 25%) of total staffing (the precise reasons for which have not been identified).

There are many factors that may explain some of the abovementioned variations in functional staff resource allocations between revenue bodies, including (1) the use of administrative assessment versus self-assessment for income tax; (2) the degree of automation of routine tax administration tasks; (3) the degree to which some functions are centralised and therefore may require less staff (*e.g.* data processing and contact centres); (4) the extent of reliance on outsourcing (*e.g.* for IT support), which is discussed briefly in the following section; (5) the extent of staff devoted to overheads; (6) the nature and size of a revenue bodies' network of offices; and (7) misclassification of underlying resource usage data. The widely fluctuating data points to the need for care in the conduct of detailed cross-country benchmarking exercises.

Outsourcing of revenue body functions/operations

Outsourcing is a growing phenomenon in the private sector and is being increasingly used by government agencies, including some revenue bodies, as a means of carrying out tasks and functions in a more cost effectiveness manner. Outsourcing the provision of IT infrastructure is fairly common among OECD revenue bodies (*e.g.* Australia, New Zealand, and UK) and indeed, in some countries, the Government has decreed the use of outsourcing for IT infrastructure provision as their preferred approach. For this series, revenue bodies were asked to identify whether specific tax administration functions were outsourced (beyond IT operations) – see below:

Nature of work outsourced	Revenue bodies using outsourcing for this work
Collect and process tax payments (*e.g.* via bank/post office)	Argentina, Australia, Brazil, Bulgaria, Canada, Chile, Colombia, Finland, Greece, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Latvia, Malaysia, Malta, Mexico, New Zealand, Portugal, Russia, Saudi Arabia, Slovak Rep., South Africa, Spain, Sweden, Turkey, United States
Answering taxpayer inquiries (*e.g.* call centre operations)	Australia, Belgium, Brazil, China, Colombia, Greece, India, Mexico, New Zealand (peak periods only), Russia (to a Federal public service body), Spain (basic inquiries only), United States
Data processing operations	Brazil, Germany (some regions only), Greece, Denmark, Finland, Iceland, Ireland, Italy, Mexico, Sweden
Enforced collection of tax debts	Australia, Ireland, Italy, Singapore (use of private law firm to initiate civil legal proceedings (against delinquent taxpayers for not paying tax debts. private liquidators are appointed to manage cases for winding-up) and United Kingdom (limited to debts that cannot be collected internally)

The use of outsourcing arrangements for debt collection activities is a contentious issue and although not practised widely there is one revenue body that can point to a fair deal of success. Box 5.3 sets out largely verbatim comments from a recent government external audit report that describes the experiences of the Australian Taxation Office (ATO) with its use of external collection agents. With many revenue bodies under pressure to reduce costs and improve performance, including reduction in their debt inventories (see Chapter 6), the audit's findings may be of interest.

With many revenue bodies required to reduce their costs in the coming years it is likely that use of outsourcing and/or the provision of services on a jointly-shared basis across a number of Government agencies will increase over the medium term. Concerning this latter approach, two revenue bodies (*i.e.* New Zealand and the UK) reported for this series that their Governments were either studying or piloting the provision of some administrative support services (*e.g.* human resource management, facilities management) on a "whole of Government"/ multi-agency basis. Similarly, as noted in Chapter 2, the Canadian federal government has recently created a new department – *Shared Services Canada* – with a mandate to lower costs and improve services by consolidating and streamlining government IT networks, data centres, and email systems; resources related to these services were transferred from some 43 federal departments and agencies to create the department, including from the CRA which transferred some 750 FTEs.

Box 5.3. **Australia: Experience with the use of external collection agents**

The verbatim comments hereunder were extracted from a recent report of the Australian National Audit Office concerning the ATO's use of external collection agents.

> The referral of collectable debt to external collection agents (ECAs) was trialled through a pilot program in April 2006, and subsequently fully implemented by the ATO through the establishment of contracts with four ECAs in October 2007. It was one of several new measures to contain and reduce the amount of outstanding collectable debt, which had increased yearly since 2001-02, with the annual rate of increase peaking in 2004-05 at almost 28%. Individually the debt cases referred to ECAs are low in value and unlikely to be actioned by the ATO, but collectively represent significant revenue.
>
> The ATO is now in the fifth year of referring lower value, non-complex income tax, activity statement and superannuation guarantee charge debt cases to ECAs for collection action, employing a correspondence and telephone-based approach. The initiative provides the ATO with a flexible mechanism to action a workload that would otherwise remain unactioned. During the period of the outsourced arrangements (from October 2007 to 31 December 2011), the ATO has referred just under 1.8 million debt cases, with a combined value of approximately USD 7 billion, to the ECAs for collection action. Of this amount, the ECAs have collected just over USD 2 billion, or 29.1% of the total debt referred, at a cost of USD 54 million in ECA fees. (NB: The ATO's contracts with ECAs are based exclusively on a flat fee payment structure. The ATO, as a general principle, does not link debt collection to employee remuneration, and has extended this principal to the arrangement with ECAs. Commission-based pricing has not been used at any stage of the outsourced arrangements. In approximately 50% of referred cases, ECAs achieve either payment in full, or negotiate payment arrangements with taxpayers.
>
> The ECAs have collected a significant amount of debt, generating very few taxpayer complaints and there have been no known breaches in the security of taxpayers' data. At the operational level, the ATO has successfully implemented a comprehensive arrangement that was, at the time, a new approach to collecting tax and superannuation guarantee charge debt. However, at the strategic level, the ATO could more effectively set out how the referral program is integrated with the ATO's broader approach to debt management, and the comparative advantages that underpin the use of ECAs.

Source: The Engagement of External Debt Collection Agencies (by the Australian Taxation Office), Australian National Audit Office (June 2012).

The non-tax roles of national revenue bodies

Reference was made in Chapter 1 to the practice of Governments allocating "non-tax related roles" to revenue bodies and the rationale for doing this (see Table 1.6). To demonstrate the significance of this development, Table 5.7 provides data on the estimated proportion of each revenue body's budget expenditure attributable to non-tax functions for 2005 to 2011 (where available). The key observations are as follows:

- Rates of expenditure on non-tax functions appear relatively constant over the period 2005 to 2011, suggesting little further recent movement in this practice.
- Responsibility for customs administration is the predominant source of non-tax expenditure in many countries (*e.g.* Argentina, Austria, Colombia, Denmark, Estonia, Hungary, Latvia, Mexico, Netherlands, and Romania) although the amounts/proportions reported vary considerably – from 15 to almost 50% – for reasons that have not been identified.
- In the case of countries such as Canada and New Zealand, responsibility for Government welfare/benefit-related responsibilities appear to be the primary influencing factor, and in the case of New Zealand are a significant element of overall expenditure (at 35%).

Table 5.7. **Expenditure on non-tax roles (% of total revenue body expenditure)**

(Table only shows countries that reported one or more non-tax roles for 2010/11**)**

	Non-tax expenditure (as % of total revenue body expenditure)							Main non-tax role(s) performed by revenue body (where known)
Country	2005	2006	2007	2008	2009	2010	2011	
OECD countries								
Australia	14	9	11	15	12	13	16	Superannuation/retirement
Austria	-	-	-	23	24	30	31	Customs,welfare, labour market laws
Belgium	28	28	28	29	30	33	35	
Canada	10	14	15	16	17	16	15	Welfare/benefits
Czech Rep.	5	2	6	5	5	5	5	
Denmark	13	13	13	10	10	34	36	Customs
Estonia	-	-	-	56	56	56	55	Customs
France	42	42	42	41	40	40	40	Public accounting functions
Hungary	0	0	0	14	13	0	26	Customs
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Customs-not quantified
Israel	-	-	-	11	11	21	21	Customs-not quantified
Mexico	14	15	14	15	21	19	20	Customs
Netherlands	20	20	20	28	28	29	29	Customs, benefits
New Zealand	25	30	31	36	35	38	35	Welfare/benefits
Norway	4	4	4	2	2	6	n.a.	Population register
Portugal	10	10	10	10	10	10	10	Property valuation
Spain	-	-	-	14	15	n.a	n.a	Customs – not quantified
Sweden	17	17	15	9	9	15	17	Population register
Switzerland	-	-	-	6	5	11	10	
United Kingdom	-	-	-	0	4	4	4	
Non-OECD countries								
Argentina	-	-	-	51	51	51	49	Customs
Brazil	-	-	-	-	-	n.a.	n.a	Customs – not quantified
Colombia	-	-	-	-	-	45	45	Customs
Hong Kong,China	-	-	-	-	-	9	10	Business registration
Latvia	-	-	-	22	17	52	48	Customs
Romania	-	-	-	0	0	18	15	Customs
Russia	-	-	-	15	15	13	14	
South Africa	-	-	-	14	7	n.a.	n.a.	Customs – not quantified

Source: CIS survey responses.

Notes

1. For survey purposes, IT expenditure was defined as the total costs of providing IT support for all administrative operations (both tax and non-tax related). Survey responses suggest that a fair number of revenue bodies were not able to readily isolate total IT-related expenditure.

2. For survey purposes revenue bodies were asked to quantify the a*ctual or estimated costs of providing all human resource management support functions (e.g. personnel, payroll, recruitment, learning and development) for administrative operations (incl. non-tax roles).*

3. For example, this practice is followed by revenue bodies in Australia, Japan, Korea, New Zealand, Singapore, Slovenia, South Africa, United Kingdom, and United States.

4. These ratios have been computed using data provided by surveyed revenue bodies for this and prior editions of CIS; for a very few countries (*e.g.* Cyprus and Germany), the ratios for years before 2010 that appeared in prior editions of the CIS have been revised to correct errors detected in their previous compilation by the countries concerned.

5. For survey purposes, the following definitions were used: 1) ***Taxpayer account management***: All functions associated with maintaining taxpayers' records (*e.g.* registration, data processing, taxpayer accounting, filing, withholding tax administration, storage etc.); 2) ***Audit, investigation and other verification functions***: all staff on functions associated with verifying (either through field visits, office interviews or in writing) the information contained in taxpayers' returns for all taxes administered by the revenue body; and 3) ***Human resource management***: Refers to personnel, recruitment, and staff training and development (policy and administration) related functions and work; 4) ***Other corporate support***: Refers to all information technology, accommodation, corporate planning, supply, security, internal assurance, public relations and finance functions.

Notes to Tables

Table 5.1. Salary expenditure/total expenditure-tax administration

/1. **Hungary:** Data of the predecessor organisation: Tax and Financial Control Administration, before the merger. **Italy**: Total expenditure data for 2010 and 2011 relate only to revenue body; some prior year data may include other bodies involved with tax work (*e.g.*Equitalia); **Sweden**: Expenditure data (and related ratios) exclude costs of independent Enforcement Agency staff that conducts enforced debt collection activities.

/2. **Hungary:** Data of the National Tax and Customs Administration, after the merger of two predecessor organisations: Tax and Financial Control Administration and Customs and Finance Guard.

Table 5.2. IT and human resource management expenditure (% of all expenditure)

/1. **Argentina**: Ratio to total cost including customs; IT expenditure includes hardware and software equipment as well as all kind of services and technical assistance on this matter; **Luxembourg:** Only direct taxes. **Spain**: IT costs include only capital expenditures and external applications. Administrative costs and Wages of the IT Department (2,259 people that develop and manage the whole system) should be added.

Table 5.3. Cost of collection ratios (administrative costs/net revenue collections)

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

/2. The year-by-year data is compiled from surveys conducted among revenue bodies around every two years. For CIS 2012, some prior year data items and related ratios (reported in previous editions of CIS) were revised to take account of new data provided by a few revenue bodies or to correct errors detected in the data originally used for these calculations. In a few cases (*e.g.* Germany), this action has resulted in major changes to previously published ratios.

/3. **Estonia**: Ratios for 2005 to 2007 include customs operations but not for subsequent years; **Iceland**: The computed ratios for these years are understated as not all costs appear to have been quantified for survey reporting purposes; **Italy:** The computed ratios for these years significantly understate the true ratio as they do not take account of expenditure incurred on tax related work carried out by other agencies (*e.g.* the tax fraud work of the Guardia di Finanza and enforced debt collection activities performed by Equitalia spa) that have not been quantified. **United States**: Ratios indicated vary from IRS-published ratios owing to use of "net" and not "gross" revenue collections as the denominator.

Table 5.4. Tax Administration expenditure/gross domestic product (GDP)

/1. GDP at market prices in millions of national currency.

/2. **Cyprus:** Data revised to correct errors detected in the data originally used. Payments made on behalf of IRD and VAT by other government departments are not reflected in these specific years. **Italy**: Calculations up to 2009 based on cost data provided for tax related functions of revenue body (Agenzia Entrate), tax-related work of separate tax police body (Guardia di Finanza), and separate tax debt collection function (Equitalia); data not provided for subsequent years.

Table 5.5. Revenue body staff usage and related ratios

/1. Use of the information in this table should pay close regard to the comments in the preceding text of this chapter.

/2. **All countries**: The data shown have been drawn from individual country survey responses unless otherwise indicated; the definition of the number of person-days that constitute one person year (one full time equivalent (FTE)) varies from country to country; for the purpose of this tabulation and related 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; **Italy:** Data refers to Revenue Agency only and excludes Equitalia (debt collection), Guardia di Finanza (tax fraud work) and Sogie (data processing); **Singapore**: Staff strength at 31 March 2011. Staff usage ratios for Singapore are calculated based on population which includes Singapore citizens, permanent residents and foreigners.

Table 5.6. Staff usage in 2011 by major tax function groupings (% of total usage)

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

/2. **Brazil and Ireland**: Data includes Customs; **Italy**: Data for revenue body agency only and excludes Equitalia (debt collection), Guardia di Finanza (tax fraud work) and Sogie (data processing); **Japan**: Inseparable from the audit, investigation and other verification function and debt collection function; **Korea**: Staff in taxpayer account management and verification functions are also engaged in the work of debt collection and there is no dedicated unit for debt collection; **Singapore**: Staff strength at 31 March 2011; **Sweden**: Data exclude Enforcement Agency which carries out enforced tax debt collection functions.

/3. **Sweden:** Includes all HQ staff.

Bibliography

OECD (2012), *Working Smarter in Structuring the Administration, Compliance, and through Legislation*, Forum on Tax Administration, Centre for Tax Policy and Administration, OECD, Paris.

Chapter 6

Operational performance of revenue bodies

This chapter provides performance-related data for important areas of tax administration that were reported by revenue bodies or obtained from other sources.

Key points and observations

Tax revenue collections

- Overall, the unweighted measure "average tax/GDP" in fiscal year 2010 in OECD countries was in line with 2009 but some 0.7% below the level in 2008 (before the full impacts of the global financial crisis) reflecting ongoing depressed economic conditions in some countries.

Refunds of taxes

- The incidence of aggregate tax refunds varies markedly between countries, reflecting a range of tax system design and other factors, with significant implications for respective revenue body workloads.
- In overall terms, there is an increasing trend in the proportion of tax being refunded to taxpayers, with implications for revenue body workloads and the risk of tax fraud, although this trend appears to have been influenced, in part, by reduced tax revenues in some countries arising in the aftermath of the global financial crisis

Delivery of services to taxpayers

- The volume data reported, when presented in a relative and comparative context, suggest that many revenue bodies have considerable potential to eliminate and/or shift service demand to more cost efficient service channels (e.g. the Internet)
- Many revenue bodies appear to not have sufficient data (and knowledge) of the service demands for some of their more costly service channels (e.g. in-person inquiries and phone calls)
- The practice of applying standards for key areas of service delivery and monitoring the performance achieved remains a relatively immature practice among revenue bodies.
- For some areas of service delivery, the standards applied (and levels of service achieved) vary significantly across revenue bodies (e.g. processing VAT refunds); however, it is possible to identify many examples of "responsive standards" and "high standards of performance".

Tax verification activities

- The aggregate value of verification results (as a share of annual net revenue collections) varies significantly but for just one half of revenue bodies represents less than 4% of annual net revenue collections; 17 revenue bodies reported results less than 2%, 14 reported an amount in the range 2-4%, while 12 revenue bodies reported results over 4% (including three exceeding 8%).
- Viewed over a five year period, around half of surveyed bodies reported significant increases (+20%) in the aggregate value of their verification outputs.

Key points and observations *(continued)*

Collection of tax debts

- Average debt levels in OECD countries continued to ease in 2011 following their peak in 2009 (i.e. the year following the global financial crisis) but remain in excess of 20% of the average level indicated for 2007;
- The incidence of unpaid taxes, as reflected in the relative value size of debt inventories, varies enormously across surveyed revenue bodies, suggesting that there are also enormous variations in the overall level of taxpayers' payment compliance.
- There are 15 revenue bodies that consistently display a end-year tax debt/net revenue collections ratio of less than 8% for most/all years over the seven year period reviewed (indicating sustained high levels of payment compliance/collection effectiveness)- Argentina, Australia, Austria, Denmark, Finland, France, Germany, Ireland, Japan, Korea, Netherlands, Norway, Sweden, Singapore, and the United Kingdom.
- In the aftermath of the global economic crisis there has been upwards growth in the overall incidence of tax debts written off as uncollectible; applying the ratio "*tax debts written off/value of year-beginning tax debt outstanding",* the average ratio across OECD countries rose from around 19% in 2007 to just over 25% in 2009, and eased only marginally in 2010 and 2011 (NB: There are insufficient data to comment on this aspect as it concerns non-OECD countries.)

This chapter provides an overview of operational data obtained in respect of the performance of revenue bodies. The subject areas included are: 1) revenue collections; 2) refunds of overpaid taxes; 3) taxpayer services; 4) verification activities; 5) dispute resolution; and 6) collection of unpaid taxes.

Given the "comparative" nature of this series, every effort has been made to ensure that a common understanding has been applied by revenue bodies in interpreting the various terms used (*e.g.* "verification", "tax disputes", and "tax arrears"). For the reasons outlined in this chapter and elsewhere in this series, 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. In particular, reference should be made to other parts of the series (*e.g.* data related to the scope of taxes collected, institutional and organisational arrangements, and resource allocations) to identify factors that may explain what appear to be "unusual outcomes" reported in this chapter.

Tax revenue collections

The end-product of the work of national revenue bodies is the net amount of revenue collected (after refunds are paid) which can be credited to Government revenue accounts. This section provides information on the aggregate net tax revenues of surveyed countries for all levels of Government, often expressed in terms of a country's "tax burden". A major proportion of these revenues, with the exception of social contributions in some countries (see Chapter 1, Table 1), is collected by surveyed revenue bodies.

The OECD generally seeks to publish internationally comparable data on the tax revenues of OECD countries for all levels 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 recognise that the tax ratios published by the OECD depend just as much on the denominator (GDP) as the numerator (tax revenue), and that the denominator is subject to revision for a variety of reasons. Readers are directed to the OECD publication *Revenue Statistics 1965-2011, 2012 edition* for more information concerning the impact of GDP revisions on reported tax ratios in member countries.

Note: The OECD maintains an extensive tax database and publishes a large array of comparative reports on the design and performance of tax systems. Readers interested in finding out more on these particular aspects are directed to the following sources:

- ***Tax revenue performance***
- ***Rates of taxes, thresholds etc.***

www.oecd.org/ctp/taxpolicyanalysis/oecdtaxdatabase.htm#A_RevenueStatistics

- ***Trends and developments concerning consumption taxes***

www.oecd.org/ctp/consumptiontax/oecdconsumptiontaxtrendspublications.htm

Aggregate Tables A1 to A3 located in the Annex A of this series set out aggregates over a seven year period (2005 to 2011) of total gross revenue collections, tax refunds and net tax revenues reported by revenue bodies for this and prior series.

Table 6.1 provides official OECD aggregate country tax revenues (for each major tax type and in total covering all levels of government) as a percentage of gross domestic products (GDP) for fiscal year 2010, along with aggregate tax/GDP data for the prior two years. These ratios are calculated by expressing total tax revenues as a percentage of GDP at market prices. The source of data presented is described at the foot of the table. Table 6.2 (columns 2 and 3) aims to provide a measure of the proportion of aggregate gross PIT and SSC revenue collected by withholding mechanisms in 2010 and 2011, given the general superiority of withholding mechanisms in collecting income taxes. (However, for some countries the ratios computed appear either abnormally large (*i.e.* over 95%) or abnormally low (less than 70%) raising questions over their accuracy. Also displayed in Table 6.2 are data reflecting the incidence of tax refunds over an extended period, acknowledging that workloads associated with refunding overpaid taxes are significant for many revenue bodies.

The key points concerning revenue collections from the information in Tables 6.1 and 6.2 are:

- Tax burden ratios vary enormously between surveyed countries, and with in and across OECD and non-OECD categories; for fiscal year 2010, eight countries in the European region – Austria, Belgium, Denmark, Finland, France, Italy, Norway and Sweden – had tax/GDP ratios exceeding 40%. In contrast, total tax revenue in six other surveyed countries / regions (*i.e.* Chile, China, Hong Kong, India, Indonesia, Malaysia, Saudi Arabia and Singapore) was less than 20% of GDP; just over half of surveyed countries had an aggregate tax burden equivalent to between 30-40% of GDP.
- Overall, the unweighted measure "average tax/GDP" in fiscal year 2010 in OECD countries was in line with 2009 but some 0.7% below the level in 2008 before the full impacts of the global financial crisis.

Table 6.1. **Aggregate tax collections (by major tax type) for 2010 and prior years**

Country	Major taxes collected (tax/GDP%) for fiscal year 2010					All taxes collected/ GDP (%)	All taxes (Tax/GDP%)	
	PIT	SSC	CIT	VAT	Excises		2009	2008
OECD countries								
Australia	9.9	n.app	4.8	3.4	3.1	25.6	25.8	27.1
Austria	9.5	14.5	1.9	7.9	3.1	42.0	42.5	42.8
Belgium	12.2	14.1	2.7	7.1	3.3	43.5	43.1	43.9
Canada	10.8	4.7	3.3	3.7	2.7	31.0	32.1	32.3
Chile	7.5	1.4	In PIT	7.6	1.9	19.6	17.1	21.4
Czech Rep.	3.6	15.3	3.4	7.0	3.7	34.2	33.9	35.0
Denmark	24.3	1.0	2.7	9.8	4.4	47.6	47.7	47.8
Estonia	5.4	13.1	1.4	8.8	4.5	34.2	35.7	31.7
Finland	12.6	12.7	2.6	8.5	4.5	42.5	42.8	42.9
France	7.3	16.6	2.1	7.0	3.2	42.9	42.5	43.5
Germany	8.8	14.1	1.5	7.2	3.0	36.1	37.3	36.5
Greece	4.4	10.9	2.4	7.2	3.7	30.9	30.4	32.1
Hungary	6.5	11.9	1.2	8.7	4.7	37.9	39.9	40.1
Iceland	12.9	4.1	1.0	8.0	3.7	35.2	33.9	36.7
Ireland	7.5	5.6	2.5	6.3	3.2	27.6	27.7	29.1
Israel	6.3	5.6	2.9	8.0	2.2	32.4	31.4	33.8
Italy	11.7	13.4	2.8	6.3	3.7	42.9	43.0	43.0
Japan	5.1	11.4	3.2	2.6	2.0	27.6	27.0	28.5
Korea	3.6	5.7	3.5	4.4	3.5	25.1	25.5	26.5
Luxembourg	7.8	10.8	5.7	6.2	3.9	37.1	37.7	35.5
Mexico	5.2	2.9	In PIT	3.9	5.9	18.8	17.4	20.9
Netherlands	8.6	4.1	2.2	7.2	3.3	38.7	38.2	39.3
New Zealand	11.9	n.app	3.8	9.7	2.0	31.5	31.6	33.8
Norway	10.1	9.7	10.1	8.0	3.3	42.9	42.4	42.1
Poland	4.5	11.1	2.0	7.6	4.4	31.7	31.7	34.2
Portugal	5.6	9.0	2.8	7.8	4.1	31.3	30.7	32.5
Slovak Rep.	2.3	12.3	2.5	6.4	3.2	28.3	29.1	29.5
Slovenia	5.7	15.1	1.9	8.4	5.0	37.5	37.1	37.1
Spain	7.0	12.1	1.8	5.4	2.6	32.3	30.9	33.1
Sweden	12.7	11.4	3.5	9.7	3.1	45.5	46.6	46.4
Switzerland	9.1	6.7	2.9	3.6	2.0	28.1	28.7	28.1
Turkey	3.7	6.1	1.9	5.7	6.3	25.7	24.6	24.2
United Kingdom	10.0	6.6	3.1	6.5	3.7	34.9	34.2	35.8
United States	8.1	6.4	2.7	0.0	1.7	24.8	24.2	26.3
OECD ave. (unw.)	8.3	9.4	2.9	6.6	3.5	33.8	33.7	34.5
Non-OECD countries								
Argentina	5.4	7.1	In PIT	7.9	5.9	33.5	31.5	30.8
Brazil	6.9	8.4	In PIT	7.5	1.2	32.4	32.3	33.9
Bulgaria	2.9	6.9	1.8	4.8	0.0	17.0	19.7	18.9
China	n.a.	n.a.	n.a.	n.a.	n.a.	18.2	17.5	17.3
Colombia	4.8	2.1	In PIT	5.3	1.6	17.3	17.9	18.1
Cyprus	4.2	9.0	6.2	9.2	3.5	35.7	35.3	38.6
Hong Kong, China	-------------7.2 (direct taxes)---------			5.2 (indirect taxes)		12.8	13.0	14.2
India	n.a	n.a.	n.a.	n.appl.	n.a.	15.1	16.7	17.8
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a	10.7*	10.2*	n.a
Latvia	6.2	8.4	1.0	6.6	3.5	27.3	26.7	29.2
Lithuania	3.6	10.4	1.0	7.9	3.3	27.1	29.2	30.0
Malaysia	n.a.	n.a.	n.a.	n.appl.	n.a.	14.3*	15.7*	15.2*
Malta/1	14.0	9.0	6.5	9.0	3.0	37.0	34.3	33.8
Romania	3.3	8.8	2.3	7.8	3.4	27.2	26.9	28.0
Russia	3.9	/1	3.8	2.9	1.0	16.6/2*	16.2/2*	19.3*
Saudi Arabia	n.a.	n.a.	n.a.	n.appl.	n.a.	4.2*	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	13.0	14.3	13.4
South Africa	8.5	n.a	5.6	6.1	n.a	24.5	27.1	27.6

* Aggregates exclude government revenues from oil and/or gas.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 228.

Sources: OECD countries-Revenue Statistics (OECD, 2012), Revenue Statistics in Latin America (OECD, 2012); Non-OECD EU Countries-Taxation Trends in The European Union (2012); South Africa-SARS 2011/12 Annual Report; and Other Countries-IMF Article IV Consultations: Staff Reports.

Table 6.2. **Revenue collections and refunds (relative shares)**

	Gross PIT and SSC withholdings/total PIT and SSC revenue %		Total refunds of tax/gross revenue collections (%)						
Country	2010	2011	2005	2006	2007	2008	2009	2010	2011
OECD countries									
Australia	n.a.	n.a.	19.0	19.5	20.1	20.8	24.2	25.0	24.4
Austria	87.3	88.1	4.8	4.0	3.4	3.1	3.5	3.7	3.5
Belgium	n.a.	n.a.	1.8	3.7	4.1	20.3	22.5	n.a.	n.a.
Canada	84.6	86.3	22.0	22.7	21.6	19.9	23.5	23.3	22.9
Chile	n.a.	n.a.	21.7	23.6	29.3	26.0	36.3	21.5	19.3
Czech Rep.	n.a.	n.a.	25.0	29.1	29.4	30.1	29.3	29.4	31.2
Denmark	n.a.	n.a.	2.0	2.4	3.0	0.4	0.4	1.4	1.4
Estonia	n.a.	n.a.	28.9	28.5	28.9	18.3	28.4	17.8	19.2
Finland	90.5	90.0	20.0	21.4	21.7	24.0	22.7	22.4	23.1
France	n.a.	n.a.	7.8	7.9	8.3	13.9	18.7	16.9	15.9
Germany	87.1	87.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	5.9	5.3	5.4	7.1	9.9	10.9	10.7
Hungary	96.6	97.1	18.3	17.4	17.0	16.6	16.6	18.2	20.1
Iceland	60.7	60.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	13.1	13.3	13.9	15.3	16.1	32.9	29.3
Israel	n.a.	n.a.	n.a.	n.a.	n.a.	16.2	16.3	18.3	15.8
Italy	75.3	76.9	4.2	4.3	4.6	13.1	14.2	14.0	12.7
Japan	82.7	83.5	10.7	11.1	12.6	13.7	16.2	19.3	14.7
Korea	60.1	62.5	19.9	20.0	18.9	23.6	22.9	23.2	24.9
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	11.2	8.5	9.0
Mexico	95 8	96 1	17.7	15.9	17.6	16.4	22.1	27.0	29.4
Netherlands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Zealand	92.7	93.3	16.5	15.9	16.6	18.0	18.4	18.0	19.9
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	n.a.	n.a.	n.a.	n.a.	n.a.	27.3	28.7	36.9	38.2
Portugal	80.9	90.1	17.0	16.4	16.1	17.1	20.8	19.8	20.0
Slovak Rep.	n.a.	n.a.	52.5	58.3	61.5	63.0	60.9	64.4	66.0
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain/1	91.2	90.9	18.3	17.1	18.1	23.7	29.7	23.7	22.9
Sweden	56.0	54.9	n.a.	17.7	14.5	12.7	11.6	n.a.	n.a.
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	48.5	44.1	45.9	44.2
Turkey	92.0	91.8	9.3	9.1	10.7	11.5	12.2	10.7	10.8
United Kingdom	n.a.	n.a.	13.1	13.5	13.3	14.5	15.4	17.1	18.6
United States	83.0	81.5	11.9	11.1	11.0	17.2	18.7	19.9	17.2
OECD ave. (unw.)	75.3	76.3	15.9	16.3	16.8	19.4	21.4	21.9	21.7
Non-OECD countries									
Argentina	41.6	41.8	5.4	4.8	4.3	3.0	2.0	1.9	1.8
Brazil	46.2	47.7	n.a.	n.a.	n.a.	n.a.	n.a.	4.5	4.4
Bulgaria	n.a.	n.a.	39.8	34.5	28.0	31.0	24.9	28.3	29.5
China	n.a.	n.a.	8.8	9.2	8.7	10.1	10.3	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	8.1
Cyprus	n.a.	n.a.	5.7	5.1	5.8	4.1	6.1	5.1	4.9
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.7	6.0
India	n.a.	n.a.	n.a.	n.a.	n.a.	11.8	13.2	14.6	16.5
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	6.1	5.6	6.2	5.9
Latvia	n.a.	n.a.	11.6	9.8	10.0	11.7	15.7	14.6	16.0
Lithuania	93.2	94.2	12.4	15.5	18.2	14.8	13.9	14.3	14.9
Malaysia	n.a.	n.a.	5.8	6.6	7.2	9.4	12.2	8.1	6.4
Malta	52.4	54.9	n.a.	n.a.	n.a.	7.2	6.2	6.6	7.4
Romania	n.a.	n.a.	n.a.	n.a.	6.8	7.6	7.3	7.7	8.9
Russia	47.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	87.7	90.9	15.6	15.2	15.5	16.2	18.5	19.0	16.3

Sources: Country survey responses.

- Social contributions, which are not collected by the main revenue body in many OECD countries, are a significant source of tax revenue and, in fact, are the predominant source of tax revenue in over half of OECD countries.
- The variations in aggregate tax burdens evident from Table 6.1 have a number of implications from a tax administration viewpoint, particularly in the context of international comparisons. The significant variations in tax burden ratios coupled with variations in the mix of direct and indirect taxes mean that there can be quite different administrative workloads and compliance issues from country to country.
- Only around half of revenue bodies were able to quantify the data needed to measure the proportion of PIT and SSC collected using withholding mechanisms and for a fair number the data appear inaccurate; for the balance of revenue bodies (*e.g.* Canada, South Africa, and United States) the ratio tended to be in the range of 80-90%.

Refunds of taxes

A factor given relatively little attention in describing national tax systems and the work of national revenue bodies is the refunds of taxes to taxpayers, and the resultant workload and costs for the revenue body and taxpayers to settle tax liabilities. Given the underlying design of the main taxes administered (*i.e.* PIT, CIT and VAT) some element of over-payment by a proportion of taxpayers is unavoidable; in fact, for both the PIT and VAT some incidence of refunds is desirable. However, as discussed in this section the overall incidence of refunds taxes (in value terms) for many countries is higher than perhaps generally recognised and varies significantly across countries. Related to this, the relatively high incidence of tax refunds for particular taxes raises a number of important tax system management issues of concern to taxpayers, policy-makers and revenue bodies. Excess tax payments represent a cost to taxpayers in terms of “the time value of money”, which is particularly critical to businesses that are operating with tight margins where cash flow is paramount. Any delays in refunding legitimately overpaid taxes may therefore result in significant “costs” to taxpayers, particularly where there are no or inadequate provisions for the payment of interest to taxpayers in respect of delayed refunds. Another important consideration is that tax regimes with a high incidence of tax refunds are attractive to fraudsters (especially via organised criminal attacks) and for this reason present a significant risk to revenue bodies and necessitate effective risk-based approaches for identifying potentially fraudulent refund claims.

From limited research carried out by the Secretariat, there appear to be a range of factors that can influence the incidence of refunds for each of the major taxes administered – see Box 6.1. Some or all of these may apply to varying degrees across each of the surveyed countries.

Concerning VAT systems, the combination of factors that result in a relatively high incidence of taxes to be refunded to taxpayers, coupled with a requirement to pay interest on delayed refunds creates a “conflict” for many revenue bodies that must be carefully managed. On the one hand, they must be alert to potentially excessive refund claims taking steps to develop and use sophisticated risk profiling techniques to detect such claims before they are made to claimants validate in such situations, while on the other hand they are under pressure to expeditiously refund amounts of VAT legitimately overpaid which businesses require to fund their operations. These considerations have prompted international and regional tax organisations to give attention to this matter with a view to providing “best practice” guidance to revenue bodies, particularly in developing and transitional economies. A useful study of the issues encountered in this field and practical guidance for establishing a system of effective controls is contained in *VAT Refunds: A Review of Country Experience,* IMF Working Paper WP/05/218 produced by the IMF's Fiscal Affairs Department.

The key observations concerning the incidence of refunds are as follows:

- The incidence of tax refunds (for 42 of 52 revenue bodies) varies significantly, reflecting a range of tax system design factors of the kind described in Box 6.1. For 2011;
    - 12 revenue bodies reported aggregate refunds < 10%;
    - 15 revenue bodies reported an amount between 10-20%;
    - 11 revenue bodies reported between 20-30%; and
    - 4 revenue bodies reported in excess of 30% (*i.e.* Czech Rep., Poland, Slovakia, and Switzerland) with the Slovak Rep. reporting an abnormally large 66%);.
- In overall terms, there is an increasing trend in the proportion of tax being refunded to taxpayers over the period reported, although this trend appears to have been influenced, in part at least, by reduced tax revenues in some countries arising in the aftermath of the global economic crisis;

Box 6.1. **Factors that can contribute to the incidence of tax refunds**

Personal income tax

- Employee withholding schedules (where the non-cumulative approach is used) that are calibrated to marginally "over-withhold" taxes from employees wages, pending the settlement of liabilities in end-of year tax returns;
- Tax system design features that result in various tax benefits being delivered to taxpayers via the end-of-year tax return assessment process;
- The use of flat rate (creditable) withholding mechanisms for investment income, particularly interest income, that result in "overpayment" of taxes for lower income taxpayers (and that are generally refunded with the filing of a tax return);
- Design features of the system for making advance payments of tax (*e.g.* the base applied for estimating instalments, the threat of penalties for under-estimates) that may discourage some taxpayers from making revised estimates of income prior to filing their end-year tax return;
- Taxpayers under-reporting income and/or over-claiming deductions and other entitlements in the end-of-tax return process to inflate their refund entitlements.

Corporate income tax

- Reversals of relatively large assessments following the resolution of taxpayers' disputes, resulting in refunds of overpaid taxes; and
- Features of the system for making advance payments of tax (*e.g.* the base applied for estimating instalments, the threat of penalties for under-estimates) that may discourage some taxpayers from making revised estimates prior to filing their end-year tax return.

Value added tax

- The nature of a country's economy (*e.g.* the extent of value added of export industries, the proportion of taxable and zero-rated sales in the economy);
- Design features of the VAT system, particularly the extent of zero-rating and use of multiple rates; and
- Inflated VAT refund claims that go undetected, including those resulting from fraudulent schemes designed to exploit weaknesses in VAT refund controls.

- Although not researched in detail, data from selected revenue bodies' annual performance and/or statistical reports indicate that substantial amounts of VAT (*i.e.* in excess of 20% of annual gross revenue collections) must be refunded, for example;
    - Finland: over 40% of gross collections in 2011;
    - France: 26.9% of gross collections in 2010;
    - Hungary: 40.0% of gross collections in 2010 and 45.9% in 2011;
    - New Zealand: 43.9% in 2010/11 and 44.7% in 2011/12;
    - Slovakia: VAT refunds in excess of 50% of gross collections in 2010;
    - South Africa: 35.9% of gross collections in 2010/11 and 40.7% in 2011/12;
    - Spain: VAT refunds of 34.0% (2010) and 36.4% (2011);
    - Sweden: VAT refunds of 39% in 2009; and
    - United Kingdom: 49.8% in 2010/11 and 49.2% in 2011/12.

  While for many of these countries the incidence of VAT refunds can be partly attributed to a high volume of exports, the data nevertheless highlights the importance of revenue bodies having systematic processes in place for granting timely VAT refunds to compliant taxpayers, as well as robust compliance checks in place for the detection of fraudulent VAT registrations and refund claims (ideally before any refunds are paid to claimants).
- Around 20% of revenue bodies were unable to quantify the value of refunds, suggesting a possible gap in their normal performance monitoring arrangements.

Taxpayer service delivery

The provision of a comprehensive array of services for taxpayers and their representatives is an important component of the work of revenue bodies given the size of their client base, and the complexity and range of taxes administered, often applying self-assessment principles. However, revenue bodies face many competing demands. With limits on the resources that they can devote to all of their work, careful choices must be made as to how they are to be allocated to achieve the optimal mix of outcomes. As part of this, consideration must also be given to ensuring that service demands are satisfied in the most economical way, meaning the revenue bodies require both a detailed understanding of their service demand volumes and the costs of the various channels used for satisfying such demand.

In 2012, the FTA undertook a study – *Working smarter in revenue administration – Using demand management strategies to meet service delivery goals* – with the purpose of identifying the demand management processes revenue bodies had in place and the steps they took to understand the root causes of service demand and how that knowledge was applied to either reduce demand or shift it to more cost efficient channels. Among other things the study, which examined the approaches of some 26 (mostly OECD) countries, found that:

- Despite having implemented multi-channel service models and setting service objectives to shift taxpayers to self-service and the online channel, many revenue bodies were continuing to experience high demand on their more expensive in-person and inbound call channels.

- Most revenue bodies were measuring demand through a variety of methodologies and technologies such as manual processes, call centre and workload control systems and databases that provide useful information on volumes, trends and demand topics; however, these methodologies were typically costly, time-consuming, labour intensive and, most importantly, not effective for determining the root causes of demand.
- Generally speaking, internal revenue body governance processes for managing service demand were immature-fragmented, incomplete, and/or lacking co-ordination
- In light of the study's findings, the FTA commissioned further work in 2012 to provide practical guidance for revenue bodies to assist them meet taxpayers' service expectations. This work is expected to be published in the second quarter of 2012.

As a follow-on to the FTA's study and to reinforce the importance of this matter to all revenue bodies, the CIS 2012 survey sought volume data on the main service demand categories of revenue bodies.

Managing service demand-service volumes

Data on the service volumes reported by revenue bodies are set out in Tables 6.3 and 6.4, while Table 6.5 sets out a number of ratios to place the data in a comparative context. The key observations and findings are as follows:

In-person inquiries

- Many revenue bodies (over 25%) were unable to quantify the level of demand for this service category suggesting possible weaknesses in their knowledge of this service channel and ability to improve its efficiency.
- For revenue bodies where data are available, there are significant variations in the relative levels of in-person inquiries received; using the benchmark "inquiries made/100 citizens" for the 2010 and 2011 fiscal years, a number of countries (*e.g.* France, Hungary, and Portugal) have an abnormally high incidence of in-person inquiries, suggesting potential to significantly reduce the costs of their "in-person inquiries" channel;
- Many revenue bodies with relative high "in-person inquiry" volumes have relatively low "phone telephony" volumes and/or offer in-person payment services, suggesting potential for efficiency gains from increasing use of telephony and Internet services and modern payment services respectively – examples here include Estonia, France, Hungary, and Portugal.
- The Canada Revenue Agency has the lowest rate of service demand for this channel, the result of concerted efforts to reduce the costs of this channel; a case study describing how this has been achieved is set out in the aforementioned 2012 FTA report "*Working smarter in revenue administration – Using demand management strategies to meet service delivery goals"* (p. 34).
- On a positive note and as described in Chapter 2 a fair number of revenue bodies are taking steps to significantly scale back the size of their office networks, which might reasonably be expected to lead to large reductions in their "in-person inquiries" volumes.

Table 6.3. **Service demand volumes-for selected services**

Countries	In-person inquiries (000s)		Written correspondence from taxpayers (000s) - Paper		Written correspondence from taxpayers (000s) - Email		"Hits" on Internet webpage (millions)	
	2010	2011	2010	2011	2010	2011	2010	2011
OECD countries								
Australia	662/1	542/1	3 110	5 006/1	19	19	2 256	3 014
Austria	n.a.	n.a.	n.a.	n.a.	126	133	32.4	58.7
Belgium	n.a./1	n.a./1	n.a./1	n.a./1	n.a./1	n.a./1	n.a.	n.a.
Canada	240	234	410	360	/1	/1	82.3/1	88.2/1
Chile	2 345	2 445	n.a.	141	23	30	230	295
Czech Rep.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Denmark	400	390	n.a.	n.a.	380	350	34.6	32.6
Estonia	310	290	n.a.	n.a.	n.a.	n.a.	62.7	67.7
Finland	n.a.	n.a.	n.a.	n.a.	17	17	12.6	13.4
France	15 150	17 860	>4 500	n.a.	3 380	4 150	56.0	n.a.
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	2 350	2 500	11	12	31	267	300.2	360.2
Iceland	40	70	n.a	61	12	18	7.7	12.0
Ireland	870	810	2 890/1	2 720/1	In paper	In paper	16.4	18.2
Israel	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
Italy	9 700	10 300	n.a.	n.a.	83	106	668.1	713.1
Japan	4 200	3 760	n.a.	n.a.	n.a.	n.a.	117.3	125.5
Korea	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	298.7	298.8
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	57.5	58.5
Mexico	8 970	10 330	n.app.	n.app.	1 200	1 600	244.4	234.2
Netherlands	880	980	n.a.	n.a.	0	0	43.0	71.6
New Zealand	200	200	900	800	700	700	10.3	17.8
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.0	14.5
Poland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Portugal	14 988	12 976	n.a.	n.a.	n.a.	n.a.	111.3	123.9
Slovak Rep.	n.a.	n.a.	<1	<1	6	6	n.a.	n.a
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	484.9	514.8
Sweden	1 400	1 500	n.a.	n.a.	300	400	30.5	38.7
Switzerland	0	0	200	200	100	100	n.a.	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	1	3	8.9	9.0
United Kingdom	3 090	3 200	11 390	9 690	n.a.	n.a.	n.a.	n.a.
United States	6 380	6 390	20 790	19 830	52	53	307.5/1	322.5/1
Non-OECD countries								
Argentina	n.a.	n.a.	n.a.	n.a.	333	344	131.3	155.0
Brazil	20 300	20 100	n.a.	n.a.	120	145	76	107.3
Bulgaria	n.a.	n.a.	n.a.	n.a.	14	14	2.3	2.8
China	-	-	-	-	-	-	-	-
Colombia	3 270	3 140	1 450	920	116	98	5.29	5.4
Cyprus	n.a.	n.a.	1	1	<1 (VAT)	<1 (VAT)	n.a.	n.a.
Hong Kong, China	230	210	430	440	100	110	22.13	24.8
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	470	560	10	170	100	130	n.a.	n.a.
Lithuania	192	110/1	3	3	19	13	19.24	34.9
Malaysia	81	93	8	4	120	96	n.a.	n.a.
Malta	46	44	19	20	1	2	n.a.	n.a.
Romania	n.a.	n.a.	3	47	13	17	n.a.	n.a.
Russia	n.a.	n.a.	172	160	17	50	30.46	37.27
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	186	143	450	280	260	220	7.78	8.6
South Africa	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.1	8.6

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 228.

Source: CIS survey responses.

Table 6.4. **Service demand volumes: Phone inquiries**

	Phone inquiries received (millions)						Phone calls answered (excl. IVR-handled calls) (millions)	
	Handled by IVR/1		Other calls		Total			
Country	2010	2011	2010	2011	2010	2011	2010	2011
OECD countries								
Australia	1.09/2	1.78/2	10.12/2	10.98/2	11.21	12.77	8.89	9.35
Austria	n.appl.	n.appl.	n.a.	3.54/2	n.a.	3.54	n.a.	3.54/2
Belgium			1.006	1.255	1.006	1.255	0.704	0.628
Canada	7.15	7.02	17.04	18.10	24.19	25.12	16.39	17.39
Chile	n.appl.	n.appl.	0.99	1.01	0.99	1.01	0.84	0.84
Czech Rep.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Denmark	3.39	3.35	4.32	4.28	7.71	7.63	n.a.	n.a.
Estonia	n.appl.	n.appl.	0.25	0.28	0.25	0.28	0.24	0.25
Finland	n.appl.	n.appl.	1.41	1.71	1.41	1.71	0.94	1.07
France	n.a.	n.a.	3.14	4.34	3.14	4.34	3.25	3.07
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	1.26	1.23	0.814	0.774	2.07	2.00	0.78	0.75
Iceland	n.appl.	n.appl.	0.26	0.255	0.26	0.255	0.13	0.13
Ireland	3.93	3.96	1.91	1.94	5.84	5.9	1.71	1.74
Israel	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
Italy	0.08	0.09	2.61	3.63	2.69	3.72	2.0	2.0
Japan	0.025	n.a.	n.a.	n.a.	n.a.	n.a.	5.14	5.04
Korea	5.01	4.78	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	n.appl.	n.appl.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	5.76	5.75	5.39	4.87	11.15	10.62	4.77	4.45
Netherlands	n.a.	n.a.	15.09	15.81	n.a.	n.a.	13.73	14.02
New Zealand	0.6	0.7	5.4	5.1	6.0	5.8	4.0	3.7
Norway	n.a.	n.a.	2.62	2.66	2.62	2.66	2.18	1.99
Poland	0.274	0.270	0.214	0.221	0.488	0.491	n.a.	n.a.
Portugal	1.13	1.16	n.a	n.a	1.13	1.16	0.71	0.98
Slovak Rep.	n.appl.	0.024	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	4.2	5.48	6.72	6.18	10.92	11.66	5.99	5.7
Sweden	8.3	8.3	n.a	n.a	n.a.	n.a.	4.5	4.4
Switzerland/2	-	-	0.2	0.2	0.2	0.2	0.2	0.2
Turkey	n.appl.	n.appl.	0.25	0.48	0.254	0.480	0.247	0.473
United Kingdom	3.11	6.51	41.34	50.64	44.45	57.15	26.92	23.43
United States	35.11	42.29	48.4/2	47.6/2	83.51	89.89	36.67	34.24
Non-OECD countries								
Argentina	0.388	0.436	5.5	3.5	5.888	3.936	0.202	0.263
Brazil	n.appl	n.appl.	10.16	9.71	10.16	9.71	2.1	2.5
Bulgaria	0.125	0.095	0.218	0.211	0.343	0.306	0.207	0.2
China	-	-	-	-	-	-	-	-
Colombia	0.54	0.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cyprus	n.appl.	n.appl.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hong Kong, China	1.24	1.17	0.04	0.04	1.28	1.21	0.03	0.03
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	n.appl.	n.appl.	n.a.	n.a.	n.a.	n.a.	0.12	0.22
Lithuania	n.appl.	n.appl.	0.941	0.758	0.941	0.758	0.769	0.702
Malaysia	0.072	0.091	0.426	0.466	0.420	0.438	0.492	0.528
Malta	n.appl.	n.appl.	0.183	0.145	0.183	0.145	0.102	0.068
Romania	n.appl.	n.appl.	0.98	1.0	0.98	1.0	n.a.	n.a.
Russia	n.a	n.a	n.a	n.a	n.a.	n.a.	n.a	0.484
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	0.542	0.467	1.066	1.047	1.608	1.514	0.997	0.996
South Africa	n.appl.	n.appl.	5.66	6.16	5.66	6.16	5.04	5.58

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 228.

Source: CIS survey responses.

Table 6.5. **Taxpayer services: Selected administrative features and demand ratios**

(This table only includes revenue bodies that reported volumes of in-person and phone inquiries answered)

Country	2010 citizen population (mln)	Selected features of administration: Non-tax roles/1	Local offices	In-person payments	In-person inquiries: No. per 100 citizens 2010	2011	Phone inquiries answered (excl. IVR handled): No. per 100 citizens 2010	2011
OECD countries								
Australia	22.3	R	11		2.95	2.42	39.9	41.9
Austria	8.4		40	1.5%	n.a.	n.a.	n.a.	42.2
Belgium	10.8		1 182	✓	n.a.	n.a.	6.5	5.8
Canada	34.1	W	40	5%	0.7	0.7	48.1	51.0
Chile	17.1		46		13.7	14.2	4.9	4.9
Denmark	5.5	C	28		7.3	7.1	n.a	n.a
Estonia	1.3	C	-	1%	23.8	22.3	18.5	19.2
Finland	5.4		43		n.a.	n.a.	17.4	19.8
France	62.6		1 500	✓	24.2	28.5	5.2	4.9
Hungary	10.0	C	52		23.5	25.0	7.8	7.5
Iceland	0.3		-	✓	13.3	23.3	43	43
Ireland	4.5	C	74		19.3	18.0	38.1	38.6
Italy	60.2		108		16.1	17.1	3.3	3.3
Japan	127.5		524	4.2%	3.3	2.9	4.0	4.0
Mexico	108.4	C	67		8.3	9.5	4.4	4.1
Netherlands	16.5	C, W	-		5.3	5.9	83.2	85
New Zealand	4.4	R, W	17		4.5	4.5	90.9	84.1
Norway	4.9		200/1		n.a.	n.a.	44.5	40.6
Portugal	10.6		343	47.1%	141	122.6	6.7	9.2
Spain	46.1	C	202/1		n.a.	n.a.	13.0	12.4
Sweden	9.4		-		14.9	16.0	47.8	46.8
Switzerland	7.8		-		n.a.	n.a.	25.6	25.6
Turkey	72.7		1063	✓	n.a.	n.a.	0.4	0.7
United Kingdom	61.3		224		5.0	5.2	43.9	38.2
United States	309.1		134	0.5%	2.1	2.1	11.9	11.1
Non-OECD countries								
Argentina	42.2	C			n.a.	n.a.	<1	<1
Brazil	195.0	C			10.4	10.3	1.1	1.3
Colombia	45.2	C	-		7.2	6.9	n.a.	n.a.
Hong Kong, China	7.2		-	0	3.2	2.9	< 1	< 1
Latvia	2.1	C	34		22.4	26.6	5.7	10.5
Lithuania	3.4		-		5.6	3.2	22.6	20.6
Malaysia	29.2			✓	< 1	< 1	1.7	1.8
Malta	0.4		-	5%	11.5	11.0	25.5	17
Singapore/2	5.2		0		3.6	2.8	19.2	19.1
South Africa	50.1	C	35	✓	n.a.	n.a.	10.1	11.1

/1. C: customs administration; R: retirement incomes/superannuation; and W: welfare benefits, etc.

/2. Number indicated is % of total payments; ✓ indicates that local offices collect tax payments but volumes are not known. **Singapore:** Citizen population includes Singapore citizens, permanent residents and foreigners.

Sources: CIS survey responses, population data from OECD Factbook 2011 and CIA World Factbook.

Telephony inquiries (handled by IVR)

- Significant IVR volumes were reported by over a dozen countries; on the other hand, some 15 countries responded that such technology is not used in their administration of the tax system.

Telephony inquiries answered

- A larger number of revenue bodies reported "telephony inquiries" volume information; while these data also show a significant variation in the relative level of calls answered by revenue body staff – using the benchmark "calls answered per 100 citizens" for both 2010 and 2011 – these variations in rates may in part be explicable by differences in roles and the range of taxes administered by the revenue bodies concerned, for example: 1) some revenue bodies (*e.g.* Canada, New Zealand, and Netherlands) have significant non-tax functions (*e.g.* the administration of welfare-related responsibilities); and 2) some revenue bodies administer a broader array of taxes (*e.g.* taxes on real property and motor vehicles).
- Although not examined in detail the raw data volumes for a few countries suggests a significant gap (*i.e.* 25%) between "phone demand" (as measured by the volume of calls received (other than those dealt with by IVR) and phone calls answered by call centre staff (*e.g.* Brazil, Finland, Italy, New Zealand, United Kingdom, and United States).

Written (paper) correspondence

- Most revenue bodies do not appear to monitor this demand and there was not enough data reported to make comparisons across a reasonably large number of countries.

Written (email) correspondence

- Volume data for this channel showed wide variation in absolute terms, but volumes generally are skewed to relatively small amounts (*i.e.* under 200 000 per annum); significant usage was reported for 2011 by Denmark (350 000), France (4 150 000), Mexico (1 600 000), New Zealand (700 000), and Sweden (400 000).

Internet usage

- The data volumes reported for this channel vary enormously and require further investigation to test their comparability before drawing any conclusions

Are you being served? Revenue bodies' use of service delivery standards

In a "taxpayer service delivery" context, quality has many dimensions (*e.g.* timeliness, accuracy of advice, and ease of access to information) and an exhaustive study of the approaches and performance of revenue bodies in this regard is beyond the scope of this series. For comparative purposes, this series focuses on a few of the more mainstream (and voluminous) areas of service provided by revenue bodies – the volumes of "service demand" work received, the standards that have been set for "timeliness", and the level of performance achieved in relation to those standards.

Reflecting their commitment to accountability and good levels of performance, some revenue bodies have developed formal service delivery standards for their main service-related activities (*e.g.* processing income tax returns and VAT refunds, and answering phones). In some countries, these standards are published in official documents while there is an accounting for the performance achieved in practice in annual performance reports etc. (An example of such reporting is provided in Box 3.2 in Chapter 3.) Generally speaking, responsiveness as a key criterion for taxpayers in the context of what constitutes "good service" and this is reflected in the system of formal standards used by some revenue bodies.

Tables 6.6 to 6.9 provide information for eight specific areas of service delivered by revenue bodies – the actual performance standard used in practice and the level of performance achieved in 2011. The specific areas of service are: 1) and 2) Processing PIT returns with refunds-paper and e-filed; 3) Processing VAT returns with refunds; 4) Sending a substantive response to a written letter on a routine matter; 5) Dealing with face-to-face enquiries at tax offices; 6) Answering taxpayers' telephone inquiries; 7) Resolving taxpayers complaints; and 8) Registering a new business taxpayer.

The key findings and observations from the data reported in these tables are as follows:

- The practice of establishing service standards and measuring the performance achieved against them remains a relatively immature practice across surveyed revenue bodies, with no more than half of surveyed countries having a comprehensive set of standards for the areas of service delivery identified.
- For the areas of service delivery surveyed, standards most frequently existed for the processing of VAT refunds and written inquiries, answering telephone inquiries, and handling taxpayers' disputes; standards were less frequently reported for the processing of income tax returns and registering a new business.
- For some areas of service delivery, the standards applied (and levels of service achieved) vary quite significantly (*e.g.* processing of VAT refunds).
- Survey data from a number of revenue bodies provide examples of responsive standards and high standards of performance.

Survey responses revealed numerous examples of what might be considered as responsive service standards and outstanding levels of performance and a sample of these are set out in Table 6.10.

Table 6.6. **Service standards/performance in 2011: Income tax returns**

(Countries only shown where an administrative standard is applied in practice)

Country	Processing PIT returns-paper returns		Processing PIT returns-electronically filed returns	
	Standard set for processing	Result	Standard set for processing	Result
OECD countries				
Australia	80% processed in 42 days	93.9%	94% in 14 days	82.7%
Austria	Process within an average of 24 days/1	18.4 days	Process in an average of 24 days/1	18.4 days
Canada	100% in average of 4-6 weeks	3.9 weeks	100% in average of 2 weeks	1.7 weeks
Chile	Varies/1	100%	Varies./1	100%
Denmark	100% processed in 6 weeks	99%	100% processed in 6 weeks	99%
Estonia	-	-	5 working days (unless inquiry needed)	100%
Hungary	(Law requires processing in 30 days)		(Law requires processing in 30 days)	
Ireland	80% processed in 10 working days; 100% in 20 working days	96%/ 98%	100% in 5 working days	89%
Japan	90% in 6 weeks	95.7%	90% in 6 weeks	(in paper)
Korea	100% in 30 days	n.avail	100% in 30 days	n.avail
Netherlands	98-100% filed before 1 April paid by 1 July	99.3%	98-100% filed before 1 April paid by 1 July	99.3%
New Zealand	80% within 4 weeks	86.3%	(Same as paper – no separate standard)	
Poland	All in 3 months	100%	All in 3 months	100%
Portugal	-	-	Returns processed in average of 20 days	17.5 days
Spain	Average time of processing: 32 days	32 days	Average time of processing: 32 days	32 days
United States	100% in 40 days	99.4%	/1	/1
Non-OECD countries				
Hong Kong, China	(See notes/1.)	/1	(See notes/1)	/1
Lithuania	100% processed before 31 July where filed before 1 May	99.9%	100% processed before 31 July where filed before 1 May	99.9%
Malaysia	Process 100% within 90 days of filing	97.7%	Process 100% within 30 days of filing	98.9%
Singapore/1	Process 100% of refund in 30 days	100%	Process 100% of refunds in 30 days	100%

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 229.

Table 6.7. **Service standards and performance in 2011: VAT refunds and correspondence**

(Countries only shown where an administrative standard is applied in practice)

Country	Processing VAT returns with refunds (all)		Sending substantive reply to written correspondence	
	Standard set for processing	Result	Standard set for processing	Result
OECD countries				
Australia	92% in 14 days (e-filed), 85% in 14 days (paper)	98, 97.7%	85% in 28 days	90.1%
Austria	Process within an average of 25 days	20.5 (ave)	Within 8 weeks (2 weeks for wage tax)	n.a
Canada	95% in 30 calendar days/1	90%	/2	-
Chile	/1	98%	-	-
Denmark	100% processed in 2 weeks	99%	Basic email-80% in 5 days; other decisions-90% in 90 days	70%, 86%
Estonia	5 working days	100%	5 work days	n.a.
Finland	-	-	In 2 days (Internet inquiries)	Achieved
France	80% are processed in 30 days	89.5%	65% processed in 15 work days	90.9%
Hungary	(Law requires processing in 30 days)	-	30 work days	n.a
Ireland	80% processed in 10 working days; 100% in 20 working days	83%, 95%	50% in 10 working days, 85% in 20 working days and 100% in 30 working days	66%, 83%, 93%
Korea	Within 15 days (early refund) and 30 days (general refund)	n.a.	Within 14 days	n.a.
Luxembourg	Legal delay	Achieved	Within 3 months (indirect taxes)	Achieved
Mexico	-	-	All processed in 9 work days	96.8%/1
Netherlands	-	-	/2	/2
New Zealand	95% within 3 weeks	97.5%	80% within 3 weeks	77.4%
Norway	-	-	100% in 3 weeks	n.a.
Poland	Standard time is 60 days/1	100%	100% in one month	100%
Spain	Average time of processing: 32 days	32 days		
United Kingdom	90% of correct returns repaid in 10 days	91%/1	80% within 15 work days/2	37.7%/2
United States	n.appl.	-	Routine letters; 1) Interim response in 30 days, and 2) Final response in 45 days	1) 100%, 2) 55 days

Table 6.7. **Service standards and performance in 2011: VAT refunds and correspondence** *(continued)*

(Countries only shown where an administrative standard is applied in practice)

	Processing VAT returns with refunds (all)		Sending substantive reply to written correspondence	
Country	Standard set for processing	Result	Standard set for processing	Result
Non-OECD countries				
Cyprus	3-6 months from return filing date	90%	All within 30 days	n.a.
Hong Kong, China	n.appl.	-	Simple: 95% in 7 work days, 99% in 10 Technical: 98% in 21 days	99.9/100% 99.9%
Lithuania	Refunds in 30 days of receipt of required documents	5 days (ave.)	100% responded to in 20 work days	99.9%
Singapore	95% in 1 month	98.5%	80% in 15 work days	88%

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 229.

Table 6.8. **Service standards and performance in 2011: In-person and phone inquiries**

(Countries only shown where an administrative standard is applied in practice)

	Dealing with face-to-face inquiries at tax offices		Answering telephone inquiries	
Country	Standard set	Result	Standard set	Result
OECD countries				
Australia	90% in 10/15 min. (15 mins peak times)	93.1%	80% in 5 min (general public); 90% in 2 min. (tax agent)	81.3%, 90.5%
Austria	-	-	Wait time of 1 min maximum	Achieved
Canada	-	-	80% in 2 min. for individuals / business inquiries/2	82/84%
Chile	-	-	98% answered in 20 secs.	99.4%
Denmark	-	-	Achieve satisfaction of 3.8 (scale 1/5)	3.9
Estonia	Within 10 min.	n.a.	Average wait time of 25 secs.	15.93 secs
Finland	-	-	70% in 60 secs	44.0%
France	-	-	60% of calls answered in 5 rings	75.8%
Hungary	-	-	95% of calls made are answered	98.3%
Ireland	Dealt within an average of 10 mins	97%	PAYE: 50% in 30 secs, 85% in 3 min, and 100% in 5 min.; Other: As for PAYE	/2
Japan	80% satisfaction rate with service	85.7%	1) 90% satisfaction rate with service 2) 95% receive counselling in 15 min.	1) 94.1% 2) 98.8%
Luxembourg/1	Appointments by mutual agreement	Achieved	Immediate answer if the question is simple/2	95%
Mexico	80% of taxpayers with appointment attended within 5 mins.	64.6%	Answer 95% of calls received	91.4%
Netherlands	-	-	1) Accessibility: 80-85% answered;/2 2) Call back within 2 days/2	1) 82%; 2) 88%
New Zealand	-	-	1) 70% in 1 min. on priority queue, and 2) 70 % in 4 mins. on general queue	1) 71%, 2) 76.5%
Norway	-	-	Over 70% in 2 min.	72%
Portugal	Reducing average wait time to below 16 min.	14.26 min	Answer 81% of calls received	84.6%
Spain	Average time of processing: 32 days	32 days		
Sweden	90% feel 1) they have been treated well; 2) received an answer in reasonable time; and 3) received help needed	1) 96%, 2) 88% 3) 94%	90% making contact feel they have been treated well, answered in reasonable time, and received help needed	1) 97%, 2) 85% 3) 88%
Turkey	90% are satisfied with service given/1	98%	80% answered in 30 secs	83%
United Kingdom	1) Offered appointment within 3 days of contact; 2) Deal with 98% in 10 mins of contact	1) 99.1%, 2) 99.5%	Currently not applicable/2	59.1%/2
United States	-	-	1) 71% level of service; 2) ave. speed of answer/wait is below 698 secs./1	1) 70.1%/1 2) 779 sec
Non-OECD countries				
Bulgaria	-	-	Waiting time under 15 secs for 90%	92%
Hong Kong, China	Peak times: 95% in 10 min. Other times: 99% in 10 min.	99.3% 100%	Peak months: 80% in 3 min, 90% in 4 Other months: 90% in 3 min, 95% in 4	90.9, 98.7 93.9, 98.8
Lithuania	n.appl.	-	Ratio of calls received to calls answered exceeds 90%	93%
Singapore	80% in 20 min.	91%	85% in 1 min./2	87%/2

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 229.

Table 6.9. **Service standards and performance in 2011: Complaints and registrations**
(Countries only shown where an administrative standard is applied in practice)

	Resolving taxpayers' complaints		Application for registering a new business	
Country	Standard set for processing	Result	Standard set for processing	Result
OECD countries				
Australia	85% resolved in 21 days	78.2%	93% in 28 days	93.7%
Austria	100% within 14 days	n.a.	-	-
Canada	/1	-	-	-
Denmark	100% resolved in 6 weeks	99%	-	-
Estonia	Within 30 working days	n.a.	(Not a task of the revenue body)	-
France	96.3% of complaints processed in 1 month/1	98.08%		
Hungary	Within 30 days	n.a.	-	-
Ireland	Processed impartially in 20 work days	96%	100% of cases registered in 5 working days; (10 working days for VAT)/2	/2
Italy	100% in 20 days	94.2%	-	-
Japan	1) 90% to have trouble shooting in 3 days; 2) 95% corrected in 1 month/1	1) 86.7% 2) 98.9%	-	-
Korea	Within 14 days	Average of 7 days	Within 3 days	n.a.
Luxembourg/1	For indirect taxes: Within 3 months	95%	Within 15 days	Achieved
Netherlands	98-100% resolved in 6 weeks/1	96%	95-98% completed in 5 work days	93%
New Zealand	-	-	90% in 5 work days	84.1%
Norway	Over 95% in 3 months	92%	-	-
Poland	100% in one month	99.1%	-	-
Portugal	Within 20 days	Average of 16 days	Maximum 24 hours	Achieved
United Kingdom	80% fully resolved in 15 work days	77.2%/1	80% fully completed in 15 work days	90%
United States	1) Initial contact for economic burden cases in 3 days, 5 days for others/1	1) 93.9%, 2) 93.7%	4 days for fax and 30 days for paper, 70% of electronic inquirers self-serve	98%, 83.9%
Non-OECD countries				
Cyprus	All within 30 days	n.a.	By next day via one stop shop (if full documentation is available)	100%
Hong Kong, China	Interim reply: 99% in 7 days, Substantive reply: 99% in 15 days	100%, 100%	1) Over counter: 99% in 30 mins; 2) by post or electronic portal: 99% in 2 days	100%, 100%
Lithuania	(Time limits are fixed in legal acts)	n.a		100%
Malaysia	-	-	100% processed within 3 days	100%
Russia	-	-	Within 5 days of filing application	n.a.
Singapore	Paper: 6 work days; other: 4 work days	Average of 2.6 days)	VAT: 80% in 4 work days; 100% in 6 work days/2	1) 96.7%, 2) 99.8%

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 230.

Table 6.10. **Examples of responsive service standards and good performance results**

Service activity	Country	Service performance standard in place	Result in 2011
Processing personal tax refunds – e-filed returns	Estonia	100% processed in 5 working days	100%
	Ireland	100% processed in 5 working days	89%
– paper returns	Canada	100% in average of 4-6 weeks	3.9 weeks (aver.)
	Ireland	80% in 10 work days, 100% in 20 work days	96%, 98%
Processing VAT returns with refunds (both paper and e-filed)	Australia	E-filed: 92% in 14 days, Paper: 85% in 14 days	98%, 97.7%
	Austria	Process all within an average of 25 days	20.5 days (aver.)
	Denmark	E-filed/paper: 100% in 2 weeks	99%
	Estonia	100% in 5 days	100%
	France	E-filed/paper: 80% in 30 days	89.5%
	Ireland	Process 80% in 10 working days, 100% in 20 working days	83%, 95%
	Korea	100% in 30 days	100%
	New Zealand	95% in 3 weeks	97.5%
	Singapore	95% in one month	98.5%
	United Kingdom	90% of correct returns processed in 10 days	91%
Sending a substantive response to a written letter on a routine matter	Australia	85% processed in 28 days	90.1%
	Hong Kong, China	Simple: 95% in 7 work days, 99% in 10 Technical: 98% in 21 days	99.9%, 100% 99.9%
	Ireland	50% in 10 working days, 85% in 20 working days/ 100% in 30 working days	66%, 83%, and 93%
	Lithuania	100% responded to in 20 work days	99.9%
	New Zealand	80% processed in 3 weeks	77.4%
	Poland	100% within one month	100%
	Singapore	80% in 15 work days	88%
Dealing with face-to-face inquiries at tax offices	Hong Kong, China	Peak times: 95% in 10 minutes	99.3%
	Ireland	Dealt with in an average of 10 minutes	97%
Answering taxpayers' telephone inquiries	Australia	Tax agents: 90% in 2 minutes	91.5%
	Bulgaria	Waiting time under 15 seconds for 90%	92%
	Chile	98% of calls answered in 20 seconds	99.4%
	Estonia	Average wait time of less than 25 seconds	15.93 secs (aver)
	Singapore	85% answered within 1 minute	87%
Resolving taxpayers' complaints	Hong Kong, China	Interim reply: 99%in 7 days; Substantive reply: 99% in 15 days	100%, 100%
	Singapore	Paper: 100% in 6 work days; Other: 100% in 4	2.6 days (aver.)
Registering a new business taxpayer	Malaysia	100% within 3 days	100%
	Netherlands	95-98% completed in 5 working days	93%
	Singapore	VAT: 80% in 4 working days/ 100% in 6 days	96.7%, 99.8%
	Portugal	Maximum of 24 hours	Achieved

/1. **France**: this standard also applies to overpaid corporations tax.

Tax verification activities

As discussed in Chapter 5, tax audit and verification activities represent a major investment of revenue body resources in surveyed countries. Based on the data in Table 5.6 in Chapter 5, around 40% of surveyed revenue bodies reporting detailed information indicated that over 30% of staff resources (FTEs) are devoted to tax audit, investigation, and other verification-related activities. For this reason alone, the resources used for verification activities and the contribution they make to revenue collections and rates of compliance are of considerable interest to all revenue bodies.

For the purposes of this and prior series, "verification activities" are defined as "comprising all of the activities typically undertaken by revenue bodies to check whether taxpayers have properly reported their tax liabilities in the returns filed by them". The primary verification activity undertaken by revenue bodies is usually described by the term "tax audit" (including field, desk, or correspondence audits) or "tax control". Less frequently used terms are "examinations", "investigations", and "enquiries". It is also known that across revenue bodies "audit" activities vary in their scope and intensity, and indeed in the precise nature of actions taken by officials that are deemed to constitute an "audit". Revenue bodies also carry out various other activities (*e.g.* in-depth fraud investigations, income/document matching checks, phone inquiries, computer-based edit and mathematical checks, and inspections of books and records) that can result in changes to taxpayers' reported liabilities. For this series, the information provided aims to reflect all forms of the verification activity undertaken by revenue bodies. *It does not aim to include work, and resultant taxes and penalties, associated with returns filed by taxpayers after follow-up non-filing enforcement related actions.*

Aggregate Table A9 located at the end of this series set out aggregates over a seven year period (2005 to 2011) of the total value of assessments results from all verification acitives reported by revenue bodies for this and prior series.

Tables 6.11, 6.12, and 6.13 aim to provide an idea of the scale of tax audit and related verification activities, in terms of the numbers of actions taken/taxpayers reviewed and the value of assessments resulting from such actions. Significantly;

All taxpayer categories

- The aggregate value of verification results (*i.e.* assessed tax and penalties) as a proportion of net annual revenue collections for 2011 varied widely:
  - 17 revenue bodies total assessments of less than 2% net revenue collections;
  - 14 reported aggregate results in the range 2 to 4%;
  - 9 reported aggregate results in the range 4 to 8%; and
  - 3 reported aggregate results exceeding 8% (*i.e.* Brazil, Belgium, and Italy); in the case of Italy, the amount was of the order of 20%, reflecting a major intensification of anti-fraud and tax evasion efforts over the last two years.

  Seven revenue bodies (including three from OECD countries) failed to report the results of their verification activities.
- Viewed over a four/five year period where relevant data were available, just over one fifth of revenue bodies (including Australia, Chile, Italy, Latvia, Romania, Slovenia, and Spain) reported consistent increases in the aggregate value of their verification outputs.

Table 6.11. **Verification actions: Number completed for all taxpayer categories**

Country	Number of completed verification actions (nearest 000s)/1						
	2005	2006	2007	2008	2009	2010	2011
OECD countries							
Australia	1 035	808	805	847	1 041	808	898
Austria	66	74	75	78	81	84	85
Belgium	6 000	7 000	4 000	4 026	4 714	538	656
Canada/2	n.a.	2 981	2 669	2 856	3 070	2 729	2 857
Chile	253	238	250	326	388	549	601
Czech Rep.	30	27	22	129	139	98	68
Denmark	n.a.	n.a.	n.a.	1 200	800	74	61
Estonia	n.a.	n.a.	n.a.	2	2	3	3
Finland	n.a.	n.a.	n.a.	n.a.	n.a.	143	131
France	52	52	52	52	52	1 052/2	1 051/2
Germany	482	459	453	448	434	426	411
Greece	11	14	14	13	10	15	22
Hungary	299	279	246	60	60	188	206
Iceland	n.a.	n.a.	n.a.	637	693	n.a.	n.a.
Ireland	113	190	266	361	374	466	558
Israel	n.a.	n.a.	n.a.	n.a.	n.a	29	28
Italy	1 587	1 230	1 486	1 511	1 309	1 183	1 154
Japan	1 229	1 365	1 393	1 417	1 323	1 270	1 216
Korea	26	22	19	15	15	18	18
Luxembourg	27	27	28	29/2	26/2	32/2	37/2
Mexico	105	115	119	103	138	n.a.	n.a.
Netherlands	1 315	1 345	1 446	1 158	1 049	691	559
New Zealand	15	11	10	8	8	8	8
Norway	505	599	530	334	345	n.a	n.a
Poland	2 443	2 516	2 833	2 964	3 058	3 294	3 323
Portugal	118	132	128	138	143	113	91
Slovak Rep.	35	31	25	53	54	793	675
Slovenia	4	5	6	73	85	100	103
Spain/2	n.a.	n.a.	4 244	4 948	5 386	6 180	7 031
Sweden	n.a.	563	578	511	375	455	489
Switzerland	9	9	9	10	10	8	8
Turkey	105	110	136	58	68	n.a.	n.a.
United Kingdom	193	238	220	n.a.	n.a.	804	679
United States	4 786	5 868	6 310	6 371	6 584	7 246	7 822
Non-OECD countries							
Argentina	26	37	43	162	146	196	193
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	24	21
Bulgaria	270	282	243	283	168	n.a.	n.a.
China	1 080	860	540	440	313	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	58	55
Cyprus	19	21	21	18	21	52	30
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	81	92
India	n.a.	n.a.	n.a.	380	553	331	355
Indonesia	n.a.	n.a.	n.a.	21	69	n.a.	n.a.
Latvia	26	23	21	28	21	10	9
Lithuania/2	53	45	37	32	33	29	39
Malaysia	34	45	289	1 086	1 390	1 732	1 911
Malta/2	1	1	1,	3	2	0.3	0.3
Romania	112	124	54	61	60	71	62
Russia	2 447	2 958	2 347	3 030	2 816	2 342	2 171
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	7	6	6	7	8	8	10
South Africa	62	69	74	n.a.	n.a.	n.a.	1 169

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 230.

Sources: CIS survey responses.

Table 6.12. **Verification actions: Number completed for large taxpayers**

	Number of completed verification actions/1						
Country	2005	2006	2007	2008	2009	2010	2011
OECD countries							
Australia	16 002	24 239	19 227	15 837	20 752	11 519	12 369
Austria	7 642	6 972	7 209	7 177	5 373	5 143	5 331
Belgium	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Canada	1 665	1 609	1 773	1 719	1 865	1 994	1 932
Chile	954	1 656	2 377	561	515	719	829
Czech Rep.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Denmark	n.a.	n.a.	n.a.	n.a.	n.a.	175	227
Estonia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	n.a.	n.a.	n.a.	n.a.	n.a.	364/1	276/1
France	892	1 318	1 466	1 589	1 551	6 038	5 738
Germany	40 628	38 235	38 662	39 885	38 988	40 502	41 764
Greece	3 661	5 240	4 827	1 066	1 250	n.a.	n.a.
Hungary	1.377	1 592	3 889	1 457	1 477	2 792	3 044
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	6 358	7 138	7 972	9 002	12 942	12 552	10 200
Israel	n.a.	n.a.	n.a.	11 341	11 341	n.a.	n.a.
Italy	2 718	2 755	2 362	729	866	1 994	1 351
Japan	4 000/1	5 000/1	5 000/1	4 000/1	4 000/1	3 809	3 447
Korea	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	2 402	3 009	1 871	1 296	1 427	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	9 900	10 700	26 100	16 000
New Zealand	716	797	928	583	547	582	491
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	119 759	118 176	89 810	106 132	113 471	174 818	194 063
Portugal	556	743	743	1 761	2 256	2 303	2 892
Slovak Rep.	106	146	89	562	718	399	398
Slovenia	477	459	559	637	422	213	271
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	7 068	8 610	6 808	1 545	2 277	n.a.	n.a.
United Kingdom	7 509	8 705	6 968	n.a.	n.a.	2 231	11 957
United States	13 768	13 198	13 551	13 449	13 803	14 833	15 293
Non-OECD countries							
Argentina	n.a.	n.a.	n.a.	36 924	31 504	37 724	33 496
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	2 568	2 532
Bulgaria	2 900	2 863	2 338	2 040	1 875	n.a.	n.a.
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	5 519	7 167
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	n.a.	657	n.a.	n.a.
Latvia	275	269	252	302	636	n.a.	499
Lithuania/2	n.a.	n.a.	n.a.	107/1	104/1	108/1	2 306
Malaysia	n.a.	226	200	n.a.	n.a.	n.a.	n.a.
Malta	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Romania	626	1 233	775	1 049	1 067	1 975	3 000
Russia	n.a.	n.a.	n.a.	n.a.	15 565	12 182	11 078
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	150	180
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	1 558	5 530	4 387	n.a.	n.a.	n.a.	n.a.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 230.

Sources: CIS survey responses.

Table 6.13. **Verification actions: Value of assessments/total net revenue collections**

	All taxpayers					Large taxpayers				
	Value of completed actions/net tax collections (%)					Value of completed actions/net tax collections (%)				
Country	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
OECD countries										
Australia	2.8	3.0	3.1	3.7	3.8	1.0	1.2	0.8	1.3	0.9
Austria	3.3	3.2	2.3	2.4	3.1	1.9	2.0	0.9	1.0	1.7
Belgium	n.a.	1.1	1.2	7.2	8.1	n.a.	n.a.	n.a.	n.a.	n.a.
Canada	3.2	3.1	3.2	3.9	3.3	1.2	1.6	1.2	1.5	1.2
Chile	1.1	1.8	2.2	3.6	3.8	0.2	0.2	0.1	0.7	0.8
Czech Rep.	n.a.	1.7	0.0	2.5	2.5	n.a.	n.a.	n.a.	n.a.	n.a.
Denmark	n.a.	n.a.	n.a.	2.9	1.9	n.a.	n.a.	n.a.	0.4	0.4
Estonia	n.a.	0.9	2.0	0.1	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	0.6	4.4	5.2	1.0	0.8	n.a.	n.a.	n.a.	n.a.	n.a.
France	2.2	2.5	2.9	4.5	4.4	0.6	0.8	1.0	1.6	1.6
Germany	3.8	3.8	4.4	2.0	1.9	2.7	2.7	3.2	2.5	2.4
Greece	n.a.	5.6	6.3	8.5	6.8	n.a.	3.6	2.9	5.0	4.8
Hungary	6.6	8.6	8.9	8.7	7.6	0.6	0.9	1.0	1.2	1.1
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	1.3	1.2	1.6	1.5	1.5	0.4	0.3	0.5	0.3	0.3
Israel	n.a.	3.4	4.2	3.4	3.5	n.a.	0.4	0.6	n.a.	n.a.
Italy	n.a.	13.4	17.0	20.3	23.1	n.a.	1.0	2.1	3.6	4.5
Japan	1.8	1.6	1.6	2.0	1.5	0.5	0.4	0.3	0.6	0.3
Korea	3.6	0.03	0.02	0.03	0.03	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	1.7	0.6	0.9	0.6	0.6	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	3.1	3.0	4.7	n.a.	n.a.	1.7	1.8	2.8	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Zealand	2.1	2.8	2.6	6.2	3.1	0.7	1.4	1.2	4.6	1.6
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	0.2	0.7	0.8	1.5	1.5	0.0	0.2	0.2	0.5	0.5
Portugal	5.0	4.9	9.0	6.8	5.5	1.6	1.2	2.5	1.7	1.4
Slovak Rep.	6.4	8.1	9.6	0.9	0.4	0.1	1.2	0.1	0.4	0.05
Slovenia	0.8	1.2	1.6	2.4	2.6	n.a.	0.1	0.0	n.a.	n.a.
Spain	2.9	3.7	4.9	5.3	5.7	n.a.	n.a.	0.7	n.a.	n.a.
Sweden	n.a.	0.6	0.4	0.5	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Switzerland	n.a.	0.3	0.5	0.2	0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	7.8	6.7	8.1	n.a.	n.a.	4.5	3.6	4.6	n.a.	n.a.
United Kingdom	2.1	n.a.	n.a.	4.1	3.2	1.0	n.a.	n.a.	1.8	1.8
United States	2.2	2.5	3.1	3.1	3.1	0.4	0.7	0.6	0.8	0.7
Non-OECD countries										
Argentina	2.5	2.4	2.7	2.5	2.5	n.a.	1.9	1.9	1.8	1.8
Brazil	n.a.	n.a.	n.a.	11.4	11.5	n.a.	n.a.	n.a.	7.2	8.3
Bulgaria	2.1	2.0	2.2	1.6	2.2	0.8	0.4	0.6	0.3	0.7
China	n.a.	0.1	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	1.1	0.9	n.a.	n.a.	n.a.	0.5	0.5
Cyprus	7.0	1.0	1.3	6.2	6.3	n.a.	n.a.	n.a.	n.a.	n.a.
Hong Kong, China	n.a.	n.a.	n.a.	2.1	2.7	n.a.	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	0.04	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	2.1	2.4	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	n.a.
Latvia	2.0	2.9	4.1	4.6	5.6	0.0	0.0	0.3	n.a.	1.3
Lithuania	0.9	1.1	2.9	2.0	1.6	0.03	0.1	0.3	0.01	0.2
Malaysia	4.7	2.1	3.9	3.6	2.6	0.4	n.a.	n.a.	n.a.	n.a.
Malta	n.a.	n.a.	n.a.	1.1	0.7	n.a.	n.a.	n.a.	n.a.	n.a.
Romania	n.a.	3.2	4.5	6.8	6.0	n.a.	0.5	0.8	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	6.0	4.1	n.a.	n.a.	n.a.	1.7	0.9
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	0.6	0.5	0.7	0.9	0.8	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	3.0	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: CIS survey responses.

- Reported verification outputs (*i.e.* numbers of completed actions) vary enormously even after account is taken of taxpayer population data; there were insufficient data to fully understand the reasons for these variations but possible influencing factors include the use/non-use of assessment versus self-assessment procedures, the scale of automated third party information checking programmes, and local auditing policies (*e.g.* extent of desk audits, single issue audits, multiple tax audits etc).
- Consistent and fairly significant increases in the numbers of completed verification actions over the period covered can be identified for only four revenue bodies (*i.e.* Argentina, Chile, Malaysia and the United States) while for a number of others (*e.g.* Belgium and Denmark) the reported volumes over the years covered vary widely suggesting possible changes to the interpretation given to "verification activities".

Large taxpayers

- Verification results for large taxpayers figured prominently in the results reported by many revenue bodies; of the 28 revenue bodies that were able to report results for large taxpayers, 11 reported that the value of tax assessments for these taxpayers exceeded one third of overall verification activities in 2011.
- Almost one quarter of revenue bodies in OECD countries reporting the existence of a dedicated unit to monitor the tax affairs of large taxpayers failed to report the results of verification activities, raising questions as to the comprehensiveness of the arrangements in place for monitoring the compliance of these taxpayers.

Tax disputes

Table 6.14 sets out the data provided by countries on the numbers and values of tax disputes finalised for years 2008 to 2011, while Table 6.15 provides corresponding information on the numbers and value of work unfinalised at year-end covering the same period.

As will be apparent, a fair number of countries were unable to report complete data for this category of work while for those countries where data are available there are significant variations in the respective volumes and values reported, having regard to factors such as taxpayer population. In the circumstances, only limited observations are possible:

Completed cases

- Countries reporting exceptionally large numbers of tax dispute cases (*e.g.* France and Germany) administer systems based on return assessment principles, as opposed to more modern self assessment systems seen in the majority of countries; over the years, high levels of disputation have been a feature of assessment regimes in many countries and for some have contributed to the decision to introduce systems of self-assessment.
- A trend of increased disputation, albeit fairly moderate, can be seen in a few countries (*e.g.* Australia, Italy and Netherlands) while a clear downwards trend can be observed in Korea, Portugal and Sweden.

Table 6.14. **Tax disputes in administrative review: Finalised cases**

Country	Number of cases finalised in year				Tax amount of cases finalised in year (millions)			
	2008	2009	2010	2011	2008	2009	2010	2011
OECD countries								
Australia	16 788/1	18 638/1	21 807/1	24 513/1	n.a.	n.a.	n.a.	n.a.
Austria	133 924	136 361	145 539	145 440	n.a.	n.a.	n.a.	n.a.
Belgium	n.a.	n.a.	4 118	3 534	n.a.	n.a.	n.a.	n.a.
Canada	65 663	66 637	46 354	50 485	3 550	3 270	5 315	4 216
Chile	2 144	2 154	1 867	2 738	n.a.	n.a.	167 886	181 128
Czech Rep.	24 371	23 152	21 008	5 235	2 660	3 015	1 924 690	377 390
Denmark	n.a.	n.a.	67 615	93 448	n.a.	n.a.	n.a.	n.a.
Estonia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	4 288	5 270	5 566	4 844	n.a.	n.a.	n.a.	n.a.
France	3 770 523	3 822 912	3 615 744	3 580 454	n.a.	n.a.	19 271	10 415
Germany	5 536 353	6 105 841	5 252 592	4 149 543	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	14 518	1 923	12 318	12 654	n.a.	n.a.	39 848	47 941
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	59	45	63	74	n.a.	n.a.	n.a.	n.a.
Israel	36 102	38 896	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	217	277	223 458	196 135	n.a.	n.a.	45 648	40 138
Japan	7 360	8 127	7 590	8 463	n.a.	n.a.	n.a.	n.a.
Korea	9 872	9 667	5 940	5 905	2 693 205	2 765 277	1 010 502	1 845 262
Luxembourg	488/1	465/1	419/1	294/1	n.a.	n.a.	n.a.	n.a.
Mexico	33 266	33 677	n.a.	n.a.	62 281	70 316	n.a.	n.a.
Netherlands	352 000	342 000	400 009	439 033	n.a.	n.a.	n.a.	n.a.
New Zealand	66	61	86	90	79	214	234	38
Norway	64 527	64 902	64 572	82 270	n.a.	n.a.	n.a.	n.a.
Poland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Portugal	61 541	66 522	52 684	49 756	n.a.	n.a.	n.a.	n.a.
Slovak Rep.	4 478	5 455	4 737	5 590	n.a.	n.a.	n.a.	n.a.
Slovenia	15 025	27 230	13 618	11 999	n.a.	n.a.	n.a.	n.a.
Spain	153 478	n.a.	164 000	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	11 500	10 100	9 300	8 900	n.a.	n.a.	n.a.	n.a.
Switzerland	n.a.	n.a.	171	196	n.a.	n.a.	n.a.	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	n.a.	n.a.	46 045	56 228	n.a.	n.a.	n.a.	n.a.
United States	106 722	112 886	133 090	142 553	26 475	25 286	25 827	23 691
Non-OECD countries								
Argentina	n.a.	n.a.	1 142	929	n.a.	n.a.	342.43	412.35
Brazil	n.a.	n.a.	85 597	88 424	n.a.	n.a.	94 000	90 000
Bulgaria	2 891	3 728	4 185	4 858	331	633	823	1 017
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.avail	n.a.	n.a.
Colombia	n.a.	n.a.	2 334	3 019	n.a.	n.a.	946 342	961 012
Cyprus	88	95	47	53	5.62	2.52	1.4	50.5
Hong Kong, China	n.a.	n.a.	68 525	66 186	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	15 904	18 613	12 524	16 130	8 246 169	15 108 704	n.a.	n.a.
Latvia	309	265	311	274	36.3	n.a.	12.6	10.7
Lithuania	492	614	474	381	139.3	276.6	175.3	123.5
Malaysia	n.a.	n.a.	113	101	n.a.	n.a.	n.a.	n.a.
Malta/2	2 561	1 866	n.a.	113	n.a.	n.a.	151	n.a.
Romania	473	467	401	493	2 012.6	1 640.5	3 088	6 031
Russia	45 765	59 037	52 913	48 706	161 418	281 114	346 954	322 489
Saudi Arabia	118	136	238	288	n.a.	n.a.	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa/1	410	427	438	459	n.a.	n.a.	4 567	4 679

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 230.

Source: CIS survey responses.

Table 6.15. **Tax disputes in administrative review: Unfinalised cases at year-end**

Country	Number of cases not finalised at year-end				Tax amount of cases not finalised in year (millions)			
	2008	2009	2010	2011	2008	2009	2010	2011
OECD countries								
Australia	2 714/1	3 458/1	4 450/1	4 693/1	n.a.	n.a.	n.a.	n.a.
Austria	n.a.	n.a.	18 065	15 638	n.a.	n.a.	n.a.	n.a.
Belgium	n.a.	n.a.	19 932	21 139	n.a.	n.a.	n.a.	n.a.
Canada	80 551	109 264	158 454	191 168	10 600	14 780	12 553	13 849
Chile	178	169	131	459	n.a.	n.a.	35 673	104 069
Czech Rep.	5 724	4 160	3 818	3 662	4 675	2 538	937	4 076
Denmark	n.a.	n.a.	n.a.	8 661	n.a.	n.a.	n.a.	n.a.
Estonia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	3 200	3 500	4 621	4 147	n.a.	n.a.	n.a.	n.a.
France	n.a.	n.a.	162 850	166 125	n.a.	n.a.	n.a.	n.a.
Germany	6 681 448	5 795 332	4 308 249	3 648 705	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	n.a.	155 831	n.a.	n.a.	n.a.	n.a.
Hungary	15 990	2 292	1 649	1 966	n.a.	n.a.	64 364	52 075
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	6	7	8	11	n.a.	n.a.	n.a.	n.a.
Israel	721	673	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	10 769	9 388	528 730	561 240	n.a.	n.a.	88 006	108 652
Japan	3 330	3 397	3 856	3 580	n.a.	n.a.	n.a.	n.a.
Korea	1 911	2 018	653	534	2 977 247	2 900 129	299 481	173 588
Luxembourg	n.a.	312/1	280/1	196/1	n.a.	n.a.	n.a.	n.a.
Mexico	2 006	3 403	n.a.	n.a.	38 009	25 677	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Zealand	24	18	21	16	100	163	5	23
Norway	n.a.	n.a.	21 921	13 909	n.a.	n.a.	n.a.	n.a.
Poland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Portugal	16 724	6 165	3 815	3 561	n.a.	n.a.	n.a.	n.a.
Slovak Rep.	981	725	975	1 271	n.a.	n.a.	n.a.	n.a.
Slovenia	3 660	3 221	2 337	1 800	n.a.	n.a.	n.a.	n.a.
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	1 800	1 700	1 200	1 000	n.a.	n.a.	n.a.	n.a.
Switzerland	n.a.	n.a.	258	220	n.a.	n.a.	n.a.	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United States	59 899	72 002	72 779	76 633	61 693	64 623	66 183	67 836
Non-OECD countries								
Argentina	n.a.	n.a.	1 898	1 891	n.a.	n.a.	1 424.62	2 067.66
Brazil	n.a.	n.a.	178 081	174 849	n.a.	n.a.	53 000	51 000
Bulgaria	624	769	929	1 590	167	179	237	28
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	2 940	2 064	n.a.	n.a.	1 733 099	1 355 463
Cyprus	142	87	25	31	132.9	55.2	35.3	9.1
Hong Kong, China	n.a.	n.a.	25 826	26 689	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	6 284	7 326	9 580	9 384	16 370 897	16 134 468	26 315 903	13 420 196
Latvia	355	312	409	421	49.1	n.a.	n.a.	n.a.
Lithuania	77	51	17	24	n.a.	n.a.	n.a.	n.a.
Malaysia	n.a.	n.a.	24	19	n.a.	n.a.	n.a.	n.a.
Malta	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	87	131
Romania	104	217	307	268	282.2	976.8	3 158	2 952
Russia	4 586	5 058	5 031	3 777	n.a.	5 031	3 777	3 252
Saudi Arabia	n.a.	44	n.a.	391	n.a.	n.a.	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa/1	n.a.	n.a.	569	505	n.a.	n.a.	7 895	10 373

Source: CIS survey responses.

Unfinalised dispute cases

- Relatively large volumes of unfinalised cases at end 2011 (vis-à-vis cases completed in 2011) appear in a number of countries (*e.g.* Belgium, Brazil, Canada, Finland, Germany, and Italy); in the case of Belgium and Italy this situation may be related to significant increases in reported verification activities.

Chapter 8 provides further details on the framework within which administrative reviews are conducted by the revenue bodies surveyed.

Tax debts and their collection

The collection of tax debts is another important responsibility of almost all revenue bodies. As noted in Chapter 2, Table 2.1, revenue bodies typically operate with a dedicated tax debt collection function to pursue the non-payment of tax debts. For some taxpayers, this necessitates initiating legal debt recovery action. In many countries, significant staff resources are devoted to taking action to secure the payment of overdue tax debts, as discussed in Chapter 5. And as described in Chapter 9, most revenue bodies have been given an extensive range of powers for enforced debt collection action.

For survey and comparison purposes, outstanding tax debts are defined as the total amount of tax (including any interest and penalties) that is overdue for payment at year-end and which is not disputed by the taxpayer (even where enforcement action may not have commenced) for all taxes administered by the revenue body. By virtue of this definition, the level of "outstanding tax debts" is intended to include tax debts whose collection has been deferred (*e.g.* as a result of an agreed extension of time to pay or a payment arrangement).

Aggregate Tables A7 and A8 located in the Annex A of this series set out aggregates over a seven year period (2005 to 2011) of year end tax outstanding, tax written off, taxes collected from enforced collection action and numbers of year-end tax debt cases reported by revenue bodies for this and prior series.

Tables 6.16 to 6.19 present these data using various ratios to place the data in a relative and comparative context. Cross-country comparisons of case volume data needs to be interpreted with care because for some revenue bodies the volumes relate to "number of taxpayers" (*i.e.* for those revenue bodies with integrated accounting systems) while for others the volumes reported are on an individual "tax type" basis (*i.e.* for those revenue bodes without integrated accounting systems).

Included in Table 6.16 is the ratio of aggregate end-year tax arrears (*i.e.* all unpaid taxes, excluding 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. The data covers a period of seven years to highlight trends. A number of countries apply this measure, or a variant thereof, in their own management information systems to gauge the broad trend over time of tax payment compliance and the overall performance of their debt collection activities. Generally speaking, a declining trend in the ratio is likely to indicate improved payment compliance and/or debt collection effectiveness, while an increasing trend may indicate some growth in non-payment compliance and/or debt workloads. The ratio can also be affected from time to time by some abnormal factors (*e.g.* unusually large tax assessments resulting from audit action).

From the information in Tables 6.16 to 6.19 a number of observations can be made:

- Using the benchmark ratio "undisputed tax debt as a share of net revenue collections" average debt levels in OECD countries continued to ease in 2011 following their peak in 2009 (*i.e.* the year following the global financial crisis) ***but remain in excess of 20% of the average level indicated for 2007***;
- The incidence of unpaid taxes, as reflected in the relative value of debt inventories, varies enormously across surveyed revenue bodies, suggesting significant variations in the levels of payment compliance; applying the benchmark ratio "undisputed tax debt as a share of net revenue collections" for 2011 as a broad indicator of the relative magnitude of the debt inventory:
    - 13 revenue bodies had a ratio < 5% (*i.e.* Argentina, Austria, Denmark, Germany, Hong Kong, Ireland, Japan, Korea, Netherlands, Norway, Singapore, and Sweden);
    - nine revenue bodies had a ratio between 5 and 10%;
    - 15 revenue bodies had a ratio between 10-20%;
    - nine revenue bodies had a ratio over 20% (the highest over 60%); and
    - seven reported no data.
- Applying the same ratio, debt levels in 2011 remain substantially above (*i.e.* by over 50%) their level in 2007 in ten countries (including eight OECD countries).
- Applying the benchmark ratio "undisputed tax debt as a share of net revenue collections" and looking at movements between end-2007 and end-2011 period as a broad indicator of payment compliance/collection effectiveness:
    - 25 revenue body display an ***increasing*** ratio;
    - seven revenue bodies display a ***declining*** ratio; and
    - for 20 revenue bodies there were insufficient data to ascertain the movement.
- Applying the same benchmark ratio, there are 15 revenue bodies that display a ratio of less than 7.5% for at least five of the seven years for the period reported (indicating sustained high levels of payment compliance)-Argentina, Australia, Austria, Denmark, France, Germany, Ireland, Japan, Korea, Netherlands, Norway, Sweden, Singapore, and the United Kingdom.
- Not surprisingly, in the aftermath of the global economic crisis there has been upwards growth in the overall incidence of tax debts written off as uncollectible; applying the ratio "tax debts written off/value of year-beginning tax debt outstanding", the average ratio across OECD countries rose from around 19% in 2007 to just over 25% in 2009, and eased only marginally in 2010 and 2011 (NB: There are insufficient data to comment on this aspect as it concerns non-OECD countries).
- Looking at the benchmark ratio "tax debts written off/value of year-end tax outstanding" over seven years to gauge the relative magnitude of tax debts written off, on average, reveals:
    - nine revenue bodies generally had a ratio less than 10%;
    - nine revenue bodies generally had a ratio in the range 10-20%;
    - seven revenue bodies generally had a ratio in the range 20-40%;

  - three revenue bodies generally had a ratio over 40% (*i.e.* Germany, Korea and Mexico); and
  - for 24 revenue bodies, there were insufficient data to compute this ratio and its trend or the computed ratios fluctuate widely with no discernible trend evident.
- Looking at movements in year-end case volumes over the period 2007 to 2011 reveals:
  - nine revenue bodies (*i.e.* Argentina, Australia, Austria, France, Japan, Malaysia, New Zealand, and Slovenia) show a net overall decline in absolute case numbers;
  - nine revenue bodies show growth in the range 0-25%;
  - three show growth in the range 25-50%;
  - four revenue bodies show growth exceeding 50%; and
  - there were insufficient data for 27 revenue bodies to make this calculation.
- Gaps in survey responses for latter years (*i.e.* 2010 and 2011) suggest weaknesses in the management information systems used for debt collection for many revenue bodies; for example, almost one third of revenue bodies were unable to report the amount of tax collected resulting from enforced debt collection activities, while around 40% failed to report the number of debtors/cases on hand at year-end 2011.

The data and related ratios reported in the tables give a sense of the magnitude of the tax debt collection problem across surveyed countries along with indications of individual revenue body performance. However, as noted earlier in this report, such information should be used as a pointer for further inquiry before drawing well-founded conclusions. A particular concern in this area of tax administration is that a fair number of revenue bodies did not report basic programme performance information suggesting serious weaknesses in their systems of performance measurement.

Table 6.16. **Tax debts: Undisputed tax debt as share of net revenue collections**

Country	Value of year-end tax debt not disputed/annual net revenue collections (%)							Movement in ratio:
	2005	2006	2007	2008	2009	2010	2011	2007 to 2011
OECD countries								
Australia	4.5	4.4	4.3	4.0	4.6	5.8	5.2	0.9
Austria	3.4	3.1	2.7	2.6	2.9	2.5	2.5	-0.2
Belgium/1	5.6	5.3	5.1	13.1	14.2	10.4	9.2	4.1
Canada	7.5	7.4	7.4	7.8	8.7	9.1	9.2	1.8
Chile/1	15.5	14.2	11.7	12.4	16.3	13.3	12.4	0.7
Czech Rep.	20.5	19.7	n.a.	16.6	18.8	12.8	14.7	n.a.
Denmark/1	0.4	1.3	1.1	2.0	2.0	2.3	1.8	0.7
Estonia	10.1	7.6	7.9	8.8	13.1	5.2	10.7	2.8
Finland	7.1	7.1	6.6	6.5	8.0	8.0	8.0	1.4
France	7.7	8.6	6.0	6.9	6.9	6.8	6.8	0.8
Germany	1.8	1.5	1.5	1.4	1.4	1.4	1.3	-0.2
Greece	n.a.	n.a.	n.a.	61.1	72.7	89.5	n.a.	n.a.
Hungary	14.5	14.3	15.4	18.9	24.0	24.6	21.4	6.0
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	25.6	24.2	n.a.
Ireland	1.8	1.5	1.6	2.4	3.4	4.4	3.8	2.3
Israel	n.a.	n.a.	n.a.	10.9	12.5	3.8	3.5	n.a.
Italy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	4.4	3.9	3.6	3.4	3.8	4.2	3.7	0.1
Korea	3.6	3.1	2.3	2.5	2.7	3.0	3.0	0.7
Luxembourg	n.a.	n.a.	n.a.	19.3/1	22.1/1	15.9/1	14.8/1	n.a.
Mexico	21.0	19.4	16.5	12.4	13.8	n.a.	n.a.	n.a.
Netherlands	4.2	3.0	3.8	n.a.	n.a.	4.0	3.9	0.1
New Zealand	5.5	5.9	6.0	7.1	8.4	9.1	9.4	3.4
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	8.4	7.7	7.5	10.4	11.4	17.9	18.7	11.2
Portugal	43.9	40.2	36.5	24.3	25.3	22.5	22.2	-14.3
Slovak Rep.	43.6	45.7	49.3	48.5	59.5	63.9	67.4	18.1
Slovenia	3.7	3.4	3.6	3.8	4.3	5.2	10.7	7.1
Spain	4.6	4.2	4.3	5.9	9.4	10.4	11.7	7.4
Sweden/1	2.6	3.2	n.a.	2.3	n.a.	2.9	2.8	n.a.
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	2.7	2.5	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.9	n.a.
United Kingdom	3.6	3.3	5.7	5.5	6.2	6.5	5.7	0
United States	6.4	6.2	6.4	7.2	9.7	11.0	11.0	4.6
OECD ave. (unw.)	9.8	9.4	9.0	11.7	14.3	13.5	11.4	2.6
Non-OECD countries								
Argentina	1.6	1.6	1.2	2.0	1.8	1.6	1.6	0.4
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	34.8	21.1	n.a.
Bulgaria	39.7	21.9	12.8	11.3	15.6	24.3	27.3	14.5
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	22.3	16.2	n.a.
Cyprus	47.5	40.0	38.6	27.8	35.8	35.8	34.0	-4.6
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	6.4	4.9	n.a.
India	n.a.	n.a.	n.a.	4.5	20.1	23.9	26.0	n.a.
Indonesia	n.a.	n.a.	n.a.	5.9	6.3	7.4	6.0	n.a.
Latvia	13.7	12.1	8.8	14.2	18.3	21.8	22.9	14.1
Lithuania	6.1	4.5	3.5	3.8	8.8	10.0	9.6	6.1
Malaysia	20.8	22.5	18.2	11.9	11.9	12.7	10.3	-7.9
Malta/2	n.a.	n.a.	n.a.	n.a.	29.5	30.9	25.2	n.a.
Romania	n.a.	n.a.	n.a.	9.1	12.9	n.a.	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	15.5	11.0	n.a.
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore/1	6.1	4.7	4.7	3.1	2.6	2.2	1.7	-3.0
South Africa	15.6	11.3	8.3	6.5	8.8	12.3	10.7	2.4

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 230.

Sources: CIS survey responses.

Table 6.17. **Tax debts: Debt collected as a share of total debt for collection**

Country	Value of year-end tax debt not disputed/annual net revenue collections (%)							Movement in ratio: 2007 to 2011
	2005	2006	2007	2008	2009	2010	2011	
OECD countries								
Australia	4.5	4.4	4.3	4.0	4.6	5.8	5.2	0.9
Austria	3.4	3.1	2.7	2.6	2.9	2.5	2.5	-0.2
Belgium/1	5.6	5.3	5.1	13.1	14.2	10.4	9.2	4.1
Canada	7.5	7.4	7.4	7.8	8.7	9.1	9.2	1.8
Chile/1	15.5	14.2	11.7	12.4	16.3	13.3	12.4	0.7
Czech Rep.	20.5	19.7	n.a.	16.6	18.8	12.8	14.7	n.a.
Denmark/1	0.4	1.3	1.1	2.0	2.0	2.3	1.8	0.7
Estonia	10.1	7.6	7.9	8.8	13.1	5.2	10.7	2.8
Finland	7.1	7.1	6.6	6.5	8.0	8.0	8.0	1.4
France	7.7	8.6	6.0	6.9	6.9	6.8	6.8	0.8
Germany	1.8	1.5	1.5	1.4	1.4	1.4	1.3	-0.2
Greece	n.a.	n.a.	n.a.	61.1	72.7	89.5	n.a.	n.a.
Hungary	14.5	14.3	15.4	18.9	24.0	24.6	21.4	6.0
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	25.6	24.2	n.a.
Ireland	1.8	1.5	1.6	2.4	3.4	4.4	3.8	2.3
Israel	n.a.	n.a.	n.a.	10.9	12.5	3.8	3.5	n.a.
Italy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	4.4	3.9	3.6	3.4	3.8	4.2	3.7	0.1
Korea	3.6	3.1	2.3	2.5	2.7	3.0	3.0	0.7
Luxembourg	n.a.	n.a.	n.a.	19.3/1	22.1/1	15.9/1	14.8/1	n.a.
Mexico	21.0	19.4	16.5	12.4	13.8	n.a.	n.a.	n.a.
Netherlands	4.2	3.0	3.8	n.a.	n.a.	4.0	3.9	0.1
New Zealand	5.5	5.9	6.0	7.1	8.4	9.1	9.4	3.4
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	8.4	7.7	7.5	10.4	11.4	17.9	18.7	11.2
Portugal	43.9	40.2	36.5	24.3	25.3	22.5	22.2	-14.3
Slovak Rep.	43.6	45.7	49.3	48.5	59.5	63.9	67.4	18.1
Slovenia	3.7	3.4	3.6	3.8	4.3	5.2	10.7	7.1
Spain	4.6	4.2	4.3	5.9	9.4	10.4	11.7	7.4
Sweden/1	2.6	3.2	n.a.	2.3	n.a.	2.9	2.8	n.a.
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	2.7	2.5	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.9	n.a.
United Kingdom	3.6	3.3	5.7	5.5	6.2	6.5	6.8	1.1
United States	6.4	6.2	6.4	7.2	9.7	11.0	11.0	4.6
OECD ave. (unw.)	9.8	9.4	9.0	11.7	14.3	13.5	11.4	2.6
Non-OECD countries								
Argentina	1.6	1.6	1.2	2.0	1.8	1.6	1.6	0.4
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	34.8	21.1	n.a.
Bulgaria	39.7	21.9	12.8	11.3	15.6	24.3	27.3	14.5
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	22.3	16.2	n.a.
Cyprus	47.5	40.0	38.6	27.8	35.8	35.8	34.0	-4.6
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	6.4	4.9	n.a.
India	n.a.	n.a.	n.a.	4.5	20.1	23.9	26.0	n.a.
Indonesia	n.a.	n.a.	n.a.	5.9	6.3	7.4	6.0	n.a.
Latvia	13.7	12.1	8.8	14.2	18.3	21.8	22.9	14.1
Lithuania	6.1	4.5	3.5	3.8	8.8	10.0	9.6	6.1
Malaysia	20.8	22.5	18.2	11.9	11.9	12.7	10.3	-7.9
Malta/2	n.a.	n.a.	n.a.	n.a.	29.5	30.9	25.2	n.a.
Romania	n.a.	n.a.	n.a.	9.1	12.9	n.a.	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	15.5	11.0	n.a.
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore/1	6.1	4.7	4.7	3.1	2.6	2.2	1.7	-3.0
South Africa	15.6	11.3	8.3	6.5	8.8	12.3	10.7	2.4

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 230.

Sources: CIS survey responses.

Table 6.18. **Tax debts: Debt written off as a share of debt inventory**

Country	Debt written off/value of tax debt inventory at year beginning (%)						
	2005	2006	2007	2008	2009	2010	2011
OECD countries							
Australia	32.5	11.1	15.3	16.9	20.4	14.1	26.2
Austria	26.8	25.1	28.7	36.4	32.4	29.1	27.1
Belgium	n.a.	n.a.	n.a.	n.a.	n.a.	15.5	22.8
Canada	14.6	10.3	9.3	9.9	9.1	8.7	8.9
Chile/1	n.a.	8.1	1.4	9.1	9.4	2.4	5.8
Czech Rep.	9.3	10.7	13.6	n.a.	13.7	6.6	12.5
Denmark	0.8	9.9	15.4	24.6	21.2	26.1	n.a.
Estonia	14.9	5.6	7.8	11.0	7.0	n.a.	9.8
Finland	9.6	8.9	9.1	8.4	6.8	5.9	5.7
France	16.2	17.4	19.8	18.5	15.1	14.5	11.3
Germany	69.1	75.7	63.9	57.2	79.9	73.1	75.0
Greece	n.a.	n.a.	n.a.	1.1	1.0	1.6	n.a.
Hungary	33.2	32.6	34.7	30.4	32.2	30.1	45.0
Iceland	n.a.	n.a.	n.a.	11.0	12.7	12.5	14.2
Ireland	15.2	14.4	14.9	15.2	19.8	23.1	21.7
Israel	n.a.	n.a.	n.a.	6.1	5.8	n.a.	n.a.
Italy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	8.7	9.3	9.3	10.5	11.7	n.a.	n.a.
Korea	n.a.	n.a.	n.a.	194.6	182.0	184.3	160.0
Luxembourg	n.a.	n.a.	n.a.	n.a.	3.9/1	4.5/1	5.8/1
Mexico	20.3	32.0	53.4	56.5	77.7	n.a.	n.a.
Netherlands	32.7	24.5	41.7	37.1	22.4	25.4	32.4
New Zealand	n.a.	n.a.	n.a.	n.a.	n.a.	15.1	17.6
Norway	13.6	6.6	2.5	4.8	7.9	6.5	7.2
Poland	2.2	1.1	0.9	0.5	0.4	0.7	0.4
Portugal	n.a.	n.a.	19.5	16.7	33.6	41.6	51.5
Slovak Rep.	34.1	22.2	9.2	16.7	18.0	23.1	18.0
Slovenia	4.2	3.5	1.9	1.1	0.5	16.0	10.8
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	15.0	12.3
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.7
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	24.1	32.7	31.5	22.2	16.7	21.5	16.1
United States	30.2	18.1	16.4	12.1	10.4	8.1	8.1
OECD ave. (unw.)	20.6	18.1	19.1	25.5	24.9	24.0	24.9
Non-OECD countries							
Argentina	n.a.	n.a.	n.a.	5.3	3.5	4.9	6.4
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bulgaria	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.7
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	54.4	51.6
Cyprus	n.a.	n.a.	n.a.	0	0	0.02	0.05
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.0
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	50.3	39.1	48.1	38.9	40.2	15.3	15.7
Lithuania	n.a.	n.a.	n.a.	27.1	21.6	11.6	9.1
Malaysia	0.2	2.7	5.7	3.2	1.5	8.7	7.8
Malta/2	n.a.	n.a.	n.a.	n.a.	n.a.	0.05	0.04
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Russia	n.a.	6.8	11.9	19.8	15.6	11.6	25.5
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	3.9	16.7	11.3	11.1	11.4	7.5	6.2

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 231.

Sources: CIS survey responses.

Table 6.19. **Tax debts: Movement in tax debt case numbers**

Country	Number of year-end tax debt cases/Number of tax debt cases at year beginning (%)/1							Movement in year-end tax debt cases: 2007 to 2011 (%)
	2005	2006	2007	2008	2009	2010	2011	
OECD countries								
Australia	104.5	103.0	103.1	84.8	102.3	110.6	98.8	-5.2
Austria	103.3	101.9	101.9	99.1	100.9	94.5	98.1	-7.3
Belgium	132.4	95.4	91.3	n.a.	n.a.	n.a.	89.4	54.8
Canada	108.1	97.5	94.4	103.3	106.3	101.9	102.9	15.3
Chile	80.1	105.4	101.9	104.8	102.0	102.4	102.8	12.6
Czech Rep.	n.a.	108.9	103.4	94.7	130.8	178.1	87.0	91.9
Denmark/2	n.a.	450.0	111.1	40.3	132.4	81.8	101.3	-55.8
Estonia	97.7	100.6	103.4	104.9	65.1	150.4	31.9	-67.2
Finland	114.1	102.9	96.8	101.3	100.3	106.5	106.1	14.8
France	93.3	102.5	98.1	98.4	101.3	97.8	99.0	-3.6
Germany	97.5	94.1	104.2	94.6	91.8	94.6	122.5	0.6
Greece	n.a.	n.a.	n.a.	104.1	117.0	112.9	n.a.	n.a.
Hungary	101.0	99.0	111.5	112.6	115.4	106.1	111.2	53.3
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Israel	n.a.	n.a.	n.a.	102.5	96.9	n.a.	n.a.	n.a.
Italy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan/2	96.9	98.3	98.8	98.5	98.9	99.4	98.1	-4.9
Korea	96.8	99.3	99.7	117.5	98.9	94.9	108.2	19.3
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	94.8	104.3	n.a.
Mexico	94.0	90.7	65.9	112.6	119.6	n.a.	n.a.	n.a.
Netherlands	n.a.	85.7	100.0	100.0	100.0	108.3	107.7	16.7
New Zealand	108.3	100.4	101.1	129.5	97.0	72.8	102.7	-6.0
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	99.6	110.9	86.1	105.4	96.8	91.9	110.0	3.1
Portugal	115.5	105.8	106.3	112.6	102.0	104.8	107.1	28.9
Slovak Rep.	112.9	112.2	73.9	95.5	107.4	97.5	100.0	0.0
Slovenia	n.a.	124.4	70.4	49.3	98.7	112.3	118.2	-35.4
Spain	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.!
Sweden/2	96.8	94.0	98.8	n.a.	98.3	100.6	96.8	207.6
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	95.9	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	n.a.	99.9	95.6	n.a.	n.a.	n.a.	n.a.	n.a.
United States	101.7	104.5	106.9	100.9	110.9	110.4	107.3	32.5
Non-OECD countries								
Argentina	127.6	143.4	95.4	53.0/2	95.3	105.3	97.2	-48.2
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	118.7	n.a.
Bulgaria	101.6	51.4	95.0	171.1	138.3	106.3	112.0	181.9
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	102.8	98.7	n.a.
Cyprus	n.a.	n.a.	n.a.	n.a.	101.7	98.3	102.0	n.a.
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	100.6	101.2	104.9	112.8	111.3	102.8	102.7	32.6
Lithuania	n.a.	n.a.	129.5	81.4	109.2	127.1	112.1	26.7
Malaysia	n.a.	n.a.	103.9	128.8	77.6	49.2	92.0	-54.7
Malta/2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	103.3	n.a.
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	87.0	96.8	n.a.
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	n.a.	n.a.	107.1	147.9	90.1	n.a.	n.a.	42.1

For notes indicated by “/ (number)”, see Notes to Tables section at the end of the chapter, p. 231.

Sources: CIS survey responses.

Features of revenue administrations' systems and approaches for achieving low levels of tax debt

While there are no doubt many factors that influence the overall level of tax debts and tax payment compliance at an individual country level, it is possible to discern from the information collected for this series some fairly common characteristics of the tax administration arrangements in place that may have contributed to the good outcomes being achieved.

Based on survey responses, there were 15 revenue bodies with relatively low debt inventories (*i.e.* end-year below 7.5% of aggregate net revenue collections) over all/most of the seven year period covered by the series – Australia, Austria, Denmark, France, Germany, Ireland, Japan, Korea, Netherlands, Norway, Singapore, Slovenia, Sweden and the United Kingdom. While it is beyond the scope of this series to reach definitive conclusions as to the factors that may have contributed to the relatively low level of tax debt in these countries, other information from the series provides some insights as to some possible influential factors:

- *Extensive use of tax withholding at source arrangements and/or information reporting and matching systems:* In addition to employment income (with the exception of France and Singapore), 11/15 countries generally require tax withholding at source in respect of dividend income paid to resident taxpayers while 9 of 15 countries require tax withholding on interest income (see Tables 9.5 and 9.6, Chapter 9);
- *Regimes of advanced payments:* With the exception of France, Singapore, and the United Kingdom, all twelve other countries administer income tax regimes (for both personal and corporate taxpayers) that are designed to collect the bulk of tax due (in the form of advanced payments) in the fiscal year in which the income is derived (see Tables 9.8 and 9.9, Chapter 9).
- *Extensive powers of enforcement (incl. appropriate levels of interest and penalties)*: There is insufficient information available to be conclusive in this area but it was noted that seven of the 11 revenue bodies generally have what might be described as a robust set of tools for enforcing the collection of taxes (*i.e.* powers to collect taxes from third parties, close businesses/cancel licenses, obtain liens over assets, require tax clearance for the granting of government contracts, withhold government payments to debtors, and impose tax debts on company directors) (see Table 9.12, Chapter 9).
- *Well-staffed enforced debt collection organisation*: Eleven of the 15 revenue bodies report that around 10% or more of their resources are devoted to enforced debt collection activities within a dedicated organisation unit (see Table 5.6, Chapter 5).
- *Wide use of electronic payment methods*: These methods, in particular the use of direct debiting, are used widely: nine revenue bodies reported significant usage (*i.e.* over 50%) while four others reported their use but could not quantify the volumes involved (see Table 7.4).
- *Extensive investment in information technology for tax administration:* Nine of 15 revenue boides reported an above average level of investment in information technology to support their administration, while all 15 reported the availability of system capabilities suggesting advanced use of technology (*e.g.* extensive e-filing usafe, online acces to personal details, comprehensive website of tax related information, on line legal database etc.).

Country	Extensive withholding	Effective advance payments regimes	Extensive tax debt collection powers	Well-staffed debt collection function	Extensive use of electronic payment methods	Above average investment in IT for tax administration	Wide use of technology
Argentina	✓	✓	✓		n.a		✓
Australia		✓		✓	✓	✓	✓
Austria	✓	✓	✓	✓	✓	✓	✓
Denmark		✓	✓	✓	n.a.	✓	✓
France			✓	✓	✓		✓
Germany	✓	✓	✓	✓	✓		✓
Ireland	✓	✓	✓	✓	✓		✓
Japan	✓	✓		✓			✓
Korea	✓	✓	✓				✓
Netherlands	✓	✓			✓	✓	✓
Norway	✓	✓	✓		n.a.	✓	✓
Slovenia	✓	✓		✓	n.a	n.a.	✓
Singapore				✓	✓	✓	✓
Sweden	✓	✓		✓*	✓	✓	✓
United Kingdom	✓			✓	✓	✓	✓

* Taking account of resources in Sweden's separate Enforcement Agency which is responsible for all government and private debt collection activities.

Comparisons between countries need to be made with care, for the sorts of reasons described elsewhere in this series. In addition, the size of a revenue body's reported volume of tax arrears will be affected by the write-off policies in place and the extent of their use, which vary substantially across surveyed countries, and potentially by the scale of enforcement/verification activities.

Recent experience from the United Kingdom

Finally, some additional perspectives on how one revenue body has taken steps to improve its debt collection performance can be found in a recent report by the UK National Audit Office (NAO) and its review of HMRC's revised debt management strategy.

A study undertaken by the UK NAO (2012) noted that during 2009-10 HMRC began to implement a revised debt management strategy which aimed to target collection activities more effectively to increase the likelihood of recovery, improve the speed of collection, and reduce costs. The strategy was also to help prevent taxpayers getting into debt by supporting them better before their tax liabilities became overdue and communicating more effectively with them so that any queries were resolved and debt paid without needing multiple contact. To implement this revised approach the Department aimed to improve its debt collection processes through: 1) a campaigns-based approach; 2) better understanding of taxpayer behaviour; 3) developing its channels of customer contact, particularly by telephone; 4) improving its information systems; and 5) improving the quality of its information on debt balances.

The NAO noted that HMRC has made progress in a number of areas in implementing its revised debt management strategy, particularly in rolling out its campaigns-based approach. Previously the directorate used a standard debt collection process for all debts, sending automated debt reminders initially, following up with telephone calls, in writing and through visits. The directorate used this approach regardless of the type of debt, with limited differentiation by value and risk of non-payment. In contrast, a campaign is an individually designed, time-limited set of actions taken for a particular tax stream's debts. It involves segmenting debts into groups, such as by value and behaviour of groups of taxpayers, and tailoring collection activities to each group.

NAO also noted that HMRC had increased its use of new payment methods (e.g debit and credit cards), introduced a new penalty regime to better align penalties across the major taxes, increased accessibility to payment arrangements, substantially increased the capacitiy of its debt management telephone centre, and expanded its out-of-hours calls to different target groups.

Notes to Tables

Table 6.1. Aggregate tax collections (by major tax type) for 2010 and prior years

/1. **Malta:** Malta employs a full imputation tax system, that is, there is no corporate tax. Therefore, gross personal income tax include both individuals and companies. **Russia**: Since 01.01.2010 the administration of UST was delegated to the Pension Fund of the Russian Federation.

/2. **Russia**: Without the UST revenues to the federal budget

Table 6.3. Revenue bodies' service demand volumes (millions): Selected services

/1. **Australia**: Downward trend in face to face visits is partly due to a cross-agency co-location strategy which has seen some ATO customers receiving information and assistance at shop front sites of other Australian Government agencies; there has also been a change in the counting rules whereby the number of visits rather than the number of enquiries are counted; concerning written correspondence, a change in counting rules in 2011 adjusted the basis for the number of events counted. **Belgium**: data available limited to two Infocenters, and insufficiently complete for comparison purposes given they do not include inquiries received in local offices. **Canada**: CRA does not track incoming email volumes and for security reasons does not encourage email communication with taxpayers; Internet hits are the number of visits to the CRA Web site while total pages viewed in 2010 and 2011 were 330.8 million and 337.1 million, respectively; this does not include visits to secure areas of the Web site, including My Account and My Business Account. Ireland: reported volume includes email. **United States**: Total number of Web visits received; a visit is a series of actions that begins when a visitor views their first page from the server, and ends when the visitor leaves the site.

Table 6.4. Revenue bodies' service demand volumes (millions): Phone inquiries

/1. **IVR**: Refers to Interactive Voice Recognition technology providing automated answers to inquiries;

/2. **Australia**: During the 2010-11 year, the ATO implemented a new core processing system. While this system provides a range of benefits there were some teething issues after deployment resulting in delays in issuing income tax returns. Due to these delays, the number of calls handled by our progress of return self-help IVR doubled during the year. Calls to arrange payment arrangements were also up by more than 80% due to the tougher economic climate. Both of these increases contributed to the significant overall increase in self-help calls. Successful calls have decreased again in 2011-12 however they are higher than in 2009-10 reflecting the popularity and effectiveness of our self-help IVR applications. The ATO also received an increase in calls relating to delays in returns processing in the 2010-11 year. During this year the ATO also released a new look income tax notice of assessment. This generated additional calls from taxpayers with enquiries about the new format. Call volumes include escalated calls. **Austria**: There are no dedicated call centres for general inquiries, with all calls answered by staff in INFOCENTRES located in local Tax Offices; there is a hotline (FinanzOnline) which is available for technical information on FinanzOnline. **Italy**: Data obtained from AE's annual report 2011 **Switzerland**: data relates only to Federal Administration (covering VAT only); **United States**: The number of phone inquiries received includes the number of calls answered by an assister and the number of calls abandoned by the taxpayer.

Table 6.6. Service standards/performance in 2011: Income tax returns

/1. **Austria**: Same standard applied for both paper and e-filed returns; **Chile**: Returns filed between April 1 and 19: refunds by deposit are due on May 10 and refunds by sending a cheque are due on May 30; returns filed between April 20 and 27: refunds by deposit are due on May 17 and refunds by sending a cheque are due on May 30; returns filed between April 28 and May 9: refunds by deposit are due on May 26 and refunds by sending a cheque are due on May 30. **Hong Kong**: Under existing tax laws**,** personal income tax and corporate income tax are subject to technical assessing requirements (as opposed to self-assessment), while there is no withholding of tax in respect of any category of income (including employment or investment income) derived by resident taxpayers. Furthermore, there is no system of VAT. As a result of all these factors, the incidence of tax refunds required to be made by IRD is much lower than seen in most other jurisdictions. Processing standards apply for the assessment of profits tax, property tax and composite returns, but these are not really comparable to countries with self-assessment regimes; **Singapore**: Integrated result (covering both paper and e-filed returns. **United States**: The standard is for Individual paper returns only. A separate standard for electronically filed returns is not applicable. For returns filed electronically, the goal is to issue refunds within 5 to 21 days, which the IRS achieves for most returns filed electronically.

Table 6.7. Service standards and performance in 2011: VAT refunds and correspondence

/1. **Canada**: Despite the introduction of Harmonized Sales Tax in the provinces of Ontario and British Columbia in 2010, which significantly impacted the complexity of the GST/HST return and review process, the CRA was able to process 90.3% of GST/HST returns within 30 days. **Chile**: 95% of VAT refund requests made by Reverse Charge Regime taxpayers, processed within the established period; **Mexico**: This is an email based service – the written response is sent via internet through software named "solución integral" (integral solution), through which taxpayers can file different kind of inquiries on routine matters and receive a written, but electronic, response; **Poland**: Separate standards of 25 days (where special conditions satisfied)and 180 days (where no sales made in fiscal year; **United Kingdom**: Average number of working days taken to repay VAT from date of receipt – 4 days

/2. **Canada**: A 10 business-day standard has been set in 2012. The CRA has introduced a new service standard for certain tax-related questions that it receives through My Business Account – it will provide a response within 10 business days, on-line and in writing, and stand behind each written reply; **Netherlands**: There is no service delivery standards for written letters but 85-90% of complex questions to the tax helpline should be answered within 2 working days; in 2011 the actual performance was 88%; **United Kingdom**: Standard applies to PAYE, self-assessment and National Insurance Contributions; work has been undertaken in 2011 and 2012 to improve this standard and is ongoing.

Table 6.8. Service standards and performance in 2011: In-person and phone inquiries

/1. **Canada**: Separate standards and performance monitoring for phone inquiries from charities and in respect of GST/HST. **Ireland**: Achievements reported as PAYE: 37% within 30 secs, 68% within 3 mins, and 85% within 5 mins and Other categories – 69% within 30 secs, 92% within 3 mins, 97% within 5 mins; **Luxembourg**: Data relate to indirect taxes. **Netherlands**: "Accessibility" is the % of individuals and businesses helped by the Telephone Information Line staff, irrespective of the time they have to wait, when making a call in normal business hours; the target for answering questions referred from the Tax Line (*i.e.* call centre) to other revenue body divisions stipulates that 85-90% will be answered within 2 work days; **Singapore**: Average service performance for non-peak period; **Turkey**: Standard applies only to Taxpayer Service Walk in Centre being piloted in Ankara; **United Kingdom**: HMRC is aiming to meet a target of answering 90% of calls attempted by 2013; Performance rate displayed excludes benefits and credits activity; **United States**: The Level of Service rate of 70.1% represents the relative success of taxpayers that call the IRS toll free numbers seeking assistance from Customer Service representative; the IRS answered 34.5 million calls of 49.2 million calls seeking assistance from a live assistor. The 34.5 million includes both calls answered (34.24 million calls answered by a live assistor) and informational messages (*i.e.*, 267 000 taxpayers opting for a pre-recorded message); the 49.2 million calls additionally includes abandoned calls, busy signals after reaching IRS phone lines, and courtesy disconnects (IRS phone lines become overloaded while the caller is in the queue and are automatically disconnected); it does not include circuit busy signals encountered before the call reaches the IRS.

/2. **Luxembourg**: Written question is requested in the case of a complex question/answer. Legal delay for written question.

Table 6.9. Service standards and performance in 2011: Complaints and registrations

/1. **Canada**: A new service standard to resolve 80% in 30 days was established in 2012. **France**: Standard relates to complaints concerning PIT, and contribution to public broadcasting and occupation tax. **Japan**: Also has standards for (a) Percentage of the disposition of requests for reinvestigation within 3 months: 90%; and (b) Percentage of the disposition of requests for reconsideration within 3 months: 85%. **Lithuania**: Resident legal entities: next day after the registering to the Register of legal entities; non-resident legal entities: 5 working days; natural persons with business certificate: 4 working days; natural persons – Individual activities: 5 working days. **Luxembourg**: Data relate to indirect taxes. **Mexico**: Standard applied (80% in 3 days) applies only to initial processing in reception, not resolution; **Netherlands**: The Administrative Law Act (AWB) standard is 6 weeks. **United Kingdom**: In addition to complaints standards we also have a statutory time limit for internal statutory reviews of appealable decisions (assessments, rules, etc). These must be completed in 45 days, unless an extension is agreed. **United States**: Follow-up actions should occur within five workdays of the documented follow-up date, while a case should only be closed when all necessary actions have been taken to resolve the taxpayer's problem with the IRS.

/2. **Ireland**: Also has standards for Business customers registering for ROS passwords will normally be issued within 8 working days by ordinary post, while business customers registering for secure email, passwords will normally be issued within 3 working days by ordinary post; 100% achieved for both categories; **Singapore**: IRAS registers new business taxpayers through electronic link-up with the authority that oversees the registration of new businesses.

Table 6.11. Verification actions: Number completed for all taxpayer categories

/1. Comparisons across countries of data on numbers of verification actions need to be treated with caution owing to differences in how revenue bodies interpret the term "verification activities" in practice, and the approach adopted for quantifying results (*e.g.* by numbers of taxpayers, numbers of cases involving different taxes etc).

/2. **Canada**: Tax assessed (and related number of actions) which resulted from returns filed by taxpayers after follow up/enforcement action through Canada's non-filer/non-registrant programs is not included in the 2010 and 2011 results. Years 2005 to 2009 are restated for comparability. **France**: Reported data for 2010 and 2011 include results for around 1 million desk audits each year, that were not reported in prior year information. **Lithuania**: Data for the year 2005-10 refers to control actions taken by tax administration. Data for 2011 refers to control actions taken by tax administration; also contacts by tax administration with tax payers regarding their tax obligations are included. **Luxembourg**: Only indirect taxes; **Malta**: Statistics refer only to authority in charge of Direct Taxation. **Spain**: Number of actions performed. These figures include every type of verification (authomatised filters, massive control, desk controls, field audits, investigation etc.) homogenised to make them comparable.

Table 6.12. Verification actions: Number completed for large taxpayers

/1. Comparisons across countries of data on numbers of verification actions need to be treated with caution owing to differences in how revenue bodies interpret the term "verification activities" in practice, and the approach adopted for quantifying results (*e.g.* by numbers of taxpayers, numbers of cases involving different taxes etc).

/2. **Finland**: Data relate only to PIT and CIT; **Lithuania**: Data for these years to control actions taken by tax administration. Data for 2011 refers to control actions taken by tax administration; also contacts by tax administration with taxpayers regarding their tax obligations are included.

Table 6.14. Tax disputes in administrative review: Finalised cases

/1. **Australia**: These figures include objections against rulings. **Russia**: The data provides information not only on the amount of the tax, but also of tax sanctions and on other disputed amounts. **Luxembourg**: Only indirect taxes. **South Africa**: Figures reflect head office only

Table 6.15. Tax disputes in administrative review: Unfinalised cases at year-end

/1. **South Africa**: Figures reflect head office only.

Table 6.16. Tax debts: Undisputed tax debt as share of net revenue collections

/1. **Australia**: These figures include objections against rulings. **Belgium**: Data for 2009 and 2010 included disputed tax debts; **Chile**: Interests and fines are not included in the amount of tax debt. **Korea and Singapore**: Data includes disputed debts; **Luxembourg**: Direct and indirect taxes. **Slovenia**: In October 2011, the tax administration introduced a new tax information system. When outstanding claims were transferred into the new accounting records, all late payment interest until 30 September 2011 was charged and recorded, since in the previous information system all interest on late payment was charged only when liabilities were paid. Due to this reason, there was a noticeable increase of tax debt at the end of 2011 compared with prior years. **Singapore**: data includes disputed debt; **Sweden**: All data items obtained from STA's Statistical Yearbook; value of year-end debt (for all years) includes disputed debt which cannot be readily isolated.

Table 6.17. Tax debts: Debt collected as a share of total debt for collection

/1. **Chile**: Interests and fines are not included in the amount of tax debt.

Table 6.18. Tax debts: Debt written off as a share of debt inventory

/1. **Chile**: Interests and fines are not included in the amount of tax debt. **Korea**: The beginning-year debt in 2011 was 4 925 700 and the newly incurred debt during the fiscal year was 18 412 900. On this account, the total amount of debt available for written-off equals to 23 338 600. During 2011, 7 880 400 were written off. That explains why the ratio might seem high compared to other countries` relevant ratios. **Luxembourg**: Direct and indirect taxes; **Malta**: Statistics refer only to authority in charge of Direct Taxation.

Table 6.19. Tax debts: Case numbers at year-end relative to numbers at year beginning

/1. Comparisons of data on case numbers and related ratios need to be treated with caution owing to differences in how revenue bodies count the number of debt cases (*e.g.* by numbers of taxpayers or by numbers of tax debts for each tax).

/2. **Argentina**: the revenue body has advised that during this year a new computer system was implemented that brings together the various tax debts of taxpayers, resulting in debts being reported on a taxpayer basis; as a result the numbers of cases reported is significantly less than reported in prior years. **Malta**: Statistics refer only to authority in charge of Direct Taxation .**Sweden**: Case numbers are computed on the basis of debts for each tax, not the numbers of taxpayers with debts.

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Chapter 7

The use of electronic services in tax administration

This chapter provides an overview of the electronic services generally offered by revenue bodies to their clients and summary data on their usage.

Key points

Electronic filing of tax returns

- The availability of a modern suite of e-filing services for the major taxes administered is just about universal, with well over 90% of revenue bodies offering such a service.
- For both the PIT and VAT, just over half over half of revenue bodies achieved e-filing usage by the majority of their client taxpayers in 2011; for the CIT, around 60% achieved usage by the majority of their client taxpayers in 2011.
- A number of revenue bodies can point to substantial increases in e-filing usage over the last six years, as a result of administrative initiatives and/or the introduction of mandatory e-filing requirements.
- Despite the progress made, there is potential for substantially greater usage (i.e. +75%) by fair number of revenue bodies-14 for the PIT, 10 for the CIT, and 8 for VAT.

The provision of prefilled tax returns to taxpayers

- Pre-filling has evolved to become a significant (and for some, transformational) element of revenue bodies' e-services strategy, particularly for the PIT, with almost half of revenue bodies reporting some use of such a service.
- In its most advanced form, pre-filling services and related facilities have just about fully automated return preparation and assessment; some seven revenue bodies reported having the capability to prepare fully completed tax returns for the majority of their PIT clients.

Automation of tax payments

- Revenue bodies appear to be making reasonable progress in fully automating tax payment collection, although a surprising number (21) of revenue bodies do not appear to have adequate payment data pointing to the use of different payment methods, while almost half still provide relatively costly on-site payment services for taxpayers.
- For those revenue bodies providing data, only twelve reported that the majority of tax payments are made by fully automated methods, as defined for this series; eight revenue bodies (mainly countries in Europe) reported use of such methods exceeded 75%.
- There appears to be potential for substantially greater use of fully electronic e-payment capabilities by many surveyed revenue bodies.

Other electronic services

- Just over half of revenue bodies reported offering the full suite of other services identified for the survey-Internet access to a comprehensive set of tax information; online access to personal taxpayer information; electronic communications with taxpayers; remote access by staff to business systems, and an online legal and case law database.
- Around half of revenue bodies reported some experience with the use of social media technologies in their dealings with taxpayers, although a 2011 FTA study suggests this is on a very small scale.

Provision and use of modern electronic services

Over the last two decades, many revenue bodies have taken steps to exploit the use of modern computing technologies to transform their operations, in particular those concerned with tax collection and assessment processes and the provision of basic services to taxpayers and their representatives. The reasons for this are fairly obvious: applied effectively, these technologies can deliver enormous benefits (*e.g.* lower administrative costs, faster and more accessible services for taxpayers and tax professionals) both to Governments and taxpayers.

The main types of electronic services now offered by most revenue bodies include:

- Provision of a comprehensive range of tax and other information, forms and calculators;
- Electronic filing of tax returns;
- Fully and/or partially completed pre-filled tax returns;
- A mix of electronic payment facilities for all taxes (*e.g.* direct online payment);
- Access to personal taxpayer information via online taxpayer portals; and
- Call centres using modern telephony facilities (including IVR technologies) to provide more accessible phone inquiry services.

Recent work carried out by the FTA (OECD, 2011) has also revealed that some revenue bodies have started to use social media technologies (*e.g.* Twitter, YouTube and Facebook) in their day-to-day operations, albeit on a relatively small scale as they seek to better understand how these technologies can be deployed productively to facilitate their administration.

For this series, revenue bodies were asked to provide a limited range of information on the nature of the electronic services offered by them and, for the more common services, data related to the scale of their usage/take-up. (For a more comprehensive assessment of the use of modern electronic services by OECD revenue bodies, the OECD FTA study – *Survey of Trends and Developments in the Use of Electronic Services for Taxpayer Service Delivery* – may be helpful.)

Electronic filing of tax returns ("e-filing")

Previous editions of CIS have given a fair deal of attention to the automation of tax return filing arrangements for the major taxes given their potential to deliver significant benefits to both revenue bodies and taxpayers. Both the 2008 and 2010 CIS reports noted that that there had been substantial progress in recent years in the number of revenue bodies offering e-filing capabilities for their major taxes. However, they also noted that there were significant variations across both revenue bodies and the major taxes administered in terms of the level of take-up being achieved, resulting in considerable unevenness in the benefits being derived across countries. In the main, most progress had been made with e-filing for the personal income tax (PIT). Also apparent was the fact that an increasing number of revenue bodies had introduced mandatory e-filing requirements on some/all businesses to achieve major progress over a relatively short time frame. For this edition of CIS, the survey sought to determine what progress had been made with electronic filing for the major taxes. Drawing on the information in Tables 7.1, 7.2 and 7.3, the key findings are as follows:

Personal income tax

- The provision of e-filing services for personal taxpayers is now just about universal across the countries surveyed, with all countries where the national revenue body administers a PIT reporting the availability of this service for fiscal year 2011.

- Just over half of revenue bodies reported that the majority of their personal taxpayers used e-filing (either by themselves or via tax professionals) for the 2011 year:
  - 22 of 50 achieved usage in excess of 75% of all returns filed;
  - 7 of 50 achieved usage rates between 50-75%;
  - 5 of 50 revenue bodies achieved usage rates between 25-50%;
  - 15 of 5 achieved usage rates less than 25%; and
  - For 3 countries relevant data were not available.
- A number of countries have made very substantial progress (*i.e.* +60% in absolute terms) over the last eight years in increasing their e-filing usage-Argentina (+82%), Lithuania (+73%), Slovenia (+77%), South Africa (+95%), Turkey (+69%), and United Kingdom (+60%); in addition to administrative initiatives (including incentives such as extended return filing periods), increased usage in some of these countries has been achieved with the introduction of mandatory e-filing requirements.
- Generally, most revenue bodies have not relied on the use of mandated e-filing requirements, and only 13 revenue bodies reported the use of such a requirement for some/all of their taxpayers for the 2011 fiscal year.
- There is potential for substantially greater use of e-filing (*i.e.* +75% in absolute terms) in over 25% of countries surveyed.

Corporate income tax

- The provision of e-filing services is now just about universal across the countries surveyed (with 48 of 52 surveyed revenue bodies reporting the availability of this service for fiscal year 2011);
- Just over half of surveyed revenue bodies reported that returns for the majority of their corporate taxpayers were e-filed for the 2011 fiscal year:
  - Twenty one of forty eight achieved usage in excess of 75%;
  - Seven of forty eight achieved usage rates between 50-75%;
  - Nine of forty eight achieved usage rates between 25-50%;
  - Twelve of forty eight achieved usage rates less than 25%; and
  - For four countries relevant data were not available.
- A number of revenue bodies have made very substantial progress (*i.e.* +60% in absolute terms) over the last eight years in increasing their e-filing usage-Argentina (+66%), Estonia (+98%), Hungary (+96%), Ireland (+78%), Latvia (+75%), Netherlands (+100%), Slovenia (100%), South Africa (94%) and Spain (+76%); in addition to administrative initiatives, increased usage in some of these countries has resulted from the introduction of mandatory e-filing requirements.
- Compared with the PIT, there is a greater tendency to rely on the use of mandated e-filing requirements, and 22 revenue bodies reported the use of such a requirement for some/all of their taxpayers for the 2011 fiscal year – see examples:
  - ***Canada:*** For tax years after 2009, all corporations who have gross revenues in excess of USD 1 million are required to internet file their corporate tax return with the exception of; insurance corporations, non-resident corporations, corporations reporting in functional currency, and corporations that are exempt from tax payable under section 149 of the *Income Tax Act.* (Source: CRA website.)

- ***Ireland:*** All returns/payments due on or after 1 June 2011 must be made by companies on-line through the Revenue On-Line Service (ROS). (NB: Revenue may exclude a company from it's obligation to pay and file electronically, if Revenue is satisfied that the company does not have the "capacity" to do so.) (Source: Revenue's website.)

- There is potential for substantially greater use of e-filing (*i.e.* +75% in absolute terms) in around 25% of surveyed countries.

Value added tax (VAT)

- The provision of e-filing services in those countries administering a VAT is now just about universal with 43 of 46 surveyed revenue bodies reporting the availability of this service for fiscal year 2011.
- There has been a considerable increase in the proportion of surveyed revenue bodies reporting that the majority of VAT returns are now filed electronically, rising from just over 50% for fiscal year 2009 to almost 75% for 2011:
  - Twenty three of forty three achieved usage in excess of 75%;
  - Eight of forty three achieved usage rates between 50-75%;
  - Three of forty three achieved usage rates between 25-50%;
  - Six of forty three achieved usage rates less than 25%; and
  - For three bodies, no data were available.
- Based on available data, 11 revenue bodies have made substantial progress (*i.e.* +60% in absolute terms) over the last eight years in increasing the level of usage of e-filing services-Argentina, Belgium, Bulgaria, Hungary, Japan, Latvia, Netherlands, Singapore, Slovenia, South Africa, and United Kingdom; for seven of these revenue bodies, increased usage has resulted from the use of mandatory e-filing requirements for some/all businesses with VAT liabilities.
- Compared with the PIT and CIT, there is a greater tendency to rely on the use of mandated e-filing requirements, and 25 revenue bodies reporting the use of such a requirement for some/all of their VAT taxpayers for the 2011 fiscal year-see examples below:
  - ***Canada:*** From July 2010, the following groups were required to file their GST/HST returns electronically: 1) GST/HST registrants with greater than USD 1.5 million in annual taxable supplies (except for charities); and 2) prescribed registrants meeting certain criteria in Ontario and British Columbia; all payments in excess of 50 000 must be made electronically. (Source: CRA website.)
  - ***Ireland:*** All returns and payments made electronically from June 2012. (Source: Revenue's website.)
  - ***United Kingdom:*** From 1 April 2010, all returns from businesses registered for VAT before 1 April 2010 that had an annual VAT-exclusive turnover of GBP 100 000 or more for the 12 months ended 31 December 2009, or any business registered for VAT on or after 1 April 2010 (regardless of its turnover) must be filed (and payments made) electronically; From 1 April 2012, virtually all remaining VAT-registered businesses with only limited minor exemptions must file and pay electronically. (Source: HMRC's website.)
- There is potential for substantially greater use of e-filing (*i.e.* +75% in absolute terms) in at least 8 surveyed countries.

Table 7.1. **Personal income tax returns: Use of electronic filing and pre-filling**

Country	Use of electronic filing (e-filing)					Use of pre-filling for 2011	
	Year begun	% of all returns e-filed			Mandatory for some/all in 2011	% returns pre-filled to some degree	% returns fully completed
		2004	2009	2011			
OECD countries							
Australia	1990	80	92	92	x	82	0
Austria	2003	10	79	79	✓/1	/2	0
Belgium	2002	3	40	54	x	12	0
Canada	1993	49	58	62	x	0	0
Chile	1999	83	98	99	✓	79	53
Czech Rep.	2004	< 1	1	1	x	0	0
Denmark	1994	68	96	98	x	100	78
Estonia	2000	59	92	94	x	100	0
Finland	2006	0	23	33	x	100	95
France	2001	4	27	33	x	95	13
Germany	1999	7	30	32	✓	0	0
Greece	2001	4	13	49	✓	0	0
Hungary	2003	3	30	17	x	6	0
Iceland	1999	86	92	92	x	100	21
Ireland	2001	62	67	81	✓	100	0
Israel	2009	0	0	92	✓	0	0
Italy	1998	100	100	100	✓	100	0
Japan	2004	0	31	44	x	0	0
Korea	2004	43	80	87	x	n.a.	n.a.
Luxembourg	2009	0	< 1	1	x	0	0
Mexico	1998	48	96	99	✓	20	0
Netherlands	1996	69	95	95	✓	35	0
New Zealand	1991	56	63	71	x	100	51
Norway	1999	37	82	86	x	100	65
Poland	2008	0	1.4	11	x	0	0
Portugal	2000	24	80	83	✓	83	0
Slovak Rep.	2005	0	n.a.	< 1	x	0	0
Slovenia	2004	0	77	n.a.	x	100	n.a.
Spain/1	1999	23	36	74	x	100	42/2
Sweden	2002	15	55	63	x	100	61
Switzerland	--------Administered at sub-national level by cantons, some with their own e-filing systems------						
Turkey	2005	30	99	99	✓	78	34
United Kingdom	2000	17	73	77	x	0	0
United States	1986	47	65	76	x	0	0
OECD ave. (unw.)		31	59	65		51	17
Non-OECD countries							
Argentina	1999	18	100	100	✓	0	0
Brazil	n.a.	n.a.	n.a.	100	✓	0	0
Bulgaria	2005	< 1	3	5	x	0	0
China	2005	0	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	6	✓		0
Cyprus	2004	< 1	6	22	✓	0	0
Hong Kong, China	n.a.	n.a.	n.a.	14	x	100	0
India	n.a.	n.a.	17	(13.1 m)	x	0	0
Indonesia	n.a.						
Latvia	2008	0	10	15	x	0	0
Lithuania	2004	14	71	87	x	68	32
Malaysia	2004	33	56	69	x	< 1	< 1
Malta	2006	1	2	1	✓	28	72
Romania	2007	0	< 1	n.a.	n.a.	n.a.	n.a.
Russia	2006	0	9	3		0	0
Saudi Arabia	--n.appl. --						
Singapore/1	1998	67	91	96	x	98	42
South Africa	2001	4	46	99	x	100	30

For notes indicated by “/ (number)”, see Notes to Tables section at the end of the chapter, p. 250.

Source: CIS survey responses and prior CIS editions.

Table 7.2. **Corporate income tax returns: Use of electronic filing and pre-filling**

Country	Use of electronic filing (e-filing)				Mandatory for some/ all returns in 2011	% 2011 returns pre-filled to some degree
	Year begun	% all returns e-filed				
		2004	2009	2011		
OECD countries						
Australia	1990s	95	92	92	x	0
Austria	2004	30	96	95	✓	0
Belgium	2006	1	32	73	✓	0
Canada	2002	2	21	46	✓	0
Chile	1999	83	98	99	✓	0
Czech Rep.	2004	1	n.a.	6	x	0
Denmark	2005	0	18	25	x	0
Estonia	n.a.	0	95	98	✓	0
Finland	2000	1	19	32	x	0
France	1991	26	77	81	x	0
Germany	n.a.	0	0	n.a.	✓	0
Greece	n.a.	0	0	0	-	-
Hungary	2003	3	99	99	x	0
Iceland	1997	99	99	66	x	100
Ireland	2001	18	85	96	✓	100
Israel	2009	0	n.a.	67	✓	0
Italy	1998	100	100	100	✓	0
Japan	2004	0	38	58	x	0
Korea	2004	92	96	97	x	n.a.
Luxembourg	n.a.	0	0	0	x	0
Mexico	1998	100	100	100	✓	0
Netherlands	2005	0	100	100	✓	0
New Zealand	1991	67	75	80	x	0
Norway	2000	47	75	88	x	0
Poland	2006	0	1	11	x	0
Portugal	2000	100	100	100	✓	100
Slovak Rep.	2005	0	n.a.	2	x	0
Slovenia	2004	0	100	100	✓	0
Spain	1999	23	99	99	✓	0
Sweden	2009	0	68	68	x	100
Switzerland	--------Administered at sub-national level by cantons, some with their own e-filing systems---------					
Turkey	2005	72	99	99	✓	0
United Kingdom	2004	1	16	42	x	0
United States	2004	1	25	44	✓	0
OECD ave. (unw.)		29	64	68		13
Non-OECD countries						
Argentina	1999	34	100	100	✓	0
Brazil	n.a.	n.a.	n.a.	100	✓	0
Bulgaria	2006	0	21	38	x	0
China	2001	n.a.	n.a.	n.a	x	0
Colombia	n.a.			23	✓	0
Cyprus	2004	0	n.a.	34	✓	0
Hong Kong, China				< 1	x	0
India	n.a.	0	n.a.	(1.25 m)	✓	0
Indonesia						
Latvia	2008	0	92	75	✓	0
Lithuania	2004	34	67	73	x	0
Malaysia	2001	n.a.	18	49	x	0
Malta	2001	82	99	92	✓	0
Romania	2004	0	2	n.a.	n.a.	0
Russia	n.a.	0	12	57	✓	0
Saudi Arabia	n.a.	0	0			
Singapore/1	2000	84	67	63	x	0
South Africa	2006	0	36	94	x	100

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 250.

Source: CIS survey responses and prior CIS editions.

Table 7.3. **Value added tax (VAT) returns: Use of electronic filing and pre-filling**

Country	Use of electronic filing (e-filing)					
		% all returns e-filed			Mandatory for some/ all returns in 2011	% 2011 returns pre-filled to some degree
	Year begun	2004	2009	2011		
OECD countries						
Australia	2001	36	49	54	✓	0
Austria	2003	80	86	87	✓	0
Belgium	2001	9	90	97	✓	0
Canada	2002	11	22	41	✓	0
Chile	1999	37	64	71	✓	0
Czech Rep.	2004	1	n.a.	10	x	0
Denmark	1999	60	95	98	✓	0
Estonia	2000	n.a.	96	99	✓	0
Finland	1997	35	65	80	x	0
France	2001	2	28	39	x	0
Germany	2000	19	25	28	✓	0
Greece	2000	51	70	83	✓	0
Hungary	2000	6	99	99	x	0
Iceland	2004	16	65	74	x	0
Ireland	2000	13	45	63	✓	100
Israel	n.a.	n.a.	n.a.	n.a.	✓	0
Italy	1998	100	100	100	✓	0
Japan	2004	0	57/29/1	85/40/1	x	0
Korea	2000	50	74	79	x	n.a.
Luxembourg	2003	0	26	54	✓	0
Mexico	2002	55	100	100.	✓	0
Netherlands	2005	0	100	100	✓	0
New Zealand	1992	9	21	28	x	0
Norway	2001	38	88	92	x	0
Poland	2006	0	2	11	x	0
Portugal	2000	83	100	100	✓	0
Slovak Rep.	2005	0	n.a.	9	x	0
Slovenia	2004	0	100	100	✓	0
Spain/1	1999	23	75	80	✓	0
Sweden	2001	3	35	55	x	0
Switzerland	2010	0	0	< 1	x	0
Turkey	2004	70	99	99	✓	0
United Kingdom	2003	0	20	67	✓	0
United States	-----n.app.-----					
OECD ave. (unw.)		26	62	67		
Non-OECD countries						
Argentina	1999	30	100	100	✓	0
Brazil	-----n.app.-----					
Bulgaria	2004	5	68	82	✓	0
China	n.a.	n.a.	n.a.	n.a.	x	0
Colombia	n.a.	n.a.	n.a.	24	✓	0
Cyprus	2004	1	1	2	x	0
Hong Kong, China	-----n.app.-----					
India	-----n.app.-----					
Indonesia						
Latvia	2008	0	64	85	✓	0
Lithuania	2004	35	87	93	x	0
Malaysia	-----n.app.-----					
Malta	2009	0	< 1	2	x	0
Romania	2004	0	5	n.a.	n.a.	n.a
Russia	n.a.	0	26	51	✓	0
Saudi Arabia	-----n.app.-----					
Singapore	2005	0	99	100	✓	0
South Africa	2001	7	47	92	✓	100

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 250.
Source: CIS survey responses and prior CIS editions.

The provision of pre-filled tax returns to taxpayers

One of the more significant developments in tax return process design and the use of technology by revenue bodies over the last decade or so concerns the emergence of systems of pre-filled tax returns for the PIT. Pre-filling entails the use by revenue bodies of information held by them (*e.g.* taxpayer identity information, elements of taxpayer history, and third party reports of income and deductions etc.) to populate fields within tax returns etc that are made available to taxpayers for examination by taxpayers. Depending on the degree of sophistication of the service (and the legislative framework in place), fully or partially-completed tax returns can be made available to taxpayers in electronic and/or paper form. In their most advanced form, tax return preparation has been fully automated for the vast majority of the taxpayer population. This is particularly the case for Nordic region countries where revenue bodies offer this form of assistance for virtually all their taxpayers, with a large proportion of such returns being fully completed for the taxpayers concerned (*e.g.* Denmark and Finland. In the case of Denmark, prior CIS editions have reflected its progress over many years to develop a very comprehensive regime of prefilled tax returns that for fiscal year 2011 saw the universal use of pre-filling for all personal taxpayers, with almost 80% of these being fully completed for the taxpayers concerned – see Box 7.1 which sets out a description of how the system of prefilled returns has evolved in Denmark over the last two decades.

Box 7.1. **Denmark: The evolution of pre-filled tax returns**

Set out hereunder is a description of the phases in the evolution of prefilled returns in Denmark over the last 20 years, commencing with the initial very limited use of pre-filling in the late-1980"s and, by 2008, arriving at a position of total automation where the vast majority of taxpayers could access online their tax return information and related notice of assessment.

2008 to present time	**Total automation:** Pre-filled returns are no longer sent to taxpayers. Taxpayers receive an assessment notice (with provision to access on-line the detailed tax return data that has been used to establish their tax liabilities. Taxpayers remain obliged to advise the revenue body of nay necessary adjustments.
2006	**Pre-filled returns and notice together:** Taxpayers with fully completed pre-filled returns also receive an assessment notice alongside their tax returns.
2004	**Online assessment notices:** Taxpayers with fully completed pre-filled returns receive assessment notice online, when confirming the completeness of the pre-filled return.
1999	**Pre-filled returns available on-line:** Pre-filled returns are available online for review by taxpayers and their notification of changes or confirmation of acceptance. Notices of assessment are sent after processing.
1995	**First electronic filing application:** Tax-returns (not pre-filled) are available online. Taxpayers are obliged to fill in all relevant data.
1992	**System of silent acceptance introduced:** Taxpayers receiving pre-filled returns are freed of the obligation to confirm their completeness, if correct. Taxpayers must advise any adjustments to the revenue body. Notices of assessment are sent after processing.
1992	**First fully completed tax returns:** Refinement of pre-filling system with fully-completed tax returns (on paper) sent to many taxpayers for their review-to be confirmed or adjusted. Notice of assessment sent after processing.
1988	**Limited pre-filling of tax returns:** System of limited pre-filling of personal tax returns (on paper) commences. Taxpayers are required to complete their return and send it to the revenue body. Notices of assessment are sent after processing.

Source: Danish revenue officials.

As already mentioned, pre-filling can be carried out with varying degrees of sophistication. To explain this further, the capability/maturity model depicted in Figure 7.1, extracted from the FTA's comprehensive study (OECD, 2010), describes the varying degrees of development (and related enhancement) that have been observed from revenue body experience and documented in prior FTA reports. However, critical to this progress has been the existence of a compatible legislative framework – one that makes provision for extensive third party reporting of relevant taxpayer information and which has few deductions and credits that cannot be verified by third party information sources. This aside, the model provides a means of classifying the nature of the service being provided by revenue bodies to assist taxpayers (in terms of the likely level of benefits being delivered).

Figure 7.1. **Maturity model of pre-filling capabilities**

LEVEL OF PREFILLING	CAPABILITY DESCRIPTION	LEVEL OF BENEFITS
Basic (limited)	1. A paper form pre-filled with limited taxpayer identity &/or history information	Minor
	2. An electronic form pre-filled with limited taxpayer identity &/or history information	
	3. A paper form pre-filled with taxpayer identity &/or history information and limited income/deduction and credits information	
	4. An electronic form pre-filled with taxpayer identity &/or history information and limited income/deduction/credits information	
	5. A paper form pre-filled with taxpayer identity &/or history information and most/all income/deduction and credits information	
Advanced (fully completed)	6. An electronic form pre-filled with taxpayer identity &/or history information and most/all income/deduction/credits information	
	7. Full automation (enabling elimination of original process)	Major

For this series, revenue bodies were surveyed on the extent to which pre-filling approaches were being used for the major taxes and, where this was the case for the personal income tax, the proportion of tax returns that were fully pre-filled for 2011. Drawing on the information provided in Table 7.1, the key findings are as follows:

- Pre-filling has evolved to become a significant (and for some, transformational) component of revenue bodies' e-services strategy for the PIT in many countries:.
  - Seven revenue bodies (*i.e.* Chile, Denmark, Finland, Malta, New Zealand, Norway, and Sweden) provide a capability that is able to generate at year-end a fully completed tax return (or its equivalent) in electronic and/or paper form ***for the majority of taxpayers required to file tax returns***, while three bodies (*i.e.* Singapore, South Africa, Spain, and Turkey) achieved this outcome in 2011 for between 30-50% of their personal taxpayers.
  - In addition to the countries mentioned, substantial use of pre-filling to partially complete tax returns was reported by seven other revenue bodies – Australia, Estonia, France, Hong Kong, Iceland, Italy, Lithuania, and Portugal.
  - Overall, almost half of surveyed revenue bodies reported some use of pre-filling, suggesting that many revenue bodies have come to realise the significant benefits that can be realised.
- For other taxes, use of pre-filling is much more limited and generally confined to basic taxpayer identification and demographic information.

Electronic payments of tax

Tax payments constitute one of the most common forms of interaction between taxpayers and revenue bodies. This is especially the case for businesses that are typically required to regularly remit a variety of payments during each fiscal year (covering both their own tax liabilities and those of their employees). More generally, citizens and businesses are required to make significant numbers of payments for bills they receive each year (*e.g.* for utilities, and credit card debts). The sheer number of payment transactions that must be effected in a normally-functioning economy has led to significant developments over the last decade in the range of electronic payment methods made available to citizens and businesses at large, all aimed at making the "payment experience" easier and less costly.

Prior editions of CIS observed that revenue bodies were making reasonable progress in increasing the range of fully electronic payment methods available to taxpayers. The main examples cited were the use of direct debit, direct credit (*i.e.* on-line payments by taxpayers), and phone banking. However, they also noted that manual (more costly) payment methods – for example, mailed cheques, cash, or "in-person" payments by taxpayers at revenue bodies and/or at third party agencies (using cash or cheques) – were still the predominant method of payment in around 50% of surveyed revenue bodies. As a result, many revenue bodies were still incurring significant administrative costs for their payments processing. A related concern highlighted in prior CIS editions was the fact that many revenue bodies were unable to report data concerning volume usage by payment method, suggesting that they had little knowledge of the costs being incurred, both by themselves and taxpayers.

As for other types of electronic services, the methods of electronic payment available vary in their level of "maturity" (or degree of related automation), and the resulting benefits they can deliver for taxpayers, revenue bodies and third parties. To promote further thinking about this matter the FTA's 2010 survey report set out a model depicting the typical methods of payment available to revenue bodies to collect taxes, a description of the types of costs normally involved and a judgment as to the associated degree of automation and costs involved – see Figure 7.2.

Figure 7.2. **Maturity model of payment methods**

DEGREE OF AUTOMATION	CAPABILITY		LEVEL OF COSTS
	DESCRIPTION	COSTS INCURRED	
LOW (LIMITED)	1. In-person payment at revenue body; data captured electronically on receipt	Taxpayers' time to pay; revenue bodies' processing costs	HIGH
	2. In-person payment at agency (*e.g.* bank); data captured electronically	Taxpayers' time to pay; agency transaction fee	
	3. Mailed cheque to revenue body; automated payment data capture	Postage and banks' and revenue bodies' processing costs	
	4. Taxpayers' use of phone banking	Taxpayers' time and phone call	
	5. Taxpayers' use of Internet payment method (via bank/revenue body)	Taxpayers' time	
	6. Taxpayers use of "direct debit" authority for payment (on liability-by-liability basis)	Taxpayers' time re renewal of each authorisation	
HIGH (FULLY ELECTRONIC – categories 5, 6, and 7)	7. Taxpayers use of blanket "direct debit" authority for payment of all tax liabilities	Taxpayers' time in providing an ongoing direct debit authorisation	VERY LOW

Source: CTPA Secretariat.

In support of this line of thinking, the report also provided an example of cost data from one country pointing to significant differences in the costs arising with different payment methods. These cost data suggested that payment methods which were fully manual (*e.g.* those involving the use of cheques) were around five to six times more costly for revenue bodies and the banking system to administer than fully electronic methods such as direct credits. Given the large volumes of payments received, the report concluded that revenue bodies operating with predominantly manual payment methods could derive considerable savings by substantially increasing the use of fully electronic payment methods.

As suggested by the model depicted in Figure 7.2, costs reduce significantly when moving from fully manual methods that require the use of cheques and/or personal visits by taxpayers to the revenue body or its agents, to the use of fully electronic and low cost payment methods such as Internet banking (direct credit) and "direct debit". Accordingly, in countries where use of fully electronic payment methods is relatively low, there should be potential for significant benefits from substantially increasing their use.

For this series, revenue bodies were surveyed on the nature of the payment methods available for collecting taxes and their relative usage (in % terms) for the 2011 fiscal year (see Table 7.4). Unfortunately, many revenue bodies were not able to provide volume-related data so the findings and observations are limited to just over half of surveyed revenue bodies:

- Taken as a whole, and drawing on data from prior series, revenue bodies appear to be making a reasonable rate of progress in fully automating tax payment collection:

Status of tax payment collection methods	2010	2011
Number of revenue bodies reporting fully electronic payment methods for the majority of tax payments	6 of 22 (27%)	12 of 28 (43%)
Number of revenue bodies reporting partially electronic payment methods for the majority of tax payments	6 of 22 (27%)	11 of 28 (39%)
Number of revenue bodies reporting non-electronic payment methods for the majority of tax payments	3 of 22 (14%)	5 of 28 (18%)
Number of revenue bodies reporting use of in-person in-office payment collection method	27 of 49 (55%)	25 of 52 (48%)

- Twelve revenue bodies reported that the majority of payments were made by fully electronic methods, including six where the aggregate proportion exceeded 75% (*i.e.* Chile, Estonia, France, Ireland, Netherlands and Sweden);
- Partially electronic payment methods – these typically entail the collection of payments made in-person to a third party agent (*e.g.* a bank or post office) that transmits the relevant payment data electronically to the revenue body – were the predominant payment method in eleven countries.
- Almost half of revenue bodies continue to provide "in-person" payment facilities via their office networks; in many cases, the volumes reported for this method were relatively low raising possible questions as to "cost/benefit" arguments for their retention.
- Four revenue bodies reported reasonably significant volumes (30% or more) of mailed cheques that must be processed internally by them (*i.e.* Canada, Germany, New Zealand, and United States).

Table 7.4. **Methods available for tax payments and their usage in 2011**

Country	Payment methods available and actual or estimated usage (%), (✓ where used but volume not known)							
	Non-electronic		Partially electronic		Fully electronic: fully self-service by taxpayers			
	Mailed cheques	In-person at office	Agency payment	Phone banking	Internet	Direct debit	Payment kiosk	Others
OECD countries								
Australia	10		24	3	60	3		
Austria	<1	2	2		50			44
Belgium		✓	✓	✓	✓	✓		
Canada	31	5	32		28	2		2
Chile			25		----------- 75% ----------			(In 75%)/1
Czech Rep.		✓	✓	✓	✓	✓		
Denmark			✓		✓			
Estonia		1	4		95			
Finland			✓	✓	✓	✓	✓	
France	✓/1	✓/1			------ 66 to 71 %/1 -----			✓/1
Germany	<33/1				----------- >67/1 ----------			
Greece	✓	✓	✓	✓	✓	✓		
Hungary			39	✓	60			✓/1
Iceland	✓	✓	✓		✓	✓		
Israel		3	84		9	3		1
Ireland	8	3	13		65	11		<1
Italy			29		30	41		
Japan		4	75		1/1	16		3
Korea		2	69	< 1	18	-	9	2
Luxembourg	✓/1	<1/2	>99/1		>99/2			
Mexico			54		46			<1/1
Netherlands	-		<1		44	55		
New Zealand	33		5		------------- 62 ------------			
Norway	x	✓	✓	✓	✓	✓	x	
Poland	✓	✓	✓		✓	✓		
Portugal		47	53		< 1			
Slovak Rep.			35			60		
Slovenia	✓	✓		✓	✓	✓		
Spain			✓	✓	✓	✓		
Sweden			✓	✓	90	-		
Switzerland			✓	-	✓	✓		
Turkey	✓	✓	✓	✓	✓	✓		
United Kingdom	16		10	5	26	43		
United States/1	41	1	2	3	21	9		23.3/1
Non-OECD countries								
Argentina			✓	✓	✓	✓	✓	
Brazil			63	<1	30			7/1
Bulgaria			(2)/1		(3)/1	(1)/1		(3)/1
China	✓	✓	✓	✓	✓	✓		
Colombia			93		8			
Cyprus	✓	✓	✓(VAT)		✓(direct taxes)			
Hong Kong, China	9		34	19	29	9		
India			✓		✓			
Indonesia								
Latvia			✓		✓		✓	
Lithuania			✓		✓		✓	
Malaysia	------------- 54 -------------		18	----------------------------- 28 ------------------------				
Malta/1	✓	✓	✓		✓	✓		✓
Romania		✓	✓		✓	✓		
Russia	x	x	About 100	✓	✓	✓	✓	
Saudi Arabia		3	97					
Singapore	14		10	---------- 6 ----------		50	15	5
South Africa	✓	✓	✓		✓	✓		

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 250.

Source: CIS survey responses.

- Payments made in person, either at the revenue body or via an agency (*e.g.* banks or post offices), were the predominant payment method in six countries.
- Generally speaking, the overall rate of fully electronic e-payments in 2011 was well below e-filing rates for the major taxes; while not researched as part of this survey, there could be a number of factors contributing to this outcome, for example: 1) taxpayers' perceptions of security weaknesses in the banking system; 2) taxpayers' reticence to communicate bank account details either in writing or electronically to revenue bodies; 3) taxpayers' reluctance to use direct debit facilities; and/or 4) the failure of revenue bodies to adequately promote e-payment methods.
- Many revenue bodies were unable to report payment volume data suggesting the probability of insufficient attention being given to fully automating this routine/ high volume aspect of tax administration and the potential for efficiency gains.

The lack of comprehensive data on payment volumes for the different payment methods complicate the drawing of any conclusions across the full population of surveyed revenue bodies; that said, there appears potential for substantially greater use of e-payment capabilities in many surveyed countries.

Other electronic services available to taxpayers

In addition to basic transaction services, prior series reports have highlighted a growing trend of revenue bodies to provide a range of other electronic services to taxpayers, taking advantage of growth in the provision of broadband and Internet access, and developments for the provision of security safeguards concerning access to personal taxpayer information. Revenue bodies were surveyed on whether they provide certain designated services (*e.g.* online access to personal taxpayer account information). Drawing on the information provided in Table 7.5 the key findings and observations are as follows:

- Around three quarters of revenue bodies reported that their taxpayers have on-line access, subject to appropriate security safeguards, to some level of personal taxpayer information;
- Just on two thirds reported the existence of capabilities enabling the revenue body to communicate electronically with eligible taxpayers.
- Just over half of revenue bodies reported the existence of facilities giving staff remote access to their corporate systems (although the nature of such facilities was not explored in detail);
- With few exceptions, revenue bodies reported the provision of a comprehensive suite of tax-related information that is accessible to taxpayers via the Internet, as well as the existence of facilities that give taxpayers and tax intermediaries access to a reasonably comprehensive legal/tax law database.
- Just on half of revenue bodies reported some experience with the use of social media technologies (*e.g.* YouTube, Facebook, and Twitter) in their dealings with taxpayers; recent work undertaken by the FTA (see next section) suggests that this was on a relatively small scale and reach and for many was still in a largely experimental phase.

Table 7.5. **Other electronic services provided to taxpayers, etc.**

Country	Nature of capabilities available					
	Taxpayers have online access to their personal tax details	Communication via social media	Taxpayers can receive electronic communications	Remote field staff have access to taxpayer data	Taxpayers have online access to comprehensive website	Taxpayers have access to a legal database
OECD countries						
Australia	✓/1	✓	✓/1	✓	✓	✓
Austria	✓	✓	✓	✓	✓	✓
Belgium	✓	x	✓	✓	✓	✓
Canada	✓	✓/1	✓	✓	✓	✓/2
Chile	✓	✓/1	✓	✓	✓	✓
Czech Rep.	✓	x	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	✓
Estonia	✓	✓	✓	x	✓	✓
Finland	✓	✓/1	x	x	✓	✓
France	✓	x	x	✓	✓	✓
Germany	✓	✓	✓	✓	✓	✓
Greece	✓	x	✓	✓	✓	✓/1
Hungary	✓	✓	✓	✓	✓	✓
Iceland	✓	x	✓	✓	✓	✓/1
Ireland	✓	x/1	✓	✓	✓	✓/2
Israel	✓	x	x/1	✓	✓	✓
Italy	✓	x	✓	x	✓	✓/1
Japan	✓	✓	✓	x	✓	✓
Korea	✓	✓	✓	✓	✓	✓
Luxembourg	x/1	x	x	✓	✓	✓/2
Mexico	✓	✓/1	✓	✓	✓	✓
Netherlands	✓/1	✓/2	✓	x	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓
Norway	✓	✓	✓	✓	✓	✓
Poland	x	✓	✓/1	x	✓	✓
Portugal	✓	✓	✓	✓	✓	✓
Slovak Rep.	✓/1	x	x	x	✓	x
Slovenia	✓		✓	x	✓	✓
Spain	✓	x	✓	✓	✓	✓
Sweden/1	✓	x	x	✓	✓	✓
Switzerland	✓/1	x	✓	x	✓	✓
Turkey	✓	✓	✓	✓	✓	✓
United Kingdom	✓/1	✓	✓	✓	✓/1	✓
United States/1	x/1	x/2	✓/1	✓	✓	✓
Non-OECD countries						
Argentina	✓	x	✓	✓	✓	✓
Brazil	✓	x	✓	✓	✓	✓
Bulgaria	x	✓	✓	x	✓	✓
China	✓	✓	✓	✓	✓	✓
Colombia	✓	✓	✓	x	✓	✓
Cyprus	✓/1	x	x	x	✓	✓
Hong Kong, China	✓	x	✓	x	✓	✓
India	✓	x	✓	x	✓	✓
Indonesia	x	x	x	x	✓	✓
Latvia	✓	x	x	✓	✓	✓
Lithuania	x	✓	✓	x	✓	✓
Malaysia	✓	✓	✓	x	✓	x
Malta	✓	x	✓	x	✓	✓
Romania	x	x	x	x	✓	✓/1
Russia	✓	x	✓	x	✓	✓
Saudi Arabia	x	x	x	x	x	✓
Singapore	✓	✓	✓	x	✓	✓/1
South Africa	✓	✓	✓	✓	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 250.

Sources: CIS survey responses.

Use of social media technologies in tax administration

As noted in the FTA's recent study (2011);

> Social media technologies are the new and personalised face of the Internet. Their arrival and development brings promises of stratified personal contact and new forms of communication and interaction with, for example, over half a billion potential users already active on Facebook alone every day. Not surprisingly, the prospects of utilizing this and other technologies have made social media technology attractive to commercial interests exploring an entirely new universe of advertising, communication and interaction with consumers. Governments are also starting to explore and use these technologies in a variety of ways. While experience to date is relatively limited there are indications of significant potential benefits to businesses, Governments and citizens.

It was in light of such observations that the FTA decided in 2011 to undertake a study of how revenue bodies were using social media technologies and their experiences in doing so. Full details can be found in the FTA's published report while some limited observations are set out hereunder:

- While the breadth of revenue body experience with SMTs to date is relatively limited, it appears overwhelmingly positive: 1) it offers virtually free online word-of-mouth marketing; 2) it enables positive attention for engaging in dialogue; 3) it facilitates the recruitment of users for product testing/innovation; and 4) it contributes to revenue administration image building.
- Like any new technology, there are challenges and risks to be managed (*e.g.* breaches of security and provision of misleading information); as reported by revenue bodies, these all appear manageable by adopting a properly considered and co-ordinated strategy built on the philosophy of […] *start small, monitor, evaluate and build on from there in a similar manner.*
- The business case for SMT deployment for the moment largely rests on the potential benefits envisaged from using SMTs to advertise revenue body news, products and developments and/or conducting dialogue for a range of purposes (*e.g.* product testing, consultation on proposals) relevant to conducting day-to-day tax administration while the up-front investments required are, for the most part, relatively limited and contained.
- The incidence of negative experiences with SMTs reported to date by revenue bodies has, for the most part, been minimal and of relatively little consequence; much of what has been experienced can be linked to weaknesses in setups, challenges in resource availability, and negative feedback (some of which relates to tax policy itself, rather than SMTs per se).

Use IVR technologies in revenue bodies call centre operations

As part of the information gathering undertaken for CIS, revenue bodies were requested to provide data, where available, on the various channels of service demand managed by them, including for the phone channel – see Chapter 6. This is a new field of inquiry for CIS and is intended to support the FTA's work on demand management and to assist revenue bodies in their administration, specifically by drawing attention to emerging practices for improving service demand management, leading to better service to taxpayers and reduced costs of administration. As will be evident from the data in Table 6.4 in

Chapter 6, the data gathered in respect of the phone channel included the use of Interactive Voice Response (IVR) technologies that can enable automation of some service delivery – see Box 7.2.

Box 7.2. **Interactive Voice Response (IVR) Technologies: What are they? What do they do?**

In telecommunications, IVR allows customers to interact with a company's host system via a telephone keypad or by speech recognition, after which they can service their own inquiries by following the IVR dialogue. IVR systems can respond with prerecorded or dynamically generated audio to further direct users on how to proceed. IVR applications can be used to control almost any function where the interface can be broken down into a series of simple interactions. IVR systems deployed in the network are sized to handle large call volumes.

IVR technology is also being introduced into automobile systems for hands-free operation. Current deployment in automobiles revolves around satellite navigation, audio and mobile phone systems.

It is common in industries that have recently entered the telecommunications industry to refer to an automated attendant as an IVR. The terms, however, are distinct and mean different things to traditional telecommunications professionals, whereas emerging telephony and VoIP professionals often use the term *IVR* as a catch-all to signify any kind of telephony menu, even a basic automated attendant. The term **voice response unit** (**VRU**) is sometimes used as well.

Source: Wikipedia (November 2012), *http://en.wikipedia.org/wiki/Interactive_voice_response – cite_note-0#cite_note-0.*

For the purpose of this series, revenue bodies were asked to indicate if such technologies are deployed and the related volumes of inquiries handled, along with similar data for phone calls received via their call centres. The key findings are as follows:

- Less than half (21) of revenue bodies reported the use of IVR technologies and related volumes;
- For revenue bodies reporting IVR usage, relatively large volumes were reported by 10 revenue bodies, including Canada, Denmark, Ireland, Korea, Mexico, Spain, and United States; and
- Data on phone service demand (including IVR) were not reported by over 25% of revenue bodies suggesting possible gaps in their management information systems in this area.

Given the emphasis being placed in many revenue bodies on cost cutting/improving efficiency, the use of IVR technologies and their potential to enhance service delivery seems likely to receive greater attention over the medium term.

Notes to Tables

Table 7.1. Personal income tax returns: Use of electronic filing and pre-filling

/1. **Austria:** Mandatory for business assessments; for employee assessments voluntary. **Spain:** Use of electronic filing: E-filing includes both internet and intranet filing and pre-filled PIT returns (handled electronically). Only 1% of PIT returns are filed manually as most of the returns are filed using a Tax Helping Programme (PADRE) developed by the Tax Agency. This programme creates a PDF code easily readable by a laser scanner.

/2. Wage and salary, Specified self-employed/business income are pre-filled. **Singapore:** e-Filing results are based on returns as at 18 Apr 2011 for Year of Assessment 2011. **Spain:** Use of pre-filling for 2011: 100% of the taxpayers received their pre-filled PIT returns and/or their fiscal data. 52% of the pre-filled returns were finally submitted (which means 42% of the total PIT submitted returns).

Table 7.2. Corporate income tax returns: Use of electronic filing and pre-filling

/1. **Singapore**: e-Filing results for CIT in 2011 are based on returns on estimated chargeable income e-filed from 01 Apr 2011 to 31 Mar 2012.

Table 7.3. Value added tax (VAT) returns: Use of electronic filing and pre-filling

/1. **Spain:** All returns e-filed: only 8% of VAT returns are filed manually. Most of the returns are filed using a Tax Helping Programme, developed by the Tax Agency. This programme creates a PDF code easily readable by a laser scanner (12% of total returns).

Table 7.4. Methods available for tax payments and their usage in 2011

/1. **Brazil:** These are described as electronic orders from the revenue body to bank, after taxpayer authorisation, enabling debiting of taxpayers account (a form of direct debit); **Bulgaria:** Precise volumes are not known; numbers relate to rankings in terms of estimated usage; **Chile:** Others methods: credit cards. **France:** Complete data for some categories not available, but data provided indicates that between 66% (individuals) and 84% (corporates) of all payments are “fully electronic”; **Germany**: Precise numbers not known; proportions indicated derived from rankings; **Japan:** Data includes use of ATMs for making payments; **Hungary:** By bank card and POS terminal **Luxembourg:** Direct taxes only; **Malta:** Data relates only to payments for taxes administered by the Inland Revenue Department; **Mexico:** Since April 2011, tax payments can be made through credit card**. United States:** Data are estimates; category other includes payroll service providers, integrated e-payment with e-filed return, software packages and credit cards.

/2. **Luxembourg**: Indirect taxes only.

Table 7.5. Other electronic services provided to taxpayers (and/or their representatives)

/1. **Australia**: Access is to filing records only while communications are limited to short text messages only; **Canada**: The CRA makes use of its YouTube channel, a Twitter feed, and RSS feeds for announcements to taxpayers; **Chile:** The SII has a YouTube channel; **Cyprus:** Access only to tax returns if they are submitted electronically; **Finland:** Only seasonally. **Greece:** Limited range of references available; **Iceland:** Multiple databases covering legal references, regulations and rulings; **Ireland**: Under review – *e.g.* educational/ instructional videos; **Israel:** Sometimes communicated with taxpayers via email. **Luxembourg**: Expected in 2013 (only indirect taxes). **Mexico**: Through YouTube, Twitter and Flickr; **Netherlands**: Full access for benefit recipients; limited information for business taxpayers **Poland:** For large taxpayers; **Romania**: Partially; **Singapore**: General tax laws and regulations on revenue body’s website; tax acts on Attorney Generals Chambers website; **Slovak Rep.**: Partially; **Sweden**: Reported that authorised tax professionals have online access via Internet to PAYE and VAT returns and are appointed to sign and file it; staff have some limited access to revenue body systems but remote access is not allowed; **Switzerland**: Only for direct income tax and electronic services vary from canton to canton; **United Kingdom**: The services indicated are not for all tax regimes-services available include online access to personal records for self-assessment taxpayers, online access for VAT agents to clients’ records and electronic messaging for VAT taxpayers; **United States**: Reported 1) taxpayers can access their payment records were made through the Electronic Federal Tax Payment System and that taxpayers can determine the status of a tax refund after the tax return is filed; 2) Authorised representatives can request an account/return transcript to be viewed online or downloaded through a secure mailbox; Representatives can submit a Power of Attorney with taxpayer consent to receive tax account information electronically; they may submit inquires regarding taxpayer accounts for which they are authorised and retrieve a response from an electronic mailbox established during registration. Payers of income such as interest, dividends, gambling winnings, etc, can validate taxpayer IDs and names to ensure earnings and withholdings are properly reported; and 3) A Secure Enterprise Messaging System has been piloted by Appeals area enabling secure encrypted e-mail requiring the exchange of digital certificates between the IRS and the external taxpayer/representative.

/2. **Canada**: Taxpayers can access the rulings database if they choose to subscribe to the database of one of 4 commercial publishers through whom the CRA publishes severed versions of rulings and technical interpretations; **Ireland**: The Revenue website provides access to all tax legislation and has a dedicated section for tax practitioners. **Luxembourg**: Court cases are not available. **Netherlands**: Twitter has been used during the filing season (pilot project) as well as during the start up phase of the new Personal Internet Page for Benefits; **United Kingdom:** Access to this information via the Internet is generally available from other government sponsored websites; **United States**: No individual tax information is communicated through social media technologies; however social media technologies are used to communicate general tax related information to all taxpayers.

Bibliography

OECD (2011), *Social Media Technologies in Tax Administration,* Forum on Tax Administration, Centre for Tax Policy and Administration, OECD, Paris.

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Chapter 8

Tax administration and tax intermediaries

This chapter outlines aspects concerned with revenue bodies' administration of tax intermediaries.

Key points

- Many revenue bodies may be missing substantial opportunities for leveraging improved compliance and easing taxpayers' compliance burden with tax laws, as evidenced by:
  - Less than one third of revenue bodies reported the existence of specific laws/regulations governing the tax-related operations of tax professionals;
  - Most revenue bodies were unable to report (or even estimate) the volumes of tax returns prepared by tax intermediaries;
  - Less than half of revenue bodies regularly survey tax intermediaries on service delivery and other aspects of the tax systems operation;
  - Only around 60% of revenue bodies have formal consultative arrangements for engaging with representatives, while a slightly lesser number have dedicated organisational arrangements to administer tax professionals;
  - Relatively little or no service/support appears to be provided to tax intermediaries in many countries.
- There appear opportunities for at least 75% of surveyed revenue bodies to enhance the range of services offered to tax intermediaries.
- The practice of differentiating the compliance treatment afforded to particular tax intermediaries (based on risk) appears largely "untested territory" for just about all revenue bodies.

This is a new chapter in the CIS, intended to lay out in an informative and concise way details of revenue bodies' approaches to administering and supporting the work of tax agents/preparers/professionals etc. (hereafter referred to as "tax intermediaries").

Introduction

Tax intermediaries play a significant role in the operation of the tax system of many countries, carrying out a range of tasks essential to its smooth functioning (*e.g.* preparing tax returns, providing advice to taxpayers on the application of the tax laws, and representing them in their dealings with the revenue body). While tax intermediaries are engaged principally by taxpayers to assist them in meeting their tax obligations, their high usage in many countries means that they can play a very significant role in achieving high levels of compliance, in essence assisting the revenue body, and the community at large, achieve its overall revenue collection goals. For example:

- ***Tax law complexity:*** With few exceptions, tax laws (and often the administrative procedures related to those laws) are complex; most taxpayers, particularly those in business, have neither the time nor the knowledge to fully understand and deal with all aspects of their taxation responsibilities and obligations. Tax intermediaries operate as conduits, advising taxpayers of the requirements of the law that apply to their affairs, what actions are required of them to meet those obligations, preparing relevant tax returns and other tax documents, and representing them when issues arise (*e.g.* an audit inquiry); for those taxpayers who do business globally, the assistance sought by them on tax matters invariably extends to the tax laws of other countries, thus increasing the degree of reliance on the services they provide.

- ***Tax law changes:*** Tax laws change frequently and many taxpayers may not be aware of such changes and the implications for their own financial and business affairs; timely provision of comprehensive and accurate tax information by revenue bodies to tax intermediaries can assist greatly in the dissemination of changed laws and their implications for taxpayers.
- ***Tax compliance:*** Tax intermediaries can directly assist taxpayers comply with their tax obligations in a number of ways:
  - Advising them on the nature and quality of books and records that they are required to keep to enable computation of tax liabilities;
  - Reminding them when specific obligations fall due (*e.g.* return filing and payment);
  - Correcting taxpayers' misunderstandings of specific areas of law and administrative requirements;
  - Warning them of common compliance risk issues (that may result in deliberate or inadvertent non-compliance) communicated by the revenue body; and
  - Representing them in compliance-related dealings with the revenue body (*e.g.* seeking extensions of time to file or pay tax, executing a voluntary disclosure of previously undeclared liabilities, and dealing with tax audits).

It was largely in the context of the positive contribution that tax intermediaries could play in achieving tax compliance and contributing to the smooth functioning of the tax system that the FTA's 2008 study (OECD, 2008) into the role of tax intermediaries [1] conceived and recommended the idea of an "enhanced relationship" involving tax intermediaries, taxpayers and the revenue body. While the focus of the study was on aggressive tax planning and the tax affairs of large taxpayers, the general principles underpinning the "enhanced relationship" apply across all segments of taxpayers and their representatives. The essence of what the study recommended is set out in Box 8.1. (In early 2012, the FTA Bureau commissioned an evaluation of the progress made in the application of the concept as it applies to large taxpayers, and a report of its findings is expected to be published in the first half of 2013.)

Box 8.1. **Study into the role of tax intermediaries: The enhanced relationship**

The study's key finding is that revenue bodies could achieve a more effective and efficient relationship in their dealings with taxpayers and tax intermediaries if their actions are based upon the following attributes:

- Understanding based on commercial awareness
- Impartiality
- Proportionality
- Openness
- Responsiveness

An explanation of the characteristics of these attributes and what it means for revenue bodies and their approach to tax administration is set out in the study report – see *www.oecd.org/dataoecd/28/34/39882938.pdf*

The report emphasises that these attributes are fundamental for any revenue body and should underpin all their dealings with all taxpayers. If revenue bodies demonstrate these five attributes and have effective risk-management processes in place taxpayers, especially large corporate taxpayers, would be more likely to engage in a relationship with revenue bodies based on co-operation and trust, what is described in the report as an "enhanced relationship".

An enhanced relationship offers benefits for revenue bodies as well as taxpayers. The report notes that taxpayers who behave transparently and who provide a high level of disclosure of relevant information can expect greater certainty and an earlier resolution of tax issues with less extensive audits and lower compliance costs. An enhanced relationship between revenue bodies and tax intermediaries would also yield significant benefits.

Source: Study into the Role of Tax Intermediaries, OECD, 2008.

The population and work volumes of tax intermediaries

Data on the population of tax intermediaries in surveyed countries are not readily available but the information hereunder reveals that for the countries concerned they are a sizeable population responsible for preparing a large proportion of tax returns, etc:

- ***Australia:*** In 2011-12, around 23 000 active registered tax agents and over 6 000 active registered business activity statements agents advised and helped manage the tax affairs of their clients. In total, they lodged over 70% of individual tax returns and 90% of business tax returns (source: ATO Compliance Program 2012-13)
- ***New Zealand:*** About 5 200 tax agents are registered with Inland Revenue and they handle the tax affairs of nearly two million clients, filing 83% of all income tax returns. Tax agents range from individual bookkeepers working from home, to larger businesses that offer management and accounting services. IRD defines a tax agent as a person who prepares returns of income required to be completed and sent in for 10 or more taxpayers, and is one of the following: 1) a practitioner carrying on a professional public practice; 2) a person carrying on a business or occupation in which annual returns of income are prepared; or 3) the Maori Trustee. (Source: IR website)
- ***United Kingdom:*** HMRC has estimated that there are around 43 000 tax agent firms representing around 8 million clients-78% of corporation tax returns (1 million), 33% of end-of-year employer-submitted PAYE returns (2 million), 63% of self-assessed income tax returns (6.2 million), and 43% of VAT returns (0.8 million) (Source: The report "*Engaging with tax agents"* (UK National Audit Office (October 2010).

Regulation of tax intermediaries

The role of regulation and registration

The report of the study into the role of tax intermediaries made special reference to the role and value of regulation and registration of tax intermediaries;

> An ability to identify tax intermediaries is generally seen as being an important step in understanding and effectively managing their role within the tax system. However, the level of revenue body involvement in the registration and regulation of tax intermediaries varies considerably among FTA countries. In some FTA countries, tax advisers are entirely self-registered and regulated; generally, within the framework provided by professional bodies. This framework can be very strict as some tax intermediary businesses are tightly regulated and operate under a number of professional and ethical codes.
>
> The UK is an example of a country that, to some extent, relies on self-regulation by professional bodies. The five main principles of one such body, the Institute of Chartered Accountants in England and Wales (ICAEW), are integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
>
> In other countries, the revenue body is more active and this may involve some form of regulation by it. This will typically involve a registration process that allocates a unique number to individual tax intermediary businesses or professionals within the business. The number must then be included on any contact with the

revenue body and on any submission made by their clients to the revenue body.3 In order to become "registered", tax advisers must sign up to a minimum standard of behaviour or meet a minimum standard of qualification as set out in relevant legislation. These standards are then monitored by the revenue body. For example, in Japan, the National Tax Agency (NTA) provides guidance and supervision for certified public tax accountants (CPTAs) or "Zeirishi". The NTA is currently making efforts to collect information on cases of professional misconduct and dealing strictly with those in breach of the CPTA Law.

Box 8.2. **Australia: Tax Agent Services Legislation**

The key elements of the legislative regime are set out hereunder.

1. ***The establishment of a national Tax Practitioners Board:*** The Tax Practitioners Board (Board) has responsibility for registering tax agents and BAS agents (*i.e.* agents who prepare business activity statements (BAS), a return covering multiple taxes that is completed monthly or quarterly by businesses to report all periodic tax obligations), ensuring that agents maintain appropriate skills and knowledge, investigating complaints against agents and ensuring that unregistered entities do not hold themselves out to be agents.
2. ***A wider scope of application:*** Under the new arrangements, BAS agents will be governed in the same way as tax agents, but will only be able to provide a limited range of services relating to the taxation laws relevant to a BAS provision in the law.
3. ***Registration requirements:*** Meeting the fit and proper person test, as well as minimum educational qualifications and relevant experience requirements, will be required in order to obtain registration to provide tax agent services for a fee or other reward. The minimum educational qualifications and relevant experience requirements are set at a less demanding level for registration as a BAS agent than for registration as a tax agent, in recognition of the narrower scope of services provided by BAS agents.

   The Board may impose conditions on registration limiting the scope of the services that an agent may provide to one or more areas of the taxation laws or one or more type of tax agent service. These limitations correspond to the prescribed qualifications and relevant experience of an individual agent or, in the case of an agent that is a partnership or company, to correspond to the prescribed qualifications and relevant experience of the individuals who work for the agent. While registration is restricted to individuals, partnerships and companies, there is flexibility for a registered entity to conduct its business through a trust structure. The registered entity needs to be a trustee of the trust. The law applies to the registered entity in its role as trustee in the same way it applies to that entity if it was not a trustee.
4. ***The introduction of a Code of Professional Conduct:*** A Code of Professional Conduct (Code) governs the ethical and professional standards of tax agents and BAS agents. The Code is set out as a statement of principles and the Board may issue binding written guidelines for the interpretation and application of the Code.
5. ***A range of sanctions for breaches of the Code of Professional Conduct:*** Under the new arrangements, if a tax agent or BAS agent has breached the Code, the Board has a range of options. The Board may caution the agent, require the agent to complete a course of training, subject the agent to practising restrictions, require the agent to practise under supervision, or suspend or terminate the agent's registration. The Board may also apply to the Federal Court of Australia (Federal Court) for an order to pay a pecuniary penalty for certain serious misconduct, or seek an injunction to prevent an entity from engaging in, or compel an entity to undertake, certain conduct. Such a wide range of sanctions allows the Board to tailor its response according to the severity of the misconduct.
6. ***Safe harbour from penalties:*** Taxpayers who use a tax agent/BAS agent will benefit from a safe harbour from certain administrative penalties in certain circumstances. Penalties will no longer apply where: 1) a false or misleading statement is made carelessly, provided the taxpayer has taken reasonable care to comply with their tax obligations by giving their tax agent or BAS agent the information necessary to make the statement; and 2) a document (such as a return, notice or statement) is not lodged on time in the approved form due to the tax agent's or BAS agent's carelessness, provided the taxpayer gave the agent the necessary information, in sufficient time, to lodge the document on time and in the approved form.

Source: Tax Practitioners Board (September 2010).

Since the study report was released, both Australia and the United States have introduced new regulatory requirements for tax intermediaries that are briefly described in the following section. The United Kingdom is currently exploring the establishment of its own regulatory requirements.

Australia

Modernised laws governing the registration and operation of "tax agents" came into effect in Australia in March 2009. The new laws were introduced after extensive consultation with the tax and accounting profession to modernise an outdated legislative and administrative framework – see Box 8.2 (on preceding page). These laws are known as the: 1) *Tax Agent Services Act 2009 (TASA 2009);* 2) *Tax Agent Services Regulations 2009 (TAS Regulations 2009);* and 3) *Tax Transitional Act.*

United States

In the case of the United States, the IRS launched a return preparer review in 2009 to strengthen partnerships with tax return preparers and tax practitioners and ensure that all preparers and practitioners adhere to professional standards. After an extensive review that included significant public input, the IRS announced in January 2010 a fundamental change in how the agency will regulate the tax return preparation industry. Under this change, the IRS will implement new regulations and procedures that will better serve taxpayers, tax administration and the tax professional industry. Details of the actions to be taken were set out in CIS 2010. Since then, much progress has been made, as reflected in a recent report of the IRS's Oversight Board – see Box 8.3.

Beyond these two countries, there is a relatively small population of other countries with a formal regulatory framework for tax intermediaries but this matter has not been explored in any detail. The 2008 FTA sudy report (OECD, 2008) gave some attention to this matter and Japan was one of the countries in respect of which brief details were provided – see Box 8.4 (page 260).

For this aspect of the CIS survey, revenue bodies were asked to indicate the following:

1. Whether there are any laws prescribing the registration and/or operation of tax intermediaries in relation to their dealings with revenue bodies;
2. To advise the extent of the role played by tax intermediaries in their tax systems, as reflected in the proportion of personal and corporate tax returns prepared 2011; and
3. Whether they regularly survey tax intermediaries (or their representative bodies) on their views and perceptions on aspects of service delivery and administration of the laws.

In addition, research was undertaken to identify any major recent developments in this field. A summary of the information provided by revenue bodies is set out in Table 8.1. The key observations are as follows:

- Less than one third of revenue bodies reported the existence of specific laws/ regulations governing the tax-related operations of tax professionals;
- Most revenue bodies did not report the proportion of tax returns prepared by tax intermediaries; of the 20 revenue bodies that did report, 10 indicated volumes over 30% of all PIT returns and 17 reported volumes of over 65% for CIT tax returns;

- Just over 40% (22) reported that they regularly survey tax intermediaries (or their representative bodies) on their views/perceptions of the revenue body's service delivery and overall tax administration.

Box 8.3. **United States: Paid Preparer Initiative**

Progress with Paid Preparer Regulation

Beginning in FY 2009, in recognition of the fact that tax preparation is largely an unregulated industry, the IRS conducted a thorough review of the benefits and issues associated with the establishment of standards for the professional tax preparation industry. The IRS announced plans to implement a multi-year initiative to register, test, impose continuing education requirements, establish ethical standards, and enforce these regulations on paid tax preparers.

- The programme is now in its second year. During FY 2011, the IRS moved the programme forward significantly by accomplishing the following activities:
- The IRS Return Preparer Office (RPO) registered and issued Preparer Tax Identification Numbers (PTINs) to about 750 000 preparers.
- The IRS released specifications for the competency test that individuals must pass to become a Registered Tax Return Preparer. Preparers who pass the test, a background check, a tax compliance check, and complete 15 hours of continuing professional education annually will have the designation of Registered Tax Return Preparer. Testing began in November 2011.
- The continuing education (CE) programme is in the third phase of increased oversight of federal tax return preparers. In September 2011, the IRS selected a vendor to administer application and renewal services for Continuing Education Providers that will serve Registered Tax Return Preparers and Enrolled Agents. The CE requirements began in calendar year 2012.
- The IRS is continuing to review the issues surrounding background checks and fingerprinting.
- In July 2011, the IRS sent letters to approximately 100 000 tax return preparers who prepared returns in 2011 but failed to follow the new requirements. The letters explained the programme, informed preparers how to register for a new PTIN, and where to get assistance.
- In an effort to identify "ghost preparers" (preparers who do not sign the returns they prepare), the IRS also sent letters to taxpayers whose returns appeared to have assistance but lacked preparer signatures. The goal of the letters was to protect taxpayers and ensure that taxpayers know that all paid federal tax return preparers should be registered with the IRS and sign tax returns they prepare.
- The IRS also is working to identify tax return preparers who make repeated errors and schedule educational face-to-face meetings with them.
- The IRS established a Facebook page where it has informal conversations with the tax professional community on issues that affect return preparers, with the goal to improve overall tax administration.

Many tax professionals, and the IRS Oversight Board, continue to see the programme to regulate paid tax preparers as an effort to enhance the profession of tax preparation, and praise the IRS for deciding to implement regulations on paid tax preparers. There is a broad belief within the tax administration community that preparer regulation will lead to increased taxpayer compliance.

Source: IRS Oversight Board, Annual Report to Congress 2011 (May 2012).

Box 8.4. **Japan: The regulation of tax intermediaries**

Background: Japan Certified Public Tax Accountant (CPTA) or “Zeirishi” is the tax profession qualified, regulated and supervised by the National Tax Agency (NTA) under the CPTA Law. The mandate of the CPTAs stipulated in the Law is to promote voluntary compliance with tax obligations as independent and impartial tax professionals in view of the principle of the self-assessment system.

Any person who wishes to do the following business is statutorily required to register as a CPTA with the Japan Federation of CPTA Associations that is mandated to do so by the CPTA Law and supervised by the NTA:

- Act as an agent for filing tax returns, applications, claims or petitions with tax authorities or advocating for taxpayers with respect to their tax returns or against actions by tax authorities;
- Prepare tax returns, applications, claims or petitions, to be filed with tax authorities, on behalf of taxpayers; and
- Provide taxpayers with any advice on tax matters such as calculation of a tax base or tax planning.

As such, CPTAs are subject to stringent regulations and supervision by the NTA so that their conduct will not diverge from the mandate of the CPTAs and ultimately the fundamental objective of the CPTA system.

Key Features: Regulations in the CPTA Law give the NTA the authority to take disciplinary action against misconduct of CPTAs, while the Japan Federation of CPTA Associations is also allowed to cancel the registration of CPTAs on grounds of a lack of certain qualifications. The key provisions of the law.include: 1) prohibition against engaging in instructions or advice on tax evasion or any other similar conduct; 2) prohibition against discreditable or disgraceful conducts; 3) protection of taxpayer confidentiality; and 4) observance of professional standards set by the CPTA Associations and the Japan Federation of CPTA Associations.

Any conduct against these statutory codes of practice in the law, whether intentional or by negligence, would cause a disciplinary action by the NTA Commissioner by virtue of the statutory authority. The disciplinary measures specified in the law are: 1) reprimand; 2) suspension of business (no more than one year); and 3) termination of business. Since the business of the CPTA is permitted only for qualified CPTAs, the latter two sanctions are particularly powerful in regulating their conduct though due diligence is required on the part of the NTA. In Japan’s fiscal year 2006, nine CPTAs were terminated from the CPTA business, whereas eighteen CPTAs and one CPTA were imposed suspensions of business and a reprimand respectively.

Impact: Although no systematic study on assessment of its success is currently available, it is generally viewed that the CPTA system has significantly contributed to enhancing the public trust in tax advisers and to raising self-esteem as well as awareness among CPTAs as the independent and impartial profession mandated to serve for the fairness of the tax system. Consequently, through more than 50-year history of the interactions under the CPTA Law, it has worked as a major impetus for and has provided the building block of co-operative relationships between CPTAs and the NTA. Thus, the CPTA system constitutes the backbone of the tripartite relationship between taxpayers, tax advisers, and the revenue body in Japan.

Source: National Tax Agency of Japan (as compiled for the Study into the Role of Tax Intermediaries).

Table 8.1. **Tax intermediaries: Laws and regulations, returns prepared and surveys**

Country	Name(s) of any laws regulating the tax responsibilities of tax intermediaries	Tax returns prepared by intermediaries in 2011 (%)		Intermediaries are regularly surveyed on service, etc.
		Personal income tax	Corporate income tax	
OECD countries				
Australia	Tax Agent Services Act 2009	72	93	✓
Austria	Tax Procedure Code and Law on Profession of Tax Advisors and Public Accountants	82	95	✓
Belgium	✓	18	n.a.	✓
Canada	Income Tax Act	51	n.a.	✓/1
Chile	x	n.a.	n.a.	x
Czech Republic	Act on Tax Consulting and Chamber of Tax Advisors	n.a	n.a.	✓
Denmark	Professional Accountant s Law (Revisoriovgivningen)	5	90	✓
Estonia		x	x	x
Finland	x	n.a.	n.a.	✓
France	x	n.a.	n.a.	x
Germany	Tax advisory law	43.0	n.a.	✓
Greece	Law 2515/1997 "Exercise of profession of accountant and tax consultant etc "	n.a.	n.a.	x
Hungary	x	n.a.	n.a.	x
Iceland	x	23	71	x
Ireland	x	80	100	x
Israel	Income Tax Ordinance	n.a.	n.a.	x
Italy	/1	96	98	x
Japan	Certified Public Tax Accountant Act	n.a.	n.a.	x
Korea	Certified Tax Accountant Act, Basic Act for National Taxes	n.a.	n.a.	x
Luxembourg	-	40	70	x
Mexico/1	Federal Tax Code and Customs Law	n.a.	n.a.	✓
Netherlands		25	85	✓
New Zealand	Tax Administration Act 1994, s34B/1	48 (est.)	48 (est.)	✓
Norway	x	n.a	n.a.	✓
Poland	Tax Advisor Law	n.a	n.a.	x
Portugal	General Tax Law	2	100	✓
Slovak Republic	✓/1	n.a.	n.a.	x
Slovenia	x	n.a.	n.a.	✓
Spain	✓	n.a.	n.a.	✓
Sweden	Tax Law Procedure	10	82	x
Switzerland	-	n.a.	n.a.	x
Turkey	/1	1	<1	x
United Kingdom	Commissioners for Revenue and Customs Act	65 (est.)	85	✓
United States	✓/1	60 (est.)	95 (est.)	✓
Non-OECD countries				
Argentina	x	n.a.	100	x
Brazil	x	n.a.	n.a.	x
Bulgaria	x	n.a.	n.a.	✓
China	x	n.a.	n.a.	x
Colombia	x	n.a.	n.a.	x
Cyprus/2	Assessment and Collection of Taxes Law	1	100	x
Hong Kong, China	/1	n.a.	75	✓
India	Income Tax Act	n.a.	n.a.	✓
Indonesia				
Latvia	x	n.a.	n.a.	x
Lithuania	x	n.a.	n.a.	✓
Malaysia	Malaysian Income Tax Act 1967 (s138 and 153)	15	75	✓
Malta	Electronic Communications (Income Tax) Regulations	0.5	99	x
Romania	Fiscal Procedure Code	n.a.	n.a.	x
Russia	x	n.a.	n.a.	x
Saudi Arabia	x	-	n.appl.	x
Singapore	Accountants Act (Cap 2) Singapore Statutes	n.a.	68/1	✓
South Africa	Tax Administration Act/1	26	n.a.	x

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 270.

Source: CIS survey responses.

The services and support provided to tax intermediaries

With responsibilities for a fair proportion of taxpayers' affairs in many countries tax intermediaries can be viewed as a special type of "client" through which, as indicated at the outset, there are likely to be many opportunities for revenue bodies to leverage improved compliance with the tax laws.

An overall strategy for providing service and support

Given the significant role they play in the operation of the tax system, a number of revenue bodies have taken steps to develop an overarching strategy for supporting tax intermediaries. Some background to these strategies as they apply in the Netherlands, the United Kingdom and Australia follows.

The Netherlands

The Netherlands Tax and Customs Administration's (NTCA) approach to supporting tax intermediaries is based largely on its strategy to improve compliance with tax law. The NTCA strategy is to getting to know this group and to be more receptive to their needs and ways of working. For this purpose the NTCA uses "horizontal monitoring" (the Dutch term for co-operative compliance) in the SME segment and for those tax intermediaries who are not eligible for horizontal monitoring the focus is on compiled signals per tax intermediary, as described in the FTA's report "Working smarter in structuring the administration, in compliance, and through legislation" published in 2012.

Box 8.5. The Netherlands: Horizontal monitoring and tax intermediaries

The State Secretary's letter of 8 April 2005 to the House of Representatives of the States-General explained horizontal monitoring as follows:

> Horizontal monitoring refers to mutual trust between the taxpayer and the Netherlands Tax and Customs Administration, the more precise specification of each other's responsibilities and options available to enforce the law and the setting out and fulfilment of mutual agreements. In so doing, the mutual relationships and communications between citizens and the government shift towards a more equal position. Horizontal monitoring is also compatible with social developments in which the citizen's personal responsibility is accompanied by the feeling that the enforcement of the law is of great value. In addition, the horizontal monitoring concept also implies that enforcement is feasible in today's complex and rapidly changing society solely when use is made of society's knowledge.

The relationship of trust in the SME segment is not directly with the taxpayers, but rather with the tax intermediaries. Considering the size of the SME segment the NTCA is aiming in this segment for co-operation with tax intermediaries. The objective of the co-operation is to provide assurance that the quality of the tax returns the tax intermediary files is acceptable (*i.e.* the returns comply with legislation and regulations and are free of material errors). SMEs wishing to participate in horizontal monitoring are required to sign a statement of affiliation together with the tax intermediary. Tax intermediaries verify the identity of the SMEs participating in horizontal monitoring and they assess their integrity.

An important principle of horizontal monitoring is not to duplicate work carried out by others. The NTCA relies on the work the tax intermediaries carry out for their clients. Supervision is shifted to the tax intermediary's internal quality system, in particular to the acceptance policy governing the admission of clients and the work processes. By adopting this approach the NTCA can reduce the supervisory burden for entrepreneurs who file acceptable tax returns and devote more attention to higher-risk returns.

The NTCA justifies the relationship of trust with the tax intermediary by meta-monitoring which makes use of information that includes the results from the tax intermediary's quality assurance system.

Sources: Tax Supervision – Made to Measure – Flexible when possible, strict where necessary, Committee Horizontal Monitoring Tax and Customs Administration (*http://download.belastingdienst.nl/belastingdienst/docs/tax_supervision_made_to_measure_tz0151z1fdeng.pdf*), and *Guide to horizontal monitoring within the SME segment; Tax service providers, NTCA* (*http://download.belastingdienst.nl/belastingdienst/docs/guide_horiz_monit_dv4071z1pleng.pdf*).

United Kingdom

In 2007-08, HMRC introduced new initiatives to improve the experience of agents and the services they use, recognising the key role tax intermediaries (termed “tax agents by HMRC) play and concerns they had raised with the Department about service standards. The details of these initiatives are set out in Box 8.6.

Box 8.6. **United Kingdom: HMRC’s strategy for supporting tax intermediaries**

Initiative	What it aims to do	Date introduced
Dedicated telephone line for agents.	Handles calls about Income Tax Self Assessment and PAYE from tax agents. Calls to the line have priority and are taken by an adviser with at least 12 months experience	Piloted in December 2007 and rolled out nationally in 2008
Agent Account Managers	Agent Account Managers communicate key messages to agents and help them with queries they are unable to resolve through other channels. There were originally 12 individuals in post, numbers had increased to 40 by June 2010.	Piloted in September 2007
Agent toolkits	Support agents in checking their clients’ tax returns for completeness and accuracy.	Piloted between May 2009 and January 2010
Joint Learning Initiatives	Training events for agents and Departmental staff focused on changes to compliance checks following new powers legislation in Finance Act 2008.	Around 40 events held between October 2009 and March 2010
Compliance Reform Forum	Consultation forum on changes to the Department’s compliance activities, focusing on the views of tax agents and their customers.	Workshops held quarterly since February 2007
Working Together	A forum with the main agent representative bodies to improve the Department’s operations. Local meetings bring together tax officers and agents while a national steering group, including representatives from the professional bodies meets quarterly.	New working together model rolled out in 2009

Source: Engaging with tax agents, UK National Audit Office Report (October 2010).

In August 2010 HMRC’s Board considered a new strategy for engaging with tax agents. The strategy acknowledges that the Department can do more to reduce the costs of engaging with tax agents, increase compliance of represented taxpayers and improve agent satisfaction. It sets a direction which could allow the Department to work more effectively with tax agents, based on the following aims:

- ***Segmentation:*** The strategy considers segmenting the tax agent customer group and tailoring its services accordingly. Segmentation would distinguish between non-profit, friends and family, and paid tax agents.
- ***Registration:*** Introducing registration for paid tax agents could give greater assurance over legitimacy and security.
- ***Self-service portal:*** If registration is introduced, agents could have increased rights and access, including facilities to amend tax codes and manage payments more effectively. The range of services offered has been refined in discussion with agent representatives.

Australia

The Australian Tax Office has had a long history of providing comprehensive levels of support and services to its tax intermediaries. In 2011, it launched a major effort to lift the standard of its services, following criticism of its performance in 2010-11. Drawing on a review of its performance that entailed considerable consultation and research, the ATO launched its Tax Practitioner Action Plan 2011-15 in early 2012. The three core elements of the action plan are: 1) improving the support we provide to tax practitioners; 2) increasing the effectiveness of our consultation and engagement; and 3) undertaking compliance activities to ensure a level playing field for tax practitioners and the community. The strategy and actions to be taken to achieve objectives 1 and 2 are set out in Box 8.7 (sourced from ATO's Compliance Program 2012-13).

Box 8.7. **Australia: Key elements of Tax Practitioner Action Plan**

Supporting tax practitioners

By supporting and influencing one tax practitioner, the ATO aims to support and influence many taxpayers. It believes that having the right tools and support helps tax practitioners to ensure their clients' tax returns are lodged on time and influence good compliance behaviours. Over the three years of the action plan, the ATO will:

- improve tax practitioners' access to premium phone services, tax technical experts and relationship manager support;
- improve the complaints resolution process for tax practitioners;
- increase access to services and online tools such as the GST property tool;
- improve the online portal functions;
- maintain and enhance the pre-filling service with a view to making it easier for taxpayers and tax practitioners to complete their tax returns correctly and to encourage voluntary compliance;
- develop and publish a more extensive range of best practice guides and fact sheets for tax practitioners;
- commence the phased implementation of a new differentiated lodgment programme that has been designed in collaboration with the Lodgment Working Group consultative forum.

The ATO is moving to a new electronic lodgment programme in 2013, under which tax practitioners will be required to lodge returns electronically and maintain a level of performance to have access to concessional lodgment dates. This year, it will work closely with the tax profession to support tax practitioners in making a smooth transition to the new programme and will assist tax practitioners to assess their performance against the programme.

Consultation and engagement

The ATO will continue to listen to tax practitioners and monitor developments in the tax and superannuation systems and the broader environment that affect them and their clients. To identify issues and co-design administrative improvements to the tax and superannuation systems, it will operate a range of consultative forums. This year, it will:

- improve the level of its engagement with tax practitioners through timely, relevant and accessible communications and more effective use of our consultative forums;
- extend consultation to obtain the views of regional and rural tax practitioners;
- directly approach 3 000 tax practitioners for their feedback through the ATO's research programme;
- conduct more than 40 separate consultations with around 400 tax practitioners, to co-design aspects of the ATO's compliance approaches and changes to the administration of the tax and superannuation systems;
- acknowledge tax practitioners' feedback and demonstrate how it is used to improve tax administration
- regularly engage with larger accounting firms and other key practices to discuss issues and explore how we can work together to promote the proper participation of their clients in the tax and superannuation systems.

A dedicated organisational unit

A number of revenue bodies reported the existence of dedicated organisational arrangements as part of their strategy for supporting the work of tax intermediaries. Details of the set-ups in both New Zealand and the United States are set out in Box 8.8.

Box 8.8. **Organisational support for tax professionals from selected revenue bodies**

New Zealand

Inland Revenue has 45 Agent Account Managers who act as intermediaries between the Inland Revenue and around 5 000 tax agents. The tax agents represent approximately 37% of all customers and 82% of the 500 000 small and medium business customers. The aim of these staff is to increase the level of compliance and compliance behaviours and to market and encourage all self-service options to ensure e-services are utilised. Inland Revenue produces "*Agents' Answers*", a monthly electronic newsletter to tax agents on operational and technical issues.

United States

Office of Professional Responsibility: The agency has undergone a two year process of dividing enforcement activities associated with return preparers and their role in tax return preparation from discipline activities associated with all tax professionals (including return preparers) who exhibit behaviour in violation of tax practice standards promulgated by the agency which calls their continued fitness to practice into question.

The IRS Office of Professional Responsibility (OPR) was reorganised, effective February 12, 2012 to oversee administration of the tax practice standards for all federal tax professionals, including education and outreach; proposing and negotiating appropriate levels of discipline; initiating disciplinary proceedings in unagreed cases; and, bringing or responding to appeals in disciplinary cases. The vision of OPR is to be the standard bearer for integrity in tax practice. Its mission is to apply the standards of practice to all tax professionals in a fair and equitable manner.

*Return Preparer Office***:** In 2009, the Internal Revenue Service launched a review of the tax preparation industry and in 2010 released a report of the findings along with a number of recommendations to strengthen IRS oversight of paid tax return preparers.

The IRS Return Preparer Office (RPO) was established in 2011 to administer enrollment, registration, testing, and the continuing education requirements for persons enrolled to practice before the IRS and for the newly created designation: federal tax return preparers. RPO also administers the e-file suitability criteria. The stated mission of the RPO is to improve taxpayer compliance by providing comprehensive oversight and support for tax return preparers. Beginning in 2011, all paid tax return preparers who prepare any U.S. federal tax return must be registered with the IRS and have a Preparer Tax Identification Number (PTIN). The IRS is in the process of implementing additional standards which require certain return preparers to pass a new competency test, to complete annual continuing education courses, and to pass a background check. The Return Preparer Office is responsible for implementing and administering these new programme requirements.

While the OPR (see above) and RPO work in conjunction with one another, the OPR is the organisation within the IRS vested with exclusive authority for tax professional discipline, and the one which interprets and applies the standards of practice as established in the regulations and relevant authorities.

Source: New Zealand: *Mechanisms implemented for assisting taxpayers in remote geographical areas*, New Zealand IRD, CIAT 46th Assembly, April 2012; and United States: IRS survey response.

Effective online services

With responsibilities for large volumes of returns in many countries, some revenue bodies have taken steps to provide specialised online services to support the work of tax intermediaries. Examples drawn from materials of revenue bodies in Canada and Ireland are set out in Box 8.9.

Box 8.9. **Examples of enhanced on line services from selected revenue bodies**

Canada's "Represent a Client" portal

"Represent a Client" is a service that provides registered representatives with secure, controlled online access to tax information on behalf of individuals and businesses, including their employees. Users of the service can range from tax advisory or payroll businesses to individuals representing family members and friends. Access for representatives can vary based on the client's authorisation, with the ability to restrict access to view only, view and make changes, or to a limited number of accounts.

Representatives are able to access most of the same features available to business owners via "My Business Account" and to individuals via "My Account". The "Represent a Client" service also provides representatives with tools to view their client lists, and associated authorisations including expiry dates. Detailed transaction records are made available to administrators and owners of tax businesses providing them with the tools to monitor the activities of their employees. The same tool is made available to the business owners via "My Business Account" and to individuals via "My Account", allowing them to view transactions that their representatives have made on their behalf. In the coming year, the CRA is also introducing a message centre which will enable secure two-way electronic communication between the CRA and representatives.

The "Represent a Client" service continues to be a significant contributor to the suite of self-service options. Use of the service continues to grow-for individuals, from around 468 000 account accesses in 2008 to over 3.2 million in 2011 and for businesses, from 11 000 account accesses in 2008 to nearly 1.2 million in 2011.

In 2012, the CRA implemented "Electronic Transfer of Accounting Data (ETAD)" which allows taxpayers and their representatives to send their books and records electronically otthe CRA through "My Business Account". This method of transmitting data for audit purposes reduces the number of vistis to the taxpayer, allows flexibility to send data outside the taxpayer's normal business hors and allows transmission of data from anywhere in the world.

Ireland's online service

"Revenue Online Service (ROS)" is the method by which Revenue delivers its interactive customer services electronically to the customer. This service is an internet facility which provides customers with a quick and secure facility to file tax returns, pay tax liabilities and access their tax details, 24 hours a day, 7 days a week, 365 days a year. In July 2003 Revenue received an e-Government label from the European Commission for this service which was found to be one of the best practices of its type. The main features of ROS include facilities to: 1) file returns online; 2) make payments by laser card, debit instruction or by online banking for Income Tax only; 3) obtain online details of personal/ clients Revenue Accounts; 4) calculate tax liability; 5) conduct business electronically; and 6) claim repayments.

ROS has a specially designed access control system which allows a tax agent or "administrator" in the accounting/ tax firm (the Senior Partner or Financial Controller, for example) to provide the appropriate access to ROS for staff within the business or practice. This control system is hosted on ROS but is maintained by the administrator using his or her digital certificate for identification and access. In many tax practices and in larger businesses staff have different levels of authorisation in relation to certain clients or in relation to filing certain returns. Some may get permission to view certain details on ROS solely. Others may be enabled to file VAT returns while others may be enabled to file all returns on behalf of certain clients. A Senior Partner might reserve certain clients to him or herself exclusively.

Sources: Canada: *E-facilitation of compliance: Taxpayer Services via the Internet*, Canada Revenue Agency, CIAT 46th Assembly, April 2012; Ireland: CIS survey response and web-site.

Consultation and engagement

As reported later in this chapter, many revenue bodies have established formal arrangements to enable ongoing consultation and engagement with representative bodies of tax intermediaries. For example, Ireland's Office of the Revenue Commissioners places very high importance on achieving a high degree of engagement with tax practitioners, as evidenced by the following comments in its 2011 Annual Performance Report:

> Revenue works closely with practitioners and business representative bodies through structured and regular contacts such as the Tax Administration Liaison Committee (TALC), the Hidden Economy Monitoring Group, the Customs Consultative

Committee and the High Level Group on Business Regulation. We take these processes very seriously. TALC is a forum for Revenue and organisations representing tax practitioners to meet and discuss issues relating to the administration of the tax system. The work of main TALC is supported by six sub-committees, which deal with specific areas of tax administration. Five meetings of the main TALC were held in 2011 and items discussed included Revenue Internal Review procedures, developments in relation to the CCCTB, developments regarding the Universal Social Charge, RCT modernisation, the operation of the Mandatory Disclosure Regime, mandatory e-filing/paying, Self-Assessment and Stamp Duty and administrative and interpretative issues arising from the Budget and the publication of the 2011 Finance Act.

Information reported by revenue bodies

Drawing on limited research and knowledge of the work of a few revenue bodies, the CIS survey asked a number of basic questions related to the services and other support provided to tax intermediaries:

1. Does the revenue body have a formal consultative forum for regular exchanges with tax professionals (and/or their representative bodies) on key developments in taxation?
2. Is there a flexible policy (applied with relevant criteria) on providing extensions of time for returns prepared and filed by tax professionals?
3. Does the revenue body offer the following services to tax intermediaries: a) a dedicated phone inquiry service; b) access to technical experts; c) regular information bulletins on tax matters; d) dedicated "relationship managers" for larger practices; and e) a dedicated section on the revenue body's website with information/guidance, etc.?
4. Subject to appropriate security safeguards, does the revenue body provide authorised tax professionals with online access via the Internet etc. to clients' personal information?
5. Is there is a dedicated organisational division within the revenue body that oversees the administration of its dealings with tax intermediaries?
6. Does the revenue body have processes in place for differentiating the compliance treatment afforded to particular tax intermediaries (based on risk)?

A summary of the information reported is set out in Table 8.2. The key observations are as follows:

- Only around 60% (31) of revenue bodies (including for 21 of the 34 OECD countries) reported the operation of a formal consultative forum for exchanges with tax intermediaries (and/or their representative bodies);
- Just over half (18) of revenue bodies in OECD countries reported having a flexible returns filing policy for tax intermediaries, but this practice was noticeably absent in most non-OECD countries with only three reporting such a policy;
- While further detailed inquiry would be needed to validate the nature of services in place the raw data reported suggest there is considerable potential for many revenue bodies to re-assess and strengthen the range and nature of services provided to support tax intermediaries in their work; for the specific range of services defined in the CIS survey it can be seen that:
  - Less than 25% of revenue bodies appear to offer a "comprehensive" range of services (*i.e.* four or more of the five service offerings specified), although it must be emphasised that little is known of the individual services in place.

  - Around 20% of revenue bodies offer what might be described as a "reasonable" range of services (I.e. three of the five service categories identified).
  - Over 50% of revenue bodies reported two or less service offerings.
- Around half (17) of revenue bodies in OECD countries reported having a dedicated division within their organisation to oversee the administration of their dealings with tax intermediaries, but this practice was noticeably absent in most non-OECD countries with only four reporting such an arrangement; (Box 8.8 provides examples of such arrangements from revenue bodies in New Zealand and the United States respectively.)
- Just over half of revenue bodies reported they provide the capability for authorised tax intermediaries to be given online access via the Internet/dedicated portal to clients' personal information – Box 8.9 provides two examples of such services from Canada and Ireland);
- The practice of differentiating the compliance treatment afforded to particular tax intermediaries (based on risk) appears largely "untested territory" for just about all revenue bodies, although there appears to be one exception (see Box 8.10); (NB: The ability of revenue bodies to track patterns of compliance risk in returns prepared by tax intermediaries requires a means of linking all individual tax returns with the responsible tax intermediary; in practice, this necessitates a system of registering and numbering tax intermediaries, with the relevant number captured as part of normal tax returns processing, a capability that very few countries would appear to have).

Box 8.10. **The ATO's differentiated approach**

The following comments were extracted verbatim from the ATO's Compliance Program for 2012-13:

Our focus is on enhancing the ability of tax practitioners to promote proper participation in the tax and superannuation systems, and to create a level playing field for tax practitioners by dealing with those who don't meet the high standards of the profession. We recognise that the great majority of tax practitioners do a good job of ensuring that their clients properly participate in the tax and superannuation systems. At the same time, a small minority of tax practitioners struggle, lacking the expertise or resources to meet the business needs of their client base. Others lack the commitment to ensure the full participation and compliance of their clients in the tax and superannuation systems.

Our risk profiling indicates that across a range of different risks, around 90% of tax practitioners have a high proportion of clients that are mostly compliant. Through our initial consultative processes with key tax practitioners we have seen best practices that support clients in getting it 'right from the start". On the other hand, 8-10% of tax practitioners have higher proportions of clients who are struggling to meet their obligations, and a further 1% have a significant proportion of clients that are at risk of non-compliance across multiple areas of their tax and superannuation obligations.

In response to this variability, we adopt a tailored approach under which our interactions with tax practitioners are based on the risk profile of their client base and the tax practitioner's own compliance. We will:

- identify and work with tax practitioners who demonstrate best practice – and their professional associations – to further develop and promote best practice across the broader profession
- work with the 90% whose clients are mostly compliant, to make it easier for them to promote positive participation;
- engage with those who are struggling to support their clients in meeting their obligations, through the provision of advice and self-help tools and a tailored response to compliance risks in their client base; and
- visit progressively, or contact, around 160 highest-risk tax practitioners to discuss the risks we see in their client base and address their influence on their clients, with the aim of ensuring a level playing field for all tax practitioners and their clients.

Table 8.2. **Tax administration: Supporting and interacting with tax intermediaries**

Country	Formal consultative forum exists	Flexible returns filing policy in place	Services provided: Dedicated phones: **P** Access to technical expert: **E** Relationship managers: **R** Dedicated website section: **I** News bulletins: **N**	Online access to clients' tax records	Dedicated division to administer tax inter-mediaries	Compliance approach influenced by tax intermediary representation
OECD countries						
Australia	✓	✓	P, E, R, I, N/1	✓	✓	✓
Austria	✓	✓	E, N	✓	✓	x/1
Belgium	x	✓	P, E, R, I	✓	x	x
Canada	✓	x	E, I, N/1	✓	x	x
Chile	✓	x	-	✓	x	x
Czech Rep.	✓	✓	-	x	✓	x
Denmark	✓	✓	P, E, R	✓	x	x
Estonia	x	x	-	x	x	x
Finland	x	x	P (pilot), R, I, N/1	x	x	x
France	x	x	P, R, I	✓	✓	x
Germany	x	✓	N	✓	x	x
Greece	x	x	-	x	x	x
Hungary	x	x	E, N	✓	x	x
Iceland	x	✓	P, E, R, I, N	✓	✓	x
Ireland	✓	x	P, E, I, N	✓	x	x
Israel	✓	✓	P, I, N	✓	✓	x
Italy	x	✓	P, E, I, N/1	✓	✓	x
Japan	✓	x	-	x	✓	x
Korea	x	✓	N	✓	✓	x
Luxembourg	✓	✓	N	x	✓/1	✓/1
Mexico	✓	x	E	x	✓	x
Netherlands	✓	✓	P, E, R, I, N	x	x	✓/1
New Zealand	✓	✓	P, R, I, N	✓	x	x
Norway	✓	✓	P, E, I, N	✓	x	x
Poland	x	x	-	x	✓	x
Portugal	x	x	I	✓	x	x
Slovak Rep.	✓	x	-	x	x	x
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	✓/1	x	I	✓	x	x
Sweden	✓	✓	-	✓	x	x
Switzerland	✓/1	✓	-	x	x	x
Turkey	✓	✓	N	✓	✓	x
United Kingdom	✓	✓	P, E, I, N/1	✓	✓	x
United States	✓	✓	P, E, R, I, N	✓/1	✓	x
Non-OECD Countries						
Argentina	✓	x	I, N	x	✓	x
Brazil	x	x	P, E, I, N	✓	x	x
Bulgaria	✓	x	E, I, N	✓	x	x
China	✓	x	-	-	✓	-
Colombia	x	x	N	x	x	x
Cyprus	✓	✓(DT)	E, R, I, N	✓	✓	✓/1
Hong Kong, China	✓	✓	E, I, and N	x	x	x
India	✓	x	I, N	x	x	x
Indonesia						
Latvia	x	x	E and N	x	x	x
Lithuania	✓	x	R	x	x	x
Malaysia	✓	x	E, R	x	x	x
Malta	x	✓	E, R, I	✓	x	x
Romania	x	x	P, E, I	x	x	x
Russia	x	x	-	x	x	x
Saudi Arabia	x	x	-	x	x	x
Singapore	✓	x	I, N	✓	x	x
South Africa	✓	x	P, E, R, I	✓	✓	x

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 270.

Source: Survey responses (of countries reporting one or more such functions).

The wide variation in the nature and range of services provided to tax intermediaries, as implied by the survey data, have not been studied in detail by the FTA. However, in light of the FTA's prior work it would seem that there is likely to be considerable potential for many revenue bodies to strengthen this aspect of their administration.

Note

1. This report describes the key findings and recommendations of the study and focuses on the objective of achieving an "enhanced relationship" between revenue bodies, taxpayers and tax intermediaries.

Notes to Tables

Table 8.1. Tax intermediaries: Laws and regulations, returns prepared and surveys

/1. **Canada:** Beginning in 2011. **Hong Kong**: Observed that tax agents usually come under the regulations of their respective professional bodies in relation to their dealings with IRD; **Italy**: Legislative Decree 9 July 1997, n.241 and Decree of President, 22 July 1998, n.322. **New Zealand:** Since 19 December 2007 the law (Tax Administration Act 1994, s34B) requires us to maintain a list of tax agents and prescribes criteria for adding tax agents and maintaining the list; **Singapore**: For returns from 01 Apr 2011 to 31 Mar 2012; **Slovakia**: Act 78/1992 Coll. about Tax advisors and Slovak Chamber of tax advisors. **South Africa**: Amendments to Tax Administration Act in 2012 commencing on 1 July 2013 will further regulate tax practitioners by requiring them to be a member of a "recognised controlling body" and SARS will determine which professional bodies qualify, which recognition may be withdrawn under prescribed circumstances. Turkey – Public Accountant, Certified Public Accountant and Chartered Accountant Laws. **United States**: The Treasury Department has issued regulations governing practice before the Internal Revenue Service (*i.e.* 5 U.S.C. 500; 31 U.S.C. 330, and the Regulations known as Circular 230 [31 CFR, Part 10]). Prior to August 2011, these regulations generally set forth rules relating to the duties and restrictions to practice by attorneys (licensed by the states); 2) certified public accountants (licensed by the states); 3) enrolled agents (a group of specialised tax-representatives – about 40 000 professionals (licensed by the IRS itself); and 4) enrolled retirement plan agents and enrolled actuaries (about 5 000 professionals (licensed by the IRS or the Joint Board of Actuaries), who have limited practice rights within their areas of expertise. Most tax return preparers were not, however, generally subject to these rules. Effective August, 2011, the Treasury Department amended the regulations to include registered tax return preparers among the group of practitioners to whom these regulations apply.

Table 8.2. Tax administration: Supporting and interacting with tax intermediaries

/1. **Australia**: A pilot programme of providing access to technical experts is being expanded to make it available to all tax professionals; the dedicated relationship manager programme has been given a new focus of providing support to those agents who ATO systems identify as struggling to ensure the compliance of their clients; ATO risk modeling is able to identify those tax professionals who have a significant level of risk in their client base with respect to various individual tax risks such as cash economy participation, personal Income tax deductions, filing of returns or payment of debt. Differentiated treatments are applied according to the risk profile of the client base; and the Tax Practitioners Board (TPB), which registers and regulates the conduct of tax practitioners in Australia, has its on Consultative Forum with recognised not-for-profit tax practitioner associations. The TPB maintains its own separate web site (*www.tpb.gov.au*) and provides information to practitioners and the public about agent registration, conduct and professional practice matters; **Austria:** There are regular meetings with the chamber of tax advisors where the representatives are informed about the compliance measures and where they can contribute with their opinion. **Canada**: CRA has a formal licensing agreement with four major commercial tax publishers to publish a severed version of its advance income tax rulings and technical interpretations. These publishers provide access to tax professionals (and other interested taxpayers) providing up-to-date content from CRA on a subscription basis. The CRA freely provides technical information in a variety of publications (*e.g.* policy statements, memoranda, circulars, interpretation and information bulletins, pamphlets, forms and guides). These are available on the CRA website for anyone to access. CRA also has a Tax Professionals webpage which provides a public portal to common areas of interest to Tax Professionals and highlights general news from CRA; **Cyprus:** Through discussion of circulars to be issued to ensure minimum burden of taxpayers. **Finland**: Pilot project for phone inquiries from accounting firms launched in June 2012, services generally targeted to accounting firms; **Italy**: Dedicated phone service is for online service issues only; **Luxembourg**: only for direct taxes; **Mexico**: Federal Tax Audit Division (regarding certified public accountants). **Netherlands**: Horizontal programme for SME segment is managed through tax intermediaries. **Slovak Rep**.: The tax administration organises meetings with the Chamber of the Tax Professionals in order to assure unified implementation of the tax regulations. Status of the tax professionals is according to the Slovak tax legislation the same as the status of any other taxpayer and they are not provided with the special services within the tax administration. **Spain**: A "Forum for Tax Professionals' Associations and Representative Bodies" was created in March 2011; within the Tax Agency, the Deputy Directorate for External Communications acts as Technical Secretariat for the Forum; **Switzerland**: For VAT matters only. **United Kingdom**: Flexibilities concerning return filing dates are equally available to represented and unrepresented taxpayers; concerning the use of dedicated "relationship managers", individual help is given to agents with specific service issues, but it is not an ongoing one to one relationship – the help is provided on a pool basis; **United States**: The IRS e-Services *Online Tools for Tax Professionals* provides multiple online electronic products and services to tax professionals. Eligible tax professionals may use the e-Services to: (1) request and receive tax account transcripts, wage and income documents, tax return transcripts, and verification of non-filing letters for both individual and business taxpayers; (2) expedite closure on clients' account problems by electronically sending/receiving account related inquiries; (3) match payee Taxpayer Identification Number and name combinations against IRS records prior to submitting an information return; and (4) complete authorisation forms, view and modify existing forms, and receive acknowledgement of accepted submissions of tax returns immediately – all online.

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Chapter 9

Legislated administrative frameworks for tax administration

This chapter provides an overview of the legislated administrative frameworks for the conduct of tax administration in surveyed countries.

Key findings and observations

Taxpayers' rights and charters

- With minor exception, all revenue bodies operate with a formal set of taxpayers' rights set out in law or other statutes, and/or in administrative documents;

Access to rulings

- The vast majority of surveyed revenue bodies provide public and, at the request of taxpayers, private rulings; data from this and prior series suggest a slight trend towards revenue bodies imposing fees for providing certain private rulings.

Taxpayer registration

- Reflecting quite different systems of personal tax administration and approaches to registration and numbering, there are very significant variations between countries in the relative size of their respective taxpayer registration databases and related workloads;

Collection and assessment of income taxes

- With the exception of France, Hong Kong, Singapore and Switzerland, all revenue bodies administer "withholding at source arrangements for the collection of PIT (and in most countries where applicable, social security contributions) on the employment income.
- Withholding regimes for employment income essentially fall into two categories (i.e. cumulative versus non-cumulative approaches) with varying implications for employers, employees and revenue bodies (viz. workloads).
- Withholding regimes for the collection of income tax-as a final or creditable tax-for both interest income (30 countries) and dividend income (27 countries) are prevalent, applied in over two thirds of surveyed revenue bodies.
- Withholding and/or mandatory reporting arrangements are also used to varying degrees in many countries for payments made by businesses to certain categories of self-employed/contractors/small medium enterprises, rents, royalties and patents, and sales of shares and real property.
- With one exception, all countries provide for the graduated collection of PIT (on income not subject to withholding of tax at source) and CIT with a regime of advance/instalment payments. The requirements of these arrangements vary substantially (e.g. numbers of payments, bases of their computation and their timing) with implications for taxpayers and revenue body workloads; at least 20% of revenue bodies appear to require monthly advance payments from PIT taxpayers with relatively small liabilities, suggesting opportunities for reducing taxpayers' compliance burden and reducing high volume/low value administrative workloads.
- While the majority of revenue bodies use self-assessment principles for the administration of income taxes, the number still applying a form of administrative assessment is significant, and more so in OECD countries; a number of these countries report relatively high levels of disputes.

Collection of Value Added Taxes

- VAT registration thresholds vary substantially; however, the impact of these thresholds on administrative workloads and taxpayers' compliance burden is ameliorated in many countries with extended tax payment and return filing requirements (*e.g.* quarterly, six-monthly or annually) for smaller payers and/or use of "flat rate" schemes for computing 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.

Key findings and observations (continued)

Enforced debt collection

- The vast majority of surveyed bodies have the more traditional forms of powers to enforce the payment of tax debts (i.e. payment arrangements, extensions of time to pay, seizing assets etc); the less common powers cited included closure of businesses/loss of license to operate, denial of access to government services, and limits on overseas travel.

Information and access powers

- All surveyed revenue bodies have powers to obtain relevant information and in virtually all these powers can extend to third parties; the circumstances in which entry and search powers can be used vary between countries, as do the use of warrants and the extent of the involvement of other government agencies.

Tax offences, interest, penalties and enforcement

- Use of voluntarily disclosure policies and programs appears to be an under-utilised strategy for many revenue bodies; results from selected countries indicate they can be an effective tool for encouraging taxpayers to report past acts of non-compliance.

Introduction

This chapter summarises key elements of the legislated administrative frameworks of tax systems in the countries surveyed, identifying common features as well as some of the more unique practices. The specifics aspects covered, albeit in fairly brief terms, are as follows:

- Taxpayers rights and obligations;
- Access to rulings;
- Taxpayer registration and identification systems;
- Withholding and third party information reporting regimes;
- Return filing and payment regimes;
- Administrative review;
- Enforced collection of unpaid taxes;
- Information and access powers; and
- Tax offences (including use of voluntary disclosure policies and approaches).

Taxpayers' rights and charters [1]

In any democratic society taxpayers/citizens will have a number of basic rights as well as obligations in relation to their government and its agencies. Revenue bodies are no exception and most countries have legislation governing taxpayer's rights and obligations in relation to taxation.

As would be expected, given the diversity of environments in which revenue bodies around the world exist, the specific details of taxpayers' rights and obligations vary somewhat by country. There are however a number of common threads that can be identified. In 1990, the OECD's Committee of Fiscal Affairs Working Party Number 8 published a document entitled *Taxpayers' rights and obligations – A survey of the legal situation in OECD countries* 1. The survey found that, while most countries at that time did not have an explicit "taxpayers' charter", the following basic taxpayer rights were present in all systems:

- The right to be informed assisted and heard.
- The right of appeal.
- The right to pay no more than the correct amount of tax.
- The right to certainty.
- The right to privacy.
- The right to confidentiality and secrecy

These basic taxpayers' rights also imply obligations on the part of taxpayers. There is a set of behavioral norms expected of taxpayers by Governments to underpin smooth functioning of the tax system. These expected behaviours are so fundamental to the successful operation of taxation systems that they are legal requirements in many, if not most, countries. Without this balance of taxpayers' rights *and* obligations taxation systems could not function effectively and efficiently. These taxpayer obligations are:

- The obligation to be honest.
- The obligation to be co-operative.
- The obligation to provide accurate information and documents on time.
- The obligation to keep records.
- The obligation to pay taxes on time

Over recent decades, many countries have elaborated these basic rights and obligations into a taxpayers' or service charter. These documents often include statements about behaviours expected from officials and taxpayers. Some countries have chosen to consolidate the measures taken to protect taxpayers into a "taxpayers' charter" or "declaration", and to publish these widely. In some countries, they have taken form of a general statement of the broad principles which should govern the relationship between the revenue body and taxpayers. In other countries, these documents provide a more detailed guide to the rights of taxpayers at each stage in the assessment process. Yet other countries have taken the approach of including statements about behaviours expected from officials and taxpayers in documents such as the revenue body's mission statements. Accordingly, it should be stressed that even countries without a taxpayer charter may, nevertheless, attach equal importance to taxpayers' rights and that in practice taxpayers in such countries have rights similar to those found in formal taxpayers' charter statements.

Over recent decades, revenue bodies have taken steps to increase transparency and accessibility in this area. As set out in Table 9.1, as of 2012 just about all revenue bodies conduct tax operations that are underpinned with a formalised set of taxpayers' rights set out in either legislative and/or administrative form. Of these, 45 countries have codified them (partly or in full) in tax law or other statutes, while 43 revenue bodies operate with a set of rights and obligations that are elaborated in administrative documents, sometimes referred to as "taxpayer" or "service" charters. These figures represent an increasing trend towards the codification of taxpayers' rights and obligations since 2003 when the OECD's work found that only two thirds of member countries had some form of formal statements of taxpayers' rights.

The decision whether to take a codified or administrative approach in practice appears to be based on a range of different factors, in addition to cultural and legal issues. Reasons advanced in support of adopting an administrative approach include:

- *Speed*: it is likely to be quicker to develop and implement than a legislative document.
- *Better language*: it can be drafted in a "reader-friendly" and easily understood manner that is not easily duplicated in legislation.
- *Broader scope*: it allows for the inclusion of "service" and other broader rights that may be less suitable for a legislative approach.
- *Greater flexibility*: administrative documents can be easily adapted to address changing taxpayer requirements.
- *Ease of redress:* Administrative redress mechanisms tend to be cheaper and quicker than statutory processes.

On the other hand, the benefits of a codified approach take account of the following considerations: 1) *improved taxpayers' perceptions*: it may strengthen perceptions of the document and the revenue body's commitment to the initiative, resulting in greater reassurance for taxpayers; 2) *speed of adherence by staff*: it may speed up adoption by staff of the approaches and attitudes being promoted; 3) *longevity*: the document is less likely to be subject to change for example as a result of political interests; and 4) the document will be subject to established mechanisms of redress and challenge.

The form and content of these sets of rights varies between countries. There are however some common themes and elements. Drawing on the experiences of revenue bodies in a number of OECD countries, the CFA's 2003 practice note "*Taxpayers' Rights and Obligations* described the elements (expressed in terms of both "taxpayers' rights" and "taxpayers' obligations") of an illustrative taxpayers' charter – Box 9.1 sets out the segment dealing with "rights".

Country examples of taxpayers' or service charters etc

CIS 2008 highlighted examples of a codified set of taxpayers' rights and obligations, drawing on developments in Canada and Slovenia, while CIS 2010 drew attention to the approaches of revenue bodies in Australia, Denmark, and the United Kingdom. For this series, the opportunity is being taken to highlight developments in two other revenue bodies (*i.e.* Hong Kong and Lithuania) that have introduced administrative taxpayers' charters (or their equivalent) or revised existing ones over recent years.

Hong Kong, China

The Inland Revenue Department of Hong Kong Special Administrative Region, China operates with a relatively straightforward charter that is set out in Box 9.2. The Charter is for everyone who has dealings with Inland Revenue on tax matters. The charter is complemented by a "Performance Pledge" which sets out the levels of services (in terms of standards of timeliness for specified services) that taxpayers can expect from Inland Revenue. By the standards of many countries surveyed for CIS 2012, the Pledge is very comprehensive, covering in excess of 50 categories of service and related standards, while the actual standards set and performance achieved for some of the more voluminous categories of service are at exceptional levels.

Box 9.1. **OECD Taxpayers' Charter-illustrative description of taxpayers' 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 authorised us in writing to do so or in situations where permitted by law; and
   - only permit those employees within the administration who are authorised 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).

Service	Performance target	Actual achievement	
		2010	2011
1. Counter enquiries: Attended to within 10 minutes (in peak times)	95%	99.3%	98.8%
2. Telephone enquiries: Answered within 3 minutes (in peak periods)	80%	90.9%	92.4%
3. Written enquiries – simple matters: Replied within 7 days	95%	99.9%	99.9%
4. Written enquiries – technical matters: Replied within 21 days	98%	99.9%	99.9%

Details of the performance targets applied are published in IRD's performance pledge leaflets and pamphlets. Of particular interest and what seems to be quite an innovative and respectful approach, there is an independent "Users Committee" (comprised of external representatives) which monitors the Department's performance in relation to matters covered by the Performance Pledge, while a Departmental Service Standards Committee operates to provide the Users Committee with quarterly statistical reports on the performance Pledge and to formulate plans to improve the Department's Services (see examples of performance aspired to and achieved below). The Department reviews its performance pledges from time to time to keep pace with the changing needs and aspirations of the community.

Box 9.2. **Key elements of Hong Kong Inland Revenue's Taxpayers' Charter**

Your rights as a Taxpayer

1. ***Tax Liability:*** You only have to pay the amount of tax due under the law.
2. ***Courteous Treatment:*** You are entitled to courteous treatment in your dealings with us.
3. ***Professional Service:*** You are entitled to receive our service in a timely manner in accordance with our pledged standards. You can expect assistance from us to help you understand and meet your tax obligations. You can expect us to act in an impartial, professional and fair manner.
4. ***Privacy and Confidentiality:*** You are entitled to expect that the information you provide us will be used only for purposes the law allows; that it will not be disclosed to anyone, except as authorised by law.
5. ***Access to Information:*** You are entitled access to your own tax information held by us as permitted by the law.
6. ***Bilingual Service:*** You are entitled to our service in Chinese or English, at your choice.
7. ***Complaints and Appeals:*** If you are not satisfied with our service, you have the right to give comments and complain to us or to the Ombudsman. If you disagree with the amount of your tax assessment, you have the right of objection and appeal.

Your obligations as a Taxpayer

Honesty: You should be honest in your dealings with us.

Lodgement of Returns, Documents and Information: You should file correct returns and documents and provide complete and accurate information within time limits specified.

Tax Payment: You should pay your tax due on time.

Record Keeping: You should keep sufficient records to enable your tax liability to be ascertained accurately.

Keeping IRD Posted: You should keep us informed upon change of business or correspondence address.

Source: Inland Revenue Department's website (June 2012).

Lithuania

With a view to ensuring successful and effective cooperation with taxpayers, Lithuania's State Tax Inspectorate (STI) recently updated its Taxpayer Service Standard (see Box 9.3). This document defines the standards of conduct and service conditions for

Box 9.3. Lithuania's Taxpayer Service Standard

Our service conditions are designed for your convenience:

- On arrival, you will find the most relevant information.
- You will have an opportunity of free use of computer rooms designed for electronic services.
- All taxpayers who enter the premises of the STI structural units by the close of business will be served.

In dealing with you, we will make efforts:

- To answer before the third ringtone and introduce ourselves as you call us on the phone.
- To be in a positive and good disposition, and be the first to greet you politely.
- To listen to you without interruption.
- To speak to you in a clear, correct and distinct manner.
- To give priority to the taxpayer with whom we have already started a conversation.
- To apologise to you for the need to interrupt the conversation for a while for certain reasons.
- To service you following the "one-stop-shop" principle.
- If a question is outside the remit of the STI personnel or the personnel has no powers to solve the problem, to try to clarify which STI employee (or institution) has the authority for solving such questions (problems) and tell you where to apply.
- While dealing with you, not to discuss any personal questions and matters unrelated to work with acquaintances or colleagues, and not to demonstrate any fatigue, indifference or prejudice with respect to the taxpayer.
- If you want to be served by another STI employee, to give you this opportunity without enquiring about the reasons for your choice. Also, to note to you that you can express your opinion on our service and give your comments and recommendations by completing a questionnaire.

Our services are intended for the safety of your information

- In dealing with you, we will try to ensure that no confidential information on other taxpayers is available at the place of work.
- As we leave our place of work for a short time, we will make efforts to put the stamps and strictly accountable documents in a safe place, and to make confidential information on the computer invisible.
- If another taxpayer approaches us too close while you are being served, we will advise that taxpayer to wait for his or her turn.

Responsiveness is an integral part of good service

- We will pay attention to the disabled, pregnant women, old people and people in poor health, and persons with minor children, and ensure that they are served first, if there is no objection from other visitors.
- We will help such persons to complete the tax procedures (advise them how to complete the tax returns, write an application or draw up another tax document, etc.).
- Taxpayers under the influence of alcohol or narcotics will not be served. We will ask them to leave the premises of STI structural units.
- If you do not know the state language or are unable to express your thoughts for other reasons, a translator or another person capable of translating into the language you understand should be present while dealing with you. We recommend notifying us of the participation of such a person in advance.
- While carrying out special assignments (taking part in an educational event or project, a large scale inspection at a market place, etc.), we will wear special vests, caps, bandanas, badges or other signs with STI symbols.

If you come with a claim:

- We will listen to you without interruption.
- We will take steps to solve your problem.
- We will thank you for your comment or claim and apologise to you for the problems.
- You will have an opportunity to submit your comments or claims in writing and put them in a box or write them in the book of comments and recommendations

We are aimed at good results and will appreciate your opinion on the STI service. You can express your opinion by completing the questionnaires at the county tax inspectorate or calling us on {phone no.]

Source: STI website (October 2012).

all personnel of the authority and commences with a statement of values and approaches that underpin its philosophy of service delivery. These are stated as:

- Polite service of high quality
- The appropriate service environment
- Convenient opening hours
- Special attention to the disabled, old people, people in poor health and pregnant women
- Permanent control and improvement of service
- The right to be heard
- High quality and speed of services provided
- Confidentiality and safety of information
- Unbiased, thorough and fair settlement of complaints, conflicts and other issues within the remit of the STI

The STI conveys the expectation that the due performance of its duties as reflected in the legislation of the Republic of Lithuania, compliance with the general standards of ethics and the good offices to each other will help to ensure better quality of taxpayer service.

Access to tax rulings

In line with taxpayers' rights to be informed, assisted and provided with certainty, it has become a matter of practice for revenue bodies to provide services in the form of advice on how they will interpret the laws they administer. This section provides an overview of the regimes operated by revenue bodies that provide rulings on important aspects of tax law (that are made public) and allow taxpayers to seek advanced rulings in respect of certain transactions being considered by them or already undertaken.

A public ruling is a published statement 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 of the law and/or where a particular provision has been found to be causing confusion and/or uncertainty – in other words, a taxation issue or question of public importance. Typically, a public ruling is binding on the revenue body if the ruling applies to the taxpayer and the taxpayer relies on the ruling.

A private ruling relates to a specific request from a taxpayer (or their advisor) seeking clarification of how the law would be applied by the revenue body in relation to a particular proposed or completed transaction/s. The objective of private ruling systems is to provide additional support and early certainty to taxpayers on the tax consequences of certain, often complex or high-risk transactions.

Table 9.1 identifies key features of the systems in place for obtaining public and private tax rulings. The key observations are as follows:

- With one exception (*i.e.* Estonia) all revenue bodies reported the operation of a public rulings system; most revenue bodies (44 of 50) reported that such rulings are generally binding on them;

Table 9.1. **Taxpayers' rights and selected features of the revenue rulings system**

	Taxpayers' rights		Public rulings		Private rulings			
Country	Rights are formally defined in tax law or other statutes	Rights are formally defined in administrative documents	Rulings are issued	Rulings are binding on revenue body	Rulings are issued	Rulings are binding on revenue body	Time limits exist for giving rulings	Fees are imposed for giving rulings
oecd Countries								
Australia	✓	✓	✓	✓	✓	✓	✓/1	x
Austria	✓	✓	✓	✓	✓	✓/1	✓	x/1
Belgium	✓	✓	✓	✓	✓	✓	✓/1	x
Canada	✓/1	✓	✓	x	✓	✓	✓/2	✓
Chile	✓/1	✓	✓	✓	✓/2	✓	x	x
Czech Rep.	✓	x	✓	✓	✓	✓	✓	x
Denmark	✓	✓	✓	✓	✓	✓	✓	✓
Estonia	✓	x	x	n.a.	✓	✓	✓	✓
Finland	✓	✓	✓	✓	✓	✓	✓	✓
France	✓	✓	✓	✓	✓	✓	✓	x
Germany	✓	x	✓	✓	✓	✓/1	✓	✓
Greece	✓	✓	✓	✓	x	n.a.	n.a.	n.a.
Hungary	✓	✓	✓	✓	✓	✓	✓/1	x
Iceland	✓	x	✓	✓	✓	✓/1	✓	✓
Ireland	x	✓/1	✓	✓	✓	✓	✓	x
Israel	✓	✓	✓	✓	✓	✓	✓	✓
Italy	✓	✓	✓	✓	✓	✓	✓	x
Japan	✓	x	✓	✓	✓	x	x	x
Korea	✓	✓	✓	x	✓	✓	✓	x
Luxembourg	✓	✓/1	✓	✓	✓/1	✓/1	x/1	x/1
Mexico	✓	✓	✓	✓	✓	✓/1	✓	x
Netherlands	✓	✓	✓	✓	✓	✓	x	x
New Zealand	x	✓	✓	x	✓	✓	✓	✓
Norway	✓	✓	✓	x	✓	✓	✓/1	✓
Poland	✓	x	✓	✓	✓	✓	✓	✓
Portugal	✓	✓	✓	✓	✓	✓	✓/1	✓/2
Slovak Rep.	✓	x	✓	✓	✓	✓/1	x/2	✓
Slovenia/1	✓	✓	✓	✓	✓	✓	✓/1	x/1
Spain	✓	✓	✓	✓	✓	✓	✓	x
Sweden	✓	✓	✓	✓	x	n.a.	n.a.	n.a.
Switzerland	✓	x	✓	✓	✓	✓	x	x
Turkey	x	✓	✓	✓	✓	✓	x	x
United Kingdom	✓	✓	✓	✓	✓	✓	✓	x
United States	✓	✓	✓	✓	✓	✓	x	✓
Non-OECD Countries								
Argentina	x	x/1	✓	✓	✓	✓/2	✓/3	x
Brazil	✓	✓	✓	✓	✓	x	✓	x
Bulgaria	✓	✓	✓	✓	✓	x	✓	x
China	✓	✓	✓	✓	✓	✓	x	x
Colombia	x	✓	✓	✓	x	n.a.	n.a.	n.a.
Cyprus	✓	✓	✓	✓	✓	✓	✓/1	x
Hong Kong, China	✓	✓	✓	x	✓	✓	✓	✓
India	✓	✓	✓	✓	x	n.a.	n.a.	n.a.
Indonesia	✓	✓	✓	✓	✓	✓	x	x
Latvia	✓	✓	✓	n.a.	✓	✓	✓	x
Lithuania	✓	✓	✓	✓	✓	✓	✓/1	x
Malaysia	✓	✓	✓	✓	✓	✓	✓/1	x
Malta	✓	✓	✓	✓	✓	x	x	x
Romania	✓	✓	✓	✓	✓	✓	✓/1	✓
Russia	✓	x	✓	✓	x	n.a.	n.a.	n.a.
Saudi Arabia	✓	✓	✓	✓	✓	✓	x	x
Singapore	✓	✓	✓/1	✓	✓/1	✓	✓/2	✓/2
South Africa	x	✓	✓	✓	✓	✓	✓/1	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 338.

Sources: IBFD and CIS survey responses.

- Most revenue bodies (46 of 52) reported the operation of a private rulings service, with virtually all of them indicating that rulings are generally binding on the revenue body; in Sweden, there is a council independent of the revenue body that provides advance private rulings that, in some cases, are subject to a charge (but there are no time limits);
- The vast majority of revenue bodies providing a private rulings service reported the existence of time limits (either imposed under the law or applied administratively) for making such rulings; data provided by some revenue bodies indicate that these time limits vary widely (from 28 days to 90 days); 18 of these bodies also reported the practice of imposing a fee for the provision of a ruling.
- While not addressed in this survey previous OECD studies have noted that rulings regimes are potentially costly to administer and vulnerable where taxpayers use them to secure “comfort” or “insurance” rulings. This may explain why many countries have chosen to impose a fee for private rulings, a practice that based on past observations appears to be growing.

Taxpayer registration

Comprehensive systems of taxpayer registration and numbering are a critical feature of the tax administration arrangements in most countries, supporting most tax administration processes and underpinning all return filing, collection and assessment activities.

For some revenue bodies, registration involves the maintenance of basic taxpayer identifying information (*e.g.* for individuals, full name and address, date of birth, and for businesses, full name, business and postal addresses) using a citizen or business identification number that is used generally across government and which, for tax administration purposes, permits the routine identification of taxpayers for a range of administrative functions (*e.g.* issue of notices, detection of non-filers and follow-up enforcement actions). For others, the registration system involves the operation of a system of unique taxpayer identification numbers (TINs) which similarly facilitates general administration of the tax laws. Regardless of whether the identification and numbering of taxpayers is based on a citizen number or a unique TIN, many revenue bodies also use the number to match information reports received from third parties with tax records to detect instances of potential non-compliance, to exchange information between government agencies (where permitted under the law), and for numerous other applications. Information pertaining to registered taxpayer populations in surveyed countries and the use of taxpayer identification numbers is set out in Tables 9.2 to 9.4. Significantly:

- Around two-thirds (32) of surveyed revenue bodies utilise a unique taxpayer identifier (or some other high integrity number (*e.g.* a citizen identification number) for personal taxation purposes; in general these numbering systems are all numeric, do not incorporate taxpayer specific information, and incorporate a check digit for point-of-entry validation purposes. Similar arrangements apply for CIT and VAT, with unique identification and numbering systems used by 40 revenue bodies (for CIT) and 37 revenue bodies (for VAT) respectively.
- In several countries the number used is not unique to the revenue body. For example in Chile, Denmark, Korea, Malta, Norway and Romania the citizen identification number is also used for PIT purposes. In Canada and the USA, an individual’s social security number is used for personal tax purposes. In Finland an individual’s social security number is used for personal tax and individual VAT, a business registration number is used for corporate tax and VAT.

Table 9.2. **Comparison of registered taxpayer populations (2011)**

Country	Populations (millions)		Number of registered taxpayers (millions)			Relative indicators	
	Citizens	Labour force	Personal income tax (PIT)	Corporate income tax (CIT)	Value added tax (VAT)	Registered PIT payers/labour force (%)/1	Registered PIT payers/citizen population (%)
OECD countries							
Australia/1	22.34	12.11	19.05	1.67	2.67	157.3	85.3
Austria	8.39	4.32	6.67	0.14	0.80	154.2	79.5
Belgium/2	10.44	4.99	6.9	0.47	0.78	138.2	66.1
Canada/2	34.11	18.70	30.0	2.86	3.25	160.4	88.0
Chile/2	17.2	8.10	8.37	0.8	0.78	103.3	48.5
Czech Rep.	10.52	5.24	2.82	0.48	0.53	53.8	26.8
Denmark	5.54	3.00	4.7	0.24	0.45	156.6	84.8
Estonia	1.34	0.70	0.63	0.18	0.69	90.6	47.0
Finland	5.36	2.67	5.3	0.38	0.31	198.3	98.8
France	65.63	28.40	37	1.7	4.8	130.3	56.4
Germany/2	81.31	43.60	26.49	1.16	5.69	60.8	32.6
Greece/2	10.77	4.97	8.2	0.27	1.1	165.0	76.2
Hungary	10.00	4.26	3.7	0.59	0.62	86.8	37.0
Iceland	0.32	0.18	0.26	0.05	0.03	144.4	81.8
Ireland	4.47	2.12	3.2	0.16	0.26	151.3	71.6
Israel	7.62	3.50	1.48	0.21	0.49	42.3	19.4
Italy	61.26	25.07	41.5	1.1	5.1	165.5	67.7
Japan/2	127.37	65.45	22	3	3	33.6	17.3
Korea/2	50.52	25.10	19.89	0.56	5.02	79.2	39.4
Luxembourg	0.51	0.24	0.2	0.08	0.06	84.0	39.3
Mexico/2	108.40	48.86	31.9	1.1	5.1	65.3	29.4
Netherlands/2	16.73	8.92	8.4	0.8	1.6	94.2	50.2
New Zealand/2	4.37	2.37	3.62	0.47	0.63	152.7	82.8
Norway	4.89	2.63	4.4	0.24	0.34	167.4	90.0
Poland	38.19	17.85	17.44	0.41	2.39	97.7	45.7
Portugal	10.78	5.51	7.0	0.4	1.4	127.0	64.9
Slovak Rep.	5.43	2.72	0.98	0.28	0.22	36.0	18.0
Slovenia	2.00	1.02	1.01	0.1	0.1	99.1	50.6
Spain/2	46.07	23.10	19.3	2.36	3.23	83.5	41.9
Sweden	9.38	5.02	7.5	0.5	1.0	150.0	80.0
Switzerland	7.82	4.65	4.6	0.3	0.35	98.9	58.8
Turkey	72.70	27.23	1.7	0.66	2.3	6.2	2.3
United Kingdom	61.35	31.74	30.3	0.93	1.91	94.8	49.1
United States/2	309.05	153.62	270.3	21.2	n.a.	176.0	87.5
Non-OECD countries							
Argentina	42.19	16.8	--------- 1.22 -------		0.93	7.28	2.89
Brazil	199.32	104.7	188	14	n.a.	179.56	94.32
Bulgaria	7.04	2.5	1.06	0.54	0.21	43.00	15.06
China	1.343	795.5	n.a.	n.a.	n.a.	n.a	n.a
Colombia	45.24	22.5	4.5	0.3	0.37	20.04	9.95
Cyprus	0.84	0.43	0.33	0.2	0.08	79.69	29.00
Hong Kong, China	7.15	3.7	3	0.8	n.a.	81.02	41.94
India	1.205	487.6	31.03	0.49	n.a.	6.36	2.57
Indonesia	248.65	117.4	20.17	1.92	0.8	17.18	8.11
Latvia/2	2.19	1.2	0.86	0.08	0.09	73.57	39.24
Lithuania	3.53	1.6	1.46	0.1	0.08	89.90	41.41
Malaysia	29.18	0.0	7.2	0.7	n.a.	60.45	24.67
Malta/2	0.41	0.2	0.27	0.04	0.05	158.36	65.88
Romania	21.85	9.3	0.46	0.77	0.57	4.97	2.11
Russia/2	142.52	75.4	138.6	5.1/1	n.a.	183.80	97.25
Saudi Arabia/2	26.53	7.6	0.4	0.03	n.a.	5.24	1.51
Singapore/2	5.35	3.3	1.73	0.15	0.08	52.91	32.32
South Africa	48.81	17.7	13.77	2.04	0.65	77.97	28.21

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 339.

Sources: Country and labour force populations (latest years available) from OECD Statistical database, EU statistics, or CIA World Factbook; other data from country survey responses.

- Unique taxpayer identifiers are widely used for information reporting and data matching 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 (see Table 9.3).
- Using country labour force data as a benchmark, the proportion of personal taxpayers who are registered with the revenue body varies substantially across surveyed revenue bodies; for over one third of revenue bodies (18), the proportion was less than 80%, while for 15 revenue bodies the proportion exceeded 150%; these data indicate that across surveyed revenue bodies, the workloads associated with registering and numbering taxpayers also vary enormously.
- Revenue bodies with relatively low rates of registration (*i.e.* less than 60%) were Argentina, Bulgaria, Colombia, Czech Rep., Israel, India, Indonesia, Japan, Romania, Saudi Arabia, Slovak Rep., and Turkey); leaving aside Saudi Arabia which has its own unique tax arrangements, all of these revenue bodies administer cumulative withholding regimes for their employee taxpayers, freeing them from the requirement to file annual tax returns.
- Revenue bodies with relatively high rates of personal taxpayer registration (*i.e.* over 150% of their respective labour forces or over 80% of their respective citizen populations) such as Australia, Canada, Denmark, Finland, New Zealand, Norway, Sweden and the USA typically have some other unique features attaching to their systems of personal tax administration (*e.g.* extensive third party reporting regimes, end-year matching and reconciliation processes, pre-filled tax returns and extensive electronic return filing, and responsibilities for the payment of certain government welfare/benefits or other government programmes that concern the citizen population).

Table 9.3. **System of taxpayer identifiers for revenue administration**

Country	Personal income tax (PIT)					Corporate income tax (CIT)					Value added tax (VAT)				
	Unique TIN	Num. (N) or Alpha-numeric (AN)	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
OECD countries															
Australia/1	✓	N	9	✓	x	✓	N	8	✓	x	✓	N	11	✓	x
Austria	✓	N	9	✓	x	✓	N	9	✓	x	✓	AN	11	✓	x
Belgium	✓	N	11	✓	✓/1	✓	N	10	✓	x	✓	AN	12	✓	x
Canada/1	x/1	N	9	✓	x	✓	AN	15	✓	x	✓	AN	15	✓	x
Chile/1	x/1	N	8	✓	x	✓	N	8	✓	x	✓	N	8	✓	x
Czech Rep.	✓	AN	12/1	✓	x	✓	AN	12/1	✓	x	✓	AN	12/1	✓	x
Denmark/1	x/1	N	10	✓	✓	✓	N	8	✓	x	✓	N	8	✓	x
Estonia	x/1	N	11	✓	✓	x/1	N	8	✓	x	✓	AN	11	x	x
Finland/1	x	AN	10	✓	✓	x	N	8	✓	✓	x	N	8	✓	✓
France/1	x/1	N	13	x	x	✓	N	9	x	x	✓	AN	13	x	x
Germany	✓	N	11	✓	x	✓	N	11	✓	x	✓	N	11	✓	x
Greece/1	✓/1	N	9	x	x	✓	N	9	x	x	✓	N	9	x	x
Hungary/1	✓	N	10	✓	✓	✓	N	11	✓	✓	✓	N	11	✓	✓
Iceland/1	x/1	N	10	✓	✓	x/1	N	10	✓	x	✓	N	6	x	x
Ireland/1	✓	AN	8	✓	x	✓	AN	8	✓	x	✓	AN	8	✓	x
Israel	x	N	9	✓	✓	x	N	9	✓	✓	x	N	9	✓	✓
Italy/1	✓	AN	16	✓	✓	✓	N	11	✓	x	✓	N	11	✓	x
Japan	x	-	-	-	-	x	-	-	-	-	x	-	-	-	-
Korea/1	x	N	13	✓	✓	✓	N	10	✓	✓	✓	N	10	✓	✓
Luxembourg/1	x	N	11	✓	✓	x	N	11	✓	✓	x	AN	10	✓	x
Mexico/1	✓	AN	13	✓	✓	✓	AN	12	✓	✓	✓	AN	12/13	✓	x
Netherlands/1	x	N	9	✓	x	✓	N	9	✓	x	✓/1	N	9	✓	x
New Zealand/1	✓	N	9	✓	x	✓	N	9	✓	x	✓	N	9	✓	x
Norway/1	x	N	11	✓	✓	x	N	9	✓	✓	x	AN	9	✓	x
Poland	✓	N	10 11	✓	x/1	✓	N	10	✓	x	✓	N	10	✓	x
Portugal	✓	N	9	✓	x	✓	N	9	✓	x	✓	N	9	✓	x
Slovak Rep./1	✓	N	10	✓	x	✓	N	10	✓	x	✓	N	10	✓	x
Slovenia	✓	N	8	✓	x	✓	N	8	✓	x	✓	AN/1	10	✓	x

Table 9.3. **System of taxpayer identifiers for revenue administration** *(continued)*

	Personal income tax (PIT)					Corporate income tax (CIT)					Value added tax (VAT)				
Country	Unique TIN	Num. (N) or Alpha-numeric (AN)	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
Spain/1	x	AN	9	✓	x	x	AN	9	✓	x	x	AN	9	✓	x
Sweden/1	x	N	12	✓	✓	x	N	12	✓	✓	x	N	12	✓	✓
Switzerland/1	x	N	Vary	x	x	x	N	Vary	x	x	✓	N	9	x	x
Turkey/1	✓	N	11	✓	x	✓	N	10	✓	x	✓	N	10/11	✓	x
United Kingdom/1	✓	N	10	✓	x	✓	N	10	✓	x	✓	N	9	✓	x
United States	x/1	N	9	x	x	✓	N	9	x	x	-	-	-	-	-
Non-OECD countries															
Argentina	✓	N	11	✓	✓	✓	N	11	✓	✓	✓	N	11	✓	✓
Brazil	✓	N	11	✓	x	✓	N	14	✓	x	-	-	-	-	-
Bulgaria	✓	N	10	✓	✓	✓	N	9	✓	x	✓	AN	11(12)	✓	x
China	x	AN	18	✓	✓	x	AN	15	✓	x	x	AN	15	✓	x
Colombia	✓	AN	9	✓	x	✓	AN	9	✓	x	✓	AN	9	✓	x
Cyprus	✓	AN	9	✓	✓	✓	AN	9	✓	✓	✓	AN	9	✓	✓
Hong Kong, China	✓	AN	7	✓	x	✓	N	Up to 8	✓	x	-	-	-	-	-
India	✓	AN	10	x	✓	✓	AN	10	x	✓	-	-	-	-	-
Indonesia	✓	N	15	✓	x	✓	N	15	✓	x	✓	N	15	✓	x
Latvia	x	N	11	✓	✓	x	N	11	✓	x	x	AN	11	✓	x/1
Lithuania	✓	N	9- 11	✓	✓	✓	N	9-10	✓	x	✓	AN	9 or 12	✓	x
Malaysia	✓	AN	11	✓	x	✓	AN	10	✓	x	-	-	-	-	-
Malta	x	AN	Vary	x	✓	✓	N	9	✓	✓	✓	N	8	x	x
Romania	✓	N	13	✓	✓	✓	N	2-12	✓	x	✓	AN	2-12	✓	x
Russia	✓	N	10, 12	✓	x	✓	N	12	✓	x	✓	N	10, 12	✓	x
Saudi Arabia	✓	N	10	✓	x	✓	N	10	✓	x	-	-	-	-	-
Singapore	x/1	AN	9	✓	x	x/1	AN	10	✓	x	x/1	AN	9 (10)	✓	x
South Africa	✓	N	10	✓	x	✓	N	10	✓	x	✓	N	10	✓	x

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 340.

TIN: Taxpayer Identification Number, **AN**: Alpha-Number, **N**: Number

Source: Information Series compiled by CFA, Working Party 8 and CIS survey responses.

Table 9.4. **Use of taxpayer identifiers for information reporting and matching**

	Use of taxpayer identifiers (or some other number) for information reporting and matching					
Country	Employers: wages	Government agencies: pensions and benefits	Financial institutions: interest	Companies: dividends	Government agencies: asset sales and purchases	Prescribed contractors: payments to sub-contractors
OECD countries						
Australia	✓	✓	✓	✓	x	x
Austria	✓	✓	x	x	x	x
Belgium	✓	✓	✓	x	x	x
Canada	✓	✓	✓	✓	some	✓
Chile	✓	✓	✓	✓	x	x
Czech Rep.	✓	✓	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	x
Estonia	✓	✓	✓	✓	✓	x
Finland	✓	✓	✓	✓	✓	✓
France	x	x	x	x	x	✓
Germany/1	✓	✓/1	x	x	x	x
Greece	✓	✓	✓	✓	✓	✓
Hungary	✓	✓	✓	✓	✓	✓
Iceland	✓	✓	✓	✓	✓	✓
Ireland/1	✓	✓	✓/1	x	x	✓
Israel	✓	✓	✓	✓	x	x
Italy	✓	✓	✓	✓	✓	✓
Japan	x	x	x	x	x	x
Korea	✓	✓	✓	✓	✓	✓
Luxembourg	✓	✓	x	✓	✓	✓
Mexico	✓	✓	✓	✓	x	✓
Netherlands	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	x	✓
Norway	✓	✓	✓	✓	✓	✓
Poland	✓	✓	✓	✓	✓	✓
Portugal/1	✓	✓	✓	✓	✓	✓
Slovak Rep.	x	x	x	x	x	x
Slovenia	✓	✓	✓	✓	x	x
Spain	✓	✓	✓	✓	✓	✓
Sweden/1	✓	✓	✓	✓	✓	x
Switzerland	✓	x	x	x	x	x
Turkey	x	x	x	x	x	x
United Kingdom	✓	✓	✓	x	✓	✓
United States	✓	✓	✓	✓	x	✓
Non-OECD countries						
Argentina	✓	✓	✓	✓	✓	✓
Brazil	✓	✓	✓	✓	✓	✓
Bulgaria	✓	✓	✓	✓	✓	✓
China	✓	✓	✓	✓	✓	✓
Colombia	✓	✓	✓	✓	✓	✓
Cyprus/1	✓	✓/2	x	✓	✓	x
Hong Kong, China	✓	✓	n.a.	n.a.	n.a.	n.a.
India	✓	✓	✓	✓	✓	✓
Indonesia	✓	x	x	x	✓	✓
Latvia	✓	✓	✓	✓	n.a.	n.a.
Lithuania	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	x	x	x	x
Malta	✓	✓	✓	✓	✓	✓
Romania	✓	✓	✓	✓	✓	x
Russia	✓	✓	✓	✓/1	✓	x
Saudi Arabia	x	x	x	x	x	x
Singapore	✓/1	✓/1	x	x/1	x/2	✓/2
South Africa	✓	✓	✓	✓/1	✓	x

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 341.

Source: CIS survey responses.

Collection and assessment of taxes

Income taxes

The policy decisions that shape the frameworks for collecting and assessing taxes are often influenced by decisions made outside a revenue body's control. However, these decisions can have significant implications for the compliance burden imposed on taxpayers, how the tax system is to be administered and the resulting workload for the revenue body, as well as general efficiency and effectiveness considerations. This section focuses on arrangements for the collection and assessment of income taxes.

Overview – withholding regimes

Withholding at source arrangements are generally regarded as the cornerstone of an effective income tax system. Imposing the obligation on independent third parties such as employers and financial institutions to withhold an amount of tax from payments of income to taxpayers: 1) significantly reduces, if not eliminates, their ability to understate such income for tax assessment purposes; 2) is a more cost efficient way for both taxpayers and the revenue body to transact the payment of taxes; and 3) it reduces the incidence of unpaid taxes that might otherwise arise where taxpayers properly report their income but are unable to pay some/all of the tax assessed.

Published research findings of selected revenue bodies (Swedish Tax Agency, 2008, United Kingdom HMRC, 2012; United States IRS, 2012) clearly indicate that there are significant compliance-related benefits from the use of withholding. Furthermore, the timely remittance of amounts withheld by payers to the revenue body ensures a good flow of revenue to Government accounts and thereby facilitates budgetary management.

In practice, withholding is most commonly applied to employment income – of the 52 countries covered by this series only four (*i.e.* France, Hong Kong, Singapore and Switzerland) do not use withholding regimes for the collection of personal income tax from employment income, although in the case of France, withholding is applied for the collection of SSC from employment income. In all four countries, reporting regimes ensure that the revenue body has a record of each employee's annual employment income, facilitating the checking of tax returns, while taxpayers are generally required to make advance payments of tax.

Withholding regimes for employment income

As already noted, withholding regimes are almost universally applied for the collection of personal income tax on employment income. However, there are some significant differences in the design of these regimes, with implications for how they operate in practice and the responsibilities and costs they impose on employers, taxpayers and revenue bodies.

1) Cumulative withholding regimes

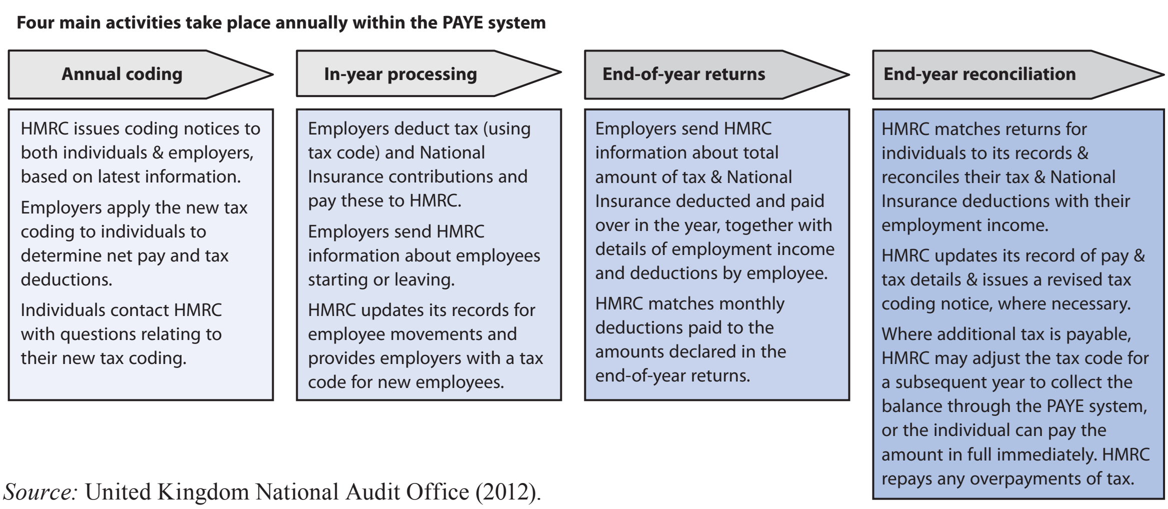
The objective of the cumulative approach to employee withholding is to ensure that for the majority of employees the total amount of taxes withheld over the course of a fiscal year matches their full-year tax liability. To the extent this is achieved, employees are freed of the obligation to prepare and file an annual tax return, the primary benefit frequently attributed to the cumulative approach. Under this approach, employees are required to provide employers with details of relevant entitlements to assist them determine the amount of tax to be deducted from their earnings. In some countries (*e.g.* Ireland and UK), employees provide this information to the revenue body which in turn advises the employer of a code that determines the amount of tax to be deducted from earnings. Employers withhold tax from income paid, as required, determining amounts to be withheld on a progressive/cumulative basis over the course of the fiscal year. Employees changing jobs during the course of a fiscal year must inform their new employer of their tax position and, in some countries, the revenue body as well.

Under the cumulative approach, employees tend to have few entitlements (that reduce tax payable) as this enables greater accuracy in calculating the amount of taxes withheld over the course of a fiscal year vis-à-vis their end-of year tax liabilities. However, in two countries (*i.e.* Japan and Korea), employee taxpayers can present details of certain deductions/entitlements to their employers towards the end of the fiscal year for an adjustment to their overall withholdings for the year.

Employers report annually or more regularly in some countries, to revenue bodies on incomes paid and taxes withheld in respect of individual employees. Increasingly, this reporting is being done using electronic reporting methods. For some countries, this reporting facilitates checks that are carried out to ensure that the correct amount of tax has been paid and/or to determine whether taxpayers are required to file a tax return. In practice, the operation of withholding regimes for other categories of income (*e.g.* for interest income) complement the employment cumulative withholding arrangements and together ensure that most employees are not required to file an end-year tax return.

The United Kingdom's PAYE system, administered by HMRC, is based on the cumulative approach, and its operation is depicted in Figure 9.1.

Figure 9.1. **Key stages in the PAYE annual cycle**



Source: United Kingdom National Audit Office (2012).

2) Non-cumulative withholding

The alternate approach to withholding on employment income is described as "non-cumulative". By way of contrast, the non-cumulative withholding approach operates on a "pay period" basis for each employee. Under this approach, employers withhold taxes for each pay period having regard to their gross income, known entitlements (that may reduce the amount to be withheld) and the rate of withholding to be applied. Where an employee changes jobs, the new employer simply commences the withholding process on the employee's future income without regard to his/her previous employment withholdings.

However, as this approach involves a less precise form of withholding, the amount deducted for each employee over the course of a fiscal year represents only an approximation of their full-year tax liability. In these circumstances, employees are normally required to file annual tax returns to ensure that the correct overall amount of tax is paid (and to obtain a refund of any overpaid tax), taking account of all categories of assessable income and entitlements (*e.g.* tax deductions and credits), as well as any other responsibilities administered by the revenue body that may be linked to the personal tax system (*e.g.* collection of student loans).

Information on the regimes of employers' withholding, payment and reporting obligations of surveyed revenue bodies is set out in Table 9.7. Among other things, this table reveals that of the 48 revenue bodies administering employer withholding regimes, around two thirds administer "cumulative" type regimes. These include OECD countries such as Ireland, Japan, Korea, New Zealand, Spain, and the United Kingdom, and selected other countries such as Argentina, Bulgaria and South Africa. Use of the non-cumulative withholding approach is limited to less than half of surveyed countries, including Australia, Canada, Finland, Malaysia, Malta, Norway, Portugal, Sweden, and the USA.

3) The pros and cons of cumulative and non-cumulative regimes

Providing an exhaustive account of the advantages and disadvantages of both the cumulative and non-cumulative approaches is beyond the scope of this series, particularly given the many differences in the personal tax legislative framework applying from country to country. However, it is possible to make some general observations, drawing on various published reports and other FTA work.

Concerning the cumulative approach, the view is sometimes expressed that it is highly attractive (and beneficial) because it eliminates the requirement for annual tax returns from most employees, which would otherwise have to be processed by the revenue body. In other words, applying this approach frees large numbers of employees of a significant compliance burden while the revenue body avoids the cost of processing tax returns. These arguments are particularly relevant and persuasive in countries with relatively new tax systems where the level of awareness and understanding of the tax system is likely to be very low, and/or where the costs of having most employees prepare tax returns which must be processed by the revenue body are likely to be significant. However, the administration of cumulative regimes presents some additional costs which may be significant depending on a range of factors (*e.g.* the degree of automation and complexity of tax law). Such regimes, with their objective of achieving an exact amount of withholding pay-by-pay, can be costly for employers to administer and their operation requires considerable in-year administrative action by the revenue body (*e.g.* dealing with adjustments to entitlements and changes of employment that affect an employee's withholding) to achieve withholding precision. The extent of these costs will depend on a variety of factors, including the extent of employment mobility and tax law complexity.

The CIS 2010 edition recounted the experiences of revenue bodies in New Zealand and the United Kingdom concerning issues that had arisen in the administration of their respective systems of cumulative PAYE, and made reference to a number of possible solutions being considered. Boxes 9.4 and 9.5 provide an update on how these revenue bodies are moving ahead.

In countries where employees are generally required to prepare and file end-year tax returns to reconcile their fiscal year tax situation, including those using non-cumulative PAYE regimes, significant costs potentially arise for taxpayers and the revenue body from the

Box 9.4. **New Zealand: Making tax time easier proposals**

In June 2010, the New Zealand Government released a discussion document *Making tax easier* and consulted the public with an online forum. The document proposed changes which support the Government's goal of a tax system that encourages innovation and growth, without imposing unnecessary compliance costs upon taxpayers. With this in mind, the discussion document and forum outlined several proposals to reform the way tax is administered. The key proposals were:

- Reduce the use of paper forms in administering the tax system and increase online services and technology, including a proposal to mandate the use of electronic services
- Reform the PAYE and personal tax summary process, including a proposal to make PAYE a final tax for many taxpayers; and
- Introduce a new framework for sharing information, where appropriate and with safeguards, with other government agencies.

While generally supportive of the overall objective to make tax administration more efficient by making greater use of online services, submissions were not supportive of the proposals to mandate their use, or of the proposal to make PAYE a final tax. The Government has taken into account the views expressed by submitters, while still aiming to achieve the Government's goals for an efficient, innovative tax system. The changes passed into law in 2012 will take effect in the 2016/17 tax year. They include:

- Requiring taxpayers who choose to file a tax return to do so for the previous four years as well as for the current year;
- Removing the requirement for taxpayers to file an income tax return merely because they receive the family benefit, "Working for Families";
- Allowing the Commissioner of Inland Revenue to authorise data storage providers to store their clients' tax records offshore, and being able to revoke any such authorisation; and
- Allowing taxpayers who submit their returns electronically to store them electronically.

Overall, these proposals should reduce compliance costs for businesses and individuals, while helping Inland Revenue to achieve its goal of delivering the bulk of its services online in future. The proposals will also be supplemented by an internal strategy aimed at moving taxpayers to electronic services.

The *Making tax easier* initiative has been incorporated into the Business Transformation programme which is described in Chapter 2.

Source. CIS survey reponse from NZ IR (February 2013).

requirement to prepare and process tax returns. However, over the last two decades technology has increasingly been used to significantly streamline and automate these processes and reduce their attendant costs. These developments include, as described in Chapter 7 of the series, electronic filing and, most importantly, the use of fully or partially completed pre-filled tax returns that can be accessed electronically by taxpayers and their representatives.

At the end of the day, these quite different approaches to personal tax administration for employee taxpayers turn largely on whether absolute precision in pay-by-pay withholdings is an objective worth pursuing for the majority of employees, or whether a simpler approach entailing approximate in-year withholdings and an end-year reconciliation (largely automated) is to be preferred. Factors such as the complexity of the tax law and demographic factors (*e.g.* ageing populations with a more diverse range of incomes) are likely to be quite relevant to these considerations and may have quite different applicability across the 52 countries covered by this series.

Tables 9.5 and 9.6 set out information on the extent of withholding and related information reporting obligations across revenue bodies in respect of both resident and non-resident

Box 9.5. **United Kingdom: Issues in PAYE administration and possible solutions**

In commenting on UK's PAYE regime in 2010, UK audit authorities noted that

> The Department's former PAYE computer systems were designed at a time when it was usual for people to have one source of employment and not change employer very frequently. The systems therefore structured records around employments rather than individual taxpayers, and these were held in 12 regional databases which were assigned to specific tax offices. Working patterns have changed, with many taxpayers having more than one job or frequently moving jobs (such as students), and the number of people with multiple sources of income (such as working pensioners) has increased. As the Department's records of some individuals' employments have become spread across more than one of its regional databases, it became increasingly difficult for it to bring together a complete picture of an individual's employments identifying all relevant sources of income, increasing the risk of people paying the incorrect amount of tax.
>
> The challenges in processing PAYE have contributed to an increase in the volume of cases identified through the Department's end of year reconciliation process that require manual checking […].

Over recent years, HMRC has introduced a major upgrade of its PAYE service that, among other things, brings together all employment records, thereby enabling it to produce a complete picture of each individual's employment and pension income. This enhancement is expected to produce considerable benefits although, as noted above, there remains a considerable backlog of open cases.

In a consultation paper published in July 2010, HMRC set out a number of reform options for consultation with a view to their possible adoption over the medium/long term. These included a proposal to move to a system of real-time information where the majority of employers would report electronically and contemporaneously as wages are paid and taxes withheld. Currently, employers only report individual employees' aggregate income and deduction details at the end of each fiscal year.

An additional option offered for consideration entailed a system of "centralised deductions". This idea envisages most/all employers having an electronic interface with HMRC – the employer would send the gross payment through the electronic payment system to a central calculator where the deductions calculated by HMRC would be made automatically. The resulting net payment would be sent to the individual's bank account and the deductions would be paid directly to Government.

In commenting in 2012 on further developments, UK audit authorities noted:

> HMRC is now moving ahead with plans to implement its initiative "Real time information". As reported in 2012, The next major change for the PAYE service is introducing Real Time Information (RTI), where employers must report employees' income tax and National Insurance deductions as they pay them rather than at year-end. Under RTI, some elements of the PAYE process will no longer be required, such as employer end-of-year returns and in-year forms for starters and leavers. It should also reduce the time to complete end-of-year reconciliations, increasing the number of automated reconciliations. However, end-of-year reconciliations will still be needed as, for example, the Department would only be notified of benefit in kind information, such as company cars, at the end of the tax year.
>
> The timetable for implementation of RTI is challenging […]. The Department for Work and Pension's timetable to implement Universal Credit is driving the timetable to roll-out RTI. The Department for Work and Pensions requires real time PAYE information on employment and pension income to award and adjust Universal Credit. It is rolling out Universal Credit from October 2013 to 2017. All employers and pension providers need to be using RTI by October 2013 to meet this timetable. The Department met its milestone to start its RTI pilot in April 2012 with ten employers. By July 2012, it expects a further 310 employers will be using RTI. At 31 May 2012, 209 PAYE schemes covering 1.5 million individual records were using RTI.

Source: Reports by the Comptroller and Auditor General on HMRC Accounts 2009-10 and 2011-12.

taxpayers, while Table 9.7 provides more information on the timing and frequency of related payment and reporting obligations. The key observations are set out below:

- All but four countries (*i.e.* France, Hong Kong, Singapore, and Switzerland) apply "withholding at source" requirements for the collection of personal income taxes (and in most countries where applicable, social security contributions) on employment income.
- Employers are typically required to deduct tax from salaries and wages and remit withheld taxes on a <u>monthly</u> basis. However, four countries (Australia, Canada, New Zealand, and the United States) expedite the collection of employer withholdings from very large employers through more frequent payment obligations.
- To reduce the administrative burden on smaller businesses, around one third of countries provide a bi-monthly, quarterly, and/or annual payment cycle.
- The frequency of employers' income reporting obligation varies significantly across surveyed countries-in around one half, employers must report monthly or quarterly, while for the balance employers are required to report on an annual basis only; this variation in reporting requirements suggests there are substantial differences in the compliance burden imposed on employers and the associated workload of revenue bodies, although it is known that some revenue bodies have taken steps in co-operation with employers to automate much of this regular reporting obligation.

Withholding regimes for other categories of income

In addition to employment income, many countries apply withholding at source arrangements to other categories of income – see Table 9.5. The key observations from the information reported are as follows:

- Over two-thirds of revenue bodies administer withholding regimes for the collection of income tax – as a final or creditable tax – in respect of interest income (38 revenue bodies) and dividend income (37 revenue bodies) made to resident taxpayers.
- Just over one third of revenue bodies reported the use of withholding arrangements in respect of payments made to certain businesses and others prescribed in their respective tax laws. (Examples of such regimes are set out in Box 9.6.)
- Other categories of income subject to withholding were certain rents (18 bodies), royalties and patents (29 bodies), sales of shares (15 bodies), sales of real property (12 bodies).

Use of third party information reporting requirements

In practice, most withholding regimes are complemented by the reporting of information to the revenue body on individual payees (*e.g.* name of payee, their identification number, amount paid, and amount of taxes withheld). In the absence of a withholding requirement, systems of information reporting in their own right are an important compliance tool for the administration of income tax systems in many countries. As evidenced from the cited US research considerably higher rates of compliance are achievable where income is subject to systematic reporting and matching with tax records, compared to where this is not the case. For the purpose of this series, the term "*third party information reporting*" refers to a mandatory requirement on prescribed third parties (*e.g.* businesses, financial institutions, and government agencies) to report payments of income (and other tax-related transactions) and payee details (generally with a taxpayer identifying number) to the revenue body. Traditionally, these reports have been used to verify the information reported by taxpayers in their returns. However, a more recent development has seen use of these reports to pre-fill tax returns, which is discussed later in this chapter.

In contrast to the high cost of and low audit coverage that can be achieved with traditional audit processes, comprehensive programmes of information reporting and matching can provide an extremely effective tool to screen a revenue body's taxpayer records, both to detect non-compliance and to encourage the correct reporting of tax liabilities. However, there are generally two pre-conditions for such arrangements to be sufficiently efficient to make them attractive to revenue bodies: 1) electronic reporting by third parties of information reports; and 2) the use of a high integrity taxpayer identifier to facilitate the matching of information reports with revenue body records.

As indicated in Table 9.5, 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 across countries. Examples of revenue bodies with substantial information reporting regimes (that go beyond the traditional categories of employment and investment income) are set out in Box 9.7.

Box 9.6. **Withholding regimes and self-employment/business income**

Previous FTA work has described how some countries use tax withholding arrangements as the primary method for collecting income tax for categories of self-employment income. Some examples from this work are provided below:

Ireland

Professional Services Withholding Tax: This is a withholding and reporting regime covering prescribed professional services: 1) medical, dental, pharmaceutical, optical, veterinary; 2) architectural, engineering, surveying and related services; 3) accounting, auditing, finance, advertising, marketing; 4) legal services; and 5) geological services.

Relevant contracts tax: The regime applies to payments by principal contactors for construction, forestry and meat processing operations. Since 2012, all contracts entered into and payments made must be notified to Irish Revenue in real time using Revenue's Online Service (ROS). Revenue respond to payment notifications in real time advising the principal contractor of the rate of tax to be deducted from the payment to the subcontractor.

For compliant subcontractors the rate of tax to be applied is 0%. For substantially compliant subcontractors, the rate of tax to be applied is 20%. Where the subcontractor is unknown to Revenue, or has serious compliance issues that are not being addressed, the rate of tax to be applied is 20%. The subcontractor will automatically be credited with the deducted tax for offset against any other tax liabilities they may have. Any excess tax can only be refunded once the annual Income Tax or Corporation Tax return for the period has been filed.

The return filing frequency for the principal contractor is either monthly or quarterly, depending on size. Revenue pre-populate a summary based on the payment notifications made by the principal during the return period and make this summary available through ROS. The principal has the opportunity to make amendments to the summary and sign and submit an amended return. Otherwise, the summary automatically becomes the return on the return filing date. As all information is now supplied either monthly or quarterly, there is no annual return.

United Kingdom

Construction industry scheme (CIS): The CIS is a withholding and reporting regime for contractors in the construction industry. A contractor may be a construction company and building firm, as well as a Government department or local authority and other businesses known in the industry as "clients". Non-construction businesses or other concerns are treated as contractors if their average annual expenditure on construction operations over a period of 3 years is GBP 1 million or more. Contractors must withhold tax at varying rates from payments to subcontractors unless the subcontractor is entitled to exemption from withholding. Sub-contractors who can pass a business test, a turnover test, and a good compliance test administered by the revenue body can be paid "gross" (*i.e.* no withholding).

Sources: Withholding and Information Reporting Regimes for Small/Medium-sized Businesses and Self-employed Taxpayers (OECD FTA, September 2009) and Ireland's CIS 2012 response.

Table 9.5. **Withholding and reporting regimes for income of resident taxpayers**

	Type of income normally subject to withholding (**W**) and/or reporting (**R**) where paid to resident taxpayer								
Country	Wages and salaries	Dividends	Interest	Rents	Prescribed business/ self-employed	Royalties and patents	Sale/purchase: Shares	Sale/purchase: Real estate	Other income types
OECD countries									
Australia/1	W, R	R	R	-	-	-	-	-	-
Austria/1	W, R	W	W	-	R/1	-	W	W, R	-
Belgium/1	W, R	W	W	W, R	R/1	W, R	-	R	-
Canada/1	W, R	R	R	-	R	R	R	R/1	W, R
Chile	W, R	R	W/1, R	R/1	W, R	-	R	R	W, R/1
Czech Rep.	W	W	W	-	R	-	-	-	W
Denmark/1	W, R	R	R	R	-	W, R	-	-	W, R/1
Estonia/1	W, R	-/1	-	W, R	-	W, R	R	-	W, R
Finland/1	W, R	W, R	W, R/1	-	W, R	W, R	R/1	R	W, R
France	R	R/1	R/1	R	R	R	R	R	R
Germany/1	W, R	W	W	-	-	-	W	R	R
Greece	W, R	W, R	W, R	R/1	W, R	W, R	R	W, R	-
Hungary/1	W, R	W, R	W	W, R	-	W, R	-	-	W, R
Iceland	W, R	W, R	W, R	R	W,R	R	R	-	W, R
Ireland/1	W, R	W, R	W, R	-	W/1, R	W, R	-	R	-
Israel	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Italy/1	W, R	W, R/1	W	-	W, R	W, R	W, R/1	-	-
Japan/1	W, R	W, R	W, R	R	W, R	W, R	W, R	R	/1
Korea/1	W, R	W, R	W, R	R	W, R	W, R	-	-	W, R/1
Luxembourg	W, R	W	W/1	W, R	-	-	-	-	-
Mexico/1	W, R	R	W, R	W, R	W, R/1	W, R	W, R	W, R	W, R
Netherlands	W, R	W	R/1	-	W,R/2	-	R/3	R/3	-
New Zealand	W, R	W/1, R	W, R	-	W, R	-	-	-	-
Norway	W, R	W, R	R	-	R	-	R	-	-
Poland	W, R	W	W	-	-	W, R	R	-	W, R
Portugal/1	W, R	W, R	W, R	W/1, R	W/1, R	W, R	R	R	-
Slovak Rep/1	W, R	-	W, R	R	R	W, R	R	R	W, R
Slovenia	W, R	W, R	W, R/1	W, R	W, R/1	W, R	-	-	-
Spain	W, R	W, R	W, R	W, R	W/1, R	W, R	R	R	W/1, R
Sweden	W, R	W, R	W, R	R	-	R	R	R	R
Switzerland	W, R/1	W	W	-	R	-	-	-	-
Turkey	W, R	W, R	W, R	W, R	W, R	W, R	W, R	-	-
United Kingdom	W, R	-	W, R/1	-	W, R/2	W, R	W, R	R	-
United States	W, R	R	R	-	-	-	R	-	-
Non-OECD countries									
Argentina	W, R	W, R	W, R	W, R	W, R	W, R	R	W, R	W, R
Brazil	W, R	R	W, R	R	W, R	W, R	W, R	R	R
Bulgaria	W, R	W, R	-	R	R	W, R	R	R	-
China	W, R	W, R	W, R	R	W, R	W, R	W, R	R	-
Colombia	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Cyprus	W, R	W, R	w	w,r/3	-	-	R/1	R/2	-
Hong Kong, China	R	-	-	-	R	-	-	-	-
India	W	W	W	W	-	-	-	W	-
Indonesia	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Latvia	W, R	W, R	W, R	W, R/1	R	W, R	R	R/1	-
Lithuania	W, R	W, R	W, R	W, R	R	W, R	R	R	W, R
Malaysia	W, R	-	-	-	-R	-	-	W/1, R	-
Malta	W, R	W, R	W, R	-	-	-	W, R	W, R	-
Romania	W, R	W, R	W, R	-	W, R/1	W, R	W, R	W, R	W, R
Russia	W, R	W, R	W, R	W/1, R	R	W, R	W,R	R	W, R
Saudi Arabia	-	R	-	R	R	R	R	-	-
Singapore	R	-	-	-	-	-	-	-	-
South Africa	W, R	W, R	R	-	-	-	R	-	W, R

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 341.
Source: CIS survey responses.

Table 9.6. **Withholding and reporting regimes for income of non-resident taxpayers**

Country	Type of income normally subject to withholding (**W**) and/or reporting (**R**) where paid to non-resident taxpayer								
	Wages and salaries	Dividends	Interest	Rents	Prescribed business/ self-employed	Royalties and patents	Sales/purchases: Shares	Sales/purchases: Real Estate	Other income types
OECD countries									
Australia	W, R	W, R	W, R	-	W, R	W, R	-	-	-
Austria	W, R	W	W	-	W, R	W	W	W, R	-
Belgium	W, R	W	W	W, R	R	W, R	-	R	-
Canada	W, R	W, R	W, R	W, R	R	W, R	R	R	W, R
Chile	W, R	W, R	W, R	W, R	W, R	W, R	W, R/1	W, R/1	W, R
Czech Rep.	W, R	W, R	W, R	-	R	W, R	-	-	W, R
Denmark	W, R	R	R	R	-	W, R	-	-	W, R
Estonia									
Finland	W, R	W, R	R	-	W, R	W, R	R/1	R/1	W, R
France	W, R	W, R	W, R	R	R	W, R	R	R	-
Germany/1	W, R	W	-	-	W	W, R	W	R	R/1
Greece	W, R	W/1, R	W/1, R	R/2	W, R	W/1, R	/3, R	W, R	
Hungary	W, R	W, R	W	W, R	-	W, R	-	-	R
Iceland	W, R	W, R	W, R	R	W, R	W, R	W, R	-	W, R
Ireland	W, R	R	W, R	/1	W, R	W, R	-	R	-
Israel									
Italy	W, R	W/1, R	W, R/2	-	W, R	W, R	W, R/3	-	-
Japan	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Korea	W, R	W, R	W, R	R	W, R	W, R	W/1, R	W/1, R	W, R
Luxembourg	W, R	W		W, R	W/1				
Mexico	W, R	-	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Netherlands	W, R	W	R/1	-	-	-	R/ 2	R/2	-
New Zealand	W, R	R	W, R	-	W, R	-	-	-	-
Norway	W, R	W	R	-	R	-	R	-	-
Poland	W, R	W, R	W, R	-		W, R	R	-	W, R
Portugal	W, R	W, R	W, R	W, R	W, R	W, R	R/1	R	-
Slovak Rep.	W, R	-	W, R	W/1, R	R	W, R	R	R	W, R
Slovenia	-	-	-	-	-	-	-	-	-
Spain	W, R	W, R	W, R	W, R	W, R	W, R	R	W, R	W, R
Sweden	W, R	W, R	R	R	-	R	R	R	R
Switzerland/1	W, R	W	W	-	W, R	-	-	-	-
Turkey	W, R	W, R	W, R	-	W, R	-	W, R	-	-
United Kingdom/1	R	-	W, R	W, R		W, R	R	R	-
United States	W, R	W, R	W, R	-	W, R	W, R	R	W, R	W, R
Non-OECD countries									
Argentina	/1	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Brazil	W, R	R	W, R	W, R	W, R	W, R	R	R	W, R
Bulgaria	W, R	W, R	-	R	R	W, R	R	R	-
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Cyprus	W, R/1	R	R/1		W/1	W/1	R/1	R/1	W/1
Hong Kong, China	R	-	-	-	W, R	W, R	-	-	-
India	W	W	W	W	-	W	-	W	-
Indonesia	W	W	W	W	W	W	W	W	W
Latvia	W, R	W, R	W, R	W/1, R	R	W, R	W, R	W, R	-
Lithuania	W, R	W, R	W, R	W, R	R	W, R	R	W, R	-
Malaysia	W, R	-	W, R	-	-	W, R	-	W, R	-
Malta	W, R	W, R	R	-	-	-	W, R	W, R	-
Romania	W, R	W, R	W, R	-	W, R	W, R	W, R	W, R	W, R
Russia	W	W	W, R/1	W, R/1	R	W, R/1	W, R/1	W, R/1	W, R/1
Saudi Arabia	-	-	--	-	-	-	-	-	-
Singapore/1	W, R/2	-	W, R	W, R	W, R	W, R	-	W, R	W, R
South Africa	W, R	W, R	R/1	-	-	W, R	R/2	W/3, R	W, R

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 342.
Source: CIS survey responses.

Box 9.7. Third party reporting regimes for self-employment/business income

Canada's Contract Payments Reporting System: This is an annual reporting regime introduced in 1999 for payments in the building and construction sector and payments by Government for services provided by business.

Ireland's system of third party returns: Traders (including farmers), professionals and other persons carrying on a business (incl. non-profit bodies and Government bodies) are required to automatically make third party returns. Broadly, the following payment categories are included: 1) Payments for services rendered in connection with the trade, profession, business, etc., whether paid on your own behalf or on behalf of someone else; 2) Payments for services rendered in connection with the formation, acquisition, development or disposal of the trade or business; and 3) Periodical or lump sum payments made in respect of any copyright. There is a prescribed list of exclusions to these requirements.

United States' Information reporting: Under the requirements of the US tax code, an extremely wide variety of transactions must be reported to the IRS, generally in electronic format, for matching with tax records. In addition to wages and investment incomes, these transactions include 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, real estate transactions, rents, and sales of securities.

Source: "*Withholding and Information Reporting Regimes for Small/Medium-sized Businesses*" prepared by the Forum on Tax Administration and published in September 2009.

The potential for the application of information reporting arrangements is best illustrated by data published by the US Internal Revenue Service on the results achieved from its reporting and matching activities that are replicated hereunder for fiscal years 2009 to 2011:

The IRS's Data Book series notes that information returns include tuition payments, interest and dividend distributions, individual retirement arrangement and medical savings account information, wage and tax statements, certain gambling winnings), and partnership, S corporation and estate/trust distributions).

Item	Number or amount reported		
	2009	2010	2011
Number of information returns received:			
Total reports (millions)	2 064 *	1 834 *	1 801
Paper (millions)	52	47	44
Electronic (millions)	1 774	1 570	1 547
Other (*e.g.* wage data from Social Security Administration (millions)	239	216	210
Automated Under-reporter program:			
Number of contacts (closed cases, millions)	3.621	4.336	4 703
Amount of additional assessments (USD billions)	6.279	7 238	6 436
Number of full-time equivalent positions used	1 900	2 255	2 343
Automated Substitute for Return program: **			
Number of contacts (closed cases, millions)	1 385	1 175	1 395
Amount of additional assessments (USD billions)	16.649	13.441	14 373
Number of full-time equivalent positions used	331	326	290

* 2011 Data Book advises that data for 2009 and 2010 concerning numbers of returns received was revised downwards to remove information returns ultimately rejected during IRS processing. The data shown in the table revises what was reported in CIS 2010.

** Under the Automated Substitute for Return Program, the IRS uses information returns from third parties to identify tax return delinquencies, constructs tax returns for certain non-filers based on that third party information, and assesses tax, interest and penalties based on the substitute returns.

Source: IRS Data Books (2009 and 2011).

Table 9.7. **Personal income tax. Employers' withholding, payment, and reporting obligations**

Country	Employers' withholding obligation – frequency and time when payable after liability period: In general	Employers' withholding obligation – frequency and time when payable after liability period: Special rules for prescribed small (**S**) or large (**L**) employers, if any	Regime type: Cumulative or Non-cumulative	Employers' wage reporting obligation Frequency and time when reportable: In general	Employers' wage reporting obligation Frequency and time when reportable: Special rules for prescribed small (**S**) or large (**L**) employers, if any
OECD countries					
Australia/1	Monthly – within 21 days	(S): quarterly-within 21 days: (L)-6 to 9 days of payment/1;	Non-cumulative	Annually-within 6 weeks	-
Austria	Monthly – within 15 days	-	Cumulative	Annually – by end February	-
Belgium	Monthly – within 15 days after the month in which the income was paid.	Monthly (normally); SME's: under certain conditions, quarterly or yearly – within 15 days after the end of the period in which the income was paid.	Non-cumulative	Monthly – within 15 days after the month in which the income was paid.	SME's: under certain conditions, quarterly or yearly – within 15 days after the end of liability period
Canada	Monthly – by 15th day of following month	Quarterly or accelerated.	Non-cumulative	Annually – by end-February	-
Chile/1	Monthly – by 12th day of following month/1	-	Cumulative	Annually – by 23 March after end of tax year	-
Czech Rep./1	Monthly – by 20th day of following month	-	Cumulative	Annually – by 20th February after end of income year/1	-
Denmark	Monthly – by 10th day of following month	Monthly-last weekday in the month of withholding (l)	Cumulative	Annually – by 20th January after end of income year	-
Estonia	Monthly – by 10th day of following month	n.app.	Non-Cumulative	Monthly – by 10th day of following month	-
Finland	Monthly – by 12th day of following month	small employers – quarterly	Cumulative or Non-cumulative/1	Monthly – by 7th or 12th of following month and annually – by end-January of following year/1	-
France	No employer withholding required	n.app.	No withholding	Annual report of income paid etc. By 31 January of following year	-
Germany/1	Monthly-within 10 days	Quarterly/annually for smaller employers – within 10 days/1	Cumulative	Monthly, quarterly, or annually (as per payment cycle-within 10 days	See note/1.
Greece	Bi-monthly submission of payroll withholding tax return and lump-sum payment by the 20th day of March, May, July, September and January of each year.	For enterprises with more than 50 employees, the withholding tax return is monthly submitted by the 20th day of the month following the month during which the withholding has been effected.	Non-cumulative	Annual submission of a final payroll withholding tax return by the end of the last working day of March (for all employees)	n.a.
Hungary	Monthly – by 12th day of following month	n.app.	Non-cumulative	Monthly – by 12th day of following month	n.app.
Iceland	Monthly – by 15th day of the following month	n.app.	Non-cumulative/1	Monthly – by 15th day of the following month/2	n.app.
Ireland	Monthly – by 14th day of following month	Quarterly and annually (in very small cases)	Cumulative	Annually – by 15th February of following year	n.app.
Israel	Monthly – by 15th day of following month	n.app.	Cumulative	annually – by 31 March of following year	n.app.
Italy	Monthly – by 16th day of following month	n.app.	Cumulative	Annually – by end of February of following year	n.app.

Table 9.7. **Personal income tax. Employers' withholding, payment, and reporting obligations** *(continued)*

Country	Employers' withholding obligation – frequency and time when payable after liability period: In general	Employers' withholding obligation: Special rules for prescribed small (**S**) or large (**L**) employers, if any	Regime type: Cumulative or Non-cumulative	Employers' wage reporting obligation Frequency and time when reportable: In general	Employers' wage reporting obligation: Special rules for prescribed small (**S**) or large (**L**) employers, if any
Japan	Monthly – by 10th day of following month	Semi-annually (s)-by 10th day after liability period	Cumulative	Monthly – by 10th day of following month	Semi-annually (s)-by 10th day after liability period
Korea	Monthly – by 10th day of following month,	Biannually: by 10th day of following month (pre-approved small companies)	Cumulative	Monthly – by 10th day of following month	Biannually: by 10th day of following month (approved small companies)
Luxembourg	Monthly – by 10th day of following month		Cumulative	Annually	
Mexico/1	Monthly – by 17th day of following month	Small employers: six monthly/1	Cumulative	Annually – by 15th of February after the end of income year	n.app.
Netherlands	Monthly – by last day of following month	n.a.	Non-cumulative	Monthly – by last day of the following month	n.app.
New Zealand	Monthly – by 20th day of following month	(L)-twice monthly: by 20th of month for payments made up to 15th day; by the 5th of following month for payments later in the month.	Cumulative	Monthly – by 5th of next month	n.app.
Norway	Bi-monthly – by 15th day following end of bimonthly period	n.app.	Non-cumulative	Annually – by 31 January after end of income year	n.app.
Poland	Monthly-within 21 days	No	Cumulative	Annually – by end January (and by end February to taxpayer)	No
Portugal	Monthly – by 20th of following month	n.app.	Non-cumulative	Monthly – by 20th of next month and annually by end-February	n.app.
Slovak Rep.	Monthly – by 5th of following month	n.app.	Cumulative/1	Monthly by the end of the next month	n.app.
Slovenia	Monthly – by 10th of following month	n.app.	Non-cumulative	Monthly – by 10th of following month	n.app.
Spain	Quarterly – by 20th of following month	Monthly (large companies)-by 20th of following month	Cumulative/1	Annually – by 31st January after end of income year	Annually – by 20th January if the pre-printed form is used
Sweden	Monthly – by 12th day of following month	n.app.	Non-cumulative	Annually – by 31st January after end of income year	n.app.
Switzerland	--Administered by sub-national cantons – No withholding for resident taxpayers--				
Turkey/1	Monthly – by 26th day of following month	n.app.	Cumulative	Monthly – by 23th day of following month	Quarterly (for small)-on 23rd day of January, April, July, October/1
United Kingdom	Monthly/1-by 19th of following month	Quarterly (optional for s): annually – by 19th may of the following tax year	Cumulative	Annually – by 19th may of following year	n.app.
United States/1	Monthly – by 15th day of following month	(l) semi-weekly-(l) 3 business days after date of payment/1	Non-cumulative	Quarterly – by last day of month following the end of the quarter	(s) annually-(s) by last day of the month following the end of the year
Non-OECD countries					

Table 9.7. **Personal income tax. Employers' withholding, payment, and reporting obligations** *(continued)*

Country	Employers' withholding obligation – frequency and time when payable after liability period: In general	Employers' withholding obligation – frequency and time when payable after liability period: Special rules for prescribed small (**S**) or large (**L**) employers, if any	Regime type: Cumulative or Non-cumulative	Employers' wage reporting obligation Frequency and time when reportable: In general	Employers' wage reporting obligation Frequency and time when reportable: Special rules for prescribed small (**S**) or large (**L**) employers, if any
Argentina	Monthly – by 10h day of following month	Bi-annually if payment is less than ARS 2 000	Cumulative	Monthly – by 10h day of following month	n.app.
Brazil			Non-cumulative		
Bulgaria	Monthly – by 10th day of the following month	n.app.	Cumulative	Monthly-not later than the day following the day of paying the income for the respective month	n.app.
China	Monthly – by 7th day of following month	n.app.	Cumulative	Monthly – by 7th day of following month	n.app.
Colombia			Cumulative		
Cyprus	Monthly – by 30th day of following month	n.app.	Cumulative	Annually – by end April after fiscal year; 3 month extension for electronic reports	n.app.
Hong Kong, China	-	-	-	Annually – within 1 month from the first working day of April after end of fiscal year in March	-
India	n.a.	n.a.	Cumulative	n.a.	n.a.
Indonesia	Monthly – by 10th day of following month	n.app.	Cumulative	Monthly, 20th day of following month	n.appl.
Latvia	Day when employment income is paid	Quarterly – by 15th day following end of quarter/1	Cumulative	Monthly – by the date set by the revenue body	Quarterly-15 days after end of the quarter/1
Lithuania	By 15th day of month for wages paid in prior 15 days, and by end of month for wages paid from 16th to end of month.	n.app.	Non-cumulative	Monthly returns by 15th day of following month and quarterly by 15th day of the second month of the following tax period.	n.app.
Malaysia	Monthly – by 10th day of following month	n.app.	STD	Annually – by 31st March after end of income year	n.app.
Malta	Monthly – by end of following month	n.app.	Non-cumulative	Annually – by 15 February after end of income year	n.app.
Romania	Monthly – by 25th day of following month	Small: quarterly and half-yearly – by 25th day after end of liability period	Cumulative	Monthly – by 25th day of following month; Annually-28thday after end of income year	Quarterly and half-yearly – by 25th day after end of reporting period
Russia	n.a.	n.a.	Cumulative	n.a.	n.a.
Saudi Arabia	n.app.				
Singapore	No withholding system on employee income except for temporary non-citizen employees/1			Annually – by 1 March	/2
South Africa	Monthly – by 7th day of following month	n.app.	Cumulative	Mid-year reconciliation return due end-October. Year-end reconciliation return due end-May.	

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. <?>.

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

Collection of income taxes by advance/instalment payments of tax

In the absence of withholding, there is a need for an alternate approach to ensure a timely and appropriate flow of revenue into Government accounts. For this purpose, Governments have implemented systems of advance payments of tax for both the PIT and CIT.

The design on advance payment regimes for both the PIT and CIT is not a straightforward issue given a number of competing considerations. These include: 1) *compliance burden*: taxpayers should be able to readily determine their advance payments obligations and have a reasonable period of time to make payment; 2) *revenue body workload and efficiency*: the volume of payments and information to be processed by the revenue body should be minimised to avoid excessive costs; 3) *payment compliance*: excessive lagging of tax payments may jeopardise their ultimate collectability; 4*) revenue management*: government requirements for tax revenue to fund expenditure commitments; and 5) *equity*: taxpayers in similar circumstances should be treated equally.

Taking these sorts of factors into account, the vast majority of surveyed countries have evolved systems for the advanced collection of personal income and corporate profits taxes, the basic features of which are set out in Tables 9.8 and 9.9. The key observations are set out hereunder:

Personal income tax

- With only one exception (*i.e.* Singapore), all countries provide for the graduated collection of PIT on income not subject to withholding (*e.g.* income of self-employed persons) with a regime of advance/instalment payments; however the requirements of these arrangements vary substantially in terms of the number of payments to be made, the basis of their computation, and their timing.
- Most countries aim to maximise the amount of tax collected by advance payment regimes <u>within the year the relevant income is derived</u>; typically, this is achieved with a regime of monthly and/or quarterly instalments to be made largely within the year of income; a number of revenue bodies apply thresholds in respect of relatively small liabilities to minimise the numbers of low value payment transactions.
- There are a variety of bases used for the calculation of advance payments (*e.g.* proportion of prior year tax, proportion of estimated current year liability) reflecting, on the one hand, the objective of facilitating administration and, on the other, aligning the amount of tax paid to the income actually derived.
- Compared to the arrangements prevailing in the vast majority of countries, a few countries (*e.g.* France, Singapore and United Kingdom) offer unusually generous periods within their legislative frameworks for making tax payments, resulting in considerable lags in tax collection.
- At least 20% of revenue bodies appear to require monthly advance payments from taxpayers with relatively small liabilities, suggesting opportunities for reducing taxpayers' compliance burden and reducing low value administrative workloads.
- Many countries have aligned the requirements (*e.g.* timing and bases of computation) of their PIT (largely self-employed taxpayers) and CIT advance payment regimes.

Corporate income tax

- With one exception (*i.e.* Singapore), all countries provide for the gradual collection of CIT with a regime of advance 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).
- Most countries aim to maximise the amount of tax collected by advance payment regimes within the year the relevant income is derived; typically, this is achieved with a regime of monthly (for large taxpayers) and quarterly (for small/medium sized taxpayers) advance payments to be made largely within the year of income.
- A very small number of countries (*e.g.* Norway, Singapore, and United Kingdom) offer unusually generous periods within their legislative frameworks for making of tax payments, resulting in considerable lags in tax collection.

Administrative assessment and self-assessment regimes

Most non-European 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 some level of examination of all/most returns by technical officials prior to issuing assessments to taxpayers. From the information in Tables 9.8 and 9.9, it can be seen that for the PIT, around half of OECD revenue bodies (18) apply self-assessment principles while for the CIT, the proportion is around two thirds (22). Countries not applying self assessment are exclusively from within Europe. The corresponding figures for non-OECD countries are slightly higher-for the PIT, 9 of 15 revenue bodies and for the CIT, 13 of 15 revenue bodies. The slightly higher proportions evident in non-OECD countries may be due to a number of factors (*e.g.* the more recent introduction of new tax regimes, and related efforts to enhance revenue mobilisation).

Generally speaking, the adoption of self assessment principles in the countries concerned reflects a desire to move away from in-house administrative assessment procedures in favor of more comprehensive and targeted approaches to providing help and assistance to taxpayers, and to the systemic verification of reported tax liabilities through risk-based desk and field audits and computerized matching of income reports. In countries where self-assessment has been adopted, it has generally been initiated with the objective of improving overall compliance with the laws and increasing operational efficiency by (1) the earlier collection of tax revenue; (2) streamlining the system of returns processing; and (3) reducing the incidence of disputed assessments. The data in Tables 9.8 and 9.9, along with data on dispute volumes in Tables 6.14 and 6.15 (Chapter 6), partially bear out these observations. Revenue bodies operating systems of assessment (as opposed to self-assessment) tend to report substantially and proportionally larger volumes of dispute cases, for example:

	Administrative assessment applies		Dispute volumes (finalised cases)	
Country	PIT	CIT	2010	2011
Austria	✓	✓	145 539	145 440
Denmark	✓	✓	67 615	93 448
France	✓	x	3 615 744	3 580 454
Germany	✓	✓	5 252 592	4 149 543
Netherlands	✓	✓	400 009	439 033
Norway	✓	✓	64 572	82 270

	Administrative assessment applies		Dispute volumes (finalised cases)	
Country	PIT	CIT	2010	2011
Portugal	✓	✓	52 684	49 756
Australia	x	x	21 807	24 513
Japan	x	x	7 590	8 463
Korea	x	x	5 940	5 905

In those countries applying self assessment principles, 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; by way of contrast, countries applying administrative assessment approaches tend to allow longer periods for return filing and any residual tax is due after assessment. On the other hand, it should also be recognised that some revenue bodies using systems of administrative assessment have largely automated their return processing operations and risk assessment procedures so that only a small proportion of tax returns are identified for technical scrutiny before a formal notice of assessment is sent to the taxpayer.

Table 9.8. **Personal income tax: payment and return filing obligations**

	Advance payments of personal income tax (other than taxes withheld at source)			Requirements for annual tax return			
Country	Who is liable/1	Frequency of payments and time when normally payable/2	Basis of payment computation	Time when return due after end of fiscal year/3	Time when is final tax is due after end of fiscal period/3	Returns are self-assessed	Returns are required from employees
OECD countries							
Australia	All with income not taxed at source (small threshold applies)	Quarterly (only in 3rd and 4th quarters for certain payers): 28 days after the end of each quarter of income year	Gross quarterly income x PY average tax rate <u>or</u> 25% of PY tax (+ GDP adjustment)	4 months (tax agents can file progressively up to 9 months)	n.a.	✓	✓
Austria	Self-employed	Quarterly: by 15 February, May, August, and November of income year	25% of the prior year's tax plus adjustment factor	4 months (paper), 6 months (e-filed); extension possible if registered tax agent)	One month after assessment issued	x	x
Belgium/4	Self-employed and other specified individuals	Four (optional) – by 10 April, July, and October, and 22 December of income year	Determined by taxpayer	6 months	2 months after issue of assessment notice.	x	✓
Canada	All with income not taxed or not sufficiently taxed at source (small threshold applies)	Quarterly: by 15 March, June, September and December of income year; annually for farmers and fishermen-by 31 December	25% of PY tax, or CY estimate, or amount shown on reminder. Farmers and fishermen – 2/3 of PY tax.	4 months (5 and a half months for self-employed and their spouse or common law partner	4 months	✓	✓
Chile/4	Self-employed	Monthly: by 12th day of the following month/4	10% of monthly receipts	4 months	4 months (with return)	✓	x
Czech Rep./4	All with income other than employment income	Small: 4 quarterly: by 15th day of 3rd, 6th, 9th, and 12th months of income year	1/12 (large) or ¼ (small) of prior year's tax	3 months (can be extended by 3 months if tax advisor used)	Due with filing of return)	x	x
Denmark	All with income not taxed at source	Monthly (for 10 months): by 20th of each month: January-May, July-November of income year	10% of estimated tax ability	4 months (for pre-filled returns); 6 months for others	3 instalments – in Sept, Oct and Nov. After assessment	x	✓ (extensive use of pre-filled returns)
Estonia/4	Self-employed	Three instalments: by 15th day of June, September, and December of income year	25% of PY tax	3 months	Varies/5	✓	✓ (extensive use of pre-filled returns)
Finland	All income not subject to withholding	Monthly: by the 23rd day of each month in income year	1/12 of the prior year's tax or pro rated share of estimated current year's tax	Varies for different types of taxpayers	2 instalments, in December and February after assessment)	x	✓ (extensive use of pre-filled returns)
France	All personal taxpayers (no withholding system, except employees' social contributions)	Three payments: by 15th day of February, May and September of assessment year	33.3% of PY tax	5-6 months (business income earners)	1 month after assessment issued From September to December of assessment year	x	✓
		Monthly over 10 months (optional)- from January To October of assessment year	10% of PY tax				

Table 9.8. **Personal income tax: payment and return filing obligations** *(continued)*

	Advance payments of personal income tax (other than taxes withheld at source)			Requirements for annual tax return			
Country	Who is liable/1	Frequency of payments and time when normally payable/2	Basis of payment computation	Time when return due after end of fiscal year/3	Time when is final tax is due after end of fiscal period/3	Returns are self-assessed	Returns are required from employees
Germany	All taxpayers with income not subject to a withholding tax	Quarterly; Mar 10, June 10, Sept 10, Dec 10	Tax return of the previous year	5 months	One month after disclosure of tax assessment notice	x	Only under certain conditions
Greece	Individuals	Three equal be monthly instalments or lump-sum payment with a 1.5% deduction of the paid tax.	The withholding tax is assessed along with the income tax, and calculated at 55% of the tax resulting from the confirmatory titles, after subtracting any withholding at source or prepaid taxes/4	Generally, 2 months after end of fiscal year/5	Since the time of the clearance of the tax return, the due tax is payable and shall be charged.	x	✓
Hungary	All with income not taxed at source	Monthly: by 12th day following end of each month	Pro-rated share of estimated current tax	4 months and 20 days	Until 20. May (with return)	✓	✓
Iceland	All with income not taxed at source	Monthly 1 February To June	Monthly-10.5% of previous year's tax	3 months	Over 5 months (August/ December)	x	✓ (extensive use of pre-filled returns)
Ireland	Taxpayers with income not taxed at source	Annually: by 31 October of income year	90% of final tax due for accounting period or 100% of final tax due for preceding fiscal period	10 months	Due with filing of return	✓	x
Israel	Self-employed	Monthly	February-November: 10% of prior year tax.	4 months	30 April (with return)	✓	x
Italy	All taxpayers, not subject to withholding (small threshold)	Annually – by 16 June and 30 November of income year	39 6% and 56 4% of prior year's tax (small threshold applies)	7 months (9 months for e-filed return)	5 months and 16 days	✓	x
Japan	All (threshold applies)	Bi-annually: by 31 July and 30 November of income year	1/3 of prior year tax payable (with some adjustments)	2 months and 15 days	2 months and 15 days (with return)	✓	x
Korea	All with business and rental income	One advance payment-by 30 November of income year	½ of tax paid or payable for the previous year plus any penalty tax/1	5 months	5 months (due with return)	✓	x
Luxembourg	All with income not taxed at source	Quarterly: by 10 March, June, September, December of income year	¼ of prior year tax year	3 months (in practice it may be extended)	1 month after tax assessment	x	x
Mexico	All individuals not subject to withholding	Monthly: by 17th day after end of relevant month	Generally net income of the period times tax rate	4 months	30 April (with return)	✓	✓/4
Netherlands	All with income not taxed at source	Monthly-progressively each month following receipt of assessment notice for prior year's income	Based on prior year's tax (plus inflation factor) / number of months remaining in income year	3 months (may be extended)	2 months after assessment notice issued	x	✓

Table 9.8. **Personal income tax: payment and return filing obligations** *(continued)*

	Advance payments of personal income tax (other than taxes withheld at source)			Requirements for annual tax return			
Country	Who is liable/1	Frequency of payments and time when normally payable/2	Basis of payment computation	Time when return due after end of fiscal year/3	Time when is final tax is due after end of fiscal period/3	Returns are self-assessed	Returns are required from employees
New Zealand	All with income not taxed at source (threshold applies)	Trimester (3)-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	37 days after month of balance day	✓	x
Norway	All with income not taxed at source	Quarterly: by 15 March, May, September, and November of income year	Prior year assessment and the tax rates for the coming year	1 month	Two payments – 3 and 8 weeks after assessment notice issued	x	✓
Poland	All taxpayers in business. Taxpayers who receive income from rental or lease	12 monthly payments – by the 20th day of the following month Quarterly: by the 20th day of the month following end of the quarter	19% or based on progressive rates of income tax (*i.e.* 18% or 30%)	4 months	With return	✓	(Generally) ✓
Portugal/4	Self-employed, professionals businessmen and farmers	Three payments-by 20th of July, September, and December of income year	76.5% of the tax payable for the year two years prior to the income year	Varies by type of taxpayer, and service of delivery/1	Varies by type of taxpayer – August to September	x	
Slovak Rep.	All individuals with income not subject to withholding (threshold applies)	Monthly for large taxpayers and quarterly for small: by the end of each month or quarter	1/12 of PY tax, or 25% of prior year tax for small taxpayers	3 months / can be extended by tree or six months in certain cases	3 calendar months after end of fiscal year	✓	x
Slovenia	Sole entrepreneurs	Monthly and quarterly (for small taxpayers): by 10 days after end of liability period	1/12 (1/4) of PY tax assessed	5 months	Within 1 month of the notice advising liability	x	✓ (extensive use of pre-filled returns)
Spain/4	Self-employed professionals and businessmen	Quarterly, by 20th April, July, October of the income year and by 31st January of the following year.	Varies for different classes of taxpayers (professionals, businessmen under a flat rate scheme)	In May and June of the following year.	May and June of the following year (due with filing of the return).	✓	✓ (extensive use of pre-filled returns)
Sweden	Income from business	Monthly: from February of income year, generally between 12th and 17th of month.	Between 105%-110% of prior year final tax	4 months	90 days after assessment notice issued.	x	✓ (extensive use of pre-filled returns)
Switzerland	Tax payment requirements vary across individual cantons. In general, all taxpayers must make advance payments and there is no tax withholding on employment income, other than for non-residents).			Tax return requirements (and associated tax payment requirements) vary across individual cantons. Generally speaking, all returns are subject to administrative assessment. There is provision for electronic filing in some cantons.			
Turkey	Persons with business and professional income	Quarterly: by 17th day of the second month following the quarter	15% of actual income during income period	Simple regime-1 month and 25 days; others-2 months and 25 days	With return (and with provision for instalments)	✓	x
United Kingdom	Taxpayers with income not taxed at source	Bi-annual: by 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-calculate	10 months approx. (by 31 January after the tax year)	✓	x

Table 9.8. **Personal income tax: payment and return filing obligations** *(continued)*

	Advance payments of personal income tax (other than taxes withheld at source)			Requirements for annual tax return			
Country	Who is liable/1	Frequency of payments and time when normally payable/2	Basis of payment computation	Time when return due after end of fiscal year/3	Time when is final tax is due after end of fiscal period/3	Returns are self-assessed	Returns are required from employees
United States/4	All with income not taxed at source	Quarterly: by 15 days of month following end of the quarter	25% of the lesser of (i) 90% of estimated current year tax; or (ii) 100% of prior year tax	3 months and 15 days	Final payment due with return	✓	✓
Non-OECD countries							
Argentina	All with income not taxed source (who reported tax assessed over threshold	5 instalments – by June, August, October and December of income year, and following February	20% of prior year tax	In April and May (depending on tax id)	Day following the return filing deadline	✓	x/4
Brazil	All with income not taxed at source	Monthly	% of net income	4 months	With return	✓	x
Bulgaria	All taxpayers with income not subject to withholding tax/1	Three quarterly payments-by the 15th day of the month following the quarter income was received (but not for final quarter)	The taxable quarterly income – the mandatory social security contributions for period x 10%	4 months	4 months	✓	x
China	All with income not taxed at source	Monthly: by 7th day of following month	Varies according to the nature of income	3 months (business income and income earned abroad);	3 months (business income and income earned abroad)	✓	x
Colombia	All with income not taxed at source	Large – five instalments Other – two instalments	% of PY tax	Varies according to TIN of taxpayer	Varies	✓	x
Cyprus	All with income other than emoluments	Three instalments-by 1 August, 30 September, and 31 December of income year. (Different dates for long term insurance businesses) (As from 2013 installments reduced to 2, 31st July and 31st December)	Equal instalments of estimated tax on taxable income.	4, 6 or 12 months (Extension of 3 months where e-filed, which is compulsory from July 2011 where turnover exceeds EUR 70 000	End of next month after issue of assessment (employees); 6 months (income< 70 000), and 7 months (income >70 000)	✓ (except for employee)	✓
Hong Kong, China	Taxpayers subject to salaries tax	Two instalments of provisional tax – 75% in January and 25% 3 months later	% of PY tax	One month after receipt from IRD	As advised in assessment notice	x	✓
India	All with income not taxed at source	Three-by 15th day of September, December and March	30% of advance due x 2, remainder in final payment	5 months, 6 months if accounts audited		x	x
Indonesia	Entrepreneurs	Monthly: by 15 th day of following month	75% of gross monthly turnover	3 months	Before return is filed	✓	x
Latvia	Self-employed	Quarterly: by 15 March, 15th May, 15th August and 15th November of income year	¼ of either prior year"s tax or estimated current year tax	01.03-01.06	15 days after filling returns/1	✓	x

Table 9.8. **Personal income tax: payment and return filing obligations** *(continued)*

	Advance payments of personal income tax (other than taxes withheld at source)			Requirements for annual tax return			
Country	Who is liable/1	Frequency of payments and time when normally payable/2	Basis of payment computation	Time when return due after end of fiscal year/3	Time when is final tax is due after end of fiscal period/3	Returns are self-assessed	Returns are required from employees
Lithuania/4	No general system of advance payments is applied			4 months	With return	✓	x
Malaysia	Self-employed	Bi-monthly	Previous year's tax liability	Employees by 30 April; others by 30 June	On filing due date	✓	✓
Malta	All with income not taxed at source	Three payments-by end-April, August, and December of income year	20%, 30%, and 50% respectively of PY assessed tax	6 months	With return	✓	Only if in receipt of other income not taxed at source
Romania	Taxpayers with income from independent activities or rents	Quarterly: by the 15th day of the month after each quarter	25% of tax payable on estimated current year income or prior year income	4 months and 25 days	With return	x	x
Russia	Individual entrepreneurs and professionals	Three-by 15th day of July, October and January	50% and 25% of tax payable on estimated liability	4 months	15 July	x	x
Saudi Arabia	Individual entrepreneurs and professionals	Three-by end of June, September and December of income year	25% of prior year tax	4 months	With return	x	x
Singapore	No general system of advance payments applies			15th April (paper); 18th April (e-file).	Within 1 month of assessment notice.	x	✓/4
South Africa	All with income other than salaries and wages	Two payments-by end-August and February of income year (tax year is 1 March to end February)	1st: ½ of PY assessed tax or estimated CY liability; 2nd: Large taxpayers: Balance to reach at least 80% of estimated CY liability. SMEs: Balance to reach at least 100% of PY assessed tax or 90% of CY liability.	6 months after income year for paper files and 9 months after income year for e-filed returns	7 months after end of income year	x	x/4

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 343.

PY = previous year, **CY** = current year, **FY** = following year, **SME** = small and medium enterprises

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

Table 9.9. **Corporate Income Tax: Payment and return filing obligations**

	Advance payments of corporate income tax			Annual corporate income tax return		
Country	Who is liable/1	Frequency of payments and when payable/2	Basis of payment computation	Time return due after end of year	When final tax is normally due/3	Returns are self-assessed
OECD countries						
Australia	All taxpayers (small threshold)	Quarterly – by 28 days after end of each quarter of income year	Quarterly income x PY average tax rate	6 months and 15 days	With return	✓
Austria	All	Quarterly – by 15 February, May, August, and November of income year	25% of prior assessment plus adjustment factor	4 months (paper), 6 months (e-filed); extension possible for registered tax agents	One month after assessment	x
Belgium/4	All	Quarterly: by the 10th of the fourth, seventh and tenth month and the 20th of last month of accounting period.	25% of estimated liability	Date indicated on tax return	Two months after assessment	x
Canada	All	Monthly – by end of each month in income year	1/12 of PY tax, or estimated current year's liability	6 months	2/3 months after year end	✓
Chile	All enterprises	Monthly – by the 12th day of the following month (by 20th day of the following month if using electronic invoices and internet to declare and pay the tax)	Fixed % of monthly receipts, recalculated yearly on the basis of the % of the prior year/4	4 months	With filing of return	✓
Czech Rep.	All (small threshold)	Bi-annually: 30 000 CZK<tax liability< 150 000 CZK); quarterly (tax liability >150 000czk)-by 15th of last month of the period	Proportion of PY tax of the period	3 months (6 if chartered accountant used)	With return	✓
Denmark	All	Two payments-by 20 March and November of income year	50% of average tax paid in three prior years	6 months	10 months after income year end	x/4
Estonia/4	/4			n.a.	n.a.	✓
Finland	All	Large: Monthly Small liabilities-two, in March and September of income year	1/12 of estimated liability Pro-rated share of estimated liability	4 months	11 months after end of tax year	x
France	All (very low threshold applies)	Quarterly – by 15 March, June, September, And December of year of income	¼ of PY corporate tax due	4 months	With return	✓
Germany/4	All with taxable income	4/quarterly – by 10 March, June, September and December of income year	¼ of PY tax; CY estimate where tax office has information on expected relevant difference to PY's income	5 months	1 month after assessment	x
Greece	The legal entities	The tax is paid in eight (8) equal monthly installments. In case of a full payment there is a 1.5% tax deduction of the paid tax.	The withholding tax is assessed along with the income tax, and calculated at 80% of the tax or 100% for bank companies or 55% for partnerships.	4½ months. For partnerships, there are different deadlines, based on specific conditions.	At the time of the submission of the tax return.	x

Table 9.9. **Corporate Income Tax: Payment and return filing obligations** *(continued)*

	Advance payments of corporate income tax			Annual corporate income tax return		
Country	Who is liable/1	Frequency of payments and when payable/2	Basis of payment computation	Time return due after end of year	When final tax is normally due/3	Returns are self-assessed
Hungary	All	Monthly – if PY tax amount > 5 million HUF Quarterly – if PY tax amount < 5 million HUF	Prorated proportion of PY tax	5 months	With return	✓
Iceland	All	Ten monthly payments-from 1st day of each month commencing in June of income year	Monthly-10.5% of PY tax	5 months	2 instalments (last 2 months of assessment year	x
Ireland/4	All companies except those in first year of trading	Differing treatments depending on the size of the company/4	1st-50% of PY tax or 45% of CY estimate; 2nd-to reach 90% of CY estimated tax	9 months	9 months	✓
Israel	All	Monthly	Monthly	5 months	5 months (with return)	✓
Italy	All	Two payments – by the 6th and the 11th month of income year	First 40% of PY liability; second: 60% of PY liability	9 month	By 6th month of following year	✓
Japan	All taxpayers (small threshold applies)	One payment-by the end of the 8th month in the income year	50% of PY liability (or cy liability if interim return filed	2 months (extension can be requested)	2 months (with return)	✓
Korea	All Corporation	One Payment – 8 Months into the year(for annual filers)	50% of PY liability or CY liability if interim return filed)	3 months	3 months(with return)	✓
Luxembourg	All	Quarterly – by 10 March, June, September, And December of income year	25% of PY liability	5 months (extension possible)	One month after assessment	x
Mexico	All	Monthly – by 17th day after end of relevant month	Estimated CY liability	3 months	3 months (with return)	✓
Netherlands	All	Up to twelve monthly payments – progressively each month following receipt of assessment notice for prior year's income.	Average of two prior year's tax (plus inflation factor) / no. of months left in income year	5 months (extension can be requested)	Two months after receipt of official assessment.	x
New Zealand	All taxpayers (small threshold applies)	Three payments-by 7 July, November, and March of income year (1 April to 31 March).	1/3 of PY tax plus 5% or 1/3 of estimated tax.	3 months and 7 days	14 months where extension of time is given; interest applies to residual tax.	✓
Norway	Petroleum producers and transporters Others	Six payments – by 1st of August and December in income year. By 1st of February, April and June in assessment year. Two payments-by 15th day of February and April in assessment year	100% of estimated liability	5 months (e-filers and 3 months (others) (extra 1 month on application)	3 weeks after assessment notice issued	x

Table 9.9. **Corporate Income Tax: Payment and return filing obligations** *(continued)*

	Advance payments of corporate income tax			Annual corporate income tax return		
Country	Who is liable/1	Frequency of payments and when payable/2	Basis of payment computation	Time return due after end of year	When final tax is normally due/3	Returns are self-assessed
Poland	Taxpayer	Monthly or quarterly (for small taxpayers and for start-ups) paid to the 20th day of the month following the advance payment period (month/quarter)	Difference between tax due on the income obtained since the beginning of the tax year and the sum of advanced payments due for the previous months	Until the end of third month after the end of the tax year	Until the end of third month after the end of the tax year	✓
Portugal	All/1	Three payments by July, September, and December of income year	Large: 90% of PY liability; others: 70% of PY liability	5 months	5 months	
Slovak Rep.	All legal entities (over prescribed threshold)	12 monthly (large); 4 quarterly (others)-at the end of each liability period	Large: 1/12 of PY liability; small: ¼ of PY liability	3 months (period can be extended in certain cases)	3 months	✓
Slovenia	All	12 monthly (large) and 4 quarterly (others): within 10 days of end of liability period	1/12 (monthly payers) and ¼ (others) of PY tax	3 months	4 months	✓
Spain	All legal entities	Three payments – by 20th April, October and December of the income year	Large: progressive of CY estimated liability; others: of the PY liability	6 months and 25 days after end of fiscal period.	6 months and 25 days (with return)	✓
Sweden	All	12 monthly – within each month of income year	Based on preliminary return filed in December before income year	4 months	Within 90 days of notice	x
Switzerland	Tax collection arrangements vary across individual cantons.					
Turkey	All	Quarterly – by 17th day of the second month following the quarter	20 % of actual income during income period	3 months and 25 days	3 months and 30 days	✓
United Kingdom	Large (with profit > GDP 1.5 m)	Four payments – due in the 7th, 10th 13th, and 16th months after the income year	¼ of estimated tax liability	12 months	Nine months after end of income year.	✓
United States/4	All	Four quarterly payments – by the 15th day of 4th, 6th, 9th, and 12th months of the corporation's tax year	Generally, ¼ of either estimated CY tax or PY tax	2 months and 15 days	2 months and 15 days (with return)	✓
Non-OECD countries						
Argentina	All legal entities (threshold applies)	10 monthly payments-from 6th month after accounting year, and thereafter monthly.	1st payment-25% of PY liability; others-8.33% of PY tax	5 months	Following day of the due date for the tax return filing.	✓
Brazil						
Bulgaria	All taxpayers	12 monthly (large); or 3 quarterly payments, except 4th quarter (others): by 15th day of month after end of liability period	1/12 of PY tax liability or based on CY income in period 2/	3 months	3 months (with return)	✓
China	All enterprises	4 quarterly payments-within 15 days of end of each quarter	¼ of prior year tax, or tax on actual quarterly profits	1 month and 15 days	4 months	✓

Table 9.9. **Corporate Income Tax: Payment and return filing obligations** *(continued)*

Country	Advance payments of corporate income tax			Annual corporate income tax return		
	Who is liable/1	Frequency of payments and when payable/2	Basis of payment computation	Time return due after end of year	When final tax is normally due/3	Returns are self-assessed
Colombia						
Cyprus	All companies	Three payments – by 1 August, 30 September, and 31 December of income year (As from 2013 installments reduced to 2, 31st July and 31st December)/4	Equal instalments of estimated tax on CY taxable income	31 December following year of assessment. Date extended by 3 months if submission electronic. as from 1.7.2011 submission is electronic	1 August following year of assessment	✓
Hong Kong, China	All	Two instalments of provisional tax – 75% and 25%	PY assessed tax	Returns sent to taxpayers in April; required within a month	As advised in assessment notice	x
India	All (small threshold applies)	Four payments: by the 15th day of June, September, December and March of income year (*i.e.*1 April to 31 March)	Payments to reach 15%, 45%, 75% and 100% of estimated CY tax	6 months	n.a.	✓
Indonesia	All	12 monthly payments-by the 15th of the day of each month in the income year	1/12 of PY tax	4 months (2 month extension on application)	4 months (with return)	✓
Latvia	All	12 monthly payments-by 15th day of each month	Based on PY tax; adjustment for CPI movements	Large: 7 months; others 4 months	15 days after receipt of notice	✓
Lithuania	Entities with PY taxable income exceeding LTL 1 million). Newly registered entities exempt during the first fiscal year	Advance corporate income tax must be paid by the last day of each quarter of the tax period, while the advance corporate income tax for the last quarter of the tax period must be paid by the 25th day of the last month of the said quarter	Advance corporate income tax payments are calculated either based on the taxable income of the previous year or on the anticipated amount of corporate income tax for the current tax period	First day of sixth month of the next tax period	First day of tenth month of the next tax period	✓
Malaysia	All companies	Monthly and beginning of the month	Estimation by taxpayer; not less than 85% of the previous year's tax liability	End of the 7th month after accounting year ends	On filing due date	✓
Malta	All	Three payments-by end-April, August, and December of income year	20%, 30%, and 50% respectively of PY assessed tax	9 months	With return	✓
Romania	All corporations and prescribed others/4	Four quarterly payments-by 25th day of month following liability period	¼ of PY tax (updated for inflation) or quarterly CY income x tax rate	3 months and 15 days	3 months and 15 days (with return	✓

Table 9.9. **Corporate Income Tax: Payment and return filing obligations** *(continued)*

	Advance payments of corporate income tax			Annual corporate income tax return		
Country	Who is liable/1	Frequency of payments and when payable/2	Basis of payment computation	Time return due after end of year	When final tax is normally due/3	Returns are self-assessed
Russia	All	12 monthly payments (large) and four quarterly payments (others)	Large-1/3 of estimated tax payable for prior quarter	3 months	n.a.	✓
Saudi Arabia	Taxpayers with tax liability over 2 million in prior year	Three advance payments of tax on or prior to the last day of the 6th, 9th, and 12th months of the taxable year.	25% x (taxpayer's tax for the preceding year minus the amount of tax paid in the preceding year by withholding).	Within 120 days after the end of the taxable year.	With return, within 120 days after the end of the taxable year.	✓
Singapore	Companies are required to file their estimated chargeable income (ECI) within 3 months from the end of their accounting year. They are required to pay the tax within 1 month from the date of notice of assessment. They may also arrange to pay their current year ECI by instalments.			30th November of the following year/4	Within 1 month from the date of assessment notice.	x
South Africa	All	Two 6 monthly payments-by 6th and 12th months of income year	1st: ½ of PY assessed tax or estimated CY liability; 2nd: Large taxpayers: Balance to reach at least 80% of estimated CY liability. SMEs: Balance to reach at least 100% of PY assessed tax or 90% of CY liability.	12 months after end of income year.	6 months after income year (7 months for February year ends).	x

PY = previous year, **CY** = current year, **FY** = following year, **SME** = small and medium enterprises.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 344.

Sources: IBFD, CIS survey responses and revenue officials.

Table 9.10. **Value Added Tax (VAT): Registration, payment, and filing obligations**

Country	Registration threshold/1	Liability basis (e.g, accruals, cash or special)	Normal return filing and tax payment obligations (i.e. frequency and period to file and pay after end of liability period)/2-3	Special filing requirements/4
OECD countries				
Australia	AUD 75 000 (AUD 150 000 for non-profit entities)	Accruals (cash basis allowed for businesses with turnover < AUD 2 million)	Large: monthly within 28 days; SMEs: quarterly within 28 days; very small-annually within 28 days	All business tax obligations are reported in a single business activity statement filed monthly, quarterly or annually.
Austria	EUR 30 000	Accruals (cash basis allowed for certain types of small businesses)	Large: monthly within 45 days; SMEs: quarterly within 45 days	Annual return required by end of April of following year (paper) or end of June (e-filed)
Belgium/5	EUR 5 580	Accruals (with cash basis under specific conditions, flat rate scheme)/5	Large and certain prescribed businesses: monthly within 20 days; others: quarterly return (with monthly instalments) within 20 days.	Annual sales listing to all registered purchasers required
Canada	CDN USD 30 000	Accruals (with quick method scheme for prescribed traders with turnover < CDN USD 200 000)	Large businesses (annual taxable supplies >USD 6 million): monthly within 30 days; Small Businesses (supplies over USD 1.5 million): quarterly within 30 days; very small businesses: annually within 30 to 166 days (167 days in leap years)	Some business sectors have specific reporting requirements. Mandatory e-filing for payers with sales > USD 1.5 m
Chile	Zero	Accrual basis	Monthly within 12 days of end of month, and within 20 days if using electronic invoices and internet.	Large taxpayers are required to file sworn statements of purchases and sales, biannually.
Czech Rep.	CZK 1 million (in last 12 months)	Accruals	Large (*i.e.* turnover in PY year > CZK 10 million-monthly within 25 days; small-quarterly within 25 days	-
Denmark	DKK 50 000	Accruals	Large: monthly within 25 days; SMEs: quarterly within 40 days; very small-half yearly within 2 months	All regular tax obligations reported in single statement
Estonia	EEK 250 000	Accruals (special schemes for travel agents, lumber sales, and 2nd hand goods	Monthly within 20 days	-
Finland	EUR 8 500	Accruals	Large and SMEs monthly by 7th or 12th following month. Primary producers and artists annually	-
France/5	EUR 81 500 (EUR 32 600 for suppliers of services)	Accruals (simplified scheme for prescribed businesses, turnover thresholds apply)/5	Large: monthly within 15/24 days; SMEs: quarterly within 15/24 days;	Under simplified scheme, 4 instalments (based on PY tax in fiscal year) and an annual tax return to be filed by end-April. Businesses with turnover over EUR 230 000 must e-file returns
Germany	EUR 17 500 PY turnover and EUR 50 000 CY expected turnover	Accruals (cash basis permitted in certain cases, *e.g.* prior year turnover not exceeding EUR 500 000)	Return filing: quarterly (generally), annually if previous year's tax does not exceed EUR 1 000; monthly if previous years' tax does exceed EUR 7 500). Payment: within 10 day after the end of the return filling period	Annual return filling required from all taxable persons (monthly or quarterly fillings are provisional advance returns); taxable persons starting their business have to file monthly in the first and a second calendar year

Table 9.10. **Value Added Tax (VAT): Registration, payment, and filing obligations** *(continued)*

Country	Registration threshold/1	Liability basis (e.g, accruals, cash or special)	Normal return filing and tax payment obligations (i.e. frequency and period to file and pay after end of liability period)/2-3	Special filing requirements/4
Greece	10 000 euro 5 000 euro (for suppliers of services only)/1	Accruals (flat-rate scheme for certain business categories *e.g.* fishing)	Depending on the type of bookkeeping, filing and payment obligations are monthly for C category and every three months for B category. The filing is done till the 26th of the next month of the liability period. All taxable persons submit annually 1 clearance tax return.	Taxable persons carrying out non taxable transactions submit a special return when a taxable transaction is taking place and VAT is due (*e.g.* intra-Community acquisition by a doctor)
Hungary	Zero	Accruals	Monthly – if refundable VAT ≥ 1 million HUF; Quarterly – if refundable VAT ≥ 0.25 million HUF; Annually – if refundable VAT ≥ 0.05 million HUF. All within 20 days following liability period	-
Iceland	ISK 1 million	Accruals	Generally bi-monthly within 35 days; farmers: twice a year, very small payers: annually	not applicable
Ireland	(EUR 70 000) (suppliers of goods), EUR 35 000 (suppliers of services)	Cash basis for retailers and traders with turnover < EUR 1 million. Retailers can use apportionment scheme where sales are at multiple rates. Flat rate scheme for prescribed businesses	Bi-monthly within 19 days	Annual return of trading details required from all payers
Israel	Zero	Accruals	Large: monthly within 15 days; others-bi-monthly within 15 days	-
Italy	Zero	Various schemes for range of prescribed business categories	Monthly – within 35 days	Annual consolidated return (multiple taxes) required from all payers.
Japan/5	JPY 10 million	Accruals	Large: monthly; medium-quarterly; Small: half-yearly; and very Small: annually, all within 2 months from end of taxable period/1	When taxpayers file notification for election of special exception for taxable period, they can file and pay more frequently than normal.
Korea	Zero	Accruals	Corporates: Quarterly within 25 days. Individuals: ·Large businesses (PY turnover>KRW 48 million): quarterly within 25 days; Small businesses (PY turnover <KRW 48 million): half-yearly within 25 days	-
Luxembourg	EUR 10 000	Accruals	Large: monthly within 15 days; SMEs: quarterly within 15 days; very small-annually	Annual return required from all taxpayers
Mexico	Zero	Cash flow basis	Monthly within 17 days; primary producers may opt for half-yearly frequency for withholding payment obligation	-
Netherlands	Zero	On application, traders including certain retailers may use simplified method.	Large: monthly within 30 days; SMEs: quarterly within 30 days; very small traders-annually	Quarterly payment and filing for all entrepreneurs (a measure to ease burden on business from the economic crisis.)
New Zealand	NZD 60 000	Use of cash or cash/accruals by small businesses	Large: monthly-within 30 days; SMEs: bi-monthly within 30 days, and very small payers-6 monthly	-

Table 9.10. **Value Added Tax (VAT): Registration, payment, and filing obligations** *(continued)*

Country	Registration threshold/1	Liability basis (e.g, accruals, cash or special)	Normal return filing and tax payment obligations (i.e. frequency and period to file and pay after end of liability period)/2-3	Special filing requirements/4
Norway	NOK 50 000	Accruals	Bi-monthly-within 40 days (except 3rd term, within 51 days); yearly for traders with turnover < NOK 1 million within 70 days and farmers – within 100 days	Monthly for traders who normally file returns for refunding vat (exporters).
Poland	PLN 150 000	Accruals (cash accounting scheme is possible for small taxable persons (*i.e.* annual turnover is <EUR 1.2 million)	Monthly within 25 days or quarterly within 25 days; for large when they choose quarterly returns – monthly advance payments	-
Portugal	Zero	Accruals. Special flat rate scheme for small retailers	Large: monthly within 40 days; Others: quarterly – within 45 days	Annual consolidated return required from taxpayers obliged to keep accounting books
Slovak Rep.	EUR 49 790	Accruals	Large: monthly within 25 days; Others: quarterly within 25 days	-.
Slovenia	EUR 25 000	Accruals or cash	Large: monthly within 30 days; Others: quarterly within 30 days	New taxpayers have to fill the statements monthly (for the first year)
Spain	Zero	Accruals. (simple scheme for some professionals/business-men with flat rates calculated using specific indices).	Large companies and taxpayers registered in the monthly refund register: monthly within 20 days; Others: quarterly within 20 days	Annual return required from all taxpayers by 31st January of the following year.
Sweden	Zero	Accruals	Large: monthly within 26 days; SMEs: quarterly within 42 days; Very Small: annually (but tax paid as preliminary tax during fiscal year)	Some very small traders can declare vat in annual income tax return
Switzerland	100 000	Accruals (cash basis where requested). Flat rate scheme for prescribed traders	Large: monthly; SMEs: quarterly; and Very Small: half-yearly; all within 60 days	-
Turkey	Zero	Accruals	Large: Return filling: by the 24th day of the month following the taxation period (monthly); Payment: by the 26th day of the tax return submitting month (monthly). Others: Return filling – by the 24th day of the month following the taxation period (quarterly); Payment: by the 26th day of the tax return submitting month (quarterly)	-.
United Kingdom	GDP 77 000	Accruals (cash basis for businesses with turnover below GDP 1.35 m; special flat rate schemes for farmers and for businesses with turnover below GDP 150 000).	Generally quarterly, due 1 month and 7 days after the accounting period; monthly returns may be allowed for repayment businesses; businesses with turnover below GDP 1.35 m may file one annual return (and make either 3 quarterly or nine monthly instalment payments and a balancing payment at the year-end).	-
United States	------------------------------ No national VAT ------------------------------			
Non-OECD countries				
Argentina	ARS 300 000 (supply of goods); ARS 200 000 (supply of services)	Accruals (special lump sum scheme (i. e. Monotributo*) for small businesses for VAT and income tax	The payment of *Monotributo* must be made by the 20th day of each month.	Monotributo taxpayers must file every four months

Table 9.10. **Value Added Tax (VAT): Registration, payment, and filing obligations** *(continued)*

Country	Registration threshold/1	Liability basis (e.g, accruals, cash or special)	Normal return filing and tax payment obligations (i.e. frequency and period to file and pay after end of liability period)/2-3	Special filing requirements/4
Brazil	---------- No national VAT ----------			
Bulgaria	Bgn 50 000 (EUR 25 600).	Accumulations (monetary basis for calculation)	Monthly within 14 days.	-.
China	Various/6	Accruals (small traders pay flat % of turnover)	Within 1 3, 5 10, 15 days or monthly, depending on size of business	Various
Colombia				
Cyprus	EUR 15 600	Accruals (with special scheme for farmers and retailers)	Quarterly – within 10 days of second month after liability month	Quarterly (annually permitted for farmers)
Hong Kong, China	---------- No national VAT ----------			
India	---------- No national VAT ----------			
Indonesia	IDR 600 000 (small entrepreneurs and professionals only)	Accruals	Monthly, no later than the end of the subsequent month after the end of taxable period	-
Latvia	LVL 35 000	Accruals	Large: monthly, medium size – quarterly, small – half yearly; all within 15 days (or 20 days where e-filed)	VAT annual return required only if certain conditions are met
Lithuania	155 000 (in the last 12 months)	Accruals (with cash accounting possibility for persons supplying agricultural products)	For legal persons – monthly within 25 days; for natural persons – half-yearly within 25 days.	Annual VAT return might be required if certain conditions are met.
Malaysia	---------- No national VAT ----------			
Malta	EUR 7 000	Accruals and cash	Monthly, quarterly, annual/ 45 days payment obligation	
Romania	EUR 35 000	Accruals	Large: monthly, within 25 days; SME – quarterly, within 25 days; Others (as per law) – half yearly or annually	-
Russia	RUR 2 million (in 3 preceding months)	Accruals	Quarterly within 20 days	-
Saudi Arabia	---------- No national VAT ----------			
Singapore	SGD 1 million	Accruals	Quarterly, with provision of monthly and half-yearly. Filing and payment within 1 month.	All GST-registered businesses are required to e-file their returns.
South Africa	ZAR 1 million	Accruals (cash basis for individuals with turnover < ZAR 2.5 million)	Large: monthly within 25 days; SMEs: bi-monthly within 25 days; others-four-monthly/5	Electronic filing – due date for payment and filing last business day of month

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 345.

Sources: IBFD, European Commission summaries of EU Member VAT Arrangements and revenue officials.

Collection of VAT

As evident from the tax revenue data reported in Chapter 6, VAT constitutes a significant source of tax revenue in just about all surveyed countries. Of the countries surveyed, only Hong Kong, India, Malaysia, Saudi Arabia and the United States do not administer a VAT as part of their system of indirect taxation.

Given the significant and growing reliance being placed on VAT systems it is not surprising that the compliance burden resulting from their application has come under a fair deal of scrutiny, by Governments, revenue bodies and the business community at large. Over recent years, a number of studies have been conducted pointing to the nature and scale of the compliance burden that can result from the policy and administrative design features of a country's VAT system.

The FTA report *Programs to reduce the administrative burden of tax regulations in selected countries* (OECD, 2008) published in January 2008 observed that based on a number of country studies of the compliance burden resulting from their major taxes (*e.g.* Canada, Germany, Ireland, Sweden and United Kingdom) that the VAT was clearly the most burdensome on business of all taxes. Among other things, it pointed to data from a study carried out for the United Kingdom's HMRC which found that invoice requirements and return filing obligations were clearly the most burdensome responsibilities of the VAT system in place and particularly impacted the population of smaller businesses. The FTA's report noted that to address such concerns, a number of countries had taken steps to reduce taxpayers' compliance burden by modifying the design of their VAT (*e.g.* by raising the threshold for registration and collection of VAT, by reducing return filing and payment frequency, and/or by adopting simplified liability calculation rules). In addition, it pointed to increased use by some revenue bodies of modern technology to ease the burden, including electronic filing of returns and electronic tax payments, and in the case of the Chile described a revenue body initiative that aimed to largely automate the production of VAT invoices and related record-keeping for SME taxpayers.

A study undertaken in 2011 by the international accounting firm PWC concerning the VAT and aspects of the associated compliance burden (2009), draws on research across a sample of its tax professional staff. This study used data collected by the World Bank Group on the ease of paying taxes in different economies around the world as part of the Doing Business Series, along with supplementary data collected by PWC specifically for this study from a representative sample of the countries which have a VAT system. While the findings are expressed in quite generalised terms and are non-country specific they give a sense of the compliance burden issues being experienced (see Box 9.8).

For this series, data were captured on the key features of the registration, return filing and payment regimes of VAT systems in surveyed countries – see Table 9.10. The key observations are:

- Registration thresholds applied across surveyed countries vary substantially; however, the impact of these thresholds on administrative workloads and taxpayers' compliance burden is ameliorated 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.
- Most countries aim to align the collection of VAT with the underlying economic activity; typically, this is achieved with a regime of monthly (for large taxpayers) and quarterly (for small/medium sized taxpayers) returns and tax payments.

- The amount of time given to large and medium traders for paying VAT liabilities varies substantially across surveyed 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, legislation in quite a few countries (*e.g.* Ireland, New Zealand, South Africa, Switzerland, and United Kingdom) countries permit use of a "cash" basis or a flat rate scheme for liability determination for a prescribed class of smaller traders (using turnover and/or industry criteria) to simplify taxpayers' compliance burden.
- A small number of countries (*e.g.* Denmark, Finland, Germany, and Luxembourg) permit very small remitters of VAT and/or those taxpayers with typically irregular transactions to file returns and make payments on a less frequent basis (*e.g.* annually).

Box 9.8. **Key findings: The Impact of VAT Compliance on Business**

The study used data collected by the World Bank Group for the Paying Taxes 2010 project. The Paying Taxes project uses a case study company with a standard fact pattern (elaborated in the PWC report). The report acknowledges that while this methodology "brings limitations" it does enable the collection and comparison of data from a large number of countries on a like-for-like basis, and the potential identification of best practices. The study findings are based on data gathered from a representative sample group of 30 countries, 14 of which are included in this comparative series report. The key findings from the PWC study are set out hereunder:

- On average it takes the case study company longer to comply with VAT around the world, than to comply with corporate income tax.
- The time needed to comply with VAT varies considerably around the world and even between neighbouring countries.
- It generally takes less time to comply with VAT in the developed world than in developing countries.
- VAT compliance tends to be more time-consuming in countries where indirect taxes are not administered by the same tax authority that deals with corporate income tax.
- Administrative procedures vary from country to country and these have a significant impact on how long it takes to comply with VAT.
- It takes less time to comply, on average, in countries where business uses online filing and payment for VAT.
- The frequency with which VAT returns are required (monthly/quarterly), and the amount of information requested has a significant impact on the time it takes to comply.
- Compliance takes longer where extra documentation has to be submitted with the return.
- There is a correlation between the VAT compliance burden and the time delay in receiving a VAT refund. Typically, where it takes longer to receive a refund, it takes longer to comply

Source: The impact of VAT compliance on business (PWC, November 2009), see *www.pwc.com/gx/en/tax/publications/index.jhtml*.

Administrative review

Administrative review is an integral part of tax administration in all but two of the revenue bodies surveyed. It is the process by which a taxpayer can challenge a revenue body's decision without or prior to entering the legal system. Administrative reviews are one mechanism for safeguarding taxpayers' rights and ensuring the integrity of the revenue body. Also relevant is the role of oversight bodies and Ombudsman in some countries, as described briefly in Chapter 1.

Based on survey responses, an administrative review is generally compulsory in just over three quarters of surveyed countries before a taxpayer can seek legal recourse. In the vast majority of countries (48 of 52) the process is undertaken by the revenue body itself, although for three revenue bodies further assistance is provided by another government body such as the MOF. The exception is Austria where the process is the responsibility of an independent tribunal. Despite being an integral part of the tax assessment and collection mechanism the use of performance standards for reviews was only reported by around half of revenue bodies.

Table 9.11 sets out selected features of the tax dispute systems in the surveyed countries. The following observations can be made:

- The time period in which taxpayers can appeal to administrative review varies considerably between countries. The minimum time reported was 8 days, the maximum 5 years.
- Where a case is under administrative review, around sixty percent of revenue bodies reported (some with qualifications) that they can collect disputed tax. This compares with cases under court review where almost 80% (38 of 52) of revenue bodies reported that disputed tax can be collected, albeit in some cases only in certain circumstances.
- Specialised tax courts exist in just under half of surveyed revenue bodies.

Performance data on tax disputes in administrative review are set out in Tables 6.14 and 6.15, with brief analysis in Chapter 6. As commented earlier, there were many gaps in survey responses limiting any comprehensive analysis and observations

Enforced collection of unpaid taxes

The efficiency and effectiveness of a revenue body's enforced debt collection activities relies to a large degree on the nature and scope of the remedies that can be applied under the laws to enforce the payment of tax debts, including the provision of an appropriate regime of sanctions (*e.g.* interest and/or penalties) to deter and penalise non-compliance. In practice, the legal framework for the enforced collection of taxes 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.

The survey undertaken sought an indication from revenue bodies on the nature of their enforced collection powers and an outline of the interest and penalty regimes in place for late payment. This latter aspect is dealt with later in this chapter in the section dealing with penalties and offences. This section provides an overview of the administrative powers and procedures within countries for managing the collection of tax debt. Performance data and selected ratios on tax debt are described in Chapter 6.

Powers to Enforce Tax Debt Collections

As set out in Table 9.12, most surveyed revenue bodies have been given the more traditional types of powers to enforce (and encourage) the collection of unpaid taxes:

1. To grant taxpayer further times to pay (47of 52 revenue bodies);
2. To make payment arrangements (50 of 52 revenue bodies);
3. To collect from third parties that have liabilities to taxpayer (50 revenue bodies), for some with limitations/qualifications;
4. To obtain a lien over taxpayers’ assets (46 revenue bodies, with a few requiring a court order;
5. To seize taxpayer’s asset (49 revenue bodies, although in a few a court order is required);
6. To impose tax liabilities on company directors when certain conditions are satisfied (40 revenue bodies, with a court order required by some;
7. To offset taxpayer’s liabilities to his/her tax credits (50 revenue bodies); and
8. To initiate bankruptcy action (44 revenue bodies), although some require a court order.

Only revenue bodies in Brazil and Chile appear to lack the majority of these powers, but in the case of Chile, enforced tax debt collection is primarily conducted by the Treasury (TGR).

Other powers available but to a lesser degree include: 1) to withhold government payment to debtor taxpayers (34 revenue bodies); and 2) to require a tax clearance for government contracts (36 bodies).

Additional powers are given to some surveyed revenue bodies to encourage payment of tax debts that entail the imposition of restrictions on taxpayer’s business or private activities, including: 1) limits on overseas travel (17 bodies, with a few requiring court orders); 2) Closure of businesses or cancellation of business licenses (23 bodies); and 3) Denial of access to government services (11 bodies) – of the OECD countries surveyed only Greece, Hungary, Korea, Portugal and Turkey have this ability; in the non-OECD group 6 of 18 revenue bodies reported being empowered to apply this sanction.

Finally, 20 of 52 revenue bodies report that they are permitted to publically disclose details of individual taxpayer’s tax debts.

Taken as a whole, the data reported suggest that there may be opportunities for revenue bodies’ intent on seeking to significantly improve tax payment compliance and collection effectiveness by seeking a broader set of powers (*e.g.* authority to impose tax liabilities on company directors when certain conditions are satisfied, and to close of businesses or cancellation of business licenses).

Information and access powers

Table 9.13 provides an overview of the information and access powers that are used by revenue bodies in OECD and selected non-OECD countries to administer the tax system. The key points are as follows:

- Generally speaking, all surveyed revenue bodies (except Malaysia and Poland) have powers to obtain relevant information and in virtually all revenue bodies (except Malaysia, Poland and the Slovak Rep.) these powers can be extended to requests to third parties.

- With one exception (*i.e.* Poland) taxpayers are required to produce all records on request from revenue bodies.
- 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 23 countries for any purpose and in 2 countries only in criminal cases. In the United Kingdom, a search warrant is currently required for income tax and corporation tax but not for the inspection of VAT and tax deducted from wages by employers (PAYE). From 1 April 2009 the ability to inspect without a warrant was extended to income tax and corporation tax. The searches without a warrant in Germany and the entry without a warrant in the Netherlands are only permitted during normal working hours. In France, a Judge's order is required for all cases of search and seizure.
- Revenue bodies' access powers are more limited with regard to taxpayers' private dwellings. A search warrant is required in over half of surveyed bodies to enter taxpayers' dwellings for any purposes and in two countries these can only be only for fraud or criminal cases. There are exceptions in a few countries (*e.g.* Ireland and Hungary) that apply where parts of the dwelling are used for business purposes.
- Just over half of surveyed revenue bodies require a warrant to seize taxpayers' documents.
- In just over half of OECD countries tax officials can request a search warrant without the help of other government agencies. This is less prevalent in non-OECD countries surveyed (less than half reported having this power).

Table 9.11. **Selected features of tax disputes of assessment or rulings**

	Administrative review						Revenue body can make a risk-based settlement	Have a court specialised in tax	Collection of the disputed tax	
Country	Availability	Compulsory before court review	Organisation(s) in charge	Initial appeal period	Legal decision period	Performance standard in place			Possible during administrative review	Possible during court review
OECD countries										
Australia	✓	✓	Revenue	Various/1	Limited/2	✓	✓	x/3	✓	✓
Austria	✓	✓	Finance Tribunal	1 month	6 months	x	x	✓/1	✓	✓
Belgium	✓	✓	Revenue	6 months	6 months	x	x	x	x/1	✓/2
Canada	✓	✓	Revenue/1	90 days	90-180 days	✓	x/2	✓	In certain cases	In certain cases
Chile	✓	x	Revenue	x	50 days	✓/1	x	✓/2	x	✓
Czech Rep.	x	-	-	ü	ü	✓	x	x	✓	✓
Denmark/1	✓	✓	Revenue	3 months	1-11 months/1	✓	✓	x	✓	✓
Estonia	✓	x	Revenue	30 days	30 days	x	x	x	✓	✓
Finland/1	✓	✓	Revenue	5 years	5 years	✓/1	x	x	✓	✓
France	✓	✓	Revenue	/1	/2		(limited)	x	✓	✓
Germany	✓	✓	Revenue	1 month	No time limit	x	x	✓	✓/1	✓/1
Greece	✓	✓/1	Revenue	60 days	60 days	✓	✓	✓	x	✓
Hungary	✓	✓	Revenue+ MONE	15 or 30 days/1	30 days/2	✓	✓	x	x/3	✓/4
Iceland	✓	x/1	State Revenue Board	3 months	None	✓/2	x	x	✓	✓
Ireland/1	✓	x	Revenue+/1	None	None	✓/1	✓	x/1	x	✓
Israel	✓	✓	Revenue	15 days	3 years	x	✓	x	x	x
Italy	x	-	Relevant tax body	ü	x	x	✓	✓	x	x
Japan/1	✓	✓	Revenue	2 months/1	x	✓/1	x	x	✓	✓
Korea/1	✓	✓	Revenue+/1	90 days	90 days	x	x	x	✓	✓
Luxembourg	✓	✓	Revenue	3 months	6 months	x	x	x/1	✓	✓
Mexico/1	✓	x	Revenue/1	45 days	3 months	✓	x	✓	x	✓/1
Netherlands/1	✓	✓	Revenue	6 weeks	6 weeks	✓	✓	✓	✓/1	✓/1
New Zealand/1	✓	✓	Revenue	2 months	None	✓/1	✓/1	✓/1	x	x/1
Norway	✓	x	Revenue	3 weeks	None	✓/1	x	x	✓	✓
Poland/1	✓	✓	Revenue +/1	14 days	2 months	✓	✓	✓/1	x	x
Portugal	✓/1	x	Revenue	120 days	4 months	0.88 months	x	✓	✓	✓
Slovak Rep./1	✓	✓	Revenue+ MOF	15 days	Various/1	x	x	x	x	x
Slovenia	✓	✓	Revenue	15 and 30 days/1	2 months	x	x	✓	✓	✓
Spain/1	✓	✓	Revenue+/1	1 month	1 month	x	x	✓	x	x
Sweden/1	✓	x	Revenue	2 months – 5 years	None	✓/1	x	x	✓	✓

Table 9.11. **Selected features of tax disputes of assessment or rulings** *(continued)*

	Administrative review						Revenue body can make a risk-based settlement	Have a court specialised in tax	Collection of the disputed tax	
Country	Availability	Compulsory before court review	Organisation(s) in charge	Initial appeal period	Legal decision period	Performance standard in place			Possible during administrative review	Possible during court review
Switzerland	✓	✓	Revenue	30 days	None	✓/1	✓	✓	x	x
Turkey	✓	x	Revenue	30 days	30 days	x	x	✓	✓	✓
United Kingdom	✓	x	Revenue	30 days	45 days (can be extended by agreement)	Statutory time limit	✓	✓	✓	✓/1
United States/1	✓	x	Revenue	30 days	/1	/1	✓	✓	✓/1	✓/1
Non-OECD countries										
Argentina	✓	✓	Revenue/1	15 days/2	60 days	x	x	✓	x	✓
Brazil	✓	✓	Revenue/1	30 days	n.a./2	✓	x	x	x	x
Bulgaria	✓	✓	Revenue	14 days	60 days	x	x	x/1	✓	✓
China	✓	✓	Revenue	60 days	60 days	✓	✓	x	✓/1	✓/1
Colombia	✓	x	Revenue	2 months	1 year	✓	x	✓	x	x
Cyprus	✓	✓/1	Revenue+/1	/1	3 years/1	x	✓/2	x	✓	x
Hong Kong, China	✓	✓	Revenue	1 month/6 years	None	✓	✓	x	✓	✓
India	✓	✓	Revenue	30 days	1 year	✓	x	✓	✓	✓
Indonesia	✓	✓	Revenue	3 months	12 months	✓	x	✓	x	x
Latvia	✓	✓	Revenue+/1	20 days	30/60 days	x	✓	✓	x	x
Lithuania	✓	✓	Revenue+/1	20 days	30/60 days	✓	✓	x	x	x
Malaysia	✓	✓	Revenue	30 days	30 days+ 30 days/1	✓/1	✓	x	✓	✓
Malta/1	✓	✓	Revenue	Varies from 30days – 6 months	n.a.	x	✓	x	x	x
Romania	✓	✓	Revenue	30 days	45 days	✓	x	x	✓/1	✓/1
Russia	✓	✓/1	Revenue	10 days/2	1 month/3	✓	x	x	✓/4	✓/5
Saudi Arabia	✓	✓	Revenue+	x	60 days	x	✓	✓	✓	✓
Singapore	✓	✓	Revenue+/1	30 (21) days/2	None	2 years	✓	x/3	✓	✓
South Africa	✓	✓	Revenue	30 days/1	60 days/1	x	✓	✓	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 345.

Sources: CIS survey responses.

Table 9.12. **Enforced tax debt collection powers**

Country	Powers provided for enforced payment of taxes and filing of tax returns (* denotes court order required)													
	Grant further time to pay	Make payment arrange-ments	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 debtors	Require tax clearance for government contracts	Deny access to certain government services	Impose tax debts on company directors	Publish names of debtors	Initiate bank-ruptcy
OECD countries														
Australia	✓	✓	✓	✓	✓/1	x	✓	✓/1	✓/2	x	x	✓/3	x	✓/1
Austria	✓	✓	✓	x	✓	x	✓	✓	✓	✓	x	✓	x	✓
Belgium	✓	✓	✓/1	x	✓	✓/1	✓	x	✓/1	✓	x	✓	x	✓/2
Canada	✓	✓	✓	x	✓/1	x	✓	✓/1	✓	x/1	x	✓/1	x	✓/1
Chile/1	x/1	x/1	✓	x/1	x/1	✓	✓	✓	x	x/1	x	x	x	✓
Czech Rep.	✓	✓	✓	x	✓	✓	✓	✓	x	✓	x	x	x	✓
Denmark	✓	✓	✓	✓/1	✓/1	✓	✓	✓	✓	✓	x	✓	✓	✓/1
Estonia	x	✓	✓	x	✓	✓	✓	✓	x	✓	x	✓	✓	✓
Finland/1	✓	✓	✓	x	x	x/1	✓	✓	x	✓	x	✓/1	✓	✓
France/1	✓	✓	✓	x	✓	x	✓	✓	✓	✓	x	✓	x	✓
Germany	✓	✓	✓	✓/1	✓	✓/1	✓	✓	✓	✓	x	✓	x	✓
Greece	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hungary	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Iceland/1	x	✓	✓	x	✓	✓	✓	✓	x	x	x	✓	x	✓
Ireland	✓	✓	✓/1	✓/2	✓	✓	✓	✓	✓/3	✓/4	x	✓/5	✓/6	✓
Israel	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	x	✓	x	✓
Italy/1	✓	✓	✓	✓	✓/1	✓	✓/1	✓/1	✓	✓	x	✓/1	x	✓/1
Japan/1	✓	✓	✓	x	✓	x	✓	✓/1	x	✓	x	x	x	x
Korea	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x
Luxembourg	✓	✓	✓	x	✓	x	x	✓	✓	✓	x	✓	x	✓
Mexico	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	x	✓	x	✓
Netherlands	✓	✓	✓	✓	✓	x	✓	✓	x	✓	x	✓	x	✓
New Zealand	✓	✓	✓	x	✓	x	✓	✓	x	x	x	✓	x	✓
Norway	✓	✓	✓	x	✓	x	✓	✓	✓/1	✓	x	✓	x	✓
Poland	✓	✓	✓	x	✓	x	✓	✓	x	✓	x	✓	✓	✓
Portugal/1	✓/1	✓/1	✓/1	x	✓	✓	✓	✓	✓	✓	✓	✓	✓/1	x
Slovak Rep/1	✓	✓/1	✓	x	✓	x/1	✓	✓	x	✓	x	x	✓	✓
Slovenia/1	✓	✓	✓	x	✓	x	✓	✓	✓	✓	x	x	x	✓
Spain	✓	✓	✓	x	✓	x	✓	✓	✓	✓	x	✓	x	✓/1

Table 9.12. **Enforced tax debt collection powers** *(continued)*

Country	Powers provided for enforced payment of taxes and filing of tax returns (* denotes court order required)													
	Grant further time to pay	Make payment arrange-ments	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 debtors	Require tax clearance for government contracts	Deny access to certain government services	Impose tax debts on company directors	Publish names of debtors	Initiate bank-ruptcy
Sweden	✓	✓	✓	x	✓	/1	✓	✓	/2	x	x	/3	x	✓
Switzerland	✓	✓	✓	x	✓	x	✓/1	x	✓/1	✓	x	✓	x	x
Turkey	✓	✓	✓	x/1	✓	x	✓	✓	✓	✓	✓	✓	✓	✓
United Kingdom	✓	✓	✓/1	x	✓	x	✓	✓/1	x	x	x	✓	x/1	✓/1
United States	✓	✓	✓	x	✓/1	x	✓	✓	✓	x	x	✓	x	✓
Non-OECD countries														
Argentina	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Brazil	x	x	x	✓	✓	x	✓	x	x	✓	✓	x	✓	x
Bulgaria	✓	✓	✓	✓	x	✓/1	✓	✓	✓	x	x	✓	✓/2	✓
China	✓	✓	✓	✓	✓	✓	✓	x	✓	x	✓	x	x	✓
Colombia/1	✓	✓	✓	x	✓	✓	x	✓	✓	x	x	✓	x	x
Cyprus	✓	✓	✓/1	x	✓	x	✓	✓	x	✓	✓	x/✓	x	✓
Hong Kong, China	✓	✓	✓	✓/1	✓	x	✓	x	x	x	x	x	x	✓
India	✓	✓	✓	x	✓	✓	✓	✓	✓	x	x	✓	✓	✓
Indonesia	✓	✓	x	✓	✓	x	✓	✓	x	✓	x	✓	✓/1	x
Latvia	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	x	x	✓	✓
Lithuania	✓	✓	✓	x	✓	x	✓	✓	x	✓/1	x	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	x	✓	✓	✓	x	x	✓	x	✓
Malta	✓	✓	✓/1	x	✓/1	✓	✓	✓/1	✓/1	✓	✓	✓	x	✓/1
Romania	x	✓	✓	x	✓	x	✓	✓	x	✓	x	✓	✓	✓
Russia	✓	✓	✓	✓	✓	✓/1	✓	✓	✓	x	✓	✓/2	✓/3	✓
Saudi Arabia	✓	✓	✓	x	✓	x	✓	✓	✓	✓	✓	x	x	✓
Singapore	✓	✓	✓	✓	✓	x	✓	x	✓	x	x	x	x	✓
South Africa	✓	✓	✓	✓/1	✓/2	✓/2	✓	✓	x	✓	x	✓	x/3	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 347.

Sources: CIS survey responses.

Table 9.13. **Verification of taxpayers' liabilities: information access and search powers of tax officials**

Country	Nature of powers available to authorized/delegated tax officials								
	Obtain all relevant information	Powers extend to third parties	Taxpayers must produce records on request	Obtain information from other government departments	Enter business premises without taxpayer's consent and search warrant	Enter taxpayers' dwellings without consent and search warrant	Seize taxpayers' documents without consent and search warrant	Request a search warrant without help of other government agencies	Serve a search warrant without help of other government agencies
OECD countries									
Australia	✓	✓	✓	✓/1	✓(in certain circumstances)	✓ (in certain circumstances)	x/2	(generally) x	(generally) x
Austria	✓/1	✓	✓	✓	✓	✓	✓/2	✓/3	x
Belgium	✓	✓	✓	✓	✓	x	✓/1	x	x
Canada	✓	✓	✓	limited	✓ (civil matters)/1	x	x	✓	✓
Chile	✓	✓/1	✓	✓	✓/2	✓/2	✓/2	✓	✓
Czech Rep.	✓	✓	✓	✓	✓	✓/1	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	x	✓	x	x
Estonia	✓	✓	✓	✓	x	x	x/1	✓	✓/2
Finland	✓	✓	✓	✓	✓	✓	x	x	x
France	✓	✓	✓	✓	x/1	x	x/1	x	x
Germany	✓	✓	✓	✓ (limited)	✓ (in work hours)	x	x/1	✓	✓
Greece	✓	✓	✓	✓/1	✓/2	x	x/3	x/4	x
Hungary	✓	✓	✓	✓	x/1	x/1	x/1	x/1	x/1
Iceland	✓	✓	✓	✓	✓	x	✓	✓	x
Ireland/1	✓	✓/1	✓	✓	✓	x/1	✓	✓	✓
Israel	✓	✓	✓	✓	x	x	x	✓	✓
Italy	✓	✓	✓	✓	✓	x	x/1	x	x
Japan	✓	✓	✓	✓	x	x	x	✓	✓
Korea	✓	✓	✓	✓	x	x	x	x	✓
Luxembourg	✓	✓	✓	✓	x	x	x	x	x
Mexico	✓	✓	✓	✓	x	x	x	x	✓
Netherlands	✓	✓	✓	✓	✓ (in work hours)	x/1	x/1	✓	✓
New Zealand	✓	✓	✓	✓/1	✓	x	✓	✓	✓
Norway	✓/1	✓	✓	✓/1	✓	x	✓	x	x
Poland	x	x	x	✓	x	x	x	x	x
Portugal	✓	✓	✓	✓	✓/1	x	✓/1	✓	x
Slovak Rep.	✓	x	✓	✓	x	x	x	x	x
Slovenia	✓	✓	✓	✓	✓	x	✓	✓	x

Table 9.13. **Verification of taxpayers' liabilities: information access and search powers of tax officials** *(continued)*

Country	Nature of powers available to authorized/delegated tax officials								
	Obtain all relevant information	Powers extend to third parties	Taxpayers must produce records on request	Obtain information from other government departments	Enter business premises without taxpayer's consent and search warrant	Enter taxpayers' dwellings without consent and search warrant	Seize taxpayers' documents without consent and search warrant	Request a search warrant without help of other government agencies	Serve a search warrant without help of other government agencies
Spain	✓	✓	✓	✓	x	x	x	✓	x
Sweden	✓	✓	✓	✓	x/1	x/1	x/1	x	x
Switzerland	✓	✓	✓	✓	x	x	x	✓	✓
Turkey	✓	✓	✓	✓	✓	✓	x	✓	x
United Kingdom	✓	✓	✓	✓	✓	x	x	✓	✓
United States	✓	✓	✓	✓	x	x	x	x	✓/1
Non-OECD countries									
Argentina	✓	✓	✓	✓	x	x	x	✓	✓/1
Brazil	✓	✓	✓	✓	x	x	✓	x	✓
Bulgaria	✓	✓	✓	✓	x	x	x	x	x
China	✓	✓	✓	x	✓	x	✓	✓	✓
Colombia	✓	✓	✓	✓	✓	x/1	✓	x	✓
Cyprus	✓	✓/1	✓	✓	x/(VAT, ✓)	x	x	✓/2	x (VAT, ✓)
Hong Kong, China	✓	✓	✓	✓	x	x	x	✓	✓
India	✓	✓	✓	✓	x	x	x	n.a.	✓/1
Indonesia	✓/1	✓	✓	✓	x	x	x	✓/1	x
Latvia	✓	✓	✓	✓	✓/1	x	x	x	x
Lithuania	✓	✓	✓	✓	✓	x	x	x	x
Malaysia	x	x	✓	x	x/1	x/1	x/1	x	x
Malta	✓	✓/1	✓	✓/1	x	x	x (VAT, ✓)	✓	✓
Romania	✓	✓	✓	✓	x	x	x	x	x
Russia	✓	✓/1	✓	✓	✓/2	x	✓/2	x	x
Saudi Arabia	✓	✓	✓	✓	✓	x	✓	✓	✓
Singapore	✓	✓/1	✓	✓	✓	✓	✓	x	x
South Africa	✓	✓	✓	✓	✓/1	✓/1	✓/1	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 348.

Sources: CIS survey responses.

Tax offences (including policies for voluntary disclosures)

Revenue bodies typically have resorted to a range of sanctions under the laws they administer for various offences that arise in the day to day operation of the tax system. Sanctions are intended to serve three fundamental purposes: 1) to act as a deterrent to non-compliant behaviour; 2) to punish those who offend; and 3) to enforce compliance with a specific provision of the law (*e.g.* the filing of a tax return and the payment of taxes). The most commonly-observed acts of non-compliance in practice tend to be: 1) the failure to file tax returns on time; 2) the failure to pay taxes on time; and 3) the failure to correctly declare all tax liabilities. In CIS 2010, a country-by-country summary was provided of the nature and quantum of penalties imposed for these common tax offences for each of the three major taxes (*i.e.* personal income tax, corporate income tax and VAT – see Tables 56 to 58 (CIS 2010).

For this edition of the CIS, revenue bodies were asked a range of questions concerning the offence of taxpayers failing to correctly declare all their tax liabilities. Specifically, they were asked:

1. Is there a common administrative penalty framework for this offence across the major taxes (*i.e.* PIT, CIT, and VAT)?
2. Do the penalties imposed generally take account of taxpayer's culpability (*i.e.* degree of blame)?
3. Is the revenue body empowered to remit/reduce penalties in appropriate circumstances?
4. Is the revenue body empowered to make public details of some/all taxpayers subject to administrative penalties imposed for this offence?
5. Is the revenue body empowered under existing tax law to offer reduced penalties and/or interest to the general taxpaying population and/or to specific taxpayer groups to encourage the voluntary reporting of unreported tax liabilities?
6. Does the revenue body have a policy in place of offering reduced penalties and/or interest to the general taxpaying population and/or to specific taxpayer groups to encourage the voluntary reporting of unreported tax liabilities? (Revenue bodes responding positively to this question were also requested to provide details of the volume and value of such disclosures in 2010 and 2011.)

Survey responses concerning questions 1) to 5) concerning the offence of taxpayers failing to correctly declare all their tax liabilities are set out in Table 9.14. The key findings and observations are as follows:

- Six revenue bodies reported the absence of a common administrative penalty framework for the major taxes administered, suggesting the possibility of taxpayers being penalised inconsistently for identical acts of non-compliance;
- Nine revenue bodies reported that taxpayers' culpability is not a consideration in the imposition of these penalties, raising the prospect of taxpayers being penalised inconsistently for non-compliance;
- Relatively few revenue bodies are empowered to publish details of individual taxpayers who are penalised for this offence.
- Only around 40% of survey revenue bodies reported they were empowered to offer reduced penalties as an incentive to taxpayers to voluntarily disclose past understatements of declared tax liabilities.

Table 9.14. **Incorrect reporting of tax liabilities: Framework for sanctions**

Country	Common administrative penalty frame-work for PIT, CIT and VAT	Revenue body is authorised to: Take account of taxpayers' culpability in raising penalty	Remit penalties in appropriate circumstances	Publish details of taxpayers penalised for this offence	Offer lower penalties etc., for voluntary disclosures	Policy in place to encourage voluntary disclosures
OECD countries						
Australia	✓	✓	✓	x	✓/1	✓/1
Austria	✓	✓	✓	x	✓/1	x
Belgium	x	✓	✓	x	x	x
Canada	x	x/1	✓	x	✓	✓
Chile/1	✓	✓	✓	✓/2	✓	✓
Czech Rep.	✓	x	x	x	x	x
Denmark	x	✓	✓	x	✓	✓
Estonia	✓	✓	✓	✓	x	x
Finland	✓	✓	✓	x	x	x
France	✓	✓	✓	x	x	x
Germany	✓/1	✓/1	✓	x	x	x
Greece	✓	n.a.	✓	✓/1	✓/1	✓
Hungary	✓	✓	✓	✓1	✓/2	✓
Iceland	✓	✓	✓	x	x	x
Ireland	✓	✓	✓	✓/1	✓/2	✓
Israel	✓	x	✓	✓	✓	✓
Italy	✓	✓	✓	x	✓	✓
Japan	✓	x	✓	x	✓	x
Korea	✓	✓	✓	x	✓	x
Luxembourg	✓	✓	✓	x	x	x
Mexico	✓	✓	✓	x	x	x
Netherlands	✓	✓	✓	x	✓	✓
New Zealand	✓	✓	✓	x	✓	✓
Norway	x	✓	✓	x	✓	✓
Poland	✓	✓	✓	-	✓	✓
Portugal	✓/1	✓	✓	✓	✓	✓
Slovak Rep.	✓	x	✓	x	x	x
Slovenia	✓	✓	x	x	✓	✓
Spain	✓	✓	✓	x	x/1	x
Sweden	✓	x	✓	x	✓/1	✓/1
Switzerland	✓	✓	✓	x	✓/1	x
Turkey	✓	✓	✓	✓/1	✓	✓
United Kingdom	✓	✓	✓	✓	✓	✓
United States	✓	✓	✓	x	✓	✓/1
Non-OECD countries						
Argentina	✓	✓	✓	✓/1	x	x
Brazil	x	x	✓	x	x	x
Bulgaria	x	✓	✓	x	x	x
China	✓	✓	✓	✓	x	x
Colombia	✓	x	x	x	x	x
Cyprus	For PIT and CIT	✓	✓/1	x	✓/1	x
Hong Kong, China	For PIT and CIT	✓	x/1	x	✓	✓
India	x	✓	✓	✓	x	x
Latvia	✓	✓	✓	x	✓	x/1
Lithuania	✓	✓	✓	✓	x	x
Malaysia	✓ (No VAT)	✓	✓	x	✓	✓
Malta	For PIT and CIT	✓	✓	x	✓	✓
Romania	✓	x	x	x	x	x
Russia	✓	✓	✓	✓	✓	x
Saudi Arabia	✓ (No VAT)	x	x	x	x	x
Singapore	✓	✓	✓	x	✓/1	✓/1
South Africa	✓/1	✓/1	✓	x	x/2	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 349.

Source: CIS survey responses (of countries reporting one or more such functions).

Voluntary disclosure policies

With reduced resources available for compliance programmes and greater expectations of improved revenue collection performance, revenue bodies far and wide are looking for effective "quick win" strategies. The deployment of "voluntary disclosure" policies [2] is one such (low cost) strategy which a number of revenue bodies have long used successfully as a permanent feature of their approach to encouraging voluntary compliance – see example from New Zealand (Inland Revenue, 2012) in Box 9.9.

Box 9.9. **New Zealand: Example of general voluntary disclosure policy**

Background: The New Zealand tax system is based on voluntary compliance and most taxpayers voluntarily meet their obligations under the tax laws, for example, by filing tax returns on time and returning all income. The voluntary disclosure rules provide an incentive to taxpayers to determine their correct tax liability. The rules also reflect the savings to Inland Revenue from voluntary admissions of irregularities and other benefits of co-operation by taxpayers. By making a full voluntary disclosure, a taxpayer will attain the advantage of either a full or partial reduction of any shortfall penalty for which they are liable and may also avoid prosecution action.

Summary: A taxpayer can make a full voluntary disclosure for the purpose of a shortfall penalty reduction, either: 1) before the taxpayer is first notified that a tax audit is pending ("pre-notification disclosure"), or 2) after the taxpayer is first notified of a pending audit but before the audit starts ("post-notification disclosure").

The relevant provisions of the law (*i.e.* Section 141 G(1)) do not apply unless the taxpayer makes a full voluntary disclosure. It allows the Commissioner to specify what information must be provided by the taxpayer to be a full disclosure and the form in which the disclosure must be provided. Where a taxpayer makes a full voluntary disclosure a reduction will be allowed in the shortfall penalty rate as follows:

- by 100% if the taxpayer makes a pre-notification disclosure, and: a) the shortfall penalty is for not taking reasonable care; or b) the shortfall penalty is for taking an unacceptable tax position or is an unacceptable interpretation; or
- by 100% under section if: a) a taxpayer makes a pre-notification disclosure, and b) the shortfall penalty is imposed under either section 141A or 141B and relates to a temporary tax shortfall, or
- by 75% if: 1) the taxpayer makes a pre-notification disclosure, and 2) the shortfall penalty is for gross carelessness, an abusive tax position, evasion or similar act or a promoter penalty, or
- by 75% if: 1) the taxpayer makes a pre-notification disclosure and the shortfall penalty is imposed under any of sections 141C to 141EB and relates to a temporary tax shortfall, or 2) makes a post-notification disclosure and the shortfall penalty is imposed under any of sections 141A to 141EB and relates to a temporary tax shortfall, or
- by 40% if the taxpayer makes a post-notification disclosure.

When a taxpayer makes a pre-notification disclosure, the Commissioner's practice is not to consider subsequent prosecution action against them in respect of the tax shortfall that they have voluntarily disclosed. However, Inland Revenue may consider prosecution action when a taxpayer makes a post-notification disclosure that involves evasion or similar offending.

Source: IRD website at *www.ird.govt.nz/technical-tax/standard-practice/shortfall/sps-09-02-voluntarydisclosures.html.*

Other revenue bodies offering similar programmes include Canada (CRA) and Singapore (IRAS):

- The CRA's Voluntary Disclosures Programme (VDP) allows taxpayers to come forward and correct inaccurate or incomplete information or to disclose information they have not reported during previous dealings with the CRA. Taxpayers may avoid being penalised or prosecuted, if they make a valid disclosure. A disclosure may be made for Income Tax and Goods and Services Tax/Harmonised Sales Tax (GST/HST) purposes. A valid disclosure must meet four conditions. These conditions require that the disclosure be voluntary, complete, involve the application or potential application of a penalty, and generally include information that is more than one year overdue. If the CRA accepts the disclosure as valid, the taxpayer may only have to pay the taxes or charges owing, plus interest.

- IRAS introduced a Voluntary Disclosure Programme (VDP) in 2009 to encourage taxpayers to come forward voluntarily to disclose past errors made in tax declarations in exchange for no or reduced penalties; the VDP is applicable to Income Tax (including withholding tax) as well as, Goods and Services Tax. Details of the VDP can be found in the IRAS e-tax guide, "IRAS Voluntary Disclosure Programme" (*www.iras.gov.sg/irasHome/uploadedFiles/e-Tax_Guide/etaxguides_Comp_IRAS%20voluntary%20disclosure%20program.pdf*).

In recent years, a number of revenue bodies have introduced more targeted programmes aimed at specific types or forms of non-compliance (*e.g.* the concealment of

Box 9.10. **United States: Outline of the IRS's 2012 Offshore Voluntary Disclosure Program**

The IRS began an open-ended offshore voluntary disclosure programme (OVDP) in January 2012 on the heels of strong interest in the 2011 and 2009 programs. (The IRS Commissioner recently announced that the IRS had collected more than USD 5.5 billion from the taxpayers who participated in these programs.) The IRS may end the 2012 programme at any time in the future. The IRS is offering people with undisclosed income from offshore accounts another opportunity to get current with their tax returns. The 2012 OVDP has a higher penalty rate than the previous programme but offers clear benefits to encourage taxpayers to disclose foreign accounts now rather than risk detection by the IRS and possible criminal prosecution.

Rationale: The IRS's prior Offshore Voluntary Disclosure Program (2009 OVDP), and Offshore Voluntary Disclosure Initiative (2011 OVDI), which closed in September 2011, demonstrated the value of a uniform penalty structure for taxpayers who came forward voluntarily and reported their previously undisclosed foreign accounts and assets. These initiatives enabled the IRS to centralise the civil processing of offshore voluntary disclosures and to resolve a very large number of cases without examination. Because the IRS and Department of Justice offshore enforcement efforts are expected to continue raising the risk of detection of taxpayers with undisclosed foreign assets for the foreseeable future, it has been determined that a similar programme should be available to taxpayers who wish to voluntarily disclose their offshore accounts and assets to avoid prosecution and limit their exposure to civil penalties but have not yet done so. Unlike the 2009 OVDP and the 2011 OVDI, there is no set deadline for taxpayers to apply. However, the terms of this programme could change at any time going forward. For example, the IRS may increase penalties or limit eligibility in the programme for all or some taxpayers or defined classes of taxpayers – or decide to end the programme entirely at any point. This new programme, the Offshore Voluntary Disclosure Program (OVDP) will be available until further notice to taxpayers who come forward and complete certain requirements. The terms of the programme will also be offered to taxpayers who made offshore voluntary disclosures after the deadline for the 2011 OVDI.

Taxpayers with undisclosed foreign accounts or entities should make a voluntary disclosure because it enables them to become compliant, avoid substantial civil penalties and generally eliminate the risk of criminal prosecution. Making a voluntary disclosure also provides the opportunity to calculate, with a reasonable degree of certainty, the total cost of resolving all offshore tax issues. Taxpayers who do not submit a voluntary disclosure run the risk of detection by the IRS and the imposition of substantial penalties, including the fraud penalty and foreign information return penalties, and an increased risk of criminal prosecution. The IRS remains actively engaged in ferreting out the identities of those with undisclosed foreign accounts. Moreover, increasingly this information is available to the IRS under tax treaties, through submissions by whistleblowers, and will become more available under the Foreign Account Tax Compliance Act (FATCA) and Foreign Financial Asset Reporting (new IRC § 6038D).

Progress: As of December 2012, around 5000 disclosures had been made under the terms of the programme announced in January 2012.

Source: IRS website *www.irs.gov/newsroom/article/0,,id=254187 00.html.*

income and assets in offshore accounts), and a number of these have been very successful taking account of the additional revenue raised. Examples from the United Kingdom and United States of a few of these more targeted forms of voluntary disclosure campaigns are set out in Boxes 9.10 and 9.11.

Drawing on survey responses (see Tables 9.14 and 9.15) and some limited research, the key findings and observations are as follows:

- Around 40% of revenue bodies have a policy in place to encourage voluntary disclosures;
- Less than three quarters of these revenue bodies were able to provide details concerning the scale of these programmes and the results achieved in practice;

Box 9.11. **United Kingdom: Example of a targeted voluntary disclosure initiative**

(extract of information appearing on HMRC's website (July 2012)

Details of current campaigns

There are three HMRC campaigns currently active (as of July 2012):

- The Tax Return Initiative – an opportunity to submit outstanding Self Assessment tax returns
- The e-marketplaces campaign for those trading on the internet
- The Electricians' Tax Safe Plan, for electricians and electrical engineers

If you want to know more about a particular campaign or would like to discuss your own situation you can call the Campaign's Voluntarily Disclosure Helpline on Tel 0845 601 5041.

Tax Return Initiative

The Tax Return Initiative is for people who are required to pay tax at the highest rates – 40% and 50% – and are required to complete a Self Assessment tax return for tax years 2009-10 or earlier and have not yet done so. The campaign will start on 3 July and run until 2 October 2012.

Any person who has been sent returns or been told to complete tax returns for years 2009-10 or earlier and has not yet done so is encouraged to take part in this opportunity and can do so by submitting the returns and paying what they owe by 2 October.

By coming forward in this campaign, you will get better terms and any penalty you pay will be lower than if HMRC comes to you first.

This campaign will be part of the wider activity in HMRC aimed at tackling failures to submit completed returns and will provide a time limited opportunity to encourage those who want to get their tax affairs up to date to come forward.

e-marketplaces campaign

The e-marketplaces campaign launched with a first phase notification period opening on 14 March 2012. The campaign will be of interest if you are using e-marketplaces to buy and sell goods as a trade or business and you have not disclosed your income or paid the taxes that are due.

To take part in this campaign you had until 14 June 2012 to notify HMRC of your intention to disclose. You now have until 14 September 2012 to make a full disclosure with payment.

If you have missed the deadline for notifying your intention to disclose, it will still be beneficial for you to tell HMRC as the penalty you will pay will still be lower than it would be if HMRC comes to you first. Anyone who wants to come forward now and voluntarily disclose can call the e-Markets Disclosure

Facility Helpline on Tel 0845 601 2944.

Trades campaigns – Electricians' Tax Safe Plan

This campaign started on 14 February 2012. The Electricians' Tax Safe Plan (ETSP) focuses on electricians and electrical fitters. For this campaign an electrician can be defined as anyone who installs, maintains and tests electrical systems, equipment and appliances under stringent safety regulations.

The ETSP gives an opportunity to electricians to come forward and declare unpaid tax. The notification period ended on 15 May 2012 and disclosure, with payment, must be made by 14 August 2012.

Source: UK HMRC website at *www.hmrc.gov.uk/campaigns/news.htm*.

- A number of revenue bodies (*e.g.* the United Kingdom's HMRC and United States' IRS) have a policy of promoting/targeting such programmes to specific areas of non-compliance (*e.g.* assets concealed in offshore bank accounts)
- Results achieved by a number of revenue bodies suggest that voluntary disclosure programmes can be a reasonable source of revenue.

Table 9.15. **Revenue bodies' use of voluntary disclosure policies**

(Only countries that reported results are shown)

	Numbers of cases processed		Taxes, penalties and interest (millions of local currency)	
Country	2010	2011	2010	2011
OECD countries				
Australia	9 776	13 742	582/1	764/1
Austria	n.a.	2 589	n.a.	126
Canada	12 506	13 009	/1	/1
Netherlands/1	1 035	353	98	60
New Zealand	1 301	1 120	188	265
Portugal	2 014 140	2 084 908	166	181
Slovenia	21 315	13 887	13.6	9.9
Sweden	998	5 641	115	452
Turkey	17 600/1	1 198 000/1	3.3	2 455
United Kingdom	19 000/1	22 000/1	400/1	275/1
United States	15 000/1	18 000/1	360/1	3 040/1
Non-OECD countries				
Malta	1 374	1 117	40.6	16.1
Russia	333 592	202 907	75 248	50 063
Singapore/1	818	745	68	36
South Africa	-	3 140	-	1 700

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 350.

Source: CIS survey responses.

Tax sanctions etc. Recent legislative developments

Reforms concerning the sanctions regime administered were reported by a number of surveyed revenue bodies. The reforms reported are described briefly hereunder:

- ***Austrian*** officials reported that a new amendment of the Austrian Fiscal Penal Act concerning new sanctions came into force 1 January 2011. Contrary to the hitherto existing rules, Article 1/3 of the Fiscal Penal Act stipulates that fiscal offences which are threatened with a compulsory custodial sentence of more than three years are crimes in terms of Article 17/1 of the Austrian Criminal Code – thus fulfilling the requirement of Article 165 of the Austrian Criminal Act as predicate offence for anti-money laundering purposes. These qualified tax offences are: 1) Article 38a (Fiscal Penal Act): Tax evasion as a member of a gang with an evaded amount of more than EUR 100.000 (up to 5 years of imprisonment); and 2) Article 39 (Fiscal Penal Act): Tax-fraud with an evaded amount of more than EUR 250 000 (imprisonment from 6 months to 5 years; or more in case the evaded amount exceeds EUR 500.000). Tax-fraud is tax evasion using forged or false documents, using simulated transactions or acts or bogus deductions of income or VAT.

- ***Australia*** reported that its Parliament passed a law in June 2010 which allows for the imposition of administrative penalties for false or misleading statements which do not result in a shortfall amount.

- ***Colombia:*** In an upcoming tax reform to be presented before Congress in the second semester of 2012, the new sanctions chapter of the tax code will aim at: 1) Unifying the tax procedure for the imposition of sanctions; 2) Setting clear rules for cases of recidivism of punishable behaviors, pursuant to which the penalties will increase by 25% for the second offence incurred in by a taxpayer within a three year-term, by 50% when incurring in the third offence within the aforementioned term, by 75% for the fourth offence, and by 100% for the fifth and subsequent offenses; 3) Changing the sanction scheme to a more objective one that follows criteria of proportionality and reasonableness, legitimising the punitive powers of the State. This will imply a fifty percent (50%) reduction with respect to the current sanctions, and to provide for financial penalties and the closure of business as a penalty for certain offenses; 4) creating a unified national data base of sanctions that compiles sanctions on tax, customs, and foreign exchange control matters; and 5) Creating a data base to keep track and monitor (i) societies of CPAs, tax auditors and lawyers sanctioned by the Central Board of Accountants and the Supreme Judicial Council, and (ii) taxpayers, withholding agents, customs users, exporters, importers and other that need to comply with obligations administered by the Tax Administration.

- ***Denmark*** reported that a system of open (public) tax books is under implementation, as is known from Sweden. This will expose potential fraud or understatement. SMCs will be subjected to an administrative fine of DKR 5 000-80 000 (depending on size of company) in case of (significant) monthly non-reporting, delay or faulty statement of tax liabilities of PAYE for employees to the e-Income register

- ***France:*** New sanctions have recently been reinforced in two areas: 1) bank accounts and life insurance contracts located abroad; and 2) tax crime.

  Bank accounts and life insurance contracts located abroad must be declared. If not, a fine will be enforced. The amount of the penalty is, in general, of EUR 1 500 per account or contract undeclared, and of EUR 10 000 if the account is held in a State or territory that has not concluded an agreement with France for administrative assistance allowing access to bank information. The law completed this legislation by providing that, when the total of credit balances on contracts or accounts abroad unreported amounts are over EUR 50 000 on 31 December of the year for which the statement should have been made, the penalty is 5% of the credit balance of each account or contract undeclared, and can not be less than the amounts of EUR 1 500 or EUR 10 000. It is also noteworthy to mention that there has been a strengthening of the sanctions for tax crime by upgrading the fine from EUR 37 500 to EUR 500 000 in the general case and from EUR 75 000 to EUR 750 000 in other cases (mainly sales or purchases without invoices or with false ones). Moreover, new sanctions were created in case of tax fraud in connection with a State or an uncooperative Territory or with one which signed an agreement of administrative assistance for less than 5 years. Under these assumptions, the penalties are increased to seven years imprisonment and a fine of EUR 1 million.

- ***Ireland*** noted that legislation was introduced in February 2011 enabling Revenue to include taxpayers who make an agreed settlement with Revenue, ***whether paid or not***, in the published List of Tax Defaulters; prior to the introduction of this legislation only taxpayers who paid agreed settlements, could be published.
- ***Italy*** reported that as of September 2011 new sanctions have been introduced to punish instances of understatement of tax liabilities. In particular, it is sanctioned with imprisonment ranging from a minimum of 1 to a maximum of 3 years where a taxpayer reports in his/her/income tax return revenues lower than those actually obtained,or claim costs deductions greater than those actually incurred, when the two following requirements are both met: a) the amount evaded tax exceeds the threshold of EUR 50.000; and b) the overall amount of the assets understated, even including the claim of fictitious deductible costs, is greater than 10% of the overall amount of the indicated assets or, in any case, exceeds the threshold of EUR 2 m.
- ***Japan:*** Two new provisions have been introduced: 1) A person, who does not intentionally submit tax returns by the legal term and evade tax, shall be punished by imprisonment with work for not less than 5 years and/or a fine of not more than 5 000 000 yen. (Income Tax Law article 238(3, 4), Corporation Tax Law article 159(3, 4) and Consumption Tax Law 64(4, 5)); and 2) A provision was introduced which punishes a person who attempts to get a consumption tax refund fraudulently. (Consumption Tax Law article 64(2)).
- ***Malaysia*** noted that failures to furnish tax return, incorrect tax returns and wilful tax evasion have been gazetted on 7 October 2010 as serious offence under Anti-Money Laundering and Anti-Terrorism Financing Act 2001.
- ***Portugal:*** The penalty amounts within the General Regime for Tax Infractions increased in 2012. These amounts depend on the type of non-compliant taxpayer – the amounts of penalty to corporate taxpayers are the double of those applied to single taxpayers – and administrative penalties can range from EUR 25 to 165 000.
- **Russia's FTS** reported that it had commenced a practice of publishing details on its website of the most common/typical offenses detected in the course of its tax audits as a general deterrent to non-compliance.
- ***South Africa*** reported that explicit administrative non-compliance penalties only applied to income tax as of mid-2012 but applies across all tax types after the commencement of the Tax Administration Act 2011 on 1 October 2012. The current "additional tax" penalty regime will be replaced by an "understatement penalty" regime under the Tax Administration Act, under which relevant behaviour (reasonable care not taken; no reasonable grounds for tax position; gross negligence and intentional tax evasion) will determine the level of penalty.
- ***Sweden*** noted that new law effective from 1 January 2012 increases authority of revenue body to remit/reduce penalties.

Notes

1. The introductory text to this part is taken directly from the CFA's 2003 practice note "*Taxpayers' Rights and Obligations*".

2. Unlike amnesty-type of arrangements which typically entail authorities forgoing some portion of the tax liability concerned, voluntary disclosures generally require full payment of tax liabilities, with concessions given in relation to penalties and/or interest. As such, the use of such policies is seen as defensible and potentially attractive to some taxpayers who might otherwise be prepared to risk detection of their non-compliance.

Notes to Tables

Table 9.1. Taxpayers rights and selected features of the revenue rulings system

/1. **Argentina:** The Rights and Obligations of the Taxpayer and of the Customs User are mentioned, made public and delivered through different channels: brochures on the matter delivered in the different agencies, and also provided to new taxpayers when registering. These Rights and Obligations are detailed in AFIP's web site; **Australia**: For private rulings, the ATO aims to respond within 28 days of receiving all the necessary information. If it finds that the taxpayer's request raises particularly complex matters, that will take more than 28 days to resolve after receiving all the required information, it negotiates an extended reply date. Where a ruling has not been provided after 60 days, a request may be made by the taxpayer to make the ruling. Generally if the ruling has not been made after 30 days from that request, the taxpayer may seek an administrative review. **Austria:** From 2011 only private rulings on group taxation, business restructuring or transfer pricing are binding on the revenue body and fees will be charged; **Belgium**: 3 months (indicative); **Canada**: The Taxpayer Bill of Rights describes fifteen rights, which are a combination of statutory rights and service rights. Statutory rights are codified in the tax legislation and generally include a legal right to redress. Service rights govern the revenue body relationship with taxpayers and they encompass an administrative redress process. This service complaints process begins first with attempting to resolve the matter with the official they have been dealing with; if the taxpayer is not satisfied, they can file a formal complaint through the Service Complaints Program; if they remain unsatisfied, they can file a complaint with the Taxpayers' Ombudsman, who will provide an impartial and independent review. **Chile**: In February 2010, a new article was introduced in the Tax Code, which specifies and details what are the minimum taxpayers' rights recognised and guaranteed by the law; **Cyprus**: 30 days per Fair Administration Law. **Czech Rep, Netherlands:** All reported operation of external Ombudsman; **Germany:** The advance (private) ruling issued by the revenue authority has binding effect for the taxation of the applicant only if the activities which are afterwards actually conducted do not differ from the proposed activities on which the advance ruling was based, or differ only immaterially. The binding effect therefore does not come into being if the activities actually carried out fail to concur on important points with the facts of the case which were presented at the time that the application for the advance ruling was made. The binding effect of the advance ruling comes to an end without need of any action being taken by the revenue authority from that point in time in which the legal regulations upon which the advance ruling was based are repealed or changed. An advance ruling can be corrected, retracted or revoked. An advance ruling can in particular be corrected with retroactive effect if the advance ruling was obtained by unfair means such as fraudulent misrepresentation, threats or bribes or if the beneficiary knew the advance ruling was unlawful or was grossly negligent in not knowing it was unlawful; **Hungary:** 30 days, additional 30 days if needed**. Iceland:** They are not legally binding but if all circumstances are accurately described then tax authorities are bound by their expressed interpretation of the relevant tax law; **Indonesia:** Tax oversight committee; **Ireland:** While there is an internal mechanism for processing complaints customers can also make an appeal under statutory provisions, via the Appeals Commissioners, Ombudsman's Office or the Equality Tribunal; **Lithuania:** The tax administrator must take a decision on the application within 60 days of the date of the receipt thereof. Additional 30 days are allocated for consideration of applications received by 1 July 2013. By the decision of the tax administrator, the time limit for consideration of applications may be extended by 60 days more if the consideration of an application requires further examination; **Luxembourg**: Direct taxes only. **Mexico**: Taxpayers Attorney´s Office (PRODECON by its Spanish acronym) is a decentralised public agency with own legal personality and patrimony. PRODECON is empowered to guarantee taxpayers' right to be treated with justice on federal tax legal affairs issuing public recommendations and acting as taxpayers' advocate. **Portugal**: 90 days or 60 days, if a request to justify its urgency is made by the taxpayer and accepted by the tax administration. **Romania, Russia and Slovenia:** All reported the existence of a special internal body and administrative arrangements; **Singapore:** Public rulings in the form of electronic tax guides published on IRAS" website; private rulings for Income Tax and GST; **Slovak Rep.**: Individual response to the enquiry of the taxpayer connected with the application of the tax rules does not have a form of ruling. It is only an methodical information, which is binding for the tax administration in case, if the existing real state detected by the tax controller during the tax control is not different from the enquiry raised by the taxpayer and responded by the tax administration. **South Africa:** General period for private rulings depends on complexity of ruling.

/2. **Argentina:** Only in some occasion indicated in the law; **Canada:** Advance Income Tax Rulings: (as of April 1, 2012) The goal is to issue advance income tax rulings within 90 business days of receipt of all essential information from the client. GST/HST rulings and interpretations – written enquiries: The goal is to respond to written requests for GST/HST rulings and interpretations within 45 working days of receipt in the CRA. This excludes highly technical and precedent and/or policy-setting rulings and interpretations; **Chile:** Private rulings are only issued with respect to a specific set of facts and are published (without naming the taxpayer). **Indonesia**: When a consultant acts on behalf of a taxpayer, he/she must meet some requirements stipulated by Regulation of Minister of Finance and must be granted power of attorney by the taxpayer; **Malta**: Electronic Communications – (Income tax) Regulations. Authorised Financial Intermediaries (Investment Income) Regulations; **Portugal**: Fees are only imposed if the private ruling is considered urgent. **Singapore**: Time limits for the issue of private rulings are 8 weeks for Income Tax, 1 month for GST. Expedited rulings are possible with additional fees; **Slovak Rep**.: There is no time limit for issuing of a standpoint on request to the taxpayer. Time limit for the tax administrator is given only if it issues a ruling which either grants rights or impose duties to the taxpayer. Time limit is 30 or 60 days after the change of law since 1 January 2012; **United States:** Practice Act, 5 U.S.C. 500, and the Treasury Practice Act, 31 U.S.C. 330, enacted by Congress, are provisions in the United States Code that control admission and regulate conduct of tax practitioners in their dealings before the Internal Revenue Service and Department of Treasury. Consistent with the federal system of government in the United States, attorneys and certified public accountants (CPAs) who are licensed by one of the 50+ states, commonwealths and territories within the U.S. gain an automatic right to practice before the Internal Revenue Service. Notwithstanding the automatic entry, attorneys and CPAs can be disciplined for misconduct by the IRS separate and apart from any action of a state licensing authority. Also of note, the IRS may impose civil and criminal penalties against tax return preparers and other tax professionals for certain misconduct. Historically, the Internal Revenue Service has not regulated the preparation of tax returns generally, except to impose penalties for certain misconduct. Beginning in 2011, the IRS will require tax return preparers to register with the agency and generally will require them to demonstrate their qualification to prepare returns. These individuals will be regulated and subject to tax compliance checks, suitability checks, and continuing education requirements.

/3. **Argentina:** There is no time limit for non-binding consultations. However, if there is no answer within sixty (60) working days, the consultant may request prompt delivery, and in this case, the Revenue Body must reach a decision within the next 30 working days. In binding consultations, the Revenue Body must reach a decision within ninety (90) running days.

Table 9.2. Comparison of registered taxpayer populations (2011)

/1. 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. **Australia**: PIT: Total active Tax File Numbers issued to individuals, CIT – Total active Tax File Numbers issued to corporate entities, and VAT – as per latest Annual Client Account Services GST Report; Belgium: Number of tax returns sent to taxpayers including permanent establishments of foreign enterprises; Canada: The number of registered taxpayers for PIT, CIT and VAT is not based on number of returns filed and excludes VAT accounts administered by the province of Quebec. **Chile**: Comprises taxpayers that filled one of the annual tax return codes related to CIT; **Germany**: Married taxpayers filing joint returns count as one. Generally no legal obligations for employees to file returns, but majority of employees do file returns to claim deductions and other allowances. Of 2.5 million CIT taxpayer, 1.1 million are statutory corporations and 1.4 million are partnerships that are not subject to income tax; **Greece**: According to the number of tax returns submitted in the fiscal year 2009 (for incomes earned in 2008), received as January 2010; **Japan**: PIT indicates the number of individual income tax returns received in 2009, CIT indicates the number of corporations as of 30 June 2009, VAT indicates the number of notifications of taxable business enterprises for consumption tax as of 31 March 2009; **Korea**: The number of PIT taxpayers includes employees most of whom are not required to file tax returns; **Latvia**: Number of registered taxpayers for PIT is the total number of employees and performers of business activity as 1 January 2010 – same with VAT taxpayers –, the number of registered taxpayers for CIT indicates the number of corporate income tax returns; **Mexico**: Registered taxpayers are those who are recorded on the taxpayer master files that are under regular administration by the revenue body. The number of registered taxpayers for PIT should include those employees who are generally not required to file an income tax return because their income tax liabilities are finalised by employers' withholding, etc.; **Netherlands**: Generally no legal obligation for employees to file PIT returns, but majority of employees file returns to claim deductions; **New Zealand**: Figures are for active taxpayers ie they have had a transaction in the last 12 months, or who pay tax through the PAYE system; **Russia**: Number of CIT taxpayers includes organisations that paid tax, provided zero accounting, filed a simplified return, paid the unified agricultural tax or have not filed a return for the current period; **Saudi Arabia**: The number of registered individual taxpayer and corporate for Zakat – a sui-generis tax for Saudi Arabian tax system – are 394 597 and 31 758 respectively; **Singapore**: Population includes Singapore citizens, permanent residents and foreigners. **Spain**: Number of registered personal taxpayers is the number of annual PIT returns (some of them include several taxpayers as it is possible a joint PIT return with spouses or children under 18); **United States**: These include all entities (taxpayers) on the IRS Master File, including spouses. It includes all taxpayers for which activity has taken place within the last four years, and within ten years for those with outstanding tax liabilities. The corporation figure includes all active and inactive corporations that file Form 1120. Inactive corporations all remain on the Master File for four years and up to 10 years if there are outstanding tax judgements.

Table 9.3. System of taxpayer identifiers for revenue administration

/1. **Austria, Luxembourg, Mexico, Netherlands, Poland**: Same TIN for both direct tax and indirect tax purposes; **Argentina**: The TIN is unique for all federal taxes; **Belgium:** Date of birth; **Bulgaria**: 12-digit VAT TIN for natural person, 11 digits for company, taxpayer specific digits only for natural person; **Canada and USA:** Use social security/insurance number for individuals; **Chile, Denmark, Korea, Malta, Norway and Romania**: Use citizen identification number for PIT; **Czech Rep.**: CZ + 10 Digits = CZ + date of birth (YY/MM/DD) + 4 numbers (registration number of year of birth); **Denmark**: PIT identifier is citizen identification number. VAT identifier is the exact same as identifier for corporate income tax; **Estonia**: Personal ID code for PIT and company registration code for CIT; **Finland, Sweden**: Social security number for PIT and individual VAT, business registration number for CIT and corporation VAT; **France**: PIT TIN is created and used only by revenue body, but it varies depending on taxpayer's situation; **Greece**: The same identifier applies for PIT, CIT and VAT; **Hungary**: Same identifier used for CIT and VAT; **Iceland**: Citizen identification number for PIT, company registry number for CIT; **Ireland**: TIN with 7 digits and 1 check character; the PPSN is a unique reference to allow for access to benefits and information from public service agencies more quickly. This includes services such as Social Welfare, Revenue, Public Healthcare and Education. PPSNs are allocated by the Department of Social Protection; **Latvia**: Yes, if the VAT payer is an individual; **Italy:** Identifier used is named "codic e fiscale"**; Luxembourg**: resident registration number or social security number for PIT; **Mexico:** VAT identifier either 12 or 13 digits long, depending on the type of taxpayers (legal persons or individuals); **Netherlands**: In the Netherlands the citizen service number for individuals is their identifier for all government services; **New Zealand**: Moved to 9-digit taxpayer identifier from June 2008; **Norway**: CIT is the same number as the registration number in the Company House. VAT number is the same number as CIT (and registration number in the Company House) plus MVA (abbreviation for VAT); **Poland:** PESEL (Powszechny Elektroniczny System Ewidencji Ludności) – Personal Identification Number. PESEL is tax identifier for the selected taxpayer groups, ie, individuals who do not lead the business or they are not registered as VAT taxpayers. **Romania:** Registration code for VAT purpose Number is RO + 2-10 digits; **Russia**: Identifier unique for tax administration: The identifier was developed and is used primarily for tax administration purposes; **Slovak Rep**.: SK+10 digit number; **Slovenia:** SI+8 digit numbers; **Spain:** Each taxpayer has a unique ID number (NIU) and it is same for every tax and administrative procedure; **Singapore**: National Registration Identity Card (NRIC) / Foreign Identification Number (FIN) for PIT, Unique Entity Number (UEN) for CIT, UEN or NRIC for VAT, year of birth or registration included. **Sweden:** Personal identity number used throughout society, business registration number etc.; **Switzerland**: Direct taxes are imposed by 26 Cantons while VAT is imposed by Swiss Federation. Social security number is TIN for PIT and CIT; **Turkey**: The identifier was developed and is used primarily for tax administration purposes. Unique taxpayer ID and Unique citizen ID can be used interchangeably for individuals; **United Kingdom**: National Insurance Number applies to PAYE taxpayers who do not self assess and file returns. **United States:** Use social security/insurance number for individuals. An additional PIN is provided under certain conditions to taxpayers victimised by identity theft.

Table 9.4. Use of taxpayer identifiers for information reporting and matching

/1. **Cyprus**: Companies dividends: no matching; Government agencies: asset sales and purchases reporting on request. **Germany:** Legislation enacted, but technical implementation underway; **Ireland:** The identifier is reported in respect of all new accounts opened since 1 January 2009; **Portugal:** Interests are generally subject to final withholding tax. Taxpayer identification is reported only in case of global income taxation. **Russia:** Related to all types of taxpayers (including individuals) in order to dividends and participation incomes; **Singapore:** Applicable for employers in the Auto-Inclusion Scheme for Employment Income. Pensions and other government benefits are applicable if they are part of taxable employment income. Dividends not applicable from 2008 due to the move to one-tier tax system. Asset sales and purchases not applicable as there is no capital gains tax in Singapore. Payments made to sub-contractors applicable for commission paid to commission agents; **Sweden:** PIN number for PIT and individual VAT, company registration number for CIT and corporation VAT. **South Africa**: Mandatory in the new Dividend Withholding Tax introduced on 1 April 2012.

/2. **Cyprus**: For pensions.

Table 9.5. Withholding and reporting regimes for income of resident taxpayers

/1. **Australia**: Withholding is required from certain investment income (e.g, dividends, interest and unit trust distributions) where the payee does not quote their TIN (Tax File Number or Australian Business Number); **Austria**: Very limited range; **Belgium**: Withholding is exempt under certain conditions, self-employed income tax is collected by way of advance payment, rent payment is reported unless exempt from tax or withholding. Self employed income is collected by way of advance payment; **Canada**: Only if property is other than primary residence; **Cyprus:** By seller: For CGT purposes, if there is a sale of shares of companies not registered on a recognised stock exchange with immovable property in Cyprus; **Chile:** Interest: withholding applicable to interest on certain public debt instruments. Rents: are informed when paid through an agent. Other income types: reporting required on certain payments (*e.g.* directors fees); **Denmark:** Listed shares only; **Estonia**: Full tax on dividends (21/79 of net amount) is to be paid and reported by payer **Finland:** Interest. Exception: No reporting for interests on bank deposits and bonds. Sale / purchase of shares. No withholding when shares are sold or purchased. Sale / purchase of real property. No withholding when real properties are sold or purchased; **Greece:** For rents not exceeding EUR 600/year, there is no reporting obligation; **Hungary**: Reported by the payer to the revenue body; **Ireland**: Professional and construction services: for payments by government/public bodies and gross payments made under contracts in certain industries (unless the payee is authorised by the Revenue Authority to receive payments in full).; **Italy**: Withholding only for non-qualified shares and reporting only for qualified shares. For capital gains from non-qualified shares held by individual investors, withholding only applies when taxpayer has opted for one of the special schemes applicable to investment income Prizes/gambling income – Depending on circumstances, WHT may not be final. A special tax regime consisting of a "unified" tax payment applies to gambling income arising in connection with the use of automated gambling machines; **Japan**: Distribution of profits received under a silent partnership contract (Tokumei Kumiai); **Korea**: Retirement income; **Latvia**: Rent is not withheld for persons who are registered as self-employed, patents are treated as income of self-employed, property Tax on alienation of real estate shall be paid upon submission of the annual income declaration, prize or gambling income is withheld if income exceeds certain amount; **Luxembourg**: Only for individuals; **Malaysia**: Insurance and sales commission will be reported by payer. 2 from amount of property sales will be withheld by acquire upon of payment. Other: Service rendered in Malaysia by public entertainer and special classes of income in certain cases derived from Malaysia; **Mexico**: Only individuals, not for legal people; **Netherlands**: Interest payment by banks are reported. Gambling income withheld when paid by Dutch organiser. **New Zealand**: If imputation credits are available dividends are exempt from withholding tax; **Portugal**: Mainly when the payer is corporation or individual entrepreneur required to keep accounting book; **Romania:** For certain incomes as per art.52 from Fiscal Code); **Russia:** No If rent income of the individual (physical person) received from the legal entity, then tax withheld at source of income. If rent income of the individual (physical person) received from another individual, then income should be declared and tax paid by recipient of income; **Slovak Rep**.: Tax is withheld at source by the payer of income in the case the monthly salary is lower than 165 97 EUR and some other conditions are fulfilled. Tax is withheld at interest from deposits. Income tax is withheld in respect of monetary prize exceeds EUR 165.97 except prizes exempted from tax; **Slovenia**: Interest withholding is not valid for all types of interest. Business income withholding tax is only for those taxpayers who establish the tax base on the basis of actual incomes and norm expenditures; **Spain**: Specified self employed (professional activity), Others (certain capital gains); **Switzerland**: Varies across cantons. However, all foreign employees who do not hold a long term residence permit but who nevertheless have their tax domicile or residence in Switzerland shall be subject to tax withholding on employment income. **United Kingdom**: No interest withholding if taxpayer make claims, as below income tax charge;

/2. **Cyprus**: By Seller: before any transfer of immovable property situated in Cyprus. Any CGT due needs to be settled before the transfer; **Netherlands**: specific groups of freelancers. **United Kingdom:** Withholding and reporting for certain workers in construction industry.

/3. **Cyprus**: If tenant individual no obligation for withholding/reporting **Netherlands:** Shares: For transfer of certain shares and real estate a notarial act is obligatory and these are registered at the tax administration.

Table 9.6. Withholding and reporting regimes for income of non-resident taxpayers

/1. **Argentina:** Non-residents do not receive income for Wage and Salary; **Cyprus**: Employment income: where employment is exercised in Republic or if directors' fees paid by a resident company; Interest income: if subject to EU savings directive; Professional income-all types of such income of an individual; Income from royalties/patents: Exempt if royalties/patents used abroad and non-resident not engaged in business in the Republic or per interest and royalties directive; Shares: By seller: For CGT purposes, if there is a sale of shares of companies not registered on a recognised stock exchange with immovable property in Cyprus; Real estate: By seller: Before any transfer of immovable property situated in Cyprus. Any CGT due needs to be settled before the transfer; Other income: Technical Assistance, cinematography film, entertainer group including football clubs and athletic missions. No reporting for groups. **Finland:** Sale/purchase of shares. No withholding when shares are sold or purchased. Sale / purchase of real property. No withholding when real properties are sold or purchased. **Germany:** From 2009, interest, dividends, fund distributions and capital gains from capital investments (*e.g.* shares or units) are subject to a uniform flat-rate tax of 25%. The final withholding tax is collected by deduction at source. The investment income of non-residents is only liable to tax in a few exceptional cases, *e.g.* where the principal is secured through domestic real property or where over-the-counter transactions are involved. Tax deduction is only provided for in the case of the latter. Dividend payments are, however, reported in case of an application for refund of the withholding tax. Interest payments are reported in the cases falling under the Interest Information Regulation (implementation of the Savings Taxation Directive). No deduction of tax in the case of renting out domestic real property, dwellings and office space etc. Business income withholding for certain types of income, *e.g.* income of artistes, professional sportsmen, authors and journalists. Upon deduction of the tax for business income, the remuneration debtor must submit a self-assessed tax return, in which it is, however, generally only necessary to enter the entire remuneration amount subject to the tax deduction. It is not normally necessary to state what the total figure comprises. Other incomes are recurring benefits and pensions. In case of pension payments, the amount of the benefits has been communicated using a pension payment notification for assessment periods since 2005; **Chile**: Withholding must be applied over the capital gain from the transaction. **Greece:** For tax residents of a foreign country with which Greece has signed a DTC, then it applies the reduced or the zero tax rate of the DTC; **Ireland:** Payments of rent to non-residents of the State are paid gross if the payments are made to a resident agent who is acting on behalf of the non-resident property owner. Revenue may request third party returns from letting agents and managers of premises. Payments of rent to non-residents are subject to withholding tax by the tenant at the standard rate (currently 20%) where the rent is paid directly to the non-resident or into his/her bank account. In this situation, the tenant must account for the tax to the Revenue Commissioners; **Italy:** Withholding only for non-qualified shares and reporting only for qualified shares. **Korea:** Withheld only when selling shares or real estate; **Luxembourg**: Artists and sportsmen only; **Netherlands:** Banks and insurance companies provide the values at the beginning and end of fiscal year of accounts and capital. **Portugal:** Generally exempted; **Russia:** In relation to legal entities – when a non-resident carries out business activities by creating a permanent establishment for the purposes of taxation; **Singapore:** Withholding only for non-resident director's remuneration, interest other than on deposits with approved banks is taxed, rent withholding only for equipment or other moveable property except for ship and aircraft, business income withholding only for non-resident professional and non-resident public entertainer, sale of real estate withholding applies when making payment to non-resident property trader for the disposal of real estate; **Slovak Republic:** Tax is withheld at rents of movable property; **South Africa:** By company paying the dividend or regulated intermediary (withholding agent used by company); **Switzerland**: Personal income for actions in Switzerland of artists, musicians, sportspersons and contributors, and income paid by a company situated in Switzerland to (non-resident) members of the governing board. **United Kingdom:** Withholding depends on where the duties are performed.

/2. **Greece:** For rents not exceeding EUR 600/year, there is no reporting obligation; **Italy:** Interest paid to non-resident taxpayers is reported to the revenue authority in certain circumstances (*e.g.* under the Savings Directive or when the non-resident taxpayer applies for an exemption or other special regime available under Italian law. **Netherlands:** Shares: For transfer of certain shares a notarial act is obligatory and these are registered at the tax administration; Real Estate: For transfer of real estate a notarial act is obligatory and these are registered at the tax administration. **Russia:** No If income from sale/purchase of shares received from the broker, then tax withheld at source of income. Otherwise, for instance, when income from sale of shares received under the contract between individuals, income should be declared and tax paid by the individual. The same situations will be with regard to royalties, incomes from patents, income from sales/purchase of real estate, other types of income; **Singapore:** Employers need to seek tax clearance for their non-citizen employees ceasing employment in Singapore or leaving Singapore for more than 3 months. As part of the tax clearance process, they need to immediately withhold payment of all monies due to the employee for a period of 30 days from the day they notify the tax authority or until the tax authority gives tax clearance; **South Africa:** Shares listed on JHB Stock Exchange and Collective Investment Scheme investments.

/3. **Italy:** Withholdings are made only when non-resident taxpayers have not opted for the self-assessment regime. **South Africa:** Withholding tax on payments to non-resident sellers of immovable property.

Table 9.7. Personal income tax: employers' withholding, payment, and reporting obligations

/1. **Australia:** For large employers, precise timing of payment depends on payment cycle; **Chile**: Taxpayers who issue electronic invoices and use Internet to declare and pay can remit by the 20th day; **Czech Rep**.: E-report to 20th of March after end of the income year; **Finland:** Employers can choose between cumulative and non-cumulative withholding. Employees are required to file an annual income tax return in both cases; **Germany**: The wages tax reporting period is normally the calendar month. The wages tax reporting period is the calendar quarter if the wages tax to be paid over for the previous calendar year amounted to more than Euro 1000, but less than Euro 4000; the wages tax reporting period is the calendar year if the if the wages tax to be paid over for the previous calendar year amounted to no more than Euro 1000. If the permanent establishment was not in existence during the whole of the previous calendar year, then the wages tax to be paid over for the previous calendar year shall be converted to an annual amount for the purposes of determining the wages tax reporting period. If the permanent establishment was not yet in existence in the previous calendar year, the determination shall be based on the wages tax to be paid over for the first full calendar month after the opening of the permanent establishment, converted to an annual amount; **Iceland:** All employees have to file a tax return regardless of the withholding. The withholding tax is calculated against the final tax assessment. **Latvia:** Applies to employers subject to the micro-business tax; **Mexico:** Employers with 3 or less employees (none of who earn more than 3 times the minimum wage for a year do not apply. El régimen simplificado (simplified regime) may opt for half-yearly frequency for withholding payment obligations; **Singapore**: For non-citizen employees ceasing employment in Singapore or leaving Singapore for more than 3 months, employers have to seek tax clearance at least 1 month before the employee ceases employment or leaves Singapore and immediately withhold payment of all monies due to the employee for a period of 30 days from the day they notify the tax authority or until the tax authority gives tax clearance. **Slovak Republic:** Non-cumulative withholding: If employee does not ask employer for annual tax assessment**; South Africa**: With effect from the 2010/2011 year, a mid-year reconciliation return is due at the end of October; **Spain:** Employees with a salary under 22 000 EUR (or 11 200 if they have several employers) are not required to file an annual PIT if they fulfil certain requirements; **Turkey:** It does not apply to the employers who withhold tax on the cost of agricultural products; **United States:** Deposit payment rules are based on the amount of taxes due for an earlier look-back period (generally one year). Employers whose tax liability for the look-back period was more than USD 50 000 are subject to the semi-weekly deposit schedule.

/2. **Iceland:** Employers have to file annually information on total salaries payed in the previous income year. The deadline for this filing is 30 January and the filing has to contain a breakdown on each employee; **Singapore:** IRAS has an Auto-Inclusion Scheme for Employment Income (AIS). Under AIS, employers provide details of the remuneration of their employees directly to IRAS. Participation in AIS was compulsory for larger employers (ie. 30 or more employees for the latest assessment year).

Table 9.8. Personal income tax: payment and return filing obligations

/1. Many countries apply a 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. **Argentina**: Employees are required to file the tax return when they receive income from other sources or, if they do not receive such income, when they exceed a minimum amount of employment income established; **Belgium:** Requirement to make advance payments is optional; taxpayers who make such payments receive a tax credit – for assessment year 2011 these amounts are 1.5%, 1.25%, 1% and 0.75% respectively, provided payment is made by prescribed date; **Canada**: June 15 for self-employed and spouse or common-law partner of self-employed; **Chile**: For electronic income receipts, by the 20th day of the following month; **Cyprus**: If any individual earns income from trade or profession or rents or royalties or remuneration/profits for use of property or trade goodwill and total turnover up to EUR 70 000, date extended to 30 June and with turnover over EUR 70 000 to 31 December following the year of assessment; **Czech Rep**.: Large individual taxpayers required to make monthly instalments by the end of each month; **Greece:** For the fees of architects and engineers, as well as lawyers' fees, the advance tax is calculated at different rates under special provisions; **Estonia**: 1 October (if business income, capital gains), 1 July for other income; **Latvia**: Latvia – If sum of personal income tax to be paid exceeds LVL 450 (approx. EUR 634), tax can be paid within 3 months; **Mexico**: There is obligation to file an annual income return In the following cases: 1) employees with more than one employer during the fiscal year, 2) employees earning income above 400 000, and 3) employees choosing to file their own return. **Portugal**: Paper: March for employees and pensioners and April for others; E-filers: April for employees and pensioners and May for others. When taxpayers do not lodge tax return, Tax authority must collect tax due until 31 December; **Singapore:** Except for individuals selected for No-Filing Service (NFS). However, these individuals are still required to file a return if they have additional income to declare or changes to their relief claims. The NFS was first introduced in 2007 for taxpayers who only have auto-included income and claim the standard tax relief items. They do not need to file a tax return unless they have other income that has not been auto-included or have changes to make to their tax relief claims; **South Africa:** Employees with salary and wage income less than R 120 000 not required to file; **Spain:** For return filing, April to June of the following year for those that validate the pre-filled return sent by the Tax Administration; for payment on assessment, two instalments are also possible (60 by May or June and the balance by 5 November; **United States:** IRS Publication 17-Your federal income tax.

/5. **Greece**: With decisions of the Minister of Finance different deadlines may be provided.

Table 9.9. Corporate Income Tax: Payment and return filing obligations

/1. Many countries apply 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. **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 more 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; **Cyprus:** Separate requirements apply to insurance companies carrying on long term business; **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 10th day of the month following the payment of the distribution; **Germany:** Current year estimate to be made where tax office has information on expected relevant difference to prior year's income; **Ireland**: There are different arrangements for large companies and small companies – a company is a large company or a small company, for preliminary tax purposes, depending on whether its corporation tax liability in the preceding accounting year is more or not more than EUR 200 000. For small companies, preliminary tax is payable in one instalment in the 11th month of the accounting year and companies have the option of paying 90% of corporation tax liability for the current accounting year or 100% of corporation tax liability for the preceding accounting year. Payments are to be made not later than the 23rd day of the month in which tax is due and payable. For companies with a corporation tax liability of more than EUR 200 000 in the preceding accounting period, preliminary tax is now payable in two instalments: the first instalment, which must be at least – 50% of corporation tax liability for the preceding accounting period or 45% of corporation tax liability for the current accounting period – is due no later than the 21st day of the 6th month of the accounting period, or the 23rd day of that month in the case of companies making their returns and payments under ROS (our online system). The second instalment, which must bring the total preliminary tax paid to at least 90% of corporation tax liability for the current accounting period, is due 31 days before the end of the accounting period and not later than the 21st day of the relevant month, or the 23rd in the case of companies making their returns and payments through Revenue's Online Service (ROS). With effect from June 2011, all companies are subject to mandatory electronic filing of corporation tax payments and returns using ROS. The EUR 200 000 limit is proportionately reduced where the preceding accounting period is less than 12 months. The amount based on corporation tax paid in the preceding period is adjusted proportionately where the length of that period differs from the current accounting period; **Portugal:** Except for entities that are not engaged in an activity of commercial, industrial or agricultural nature, as well as non-residents without permanent establishment on Portuguese territory; **Romania**: Profit tax payers (Romanian legal persons, Foreign legal persons, Foreign legal persons and non-resident individuals who work in Romania in an association without legal status), non-resident individuals associated with Romanian legal persons for realised income both in Romania and abroad in an association without legal status; **Singapore:** Income for companies is assessed on a preceding year basis. For example, if a company's accounting period ends on 31.03.2009, it is required to file the return by 30.11.2010.

Table 9.10. Value added tax: registration, payment, and filing obligations

/1. Threshold based on annual business turnover level unless otherwise indicated.

/2. Most countries provide special payment and filing regimes for designated business categories (*e.g.* agriculture, fishing).

/3. The data in these columns are the rules applied on the small taxpayers unless it is indicated differently (*e.g.* "large").

/4. Many countries provide special filing procedures for taxpayers who regularly receive refunds of VAT overpayment (*e.g.* exporters).

/5. **Belgium**: Flat rate scheme for unincorporated traders with turnover below EUR 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); **France**: Companies with turnover more than EUR 400 million and businesses administered by the Large Business Unit; **Greece:** All taxpayers are required to register for VAT/GST, but will not be required to charge and collect VAT/GST until they exceed the collection threshold; **Japan**: Taxable period: monthly if preceding annual VAT amount exceeds 48 million Yen, quarterly if ranges from 4 million to 48 million Yen, semi-annually if ranges from 480 000 to 4 million Yen, and annually if less than 480 000 Yen; **South Africa**: Farmers with turnover < ZAR 1.5 million may account bi-annually. Others < R 1.5 million four monthly.

Table 9.11. Selected features of tax disputes of assessment or rulings

/1. **Australia:** For income tax matters for individuals and small business entities: 2 years; for income tax matters for all other entities: 4 years; for most other reviewable decisions and private rulings: generally 60 days. Extensions to these periods may be granted in some situations; **Austria**: Appellate jurisdiction specialised in tax disputes – Independent Finance Tribunal. In order to contest the appellate decision made by the Independent Finance Tribunal it is admissible to file a complaint to the Superior Administrative Court or to the Constitutional Court; **Argentina:** The Tax Court of the Nation can also intervene in cases brought against taxes and penalties applied by the Revenue Body. The responsible person may appeal for reconsideration before AFIP or may appeal before a Tax Court of the Nation. **Belgium**: Try to avoid court review as much as possible, only the undisputed tax amount can be collected during the dispute; **Brazil:** Fiscal Dispute Administrative Council – Conselho Administrativo de Recursos Fiscais – CARF; **Bulgaria:** There is no specialised court, but the administrative courts and the Supreme Administrative Court have court compositions that are dealing primarily with tax disputes; **Canada**: Province of Québec resolves GST/HST [VAT] objections on behalf of Canada for registrants within the province. **Chile:** The Circular No 26 of 2008 regulates the Administrative Review Procedure called "Procedimiento Administrativo de Revisión de las Actuaciones de Fiscalización" (RAF or Audit Administrative Review Procedure). It is a special administrative review procedure, initiated by request of a taxpayer. It can be used when an administrative act has an obvious error. The head of the local legal department is in charge of the procedure. He asks a lawyer of his own department for a report. This lawyer can ask for support of an auditor, if it is necessary. After presenting the report, the head of the legal department has 20 days to give a ruling; **Cyprus**: Administrative review is prerequisite before court review only in case of direct taxes, initial appeal period by the end of following month. For assessments issued in December objection period extended until end of February. Administrative review is also done by Tax Tribunal in which case initial appeal period within 45 days of notification of decision, legal decision period within 1 year of submission of case. **Denmark**: The standard varies depending on type of dispute and is calculated as average time spent considering the disputes; **Finland**: 40%/3 months, 80%/6 months, 100%/24 months; **France**: Time limit is 31 December of the year following assessment for local taxes and 31 December of the 3rd following assessment for state taxes; **Germany**: With limitations; **Greece**: In all tax disputes with respect to audit assessments exceeding the amount of 300.000 EUR, the administrative settlement is mandatory in the sense that the case cannot be brought before the administrative (tax) courts; **Hungary**: In case of dissolution proceedings the time limit is 8 days; **Iceland**: Administrative review is compulsory in VAT; **Ireland**: Generally no time limit, but after appeal to Appeal Commissioners no administrative review available; Ombudsman can also conduct administrative review of disputed tax cases. Performance standard 4-6 weeks from receipt of complete information. The Appeal Commissioners are the persons appointed under statute for hearing Appeals by taxpayers against decision of the Revenue Commissioners concerning taxes and duties. Appeals to the courts may be made against their determinations; **Italy:** 60 day limit is normally expected for reviewing tax claims. **Japan**: Two forms of administrative review: reinvestigation and reconsideration. The second must be requested within one month after the decision of the first administrative review. Performance standard: requests for reinvestigation handled within three months and requests for reconsideration handled within one year; **Korea**: Tax Tribunal; **Latvia**: MOF has right to extend the period up to 60 days; **Lithuania**: Central tax administration is a compulsory pre-trial institution, decisions of which may be appealed to the Commission on Tax Disputes (a voluntary pre-trial institution) or courts. General time limit for legal decision of central tax administration (30 days) may be extended by a decision of the central tax administration for a period of up to 60 days. Decision of Commission on Tax Disputes shall be made within 60 days from receipt of an appeal. **Luxembourg:** For indirect taxes; **Malaysia**: 5 months; **Mexico**: Applies to federal taxes only. This applies when the dispute goes to the tax court, unless collateral is granted; **Malta:** Statistics refer only to authority in charge of Direct Taxation. **Netherlands**: Legally tax can be collected, the policy is not to take irrevocable collection measures for disputed tax; **New Zealand**: The Adjudication unit has a timeliness performance standard as follows. We will complete at least: 80% of high complexity adjudication cases within 20 weeks of allocation. 80% of medium complexity adjudication cases within 14 weeks. 80% of low complexity adjudication cases within 8 weeks. From 1 April 2010 taxpayers are able in certain circumstances to elect to proceed straight to a review by an external judicial body without first going through an administrative review. The review is conducted by a separate impartial unit (the Adjudication Unit) within Inland Revenue. Any assessment required in respect of the adjustment that the taxpayer disputes is made at the completion of the administrative review. The overall disputes process, which includes the administrative review, contains a number of steps and is commenced by a taxpayer filing a notice in response to the notice of proposed adjustment ("NOPA") within a time limit of 2 months after the NOPA. The NOPA outlines the adjustment proposed to the taxpayer's return. There are time limits set in the law for some other steps in the disputes process but no overall time limit for completion of the administrative review. However, although not specifically related to these reviews, there is a general 4 year limit (statute bar) in the law on reassessments to increase a taxpayer's liability. The ability to settle applies at a later stage than the administrative review, *i.e.* after the taxpayer has filed challenge proceedings with an external appellate body. Only if there is a significant risk the tax will not be paid should the taxpayer not succeed in the dispute, can the taxpayer be required to pay the tax in dispute. A tribunal – yes; an appellate court – no; **Poland**: Provincial administrative court and supreme administrative court specialised for all administrative matters; **Portugal**: There are two levels of administrative litigation: claim (a petition from the taxpayer to the department responsible for the taxation act to revoke it) is the first one; and hierarchical appeal (petition to the General Director of tax authority) is the second level, which is optional and have to be lodged 30 days after the claim notice decision. **Romania**: Unless the taxpayer asks the court for a suspension of the debenture and pays a guarantee of 20 of the disputed amount. **Russia**: The procedure of compulsory pre-court review is applied to cases when the rulings rendered in the results of tax audits are reviewed. **Singapore**: MOF appoints a Board of Review to review tax dispute cases. **Slovenia**: In 15 days since receiving the ruling/30 days since receiving the ruling in tax inspection cases. **Slovak Rep.**: Taxpayer can file an appeal within 15 days after the delivery of decision. Taxpayer can also file a proposal for investigation of a decision out of the scope of the appeal proceedings – within 3 years after the entry into force of this decision. Taxpayer can also request renewal of proceeding which ended with a valid decision, but only if such request if filed within 6 months after the day when the person requesting it has learned about the reasons of the renewal of the proceedings, maximum within 3 years after the day of the entry into force of the decision. The first instance appeal body (level) – Customs office – decides on review of a tax dispute case in 30 days period; The second instance (level) body – Financial Directorate of the Slovak Republic – decides on review of a tax dispute case in 60 days period, which can be extended by the Ministry of Finance of the SR (no time limit for it)". **South Africa**: Extension possible when specified criteria are met; **Spain**: Economic and Administrative Courts,; **Sweden**: In normal cases 1 – 3 months; **Switzerland**: Disputes must be answered within 6 months of receipt. **United Kingdom**: When a court has found for HMRC even if further appeal is made; **United States:** Appeals officers are urged to consider tax disputes in a timely manner. IRC 6501 requires a tax assessment within the statute of limitations. Appeals consideration is finalised before the expiration of the statute of limitations, which is generally 3 years from the due date of the tax return. IRC 7429 provides for a 16 day time frame to consider the jeopardy or levy assessment. IRC 6404 provides for interest abatement due to unreasonable errors or delay by the IRS. Whether the IRS unreasonably delayed a tax dispute may be brought before the Tax Court. Appeals Quality Measurement System (AQMS) is Appeals' quality review organisation. Appeals looks to AQMS to measure how well it communicates with its customers, resolves cases, and treats customers. The AQMS review data is used to assess the performance of Appeals as an organisation. The review data is compiled, analysed, and explained in an AQMS Annual Report. It's also used to identify trends, procedural concerns, and training needs. In this way, closed case reviews provide information and benefits to Customers, Appeals Management, and Appeals employees. Collection during appeal process is generally not possible, except for jeopardy and termination assessments under Internal Revenue Code sections 6851, 6852, 6861, and 6862.

/2. **Australia:** Taxpayers have the ability to expedite proceedings to external review upon request. A deemed favourable decision is generally made if, after 60 days from that request, the administrator has not made a decision; **Argentina:** Whenever penalties as fine and closure, suspension of registration or license, are applied, those shall be subject to appeal within 5 days after the notification before this Revenue Body, which must reach a decision within 10 days. Confiscation of goods subject to seizure or interdiction may be appealed within 3 days before this Revenue Body, which must reach a decision within 10 days; **Belgium:** Penal transaction is possible on court level with agreement of the tax revenue body since 2012; **Canada**: CRA does not have the ability to negotiate a settlement to tax disputes based on the likelihood of litigation success or amounts at issue or a taxpayer's ability to pay. CRA is bound to apply the law to the particular facts of a case. **Brazil:** There is not any time limit set up in law; **Chile:** Law 20 322 establishes the gradual implementation of the Tax and Customs Courts, in year 2012 there are 12 of these courts in operation, and by year 2013 there will be 18 specialised Courts across Chile, one in each Region (14) and 4 in the Metropolitan Region; **China:** Taxpayers must first pay their tax due or provide relevant guarantee to seek an administrative review. Local government can also conduct administrative review; **Cyprus:** Per practice risk based settlements can be made. **France:** If the tax administration doesn't answer within 6 months, suspension of payment can be requested during administrative review; **Greece:** Collection of 50% of tax and the rest after the Court's decision; **Hungary:** Exceptions: in case of posteriori tax assessment the deadline for adopting a resolution is 60 days, or in the event of dissolution proceedings the time limit is 15 days and it may be extended by up to 30 days**.**; **Iceland:** 3-6 months depending on the complexity of the cases; **Russia:** Rulings, rendered in the results of tax audits, which haven't yet become effective in law, can be reviewed within 10 days (in order of appeal). Rulings, rendered in the results of tax audits, that have become effective in law and which were not reviewed in order of appeal can be reviewed within 1 year. Other rulings and actions of tax authorities can be reviewed within 3 month period. **Singapore**: 30 days from notice of assessment for income tax and GST; 21 days in the case of the Property Tax

/3. **Australia:** The Administrative Appeals Tribunal and Federal Court both handle tax appeals in addition to appeals in many other areas of the law. However both bodies have members/judges with tax expertise; **Hungary:** In exceptional cases (*e.g.* taxpayers may be fined for non-compliance with the obligation of notification or for the pursuit of taxable activities without a tax number) the resolution of the tax authority shall be executable, irrespective of any appeal. In the lack of final appellate decision precautionary measures may be ordered, which ensures the enforcement of a claim at a later date only.; **Russia:** When rulings, rendered in the results of tax audits, that have become effective in law, are reviewed (in order of appeal), the recovery is not imposed. Upon the statement of the taxpayer execution of the ruling under review can be suspended. **Singapore**: A Board of Review reviews appeals; further appeals are considered by High Court.

/4. **Hungary:** Except the suspension of enforcement by the court.; **Russia:** Where a disputed decision is effected and the motion for suspense of enforced actions has not been filed, or filed but not granted by court.

/5. **Russia:** If the motion for suspense of enforced actions is not filed, or filed but not granted by court.

Table 9.12. Enforced tax debt collection powers

/1. **Australia**: Through the courts; **Belgium**: By garnishment order; **Bulgaria**: NRA can only request licenser for a license withdrawal; **Canada**: Province of Quebec now requires any business wishing to bid on a call for tenders or to obtain a negotiated contract of USD 25K or more, to provide a Certificate of Compliance from the province **Chile**: Able to remit part of interest and fines within two months following the notification of the tax assessment. After that period, the TGR is empowered to remit the total or part of interest and fines as well as to grant up to twelve monthly instalments to pay tax debts. The TGR is also allowed to seize assets in the context of tax debts collection procedures. Only when the SII is compiling information in order to decide on the presentation of a lawsuit to prosecute a tax crime, the Commissioner of the SII can order the seizure of the accounting books and other documents related to the business of the suspicious-lawbreaker. Other government agencies may request a tax clearance certificate in the context of an application process for a public contract; **Colombia:** DIAN can only offset tax debts against excess/overpayments arising under other taxes at the taxpayer's express request; **Cyprus**: If authorised agent of taxpayer. For DT – From court bailiffs resulting from execution of a writ; **Finland**: Can cancel certain registrations (*e.g.* pre-assessment registry); **France**: Amount of a delinquent tax may be seized; **Germany**: Actions of other authorities needed (can be initiated/requested by tax administration), vehicle registration may be denied if vehicle tax is not paid; **Hong Kong:** A departure prevention direction can only be sought from a District Judge to prevent a delinquent taxpayer from leaving Hong Kong without paying his taxes; **Iceland**: Data reflects the authorities of Customs that handles tax debt collections; **Indonesia:** In case a coerce warrant could not be submitted to a Taxpayer or a tax bearer since the residence could not be found; **Ireland**: By means of Attachment Orders; **Italy**: Customs agency do not have these powers; **Japan**: With some exceptions; **Lithuania:** The revenue body issues tax clearance certificate by law; **Malta**: Direct taxes only; **Norway**: Can only be done according to set-off rules not against payments according to social security legislation; **Portugal**: Further time to pay and payment arrangements are limited by law and no bargaining is allowed. New legislation was introduced in the beginning of 2010 allowing the compensation of tax debits through credits from other public administration services. Has been publishing names of debtors since 2006; **Russia**: Collection from third parties is possible in cases of imposition of joint liability in bankruptcy procedures. **Slovak Rep.**: Payment arrangement is only in terms of allowing a deferment of payment or payment in instalments, but not in connection with enforced collection. If an outstanding tax debt is being enforced, the tax debtor must pay the whole amount owed. Tax authority may not temporarily close a business due to not paying the taxes, but may affect a temporary close of a business for up to 30 days if the taxpayers do not comply with non-financial statutory duty. Tax authority may submit a proposal for initiating bankruptcy or asset liquidation to the court. Collection from 3rd parties – New legislation will be in force in 2010 and it will allow compensation of taxes debits through credits from other public administration services; **Slovenia**: Payment conditions are defined by law; **South Africa**: Only by order of court for purposes of compulsory repatriation of foreign assets to satisfy local debts, and introduced by the Tax Administration Act, 2011, commenced on 1 October 2012; **Sweden**: Neither the Swedish Enforcement Authority or the Swedish Tax Agency can close a business but the Tax Agency can recall a tax license; **Switzerland:** Only VAT; **Turkey:** The regulation was desuetude in 2011; **United Kingdom:** Court order required**; United States:** Arrange seizure of debtors' assets, court order needed only for certain types of seizures.

/2. **Australia:** For example, Social security payments and Government subsidies such as bounty and grant payments on a case by case basis through the use of the statutory garnishee regime or the Commonwealth's common law right of set-off.; **Belgium:** Ability to close business upon repeated non-payment of VAT; **Bulgaria:** The NRA is publishing a list of debtors whose liabilities exceed BGN 5000; **Ireland:** Revenue can restrict overseas travel by debtors in bankruptcy cases. **Russia:** Indirectly, by virtue of initiating a criminal case or making a requesting to court by initiating a procedure of subsidiary liability; **South Africa:** Introduced by the Tax Administration Act, 2011, commenced on 1 October 2012; **Sweden:** Not without a court order, *e.g.* sequestration;

/3. **Australia:** Parallel debts in the form of a penalty can be raised on directors in respect of certain tax-related liabilities; **Ireland:** Revenue cannot, as such, withhold payments owing to delinquent taxpayer by the government but they can attach government departments for payment owing – this, in effect, will result in monies not going to the taxpayer; **Russia:** names of debtors can be published only where there is a bankruptcy procedure pending towards the taxpayer. **South Africa:** Can publish names in respect of criminal convictions; **Sweden:** The Tax Agency is liable

/4. **Ireland:** Revenue can require businesses they are dealing with to produce tax clearance. It is a requirement for all Public Bodies (as per Dept. of Finance Circular on Public Service Contracts);

/5. **Ireland**: In cases where reckless trading can be proved

/6. **Ireland:** Revenue publishes a quarterly list of defaulters. This contains details of published audit/investigation settlements completed by Revenue in the preceding quarter;

Table 9.13. Verification of taxpayers' liabilities: information access and search powers of tax officials

/1. **Argentina:** Usually the judge serves a search warrant stipulating the intervention of officials of the security forces (Police, Prefecture, Airport Security Police Officers, and National Gendarmerie); **Australia**: Unless specifically excluded; **Austria**: Except information covered by the bank secrecy; **Belgium:** Only for VAT audit purposes, taxpayer's consent required for direct tax purpose; **Canada**: Search warrant for criminal matters: **Chile**: In accordance with Article 60 of the Tax Code, the SII has access to information from third parties, however, there are some exceptions like those included in the same Article and in Article 61 and 62 bis of the aforementioned Code; **Colombia:** DIAN's officials require a search warrant (from the general attorney's office) in order to enter taxpayer's dwellings but can only do so when the taxpayer is suspected of having committed a crime. In Colombia, tax evasion is not a crime. The only tax-related crimes are theft of withheld taxes (both income and VAT) and money laundering. **Cyprus**: DT only – a) if assessment under objection or b) extends to banking institutions for any year an assessment can be issued that relates up to 7 years prior Director's of Department demand and provided all steps taken by Director of IRD to get the information and did not succeed. The approval of Attorney General is required; **Czech Rep.**: Only when dwelling is business place; **Estonia:** A tax authority may remove documents and things submitted thereto if: 1) the documents or things are necessary to resolve a tax matter and the tax authority has reason to believe that such evidence may not be available later, or 2) it is necessary in order to make extracts or copies of the documents, or 3) the documents and things refer to a possible offence. Documents shall not be removed in the cases provided for in clauses 1) and 2) of this section if the participant in proceedings objects to their removal and bears the costs of making copies or extracts of the documents; **France**: A judge's order is required for all cases of search and seizure; **Germany**: Limited to criminal cases; **Greece**: Only certain officials from Financial and Economic Crime Unit (S.D.O.E) and under very specific conditions have this authority; **Hungary:** If it is reasonably presumed that the taxpayer is concealing any physical evidence of importance or is attempting to cover up the true circumstances of his operations, a tax inspector shall be entitled to search and inspect any site, premises or motor vehicle that may be presumed to be involved in the business operations as well as the cargo of any such vehicle. This provision may be applied in respect of the search of a residential property if any part of the property is used for business activities. The search shall be approved by the public prosecutor in advance, unless there is reason to believe that any delay is likely to result in detrimental consequences in terms of the objective of the search. The tax authority shall subsequently notify the competent public prosecutor of any search conducted without the prior approval of the public prosecutor, with the search warrant and a copy of the report made on the search attached; **India**: Tax officials can enter taxpayer's business premises and dwellings with search warrant. Search warrant is issued by senior Income Tax official; **Indonesia**: Except for bank for which the duty to maintain confidentiality shall be waived by a written order from the Minister of Finance. In cases of investigation; **Ireland**: Excluding confidential information between professional and client, except parts of a dwelling where a business is being carried on; **Italy**: Customs agency have powers to seize documents, but do now have powers to serve a search warrant; **Latvia**: Answers relate to tax auditor authority; **Malaysia:** Except investigation cases; **Malta**: Direct tax administration only; **Netherlands**: Warrant needed. Only in criminal cases; **New Zealand**: Unless specifically excluded; **Norway**: Only relevant tax information; **Portugal**: Access to information protected by professional confidentiality, banking secrecy or other legally regulated reticence is subject to judicial authorisation; **Russia**: With regard to taxpayer to which an audit has been carried out; **Singapore**: in the context of the revenue body having general powers to obtain all relevant information from persons other than the taxpayer (*i.e.* third parties). **South Africa**: Search and seizure without a warrant under special circumstances (only part of dwelling used for business purposes may be entered without consent and search warrant) is introduced by the Tax Administration Act, 2011, commenced on 1 October 2012; **Sweden**: If the taxpayer does not comply coercive measures can be taken according to the Act on special means on coercion in tax matters. The court must approve. In this case the tax officials do not need any help from other government agencies. These measures have less power compared to a search warrant; **United States**: Search warrants must be authorised by a court (part of Judicial branch of Govt.).

/2. **Australia**: Seizes only when warrant used; **Austria**: If delay is dangerous to secure evidence related to criminal investigations; **Chile:** According to Article 161 No. 10 of the Tax Code, only when the SII is compiling information in order to decide on the presentation of a lawsuit to prosecute a tax crime, can the Commissioner order the seizure of the accounting books and other documents related to a business. If the taxpayer opposes, the revenue body's tax officials can ask the police for help to serve the warrant; **Cyprus**: Government Departments are represented at Court by the Attorney General Office. **Estonia:** In misdemeanour procedure, a body conducting extra-judicial proceedings may conduct a search on the basis of a ruling of the body which contains the permission of the county judge as the decision. In criminal procedure a search shall be conducted on the basis of an order of a Prosecutor's Office or a court ruling; **Russia:** Only in case of field tax audit;

/3. **Austria**: Only in case of criminal investigations.

Table 9.14. Incorrect reporting of tax liabilities: Framework for sanctions

/1. **Argentina**: National Executive Branch is empowered to provide, for the time it may consider convenient and with general application or in specific zones, total or partial exemption of fines, accessories for default, punitive interests and any other penalty for offenses related to all or some of the taxes which charge, collection and auditing AFIP is in charge of, for the taxpayers and responsible persons that spontaneously regularize its situation – article 113 of the Tax Procedural Law. **Australia**: Taxation Ruling MT 2012/3 provides guidance on the voluntary disclosure provisions and concessional treatment for both administrative penalties and interest charges; the ATO encourages taxpayers to make voluntary disclosures, including prior to or during audits and from specific projects such as the recent Offshore Voluntary Disclosure initiative; **Austria**: Permitted where conditions under law are fulfilled (*i.e.* breach of regulations is exposed and the unreported tax liabilities are discharged in time; **Canada:** There is a civil penalty of 10% of unreported income for repeated omissions within 3 prior years for income taxes (PIT and CIT) for which there is no consideration of culpability. There are also civil penalties for false statement or omission (either knowingly or through gross negligence) for income taxes (50% of understated tax) and VAT (25% of net tax advantage). Additionally, criminal charges can result in fines which vary for income taxes (from 50% to 200% of understated tax and prison up to 5 years) and for VAT (from 50% to 200% of amount evaded, or USD 1 000 to USD 25 000 if amount cannot be verified, and prison up to 2 years); **Chile:** In 2006, the SII published Circular N°42, which contains the policy for the remission of penal interests and administrative sanctions. One of the policies involves applying an automatic reduction of penal interests and administrative sanctions if the taxpayer pays the tax debt through the SII website; **Cyprus**: Permitted only for penalty relating to compromise of offence; **Hong Kong**: Penalty can only be imposed where the taxpayer has without reasonable excuse filed incorrect returns. The taxpayer may appeal to a tax tribunal against the imposition of administrative penalties, or that the administrative penalties imposed are excessive in the circumstances of the cases; **Germany**: Generally no penalty unless facts are reported incorrectly or incompletely with intention or through gross negligence; criminal penalties for intentionally incorrect reporting (tax fraud, up to 5 years' prison; administrative fines for gross negligence up to EUR 50 000); **Hungary**: Concerning tax arrears only, the tax authority is required to publish quarterly the name, address, place of business and tax number of taxpayers, against whom tax arrears in excess of 10 million forints have been assessed in respect of private individuals, or in excess of 100 million forints in respect of other taxpayers along with the amount of such tax arrears and their legal consequences, if they did not satisfy the payment obligation by the deadline also prescribed in that resolution. **Ireland**: Legislation was introduced in February 2011 enabling Revenue to include taxpayers who make an agreed settlement with Revenue, *whether paid or not*, in the published List of Tax Defaulters; prior to the introduction of this legislation only taxpayers who paid agreed settlements, could be published. **Latvia**: From 1 March to 1 June 2012 natural persons had an opportunity to declare previously undisclosed income obtained in the period from 1991 till 2007 and pay a PIT of 15%, without fines and late payment charges. **Portugal**: General Regime for Tax Infractions. **Singapore**: IRAS introduced a Voluntary Disclosure Programme ("VDP") in 2009 to encourage taxpayers to come forward voluntarily to disclose past errors made in tax declarations in exchange for no or reduced penalties. This VDP is applicable to Income Tax (including withholding tax) as well as, Goods and Services Tax. Details of the VDP can be found in the IRAS e-tax guide, "IRAS Voluntary Disclosure Program" (*www.iras.gov.sg/irasHome/uploadedFiles/e-Tax_Guide/etaxguides_Comp_IRAS%20voluntary%20disclosure%20program.pdf*). **South Africa**: New penalty regime came into operation in last quarter of 2012, under which administrative penalties will apply to all taxes and relevant behaviour (reasonable care not taken; no reasonable grounds for tax position; gross negligence and intentional tax evasion) will be taken into account when determining percentage of penalty. **Spain**: A temporary law was passed in early 2012 that is designed to encourage the voluntary reporting of unreported tax liabilities. **Sweden**: Where there is a voluntary disclosure/reporting there is a rule of law which says no penalty. However, the STA has a project that encourages voluntary reporting of unreported taxes; the project conducts seminars for tax advisors and information to the media; the number of voluntary reporting in this project and the taxes to pay is reported above. **Switzerland**: Direct tax only at cantonal level, and varies between cantons; **Turkey**: Subject to monetary limits (re taxes assessed and penalties), tax details and taxpayers ID are declared on the boards of local tax offices (amounts over TRY 250 000 in 2012) and on the revenue body's website (where over TRY 1 m). **United States**: On January 9, 2012, the IRS reopened its earlier offshore voluntary disclosure programme to help people hiding offshore accounts get current with their taxes. The programme offers reduced penalties and has no ending date, but can be terminated by the IRS at any time.

/2. **Chile:** However, Law Nº 19,628, on Protection of Personal Information, indicates that personal data about criminal convictions and administrative or disciplinary offenses cannot be communicated once the statute of limitations about criminal or administrative action, penalty or punishment has expired, or once the penalty or punishment has been carried out; **Hungary:** If, prior to the opening of a tax audit, the taxpayer reveals that he has deviated from the relevant legislation in establishing his tax base, taxes, or his tax return contains errors in respect of taxes or amount due to miscalculation or other clerical error, the taxpayer shall have the right to make corrections in his tax return by self-audit. The self-audit surcharge shall be 50% of the default penalty. **Ireland**: There are statutory arrangements in place to allow for the mitigation of penalties. To qualify a taxpayer must make a qualifying disclosure, as defined in law. A qualifying disclosure may be prompted and unprompted. The mitigation is greater for unprompted qualifying disclosures**.** **South Africa**: A limited Voluntary Disclosure Programme (VDP) period was effected under the Voluntary Disclosures and Taxation laws Amendment Act, 2008, which expired on 31 October 2011 and outstanding applications are still being processed. The Tax Administration Act, 2011, commenced on 1 October 2012, introduces a permanent VDP framework.

Table 9.15. Revenue bodies' use of voluntary disclosure policies

/1. **Australia**: The figures shown on taxes etc raised do not include penalties or interest amounts because it is not possible to derive those amounts separately from the impact of other audit outcomes. **Canada**: Total amount of unreported income related to the number of disclosures reported is USD 1.8 billion for 2010, and USD 773 million for 2011. **Netherlands**: Special and temporary voluntary disclosure initiative for foreign accounts. **United Kingdom:** Some voluntary disclosures are included in compliance visits results so these figures may be understated; **United States:** The reported case numbers represent the number of submissions received and not the number of cases processed. The IRS commissioner recently announced that IRS has altogether collected more than USD 5 billion so far from people who participated in the offshore voluntary disclosure programmes. In addition, another 1 500 disclosures have already been made under a new voluntary disclosure programme announced in January 2012. **Singapore:** IRAS introduced a Voluntary Disclosure Programme ("VDP") in 2009 to encourage taxpayers to come forward voluntarily to disclose past errors made in tax declarations in exchange for no or reduced penalties. This VDP is applicable to Income Tax (including withholding tax) as well as, Goods and Services Tax. Details of the VDP can be found in the IRAS e-tax guide, "IRAS Voluntary Disclosure Program" (*www.iras.gov.sg/irasHome/uploadedFiles/e-Tax_Guide/etaxguides_Comp_IRAS%20voluntary%20disclosure%20program.pdf*).

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Annex A

Aggregate Tables

Table A.1. **Revenue aggregates: Gross revenue collections for all taxes administered and gross PIT and SSC revenue collected**

	Gross revenue collections for all taxes administered by revenue body (millions)							Gross PIT and SSC revenue collected (millions)	
Country	2005	2006	2007	2008	2009	2010	2011	2010	2011
OECD Countries									
Australia	263 649	288 650	313 619	341 793	348 808	337 780	361 297	144 460	157 449
Austria	58 144	60 349	64 834	70 933	65 988	68 003	72 379	24 697**	26 109**
Belgium	83 012	87 188	85 996	117 689	110 892	91 113	93 597	35 742	36 729
Canada	307 019	325 245	344 135	371 482	366 258	360 011	387 997	238 159	244 211
Chile	13 860 847	16 886 122	22 430 852	21 821 541	20 681 059	22 071 864	25 771 202	7 300 255	8 859 546
Czech Rep.	685 229	723 834	n.a.	868 291	739 264	785 147	824 360	130 015	133 366
Denmark	842 092	n.a.	843 018	808 466	770 688	751 543	805 146	429 558	441 627
Estonia	66 048	78 690	96 851	97 930	91 586	88 157	6 139*	40 614	2 757
Finland	52 658	55 424	59 522	63 630	57 491	58 513	63 040	28 327	29 388
France	456 250	382 080	510 742	442 958	418 792	431 369	447 543	55 101	58 544
Germany	n.a.	n.a.	n.a.	917 403	886 714	899 929	961 557	571 685	609 849
Greece	n.a.	n.a.	n.a.	51 085	49 725	48 517	48 611	10 707	9 855
Hungary	8 141 223	8 676 256	10 393 139	10 711 185	10 161 926	11 394 882	11 676 561	4 807 537	4 796 241
Iceland	n.a.	n.a.	n.a.	389 850	361 237	n.a.	n.a.	149 408	n.a.
Ireland	54 152	62 325	66 143	60 061	50 744	47 559	48 444	23 166	24 349
Israel	n.a.	n.a.	n.a.	213 775	206 662	202 548	221 686	n.a.	n.a.
Italy	n.a.	n.a.	n.a.	321 972	302 906	309 517	315 097	100 043	98 344
Japan	47 523 796	51 466 586	53 533 371	55 120 938	48 877 807	44 372 729	44 939 222	15 013 908	14 992 689
Korea	152 232 557	163 587 621	191 644 776	206 269 066	200 280 805	216 275 154	239 912 911	40 023 864	44 779 705
Luxembourg	n.a.	n.a.	n.a.	9 421	9 086	11 572	12 313	3 157	3 517
Mexico	1 713 105	1 856 344	2 079 781	2 496 874	2 040 952	1 768 065	2 005 356	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	209 283	188 518	202 049	204 247	n.a.	n.a.
New Zealand	50 291	56 057	58 273	62 483	60 110	56 127	58 496	25 969	24 815
Norway	n.a.	n.a.	n.a.	640 600	685 300	717 700	753 400	430 600	453 500
Poland	n.a.	n.a.	n.a.	261 278	249 904	201 625	223 557	62 487	67 505
Portugal	35 602	39 333	42 152	40 727	36 661	37 291	39 879	11 407	12 456
Slovak Rep.	302 704	307 831	343 057	12 756*	11 624	10 659	12 093	n.a.	n.a.
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	197 329	222 385	250 589	227 589	205 320	209 076	209 909	81 102	82 266

Table A.1. **Revenue aggregates: Gross revenue collections for all taxes administered and gross PIT and SSC revenue collected** *(continued)*

	Gross revenue collections for all taxes administered by revenue body (millions)							Gross PIT and SSC revenue collected (millions)	
Country	2005	2006	2007	2008	2009	2010	2011	2010	2011
Sweden	n.a.	n.a.	n.a.	1 707 392	1 629 404	1 416 430	n.a.	922 931	977 212
Switzerland	n.a.	n.a.	n.a.	69 198	63 196	66 139	64 763	9 980	9 665
Turkey	131 949	151 272	171 098	189 981	196 313	235 715	284 490	49 385	59 885
United Kingdom	437 924	476 441	495 536	532 000	526 500	486 800	532 800	249 000	254 100
United States	2 260 396	2 499 053	2 682 242	2 472 520	2 345 337	2 345 056	2 414 952	2 000 178	2 113 687
Non-OECD Countries									
Argentina	124 670	151 326	202 107	290 395	313 057	361 637	482 657	118 655	161 242
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	799 760	938 915	331 496	384 961
Bulgaria	7 910	11 495	15 912	18 983	17 917	16 726	17 962	6 896	7 500
China	n.a.	n.a.	n.a.	57 862 000	63 104 000	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	47 566 125	59 843 244	n.a.	n.a.
Cyprus	2 122	2 472	3 037	4 124*	3 609	3 618	3 760	n.a.	n.a.
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	132 051	152 148	53 899	57 479
India	n.a.	n.a.	n.a.	3 479 500	4 341 630	5 138 729	5 789 808	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	526 451 316	546 724 428	585 614 322	714 235 181	n.a.	n.a.
Latvia	3 013	3 800	5 122	5 820	4 667	4 268	4 832	2003	2 145
Lithuania	15 952	19 802	24 318	27 237	19 086	18 098	19 863	3873	4 103
Malaysia	56 748	65 739	74 762	90 651	88 402	86 499	109 610	17 803	19 383
Malta	n.a.	n.a.	n.a.	2 230	2 245	2 337	2 441	1 409	1 436
Romania	n.a.	n.a.	n.a.	154 555	144 335	141 288	157 503	49 775	53 662
Russia	5 701 656	6 763 379	8 643 391	10 032 771	8 379 284	7 825 868	9 743 420	3 564 031	4 265 186
Saudi Arabia	n.a.	n.a.	n.a.	15 332 869 725	14 103 196 354	n.a.	n.a.	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	426 844	500 918	611 677	694 283	779 368	752 344	818 291	231 789	254 672

* In euros from this year.

** SSC not included.

Table A.2. **Revenue aggregates: Gross PIT and SSC revenue collected via withholding at source and total refunds of taxes administered**

	Gross PIT and SSC revenue collected via tax witholding (millions)		Total refunds of all taxes administered (millions)						
Country	2010	2011	2005	2006	2007	2008	2009	2010	2011
OECD Countries									
Australia	n.a.	n.a.	50 093	56 287	63 037	70 931	84 274	84 591	88 321
Austria	21 567**	22 997**	2 791	2 414	2 204	2 171	2 303	2 511	2 527
Belgium	40 160	41 222	1 494	3 226	3 526	23 884	24 916	n.a.	n.a.
Canada	201 593	210 811	67 397	73 828	74 340	73 988	86 110	84 038	89 028
Chile	n.a.	n.a.	3 001 080	3 992 420	6 571 444	5 665 074	7 499 059	4 753 918	4 973 168
Czech Rep.	n.a.	n.a.	171 307	210 636	n.a.	261 626	216 779	230 865	257 250
Denmark	n.a.	n.a.	16 842	n.a.	25 291	2 914	3 269	10 524	11 659
Estonia	n.a.	n.a.	19 088	22 427	27 990	17 876	26 007	15 708	1 178*
Finland	25 636	26 446	10 532	11 861	12 916	15 241	13 047	13 128	14 547
France	n.a.	n.a.	35 588	30 184	42 392	61 442	78 179	72 781	71 293
Germany	497 940	532 234	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	1 489 844	1 509 669	1 766 834	3 633	4 927	5 292	5 224
Hungary	4 641 792	4 655 129	n.a.	n.a.	n.a.	1 774 018	1 687 266	2 072 744	2 352 715
Iceland	90 640	n.a.	6 968	8 100	9 031	n.a.	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	7 096	8 320	9 212	9 178	8 146	15 641	14 207
Israel	n.a.	n.a.	n.a.	n.a.	n.a.	34 704	33 674	36 989	35 088
Italy	75 332	75 672	n.a.	n.a.	n.a.	42 049	42 986	43 420	40 110
Japan	12 422 976	12 516 713	5 085 046	5 712 791	6 745 205	7 542 349	7 898 700	8 544 292	6 598 481
Korea	24 039 360	28 000 372	30 294 279	32 717 524	36 220 863	48 740 475	45 950 266	50 260 280	59 759 738
Luxembourg	2 137	2 327	n.a.	n.a.	n.a.	987	1 018	985	1 108
Mexico	396 694	449 136	303 220	295 159	366 041	408 984	451 284	476 550	588 768
Netherlands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Zealand	24 071	23 144	8 288	8 887	9 701	11 228	11 066	10 090	11 651
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	n.a.	n.a.	n.a.	n.a.	n.a.	71 273	71 682	74 483	85 363
Portugal	9 228	11 229	6 058	6 446	6 792	6 957	7 618	7 365	7 979
Slovak Rep.	n.a.	n.a.	158 920	179 465	210 980	8 031*	7 074	6 865	7 987
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	73 969	74 778	36 111	38 028	45 357	53 983	61 048	49 540	48 149

Table A.2. **Revenue aggregates: Gross PIT and SSC revenue collected via withholding at source and total refunds of taxes administered** *(continued)*

	Gross PIT and SSC revenue collected via tax witholding (millions)		Total refunds of all taxes administered (millions)						
Country	2010	2011	2005	2006	2007	2008	2009	2010	2011
Sweden	517 183	536 614	n.a.	n.a.	n.a.	216 368	189 270	n.a.	n.a.
Switzerland	408	395	n.a.	n.a.	n.a.	33 529	27 871	30 330	28 625
Turkey	45 454	54 966	12 322	13 791	18 263	21 872	23 873	25 154	30 681
United Kingdom	n.a.	n.a.	57 368	64 319	65 906	77 100	81 200	83 200	99 300
United States	1 661 023	1 722 189	268 987	277 395	295 047	425 773	437 686	467 303	415 880
Non-OECD countries									
Argentina	49 376	67 453	6 732	7 264	8 691	8 780	6 182	6 721	8 519
Brazil	153 293	183 612	n.a.	n.a.	n.a.	n.a.	n.a.	35 775	41 540
Bulgaria	n.a.	n.a.	3 151	3 966	4 463	5 877	4 465	4 737	5 295
China	n.a.	n.a.	n.a.	n.a.	n.a.	5 866 000	6 487 000	n.a.	n.a.
Colombia	24 139 602	28 411 690	n.a.	n.a.	n.a.	n.a.	n.a.	4 995 200	4 865 500
Cyprus	n.a.	n.a.	121	126	176	168	219	184	185
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8 867	9 141
India	1 686 690	2 084 000	n.a.	n.a.	n.a.	411 220	573 970	751 690	952 780
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	32 366 772	30 778 476	36 144 802	41 916 093
Latvia	n.a.	n.a.	n.a.	n.a.	n.a.	681	733	625	772
Lithuania	3 610	3 864	1 986	3 061	4 425	4 038	2 659	2 595	2 957
Malaysia	n.a.	n.a.	3 291	4 339	5 383	8 560	10 758	7 000	7 000
Malta	739	789	n.a.	n.a.	n.a.	160	140	155	181
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	11 728	10 552	10 826	13 960
Russia	1 688 492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	203 184	231 407	66 588	76 140	94 810	112 514	144 171	143 101	133 009

*In euros from this year.

**SSC not included.

Table A.3. **Net revenue collections for all taxes administered by revenue body and Gross domestic product**

	Net revenue collections for all taxes administered by revenue body (millions)							Gross domestic product (billions)				
Country	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
OECD Countries												
Australia	213 556	232 364	250 581	270 862	264 534	253 189	272 976	1 176	1 252	1 293	1 401	1 491
Austria	55 353	57 935	62 630	68 762	63 685	65 491	69 852	274	283	276	286	301
Belgium	81 518	83 962	82 471	93 805	85 976	91 113	93 597	336	346	341	356	370
Canada	239 622	251 417	269 795	297 494	280 148	275 973	298 969	1 530	1 603	1 529	1 625	1 721
Chile	10 859 767	12 893 702	15 859 408	16 156 467	13 182 001	17 317 946	20 798 034	90 429	93 848	96 799	110 371	120 233
Czech Rep.	513 922	513 198	n.a.	606 665	522 485	554 282	567 110	3 663	3 848	3 759	3 800	3 841
Denmark	825 250	n.a.	817 727	805 552	767 419	741 019	793 487	1 695	1 753	1 665	1 761	1 792
Estonia	46 960	56 263	68 861	80 054	65 579	10 925*	11 179	16	16	14	14	16
Finland	42 127	43 563	46 606	48 389	44 444	45 385	48 493	180	186	172	179	189
France	420 662	351 895	468 350	381 516	340 613	358 588	376 250	1 887	1 933	1 886	1 937	1 997
Germany	403 569	443 237	492 946	508 700	479 000	485 100	524 800	2 429	2 474	2 375	2 496	2 593
Greece	n.a.	n.a.	n.a.	47 452	44 798	43 225	43 387	223	233	231	222	209
Hungary	6 651 379	7 166 587	8 626 305	8 937 167	8 474 660	9 322 138	9 323 846	24 990	26 543	25 626	26 607	27 886
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	402 639	428 328	1 309	1 480	1 498	1 537	1 626
Ireland	47 056	54 005	56 931	50 883	42 598	31 918	34 237	190	180	161	156	159
Israel	n.a.	n.a.	n.a.	179 071	172 988	165 559	186 598	690	726	768	814	872
Italy	n.a.	n.a.	n.a.	279 923	259 920	266 097	274 987	1 554	1 575	1 520	1 553	1 580
Japan	42 438 750	45 753 795	46 788 167	47 578 589	40 979 107	35 828 437	38 340 741	512 975	501 209	471 139	482 384	470 623
Korea	121 938 278	130 870 097	155 423 913	157 528 591	154 330 539	166 014 874	180 153 173	975 013	1 026 452	1 065 037	1 173 275	1 237 128
Luxembourg	n.a.	n.a.	6 898	8 433	8 068	10 586	11 205	37	37	36	40	43
Mexico	1 409 886	1 561 186	1 713 739	2 087 890	1 589 668	1 291 515	1 416 588	11 291	12 153	11 893	13 029	14 351
Netherlands	157 238	193 433	200 576	209 283	188 518	202 249	204 247	572	594	573	589	602
New Zealand	42 003	47 170	48 572	51 255	49 045	46 035	46 846	183	185	186	194	204
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2 306	2 560	2 382	2 544	2 750
Poland	155 393	175 571	229 254	190 005	178 222	127 142	138 194	1 177	1 276	1 345	1 417	1 523
Portugal	29 544	32 887	35 360	33 770	29 043	29 926	31 900	169	172	169	173	171
Slovak Rep.	143 784	128 365	132 077	4 725*	4 550	3 794	4 106	61	67	63	66	69
Slovenia	9 457	10 479	10 989	12 114	11 191	10 925	11 179	35	37	36	36	36
Spain	161 217	184 357	205 233	173 606	144 272	159 536	161 760	1 053	1 088	1 048	1 049	1 063
Sweden	n.a.	n.a.	n.a.	1 491 024	1 440 134	1 416 430	1 493 815	3 126	3 204	3 106	3 338	3 500

Table A.3. **Net revenue collections for all taxes administered by revenue body and Gross domestic product** *(continued)*

Country	Net revenue collections for all taxes administered by revenue body (millions)							Gross domestic product (billions)				
	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Switzerland	n.a.	n.a.	n.a.	35 669	35 325	35 809	36 139	541	568	554	574	587
Turkey	119 627	137 481	152 835	168 109	172 440	210 560	253 809	843	951	953	1 099	1 298
United Kingdom	380 556	412 121	429 630	454 900	445 300	403 600	433 500	1 412	1 441	1 402	1 467	1 516
United States	1 998 851	2 238 287	2 396 291	2 316 747	1 907 651	1 877 753	1 999 072	13 962	14 219	13 864	14 447	14 991
Non-OECD Countries												
Argentina	117 938	144 063	193 417	281 615	306 875	354 916	474 138	812	1 033	1 145	1 443	1 842
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	763 985	897 375	2 661	3 032	3 239	3 770	4 143
Bulgaria	4 759	7 529	11 449	13 106	13 452	11 988	12 667	60	69	68	71	75
China	n.a.	n.a.	n.a.	51 996 000	56 617 000	n.a.	n.a.	26 581	31 405	34 090	40 151	47 156
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	42 570 925	54 977 744	431 072	481 037	508 532	548 273	612 555
Cyprus	2 001	2 346	2 861	3 956*	3 390	3 433	3 575	16	17*	17	17	18
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	123 184	143 007	1 616	1 677	1 622	1 744	1 897
India	n.a.	n.a.	n.a.	3 068 280	3 767 660	4 387 039	4 837 028	49 864	55 826	65 503	76 742	88 557
Indonesia	n.a.	n.a.	n.a.	494 084 544	515 945 952	549 469 520	672 319 088	3 950 893	4 948 688	5 603 871	6 422 918	7 427 086
Latvia	2 663	3 428	4 609	5 139	3 934	3 642	4 059	15	16	13	13	14
Lithuania	13 966	16 741	19 893	23 199	16 427	15 503	16 906	99	111	92	95	106
Malaysia	53 457	61 400	69 379	82 091	77 644	79 499	102 609	642	742	680	766	853
Malta	n.a.	n.a.	n.a.	2 070	2 105	2 182	2 259	5	6	6	6	6
Romania	n.a.	n.a.	n.a.	142 827	133 783	130 462	143 543	413	504	491	514	548
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	7 695 792	9 719 960	33 248	41 277	38 807	45 173	54 586
Saudi Arabia	n.a.	n.a.	n.a.	15 333	14 103	15 962	20 006	1 443	1 786	1 413	1 690	2 163
Singapore	17 948	19 861	22 863	29 113	29 801	29 871	34 731	268	261	270	310	327
South Africa	360 256	424 779	516 867	581 769	635 197	609 243	685 282	2 016	2 263	2 398	2 661	2 964

* In euros from this year.

Table A.4. **Aggregate expenditure for all revenue body functions and total expenditure for information technology operations**

Country	Aggregate expenditure for all revenue body functions and related overheads (millions)							Total expenditure for information technology operations (millions)				
	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
OECD Countries												
Australia	2 578	2 531	2 604	3 003	3 025	3 045	3 230	507	651	692	662	695
Austria	n.a.	n.a.	n.a.	709	712	563	579	66	86	74	76	89
Belgium	1 615	1 826	1 590	1 677	1 717	1 768	1 965	123	141	134	114	119
Canada	3 520	3 856	3 874	4 030	4 423	4 441	4 606	326	458	557	500	483
Chile	74 921	81 693	94 553	108 427	120 510	133 109	141 902	4 843	5 990	6 314	7 439	8 070
Czech Rep.	6 977	7 240	7 666	7 553	8 056	7 424	7 972	1 030	1 044	1 102	251	1 623
Denmark	n.a.	5 721	5 714	5 760	5 703	5 591	5 604	863	838	923	813	831
Estonia	n.a.	n.a.	n.a.	695	591	583	38*	n.a.	96	68	67	6*
Finland	330	343	359	387	390	381	389	77	71	78	n.a.	107
France	7 831	7 786	7 781	7 573	7 438	7 448	7 497	412	314	311	266	271
Germany	6 709	6 850	6 817	6 914	6 973	7 279	7 360	361	391	446	471	480
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	65 789	79 204	99 231	120 676	117 823	112 181	141 800	11 604	16 028	14 175	5 387	7 369
Iceland	n.a.	n.a.	n.a.	1 092	1 149	2 503	2 557	n.a.	325.0	349.3	410	430
Ireland	386	420	448	485	460	402	392	52.9	n.a.	n.a.	54	40
Israel	n.a.	n.a.	n.a.	1 488	1 534	1 578	1 601	n.a.	125	135	79	83
Italy	n.a.	n.a.	4 615	3 785	3 752	2 870	2 744	180	189	185	131	143
Japan	699 866	697 430	702 595	706 688	700 809	692 179	669 768	59 389	57 338	57 901	59 066	57 721
Korea	979 476	1 076 391	1 239 950	1 298 159	1 076 391	1 341 751	1 370 933	68 889	99 196	81 784	117 744	97 251
Luxembourg	72	76	81	85	91	90	95	n.a.	4	5	2	3
Mexico	9 058	9 552	9 660	10 467	11 670	11 350	12 274	434	471	450	471	507
Netherlands	2 666	2 760	2 796	2 881	2 904	2 911	2 775	691	549	527	472	394
New Zealand	427	480	529	608	663	601	640	106	130	127	147	144
Norway	3 813	4 010	4 064	4 093	4 300	4 614	4 654	808	917	904	1 012	968
Poland	3 964	3 982	4 176	3 020	3 107	3 861	3 776	n.a.	154	87	54	62
Portugal	441	445	464	477	508	517	484	8	12	12	7	6
Slovak Rep.	3 256	3 669	3 284	n.a.	n.a.	116*	129	448	n.a.	n.a.	10*	20
Slovenia	n.a.	n.a.	95	98	101	n.a.	n.a.	7	n.a.	n.a.	n.a.	n.a.

Table A.4. **Aggregate expenditure for all revenue body functions and total expenditure for information technology operations** *(continued)*

	Aggregate expenditure for all revenue body functions and related overheads (millions)							Total expenditure for information technology operations (millions)				
Country	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Spain	n.a.	n.a.	n.a.	1 649	1 653	1 410	1 387	69	87	76	81	78
Sweden	6 095	6 520	6 899	6 413	6 297	6 895	7 290	1 172	1 090	1 226	1 155	1 292
Switzerland	n.a.	n.a.	n.a.	170	169	151	151	14	14	15	3	4
Turkey	1 043	1 153	1 274	1 421	1 607	1 638	1 936	48	88	58	13	43
United Kingdom	n.a.	n.a.	n.a.	4 073	4 241	4 105	3 764	929	950	899	832	858
United States	10 398	10 606	10 765	11 307	11 709	12 353	12 359	1 629	1 785	1 743	1 902	1 851
Non-OECD Countries												
Argentina	n.a.	n.a.	n.a.	5 363	7 143	9 555	11 592	60	58	50	57	88
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	7 755	8 134	n.a.	n.a.	n.a.	1 260	1 260
Bulgaria	152	127	129	154	161	168	170	n.a.	3.0	n.a.	1	4
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	723 261	680 539	n.a.	n.a.	n.a.	24 798	23 836
Cyprus	n.a.	n.a.	n.a.	31*	32	43	44	n.a.	n.a.	n.a.	1*	1.3
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	1 148	1 188	n.a.	n.a.	n.a.	104	114
India	n.a.	n.a.	n.a.	n.a.	n.a.	27 258	26 979	n.a.	n.a.	n.a.	1 910	1 922
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1 013 097	748 772	n.a.	n.a.
Latvia	n.a.	n.a.	n.a.	74	54	60	61	16	7	8	8	6
Lithuania	196	206	226	245	194	164	166	27	26	13	12	13
Malaysia	n.a.	n.a.	n.a.	1 065	1 216	1 009	1 118	36	128	334	60	27
Malta	n.a.	n.a.	n.a.	11	12	25	23	0.01	0.91	0.95	0.04	0.04
Romania	n.a.	n.a.	n.a.	1 152	965	803	1 464	n.a.	n.a.	n.a.	n.a.	40
Russia	n.a.	n.a.	n.a.	108 078	103 009	97 519	102 041	n.a.	7 221	5 822	5 802	7 003
Saudi Arabia	n.a.	n.a.	n.a.	162	178	219 565	314 315	5	2	12	n.a.	n.a.
Singapore	183	184	189	224	240	267	302	61	70	81	108	119
South Africa	n.a.	n.a.	n.a.	7 128	7 606	4 985	5 497	n.a.	333	341	n.a.	n.a.

* In euros from this year.

Table A.5. **Aggregate expenditure for tax functions and related overheads and total salary costs for tax functions and related overheads**

	Aggregate expenditure for tax functions and related overheads (millions)							Total salary costs for tax functions and related overheads (millions)				
Country	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
OECD Countries												
Australia	2 217	2 303	2 318	2 560	2 656	2 664	2 710	1 652	1 526	1 654	1 655	1 711
Austria	364	381	399	546	541	459	463	328	345	365	367	372
Belgium	1 163	1 315	1 145	1 191	1 202	1 178	1 275	935	976	982	977	1 038
Canada**	3 159	3 316	3 290	3 372	3 681	3 744	3 903	2 534	2 602	2 906	2 870	3 036
Chile	74 921	81 693	94 553	108 427	120 510	133 109	141 902	73 818	84 966	96 780	108 853	118 247
Czech Rep.	6 628	7 095	7 206	7 175	7 653	7 062	7 593	5 669	4 330	4 573	5 768	5 474
Denmark	5 686/1	4 977	4 971	5 184	5 133	3 696	3 627	3 404	n.a.	n.a.	2 889	2 816
Estonia	481	494	590	306	260	255	17*	448	234	201	200	13*
Finland	330	343	359	387	390	381	389	234	251	251	250	251
France	4 542	4 516	4 513	4 468	4 463	4 468	4 513	3 571	3 633	3 619	3 640	3 645
Germany	6 709	6 850	6 817	6 914	6 973	7 279	7 360	5 676	5 787	5 740	5 917	6 006
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	65 789	79 204	99 231	104 151	102 015	111 727	104 606	79 368	64 187	72 838	54 133	54 121
Iceland	n.a.	n.a.	n.a.	1 092	1 149	2 503	2 557	n.a.	585	606	1 643	1 775
Ireland	386	420	448	485	460	402	392	321	332	330	292	294
Israel	n.a.	n.a.	n.a.	160	165	1 242	1 263	n.a.	140	145	847	863
Italy	4 571	4 582	4 573	3 028	3 114	2 870	2 744	3 178	1 712	1 756	1 286	1 261
Japan	699 866	697 430	702 595	706 688	700 809	692 179	669 768	569 504	570 580	566 034	557 126	540 341
Korea	979 476	1 024 000	1 082 000	1 240 000	1 301 000	1 341 751	1 370 933	719 319	793 095	827 185	830 700	883 464
Luxembourg	72	76	81	85	91	90	95	66	68	74	75	78
Mexico	7 790	8 119	8 308	8 897	9 219	9 165	9 877	6 850	7 331	7 665	8 149	8 419
Netherlands	2 133	2 208	2 237	2 074	2 091	2 069	1 984	1 431	1 359	1 403	1 460	1 428
New Zealand	320	336	365	389	431	372	417	230	243	277	223	247
Norway	3 660	3 850	3 901	4 011	4 214	4 321	4 464	2 460	2 567	2 748	2 871	3 057
Poland	3 013	3 066	3 257	3 012	3 062	3 861	3 776	2 340	2 159	2 230	3 103	3 086
Portugal	397	401	418	429	457	465	436	332	339	370	381	350
Slovak Rep.	3 158	3 192	3 185	n.a.	n.a.	116*	125	1 581	n.a.	n.a.	59*	56
Slovenia	90	102	92	98	101	105	104	63	67	69	69	69
Spain	1 195	1 247	1 323	1 418	1 405	1 410	1 387	888	971	1 027	1 011	1 001

Table A.5. **Aggregate expenditure for tax functions and related overheads and total salary costs for tax functions and related overheads** *(continued)*

	Aggregate expenditure for tax functions and related overheads (millions)							Total salary costs for tax functions and related overheads (millions)				
Country	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Sweden	5 059	5 412	5 864	5 836	5 730	5 850	6 046	4 084	3 810	3 951	4 067	4 138
Switzerland	143	145	149	160	161	134	136	135	145	144	126	126
Turkey	1 043	1 153	1 274	1 421	1 607	1 638	1 936	872	960	1 062	1 167	1 389
United Kingdom	4 202	4 509	4 773	4 073	4 068	3 937	3 600	2 923	2 396	2 245	2 140	2 057
United States	10 398	10 606	10 765	11 307	11 709	12 353	12 359	7 702	7 960	8 371	8 846	9 007
Non-OECD countries												
Argentina	1 047	1 458	2 092	2 628	3 500	4 701	5 911	1 970	2 488	3 337	4 504	5 727
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	7 755	8 134	n.a.	n.a.	n.a.	4 658	4 861
Bulgaria	152	127	129	154	161	169	170	98	118	137	138	137
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	394 437	371 138	n.a.	n.a.	n.a.	301 229	281 300
Cyprus	n.a.	n.a.	n.a.	31*	32	43	44	18	22*	25	35	36
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	1 042	1 075	n.a.	n.a.	n.a.	902	956
India	n.a.	n.a.	n.a.	23 319	28 404	26 701	26 456	n.a.	13 400	18 594	17 612	16 216
Indonesia	n.a.	n.a.	n.a.	3 179 000	2 991 000	2 654 038	3 725 257	n.a.	1 009 000	1 115 000	1 725 835	1 882 068
Latvia	33	41	52	58	45	29	32	32	42	31	17	21
Lithuania	196	206	226	245	194	164	166	155	179	151	131	131
Malaysia	640	701	895	852	1 094	624	716	602	436	429	494	590
Malta***	10	10	9	9	10	25	23	6	6	6	17	17
Romania	500	690	1 044	1 152	965	646	1 244	799	990	937	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	92 299	87 667	84 432	87 519	n.a.	61 337	59 806	62 776	62 865
Saudi Arabia	109	136	157	162	178	220	314	130	131	141	n.a.	n.a.
Singapore	183	184	189	224	240	267	302	110	132	132	141	167
South Africa	4 312	5 135	5 134	6 130	7 074	4 985	5 497	3 125	3 472	3 755	n.a.	n.a.

* In euros from this year.

** Expenditure figures for 2005 to 2009 have been restated to reflect methodological refinements in the use of source data.

*** Statistics prior to 2010, referred only to authority in charge of Direct Taxation and the VAT department.

Table A.6. **Human resource management aggregates: Expenditure and total staff usage in 2011 by functional groupings (FTEs)**

Country	HRM expenditure (millions)		Total staff usage in 2011 on tax administration by functional groupings (FTEs)							Total staff usage for all roles etc.
	2010	2011	Account Management	Verification	Tax Debt Collection	Other Tax Operations	Support: HRM	Support: Other	Total	
OECD Countries										
Australia	160	193	3 714	6 176	1 945	2 824	1 123	2 387	18 169	21 764
Austria	28	29	916	5 368	810	133	463	0	7 690	7 728
Belgium	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10 488
Canada	86	86	10 946	10 146	7 442	2 599	1 527	6 062	38 722	40 173
Chile	4 260	4 862	834	1 625	0	63	133	1 514	4 169	4 169
Czech Rep.	40	42	8 275	2 832	842	1 995	0	0	13 944	14 640
Denmark	116	104	1 731	2 605	998	143	174	1 220	6 871	7 589
Estonia	9	1*	n.a.	n.a.	n.a.	783	n.a.	n.a.	783	1 787
Finland	n.a.	n.a.	1 907	2 128	500	184	104	406	5 229	5 229
France	n.a.	n.a.	30 479	10 406	7 515	8 096	13 154	n.a.	69 650	117 657
Germany	95	99	44 575	33 345	10 915	12 385	9 295	n.a.	110 515	110 515
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9 300
Hungary	1 754	4 167	4 359	5 427	2 767	234	234	3 955	16 976	23 059
Iceland	n.a.	n.a.	34	162	0	19	2	40	257	257
Ireland	5.26	5.66	1 763	1 680	735	525	109	1 151	5 962	5 962
Israel	21	20	700	1 880	800	1 800	30	356	5 566	5 566
Italy	109	106	11 257	15 729	0	0	1 699	3 934	32 619	32 619
Japan	280	317	0	35 475	11 951	1 308	375	7 152	56 261	56 261
Korea	9 527	9 813	11 515	4 023	844	271	113	1 379	18 145	19 671
Luxembourg	0.018	0.019	456	102	171	102	29	32	891	914
Mexico	131	128	3 877	8 802	5 967	2 012	719	3 632	25 009	35 718
Netherlands	74	54	6 755	7 100	1 576	2 489	320	4 774	23 014	29 410
New Zealand	9	10	1 613	741	307	575	69	484	3 789	5 513
Norway	103	106	2 145	1 319	303	974	1 206	n.a.	5 943	5 947
Poland	2	14	8214	13 050	5 740	9 314	766	11 221	48 305	48 634
Portugal	n.a.	n.a.	5 238	1 785	2 186	9	120	735	10 073	10 073
Slovak Rep.	1*	1	2 218	1 599	322	431	70	533	5 173	5 343
Slovenia	n.a.	n.a.	1 009	344	262	603	0	199	2 417	2 417
Spain	n.a.	n.a.	7 405	5 276	4 621	0	0	6 254	23 556	27 613

Table A.6. **Human resource management aggregates: Expenditure and total staff usage in 2011 by functional groupings (FTEs)** *(continued)*

Country	HRM expenditure (millions)		Total staff usage in 2011 on tax administration by functional groupings (FTEs)							Total staff usage for all roles etc.
	2010	2011	Account Management	Verification	Tax Debt Collection	Other Tax Operations	Support: HRM	Support: Other	Total	
Sweden	n.a.	n.a.	0	2 430	220	959	0	4 596	8 205	9 584
Switzerland	1	1	85	245	70	390	130	20	940	985
Turkey	n.a.	n.a.	30 362	0	4 349	0	1 732	3 825	40 268	40 298
United Kingdom	69	61	26 858	22 529	6 499	5 300	1 134	4 144	66 466	66 466
United States	242	225	30 240	15 542	31 299	2 619	1 693	13 316	94 709	94 709
Non-OECD Countries										
Argentina	4	7	3 372	6 271	1 234	2 240	381	4 098	17 596	22 832
Brazil	4 679	4 870	4 222	4 362	5 642	1 968	511	9 135	25 840	25 840
Bulgaria	2	2	1 967	3 225	728	1 024	81	678	7 703	7 708
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	755 000
Colombia	8 178	8 847	611	1 114	1 274	512	133	1 015	4 659	8.543
Cyprus	0.3	0.5	180	325	101	156	8	108	878	888
Hong Kong, China	14	16	1 529	240	434	54	3	314	2 574	2 818
India	31	87	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	40 756
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	3 223	2 923	1 123	659	255	421	36	366	2 860	4 145
Lithuania	1.8	1.5	1 361	1 010	240	495	35	375	3 516	3 516
Malaysia	27	33	814	2 375	1 621	3 049	180	2 170	10 209	10 209
Malta	0.14	0.14	125	142	33	391	15	64	770	781
Romania	n.a.	n.a.	5 294	4 464	3 332	3 621	321	5 953	22 985	27 016
Russia	1723	1865	23 135	58 888	12 247	13 103	2 738	31 705	141 806	146 089
Saudi Arabia	n.a.	n.a.	164	502	152	96	437	35	1 386	1 386
Singapore	4	5	162	958	210	195	31	295	1 851	1 851
South Africa	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13 594	14 944

* In euros from this year.

Table A.7. **Value of tax debt outstanding (not disputed) at the year-end and value of tax debt written off**

	Value of tax debt outstanding (and not disputed) at the year-end (millions)							Value of tax written off (millions)				
Country	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
OECD Countries												
Australia	9 611	10 225	10 776	10 887	12 148	14 700	14 083	1 568	1 826	2 221	1 714	3 849
Austria	1 882	1 796	1 691	1 808	1 816	1 664	1 724	516	616	585	528	451
Belgium	4 565	4 450	4 206	12 311	12 195	9 445	8 654	n.a.	n.a.	n.a.	1 896	2 155
Canada	18 026	18 488	20 027	23 200	24 400	25 000	27 400	1 721	1 982	2 122	2 123	2 222
Chile	1 686 283	1 829 248	1 857 015	2 003 733	2 145 964	2 308 266	2 569 048	26 521	168 275	187 485	51 275	134 044
Czech Rep.	105 354	101 100	n.a.	100 500	98 400	71 166	83 367	13 734	16 211	13 786	6 500	8 900
Denmark	3 301	9 896	8 995	15 742	15 324	16 777	14 225	1 528	2 215	3 330	4 001	n.a.
Estonia	4 743	4 276	5 427	7 064	8 584	573*	1 191	333	595	498	77*	56
Finland	2 991	3 093	3 076	3 166	3 575	3 627	3 898	280	257	216	212	208
France	32 391	30 263	28 101	26 290	23 592	24 215	25 682	6 002	5 203	3 960	3 416	2 738
Germany	7 123	6 509	7 580	7 039	6 502	6 863	6 573	4 157	4 333	5 626	4 756	5 148
Greece	n.a.	n.a.	25 932	28 977	32 564	38 692	n.a.	n.a.	276	280	520	n.a.
Hungary	964 450	1 024 822	1 328 451	1 684 992	2 029 973	2 295 517	1 998 129	355 966	404 303	542 876	610 911	1 034 106
Iceland	n.a.	n.a.	97 673	109 177	102 282	102 886	103 656	n.a.	10 776	13 844	12 810	14 590
Ireland	832	792	895	1 233	1 443	1 389	1 317	118	129	222	334	302
Israel	n.a.	n.a.	15 782	19 447	21 699	6 316	6 474	n.a.	960	1 130	n.a.	n.a.
Italy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	1 867 305	1 784 398	1 684 374	1 615 109	1 553 821	1 495 528	1 420 104	166 014	176 238	188 437	n.a.	n.a.
Korea	4 389 778	4 056 973	3 574 750	3 908 020	4 165 891	4 925 700	5 460 100	n.a.	6 957 695	7 110 943	7 677 200	7 880 400
Luxembourg	n.a.	n.a.	n.a.	1 631	1 785	1 688	1 659	n.a.	46	64	81	98
Mexico	296 076	302 870	282 767	258 826	219 454	n.a.	n.a.	161 670	159 871	201 195	n.a.	n.a.
Netherlands	6 604	5 803	7 616	7 873	7 582	8 096	8 001	2 421	2 827	1 762	1 926	2 627
New Zealand	2 312	2 776	2 906	3 657	4 097	4 186	4 418	n.a.	n.a.	n.a.	619	737
Norway	15 840	16 081	16 643	19 273	21 267	25 553	23 543	396	806	1 530	1 379	1 834
Poland	13 053	13 519	17 284	19 667	20 276	22 772	25 775	118	90	85	134	101
Portugal	12 965	13 224	12 890	8 214	7 338	6 740	7 093	2 585	2 154	2 761	3 056	3 472
Slovak Rep.	62 690	58 663	65 114	2 291*	2 387	2 423	2 768	5 410	10 884	413	552	436
Slovenia	350	356	397	465	482	573	1 191	7	4	2	77	62

Table A.7. **Value of tax debt outstanding (not disputed) at the year-end and value of tax debt written off** *(continued)*

	Value of tax debt outstanding (and not disputed) at the year-end (millions)							Value of tax written off (millions)				
Country	2005	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Spain	7 416	7 743	8 825	10 242	13 580	16 661	18 891	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	34 700	44 500	32 200	34 000	n.a.	41 372	42 079	n.a.	n.a.	n.a.	6 268	5 083
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	953	896	n.a.	n.a.	n.a.	172	197
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	47 977	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	13 700	13 600	24 600	25 000	27 700	26 100	24 900	4 285	5 462	4 171	5 958	4 214
United States	127 056	139 478	153 558	162 025	180 318	207 136	220 430	22 924	18 519	16 831	14 580	16 730
Non-OECD countries												
Argentina	1 887	2 305	2 321	5 523	5 477	5 708	7 732	n.a.	124	194	266	366
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	265 707	189 427	n.a.	n.a.	n.a.	n.a.	n.a.
Bulgaria	1 891	1 647	1 460	1 476	2 103	2 916	3 452	n.a.	n.a.	n.a.	n.a.	n.a.
China	n.a.	n.a.	n.a.	n.a.	n.a.	83 000	92 000	n.a.	n.a.	n.a.	324	545
Colombia	n.a.	n.a.	n.a.	n.a.	8 582 523	9 477 229	8 881 709	n.a.	n.a.	n.a.	4 672 678	4 887 299
Cyprus	950	938	1 104	1 098*	1 212	1 228	1 215	n.a.	0	0	0.3	0.6
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	7 895	7 064	n.a.	n.a.	n.a.	557	554
India	n.a.	n.a.	179 770	137 010	759 030	1 049 680	1 259 450	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	19 524 282	29 081 881	32 359 527	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	365	415	406	730	721	794	929	200	158	294	110	125
Lithuania	848	748	690	876	1 447	1 547	1 630	n.a.	187	189	168	141
Malaysia	11 119	13 815	12 627	9 799	9 250	10 091	10 568	781	399	149	801	791
Malta**	n.a.	n.a.	n.a.	n.a.	620	675	570	n.a.	n.a.	n.a.	0.31	0.26
Romania	n.a.	n.a.	11 862	13 005	17 231	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Russia	1 804 267	1 778 315	1 232 657	1 092 784	1 393 372	1 190 524	1 064 397	211 822	243 707	169 995	160 981	303 684
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	1 098	925	1 064	893	767	669	604	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	56 200	48 000	42 900	37 719	55 674	74 673	73 173	5 400	4 744	4 305	4 152	4 623

* In euros from this year.

** Statistics refer only to authority in charge of Direct Taxation.

Table A.8. **Total Amount of debt collected during the fiscal year and Number of year-end debt cases**

Country	Total amount of debt collected during the fiscal year (in millions)							Number of year-end debt cases (in thousands)						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
OECD Countries														
Australia	n.a.	n.a.	n.a.	n.a.	n.a.	12 140	14 948	1 458	1 502	1 549	1 314	1 344	1 487	1 469
Austria	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	105	107	109	108	109	103	101
Belgium	n.a.	n.a.	n.a.	n.a.	n.a.	6 915	9 005	495	472	431	n.a.	n.a.	746	667
Canada	19 130	21 514	22 185	30 500	35 200	29 600	34 100	3 255	3 172	2 995	3 095	3 291	3 354	3 452
Chile	257 119	191 082	238 715	358 468	418 569	366 989	354 732	391	412	420	440	449	460	473
Czech Rep.	68 205	68 505	68 477	6 334	5 999	7 012	5 754	1 608	1 751	1 811	1 715	2 244	3 997	3 476
Denmark	n.a.	2 946	3 474	4 714	5 076	n.a.	n.a.	144	648	720	290	384	314	318
Estonia	1 090	771	844	0	1.302	2 616	237*	176	177	183	192	125	188	60*
Finland	1 261	1 298	1 401	1 569	1 476	1 300	1 400	306	315	305	309	310	330	350
France	24 089	22 934	24 535	26 686	19 794	21 113	21 672	4 025	4 127	4 050	3 984	4 035	3 945	3 905
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3 016	2 839	2 959	2 798	2 569	2 430	2 976
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	772	804	941	1 062	n.a.
Hungary	204 253	213 765	251 279	292 195	282 171	300 366	327 792	194	192	214	241	278	295	328
Iceland	n.a.	n.a.	n.a.	445 277	414 734	442 467	463 471	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	226	347	352	323	261	217	207	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Israel	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	477	489	474	n.a.	n.a.
Italy	1 295	2 022	3 461	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	1 055 007	1 012 757	999 824	951 747	960 079	806 050	759 066	4 370	4 296	4 243	4 181	4 135	4 111	4 034
Korea	6 268 723	6 535 800	6 930 104	7 106 042	8 022 710	8 146 900	8 151 100	682	677	675	793	784	744	805
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24 852	23 567	24 578
Mexico	4 305	4 595	34 464	8 944	11 238	n.a.	n.a.	796	722	476	536	641	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	2 055	2 027	1 781	1 647	1 400	1 200	1 200	1 200	1 200	1 300	1 400
New Zealand	1 492	1 774	1 850	2 208	2 428	2 085	1 566	277	278	281	364	353	257	264
Norway	2 440	2 929	1 668	2 439	4 861	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	2 054	2 213	2 248	2 078	2 299	2 781	3 024	770	854	735	775	750	689	758
Portugal	1 420	1 546	1 633	1 548	1 326	1 240	1 230	2 856	3 021	3 211	3 615	3 689	3 866	4 140
Slovak Rep.	15 167	13 564	14 664	513*	604	581	589	188	211	156	149	160	156	156
Slovenia	292	403	409	501	608	693	520	516	642	452	223	220	247	292

Table A.8. **Total Amount of debt collected during the fiscal year and Number of year-end debt cases** *(continued)*

	Total amount of debt collected during the fiscal year (in millions)							Number of year-end debt cases (in thousands)						
Country	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
Spain	4 287	4 512	4 887	6 949	9 074	6 810	7 019	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	4 700	4 300	n.a.	4 690	5 581	4 291	4 683	188	182	171	169	532/1	523	526
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	1 780	1 873	n.a.	n.a.	n.a.	n.a.	n.a.	49	47
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10 553	10 544	10 076	n.a.	n.a.	n.a.	n.a.
United States	47 347	48 716	59 210	56 436	48 886	57 592	55 229	15 546	16 243	17 367	17 516	19 422	21 436	23 008
Non-OECD Countries														
Argentina	470	572	550	16 729	25 347	31 413	44 381	4 113	5 900	5 629	2 984	2 845	2 997	2 914
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	2 892	3 904	n.a.	n.a.	n.a.	n.a.	n.a.	6 220	7 382
Bulgaria	579	491	821	1 394	1 470	1 165	1 354	1 118	575	546	934	1 292	1 374	1 539
China	n.a.	n.a.	n.a.	n.a.	n.a.	16 000	20 000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	2 138 194	3 037 621	n.a.	n.a.	n.a.	n.a.	n.a.	314 742	310 712
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	206 816*	210 413	206 758	210 897
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	100 160	n.a.	537 150	550 200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	12 612 341	18 365 095	22 684 000	12 407 000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	146	183	249	324	222	216	210	81	82	86	97	108	111	114
Lithuania	715	n.a.	n.a.	1 066	854	756	686	n.a.	237	307	250	273	347	389
Malaysia	1 722	2 070	3 899	2 778	3 256	5 636	6 402	n.a.	2 119	2 201	2 835	2 201	1 083	996
Malta**	n.a.	n.a.	n.a.	n.a.	n.a.	47	18	n.a.	n.a.	n.a.	n.a.	n.a.	92	95
Romania	n.a.	n.a.	n.a.	12 826	11 240	n.a.	n.a.	n.a.	n.a.	396	n.a.	n.a.	n.a.	n.a.
Russia	305 577	302 922	319 073	425 231	584 032	428 357	407 418	n.a.	n.a.	n.a.	n.a.	n.a.	11 762	11 384
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	21 900	20 500	17 700	12 279	13 584	n.a.	n.a.	n.a.	1 400	1 500	2 219	2 000	n.a.	2 131

* In euros from this year.

** Statistics refer only to authority in charge of Direct Taxation.

Table A.9. **Value of verification actions: For all taxpayers and large taxpayers**

	Value of completed actions for all taxpayers (in millions of local currency)/1							Value of completed actions for large taxpayers (in millions of local currency)/1						
Country	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
OECD Countries														
Australia	6 779	6 899	6 960	8 206	8 308	9 320	10 268	3 201	2 495	2 557	3 325	2 136	3 342	2 343
Austria	1 517	2 077	2 038	2 177	1 453	1 567	2 147	880	1 189	1 193	1 358	546	648	1 218
Belgium	n.a.	n.a.	n.a.	1 020	1 034	6 570	7 545	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Canada	6 566	6 295	8 671	9 311	8 891	10 883	9 934	2 214	2 125	3 169	4 627	3 482	4 269	3 560
Chile	250 324	216 039	179 189	289 835	284 398	623 000	799 378	46 408	29 289	37 507	38 008	18 204	117 043	167 177
Czech Rep.	2 177	5 336	2 858	10 114	9.520	14 008	14 004	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Denmark	n.a.	n.a.	n.a.	n.a.	n.a.	21 521	15 268	n.a.	n.a.	n.a.	n.a.	n.a.	3 260	3 521
Estonia	n.a.	n.a.	n.a.	729	1 325	61*	50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	295	244	266	2 129	2 298	465/2	400/2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	9 803	9 944	10 518	9 563	9 935	16 002/2	16 407/2	2 137	2 444	2 743	3 117	3 317	5 737	6 020
Germany	15 845	18 178	18 544	19 374	20 938	17 760	18 423	10 922	12 952	13 196	13 974	15 292	11 916	12 527
Greece	1 808	3 685	2 553	2 657	2 822	3 681	2 960	1 355	2 836	1 857	1 693	1 280	2 160	2 091
Hungary	328 730	480 812	569 063	768 639	751 751	813 685	707 799	11 210	13 367	55 996	83 453	87 522	109 653	98 126
Iceland	n.a.	n.a.	n.a.	3 086	3 075	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	575	692	734	632	670	493	522	97	108	208	140	191	84	112
Israel	n.a.	n.a.	n.a.	6 114	7 218	5 616	6 443	n.a.	n.a.	n.a.	695	1 069	n.a.	n.a.
Italy	29 282	25 807	31 540	37 500	44 300	54 100	63 600	3 762	3 324	4 523	2 800	5 400	9 600	12 400
Japan	686 700	731 200	819 700	768 100	671 200	728 900	574 700	184 100	201 100	236 500	203 600	142 100	223 156	111 024
Korea	4 316 901	3 905 041	5 538 000	40 416	33 327	51 324	61 881	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	137	161	118	50	70/2	62/2	72/2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	42 181	64 794	52 289	62 980	74 413	n.a.	n.a.	18 326	32 435	29 221	37 636	44 835	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Zealand	763	980	996	1 449	1 269	2 865	1 451	268	357	359	723	583	2 095	756
Norway	10 635	15 999	5 351	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	422	426	402	1 257	1 344	1 903	2 138	84	115	54	426	382	610	703
Portugal	1 141	1 352	1 769	1 660	2 606	2 049	1 749	237	344	561	396	739	502	455
Slovak Rep.	7 955	8 751	8 424	382	437*	36	18	158	487	166	58	6	17	2
Slovenia	85	69	87	150	174	264	286	n.a.	n.a.	n.a.	7.6	4.5	n.a.	n.a.

Table A.9. **Value of verification actions: For all taxpayers and large taxpayers** *(continued)*

	Value of completed actions for all taxpayers (in millions of local currency)/1							Value of completed actions for large taxpayers (in millions of local currency)/1						
Country	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
Spain	4 583	5 310	5 954	6 500	7 010	8 500	9 200	n.a.	n.a.	n.a.	n.a.	1 080	n.a.	n.a.
Sweden	n.a.	11 856	12 504	8 556	5 493	7 671	4 352	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Switzerland	343	249	135	95	163	89	82	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	5 142	5 167	11 865	11 252	14 043	n.a.	n.a.	3 802	3 080	6 872	6 021	7 973	n.a.	n.a.
United Kingdom	5 200	5 600	9 200	n.a.	n.a.	16 487	14 086	4 160	3 400	4 300	n.a.	n.a.	7 179	7 886
United States	38 379	38 531	53 049	57 940	58 249	58 799	61 405	11 079	8 079	8 876	16 403	11 060	15 811	13 186
Non-OECD Countries														
Argentina	4 202	5 802	4 789	6 829	8 211	8 955	12 060	n.a.	n.a.	n.a.	5 272	5 760	6 223	8 761
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	87 468	103 421	n.a.	n.a.	n.a.	n.a.	n.a.	55 350	74 496
Bulgaria	240	163	235	263	295	189	275	60	27	90	58	87	41	85
China	36 700	38 600	43 000	44 000	119 200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	475 555	476 409	n.a.	n.a.	n.a.	n.a.	n.a.	201 685	252 259
Cyprus	194	145	201	38*	44	213	227	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hong Kong, China	n.a.	n.a.	n.a.	n.a.	n.a.	2 634	3 873	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
India	n.a.	n.a.	n.a.	n.a.	n.a.	1 826	3 092	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	n.a.	n.a.	n.a.	10 345	12 179	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1 028 666	n.a.	n.a.
Latvia	147	191	94	147	160	166	228	2	3	2	0.9	10	n.avail.	51
Lithuania	220	204	186	262	478	311	267	n.a.	n.a.	n.a.	15	45	0.9	38
Malaysia	1 631	3 715	3 230	1 754	3 055	2 871	2 673	n.a.	212	261	n.a.	n.a.	n.a.	n.a.
Malta**	n.a.	n.a.	n.a.	n.a.	n.a.	25	16	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Romania	2 990	2 293	2 587	4 587	6 081	8 906	8 593	0.074	568	245	735	1 017	n.a.	n.a.
Russia	n.a.	n.a.	n.a.	n.a.	n.a.	464 904	397 992	n.a.	n.a.	n.a.	n.a.	n.a.	129 684	91 089
Saudi Arabia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	255	170	135	151	199	256	295	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	12 200	21 800	15 700	n.a.	n.a.	n.a.	14 669	2.8 bn.	7.8 bn.	9.06 bn.	n.a.	n.a.	n.a.	n.a.

* In euros from this year.

** Statistics refer only to authority in charge of Direct Taxation.

Annex B

Participating revenue bodies

Participating revenue bodies-revenue body name, website address and fiscal year

Country	Revenue body name	Website address	Monetary unit	Fiscal year
OECD countries				
Australia	Australian Taxation Office (ATO)	*www.ato.gov.au*	Australian Dollar	1 July – 30 June
Austria	Federal Ministry of Finance	*www.bmf.gv.at*	Euro	Calendar Year
Belgium	Federal Public Service Finance	*minfin.fgov.be*	Euro	Calendar Year
Canada	Canada Revenue Agency	*www.cra-arc.gc.ca*	Canadian Dollar	1 April – 31 March
Chile	Servicio de Impuestos Internos (SII)	*www.sii.cl*	Chilean Pesos	Calendar Year
Czech Rep.	The Czech Tax Administration	*cds.mfcr.cz*	CZK	Calendar Year
Denmark	Danish Ministry of Taxation (Skat)	*www.skat.dk*	Danish Kroner (DKK)	Calendar Year
Estonia	Tax and Customs Board	*www.emta.ee*	Estonian Kroon (EEK), EUR	Calendar Year
Finland	Finnish Tax Administration	*www.tax.fi*	Euro	Calendar Year
France	Direction Générale Des Finances Publiques (General Directorate of Public Finances)	*www.impots.gouv.fr*	Euro	Calendar Year
Germany	Federal Ministry of Finance – Tax Administration of The “Länder” (Federal States)	*www.bundesfinanzministerium.de*	Euro	Calendar Year
Greece	Ministry of Finance	*www.minfin.gr/portal*	Euro	Calendar Year
Hungary	National Tax And Customs Administration	*www.apeh.hu*	HUF	Calendar Year
Iceland	Directorate of Internal Revenue (Ríkisskattstjóri)	*www.rsk.is*	Icelandic Krona – Isk	Calendar Year
Ireland	Office of The Revenue Commissioners	*www.revenue.ie*	Euro	Calendar Year
Israel	Israel Tax Authority	*http://ozar.mof.gov.il/taxes*	NIS	Calendar Year
Italy	Ministry of Economy and Finance, Revenue Agency, Customs Agency, Territorial Agency, Public Property Agency, Department of Finance	*www.mef.gov.it,* *www.agenziaentrate.it,* *www.agenziadogane.it,* *www.agenziaterritorio.gov.it,* *www.agenziademanio.it,* *www.finanze.it*	Euro	Calendar Year
Japan	National Tax Agency	*www.nta.go.jp*	Yen (JPY)	1 April – 31 March
Korea	National Tax Service	*www.nts.go.kr*	Korean Won (KRW)	Calendar Year
Luxembourg	Administration Des Contributions Directes (Acd) – Direct Tax Administration Administration De L’enregistrement Et Des Domaines (Aed)-Indirect Tax Administration	*www.impotsdirects.public.lu* *www.aed.public.lu*	Euro	Calendar Year
Mexico	Tax Administration Service (Servicio De Administración Tributaria, SAT)	*www.sat.gob.mx*	Mexican Peso	Calendar Year
Netherlands	Netherlands Tax and Customs Administration	*www.belastingdienst.nl*	Euro	Calendar Year
New Zealand	Inland Revenue Department – Te Taari Taake	*www.ird.govt.nz*	New Zealand Dollar (NZD)	1 April – 31 March
Norway	Skatteetaten (Tax Norway)	*www.skatteetaten.no*	Norwegian Kroner	Calendar Year
Poland	Ministry Of Finance	*www.mf.gov.pl*	PLN (Polish Zloty)	Calendar Year

Participating revenue bodies-revenue body name, website address and fiscal year

Country	Revenue body name	Website address	Monetary unit	Fiscal year
Portugal	Autoridade Tributária e Aduaneira (Since 1st January 2012)	*www.portaldasfinancas.gov.pt*	Euro	Calendar Year
Slovak Rep.	Financial Directorate of the Slovak Republic (Since 1st January 2012)	*www.financnasprava.sk*	Euro	Calendar Year
Slovenia	Tax Administration of The Republic of Slovenia	*www.durs.gov.si*	Euro	Calendar Year
Spain	Agencia Estatal De Administración Tributaria – State Tax Administration Agency	*www.agenciatributaria.es*	Euro	Calendar Year
Sweden	Swedish Tax Agency (Skatteverket)	*www.skatteverket.se*	SEK	Calendar Year
Switzerland	Federal Tax Administration	*www.estv.admin.ch*	CHF	Calendar Year
Turkey	Gelir İdaresi Başkanlığı (Turkish Revenue Administration)	*www.gib.gov.tr*	Turkish Lira (TL)	Calendar Year
United Kingdom	Her Majesty's Revenue and Customs	*www.hmrc.gov.uk*	Pounds, Sterling	1 April-31 March
United States	Internal Revenue Service	*www.irs.gov*	U.S. Dollars	1 October-30 September
Non-OECD Countries				
Argentina	Federal Administration of Public Revenues	*www.afip.gov.ar*	Argentine Peso (ARS)	Calendar Year
Brazil	Secretariat of Federal Revenue of Brazil	*www.receita.fazenda.gov.br*	Real	Calendar Year
Bulgaria	National Revenue Agency (NRA)	*www.nap.bg*	BGN – Bulgarian lev	Calendar Year
China	State Administration of Taxation	*www.chinatax.gov.cn*	RMB (Chinese Yuan)	Calendar Year
Colombia	National Tax and Customs Administration	*www.dian.gov.co*	Colombian Pesos – COP	Calendar Year
Cyprus*	Department of Inland Revenue, Vat Service	*www.mof.gov.cy/ird* *www.mof.gov.cy/vat*	Euro	Calendar Year
Hong Kong	Inland Revenue Department	*www.ird.gov.hk/*	Hong Kong Dollars	Calendar Year
India	Central Board of Direct Taxes	*www.incometaxindia.gov.in*	Indian Rupees	Calendar Year
Indonesia	Directorate General of Taxes	*www.pajak.go.id*	Indonesian Rupiah	Calendar Year
Latvia	State Revenue Service	*www.vid.gov.lv*	Latvian Lat (LVL)	Calendar Year
Lithuania	State Tax Inspectorate under The Ministry of Finance	*www.vmi.lt*	LITAS	Calendar Year
Malaysia	Inland Revenue Board	*www.hasil.gov.my*	Ringgit Malaysia (RM)	Calendar Year
Malta	Inland Revenue Department (Direct Taxes), VAT Department	*www.ird.gov.mt* *www.vat.gov.mt*	Euro	Calendar Year
Romania	National Agency for Fiscal Administration	*www.anaf.ro*	Romanian Lei – ROL	Calendar Year
Russia	Federal Tax Service (FTS of Russia)	*www.nalog.ru*	Russian Roubles	Calendar Year
Saudi Arabia	Department of Zakat and Income Tax (DZIT)	*www.dzit.gov.sa*	Saudi Riyal	Calendar Year
Singapore	Inland Revenue Authority of Singapore	*www.iras.gov.sg*	Singapore Dollar – SGD	1 April – 31 March
South Africa	South African Revenue Service (SARS)	*www.sars.gov.za*	South African Rand (ZAR)	1 April – 31 March

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