Executive summary

It is the second time the FTA has worked on Joint Audits within the last ten years (OECD, 2010). Against the background of increasing globalisation, including the rapid digitalisation of the economy, tax administrations have little choice but to engage in ever closer co-operation, including through Joint Audits, to ensure that taxpayers pay the right amount of taxes, to reduce administrative burdens, increase efficiencies, enhance tax certainty and avoid double taxation to benefit governments and taxpayers alike.

The purpose of this report is to take stock of enhanced tax co-operation focusing on Joint Audits and to analyse current obstacles, challenges and opportunities. It also provides guidance including best practices for the conduct of Joint Audits and makes recommendations of how and where improvement could be made to further maximise the potential of Joint Audits.

While Joint Audits can be used for different types of taxes, this report focuses on the use of Joint Audits in direct tax purposes. The first chapter outlines the approach of the Project, followed by Chapter 2 that illustrates the role that Joint Audits can play in enhancing tax certainty. Chapter 3 provides an overview of the key benefits and the cost associated with the conduct of Joint Audits. Chapter 4 describes the current international landscape that supports the exchange of information in connection with Joint Audits and suggests work that could be undertaken to further strengthen the legal framework for Joint Audits. The role of the taxpayer during the Joint Audit procedure is discussed in Chapter 5 followed by Chapter 6, which covers issues of capacity building and the importance of relationships and trust. The last chapter, Chapter 7, provides a summary of the Joint Audit process and includes practical guidance and best practices for conducting Joint Audits.

The report is the outcome of a project on "Joint Audits" (hereafter "the Project") that focused on international tax co-operation in the field of tax audits. It examined how collaboration in this field has developed since the term "Joint Audits" was first formally introduced into the FTA's work in the FTA Joint Audit Report, September 2010.

The current Project was led by an expert group from seven jurisdictions (hereafter the "Expert Group Members"[1]) with another 14 jurisdictions providing input.[2] The Project also benefited from input provided by business including at an expert meeting held in the Netherlands.

The report shows that much has been achieved over the last 10 years and Joint Audit have proven to be an effective tool to ensure the right amount of tax is paid while minimising the risk of double taxation. The findings, best practices and recommendations contained in this report should enable all tax administrations to engage successfully in a Joint Audit. Detailed recommendations are contained at the end of each chapter and a high level summary is included below.

Key recommendations

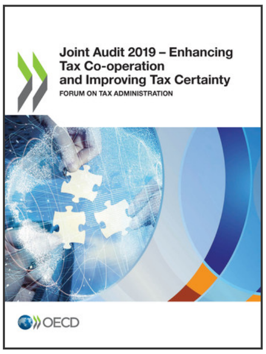
- **Decide on strategic approach:** Determine strategic approach on Joint Audits and implement organisational measures accordingly (see Chapter 7).
- **Use an integrated approach**: Integrate Joint Audits within the tax certainty agenda managing different tools and programmes (e.g. international tax risk assessment, Joint Audits, APAs, MAP) holistically (see Chapter 2).
- **Optimise cost-benefit-ratio**: Measure costs and benefits and optimise their ratio including through case selection and programme evaluation (Chapter 3).
- **Solid legal framework**: Ensure to have a solid legal framework in place, both domestically and internationally, and address any legal uncertainties identified and explore strengthening the rules applicable to the presence of tax officials abroad (see Chapter 4).
- **Role of the taxpayer**: Aim for close co-operation with the concerned taxpayer(s) by engaging and consulting on a regular basis unless the facts and circumstances of the case suggest otherwise, and encourage taxpayers to come forward and suggest cases for Joint Audits themselves (see Chapter 5).
- **Capacity Building**: Engage in training and Joint Audit pilots to gain practical experience in conducting Joint Audits and consider to engage with lower capacity jurisdictions for Joint Audits possibly with the support of Tax Inspectors without Borders (TIWB) (see Chapter 6).
- **Best practices and knowledge sharing**: Build on the experiences made by others and consider best practices and recommendations contained in this report in your Joint Audit practice (see Chapter 7).

Notes

1. Germany, Italy, the Netherlands, Norway, South Africa, the United Kingdom and the United States.
2. Belgium, Canada, Denmark, Finland, France, Greece, Hungary, Ireland, Japan, Portugal, Russia and Singapore and Spain.

Reference

OECD (2010), *Joint Audit Report*, OECD Publishing, Paris, available at www.oecd.org/tax/administration/45988932.pdf.



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