



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



**FORUM ON TAX ADMINISTRATION:
TAXPAYER SERVICES SUB-GROUP**

Draft Information Note (incomplete)

**Programs to Reduce the Administrative Burden of Tax
Regulations in Selected Countries (follow-up report)**

21 September 2009



CENTRE FOR TAX POLICY AND ADMINISTRATION

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. It has been prepared following information gathering among member revenue bodies and related research, and with the benefit of discussions with officials of member revenue bodies.

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

[To be completed when main parts of note are finalised]

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.
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.
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. 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.

[*** The following paras in this part will be updated in the light of discussions at the Berlin TSG and in the light of any further country input]**

4. The following countries have been included in this follow-up study: Australia, Austria, Canada, Chile, Denmark, Finland, Germany, Ireland, The Netherlands, New Zealand, Turkey, UK, USA providing information on the progress they have made. The starting point for the study was a survey of the countries participating in the FTA's Taxpayer Services Sub-Group. The material provided by the countries has been supplemented by further research and a comprehensive bibliography can be found at Annex 1.
5. Like the first survey 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 how these programs, whether initiated within the revenue body or by another part of government, can lead to improved taxpayer services and reduce 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.

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.

1. Introduction

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

The costs of regulation to business involve not just extra time, paperwork and capital outlays, but also deflect management from the core activities of the business. Submissions indicated that compliance matters can consume up to 25% of the time of senior management and boards of large companies. The impact is even greater for small businesses...

Australian Taskforce on Reducing Regulatory Burdens on Business

Red tape limits consumer choices, raises prices, frustrates entrepreneurship, reduces productivity and lowers living standards.

Canadian Federation of Small Businesses

About 60 percent of firms report that the costs of regulation have increased in the last two years.

Donal de Buitléir, Chairman, Business Regulation Forum, Ireland

Streamlined and efficient rules of procedure give enterprises more freedom for investments & innovations.

Minister of State Hermann Gröhe, Germany

The consistent message from business and tax practitioners is that tax complexity and compliance costs remain a significant concern. Business rated tax issues as being among their highest regulatory burdens.

Australian Taskforce on Reducing Regulatory Burdens on Business

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?

7. 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.
8. 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 administrative 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

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

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

“...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

9. 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; South Africa ZAR27.3 billion; and UK £5.1 billion.
10. 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.
11. 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. The overarching aims of the Austrian Government’s program to reduce administrative burdens, as set out in Box 1 provides a useful illustration of the potential benefits from a systemic approach to burden reduction:

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 EUR.

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.verwaltungskosten.at

12. In addition 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 and 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.”

László Kovács, EU Commissioner for Taxation and Customs

Source: 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

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

13. 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. 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.⁶

Challenges and opportunities

14. 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.
- **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.⁷

15. 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, the most relevant are set out below ⁸:

⁶ OECD Centre for Tax Policy and Administration, *Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2008)*, January 2009, page 19.

⁷ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers*, 2009, page 8.

⁸ Further detail on each of these barriers can be found on page 26 of the above report.

- **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

16. 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:

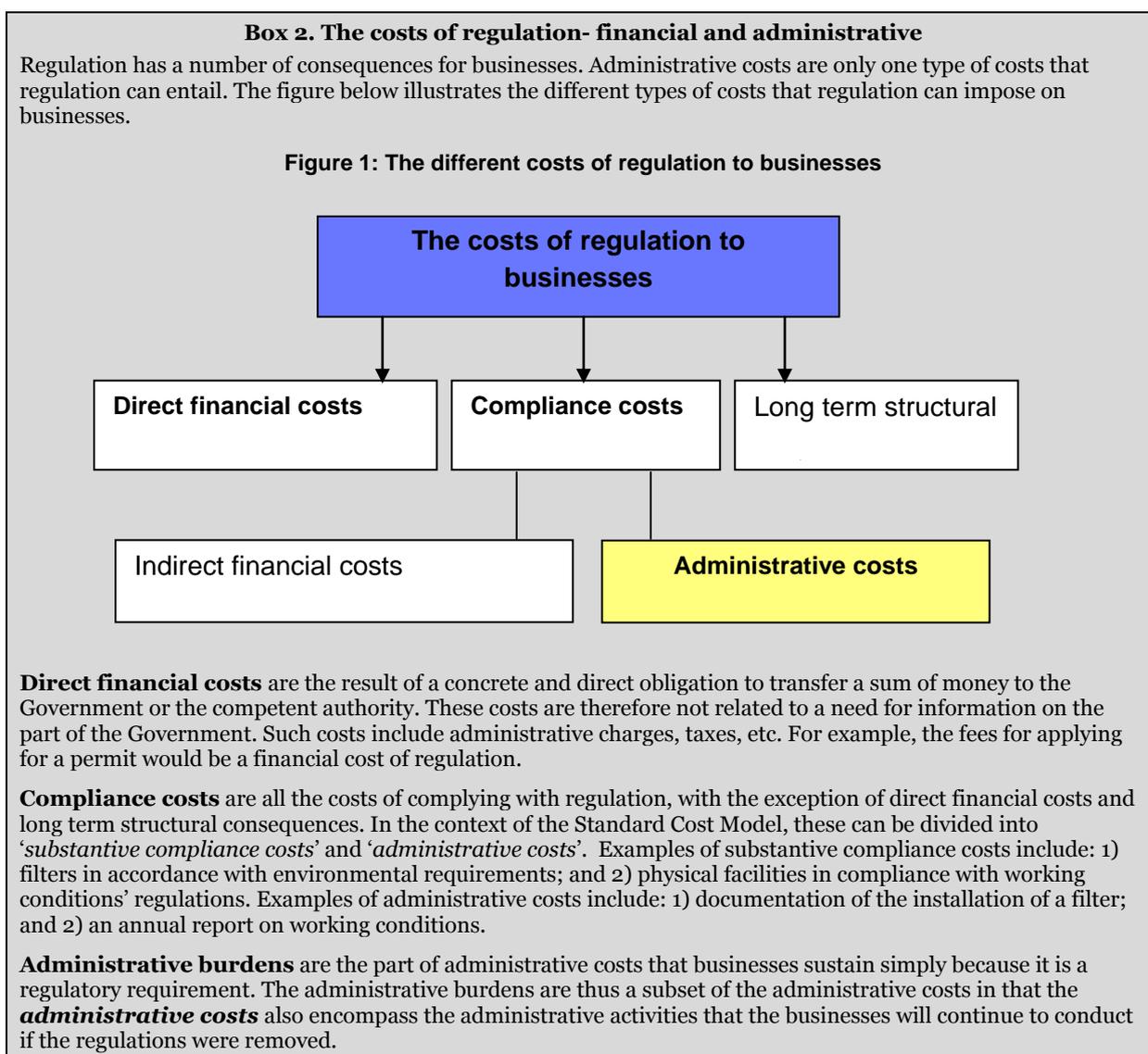
[DN: Need further country input on this!]

- 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.
 - 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.

2. Developments in the measurement of administrative burdens

What costs are being measured?

17. 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 is thought helpful to repeat here the key elements of that explanation as background to the further information provided in the note.
18. The SCM network ⁹ 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 regulation and that these costs can be broken down into various categories as shown in Figure 1 in Box 2 below.



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

⁹ 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.

19. 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 administrative activities include: 1) information retrieval and assessment; 2) checking (reconciliation) and presentation of the figures; 3) reporting/submitted information; and 4) settlement/payment and compliance with verification requests.¹⁰ 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 alternatives.
20. 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.
21. 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 aggregate administrative burden costs are being measured?

22. Table 8 of Annex 4 summarises the approaches used in 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, whilst in others the revenue body has undertaken its own approach.
23. As can be seen from Table 8, the Standard Cost Model (SCM) remains the most widely applied methodology for measuring administrative costs and is being used by a//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 across the entire business sector. Once the costs have been calculated they are then often used as the basis for setting quantitative targets for reductions. Annex 5 provides a more detailed overview of the key features of the Standard Cost Model approach.¹¹
24. 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 Danish approach.

Box 3. Denmark—Adapting the SCM

The Standard Cost Model maps the administrative burdens in government regulation by measuring the costs that are imposed on businesses. The costs are primarily determined through interviews with a large number of companies. Through these interviews it is possible to specify the time companies use to fulfill the government regulation.

The Standard Cost Model is a method that breaks down the regulation into demarcated parts, so that it is possible to determine the costs for each part of the regulation precisely. That way you will get an accurate picture of all the costs caused by the regulation. Furthermore the method is useful because it emphasizes which regulation or which parts of a regulation that in particular brings administrative burdens to the

¹⁰ Box 3 Descriptions of standard administrative activities on page 11 of the original 2008 information note contains further descriptions of administrative activities.

¹¹ A more detailed explanation of the Standard Cost Model can be found in the 2008 FTA report - *Programs to reduce the administrative burden of tax regulations in selected countries, 2008*. The SCM Network – www.administrative-burdens.com - is also a comprehensive resource on the issue.

businesses.

In the Standard Cost Model time and cost estimates are standardised for the normally efficient business. A normally efficient business is a company which handles its administrative tasks in a normal way. In other words the company neither conducts its tasks better or worse than could be expected.

Information obligations, messages and administrative activities:

By use of the method it is possible to examine which information obligations the regulation, for instance a law, consist of. It is a duty for the businesses to produce or prepare an information obligation and subsequently make it available to either the public or a third party. The businesses cannot decline this obligation without coming into conflict with the law. An example of an information obligation is the obligation for pension funds to provide information to participants.

Each information obligation consists of a number of required pieces of data, called messages, which businesses have to report. These messages could for instance be name, address, VAT registration number on forms etc.

In order to be able to deliver these messages, businesses have to carry out certain administrative activities. Examples of administrative activities are gathering the necessary information, filling in or entering the necessary information or carrying out calculations.

The costs of regulation:

In order to identify the total costs of regulation, it is necessary to find out how much time it takes for a normally efficient business to conduct an administrative activity.

The calculated time is multiplied with the hourly rate of the person(s) in or outside (outsourcing) the company, who deals with the administrative activity. This is an expression for the cost in a single company. The next step is to identify the number of times the businesses have to carry out the information obligation every year, and the number of companies that are subject to the information obligation.

By adding together the costs, you can get a picture of the costs for an administrative activity, a message, an information obligation, a law and finally the total costs of all regulation.

25. Other countries have chosen to find other ways to estimate the scale of the administrative burden or in some cases the broader concept of 'compliance costs'.

- **Australia:** The Australian Tax Office (ATO) carries out a programme to measure, using data collected directly from taxpayers, the estimated burden of completing the major tax forms used by individuals and businesses, including the income tax returns for individuals, companies, trusts and partnerships; business activity statements (quarterly only) and the fringe benefits tax return. Data is 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 time required for compiling relevant information and record keeping.

The data collected is aggregated and charted over time to reflect the trend in what is reported by taxpayers. The data are also made public in the annual publication *Taxation Statistics 2006-7*. The chapter contains information on the time-based cost of providing compliance data and information on the cost of managing tax affairs. These data relate to expenses for preparing and lodging tax returns and activity statements and will include expenses such as tax agent fees and interest charges imposed by the ATO. Publication of this information reflects the ATO's 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. (Source: Australian Tax Office survey response)

26. And some countries – see Box 4 - have chosen not to undertake systemic measurements or set targets.

Box 4. USA: The IRS approach to burden reduction

The IRS 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, 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. Our approach is to incorporate burden impact as one important evaluative criterion during our project selection and management process.

Source: IRS Survey Response

Other measures/ indicators of burden

27. As well as measuring quantitative data on the size of administrative burdens several revenue bodies are supplementing 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 5 below sets out a typical illustrative example from Australia. Table [x] in chapter 4 provides further details on business consultation forums established by revenue bodies to support the burden reduction process.

Box 5. Australia: Listening to the Community

In March 2002 the Listening to the Community project was initiated to capture the community’s expectations and learn how we 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 us they wanted:

- better, faster telephone services
- access to account information and transactions online
- more certainty in their dealings with us, and
- Letters that is 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 *Easier, cheaper and more personalised* (ECMP) program.

28. Taken from the 2008 report, Table 1 below identifies administrative burden priorities as identified by businesses in Australia, Canada and the UK.

Table 1: 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 and 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 and 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

29. 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.

30. 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.¹² 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 measures that may increase burden after the original baseline estimates have been made. 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.

¹² For further information see www.ec.europa.eu/enterprise/admin-burdens-reduction

3. Administrative burdens – Estimates and Targets

31. This chapter sets out the most recent data obtained on the estimates and targets for administrative burdens within selected countries. Table 2 sets out the information on a ‘whole of government’ basis, while Tables 3 and 4 provide information pertaining to the field of taxation.

Table 2. Whole of Government: Administrative burden estimates & reduction targets
(all monetary values in local currency)

Country	Estimate of administrative burden		Targets for administrative burden reduction			
	Value (billions)	Year calculated	Reduction (%)	Reduction value (billions)	Date set	Deadline (end year unless indicated)
Australia ¹³	2.5% of GDP	2006	12% ¹⁴	0.84	10/2007	2014
Austria	4.3	2007	25	1.08	11/2007	2010 & 2012
Belgium	Started (ex SCM)					
Canada	-	-	20	-	03/2007	2008
Czech Rep.	86	2005	25	-	-	2010
Denmark	30.9	2007	25	23.2	11/2001	2010
Finland	3.6	2006	25	-	2006	2012
France	60	2008	25			2011
Germany	47.6	2006	25	5.6	2/2007	2011
Greece	Started (ex SCM)					
Hungary						
Ireland	Started(survey)	-	25	-	03/2008	2012
Italy	Started (ex SCM)					
Mexico						
Netherlands	9	2007	25	2.2	03/2007	2011
Norway	57	2007	No target (ex SCM)		-	-
Portugal	Started (ex SCM)		25		2008	2012
Slovak Rep.						
Slovenia	Started (ex SCM)		25			2010
Spain	Started (ex SCM)		30		04/2008	2012
Sweden	Done (ex SCM)					
South Africa	105	2004	-		No targets set	
UK	20	Jul-07	25		2006	2010

Source: Survey responses and SCM database

¹³ The Australian Government does not attempt to systematically estimate the aggregate administrative burden from all government regulations and the figure indicated is in the nature of a likely “order of magnitude” estimate, based on other country experiences, contained in a 2006 report to Government (Burdens on Business Report). The data indicated for burden reduction relate only to the Standard Business Reporting initiative, which will be implemented progressively from 2010, and reflects the expected net annual benefit to business from full implementation - see Chapter 5.

¹⁴ 12% is the year one target – for subsequent years the targets are 24% in year two, 48% in year three and 60% in year four.

******* Questions: There are gaps in the above-mentioned table but the SCM network indicates that measurement programs have been/ are being carried out??**

Table 3. Taxation—Administrative burden estimates and reduction targets
(all monetary values in local currency)

Country/1	Estimate of tax-related administrative burden		Targets for administrative burden reduction for tax-related regulations			
	Value (billions)	Year calculated	Reduction (%)	Reduction value (billions)	Date set	Deadline (end year unless indicated)
Austria	1.08	2007	25	0.30	11/2007	2012
Belgium						
Canada	-	-	20	-	03/2007	2008
Czech Rep	5.76	2005	-	-	-	-
Denmark	9.13	2007	25	6.85	11/2001	2010
Finland						
France						
Germany	8.5	2006	25	2.13	2/2007	2011
Hungary						
Italy						
Mexico						
Netherlands	4.5 ¹⁵	2007	25	1.1	03/2007	2011
Norway	4.289	2007				
Portugal						
Slovak Rep.						
Slovenia						
Spain						
South Africa	27.3	2004	-	-	-	-
Sweden	6.43	2006	-	-	-	-
UK	5.1	2005/6				

Sources: Country surveys and data provided for the FTA's 2008 report Programs to reduce the administrative burden of tax regulations in selected countries.

/1. Australia, Canada, New Zealand and USA authorities do not attempt to make an aggregate estimate of administrative burden or compliance costs in monetary value terms.

******* Questions: There are gaps in both these tables but the SCM network indicates that measurement programs have been/ are being carried out; presumably there is some tax related information for some?**

¹⁵ This figure includes the baseline for social and health contributions that form an integral part of wage levies.

Table 4. Taxation—Breakdown of administrative burden estimates by tax type
(all monetary values in local currency)

Country	Estimated burden (billions)	Tax type					
		Personal income	Social contributions	Corporate	VAT	Excises	Others
Austria	1.08	0.6	0.22	0.04	0.29	0.03	-0.095
Czech Rep.	5.76	2.4		3.3	0.064	0	0
Denmark	??						
France	??						
Germany	8.5	1.13	0	3.03	3.46	0.06	0.823
Italy	??						
Netherlands	4.5	0.9	¹⁶	0.5	1.4	0.2	0.5
Norway	4.289	Total estimate for direct taxes put at 3.556 bn					
Portugal	???						
Spain	??						
Sweden	??						
UK	5.1			0.608	1.02		3.472

Sources: Country surveys and data provided for the FTA's 2008 report Programs to reduce the administrative burden of tax regulations in selected countries.

Update on progress

32. Table 9 at Annex 4 provides a summary of the progress made by countries against their administrative burden reduction targets.
33. 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.

¹⁶ Includes wage levies, social and health contributions.

4. Getting organised to reduce administrative burdens

34. Effective burden reduction programs require effective governance and oversight structures. These structures vary between countries but a common approach is to establish a central team within the revenue body 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.”¹⁷ Such central oversight is important for several reasons, including:

- For many revenue bodies burden reduction is part of a Government-wide initiative. In these circumstances it is important that progress across the revenue body can be centrally assessed and reported.
- 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.

35. Table 5 provides examples of countries with central teams.

Table 5. The use of central teams

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 done by a unit within the division of Budget.
Ireland	Planning Division has primary responsibility for burden reduction programme.
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	Office of Burden reduction reports to the IRS Deputy Commissioner, Services and Enforcement.

Source: Country survey responses

36. 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*¹⁸. These ‘task groups’ typically involve external stakeholders and serve as an independent advisory and monitoring board. Examples of external oversight bodies include:

¹⁷ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers*, 2009, page 8.

¹⁸ Ibid.

Table 6. 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.
Ireland	Proposed establishment of a Steering Committee with representation from business and practitioner community.
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." ¹⁹

Source: Country survey responses

Embedding burden reduction

37. 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 6 provides examples of countries who have adopted this approach.

Box 6. Burden reduction and performance measurements

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.

38. The way in which these high-level objectives are translated into the business plans of the organisation is a key factor in embedding burden reduction and helps develop it into an integral part of the revenue body's 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:

¹⁹ Ibid.

- 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.
- A mandatory Burden Assessment Checklist will be put in place every time a form is developed or revised.
- The CRA has developed performance indicators that will demonstrate the level of burden reduction **[helpful to elaborate on this with examples]**

39. 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. Box 7 provides further details on the initiative.

Box 7. United Kingdom – HMRC’s Challenge Panels²⁰

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 UK Government Departments.

Source: HMRC survey response

Building capability for administrative burden reduction

[DN: To add – but currently no information on this. Based on common sense some of the key competencies needed might be strong communication and stakeholder management, project management, good awareness of the revenue bodies end-to-end processes]

40. In *Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers* one of the identified technical barriers to administrative simplification is “*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.”²¹

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

²⁰ HMRC, *Delivering a new relationship with business. Progress on HMRC’s plans to improve the SME customer experience*, March 2008, page 7.

²¹ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification: Guidance for Policy Makers*, 2009, page 26.

5. Burden reduction initiatives reported by revenue bodies and identified by research

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

- i) Regulatory management reform to improve the framework of the administrative system.
- ii) Organisational re-engineering.²²
- 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.²³

43. This means of classifying approaches to administrative simplification provides a useful means of 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, classified using the five categories set out in the aforementioned OECD publication. This information is in Table 7 below:

Table 7. Tax-related 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.
Coordination of multiple requirements stemming from public administration	<ul style="list-style-type: none"> ✓ Standard business reporting. ✓ Rationalising the administration of social contributions.

(i) Better regulatory management – improving the administrative framework

44. 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 administrative framework is the implementation of programs to ensure that burdens are minimised from the outset.

²² For the purposes of this report, this approach is deemed to also include process redesign and forms simplification.

²³ OECD Regulatory Policy Division, *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers*, 2009, page 7.

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 8 below.

Box 8. 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

45. 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 9.

Box 9. 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 47*

Changes to tax policy and legislation

- *One 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—some €380 million.** For employees, this will mean shorter, clearer and simpler salary statements.
- *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.²⁴

(ii) Organisational re-engineering (including process redesign)

46. Improving the way a system or process is administrated can lead to significant burden reduction. In the context of 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 hereunder:

- **Rationalisation of information required from taxpayers and when it must be reported (many countries):** Survey responses suggest this is a common and highly productive strategy for achieving burden reduction, and numerous examples were cited.

²⁴ 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.

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 cooperation 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 their disclosure and auditing requirements and ***is estimated to produce savings of €18 million per annum.***

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.***

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.

(iii) Use of information and communication technologies (ICTs)

47. 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 hereunder:

- **Pre-filing of personal tax returns (many countries):** 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 and Chile, to produce fully completed tax returns for the majority of their taxpayers. The use of pre-filing 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;
 - New Zealand has replaced traditional tax returns for 50-60% of its citizens using a pre-filing-type capability;
 - France, Slovenia and South Africa provide pre-filled tax returns for over 90% of taxpayers;
 - 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.
- **Mandated use of e-filing for major taxes and other reports (Germany, Turkey, and United Kingdom):** German officials have reported that the Act on the Reduction in Tax-Related Bureaucracy²⁵ 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.
 - 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.

²⁵ 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".

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).

Turkish officials reported that a wide program of mandatory e-filing (e.g. covering corporate tax, provisional tax, withholding tax, and VAT returns, along with returns for the Special Consumption and Communication Taxes and Gambling Tax, 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** (based on the Standard Cost Model). There are also other benefits to business from online filing not captured by the SCM.

- **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.
- **Dedicated portal for tax professionals (Australia):** The '[Tax Agent Portal](#)' is the main channel for tax agents to interact with the ATO. It 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.

- **e-invoicing (Netherlands):** Officials have reported 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.**

[More information would be helpful, to understand the background to this initiative and how works, particularly given the estimate of likely savings?]

- **Use of modern telephony technology/call centres (many countries):** 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 (Turkey and USA):** 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 with the revenue body.

Turkish revenue body officials reported their intention to broaden the extension and accessibility of electronic services in order to give quality services to taxpayers. Specifically, the following developments are being planned:

- Online operations: E-filing, Excise Duty Declarations, Motor Vehicle Tax Payment by Credit card);
- Online Enquiries: Taxpayer Identification Number, E-tax registration certificate, Motor Insurance Enquiry, Motor Vehicle Tax Enquiry and Credit Card Payment Enquiry.

- Online Calculations: Late Payment Charge and Late Interest, Income Tax, Real Property Income, Motor Vehicle Tax.
- Enquiries: Registration, Debt, Accrual, Collection, E-collection, Returns, Exit International Prohibition, Customs Declaration information etc.
- Data Input: Certificated Public Accountant Agreement Information, E-Invoice, Document Printing Information and Invoice/Check Information.

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.***

(iv) Better information on the delivery of services and administrative requirements

48. 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.

49. 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 10).

Box 10. Denmark — Better information on simplifications and new intelligent 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

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

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, p.5e*

(v) Co-ordination of multiple requirements stemming from the public administration.

50. 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.*

51. In subsequent years, other more broadly focused work by the OECD presented more compelling arguments for reform along these lines. For example;

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.

The introduction of common front office interfaces such as electronic portals and middleware to join-up the individual systems of different agencies has improved the quality of government interactions with businesses and citizens, but does not guarantee that program rules are standardized or that agencies are sufficiently integrated to meet the higher expectations of users familiar with online transactions with the private sector. Identifying common services or user groups can help government agencies to further integrate and improve their services.

As e-government managers are being asked to demonstrate that e-government initiatives create financial savings and improve services, many governments are realizing that efficiency gains from ICT are inherently limited when approached solely at the agency level. Some countries have looked at how duplication can be reduced from a whole of government perspective, notably through "enterprise architecture" exercises that are designed to transform government into a business organization, rather than one made up of multiple structures with overlapping mandates built-up over several generations.

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)).

52. Over the last 6-7 years, there has been a steady increase in what appears to be a growing number of countries towards the operation and delivery of some government services (including tax administration) on a 'whole of government' basis. The Forum's 2008 report, and a more recent note,

²⁷described 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/ unified registration systems for citizens and business;
- Provision of single government portals for citizens and business for accessing Government information and, in some cases, online services; and
- Establishment of government shop fronts—*one-stop shops*—for obtaining multiple government agency services.

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

Single/ unified registration for government dealings

Business registration

54. 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 were 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.

55. Examples of recent developments from surveyed countries and research in this area are set out hereunder:

- 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.
- *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 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.²⁸
- Switzerland’s formal e-government strategy includes projects to establish: 1) a unified system for registering companies and updating changes (to be implemented in 2010); and 2) a uniform business identification number (UID) (to be implemented in 2011); the Government’s formal 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 the authorities*”.

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

²⁸ As described in the April 2008 report ‘Reduction of Administrative Burdens’ prepared by

Citizen registration

56. 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 members of the citizen population 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 his/her 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. The Forum's recent survey of trends and developments noted that just over half of 26 surveyed countries operated a single unified approach for registering citizens, but noted that a few other countries 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.

Standard Business Reporting

57. The topic of Standard Business Reporting (SBR) is described briefly in the Forum's 2008 report and more fully in the recent guidance note '*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 SBR-related developments reported by revenue bodies and identified from research. (Readers are directed to the aforementioned documents, in particular the latter one, for more detailed information on the rationale for SBR, details of implementation strategies and approaches, and the benefits it can deliver).

What is Standard Business Reporting?

58. 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.
59. 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:
- 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.²⁹
 - Using the creation of that taxonomy to drive out unnecessary or duplicated data descriptions.

²⁹ "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 to 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.

- 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.)

60. The diagrams in Box 11 that follows illustrate the impact of SBR on businesses reporting requirements.

Box 11. Standard Business Reporting

Diagram 1 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. Diagrams 2 and 3 show how, by introducing the key elements of SBR, that picture can be radically transformed.

Diagram 1 - 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

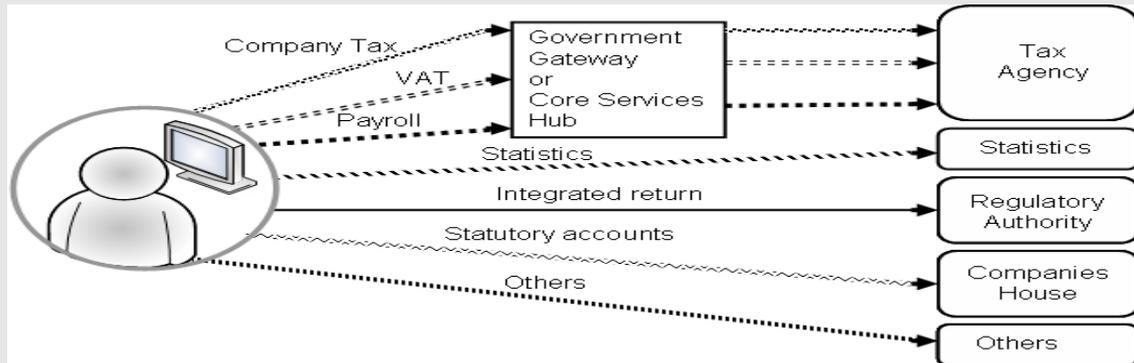


Diagram 2. Standard data format – multiple reporting model

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

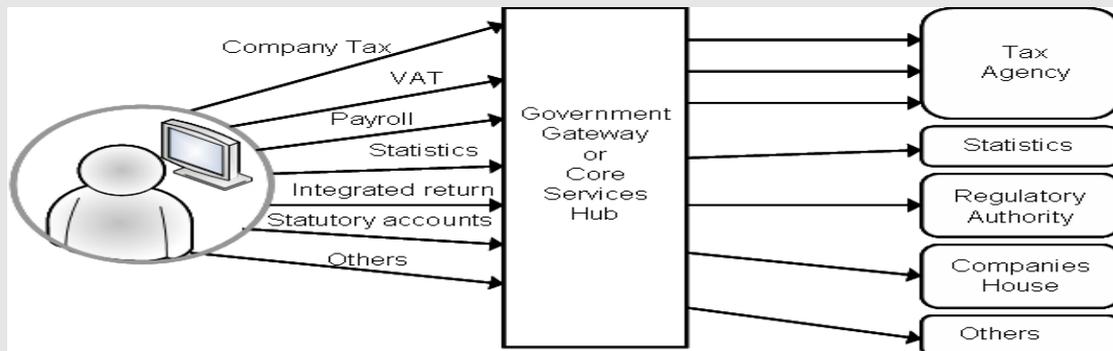
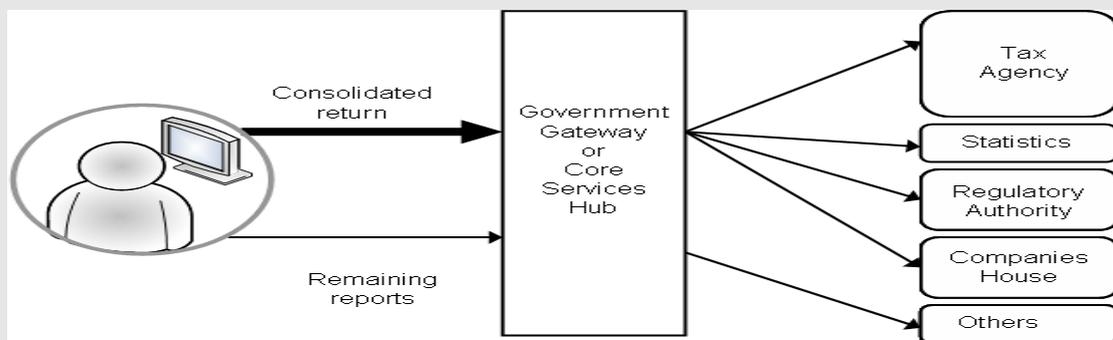


Diagram 3. Standard data format – consolidated reporting model

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 Taxpayer Services Sub-Group, Guidance Note Standard Business Reporting, July 2009, pages 8-10

61. 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. Definition of the OIO architecture framework, which is the common public framework for working with architecture and standards, is in course. The framework comprises principles, methods, standards for documentation and classification of architecture work, and also a number of tools.
- **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).
- **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 in Ireland is currently piloting an XBRL project and Revenue expects to learn from this. Consultation with accountancy bodies, trade representatives and software providers will be part of the process.
 - **Italy:** A specific decree defining technical modalities for making financial reporting on 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.
 - **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.

62. 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 12);

Box 12. 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%**.

Impacts of global financial crisis

63. 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.
64. Both Australia and New Zealand reported the introduction of small business support packages that have burden reduction and simplification at their core, Box 13 sets out an overview of New Zealand's tax assistance package:

Box 13. New Zealand—Businesses to benefit from tax assistance package (from press release)

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: New Zealand Inland Revenue, www.beehive.govt.nz

65. 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 14 provides further details.

Box 14. 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 - (Paragraphs 3.2-3.5)

Source: Country survey responses.

66. 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.

6. Key Findings, Conclusions and Recommendations

[To be completed after discussions in Berlin and follow up inquiries]

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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 Model³⁰

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.

³⁰ 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.

Individual country approaches to estimating administrative burden and/or compliance costs

Table [x]. Approaches adopted for estimating administrative burdens

Country	Measurement approach
Australia	<p>Neither the Australian Government nor individual agencies attempt 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 utilize a compliance cost assessment methodology that is underpinned by a simple three-part conceptual framework that is articulated in practice using three questions:</p> <ul style="list-style-type: none"> • Who is impacted • How are they impacted? • What is the magnitude of the impact? <p>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.³¹</p>
Austria	<p>Has used the Standard Cost Model (SCM) used to measure the baseline:</p> <ul style="list-style-type: none"> • Measurement of all federal regulation effective 31.12.2006 • EU regulation was only included when national implementation acts were made • Only businesses with a domicile in Austria were included • 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 were not included. <p>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.</p>
Belgium	
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 November 1 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>
Denmark	<p>Across all ministries a Standard Cost Model (SCM) -based methodology is used called AMVAB (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>

³¹ A more detailed exploration of the Australia approach to measuring compliance costs can be found in 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. [DN Need to get permission to use the description in the box]

	<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.</p>
Finland [DN: Need more info]	<p>The Finnish Government are using the Standard Cost Model (SCM) to measure administrative burdens in a number of key areas.</p>
France	<p>The project of measurement and reduction of administrative burdens in France is carried out by waves (11 waves scheduled until 2011 – cf. the schedule of the project). Each wave features measurement followed immediately by re-engineering (i.e. simplification workshops). This approach allows for improvements of methodology between individual waves.</p> <p>The French methodology includes measurement of administrative costs not only for the businesses, but also for the public bodies. Furthermore, the cost of delays (payment terms) in administrative procedures is also taken into account (for more information about the French methodology</p> <p>The French Government has set a target to reduce the cost of the top 1000 most burdensome and most business-irritant administrative procedures by 25% by 2011. Meeting this objective should channel nearly €15 billion back into the economy.</p> <ul style="list-style-type: none"> Ø 3 % of GDP, or about €60 billion in France, is the cost of the administrative burden on businesses. Ø 25 % by 2012 is France's EU target for reduction in the administrative burden.
Germany	<p>Assessment of the costs of bureaucracy has been carried using the Standard Cost Model (SCM). As reported in 'The 2008 Progress Report of the Federal Government 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>
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>
Italy	<p>The Standard Cost Model (SCM) has been applied, since 2007, mainly to the regulations in economic sectors affecting small and medium enterprises. In 2012 Italy will complete a baseline measurement of all regulation connected with business, and considered, after a consultation phase, to be burdensome by companies. This national exercise will cover even EU-driven legislation.</p>
Mexico	<p>???</p>
Netherlands	<p>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>
New Zealand	<p>Program to measure compliance costs of small businesses to commence in 2009. (Not expected to use SCM).</p>

Norway	Standard Cost Model (SCM). A full scale baseline measurement exercise was finished in Autumn 2007. An updated of the baseline measurement is due in late 2009. Norway have developed a database with the complete data material from the baseline measurement. This database allow Norway to keep the baseline measurement updated with the consequences of new or amended rules.
Portugal	???
Spain	???
Sweden	???
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): <ul style="list-style-type: none"> • One measured the administrative burden of the UK tax system (the results were reported in 2006 and are available on HMRC's website); and • 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.

Source: Country survey responses and SCM network database

Table [x] – Summary of revenue body progress on administrative burden reduction

Country	Status/ progress
Australia	The ATO publishes a report “Making it Easier to Comply” which includes a report card on what was planned to be delivered vs 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.
Austria	Progress: 1 st 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
Canada	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.
Chile	Since 1998, when the 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. What follows are the results of some of the more significant ones (which have attracted significant usage); Reception of Tax Returns via Internet: Enabled for Income Tax, Monthly Taxes, and Third party reports. Electronic Invoice: Tax validation system for electronic invoices as a means to support trade operations between taxpayers, replacing paper invoices— 9,000,000 electronic invoices, monthly Electronic Tax Bill for Professional Services: Web application that allows taxpayers to issue, check and

	<p>authorize electronic tax bills for professional services— 900,000 BHE, (invoice for service rendered), monthly</p> <p>Business Start-Up and End of activities: Web application that allows taxpayers liable to Second Category Income Tax (professionals) to notify a business start-up without having to go to an SII office— 20,000 Initiation of activities forms, monthly; 2,000 End of activities forms, monthly</p> <p>Tax Payment, Tax Situation, others— 27,000,000 Page views, monthly.</p>
Denmark	??????????
France	??????????
Germany	Steuerbürokratieabbaugesetz (Tax Bureaucracy Reduction Act) (as resolved by the Federal Cabinet on 23 July 2008); savings volume totals € 203 million. See Box [x].
Italy	??????
Mexico	??????????
Netherlands	<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/Beknopte voortgangsrapportage over de reductie van Administratieve Lasten AL voor bedrijven</p> <p>http://www.minfin.nl/Actueel/Kamerstukken/2008/11/Voortgangsrapportage Regeldruk Bedrijven</p>
Portugal	??????
Spain	??????
Sweden	??????
UK	<p>At Budget 2006, two specific administrative burden reduction targets were announced for HMRC to achieve by March 2011:</p> <ul style="list-style-type: none"> • Reducing the burden of forms & returns by 10% (equivalent to SCM savings of £337 million); and • Reducing the burden of audits & inspections for compliant businesses by 15% (equivalent to SCM savings of £21 million). <p>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:</p> <ul style="list-style-type: none"> • £330 million from reducing the burden of forms and returns • £43 million from reducing the burden of audits and inspections; and • £168 million from wider administrative changes <p>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 admin 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