Executive summary

Tax Administration 2015 presents a broad view of tax system administration in 56 countries, drawing attention to many developments and trends in design, management, and performance. Important points to note include:

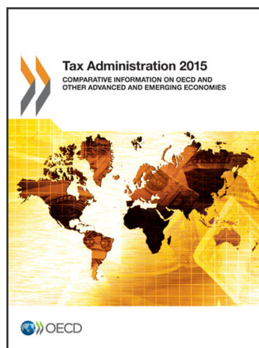
- Institutional and organisational reforms continue to be a prominent feature of efforts in many countries to improve efficiency and effectiveness. For example:
  - The establishment of revenue institutions with increased autonomy, integrating direct and indirect tax administrations (e.g. Malta) and, in a number of countries (e.g. Portugal, Slovak Republic and Slovenia), aligning tax and customs administration within a single agency.
  - Studies and/or plans to integrate the collection of tax and social security contributions over the medium term (e.g. Greece and Lithuania).
  - Revamped structures with reduced layers of management, consolidation of work processes, and increased centralisation of national management (e.g. Estonia, Finland, and Latvia), substantial streamlining of office networks (e.g. Croatia, Greece, Norway, and Romania), and customer segment-based compliance structures (e.g. Belgium, Czech Republic, Indonesia, Netherlands, and Portugal).
  - The creation of new service delivery centres (e.g. Argentina and Malaysia).

  However, notwithstanding the progress being made there is potential for much more, particularly in some EU member countries.
- The practice of establishing dedicated divisions to manage large corporate taxpayers can be seen in over 85% of revenue bodies. However, the use of similar arrangements for high net worth individual (HNWI) taxpayers, as recommended in previous FTA work, is considerably less widespread, despite evidence of significant growth globally in their numbers and wealth.
- Drawing on recent FTA work, many revenue bodies are using or developing a "co-operative compliance model approach" for their largest taxpayers.
- There are indications that many revenue bodies can improve the transparency of their reporting on service delivery performance.
- A number of themes are noted concerning new revenue body approaches to performance monitoring and evaluation: *(1)* While still confined to a minority of countries, increasing reliance on tax gap estimation methodologies, particularly in respect of the VAT, to gauge overall effectiveness; *(2)* Evaluating levels of revenue body staff engagement against broader public sector performance; and *(3)* The development of new measures for monitoring the use of digital products designed to help taxpayers "self-manage" their tax affairs.

- Chapter 4 draws attention to many of the human resource management challenges that revenue bodies must confront and, in particular, highlights developments and issues concerning staff recruitment, development, measuring engagement, performance management, and ageing workforces.
- Revenue bodies in many countries have mandates to cut their administrative costs as part of fiscal consolidation efforts, for some requiring significant downsising (e.g. Australia, United Kingdom, and United States); the practice of using a variety of third parties to deliver critical administrative functions and support (e.g. IT services) is extensive and appears to be growing.
- Overall, the unweighted measure "average tax/GDP" for OECD countries in fiscal year 2012 rose marginally compared with 2011, and has just about returned to the level existing prior to the global financial crisis.
- Overall VAT performance across OECD countries remains below the levels existing prior to the global financial crisis in 2008, ***notwithstanding efforts in recent years in many countries to increase VAT revenue productivity.***
- Reported performance-related data and computed ratios and trends draw attention to many critical aspects of revenue body performance:
  - Tax refunds represent a significant work stream in many revenue bodies, in particular for OECD countries and for their VAT systems.
  - 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 appear to have little data on service demand for their service channels.
  - Verification results vary enormously across countries, and may justify deeper study.
  - For OECD countries over the period 2011 to 2013, average year-end tax debt (including disputed debt) as a share of annual net revenue collections was in the range 22-24%, although these ratios are significantly impacted by abnormally large results for two countries (i.e. Greece and Italy); overall analysis of debt collection was hampered by many gaps in the performance-related data provided by many revenue bodies.
- Considerable efforts are being made to improve the range and quality of online services provided to taxpayers and their representatives over the medium term; commonly reported priority areas were online filing, other new online applications, website enhancements, third party data capture, the use of digital mail products and integrated taxpayer accounts. In addition:
  - 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 PIT, CIT, and VAT client taxpayers in 2013.
  - The use of pre-filling of personal income tax returns continues to evolve; eight revenue bodies (e.g. Denmark) reported that they fully prepare tax returns (or similar documents) for the majority of their PIT taxpayers.
  - Where data were available, substantial progress has been made in recent years in fully automating tax payment collection. However, well over a third of

revenue bodies did not report tax payment volume data suggesting that this aspect of administration may not be receiving adequate attention.

- There would appear to be substantial opportunities for leveraging improved compliance and easing taxpayers' compliance burden when using tax intermediaries. This conclusion draws on observations from revenue bodies' survey responses: *(1)* over 40% reported there are no laws or regulations governing the tax-related work of tax intermediaries; *(2)* over 60% do not regularly survey tax intermediaries on important aspects of tax administration; *(3)* almost 40% do not have formal consultative arrangements for engaging with representatives of tax intermediaries; and *(4)* from a menu of five specialised services for tax intermediaries observed in some countries, only around 25% appear to offer a comprehensive range (i.e. four or more) of such services, and just over 60% reported offering two or less.
- The series concludes with an overview of key elements of the legislated administrative frameworks in place for tax administration, along with a variety of country examples to explain approaches and developments. Among many observations, the series reports that:
    - A number of countries appear to have potential to modify the design of their payment and/or reporting mechanisms (for PIT, CIT, and/or VAT) to obtain a range of benefits (e.g. reduced workloads and cutting costs, easing taxpayers' compliance, and advancing collection of tax revenues); and
    - Voluntary disclosure policies and programmes do not appear to be used widely for achieving tax compliance and bolstering tax revenues. Results from a few countries demonstrate that they can be an effective tool for encouraging taxpayers to report past acts of non-compliance, including in respect of concealed assets and income in offshore bank accounts.



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