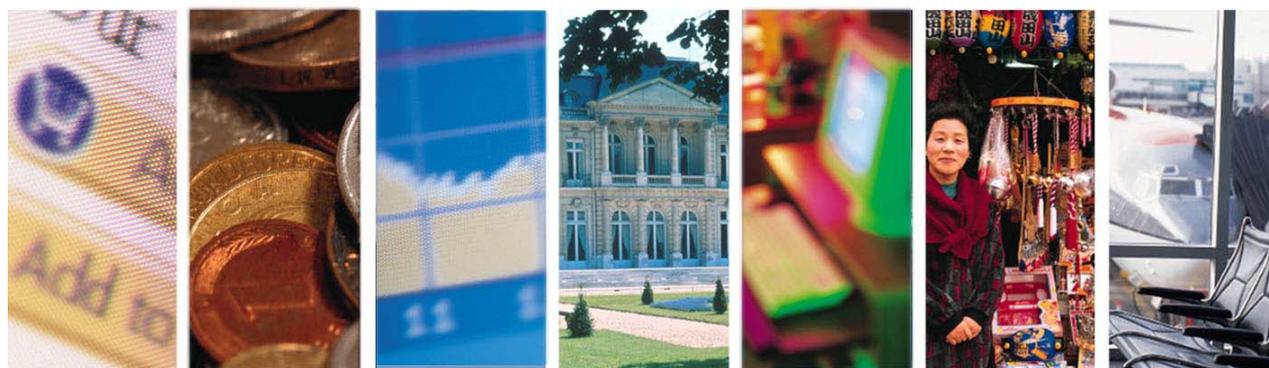




ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



FORUM ON TAX ADMINISTRATION: TAXPAYER SERVICES SUB-GROUP

Information Note

Programs to Reduce the Administrative Burden of Tax Regulations in Selected Countries

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CENTRE FOR TAX POLICY AND ADMINISTRATION

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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.

ABOUT THIS DOCUMENT

Purpose

This information note describes features of country programs to reduce the administrative burden on business and, to a lesser extent, citizens resulting from tax regulations. It has been prepared following extensive research by the Secretariat and with the assistance of revenue bodies participating in the Forum on Tax Administration's (FTA) Taxpayer Services Sub-group.

Background to the Forum on Tax Administration

Since its establishment in July 2002, the FTA, a subsidiary body of the OECD's Committee on Fiscal Affairs (CFA), has operated with the broadly stated mandate

to develop effective responses to current administrative issues in a collaborative way, and engage in exploratory dialogue on the strategic issues that may emerge in the medium to long term.....

To carry out this mandate, the FTA's work is directly supported by two specialist Sub-groups—Compliance and Taxpayer Services—that each carry out a program of work agreed by member countries.

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

As highlighted in a number of recent OECD publications cutting red tape/reducing administrative burdens is a priority item on the political agenda of many member countries. Nowhere is the challenge greater than in the area of taxation which is consistently identified by business as the key area of concern from an administrative burden viewpoint.

Acknowledging this concern and the responses of a number of Governments to set challenging targets for burden reduction, the Forum on Tax Administration (FTA) decided in late-2006 to undertake a small research exercise to identify the main strategies and measures being deployed to reduce the administrative burden resulting from tax regulations. While the intention was to focus on tax administration- related strategies and measures, it was considered appropriate to provide some coverage of tax policy-related issues in the interests of completeness. This note is the initial product of that research.

As described briefly in the note, efforts to develop baseline estimates of the magnitude of administrative burden on business resulting from Government regulation, followed by the setting of targets for their reduction, are important elements of the approach being adopted in many countries. Quantifying the magnitude of the burden problem and setting challenging targets for its reduction are widely regarded as critical steps in creating a mindset for action, as well as providing an objective means for evaluating progress. While the measurement of administrative burden is not a precise science, the methods used nevertheless provide a broad order of magnitude of the problem as well as insights as to its key components. In a tax context, the work conducted in many countries confirms that tax regulations impose a significant administrative burden on business, with the VAT most often being the main “culprit”.

In terms of responses, the note identifies many policy and administrative opportunities for reform, drawing on a wide body of country approaches and experiences. The key measures and trends observed are:

- ***Adjusting the tax policy settings:*** Increasingly, more countries are modifying their tax policy framework to more effectively take account of the regressive impact of administrative burden on smaller businesses (e.g. by judicious use of thresholds and simplified rules for calculating tax liabilities (incl. tax reliefs)); however, there appears potential for many to do much more, particularly concerning the VAT .
- ***Re-engineering government processes for the collection of data and revenue:*** The work undertaken, admittedly limited, indicates that significant reductions in administrative burden could be achieved from re-engineering government data collection processes on a ‘whole of government basis’ to eliminate duplicated data reporting requirements and processes, particularly for financial reporting, through a system of ‘Standard Business Reporting’.

Integrating the collection of social contributions with other tax revenue collection, where this has not been done, may also produce substantial gains in burden reduction (and efficiency and effectiveness) although the circumstances of individual countries may preclude the feasibility of such action.

- ***Implementing citizen and business centric approaches to tax administration design:*** The design of tax administration systems, processes and procedures around specific taxes and functions has become considerably less relevant. Increasingly revenue bodies are taking steps to view issues and design administrative processes from the perspective of individual classes/segments of taxpayers. The note provides numerous practical examples of this approach.
- ***Leveraging advances in technology:*** Advances in technology are opening up many new opportunities to assist taxpayers comply with the law and reduce the burden of compliance. The note provides a number of examples.

- ***Optimizing the use of third party information:*** Applying technology to make more effective use of third party information and transactions can present new and less burdensome ways of administering tax laws (e.g. the pre-filled tax returns and electronic invoices).
- ***Redesigning compliance interventions:*** Revenue bodies are increasingly moving away from a “one size fits all” approach to verifying taxpayers’ liabilities, by developing a more tailored/ less burdensome set of interventions to deal with the specific risks presented by the different categories of taxpayer.

While many countries are still in the early stages of their programs to reduce administrative burdens, there are a number of important conclusions and lessons that can be learnt from experience to date. In particular:

- From the results achieved to date and the feedback obtained from business it is important for MOFs and revenue bodies to work closely with business to better understand their concerns and the causes of greatest irritation. As noted by the UK NAO in its recent report on this topic..... *“Developing a thorough understanding of business concerns is the key to delivering real impacts”.*
- While the experience to date is limited, it seems reasonable to conclude at this point that countries will face considerable difficulty in achieving any significant burden reduction targets (i.e. 20%+) in the absence of one or more major reform measures of the kind identified in the note. Large programs of relatively small measures spread over a number of years, while potentially adding up to a significant amount in burden reduction terms, may go largely unnoticed by those they are intended to benefit, raising questions over the credibility of the efforts being made.

The Forum encourages all countries to use this note to inform their burden reduction programs. Given the wide interest in this topic, it is expected that a follow-up report will be prepared in 2009.

Programs to Reduce the Administrative Burden of Tax Regulations in Selected Countries

Introduction

1. The size of administrative burdens resulting from government regulations has received considerable attention in recent years as governments strive to 1) improve the competitiveness of their economies; 2) encourage higher levels of compliance with complex and onerous regulations; and 3) alleviate the costs on business and citizens in complying with Government regulations—see Box 1. Perceived as overly excessive in many countries, many governments have set significant quantified and time-bound objectives for their reduction. In February 2007, the ECOFIN Council of the EU formally announced its decision to adopt an action programme for reducing administrative burdens resulting both from EU and national legislation, with the objective of achieving a 25% reduction target by 2012.¹

Box 1. The imperative for reducing government administrative burdens

The OECD's policy brief of January 2007- **Cutting Red Tape: National Strategies** – observed...

“Cutting red tape is a priority on the political agenda. Businesses and citizens complain that they spend much time and devote significant resources to activities such as filling out forms, applying for permits and licences, reporting business information, notifying changes, etc. Red tape is costly, not just in time and money spent filling out forms but also in terms of reduced productivity and innovation in business. This is particularly burdensome to smaller businesses and may even discourage people from starting up a new business. These effects are more costly in global markets, where the efficiency of the domestic regulatory and administrative environment can affect business competitiveness.

Governments have tried to cut red tape in recent years, making administrative regulations more cost efficient, and removing the administrative burden from many areas of activity. But now new concerns are emerging. Attention has shifted to removing barriers to trade, investment and entrepreneurship. Many developing countries are giving priority to cutting red tape. The World Bank's Doing Business annual report, which surveys nearly 200 countries, includes administrative burdens as a key variable in competitiveness. Here, cutting red tape is just part of a range of policies designed to enhance performance and productivity, and so cannot be treated as a single, separate issue.”

2. OECD work in the area of administrative burden reduction (“reducing red tape”) has been led by the Directorate for Public Governance and Territorial Development. Its most recently published work ‘*Cutting Red Tape: National Strategies for Administrative Simplification*’ (December 2006) focused on identifying how governments in member countries are responding to this matter. The key observations from this work were as follows:²
 - Administrative simplification and reducing administrative burdens are a very high priority for OECD member countries.

¹ Reference for EC Council decision arising from the proposal in ‘Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, (COM2007) 23’.

² The issues highlighted are quoted verbatim from the OECD's Policy Brief (January 2007).

- In many countries, these programs are becoming increasingly embedded in the country's broader regulatory quality system. They have evolved from *ad hoc* or sectoral to more comprehensive programs, often with a "whole-of-government" perspective. Reducing administrative burdens should be a part of making good laws. This objective also contributes to making administrative cultures more responsible and service-oriented.
 - Other trends are also evident:
 - The focus is generally on burdens imposed on businesses (often with a particular focus on small and medium size businesses) but there is increasing consideration being given to the burden imposed on citizens and others in the community; and
 - Quantification of burdens and evidence-based approaches to burden reduction are becoming increasingly important – and the techniques are increasingly sophisticated and detailed. Measurements are being used to trace burdens to their source.
 - In terms of administrative simplification tools there is a trend towards greater use of electronic and web-based platforms to support traditional tools such as one-stop shops.
 - Reducing the number of licenses – especially those required by business – is an important tool used in many countries to reduce administrative burdens.
 - There has been less innovation in terms of the institutional and organisational structures used to achieve administrative simplification. However, consistent with the overall trend towards embedding simplification within broader regulatory quality systems, there is a trend for administrative simplification to be included as a responsibility of the body responsible for overall regulatory quality.
 - Business sees administrative burdens as part of regulations as a whole. The challenge for governments is to communicate results of efforts to cut red tape, which may represent only a fraction of total compliance costs.
 - The trends and developments observed raise some key considerations for the future development of administrative simplification programs:
 - How long does it take to show results? What are realistic targets?
 - How will governments evaluate resources required and allocate them between administrative simplification programs and broader regulatory quality objectives?
 - How can simplification efforts be extended to lower levels of government, to regulation of government by government?
3. These points provide a useful backdrop for this note which focuses on tax-related administrative burden reduction strategies. Although not signalled out for attention in the referenced OECD work, the field of taxation is one commonly cited area of government regulation that places a significant administrative burden on business, especially small businesses, and citizens. Indeed, there are many studies that point to this fact. (See data in Table 1 and Annex 1).
4. At the Forum on Tax Administration (FTA) meeting held in Seoul, Korea in September 2006 both the Netherlands and UK tax commissioners noted in plenary presentations the significant efforts underway in their respective organisations to reduce administrative burdens on business and citizens. At the October 2006 meeting of the Taxpayer Services Subgroup, the OECD Secretariat reported that its limited research had shown that ministries of finance (MOFs) and revenue bodies in many countries had established formal programs to achieve substantial reductions in the administrative burden on business and citizens. Given these developments, it was agreed that that there would be value in carrying out a study to identify details of the key strategies of MOFs

and revenue bodies (both proposed and implemented)³ to reduce administrative burdens and, if available, details of their impacts. It was also agreed that this research should be carried out by the OECD Secretariat and confined to identifying significant developments and their impacts.

The preparation and structure of this note

5. For the purpose of preparing this note, terms of reference were drafted and tested in February 2007 with a selection of revenue bodies that participate in the work of the Taxpayer Services Subgroup. It was agreed that the research to be carried out and resulting note would focus on tax administration-related measures but would also include tax policy changes that are expected to reduce the administrative burden of tax regulations. This enabled the work to be initiated, which largely entailed considerable research across many countries and organisations, as well as information and reports being provided by a number of revenue bodies.
6. A draft version of this report was discussed at the September 2007 meeting of the Subgroup, which provided considerable feedback and further ideas to assist finalise the report. An updated version of the report was then sent to all members of the Forum on Tax Administration, including to members of the Taxpayer Services Subgroup, and following their endorsement was forwarded to members of the Forum's Bureau for their approval.
7. The note is structured as follows:
 - Part I: Administrative burdens and their measurement
 - Part II: Country programs to estimate the size of administrative burden resulting from tax regulations
 - Part III: Country programs to reduce the administrative burden of tax regulations
 - Part IV: Key strategies and measures being employed to reduce administrative burdens
 - Part V: Are administrative burden reduction strategies having an impact?
 - Annexes 1 to 5

³ Some administrative burdens result from the imposition of rules, etc. that are embodied in tax legislation that can only be altered by changes to laws overseen by a country's MOF, not the revenue body per se. In the interests of comprehensiveness, this note identifies tax policy changes implemented specifically to ease administrative burdens.

1. Administrative burdens and their measurement

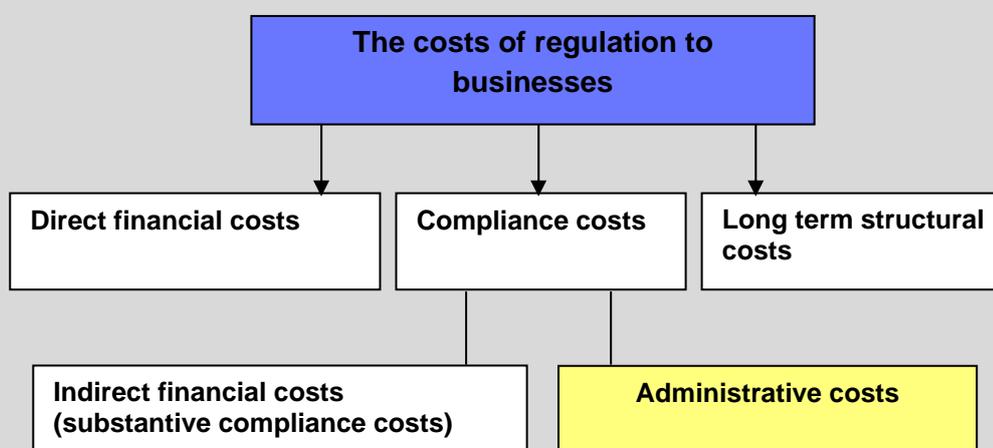
What costs are being measured?

8. It is important to make clear what is exactly meant by the term ‘administrative burden’ and what costs are taken into account in its quantification. The definition in Box 2, taken from the manual describing the Standard Cost Model (SCM) explained later in this note, may assist in this respect.

Box 2. The costs of regulation- financial and administrative

Regulation has a number of consequences for businesses. Administrative costs are only one type of costs that regulation can entail. The figure below illustrates the different types of costs that regulation can impose on businesses.

Figure 1: The different costs of regulation to businesses



Direct financial costs are the result of a concrete and direct obligation to transfer a sum of money to the Government or the competent authority. These costs are therefore not related to a need for information on the part of the Government. Such costs include administrative charges, taxes, etc. For example, the fees for applying for a permit would be a financial cost of regulation.

Compliance costs are all the costs of complying with regulation, with the exception of direct financial costs and long term structural consequences. In the context of the Standard Cost Model, these can be divided into ‘*substantive compliance costs*’ and ‘*administrative costs*’. Examples of substantive compliance costs include: 1) filters in accordance with environmental requirements; and 2) physical facilities in compliance with working conditions’ regulations. Examples of administrative costs include: 1) documentation of the installation of a filter; and 2) an annual report on working conditions.

Administrative burdens are the part of administrative costs that businesses sustain simply because it is a regulatory requirement. The administrative burdens are thus a subset of the administrative costs in that the **administrative costs** also encompass the administrative activities that the businesses will continue to conduct if the regulations were removed.

Understanding what is meant by administrative burdens in a taxation context

9. Proper compliance with the laws, including 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. in a tax context, these include tax advisors and payroll agencies). The categories of administrative activities that typically arise with any legislation, including tax laws, have been defined for the purposes of modelling and are summarised in Box 3. (NB: This description of activities is taken from the Standard Cost Model that is described later in this note.) Taken in their entirety and expressed in quantified terms as a “cost” using an agreed methodology, these activities constitute the administrative burden of businesses and citizens.

Box 3. Description of standard administrative activities

- 1. Familiarisation with the information obligation.** The resource consumption of businesses in connection with familiarising themselves with the rules for a given information obligation.
- 2. Information retrieval.** Retrieving the relevant figures and information needed to comply with a given information obligation.
- 3. Assessment.** Assessing which figures & information are necessary for the authorities to accept a report.
- 4. Calculation.** Performing the relevant calculations needed for the public authorities to accept the report.
- 5. Presentation of figures.** Presenting the calculated figures in tables or the like.
- 6. Checking.** Checking the calculated figures, e.g. by reconciliation with other data.
- 7. Correction.** If the business's own checks reveal errors in the calculations, corrections are made afterwards.
- 8. Description.** Preparation of description, e.g. the directors' report in the Danish Financial Statements Act.
- 9. Settlement/payment.** Payment of tax, charges or the like.
- 10. Internal meetings.** Meeting held internally between the various personnel groups involved in complying with the information obligation.
- 11. External meetings.** Meetings held in cases where compliance with the information obligation requires meetings with an auditor, lawyer or the like.
- 12. Inspection by public authorities.** Businesses must assist external inspectors when they carry out their inspection at the business.
- 13. Correction result from inspection by public authorities.** If the external inspection identifies faults/defects, corrections are made afterwards.
- 14. Training, updating on statutory requirements.** Relevant employees must be kept up to date with rules that change frequently (at least once a year).
- 15. Copying, distribution, filing, etc.** In some cases the report is copied, distributed and/or filed in order to comply with the information obligation. It may also be necessary to store the information obligation with a view to subsequent production in connection with an inspection.
- 16. Reporting/submitting information.** In cases where compliance with an information obligation requires the submission of information on the business, the information must be sent to the relevant authority.

Source: Standard Cost Model

10. Generally speaking, 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 (see description in Box 3); and 5) the degree of support received from the revenue body. It can decide to do all of the required administrative activities internally and/ or use external parties (e.g. payroll agencies and tax accountants) to help meet its tax obligations.
11. As described later in this note, MOFs and revenue bodies play a significant role in defining, designing and setting the frequency of the information obligations to which these administrative activities apply. Revenue bodies also play a significant role in supporting their practical operation through the provision of a range of educational initiatives and services (e.g. outreach activities for newly-registered businesses, the supply of forms and explanatory materials, and provision of

inquiry services and on-line filing and payment capabilities). As a result, both bodies are in a strong position to influence the overall level of administrative burden on business and citizens.

How are administrative burdens being measured?

12. There are a number of measurement/ estimating methodologies that can be deployed to quantify the administrative burden imposed by tax regulations. These include use of a standard measurement methodology, such as what has become known as the Standard Cost Model (SCM), or use of a tailor-made approach, such as those as employed by the NZ and Swedish revenue authorities when quantifying the administrative burden of their respective VAT systems.⁴
13. This note focuses on use of the SCM given its growing usage,⁵ particularly by those countries whose measurement work and burden reduction programs are described in this note. That said, it should be noted that the Secretariat has made no attempt to evaluate use of the method by the individual revenue bodies identified. Accordingly, no inference should be drawn that the reported results are considered by the OECD to be a complete and accurate estimation of the administrative burden for the tax laws subject to measurement.

The Standard Cost Model

14. A description of the SCM is set out in Box 4. In brief, there are four essential steps:
 - 1) Information obligations for each tax are specified;
 - 2) The data requirements applicable to each information obligation are identified;
 - 3) The administrative requirements are established; and
 - 4) Cost parameters (i.e. price, time and quantity) for each administrative activity are collected.

Completion of these steps enables the development of an aggregate estimate of the administrative burden (in monetary terms) imposed by each area of regulation subject to measurement.

15. Two points should be borne in mind in interpreting the estimates of administrative burden that are derived from use of the SCM and referred to later in this note.⁶
16. First, calculations of administrative burden are estimates and must be treated with caution as they are indicative and not statistically reliable. They do, however, provide an indication of which areas of regulation impose the highest administrative burdens and provide a baseline for assessing if reductions have been achieved. As noted in a recent country study report⁷.....

⁴ It should be noted that in carrying out its measurement work, the NZ IRD has not computed aggregate figures for the administrative burden imposed by the GST. Rather, its work has focussed on developing average cost data by categories of business (e.g. by economic size) and observing their trend over time.

⁵ In the autumn of 2003, a number of European countries formed a network committed to using the same methodological approach when measuring and tackling administrative burdens. All countries had come to the realisation that common problems were faced and that only a common approach could help solve these problems. These 'founding fathers' of the network choose the Standard Cost Model (SCM) as the common approach. The SCM was based on a costing model known as MISTRAL originally developed by Dutch authorities. Almost all of the member countries use the SCM because it provides transparent measurements, which are ideal when trying to simplify legislation and lower the administrative burdens. In the summer of 2005 the OECD also chose to apply the SCM method in connection with its 'Red Tape Scorecard' and to take part in the network.

⁶ These comments are drawn directly from observations made in the first report of the UK's National Audit Office to assess progress with burden reduction initiatives- see 'Reducing the Cost of Complying with Regulations: The Delivery of the Administrative Burdens Reduction Program, 2007' (National Audit Office, July 2007).

⁷ See 'Report of the Business Regulation Forum' (Ireland, March 2007).

“The model aims to be indicative rather than statistically robust. While it is a quantitative technique, the intended output is not statistics but rather priorities for simplification.... It is believed, however, that while some of the individual results of measurement may at times be questioned by Government Departments, the overall output provides the information required; namely the identification of the most burdensome regulations which become the priorities for simplification.”

17. Second, as the measurement of administrative burdens using the SCM only focuses on regulations that impose information obligations it therefore only covers one element of the total cost to business of complying with regulations. In a tax context, this approach can be contrasted with much of the work done in various countries over recent decades, particularly by academics, that has focused on the measurement of total compliance costs resulting from tax laws and their administration.

Box 4. Description of the Standard Cost model

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.

Information obligations and their components

1) 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.

2) 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.

3) 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.

4) 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.

Combining these elements give the basic SCM formula:

- Cost per administrative activity (or per data requirement) = Price x Time x Quantity (*population x frequency*).

Source: International Standard Cost Model (SCM Network)

II. Country programs to estimate the administrative burdens resulting from tax regulations

The reported magnitude of administrative burdens

18. Programs to reduce administrative burdens were commenced some years ago in many of the countries identified as part of the research carried out for the preparation of this note. Hence there is a broad body of experience to examine, covering both the results of measurement activities carried out and, importantly, the measures adopted or planned to reduce these burdens.
19. Table 1 hereunder sets out aggregate data on the magnitude of administrative burdens estimated from measurement programs in selected countries over the last 4-5 years, both in aggregate and in relation to tax regulations. The key observations are as follows:
 - The results of the studies conducted confirm that government regulations impose a sizeable burden of businesses in all of the countries identified.
 - The aggregate data reported by a number of countries confirms that the administrative burden on businesses resulting from tax regulations represents a significant proportion of the overall administrative burden on businesses, e.g.
 - Czech Republic: around 30%, including social contributions (2005);
 - Denmark: around 25% (2001 and 2004);
 - Netherlands: around 27% (2001);
 - South Africa: around 28% (2004); and
 - United Kingdom: around 25% (2005/06).
 - Although difficult to construct an accurate series of comparable information, the data suggests that the administrative burden (incurred by taxpayers) typically well exceeds the administrative costs of national revenue bodies.
 - The value added tax (VAT) is consistently identified as the major tax-related “culprit” in terms of administrative burdens on businesses – also refer to paragraphs 17 and 18.
 - Analysis of individual country reports confirms the regressive nature of these burdens and their relatively greater impact on smaller businesses—see indicative data in Table 3.

Table 1. Summary of reported findings on the estimated size of administrative burdens

Country	Estimates of the administrative burden imposed by government regulations	
	'Whole of government' basis	Tax law and administration-related
Austria	Baseline measurement results in late-2007 estimate total administrative burden at €4.3 billion.	Baseline measurement results in late-2007 report total burden of €1.08 billion, including income tax—€600 million; and VAT—€290 million;
Canada	Estimated at \$C32.9 billion (€21.9 billion) in 2005 by the CFIB.	[awaiting survey results]
Czech Rep.	Measurement activities completed in 2005 report total costs of CZK86 billion (approx. €3.1 billion).	Personal tax (excl. social contributions)— CZK 2.4 billion, corporations tax—CZK3.3 billion, and VAT— CZK64 million /1. The burden for social contributions (incl. payment of benefits) was estimated at CZK20.1 billion.
Denmark /1	There are three baseline estimates: 1) for 2001 — €4.4 billion; 2) for 2004—€4.3 billion; and 3) for 2005— €4.17 billion.	There are two baseline measures: 1) for the 2001 year— Dkr8.9 billion (€1.2 billion); 2) for 2004— Dkr7.98 billion (€ 1.1 billion), incl. Dkr4.4 billion (€590 million) for income tax & Dkr1 billion (€133 million) for VAT.
Germany	Intermediate results of baseline measurement in late-2007— aggregate burden of €27 billion.	Baseline measurement show estimates of: VAT (turnover tax)—€ 11.1 billion and corporate tax— €3.5 billion.
Mexico	Measurement study in course—first findings expected by end-2008	
Netherlands /1	€16.3 billion (equivalent to 3.6% of GDP) for 2002, incl. €1.5 billion for reporting of annual accounts.	€4.43 billion for 2002, including €1.4 billion for the VAT, €0.7 billion for the Wages and Salaries Tax, and €0.6 billion for the Income Tax Act.
New Zealand	Nil	2005 study report provided benchmark compliance cost data (e.g. by size of business and tax type) but no aggregated cost data are reported. /2
Norway	Measurement projects in course and are planned to be completed by 11/2007	VAT— NOK 910 million (€120 million) in 2004. Excise—NOK 73 million (€9 million) in 2005.
South Africa	Mean recurring costs estimated at R105 billion for 2004 (SBP study)	Total burden estimated at R27.3 billion (SBP study).
Spain	Measurement study in course- findings expected by end-2007	
Sweden	Currently under review.	Total baseline costs of SEK 6.45 billion (€701 million) for 2004 and an update of the 2004 amount for 2006: SEK 6.43 (€700 million). /2
United Kingdom /1	Just under £20 billion (as per NAO report of July 2007)	£5.1 billion (€7.6 billion) for 2005/06, including £1.02 billion (VAT), £857 million income tax for businesses, £759 million (employer taxes), £608 million (corporation tax) & £321 million for the CIS.
United States		IRS estimate of compliance burden for 2006- 6.65 billion hours. National estimate of the compliance costs of state retail sales tax systems—approximately \$US6.8 billion (3.09% of total taxes collected).

/1. The administrative costs incurred in 2004 by the national revenue bodies in these countries were: Denmark- €752 million; Netherlands- €1.86 billion; and UK- £3.14 billion.

/2. Estimates cover personal income tax, social contributions, corporate income tax and VAT. In addition, there was a specially designed compliance cost measurement methodology applied for the VAT for 2005, revealing a total cost estimate of SEK 6.3 billion ((€700 million).

Which taxes contribute most to overall administrative burdens?

20. Measurement work undertaken by revenue bodies has naturally focused on the major taxes administered by them. From this work it is quite clear that the Value Added Tax (VAT) imposes the most significant level of burden (in absolute terms) of any tax in most countries –more is said on this later in the note. Table 2 sets out the ranking within country and by tax type of the estimated administrative burden for the countries indicated.

Table 2. Ranking of estimated administrative burden (by tax type)

Country	Ranking of main tax types (by relative burden in latest year)				
	Personal income	Social contribs.	Corporate	VAT	Excise
Austria	1		3	2	
Canada	3	2 /1	3	1	
Czech Rep.	2	1	3	4 /2	
Denmark	1	n.a	1	2	
Germany			2	1	
Ireland /3	2		2	1	
Netherlands	2		3	1	
Norway	n.a	n.a	n.a	1	2
South Africa				1	
Sweden	n.a	n.a	2	1	3
UK	1		3	2	

/1. Ranking is for ‘payroll taxes’ which in a Canadian context covers both social contributions and personal tax withholdings.

/2. Czech officials have acknowledged informally that the burden measurement activity for the VAT is likely to be significantly understated the real burden owing to methodological problems.

/3. Rankings derived by OECD Secretariat from qualitative, not quantitative, findings in the 2007 ESRI report ‘Business Regulation Survey’.

The administrative burden of the Value Added Tax (VAT)

21. As apparent from the information in Table 2, the work undertaken in a number of countries provides strong indications that the operation of the VAT imposes the largest administrative burden of any tax, in absolute terms, on businesses. This should not necessarily be surprising given the core underlying design feature of the VATs – the collection of tax on a fractionated basis from most businesses comprising the “value-adding chain” until the final sale of the relevant goods or services to the consumer. The measurement work undertaken in respect of the UK’s VAT is instructive from the viewpoint of shedding light on the main areas of administrative burden and, potentially, where the greatest savings may be made- see Table 3.

Table 3: United Kingdom: Composition/size of estimated administrative VAT burden

Burden by Top 10 Obligations			Burden by Source			Burden by business size		
Information Obligation	£m	%	Source	£m	%	Size type	£m	%
Issue VAT invoices	474	47	Internal	646	65	Nano; no employees	160	16
File quarterly return	287	29				Micro: 1 /9 employees	343	34
Apply for partial exemption	68	7				Small: 10/49 employees	166	16
Maintain VAT account	33	3				Medium: 50/249 employees	94	9
File monthly return	24	2	Acquis- ition	109	11	Large: over 249 employees	256	25
Process VAT payments	23	2						
Issue retail VAT invoices	17	2	External	265	24			
Process bad debt relief	10	1						
Issue proforma invoices	9	1						
Apply for VAT registration	7	1						
Other	68	6						
Total	1,020	100		1,020			1,020	100

22. To reduce the administrative burden imposed by the VAT on smaller businesses a number of countries have taken steps to modify its design (e.g. by raising the threshold applicable to which businesses must register and collect VAT, reducing filing and payment frequency and adopting simplified liability calculation rules). (These are described more fully later in this note.) However, as also described later in this note, there is considerable disparity in the way such “administrative” features are applied across countries. As a result, there would appear to be considerable potential for many countries to reduce the administrative burden of large numbers of smaller businesses by adopting a more “generous” set of reforms in the context of their burden reduction efforts.
23. The UK’s VAT, which has already been subjected to substantial modification to ease the administrative burden of compliance on smaller businesses, is to be subject to further review. The UK Chancellor has recently announced⁸ that in line with his Government’s commitment to ensuring the UK provides a first class environment for business, there are to be a number of reviews this autumn to evaluate how a range of tax policies can be simplified. This will include the VAT and there is to be particular focus, from a simplification viewpoint, on the following aspects:
- Procedures associated with the election to waive exemption;
 - Partial exemption and the capital goods scheme;
 - The frequency with which businesses submit returns—HMRC and Treasury propose exploring with business whether there are any obstacles that prevent them from using annual accounting, and whether annual accounting arrangements could be attractive to larger businesses;
 - VAT retail schemes—over 10 percent of registered businesses use one of five retail schemes, while 200 very large retailers are required to agree bespoke retail schemes with HMRC; the review will consider whether, taking accounts of developments in retail receipting technology, the existing range of retail schemes and the design of these schemes is consistent with the objective of simplifying retail accounting and the appropriateness of the arrangements concerning very large retailers in terms of striking the right balance between simplification and certainty in tax accounting; and
 - Complexities requiring simplification at the EU level.

The administrative burden of social contributions

24. Social contributions constitute a significant Government revenue stream in many countries, especially those in Europe. In a number of those countries (e.g. Austria⁹, Czech Rep, and Germany) the collection of social contributions - received largely from employers in the form of withholdings from employees’ wages - is administered by separate social security agencies (in some countries, multiple agencies), while in other countries (e.g. Finland, Ireland, Netherlands, Norway, Sweden, and UK) it has been integrated with the collection of personal income tax administered by the main revenue body. A reduction in the administrative burden of businesses is one of the benefits claimed from integrating the collection of social contributions and personal tax collections.....

“placing responsibility for collection (of social contributions) with the tax administration can also significantly reduce compliance costs for employers, with less paperwork as a result of common forms and book-keeping systems, and a common audit program

⁸ See “Tax Simplification Reviews” (2007 Pre-budget report, October 2007).

⁹ Although collection of social contributions and taxes is separated, Austria conducts common audits for social contributions and personal taxes.

covering income, VAT and payroll taxes, and social contributions based on income and payrolls. The increasing use of Internet-based electronic filing and payment systems with the tax administration also lowers taxpayers' and contributors' compliance costs. This simplification can also improve the accuracy of calculations made by employers and therefore compliance levels"^{10, 11}

25. The studies reviewed for this note provide limited (but significant) information on the administrative burden on businesses resulting from social contributions laws;
- **Czech Republic:** Measurement work undertaken by Czech authorities in 2005 indicated that the administrative burden on businesses resulting from the operation of social contributions laws represented around 23% of the aggregate burden resulting from all government regulations; this burden was some 8 and 6 times greater than the burden imposed by the personal income tax and corporations tax respectively;¹²
 - **Netherlands:** The integration of the collection of certain social contributions with normal tax administration is one of the burden reduction measures adopted by the Dutch Government. Officials have estimated that this measure, implemented from the beginning of 2006, was expected to produce annual savings of around €300 million ¹³ (see later comments on this measure).
 - **United Kingdom:** The collection of national insurance (NI) contributions was integrated into the operations of the main revenue body in the UK in the late 1990's. While many benefits were derived from this initiative, the operation of the NI arrangements was highlighted as a major area of administrative burden in HMRC's recent burden measurement research covering employer taxes. There was a very strong message from interviews and focus groups conducted as part of the measurement exercise that the failure to align PAYE, income tax and national insurance was now seen as completely unnecessary and adding a disproportionate burden on businesses.

¹⁰ See 'IMF Working Paper: Integrating Tax and Social Security Contributions Collection within a Unified Administration' (December 2004), prepared by officials from the Fiscal Affairs Department of the IMF.

¹¹ Two OECD member countries (i.e. Australia and New Zealand) do not have separate social security regimes (and thus the administrative burden resulting from their operation). In these countries, expenditure obligations of the kind that social security regimes typically cover (e.g. unemployment benefits, age pensions, and health) are funded from general tax revenue (principally personal income taxes).

¹² The proportion of the administrative burden attributable to the collection of social contributions is not known.

¹³ See 'Focus on Businesses, Dutch Progress Report on Reducing Administrative Burdens, April 2006.

III. Country programs to reduce the administrative burden of tax regulations

Government targets for administrative burden reduction

26. Prompted into taking comprehensive and effective action to deal with administrative burdens, many Governments have set sizeable global burden reduction targets on a 'whole of government basis', with impacts to be evaluated by follow up measurement activities, including in some countries by independent review. Unless otherwise stated the targets indicated relate equally to tax regulations. Table 4 provides a summary of the targets set by selected countries (and the EC).

Table 4. Summary of targets set for administrative burden reduction

Country	'Whole of government' targets
Austria	25% burden reduction by 2010 (on baseline estimates made in 2007) for burden imposed by national regulations, and by 2012 for burdens stemming from EU legislation
Belgium	25% reduction by end of the parliamentary term
Canada	20% burden reduction by November 2008 on small businesses (as per Budget 2007)
Czech Rep.	Minimum 20% reduction by 2010
Denmark	25% burden reduction by 2010 (on baseline estimates made in 2002)
Germany	Global reduction target of 25% by 2011 set by German Government in February 2007.
Italy	25% reduction by 2012.
Netherlands	25% reduction by 2007 of 2002 baseline estimate; new target of 25% reduction by 2011 has recently been set.
Norway	See footnote. ¹⁴
Spain	25% reduction by 2012
Sweden	25% for businesses by 2010. (There was initially a target for tax of 20% by 2010, but this was overtaken by a 25% 'whole of government' objective set in 2007.)
UK	25% burden reduction by 2010 (based on 2006 baseline estimate). Separate targets have been set in respect of tax regulations: 1) A reduction by at least 10% of the administrative burden of dealing with forms and returns by 2011 (equivalent to £337 million); and 2) A reduction in the administrative burden on compliant business of dealing with audits & inspections by at least 15% by 2011 (equivalent to £21 million).
All EU countries	25% reduction by 2012 in burden imposed by EU and domestic legislation, relative to the burden in 2004.

27. It is noteworthy that for most of the countries where quantified and time-bound targets have been set the reductions expected are to be 'net' of any additional burden resulting from new or amending regulations. In other words, countries will generally be required to measure the additional burden imposed by any new regulations and take these into account in their progressive assessments of burden reductions.

¹⁴ The administrative costs of business from all regulatory framework areas are to be measured by October 2007. The measurements carried out within the various areas will be followed up with specific simplification plans setting out quantified targets and timetables for implementation, and will form the basis for review by autumn 2009.

Co-ordination arrangements and accountability requirements

28. In many of the countries cited (e.g. Australia, Denmark, Germany, Netherlands, Sweden, and the UK) responsibility for directing/ co-ordinating Government-wide efforts to reduce administrative burden (including those resulting from tax regulations) have been formally allocated to a central agency. Furthermore, in many countries there is a requirement for the preparation of an annual progress report; in some countries, these must be referred to the Parliament. In a few countries (i.e. Netherlands and UK) there is a formal requirement on the national audit body to report annually on the robustness and appropriateness of the actions being taken and the results being reported. Annex 3 provides examples of the situation applying in individual countries.

Principles and approaches for reducing administrative burdens

29. To date, country programs to reduce administrative burdens have largely been based on principles and approaches developed independently at the individual country level, in some instances, taking some account of developments in other countries. A number of these programs are described briefly in Annex 2. In its Action Plan approved in February 2007 the EC offered advice on a range of principles and approaches that could be used to identify specific measures for reducing administrative burdens on business for each area of regulation—see Box 5. These suggested principles are of a fairly generic nature and need to be considered in the context of individual country circumstances and the views of the business sector.

Box 5: EC Action Plan: Common Principles for Reducing Administrative Burdens

Measuring administrative requirements in the EU is not a goal in itself. The aim is to reduce red tape for businesses in Europe. Regarding the question of how to reduce these burdens, the Commission proposes that the following principles should guide the process since they could make a significant contribution to reducing administrative burdens:

1. Reduce the frequency of reporting requirements to the minimum levels necessary to meet the substantive objectives of the legislation and align the frequency of reporting across different related pieces of legislation, where possible;
2. Review whether the same information obligation is not requested several times through different channels and eliminate overlaps (e.g. a number of environmental information obligations are presently required by more than one piece of legislation);
3. Require electronic and web-based reporting where paper based information gathering is presently required, using intelligent portals where possible;
4. Introduce thresholds for information requirements, limiting them for small and medium sized companies wherever possible, or rely on sampling (it is well known that SMEs suffer particularly strongly from administrative burdens – data collection for information purposes should take this into account);
5. Consider substituting information requirements on all businesses in a sector by a risk based approach – targeting information requirements on those operators that perform the highest risk activities;
6. Reduce or eliminate information requirements where these relate to substantive requirements that have been dropped or modified since the information requirement was adopted (e.g. there are still information obligations in road transport dating back to the time that permits were required to carry out international transport); and
7. Provide official clarification of complex pieces of legislation that may either slow down business activities, or require acquiring legal expertise.

Source: Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, (COM2007) 23.

30. As part of the UK's Government-wide approach to burden reduction, the National Audit Office (NAO) has been tasked to carry out an annual review of the achievements of the program and to examine the extent to which it is delivering its intended objectives. To assist carry out this task its first report notes that it will be conducting an annual survey to track businesses' perceptions of the burden of regulation and the impact of departmental initiatives to reduce administrative burdens. A number of the findings of the initial survey of business (covering 2,000 businesses and conducted in 2007), as reflected in the NAO's report, provide an informative assessment of businesses' perspective on what is regarded as burdensome and the priority areas for attention in a tax-related context- see Table 5. These perceptions may well mirror those of business in other countries and may therefore be helpful to MOFs and revenue bodies in framing program responses that deliver the more significant impacts.

Table 5. United Kingdom- Views of business on priorities for burden reduction

Rank (*)	Aspects of complying with regulations that businesses find burdensome	Burden reduction measures in order of importance to business- tax law
1	Having to keep up to date with changes in existing regulations	Simplification of complex rules
2	The length of time it takes to go through the whole process of complying	Improved access to information setting out in clear and simple language which regulations apply to a business
3	Finding information about which regulations apply to your business	Ensuring businesses do not have to provide duplicate information to Government
4	Completing paperwork, including filling out forms and keeping records	Provision of guidance that sets out in clear and simple language what a business has to do to comply with a regulation
5	Having to provide the same information more than once to Government	Consultation with business before any change to regulation takes place or new regulation is made
6	Finding guidance and advice explaining what you have to do to comply with a given regulation	Higher levels of stability and less frequent changes to regulations
7	Preparing and reporting facts and figures to Government	Improving regulators and inspectors understanding of business
8	Being ready for and complying with inspections	Provision of background information that explains what the purpose is of a given regulation
9		Improvement to and more use of on-line tools such as electronic forms and information

Source: Pages 23-25 of 'Reducing the Cost of Complying with Regulations: The Delivery of the Administrative Burdens Reduction Program, 2007' (National Audit Office, July 2007).

31. Section IV which follows provides specific examples of the practical application of these principles and approaches, as well as details of other administrative initiatives introduced by revenue bodies to make it easier (and less costly) for taxpayers to comply with their obligations.

IV. Key strategies and measures being employed to reduce administrative burdens

32. This part of the report identifies the key measures implemented or planned to reduce the incidence of administrative burdens in selected countries. Annex 2 provides further information on individual country programs and background to their studies to identify the magnitude and nature of administrative burdens. Where possible, an indication is provided of the estimated or actual impacts of the measures taken, although it should be noted that no attempt has been made to validate the findings. As will be evident, countries have resorted to a mix of policy and administration measures, with a particular focus on the SME sector where these burdens/ costs are regarded as the most regressive.

Whole of Government' approaches affecting tax policy/administration

a) Reporting on a 'whole of government' basis— 'Standardised Business Reporting' arrangements

33. Governments place numerous reporting obligations 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). As noted in a recent report from one member country¹⁵.....

"A number of agencies at all levels of government require businesses to report activity. While the information sought is often much the same, the purposes of reporting are seemingly different- to monitor financial trends, calculate tax liability, track employment trends.....and monitor non-compliance. Sometimes the same data (probably known by a different name) is collected by more than one agency, and sometimes data are collected that can be derived from information another agency already has"

"Many participants at the small business roundtable convened by the Taskforce, together with those making submissions, indicated their frustration at having to report the same information to multiple government departments and agencies, and that agencies do not use information from existing sources"....

"The key to reducing the record-keeping and reporting burden lies both within and across agencies and will depend on collaboration to rationalise the reporting and data requirements"

34. It was in response to concern for the enormous incidence of duplication in reporting that the Netherlands Government in 2004 launched a major initiative known as the Dutch Taxonomy Project, a brief description of which is provided in Annex 3.
35. In brief, this project aims to standardise and simplify the reporting of financial data to Government agencies with the aim of achieving substantial reductions in the administrative burden on business. In their progress report to the Dutch Government in April 2006 officials indicated that from January 2007 the majority of small and medium sized businesses would be required only to provide annual accounts data to the Chamber of Commerce (thus replacing traditional multiple reporting arrangements). The XBRL taxonomy will make it possible to supply the data to other institutions with "just one push of the button". The estimated value of burden reduction from this measure is put at approximately €400 million per annum. In addition, full implementation of the Dutch XBRL taxonomy in 2007, with its wide incorporation across relevant financial accounting software packages will result in substantial time savings to business- up to 33% compared to the time required for traditional annual accounts. For small businesses, these savings are estimated at around 9 hours per annum and for medium sized

¹⁵ See 'RETHINKING REGULATION, AUSTRALIAN GOVERNMENT'S RESPONSE' (August 2006)

businesses at 140 hours per annum. The overall potential reduction in administrative burden is estimated at €350 million.

36. The Dutch Tax and Customs Administration (DTCA) has been a key player in this development and its pioneering work has in more recent years encouraged a number of other revenue bodies in OECD countries (e.g. Australia, New Zealand and the UK) to examine similar initiatives. The Australian Government recently announced its decision, after a successful feasibility study, to introduce a Standard Business Reporting (SBR) programme that will, when fully implemented, enable business to use their accounting/ business software to automatically pre-fill government reports required by a variety of agencies (e.g. regulatory, tax (federal and state), and statistics). It is anticipated that full implementation for financial reporting will be completed by mid-2010. The programme is expected to cost \$A208 million over three years, while the benefits to business are estimated to rise ultimately to \$A795 million per year.

b) Rationalising the administration of social contributions

37. Rationalising the collection of social contributions is an important area for Governments in some countries in their efforts to improve operational efficiency and effectiveness and to reduce the burden of compliance on business. Over recent years, these efforts have centred on two aspects: 1) shifting responsibility for the collection (but not payment) of social contributions to the main revenue body and integrating its administration with other taxes; and 2) harmonising the tax base for income tax, payroll taxes and social contributions. The current burden reduction program of the Netherlands provides some examples of how this is being carried out (successfully) in practice (refer Box 6).

Box 6. Netherlands: Reducing the burden of complying with social contributions obligations

The OECD brief 'Cutting Red Tape: National Strategies' notes the point that many countries' reform efforts are evolving with a clear 'whole of government' perspective. One obvious strategy in this respect is a rationalisation of the data that must be reported by businesses and the sharing reported data across government agencies- "a matter of data captured once, but used many times". The Dutch initiative, known as operation WALVIS/SUB, is an excellent example of this approach to burden reduction.

As reported by Dutch officials, in the past employers had to send separate annual payment statements to the Workers Insurance Authority (UWV) for employees' social insurance contributions and a wage tax return to the revenue body. Since January 2006, these reports have been combined. Employers need only file one report with the revenue body and this is done electronically. Moreover, as of 1 January 2006, the total pay from which employees' social insurance contributions were withheld and the total pay on which employee benefits were based have largely been made uniform and also harmonised in line with taxable pay. Finally, due to the operation WALVIS/SUB, many other reports are no longer required of business.

Officials have estimated that as a result of these measures, there will be significant reductions in the administrative burden on businesses- estimated at over €300 million per annum once fully implemented, and representing the second largest reform measure in the overall program of measures being implemented.

HOW WALVIS/SUB IS AFFECTING BUSINESSES?

- A single contact point for businesses: the revenue body.
- Reuse of data by government agencies- UWV, CWI, CBS, SVB, CVS, pension funds & insurers.
- Businesses will no longer need to:
 - complete advance remittance invoices, settlement invoices & annual pay statements;
 - make employee social insurance reports to UWV;
 - supply wage details as a basis for calculating an employee's social insurance benefit by UWV;
 - complete the employment and wages questionnaire of Statistics Netherlands (CBS);
 - complete the wages tax cards sent by the revenue body;
 - file separate reports of wage and social insurance contributions.

Source: Focus on businesses, Dutch progress report on administrative burden reduction (April 2006)

38. Concerning amalgamation and integration in general, there has been a trend in this direction with Governments in a number of countries adopting this approach in recent times (e.g. since 2000, this has included Albania, Brazil, Bulgaria, Netherlands, Romania, and Russia). Korea decided in 2006 to take steps in this direction and responsibility for the collection of social contributions will be transferred to an agency under the National Tax Service in 2009. However, it is recognized that there may be factors peculiar to the circumstances of some countries that render integration impracticable.
39. On the matter of harmonisation, steps have been taken in a number of countries to develop a common tax base for income tax and social contributions (e.g. Netherlands).

Tax policy-related measures

a) The use of thresholds to reduce administrative burdens

40. The tax laws of most countries typically include a variety of thresholds to relieve taxpayers of the burden of complying with a particular requirement in the law, to reduce the frequency of compliance, to simplify the act of compliance, and/or to reduce the workload of the revenue body. For example, many countries use thresholds to identify which taxpayers need to register for VAT purposes, to determine the frequency of reporting and payment obligations for most of the taxes administered and to identify which taxpayers may be able to use a simplified approach for determining a tax liability (e.g. use of the cash accounting basis for determining VAT liabilities).
41. The use of thresholds presents both costs and benefits to the tax system. On the one hand, some thresholds may entail costs in the form of lost or deferred revenue receipts while, on the other hand, benefits by way of a reduced administrative burden on taxpayers and a reduced administrative workload for the revenue body. Thus, use of thresholds should take account of all aspects, in particular the administrative burden of small traders who normally represent a large proportion of the business population and the administrative costs incurred by the revenue body in processing the many “low value” transactions that typically result from their activities. Thresholds are used widely but to significantly varying degrees of effectiveness across member countries to ease the administrative burden of small businesses– refer to Table 6 for examples.

Table 6. Examples of thresholds applied to reduce the compliance burden of small businesses

Areas of the tax law	Countries	Examples of thresholds for small businesses /1
To pay employee withholdings of personal income tax	Australia	Quarterly payments where annual liabilities <\$ 25,000 (\$US 22,000)
	Canada ¹⁶	From 2008, employers whose average monthly liability is <\$C3,000 (previously <\$C1,000 will be eligible to remit source deductions quarterly instead of monthly.
	Germany	Quarterly payments where prior year wages tax (PYWT) < €3,000; annual payments where PYWT<€800; otherwise monthly
	Ireland	Quarterly payments where total PAYE and PRSI payments for year are < €30,000 (from April 2006); otherwise monthly
	NZ	Monthly payments where annual PAYE liability < \$NZ100,000; otherwise twice monthly
To make advance payments of corporation	Australia	Annually if not registered for GST and notional tax < \$8,000 (\$US 7,000); otherwise quarterly unless defined as large taxpayer.
	Canada	Increase the threshold (from 2008) below which corporations are eligible to pay federal corporate taxes annually from \$1000 to \$C3000

¹⁶ All the examples for Canada in Table 6 include legislative amendments that have been announced, but are not law as of October 30, 2007. They are expected to be passed into the law by the time this report is released.

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

income tax	Czech Rep.	Quarterly payments where prior year liability was between CZK30,000-150,000 (approx. \$US 2-10,000); monthly for larger taxpayers
	Ireland	New small companies with first year tax liability <€150,000 not required to make advance payments; other small companies can make advance payments based on prior year liability.
	Slovak Rep.	Quarterly payments where prior year liability was between SVK50,000-500,000 (approx. \$US 3-30,000); monthly for larger taxpayers
To register for VAT	Austria	Must register if annual turnover >€30,000 (approx. \$US 42,500)
	Canada	Generally, must register if annual taxable sales => \$C30,000
	Ireland	Must register if annual turnover > €35,000 (services) or €70,000 (goods)
	Japan	Must register if annual turnover >JPY10 mill. (approx. \$US 75,000)
	Singapore	Must register if annual turnover >\$S 1 mill. (approx. \$US 690,000)
	Slovak	Must register if annual turnover >SKK 1.5 mill. (approx. \$US87,000)
	South Africa	Must register if annual turnover >R300,000 (approx. \$US44,000)
To file returns and pay VAT	UK	Must register if annual turnover >£58,000 (approx. \$US87,000)
	Australia	Annual for voluntary registration; quarterly where turnover < \$A2 million (\$US 1.64 million); otherwise monthly.
	Austria	Quarterly returns if prior year turnover < €22,000; otherwise monthly.
	Canada	Starting in 2008, annual return and quarterly payment if annual taxable sales < \$C1.5 million (previously \$C500,000). Annual payment if net tax <\$C3,000 (previously \$C1,500)
	Czech Rep	Quarterly payments if annual turnover < CZK 10 mill. (approx. \$US 65,000) ; otherwise monthly
Use of cash accounting or simplified calculation basis for VAT liability determination	Germany	Quarterly payments if prior year tax <€6,136 (approx.\$US8,000); annual payments if prior year tax <€512; otherwise monthly
	Australia	Optional use where annual turnover <\$A2 mill. (approx. \$US 1.7 million)
	Austria	Optional use for professionals and other businesses if turnover of last two years < €110,000
	Canada	Optional use for prescribed traders where turnover <\$C200,000. Also, optional simplified input credit calculation where annual sales < \$C500,000 and annual purchases <\$C2 million
	Germany	Optional use where turnover < €250,000 (approx. \$US370,000)
	Ireland	Optional use where turnover < €1m (approx. \$US1.35 mill.)
	South Africa	Optional use where turnover <R2.5 mill. (approx. \$US370,000)
VAT invoices	UK	Optional use where turnover <£660,000 (approx. \$US1.3 mill.)
	Austria	Use of simplified invoices (threshold €150).
Turnover tax	Germany	Use of simplified invoices (threshold increased from €100 to 150).
	Germany	Mandatory accounting threshold set at €0.5 mill. (previously €0.35 mill).
Employment tax	USA	Annual filing and payment (previously on a quarterly basis) where liability < \$1,000 per year.

Sources: Revenue body websites; IBFD; OECD Consumption Tax Trends (2006), Tax Administration in OECD Countries: Comparative Information Series (2006)

/1. The currency conversions shown in this table were calculated at various times during preparation of the report. Given the recent volatility in currency markets, readers may wish to make their own just-in-time calculations.

42. As will be evident from the information in Table 6 and in the Annexes, many countries have taken steps to increase various thresholds in their tax laws to alleviate the administrative burden on taxpayers. A related initiative introduced/ proposed by a few countries (i.e. Australia and the

United Kingdom) has been to regularise the review of such thresholds so that they are adjusted more or less automatically to stay in line with movements in the economy.

43. Given the significant burden imposed by the operation of VATs, as evidenced by country measurement exercises, an issue for some OECD member countries is consideration of policy adjustments to reduce such burdens. These could include increased thresholds for VAT registration and payment and filing obligations for smaller businesses. Such choices would also benefit the revenue body by reducing the number of “low value/ nuisance” transactions. The information in Table 7 provides an indication of the potential for such reform.

Table 7. VAT administrative requirements

Administrative requirements	Examples of good practice /1	Potential to ease administrative burdens for SMEs
VAT registration threshold	Refer Table 6: Australia, Austria, Canada, Ireland, Japan, Singapore, Slovakia, and UK	10 OECD countries have a “zero” VAT registration threshold while 5 OECD countries have a threshold below €10,000 euros (or equivalent) in annual turnover.
VAT filing and payment frequency	26 OECD countries have adopted a standard monthly (for large taxpayers) and quarterly (for non-large taxpayers) filing and payment period.	4 OECD countries generally require VAT returns and payments on a monthly or bi-monthly basis.
Use of cash accounting basis for determining liabilities	Some OECD countries (see Table 6) permit small business operating below a prescribed annual turnover to use the ‘cash accounting’ method.	A number of OECD countries do not permit smaller businesses generally to use the cash accounting method for determining periodic VAT liabilities.

Sources: Revenue body websites; IBFD; OECD Consumption Tax Trends (2006), and Tax Administration in OECD Countries: Comparative Information Series (2006)

44. Thresholds also have relevance in determining the frequency of payment obligations for the collection of personal income tax (both withholdings and advance payments) and corporation tax. As will be evident from Table 8, there is considerable divergence in practice across OECD countries, resulting in “potential” for reductions in administrative burden; however, a number of countries have taken steps to ease the payment compliance burden on smaller businesses by adopting quarterly (or less frequent) payment obligations.

Table 8. Frequency of tax payment obligations

Tax payment category	Most common practice	Potential to ease administrative burden
Personal income tax— employers’ withholdings	Most member countries require remittances of withholdings from employers on a monthly or more frequent basis, while 6 countries permit small employers (as defined in their respective laws) to remit withheld taxes on a bi-monthly or quarterly basis.	Increased use of quarterly payments for small employers
Personal income tax— advance instalments	12 of the 30 OECD countries generally require advance payments of tax from personal taxpayers on a quarterly basis; 7 generally require payments on a monthly basis, while in 11 other countries payments are required over longer periods.	Increased use of quarterly remittance arrangements for advance payments
Corporations tax— advance instalments	The prevailing practice is for instalments on a quarterly basis but 7 countries generally require more frequent (e.g. monthly) payments	Increased use of quarterly payments for advance instalments.

Source: Tax Administration in OECD Countries: Comparative Information Series (2006)

b) The adoption of simplified approaches for determining tax liabilities

45. Providing simpler methods for determining tax liabilities, covering both the income tax and VAT, has been a key strategy of a number of countries. Practical examples of measures taken include:
- Allowing more SMEs to use the cash accounting method for VAT (e.g. Australia and UK);
 - Enabling advance payments of income tax to be based on reported VAT turnover (NZ);
 - A simplified regime for businesses with annual turnover up to €763,000 (goods) and €230,000 (services) enabling simplified accounting and business tax return, with VAT quarterly instalments and an annual return (France);
 - Enabling assets of minor value (up to €1,000) to be assigned to a pool of goods that can be depreciated using the straight line method over 5 years (Germany);
 - Packages of simplification measures for SMEs -see Box 7 (e.g. Australia, Chile and Korea).

Table 9. SME simplification packages

Country	Description of simplification package
Australia	<p>New legislation- the Tax Laws Amendment (Small Business) Act 2007-aims to make it simpler for small business to determine eligibility for small business tax concessions. The new legislation, effective 1 July 2007, establishes a single definition of a small business entity that is eligible for a range of concessions (each of which previously had their own eligibility criteria). These concessions, many of which are designed to reduce the administrative burden of SMEs include: 1) choice to account for GST on a cash basis; 2) choice to pay GST (i.e. VAT) by instalments; 3) simplified rules for trading stock; 4) simplified depreciation rules; 5) easier to calculate advance payments of income tax (applying a GDP-adjusted notional tax amount); and 6) simplified/ concessional arrangements concerning the capital gains tax.</p>
Korea	<p>The Korean National Assembly revised the personal income tax law and the corporate income tax law on 20 June 2007 to provide a simplified taxation for compliant small and medium sized enterprises (SMEs). The purpose of this revision is to reduce the burden of SMEs to comply with the complicated tax laws. The new law allows SMEs (both individuals and corporations) whose sales revenue is under certain amount and who maintain double entry book-keeping systems to file tax returns prepared under the simplified tax rules. The major features of the simplification are as follows.</p> <ul style="list-style-type: none"> • Taxable income can be calculated by simplified methods in depreciation, deducting contribution expense, entertainment expenses, etc. • A standard tax credit can be applied instead of complex rules for tax credit calculation. The standard tax credit rated is 15% of tax liability for taxpayers in Seoul area and 25% in other areas. • When the annual turnover is increased by 15% or more from that of previous year, there is a one-time tax credit for the increased amount of turnover. <p>In addition to the legal features the Korean National Tax Service is in position that it is less likely to audit these eligible taxpayers unless there are clear evidences of underreporting.</p>
Chile	<p>From early 2007, prescribed SMEs are able to use simplified methods of accounting for their tax affairs that streamline requirements concerning record-keeping, depreciation, inventories, and the methods for determining regular advance payments of tax. In addition, taxpayers eligible to use the simplified arrangements can obtain access to a dedicated portal that provides ion line record keeping facilities for the taxpayer. Among other things, the system will automatically construct records of earnings and expenses for taxpayers, automatically calculate tax liabilities, and automatically generate monthly VAT returns, an annual tax return and various declarations required under the tax laws.</p>

c) Personal tax simplification

46. While the focus of this note is on efforts to reduce the administrative burden of business the research conducted has revealed a number of measures introduced to ease the burden of personal taxpayers. As personal taxpayers are significant in number in most countries and thus in aggregate represent a large potential or actual source of administrative burden these measures may be of interest to some countries:

- ***Deduction simplification:*** Around 15 of the 30 OECD countries generally require most taxpayers, including employees, to file an annual tax return. In the personal tax systems operating in many of these countries, taxpayers are entitled to claim a variety of deductions. For employees, this typically includes deductions for employment-related expenses. Given the large numbers of taxpayers involved and the huge burden that would otherwise arise from the need to individually itemise deductions, many countries have introduced some form of standard deduction in respect of employment-related and/or other deductions. These include Austria, Denmark, Finland, France, Germany, Japan, Korea, Netherlands, Norway, Sweden and the USA. Use of a standard deduction reduces the record-keeping burden on taxpayers, simplifies administration by the revenue body (also see later comments concerning the use of pre-filled tax returns) and reduces the need for selective verification action by the revenue body.
- ***Using third party information sources to verify deduction entitlements:*** Under the Korean tax system, most taxpayers are not required to file annual tax returns owing to the cumulative system of withholding administered via employers. However, taxpayers nevertheless have certain deduction entitlements. Until recently, employees were required to submit original documents on their expenses for medical, education, insurance, etc. to employers to claim deductions in their year-end final withholding settlement, which was a huge administrative burden for both employers and employees. To do this, employees had to contact insurance companies, credit card companies, schools, hospitals, pharmacies, etc. to obtain documents supporting their expenses. Employers had to check the completeness of the supporting documents. All of this entailed significant costs for both employees and employers.

From 2006, employees were relieved of the requirements of submitting original supporting documents. Most of the data are now transferred to the revenue body electronically from the relevant organizations and employees can get their integrated data by accessing a website where these data are stored. As a result, employees save time and money in gathering the documents while employers save resources on checking and storing the documents. Data-producing organizations also save on the costs of mailing and stationery previously incurred.

Other tax administration-related measures

47. Revenue bodies in member countries have implemented or are planning a variety of measures to reduce the administrative burden of taxpayers (and often at the same time improving overall taxpayers' compliance and/or increasing their level of operational efficiency by reducing low-yielding work). In a number of countries, simplification efforts have been "institutionalised" with the establishment of formal programs that cut across many organisational activities. This section of the report provides a brief description of the key measures identified by the research carried out to prepare this note.

a) Institutionalising simplification through formal burden reduction processes and programs

48. Revenue bodies in a number of countries have taken formal steps to strengthen the priority to be given to administrative simplification and burden reduction. (Annex 2 provides details of a number of these programs.) This can be done in a number of ways but typically includes the following sorts of actions:

- 1) Establishment of a corporate body, possibly supported by an advisory board with external representatives, to guide and manage the simplification efforts;
 - 2) Introduction of formal consultative processes or feedback mechanisms with key stakeholders (e.g. representatives of small business) to learn of their key “burden” issues and possible responses;
 - 3) The development and publication of a formal plan of measures to address the key concerns identified, including the testing of ideas with key stakeholders;
 - 4) Allocating resources to enable development of agreed measures; and
 - 5) Evaluating the impact and effectiveness of the measures implemented.
49. Placing simplification formally within the operations of the revenue body sends a strong message to staff and key stakeholders on the importance of these activities to the successful operation of the tax system, both by way of reducing the burden on taxpayers and making it easier for them to comply.
50. The UK HMRC is one revenue body that has taken such action with its creation in 2006 of an Administrative Burden Advisory Board. Advisory Board members are drawn from business, the tax and accounting profession and meet quarterly to raise issues affecting the burden of tax administration on SMEs, receive and consider reports on measuring the administrative burden of the tax system, act as a sounding board for HMRC in developing solutions to burden issues, and monitor HMRC progress in delivering formal objectives set for burden reduction.
51. In the USA, responsibility for tax compliance burden reduction has been institutionalized within the Internal Revenue Service (IRS) through the creation of the Office of Taxpayer Burden Reduction (OTBR). Since its creation in 2002, it is reported that the OTBR has aggressively pursued reduction initiatives, in particular by focusing on simplifying forms, publications and notices; streamlining internal policies, processes and procedures; promoting less burdensome rulings, regulations and laws; assisting in the development of a burden reduction methodology and model, and partnering with internal and external stakeholders to more effectively and efficiently identify and address burden reduction initiatives.¹⁷
52. An important feature of the IRS and OTBR’s work has been the establishment of a number of institutionalized vehicles that are used to solicit ideas from the public and third party stakeholders. These include:
- Introducing a form (Form 13285A) whereby taxpayers can participate in identifying taxpayer burden reduction opportunities directly to the OTBR;
 - A Taxpayer Advocacy panel consisting of citizen volunteers from every state act as a two way communication/ feedback mechanism serving, among other things, as a focus group for the IRS by providing input on strategic initiatives, new or simplified notices, as well as providing a venue for raising issues identified by citizens, and routinely being called upon to make suggestions to reduce taxpayer burden;
 - Practitioner and Small Business Forums with national and local level tax professionals and small business associations provide an opportunity for external customers to share feedback on burden reduction initiatives before they are implemented; and

¹⁷ See “Written Testimony of Director, Communications, Liaison and Disclosure (Small Business/ Self- Employed Division of the IRS Before the House Committee on Government Reform Subcommittee on Regulatory Affairs on Paperwork Reduction (July 18, 2006)

– The Information Reporting Program Advisory Committee and the IRS’s Advisory Council both play a significant role as external evaluators regarding burden reduction initiatives. (NB: The IRS’s Information Reporting Program (IRP) is the most comprehensive of any developed country.)

b) Implementing citizen-and business-centric approaches to tax administration

53. Over the last decade or so, there has been an increasing tendency for revenue bodies to organise their structures, systems and processes around individual groupings (or segments) of taxpayers—sometimes referred to as a “citizen and business-centric” approach. This development reflects a move away from the ‘type of tax’ and, in more recent times, the ‘function-based’ approach to tax administration to a set of arrangements that aims to bring a ‘whole of customer’ view to most aspects of tax administration. The driver for this trend has been the increasing recognition by revenue bodies of the need to better understand the underlying factors that influence taxpayers’ perceptions and behaviours and how these should be addressed to achieve overall improvements in taxpayers’ compliance. An additional benefit from all this has been the many opportunities identified to make it easier for each taxpayer segment to comply with their obligations by reducing the administrative burden of tax obligations on them.
54. From the research conducted it is apparent that many revenue bodies have embarked on a large number of initiatives reflecting this “citizen and business centric” approach to tax administration. Some of the more obvious examples are identified and briefly described in Table 10.

Table 10: Examples of customer-centric strategies

Examples	Description
Dedicated organisational units to manage aspects of specific customer segments	Many bodies have taken steps to move away from the function-based approach to organizing tax administration operations. One of the most widely-used approaches has been the establishment of dedicated large taxpayer divisions/ units to deliver tailored services to these taxpayers given their unique features of size, complexity, geographical spread, and the significant amounts of taxes they are responsible for.
‘Key account managers’ for the largest taxpayers.	In some countries that have established specialised large taxpayer divisions a system of key account / client managers has been introduced. [give examples of specific roles]
Internet-based services presented around different segments of taxpayers and intermediaries	Increasingly, revenue bodies are presenting their “front page” access to Internet services on a taxpayer ‘segment by segment’ basis. For example, both the ATO and IRS have identical ‘client-oriented’ Internet front pages pointing inquirers to: 1) individuals; 2) businesses; 3) non-profit bodies; 4) government; 5) tax professionals; and 6) retirement plans/ superannuation. Many other revenue bodies employ a similar approach. Facilities such as these are intended to make it easier for taxpayers to obtain the information required to meet their obligations.
A single taxpayer register covering all taxes	Historically, revenue bodies have maintained separate computer-based taxpayer registers, one for each tax administered. The operation of multiple registration systems presents additional costs for businesses in the form of duplicated requirements and is considerably more costly for the revenue body to maintain. Increasingly, revenue bodies are rationalizing their systems of registration—creating a central taxpayer register that records taxpayer identity data in a single location, along with details of the specific taxes each taxpayer is responsible for.
A single taxpayer tax account that integrates all of a taxpayer’s tax accounting	It has also been the practice, and remains the case for many countries, for revenue bodies to maintain separate accounting systems for each tax, thus making it difficult to quickly establish a business taxpayers overall accounting position. This shortcoming presents numerous shortcomings to the smooth administration of taxpayers’ affairs (e.g. re the handling of refunds and debt collection).
Integrated reporting and payment of taxpayers’ periodic	Revenue bodies in most countries still require businesses to separately report and pay their periodic tax obligations (i.e. covering PAYE, VAT, company tax etc.). A development in recent times in a few countries (e.g. Australia and Sweden) has been to integrate the reporting of these taxes, thus enabling the taxpayer to make both a

tax liabilities	single report and one payment in respect of all periodic tax liabilities.
Integrated case management system covering the major types of taxpayer interventions	Historically, and this is still the case in many countries, revenue bodies have maintained separate case management systems for their main functional areas (e.g. audits, disputes, and collection enforcement), each offering varying degrees of sophistication in the functionality provided and, importantly, the information recorded for each type of taxpayer intervention. Increasingly, revenue bodies are rationalising their case management systems and in the process building a comprehensive profile of all aspects of each taxpayer's dealings that can be accessed centrally and utilised to improve the revenue body's knowledge of their customer base.
Client-focused consultative bodies	Many revenue bodies have established consultative bodies that deal with the tax issues of particular client groupings. For example, the Canada Revenue Agency (CRA) created an Action Task Force on Small Business Issues to identify which of its practices imposed the greatest burden on small business, to develop solutions, and to introduce a systemic approach to burden reduction within the CRA. Revenue bodies in other countries also have special consultative bodies for client groups such as large corporate and tax professionals.

c) Expanding electronic services—providing more and better targeted quality services on-line and providing incentives for their use

55. With their progress in establishing electronic tax return filing and payment systems for the income tax many revenue bodies have expanded the range of services offered to taxpayers and tax professionals (see Box 7), in some countries offering an extremely comprehensive range of on-line services. Examples of such services include the ability to: 1) to register a business; 2) to update address changes and contact details; 3) to make requests for amendment to tax returns; 4) to access taxpayers' tax accounting records; 5) to make requests for rulings; 6) have access to on-line calculators; 7) to make requests for statements, remittance vouchers, and notices; and 8) to access and review tax returns that are pre-filled with relevant information obtained from third party sources.
56. In a few countries, on-line services have also been extended to employee taxpayers who, although not required to file an annual tax because of the cumulative system of withholding in place nevertheless have a need to interact with the revenue body. For example, the Irish revenue body has introduced on-line facilities that permit these taxpayers to view and update personal information, access details of tax credits claimed and income declared, claim new and amend tax credits, review prior year liabilities, and fully calculate and validate all claims.
57. Another aspect receiving attention is improving the way information is presented on websites, make it more easily accessible and easier to understand as well as, in some countries, enabling taxpayers to personalise their website preferences (e.g. Sweden).
58. A number of revenue bodies are also known to have introduced incentives for the use of electronic services that go some way to alleviating the administrative burden in taxpayers. For example, the ATO provides an extended filing period two weeks for businesses that file and pay electronically whether directly or through their tax agent, while the Irish revenue body provides taxpayers an additional 15 days to file returns and pay taxes where this is done using their electronic on-line service facility (ROS).

Box 7. And for tax professionals.....

In many countries, tax professionals provide services for taxpayers, including the preparation of a large proportion of tax returns. In recognition of this significant role, many revenue bodies provide specialised electronic services.

The Australian Tax Office's (ATO) tax agent portal is a good example of such a facility, providing a secure environment for delivering services, including:

- view information about their practice;
- view client account & registration details;
- manage their client lists;
- update client registration details real time;
- prepare and file clients' BASs real time;
- apply for a private ruling, file an objection, or submit information; and
- send messages & attachments to the ATO.

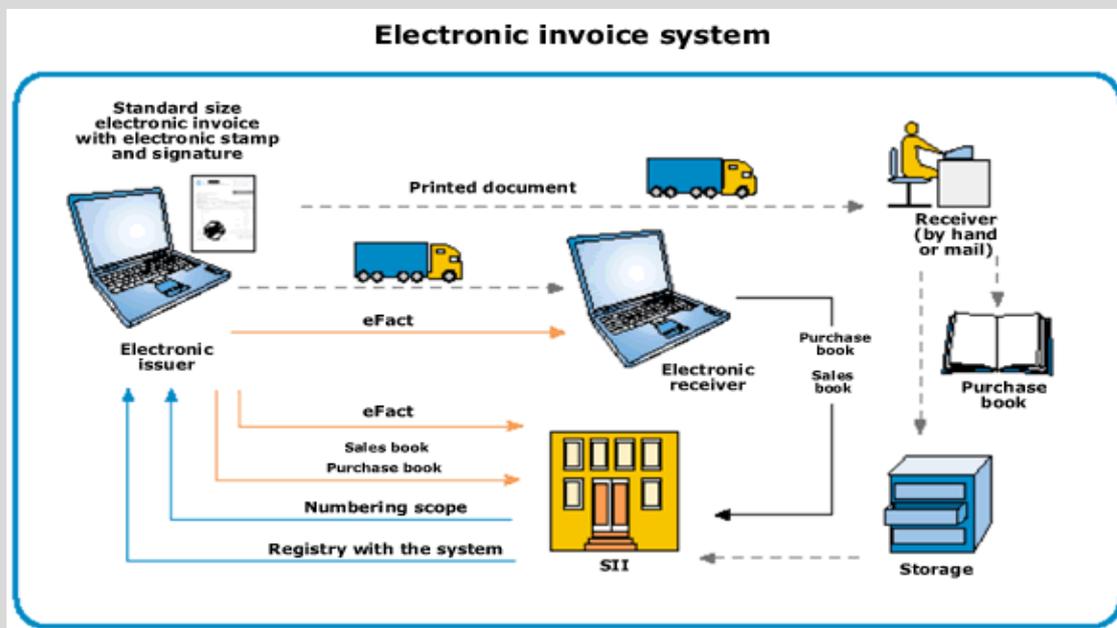
59. A novel development, described in Box 8, concerns the Electronic Invoice System that supports the operation of Chile’s value added tax, which accounts for around 50% of government revenue.

Box 8. Chile: Electronic VAT Invoice System

At present, the Chilean Internal Revenue service (SII) requires taxpayers’ VAT documentation to be registered and authorized before it is used in tax operations. The SII authorization means that an embossed stamp is applied to all paper documentation before it can be used. A pre-printed tax document becomes valid only when it is stamped. This means that a taxpayer must periodically visit their SII office and bring with him/her all the documents previously numbered for their subsequent stamping. This would, otherwise, become a cumbersome task for not only the SII but also for the taxpayers, especially for those who need to stamp large quantities of documents. Additionally, the use of these forms for printing purposes is highly inconvenient, especially when done in large volumes, as it must follow the numbering on printed documents and does not permit the use of laser printing technology as many taxpayers would desire. In regards to the storage of the invoices and other tax documents, the taxpayer must safely store the documentation corresponding to a six-year period so it can be checked and revised whenever required. This obligation is onerous for taxpayers who issue and receive large amounts of tax documents. It also becomes expensive to handle and to store large amounts of paper documents.

In response to these needs, and in line with the modernization policy of the SII and the promotion of the use of the Internet as a strategic linking tool between the taxpayers and the tax office the SII, in collaboration with a group of companies, decided to promote the electronic invoice model - a pilot project whose trial run was tested as the precursor of the system and which is now available for all taxpayers.

Using the system, the taxpayers can produce, issue, and store all their tax documents, duly authenticated by an electronic signature, in electronic form. Additionally, they must send an electronic copy of the tax document to the SII, before it reaches the recipient or before it is used as certification for the physical transport of goods. The authorization of the numbered sheets that are used in these documents can be obtained electronically from the SII Virtual Office as a convenient and quick alternative to the physical embossed stamp. This system also facilitates the use of electronic signatures on the documents as a way of both assuring the authenticity of their issuers and of safeguarding the integrity of the documents to be issued. Finally, this electronic invoice model replaces documents in paper form.



Source: Chile’s Internal Revenue Service (SII) website

60. Enabling taxpayers to obtain all of the information they require on-line and to do business electronically can produce substantial benefits for both taxpayers and revenue bodies.

d) Interfacing taxpayers' computer accounting system and revenue bodies' computer systems

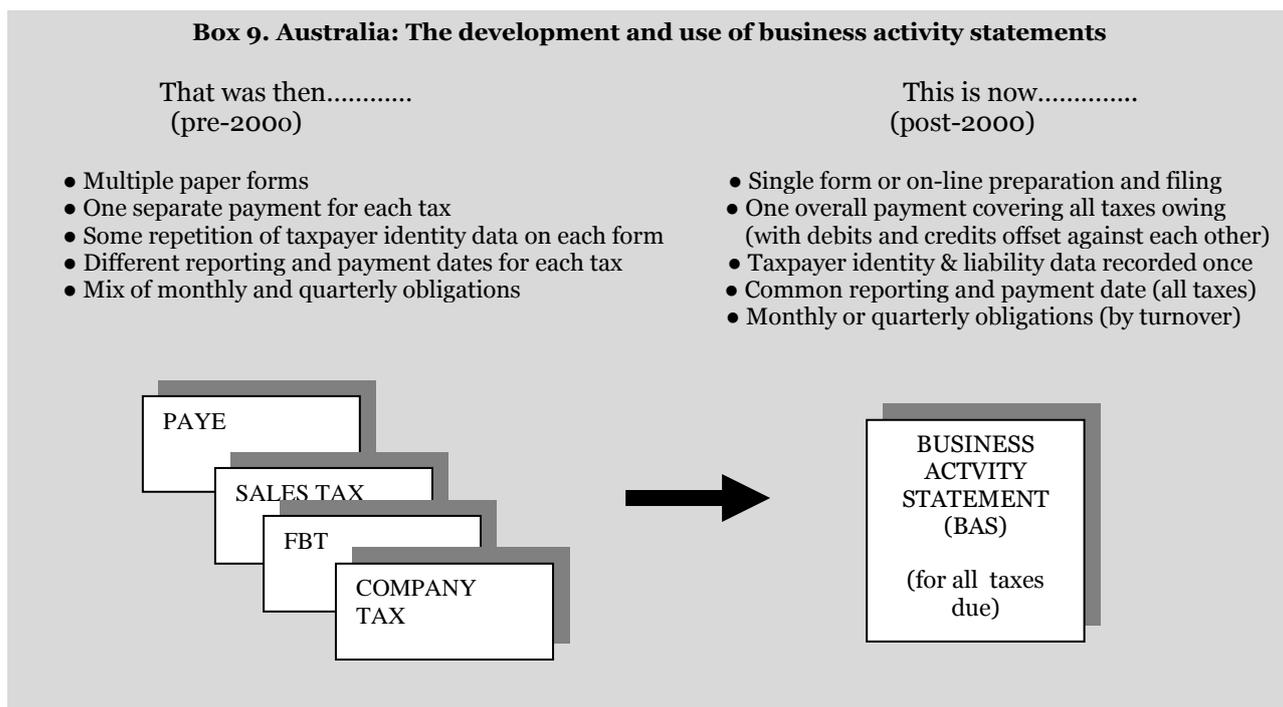
61. While systems such as electronic filing have greatly assisted in the transmittal of taxpayer data to revenue bodies their use, nevertheless, requires a degree of human intervention (and resulting costs). Information held by taxpayers, either in paper or electronic form, has to be manually inserted into, or linked to, a proprietary e-filing software product or the revenue body's own website in order to interface with the revenue body's computer processing system. However, advances in technology are presenting further opportunities for a more efficient means of communication between taxpayers and revenue bodies.
62. An emerging development is the capability of 'machine to machine communication'— where a taxpayer's own accounting software system is interfaced directly and automatically with the revenue body's computer system via its website in order to effect the transmittal of requisite information (e.g. a monthly or quarterly tax return). A number of revenue bodies have already introduced initiatives along these lines—see Table 11:

Table 11. Examples of 'machine to machine' communication

Country	Description of capability
Australia	<p>'Facilitated Lodgment' is an early implementation of integration to Third Party Software for Portal users conducting their business in an accounting software package. Facilitated lodgment is available through 'Activity Statement Online (ASO)' in the ATO's Business Portal. It is not available through the Tax Agent Portal.</p> <p>It provides the ability for a software package to interface with the ATO Business Portal to export data from the package, import this into the Portal and merge with ATO data for an unlogged activity statement. The client is transferred to the Portal to finalise their activity statement and submit it.</p> <p>This function has been incorporated in a small number of software packages. This success together with moving towards accounting software providers integrating web services into their product to supply summary general ledger information for Standard Business Reporting (SBR) is a key driver for the ATO to develop public web infrastructure that can be incorporated into the products of the external software community.</p>

e) Integrated return filing and payment regimes

63. Traditionally, and this is still the case in most OECD countries, businesses have been required to account for their periodic tax liabilities (e.g. employees' withholdings, VAT, advance payments of corporate income tax, other miscellaneous taxes) on a 'tax-by-tax' basis, more often than not at different times of a fiscal period for each tax. Over the course of a normal fiscal year this can entail considerable effort from businesses—liabilities to be computed, forms to be completed and separate payments to be made. Needless to say, all of this imposes a fair administrative burden on businesses in the form of time, and additional costs and inconvenience.
64. To alleviate the costs and inconvenience of meeting such obligations, a number of revenue bodies (e.g. Australia, Denmark, and Sweden) have taken steps to integrate the computation, reporting and payment of all/most periodic tax obligations by businesses. Under these arrangements, tax return and payment obligations under the law are brought into alignment and businesses are required to determine and account for all their liabilities as part of a single process (typically conducted when they do their own internal business accounting) and make a single payment to the revenue body. One of the most complete examples of this development is the 'business activity statement' (BAS) designed and implemented by the Australian Taxation Office as part of a major business tax reform effort in 2000 (see Box 9).



f) Improved telephone contact centre operations

65. While web usage is clearly growing across all countries, many taxpayers prefer to use the phone for their inquiries, particularly where they have a more complex or unusual issue to resolve and/or are unfamiliar with using on-line services. For these reasons, the use of the phone as a channel for delivering service remains an important tool for all revenue bodies.
66. Given the significance of this channel for delivering services revenue bodies are implementing initiatives to make phone contact an easier and more satisfactory experience for taxpayers. Examples include 1) providing phone contact staff with on-line access to details of taxpayers' prior history, correspondence etc to help resolution of inquiries at the point of initial contact; 2) provision of self-service telephone system to order forms and publications on a 24/7 basis; and 3) improved management/ routing of incoming calls to achieve acceptable phone contact objectives.
67. Another facet of service delivery receiving in this area is the linking of service channels (e.g. Internet and phone). The Canada Revenue Agency (CRA) has reported that its SMARTLINKs initiative is proving beneficial both for taxpayers (by making it easier for taxpayers to get the information they require) and its management of service delivery (see Box 10).

Box 10. Canada: SMARTLINKS- Linking service channels to assist taxpayers

The CRA's SMARTLINKS initiative helps taxpayers get the information they require, while contributing to its understanding taxpayer multi-channel usage, their behaviour decision processes, preferences and satisfaction in the context of an actual tax question. It works as follows:

- Taxpayers navigate the CRA Web site to find information.
- Smartlinks are strategically located within complex or high interest topics.

Need assistance?



If you are unable to find the information you were looking for about this specific topic, please select the Contact us button.

Contact us

- Smartlinks provides taxpayers with direct access to a dedicated team of telephone agents in call centres across Canada.
- When a SmartLink is clicked, the taxpayer is linked to a Web form on the CRA Web site
- The taxpayer is required to input the following information: 1) phone number (including area code); 2) timeframe for contact (immediately or 5 minutes from hang up); and 3) official language of preference
- The taxpayer then submits the form using the "Connect to an agent" button
- An Interactive Voice Response (IVR) system known as **Click-To-Talk (CTT)** processes the information on the Web form and proceeds to:
 - Contact the taxpayer at the telephone number provided
 - Contact the next available CRA telephone agent
 - Link the two parties together
- A message indicates that the taxpayer has a call from the Click-To-Talk service.
- The taxpayer is provided with the option to accept or reject the call.
- If the call is accepted, the system contacts an agent.
- A message indicates that the agent is receiving a call from the Click-To-Talk (CTT) service (Click-To-Talk is displayed on Caller ID).
- Agents are provided with a reference number that corresponds to the CRA Web page where the taxpayer found the SmartLink.
- The taxpayer and the agent are now connected.
- Once the agent has responded to the taxpayer's question, the taxpayer is asked to participate in a survey.
- Survey data is fed back to web architects and authors in real-time and is used to gain insight into the effectiveness of specific web pages, improve agent training, and target outreach activities.

Source: CRA SMARTLINKS (presentation for FTA Taxpayer Services Subgroup, 24-26 September 2007).

g) Education and assistance programs targeted at new small businesses

68. Many revenue bodies have introduced special education and assistance programs for newly-registered business. The aims of these programs are to encourage compliance with the laws as well as making it as easy to comply as possible. Examples identified of specific initiatives taken include provision of simple record-keeping tools, specialised explanatory materials/ guides, dedicated seminars for people just starting business, central help desks for inquiries, use of community helpers, and special electronic products. Singapore holds monthly GST classes to

educate GST registered businesses, especially new registrants, on the treatment of common transactions and to highlight common errors and obligations of a GST registered business.¹⁸

69. Providing taxpayers with the information and guidance they require when they need it makes it easier for them to comply (i.e. reduces their administrative burden).

h) Making direct payments/ providing tax credits to offset taxpayers' administrative burden

70. Research conducted for this note has identified a number of situations where incentives in the form of monetary payments have been offered to taxpayers as an inducement to taxpayers to use on-line facilities (to offset the costs incurred by them).
71. Administration of PAYE withholding requirements in respect of employee taxpayers is an almost universal feature of the personal tax systems in operation in OECD countries. In around half of OECD countries, employers are required to calculate withholdings on a cumulative basis thus ensuring for the great majority of employees that the tax deducted over the course of a year in respect of their income (regardless of the number of different employers) approximates to their end-of-year tax liability. Under these arrangements, employers must also report at the end of each financial year to the revenue body details of payments made and taxes withheld for each employee. Given the large number of employees comprising the population of personal taxpayers, PAYE administration imposes a significant burden on employers, particularly where the system operates on a cumulative basis.
72. To alleviate the costs of these requirements, revenue bodies in a number of countries have introduced monetary benefits for employers to offset the administrative costs incurred by them:
 - **United Kingdom:** Small employers¹⁹ filing end-of-year PAYE returns on-line are entitled to the following tax free payments: 1) for 2005-06: £250; 2) for 2006-07: £150; 3) for 2007-08: £100; and 4) for 2007-08: £75.
 - **New Zealand:** Legislative changes introduced in 2004 permit the Government to subsidise the use of payroll agents to meet the PAYE obligations of certain small businesses. Under these arrangements, the Government subsidises or partly subsidises the cost to an employer of engaging a payroll intermediary. The subsidy is available for up to five employees of a particular employer for each employer month. To obtain the subsidy, the employer must engage a listed PAYE intermediary who is eligible to receive the subsidy from the Government.
73. Two other examples involving the use of monetary incentives are described below:
 - **Korea:** An initiative introduced by the Korean National Tax Service (NTS) in 2005 was designed to encourage taxpayers and tax professionals to use electronic filing services. From the 2004 fiscal year, a taxpayer (individual or corporation) that makes their own electronic filing is entitled to receive a tax credit of KRW 10,000 (\$US11) for a VAT return or KRW 20,000 (\$US 22) for an income tax return. Where a tax professional (individual or incorporated) makes electronic filing of both VAT and income tax returns on behalf of the same taxpayer, the tax professional is entitled to a tax credit in its own tax return.

¹⁸ Recognizing the effectiveness of education in ensuring compliance, these classes have recently been made compulsory for voluntary GST registrants. These are mainly SMEs with lesser resources to engage professionals to help them with their GST obligations.

¹⁹ Eligible employers are those with less than 50 employees, filing requisite information on line in a return that meets HMRC's quality standard.

- **Singapore:** Singapore: When the GST rate was increased from 5% to 7% in July 2007, a 2-year assistance scheme was introduced to help reduce the compliance costs for SMEs who choose to voluntarily register for GST. Under this scheme, SMEs can receive a subsidy to offset the costs incurred on GST registration (e.g. software (100% subsidy), hardware (50%), Internet connection costs (up to 1 year), and IT consultancy/ training costs (50% (subsidy)), subject to a cap of \$5,000.²⁰

i) Introduction of pre-filled tax returns for personal taxpayers

74. Although the focus of this report is on the administrative burden of tax-related government regulations on business it is noteworthy that one of the most significant burden reduction initiatives identified from the Forum's recent work has been the development of pre-filled personal tax return systems.
75. Around 15 of 30 OECD countries generally require all personal taxpayers to prepare and file an annual tax return, thus imposing an administrative burden on individuals, the majority of whom are employee taxpayers subject to withholding arrangements that are administered by employers (i.e. businesses and government). In the late 1980's, the Danish tax administration piloted a very early version of what are now known as 'pre-filled tax returns'. This system was refined substantially in subsequent years and the practice was quickly adopted by other Nordic region countries. Today, the use of pre-filled returns is well entrenched and operating highly effectively in all Nordic region countries.
76. As the name implies, a pre-filled tax return is one prepared in the first instance **by the revenue body for each taxpayer** using all available relevant third party information (e.g. reports of wages, fringe benefits, interest, dividends, pensions, sales of assets, and certain deduction items such as child care, mortgage interest, pension contributions and union fees) and other information held by the revenue body related to the taxpayer. Presenting the information in the form of a pre-filled tax return removes the need for many taxpayers to undertake such a task manually (thus significantly reducing the burden that would otherwise arise in order to fully comply with the law). While the benefits resulting from the use of pre-filled returns have not been quantified, they would appear to be quite significant given the large numbers of taxpayers taking advantage of this service. For example, the Danish revenue body has reported that for fiscal year 2006 around 72% of their personal taxpayers received a pre-filled return that fully and accurately reflected their tax liability for the fiscal year.
77. In recent years, pre-filled systems have been adopted to varying degrees of scope and sophistication by revenue bodies in Australia,²¹ Belgium, Chile, Portugal, Spain and France. The Netherlands plans to implement a system of pre-filled personal tax returns from early in 2009.

Box 11. Pre-filled returns... a winner!

In 2006, the Prime Minister of Finland, Mr Matti Vanhanen, awarded prizes for best Finnish practices in the field of the information society. For the category 'effectiveness and productivity' the Tax Administration was awarded first prize for its work on developing the pre-filled tax return. In the words of the jury, the new system had significantly reduced the time taxpayers needed to complete and file their returns. The jury also attached importance to the cost savings already attainable by the Tax Administration itself and the use of electronically supplied data. (FTA Annual report 2006).

²⁰ See 'Taxation of SMEs in Singapore' (Singapore Inland Revenue Department), ITD Conference, October 2007.

²¹ The system of pre-filling introduced by the ATO is a variation on what is seen in other countries. Taxpayers and tax agents who electronically file returns are able to download selected information into their "electronic" return from ATO data holdings established from third party reports. Currently, these data holdings includes certain pensions and allowances, various Government welfare payments, interest details from selected financial institutions, dividend details reported by share registries, some wage/salary information and private health insurance information. The system will be further expanded in 2008 with the addition of a far greater volume of salary, wages and allowances information reported by employers and additional information from financial institutions.

(j) Eliminating unnecessary/ unjustified reporting requirements

78. Business has many reporting obligations under tax laws of all countries. An obvious consideration in the context of burden reduction is consideration of whether some reporting obligations are any longer justified—does the information being sought add value? Can the information it provides be obtained in another way? Can the reports be eliminated or substantially streamlined?
79. Germany has reported that a requirement on banks and insurance companies to issue annual tax certificates has been eliminated, while legislation is pending to abolish wage tax cards.
80. Singapore has substantially reduced the end-year income tax reporting obligations for SMEs. Sole proprietorships and partnerships with turnover less than \$S 500,000 (\$US 340,000) need only submit a 4-line statement covering turnover, gross profit/loss, allowable business expenses and adjusted profit/loss. They are not required to submit certified accounting statements unless requested.²²

(k) Reducing audit cycle times and the incidence of unnecessary/ non-productive audit inquiries

81. Audit inquiries of a taxpayer's affairs can result in a sizeable administrative burden for some taxpayers, particularly those larger businesses that tend to have more complex tax affairs. The costs to taxpayers in having to deal with such inquiries makes it essential for revenue bodies to minimize the time required to complete inquiries and to reduce the incidence of those inquiries that eventually lead to a 'nil' or relatively small tax revenue outcome. Revenue bodies also benefit from reduced cycle times and a lower incidence of 'low value' audits. To these ends, revenue bodies are pursuing a variety of strategies to improve the targeting of audits (thereby minimizing the inconvenience and costs to taxpayers and their own costs) and audit cycle times.
82. The US IRS has a number of initiatives to shorten the timeframes for audit inquiries:²³
 - **Industry issue resolution (IIR) program:** this program is designed to resolve business tax issues where the tax treatment is uncertain, frequently disputed, or burdensome and affects a significant number of taxpayers. Under the program, tax issues are identified by industry associations, or other groups and submitted to the IRS. Issues submitted are screened at least semi-annually to determine if an IIR project should be started. For each issue selected, an expert team meets with taxpayers etc., affected by the issue with a view to providing guidance that business can use, thus reducing the burden, time and expense associated with resolving issues on a case-by-case basis.
 - **Examination/ audit re-engineering:** Field processes have been redesigned to shorten the time between when a return is filed and the time an examination is concluded. By placing added emphasis on planning, documenting, analysing risk and communicating the burden on taxpayers can be and is being reduced.
 - **Limited issue focused examinations (LIFE):** This program reduces burden by eliminating what were previously mandatory compliance checks and limiting examination to the most material issues (after a full and robust risk analysis has been conducted). The result is a shorter examination and lesser burden on taxpayers, confirmed by taxpayer feedback and program tracking.
 - **Compliance Assurance Program (CAP):** This program entails a real time compliance review of the affairs of the largest taxpayers at their request, to determine tax return accuracy prior to filing.

²² Ibid footnote 14

²³ Ibid footnote 15.

83. The UK HMRC is placing emphasis on the development of a range of new compliance interventions—moving from a “one size fits all” direct inquiry approach to a more flexible and less cumbersome set of interventions including 1) a short risk review; 2) a self audit; 3) a real-time record review; 4) a real time health check; 5) telephone inquiries; and 6) a correction challenge. These forms of intervention were subject to pilot testing in late 2006, and thereafter subject to formal evaluation.²⁴
84. The evaluation of the pilot tests revealed that taxpayers generally preferred the new forms of intervention (with the exception of the real time record review which involved a visit to the taxpayer) to traditional enquiries, finding them less intrusive and a better way to address mistakes in returns. Furthermore, most interventions did not require the assistance of tax agents, meaning lower costs for taxpayers than traditional approaches. The findings of the pilot will be used to inform the planning of future compliance improvement programs.
85. Within the Australian and Irish revenue bodies emphasis is being placed on the use of analytics (i.e. improved risk profiling) to reduce the incidence of non-productive audits, and the resultant burden that would otherwise arise.
86. The ATO describes analytics as “the process that transforms quantitative data and qualitative data into knowledge that supports business decision making. Quantitative data focuses on objective measures, such as how many people do not comply and how much tax the ATO doesn’t collect. Qualitative data focuses on the nature or essence and leads to theories about client behaviours that predict people who may not comply. Analytics takes this information and by applying rigorous and consistent methods, produces profiles, reports and models which help understand client behaviours and predict their future behaviours. Analytics staff work with business experts to develop models to assess specific risks”.
87. The Irish Revenue recently introduced a computerised Risk Evaluation Analysis and Profiling (REAP) system to support its audit and compliance programs. REAP scans information from Revenue’s registration, returns and payments processing systems, augmented by third party information and assigns scores based on the track record, and consequently the level of risk, posed by each case. The cases are then prioritised for a range of intervention measures. REAP enables Revenue to make better-focused interventions based on sophisticated and evolving risk criteria reducing the need to contact or audit its most compliant customers.

²⁴ See ‘New Interventions: An Alternative Approach to Compliance Activity, Management Summary and Evaluation Report’ on the UK HMRC’s website (<http://www.hmrc.gov.uk/new-interventions/evaluation-report.pdf>)

V. Are burden reduction strategies having an impact?

88. A clear feature of the burden reduction programs in many countries is the very close monitoring being undertaken and the intention to hold agencies accountable for the progress achieved. Having established burden reduction targets, the exercises carried out to provide baseline estimates of administrative burden, along with follow-up burden measurement activity, are expected to provide much of the information needed to gauge progress of country programs.
89. Quantitative data pointing to the impact of programs to reduce administrative burdens in the tax area are, at this stage, quite limited. For most of the countries cited in this report the targets set for burden reduction relate to out-years (for many countries, 2010) after which it is intended to conduct further baseline measurement exercises. Hence, for many it is still “early days”. However, three countries (i.e. Denmark, the Netherlands, and United Kingdom) have recently reported progress, using their internal calculations of reduced burden. In addition, findings from survey work initiated by Australian tax authorities and conducted over the last few years indicate a number of positive trends in a number of important aspects related to administrative burden of taxpayers. There has also been some evaluation of programs by external parties (e.g. the World Bank) that provide additional insights.

Denmark

90. As reported by the SCM network, the latest SCM update measurements in Denmark were published on 15 May 2007 and the results were sent to the Danish Parliament. The update shows that the administrative burdens (covering all regulations) have been reduced by 9.7 per cent compared to the level in 2001. Data separately released covering the area of taxation indicates that reductions of around 13.3 percent had been achieved by 2005 over the level in 2001.
91. Every year the Danish SCM baseline measurement is updated with administrative consequences in regulation enacted in the latest Parliamentary year. The update concerning the Parliamentary year 2005/2006 shows that the administrative burdens for Danish businesses have been reduced by almost 10 per cent compared to the level in 2001. The reduction is a net reduction and is a result of the systematic simplification work carried out by the Danish ministries. The result is an important step in the right direction in order to reach the 25 per cent reduction target by 2010.
92. The reductions in the past Parliamentary year were primarily due to new and smart digital solutions and fewer and simplified reporting to the authorities - primarily within the tax area. Furthermore, reuse of data has also led to reduced administrative burdens for businesses. The update also shows that a significant part of the new administrative burdens in the past parliamentary year are due to EU regulation. This stresses the importance of the EU Action Program for reducing existing administrative burdens and the work for minimising administrative burdens in new EU regulations.

The Netherlands

93. A progress report released by authorities in early 2006 noted that some 100 measures had been realised, resulting in reduced administrative burdens of an estimated €1.9 billion. It noted that realisation of the remaining 70 measures, which are expected to reduce burdens by another €2.1 billion, were to follow in 2006 and 2007. In its report, officials noted that of the estimated reductions to be achieved - some €4.1 billion, some 22% was attributable to regulations falling under the MOF. It was indicated that the program was on track to achieve the estimated reductions attributable to the MOF by end-2007.
94. So far as tax-related measures are concerned, it is worth noting that realisation of the full 25% burden reduction target by end-2007 is heavily contingent on just three “big ticket” items: 1) the introduction of whole of government reporting/ use of XBRL for financial reporting (some €750

million in aggregate); 2) social contribution integration-related measures (€295 million); and 3) mandatory e-filing and e-invoicing-related measures (€211 million).

95. In early 2007, the World Bank released the findings of a short review carried out of the Dutch Burden Reduction Programme at the request of the Dutch Minister of Finance. Their report²⁵ provides some valuable insights as to the Dutch experience and ideas for consideration of further action, that may be of interest to other OECD member countries:

“The 25% target is the main success factor

The 2003 base line measurement of €16 billion administrative burdens is the most important factor behind the success of the Dutch reform program. The quantification and target allow for a transparent evaluation of progress and a way to track the performance of individual ministries. Housing leadership of the program at the Ministry of Finance creates in effect a regulatory budgeting system for administrative cost reductions. The Minister of Finance can use the budget process to urge other Ministers to reform.

...but the 25% target does not fully capture the concerns of businesses.

Although a great success in establishing political accountability in the ministries, the 25% reduction target is perceived by government and business associations as only partially successful in addressing the main complaints of businesses. There is, however, no systematic evidence that businesses have not experienced improvements. Moreover, the time lag between announcement of measures and their implementation may account for the mismatch of perceptions versus actions taken.

Nevertheless, some of the 196 simplification measures to reach the 25% reduction have only small benefits for businesses. Such regulations may be seldom used or already internalized in the way enterprises do business. An example of the latter is the elimination of the requirement for businesses to put price tags on display items. The approach to identify and eliminate burdens has focused on the burdens identified by the Standard Cost Model. This model does not identify “annoyance factors”, i.e. regulations that may have little quantitative impact on businesses, yet are considered a significant irritation. This assessment is consistent with a 2005 review by the Dutch Court of Audit.

Introducing business surveys will address the gap

The best way to get at annoyance factors is by conducting annual business surveys. These surveys will ask entrepreneurs to identify the top 10 regulatory burdens they face. The surveys will also cover: what are the perceived improvements in the business environment over the last year (name them); what are the perceived deteriorations (name them); what is the single most important change that they would like to see. As businesses in different industries face different regulatory burdens, the sample of interviewed businesses can be constructed to cover particular sectors. The results can be analysed by sector, by location (to provide ideas about reform at the municipal level), and by type of regulatory burden (and the responsible ministry).

... at relatively low cost

There is much international experience in conducting business surveys. In the United States, businesses are surveyed by the Department of Commerce on business conditions, by the Labor Department on labor regulations and skill needs and by the Federal Reserve on export competitiveness. In Germany, an annual survey is conducted by the Chamber of Commerce. The World Bank conducts such surveys in about 90 developing countries.⁴ The approximate cost is 90 euro per survey. To get a representative sample of businesses in the Netherlands, approximately 1,600 businesses would be interviewed. This brings the total survey cost (excluding the analysis) to about 150,000 euro a year.

... Much greater reductions are possible...

²⁵ Review of the Dutch Administrative Burden Reduction Programme (The World Bank Group), February 2007.

There is ample room for further reductions in the regulatory costs and risks in the Netherlands.....”

96. The Government set a new burden reduction target (25% by 2011) following receipt of this report.

United Kingdom

97. A progress report²⁶ released in conjunction with the 2007 budget reported that total savings of £307 million (from a total tax-related administrative burden estimated at over £5.0 billion in 2005-06) in reduced administrative burden had been identified as a result of departmental initiatives. The key details were as follows:

- **Target 1: Forms and returns-** By April 2007, HMRC had delivered net annual administrative burden reductions of an estimated £130 million. The key measures contributing to this outcome were 1) changes to the PAYE scheme administered by employers (e.g. reduced reporting on employee share schemes benefiting around 300,000 companies each year and ending payment of tax credits by employers) resulting in £46.5 million of benefits; 2) regime changes producing estimated benefits of £80 million (e.g. revamped Construction Industry Scheme (CIS) including new electronic reporting scheme and abolition of end-year returns)
- **Target 2: Audits and inspections-** By April 2007, HMRC had delivered net annual administrative burden reductions of an estimated £43 million. The key measures contributing to this outcome were CIS reform that eliminates a requirement on subcontractors to present payment vouchers to contractors for inspection.
- **Other activities to reduce administrative burdens-** By April 2007, HMRC had delivered net annual administrative burden reductions of an estimated £134 million. The key measures contributing to this outcome were a simplified pensions tax regime, and savings resulting from the reform of the CIS (£55 million).

98. Given that the program had only been underway just on a year, it would be unrealistic to expect significant inroads to the estimated level of burden when the report was prepared.

99. As part of the monitoring arrangements in place in the UK, the National Audit Office (NAO) is required to report regularly to Parliament on the achievements of the programme, and examine the extent to which it is achieving its intended objectives. To inform its analysis, it intends to conduct an annual survey to track business perceptions of the burden of regulations and the impact of departmental initiatives to reduce administrative burdens.

100. In its most recent report,²⁷ the NAO has observed that the real test of the programme will be the extent to which it delivers meaningful impacts for businesses. Among other things, it noted that administrative tasks covered in the measurement exercises were not always cited by businesses as the most burdensome aspects of complying with regulations. Businesses rated the following activities as particularly burdensome; keeping up to date with changes in existing regulations; the time it takes to go through the whole cost of complying ; the lack of information about which regulations apply; and finding information and guidance. These are aspects of complying with regulation that businesses find irritating—irritation factors—but that are not necessarily costly in monetary terms.

²⁶ See “ Delivering a new relationship with business: Progress report (March 2007) (at www.hmrc.gov.uk/budget2007/measure220.pdf)

²⁷ See ‘Reducing the Cost of Complying with Regulations: The Delivery of the Administrative Burdens Reduction Programme, 2007’ (HC615 Session 2006-2007, 25 July 2007).

101. Noting that businesses in the Netherlands and Denmark had to date noticed relatively limited impacts, the NAO recommended that departments (including HMRC): 1) give emphasis to working more directly with business to identify the measures that are likely to make a real impact; 2) adopt robust internal processes to deliver projects in the main areas of regulation; and 3) supplement their estimates of reductions in administrative burdens with a broader suite of indicators, including ones to evaluate the impact of their initiatives to address quantified “irritation factors”.

Australia

102. The ATO conducts a quarterly Business Perceptions Survey of around 1,500 very micro, micro, small and medium sized businesses. Among other things, the survey includes questions concerning the ‘compliance experience’ of taxpayers and where the ATO might provide further assistance. The selected survey findings²⁸ provided in Table 12 below reveal a trend of reduced burden/compliance costs in a number of aspects over the last 6 quarterly (i.e. wave) surveys.
103. Surveys such as this, in addition to providing feedback to the revenue body on the impact of its activities, reflect a demonstrated level of accountability for administrative burden reduction, an attribute sometimes raised by business as a failure by government and their agencies and contributing to the increasingly burdensome nature of government regulations.

Table 12. Australia: Testing the reactions of business

Aspects subject to survey	Wave						Trend
	6	7	8	9	10	11	
Compliance experience							
<i>Ease of total tax process (% selecting)</i>							
Total easy	39	44	45	48	46	49	Positive
Neither easy nor hard	27	35	27	32	27	27	Flat
Total hard	32	20	26	18	26	23	Positive
<i>Coping well with tax obligations (% agree)</i>							
All tax obligations	85	86	88	86	87	86	Flat
<i>Attitudes to compliance effort (% agree)</i>							
It is easier now than in the past to deal with the tax system	54	52	59	58	64	66	Positive
The effort involved in completing my business tax returns is less now than in previous years	41	36	43	42	49	49	Positive
The effort involved in maintaining records to support claims in my business tax return is less now than in previous years	33	38	38	35	40	40	Positive
The Tax Office tries to make complying with business tax obligations as easy as possible	72	70	74	73	75	76	Positive
The Tax Office tries to make complying with business tax obligations as inexpensive as possible	59	52	60	58	60	63	Positive
The Tax Office looks for new ways of doing things to help taxpayers	59	50	61	60	61	61	Flat
I feel uncomfortable asking the Tax Office when I need help with my tax problems	34	25	30	26	32	31	Flat
The Tax Office values feedback from businesses about the way the tax system is run	45	46	55	53	56	58	Positive
The Tax Office acts on businesses' suggestions to improve the way the tax system is run	32	34	43	39	44	46	Positive

²⁸ Sourced from “Business Perceptions Survey Wave 11 (Prepared for the ATO), Eureka Strategic Research.

The views of business

104. While the results achieved to date are no doubt helpful and real in the countries concerned it remains to be seen whether any impacts are noticed or perceived by business. This is important to the credibility of the government programs in each country—will the efforts to reduce administrative burdens be regarded as genuine and are the most appropriate areas of concern being targeted? At this stage, it is too early to provide a definitive view but the preliminary indications of business from a selection of countries, as briefly described in Annex 4, is that real impacts are yet to be noticed by the majority of businesses in the countries concerned.
105. Business views are also relevant in the context of identifying where reform efforts should be targeted to have the greatest impact. Table 13 hereunder reflects the results of survey work in three countries on business priorities for administrative burden reduction.

Table 13: Administrative burden reduction priorities as viewed by business

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

/1. National Audit Office, Reducing the Cost of Complying with Regulations. ... 2007 Programme (July 2007)

/2. Confederation of Independent Business, Prosperity Restricted by Red Tape (2005).

/3. Business survey findings (ATO, Eureka research, Wave 11).

VI. Conclusions

106. The research conducted for the preparation of this note has revealed a wealth of information concerning the priority and approaches of member countries to address the issue of tax-related administrative burdens. The key conclusions are as follows:

- The level of attention being given by member countries to administrative burden reduction is currently on a scale not previously witnessed; many countries have completed or have programs underway to provide baseline estimates of aggregate burdens, have set significant quantified time-bound burden reduction targets, and are developing and implementing a program of measures aimed directly at burden reduction.
- Collectively, the research has revealed a wide diversity of measures, both of a policy and administrative nature, to achieve burden reductions in the tax area. However, relatively few of these measures are “big ticket” items (e.g. standard business reporting, harmonising/ integrating tax and social contributions, substantial use of thresholds) and may therefore go largely unnoticed by business in terms of their impact.
- A number of the “big ticket” items identified in the tax field involve other Government agencies (e.g. the collection of financial data from corporations, social contributions collection agencies), emphasising the need for agencies to take a ‘whole of government’ perspective when considering possible reform opportunities.
- An issue for many countries is reform of their VAT system, given the relatively significant burden it imposes, particularly within the small business sector. A number of countries have taken quite “aggressive” steps (e.g. use of relatively high thresholds for registration and use of cash accounting methods for determining VAT liabilities) to target this area of burden. On the other hand, quite a few countries appear reluctant or very slow to act – the VAT registration threshold is a good example—meaning that smaller businesses will continue to bear a relatively significant share of the overall administrative burden.
- In line with the “good practices” described in this note countries wishing to achieve significant reductions in the VAT-related administrative burden of businesses should consider the following design features for their VAT if they are not already in place:
 - adoption of a “realistic” VAT registration threshold;
 - permitting taxpayers to use the cash basis for determining VAT liabilities, applying a “realistic” threshold to identify eligible businesses;
 - permit smaller businesses to file returns and pay taxes on a quarterly basis (or less frequent basis for very small remitters); and
 - alignment of VAT and other periodic tax liabilities (e.g. employees withholding taxes) and integrate their reporting and payment.
- From the results achieved to date and the feedback obtained from business it is important for MOFs and revenue bodies to work closely with business to better understand their concerns and the causes of greatest irritation. As noted by the UK NAO in its recent report on this topic..... *“Developing a thorough understanding of business concerns is the key to delivering real impacts”*.
- While the experience to date is limited, it seems reasonable to conclude at this point that countries will face considerable difficulty in achieving any significant (i.e. 20%+) burden reduction targets in the absence of one or more major reform measures of the kind identified in the note. Large programs of relatively small measures spread over a number of years, while potentially adding up to a significant amount in burden reduction terms,

may go largely unnoticed by those they are intended to benefit, raising questions over the credibility of the efforts being made.

- What measures are most appropriate at the individual country level will depend on the circumstances and state of development of the country concerned. Should the views expressed by UK, Canadian, and Australian business largely mirror those of business in other countries one could conclude that measures that:
 - simplify regulatory requirements; and
 - greatly improve access to information required by businesses

will have the most significant impact.

- From the viewpoint of business in the more advanced economies, the provision of more Internet-based static information and forms, along with increased electronic filing capabilities, is likely to have only limited impact. The greatest benefits to business in these countries from modern technology are likely to be found with more sophisticated use of technology (e.g. machine to machine interactions and more intelligent applications that guide the taxpayer through their inquiries to arrive at an answer to their problems).

Country Reports on the Administrative Burden Imposed by Tax Regulations and Measures for their Reduction ²⁹

Country	Name of Study
Australia	Rethinking Regulation; Report of Taskforce on Reducing Regulatory Burdens on Business (April 2006)
	Rethinking Regulation; Australian Government's Response (August 2006)
Canada	Preliminary findings from the Statistics Canada Survey of Regulatory Costs conducted in 2005/06, covering small (up to 100 employees) and medium-sized (101-499 employees) businesses.
	Qualitative Research into Paperwork Burden Reduction Issues—Final Report (undertaken by Decima Research for Industry Canada, published in February 2007).
	Helping Small Businesses by Reducing the Compliance Burden (March 2007 Report of the Canada Revenue Agency's Action Task Force on Small Business Issues)
Czech Rep.	Individual agency reports (only in Czech), September 2005
Denmark	101 Simplification Measures to Make Life Easier (Ministry of Taxation)
Germany	Administrative Costs: The Efforts to Identify, Measure and Reduce Them (The 2007 Federal Government Report on the Use of the Standard Cost Model) October 2007
Ireland	Report of the Business Regulation Forum (Ireland, March 2007)
	Business Regulation Survey (Ireland, March 2007)
New Zealand	Measuring the tax compliance costs of small and medium sized businesses—a benchmark survey (prepared by Colmar Brunton for the IRD, June 2005)
	Summary reports of the Business New Zealand- KPMG Compliance Cost Surveys (September 2006 and October 2007)
Norway	VAT burden measurement (English Summary)- September 2004
South Africa	Counting the cost of red tape for business in South Africa (conducted by SBP), 2005
	Measurement of VAT and Regional Services Councils Act-induced Administrative Burdens (SARS)
	Tax Compliance Burden for Small Businesses: A Survey of Tax Practitioners (FIAS, August 2007)
Sweden	Compliance Costs of Value Added Taxation in Sweden' (Report 2006)
	Standard cost measurement exercises carried out by Nutek (The Swedish Agency for Economic and Regional Growth for) VAT, corporate income tax, tax payments, and four excise taxes
	The Swedish Government's Action Plan to Reduce Administrative Burden for Enterprises
United Kingdom	Administrative Burdens- Her Majesty's Revenue and Customs Measurement Project (20 March 2006). (Summary and individual tax by tax reports).
	'What gets measured must get done' Better Regulation Commission (December 2006).
	'Progress towards a new relationship: How HMRC is working to make life easier for business' (HMRC, April 2006)

²⁹ A number of the studies cited cover the administrative burden resulting from both non-tax and tax regulations, as well as measures to be taken to alleviate administrative burdens.

Government and Revenue Body Programs to Reduce Administrative Burdens on Business and Citizens—Tax Measures

Country	Australia
Name and nature of study/ review undertaken and associated reports	<p>1. RETHINKING REGULATION, Report of the Taskforce on Reducing Regulatory Burdens on Business (released in April 2006). This is the report of the Taskforce established by Government to identify actions to address areas of Australian Government regulation that are ‘unnecessarily burdensome, complex, redundant, or duplicate regulations in other jurisdictions’.</p> <p>2. RETHINKING REGULATION, AUSTRALIAN GOVERNMENT’S RESPONSE (August 2006). This is an official summary of actions to be taken on each of the Taskforce’s recommendations.</p>
Background to review/study	Increasing concerns raised by business about the compliance and other burdens associated with Government regulation.
Study participants	Participants included taskforce members, a Secretariat comprised of government officials, and wide input and involvement of business and government agencies.
Key findings in relation to tax administration (and tax policy issues with a significant impact on compliance burden)	<p>1) Under the heading of ‘minimising duplication of reporting’ the report noted (p.140) that</p> <p><i>“A number of agencies at all levels of government require businesses to report activity. While the information sought is often much the same, the purposes of reporting are seemingly different- to monitor financial trends, calculate tax liability, track employment trends.....and monitor non-compliance. Sometimes the same data (probably known by a different name) is collected by more than one agency, and sometimes data are collected that can be derived from information another agency already has”</i></p> <p><i>“Many participants at the small business roundtable convened by the Taskforce, together with those making submissions, indicated their frustration at having to report the same information to multiple government departments and agencies, and that agencies do not use information from existing sources”</i></p> <p><i>“The key to reducing the record-keeping and reporting burden lies both within and across agencies and will depend on collaboration to rationalize the reporting and data requirements”.....</i></p> <p>Noting the work of the ATO on a ‘business reporting standard’ based on a model developed in the Netherlands and the promise it held for burden reduction, the report concluded ...</p> <p><i>“Substantially reduced compliance and administration costs could be achieved by adopting a wide approach to a business reporting standard. The Taskforce sees considerable potential for the Netherlands model to be implemented in Australia”.</i></p> <p>2) Various thresholds in the tax law should be lifted to reduce taxpayers’ compliance costs and the ATO’s administrative workload (e.g. the GST registration threshold and the quarterly threshold for employer personal tax withholdings). It also suggested that a study be made of the feasibility of developing a <u>systematic</u> approach to adjusting thresholds in the tax law.</p> <p>3) There should be a simplified GST accounting method for restaurants, cafes and caterers.</p> <p>4) Efforts should be made to harmonise the definitions of ‘salary and wages’ and ‘employee’ and ‘small business’ across different taxes and to harmonise the tax base and administration of separately administered sub-national taxes (i.e. payroll taxes and stamp duties).</p>
Burden reduction targets set	Nil (administrative burden measurement was not a feature of the study undertaken).
Key strategies implemented / proposed to reduce administrative burdens	<p>Following its consideration of the report’s findings and recommendations, the Australian Government has:</p> <p>1) Announced its intention to introduce a model of ‘<i>Standard Business Reporting</i>’ to pursue three broad opportunities for reducing business reporting burden: i) reducing the number of different agencies to which businesses have to report directly the same or similar information; ii) reducing the number of data elements that businesses report to government through standardising and harmonising data definitions and</p>

	<p>eliminating duplication; iii) providing options for increased automation of business reporting, including greater pre-population of forms.</p> <p>2) Agreed to lift to lift some thresholds in the law as well as generally study the feasibility of developing a systematic approach to adjusting thresholds in the tax law.</p> <p>3) Agreed to take steps to harmonise definitions of employee, salary and wages and small business across different taxes.</p> <p>4) Agreed to develop a simplified method of GST accounting for restaurants, cafes and caterers.</p>
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Country	Australia
Name and nature of program and associated reports	<p>The 2003-04 edition of 'Making it Easier to Comply' outlines the three year program of changes to improve client experiences.</p> <p>The 2004-05 edition provides a report to the community on what the ATO has done to improve client experiences and outlines our approach to practical compliance. It also explains why the three year program became a four year program.</p> <p>The 2005-06 edition reports to the community on what the ATO has done to improve client experiences, reports on the work program for practical compliance and outlines how the ATO is going to implement the recommendations from a review of self assessment.</p> <p>The 2006-07 edition continues to report to the community on progress, as well as looking back on the origins of the program and looking forward to expected changes beyond 2010.</p>
Background to review/study	This is a large scale change program informed originally by the ATO's 'listening to the community' initiative which began in 2002. The aim of the initiative was to find out how the community wishes to deal with the ATO and to enable them to co-design an improved tax administration system.
Study participants	The initiative began with user clinics, creative retreats and user observation sessions involving a range of stakeholders. At these forums, stakeholders discussed their interactions with the ATO, identified irritants and offered ideas and suggestions for improvements.
Key tax-related findings on issues with a significant impact on administrative burden)	<p>Taxpayers and their advisers told the ATO they wanted:</p> <ul style="list-style-type: none"> • Better faster telephone services; • Access to account information and transactions on line; • More certainty in their dealings with the ATO; • Letters that are more personalized and easier to understand; and • The ATO to know who they are and their history with the ATO when they call.
Burden reduction targets set	<p>Not relevant. The benefits of the program are being monitored through a range of measures of improved service delivery that are regularly reported through the annual release of <i>Making it easier to comply</i> which is the ATO contract with the community. It outlines progress to date in improving client experiences, what we will deliver in the coming year, which clients will be affected and when these improvements will happen. Making it easier to comply means:</p> <ul style="list-style-type: none"> • Easier – making it easier for clients to comply with their obligations through more channels and better, quicker advice. • Cheaper – making it cheaper for clients by reducing the workload, time and effort needed to meet their obligations. • More personalised – offering products and services that make sense to clients and fit with the systems they use in daily lives, (not providing a service tailored individually to everyone), and • Greater certainty for taxpayers – offering more certainty for clients that they have done everything they need to do to comply with their tax obligations. <p>Examples of burden reduction include:</p> <ul style="list-style-type: none"> • Businesses are able to file a pre-populated electronic activity statement, with the option to pay electronically. • Businesses can file electronically via the Business Portal.

	<ul style="list-style-type: none"> • Businesses can view and access accounting information in an integrated way e.g. : 1) view income tax, fringe benefits tax and instalment accounts onscreen with the ability to look at more detailed posting information; 2) transfer account balances between the multiple accounts, and 3) request refunds of credit balances and receive real time responses if we are unable to process your request.
<p>Key strategies implemented or proposed to reduce administrative burdens</p>	<p>The key themes of the easier, cheaper and more personalized program, and its underlying principles are reflected in arrange of products and services that are being delivered over the 2003-2008 timeframe.³⁰ These are briefly described hereunder:</p> <p><i>Treating the taxpayer as an individual</i></p> <ul style="list-style-type: none"> • Introduction of a customer relationship management system (CRM) that provides client contact staff with a consolidated view of interactions with taxpayers (including mail and phone). • Introduction of new case management systems that enable streamlining of non-case work including letters, and to get work to the right place at the right time for prompt action. • Improvements in analytics and intelligence capabilities that enable better targeting of compliance activities and risk assessment, so the ATO is less intrusive for people and businesses who are fully compliant. <p><i>Helping taxpayers to manage their tax affairs in a way that suits them</i></p> <ul style="list-style-type: none"> • Provision of new functionality to the tax agent and business portals, improving access to information and services when it is needed, saving time and providing more certainty. • Improving the standard of web content, making information easier to understand and providing the most up-to-date information available. • Improved phone services—introduction of CRM and self-service options. <p><i>Enhanced on line services</i></p> <ul style="list-style-type: none"> • Additional functionality for the tax agents’ portal. • Improvements to the business portal enabling online registrations, filing of activity statements, updating of tax roles and personalizing website preferences. • Enhanced (and free) electronic filing for individuals with provision to download and pre-fill some returns items. <p><i>Making tax seamless with taxpayers’ other activities</i></p> <ul style="list-style-type: none"> • Increased integration of accounting software with tax & other reporting requirements. • Development of an electronic record keeping tool that enables taxpayers to export selected information directly into (i.e. pre-fill) their tax return (the ATO will progressively increase the range of data available (e.g. from financial institutions and share registries). • For businesses, working with government to rationalize and reduce government reporting requirements—see separate reference to the introduction of a system of Standard Business Reporting. <p><i>Providing greater certainty</i></p> <ul style="list-style-type: none"> • Access by client contact areas to more taxpayer information enables them to give more specific information to taxpayers in their dealings. • Improvements to the quality of written correspondence to taxpayers. • Improvements to the content of the public ATO website. <p><i>Practical compliance</i></p> <ul style="list-style-type: none"> • The establishment of a system of practice statements that provide advice on ways taxpayers can comply with the spirit of the law with less compliance effort (e.g. less onerous approaches to record-keeping).

³⁰ The information provided is drawn from the ATO publication ‘2006-07 Making it easier to comply’ (January 2007).

Government and Revenue Body Programs to Reduce Administrative Burdens on Business and Citizens—Measures³¹

Country	Canada
Name and nature of reviews undertaken and associated reports	<p>Preliminary findings from the Statistics Canada Survey of Regulatory Costs conducted in 2005/06, covering small (up to 100 employees) and medium-sized (101-499 employees) businesses.</p> <p>Qualitative Research into Paperwork Burden Reduction Issues—Final Report (undertaken by Decima Research for Industry Canada, published in February 2007).</p> <p>Helping Small Businesses by Reducing the Compliance Burden (March 2007 Report of the Canada Revenue Agency’s Action Task Force on Small Business Issues)</p>
Background to reviews	Government efforts to ease compliance burden requirements.
Key tax-related findings on issues with a significant impact on administrative burden)	<p><i>Canadian Federation of Independent Business & Statistics Canada Surveys:</i></p> <p>1) The three most highly rated obligations in terms of burden were tax-related—the GST/HST (71%), payroll taxes (60%) and income tax (57%); and</p> <p>2) Overall, 30% businesses believe that regulatory costs have increased over the prior 3 years, while only 3% feel that have decreased; businesses with larger workforces are more likely to perceive that overall regulatory compliance costs have increased. The increased complexity of regulations was the main reason cited by businesses for the perceived increase in compliance costs</p> <p><i>Decima Research:</i></p> <p>1) The GST is identified most often and most passionately as the most demanding of government requirements. Businesses find that the process is onerous because of the way the forms have to be filed, getting all the right and required information, and the initial learning process. The need to complete separate provincial sales tax returns is an added complication.</p> <p>2) Concerning ideas for simplifying compliance with the GST’s requirements, business suggested forms and communications simplification, continuing improvements to online processes, and streamlining information requirements by eliminating duplicated reporting across forms and time intervals (e.g. by using pre-populated forms).</p>
Burden reduction targets set	The 20% burden reduction target (by November 2008) for small businesses (as announced in the 2007 Budget) encompasses both tax and non-tax obligations.
Key strategies implemented / proposed to reduce administrative burdens	<p><i>Modifying legislated thresholds</i></p> <ul style="list-style-type: none"> • A variety of legislated thresholds are to be increased to ease the burden of small businesses (and to reduce administrative workloads): <ul style="list-style-type: none"> — an increase in the lifetime capital gains exemption (from \$500,000 to \$750,000; — introduction of quarterly (as opposed to monthly) payments of corporate tax instalment payments for small businesses; — an increase in the threshold for annual corporate income tax payments (as opposed to regular instalments) from \$1,000 to \$3,000; — an increase in the threshold for annual personal income tax payments (as opposed to regular instalments) from \$2,000 to \$3,000; — introduction of quarterly payments of employee income tax

³¹ Includes both tax and non-tax related initiatives

	<p>withholdings (where average monthly liability <\$3,000); — an increase in the threshold for annual payments of GST payers (from \$1,500 to \$3,000) and for the annual reporting of VAT liabilities (from \$500,000 to \$1.5 million).</p> <ul style="list-style-type: none"> • Agreement to conduct periodic reviews of thresholds to ensure they remain effective and appropriate. <p>Broader use of national business identifier</p> <ul style="list-style-type: none"> • Extended use (by provincial governments) of the Business Number (BN) as a national business identifier. <p>Standard financial statements</p> <ul style="list-style-type: none"> • The general index of financial information (GIFI) is a standardized listing of items commonly reported on income statements, balance sheets and statements of retained earnings. It provides a new way to collect financial information in a codified format. The GIFI allows for enhanced understanding by taxpayers, more efficient processing of the corporate tax return and enhances the development of tax policies and legislation by the Department of Finance as financial information is available sooner. Use of GIFI is mandatory under the Income Tax Act. <p>Collection of sub-national taxes by national revenue body</p> <ul style="list-style-type: none"> • Agreement that the CRA will administer the collection of corporation taxes for Ontario, Canada’s largest province. <p>Expansion of ‘My Business Account’ Services</p> <ul style="list-style-type: none"> • Extension of online services for businesses to include ruling requests, registering objections, filing a corporate tax return, viewing accounting balances, and making certain requests, thus providing faster, more accessible and transparent services; extension of these and new services in late 2007 and beyond to the representatives of businesses. <p>Improved communication with taxpayers</p> <ul style="list-style-type: none"> • A variety of strategies are being employed to improve communications with taxpayers (e.g. introduction of “Smartlinks” technology enabling users to access a CRA agent directly from the website, enhanced training of telephone agents). <p>Systemization of burden reduction efforts</p> <ul style="list-style-type: none"> • The development of a ‘performance measurement framework’ for compliance burden reduction—see Annex 5. • Agreement by the CRA to 1) establish an inventory of its administrative requirements and information obligations with which small businesses must comply; 2) measure and report on progress in reducing the compliance and paperwork burden.
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Government and Revenue Body Programs to Reduce Administrative Burdens on Business and Citizens—Tax Measures

Country	Denmark
Name and nature of review undertaken and associated reports	Standard cost model measurement of the Danish Ministry of Taxation. Ministry of Taxation's long term simplification program '101 Simplification measures to make life easier'.
Background to review	Program results from government-wide full scale measurement work undertaken in 2004/05 of the administrative burdens on businesses. In total 15 ministries (including Tax) with business relevant regulations were measured.
Key tax-related findings on issues with a significant impact on administrative burden	The main findings from the 2004 study were that: <ul style="list-style-type: none"> • Total administrative costs were estimated at Dkr7.98 billion (€1.1 billion); • Approximately 80% of the costs were attributable to national legislation; • Administrative costs have been reduced by 10% since November 2001. <p>The three most burdensome acts were found to be 1) the announcement on minimum standards for accounts and book-keeping—some 30% of total costs; 2) the Danish Tax Control Act—17% of total costs; and 3) the VAT—13%.</p>
Burden reduction targets set	25% burden reduction by 2010 (based on baseline measures developed in 2001/02)
Key strategies implemented / proposed to reduce administrative burdens	The major initiatives implemented following the 2001/02 measurement work were: <ul style="list-style-type: none"> • Income tax—revisions of minimum standards for accounts and bookkeeping entailing the removal of the requirement on self-employed to file statements of changes in equity (<i>although these still appear to be resulting in major burdens</i>). • Indirect taxes—removal of obligation to produce documentation when using a company car (with reduced vehicle excise duty). <p>Measures implemented in 2004 included:</p> <ul style="list-style-type: none"> • Upwards adjustments to the thresholds for VAT registration (from DNK 20,000 to 50,000) and quarterly return filing (DNK 15 million). <p>Simplification program measures announced in December 2005 included:</p> <p>Individual taxpayers</p> <ul style="list-style-type: none"> • A new common public register of income containing all monthly reports regarding the citizens wage income and amount of work • Simplified preliminary tax assessment and no tax return filing by people with simple tax matters • New reporting possibility from trusts having received gifts from taxpayers • Moving towards the tax return-free society where all relevant information is preprinted for taxpayers on the tax return • Banks assisting with the preliminary tax assessment through reporting of changes in loans, interest rates etc <p>Business</p> <ul style="list-style-type: none"> • Improve integration between the annual accounts and the tax return • Possible simplified reporting of audit information??? • New enforcement and service strategy implying that companies with orderly tax matters will be audited less often than companies with irregularities???? • One tax settlement account between the revenue body and the business • All new business will be offered a digital start package, including digital signature

	<p>and user information</p> <ul style="list-style-type: none">• Easier registration of new companies, including only one point of registration <p>Value added tax</p> <ul style="list-style-type: none">• Simplification of the rules related to imports by fully VAT-liable businesses• Direct VAT deduction instead of VAT compensation in particular circumstances
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Government and Revenue Body Programs to Reduce Administrative Burdens on Business and Citizens—Tax Measures

Country	Ireland
Name and nature of review undertaken and associated reports	Report of the Business Regulation Forum (BRF), (Ireland, March 2007). 'Business Regulation Survey'. The report of this survey, published in March 2007, was prepared for the Government of Ireland by the Economic and Social Research Institute (ESRI).
Background to reviews	<p>The BRF was set up in November 2005 to advise the Minister for Enterprise, Trade and Employment on regulatory matters impacting on business. During 2006 the Forum invited submissions on views of the regulatory environment in Ireland and how it could be improved from business and commissioned a number of case studies with the intention of mapping the current regulatory landscape for enterprise in Ireland.</p> <p>The report 'Business Regulation Survey' covers the findings of a survey undertaken to gather businesses' views on regulation and which areas of regulation pose problems in terms of compliance costs, including administrative burdens. It notes that business groups and representatives had expressed concern about the growing volume of regulation and its impact on business.</p>
Key tax-related findings on issues with a significant impact on administrative burden	<p>Report of the BRF: Tax-related extracts from the report are as follows:</p> <p>Submissions</p> <p><i>"Changes to the current regulatory system related to taxation emerged in a large proportion of the submissions including:</i></p> <ul style="list-style-type: none"> • <i>suggestions about changes to VAT thresholds and other aspects of VAT regulation;</i> • <i>simplification of the administration procedures created by the Revenue Commissioners such as accessibility to appropriate experts and more clarity about Revenue requirements; and</i> • <i>withholding tax on professional fees."</i> <p>Case Studies</p> <p><i>"All of the companies referred to the burden of compliance with the requirements of the Revenue Commissioners. Most companies raised specific issues, ranging from the importance of synchronizing reporting dates for different taxes to better planning for the introduction of budgetary changes, given that such changes may increase the administrative burden for businesses. Many companies commented favorably on the Revenue On-line Service (ROS), which has been introduced in recent years by the Revenue Commissioners."</i></p> <p>Report of the 'Business Regulation Survey':</p> <ul style="list-style-type: none"> • Taxation regulations were most frequently mentioned as a heavy burden (around 25% of businesses regarded the administrative burden resulting from tax regulation as 'heavy'). Addressing regulation in this area is likely to have the greatest impact overall in terms of reducing regulatory burden. • The burden of taxation is relatively greater for smaller than larger firms, so a focus on reducing the burden for smaller firms is likely to be the most productive overall. • About 80% of firms bring in outside expertise for compliance-related activity. This is mostly related to accountancy (71%) but a third of firms also bring in expertise for health and safety regulations. • Just over half of firms had been inspected or audited in the last three years. Most of the inspections or audits had been carried out by the Revenue Commissioners (2 out of 5 who had been inspected or audited). • Of all regulations, the most highest ranked in terms of having a heavy impact were VAT (42%), income & corporation tax (37%), and health & safety regulations (32%). • The frequency with which VAT returns must be made was an issue, especially for smaller firms. The frequency with which actual returns, as opposed to interim payments, are made could be examined.

	<ul style="list-style-type: none"> • On-line forms, where they are used, were generally found to be effective in reducing the reporting burden but smaller firms appear less open to using this technology. • Flexibility of enforcement and consistency of enforcement were identified as areas of dissatisfaction. There is clearly some tension between these two principles that may be resolved by having clearer and more transparent guidelines on the circumstances (e.g. firm size, new regulations, major increase in enforcement activity) in which 'allowances' will be made.
<p>Burden reduction targets set</p>	<p>The BRF recommended that an administrative burden reduction program be initiated to focus on five areas where regulation has been identified as most burdensome in Ireland: tax, health and safety, environmental regulation, requests for statistical information, and employment and company law. It also recommended the setting of a target for burden reduction.</p> <p>A new High-level Group on Business Regulation has been established (July 2007). http://www.entemp.ie/press/2007/20070425.htm . The Group, comprising representatives from key Government Departments (including Revenue) and representatives of business, will examine ways to eliminate unnecessary administrative burdens placed on business and reduce associated costs. The Group will report initially to Government before end July 2008.</p>
<p>Key strategies implemented / proposed to reduce administrative burdens</p>	<p>Specific tax-related changes made to ease administrative burdens in recent times are set out hereunder:</p> <p>Value added tax</p> <ul style="list-style-type: none"> • Registration thresholds increased from 1 March 2007: 1) for services, from annual turnover of €27,500 to €35,000; and 2) for goods, from annual turnover of €55,000 to €70,000. • Use of cash accounting method for determining liabilities: annual turnover threshold for eligible businesses increased from €635,000 to €1million from 1 March 2007. • Return filing and payment obligations eased from July 2007: Introduction of four-monthly and bi-annual (instead of bi-monthly) filing for eligible small traders. <p>PAYE/ PRSI Revenue</p> <ul style="list-style-type: none"> • Return filing and payment obligations eased (from April 2006): Introduction of quarterly (instead of monthly) return filing and payment obligations for businesses where annual payments are < €30,000. • For employees, tax relief at source for mortgage interest and medical insurance. Program to introduce further simplification underway e.g. automatic granting of age-related entitlements. <p>Corporation tax: small company rule</p> <ul style="list-style-type: none"> • Threshold for small companies increased from €50,000 to €150,000; • Option to pay preliminary tax (i.e. advanced payments) based on 100% of prior year tax rather than 90% of current year estimate. • Preliminary tax for new companies/startups waived where tax liability <€150,000; payment not required till filing of annual return. <p>Comprehensive online services</p> <ul style="list-style-type: none"> • Support for online filing and payment covering over 20 taxes and duties; • Speedy repayments; • Customer access to transaction and account details; • 24/7 access to services; • Extended deadlines for self assessed customers who file and pay online; • Liaison officers available to provide information and services; • For employee taxpayers- ability to view and update personal data, to make new or amended tax credit claims; and to make online calculations.

**Government Programs to Reduce Administrative Burdens
on Businesses and Citizens - Tax Measures**

Country	Netherlands
Name and nature of review undertaken and associated reports	Government-initiated inventory of the total extent of all annual administrative burdens as of 31 December 2002 was undertaken, revealing a total cost of €16.3 billion (around 3.6% of GDP). The burden amount applicable to Ministry of Finance obligations (largely taxation-related) was estimated at €4.32 billion. The largest single burden area identified was compliance with the Annual Accounts Act (i.e. annual company reporting) administered by the Ministry of Justice.
Background to review	Concern for the magnitude of administrative burdens and their impacts on business.
Review participants	Government agencies
Key tax-related findings on issues with a significant impact on administrative burden	Of the top 10 regulatory requirements in terms of administrative burden, 3 were taxation-related: 1) VAT—some €1.4 billion; 2) Wages and salaries tax—0.7 billion; and 3) Income tax act— €0.6 billion.
Burden reduction targets set	Progressive reductions implemented from 2003, with the overall objective of achieving a 25% reduction in the level of total burden by the year 2007. In October 2006, authorities reported that a 9% reduction had been achieved by end-2005, and that further reductions of 7.4% and 9.5% were expected in 2006 and 2007 respectively. The Government set an additional 25% reduction target (by 2012) in 2007.
Key strategies implemented / proposed to reduce administrative burdens³²	<p>Main tax-related measures are:</p> <ul style="list-style-type: none"> • Streamlining and integrating business compliance requirements from January 2006 in relation to the reporting and payment of wages, tax and social contributions, with their collection administered by a single government agency (i.e. the Dutch Tax and Customs Administration), replacing the previous system where employers were required to report identical information to multiple agencies). • Harmonising and streamlining provisions of the Wages Tax and Social Contributions laws. • Introduction and rapid expansion of electronic/digital filing systems in a way enabling easier/cheaper compilation of tax returns (for multiple taxes). • Establishing a standard business reporting requirement (i.e. the XBRL taxonomy) that rationalizes, and significantly reduces the cost of, the reporting of company financial data for all government purposes (including tax)—described in the body of this report as ‘Standard Business Reporting’.

³² See report *‘We want to get rid of this too..... Reduction of the administrative burdens for businesses’* (Dutch Government, 2006)

**Government Programs to Reduce Administrative Burdens
on Businesses and Citizens - Tax Measures**

Country	New Zealand
Name and nature of review undertaken and associated reports	<p>The Government and Inland Revenue generally regard simplification as a stream of work which is ongoing rather than conducted as a one off or ad hoc exercise. Their tax simplification work has largely taken two forms; first, specific reviews aimed at reducing compliance costs and, second, a philosophical approach that considers compliance costs reduction as inherent in the tax policy process and the implementation of new tax administration systems.</p> <p>The latest effort to provide detailed information on taxpayers' compliance costs was a study undertaken in 2004/05 (see below), based on a random stratified sample of small and medium sized enterprises:</p> <ol style="list-style-type: none"> 1) Measuring the tax compliance costs of small and medium sized businesses—a benchmark survey (prepared by Colmar Brunton for the IRD, June 2005). <p>Business also undertakes its own studies. The Business NZ/ KPMG annual survey is a tool which gives an indication of the compliance costs facing respondents across all areas of regulation and aims to highlight to government the importance of reducing compliance costs. Their last report, the fifth, was:</p> <ol style="list-style-type: none"> 2) Summary report of the Business New Zealand- KPMG Compliance Cost Survey (October 2007).
Background to reviews	<ol style="list-style-type: none"> 1) Government commitment to supporting business growth and innovation. 2) Business interest in reducing the incidence of compliance costs.
Review participants	<ol style="list-style-type: none"> 1) Series of formal and informal focus groups consisting of taxpayers and tax agents, supported by use of market research firm to undertake quantitative research by telephone of employers and face-to-face interviews with tax agents. 2) Mail survey of around 1,400 businesses.
Key tax-related findings on issues with a significant impact on administrative burden	<ol style="list-style-type: none"> 1) Having to comply with tax obligations is the largest contributor of business costs—as indicated by 70% of businesses surveyed. <p>Main issues of concern were identified as 1) time filling in forms; 2) provisional payments (i.e. advance payments of income tax) not aligned with cash flow; 3) good compliance history not considered; 4) incidence and imposition of penalties and interest; 5) difficulty in getting information or help; and 6) having to employ an accountant.</p> <ol style="list-style-type: none"> 2) The latest study has produced some evidence of a relative decline in tax compliance costs, recording a reduction in the proportion of overall costs attributed to tax regulations (now at 39.2%), and significant reductions in the average total costs and time spent per business surveyed. (NB: These outcomes may result from the fact that the survey population is now regarded as more representative of actual demographics, with prior surveys being more focused on larger businesses). Nevertheless, burden issues remain and the main ones highlighted in the latest survey were overall tax law complexity (resulting in high usage of external advisors), the introduction (and costs) of the new KiwiSaver scheme, the fringe benefits tax, lack of private rulings and guidance for large businesses, the complexity of the Fringe Benefits Tax (FBT), and the costs of the PAYE withholding scheme for employees
Burden reduction targets set	Not applicable
Key strategies implemented / proposed to reduce administrative burdens	<ul style="list-style-type: none"> • Subsidy for cost of using payroll agents: Subsidy of \$2 per employee per pay day up to a maximum of 5 employees introduced from 1 October 2006 for small businesses using payroll intermediary to take over their PAYE and other government imposed payroll deductions. • Reducing number of payments and simplifying calculations for small businesses: Aligning the timing and frequency of tax payments for GST and provisional tax to the 28th day of the month; enabling provisional tax payments (i.e. advance payments of income tax) to be based on GST turnover (all changes effective

	<p>from 2008/09).</p> <ul style="list-style-type: none">• Discount for individuals starting a business: A discount of 6.7% is provided to individuals who earn income from self-employment or a partnership if they make a voluntary payment of income tax in their first year of business.• Depreciation of low value assets: The threshold below which taxpayers can receive an immediate deduction, instead of being capitalized, for purchased assets has been raised to \$500 from \$200.• Simplification of the fringe benefits tax (FBT): substantive simplification of various provisions the FBT, a tax levied on employers in respect of fringe benefits provided to their employees, to make it easier for employers to administer.• Providing electronic (self-help) tools to answer technical questions on taxpayers' employment and residence status.• IRD initiatives involving: 1) improved on-line services for businesses; 2) improving range of business advisory services; and 3) streamlining processes for small businesses when they start or stop employing staff.
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**Government Programs to Reduce Administrative Burdens
on Businesses and Citizens - Tax Measures**

Country	South Africa
Name and nature of review(s) undertaken and associated reports	<ul style="list-style-type: none"> Counting the cost of red tape for business in South Africa (conducted by SBP), 2005- an independent research activity. SARS SMME Facilitation Program (2005) Tax Compliance Burden for Small Businesses: A Survey of Tax Practitioners (August 2007)
Background to review(s)	General community and Government interest in creating an environment that facilitates the development of SMEs and fosters entrepreneurship.
Review participants	SBP research: Some 1,800 private sector enterprises. 2007 survey report: Professional accountants and bookkeepers (hereafter referred to as “tax practitioners”)
Key tax-related findings on issues with a significant impact on administrative burden	<p>SBP study: 1) The broad category of taxes is the most time consuming and troublesome of all government regulations; 2) of these, VAT requirements are viewed as the most burdensome, followed by SARS’ administration, then unemployment fund regulations and finally PAYE regulations.</p> <p>2007 survey report highlighted the following findings of most concern: 1) provisional tax is the most burdensome tax for small businesses; 2) VAT- time taken to register is the most burdensome aspect of this tax; 3) lack of a special simplified tax regime for small businesses; 4) timeliness of tax refund procedure can be improved to minimise unnecessary cash flow difficulties; 5) poor standards for processing objections add to taxpayers’ burden; and 6) SARS call centre is not operating optimally, for a variety of reasons highlighted in survey results. The survey also established benchmark data for the costs incurred using tax professionals. The general complexity of the tax environment was seen as contributing to a very large incidence of informal businesses.</p>
Burden reduction targets set	Nil
Key strategies implemented / proposed to reduce administrative burdens	<p>SARS SMME Facilitation Program (2005): The key recommendations were:</p> <ul style="list-style-type: none"> Increase the 15% tax cap from R150,000 to R200,000 taxable income for SMMEs; Rapid depreciation of assets for companies with capital expenditure < R5 million; Increase limit of new VAT invoicing system from R3,000 to R10,000; Promotion of e-filing and better communication through SMME focussed call centres; Re-introduce cash basis of accounting for VAT for companies with turnover <R2.5 million (now implemented); Reduce VAT filing frequency from 6 to 3 times per year for SMMEs (now implemented); Reduce time taken to issue tax compliance certificates to 48 hours; Investigate creation of special tax regime for SMMEs (in course). <p>SARS response to 2007 survey report:</p> <ul style="list-style-type: none"> A new streamlined VAT registration system is being designed; Steps are being taken to automate the submission and tracking of objections; Substantial enhancements are being made to call centre operations to improve this aspect of service delivery; Emphasis being given to the use of electronic filing should improve the accuracy of tax returns/ reduce errors.

Government Programs to Reduce Administrative Burdens on Businesses and Citizens - Tax Measures

Country	Sweden
Name and nature of review undertaken and associated reports	“The Swedish Government’s Action Plan to reduce administrative burden for enterprises” Nutek (the Swedish Agency for Economic and Regional Growth) has on the behalf of the Swedish government carried out standard cost model measurements regarding administrative burdens on businesses related to VAT, CIT and four different excise taxes.
Background to review	In the Budget Bill for 2004 the Swedish Government set out the most important initiatives in an action plan to reduce administrative burden for enterprises during the period 2004-2010.
Study participants	The Swedish Agency for Economic and Regional Growth was commissioned by the Swedish government to move forward and apply the standard cost measurement model to selected acts in the tax area.
Key tax-related findings on issues with a significant impact on administrative burden	<ul style="list-style-type: none"> • VAT: Total compliance costs amount to SEK 6.3 billions in 2005. Businesses with between 0 and 4 employees carry 73% of total compliance costs. Compliance costs for VAT correspond to about 3% of total VAT revenues. • CIT: Total compliance costs amounted to SEK 2 billions in 2004. The highest compliance costs are found in enterprises with 1 -9 employees. • Tax payment act: Total compliance costs amounted to SEK 0.5 billions in 2004. The highest compliance costs are found in the largest companies since they have to make reports on many employees. • Four excise taxes (alcohol, waste, energy, and advertising): Total compliance costs amount to SEK 0.03 billions in 2004.
Burden reduction targets set	25% overall burden reduction for businesses by 2010.
Key strategies implemented / proposed to reduce administrative burdens	<p>The following simplification initiatives have been implemented from 2003:</p> <ul style="list-style-type: none"> • Creation of a national call centre with one common phone number. • Electronic identification. • Improvements of tax account functionalities • Electronic filing and registration of companies • Pre-filled tax return also for self-employed tradesmen • Simplified treatment of electronic services. • Better accessibility through phone and customized service. • Improved web services. • More understandable written information. • Systemic capturing of taxpayers’ opinion of the tax agency. • Simplified rules on declaration and taxation for sole tradesmen and trading companies owned by physical persons. • Improved support when registering a company. • Simplification of tax return filing and opening for filing through tax agents. • Further improvements of the tax account system. • Special assistance programs for new business. <p>The Tax Agency has proposed in 2007 that from 2008 quarterly payments of VAT should be permitted for businesses with annual turnover < SEK 40 million (< €4.35 million); otherwise monthly. Furthermore, to facilitate the handling of wage statements and tax withholding, the STA is proposing a new web portal—Skatta.se— that will provide for central administration for wages on the Internet (i.e. functionality covering the payment of wages, withholding of taxes, filing statements and calculation of social contributions). There will also be further development of new web services.</p>

**Government Programs to Reduce Administrative Burdens
on Businesses and Citizens - Tax Measures**

Country	United Kingdom
Name and nature of review undertaken and associated reports	<p>Administrative Burdens- HMRC Measurement Project (March 2006)</p> <p>The study's findings are based on a model – the Standard Cost Model (SCM)–that maps UK tax legislation to the activities that business must carry out to be compliant. It includes estimates of price (that is, the cost to business of the activities it has to do to be compliant) and quantity (the number of businesses affected by particular legislation).</p>
Background to review	<p>The report follows from work of the Better Regulation Task Force that recommended, among other things, that.....</p> <p><i>“The UK can considerably reduce the regulatory burden on business by adopting the successful Dutch approach to reducing administrative costs. This approach involves first measuring administrative burden and then setting a target to reduce them. The golden rule is that what gets measured gets done”.</i></p> <p>The report notes the intention of Government to reduce the administrative burden on business in a progressive and sustained manner for years into the future. The work undertaken was aimed at gaining an accurate picture of the administrative burden regulation currently causes.</p>
Review participants	<p>The study to produce baseline estimates of the administrative/ compliance burden arising from tax legislation was carried out by KPMG working closely with HMRC officials and representatives of business. (NB: The study's report notes that KPMG also partnered with a team from Ramboll Management, a Danish based company that has carried out similar work elsewhere in Europe.)</p>
Key tax-related findings on issues with a significant impact on administrative burden	<p>Applying the model, the report reveals an estimate of the administrative burden of UK tax regulation- some £5.1 billion for 2005/06. It notes that of this amount, 41% represents internal costs (that is, the costs of activities that business undertakes in order to be compliant) 49% represents external costs (the costs of working with intermediaries), and 9% represents acquisition costs (the non-time costs incurred by business). The model results include:</p> <ol style="list-style-type: none"> 1) the number of information obligations by type of obligation; 2) estimated value of administrative burden by both tax and obligation type; 3) administrative burden by origin of obligation and business size & tax type. <p>An initial finding of the model is that a significant reduction in the total administrative burden will require radical change in the tax system, noting the fact that 85% of the tax burden is created by just 85 information burdens (out of a total of over 2,600 information burdens identified).</p>
Burden reduction targets set	<p>Official targets set for burden reduction are:</p> <ul style="list-style-type: none"> • A reduction by at least 10% of the administrative burden of dealing with forms and returns by 2011 (equivalent to £337 million); and • A reduction in the administrative burden on compliant business of dealing with audits & inspections by at least 15% by 2011 (equivalent to £21 million).

<p>Key strategies implemented / proposed to reduce administrative burdens ³³</p>	<p>HMRC has devised a comprehensive reform program to reduce administrative burden built on the following objectives:</p> <ol style="list-style-type: none"> 1) provide information only once; 2) spend less time dealing with inspection; 3) give business the benefit of a range of flexible payment options; 4) enable business to enjoy a single point of contact with HMRC; and 5) provide clear and targeted support, education and guidance to business at the time they need it most. <p>The key strategies to achieve these objectives are set out below:</p> <p>Provide information only once</p> <ul style="list-style-type: none"> • Increased integration of systems to enable better use of reported data. • Streamlining of main tax return forms (including new short forms). • Provision of easier to read and understand statements of account. • Facility enabling attachments for electronically submitted tax returns. • Improved design of on-line services to encourage greater use. • Aligning tax and corporate regulatory reporting requirements. <p>Less time on inspections</p> <ul style="list-style-type: none"> • Developing a broader range of targeted interventions that better match the different types of risk (i.e. give more flexibility and are easier for taxpayers). • Modernized enquiry processes (e.g. secure electronic work rooms). • Use of an electronic payroll analysis tool enabling faster and better analysis of payroll records. <p>Flexible payment options</p> <ul style="list-style-type: none"> • Significant increases in the turnover thresholds for the annual VAT accounting scheme and, subject to derogation from EU rules, the Cash Accounting scheme. (NB: The UK already has an abnormally high threshold for registration and collection). • Revised debt collection policy enabling settlement of debt by instalments on a 'whole of customer view' basis. • Extending use of payment of tax by debit cards and direct debit capabilities. <p>Single point of contact</p> <ul style="list-style-type: none"> • <i>Whole customer view</i>- main areas of current development are a unified/ single business registration process, single advice for changes of taxpayers' circumstances & a unified record of taxpayer contacts & interactions. <p>Support, education and guidance</p> <ul style="list-style-type: none"> • Website redesign to facilitate usability by taxpayers. • Forms redesign aimed at improved clarity, customer ease, & simplicity. • Improved electronic CD Rom products for employers. • New electronic products aimed at newly-commenced businesses. • Development of a new business education and support strategy for small and medium businesses (including a standard for taxpayer feedback). • Revamping of the Construction Industry Scheme (CIS)—adoption of new electronic reporting methods and changes to reporting requirements.
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³³ The information in this part is drawn principally from the document 'Progress towards a new relationship: How HMRC is working to make life easier for business' (HMRC, 2006).

Annex 3: Summary of the Dutch Taxonomy Project

Context:

The Ministry of Justice came up with a substantive proposal in the field of financial reporting. Businesses in the Netherlands are confronted with high costs, estimated at around €1.5 billion per annum, for financial reporting. These costs result from the time needed for gathering data, drafting and controlling obligatory financial reports.

The burden for business is increased by the fact that they have to report the same information, but in other formats and by other means, for their tax obligations and for statistics. Besides the costly gathering of financial information for businesses, the processing of reported information is expensive for governmental bodies such as the DTCA, because of manual retyping of financial data from paper to computer systems or from computer to computer system.

From 2005, Dutch companies are obliged to report certain tax declarations electronically to the DTCA. For annual accounts and economic statistics an obligation to report electronically does not yet exist. Standardisation in the tax area is until now limited and uses closed standards that are domain specific (for instance specific technical standard for tax software). Domain specific solutions for the different information chains lead to sub-optimal results as synergy advantages will not be available. Optimisation of these financial information chains requires a standardised data model that is used throughout the information chain. To achieve the goal of reducing administrative burdens in the field of financial reporting, the Ministry of Justice (MOJ) sought co-operation with the Ministry of Finance (MOF) and the Central Bureau of Statistics (CBS). Thus, a concept of cross-domain standardisation was achieved.

The Dutch Taxonomy Project (DTP):

In a joint effort, the MOJ and the MOF intend to reduce the administrative burden of businesses by using the open standard XBRL (eXtensible Business Reporting Language), to simplify the composing of financial reports and exchange of financial data. The activities should result in annual savings for businesses of €350 million in 2007 and €420 million from 2008.

An important aspect of the project is creating the right environment for this type of innovation, and thereby for large scale use of the taxonomy. This includes informing and consulting all relevant stakeholders, among which companies, accountants, auditors, intermediaries (and their associations), software suppliers, governmental bodies and ministries. Partnerships are formed between private businesses, for instance software suppliers and intermediaries (private – private). Other partnerships include intensive co-operation between different governmental bodies (public – public). The project is transparent and open to all potential participants. Review of the taxonomy takes place in national and international bodies.

The stakeholders are organized on two levels. Firstly, a so called “chain partner committee” has been instituted, in which the public sector is represented by senior officials of the MOJ, MOF, the Ministry of Economic Affairs (MEA), the DTCA, the Chamber of Commerce, the CBS and the Advisory Board for Administrative Burden. The private sector is represented by senior officials of Confederation of Netherlands Industry and Employers and the Dutch Federation of Accountants. On this level, the planning and products of the DTP are being discussed upon. Commitment for implementation will be asked and subsequently given. The members have no direct influence on the activities of the DTP. Secondly, on the operational level a taxonomy working group has been instituted. This is an open working group for taxonomy review. At this moment more than a hundred members reviewed and tested the Dutch taxonomy, mostly by means of an open portal on the Internet. The main purpose is getting awareness and assurance on the quality of the taxonomy.

The DTP is responsible for the architecture of the taxonomy and moderates the process of building it. The government bodies themselves are responsible for the domain taxonomies. Professionals are engaged to perform the necessary work. Another important aspect is a constant drive to accomplish an authorised and robust taxonomy and a necessary process infrastructure in time and within budget. By delivering products in time and within budget the DTP shows the stakeholders that reducing the administrative burden by

optimising the reporting chain is an unstoppable process. The stakeholders are triggered to change their business models because they get the assurance that the preconditions will not be changed over time and therefore their investments are preserved.

The scope of the Dutch taxonomy includes taxes, annual accounts and statistics. Thus, a cross domain standardisation in the area of financial reporting is achieved. At this stage, the taxonomy has been tested by governmental agencies, auditors and software suppliers. Broad scale use of the taxonomy is foreseen in 2007. The use of the Dutch taxonomy will be voluntary. Potential future additions to the taxonomy could include data elements in the field of education, health, banking and agriculture.

Source: Netherlands Tax and Customs Administration- Advantages of Cross Domain Standardisation of Financial Data (Report to OECD), September 2006.

Annex 4: Measuring and Evaluating Impacts of Burden Reduction Programs in Selected Countries³⁴

1) Denmark

Area of interest	Description
Responsibility for cross-Government co-ordination	Ministry of Economic and Business Affairs (MEBA) and MOF co-ordinate the simplification/ burden reduction program. Danish Commerce and Companies Agency (DCCA) carries out measurements.
Consultation with business	16 "burden committees", one for each area of regulation, established in 2004 with policy officials and business representatives. Practice has been to focus on areas of regulation that businesses perceive as irritating or burdensome- not necessarily the areas of greatest cost.
Responsibility for measuring and monitoring impacts?	DCCA does measurements while MEBA prepares annual progress report for Parliament.
The level and nature of any external scrutiny	National Audit Office of Denmark (NAOD) has completed a review of activities between 2001 and 2006 and published its findings in early-2007.
Findings/ opinions arising from external scrutiny	NAOD: Early plans reflected no clear prioritisation of activities, and the impact of quantifiable reduction measures has been relatively low. Survey conducted by the Confederation of Danish Industries among SMEs showed that one in three respondents had noticed a reduction in administrative costs. However, most businesses had noticed no reduction.

2) Netherlands

Area of interest	Description
Responsibility for cross-Government co-ordination	MOF in co-operation with Ministry of Economic Affairs, through Inter-ministerial project unit for administrative Burdens (IPAL)
Consultation with business	Each ministry has own commission of civil servants and business representatives to identify and scrutinise proposals. A 'Business People's Sounding Board on Regulatory Pressure' was established in 2005 to advise on burdensome aspects of regulation and proposals to deal with them.
Responsibility for measuring and monitoring impacts	Individual ministries do measurements, while IPAL monitors cross-Government progress.
The level and nature of any external scrutiny	1) Independent public body- Dutch Advisory Board on Regulatory Burden (ACTAL) evaluates individual ministry's annual progress reports. 2) Dutch Court of Audit audits robustness of claimed reductions in administrative costs.
Findings/ opinions arising from external scrutiny	2006 report of Court of Audit examined developments in 2003 and 2004 and concluded that while the Government had largely met its commitments, the reductions in administrative costs claimed by Government had not be felt in full by business.

3) Sweden

Area of interest	Description
Responsibility for cross-Government co-ordination	Ministry of Enterprise, Energy and Communications (MEEC). The Swedish Agency for Economics and regional Growth (NUTEK) is responsible for measuring administrative costs.
Consultation with business	MEEC has established central working group with business representatives to identify areas of particular concern to business. Each ministry decides how it will engage with business.

³⁴ The information for this Annex is drawn from the July 2007 report of the UK National Audit Office entitled '

Responsibility for measuring and monitoring impacts	NUTEK
The level and nature of any external scrutiny?	None identified
Findings/ opinions arising from external scrutiny	None identified

4) United Kingdom

Area of interest	Description
Responsibility for cross-Government co-ordination	Better Regulation Executive (now part of the Department for Business, Enterprise and Regulatory Reform (BERR) established in 2006).
Consultation with business	Carried out by individual departments
Responsibility for measuring and monitoring impacts	Individual departments to calculate their own achieved reductions
The level and nature of any external scrutiny	National Audit Office (NAO) reports annually (from 2007) on the achievements of the program
Findings/ opinions arising from external scrutiny	Main findings from NAO's initial report were 1) benefits to business of achieving 25% reduction target are uncertain given that the relative importance of administrative burdens in overall compliance costs is unknown; 2) areas of burden of most concern to business are not necessarily those of greatest cost; other factors can cause "irritations" and these should receive appropriate attention.

5) Australia

Area of interest	Description
Responsibility for cross-Government co-ordination	Productivity Commission (PC)
Consultation with business	Sectoral reviews carried out by PC while individual departments monitor and evaluate their respective programs
Responsibility for measuring and monitoring impacts	Individual departments to monitor and report outcomes
The level and nature of any external scrutiny	The Productivity Commission has been asked to conduct ongoing annual reviews of the burdens on business arising from the stock of Government regulation. Following stakeholder consultation, the Commission is to report on those areas in which the regulatory burden on business should be removed or significantly reduced as a matter of priority and options for doing so. The Commission is to report by end-October 2007, and end-August each following year. The Commission is to review all Australian Government regulation cyclically every five years. The cycle will commence with a review in 2007 of regulatory burdens on businesses in Australia's primary industry sector. In subsequent years, the Commission is to report sequentially on the manufacturing sector and distributive trades, social and economic infrastructure services, and business and consumer services. The fifth year is to be reserved for a review of economy-wide generic regulation, and regulation that has not been picked up earlier in the cycle.
Findings/ opinions arising from external scrutiny	Nil

**Annex 5: Canada: Performance Measurement Framework
for Compliance Burden Reduction**

Overall Goal: To reduce the compliance burden on small businesses. The framework will allow us to demonstrate progress in burden reduction by enabling us to analyze our performance against a range of indicators.

Table 1

Category	Measure	Indicator	Information Sources
Direct Measures			
Measures of time and money expenditures	Costs in time	Hours expended complying with CRA requirements such as completing tax and remittance forms	Statistics Canada Survey
		Timeliness – Index of service standard results for small business-related services, e.g. reversals, reviews, and reimbursements	CRA Annual Report
		CRA Response rate for telephone or in-person enquiries	CRA files
		Perceived changes in compliance costs (time) and perceived reasons for that change.	Statistics Canada Survey
	Costs in Money	Costs to file taxes (third party, software etc.)	Statistics Canada Survey, and CRA Business Web Site User Survey
		Perceived changes in compliance costs (money) and perceived reasons for that change	Statistics Canada Survey
Indirect or Proxy Measures			
Measures of factors that affect time and money	Complexity of the compliance process	Taxpayer error rate	CRA files
		Percentage of enquiries by topic	CRA files
		Percentage of web page visits by topic	CRA files
	Quantity and Quality of CRA services for taxpayers	User satisfaction with CRA services and staff	CRA files – surveys (e.g. CRA Business Web Site User Survey)
		Time spent on CRA website	CRA files
		Accuracy and clarity of information provided by the CRA – rated by CRA and users	Statistics Canada Survey, CRA Quality Assurance and Business Web Site User Survey
		CRA Outreach activities	Outreach activity feedback, publications in non-official languages, and small business seminars

Source: Helping Small Business reduce the Compliance Burden (March 2007).