

VIRTUAL ROUNDTABLE ON TAX MORALE

18, 19, 20 May 2021

SUMMARY STATEMENT

The [OECD/CIAT Virtual Roundtable on Tax Morale](#) brought together over 100 representatives from tax administrations across Latin America and the Caribbean, MNEs operating in the region, tax professionals, and relevant business associations to discuss ways to improve cooperation and trust between MNEs and tax authorities. This was the fourth and last in a series of regional roundtables on tax morale aimed at bringing together businesses and governments to explore these issues.

The roundtable was jointly organised and co-chaired by the Organisation for Economic Co-operation and Development (OECD) and the Centro Interamericano de Administraciones Tributarias (CIAT).

The discussions took place over the course of three days, including a closed session with representatives from the private sector, a closed session with representatives from tax administrations, and a joint session in which both business representatives and public officials had the opportunity to discuss, and identify common perspectives and conclusions.

The basis for the discussions was provided by the recent empirical research undertaken by the OECD. A global survey of 1240 tax officials from 139 jurisdictions provided perceptions of large business and Big Four consulting firms behaviour in accordance with voluntary tax principles developed by Business at OECD and the Big Four. The sample included 325 responses from 30 countries in the Latin America and the Caribbean (LAC) region. These data identified a number of challenges particular to LAC, such as the lowest levels of perceived mutual trust among all regions, the highest levels of confrontation arising from audits, or a greater perceived reluctance from business to consider alternative dispute resolution procedures - despite the existence of some notable examples of good practice in the region.

Participants recognised the challenges reflected in the survey data, reminding to treat regional aggregated results with some caution, as there are likely to be some significant differences between the countries in the LAC region that justify a more exhaustive analysis. Both during their closed-doors and common discussions, taxpayers and tax administrations converged on most of the issues to focus on, displaying a clear common interest and willingness to collaborate:

- The need to evolve towards more agile, efficient and effective communication channels - although such communications must continue being regulated in order to maintain the security and integrity of the process. Currently, many tax administrations in the region lack communication channels suitable to meet specific taxpayer needs, or the procedures are unclear, inflexible or very bureaucratic. Participants recognised that improving communication channels could prevent conflicts and generate mutual trust. It was also recognised that a more dynamic communication would help taxpayers understand what information the Administration needs, thus optimising responses to requests for information and reducing the burden of compliance for the taxpayer.
- The recognition that for both large business and tax authorities in the region there are preconceptions/reputations that can prejudice the relationship. Participants indicated their willingness to find better ways to communicate to address these preconceptions and improve their public image, to ensure that both private actors and administrations are judged fairly.
- Improving risk management was signalled as a crucial area for both businesses and administrations. Several businesses shared that they had taken clear policy decisions to adopt a low tax risk strategy (a positive sign of tax morale), and numerous administrations shared the benefits of moving to a risk-based approach in tax administration. Both sides agreed on the benefits of increasing transparency with the approach taken to risk, to build mutual trust that behaviour matches commitments made on risk management.
- Participants also agreed on the importance of prioritising co-operative compliance approaches, but recognised that such an approach is more challenging to implement fully in jurisdictions with more limited resources. There was also a recognition of the lack of depth of understanding of value chains and business structures that comes with limited capacities, with the suggestion that multilateral

initiatives should be explored.

Business and tax authorities shared multiple examples of best practice, suggesting that some of these challenges may be easier to overcome than expected, and that there is a wide range of positive case studies in the region to draw from and build upon.

The following **action areas** were identified:

Businesses are encouraged to:

- Revisit the existing voluntary tax principles to identify areas for improvement, based on the comments received through the OECD survey and the regional roundtables;
- Think about how to communicate information about their processes and value chains, in order to help administrations better understand their business structures

Governments and tax administrations are encouraged to:

- Promote a constructive engagement between tax authorities and taxpayers on a regular basis, with the purpose of applying the tax system using less intrusive strategies and focused on promoting compliance, instead of prioritising a sanctioning approach
- Review approaches to requesting information from taxpayers, to see if they can be made more targeted
- Seek the simplification of procedures, in order to facilitate their understanding and the correct fulfilment of tax obligations by the taxpayer

OECD and development partners are encouraged to:

- Continue facilitating discussions between the stakeholders and compiling best practices;
- Explore how both the [OECD International Compliance Assurance Programme \(ICAP\)](#) and other co-operative compliance approaches could be adapted to those jurisdictions in which the tax administrations have fewer resources
- Maintain this item on the international agenda; and
- Incorporate tax morale issues into capacity building programmes, for example by including tax morale indicators as part of the [Tax Inspectors Without Borders](#) monitoring and evaluation mechanism, or by increasing the number of initiatives that encourage dialogue between taxpayers and administrations.

[Please note that this meeting was held under Chatham House rules. These meeting notes have thus been drafted to preserve the principle of non-attribution and to capture the main conclusions only.]