Chapter 3

Selected aspects of strategic management in tax administration

This chapter describes key aspects of revenue bodies' practices for the preparation and publication of strategic plans, and the use of targets and service standards in tax administration. It selectively draws on a sample of revenue bodies' strategic plans covering the medium term out to 2018 to highlight goals, priorities, and key strategies. It concludes with a section on strategic approaches for improving taxpayers' compliance, including a snapshot of work undertaken by the Forum on Tax Administration, and revenue body practice concerning the use of risk management techniques, tax gap research and the random audits programmes.

Key points

Planning and management approaches of revenue bodies

- Just over 60% of revenue bodies reported that there were formal quantified targets set for 2014, with the focal areas being; *(1)* reductions in aggregate tax debt (16 countries); *(2)* improved taxpayer satisfaction (19 countries); and/or *(3)* reductions in administrative expenditure (13 countries).
- The practice of setting formal standards for service delivery was reported by 27 of the 34 OECD revenue bodies surveyed, and by 18 of the 22 non-OECD revenue bodies; however, this observation needs to be treated with a degree of caution as the number of revenue bodies reporting examples of service delivery standards for some of the more routine and voluminous areas of service (e.g. processing returns with refund claims and answering taxpayers' letters and phone inquiries) was considerably less.
- The number of revenue bodies reporting service delivery performance achieved against the standards set by them is disturbingly low, with just on 50% reporting that this practice is followed.
- Viewed across all of the aspects surveyed, there would seem considerable potential to improve related management practices, including the transparency of tax administration (e.g. by publishing plans, performance reports, and/or results of taxpayer surveys), in at least ten surveyed revenue bodies, including seven in OECD countries – Germany, Iceland, Israel, Luxembourg, Slovenia, Switzerland.

Revenue bodies' strategic plans

- Compared to plans reviewed in prior editions, a number of themes appear to be emerging in relation to approaches to performance monitoring and evaluation. First, there appears to be an increased reliance on tax gap estimation methodologies to better inform revenue bodies of their effectiveness. Second, concerning staff engagement revenue bodies in advanced economies appear to be increasingly evaluating their performance against broader public sector trends in staff engagement rather than assessing their own internal performance over time. Third, in line with the emphasis being given to making far greater use of digital technologies to help taxpayers to "self-manage" their tax affairs, new performance measures are emerging.

Managing and improving tax compliance

- Over 90% of revenue bodies reported having a formal process for identifying, assessing, and prioritising their key tax compliance risks; from a tax compliance risk menu of 9 risk categories, the risks most frequently identified were corporate profit shifting/ transfer pricing (37 countries); VAT fraud (36); non-compliance from hidden economy activities (37); other tax avoidance schemes (32); and unpaid tax debts (31)
- Building on the FTA's 2013 study, many revenue bodies are using, testing, or planning to use a co-operative compliance model approach for their largest taxpayers.
- There appears to be a tendency for increased attention by revenue bodies to undertake tax gap measurement exercises for all or their major taxes.
- Just over 50% of revenue bodies reported use of random audit programmes for risk profiling and/or compliance research/ tax gap measurement purposes.
- Nine countries, including a surprising seven OECD countries (i.e. Czech Republic, Italy, Japan, Luxembourg, Poland, Slovak Republic, and Switzerland), 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, including many in European and Latin/South American countries reported they were using systems to process bulk VAT invoice data for risk profiling and detection purposes.

This chapter provides a brief description of revenue body practices concerning the aspects of planning (e.g. strategic business plans and performance reports, the use of targets, service standards, and surveys of taxpayers), against the background of a number of important trends in public sector management and accountability. It then addresses aspects of revenue bodies' strategic approaches for improving taxpayers' compliance. For both topics, the chapter draws on specific country examples identified in survey responses and/or from OECD Secretariat research to illustrate particular developments, approaches, practices and other information that may be of interest to revenue bodies and other readers.

Managing for improved performance

Developments in the management of public sector agencies

There have been enormous changes in the management of public sector agencies over the last two decades. As outlined in Box 3.1 (OECD, 2005), these changes have included a commitment to open government and increased accountability,[1] more formalised planning approaches (both at the strategic and operational levels), a much increased focus on performance (e.g. performance management and budgeting systems), institutional and organisational restructuring, the use of market-based mechanisms, and modernising employee management arrangements, bringing them more into line with what is seen in the private sector.

Revenue bodies have not been immune to these reform drivers, as evidenced by:

- The increasing practice of preparing and publishing formal strategic business plans, many containing outcomes-focused performance targets and indicators for key goals and objectives;
- The emergence of customer/service charters setting out the nature and standards of service taxpayers can expect;
- The use in some countries of annual performance contracts between the revenue body and the MOF;
- Increased exposure to oversight and review by external bodies (e.g. national audit bodies, ombudsman);
- The preparation and publication of detailed annual performance reports, for some with performance reporting aligned with planned goals and objectives;
- A more structured and systematic approach to the allocation of resources, monitoring resource usage, and evaluating performance;
- Institutional and organisational restructuring designed to drive change and improve efficiency of government operations (as described in Chapters 1 and 2 of this series);
- The use of third party service approaches and user pays mechanisms;
- The introduction of modern human resource management approaches (e.g. contracts, performance pay and management approaches).

And the drive for reforms must inevitably be dynamic in nature. As emphasised in the referenced OECD publication the public sector, and by implication, its constituent agencies face the need to continuously adapt to the challenges of their ever-changing environments:

> Governments must adapt to constantly changing societies. It is not a matter of one-off "reform" but of having a whole-of-government public management policy capability

that enables governments to make adjustments with the total system in mind. Effective public management policies need clear problem diagnosis and outcome evaluation.

Citizens' expectations and demands of governments are growing, not diminishing: they expect openness, higher levels of service quality delivery, solutions to more complex problems, and the maintenance of existing social entitlements. Reforms to the public sector in the past 20 years have significantly improved efficiency, but governments of OECD countries now face a major challenge in finding new efficiency gains that will enable them to fund these growing demands on 21st century government. For the next 20 years, policy makers face hard political choices. Since most governments cannot increase their share of the economy, in some countries this will put pressure on entitlement programmes. These new demands on builders of public management systems will require leadership from officials with enhanced individual technical, managerial and political capacities who think and plan collectively and who can work well with other actors.

Box 3.1. **Key trends in public sector administration reform**

In the past 20 years, governments have made major changes to the way they manage the public sector. Most OECD public administrations have become more efficient, more transparent and customer oriented, more flexible, and more focused on performance. However, public administrative arrangements are inextricably linked to fundamental institutions of public governance. Reformers need to be aware of the possible effects of reforms on wider governance values.

Lessons learnt from key public policy levers

- ***Open government:*** Across OECD member countries, governments are becoming more open and more transparent, accessible and consultative. This phenomenon has found expression through new legislation and institutions and a wide array of policy measures. Today 90% of OECD countries have a Freedom of Information Act and an Ombudsman Office and over 50% have customer service standards.
- ***Enhancing public sector performance:*** Governments have become much more performance focused. The performance movement has increased formalised planning, reporting and control across many governments. Most OECD countries have introduced performance management and budgeting. In 2005, 72% included non-financial performance data in their budget documentation. Thus information available to managers and policy makers has both increased and improved.
- ***Modernising accountability and control:*** How governments keep control over large and complex operations has changed over the past 15 years because of technological innovations, changes in the size and structure of government, and the introduction of performance budgeting and management. The main trends in control across OECD countries are the move from *ex ante* to *ex post* control, and the development of stronger processes of internal control. In practice there is a move from the inefficient but relative certainty of checking the regularity and legality of individual transactions to the more efficient but relative uncertainty of verifying the proper operation of systems. The challenge is to maintain control in systems that are more delegated, with more autonomous agencies and third-party providers.

Box 3.1. **Key trends in public sector administration reform** *(continued)*

- ***Reallocation and restructuring:*** The need for government to set outer limits for expenditure and to reallocate within those limits has changed national budgeting from a support function to the primary vehicle for strategic management. The budget process is also frequently used as a vehicle for wider managerial reform. The ability to change organisational structures is essential for a modern government. However, structural change – either the dismantling of existing organisations or the creation of new ones – should not be undertaken lightly. Dismantling organisations can lead to a loss of continuity, of institutional memory and of long-term capacity. The proliferation of more or less autonomous arm's-length public bodies makes collective action and co-ordination difficult. Governments should understand the structural strengths and weaknesses of their existing systems and build on their strengths.
- ***The use of market-type mechanisms:*** Market-type mechanisms of various kinds have become more common across OECD member countries, although there are marked country differences in their use. These mechanisms have the potential to produce significant efficiency gains. The decision to use market-type mechanisms needs, however, to be made on a case-by-case basis, and the specific design of these instruments is critical to their successful application. It remains important to protect key governance principles, not to confuse private gain and public interest or to obscure public responsibility or accountability. Governments must protect their freedom for future action if priorities change.
- ***Modernising public employment:*** The nature of public employment in OECD countries has evolved significantly. In many countries the employment arrangements of public servants have become more like those of the private sector by altering the legal status and employment conditions. Individualised employment policies have become increasingly common; these include the introduction of contracts and performance-related pay, the latter now being implemented in two-thirds of OECD countries.

The implementation of these policies tends to make a collective culture more difficult to achieve. Early reformers underestimated the complexity of introducing private sector techniques into the public service. Staying with traditional public employment arrangements, however, is not a feasible option for most countries.

Source: Modernising Government: The Way Forward, OECD (2005).

Planning and management approaches of revenue bodies

For the purpose of this series, revenue bodies were asked to answer a number of general questions concerning aspects of their planning processes (e.g. setting of goals and targets, preparation of a strategic plan and/or annual performance reports). Survey responses were supplemented by research of publicly-available strategic plans and annual performance report documents of a representative sample of revenue bodies to identify any common approaches, the key tax issues being addressed, shed some light on emerging practices in the setting of high level goals and objectives, targets and related performance measures, and to gain some insights as to the degree of transparency of revenue bodies in their planning processes and performance reporting.

A summary of revenue bodies' responses is provided in Tables 3.1 and 3.2. The key observations and findings from the responses and related research are as follows:

- With few exceptions, all revenue bodies reported that they prepare a multi-year business plan, although the number indicating that such plans were made public was less than 80%; the majority of revenue bodies not disclosing their plans were the less autonomous forms of institutions described in Chapter 1.

Table 3.1. **Selected management practices: business plans, annual reports, surveys**

	Selected management practices of revenue body								
	Business plan		Annual report		Service delivery standards			Surveys of taxpayers	
Country	Prepared	Made public	Prepared	Made public	Set	Made public	Results published	Citizens	Business
OECD countries									
Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Austria	✓	x	✓	✓	✓	✓	✓	✓	✓
Belgium	✓ /1	✓	✓	✓	✓	x	x	x	x
Canada	✓	✓ /1	✓	✓	✓	✓	✓	✓	✓
Chile	✓	x	✓	✓ /1	✓	✓	x	✓ /2	✓ /2
Czech Republic	✓	✓	✓	✓	x	x	x	✓	✓
Denmark	✓	✓	✓	✓	x	x	x	✓	✓
Estonia	x	x	✓ /1	✓ /1	✓	✓	✓	✓	✓
Finland	✓	✓	✓	✓	✓	✓	✓	✓	✓
France	✓	✓	✓	✓	✓	✓	✓	✓	✓
Germany	x	x	x	x	x	x	x	✓	✓
Greece	✓	✓	✓	✓	✓	x	✓	x	x
Hungary	✓	✓	✓	✓	✓	✓	✓	x	x
Iceland	✓	x	✓	✓	x	x	x	x	x
Ireland	✓	✓	✓	✓	✓	✓	✓	✓	✓
Israel	✓	x	✓	✓ /1	x	x	x	x	x
Italy	✓	✓	✓	✓	✓	✓	x	✓	✓
Japan	x	x	✓	✓	✓	✓	✓	✓	✓
Korea	✓	✓	✓	✓	✓	✓	x	✓ /1	✓ /1
Luxembourg	x	x	✓	✓	x	x	x	x	x
Mexico	✓	✓	✓	✓	✓	✓	✓	✓	✓
Netherlands	✓	x /1	✓	✓ /2	✓	✓ /2	✓ /2	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Norway	✓	✓	✓	✓	✓	✓	✓	✓	✓
Poland	✓	✓	✓	✓	✓	✓	x	✓	✓
Portugal	✓	✓	✓	✓	✓	✓	✓	✓	✓
Slovak Republic	✓	✓	✓	✓	✓	✓	✓	x	x
Slovenia	✓	x	✓	✓	x	x	x	x	x
Spain	✓	✓	✓	✓	✓	✓	✓	✓ /1	✓
Sweden	✓	✓	✓	✓	✓	x	x	✓	✓
Switzerland	✓	x	✓	x	✓	x	x	✓ /1	✓
Turkey	✓	x	✓	✓	✓	✓	✓	✓ /1	✓ /1
United Kingdom	✓	✓	✓	✓	✓	✓	✓	✓	✓
United States	✓	✓	✓	✓	✓	✓	✓	✓	✓
Non-OECD countries									
Argentina	✓ /1	✓	✓	✓ /2	✓	✓	x	✓	✓
Brazil	✓ /1	✓	✓	✓	✓	✓ /2	✓	✓	✓
Bulgaria	✓	✓ /1	✓	✓	✓	✓	x	✓	✓
China	✓	x	✓	✓	✓	✓	✓	✓	✓
Colombia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Costa Rica	✓	x	✓	x	✓	x	x	x	x
Croatia	✓	✓	✓	✓ /1	x /2	x /2	x	✓	✓
Cyprus	✓	x	✓	✓ /1	✓	✓	x	x	x
Hong Kong, China	✓	✓	✓	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓	✓	✓	x	✓	✓
Latvia	✓	✓	✓	✓	✓	✓	x	✓	✓
Lithuania	✓	✓	✓	x /1	✓	✓	✓	✓	✓
Malaysia	✓ /1	✓	✓	✓	✓	✓	✓	✓	✓
Malta	✓	✓	✓	✓	✓	✓	x	x	x
Morocco	✓	x	✓	✓	✓	✓ /1	x	✓ /2	✓ /2
Romania	✓	✓	✓	✓	✓	✓	✓	✓	✓
Russia	✓ /1	✓	✓ /1	✓ /2	✓	✓	x	✓	✓
Saudi Arabia	x	x	✓	✓	x /1	x	x	✓	✓
Singapore	✓	x	✓	✓	✓	✓	✓	✓	✓
South Africa	✓	✓	✓	✓	✓	✓	x	x	x
Thailand	✓	✓	✓	✓	✓	✓	✓	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 137.
Source: Tax Administration 2015 survey responses.

- Just over 60% of revenue bodies reported that there were formal quantified targets set for 2014 in one or more of the following areas:
  - Reductions in aggregate tax debt (17 countries);
  - Reductions in tax gap (four countries);
  - Improved taxpayer satisfaction (19 countries);
  - Reductions in administrative burden (8 countries); and
  - Reductions in administrative expenditure (13 countries).
- Details of specific targets reported by revenue bodies are summarised in Table 3.2. In comparison with prior series, the practice of setting high level targets (and reporting performance against them) appears to be growing, possibly in part as a result of increased pressures from Government for improved performance and increased external scrutiny.
- Understanding taxpayers' satisfaction with services and their overall perceptions of revenue bodies' administration was the most commonly identified targeted area and its importance is apparent from the published comments and reports of revenue bodies, for example, Latvia and New Zealand:

  > To my mind, one of the most essential indicators in performance evaluation of any institution or company is the judgment of the customers regarding the performance of the institution or company and the quality of services rendered to them (Latvian State Revenue Service, 2013).
  >
  > Ensuring that our customers are satisfied with our services contributes to voluntary compliance. In 2013–14, 79% of customers thought we made it easy to get it right, and 82% of our customers were confident that we were fair (New Zealand Inland Revenue, 2014).
- The practice of preparing an annual performance report was reported by over 90% of revenue bodies; in a few cases involving the less autonomous forms of institutional setups (e.g. Estonia and Netherlands), performance related information is reported via reports of the MOF, in some cases that are formally made to the Government; while not the subject of detailed analysis, the

  Secretariat's research over many years suggests there are considerable variations in the scope and nature of information disclosed in annual performance reports, with some failing to disclose important information on aspects of tax administration (e.g. "outcome-focused" measures, service delivery performance, and the incidence of tax debts).
- The practice of setting formal standards for service delivery was reported by 26 of the 34 OECD revenue bodies surveyed, and by 18 of the 22 non-OECD revenue bodies; however, this observation needs to be treated with a degree of caution as the number of revenue bodies reporting examples of service delivery standards for some of the more routine and voluminous areas of service (e.g. processing returns with refund claims and answering taxpayers' letters and phone inquiries) was considerably less.

  Further information on the more commonly used service standards and the levels of performance achieved is provided in Chapter 6.

Table 3.2. **Quantified targets reported by revenue bodies for key areas of performance**

1. Tax debt reduction

Description of targets reported	Country
Recovery of unpaid debts – goal of 83% (i.e. % of amounts paid after due date compared to amounts not paid on time).	Argentina
Rate of collected debt/ newly established debt (2014) exceeds corresponding ratio for 2013	Bulgaria
Target (2014): A reduction in the collectable debt for other areas than tax and tariffs. The target is to achieve a debt collection percentage of 110.	Denmark
Reduction in debt of 15-20 million euros per annum	Estonia
A number of voluntary payment targets are set that indirectly relate to reducing the incidence of tax debt, e.g. *(1)* for individuals, 98.5% of liabilities raised in 2014 are collected in 2014; and *(2)* for business, 98% of taxes due are collected by the due date (NB: rates do not apply to amounts collected after tax audits).	France
Based on a formula for the financial year; for 2014, target is to collect INR 610 180 million of opening arrears debt + 30% of the current debt raised during the financial year	India
35% reduction in aggregate tax debt outstanding	Indonesia
Annual target of 25% reduction of the largest outstanding debts set for the local Income Tax offices. For VAT, target depends on the number of employees in the office; targets range from 0.81% of the office debt per employee to 3.24%.	Israel
Reductions in aggregate end-of-year debt: *(1)* 2014 – minus 12% of prior year debt; *(2)* 2015 – minus 8% of previous year debt: *(3)* 2016 – minus 2% of prior year debt.	Latvia
Reduction of aggregate tax debt by 25% per year	Lithuania
Reduce total tax debt at beginning of year by 56.2%	Malaysia
Reduction of 17.8% of the total tax debt	Mexico
10% of outstanding amounts to be recovered	Morocco
Tax arrears not to exceed 2.5-3.0% of total tax receipts	Netherlands
Debt reduction target of 1.05-1.1 billion euros was set for 2013	Portugal
SARS aims to reduce the debt to revenue ratio to 6% by 2019	South Africa
Remaining aggregate end-of-year debt should not exceed 16 442 million baht by the end of 2014	Thailand

2. Tax gap reduction

Description of targets reported	Country
Seeking to achieve a reduction of 0.5% per year	Estonia
Target (2012 and beyond): To ensure that the tax gap does not exceed 2% of estimated total tax potential. Taxes included in this definition are: PIT, and CIT and VAT for companies with 250 or less employees. Moonlighting (shadow economy) activities are also excluded.)	Denmark
Measures initiated to increase enforcement and quantified targets in terms of expected revenue set for each measure. However, a measurable goal is not set. Improvements in tax compliance are included in state budget in total; a goal of 2 billion NIS was noted in the state budget as the expected target from both improved compliance and increased collection.	Israel
Tax gaps are being estimated in 2014 for VAT, labour taxes and excise. Targets will be set from 2015	Latvia

3. Improved taxpayer satisfaction

Description of targets reported	Country
Customer satisfaction with services of Integrated Social Security System (SIPA) reaches target of 7.4, based on polls. Complaints management: target of 85% resolution rate for complaints and suggestions received by Citizen Assistance Programme	Argentina
Acknowledging baseline from 2012 survey, target is to achieve an average score on quality of services that is 76% (where 0 = no approval or satisfaction and 100 = fully satisfied with service quality	Austria
As measured by survey in respect of revenue body's performance: *(1)* average assessment of overall competency (target 4.4); *(2)* average assessment of service quality (target 4.3); and *(3)* average assessment of front office organisation and services (target 4.3), all measured on a scale of 2 to 6. Targets generally increased every next year.	Bulgaria

Table 3.2. **Quantified targets reported by revenue bodies for key areas of performance** *(continued)*

Description of targets reported	Country
Level of satisfaction with revenue body's services is 6, measured on a scale ranging from 1 (poor) to 8 (excellent). Opinion concerning the contribution of the revenue body to the economic and social development of Brazil is 6, measured against a scale ranging from 1 (poor) to 8 (excellent).	Brazil
Revenue body uses annual survey to establish a "net satisfaction rate". Goal in 2014 is to achieve score of 59, and a minimum of 59.5 (2015 to 2020)	Chile
Level of satisfaction with SAT reported by surveyed taxpayers reaches 80%	China
Targets (2013 and beyond): To maintain a 3.8 target for both businesses' and individuals satisfaction Measured (separately) on a scale of 1 to 5 where 1 is low satisfaction and 5 is high satisfaction.	Denmark
DGFIP uses the « Marianne » quality indicator programme that is used across the public sector: This programme covers quality indicators such as the proportion of mail being handled within 15 working days, e-mails being handled within 5 working days, phone calls being answered after 5 rings or less, requests regarding quality of service being handled within 15 working. The target for 2014 is 75% (86.8% achieved in 2013).	France
Increased taxpayer satisfaction level from 3.9 to 4.2 (as per 2014-19 MOF transformation plan)	Indonesia
Taxpayer satisfaction with the online return filing and tax payment system: target of 60%	Japan
Taxpayer satisfaction with filing assistance on the NTA website: target of 80%	Japan
Client satisfaction levels to be achieved – 8.4 points (out of 10) in 2014; and 8.5 points (out of 10) in 2016.	Latvia
Customer satisfaction level of 9.1 (out of 10 [fully satisfied]) to be achieved in 2014	Lithuania
Minimum % of customers who are satisfied with the quality of *(1)* phone and correspondence contacts (target 85%); and *(2)* online services (target: 90%) Minimum % of customers who are confident IRD takes action to ensure people receive their proper social support entitlements (target 70%)	New Zealand
75% of surveyed taxpayers perceive the revenue body as fair	Norway
Achieve taxpayer satisfaction level rating of 96% for 2014	Mexico
Taxpayer satisfaction level with online services, as surveyed, achieve or exceed targets for 2014: 72% (good) and 78% (good and very good).	Portugal
70% of taxpayers are satisfied with the service provided	Turkey
75.8% of customers say HMRC is "straightforward to deal with" by March 2015	United Kingdom
The IRS uses the American Customer Satisfaction Index (ACSI) which is a national indicator of customer satisfaction with the quality of products and services available to consumers in the United States. ACSI scores range between a low of 0 and a high of 100. Over 55 Federal government agencies have used the ACSI to measure citizen satisfaction of more than 110 services and programmes. The IRS long term ACSI goal is 75 for income tax filed by FY 2017.	United States

4. Compliance burden reduction

Description of targets reported	Country
ATO share of AUD 1 billion savings required from across Government.	Australia
Government programme requires implementation of specific initiatives rather than achieving specific amounts of reduced burden.	Austria
Overall government target to reduce burden (including tax related burden) by 20% (2010 to 2014); achievement of 13% by the end of 2013.	Bulgaria
As part of the Government of Canada's Red Tape Reduction Action Plan, the CRA has completed several initiatives and has plans to put in place more initiatives to reduce compliance burden, based on priorities identified by small and medium businesses.	Canada
90% of corporate income tax returns to be received by e-filing.	Colombia
Private individuals – 5% reduction by 2015; Businesses – 5% reduction by 2015.	Netherlands
Government target to reduce overall administrative burden (including tax-related burden) by NOK 10 billion by the end of 2015.	Norway
Reduce annual costs of compliant businesses in complying with tax obligations by GBP 250 million by March 2015, against a 2011 baseline.	United Kingdom

Table 3.2. **Quantified targets reported by revenue bodies for key areas of performance** *(continued)*

5. Operating costs reductions

Description of targets reported	Country
Fixed % efficiency dividend – annual funding reduction of total administrative budget	Australia
Staffing levels fixed for next 3 years	Bulgaria
Measures announced in the 2012 and 2013 federal budgets, when fully implemented, will result in the CRA realising efficiencies of CAD 313.7 million annually. The Federal Budget 2013 also announced that departments would realise savings of 5% on public service travel, on an ongoing basis, with the CRA's contribution being CAD 2.1 million.	Canada
Seeking to achieve an operating cost/ overall revenue collection ratio of 0.90 in 2014.	France
1.3% reduction required in 2014. (*NB: Office resource reduction encouragement:* 50% of annual reduction to be given to office staff and designated for cultural or educational enrichment programmes.	Israel
The targeted cost to collect one euro: 2014 – 0.0216 euro; 2015 – 0.0210; 2016 – 0.0210.	Latvia
Target of 5% operating expenditure reduction compared with 2013 budgeted amount.	Mexico
Reduce cost to achieve savings of 400 million euros per annum from 2016.	Netherlands
9% reduction to be achieved in 2014.	Slovenia
Budget reductions for 2014 require IRS to reduce FTEs to 84 268, compared to 89 857 in 2013.	United States
Reduction in operating expenditure of 15% from 2010 to 2015.	Iceland
Reduce operating expenditure/ staffing by 5% per year.	Thailand
Make GBP 1.2 billion of savings over period 2010-11 to 2015-16, with some savings being re-invested into tackling non-compliance; make 5% sustainable cost savings in 2015/16.	United Kingdom

Source: Tax Administration 2015 survey responses.

- The numbers of revenue bodies reporting their service delivery performance against the standards set by them is disturbingly low, with just on 50% of revenue bodies reporting that this practice is followed (generally at the same level across both OECD and non-OECD countries); included in these results are five OECD revenue bodies (i.e. Belgium, Iceland, Israel, Luxembourg, and Slovenia) that reported that they have no established set of service standards and do not conduct surveys of citizens to gauge their satisfaction with the services delivered and/or competence of tax administration in general.

  On a positive note, a number of examples can be cited of revenue bodies that commit positively to both having a comprehensive range of service standards and being transparent in their reporting of the performance achieved by them, including the Canada Revenue Agency:

  > Canadians' confidence in the integrity of the tax system is essential to the CRA's success. Meeting our service standards shows that we are answering the needs of taxpayers and benefit recipients. Our service standards tell citizens what level of performance they can reasonably expect from the CRA under normal circumstances. We review our standards and targets every year and update them as needed (Canada Revenue Agency, 2014).

  Concerning the gathering of customer feedback, many revenue bodies are known to conduct periodic surveys or use some other methods. For example, Estonia reported that it constantly collects customers' feedback to gauge their satisfaction with the services delivered and competence of administration. It administers a "Promoter Index" method as a survey tool, a flexible web-based feedback system that helps to identify taxpayers' needs and expectations and to respond to them in a prompt manner.

A lack of commitment to providing good standards of service, along with questions of transparency concerning revenue body performance, should be of concern in tax administration environments generally characterised by complex tax systems and significant tax compliance issues. The matter is one that may be worthy of more detailed exploration by the FTA with a view to providing practical guidance and encouragement for this important aspect of tax administration.

- Around three-quarters of all revenue bodies reported that they conduct regular surveys of taxpayers (i.e. both citizens and businesses) to gauge their views and perceptions of service delivery quality and the overall standard of administration; the approach taken in relation to surveying tax intermediaries is discussed in Chapter 8.
- Viewed across all of the aspects surveyed, there would seem considerable potential to improve related management practices, particularly concerning the transparency of tax administration (e.g. by publishing plans, performance reporting, and results of taxpayer surveys) in at least ten surveyed revenue bodies, including six in OECD member countries – Germany, Iceland, Israel, Luxembourg, Slovenia, Switzerland.

Revenue bodies' strategic plans and statements

Research carried out for this series over many years has found that most revenue bodies prepare a strategic plan (or documents with a similar name and purpose) covering a medium term period of three to four years. While such documents can vary in their level of detail they generally aim to set out key directions and priorities, and organisational goals and objectives for the target period, against the background of a stated organisational mission/mandate, vision for the future and set of values. In some cases, objective targets are established that can be used to gauge overall progress towards the goals set. Well prepared, such documents can be a valuable tool for communicating with both internal and external audiences and fostering commitment, as reflected in the comments of the IRS Commissioner in his organisation's strategic plan for the period 2014-2107:

> In my experience, a large organisation like the IRS depends on strategic plans to prioritise goals and effectively manage its resources. I'm pleased to present the 2014-2017 IRS Strategic Plan and lay out the agency's primary goals and objectives for the next four years. The plan reflects the contributions of every part of the IRS, and it provides clear direction of where we will focus in the years ahead (IRS, 2014).

Prior editions of this series have set out extracts of the strategic plans of selected revenue bodies to highlight the major strategies being adopted, and aspects of the approaches being followed in relation to performance management. For this series, a similar approach has been adopted. Extracts of key elements of the published strategic/business plans of a sample of revenue bodies (i.e. Australia, Latvia, New Zealand, South Africa, United Kingdom, and the United States) are set out in the following sections. These examples have been drawn from a cross-section of countries to highlight common themes (e.g. mission, vision, and goals), the high level strategies that are being been adopted and measures of success being used to gauge progress towards established goals. From the plans examined, a few points can be made:

- Officially-published strategic plans tend to provide a clear and relatively brief articulation of revenue body mission, vision, values, and strategic goals and related objectives and, for many, key measures of performance.

- Statements of mission, in addition to a revenue body's role/mandate, frequently emphasise the broader societal role and benefits of a well-functioning tax (and, for some, customs) system.
- Expressions of a revenue body's values (i.e. norms of behaviour) typically include integrity, professionalism, mutual respect/trust, and fairness/procedural justice; some also emphasise aspirations of improved performance through continuous improvement and/or innovation.
- A few revenue bodies (e.g. United States and South Africa) include in their plans a brief description of the major environmental factors or context that have shaped/influenced their strategy decisions.

  The latest plan of the United States' IRS provides a particularly informative account of such factors and while a number may be peculiar to its own context others are likely to have wider relevance – see Box 3.2.

  In its plan (pages 13-14), SARS draws attention to a range of critical environmental factors, including:

  - Prevailing negative domestic and global economic conditions that are expected to put its compliance and revenue targets at risk;
  - Developments in the global tax environment, including the OECD's Base Erosion and Profit Shifting (BEPS) Initiative, and adoption of the Common Reporting Standard for automatic exchanges of information;
  - The illicit economy, especially illicit cigarette and tobacco, that poses threats to economic growth, tax revenue and legal formal businesses;
  - Concerns for the incidence of corruption in the public sector at large and the threat this poses to voluntary tax compliance; and
  - A potential widening of SARS' mandate as it is required to support critical government efforts to increase employment opportunities, improve conditions for small businesses and help improve government performance across the whole of government.
- Formal strategic goals tend to be relatively few in number and, in relation to tax administration, tend to focus on improving taxpayers' compliance, improved service delivery/customer experience, and strengthening internal capabilities; contrasted to observations in prior series, it appears that much greater attention is being given to improving operational efficiency and productivity. (This matter is discussed further in Chapter 5.)
- Key measures of success/performance for each goal and related objectives are, in most cases, quantified for out-years in order to gauge progress and are both "outcome" and "output" related; concerning the measurement of "outcomes", measures/indicators (and their trends) used by these revenue bodies include:

  - Measures of taxpayers' satisfaction with the services provided and overall perceptions of revenue body administration and their trend over time;
  - Rates of taxpayers' compliance achieved (e.g. for filing, reporting and payment for the major taxes), and their trend over time;
  - Increased use of self-service channels;

- Cost efficiency: the ratio of costs to net revenue over time;
- Reductions in compliance/administrative burden; and
- Perceptions of employee engagement/satisfaction, measured by staff surveys, and their trend over time.

• Compared to plans reviewed in prior series, a number of themes appear to be emerging in relation to performance evaluation and reporting.

Box 3.2. **United States IRS: Major trends affecting the IRS – 2014-17 (abbreviated comments extracted from plan)**

- **Effectively executing our mission in a challenging environment:** IRS faces challenges with respect to our budget, human capital and overall complexity of our mission responsibilities. We intend to raise awareness of these elements of our environment in order to proactively mitigate them before they become operational issues impacting our ability to fulfil our core mission.
- **Evolving scope and increasing complexity of tax administration:** In recent years, the IRS has been tested by the volume and complexity of changes to the Tax Code […] These legislative changes often must be implemented within limited timelines that strain resources and impose disruptions in workload planning […] By strategically allocating our resources, ensuring our IT systems are agile and providing our workforce with necessary training and support, we will continue to be highly responsive to changes in the Tax Code throughout the coming years.
- **Expanding global tax environment and changing business models:** Emerging technology opens new markets to businesses and facilitates access to new customers and geographies. This presents a dual challenge for the IRS, keeping up with increasing international business activity and changing business models. Moreover, the evolution and proliferation of virtual commerce has expanded the exchange of goods, services and currencies – real and virtual – across jurisdictions, further complicating tax administration. Businesses with US tax obligations are increasingly adopting more complex incorporation structures, shifting away from C-corporations and moving towards flow-through entities, such as partnerships and S-corporations. As a result, we must tailor our services to ensure that we help these businesses understand and meet their tax filing obligations.
- **Increasing occurrence of refund fraud and identity theft:** Since 2010, the IRS has seen a significant increase in both refund fraud schemes and identity theft […] Assuring the accuracy of refunds and the security of taxpayer data remain our priorities going forward. We are committed to stopping this threat to tax administration, protecting our government's revenue and safeguarding the identity of all taxpayers.
- **Meeting taxpayer's expectations to digitally interact in a secure manner:** The growth of the Internet over the past decade has changed consumer expectations as they become increasingly more accustomed to using the web for anything from ordering phone service to conducting transactions with financial institutions using traditional online and mobile devices. More and more, customers show a preference for internet-based service before trying other service channels such as phones, paper or in-person […] Looking forward, we are committed to expanding our portfolio of digital service offerings to meet customer expectations while continuing to keep taxpayer data secure. Our investment in innovative technology is key to accelerating the move to a "web first" organisation that provides the electronic services that taxpayers desire, the tools that employees deserve and the mission-critical security that the IRS needs.

Box 3.2. **United States IRS: Major trends affecting the IRS – 2014-17 (abbreviated comments extracted from plan)** *(continued)*

- **Growing use of the tax community in tax preparation:** The tax community has had a significant impact on tax administration in recent years […] the IRS must continue to acknowledge the expanding importance of tax professionals and the broader tax community. We must serve them effectively and ensure they adhere to professional standards that advance efficient administration of the tax system
- **Sustaining a skilled and talented workforce:** As tax administration becomes increasingly complex and the demand for varied taxpayer services increases, we are continually challenged with the task of maintaining a workforce with diverse, advanced skill sets. An additional challenge is that a considerable percentage of our workforce is currently eligible for retirement. The entire leadership team must actively engage with employees during these difficult times, providing them the support they need to effectively fulfil their duties.
- **Demographic trends and projections:** Demographic projections signal the US population is becoming increasingly more diverse, with implications for both the talent-pool from which the IRS draws as well as the needs and expectations of taxpayers […] We need to prepare for these changes well in advance if we are to continue providing the highest level of service for all taxpayers.

Source: IRS Strategic Plan 2014-2017.

First, while still confined to a minority of countries there appears to be an increased reliance on tax gap estimation methodologies, particularly in respect of the VAT, to better inform revenue bodies of their effectiveness; this is likely to have resulted in part from pressures by Governments to make revenue bodies more accountable for their performance and to improve the transparency of tax administration performance.

Second, concerning staff engagement revenue bodies in advanced economies appear to be increasingly evaluating their performance against broader public sector trends in staff engagement rather than assessing their own internal performance over time.

Third, with considerable emphasis being given to making far greater use of digital technologies with a particular objective on helping taxpayers to "self-manage" their tax affairs, new performance measures are emerging. Tables 3.3 to 3.8 provide examples of this direction, including some novel examples of new performance measures reported by the US IRS:

- **Service Interactions Available Electronically:** % of e-services available to the taxpayer on IRS.gov relative to the most frequent services provided to the taxpayer across all channels.
- **Service Interactions Processed Electronically:** % of electronic interactions conducted by taxpayers relative to total number of service interactions conducted across all channels.
- **Software Currency:** Monitors % of Commercial off the Shelf software products in use in IRS that are within one version of current release.

Table 3.3. **Key elements of strategic plans – Australian Tax Office**

What we want to achieve	**MISSION:** We contribute to the economic and social wellbeing of Australians by fostering willing participation in our tax and superannuation systems.
	VISION: We are a leading tax and superannuation administration known for our contemporary service, expertise and integrity.
	VALUES: We are impartial, committed to service, accountable, respectful and ethical.
Our strategic intent	We want the ATO to be relevant and valuable to the Australian community for the long term – trusted and respected here and internationally and considered a leading organisation by all stakeholders. To the extent we can influence and control, we will aim to make the tax and superannuation systems and our administration fair, efficient and sustainable – where tax and superannuation are recognised and valued as a necessary part of our community in Australia.
Our goals	Easy for people to participate – *We will design and operate the tax and superannuation systems for the majority of taxpayers who do the right thing, rather than for the few who don't.*
	Contemporary and tailored service – *People expect convenient and accessible service in their dealings with a contemporary service organisation.*
	Purposeful and respectful relationships – *To succeed in the future, we must have a greater connection with, and understanding of, the community, government and stakeholders and their needs and expectations.*
	Professional and productive organisation – *Delivering our change agenda and business improvements is about backing our words with actions. This is about leading and managing well, and mobilising and motivating our people.*
Our strategies	• Build a culture that embodies our values and transforms the client experience • Simplify interactions, maximising automation and reducing costs • Connect with the community and other agencies in meaningful ways • Influence policy and law design for more certain outcomes • Use data in a smarter way to improve decisions, services and compliance • Reshape the workforce to optimise capability and performance
Measuring our success	The ATO's outcome to deliver to government is: *Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.*
	The way we measure our performance against this outcome includes the following measures: • Community and key stakeholders engagement and satisfaction with ATO performance • Number of customer service interactions delivered through our multi-channel environment • Proportion of businesses and individuals registered in the system • Proportion of businesses and individuals that lodge on time • Proportion of liabilities paid on time by value for each of the major tax revenue types • Adjusted average cost to individual taxpayers of managing their tax affairs • Net cost to collect $100 • Earlier resolution of disputed cases • Ratio of collectable debt to net tax collections • GST gap as a proportion of GST revenue • Operating within budget • Employee engagement compared to previous years and other large Australian Public Service organisations.

Source: ATO Corporate Plan 2014-18 and survey response.

Table 3.4. **Key elements of strategic plans – Latvia's State Revenue Service**

Mission	Fair administration of tax and customs matters for the protection of society and entrepreneurship.				
Values	**Integrity, Professionalism, Responsibility, and Loyalty**				
Strategic objectives *(Strategy also describes a range of tasks to achieve each objective)*	To act in accordance with the behaviour necessary for the compliance of taxpayers and customs clients in order to ensure the collection of public budget revenues and effective protection of the financial interests of the EU.				
	To ensure society's protection, security and safety by performing effective customs control measures.				
	To prevent criminal State revenue and customs offences by decreasing tax fraud and smuggling.				
	To increase the efficiency and effectiveness of using the SRS's resources.				
Strategic performance indicators *(Year-by-year targets vs actual 2013 performance)*	**Specific indicators**	**Values of performance indicators**			
		2013	**2014**	**2015**	**2016**
		Actual	*Forecast*		
	1. Execution of SRS's administered budget revenue plan (%)	104.5	100	100	100
	2. Changes of the collected amount of the SRS's administered budget revenue in comparison with the previous year (%)	+5.5	+3.9	+4.2	+3.3
	3. Tax revenue as a share GDP (%)	29.3	30	31	33
	4. Changes to tax gap (%) for VAT, PIT and excises (NB: Indicators to be set after evaluations in 2014)	X	X	X	X
	5. Shadow economy (%)	25.5	25	24.5	24
	6. Indicators of WB's Doing Business Series: • Time necessary to calculate and pay taxes (hours per year); • Time necessary to register for VAT (days) • Customs clearance and technical control (days): Export Import	 264 10 1 2	 250 9 1 2	 190 9 1 2	 170 8 1 2
	7. Share of illegal excise goods market (%) for cigarettes, alcohol and fuel (NB: Awaiting development of measurement methodology)	X	X	X	X
	8. Percentage of favourable court decisions for the SRS ((%) weighted average (tax disputes, administrative violations and forced execution and other dispute cases)	83.1	84.8	85	85
	9. Customer satisfaction level (from survey results) – fully satisfied and rather satisfied (points in 10 point system) for each of tax and customs	- (8.41/ 2012)	8.41	-	8.5
	10. Personnel satisfaction level (from survey) – fully satisfied and rather satisfied (%)	- (80.9/ 2012)	80	80	80
	11. Cost of one collected euro, in total SRS (euro)	0.0192	0.0216	0.0210	0.0210

Source: State Revenue Service Business Strategy 2014-2016.

Table 3.5. **Key elements of strategic plans – New Zealand Inland Revenue**

What we are here for	We contribute to the economic and social well-being of New Zealand by collecting and distributing money		
What we want to be	A world-class revenue organisation recognised for service and excellence		
Strategic intentions	To help achieve *IR for the future*, we will focus on three main areas: *(1)* implementing our transformation change agenda; *(2)* contributing to government policy and priorities; and *(3)* delivering and improving our core business, including enhancing the customer experience. We will work in these three linked areas concurrently, balancing our need to deliver today and transform for tomorrow.		
Contributing to government priorities	We have a responsibility as a government agency to contribute to the Government's priorities. These are to: *(1)* responsibly manage the Government's finances; *(2)* build a more competitive and productive economy; *(3)* deliver better public services within tight fiscal constraints; and *(4)* rebuild Canterbury. We will also continue to participate in a range of all-of-government activities, and collaborate with other agencies to reduce costs and improve efficiency and effectiveness.		
Delivering and improving our core business	**Improve the customer experience:** We want customer interactions with us to be as convenient and easy as possible. We will continue to do this by enhancing and expanding our services.		
	Improve compliance: A key aspect of our core business is helping to maximise voluntary compliance. We assist customers who are willing to meet their compliance obligations but are unaware or uncertain how to do so. Influencing voluntary compliance, targeting inadvertent non-complaisance by providing information, assistance and tools, and detecting and deterring deliberate non-compliance are part of our core activities.		
	Improve business efficiency: We will continue to increase the value for money we deliver through improving our processes, strengthening our capital asset management, maintaining our ICT environment and reducing property overheads.		
Measuring our performance *(2018 Targets vs 2013 performance)*	**IMPACT INDICATORS**	**TARGET**	**LATEST**
	More customers self-manage:		
	• % of customers aware of their obligations and entitlements increases	85%	82%
	• % of customers who find it easy to comply increases	80%	79%
	More customers register and report accurate information when required:		
	• % of returns filed without errors increases	88%	85%
	• % of applications submitted without errors increases	90%	83%
	• % of correct student loan deductions for New Zealand-based borrowers is maintained	98%	99%
	• Employer registrations follow an appropriate trend	n/a	
	• GST assessed to consumer spending follows an appropriate trend	n/a	
	More customers claim their correct entitlements:		
	• % of accurate Working for Families Tax Credits payments increases	70%	67% (12)
	• % of child support assessments collected increases	75%	73%
	• Working for Families Tax Credits registrations follow an appropriate trend	n/a	
	• Donation rebates claimed follow an appropriate trend	n/a	
	More customers pay and file information on time:		
	• % returns filed on time is maintained	83%	83% (12)
	• % payments made by customers on time is maintained	86%	86% (12)
	• % child support assessments paid on time increases	68%	64%

Source: New Zealand Inland Revenue (2014), *Statement of Intent 2014-18*, Wellington.

Table 3.6. **Key elements of strategic plans – South Africa Revenue Service**

Our mission	To optimise revenue yield, facilitate trade and enlist new tax contributors by promoting awareness of the obligation to comply with South African tax and customs laws, and to provide quality and responsive service to the public.		
Our vision	To become an innovative revenue and customs agency that enhances economic growth and social development, and supports our integration into the global economy in a way that benefits all South Africans.		
Our values	Mutual respect and trust, equity and fairness, integrity and honesty, transparency and openness, and courtesy and commitment		
Core outcomes sought	OUTCOME 1: Increased Customs Compliance		
	OUTCOME 2: Increased Tax Compliance		
	OUTCOME 3: Increased Ease and Fairness of Doing Business with SARS		
	OUTCOME 4: Increased Cost Effectiveness, Internal Efficiency and Institutional Respectability		
Over-arching strategic shifts to achieve the four core outcomes	Moving from targeting eligible taxpayers to building the reality of fiscal citizenship among all South Africans		
	Moving from a gatekeeper to a risk management approach		
	Moving from entity and product approach to integrated economic view		
	Moving from uniform service offering to differentiated service offering		
	Moving from manual to automated/digital/self service		
	Moving from isolated departmental view of SARS efficiency to a whole of government view		
	Move from high administrative burden due to multiple registrations, multiple channels and manual forms to reduced administrative burden through, for example, single registration, integrated channels and dynamic forms		
	Move from people performing below potential due to non-standardised internal processes, no value alignment and low skill/low value-add to people performing at their peak through, for example, values alignment and high skill/high value-adding activities		
Outcome measures *(2019 targets against current baselines)* *(NB : customs measures and targets omitted in interests of space)*	**MEASURES**	**TARGET**	**BASELINE**
	OUTCOME 2: Increased Tax Compliance		
	Total revenue	As agreed	ZAR 728 bn
	Debt book as a % of total revenue	6.0%	9.18%
	% PIT filing compliance	92.5%	91.5%
	% Audit coverage of registered taxpayers	12.5%	10.6%
	% In-depth audit coverage of registered taxpayers	0.085%	0.26%
	OUTCOME 3:		
	% Uptake in electronic filing for all tax products	99%	96.2%
	Average processing turnaround time for PIT returns (days)	30mins	0.16
	Average processing turnaround time for CIT returns (days)	<1	0.47
	Average processing turnaround time for VAT refunds (days)	21	32.1
	% VAT refunds processed in 14 days	77	69.6
	OUTCOME 4:		
	Employee engagement %	65.2	64.1
	Leadership effectiveness index %	88	85.3
	Employment equity: demographics %	72	71.3
	Employment equity: gender on management level %	49	40.6
	Employment equity: disability %	2.3	1.99
	Treasury allocation to revenue % (*i.e.* cost of collection/revenue)	1 to 1.2	0.98

Source: SARS (2014), *SARS Strategic Plan 2014-2019*, South African Revenue Service, Pretoria.

Table 3.7. **Key elements of strategic plans – United Kingdom Revenue and Customs**

Our purpose	• We make sure that the money is available to fund the UK's public services. • We also help families and individuals with targeted financial support.	
Our vision	We will close the tax gap, our customers will feel that the tax system is simple for them and even handed, and we will be seen as a highly professional and efficient organisation.	
Our way	We understand our customers and their needs, make it easy for our customers to get it right, believe that most of our customers are honest, treat everyone with respect, are passionate in helping those who need it and relentless in pursuing those who bend or break the rules, recognise that we have privileged access to information and we will protect it, behave professionally and with integrity, do our own jobs well and take pride in helping our colleagues to succeed, develop the skills and tools we need to do our jobs well, and drive continuous improvement in everything we do.	
Our plans – goals and strategies	**Maximise Revenues**: Includes specific initiatives and actions to *(1)* Make better use of data and automation; *(2)* Add capacity to tackle debt, error and fraud; *(3)* Crack down on tax evasion; *(4)* Close down tax avoidance; *(5)* Catch organised criminals; and *(6)* Enforce the rules.	
	Improve the service that we give our customers: Deliver new digital services focusing on *(1)* PAYE Online; *(2)* Digital self-service; *(3)* Your tax account; *(4)* Agents Online Self-Service, *(5)* All customer segments and *(7)* All customers needing additional support.	
	Make sustainable cost savings: Includes specific initiatives and actions to *(1)* reduce costs for customers; and *(2)* reduce our own internal costs	
Measuring success	**Maximise revenues**: A key measure of success is the additional tax revenue we bring in through our compliance and enforcement activity. • We plan to deliver additional compliance revenues of GBP 24.5 billion in 2014-15 and GBP 26.3 billion in 2015-16; we will aim to reduce losses through error and fraud in the tax credits system towards 5.5 per cent of finalised tax credit entitlement by 2014-15, down from 7.3 per cent in 2011-12.	
	Improve the service that we give our customers: In 2014-15 we plan to: • Work towards our aspiration of handling 90 % of calls across all of our helplines, achieving a consistent level of at least 80 % in 2014-15; handle 80 per cent of correspondence within 15 working days and 95 % within 40 working days, with at least 90 % passing quality standards. For our benefits and credits customers we will continue to: • Handle all new claims and changes of circumstances for UK customers within 22 days; handle all new claims and changes of circumstances for international customers within 92 days. By March 2015, 75.8 per cent of our customers will find it straightforward to deal with us.	
	Make sustainable cost savings: • We will make sustainable cost savings of GBP 198 million in 2014-15 and a further GBP 205 million in 2015-16; we will also deliver business cost reductions totalling GBP 250 million by March 2015, as part of a wider improvement in business customer experience.	
	What this means for our people: We plan to: • Improve employee engagement over the next two years by continuing to work towards our ambition of achieving the Civil Service benchmark of 58 per cent; improve engagement among the Senior Civil Service by achieving an engagement score of 72 per cent in 2014-15 and 75 per cent in 2015-16. • Close the capability gap for the change leadership priority with an increase of 21 per cent in 2014-15, and 15 per cent in 2015-16; increase the percentage of staff who feel they have the skills required to do their job to 85 per cent in 2014-15 and 91 per cent in 2015-16. • Reduce the average working days lost per employee to seven in 2014-15 and 6.5 in 2015-16.	

Sources: HMRC (2012), *Business Plan 2012-15*, United Kingdom Her Majesty's Revenue and Customs, London.

Table 3.8. **Key elements of strategic plans – United States Revenue Service**

Mission	Provide America's taxpayers top-quality service by helping them to understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.		
Vision	We will uphold the integrity of our nation's tax system and preserve the public trust through our talented workforce, innovative technology and collaborative partnerships.		
Values	Honesty and Integrity, Respect, Continuous Improvement, Inclusion, Openness and Collaboration, and Personal Accountability.		
Strategic foundation	Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.		
Strategic goals	Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.		
	Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud.		
Goals and measures *(2017 targets v current measure)*	**MEASURES**	**TARGET (2017)**	**LATEST**
	Voluntary Compliance Rate: Measures amount of tax paid voluntarily and in a timely manner.	86%	83% (2011)
	American Customer Satisfaction Index (ACSI): Monitors overall individual taxpayer satisfaction with tax filing processes	75%	72%(2013)
	Enforcement Satisfaction Score: % of taxpayers contacted as part of IRS compliance efforts who feel the process was satisfactory.	75%	72% (2013)
	Employee Engagement: Measures employee engagement based on annual survey and index developed by IRS to compare itself with other large agencies.	Top quartile	Ranked 8/15 (2013)
	Service Satisfaction Score: Measures satisfaction of those taxpayers who contacted IRS seeking assistance.	94%	91% (2013)
	E-file Rate – Individuals: % of individuals returns filed electronically	90%	83% (2013)
	End to end: Tracks availability of software and system components of critical IRS systems.	99%	99% (2014)
	E-file Rate – Business Returns: % of business returns filed electronically	50%	40% (2013)
	Service Interactions Available Electronically: % of e-services available to the taxpayer on IRS.gov relative to the most frequent services provided to the taxpayer across all channels.	75%	50% (2014)
	Service Interactions Processed Electronically: % of electronic interactions conducted by taxpayers relative to total number of service interactions conducted across all channels.	50%	23% (2014)
	Software Currency: Monitors % of Commercial off-the-shelf software products in use in IRS that are within one version of current release.	85%	75% (2014)
	Portal Availability: Measures availability and response time of IRS.gov	100%	100%

Source: IRS (2014), *IRS Strategic Plan 2014-17*, United States Internal Revenue Service, Washington, DC.

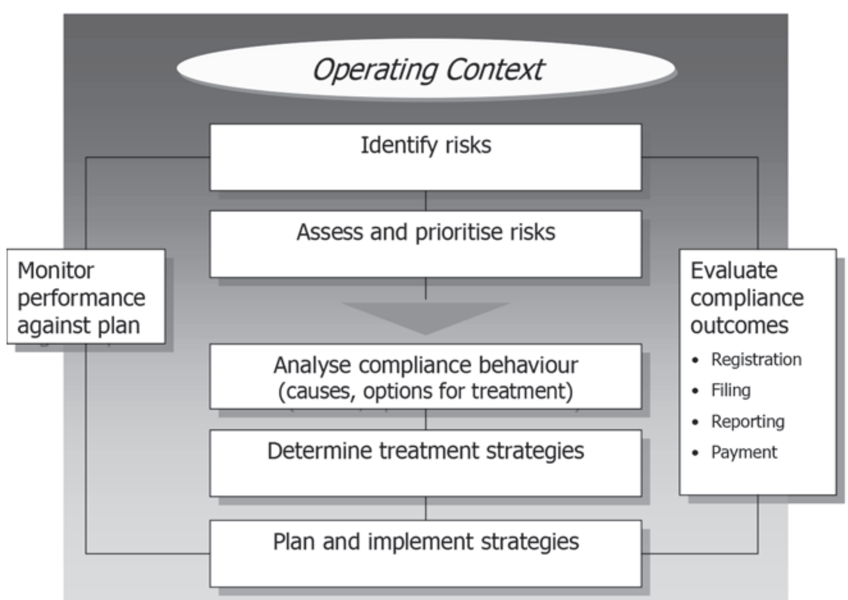
Managing and improving taxpayers' compliance

As evident from the extracts of selected revenue bodies' plans, achieving improved taxpayers' compliance is very much the underpinning rationale for a revenue body's existence. Since its creation in 2002, the FTA has provided a substantial amount of practical guidance on the features of an effective strategic approach for improving taxpayers' compliance, drawing on leading revenue body practices.

Adopting a risk management approach

Traditionally, revenue bodies utilised a compliance strategy based on deterrence through the use of audits and penalties. Gradually, a more holistic view emerged entailing the use of more multi-faceted approaches and a focus on understanding risks. The FTA report *Compliance Risk Management: Managing and Improving Tax Compliance* (OECD, 2004) described how a risk management framework could help revenue bodies to prioritise risks and choose appropriate risk treatments – see Figure 3.1. At the heart of that framework is the analysis of the underlying drivers of taxpayer behaviour. Effective treatment strategies can only be identified once those drivers are properly understood.

Figure 3.1. **The compliance risk management framework**



Source: Compliance Risk Management: Managing and Improving Tax Compliance (2004), OECD.

Through greater understanding of the environmental context, it was suggested that use of the model would enable revenue bodies to assess and determine which risks/taxpayer behaviours it can or cannot influence, and to consider and prioritise which risk treatments were required.

Recognising the influences on taxpayers' compliance behaviour

A compliance strategy relying on diverse treatments not only requires the means to measure the effectiveness; it also requires a capability to choose the right form of treatment in the right circumstances. As explained, doing so depends on being able to understand what drives taxpayer behaviour. The FTA note *Understanding and Influencing Taxpayers' Compliance Behaviour* (OECD, 2010b) describes the most important drivers of individual taxpayers' compliance behaviour. These were grouped into five categories (economy, norms, deterrence, opportunity and fairness) and discussed on the basis of revenue body experience and academic literature. The note acknowledged the limitations of standard economic models as predictors of behaviour. It also emphasised that the five categories of drivers should not be looked at in isolation, as in practice they interact in complex ways to generate sometimes unpredictable outcomes.

In more recent years, the FTA has devoted considerable effort into exploring and describing the elements of an approach to tax administration that focuses very much on creating an environment of support and co-operation between the revenue body, taxpayers and other key stakeholders to achieve greater voluntary tax compliance.

The central importance that understanding taxpayer behaviour now plays in modern tax compliance risk management naturally drives revenue bodies towards increasing the engagement and involvement of taxpayers. This recognises that taxpayers are not a homogeneous group and that effective interventions are responsive to the diversity of their attitudes to tax compliance and the underlying reasons for those attitudes. Armed with the understanding that engagement and involvement provides, revenue bodies are better equipped to design treatments that are more effective and long-lasting. This is as true of taxpayers exhibiting a desire not to comply, as it is of those who are willing to do the right thing.

Seeking compliance through increased co-operation and transparency

In 2008, the FTA published the *Study into the Role of Tax Intermediaries* (OECD, 2008b). The study addressed the topic of aggressive tax planning and analysed the tripartite relationship between revenue bodies, taxpayers and tax intermediaries. The report concluded that there was significant scope to influence the "demand side" of aggressive tax planning arrangements in relation to large corporate taxpayers. These taxpayers and revenue bodies were encouraged to engage in a relationship based on co-operation and trust. The study spelt out how more co-operative relationships between taxpayers and revenue bodies could be established and described a conceptual framework for these relationships, and coined an expression for them – the enhanced relationship. It also recommended that revenue bodies should look to establish a tax environment in which trust and co-operation can develop so that enhanced relationships with large corporate taxpayers and tax advisers can be established.

The 2008 study described two pillars as the basis for enhanced relationships between large corporate taxpayers and revenue bodies:

- In dealings with taxpayers, revenue bodies should demonstrate understanding based on commercial awareness, impartiality, proportionality, openness through disclosure and transparency, and responsiveness; and
- In dealings with revenue bodies, taxpayers should provide disclosure and transparency.

Following the 2008 study, the FTA undertook further studies dealing with enhanced relationships with banks and with high net worth individuals. Further work was completed in 2012-13 to take account of revenue bodies' experiences since the 2008 study. This work, titled *Co-operative Compliance: A Framework* (OECD, 2013a) found that while the two pillars were still valid, significant new issues had emerged as these approaches had matured and become more widespread. One of these was the development of compliance risk management strategies by revenue bodies that focus on effectively influencing and improving taxpayer compliance behaviour. This work noted that the development of co-operative relationships with large businesses was embedded in these strategies. In addition, tax control frameworks had emerged as a key tool to disclosure and transparency. The term "enhanced relationship" also raised questions about the nature of the approach and to some gave rise to connotations of inequality in tax treatment. In short, large corporate taxpayers and revenue bodies, while they are satisfied that the principles on which the approach is based remain sound, were concerned that the name "enhanced relationship" had given rise to misunderstandings and in some cases suspicion that the concept violated important principles, such as equality before the law.

Accordingly, the report addressed the substance of those concerns and, based on a consensus view of countries participating in the work, coined the term "co-operative compliance" to describe the concept more accurately as it not only describes the process of co-operation but also demonstrates its goal as part of the revenue body's compliance risk management strategy: compliance leading to payment of the right amount of tax at the right time. As noted by the study's sponsoring Commissioner, Peter Veld of the Netherlands Tax and Customs Administration (OECD, 2013a):

> Since the Forum on Tax Administration (FTA) first discussed the concept of the "enhanced relationship" in the 2008 Study, many more countries have developed approaches based on the principle that businesses that are prepared to be fully transparent can expect certainty about their tax position in return. This report distils these experiences into a model of co-operative compliance. This builds on the original thinking but spells out more clearly how the model delivers better compliance, effectiveness and efficiency.

Prevention is better than cure – achieving compliance "right from the start"

Involving taxpayers and engaging them in dialogue is strongly linked to the perception of procedural fairness of the treatment of the revenue body. The FTA note *Right from the Start: Influencing the Compliance Environment for Small and Medium-sized Enterprises* (OECD, 2012) put the risk management approach and the acquired knowledge together into a holistic approach with the purpose of creating situations in which compliance is achieved for SME taxpayers "right from the start". It gives a practical framework, expressed in terms of four dimensions, for revenue bodies to generate value (to themselves, taxpayers and society) by exploring systematic and coherent strategies to create an environment that influences compliance processes and behaviours before the actual reporting takes place. The four dimensions are:

- Acting in real time and up-front, so that problems are prevented or addressed when they occur;
- Focusing on end-to-end processes rather than just focusing on the revenue body processes and try to make the processes of the taxpayer fit into them;
- Making it easy to comply (and difficult not to); and
- Actively involving and engaging taxpayers, their representatives and other stakeholders, in order to achieve a better understanding of the taxpayer's perspective and to co-operate with third parties.

There have been two further detailed studies to promote further thinking and development of these approaches. The FTA study *Together for Better Outcomes* (OECD, 2013b) explores how engaging and involving SME taxpayers and stakeholders can contribute to improved outcomes and reduced costs. It also identifies a range of other benefits, including fairer competition, reduced compliance burdens, and improved trust. By fostering greater trust between SMEs and revenue bodies this approach can create a virtuous circle that encourages still higher levels of voluntary compliance. The study provides a conceptual framework, a review of experience, and tools and guidance to assist revenue bodies. The study concludes that while there is substantial experience to build on, there also is potential for more systematic, far-reaching and potentially transformative approaches.

In October 2014, the FTA completed and published the report *Tax compliance by design* (OECD, 2014). The report takes an "end-to-end" perspective on the tax revenue collection process of SME taxpayers and focuses on the opportunities for achieving improved compliance at the point taxpayers' tax liabilities are determined by leveraging developments in technology. As noted in the report's executive summary:

> "Tax compliance by design" recognises that most SMEs want to be compliant. Historically, poor systems and a poor understanding of the tax system have been major causes of non-compliance. However, technology is changing the way SMEs operate. As the costs of software have fallen and the emergence of the "cloud" has enabled new ways of delivering technology, SMEs have gained access to new and sophisticated systems for managing their businesses. Most SMEs now use technology in some form to help them keep track of their business and to improve effectiveness. Information and payments are increasingly becoming digital. There is rapid growth of new payment systems using mobile devices. The use of electronic invoices is increasing. Electronic cash registers are used for handling cash transactions. A number of cheap and simple-to-use on-line accounting systems are available […].
>
> The study discusses two basic approaches to achieving tax compliance by design – the ***"secured chain approach"*** and the "***centralised data approach"***.
>
> The idea behind the "***secured chain approach"*** is to create a secured flow of information from the capture of business transactions to the final determination of the correct amount of tax being paid. The role of the revenue body is mainly to act as a facilitator of needed features in the environment in order to make sure that the flow of information from the taxpayer is secure enough. This reduces the need for the revenue body to handle all of the data by itself and it reduces the need for doing post-filing audits.
>
> The idea behind the "***centralised data approach"*** is to make sure that the revenue body itself can capture as many business transactions from the source as possible in order to determine the right amount of tax to be paid with minimum information from the taxpayer. The role of the revenue body is more about managing the whole process, handling and transforming all information by itself so the need for the taxpayer to provide information on his own transactions is significantly reduced.

Together, both approaches show that there are a range of possibilities to create or support an environment conducive to tax compliance and reduced compliance burden. The report includes country examples to demonstrate the respective concepts.

Monitoring and evaluation of compliance risk management strategies

The focus on risk management also draws attention to the need to measure the effects, or outcomes, of interventions, both at the aggregate level and in respect of individual interventions. In short, results in terms of improved taxpayers' compliance cannot be judged by measuring outputs such as the number and value of completed audits, the amounts of tax debt collected, or educational activities; measures that are more "outcomes-focused" are necessary.

A key element of the recommended compliance risk management process (Figure 3.1) was a compliance measurement framework that would provide revenue bodies with a range of compliance indicators that could be used to monitor and evaluate the impacts of their compliance activities, both at the aggregate level and in respect of specific risk treatments strategies. Such a framework would enable a continual cycle of review and refinement. This issue was addressed initially in the FTA's report *Monitoring Taxpayers' Compliance: A Practical Guide Based on Revenue Body Experience* (OECD, 2008a). The report promoted the idea that revenue bodies should have in place a compliance monitoring framework at the aggregate/macro level that should include a set of measures and indicators for the major risk types (i.e. registration, filing on time, payment on time and correct reporting) across each of the major taxes administered. Consistent with this recommended approach, the report also acknowledged that a number of revenue bodies had taken steps to produce periodic estimates of the tax gap for their major taxes to improve their understanding of the likely scale and composition of non-compliance and its trend over time.

Further work in this area, but with a shift in focus to individual risk treatment strategies, was undertaken in 2010/11 and 2013/14. The note *Evaluating the effectiveness of compliance risk treatment strategies* (OECD, 2010b) set out a practical methodology for conducting outcome evaluations of compliance risk treatment strategies in priority areas. The note drew on innovative work undertaken by the ATO and was supplemented with further assistance from a number of other revenue bodies that had been intensifying their efforts to better understand the impacts of their compliance programme activities. After outlining a number of important concepts and issues that are often raised in an evaluation context (e.g. output/outcome programme model and attribution), the guidance note introduced and elaborated a four phase compliance effectiveness methodology for use with specific risk treatment strategies.

In October 2014, the FTA published the report *Measures of tax compliance outcomes: A practical guide* (OECD, 2014). Noting the pace of change and more recent developments concerning how tax compliance can be managed and influenced the report begins by explaining key terms and context concerning the measurement of outcomes, presents some guiding principles drawing on the experience of revenue bodies, and then presents a comprehensive stock take of practical approaches for measuring whether the right revenues are coming in, that taxpayers are complying voluntarily and that the community has confidence that tax is administered fairly. The report concludes with a segment discussing the challenge of choosing the "right" set of outcome measures for a revenue body and shares lessons learnt by revenue bodies on implementing outcome measures. Comments made by HMRC's Second Permanent Secretary Edward Troup, the report's sponsoring Commissioner, draw attention to the dynamics of the environment in which revenue bodies should address this matter:

> As our approach evolves we need to develop measures to demonstrate our successes and improve our performance. In recent years, measuring the effectiveness of innovative compliance interventions has been a challenge across the FTA. This

report does not prescribe a set solution because the development of measures is an ongoing process rather than a one-off effort. Instead, it builds on revenue bodies' experiences, facilitated by the unique international forum the FTA provides, to offer practical guidance on principles, approaches and implementation for compliance measures. By sharing best practice across revenue bodies, we make faster and surer progress on this and other challenges (OECD, 2014).

Managing taxpayers' compliance in 2014

This context provides a useful backdrop to understanding, in fairly high level terms, contemporary approaches of many revenue bodies for managing taxpayers' compliance, as gleaned from their survey responses.

For this series, revenue bodies were asked small number of questions dealing with: *(1)* the use of formal compliance risk management and, where used, the five key areas of tax compliance risk identified for 2014; *(2)* co-operative compliance approaches; *(3)* the use of tax gap estimation methodologies and random audit programmes; and *(4)* the use of technology for systematic third party data matching for for income tax and VAT administration purposes respectively. Survey responses were supplemented by research of published documents of a number of revenue bodies to provide additional insights. A summary of revenue bodies' responses is provided in Tables 3.9 and 3.10. The key findings and observations are as follows:

Compliance risk identification, assessment, and prioritisation

- The vast majority (53 of 56 revenue bodies) reported that they have a formal process for identifying, assessing and prioritising their compliance risks areas (e.g. profit shifting, VAT fraud, and tax debts) as part of their planning.
- From a risk menu comprised of nine risk categories, the five categories most frequently reported by revenue bodies as key priorities were:
    - Corporate profit shifting/ transfer pricing (37 countries).
    - VAT fraud (36 countries).
    - Economic activities in the hidden economy (37 countries).
    - Other tax avoidance schemes (32 countries).
    - Unpaid tax debts (31 countries).
- The very high priority being given to address corporate profit shifting/transfer pricing risks is in line with the G20's support for co-ordinated international actions (e.g. the measures contained in Base Erosion and Profit Shifting (BEPS) programme) and is reflected in the published corporate strategies of many revenue bodies, including the Canada Revenue Agency (CRA, 2014):

    To deter non-compliance, we are taking a strong stance against international tax evasion and aggressive tax avoidance, implementing a number of measures announced in Economic Action Plan 2013. These included the Offshore Tax Informant Program, new reporting requirements for international electronic fund transfers, a streamlined process for obtaining third party information, and expanded reporting requirements for taxpayers with foreign income or property. We have also continued to increase the number of auditors working on international files in 2013-2014, to ensure we have the on-the-ground capacity to get the job done.

Table 3.9. **Strategic approach for managing taxpayers' compliance**

Country	Formal risk management process is used	Tax gap estimates for some/ all taxes			Random audits for some/all taxes	Co-operative compliance model used or planned for large taxpayers	Computer-based systems	
		Required by MOF	Research carried out	Results made public			Matching income reports	VAT invoices
OECD countries								
Australia	✓	x	✓ /1	✓ /1	x /1	✓	✓	x
Austria	✓	x	x	n.a	✓	✓	✓	x
Belgium	✓	✓	✓	x	-	-	-	-
Canada	✓	x	x	n.a	✓	✓	✓	x
Chile	✓	x	✓	✓	x	x	✓	✓
Czech Republic	✓	✓	x	x	x	x	x	x
Denmark	✓	✓	✓	✓	✓	✓	✓	✓
Estonia	✓	✓	✓	✓ /1	✓	x	✓	x
Finland	✓	✓ /1	✓ /1	✓ /1	✓ /1	✓ (pilot project)	✓	✓
France	✓	✓	x	n.a	✓	✓	✓	
Germany	✓	x	x	n.a	✓	x	✓	x
Greece	✓	-	-	-	-	-	-	-
Hungary	✓	x	x	x	✓	x /1	✓	✓
Iceland	✓	x	x	n.a	✓	x	✓	✓
Ireland	✓	x	x	n.a	✓	✓	✓	✓
Israel	✓	x	x	n.a	✓	✓ /1	✓	✓
Italy	✓ /1	x	x	n.a	x	✓	x	x
Japan	✓	x	x	n.a	✓	x	x	x
Korea	✓	x	x	x	x	✓	✓	✓
Luxembourg /1	✓	x	✓	✓	✓	x	x	✓
Mexico	✓	✓	✓	✓	x	✓	✓	✓
Netherlands	✓	x	x	n.a	✓	✓	✓	x
New Zealand	✓	x	x	n.a	x	✓	✓	x
Norway	✓	x	✓	x	✓	✓	✓	✓
Poland	✓	✓	✓	x	x	✓	x	x
Portugal	✓	x	✓	x	x	✓	✓	✓
Slovak Republic	✓	x	✓ /1	✓	x	✓	x	✓
Slovenia	✓	x	✓	✓	x	✓	✓	✓
Spain	✓	x	x /1	n.a	x	✓	✓	✓
Sweden	✓	x	✓	✓	x	✓	✓	✓
Switzerland	✓ (for VAT)	x	✓	x	✓	✓	x	x
Turkey	✓	✓	✓	x	✓		✓	✓
United Kingdom	✓	✓	✓	✓	✓	✓	✓	x
United States	✓	x	✓	✓	✓	✓	✓	n.a
Non-OECD								
Argentina	x	x	✓	✓	-	-	✓ (as per Table 7.1)	
Brazil	✓	x	x	n.a	✓	x	✓	✓
Bulgaria	✓	x	✓	x	✓	✓	✓	✓
China	✓	x	✓	x	-	✓	✓	✓
Colombia	✓	x	✓	✓	✓	x	✓	✓
Costa Rica	✓	x	x /1	x /1	x	x	✓	✓ /1
Croatia	✓	✓	✓	x	✓	✓	✓	x
Cyprus	x	x	x	n.a	✓	x	x	x
Hong Kong, China	✓	x	x	n.a	✓	x	✓	x
India	✓	x	x	n.a	✓	x	✓	n.a
Indonesia	✓	x	x	n.a	x	x /1	✓	✓
Latvia	✓	x	✓	x	x	x	✓	✓
Lithuania	✓	x	✓	x	✓ /1	✓	✓	x
Malaysia	✓	x	x	n.a	✓	x	✓	n.a
Malta	✓	x	x	n.a	✓	x	✓	x
Morocco	x /1	x /1	x /1	n.a	x	✓ /1	✓	x
Romania	✓	x	x /1	n.a	x	x	✓	x
Russia	✓	x	x	n.a	x	✓ /1	✓	✓
Saudi Arabia	✓	x	x	n.a	x	x	✓	n.a.
Singapore	✓	x	x	n.a	✓	✓	✓	✓
South Africa	✓	x	x	n.a		✓	✓	x /1
Thailand	✓	x	✓	x	x	✓	x	x

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 138.
Source: Tax Administration 2015 survey responses.

Table 3.10. **Managing taxpayers' compliance – Main compliance risks reported for 2014**

Country	Compliance risks – five main tax compliance risk areas identified and assessed by revenue body for 2014								
	Profit shifting /transfer pricing	Other tax avoidance schemes	VAT fraud	Other tax fraud	Hidden economy	Evasion – illegal activities	Other evasion	Unpaid tax debts	Non-filing of returns
OECD countries									
Australia	✓	✓	✓	✓	✓				
Austria	✓	✓	✓			✓		✓	
Belgium	✓	✓	✓				✓	✓	✓
Canada /1	✓	✓	✓		✓			✓	
Chile		✓	✓	✓	✓		✓		✓
Czech Republic			✓	✓	✓	✓			✓
Denmark	✓		✓		✓	✓	✓	✓	✓
Estonia			✓	✓	✓	✓	✓		
Finland	✓		✓	✓	✓			✓	
France	✓		✓		✓	✓			✓
Germany	✓		✓		✓	✓			✓
Greece	✓		✓		✓			✓	✓
Hungary	✓	✓	✓	✓	✓	✓	✓	✓	✓
Iceland	✓	✓	✓						✓
Ireland	/1	/1	/1	/1	/1	/1	/1	/1	/1
Israel	✓		✓		✓	✓			✓ /1
Italy	-	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-	-	-
Korea	✓	✓	✓		✓			✓	
Luxembourg /1			✓					✓	✓
Mexico		✓	✓	✓				✓	✓
Netherlands	/1	/1	/1	/1	/1	/1	/1	/1	/1
New Zealand	✓	✓		✓	✓			✓	
Norway	✓	✓	✓	✓	✓	✓	-	-	✓
Poland	✓	✓	✓	✓	✓	✓		✓	✓
Portugal	✓	✓	✓	✓	✓				
Slovak Republic		✓	✓	✓				✓	✓
Slovenia	✓	✓	✓		✓			✓	✓
Spain	✓	✓	✓		✓			✓	
Sweden	✓	✓	✓		✓	✓			
Switzerland /1			✓		✓		✓	✓	
Turkey			✓	✓			✓		✓
United Kingdom	✓	✓		✓	✓			✓	
United States		✓		✓		✓		✓	✓
Non-OECD countries									
Argentina	-	-	-	-	-	-	-	-	-
Brazil	✓	✓		✓	✓			✓	
Bulgaria /1	✓		✓		✓		✓		
China	✓	✓	✓					✓	✓
Colombia	✓	✓	✓					✓	✓
Costa Rica				✓	✓	✓		✓	✓
Croatia	✓		✓		✓			✓	✓
Cyprus	✓		✓		✓			✓	✓
Hong Kong, China	✓	✓					✓	✓	✓
India	✓				✓		✓	✓	✓
Indonesia	✓	✓	✓					✓	✓
Latvia		✓	✓		✓			✓	✓
Lithuania		✓	✓	✓	✓	✓			
Malaysia	✓	✓			✓			✓	✓
Malta			✓	✓		✓		✓	✓
Morocco /1	-	-	-	-	-	-	-	-	-
Romania	✓	✓	✓	✓	✓				
Russia	✓	✓	✓	✓	✓				
Saudi Arabia	✓				✓	✓		✓	✓
Singapore /1	✓	✓	✓	✓	✓				
South Africa	✓ /1	✓ /1		✓ /1	✓ /1				
Thailand	✓	✓	✓		✓			✓	

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 138.
Source: Tax Administration 2015 survey responses.

The use of co-operative compliance approaches

- Over 30 revenue bodies, including those in France, Hungary and Russia, reported that they are using, testing, or planning to use a co-operative compliance approach (sometimes referred to as "horizontal monitoring") for their largest taxpayers – see Austrian example in Box 3.3.

Box 3.3. **Austria: The use of horizontal monitoring by the tax administration**

Following the international example, large companies also have the opportunity to request supervision on an advisory basis in partnership with the Austrian tax and customs administration. The Horizontal Monitoring (HM) pilot project was started for this purpose in November 2011. Representatives from the Austrian Economic Chamber, Federation of Austrian Industries, Austrian Chamber of Public Accountants and Tax Advisers and the University of Vienna were involved in development of the project.

HM uses a tax control framework that is based on risk analysis and maintained on a co-operative, partnership basis. Cooperative development of the tax control system is the focus of regular meetings during the ongoing HM process. One of the key objectives of HM, namely timely and legally accurate collection of taxes, can be best pursued in this fashion. In 2013, the number of participating companies increased to 15. These are currently at a variety of different stages in the HM process. Six of the companies have already signed the "Declaration for Participation in the HM Project". For companies, participation in HM increases planning and legal security and reduces compliance costs. In addition to timely and legally accurate tax collection, the tax and customs administration expects that it will be able to shift personnel to risk areas over the medium term.

Source: Annual Report 2013 of the Austrian Tax and Customs Administration.

The use of tax gap estimation methodologies

The use of tax gap estimation methodologies is a relatively contentious issue among tax administrators internationally with some (i.e. opponents) questioning their accuracy, reliability and overall value to management of the tax system, while others (i.e. proponents) argue that, properly designed and conducted, they can provide useful information that assists both internal and external stakeholders in a variety of ways, notwithstanding their limitations.

Although still confined to a minority of countries covered by the series, interest in the use of tax gap measures, particularly in respect of the VAT, has grown considerably in recent years as Governments, tax administrators and others have sought to quantify the extent of revenue leakage from countries' tax systems and/or to better understand the overall impacts of revenue bodies' compliance improvement activities. Also contributing to this increased interest has been a series of major tax gap studies initiated by the EC into members' VAT systems and a number of innovative research efforts and approaches employed by some national revenue bodies (e.g. the United Kingdom HMRC and the Danish Tax and Customs Administration). Work of the FTA has also drawn attention to the potential value of tax gap measures (in an overall strategic sense rather than to monitor operational performance) to promote better understanding of the workings of a country's tax system and the effectiveness of its administration.

For this series, revenue bodies were asked a limited range of questions concerning the use of tax gap methodologies and to provide any additional information concerning specific related initiatives deemed to be relevant. The Secretariat also undertook some limited research to identify the status of work in this area and a brief summary is set out in Table 3.11. Drawing on all of the information obtained, the following observations can be made:

- Around 20% of revenue bodies (11 of 56) reported they are required by their MOF to provide periodic estimates of the tax gap for some/all of the major taxes administered.
- Around 43% of surveyed revenue bodies (24 of 56), including those with a formal mandate to do so, reported they undertake research to produce estimates of the aggregate tax gap for some/all of their major taxes.
- Relatively few revenue bodies (13 of 56 surveyed) reported that the results of their tax gap estimation research are made public.

Table 3.11. **Tax gap estimation activities of selected revenue bodies, etc.**

Country	Description of activities
Australia	**Historically**, the ATO was not a proponent of tax gap measurement, given concerns for the accuracy and reliability of the underlying methodologies, the costs of random audit activities, and doubts as to their value in a compliance management context. However, over more recent years work has been undertaken to explore their value in relation to Australia's VAT and Luxury Car Tax. These estimates were published in its 2011-12, 2012-13, and 2013-14 annual reports. Following a detailed study in 2013-14 of tax gap measurement methodologies and their use by a number of countries, the ATO announced in August 2014 its intention to take a phased approach to expanding the scope of its tax gap research to include all the major taxes it administers, including income taxes.
Chile	The Internal Revenue Service of Chile (SII) has carried out measurements of the tax gap dating back to 1980. The gap rates have been mainly estimated for VAT, the major source of Chile's tax revenue. The methodology for the estimation of the tax gap relies on data from National Accounts, published by Chile's Central Bank. The results of SII's research are published annually.
Denmark	The Danish Tax and Customs Administration (SKAT) has for a number of years carried out a compliance measurement programme for its major taxes. Historically, the programme has been used to gather an extensive array of data on aspects of taxpayer compliance (e.g. the nature and magnitude of taxpayers' errors and regional/local compliance patterns), in order to help refocus and redesign its compliance strategies. Reports of its findings are made public. For this series, SKAT reported that it is required by the Government/ MOF to keep the tax gap at ≤ 2% of estimated tax potential (for PIT, CIT and VAT but excluding large corporates (over 250 employees for VAT and CIT) and moonlighting (shadow economy) activities). SKAT reported that it measures the income tax and VAT gap for individuals and SME's on a biannual basis using a comprehensive programme of random audits.
Estonia	The ETCB produces an annual Strategic Base Analysis where taxes and risks as well as tax gaps are calculated and analysed. In 2013-14, it undertook work with the IMF, applying its Revenue Administration Gap Analysis Programme VAT gap estimation methodology to Estonia for the period 2007–12 to assist authorities better understand their VAT system performance. The methodology employs a top-down approach for estimating the potential VAT base, using statistical data on value-added generated in each sector. There are two main components to this methodology for estimating the VAT compliance gap: *(1)* estimate the potential net VAT collections for a given period, and *(2)* determine the accrued net VAT collections for that period. The difference between the two values is the compliance gap. The study was part of work to better understand the key sources of VAT revenue leakage, a particular cause of concern in recent years. A copy of the IMF's technical assistance report on the topic can be found at www.imf.org/external/pubs/cat/longres.aspx?sk=41578.0.
European Commission (EC)	Concerned for the incidence of VAT revenue leakage across the EU, the EC engaged external consultants in both 2007 and 2012 to undertake a comprehensive study of the VAT tax gap for EU member states. The EC's most study report of 2013 provides reasonably detailed information and explanations on estimated VAT gaps for a period of up to ten years (to 2011) for all 27 EU members, except Cyprus. This study report can be found at http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/vat-gap.pdf. An updated report, yet to be studied in detail by the FTA Secretariat cover years up to 2012 and provides some revision of previously reported information.

Table 3.11. **Tax gap estimation activities of selected revenue bodies, etc.** *(continued)*

Country	Description of activities
Finland	Following a Government direction, the Finnish Tax Administration (VERO) launched a project in 2013 to develop indicators for gauging the tax gap, in co-operation with the National Board of Customs, the Ministry of Finance, Statistics Finland, and the Government Institute of Economic Research. As reported in VERO's 2013 annual report, in its first year the project focused on drawing up a more accurate definition of the tax gap, getting acquainted with international practices and testing methods by which audit results could be applied more generally. Based on the analysis completed and relying on methods developed by the IMF, an assessment of the tax gap will be launched in 2014, commencing with VAT.
Korea	The National Tax Service reported in its survey response that it intends undertaking tax gap research for its major taxes. Its 2014 business plan sets out its intention to commence gap measurement research in respect of income taxes.
Latvia	For this edition of the series, Latvia's State Revenue Service reported that tax studies were being undertaken in 2014 for VAT, labour taxes and excises.
Lithuania	The State Tax Inspectorate (STI) reported that it uses both direct and indirect methods for evaluation of both the shadow economy and tax gap. Surveys for evaluation of the shadow economy are made periodically (generally involving independent research bodies; drawing on this research, the STI undertakes an evaluation of the tax gap. In addition, the STI uses indirect methods of shadow and tax gap evaluation (e.g. calculations using household consumption data).
Mexico	The SAT is required by law to deliver two studies each year into the incidence of tax evasion. These studies are typically carried out by external researches (i.e. academic institutions). In 2013, two studies were completed: (1) a study to produce global estimates of non-compliance for the major taxes; and (2) a study to identify the main determinants influencing attitudes towards compliance or non-compliance (evasion) in the payment of taxes in Mexico.
Slovak Republic	Concerned about a decline in VAT revenue, the MOF (with IMF assistance) has been carrying out gap analysis research of Slovakia's VAT system (initially for 2008-12).
Slovenia	For this edition, the revenue body reported that the Government's Statistical Office calculates the VAT tax gap for the purpose of monitoring the effectiveness of VAT collection. The estimates calculated are made public.
Sweden	The Swedish Tax Agency (STA) conducts tax gap research studies periodically to derive estimates of the tax gap, including its key constituents that are summarised in a "tax gap map". Officials have reported that the main reason for preparing the "tax gap map" is to construct a simple and pedagogic overview of the tax gap to facilitate internal and external communication and to identify areas where deeper knowledge is required. The STA's most recent study report *The Development of the Tax Gap in Sweden in 2007-12*, published in early 2014 follows an assignment given by the Swedish Government to produce a new tax gap map, quantify the tax gap, and describe how the gap had changed between 2007 and 2012. The report can be found at www.skatteverket.se/download/18.15532c7b1442f256baeae28/1395223863657/The+development+of+the+tax+gap+in+Sweden+2007-12.pdf.
United Kingdom	HMRC has over the last decade published regular assessments of the tax gap, primarily in the area of indirect taxes (VAT and Excise). In 2009, it published a comprehensive assessment of the tax gap for all taxes administered, based on what are described as "top-down" and "bottom-up" measurement approaches, which was published in conjunction with the UK Chancellor's Pre-budget report. This research has continued and HMRC now publishes regular updates of its tax gap estimates for all taxes, in line with its strategic goal "to close the tax gap". In late 2013, the IMF conduct a review of HMRC's tax gap analysis programme and provides advice and guidance on further improving it. Details of HMRC's most recent gap research published in October 2014 can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/364009/4382_Measuring_Tax_Gaps_2014_IW_v4B_accessible_20141014.pdf.
United States	IRS administers the National Research Programme (NRP) to develop comprehensive tax gap updates for 2001 and subsequent years. The IRS's latest series of tax gap estimates was published in January 2012 in respect of the 2006 fiscal year and a rolling programme of further studies is underway to update the 2006 estimates. The results of the NRP are published on the IRS's website: www.irs.gov/uac/The-Tax-Gap.

Source: Secretariat research and survey responses.

The use of random audit programmes

Random audit programmes have been used by revenue bodies for many years for a variety of purposes: *(1)* to develop/refine audit risk profiling systems; *(2)* to assist in the development of tax gap estimates; *(3)* to monitor compliance in specific areas of the tax system; *(4)* as a general deterrent to non-compliance; and *(5)* as a source of data to support legislative changes. Notwithstanding the useful information they can provide, some revenue bodies are reluctant to use such programmes given concerns for the additional compliance costs they impose on compliant taxpayers and the revenue foregone from deploying audit staff away from more revenue productive work.

Drawing on the survey responses and related research the key findings and observations are as follows:

- Over half of surveyed revenue bodies (29 of 56) reported the use of, or intention to use, random audit programmes for some of the taxes administered.
- Details of the random audit programmes of a small number of revenue bodies, obtained from survey responses and/or other published materials, are briefly described below to provide additional insights:
  - ***Canada:*** The CRA runs a Research Audit Programme to obtain information on the compliance of the small and medium enterprise taxpayer population. Files are selected randomly using statistical sampling methodologies rather than based on an evaluation of risk in order to produce statistically valid and unbiased results. In particular, the objectives of the research programme are to measure the non-compliance rates by industry as a basis for monitoring compliance trends over time; and to provide information to validate and refine the CRA's risk assessment systems in order to improve file selection and target audit resources more effectively. Historically, aggregate results have been published but the information produced is not used for tax gap measurement purposes.
  - ***Hungary:*** A Random Based Selection System (VAK-system) has been operating since 2001, entailing some 5% of post-tax audits that are selected on the basis of a stratified sample. Conclusions of general taxpayer behaviour are drawn by exploring the data of the stratified sample. Test results of VAK can be used to calculate the portion of concealed tax detectable by tax authority means and provide information for the measurement of the selective efficiency.
  - ***Ireland:*** Revenue conducts a random audit programme each year on a sample of cases drawn from a population of taxpayers (largely self-employed and investor-type taxpayers). The primary purpose of the programme is to ensure that no self-assessed taxpayer is exempt (or believes himself or herself exempt) from the possibility of being audited. The programme is also designed to measure and track compliance with tax legislation and to provide feedback and insight on new trends and compliance issues within the tax system, thereby informing Revenue's compliance strategy. Aggregate results are published but the findings are not used for tax gap estimation purposes.
  - ***United Kingdom:*** HMRC undertakes on-going research to produce aggregate tax gap estimates for all its major taxes. The detailed findings and descriptions of the methodologies used are prepared in accordance with the Code of Practice for Official Statistics. In addition to publishing annually the results of its tax gap research HMRC also makes public the detail of the methodology its uses to derive its estimates. The information in Box 3.4 has been extracted directly from its published report and provides further details concerning its random audit programme.

Box 3.4. **United Kingdom HMRC's random audit programmes**

Random enquiry programmes allow HMRC to estimate the extent of under-declaration of liabilities arising from the submission of incorrect returns. Each return selected is subject to a full enquiry involving a complete examination of books and records. Under certain circumstances, a full enquiry may not take place if the return can be verified through third party information.

There are three direct tax random enquiry programmes which are used to produce tax gap estimates. They cover: *(1)* Self-assessment individuals and small partnerships; *(2)* Small and medium-sized employers; and *(3)* Corporation tax for small and medium-sized businesses. In its latest cycle of research for the 2011-12 income year, the sample sizes applied were: *(1)* 2 599 taxpayers; *(2)* 819 taxpayers; and *(3)* 567 taxpayers respectively.

To produce population estimates for total tax gaps from the samples, the average tax gap estimates from random enquiries are multiplied by the number of taxpayers in the population. Adjustments are made for cases selected but "dropped" – that is, no enquiry is made because the return satisfies the criteria for not taking up an enquiry.

Source: Measuring Tax Gaps 2014 Edition, Methodological Annex.

With the increasing emphasis being given by many revenue bodies to strengthen their knowledge of the nature and causes of tax non-compliance and the concomitant interest in developing more sophisticated automated risk profiling approaches, it would appear that random audits will continue to be used fairly widely, notwithstanding related cost considerations.

Use of computer-based data matching systems to address non-compliance

Income tax administration

As described more fully in Chapter 9, the income tax laws of many countries include reporting requirements on third parties such as employers (re employment income), financial institutions (re interest income) and public companies (re dividends) to provide revenue bodies with an extensive source of information that can be used to verify taxpayers' compliance with the tax laws.

With use of technology rapidly increasing across the business population over the last decade or so, the opportunity for many of them to provide timely reporting to revenue bodies at minimal compliance costs has increased enormously. At the same time, many revenue bodies have become more innovative in their uses of such information not only using the information reported to detect instances of non-compliance but also to prepare pre-filled tax returns (or similar documents) that can be sent to taxpayers for their verification. Using third party data in this way reduces taxpayers' compliance burden and reduces the errors that might otherwise arise. The use of prefilling is discussed in Chapter 7.

The administrative tasks associated with receiving and accurately processing large volumes of third party reports with tax reports is not a straightforward undertaking and revenue bodies generally have had to develop their capabilities in this area over a considerable period of time.

Specific challenges that can and have arisen include: *(1)* developing standards for the accurate reporting by third parties of third party reports using electronic media; *(2)* ensuring timely reporting compliance by third parties; *(3)* achieving high rates of accuracy in matching taxpayer identities contained in third party reports with revenue body records; *(4)* once taxpayer matches are achieved, using the third party data to identify potential "at risk" cases; *(5)* dealing with large numbers of "at risk" cases identified in a cost effective way; and *(6)* finding cost effective means for using "unmatched" third party reports.

> "We matched more than 650 million transactions against information we hold that helped to identify where individuals and businesses may not have reported all of their income. Around 480 000 income tax reviews and audits were conducted as a result of data-matching activities."
> — ATO Annual Report 2013-14, page 57

These challenges will be brought into further focus with the adoption by many countries of the Common Reporting Standard (CRS) for automatic exchanges of third party reporting that are expected to commence in 2017. This standard, which relates to the reporting of financial account information of non-residents between participating countries, is expected to entail many millions of transactions that will need to be systematically processed by revenue bodies to detect and deter tax non-compliance.

VAT administration

Rapid growth in the use by business of modern accounting systems, including for invoicing purposes, has also opened up new opportunities for revenue bodies to enhance the administration of their VAT systems. While not the subject of detailed study by the FTA, countries such as Chile, Korea, Mexico, and Portugal are known to have developed applications for the mass processing of VAT invoice data, to assist in the detection of non-compliance. Chile, a country that relies to a very large degree on its VAT as a source of tax revenue, has also developed a number of innovative strategies for assisting very small taxpayers manage their VAT administration that are described briefly in the recent FTA report *Tax compliance by design.*

For this series revenue bodies were asked whether they administer computer-based information processing systems for: *(1)* matching large volumes of third party income reports to check income tax compliance and for other income tax administration purposes (e.g. prefilling of tax returns); and *(2)* processing bulk VAT invoice data to check compliance by businesses with VAT obligations.

Income matching programmes

Nine countries, including 7 OECD countries (i.e. Czech Republic, Italy, Japan, Luxembourg, Poland, Slovak Republic, and Switzerland) reported that they do not administer such systems for managing taxpayers' compliance. The precise reasons why such systems are not used has not been explored but may be explained, in part, by policy-related factors. For example, in some countries interest and dividend income is not assessable in the hands of residents or it may be subject to final withholding tax at source meaning that there is no obligation to report it in annual tax returns. In both situations, there is no need for revenue bodies to capture and process income-related reports.

Bulk processing of VAT invoice data

Twenty five countries reported they were using systems to process VAT invoice data in some way to assist them manage VAT compliance. The practice appears particularly popular in Central and South American countries and its adoption has grown over recent years among some EU countries in the aftermath of the findings the EC-commissioned VAT gap studies.

Note

1. *Modernising Government* describes "open government" as embodying the following characteristics: *(1) transparency*: that its actions, and the individuals responsible for those actions, will be exposed to public scrutiny and challenge; *(2) accessibility*: that its services and information on its activities will be readily accessible; and *(3) responsiveness*: that it will be responsive to new ideas, demands and needs.

Notes to Tables

Table 3.1. Selected management practices: business plans, annual reports, surveys

/1. **Argentina:** AFIP produced and published in 2011 its Strategic Plan 2011-15 detailing its institutional mandates (mission, vision and values) and the strategic objectives defined in long term. **Belgium**: There is an integrated management plan for multi-year period 2012-17; a new plan will be prepared in 2015. **Brazil**: The RFB developed software that registers the strategic objectives, goals and results indicators. In addition, a management information centre with control over all RFB areas, including strategic management, was created. **Bulgaria:** Only the 5 year business plan of the NRA is published. **Canada**: The Corporate Business Plan is a confidential document. Only the Summary of the Corporate Business Plan is published and made available to the public. **Chile**: The SII does not publish an annual report; however, relevant information is made public in the Annual Public Account. Information published includes data re taxpayer population, amounts of tax collected, tax gap estimates, human resources of the tax administration, e-services offered, etc. **Croatia:** The annual report is submitted to the Ministry of Finance which publishes a consolidated report for the Ministry as a whole. **Cyprus:** Only collections are published by Direct Tax Department. Results of Direct Tax and VAT Departments are published in the General Auditors Report. **Estonia:** Annual performance report: the performance results of ETCB are incorporated into the annual report of Ministry of Finance and it is published on the website of ETCB; ETCB does not prepare separate annual report since 2008. **Israel**: Partial publication but does not include data. **Korea**: On an irregular basis. **Lithuania:** STI annual report is not made public because STI is not a separate holder of assignments since 2011. **Malaysia**: The IRBM Corporate Plan 2012-15 was published in 2012. It is a revised version of the existing corporate plan and outlines the strategies in the management of IT, revenue and organisational risk as well as optimum use of resources, co-operation networking and human capital development for the period 2012 to 2015. **Morocco**: Partial publication. **Netherlands**: The State Secretary for Finance reports on future strategies for the NTCA as well as performance targets as part of Annual Budget. **Russia**: A plan of activities for the FTS for each calendar year is approved by the MOF and published on the FTS's website. **Saudi Arabia**: Done informally through website and weekly newspapers where views and comments are received and responded to through workshops and seminars. **Spain: T**he Institute for Fiscal Studies (part of MOF) carries out an annual Public Opinion Survey on tax matters, including tax administration. The Tax Agency also uses a public poll on e-services for PIT. **Switzerland**: Federal cantons are in charge of contact with citizens and conduct their own surveys. The Federal Tax Administration conducts surveys of VAT taxpayers. **Turkey**: Surveys are applied to all taxpayers as whole, not separately.

/2. **Argentina:** The final Report of the Annual Management Plan is prepared by AFIP and submitted for the approval of an Advisory Council formed by representatives of different public institutions. **Brazil**: The Federal Revenue publishes data related to the services provided to taxpayers via monthly reports and a Citizen Service Charter (both published on the internet). **Chile:** Surveys required by law introduced in 2010 that establishes an economic incentive to improve service quality based on an annual survey that measures a quality indicator (or net satisfaction rate) for both individual and business taxpayers; there are annual targets to be met to achieve the economic incentive. **Croatia:** Apart from the standards that are regulated within the national tax law, the tax administration does not have a formal set of service delivery standards for all of its services, but a "Catalogue and standards to the taxpayers" is currently being prepared and will be made public. **Morocco**: Every three years. **Netherlands**: Reports are made available to Parliament twice every year. **Russia:** Report on the results and main activities (DROND) of the FTS of Russia for the medium term is sent to the Russian Ministry of Finance annually and published as part of Russian Ministry of Finance's DROND on the MOF website.

Table 3.9. Strategic approach for managing taxpayers' compliance

/1 **Australia:** Research to date has been in respect of indirect taxes but is to be extended to direct taxes over the next two years. As the new estimates are developed a decision will be made by the ATO on the benefits of including them in their published effectiveness measures. The ATO is giving consideration to introducing a random audit programme. Central to their decision to proceed will be the ability to design a programme which can sufficiently minimise any additional regulatory burden on taxpayers as well as administrative and opportunity costs to the ATO. **Costa Rica:** Tax gap estimation is within the competency of the General Directorate of Fiscal Matters in the MOF, while some studies regarding tax evasion have been published by the Comptroller General; VAT invoice data are partially available (i.e. for transactions made with debit and credit cards. **Estonia:** The ETCB produces an annual Strategic Base Analysis where taxes and risks as well as tax gaps are calculated and analysed. This is one of the inputs for strategic planning for the following period. The results are made public only partially according to need. **Finland:** The Tax Administration is required to provide tax gap estimates in 2014; research associated with this requirement will be supported by random audits conducted on a small scale from 2014. **Hungary:** A Horizontal Monitoring Committee was established in 2013 and it is currently examining the possibility of introducing a co-operative compliance-based model. **Israel:** Applied only for certain sectors and executed through headquarters, not the Large Taxpayer Office. **Italy:** Process described as only for sector studies concerning non-filed returns or returns filed with anomalous data (and not for large taxpayers). **Lithuania:** A random audit programme to test VAT compliance commenced in 2014 in response to recommendations from its MOF. **Luxembourg:** There are separate direct and indirect tax administrations; only the Indirect Tax Administration uses a risk assessment process, conducts random audits, and estimates tax gap (VAT only). **Morocco:** The tax administration is currently implementing a formal process for identifying, assessing and prioritising its key compliance risks areas. This project began in 2013. Concerning the use of co-operative compliance approaches, the tax administration has adopted an enhanced programme of categorisation which is a new approach for managing compliance of enterprises. **Romania:** Gap estimation work will be undertaken as part of NAFA's reform programme (RAMP); **Russia:** FTS reported that pilot project was launched in 2012 with certain large taxpayers who agreed to participate; taxpayers concluded agreements with FTS to a form of "horizontal monitoring", as seen in the Netherlands, which seeks to broaden information exchange and improve tax compliance. The results of the pilot programme will determine if it is to be extended. **Slovak Republic:** Tax gap analysis concerning Slovakia's VAT is undertaken by the MOF**. Spain:** A comparison is made with National Accounts data each year. **South Africa:** SARS does not yet reconcile detailed VAT invoices to match input and output credits, although this is part of SARS longer term strategy.

Table 3.10. Managing taxpayers' compliance – main compliance risks for 2014

/1 **Bulgaria:** Revenue body also identified SSC non-compliance as a high risk area. **Canada:** other tax avoidance includes offshore non-compliance while hidden economy includes non-filing. **Ireland:** Revenue identifies and addresses compliance risk across all the sectors listed in the menu. It does not prioritise one area over another and resources are deployed commensurate with the risks identified in each of these sectors. **Israel:** There is no general reporting requirement. However, the risk of non-reporting by those who are so required has been identified. A special commission is working on expanding the reporting requirement to specific populations and also an intelligence project examines profiling risks and produces additional individuals required to report. For example, quantitative parameters are applied concerning ownership of luxury assets, excessive travel etc. **Luxembourg:** Risk areas concern VAT only. **Morocco:** The tax administration is currently implementing a formal process for identifying, assessing and prioritising its key compliance risks areas. This project began in 2013. **Netherlands**: NTCA applies Compliance Risk Management which is a systematic process in which a tax administration makes deliberate choices on which treatment instruments could be used to effectively stimulate compliance and prevent non-compliance, based on the knowledge of all taxpayers (behaviour) and related to the available capacity. **South Africa:** SARS introduced its first SARS Compliance Programme for the five year period 2012/13 – 2016/17. The following seven broad priority areas have been identified: *(1)* Wealthy South Africans and their associated trusts; *(2)* Large business and transfer pricing; *(3)* Construction industry; *(4)* Illicit cigarettes; *(5)* Undervaluation of imports in the clothing and textile industry; *(6)* Tax practitioners and trade intermediaries; and *(7)* Small businesses. **Switzerland:** All risk categories relate only to VAT administration and it also reported risks in particular industrial sectors in its top five risk areas. **Singapore:** IRAS also identified compliance risks arising from excessive and incorrect expense claims in its top five risk areas.

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