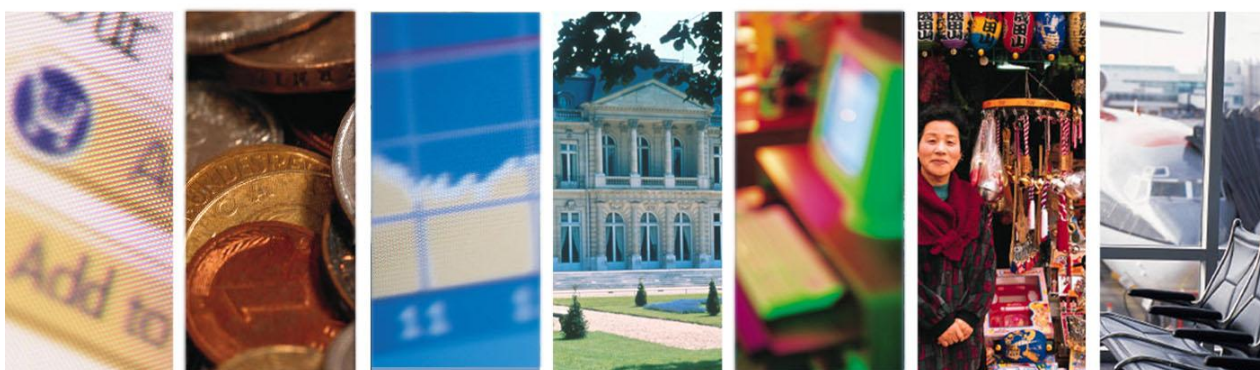




ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



FORUM ON TAX ADMINISTRATION: TAXPAYER SERVICES SUB-GROUP

Information Note

Programs to Reduce the Administrative Burden of Tax Regulations (follow-up report)

March 2010



CENTRE FOR TAX POLICY AND ADMINISTRATION

Table of contents

	Pages
Summary	5
I Programs to reduce the administrative burden of tax regulations	7
Background	7
Introduction	8
What are administrative burdens	9
Challenges and opportunities	10
II Developments in the measurement/ estimation of administrative burden	13
What costs are being measured?	13
How are administrative burdens being measured?	14
Setting targets	20
III Administrative burdens—estimates of aggregate burden and reduction targets	21
Update on estimating administrative burdens and its characteristics	21
IV Getting organised to reduce administrative burden	23
Governance and oversight arrangements	23
Embedding burden reductions	25
Building capability for administrative burden reduction	26
V Measures being taken to reduce tax related administrative burdens	27
Better regulatory management—improving the administrative framework	27
Organisational re-engineering (including process redesign)	31
Use of information and communication technologies (ICTs)	33
Better information on service delivery and administrative requirements	38
Co-ordination of multiple requirements stemming from public administration	39
Easing the impacts of the global financial crisis	46
Annexes	
1 Bibliography	48
2 Glossary of terms	50
3 Description of the standard cost model	51
4 Individual country approaches to estimating administrative burden.....	53
Tables	
1 United Kingdom: Nature and size of the estimated VAT administrative burden	14
2 Canada: Performance Measurement Framework for Compliance Burden	16
3 Administrative burden reduction priorities as viewed by business	20
4 Estimation of aggregate administrative burden and burden reduction targets	21
5 Estimates of aggregate administrative burden from tax regulations	22
6 The use of central teams and other co-ordinating mechanisms	23
7 External oversight arrangements	24
8 Tax measures previously identified to reduce administrative burdens	27
9 Individual country approaches to estimating administrative burden/compliance costs and their status	53

Boxes

1	Less administrative burden for the Austrian economy	10
2	The costs of regulation—financial and administrative	13
3	France and Ireland—adapting the standard cost model	15
4	Australia—Listening to the community	19
5	Burden reduction and performance measurements	25
6	United Kingdom—HMRC’s challenge panels	26
7	Australia—regulatory design regime	28
8	Denmark—codes for good business regulation	28
9	Denmark—better information on simplifications and smarter solutions	39
10	Standard business reporting	42
11	Australia—standard business reporting taxonomy harmonisation	44
12	New Zealand—businesses to benefit from tax assistance package	46
13	Australia and United Kingdom—time to pay arrangements	47

Figures

1	The different costs of regulation to businesses	13
2	Customer journeys—Charlie now	18
3	Customer journeys—HMRC now	18
4	Pre-SBR position—multiple data format reporting	42
5	Standard data format—multiple reporting model	42
6	Standard data format—consolidated reporting model	42
7	Switzerland’s new payroll reporting arrangements	45

ABOUT THIS DOCUMENT

Purpose

This report summarises recent developments in a number of countries to reduce the administrative burden on business and, to a lesser extent, citizens resulting from tax regulations. It follows an earlier more detailed report on this matter prepared in late-2007. Its primary objective is to share information and experiences on the measures/reforms being implemented to contribute to significant administrative burden/compliance cost reduction objectives that have been set by Governments in many member countries.

Background to the Forum on Tax Administration

The Forum on Tax Administration (FTA) was created by the Committee on Fiscal Affairs (CFA) in July 2002. Since then the FTA has grown to become a unique forum on tax administration for the heads of revenue bodies and their teams from OECD and selected non-OECD countries.

In 2009 participating countries developed the *FTA vision* setting out that... *The FTA vision is to create a forum through which tax administrators can identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration around the world.*

This vision is underpinned by the FTA's key aim which is to...*improve taxpayer services and tax compliance – by helping revenue bodies increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance.*

To help carry out its mandate, the FTA is directly supported by two specialist Sub-groups—Compliance and Taxpayer Services—that each carry out a program of work agreed by members. Both OECD and selected non-OECD countries participate in the work of the FTA and its Sub-groups.

The Taxpayer Services Sub-group exists to provide a forum for members to share experiences and knowledge of approaches to taxpayer service delivery, in particular through the use of modern technology. To achieve this objective, the Subgroup's mandate calls for it to:

- 1) periodically monitor and report on trends in taxpayer service delivery, with a particular focus on the development of electronic/online services;
- 2) examine ways to promote the uptake and use of electronic services by revenue bodies;
- 3) examine options for cross-border administrative simplification and consistency; and
- 4) assist, as appropriate, other groups of the CFA.

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. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance.

The documents forming the OECD tax guidance series need to be interpreted with this in mind. 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 Richard Highfield (CTPA Tax Administration and Consumption Taxes Division) at e-mail (Richard.highfield@oecd.org).

SUMMARY

Reducing administrative burdens is a priority for Governments in many countries. As of December 2009, Governments in around two thirds of OECD countries had challenging burden reduction targets in place of between 20-30 percent, with tax regulations and their administration being a major focus of their respective burden reduction efforts.

The primary purpose of this note, a follow-up to an earlier note published in January 2008, is to share knowledge of recent developments and experiences concerning the main strategies and measures being used to achieve reductions in administrative burden. In line with the targets that have been set, the survey and report primarily deal with burden reduction efforts affecting business (although some attention is given to how citizens are benefiting from these programs).

The report reveals that while there are no “silver bullets” for achieving significant burden reduction, the findings clearly demonstrate that revenue bodies, increasingly in co-operation with other government agencies, have many avenues to pursue to successfully achieve the challenging targets that have been set. Based on a survey of 20 countries and related research, the key findings are as follows:

- **Regulatory management reform to improve the framework of the administrative system:** As with the prior survey, this survey and related research revealed a number of examples where administrative definitions and/or requirements embodied in tax legislation have been adjusted to reduce burden, in particular for smaller businesses (e.g. unifying important areas of definition such as ‘wages’ and ‘employee’ across different regulations, simplified tax liability determination and record-keeping regimes, and reduced payment and filing frequency). However, as recorded in other OECD publications and noted in the prior report, there appears potential in some countries to do more, particularly concerning the VAT administrative framework (e.g. registration/collection thresholds).
- **Organisational re-engineering (including process redesign):** The survey identified numerous country examples, many with estimates of potential savings, involving reduced information requirements and less frequent reporting from businesses. There was also a very significant example cited (i.e. Italy) concerning reformed requirements in the area of social security contributions (SSCs) administration which may have relevance in other countries that have not integrated the collection of tax and SSCs.
- **Use of information and communication technologies (ICTs):** Wider and more effective use of technology was the main approach for reducing burden reported by surveyed bodies. The most important and commonly cited strategies and measures were:
 - Pre-filling of personal tax returns (for some entailing the preparation of fully completed returns for a majority of taxpayers);
 - Increased use of electronic filing and payment (often facilitated by the introduction of mandatory requirements);
 - Use of modern call centre operations and technology making it easier for taxpayers to get the specific information they need when they need it;
 - Expanding the range of services and information available to taxpayers on-line, especially giving them on-line access to their own personal information; and
 - Automating VAT invoicing requirements (a potential ‘market’ of 18 billion invoices per annum in Europe alone).
- **Better information on the delivery of services and administrative requirements:** There were only a few examples reported falling into this category (e.g. more user friendly

websites). Other work conducted in parallel by the FTA that examines trends and developments in the use of e-services notes that despite efforts by revenue bodies to enhance their websites so a greater proportion of taxpayers can “self-manage” their tax affairs, large and growing numbers of taxpayers in many countries are resorting to phone inquiries to get the information they require.

- ***Co-ordination of multiple requirements stemming from public administration:*** Re-engineering the way government processes (including tax) are designed and operated appears to present the most potential for efficiencies for Governments, and better service and reduced burdens for taxpayers into the future, but is also likely to be the hardest to achieve. In this field, the survey and research point to examples of a potentially promising range of initiatives in place or planned for implementation in the medium term:
 - Standard business reporting (and similarly-focused initiatives) that eliminate duplicated reporting obligations to Government and automate its transmission;
 - Single “one stop shop” government registration and numbering for businesses and citizens, and the associated ability to update registration data.
 - Mechanisms for more effective sharing of information across government, thereby negating the need for unnecessary requests to businesses and citizens.

The report also describes examples of the approaches being adopted to better understand the likely scale and nature of administrative burden—both at a macro and micro level—the approaches in place to assess overall progress, and arrangements for co-ordinating the process both across government and within revenue bodies. This information may be of interest to those revenue bodies wishing to strengthen their approaches to administrative burden reduction.

I. Programs to reduce the administrative burden of tax regulations in selected countries

Background

1. Reducing administrative burdens is a key objective for governments in many countries, with tax being a particular area of focus. Over the past few years many ministries of finance and revenue bodies have set (or been set) challenging burden reduction targets and have implemented significant programs and initiatives to meet these objectives. Within the European Union, these targets and programs are being administered on a ‘whole of government’ basis. Insofar as tax regulations are concerned, these programs aim to reduce the administrative burden on taxpayers by simplifying and/or reducing compliance obligations thereby helping taxpayers interact with the revenue body in a more efficient, less costly way.

Work conducted in 2007

2. In 2007, the Forum on Tax Administration (FTA)’s Taxpayer Services Sub-group carried out a research project to identify the main strategies and measures being deployed by ministries of finance and revenue bodies to reduce the administrative burden resulting from tax regulations. The work was co-ordinated by the OECD Secretariat. A subsequent report, published in January 2008, titled ‘**Programs to Reduce the Administrative Burden of Tax Regulations in Selected Countries**’¹ summarised the findings of this work. The report provided details of the methodologies used by government agencies² to estimate the size of administrative burdens and an overview of the programs and strategies proposed or being implemented to reduce administrative burdens, as of around September 2007. The report acknowledged that there were a number of countries that were still in the process of undertaking detailed work to estimate the size and nature of administrative burdens on a ‘whole of government’ basis and had not as a result formulated a detailed set of burden reduction strategies.

Work conducted in 2009

3. Following publication of the report and subsequent discussion of its findings, the FTA decided in late 2008 to revisit the subject during 2009, with a view to seeking updated material on progress and experiences. In addition to the significant burden reduction targets that had been set in most countries, the unprecedented global economic environment resulting from the financial crisis of 2007/8 provided a further impetus for revisiting the subject. Both governments and businesses are under significant pressure to do more with less and increasing economic productivity is a headline issue—a focus on reducing burdens offers both business and governments the opportunity to make significant savings.
4. As part of the research for this report, member countries were surveyed in April/ May 2009. The survey sought to identify:
 - Information concerning any further efforts to estimate the size and nature of aggregate burdens;
 - High priority initiatives for burden reduction;
 - Details of the more successful measures implemented;
 - Lessons learnt from implementing burden reduction initiatives; and
 - Developments concerning the oversight of burden reduction activities.

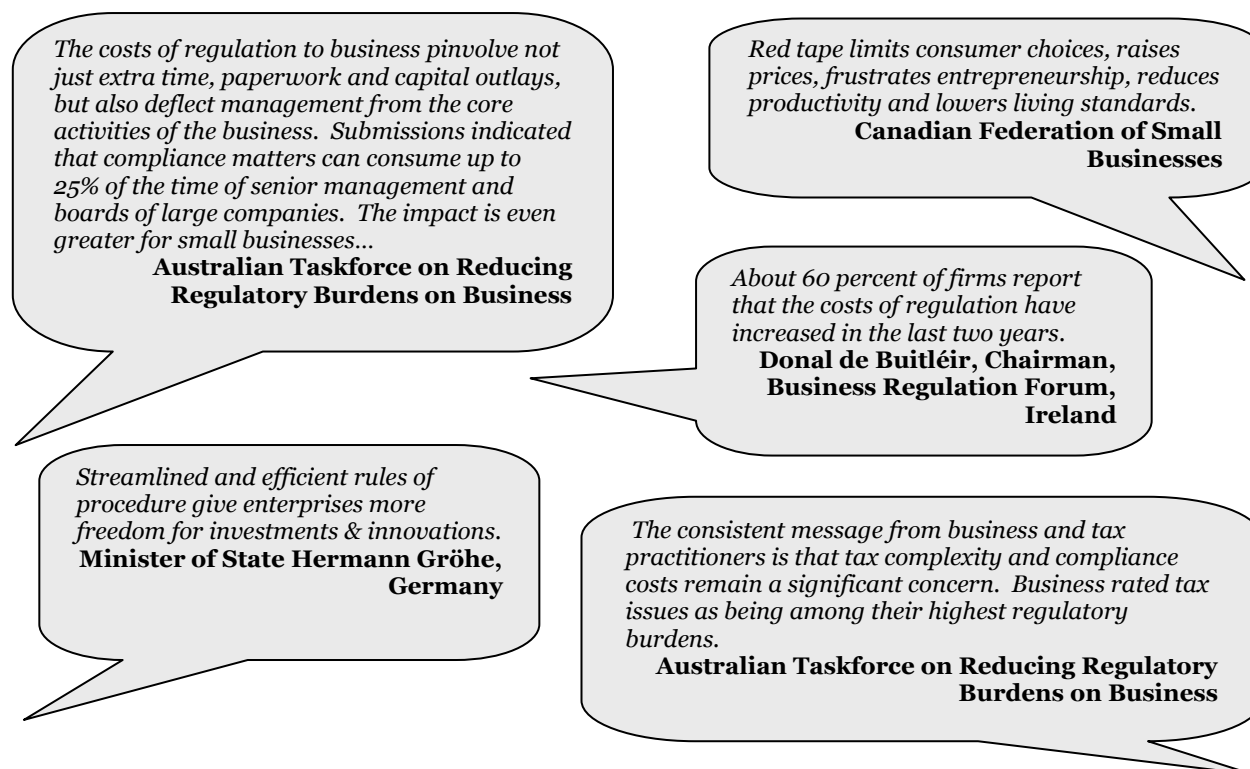
¹ See <http://www.oecd.org/dataoecd/39/6/39947998.pdf>

² Within countries comprising the European Union, responsibility for co-ordinating the program of administrative burden reduction, and in particular carrying out the measurement of aggregate administrative burden resulting from government regulations, has been given to a designated central government body. Elsewhere, the tax related aspects of this work has been carried out by the ministry of finance and/or the revenue body.

5. Concerning EU member countries, the survey relates only to the impacts of domestic tax regulations and excludes those administrative requirements resulting from EU-wide tax related requirements.
6. Responses to the survey inquiries were received from 20 countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Ireland, Italy, Mexico, The Netherlands, New Zealand, Spain, Sweden, Switzerland Turkey, UK, and USA. Survey responses reflected different approaches and varying degrees of emphasis on burden reduction as an objective. The material provided by the countries has been supplemented by further research and a comprehensive bibliography can be found at Annex 1.
7. Like the first survey report, this report often extends beyond the experiences of revenue bodies. Several of the initiatives outlined are the result of a coordinated approach to burden reduction that extends across government. However the reports main focus is on how these programs, whether initiated within the revenue body or by another part of government, can lead to improved taxpayer services and reductions in the cost of compliance. Those wishing to find out more about any of the initiatives outlined in this report should consult the bibliography at Annex 1.

Introduction

8. The size of Government imposed administrative burdens continues to receive considerable attention with tax being consistently identified as a key area for reform.



Sources: Business Regulation Forum, Report of the Business Regulation Forum, March 2007; Canadian Federation of Small Businesses, Prosperity Restricted by Red Tape, 2005, page vii. Taskforce on Reducing Regulatory Burdens on Business, Rethinking Regulation, January 2006, page ii and 107; The 2008 report of the Federal Government (of Germany) on the Use of the Standard Cost Model and the progress made in reducing bureaucracy, Time for Essentials: Cutting Red Tape Provides Leeway, 2008, page 3.

What are administrative burdens?

9. The term administrative burden is often used interchangeably with other terms including; ‘red-tape’, ‘compliance burden’ or ‘compliance costs’. Essentially all these terms refer to “the cost to business of carrying out administrative activities that they would not carry out in the absence of regulation, but they have to undertake in order to comply”.³ These costs do not contribute to the productivity of business or the wider economy. Chapter 2 of this report provides a more detailed exploration of the types of activity encompassed by this definition; examples include information retrieval, requests for information to meet different requirements and the completion of forms.
10. In a taxation context, administrative burdens are often linked to complexity of the tax system and the inevitability of change (and added complexity) to the tax system, that increases this burden:

“Tax complexity is one of the principal sources of tax compliance costs. While some complexity is unavoidable, reflecting relatively sophisticated and complex markets and business structures, complexity is also a legacy of choices made by governments and parliament.”⁴

“...changes to the tax system (the changes themselves, the pace of change and the timing of change) can increase compliance costs as both small businesses and their tax agents seek to understand new taxing arrangements.”⁵

11. It is this complexity combined with the sheer number of requirements that results in business incurring significant costs as a result of displaced resources and management time. A number of studies have estimated the administrative burden imposed on business by all government reporting requirements to be in the region of 2.5 percent of GDP. Countries participating in this study reported significant burdens relating to taxation, these are set out in more detail in Chapter [x] but as an indication the reported estimated administrative burden resulting from tax law and administration include: Germany €8.5 billion and UK £5.1 billion.
12. However, there is another influencing factor that contributes to administrative burden arising from Government regulations. This concerns the vertical (or “silo by silo”) approach adopted for designing and organising Government systems and processes resulting in citizens and business having to deal with differing/ overlapping program rules, lack of seamless service, and to comply with excessive (multiple) reporting obligations. This matter and some examples of how some countries are starting to reform government are elaborated on later in this note.
13. The scale of the figures involved mean that reducing administrative burdens remains a priority for many governments. It is clear that reducing administrative burdens has an important role to play in ensuring that a productive and enabling economic environment is developed and maintained—for example, the overarching aims of the Austrian Government’s program to reduce administrative burdens set out in Box 1 provide a useful illustration of the potential benefits from a systemic approach to burden reduction.
14. Furthermore, reducing administrative burdens doesn’t just mean reducing costs. There is strong evidence to suggest that improvements to tax obligations that result in them becoming simpler to meet can have a positive effect on overall compliance and reduce opportunities for fraud/ evasion:

“Current national VAT invoicing rules are excessively complicated and disparate. This has led to unnecessary administrative burdens on businesses operating cross-border and has also facilitated VAT carousel fraud.”⁶

³ UK National Audit Office (NAO), www.nao.org.uk.

⁴ Report of Taskforce on Reducing Regulatory Burdens on Business, *Rethinking Regulation*, January 2006, p. 108

⁵ Board of Taxation, *Scoping Study of Small Business Tax Compliance Costs: Report to Treasurer*, 12/2007, p. 1

Box 1. Less administrative burden for the Austrian economy

The Austrian federal government has agreed to unburden the Austrian economy by more than €1 billion, with the following stated aims:

- To increase the attractiveness of Austria as a business location.
- To substantially relieve the burden on Austrian businesses.
- To create potential for future investments.
- To enhance the interaction between public administration and businesses.
- To create more transparent and efficient legal provisions.

Source: www.verwaltungskostensenken.at

15. It is clear from the material reviewed for this report that there remains a strong focus on reducing burdens for business, and in particular for small and medium enterprises in many countries. However, it remains to be seen whether the targets set for burden reduction, particularly within the EU, will be achieved by most countries and importantly whether those changes will be perceived as of significance by their targeted audience(s). Business remains an active, vocal lobbyist for burden reduction and their overarching objective of a more competitive and efficient economic environment is clearly in line with Government objectives. The survey responses received and therefore the content of this report reflect this business-focus. However, the reader and revenue bodies should not lose sight of the need to review the administrative burdens imposed on individuals, particularly as increasing numbers of revenue bodies are taking on non-tax functions such as administration of student loans and tax credits bringing greater direct contact between citizens and the revenue body.⁷ More is said on this later in the report.

Challenges and opportunities

16. Country experiences show that there are many different routes to administrative burden reduction and those embarking on a program will need to take into consideration many different factors. There are, however, some key challenges that will be common to all countries. Based on experiences within OECD countries and those of the Middle East and North African (MENA) grouping, the recent OECD publication *Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers* identifies some of the key challenges that Governments should consider when embarking on a program of burden reduction:
- **Build a constituency for administrative simplification.** Without support from a network of partners at a high political level, but also at a technical level, reforms might not attain expected goals. This support should not be taken for granted.
 - **Effective and efficient use of capacities and resources available.** Consideration of opportunity costs and benefit cost analysis of reforms are needed to rank priorities.
 - **Manage institutional and organisational needs.** Administrative simplification is not embedded in the mandate of all government institutions; it needs to be pushed forward in a coordinated manner. The establishment of administrative simplification units inside government and outside taskforces can help with co-ordination and keeping up the path of reforms.

⁶ László Kovács, EU Commissioner for Taxation and Customs, *Europa press release, VAT: Commission proposes a review of the VAT rules on invoicing with a view to reduce burdens on business and to help Member States tackle fraud*, www.europa.eu

⁷ OECD Centre for Tax Policy and Administration, *Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2008)*, January 2009, page 19.

- **Ensure sound multilateral governance.** Uncoordinated government efforts at different levels of government might multiply the adverse effects of red tape. The approach should take into account that even though administrative requirements emanate from different institutions, the end user should be able to address all responsibilities using a common information source.
 - **Involve all stakeholders fairly in administrative simplification strategies.** All relevant stakeholders and affected parties should be able to be involved in the administrative simplification reforms. This can also contribute to gaining constituency.
 - **Develop and improve measurement and evaluation mechanisms.** The relevance of this challenge is two-folded: first, the strategies already in place need to be evaluated to ensure that their objectives are met, and second, there is still a lack of information on how red tape strategies impact and benefit public interest.⁸
17. The report also identifies what it sees as being the key barriers to successful burden reduction. These barriers are differentiated into whether they are strategic or technical in nature, and the most relevant are set out below ⁹:
- **Strategic barriers**
 - Lack of high political support
 - Resistance to change - can come either from technical and operational levels within the administration or from the general public.
 - Lack of coordination
 - Lack of a comprehensive ‘whole of government’ administrative simplification strategy
 - Limited resources availability
 - **Technical barriers**
 - Lack of human skills and capacities
 - Lack of understanding
 - Lack of information and data
 - The digital divide
 - Lack of standardisation of procedures
 - Lack of measurement and evaluation mechanisms
18. This research is to some extent reflected in the experiences of the FTA countries that have participated in this study. As part of the survey, countries were asked to share their views on the key lessons learnt during the evolution of their burden reduction programmes. Many of the responses demonstrate how revenue bodies have overcome the challenges and barriers outlined above. The main themes from the responses received were that successful burden reduction programmes rely on:
- Development and maintenance of good relationships with stakeholders within the revenue body:
 - Essential to develop and maintain a high profile for the issue – needs senior leadership to drive it across all areas of the revenue body and to help ensure that the need to minimise burdens is considered during the development of all new initiatives.

⁸ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers*, 2009, page 8.

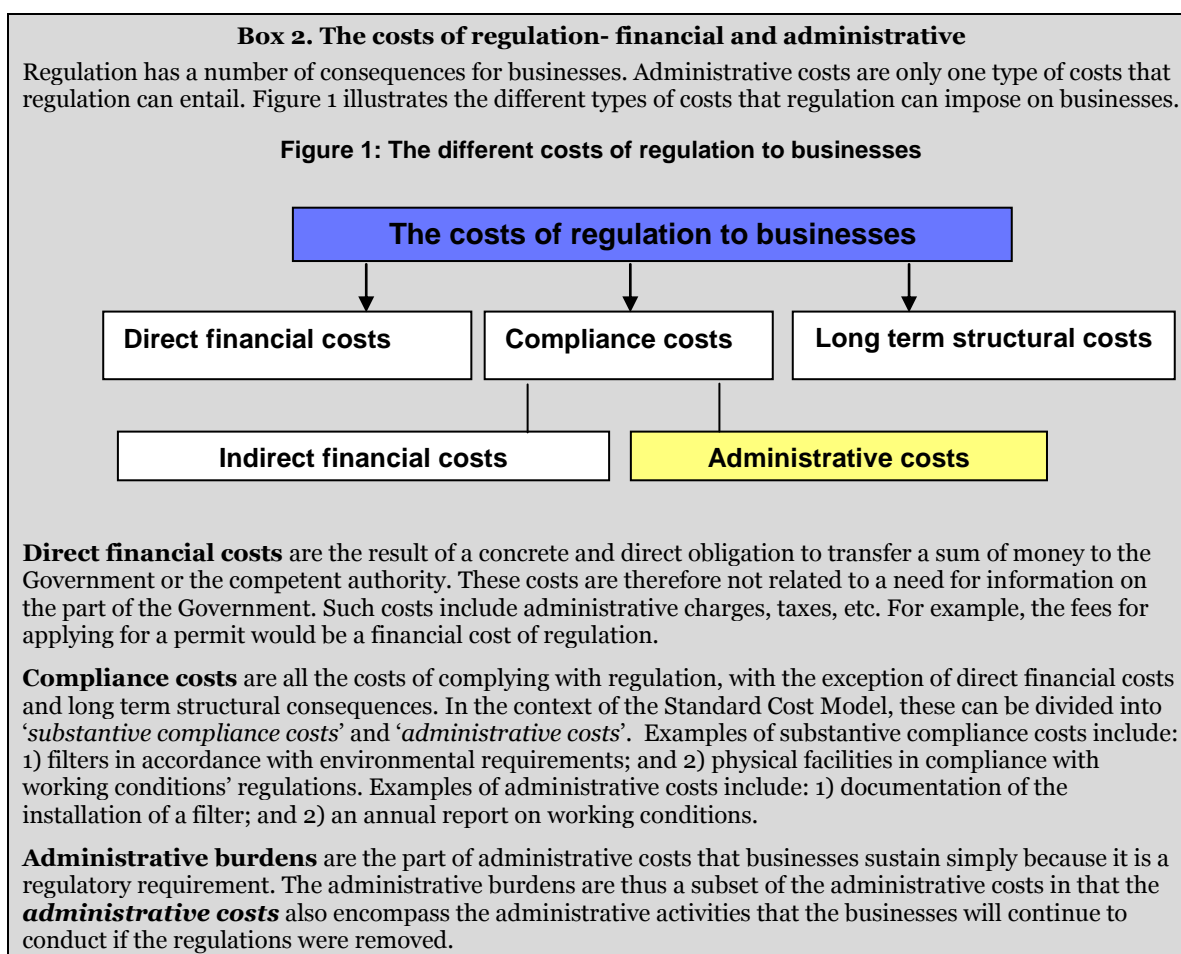
⁹ Further detail on each of these barriers can be found on page 26 of the above report.

- Need to maintain an end-to-end, holistic view of the impact of any regulation and the consequences of making changes – reducing burdens in one area can sometimes have unplanned for consequences in another.
- Development and maintenance of good relationships with business:
 - Understanding the impact of requirements on business is a prerequisite to understanding what can be improved.
 - Involving businesses helps to ensure that burden reduction measures are beneficial – for example sometimes business would prefer to do things that appear burdensome but that in reality result in benefits that outweigh the costs – for example paying little and often.
 - Improved openness and transparency from both sides can in itself reduce burdens.
 - A collaborative approach will lead to more robust solutions.
 - Keeping business updated on progress can help ensure they remain positively engaged with the process.
- Design and testing:
 - One revenue body has established a ‘Model Office’ to allow it to design and test any initiatives within a working environment.
- Phased implementation:
 - The use of pilots when implementing any major initiative can help ensure the initiative achieves its stated aim when applied more widely.

II. Developments in the measurement/estimation of administrative burdens

What costs are being measured?

19. The 2008 report gave some attention to explaining what is meant by the term ‘administrative burden’ and what costs are taken into account in its quantification. It was deliberately focused on the costs incurred by businesses, as opposed to individual citizens, as they were the primary target of Government initiatives in most countries. It is thought helpful to repeat here the key elements of that explanation as background to the further information provided in the note.
20. The SCM network ¹⁰ provides a useful definition of what is meant by administrative burdens or ‘costs’. It sets out that all businesses incur costs in meeting the requirements of Government regulations and that these costs can be broken down into various categories—see Figure 1 in Box 2.



Source: SCM Network – www.administrative-burdens.com

21. In a tax context proper compliance with the tax laws requires businesses to undertake a range of administrative activities, generally using their own internal resources but increasingly with the assistance of external parties (e.g. tax advisors and payroll agencies). Examples of these

¹⁰ In 2003 a number of European countries joined together to form an informal network with the aim of sharing information and experiences on the use of a common methodology for measuring administrative burdens - the Standard Cost Model (SCM). The SCM Network provides an international platform for comparisons on the use of the model and its impact on government burden reduction programmes - www.administrative-burdens.com.

administrative activities include: 1) information retrieval and assessment; 2) checking (reconciliation) and presentation of the figures; 3) reporting/submitted information; and 4) paying taxes and complying with revenue bodies' verification requests. Undertaking these sorts of activities results in administrative costs or burdens. The key issue for government is understanding which of these activities are necessary and which can be achieved through existing or less-burdensome approaches.

22. In general, the administrative burden on a business resulting from the operation of tax regulations will be influenced by a number of factors: 1) the number of taxes it has to deal with; 2) the administrative design of those taxes; 3) the nature and size of its operations (including the size of its workforce); 4) the range of administrative activities it must undertake; and 5) the degree of support received from the revenue body. A business can do all the required administrative activities internally and/or use external parties (e.g. payroll agencies and tax intermediaries) to help meet its obligations. The impact of administrative burdens is generally agreed to disproportionately affect small businesses, as they are unlikely to have the in-house capacity to deal with many of the requirements.
23. Understanding the nature of the burden on business is an important stage in developing programs to reduce administrative burdens. For many countries, quantifying the scale of the issue is seen as an important step in developing this understanding, the quantification also allows Government to set targets and monitor performance.

How are administrative burden being measured?

24. Table 8 of Annex 4 summarises the approaches used in individual countries to estimate the aggregate size of administrative burdens (or compliance costs) resulting from government regulations. In some countries, the measurement process is conducted across government while in others the revenue body has initiated its own approach (e.g. in New Zealand and USA).

— The standard cost model

25. As can be seen from the information in Table 8, the Standard Cost Model (SCM) is the most widely applied methodology for measuring administrative costs and is being used by most European countries. Originally developed in the Netherlands, the SCM involves calculating how much it costs a business to comply with government requirements (the administrative costs element of Figure 1 in Box 2). **This is then worked up into an aggregate cost expressed in monetary terms across the entire business sector** for each area of regulation examined (e.g. the burden of complying with VAT regulations—see example in Table 1 below).

Table 1: United Kingdom—nature and size of estimated VAT administrative burden

Burden by top 8 obligations			Burden by source			Burden by business size		
Obligation	£m	%	Source	£m	%	Size category	£m	%
Issue VAT invoices	474	47	Internal	646	65	Nano: no employees	160	16
File quarterly return	287	29				Micro: 1/9 employees	343	34
Apply for partial exemption	68	7	Acquisition	109	11	Small: 10/49 employees	166	16
Maintain VAT account	33	3				Medium: 50 /249 employees	94	9
File monthly return	24	2				Large: 250+ employees	256	25
Process VAT payments	23	2	External	265	24			
Issue retail VAT invoices	17	2						
Process bad debt relief	10	1						
All others	84	8						
Total	1020	100		1020	100		1020	100

Source: HMRC Administrative Burden Studies 2006

26. Once the costs have been calculated they can be used to identify which obligations create the largest burden and how they fall across the business populations, as a prelude to determining the

priority areas for reform. They can also influence the setting of any overall targets for burden reduction. Annex 5 provides a more detailed overview of the key features of the SCM approach.¹¹

27. As indicated by Table 8 many countries have developed variations on the SCM, adapting it to meet their particular requirements. Box 3 provides some further information on the French and Irish approaches to use of the SCM.

Box 3. France and Ireland—adapting the standard cost model (SCM)

France

The methodology used in France from 2006 to 2008 was the EU's SCM. The EU methodology has been complemented by the internal administrative cost reduction measurement (for public body) for every reduction measure defined. In that sense France measured the burden on both: businesses and administration. Furthermore, the cost of delays in administrative procedures was also been taken into account.

Between 2006 and 2008 three waves were carried out. Each wave measurement was followed immediately by re-engineering, based on a four-step approach: 1) IO inventory; 2) IO measurement; 3) discussions at 'simplification workshops' organised between relevant public body and business concerned representatives; and 4) an action plan elaboration including concrete simplification measures.

An important review of the administrative burden reduction program in France took place in late 2008. Thereafter, a new approach called the Simplification Program is being applied and a new methodology has been defined. It relies on quantitative and /or qualitative studies aiming to select high-priority topics (from taxpayers' point of view). This methodology is considered 'lighter', better adapted and less systematic than SCM. The high-priority topics are selected with the use of surveys carried out by a survey institute and based on a "taxpayers' logic", called "life events" fr. *évènements de vie*. The objective is to really reach taxpayers, meet them and listen to their opinions on administrative obligations.

A 'collaborative', interactive website called 'ensemble simplifions': www.ensemble-simplifions.fr (in English..... let's simplify together) has therefore been widely opened to citizens. Using this website they can vote, make comments, proposals, discuss on a forum or answer to web surveys.

Example: In the above survey, companies gave opinions on different 'life events' they have faced during the prior 2 years, for example 'I am opening a new company', 'I am having ... built, 'I declare and pay my social contributions', 'I declare and pay my taxes' ... For each event a level of complexity felt by a company is measured in relative % terms.

Ireland

The Department of Enterprise, Trade and Employment has responsibility for the management and co-ordination of this project in Ireland. A standard model will be used to estimate the administrative burdens imposed by all Government Departments and agencies. The model is a revised SCM which involves the prioritisation of those Information Obligations according to the scale of their impact on the business sector. Rather than measuring the costs imposed by all IOs, Ireland will only measure the top 20% of IOs which give rise to 80% of burden.

Within Revenue, the relevant Divisions provided details of all IOs which place an administrative burden on business. Following a filtering process to determine the most burdensome IOs, those Divisions were requested to confirm that the prioritised list of IOs was reasonable. As part of this (ongoing) process certain representative bodies (external stakeholders) have provided preliminary data on the estimated length of time involved in the completion of certain tax returns.

— Other burden measurement methodologies

28. Some countries have chosen to use different or supplementary methodologies to estimate the aggregate size and nature of the administrative burden resulting from taxes, to establish compliance benchmarks by tax type for typical businesses, and/or to gather qualitative information related to burden/ compliance costs, for example:

¹¹ The SCM Network – www.administrative-burdens.com - is also a comprehensive resource on the issue.

- Australia:** The Australian Tax Office (ATO) carries out an annual program to gather compliance burden-related information and monitor their trends, using data collected directly from taxpayers—in the ATO’s case, the estimated burden expressed in terms of ‘hours consumed’ for completing the major tax forms used by both individuals and businesses (i.e. annual income tax forms and quarterly business activity statements and the fringe benefits tax return). Data are extracted from a ‘time-box label’ that is included on each of the forms. Taxpayers can use the time-box to record their estimate of the total time to complete the form in addition to the time required for compiling relevant information and record keeping. The data collected are aggregated and charted over time to reflect the trend in what is reported by taxpayers. However, because reporting is not compulsory, the percentage of forms with the label completed is quite low, ranging from 5 to 30% across the varying return form types.

The information is made public in the annual publication ‘Taxation Statistics’¹². The publication contains information on the time-based cost of providing compliance data and information on the cost of managing tax affairs. The information relates to expenses for preparing and lodging tax returns and activity statements and takes account of expenses such as tax agent fees and interest charges imposed by the ATO. The ATO reported that publication of this information reflects its open and accountable tax administration, and in particular its commitment to keeping the community informed. It is also a part of a wider analysis of time-box data to help understand and monitor trends and drivers of taxpayer compliance cost burdens across the community and by other key characteristics and variables.

- Canada:** The CRA’s recent publication ‘Measuring the Small Business Compliance Burden: Benchmark Report’¹³ describes its progress against a framework of baseline measures—both quantitative and qualitative—established for monitoring its progress in reducing the compliance burden. The framework is a key element part of its agency-wide approach to compliance cost reduction. An important element of this framework is the hours expended by businesses in complying with CRA requirements, baseline estimates for which have been established following a statistical survey undertaken by Statistics Canada. These baseline estimates reflect the internal costs (expressed in hours) expended by business for complying with CRA requirements. The framework elements were described in the Sub-group’s previous report on administrative burden reduction (Annex 5) and are captured in Table 2 below.

Table 2. Canada—Performance Measurement Framework for Burden Reduction

Category	Measure	Indicator
Measures of time and money expenditures	Costs in time	Hours to comply with CRA regulations by tax type
		Timeliness—index of service standards results across 13 standards
	Costs in money	CRA response rate for telephone or in person inquiries
		Perceived changes in compliance costs (time) & perceived reasons for that change
Measures of factors that affect time and money	Complexity of the compliance process	Costs to file taxes (e.g. software) by tax type and size of business
		Perceived changes in total compliance costs and adjudged reasons for changes (as per survey response)
		Taxpayer error rate (drawn from evaluation of returns processed)
	Quantity and quality of CRA services for taxpayers	% of telephone inquiries by topic (by tax and subject area)
		% of web page visits by topic
		User satisfaction with CRA services and staff (for the most frequently used channels)
		Time spent on CRA website (number of times visited & duration)
Accuracy and clarity of information provided, as rated by users		
CRA Outreach activities (degree of satisfaction expressed by users)		

¹² Ssee Tax Statistics 2006-07 at http://www.ato.gov.au/content/downloads/00177078_2007CH17COC.pdf

¹³ See <http://www.cra-arc.gc.ca/gncy/bnchmrk/menu-eng.html>

In addition, while neither the government nor the CRA have utilized the SCM, key federal regulatory departments and agencies did establish an inventory of administrative requirements and information obligations with which businesses must comply. This inventory comprised a comprehensive count of all requirements and obligations that existed as of 1 November 2006, in the consolidated statutes, regulations, related policies and forms for which the regulating departments and agencies are responsible and with which all businesses (large or small) must comply. The total count did not equate to the number of federal requirements with which any particular business must comply. Some requirements applied to a large number of Canadian businesses, while others applied to a very limited group of firms or a defined set of circumstances.

Once the baseline was established, departments and agencies proceeded to eliminate administrative requirements and information obligations in order to achieve a 20 percent reduction in compliance costs. Departments and agencies also introduced **complementary measures** that did not reduce the number of requirements or obligations but that did ease the overall compliance burden on small businesses. These measures included simplifying existing administrative processes, creating single-window access to multiple government services, harmonizing definitions and requirements across departments or orders of government, and creating tools to provide relevant and timely information to entrepreneurs.

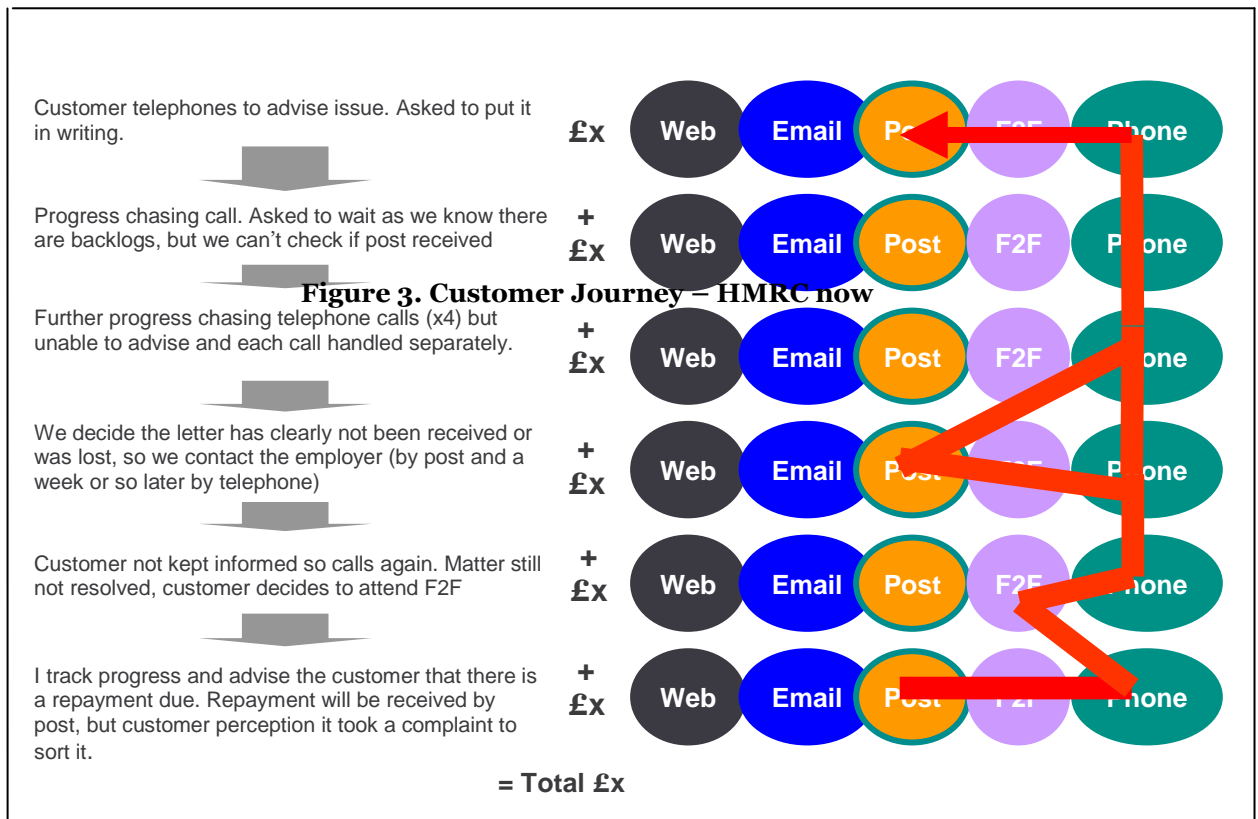
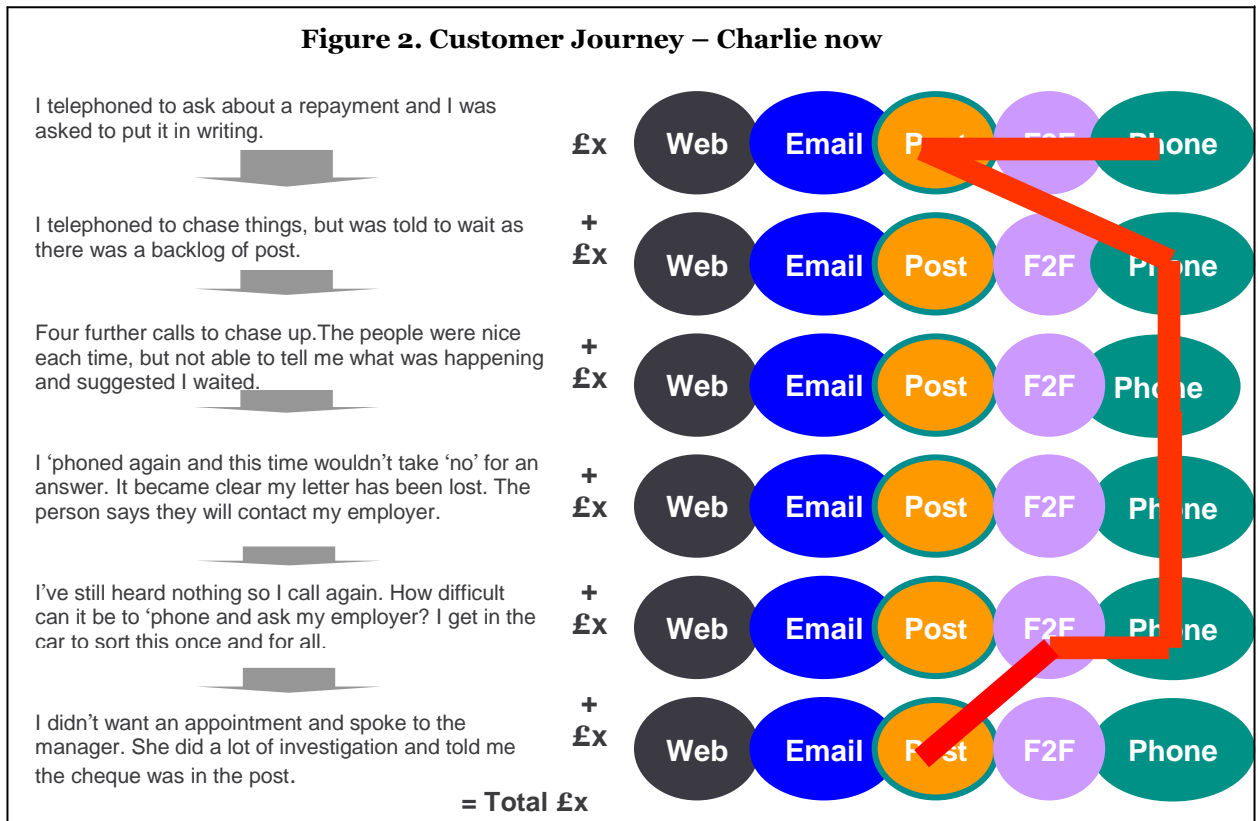
- **New Zealand:** Inland Revenue reported that it was planning to assess trends in tax compliance costs of SME businesses by undertaking a further compliance costs study— a previous study was conducted in 2004—to measure the change in compliance costs and to evaluate the effectiveness of some specific legislative measures implemented following the previous study. However, the study did not attempt to develop an overall aggregate of compliance costs for the total SME population and no steps were taken to set a quantitative target for burden reduction.

IRD's 2004 compliance study used a compliance cost measurement methodology entailing the issue of survey questionnaires to stratified random samples of SME taxpayers and tax agents to gather information concerning compliance costs/ burden associated with tax regulations. Steps were taken to ensure that the survey achieved an acceptable response rate, which facilitated the development of a range of representative compliance cost benchmarks (e.g. by tax, for all taxes, and by business size). It is the intention to contrast these benchmarks with the upcoming survey to assess progress in reducing burden/ costs.

- **United Kingdom:** In addition to using the SCM, HMRC reported use of 'customer journeys' and a 'total cost to serve' model, in particular to assist efforts to reducing the burden of its citizen clients.

HMRC indicated that 'customer journeys' are intended to give the customer perspective on interactions. They help HMRC understand how much it can expect of customers and recognise where it might be putting stress on people. It can predict how process changes will alter the journey, how steps may be refined or eliminated and how to change areas to get it right where it really matters. Benchmarking, predicting and evaluating the journeys in this way enables it to deliver information and messages at the most appropriate time for a seamless, streamlined experience that cuts across silos – including the 'baton-change' points between products where things are most likely to fall down.

The 'total cost to serve' modelling approach uses journey information (see Figures 2 and 3) and behaviour modelling to inform HMRC business areas and investment decisions, reflecting cross-product, cross-channel and possibly in the future, cross-department costs.



HMRC reported that without a ‘cost to serve’ measure, decisions can be taken for ‘efficiency’ in one area or channel which actually increases costs for customers or triggers costs elsewhere in HMRC. This work identifies the burden for customers around tangible and time costs (and in the future will expand into reflecting the emotional costs arising from the stress of interactions) and shows how this maps to drivers of cost for HMRC from internal processes. It helps identify how costs multiply for both customers and HMRC during interactions to resolve issues. It also enables HMRC to interpret barriers to interactions and develop plans to influence customer behaviours and attitudes to risk, to make it easier for customers to comply with their obligations and/or receive their entitlements.

Total cost to serve modelling is now included as part of the good practice approach to internal business cases for change through HMRC’s Departmental Transformation Programme. It is also being used to develop internal performance measures to monitor success in managing interactions more efficiently for both customers and HMRC.

- The US IRS reported that its focus on burden reduction is on identifying individual projects in which excessive burden may be reduced through process reengineering, form redesign/ elimination, and similar efforts. While identifying and addressing burden reduction opportunities is a priority for the IRS, it considers there are questions about the efficacy of setting an overall, or comprehensive, target against which unspecified reductions are to be achieved. Though notionally easy to explain, in practice, this approach can lead to unanticipated – and potentially – undesirable behaviours. A variety of factors need to be considered when determining which burden reduction efforts should be undertaken. These include cost, alignment with organizational priorities, the number of taxpayers affected and the like. Using a single, organization-wide burden measure and then targeting a specific level of reduction does not lend itself to consideration of these factors. Its approach is to incorporate burden impact as one important evaluative criterion during our project selection and management process.

Qualitative measures/ indicators of administrative burden

29. As well as gathering quantitative data on the size of administrative burdens several revenue bodies supplement this with qualitative information gathered directly from taxpayers. This information is generally used to help revenue bodies prioritise their burden reduction programs. Qualitative data are gathered from taxpayers using surveys or by establishing consultation groups. Box 4 below sets out a typical illustrative example from Australia. Table 7 in chapter 4 provides further details on business consultation forums established by revenue bodies to support the burden reduction process.

Box 4. Australia—listening to the community

In March 2002, the ATO initiated a ‘Listening to the Community’ project to capture the community’s expectations and learn how it could improve taxpayers’ experiences of the tax system. The ATO consulted with their clients to co-design an improved administrative tax system that would make it easier for taxpayers to comply with their obligations.

The project involved individual taxpayers, small business operators, tax agents and staff in user clinics, creative retreats and user observation sessions. At these forums, taxpayers discussed their interactions with the ATO, identified irritants for them, and offered ideas and suggestions for improvement.

Among other things, taxpayers and tax agents told the ATO they wanted: 1) better, faster telephone services; 2) access to account information and transactions online; 3) more certainty in their dealings with us, and 4) letters that are more personalised and easier to understand. They also wanted the ATO to know who they were and their history when they called.

This process identified short-term and long-term improvements to the Australian tax system and led to the development of the ATO’s ‘Easier, cheaper and more personalised (ECMP)’ program. The ATO reports regularly on the progress achieved by the ECMP program.

30. Taken from the 2008 report, Table 3 below identifies administrative burden priorities as identified by businesses in Australia, Canada and the UK.

Table 3: Administrative burden reduction priorities as viewed by business

Rank	Burden reduction measures in order of importance to business		
	Australia (tax) /1	Canada (all) /2	United Kingdom (tax) /3
1	More flexible payment options	Simplify existing regulations	Simplification of complex rules
2	Simplify the system	Reduce the total number of regulations	Improved access to information setting out in clear & simple language which regulations apply to a business
3	Flexible return filing periods	Clearly communicate/ make business owners aware of new regulations	Ensuring businesses do not have to provide duplicate information to Government
4	Deliver more information	Improve government customer service	Provision of guidance that sets out in clear and simple language what a business has to do to comply with a regulation
5	Less paperwork red tape	Provide examples of compliance	Consultation with business before any change to regulation takes place or new regulation is made
6		Improve timeliness of decision-making by regulators	Higher levels of stability & less frequent changes to regulations

Sources: 1) *Business survey findings (ATO, Eureka research, Wave 11)*; 2) *Confederation of Independent Business, Prosperity Restricted by Red Tape (2005)*; 3) *National Audit Office, Reducing the Cost of Complying with Regulations. ... 2007 Programme (July 2007)*.

Setting targets

31. Once the size of the administrative burden has been estimated, for many countries the next step is the development of simplification programs, in many cases driven by burden reduction targets. These targets can be set across government or by the revenue body itself.

32. For EU countries burden reduction is driven, at least partly, by the European Commission. In January 2007, the Commission launched the *Action Programme on reducing administrative burdens in the European Union for measuring administrative costs* arising from legislation in the EU.¹⁴ The Action Programme sets out an ambitious target to reduce administrative burdens in EU countries by 25 percent by 2012. The target is intended to be a ‘net’ one—that is, taking account of any additional/subsequent measures that may increase burden after the original baseline estimates have been made. Among other things, this ‘net’ approach to burden reduction means that central and individual agencies require systematic and robust arrangements for assessing the burden impacts of new legislative proposals as well as those specific measures (both legislative and administrative) that are introduced to reduce burden, that must be administered over the period of the program. Also relevant is the fact that some ‘burden reduction’ measures may entail an upfront cost for revenue bodies (e.g. new information technology investments), or even third parties themselves (e.g. the cost of acquiring IT systems or access to such services to meet mandated e-filing and/or e-payment obligations).

33. The Commission believe the benefits from this reduction are equivalent to an increase of 1.4 percent in EU GDP. For some EU member countries some, even more ambitious burden reduction targets have been set, either by setting a higher % target or by bringing forward when it is to be achieved. Information concerning the targets of individual countries is referred to in Part 3.

¹⁴ For further information see www.ec.europa.eu/enterprise/admin-burdens-reduction

III. Administrative burdens – estimates of aggregate burden & reduction targets

34. This chapter sets out the most recent data obtained on the estimates and targets for administrative burdens within selected countries, and where available, aggregate details of reduction achieved in burden reduction.

Update on estimating aggregate burdens and its characteristics

35. Table 4 sets out the information on a ‘whole of government’ basis, while Table 5 provides information related to tax regulations. Table 9 at Annex 4 provides more detailed information on the measurement approach adopted and a summary of the progress made by countries against their administrative burden reduction targets, limited as it is.
36. For some countries, and for some initiatives, this information is not yet available and so for several countries only a high-level overview is provided. There are quite a few countries for which no information has been identified, although it has been established that there are formal burden reduction targets and that measurement activity has been undertaken.

Table 4. Estimation of aggregate administrative burden and burden reduction targets
(all monetary amounts in local currency)

Country	Estimate of aggregate burden				Targets for burden reduction		
	Method used /1	When conducted	Aggregate burden		% target	When set	Target deadline
			Amount (billions)	Year			
Australia	/2	-	-	-	/2	10/2007	2014
Austria	SCM	2007	4.3	2007	25	11/2007	2010
Belgium	Kafka /3	2008	5.9	2008	?	?	?
Canada	TCC	-	-	-	20	03/2007	2008
Czech Rep.	SCM	2005	86	2005	25	-	2010
Denmark	SCM	2008	27.2 /3	2008	25	11/2001	2010
Finland	SCM		3.6	2006	25	2009	2012
France	SCM	2006-08	60	2008	25	2007	2011
Germany	SCM	2006	22.5	2006	25	2/2007	2011
Ireland	SCM/3	2009	n.avail	-	25	03/2008	2012
Italy	SCM	2008	16.2 /3	2008	25	2008	2012
Mexico	TCC	2008	n.avail	2008	Not set	-	-
Netherlands	SCM	2007	9		25	03/2007	2011
NZ	TCC	2004	-	-	Not set	-	-
Norway	SCM	2007	57	2007	Not set	-	-
Portugal	SCM		n.avail		25	2008	2012
Slovenia	SCM	2009	n.avail		25 /3	2009	2010
Spain	SCM	2008-09	n.avail		30	04/2008	2012
Sweden	SCM	2008	n.avail		25	10/2006	2010
UK	SCM	2005-6	20	2006	25	2006	2010
USA	TCC	-	-	-	Not set	-	-

Sources; Country survey responses and/or SCM database

/1. **SCM**- Standard Cost Model; **TCC**- tax compliance costs (typically a tailored measurement methodology focusing on hours expended for carrying out compliance obligations).

/2. The Australian Government does not attempt to systematically estimate the aggregate administrative burden from all government regulations or set percentage targets for burden reduction. A reduction in burden of \$846 million has been estimated and relates to expected savings the Government’s ‘Standard Business Reporting’ initiative, which will be implemented progressively from 2010. The estimated amount reflects the expected net annual benefit to business from full implementation of SBR—see Chapter 5.

/3. **Belgium**—Kafka is similar to the SCM; **Denmark**—The amount shown (27.2) represents a 15% overall reduction in burden compared to a 2001 baseline, (obtained from www.amvab.dk); **Ireland**— SCM is being piloted in 2009; **Italy**—Data does not include tax regulations which are currently the subject of burden assessment’; **Slovenia**—Government decisions of May 2009 establish a new (additional) burden reduction target of 25% and some 41 areas/ measures for examination.

Table 5. Estimates of the aggregate administrative burden from tax regulations (all monetary amounts in billions of local currency)

Country	Estimate of aggregate burden from domestic tax regulations		Most burdensome tax & estimated burden	Estimated aggregate burden for all domestic regulations	% estimated tax-related burden over all estimated burden
	Amount	Year			
Austria	1.1	2007	PIT- 0.6	4.3	26
Belgium	3.6	2008	CIT/VAT- 2.5	5.9	61
Denmark	7.5	2008	-	32.06	23
Germany	8.5	2006	VAT- 3.5	22.5	38
Netherlands	4.5	2007	VAT- 1.4	9.0	50
Norway	4.3	2007	n.avail	57.0	8
UK	5.1	2005/06	VAT- 1.02	20.0	25

Source: country survey responses and SCM database

37. Concerning the data provided in Tables 4 and 5 the following observations can be made:

- Use of the SCM for estimating administrative burden is confined to EU member countries;
- The use of aggregate burden reduction targets is confined largely to EU member countries;
- There was a dearth of data available on the estimated burden flowing from tax regulations but where it was it clearly indicates that tax regulations constitute a significant component of overall burden and that the VAT is the most burdensome of the major taxes; and
- In the absence of detailed information from the majority of surveyed countries it was not possible to judge, except for a few countries (e.g. Denmark and UK), the rate of progress being made to achieve burden reduction objectives.

IV. Getting organised to reduce administrative burdens

Governance and oversight arrangements

38. Effective burden reduction programs require effective governance and oversight structures. These structures vary between countries but a common approach is to give overall co-ordinating responsibility to a central government agency, with each individual agency (including revenue bodies) establishing its own central team that is responsible for coordination and reporting on the overarching burden reduction programme. This approach is supported by the OECD report *Overcoming Barriers to Administrative Simplification Strategies* which sets out that “*The establishment of administrative simplification units inside government...can help with co-ordination and keeping up the path of reforms.*”¹⁵ Such central oversight is important for several reasons, including:

- For many revenue bodies burden reduction is part of a Government-wide initiative with formal targets. In these circumstances, and given that tax regulations tend to be a major contributor to overall burden, it is important that progress across the revenue body can be systematically assessed and reported as needed to meet accountability reporting requirements.
- There is a need for revenue bodies to take a holistic view of the tax system when developing and implementing burden reduction initiatives. A central team can help provide the oversight needed to achieve this. Where a net reduction is being sought it is important that any new changes are monitored to ensure that burdens are kept to a minimum – both during any transition and at implementation. It is also important for revenue bodies to maintain an end-to-end view of any burden reduction initiative to help prevent unintended consequences in other parts of the tax system.
- A central team can help maintain momentum on burden reduction, providing a pool of expertise for assisting other parts of the department and for setting and monitoring targets.

39. Table 6 provides examples of countries with central teams.

Table 6. The use of central teams and other co-ordinating mechanisms

Country	Description of arrangements
Australia	The Change Programme Steering Committee (CPSC) is the key internal decision making and steering forum. The CPSC is chaired by the Commissioner of Taxation and members are the ATO Executive and meet every month.
Austria	Operative co-ordination is carried out by a unit within the Budget Division.
France	A central directorate- the Directorate for State Modernisation (DGME), located under the Minister of Budget, Public Accountancy, Civil Service and State Reform, is in charge of the simplification program in France. It has contact units within every public body/ minister concerned. There is a simplification unit in the revenue body that works closely with the DGME.
Ireland	The project is co-ordinated at national level by the Department of Enterprise, Trade and Employment. Planning Division has primary responsibility for the burden reduction programme in Revenue
Italy	Oversight is carried out by Ministry for Public Administration and Innovation, with activities within the revenue body co-ordinated by the Central Directorate for Services to Taxpayers. There is a three-year Convention between the Revenue Agency and the Ministry of Economy and Finance, with annual adjustment for each financial year, whereby services to be ensured, targets to be achieved, performance standards and the related resources are identified
Spain	The Departments and Services of the revenue body (AEAT) are implementing the measures of the Plan. There is a Commission to reduce the administrative burden within the AEAT that is

¹⁵ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers*, 2009, page 8.

	coordinated with other bodies reporting to the Ministry of Economy and Finance in order to develop the measures adopted by the Council of Ministers. The Internal Audit Service is the responsible for the development and monitoring of the Commission's performance and the Plan within the AEAT. There is also a subgroup of reduction of the administrative burden within the Team developing the AEAT's new Strategic Plan. Finally, there is a subgroup of reduction of the administrative burden inside the Tax Forum of Large Enterprises.
UK	Within HMRC the Better Regulation & SME Policy Team, part of the Business Customer Unit is responsible for overseeing the administrative burden reduction programme.
USA	The IRS formed the Office of Taxpayer Burden Reduction (TBR) in early 2002. TBR's mission is to achieve significant burden reduction for taxpayers, by 1) Developing burden reduction proposals; 2) Coordinating and championing burden reduction throughout IRS; and 3) Working with Congress, state and Federal agencies, taxpayers and practitioners to identify and implement meaningful burden reduction efforts. The Office of Burden Reduction reports to the IRS Deputy Commissioner, Services and Enforcement.

Source: Country survey responses and websites.

40. As well as reporting both internally and to wider government, several revenue bodies have also found it useful to establish independent external oversight bodies or 'task groups' to provide additional governance. This approach is also supported by the report *Overcoming Barriers to Administrative Simplification Strategies*¹⁶. These 'task groups' typically involve external stakeholders and serve as an independent advisory and monitoring board. Examples of external oversight bodies/ arrangements are set out in Table 7.

Table 7. External oversight arrangements

Country	Description of arrangements
Canada	'Industry Canada' co-chairs the Advisory Committee on Paper Burden Reduction with the Canadian Federation of Independent Business which has 14 members, representing both the public and private sectors, including small business owners, business associates and government departments and agencies.
Germany	National Regulatory Control Council operates as the controlling committee.
Ireland	The Minister for Enterprise, Trade and Employment will report annually to the Government on progress by each Department towards achieving the 25% target. It will also be necessary to report to the EU Commission under the annual National Reform Program.
Netherlands	The Regulatory Reform Group integrates the former project unit, IPAL (Ministry of Finance), with three separate units previously dealing with different aspects of regulatory impacts on businesses in the Ministry of Economic Affairs. Located in Ministry of Finance, the group reports to the Secretaries of State for Finance and for Economic Affairs. The group reports biannually to Parliament and on an ad-hoc basis to a Ministerial Steering Committee on Regulatory Pressure headed by the Prime Minister. Actal has been re-established as a statutory body with both regulatory review and advisory functions; the newly-appointed Wientjes Business Advisory Committee of private sector representatives offers feedback on the Government's regulatory reform initiatives.
Spain	The Plan to reduce the administrative burden is being developed at a global governmental level, and is monitored by the Ministry of the Presidency.
UK	The Administrative Burden Advisory Board (ABAB) is the main external body used by HMRC to assist in the prioritisation of burden reduction opportunities and initiatives. "Members have experience of dealing with the tax system either as a business taxpayer, an intermediary or representative. ABAB has brought a sharp external focus to our work, providing a challenge function and ensuring that we are focused on issues that will make a real difference to business." ¹⁷ The National Audit Office also conducts its own studies.
USA	The Office of Management and Budget contains the Office of Information and Regulatory Affairs which is responsible for government-wide approaches to burden reduction.

Source: Country survey responses

¹⁶ Ibid.

¹⁷ Ibid.

Embedding burden reduction

41. As well as setting targets and establishing teams to oversee the work there is a need for revenue bodies to actively embed burden reduction throughout the revenue body. To be successful burden reduction needs to be systemic - all parts of the revenue body should be engaged in ensuring that the potential burden of any new measure is considered and minimized from the outset and in looking for areas where processes can be improved. At a high-level, including a burden reduction target in overarching performance measures can ensure that it is embraced across the revenue body. Box 5 provides examples of revenue bodies that have adopted such an approach.

Box 5. Burden reduction and performance measurements

United Kingdom's HMRC: HMRC's admin burden reduction targets form part of delivery of Departmental Strategic Objective 2.1 'Improve customers' experience of HMRC and contribute to improving the UK business environment'. The targets are reflected as key performance indicators against this objective:

2.2: To reduce the administrative burden on businesses of dealing with HMRC's forms and returns by at least 10% over 5 years (equivalent to a total reduction of £337 million);

2.3 Target 2: To reduce the administrative burden on compliant businesses of dealing with HMRC's audits and inspections by 10% over 3 years and at least 15 % over 5 years (equivalent to reductions of £14 million and £21 million

Ireland: The Irish Revenue's Statement of Strategy 2008-2010 sets out strategic goals and strategies. Strategy 2.2. (*Making it as easy as possible to do business with us*) specifies the outputs and performance indicators for the achievement of this strategy. For example, Output 2 of this strategy is to have "an up-to-date tax and customs system that is simplified, responsive and which minimises compliance costs". Revenue reports on the progress made in achieving the outputs in its Annual Reports. Revenue's monthly Performance Reports provide an update on the progress achieved on the goals and strategies in the Statement of Strategy.

Austria and Germany reported that burden reduction performance is recorded in, respectively, budgetary material and annual reports.

42. The way in which these high-level objectives are translated into a revenue body's business plans is a key factor in embedding burden reduction and helps develop it into an integral part of its approach to taxpayer services. As evidence of its efforts to embed burden reduction within its work, the Canada Revenue Agency (CRA) reported the following initiatives:
- A burden reduction commitment has been added to the 2009-2010 Performance Agreements of some Executive cadre managers.
 - A Burden Impact Analysis has been incorporated into the resource submission process to ensure that the impact of paperwork burden is analysed for all major projects.
 - There is a mandatory Burden Assessment Checklist for each form that is developed or revised.
 - The CRA has developed performance indicators that will demonstrate the level of burden reduction (as set out in Table 2);
43. France reported that it also has instituted a range of measures both to ensure that information on burden reduction is communicated consistently across Government and that taxpayers have a voice in the overall simplification process. These measures include the following:
- External communication on the burden reduction project is centralised and ensured by the DGME. The Minister of Budget informs on the project and its progress during public speeches

(cf. Minister's speech of the 6/07/2007 'Better legislation, improve the regulation quality' and of 19 October 2009 '15 measures to simplify French people's life'.

- A special interactive website www.ensemble-simplifions.fr has been established, rated the best of public administration interactive websites. Taxpayers have five ways of interacting on simplification programmes: 1) voting on different topics; 2) giving comments; 3) making proposals; 4) participating in discussion forums; and 5) answering surveys.
 - A permanent Taxpayer's Panel Group has been established; its objective is to listen to taxpayers, and discuss and analyse their opinions.
 - The DGME organises 'let's simplify together' open days from time to time enabling members of the public to convene and discuss burden-related issues with officials.
 - The internal communication is ensured by the DGME's 'contact units' within every public administration concerned; in the revenue body, this mission is carried out by the 'Simplification Unit' under the Director of Taxation.
44. Similarly, in the UK HMRC has also developed an innovative approach to help ensure that the drive to reduce administrative burdens is given priority across the Department. Internal 'challenge panels' have been established which see key policy teams subjected to detailed scrutiny on burden reduction, whilst being challenged to think radically and go further—see Box 6.

Box 6. United Kingdom – HMRC's challenge panels¹⁸

HMRC Challenge Panels have been set up to energise the work on reducing administrative burdens and meeting the targets. They ensure that those areas of HMRC responsible for the most administratively burdensome parts of the tax system are actively engaged, at Director level. The panel scrutinises proposals for reducing the burden of HMRC's stock of obligations and 'challenges to destruction' any real or perceived blocks (including policy issues) to administrative burden improvement. The Director with lead responsibility for the work area under scrutiny appears before the panel for a two hour session to present their proposals for reducing administrative burdens and to be challenged on them. The panels are chaired by senior HMRC and HM Treasury officials. The independent chair of HMRC's Administrative Burdens Advisory Board (ABAB) also takes full advantage of her personal invitation to attend the Panels to challenge on behalf of business. The panels have been so effective at energizing administrative burden reduction that the format has been recommended for adoption by other Government Departments.

Source: HMRC survey response

Building capability for administrative burden reduction

45. The recent OECD report identified one of the technical barriers to administrative simplification as a lack of human skills and capacities:

*"Administrative simplification is not inherent to any public administration; therefore, special skills and capacities need to be built upon. Often there is a mismatch between the needs of public administration and available training facilities and programmes. Specific training capacities should be developed. Having an insufficiently skilled and ill-equipped team working on administrative simplifications will likely prevent governments from meeting ambitious expectations."*¹⁹

46. To overcome this barrier revenue bodies need to ensure that they acquire the skills necessary to be effective at reducing burdens.

¹⁸ HMRC, *Delivering a new relationship with business. Progress on HMRC's plans to improve the SME customer experience*, March 2008, page 7.

¹⁹ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers, 2009*, page 26.

V. Measures being taken to reduce tax- related administrative burden

47. The recent OECD publication ‘*Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers*’ identifies five main approaches many Governments are taking to “cut red tape”:

- i) Regulatory management reform to improve the framework of the administrative system.
- ii) Organisational re-engineering.²⁰
- iii) Use of information and communication technologies (ICTs).
- iv) Better information on the delivery of services and administrative requirements
- v) Coordination of multiple requirements stemming from the public administration.²¹

48. This means of classifying approaches to administrative simplification provides a useful basis for presenting examples of burden reduction initiatives reported by revenue bodies and identified from research efforts. However, before describing these examples, it is worth briefly recapping the findings concerning burden reduction strategies contained in the January 2008 report. This information is in Table 7 below, classified using the categories set out in the aforementioned OECD publication.

Table 8. Tax measures previously identified to reduce administrative burdens

Nature of approach	Measures described in 2008 report
Regulatory management reform	<ul style="list-style-type: none"> ✓ Adjusting thresholds in the laws to reduce payment and reporting obligations. ✓ Adoption of simplified approaches for determining tax liabilities. ✓ Personal tax simplification (e.g. deduction simplification).
Organisational re-engineering (incl. process redesign)	<ul style="list-style-type: none"> ✓ Adoption of customer-centric strategies. ✓ Reducing audit cycle times and unnecessary audit inquiries
Use of information and communication technologies	<ul style="list-style-type: none"> ✓ Expanded electronic services—more and better quality. ✓ Improved telephone contact operations to deal with taxpayers’ inquiries and issues. ✓ Providing pre-filled personal tax returns/ reducing taxpayers return preparation. ✓ Better interfaces between taxpayers’ accounting systems and revenue bodies systems.
Better information on the delivery of services etc	<ul style="list-style-type: none"> ✓ Education and assistance programs targeted at new small businesses.
Rationalising multiple reporting requirements stemming from public administration	<ul style="list-style-type: none"> ✓ Standard business reporting. ✓ Rationalising the administration of social contributions.

Better regulatory management – improving the administrative framework

49. From the countries reviewed there are no examples of revenue bodies (or MOFs) undertaking a radical overhaul of the whole regulatory system – a process described as a ‘*scrap and build*’ approach in ‘*Overcoming Barriers to Administrative Simplification*’, which contains examples of this type of approach in MENA countries. A much more common approach to improving the

²⁰ For this report, this approach is deemed to also include process redesign and forms simplification.

²¹ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers*, 2009, page 7.

administrative framework is the implementation of programs to ensure that burdens are minimised from the outset. From the countries surveyed several have examples of this approach, including Australia who since 2006 has had an enhanced approach to regulatory assessment. Further details of the Australian Governments approach can be found in Box 7 below.

Box 7. Australia – regulatory design regime

Enhanced regulatory assessment procedures came into effect within the Australian Government as of November 2006 in response to business concern about the red tape burden and the recommendations of the Taskforce on Reducing Regulatory Burdens on Business. These new processes integrate OECD best practice into the Australian Government regulatory policy development process. The core elements of the government response are an enhanced process of assessment of new policy proposals and an enhanced program of regulatory review. The Office of Best Practice Regulation (OBPR) has been established and assigned a central role in improving the quality of regulation by administering the Government's best practice regulation requirements.

Under the new regulatory assessment framework, regulatory proposals are assessed under a three-tiered system. A preliminary assessment of potential regulatory impacts must be undertaken for *all* regulatory proposals to determine the appropriate level of analysis.

- For proposals that have *no or low* impacts on business and individuals or the economy (including no or low compliance costs), no additional regulatory analysis is required.
- For proposals that are likely to involve *medium* business or individual compliance costs, a quantitative assessment of the compliance cost implications must be carried out using an approved compliance cost calculator.
- For proposals that are likely to have a *significant* impact on business and individuals or the economy (whether in the form of compliance costs, competition impacts or other impacts), a more detailed analysis must be undertaken and documented in a Regulation Impact Statement (RIS). If the impacts include medium or significant business compliance costs, the RIS is to include a quantitative assessment of these costs using an approved compliance cost calculator.

More detailed information on this regulatory regime can be found in the Best Practice Regulation Handbook - <http://www.finance.gov.au/obpr/docs/handbook.pdf> .

Please note: This regulatory regime applies to all regulations of Government and not just taxation. The taxation approach is based on these requirements but is more specific to the taxation policy context. Rather than use the Business Cost Calculator, taxation policy assessments and quantification are based on the Tax Compliance Cost Calculator (TCCC) which has been approved for use by the Office of Best Practice Regulation.

Source: ATO survey response

50. The importance of upfront simplification was also noted by Denmark who commented that rule simplification in new legislation has driven a large portion of its revenue's burden reduction. The Danish Government's proactive approach to getting it right from the start is also evident in the fact that in 2009 they are launching a 'code for good business regulations'. The code contains ten principles to guide future government initiatives, its success will be evaluated once government authorities have gained experience in its use. The full code is set out in Box 8.

Box 8. Denmark – codes for good business regulations

- **Growth orientated regulation:** Business regulations must create stable and conducive conditions for the growth, productivity and innovation of Danish businesses, whilst also protecting the environment and consumers and ensuring food safety.
- **International context:** Framework conditions for Danish businesses must be seen in an international context. Experience with similar law in other countries should be taken into account when formulating new law. Unnecessary special rules and over-implementation of EU regulations should be avoided.
- **No unnecessary regulations:** Regulators must always consider whether a specific problem is

best solved through law, or whether other more appropriate options exist, such as information guidelines, incentives, corporate social responsibility, voluntary sector agreements, etc.

- **Simple and efficient regulation:** Laws and regulation must be formulated in such a way that they are easy to comply with. Regulation should entail as little administrative burden as possible.
- **User involvement:** Government authorities must involve businesses actively in the formulation of new regulations, design of electronic systems, etc.
- **Targeted enforcement:** Enforcement of regulations must target areas where the problems are greatest and the risks associated with non-compliance are most serious. Less scrupulous businesses must not gain by sidestepping regulations. Businesses which comply with law should be rewarded with less supervision.
- **Coordination:** Businesses must experience cohesion when dealing with government authorities. Requirements and deadlines must be coordinated so as to reduce unnecessary impact on businesses. Better cooperation between authorities and new electronic solutions must ensure that businesses only have to report data once, in one location, as far as possible.
- **Clear communication:** Government requirements and regulations must be communicated clearly to businesses and at the relevant time. New regulations must be communicated well in advance of entering into force. The purpose of government requirements must be clearly expressed, and regulations must be easy for businesses to understand,
- **Visible service:** Dialogue between government authorities and businesses must be characterised by mutual respect. Government authorities must inform businesses of their rights and service entitlements, so they know what to expect.
- **Focus on individual businesses:** Government requirements must take into account the size and production of individual businesses, especially in relation to small and medium-sized businesses. Electronic systems, including self-service systems, must be used strategically to provide more tailored interaction, with a focus on the business.

Source: The Danish Government, *Debureaucratisation plan for business regulation, March 2009, page 4*

Changes to tax policy and legislation

51. There was a fair variety of developments reported by revenue bodies that fall into this category.

- *Uniform definition of wages (The Netherlands).* The Tax Plan for 2010 recently presented by the State Secretary of Finance announced that there will be a standard definition of wages for wage withholding tax, various social insurance contributions and the income-related healthcare insurance contribution. ***This represents a significant annual saving for employers—estimated at some €380 million.*** For employees, this will mean shorter, clearer and simpler salary statements.
- *Reduced Filing Frequency for Newly Eligible Customers (Ireland):* Revenue reduced the frequency of tax returns and payments for smaller businesses during 2006 and 2007:
 - Businesses making total annual PAYE/PRSI payments of up to €28,800 became eligible to make their payments on a quarterly rather than monthly basis;
 - Businesses making total annual VAT payments of less than €3,000 became eligible to file VAT returns and make their payments on a 6 monthly basis; and
 - Businesses making total annual VAT payments of between €3,000 and €14,400 became eligible to file VAT returns and make their payments on a 4 monthly basis.

The benefits for qualifying businesses are two-fold: 1) improved cash flow by only having to make payments at the end of each quarter, 4 monthly or 6 monthly period, as appropriate; and 2) reduced costs of administration through less frequent filing of tax returns. Revenue regularly reviews the liability of cases and transfers customers to the less frequent filing programme where eligibility criteria are met. Accordingly simplified arrangements were extended to include newly eligible customers from 1 January 2009 and over 90,000 businesses currently benefit from less frequent PAYE/PRSI and VAT filing obligations.

- *VAT reverse charge (Ireland)*: As part of its simplification agenda and strategy to make it as easy as possible to do business with Revenue, a reverse charge mechanism for VAT in the construction sector was introduced from 1 September 2008. As a result, principal contractors in receipt of construction services self-account for VAT on the services received. The successful implementation of this measure was facilitated by widespread communication with and the cooperation of organisations representing stakeholders in the construction industry.
- *Optional VAT return filing periods (The Netherlands)*: The Government recently announced that companies would be allowed the choice of whether to submit a VAT return on a monthly or quarterly basis from July 2009; this measure enables companies to match the timing of their declaration better with the requirements of their own business operations.²²
- *Simplified regimes for small business/self-employed (France)*: France reported the introduction in 2008 of a simplified regime for very small micro-enterprises (defined as those with turnover below €80,000 (trade) or €32,000 (professional income)). Under this regime, eligible enterprises are exempted from VAT. They pay a flat rate on their turnover: 1% (sales), 1.7% (services) or 2.2% (non-commercial benefits) or assess their profit after a flat deduction of costs: 71% (trade), 50% commercial services), or 34% (non-commercial services). Accounting is limited to a simple registry and no elaborated business tax return is required. This regime complements a 'simplified regime for larger enterprises (turnover up to €760,000) which encompasses simplified accounting and business tax returns, VAT quarterly installments, and an annual VAT return.
- *Faster refunds of VAT (Spain)*: Spain reported that its policy concerning VAT refunds had been modified to permit, where applicable, the refund of excess VAT input credits to taxpayers on a monthly basis. They explained that prior to January 2009 it had been the policy to make refunds only at the end of a financial year, notwithstanding that taxpayers were required to prepare and file returns on a quarterly basis. As a result of this policy change, taxpayers will receive their refunds substantially faster than previously, a clear benefit to them and a reduction in their compliance burden. As part of the new measures, all entities and persons liable for VAT can apply for it voluntarily; only the taxpayers who have opted for the special scheme for small enterprises cannot benefit from the system. In order to get VAT refunds on a monthly basis, taxpayers must register in a "monthly refund roll". In addition, those applying must fulfill some other requirements, such as submitting their VAT returns by electronic means and attaching to the VAT return an informative return on the content of their VAT books of register. For this last obligation (informative return) a transition period is foreseen—traders that submitted the VAT books of register along with their tax returns by January 2009 (i.e. exporters) were liable to this obligation from the beginning of the system, while other traders opting for it will start submitting the informative return from January 2010.

France reported that it also had introduced new standards for faster refunds of overpaid VAT (and a number of other tax credits).

52. On a less positive note, there were no reports of changes to the VAT registration/ collection threshold. As noted in the prior report, the adoption of a realistic threshold is one way in which

²² Referenced from the publication 'Progress Report: Regulatory Burdens on Business, May 2009, The Netherlands', prepared by the Regulatory Reform Group of the Ministry of Economic Affairs, MOF, June 2009.

revenue bodies can make an impact on administrative burden. There is a wide divergence of approaches still being adopted in this respect, and there are six European countries still maintaining unrealistically low thresholds (i.e. less than €10,000 annual turnover).

Organisational re-engineering (including process redesign)

53. Improving the way a system or process is administrated can lead to significant burden reduction. For revenue bodies, common examples of re-engineering include the reworking or simplification of forms and processes. Examples observed from survey responses and research are set out in the following part of this chapter.

Rationalisation of information required from taxpayers and when it must be reported

54. Survey responses suggest this is a fairly common and highly productive strategy for achieving burden reduction, and numerous examples were cited:
- In the *United Kingdom*, HMRC have used stakeholder feedback to identify the most burdensome forms and are undertaking a systematic process to develop simplified versions. The income tax self-assessment (ITSA) suite of returns was identified as a priority area for action by HMRC's Administrative Burden Advisory Board. HMRC critically examined all of the information it collects on ITSA forms and identified what is essential for: collecting the tax; and assessing compliance risk. For unincorporated businesses up to the VAT threshold (£68,000) HMRC established that it needed less detailed information than for larger businesses. It was therefore able to reduce the reporting requirements for the vast majority of small businesses who trade up to this level. The measure will be implemented in 2009-10 and a significant majority of the ITSA business population will be able to complete a simpler tax form, requiring less information to be filled in (through raising the SA 'Three Line Account' turnover limit to permanently align with the UK VAT registration threshold. **It is expected to reduce administrative burdens by £54 million per annum.**
 - The *USA* reported a number of initiatives in this area. Working with representatives from other Federal and State agencies, along with a number of internal and external stakeholders, the IRS Office of Taxpayer Burden Reduction created a "plain language" Form 940 (required of employers in relation to payments to certain employees) that is logical, easy to follow, and compatible with optical scanning. This form was put into place beginning calendar year 2006, with the first returns due end-January 2007. The new logical sequence, visual cues, and separate Schedule A for multi-State employers were key aspects of the new form. Along with the estimated burden reduction for the form completion, the first-year processing results showed a significant decline in the number of incomplete forms received. IRS letters seeking further information dropped from 14,291 sent out for the 2005 Form 940 to 2,942 sent out on the 2006 form. **The estimated annual burden reduction is 7.6 million hours.** Related work to simplify the S-corporation election form and make it less burdensome was carried out by reducing the information required and making the due date for filing consistent with other dates. **The estimated annual savings here are 8 million hours.**
 - An initiative reported by *The Netherlands* aims by 2011 to have developed an abridged version of the corporate income tax return with fewer questions. A pilot test started for tax year 2008 in co-operation with a number of tax service providers. The form will potentially be used by over 70% of companies, **producing an estimated annual saving of €200 million.**
 - *Austrian* officials advised of a number of developments in this field that are being implemented from 2008. Commencing in 2008, the government took advantage of the option to raise the financial thresholds defining small and medium-sized companies and groups in line with the maximum limit offered by the EU Directives. This has reduced disclosure and auditing requirements and **is estimated to produce annual savings of €18 million.**

Over the period 2009 to 2012, there will be a rigorous review of tax declarations to reduce burden, simplify compliance, and increase transparency and use of electronic submissions. This will entail use of a modular setup for tax forms, reducing data requirements, providing simplified forms according to size or legal form of business, using pre-filled information, and standardizing forms (taxonomies of requirements). **This is all estimated to produce annual savings of €50-150 million.**

- *Ireland* reported that it has implemented a shorter self-assessed tax return. Revenue encourages the electronic route for filing returns, as only sections relevant to the customer's circumstances need to be completed. However, Revenue also accepts that there will always be small businesses where mandatory electronic filing and payment would be inappropriate. With a view to making tax compliance easier for small businesses, Revenue carried out a detailed review of self-assessed returns and identified taxpayers to whom the shorter Form 11E is more appropriate. As a result the 2008 Form 11E issued to 125,000 customers who file paper returns as opposed to 21,000 in 2007. Revenue will continue to review self-assessed returns with the goal of issuing a shorter form to as many categories of customers as possible.
- Noting that a substantial burden resulted from compliance with labour and social security obligations, *Italy* reported that major reforms were in course to rationalise information recording and reporting obligations, and **were expected to generate savings, once fully implemented, equivalent to €4.8 billion per annum.**
- In January 2009, *Canada* introduced a harmonized corporation return as part of the Corporate Tax Administration for Ontario (CTAO) initiative. This initiative allows for one annual return based on the same filing and payment requirements, a common definition of taxable income, blended payments, one point of contact for both provincial and federal tax information, one audit covering both federal and provincial tax with one set of audit findings, and a single objections and appeals process, among other benefits for small businesses. Harmonization of the corporate income tax administration for Ontario **is estimated to save Ontario businesses up to \$100 million in compliance costs every year.**

In addition, the Province of Ontario's sales tax will be blended with the federal sales tax (the "Goods and Services Tax" or GST) which will reduce government related burdens for business by providing for, among other benefits, single remittance, filing, and audit processes.

- *Sweden* also reported the streamlining of corporate tax returns to eliminate unnecessary information requirements but no estimate of the savings from this was provided.

Use of information and communication technologies (ICTs)

55. Across Governments there is a strong drive to increase the usage of e-services to improve taxpayer services. One of the many benefits of increased use of technology is that it offers the potential to reduce administrative burdens. Many revenue bodies have embarked upon radical and comprehensive programs to transform the way they give and receive information using technology. Many of these programs are already showing significant results both in reducing administrative burdens and also in improving compliance. Examples of the types of program undertaken by revenue bodies obtained from survey responses and research are set out below.

Pre-filling of personal tax returns

56. The 2008 report highlighted the emergence of pre-filled tax returns as a transformational initiative that was producing enormous benefits for taxpayers. This report, and earlier ones by the Forum, had pointed to the substantial progress made by countries—particularly in the Nordic region, Spain and Chile—to produce fully completed tax returns for the majority of their taxpayers. The use of pre-filling has extended to other countries, and as suggested by the following information is producing major benefits for taxpayers and revenue bodies:

- Singapore's use of pre-filing eliminated tax returns for 30% of taxpayers in 2009;
- Australia's enables pre-filing via its e-filing system, used by 70% of taxpayers in 2008/09;
- Belgium has established a web-based pre-filled personal tax return capability that has been estimated to produce annual reductions in burden of almost €150 million;
- New Zealand has replaced traditional tax returns for 50-60% of its citizens using a pre-filing-type capability;
- France, Slovenia²³ and South Africa provide pre-filled tax returns for over 90% of taxpayers; Spain and Mexico also reported extensive use of pre-filing for personal tax returns.
- The Netherlands provides a pre-filing capability via the Internet, used by 24% of taxpayers in its first year of operation;
- Chile has extended the use of pre-filing to certain business income-related information for returns of business and self-employed persons.

Increased use of e-filing and e-payment (incl. use of mandated requirements) for major taxes and other reports

57. There were numerous developments under this category.

- *France* reported that less than 25% of VAT registered taxpayers use e-filing. To reduce burden, it has introduced mandatory e-filing for businesses with annual turnover over €760,000. This threshold will be lowered in coming years to €500,000 (2010) and €230,000 (2011). This measure is one of a suite of measures to bring a much greater degree of electronic service delivery to VAT taxpayers—other measures being introduced include provision of a unique web portal, a more unified registration procedure, providing greater flexibility by de-linking e-payment and e-filing, online maintenance of bank account information, electronic receipts/acknowledgments, and compatibility with Apple and Linux operating systems.

It also reported the planned development of e-filing for its *wealth tax* over the next two years that will be designed to assist the 600,000 taxpayers who have wealth tax obligations, both for e-filing and associated record keeping of asset information subject to the wealth tax.

- *German* officials reported that the Act on the Reduction in Tax-Related Bureaucracy²⁴ adopted by the Federal Cabinet in July 2008 continues the strategy of modernising the procedures, which particularly includes the expansion of the electronic communication between companies and tax authorities, for example, by paperless transmission of tax declaration data and supplementary documents concerning corporate taxes. The electronic transmission of data is planned to play a major part in the following areas:
 - For companies to submit their electronic tax declaration to the tax office.

²³ In Slovenia, persons liable for personal income tax receive what are known as 'informative calculations'. Persons liable for personal income tax have to check these calculations. If they agree they don't have to do anything further because after 15 days these informative calculations become personal income tax decisions.

²⁴ See "The 2008 report of the Federal Government (of Germany) on the Use of the Standard Cost Model and the progress made in reducing bureaucracy, *Time for Essentials: Cutting Red Tape Provides Leeway, 2008, page 19-20*".

- For the transmission of tax balance sheets as well as of profit and loss accounts for all fiscal years starting after 31 December 2010.
- For the provision of information on tax-related data by taxpayers in case professional or commercial activities are taken up, and the electronic submission of certain invoices and documents to the tax office.

Thus the promising path of developing the electronic exchange of data into a standard procedure at companies first is continued. For many companies, the submission of electronic tax declarations does not pose a problem since the data are electronically available anyway. That way, media discontinuities are avoided. Furthermore, there will be an un-bureaucratic special arrangement for hardship cases.

Many citizens who cannot use the additional IT support offer themselves will benefit from the removal of some paper-based obligations for submission as well. At the same time, the work procedures of the administrative sector are facilitated by the electronic supply of data. This draft law also comprises additional proposals for a focused simplification of the taxation procedures for companies, such as increasing the threshold values for monthly advance turnover tax returns and wage debt returns. The intended option of having fiscal administration and pension insurance institutes conduct investigations simultaneously will contribute to bureaucracy reduction as well.

The Act on the Reduction in Tax-Related Bureaucracy **holds a savings potential of €203 million** in total (€137 million in the business sector and €66 million in the public administration sector).

- *Ireland* reported that after extensive consultation with key stakeholders, mandatory e-filing and e-payment using Revenue's Online Service (ROS) has been introduced on a phased basis. Phase 1 included companies whose tax affairs are dealt with by the Large Cases Division and Government Departments with effect from 1 January 2009 and Phase 2, which will commence on 1 January 2010, will apply to large corporates, other public bodies and local authorities.

To encourage further take-up of Revenue's electronic services a general extension to existing deadlines for filing certain returns and paying certain tax where the customers both *pay & file* electronically was also implemented with effect from 1 January 2009. The new incentive is available to anyone who makes the relevant returns and associated tax payments via ROS, whether voluntarily or under the new mandatory regime.

- *Mexican* officials reported that its online e-filing capability for the personal income tax had significantly reduced the use of paper returns, reduced demand at walk-in sites, and reduced the time for providing refunds to taxpayers by 50 percent (from around 40 to 20 days). It has estimated that taxpayers who filed their 2007 return in 2008 **had savings of 90 million pesos and those who qualified for refunds had derived additional savings/benefits equivalent to 800 million pesos (around \$US55 million)**.
- *Sweden* reported further development/ enhancement of e-filing services for companies and its integrated payroll tax and VAT return form, but estimates of the likely burden impact of these measures were not available (any update?).
- *Turkish* officials reported that a wide program of mandatory e-filing (e.g. covering corporate tax, provisional tax, withholding tax, VAT returns, and Special Consumption, Communication and Gambling Taxes) has also enabled it to achieve substantial reductions in workloads as well as providing a simpler and easier way for taxpayers to manage their tax affairs.
- The *UK's* HMRC has also been very active in this area. It reported an objective of increasing the take-up of online filing and payment options (with well designed online services can make a real difference, helping to reduce the burden of providing information to HMRC and also

increasing timeliness, accuracy and confidence levels). As part of this, it is aiming for universal electronic delivery of main tax returns from businesses and IT literate individuals by 2012. Considerable progress is being achieved—in 2008/09, the rate of e-filing usage for personal self-assessed tax returns reached 69%, **a 50% increase on the prior year**.

Further developments are envisaged over the medium term—from online filing of main tax returns (and other online options in some of our minor taxes), along with increased use of online payment options, **HMRC anticipates savings of around £17 million per annum** (using SCM-derived estimates). There are also other benefits to business from online filing not captured by the SCM.

Use of modern telephony technology/call centres

58. Related survey work being undertaken by the Taxpayer Services Sub-group has revealed that there has been significant growth in the use of call centre operations by revenue bodies, both to improve operational efficiency and to make it easier for taxpayers to get the information they require. As of September 2009, the vast majority (23 of 26 or around 90%) of surveyed revenue bodies reported the use of call centre operations for answering taxpayers' phone inquiries, compared with around 15 of 30 revenue bodies (50%) observed from a similar survey in 2004.

- *Turkey* is one example of a country where the revenue body has recently introduced two call centres to handle taxpayers' calls from all over Turkey. Officials have noted that *“they will be an easy contact point within the tax administration for better taxpayer service, specifically established for the provision of quality and first-step services for the taxpayers to supply standard information about tax liabilities and other tax issues”* and *“giving consulting services to taxpayers over the phone has resulted in a decrease in written and oral applications to tax offices, providing a decrease in the workload of tax offices, more efficient and less costly service and as a result a reduction in administrative burden”*.
- Related to the use of call centres, the ATO reported its development and use of an 'auto call back service' that has been implemented in all Contact Sites. This technology assists in improving service levels as ring time is reduced and client service representatives have one less step involved in answering a call. In brief, it works as follows. If wait times are expected to exceed 5 minutes, callers are given the option of receiving a return phone call. Their call remains in the queue so they can hang up instead of waiting on the line. When their call reaches the front of the queue they receive a call back from the ATO. Implemented in June 2008, this contact capability has been well received and accepted by around 50% of callers. Importantly, **it reduced average wait times in the first year of operation from 168 to 127 secs, or by around 25%**.

Giving taxpayers online access to the information and services they require

59. There were a number of initiatives reported that enable taxpayers to better “self manage” their tax affairs and significantly reduce the volume of written, phone, and in-person communications.

- *Mexican* officials reported that its provision of web-based applications for taxpayers to review their transactions with the revenue body (e.g. registration, payments, returns filed, customs, accounting opinions etc) had produced a range of benefits—reduced walk-in centre demand, and reduced paper use and taxpayers' travel costs. Some 129,000 taxpayers had used this facility in 2008. A similar web-based facility, with appropriate authentication controls, enabling taxpayers to access and update registration-related information had been used for over 1.6 million operations in 2008, **producing savings for taxpayers estimated at around 244 million pesos (approx. \$US20 million)**.
- *Switzerland* reported that one of the key projects underway in the Federal Tax Administration is the construction of a VAT Portal. Almost every company in Switzerland has to pay VAT, so they regularly have contact with the FTA. Today, they have to fill out paper forms for the

registration, the refund or other business. For most of the information, they have to call the VAT Administration. This is a significant burden for the companies and also for the FTA since it's a lot of work to check all these paper forms and answer all the calls. Therefore, the FTA launched the project "VAT Portal". The project key goals are the following: 1) electronic VAT registration process; 2) an interface to the company's ERP-System; 3) on-line account statements; and 4) automatic workflow initiation.

- *Turkish* revenue reported that it now offers a wide range of Internet-based services to taxpayers covering on line inquiries and calculations and data capture functionality and plans to further extend these and improve taxpayer accessibility.
- The *USA* reported its electronic instalment agreement project. This project aligns with the IRS's strategic goal of improving service to make voluntary compliance easier, and the related objective of expediting and improving issue resolution across all interactions with taxpayers making it easier to navigate the IRS. The vision for the Electronic Instalment Agreement (e-IA) Project is to automate Individual Master File (IMF) Instalment Agreement processing to the fullest extent possible by using the IRS Internet site www.irs.gov. As part of this initiative, taxpayers can self-qualify, apply for an instalment agreement, and receive notification of approval during an online session.

Additionally, e-IA aims to ensure more accurate payment postings, decreased lockbox volumes, and reduced paper handling and mail costs for both payments and notices. An on-line application was created that allows many taxpayers to apply for an instalment agreement 24/7. When the taxpayer also elects to have a direct debit made they are eligible for a reduced user fee for establishing the agreement. The IRS's recently published strategic plan for 2009-2013 indicates that in the short time it has been operating, ***e-IA was used by almost 50,000 taxpayers and their representatives to arrange payment of more than \$US150 million.***

VAT e-Invoicing

60. A number of revenue bodies reported developments and significant potential savings in this area.

- *The Netherlands* reported that the use of e-invoicing systems has been possible in the Netherlands for some years. However, until very recently such systems could only be used when the sender and receiver complied with stringent legal and administrative requirements. In some cases, the use of e-invoices even required an approval of the method proposed by a tax inspector. In view and in anticipation of the (effects of the) proposal by the EU Commission - COM(2009)21- regarding the use of e-invoice it was decided in February 2009 to abolish the administrative requirements (form and means) and to restrict the legal requirement for the use of e-invoices to the absolute minimum.²⁵ As law for the proposal of the EU concerning e-invoice rules is not yet in force the new requirements are only applicable within the Netherlands. It goes without saying that all the elements that are required legally for an invoice must also be included in the simplified and form free e-invoice.

Officials have reported that the development of a system of e-invoicing by companies over the medium term that will abolish any requirements for VAT additional to those applicable for normal invoicing. ***The project is expected to deliver annual savings of €300 million.*** The calculation of the annual savings of the use of the new simplified e-invoice is based on the assumption that there will be a significant decrease in the use of paper invoices now that the use of e-invoices is to become less burdensome. The government is supporting

²⁵ An EC memo (MEMO/09/474) published in October 2009 notes that with some 18 billion VAT invoices annually in Europe, the switch to a fully electronic system could significantly save time for more than 22 million taxable enterprises. The Commission proposes to remove obstacles to companies' electronic billing/ invoicing, in particular additional requirements in the Member States to make invoices VAT compliant.

the increased use of e-invoices by encouraging suppliers to send in e-invoices, and the aim is to have at a governmental level at least 10% e-invoices in 2010. The implementation of e-invoices is supported by the Expert group Awareness e-invoices (www.e-facturen.info). It provides guidance and best practice information to companies that want to make changes to e-invoicing. The expert group has links to CEN, the European Committee for Standardisation (www.cen.eu).

- *Mexico* also reported a development concerning e-invoices (known as the Digital Tax Receipt) which is intended to significantly reduce the use of paper documents and save management costs. These savings have been estimated of the order of 50 percent to participating taxpayers, and upwards of 85 percent where both the issuer and receiver operate electronically. To date, SAT claims an average cost reduction of 79 percent. Under Mexico's system, e-invoices are issued by authorised user using their own infrastructure or via an approved third party (of which there are 16). There are currently some 22,181 issuers of e-invoices, and some 91 million invoices were issued in the first 9 months of 2009.
- *Turkey* reported that their efforts to build an e-invoicing system started in 2007, with the development and implementation of an "Electronic Invoice Registration System" (EFKS), designed by Revenue Administration. EFKS has been officially in use since February 2008. EFKS, which has limited scope with five companies in the telecommunication sector, is a pilot implementation allowing the companies to send certain data on the invoices they have issued to R.A.(Revenue Administration) database for being archived electronically, so that these companies no longer had to store the secondary copies of their invoices in paper form. EFKS was designed as an electronic archiving system for invoices.

Transformation of the paper-based invoicing into a central electronic invoicing system, covering all parts of business is completed in the first quarter of 2010 with the technical and legal aspects by Revenue Administration. Regarding the current technology and common tendency to use a single message standard for all financial communications and especially for electronic invoicing, Universal Business Language (UBL) 2.0 has been chosen as the standard format for all e-invoices in Turkey. This system is expected to reduce the volume of paper forms and administrative costs significantly, and also to increase the efficiency of the business processes.

Other ICT measures contributing to burden reduction

61. There were a number of more unique developments involving the use of ICT and its impact on burden that were report

- ***Dedicated portal for tax professionals (Australia):*** The '[Tax Agent Portal](#)' is the main channel for tax agents to interact with the ATO. Its provides tax agents with rapid online access to a range of information, services and functions including: 1) refunds and transfers; 2) income tax, activity statement and fringe benefits tax account information; 3) view and update a range of client details including name and addresses; 4) add or cancel income tax withholding and GST tax types; 5) a client directory that lists all their clients; 6) a range of reports containing specific information about clients; 7) the ability to prepare and lodge activity statements online and view details of previous activity statements; and 8) messaging facilities that allow them to send enquiries and receive answers from the Tax Office.

Tax agent services survey results (November 2008) indicate tax agents perceive a high degree of effectiveness for functions provided by the Tax Agent Portal. There has been significant increase in usage and the number of transactions being processed through this channel. Around 92% of active tax agents are using the portal. In 2007–08 the number of logins to the portal increased by around 69%. Activity statements and revisions lodged through the portal increased by over 28% in 2007–08, with a total of over 1,760,000 statements and revisions lodged during the period.

- **Micro and small companies' website (Chile):** The objective of the initiative was to provide micro and small companies with an application that allows them to issue invoices and other tax documents electronically. The application also provides a simplified accounting system that pre-fills the data for the annual, as well as monthly, tax declarations, thus reducing the amount of accounting-related records that taxpayers have to keep in paper. Commencing with a free on line invoicing application and subsequently enhanced with an accounting function, the system is now fully functional and in use. The initiative has: 1) reduced the use of paper, saving some \$US 22.5 million each year; 2) reduced processing time from 30 days to instantly; and 3) allowed VAT auditing. The application is now widely used and further segment penetration strategies have been developed.
- **Large scale systems integration (Ireland):** Revenue's Income Tax and Corporation Tax Assessing Systems were incorporated into its Integrated Taxation System (ITS) in 2008 and 2009 respectively. This is a major milestone for Revenue in achieving a fully integrated assessing and collection system. The associated benefits to customers include: 1) customer Service staff now have all Corporation Tax Assessing and Collection data available within the one system, facilitating faster responses to customer queries; and 2) the notice of assessment is presented in a new and improved format, incorporating a covering letter, summary calculation information and is more fully detailed.
- **Provision of an electronic mailbox (Spain and Denmark):** Spain reported that taxpayers may request a single electronic address and mailbox to receive all electronic notifications from the revenue body for the administrative obligations relevant to their tax affairs. This capability will speed up the time it takes to send notifications to taxpayers.

Denmark reported that an electronic document box will be launched to simplify working procedures in businesses and government authorities. The document box will offer businesses the following features: 1) *Automatic archiving* of correspondence with government authorities; 2) *Organising* documents based on the government authority and/or subject; and 3) *Quick overview* of communication with and information from government authorities. The electronic document box will be launched in 2009. Government authorities will continue to add to the types of documents available in the document box up until 2010.

Better information on service delivery and administrative requirements

62. As well as a focus on changing the underlying processes and procedures revenue bodies can also reduce the costs of compliance by ensuring that information and guidance on obligations is clear and easy to access. As well as improving the clarity of forms and other guidance, this approach can also mean improving online resources. Examples in this area obtained from survey responses and research are set out hereunder:

- **Better guidelines and clarity in relation to VAT reporting (Denmark):**²⁶ To simplify the process of reporting VAT, a new portal will be launched in 2009 with an improved structure and a new search engine within the Danish Tax Authority (SKAT). Guidelines will be improved, and will be supplemented with illustrations of procedures in mid-2009. These will provide a quick overview of how businesses obtain VAT refunds. It will make it easier to fill out VAT forms, leading to time savings for businesses.
- **Website redesign (Ireland):** Revenue's website was redesigned and launched in December 2008 following wide-ranging consultation. Aimed at delivering improvements in quality and timeliness of information, the new site has received very positive feedback. Information and services are now gathered in logical clusters under the primary headings: Personal Tax; Business & Self Assessment; Tax Practitioners; Customs; Taxes & Duties; and Online Services. The content is extensively cross-referenced and navigation and search

²⁶ See 'The Danish Government, Debureaucratisation Plan for Business Regulation, March 2009, page 13.

facilities have been substantially improved. Coinciding with the launch of the new website, Revenue published an extensively updated edition of the manuals required under Section 16 of the Freedom of Information Act, 1997. They cover the whole range of Revenue activities and contain the rules, guidelines, procedures, practices and precedents used by Revenue staff when making decisions.

63. Communicating changes is another important element. The Danish Government believes that it is not enough to simplify administration and implement electronic solutions but that government needs to ensure businesses are unaware of the changes (see Box 9).

Box 9. Denmark—Better information on simplifications & new smarter solutions

If businesses are to benefit from the many simplifications and electronic initiatives, it is vitally important that they are aware of them. A strategic communication campaign is therefore being initiated in 2009, regarding reductions in administration that have been implemented and electronic tools that make life easier for businesses. The campaign is linked to a 'LET administration' (EASY administration) label, aimed at businesses.

The aim of the label is to show businesses that it has now become easier to fulfil a regulatory requirement. The goal is for government authorities to meet businesses where they need the information, and where they access such information. The label is to be used every time government authorities or organisations inform businesses about reductions in administration. Trade organisations will be key players involved in communicating specific improvements to member businesses.

Source: The Danish Government, *Debureaucratisation plan for business regulation*, March 2009,

Co-ordination of multiple requirements stemming from public administration

64. As far back as the year 2000, the CFA's work on tax administration had foreshadowed the evolution of a more holistic and seamless approach to government administration. In the Forum on Strategic Management's (FSM) 2001 survey report, it was acknowledged that a number of revenue bodies were exploring ways to minimise the number of contacts with customers and to decrease the time required for those contacts. Methods such as establishing a single register via the Internet of business information for use by government departments and public sector partnerships were being investigated. In support of this direction, the FSM recommended that... *Revenue authorities may consider working with other arms of government to investigate the benefits of single government registration points on the Internet.* In subsequent years, other more broadly focused work by the OECD presented more compelling arguments for reform along these lines, as illustrated by the following comments;

The OECD 'E-government Imperative' makes a case that governments structured along vertical structures (or "silos") with little interaction, are less efficient, and have more difficulty in providing seamless services to citizens and business. In terms of the back office, the duplication of some common processes such as human resource management or payroll processing can result in duplicate IT systems (and workers) across government, thereby raising costs. In terms of the front office, silos can result in differing program rules and confusion on the part of users as to who to contact for which services. At all levels, agencies using legacy systems developed separately have difficulty sharing data with one another.....

A 'whole of government' approach raises the question of what business processes are common across government agencies, or groups of agencies, and how these processes can be better organized to maximize efficiency. By sharing common processes and services across agencies, governments can, in theory, achieve considerable benefits of scale while reducing duplication, eliminating legacy systems, and fostering inter-agency collaboration. (Source: 3rd OECD Symposium on E-government (March 2004)).

65. Over the last 4-5 years, there has been a steady increase in a number of countries towards the delivery of some government services (including tax administration) on a 'whole of government'

basis. The Forum's 2008 report, and a more recent note ²⁷, described the emergence of a concept of 'Standard Business Reporting (SBR)' and its implications for tax administration, while there are other tangible examples starting to emerge of this 'whole of government' approach—single government portals for citizens and business for accessing Government information and online services, single/ unified registration systems for government dealings, and Government shop fronts—*one-stop shops*—for obtaining multiple government agency services.

66. The survey and related research have identified numerous examples of these approaches that are briefly described in the following parts.

Single/ unified registration systems for government dealings

Business registration

67. The requirement for businesses to register separately with different government agencies has historically represented a significant administrative burden for them given the paperwork entailed, different agency requirements and procedures and the associated need to keep contact information up to date with different agencies. Even within many revenue bodies, it was until quite recently the practice to separately register (and number) businesses (and other entities) for each tax to which they are liable. Recognition that these practices were inherently inefficient and burdensome on business has seen the emergence of a practice whereby businesses need only register once and are given a unique identifier for all of their government dealings. The Forum's recent survey of trends and developments noted that less than half of 26 surveyed countries operated a single unified approach for the registration of businesses.

68. Examples of recent developments from surveyed bodies and research are set out hereunder:

- *Denmark* reported that company and VAT registration with the Danish Commerce and Companies Agency will take place simultaneously via a new Internet-based self-service solution. This will not only reduce the administrative burden, but will generally mean that entrepreneurs receive a registration certificate by email within seven or eight hours of applying, and will be able to quickly start operating their business. Entrepreneurs will thereby avoid the existing process where registration certificates are sent by standard mail, and will not have to make two separate registrations with government authorities. The combined company and VAT registration process will be ready in 2009.
- *Ireland* has reported that a cross-Government group has been established to examine the potential of developing a unique business identifier, as part of the Government commitment to reduce administrative burden by 25% by 2012.
- *Italy* reported that since October 2009, the unique "electronic notice" for starting a business activity has been set up. It will be optional for six months and will become compulsory starting from 31 March 2010. The service, implemented by Chambers of Commerce together with the Revenue Agency, INPS (National Institute for Social Security) and INAIL (National Institute for Insurance on Injuries), is available on portal www.registroimprese.it and allows new businesses to start their activity in one single day and comply with their declarative duties with relevant public bodies in 7 days, at the latest. This initiative helps businesses and professionals to reduce costs, save time and simplify the process for starting a new business.
- *Slovenia*: Authorities now provide an electronic one-stop-shop registration of companies (VEM entry points) and all status changes, as well as other services for businesses (employment, compulsory insurance registration, employment of foreigners, trade license

²⁷ See 'Forum on Tax Administration Taxpayer Services Sub-Group, *Guidance Note: Standard Business Reporting*, July 2009.

acquisition, tax number acquisition, etc.). An entrepreneur wishing to register a business can do this electronically or through one of 270 entry points in Slovenia. Procedures are simple and free of charge, taking 4 days at the most, and have been estimated to produce annual savings of almost €11 million (as per April 2008 report of Slovenian Government).

- *Spain*: Spanish businesses have a unique identification number provided by the Tax Agency. This ID is used in every Government procedure (related to taxes or not), invoices and many private transactions (e.g. to open a bank account).
- *Switzerland's* e-government strategy includes projects to establish: 1) a unified system for registering companies and updating changes (from 2010); and 2) a uniform business identification number (UID) (from 2011); the Government's e-government strategy document notes that the UID is... "expected to significantly enhance efficiency and effectiveness during the entry, use and maintenance of data, and that businesses are relieved of many administrative tasks in all their interactions with authorities".

Citizen registration

69. Historically, it has been the practice in many countries to require citizens to register separately with different government agencies (e.g. tax, welfare, health, immigration, and electoral bodies) for services etc. In practice, these requirements impact citizens to varying degrees depending on their personal circumstances. Elsewhere, countries have implemented a single population register and given each citizen a unique identifier for all government dealings. The provision of a unique identifier enables a more dynamic and accurate means of sharing information across government and can also be used to reduce the burden of citizens in complying with government regulations.
70. The Forum's recent survey of trends and developments noted that just over half of 28 surveyed countries administer a single unified approach for registering citizens, and noted that a few others were examining such an approach or had already decided its implementation over the medium term. For example, *Switzerland* reported that its formal e-government strategy includes projects to establish a uniform citizen identifier (to be implemented in 2010) and a unified Internet-based service enabling citizens to record a change of address or notify a departure/ arrival from/to the country with one notification (still at conceptual development stage); for all applications, the records of relevant government agencies, including revenue bodies, would be updated automatically, resulting in benefits for businesses, citizens and affected government bodies. *Spain* noted that its citizens have a unique identification number provided by the Ministry of Internal Affairs. This ID is used in every Government procedure (related to taxes or not), and many private transactions (e.g. to open a bank account).

Standard Business Reporting

71. Standard Business Reporting (SBR) is dealt with in the recent guidance note '*Standard Business Reporting*', July 2009'. For this report, it will suffice to give a brief outline of the concept and to describe a number of recent related developments reported by revenue bodies.

What is Standard Business Reporting?

72. In order to meet Government reporting requirements, businesses, or their intermediaries, have to be able to extract data from their internal (accounting, payroll, etc.) software systems and map it to not one format, but to the multiple formats used for different reports to Government. This extraction and mapping exercise introduces significant costs to both business and Government.
73. The fundamental concepts at the heart of SBR seek to standardise reporting requirements streamlining the extraction and mapping process and in turn reducing costs. The fundamental features of the SBR concept are set out below and illustrated in the figures in Box 10:

- Creating a national financial taxonomy (or ‘data dictionary’) which can be used by business to report financial information to Government. That taxonomy could encompass all financial data from the outset or be built up gradually. 28
- Using the creation of that taxonomy to drive out unnecessary or duplicated data descriptions.
- Enabling use of that taxonomy for financial reporting to Government and facilitating straight-through reporting for many types of report direct from accounting and reporting software in use by business and their intermediaries; and
- Creating supporting mechanisms to make SBR efficient where they do not exist (a single Government reporting service or portal or gateway etc.)

Standard business reporting-related developments

74. The Forum’s note of July 2008 described SBR–related developments in The Netherlands where it was implemented in 2007 and in three other countries (i.e. Australia, Belgium and New Zealand) that are carrying out projects in preparation for its implementation. However, from survey responses and other research carried out it is apparent that interest in SBR and the kinds of enabling activities necessary to facilitate its implementation has spread to quite a number of other countries, as indicated hereunder:

- **Austria:** Officials reported the commencement of work on their one-stop-shop e-government portal with single sign on. This is a large scale program to bundle applications, harmonize business master data and create a data base for information obligations. The expected outcomes are better information services for businesses, faster and more efficient transactions with government, and elimination of duplicated data reporting requirements. The project is being conducted in three phases, commencing in 2009 and carried out in the period 2009 to 2012, and is expected to deliver annual savings of €100-300 million when fully implemented.
- **Denmark:** Planning to implement SBR has commenced under the direction of the National IT and Telecom Agency. Businesses will no longer have to report to the Danish Commerce and Companies Agency, the Danish Tax Authority (SKAT) and Statistics Denmark, reducing administration. Further simplifications to annual accounting for small businesses will also be investigated.
- **Switzerland:** The Government’s e-government strategy provides for a number of enabling projects that will facilitate moves towards the adoption of SBR. These are 1) E-government architecture (Project B1.06); 2) Standardisation of business and payroll data (project B1.08); 3) Transmission of payroll data from accounting systems of businesses to government (project A1.02); and 4) Services for electronic forms (project B2.04) and inter-authority electronic data exchange (project B2.05).

²⁸ “Taxonomies have been in use in Government for many years but with a fundamental limitation; there have usually been multiple taxonomies for the same area. So different Government departments within a jurisdiction would typically have their own taxonomies meaning that there could be, and usually are, different definitions for the same data item in different Departments. Indeed, definitions may even vary within Departments. In a world of electronic filing this is a major headache and cost for business and/or their agents because they have to map from their accounting systems to all these different data definitions and formats....The basic proposition for SBR is the creation of a national financial and business reporting taxonomy that Government and the private sector use describe data...”. Extract from: Forum on Tax Administration Taxpayer Services Sub-Group, *Guidance Note Standard Business Reporting*, July 2009, page 11. For further details, see pages 9-13.

Box 10. Standard business reporting

Figure 4 illustrates at a high level how businesses must typically change multiple times the format of information used in financial reporting to Government and how the same information will often be sent at different times to many different government bodies. Figures 5 and 6 show how, by introducing the key elements of SBR, that these requirements can be radically transformed.

Figure 4 - Pre-SBR position – multiple data format reporting

Businesses make multiple reports in different data formats to different Government agencies or even to the same agency

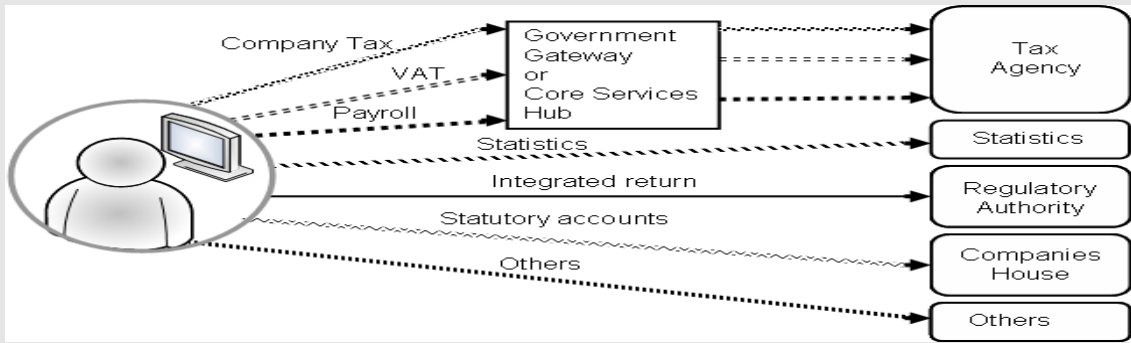


Figure 5. Standard data format – multiple reporting model

As now but with standard data format. Business continues to make multiple returns but all using the same data format.

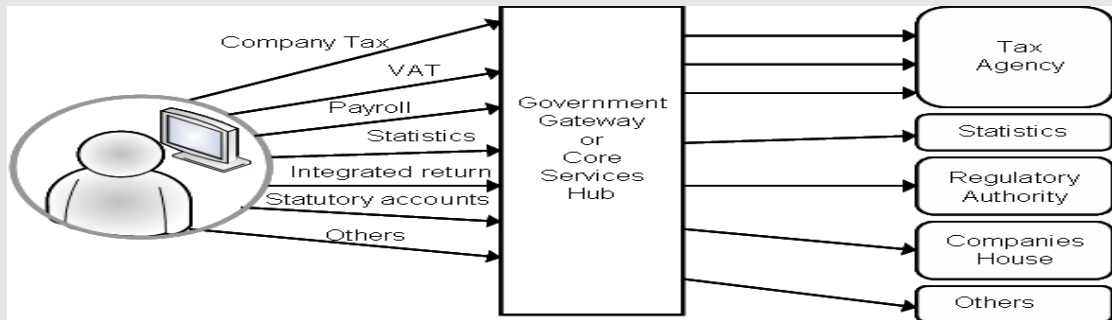
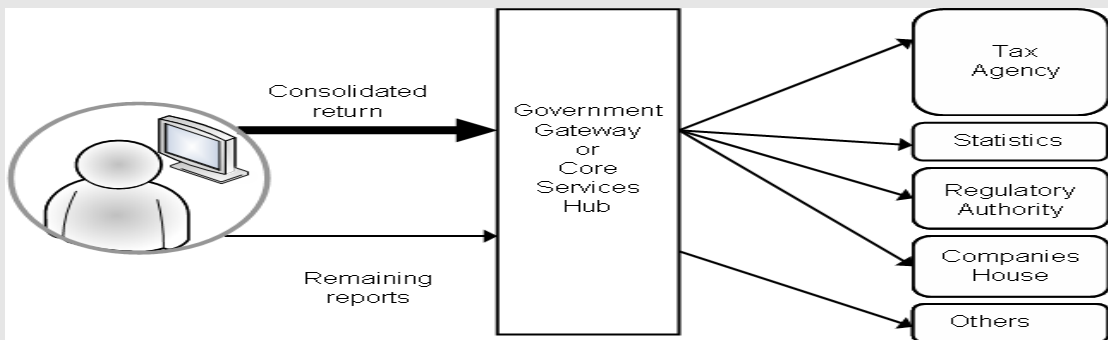


Figure 6. Standard data format – consolidated reporting model

Move to consolidated returns using standard data format. Business continues to send separate returns in standard data format where necessary



Source: Forum on Tax Administration, Guidance Note Standard Business Reporting, July 2009, p. 8-10

- **Small steps towards SBR:** A number of other countries are taking steps towards greater standardisation that will facilitate moves to adopt SBR into the future:

- *Ireland*: Revenue has commenced an examination of the issues around the feasibility & costs of making XBRL filing available to its customers. The Companies Registration Office is currently piloting an XBRL project and Revenue expects to learn from this. There will be consultation with accountancy bodies, trade representatives and software providers.
 - *Italy*: A specific decree mandating and defining technical modalities for making financial annual accounts reporting in digital ways through XBRL was issued on 31 December 2008. The initiative is under the direction of the Ministry for Public Administration & Innovation & most government agencies are involved. This measures impacts some 950,000 accounts and annual cost savings of the order of €570,000 from 2010.
 - *Singapore*: Adoption of XBRL.
 - *Spain*: Steps have been taken to “unify” the content of tax returns & the data reported in annual accounts to Companies House by businesses.
 - *UK*: Both HMRC and Companies House are advancing the use of XBRL in manageable, planned steps, allowing regulators, companies and financial software vendors to accustom themselves to the use of the language and its benefits. From 1 April 2011 for any accounting period ending after 31 March 2010, all Company Tax Returns must be filed online with accompanying accounts and computations in XBRL format. This format is a new standard designed specifically for business financial reporting - not just tax filing.
75. The Forum’s 2008 report noted how Governments place numerous reporting (and related requirements) on businesses that historically have been administered separately by individual government agencies in most countries. This agency-by-agency approach to the collection of data required by Government has resulted in a situation where, quite often, identical information is requested from businesses separately by different agencies. The example most commonly cited are the financial statements prepared by companies that must be reported to a range of government agencies (e.g. tax, statistical, and company regulators). Evidence of the extent of these overlapping reporting arrangements can be found in the work of Australian officials in their program efforts to introduce Standard Business Reporting (SBR), as reported in their survey response (see Box 11);

Box 11. Australia—standard business reporting taxonomy harmonisation

The Standard Business Reporting program will be implemented from 2010 and is expected to deliver significant benefits to business. However, success can already be identified in relation to SBR taxonomy harmonisation which aims to reduce the number of reporting elements required to describe the data reported by business to government.

Harmonisation can be achieved by:

- rationalisation - identifying elements that are not required to be reported (obsolete or redundant);
- standardisation - redefining elements in order to conform to an endorsed standard; this can be seen as a top-down approach to harmonisation where conformance is imposed or expected and may involve mapping an element to a defined standard item. The naming of the elements as prescribed by the standard can be adopted.
- normalisation – deciding whether elements that seem similar will be treated as equivalent: This would include the definition of the element, as well as its description.

For the SBR AU Taxonomy Cycle 3.0 *normalisation* and *standardisation* have been an important focus of the development process. For example, alignment to [AS4590](#) has resulted in increased consistency of data elements where they have been identified as equivalent. Similarly [IFRS-GP](#) has been used where financial data elements have been identified as equivalent. A key aim for the harmonised taxonomy is to use AS4590, IFRS-GP and SBR-core elements wherever possible in reference to local agency variants of such information. As at 31 March 2009, the SBR AU Taxonomy had reduced/harmonised the number of unique data elements across examined obligations from 9,648 to 2,838, **which represented an overall**

reduction of 71%.

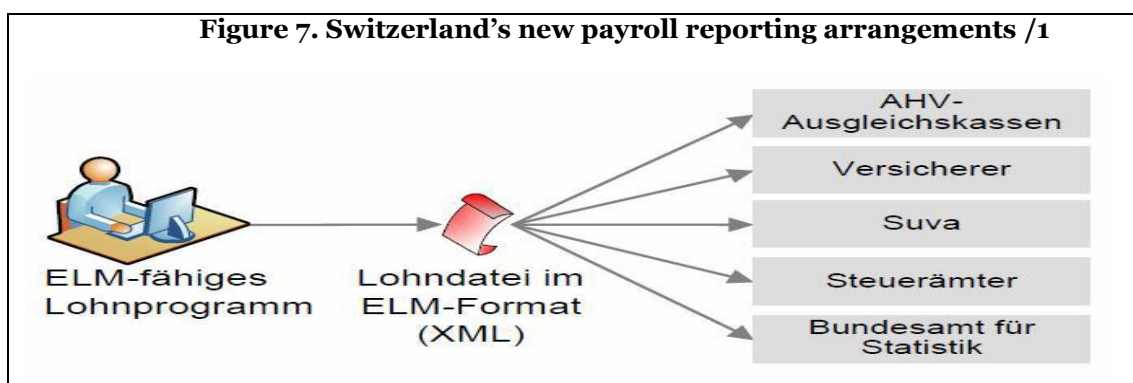
Other initiatives aimed at unifying/ reporting to government

76. Survey responses revealed a number of country initiatives designed to streamline government information requirements, thereby reducing the burden on business:

- Financial reporting by business:** Ireland’s Revenue reported that the Central Statistics Office (CSO), in co-operation with it, concluded an examination of the statistical potential of taxation, duty and trade data collected by the Revenue Commissioners. The associated report ‘*Statistical Potential of Administrative Records (SPAR): An Examination of Data Holdings in the Office of the Revenue Commissioners*’ was published in February 2009. Both Offices acknowledge that enhanced data cooperation between the CSO and Revenue, with a view to eliminating or minimising duplication in data submission, has the potential to reduce the administrative burden on business. The two Offices are now progressing a number of recommendations contained in the SPAR Report: 1) a Memorandum of Understanding between the two Offices was signed on 22 July 2009; 2) a High Level Liaison Group has been established; and 3) a Working Group to examine the potential use of a common business identifier between the two Offices has been established.
- Wage reporting by business:** In Switzerland, companies have to send their payroll data to different administrations. These administrations are the cantonal tax administration, social insurance, the Statistics Office, and the medical insurance and the accident insurance agencies. Each of these administrations needs other data, so the company has to prepare five different forms. This is a significant burden, especially for smaller-sized companies (from 1 – 200 employees).

Under the leadership of the accident insurance agency (SUVA) which has considerable experience in salary account software, a project was launched to improve this situation. The project goals were: 1) cost reductions for all involved partners; 2) quality control with an automatic plausibility check and a consistent report format; and 3) A secure way to send the data over the Internet. These goals were reached through the following solution.

Salary account software engineers now have the possibility to have their product certified by the founding society “swissdec”. All required specifications are freely available on www.swissdec.ch. (Information only in German, French and Italian) And also the whole certification process and any needed support are free. With a certified product, the taxpayer can send his payroll data with ‘one click’ to all receivers. Each receiver receives only the data he needs. Figure 7 below shows the taxpayer (with a certified product), sending his payroll data in xml format to the five receivers (via a web distributor). In addition, the following security objects were implemented: 1) The certified software product has an electronic signature; 2) The data will not be stored on the distributor; and 3) The XML file is encrypted with SSL.



/1. The recipient agencies with this reporting system are the cantonal tax administration, social insurance accident insurance, medical insurance, and Statistics.

With the realisation of this project, taxpayers are saving a lot of time with the preparation of the reports and the data receivers obtain complete and pre-checked data.

Sharing information across government and with taxpayers

77. Revenue bodies collect a huge volume of third party reports for income verification purposes and increasingly, as described at paragraph 54, to prepare pre-filled tax returns. While it may be beyond the medium capabilities of revenue bodies to adopt pre-filing as a strategy, there will be merit in providing taxpayers and authorised tax professionals with online access to such data to assist them prepare tax returns. A March 2009 report of the Danish Government notes that the revenue body provides access, via the Internet, to businesses and accountants enabling them to have access to all the information collected by the revenue body, including reports of financial institutions and other bodies. It notes that this makes it easier and quicker for their returns to be prepared, without having to trouble the business to collect taxation information.
78. Denmark also administers a similar capability—its e-Income initiative—whereby employment related data reported monthly by employers is shared electronically with other government bodies (e.g. social agencies and pension funds), facilitating their administration and avoiding the need for them to seek such information themselves from the taxpayer and/or the revenue body.

Easing the impacts of the global financial crisis

79. In the period since the 2008 report, the unprecedented events in global financial markets have put further pressure on governments to increase their own efficiency and that of the economy and have also led to further calls from business to improve the regulatory environment. As part of the survey, revenue bodies were asked whether the financial crisis had impacted existing burden reduction programs or priorities going forward.
80. Both Australia and New Zealand reported the introduction of small business support packages that have burden reduction and simplification at their core. Box 12 sets out an overview of New Zealand's tax assistance package:

Box 12. New Zealand—businesses to benefit from tax assistance package

It is not always easy for businesses to manage cash flow and meet tax obligations, particularly in difficult economic times. For many businesses cash flows are especially tight at present, and it can take time and effort to meet tax obligations at the best of times.

The package of changes announced today is aimed at easing the burden of tax on cash flow for smaller businesses and making it easier and less expensive – in terms of both time and money – for them to pay taxes. For example, changes to the provisional tax rules will allow smaller businesses to hold on to tax monies longer. Changes to various tax thresholds will lower costs for business by reducing the number of tax returns they have to fill in, the number of calculations they have to perform and the number of tax payments they have to make. All this can save them time and money.

Example: Junior Ltd is a consulting business with a turnover of \$1.8 million. It has 20 employees who are provided with low-interest loans and other minor fringe benefits (such as gym memberships) that are normally subject to FBT (amounting to \$80 per employee per month). The company has legal fees of \$8,000 a year, prepays 5 months of advertising costs (amounting to \$12,500) at the end of its income year, and pays its provisional tax on the standard uplift basis.

As a result of the changes announced today, Junior Ltd will benefit from:

- only having to pay PAYE over to IRD once a month, instead of twice a month;
- only having to file and pay FBT returns once a year, instead of quarterly;
- having to pay less FBT on the low-interest loans it provides its employees;
- not having to pay FBT on the minor fringe benefits it provides to its employees;

- only having to account for GST when payments are actually received, rather than when an invoice is issued should Junior Ltd opt to use the payments basis of accounting for GST;
- not having to differentiate legal fees between their revenue and capital components, and being able to claim an immediate tax deduction for the legal fees;
- not having to adjust its income tax return to reflect prepaid advertising costs;
- being able to make reduced provisional tax payments in respect of its remaining instalments for the 2008/09 and 2009/10 income years.

If Junior Limited is subject to UOMI on any underpayments of tax, it will benefit from a (4.51%) reduction in the UOMI rate to 9.73%.

Source: Press release at New Zealand Inland Revenue, www.beehive.govt.nz

81. In addition, Australia and the UK both reported examples of measures introduced to streamline existing services as a way of supporting viable businesses experiencing economic difficulties. Box 13 provides further details.

Box 13. Australia and UK—time to pay arrangements

Australia: On 24 October 2008, Australian Prime Minister Rudd addressed a Small Business Summit in Brisbane urging struggling business owners to approach the Tax Office for relief during the current global financial crisis.

"The Tax Office is committed to working with businesses that are having difficulty with meeting their tax obligations, including allowing for tax debts to be paid by instalments over a period of time," he said.

"If businesses are having problems, they should talk directly to the Tax Office. The assistance offered would be based on the taxpayer's individual circumstances."

United Kingdom: The current financial crisis prompted the introduction of the Business Payment Support Service (BPSS) in November 2008. Although HMRC has always taken a sympathetic and flexible approach to businesses facing temporary financial problems this support was enhanced in November 2008. This fast and streamlined service helps otherwise viable businesses in temporary financial difficulties to arrange to pay their tax bill to a timetable they can afford. To the end of March 2009, the service has handled more than 156,000 calls leading to more than 101,000 Time to Pay agreements worth over £1.7 billion. Whilst this does help to reduce burdens on business and feedback has been excellent it does not deliver savings that can be scored under the methodology used by HMRC to estimate burdens.

For more information see the following report produced at the 2009 Budget: Delivering a New Relationship with Business – 2009 Report - www.hmrc.gov.uk/budget2009/new-relationship-605.htm - (Paras 3.2-3.5)

Source: Country survey responses.

82. Ireland Revenue is obliged to maintain the current high levels of compliance notwithstanding the more difficult economic circumstances in which businesses and taxpayers are now operating. However, Revenue also acknowledges that in the current economic slowdown some businesses and taxpayers are currently experiencing difficulties in meeting their tax payment obligations even where they are fully committed to so doing and in more favourable economic and financial circumstances did precisely that.
83. Revenue has reiterated its long-standing message to business that there should be an early and full engagement with Revenue when problems start to emerge in meeting tax payment obligations. In recognition of the particular current realities for otherwise viable business and in order to find a solution to get such businesses back to timely compliance with the minimum of delay, additional considerations to those that normally apply in determining how Revenue will respond to such businesses are now being applied. In this regard, a new Case Decision Escalation Framework (CDEF) was established in February 2009 to allow for the speedy and appropriate referral of cases for a higher-level decision where factors that are largely outside the control of a business negatively impact the business' capacity to meet its tax payment obligations in a timely fashion. This is a deviation from the routine decision-making process and therefore the decisions are being made at a higher level. Many cases progressed through the CDEF have been granted phased payment arrangements.

84. It is also notable that one country reported that, due to financial pressures, the scale of some IT reforms aimed at reducing burdens are being reviewed demonstrating that significant investment is often needed to deliver ambitious burden reduction programs and that these investments are subject to prioritisation within revenue bodies.

Bibliography

OECD Publications	
Forum on Tax Administration: Taxpayer Services Sub-Group, <i>Guidance Note Standard Business Reporting</i> , July 2009	
OECD Regulatory Policy Division, <i>Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers</i> , 2009.	
OECD Centre for Tax Policy and Administration, <i>Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2008)</i> , January 2009	

Country	Country Publications
Australia	Australian Treasury Brief, <i>In Brief: SBR Background</i> , 17 July 2008
	Bartley S and Wirth A, <i>Integrating Complexity and Compliance Cost Considerations into Tax Policy</i>
	Board of taxation, <i>Scoping study of small business tax compliance costs – A report to the Treasurer</i> , December 2007
	Australian Tax Office, <i>Taxation Statistics 2006-7, 2007</i>
	Report of Taskforce on Reducing Regulatory Burdens on Business, <i>Rethinking Regulation</i> , January 2006
	Australian Government, <i>Rethinking Regulation: Australian Government's Response</i> , August 2006
Austria	
Canada	Action Task Force on Small Business Issues, <i>Helping Small Businesses by Reducing the Compliance Burden – Final Report on Action Items</i> , November 2008
	Action Task Force on Small Business Issues, <i>Helping Small Businesses by Reducing the Compliance Burden</i> , March 2007
	Decima Research for Industry Canada, <i>Qualitative Research into Paperwork Burden Reduction Issues—Final Report</i> , February 2007
	Preliminary findings from the Statistics Canada Survey of Regulatory Costs conducted in 2005/06, covering small (up to 100 employees) and medium-sized (101-499 employees) businesses.
	Canadian Federation of Independent Business, <i>Prosperity Restricted by Red Tape</i> , 2005
Czech Rep.	Individual agency reports (only in Czech), September 2005
Denmark	101 Simplification Measures to Make Life Easier (Ministry of Taxation)
	The Danish Government, <i>Debureaucratisation plan for business regulation</i> , March 2009
Germany	The 2008 report of the Federal Government (of Germany) on the Use of the Standard Cost Model and the progress made in reducing bureaucracy, <i>Time for Essentials: Cutting Red Tape Provides Leeway</i> , December 2008, page 19-20
	The 2007 Federal Government Report on the Use of the Standard Cost Model, <i>Administrative Costs: The Efforts to Identify, Measure and Reduce Them</i> , October 2007
Ireland	Business Regulation Forum, <i>Report of the Business Regulation Forum</i> , March 2007
	Business Regulation Survey, March 2007
	Central Statistics Office and Revenue, <i>'Statistical Potential of Administrative Records (SPAR) – An Examination of Data Holdings in the Office of the Revenue Commissioners'</i> February 2009. http://www.cso.ie/releasespublications/documents/corporate_publications/CSO_Revenue%
	High Level Group on Business Regulation First Report, July 2008 http://www.entemp.ie/publications/commerce/2008/HLGReport.pdf
New Zealand	Colmar Brunton for the IRD, <i>Measuring the tax compliance costs of small and medium sized businesses—a benchmark survey</i> , June 2005
	Summary reports of the Business New Zealand- KPMG Compliance Cost Surveys (September 2006)

	and October 2007)
Norway	VAT burden measurement (English Summary)- September 2004
South Africa	SBP, Counting the cost of red tape for business in South Africa, 2005
	SARS, Measurement of VAT and Regional Services Councils Act-induced Administrative Burdens
	FIAS, Tax Compliance Burden for Small Businesses: A Survey of Tax Practitioners, August 2007
Sweden	Compliance Costs of Value Added Taxation in Sweden (Report 2006)
	Standard cost measurement exercises carried out by Nutek (The Swedish Agency for Economic and Regional Growth for) VAT, corporate income tax, tax payments, and four excise taxes
	The Swedish Government's Action Plan to Reduce Administrative Burden for Enterprises
United Kingdom	Administrative Burdens- Her Majesty's Revenue and Customs Measurement Project (20 March 2006). (Summary and individual tax by tax reports).
	Better Regulation Commission, What gets measured must get done, December 2006.
	HMRC, Progress towards a new relationship: How HMRC is working to make life easier for business, April 2006

Other Publications

SCM Network, *International Standard Cost Model Manual: Measuring and reducing administrative burdens for business.* www.administrative-burdens.com

Glossary of terms

Administrative burdens	Administrative burdens are the cost to business of carrying out administrative activities that they would not carry out in the absence of regulation, but that they have to undertake in order to comply with it (UK NAO)
Administrative costs	Administrative costs are the costs to business of carrying out administrative activities in order to comply with regulations that impose information obligations (IOs). IOs require businesses to provide information to Government to demonstrate that, and how, they are complying with a given regulation. Administrative costs include the administrative activities that businesses would choose to continue doing even in the absence of regulation.
Compliance costs	The total costs incurred in complying with tax regulations (NB: There is some contention in academic circles as to what actual 'costs' are comprised in this definition (e.g. should it include discretionary tax planning costs) and as to what allowance should be made for the 'time value of money' in respect of, for example, employees' taxes withheld at source and therefore available to business for their use before having to be remitted to revenue bodies.)
Large, medium and small businesses	These terms are used widely to characterize businesses by virtue of their 'size'. Size can have many dimensions (e.g. in terms of assets, turnover, and/or number of employees) but there is no internationally accepted definition as to what constitutes a large, medium or small- sized business. Accordingly what is 'large', 'small' or 'medium' will vary from country to country.
Standard cost model	A quantitative methodology for determining the administrative burdens for business imposed by government regulation.

Description of the standard cost model²⁹

The Standard Cost Model (SCM) is a method for determining the administrative burdens for businesses imposed by regulation. It is a quantitative methodology that can be applied in all countries and at different levels. The method can be used to measure a single law, selected areas of legislation or to perform a baseline measurement of all legislation in a country. Furthermore the SCM is also suitable for measuring simplification proposals as well as the administrative consequences of a new legislative proposal.

The SCM has been developed to provide a simplified, consistent method for estimating the administrative costs imposed on business by central government. It takes a pragmatic approach to measurement and provides estimates that are consistent across policy areas.

The SCM method is a way of breaking down regulation into a range of manageable components that can be measured. The SCM does not focus on the policy objectives of each regulation. As such, the measurement focuses only on the administrative activities that must be undertaken in order to comply with regulation and not whether the regulation itself is reasonable or not. A key strength of the Standard Cost Model is that it uses a high degree of detail in the measurement of the administrative costs, in particular going down to the level of individual activities.

The process of reducing administrative costs with the SCM can be divided into three steps:

1. Break down regulation into manageable components that can be measured.
2. Measuring the administrative burdens
3. Simplifying the regulation

1. Breaking down regulation into manageable components that can be measured

The SCM breaks down regulation into a range of manageable components that can be measured; information obligations, data requirements and administrative activities.

Information obligations: Information obligations (IO) are the obligations arising from regulation to provide information and data to the public sector or third parties. An IO does not necessarily mean that information has to be transferred to the public authority or private persons, but may include a duty to have information available for inspection or supply on request. A regulation may contain many information obligations.

Data requirements: Each information obligation consists of one or more data requirements. A data requirement is each element of information that must be provided in complying with an IO.

Administrative activities: To provide the information for each data requirement a number of specific administrative activities must be undertaken. The SCM estimates the costs of completing each activity. Activities may be done internally or be outsourced (i.e. done externally). It may be necessary to make acquisitions to complete a specific activity and where these are only used in complying with the requirement they are included in the estimate.

2. Measuring the administrative burden

Cost parameters: For each administrative activity a number of cost parameters need to be collected: 1) Price: Price consists of a tariff, wage costs plus overhead for administrative activities done internally or hourly cost for external service providers; 2) Time: The amount of time required to complete the administrative activity.; and 3) Quantity: Quantity comprises of the size of the population of businesses affected and the frequency that the activity must be completed each year.

²⁹ Sourced from the Standard Cost Model Network – www.administrative-burdens.com.

Combining these elements give the basic SCM formula:

$$\text{Cost per administrative activity (or per data requirement)} = \text{Price} \times \text{Time} \times \text{Quantity} \\ \text{(population} \times \text{frequency)}.$$

3. Simplifying regulation

The strength of the SCM is the fact that it is highly action-orientated and simplification work is its natural extension.

Table 9. Individual country approaches to estimating administrative burden/compliance costs and their status

Country	Measurement approach	Status/ Progress
Australia	<p>No attempt is made to measure the aggregate burden resulting from government regulations. Rather individual new policy measures are subject to an assessment of their likely burden as part of the policy formulation process.</p> <p>The Australian Treasury/Australian Tax Office use a compliance cost assessment methodology that is underpinned by a simple three-part conceptual framework that is articulated in practice using three questions: 1) Who is impacted? 2) How are they impacted? and 3) What is the magnitude of the impact? The assessment process has two components – a qualitative component involving a descriptive assessment of the compliance cost impact, and a quantitative component involving the estimation of the potential compliance costs or savings.³⁰</p>	<p>The ATO publishes a report “Making it Easier to Comply” which includes a report card on what was planned to be delivered against what was actually delivered with regard to the ‘easier, cheaper, and more personalised’ (Change Program) as well as other ATO initiatives to improve client experiences and make it easier for them to comply with their taxation obligations. No attempt is made to quantify savings. http://ato.gov.au/corporate/content.asp?doc=/content/00169210.htm . Implementation of SBR begins in 2010, with savings expected to flow in subsequent years.</p>
Austria	<p>The Standard Cost Model (SCM) was used to measure the baseline level of compliance costs, as at 30 June 2006. EU regulation was only included when national implementation acts were made and only businesses with a domicile in Austria were included. Furthermore, the baseline measures do not include: 1) regulation at Länder level; 2) state-owned enterprises (over 50%), NGOs, private interest groups and international organisations (UN, OPEC); and 3) regulation containing information obligations causing less than 500 hours or less than €20,000. Face to face interviews in businesses were the primary method to measure administrative costs. Additionally, so-called expert panels were established to cross-check the results of the interviews. The findings of the measurement work were published in late 2007.</p>	<p>Progress: 1st plan (March 2007) 133 proposals for ~ ¾ of the national target, update of reduction plan on preparation of 2009 budget (because of elections in Feb/March 2009), proposed reduction measures for 2/3 of overall target, 20% of planned measures have already been implemented.</p>
Belgium	[awaiting input]	
Canada	<p>A baseline was developed by key federal regulatory departments and agencies establishing an inventory of administrative requirements and information obligations with which business must comply. This inventory consists of a comprehensive count of all requirements and obligations that existed as of 1 November 2006 in the consolidated statutes, regulations, related policies and forms with which the regulating departments and agencies are responsible and with which businesses (large or small) must comply. The total count does not equate to the number of federal requirements with which any particular business must comply. Some requirements apply to a large number of Canadian businesses, while others apply to a very limited group of firms or a defined set of circumstances.</p>	<p>Both Canada Revenue Agency (CRA) and the government as a whole exceeded the 20% target. CRA identified and is eliminating over 8,000 obsolete or non-essential information obligations imposed on business by amending, consolidating or eliminating data collection forms. Measures to make even further reductions are being undertaken.</p> <p>The framework is described in the report (refer para. 28, page 16).</p>

³⁰ For a more detailed exploration of the Australian approach see ‘Bartley S and Wirth A, *Integrating Complexity and Compliance Cost Considerations into Tax Policy* and article recently published in Walpole M and Evans C, *Tax Administration: Safe Harbours and New Horizons*, ATAX Tax Administration Series: volume 3 (2008), Fiscal Publications UK.

Programs to Reduce The Administrative Burden Resulting from Tax Regulations (Follow-up Report)

	The CRA has also developed a Performance Measurement Framework for Compliance Burden Reduction.	
Chile	Chile has no formal whole of government burden reduction program. However, since 1998, when the Chilean Internal Revenue Service (SII) defined the strategic choice to use the Internet as the preferred channel for taxpayer communication and service delivery, the SII has put at the taxpayers' disposal various online services in order to reduce the administrative burdens. These measures are briefly described in Chapter V.	
Denmark	<p>A Standard Cost Model (SCM) based methodology called AMVAB is used across all bodies (http://www.amvab.dk/sw197.asp). The measurements are carried out by a private consultancy company but with central coordination by the Danish Commerce and Companies Agency under the Ministry of Economic and Business Affairs in close collaboration with the specific ministries. These quantitative measurements have been supplemented by other more qualitative and bottom-up methodologies with the purpose of identifying administrative burdens across business regulation.</p> <p>The new Government which took office in November 2007 has taken steps to reinforce the goal of reducing administrative burdens by 25 percent by 2010. Furthermore, it includes a new focus on irritants and de-bureaucratization at municipality level. The Government plan also sets out a new E-government strategy whereby all communication between businesses and public authorities must be digital by 2012.</p>	<p>In spring 2008, steps were taken to strengthen the work in the ministries in order to ensure that the 25 percent target is reached in time. As part of the new Danish E-government strategy, the Division for Better Business Regulation has started projects on mapping and increasing the amount of system-to-system solutions and 'instant-decisions'. The goal is to increase both by 15 percent by 2010. Furthermore a project called 'ten business processes' has started, that with the use of value stream mapping of concrete processes between businesses and the public authorities intends to digitalize and simplify regulation. Progress is monitored each year and is broadly in line to achieve the overall target.</p> <p>The last published progress report (www.amvab.dk) indicates that aggregate burdens have been reduced by 15% against a 2001 baseline, while the tax-related burden has been reduced by 26% against the 2001 baseline.</p>
Finland	Finnish Government agencies are using the Standard Cost Model (SCM) to measure administrative burdens in a number of key areas.	In course.
France	<p>The methodology used in France is the EU's SCM. The EU methodology has been complemented by the <u>internal administrative cost</u> reduction measurement (for public body) for every reduction measure defined. In that sense France measures the burden on both: businesses and administration. Furthermore, the cost of delays in administrative procedures has also been taken into account.</p> <p>Between 2006 and 2009 three waves have been carried out: 1) first wave, in 2006, which covered 30 information obligations (IOs); 2) second wave, in 2007, which covered 200 IOs in the areas defined as <i>strategic</i>; and 3) third wave, in 2008, which covered 200 new IOs. Each wave measurement was followed immediately by the re-engineering, based on the three-step approach: 1) IO measurement; 2) discussions at 'simplification workshops' organised between relevant public body and business concerned representatives; and 3) an action plan elaboration including concrete simplification measures.</p>	VAT and corporate income tax are the main taxes affected by burden reduction activities and measurement has been carried out for each information obligation. However, no global estimate of the progress made is currently available.
Germany	Assessment of the costs of bureaucracy has been carried using the Standard Cost Model (SCM). As reported in <i>The 2008 Progress Report of the Federal Government</i>	Steuerbürokratieabbaugesetz (Tax Bureaucracy Reduction Act) (as resolved by the Federal Cabinet on 23 July 2008);

Programs to Reduce The Administrative Burden Resulting from Tax Regulations (Follow-up Report)

	<p>in using the SCM and Reducing Bureaucracy’ so far the ministries have identified a total of 10,4072 information obligations for the business sector that were in force as of 30 September 2006. The baseline measurement comprises 9,234 information obligations from national laws and ordinances (including EU and international law transposed at the national level). For these information obligations identified, totals of the burden were determined and the baseline management was completed. 1,173 information obligations from EU regulations that are not included in the baseline measurement are directly and immediately effective in Germany.</p> <p>Altogether, administrative costs amounting to approximately EUR 47.6 billion per year have been identified for the business sector. Even though all measured regulations have been adopted by the national legislative authority, some of them are based on EU and international law. Therefore, the administrative costs were allocated to the level that caused the costs. Out of the overall burden, EUR 22.5 billion are caused by the national legislative authority (category "national law"), while EUR 25.1 billion are based on regulations initiated to EU & international law (category "EU & international law").</p>	<p>savings volume totals € 203 million. See Box [x].</p>
Ireland	<p>Led by the Department of Enterprise, Trade and Employment measurements are being undertaken using a revised SCM model. Rather than measuring all information obligations (IOs – see below) Ireland will only measure the top 20 percent of IOs which give rise to 80% of burdens.</p>	<p>In course.</p>
Italy	<p>In Italy, the SCM is applied taking into account peculiarities such as: 1) the Italian regulatory scenario (presence of several government levels with regulatory powers); 2) the structural features of the production system, with a strong presence of small and medium enterprises (4,446,137 units, 88.6% with less than 5 employees); and 3) the role of consultants/intermediaries and of entrepreneurs’ associations. The survey is carried out on a sample of businesses quite larger than the one used in other European States using two procedures:</p> <ol style="list-style-type: none"> 1. Expert assessment for enterprises with less than 5 employees: focus groups are organized involving enterprises, associations and service providers who are asked to assess the cost of all information obligations as well as, as far as possible, of each single administrative activity; 2. Direct survey for enterprises from 5 to 249 employees—a two-phase sample survey is carried out by Istat (National Statistical Institute) regional offices, involving a) a telephone survey aiming to identify the enterprises eligible to fill up the questionnaire and to assess the compliance frequency; and b) a direct survey addressed to a smaller number of enterprises and aiming to assess the cost incurred in the regulatory area concerned by the survey. <p>As far as methodological aspects are concerned, the assessments indicate the magnitude of burden related to the measured information obligations: although they are based on samples (40-50 enterprises) tenfold higher than in other countries (4-5 enterprises). The assessments produced refer only to the selected information obligations and are</p>	<p>From the measurement work completed to date, the total administrative burden of €16.2 billion has been identified. However, this excludes tax-related burdens that are still the subject of measurement/ analysis.</p> <p>For the tax related work underway, the mapping of three specific activities has been set up: 1) unified return for tax substitutes (e.g. employer information returns); 2) annual communication of VAT data; and 3) annual VAT return. The mapping for each has been split into 5 sub-activities: gathering data, filling in, filing, archiving and assisting external subjects. In all cases, the completion of forms has been the most burdensome activity.</p>

Programs to Reduce The Administrative Burden Resulting from Tax Regulations (Follow-up Report)

	not meant to represent all burdens resulting from rules and regulations in each regulation area. The measurement excludes information obligations provided for by community or regional regulations that play a major role in environmental issues.	
Mexico	<p>The tax administration is making efforts to establish a formal program oriented to the measurement of compliance costs, and thereby enabling it to establish strategies and clear objectives and targets to reduce the administrative burden. Recently, the Mexican Tax Administration Service developed the first survey to determine the administrative burden of the principal tax obligations of the corporate taxpayers: Corporate Income Tax, VAT and IETU (only applicable to México), for the fiscal year 2008. The survey asked corporate taxpayers to report the time and the cost which they incur to comply with their most common tax obligations.</p> <p>The survey's results identified that companies' administrative burden resulting from fiscal obligations depend on a diversity of factors: the size of the company, the personnel's number, their geographical dispersion, their economic activity, the level of systematization of their processes, etc. The methodology applied in the survey is a combination between the reversed time, in hours, for the compliance of the principal tax obligations, the number of effected payments and the total amount of taxes at the expense of the companies, expressed as percentage on the performances before taxes (commercial profits), in line with the elements of the Standard Cost Model which indicated that we should measure exclusively the activities directly related to the compliance of the tax obligations, eliminating those relating to business production.</p>	<p>This first effort to measure the administrative burden of taxpayers to pay taxes, has allowed to the revenue body to estimate the global and tax value of the administrative burden. The next phase of the process will be to gather the same information for personal taxpayers so that clear and precise targets of reducing administrative burdens can be set for both groups of taxpayers.</p> <p>Also, the SAT has recently concluded a first exercise to measure the administrative burden of the revenue body of the main taxpayer's services that we offer in our walk-in rooms.</p>
The Netherlands	Standard Cost Model (SCM) – but the definition of administrative burdens has been adjusted to exclude 'business as usual', including information obligations to third parties. A methodology has been further developed to identify compliance costs, beyond information obligations to government. Measurement has taken place in specific areas.	<p>These two web links provide the last two regular (quarterly) reports on the progress of the national program to reduce the administrative burden.</p> <p>http://www.minfin.nl/Actueel/Kamerstukken/2009/02/Be knopte voortgangsrapportage over de reductie van Administratieve Lasten AL voor bedrijven</p> <p>http://www.minfin.nl/Actueel/Kamerstukken/2008/11/Voortgangsrapportage Regeldruk Bedrijven</p>
New Zealand	Program to measure compliance costs of small/ medium businesses is expected to commence in late 2009 and will use the tailored compliance cost methodology first applied in 2004.	
Norway	Standard Cost Model (SCM) is used. A full scale baseline measurement exercise was finished in Autumn 2007. The estimated total of all administrative burdens in Norway comes to a total of NOK 57 billion (7 billion EUR). This is the equivalent of 2.6 % of the Norwegian GDP. "Business as usual" costs and A and B regulation are included in the results. Of this amount, 4.3 billion is attributed to tax-related regulations.	An updated of the baseline measurement is due in late 2009. Norway has developed a database with the complete data material from the baseline measurement. This database allows Norway to keep the baseline measurement updated with the consequences of new or amended rules.
Portugal		

Programs to Reduce The Administrative Burden Resulting from Tax Regulations (Follow-up Report)

Spain	Various Government decisions have led to: 1) the setting of a 30% burden reduction target to be achieved by 2012; 2) adoption of the SCM; and 3) the setting of six priority areas, including tax, for attention.	Following the setting of the new target, there have been a number of decisions concerning proposals to meet burden reduction objectives (e.g. Decision of 27 th June 2008 adopts measures to reduce the administrative burden in 11 procedures in order to boost the economic activity, and Decision of 14 th August 2008 adopts a second package of measures), all containing many reforms under the competence of the Ministry of Economy and Finance. However, as yet there has been no assessment released of the estimated aggregate burden or the size of any reduction resulting from the measures introduced.
Sweden	In November 2003, the Government commissioned Nutek to carry out a pilot measurement of administrative costs for businesses in the area of value added tax (VAT). The results of the measurement were listed in a report in May 2004. Since then Nutek has, in co-operation with consultants, ministries, government agencies and business organizations, measured the administrative costs for businesses in several areas, by using the Standard Cost Model. The measurements have been carried out by area of regulation rather than by ministry or government agency. All baseline measurements of administrative costs for businesses were completed in February 2008 (ex SCM database).	Precise data on the scale of burden or the impacts of measures implemented were not reported but it was indicated that new legislation has led to increased costs (i.e. increased administrative burden) that have been partially offset by measures carried out by the Tax Agency (e.g. simplified return forms and enhanced e-services).
Turkey	There has been no attempt, either on a whole of government level or by the tax agency to estimate the administrative burden resulting from regulations	Despite the absence of a formal program, the revenue body can point to many initiatives that will have eased the administrative burden on taxpayers.
USA	The IRS has adopted a standardized approach to measurement in which taxpayer burden is defined as the time and money that taxpayers spend to comply with federal tax obligations and includes pre-filing, filing, and post filing activities. A single monetary burden measure has been developed that reflects both taxpayer time and out-of-pocket costs spent on gathering tax materials, tax planning, tax-related recordkeeping, form completion, and form submission. It also includes time spent interacting with IRS and third parties such as paid tax professionals and money spent on tax preparation software and services. Initially, this measure will cover pre-filing and filing income tax burden of individual taxpayers. Eventually, measurement coverage will be expanded to reflect post-filing burden and burden for other tax and taxpayer types.	
UK	The UK appointed two external contractors to measure the administrative burden of UK regulation on business using the Standard Costs Model (SCM). One measured the administrative burden of the UK tax system (the results were reported in 2006 and are available on HMRC's website) while the other measured the administrative burden for the rest of Government regulation. These measurement exercises have been used as the basis for separate 5 year administrative burden reduction targets (one for tax and one for the rest of government). Departments are currently working towards delivery of these targets. At Budget 2006, two specific administrative burden reduction targets were announced for HMRC to achieve by March 2011: 1) reducing the burden of forms & returns by 10%	At Budget 2009 (22 April 2009) HMRC reported significant further progress in reducing administrative burdens both against these targets and more generally. Since 2006, they have implemented or committed to new measures that will deliver administrative savings to business of around £540 million per annum, made up of: 1) £330 million from reducing the burden of forms and returns; 2) £43 million from reducing the burden of audits and inspections; and 3) £168 million from wider administrative changes.

Programs to Reduce The Administrative Burden Resulting from Tax Regulations (Follow-up Report)

	<p>(equivalent to SCM savings of £337 million); and 2) reducing the burden of audits & inspections for compliant businesses by 15% (equivalent to savings of £21 million). HMRC consider the administrative burden impacts of all potential tax changes and ensure impacts on business are factored into decision-making (for those measures taken forward an Impact Assessment is published). All initiatives that impact on administrative burdens (both decreases and increases) are measured and monitored across HMRC. Progress is reported monthly to the senior level governance board, 6-monthly to the external Advisory Board, and externally once a year at the Financial Budget. All tax regimes have been challenged at Director level to identify areas for admin burden reductions (through regular 'Challenge Panels') which have proved to be a very effective internal lever for change. After 3 years of targets, awareness of burdens is high across tax regimes and reducing administrative burdens for business (or minimising any necessary increases) is increasingly becoming part of business as usual.</p>	
--	---	--

Source: Country survey responses and SCM network database