Forum on Tax Administration

Voluntary Disclosures Decision Tree

OFFSHORE COMPLIANCE NETWORK

The Offshore Compliance Network (OCN) was created to enable the FTA to build on the achievements of individual countries and use the power of coordinated action and multilateral collaboration to improve the ability of tax administrations to deter, detect and deal with offshore tax evasion. It is led by the United States and France.

INTRODUCTION TO THE VOLUNTARY DISCLOSURES DECISION TREE

Tax administrations around the world have in recent years enhanced their ability to deal with offshore tax evasion by strengthening their powers, exchanging increasing amounts of information internationally and through the work of the Global Forum on Transparency and Exchange of Information.

Several tax administrations have encouraged offshore evaders to regularise their affairs and have secured significant additional tax yield in the process, by running a voluntary disclosures program (VDP). Generally speaking, a VDP allows taxpayers to correct their tax affairs and in return for coming forward voluntarily, the tax administration offers certain incentives such as the avoidance of criminal prosecution and reduced rates of penalty and interest.

The OCN has developed a decision tree to assist those administrations that are considering altering or creating a VDP.

The Decision Tree provides an overview of the factors that tax administrations need to think about when designing and administering a VDP. It is designed to assist the decision making process.

THE DECISION TREE WAS CREATED AS A RESULT OF CONTRIBUTIONS FROM THE FOLLOWING 20 COUNTRIES:

- AUSTRALIA
- AUSTRIA
- CANADA
- DENMARK
- FINLAND
- FRANCE
- GERMANY
- IRELAND
- JAPAN
- MEXICO
- NETHERLANDS
- NEW ZEALAND
- NORWAY
- POLAND
- SINGAPORE
- SPAIN
- SWEDEN
- SWITZERLAND
- UNITED KINGDOM
- UNITED STATES

STARTING A VOLUNTARY DISCLOSURE INITIATIVE OR PROGRAM – DECISION TREE

Decision #1: Establish the Reason

Opportunity for voluntary disclosure available to the majority of Taxpayers	**or**	Opportunity for voluntary disclosure available to specified Taxpayers, for a specific duration in order to address a specific issue

Decision #2: Determine the Scope

Available to all Taxpayers	Available only to those who fit criteria
Open-ended. No specified date for terminating program	Specified duration of program

Decision #3: Establish the Terms

What is the incentive for Taxpayers to come forward?

General Program   Specific Program

Tax waived	None, Some, or All
Interest waived	None, Some, or All
Monetary penalty waived	None, Some, or All
Prosecution waived	

Decision #4: Establish Reporting Requirements

How does the Taxpayer make the voluntary disclosure?

General Program   Specific Program

How? i.e. Specified Form/questionnaire/letter	When? i.e. At least 1 year late.	Who can make the disclosure? i.e. Taxpayer/accountant/legal representative

Decision #5: Consider the Opportunity for Intelligence Gathering

Beyond assessing taxes, is there a desire to gather further intelligence?

General Program   Specific Program

Identify promoters	Identify schemes	Identify methodologies
	Identify information available	

Decision #6: Build a Communication Strategy

Design an appropriate communication strategy

Attract the targeted Taxpayers and encourage them to use the program

Communicate with the already compliant Taxpayers - to create an understanding of the program and avoid resentment