

OECD Tax Intermediaries Study

Working Paper 4:

Placing Risk Management and the Enhanced Relationship in context

This is the fourth in a series of draft working papers written by the tax intermediaries study team and should be read in conjunction with draft working papers 5 and 6.

It has been written for the purposes of the study and has not been endorsed in advance by the Forum on Tax Administration (FTA) which established the study. It therefore does not necessarily reflect the views of the FTA.

Background

1. In April 2007, the tax intermediaries study team placed three draft working papers on the OECD website:

- [*Working paper 1: How the study team is working*](#) describes the process the study team is following.
- [*Working paper 2: A draft framework for the study team's report*](#) is a living document setting out, as at April 2007, a draft framework for the final report.
- [*Working paper 3: Overview – the emerging direction of the study*](#) provides an overview of the emerging themes of the study.

2. These working papers were informed by the study team's discussions with key stakeholders – the revenue bodies in FTA member and observer countries, and businesses and tax intermediaries in those countries. The publication of these papers broadened these discussions and opened the study up to wider debate.

Further draft working papers

3. The study team has continued these discussions and is now placing three further draft working papers on the OECD website:

- *Working paper 4: Placing risk management and the enhanced relationship in context*
- [*Working paper 5: Risk management*](#)
- [*Working paper 6: The enhanced relationship*](#)

The objective is to provide further information on the current direction of the study and facilitate further consultation on two key concepts: risk management and the enhanced relationship.

4. *Working paper 5: Risk management* sets out the emerging conclusion that risk management is a vital tool to enable revenue bodies to allocate resources in a targeted, effective way and that such an approach also has benefits for taxpayers and their advisers, helping to ensure that risks are properly managed and resource is appropriately targeted.

5. *Working paper 6: The enhanced relationship* sets out the features of a working relationship between revenue bodies and taxpayers that is based on the principles of co-operation and trust and that goes beyond legal obligations. It suggests this approach offers benefits for revenue bodies, for taxpayers and for intermediaries.

6. The concepts and ideas set out in both these papers focus mainly on the way revenue bodies and taxpayers interact. Tax intermediaries are the other parties to the tripartite relationship, and the study's terms of reference require the study team to examine their role. The study team's emerging conclusion is that, by influencing taxpayers through effective risk management and a co-operative working relationship, revenue bodies have a significant opportunity to influence the activities of tax intermediaries indirectly. The study team's current focus on the relationship between revenue bodies and taxpayers reflects this.

The broader context

7. It is important to note that working papers 5 and 6 represent only two elements of the study team's approach and that they should be seen within the broader context of the emerging shape of the final report, as set out in [*Working paper 2: A draft framework for the study team's report*](#) and [*Working paper 3: Overview – the emerging direction of the study*](#)

8. In particular, revenue bodies need to be capable of responding appropriately to the range of risks and behaviours presented by taxpayers and tax intermediaries. Part of this response is the enhanced relationship approach – providing benefits for those demonstrating low-risk behaviour. Balancing this, is the recognition that a minority of taxpayers and tax intermediaries will continue to be seen as presenting high risks to revenue bodies.

9. The study is therefore also looking at the tools and techniques needed by revenue bodies to respond directly to the challenges posed by such high-risk behaviour, deterring challenges to the tax system and ensuring this behaviour is identified and subject to appropriate responses, including penalties where appropriate. Such tools are necessary for the integrity of the tax system as a whole, providing reassurance to the majority of lower-risk taxpayers and tax intermediaries that revenue bodies are capable of responding appropriately and effectively to risk.

10. The study team has not developed any new tools or techniques for responding to high-risk behaviour but expects to identify examples of existing best practice in participating FTA countries.

Comments invited

11. If you have any views on this or any of the other draft working papers, or if you wish to contribute to the study more generally, please contact the study team:

HMRC:

- *Chris Davidson*, (tel. + 44 20 7147 2583 ; chris.davidson@hmrc.gsi.gov.uk)
- *Lisa Wise* (tel. + 44 20 7147 0241 ; lisa.wise@hmrc.gsi.gov.uk) or
- *Simon Lake* (simon.lake@hmrc.gsi.gov.uk)

OECD:

- *David Butler* (tel. + 33 1 4524 1532 ; david.butler@oecd.org)

OECD Tax Intermediaries Study Team
July 2007