Tax Administration 2015

Comparative Information on OECD and Other Advanced and Emerging Economies

What is this report about?

This report '***Tax Administration 2015: Comparative Information on OECD and Other Advanced and Emerging Economies'***, produced under the auspices of the Forum on Tax Administration (FTA), is the sixth edition of this series. For this edition, 56 countries (including all OECD, EU and G20 members) have contributed to the report. Newly included countries are Costa Rica, Croatia, Morocco, and Thailand.

The report provides a unique insight into tax administration. It uses a broad array of data, analysis and country examples to highlight key features of tax administration; comparative levels of performance and best practice; and current trends and reforms.

The Series methodology has evolved in consultation with FTA members over the last ten years. The practical steps entail a detailed survey of participating revenue bodies, an examination of official reports of revenue bodies (e.g. strategic plans and annual reports) and other organisations, the preparation of a comprehensive report of observations and findings, and an extensive process of validation with participants of information.

Why is this important?

Revenue bodies continue to be asked to improve their performance by: reducing their costs; decreasing the burden for businesses in complying; and addressing non-compliance. Making it easier for taxpayers to do what they need to do, while also making non-compliance harder, is allowing governments to finance important programmes that benefit their citizens.

One way in which the FTA is helping revenue bodies respond to these challenges is by providing timely and authoritative information on the performance, structure and functions, of revenue bodies in advanced and emerging economies, along with examples of important reforms and developments that seek to enhance the efficiency and effectiveness of tax administration.

This information also helps many external parties (e.g. Government officials, academics, national audit bodies, regional tax bodies, and international bodies providing technical assistance) in helping them understand current issues in tax administration.

What was the focus of the research?

The report describes institutional and organisational arrangements as well as elements of the legislative and administrative framework for tax administration of countries covered by the report. It also highlights strategic and human resource management issues in tax administration; resource utilisation and operational performance issues, including the use of online services and support of tax intermediaries.

What are the key findings of the 2015 report?

Institutional and organisational arrangements

- A "unified semi-autonomous" institutional setup for the body responsible for the administration of direct and indirect taxes is preferred by almost 60% of countries surveyed. There is a concentration of less autonomous forms of institutional arrangements for tax administration among EU member countries.
- The degree of autonomy of revenue bodies varies significantly. Administrative powers least frequently devolved to tax administrations are the authority to negotiate staff pay levels [45%] and set the levels and mix of staff within overall budgets [30%].
- While there remains a dichotomy of approaches taken to collection of social security contributions (SSCs), the trend towards integrating collection of SSC with tax has continued. 50% of survey participants now assist with social security contribution collection. Integration has been foreshadowed as a possible future development in Czech Republic, Greece, Portugal, and Slovak Republic.
- Organisational change continues to be prominent, with many countries looking to improve efficiency and effectiveness. Reforms noted include the establishment of new revenue institutions with increased autonomy, integrating administration of direct and indirect tax, combining tax and customs in a single agency, reducing layers of management, consolidation of work, and streamlining office networks.
- 85% of revenue bodies now have a dedicated division managing the tax affairs of large corporate taxpayers. Only one-third use similar arrangements for high net worth individual (HNWI) taxpayers, despite evidence of significant growth globally in numbers and wealth and FTA recommendation in this regard.

Selected aspects of strategic management

Emerging themes in the approach of revenue bodies to performance monitoring and evaluation are:

- increasing use of tax gap estimation methods;
- growth in evaluating staff engagement against broader public sector performance;
- introduction of measures to monitor taxpayer use of digital products;
- greater transparency needed in reporting delivery performance in many revenue bodies;
- drawing on FTA work, many revenue bodies are using or developing a 'co-operative compliance model approach' for their largest taxpayers. [www.oecd.org/ctp/administration/co-operative-compliance.htm]

- Just over 50% of revenue bodies reported use of random audit programmes for risk profiling and/or compliance research/ tax gap estimation purposes.
- Nine revenue bodies, including seven OECD countries, reported that they do not administer computer-based income data matching systems for managing taxpayers' compliance.
- Reflecting concerns for the incidence of VAT non-compliance, a relatively large number of revenue bodies, mostly in Europe and Latin America, reported they were using systems to process bulk VAT invoice data for compliance risk profiling and detection purposes.

Aspects of human resource management

- 60% of revenue bodies experienced net reductions in staffing in 2013.
- Revenue bodies in many countries have been mandated to cut their administrative costs as part of on-going fiscal consolidation efforts, for some this requires significant downsizing (e.g. Australia, United Kingdom, and United States).
- Staff expenditure and staff usage-related ratios show significant variations in a comparative context across revenue bodies and should be examined and interpreted with considerable care.

Operational performance

- Notwithstanding efforts in recent years in many countries to increase VAT revenue productivity, overall VAT performance across many countries remains below the levels existing prior to the global financial crisis in 2008.
- Tax refunds represent a significant work stream in many revenue bodies, in particular within VAT systems for OECD countries.
- Some revenue bodies have considerable potential to eliminate and/or shift taxpayer service demand from costly channels (e.g. in-person inquiries) to more efficient channels (e.g. on-line services);
- Many revenue bodies still appear to have gaps in data on service demand for all service channels.
- Verification results continue to vary enormously across countries, and justify deeper study.
- Overall analysis of debt collection performance was hampered by gaps in the data provided by revenue bodies. The headline measure of average year-end tax debt (including disputed debt) as a share of annual net revenue collections rose slightly to be in the range 22-24%, although this ratio was significantly impacted by abnormally large results for Greece and Italy. When removed, the results for OECD countries show a decrease from 12.7% in 2011 to 11.1% of annual net revenue collections in 2013.

Provision of online services

- The vast majority of revenue bodies reported having a formal plan to improve the range and quality of online services provided to taxpayers and their representatives over the medium term; the more commonly reported priority areas for development were online filing, other new online applications, website enhancements, third party data capture, the use of digital mail products and integrated taxpayer accounts.
- Good progress is being made with the use of electronic filing systems, with over 95% of all revenue bodies offering these services; over two thirds of revenue bodies in OECD countries achieved e-filing usage for over 75% of their personal income tax PIT), corporate income tax (CIT) and VAT taxpayers in 2013.
- For revenue bodies where data is available, it is apparent that substantial progress has been made in recent years in fully automating tax payment collection. Unfortunately over a third of revenue bodies did not report tax payment volume data.

Support of tax intermediaries

- As reported in 2013, there would appear to be a range of opportunities for most revenue bodies to leverage improved compliance and ease taxpayers' compliance burden through greater support of tax intermediaries. Survey responses from countries showed:
  - over 60% do not regularly survey tax intermediaries on important aspects of tax administration;
  - over 40% have no laws or regulations governing the tax-related work of tax intermediaries;
  - almost 40% do not have formal consultative arrangements for engaging with representatives of tax intermediaries; and
  - 25% offer a comprehensive range of five specialist support services to intermediaries, and with 60% offering two or less such services.

Legislated administrative frameworks

- A number of countries appear to have potential, across most revenue types to modify the design of their payment and/or reporting mechanisms to reduce administration costs; decrease the compliance burden and improve compliance rates.
- There appears to be potential for many revenue bodies to make greater use of voluntary disclosure policies and programmes to improve tax compliance and bolster tax revenues. Results from countries that have taken this approach demonstrate that they can be an effective tool for encouraging taxpayers to report past non-compliance, including in disclosure of concealed assets and income from offshore bank accounts. See *Update on Voluntary Disclosure: A Pathway to Tax Compliance* (OECD, 2015).

To obtain a copy or locate online: www.oecd.org/tax/administration/