Chapter 2

Responsibilities and collection

This chapter looks at the importance of tax administrations to governments and economies in discharging their primary role of collecting taxes as well as other responsibilities given to them. In this respect, it provides information on the aggregate net tax revenues collected as well as other key figures related to activities of the administrations covered in this publication.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

2.1. Introduction

The primary purpose of a tax administration is the collection of tax revenue on behalf of citizens to fund the work of the government. Over time, many tax administrations have also been tasked with other responsibilities. Confidence in the proven ability of tax administrations to deliver complex administrative processes on a large scale undoubtedly plays a significant part in such decisions. This chapter provides an overview of the net tax revenues collected as well as some other key figures related to activities of the administrations and looks at the wider role tax administrations are playing.

2.2. Responsibilities of tax administrations

With few exceptions, jurisdictions have unified the collection of direct and (most) indirect taxes within a single body for tax administration. As also found in previous editions of the Tax Administration Series (TAS), governments have given tax administrations other areas of responsibility (including shared responsibility in some areas) in addition to the traditional tax roles.

Table 2.1. **Tax types collected by the tax administration, 2017**

No. of jurisdictions that collect the following types of taxes								
Personal income tax	Corporate income tax	Value added tax (domestic)	Motor vehicle taxes	Real property taxes	Wealth taxes	Estate, inheritance, gift and other taxes	Other taxes on good and services	Excises
58	58	54	30	32	16	31	36	37

Source: Table A.1 Revenue types collected by the tax administration.

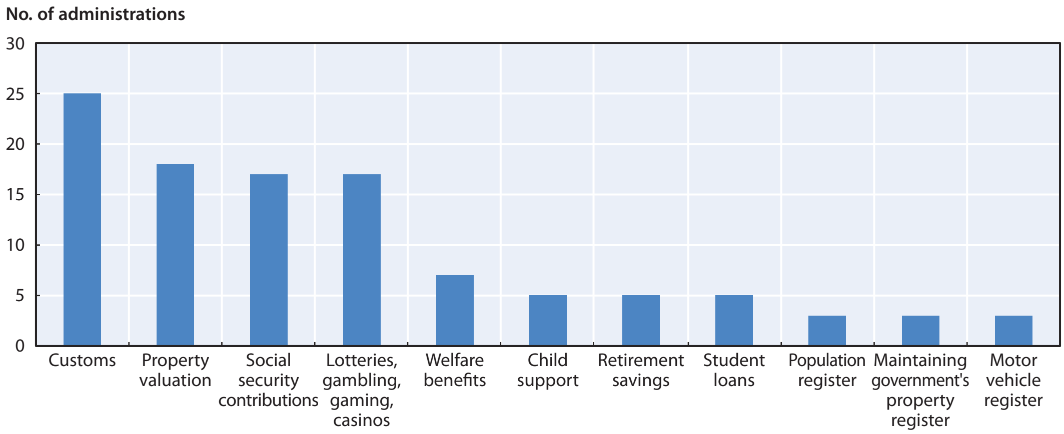
While some of these additional roles are relatively closely aligned to the core work of tax administration, some administrations report that they are being tasked with managing wider programmes and activity. The most common reasons advanced for being allocated new roles include: the synergies with existing administrative processes, particularly when introducing new policies or re-designing services from the customer's perspective; access to tax data, powers or core capabilities of the tax administration; and economies of scale, particularly in delivery.

Figure 2.1 illustrates the most common roles reported by administrations which are:

- customs administration
- administration of property valuation functions for other parts of government that, for some jurisdictions, is also linked to the administration of real property taxes
- administration of social security contributions
- collection of revenues from lotteries, gambling, gaming and casinos
- payment of benefits under various social or welfare programmes, some of which are integrated with elements of the tax system.

Some of these roles entail use of the tax legislation framework of the jurisdiction, as well as the administrative process of the tax administration. Typically these may be to provide economic benefits to taxpayers (e.g. welfare-type benefits) or to collect loans or debts owing to government (e.g. student loans or child support). In other situations, the role/function is less directly related to the tax system, for example oversight of certain gambling activities or population registries.

Figure 2.1. **Tax administrations wider roles, 2017**



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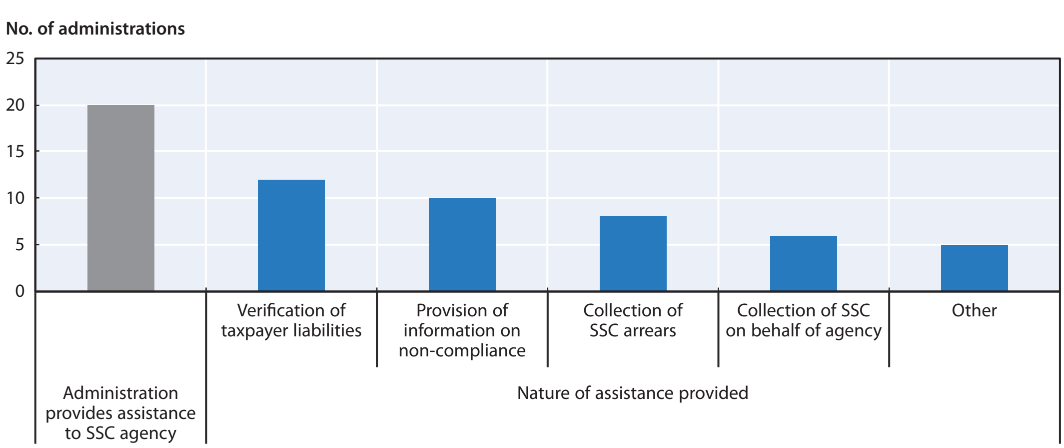
Sources: Tables A.8 Administration of customs and social security contributions and A.10 Other functions administered by the tax administration.

Social security contribution (SSC) regimes have been established in the vast majority of jurisdictions as a complementary source of government revenue to fund specific government services (e.g. health, unemployment and pensions). SSCs are the largest single source of government tax revenue in many OECD jurisdictions, particularly of those in Europe.

The majority of administrations participating in the survey report separate SSC regimes and administer their collection through a separate social security agency (or a number of such agencies), rather than through the main tax revenue body. Notwithstanding the dominance of the separate agency approach to SSCs and tax collection, there has been a marked trend over the last decades towards integration. In Russia, the Federal Tax Service began to administer SSC from 2017, and a number of other jurisdictions (Indonesia, the Slovak Republic and Turkey) report plans to integrate the collection of SSCs (see Table A.8).

In addition to those administrations that already administer SSC, in another 20 of the jurisdictions surveyed, the tax administration is involved to some extent in the collection of SSC (see Figure 2.2, which also shows the nature of the assistance provided to SSC agencies).

Figure 2.2. **Nature of assistance provided to SSC agencies, 2017**



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Sources: Tables A.8 Administration of customs and social security contributions and Table A.9 Nature of assistance provided to SSC agencies.

An expansion of responsibilities, while it can bring useful economies of scale and scope, can also potentially increase risks to the core task of raising the tax revenue needed to fund public services and public goods, and requires strong governance, risk management and appropriate resourcing.

Box 2.1. **Assisting citizens in receiving benefits**

In ***Austria***, Automatic Family Allowances without Application is a solution for parents whereby family allowances for new-born children are paid out automatically without any need to visit the tax office nor, in many cases, any need to present documents or fill in forms. The service will save Austrian citizens 39 000 hours annually, benefitting around 80 000 families as well as reduce costs for the Austrian public administration. The Austrian tax offices start an examination – without any input from the parents – based on the data available and contact the parents for any further information needed and to convey the result of the investigation process.

In ***Canada***, the Canada Revenue Agency (CRA) ran an experiment in 2017 to test the effect of placing a behaviourally-informed informational insert in the paper tax return at increasing take up of the Working Income Tax Benefit (WITB) by those not using the electronic form. Among the group that received the insert, the number of paper-filed WITB claims increased by 35% compared to the control group. Based on these results, the initiative was scaled-up across Canada resulting in an increase in paper-filed benefit claims. The CRA also uses business intelligence and data analytics to identity and send letters to those who typically do not file income tax returns and may be eligible for benefits. As a result of the letter mail-outs in 2017, a total of 37 934 returns were filed resulting in over CAD 6.98 million in tax refund payments and CAD 32.4 million in credits or benefits paid. The CRA has also launched a Call Me First initiative, in which the CRA proactively calls individuals at risk of having benefits cut off because the CRA is lacking relevant information. While still in its early stages, the CRA has so far reached out to approximately 8 000 benefit recipients. Feedback indicates that benefit recipients appreciate receiving personalised assistance and being provided with additional time to respond, if needed.

In ***New Zealand***, Inland Revenue works with other New Zealand government agencies to improve customer interactions with government. Services are designed around customers and Inland Revenue works with the public and private sector to improve the delivery of services around customers' life events. Together with the Department of Internal Affairs, the first life-event-based service, SmartStart was designed around the birth of a baby and was released in December 2016. SmartStart is a digital service which provides step-by-step information and support to help people access the right services for them and their baby. The tool makes it easier for new and expectant parents to get the services and support they need to set up their child for the future. At 30 June 2018, around 97% of parents had used this website to register their baby.

Sources: Austria – Federal Ministry of Finance (2019), Canada – Canada Revenue Agency (2019) and New Zealand – Inland Revenue Department (2019).

2.3. Tax collections

This section looks at the net revenue collection of tax administrations as well as a number of other key figures related to their activities.

2.3.1. Net collections by tax administrations averages 20% of jurisdiction GDP

Through its Global Revenue Statistics Database (see www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm) the OECD generally seeks to publish internationally comparable data on the tax revenues of its members as well as a number of other jurisdictions for all levels of government. As the information contained in the Global Revenue Statistics Database reports data at a jurisdiction and not an administration level, tax administrations were asked in the International Survey on Revenue Administration (ISORA) to provide a range of information on their revenue collection activity. This information aptly demonstrates the importance of tax administrations to the economies of their jurisdictions.

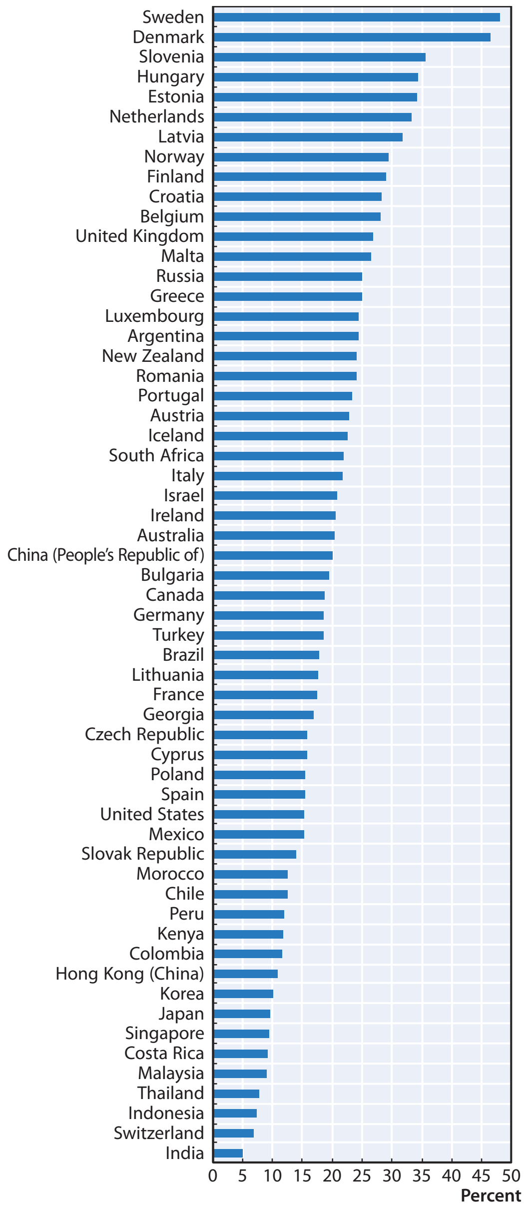
Net revenue collected by tax administrations participating in this report as a percentage of gross domestic product (GDP) in 2017 ranges from less than 10% to reach more than 30% in the case of Denmark, Estonia, Hungary, Latvia, the Netherlands, Slovenia and Sweden. Average net revenue collected by survey respondent administrations is approximately 20% of GDP (see Figure 2.3).

2.3.2. Net collections by tax administrations averages 55% total jurisdiction revenue

Thirty-one jurisdictions report tax administration net revenue collections exceeding more than 50% of total government revenue in 2016, making tax administrations the principle government revenue collection agency in more than half of survey respondents where data was available (see Figure 2.4).

Personal income tax accounts for 28% of net revenue collections and is the major tax type collected by around 40% of the tax administrations responding to this survey. Value added tax (23%), corporate income tax (20%) and social security contributions (10%) comprise the other major revenue types as reflected in Figure 2.5. In many jurisdictions social security contributions are not collected by tax administrations and are therefore underrepresented when looking at average net revenue collections for all jurisdictions covered in this publication. Where collected, they are often the predominant source of tax revenue (see Table D.2).

Figure 2.3. **Net revenue collected as a percent of gross domestic product, 2017**



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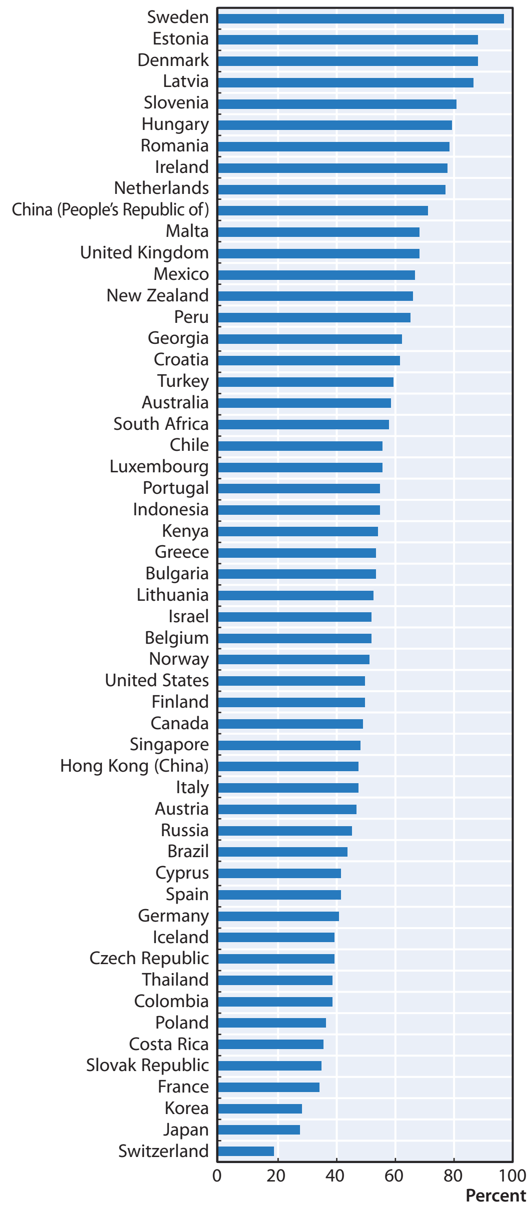
Source: Table D.1 Revenue related ratios.

Figure 2.4. **Net revenue collected as a percent of total government revenue, 2016**



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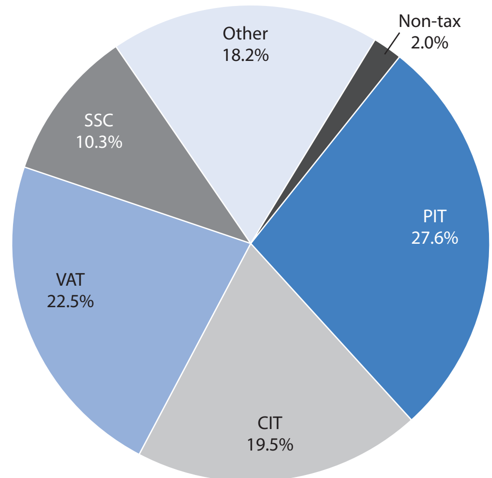
Source: Table D.1 Revenue related ratios.

Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Figure 2.5. **Average net revenue collections (in percent) by major revenue type, 2017**



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Sources: Tables D.1 Revenue related ratios and D.2 Tax structure and SSC proportions.

2.3.3. Withholding at source

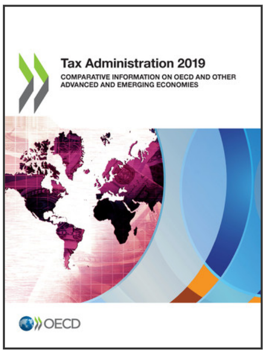
Withholding taxes are taxes paid directly to the government, usually by a principal who pays the net income to the recipient (for example withholding by an employer on salary paid to an employee), or by an intermediary between the payer and customer. The most common withholding tax in operation globally is income tax on employment income. Other examples include withholding taxes on interest, dividends or royalties (see Table 2.2). Depending on the underlying tax regime and nature of the payments, withholding can vary from a simple system, at a universal set rate, to a more complex system that is responsive to the customer's wider circumstances.

Those administrations that were able to provide data report that on average 70% of the total personal income tax collected was withheld at source (see Table A.75).

Table 2.2. **Withholding regimes for income of residents, 2017**

No. of jurisdictions where the following types of personal income are normally subject to withholding where paid to resident taxpayers							
Wage and salary	Dividends	Interest	Rents	Specified business income	Royalties, patents	Sales/ purchases of shares	Sales/ purchases of real estate
53	47	47	21	20	36	24	14

Source: Table A.73 Withholding regimes for income of residents.



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