ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2008)

28 January 2009

Prepared by the
Forum on Tax Administration

CENTRE FOR TAX POLICY AND ADMINISTRATION

Table of contents

FOREWORD 4

ABOUT THIS DOCUMENT 5

- Purpose and methodology 5
- About the FTA 6
- Caveat 6
- Inquiries and further information 6

EXECUTIVE SUMMARY 7

CHAPTER 1. INSTITUTIONAL ARRANGEMENTS FOR TAX ADMINISTRATION 9

- Introduction 10
- The revenue body as an institution (Table 1) 11
- The extent of revenue body autonomy (Tables 1 and 2) 14
- Scope of responsibilities of the revenue body (Tables 3 and 4) 16
  - A unified body for the collection of direct and indirect taxes 16
  - The collection of social contributions (Table 3) 16
  - Customs administration (Table 4) 18
  - Other non-tax functions (Table 4) 19
- Special governance arrangements 19
  - Management and advisory boards 19
- External/ independent oversight of the tax administration system 22
- Dedicated complaints handling and oversight 23

CHAPTER 2. THE ORGANISATION OF REVENUE BODIES 33

- Getting organised to collect taxes (Table 5) 34
- Organizational structures of revenue bodies and their evolution 34
  - Country examples of high level organisational arrangements 35
- Large taxpayer operations (Tables 6 and 7) 44
  - The common characteristics of large taxpayers 44
  - Criteria used by revenue bodies to identify large businesses 45
  - Common and/or important features of large taxpayer units 46
- Office networks for tax administration (Table 8) 48
  - Examples of large scale office network rationalisation programs 49

CHAPTER 3. SELECTED ASPECTS OF STRATEGIC MANAGEMENT 58

- Strategic planning in tax administration 58
- Managing for improved performance 58
- Planning and management approaches of revenue bodies (Table 9) 60
  - Preparing and publishing business plans and annual performance reports - the use of service delivery standards and gathering feedback from taxpayers 60
  - Preparing the business plan - the Canadian and US approaches 61
  - Other countries (Box 10) 64
- Measuring the performance of revenue bodies 66
- Concluding observations 73

CHAPTER 4 - RESOURCES OF NATIONAL REVENUE BODIES 76

- The resources of national revenue bodies 77
- Tax administration expenditure (Table 10) 77
  - Aggregate expenditure 77
  - Ratio of administrative costs to revenue collections (Table 11) 79
  - Ratio of administrative expenditure to GDP (Table 12) 80
- International comparisons of administrative expenditure and staffing (Table 11) 80
  - Cost of collection ratios 80
  - Relative staffing levels of revenue bodies (Table 14) 82
- Allocation of staff resources by functional groupings (Table 15) 83
- The non-tax roles of national revenue bodies 84

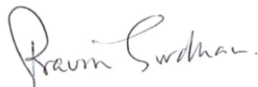
CHAPTER 5 – OPERATIONAL PERFORMANCE 97
Operational performance 97
Tax revenue collections (Tables 16 and 17) 98
Refunds of overpaid taxes (Tables 17 and 18) 99
Taxpayer service delivery (Tables 19a and 19b) 100
Tax verification activities (Tables 20 and 21) 101
Tax disputes (Tables 22) 102
Collection of unpaid taxes (Tables 23-25) 102
CHAPTER 6 – LEGAL AND ADMINISTRATIVE FRAMEWORKS 105
Legal and administrative frameworks 121
Taxpayers' rights and charters (Table 26) 122
Law interpretation (Table 27) 126
Information and access powers (Table 28) 127
Tax offences, interest, penalties and enforcement 128
Administrative review (Table 32) 129
Debt Management 130
Powers to Enforce Tax Debt Collections (Table 33) 130
CHAPTER 7 - RETURN FILING, COLLECTION AND ASSESSMENT 153
Introduction 154
Taxpayer registration (Tables 34-36) 154
Collection and assessment of income taxes 155
Overview - withholding regimes 156
Withholding regimes for employment income 157
Collection of income taxes by advance/instalment payments of tax (Tables 39 and 40) 160
Administrative assessment and self-assessment regimes (Table 39) 161
Use of third party information reporting requirements 161
Collection of VAT (Table 41) 165
Use of modern electronic services 166
Electronic filing 166
Electronic payments (Table 45) 169
Other electronic services (Table 46) 170
ANNEX 1 206
List of participating revenue bodies: Name of revenue body and fiscal year 206
ANNEX 2 208
Bibliography of all FTA publications 208
ANNEX 3 210
Planning, measuring and reporting frameworks 210
ANNEX 4 213
Understanding the cost of collection ratio 213
International comparisons of administrative expenditure and staffing-related ratios 214
Cost of collection ratios 214

Foreword

This is the third edition of the Comparative Information Series (CIS). The series illustrates what the Forum on Tax Administration (FTA) does best – countries working together, sharing experiences and expertise to support the development of greater efficiency, effectiveness and fairness in tax administration.

As with the 2004 and 2006 versions, this series contains a significant amount of information, providing a unique insight into the tax administration environment. Not only does it promote greater understanding between countries by setting out the context in which revenue bodies operate, but it is also a key tool for both administrators and policy makers in identifying the key trends and innovations in tax administration.

This edition has expanded to include 43 countries and it contains even more data and analysis than previous versions. I would like to take this opportunity to thank all those who contributed. The series is only as good as the information provided by countries and its completeness and accuracy are a tribute to all those involved. I would hope that this document is distributed widely within revenue bodies and the wider tax community so that this effort produces real returns for all those who work in tax administration.



Pravin Gordhan
FTA Chairman
December 2008

About this document

Purpose and methodology

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

This information series, the third edition, contains an expanded array of information that should be of interest to all tax officials as well as other observers. It is the CFA's intention that this information series is updated around every two years and that it evolves to become the definitive source of comparative tax administration-related information for OECD and selected non-OECD countries.

The information provided in this series has been obtained from a survey of revenue bodies in OECD member and selected other countries conducted in 2008, revenue bodies' annual reports, third-party information sources (e.g. the International Bureau of Fiscal Documentation (IBFD)), selected other OECD tax publications and other sources. Every effort has been made with relevant revenue bodies to validate the information displayed in the series and to note the sources of information used.

The series is published under the responsibility of the Secretary-General of the OECD and this edition was approved by the CFA in [January 2009]. The CFA welcomes feedback from OECD members and other countries that can be taken into account for future editions.

A list of the 43 participating countries can be found at Annex 1. As in the 2006 edition a selection of non-OECD countries have been included to enhance the objective of providing international comparisons. The criteria used to identify these countries were:

- Countries that are formal observers to the CFA (i.e. Argentina, Chile, China, and South Africa);
- Non-OECD countries that are members of the European Union (i.e. Bulgaria, Cyprus[1],[2], Estonia, Latvia, Malta, Romania and Slovenia);
- Countries whose revenue body has worked closely with the CFA's Forum on Tax Administration (FTA) over recent years (i.e. Malaysia and Singapore).

Not all the countries approached who fell within the criteria chose to participate in the survey and preparation of the final report.

[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 recognizes 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 Commission**: "The Republic of Cyprus is recognized 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."

About the FTA

The FTA brings together senior tax administrators to share information and experiences and to develop successful international best practices for resolving particular tax administration issues.

Working with the prevailing policy frameworks, the FTA looks to develop effective responses to important administrative issues in a collaborative fashion and engages in exploratory dialogue on a range of administration issues that may emerge in the medium to long term.

The FTA also prepares comparative analysis on aspects of tax administration to assist member and selected non-member countries. Where appropriate the Forum works in collaboration with non-member economies and businesses, seeking to co-ordinate and develop sound tax administration responses to today's challenges and opportunities.

Caveat

National revenue bodies face a varied environment within which to administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture. Care should always be taken when considering a country's practices to fully appreciate the complex factors that have shaped a particular approach.

Inquiries and further information

Inquiries concerning any matters raised in this information note should be directed to Sean Moriarty (CTPA Tax Administration and Consumption Taxes Division) at e-mail (sean.moriarty@oecd.org). Annex 2 contains a complete list of all FTA publications.

Executive summary

This series is designed to provide an insight into the administration of tax systems in OECD and selected non-OECD countries. Its starting point is the premise that revenue bodies can be better informed and work more effectively together given a broad understanding of the administrative context in which each operates. The series identifies some of the fundamental elements of modern tax systems and uses data, analysis and country examples to identify key trends, recent developments and examples of good practice.

The following provides a summary of each chapter and its key findings (more detailed summaries can be found in the 'Key Points' sections at the beginning of each chapter).

Chapter 1 describes the institutional arrangements put in place by Governments to conduct national/federal revenue administration operations. This chapter shows that the majority of the surveyed revenue bodies are set up as unified semi-autonomous bodies delivering both direct and indirect taxes. Related to this, it also notes a trend (and the underlying rationale) towards integrating the collection of social security contributions with normal tax administration operations. A further significant observation is the number of revenue bodies (34 out of 43) that have been given various non-tax responsibilities. This is a trend that appears to have grown over the last decade and reflects rationalisation activities by Governments as well as the increased use of the tax system to deliver social policies. This trend represents a considerable on-going challenge for many revenue bodies, given a context of limited, and sometimes decreasing resources and budget and increasing demands as a result of other factors, including increasing tax system complexity and the globalisation of business activities.

Chapter 2 sets out details of the organisational arrangements of revenue bodies. While noting a general shift from structural arrangements based on 'tax type' to one based on 'functional' and/or 'taxpayer segment' criteria, the chapter sets out that the majority of surveyed revenue bodies have an organisational structure that is based on a mix of these criteria. It also notes that many revenue bodies are undertaking major organisational reforms, with the key drivers being increased efficiency and effectiveness. There also appears to be an emerging trend for revenue bodies to create specialist/dedicated operational units, for example large taxpayer offices (which now exist in various forms in 33 out of 43 countries), national call centres, and data processing centres, while at the same time rationalising the size of the office networks delivering more traditional frontline services.

Chapter 3 provides brief information on revenue body practices concerning the preparation and publication of business/strategic plans and performance reports. This chapter sets out some of the arrangements in place that help to improve the accountability of revenue bodies, including the almost universal use of annual business plans and reports. However, it notes that there is some variation between revenue bodies in the levels of transparency seen – with some revenue bodies not publishing reports or performance results, whilst others do not include key tax administration related information (for example tax debts) in their public documents .

Chapter 4 provides summary data and analyses in respect of the resources allocated to revenue bodies to administer national tax laws and, where applicable, other responsibilities. Various ratios are also presented as some of these are regularly used by revenue bodies and other parties in international comparisons of administrative practices and revenue body performance. The data illustrates the significance of salary and IT as a component of the overall expenditure budget of most revenue bodies. Also noted is evidence, albeit fairly limited, to suggest a correlation between higher levels of IT expenditure and relatively lower staff usage. The data also reveals a broadly decreasing trend in the cost of collection ratios over recent years. This trend may be a result of favourable economic circumstances (contributing to buoyant tax receipts) and increased efficiency resulting from technological investments and other initiatives. It is expected that the global economic climate at the time of publication will negatively impact these ratios for the medium term.

Chapter 5 sets out an overview of the data collected from surveyed revenue bodies relating to operational performance in key areas of tax administration (i.e. tax collections, tax refunds, service delivery, verification, tax debt collection, and tax disputes). Significantly, it notes; 1) tax burden ratios vary enormously between surveyed countries with the available data for 2007 showing a variance from just over 13% to over 48%; 2) the relatively high incidence of tax refunds in some countries; 3) the relatively small contribution of verification activities to annual net revenue collections, and the low taxpayer coverage in many countries; and 4) substantial variations across countries in the incidence of tax debts and associated workloads. Survey responses also suggest weaknesses in the management information systems of many revenue bodies in relation to both tax debt and tax disputes. For tax disputes, only 7 countries managed to provide complete sets of the data requested.

Chapter 6 provides an overview of the legal and administrative frameworks within which revenue bodies operate. It includes a section on debt management and collection powers. Key observations include the increase over the past few years in the number of countries with a formal set of taxpayers' rights set out either in law or other statutes, or in administrative documents. The survey findings also reveal that the majority of revenue bodies: provide public and private rulings; have powers to obtain relevant information that can be extended to third parties; have a system of administrative review; and are responsible for the collection of tax debts.

Chapter 7 describes selected features of the frameworks for return filing, tax payment and assessment regimes for the major taxes. It also briefly examines selected features of revenue bodies' arrangements for the registration of taxpayers and provides an overview of developments concerning electronic filing of returns and payment of taxes. Significant observations from this chapter include: all but three countries apply 'withholding at source' arrangements for the collection of personal income tax (PIT) on employment income; the vast majority also mandate the use of withholding regimes for the collection of income tax in respect of interest and dividend income; and only a small number of countries have extended the use of withholding arrangements to income tax payable on payments made by business and certain categories of self-employed/contractors/small medium enterprises. All revenue bodies use advance/instalment payments for the gradual collection of PIT and corporate income tax (CIT); however, the requirements of these arrangements varies substantially. Whilst mandatory reporting of payments in respect of salaries and wages, dividends and interest income is largely universal, mandatory third party reporting is less frequently seen and its use varies substantially between revenue bodies.

The chapter also provides an overview of the growing use of pre-filling, a transformational development in personal tax administration in some countries, and its positive impact on the compliance burden of personal (employee) taxpayers. There has also been reasonable growth over recent years in the use and take-up of electronic filing for PIT, CIT and value-added tax (VAT). However, despite progress in the use of electronic payment methods, 27 out of 43 revenue bodies still reported non-automated methods (e.g. mailed cheques or in-person payments) as the primary or secondary most common tax payment method used.

Concluding observations

One broad observation drawn from the compilation of this series is that there is a great deal of variation between countries in terms of their ability to provide management information on key elements of tax administration. There are a number of possible explanations for this variation, but as a broad recommendation countries may wish to consider whether they can improve the collection of performance data and whether the data collected is flexible enough to be used for a variety of purposes, for example to accurately reflect their administrations performance and to support decision-making processes.

Chapter 1. Institutional arrangements for tax administration

Outline

This chapter provides details of the institutional arrangements put in place by Governments to conduct national/federal revenue administration operations.

Key points

Institutional arrangements

- In 24 countries, tax administration is the responsibility of a ***unified semi-autonomous body*** (or in the case of China a separate body) that reports to a government minister; in 8 of these countries, a ***formal management/advisory board*** comprised of external representatives has been interposed between the revenue body and the relevant minister.

- In 9 countries the tax administration is arranged as a ***semi-autonomous or single directorate within the ministry of finance (MOF)*** and is responsible for both tax and customs administration operations.

- In 9 counties the tax administration operates as **multiple directorates/agencies within the formal structure of the MOF** with fairly limited autonomy.

- All but 4 surveyed countries have merged the administration of the major direct and indirect taxes within a single revenue collection body.

- There is a clear dichotomy of approach taken to the collection of social contributions (SSCs) — of 28 applicable OECD countries 17 collect SSCs via separate social security bodies, while the balance have integrated their collection with normal tax administration operations; a small number of countries are exploring integration (e.g. Czech and Slovak Reps.); integration is preferred in the 13 selected non-OECD countries, with 8 countries having adopted this approach.

- 10 OECD member countries have aligned the operations of tax and customs operations within a single agency; in the 13 non-OECD countries, the alignment of tax and customs administration within a single agency is applied in 5 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

- In 34 of 43 countries, the revenue body has been given significant additional tasks of a non-taxation nature (e.g. payment of social welfare benefits, the collection of non-tax debts (e.g. 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 (7 countries); 2) budget expenditure discretion (7 countries); 3) to set staffing levels within overall expenditure limits (9 countries); and 4) to negotiate staff remuneration levels (13 countries).

Special complaints handling and tax administration oversight bodies

- Governments in at least three countries have established independent and dedicated bodies to handle tax administration-related complaints, while in two countries, separate and independent tax administration oversight bodies have been established.

The institutional arrangements for revenue administration

1. Aspects of the institutional arrangements of surveyed countries described in this chapter are set out as follows:

1) The revenue body as an institution;
2) The extent of revenue body autonomy;
3) The scope of responsibilities of revenue bodies (including non-taxation roles);
4) Special governance arrangements (i.e. management/advisory boards and external oversight bodies;
5) Special arrangements for external oversight of the tax administration system; and
6) Special institutional arrangements for resolving taxpayers' complaints.

Other aspects (e.g. revenue bodies' strategic plans, legal frameworks, and resources) are covered in later chapters of this report).

Introduction

2. In virtually all the surveyed countries, the tax system is responsible for generating the vast bulk of revenue that is required to fund Government services. Given the range and nature of the laws to be administered, the systems of assessment and self-assessment that must be relied upon, and the large number of clients to be administered, revenue bodies need 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.[3]

3. While this topic has not been the subject of detailed study by the CFA, useful work has been carried out by other bodies to define the desirable features and characteristics of institutional arrangements appropriate for effective administration of a country's tax system. One example of such work is the set of *'Fiscal Blueprints'* [4] developed by the European Commission (EC) to guide EU candidate countries in the strengthening of their revenue bodies. The blueprints contain useful guidance (expressed in terms of strategic objectives and performance indicators) concerning the desirable features of an effective institutional setup for tax administration and are briefly described in Box 1.

---

[3] The theme of accountability is explored in various chapters of this series for example *Chapter 3* describes developments concerning published target setting and performance reporting while *Chapter 7* deals with the emergence of formal taxpayers' charters setting out the rights of taxpayers.

[4] The fiscal blueprints, originally developed in 1999 but since updated, 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, while developed as a tool for EU candidate countries to enhance their administrative capacity in the field of tax administration, have broad international application. The blueprints can be found at: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/info_docs/taxation/fiscal_blueprint_en.pdf

Box 1. The overall framework of a tax administration: suggested strategic objectives and performance indicators	
Strategic objectives	**Performance indicators**
1. The tax administration is guaranteed an ***adequate level of autonomy***	Is the autonomy of the tax administration provided for by law?
	Is there a statutory basis defining to whom the head of the tax administration reports?
	Is the autonomy of the tax administration reflected in its organisational structure and operational responsibilities?
	Is the tax administration provided with the freedom 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 & objectives***.	Are the tasks of the tax administration in line with its mission and vision?
	Does the tax administration draw up strategies providing objectives, benchmarks & plans for its operations?
	Is the mission of the tax administration publicised among taxpayers and other stakeholders, as well as among its personnel?
3. The tax administration has its ***own structure & powers*** allowing for efficient & effective operations.	Does the structure of the tax administration allow the fulfilment of its tasks and obligations?
	Does the organisational structure of the tax administration 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 & manage the tax system.	Is the tax administration given sufficient resources and funding to ensure the efficient implementation of its policies and performance of duties?
	Does the tax administration stem from a budget dialogue based on performance agreements?
	Does the tax administration's budget planning cycle cover several years, allowing strategic planning and the carryover of funding surpluses?
5. The revenue body is provided with a ***stable legal framework*** ensuring proper administration & enforcement of tax dues.	Is the tax administration 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 the tax administration 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 & 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.

The revenue body as an institution (Table 1)

4. There have been considerable changes in the organisation of public sector functions over the last decade. As noted in a 2006 IMF Working paper [5]...

"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. In some cases, traditional government structures (e.g., a government ministry organized along hierarchical lines) have been viewed as too rigid to respond to the rapidly changing needs of the public and the challenges confronted by government in modern society. While changes in government have been described as "evolutionary rather than revolutionary"[6], a

[5] See *Revenue Authorities: Issues and Problems in Evaluating their Success,* IMF Working Paper WP 06/240, Maureen Kidd and William Crandall, October 2006.

[6] See *Difficulties with Autonomous Agencies*, Manning and Matsuda (World Bank), 2000.

developing trend has been for government to devolve power to agencies or appointed bodies acting on their behalf…

Revenue administration has not been completely immune to this trend. Governments of developed countries sought ways to deliver better service and some have turned to a form of semi-autonomous agency to help them meet goals of improved collections, better service to taxpayers, and more flexible human resource management options. Governments of developing countries share many of these goals and have additional complications. Problems related to low capacity and the need for massive administrative reforms, combined with corruption and long periods of non-performance, have made the case for a different form of government structure, compelling both to decision-makers as well as to the donor agencies interested in funding the needed reforms."

5. These restructurings have resulted in the evolution of a variety of institutional arrangements for the administration of tax laws (and may include responsibility for the collection of social contributions and/or customs administration). For the purposes of this series, four broad categories of institutional arrangements were identified.[7] These were:

- **Single directorate in ministry of finance (MOF)**: Tax administration functions are the responsibility of a single organizational 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 organizational units (e.g. directorates) located within the ministry of finance.
- **Unified semi-autonomous body**: Tax administration functions 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 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.

6. As indicated in Table 1, 24 countries reported the existence of a unified semi-autonomous body (or in the case of China a separate body) responsible for tax administration (and in some cases customs administration) operations[8], while the balance of countries reported the existence of other (less autonomous) models.

---

[7] An exception to these four categories is the unique arrangements for conducting tax administration operations that exist in Italy. There, primary responsibility for tax administration rests with the Agenzia Entrate (AE), an agency under the Ministry of Economy and Finance with some 32,000 employees. However, the range of functions carried out by AE is unusually limited—all information processing activities are outsourced to a separate private body (SOGEI) which also supports other arms of Government, tax fraud work involving around 22,000 employees is carried out by the separate tax police body (the Guardia di Finanza), while enforced debt collection work is outsourced to a government-owned body (Equitalia Spa), which also enforces the collection of social contribution debts, and employs over 10,000 staff. Furthermore AE is supported in its work by the Customs Agency (Agenzia delle Dogane) and Territorial Agency (Agenzia del Territorio). The Customs Agency is responsible for excise duties and customs. The Territorial Agency is responsible for cadastre, property registers and property valuations.

[8] The term 'unified semi-autonomous body' is also intended to encompass the model elsewhere described as the 'revenue authority' model which is seen in many developing countries (e.g. Kenya, Peru, South Africa, Tanzania and Zambia).

7. To a large extent, the varied institutional arrangements observed 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 4 surveyed countries (e.g. Luxembourg, Malaysia, Malta 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 28 OECD member countries that have a separate regime of social contributions, 17 countries have contributions collected by a separate social security agency (or multiple agencies), while the balance of countries have integrated the collection of these revenues with tax administration operations; in the 13 selected non-OECD countries integration is preferred, with 8 countries adopting this approach.

- 10 OECD member countries have aligned the operations of tax and customs operations within a single agency, although there appears to be no trend in this direction; in the 13 non-OECD countries, the alignment of tax and customs administration within a single agency is applied more widely with 5 countries adopting this approach.

- 28 countries have separate bodies for tax and customs administration, of these 18 countries have allocated the 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.

8. The practice of establishing a dedicated separate 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.[9]

9. The rationale for this model has been described in the following terms [10]:

"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

---

[9] For example, see also *Modernisation of Tax Administration: Revenue Boards and Privatisation as Instruments for Change* written for the Bulletin for International Fiscal Documentation by Glenn P. Jenkins (February 1994); *Designing Performance: The Semi-Autonomous Revenue Authority Model in Africa and South America,* Robert Taliercio (World Bank) 2004; and *Are Semi-Autonomous Revenue Authorities the Answer to Tax Administration Problems in Developing Countries? A Practical Guide* prepared by Arthur Mann for USAID, August 2004; and *Revenue Authorities: Issues and Problems in Evaluating their Success* IMF Working Paper WP 06/240, Maureen Kidd and William Crandall, October 2006.

[10] See *'The Reform of Revenue Administration: A Study for the Department for International Development (DFID),* Delay, Devas, and Hubbard, June 1998.

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".

10. 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:

- Numerous studies have been conducted to evaluate the success or otherwise of the 'revenue authority' model for tax administration, but none have 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)[11], 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).

- Implementing the model requires support in a variety of ways (e.g. good relationships with the MOF, strong leadership by the revenue body's senior management, and human resource policies appropriate for obtaining good performance and dealing with 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 regard it largely as a catalyst for reform. As noted in the IMF's Working Paper… "*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 (Tables 1 and 2)

11. 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.

12. As outlined above and indicated in Table 1 over half of the OECD member countries have established semi-autonomous bodies while Table 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 following powers/responsibilities:

[11] See *Revenue Authorities and Taxation in Sub-Saharan Africa: A Concise Review of Recent Literature from the Investment, Competition and Enabling Environment Team*, DFID, February 2005.

- *Budget expenditure management*: Discretion to allocate/reallocate budgeted administrative funds across administrative functions to meet emerging/changed priorities. In practice, this power should enable the revenue body to use its resources more wisely, obtaining "better value for money spent".

- *Organisation and planning*: Responsibility for the internal organisational structure for conducting tax administration operations, including the size and geographical location of tax offices, and the authority to formulate and implement the revenue body's strategic and operational plans. The effective exercise of these powers in practice could be expected to enable a revenue body to respond more rapidly to changed circumstances, thereby contributing to its overall efficiency and effectiveness.

- *Performance standards*: Discretion to set its own administrative performance standards (e.g. for taxpayer service delivery); effective use of this power enables revenue body management to set challenging but realistic targets for improved performance.

- *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 could in practice be expected to help taxpayers by clarifying the application of the law and how it will be administered.

- *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, to impose liens over property in respect of unpaid debts, and to collect monies owing by taxpayers from third parties). 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.

13. Based on survey responses (as reflected in Table 2), the areas of least flexibility/ autonomy were in relation to revenue bodies' authority to: 1) designing and implementing their own internal organisational structure (7 countries); 2) allocate budgeted funds to meet new/ changed priorities (7 countries); 3) determine the levels and mix of staff (9 countries); and 4) to influence/ negotiate staff remuneration levels (13 countries).

14. It should also be noted that even with increased autonomy revenue bodies will still operate within frameworks designed to ensure they remain accountable to wider government

and the citizens whom they serve. These frameworks may include the establishment of management boards and wider reporting obligations. Both these areas are covered in more detail later in this chapter and in Chapter 2.

Scope of responsibilities of the revenue body (Tables 3 and 4)

A unified body for the collection of direct and indirect taxes

15. Table 3 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 came into existence in April 2005. Elsewhere, the operation of separate bodies is confined to a small number of members of the Commonwealth of Nations (e.g. Cyprus, India, Malaysia and Malta). It is understood that Malta's government has made an in-principle decision to establish an integrated tax body but the precise form and timing of its implementation have yet to be decided.

16. There is one exception to this more unified approach to revenue administration. As indicated in Table 3, 18 countries administer the collection of excises through the customs administration, not the main revenue body.

The collection of social contributions (Table 3)

17. In the vast majority of surveyed countries, regimes of social security contributions (SSCs) have been established as a complementary source of government revenue to fund specific government services (e.g. health, unemployment benefits and pensions). [12] As will be evident from the information in Chapter 5, Table 16, SSCs are now the largest single source of government taxation revenue in many OECD countries, particularly those in Europe. However, as will be evident from the information in Table 1, Governments have taken different paths as to the institutional arrangements used for their collection.

18. Table 3 reveals that of the 28 OECD countries with separate social security regimes, the majority (some 17 countries) administer the collection of SSCs through a separate social security agency (or a number of such agencies), rather than by the main tax revenue body. In the other 11 OECD countries, the collection of SSCs has been integrated with tax collection operations. Beyond OECD economies, this dichotomy in approach to revenue collection is also apparent—Chile, Cyprus, Malaysia and Singapore all administer the collection of SSCs via a separate agency[13] while countries such as Argentina, Brazil, Bulgaria, Estonia, Latvia, Romania, Russia, and Slovenia have all integrated the collection of SSCs with tax administration operations.

---

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

[13] In the case of China there are actually two parallel bodies collecting social contributions, one is the tax revenue body, the other is a separate organisation created by the Ministry of Human Resources and Social Security. The provincial government has the authority to decide to which social security contributions should be made. Nationally, social security contributions are split between the two.

19. The advantages and disadvantages of these two fundamentally different approaches to administering government revenue collection have not been studied by the FTA. However, the operation of separate tax and SSC collection arrangements—effectively, multiple revenue administrations—raises some obvious questions concerning how to achieve efficient and effective co-ordination of compliance activities across taxpayer populations, and the additional compliance burden on businesses having to deal with separate revenue collection bodies. These issues were the subject of recent research by officials of the IMF's Fiscal Affairs Department[14] to identify the reasons why many countries have chosen over the last decade or so to integrate the collection of SSCs with tax collection operations (see Box 2).

Box 2. The integration of tax and social security contributions (SSCs) collection

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

1) Commonality of core processes: The argument for unifying the collection of tax & SSCs stems from the commonality of the core processes involved in the collection of tax & SSCs, including the need to (1) identify & register contributors & taxpayers using a unique registration number; (2) have systems to collect information in the form of returns from employers & the self employed, usually based on similar definitions of income; (3) for employers, withhold tax and contributions from the income of their employees & 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; & (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 SSCs collection activities into their revenue administrations have often found that the marginal costs of expanding systems used for tax administration to include SSCs 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 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, enforced collection of returns and payments, and audit of employers. This can contribute to significantly reducing government administration costs, with: (1) fewer staff and economies of scale in human resource management and training, fewer numbers of managers, and common processes for filing and payment and enforcement and data entry data and verification; (2) lower infrastructure costs in office accommodation, telecommunications networks, and related functions; & (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

[14] See *IMF Working Paper: Integrating Tax and Social Security Contribution Collections Within a Unified Revenue Administration: The Experience of Central and Eastern European Countries*, Peter Barrand, Graham Harrison, Stanford Ross, December 2004.

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.

20. The observations set out in Box 2 raise important considerations for Governments and are supported by feedback, albeit limited, gathered from country survey responses. For example, in its survey response, officials of ***Bulgaria's*** National Revenue Agency reported that work commenced early in 2006 to integrate the collection of health insurance and social contributions with its mainstream tax administration operations (entailing the transfer of around 900 employees to the NRA from the National Social Insurance Institute). As part of this change, registration requirements for business are simpler, taxes and SSCs are paid together in a unified way. The integration was reported as being successful, with improved results being achieved in a number of areas (e.g. levels of voluntary compliance, efficiency, and reduced corruption).

21. In a similar vein, ***Slovakian*** revenue officials indicated that their Government had approved in May 2008 a proposal for institutional reform known as '*Concept of Reform of Tax and Customs Administrations with Outlining Unification of the Collection of Taxes, Customs and Insurance Premiums'*. As part of this proposal, which will be phased in over a number of years and be subject to a detailed feasibility study, there would be a shift in responsibility for the collection of social insurance contributions to the new body from existing social insurance bodies.

22. Revenue officials from the ***Czech Republic*** reported that their Government was currently planning the merger of tax, customs, social security and health insurance revenue collection functions into a single agency. They advised that the benefits expected from this merger were reductions in government administrative costs and taxpayers' compliance costs. The new agency was expected to be more efficient than the existing several independent agencies, particularly in the fields of data management, tax audits, registration and enforcement.

23. In those countries where separate collection arrangements exist, 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 (i.e. Austria, Belgium, Poland, Slovakia, and Spain) 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).

Customs administration (Table 4)

24. 10 OECD countries have aligned the administration of tax and customs operations by bringing them within a single management structure (e.g. Austria (from 2003), Denmark, Ireland, Mexico, Netherlands and Spain). The Slovak Republic reported that it has a similar initiative underway for completion in 2012. This practice is also followed by 5 non-OECD surveyed countries (e.g. Argentina, Latvia, and South Africa).

25. The rationale for this alignment of different Government roles 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. with human resource and IT functions; and 3) historical factors associated with the separation of direct and indirect taxes administration).

26. More recently, a further development has occurred in two large OECD countries (i.e. Canada[15] and the United Kingdom[16]) where the Government has decided to remove the border security aspects of customs administration from the revenue body, as part of their efforts to align all aspects of border security within a dedicated border security agency.

Other non-tax functions (Table 4)

27. As will be evident from the information in Table 4, many Governments have allocated various 'non-tax' roles to their revenue bodies, and this practice appears to have grown over the last decade. As will be evident from Table 4, the most common of these 'non-tax' roles are: a) the collection of non-tax debts owed to Government (e.g. student loans and overpaid welfare benefits); b) 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; c) administration of elements of the Government's retirement incomes policy (e.g. Australia's superannuation arrangements and New Zealand's KiwiSaver scheme); and d) administration of elements of the Government's child support arrangements; and e) a Government property valuation function (and for some countries linked to the administration of property taxes). The resource implications of such arrangements are discussed briefly in Chapter 4.

Special governance arrangements

28. 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.

29. The following section identifies the 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.

Management and advisory boards

30. In 7 countries, a management/advisory board has been interposed between the revenue body and the relevant minister/arm of government to provide a degree of independent advice on the operations of the revenue body and tax administration arrangements in general. In the examples cited hereunder, the board's membership includes non-revenue body officials. Whilst the specific functions of the boards vary between countries all provide oversight and 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 concerned with 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

---

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

[16] In November 2007, the UK Government announced the creation of a new UK Border Agency reporting to both the Chancellor of the Exchequer, on fiscal issues, and the Home Secretary. This new agency combined the staff of the Detection Directorate, up till then formally part of HMRC, along with UK visas and the Border and Immigration Agency. HMRC retains ownership of Customs policy issues. The new Agency commenced operations on an interim basis in January 2008, pending the passage of relevant legislation.

established, its introduction coincided with the establishment of a new more autonomous body for tax administration operations (e.g. in Canada, Singapore and South Africa[17]).

31. Given the relative uniqueness of these arrangements, a brief description of the set-up in selected countries is set out hereunder:

- **Canada Revenue Agency (CRA):** The CRA's Board of Management was established in 1998 with the creation of a new, more independent government agency—then known as the Canada Customs and Revenue Agency—to administer Canada's tax and customs laws. The Board is comprised of 15 members appointed by the Governor in Council, 11 of who have been nominated by the provinces and territories. The Board has the responsibility of overseeing the organization and management of the CRA, including the development of the Corporate Business Plan, and the management of policies related to resources, services, property, personnel, and contracts. The Commissioner of the CRA, who is a member of the Board, is responsible for the CRA's day-to-day operations. Unlike the boards of other crown corporations, the Board is not involved in all business activities of the CRA. In particular, the Board has no authority in the administration and enforcement of legislation, for which the CRA remains fully accountable to the Minister of National Revenue. The Board is denied access to confidential client information.[18]

- **Finnish Tax Administration:** An Advisory Board to the National Board of Taxes was established by government Ordinance in 2002 and commenced in 2003. It is comprised of a senior official of the Ministry of Finance, the Director-General of Tax Administration, and 6 members from local government, union, taxpayer and commerce bodies. The role of the Board is to provide guidance/advice on strategic planning, tax administration priorities and operational guidelines. The Board convenes around six times per year.[19]

- **Inland Revenue Authority of Singapore (IRAS):** The IRAS Board[20] was established in 1992, as part of legislation authorizing the creation of a new statutory authority with autonomy in managing its operations to administer the tax laws. The Board comprises the chairman, the Permanent Secretary of the Ministry of Finance, the Commissioner of Inland Revenue, and seven other members (comprising public and private sector representatives). 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.

  To assist it in carrying out its duties the Board has established three committees—a Staff Committee A, an Audit Committee and an Investment Committee. The Staff Committee A's role is to review key personnel policies. It is also the approving authority for key appointments and promotion and remuneration of senior executives in the IRAS. The Audit Committee reviews whether IRAS's accounting and financial policies and internal controls are in place, adequate and adhered to. It also reviews

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

[18] CRA website - http://www.cra-arc.gc.ca

[19] See Finland's, *Annual Report of National Board of Taxes* 2003, 2004 and 2005 - www.vero.fi

[20] IRAS website - https://mytax.iras.gov.sg

and approves the annual internal audit plan. The Investment Committee sets investment policies and guidelines and manages surplus funds available for investments

- **Spain's Senior Management Board**: This Board acts as an advisory body for the Presidency (head) of the Tax Agency and as a participating body for the Autonomous Communities and for Cities with Statutes of Autonomy in the Tax Agency. It is chaired by the President of the Agency and it consists of the Director-General, the departmental and Agency Services Directors, the Under-Secretary for Economy and Finance, other general directors from the ministry and representatives of Autonomous Communities.

- **Sweden:** As part of broader public sector reforms, 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. By the side of the Director-General, there is now an Advisory Council that may have up to 12 members. 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 members of the Council are appointed by the Government for a period of three years. The Advisory Council of the Swedish Tax Agency meets six times a year.

  In the current Advisory Council of the Tax Agency there are 11 members including the Director-General who is the chairman, the Director-General (Ministry of Finance), academics with backgrounds in economics and/or finance, representatives of industry and commerce, information technology consultants, the Director-General of another large Government agency, and some members of parliament.

- **The Board of HM Revenue and Customs (United Kingdom)**: Legislation for the creation of the new HMRC Department in 2005 included provision for the creation of a Board, to be comprised of members of HMRC's internal Executive Committee (ExCom) and (four) non-executive (external) board members. Although the fundamental governance structures remain unchanged since 2005, there have been considerable developments in 2008. These changes include the creation of three new roles at the top of the department; a Chairman; Chief Executive Officer and a Permanent Secretary for Tax. The Chairman now leads the Board of HMRC. The Board's role is to provide strategic leadership, approve business plans, monitor performance and ensure the highest standards of corporate governance. The Chief Executive Officer is responsible for delivering performance in order to achieve its strategic objectives. The department's executive decision making body remains Excom supported by permanent and ad-hoc sub committees and with oversight provided by the Board. In addition, from February 2008 for six months during a key 'transformational' phase an Executive and Advisors Committee was established. The Committee consists of Excom members, the department's four non-executive board members and four additional external advisors. [21]

- **United States Internal Revenue Service (IRS):** A nine-member IRS Oversight Board was created by Congress under the IRS Restructuring and Reform Act of 1998. The Board's responsibility is to oversee the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws. The Board was created to provide long-term focus and specific expertise in guiding the IRS so it may best serve the public and meet the needs of taxpayers. Seven board members are appointed by the President 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

[21] HMRC's Departmental Report (2008) and website - www.hrmc.gov.uk

employee or a representative of IRS employees. The Secretary of Treasury and the Commissioner of Internal Revenue are also members of the Board.

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

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.[22]

External/ independent oversight of the tax administration system

31. 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 national audit bodies that typically oversee the workings of all government agencies. A brief description of these arrangements is set out hereunder:

- **Inspector-General of Taxation (Australia):**[23] The Inspector-General of Taxation (IGT) was introduced as an independent statutory agency in 2003 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.

[22] IRS Oversight Committee website (June 2008) - http://www.irs.gov/

[23] Description obtained from IGT website (June 2008) - http://www.igt.gov.au

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 program 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.

- **Treasury Inspector - General for Tax Administration (United States):[24]** 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) to provide independent oversight of Internal Revenue Service (IRS) activities. As mandated by RRA 98, TIGTA assumed most of the responsibilities of the IRS' former Inspection Service.

  TIGTA consists mainly of auditors and investigators focused on the duties and responsibilities of an Inspector General organization on matters relating to the IRS. TIGTA is organizationally 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.

Dedicated complaints handling and oversight

32. Governments in many countries have established special bodies (e.g. an Ombudsman's Office) to handle complaints concerning the actions (or inactions) of government agencies (including those of the national revenue body) in their dealings with citizens and business. However, in some OECD countries a dedicated agency has been established to deal with complaints from citizens and business concerning the specific operations of the revenue body. Examples of these arrangements are set out below:

- **Taxpayers' Ombudsman (Canada)[25]:** The Taxpayers' Ombudsman (TO), established from early 2007, is generally responsible for ensuring that the CRA respects the service rights contained in the Taxpayers' Bill of Rights[26] 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

[24] Description obtained from TIGTA website (June 2008) - http://www.ustreas.gov/tigta/

[25] Description obtained from TO's website (June 2008) - http://www.taxpayersrights.gc.ca/

[26] See Chapter 6 for further details on this.

Minister of National Revenue about service related matters in the CRA. 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.

- **Adjudicator's Office (United Kingdom)[27]:** The Adjudicator's Office (AO), originally established in 1993 to investigate complaints made concerning the former Inland Revenue Department, 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.

  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.

- **Taxpayer's Advocate (United States)[28]:** The Taxpayer Advocate Service (TAS) was established by the Taxpayer Bill of Rights 2 legislation in 1996, replacing the Office of the Taxpayer Ombudsman. The TAS is an independent organization 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 program 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 & to reduce taxpayer burden. The Taxpayer Advocate independently represents taxpayers' interests & 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

[27] Description obtained from Adjudicators' website (June 2008) - http://www.adjudicatorsoffice.gov.uk/

[28] Description obtained from the TAS portion of the IRS website (June 2008) - http://www.irs.gov/advocate/

legislative changes which may be appropriate to mitigate such problems. The TAS provides two annual reports to Congress—one concerning its objectives for a fiscal year, the other on its achievements in the fiscal year.

Table 1: Institutional arrangements for tax administration

COUNTRY	Institutional type of revenue body
1) OECD countries	
Australia	Unified semi-autonomous body
Austria	Single directorate in MOF
Belgium	Single directorate in MOF
Canada	Unified semi-autonomous body with board
Czech Rep.	Single directorate in MOF
Denmark	Single directorate in MOF
Finland	Unified semi-autonomous body
France	Single directorates in MOF
Germany /1	Multiple directorates in Federal MOF and 16 State MOF
Greece	Multiple directorates in MOF
Hungary	Unified semi-autonomous body
Iceland	Unified semi-autonomous body
Ireland	Unified semi-autonomous body
Italy	Multiple agencies under MOF /1
Japan	Unified semi-autonomous body
Korea	Unified semi-autonomous body
Luxembourg	Multiple directorates in MOF
Mexico	Unified semi-autonomous body with board reporting to MOF
Netherlands	Single directorate in MOF
N. Zealand	Unified semi-autonomous body
Norway	Unified semi-autonomous body
Poland	Multiple directorates in MOF /1
Portugal	Multiple directorates in MOF
Slovak Rep.	Unified semi-autonomous body
Spain	Unified semi-autonomous body
Sweden	Unified semi-autonomous body
Switzerland	Single directorate in MOF /1
Turkey	Unified semi-autonomous body
UK	Unified semi-autonomous body with board
USA	Unified semi-autonomous body with board
2) Selected Non-OECD countries	
Argentina	Unified semi-autonomous body with board
Bulgaria	Unified semi-autonomous body with board
Chile	Multiple directorates in MOF /1
China	Separate body with minister
Cyprus	Multiple directorates in MOF /1
Estonia	Single directorate in MOF
Latvia	Unified semi-autonomous body
Malaysia	Separate semi-autonomous departments for direct and indirect taxes /1
Malta	Multiple directorates in MOF /1
Romania	Unified semi-autonomous body
Singapore	Unified semi-autonomous body with board
Slovenia	Unified semi-autonomous body
South Africa	Unified semi-autonomous body

Sources: Survey responses, revenue bodies' annual reports.

1. **Chile**—Servicio de Impuestos Internos (SII) is responsible for tax compliance procedures, audit and enforcement of internal taxes. The collection of taxes are the responsibility of Tesorería General de la República; **Italy**—Tax administration functions are carried out by a number of separate government and partly government-owned bodies: 1) Agenzia Entrate (Revenue Agency - main stream operations), 2) Guardia di Finanza (tax fraud), 3) Agencia delle Dogane (Customs Agency - excise & VAT on imports), 4) Equitalia Spa (tax debt collection), 5) SOGEI (information processing) and 6) Agenzia del Territorio (Territorial Agency - cadastre, property registration and property valuation); **Cyprus, Luxembourg, Malta** —There are separate directorates for Direct Taxes, Indirect Taxes, and/or Customs and Excise; **Switzerland**—Majority of direct taxes is administered at sub-national level (by cantons).; **Germany**—Major taxes are administered separately by 16 State (*Länder*) MOFs, and subject to coordination and supervision by the Federal MOF; additionally, a Federal Central Tax Office, subordinated to the Federal MOF, performs certain central functions; **Malaysia**—Inland Revenue Board (for direct taxes) and Customs and Excise (which also administers a sales tax); **Malta**—Inland Revenue Department and VAT Department; **Poland**—with common head, Secretary of State; **Sweden**—director-general with advisory council has the highest decision-making authority.

Table 2: Delegated authority of revenue bodies

COUNTRY	DELEGATED AUTHORITY THAT CAN BE EXERCISED BY THE NATIONAL REVENUE BODY /1								
	Make tax law rulings	Remit administrative penalties and/or interest	Establish internal design/ structure	Allocate budget	Fix levels & mix of staff	Set service performance levels	Influence staff recruitment criteria	Hire & dismiss staff	Negotiate staff pay levels
1) OECD countries									
Australia	✓	✓ /2	✓	✓	✓	✓	✓	✓	✓
Austria	✓	✓	✓	✓	✓	✓	✓	✓	×
Belgium	× /2	✓/2	×	×	×	✓	✓	×	×
Canada	✓	✓	✓	✓	✓	✓	✓	✓	✓
Czech Rep.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	✓	✓	✓	✓
Finland	✓	✓	✓	✓	✓	✓	✓	✓	✓
France	✓	✓	✓	✓	✓	✓	✓	✓ /2	×
Germany /1	✓	✓	✓	×	×	✓	✓	✓	×
Greece	✓	✓	✓	×	✓	✓	✓	✓	✓
Hungary	✓	✓	×	✓	✓	✓	✓	✓	✓
Iceland	✓	✓	✓ /2	✓ /2	✓	✓	✓	✓ /2	✓ /2
Ireland	✓	✓	✓	✓	✓	✓	✓	✓	×
Italy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Japan	✓	✓	×	×	×	✓	✓	✓	×
Korea	✓	✓	✓	✓	×	✓	✓	✓	✓
Luxembourg	✓	✓	✓	×	✓	✓	✓	×	×
Mexico	✓	✓	✓	✓	✓	✓	✓	✓	✓
Netherlands	✓	✓	✓	✓	✓	✓	✓	✓	✓
N. Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Norway	✓	✓	×	✓	✓	✓	✓	✓	✓
Poland	✓	✓	✓	✓	✓	✓	✓	✓	✓
Portugal	✓	✓	×	×	×	✓	✓	×	×
Slovak Rep.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Spain	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sweden	✓	✓	✓	✓	✓	✓	✓	✓	✓
Switzerland	✓	✓	✓	✓	✓	✓	✓	✓	✓
Turkey	✓	✓	✓	×	×	✓	✓	×	×

COUNTRY	DELEGATED AUTHORITY THAT CAN BE EXERCISED BY THE NATIONAL REVENUE BODY /1								
	Make tax law rulings	Remit administrative penalties and/or interest	Establish internal design/ structure	Allocate budget	Fix levels & mix of staff	Set service performance levels	Influence staff recruitment criteria	Hire & dismiss staff	Negotiate staff pay levels
UK	✓	✓	✓	✓	✓ (limited)	✓ /2	✓	✓	✓
USA	✓	✓	✓	✓	✓	✓	✓	✓	✓
2) Selected non-OECD countries									
Argentina	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bulgaria	✓	×	✓	✓	✓	✓	✓	✓	✓
Chile	✓	✓	✓	✓	✓	✓	✓	✓	✓
China	✓	✓	✓	✓	✓	✓	✓	✓	×
Cyprus	✓	×	✓	✓	×	✓	×	×	×
Estonia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Latvia	✓	✓	✓	✓	✓	✓	✓	✓	-
Malaysia	✓	✓	✓ /2	✓	×	✓	✓	✓	✓
Malta	✓	✓	✓	✓ /2	✓ /2	✓ /2	✓	×	×
Romania	✓	✓	✓	✓	✓	✓	✓	✓	×
Singapore	✓	✓	✓	✓	✓	✓	✓	✓	✓
Slovenia	✓	✓	✓	✓	✓	✓	✓	✓	✓
South Africa	✓	✓	✓	✓	✓	✓	✓	✓	✓

Sources: Country survey responses

/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, remittance of interest and penalties for tax offences are under the jurisdiction of Minister; **France**—recruitment by competitive examination; **Germany**—Generally 16 States MOF can decide on the internal structure. Most important decisions on levels & mix staff are made by State and Federal Parliaments as part of the budget. Each of 17 MOF can hire within the limitations provided by its budget and can influence recruitment criteria, but dismissing staff is virtually impossible under German civil service law. Most of 16 States and Federal MOF maintain own IT operations.; **Iceland**—not including the regional tax offices; **Luxembourg**—data relate to direct tax and VAT directorates; **Malaysia**—except for creating new office; **Malta**—direct tax administration only; **UK**—Public Service Agreement targets have to be agreed with Ministers.

Table 3: Taxes administered by revenue bodies (2007)

COUNTRY	MAJOR TAX TYPES ADMINISTERED BY THE NATIONAL REVENUE BODY								
	PIT	CIT	VAT	Excises	Real property taxes	Estate/ Inherit-ance taxes	Wealth taxes	Motor vehicle taxes	Social funds collection
1) OECD countries									
Australia/1	✓	✓	✓	✓	×	×	×	×	n.applic.
Austria	✓	✓	✓	✓	×	✓ /1	×	✓	×
Belgium	✓	✓	✓	✓	×	×	×	✓	×
Canada	✓	✓	✓	✓	×	×	×	×	✓ /1
Czech Rep.	✓	✓	✓	×	✓	✓	×	✓	×
Denmark /1	✓	✓	✓	✓	✓	✓	×	✓	×
Finland /1	✓	✓	✓	×	✓	✓	×	×	✓
France	✓	✓	✓	×	✓	✓	✓	✓	×
Germany	✓	✓	✓	×	✓ /1	✓	×	✓	×
Greece	×	✓	✓	✓	✓	✓	✓	✓	×
Hungary	✓	✓	✓	×	×	✓	×	×	✓
Iceland	✓	✓	✓	×	×	×	×	✓	✓
Ireland /1	✓	✓	✓	✓	×	✓	×	✓	✓
Italy	✓	✓	✓	× /1	✓	✓	× /1	×	✓
Japan	✓	✓	✓	✓	×	✓	×	✓	×
Korea	✓	✓	✓	✓	✓ /1	✓	×	×	×
Luxembourg	✓	✓	✓	×	×	×	✓	×	×
Mexico	✓	✓	✓	✓	×	×	×	✓	×
Netherlands	✓	✓	✓	✓	✓	✓	✓	✓	✓
N. Zealand	✓	✓	✓	×	×	×	×	×	n.applic.
Norway	✓	✓	✓	×	×	✓	✓	×	✓
Poland	✓	✓	✓	✓	×	✓	✓	×	×
Portugal	✓	✓	✓	×	✓	✓	×	✓	×
Slovak Rep.	✓	✓	✓ /1	×	× /1	×	×	✓	×
Spain	✓	✓	✓	✓	×	×	✓ /1	×	×
Sweden	✓	✓	✓	✓	✓	×	×	✓	✓
Switzerland	✓	✓	✓	×	×	×	×	×	×
Turkey	✓	✓	✓	✓	✓	✓	✓	✓	×
UK	✓	✓	✓	✓	✓	✓	×	×	✓ /1
USA	✓	✓	n.applic.	✓	×	✓	×	×	✓
2) Selected Non-OECD countries									
Argentina	✓	✓	✓	✓	×	×	✓	×	✓
Bulgaria	✓	✓	✓	×	×	×	×	×	✓
Chile	✓	✓	✓	✓	✓	✓	×	×	×
China	✓	✓	✓	✓	✓	×	✓	✓	✓
Cyprus /1	✓	✓	✓	✓	✓	×	×	×	×
Estonia	✓	✓	✓	✓	✓	×	×	✓ /1	✓
Latvia	✓	✓	✓	✓	✓	×	×	✓	✓
Malaysia	✓	✓	×	×	✓	✓	×	×	×
Malta /1	✓	✓	✓	×	×	×	×	×	✓
Romania	✓	✓	✓	✓	×	×	×	×	✓
Singapore	✓	✓	✓	×	✓	✓	×	×	×
Slovenia /1	✓	✓	✓	×	✓	✓	×	✓	✓
South Africa	✓	✓	✓	✓	×	✓	×	×	× /1

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

/1. (Footnotes may include other taxes administered.) **Argentina**—Small Taxpayer Regimen, Oil tax; **Australia**—Fringe Benefits Tax; **Austria**—from 1 August 2008 no inheritance or gift tax; **Belgium**—betting and gambling tax and gaming machine license duty are administered for the regions; **Canada**—For social contributions collects Employment Insurance and Canada Pension contributions on behalf of other departments that administer the programs, and for several provinces collects amounts that are non-tax related (e.g. defaulted integrated student loans). For other taxes the CRA administers an extensive list of tax programs for the provinces and territories. Refer to Appendix B in http://www.cra-arc.gc.ca/gncy/dffrnc/2007/rc4444-07-eng.pdf; **Chile**—Stamp Tax on documented credit loan operations; **Cyprus** —Revenue administration functions performed by separate bodies—information reflects taxes collected by all bodies; **Denmark**—Other taxes (FEOGA, AUDIT); **Estonia**—heavy goods vehicle tax; **Finland**—Excise and motor vehicle taxes are administered by separate state bodies. Tax administration collects church tax.; **Germany**—Revenue bodies determine property values for real property tax collected by municipalities;

Iceland—tax on domestically produced alcohol, fee for the construction fund for the elderly; **Ireland**—stamp duty, capital gains tax, environmental levy; **Italy**—Customs Agency in charge of excise management, wealth tax was abolished; **Japan**—gasoline tax and liquor tax; **Korea**—Comprehensive Real Estate Holding Tax introduced in 2005, assess upper bracket of real property tax as national tax; **Latvia**—lottery and gambling tax, natural resources tax; **Portugal**—VAT on imports is administered by customs, other taxes are stamp duty and fees of diverse kind, social contributions are collected by other government agency (IGFSS) under Ministry of Work and Social Security; **Luxembourg**—data relate to direct tax and VAT directorates, other taxes (capital gains tax, registration and subscription fee etc.); **Mexico**—products and services special tax, business flat tax (IETU), cash deposit tax (IDE); **Netherlands**—environmental taxes; **Slovak Rep.**—VAT on import of goods is administered by customs. Inheritance tax and tax on transfer of real estates has been abolished, collection duties are being phased out; **Slovenia**—tax on games of chance, tax on salaries paid, special tax on specific allowances; **South Africa**—collects unemployment insurance fund contributions on behalf of Department of Labour; **Spain**—National revenue body collaborates only in some aspects.; **Switzerland**—anticipatory tax (on interests, dividends and similar); **UK**—National Insurance contributions.

Table 4: Non-tax functions of revenue bodies

COUNTRY	NATURE OF NON-TAX FUNCTIONS ADMINISTERED					
	Customs law	Welfare benefits	Child support	Student loans	Property valuation	Population register
1) OECD countries						
Australia /1	×	✓	×	✓	✓	×
Austria /1	✓	✓	×	×	✓	×
Belgium /1	✓	× /1	×	×	×	×
Canada	×	✓	× /1	× /1	Partial /1	×
Czech Rep.	×	×	✓	×	✓	×
Denmark /1	✓	✓	×	×	✓	×
Finland /1	×	×	×	×	✓	×
France /1	×	×	×	×	✓	×
Germany /1	×	×	×	×	×	×
Greece	✓	×	×	✓	✓	×
Hungary	×	×	×	✓	×	×
Iceland /1	×	✓	×	×	×	×
Ireland /1	✓	×	×	×	×	×
Italy	×	×	×	×	×	×
Japan /1	×	×	×	×	×	×
Korea	×	✓	×	×	×	×
Luxembourg	×	×	×	×	✓	×
Mexico	✓	×	×	×	×	×
Netherlands	✓	✓ /1	✓ /1	×	×	×
N. Zealand /1	×	✓	✓	✓	×	×
Norway	×	×	×	×	×	✓
Poland	✓	×	×	×	×	×
Portugal	×	×	×	×	✓	×
Slovak Rep.	×	×	✓ /1	×	×	×
Spain	✓	✓ /1	×	×	×	×
Sweden /1	×	×	×	×	✓	✓
Switzerland	×	×	×	×	×	×
Turkey	×	×	×	×	×	×
UK	✓ /1	✓	×	✓	✓	×
USA	×	✓	×	×	×	×
2) Selected Non-OECD countries						
Argentina	✓	×	×	×	×	×
Bulgaria /1	×	×	×	×	×	×
Chile	×	×	×	×	✓	×
China	×	×	×	×	✓	×
Cyprus	×	×	×	×	×	×
Estonia	✓	×	×	×	✓	×
Latvia	✓	×	×	×	×	×
Malaysia /1	×	×	×	✓	×	×
Malta	×	×	×	×	×	×
Romania	✓	×	×	×	×	×
Singapore /1	×	×	×	×	✓	×
Slovenia /1	×	×	×	×	×	×
South Africa /1	✓	×	×	×	×	×

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

/1. (Footnotes may include other non-tax functions.) **Australia**—fuel rebate & grants scheme, Australian Business Register & superannuation schemes, some aspects of social welfare & student loan scheme; **Belgium**—), co-operates with or 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; **Bulgaria**—statistical functions; collects some non-tax revenues for the central government budget (e.g. traffic control fines).; **Canada**—child support and student loans (only collects past due amounts), property valuation (conducted only for support to income tax programs), others (administer national charities program, collect debts on behalf of other departments, distributes federal and provincial payments for social programs); **Czech Rep.**—supervises lotteries and gambling games; **Denmark**—agricultural export refund; **Finland**—statistical functions; **France**—management and accounting of state and local property; **Germany**—premiums for owner-occupied homes, investment allowances; **Iceland**—maintains companies register, & supervises accounting rules; **Ireland**— government sponsored national savings scheme (SSIA) ceased in June 2007; **Japan**—administers liquor industry; **Malaysia**—helps with collection of higher

education loan on behalf of National Higher Education Fund; **Netherlands**—income-dependent housing, health and child care benefit payment; **N. 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.; **Singapore**—regulatory authority for housing agents and property appraisers; **Slovak Rep.**—administers child tax bonus incorporated in income tax act, other functions are judicial fees, supervises lotteries & processing of bookkeeping data; **Slovenia**—collection of certain non-tax obligation; **Spain**—welfare benefits (deduction for working mothers, DAMA), enforced collection of debts of other public bodies; **South Africa**—administers diesel rebate scheme and collection of skills development levy on behalf of Department of Labour; **UK**—customs function moved to UK Border Agency from 2008. 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.

Chapter 2. The organisation of revenue bodies

Outline

This chapter provides details of the organisational arrangements of revenue bodies.

Key points

Organisational structures/ features

- Many revenue bodies are undergoing, or have recently introduced, major organisational reform to achieve improved outcomes.
- The 'function' criterion continues to be significant in the design of organisational structures of revenue bodies but around 24 bodies 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, 10 revenue bodies rely significantly on outsourced arrangements or other parts of government for their IT support.

Large taxpayer units

- The vast majority (i.e. 33) 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 (including the numbers of taxpayers administered), and in the scope and range of their responsibilities.

Provision of information technology

- Arrangements for the provision of information technology support vary significantly, and include (1) comprehensive in-house operations covering both infrastructure operations and applications development; (2) shared arrangements across areas of government (e.g. a single IT department supporting all MOF functions); and (3) largely outsourced operations involving private contractors. The large scale outsourcing of IT functions to private contractors occurs in relatively few countries.

Office networks

- 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); the practice of operating with very large HQ operations (i.e. more than 12.5% of total staff) is particularly prominent in Anglo-Saxon countries (e.g. Australia, Canada, Ireland, New Zealand, and USA).
- While most countries maintain traditional office networks which are geographical and hierarchical, revenue bodies are increasingly creating specialist/ dedicated operations (e.g. national call centres, data processing centres, and large taxpayer offices) to improve efficiency and effectiveness in service delivery.
- Particularly in Europe, there is a tendency for revenue bodies to operate relatively large networks of small offices; revenue bodies in a number of countries (e.g. Austria, Denmark, Norway, and Russia) have undertaken large scale office rationalisation programs in recent years to achieve greater efficiency.

Getting organised to collect taxes (Table 5)

Organizational structures of revenue bodies and their evolution

1. Over the last decade or so, the organizational 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 a 'function' 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. A description of some of the factors relevant to this evolution is set out in Box 3.

Box 3. How the organisational structures of revenue bodies have evolved

Over the last 20-30 years, there has been a clear trend in the way the internal organisational structures of national revenue bodies have evolved. In broad terms, this has entailed an evolution from an organisational model based on 'type of tax' criterion to one organised around tax administration 'functions'. More recently, there has been a trend towards a 'taxpayer segment' model.

The 'type of tax' model: The earliest organisational model employed by tax administrators was based principally on 'type of tax' criterion. Under 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 purpose, it was eventually seen to have a number of shortcomings, including: 1) with its inherent duplication of functions, it was inefficient and overly costly; 2) 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); 3) there were complications, both to revenue bodies and taxpayers, in managing and co-ordinating compliance actions across different taxes; 4) separation increased the likelihood of uneven/inconsistent treatment of taxpayers; 5) the arrangements impeded the flexible use of staff whose skills were largely confined to a particular tax; and 6) this approach to structuring tax operations unnecessarily fragmented the management of the tax system, thus complicating organisational planning and co-ordination.
Faced with these shortcomings, many revenue bodies decided to restructure their organisational arrangements, concluding that a model based largely on 'functional' criteria would help to substantially improve overall operational performance.

The 'functional' model: Under the functional model, staff are organized principally by functional groupings (e.g. registration, accounting, information processing, audit, collection, appeals, etc.,) and generally work across taxes. This approach to organizing tax work permits greater standardization of work processes across taxes, thereby simplifying computerization and arrangements for taxpayers, and to generally improve 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' model: A more recent development among a small number of developed countries (e.g. United states) has been to organize service and enforcement functions principally around 'segments of taxpayers' (e.g. large businesses, small/medium businesses, individuals, etc.). The rationale for organizing these functions around taxpayer segments is that each group of taxpayers has different characteristics and tax compliance behaviours and, as a result, presents different risks to the revenue. In order to manage these risks effectively, the revenue body needs to develop and implement strategies (e.g. law clarification, taxpayer education, improved service, more targeted audits) that are appropriate to the unique characteristics and compliance issues presented by each group of taxpayers. 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.

Source: Comments sourced from findings described in various IMF and World Bank reports.

2. Table 5 briefly highlights a number of high level structural features of revenue bodies in surveyed countries. As will be evident from the information in this table, there are significant variations in the organizational structures of revenue bodies from country to country. However, there appears to be a substantial reliance on the 'functional' model of organization—12 out of the 43 surveyed revenue bodies indicated that the functional model has been adopted as the primary criterion for structuring their tax administration operations, while 24 revenue bodies reported that a broad mix of criteria, including 'function', are applied in practice. As will also be apparent from Table 5, 33 revenue bodies have complemented their largely functional structure with a dedicated division to administer aspects of the tax affairs of their largest taxpayers.

3. Other important observations from the data provided in Table 5 are set out below:

- The vast majority of revenue bodies (36 of 43 countries) operate some form of dedicated transaction processing centres (e.g. for processing of tax returns and tax payments).

- All but 6 revenue bodies operate an in-house dedicated debt collection function. Survey responses and related research of annual reports and other materials identified some unusual arrangements for enforced debt collection in 3 countries (i.e. Chile, Italy and Sweden).[29]

- The great majority of surveyed revenue bodies in OECD countries maintain a dedicated organisational unit responsible for the investigation of serious cases of tax fraud/evasion; in two OECD member countries this work is performed mainly by a separate law enforcement agency (i.e. in Italy - the Guardia di Finanza and in Hungary - the Customs and Finance Guard [30]).

- Organisational arrangements for the delivery of information technology functions are quite varied across surveyed revenue bodies, ranging from comprehensive in-house operations performing a range of functions, IT operations that are shared across a number of bodies within the MOF, to partially and fully outsourced arrangements.

Country examples of high level organisational arrangements

4. To provide some additional insights to the organization structure of revenue bodies, Figures 1-9 provide examples of the current organizational structure from a culturally-diverse cross-section of surveyed revenue bodies, as published in their official documents. As will be evident from the examples provided, the 'functional' model features prominently for most revenue bodies and, in a number of examples, is complemented by a separate unit/division responsible for administering large taxpayers (see later comments on this development). The more significant features of each example are described briefly hereunder:

[29] ***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). The EA had 2,174 staff in 2006 (*Source: 2007 Taxes in Sweden* (Swedish Tax Agency)). In ***Italy***, the management of enforced debt recovery is outsourced to Equitalia Spa'. See Debt Management section of Chapter 6 for further details.

[30] The Hungarian Tax and Financial Control Administration deals only with the audit of serious tax fraud/evasion. Investigation of serious tax/fraud is made by the Hungarian Customs and Finance Guard.

- ***Australia (Figure 1):*** This model is characterised by a number of 'taxpayer segment' divisions that are responsible for the delivery of compliance-related activities (both service and verification) for taxpayers within the respective segments. Included also in this 'taxpayer segment' means of organising compliance activities is a dedicated division supporting the work of tax professionals (who play a significant role in administration of Australia's tax system). There are also a number of functional units (e.g. Client Contact and Debt) that support the work of all segments. The separate 'tax type' units for GST (i.e. Australia's value added tax) and Excise reflect the relatively recent addition of the GST (introduced from 2000) and Excise (transferred from Customs in 1998) to the ATO's scope of responsibilities. The ATO is also a largely centrally managed organisation and does not have a formal management layer at the regional level.

- ***Canada, Chilean and Korean revenue agencies (Figures 2, 3, and 5):*** The organizational models depicted for these revenue bodies, also presented in fairly high level terms, reflect the more traditional model of a functionally-organised revenue body with a formal layer of regional management and co-ordination. In the case of Chile, the model is complemented by a dedicated large taxpayer office; however, debt collection is the responsibility of the Treasury Department.

- ***Estonian and Spanish Tax and Customs (Figure 4 and 7):*** The models depicted for these revenue bodies, essentially based on functional criteria, reflect the integration of customs operations, as well as a layer of regional management covering its local operations. As noted in Chapter 1, a small number of surveyed countries have amalgamated the management of tax and customs administration functions. The Spanish model also depicts the existence of a dedicated large taxpayer unit (see later comments).

- ***The Netherlands - Dutch Tax and Customs Administration (figure 6):*** The model depicted in Figure 6, as published by the DTCA, is presented at a very high level and does not readily convey the fairly unique set of management and structural arrangements that operate in practice. These arrangements have been described by Dutch officials in the following terms …

  "Some years ago, the Tax and Customs Administration innovated its management model. In lieu of vertical and hierarchical it is now managed horizontally and inter-collegiately. Learning staff members in self-managing teams constitute the basis of the organisation. Managers must indicate the direction of policy and act as a coach. They determine the direction, lay down frameworks and specific objectives, supervise staff members, correct where necessary and assess the team results. The managers themselves, in turn, form part of management teams within which the tasks are divided. The horizontalisation works at all levels within the organisation. It not merely governs the relationships between self-managing teams and management teams within the region, but also the relationships between the regional offices and the central management team of the Tax and Customs Administration. Control has been given a new interpretation and revolves around inter-collegiate discussions and reviews of performance and functioning of organisational units." (Source: Page 28 of the DTCA's Business Plan (2006-2010).

- ***UK - Her Majesty's Revenue and Customs (HMRC) (Figure 8):*** This model was introduced in January 2008 and is the result of a number of years of evolution of HMRC's internal structure following the merger of the former separate direct and indirect tax administrations (including customs)[31] and the creation of a new

[31] While initially established to administer all aspects of customs legislation, this arrangement was modified early in late 2007 with the formal creation of the UK Border Agency. This new agency brings together functions from different areas of Government, including HMRC's detection work, to operate as far as possible as a unified border force. The new arrangements will be phased in over a period of time,

integrated revenue and customs body in 2005. The model, driven in part by an objective of establishing clearer lines of accountability, reflects a matrix style of management where both 'functional' and 'tax type' considerations are given emphasis. As part of this new structure, formal regional/geographical management and co-ordination functions that previously existed were also abandoned. The organisational chart for HMRC shown at Figure 8 does not reflect the appointment, in late 2008, of a CEO and Permanent Secretary for Tax. At the time of publication an organisational chart reflecting these changes had not yet been published.

- ***United States Internal Revenue Service (Figure 9):*** Like the Australian model, the key feature of this model, which is presented at a very high level, is the establishment and operation of four 'taxpayer segment' divisions (i.e. Large and Midsize Business, Small Business/Self-employed, Wage and Investment, and Tax Exempt and Government Entities) to deliver service and enforcement functions that are tailored to the specific characteristics and requirements of the respective taxpayer segments. There are also a number of functional/specialised units that operate on a 'whole of agency' basis (e.g. criminal investigations). This model, which was introduced in 2000, replaced a more functionally-oriented setup for the delivery of service and enforcement activities, which was underpinned by a formal layer of management and co-ordination at the regional level. This regional management layer was also abandoned with the introduction of the new organisation structure.

5. Although not displayed, a major restructuring of the ***Belgian tax administration*** is also currently underway. As part of this reform effort (known as the *Coperfin Project*), the existing 'tax type' structure is being replaced by a structure based largely on three pillars reflecting specific 'segments of taxpayers' (i.e. large taxpayers, SMEs and individuals) with audit centres working across the major taxes (i.e. personal tax, corporate tax and VAT). Alongside these three pillars, there will be separate dedicated functions, all under the authority of the Administrator-General of Taxes and Customs, for tax debt collection and tax inspection (i.e. for serious tax fraud), and a specific administration for Customs and Excise.

6. Re-organisation has been/is the focus of attention in many other countries:

- ***Bulgaria*** reported a range of organizational-related reforms that have been implemented over recent years. These included: 1) the creation in 2006 of a new unified revenue administration body (i.e. NRA), organized along functional lines with a dedicated large taxpayer operation; 2) taking on responsibility for the collection of social contributions from 2006; 3) shifting responsibility for excise administration and local taxes administration to Customs and local municipal bodies respectively; 4) staff downsizing by 10% in 2006; 5) shifting all national taxes operational work from 340 to 29 local offices; and 6) creation of a small national call centre.

- ***Czech Republic*** officials reported that their government was currently planning the creation of a new revenue collection agency that would; 1) be responsible for the collection of all revenue collection functions (including tax, customs, social security and health insurance); 2) include a new large taxpayers office setup; and 3) entail the consolidation of its office network (currently 8 regional and 199 local offices) by abolishing its smallest offices. These measures were all aimed at reducing administrative costs and improving efficiency.

- ***Danish*** officials reported that a new organisational structure for the tax and customs administration was scheduled to be implemented from January 2009.

---

necessitating some important customs-related responsibilities remaining with HMRC for the medium term.

- ***Estonian*** officials reported that the Tax and Customs Board will undergo a major reform of organisational structure starting from December 2008. The key objectives of the reform are to: 1) conform to cuts in the government budget: 2) give clarity to the revenue body's structure and managerial authority; 3) increase managerial spans of control, thereby reducing levels of management. Overall staffing numbers will be reduced by 10%. There are also expectations of increased operational efficiency and improved quality of taxpayer service delivery. Figure 4 sets out the new organisational structure for the Estonian central office and as compared to previous structures, demonstrates a rationalisation of senior executive positions.

- In ***France***, two large agencies previously responsible for aspects of tax administration[32] have been merged into a single organisation, known as la Direction Generale des Finances Publiques (DGFIP). The merger aims to assist citizens and business by: 1) creating a single window for individuals' taxation matters; 2) better meeting the needs of local communities; and 3) improving overall performance by providing a more effective response to tax fraud, tax recovery and service efficiency. In terms of structure, the new organisation is comprised of three major divisions—taxation, local authorities, and support functions. At the time of writing, the design of the organizational structure of the tax-related division was in the process of being finalized.
- ***Japanese*** revenue officials reported that the recently revised plan *'Operation and System Optimisation Plan for National Tax Administration (NTA)'* envisaged increased unification of office work by integrating internal operations in a cross-sectional manner, by eliminating the NTA's rather vertically divided (i.e. by tax type) office tasks, and by standardising in-office work processes. The NTA are also taking steps to further centralise tax consultation work and make greater use of human resources from outside the NTA.

- In ***Mexico***, a new structure for the Tax Administration Service (SAT) was introduced in late 2007 in order to, as reported by officials... *"align the institution to processes and services, instead of a structure that was based on functions"*.

- In ***New Zealand***, the Inland Revenue Department (IRD) implemented a new operating model in late 2006 that realigned organisational arrangements for service delivery. The changes to the model aimed to address the best way of organising the department to make sure it could deliver new and existing business, develop a strong focus on its customers, and to take advantage of its skills and new technologies. The redefined business groups are:

    1) *Customer Insight*—brings the voice of the customer into the organisation, and helps identify and understand the needs of customer groups and how to enhance customer relationships;

    2) *Design*—provides specialist design services and capability for the wider organisation to ensure customer-focused business solutions and the integration of these new initiatives into IRD's systems;

    Assistance—provides integrated, cost-effective customer contact, identifies when specialist tailored services are appropriate, and provides these as required;

    4*) Customer Operations*—efficiently manages customer processes across the department which do not require "person-to-person" intervention; and

[32] Direction générale des impôts (DGI - The Directorate General of Taxes) and Direction générale de la comptabilité publique (DGCP - the Directorate of Public Accountancy).

5) *Assurance*—delivers IRD's compliance programme, including intelligence gathering, investigation, collection and legal and technical services, in a way that promotes voluntary compliance and maintains community confidence.

There were also changes to the Adjudication and Rulings area that included: 1) changing the business group name to "Office of The Chief Tax Counsel"; and 2) the Chief Tax Counsel having greater oversight of legal technical issues across the department. These changes were expected to result in closer involvement with the service delivery areas and improved technical decision-making across IRD.

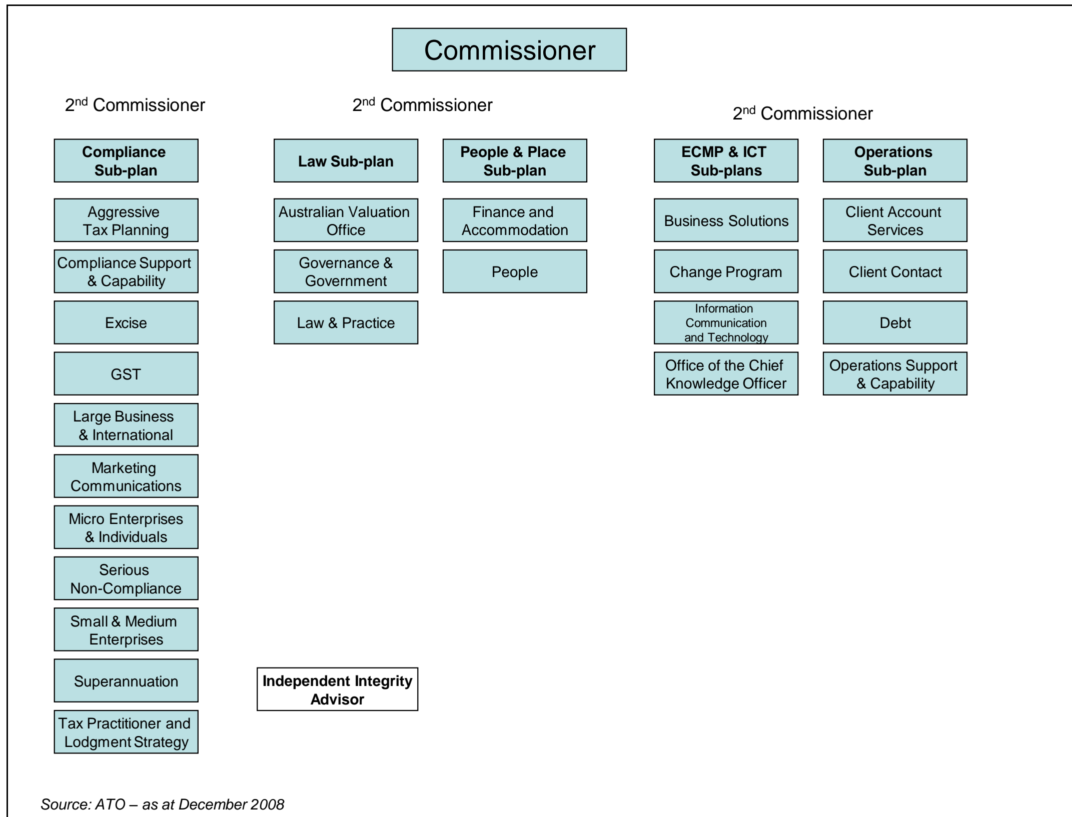
- During 2007 the ***Norwegian*** Tax Administration undertook a major re-organisation of both regional and local tax offices and the Directorate of Taxes. The principles for the new regional organisation were endorsed by its Parliament in 2006. The new organisation came into operation in January 2008 and is being implemented throughout 2008-2009. Important objectives of the reform include improved quality and efficiency, rationalization of management structures and layers (with the objective of reducing the numbers of managers by 10-15%), and a more effective balancing of resources across service and enforcement functions.

  The new regional organisation comprises several former county tax offices, county tax collection offices and a number of local tax offices. All these offices are merged into one formal organisational entity. The regional organisation is function-based with 5 core functions: 1) Taxpayer service; 2) Assessment; 3) Audit and legal services; 4) Tax crime; and 5) Collection. Administration and management support are organised as staff functions. In the Directorate of Taxes (i.e. headquarters) all functions related to production and delivery of internal services (corporate management functions) are organised in a shared service centre which provides both external and internal services. The HQ's strategic and professional management work is organised in four different departments which makes requests for services from the shared service centre based on dialogue with the regional organisation and agreement between the departments.

- ***Polish*** officials reported that its administration was currently carrying out analysis concerning possible scenarios for creating an independent body responsible for tax collection. The new organisational model would likely influence the current structure of tax offices and tax chambers, in particular resulting from the centralization of certain functions.

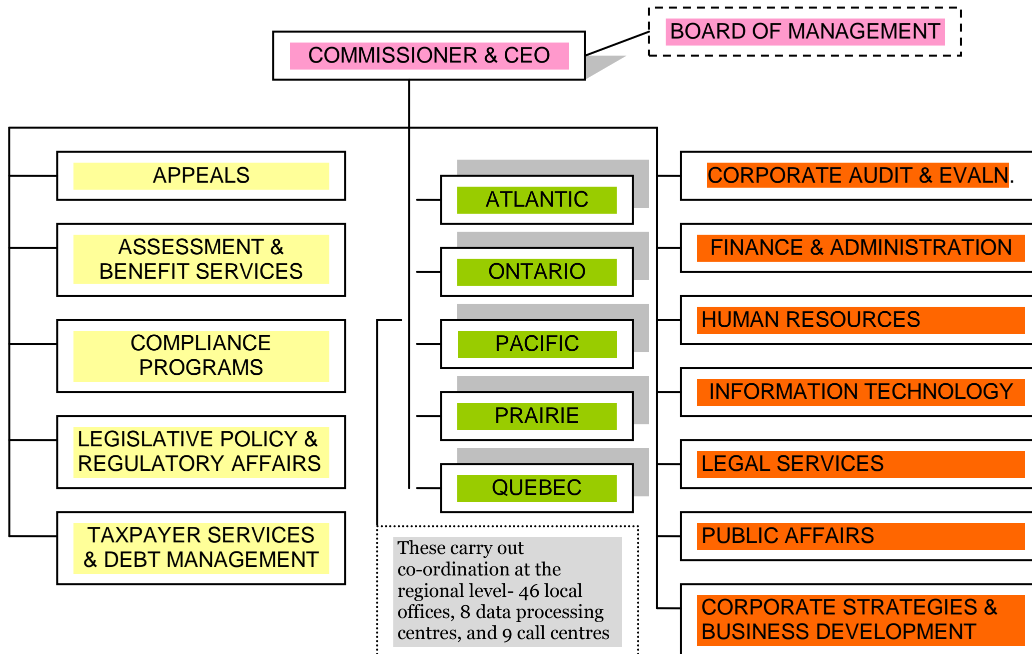
- Officials from the ***Slovak Republic*** reported that as of January 2012 there will be a fundamental change in the structure of revenue authorities in the Slovak Republic—the currently existing 8 branch offices of the Tax Directorate and 101 local tax offices would be abolished and new 8 regional tax offices with their branches at some of current local tax offices would be introduced. Optimisation of specific processes would be performed, mostly at the central level (e.g. methodology, internal administration, IT etc.) and through a concentration of activities at a regional level. From January 2013, there will be a merger of the tax and customs administrations into one institution (i.e. the Financial Administration of the Slovak Republic) which would consist of 1) Financial Directorate of the Slovak Republic; 2) Financial Criminal and Justice Bureau with its branch offices; 3) Financial Office for Selected (large) Taxpayers with its branch offices; and 4) 8 Financial Offices with their branch offices and stations. These organisational changes will be accompanied by major changes in the way work is carried out.

Figure 1. Australian Taxation Office



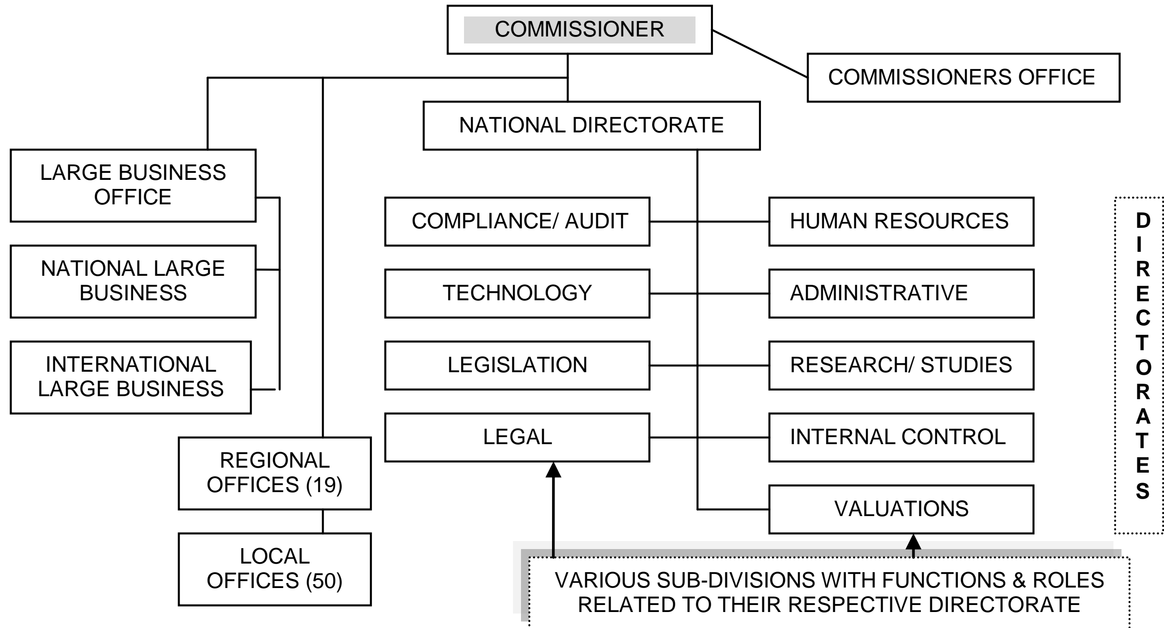
Source: ATO

Figure 2: Canada Revenue Agency



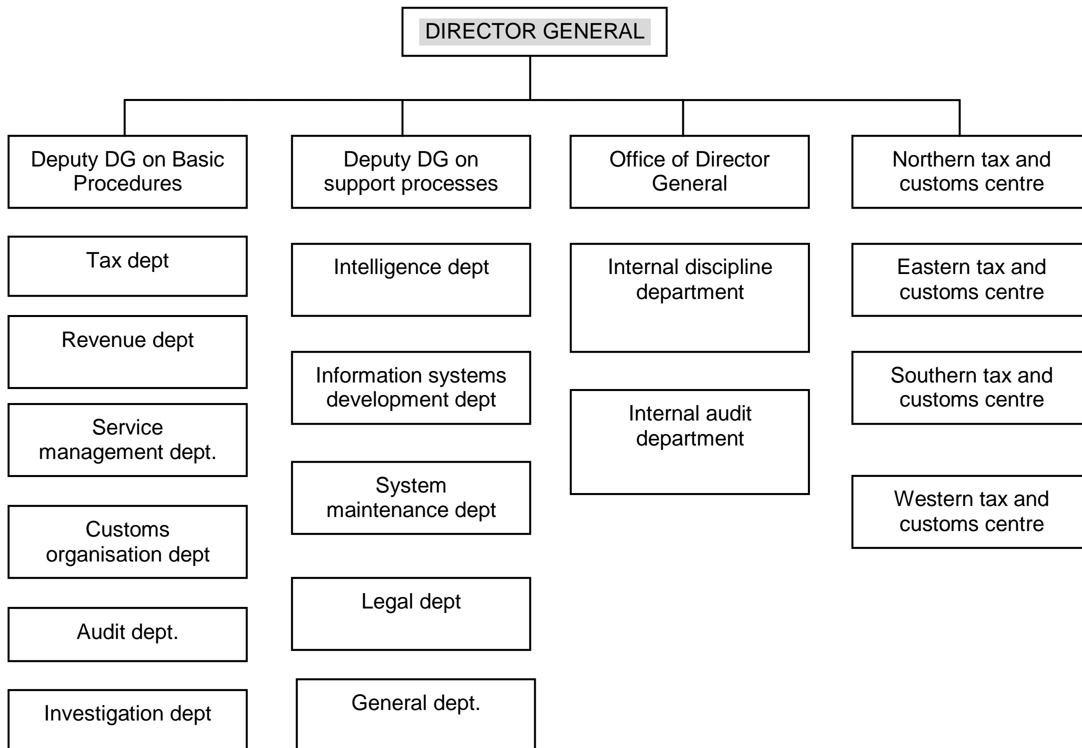
Source: CRA Summary of Corporate Business Plan (2009- 2011)

Figure 3. Chile Internal Revenue Service



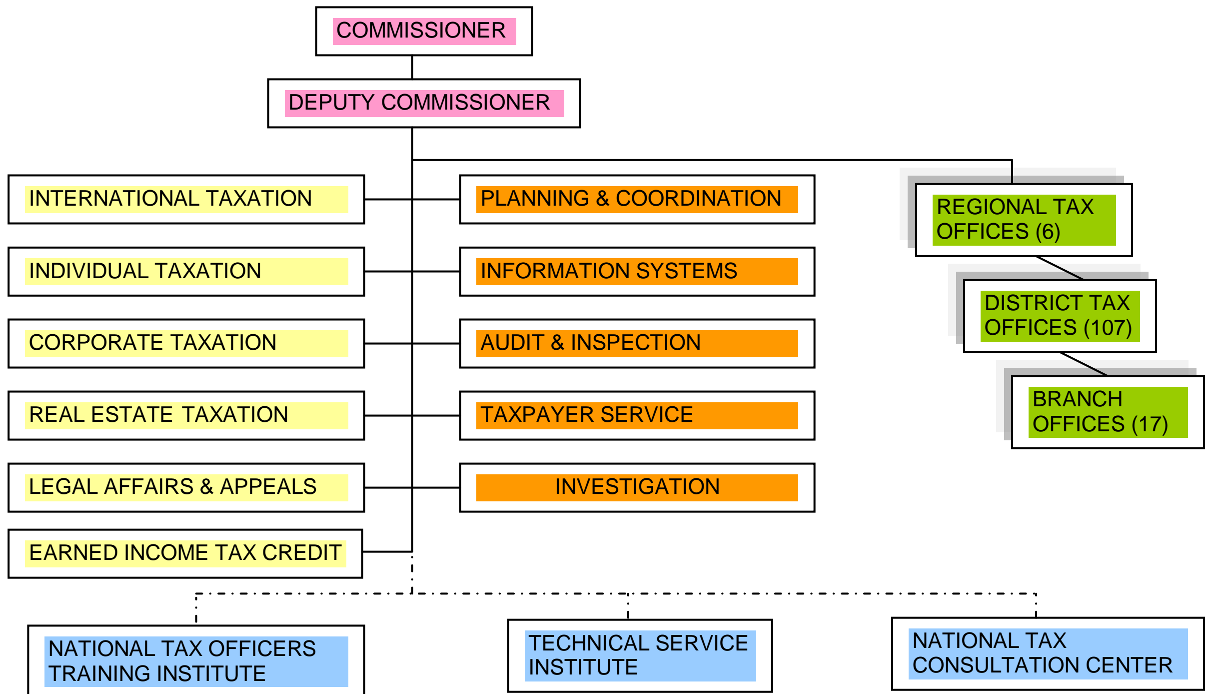
Source: Chilean revenue officials (adapted for CIS presentation).

Figure 4. Estonia Tax and Customs Administration (central office)



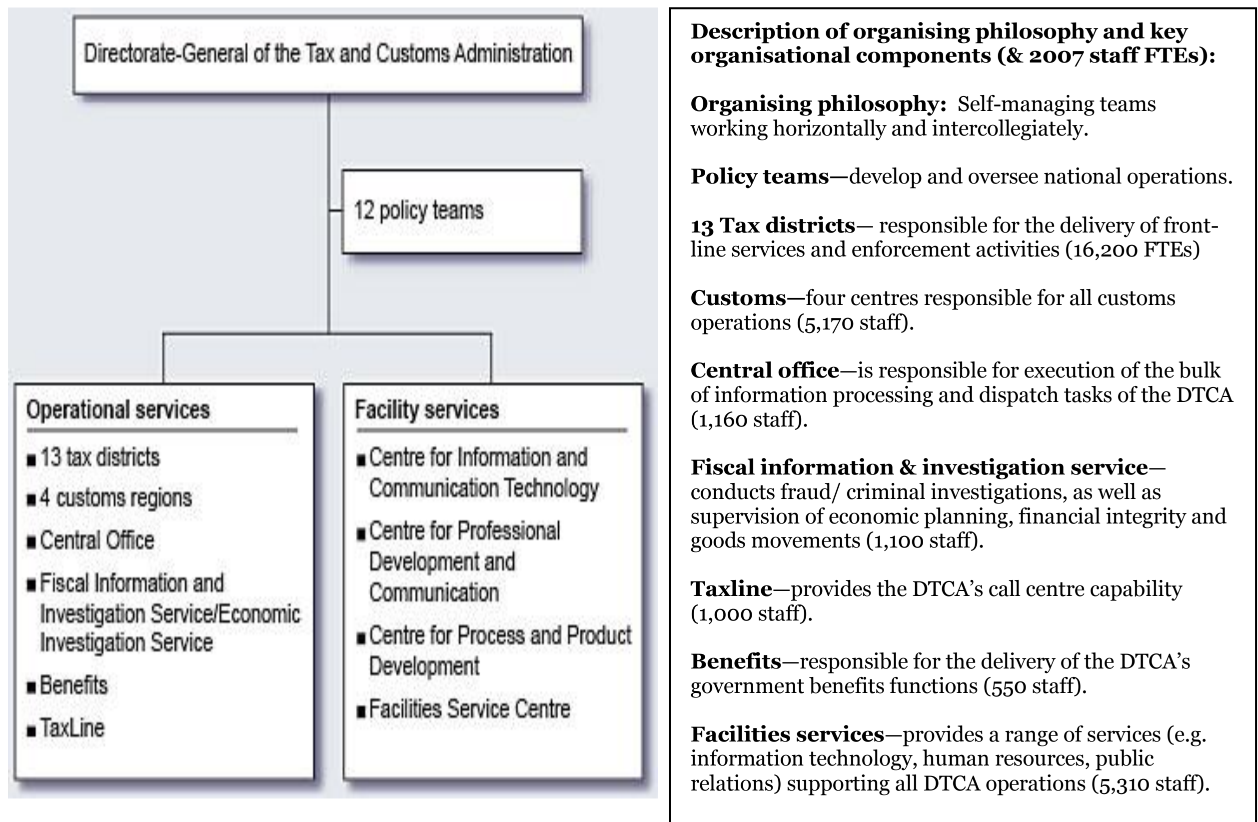
Source: Estonian officials (2008).

Figure 5. Korean National Tax Service



Source: Korean National Tax service website (July 2008)

Figure 6. The Netherlands - Dutch Tax and Customs Administration



Description of organising philosophy and key organisational components (& 2007 staff FTEs):

Organising philosophy: Self-managing teams working horizontally and intercollegiately.

Policy teams—develop and oversee national operations.

13 Tax districts— responsible for the delivery of front-line services and enforcement activities (16,200 FTEs)

Customs—four centres responsible for all customs operations (5,170 staff).

Central office—is responsible for execution of the bulk of information processing and dispatch tasks of the DTCA (1,160 staff).

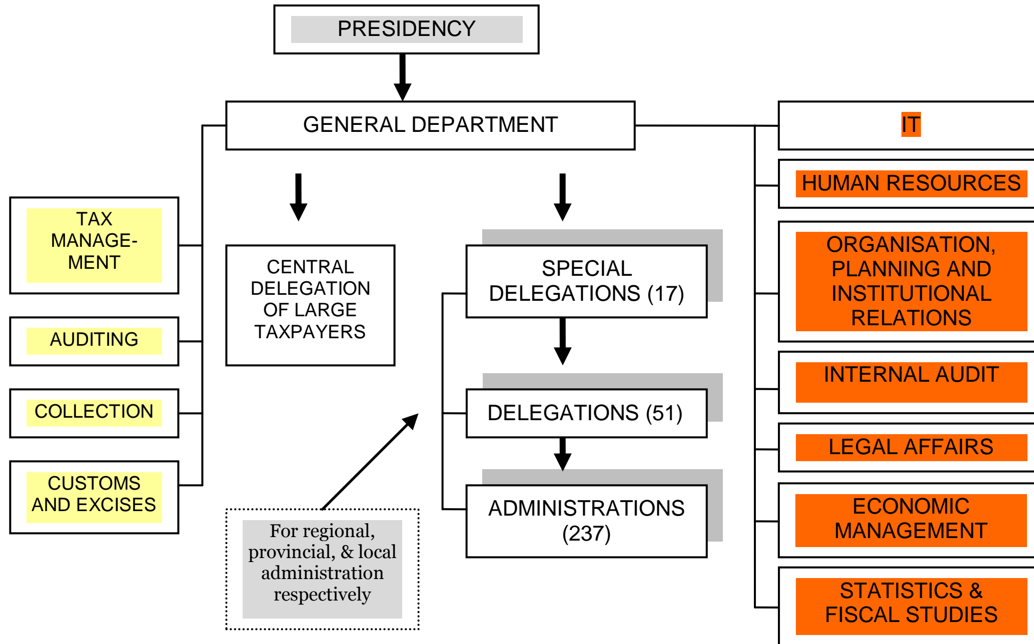
Fiscal information & investigation service—conducts fraud/ criminal investigations, as well as supervision of economic planning, financial integrity and goods movements (1,100 staff).

Taxline—provides the DTCA's call centre capability (1,000 staff).

Benefits—responsible for the delivery of the DTCA's government benefits functions (550 staff).

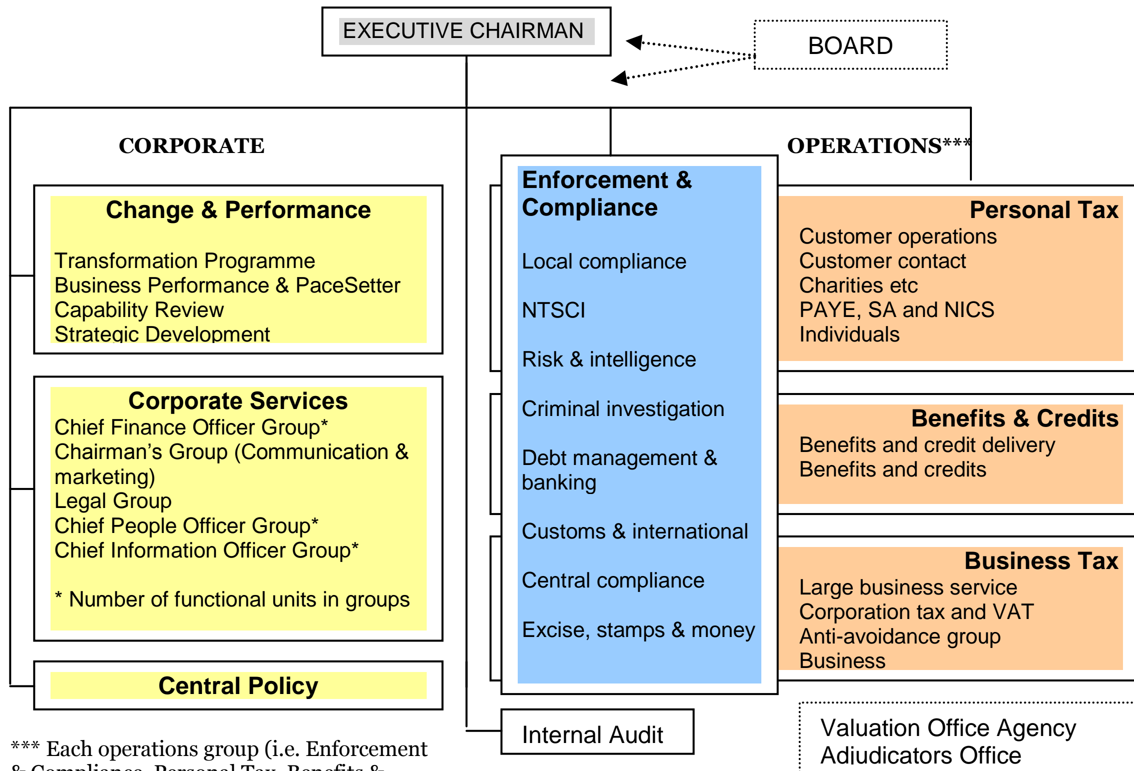
Facilities services—provides a range of services (e.g. information technology, human resources, public relations) supporting all DTCA operations (5,310 staff).

Figure 7. Spain's Tax Agency (Agencia Tributaria)



Source: Tax Agency 2006 Annual Report

Figure 8. United Kingdom's HM Revenue & Customs[33]

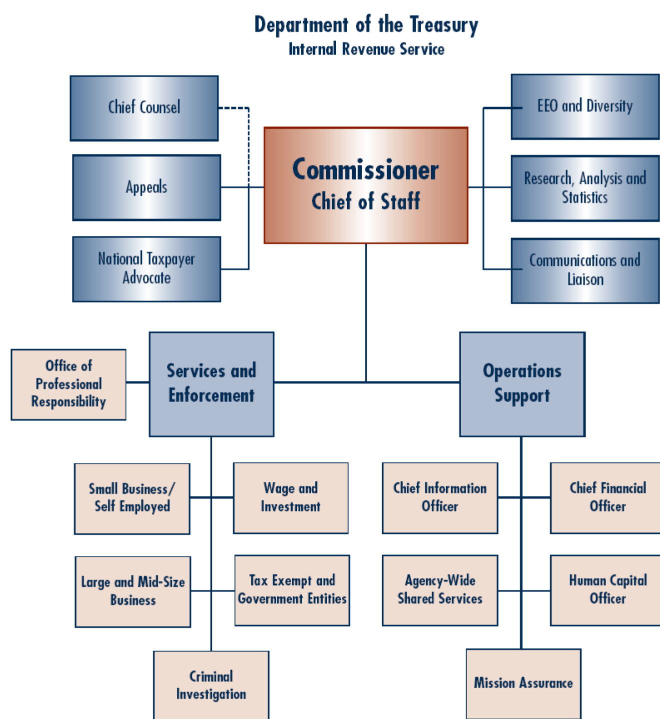


*** Each operations group (i.e. Enforcement & Compliance, Personal Tax, Benefits & Credits & Business Tax) is led by a Director General

Source: Departmental Report (2008) and HMRC officials

[33]The chart does not reflect the appointment of a CEO and Permanent Secretary for Tax in late 2008.

Figure 9. US Internal Revenue Service



Source: US IRS Strategic Plan 2005-09

IRS's description of its structure:

To conform to the provisions of the RRA 98, our organisational structure closely resembles the private sector model of organizing around customers with similar needs. Each of our four operating primary divisions meets the needs of the specific taxpayer segment it serves……….

The realignment helped clarify accountability & responsibilities for improving taxpayer service, strengthening enforcement initiatives, & continuing modernization efforts. To support this structure & ensure accountability, one Deputy Commissioner position was created to oversee service & enforcement work. The second Deputy Commissioner position integrates the support functions, facilitating economy of scale efficiencies & better IRS business practices.

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

Large taxpayer operations (Tables 6 and 7)

7. As outlined earlier in this chapter, there has been a clear trend in the evolution of the organisational arrangements for revenue bodies worldwide (including 33 out of 43 surveyed countries) to establish special dedicated units—hereafter referred to as Large Taxpayer Units (LTUs)—to manage some/all aspects of the tax affairs of their largest taxpayers[34]. Further background on this development and its rationale are set out below.

The common characteristics of large taxpayers

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

[34] The comments provided draw largely on survey responses and separate work carried out by The FTA's Task Group established 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). The eight countries involved are Australia, Canada, France, Ireland, Netherlands, Norway, UK, and USA.

- *Concentration of large 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 pure 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) use 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 minimize 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.

- *Withholding agent or intermediary role* – As well as paying taxes, large taxpayers also play a significant intermediary' role in many tax systems collecting taxes including: 1) personal or employee income tax withholdings and social contributions, and VAT; and 2) withholding tax on certain cross border payments such as dividends, royalties and interest.

- *Use of professional/dedicated tax advice* – many large businesses retain professional advisors to handle their tax planning and compliance affairs while others maintain their own in-house tax organization.

- *Status* - generally, most large businesses are publicly-listed corporate companies, and also include multinational companies and some private groups.

9. Given these sorts of considerations, many revenue bodies (as set out in Table 5) have established dedicated LTUs, supported by highly skilled and expert staff to manage all/most aspects of the tax affairs of its largest taxpayers. Across surveyed revenue bodies, these organizational 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

10. 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 6.

11. As will be evident from Table 6, 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 6, 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 individual taxpayers concerned have direct links with the large corporate taxpayers also under its control.

Common and/or important features of large taxpayer units

12. 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 employees):

- 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.

- The use of an 'account manager' approach – providing designated large businesses with a nominated contact point for interactions with the revenue body.

- To optimize 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 7, 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.

- As will be evident from the data in Table 6, verification/assurance 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, both in relative and aggregate terms, for example in 2007:

    - 9 Countries (i.e. Australia, Bulgaria, Chile, Hungary, Ireland, Latvia, Poland, Portugal, and Slovenia) reported that the number of individual verification actions completed (across all of the various taxes administered by the individual LTUs) exceeded 50% of the numbers of taxpayers being administered; and

    - 9 Countries (i.e. Australia, Austria, Bulgaria, Germany, Greece, Mexico, New Zealand, South Africa, and the United Kingdom) that the value of assessments raised in respect of this segment of taxpayers exceeded one-third of assessments resulting from all verification activities.

Table 7. Organisational Features of Selected LTUs

Country	Taxes covered	Structure and resources
Australia (the Large Business and Inter-national (LB&I) business line)	Corporations tax	Operates with a Deputy Commissioner (Operations) and two DCs (Case Leadership). There is a management team for governance & assurance functions and special advisers. There are three main industry segments: 1) *Financial Services Industry Group*: for major banks (including regional banks), foreign and investment banks, insurance & superannuation; 2) *Energy and Resources Group*: for coal, gold, nickel, petroleum & gas, utilities, and diversified businesses; and 3) *National Client Group*: for foreign & domestic. This segment also monitors key industry sectors such as property & construction, manufacturing, pharmaceuticals, & multi-media. Total resources in financial year 2007 were 891, 4.0% of total staffing.
Ireland (The Large Case Division (LCD))	Corporations tax, employ-ment & social taxes, VAT, excise and various minor taxes.	LCD's case-base is dealt with by Business Units based on economic sectors: 1) Construction, Property, Mining & Energy; 2) Drink, Tobacco & Multiples; 3) Financial Services (Banking); 4) Financial Services (Insurance); 5) Financial Services (Pension Schemes); 6) Food Industry; 7) Healthcare & General Manufacturing; 8) Information & Communications Technology; 9) High Wealth Individuals; 10) Oil, Motor & Betting Industries; and 11) Services, Media & Leisure. The Division also has specialist Anti-Avoidance Units, a Computer Audit Unit, a Research Unit, 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. Total resources in 2008 were 237 FTEs, 4% of revenue body staffing.
Nether-lands	Corporations tax, employ-ment and social taxes and VAT.	Nine of the thirteen regional tax offices have teams that are responsible for levying and collecting all taxes, except excise duties, with the very large organisations. There are 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. Total resources in 2008 were 750 FTEs, 2.5% of overall staffing.
UK (The Large Business Service (LBS))	Corporations tax, employment & social taxes & VAT.	LBS's compliance operations are organised into 17 industry-based sectors: Agriculture & Food, Alcohol & Tobacco, Automotive, Banking, Business Services, Chemicals, Healthcare & Pharmaceuticals, Construction, General Retailing, Insurance, Leisure & Media, Manufacturing, Oil & Gas, Public Bodies, Real Estate, Telecommunications & Information Technology, Transport, and Utilities. Each sector has a Leader who is accountable for achieving the service and tax compliance objectives of the LBS. Total resources in 2008 were 1,694 FTEs, 4.5% of overall staffing.
USA (Large and Mid-size Business Division (LMSB))	Corporations tax, employment and social taxes and excise.	The LMSB 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 & Workload Identification; 3) Management & 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 & healthcare. The Field Specialist Organization supports the examination function by conducting efficient, fair, and timely examinations in five specialty areas. Field Specialists include Computer Audit Specialists, U.S. LMSB Employment Tax Specialists, Economists, Engineers, Financial Products and Transactions Specialists and International Examiners integrated in industry workforce. The DCI co-ordinates the IRS-wide approach to international tax administration, acts as competent authority, & conducts compliance programs for US taxpayers abroad & foreign taxpayers in the US. Total FTEs in 2008 were 5,807 around 6.3 % of all IRS staffing.

Source: FTA task group examining aspects of large taxpayers' compliance taxpayers' compliance management.

Office networks for tax administration (Table 8)

13. 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 sheer number of taxpayers to be administered, their geographical spread and the general objective of providing services that were reasonably accessible. Over recent decades, there have been a number of developments resulting in 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 organising 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 in delivering services to taxpayers:* Driven by the objectives of improving 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; 1) the use of dedicated call centres to replace a more distributed and costly approach to the use of telephony to deal with taxpayers' inquiries and to contact taxpayers concerning their tax affairs; 2) more modern methods for paying taxes (e.g. direct debits via the banking system and on-line payment via the Internet) have impacted large scale cash/cheque processing operations that were a feature of some revenue bodies' operations[35]; and 3) increasing the range of services offered via the Internet has reduced the need for face-to-face service delivery operations in local tax offices.

- *'Whole of government' developments:* 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.

14. Table 8 displays data on the make-up of the office networks used for tax administration in OECD and selected non-OECD countries and the staffing numbers at each level of the network. Some of the more common features are as follows:

- Across surveyed bodies, there is enormous variation in the relative size of the headquarters function, reflecting a variety of factors, for example a more centralised approach to the national management of tax administration operations, large in-house IT functions. The practice of maintaining large HQ operations is particularly prominent in Anglo-Saxon countries (e.g. Australia, Canada, Ireland, New Zealand, and USA).

- Office networks of many European revenue bodies are abnormally large, in comparison with the set up in other countries, in part as a result of their responsibilities for the collection of local real property and/or motor vehicles taxes;

[35] See Chapter 7 for further details on this issue.

however, a number of these bodies have signalled their intention to significantly reduce the size of these networks (e.g. Bulgaria achieved a significant reduction in the scale of its office network by transferring responsibility for local taxes to sub-national municipal bodies (see Box 4).

- Over half of surveyed revenue bodies have introduced dedicated information processing and call centre operations for, respectively, bulk information processing and for handling taxpayers' inquiries and providing information.

Examples of large scale office network rationalisation programs

14. 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 briefly described in Box 4 below.

Box 4. Examples of large scale office network rationalization 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 5 regional management areas, 41 tax offices, and 8 Large Trader Audit Divisions (by 01/01/2009 there will be only 1 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.

United Kingdom: Following the integration of direct and indirect tax operations in 2005, and the imperative of achieving major efficiency gains, HMRC launched a major program of office rationalisation—The 'Workforce Change Review Programme' in 2006-07. The programme aims to achieve the best overall match between accommodation and future staffing and skills needs. HMRC have estimated savings of up to £100 million per annum on projected estate running costs by 2011 as a result of giving up office space that is not needed. These savings will allow investment in customer service and other improvements as part of the wider *Departmental Transformation Programme*. The rationalisation is also in line with the 2004 '*Lyons Review*[36]' which recommended relocating significant numbers of public sector jobs out of London and the South East of the UK. By 31 March 2007, HMRC's staffing levels had been reduced by a net 10,144 full time equivalent (FTE) posts – 81% of the 12,500 net target, while 1,501 posts had been relocated out of London and the South East of England - 77% of the target to move 1,950 posts by 1 April 2008.

Sources: Revenue body annual reports and survey responses.

[36] http://www.hm-treasury.gov.uk/consultations_and_legislation/lyons/consult_lyons_index.cfm

Table 5: Selected features of the organisational structure of revenue bodies

COUNTRY	SELECTED FEATURES OF THE INTERNAL ORGANISATIONAL STRUCTURE						
	Main criterion (*) for structure	Large taxpayer division	Dedicated transaction processing centres	Enforced debt collection function	Tax fraud function	Dedicated appeals disputes function	Full in-house IT function
1) OECD countries							
Australia	All	✓	✓	✓	✓	✓	✓ /1
Austria	T, TP	✓	×	✓	✓	✓	✓ /1
Belgium	All	✓	✓	✓	✓	✓	×
Canada	F	✓ /2	✓	✓	✓	✓	✓
Czech Rep.	T, F	×	✓	✓	✓	✓	✓
Denmark	All	✓	✓	✓	✓	✓	× /1
Finland	F	✓	✓	✓	✓	✓	× /1
France	TP	✓	✓	✓	✓	×	✓
Germany /2	F, TP	✓ /2	✓	✓	✓	✓	✓
Greece	All	× /2	✓	✓	✓	×	✓
Hungary	F	✓	✓	✓	×	✓	✓
Iceland	F	×	✓	× /2	×	×	× /1
Ireland	TP	✓	✓	✓	✓	×	✓
Italy	F	✓	✓	× /2	× /2	✓	× /1
Japan	All	✓	✓	✓	✓	✓	✓
Korea	F	×	✓	✓	×	✓	✓
Luxembourg	T, F	×	✓	✓	✓	✓	✓
Mexico	F, TP	✓	✓	✓	✓	✓	✓
Netherlands	F	✓ /2	✓	× /2	✓	×	✓
N. Zealand	All	✓	✓	✓	✓	✓	✓
Norway	All	✓	✓	✓	✓	✓	✓
Poland	All	✓ /2	✓	✓	✓	✓	✓ /1
Portugal	F	✓	×	✓	✓	✓	×
Slovak Rep.	F	✓	× /2	✓	✓	✓	× /1
Spain	All	✓	✓	✓	✓	× /2	✓
Sweden	All	✓	×	× /2	×	×	✓
Switzerland	T	×	✓	×	✓	✓	✓
Turkey	F	✓	✓	✓	✓	✓	✓
UK	TP	✓	✓	✓	✓	✓	× /1
USA	TP	✓	✓	✓	✓	✓	✓
2) Selected Non-OECD countries							
Argentina	All	✓	✓	✓	✓	✓	✓
Bulgaria	F	✓	×	✓	✓	✓	✓
Chile	All	✓	✓ /1	× /2	✓	✓	✓ /1
China	All	✓	✓	✓	✓	✓	✓
Cyprus	T	× /2	✓	✓	✓	✓	×
Estonia	All	✓ /2	×	✓	✓	×	✓
Latvia	F	✓	×	✓	✓	✓	✓ /1
Malaysia	All	×	✓	✓	✓	✓	✓
Malta	All	×	✓	✓	✓	✓	×
Romania	All	✓	✓	✓	✓	✓	✓
Singapore	T, F	×	✓	✓	✓	× /2	✓
Slovenia	F, TP	✓	✓	✓	✓	✓	✓
South Africa	All	✓	✓	✓	✓	✓	✓

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

/1. **Australia**—Mainframe, network and communications hardware and support outsourced; **Austria, Italy & Poland**—IT functions provided by central ministry of finance or similar department; **Chile**—Only relates to tax return and sworn statement processing; **Denmark, Finland, Iceland, Slovak Rep., and UK**—IT operations are largely outsourced; **Latvia**—IT operations are partly outsourced;

/2. **Canada**—dedicated large taxpayer compliance program; **Chile**—SII perform only the initial effort to collect tax debts; **Cyprus and Greece**—large taxpayer audit functions; **Estonia**—Large Companies' Audit Division is a functional unit in Audit Department (an operational unit in Northern Tax and Customs Centre).; **Germany**—Most states have tax office for large taxpayer audits and tax fraud function, specialized debt collection units, appeals units, and full in-house IT functions; **Iceland**—Debt collection is handled by Customs; **Italy—**Debt collection outsourced

to separate company (Equitalia spa). Most tax fraud is carried out by the Guardia di Finanza**; Netherlands**—9 of 13 regional offices have teams responsible for levying and collection of all taxes, except excise duties, for very large organizations. Large taxpayer operation is coordinated by 2 offices. No dedicated debt collection division, but DTCA is responsible for debt collection.; **Poland**—20 large taxpayer offices; **Singapore—**function in each tax management division; **Slovak Rep.**—no separate data processing centre, except for a tax return scanning department; **Spain**—The Tax Appeals Courts (central and regional level) are part of the Ministry of Finance, independent of the Tax Agency; **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.

Table 6. Large taxpayer units—aspects of their operations
(All monetary values in local currency)

Country	Criteria for identification of large taxpayers	No. of large taxpayers (groups and related entities, and individuals)	Verification-related measures (2007)		
			No. of actions completed	Value tax etc assessed (millions)	Value tax assessed/value all audits (%)
1) OECD countries					
Australia	Groups/single entities: turnover >$A100 m, taxpayers impacted by the Petroleum Resource Rent Tax and National Tax Equivalents Regime, & banks & insurance companies	1,900 groups, 36,220 entities	19,227	2,557	37
Austria /2	Turnover > €9.68m	16,524 entities	7,209	1,193	58
Canada	Gross revenues > $c250m	900 groups, 6,000 entities	1,773	3,169	26
Denmark	Groups with turnover >DDK 3bn. (electric companies > 2bn)	314 groups, 2,519 entities	-	n.avail.	-
Finland	All banks, insurance institutions, listed companies, European companies & cooperatives, groups & affiliates, companies with turnover over €50m	580 groups, 4,500 entities	-	-	26
France	Turnover > €400m	32,057 entities	1.466	2,743	26
Germany	n.avail.	n.avail.	38,662	13,196	71
Greece /2	Interperipheral Audit Centers (IACs): turnover > €9 m, Regional Audit Centers (RACs): €1.03m < turnover < €9 m	IACs: 3.622, RACs: 27.724	4,827	1,857	72
Hungary	Companies paying > HUF2.2bn., plus all credit & insurance bodies	631 entities	3,889	55,996	10
Ireland	/1	370 groups, 13,000 entities	7,972	208	28
Italy	Turnover > €25 million	11,000 entities (2005)	2,362	4,523	14
Japan	/1	33,940 entities	5,000	236,500	29
Mexico	Multiple criteria including financial institutions, publicly listed corporations, annual income > 500m pesos, government-owned bodies; foreign airlines & shipping companies	11,574 entities	1,871	29,221	56
Netherlands	/1	2,000 groups	-	n.avail.	-
N. Zealand	Turnover > $NZ 300m	13,200 /1	928	359	36
Norway	Multiple criteria	90 groups, 1,630 entities	-	-	-
Poland	Revenue size, selected industries (e.g. banks, insurance companies, investment vehicles, pensions funds), & foreign-controlled bodies	51,919 entities	89,810	54.2	13

Portugal	/1	743 entities	743	561	32
Slovak Rep.	Turnover> SKK 1 billion (approx. €33 million)	323 entities	89	166	2
Spain	Main criterion: Turnover > €6 million, Multiple criteria for very large taxpayers: holding companies, major banks & insurance companies, turnover > €100 million	40,571 entities	-	n.avail.	-
Sweden	Groups with > 800 employees, SEK 50 million salary costs or finance industry supervised by the Swedish Financial Supervisory Authority	15,000 entities	-	n.avail.	-
Turkey	Largest 500 taxpayers using a combination of criteria: size of assets, net sales revenue &/or amount of tax paid, large manufacturing holdings & major banks & insurance companies	500 entities	-	n.avail.	-
UK	Main criteria are enterprises with: 1) >250 employees; 2) turnover > £33m or assets > £29M; 3) companies owned by foreign multi-nationals; and 4) large and complex partnerships.	15,000 entities	6,968	4,300	47
USA	Assets > $US10m	216,000 entities	13,551	$8,876	17
2) Non-OECD countries					
Argentina	Amount of income, wealth of taxpayers, or conditions of withholding	953 entities/ 1,207 individuals	-	n.avail.	-
Bulgaria	Turnover >BGN 10m, taxes & excise over BGN 2m, over 750 employees, or banks, insurance, pension & health funds	643	2,338	90.3	38
Chile	/1	1,943 entities	2,377	37,507	21
Estonia	/1	477	-	n.avail.	-
Latvia	Mix of turnover, annual balance & tax paid criteria	313 entities	252	2	2
Romania	Turnover > L70 m	1,331 entities	775	245	10
Slovenia	Prescribed industries and turnover > €50 million	458 entities	559	n.avail.	-
S. Africa	/1	20,900 entities/295 individuals	4,387	9,060	58

Sources: country surveys and FTA Compliance Management of Large Business Task Group

Table 5 indicates that **Belgium** and **China** have large taxpayer units, in both countries the units are in the process of being established and information for this table was not available.

/1.Chile—Multiple criteria, including high turnover & share capital, & designated industries (e.g. financial, mining, & casinos) & foreign investors, & large government & non-profit bodies; **Estonia**—Quoted companies, financial companies and companies with turnover more than 100 million EEK per year, amount of paid taxes more than 7 million EEK and over 90 employees; **Ireland**—Corporations with turnover > €150m or tax paid > €13m, individuals with net asset > €50m or income > €1.3m, non-residents with substantial interests in Ireland, public sector organization with semi-commercial state, financial service sector & relatively large-scale enterprise in certain sectors; **Japan**—Domestic companies with capitalization > Y100m, all foreign

corporations & special consumption tax accounts of national & prefectural (i.e. provincial) government bodies; **Netherlands**—Companies; 1) listed on the Amsterdam or foreign stock-exchange; 2) a WOLB amount of more than €25m; 3) a foreign parent and a WOLB-amount of more than €12.5m; 4) at least five foreign subsidiaries and/or permanent establishment and a WOLB-amount of more than €12.5m; 5) all companies in the financial industry (banks, insurance), the oil & gas industry (upstream & downstream) and in the energy-supply industry; 6) all non-profit organisations with a WOLB-amount of more than €37.5m are qualified as very large organisations; 7) other taxpayers may be included under the "the supervision-concept" for very large businesses if complex issues exist, or if viewed as potentially a high-profile case or with certain degree of financial risk. (NB: The WOLB-amount is a weighted average of profit tax (income tax or corporate tax), VAT and employment taxes**; New Zealand**—data includes other taxpayers administered by group**; Portugal**—high turnover, financial institutions, Premier League Football Clubs, holding companies of large groups & companies warranting complex control procedures; **South Africa**—Companies listed on Johannesburg Stock Exchange or with turnover > R250m, state-owned enterprises, engaged in mining & selected industries and individuals with gross income or net assets > R7 million & their associated entities and individuals with gross income > R7 million or net assets > R75 million & their associated entities.

/2. **Austria**—results reported are for large business audit division; large taxpayer unit to be established in 2009; **Greece**—large taxpayer audit division.

Table 8: Office networks of revenue bodies (2007)

COUNTRY	Total staffing /1	Head-quarters operations	Regional offices (i.e. for regional management functions) /3		Local/ branch offices		National/ regional data processing centres		Call centres		Other offices	
		Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing
1) OECD countries												
Australia	20,877	3,168	37	15,746	14	211	-	-	8	1,726	5 /2	26
Austria	7,993	244	5	180	49	7,569	1 /2	-	-	-	-	-
Belgium	17,322	967	96	3652	1,182	12,577	3	60	1	66	-	-
Canada	38,179	8,160	5	109	46	20,228	8	8,106	9 /1	1,576	-	-
Czech Rep.	15,778	148	8	1,261	199	14,259	-	-	-	-	2 /2	110
Denmark /2	8,888	835 /1	30	7,046			1	4	1	381 /2	5	622
Finland /2	5,913	402	7	367	22	5,090	1	54 /1	3	150	-	-
France /2	127,907	n.avail.	19	n.avail.	211	n.avail.	16	n.avail.	1	n.avail.	3	n.avail.
Germany /2	111,988	1,075	8	3,675	568	104,648	16	1,746	4	180	1 /2	664
Greece	13,824	690	8 /2	670	287	11,191	1	1,273	1	-	-	-
Hungary	13,567	1,035	8	11,736			1	796	7	211 /2	-	-
Iceland	98	98	-	-	9 /2	n/a	-	-	-	-	-	-
Ireland /2	6,600	1,200	4	90	104	4,307	-	857	-	146	-	-
Italy /2	32,945	1,320	21	3,125	386	27,660	-	-	7	586	2	254
Japan	56,159	675	12	10,736 /2	524	43,932	-	-	12 within regions		26	816
Korea	17,179	717	6	2,636	107	13,492	1	116	1	127	2	91
Luxembourg/2	907	138	16	139	466	605	-	-	-	-	-	-
Mexico /2	32,729	8,336	-	-	115	24,130	8	175	3	88	34	-
Netherlands	31,220	150	17 /2	21,950	-	-	1	1,160	1	1,000	6	6,960
N. Zealand /2	5,944	1,351	-	-	18	3,013	3	496	6	1,084	-	-
Norway	6,077	253	5	936	244	3,777	2	618	8	291	3	202
Poland /2	50,655	2.217	32	9,627	401	38,811	-	-	(4) /2	(180)	(4) /2	(305)
Portugal /2	11,463	1,417	21	3,768	357	6,216	-	-	1	62	-	-
Slovak Rep.	5,771	497	8 /2	256	101	4,957	-	-	-	-	1 /2	61
Spain /2	27,153	3,389	68	23,764	237	In regions	2	-	3	-	1	1,090
Sweden /2	9,900	330	8	9,550	111	In regions	1	In regions	1	In regions	-	-
Switzerland	935	935	-	-	-	-	-	-	-	-	-	-

COUNTRY	Total staffing /1	Head-quarters operations	Regional offices (i.e. for regional management functions) /3		Local/ branch offices		National/ regional data processing centres		Call centres		Other offices	
		Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing
Turkey	42,866	1,473	30	41,373	448	In regions	1	In regions	1	In regions	-	-
UK /2	88,934	7,814	86	15,241	280	14,917	86	24,937	24	11,603	79	14,422
USA /2	92,017	18,390	130	24,392	55	18,317	20	13,215	22	17,491	2	158
2) Non-OECD countries												
Argentina	21,118	3,134	35	6,335	210	11,464	1	105	1	80	-	-
Bulgaria	7,976	804	29	7,160	-	-	-	-	1	12	-	-
Chile	3,801	765	17	2,151	50	840	1	27	1	/2	1	18
China	739,700	500	61	13,000	682	724,000	62	1,200	62	1,000	-	-
Cyprus	809	164	8	637	1	8	-	-	-	-	-	-
Estonia	2008	456	42	982	20	570	-	-	-	-	-	-
Latvia	5,029 /2	1,274	6	3,755	-	-	-	-	-	-	-	-
Malaysia	8,981	1,217	11	188	54	7,045	1	477	2	54	-	-
Malta	404	389	1	1	-	-	1	14	-	-	-	-
Romania /2	30,435	1,479	42	8,399	542	20,557	-	-	1	(5) /2	-	-
Singapore	1,600	1,600 /2	-	-	-	-	-	-	-	-	-	-
Slovenia	2,551	197	16	2,354	48	In region	1	76	1	4	-	-
S. Africa /2	14,548	2,188	11	853	44	2,248	10	2,634	3	920	60	5,705

Sources: Revenue authority annual reports, country surveys.

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

/2. **Australia**—shop fronts and computer centre; **Austria**—has been outsourced, also supports other administrations; **Canada**—6 of the call centres are co-located within tax services offices: **Chile**—Call centre is outsourced.; **Czech Rep.**—training centres; **Denmark**—835 includes some special units (e.g. IT support and internal audit); **Estonia**—including customs and IT; **Finland**—partly outsourced; **France**—Due to merger between DGI and DGCP, breakdown of staff number is not available.; **Germany**—headquarters are tax directorates of Federal MOF and 16 State MOF; other office is training institution; **Greece**—IACs and RACs have only audit functions; **Hungary**—The number of call centre staff is included in regional offices category; **Iceland**—independent from Directorate of Internal Revenue; **Ireland**—The number of staff in data processing centres is based on the number of clerical officers in customer service areas, the majority of whose work would consist of data processing; the number of staff in call centres is based on a calculation using total staff hours logged on system, as the majority of staff are not full-time. The staff for data processing and call centres are located in local offices.; **Italy**—data for Revenue Agency only; **Japan**—the figure includes the number of staff at one processing centre and call centres located at each Regional Taxation Bureau; **Latvia**—includes customs functions; **Luxembourg**—data relate to direct tax and VAT directorates; **Mexico**—Number of staff as of December 31st, 2007. Number of local offices includes 66 domestic tax offices (including taxpayer service centres) and 49 customs offices.; **Netherlands**—of the 17 regional offices 13 are for tax and 4 for customs; **New Zealand**—Data as of 31 May 2008; **Poland**—HQ includes whole MOF, regional offices are 16 Tax Chambers &16 Fiscal Audit Offices, locals are Tax offices. Call centres and other offices (National Tax Information) are parts of Tax Chambers.; **Portugal**—Number of year-end employees; **Romania**—including Customs & Financial Guard, local offices include 95 for customs and 42 for Financial Guard, call centre staffs are included in head office; **Singapore**—all offices in one headquarter building; **Slovak Rep.**—Regional Branch Offices of the Tax Directorate count as internal organisational part of the Tax

Directorate. Other office is large taxpayer office.; **Spain, South Africa and UK**—data includes customs; **Sweden**—data exclude staff (around 1,850) of the Enforcement Agency which carries out enforced tax debt collection functions; **USA**—office network structure is decentralized and organized around taxpayer, head office has 12 distinct semi-autonomous business and functional units, each with its own head office operations, each business unit has different level of detail by office.

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

Chapter 3. Selected aspects of strategic management

Outline

This chapter provides brief information on revenue body practices concerning the preparation and publication of business/strategic plans and performance reports.

Key points

Planning and management approaches of revenue bodies

- The practice of preparing a multi-year business plan is just about universal (38/43 surveyed revenue bodies). However, significantly fewer (i.e. 27) revenue bodies make such plans publicly available.

- 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.

- The practice of preparing an annual performance report is also just about universal (41/43 countries); however, a small number of surveyed revenue bodies do not currently make such reports available publicly (5/43). Based on Secretariat research, some reports fail to include important tax administration-related information (e.g. tax debts).

- The practice of setting formal service delivery standards is seen in 24 of the 30 OECD countries. Of these, 20 countries make their service delivery standards public. In the non-OECD countries, 11/13 countries produce and publish service delivery standards.

- Public reporting of results against service delivery standards occurs in 18 OECD and 5 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.

Strategic planning in tax administration

1. This chapter provides brief information on revenue body practices concerning the preparation and publication of business/strategic plans and performance reports. To provide a broader perspective and further context brief reference is made to some emerging directions in public sector administration observed by the OECD across member countries.

Managing for improved performance

2. The work leading up to the preparation of this information series did not entail any in-depth study of the approaches of individual revenue bodies to high level/strategic planning and performance management. Rather, the opportunity is being taken to introduce readers to the approaches of a few selected revenue bodies, drawing on related research of publicly-available documents and specific input provided by two large revenue bodies (i.e. Canada and the United States). This is accompanied by brief reference (see Box 5) to some emerging

'whole of government' directions for enhancing the performance of public sector bodies, drawing on the published work of the OECD's Public Governance Directorate.

Box 5. Enhancing public sector administration— some emerging directions

Planning and management approaches in the public sector [37]

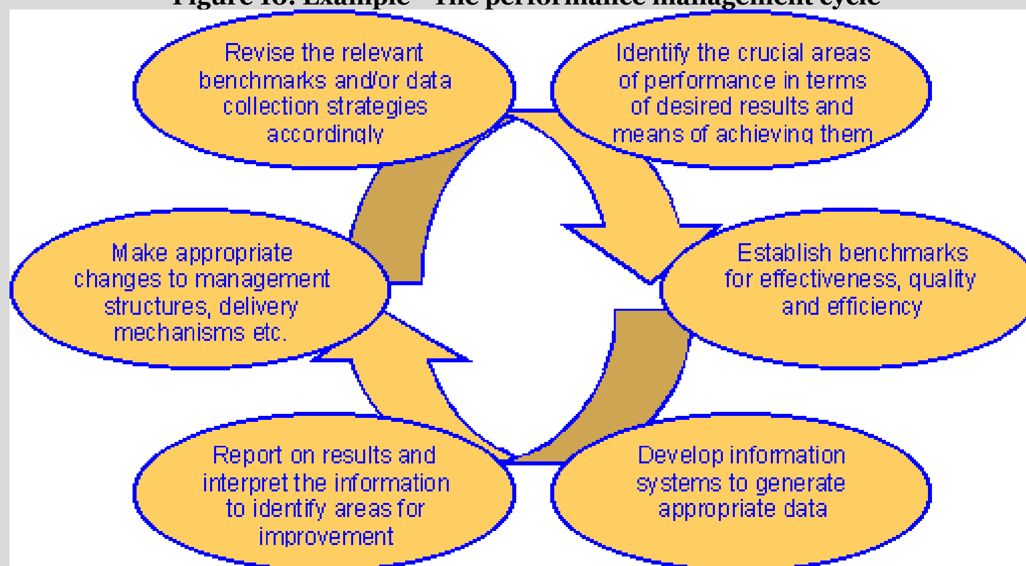
In the 1960s, there was a strong trend towards centrally planned and measured approaches to government. In some countries this took the form of very detailed multi-year national planning systems. Such systems ultimately failed as they were too rigid to take account of uncertainty and unpredictability, and did not recognize the limitations of formal systems in influencing peoples' behaviour.

Public sector performance-oriented reform has had a revival over the past two decades. Learning from the failure of central planning, the approaches adopted within government ministries in a number of OECD member countries have been: a) ***strategic planning***—focusing on goals but not trying to be precise on how to get there; b) ***strategic management***—how to adapt to new circumstances while still remaining focused on the main goals; c) ***mission and vision articulation***—a process aimed at aligning the 'hearts and minds' of staff with organizational goals; and more recently d) ***leadership***—enhancement of the capacity of certain individuals to touch the internal motivation of staff in support of organizational purposes. Within public service agencies, these approaches to strengthening performance are now of well proven validity, and they remain the most important and fundamental steps in moving organizations to become more performance-oriented.

Performance budgeting and performance management

The strongest current performance-oriented trend across OECD member countries is performance-oriented budgeting and performance management. While performance budgeting and performance management can be seen as separate concepts, in practice many governments have sought to adopt a results-based approach to both management and budgeting in which input controls are relaxed and managers/organisations are given flexibility to improve performance and are held accountable for results measured in the form of outputs and/or outcomes. Broadly, performance management covers corporate management, performance information, evaluation, performance monitoring, assessment and performance reporting. In the context of the new performance trend, however, a stricter definition is a management cycle under which program performance targets and objectives are determined (and often published in official planning documents), managers have flexibility to achieve them, actual performance is measured and reported (often in agency annual performance reports), and this information feeds into decisions about future program funding, design, operations and rewards and penalties (OECD, *Governance in Transition*, 1995). Such a cycle is illustrated in Figure 10.

Figure 10. Example—The performance management cycle



Source: Australian Department of Finance and Administration

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

Planning and management approaches of revenue bodies (Table 9)

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

1) Is the revenue body required to meet specific goals or targets, in addition to annual budget revenue targets, that have been set for it and are reflected in formal agreements with Government and/or the Ministry of Finance?

2) Does the revenue body prepare a business plan (annual or multi-year) and 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 standard?

6) Does the revenue body regularly survey taxpayers on their views/ perceptions on aspects of service delivery and administration of tax laws?

4. Survey responses were supplemented by research of publicly available strategic /business plans and annual performance report documents of a sample of selected revenue bodies. The survey questions and research were intended to: a) identify the extent to which business plans and annual performance reports are prepared and published; b) identify the internal processes adopted by two countries for the formulation of their business plan documents; c) gather insights as to the key elements of revenue bodies' business plans from a small sample of countries; and d) shed some light on emerging practices in the setting of high level goals and objectives, targets and related performance measures for revenue bodies.

Preparing and publishing business plans and annual performance reports - the use of service delivery standards and gathering feedback from taxpayers

5. A summary of the responses to questions 1-6 in paragraph 2 above is provided in Table 9. Some important observations from analysis of responses and related research are set out hereunder:

- The majority of revenue bodies reported that they were expected to meet goals/ targets, in addition to annual budget revenue targets.

- The practice of preparing a multi-year business plan appears to be almost universal (38/43 surveyed revenue bodies); however, a significantly fewer number of revenue bodies make such plans publicly available (27 surveyed bodies).

- The practice of preparing an annual performance report is also almost universal (41/43 countries); only a small number of surveyed revenue bodies (5/43) do not currently make such reports available publicly however, based on Secretariat research, some reports exclude important tax administration information, for example on tax debts .

- The practice of setting formal service delivery standards is seen in 24 of the 30 OECD countries surveyed. Of these, 20 countries make service delivery standards public. In the 13 non-OECD revenue bodies, 11/13 countries produce and publish service delivery standards.

- Public reporting of results against service delivery standards occurs in 18 OECD and 5 non-OECD countries.

- Around two thirds of surveyed bodies conduct regular surveys of taxpayers and other stakeholders to gauge their views and perceptions of service delivery and overall administration.

Preparing the business plan - the Canadian and US approaches

6. Boxes 6 and 7 (in Annex 3) and accompanying information in boxes 8 and 9 below provide a description of the approaches to performance planning and budgeting (and associated outputs) adopted by two revenue bodies. Specifically;

- **The Canada Revenue Agency (CRA):** Box 6 at Annex 3 and Box 8 provide an overview of the performance planning and budgeting process followed by the CRA.

- **US Internal Revenue Service (IRS):** Box 7 at Annex 3 and Box 9 provide an overview of the performance planning and budgeting process followed by the IRS.

These examples are presented to illustrate a number of points:

- Both agencies are committed to preparing and publishing a multi-year business plan, as part of Government-wide requirements, that provide a direct linkage between strategic, financial, and program planning.

- Both agencies have a formalized internal planning process, the end-product of which is the formal multi-year business plan.

- Officially-published plans provide a clear articulation of agency mission, vision, values, and strategic goals and related objectives and key measures of performance, and the linkages between each element.

- Agency plans and key elements of program activity are subject to external scrutiny.

- Official goals are relatively few in number and so far as tax administration is concerned have a clear orientation to taxpayers compliance (including taxpayer service, and enforcement elements), and internal capability requirements.

- Key measures of success/performance for each goal and related objectives are both ‘outcome’ and ‘output’ related; concerning the measurement of ‘outcomes’, measures/ indicators used by these agencies include 1) taxpayer satisfaction with services delivered and overall perceptions of agency management of the tax system; 2) rates of taxpayers’ compliance achieved; 3) compliance burden reduction; and 4) perceptions of employee engagement/ satisfaction; in the case of the CRA, specific outcome measures have been developed in respect of its ‘payment of benefits’ responsibilities.

- The results of agency operations are published in an annual performance report, against the framework reflected in the formal business plan.

Box 8. Canada—key elements of multi-year strategic/business plan

<table>
<tr><td>Mission</td><td colspan="2">To administer tax, benefits, & related programs, & to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic & social well-being of Canadians.</td></tr>
<tr><td>Vision</td><td colspan="2">The CRA is the model for trusted tax & benefit administration, providing unparalleled service & value to its clients, & offering its employees outstanding career opportunities.</td></tr>
<tr><td>Values</td><td colspan="2">Integrity, professionalism, respect & co-operation</td></tr>
<tr><td>Strategic outcomes</td><td><u>Tax Services</u>
Taxpayers meet their obligations & Canada’s revenue base is protected.</td><td><u>Benefits Programs</u>
Eligible families & individuals receive timely & correct benefit payments.</td></tr>
<tr><td rowspan="5">Goals (under two strategic themes)</td><td colspan="2">1) Excellence in program delivery
Strengthening service—To make current & accurate information available in a manner that is best suited to the needs, abilities & preferences of taxpayers….</td></tr>
<tr><td colspan="2">Enhancing our efforts to address non-compliance— To reduce non-compliance in identified risk segments of the taxpayer population & industry sectors…..</td></tr>
<tr><td colspan="2">Reinforcing trust—To demonstrate impartiality in applying legislation, rigor & probity in the handling of public monies & information, & professionalism & accountability in our day-to-day actions.</td></tr>
<tr><td colspan="2">Maintaining effective relationships—To maintain strong relationships with our partners and clients, & to increase the efficiency & effectiveness of tax administration & revenue collection for all levels of Government in Canada.</td></tr>
<tr><td colspan="2">2) Workplace committed to excellence
To have the right people in the right place at the right time with appropriate skills, knowledge, & innovation to do the job.</td></tr>
<tr><td>Strategies</td><td colspan="2">Elaborated for each goal in business plan</td></tr>
<tr><td rowspan="2">Key measures of success (for each goal)</td><td>Macro-indicators
◇ Trend of corporate tax assessed by the CRA relative to corporate profits before tax estimated by Statistics Canada (SC).
◇ Trend of net income of unincorporated businesses reported to the CRA relative to their net income as estimated by SC National Accounts.
◇ Trend of net GST revenues relative to total sales, personal expenditure on goods and services, and total provincial sales tax revenue.
◇ Trend of personal income reported to the CRA relative to the personal income estimated by SC.</td><td rowspan="2">◇ Establishing eligibility for benefits: % of potential recipients who receive the CCTB (reported after each census.

◇ Correct benefit payments: % of CCTB recipients who receive complete and accurate information and receive the proper entitlement. CCTB overpayment debt as a % of payments issued.

◇ Timely benefit payments: % of payments received by benefit recipients on time.

◇ The CRA is the provider of choice: Number of benefit programs and services administered.</td></tr>
<tr><td>Compliance measures
◇ Registration compliance: % of Canadian businesses that have registered as required by law.
◇ Filing non-compliance: % of taxpayers that file their returns on time.
◇ Reporting non-compliance: Degree to which taxpayers report complete & accurate information to allow for the determination of their tax liability.
◇ Remittance non-compliance:
1) % of taxpayers that paid amounts due on time.
2) Trend in the ratio of outstanding tax debts to gross tax receipts.</td></tr>
<tr><td>Account-ability</td><td colspan="2">CRA Annual Report</td></tr>
</table>

Source: CRA Summary of Corporate Business Plan (2008-2011).

Box 9. United States—key elements of multi-year strategic/business plan[38]

Elements	Description		
Mission	Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.		
Vision	The IRS in 2009 is a 21st Century agency with the human capital and technology capabilities to effectively and efficiently collect the taxes owed with the least disruption and burden to taxpayers.		
Values	Integrity, Accountability, Accuracy, Respect, Professionalism, & Partnering.		
Goals (or strategic outcomes)	Improve Taxpayer Service	Enhance Enforcement Of The Tax Law	Modernize the IRS Through Its People, Processes & Technology
Objectives (for each goal)	* Improve Service Options for the Tax Paying Public	* Discourage and Deter Non-Compliance with Emphasis on Corrosive Activity by Corporations, High-Income Individual Taxpayers & Other Contributors to the Tax Gap	* Increase Organizational Capacity to Enable Full Engagement and Maximum Productivity of Employees
	* Facilitate Participation in the Tax System by all Sectors of the Public	* Ensure that Attorneys, Accountants and Other Tax Practitioners Adhere to Professional Standards and Follow the Law	* Modernize Information Systems to Improve Service and Enforcement
	* Simplify the Tax Process	* Detect & Deter Domestic & Off-Shore Based Tax and Financial Criminal Activity	* Ensure the Safety & Security of People, Facilities & Information Systems
		* Deter Abuse within Tax-Exempt & Governmental Entities and Misuse of such Entities by Third Parties for Tax Avoidance or Other Unintended Purposes	* Modernize Business Processes and Align the Infrastructure Support to Maximize Resources Devoted to Front-line Operations
Strategies	Elaborated for each goal and objective in plan document		
Key measures of success (for each goal and objective)	◊ Customer satisfaction data ◊ Rate of accuracy ◊ Burden reduction ◊ Levels of service ◊ Rate of electronic interactions ◊ Timeliness of responses	◊ Rate of reporting compliance ◊ Rate of return filing compliance ◊ Rate of payment compliance ◊ Percent of priority guidance list items published ◊ Percent of Americans who think it is OK to cheat on taxes ◊ Average cycle time	◊ Level of employee engagement ◊ Index of employee perceptions of Performance Management System ◊ President's Management Agenda Scorecard ◊ Ratio of mission-critical occupations (MCOs) employees to non-MCO employees ◊ Benchmark IT services and development to Private Industry Standards for costs, scheduling, and functionality
Account-ability	Annual Performance and Accountability Report		

Source: IRS Strategic Plan 2005-2009.

[38] At the time of publication the IRS were about to publish an updated version of their strategic plan. This version has been included for illustrative purposes.

Other countries (Box 10)

7. To provide a broader international perspective, extracts of the business plans [39] of a representative cross-section of surveyed revenue bodies are provided in Box 10. Examination of these extracts reveals a number of common features which are briefly described hereunder:

- *Mission statement* – an overarching statement on the vision, values, goals and objectives of the organization. Mission statements often refer to the benefits to society/the community from an effective tax system.

- *Purpose* – a brief summary of the key functions performed by the revenue body.

- *Goals and/or strategic objectives* - usually no more than six elements. Typically, these emphasise compliance improvement or achievement, effective service delivery, maintaining community and business confidence in the revenue body, effective development of staff and, where applicable, facilitating trade and achieving high border security.

- *Wider context/environmental factors* - A number of bodies describe elements of the environment or context that has shaped or influenced their plans; common factors referred to include; globalisation, demands for better customised services, the changing demographics of business and citizen populations, and the increasing sophistication of fraudulent practices to reduce tax liabilities.

- *Monitoring and evaluation* - A few revenue bodies describe how their plans will be monitored and what targets, performance indicators and measures will be used to assess their progress and ensure accountability.

Box 10. Extract of corporate/ business plans of selected countries

Elements	Argentina	Ireland
Mission	To control to enforce, collect, control audit domestic taxes & social security resources, & manage activities relative to foreign trade, promoting voluntary compliance, economic development & social inclusion.	To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls
Vision	The AFIP will position itself at a level of excellence in the provision of services aimed at favouring the formal economy, registered employment and foreign trade security, deploying its capacities to interact proactively with the economic and social context.	
Goals/ strategic objectives	1. Controlling compliance with tax, customs and social security obligations. 2. Providing quality services to offer concrete solutions to citizens. 3. Enhancing organizational quality and transparency. 4. Influencing the context to favour fulfilment of mission and to contribute to economic and social development.	1. Ensure everyone complies with their Tax & Customs responsibilities. 2. Provide quality & innovative service that supports all our customers. 3. Contribute to economic & social development by participating effectively, both nationally & internationally. 4. Develop our people, processes & technology to make sure we are a capable, responsive & results-oriented organisation.

[39] These documents are known by various names (e.g. strategic plan, development strategy) but generally have the same purpose.

Environ-mental influences	'Conditioning' factors identified: 1) globalisation; 2) complex fraud schemes, border security; 3) consolidation of Mercosur; 4) economic activity; 5) fiscal climate; 6) regulatory stability; 7) informality; & 8) citizen participation.	Described as 1) impact of slower economic growth; 2) competitiveness & multinational; 3) technology; 4) more customised service delivery; 5) greater focus on risk; 6) tax avoidance & evasion; & 7) drug interdiction.
Other elements of the plan	An elaboration of 1) the AFIP's role and organisation; 2) values; and 3) the strategies to achieve stated objectives.	An elaboration of: 1) organisational impacts; 2) directions & priorities; 3) strategies; 4) outputs & performance indicators; & 5) accounting for performance.

Elements	Latvia	Netherlands
Mission	Just and fair tax administration, protection of community and business in accordance with good management principles, effecting the requirements and priorities prescribed by the state of Latvia and the European Union.	The Tax Administration carries out legislation & regulation orders as efficiently & effectively as possible. In its work, it aims at maintaining legal certainty & equality before the law. Servicing & respecting private & business taxpayers form an integral part of its total work processes.
Vision	The SRS is a client-oriented & competitive body within the EU's public administration institutions for the administration of tax & customs matters, which supports honest business & ensures the highest level of security on the outer border of the EU.	
Goals/ strategic objectives	1. To ensure that every person voluntarily complies with his/her tax & customs obligations. 2. To ensure favourable environment for fair business. 3. To ensure the highest security level on the outer frontier of the EU. 4. To ensure efficient management of the SRS internal processes.	1. Maintaining & strengthening the willingness of taxpayers to meet their legal obligations towards the tax administration. 2. Providing taxpayers, contribution payers & benefit recipients with tailor made services. 3. Encouraging taxpayers, contribution payers & benefit recipients to meet their obligations through supervision & investigation. 4. Making a contribution to the protection of society against desirable goods & services.
Environ-mental influences		Described as including: 1) globalisation; 2) growing population diversity; 3) changing nature of business; 4) diverse expectations by citizens of Government; and 5) Government's own expectations and directions for carrying out its work.
Other elements of the plan	An elaboration of: 1) principles and values; 2) for each objective, its rationale, the associated tasks and related performance indicators; & 3) how the strategy will be monitored.	An elaboration of: 1) basics (operating) principles; 2) what the public/business can expect; & 3) objectives & strategies.

Elements	South Africa	Sweden
Mission	Our mission is to optimise revenue yield, to facilitate trade & to enlist new tax contributors by promoting awareness of the obligation to comply with tax and customs laws, & to provide a quality, responsive service to the public	Secure taxes within the rule of law and in an efficient way, and at the same time pursue simplicity and prevent crime.
Vision	Our vision is to be an innovative revenue &	A society where everyone is willing to do

	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.	their fair share.
Goals/ strategic objectives	1. Optimising compliance & managing risk by improving revenue collection & entrenching a culture of compliance. 2. Ensuring a better taxpayer & trader experience through promoting awareness and understanding of tax obligations among taxpayers and traders and …. 3. Improving enforcement by punishing non-compliance & reducing the opportunities for tax evasion. 4. Continuing staff development & promoting a culture of integrity and professionalism throughout the organisation. 5. Enhancing trade facilitation & border control through improved trade supply chain management. 6. Ensuring greater efficiency by using staff effectively, upgrading & automating our core tax systems and improving our processes. 7. Ensuring good governance & administration in compliance with the regulatory framework.	1. Reduce the tax gap by half. 2. Citizens & companies have confidence in the tax agency. 3. Citizens and companies consider we have a good attitude. 4. We are the best tax agency in the OECD. 5. We are a public and interacting e-administration. 6. We have competence & staff on the basis of needs & changes in our activities.
Other elements of the plan	An elaboration of SARSs values, & its performance measurement/evaluation framework.	An elaboration of: 1) demands on the administration; 2) values & short term goals; 3) key elements of the strategy; & 4) how the agency will report.

Sources: *Ireland*— Statement of Strategy (2008-2010); *Netherlands*—Business Plan (2007-2011); *Latvia* —The SRS Development Strategy (2007-2009); *Sweden*— Strategic plan 2006-2012; *Argentina*—Strategic Plan 2007-2010 (July 2007); *South Africa*—Annual Report 2006-07.

Measuring the performance of revenue bodies

8. As indicated earlier in this chapter, many governments have sought to adopt a results-based approach to both management and budgeting in which input controls are relaxed and managers/organisations are given flexibility to improve performance and are held accountable for results measured in the form of outputs and/or outcomes (e.g. improvements in standards of service to clients and their satisfaction with the treatment received). In short, mangers have been given greater autonomy, discretion and flexibility, but with a requirement and expectation that there is greater accountability for their performance.

9. 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 inherent in measuring, for example, the extent to which taxpayers have complied with specific aspects of the tax law or in an overall sense across the taxes administered. Furthermore, as indicated by the comments set out in Box 11 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.

Box 11. Setting targets and measuring performance- emerging directions and issues across the broader public sector

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 realize 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 & subsequently reduced them.

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

10. Many revenue bodies have now taken steps to increase the focus of their planning and performance evaluation towards the 'outcomes' to be achieved from their administration. 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 'outcome-focused' measures for their non-tax functions (e.g. 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.

11. 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 recent guidance note—*Monitoring Taxpayers' Compliance: A Practical Guide Based on Revenue Body Experience*—published in July 2008, 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.

12. 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):

- *Canada:* The high level indicators adopted by Canada are set out in Box 8 which describes high level features of its published business plan. The indicators mentioned have a strong 'compliance improvement' orientation and along with established targets provide a useful means of assessing performance outcomes:

Strategic outcome	Performance indicators	Targets
Taxpayers meet their obligations & Canada's revenue base is protected	Corporate tax assessed by the CRA relative to corporate profits before tax estimated by Statistics Canada (SC)	+ trend
	Net income of unincorporated businesses reported to the CRA relative to their net income as estimated by SC	+ trend
	Net GST revenues relative to total sales, personal expenditure on goods & services, & total provincial sales tax revenue	+trend
	Personal income reported to the CRA relative to the personal income estimated by SC	+ trend
	% of Canadian businesses registered for GST/HST	90%
	% of taxpayers that file their returns on time (by tax type)	90%
	Degree to which taxpayers report complete & accurate information for determining their tax liability/1	+ trend
	% of taxpayers that paid amounts due on time (by tax type)	90%
	Ratio of year-end outstanding tax debts to gross tax receipts	+trend
Eligible families &	% of potential recipients receiving benefits (as per census)	N/A

individuals receive timely & correct benefit payments	% of benefit recipients who receive complete & accurate information & receive the proper entitlement	95%
	Benefit overpayment debt as a % of payments issued	N/A
	% of payments received by benefit recipients on time	99%
	Number of benefit programs and services administered	+ trend

Source: Summary of business plan (2008-2011) and CRA 2007 Annual Report.

/1. Covers specific compliance risks (e.g. key tax credits & deductions, SME taxpayers) assessed by random audits.

- *Denmark:* Danish tax authorities have reported its public commitment to goals and targets concerning reductions in the personal tax gap (measured using a comparison of tax and National Accounts data), 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. In parallel with this approach and new compliance initiatives, the revenue body reports that it no longer compiles and publishes output-related performance information concerning its verification activities.

- *France:* The French Directorate General of Taxation (DGI), which became The Public Finances General Directorate (DGFIP) in 2008, publicly commits to a range of outcomes-focused targets that are reflected in a three-yearly performance contract agreement, in accordance with Government-wide rules on good program governance, and which take account of relevant Minister's decisions. The contract is described as …"*giving the DGI the multiannual planning capacity it needs to set a long-term strategy and specifically define the resources allocated to reach its targets, conduct its reforms and make productivity gains. The DGI's performance contract is consistent with all the (Government) administrations program targets and indicators, from service quality to management efficiency*".

  The contract for 2006-08 reflected the following objectives, targets, and performance measures related to the DGI's business operations; the results achieved against each target are reported in the DGIs' annual performance report.

Key objectives	Performance indicators	Targets
Making taxes easier	Achieve quality service objective (as per index encompassing all service standards).	>90%
Promptly upholding users' rights	% of VAT and corporate tax refunds paid in 30 days	80%
	% of disputed income & residence tax claims handled in a month	93.7%
Promoting voluntary compliance with tax obligations	Income & residence taxpayers have secure identification number	92.6%
	Business taxpayers have an accurate identification number	98.0%
	% of individual returns filed on time	97.9%
	% of VAT returns filed on time	89.5%
	% of annual business earnings returns filed late	<1%
	Net formal recovery rate	55.25%
Combating tax evasion and recovering evaded taxes	% of Individuals' files at high stake	66%
	% of audits focused on serious evasion cases	15%
	% of audits for investigation focused on serious tax evasion	29%
	% recovery rate of receivables from completed audits	42.5%

- *Ireland:* The Revenue Commissioners' Statement of Strategy for 2008-2010 articulates a range of outcomes (and output) related measures for each of its four goals. The key outcomes-related measures in their strategy document are set out below:

	Performance indicators
Ensure everyone complies with their Tax & Customs responsibilities.	Level of debt available for collection as a % of annual gross collections reduced to 1.3% by 2010.
	By end 2010, the following timely compliance rates (i.e. for filing and payment) will be achieved: 1) large cases—95% by due date; 99% by due date + one month; 2) medium cases—90% by due date; 95% by due date +one month; other cases—75% by due date; 85% by due date +one month.
	Improved reporting compliance levels, as evidenced by: 1) a quality assured random audit program to assess underlying levels of tax evasion; and 2) programs and projects to assess PAYE, capital gains & excise compliance.
Provide quality & innovative service that supports all our customers.	Improved quality of information based on a plain English standard available to all customers and validated by customer surveys & structured feedback from representative groups.

Source: The Revenue Commissioners' Statement of Strategy 2008-2010, www.revenue.ie/sos08-10/statement-of-strategy-2008-2010.pdf

- *Latvia:* The development strategy of the State Revenue Service (SRS) for 2007-09 articulates a number of principally outcomes-focused performance indicators for each of its four strategic objectives:

Strategic objectives	Performance indicators
Every person voluntarily complies with his/her tax & customs obligations.	Stable increase in revenues as compared with previous period.
To ensure favourable environment for fair business.	Decrease in the proportion of shadow economy activities (based on data from the Central Statistics Department
	Trend of the business competitive index.
To ensure the highest security level on the outer frontier of the EU.	Increase in the communities' confidence and trust in the SRS and indications of international prestige of the SRS customs institution (from research findings).
	Trend of the number of detected violations of custom rules.
To ensure efficient management of the SRS internal processes.	Cost efficiency of the SRS and costs of collection for one unit of revenue.
	Indications of the SRS client satisfaction (research findings).

- *Netherlands:* The Netherlands Tax and Customs Administration's (NTCA) business plan for 2007-2011 reflects one 'general' and three 'operational goals', along with performance indicators and targets for 2007 and 2011 (and corresponding prior year data), to convey the focus of its work and expected achievements in the approaching fiscal period(s). Significantly, many of the performance indicators used are based on the findings of surveys of taxpayers' attitudes and perceptions. A summary of the tax-administration related elements is provided below:

Goals	Performance indicators	Targets
Maintaining & strengthening taxpayers' willingness to meet their legal obligations towards the tax administration	Tax evasion is unacceptable	88%
	Personally evading tax is almost non-existent	75%
	Paying tax means having to make a contribution	60%
Providing taxpayers, contribution payers and benefit recipients with tailor-made services	% of phone calls handled by centre	80%
	Perceived contactibility	70%
	Perceived clarity of correspondence	84%
	Perceived processing speed	70%
	Perception that tax administration keeps its promises	87%
Encouraging taxpayers, contribution payers, and benefit recipients to meet their obligations through supervision and investigation	% corrections/adjustments to returns filed	6.5%
	% zero scores in field work (i.e. no adjustments)	23%
	% corrections- import duties/excise	14%
	% collections backlog (i.e. year-end debt/total revenue)	2.7%
	Number of FIOD-ECD fiscal official reports	310-370
	% official reports resulting in sentencing/penalty	90%
	Chance of getting caught (as perceived by taxpayers	71%

Source: NTCA Business Plan (2007-2011).

- *South Africa:* The South African Revenue Service has developed a performance 'Scorecard' depicting its strategic objectives, outcomes sought, performance indicators (called deliverables) and targets, and publishes these along with actual achievements in its annual performance report. A summary of these for 2007 is set out hereunder:

Strategic objective	Performance indicator/ deliverable)	Target
Optimising compliance & managing risk	Revenue collections	Budget
	Administrative cost as a % of total revenue	1.06%
	Due debt as a % of total revenue	14%
Ensuring a better taxpayer & trader experience	% achievement against service charter	85%
	Call centre—80% of calls answered in 20 seconds	80%
	Branch office walk ins- attend 95% in 15 mins, 90% (peak)	95/90%
	Correspondence—respond to 80% within 21 working days	80%
Improving enforcement	% overall increase in compliance behaviour—increase in active register, decrease in outstanding returns, & decrease in debtors	9%
	Increase ineffective tax rates per selected industry	5%
	Due debt collected	R17bn
	% success in risk based audits	70%
	Audit coverage (by tax type)	Various
Continuing staff	% compliance with equity plan	100%

development & promoting a culture of integrity & professionalism	% closure of skills gap	25%
	Implement new performance management development system	90%
	% improvement in management capability	30%
Enhancing trade facilitation & border control	% documentation compliance with customs regulation coverage and examination success rate- imports & exports (I&E)	Various
	% achievement of turnaround times for trade processes- I&E	Various
	% success of anti-smuggling activities	Various
	% achievement of passenger examination and success rate	Various
Ensuring greater efficiency	% of returns processed within target time (by tax type)	Various
	% accuracy of assessments	92%
	% of returns reworked as a result of own error	4%
	Maintaining success rate in litigation of appeals	65%
Ensuring good governance	% of governance framework implemented across organisation	100%

Source: South Africa Revenue Service—Annual Report 2006-07.

- *United Kingdom*: As part of its public service commitments, HMRC has developed a set of Departmental Strategic Objectives (DSO) for the period 2008 to 2011. These objectives build on similar objectives set for previous periods and are described by HMRC in the following terms… "*The DSOs are designed to support the strategic direction of the department that will put customers at the heart of everything we do, by understanding their needs and responding to their behaviours and expectations…As well as helping us focus on the most important parts of our business, the DSOs will also provide Parliament and the public with a way of assessing how well HMRC is performing. Each DSO is supported by a number of key performance indicators, which show how well we are doing in a number of our core areas of business.*" The tax-related objectives, indicators and targets are set out below:

DSO 1: Improve the extent to which individuals & businesses pay the amount of tax due & receive the credits & payments to which they are entitled. Indicators and targets:
Increase tax and National Insurance Contributions (NICs) actually received relative to the amounts that should be received, achieving over 2008-9 to 2010-11 at least the levels set out in the Public Service Agreement targets for 2007-8 (i.e. reduce the scale of VAT losses to no more than 11% of theoretical liability, reduce illicit market share for cigarettes to no more than 13%, reduce the illicit market share for spirits by at least a half, and hold the illicit market for oils at no more than 2%, and increase tax and NICs due by at least £3.5 bn).
Reduce the level of incorrect tax credit payments made as a result of error and fraud as a percentage of finalised entitlement, to no more than 5 % by 2010-11.
Increase the take up of Working Tax Credit.
At least maintain take up levels of Child Tax Credit and Child Benefit.
DSO 2: Improve customer experiences of HMRC and improve the UK business environment. Indicators and targets:
Improve customers' perception of their experience of dealing with HMRC.
Reduce by 10% the administrative burden of forms and returns on business customers.

Reduce by 15% the administrative burden of audits and inspections on compliant business customers.
Increase access to business facing content and business facing transactions from businesslink.gov.uk, delivering at least 95 % of cross-government agreed scope of website convergence.
Improve accuracy of processing in large-volume business areas, achieving at least 96 % on a composite indicator of accuracy.
Improve timeliness of processing in key areas, covering VAT registration and Tax Credit and Child Benefit payments.
Improve correctness of advice and information given, and actions taken, in respect of contact from customers.

- *United States:* The high level indicators (termed 'key measures of success') adopted by the IRS are set out in Box 9, as per its strategic plan document for 2005-09. In the years following the preparation of this plan, further consideration was given to increasing (from one) the number of high level measurable targets that would be used to assess its overall progress, following a request by the IRS Oversight Board. The approved long term measures and target values for the period are set out hereunder:

Long term measures	Target value	Target date
Electronic filing participation rate	80%	2012 (originally 2007)
Individual taxpayer satisfaction index	69 (out of 100)	2009
Employee engagement /1	4.0 (out of 5.0)	2009
Voluntary compliance rate /1	86%	2009
Non-revenue enforcement activity index /1	Index of 138.3%	2009

Sources: IRS Oversight Board and IRS website.

/1. *Employee engagement*—This is the degree of employees' motivation, commitment & involvement in the IRS's mission, measured by survey; *Voluntary compliance rate*—This is the amount of tax for a given year that is paid voluntarily & timely, expressed as a % of the estimate of true liability for that year, as established by the IRS's National Research Program of random audits & related research; and *Non-revenue enforcement activity index*— This is an index comprised of measures of enforcement activities that do not have a direct impact on tax revenue (e.g. Criminal Investigations Division).

Concluding observations

13. 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. 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.

Table 9: Selected management practices (business plans and performance reports, taxpayer services)

COUNTRY	Management practices								
	Develops annual or multi-year business plan	Publishes annual or multi-year business plan	Prepares annual performance report	Publishes annual performance report	Develops service delivery standards	Publishes service delivery standards	Publishes service delivery results	Surveys taxpayers' views of service delivery	Has formal goals/ targets in addition to annual budget revenue
1) OECD countries									
Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓/2
Austria	×	×	✓	✓	✓	✓	×	✓	×
Belgium	✓	×	✓	✓	×	×	×	×	✓
Canada	✓	✓ /1	✓	✓	✓	✓	✓	✓	×
Czech Rep.	✓	✓	✓	✓	×	×	×	×	
Denmark	✓	✓	✓	✓	✓	✓	✓	✓	✓/2
Finland	✓	✓	✓	✓	✓	✓	✓	✓	×
France	✓	✓	✓	✓	✓	✓	✓	✓	✓
Germany	×	×	×	×	×	×	×	×	-
Greece					✓	✓	✓	✓	
Hungary	✓	×	✓	✓	×	×	×	× /1	✓/2
Iceland	✓	×	✓	✓	✓	×	×	×	✓
Ireland	✓ /1	✓	✓	✓	✓	✓	✓	✓	×
Italy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Korea	✓	✓	✓	✓	✓	✓	✓	✓	✓
Luxembourg	×	×	✓	✓	✓	×	×	×	-
Mexico	✓	✓	✓	✓	✓	✓	✓	✓	✓
Netherlands	✓	✓	✓	✓	✓	✓	✓	✓	✓/2
N. Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓/2
Norway	✓	✓	✓	✓	✓	✓	×	✓	✓/2
Poland	✓	✓	✓	✓	✓	✓	×	✓	✓/2
Portugal	✓ /1	✓	✓	✓	✓ /1	✓	✓	✓	✓/2
Slovak Rep.	✓	×	✓	✓	✓	×	✓ /1	✓	✓
Spain	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sweden	✓	×	✓	×	✓	×	×	✓	×
Switzerland	✓	✓	✓	×	×	×	×	×	×

COUNTRY	Management practices								
	Develops annual or multi-year business plan	Publishes annual or multi-year business plan	Prepares annual performance report	Publishes annual performance report	Develops service delivery standards	Publishes service delivery standards	Publishes service delivery results	Surveys taxpayers' views of service delivery	Has formal goals/ targets in addition to annual budget revenue
Turkey	✓	×	✓	×	×	×	×	×	-
UK	✓	✓	✓	✓	✓	✓	✓	✓	✓
USA	✓	✓	✓	✓	✓	✓	✓	✓	✓
2) Selected non-OECD countries									
Argentina	✓	✓	✓	✓	×	×	×	✓	✓/2
Bulgaria	✓	✓	✓	×	✓	✓	×	✓	✓
Chile	✓	×	✓	✓	✓	✓	✓	✓	✓/2
China	✓	✓	✓	✓	✓	✓	×	×	×
Cyprus	✓	×	✓	✓	✓	✓	×	×	✓
Estonia	✓	✓	✓	✓	✓	✓	×	✓	✓
Latvia	✓	×	✓	✓	×	×	×	✓	✓
Malaysia	✓	×	✓	✓	✓	✓	×	✓	-
Malta	✓	✓	✓	✓	✓ /1	✓ /1	×	✓ /1	-
Romania	×	×	✓	✓	✓	✓	✓	✓	✓
Singapore	✓/1	×	✓	✓	✓	✓	✓	✓	✓/2
Slovenia	✓	✓	✓	✓	✓	✓	✓	✓	×
South Africa	✓	✓	✓	✓	✓	✓	✓	✓	✓

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

/1. **Canada**—summary of business plan is published; **Hungary**—not regularly; **Ireland**—A Statement of Strategy is prepared every three years (or within six months of the appointment of a new Minister). It is a forward-looking document that comprises the key objectives, outputs and related strategies (including use of resources) and serves as a framework for action by the Office. Revenue's current Statement of Strategy can be found at http://www.revenue.ie/sos08-10/statement-of-strategy-2008-2010.pdf; **Malta**—VAT administration only; **Portugal**—annual plan, service delivery standards from 2008; **Singapore**—5-year medium term plan and annual short-term plan; **Slovak Rep.**—published in annual report, but not in comparison with standards.

/2. **Argentina**—reduction of informal economy and employment; **Australia**—required to measure intended and actual performance in terms of outcomes, that are published; **Belgium**—re tax fraud (2007); **Chile**—A performance Collective Agreement for 2008 reflects commitments for enforced collection, audits, e-services, taxpayer services and internal development; **Denmark**—tax gap for personal income, citizens and businesses' attitude to tax authorities; and arrears of tax etc, ; **Hungary**—a range of targets, including for verifications; **Latvia**—Government reviews and conforms annual strategy which specifies expected outcomes across a broad range of functions; **Netherlands**—goals reflected in National Budget for different operational areas; **New Zealand**—output targets for a range of operational areas formally settled/agreed; **Norway**—a set of framework conditions, budget and management directions and reporting requirements; **Poland**—Minister approves internal document reflecting tasks to be performed by different functional areas; **Portugal**—formal document reflecting targets for productivity, average time to respond to complaints; levels of taxpayer satisfaction; and professional staff development; **Singapore**—targets for completion rate of tax assessments, compliance rate of GST returns filing, and processing rate of tax incentive cases; **UK**-top level Public Service Agreement targets (e.g. compliance); and **USA**—measures (worked up by IRS) formally agreed for e-filing rate, customer satisfaction, voluntary compliance, enforcement effort and employee engagement

Chapter 4 - Resources of national revenue bodies

Outline

This chapter provides summary data and analyses concerning the resources allocated to revenue bodies to administer tax laws and, where applicable, other responsibilities. Various ratios are also presented as some of these are often used by revenue bodies and other parties in international comparisons of administrative practices and revenue body performance.

Key points

- Salary costs tend to fall within a band of 65-85% of aggregate costs for the vast majority of revenue bodies. A factor explaining the relatively low salary costs in some revenue bodies appears to be the use of outsourcing for the provision of IT services, as in Australia, Denmark, Finland, Latvia, Slovak Republic and the UK.

- IT-related costs (both salary and other administrative costs) [40] are a significant component of the overall expenditure budget of many revenue bodies. Across all surveyed bodies, total IT related costs were reported by 11 bodies as exceeding 15% of aggregate expenditure in each of the 2005 to 2007 years.

- The raw data available suggest a strong correlation between the level of IT expenditure and relatively lower staff usage—of the 11 revenue bodies reporting IT expenditure > 15% of total expenditure, 6 display favourable staffing ratios (as per the calculations in Table 14).

- For the vast majority of revenue bodies, the data reveal a decreasing trend in the cost of collection ratio in recent years, perhaps as a result of favorable economic circumstances (that contributed to buoyant tax receipts) and increased efficiency resulting from technology investments and other initiatives.

- Cross-country comparisons of cost of collection ratios need to take account of the arrangements in place for the collection of social security contributions and, for some countries, the conduct of non-tax functions.

- Survey data reveals significant variation across revenue bodies in the functional use of staff resources. Significantly, for verification-related functions—12 revenue bodies reported usage in excess of 40% of aggregate staffing and another 13 in the range 25-40%; for enforced debt collection—18 bodies reported usage exceeding 10% of aggregate staff; and for overhead functions—27 bodies reported usage exceeding 10% of aggregate staff, with 12 of these exceeding 15%.

[40] 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.

The resources of national revenue bodies

1. The overall level of resources allocated for the administration of national tax laws is an important and topical issue for many Governments, their revenue bodies, and external observers. Governments in all countries 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 what is the optimal use of the funds allocated to them in order to administer the laws in the most efficient and effective manner.

2. In practice, most revenue bodies have some flexibility for shifting the resources allocated to them. Where this flexibility exists resource allocation can be a highly critical part of the revenue bodies' strategic planning process, enabling resource shifts to be made to meet changed/new emerging priorities.

3. This chapter provides a broad overview of the allocation of resources to revenue bodies to administer national tax laws. 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 exclude from relevant tabulations those revenue body resources attributable to non-tax functions, the incidence of which is described separately and tabulated in Table 4, in Chapter 1. For the reasons outlined in this chapter and elsewhere in the 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.

Tax administration expenditure (Table 10)

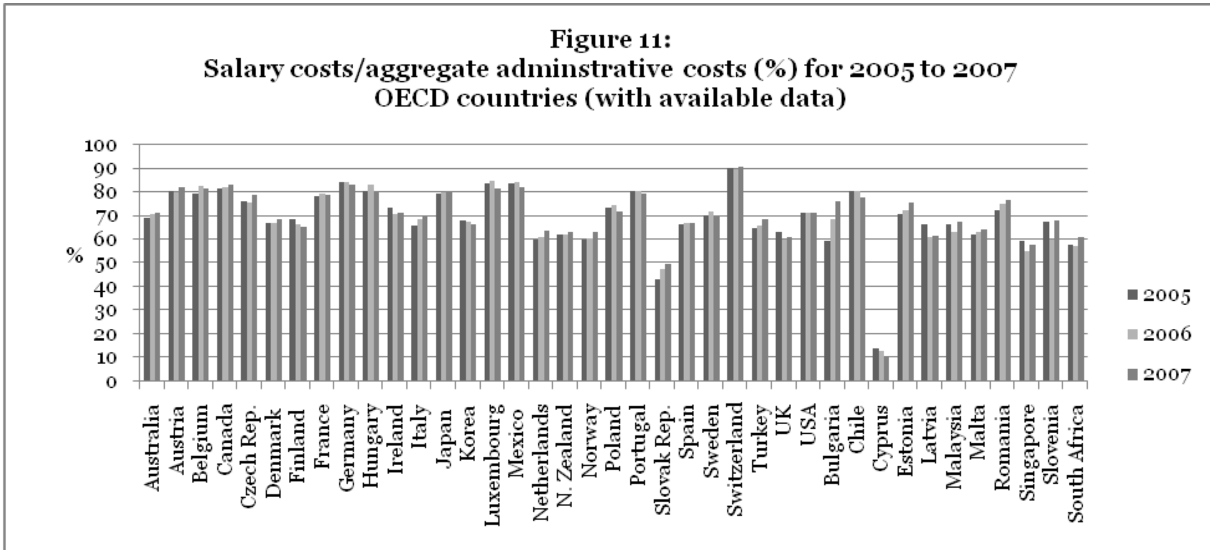
4. This part focuses on the aggregate level of expenditure used by surveyed revenue bodies to carry out their taxation and other mandated responsibilities. For comparison purposes, efforts have been made to separately identify the resources used (and costs of) tax and non-tax related functions. A number of ratios are used to make relative comparisons across countries—where relevant, any known abnormal factors influencing the ratios for individual countries are also identified.

Aggregate expenditure

5. Table 10 sets out aggregate expenditure data for 2005 to 2007, broken down to show the salary component[41] and revenue body estimates of total expenditure attributable to the use of information technology (IT). The key observations are as follows:

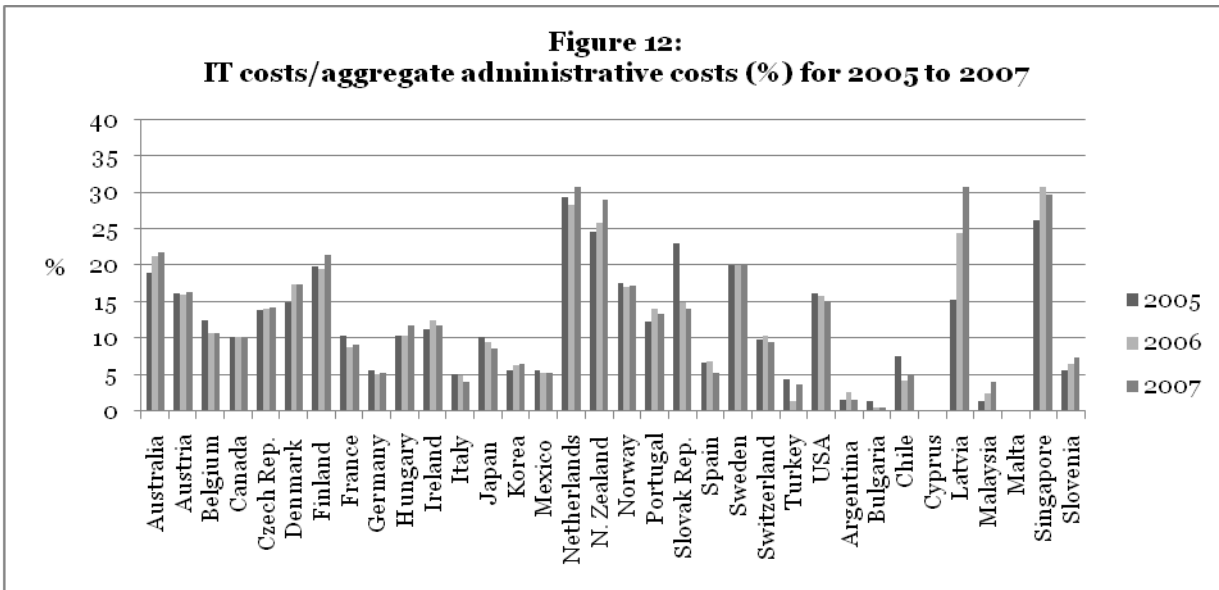
- Salary costs tend to fall within a band of 65-85% of aggregate costs for the vast majority of OECD revenue bodies; a factor explaining the relatively low salary costs in some revenue bodies appears to be the use of outsourcing for the provision of IT services, as in Australia, Denmark, Finland, Latvia, Slovak Republic and the UK (see Table 5 and Figure 11 below).

[41] For survey purposes, salary expenditure was defined as the value of all remuneration paid to employees (including contributions to pension plans etc) but excluding amounts paid to contractors and consultants.



Source: Table 10 CIS 2008

- IT-related costs (both salary and other administrative costs) [42] are a significant component of the overall expenditure budget of many revenue bodies; across all surveyed bodies, total IT related costs were reported by 11 bodies as exceeding 15.0% of aggregate expenditure in each of the 2005 to 2007 years, see Figure 12 below;



Source: Table 10 CIS 2008.

[42] 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.

- Of the 11 revenue bodies reporting IT expenditure > 15% of total expenditure, 9 bodies display favourable staffing ratios (as per the calculations in Table 14), while the ratios for the remaining 2 bodies (i.e. Denmark and the Netherlands) are impacted, in part, by staffing for customs administration.

Ratio of administrative costs to revenue collections (Table 11)

6. 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. [43] The ratio is computed by comparing the annual costs of administration incurred by a revenue body, with the total revenue collected 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. These factors, which are elaborated in Annex 4, include: 1) changes in tax rates over time; 2) macro-economic changes; 3) abnormal expenditure by the revenue body; and 4) changes in the scope of taxes collected by the revenue body. Clearly, any analysis of movements in the trend of the ratio over time should pay regard to such factors to the extent practicable.

7. A summary of cost of collection ratios over an extended time frame to highlight trends for surveyed countries is provided in Table 11.[44] The table displays any known abnormal factors (e.g. whether the body collects social contributions) that may affect the ratios being reported for an individual country and, therefore, their comparability. The key observations are as follows:

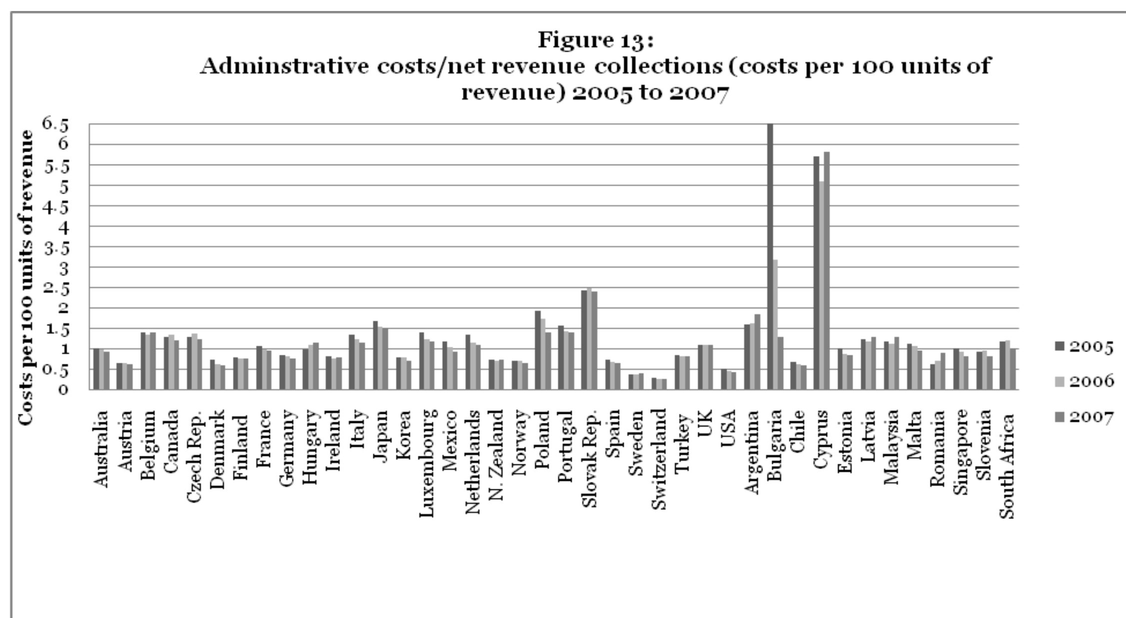
- For the vast majority of revenue bodies, the data reveals a decreasing trend in the ratio, perhaps as a result of favorable economic circumstances (contributing to buoyant tax receipts) and increased efficiency resulting from technology investments and other initiatives.

- For a few countries (e.g. Bulgaria and The Netherlands) there have been significant changes in the ratio calculated, resulting from the addition of new revenue collection responsibilities (i.e. social security contributions).

8. Figure 13 provides a further illustration of the trends in ratio of administrative costs to revenue collection from 2005 to 2007 for countries where the information was available.

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

[44] These ratios have been computed using data provided by surveyed revenue bodies or extracted from official country reports (e.g. annual performance reports).



Source: Table 11 CIS 2008.

Ratio of administrative expenditure to GDP (Table 12)

9. The relative magnitude and trend of a revenue body's 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). 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. However, this 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 for OECD member countries are set out in Table 12. Some important observations are set out hereunder:

- The computed ratios for tax-related expenditure vary significantly but there is a concentration of revenue bodies with a ratio in the region of 0.180 to 0.280%.
- Abnormally low ratios are displayed for revenue bodies in 4 countries (i.e. Japan, Korea, Mexico, and the USA). Abnormally high ratios are displayed for revenue bodies in Hungary and Netherlands.
- Significant downwards trends (i.e. more than 10% over 3 years) in relative resource costs can be observed for a small number of countries (e.g. Australia, Belgium, Denmark, Luxembourg, and Slovakia).

International comparisons of administrative expenditure and staffing (Table 11)

Cost of collection ratios

10. Given the many similarities in the taxes administered by federal revenue collection authorities from country to country, there has been a natural tendency by observers to make 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. These variables, which are elaborated in Annex 4, include: 1) differences in tax rates and the overall legislated tax burden; 2) variations in the range and nature of taxes collected (including social contributions); 3) differences in the underlying cost structures of the revenue bodies resulting from unusual institutional arrangements (e.g. multiple bodies involved in revenue administration, as in Italy), and/or the conduct of non-tax functions (e.g. Customs); 4) lack of a commonly accepted measurement methodology.

11. Many of the factors referred to are evident from the data in Table 11. For example;

- for many of the surveyed countries (particularly many 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 Table 13 and figure 14 which illustrates this particular aspect);

Table 13: OECD country spread/1 by 'cost of collection' & 'tax revenue/GDP' ratios

Range of 'cost of collection' ratio in 2007	Range of 'tax/ GDP %' ratio (2007)			
	< 20%	**20-30%**	**30-40%**	**Over 40%**
Less than 0.60		USA		Sweden
0.61-0.80		**Korea**	Ireland, **Spain,** New Zealand	**Austria**, Denmark, Finland, **Germany** Norway
0.81- 1.00	Mexico	Turkey		**France**
1.01- 1.20			Hungary, Netherlands, UK	**Luxembourg**
1.20- 1.40			Canada	**Belgium, Czech Rep.,**
Over 1.40		**Japan**	**Poland, Portugal, Slovak Rep,**	

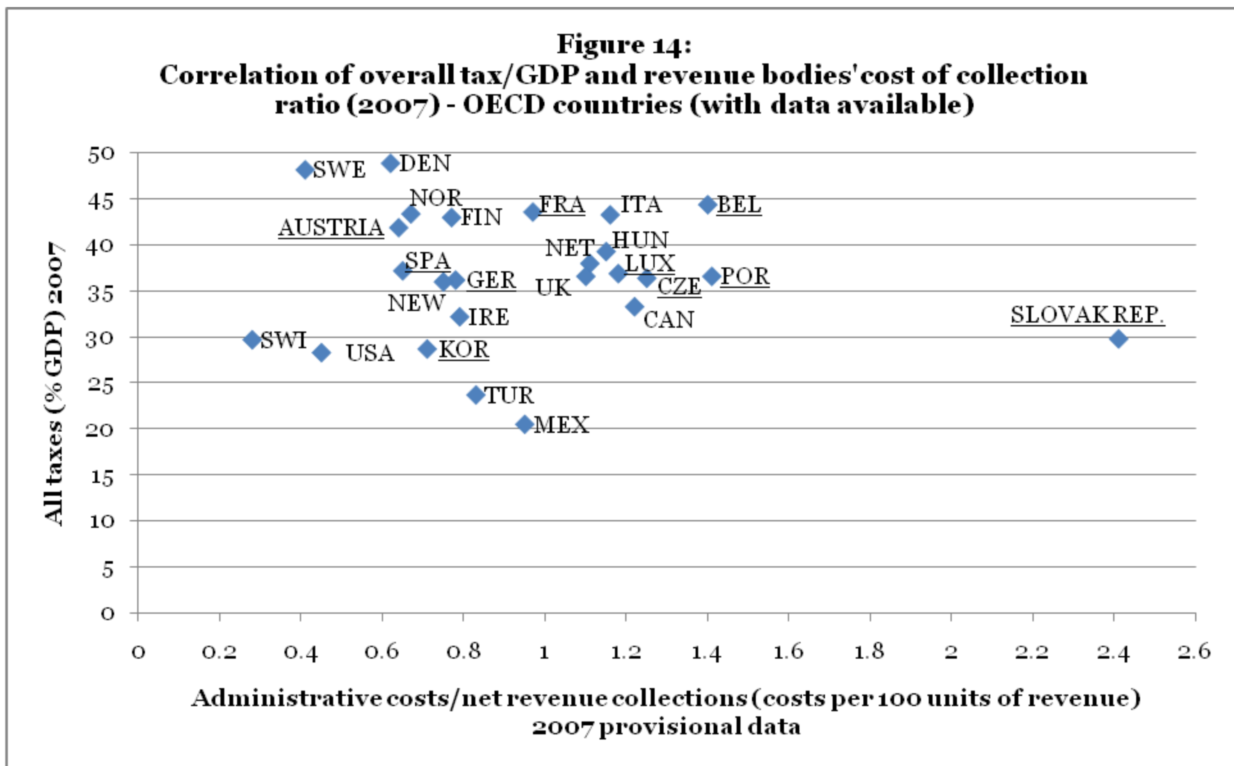
/1. For the countries highlighted, the revenue body is not responsible for collecting mandated social contributions, and therefore has a smaller revenue base for the purpose of this calculation.

- 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 over 50% of GDP) that influences what is collected in practice, and hence the computed ratio; and

- unusual institutional arrangements exist in some countries (e.g. Italy— re tax fraud functions, Chile and Sweden— re 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.

12. 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.



Sources: Table 11 and 16 of CIS 2008. Underlined countries are those that are not responsible for the collection of SSCs.

Relative staffing levels of revenue bodies (Table 14)

13. A summary of the staffing levels of national revenue bodies is set out in Table 14. To the extent possible and to allow comparisons, efforts have been made to exclude staffing related to the performance of 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—number of citizens per one full-time staff member and the number of labour 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 programs 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.

14. 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)):

- 11 revenue bodies have a ratio less than 400 (for some, including customs operations);
- 5 revenue bodies have a ratio in the range 401-500 and 5 are in the range 501-600;

- 9 revenue bodies have a ratio over 600 (including 5 "outliers" (i.e. Japan, Korea, Mexico, Switzerland and the United States) where the ratio exceeds 1,000).

15. In the case of ***Japan,*** where the ratio is 1,185:1, staffing levels of the NTA have remained in the region of 50,000 to 56,000 for the last 50 years, reflecting decisions both to keep resources roughly constant and, importantly, to minimize workloads. Relative to other revenue bodies, administrative workloads have been kept low by tax system design features that reduce operational workloads (e.g. high reporting thresholds, infrequent tax payment obligations, wide use of tax withholding). For example, until recently[45], there was an abnormally high threshold for VAT registration (i.e. equivalent to around €300,000) and bi-annual payment and filing requirements for VAT. In addition, there are biannual return filing and payment obligations in respect of corporate tax, withholding of tax at source on dividend and interest income and certain payments for independent services, while a final wage withholding system applies for most employee taxpayers (with minimal recording of taxpayer registrations and annual tax dealings). Also relevant is the collection of social security contributions by a separate agency.

16. ***Korea*** (with a ratio of 1,396:1) also imposes withholding at source for dividend and interest income and certain payments for independent services, makes substantial use of final withholding systems for the bulk of employee taxpayers (employers withhold monthly, calculate employees' tax liability and clear the balance off at the end of year), and applies biannual reporting and payment arrangements for VAT liabilities. Korea introduced a new electronic third party information providing system to relieve documentation burden of employers and employees in 2005.

17. With annual tax collections equivalent to just over 20% of GDP, the tax system of ***Mexico*** (ratio of 2,046:1) is of a considerably smaller scale than all other OECD countries. Its tax system arrangements are characterized by substantial use of final withholding arrangements for employees and some self-employed taxpayers, 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.

18. The ratio for ***Switzerland*** (i.e. 4,788:1) is largely influenced by the fact that personal income taxes are administered at the sub-national level by separate agencies in each Canton. To a large extent, the ratio reflects only the costs of VAT administration thus making it incomparable with all other revenue bodies.

19. In the case of the ***United States*** (where the ratio is 1,636:1), 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 surveyed countries. A further consideration is that, unlike most other surveyed countries, there are income taxes and retail sales taxes levied at the state level in the United States that are administered separately, not by the IRS. For these reasons, the computed ratio for the IRS—and this observation also applies to its computed 'cost of collection' ratio—is not really comparable with that of revenue bodies in any other OECD country.

20. Concerning revenue bodies in non-OECD surveyed countries, the computed ratio reflects a similarly divergent pattern, ranging from 300: 1 to over 1,800: 1. The factors that might explain this disparity have not been identified but well may be similar to those applying in the OECD countries referenced.

Allocation of staff resources by functional groupings (Table 15)

21. Given the similarity in the taxes administered across most surveyed countries, an issue of some relevance is the way in which these resources are allocated across broad functional groupings.

---

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

22. Table 15 provides an indication of country practices concerning the allocation of resources 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 'tax audit' work), and the possibility of some inconsistencies in the compilation of data, this information needs to be interpreted with care.[46] 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, 11 revenue bodies reported staff usage exceeding 40% of aggregate staff; of these revenue bodies, 9 reported IT expenditure < than 15% (or were unable to quantify the amount of IT expenditure incurred).

- *Audit, investigation and other verification:* Survey responses for this category varied significantly ranging from 7.3 to over 76%>. 12 Revenue bodies reported usage in excess of 40% and another 13 in the range 25-40%.

- *Enforced debt collection and related functions:* Usage for this grouping ranged from 4 to 34%. Significantly, 18 bodies reported usage exceeding 10% of aggregate staff.

- *Corporate overhead functions:* Usage for this grouping ranged from 1 to 40%. Significantly, 27 bodies reported usage exceeding 10% of aggregate staff, with 12 of these exceeding 15%.

23. Factors that may explain some of these differences in staff functional resource allocations between countries include (1) the use of administrative assessment as opposed to self-assessment for income tax; (2) the degree of automation for routine tax administration tasks; (3) the extent of staff devoted to overheads; 4) reliance on outsourcing (e.g. for IT support); (4) the size of the revenue bodies' network of offices and rules associated with the allocation of staffing across office networks.

The non-tax roles of national revenue bodies

24. In Chapter 1, reference was made to the trend of Governments to allocate various non-tax functions to revenue bodies and the rationale for doing this (see Table 4). To provide some insight as to the significance of this development and responsibility, Table 12 provides data on the estimated amount of each revenue body's budget expenditure attributable to non-tax functions. Some observations here are as follows:

- Rates of expenditure on non-tax functions appear relatively constant over the period 2005 to 2007, suggesting little further recent movement in this practice.

- In the case of Denmark, Mexico, and Netherlands these non-tax costs appear largely attributable to responsibilities for customs administration and are remarkably similar in their relative magnitude (at between 12-15% of aggregate expenditure).

- In the case of countries such as Canada and New Zealand, responsibility for Government welfare-related responsibilities appear to be the primary influencing factor, and in the case of New Zealand are a significant element of overall expenditure (at around 30%).

[46] 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, 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) Corporate overhead management functions:* all staff for human resource management, information technology, accommodation, supply, security, internal assurance, and finance functions.

Table 10: Aggregate administrative costs for tax administration functions
(All amounts in millions of local currency, unless otherwise stated)

COUNTRY	Aggregate administrative costs for tax functions (incl. salaries & overhead)			Total salary costs for tax functions			Salary costs/aggregate administrative costs for tax functions (%)			Total IT costs			IT costs/ aggregate administrative costs for tax functions (%)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
1) OECD countries															
Australia	2,216.9	2,303.2	2,317.7	1,540.9	1,626.1	1,652.0	69.5	70.6	71.3	420.5	487.2	506.5	19.0	21.2	21.9
Austria	364.2	380.9	399.4	292.5	305.5	327.6	80.3	80.2	82.0	58.5	61.1	65.5	16.1	16.0	16.4
Belgium	1,162.5	1,31.5	1,145.1	923.2	933.5	934.8	79.4	82.5	81.6	145.9	120.8	122.8	12.5	10.7	10.7
Canada /1	3,133	3,393	3,293	2,552	2,781	2,732	81.5	82.0	83.0	318	343	326	10.2	10.1	9.9
Czech Rep.	6,627.9	7,095.1	7,206.1	5,062.6	5,362.5	5,668.7	76.4	75.6	78.7	916.2	990.9	1,029.6	13.8	14.0	14.3
Denmark	5,686 /1	4,977	4,971	3,818	3,345	3,404	67.2	67.2	68.5	851	864	863	15.0	17.4	17.4
Finland /1	330.2	342.8	359.4	226.3	228.8	234.2	68.5	66.7	65.2	64.8	67.1	76.8	19.9	19.6	21.4
France	4,542	4,516	4,513	3,572	3,583	3,571	78.6	79.3	79.1	473	394	412	10.4	8.7	9.1
Germany	6,709	6,850	6,817	5,656	5,775	5,676	84.3	84.3	83.3	367	359	361	5.5	5.1	5.3
Greece	-- n.avail. --														
Hungary	65,788.7	79,203.7	99,231.2	53,163.3	65,967.4	79,368.4	80.8	83.3	80.0	6,790.4	8,266.1	11,603.6	10.3	10.4	11.7
Iceland	-- n.avail. --														
Ireland /1	386.4	420.2	448.3	283.3	298.0	320.6	73.3	70.9	71.5	43.3	52.6	52.9	11.2	12.5	11.8
Italy /1	4,570.8	4,581.6	4,572.9	3,024.8	3,153.5	3,177.6	66.2	68.8	69.5	228.4	223.4	180.2	5.0	4.9	3.9
Japan	717,627	715,700	723,451	569,512	570,820	579,735	79.4	79.8	80.1	72,292	67,306	61,537	10.1	9.4	8.5
Korea	979,476	1,023,823	1,081,983	665,583	690,945	719,319	68.0	67.5	66.5	53,348	63,887	68,889	5.5	6.2	6.4
Luxembourg	72.0	75.6	81.2	60.5	64.0	66.4	84.0	84.7	81.8	n.avail.	n.avail.	n.avail.	-	-	-
Mexico	7,790.4	8,118.5	8,308.4	6,544.6	6,838.9	6,849.7	84.0	84.2	82.4	427.4	426.5	434.0	5.5	5.3	5.2
Netherlands	2,133	2,208	2,237	1,277	1,352	1,431	59.9	61.2	64.0	628	628	691	29.4	28.4	30.9
N. Zealand /1	320	336	365	198	209	230	61.9	62.2	63.0	79	87	106	24.7	25.9	29.0
Norway	3,660	3,850	3,901	2,192	2,322	2,460	59.9	60.3	63.1	639	658	670	17.5	17.1	17.2
Poland	3,012.5	3,065.9	3,257.0	2,217.7	2,283.3	2,340.2	73.6	74.5	71.9	n.avail.	n.avail.	n.avail.	-	-	-
Portugal	441	442.5	464.4	355.8	357.4	368.6	80.7	80.8	79.4	54.3	62	62.3	12.3	14.0	13.4
Slovak Rep.	3,158	3,192	3,185	1,374	1,514	1,581	43.5	47.4	49.6	725	475	448	23.0	14.9	14.1
Spain /1	1,195	1,247	1,323	796	836	888	66.6	67.0	67.1	79	85	69	6.6	6.8	5.2
Sweden /1	5,059	5,412	5,864	3,564	3,889	4,084	70.5	71.9	69.6	1,011	1,082	1,172	20.0	20.0	20.0
Switzerland	143	145	149	129	130	135	90.2	89.7	90.6	14	15	14	9.8	10.3	9.4
Turkey	1,042.8	1,152.9	1,274.6	676.9	760.2	872.4	64.9	65.9	68.4	45	15	47	4.3	1.3	3.7

COUNTRY	Aggregate administrative costs for tax functions (incl. salaries & overhead)			Total salary costs for tax functions			Salary costs/aggregate administrative costs for tax functions (%)			Total IT costs			IT costs/ aggregate administrative costs for tax functions (%)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
UK /1	4,202	4,509	4,773	2,648	2,751	2,923	63.0	60.1	61.2	n.avail.	n.avail.	n.avail.	-	-	-
USA /1	10,398	10,606	10,765	7,439	7,561	7,702	71.5	71.3	71.6	1,669	1,685	1,629	16.1	15.9	15.1
2) Non-OECD countries															
Argentina	1,046.87	1,458.28	2,092.13	949.95	1,313.37	1,970.15	90.7	90.1	94.2	31.81	66.97	59.45	1.5 /1	2.5	1.5
Bulgaria	152	127	129	90	87	98	59.2	68.5	76.0	2	0.5	0.5	1.3	0.4	0.4
Chile	74,921	81,693	94,553	60,500	65,699	73,818	80.8	80.4	78.1	5,588	3,368	4,843	7.5	4.1	5.1
China	---------- n.avail. ----------														
Cyprus /1	110.07	125.62	170.11	15.45	16.64	18.17	14.0	13.2	10.7	0.1	0.1	0.1	0.1	0.1	0.1
Estonia /1	481	494	590	340	357	448	70.7	72.3	75.9	-	-	-	-	-	-
Latvia	33	41	52	22	25	32	66.7	61.0	61.5	5	10	16	15.2	24.4	30.8
Malaysia	640.46	701.31	895.29	425.56	442.51	602.30	66.4	63.1	67.3	8.60	17.10	35.96	1.3	2.4	4.0
Malta	9.69	9.64	8.80	6.03	6.07	5.67	62.2	63.0	64.4	0.01	0.01	0.01	0.1	0.1	0.1
Romania /1	499.56	689.63	1,043.80	363.17	517.01	799.38	72.7	75.0	76.6	n.avail.	n.avail.	n.avail.	-	-	-
Singapore	183.3	184.0	189.1	108.6	101.7	109.5	59.2	55.3	57.9	48.2	56.6	56.4	26.3	30.8	29.8
Slovenia	88.97	102.11	92.01	59.99	61.08	62.76	67.4	59.8	68.2	4.85	6.56	6.82	5.5	6.4	7.4
S. Africa /1	4,312	5,135	5,134	2,505	2,935	3,125	58.1	57.2	60.9	n.avail.	n.avail.	n.avail.	-	-	-

Sources: Country survey responses

/1. **Argentina**—ratio to total cost including customs; **Australia**—Expenditure data does not include any capital expenditure; **Canada**—All expenditures reported on an accrual basis of accounting and include services received without charge by other government departments. Total Administrative Expenditures (tax administration) excludes non-tax revenue as well as Benefit Program Administration expenditures. Total salary expenditure (tax administration) is total salary expenditures (all functions) excluding an estimate of Benefit Program Administration Salary expenditures; **Cyprus**—integrated data for direct tax department and VAT department; **Denmark**—Due to the amalgamation of municipal and state tax administration services in 2005 the 2005 statement includes an element of informed assessment; **Estonia**—Data for all functions including customs; **Finland**—data for all functions; **Ireland**—Data includes functions other than tax administration due to integrated tax and customs administration. Expenditure for IT related operations does not include employee costs; **Italy**—total expenditure data of Revenue Agency, GDF and Equitalia; **N. Zealand**—Expenditure prepared on accruals basis under GAAP, and incorporates depreciation and capital charge. Expenditure on tax administration functions (total and salary) is estimated.; **Romania**—data include customs and other functions; **Slovak Rep.**—IT costs include capital expenditures 491 million SKK (2005), 266 million SKK (2006) 231 million SKK (2007); **Spain**—Expenditure data include customs. IT costs include only capital expenditures and external applications. Wages of the IT department (2,648 staff) are excluded; **South Africa**—expenditure data including customs; **Sweden**—expenditure data (and related ratios) exclude costs of independent Enforcement Agency staff that conducts enforced debt collection activities; **UK**—Expenditure data includes customs-related activities which cannot be isolated, IT operations are outsourced.; **USA**—IT costs include smaller costs for IT improvement programs, but does not include the IRS Business Systems Modernization (BSM) Program, which are development, and not operational expenses. The BSM costs are $316 million in 2005, $215 million in 2006, and $234 million in 2007.

Table 11: Comparison of aggregate administrative costs to net revenue collections /1

COUNTRY	Administrative costs/ net revenue collections (costs per 100 units of revenue)								Abnormal or unusual factors likely or known to influence reported ratio
	2001	2002	2003	2004	2005	2006	2007	Trend	
1) OECD Countries									
Australia /2	1.06	1.07	1.05	1.05	1.03	0.99	0.93	Decreasing	
Austria	0.71	0.72	0.91	0.78	0.66	0.65	0.64	Decreasing	High tax burden; revenue base excludes social security contributions (SSCs).
Belgium	-	-	-	1.89	1.42	1.35	1.40	Unclear	Revenue base excludes SSCs.
Canada	1.08	1.20	1.33	1.17	1.31	1.35	1.22	Unclear	
Czech Rep.	-	2.08	-	-	1.29	1.38	1.25	Unclear	Revenue base excludes SSCs and, from 2004, excise revenues.
Denmark	-	0.73*	0.87	0.83	0.74	0.63	0.62	Decreasing	Very high tax burden; revenue base includes VAT on imports; *2002 excludes municipalities.
Finland	0.77	0.82	0.82	0.80	0.79	0.78	0.77	Decreasing	High tax burden; revenue base includes SSCs
France	1.41	1.44	1.41	1.35	1.07	0.99	0.97		Revenue base excludes SSCs
Germany	n.avail.	n.avail.	n.avail.		0.86	0.83	0.78	Decreasing	Revenue base excludes SSCs
Greece	n.avail.	n.avail.	1.65	1.69	-	-	-		Revenue base excludes SSCs; cost base includes some non-tax administration costs
Hungary	1.23	1.35	n.avail.	1.14	0.99	1.11	1.15	Unclear	Revenue base includes SSCs.
Iceland	-	1.12	1.06	1.02	n.avail.	n.avail.	n.avail.		Revenue base includes SSCs.
Ireland	0.90	0.95	0.91	0.86	0.82	0.78	0.79	Decreasing	Costs include customs operations; revenue base includes SSCs and VAT on imports.
Italy	n.avail.	n.avail.	n.avail.	n.avail.	1.36	1.24	1.16	Decreasing	Revenue base excludes SSCs. Costs include tax fraud work carried out by GDF (tax police).
Japan	1.54	1.66	1.67	1.58	1.69	1.56	1.53	Unclear	Relatively low tax burden; revenue base excludes SSCs
Korea	0.85	0.85	0.82	0.86	0.81	0.79	0.71	Decreasing	Revenue base excludes SSCs.
Luxembourg	n.avail.	n.avail.	n.avail.	1.59	1.42	1.25	1.18	Decreasing	Revenue base excludes SSCs.
Mexico /1	n.avail.	1.44	1.41	1.29	1.18	1.06	0.95	Decreasing	Revenue and cost bases include customs. Steep increase in tax revenues from 2005, costs exclude IT capital expenditures.
Netherlands	1.74	1.76	1.39	1.30	1.35	1.15	1.11	Decreasing	Revenue base includes SSCs (including new categories from 2006) and VAT on imports
N. Zealand	0.90	0.87	0.83	0.81	0.76	0.71	0.75	Decreasing	
Norway	0.56	0.59	0.59	0.56	0.72	0.71	0.67	Increasing	High tax burden; revenue base includes SSCs
Poland	1.50	1.78	1.95	2.62	1.93	1.75	1.42	Decreasing	Costs and revenue base include customs operations; revenue base

COUNTRY	Administrative costs/ net revenue collections (costs per 100 units of revenue)								Abnormal or unusual factors likely or known to influence reported ratio
	2001	2002	2003	2004	2005	2006	2007	Trend	
									excludes SSCs
Portugal	1.61	1.68	1.51	1.49	1.59	1.43	1.41	Decreasing	Revenue base excludes SSCs and excise
Slovak Rep.	1.43	1.46	1.45	1.26	2.43	2.49	2.41	Unclear	Revenue base excludes SSCs and, after 2004, excise
Spain	0.81	0.78	0.83	0.82	0.74	0.68	0.65	Decreasing	Revenue base includes VAT on imports. Costs include customs
Sweden /2	0.55	0.56	0.57	0.59	0.38	0.39	0.41		Very high tax burden & revenue base includes SSCs; from 2005, cost base excludes Enforcement Agency operations (for debt collection)
Switzerland	-	-	0.66	0.62	0.30	0.29	0.28		Ratio not comparable with other countries as it excludes costs of direct taxes administration of sub-national cantons
Turkey /2	0.81	0.72	0.74	0.83	0.87	0.84	0.83	Constant	Revenue base excludes SSCs
UK	1.06	1.11	1.04	0.97	1.10	1.12	1.10	Constant	Data to 2004 refer to direct taxes administration. Data from 2005 include revenue and costs of customs.
USA /2	0.46	0.52	0.57	0.56	0.52	0.47	0.45	Decreasing	Revenue base includes SSCs; no national VAT
2) Selected Non-OECD countries									
Argentina	0.88	0.86	0.85	0.83	1.60	1.62	1.84		Revenue and cost base includes Customs from 2005
Bulgaria	-	-	-	-	6.49	3.19	1.29	Decreasing	Ratios significantly impacted by changed tax collection arrangements (i.e. SSC's – transferred to revenue body, new VAT collection procedures)
Chile	-	-	0.89	0.88	0.69	0.63	0.60	Decreasing	Revenue base excludes SSCs. Cost base includes only the administrative costs of SII and excludes tax debt collection function carried out by separate agency
China	-	-	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.		
Cyprus	-	-			5.7	5.1	5.8		Revenue base excludes SSCs.
Estonia	-	-	-	-	1.03	0.88	0.86	Decreasing	Revenue base includes SSC and cost base includes Customs operations.
Latvia	-	-	-	-	1.24	1.19	1.31	Unclear	Revenue base includes SSCs.
Malaysia	-	-			1.20	1.14	1.29	Unclear	Revenue and cost bases relate mostly to direct taxes administration.
Malta	-	-	0.85	0.83	1.14	1.09	0.97		Revenue bases include SSCs. Direct taxes only for 2003 and 2004.
Romania	-	-	n.avail.	n.avail.	0.63	0.72	0.91		Revenue base include SSCs and Customs. Costs include customs and all other functions.
Singapore	0.87	0.90	0.99	1.01	1.02	0.93	0.83	Decreasing	Very low tax burden that excludes the equivalent of SSCs
Slovenia	1.14	1.13	1.17	1.05	0.93	0.98	0.83	Decreasing	Revenue base includes SSCs
South Africa	-	-	1.21	1.25	1.19	1.21	1.02	Constant	Costs include customs operations; revenue includes VAT on imports

COUNTRY	Administrative costs/ net revenue collections (costs per 100 units of revenue)								Abnormal or unusual factors likely or known to influence reported ratio
	2001	2002	2003	2004	2005	2006	2007	Trend	
									and customs duties.

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

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

/2. **Australia and Turkey**—data as per revenue body's annual report for 2007 (Australia) and 2005 (Turkey); **Mexico**—data from Tax Report by Tax Administration Service; **Slovenia**—data as per annual reports; **Sweden**—net revenue of 2005 in Taxes in Sweden (7th edition); **USA**—ratios indicated vary from IRS-published ratios owing to use of 'net' and not 'gross' collections as the denominator.

/3. Results shown for this ratio in prior years appear to have included some 'non-tax related' expenses, thereby producing a ratio higher than if computed accurately (i.e. all tax administration-related expenditure as a proportion of net revenue collections).

Table 12. Revenue body expenditure as % of GDP (OECD countries)

Country	Tax administration expenditure/ GDP (%)			All revenue body expenditure/ GDP (%)			Non-tax Expenditure (as % of total expenditure)			GDP /1		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Australia	0.229	0.220	0.204	0.254	0.241	0.229	14	9	11	967,453	1,046,621	1,133,313
Austria	n.avail.	n.avail.	n.avail.	0.377	0.355	0.347	n.avail.	n/avail.	n.avail.	245,330	257,897	272,669
Belgium	0.384	0.357	0.346	0.536	0.493	0.481	28	28	28	301,966	316,622	330,800
Canada	0.224	0.232	0.212	0.253	0.264	0.248	11	12	15	1,397,781	1,468,366	1,554,176
Czech R.	0.221	0.219	0.202	0.233	0.225	0.215	5	2	6	2,987,722	3,231,576	3,557,584
Denmark	0.367	0.303	0.293	0.421	0.350	0.336	13	13	13	1,548,153	1,641,520	1,696,238
Finland	0.209	0.205	0.214	0.209	0.205	0.214	0	0	0	157,335	167,062	167,063
France	0.263	0.250	0.238	0.451	0.428	0.414	42	42	42	1,726,068	1,807,462	1,892,241
Germany	0.298	0.294	0.281	0.298	0.294	0.281	0	0	0	2,244,600	2,322,200	2,423,800
Greece	-	-	-	-	-	-	-	-	-	198,609	213,985	228,949
Hungary	0.298	0.333	0.390	0.298	0.333	0.390	0	0	0	22,042,476	23,795,306	25,405,796
Iceland	-	-	-	-	-	-	-	-	-	1,026,251	1,167,684	1,279,379
Ireland /2	-	n.avail.	-	0.238	0.237	0.235	-	n.avail.	-	161,498	174,705	184,139
Italy /2	0.272	0.264	0.258	-	-	-	-	-	-	1,428,375	1,479,981	1,535,540
Japan	0.142	0.140	0.140	0.142	0.140	0.140	0	0	0	503,788,500	512,198,600	515,292,800
Korea	0.120	0.121	0.120	0.120	0.121	0.120	0	0	0	810,515,869	848,044,635	901,188,604
Luxembourg	0.246	0.223	0.224	0.246	0.223	0.224	0	0	0	30,032	33,854	36,137
Mexico	0.093	0.088	0.085	0.108	0.104	0.099	14	15	14	8,361,107	9,149,911	9,753,400
Netherlands	0.419	0.413	0.399	0.523	0.516	0.500	20	20	20	508,964	534,324	559,537
N. Zealand	0.202	0.199	0.203	0.272	0.289	0.296	25	30	31	158,321	168,672	179,964
Norway	0.188	0.179	0.171	0.196	0.186	0.178	4	4		1,945,716	2,161,728	2,276,757
Poland	0.306	0.289	0.280	0.402	0.377	0.361	24	23	22	983,302	1,060,194	1,162,903
Portugal	0.295	0.284	0.285	0.295	0.284	0.285	0	0	0	149,124	155,323	162,756
Slovak R.	0.215	0.195	0.174	0.221	0.224	0.180	3	13	3	1,471,131	1,636,263	1,825,777
Spain /2	n.avail.	-	-	n.avail.	0.132	0.128	-	n.avail.	-	908,450	980,954	1,049,848
Sweden	0.185	0.187	0.191	0.223	0.226	0.226	17	17	15	2,735,218	2,899,653	3,070,591
Switzerland					n.avail. /2					463,673	486,178	508,276
Turkey	0.152	0.152	0.149	0.152	0.152	0.149	0	0	0	648,932	758,391	856,387

Country	Tax administration expenditure/ GDP (%)			All revenue body expenditure/ GDP (%)			Non-tax Expenditure (as % of total expenditure)			GDP /1		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
UK /2	-	n.avail.	-	0.340	0.351	0.346	-	n.avail.	-	1,233,976	1,303,915	1,381,565
USA	0.084	0.081	0.078	0.084	0.081	0.078	0	0	0	12,376,100	13,132,900	13,776,521

Sources: Survey responses and GDP data supplied by member countries' MOFs or estimated by OECD CTPA for the OECD publication Revenue Statistics 1965-2007.

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

/2. **Ireland** and **Spain**—ratios include costs of customs administration; **Italy**—calculations based on cost data provided for tax related functions of revenue body (AE), tax-related work of the separate tax police body (Guardia di Finanza), and separate tax debt collection function (Equitalia); **Switzerland**—meaningful comparison not possible as cost data for taxes administered at the sub-national level are not available; **UK**—2005/06 figures unavailable due to differences in data sources and scope following merger.

Table 14: Staff usage on tax administration functions: comparison of staff-related measures (2007)

COUNTRY	STAFF-RELATED MEASURES (2007)					UNUSUAL/ ABNORMAL FACTORS LIKELY/KNOWN TO INFLUENCE REPORTED RATIOS
	Staff usage (FTEs) on all revenue body functions	Staff usage (FTEs) on tax functions & related overheads /1	Tax & overhead functions/all functions (%)	No. citizens/ FTE staff on tax & related overhead functions	No. labour force/FTE on tax & related overhead functions	
1) OECD countries						
Australia	20,877	20,738	99.3	998	519	
Austria	7,993	7,993	100.0	1,036	516	
Belgium	17,322	17,322	100.0	609	268	Includes real property, motor vehicle taxes /4
Canada	38,179	36,717	96.2	889	481	
Czech Rep.	15,778	14,679	93.0	698	354	
Denmark	8,888	8,026 /2	90.3	677	362	Includes real property, motor vehicle taxes /4
Finland	5,913	5,913	100.0	891	452	
France	127,907	n.avail.	n.avail.	n.avail.	n.avail.	
Germany	111,988	111,988	100.0	736	371	
Greece	12,779	12,566	98.3	887	388	Staff numbers include some non-tax functions
Hungary	13,567	13,567	100	742	313	
Iceland	n.avail.	n.avail.	-	-	-	Includes motor vehicle taxes/fees /4
Ireland	6,656	6,656	100	637	317	Staff usage includes customs component.
Italy /2	54,619	54,619	100	1,070	452	Staff usage excludes outsourced debt collection function.
Japan	56,159	56,159	100	2,275	1,185	Substantially reduced administrative workloads- refer text.
Korea	17,179	17,179	100.0	2,811	1,396	Substantially reduced administrative workloads- refer text.
Luxembourg	907	907	100	517	364	
Mexico	32,729	21,119	64.5	4,968	2,046	Substantially reduced administrative workloads- refer text.
Netherlands	31,220	25,500	81.7	641	337	Includes motor vehicle taxes/fees /4
N. Zealand	5,944	4,172	70.2	1,003	530	
Norway	6,077	5,849	96.2	797	418	
Poland	66,674	50,655	76.0	753	335	
Portugal	11,463	11,463	100.0	923	487	Includes real property, motor vehicle taxes /4
Slovak Rep.	5,771	5,144	89.1	1,048	516	Includes motor vehicle taxes /4
Spain	27,153	27,153	100.0	1,623	795	Staff usage data Includes customs component
Sweden	9,900	8,650	87.4	1,050	540	Includes real property, motor vehicle taxes /4 , but excludes Enforcement Agency

COUNTRY	STAFF-RELATED MEASURES (2007)					UNUSUAL/ ABNORMAL FACTORS LIKELY/KNOWN TO INFLUENCE REPORTED RATIOS
	Staff usage (FTEs) on all revenue body functions	Staff usage (FTEs) on tax functions & related overheads /1	Tax & overhead functions/all functions (%)	No. citizens/ FTE staff on tax & related overhead functions	No. labour force/FTE on tax & related overhead functions	
						staff
Switzerland	977	935	95.7	8,004	4,788	Ratios not comparable with other countries as they exclude staff of separate sub-national bodies responsible for income tax administration- refer text.
Turkey	41,525	41,525	100.0	1,756	609	
UK /2	88,934	88,934	100.0	681	337	Staff data includes customs component
USA	92,017	92,017	100	3,254	1,636	No national VAT - refer text.
2) Selected Non-OECD Countries						
Argentina	21,118	17,152	81.2	2,282	935	
Bulgaria	7,976	7,976	100	968	325	
Chile	3,801	3,801	100	4,331	1,834	Staffing figure excludes tax debt collection function undertaken by separate body.
China	739,700	650,000	87.9	2,012	1,204	
Cyprus	809	809	100	962	486	
Estonia	2,008	2,008	100	670	342	Staff usage data include customs component
Latvia	5,029	2,422	48.2	948	482	
Malaysia	8,981	8,981	100	2,966	1,183	Staff usage data relate mostly to direct taxes administration.
Malta	404	404	100	1,003	399	
Romania	30,435	23,968	78.8	902	390	Staff usage on tax functions exclude Customs & Financial Guard
Singapore	1,600	1,600	100	2,739	1,719	
Slovenia	2,551	2,551	100	784	363	
South Africa	14,548	10,780	74.1	4,479	1,901	Staff usage on tax functions include National Operations, Enforcement & Risk Management, 10% of Customs, and 50% of Legal and Policy staff that are directly involved with tax functions

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

/1. Observations and conclusions based on the information in this table should pay close regard to the comments in the preceding text in this chapter. Staff usage on tax functions include those working in all functions associated with administration of tax laws including overhead/ support functions.

/2. **All countries**—the data shown has been drawn from individual country survey responses unless otherwise indicated; the definition of the number of person-days that constitute one person year (one full time equivalent (FTE)) varies from country to country. For the purpose of this analysis no attempt has been made to apply a standard definition in order to arrive at a more consistently

based summary of aggregate FTEs/ revenue body; **Denmark**—For calculating the tax-related staffing, FTE used on customs is excluded. The exclusion is based on the relative FTE consumption on customs in 2006 (9.7%); **Italy**—data for Revenue Agency and 1/3 staffs of GDF; **Mexico**—Number of staff as at December 31st, 2007.

/3. Population and labour force data obtained from *OECD in Figures 2008'*. Same data used in Table 34.

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

Table 15: Aggregate staff usage on major tax administration functions in 2007

COUNTRY	Total staff usage in 2007 (FTEs), or year-end employees	Total staff usage on major tax functions /1									
		Client account management functions		Audit, investigation & other verification functions		Enforced debt collection and related functions		Corporate management functions		Other functions	
		No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	% of total
1) OECD countries											
Australia	20,877	4,792	23.0	6,291	30.1	2,620	12.5	3,874	18.6	3,300/2	15.8
Austria	7,993	906	11.3	5,584	69.6	853	10.7	224	2.8	426	5.3
Belgium	17,322	-	-	7,772	44.9	2,194	12.7	5,374	31.0	1,982	11.4
Canada	36,717	9,349	25.5	10,269	28.0	7,375	20.1	7,309	19.91	2,415	6.6
Czech Rep.	14,679	1,879	12.8	3,171	21.6	973	6.6	1,667	11.4	337	2.3
Denmark	8,026	1,455	18.1	2,574	32.1	908	11.3	974	12.1	2,115	26.4
Finland /2	5,913	2,787	47.1	2,553	43.2	276	4.7	297	5.0	-	-
France /2	127,907	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Germany	111,988	-	-	75,000 /2	67.0	12,000	10.7	11,750	10.5	13,238	11.8
Greece	12,566	-	-	2,714	21.6	-	-	-	-	-	-
Hungary	13,567	4,525	33.4	4,392	32.4	2,367	17.4	2,283	16.8	-	-
Iceland /2	78	50	64.1	12	15.4	-	-	9	11.5	7	9.0
Ireland /2	6,656	2,724	40.9	2,106	31.6	333	5.0	1,143	17.2	350	5.3
Italy /2	54,619	11,053	20.2	38,163	69.9	-	-	5,403	9.9	-	-
Japan	56,159	n.avail. /2	-	38,785	69.1	8,043	14.3	8,018	14.3	1,313	2.3
Korea	17,179	8,219	47.8	3,837	22.3	824	4.8	2,158	12.6	2,141	12.5
Luxembourg	907	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Mexico /2	21,119	1,632	7.7	9,444	44.7	6,031	28.6	4,012	19.0	-	-
Netherlands /2	25,500	4,000	15.7	10,000	39.2	1,000	3.9	7,000	27.5	3,500	13.7
N. Zealand /2	5,944	2,603	43.8	986	16.6	583	9.8	1,024	17.2	748	12.6
Norway	5,849	1,474	25.2	3,050	52.1	377	6.5	852	14.6	97	1.7
Poland	50,655	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Portugal /2	11,463	7,417	64.7	1,987	17.3	1,852	16.2	207	1.8	-	-
Slovak Rep.	5,144	2,146	41.7	1,795	34.9	323	6.3	372	7.2	508	4.0
Spain	27,153	6,832	25.2	5,007	18.4	4,452	16.4	3,376	12.4	7,486 /2	27.8
Sweden /2	8,650	2,000	23.1	2,800	32.4	350	4.0	900	10.4	2600	30.1
Switzerland	935	84	9.0	309	33.0	65	7.0	112	12.0	365	39.0
Turkey	41,525	21,633	52.1	3,047	7.3	11,112	26.8	1,464	3.5	4,269	10.3
UK /2	88,934	37,109	41.7	34,059	38.3	6,706	7.5	10,620	11.9	440	0.5

COUNTRY	Total staff usage in 2007 (FTEs), or year-end employees	Total staff usage on major tax functions /1									
		Client account management functions		Audit, investigation & other verification functions		Enforced debt collection and related functions		Corporate management functions		Other functions	
		No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	% of total
USA	92,017	29,877	32.5	14,021	15.2	31,793	34.5	14,657	15.9	1,670	1.8
2) Selected non-OECD countries											
Argentina	17,152	746	4.3	6,870	40.1	3,801	22.2	3,250	18.9	2,485	14.5
Bulgaria	7,976	2,058	25.8	3,584	44.9	377	4.7	1,004	12.6	953	11.9
Chile	3,801	453	11.9	2,910	76.6	-	-	425	11.2	13	0.3
China	650,000	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Cyprus	809	305	37.7	306	37.8	101	12.5	87	10.8	10	1.2
Estonia	803	-	-	-	-	-	-	-	-	-	-
Latvia	2,422	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Malaysia	8,981	1,446	16.1	2,628	29.3	1,780	19.8	3,125	34.8	-	-
Malta	404	195	48.3	45	11.1	34	8.4	45	11.1	85	21.0
Romania /2	23,968	3,477	14.5	6,648	27.7	4,177	17.4	3,728	15.6	5,938	24.8
Singapore	1,600	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Slovenia	2,551	245	9.6	1,466	57.5	295	11.6	124	4.9	421	16.5
South Africa /2	14,548	6,437	44.2	3,180	21.9	849	5.8	194	1.3	3,888	26.7

Sources: Country survey responses and annual reports

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

/2. **Australia**—provision of written advice, marketing, education, Australian Valuation Office and others; **Finland**—customs is not included; **France**—Due to merger between DGI and DGCP, breakdown of staff number is not available.; **Germany**—Taxpayer account management functions are included in audits and verification functions; **Iceland**—number of staff only in headquarter; **Ireland**—Figures for Staff numbers are the average for 2007, and include all serving staff who are paid for a particular period. Figures include temporary staff.; **Italy**—data for Revenue Agency and 1/3 staffs of GDF, not including outsourced debt collection function; **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; **Mexico**—Number of staff as of December 31st, 2007; **Netherlands**—data exclude customs and benefit division; **New Zealand**—includes components of non-tax functions that can't be isolated; **Portugal**—number of year-end employees; **Romania**—total of National Agency for Fiscal Administration excluding Customs & Financial Guard; ; **Spain**—includes 3,644 staff in Customs; **Sweden**—data exclude EA staffs (around 1,850) which carries out enforced tax debt collection functions; **South Africa and UK**—data includes Customs.

Chapter 5 – Operational performance

Outline

This chapter provides an overview of the data collected from surveyed revenue bodies relating to their operational performance in key areas of tax administration. It sets out the outputs (e.g. tax collections) of revenue body activity. In addition to workload-related information, various ratios/indicators are also presented as some of these are regularly used in international comparisons of the performance of revenue bodies.

Key points and observations

Tax revenue collections

- Tax burden ratios vary enormously between surveyed countries. For fiscal year 2006, 9 countries in the European region had tax/GDP ratios of more than 40%. In contrast, total tax revenues of Chile, Malaysia, and Singapore were less than 20% of GDP, while 10 countries had tax ratios in the 20-30% range. The remaining countries that provided data had an aggregate tax burden between 30-40% of GDP.

Refunds of overpaid taxes

- The incidence of tax refunds varies significantly, reflecting a range of tax system design factors: 11 revenue bodies reported aggregate refunds < 10%. 14 Reported an amount between 10-20%, 6 reported between 20-30%, and 2 reported > 30%.

Tax verification activities

- For most revenue bodies, the value of verification results represents less than 4% of annual net revenue collections: 13 revenue bodies reported results of < 2% of net revenue collections, while 14 reported a figure in the range 2-4%. 8 Revenue bodies reported results in excess of 4%.

- The coverage achieved from verification activities, measured as a proportion of the estimated size of the taxpayer population varied significantly. For 11 revenue bodies, the coverage was < 1%, for 14 bodies the rate was calculated as between 1 to 4%, while for 13 the rate was calculated as exceeding 4%.

Collection of tax debt

- The incidence of unpaid taxes, as reflected in the relative size of debt inventories, varies enormously across surveyed revenue bodies, suggesting that there are substantial variations in the overall level of payment compliance. Applying the benchmark ratio '*value of year-end tax debt/ annual net revenue* ' for 2007 as a broad indicator of the relative magnitude of the debt inventory: 16 had a ratio < 5%; 8 were between 5 and 10%; 4 were between 10-20 %; and 4 were > 20%.

- Survey responses suggest weaknesses in the management information systems of 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 just over one quarter could not report the number of debt cases and associated tax amounts.

Operational performance

1. 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) selected areas of taxpayer service delivery; 4) verification activities; 5) dispute resolution; and 6) collection of unpaid taxes.

2. Given the 'comparative' nature of this series, every effort has been made to ensure that a common understanding has been applied by surveyed countries in interpreting terms such as 'verification', 'tax disputes', and 'tax arrears'. For the reasons outlined in this chapter

and elsewhere in this document, considerable care should be taken when interpreting this information and in drawing any conclusions as to the relative efficiency and effectiveness of the individual revenue bodies identified. In particular, reference should be made to other parts of this report (e.g. data related to the scope of taxes collected and resource allocations) to identify factors that may explain what appear to be "unusual" situations in this chapter.

Tax revenue collections (Tables 16 and 17)

3. 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 3) are collected by surveyed revenue bodies.

4. 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 recognize that the tax ratios published by the OECD depend just as much on the denominator (GDP) as the numerator (tax revenue), and that the numerator is subject to revision for a variety of reasons. Readers are directed to the OECD publication *Revenue Statistics 1965-2007, 2008 edition*[47] for more information concerning the impact of GDP revisions on reported tax ratios in member countries.

5. Table 16 provides aggregate country tax revenues (for the major tax types and covering all levels of government) as a percentage of gross domestic products (GDP) for fiscal year 2006. These ratios are calculated by expressing total tax revenues as a percentage of GDP at market prices. A provisional or actual aggregate amount for all taxes is also provided, where available, for fiscal year 2007. The data for OECD countries has been sourced from the OECD's '*Revenue Statistics'* publication while the data for non-OECD EU member countries has been sourced from the EU's official annual publication *'Taxation Trends in the European Union'*. Other countries' data has been obtained from a variety of sources that are referenced at the foot of the table. Care needs to be taken when comparing the tax burdens of the countries included given the possibility of differences in the way the underlying aggregate data may have been compiled.

6. Table 17 provides a summary of aggregate net revenue collected by the revenue body in 2005 -2007, split between the aggregate revenue paid voluntarily, as calculated by revenue bodies, and aggregate revenue calculated to have resulted from all verification and enforcement-related activities.

7. The key points from the information contained in Tables 16 and 17 are as follows:

- As will be evident from Table 16, tax burden ratios vary enormously between surveyed countries. For fiscal year 2006, 9 countries in the European region—Austria, Belgium, Denmark, Finland, France, Iceland, Italy, Norway and Sweden—had tax/GDP ratios of more than 40%. In contrast, total tax revenues of Chile, Malaysia and Singapore were less than 20% of GDP, while 10 countries—Argentina, Japan, Korea, Mexico, Romania, Slovak Republic, South Africa, Switzerland, Turkey and the United States had tax ratios in the 20-30% range. The remaining surveyed countries had an aggregate tax burden equivalent to between 30-40% of GDP.

- The variations evident from Table 16 have a number of implications from a tax administration viewpoint, particularly in the context of international comparisons. The significant variations in reported tax ratios coupled with variations in the mix of direct and indirect taxes mean that there can be quite different administrative workloads and compliance considerations from country to country.

[47] http://www.oecd.org/document/4/0,3343,en_2649_34533_41407428_1_1_1_1,00.html

- Table 17, in part, reflects the incidence of aggregate taxes collected that are paid following some form of enforcement activity (e.g. verification and enforced debt collection). As will be evident from the table, less than half of surveyed revenue bodies were able to report such data, and the amounts reported ranged fairly evenly between 1 to 7%. This data needs to be treated with care given the difficulties inherent in accurately attributing revenue collections resulting from voluntary payments and those resulting from compliance/enforcement-related activities.

Refunds of overpaid taxes (Tables 17 and 18)

8. A factor given relatively little attention in describing national tax systems and the work of national revenue bodies is the overpayment of taxes, and the resultant workload and costs for the revenue body and taxpayers to settle 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. However, as indicated in Table 18 and discussed below the incidence of overpaid taxes for many countries in aggregate terms is higher than perhaps generally recognised and varies significantly across countries. For some countries, the relatively high incidence of tax refunds raises questions concerning the costs borne by taxpayers where taxes are overpaid, particularly where it is not the practice of the revenue body to make refunds in a relatively expeditious manner, and especially if interest is not credited to taxpayers in respect of delayed refunds.

9. This section provides data on the incidence of overpaid taxes (in aggregate and for the major taxes in selected countries) and identifies some of the more common reasons for their occurrence. Table 17 and 18 set out data on the aggregate incidence of refunds of overpaid taxes in surveyed countries and for major tax types in a few selected countries respectively, key observations include:

- The incidence of tax refunds varies significantly, reflecting a range of tax system design factors that are discussed below. For 2007 11 revenue bodies reported aggregate refunds < 10%, 14 reported an amount between 10-20%, 6 reported between 20-30%, and 2 reported in excess of 30% (i.e. Bulgaria and Slovakia). In the case of Slovakia where the rate exceeds 60%, there would seem a strong case for reform, given the compliance costs attaching to the high incidence of overpayment and associated revenue body workloads.

- For 11 revenue bodies (of the 33 reporting data) there is a trend of increased refunds over the years 2005 to 2007.

- From the data presented for selected countries, refunds of PIT are relatively significant in countries with non-cumulative withholding regimes, while VAT refunds are significant in most countries (presumably as a result of the VAT exemption on exports).

10. From limited research carried out by the Secretariat, there appear to be a range of factors that influence the overall level of refunds for each of the major taxes administered. Some or all of these may apply, to varying degrees, across each of the surveyed countries:

- *VAT:* Factors relevant here include 1) 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); 2) design features of the VAT system, particularly the extent of zero-rating and use of multiple rates; and 3) inflated VAT refund claims that go undetected, including those resulting from fraudulent schemes designed to exploit weaknesses in VAT refund controls.[48]

[48] For an in-depth review of the incidence of VAT refunds and their implications for revenue bodies see *VAT Refunds: A Review of Country Experience,* IMF Working Paper WP/05/218 - http://www.imf.org/external/pubs/cat/longres.cfm?sk=18646.0

- *PIT:* There is a variety of potentially relevant factors, including 1) employee withholding schedules (where the non-cumulative approach is used) that are calibrated to 'over-withhold' taxes from employees wages', pending the settlement of liabilities in end-of year tax returns; 2) tax system design features that result in various tax benefits being delivered to taxpayers via the end-of-year tax return assessment process; 3) the use of flat rate (creditable) withholding mechanisms for investment income, particularly interest income, that result in overpayment of taxes for lower income taxpayers (that are refunded after the end of the fiscal period); 4) 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; and 5) inflated refunds, resulting from unreported income and over-claimed deductions and other entitlements in the end-of-tax return process.

- *CIT:* Factors potentially relevant here include: 1) reversals of relatively large assessments following the favourable resolution of taxpayers' disputes, resulting in refunds of overpaid taxes; and 2) 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.

Table 18: Incidence of tax refunds in selected countries by tax type (2007)

Country	Proportion of gross tax collections refunded to taxpayers in 2007 (%)			
	Personal income tax	Corporate income/ profits tax	Value added tax	All taxes
Australia	14.5	10.8	46.1	20.1
Canada	13.2	20.4	n/a	21.6
Hungary	6.4	13.5	42.8	17.4
Ireland	19.1	12.8	24.6	13.9
Japan	4.3	1.6	6.5	12.6
N. Zealand	4.3	3.0	46.1	16.7
Korea	3.6	10.3	41.6	18.9
Slovenia	11.0	9.1	38.1	-
Spain (2006)	14.7	11.2	31.0	18.9
Sweden (2006)	5.0	-	41.0	-
UK	-	-	40.8	13.3
USA	18.2	6.8	n.applic.	11.0

Sources: Revenue body annual reports.

11. While some of the factors described may be regarded as legitimate and unavoidable, the heavy volume of refunds (especially for VAT) that must be administered by many revenue bodies, often in relatively short timeframes, can serve to complicate detection of the relatively few but larger value cases involving criminal acts to defraud the Government.

12. In a number of countries, there are legislated 'incentives' that require the payment of interest to taxpayers for delayed refunds, which for the revenue bodies affected, is an additional consideration and workload. The requirement for prompt payment also presents a further challenge—for some taxes, especially VAT, there are criminally-organised attempts to obtain fraudulent refunds using a variety of fraudulent practices. For many revenue bodies, this has necessitated the development and use of sophisticated risk profiling techniques to detect such claims before they are made.

Taxpayer service delivery (Tables 19a and 19b)

13. Given the breadth of their client base, the general complexity of the laws to be administered and the self-assessment approach adopted for many taxes, the delivery of 'quality' services to taxpayers and their representatives should be a key goal of all revenue bodies. In a 'service' context, quality has many dimensions (e.g. timeliness, accuracy of advice, and scope of services provided) 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 basic (but relatively voluminous) areas of service provided by revenue bodies, the standards that have been set for their completion from the viewpoint of 'timeliness', and the level of performance achieved. Chapter 3 contains more information on the emergence and use of service standards, whilst Chapter 6 covers the broader topic of taxpayers' rights.

14. Tables 19a and 19b provide data for eight specific aspects of service delivery carried out by revenue bodies. These aspects are 1) and 2) the processing of personal tax returns (both paper and e-filed) where a refund of tax is expected; 3) VAT returns with refunds; 4) substantive responses to written inquiries; 5) providing in person inquiry services at walk-in centres/offices; 6) answering taxpayers' telephone inquiries; 7) resolving taxpayers complaints; and 8) registering a new business. Where applicable, a description of any performance standard/objective set by the revenue body for the specific service is given along with the actual level of performance achieved in practice, as reported by the revenue body.

15. The key observations from the data reported in Tables 19 a) and b) are as follows:

- The practice of establishing service standards and measuring the performance achieved against them remains a relatively immature practice across surveyed 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).

As noted in Chapter 3, just over half of surveyed revenue bodies publish the results achieved against service delivery standards.

Tax verification activities (Tables 20 and 21)

16. As discussed in Chapter 4, tax audit and verification activities represent a major investment of revenue body resources in surveyed countries. Based on the data in Table 15, about half of surveyed revenue bodies reported that over 30% of staff resources are devoted to tax audit, investigation, and other verification-related activities. For this reason alone, how audit resources are applied and the contribution they make to revenue collections and rates of compliance are of interest to all revenue bodies.

17. For the purposes of this series, 'verification' was defined as comprising all of the activities typically undertaken by revenue bodies to check whether taxpayers have properly reported their tax liabilities. The primary verification activity undertaken by revenue bodies is usually described by the term 'tax audit' or 'tax control'. Less frequently used terms are 'examinations' and 'enquiry'. 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 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.

18. Table 20 aims 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. Table 21 provides a number of ratios to demonstrate raw indicators of productivity and coverage. These tables need to be interpreted with care given possible differences in understanding and/or practice concerning the definition of 'tax verification' activities across revenue bodies, differences in approach to measurement of the taxpayer population, and other qualifying information provided with the table. Significantly;

- For most revenue bodies, the value of verification results represents less than 4% of annual net revenue collections: 13 revenue bodies reported results of < 2% of net revenue collections, while 14 reported a figure in the range 2-4%; 8 revenue bodies reported results in excess of 4%.

- Verification results for large taxpayers figured prominently in the results reported by many revenue bodies; of the 22 revenue bodies that were able to report results for large taxpayers, 11 bodies reported that the value of tax assessments for these taxpayers exceeded 30% of overall verification activities.

The coverage achieved from verification activities, measured as a proportion of the estimated size of the taxpayer population varied significantly. For 11 revenue bodies, the coverage was < 1%, for 14 bodies the rate was calculated as between 1 to 4%, while for 13 the rate was calculated as exceeding 4%.

Tax disputes (Tables 22)

19. Table 22 sets out the data provided by countries on the number of tax disputes in administrative review for years 2006 and 2007. The table sets out those cases that were finalized in-year and those that remained outstanding.

20. The significant variations in the data received suggest that criteria for administrative review cases varies significantly between countries. Furthermore the large number of gaps in table 22 suggests weaknesses in the operational performance data collected by many revenue bodies on administrative review. This may be related to the fact that despite being an integral part of the revenue bodies' role in 40 out of 42 countries who provided information, only 18 countries have performance standards for administrative reviews.

21. Chapter 7 and Table 32 provide further details on the framework within which administrative reviews are administered by the revenue bodies surveyed.

Collection of unpaid taxes (Tables 23-25)

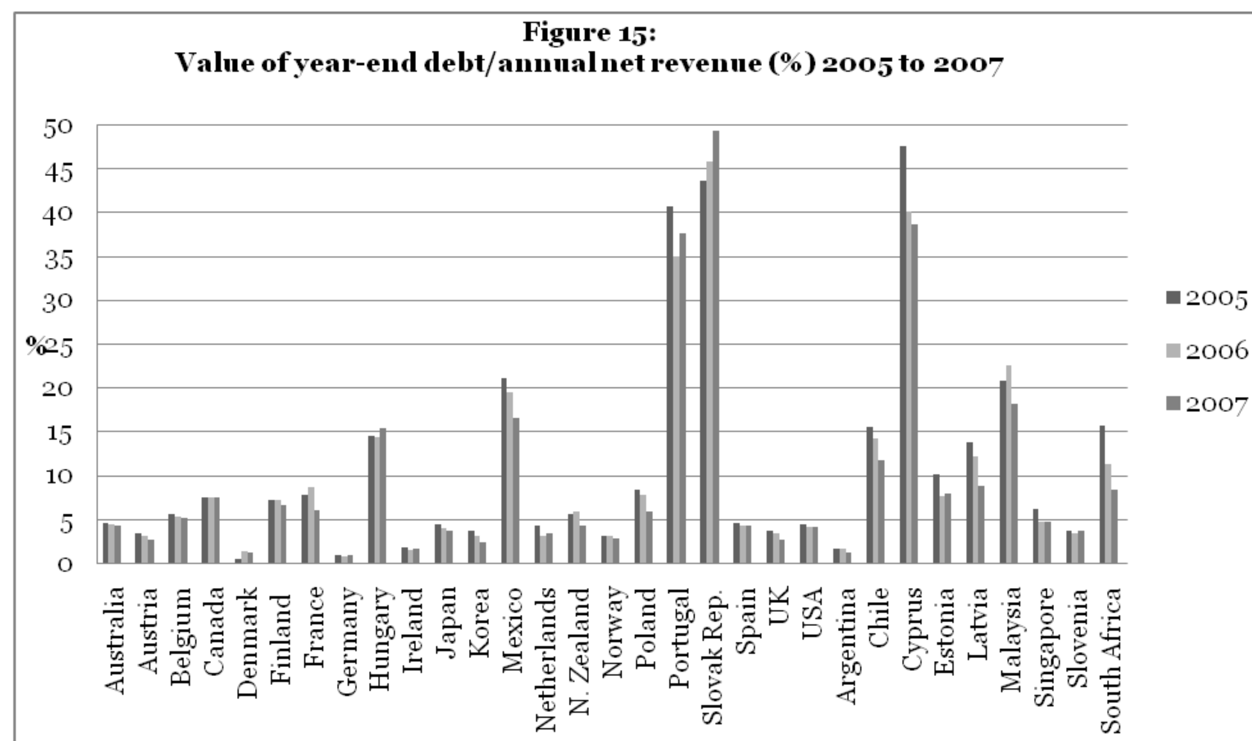
22. The collection of tax debts is another important responsibility of revenue bodies. As noted in Chapter 2, Table 5, the vast majority of revenue bodies in surveyed countries maintain a dedicated tax debt collection function to pursue the non-payment of tax debts and in many countries significant staff resources are devoted to this aspect of revenue administration. Furthermore, most revenue bodies have been given extensive powers for enforced debt collection action. An overview of the administrative powers used by revenue bodies for the collection of tax debt is set out in Chapter 6, Table 33.

23. Table 23 provides volume and value data concerning the enforced tax debt collection activities of surveyed countries while Table 24 displays a number of selected ratios to place the data in a relative and comparative context. The values displayed for unpaid taxes exclude the value of tax debts that are subject to dispute.

24. Table 25 also displays a number of productivity and coverage related ratios, but there a many gaps in this table as a result of revenue body inability to provide routine data concerning enforced debt collection activities. This data should be read in conjunction with data on the allocation of resources for debt collection (see Chapter 4, Table 15) and the registered taxpayer population data in Chapter 7, Table 34.

25. Included in Table 24 is the ratio of aggregate 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. A number of countries apply this measure, or a variant thereof, in their management information systems to gauge the broad trend over time of tax payment compliance and 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). Figure 15

below illustrates the trend in year-end tax debt/annual net revenue (%) for 2005 to 2007 for countries where the data was available.



Source: Table 24 CIS 2008.

26. Drawing on the information in Tables 23 to 25 a number of observations can be made:

- The incidence of unpaid taxes, as reflected in the relative size of debt inventories, varies enormously across surveyed revenue bodies, suggesting that there are substantial variations in overall payment compliance and operational effectiveness; applying the benchmark ratio '*value of year-end tax debt/annual net revenue* ' (for the latest available year) as a broad indicator of the relative size of the debt inventory:
  - 16 revenue bodies had a ratio < 5%;
  - 8 revenue bodies had a ratio between 5 and 10%;
  - 4 revenue bodies had a ratio between 10-20%; and
  - 4 revenue bodies had a ratio > 20%.

- Applying the benchmark ratio '*value of year-end tax debt'/net annual revenue*' and looking at movements over a three year period as a broad indicator of payment compliance/collection effectiveness:
  - 2 revenue bodies reported an increasing ratio over fiscal years 2005-2007;
  - 14 revenue bodies reported a relatively stable ratio or one with no clear pattern for this period; and
  - 18 revenue bodies reported a declining ratio over this period.

- Looking at movements in year-end case volumes over the 3 years of survey data revealed that:
  - 4 revenue bodies reported a case volume increase exceeding 10% over this period;
  - 7 revenue bodies reported a relatively stable volume over this period; and
  - 16 revenue bodies reported a declining volume of cases exceeding 10% over this period.

- Looking at the benchmark ratio '*tax debts written off/value of year-end tax outstanding*' over 3 years to gauge the relative magnitude of debt write off as uncollectible, on average, revealed that:
  - 7 revenue bodies had an average ratio <10% over the 3 year period;
  - 7 revenue bodies have an average ratio 10-20%;
  - 9 revenue bodies have an average ratio 20-50%; and

- 1 revenue body had an average ratio >50%.

27. The ratios reported give a sense of the magnitude of (and some trends concerning) the tax debt collection problem across surveyed countries although clearly, as noted earlier in this report, they should be used as a pointer for further inquiry before drawing conclusions. A particular concern in this area is that a fair number of revenue bodies did not report basic program performance information suggesting weaknesses in their systems of performance measurement, for example, almost one third of revenue bodies were unable to report the amount of tax collected resulting from enforced debt collection activities, while just over one quarter could not report the number of debtors/cases.

28. Based on survey responses, the revenue bodies with exceptionally low debt inventories (i.e. those with net end-year debt inventories less than 4% of annual net revenue collections) were Argentina, Austria, Denmark, Germany, Ireland, Japan, Korea, Netherlands, Norway, Slovenia 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:

- *Use of tax withholding at source arrangements:* In addition to employment income, 9 of 11 countries require tax withholding at source in respect of dividend income paid to resident taxpayers while 8 of the 11 countries require tax withholding on interest income; one country (i.e. Ireland) has an extensive regime of withholding in respect of prescribed categories of self-employment/ business income.

- *Powers of enforcement/penalties*: Insufficient data to be definitive in this area but it was noted that generally the revenue bodies concerned have a common penalty framework for the major taxes and are, with minor exception, empowered to collect taxes from third parties, obtain liens over assets, offset tax debts against other tax credits, require tax clearance for the granting of government contracts and can impose tax debts on company directors.

- *Resources*: 6 of the 11 revenue bodies report that in excess of 10% of their resources are devoted to enforced debt collection activities.

- *Write off policies*: Of the 7 countries for which data are available on the incidence of write off action, it appears that 5 of the revenue bodies concerned administer fairly aggressive policies for writing off uncollectible debts.

- *Electronic payment methods*: These methods, in particular the use of direct debiting which may induce some taxpayers to be more compliant than would otherwise be the case, are used widely in the 8 European countries.

29. 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.

Table 16: Taxes/GDP (2006 & 2007)

Country	Major taxes/ GDP (2006) %					All taxes (% GDP)	
	PIT (1100)	Social contributions (2000)	CIT (1200)	VAT (5111)	Specific goods & services (5120)	2006	2007 (prov.)
1) OECD Countries							
Australia	11.4	n.applic.	6.6	3.9	3.6	30.6	n.avail.
Austria	9.3	14.4	2.2	7.7	3.2	41.7	41.9
Belgium	13.1	13.6	3.7	7.3	3.3	44.5	44.4
Canada	12.1	4.9	3.7	3.1	2.9	33.3	33.3
Czech R.	4.2	16.1	4.8	6.6	3.7	36.9	36.4
Denmark	24.5	1.0	4.3	10.2	5.2	49.1	48.9
Finland	13.2	12.1	3.4	8.6	4.5	43.5	43.0
France	7.7	16.3	3.0	7.2	3.2	44.2	43.6
Germany	8.7	13.7	2.1	6.3	3.3	35.6	36.2
Greece	4.7	11.1	2.7	7.1	2.8	31.3	n.avail.
Hungary	6.8	11.9	2.3	7.6	4.2	37.1	39.3
Iceland	14.0	3.3	2.4	11.3	4.4	41.5	41.4
Ireland	8.9	4.3	3.8	7.9	3.2	31.9	32.2
Italy	10.8	12.6	3.4	6.3	3.8	42.1	43.3
Japan	5.1	10.2	4.7	2.6	2.1	27.9	n.avail.
Korea	4.1	5.6	3.8	4.5	4.0	26.8	28.7
Luxembourg	7.5	9.9	5.0	5.6	4.2	35.9	36.9
Mexico	-	3.1	-	4.2	7.2	20.6	20.5
Netherlands	7.4	14.2	3.4	7.3	3.5	39.3	38.0
N. Zealand	14.9	n.applic.	5.8	9.0	2.3	36.7	36.0
Norway	9.1	8.7	12.9	8.0	3.3	43.9	43.4
Poland	4.6	12.2	2.4	8.1	4.2	33.5	n.avail.
Portugal	5.5	11.4	3.0	8.9	5.1	35.7	36.6
Slovak Rep.	2.5	11.9	2.9	7.6	3.2	29.8	29.8
Spain	6.9	12.2	4.2	6.4	2.9	36.6	37.2
Sweden	15.7	12.5	3.7	9.1	3.2	49.1	48.2
Switzerland	10.5	6.9	3.0	3.9	2.2	29.6	29.7
Turkey	3.8	5.5	1.5	5.5	6.0	24.5	23.7
UK	10.6	6.9	3.9	6.7	3.6	37.1	36.6
USA	10.2	6.7	3.3	n.applic.	1.7	28.0	28.3
2) Selected non-OECD countries							
Argentina	1.0	6.1	4.1	7.2	1.0	25.6	27.3
Bulgaria	2.7	8.8	3.6	12.5	5.2	35.1	
Chile /1	/1	1.4	/1	7.4	1.9	19.7	21.5
China	-	-	-	-	-	-	-
Cyprus	4.6	7.8	5.5	10.4	3.9	36.5	-
Estonia	5.6	10.2	1.5	9.2	3.4	31.0	-
Latvia	6.0	8.7	2.3	8.5	3.3	30.1	-
Malaysia	1.82	-	5.3	-	-	11.5	-
Malta	6.8	6.2	4.8	8.1	3.1	33.7	-
Romania	2.8	9.8	2.8	7.9	3.2	28.2	29.8
Singapore	2.2	-	4.3	1.9	-	12.9	13.4
Slovenia	6.0	14.2	3.2	7.2	-	35.0	33.0
S. Africa	8.0	-	6.3	7.2	2.4	25.5	26.3

Sources: OECD countries—Revenue Statistics 1965-2007, OECD, 2008 (the number quoted in the column headings refer to the relevant tables in this publication.); Non-OECD EU members—Taxation Trends in the European Union (2008, EUROSTAT); Others - IMF Article IV consultations: Staff Reports

/1. **Argentina**—total revenue includes foreign trade and customs duties; **Chile**—data calculated by SII on the basis of information provided by Budget Office and central bank, PIT & CIT taken together amount to 7% of GDP.

Table 17: Revenue collections of revenue body

COUNTRY	Net revenue collections: share resulting from enforcement-related actions (%)			Taxes refunded/ total gross revenue collections (%)		
	2005	2006	2007	2005	2006	2007
1) OECD countries						
Australia	n.avail.	n.avail.	n.avail.	19.0	19.5	20.1
Austria	6.2	6.6	6.1	4.8	4.0	3.4
Belgium	1.1 /1	1.3 /1	1.3 /1	1.8	3.7	4.1
Canada	4.1	3.9	4.5	22.0	22.7	21.6
Czech Rep.	2.0	2.0	2.0	25.0	29.1	29.4
Denmark	n.avail.	n.avail.	n.avail.	2.0	2.4	3.0
Finland	5.6	5.7	5.4	20.0	21.4	21.7
France	n.avail.	n.avail.	n.avail.	7.8	7.9	8.3
Germany	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Greece	n.avail.	n.avail.	n.avail.	5.9	5.3	5.4
Hungary	3.7	3.5	3.3	18.3	17.4	17.0
Iceland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Ireland	n.avail. /1	n.avail.	n.avail.	13.1	13.3	13.9
Italy	0.7	1.2	1.6	4.2	4.3	4.6
Japan	n.avail.	n.avail.	n.avail.	10.7	11.1	12.6
Korea	6.6	7.2	6.8	19.9	20.0	18.9
Luxembourg	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Mexico	3.0	4.2	3.1	17.7	15.9	17.6
Netherlands	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
N. Zealand	3.6 /1	3.8 /1	3.8 /1	16.5	15.9	16.7
Norway	0.9	0.9	0.8	n.avail.	n.avail.	n.avail.
Poland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Portugal	5.1	5.0	4.9	18.0	17.3	17.1
Slovak Rep. /1	n.avail.	n.avail.	n.avail.	52.5	58.3	61.5
Spain	2.9 /1	2.9 /1	2.9 /1	18.3	17.1	18.1
Sweden	n.avail.	0.9 /1	n.avail.	n.avail.	17.7	14.5
Switzerland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Turkey	n.avail.	n.avail.	n.avail.	9.3	9.1	10.7
UK	n.avail.	n.avail.	n.avail.	13.1	13.5	13.3
USA	2.4	2.2	2.5	11.9	11.1	11.0
2) Selected Non-OECD countries						
Argentina	n.avail.	n.avail.	n.avail.	5.4	4.8	4.3
Bulgaria	8.6	7.0	3.0	56.1	49.1	30.8
Chile	n.avail.	n.avail.	n.avail.	21.7	21.3	27.5
China	1.1	1.0	0.9	8.8	9.2	8.7
Cyprus	n.avail.	n.avail.	n.avail.	5.7	5.1	5.8
Estonia	n.avail.	n.avail.	n.avail.	28.9	28.5	28.9
Latvia	5.9 /1	5.8	5.8	11.6	9.8	10.0
Malaysia	n.avail.	n.avail.	n.avail.	5.8	6.6	7.2
Malta	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Romania	n.avail.	n.avail.	n.avail.	7.3	8.5	6.8
Singapore	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Slovenia	4.1	4.8	4.4	n.avail.	n.avail.	n.avail.
South Africa	n.avail.	n.avail.	n.avail.	15.6	15.2	15.5

Sources: Revenue bodies' survey replies

/1. Belgium— figures represent tax, tax increase and penalties recovered upon audit in relation to PIT, CIT, VAT and excise, no figures available on other taxes after audit; **Ireland**—Figures on collection via audit and special investigation are available separately.; **Latvia**—contains the amounts collected as a result of control and the collected tax amounts in the reporting year; **N. Zealand**—Ratio of cash collected through the debt management system for the twelve months ended 30 June. Debt payments include unpaid tax from previous periods, interest and penalties; **Slovak Rep.**—figures represent only taxes administered by Tax Administration; **Spain**—Direct collection from control actions and reductions of tax refunds (without taking into account enforced collection actions); **Sweden**—Taxes debited after interventions of the tax authority. Arrears collected are not included.

Table 19(a): Taxpayer service delivery: standards set and performance achieved (2007)

COUNTRY	Area of taxpayer service delivery							
	Processing personal income tax returns - paper		Processing personal income tax returns – e-filed		Processing VAT returns with refunds		Responding to written inquiries	
	Standard set	Result	Standard set	Result	Standard set	Result	Standard set	Result
1) OECD countries								
Australia /1	92% in 42 days	91.7%	96% in 14 days	95.7%	90% in 14 days (92% if e-filed)	92.5% (95%)	85% in 28 days	79.7
Austria	In 24 days	20.84 days	24 days	-	28 days	19.34 days	8 weeks	-
Belgium	-	-	-	-	-	-	-	-
Canada	4 - 6 weeks	3.9 weeks /1	2 weeks	1.6 weeks	95% in 21 days	98.5%	/4	/4
Czech Rep.	-	-	-	-	-	-	-	-
Denmark	- /1	-	- /1	-	10 days	-	14 days	n.avail.
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	80% in 30 days	90%	90% in 30 days	93%
Germany	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	-	-	-	-
Ireland	/1	/1	/2	/2	- /3	- /3	80% in 20 days	83%
Italy	-	-	-	-	-	-	60%	89.04
Japan	Refund: 90% in 6 weeks	95.3%	- /2	- /2	-	-	-	-
Korea	In 30 days	-	In 30 days	-	In 30 days /3	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Mexico	40 days	25 days	40 days	21 days	40 days	25 days	-	-
Netherlands	Before July	72%	Before July	72%	-	-	95% in 48 hours /4	85%
N. Zealand	/1	/1	/1	/1	/3	/3	85% in 3 weeks	87.7%
Norway	-	-	-	-	-	-	-	-
Poland	In 3 months	-	In 3 months	-	60 days /3	-	In 30 days	-
Portugal	n.avail. /1	-	n.avail.	2,385,293 /2	n.avail.	37,559 /3	6 months	5.7 months
Slovak Rep.	-	-	-	-	-	-	-	-
Spain	Avg. in 30 days	27 days	Avg. in 30 days	27 days	Avg. in 30 days	41 days	-	-
Sweden	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	In 20 days	50%	In 29 days	90%
Turkey /1	-	-	-	-	-	-	-	-
UK	-	-	-	-	90% in 10 days	-	80% in 15 working days	-
USA	40 days	98.9%	-	-	-	-	45 (30) days	66-day average delay

COUNTRY	Area of taxpayer service delivery							
	Processing personal income tax returns - paper		Processing personal income tax returns – e-filed		Processing VAT returns with refunds		Responding to written inquiries	
	Standard set	Result	Standard set	Result	Standard set	Result	Standard set	Result
								/4
2) Selected non-OECD countries								
Argentina	-	-	-	-	-	-	-	-
Bulgaria	1 month	-	1 month	-	45 days	-	30 days	-
Chile	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	30 days	-	30 days	-
Estonia	-	-	-	-	-	-	-	-
Latvia	-	-	-	-	-	-	-	-
Malaysia	3 months	11.3%	1 month	4.8	n.applic.	-	14 days	-
Malta	-	-	-	-	-	-	-	-
Romania	-	-	-	-	45 days	68%	30 days	93.08%
Singapore	Refund: 100% in 30 days	96% /1	Refund: 100% in 30 days	96% /1	92% in 1 month	94.3	80% in 3 weeks	85%
Slovenia	- /1	-	- /1	-	60 days /3	-	30 days	-
South Africa	80 (90)% in 34 working days /1	61 (88)%	← in paper	←	80% in 21 working days	92%	80% in 21 working days	80%

Sources: Country survey responses

/1. **Australia**—total of 23 service standards are reported externally; **Canada**—Percentage of T1 returns assessed accurately- Target: 98% (Result: 98.9%); **Denmark**—PIT return is abolished and tax assessment is available at the personal e-tax file. Only changes are to be reported, mainly by e-filing.; **Ireland**— Non-ROS: 80% in 10 working days (Result: self-assessed income tax 37%, corporation tax 50%, others 96%), 100% in 20 working days (Result: self-assessed income tax 61%, corporation tax 82%, others 99%); **N. Zealand**—80% of income tax assessments within 6 weeks of receipt, except during August and March when 80% of assessments within 7 weeks (Result: paper 86.7%, e-filed 93.0%), 100% of income tax assessments within 10 weeks of receipt, except during August and March when 100% of assessments within 11 weeks (Result: paper 91.7%, e-filed 96.0%).; **Portugal**—service performance standards have been set since 2008; **Singapore**—integrated (paper + e-filed) result; **Slovenia**—informative calculation for PIT; **South Africa**—( ) in peak season; **Turkey**—performance measured from 2008.

/2. **Ireland**— Revenue Online Services (ROS) 100% in 5 working days (Result: 98%); **Japan**—included in paper return; **Portugal**—total number of returns with refund.

/3. **Ireland**—Revenue Online Services (ROS): 100% in 5 working days (Result: self-assessed income tax 79%, corporation tax 66%), Non-ROS: 80% in 10 working days (Result: 79%), 100% in 20 working days (Result: 92%); **Korea**—15 days for early refunds; **N. Zealand**—95% of FBT and GST assessments within 3 weeks of receipt, except during May when 95% of assessments within 4 weeks (Result: paper 98.9%, e-filed 99.5%), 100% of FBT and GST assessments within 6 weeks of receipt, except during May when 100% of assessments within 7 weeks (Result: paper 99.7%, e-filed 99.9%).; **Poland**—25 ~ 180 days in some cases; **Portugal**—total number of returns with refund; **Slovenia**—30 days for exporters.

/4. **Canada**—No standards have been set for "routine" letters, as the volume is quite low. For more complex written requests: 30-day first contact letter for objections, disputes, and appeals – Target: 85% (Result: 89%), Advance income tax rulings to taxpayers – Within an average of 60 days – Target: 100% (Result 94 days), Income tax technical interpretations – Within an average of 90 days – Target: 100% (Result: 105 days), GST/HST Rulings and Interpretations – Within 45 working days – Target: 75% (Result: 87%); **Netherlands**—relate to complex questions forwarded by Tax Information Line to regional tax administration offices (call-back requests); **USA**—100% interim response within 30-day target period.

Table 19(b) Taxpayer service delivery: standards set and performance achieved (2007)

COUNTRY	Area of taxpayer service delivery							
	Handling face-to-face inquiries		Answering telephone inquiries		Resolving taxpayers' complaints		Registering a new business	
	Standard set	Result	Standard set	Result	Standard set	Result	Standard set	Result
1) OECD countries								
Australia	90% in 10-15 mins	92.3%	83% in 5 mins /2	80.0%	85% in 3 days	94.4%	93% in 28 days	97.2
Austria	immediately	-	1 minute	-	14 days	-	Prompt after check routines	-
Belgium	-	-	-	-	-	-	-	-
Canada	n.avail. /1	n.avail.	/2	-	Resolution/ client contact within 15 days /3	95.4%	95% in 10 days	98.22%
Czech Rep.	-	-	-	-	-	-	-	-
Denmark	-	-	3 minutes	n.avail.	-	-	- /4	-
Finland	Immediately	-	1 minute	85%	3 days	100%	-	-
France	reception by appointment 90%	97%	response to call 90%	87%	-	-	-	-
Germany	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	3 months	4 months	3 days	1 week
Ireland	-	-	In 30 seconds /2	85%	20 days /3	100%	100% in 10 days (VAT) /4	97%
Italy	-	-	In 3 minutes	56.04%	20 days /3	96.75%	-	-
Japan	90% satisfaction	91.1	80% in 15 minutes /2	99.7	90% in 3 days /3	88.8%	-	-
Korea	-	-	90% answered	89.1% /2	-	-	In 7 days	95%
Luxembourg	-	-	-	-	-	-	-	-
Mexico	15 minutes	15 minutes	5-7 minutes	7 minutes	24 hours /3	90%	30 minutes	15 minutes
Netherlands	95% in 48 hours /1	85%	Accessibility of 85%	86%	/3	Quality of 89%	5 days	6 days /4
N. Zealand	-	-	/2	/2	-	-	-	-
Norway	-	-	-	-	-	-	-	-
Poland	-	-	-	-	In 30 days	98.7%	In 30 days	-
Portugal	n.avail.	-	n.avail.	255,076 /2	n.avail.	56 days	n.avail.	- /4
Slovak Rep.	-	-	-	-	-	-	-	-
Spain	-	-	-	- /2	40 days	30 days	-	-
Sweden	90% satisfied	Not measured	75% in 3 mins	45%	-	-	85% in 3 weeks	83%
Switzerland	-	-	-	-	30 days	90%	45 days	71%

COUNTRY	Area of taxpayer service delivery							
	Handling face-to-face inquiries		Answering telephone inquiries		Resolving taxpayers' complaints		Registering a new business	
	Standard set	Result	Standard set	Result	Standard set	Result	Standard set	Result
Turkey	-	-	-	-	-	-	-	-
UK	95% in 30 minutes/ 90% in 10 minutes- /1	-	95% (90%) answered within the day /2	-	-	-	- /4	met
USA	-	-	82% (CSR LOS) /2	82.1%	3/ 5 days /3	97.2%/ 96.8%	4 days /4	91%
2) Selected non-OECD countries								
Argentina	-	-	-	-	-	-	-	-
Bulgaria	Immediately	-	Immediately	-	7 days	-	-	-
Chile	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-
Cyprus	Immediately	-	Immediately	-	30 days (VAT)	-	15 days (VAT) /4	-
Estonia	-	-	-	-	-	-	-	-
Latvia	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Malaysia	15 minutes	-	Within 3 rings	-	7 days	-	-	-
Malta	-	-	-	-	-	-	-	-
Romania	-	-	-	-	45 days	-	15 days	-
Singapore	80% in 20 minutes	79%	75% in 2 minutes	72%	6 working days	3-4 days	-	-
Slovenia	Immediately	-	Immediately	-	30 days /3	-	- /4	-
South Africa	95 (90)% in 15 minutes /1	96.5 (93.9)%	80% in 20 sec.	71%	15 working days	85%	-	-

Sources: Country survey responses

/1. **Canada**—As of January 2007, CRA only answers face-to-face enquiries by appointment; **Netherlands**—relate to complex questions forwarded by Tax Information Line to regional tax administration offices (call-back requests); **South Africa**—standard without appointment, ( ) in peak season; **UK**—95% of without appointment served within 30 minutes, 90% of with appointment served within 10 minutes.

/2. **Australia**—90% in 2 minutes for tax practitioners (Result: 87%); **Canada**—General calls answered within two minutes of entering the queue–Target: 80% (Result: 83%), Business calls answered within two minutes of entering the queue– Target: 80% (Result: 82%), Canada Child Tax Benefit calls answered within two minutes of entering the queue– Target: 75% (Result: 78%), Charities calls answered within 60 seconds of entering the queue – Target: 85% (Result: 89%); **Ireland**—PAYE Lo-Call 1890 (Result: 92%); **Korea**—ratio of calls to call centre answered; **Japan**—65% or more satisfaction degree (results: 72.9); **N. Zealand**—30 seconds for priority calls (Result: 1:16), 2 minutes for all other calls (Result: 2:16), and 6 minutes in periods of very high demand (i.e. days when total calls exceed 20,000) (Result: 4:20); **Portugal**—total number of phone calls answered; **Spain**—91.2% answered; **UK**—tax credits (95%), taxes and others (90%); **USA**—82% Customer Service Representative Level of Service (results: 82.1%), average speed of answer within 300 seconds (results: 266 seconds).

/3. **Canada**—Problem Resolution Program; **Ireland**—processed impartially; **Italy**—20 working days; **Japan**—95% or more requests for correction processed within 3 months (results: 98.4%); **Netherlands**—Settlement of objections has to be in line with the General Administrative Law Act (AWB).; **Mexico**—office hours; **Slovenia**—subject to complexity; **USA**—initial contact/ action in 3 or 5 days, subsequent actions in 5 workdays from agreed follow-up date (results: 75.0%).

/4. **Cyprus**—immediately for direct tax registration; **Denmark**—not undertaken by SKAT; **Ireland**—Others 100% in 5 working days (Result: 95%); **Netherlands**—from 25 – 30 days in the first 3 months to 6 days in December; **Portugal**—new business registration is immediate; **Slovenia**—end of the next month of requesting; **UK**—95% in 14 days (1st half of year), For the latter half of the year performance was measured against four new measures. By 2007-08 to increase the proportion of applications for VAT registration that are complete and accurate to 50%.; **USA**—Manual processing standard is 4 days. Electronic processing standard is 70% of inquiries handled through electronic self-service (results: 69.3%).

Table 20: Verification activities

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

COUNTRY	All taxpayers						Large taxpayers					
	Number of completed actions			Value of completed actions			Number of completed actions			Value of completed actions		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
1) OECD countries												
Australia /1	1,034,920	807,511	804,625	6,779	6,899	6,959	16,002	24,239	19,227	3,201	2,495	2,557
Austria	66,383	74,407	74,776	1,517	2,077	2,038	7,642	6,972	7,209	880	1,189	1,193
Belgium	6,000K /1	7,000K /1	4,000K /1	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Canada /1	n.avail.	4,600K /1	4,100K /1	9,899	9,778	12,153	1,665	1,609	1,773	2,214	2,125	3,169
Czech Rep.	29,992	27,138	22,304	2,177	5,336	2,858	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Denmark	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Finland	6,135	5,642	5,167	295	244	266	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
France	52,226	52,429	52,292	9,803	9,944	10,518	892	1,318	1,466	2,137	2,444	2,743
Germany /1	482,131	459,412	453,135	15,845	18,178	18,544	40,628	38,235	38,662	10,922	12,952	13,196
Greece	11,312	14,073	14,183	1,808	3,685	2,553	3,661	5,240	4,827	1,355	2,836	1,857
Hungary /1	299,287	279,314	246,137	328,730	480,812	569,063	1.377	1,592	3,889	11,210	13,367	55,996
Iceland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Ireland	113,195	189,690	266,242	575.4	691.8	733.8	6,358	7,138	7,972	97	108	208
Italy /1	1,587,148	1,230,066	1,486,358	29,282	25,807	31,540	2,718	2,755	2,362	3,762	3,324	4,523
Japan /1	1,229K	1,365K	1,393K	686,700	731,200	819,700	4,000	5,000	5,000	184,100	201,100	236,500
Korea /1	25,944	22,441	19,328	4,316,901	3,905,041	5,538,000	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Luxembourg /1	27,276	27,837	28,099	137.3	161.0	118.1	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Mexico /1	104,764	115,417	119,085	42,180.6	64,794.2	52,289.3	2,402	3,009	1,871	18,326.2	32,434.9	29,221.0
Netherlands /1	1,315,210	1,345,390	1,446,030	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
N. Zealand /1	14,651	11,264	9,954	763	980	996	716	797	928	268	357	359
Norway	504,786	599,056	530,168	10,635 /1	15,999 /1	5,351 /1	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Poland	2,442,584	2,516,211	2,832,935	422.0	426.1	402.0	119,759	118,176	89,810	83.8	115.0	54.2
Portugal /1	118,067	132,486	127,841	1,141	1,352	1,769	556	743	743	237	344	561
Slovak Rep. /1	35,333	31,243	24,717	7,955	8,751	8,424	106	146	89	158	487	166
Spain			605,645	4,583	5,310	5,954	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Sweden	n.avail.	563,165	578,195	n.avail.	11,856	12,504	-	-	-	-	-	-
Switzerland /1	8,886	9,426	9,096	343.6	249.0	135.3	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Turkey	104,578	110,442	135,847	5,141.5	5,166.7	11,865.0	7,068	8,610	6,808	3,802.4	3,080.1	6,872.3
UK	193,000	238,000	220,000	5,200	5,600	9,200	7,509	8,705	6,968	4,160	3,400	4,300
USA	4,786,493	5,868,282	6,309,922	38,379	38,531	53,049	13,768	13,198	13,551	11,079	8,079	8,876
2) Selected non-OECD countries												
Argentina	25,837	37,257	43,100	4,202	5,802	4,789	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Bulgaria	270,284	281,944	242,582	240.0	163.4	235.8	2,900	2,863	2,338	60.1	26.5	90.3

COUNTRY	All taxpayers						Large taxpayers					
	Number of completed actions			Value of completed actions			Number of completed actions			Value of completed actions		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Chile /1	253,348	238,052	250,141	250,324	216,039	179,189	954	1,656	2,377	46,408	29,289	37,507
China	1,080,000	860,000	540,000	36,700	38,600	43,000	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Cyprus	19,464	20,646	20,852	194.0	145.9	201.1	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Estonia	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Latvia /1	25,905	22,868	21,282	146.8	191.0	93.6	275	269	252	1.9	3.1	1.5
Malaysia	34,444	44,558	289,075	1,630.9	3,715.4	3,230.2	n.avail.	226	200	n.avail.	211.5	261.1
Malta	1,316	1,498	1,281	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Romania	112,056	123,589	77,649	0.299	2.293	2.587	626	1,233	775	0.074	568	245
Singapore	7,206	6,375	5,521	254.8	170.0	135.2	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Slovenia	4,373	5,069	6,278	84.5	69.1	87.1	477	459	559	n.avail.	n.avail.	n.avail.
South Africa /1	61,936	69,430	73,657	12.2 bn.	21.8 bn.	15.7 bn.	1,558	5,530	4,387	2.8 bn.	7.8 bn.	9.06 bn.

Sources: Country survey responses

/1. **Australia**—from 2005 to 2007, large taxpayers were defined as businesses with an annual turnover > $100m. On 1 July 2007, the threshold was raised to $250m; **Bulgaria**—Number of actions is the number of different types of control (e.g. audits, refund checks, or operative checks), not the number of taxpayers.; **Belgium**—K stands for thousands; **Canada**—K stands for thousands, the number of completed actions is the number of tax returns actioned; **Chile**—Number of taxpayers with finished audits, Amounts are from tax settlements for VAT and income tax audits plus 50% of the amount of modified tax returns.; **Denmark**— In 2007 SKAT implemented a new business strategy relying on compliance. Annual targets are now focused on the effects of activities instead of the number of activities, and SKAT do not operate with statements of number anymore.; **Germany**—All taxpayer data are the results of the audit, external wages tax audit and the special VAT audit. The large taxpayer data are for audits; **Hungary**—Registers only the number of verification actions, so tables shows the number of verification actions finalised. Since 2007 the Large Taxpayers Unit has country level scope of authority. Before 2007 they have authority only in Budapest and Pest county.; **Italy**—data related to Revenue Agency; **Japan**— K stands for thousands, value of assessment does not include interest.; **Korea**—data for tax audits; **Latvia**—data except for the number of data matching; **Luxembourg**—indirect tax data only for 2005 and 2006; **Mexico**—Number for large taxpayers is the number of taxpayers subject to finalised verification actions excluding the revision of financial statements by programming staff. Large taxpayers' value includes forgone amounts of tax liabilities owed by state governments. Agreement between Federal and State Governments for fiscal years 2005 (5,148.2 millions of pesos), 2006 (8,988.3 millions of pesos) and 2007 (0.3 millions of pesos); **Netherlands**—Number of actions is the number of office inspections and audits (PIT, CIT, VAT); **N. Zealand**—Gross amounts given. Not all amounts identified as discrepancies result in an immediate tax liability (for example—adjustments to losses that impact future tax); **Norway**—Value of completed actions relate to increases in taxable income, not increase in tax. Hence, penalties and interest is not included because unknown; **Portugal**—All large taxpayers are subject to annual verification actions, but database produces the verification activity records based on the number of verification activities; **Slovak Rep.**—Number of actions is the number of accomplished tax audits in each year. Some taxpayers may have several tax audits; **South Africa**—data for audit interventions only; **Switzerland**—Data only for VAT administration. PIT and CIT are administered by cantons; **UK**—Data for large taxpayers are related to interventions in corporation tax, employer compliance, petroleum tax and VAT.; **USA**—Data includes the primary enforcement verification programs; examination (audits), automated underreporter program (information returns), and automated substitute for returns (non-filers).

Table 21: Selected Ratios concerning Verification Activities (2007)

COUNTRY	SELECTED RATIOS CONCERNING VERIFICATION ACTIVITIES			
	Value of completed actions/ total net revenue (%)	Value of completed actions/ verification staff FTE expended (in millions)	Large taxpayer: value of completed actions/ value of all completed actions (%)	Coverage %: Number completed actions/ taxpayer population /1
1) OECD countries				
Australia	2.8	1.1	36.7	3.7
Austria	3.2	0.4	58.5	1.2
Belgium	-	-	-	5.6
Canada	4.5	1.2	26.1	14.8
Czech Rep.	0.5	0.9	-	0.5
Denmark	-	-	-	-
Finland	0.6	0.1	-	0.1
France	2.3	-	26.1	0.1
Germany	2.1	0.2	71.2	1.6
Greece	5.6	0.9	72.7	0.2
Hungary	6.6	129.6	9.8	4.9
Iceland	-	-	-	-
Ireland	1.3	0.4	28.2	8.6
Italy /2	n	2.2	14.3	3.5
Japan	1.7	21.1	28.9	5.2
Korea	3.6	1,443.3	-	0.1
Luxembourg	1.7	-	-	12.1
Mexico	3.1	5.5	55.9	0.4
Netherlands	-	-	-	-
N. Zealand	2.1	1.0	36.0	0.2
Norway	0.9	1.8	-	12.3
Poland	0.2	-	13.5	17.6
Portugal	5.4	0.9	31.7	1.5
Slovak Rep.	6.4	4.7	1.1	1.0
Spain	2.9	1.2	-	3.2
Sweden	0.9	3.2	-	7.3
Switzerland	-	-	-	-
Turkey	7.8	3.9	57.9	5.8
UK	2.1	0.3	46.7	0.5
USA	2.2	3.8	16.7	2.4
2) Selected Non-OECD countries				
Argentina	2.2	0.3	-	3.6
Bulgaria	2.4	0.1	38.3	7.6
Chile	1.1	61.6	20.9	3.1
China	0.9	-	-	12.3
Cyprus	7.0	0.7	-	2.5
Estonia	-	-	-	-
Latvia	2.0	-	1.6	2.0
Malaysia	4.7	1.2	8.1	5.8
Malta	-	-	-	0.5
Romania	2.2	0.4	9.5	1.1
Singapore	0.6	-	-	0.4
Slovenia	0.8	0.1	-	0.6
South Africa	3.1	4.9	57.7	1.1

Sources: Revenue bodies' survey replies

/1. Total taxpayer population is defined as the number of registered taxpayers for PIT and CIT. Monetary values are in national currency.

/2. **Italy**—assessment data related to Revenue Agency, staffing data include GDF.

Table 22: Data on tax disputes in administrative review
(All monetary values in millions of national currency unless otherwise indicated)

COUNTRY	2006				2007			
	Cases finalised in year		Cases not finalised at year-end		Cases finalised in year		Cases not finalised at year-end	
	Number of cases	Associated tax amount (in millions)	Number of cases	Associated tax amount (in millions)	Number of cases	Associated tax amount (in millions)	Number of cases	Associated tax amount (in millions)
1) OECD countries								
Australia	16,477 /1	n.avail.	4,955	n.avail.	15,194 /1	n.avail.	3,608	n.avail.
Austria /1	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Belgium /1	113,323	n.avail.	68,480	n.avail.	95,563	n.avail.	66,369	n.avail.
Canada /1	59,644	2,291	69,781	7,292	80,029	2,782	55,666	9,074
Czech Rep.	-	-	-	-	-	-	-	-
Denmark	4,666	n.avail.	4,350	n.avail.	4,244	n.avail.	n.avail.	n.avail.
Finland	121,402	n.avail.	23,175	n.avail.	111,730	n.avail.	21,264	n.avail.
France	3,826,387	-	-	-	3,687,784	-	-	-
Germany	3,552,943	-	5,250,747	-	3,842,106	-	6,849,908	-
Greece	-	-	-	-	-	-	-	-
Hungary /1	10,108	n.avail.	639	n.avail.	13,770	n.avail.	1,589	n.avail.
Iceland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Ireland /1	50	n.avail.	3	n.avail.	56	n.avail.	0	n.avail.
Italy	n.applic.	n.applic.	n.applic.	n.applic.	n.applic.	n.applic.	n.applic.	n.applic.
Japan /1	7,716	n.avail.	3,412	n.avail.	6,972	n.avail.	3,245	n.avail.
Korea /1	12,662	3,487,498	2,133	2,546,176	11,955	3,871,692	2,199	3,322,056
Luxembourg	498	n.avail.	n.avail.	n.avail.	913	n.avail.	n.avail.	n.avail.
Mexico	60,030	30,378.7	9,271	14,237.9	47,177	38,776.5	5,697	9,180.3
Netherlands	1,751,000	n.avail.	n.avail.	n.avail.	1,704,000	n.avail.	n.avail.	n.avail.
N. Zealand /1	82	149	33	3	83	47	28	50
Norway	60,970	n.avail.	n.avail.	n.avail.	55,914	n.avail.	n.avail.	n.avail.
Poland	-	-	-	-	-	-	-	-
Portugal	54,764	n.avail.	28,151	n.avail.	52,196	n.avail.	24,964	n.avail.
Slovak Rep. /1	6,569	n.avail.	734	n.avail.	5,571	n.avail.	624	n.avail.
Spain	-	-	-	-	-	-	-	-
Sweden	12,482	n.avail.	2,050	n.avail.	11,926	n.avail.	1,816	n.avail.
Switzerland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Turkey	29,919	63.7	57,342	587.7	32,439	146.1	91,326	1,890.6
UK	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
USA	102,599	22,414	55,172	51,776	104,429	36,443	51,502	55,778

COUNTRY	2006				2007			
	Cases finalised in year		Cases not finalised at year-end		Cases finalised in year		Cases not finalised at year-end	
	Number of cases	Associated tax amount (in millions)	Number of cases	Associated tax amount (in millions)	Number of cases	Associated tax amount (in millions)	Number of cases	Associated tax amount (in millions)
2) Selected non-OECD countries								
Argentina	43,760	2,274.89	16,494	3,859.87	42,729	3,305.54	17,109	2,788.47
Bulgaria	n.avail.	n.avail.	n.avail.	n.avail.	2,186	180.9	1,575	239.8
Chile	1,584	-	1,803	-	1,662	-	1,231	-
China	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Cyprus /1	15,963	n.avail.	19,513	n.avail.	14,774	n.avail.	14,208	n.avail.
Estonia	-	-	-	-	-	-	-	-
Latvia	892	43.4	n.avail.	n.avail.	1,219	38.3	n.avail.	n.avail.
Malaysia	81	n.avail.	17	n.avail.	69	n.avail.	24	n.avail.
Malta	2,421 /1	n.avail.	n.avail.	n.avail.	2,494 /1	n.avail.	n.avail.	n.avail.
Romania	5,478	306.6	614	30.6	4,775	4,447.1	584	587.0
Singapore	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Slovenia /1	25,703	n.avail.	8,711	n.avail.	28,358	n.avail.	7,389	n.avail.
South Africa /1	537	n.avail.	327	n.avail.	455	n.avail.	794	n.avail.

Sources: Country survey responses.

/1. **Australia**—2,863 (in 2006) and 1,877 (in 2007) of these completions related to non-taxation reviews, unable to ascertain associated tax amount; **Austria**—tax dispute cases are administered by independent tribunal (finance senat); **Belgium**—the number of cases represents only those for PIT and CIT, VAT cases are not included; **Canada**—"reflects cumulative totals for commodity taxes and income taxes, total for the 2007 cases finalised is distorted by the closure of approximately 18,000 files relating to one exceptional issue that carried over from the prior year"; **Cyprus**—numbers of cases are for VAT, 53 direct tax cases finished in 2007 and 53 cases remaining at the end of 2007; **Hungary**— Until December 2007, the Tax Authority registered only the amounts repealed by second instance level decisions; therefore the value of tax associated with the administrative review is not available.; **Ireland**—value of tax is not identified or measured in administrative cases; **Italy**—administrative review not allowed for tax cases; **Japan**—breakdown of data (reinvestigation and reconsideration): 7,716 (4,549+3,167), 3,412 (1,177+2,235), 6,972 (4,027+2,945), 3,245 (1,451+1,794); **Korea**—Data includes data for other agencies, in 2006 (4,789 cases, 2,560,000M, 1,579 cases, 2,253,300M), in 2007 (5,222 cases, 2,421,100M, 1,563 cases, 3,119,400M); **Luxembourg**—data of direct tax and indirect tax; **Malta**—direct tax only; **N. Zealand**—System generally records the "Gross" figure of amounts in dispute rather than the value of tax ("tax" figures) however by using 33% as a proxy for the rate of income tax for the income tax disputes, and using the GST rate of 12.5% for the GST disputes, the above figures have been calculated.; **Slovak Rep.**—figures include cases in other agency (MOF & administrative court); **Slovenia**—Numbers of cases includes data for other agencies, in 2006 (5,545 cases, 5,636 cases), in 2007 (5,910 cases, 4,337 cases); **South Africa**—data for headquarters only, excludes branch offices.

Table 23: Selected data on unpaid taxes (not subject to dispute)
(All monetary values in millions of national currency unless otherwise indicated)

COUNTRY	Value of year-end tax debt (in millions)			Value of total debt collected (in millions)			Value of debt written off (in millions)			Number of year-end debt cases (in thousands)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
1) OECD countries												
Australia /1	9,610	10,224	10,775	-	-	-	3,995	1,513	2,128	1,458.5	1,502.5	1,549.5
Austria	1,882	1,796	1,691	n.avail.	n.avail.	n.avail.	547	472	516	105.8	107.5	109.3
Belgium /1	4,565	4,450	4,206	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	495.7	472.4	431.7
Canada	18,026	18,488	20,027	19,130	21,514	22,185	2,543	1,850	1,721	3,255.3	3,172.5	2,995.1
Czech Rep.	105,354	101,100	n.avail.	68,205	68,505	68,477	9,449	11,276	13,734	1,608.9	1,751.2	1,811.2
Denmark	3,301	9,896 /1	8,995	n.avail.	2,946 /1	3,474 /1	22 /1	328 /1	1,528 /1	144.3	647.9 /1	719.6
Finland	2,991	3,093	3,076	1,261	1,298	1,401	290	265	280	306.3	314.8	305.0
France	32,391	30,263	28,101	24,089	22,934	24,535	5,704	5,631	6,002	4,025.4	4,127.2	4,050.3
Germany	7,123	6,509	7,580	n.avail.	n.avail.	n.avail.	5,201	5,390	4,157	3,015.7 /1	2,838.7	2,959.0
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	964,450	1,024,822	1,328,451	204,253	213,765	251,279	319,181	314,588	355,966	193.9	191.7	214.1
Iceland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Ireland	832	792	895	226	347	352	143	120	118	n.avail.	n.avail.	n.avail.
Italy	n.avail.	n.avail.	n.avail.	1,295	2,022	3,461	n.avail.	n.avail.	n.avail.	-	-	n.avail.
Japan /1	1,867,305	1,784,398	1,684,374	1,055,007*	1,012,757*	999,824*	n.avail.	n.avail.	n.avail.	4,369.8	4,295.9	4,243.2
Korea /1	4,389,778	4,056,973	3,574,750	6,268,723	6,535,800	6,930,104	n.avail.	n.avail.	n.avail.	682.3	676.8	675.3
Luxembourg	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Mexico /1	296,076	302,870	282,767	4,305	4,595	34,464	53,801	94,723	161,670	796.0	721.5	476.0
Netherlands	6,604	5,803	6,619	n.avail.	n.avail.	n.avail.	2,118	1,616	2,421	1,400	1,200	1,200
N. Zealand	2,312	2,776	2,065	1,492	1,774	1,850	n.avail.	n.avail.	n.avail.	277.0	278.1	505.3
Norway	15,840	16,081	16,643	2,440	2,929	1,668	2,231	1,053	396	n.avail.	n.avail.	n.avail.
Poland	13,053	13,519	13,526	2,054	2,213	2,248	282	148	114	769.5	853.8	734.8
Portugal	11,262	10,766	12,406	1,280	1,401	1,480	1,842	1,274	955	2,841.1	2,827.1	3,337.2
Slovak Rep. /1	62,690	58,663	65,114	15,167	13,564	14,664	23,019	13,920	5,410	188.3	211.1	156.3
Spain	7,416	7,743	8,825	4,287	4,512	4,887	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Sweden	34,700/1	44,500 /1	n.avail.	4,700/1	4,300/1	n.avail.	4,600/1	4,500/1	n.avail	188	182	171
Switzerland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Turkey	-	-	-	-	-	-	-	-	-	-	-	-
UK /1	13,700	13,600	11,600	n.avail.	n.avail.	n.avail.	2,454	4,486	5,025	10,553.3	10,543.8	10,075.8
USA	87,622	91,088	97,875	47,347	48,717	59,210	18,532	17,157	21.190	16,412 /1	16,632 /1	16,873 /1
2) Select non-OECD countries												

COUNTRY	Value of year-end tax debt (in millions)			Value of total debt collected (in millions)			Value of debt written off (in millions)			Number of year-end debt cases (in thousands)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Argentina	1,887	2,305	2,321	470	572	550	- /1	-	-	4,113.2	5,899.6	5,629.0
Bulgaria	4,656	5,716	6,889	579	552	821	n.avail.	n.avail.	n.avail.	579,9	574.7	545.8
Chile	1,686,283	1,829,248	1,857,015	257,119	191,082	238,715	0	136,634	26,521	391.3	412.4	400.4
China	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Cyprus	950.4	938.4	1104.2	1,192.6	1,546.4	2,184.7	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Estonia	4,743	4,276	5,440	1,090	771	844	757	266	333	176.1	176.9	183.4
Latvia	364.84	414.76	405.63	145.9	182.9	248.6	198.5	142.7	199.8	80.5	82.0	85.7
Malaysia	11,119	13,815	12,627	1,722	2,070	3,899	19.44	302.77	781.00	n.avail.	2,118.6	2,201.4
Malta	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Romania	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Singapore	1,098.4	925.0	1,064.0	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Slovenia	349.9	356.3	395.6	291.5	402.9	408.9	17.7	12.4	6.7	515.5	642.2	452.1
S. Africa	56,200	48,000	42,900	21,900	20,500	17,700	2,200	9,400	5,400	n.avail.	1.4 miln.	1.5 miln.

Sources: Country survey responses

/1. **Argentine**—no write-off allowed; **Australia**—Values of debt outstanding are 'collectable debts' excluding disputed and insolvent debts.. A taxpayer can have more than one case. Excluded from the counts on all but 'beginning of year 2004-2005' are cases which had a zero or credit balance.; **Belgium**—data for PIT, CIT and VAT, the number of tax debt cases is the number of notices (a taxpayer may have several notices); **Denmark**—Company tax debts are excluded from the value of total debt collected. Amount written-off in 2005 is only car tax. Amount of written-off in 2006 and 2007 is only car tax and tax debt from dissolved companies. Municipal debts were taken over in November 2005.; **Germany**—The numbers of debt cases are not the numbers of taxpayers, but the number of cases by each tax type and periods.; **Italy**—number of cases including disputed debts; **Japan**—The value of total debt collected includes the value of debt written-off. The number of debt cases is the number of tax debt account.; **Korea**—Data includes disputed debts.; **Slovak Rep.**—Value of debt collected include tax arrears settled by various debt collection proceedings such as preliminary measure, lien, security measure, Notice to pay tax debt according to § 58a of the Act 511/1992 Coll., tax enforcement notice, enforcement order, distrainer, bankruptcy and other proceedings; **Sweden**—all data items obtained from STA's Statistical Yearbook; value of year-end debt (for all years) disputed debt which cannot be readily isolated; **UK**—Figures exclude Tax Credits and National Insurance Debts. Written-off totals include debt written-off due to Missing Trader Intra-Community VAT Fraud; **USA**—The case workload unit is the module (or return), not the entity (taxpayer).

Table 24: Selected ratio concerning enforced tax collection activities

COUNTRY	Value of year-end tax debt/ Annual net revenue (%)			Tax debt collected / Total amount for collection/1 (%)			Value of debt written off/ Value of beginning tax debt inventory (%)			Number of year-end debt cases/ Number of beginning tax debt cases (%)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
1) OECD countries												
Australia	4.5	4.4	4.3	n.avail.	n.avail.	n.avail.	53.1	15.7	20.8	104.5	103.0	103.1
Austria	3.4	3.1	2.7	n.avail.	n.avail.	n.avail.	26.8	25.1	28.7	103.3	101.6	101.6
Belgium	5.6	5.3	5.1	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	132.4	95.2	91.4
Canada	7.5	7.4	7.4	48.2	51.4	50.5	14.6	10.3	9.3	108.1	97.5	94.4
Czech Rep.	20.5	19.7	n.avail.	37.3	37.9	n.avail.	9.3	10.7	13.6	n.avail.	108.8	103.4
Denmark	0.4	1.3	1.1	n.avail.	22.4	24.8	0.8 /2	9.9 /2	15.4 /2	n.avail.	n.applic.	111.1
Finland	7.1	7.1	6.6	27.8	27.9	29.5	9.6	8.9	9.1	114.1	102.8	96.9
France	7.7	8.6	6.0	38.7	39.0	41.8	16.2	17.4	19.8	93.3	102.5	98.1
Germany	0.9	0.8	0.9	n.avail.	n.avail.	n.avail.	69.1	75.7	63.9	97.5	94.1	104.2
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	14.5	14.3	15.4	13.7	13.8	13.0	33.2	32.6	34.7	101.0	98.9	111.7
Iceland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Ireland	1.8	1.5	1.6	18.8	27.6	25.8	15.2	14.4	14.9	n.avail.	n.avail.	n.avail.
Italy	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	-	-	n.avail.
Japan	4.4	3.9	3.6	n.avail. /2	n.avail. /2	n.avail. /2	n.avail.	n.avail.	n.avail.	96.9	98.3	98.8
Korea	3.6	3.1	2.3	34.7	37.2	39.9	n.avail.	n.avail.	n.avail.	96.8	99.2	99.8
Luxembourg	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Mexico	21.0	19.4	16.5	1.2	1.1	7.2	20.3	32.0	53.4	94.0	90.6	66.0
Netherlands	4.2	3.0	3.3	n.avail.	n.avail.	n.avail.	32.7	24.5	41.7	n.avail.	85.7	100.0
N. Zealand	5.5	5.9	4.3	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	108.3	100.4	181.7
Norway	3.1	3.0	2.8	11.9	14.6	8.9	13.6	6.6	2.5	n.avail.	n.avail.	n.avail.
Poland	8.4	7.7	5.9	13.3	13.9	14.2	2.2	1.1	0.8	99.6	111.0	86.1
Portugal	40.7	34.9	37.6	8.9	10.4	10.0	17.7	11.3	8.9	115.8	99.5	118.0
Slovak Rep.	43.6	45.7	49.3	15.0	15.7	17.2	34.1	22.2	9.2	112.9	112.1	74.0
Spain	4.6	4.2	4.3	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Sweden	2.6 /2	3.2 /2	n.avail.	-	-	-	n.avail.	n.avail.	n.avail.	-	96.8	94.0
Switzerland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Turkey	-	-	-	-	-	-	-	-	-	-	-	-
UK	3.6	3.3	2.7	n.avail.	n.avail.	n.avail.	24.1	32.7	36.9	n.avail.	99.9	95.6
USA	4.4	4.1	4.1	30.8	31.0	33.2	20.8	19.6	23.3	99.9	101.3	101.5
2) Select non-OECD countries												

COUNTRY	Value of year-end tax debt/ Annual net revenue (%)			Tax debt collected / Total amount for collection/1 (%)			Value of debt written off/ Value of beginning tax debt inventory (%)			Number of year-end debt cases/ Number of beginning tax debt cases (%)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Argentina	1.6	1.6	1.2	19.9	19.9	19.2	- /2	-	-	127.6	143.4	95.4
Bulgaria	198.6	143.6	68.7	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	97.0	99.1	95.0
Chile	15.5	14.2	11.7	13.2	8.9	11.2	0	8.1	1.4	80.1	105.4	97.1
China	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Cyprus	47.5	40.0	38.6	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Estonia	10.1	7.6	7.9	16.5	14.5	12.8	14.9	5.6	7.8	97.7	100.5	103.7
Latvia	13.7	12.1	8.8	20.6	24.7	29.1	50.3	39.1	48.2	100.6	101.9	104.5
Malaysia	20.8	22.5	18.2	13.4	12.8	22.5	0.2	2.7	5.7	n.avail.	n.avail.	103.9
Malta	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Romania	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Singapore	6.1	4.7	4.7	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Slovenia	3.7	3.4	3.6	44.2	52.2	50.4	4.2	3.5	1.9	n.avail.	124.6	70.4
South Africa	15.6	11.3	8.3	27.3	26.3	27.2	3.9	16.7	11.2	-	-	107.1

Sources: Country survey responses

/1. Total amount for collection = value of year-end tax debt + actual collection during year + value of debt written off
/2. **Argentina**—no write-off allowed; **Denmark**—Company tax debts are excluded from the value of total debt collected. Amount written-off in 2005 is only car tax. Amount of written-off in 2006 and 2007 is only car tax and tax debt from dissolved companies; **Japan**—The value of total debt collected includes the value of debt written-off.; **Sweden**—ratios are overstated owing to the inclusion of disputed debt that cannot be isolated

Table 25: Selected Ratios concerning Enforced Debt Collection Activities (2007)
(All monetary values in national currency unless otherwise stated)

COUNTRY	SELECTED RATIOS CONCERNING ENFORCED DEBT COLLECTION ACTIVITIES		
	Average value of year-end tax debt cases (in thousands)	Tax debt collected/ total debt collection staff FTE expended (in millions)	Number of year-end tax debt cases / taxpayer population /1 (%)
1) OECD countries			
Australia	6.96	-	7.2
Austria	15.47	-	1.8
Belgium	9.74	-	6.0
Canada	6.69	3.0	10.8
Czech Rep.	-	70.4	43.2
Denmark	12.5	3.8	14.7
Finland	10.1	5.1	6.3
France	6.94	-	11.0
Germany	2.56	-	-
Greece	-	-	-
Hungary	6,206.0	106.2	4.2
Iceland	-	-	-
Ireland	-	1.1	-
Italy	-	-	-
Japan	396.96	124.3	15.7
Korea	5,300	8,410.3	4.1
Luxembourg	-	-	-
Mexico	594.06	5.7	1.6
Netherlands	5.52	-	12.4
N. Zealand	4.09	3.2	8.5
Norway	-	4.4	-
Poland	18.4	-	4.6
Portugal	3.72	0.8	37.9
Slovak Rep.	416.73	45.4	6.3
Spain	-	1.1	-
Sweden	-	-	2.2
Switzerland	-	-	-
Turkey	-	-	-
UK	1.15	-	23.6
USA	5.8	1.9	0.01
2) Selected Non-OECD countries			
Argentina	0.41	0.1	468.1
Bulgaria	12.62	2.2	17.1
Chile	4,637.92	-	4.9
China	-	-	-
Cyprus	-	21.6	-
Estonia	29.66	8.4	22.2
Latvia	4.74	-	7.9
Malaysia	5.74	2.2	44.2
Malta	-	-	-
Romania	-	-	-
Singapore	-	-	-
Slovenia	0.88	1.4	41.5
South Africa	27.98	20.8	22.0

Sources: Revenue bodies' survey replies

/1. Total taxpayer population is defined as the number of registered taxpayers for PIT and CIT.

Chapter 6 – Legal and administrative frameworks

Outline

This chapter provides an overview of the legal and administrative frameworks in surveyed countries. It includes a section on debt management and collection powers.

Key findings and observations

Taxpayers' rights and charters

- 41 out of 43 surveyed countries have a formal set of taxpayers' rights set out in law or other statutes, or in administrative documents.

Law interpretation

- The vast majority of surveyed countries provide public and private rulings. All OECD member countries provide public rulings and 28 of 30 OECD countries provide private rulings on demand. Of the non-OECD countries, all provide public rulings and 12 of 13 provide private rulings.

Information and access powers

- All surveyed revenue bodies have powers to obtain relevant information and in 41 out of 43 revenue bodies these powers can extend to third parties. The circumstances in which entry and search powers can be used varies between countries, as does the use of warrants and the extent of the involvement of other government agencies.

Tax offences, interest, penalties and enforcement

- *Failure to file returns on time:* Three main variations exist 1) percentage of income or the additional tax liability; 2) lump-sum amounts; and 3) rates of tax liability according to the delayed period.

- *Failure to pay tax on time:* All countries impose some form of interest, the rate of this interest varies between countries.

- *Failure to correctly report tax liability*: Common feature is that the penalty varies according to the seriousness of the offence, with minor penalties in the range of 10-30% of the tax evaded and deliberate evasion in the region of 40-100% of the tax evaded.

Administrative review

- All but 2 of the revenue bodies surveyed allow taxpayers to challenge the revenue body's decision through an administrative procedure.

Debt management

- 37 out of 43 countries are responsible for the collection of tax debts. Available powers range between countries. Most countries have 'facilitation' powers, for example granting further time to pay and making payment arrangements. Fewer countries have restrictive or enforcement powers, such as denying debtors access to certain government services and publicising the names of debtors. For a number of countries in certain circumstances a court order is required before using a particular debt collection power.

Legal and administrative frameworks

1. This chapter summarises some of the key elements that make up the legal and administrative frameworks in the countries surveyed, identifying common features as well as more discreet practices.

Taxpayers' rights and charters (Table 26)

2. Taxpayers' rights and charters is a subject that the CFA has returned to over the past few years publishing important documents on the subject in both 1990 and 2003[49]. In addition, it is a subject that is included in the EU Fiscal Blueprints which sets out that revenue bodies should aim to "*define and publicise taxpayers' rights and obligations so that taxpayers have confidence in the fairness and equity of the tax system but are also aware of the implications of non-compliance*"[50]. The document is not prescriptive in setting out how this should be achieved but, like the CFA publications, the emphasis is on increased transparency. This recognizes that whilst all countries set out taxpayers' obligations and protect their rights through various pieces of legislation and administrative guidance they are often not in one place and therefore are not readily accessible and transparent[51].

3. Over recent decades, revenue bodies have taken steps to increase transparency and accessibility in this area. As set out in Table 26, in 2008 41 out of 43 countries have a set of taxpayers' rights in some form. Of these 36 countries (including Netherlands and Russia) have codified them (partly or in full) in tax law or other statutes. 35 Countries (including Australia, Ireland, New Zealand, Singapore, and South Africa) have elaborated them in administrative documents, sometimes referred to as 'taxpayer' or 'service' charters. 30 Countries have both legislative and administrative sets of rights. These figures represent an increase since 2004 when an OECD report found that only two thirds of member countries had some form of formal statement of taxpayers' rights.

4. The decision whether to take the codified or administrative approach is a result of many different factors including cultural and legal issues. By way of illustration, one country provided an overview of what, following extensive research, they saw as the main rationale and benefits of developing a primarily administrative document:

- Quicker to develop and implement than a legislative document.
- Can be drafted in a 'reader-friendly' and easily understood manner that is not easily duplicated in legislation.
- Allows for the inclusion of 'service' and other broader rights that may be less suitable for a legislative approach.
- Greater flexibility – document can be easily adapted to address evolving needs of taxpayers.
- Administrative redress mechanisms tend to be cheaper and quicker than statutory processes.

5. Balancing this, potential benefits of the codified approach include: may strengthen perceptions of the document and the revenue bodies commitment to the initiative, resulting in greater reassurance for taxpayers; may speed up adoption of the document by staff; longevity - the document is less likely to be subject to change for example as a result of Political interests; and the document will be subject to established mechanisms of redress and challenge.

---

[49] *Taxpayers' Rights and Obligations: A Survey of the Legal Situation In OECD Countries*, OECD Publications, Paris, 1990. *General Administrative Principles – GAP002 Taxpayers' Rights and Obligations*, OECD Centre for Tax Policy and Administration, Paris, 2003.

[50] *Fiscal Blueprints – A path to a robust, modern and efficient tax administration*, EU Commission – Taxation and customs union, 2007, 47-52.

[51] For example, in EU countries taxpayers' rights and their obligations may be found in national constitutions, EU law, the European Convention on Human Rights (ECHR), national laws as well as in, in some cases, taxpayer charters established by the revenue body.

6. The form and content of these sets of rights varies between countries. There are however some common themes and elements. The CFA's 2003 practice note *GAP002 Taxpayers' Rights and Obligations* draws on the experiences of revenue bodies in a number of OECD countries and describes the elements (expressed in terms of both 'taxpayers' rights' and 'taxpayers' obligations') of an illustrative taxpayers' charter, Box 12 sets out the element dealing with 'rights'.

Box 12. OECD Taxpayers' Charter-illustrative description of taxpayers' rights

Your rights

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

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

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

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

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

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

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

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

5. Your right to privacy: We will:

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

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

- not use or divulge any personal or financial information about you unless you have authorized

us in writing to do so or in situations where permitted by law; and

- only permit those employees within the administration who are authorized by law and require your personal or financial information to administer our programs and legislation, to access your information.

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

7. By way of further illustration Boxes 13 and 14 provide two country examples. Box 13 sets out an example of a codified set of rights and obligations. Box 14 sets out an example of an administrative 'service pledge' which is backed up by provisions in the country's tax law and which focuses solely on taxpayers rights and the tax administrations responsibilities.

Box 13. An example of a codified set of Taxpayers' Rights and Obligations

Slovenia

Right to be informed and assisted - Taxpayers have a right to be concurrently informed and assisted at voluntary compliance and enforcement of rights, based on tax regulations, so that the tax can be assessed, settled and paid correctly and in time.

Right to certainty - Taxpayers have a right to know their tax obligations in advance. Tax obligations cannot be prescribed with retroactive effect when regulations or explanations of regulations are changed.

Right to impartiality - Taxpayers are entitled to impartial and fair use of tax regulations. They have a right to pay only the amount of tax, as it is defined by the law. The possibility of reduction in relation to their personal situation and incomes is permitted only in accordance with regulations.

Right to privacy- Taxpayers may reasonably expect that the tax authorities will not bother them when taxes are assessed, settled and paid correctly and in time.

Right to confidentiality and secrecy- Taxpayers have a right to confidentiality and secrecy of data, which they submit to the tax authorities during the tax procedure, and other data, which are acquired by the tax authorities in connection with their tax obligations, except in the cases, defined by the law.

Right to appeal - Taxpayers have a right to appeal or objection provided by the law if they don't agree with a decision of the tax authorities.

Right to representation - During the tax procedure taxpayers have the right to appoint their representatives or agents.

Right to courtesy- In procedures against taxpayers the tax authorities shall act in accordance with Code of Ethics' principles of Tax Administration's employees.

Obligation of data provision -Provision of data in connection with assessment and enforcement of tax obligations is one of basic taxpayers' obligations. The obligation of data provision refers to taxpayers themselves as well as third persons, who have taxpayers' data at their disposal.

Obligation of completing prescribed forms - Taxpayers shall complete prescribed forms, on the basis of which they are able to settle the tax by themselves or on the basis of which the tax authorities establish their tax obligations.

Obligation of the use of the identification number for tax purposes - Due to correct establishing of tax obligations taxpayers shall use the tax number, assigned to them by the tax authorities, in all relations, which are connected with establishing of tax obligations.

Obligation of paying the tax in time - Taxpayers shall pay the assessed amount of the tax within the prescribed time limit. Otherwise the tax authorities forcibly collect the tax debt with measures, defined in the law. In relation to circumstances taxpayers have a right to deferment, payment in instalments, partial write-off or write-off of tax obligations.

Source: Revenue body's website (June 2008).

Box 14. An example of an administrative 'service pledge' which is supported by provisions in tax laws

Our Service Pledge—Inland Revenue Authority of Singapore

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

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

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

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

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

We will respond to you in a timely manner:

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

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

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

8. Since CIS 2006, there have been notable developments in two OECD countries. First, in January 2008 the UK announced plans to develop a new taxpayers' charter. The UK minister with oversight for Her Majesty's Revenue & Customs (HMRC) commented: "*The Government is committed to ensuring that the tax system is useable and accessible and a Taxpayers' Charter will provide a good reference point for taxpayers*."[52]. The predecessor departments for tax administration (i.e. Inland Revenue and Her Majesty's Customs & Excise) both had service charters prior to their merger in 2005 but these were not considered reflective of the new department's scope and remit. The new charter will not be codified— it is intended to supplement the existing legal framework that provides protection for taxpayers rather than replace it. The charter is expected to be completed by the end of 2009[53]

9. The second notable development is the Canadian 'Taxpayer Bill of Rights'. This was introduced in May 2007 and is part of a series of initiatives designed to improve the accountability of the Canada Revenue Agency (CRA) to taxpayers. The Taxpayer Bill of Rights contains fifteen rights, plus five new commitments to small businesses (a sector that is seen as particularly important to Canada's growth). Of the fifteen rights, seven are set out in legislation and eight are service rights designed to 'govern' the CRA's relationship with taxpayers. See Box 15 below. Whilst the legislated rights are subject to the usual redress mechanisms the CRA introduced a new service complaints process and the new position of 'Taxpayers' Ombudsman' to support the administration of the service rights. The ombudsman

[52] http://www.guardian.co.uk/business/2008/jan/10/2

[53] For further information on the UK's proposals for a new 'taxpayers charter' and details of the consultation process see: http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_028675

role is an example of the governance mechanisms that exist within revenue bodies, further country examples are provided in Chapter 1.

Box 15. An example of a 'Taxpayer Bill of Rights' that has both legislative and administrative elements.

Taxpayer Bill of Rights – Canada Revenue Agency

Taxpayers have the right to (** denotes those rights that are legislated)*:

1. Receive entitlements and to pay no more and no less than what is required by law.*
2. Service in both official languages.*
3. Privacy and confidentiality.*
4. A formal review and a subsequent appeal.*
5. Be treated professionally, courteously, and fairly.
6. Complete, accurate, clear, and timely information.
7. As an individual, not to pay income tax amounts in dispute before you have had an impartial review.*
8. Have the law applied consistently.*
9. Lodge a service complaint and to be provided with an explanation of our findings.
10. Have the costs of compliance taken into account when administering tax legislation.
11. Expect us to be accountable.*
12. Relief from penalties and interest under tax legislation because of extraordinary circumstances.
13. Expect us to publish our service standards and report annually.
14. Expect us to warn you about questionable tax schemes in a timely manner.
15. Be represented by a person of your choice.

The CRA has outline a commitment to small businesses, which includes being committed to:

1. Administering the tax system in a way that minimizes the costs of compliance for small businesses.
2. Working with all governments to streamline service, minimize cost, and reduce the compliance burden.
3. Providing service offerings that meet the needs of small businesses.
4. Conducting outreach activities that help small businesses comply with the legislation we administer.

Source: Internet website of the Canada Revenue Agency (May 2007)

Law interpretation (Table 27)

10. This section provides an overview of the regimes within surveyed countries that allow taxpayers to seek advance rulings on certain transactions. Table 27 identifies key features of the systems in place for obtaining public and private tax rulings.

11. CIS 2006 noted that the vast majority of OECD countries provide public rulings and, at the request of taxpayers, private rulings. This trend has continued with currently all of the OECD countries providing public rulings and 28 of 30 OECD countries providing private rulings on demand. Of the non-OECD countries, all provide public rulings and 12 of 13 provide private rulings.

12. 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 and/or where a particular provision has been found to be causing confusion and/or uncertainty. In the majority of cases, 38 out of 43 countries, rulings are binding on the revenue body, meaning that taxpayers are protected from further assessment, penalties and interest where they have acted in accordance with the advice given in the ruling.

13. A private ruling relates to specific requests from particular taxpayers (or those advising them) seeking clarification of how the law applies in relation to a particular proposed or completed transaction/s. The objective of private ruling systems is to provide additional support and earlier certainty on the tax consequences of certain, often complex or high-risk, transactions.

14. Of the 40 countries with revenue bodies that provide private rulings, in 37 countries the rulings are binding and in 27 of them there are time limits for responding to a private ruling request[54]. From the countries responses received these limits range from 20 working days (Ireland – an interim reply will be provided if the ruling is delayed) to 3 months (for example in Belgium, France, Iceland and Mexico).

15. Whilst 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 15 of 39 countries (including Canada, Sweden and South Africa) have chosen to impose a fee for private rulings (this represents a slight increase since CIS 2006). Fees may not always be applicable in all situations.

Information and access powers (Table 28)

16. Table 28 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 information provided by revenue bodies countries shows that:

- Generally speaking, all surveyed revenue bodies have powers to obtain relevant information and in 41 out of 43 countries these powers can be extended to requests to third parties.

- Taxpayers in all countries are required to produce all records on request from the 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, the taxpayers consent or a search warrant is required to enter business premises in 15 countries for any purpose and in 2 countries only in criminal cases. In the UK 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 will be extended to income tax and corporation tax. In Cyprus a search warrant is required for income tax but not for VAT issues. In Germany and the Netherlands searches without a warrant 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 power is narrowed with regard to dwellings. Taxpayers consent and/or a search warrant is required in 29 surveyed countries to enter taxpayers' dwellings for any purposes and in 2 countries 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.

- Broadly, in 26 of 43 surveyed countries the taxpayer's consent or a warrant is required to seize taxpayers' documents.

- In 19 of 30 OECD countries (including Denmark, Iceland, and Portugal) tax officials can request a search warrant without the help of other government agencies. This is

[54] Private rulings are also available in Sweden but they are provided by the Council for Advanced Tax Rulings which is independent of the Swedish Tax Agency.

less prevalent in the non-OECD countries surveyed (only 5 out of 13 countries reported this power).

Tax offences, interest, penalties and enforcement

17. Tables 29-31 describe features of the penalty and interest requirements for certain non-compliance offences. It reflects the nature and quantum of penalties imposed for the most common tax offences (i.e. taxpayers' failure to file returns on time, to report their correct tax liabilities, a taxpayers' failure to pay tax on time) by surveyed revenue bodies. The following observations are across surveyed taxes (PIT, CIT and VAT):

- *Failure to file returns on time*:
    - There are three main variations of failure-to-file penalties, in general there is a ceiling on the penalty charged:
        - Countries that charge a certain percentage of income or additional tax liability, for example Norway.
        - Countries that charge a lump-sum amount, such as Argentina
        - Countries that charge certain rates of tax liability according to the delayed period, examples include Denmark, Greece, and the United States.
    - 18 out of 43 countries have a consistent penalty response for failure to file returns on time across all three taxes (PIT, CIT and VAT), 14 have aligned the regime across PIT and CIT.

- *Failure to pay tax on time:*
    - All countries impose a type of interest on taxes not paid by the prescribed date. The rate of interest applied varies greatly across countries, but is generally influenced by market/bank interest rates and inflation factors. A number of countries set the rate of interest according to an official bench rate plus a few percentage points (e.g. in Canada the interest is calculated at 4% above the average interest rate on 90-day Government of Canada Treasury Bills). Such rates are reviewed and adjusted periodically. The application of interest also varies between countries – ranging from daily (e.g. Ireland) to annually (e.g. Italy).
    - 27 out of 43 countries have a consistent penalty response for failure to pay tax on time across all three taxes (PIT, CIT and VAT).
- *Failure to correctly report tax liability:*
    - The common feature in administrative penalties on underreporting tax liabilities is the penalty varies according to the seriousness of offense: failure to exercise reasonable care, deliberate underreporting, or fraud/criminal case. While practices vary, a common approach sees penalties for minor offences in the region of 10-30% of the tax evaded while more serious offences involving deliberate evasion are in the region of 40-100% of the tax evaded.
    - 24 out of 43 countries have a consistent penalty response for failure to correctly report tax liability across all three taxes (PIT, CIT and VAT).

18. One interesting development on penalties since CIS 2006 is the UK's introduction of a single new penalty regime for charging penalties for incorrect income tax, corporation tax, PAYE, VAT and NICs returns. The new regime took effect in April 2008 and is a result of the wider review of powers that has been taking place since the formation of HMRC in 2005. [55]

[55] HM Revenue & Customs (HMRC) inherited ring-fenced legislation for the taxes it administers from its two former departments; the Inland Revenue and HM Customs and Excise. The *Review of HMRC's Powers, Deterrents and Safeguards* aims to modernise and rationalise the two regimes to improve their effectiveness within the context of the new department. The review started in 2005 and is likely to continue for some time. More information on the *Review of HMRC's Powers, Deterrents and Safeguards* can be found at http://www.hmrc.gov.uk/about/powers-appeal.htm.

The new regime will be extended to most other taxes and duties administered by HMRC from April 2009. The changes have introduced a 'reasonable care' element into the UK's penalty regime that takes into consideration the behavior that gives rise to the taxpayer's error. A summary of this new framework for errors on returns and documents is set out in Box 16 below.

Box 16. UK penalty framework for errors on returns and documents

Which taxes do the penalties apply to?
The new penalties initially apply to Income Tax, Corporation Tax, Capital Gains Tax, VAT, Construction Industry Scheme, PAYE and National Insurance contributions. They will be extended later to most of the Department's other taxes, levies and duties.

What is new about the penalties?
HMRC has always charged financial penalties for incorrect returns or documents. However the way that penalties will be calculated in the future will be linked to the behaviour that gives rise to the error. Also, where a taxpayer has failed to take reasonable care, HMRC may suspend the penalty for up to two years. If, within that period the taxpayer meets certain conditions set by HMRC the penalty will be waived.

How is the penalty charge calculated?
The penalty is a percentage of the extra tax due. The rate depends on the behaviour that gave rise to the error. The less serious the behaviour, the smaller the penalty will be.

- Reasonable care - No Penalty
- Careless – Maximum 30%, Minimum 0%
- Deliberate – Maximum 70%, Minimum 20%
- Deliberate and concealed – Maximum 100%, Minimum 30%

What is reasonable care?
Reasonable care' varies according to the person, their particular circumstances and their abilities. Every person is expected to make and keep sufficient records for them to provide a complete and accurate return. Someone with straightforward tax affairs may only need to keep a simple system of records, which are followed and regularly updated. A person with more complex tax affairs may need more sophisticated systems that are maintained equally carefully. We believe it is reasonable to expect a person who encounters a transaction or other event with which they are not familiar, to take care to check the correct tax treatment, or to seek suitable advice. We expect people to take their tax seriously.

Source: HMRC's website - http://www.hmrc.gov.uk/about/new-penalties/penalties-leaflet.pdf

Administrative review (Table 32)

19. Administrative review is an integral part of tax administration in 40 of the 42 revenue bodies that provided information. It is the process by which a taxpayer can challenge the revenue body's decision without or prior to entering the legal system.

20. In 29 countries (e.g. Finland, Korea and Slovenia) an administrative review is compulsory before a taxpayer can seek legal recourse, although for Cyprus this is only in the case of direct taxes. In 37 countries the process is undertaken by the revenue body itself, although in 8 countries they are assisted by another government body such as the MOF. The exceptions include Austria where the process is led by an independent tribunal and Iceland where it is led by the State Revenue Board. Despite being integral to the revenue bodies' role, performance standards for administrative reviews only exist in only 18 countries.

21. Table 32 sets out selected features of the tax dispute systems in the surveyed countries. The following observations can be seen:

- 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. Although it should be noted that the survey did not ask for detailed information on the type of appeal applicable.

- Where a case is under administrative review 25 countries can collect the disputed tax, although in Cyprus this only applies in the case of certain direct taxes. This compares with cases under court review where 33 countries can, albeit in some cases only in certain circumstances, collect the disputed tax.

- Specialised tax courts exist in 21 countries.

22. Performance data on tax disputes in administrative review are set out in Table 22 which along with analyses can be found in Chapter 5.

23. Administrative reviews are one mechanism for safeguarding taxpayers' rights and ensuring the integrity of the revenue body. Further governance mechanisms, including the role of oversight bodies and Ombudsman, are set out in Chapter 1.

Debt Management

24. 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 set out in tables 23-25, which can be found in Chapter 5.

25. Table 5, in Chapter 2, indicates that of the 43 countries surveyed 37 are responsible for the collection of tax debt. Countries that do not undertake this function include Iceland (where debt is collected by the Customs department), Sweden (where all enforcement activity including the collection of public and private debt is carried out by a separate 'Enforcement Service') and Italy. The arrangements in Italy are unusual amongst the surveyed countries, with the management of enforced debt recovery assigned to a separate company 'Equitalia spa', 51 % of which is held by the Revenue Agency and 49 % by the National Social Security Institute (INPS). Such outsourcing arrangements are not unusual for the management of administrative activities in the Italian public sector[56]. A notable development since CIS 2006 is that following organization reforms SKAT, the Danish revenue body, now has responsibility for tax debt collection. Tax debt in Denmark was previously collected by separate municipal bodies.

26. Given their broad responsibility and competence for collecting revenue several revenue bodies have also been assigned the task of collecting other (non-tax) debts owing to government. Whilst not covered by this survey a previous 2006 OECD report of 26 OECD revenue bodies found that 17 of them had been tasked with collecting non-tax debts, including student loans, child support and overpaid welfare benefits.

Powers to Enforce Tax Debt Collections (Table 33)

27. As set out in table 33, revenue bodies in most surveyed countries have traditional powers to enforce tax debt collection: 1) to grant taxpayer further times to pay (39 out of 43 countries); 2) to make payment arrangements (all 30 OECD countries and 9 out of 13 non-OECD countries); 3) to collect from third parties that have liabilities to taxpayer (all 30 OECD countries, 10 out of 13 non-OECD countries); 4) to seize taxpayer's asset (40 out of 43 countries although of these in 6 countries a court order is required); 5) to offset taxpayer's liabilities to his/her tax credits (40 out of 43 countries, although only for direct taxes in Cyprus); and 6) to initiate bankruptcy (39 out of 43 countries , of these in 13 countries a court order is required).

[56] Outsourcing assignments are made in favour of entities that, though legally separate from the entrusting administration, are a constituent element of the public administration's system.

28. Other powers less widely available include: 1) obtaining lien[57] over taxpayer's assets (37 out of 43 countries, in 7 countries a court order is required); 2) withholding government payment to debtor taxpayers (27 out of 43 countries); 3) requiring tax clearance for government contracts (32 out of 43 countries); and 4) imposing tax liabilities on company directors when certain conditions are satisfied (32 out of 43 countries, with a court order required in 6 countries).

29. Additional powers are given to some surveyed revenue bodies to facilitate tax collection that entail the imposition of restrictions on taxpayer's business or private activities, including 1) limits on overseas travel (16 out of 43 countries of which 5 countries require court orders); 2) closure of businesses or cancellation of business licenses (10 out of 30 OECD countries, 8 out of 13 non-OECD countries); and 3) denial of access to government services - of the OECD countries surveyed only Greece and Turkey have this ability, in the non-OECD group 3 out of 13 countries have this ability. Additionally, 15 out of 43 revenue bodies are permitted to publically disclose individual taxpayers' offenses, for example Ireland where the revenue body publishes a quarterly list of defaulters which contains details of published audit/investigation settlements completed in the preceding quarter.

30. In addition to these powers many revenue bodies are also working to improve the efficiency of debt collection activities. Examples of initiatives/programs undertaken include:

- *Developing new ways of payment*. For example; phone banking; internet banking; direct debit payments; and the greater use of credit cards. For example Germany, Japan and the US have made considerable efforts to expand their electronic (direct debit) payment capabilities.

- *Improved risk assessment*. The use of risk assessment models to compute a risk score for each new debt case that reflects the likelihood of the taxpayer paying their debt based on objective criteria, such as historical patterns of payment compliance. Norway is undertaking initiatives in this area.

- *Targeted debt initiatives*. For example, in 2004 Australia introduced a 'Small Business Debt Initiative' which gave small businesses a one-off opportunity to clear debts under favourable terms.[58]

[57] A lien in this context is a legal claim against an asset used to secure a tax debt.

[58] Further details can be found in the ATO's 2005 *Annual Report* – see http://www.ato.gov.au/corporate/pathway.asp?pc=001/001/009

Table 26: Taxpayers' rights

COUNTRY	Taxpayers' Rights: A set of taxpayers' rights in law or other statute	Taxpayers' Rights: A set of taxpayers' rights in administrative documents	Taxpayers' Rights: Special body to deal with taxpayers' complaints
1) OECD countries			
Australia	✓	✓	✓
Austria	✓	✓	✓
Belgium	✓	✓	✓ /1
Canada	✓	✓	✓
Czech Rep.	✓	✓	✓ /1
Denmark	✓	✓	✓
Finland	✓	✓	✓
France	✓	✓	✓
Germany	✓	×	×
Greece	✓	✓	✓
Hungary	✓	✓	×
Iceland	✓	×	✓/1
Ireland	×	✓	×
Italy	✓	✓	✓
Japan	✓	×	✓
Korea	✓	✓	✓
Luxembourg	✓	×	✓
Mexico	✓	✓	✓ /1
Netherlands	✓	✓	✓ /1
N. Zealand	×	✓	✓ /1
Norway	✓	✓	✓
Poland	✓	×	×
Portugal	✓	✓	× /1
Slovak Rep.	✓	×	✓/1
Spain	✓	✓	✓
Sweden	✓	✓	×
Switzerland	×	✓	×
Turkey	×	✓	×
UK	× /1	×	✓
USA	✓	✓	✓
2) Selected non-OECD countries			
Argentina	×	×	✓
Bulgaria	✓	✓	×
Chile	✓	✓	×
China	✓	✓	✓
Cyprus	✓	✓	✓
Estonia	✓	✓	✓
Latvia	✓	✓	✓
Malaysia	✓	✓	×
Malta	✓	✓	✓
Romania	✓	✓	✓
Singapore	✓	✓	×
Slovenia	✓	✓	✓ /1
South Africa	×	✓	✓

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

/1. **Belgium**—Tax mediator was instated by law of 25 April 2007.; **Canada**—Taxpayer bill of Rights (http://www.cra-arc.gc.ca/E/pub/tg/rc4417/rc4417-e.pdf), Taxpayer's Ombudsman (http://www.taxpayersrights.gc.ca/); **Czech Rep.**—general ombudsman; **Iceland**—external ombudsman whose authority extends to all administrative cases including tax; **Mexico**—Defense Taxpayer Attorney, a decentralized public agency; **Netherlands**—The National Ombudsman; **N. Zealand**—Relationship Management Group deals with customer complaints and ministerial correspondence.; **Portugal**—the Portuguese Ombudsman receives complaints by citizens against an illegal behaviour of a public authority, including the revenue body, and issues recommendations in cases of maladministration.; **UK**—A consultation on a taxpayer's charter was announced in 2008; **Slovak Rep.**—Department of Internal Control of the Tax Directorate; **Slovenia**—Internal Supervision Department.

Table 27: Features of the revenue rulings system

COUNTRY	Public rulings		Private rulings			
	Public rulings are issued	Binding/ not binding on revenue body	Private rulings are issued	Binding/ not binding on revenue body	Time limits for private rulings	Fees for private rulings
1) OECD countries						
Australia	✓	Binding	✓	Binding	✓ /1	×
Austria	✓	Binding	✓	Binding	✓ /1	×
Belgium	✓	Binding	✓	Binding	✓ /1	×
Canada	✓	Binding	✓	Binding	✓ /1	✓
Czech Repub.	✓	Binding	✓	Binding	×	✓
Denmark	✓	Binding	✓	Binding	✓ /1	✓
Finland	✓	Binding	✓	Binding	✓	✓
France	✓	Binding	✓	Binding	✓ /1	×
Germany	✓	Binding	✓	Binding	×	✓
Greece	✓	Binding	✓	Binding	✓ /1	×
Hungary	✓	Binding	✓	Binding	✓ /1	×
Iceland	✓	Binding	✓	Binding	✓ /1	✓
Ireland	✓	Binding	✓	Binding	✓ /1	×
Italy	✓	Binding	✓	Binding	✓ /1	×
Japan	✓	Binding	✓	Not binding	×	×
Korea	✓	Binding	✓	Binding	×	×
Luxembourg	✓	Binding	×	-	-	-
Mexico	✓	Not binding	✓	Not binding	✓ /1	×
Netherlands	✓	Binding	✓	Binding	×	×
N. Zealand	✓	Binding	✓	Binding	×	✓
Norway	✓	Not binding	✓	Binding	✓ /1	✓
Poland	✓	Not binding	✓	Not binding	✓	✓
Portugal	✓	Binding	✓	Binding	×	×
Slovak Rep.	✓ /1	Binding	✓ /1	Binding	✓ /1	×
Spain	✓ /1	Binding	✓	Binding	✓	×
Sweden	✓	Binding	×/3	Binding	× /1	✓ /1
Switzerland	✓	Binding	✓	Binding	×	×
Turkey	✓	Binding	✓	Binding	×	×
UK	✓	Binding	✓	Binding	✓	×
USA	✓	Binding	✓	Binding	×	✓
2) Select non-OECD countries						
Argentina	✓	Binding	✓	Binding	✓	×
Bulgaria	✓	Binding	✓	Not binding	✓ /1	×
Chile	✓	Binding	✓	Binding	×	×
China	✓	Binding	✓	Binding	×	×
Cyprus	✓	Binding	✓	Binding	✓ /1	✓ /1
Estonia	✓	Binding	×	-	-	-
Latvia	✓	Not binding	✓	Binding	✓	✓
Malaysia	✓	Binding	✓	Binding	✓ /1	✓
Malta	✓ /1	Not binding	✓	Binding /1	×	×
Romania	✓	Binding	✓	Binding	✓ /1	×
Singapore	✓	Binding	✓	Binding /1	✓ /1	✓
Slovenia	✓	Binding	✓	Binding	✓ /1	×/1
South Africa	✓	Binding	✓	Binding	✓ /1	✓

Sources: IBFD and country survey responses

/1. **Australia**— target 28 days, for complex matters extensions may be negotiated; **Austria**—8 weeks; **Belgium**—3 months (indicative); **Bulgaria**—30 days; **Canada**—time limits published but not legislated: within 60 to 90 days for IT rulings, within 30 to 45 days for excise and GST rulings; **Cyprus**—30-days for direct tax rulings, fees for VAT private rulings; **Denmark**—30-90 days; **France**—3 months; **Greece**—50 days; **Hungary**—30 days, additional 30 days if needed; **Iceland**—3 months; **Ireland**—would not offer an opinion to facilitate tax planning by practitioners and businesses, reply in 20 working days, interim reply if delayed; **Italy**—120 days, extension possible; **Malaysia**—generally 1 – 2 months with initial reply in 3 days; **Malta**—public rulings for VAT only, VAT private rulings not binding; **Mexico, Norway, Poland**—3 months; **Romania**—30 days; **Singapore**—binding for IT and GST, 8 weeks for IT, 1 month for GST, expedited rulings are available with additional fees; **Slovak Rep.**—issue rulings on the application of tax laws. In respect of the application of tax provisions, the tax administration does not issue rulings. Time limits of 30/60 days; **Slovenia**—30 days, charged if connected with future transactions; **Spain**—mainly through the Tax General Directorate within MOF; **S. Africa**—20 working days for standard rulings (60 for complex rulings); **Sweden**—1) A Council for Advance Tax Rulings, an authority independent of the Swedish Tax Agency, provides private rulings; 2) In some cases, tax payers have to pay fees to obtain a ruling; 3) no time limits for the issuance of the ruling but for the asking for a ruling,

Table 28: Verification of taxpayers' liabilities: information access and search powers of tax officials

COUNTRY	Do powers to obtain all relevant information exist	Does this power extend to third parties	Taxpayers are required to produce all records on request	Tax officials have powers to obtain information from other government departments	Tax officials have powers to enter business premises without taxpayer's consent and search warrant	Tax officials have powers to enter dwellings without taxpayer's consent and search warrant	Tax officials have powers to seize documents without taxpayer's consent and search warrant	Tax officials can request a search warrant without help of other government agencies	Tax officials can serve a search warrant without help of other government agencies
1) OECD Countries									
Australia	✓	✓	✓	✓ /1	✓	✓	×	✓ /3	✓ /3
Austria	✓	✓	✓	✓	✓ /1	✓ /1	✓ /2	✓ /3	×
Belgium	✓	✓	✓	✓	✓	×	✓ /2	×	×
Canada	✓	✓	✓	Limited	✓ (civil matters) /1	✓ (civil matters) /1	×	✓	✓
Czech Repub.	✓	✓	✓	✓	✓	✓ /1	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	×	✓	×	×
Finland	✓	✓	✓	✓	✓	✓	×	×	×
France	✓	✓	✓	✓	× /1	× /1	× /1	✓ /1	✓ /1
Germany	✓	✓	✓	✓ (some limitations)	✓ (during normal working hours)	×	× /2	✓	✓
Greece	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hungary	✓	✓	✓	✓	✓	✓ /1	✓	n.avail. /3	n.avail. /3
Iceland	✓	✓	✓	✓	✓	✓	✓	✓	×
Ireland	✓	✓ /1	✓	✓	✓	× /1	✓	✓	✓
Italy	✓	✓	✓	✓	✓	×	×	✓	✓
Japan	✓	✓	✓	✓	×	×	×	✓	✓
Korea	✓	✓	✓	✓	×	×	×	×	✓
Luxembourg	✓	×	✓	✓	×	×	×	×	×
Mexico	✓	✓	✓	✓	×	×	×	×	✓
Netherlands	✓	✓	✓	✓	✓ (during normal working hours)	×	× /2	✓	✓
N. Zealand	✓	✓	✓	✓ /1	✓	×	✓	✓	✓
Norway	✓ /1	×	✓	✓	✓	×	✓	×	×
Poland	✓	✓	✓	✓	✓	✓	✓	✓	✓
Portugal	✓	✓	✓	✓	✓ /1	×	✓	✓	×
Slovak Rep.	✓	✓	✓	✓	× /1	×	×	×	×
Spain	✓	✓	✓	✓	×	×	×	✓	
Sweden	✓	✓	✓	✓	×	×	×	×	×
Switzerland	✓	✓	✓	✓	×	×	×	✓	✓
Turkey	✓	✓	✓	✓	✓	✓	×	✓	×
UK	✓	✓	✓	✓	× (income tax), ✓ (VAT)	×	×	✓	✓
USA	✓	✓	✓	✓	×	×	×	×	✓ /3
2) Selected Non-OECD Countries									

COUNTRY	Do powers to obtain all relevant information exist	Does this power extend to third parties	Taxpayers are required to produce all records on request	Tax officials have powers to obtain information from other government departments	Tax officials have powers to enter business premises without taxpayer's consent and search warrant	Tax officials have powers to enter dwellings without taxpayer's consent and search warrant	Tax officials have powers to seize documents without taxpayer's consent and search warrant	Tax officials can request a search warrant without help of other government agencies	Tax officials can serve a search warrant without help of other government agencies
Argentina	✓	✓	✓	✓	×	×	×	✓	✓
Bulgaria	✓	✓	✓	✓	✓	×	×	×	×
Chile	✓	✓ /1	✓	✓	✓ /2	✓ /2	✓ /2	×	✓
China	✓	✓	✓	✓	✓	×	✓	×	×
Cyprus	✓	✓	✓	✓	× / (VAT, ✓)	×	×	✓	× / (VAT, ✓)
Estonia	✓	✓	✓	✓	×	×	×	✓	×
Latvia	✓	✓	✓	✓	✓ /1	✓ /1	×	×	×
Malaysia	✓	✓	✓	✓	✓	✓	✓	n.applic.	n.applic.
Malta	✓	✓ /1	✓	✓ /1	✓	× /2	× (VAT, ✓)	×	✓ (VAT, ×)
Romania	✓	✓	✓	✓	×	×	×	×	×
Singapore	✓	✓	✓	✓ (subject to legislation)	✓	✓	✓	×	×
Slovenia	✓	✓	✓	✓	✓	×	✓	✓	×
South Africa	✓	✓	✓	✓	✓	×	×	✓	✓

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

/1. **Australia**—unless specifically excluded; **Austria**—inspections according to Art. 144 par. 2 Federal Tax Code (no right to search); **Canada**—search warrant for criminal matters: **Chile**—limited by secrecy between professional and client, but can audit records in accountant's office under taxpayer's permission; **Czech Rep.**—only when dwelling is business place; **France**—A judge's order is required for all cases of search and seizure (L Article 16 B of the General Tax Code).; **Hungary**—tax officials can enter taxpayer's dwellings only if this dwelling is in connection with any kind of taxable transactions, assets or income. A letter of commission issued by the Tax Authority is needed.; **Latvia**—Answers relate to tax auditor authority; **Malta**—direct tax administration only; **N. Zealand**—unless specifically excluded; **Norway**—only relevant tax information; **Ireland**—excluding confidential information between professional and client, except parts of a dwelling where a business is being carried on; **Portugal**—tax officials must show credential letters to enter the business premises; **Slovak Rep.**—Tax Administration does not have investigative powers (only police have). Tax Administration proceeds according to tax procedural law (Act 511/92 Coll. On Administration of Taxes and Fees, All actions are taken in cooperation with the taxpayer and in their presence. If the taxpayer does not cooperate, tax officials carry out a desk audit.).

/2. **Austria**—if delay is dangerous to secure evidence related to criminal investigations; **Belgium**—only for VAT audit purposes, taxpayer's consent required for direct tax purpose; **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.; **Germany**—limited to criminal cases; **Netherlands**—limited to criminal cases.; **Malta**—only with police officer between 05:00 and 21:00.

/3. **Australia**—limited instances where a tax official can obtain or exercise particular types of search warrants without the assistance of other government agencies; **Austria**—limited to criminal investigations; **Hungary**—No need for search warrants (only a letter of commission issued by the Tax Authority) to enter taxpayer's business premises or dwellings, however to conduct a search advance permission of a prosecutor is needed; **USA**— Search warrants must be authorized by a court (part of Judicial branch of Govt.).

Table 29: Enforcement of taxpayers' liabilities: penalties and interest for non-compliance of failure to file return on time

COUNTRY	TAX TYPES OFFENCE		
	Personal income tax	Corporate income tax	VAT
1) OECD countries			
Australia	One penalty unit for up to 28 days late; each unit valued at $A110. Penalty increased to two and five units for medium and large taxpayers respectively.		
Austria	Penalty of up to 10% of tax due.		
Belgium	i) Tax increase, in case non-declared profits exceed €620. No tax increase, if unintentional. Tax increase ranges between 10% and 200% of the unpaid tax, but the sum of unpaid tax and tax increase cannot exceed the non-declared profit. ii) Administrative penalties are between €50 and €1,250. However, penalty is not levied when sufficient tax increases has been imposed. iii) reversal of burden of proof		i) non-declaration: € 500 ii)Late declaration with no tax due: € 25 per month/per declaration with a maximum of € 125 iii) Late declaration with tax due: € 50 per month/per declaration with a maximum of € 250
Canada	5% for a return with a balance owing, plus 1% of balance owing for each full month that return is late, to a maximum of 12 months. The penalty doubles for a repeated failure to file a return.	A late filed return with an amount due, is liable for a penalty equal to the total of 5% of the tax payable as of the due date, plus 1% of the balance owing for each full month of failure up to 12 months (maximum 17%). If there is a repeated failure to file (second offence in three years) and a demand to file has been served, the penalty is the total of 10% of the tax payable on the due date, plus 2% of tax payable for each full month of failure, up to 20 months, that the return is late (maximum 50%).	The penalty is equal to the total of 1% of the amount overdue on the return, plus 0 .25% of the overdue amount multiplied by the number of complete months the return was overdue (maximum 12 months). If a demand for a return has been served, a penalty of $250 may be charged for each return that is requested. Failure to file a return or to keep adequate books and records can carry a fine of $1,000 to $25,000 and a prison sentence of up to 12 months. These penalties are in addition to any others imposed under the legislation. Refund and/or rebate amounts may be withheld from the taxpayer or the corporation until all outstanding amounts are received and all outstanding returns are filed.
Czech Republic	A penalty of up to 10% of the tax liability for submitting a tax return or supplementary information late.		
Denmark	Penalty of DKK 200 for each month of delay, up to maximum of DKK 5.000		
Finland	Penalty for late filing up to €150, penalty for no filing up to €800		Administrative penalty €80-€1,700
France	Penalty of 10% of tax payable, in addition to late payment interest of 0.4% per month. Penalty can be increased for extended failure.		
Germany	Penalty of 10% of tax payable, maximum of €25,000, no penalty if failure is excusable.	Penalty of 1% per month.	Generally no penalty unless facts are 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 €50,000)
Greece	Interest of 1% (2.5% if no return at all) per month on tax due up to 100% (200% if no return at all) of tax payable. If there is no tax due, penalty from €117 up to €1,170.		Interest of 1.5% (3.5% if no return at all) per month on tax due up to 100% (200% if no return at all) of tax payable. If there is no tax due, penalty from €117 up to €1,170.
Hungary	Fine up to 200.000 HUF (private person) and up to 500.000 HUF (others)		
Iceland	15% penalty charge		1% for each day that runs over the deadline up to 10%

COUNTRY	TAX TYPES OFFENCE		
	Personal income tax	Corporate income tax	VAT
Ireland	Surcharge of 5% of tax (max €12,695) where <2 months late and 10% (max €63,458) where >2 months late. Civil Court penalties may be imposed also.		Civil Court penalties may be imposed.
Italy	120% to 240% of tax due (minimum €258), if delay does not exceed 90 days maximum €1,032.		120% to 240% of tax due (minimum €258)
Japan	Penalty of 5% for voluntary filing: 15% filing as a result of tax audit		
Korea	20% of tax due or 0.07% of gross income, whichever is greater In case of wilful failure: 40% of tax due or 0.14% of gross income, whichever is greater		20 % of unpaid tax
Luxembourg /1		Up to 10 % of tax assessed	€50 – €5,000
Mexico	Inflationary adjustments and surcharges plus penalty ranging between 860MXP - 17,570MXP (800 - 1,700 USD approx.)		
Netherlands	Omission: max. penalty € 1,134 Offence: max. penalty 100% of amount of tax return For criminal offences: max. fine of €16,750 or, if higher the amount of tax return *or* imprisonment of up to 4 years		
N. Zealand	The late filing penalty is charged only once per late return. Income less than $100,000 is $50 Income $100,000 - $1,000,000 is $250 Income over $1,000,000 is $500 Before a late filing penalty is charged we will give the customer 30 days' notice - either by writing to them directly, or by public advertising. If the return is filed within this 30 day period (or an agreed extension of time) the late filing penalty won't be charged.		The first time a return is filed late they'll receive a warning letter. If they file late again within 12 months of the due date of the initial late return there will be a $250 late filing penalty charged if their accounting basis at the time the return is due is hybrid or invoice, otherwise it will be $50.
Norway	1. Charge because of late delivery : Within a month after final delivery date: 1 ‰ of net wealth and 2 % of net income (minimum 200 NOK, maximum 10 000 NOK) After a month: 1 ‰ of net wealth and 1 % of net income After 3 month: 1 ‰ of net wealth and 2 % of net income. 2. Additional tax because of non-delivery: 15-30 per cent calculated of collected assessment tax		250 NOK, alternative 3 % of output tax, maximum 5,000 NOK
Poland	Fine		
Portugal	Maximum amount of penalty: €2,500		
Slovak Rep.	Administrative fine amounting to minimum of 1000 SKK and maximum of 500.000 SKK		Maximum amount of penalty equals for all types of taxes and the minimum amount differs as previously, depending whether the taxpayer operates as a physical or as a legal entity.
Spain	Without economical damage for the administration: 100€ to 200 €		
Sweden	Administrative penalty 1,000-3,000 SEK	Administrative penalty 5,000-15,000 SEK	Administrative penalty 500-1,000 SEK
Switzerland	Varies across cantons		None
Turkey	Failure to file returns on time is punishable by a fine that is assessed per year.		

COUNTRY	TAX TYPES OFFENCE		
	Personal income tax	Corporate income tax	VAT
United Kingdom	Fine of £100 is due if filed late; additional fine of £100 if not filed within 6 months of due date; further fine up to 100% of tax due if not filed within one year; and further penalties possible	Fine of £100 & another 3 months later. These escalate to £500 for a 3rd consecutive failure. 10% tax geared penalty if return is 18 months late and a 20% penalty if return is more than 2yrs late.	Automated system of progressive surcharges based on number of times the payment is late during rolling 12mth period which is extended for each subsequent late return or payment. After a warning is issued surcharge starts at 2% of VAT unpaid and rises to 5%, 10% and 15% tax geared to the amount paid late.
United States	The penalty is 5% for each month (or part of a month) during which there is a failure to file any returns, up to 25%. Interest on the FTF penalty is charged from the return due date or extended due date until paid. The current underpayment interest rate of 5%, (compounded daily) is charged on the FTF penalty.		No national VAT
2) Selected Non-OECD countries			
Argentina	Fine of ARS 200	Fine of ARS 400	Fine of ARS 200 for individuals and ARS 400 for corporate
Bulgaria	Maximum penalty 500 BGN (art. 80, par. 1 from the Law on Taxes on the Income of Natural Persons (LTINP))	Maximum penalty 3,000 BGN (art. 261 from the Corporate Income Act Tax (CIAT))	Maximum penalty 10,000 BGN (art. 179 from the Law on VAT (LVAT)
Chile	1.5% of penalty interest for each month of delay (total or part of the month). 10% fine of the unpaid tax, plus an extra 2% for each month of delay after the sixth month. The total percentage cannot exceed 30%.		
China	When non-compliance occurs, tax authority recovers the delinquent tax and late fee (0.05% of the delinquent tax) as well as a fine of 50% up to 500% of the delinquent tax.		
Cyprus	Lump-sum surcharge of 51.26 Euros		51 Euros
Estonia	A penalty of up to EEK 18,000 can be imposed on a taxpayer, EEK 200,000 on a company.		
Latvia	For filing a tax return up to 15 calendar days after the deadline, set in the normative enactments – the penalty imposed to natural and legal persons amounts up to 50 lats. For filing a tax return from 16 up to 30 calendar days after the deadline, set in the normative enactments – the penalty imposed to natural and legal persons amounts from 51 to 200 lats. For filing a tax return over 30 calendar days after the deadline, set in the normative enactments – the penalty imposed to natural and legal persons amounts from 201 to 500 lats.		
Malaysia	Penalty of not less than 200 Ringgit and not more than 2,000 ringgit or to imprisonment for a term not exceeding 6 months or both		Not applicable
Malta	Fixed value of €11 up to 6 months late; then at progressively increasing percentages of the tax charge subject to a minimum and a maximum	Fixed value of €46 up to 6 months late; then at progressively increasing percentages of the tax charge subject to a minimum and a maximum	1% of the excess, if any, of the output tax over the deductions, disregarding any excess credit brought forward from a previous tax period, as declared in the return; and €23.
Romania	Fine of 10 lei to 100 lei	Fine of 1,000 lei to 5,000 lei	Fine from 500 to 1,000 lei, for individuals and a fine from 1,000 to 5,000 lei, for legal persons
Singapore	A composition fee up to $1,000 is imposed. The fee amount is dependent on the compliance record of the taxpayer. The Court may impose a penalty equal to double of the tax assessed and a fine not exceeding $1,000. In default of payment, imprisonment not exceeding 6 months. /1	A composition fee of not exceeding $1,000 is imposed. The fee amount is dependent on the compliance record of the taxpayer. The Court may impose a penalty equal to double of the tax assessed and a fine not exceeding $1,000. Company director may be prosecuted for not supplying company information. /1	Penalty of $200 for each completed month return not submitted; total penalty not exceeding $10,000.
Slovenia /1	€200 (If a taxpayer does not file a return at all)	€1,600 – €25,000 (legal entities) / €400 – €4,000 (person who is in charge of the legal entity)	€2,000 - €125,000 (legal entities)/ €200 – €4,100 (person who is in charge of the legal entity)

COUNTRY	TAX TYPES OFFENCE		
	Personal income tax	Corporate income tax	VAT
South Africa	Additional tax penalty ranging from R300 (1st), R600 (2nd) to R900 (3rd and further incidences). New administrative penalty system to become effective in 2009 with fixed amount penalty proportionate to size of taxpayer and duration of default for failure to file returns, etc. on time.		No administrative penalty for mere failure to file return. Only criminal sanction. To be reviewed as part of the planned extension of the administrative penalty system.

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

/1. **Australia**—Individuals and corporations are not treated differently in terms of applying penalties for non-filing of returns, shortfall or general interest charge (GIC). However the entity test is applied to determine the base penalty unit for the non-lodgement penalty and thereafter increases sequentially for every 28 days late to a maximum of 5 times the base penalty unit. Generally GIC is automatically remitted if it is less than $A1.60 per day or under $A50.; **Luxembourg**—IBFD data; **Singapore**—effective from Year of Assessment 2007; **Slovenia**—penalties applied separately for each type of failure; **UK**—Legislation was introduced in Finance Act 2007 to provide a single new penalty regime for incorrect returns for income tax, corporation tax, PAYE, NIC and VAT where the penalty will be determined by the amount of tax understated, the nature of the behaviour giving rise to the understatement and the extent of disclosure by the taxpayer. It introduced a new concept of suspended penalties. The new provisions apply for tax return periods commencing on or after 1 April 2008 where the return is filed on or after 1 April 2009.

Table 30: Enforcement of taxpayers' liabilities: penalties and interest for non-compliance of failure to pay tax on time

COUNTRY	OFFENCE		
	Personal income tax	Corporate income tax	VAT
1) OECD countries			
Australia	General interest charge imposed—calculated as the monthly average yield of 90-day Accepted Bank Bills plus 7% (daily compound).		
Austria	Surcharge of 2% is imposed; additional 1% after 3 months; and additional 1% after 6 months.		
Belgium	Interest of 7 % p.a. No interest is charged when the interest is less than 5 € per month		Interest of 0.8 % per month – No interest is charged when the interest is less than 2.50 € per month
Canada	Compound daily interest calculated at 4% above the average rate of 90-day Government of Canada Treasury Bills.		Compound daily interest calculated at 4% above the average rate of 90-day Government of Canada Treasury Bills. Criminal offences can be charged for wilful failure to pay, collect, or remit tax or net tax when required can result in a fine of not more than the total of $1,000 and 20% of the tax or net tax that should have been paid, collected or remitted. In addition, a prison term of no more than 6 months can be imposed. These penalties are in addition to any others imposed under the legislation.
Czech Republic	The interest rate for late payments is equal to the Czech National Bank repo rate valid at the first day of the relevant half calendar year (3.5 % in October 2008), increased by 14 percentage point. This interest shall be applied up to five years.		
Denmark	Interest 1% per month		
Finland	Penalty surcharge or interest imposed at rate of 11.5% (2008)		
France	Penalty of 10% of tax payable, in addition to late payment interest of 0.4% per month.	Penalty of 5% of tax payable, in addition to late payment interest of 0.4% per month.	
Germany	Penalty of 1% per month.		
Greece	Interest of 1% per month on tax due (up to 200% of tax payable).		
Hungary	Interest, set at twice the prime rate of the Hungarian National Bank		
Iceland	Penalty interests		
Ireland	Interest at the rate of 0.0273% per day on amount unpaid		Interest at the rate of 0.0322% per day on amount unpaid
Italy	30% of tax not paid		
Japan	Until the date when two months have elapsed from the date following the specific due date for tax payment, either 7.3% per annum or official discount rate on November 30 of the preceding year plus 4%, whichever is lower. After the date when two months have elapsed from the date following the specific due date of tax payment 14.6% per annum		
Korea	Interest of 0.03% per day		
Luxembourg	Monthly interest of 0.6%	Monthly interest of 0.5%	Up to 10% of the due tax
Mexico	Inflationary adjustments and surcharges plus penalty ranging between 20-30% of unpaid taxes		
Netherlands	Maximum penalty of €4,537 and applicable rate of interest on the amount of tax return		

COUNTRY	OFFENCE		
	Personal income tax	Corporate income tax	VAT
N. Zealand	Penalties are imposed 1% of the amount outstanding the day after the due date, 4% on any amount remaining outstanding on the 7th day after the due date, and 1% per month on any amounts remaining. Penalties are suspended in the following situations: ▪ Where agreement has been reached to pay debt by way of an instalment arrangement ▪ Where taxes have been remitted due to inability to pay e.g. hardship, uneconomic to pursue Written application by taxpayer for remission in relation to one off circumstances From 1 April 2008, customers may be eligible for a grace period on late payment penalties if they have not missed any payments for two years. Customers being granted a grace period will be sent a letter giving them a further date to make payment before any penalties are imposed.		
Norway	Interest on overdue payments 12,25 %		
Poland	Statutory interest, and additional fine in some cases		
Portugal	Maximum amount of penalty: double the value of the unpaid tax		
Slovak Rep.	For not paying tax in due time or due amount, the (sanction) interest is assessed. The interest is calculated from the amount due (e.g. tax liability from the tax return after due date) multiplied four times by the main interest rate of the National Bank of Slovakia, valid on the day when the tax arrear occurred. The interest is calculated for each day of delay of the payment, beginning the day after the due date for the tax or for the unpaid portion of the tax (e.g. difference against the tax return), ending the day of the payment, or the day of transferring a tax credit (overpayment on another type of tax), or the day of compensation.		
Spain	50% to 150% of the amount		
Sweden	Interest 4-19%		
Switzerland	Varies across cantons		Annual interest of 5%
Turkey	Late payment charge of 2.5% per month		
United Kingdom	Interest is due on all tax paid late at a variable rate. A surcharge of 5% is payable on any unpaid tax after 28 days from due date; a further 5% surcharge is payable if still unpaid after six months.	Only interest regime	Automated system of progressive surcharges based on number of times the payment is late during rolling 12mth period which is extended for each subsequent late return or payment. After a warning is issued surcharge starts at 2% of VAT unpaid and rises to 5%, 10% and 15% tax geared to the amount paid late.
United States	The penalty for failure to pay tax is ½% of the tax not paid, for each month (or part of month) that it remains unpaid up to 25%. The rate increases to 1% per month where the account is in field status, and reduces to ¼% where taxpayer enters into a payment agreement and makes payments timely. The failure to file penalty is reduced by the amount of failure to pay penalty. Interest on FTP penalty is charged if not paid within 21 calendar days from notice and demand for payment (or 10 business days for amounts equal to or exceeding $100,000) from the date of notice and demand to the date of payment.		No national VAT
2) Selected Non-OECD countries			
Argentina	Compensatory interest of 2% per month calculated from due date; additional penal interest of 3% per month from commencement date of court collection procedure.		
Bulgaria	The interest rate is (10+base interest rate, defined by the National Bank) / No sanction		
Chile	1.5% of penalty interest for each month of delay (total or part of the month). 10% fine of the unpaid tax, plus an extra 2% for each month of delay after the sixth month. The total percentage cannot exceed 30%. When the tax administration detects a failure in the payment of withholding taxes in an audit, the previous limits increase to 20% and 60%, respectively.		

COUNTRY	OFFENCE		
	Personal income tax	Corporate income tax	VAT
China	When non-compliance occurs, the tax authority recovers the delinquent tax and late fee (0.05% of the delinquent tax) as well as a fine the amount of 50% up to 500% of the delinquent tax.		
Cyprus	5% surcharge, 8% Interest		10% of the tax due, plus interest at 8% per annum
Estonia	Interest of 0.006% per day until payment.		
Latvia	Delay money in the amount of 0.05% from the delayed payment for each day delayed.		
Malaysia	Penalty of 10% on payment due date, plus 5% if the balance not paid within another 60 days from the due date. 10% penalty only on late payment of instalments		Not applicable
Malta	Interest of 1% per month on late payment		1% of the excess, if any, of the output tax over the deductions, disregarding any excess credit brought forward from a previous tax period, as declared in the return; and twenty-three euro (23). Interest shall be due on any tax which is not paid by the date on which it becomes payable at the rate of one per cent for each month or part thereof during which that tax remains unpaid or at such other rate as may be prescribed.
Romania			
Singapore	5% of tax payable; further 1% of tax unpaid for each completed month, up to 12%.		5% of tax payable; further 2% of tax unpaid for each completed month, up to 50%
Slovenia /1	interests	€1,600 - €25,000 (legal entities)/ €400 – €4,000 (person who is in charge of the legal entity)	€2,000 - €125,000 (legal entities)/ €200 – €4,100(person who is in charge of the legal entity)
South Africa	10% penalty for failure to pay certain taxes (e.g. employees' tax withholding, provisional tax) but not assessed tax on time Interest is charged at a market related rate set from time to time by the Minister of Finance for debt owed to government.		10% penalty on tax not paid on time or not paid. Interest is charged at a rate set from time to time by the Minister of Finance for debt owed to government.

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

/1. **Slovenia**—penalties applied for each type of failure separately.

Table 31: Enforcement of taxpayers' liabilities: penalties and interest for non-compliance of failure to correctly report tax liability

COUNTRY	TAX TYPES		
	Personal income tax	Corporate income tax	VAT
1) OECD countries			
Australia	Penalty tax ranging from 5% (for voluntary disclosure) to 90% of tax payable. Plus a general interest charge. The rate of penalty is determined according to whether the error arose from carelessness, recklessness or intentional disregard and can be increased or reduced by aggravating or mitigating factors.		
Austria	Penalties of up to double the amount evaded.		
Belgium	i) Tax increase, in case non-declared profits exceed €620. No tax increase, if unintentional. Tax increase ranges between 10% and 200% of the unpaid tax, but the sum of unpaid tax and tax increase cannot exceed the non-declared profit. ii) Administrative penalties are between €50 and €1,250. However, penalty is not levied when sufficient tax increases has been imposed.		Administrative penalties between 5% and 20% of the unpaid tax
Canada	In case of omissions, if a repetition occurred in the 3 preceding years, the penalty is 10% of the amount to be included in income. The taxpayer will be assessed both federal and provincial penalties. If the taxpayer is intentionally making false statements or omissions, a penalty of 50% of the tax attributable to the false statement/omission may be applied.	A penalty is charged when a corporation fails to report an amount that should be included as income on the return and failed to report income in any of the three previous taxation years. The penalty applied is 10% of the amount of unreported income for the year when the return was due. If a false statement or omission is made knowingly or through gross negligence on a filed return, the penalty is $100 or 50% of the amount of understated tax, whichever is more. In addition, CRA can file criminal charges leading to a fine of 50% to 200% of the understated tax and imprisonment for up to five years.	A taxpayer who knowingly or through gross negligence makes or allows a false statement or omission to be made in a return is subject to a penalty which is the greater of $250 or 25% of the net tax advantage gained. False statements, omissions or destruction or alteration of documents can carry a fine of between 50% and 200% of the amount evaded or gained. If such amount can't be determined, the fine is between $1,000 and $25,000. In addition to the fine, a prison sentence of up to two years can be imposed. These penalties are in addition to any others imposed under the legislation.
Czech Republic	There is a 20 % penalty from the increase of tax during the tax audit. This penalty and interest are applied simultaneously. This penalty is also applied to the decrease of tax credit. If the tax loss is decreased during the tax audit, penalty of 5 % is applied.		
Denmark	For serious evasion, penalty from 100-200% of the tax evaded and/or imprisonment of up to 4 years.		
Finland	For unintentional errors, penalty of €150-300; penalty up to 30% of increased income for intentional wrong information or gross negligence; under penal code, penalty for tax fraud is imprisonment of up to 2 years.		Penalty up to 30 % of unpaid VAT, for serious violations penalty up to 100% of unpaid VAT or €15,000
France	Penalty ranging from 10-80% of tax evaded in addition to late payment interest of 0.4% per month. For criminal tax fraud, penalty of fine up to €37,500, and or prison sentence of up to 5 years; higher penalties for repeat offences. Court may also suspend driving license and or prohibit operation of business for up to three years.		
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 €50,000)		
Greece	Penalty of 2% per month on tax due (up to 200% of tax payable). If there is no tax due, penalty from 117 up to €1,170. For criminal tax fraud where tax evaded is more than €15,000, prison sentence of 1 year.		Penalty of 3% per month on tax due (up to 200% of tax payable). If there is no tax due, penalty from 117 up to €1,170. For criminal tax fraud where tax evaded is more than €15,000, prison sentence of 1 year.
Hungary	Late payment interest + penalty up to 50% of tax evaded		
Iceland	25% penalty charge		1% for each day that runs over the deadline up to 10%
Ireland	Various Civil and Criminal penalties apply upon conviction. Penalties, in lieu of court case, can be applied. Rates from 3% to 100% depending on culpability and cooperation of taxpayer.		
Italy	100% to 200% of the difference between tax due and tax paid		

COUNTRY	TAX TYPES		
	Personal income tax	Corporate income tax	VAT
Japan	Administrative sanction of 10-40% according to seriousness of offense		
Korea	Penalty rates vary at 10-40%, depending on types of under-reporting (In the case of wilful under-reporting of tax, the greater of 40% of calculated income tax amount or 0.14% of revenue)	10% of tax underreported In case of wilful failure: 40% of tax underreported or 0.14% of gross income, whichever is greater	10 % of unpaid tax due
Luxembourg	If fraud, imprisonment for 1 – 5 months and fines up to €1,250 or 10 times of the tax	Up to €2,500 or 4 times of tax evaded (10 times and possible imprisonment up to 5 years, if fraud)	€50 – €5,000
Mexico	Inflationary adjustments and surcharges plus penalty ranging between 55-75% of unpaid taxes as a result of tax audit		
Netherlands	Offence: maximum penalty of 100% of amount of tax return. For criminal offences: max. fine of €67,000 or, if higher, 1 x amount of tax return *or* imprisonment of up to 6 years		
N. Zealand	Shortfall penalties can be imposed as a percentage of the understated tax. There are five categories of shortfall penalties: Lack of reasonable care 20%, Unacceptable tax position 20%, Gross carelessness 40%, Adopting an abusive tax position 100%, and Evasion 150%		
Norway	1-60 % additional tax calculated of the difference and 7 % interest of the increment per year		0-100%
Poland	Statutory interest, and additional fine in some cases		
Portugal	Maximum amount of penalty: €15,000 for minor offences; up to €25,000 for higher degree of seriousness		
Slovak Rep.	If the incorrect amount of tax returned is discovered by the administrator of tax (for example in a tax audit), a penalty amounting to three times the basic interest rate of the National Bank of Slovakia (valid on the day of the delivery of the decision on the assessment of tax or the difference of tax) multiplied by the difference between the (higher) tax determined by the administrator of taxes in the tax audit and the (lower) tax reported in the tax return. If the incorrect amount of tax returned is discovered by the taxpayer and consequently corrected by submitting a correction tax return, the administrator of taxes imposes a penalty amounting to half the sum equalling three times the basic interest rate of the National Bank of Slovakia multiplied by the difference between the (higher) tax declared in the corrective tax return and the (lower) tax declared in the regular tax return. The amount of the penalty is in this case differentiated according to the situation: whether the incorrect amount of tax returned has been discovered by the administrator of tax, or by the taxpayer.		
Spain	50% to 150% of the amount assessed by the Tax Administration. If the taxpayer agrees with the final assessment, the penalty can be reduced a 30% (then the minimum penalty is a 35% of the amount assessed)		
Sweden	Additional tax 2.5,20%		
Switzerland	Vary across cantons		Interest on correction 5% per year
Turkey	Administrative sanction of up to 100% of deficiency plus one half of late payment charge imposed. For criminal tax fraud, imprisonment from 6 months to 3 years.		
United Kingdom	Additional tax up to 100% of tax payable, according to the seriousness of the offense.		Evasion attracts a penalty of up to 100% of the amount of tax underdeclared or overclaimed due to dishonest conduct. VAT misdeclaration penalty of 15% of the amount misdeclaration can be due where significant or repeated inaccuracies in preparing VAT returns, leading to errors in the true amount of tax payable or repayable, or for failure to notify within 30 days where an assessment with no return is too low.

COUNTRY	TAX TYPES		
	Personal income tax	Corporate income tax	VAT
United States	The penalties available range from 20% to 75% of the understatement depending on the seriousness of the offence. Interest on a tax underpayment starts from the return due date without regard to extensions until paid. The current underpayment interest rate is 5%, compounded daily. Underpayment interest on the tax is in addition to interest on any penalty.	Penalties are the same as above. Interest on corporate tax underpayments of less than 100,000 is charged from the return due date without regard to extensions until paid. Corporate tax underpayments exceeding $100,000 are charged interest at a rate of 2% over the regular underpayment rate (corporate/2% rate). Current interest rate for corporate underpayments under $100,000 is 5%; for amounts exceeding $100,000, it is 7%. Corporate/2% interest begins from the 2% interest start date (which can vary depending on the date that "triggers" the additional 2% rate). Interest at the regular and corporate/2% rate is compounded daily and is in addition to interest on any penalty.	No national VAT
2) Selected Non-OECD countries			
Argentina	Fine between 50% and 100 % of tax evaded		
Bulgaria	Maximum penalty 1,000 BGN (art. 80, par. 1 from the Law on Taxes on the Income of Natural Persons (LTINP))	Maximum penalty 3,000 BGN (art. 261 from the Corporate Income Act Tax (CIAT))	Maximum penalty 10,000 BGN (art. 181 from the LVAT)
Chile	1.5% of penalty interest for each month of delay (total or part of the month). Fines ranging from 5% to 20% of the evaded tax. In case of fraudulent report of tax liability, the previous limits increase to 50% and 300% respectively, plus criminal prosecution.		
China	When non-compliance occurs, the tax authority recovers the delinquent tax and late fee (0.05% of the delinquent tax) as well as a fine the amount of 50% up to 500% of the delinquent tax.		
Cyprus	10% additional tax for Provisional Declaration, 8% Interest		10% of the tax not paid on time plus interest at 8% per annum
Estonia	Penalty of up to EEK 18,000 can be imposed on a taxpayer, EEK 200,000 on a company. If the taxpayer asks for staggering of debts, revenue body can stop interest.		
Latvia	If taxpayer voluntary specifies information provided in the declaration, than there is no responsibility applied (except delay money in the amount of 0.05% from the delayed payment for each day delayed) Responsibility for tax amount reduction to be paid in the budget is anticipated according to the volume – penalty fee 30-100% volume form non declared tax amount and delay money in the amount of 0.05% from the delayed payment for each day delayed.		If taxable person has not submitted declaration within one month from stipulated submission date or has indicated false information in the declaration, or after receiving tax administration's written request has not submitted documents for verifying tax calculations, the SRS has authority to exclude this person from VAT applicable persons register. If taxpayer voluntary specifies information provided in the declaration, than there is no responsibility applied (except delay money in the amount of 0.05% from the delayed payment for each day delayed) Responsibility for tax amount reduction to be paid in the budget is anticipated according to the volume – penalty fee 30-100% amount from non-declared tax amount and delay money in the amount of 0.05% from the delayed payment for each day delayed.

COUNTRY	TAX TYPES		
	Personal income tax	Corporate income tax	VAT
Malaysia	A penalty equal to the amount of tax which has been undercharged. Discretionary: 45% of tax which is payable to be imposed for the first offence.		Not applicable
Malta	0.75% per month of "unreported tax" except when this is a result of an enquiry in which case there is a progressive increase in the percentage depending if it is a first or subsequent offence		10% of the total of - (*a*) the excess, if any, of the correct amount of output tax over the output tax as declared in the return; and (*b*) the excess, if any, of the deductions as declared in the return over the correct amount of the deductions.
Romania			
Singapore	Range of penalties applicable depending on nature of failure. Maximum penalty for wilful intent to evade; penalty - 300% of tax undercharged, fine – not exceeding $10,000; imprisonment – not exceeding 3 years.	Same as left. Company director may also be prosecuted for abetting in the commission of offence.	Range of penalties applicable depending on nature of failure. Maximum penalty for fraud – 300% of tax undercharged, fine – not exceeding $10,000; imprisonment not exceeding 7 years.
Slovenia /1	€400 – €1,200	€1,600 - €25,000 (legal entities)/ €400 – €4,000 (person who is in charge of the legal entity)	€2,000 – €125,000 (legal entities)/ €200 – €4,100 (person who is in charge of the legal entity)
South Africa	Additional Tax = 0-200% of tax underpaid or amount of refund pursuant to default, omission or incorrect statement (% of additional tax dependent on degree of culpability and extenuating circumstances); and/or Prosecution for statutory offence of tax evasion – criminal court may impose a fine and/or imprisonment not exceeding 5 years.		

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

/1. **Australia**—Individuals and corporations are not treated any differently in terms of applying penalties for non-filing of returns, shortfall or general interest charge (GIC). However the entity test is applied to determine the base penalty unit for the non-lodgement penalty and thereafter increases sequentially for every 28 days late to a maximum of 5 times the base penalty unit. Generally, GIC is automatically remitted if it is less than $A1.60 per day or under $A50.; **Slovenia**—penalties applied separately for each type of failure.

Table 32: Selected features of tax disputes of assessment or rulings

COUNTRY	Administrative review						Revenue body can make a risk-based settlement	Have a court specialised in tax	Collection of the disputed tax	
	Availability	Compulsory before court review	Organisation(s) in charge	Initial appeal period	Legal decision period	Performance standard			Possible during administrative review	Possible during court review
1) OECD countries										
Australia	✓	×/1	Rev. body only	Various /1	Limited /1	✓/1	✓	× /1	✓	✓
Austria	✓	✓	Independent tribunal	1 month	6 months	×	×	✓ /1	✓ /1	✓ /1
Belgium	✓	✓	Rev. body only	6 months	6 months	✓ /1	✓	✓	× /1	×
Canada	✓	✓	Rev. body only	90 days	90-180 days /1	✓/1	✓/1	✓	In certain cases	In certain cases
Czech Rep.	×	-	-	-	-	-	×	×	-	×
Denmark	✓	✓	Rev. body only	3 months	1–11 months /1	✓	✓	×	✓	✓
Finland	✓	✓	Rev. body only	5 years	5 years	✓/1	×	×	✓	✓
France	✓	✓	Rev. body only	/1	6 months		✓/1	×	/1	✓
Germany	✓	✓	Rev. body only	1 month	None	×	×	✓	✓ /1	✓/1
Greece	✓	×	Rev. body only	60 days		×	✓	✓	×	× /1
Hungary	✓	✓	Rev. body + MOF	15 or 30 days /1	30 + 30 days /1	×	×	×	×	✓
Iceland	✓	×	State Revenue Board	3 months	-	✓/1	×	×	✓	✓
Ireland /1	✓	×	Rev. body only	None	None	×	✓	×	×	✓
Italy	× /1	-	-	-	-	-	✓	✓	-	✓
Japan	✓	✓	Rev. body only	2 months /1	-	✓ /1	×	×	✓	✓
Korea	✓	✓	Rev. body + /1	90 days	90 days	×	×	×	✓	✓
Luxembourg	✓	✓	Rev. body only	3 months	6 months	×	×	✓	✓	✓
Mexico	✓	×	Rev. body only	45 days	3 months	✓/1	×	✓	✓	✓
Netherlands	✓	✓	Rev. body only	6 weeks	6 weeks	✓ /1	✓	✓	✓	✓
N. Zealand	✓	✓	Rev. body only	2 months	None	✓ /1	✓ /1	✓ /1	×	× /1
Norway	✓	×	Rev. body only	3 weeks	None	✓ /1	×	×	✓	✓
Poland	✓	✓	Rev. body + /1	14 days	2 months	×	×	✓ /1	✓	✓
Portugal	✓	×	Rev. body only	30 days	6 months	×	×	✓	✓	✓

COUNTRY	Administrative review						Revenue body can make a risk-based settlement	Have a court specialised in tax	Collection of the disputed tax	
	Availability	Compulsory before court review	Organisation(s) in charge	Initial appeal period	Legal decision period	Performance standard			Possible during administrative review	Possible during court review
Slovak Rep.	✓	✓	Rev. body + MOF	Various /1	Various /1	×	×	×	×	×
Spain	✓	✓	Rev. body + /1				×	✓	×	×
Sweden	✓	×	Rev. body only	2 months – 5 years	None	✓/1	×	×	✓	✓
Switzerland	✓	✓	Rev. body only	30 days	5 years	×	✓	✓	×	×
Turkey	✓	✓	Rev. body only			×	✓	✓	✓	✓
UK	✓ (VAT only)	×	Rev. body only	30 days	None	None	✓	×	×	✓ /1
USA	✓	✓	Rev. body only	30 days	/1	/1	✓	✓	✓ /1	✓ /1
2) Selected non-OECD countries										
Argentina	✓	×	Rev. body only	15 weekdays	15 weekdays	✓	×	✓	×	✓
Bulgaria	✓	✓	Rev. body only	14 days	45 days	None	×	×	✓	✓
Chile	✓	×	Rev. body only	60 days	6 months	✓ /1	×	×	×	✓
China	✓	✓	Rev. body only	60 days	60 days	✓	✓	×	✓ /1	✓ /1
Cyprus	✓	✓ /1	Rev. body only	/1	3 years	×	✓	✓	✓ (IR)/ × (VAT)	×
Estonia	-	-	-	-	-	-	-	-	-	-
Latvia	✓	✓	Rev. body only	30 days	30 days /1	×	✓	×	×	✓
Malaysia	✓	✓	Rev. body only	30 days	12 months	✓ /1	✓	×	✓	✓
Malta	✓	✓	Rev. body only	30 days /1	30 days /1	None	✓	×	×	×
Romania	✓	✓	Rev. body + /1	30 days	45 days	✓	×	✓	✓	✓
Singapore	✓	✓	Rev. body + /1	30 (21) days /1	None	2 years	✓	×	✓	✓
Slovenia	✓	✓	Rev. body + /1	8, 15, 30 days /1	2 months	None	×	✓ /1	✓	✓
South Africa	✓	✓	Rev. body only	30 days /1	60 days /1	×	✓	✓	✓	✓

Sources: Country survey responses.

/1. **Australia**—There are limited circumstances where no ATO review is required. Initial appeal period 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 appeal periods may be granted in some situations, decision period (taxpayers have the ability to expedite proceedings to external review upon request. A deemed unfavourable decision is generally made if, after 60 days from that request, the administrator has not made a decision), target period: objections to private rulings (28 days from receipt of all information to make decision), other objections (56 days from receipt of all information to make a decision), 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; **Austria**—appellate jurisdiction specialized in tax disputes (Unabhängiger Finanzsenat), under certain circumstances payment deferral is granted; **Belgium**—try to avoid court review as much as possible, only undisputed tax amount can be collected during dispute; **Canada**—Taxpayers have the right to proceed to court should the CRA not have completed their review within the legislated timeframes. For all CRA dispute programs, there is a published service standard requiring the taxpayer be provided with an initial contact letter within 30 days of receipt of the objection or appeal to the Minister. The CRA's ability to settle a dispute based on risk is limited to settling solely on the facts of the case. There is no ability to negotiate a settlement based on amounts owed or a taxpayer's ability to pay; **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. There is no time limit to make such request. 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.**; China—**Taxpayers must first pay their tax due or provide relevant guarantee to seek an administrative review.; **Cyprus**—administrative review is prerequisite before court review only in case of direct taxes, initial appeal period (60 days for direct taxes, by the end of following month for VAT); **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 December 31 of the year following assessment. Risk-based settlement for certain cases. Suspension of payment can be requested during administrative review.; **Germany**—with limitations; **Greece**—can collect 10% of tax; **Hungary**—30-day initial appeal period in case of discovery assessment, 60 + 15 decision period in case of discovery assessment; **Iceland**—3-6 months depending on the complexity of the cases; **Ireland**—Generally no time limit, but after appeal to Appeal Commissioners no administrative review available; **Italy**—administrative review not allowed for tax cases; **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 and The Board of Audit and Inspection; **Latvia**—MOF has right to extend the period up to 60 days; **Malaysia**—5 months; **Mexico**—Same as legal decision period (3 months); **Malta**—appeal period only for direct tax, decision period for VAT; **Netherlands**—Performance standard is within 6 weeks (89% achieved in 2007).; **N. Zealand**—Administrative review is conducted by a separate impartial unit (the Adjudication unit) within Inland Revenue. The overall disputes process, which includes 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). Collection is possible only if there is a significant risk the tax will not be paid should the taxpayer not succeed in the dispute. No appellate court specialised in tax, but a tribunal is specialised in tax.; **Norway**—tax dispute cases are resolved with a resolution; **Poland**—provincial administrative court and supreme administrative court specialised for all administrative matters; **Romania**—Court of Appeal; **Singapore**—Board of Review, 21 days for property tax; **Slovenia**—The first-instance authority (revenue body) checks every appeal. If it believes that the appeal is justified it may make a decision favourable for the taxpayer. Otherwise the appeal is submitted to the Ministry of Finance, which decides about it. 30 days for decisions, issued in the tax audit supervision procedure, 15 days for all other decisions, 8 days for decisions in the tax enforcement procedure. The appeal is filed at the first-instance body, which approves the appeal if it believes that the appeal is justified. The Ministry of Finance is a second-instance body, which decides about appeals in those cases, when the first-instance body estimates that it cannot approve the appeal, which is then submitted to the ministry for resolution. The Administrative Court, which is a specialised court for all administrative matters, is competent for assessing of tax disputes. The Public Finance Unit, which is competent for decision-making in tax disputes, is established within the Administrative Court.; **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 competent body should pass a decision within 30 days after the beginning of proceedings, in particularly complicated cases, within 60 days. This 60 day period can be extended (e.g. extra-ordinary complex cases).; **South Africa**—extension possible when specified criteria are met; **Spain**—Economic and Administrative Courts,; **Sweden**—in normal cases 1 – 3 months; **UK**—When a court has found for HMRC even if further appeal is made.; **USA**—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 finalized 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 a jeopardy levy or 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 Tax Court. Appeals Quality Measurement System (AQMS) is Appeals' quality review organization. Appeals looks to AQMS to measure how well it communicates with our customers, resolve cases, and treats customers. The AQMS review data is used to assess the performance of Appeals as an organization. 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 possible, except for jeopardy and termination assessments under Internal Revenue Code sections 6851, 6852, 6861, and 6862.

Table 33: 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 govern-ment payments to debtor	Tax clearance for govern-ment contracts	Deny access to certain govern-ment services	Impose tax debts on company directors	Publish names of debtors	Initiate bank-ruptcy
1) OECD countries														
Australia	✓	✓	✓	✓	✓	×	✓	✓	✓	×	×	✓/1	×	✓*
Austria	✓	✓	✓	×	✓	×	✓	✓	✓	✓	×	✓	×	✓
Belgium	✓	✓	✓ /1	×	✓	×	✓	×	✓/1	✓	×	✓	×	✓*
Canada	✓	✓	✓	×	✓*	×	✓	✓*	✓	×	×	✓*	×	✓*
Czech Rep.	✓	✓	✓	×	✓	✓	✓	✓	×	✓	×	×	×	✓
Denmark	✓	✓	✓	✓*	✓*	✓	✓	✓	✓	✓	×	✓	✓	✓*
Finland	✓	✓	✓	×	×	× /1	✓	✓	×	✓	×	✓*	✓	✓
France	✓	✓	✓	×	✓	×	✓	✓	× /1	✓	×	✓*	×	✓*
Germany	✓	✓	✓	✓* /1	✓	✓ /1	✓	✓	✓	✓	×	✓	×	✓*
Greece	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Hungary	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	× /1	✓	✓*
Iceland /1	×	✓	✓	×	✓	✓	✓	✓	×	×	×	✓	×	✓
Ireland	✓	✓	✓	×	✓	×	✓	✓*	×	✓	×	✓*	× /1	✓
Italy	✓	✓	✓	×	✓*	✓	✓	✓	✓	✓	×	×	×	✓
Japan	✓	✓	✓	×	✓	×	✓	×	×	✓	×	×	×	×
Korea	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	×
Luxembourg	✓	✓	✓	×	✓	×	×	✓	✓	✓	×	✓	×	✓
Mexico	✓	✓	✓*	✓	✓*	✓*	✓	✓*	✓*	✓	×	✓	×	✓*
Netherlands	✓	✓	✓	✓	✓	×	✓	×	×	✓	×	✓	×	✓
N. Zealand	✓	✓	✓	✓*	✓*	×	✓	✓	×	×	×	✓*	×	✓*
Norway	✓	✓	✓	✓*	✓	×	✓	✓	✓	✓	×	✓	×	✓
Poland	✓	✓	✓	×	✓	×	✓	✓	×	✓	×	✓	✓	✓
Portugal	✓ /1	✓ /1	✓	×	✓	×	✓	✓	✓	✓	×	✓	✓ /1	×
Slovak Rep.	✓	✓ /1	✓	×	✓	×/1	✓	✓	×	✓	×	×	✓	× /1
Spain	✓	✓	✓	×	✓	×	✓	✓	✓	✓	×	✓	×	✓*
Sweden /1	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	×	✓	×	✓
Switzerland	✓	✓	✓*	×	✓	×	✓	×	✓*	✓	×	✓	×	✓*

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 govern-ment payments to debtor	Tax clearance for govern-ment contracts	Deny access to certain govern-ment services	Impose tax debts on company directors	Publish names of debtors	Initiate bank-ruptcy
Turkey	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
UK	✓	✓	✓*	×	✓	×	✓	✓*	×	×	×	✓	×	✓*
USA	✓	✓	✓*	×	✓	×	✓*	✓*	✓	×	×	✓	×	✓*
2) Selected non-OECD countries														
Argentina	✓	×	×	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bulgaria	×	×	✓	✓	×	✓/× /1	✓	✓	✓	×	×	✓	✓	✓
Chile	× /1	×/1	✓	× /1	× /1	✓	✓	✓	×	× /1	×	×	×	✓
China	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓
Cyprus /1	✓	✓	×	×	✓	×	✓/×	✓	×	✓	×	✓	×/✓	✓
Estonia	✓	✓	×	✓	✓	✓	×	✓	✓	✓	×	×	✓	✓
Latvia	✓	✓	✓	×	✓	✓	✓	✓	-	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	×	✓	×	×	×	×	✓	×	✓
Malta	✓	✓	✓ /1	×	✓ /1	×	×	✓/1	✓ /1	✓	×	×	×	✓ /1
Romania	×	×	✓	×	✓	✓	✓	✓	✓	-	×	✓	✓	✓
Singapore	✓	✓	✓	✓	✓	×	✓	×	✓	×	×	×	×	✓
Slovenia	✓	✓	✓	×	✓	×	✓	✓	✓	✓	×	×	×	✓
South Africa	✓	✓	✓	✓*	✓*	✓*	✓	✓*	×	✓	×	✓	× /1	✓

Sources: Country survey responses

/1. **Australia**— parallel debts can be raised on directors in certain cases; **Belgium**—by garnishment order; **Bulgaria**—NRA can only request licenser for a license withdrawal; **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.; **Cyprus**—data in order of 'IR/VAT', if direct taxes and VAT have different regimes; **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; **Hungary**—only in case of personally liable partners of Limited Partnerships or general partnership (unlimited liability companies) or in case of crime; **Iceland**—Data reflects the authorities of Customs that handles tax debt collections; **Ireland**— Revenue publishes a quarterly list of defaulters. This contains details of published audit/investigation settlements completed by Revenue in the preceding quarter.; **Malta**—direct taxes only; **Portugal**—further time to pay and payment arrangements are limited by law and no bargaining is allowed. Has published names of debtors since 2006; **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.; **Slovenia**—Payment conditions are defined by law.; **Sweden**—Those powers are exercised by a separate 'Enforcement Service' responsible for all enforcement activity including the collection of public and private debt.; **South Africa**—can publish names in respect of criminal convictions.

Chapter 7 - Return filing, collection and assessment

Outline

This chapter describes selected features of the frameworks for return filing, collection and assessment regimes in surveyed countries for the collection of PIT, CIT, and VAT. The chapter also provides an overview of recent developments in the use of electronic services.

Key points

Taxpayer registration

- Comprehensive systems of taxpayer registration and numbering are a critical feature of the tax administration arrangements in most countries, supporting numerous tax administration processes and underpinning all return filing, collection and assessment activities.

- 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 12 revenue bodies, the proportion was <80%, while for 15 bodies the proportion exceeded 140%. This variation is directly related to the extent of required individual filing and any re-distribution/social programs administered by revenue bodies.

Withholding regimes

- All but three countries (France, Singapore and Switzerland) apply withholding at source arrangements for the collection of PIT (and in most countries where applicable, social security contributions) on employment income derived by resident taxpayers.

- The vast majority of surveyed bodies also mandate the use of withholding regimes for the collection of income tax —as a final or creditable tax—in respect of interest income (30 countries) and dividend income (27 countries) made to resident taxpayers.

- A small number of countries have extended the use of withholding arrangements to income tax payable on payments made by businesses and others to certain categories of resident (and non-resident) self-employed/contractors/small medium enterprises.

Collection of income tax by advance payments

- All countries provide for the gradual 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 in terms of the payments to be made, the basis of their computation and their precise timing.

Assessment

- 23 out of 43 revenue bodies use self-assessment principles for the administration of income taxes. Annual return filing requirements and practices vary substantially across surveyed bodies, with time periods for settling end-of-year tax liabilities varying between 1 month and up to 11 months.

Information reporting

- Mandatory reporting of payments in respect of salaries and wages, dividends and interest income (much of which is also subject to withholding) is largely universal. Mandatory third party reporting is less frequent, but nevertheless significant, for other categories of payments e.g. certain rents (20 revenue bodies), specified self-employment income (21 bodies), and sales and purchases of shares and real property (23 bodies). Third party reporting varies substantially between countries, ranging from comprehensive to negligible.

Return filing obligations of employee taxpayer

- A growing number of countries are automating the preparation of tax returns for personal taxpayers by applying the concept of pre-filling. In its most advanced form (e.g. Denmark), pre-filling has largely eliminated the compliance burden associated with preparing annual tax returns for the majority of personal (employee) taxpayers.

Collection of Value Added Taxes

- Registration thresholds applied across surveyed countries vary substantially; however, the impact of these thresholds on administrative workloads and taxpayers' compliance burden is "softened" in many countries with extended tax payment and return filing requirements (e.g. quarterly, six-monthly or annually) and/or with the use of 'flat rate' schemes for computing VAT liabilities.

- 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.

Use of modern electronic services

- There has been growth in the numbers of revenue bodies using e-filing for income tax and VAT and the rate of take-up achieved over the last four years. Mandatory requirements for e-filing do not figure significantly as a factor in the growth of e-filing for PIT (only 3 bodies), but seem more significant for CIT (10 bodies) and VAT (12 bodies).

- There has been considerable growth in the usage of automated/electronic facilities for making tax payments – it is now the predominant method in 20 countries. There has also been considerable growth in the number of payment options offered by revenue bodies with 81% offering four or more methods for taxpayers' convenience. However, despite this progress 27 revenue bodies still show non-automated methods (e.g. mailed cheques or in person payments) as the primary or secondary most common payment method used in terms of volume.

Introduction

1. This chapter describes selected aspects of the systems in place for return filing and the collection and assessment of taxes:

1) Taxpayer registration;

2) Collection and assessment of income taxes;

a) withholding regimes;
b) collection of taxes by advance/instalment payments;
c) administrative assessment and self-assessment regimes;
d) third party information reporting regimes; and
e) personal income return filing obligations of employee taxpayers.

2) Collection of VAT.

3) Developments in the use of electronic services

Taxpayer registration (Tables 34-36)

2. 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.

3. 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.

4. Information pertaining to registered taxpayer populations in surveyed countries and the use of taxpayer identification numbers is set out in Tables 34-36. Significantly:

- 27 of 43 revenue bodies in surveyed countries utilize a unique taxpayer identifier (or some other high integrity number, for example 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. Examples of countries with this system include Australia, Slovak Republic and Malaysia. In 35 out of 43 countries, a similar system exists for CIT and in 33 out of 43 countries for VAT.

- In several countries the number used is not unique to the revenue body. For example in Chile, Denmark, Korea and Norway a 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 and Sweden 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.

- 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 36).

- 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 12 revenue bodies, the proportion was <80%, while for 15 bodies the proportion exceed 140%.

- Revenue bodies with relatively low rates of registration (e.g. Argentina, Czech Republic, Japan, Korea, Romania, South Africa, and Turkey) typically administer cumulative withholding regimes for employee taxpayers which, for most taxpayers, negate the need for annual tax returns.

Collection and assessment of income taxes

The policy decisions that shape the frameworks for collecting and assessing income taxes are often influenced by decisions made outside of a revenue body's control. However these decisions have significant implications for; the compliance burden imposed on taxpayers; how the tax system is administered; the resulting workload for the revenue body; as well as on its general efficiency and effectiveness. This part of the series focuses on the collection and assessment arrangements for income taxes.

Overview - withholding regimes

5. 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 significantly reduces, if not eliminates, their ability to understate such income for tax assessment purposes, is a more cost efficient way for both taxpayers and the revenue body to transact the payment of taxes, and 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 clearly indicate that there are significant compliance-related benefits from use of withholding—see Box 17. 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.

Box 17. Compliance research findings and tax withholding requirements

Sweden: Recently published findings of the Swedish Tax Agency's research into the size and composition of the tax gap in Sweden reveal the following compliance patterns for categories of income:

- Income tax on earnings (including undeclared wages to employees, unreported wages drawn by company owners, incorrectly reported wages and benefits), the vast majority of which is subject to withholding requirements - an estimated non-compliance rate of 5%.
- Income tax on business income- an estimated aggregate non-compliance rate of 33%.
- Tax on capital (including dividends, interest, capital gains)—an estimated aggregate gap of 33% (NB: Around 80% of this estimated gap was reported as attributable to 'international transactions').

United Kingdom: HMRC's research of PAYE compliance among small and medium-sized employers indicated compliance rates of around 99% from a random selection of employers examined for the 2004 fiscal year. On the other hand, research over three fiscal years in respect of individuals subject to self-assessment (largely the self-employed segment of the personal taxpayer population), again using random audit techniques, concluded that aggregate compliance was likely to be in the range of 87 -89%.

United States: The IRS's conducts its National Research Program as a comprehensive long-term measurement activity designed to quantify the tax gap for all taxpayers and for types of tax, and to gather information on characteristics of taxpayers' compliance to assist tax administration (e.g. risk profiling). For personal income taxes, there a number of definitive findings from its research activities for 2001 that reflect positively on the merits of withholding and reporting regimes for the voluntary payment of taxes:

- Tax compliance is greatest for income subject to mandatory withholding by the payer. Only 1% of the tax due on wage income (reported by employers) was not reported to the IRS by return filers in 2001.
- Non-compliance rates are higher for income that is not subject to withholding, but that is reported separately to the IRS by a third party when payments are made. The net misreporting percentage is about 4.5% for interest income, dividends, social security benefits, pensions, and unemployment insurance, all of which are generally subject to third-party reporting. The net misreporting percentage is somewhat higher for income items that are subject to some, but not substantial, information reporting. For partnership and corporation income, alimony, reportable exemptions and deductions, and capital gains, the net misreporting percentage is 8.6%.
- Non-compliance rates are highest for income that is not subject to either withholding or third-party reporting requirements. About 54% of net income from proprietors (including farms), rents, and royalties is misreported. Underreporting of self-employment income also results in high non-compliance for self-employment taxes for social security and Medicare.

Sources: Sweden—Tax Gap Map for Sweden, Swedish Tax Agency (January 2008); UK—Developing Methodologies for Measuring Direct Tax Losses, HMRC (October 2007); USA—A Comprehensive Strategy for Reducing the Tax Gap (US Treasury) 09/2006

Withholding regimes for employment income

6. An important feature of the personal tax system in many countries is the operation of tax withholding arrangements that are designed to free the majority of employee taxpayers from the requirement to file an annual tax return. In practice, these arrangements are described as a '*cumulative'* form of withholding as it requires employers to calculate withholdings for each of their employees on a cumulative/progressive basis over the course of a fiscal year, having regard to their personal circumstances. In practice, the operation of these sorts of withholding arrangements is supported by a system of coding and/or withholding schedules to guide employers in deciding how much tax should be held. Generally, as part of these arrangements where an employee changes jobs or takes on a second job, all of their income/withholding history for the year concerned must be taken account of by the new/additional employer. As indicated in Table 39, 26 of 43 revenue bodies who responded reported use of the cumulative withholding approach. Three countries (i.e. France, Singapore and Switzerland) do not use withholding for the collection of income tax on salary and wage income.

7. Given that some employees may derive some of their income in the form of interest and/or dividends, the use of the cumulative withholding approach is typically complemented in practice by the operation of other withholding mechanisms (for example in respect of interest and dividend income) to ensure that such income does not go untaxed and to reduce the incidence of return filing obligations.

8. 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 previous employment withholding. 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, the tax laws typically require each employee to file an annual tax return to ensure that the correct overall amount of tax is paid. As indicated in Table 39, of the 40 revenue bodies with withholding regimes, 14 reported use of the non-cumulative withholding approach. Additional information on both the cumulative and non-cumulative approach is set out in Box 18.

Box 18. Withholding arrangements for employee taxpayers

***1*) Cumulative withholding.** The objective of the cumulative approach 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 withholdings 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 must also be informed.

Under the cumulative approach, employees tend to have few entitlements (that reduce tax payable) as this helps to enables greater accuracy in the amount of taxes withheld over the course of a fiscal year with regard to 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 done using automated 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.

2) Non-cumulative withholding. The objective of the non- cumulative approach is to ensure that the amount of tax deducted over the course of the fiscal year by employers for their employees roughly approximates to their tax liability on such income. This 'less than accurate' approach to withholding acknowledges that employees are generally expected to prepare and file an end-of-year tax return disclosing all of their income and entitlements in order to properly assess their full year tax liability.

Under this approach, employees provide employers with details of basic entitlements that can be taken account of for withholding calculation purposes. Employers withhold tax from income paid, applying schedules provided by the revenue body that are calibrated to provide an approximation of the tax payable. Withholdings are calculated on a periodic (i.e. non-cumulative) basis.

Employers provide advice to employees at year-end of total income paid and taxes withheld, which must be disclosed in an annual tax return that is filed with the revenue body. The revenue body confirms the overall liability for each taxpayer and refunds any excess tax paid, or seeks payment of any balance of owing by taxpayers. Following the processing of the bulk of annual tax returns, revenue bodies generally match income reports provided by employers and other payers (e.g. banks) with tax returns/taxpayer master file records to detect undeclared income, the non-filing of tax returns, and to validate credits for tax withholdings claimed in tax returns.

9. In the context of weighing up the pros and cons of the cumulative and non-cumulative approaches, the view is often expressed that the cumulative withholding approach is to be preferred because it eliminates the requirement for annual tax returns from the majority of employees, which would otherwise have to be processed by the revenue body. In other words, applying this approach frees employees of a significant compliance burden while the revenue body avoids the cost of processing tax returns. These arguments are particularly relevant in countries with relatively new tax systems. However, there are offsetting costs to be considered. Cumulative regimes, with their objective of achieving an exact amount of withholding, are clearly more complex/costly for employers to administer and their operation may require special administrative arrangements within the revenue body (e.g. closer in-year monitoring of employees, adjustments to their withholding, end-of year checks) to achieve optimal outcomes. The extent of these costs will depend on a variety of factors (e.g. complexity of the tax laws).

10. A further consideration is that through advanced use of technology and more effective information reporting arrangements, a number of countries using the non-cumulative form of withholding have made substantial progress in largely eliminating the compliance burden for employees associated with the preparation of annual tax returns and their assessment. This development, entailing the use of 'pre-filling', is described later in this chapter.

11. Tables 37 a and b set out information on the extent of withholding and related information reporting obligations across surveyed revenue bodies while Tables 38 and 39 provide more detailed information on the timing and frequency of related payment and reporting obligations. The key observations are set out below:

- All but three countries (i.e. France[59], 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 derived by resident taxpayers. All 42 countries that responded apply withholding at source for non-resident taxpayers.

- Employers are typically required to deduct tax from salaries and wages and remit withheld taxes on a monthly basis. However, four countries (Australia, Canada, New Zealand, and the United States) expedite the collection of employer withholdings

[59] However, withholding is applied by employers to collect social security contributions from employment income.

from very large employers; to ease the compliance payment burden of smaller businesses, many countries provide a bi-monthly, quarterly, and/or annual payment cycle.

- Employers are typically required to report details for each employee's salary and wages paid and taxes withheld to the revenue body. However, the frequency of this reporting obligation ranges from monthly (15 countries) to annual (23 countries), indicating substantial differences across countries in the compliance burden imposed on employers and the associated workload of revenue bodies.

- The majority of surveyed revenue bodies also mandate the use of withholding regimes for the collection of income tax —as a final or creditable tax—in respect of interest income (30 bodies) and dividend income (27 bodies) made to resident taxpayers.

- A small number of countries have extended the use of withholding arrangements to income tax payable on payments made by businesses and others to certain categories of resident (and non-resident) self-employed/contractors/ small medium enterprises. (Brief examples of such regimes are set out in Box 19).[60]

Box 19. Withholding regimes and self-employment/business income

Research by the OECD Secretariat has revealed that a few countries use tax withholding arrangements as the primary method for collecting income tax for categories of self-employment income. Some examples identified are summarised briefly hereunder:

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. Gross collections in 2007 were €537 million.

Relevant contracts tax: The regime applies to payments by principal contactors for construction, forestry and meat processing operations. It is essentially an annual reporting regime with a withholding sanction (35%) for sub-contractors who do not hold a relevant payment card. Gross collections in 2007 were €1,033 million.

New Zealand

Withholding tax: Businesses must deduct withholding tax (prescribed at varying rates) from payments made to prescribed self-employed contractors, and to companies operating in the horticultural and viticultural industries unless the contractor holds a current certificate of exemption from withholding tax.

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 £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). Gross collections in 2007 were around £4 billion.

Source: Revenue body websites (June 2008) and FTA Compliance Sub-group study report on the use of withholding and third party reporting regimes for SME taxpayers (to be published in early 2009).

[60] A more detailed description of the use of withholding and information reporting requirements for specified categories of self-employed/ business income will be reported in a new Forum publication to be release in early 2009— *Withholding and Information Reporting Regimes for Small/ Medium-sized Businesses,* Forum on Tax Administration.

Collection of income taxes by advance/instalment payments of tax (Tables 39 and 40)

12. In the absence of withholding requirements, there is a need for an alternate approach to ensure a timely and appropriate flow of tax revenue into Government accounts. For this purpose, Governments have implemented systems of advance payments/installments of tax for the collection of both PIT and CIT.

13. The design on advance payment regimes for both PIT and CIT is not a straightforward issue given a number of competing considerations, for example:

- *Compliance burden:* Taxpayers should be able to readily compute their instalment obligations and have a reasonable period of time to make payment;
- *Revenue body workload and efficiency*: The volume of payments and information to be processed by the revenue body and the cost of processing such information should be kept to a minimum;
- *Effectiveness:* The objective of achieving good levels of payment compliance— the excessive lagging of tax payments may well jeopardize their ultimate collectability.
- *Budget revenue management*: Governments generally require a regular flow of tax revenue to meet their expenditure commitments;
- *Equity:* Taxpayers in similar circumstances should be treated equally.

14. Taking these sorts of factors into account, all surveyed countries have evolved systems for the advanced collection of personal income and corporate profits taxes. Tables 39 and 40 set out some basics features of these arrangements, enabling the following observations:

- All countries provide for the gradual collection of PIT on income not subject to withholding of tax at source (e.g. income of self-employed persons) with a regime of advance/instalment payments, although the requirements of these arrangements vary substantially in terms of the number of payments to be made, the basis of their computation, and their precise timing.
- All countries provide for the gradual collection of CIT with a regime of advance/ instalment payments, although the requirements of these systems vary substantially in terms of the number of payments to be made, the basis of their computation, and the precise timing of individual payments (refer later comments).
- 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 and/or quarterly instalments to be paid largely within the year of income.
- Just over a third of countries have aligned their personal tax (largely representing self-employed taxpayers) and corporate tax instalment regimes.
- There are a variety of bases used for the calculation of instalment liabilities (e.g. proportion of prior year tax, proportion of estimated current year liability) reflecting, on the one hand, ease of administration and, on the other, aligning the payment of tax to the derivation of the underlying income.
- There are substantial differences between many countries in the timing of tax collection that may warrant closer examination by countries wishing to accelerate the collection of tax revenues.

Administrative assessment and self-assessment regimes (Table 39)

15. As indicated in Table 39, 15 out of 30 OECD countries have evolved their systems for the administration of income taxes to one based on self-assessment principles, as opposed to administrative assessment (which typically requires the examination of all/most returns by technical officials prior to issuing assessments to taxpayers). The proportion of non-OECD surveyed countries applying self-assessment principles is similar, 8 out of 13 countries. There is no marked change in these results since 2006.

16. Generally speaking, the use of self assessment principles in the countries concerned reflects a move away from 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 39 partially bear out this observation:

- In those countries where self assessment procedures are in place, the practice is generally to require the annual tax return earlier in the year after the year of income, and to seek payment of any residual tax due with the return when it is filed, this contrasts the practice of later filing and payment obligations typically seen in countries using administrative assessment.

- Annual return filing requirements and practices vary substantially across surveyed countries.

- The period of time provided to taxpayers to settle end-of-year tax liabilities (based on annual returns) varies substantially across countries, ranging from about 1 month to up to 11 months.

- At least 7 OECD countries with relatively low complements of audit/verification staff employ administrative assessment procedures.

17. On the other hand, it should also be recognized that many countries 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.

Use of third party information reporting requirements

18. 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 (see Box 17), 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 more fully later in this chapter.

19. In contrast to the high cost of and low audit coverage that can be achieved with traditional audit processes, comprehensive programs 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) The ability of reporting bodies to capture and submit information reports electronically to the revenue body; and

2) The use of a high integrity taxpayer identifier that is captured and reported by the reporting body, enabling such reports to be readily matched by the revenue body with tax records (See *Taxpayer registration* earlier in this chapter).

20. As indicated in Table 38, 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, ranging from 'comprehensive' to 'negligible' (see Box 15). Examples of revenue bodies with very/ reasonably comprehensive information reporting regimes (that go beyond the traditional categories of employment and investment income) are set out in Box 20 below.

Box 20. Third party information reporting regimes for self-employment/ business income

Country	Third party reporting regimes (current or proposed)
Canada	**Contract payments reporting scheme**: This is an annual reporting regime introduced in 1999 covering payments in the building and construction sector and payments by Government for all services provided by business.
Ireland	**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.[61]

Return filing obligations of employee taxpayers

21. As noted earlier in this chapter, countries that use the simpler non-cumulative form of withholding typically require each employee to file an annual tax return. As employees

[61] For fiscal year 2007, just over 1.8 billion reports were received (for all categories of income including wages—equivalent to roughly 6 for every US citizen—and computer matched with taxpayer records. 96.8% of such reports were received electronically or magnetically. During 2007, the program entailed some 4.76 million taxpayer (closed) contacts (including over 1.3 million in respect of non-filed returns) and resulted in additional assessments amounting to just over $US 19.1 billion (averaging $US 4,012 per taxpayer contact).

represent the major proportion of the personal taxpayer population, this requirement has historically imposed a significant compliance burden on taxpayers and presented a significant workload for revenue bodies. However, over the last 10-20 years, there have been two major developments centering on the enhanced use of technology that have presented significant opportunities for major reductions in taxpayers' compliance costs and the workloads of revenue bodies. These developments are the advent of electronic filing and, more recently, systems involving the concept of 'pre-filling',[62] hereafter referred to as 'prefilled tax returns'.

22. Towards the end of the 1980's, a number of revenue bodies implemented arrangements enabling the ***electronic filing*** of tax returns by tax return preparers and some individual taxpayers. In subsequent years, use of these facilities increased significantly as use of the Internet grew among the citizen population. In their most advanced form, electronic filing systems facilitate the automated transmission of accurate tax return information to revenue bodies, enabling rapid processing and updating of taxpayers' records and, where relevant, expedited refunds of overpaid taxes to taxpayers. Today, as evidenced by the information in Tables 42-44, the vast majority of revenue bodies have implemented systems for electronic filing of PIT (and other) tax returns and these systems are being used widely by taxpayers (see *Use of modern electronic services* below). However, while electronic filing has produced many benefits for both taxpayers and revenue bodies, it has not diminished the compliance burden of taxpayers associated with assembling the information required for PIT returns. To deal with this challenge, an additional reform was required.

23. Over the last decade or so[63], countries in the Nordic region (i.e. Denmark, Estonia, Finland[64], Iceland, Norway, and Sweden), and more recently in a few other countries (e.g. Chile, Slovenia, South Africa[65]and Spain, have transformed the requirement to prepare personal tax returns by making comprehensive third party information available to taxpayers in the form of a 'pre-filled' return and most recently by way of a formal assessment (with supportive information).[66]

24. In their earliest form, revenue bodies produced a pre-filled return that was sent to taxpayers in paper form. (The completeness of the return sent to taxpayers was contingent on the range of third party reports that could be used by revenue bodies.) Taxpayers were obliged to advise the revenue body of the returns' correctness or, where necessary, to provide additional information relevant to establishing their correct tax liability. In subsequent years, automation was added to this process—taxpayers could access an electronic version of their pre-filled return via the Internet and, if required, advise of any necessary adjustments using the Internet capability. Following the processing of confirmations and adjustments by the revenue body, final notices of assessment were sent to taxpayers, along with any refunds of tax owing to taxpayers.

---

[62] The use of 'pre-filling' is described by various terms (e.g. pre-populated or pre-filled tax returns, tax proposals, and informative statements) which have changed in some countries as the concept has evolved over the last decade.

[63] The first example of pre-filling reportedly originated in Denmark in the late 1980's. The system was progressively enhanced over the following decade as improvements in technology and data capture took place and other Nordic countries also started to use pre-filling.

[64] The Finnish Tax Administration collects data electronically from third parties (employers, banks, insurance companies etc.) and sends full pre-filled tax a declarations (4,975 M) to taxpayers. Taxpayers can correct errors of declaration and send them back to the tax administration by post (1,453 M) or electronically (0,135 M). Electronic corrections were possible for the first time for tax year 2007 and the tax administration received about 10% of corrections in this way.

[65] South Africa introduced pre-filling for 2008 personal income tax returns, which must be filed in the 2009 fiscal year.

[66] The FTA's initial study of the use of pre-filling-type approaches for personal income tax can be found in the 2006 publication *Information Note - Using Third Party Information Reports to Assist Taxpayers Meet their Return Filing Obligations: Country Experiences With the Use of Pre-populated Personal Tax Returns.*

25. In subsequent years, further refinement occurred when the practice of "silent acceptance" was introduced. Under this practice, taxpayers were not required to confirm that a return was correct in all aspects—instead, this was deemed to be the case if no advice was received by the revenue body from the taxpayer after a prescribed period of time. Taxpayers were subsequently sent an official notice advising their final assessment details, etc.

26. Based on the Secretariat's research, the most recently recorded innovation in the evolution of pre-filled tax returns (effectively abolishing the traditional tax return) has occurred in Denmark and Slovenia over the last two years with the amalgamation of the traditional notice of assessment and detailed tax return information into a single notification (in essence, a calculation of liability and a summary of underlying information used to compute the liability) that is sent to taxpayers, either in electronic or paper form. Figure 16 provides a description of how the Danish system has evolved over the last 20 years, starting with the first use of pre-filling and, in 2008, resulting in a position of total automation where taxpayers could receive on line a notice of assessment (with on-line access as needed to the detailed underlying data used to compute taxpayers' liabilities). In 2008, 4 million personal taxpayers (of a total of 4.7 million) were handled in this way. Again, in both countries, taxpayers are required to advise the revenue body of any needed adjustments but they are not obliged to confirm with the revenue body where the calculation of their liability (and supportive information) is considered to be correct.

Figure 16. Goodbye to the personal tax return—Denmark's total automation of tax return preparation and assessment notice generation

Year	Stage	Description
2008	TOTAL AUTOMATION	PRE-FILLED RETURNS NO LONGER SENT. TAXPAYERS ONLY RECEIVE ASSESSMENT NOTICE (WITH PROVISION TO ACCESS ON-LINE UNDERLYING RETURN DATA USED TO ESTABLISH TAX LIABILITY. ADJUSTMENTS TO BE ADVISED TO REVENUE BODY.
2006	PREFILLED RETURNS & NOTICE TOGETHER	TAXPAYERS WITH FULLY COMPLETED PRE-FILLED RETURNS ALSO RECEIVE AN ASSESSMENT NOTICE ALONGSIDE THEIR TAX RETURNS.
2004	ONLINE ASSESSMENT NOTCES	TAXPAYERS WITH FULLY COMPLETED PRE-FILLED RETURNS RECEIVE ASSESSMENT NOTICE ONLINE, WHEN CONFIRMING THE COMPLETENESS OF THE PREFILLED RETURN.
1999	PREFILLED RETURNS AVAILABLE ON-LINE	PRE-FILLED RETURNS ARE AVAILABLE ONLINE FOR REVIEW BY TAXPAYERS & THEIR NOTIFICATION OF CHANGES OR CONFIRMATION OF ACCEPTANCE. NOTICE OF ASSESSMENT SENT AFTER PROCESSING.
1995	FIRST ELECTRONIC FILING APPLICATION	TAX-RETURN (NOT PRE-FILLED) AVAILABLE ONLINE. TAXPAYER 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. ADJUSTMENTS TO BE ADVISED TO REVENUE BODY. NOTICE OF ASSESSMENT 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 PREFILLING OF TAX RETURNS	SYSTEM OF LIMITED PRE-FILLING OF PERSONAL TAX RETURNS (ON PAPER) COMMENCES. TAXPAYERS REQUIRED TO COMPLETE THEIR RETURN & SEND IT TO THE REVENUE BODY. NOTICE OF ASSESSMENT SENT AFTER PROCESSING.

Source: Danish revenue officials

27. Drawing on the experience of Nordic region countries which has been summarised in the Forum's 2006 publication, automating tax preparation by applying the concept of pre-filling requires a number of pre-conditions to ensure that a large proportion of the taxpayer population can enjoy the benefits of this approach. In particular:

- High integrity taxpayer identifiers with the information provided by third parties are essential for the revenue body's ability to readily and accurately match large volumes of third party reports with tax records.

- The system of third party reporting to the revenue body must be sufficiently comprehensive and timely in order to maximize the extent and variety of information that can be presented to taxpayers in automated form, thereby reducing the need for taxpayers to supply additional information.

- Ideally, the legislative framework limits the scope for tax deductions, rebates, credits, and discretions that cannot be predicted by the revenue body using third party information or other information available to it concerning the taxpayers' individual circumstances (e.g. dependents' details).

- There needs to be a high degree of automation in the third party information reporting arrangements to the revenue body to facilitate rapid data processing.

- Large scale information processing systems are required by the revenue body to capture, validate, and prepare relevant data for presentation to taxpayers relatively quickly after the end of each fiscal year (i.e. 6-10 weeks).

- Mechanisms to minimize the interactions with taxpayers are required to avoid large scale clerical vetting of completed pre-filled returns returned by taxpayers to revenue body.

28. The use of pre-filling is growing and other countries (e.g. Australia, Belgium, France, and Portugal) are also known to have introduced arrangements that applying the pre-filling approach in some way. The Netherlands is planning to introduce its own pre-filling system in 2009.

Collection of VAT (Table 41)

29. As indicated in Chapter 5, Table 16 VAT constitutes a significant source of tax revenue in many countries. Of the countries surveyed only the United States does not use a form of VAT for indirect taxation, instead relying largely on retail sales taxes that are administered independently by most states.

30. Table 41 reflects selected features of the return filing and payment regimes for VAT in surveyed countries. Significantly:

- Registration thresholds applied across surveyed countries vary substantially; however, the impact of these thresholds on administrative workloads and taxpayers' compliance burden is 'softened' in many countries with extended tax payment and return filing requirements (e.g. quarterly, six-monthly or annually) and/or with the use of 'flat rate' schemes for computing VAT liabilities.

- 39 out of 43 countries have introduced systems of electronic filing for the reporting of monthly/quarterly VAT liabilities.

- The periods of time given to large and medium traders for the payment of VAT liabilities vary substantially across OECD member countries, ranging from 10 to 60 days after the end of the relevant liability period.

- Generally speaking, countries' legislation requires VAT liabilities to be computed on an 'accruals' basis; however, 11 countries permit use of a 'cash' basis for liability determination for a prescribed class of smaller traders (using turnover criteria) to simplify taxpayers' compliance burden. These countries include Australia, Germany and Poland.

- The period of time provided to large taxpayers to settle regular (for most countries, monthly and quarterly) tax liabilities varies substantially across member countries, ranging from 10 to 60 days.

Use of modern electronic services

31. Over the last 10 to 15 years, revenue bodies in many countries have been transforming the collection and assessment of tax in order to realize the significant benefits of using modern technology, in particular for the electronic transmission of critical taxpayer data. The types of electronic services now offered include:

- Electronic filing of returns (typically online transmission via the internet, although the data may also be transferred using other electronic media).

- Electronic payment of tax liability (direct online payment, direct debit, phone 'banking').

- Access to online taxpayer 'accounts' which allow taxpayers (and those that assist them) to access and update specific data fields.

32. Historically, the paper-based processes associated with tax returns and payments processing have consumed a considerable proportion of the resources of revenue bodies. With pressures to reduce staff and expand value-adding compliance work (both of a service and enforcement nature), revenue bodies have had considerable incentive to automate these processes through greater use of technology. The key benefits of an increased use of technology include: 1) faster collection of government revenue; 2) improved data accuracy and elimination of reverse workflows; 3) reduced paperwork for taxpayers; 4) faster crediting of tax refunds; and 5) faster capture of taxpayer data for a range of administrative purposes. In aggregate, there is strong business case for revenue authorities to invest substantial funds and efforts to establish modern and comprehensive systems of electronic filing and payment.

33. However there are also a number of key issues revenue bodies need to consider before implementing an increased e-services approach. These include; 1) the provision of e-services needs to be part of an integrated channel strategy and needs to correspond to taxpayer levels of e-capability (e.g. computer literacy and access); and 2) increased use of electronic data requires a robust security strategy to maintain confidentiality, integrity and availability of data.

34. Further information on these issues and the findings of a comprehensive survey of trends in electronic services can be found in two FTA publications *Survey of Trends in Taxpayer Service Delivery Using New Technologies*, (February 2005) and '*Survey of Revenue Body Developments and Plans for eServices' (*October 2008) (see Annex 2 for further details of the FTA publications in this area).

Electronic filing

35. The use of electronic filing is now well-established in many of the surveyed countries, however the experience of many revenue bodies is that substantial progress on take-up rates is only achieved after a long and sustained effort involving a range of strategies. The FTA examined this issue in 2005 and their findings are summarized in Box 21. Further information can be found in the relevant information note published in early 2006.[67]

[67] See *Strategies for Improving the Take up Rates of Electronic Services*, Forum on Tax Administration, March 2006.

Box 21. Key findings of a survey on strategies for improving the take up rates of electronic services

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

- Revenue bodies that have achieved a relatively high take-up of electronic services typically have a multi-faceted set of strategies to promote usage by taxpayers.
- Information campaigns utilising a variety of channels are an essential component of revenue bodies' set of strategies.
- The use of incentives (e.g. faster refunds of overpaid taxes and extended filing periods) appears to play a significant role in encouraging a good rate of take-up, particularly concerning the PIT.
- Tax professionals, who prepare a fair proportion of tax returns in many countries, are critical stakeholders to the effective operation of electronic filing systems and should be consulted widely and regularly on the development and operation of electronic filing systems.
- Revenue bodies that have implemented mandatory electronic filing arrangements have typically targeted larger businesses and taken a cautious, progressive approach in the early years of these arrangements.
- Short of imposing mandatory requirements which may present their own problems; a considerable investment of time, money, and staff is inevitably required over a fair period of time to achieve a good level of success.

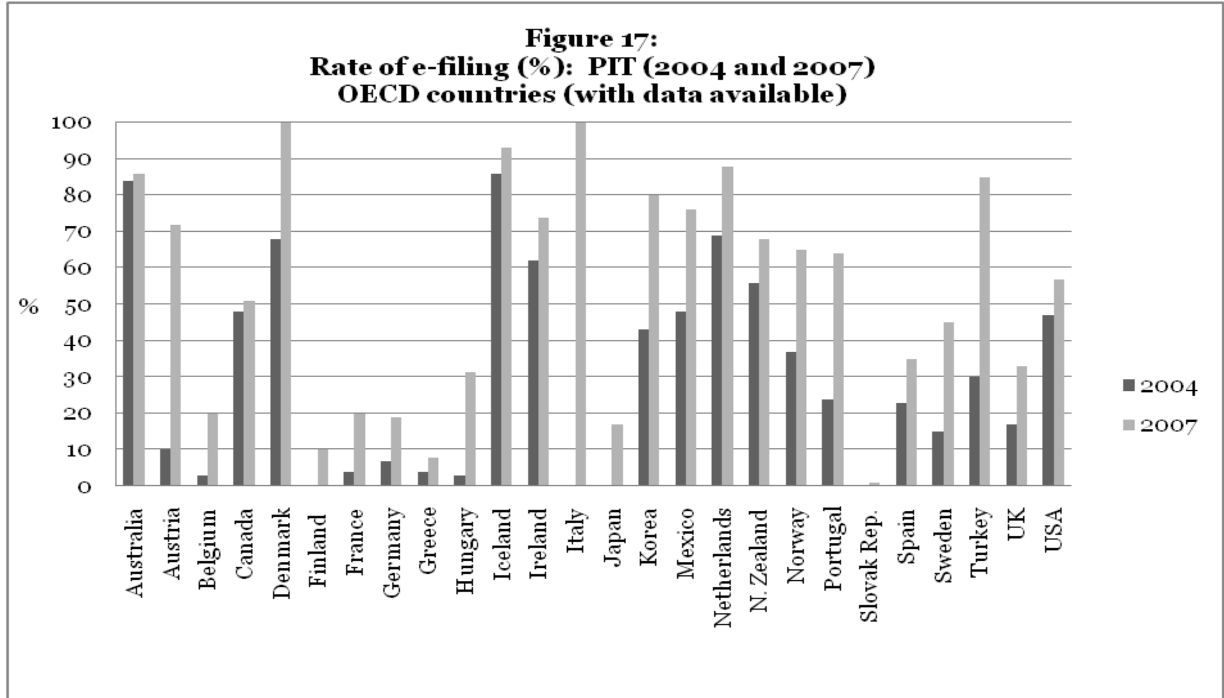
Source: See 'Strategies for Improving the Take up Rates of Electronic Services', Forum on Tax Administration (March 2006).

36. Tables 42-44 set out information on electronic filing take up (i.e. the proportion of all taxpayers who file electronically) for PIT, CIT and VAT. The tables set out data for 2004 and 2007. Key observations include:

- There has been growth in the numbers of revenue bodies using e-filing for income tax and VAT and the rate of take-up achieved.

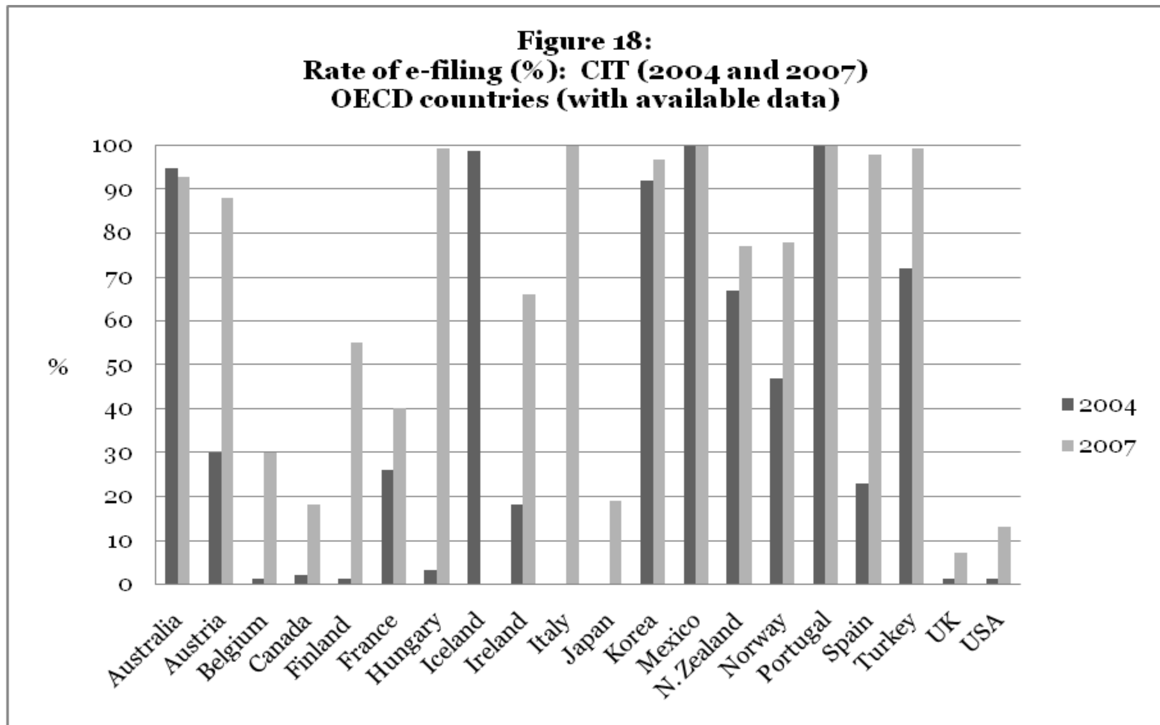
- Mandatory requirements for e-filing do not figure significantly as a factor for the growth of e-filing for PIT (3 countries), but are more significant for CIT (10 countries) and VAT (12 countries). For both CIT and VAT mandation in several countries only applies to certain segments of the taxpayer population, most frequently large taxpayers.

- As illustrated in Figure 17, countries that have seen a significant growth in the use of e-filing for PIT from 2004 to 2007 include Austria (10% to 72%), Korea (43% to 80%), Mexico (48% to 76%) and Netherlands (69% to 88%).



Source: Table 42 CIS 2008

- As illustrated in Figure 18, countries that have seen a significant growth in the use of e-filing for CIT from 2004 to 2007 include Austria (30% to 88%), Hungary (3% to 99%, e-filing is mandatory for all businesses with employees) and Norway (47% to 78%)[68].



Source: Table 43 CIS 2008

[68] The decrease in e-filing rates between 2004 and 2007 for CIT returns in Australia is a result of the introduction of the consolidations regime (many e-filers now lodge only one return for a particular group).

- As illustrated in Figure 19, countries that have seen a significant growth in the use of e-filing for VAT from 2004 to 2007 include Hungary (6% to 96%, e-filing is mandatory for all businesses with employees), Iceland (16% to 51%) and Norway (38% to 82%).

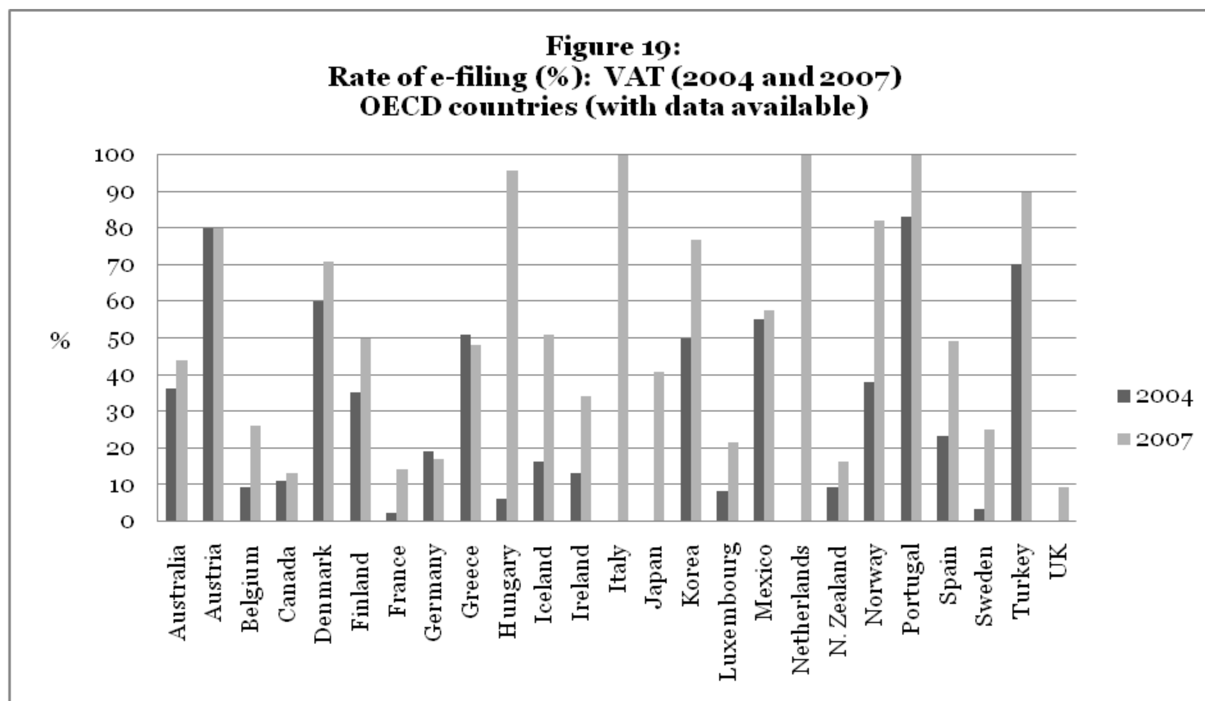


Figure 19:
Rate of e-filing (%): VAT (2004 and 2007)
OECD countries (with data available)

Source: Table 44 CIS 2008

Electronic payments (Table 45)

37. Table 45 displays the range of payment methods available for the collection of taxes and a ranking in terms of their relative usage by volume. The rankings do not reflect the amount of tax collected via each method. Key observations include:

- There has been considerable growth in the usage of *automated* payment facilities for tax payment. For 2004, e-service related facilities were the predominant method in 11 countries; at July 2008, this had grown to 20 countries.

- There has been considerable growth in the number of payment options offered by individual revenue bodies. In 2004, 16 of 29 bodies (55%) offered 4 or more payment mechanisms; in 2008, this had grown to 35/43 (81%).

- Use of direct debit facilities as the primary or secondary means of payment is strongly entrenched in EU countries—of the 16 EU countries who responded, 11 countries identified 'direct debit' as the primary or secondary method of tax payment.

- 16 European countries (including Austria, Denmark, France, Germany, Netherlands, Norway, Sweden and Switzerland) identified internet banking as their primary or secondary methods for tax payment.

- Despite the progress made, 27 revenue bodies (e.g. Canada, Hungary, Portugal, UK, and USA) still show non-automated methods (e.g. mailed cheque or in person payments) as the primary or secondary most common facility used in terms of payment volumes. Again it should be noted that whilst these may be the most common method payment used by volume, the rankings do not reflect the amount of

tax collected via each method. However, it is clear that processing non-automated payments still imposes a fairly significant burden on revenue bodies.

Other electronic services (Table 46)

38. Table 46 provides an overview of the range of other electronic services available to taxpayers and those that assist them. Of the services surveyed, the most commonly offered additional service is electronic access to taxpayer record and legal databases.

Table 34: Comparison of registered taxpayer populations (2007)

COUNTRY	Country population (mlns) (2006)	Labour Force (mlns) (2006)	Number of registered taxpayers (mlns)			Relative indicators	
			Personal income tax (PIT)	Corporate income tax (CIT)	Value added tax (VAT)	Registered personal taxpayers/ labour force (%) /1	Employees generally file annual returns
1) OECD Countries							
Australia /3	20.701	10.765	19.9	1.6	2.6	184.9	✓
Austria	8.282	4.123	5.879	0.130	0.798	142.6	×
Belgium	10.542	4.647	6.7 /3	0.5 /3	0.7	144.2	✓
Canada	32.650	17.654	25.133	2.635	2.708 /4	142.4	✓
Czech Rep.	10.251	5.199	3.800	0.389	0.505	73.1	×
Denmark	5.435	2.904	4.7	0.2	0.4	161.8	✓ /2
Finland	5.267	2.670	4.583	0.538	0.278	171.6	✓ /2
France	61.353	27.575	35.459	1.419	3.903	128.6	✓
Germany	82.368	41.521	27.8 /3	1.0	5.6	66.9	× /3
Greece	11.149	4.880	8.254	0.246	2.246	169.1	✓
Hungary	10.071	4.247	4.586	0.465 /3	1.152 /3	108.0	✓
Iceland	0.304	0.175	0.264	0.033	0.033	150.9	✓ /2
Ireland	4.240	2.110	2.94	0.15	0.29	139.4	×
Italy	58.435	24.662	40.865	1.115	5.690	165.7	×
Japan	127.770	66.570	24 /3	3 /3	4 /3	69.5	×
Korea	48.297	23.978	16.0	0.39	4.5	66.7	×
Luxembourg	0.469	0.330	0.155	0.077	0.047	47.0	×
Mexico	104.874	43.216	22.077	0.74	8.115	51.1	× /3
Netherlands	16.346	8.597	9.2	0.45	1.11	107.0	×
N. Zealand	4.185	2.209	5.48	0.49	0.65	248.1	× /3
Norway	4.661	2.446	4.112	0.204	0.334	168.1	✓ /2
Poland	38.132	16.992	15.73	0.35	2.16	92.6	✓
Portugal	10.586	5.587	8.4	0.4	1.6	150.3	✓
Slovak Rep.	5.391	2.655	2.296	0.172	0.171	86.5	×
Spain /4	44.068	21.585	17.6	1.2	3.1	81.5	✓
Sweden	9.081	4.671	7.4	0.525	0.963	158.4	✓/2
Switzerland	7.484	4.477	n.avail.	n.avail.	0.31	-	Vary /3
Turkey	72.974	25.276	1.724	0.635	2.269	6.8	×
UK	60.587	29.942	42	0.7	1.9	139.4	×
USA	299.399	150.56	250.4	15.3	n.applic.	166.3	✓
2) Selected Non-OECD Countries							
Argentina	39.134	16.03	0.927	0.275	0.904	5.8 /2	×
Bulgaria	7.719	2.59	3	0.2	0.1	115.8	×
Chile	16.465	6.97	7.43	0.74 /1	0.72 /1	106.6	×
China /3	1,307.600	782.440	n.avail.	4.38	14.22	-	×
Cyprus	0.778	0.393	0.328	0.144	0.07	83.3	×
Estonia	1.345	0.687	0.7	0.126	0.064	98.1	✓/2
Latvia	2.295	1.167	1.02 /3	0.06 /3	0.08	87.4	×
Malaysia	26.64	10.63	4.527	0.457	n.applic.	42.6	✓
Malta	0.405	0.164	0.246	0.033	0.087	150.0	×
Romania	21.610	9.35	6.5	0.55	0.6	69.5	×
Singapore	4.382	2.751	1.46 /3	0.107 /3	0.069	53.1	✓
Slovenia	2.003	0.925	1.013	0.076	0.087	109.5	✓
South Africa	48.282	20.49	5.0	1.83	0.68	24.4	×

Sources: OECD Figures in 2008, EU Statistics, UN Statistic, country survey responses, CIA world fact book (parts of statistical data for non-OECD countries are estimated)

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

/2. Most employees in these countries receive pre-filled statements of income and deductions for vetting.

/3. **Australia**—Figures are based on information collected at the end of financial year 2006-07. Figures may vary dependant on time frames used to search and movement in and out of these areas. Active Individuals; active

population for individuals (or personal income tax clients) exceeds the actual number of clients required to lodge an income tax return. Those clients who are active but not required to lodge a return (for reasons such as being in receipt of a pension or similar benefit) are still actively administered by the ATO. That administration takes the form of data matching activities aimed at determining any change in client circumstances. Active corporate taxpayers: This is our active company entity population adjusted to remove non-corporate entities that form part of the company entity type that forms part of our TFN reconciliation; **Belgium**—number of tax returns sent to taxpayers including permanent establishments of foreign enterprises; **Canada**—number of GST registrants that may have multiple GST accounts; **Chile**—number of registered corporations carrying on business in 2007, any monthly VAT return filers in 2007; **China**—personal income taxpayer can register as many as the number of income type; **Germany**—Married taxpayers filing joint returns count as one. Generally no legal obligations for employees to file returns, but majority of employees do file returns to claim deductions and other allowances; **Hungary**—The number of registered taxpayers for CIT is the number of taxpayers who filed CIT tax return in 2007 (about 2006). The number of registered taxpayers for VAT is the number of taxpayers under the VAT law, but approx. 630 thousand from the above mentioned number are exempted from VAT.; **Japan**—PIT indicates the number of individual income tax return for 2007 calendar year not including 38.7 million wage earners who are not required to file tax return, CIT indicates the number of corporate tax return for 2006 business year (July 2006-June 2007), VAT indicates the number of consumption taxpayers (both individual and corporation) for 2006 fiscal year; **Korea**—The number of PIT taxpayers includes employees most of whom are not required to file tax returns.; **Latvia**— the number of registered taxpayers for PIT indicates the total number of employees and performers of business activity, the number of registered taxpayers for CIT indicates the number of corporate income tax returns received; **Mexico**—compulsory for employees with gross income over 400,000 pesos; **Netherlands**—Generally no legal obligation for employees to file PIT returns, but majority of employees file returns to claim deductions.; **Singapore**—number of assessment for 2006; **Spain**—The number of registered taxpayers is the number of annual returns.; **Switzerland**—Tax return requirements vary across individual cantons.

Table 35: System of taxpayer identifiers for revenue administration

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

COUNTRY	Personal Income Tax (PIT)					Corporate Income Tax (CIT)					Value Added Tax (VAT)				
	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics
Argentina /1	✓	N	10	✓	✓	✓	N	10	✓	✓	✓	N	10	✓	✓
Bulgaria /1	✓	N	10	✓	✓	✓	N	9	✓	×	✓	AN	11(12)	✓	✓
Chile	×/1	N	8	✓	×	✓	N	8	✓	×	✓	N	8	✓	×
China	✓	AN	18	×	✓	×	AN	9	✓	×	×	AN	9	✓	×
Cyprus	✓	AN	9	✓	✓	✓	AN	9	✓	✓	✓	AN	9	✓	✓
Estonia	× /1	N	11	✓	✓	× /1	N	8	✓	×	✓	AN	11	×	×
Latvia	×	N	11	✓	✓	×	N	11	✓	×	×	AN	11	✓	×
Malaysia	✓	N	11	✓	×	✓	N	10	✓	×	-	-	-	-	-
Malta	×/1	AN	Vary	×	✓	✓	N	9	✓	✓	✓	AN	10	✓	×
Romania	×	N	13	✓	✓	✓	N	10 /1	✓	×	✓	AN	12 /1	✓	×
Singapore	✓	AN	9	✓	×	✓	AN	9 (10)	✓	×	✓	AN	9 (10)	✓	×
Slovenia	✓	N	8	✓	×	✓	N	8	✓	×	✓	AN	10	✓	×
South Africa	✓	N	10	✓	×	✓	N	10	✓	×	✓	N	10	✓	×

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

/1. **Argentina**—The revenue body and the retirements pension organization are planning to set a joined identifier for both organizations.; **Bulgaria**—12-digit VAT TIN for natural person, 11 digits for company, taxpayer specific digits only for natural person; **Czech Rep.**—CZ+10 digits; **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; **France**—PIT TIN is created and used only by revenue body, but it varies depending on taxpayer's situation.; **Greece**—VAT TIN is same with those of PIT and CIT; **Hungary**—CIT identifier equals the VAT identifier; **Iceland**— citizen identification number for PIT, company registry number for CIT; **Ireland**—TIN with 7 digits and 1 check character, Personal Public Service Number (PPSN) has succeeded the old RSI (Revenue and Social Insurance) number which was developed primarily for the tax administration. 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 and Family Affairs.; **Latvia**—use citizen identification number for PIT, business registration number for CIT and for VAT – LV+ business identification number; **Luxembourg**—resident registration number or social security number for PIT; **N. 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); **Romania—**maximum number of digits; **Slovak Rep.**—SK+10 digit number; **Spain—**Each taxpayer has a unique ID number (NIU) and it is same for every tax and administrative procedure.; **Singapore**—National Identification Card number for PIT, company/business registration number for CIT & GST, year of birth or registration included; **Switzerland**—Direct taxes are imposed by 26 Cantons while VAT is imposed by Swiss Federation. Social security number is TIN for PIT and CIT.; **UK**—National Insurance Number applies to PAYE taxpayers who do not self assess and file returns: **Austria, Luxembourg, Mexico, Netherlands, Poland**—same TIN for both direct tax and indirect tax purposes; **Canada and USA—**use social security/insurance number for individuals; **Chile, Denmark, Korea, Malta, Norway and Romania**—use citizen identification number for PIT; **Finland, Sweden**—social security number for PIT and individual VAT, business registration number for CIT and corporation VAT.

Table 36: Use of taxpayer identifiers for information reporting and matching

COUNTRY	Use of taxpayer identifiers (or some other number) for information reporting and matching /1					
	Employers: Wages	Government bodies: Pensions & government benefits	Financial institutions: Interest	Companies: Dividend	Government agencies: Asset sales and purchases	Prescribed contractors: payment to sub-contractors
1) OECD Countries						
Australia	✓	✓	✓	✓	×	✓
Austria	✓	✓	×	×	×	×
Belgium	✓	✓	×	×	✓	✓
Canada	✓	✓	✓	✓	Some	✓
Czech Rep.	✓	✓	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	×
Finland	✓	✓	✓	✓	✓	✓
France	×	×	×	×	×	✓
Germany	✓	✓ /2	×	×	×	×
Greece	✓	✓	×	×	×	✓
Hungary	✓	✓	✓	✓	✓	✓
Iceland	✓	✓	×	✓	✓	✓
Ireland	✓	✓	✓ /2	×	×	✓
Italy	✓	✓	✓	✓	✓	✓
Japan	×	×	×	×	×	×
Korea	✓	✓	✓	✓	✓	✓
Luxembourg	✓	✓	×	✓	✓	✓
Mexico	✓	✓ /2	✓	✓	×	✓/2
Netherlands	✓	✓	✓	✓	✓	×
N. Zealand	✓	✓	✓	✓	×	✓
Norway	✓	✓	✓	✓	✓	✓
Poland	✓	✓	×	✓	✓/×	✓
Portugal	✓	✓	×/2	✓	✓	✓
Slovak Rep.	✓	×	×	×	×	×
Spain	✓	✓	✓	✓	✓	✓
Sweden	✓	✓	✓	✓	✓	×
Switzerland	×	×	×	×	×	×
Turkey	✓	×	✓	✓	✓	×
UK	✓	✓	×	×	✓	✓
USA	✓	✓	✓	✓	×	✓
2) Selected Non-OECD Countries						
Argentina	✓	✓	✓	✓	✓	✓
Bulgaria	✓	✓	✓	✓	✓	✓
Chile	✓	✓	✓	✓	×	×
China	✓	✓	✓	✓	×	✓
Cyprus	✓	✓	✓	✓	✓	✓
Estonia	✓	✓	✓	✓	✓	×
Latvia	✓	×	×	×	×	×
Malaysia	✓	×	×	×	×	×
Malta	✓	✓	✓	✓	✓	✓
Romania	✓	✓	✓	✓	✓	✓
Singapore	✓	✓	✓	✓	✓	✓
Slovenia	✓	✓	✓	✓	×	×
South Africa	✓	✓	✓	✓	×	×

Source: Country survey responses.

/1. Types of identifiers used are described in Table 35.

/2. **Germany**—legislation enacted, but technical implementation underway; **Ireland**—The identifier will have to be reported in respect of all new accounts opened with effect from 1 January 2009.; **Mexico**—Government bodies are obliged to consult individual taxpayer's situation via the tax identifier before granting him benefits. All taxpayers are enforced to present information about payments made to suppliers of goods and /or services on a monthly basis; **Portugal**—Interests are generally subject to final withholding tax. Taxpayer identification is reported only in case of global income taxation.

Table 37(a): Withholding and/ or reporting regimes in place for income of resident taxpayers

COUNTRY	Type of income normally subject to withholding (W) and/ or reporting (R) where paid to resident taxpayer									
	Wages & salaries	Dividends	Interest	Rents	Specified self-employed/ business	Royalties/ Patents	Sale/purchase of shares	Sale/ purchase of real properties	Prizes/ gambling income	Other income payments
1) OECD countries										
Australia/1	W, R	R	R	-	-	-	-	-	-	-
Austria	W, R	W	W	-	R /1	-	-	-	-	-
Belgium	W, R	W	W	W, R	-	W, R	-	R	-	
Canada	W, R	R	R	-	R	R	R	R /1	-	W, R
Czech Rep.	W	W	W	-	R	-	-	-	-	-
Denmark	W, R	W, R	R	-	-	W, R	R /1	R	W	W, R /1
Finland	W, R	W, R	W, R	-	-	-	W, R	W, R	-	-
France	R	R /1	R /1	R	R	R	R	R	R	-
Germany /1	W, R	W	W	-	-	-	W	R	-	R /1
Greece	W, R	-	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Hungary	W, R	W, R	W	W, R	-	W, R	R	-	W	-
Iceland	W, R	W, R	W	R	R	R	-	-	W, R	W, R
Ireland	W, R	W, R	W, R	-	W /1, R	W, R	-	R	-	-
Italy	W, R	W, R /1	W	R	W, R	R	W, R /1	R	-	-
Japan	W, R	W, R	W, R	R	W, R	W, R	W, R	R	W, R	/1
Korea	W, R	W, R	W, R	R	W, R	W, R	-	-	W, R	W, R /1
Luxembourg	W, R	W	W	W, R	-	-	-	-	-	-
Mexico /1	W, R	W /1, R	W, R	W, R	W, R /1	W, R	W, R	R	W, R	W, R
Netherlands	W, R	W	R /1	-	-	-	W	W, R	W, R /1	-
N. Zealand	W, R	-	W, R	-	W, R	-	-	-	-	-
Norway	W, R	R	R	-	R	-	R	-	-	-
Poland	W, R	W, R	W, R	-	-	W, R	-	-	W, R	W, R
Portugal	W, R	W, R	W, R	W/ 1, R	W /1, R	W, R	R	R	W	-
Slovak Rep.	W, R	-	W, R	-	-	W, R	-	-	W, R	-
Spain	W, R	W, R	W, R	W, R	W /1, R	W, R	R	R	W, R	W /1, R
Sweden	W, R	W, R	W, R	-	-	R	R	R	-	-
Switzerland	R	W	W	-	-	-	-	-	W	-
Turkey	-	-	-	-	-	-	-	-	-	-
UK	W, R	-	W, R /1	W, R	W, R /1	W, R	W, R	W, R	W	W, R /3
USA	W, R	R	R	-	-	-	R /1	-	R /1	-
2) Selected non-OECD countries										
Argentina /1	W	W	W	W	W	W	W /1	W	W	W

COUNTRY	Type of income normally subject to withholding (W) and/ or reporting (R) where paid to resident taxpayer									
	Wages & salaries	Dividends	Interest	Rents	Specified self-employed/ business	Royalties/ Patents	Sale/purchase of shares	Sale/ purchase of real properties	Prizes/ gambling income	Other income payments
Bulgaria	W, R	R	-	R	R	W, R	R	R	R	-
Chile /1	W, R	R	R	R	W, R	-	R	R	W	W, R
China	W, R	W, R	W, R	R	W, R	W, R	W, R	R	W, R	W, R
Cyprus	W, R	W, R	W, R	R	-	-	-	R	-	-
Estonia	W, R	- /1	-	W, R	-	W, R	R	-	-	-
Latvia	W, R	W, R	W, R	W, R /1	R	W, R	R	W, R	W, R /1	-
Malaysia	W, R	-	W	-	-	-	-	-	-	-
Malta	W, R	W, R	W, R /1	-	-	-	W, R	W, R	-	-
Romania	W, R	W, R	W, R	-	-	W, R	W, R	W, R	W, R	W, R
Singapore	-	-	-	-	-	-	-	-	-	-
Slovenia	W, R	W, R	W, R /1	W, R	W, R /1	W, R	-	-	W, R	-
South Africa	W, R	R	R	-	-	-	R /1	-	-	-

Sources: Country survey responses

/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); **Argentina**—Reporting requirement data not available. Withholding for sales of share is required depending on the economic importance or some tax features of the payer.; **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; **Canada**—Only if property is other than primary residence; **Chile**—Rents refers to business income. Business income refers to independent personal services. Other income is director fee.; **Denmark**—listed shares only; **Estonia**—Full tax on dividends (22/78 of net amount) is to be paid and reported by payer.; **France**—Interest and dividend withholding is optional for taxpayers from 2008.; **Germany**—From 2009 onwards, interest, dividends, fund distributions and capital gains from capital investments (e.g. shares or units) will be subject to a uniform flat-rate tax of 25 percent. The final withholding tax will be collected by deduction at source. 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.; **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; **Japan**—distribution of profits based on specified anonymous association; **Korea**—retirement income; **Latvia**—rent is not withheld for persons who are registered as self-employed, patents are treated as income of self-employed, prize or gambling income is withheld if income exceeds certain amount; **Malta**—withholding is optional, reporting when no withholding; **Mexico**—Data for residents apply only for payments by legal entities to individuals. Dividends are withheld when they come from corporate profit once tax has been paid. No withholding when dividends come from corporate net income tax. Business income withholding only for professional services; **Netherlands**—Interest payment by banks are reported. Gambling income withheld when paid by Dutch organizer.; **Portugal**—mainly when the payer is corporation or individual entrepreneur required to keep accounting book.; **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); **South Africa**—sales of investments in a collective investment scheme and financial instruments administered by a portfolio administrator; **UK**—No interest withholding if taxpayer make claims, as below income tax charge. Specified self-employed/business income withholding (certain workers in construction industry), other income (fees & commissions to agency workers); **USA**—Information reporting of gross receipts from security sales. Information reporting of prizes and winnings above a certain threshold.

Table 37(b): Withholding and/ or reporting regimes in place 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 & salaries	Dividends	Interest	Rents	Specified self-employed/ business	Royalties/ Patents	Sale/purchase of shares	Sale/ purchase of real properties	Prizes/ gambling income	Other income payments
1) OECD countries										
Australia	W, R	W, R	W, R	-	-	W, R	-	-	-	W, R/1
Austria	W, R	W	W /1	-	W, R	W	-	-	-	-
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
Czech Rep.	W, R	W, R	W, R	-	R	W, R	-	-	-	-
Denmark	W, R	W, R	R	-	-	W, R	R /1	R	W	W, R /1
Finland	W, R	W, R /1	W, R	-	-	W, R	R /1	W, R	-	-
France	W, R	W, R	W, R /1	R	R	W, R /1	R	R	R	-
Germany /1	W, R	W	-	-	W	W, R	W	R	-	R /1
Greece	W, R	-	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Hungary	W	W	W /1	W	-	W	W, R	-	W	-
Iceland	W, R	W, R	-	R	R	W, R	W	-	W, R	W, R
Ireland	W, R	W, R	W, R	W, R	W, R	W, R	-	R	-	-
Italy	W, R /1	W	W	R /1	R /1	W	W	R	-	-
Japan	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	/1
Korea	W, R	W, R	W, R	R	W, R	W, R	W, R	W, R	W, R	W, R /1
Luxembourg	W, R	W	W	W, R	-	-	-	-	-	-
Mexico /1	W, R	W /1, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Netherlands	W, R	W	R /1	-	-	-	W	W, R	W, R /1	-
N. Zealand	W, R	-	W, R	-	W, R	-	-	-	-	-
Norway	W, R	R	R	-	R	-	R	-	-	-
Poland	W, R	W, R	W, R	-	W, R /1	W, R	-	-	W, R	W, R
Portugal	W, R	W, R	W, R	W /1, R	W /1, R	W, R	R	R	W	
Slovak Rep.	W, R	-	W, R	-	-	W, R	-	-	W, R	-
Spain	W, R	W, R	W, R	W, R	W /1, R	W, R	R	W, R	W, R	W /1, R
Sweden	W /1, R	W, R	R	-	-	R	R	R	-	-
Switzerland	W, R	W	W	-	-	-	-	-	W	-
Turkey	-	-	-	-	-	-	-	-	-	-
UK	W, R	-	W, R /1	W, R	W, R /1	W, R	W, R	W, R	W	W, R /1
USA	W, R	W, R	W, R	-	W, R	W, R	-	W, R	W, R	W, R
2) Selected non-OECD countries										
Argentina	W	W	W	W	W	W	W /1	W	W	W

COUNTRY	Type of income normally subject to withholding (W) and/ or reporting (R) where paid to non-resident taxpayer									
	Wages & salaries	Dividends	Interest	Rents	Specified self-employed/ business	Royalties/ Patents	Sale/purchase of shares	Sale/ purchase of real properties	Prizes/ gambling income	Other income payments
Bulgaria	W, R	W, R	-	R	R	W, R	R	R	R	-
Chile	W, R	W, R	W, R	W, R	W, R	W, R	W, R /1	W, R /1	W	W, R
China	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R	W, R
Cyprus	W, R	W, R	W, R	-	-	W, R	-	-	-	-
Estonia	W, R	- /1	-	W, R	-	W, R	R	R	-	-
Latvia	W, R	W, R	W, R	R	R	W, R	R	W, R /1	- /1	
Malaysia	W, R	-	W	-	-	W	-	-	-	-
Malta	W, R	W, R	-	-	W, R	-	W, R	W, R	-	-
Romania	W, R	W, R	W, R	-	-	W, R	W, R	W, R	W, R	W, R
Singapore /1	W, R	R	W, R	W, R	W, R	W, R	-	W, R	-	W, R
Slovenia	W, R	W, R	W, R /1	W, R	W, R /1	W, R	-	-	W, R	-
South Africa	W, R	R	R	-	-	W, R	R /1	W, R	-	W, R /1

Sources: Country survey responses

/1. **Australia**—Withholding/reporting is required from certain payments to foreign residents under the Foreign Resident Withholding provisions (e.g., to sports and entertainers, for large construction and to casino junket tour operators, and from distributions from managed funds.); **Argentina**—Reporting requirement data not available. Withholding is required depending on the economic importance or some tax features of the payer.; **Austria**—interest is not subject to income tax, but to withholding tax according to council directive 2003/48/EC; **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; **Chile**—Withholding must be applied over the capital gain obtained in the transaction; **Denmark**—listed shares only; **Estonia**—Full tax on dividends (22/78 of net amount) is to be paid and reported by payer.; **Finland**—Reporting may not be required for some kinds of dividend and share sales.; **France**—Dividend withholding is subject to many exemptions. Royalty withholding is subject to tax treaties; **Germany**—from 2009, interest, dividends, fund distributions and capital gains from capital investments (e.g. shares or units) will be subject to a uniform flat-rate tax of 25 percent. The final withholding tax will be collected by deduction at source. Non-resident taxpayers' investment income 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. Tax is, however, to be deducted in the case of the use of movable assets. 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.; **Hungary**—only when international conventions or conventions on double taxation allow; **Italy**—wage withholding for works with duration longer than 183 days, rent withheld if for commercial, industrial or scientific equipment, business income withheld if provider is usually a tax withholder; **Japan**—distribution of profits based on specified anonymous association; **Korea**—retirement income; **Latvia**—if payer of income is legal person or self employed, prize or gambling income is non-taxable for non-residents; **Mexico**—Taxes are generally withheld when the payment is made by resident taxpayers or non-resident taxpayers with permanent establishment in Mexico. Dividends are withheld when they come from corporate profit once tax has been paid. No withholding when dividends come from corporate net income tax; **Netherlands**—Interest payment by banks are reported. Gambling income withheld when paid by Dutch organizer.; **Poland**—reported only when withheld; **Portugal**—mainly when the payer is corporation or individual entrepreneur required to keep accounting book; **Singapore**—Salary withholding only for non-resident director, dividends not taxed from 2008, interest from banks other than approved banks is taxed, rent withholding only for equipment or other movable property except for ship and aircraft, business income withholding only for non-resident professional & non-resident public entertainer; **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); **Sweden**—special income tax (final); **South Africa**—sales of investments in a collective investment scheme and financial instruments administered by a portfolio administrator, other income relates to foreign entertainers and sports persons; **UK**—No interest withholding if taxpayer make claims, as below income tax charge. Specified self-employed/business income withholding (certain workers in construction industry), other income (fees & commissions to agency workers); **USA**—Information reporting of prizes and winnings above a certain threshold.

Table 38: Personal income tax: employers' withholding, payment, and reporting obligations in OECD & selected non-OECD countries

COUNTRY	EMPLOYERS' WITHHOLDING PAYMENT OBLIGATIONS				EMPLOYERS' WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	In general		Special rule for prescribed small employers (S) or large ones (L), if any		In general		Special rule for prescribed large employers (or small ones), if any	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
1) OECD countries								
Australia	Monthly and quarterly (very small employers)	By the 21st day after end of liability period	Depends on payment salary cycle (L)	Within 6 to 9 days of payment (L)	Annually	By 14 August after the end of financial year		
Austria	Monthly- By 15th day of following month		Monthly- By 15th day of following month		Annually- By end of February in following year		Annually- By end of February in following year	
Belgium /1	Monthly	Within 15 days after the month during which the income is paid	Monthly (normally); SME : under certain conditions : quarterly or yearly	Within 15 days after the end of the period during which the income is paid	Monthly	Within 15 days after the month during which the income is paid	Monthly (normally)/ SME under certain conditions : quarterly or yearly	Within 15 days after the end of the period month during which the income is paid
Canada	Monthly- By 15th day of following month		Quarterly or Accelerated /1		Annually – By the last day of February		-	-
Czech Republic	Monthly	By 15th day of following month	-	-	Monthly	By 15th day of following month	Annually	By 20th January after end of income year
Denmark	Monthly	By 10th day of following month	Monthly	Last weekday in the month of withholding (L)	Annually	By 20th January after end of income year		
Finland	Monthly- By 10th day of following month				Monthly- by 15th day of following month, and Annually- by end-January of following year			
France	No employer withholding of personal income tax required				Annual report of income paid etc. by 31 January of following year			
Germany	Monthly (generally), quarterly/annually if previous year's wages tax less than €3000/€800	By the 10th day after the end of the relevant period			Annually	By the 28th February of the following year		
Greece								
Hungary	Monthly- By 12th day of following month				Annually	By 31st January of the following year		

COUNTRY	EMPLOYERS' WITHHOLDING PAYMENT OBLIGATIONS				EMPLOYERS' WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	In general		Special rule for prescribed small employers (S) or large ones (L), if any		In general		Special rule for prescribed large employers (or small ones), if any	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
Iceland	Monthly- By 15th day of following month				Annually- By 14th February of following year			
Ireland	Monthly- By 14th day of following month		Quarterly & in very small cases annually	Quarterly x 3 and balance with annual return	Annually- By 15th February of following year		-	-
Italy	Monthly- By 16th day of following month				Annually – By end of February of following year			
Japan	Monthly- By 10th day of following month		Semi-annually (S)	By 10th Jan. and By 10th July	Monthly- By 10th day of following month		Semi-annually (S)	By 10th Jan. and By 10th July
Korea	Monthly—By 10th day of following month,		Biannually –By 10th day of following month (pre-approved small companies)		Monthly—By 10th day of following month		Biannually –By 10th day of following month (pre-approved small companies)	
Luxembourg	Monthly		Monthly					
Mexico	Monthly- By 17th day of following month				Annually	By 15th of February after the end of income year	Primary sector taxpayers may opt for half-yearly frequency for withholding payment obligations	
Netherlands	Monthly	Before last day of following month			Annually	Annually	Annually	Annually
N. Zealand	Monthly	By 20th day of following month	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		Monthly	By 5th of following month	Monthly	By 5th of following month
Norway	Bi-monthly- By 15th day following end of bimonthly period				Annually- By 20th January after end of income year			
Poland	Monthly- By 20th day of following month				Annually- By the last day of February after end of income year			
Portugal	Monthly	Mainly by 20th of following month	Monthly	Mainly by 20th of following month	Monthly and Annually	Annually: by end of February after income year	Monthly and Annually	Annually: by end of February after income year
Slovak Rep.	Monthly- By 5th of following month				Monthly-by the 3oth of the following month after every quarter			
Spain	Quarterly	Mainly by 20th of following month	Monthly	Mainly by 20th of following month	Annually- By 31st January after end of income year			
Sweden	Monthly- By 12th day of following month				Annually- By 31st January after end of income year			

COUNTRY	EMPLOYERS' WITHHOLDING PAYMENT OBLIGATIONS				EMPLOYERS' WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	In general		Special rule for prescribed small employers (S) or large ones (L), if any		In general		Special rule for prescribed large employers (or small ones), if any	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
Switzerland	No employer withholding obligations in place				No employer withholding obligations in place			
Turkey	Monthly - by 26th day of following month				Monthly - by 23th day of following month		Quarterly (optional for S)	on 23rd day of January, April, July, October /1
UK	Monthly/1	19th of each month	Quarterly (optional for S)	Annually- by 19th May of the following tax year	Annually	19 May in year following		
United States /1	Monthly	By 15th day of following month	(S) Semi-weekly	(S) 3 business days after date of payment	Quarterly	The last day of the month following the end of the quarter	(S) Annually	(S) The last day of the month following the end of the year
2) Selected Non-OECD Countries								
Argentina	Monthly- By 10h day of following month Biannually if payment is less than ARS 2,000		Monthly- By 10h day of following month		Monthly- By 10h day of following month			
Bulgaria	Monthly	By 10th day of following month	No	No	Monthly	The last working day of the month	No	No
Chile	Monthly- By 12h day of following month Taxpayers who issue electronic invoices and use Internet (www.sii.cl) to declare the tax return and pay can remit by the 20 h day of the following month				Annually- By the 23rd of March after end of tax year			
China	Monthly- By 7th day of following month				Monthly- By 7th day of following month			
Cyprus	Monthly- By 30th day of following month				Annually- by end of April after income year			
Estonia	Monthly – by 10th day of following month				Monthly – by 10th day of following month			
Latvia	Monthly	Day when employment income is paid			Monthly	till the date set by tax authority		
Malaysia	Monthly – by 10th day of following month				Annually – by 31st March of the following year			
Malta	Monthly – by end of following month				Annually – by 15 February after end of income year			

COUNTRY	EMPLOYERS' WITHHOLDING PAYMENT OBLIGATIONS				EMPLOYERS' WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	In general		Special rule for prescribed small employers (S) or large ones (L), if any		In general		Special rule for prescribed large employers (or small ones), if any	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
Romania	Monthly- By 25th day of following month		Quarterly/semestral	Monthly- By 25th day of following month of the quarter/half-year	-Monthly- By 25th day of following month - Annual, by 28th of following year, for each employee fiscal file		Quarterly/semestral	By 25th day of following month of quarter/half-year
Singapore	There is no general withholding system on employee income except for non-citizen employees who are quitting their jobs or are leaving Singapore. Employers should withhold tax and keep it until tax authority gives tax clearance.				Auto-inclusion Scheme – voluntary participation by employers to provide information to IRAS regarding the remuneration of employees, Annually - by 1st March			
Slovenia	-	On payday	-	On payday	-	On payday	-	On payday
South Africa	Monthly- By 7th day of following month				Declaration together with payments. Annual reconciliation return within 60 days end of income year (i.e. end of February)			

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

/1. **Canada**—See http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/pymnts/rmttr/menu-eng.html; Turkey—does not apply to the employers who withhold tax on the cost of agricultural products; **UK**—All employers withhold tax from wages based on periods and rules set out by tax authority that determine personal level of deductions from employees; **USA**—IRS Publication 15-(Circular E) Employers' tax guide.

Table 39: Personal income tax: payment and return filing obligations in OECD and selected non-OECD countries

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
1) OECD countries									
Australia	All with income not taxed at source (small threshold applies)	4 /quarterly, 2 in 3rd and 4th quarters for certain payers	28 days after the end of each quarter of income year	Gross quarterly income x prior year average tax rate or ¼ of prior year tax adjusted for GDP growth	4 months (registered tax agents can file progressively up to 9 months)	Statutory due dates can be imposed before the notice issues in certain cases	Self-assessed	Employees generally have to file tax returns	Non-cumulative
Austria	Self-employed	4/ quarterly	15 February, May, August, and November of income year	¼ of the prior year's tax plus adjustment factor	3 months (extension possible if registered tax consultant used)	One month after assessment notice issued	Assessed	Employees do not have to file tax returns if income only from one source	Cumulative
Belgium /5	Self-employed and other specified individuals	1 to 4 times a year / No obligation of advance payment	10 April, July, and October, and 22 December of income year	Determined by taxpayer.	Date indicated on tax return	2 months after assessment notice issued	Assessed	Employees have to file tax returns	Non-cumulative
Canada	All with income not taxed or not sufficiently taxed at source (small threshold applies)	Quarterly (annually for Farmers/Fishers only)	15 March, June, September, December of income year (December 31 for Farmers/Fishers)	¼ of prior year's tax , or current year estimate, or amount shown on reminder	By April 30th of the following year (June 15 for self-employed and spouse or common-law partner of self-employed)	By April 30th of the following year	Self-assessed	Employees generally have to file tax returns	Non-cumulative
Czech Repub.	All with income other than employment income	Large: 12/ monthly; small: 4/ quarterly	Large- last day of each month: small- by 15th day of 3rd, 6th, 9th, & 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)	3 months (due with filing of return)	Assessed	Employees generally do not have to file tax returns	Cumulative
Denmark	All with income not taxed at	10/ monthly	20th of each month: January-May, July-	1/10 of estimated tax ability	4 months (for pre-populated returns); 6 months for	9 months (3 instalments: in September,	Assessed	Employees receive pre-filled return for validation	Cumulative

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
	source		November of income year		others	October and November after assessment)			
Finland	All with income not taxed at source	12/ monthly	By the 23rd day of each month in income year	1/12 of the prior year's tax	Varies for different types of taxpayer- up to 3 months	11 months (2 instalments: December and February after assessment)	Assessed	Employees receive pre-filled return for validation	Non-cumulative
France	All personal taxpayers (no withholding system, except employees' social contributions)	3 10/ monthly (optional)	15 February, 15 May and 15 September of assessment year January to October of assessment year	1/3 of prior year tax 1/10 of prior year tax	2 months/ 3 months (business income earners)	1 month after assessment notice issued (usually mid Sept) 11th month (Nov & Dec of assessment year)	Assessed	Employees generally have to file annual return	No withholding
Germany	All with income not taxed at source	4/ quarterly	10 March, June, September and December of income year	¼ of prior year's tax; current year estimate where tax office has information on expected relevant difference to prior year's income	5 months (12 months where tax advisor used)	1 month after assessment notice issued.	Assessed	Employees generally do not have to file tax returns	Cumulative
Greece									Non-cumulative
Hungary	All with income not subject to withholding	4/ quarterly	12th day following end of each quarter	Pro-rated share of estimated current tax	Until 20. May	Until 20. May (due with filing of return)	Self-assessed	Employees generally have to file tax returns	Non-cumulative
Iceland	All with income not taxed at source	Monthly	1 February to June	Monthly—10.5% of previous year's tax	1 month	Over 5 months (August to December)	Assessed	Employees generally have to file tax returns	Non-cumulative
Ireland	Taxpayers with income not taxed at source	1/ annually	By 31 October of income year	90% of final tax due for accounting period or 100% of final tax due for preceding accounting period	31 October of year after income year	Due with filing of return	Self-assessed	Employees generally do not have to file tax returns	Cumulative

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
Italy	All taxpayers, not subject to withholding, with tax>51.65€	2/ biannually	16 June and 30 November of income year	39.6% and 59.4% of prior year's tax (except if 51.65€<tax<257.52€→ 1 advance payment for99% of prior year's tax)	6 months (7 months for electronic filers)	5 months and 16 days (due with filing of tax return)	Self-assessed	Employees do not have to file if only in receipt of employment income and no deductions	Cumulative
Japan	All (threshold applies)	2/ biannually	31 July and 30 November of income year	1/3 of prior year tax payable (with some adjustments)	75 days	75 days (due with return).	Self assessed	Employees generally do not have to file tax returns	Cumulative
Korea	All with business and rental income	1/ annually	30 November	½ of tax paid or payable for the previous year plus any penalty tax	5 months	5 months (due with return)	Self-assessed	Employees generally do not have to file tax returns	Cumulative
Luxembourg	All with incomes not taxed at source	4/ quarterly	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	Assessed	Employees generally do not have to file tax returns	Cumulative
Mexico	All individuals not subject to withholding	12/ monthly;	17th day after end of relevant month	Generally net income of the period times tax rate	During April of following year	4 months after the end of the tax period	Self-assessed	No obligation to file if annual income is less than $400,000 MXP for wage and salaries and less than $100,000 MPX for income on interests.	Cumulative
Netherlands	All with income not taxed at source	Up to 12/ monthly	Progressively each month following receipt of assessment notice for prior year's income	Based upon the prior year's tax (plus inflation factor) divided by number of months remaining in income year	3 months (may be extended)	2 months after assessment notice issued	Assessed	Employees generally do not have to file tax returns	Cumulative
N. Zealand	All with income not taxed at source (threshold	3/ trimester	By 7 April, August, and December of income year	1/3 of 105% of prior year tax payable	158 or 188 days depending on income source	37 days after month of balance day	Self-assessed	Employees generally do not have to file tax returns	Cumulative

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
	applies)								
Norway	All with income not taxed at source	4/ quarterly	15 March, May, September, and November of income year	Prior year assessment and the tax rates for the coming year	1 month	Two instalments: 3 and 8 weeks,, after assessment notice issued	Assessed	Employees receive pre-filled return for validation	Non-cumulative
Poland	All taxpayers in business	12/ monthly or 4/quarterly (small and start-up business activity)	20th day of each month following income month/20th day of month following end of the quarter	Based on progressive rates of income tax (i.e. 19%, 30%, or 40%)	4 months	4 months (due with filing of return).	Self-Assessed	Employees generally have to file tax returns	Cumulative
Portugal	Self-employed, professionals businessmen and farmers	3/ trimester	20 July, September, and November of income year	75% of the tax payable for the year two years prior to the income year	4 months for paper returns; March 10 to May 25 for e-filing	August to September	Assessed	Employees have to file tax returns	Non-cumulative
Slovak Republic	All individuals with income not subject to withholding (threshold applies)	Large: 12/ monthly; small: 4/ quarterly	Monthly- within the end of each month; quarterly- within the end of each quarter	1/12 or ¼ of prior year tax	3 calendar months after end of fiscal year /the period can be extended by tree or six months in certain cases	3 calendar months after end of fiscal year	Self-assessed	Employees generally do not have to file tax returns	Cumulative
Spain	Self-employed professionals and businessmen	4/ quarterly	20 April, July, October of the income year and 30 January of the following year	Varies for different classes of taxpayer	May and June of the following year	180 days (two instalments: 60% by June and the balance by 5 November)	Self-assessed	Employees receive pre-filled return for validation	Cumulative
Sweden	Income from business	12/ monthly	From February of the 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.	Assessed	Employees receive pre-filled return for validation	Non-cumulative

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
Switzerland	Tax collection arrangements vary across individual cantons. Generally speaking, all taxpayers make advance payments and there is no system of tax withholding at source on employee income (other than for guest workers).				Tax return arrangements (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	4/ quarterly	By 17th day of the second month following the quarter	%15 of actual income during income period	1-25th March of the following year. For the simplified regime 1-25th February of the following year.	By the end of March (2 instalments: with return and in July.) For the simplified regime by the end of February (2 instalments: with return and in June.)	Self-assessed	Employees generally do not have to file tax returns	Cumulative
UK	Taxpayers with income not taxed at source	2/biannual	31January of income year, and 31July of following year (Tax year runs 6 April to 5 April)	50% of prior year's tax	6 months where liability not self-calculated: 10 months where taxpayer self-calculates	10 months approx. (by 31 January after the tax year)	Self-assessed	Employees generally do not have to file tax returns	Cumulative
United States /5	All with income not taxed at source	4/ quarterly	15 days of month following end of the quarter	¼ of the lesser of (i) 90% of the estimated current year tax; or (ii) 100% of prior year tax	15th day of 4th month of the following year	15th day of 4th month of the following year (final payment due with return)	Self-assessed	Employees generally have to file tax returns	Non-cumulative
2) Selected Non-OECD countries									
Argentina	All with income not taxed at source	5	In June, August, October and December of income year, and following February	20% of prior year tax	4/5 months (depending on tax ID)	4/5 months (with filing of return)	Self-assessed	Employees do not have to file where in receipt of employment income only	Cumulative
Bulgaria	All with income not taxed at	4 /quarterly,	15 days after the end of each quarter of income	by multiplying the difference between the taxable income and	4 months	4 months	Self-assessed	Employees do not generally have to file tax returns if	Cumulative

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
	source		year	the deducted mandatory insurance contributions by tax rate of 10 percent				they are legally employed by the employer	
Chile	Self-employed	Each month taxpayer issues at least one receipt	By 12h day of the following month. For electronic receipts, by the 20th day of the following month	Fixed percentage (10%) of monthly receipts	4th month	4th month (with filing of return)	Self-assessed	Employees do not have to file when they obtain income from only one employer	Cumulative
China	All with income not taxed at source	12/ monthly	By 7th day of following month	Varies according to the nature of income	3 months (business income and income earned abroad); 30 days (annual income more than RMB 120,000)	3 months (business income and income earned abroad); 30 days (annual income more than RMB 120,000)	Self-assessed	General exemption for employees where tax withheld at source	Cumulative
Cyprus	All with income not taxed at source	3	On 1st August, 30th September, and 31st December of income year	Equal instalments of estimated tax	Varies for different type of taxpayers from 4 months to 12 months	8 months (i.e. 1st August)	-	Employees with taxable income must file returns	Cumulative
Estonia	Self-employed	4/ quarterly	-	¼ of prior year's tax	3 months	6 months, 9 months (business income, capital gains)	Self-assessed	Employees receive pre-filled return for validation	Cumulative
Latvia	Self-employed	4/ quarterly	by March 15th May 15th August 15th November 15th	¼ of either prior year's tax or estimated current year tax	3 months	15 days after filing return (automatic extension of 3 months for larger debts)	Self-assessed	Employees do not have to file where employment income only	Cumulative
Malaysia	All with business and non-business income	6/bimonthly	By 10th day of following month		Non-Business income: By 30th April of following year. Business income : By 30th	With filing of return	Self-assessed	Employees are required to file annual return.	Non-cumulative

COUNTRY	ADVANCE PAYMENTS OF PERSONAL INCOME TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL PERSONAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	When is any final tax payable /3	Self-assessed / assessed	Employees' filing obligations in general /4	Withholding system for employees' tax liabilities
					June of the following year				
Malta	Self-employed taxpayers	3	End-April, August, and December of income year	20%, 30%, and 50% respectively of prior year of assessment tax	6 months	6 months (with return)	Self-assessed	No	Non-cumulative
Romania	Self-employed taxpayers	4/quarterly	The 15th of each month of the quarter	A quarter of total amount of payment= Estimated income or net income in the previous year tax rate	Annual, by 15th of May of the following year	Within 60 days from the date of assessment notice	Assessed	No	Cumulative
Singapore	No general system of advance payments applies				15th April	Within 1 month from the date of assessment notice	Assessed	Employees generally are required to file an annual return	No withholding
Slovenia	Sole entrepreneurs	12/ monthly; 4/ quarterly	Monthly – till 10th day in a month; Quarterly- in 10 days after the end of a quarter	1/12 (1/4) of prior year tax assessed	5 months	Within 1 month of the notice advising liability	Assessed	Taxpayers receive informative calculations of income tax	Non-cumulative
South Africa	All with income other than salaries and wages. Thresholds apply.	2/ 6 monthly	End of August and February	½ of last year assessed tax or estimated liability	129 days	7 months after end of income year	Assessed	Employees generally are not required to file returns. /5	Cumulative

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

/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. Many countries operate special withholding arrangements that free the bulk of employees (generally those with one source of employment and small amounts of other income) from having to file annual tax returns. In Denmark, Finland, Iceland, Norway, and Sweden, the tax bodies compile a return with data from third party sources and refer it to taxpayers for vetting. The majority of employee taxpayers confirm these returns and no other action is required.

/5. **Belgium**—Tax amount is increased if no or insufficient advance payments are made. Basis of advance payment is last year's tax amount. Advance payments are waived during the first three years upon start-up; **South Africa**— Employees with salary and wage income less than R60,000 not required to file; **USA**—IRS Publication 17-*Your federal income tax*.

Table 40: Corporate income tax: payment and return filing obligations in OECD and selected non-OECD countries

COUNTRY	ADVANCE PAYMENTS OF CORPORATE INCOME TAX				ANNUAL CORPORATE INCOME TAX RETURN		
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	When is any final tax due /3
1) OECD countries							
Australia	All taxpayers (small threshold applies)	4/quarterly	28 days after end of each quarter of income year	Quarterly income x PY average tax rate	15th day of 7th month	Self-assessed	With return
Austria	All	4/quarterly	15 February, May, August, and November of income year	¼ of prior assessment plus adjustment factor	3 months (extension possible if tax professional used)	Assessed	One month after assessment notice issued
Belgium /4	All	4/quarterly	Every 3 months on the 10th of the fourth, seventh and tenth month and the 20th of the last month of the accounting period.	¼ of estimated liability	Date indicated on tax return	Assessed	Two months after assessment notice issued.
Canada	All	12/monthly	At end of each month in income year	1/12 of previous year's tax, or estimated current year's liability	6 months	Self-assessed	2 or 3 months after end of income year depending on balance due date
Czech Repub.	All	None (where tax liability in last year is < 30,000 CZK); bi-annually (< 150,000 CZK); quarterly (>150,000CZK)	By 15th of last month of this period	Proportion of PY tax of the period	3 months (6 months if chartered accountant used)	Self-assessed	With return
Denmark	All	2	Due by 20 March and November of income year	50% of average tax paid in three prior years	6 months	Assessed /4	10 months after end of income year
Finland	All	12/monthly 2 for very small liabilities	Each month of income year March and September of income year	1/12 of estimated liability Pro-rated share of estimated liability	4 months	Assessed	11 months after end of tax year
France	All (except those below very low threshold)	4/quarterly	By 15 March, June, September, and December of year of income	8.3% of PY ordinary income (plus other % for other income)	105 days	Self-assessed	With return
Germany	All with taxable income	4/quarterly	By 10 March, June, September, and December of income year	¼ of prior year's tax; current year estimate where tax office has information on expected relevant difference to prior year's income	5 months (12 months where tax professional is used)	Assessed (full financial statements required with return)	1 month after assessment

COUNTRY	ADVANCE PAYMENTS OF CORPORATE INCOME TAX				ANNUAL CORPORATE INCOME TAX RETURN		
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	When is any final tax due /3
Greece							
Hungary	All	12/monthly for large taxpayers; 4/quarterly for others.	End of following month or quarter of income year	Prorated proportion of PY tax	5 months	Self-assessed	With return
Iceland	All	10/monthly except in January and July of assessment year	1 each month	Monthly—10.5% of previous year's tax	1 month	Assessed	In equal instalments in last two months of assessment year
Ireland	All except 'start-up companies' i.e. companies in first year of trading	One	One month prior to end of accounting year	90% of final tax due for accounting period or, if 'small company', the option of 100% of final tax due for preceding accounting period	9 months after end of accounting period under 'Pay & File' system	Self-assessed	9 months after end of accounting period – paid with annual return under 'Pay & File' system
Italy	All	Two	By the 6th & 11th month of income year	First—39.1% of PY liability; second—59.1 of PY liability; third—balance	10 months	Self-assessed	Balance due by 6th month of following year
Japan	All taxpayers (small threshold applies)	1	By the end of the 8th month in the income year	½ of PY liability (or CY liability if interim return filed	2 months	Self-assessed	With return
Korea	All	1	8 months into the income year (for annual filers)	½ of PY liability or CY estimate	3 months	Self-assessed	With return
Luxembourg	All	4/quarterly	By 10 March, June, September, and December of income year	¼ of PY liability	5 months (taxpayer can request an extension)	Assessed (full accounts and minutes of shareholders meetings required)	Within one month of official assessment.
Mexico	All	12/monthly	By 17th day after end of relevant month	Estimated CY liability	4 months	Self-assessed	With return (120 days after end of fiscal year)
Netherlands	All	Up to 12/ monthly	Progressively each month following receipt of assessment notice for prior year's income	Average of two prior year's tax (plus inflation factor) divided by number of months remaining in income year	5 months (extension can be requested)	Assessed (annual report etc. required)	Two months after receipt of official assessment.

COUNTRY	ADVANCE PAYMENTS OF CORPORATE INCOME TAX				ANNUAL CORPORATE INCOME TAX RETURN		
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	When is any final tax due /3
N. Zealand	All taxpayers (except those below a low threshold)	3	7 July, November, and March	Previous year residual plus 5% or 1/3 of estimation (mandatory for non-individual taxpayers).	97 days	Self-assessed (from 2002/03 income year)	14 months where extension of time is given; interest applies to residual tax
Norway	Petroleum producers and transporters	2	1 October of income year, 1 April of following year. The government has proposed amendment of these regulations.	100 % of estimated liability	Electronic filed tax return: 5 months after the end of the income year, otherwise 3 months. (Extra 1 month on application)	Assessed (returns must include audited statements)	3 weeks after assessment notice issued
	Others	2	15 February and April, in assessment year	100 % of estimated liability			
Poland	All	12/monthly	20th day of each month following income month	Difference between estimated tax for income during the year and accumulated advance payment to previous month/previous quarter	3 months	Self-assessed	With return (3 months after end of income year)
	Small and start-up business activity	4/quarterly					
Portugal	All	3	July, September and December of income year	Large- 85% of PY liability; others- 75% of PY liability	5 months	Self-assessed	30 days after any notice.
Slovak Republic	All legal entities (over prescribed threshold)	Large: 12/monthly; others: 4/quarterly	Monthly- within the end of each month; quarterly- within the end of each quarter	Large: 1/12 of PY liability; Small: ¼ of PY liability	3 calendar months after end of fiscal year / the period can be extended by tree or six months in certain cases/	Self-assessed	3 calendar months after end of fiscal year
Spain	All	3	By 20 April, October, and December of income year	Large—progressive % of CY estimated liability; others—% of PY liability	Up to 205 days (depending on timing of annual general meeting)	Self-assessed	On filing of return.
Sweden	All	12/monthly	Each month of income year	Based on a preliminary return required from taxpayer	4 months	Assessed	90 days after receipt of notice
Switzerland	Tax collection arrangements vary across individual cantons.						
Turkey	All	4/quarterly	17th day of second month after end of quarter	¼ of current year's estimated liability	1-25th day of the 4th month after end of the accounting year	Self-assessed	1-30th day of the 4th month after end of the accounting year

COUNTRY	ADVANCE PAYMENTS OF CORPORATE INCOME TAX				ANNUAL CORPORATE INCOME TAX RETURN		
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	When is any final tax due /3
United Kingdom	Large (taxpayers with profit > £1.5m)	4	Due in the 7th, 10th,13th, and 16th months after the income year	¼ of estimated tax liability	12 months	Self-assessed	Nine months after end of income year.
United States /4	All	4/quarterly	By 15th day of 4th, 6th, 9th, and 12th months of the corporation's tax year	Generally, ¼ of either estimated current year tax or previous year tax	15th day of 3rd month after the end of its tax year.	Self-assessed	By 15th day of the 3rd month after the end of tax year
2) Selected Non- OECD countries							
Argentina	All legal entities except for non-profit organization	10/ monthly	From 6th month after accounting year, and thereafter monthly	First payment—25% of prior year liability; others—8.33% of prior year tax	5 months	Self-assessed	140 days (on filing of return)
Bulgaria	All taxpayers	12/ monthly; or 3/ quarterly	By 15th day of current month/ By 15th day of following month after quarter	1/12 of previous year's liability/ or based on actual income of the current quarter	3 months	Self-assessed	3 months
Chile	All enterprises	12/ monthly	By the 12th day of the following month By the 20th day of the following month if using electronic invoices and Internet (www.sii.cl) to declare and pay the tax	Fixed percentage of monthly receipts which is recalculated yearly on the basis of the percentage of the prior year. [69]	4 months	Self-assessed	With filing of return
China	All enterprises	4/ quarterly	Within 15 days of end of each quarter	¼ of prior year tax, or tax on actual quarterly profits	45 days after end of income year	Self-assessed	4 months after end of income year
Cyprus	All	3	On 1st August, 30th September, and 31st December of income year	Equal instalments of estimated tax	7 months	Self-assessed	210 days
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.				-	Self-assessed	-
Latvia	All	12/ monthly	By 15th day of each month	Based on prior years tax, with adjustment for CPI movements	7 months (large tax-payers), 4 months (others)	Self-assessed	15 days after receipt of assessment notice
Malaysia	All	12/monthly	By 10th day of the following month	Estimated by taxpayer but should not be less than 85% of previous year tax	Within 7 months from close of accounting period	Self-assessed	With filing of return
Malta	All	3	End-April, August, and December of income year	20%, 30%, and 50% respectively of prior year of assessment tax	9 months	Self-assessed	270 days (with filing of return)

COUNTRY	ADVANCE PAYMENTS OF CORPORATE INCOME TAX				ANNUAL CORPORATE INCOME TAX RETURN		
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	When is any final tax due /3
Romania	Corporate income tax payers and some non-resident individuals /4	4/ quarterly	By 25th day of following month	- ¼ x profit income tax due to previous year (updated index of inflation for commercial banks) -rate x quaterly profit income	By 15th April including next year	Self-assessed	by 15th of Aprilincluding next year
Singapore	Companies are required to file estimated assessments of their chargeable income within 3 months of the end of their accounting year. Payment commences with the filing of these estimated assessments.				31st July of the following year /4	Assessed	Within 1 month from the date of assessment notice
Slovenia	All	12/ monthly; 4/ quarterly	10 days after the arrival	1/12 (1/4) of prior year tax assessed	1 month or 3 months	Self-assessed	30 days after submission of the tax settlement
South Africa	All	2/ 6 monthly	After 6 (1st) and 12 (2nd) months of start of tax year	½ of last year assessed tax or estimated liability	12 months after end of income year	Assessed	6/7 months after end of income year

Sources: IBF, country survey responses, and country revenue officials
PY = Previous year, CY = Current year

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. **China**—tax law allows electronic filing while it must be accompanied by paper return in practice; **Belgium**—when taxpayer opts for one single advance payment, the deadline is 20 December. Specific rules for advance payment deadline exist for companies with accounting year 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.; **Denmark**—full annual accounts required with return only for large firms from 2006; **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**—If the company's accounting year ends on 31 March 2005, it is required to file the return by 31 July 2006. The filing dateline for the Year of Assessment (YA) 2008 is 30 Nov 2008. For YA 2009 and thereafter, the filing deadline is 31 Oct of each year; **USA**—See IRS Publication *542-corporations*.

Table 41: Value added tax: registration, payment, and filing obligations in OECD and selected non-OECD countries

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	Payment requirements (i.e. frequency and days after end of liability period) /2		Filing requirements (i.e. frequency) /4		Special filing obligations
			In general	Special rule for small (or large), if any/ 3	In general	Special rule for small (or large), if any /3	
1) OECD countries							
Australia	$A 75,000 ($ A 150,000 for non-profit entities)	Accruals (with cash basis permitted for businesses with turnover below $A 2 million)	Quarterly- within 28 days	Monthly- within 28 days (Large) Annually – within 28 days (very small)	Quarterly	Monthly (Large) Annual (small)	Yes- all regular tax obligations are reported in single statement filed monthly, quarterly or annually
Austria	€ 30,000	Accruals (with cash basis permitted for certain types of small businesses)	Monthly- within 45 days	Quarterly- within 45 days	Monthly	Quarterly	Annual return required by end-March
Belgium /6	Zero	Accruals (with cash basis under specific conditions, flat rate scheme)	Monthly- within 20 days	Monthly- within 20 days	Monthly	Quarterly	Yes- Annual sales listing to all registered purchasers is required
Canada	CDN $30,000	Accruals (with quick method scheme for prescribed traders with turnover below CDN $200,000)	Monthly within 30 days, for taxpayers required to report on a monthly basis	Small businesses may qualify for reduced frequency: Quarterly within 30 days; or annual within 3 months; or annual within 4 months	Monthly, for businesses with annual taxable supplies over $6M	Quarterly for businesses with annual taxable supplies over $1.5M; or annual for businesses with annual taxable supplies of $1.5M or less	Yes some business sectors have specific reporting requirements
Czech Rep.	CZK 1,000,000 (in last 12 months)	Accruals	Monthly- within 25 days, Quarterly-within 25 days	Monthly- within 25 days, Quarterly-within 25 days	Monthly (turnover in last calendar year is more than 10 million CZK),	Quarterly (turnover in last calendar is less than 10 million CZK)	-
Denmark	DKK 50,000	Accruals	Monthly- within 25 days	Quarterly and half-yearly- within 40 days and two months respectively	Monthly	Quarterly and half-yearly	Yes- all regular tax obligations reported in single statement
Finland	€ 8,500	Accruals	Monthly- within 45 days	Monthly- within 45 days; annual payment for primary producers and artists	Monthly	Monthly; annual filing for primary producers and artists	Yes- all regular tax obligations reported in a single monthly statement

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	Payment requirements (i.e. frequency and days after end of liability period) /2		Filing requirements (i.e. frequency) /4		Special filing obligations
			In general	Special rule for small (or large), if any/ 3	In general	Special rule for small (or large), if any /3	
France	€ 76,300 (threshold of € 27,000 for suppliers of services)	Accruals (with simplified scheme for prescribed businesses, turnover thresholds apply); instalments based on prior year tax	Monthly- within 19/24 days	Quarterly- within 19/24 days;	Monthly	Quarterly and annual	Under simplified scheme, 4 instalment payments during year and file annual tax return by end-April
Germany	€ 17,500 prior year turnover and €50,000 current year expected turnover	Accruals (cash basis permitted in certain cases, e.g. prior year turnover not exceeding €125,000)	Monthly- within 10 days	Monthly (generally), quarterly/annually if previous year's tax does not exceed €6,136/€512	Monthly	Monthly (generally), quarterly/annually if previous year's tax does not exceed €6,136/€512	Annual return required from all payers (monthly or quarterly filings are provisional advance returns)
Greece							
Hungary	Zero	Accruals	Monthly-within 20 days	Quarterly and annually- within 20 days	Monthly	Quarterly, and annually for very small payers	-
Iceland	ISK 220,000	Accruals	Bi-monthly- within 35 days		Bi-monthly	Bi-monthly, twice a year for farmers & yearly for very small payers	-
Ireland	€ 70,000 threshold for suppliers of goods. € 35,000 for suppliers of services /6	Cash basis for retailers and traders with turnover less than €1,000,000. Retailers can use apportionment scheme where sales are at a number of rates. Flat rate scheme for prescribed businesses (e.g. farming)	Bi-monthly- within 19 days	Bi-monthly- within 19 days /6	Bi-monthly	Bi-monthly	Annual return of trading details required from all payers
Italy	Zero	Various schemes for a range of prescribed business categories	Monthly- 16 days	Quarterly- within 46 days for Q1-Q3, and 76 days for Q4	Annual	Annual	Annual consolidated return required from all payers
Japan	JPY 10 million	Accruals	Within 2 months from the last day of taxable period /1	-	Within 2 months from the last day of taxable period /1	-	Annual return required
Korea	Zero	Accruals	Quarterly within 25 days	Bi-annual within 25 days for small individuals	Quarterly	bi-annual – all individuals	
Luxembourg							
Mexico	Zero	Cash flow basis	Monthly-within 17 days	Monthly-within 17 days	Monthly	Monthly	Information return at end of tax period

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	Payment requirements (i.e. frequency and days after end of liability period) /2		Filing requirements (i.e. frequency) /4		Special filing obligations
			In general	Special rule for small (or large), if any/ 3	In general	Special rule for small (or large), if any /3	
Netherlands	Zero	On application, traders including certain retailers may use simplified method.	Monthly- within 30 days	Quarterly- within 30 days	Monthly	Quarterly, and annually for very small traders	
N. Zealand	$NZ 40,000	Use of cash or cash/ accruals by small businesses	Monthly-within 30 days	Bi-monthly- within 30 days, & 6 monthly for small payers	Monthly	Bi-monthly, & 6 monthly for small payers	
Norway	NOK 50,000	Accruals	Bi-monthly- within 40 days (except 3rd term, within 51 days)	Yearly for traders with turnover under 1 million NOK - within 70 days + farmers – within 100 days	Bi-monthly	Yearly for traders with turnover under 1 million NOK + farmers. Monthly for traders who normally files refunding VAT returns (exporters).	-
Poland	50,000 PLN	Accruals (with cash basis permitted for businesses with turnover below prescribed threshold)	Monthly- within 25 days	Monthly-within 25 days / Quarterly- within 25 days (small taxpayers or farmers)	Monthly-within 25 days	Monthly-within 25 days / Quarterly- within 25 days (small taxpayers or farmers)	Intra-community transactions of goods- declared quarterly within 25 days
Portugal	Zero	Accruals. Special flat rate scheme for small retailers	Monthly- within 40 days	Quarterly- within 45 days	Monthly	Quarterly	Annual consolidated return required from taxpayers obliged to keep accounting books
Slovak Rep.	SKK 1.5 million previous 12 consecutive months	Accruals	Monthly-within 25 days	Quarterly-within 25 days	Monthly	Quarterly	-
Spain	Zero	Accruals. Simplified scheme for unincorporated businesses- tax calculated applying specific indices	Quarterly- within 20 days	Monthly- within 20 days (Large)	Quarterly	Monthly (Large)	Annual return required from all payers
Sweden	Zero	Accruals	Monthly- within 26 days	Monthly- within 42 days	Monthly	Monthly; some traders can declare with annual income tax return	Yes- all regular tax obligations reported in monthly statement by most businesses;
Switzerland	CHF 75,000	Accruals (and cash basis where requested). Flat rate scheme for prescribed traders	Quarterly- within 60 days	Monthly / Six monthly – both within 60 days	Quarterly	Monthly / Six monthly – both within 60 days	

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	Payment requirements (i.e. frequency and days after end of liability period) /2		Filing requirements (i.e. frequency) /4		Special filing obligations
			In general	Special rule for small (or large), if any/ 3	In general	Special rule for small (or large), if any /3	
Turkey	Zero	Accruals	Monthly, within 26 days after liability month	Quarterly, within 26 days after liability month	Monthly	Quarterly	-
United Kingdom	£67,000	Traders with turnover to £ 660,000 can use cash basis; special flat rate schemes for retailers and farmers	Quarterly - within 1 month	Quarterly - within 1 month	Quarterly	Quarterly; annually for businesses with turnover under £660,000	
United States				No national VAT			
2) Selected Non-OECD countries							
Argentina	ARS 144,000 (trade or production of goods); ARS 70,000 (supply of services)	Accruals (special lump sum scheme exists for small businesses covering VAT & income tax	Monthly- actual date varies (based on tax ID)	Monthly- actual date varies (based on tax ID)	Monthly	Monthly	Office of import
Bulgaria	BGN 50,000	Accruals	Monthly until 14th of the month inclusive, following the month, to which it refer	-	Monthly	-	Yes- all regular tax obligations are reported in a single statement filed monthly
Chile	Zero	Accrual basis	Monthly within 12 days. Within 20 days if using electronic invoices and internet.	-	Monthly within 12 days. Within 20 days if using electronic invoices and internet.	-	Large registrants are required to file an annual return of purchases and sales
China	Various /6	Accruals (small traders pay flat % of turnover)	Within 1,3, 5,10, 15 or monthly, depending on size of business		Various	Various	
Cyprus	CYP 9,000	Accruals (with special scheme for farmers and retailers)	Quarterly- by 10th day of second month after liability month	Quarterly- by 10th day of second month after liability month	Quarterly	Quarterly (annually permitted for farmers)	
Estonia	EEK 250,000	Accruals (special schemes for travel agents, lumber sales, and second hand goods	Monthly- within 20 days	Monthly- within 20 days	Monthly	Monthly	
Latvia	LVL 10,000	Accruals	Monthly-within 15 days	Quarterly-within 15 days	Monthly	Quarterly	Annual return required from all registrants
Malaysia		Not applicable					
Malta	zero	Accruals and cash	Quarterly- within 45 days		Quarterly		

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	Payment requirements (i.e. frequency and days after end of liability period) /2		Filing requirements (i.e. frequency) /4		Special filing obligations
			In general	Special rule for small (or large), if any/ 3	In general	Special rule for small (or large), if any /3	
Romania	€35,000	Total amount, without tax for good deliveries and services	Monthly - by 25th of the following month	Quarterly, Bi-annually, Annually – within 25 days	Monthly	Quarterly, Bi-annually, Annually	-
Singapore	SGD 1 million	Accruals	Quarterly	-	Quarterly	-	
Slovenia	€25,000	Accruals or cash	Monthly-within 30 days	Quarterly	Monthly-within 30 days	Quarterly	New taxpayers have to fill the statements monthly (for the first year)
South Africa	R300,000. R1,000,000 (from 1 March 2009)	Accruals (Cash basis for individuals with turnover up to R2.5 million)	Bi Monthly- within 25 days	Small: Four-monthly - within 25 days. Large: Monthly – within 25 days	Bi-monthly	Four-monthly Monthly	Farmers with turnover up to ZAR 1.5 m may account bi-annually. Electronic filing – Due date for payment and filing last business day of month

Sources: IBFD, European Commission (July 2002 and 2004 summaries of EU member VAT arrangements).
/1. Threshold based on business turnover level unless otherwise indicated.

/2. Most countries provide special payment and filing regimes for designated business categories (e.g. agriculture, fishing).

/3. The data in these columns are the rules applied on the small taxpayers unless it is indicated differently (e.g. 'large').

/4. Most countries provide special filing procedures for taxpayers who regularly receive refunds of VAT overpayment (e.g. exporters).

/5. System of electronic filing for annual reporting introduced implemented for fiduciaries; to be extended to monthly and quarterly reporting.

/6. **Belgium**—flat rate scheme for unincorporated traders with turnover below €500,000 and exempted from issuing invoices; **China**—RMB 2,000-5,000 per month (taxable sales), RMB 1,500-3,000 per month (taxable services), RMB 150-200 (sales one time/ day); **France**—companies with turnover more than €760,000 and businesses administered by DGE; **Ireland**—Threshold rates are effective from 1 March 2007. Prior to this, thresholds were €55,000 for suppliers of goods and €27,500 for suppliers of services. Rates further increased with effect from 1 May 2008 to €75,000 for suppliers of goods and €37,500 for suppliers of services. Revenue also offers small traders the option of making bi-annual returns (for traders with annual VAT payments of less than €3,000) and four-monthly returns (for traders with annual payments of between €3,000 and €14,000).; **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.

Table 42: Use of electronic filing: personal income tax

COUNTRY	Year begun	Rate of e-filing (%)		2007 e-filing rate by source (%)		Extensions of time given to e-filers	Mandatory obligation to e-file
		2004	2007	Taxpayer	Tax agent		
1) OECD countries							
Australia	1990	84	86	15	71	×	×
Austria	2003	10	72	29	43	✓	✓/1
Belgium	2003	3	20	n.avail.		✓/1	×
Canada	1993	48	51	17	34	×	×
Czech Rep.	2004	1	-	n.avail.		×	×
Denmark	1995	68	100 /1	n.avail.		×	×
Finland	2008	-	10		10	×	×
France	2002	4	20	n.avail.		✓	×
Germany	1999	7	19	15	4	×	×
Greece	2001	4	8	n.avail.		✓ /1	×
Hungary	2003	3	31.5	15	16.5	×	×
Iceland	1999	86	93	63	27	✓	×
Ireland	2000	62	74	n.avail.		✓	×
Italy	1999		100 /1	2	98	✓	× /1
Japan	2004	n.avail.	17	n.avail.		×	×
Korea	2004	43	80	n.avail.		×	×
Luxembourg		-	-	-	-	-	-
Mexico	2002	48	76	n.avail.		×	×
Netherlands	1996	69	88	n.avail.		×	×
N. Zealand	1992	56	68	n.avail.		✓	×
Norway	2000	37	65	65	-	×	×
Poland	2008	-	-		-	×	×
Portugal	1999	24	64	63	1	✓	×
Slovak Rep.	2005	-	1	n.avail.		×	×
Spain	1999	23 /1	35	n.avail.		×	×
Sweden	2002	15	45	45	-	×	×
Switzerland	Administered at sub-national level (i.e. by cantons), some with their own e-filing systems						
Turkey	2004	30	85	4.3	80.7	×	✓
UK	2001	17	33	n.avail.		×	×
USA	1986	47	57	16	41	×	×
2) Selected Non-OECD countries							
Argentina	1999		88	n.avail.		×	✓
Bulgaria	2005	-	0.4	n.avail.		×	×
Chile	1999	83 /1	97.2 /1	n.avail.		×	×
China	2005	-	n.avail.	n.avail.		✓	×
Cyprus	2003	-	n.avail.	n.avail.		×	×
Estonia	2000		85	n.avail.		×	×
Latvia	-	-	-	-	-	×	×
Malaysia	2004	-	33	n.avail.		×	×
Malta	2006	-	1	0.9	0.1	✓	×
Romania	2007	-	-	-	-	×	×
Singapore	1998		87	n.avail.		×	×
Slovenia	2004		4	n.avail.		×	×
South Africa	2006	-	1	n.avail.		✓	×

Source: Country survey responses.

Austria—for taxpayers with turnover > €100,000; **Belgium**—extensions for tax professionals under certain conditions; **Chile**—take-up rate is integrated with CIT; **Denmark**—100% e-assessment, no filing required. 74% of changes were reported electronically; **Finland**—collects data electronically from third parties (employers, banks, insurance companies etc.) and sends full prefilled tax a declarations (4,975 M) to taxpayers. Taxpayers can correct errors of declaration and send them back to the tax administration by post (1,453 M) or electronically (0,135 M). electronic corrections were possible for the first time for tax year 2007 and the tax administration received about 10% of corrections in this way; **Greece**—in some cases; **Italy**—not mandatory except for VAT registered persons, but these returns (15% in 2007) must be filed through official data collection bodies; **Spain**—integrated e-filing ratio for PIT, CIT and VAT for 2004.

Table 43: Use of electronic filing: corporate income tax

COUNTRY	Year begun	Rate of e-filing (%)		2007 e-filing rate by source (%)		Extensions of time given to e-filers	Mandatory obligation to e-file
		2004	2007	Taxpayer	Tax agent		
1) OECD countries							
Australia	1990	95	93	-	93	×	×
Austria	2003	30	88	27	61	✓	✓ /1
Belgium	2005	1	30	n.avail.		✓ /1	×
Canada	2002	2	18	n.avail.		×	×
Czech Rep.	2004	1	-	n.avail.		×	×
Denmark	2005	n.avail.	4 /1	n.avail.		×	×
Finland	2000	1	55	n.avail.		×	×
France	1992	26	40	n.avail.		×	✓ /1
Germany	No	-	-	-	-	-	-
Greece	No	-	-	-	-	-	-
Hungary	2003	3	99.4	n.avail.		×	✓ /1
Iceland	1997	99	n.avail.	n.avail.		✓	×
Ireland	2001	18	66	n.avail.		×	× /1
Italy	1998	-	100	3	97	×	✓
Japan	2004	n.avail	19	n.avail.		×	×
Korea	2004	92	97	n.avail.		×	×
Luxembourg	-	-	-	-	-	-	-
Mexico	2002	100	100	n.avail.		×	✓
Netherlands	2005	n.avail.	n.avail.	n.avail.		×	×
N. Zealand	1992	67	77	n.avail.		✓	×
Norway	2003	47	78	n.avail.		✓	×
Poland	2006	-	0.0001	n.avail.		×	×
Portugal	2000	100	100	-	100	×	✓
Slovak Rep.	2005	-	0.2	n.avail.		×	×
Spain	1999	23 /1	98	n.avail.		×	✓ /1
Sweden /1	n.applic.						
Switzerland	Administered at sub-national level (i.e. by cantons), some with their own e-filing systems						
Turkey	2004	72	99.5	5	94.5	×	✓
UK	2004	1	7	n.avail.		×	×
USA	2004	1	13	n.avail.		×	×
2) Selected Non-OECD countries							
Argentina	1999		100	n.avail.		×	✓
Bulgaria	2006	-	7	n.avail.		×	×
Chile	1999	83 /1	97.2 /1	n.avail.		×	×
China	2001	-	n.avail.	n.avail.		×	×
Cyprus	2003	-	n.avail.	n.avail.		×	×
Estonia	2000	-	88.4	n.avail.		×	×
Latvia		-	-	-	-	×	×
Malaysia	2001	-	1.2	n.avail.		×	×
Malta	2001	-	91	-	91	✓	× /1
Romania	2004	-	n.avail.	n.avail.		×	✓ /1
Singapore	2000	-	73	n.avail.		×	×
Slovenia	2004	-	29	17	12	×	× /1
South Africa	2006	-	1	n.avail.		✓	×

Source: Country survey responses.

/1. **Austria**—for taxpayers with turnover > €100,000; **Belgium**—extensions given to tax professionals under certain conditions; **Hungary**—For companies without employees e-filing is not mandatory; **Ireland**—legislation enacted for mandatory e-filing by large corporates and Government bodies, to be phased in during 2009; **Chile**—take-up rate is integrated with PIT; **France**—for corporations with turnover more than €15M previous year or companies administered by DGE; **Malta**—only in specific cases; **Romania**—only for large taxpayers; **Slovenia**—mandatory for all taxpayers from January 2009; **Spain**—integrated e-filing ratio for PIT, CIT and VAT for 2004, mandatory for some taxpayer segments only; **Sweden**—business reporting from companies are standardised and about 70% of the limited companies file this electronically, even if they still have to file the income tax return on paper.

Table 44: Use of Electronic Filing: Value-added Tax

COUNTRY	Year begun	Rate of e-filing (%)		2007 e-filing rate by source (%)		Extensions of time given to e-filers	Mandatory obligation to e-file
		2004	2007	Taxpayer	Tax agent		
1) OECD countries							
Australia	2001	36	44	10	34	×	×
Austria	2003	80	80	30	50	✓	✓ /1
Belgium	2002	9	26	10	16	×	✓ /1
Canada	1995	11	13 /1	n.avail.		×	×
Czech Rep.	2002	1	-	n.avail.		×	×
Denmark	1999	60	71	n.avail.		×	×
Finland	1997	35	50	n.avail.		×	×
France	2001	2	14	n.avail.		×	✓
Germany	2000	19	17	9	8	×	×/1
Greece	2000	51	48	n.avail.		✓	✓1
Hungary	2002	6	95.7	n.avail.		×	✓ /1
Iceland	2004	16	51	n.avail.		×	×
Ireland	2000	13	34	n.avail.		×	×
Italy	1998	-	100	3	97	×	✓
Japan	2004	n.avail.	40.7	n.avail.		×	×
Korea	2003	50	77	n.avail.		×	×
Luxembourg	2003	8	21.5	n.avail.		×	×
Mexico	2002	55	57.6	n.avail.		×	×
Netherlands	2005	-	100	n.avail.		×	✓
N. Zealand	1992	9	16	n.avail.		✓	×
Norway	2004	38	82	n.avail.		×	×
Poland	2006	-	0.001	n.avail.		×	×
Portugal	1997	83	100	n.avail.		×	✓
Slovak Rep.	2005	-	0.4	n.avail.		×	×
Spain	1999	23 /1	49	n.avail.		×	✓ /1
Sweden	2001	3	25	n.avail.		×	×
Switzerland	None			n.applic.			
Turkey	2004	70	90	4.5	85.5	×	× /1
UK	2005	-	9	n.avail.		×	×
USA				n.applic.			
2) Selected Non-OECD countries							
Argentina	1999	-	100	n.avail.		×	✓
Bulgaria	2004	-	49	n.avail.		×	×
Chile	1999	36.5	53.4	n.avail.		✓ /1	×
China	1998	-	n.avail.	n.avail.		×	×
Cyprus	2004	-	1	1	-	×	×
Estonia	2000	-	90.0	n.avail.		×	×
Latvia		-	-	-	-	×	×
Malaysia		-	-	n.applic.		-	-
Malta	2005	-	n.avail.	n.avail.		×	×
Romania	2004	-	n.avail.	n.avail.		×	✓/1
Singapore	2005	-	41	n.avail.		×	✓ /1
Slovenia	2004	-	41	25	16	×	×/1
South Africa	2001	-	20	n.avail.		✓	×

Source: Country survey responses.

/1. **Austria**—for taxpayers with turnover > €100,000; **Belgium**—mandatory from July 2007 for defined large taxpayers, from February 2008 for all monthly filers, and from April 2009 for all taxpayers; **Canada**—Data from an additional 4% of VAT returns captured via financial institutions; **Chile**—If the taxpayer issues electronic invoices or electronic receipts; or if he does not declare transactions in the tax return and does not have to pay taxes.; **France**—for companies with turnover more than €760,000 or companies administered by DGE; **Germany**—E-filing of VAT advance return is mandatory.; **Greece**—for C category of Books; **Hungary**—for companies without employees e-filing is not mandatory; **Romania**—only for large taxpayers; **Singapore**—e-filing has been mandatory, starting on a phased basis with businesses with turnover>$S 5million, and fully compulsory from October 2008; **Slovenia**—Mandatory for all taxpayers from January 2009; **Spain**— integrated e-filing ratio for PIT, CIT and VAT for 2004, mandatory for some taxpayer segments only; **Turkey**—mandatory from January 2008.

Table 45: Tax payment methods available (July 2008)

COUNTRY	Payment methods available (✓ denotes availability, (1) (2) (3) denotes usage ranking)								
	Mailed cheque	In person		Phone banking	Internet banking	Direct debit payment	Payment kiosk	Credit cards	Others
		At Agency (e.g. banks)	At tax office						
1) OECD countries									
Australia	✓ (3)			✓	✓ (2)	✓	✓ (1) /1		
Austria		✓ (1)	✓ (3)	✓	✓ (2)				
Belgium		✓		✓	✓				
Canada	✓ (1)	✓	✓	✓	✓	✓ (2)	✓ (CRA)		
Czech Rep.		✓	✓ (2)	✓	✓ (3)	✓ (1)			
Denmark	✓ (4)	✓ (3)	✓ (5)		✓ (2)	✓ (1)			
Finland		✓ (2)		✓	✓ (1)	✓ (3)	✓		
France	✓		✓		✓ (2)	✓ (1)			
Germany	✓ (3)	✓		✓	✓ (2)	✓ (1)			
Greece /1		✓	✓	✓	✓	✓	✓	✓	
Hungary		✓ (1)	✓	✓	✓				
Iceland					n.avail.				
Ireland /1	✓ (1)		✓ (4)		✓ (3)	✓ (2)			
Italy		✓ (2)			✓ (1)	✓ (3)			
Japan		✓ (1)	✓		✓	✓ (2)	✓ /1		✓
Korea		✓ (1)	✓ (3)	✓ (4)	✓ (2)		✓ (5) /1	✓ /1	
Luxembourg	✓ (3)	✓ (1)	✓ (3)		✓ (2)				
Mexico		✓ (1)			✓ (2)				
Netherlands		✓			✓ (2)	✓ (1)			✓ (3) /1
N. Zealand	✓ (2)	✓	✓		✓ (1)	✓ (3)			
Norway	✓ (4)	✓ (2)	✓ (3)	✓ (1)	✓ (1)	✓ (1)			
Poland		✓	✓ (2)	✓	✓ (1)				✓ (3)
Portugal	✓ (2)	✓ (3)	✓ (1)		✓	✓			
Slovak Rep.		✓ /1		✓ /1	✓ /1	✓ /1		✓ /1	
Spain		✓ (2)			✓ (3)	✓ (1)			
Sweden		✓ (3)		✓	✓ (2)	✓ (1)			
Switzerland		✓ (3)	✓	✓	✓ (2)	✓ (1)			
Turkey	✓ (3)	✓ (2)	✓ (1)		✓ (3)				
UK	✓ (2)	✓	✓	✓	✓	✓ (1)		✓ /1	
USA	✓ (1)	✓ (3)	✓	✓	✓	✓ (2)		✓	✓ /1
2) Selected Non-OECD countries									
Argentina		✓		✓	✓ (1)	✓	✓	✓	
Bulgaria /1		✓ (3)			✓ (2)	✓			✓ (1) /1
Chile		✓ (3)			✓ (1)	✓ (1)		✓ (2)	
China	✓	✓ (3)	✓	✓	✓ (2)	✓ (1)		✓	
Cyprus	✓	✓ /1	✓					✓ /1	
Estonia	✓	✓ (2)	✓ (3)	✓	✓ (1)			✓	
Latvia		✓ (1)			✓ (2)				
Malaysia	✓ (1)	✓ (2)	✓ (3)		✓ (4)				
Malta /1	✓ (1)	✓	✓ (1)		✓	✓			
Romania		✓	✓ (1)				✓		
Singapore	✓ (2)			✓	✓	✓ (1)	✓	✓	✓(3)/1
Slovenia	✓ (3)	✓ (1)			✓ (2)				
South Africa	✓ (2)	✓ (1)	✓ (1)		✓	✓ (1)			

Source: Country survey responses.

/1. **Australia**—Automated bill payment facility located in business/retail/ government premises; **Bulgaria**—bank teller's desk in tax office, others are any methods accepted by bank; **Cyprus**—only VAT payable at bank, only direct taxes payable by credit cards; **Greece**—rank not available; **Ireland**—data in 2007; **Japan**—At convenience stores from January 2008; **Korea**—Payment kiosks refers payment using ATM, Credit card payment in 2007 is credit card loan to taxpayer. Credit card payment from October 2008.; **Spain**—Payments and refunds are always made through banks (using any methods accepted by them); **Malta**—payment at bank only for VAT; **Netherlands**—bank transfer; **Singapore**—at post offices; **Slovak Rep.**—service is dependent on the offerings of individual banks where taxpayers hold accounts; **United Kingdom**—currently a limited service (offered at ports, airports, and by Road Fuel testing Units, where collection of tax by alternate means would be more costly; service will be extended in late 2008 to other categories of payment; **USA**—Payroll service providers & integrated e-payment with e-filed return.

Table 46: Other electronic services for taxpayers and tax professionals

COUNTRY	OTHER ELECTRONIC SERVICES AVAILABLE TO TAXPAYERS & PROFESSIONALS				
	Issuance of tax certificates	Access to taxpayer's records	Access to legal database	Notification to taxpayers	Others
1) OECD countries					
Australia		✓	✓		
Austria		✓	✓	✓	
Belgium		✓	✓	✓	
Canada		✓	✓	✓	✓ /1
Czech Rep.	✓	✓	✓	✓	
Denmark	✓	✓	✓	✓ /1	
Finland			✓	✓	
France		✓	✓		
Germany	✓	✓ /1	✓		
Greece	✓	✓	✓		
Hungary		✓			
Iceland		✓	✓	✓	
Ireland	✓	✓	✓	✓	✓ /1
Italy		✓	✓ /1	✓	
Japan	✓		✓		E-mail
Korea	✓	✓	✓	✓	
Luxembourg			✓		
Mexico	✓	✓	✓	✓	
Netherlands		✓ /1	✓ /1		
N. Zealand		✓	✓		
Norway	✓	✓	✓	✓	
Poland					
Portugal	✓	✓	✓	✓	
Slovak Rep.		✓ /1			
Spain	✓	✓	✓	✓	
Sweden		✓	✓	✓ (late 2008)	
Switzerland					
Turkey	✓		✓	✓	
UK			✓	✓ /1	
USA		✓ /1	✓	E-mail only	
2) Selected Non-OECD countries					
Argentina	✓	✓	✓	✓	
Bulgaria	/1		✓	✓	
Chile	✓	✓	✓		✓ /1
China	✓	✓	✓	✓	
Cyprus			✓ /1		
Estonia	✓	✓	✓	✓	
Latvia		✓	✓		
Malaysia	✓		✓		
Malta	✓ /1	✓	✓		
Romania			✓		
Singapore		✓	✓ /1		
Slovenia			✓		
South Africa	✓	✓	✓	✓	

Source: Country survey responses.

/1. **Bulgaria**—requests only; **Canada**—assessment notices viewed online; can also request changes to filed returns and mailing address, apply for child benefits, arrange for direct deposits, provide authorisation for representative, setup payment plan, and register dispute. **Chile**—tax portal (MIPYME) for electronic invoicing for VAT purpose, Web application for taxpayers using simplified accounting system which allows to keep records and to determine taxable income by online.; **Cyprus**—for direct taxes; **Denmark**—includes calculations of taxes, gains and losses on shares, answers on rulings and access to real estate information; **Germany**—payment records only; **Ireland**—20 taxes and duties can be filed and paid on-line, including customs declarations, vehicle registration and special facilities for PAYE employee taxpayers; **Italy**—service provided by the Ministry of Economy and Finance; **Korea**—taxpayers can print out valid certificates; **Malta**—only for VAT; **Netherlands**—Access to records of only business taxpayers; legal database is a commercial product, not the revenue body's; **Singapore**—general information on tax laws and regulations on IRAS website; **Slovak Rep**— access to electronic filed documents and real-time confirmation of filing, access to selected data from the Tax Information System (documents and data on registered taxpayers) plus the e-filing of requests; **United Kingdom**—service only for registered users; **USA**—access to payment records made through electronic Federal Tax Payment System; tax agents can access clients' personal records via e-services.

Annex 1

List of participating revenue bodies: Name of revenue body and fiscal year

COUNTRY	Name of revenue body	Website address	Monetary unit	Fiscal year 2007
1) OECD countries				
Australia	Australian Taxation Office (ATO)	www.ato.gov.au	Australian dollar	1/7/06 – 30/6/07
Austria	Federal Ministry of Finance	www.bmf.gv.at	Euro	01/01/2007 - 31/12/2007 year
Belgium	Federal Public Service Finance	http://minfin.fgov.be/portail1/fr/cadrefr.htm	Euro	Calendar year
Canada	Canada Revenue Agency	www.cra-arc.gc.ca	Canadian dollar	1 /4/ 06 – 31 /3/ 07
Czech Rep.	The Czech Tax Administration	http://cds.mfcr.cz	CZK	Calendar year
Denmark	SKAT	www.skat.dk	Danish kroner (DKK)	Calendar year
Finland	Tax Administration	www.vero.fi www.tax.fi	Euro	Calendar year
France	Direction Générale des Finances Publiques	www.impots.gouv.fr	Euro	Calendar year
Germany	Federal Ministry of Finance	http://www.bundesfinanzministerium.de	Euro	Calendar year
Greece	Ministry of Economy & Finance	www.gsis.gr	Euro	Calendar year
Hungary	Tax and Financial Control Administration	www.apeh.hu	HUF	Calendar year
Iceland	Directorate of Internal Revenue	www.rsk.is	Icelandic Krona – ISK	Calendar year
Ireland	Revenue Commissioners	www.revenue.ie	Euro	Calendar year
Italy /1	Revenue Agency, Italian Tax Police, Equitalia	www.agenziaentrate.gov.it	Euro	Calendar year
Japan /1	National Tax Agency	http://www.nta.go.jp/	Yen	1/4/06 – 31/3/07
Korea	National Tax Service	www.nts.go.kr	KRW	Calendar year
Luxembourg	Administration des Contributions directes (ACD) Administration de l'Enregistrement et des Domaines (AED)	www.impotsdirects.public.lu www.aed.public.lu	Euros	Calendar year
Mexico	Tax Administration Service (SAT)	www.sat.gob.mx	Mexican Peso	Calendar year
Netherlands	Dutch Tax and Customs Administration	http://www.belastingdienst.nl	Euro	Calendar year
N. Zealand	Inland Revenue Department	http://www.ird.govt.nz	New Zealand Dollar (NZD)	1 /4/ 06 – 31 /3/ 07
Norway	Tax Norway	www.skatteetaten.no	Norwegian	Calendar

			kroner	year
Poland	Ministry of Finance	www.mf.gov.pl	PLN (Polish zloty)	Calendar year
Portugal	DGCI – Direcção-Geral dos Impostos	http://www.dgci.min-financas.pt/pt	Euro	Calendar year
Slovak Rep.	Tax Directorate of the Slovak Republic	http://www.drsr.sk	SKK (Slovak Crowns)	Calendar year
Spain	State Tax Administration Agency	www.agenciatributaria.es	Euro	Calendar year
Sweden	Swedish Tax Agency	www.skatteverket.se	SEK	Calendar year
Switzerland	Federal Tax Administration	www.estv.admin.ch	CHF	Calendar year
Turkey				
UK	Her Majesty's Revenue & Customs	http://www.hmrc.gov.uk/	£ Sterling	1 /4/ 06 – 31 /3/ 07
USA	Internal Revenue Service	www.irs.gov	U.S. Dollars	1/10/06 – 30/9/07
2) Selected Non-OECD countries				
Argentina	Federal Administration of Public Revenues	www.afip.gov.ar	ARS	Calendar year
Bulgaria	National Revenue Agency (NRA)	www.nap.bg	BGN	Calendar year
Chile	Servicio de Impuestos Internos (SII)	http://www.sii.cl	Chilean Pesos	Calendar year
China	State Administration of Taxation	http://www.chinatax.gov.cn	RMB(Chinese Yuan)	Calendar year
Cyprus* * See footnotes 1 and2, page 4.	Inland Revenue Department, VAT SERVICE	http://www.mof.gov.cy/mof/ird/ird.nsf/dmlindex_en/dmlindex_en?OpenDocument, http://www.mof.gov.cy/mof/vat/vat.nsf/DMLindex_en/DMLindex_en?OpenDocument	Euro	Calendar year
Estonia	Tax-and Customs Board	http://www.emta.ee	EEK	Calendar year
Latvia	State Revenue Service	http://www.vid.gov.lv/default.aspx?hl=2	Latvian Lat (LVL)	Calendar year
Malaysia	Inland Revenue Board	http://www.hasil.gov.my	RINGGIT MALAYSIA (RM)	Calendar year
Malta				
Romania	National Agencie for Fiscal Administration	http://anaf.mfinante.ro/wps/portal	LEI	Calendar year
Singapore	Inland Revenue Authority of Singapore	www.iras.gov.sg	SGD	1 /4/ 06 – 31 /3/ 07
Slovenia	Tax Administration of the Republic of Slovenia	www.durs.gov.si	Euro	Calendar year
South Africa	South African Revenue Service	http://www.sars.gov.za/	Rand (ZAR)	1 /4/ 06 – 31 /3/ 07

Sources: Survey responses

/1. **Italy**—AE: Agenzia delle Entrate (*Revenue Agency*), GDF: *Guardia di Finanza* (*Italian Tax Police*); **Japan**—business year (July 2006 to June 2007) applies to some tables including Tables 20 and 34; **Spain**—Agencia Estatal de Administracion Tributaria.

Annex 2

Bibliography of all FTA publications

1) Revenue administration in general

Title	Date released	Web link
Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series 2006	2007 (February)	http://www.oecd.org/dataoecd/37/56/38093382.pdf
Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series 2004	2004 (October)	http://www.oecd.org/dataoecd/28/2/33866659.pdf
Taxpayers' Rights & Obligations	2003 (July)	http://www.oecd.org/dataoecd/24/52/17851176.pdf

2) Compliance

Title	Date released	Web link
Monitoring Taxpayers' Compliance: A Practical Guide Based on Revenue Body Experience	2008 (June)	http://www.oecd.org/dataoecd/51/13/40947920.pdf
Tax Intermediaries Study Report	2008 (January)	http://www.oecd.org/dataoecd/28/34/39882938.pdf
Information Note -Strengthening Tax Audit Capabilities: Innovative Approaches to improve the Efficiency and Effectiveness of Indirect Income Measurement Methods	2006 (October)	http://www.oecd.org/dataoecd/46/16/37590009.pdf
Information Note - Strengthening Tax Audit Capabilities: Audit Workforce Management Survey Findings and Observations	2006 (October)	http://www.oecd.org/dataoecd/46/17/37589929.pdf
Information Note - Strengthening Tax Audit Capabilities: General Principles and Approaches	2006 (October)	http://www.oecd.org/dataoecd/46/18/37589900.pdf
Workshop Report on Compliance Measurement and Evaluation	2006 (March) [limited circulation]	
Report on the Survey of Country Practices in Debt Collection & Overdue Returns Enforcement	2006 (March) [limited circulation]	
VAT Abuses – 2004 Report	2005 (May) [limited circulation]	
Guidance Note – Guidance for the Standard Audit File-Tax (SAF-T)	2005 (May)	http://www.oecd.org/document/57/0,2340,en_2649_33749_34910329_1_1_1_1,00.html
Guidance Note – Guidance on Tax Compliance for Business and Accounting Software (GTCBAS)	2005 (May)	http://www.oecd.org/document/57/0,2340,en_2649_33749_34910329_1_1_1_1,00.html
Information Notes - Catalogues of Compliance Research Projects and Compliance Strategies	2004 (October)	http://www.itdweb.org/documents/catalogue/COMPLIANCE_RESEARCH_PROJECTS_SEPT_04_ITD.htm
Information Note - Compliance Risk Management: Use of Random Audit Programs	2004 (October)	http://www.oecd.org/dataoecd/44/34/33818547.pdf

Information Note - Compliance Risk Management: Audit Case Selection Systems	2004 (October)	http://www.oecd.org/dataoecd/44/36/33818568.pdf
Guidance Note – Compliance Risk Management: Progress with the Development of Internet Search Tools for Tax Administration	2004 (October)	http://www.oecd.org/dataoecd/44/15/33818593.pdf
Guidance Note - Compliance Risk Management: Managing and Improving Tax Compliance	2004 (October)	http://www.oecd.org/dataoecd/44/19/33818656.pdf

3) Taxpayer services (with technology emphasis)

Title	Date Released	Link
Third Party Reporting Arrangements and Pre-filled Tax Returns: The Danish and Swedish Approaches	2008 (January)	http://www.oecd.org/dataoecd/39/5/39948012.pdf
Programs to Reduce the Administrative Burden Resulting from Tax Regulations in Selected Countries	2008 (January)	http://www.oecd.org/dataoecd/39/6/39947998.pdf
Information Note - Using Third Party Information Reports to Assist Taxpayers Meet their Return Filing Obligations: Country Experiences With the Use of Pre-populated Personal Tax Returns	2006 (March)	http://www.oecd.org/dataoecd/42/14/36280368.pdf
Information Note - Strategies for Improving the Take-up Rates of Electronic Services	2006 (March)	http://www.oecd.org/dataoecd/41/36/36280699.pdf
Information Note - Management of Email	2006 (March)	http://www.oecd.org/dataoecd/42/19/36279861.pdf
Information Note - Application Software Solutions Being Used to Support the Technical Architecture of Selected Revenue Bodies	2006 (March)	http://www.oecd.org/dataoecd/42/12/36280568.pdf
Guidance Note - Achieving Success With Electronic Services: The Importance of Having a Sound Business Architecture	2005 (April)	http://www.oecd.org/dataoecd/27/19/34767000.pdf
Survey of Trends in Taxpayer Service Delivery Using New Technologies	2005 (February)	http://www.oecd.org/dataoecd/56/41/34904237.pdf

4) Electronic commerce

Title	Date Released	Link
Electronic Payment Systems—Accountability Guidance	2003 (July)	http://www.oecd.org/dataoecd/29/27/31663069.pdf
Record Keeping Guidance	2003 (July)	http://www.oecd.org/dataoecd/29/25/31663114.pdf
Transaction Information Guidance	2003 (July)	http://www.oecd.org/dataoecd/29/26/31663095.pdf
Business Identification Guidance	2003 (July)	http://www.oecd.org/dataoecd/4/56/14990201.pdf

Annex 3

Planning, measuring and reporting frameworks

This annex provides descriptions of the planning, measuring and reporting frameworks in Canada and the USA.

Box 6. Canada Revenue Agency: Planning, measuring and reporting

Background and Legislation

The Canada Revenue Agency (CRA) operates within a robust planning, measuring and reporting framework. This framework was enhanced when, in 1996, the Government announced that it intended to convert Revenue Canada from a department of government into what it then called a 'revenue commission'.

Bill C-43, *An Act to Establish the Canada Customs and Revenue Agency*, was introduced into Parliament in June 1998 and received royal assent in April 1999. The Canada Customs and Revenue Agency, later referred to as the Canada Revenue Agency (CRA), came into existence on November 1 of that year. The legislation contains five major elements: 1) mandate and governance of the Agency; 2) accountabilities; 3) partnership responsibilities; 4) human resource authorities; and 5) administrative authorities.

Planning

One of the Board's key responsibilities, as defined by legislation is the development of the *Corporate Business Plan*. The Plan must include the CRA's: 1) objectives; 2) strategies to achieve objectives (operational and financial, and human resource strategies); 3) expected performance; 4) operating and capital budgets; and 5) any other strategic information required by the Treasury Board.

The Corporate Business Plan is a confidential document that sets a three-year course for the Agency and is normally submitted to Treasury Board for approval each February. Once approved, the confidential Plan forms the basis for two public documents: the *Summary of the Corporate Business Plan* and the *Report on Plans and Priorities*, both of which are tabled in Parliament in March.

The corporate planning process begins each spring, at which time the Board of Management and Agency Management Committee review priorities, risks and opportunities. The planning process is designed to produce a corporate planning document that builds direct linkages between strategic, financial, and program planning, and ensures a full consideration of the human resources, funding, and information technology realities of the organization. The Board first approves a set of themes and priorities for the *Corporate Business Plan*. Once these themes and priorities are set all functional branches are required to provide input into the plan.

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

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

Reporting

As prescribed by the *CRA Act*, the Minister must annually table a copy of its annual report in each House of Parliament. The two key components of the *Annual Report* are the CRA's financial statement and performance information with respect to achieving the objectives set out in the Corporate Business Plan. The CRA *Annual Report* can be found at -http://www.cra-arc.gc.ca/gncy/nnnl/menu-eng.html, http://www.cra-arc.gc.ca/gncy/nnnl/menu-fra.html.

The *CRA Act* requires that the Auditor General for Canada provide an opinion on the financial statements and periodic assessments of the fairness and reliability of CRA's performance information. These opinions and assessments are to be included in the *Annual Report* to Parliament. While this

process is time consuming and costly, it adds significantly to the transparency and accountability of CRA's planning and reporting processes, and ultimately increases the reliability and trust Canadians place in their Tax and Benefits systems.

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

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

Reporting Framework

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

Source: CRA (2008).

Box 7. Strategic business planning—the approach of the US Internal Revenue Service (IRS)

Background

The IRS Strategic Planning Process is designed to support decision making on what strategies and initiatives should drive the IRS in meeting its overall goals of ensuring that taxpayers understand and meet their tax obligations in a timely and accurate manner, allocating resources to achieve those goals, and evaluating the results. Government wide legislation requires that federal agencies produce the following three documents:

- **Strategic Plan.** Framework for the Annual Performance Budget and the Annual Performance and Accountability Report. It must include general agency goals and objectives with outcome-related measures and how these relate to specific program performance goals. It must provide objective, quantifiable criteria by which to measure the success of each program activity.
- **Annual Performance Budget (APB).** Provides performance goals and indicators for the fiscal year; a description of the resources needed to meet the goals for the fiscal year including processes, skills, technology, personnel, and capital; and an explanation of how the results will be verified and validated
- **Performance and Accountability Report (PAR).** Reviews and evaluates the success of achieving the performance goals from the previous fiscal year. The six phases of the IRS strategic planning process are:

  1) **Strategic Assessment** – A broad assessment of the customer segment to determine emerging trends, issues and problems that impact tax administration. During this phase, proposed solutions to these trends, issues and problems are generated, and a determination of resource availability is made.
  2) **Commissioner's Planning Guidance** – The IRS Commissioner outlines strategic priorities, resource availability and target allocations IRS-wide.
  3) **Program Planning Phase** – Operating divisions prepare Strategy and Program Plans (SPPs) that address the questions: what will be done to achieve identified strategies; what resources are needed; what are the performance expectations.
  4) **Congressional Justification** - The Performance Plan and Budget Justification phase includes preparing and submitting the IRS APB

5) **Business Planning Phase -** During this phase, the strategic initiatives outlined in the Strategy and Program Plans are translated and developed into business plans. Measures and targets are finalized and linked to specific action plans and managers' commitments.
6) **Performance Management Phase** - The Business Performance Review is the central process for measuring, reporting and reviewing performance against plans.

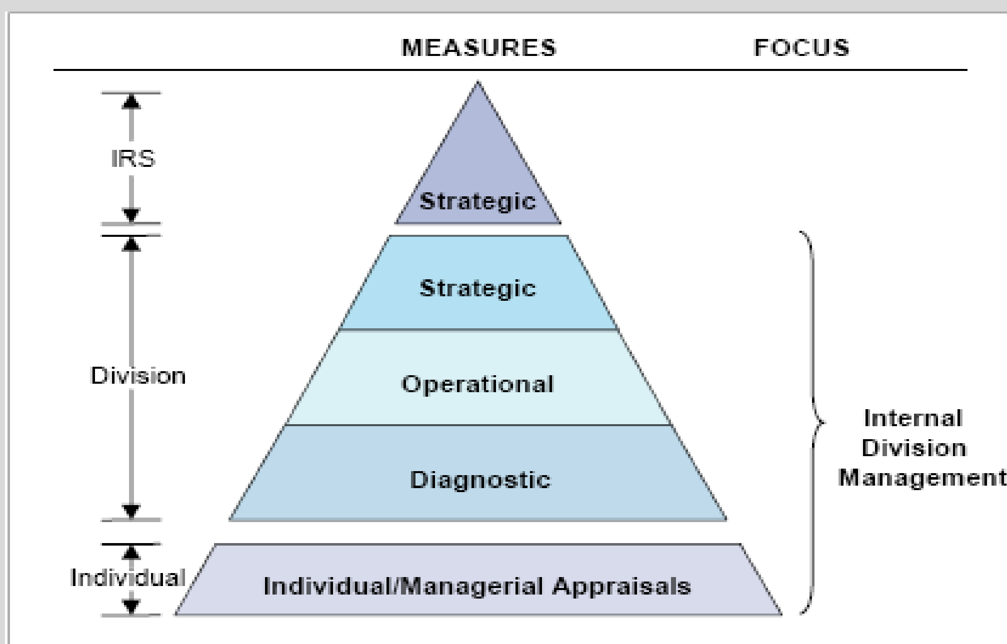
The sixth phase of the cycle—Performance Management -- is quite different from the preceding phases in that it is performed as a continuous, iterative process throughout the year. As Organizational performance management hinges on using measures developed within the balanced measurement framework to gain insights into the IRS performance against plan. The performance management phase emphasizes achieving specific results against plans and linking these results to achievement of the overall mission and strategic goals of the IRS. This system ensures that three components of balanced measures—customer satisfaction, employee satisfaction, and business results—are carefully considered when setting organizational objectives, establishing goals, and assessing progress and results.

The key role of performance measures:

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

The balanced measures framework below depicts how the review process links with operational and diagnostic performance measures. Measures and corresponding results are tracked through the BPR process designed to focus management attention on achievement of strategic and operational goals, and to show linkages between performance and achievement of IRS-level strategic goals.

IRS Balanced Measures Framework



A Tool-Box of Measures

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

Source: The Control of Strategic Plans (US Internal Revenue Service), CIAT Technical Conference (October 2004) and revised in 2008.

Annex 4

Understanding 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 administration.[70] The ratio is a comparison of the annual costs of administration incurred by a revenue body, with the total revenue collected over the course of a fiscal year. It can be expressed as a percentage or as the cost of collecting 100 units of revenue. In the past, this ratio was sometimes calculated for each major tax administered, but this practice has become increasingly difficult due to the trend for revenue body's to be organized by 'function' and/or 'type of taxpayer', rather than by 'tax type'.

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 inevitably come into play and influence the cost/revenue relationship, but which have nothing to do with relative efficiency or effectiveness (see Box 22). Clearly, any analysis of movements in the ratio should pay regard to such factors.

Box 22. Is the 'cost of collection ratio' a reliable indicator of efficiency/ effectiveness?

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

- **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 Australia, responsibility for administration of excises was moved from the Customs Authority to the Australian Taxation Office (ATO) in 1999; in the UK, responsibility for the collection of national insurance contributions fell for many years to the IRD but was excluded from 'cost of collection' computations until 1999/2000, when the IRD assumed a broader set of responsibilities in relation to its administration. For both agencies, the incorporation of a new revenue stream had a substantial positive impact on the ratio

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

reported by the respective agencies.

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

International comparisons of administrative expenditure and staffing-related ratios

Cost of collection ratios

Given the many similarities in the taxes administered by revenue bodies around the world, there has been a natural tendency by observers to make 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 the range of variables to be taken into account (see Box 23).

Box 23. International comparisons of cost of collection ratios

From analytical work that has been undertaken in conducting such comparisons, there are many factors to explain the marked variations in the ratio that are reported 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 revenue and, to a lesser extent, cost considerations. For example, comparisons between high-taxing countries (e.g. from within Europe where tax burdens regularly exceed 40 %) and low-taxing countries (e.g. from within Asia or Africa) are hardly realistic given their respective 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. India, Cyprus and Malta), or taxes at the federal level are predominantly of a direct tax nature, while indirect taxes are administered largely by separate regional/state authorities (e.g. in the United States). In other countries, one national authority will collect taxes for all levels of government, i.e. federal, regional and local governments (a number of EU countries). Comparisons between countries should pay careful regard to this factor.

- **Collection of social insurance, retirement contributions, etc.:** As described earlier in this series, there are significant variations from country to country in the collection of social security contributions. 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 scope of functions undertaken by the national revenue body can vary from country to country. For example, in some countries 1) tax fraud investigations are undertaken by a separate government agency (whose costs are

excluded from the cost of collection ratio), rather than the main revenue collection agency and 2) the tax authority is also responsible for carrying out functions not directly related to tax administration (e.g. administration of customs laws, valuation functions, payment of certain welfare benefits.

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