

## **DRAFT MANDATE OF THE COMPLIANCE, INFORMATION AND DOCUMENTATION TAG 2001-03**

### **Mandate**

1. The primary mandate of the new Compliance Information and Documentation (CID) Technical Advisory Group (TAG) is to assist both the Forum on Strategic Management (FSM) and the Working Party No. 9 on Consumption Taxes (WP9) Sub-groups on Electronic Commerce in their work on tax administration issues associated with electronic commerce. More specifically, the CID TAG will be tasked with:

- Assisting the FSM Sub-group on Electronic Commerce (“FSM Sub-group”) and the WP9 Sub-group on Electronic Commerce (“WP9 Sub-group”) gain a better understanding of the e-commerce environment and the role that tax administrations might play in it.
- Examining the options for cross border administrative simplification and consistency.
- Advising on the practical implementation of the administrative and compliance options put forward at Ottawa; and
- Developing further upon the work of the former Professional Data Assessment (PDA) TAG (as identified in its report).

2. The CID TAG’s mandate expands on that of the former PDA TAG ([http://www.oecd.org/daf/fa/e\\_com/pdasses.pdf](http://www.oecd.org/daf/fa/e_com/pdasses.pdf)) to cover a broader range of business and tax administration issues. It will consider the needs of administrations operating in a global e-commerce environment, including taxpayer service improvement and greater consistency of procedures and approaches.

### **CID membership**

3. The CID TAG’s membership is drawn from some of the former PDA TAG and Technology TAG members, with additional participants from, for example, the big five accounting firms and tax software producers. The latter are particularly relevant to the TAG helping to advise on how to use technology in the underlying systems so as to reduce compliance costs to business and administration costs to governments.

4. Having a broader membership and a wider scope should enable teams to be formed within the new TAG to address specific topics. New issues arising will be dealt with more quickly from within such a wider group of participants. The new TAG will report directly to, and be supervised by, the FSM Sub-group, although it would also support the work of the WP9 Sub-group on some of the consumption tax administration issues.

5. The composition of the TAG is:

- Ten participants drawn from the FSM Sub-group, these being Australia, Canada, Ireland, Korea, Mexico, Netherlands, United Kingdom, Switzerland, Germany and the United States.
- Six invitees from non-OECD economies - Chile, China, India, Indonesia, Ghana and Morocco.
- Approximately 22 private sector participants with an appropriate mix of skills, geographic location and sector.

6. The TAG will have three Co-Chairs, one from an OECD government, one from a non-OECD economy and one from business. The business Co-Chair will be elected by the business representatives of the TAG as its first meeting. The governments' Co-Chairs will be appointed by the FSM Sub-group. If the business Co-Chair stands down or leaves the group at any time, the business representatives will elect a replacement. If a government Co-Chair stands down or leaves the group at any time, the FSM Sub-group will nominate a replacement.

7. The participants and the Co-Chairs will be appointed for a term of two years. Should any individuals withdraw from the group replacement participants will be put forward by the FSM Sub-group. BIAC will be consulted about any replacements for business participants.

8. If the majority of the TAG participants agree that additional participants are required for the TAG, the Co-Chairs can make a joint recommendation to the FSM Sub-group. The FSM Sub-group will decide on whether additional participants will be invited to the TAG, taking into account the need and the requirement to maintain balanced geographic and industry sector representation.

### **CID work structures**

9. The work of the CID TAG should be closely aligned to that of the FSM and WP9 Sub-groups.

10. The work plans of the FSM and WP9 Sub-groups are attached. Five task teams have been created for the FSM Sub-group, each with a "leading" or co-ordinating country.

11. It is expected that the task teams in the FSM & WP9 Sub-groups will seek specific input from the CID TAG. At its first meeting on 2 July 2001 the CID TAG will consider how it might best contribute to the work of the task teams. The CID TAG work plan will be agreed in early September at the Sub-group/TAG back-to-back meetings.

12. As a consistent and interlocking set of products is required to achieve the electronic commerce tax administration objectives close consultation between the Sub-groups and the CID and Consumption Tax (CT) TAGs as well as the new Technology Panel is required. Having back-to-back meetings where possible will facilitate this close co-operation and consultation.

13. The first set of such back-to-back meetings is provisionally scheduled for the week of 10-14 September 2001.

## APPENDIX I

**OVERVIEW OF THE FORUM ON STRATEGIC MANAGEMENT  
SUB-GROUP ON ELECTRONIC COMMERCE  
TEAMS AND TASKS**

|              | <b>TEAM 1</b>   | <b>TEAM 2</b>                                | <b>TEAM 3*</b>  | <b>TEAM 4</b>                          | <b>TEAM 5</b>                          |
|--------------|---|--|---|--|--|
| <b>TEAM</b>  | Denmark   | Australia                                    | United States   | United Kingdom                         | Netherlands                            |
|              | Germany   | Portugal                                     | Ireland   | United States                          | Spain                                  |
|              | France  | Slovakia                                     | Japan   | European Commission                    | Denmark                                |
|              | Italy   | +  | United Kingdom  | +                                      | Switzerland                            |
|              | Canada  | United States (technology) /                 | Canada  | +                                      | United Kingdom                         |
|              | European Commission                                     | Switzerland and Ireland (guidelines)         | Australia   | New Zealand                            |  |
|              |   |  | + Denmark<br>(*Copenhagen nucleus for taxpayer service aspects)                         | (some tasks)                           |  |
| <b>TASKS</b> | T1. Research risks                                      | T2. Research technology                      | T3. Research best practices, update FSM tax admin. papers and develop tools and manuals | T4. Business identification guidelines | T5. Transaction information guidelines |
|              | T6. Electronic payment system accountability guidelines | T7. Jurisdictional identification guidelines | T8. Guideline on common and consistent filing data                                      | T9. Guidance for SMEs                  | T10. Record keeping guidelines         |

## APPENDIX II

### FSM SUB-GROUP ON ELECTRONIC COMMERCE DETAILED TASKPLAN FOR 2001-2003

**Objective 1 Understand the electronic commerce environment better - so that we can influence it if required**

- By researching the risks and technology associated with e-commerce

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| <b>Task 1 Research - monitoring and quantifying the risks posed by electronic commerce</b>                       |
| 1.1 Stocktake of prior work and approaches (including Haven work)  |
| 1.2 Identification and refinement of risk areas (with CID TAG reality check).                                    |
| 1.3 Quantification (% , \$) and prioritisation of risks.   |
| 1.4 Suggest risk treatment options.  |
| <b>To lead: Denmark</b> with Germany, France, Italy, Canada and European Commission. <b>[Team 1]</b>             |
| <b>Links:</b> CID TAG, WP9 EC Sub-group task 6 – Risk analysis, Former PDA TAG Work, Table 1 of DAFFE/CFA/(98)42 |

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| <b>Task 2 Research – monitoring technology and the electronic commerce environment</b>  |
| 2.1 Identify relevant e-commerce technologies for analysis (IPv6, XML, IOTP, EPS, DC etc)   |
| 2.2 Obtain understanding of tax administration implications of the technologies   |
| 2.3 Provide timely input into other tasks so that technology is appropriately harnessed or if necessary influenced.                           |
| <b>To lead: Australia</b> with Portugal, Slovak Republic and the United States. <b>[Team 2]</b>   |
| <b>Links:</b> Task 1 re treatment options, WP 9 SG EC Task 4 – Technological tax collection mechanisms, Technology Panel, Former PDA TAG Work |

**Objective 2 Identify best practices, or practices of note, and share this information among revenue authorities so that their efficiency and effectiveness improve**

- By researching practices of note associated with e-commerce

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| <b>Task 3 Research – best practices in tax administration</b>                            |
| 3.1 Update trends in taxpayer service paper  |
| 3.2 Identify organisational structures used by members and others in administering e-com |
| 3.3 Update Tax administration papers   |
| 3.4 Identify Internet search tools useful for compliance purposes                        |

3.5 Ongoing development of audit manuals and other required training tools based on practices of note, 'success stories', etc

**To lead: United States** with Ireland, Japan, United Kingdom, Canada, Australia + Denmark **[Team 3]** Task 3.1 to be worked on by Copenhagen Taxpayer Service Experts

**Links:** FSMKE as means of promulgation. Montreal Conference

**Objective 3 Improve tax administration, taxpayer service and compliance by providing specific guidance to other parties - influencing the e-commerce environment**

- By developing guidelines and notes to improve tax administration, taxpayer service and compliance

**Task 4 Guidance - Business identification guidelines suitable for use by businesses in web site self identification and in formal registration processes**

4.1 Identify revenue authority business identification requirements

4.2 Identify best practices by businesses in fulfilling these requirements

4.3 Formulate these requirements and practices into a guideline

4.4 Identify parties to whom this guidelines should be promulgated

**To lead: United States** with the United Kingdom, European Commission and New Zealand **[Team 4]**

**Links:** Technology Panel, CID TAG, ICANN GAC Submission, Privacy, Consumer Protection, WIPO

**Task 5 Guidance - Transaction information guidelines**

5.1 Identify revenue authority transaction information requirements

5.2 Identify mechanisms and practices that could satisfy these requirements

5.3 Formulate these requirements and practices into a guideline

5.4 Identify parties to whom this guidelines should be promulgated (Including software developers, ISO etc)

**To lead: Netherlands** with Spain, Denmark, Switzerland and UK **[Team 5]**

**Links:** PDA TAG desirable data elements as a starting point, WP9 EC Sub-group task 3 – Simplification, Technology Panel, CT & CID TAGs

**Task 6 Guidance - Electronic payment system guidelines**

6.1 Identify revenue authority Electronic Payment System requirements, including minimum levels of accountability, load limits etc

6.2 Identify mechanisms and practices that could satisfy these requirements

6.3 Formulate these requirements and practices into a guideline

6.4 Identify parties to whom this guidelines should be promulgated (Including software developers, ISO etc)

**To lead: [tbc]** France, Denmark, Germany, Italy, Canada and the European Commission **[Team 1]**

**Links:** Technology Panel, CT & CID TAGs, FATF, Privacy

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| <b>Task 7 Guidance - Jurisdictional identification and verification guidelines including the use of Digital Certificates, Internet Protocol numbers and other indicia</b> |
| 7.1 Identify revenue authority Jurisdictional identification and verification requirements  |
| 7.2 Identify mechanisms and practices that could satisfy these requirements   |
| 7.3 Formulate these requirements and practices into a guideline   |
| 7.4 Identify parties to whom this guidelines should be promulgated  |
| <b>To lead: Australia</b> with Portugal, Slovak Republic, Switzerland and Ireland <b>[Team 2]</b>   |
| <b>Links:</b> Technology Panel, WP9 SG EC Task 1- Verification, CT & CID TAGs   |

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| <b>Task 8 Guidance – Guidance on common and consistent filing data – aim to maximise consistency of filing requirements</b>   |
| 8.1 Identify revenue authority filing requirements – particularly for MNEs  |
| 8.2 Identify mechanisms and practices that could satisfy these requirements   |
| 8.3 Formulate these requirements and practices into a guideline   |
| 8.4 Identify parties to whom this guidelines should be promulgated (Including software developers, ISO etc)   |
| <b>To lead: United States</b> with Ireland, Japan, United Kingdom, Canada and Australia <b>[Team 3]</b> (Task 8 to be worked on by Copenhagen Taxpayer Service Experts) |
| <b>Links:</b> Technology Panel, CT & CID TAGs   |

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| <b>Task 9 Guidance – Guidance for SMEs engaged in e-commerce, particularly x-border aspects</b>             |
| 9.1 Identify revenue authority requirements for SMEs engaging in x-border e-commerce                        |
| 9.2 Identify mechanisms and practices that could satisfy these requirements                                 |
| 9.3 Formulate these requirements and practices into a guideline   |
| 9.4 Identify parties to whom this guidelines should be promulgated (Including software developers, ISO etc) |
| <b>To lead: United Kingdom</b> with United States, European Commission and New Zealand <b>[Team 4]</b>      |
| <b>Links:</b> Technology Panel, CT & CID TAGs   |

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| <b>Task 10 Guidance – Record Keeping Guideline including data reliability, verification and good management of encryption keys</b> |
| 10.1 Identify revenue authority record keeping requirements  |
| 10.2 Identify mechanisms and practices that could satisfy these requirements   |
| 10.3 Formulate these requirements and practices into a guideline   |
| 10.4 Identify parties to whom this guidelines should be promulgated (Including software developers, ISO etc)                       |
| <b>To lead: United Kingdom</b> with Netherlands, Spain, Denmark, Switzerland <b>[Team 5]</b>                                       |
| <b>Links:</b> Technology Panel, CT & CID TAGs, Former PDA TAG work   |

## APPENDIX III

LIST OF WP9 SUB-GROUP ON ELECTRONIC COMMRECE  
TASK TEAMS AND PARTICIPANTS

| <b>Task Team 1 (Verification)</b>  | <b>INTERIM REPORT to be submitted by MAY 2001</b>       |
|--|---|
| 1.1 To research and evaluate practical and effective means of verifying the status of recipients (business or consumer).   |   |
| 1.2 To research and evaluate practical and effective options for determining the jurisdiction of consumer residence in B2C (business-to-consumer) transactions.  |   |
| 1.3 Amongst options to be considered are online access to Govt databases (such as the EU VIES) and how such access may be improved, digital certificates, contracts, and nature of products; IP tracing, credit card and other payment system indicia. |   |
| <i>To lead: Australia, with support from Italy, Japan, France, Spain, Slovak Republic.</i>   |   |
| <b>Task Team 2 (Business establishment)</b>  | <b>INTERIM REPORT to be submitted by MAY 2001</b>       |
| 2.1 To develop a set of practical rules defining business presence that should be considered in B2B (business-to-business) transactions where the customer has multiple locations (e.g. HQ in one jurisdiction and branches in others)                 |   |
| <i>To lead: Canada with support from Germany, Korea, Sweden, United Kingdom.</i>   |   |
| <b>Task Team 3 (Simplification)</b>  | <b>INTERIM REPORT to be submitted by SEPTEMBER 2001</b> |
| 3.1 Evaluation of the effects of the application of thresholds for registration and tax collection by non-resident B2C vendors.  |   |
| 3.2 Simplification of the registration procedures for the non-resident B2C vendor, including electronic registration and simplified reporting requirements.  |   |
| 3.3 To research and evaluate options that facilitate and promote the use of electronic material, including invoicing, reporting and record keeping.  |   |
| <i>To lead: Netherlands, with support from France, Ireland, Italy, Switzerland, United Kingdom, Singapore, FSM Sub-group.</i>  |   |

| <b>Task Team 4<br/>(Technological tax collection mechanisms)</b>   | <b>INTERIM REPORT to be submitted by SEPTEMBER 2001</b>  |
|--|--|
| 4.1  | To research and create a framework within which developers may build systems that facilitate electronic tax collection mechanisms with possible access to databases on tax rates and product classification. |
| 4.2  | To evaluate technological tax collection mechanisms against a range of criteria such as feasibility, timeframes, standards and cost.   |
| 4.3  | To evaluate how Trusted Third Parties (or other similar intermediaries) could efficiently support tax collection mechanisms, analysing their role and responsibilities and the costs.                        |
| 4.4  | Assess how such mechanisms may provide simplification for tax collection in relation to a larger set of transactions ( <i>i.e.</i> scaled up to include certain types of transactions in goods).             |
| <b>To lead:</b> <i>United Kingdom, with support from Australia, Czech Republic, France, Italy, Portugal, United States, FSM Sub-group.</i> |  |

| <b>Task Team 5 (Enforcement)</b>   | <b>INTERIM REPORT to be submitted by SEPTEMBER 2001</b>  |
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| 5.1  | To consider means of enforcing compliance so that non-resident B2C vendors who willingly comply are not disadvantaged, drawing on the experiences and objectives of other agencies such as those concerned with Intellectual Property Rights, consumer protection and privacy. |
| <b>To lead:</b> <i>European Commission, with support from Germany, Italy, New Zealand, Norway.</i> |  |

| <b>Task Team 6 (Risk analysis)</b>  | <b>INTERIM REPORT to be submitted by _____</b>  |
|---|---|
| 6.1   | To evaluate the risks to consumption taxes – not only in the B2C context, but also B2B. |
| <b>To lead:</b> <i>FSM Sub-group, with support from Australia, Canada, European Commission.</i> |   |

**APPENDIX IV**  
**ORGANISATIONAL STRUCTURE**

