Chapter 2

The organisation of revenue bodies

This chapter describes aspects of the organisational arrangements of surveyed revenue bodies, and includes a fairly comprehensive summary of recent and planned reforms to improve the efficiency and effectiveness of tax system administration. It also includes a brief outline of organisational and operational arrangements put in place to manage large corporate taxpayers and high net worth individuals.

Key points

Organisational structures/features

- Many revenue bodies have undergone, or have underway, major organisational reform efforts to achieve improved outcomes, in particular substantial cost reductions. Important reform themes observed from country survey responses include institutional reform, increased responsibilities for revenue bodies), increasing application of customer segment approaches (incl. large taxpayer units), reducing layers of management allied with shifts towards a more centralised form of management, major office network rationalisation, and shared services approaches involving multiple government agencies.
- The "function" criterion continues to be significant in the design of revenue bodies' structures but around two-thirds reported a design based on a broad mix of criterion – a "hybrid" structure.
- The vast majority of revenue bodies have concentrated their information processing work in a small number of sites and maintain in-house tax fraud investigation and enforced tax debt collection functions.
- While the majority of revenue bodies reported the operation of a full in-house IT function, around 20% rely significantly on outsourced arrangements or other parts of government for their IT support.

Office networks and resource allocation

- While all revenue bodies operate with office networks which are geographical and hierarchical, many have created centralised operations (e.g. phone call centres, data processing centres, and large taxpayer offices) to increase efficiency and effectiveness.
- Prior editions of this series have drawn attention to the abnormally large (and expensive!) office networks that have historically characterised the tax administration landscape of many surveyed countries, especially many in Europe. On a positive note, it can be reported that some of the countries concerned have taken up this reform challenge and significantly scaled down their office networks (e.g. in Croatia, Denmark, Greece, and Norway). However, this reform challenge still remains for many (e.g. Belgium, Czech Republic, France, Luxembourg, and Poland) and should constitute a key part of reform efforts in coming years in order to significantly reduce operating costs and improve efficiency.
- Across surveyed bodies, there is an enormous variation in the relative size of revenue bodies' headquarters function, reflecting a variety of factors (e.g. a more centralised approach to the national management of tax administration operations and large in-house IT functions).

Large taxpayer units

- The vast majority (around 85%) of surveyed revenue bodies have established dedicated units responsible for administering their largest taxpayers; however, these units vary significantly in the scale of their operations – a product of the varying (and sometimes quite complex) criteria used to identify relevant taxpayers – and in the scope and range of their responsibilities.

High net worth individuals

- Despite evidence of significant growth in the numbers and wealth of high net worth individual taxpayers over recent years, relatively few revenue bodies have established specialist units to oversee their administration, as recommended by the FTA in its 2009 study.

Getting organised to collect taxes

Organisational structures of revenue bodies and their evolution

Over the last two decades or so, the organisational structure of many revenue bodies has been the subject of major reform aimed at improving operational efficiency and effectiveness and the delivery of services to taxpayers. By and large, these reform efforts have mirrored a broader trend in the evolution of the structure of revenue bodies, moving initially from a structure based primarily on "tax type" criterion to one based on "functional" criterion. For many revenue bodies, steps have also been taken to structure their compliance (i.e. service and verification) functions on the basis of "taxpayer segment", at least so far as large taxpayers are concerned, while a few bodies apply the "taxpayer segment" approach more broadly. A description of some of the factors relevant to this evolution is set out below:

- *The "type of tax" organisational model:* The earliest organisational model employed by tax administrators was based principally on "type of tax" criterion. Applying this model, separate multi-functional departments were responsible for each tax and were largely self-sufficient and independent of each other. While serving its original objectives, this model was eventually seen to have a number of shortcomings, including:
  - Inefficiencies and excessive costs, largely as a result of its inherent duplication of operational functions across different taxes;
  - Burdensome on those taxpayers with multiple tax dealings, requiring them to deal with different departments on similar issues (e.g. debts);
  - Complications and additional costs, both to revenue bodies and taxpayers, in co-ordinating compliance actions across different taxes;
  - Inconsistent treatment of taxpayers (e.g. service delivery, debt, and audit);
  - Inflexible use of staff whose skills (and often entire careers) were largely confined to a particular tax; and
  - Excessively fragmented management of the tax system, complicating organisational planning and co-ordination.

To address these and other shortcomings, many revenue bodies saw merit in restructuring their operations, adopting a model based on "functional" principles:

- *The "functional" organisational model:* With the functional model, work and staff are organised largely within functional groupings (e.g. registration, information processing, audit, collection, etc.) and work across taxes. This approach to organising work permits greater standardisation of work processes across taxes, thereby simplifying computerisation and arrangements for taxpayers, and can improve efficiency. Compared to the "tax type" model, the functional model has come to be seen as offering many advantages and its adoption has led to many developments that improve tax administration performance (e.g. single points of access for tax inquiries, unified taxpayer registration, common policies/approaches to tax accounting, and better management of tax audit and debt collection functions.) However, some revenue bodies have taken the view that this model is not optimal for the delivery of compliance programmes across all segments of taxpayers given their differing characteristics and behaviours and attitudes to tax compliance.

- *The "taxpayer segment" organisational model***:** A further development among a small number of countries (e.g. Australia and United States) has been to organise service and enforcement functions principally around "segments of taxpayers" (e.g. large businesses, SME, and individuals). The rationale for organising these functions around taxpayer segments is that each group of taxpayers has different characteristics and tax compliance behaviours and, as a result, presents different tax risks that require a more tailored treatment approach. In order to manage these risks effectively, the revenue body needs to develop and implement treatment strategies that are appropriate to the unique characteristics and compliance issues presented by each group of taxpayers. Revenue bodies also need a structured approach to researching and understanding what these compliance issues are. Proponents of the "taxpayer segment" type of structure contend that grouping key functional activities within a unified and dedicated management structure increases the prospects of improving overall compliance levels. While application of the "taxpayer segment" model is still in its early stages of use, many countries have partially applied this approach by creating dedicated large taxpayer divisions/units.

With the move to organising some revenue body functions by "taxpayer segments" today's modern revenue bodies are typically structured according to a mix of "functional", "taxpayer segment" and "tax" criteria, a hybrid form of structure.

Why organisational structure is important

International organisations promoting reform of tax administration have consistently drawn attention to the importance of revenue bodies having a coherent organisational structure for the administration of national taxes. As observed in Box 1.2 in Chapter 1, the EC's Fiscal Blueprints establish two strategic objectives dealing directly with organisational structure: *(1)* the tax administration is structured and organised to identify and manage all significant risks and priorities; and *(2)* there is a unified tax administration. In relation to these objectives, the blueprints draw attention to a range of indicators, including:

- Is it (the revenue body) structured to understand and meet the needs of key taxpayer groups or segments?
- Is there a large taxpayer unit (LTU) in place, at a national level, to deal with the most important companies?
- Are there special units with specific skills, offering operational economies of scale (e.g. intelligence, enforced collection)?
- Is it responsible for all taxes and linked to social contributions?
- Is it responsible for all fiscal functions (assessment, collection, data processing, audit, taxpayer service and claim investigation) and organised accordingly (i.e. by function)?
- Are there special units with specific skills, offering operational economies of scale (e.g. intelligence, enforced collection)?

These indicators all point to the preference for a body structured primarily on a functional basis, with divisions to deal with key taxpayer segments (e.g. large).

Similar views concerning the importance of structure are advanced by IMF Fiscal Affairs officials, drawing on extensive experience in tax reform projects – see Box 2.1.

Box 2.1. **Why is the choice of an organisational model so important?**

In recent years, organisation structures have become increasingly important in both the private and public sectors. Concerns have been raised related to accountability, responsibility and transparency within organisations – for example, what are their legal authorities and powers? what oversight mechanisms exist? what kind of flexibilities are available to address modern management problems? Governments are seeking ways to improve operational results while increasing transparency and accountability within their departments and agencies. The organisation structure of the tax administration is a key component in these efforts.

The organisation structure of tax organisations has evolved considerably over time. From organisation structures based on type of tax, to those based on function (the subject of this note) to those based on the type of taxpayer (small, medium or large), economies of different sizes and at different stages of development have attempted different kinds of organisational reform. Many tax administration organisations are actually a combination of these structural categories.

An effective organisation is the basic platform from which all other procedural reforms are launched and maintained. Without the right organisation structure in place, revenue administrations cannot operate effectively and their revenue collection efforts will be sub-optimal. Where function-based organisations have not been implemented, the extensive procedural and operational reforms needed to support modernisation would likely be ineffective.

Source: Revenue Administration: Functionally Organised Tax Administration, IMF, 2010.

Table 2.1 highlights a number of high level structural features of revenue bodies in all countries covered by this series. As will be evident from the information reported, there are significant variations in the organisational structures of revenue bodies from country to country. However, there appears to be a substantial reliance on the "functional" model of organisation – 12 of 56 revenue bodies indicated that the functional model has been adopted as the primary criterion for structuring their tax administration operations, while another 35 reported that a broad mix of criteria, including "function", are applied in practice. As will also be apparent from Table 2.1, 48 revenue bodies have complemented their largely functional structure with a dedicated division (in a few cases limited to audit-related tasks) to administer the tax affairs of their largest taxpayers. Other important observations are:

- The vast majority of revenue bodies (43 of 56 countries) operate some form of dedicated processing centres (e.g. for processing of tax returns and payments).
- Over 80% of revenue bodies reported the operation of a dedicated large taxpayer unit (LTU) to manage taxpayers' tax affairs, including Portugal who reported the creation of a new unit in 2012 (see comments later in this chapter). Countries reporting they did not have such an operation in the main are relatively small, still applying technical assessment methods (as opposed to self-assessment principles) and/or operate with separate direct and indirect tax operations (e.g. Cyprus, Luxembourg, and Malta).
- Less than a third of revenue bodies operate dedicated units to manage the tax affairs of high net worth individuals, notwithstanding data pointing to significant growth in the population of wealthy taxpayers and growing evidence of the increased concentration of wealth. (Further comments on this aspect are provided later in this chapter);

Table 2.1. **Selected features of the organisational structure of revenue bodies**

Country	Main criteria for structure: **T**: tax type, **F**: function, **TP**: taxpayer	Selected features of revenue bodies' internal organisational structure: High net worth individuals	Large taxpayer division/ unit	Dedicated processing centres	Debt collection function	Tax fraud function	Dedicated disputes function	Full in-house IT function
OECD countries								
Australia	All	✓	✓	✓	✓	✓	✓	✓
Austria	All	x	✓	x	✓	✓	✓	x /1
Belgium	All	x	✓	✓	✓	✓	x	✓
Canada	F	✓ /1	✓	✓	✓	✓	✓	✓ /2
Chile	All	✓ /1	✓	✓	x /1	✓	✓	✓
Czech Republic	T, F	x	✓	✓ /1	✓	✓	✓	✓
Denmark	All	x	✓	✓	✓	✓	✓	x
Estonia	All	x	x	✓	✓	✓	✓	✓
Finland	All	x	✓	✓	✓	✓	✓	x /1
France	TP	✓ /1	✓	✓	✓	✓	✓	✓
Germany	All	x	✓	✓	✓	✓	✓	✓
Greece	All	✓ /1	✓	✓	✓	✓	✓	✓
Hungary	All	x	✓	✓	✓	✓	✓ /1	✓
Iceland	All	x	x	x	x	✓	✓	x
Ireland	TP	✓	✓	✓	✓	✓	x /1	✓
Israel	All	x	✓	✓	✓	✓	✓ /1	✓
Italy	All	x	✓	✓	x	✓ /1	✓	x /2
Japan	All	✓	✓	✓	✓	✓	✓	✓
Korea	All	x	x /1	x	x /2	x /2	✓	✓
Luxembourg	F, T	x	x	✓	✓	✓	✓	x
Mexico	F, TP	x	✓	✓	✓	✓	✓	✓ /1
Netherlands	F, TP	x /1	✓	✓	✓	✓	x	✓
New Zealand	All	✓	✓	✓	✓	✓	✓	✓
Norway	All	x	✓	✓	✓	✓	✓	✓
Poland	All	x	✓	✓	✓	✓	✓	✓
Portugal	All	✓ /1	✓	✓	✓	✓	✓	✓
Slovak Republic	F	x	✓ /1	x	✓	✓	✓	x
Slovenia	All	x	✓	✓	✓	✓	x	✓
Spain	All	✓ /1	✓	✓	✓	✓	x /2	✓
Sweden	All	x	✓	x	x	✓	x	✓
Switzerland	F, T	x	x	✓	x	✓	✓	✓
Turkey	F	x	✓	✓	x	✓	✓	✓
United Kingdom	All	✓	✓	✓	✓	✓	✓	x
United States	TP	✓	✓	✓	✓	✓	✓	✓
Non-OECD countries								
Argentina	All	✓	✓	✓	✓	✓	✓	✓
Brazil	F /1	✓	✓	x	✓	✓	✓	✓
Bulgaria	F	x	✓	x	✓	✓	✓	✓
China	All	x	✓	✓	✓	✓	✓	✓
Colombia	F	x	✓	✓	✓	x	✓	✓
Costa Rica	F	✓	✓	x	✓	✓	✓	✓
Croatia	All	x	✓	✓	✓	✓	x	✓
Cyprus	T	x	x /1	✓	✓	x	✓	x
Hong Kong, China	All	x	x	✓	✓	✓	✓	✓
India	F	x	✓	✓	✓	✓	✓	✓
Indonesia	All	✓	✓	✓	✓	✓	✓	✓
Latvia	F	x	✓	x	✓	✓	✓	✓
Lithuania	F	x	✓	✓	✓	x	✓	✓ /1
Malaysia	F	✓ /1	✓	✓	✓	✓	✓	✓
Malta	All	x	x	✓	✓	✓	✓	x
Morocco	F, TP	x	✓	x	✓	✓	✓	✓
Romania	F, T	✓	✓	✓	✓	✓	✓	✓
Russia	All	x	✓	x	✓	x	✓	✓
Saudi Arabia	F	x	✓	x	✓	✓	✓	✓
Singapore	F, T	x	✓ /1	✓	✓	✓	x	✓
South Africa	All	✓	✓	✓	✓	✓	✓	✓
Thailand	F, TP	x	✓	x	x	✓	✓	✓

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 98.
Source: Tax Administration 2015 survey responses.

- All but 9 revenue bodies have a dedicated in-house debt collection function. Survey responses and related research identified some unusual arrangements for enforced tax debt collection in four countries, where the conduct of much/most of this work is undertaken outside the revenue body:

  Chile reported that enforced tax debt collection is the responsibility of the Treasury that also collects other government debts, while in ***Iceland*** the Customs Agency is responsible for tax debt collection. In ***Sweden***, enforced tax debt collection is the responsibility of a separate government body – the Enforcement Authority (EA) – that, until 2006, was part of the Tax Agency; the EA operates as an independent authority and general debt collection body. Finally, in ***Italy***, enforced tax debt recovery is the responsibility of a government body – Equitalia Spa – jointly-owned by the revenue body and the Social Security Institute.

- The great majority of revenue bodies in OECD countries maintain a dedicated division responsible for the investigation of serious cases of tax fraud/evasion.

- Organisational arrangements for the provision of information technology support vary significantly across revenue bodies, ranging from comprehensive in-house IT operations (e.g. United States), centralised IT operations within the MOF that are shared across a number of government bodies (e.g. Austria), to partially or fully outsourced arrangements involving private sector bodies (e.g. Australia, Denmark, Latvia, Mexico, and United Kingdom). A recent development reported by Canada describes the creation of a new government department – Shared Services Canada – to provide IT support to multiple government agencies (including the CRA), that aims to lower costs and streamline operations.

Country examples of high level organisational arrangements

Prior editions of the series have provided examples of the high level organisational structure of national revenue bodies' headquarters and identified a number of themes and similarities across sub-groupings of these countries. These are summarised in Table 2.2. In this series, examples are provided from three revenue bodies (i.e. Croatia, Latvia and Thailand) and categorised within the previously observed groupings – see Figures 2.1 to 2.3 (NB: the figures are derived from published materials of the revenue bodies concerned).

Table 2.2. **Features of the organisation structure of selected revenue bodies**

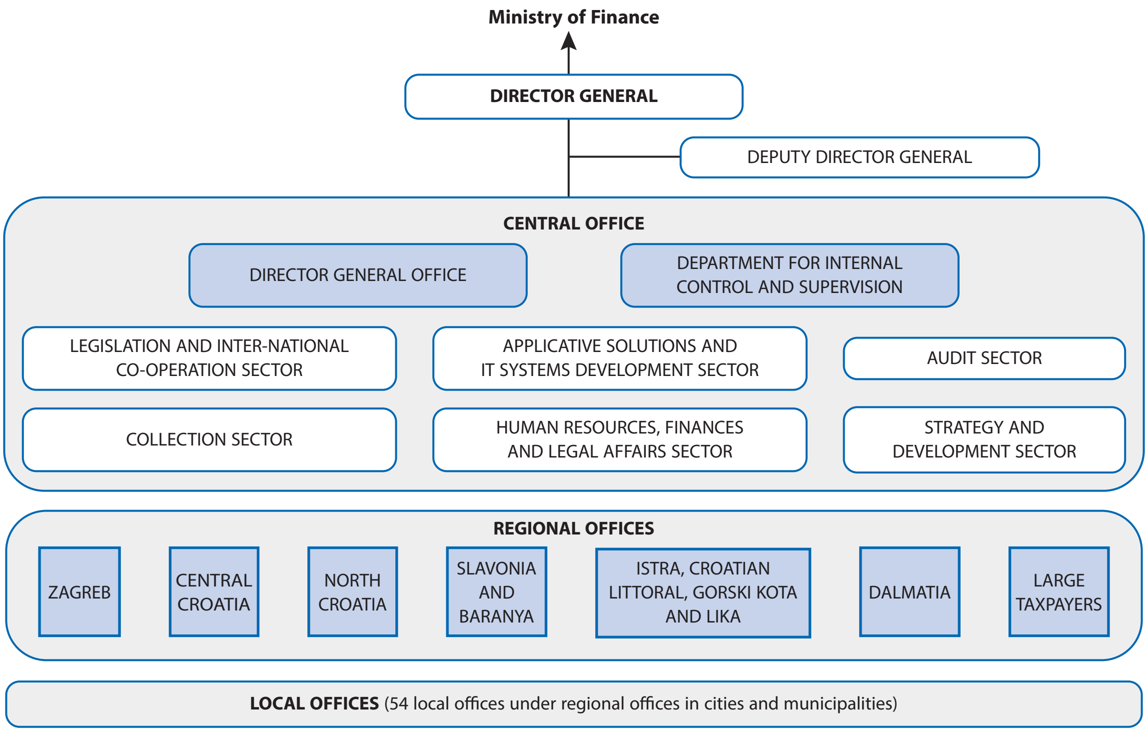
Design themes observed in revenue bodies' organisational structures	**Series edition**	**Country examples**
Taxpayer segment: This model is *characterised by a number of "taxpayer segment" divisions* responsible for compliance activities (service and verification) for taxpayers in each segment. There are also some functional units (*e.g.* for operations, client contact and debt) supporting the work of all segments. For the United States, the model replaced a more functionally-oriented setup for the delivery of service and enforcement activities, which was overseen by a formal layer of management and co-ordination at the regional level. This regional management layer was removed with the new structure.	2008	Australia and United States (Figures 1 and 9)
	2013	Finland (Figure 2.3

Table 2.2. **Features of the organisation structure of selected revenue bodies** *(continued)*

Design themes observed in revenue bodies' organisational structures	Series edition	Country examples
Function: The organisational models depicted for these revenue bodies *reflect the more traditional model of a functionally-organised body* with, for most, a formal layer of regional management. For New Zealand, there is also a tax policy function, an arrangement generally not seen in other OECD countries.	2008	Canada, Chile, Korea (Figures 2, 3 and 5)
	2010	Hungary, Japan and New Zealand (Figures 6, 7 and 9)
	2013	Czech Republic, Italy, Russia, Sweden, Turkey (Figures 2.2, 2.5, 2.7, 2.9, 2.11)
	2015	Croatia, Thailand (Figures 2.1 and 2.3)
Function (also with customs administration): The models shown for these revenue bodies are *based largely on functional criteria, and also reflect the integration of customs operations*, as well as a layer of regional management overseeing local operations. As noted in Chapter 1, a number of countries have aligned tax and customs operations within a single agency. The Brazilian, Spanish, Irish, Mexican and South African models also show a customer segment operation for large taxpayers.	2008	Estonia, Spain (Figures 4 and 7)
	2010	Argentina, Austria, Israel, Mexico (Figures 3, 4, 8 and 10)
	2013	Brazil, Ireland, Netherlands, South Africa (Figures 2.1, 2.4, 2.6 and 2.10)
	2015	Latvia (Figure 2.2)
Function (within the MOF): This model is *a less autonomous set-up where tax administration functions are grouped together under common management within the formal structure of the Ministry of Finance (MOF)*. A feature of this model is that support functions such as finance, human resources and information technology are shared with other MOF operational arms.	2010	France (Figure 5)
Other approaches: The UK model reflects the evolution of HMRC's internal structure following the merger in 2005 of the former separate direct and indirect tax administrations to create an integrated revenue and customs body. The model, driven in part by an objective of establishing clearer lines of accountability, is based on a matrix style of management where both "functional" and "tax type" considerations are given emphasis. The Singaporean model bears some similarities with its function and tax type configuration, although not responsible for customs.	2008	United Kingdom (Figure 8)
	2013	Singapore (Figure 2.8)

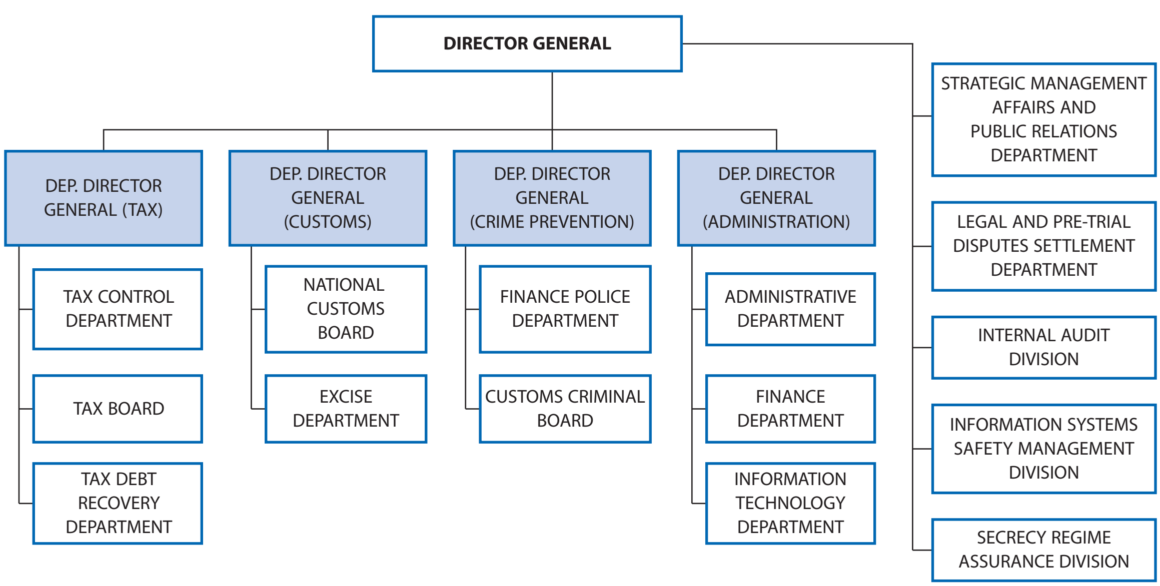
Source: 2013 series: From page 63 at www.oecd.org/ctp/administration/tax-administration-series.htm.

Figure 2.1. **Croatia: Tax Administration**



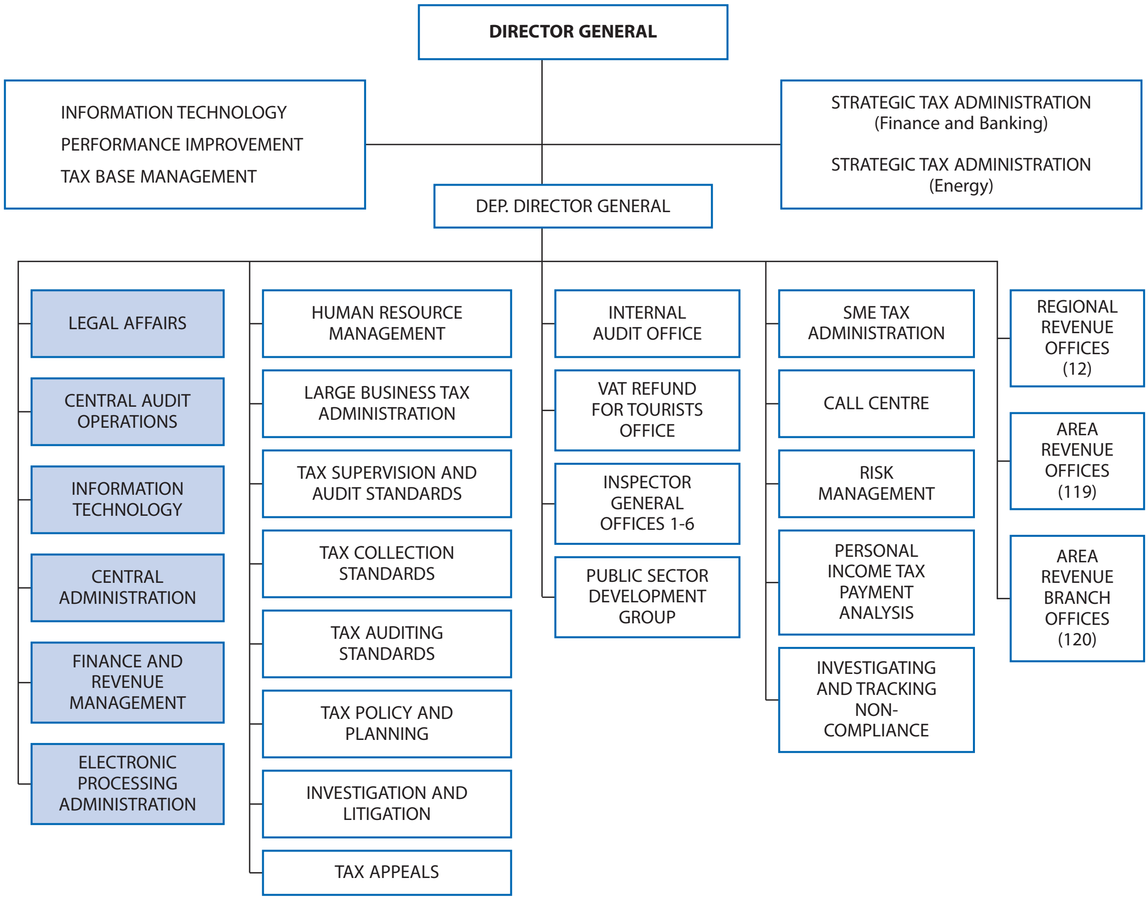
Source: Revenue body survey response (March 2015).

Figure 2.2. **Latvia's State Revenue Service**



Source: SRS 2012 Annual Report.

Figure 2.3. **Thailand's Revenue Department**



Source: Revenue Department's 2013 Annual Report.

Reorganising for improved performance

Reforming tax administration operations continues to receive considerable attention in many countries and appears to have intensified over recent years as Governments give mandates for reform efforts to improve efficiency and cut costs. For this series, revenue bodies reported a large variety of reform activity, much of it falling into the following categories:

1. Institutional re-organisation, including the allocation of new roles and functions.
2. Consolidation of office networks to achieve greater economies of scale.
3. Eliminating administrative duplication.
4. Major business process redesign, underpinned by better use of ICT.
5. Strengthening management capability to address fiscal fraud.
6. Implementing "whole of government" service delivery approaches.

For this series, revenue bodies were requested to provide brief details of major "organisational" reforms recently implemented or in course of development. This was supplemented by research of reports and studies made by other international organisations. The key reforms identified are briefly summarised below:

- ***Argentina*** reported that consistent with its overall strategic approach, taxpayer assistance is a priority objective, and that the importance of taking actions that facilitate the building of good relationships between citizens and the tax administration is recognised. To this end, it has established a model of mobile institutional assistance that enables AFIP to increase its presence in populous areas and has created two mobile units to deliver taxpayer services.

- ***Australia*** reported that its new leadership team is driving a transformation programme that seeks to "reinvent" the ATO in order to achieve its vision of being known for contemporary services, expertise and integrity. This includes transforming how clients and staff experience the tax and superannuation systems and will be underpinned by significant cultural change. The programme challenges thinking around concepts such as compliance and participation, and managing the pressures of being a useful and sustainable large public service organisation. (More details of the transformation programme are set out in Chapter 3.) Other reforms recently implemented include abolition of the Australian Valuation Office (previously under the ATO), the closure of 10 regional (shop front) sites from 31 October 2014, and transfer of responsibility for individual taxpayer complaints from the Australian Ombudsman Office to the Office of Inspector General of Taxation.

- ***Austria*** reported a series of reforms, continuing the Government's and revenue body's previously reported focus on tackling fraud. On 1 July 2013 the Financial Police became economically independent in terms of human resources and now operates with its headquarter in Vienna and branches in every tax office. The data, information and preparation centre is part of the Financial Police and responsible for database research and analysis as well as for providing information to national and international authorities. For further details, see https://english.bmf.gv.at/combating-fraud/Financial-Police.html and https://english.bmf.gv.at/e-government/financial-police-online.html. Co-ordinators for combating fraud have been established in each tax office and are experts for dealing with fraud cases and their functions including the collection of information on fraud-related matters, sharing this information within the tax office and within the network of combating fraud co-ordinators in all tax offices, and acting as experts for co-operation with other bodies engaged in combatting the different aspects of fraud.

  In a further phase of structural change, the Tax Investigation Unit and the Tax Office for duties, transfer taxes and games of chance, both previously organised on a regional and local level, have been implemented as units with nationwide competences.

  From January 2014, the former Independent Finance Tribunal became a court (i.e. the Federal Financial Court) with nationwide responsibility for all appeals against tax matters.

- ***Belgium*** reported a number of developments, concerning both institutional and organisation aspects for Government revenue collection. Since 1970, Belgium has undergone a process of regionalisation whereby it has gradually become a federal state. Regions have their own taxing powers and this enables them to establish some regional taxes (in areas such as water, and waste). Some taxes formerly collected on behalf of the State (e.g. property tax, inheritance tax, certain registration rights, or road tax) have been transferred over time to regions meaning that they are now competent to change the tax rate, the tax base and exemptions in respect of these regional taxes. The Federal Government (specifically, the Federal Public Service Finance) continues to service these regional taxes, unless a region decides to provide this service itself. To date, some regions have already taken over the service of some regional taxes. The personal income tax has meanwhile become a joint tax – a national tax in respect of which each region is authorised to levy an additional surcharge and implement reductions and tax increases related to substantive competence of the Regions. The federal government continues to service the personal income tax. In 2014, this process of regionalisation entails a further transfer of some responsibilities and staff from the Federal level to the regions.

Officials also reported developments concerning the organisation of the Federal Public Services Finance, specifically dealing with tax administration:

- *General Administration of Taxation:* Establishment of tax administration for target groups (i.e. individuals, SME and large enterprises) is underway.
- *General Administration for Tax Collection and Recovery (GACR):* Changes have been made to the structure and competence of the GACR, till recently only competent for the collection and recovery of income taxes and VAT. Concerning structure, 14 Regional Recovery Centres now provide leadership to the tax recovery offices within their jurisdiction. Later in 2014 the "single collector" principle will be implemented by merging the current recovery offices into polyvalent recovery teams within the regional centres. A single Perception Centre, with national competence, collects the different taxes, rights and duties. The Special Recovery Centre will deal with specific types of recovery, including the mutual assistance in the field of recovery; recovery focused on payment evasion and recovery of debts resulting from organised fiscal fraud. Concerning competencies, since March 2014, the services responsible for the collection and recovery of non-fiscal debts (alimony, fines, unduly paid benefits, etc.) were integrated within the GACR.

The aim of these reforms is to create synergies by having one collection and recovery authority dealing with all claims and debts. At the same time, a centrally defined strategy will be implemented across Belgium and the collection and recovery services will be open to regional differences. It should also improve effectiveness and efficiency, which will ultimately lead to savings for the government and debtors.

- The ***Bulgarian*** National Revenue Agency (NRA) reported that **a** Fiscal Control' Directorate has been established within the NRA Headquarters. Preparations for its launch were made in 2013 and it became operational in January 2014. The main purpose of this directorate is to perform fiscal control on the transportation of goods of high fiscal risk. The introduction of this fiscal control is aimed at preventing non-payment of VAT, corporate taxes and personal income tax. Subject to fiscal control is the transportation of goods of high fiscal risk on the entire territory of Bulgaria, irrespective of the place of goods delivery/unloading – on Bulgarian territory, the territory of another EU Member State or the territory of a third country, i.e. the fiscal control includes the intra-Community acquisitions, the intra-Community supplies, the transit of goods through Bulgaria from one EU Member State to another Member State, and the in-country supplies. No fiscal control is applied on the goods subject to the customs regime.

- ***Canada*** reported that the Offshore Compliance Division (OCD) has been established to implement certain offshore non-compliance Budget 2013 measures and to deliver related programmes and activities. Specifically, measures announced in Budget 2013 included: launching an offshore paid informant programme (Offshore Tax Informant Programme); mandatory reporting of international electronic funds transfers over CAD 10 000 to the CRA by certain financial intermediaries; enhanced reporting requirements for Canadian taxpayers with foreign properties or assets, and; streamlining the judicial process that provides the CRA authorisation to obtain information from third parties such as banks. Budget 2013 also provided for an investment of CAD 30 million over five years in support of these measures.

  The OCD is a dedicated unit within the Compliance Programs Branch (CPB) reporting directly to the Assistant Commissioner. It is comprised of 25 employees within Headquarters and 45 field employees that form specialised audit teams located in three Tax Services Offices across the country.

  The OCD's key areas of responsibility include: *(1)* developing and managing the Electronic Funds Transfer (EFT) reporting system to generate business intelligence; *(2)* leading the Offshore Tax Informant Programme and co-ordinating all related activities; *(3)* utilising all available sources of business intelligence, including information received through Exchange of Information (EOI) from the CRA's international partners, to identify and select high risk cases for compliance action; *(4)* providing technical expertise to dedicated audit resources addressing offshore non-compliance; and *(5)* working with domestic and international partners to identify emerging trends and issues related to offshore non-compliance.

- ***China's*** State Administration of Taxation (SAT) reported that since 2012, in accordance with the Central Government requirement to deepen reforms of administrative systems, it has been advancing organisational changes of tax authorities to accelerate their functional transformation and institutional improvement. To accommodate the demand of a "one-level tax investigation" and a specialised tax administration on large businesses, the reform focuses on the following aspects: *(1)* optimising the assignment of working responsibilities, organisational structure and staffing; *(2)* streamlining superior-subordinate relationship; *(3)* promoting high level tax authorities to assume more significant functions. The aim of the reform is to establish a flat tax organisational system, scientifically designed functions and efficient management, which adapts to the reforms of tax system and administration, as well as the taxpayer service optimisation. Through these reforms, human resources within the tax system are expected to be more centralised, and tax administration resources should be allocated to better accord with the distributional status of tax revenue sources. In addition, they are expected to further improve taxpayer's service and tax compliance.

- ***Costa Rica***, which has applied to become a member of the OECD, reported that over the last two decades it has progressively followed and adjusted to best international practices with regards to the structure of its tax administration operations. In 1998, a major reform programme entailed transition to a mixed functional structure which focusses on a traditional functional structure and national specialised units for complex functions, according to the type of taxpayers (e.g. large corporates and high net worth individuals) or their high impact on the revenue body's goals. In 2012, a new Tax Fraud Investigation and Repression Sub-division was created, while 2013 saw the establishment of a Tax Control Council within the revenue body. Work is currently underway to create a modern call centre operation.

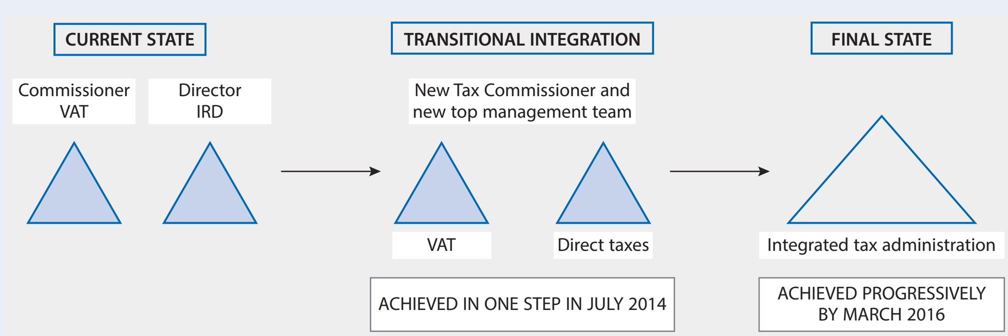
- ***Croatia*** reported a number of recently-introduced tax administration reforms, part of its on-going modernisation programme that is being supported by the World Bank. In January 2012, a Large Taxpayers Office (LTO) was established, with its main office in Zagreb, and supported by three local offices in other Croatian regional centres. The LTO provides specific services for around 680 large taxpayers in the whole of Croatia as well as a dedicated audit function with specialist staff (for transfer pricing, thin capitalisation, etc).

  Following the passing of a new Tax Administration Act (December 2014), the structure of regional and local offices has been rationalised, and a new network structure came into force from January 2015. With this new structure, there are now six regional offices (previously 20), and the LTO as a separate office, with the number of local offices being reduced from 124 to 54. Each regional office is competent for all taxpayers within its defined region, while both regional and local offices will be similarly structured (on a functional basis) and staffed (according to workloads). In addition, the new arrangements provide for reductions in the number of manager positions, although no overall reductions of staff, and increased staff mobility between offices. Officials reported that the objectives of these changes are to improve efficiency and operational processes, enhance managerial oversight from the centre, and to achieve greater consistency in the quality of services delivered to taxpayers.

- ***Cyprus*** reported that major institutional and organisation reforms are underway, the details of which are set out in Box 2.2, drawing on the formal memorandum of policies agreed between the Cypriot government and the IMF.

Box 2.2. **Cyprus: Developments in institutional and organisational reform**

***Integrating VAT and Inland Revenue services*:** In early January 2014, the government approved the reform plan outlining the organisational design of a new integrated tax department and the implementation timeline (see diagram below). In a first step, by the end of April, the authorities will submit to parliament a new enabling law providing for the transfer of powers and operations from the existing separate tax agencies to the new integrated tax department. Subsequently, a new senior management team will be appointed to take charge of the two agencies under the new transitional structure with the reform planned to be fully implemented by March 2016.



By the end of 2014, it is planned to establish an integrated unit for large taxpayers – which account for the largest share of revenues – in the new department.

Source: Third Review under the Extended Arrangement etc. Staff Report, IMF April 2014.

- ***Czech Republic*** officials reported the establishment, effective January 2013, of the Financial Administration of the Czech Republic, newly consisting of the previous General Financial Directorate, the Appellate Financial Directorate 14 Tax Offices in regions and the Specialised Tax Office (for large taxpayers).
- ***Denmark*** reported that to clarify tasks and responsibilities the central body of the Danish Ministry of Taxation (known as the "Koncerncenter") was re-organised on 1 January 2013. The "Koncerncenter was split into two bodies – a Department of Taxation focusing on legislation, tax policy and assisting the minister and a Central Customs and Tax Administration (SKAT) with responsibility for customs and tax administration. Following the split of "the Koncerncenter" the Central Customs and Tax Administration was re-organised on 1 April 2013. As part of this re-organisation, the regional structure was abolished, and all tasks were organised in six nationwide divisions (i.e. Customer Service (3 000 staff), Compliance (2 000 staff), Debt Collection (1 300), Economy and Controlling (450 staff), Information Technology (200 staff), and Human Relations/Group functions (400 staff). The purpose of the reform was to promote effective management, strong academic environments and efficiency improvement. It is anticipated that the reforms will permit gradual staff reductions while simultaneously improving efficiency and the uniformity and quality of the services offered to Danish taxpayers.

  In addition to SKAT, there is an independent Tax Appeals Agency and an independent Gambling Authority within the Ministry of Taxation.
- ***Estonia***'s Tax and Customs Board (ETCB) reported that prior to 2012 extensive structural reform in the ETCB had last been undertaken in 2008. In 2012, in order to be able to pay better salaries to keep the best officials, restructuring was undertaken and the only positions retained were those essential to carry out the ETCB's mission.

  As part of its restructuring, the ETCB abolished traditional regional tax and customs offices and instead created competence centres for each area of work. This kind of management model requires less co-ordination and is more cost efficient from the viewpoint of distributing work according to the real workload, experience, and competence levels of staff. Among other things, these reforms resulted in organisational downsizing by some 14%. With the economy now improving, there are more positions emerging which in turn creates competition with the private sector.

  In 2012, an Information Technology Centre was created in the MOF, consolidating IT budgets, operations and support for all MOF activities, including for tax and customs administration.
- ***Finland*** noted that following a major reorganisation completed at the end of 2011, the focus continues on strengthening the national units and reducing the number of regional tax offices. The aim of the national units is to distribute work in a more flexible manner, ensure uniformity of taxation and establish a closer connection between steering, development and operations. In the national units, taxation tasks are either distributed around the country or centralised nationally. At the same time, regional offices can be reduced as customers increasingly carry out most of their tax affairs using online and telephone services. For the future, operations will be concentrated in growth centres, where skilled labour is readily available and, from customers' viewpoint, there is the advantage of greater knowledge and expertise.
- ***France*** reported since January 2013 (five years after the merger of the General Tax and the Public Accounting Directorates), a new organisational chart of the DGFiP

headquarters has been progressively introduced to meet upcoming challenges under the best possible conditions. It also seeks to further integrate aspects of the two former directorates. Among the changes implemented, the Public Relations and Communication Office joined the Director General's office, while senior management has been unified through the appointment of a single Deputy Director General. Moreover, two highly specialised units have been set up to deal with international tax cases and to develop data-mining tools. A dedicated customer service unit has also been set up.

- ***Greece:*** Officials reported that a major programme of reform/re-organisation has been implemented, including the following elements:
  - To improve the efficiency of tax administration and ensure its increased autonomy, while providing accountability mechanisms and transparency, the Ministry of Finance has established a new General Secretariat of Public Revenue (GSPR), abolishing the former General Secretariat of Tax and Customs Affairs;
  - A new organisational structure has been developed and was implemented in Q3 of 2014;
  - Audit operations have been restructured and a formal Large Taxpayer Unit has been established;
  - The network of tax offices is being rationalised and has been scaled down from 241 (end of 2011) to some 118 (as of January 2014).
  - A transfer of responsibilities and personnel of the General Secretariat of Information Systems (GSIS) and the Special Agency against Financial Crime to the GSPR became effective in July 2013.
- ***Hungary****:* As noted in the prior series, the National Tax and Customs Administration (NTCA) commenced operations 1 January 2011, resulting from the merger of two predecessor organisations (i.e. the Hungarian Tax and Financial Control Administration and Customs and Finance Guard). The purpose of the integration was to achieve higher standards for the collection of revenues, and improvements in the quality of efficiency, transparency and cost-effectiveness of both tax and customs administration, which can only be realised in an environment guided by uniform principles and rules.

  From the outset, there was limited internal re-organisation as a key objective was to ensure stable and efficient organisational operation from the outset, noting the many challenges associated with merging two sets of traditions, structure, culture and personnel. During 2012 and 2013, numerous organisational adjustments were made to help achieve the goals of integration.
- ***Indonesian*** authorities reported that in 2012 the Minister of Finance established an Oil and Gas Tax Office to oversee the administration of companies operating in the oil and gas sectors. Action was also taken to unify and streamline the Foreign Enterprise and Individual (Badora) Tax Office, which administers the tax affairs of foreign enterprises and individual taxpayers, to handle all tax matters for such taxpayers.
- ***India*****'s** Central Board of Direct Taxes indicated that ongoing restructuring of the organisation according to changing needs and functional requirement is being

carried out, aimed at upgrading responsibilities, functional modifications, adopting a systems-based approach, and manpower and capacity augmentations.

- ***Ireland*** reported that Revenue has reduced its overall staffing numbers by 13% since 2008 in accordance with the Government's Employment Control Framework (ECF). Its ECF target for 2014 is 5 748.

  Since January 2012, as a direct result of Revenue's investment in delivering high quality electronic services, simplification initiatives, business process improvements and outsourcing, it has mitigated the effect of these reductions and redeployed over 300 staff to core areas such as debt management and compliance interventions. The transfer of human resource, pension and payroll functions to shared services centres and the introduction of additional working hours in 2013 in line with the public service reform agenda also provided opportunities to continue service delivery with reduced resources.

  Revenue continues to manage its staff numbers target by addressing critical skills gaps, identifying new and emerging skills needs, building internal capacity through training and targeted recruitment and succession planning.

- ***Israel*** noted that it has a number of major projects underway. These include work to make greater use of technology in many areas (e.g. processing of real estate transactions, cross-checking of VAT invoices) and streamlining related tax return reporting obligations of taxpayers (e.g. concerning the reporting of annual accounts by corporations), a special focus on the use of fictitious invoicing, building a new system for administering withholding processes, and simplifying the annual reporting obligations of small businesses.

  A number of service-related reforms are also being implemented. New service centres were established in field offices in 2013 to serve as a "front desk" for submitting documents and offer initial service to taxpayers. Currently this service is available in some of the local offices. A plan to expand the service centre network coverage is scheduled for 2015 and will include areas where no tax office exists. The existing call centre gives telephone services for a number of subjects. Wider telephone assistance through the call centre is planned to address all telephone service demands at one point of contact in view of taxpayers' needs and to limit the need for in-office assistance.

- ***Italy*** reported that in December 2012 the Real Estate and Land Registry Agency (Agenzia del Territorio) was integrated into the revenue body. This reform is part of a wider programme of review of all Government expenditure with the aim to reduce overall costs and improve efficiency.

  The integration has a number of specific objectives: *(1)* to enhance customer services and improve tax compliance – *citizens now have a unique reference point for all matters related to property taxation*; *(2)* to strengthen actions to tackle tax evasion – *the revenue body is now able to manage in an integrated way the database for all properties*; *(3)* to build economies of scale in carrying out indirect support activities and management – *by eliminating duplicate roles in personnel management, administration and accountability, ICT, internal control and security, communication, strategic governance and planning.* Implementation of the reform is still in progress and is expected to be completed by the end of 2015, and cut at least 363 managerial offices.

Furthermore, as a part of the spending review, the Revenue Agency is progressively closing 58 smaller territorial offices in 2014. (Territorial offices deal with taxpayer services and mass controls). The purpose of this reform is to reduce accommodation costs as well as provide for a more rational distribution of personnel assigned to nearby larger offices.

- ***Latvia*** noted that further refinements were made in 2012 to the SRS structure, continuing the programme of organisational enhancement reported in prior series. In April 2012, the Tax Control Department was reorganised by including the Customs Audit Department. In addition, steps were taken to strengthen executive management, establishing four positions of Deputy Director General directly subordinated to Director General of the SRS: Deputy Director General in Tax Area, also serving as Director of Tax Control Department, Deputy Director General in Customs Area, also serving as Director of National Customs Board, Deputy Director General in the Area of Crime Prevention, serving also as Director of Finance Police Department, and Deputy Director General in Administrative Area. In December 2012 the Large Taxpayers Department was included into the Tax Department as a client service centre integrating at the Tax Department all processes related to client service.
- ***Lithuania*** indicated that a study was being prepared to examine the possible consolidation of processes dealing with Government revenue collection, including a handover of SSC administration (now performed by the State Social Insurance Fund Board), as well as Customs and the Financial Crime Investigation Service.
- ***Malaysia*** reported that its headquarters had been restructured, and now includes a Dispute Resolution Department, a Special Task Department (Investigation), and divisions for Intelligence, Risk Management, Petroleum and Development and Facility Management. The objectives of the restructure are to strengthen operations, simplify and expedite appeal processes and expedite reporting and decision-making. In addition, 10 new Revenue Service Centres (RSC) were opened in 2012 and 2013. IRBM took part in opening counters at six Urban Transformation Centre (i.e. public amenities centres established by the government for the urban community) together with other government agencies. The objectives are to provide services to the taxpayer and to improve operational efficiency in revenue collection.
- ***Malta*** reported that the Office of Commissioner for Revenue (CFR) was established early in 2012. The primary objective for the establishment of this Office was to merge the Revenue Departments of the Ministry for Finance into one organisation to provide better services to taxpayers, resulting in less bureaucracy as per Government policy, and to collect tax revenue more efficiently and effectively. Whilst the CFR has a mandate to merge the Inland Revenue Department (IRD), Value Added Tax Department (VAT), Tax Compliance Unit (TCU) and the Customs Department (CUST), the first phase of the merger is to focus on IRD, VAT and the TCU given that the nature of the work at the Customs Department is highly specific and not within the general trading activity of VAT and Income Tax. Merging of the tax audit and investigation arms commenced in 2014 and further action concerning other functions will take place in late-2014. In addition, steps are being taken in 2014 to harmonise the legal framework for tax administration (e.g. penalties).

Officials also reported that the overall merger is taking place over an extended period given the organisational cultural differences that must be handled sensitively and to ensure that the changes do not disrupt tax revenue flows.

- ***Mexico*** reported a number of changes in its organisation in July 2012. A new General Administration (i.e. Foreign Trade Audits with six Regional Offices) was created to improve operational efficiency. Other organisational changes included functions re-assignment between the General Administration of Planning and the General Administration of Taxpayer Services, and consolidation of human resources functions with the Central Administration of Fiscal Training etc.
- As foreshadowed in TA2013, the ***Netherlands*** Tax and Customs Administration (NTCA) reported it has re-organised its Taxes Division. Previously, this division was organised into 13 regions. The previous structure was replaced by a new organisational model in support of a subject-oriented approach. Four segments were created: *(1)* Private Taxpayers; *(2)* SMEs; *(3)* Large Enterprises; and *(4)* a department for mainstream production processes (e.g. processing of taxpayers' returns). Also six central staff departments have been set up. By placing final responsibility for all segments and departments in the hands of a single national director at deputy commissioner level and introducing a clearer separation of responsibilities between planning and implementation, the strength of management has been increased.
- ***New Zealand***'s IR noted a number of developments concerning its senior management structure and governance arrangements, along with a number of initiatives involving collaboration with other government agencies.

  In late 2012, IR reviewed its senior management structure and approach to governance. The review established a new Executive Leadership Team (ELT) with nine second-tier managers reporting direct to the Commissioner. The new structure includes changes to the responsibilities of some deputy commissioners, new deputy commissioner roles and adds three chief officer roles to the ELT. The ELT took up its role in February 2013. It provides greater focus on delivering IR's services for customers and ensures that the leadership required to drive its change programme over the next few years is in place. Reporting lines in the new structure were aligned progressively during the first half of 2013. IR has also recently created three new governance boards: *(1)* a Strategy Board, which focuses on longer-term organisational strategy development including environmental scanning, strategic planning, and resourcing implications; *(2)* an Investment Board to focus on investment-related decisions for Inland Revenue; and *(3)* a Business Performance Board to focus on shorter-term financial and business performance, resource management, and operational and financial planning. The new governance boards are expected to significantly strengthen the quality of IR's governance and decision-making, particularly as it increases the pace of change.

  IR is also increasingly working with other government agencies to make the public sector more effective and provide better services. It is contributing to the Government's Better Public Services results, sharing information with other agencies to improve performance, and sharing service delivery and facilities. These efforts include: *(1)* helping design the future "one-stop online shop" for business, a shared online "front door" that integrates all information, government-to-business transactions and online services provided by the public and private sectors; *(2)* supporting the introduction of a New Zealand Business Number, which is a key enabler for delivering integrated services for business across government; and *(3)* helping create an integrated New Zealand business register.

- ***Norway*** reported that its office network rationalisation programme commenced in January 2011 with the objective of reducing its network of local offices by over half (i.e. from 225 to 110) in 2013 has been successfully completed. In addition, as described in Chapter 1 work commenced in the first half of 2014 to carry out the transfer of responsibility for excise duty administration and the collection of VAT on imports from the Customs and Excise Directorate to the Tax Directorate. This work, which is to be completed by January 2016, aims to support Government goals for improving the efficiency of the public sector and is one of a number of projects being implemented to achieve this outcome.

- ***Poland*** reported that a range of measures had been initiated to strengthen administration and to reinforce its public perception as a professional, modern and friendly administration. These have include actions to: *(1)* consolidate various ancillary processes in tax administration and adjust structures to adopt the products of the e-Taxes Programme [e-Podatki]; and *(2)* establish a system of service and support for taxpayers through the implementation of new solutions or improvement of existing ones in three areas – tax information (management of tax knowledge), working standards of Tax Administration while rendering services for taxpayers (organisation of a front office), and support of taxpayers in individual matters (handling of an individual matter).

- ***Portugal*** noted that since the January 2012, a new body has been operating, named Autoridade Tributária e Aduaneira (AT), resulting from the merger of the former Tax Directorate, Customs Directorate and Directorate for Tax and Customs' Information technology. A reorganisation of the structure and functions, and an integration of the human resources were all implemented in 2012, with the key objective of creating a more efficient and effective tax and customs administration. Organisational restructuring included the creation of a Large Taxpayers Unit and the establishment of a working group to deal with High Net Wealth Individuals. Other reforms are in course of implementation, including a major rationalisation/ reduction of local and regional tax offices.

  In April 2014, the IMF reported (IMF, 2014a) that recent steps by authorities to curb tax evasion and improve compliance included hiring approximately 1 000 new tax auditors and making the Compliance Risk Management Unit fully operational from February 2014. Next steps involve AT's plan to establish a dedicated Taxpayer Services Department, with the goal of unifying most taxpayer services and improving the relationship between taxpayers and the tax administration.

- As reported in TA2013, ***Romania's*** Government in 2012 gave in principle agreement in 2012 to a multi-year tax administration reform programme to be funded with a loan from the World Bank (WB). The loan for the programme was finalised in 2013 and reform activities commenced, drawing on recommendations of prior technical assistance by the IMF, EC and WB. The project is expected to extend over five to six years. As reported by NAFA officials, the reform will focus on fighting tax evasion, reducing the administrative burden on taxpayers, and increasing collection efficiency. The restructuring process will seek to minimise direct contact with taxpayers, providing taxpayer service through the use of a robust self-service website, through an accessible call centre, and other means. Reduced physical contact also minimises opportunities for corrupt behaviour.

Once the project objectives are realised, NAFA staff will be properly trained and distributed across the organisation, with a focus on staff re-assignment to key areas such as audit and debt collection. More information on NAFA's reform programme can be found in a report for the loan programme (World Bank, 2013).

In line with programme's broad objectives, a number of reforms have recently been introduced. In September 2013, NAFA created eight regional directorates (previously 42) and intends in scaling down its network of local offices, moving from 215 in 2013 to around 47 by 2015. It has also organised its data processing centre and call centres directly under its national headquarters. It has also reorganised its criminal investigation and anti-fraud activities and, in the process, reallocated around 1 700 staff to prevention and control activities while also increasing resources in the Bucharest Region to combat fraud.

In 2013, NAFA reorganised its fiscal investigation and anti-fraud activities by creating a new internal anti-fraud division, named Anti-fiscal Fraud General Directorate (DGAF). The main purpose of DGAF is to prevent and firmly fight the acts and deeds of tax evasion as well as fiscal and customs fraud. For the development of the new directorate's administrative capacity around 2 000 positions were earmarked for prevention and control activities, out of which about 20% perform their activity under the exclusive authority of the Prosecutor's Office, offering specialised technical support to the Prosecutor in carrying out criminal investigations, in cases concerning economic and financial crimes. At a national level, DGAF carries out its activity through a central structure and 8 regional anti-fiscal fraud directorates having as main attributions: current and thematic fiscal control, traffic control, fraud investigation, risk analysis and selection of important fraud cases, methodology and antifraud procedures establishment, administrative co-operation and information exchange within EU member states, inter-institutional co-operation with specialised bodies of other ministries and specialised institutions such as: the Prosecutor's office, Romanian Intelligence Service (SRI), National Anticorruption Directorate (DNA), Directorate for Investigating Organised Crime and Terrorism.

- ***Saudi Arabia's*** revenue body, the Department of Zakat[1] and Income Tax (DZIT), has been implementing a major computerisation project that should radically improve all its operational aspects. The main objectives of the project are to improve operational efficiency and taxpayer service delivery.
- ***Singapore*** reported that it had set up an International Tax Affairs and Relations (ITAR) Branch in September 2013. The Branch maintains strategic oversight of IRAS' international engagement framework and programmes. It drives international engagement efforts to advance Singapore's interest on the international tax front and advises the Government on international tax matters. It manages the Exchange of Information (EOI) function and is the liaison office for all international engagements. The ITAR Branch complements the existing Tax Policy and International Tax Division that provides technical advice in the formulation of tax policies and fair application of tax laws, reviews tax policies, initiates tax rules changes and safeguards Singapore's economic interest through tax treaty negotiations and resolution of international tax issues.
- ***Slovakia*** advised that the Customs Directorate of the Slovak Republic and the Tax Directorate of the Slovak Republic were merged into the Financial Directorate of the Slovak Republic (FDSR) on 1 January 2012, the first stage of its UNITAS programme. At present, the Slovak Financial Administration consists of the FDSR,

8 Tax Offices with branches and contact places in the seats of the higher territorial units, one Office for the Large Taxpayers, 8 Customs Offices in the seats of the higher territorial units, one Customs Office in Michalovce, all with branches and stations, and one Criminal Office. Establishing of the FDSR has unified some of the processes at the central level (e.g. the organisation of the tax and customs revenues collection was unified). During 2013, systematic support was provided to these unified processes with the aim to reach objectives of the UNITAS programme – enhanced effectiveness of the financial administration, reduced administrative costs, and improvement of customer-orientated attitude to the taxpayer.

In addition, action has been taken to enlarge the scope of its large taxpayer operations. Until 2012, the Large Taxpayer Office (LTO) administered the largest taxpayers located in Bratislava and its surroundings. Since 2013, its scope has been enlarged to encompass all of the Slovak Republic. LTO′s head office is situated in Bratislava and it performs various functions: audit (5 auditing departments across Slovakia), compliance, collection, enforcement, taxpayer's services, avoidance, evasion and others (e.g. IT services, public relations, register), also with methodological guidance provided by the FDSR).

- ***Slovenia*** reported on a number of developments. In October 2012, the Tax Administration initiated an upgrading of its tax information system to improve internal work processes as well as automating some of the obligations of taxpayers. Previously, taxpayers paid every duty to a special payment sub-account, which caused unnecessary administrative work and costs for taxpayers. The project of simplification for payment of taxes and other obligatory duties has considerably decreased the number of payment sub-accounts and it has replaced them with suspense tax sub-accounts according to types of general government revenues. Centralisation of tax accountancy has resulted in changes in the enforcement field. A new system for reminding tax debtors in writing and via the telephone has been introduced as well as the whole enforcement process is integrated into the upgraded information system. This work is performed centrally, while tasks resulting from the issue of reminders are performed from local offices. All strategic decisions in connection with pre-enforcement procedures and subsequent enforcement action are made centrally and recorded within the system on the basis of business rules. Local office staff perform operational enforcement tasks.

  On 1 July 2013, the territorial organisation of tax offices was transformed, with local offices converted to tax desks and services offered to taxpayers reduced to two days per week. This rationalisation has permitted it to direct more staff resources onto control work.

  Following the passage of legislation (the Finance Administration Act) a new agency – Finance Administration of the Republic of Slovenia – came into effect on 1 August 2014, merging the operations of the previously separate Slovene Tax and Customs Administrations. The Government has estimated that due to expected new circumstances, which have occurred with the entry of Croatia into the EU, and due to the increased effectiveness at collection of obligatory duties and increased rationality in organisation of units, which are competent for collection of public revenues, it is rational that both administrations are united as a uniform finance administration. In this way the new authority will also provide uniform, effective and fast realisation of tasks, equal treatment of all taxpayers, reduction of costs, equal availability of tax services and even burden of work on all employees.

- ***Spain*** reported that an International Taxation Office was created within the Tax Auditing Department of the Spanish Tax Agency on 1 April 2013. This Office is a new specialised unit in charge of centralised planning and providing uniform criterion in international taxation affairs. It has an appraisals unit and, in some cases, it can also perform audits. The Office is based in Madrid and staffed with 50 officials, with its priorities being international related-party operations and application of the arms-length principle as well as transfer pricing issues of multinational corporations, and correct taxation in Spain of non-residents´ incomes. It also co-ordinates simultaneous controls with other Tax Administrations. The objective of the new office is to strengthen the Tax Agency's resources to fight against international tax fraud, in line with the directives of the OECD and EU.

  As a result of the Government's plan for the rationalisation of structures across the whole Spanish Public Administration, some organisational changes have been made. Some regional and local offices have been merged and, as a result, the number of regional offices has been reduced from 51 to 39 and the number of local offices from 239 to 227.

- The ***United States*** reported a series of organisational reforms recently implemented or in course of development (see Box 2.3).

Box 2.3. **United States: Recent and planned organisational reforms**

Large Business and International: The Large Business and International (LB&I) Operating Division implemented several organisational changes in 2012. The reorganisation of the LB&I large business industry units into clearer geographical sections was effective October 2012. At that time, LB&I also transferred all of its employment tax specialists to a combined unit in the Small Business and Self-Employed Operating Division. Also during 2012, LB&I added a unit specialising in Transfer Pricing Operations as part of the realignment of its international functions into a single international unit. LB&I also realigned its foreign payments audit oversight activities in 2012 and created the Foreign Payments Practice (FPP). FPP is an integrated withholding tax programme within LB&I. Further, LB&I has developed a knowledge management network for international issues through the use of International Practice Networks ("IPNs"). IPNs are designed to provide examination teams the technical advice they need to manage their cases efficiently, consistently and with a high degree of technical proficiency, as well as to foster effective collaboration and the sharing of knowledge and expertise across LB&I and Chief Counsel.

Small Business/Self Employed: Examination Function: In October 2013, the IRS realigned its SB/SE Examination Area operations to balance the Areas' geographic configurations with their taxpayer base. The previous Collection and Examination Area alignments were originally established 10 years ago, but population and economic changes over the last decade had created an imbalance.

Small Business/Self Employed: Collection Function: In addition to the three separate existing Collection organisations, the Internal Revenue Service (IRS) created a new Collection organisation that officially launched in fiscal year 2012. The primary goal of the new organisation is to focus on development and communication of the unified vision, policies, strategies, governance and work plans for all of the collection organisations. This would facilitate the three pre-existing organisations' ability to increase focus and resources on collection programme execution while transferring strategic and oversight related activities to the newly created organisation for a more cohesive business approach.

Box 2.3. **United States: Recent and planned organisational reforms** *(continued)*

Tax Exempt/Government Entities: Determination Process: To receive tax-exempt status an organisation must apply to the IRS for a determination seeking IRS recognition for tax-exempt status. The IRS's Tax Exempt and Government Entities (TE/GE) division is streamlining this process and simplifying the information requested from a majority of applicants in order to improve customer service and reduce taxpayer burden. While staff levels will remain consistent with historical levels, the mix of staff is changing to allow the majority of applications to undergo a quick review through a new application form for tax exemption. Additionally, streamlined application processing is being implemented for other application streams, including for those applications requiring additional review.

Office of Professional Responsibility: For changes introduced for this relatively new IRS division, see Chapter 8.

Enterprise Re-alignment of IRS Compliance Functions: IRS underwent a realignment of its taxpayer compliance operations in November 2014. Although the basic work streams are not changing under the re-alignment, post-refund audits and all collection activities now align under a new Small Business/Self Employed (SB/SE) collection function, and pre-refund compliance activities, along with Earned Income and ID Theft verification activities, align under the Wage and Investment (W&I) Division. The objective of the realignment is to streamline accountability and responsibility for all IRS compliance operations, to increase efficiency and reduce redundancy, and to better identify emerging compliance issues.

Source: IRS survey response.

Office networks for tax administration

Considerable changes have occurred over recent decades in the design and size of office networks for national tax administration, generally resulting from technological advances and Government drives for increased efficiency and cost reductions.

That was then… this is now

Traditionally, office networks of national revenue bodies in many countries were comprised of large numbers of regional and/or local offices to carry out the full range of functions required for administration of tax laws. Factors driving the need for such networks included the large numbers of taxpayers to be administered, their geographical spread and the general objective of providing services that were reasonably accessible to the majority of citizens and businesses who needed them. Also relevant in the past, but one might reasonably think much less so in 2014, was a country's political structure, a factor that appears to explain some of the exceptionally large networks still seen today in a number of European countries.

Over recent decades, a number of developments have led to significant changes in both the size and nature of revenue bodies' office networks in many countries:

- ***Technology-driven changes in information processing work****:* The advent of new technologies has enabled many revenue bodies to concentrate some routine/seasonal functions (e.g. the processing of tax returns and payments) into larger dedicated processing centres, centralising much of this work. In addition, the development of new payment methods via the Internet or the outsourcing of tax payment collection to financial bodies has led to major reductions in the payment processing workloads of many revenue bodies.

- ***Technology-driven changes enabling enhanced service delivery:*** Driven by objectives to improve both the efficiency and quality of taxpayer services, many revenue bodies have taken steps to make more effective use of the various service delivery channels available to them (e.g. phone, walk-in offices, and Internet) for delivering services to taxpayers. This has included the use of dedicated call centres to replace/reduce the need for in-person inquiry services and/or distributed phone inquiry services, the introduction of more efficient tax payment methods (e.g. direct debits and on-line payment via the Internet), the use of e-filing to reduce paper returns, and use of the Internet to provide comprehensive information, guides and forms for taxpayers.
- ***Developments based on "whole of government" approaches:*** The delivery of some government services on a "whole of government" basis has, in some countries, seen the emergence of government shop-fronts delivering basic tax-related services that were previously delivered via local offices.
- ***Government mandates for increased efficiency:*** Aware of the potential opportunities for streamlining, Governments in many countries have become more active in seeking reductions in costs through office consolidation programmes and finding alternate ways of delivering necessary services required by taxpayers. As a result, office networks in many countries have been reconfigured into a smaller number of larger offices to achieve "economies of scale" and to facilitate operational management. In some countries, management structures and lines of reporting have been streamlined, involving for some the elimination of a regional layer of management.

Examples of large scale office network rationalisation programmes

Over recent years, a number of revenue bodies have responded to the need for greater efficiency and effectiveness by rationalising their office networks. A number of examples are described in Box 2.4.

Box 2.4. **Examples of large scale office network rationalisation programmes**

Austria: Since 2004, the office network of the Directorate General for Taxes and Customs has been reshaped to achieve increased efficiency. Previously comprised of 7 regional directorates and 81 tax offices, the new network implemented from 2004 now sees five regional management areas, 40 tax offices, and one Large Trader Division).

Croatia: Tax officials reported that as part of its modernisation reform programme the office network has been restructured. The number of regional offices has been reduced from 20 to 6, while the local office network more than halved – from 124 to 54.

Denmark: In 2005, the central and municipal tax administration bodies merged thereby creating a country-wide unified tax administration, moving from a situation where each of the 275 municipalities had their own separate office. Since then the tax administration has been further restructured. In 2013 the regional structure was abolished, and all tasks were organised in 6 nationwide divisions (i.e. Customer Service, Compliance, Debt Collection, Economy and Controlling, Information Technology and Human Relations) located in 29 nationwide branches. The purpose of the reform was to promote effective management, strong academic environments and efficiency improvement. It is anticipated that the reforms will permit gradual staff reductions while simultaneously improving efficiency and the uniformity and quality of the services offered to Danish taxpayers.

Box 2.4. Examples of large scale office network rationalisation programmes *(continued)*

Greece: A major institutional and organisational reform programme has seen the office network scaled down by around 60% – from 241 offices as of the end of 2011 to 118 at the beginning of 2014.

Norway: A rationalisation programme implemented over recent years has seen the local office network significantly scaled down – from 225 in 2011 to 108 in 2014.

Romania: Reform efforts currently being planned include attention being given to the scale of Romania's current network of regional and local offices. NAFA's structure now includes 8 (previously 42) regional offices and 215 (previously 221) local offices**.** Steps are being taken to consolidate to 47 local tax offices by 2015.

Sources: Survey responses.

The overall position in early 2014

Tables 2.3 and 2.4 display data on the make-up of the office networks used for tax administration in surveyed countries and the staffing numbers at each level of the network. Some of the more noteworthy observations and common features apparent from the data provided are set out below:

- Office networks in quite a few countries, particularly within Europe, are relatively larger in comparison with the set up in many other countries. For some countries, this results from their responsibilities for administering taxes on real property and/or motor vehicles and/or historical practice. Revenue bodies in some of these countries (e.g. Greece and Portugal) have signalled their intention to significantly reduce the size of their networks while others have already taken steps to do so.
- Around 60 per cent of revenue bodies have established dedicated information processing centres for bulk information processing work.

  There appears to have been a significant increase in the overall numbers of revenue bodies using dedicated (telephony) call centre operations for handling taxpayers' inquiries and providing information, and outwards-bound inquiry work. However, based on the responses received, countries in Central and South America generally appear to make fairly limited use of such capabilities, while the same also applies in large populous countries such as India, Japan, Russia, and Turkey.
- Across surveyed bodies, there is enormous variation in the relative size of the headquarters (HQ) function, and the definition of "headquarters" varies significantly from country to country.[2] The practice of maintaining large HQ operations (i.e. aggregate staffing in excess of 15% of total staffing) can be seen in countries across many continents – Canada, Costa Rica, Cyprus, Finland, Hungary, Lithuania, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Portugal, Saudi Arabia, Slovenia, South Africa, and Sweden. This reflects a variety of factors, for example, a more centralised approach to the national management of tax administration operations, large in-house IT functions, and the fact that, in some of these countries, headquarters functions may include elements of technical support to field operations, and for certain programmes, carry out operational work.

Table 2.3. **Office network for tax administration role-office types by number**

Country	Revenue bodies' office network for tax administration (number of operational units at end 2013)					
	Headquarters	Regional offices	Local/branch offices	National data processing centres	Call centres	Other offices
OECD countries						
Australia	1	17 /1	11	-	10	5
Austria	1	5	40	-	-	-
Belgium	1	35	3 153	5	15	1 /1
Canada	1	5	39	8 /1	10 /1	-
Chile	1	19	47	1	1	-
Czech Republic	1	15	201	-	-	1 /1
Denmark /1	0 /1	0	28	-	1	-
Estonia	1	-	15	-	1	-
Finland	1	-	37	1	2	-
France	1	110	1 283	9	14	6 /1
Germany	17 /1	12	546	12	34 /2	16
Greece	1	2	118	2	2	-
Hungary	1	25	50	1	8	2 /1
Iceland	1	8	-	-	1	-
Ireland	1	7	74	-	-	6
Israel	1	-	80 /1	1	1	-
Italy	1	34	213	3	7	-
Japan	1	12	518	-	-	33
Korea	1	6	111	1	1	2 /1
Luxembourg	2	-	84 /1	4	-	-
Mexico	1	6	67	2	3	49 /1
Netherlands	1 /1	14	-	1	1	4
New Zealand	1	-	17	3	6	-
Norway	1	5	108 /1	1	1	1 /2
Poland	1	32	400	1	4	-
Portugal	1	36	367	-	80 /1	-
Slovak Republic	1	17 /1	153 /1	-	1	2
Slovenia	1	16	-	-	4	41 /1
Spain	1 /1	56 /2	227 /2	2	2 /2	1
Sweden	1	8	63	1	1	/1
Switzerland	1	-	-	-	-	-
Turkey	1	70	1 063	2	2	52
United Kingdom	1				19 (in 2011)	362
United States /1	1	139	119	28 /2	19	-
Non-OECD countries						
Argentina	1	38	272	1	1	5
Brazil	1	10	558 /1	- /2	-	-
Bulgaria	1	6	23	-	1	-
China	1	71 /1	6 667 /2	-	68	-
Colombia	1	43	6	1	-	22
Costa Rica	1	4	11	-	- /1	-
Croatia	1	20	124	- /1	1	1 /2
Cyprus	2	15 /1	-	5 /2	-	1 /2
Hong Kong, China	1	-	-	-	-	-
India	1	18	500	1 /1	5	-
Indonesia	1	31	538	4	1	-
Latvia	1	-	32	-	1	-
Lithuania	1	10	-	1	1	1
Malaysia	1	12	77 /1	1	2	-
Malta	3 /1	1	-	-	1	1
Morocco	1	15	72	1	1	-
Romania	1	8	215	1 /1	1 /1	-
Russia	1	84	910	1	6	19 /1
Saudi Arabia	1		13	-	-	-
Singapore	1	-	-	-	-	-
South Africa /1	1	29	47	7	7	55
Thailand	1	12	968	1	1	-

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 99.
Source: Tax Administration 2015 survey responses.

Table 2.4. **Office network for tax administration role-number of staff by office type**

Country	Revenue bodies' office network for tax administration (x number of staff in 2013 [FTEs])						
	Headquarters	Regional offices	Local/branch offices	National data processing centres	Call centres	Other offices	All offices – TOTAL
OECD countries							
Australia	2 927	16 189	80	-	1 010	42	20 248
Austria	217	205	7 062	-	-	-	7 484
Belgium	982	222	18 091	84	107	83	19 568
Canada	8 897	121	20 053	6 823	2 278	-	38 172 /1
Chile	857	2 500	800	34	4	-	4 195
Czech Republic	899	1 809	12 114	-	-	209	15 031
Denmark /1	/1	-	-	-	395	6 476	6 871
Estonia	983	-	-	-	-	-	983
Finland	838	-	4 056	49	129	-	5 072
France	1 771	9 211	50 367	2 485	571	2 559	66 964 /1
Germany	1 236	5 179	100 584	2 727	n.a.	749	110 494
Greece	2 200	n.a		n.a	n.a	n.a	11 500
Hungary	1 639	3 848	15 089	1 183	251 /1	723	22 482 /1
Iceland	124	105	-	-	11	-	240
Ireland	706	109	4 475	-	-	455	5 745
Israel	937	-	4 638	376	84	-	6 035 /1
Italy	1 957	3 732	33 010	480	635	-	39 814
Japan	787	11 439	42 830	-	-	800	56 194
Korea	702	4 161	13 617	156	114	91	18 841
Luxembourg	153 /1	-	762 /1	69 /1	-	-	984 /1
Mexico	7 742	508	20 681	15 /1	20 /1	7 444	36 410
Netherlands	3 865 /1	15 412	-	1 171	425	-	20 873
New Zealand /1	1 030	-	1 515	329	558	-	3 432
Norway	304	---------------4 252-------------		870 /1	325	47	5 798
Poland	181	9 085	39 027	94	171	-	48 558
Portugal	1 972	4 057	5 312	-	156 /1		11 341
Slovak Republic	1 446	7 415	4 107	-	56	435	9 296
Slovenia	386	1 976	-	-	-	-	2 362
Spain	3 416	-----------22 815------------		/1	/1	/1	26 231 /2
Sweden	2 051	------------8 520-------------		/1	/1	-	10 571
Switzerland	965	-	-	-	-	-	965
Turkey	1 041	10 134	40 060	-	134	-	51 369
United Kingdom	1 600	-	40 676	2 777	19 392	375	64 820 /1
United States	4 072	10 896	43 444	11 164	17 401	-	86 977
Non-OECD countries							
Argentina	2 962	8 097	7 274	93	91	3 640	22 157 /1
Brazil	1 537	1 570	21 438 /1	-	80	-	24 625
Bulgaria	814	--------------6 838------------		-	28		7 680
China	800	11 000	740 700	-	3 500		756 000
Colombia	752	3 959	180	30	-	323	5 244
Costa Rica	237	29	695	-	-	-	961
Croatia	287	1460	2347	-	8	112	4214
Cyprus	168 /1	601	-	5	-	8	782 /1
Hong Kong, China	2 826	-	-	-	-	-	2 826
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41 357
Indonesia	3 910	3 137	24 863	246	117	-	32 273
Latvia	3 484	-	801	-	27	-	4 312
Lithuania	1 295	2 181	-	58 /1	72 /1	53 /1	3 476
Malaysia	2 169	309	7 975	509	87	-	11 049
Malta	711	17	-	-	15	2	728
Morocco	561	2 966	1 020	174	14	-	4 735
Romania	2 459	4 924	17 085	7	6	-	24 481
Russia	1 117	3 431	133 157	165	143	18 013	156 026
Saudi Arabia	537		1061	-	-	-	1 598
Singapore	1 870	-	-	-	-	-	1 870
South Africa /1	3 428	2 981	1 841	1 166	2 091	3 194 /1	14 701
Thailand	2 490	1 696	18 978	226	119	-	23 509

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 100.
Source: Tax Administration 2015 survey responses.

Large taxpayer operations

As noted earlier in the chapter, the vast majority of revenue bodies have established dedicated units – hereafter referred to as Large Taxpayer Units (LTUs)-to manage some/all aspects of the tax affairs of their largest taxpayers.[3] Croatia and Portugal (see Box 2.5) are examples of two countries that have recently established such units. Further background on this development and its rationale are set out below.

The common characteristics of large taxpayers

Large taxpayers are very different from other categories of taxpayers and present certain significant risks to effective tax administration. Many revenue bodies have recognised that managing these risks requires strategies and approaches appropriate to the unique characteristics and compliance behaviour of these taxpayers. Key characteristics of the large business segment identified from prior FTA work include:

- *Concentration of revenue:* A small number of large taxpayers typically are responsible for the bulk of tax revenue collected by a revenue body. This concentration of tax revenue payments results from the size of these taxpayers and the range of taxes they are responsible for, including as withholding agents for their employees and the collection of value added taxes.
- *Complexity of their business and tax dealings:* Revenue bodies typically describe large taxpayers as complex for a variety of reasons, including: *(1)* they have multiple operating entities and/or diverse business interests; *(2)* there is high volume of transactions in day-to-day business activities; *(3)* a large number of employees; *(4)* they have international dealings, often involving cross-border transactions with related parties; *(5)* some operate in industries that present unique tax issues (e.g. mining and banking); *(6)* many are widely spread in geographical terms; *(6)* some taxpayers' affairs raise complex tax law issues; and *(7)* there are complex financing and tax planning arrangements.
- *Major tax compliance risks: M*any of these taxpayers present major tax compliance risks due to various factors, for example: *(1)* significant offshore activities; *(2)* policies and strategies to minimise tax liabilities; *(3)* large portion of tax assessments result from audit activity of large taxpayers; and *(4)* growing/significant differences between financial accounting profits and the profits computed for tax purposes.
- *Use of professional/dedicated tax advice: M*any large businesses engage professional advisers to handle their tax planning etc., while others maintain their own in-house tax advisers.
- *Status: G*enerally, most large businesses are publicly-listed corporate companies, and also include multinationals and some private groups, and they have a high profile in the business-media.

For these sorts of reasons, many revenue bodies have established dedicated LTUs, supported by highly skilled and expert staff to manage all/most aspects of the tax affairs of their largest taxpayers. Across surveyed revenue bodies, these organisational units are likely to have different names and the scope and nature of their activities may vary but most have been established to improve the revenue body's capability to manage and improve the compliance of this important segment of taxpayers.

Criteria used by revenue bodies to identify large businesses

Most revenue bodies have established clear and fairly specific criteria for identifying their large taxpayers – see Table 2.5 – and for some countries these are reflected in tax procedure law.

As will be evident from Table 2.5, the criteria used to define taxpayers as "large businesses" and to place them under the responsibility of the large business unit typically include one or more of the following: *(1)* size of annual turnover or gross sales; *(2)* size of total assets; *(3)* aggregate amount of tax paid per annum across all taxes; *(4)* businesses operating in economic sectors important to the country concerned (e.g. banking, insurance, mining, and oil); *(5)* businesses with significant international business activities and/or which are foreign-controlled; *(6)* the number of employees; and/or *(7)* a combination, sometimes quite complex, of the abovementioned criterion. It is also evident that some revenue bodies place emphasis on the management of corporate groups and related affiliates to ensure that a "whole of taxpayer" focus is brought to the tasks of identifying and treating compliance risks. Finally, some revenue bodies (e.g. Argentina, Ireland, Spain, and South Africa) have placed responsibility for the administration of "high net-worth" individuals (HNWIs) under the control of their LTU, recognising that many of the taxpayers concerned have direct links with the large corporate taxpayers also under its control.

Table 2.5. **Large taxpayer operations: Identification criteria used in 2013**

Countries	Criteria applied by individual revenue bodies to identify large corporate taxpayers
OECD countries	
Australia	Turnover over AUD 250 m
Austria	Turnover over EUR 9.68 m
Belgium	*(1)* Groups of (associated) companies that are obliged to publish consolidated annual accounts (which include at least one large taxpayer); *(2)* Taxpayers belonging to a specific economic sector: in general, financial sector (banks, insurance companies, companies listed on the stock exchange, etc.); *(3)* Size: If a taxpayer exceed at least two of the following criteria: *(i)* turnover : EUR 7.3m; *(ii)* value of assets : EUR 3.65m; and (4) number of employees: 50. If the number of employees exceeds 100, the taxpayer will also be considered large taxpayers; (5) VAT Units which include at least one large taxpayer.
Canada	*(1)* Income tax: Gross annual revenue over CAD 250 m; *(2)* Indirect taxes (GST/HST): Gross annual revenue over CAD 100 m /1
Chile	Turnover equal to or higher than 90 000 UTA, during each of the last three commercial years; taxable capital equal or higher than 110 000 UTA, during each of the last three tax years; and other criteria. (NB: UTA=Unidad Tributaria Anual (i.e. Annual Tax Unit, equal to 12 times the Monthly Tax Unit of December, indexed to inflation) (as per SII Resolution 109 of 2013).
Czech Republic	*(1)* taxable year turnover > CZK 2 billion; *(2)* bank or bank branch; *(3)* insurance company or branch; *(4)* reinsurance company or branch; *(5)* each member of a group (according to the VAT Act), if at least one member is one of the above mentioned entities; *(6)* any legal or natural entity appointed by the General Financial Directorate
Denmark	Groups with total turnover over DKK 3 billion; companies with over 250 staff
Estonia	(The ETCB does not have a dedicated Large Taxpayer Division.)
Finland	Turnover over EUR 50 m. Threshold applies to an individual company or group of companies.
France	Turnover over EUR 400 m (exclusive of VAT or gross assets) and related companies (directly or indirectly by more than 50%)
Germany	Most regional "Lander" administrations have a large taxpayer audit function; industry criteria applied are *(1)* Trading: turnover over EUR 7.3 m or profit over EUR 280 000; *(2)* Manufacturing: turnover over EUR 4.3 m or profit over EUR 250 000; *(3)* Freelancers: turnover over EUR 4.7 m or profit over EUR 580 000; *(4)* Financial Institutions: actual net worth over EUR 140 m or profit over EUR 560 000; *(5)* Insurance companies: insurance premium revenues over EUR 30 m; *(6)* Agricultural and silvi-cultural companies: economic value on the basis of land over EUR 230 000 or profit over EUR 125 000; *(7)* Other enterprises: turnover over EUR 5.6 m or profit over EUR 330 000.
Greece	Turnover over EUR 20 m (in 2012); all banks, insurance and other companies listed on Stock Exchange where turnover over EUR 10 million, and all taxpayers regardless of size which carry out cross-border transactions with associated enterprises, as decreed.

Table 2.5. **Large taxpayer operations: Identification criteria used in 2013** *(continued)*

Countries	Criteria applied by individual revenue bodies to identify large corporate taxpayers
Hungary	Taxpayers are classified by size of their average customer value (i.e. average tax capacity) calculated for a reference period. Large taxpayers are classified in category 1 priority taxpayers (defined in line with the limit determined in the decree of the Ministry for National Economy). This category also includes banks and insurance companies operating as joint-stock companies. Taxpayers located in Budapest and in Pest county as well as the banks and insurance companies operating as joint-stock companies are overseen by the Large Taxpayers Directorate. The cases of non-Budapest and non-Pest county-based taxpayers are overseen by designated audit divisions at local tax directorates.
Iceland	n.a. (The revenue administration does not have a dedicated Large Taxpayer Division.)
Ireland	*(a)* Corporations with a turnover exceeding EUR 162 m or tax payments over EUR 16 m, *(b)* semi-state commercial organisations, *(c)* financial services sector, and *(d)* relatively large scale enterprises in certain sectors.
Israel	Turnover and certain business industries are automatically defined as "large" taxpayers (e.g. banks, insurance, and energy)
Italy	Turnover exceeds EUR 100 m
Japan	Corporations with over Y 100 m in capital
Korea	n.a. (NTS does not have a dedicated Large Taxpayer Division.)
Luxembourg	n.a. (There is no dedicated Large Taxpayer Division for direct and indirect taxes administration.)
Mexico	Gross revenue over 645 m pesos; financial institutions; companies reporting consolidated results; foreign governments, international organisations, diplomats; federal centralised public administration; state-owned oil companies; federal social security agencies; non-residents; all matters related to the international tax regime (e.g. transfer pricing, thin capitalisation)
Netherlands	Criteria are: *(1)* listed company at the (Amsterdam) stock exchange and/or *(2)* standard weighted fiscal worth exceeding EUR 25 m and/or; *(3)* foreign parent and own standard weighted fiscal worth exceeding EUR 12.5 m ; and/or *(4)* at least 5 foreign subsidiaries and own standard weighted fiscal worth exceeding EUR 12.5 m; and/or; *(5)* all non-profit organisations standard weighted fiscal worth exceeding EUR 37.5 m; and/or *(6)* all companies in the financial industry (banks, insurance), the oil and gas industry (upstream and downstream) and in the energy-supply industry; and *(7)* other taxpayers(who may be covered under the supervision concept for very large taxpayers if complex issues exist, or a taxpayer is viewed a high-profile case or with certain degree of financial risk.
New Zealand	Large enterprise customers have a gross turnover exceeding NZD 100 m, or are operating in specialist industries or subject to specialised tax laws.
Norway	From 2015, the large taxpayer segment is defined as taxpayers with turnover / assets over NOK 1 bn, whereas taxpayers with turnover/ assets over NOK 3 bn are assessed at the Large Taxpayer Office).
Portugal	Non-financial companies with turnover over EUR 200 m; insurance companies, credit institutions and other financial entities with turnover over EUR 100 m; companies with tax payments over EUR 20 m; companies related to those that have been selected based on the above criteria (e.g. controlled companies and parent companies)
Poland	Criteria are capital tax groups, banks, insurance establishments, units providing public trade of securities and provisions on investment funds, units operating as pension funds, branches or agencies of a foreign company, and companies that raised annual net revenue of at least 5 million in the previous year, participate directly or indirectly in the management of companies located abroad or control thereof or have a share in their capital, managed directly or indirectly by a non-resident, or where a non-resident has a minimum of 5% of the votes at a meeting of shareholders or at a general meeting, and as a resident jointly participate directly or indirectly in the management of a domestic entity and foreign entity, or control or have at the same time a share in the capital of such entities.
Slovak Republic	Companies with turnover exceeding EUR 40 m; banks and branches of foreign banks; insurance companies and branches of foreign insurance companies; reinsurance companies and branches of foreign reinsurance companies
Slovenia	Companies with turnover over EUR 50 m; banks; savings banks; insurance companies; companies, which organise classic permanent games of chance and special games of chance; stock exchanges bourse brokerage companies; investment companies; management companies; pension companies; central securities clearing corporations.
Spain	***Assigned automatically:*** Turnover over EUR 100 m, large corporate groups, major banks and insurance, and those third party reporters providing over 10 000 records. ***Assigned by Head of the Service for Planning and Institutional Relations (following a proposal of the Head of the Large taxpayers Office)***: Partners highly related to other legal entities assigned to the Large Taxpayers Central Office or that manage complex economic transactions.
Sweden	Groups with over 800 employees, companies with annual payroll over SEK 50 m, companies supervised by Swedish Financial Supervisory Authority
Switzerland	n.a. (Federal VAT administration does not have a dedicated Large Taxpayer Division.)
Turkey	Taxpayers whose yearly revenue, total assets or equity exceed certain thresholds which are revised every year. Also, irrespective of these criteria, taxpayers who operate in the financial sector (e.g. banks, insurance companies and brokers) are considered large taxpayers.

Table 2.5. **Large taxpayer operations: Identification criteria used in 2013** *(continued)*

Countries	Criteria applied by individual revenue bodies to identify large corporate taxpayers
United Kingdom	Turnover over GBP 600 m /1
United States	Corporations, subchapter S corporations and partnerships with assets over USD 10 m. Large Business and International's "LB&I" is also responsible for all foreign corporations and certain foreign partnerships; US persons residing abroad, in a US territory or involved in cross-border activities and investment; and Non-US citizens that have a US filing requirement.
Non-OECD countries	
Argentina	Mix of tax assessed, tax paid, annual sales, VAT debt, economic sector and number of employees
Brazil	General criteria are: gross income over BRL 120m; amount of debts stated in the Federal Tax Debts and Credits Statements (DCTF) over BRL 12m; payroll based on the Collection Form for the Employment Security Fund and Information to Social Security (GFIP) over BRL 21 m; or social security debts over BRL 7 m
Bulgaria	*(1)* Taxable persons meeting at least one of the following criteria: a) revenues of over BGN 3 m; b) taxes refunded of over BGN 2 m; *(2)* Companies in the industries of banking or insurance.
China	Cross-regional business, complex tax issues, or certain scale of tax revenue
Colombia	Largest taxpayers representing 60% of total taxes paid (CIT, VAT, and withholding) in the previous tax year, no debts with DIAN, and existing since more than 3 years
Costa Rica	Annual average for the last three tax periods: *(1)* taxes equal or above CRC 250 m; *(2)* income equal or above CRC 40 bn; and *(3)* total assets equal or above CRC 40 bn. Also, if an economic group meets the conditions all taxpayers within the group can be classified as "large taxpayers" even if the conditions are not met individually by the taxpayer. The same applies for economic groups in which one or more taxpayers are considered as large taxpayers.
Croatia	One of the following conditions has to be met: *(1)* revenue equal or above HRK 150 m; *(2)* business activity of a) insurance, leasing and telecommunications with revenue above HRK 15 m, or b) banks, regardless of the amount of revenue; *(3)* large projects where the expected revenue exceeds HRK 150 m and to which a significant number of taxpayers (e.g. subcontractors) can be associated to.
Cyprus	Tax revenue and size of business (VAT taxpayers only) /1
Hong Kong, China	n.a. (There is no dedicated Large Taxpayer Division.)
India	All taxpayers assessed in five major cities who have paid excise of over Rs 50 million, service tax over Rs 50 million or advance corporate income tax over Rs 100 million.
Indonesia	Weighted average of tax payment (80%) and turnover (20%) for last three fiscal years, and DGT discretion
Latvia	*(i)* annual net turnover or total amount of VAT transaction value above LVL 3 million; *(ii)* taxes paid above LVL 250 000; *(iii)* state or municipality budget-funded institutions with annual amount of taxes paid above LVL 3 million; *(iv)* credit institutions, insurance companies, taxpayers dealing with the organisation of gambling and lotteries
Lithuania	Turnover over LTL 60 m; number of employees exceeds 10; finance and insurance
Malaysia	Specific sectors
Malta	n.a. (There is no dedicated Large Taxpayer Division.)
Morocco	Turnover equal or over MAD 50 m
Romania	From 2014; *(1)* Base criteria, named "aggregated value criteria", are derived from the aggregation of 2 indicators: *(1)* the amount of owed fiscal obligations declared by the taxpayer – 50%; ii) total income from operating activities – 50%; *(2)* Specific criteria: national bank, banking, insurance and other financial institutions; and *(3)* financial investment entities: Taxpayers who commit to make investments exceeding EUR 10 million
Russia	Profits over RUB 20 bn; Federal taxes over RUB 1 bn a year; Rendering services in the sphere of communication and logistics in amounts over RUB 300 m; Rendering services in the sphere of insurance and banking which pay federal taxes over RUB 300 m; Assets with overall value of RUB 20 bn; or Entity with more than 100 employees
Saudi Arabia	*(1)* Significant industries/activities (e.g. oil, banks, etc), *(2)* equity over SR 100 m; and *(3)* gross income over SR 100 m
Singapore	*(1)* Corporate income tax: Net tax assessed, turnover, complexity; *(2)* GST: Annual GST supplies over SGD 100 m
South Africa	Groups with turnover over ZAR 1 bn; groups engaged in mining and financial services with turnover over ZAR 250 m; entities part of MNE with turnover over ZAR 250 m
Thailand	Turnover of THB 2 bn and above

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 100.

Source: Tax Administration 2015 survey responses.

Box 2.5. **Portugal's new Large Taxpayer Unit**

As foreshadowed in TA2013, Portuguese authorities have taken steps to establish a fully-fledged Large Taxpayer Unit (LTU) that came into existence from January 2012. This reform is one of many undertaken in Portugal over recent years to mobilise revenues, streamline tax administration and increase efficiency. For this series, Portuguese authorities provided specific information on the establishment and work of its LTU that is briefly summarised below:

Legislative authorisation

Legislation introduced *(1)* establishes criteria for selection of taxpayers to be allocated to LTU; *(2)* confers competence on the Director-General of the revenue body to define which taxpayers will relate with the tax administration through a client relationship manager; and *(3)* adapts the fiscal codes and related legislation in order to assign responsibility to the LTU concerning the competences related to procedures with respect to taxpayers followed by the LTU.

Basic approach and coverage

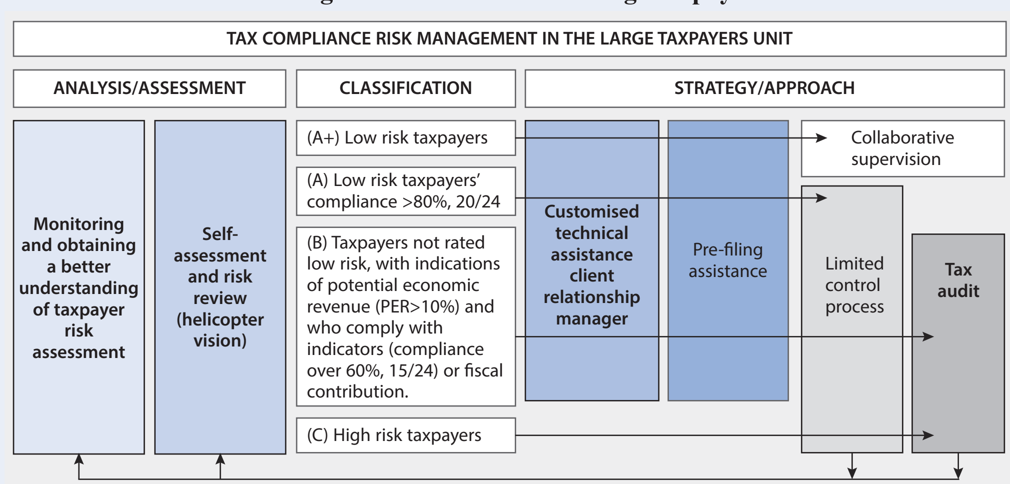
The LTU's approach is to be at direct contact with large companies in order to get a clear understanding of their specific needs, to better support them and develop open and transparent working relationships thus improving tax compliance. The LTU is responsible for dealing on a range of tax issues with more than nine hundred businesses (306 entities which meet the LTU key criteria and 618 related companies). In 2013, these companies represented just on 44% of total revenue collections (across all taxes and taxpayers).

Tax compliance risk management

Portuguese authorities reported that under the risk assessment system devised for large taxpayers (chart below), determining an overall risk rating involves assessing businesses against seven criteria and twenty four indicators:

1. ***Governance:*** Co-operation, transparency, level of litigation, and tax planning.
2. ***Organisation and structure****:* Well defined or complex and diverse structure, large number of associates/subsidiaries, major acquisitions or disposals.
3. ***Business deals*****:** Transfer pricing transactions supported by documented TP policy or TP agreement.
4. ***Information and internal control systems:*** Consistency and stability of information systems, reliability of outputs, appropriate tax accounting arrangements – tax liabilities correctly calculated.
5. ***Tax management:*** Evidence of capability and willingness to manage their own tax compliance risk.
6. ***Tax contribution*** (24 indicators): *(1) Compliance in corporate income tax*: Tax return on sales; corporate income tax on sales; *(2) Compliance in VAT:* level of VAT paid on taxable transactions; relation between VAT paid and gross added value; and *(3) Economic and financial performance*: equity to asset ratio; return on equity; productivity; increase in gross added value; increase in sales.
7. ***Tax debts.***

Portugal: Risk assessment of large taxpayers



Source: Survey response.

Common and/or important features of large taxpayer units

Prior work by the FTA has identified a number of fairly common and/or important features concerning the organisation and management of LTU:

- An LTU's responsibilities tend to cover both direct and indirect taxes, enabling a "whole of taxpayer" focus to be given to administering taxpayers' affairs.
- Business units typically provide both service and verification functions; reflecting this and the significant revenue and compliance risks they are responsible for, considerable resources are devoted to large taxpayer administration in many countries (e.g. Argentina, Australia, Canada, Indonesia, Italy, Japan, Mexico, Netherlands, Poland, Russia, South Africa, Spain, Thailand, Turkey, United Kingdom, and United States – see Table 2.6).
- Use of an "account manager" concept to provide designated large businesses with a nominated contact point for interactions with the revenue body.
- Increasing emphasis on the use of co-operative compliance strategies (see Chapter 3 for more information on this development).
- In addition to tax and accounting skills, the inclusion of specialist teams/expertise for support in areas such as industry knowledge, economics, international tax issues and computer-based examination techniques. To optimise performance, considerable emphasis is given to the development of industry knowledge through the use of industry-based teams and experts for key sectors of each country's economy, as is evident from the examples below:
    - ***Ireland:*** Revenue's Large Case Division is sector-based where case managers develop knowledge of how a sector works and build technical sectoral capability. The sector-based focus covers: Alcohol, Tobacco and Multiples; Betting, Food and Media; Financial Services Banking; Financial Services Insurance and Investment Funds; Financial Services Pensions; Information, Communication and Technology; Healthcare and General Manufacturing; Construction, Property, Mining and Energy; Motors, Oils and Transport; as well as specific areas dealing with Anti-Avoidance, High Wealth Individuals and Professionals from the largest accountancy and legal practices.
    - ***Russia:*** There are nine industry-focused inter-regional inspectorates for major taxpayers covering oil, gas, power, metallurgy, communications, transport, engineering, banks and finance, and processing industries and contraction and trade.
    - ***United Kingdom:*** Compliance operations are organised into 17 industry-based sectors: Agriculture and Food, Alcohol and Tobacco, Automotive, Banking, Business Services, Chemicals, Healthcare and Pharmaceuticals, Construction, General Retailing, Insurance, Leisure and Media, Manufacturing, Oil and Gas, Public Bodies, Real Estate, Telecommunications and Information Technology, Transport, and Utilities.
    - ***United States:*** LB&I is organised along six domestic industries and four International functions. LB&I's field specialist functions are now integrated into LB&I's domestic industries. The domestic industries are Communications, Technology and Media (CTM), Financial Services (FS), Heavy Manufacturing and Pharmaceuticals (HMP), Natural Resources and Construction (NRC), Retailers, Food, Transportation and Healthcare (RFTH), Global High Wealth (GHW). The international arm consists of an Assistant Deputy Commissioner, International (ADCI), International Individual Compliance (IIC), International Business Compliance (IBC), and Transfer Pricing Operations (TPO).

Table 2.6. **Large taxpayers: Numbers administered, staff usage and verification results**

Countries	No. of entities administered in 2013	Staff (FTEs)	Verification programme results: Number of completed actions 2012	Number of completed actions 2013	Value of assessments (millions in local currency) 2012	Value of assessments (millions in local currency) 2013
OECD countries						
Australia	24 000 /1	1 280	12 405	8 425	2 391	2 353
Austria	9 340	455	4 907	4 535	1 279	823
Belgium	18 011 /1	55	n.a.	n.a.	n.a.	n.a.
Canada	*(1)* 24 000 /1, *(2)* 14 256	*(1)* 556, *(2)* 307	2 125	2 761	3 687	4 210
Chile	1 515	191	833	790	275 251	104 178
Czech Republic	1 452	458	n.a.	174	n.a.	3 462
Denmark	2 000 (in 150 groups)	260	563	383	17 765	22 915
Finland	4 400	156	205	163	44	45
France	37 418	295	5 539	5 849	7 206	6 258
Germany	n.a.	n.a.	41 365	41 746	14 643	13 430
Greece	n.a	105	551	914	299	312
Hungary	1 313	382	3 077	2 994	112 305	140 495
Ireland	8 000 (in 630 groups)	213	1 528 /1	1 994	83	111
Israel	10 155	77 /1	n.a.	n.a.	n.a.	n.a.
Italy	3 200	500	382 /1	361 /1	10 818	7 649
Japan	29 705	2 352	3 357	2 910	94 108	101 086
Mexico	16 685	1 275	1 152	988	59 963	80 858
Netherlands	2 000 /1	700	13 200	10 300	n.a.	n.a.
New Zealand	16 700	177 (E)	586	593	340	638
Norway	4 400 /1	55	n.a.	n.a.	n.a.	n.a.
Poland	71 806	2 417	208 344	196 161	913	1 142
Portugal	924	179	2 037	2 320	677	353
Slovak Republic	626	112	521	1 028	11	8
Slovenia	660	71	248	500	23	15
Spain	3 049	829 /1	n.a.	n.a.	n.a.	n.a.
Sweden	18 713	362	n.a.	n.a.	n.a.	n.a.
Turkey	16 996	813	2 038	3 676	n.a.	n.a.
United Kingdom	800 groups /1	1 185 /1	1 759	1 352	5 000	5 300
United States	250 496 /1	5 111	16 652	15 449	9 705	13 230
Non-OECD countries						
Argentina	897	532 (incl. HNWI)	15 870	20 500	5 590	6 015
Brazil	11 982	154 (E)	2 168	2 647	86 626	152 508
Bulgaria	1 002	164	1 450	1 113	65	22
China	45 144, 45 groups	3 515	13	17	203 000	171 718
Colombia	8 524	279	6 120	2 397	379 693	310 416
Costa Rica	468	63	664	631	16 728	5 909
Croatia	680	112	n.a.	96	n.a.	464
Cyprus	200	11	15	19	19 (b)	4(b)
India	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	2 730	529	730	2 130	11 147 000	10 242 000
Latvia	1 247	82	536	687	25	76
Lithuania	568	53	1 107	667	22	38
Malaysia	n.a.	n.a	n.a.	n.a.	n.a.	n.a.
Morocco	3 632	40	199	127	2 679	3 374
Romania	1 940	225	1 336	1 073	944	2 559
Russia	16 833	2 717	n.a.	n.a.	95 918	119 288
Saudi Arabia	2 563	94	269	258	3 213	4 198
Singapore	*(1)* 1 600, *(2)* 1 741	*(1)* 53, *(2)* 25	n.a.	n.a.	n.a.	n.a.
South Africa	6 097	570	75	187	43	316
Thailand	2 753	547	n.a.	n.a.	n.a.	n.a.

Note: This table only includes revenue bodies that reported the establishment and operation of a Large Taxpayer Unit.

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 100.

Source: Tax Administration 2015 survey responses.

- As evident from data in Tables 2.6 and 6.8 (Chapter 6), verification checks constitute a major element of an LTU's activities in many countries, often resulting in a high degree of taxpayer coverage and significant tax adjustments.

Managing the tax affairs of high net worth individuals taxpayers

High net worth individuals (HNWIs) are another segment of taxpayers that has drawn the attention of a number of revenue bodies and major banking corporations specialising in wealth management. The FTA's 2009 report *Engaging with High Net Worth Individuals* drew attention to the challenges posed to revenue bodies from this segment of taxpayers, in particular those set out below:

- The HNWI segment consists of high wealth and high income individuals and is of particular interest for revenue bodies because of the: *(1)* complexity of these taxpayers' tax and private affairs and the large numbers of entities many are likely to control; *(2)* amounts of tax revenue at stake; *(3)* the opportunity to undertake aggressive tax planning; and *(4)* impact on the overall integrity of the tax system.
- To improve compliance, revenue bodies could consider changing the structure of their operations to more effectively focus resources, for example, through the creation of a dedicated HNWI unit and to include a focus on the activities of HNWI-related activities.
- Greater international co-operation, at both a strategic and an operational level, would improve the sharing of information and expertise between revenue bodies, particularly on cross-border changes.

Drawing on these conclusions, the study made a number of recommendations, including that revenue bodies could improve the compliance of HNWIs by:

1. Gaining a greater understanding of the risks posed by the HNWI segment by: *(1)* looking at the types of aggressive tax planning (ATP) schemes in the marketplace, the suppliers of ATP, and the HNWIs motivation; and *(2)* developing a strong commercial awareness of the broader concerns of HNWIs, including privacy, wealth preservation and their ability to pass wealth to future generations.
2. Building an effective capability to manage tax risks by establishing an appropriate structure in revenue bodies to deal with HNWIs and focusing resources by: *(1)* creating dedicated units which are adequately staffed by experienced officials; and *(2)* establishing a framework for dialogue between senior revenue officials, HNWIs and their advisers.
3. Improving international co-operation, including the use of regular meetings between heads of HNWI units and other specialists within revenue bodies.
4. Creating an appropriate legislative framework targeted at specific aggressive tax planning risks by taking a holistic approach to focus their strategies.

Dedicated HNWI organisational units and their staff resources

In recommending that revenue bodies set up dedicated organisational units where this was not already the case, the FTA's study made a number of observations as to their rationale that are re-stated below (from page 42 of the study report):

> It is important that tax administrations have regular and continued interaction with the HNWI segment and their advisers on issues such as planning, compliance

and service. This can increase the tax administration's understanding of not only specific taxpayers but also its broader understanding of the HNWI population. It will also help the HNWI segment and their advisers gain an understanding of the tax administration. A tax administration will most effectively gather information on the HNWI segment where it tasks certain parts of its organisation with doing so.

The way in which resources are focussed on the HNWI segment can take a number of forms. The most prevalent is that of a dedicated unit. Advisers clearly stated in the consultation process that this was also their preferred method of dealing with the tax administration in relation to their HNWI clients. Such a unit will typically take responsibility for those taxes that have a direct impact on the HNWI's personal tax liabilities. In some countries the coverage extends further to dealing with associated investment and business entities such as trusts, controlled investment companies and other operating entities, and the unit may also take responsibility for family members to enable the administration to take a wider view of the HNWI.

A dedicated unit is not a goal in itself but is a delivery vehicle that serves several functions: it sends a clear message to the non-compliant HNWI that he or she faces a real risk of being pursued by the tax administration which may in turn reduce aggressive behaviour and improve voluntary compliance; it enables a tax administration to match the level of expertise and knowledge of the HNWI's advisers in addition to developing the commercial awareness of tax administration staff; and it also allows for the concentration of skills, targeted training, the retention of knowledge and thus an improvement over time of the understanding of the HNWI population. A dedicated unit can be monitored, and further improved, more easily than when resources are spread.

Emerging trends in the growth and wealth of HNWIs

The FTA's May 2009 report on HNWIs observed that this taxpayer segment should be of interest to revenue bodies given the complexity of their affairs and the tax revenue potentially at stake from any non-compliance. However, it did not attempt to quantify the possible scale of this risk or to provide data on the likely population or wealth of HNWI taxpayers across member countries.

As for previous editions of this series, research was carried out of external sources to identify trends in the growth and wealth of HNWIs, based on definitions used by the organisations concerned. A useful source of information found on this matter is the report produced by Capgemini and RBC Wealth Management and published under the title *World Wealth Report*.[4] The 2014 edition of the report is the source of data used in the series and some of its key findings and observations are set out in Box 2.6. Importantly:

- Overall, significant growth in both the numbers and wealth of HNWIs across all regions with the exception of Latin America
- Significant growth in the estimated numbers of HNWIs for a fair number of countries covered by this series – in particular, the United States, Japan, Germany, China, United Kingdom, Switzerland, Italy, South Korea, Netherlands, Spain, Saudi Arabia, and Norway.

Other research sources (i.e. Crédit Suisse's Global Wealth Report 2013) provide additional perspectives on the growth and distribution of wealth, including for HNWIs, although using different classifying criteria and data sources.

Taken as a whole, the findings of the abovementioned research, assuming their general accuracy, lend support to the findings of the FTA's 2009 study and the need for revenue bodies to be vigilant in respect of this segment of taxpayers.

Box 2.6. **The state of the world's wealth: Some recent research findings**

The authors of the *World Wealth Report* define HNWIs as individuals with investable wealth in excess of USD 1 million, while a threshold of USD 30 million is applied to define the category "ultra-HNWIs". Some key findings from their 2014 research are set out hereunder:

Key findings (overall)

- **HNWI ranks expanded by nearly two million individuals in 2013, marking a 15% growth rate and the second largest increase since 2000.** North America and Asia-Pacific continued to lead the way, with Japan's HNWI population witnessing significant growth.
- **HNWI wealth grew by almost 14% to reach a second-consecutive record high of USD 52.62 trillion in 2013, building on a strong five-year trend.** Over the past five years, HNWI wealth globally increased by nearly USD 20 trillion, USD 2 trillion more than the total HNWI wealth in all of Asia-Pacific, the Middle East, and Africa.
- **Ultra-HNWI population and wealth growth in 2013 outperformed other wealth bands in all regions except Latin America.** The slow growth in Latin America, which holds the largest percentage of ultra-HNWI wealth (32.9%), constrained the global figure in 2013 and also over the last five years.
- **Three clear HNWI performance clusters have emerged among the top 25 markets since the crisis in 2008, with the above-average growth country cluster representing a diverse mix of markets.** Oil-rich Norway and Kuwait, the financial centres of Hong Kong and Singapore, and the emerging economic powerhouses of China, India, Russia, and Taiwan comprise the above-average growth cluster. Latin America and the Eurozone, meanwhile, have lagged.
- **HNWI wealth is expected to reach another record of USD 64.3 trillion by 2016, representing 22% growth over 2013 and almost USD 12 trillion in new HNWI wealth.** Growth is expected to be driven by robust expansion in most regions, though Asia-Pacific will lead the way with 9.8%. Asia-Pacific is still expected to have the largest HNWI population by 2014 and the most wealth by 2015.
- While numbering only 128 000 world-wide (and 0.9% of HNWIs), **ultra-HNWIs account for more than one-third (34.6%) of global HNWI wealth**; mid-tier millionaires with USD 5-30 million of assets number 1.2 million (9% of HNWI population) and 22.3% of wealth. The largest group by far and with assets of USD 1-5 million, numbering around 12.4 million and making up 90.1% of the total) hold 43.1 % of global wealth.

Box 2.6. **The state of the world's wealth: Some recent research findings** *(continued)*

Key findings (individual countries)

The data below identifies the top 25 individual countries according to estimated numbers of HNWIs in 2013. Also displayed is the estimated growth in numbers that occurred between 2012 and 2013.

Top 25 HNWI Population Ranking, 2013

Country	No. of HNWIs (000's)	% growth over 2012	Country	No. of HNWIs (000's)	% growth over 2012
United States	4 006	16.6	Spain	161	11.6
Japan	2 327	22.3	Russia	160	4.3
Germany	1 130	11.4	India	156	2.0
China	758	17.8	Saudi Arabia	151	16.4
United Kingdom	527	13.4	Mexico	130	-1.2
France	472	9.7	Kuwait	125	21.2
Switzerland	330	16.8	Hong Kong	124	9.4
Canada	320	7.2	Norway	120	11.4
Australia	219	5.8	Taiwan	112	17.4
Italy	203	15.6	Argentina	109	7.5
South Korea	176	10.3	Austria	108	9.4
Netherlands	173	16.5	Singapore	105	4.5
Brazil	172	4.1			

Source: Capgemini Financial Services Analysis, 2014 (as published in World Wealth Report 2014).

The approaches of revenue bodies in 2014

For the purpose of this series participating countries were surveyed on whether any special steps had been taken to create dedicated HNWI units, what resources were being devoted to the administration of HNWI taxpayers, the criteria used to identify HNWIs and related entities and the numbers of HNWIs being administered, and the results of related verification activities.

Information concerning the operation of dedicated units to administer HNWIs, as viewed from the survey, is set out in Table 2.7. The key observations and findings are:

- While there are some indications of increased attention being given to this segment, relatively few revenue bodies have established dedicated units to oversee the tax affairs of HNWIs, a surprising outcome given the very significant growth in the estimated numbers and wealth of these taxpayers, as indicated by external studies. Some background to the US IRS's rationale and approach to its management of high-wealth taxpayers is set out in Box 2.7.
- For those revenue bodies with dedicated HNWI units, the scale of these units varies significantly in terms of the numbers of HNWIs administered and the resources used, suggesting substantial differences in the roles and range of functions carried

out by the respective units and the intensity of related verification activities; a number of countries reported that their HNWI segment taxpayers are administered within their large taxpayer units.

- Resource usage data suggest relatively sizeable operations in Australia, Greece, Indonesia, United Kingdom, and United States.
- The criteria used by revenue bodies to identify their HNWI taxpayers tend to focus primarily on estimated wealth/asset levels of the taxpayers concerned.
- Not all revenue bodies with dedicated units reported verification outputs meaning there is insufficient information for any level of comparison.

Given the indications of growth in recent years in the numbers and wealthy individuals referenced in Box 2.6 and the relatively small number of revenue bodies reporting they have dedicated units to deal with such taxpayers (however defined at the individual country level), there would seem a case for most revenue bodies to consider whether they have the appropriate organisational and management arrangements in place to ensure that this segment of taxpayers receives the appropriate level of scrutiny to detect and deter non-compliance.

Box 2.7. **The United State IRS's Global High Wealth area**

The LB&I global high-wealth (GHW) industry area began operations in November 2009 and was formed to take a holistic approach in examining high-wealth individuals. An individual Form 1040 is at the centre of each GHW audit, and GHW employs an enterprise approach to its audits, considering the relationship and compliance risk inherent in all entities connected to the high-wealth individual. The enterprise approach is necessary because examinations on a return-by-return or year-by-year basis fall short of providing a complete picture of the tax compliance of individuals and the enterprises they control.

Source: IRS survey response.

Table 2.7. **Revenue bodies with dedicated high net worth individuals dedicated units – operational data for 2012 and 2013**

Country	Criteria applied to identify HNWI taxpayers	No. of taxpayers administered in 2013	Staff (FTEs) used in 2013	Verification programme results: Number of completed actions 2012	Number of completed actions 2013	Value of assessments (in millions in local currency) 2012	Value of assessments (in millions in local currency) 2013
OECD countries							
Australia	Individuals with net wealth over AUD 30 m	2 600	300	505	731	889	1 091
Canada	Individuals who either alone or together with related parties control a net worth of at least CAD 50 m. Entities owned by HNWIs that are already identified as part of the Large Files programme are excluded from the HNWI initiative usually performed by Aggressive Tax Planning auditors.	630 groups (Est) /1	50 /2	(HNWI workload was conducted within the Large Business Audit Division during the 2012 and 2013 operational period, the results of which are included in overall large taxpayer figures. The HNWI workload is now conducted in the Aggressive Tax Planning programme.)			
France	(see Footnote 1 for Table 2.1)						

Table 2.7. **Revenue bodies with dedicated high net worth individuals dedicated units – operational data for 2012 and 2013** *(continued)*

Country	Criteria applied to identify HNWI taxpayers	No. of taxpayers administered in 2013	Staff (FTEs) used in 2013	Verification programme results: Number of completed actions		Value of assessments (in millions in local currency)	
				2012	2013	2012	2013
Greece	/1	n.a	125	495	454	22	73
Ireland	Individuals with assets over EUR 50 m and non-residents with substantial economic interests in Ireland	496 /1	21	196	344	0.1 /2	0.5
Japan	*(Confidential)*	252	64	4 572	4 120	12 000	10 100
New Zealand	Taxpayers with complex tax affairs. Usually with assets over NZD 50 m. Most have over 30 entities associated with them.	194	9 (est.)	17	18	50 /2	90 /2
Portugal	Income over EUR 5 m and wealth over EUR 25 m	191	3	n.a	n.a	n.a	n.a
Spain /1	***Assigned by decision of Head of the Service for Planning and Institutional Relations (following a proposal of the Head of the Large taxpayers Office)***: Income over EUR 1 m or personal assets over EUR 10 m, or individuals/ partners related to other large taxpayers or who manage complex economic transactions.	212	/1	n.a	n.a	n.a	n.a
United Kingdom	Assets over GBP 20 m	6 100	375	1 389	1 822	200	222
United States	Individuals with tens of millions of USD of assets or income /1	n/a	119	n.a	n.a	n.a	n.a
Non-OECD countries							
Argentina	Mix of assets and securities, tax paid, annual sales, VAT debt, economic sector and no. of employees	1 143	(With large taxpayers)	2 034	3 440	326	523
Brazil	The specific criteria are not made public	4 428	34	188	275	898	1 791
Indonesia	Weighted average of tax payment (80%) and income (20%) for last three fiscal years, and DGT discretion	1 509	132	51	307	138	616
Malaysia	Individuals with statutory income equal or over MYR 1 m, assets equal or over MYR 5 m, or both together equal or over MYR 5 m	36 /1	13	(Separate results data not available.)			
Romania	Individuals who control over EUR 20 m in wealth or with annual reported income over EUR 3 m	433	30	(Separate results data not available.)			
South Africa	Gross income over ZAR 7 m and / or unencumbered assets over ZAR 75 m in respect of individuals linked to large corporate taxpayers	468	10	?	?	?	?

For notes indicated by "/ (number)", see Notes to Tables section at the end of the chapter, p. 101.

Source: Tax Administration 2015 survey responses.

Notes

1. The "Zakat" is a levy applied at a flat rate of 2.5% on the net worth (not net income) of Saudi natural persons, wholly Saudi owned companies, and Saudi partners in joint ventures (except for rain-fed agricultural products and irrigated agricultural products for which the rate is 10% and 5% respectively).
2. For this series, a reasonably broad definition is taken of what constitutes "headquarters functions"; that is, it includes all functions that support national planning and operations, including the national executive and programme policy development and management, as well as all support functions such as information technology operations, human resource management, public relations, security, finance, and internal audit.
3. Both the FTA report and this series use the term "High Net Worth Individuals" (HNWIs) to refer to individuals at the top of the wealth or income scale. The term is used broadly and thus includes both high wealth and high income individuals. However, it is recognised that there are segments within this broad definition that display different characteristics and may, therefore, require different administrative responses from revenue bodies.
4. For their purposes, the authors use a proprietary methodology which defines HNWIs as those individuals having investable assets of USD 1 million or more. For "ultra-HNWIs", the investable assets criterion is set at USD 30 million. Details of the methodology are elaborated in the author's report.

Notes to Tables

Table 2.1. Selected features of the organisational structure of revenue bodies

/1. **Austria:** Federal Computing Centre of Austria acts as e-Government partner of the public administration and is the IT service provider for Austrian public administration. **Brazil:** There are also specialised offices based on taxpayer segment criteria, such as: large taxpayers, HNWI, and Financial Institutions. **Canada:** HNWI workload is conducted within the Aggressive Tax Planning programme. **Chile:** Re HNWI, this is a new function created in October 2014 within the Auditing Division, in charge of monitoring HNWI and company directors. Re enforced debt collection, primary responsibility rests with Treasury. **Cyprus**: For VAT only. **Czech Republic**: Except for Real Estate Transfer Tax. **Finland:** IT operations are largely outsourced. **France**: The tax administration does not have a specific service to manage HNWI taxpayers' situation – it is done by local services. Its HNWI Unit called DNVSF (National Directorate of Fiscal Situation Audits) is exclusively dedicated to audits and shared between regular HNWIs' and "Top HNWIs". **Greece: A** HNWI Audit Centre has operated to deal exclusively with HNWI taxpayers since around mid-2013; a Directorate for Dispute Resolution was established early in 2014. **Hungary:** Several organisational units of the NTCA are responsible for this task. **Ireland:** Revenue does not have a dedicated unit in charge of appeals disputes, although does have an Appeals function. Customers may lodge complaints at their local office, submit their case for internal or external review and/or make an appeal under statutory provisions (via the Appeals Commissioners, Ombudsman's Office or the Equality Tribunal). **Israel**: A dedicated unit exists only for real estate taxation within the regional offices of some major districts. **Italy:** The Revenue Agency has a Central Anti-fraud Unit for: *(1)* analysis of widespread fraud in tax and development of law enforcement strategies, tax avoidance and resulting operational methods; *(2)* co-ordination and monitoring of control activities linked to widespread fraud and conducted in the territory; and *(3)* conducting investigations and audits at national level on major fraud; however, the Financial Police (Guardia di Finanza) by virtue of its primary role of economic and financial police plays the central role in dealing with serious criminal tax evasion cases, under direction of Prosecutor Offices. To tackle international tax fraud, tax evasion and tax avoidance the Central Assessment Directorate works the Central Office on Combating International Tax Illicit (U.C.I.F.I.) – with tasks of direction and co-ordination of the fight of international tax evasion, with the assistance of the Finance Police.

One of several tasks the office is involved is the identification of the phenomena of illicit transfer or holding financial and economic activities abroad or residence transferred abroad in order to receive a favourable taxation and to lead to unlawful evasion of tax; the office defines the strategies to combat international fiscal illicit and the related operative methodologies; and it carries out controls and investigations on the major relevant and dangerous phenomena. **Korea**: Large taxpayer unit at regional level only. **Lithuania:** Separate IT department provides all internal services and systems support, while all systems development is carried out by external companies. **Malaysia:** Special Units in branches to handle tax cases related to HNWIs and VIP/Staff. **Mexico**: The General Administration of Communications and Information Technologies is responsible for IT-functions. Some of the software and system developments are outsourced. **Netherlands**: A dedicated cross-segment team was established in 2014, tasked with developing an integrated HNWI compliance strategy for the NTCA. **Portgual**: A working group has been created to deal with HNWI. **Singapore**: There are separate large taxpayer departments for Corporate Tax and Goods and Services Tax. **Slovak Republic:** There is one Large Taxpayer Office in Bratislava for all the Slovak Republic territory. **Spain**: HNWI taxpayers can be assigned to the Large Taxpayers Central Office under certain circumstances by the Head of the Service for Planning and Institutional Relations; other wealthy taxpayers are managed by provincial offices or, where appropriate, regional offices.

/2. **Canada:** Although a portion of information technology services are provided by Shared services Canada, the CRA has an information technology branch responsible for business application systems and infrastructure. **Italy:** IT services are delivered by an IT company (Sogei) fully owned by the Ministry of the Economy and Finance. A dedicated Unit in the Revenue Agency manages relations with Sogei. **Korea**: Debt collection unit at regional level only (only for large taxpayers); there is a Forensic and Anti-tax Evasion Office at the regional level. **Spain:** The Tax Appeals Courts (central and regional level) are part of the Ministry of Finance and Public Administration, independent of the Tax Agency.

Table 2.3. Office network for tax administration – office types by number (end of 2013)

/1. **Australia: Ten** regional offices are to be closed by 31 October 2014. **Belgium**: Contact centre (2 temporary sections during peak season). **Brazil**: 544 Federal Revenue Offices and 14 Federal Revenue Judgement Offices. **Canada:** One regional data processing centre is co-located within a local office; one call centre is co-located within a data centre and one other is co-located within a local office. **China**: Regional offices include offices of provincial level and offices of municipality directly under the central government. **Costa Rica**: The Tax Administration's call centre started operations in February 2014 and is still under development. Currently, it is only working for one of the local offices. **Croatia**: The national data processing centre is outsourced and part of the "Information Systems and Information Technologies Support Agency". **Cyprus:** There are separate departments/offices at all levels for direct and indirect taxes. **Czech Republic:** Appellate Financial Directorate. **Denmark:** SKAT is headed by a Director General. It has 29 nationwide branches (including one call centre) and the 29 branches are organised in 6 nationwide divisions, each headed by a Deputy Director General. SKAT has no formal headquarters, with traditional HQ functions such as administrative policy development, process design, financial management, IT and national oversight embedded in the 6 nationwide divisions. **France:** These offices include the Large Business Directorate, National and International Tax Audit Directorate, National Tax Investigations Directorate, National Tax Situation Tax Audit Directorate, National Directorate for State Property Operations and the Directorate for Residents Abroad and General Services. **Germany:** There are 16 decentralised Lander administrations. **Hungary:** Criminal Affairs Directorate General, Institute for Training, Healthcare and Culture. **India**: There are also 36 Regional Computer Centres. **Israel**: Local offices exist separately for IT/VAT and Excise/Real Estate/Investigations. **Korea**: National Tax Officials Training Institute and NTS Liquors License Aid Centre. **Luxembourg:** There are separate departments/offices at all levels for direct and indirect taxes. For 2015, it is expected that the number of local offices dealing with indirect taxes (40 offices) will be reduced without impact on general staffing levels. **Malta:** Taxes are administered by three separate departments that are to be integrated into one organisation over the next 2 to 3 years. **Malaysia:** Comprised of 36 assessment branches, 17 investigation branches and 24 revenue service centres (stamp duty and counter services in sub-urban/rural areas). **Mexico**: These are customs offices. **Netherlands:** Headquarters is the Directorate General; Taxes Division is led by a dedicated head office. The Centre for Professional Education and Communication, Fiscal Investigation and Information Service, Facility Management Unit and IT-departments are labelled under "other offices". **Norway:** Following an office reduction project the network was reduced from 225 offices (at beginning of 2011) to 108 in 2013. **Portugal**: Data for call centres are also included in aggregates for headquarters and regional and local offices. **Romania**: Data processing centres and call centres are organised under national headquarters. **Russia**: This includes, interregional inspectorates for large taxpayers, federal districts and on transfer pricing. **Slovak Republic**: Regional offices are settled in the seats of the Higher Territorial Units and the local offices are the organisational units of these regional offices (the tax and the customs branches). They are settled in different cities than seats of Higher Territorial Units; **Slovenia**: On

1 July 2013, the territorial organisation of tax offices of the Slovenian Tax Organisation changed as a result of which local branches of regional tax offices were transformed into tax desks (41), which perform their activities on dis-located locations. **South Africa:** Data includes customs operations. **Spain:** Office of the Director General, 11 Departments, Large Taxpayer Office, National Office for Fraud Investigation, International Taxation Office. **Sweden:** There are 103 service offices in co-operation with a few other state agencies. **United States**: The breakdown and number of offices is based on the number of "Fund Centres." This is not the same as physical facilities (of which there are 634); often several business units have "offices" in the same building but with different Fund Centres; conversely, some Business Units assign many physical locations to a single Fund Center. Each Business Unit has a different level of detail by "office" represented. Therefore, the breakdown provided is an approximate estimate only.

/2. **Brazil**: The tax administration does not have its own data processing centres, the service is provided by a public enterprise (Federal Service of Data Processing – Serpro). **China**: Local offices include offices of municipal level and offices of district level and county level directed by provincial offices; **Croatia:** Office for large taxpayers. **Cyprus:** There are 5 data processing centres, using self-employed staff, for direct taxes administration. The "other" office is the Valuation of Immovable Property Office. **Germany**: 28 call centres are located in 1 (Hesse) of the 16 Länder. **Norway:** Petroleum Taxation Office. **Spain:** There are 17 regional offices, 39 provincial offices, 192 local tax offices, and 31 customs and excise local offices; calls centres are supported by a basic information service that is partly outsourced to external companies, and reinforced during campaign periods. **United States**: Includes both the IRS's central computing centre and the large tax return submission centres.

Table 2.4. Office network for tax administration – office types by number of staff (end of 2013)

/1. **Argentina: S**taffing aggregates include all customs and social security staff. For SSC functions, AFIP administers the collection and tax examination of SSC within its Social Security General Directorate. **Brazil:** 20 638 in Federal Revenue Offices and 800 in Federal Revenue Judgement Offices. **Canada:** Reflects tax-administration related employees (excludes Benefits Programmes). **Cyprus**: Staff usage figures cover both direct and indirect taxes, administered separately. **Denmark:** See comment for Table 2.3**.** **France**: The aggregate corresponds to staff that are used only for tax functions; the entire DGFIP, dealing with other functions is 76 175 FTEs. **Hungary:** Aggregate data includes Customs operations; data for call centres are also included in aggregates for headquarters and regional offices where they are located; **Israel:** Staff aggregates include Customs. The data does not include students working temporarily in part-time jobs. In 2013, around 420 student FTEs were employed. **Lithuania**: These aggregates are included in HQ aggregate. **Luxembourg**: Staff usage figures are not expressed in full-time equivalent. They cover both direct and indirect taxes, administered separately**; Mexico**: National processing and call centre operations are outsourced-numbers shown are SAT's supervisors. **Netherlands**: Aggregate amount includes staff at the Centre for Professional Education and Communication (373 FTEs); Fiscal Investigation and Information Service (986 FTEs); Facility Management Unit (804 FTEs); IT departments (1 529 FTEs) which are not defined as headquarters in the Netherlands. **New Zealand**: Staff aggregates estimated on the basis of a 65/35% allocation between tax and non-tax activity. **Norway**: Excludes services and administrative staff. **Portugal**: Data for call centres are included in aggregates for headquarters and regional and local offices. **South Africa**: Data aggregates include customs operations; other offices FTEs are principally customs operations. **Spain**: National processing centre staff in headquarters data. **Sweden**: Staff FTEs of one data processing centre (722) in head office data and staff FTEs of one call centre (ca. 400) in regional/local office data. **United Kingdom**: In addition to staff in table categories, there is an additional 258 FTE in non-office accommodation (stores/garages).

/2. **Spain:** Includes customs staff (3 829 FTE) that deal with tax issues (e.g. VAT on imports, excises).

Table 2.5. Large taxpayer operations: Identification criteria used in 2013

/1. **Canada:** The Indirect Taxes (GST/HST) category includes: GST/HST registrants, excluding the Municipalities, Universities, Schools, and Hospitals (MUSH sector), with annual revenue in excess of CAD 100 million; Companies controlled by those large registrants; and Complex non-resident registrants. **Cyprus**: It is expected that the Large Taxpayer Unit will cover both direct taxes and VAT from 1 January 2015. **United Kingdom**: From April 2014, a number of factors will be used to identify large groups including turnover, number of employees and number of entities. As a result the number of groups administered will increase to 2 000. Number of staff will also increase to 2 014;

Table 2.6. Large taxpayers: Number administered, staff usage and verification results

/1. **Australia:** Around 1 250 economic groups encompassing 24 000 entities. **Belgium:** In 2013 only one pilot office in Brussels is managing the large taxpayers located in the Brussels-Capital Region and the large

Taxpayers belonging to a specific economic sector of the whole country. **Canada**: The Income Tax category includes approx. 1 100 large business entities 24 000 controlled entities. **Ireland**: Only for the period May to December 2012. **Israel:** Includes all staff functions in one dedicated large taxpayer office (including support functions) and only operational staff in the dedicated units of two other, mixed, offices. **Netherlands:** There are about 9 000 large businesses of which 2 000 are considered very large taxpayers. Figures refer only to very large taxpayers. **Norway:** About 75 large corporate groups (with about 2 600 companies); in addition, 570 companies in the shipping sector, 133 companies in the energy sector, 248 companies under the CFC regime and some other companies. **Spain**: Resources also include administration of designated large personal taxpayers/HNWIs. **United States**: Number reported is the number of returns filed in 2012 by Corporations (USD 10 m to USD 250 m)-48 059; Corporations (USD 250 m and over)-14 288; Foreign Corporations (USD 10 m and over)-3 247; Partnerships (large business)-144 743; and S Corps (USD 10 m and over)-40 159.

Table 2.7. Revenue bodies with dedicated high net worth individuals' organisational units – Operational data for 2012 and 2013

/1. **Canada**: A current estimate of HWNIs identified is around 630 groups which may include more than one individual. The number of HNWI audited during a particular year is not published. **France**: See notes to Table 2.1. **Greece:** All taxpayers, regardless of income level and nature of income that satisfy following criteria: *(a)* total value of real property exceeds EUR 2 million after 01/2009; *(b)* annual cost of living exceeds EUR 150 000 for 2012; *(3)* expenditure on real estate etc. over EUR 400 000 (2012) and EUR 500 000 (2013); *(4)* with offshore remittances of over EUR 50 000 in 2009-13; *(5)* prescribed foreign persons; and *(6)* other cases entrusted to Interregional Audit Centres (as per Ministerial decision). **Ireland**: 496 HNWIs and Partnerships. **Malaysia**: In 2013, a special task force was set up at the headquarters level consisting of Tax Compliance Department, Intelligence Division and Special Action Department to monitor HNWIs with 13 personnel. 36 HNWIs were monitored and administered by this taskforce in 2013. The 2012 figure (4272 HNWIs excluding VIPS/staff) was based on the 1st criteria only. IRBM also decentralised the VIP/staff unit (previously handling HNWIs) to various branches. **Spain**: Designated HNWIs are administered from within the Large Corporate Taxpayers Division; staff FTEs included in data for Large Corporate Division taxpayers. **United States**: Through the GHW unit within LB&I, the IRS focuses compliance expertise on high income/high wealth individuals and the enterprises they control. The IRS is in the process of developing a model to define high wealth taxpayers. Note that the majority of IRS data and definition is focused on taxpayer income rather than overall wealth, since the United States does not tax wealth.

/2. **Canada**: The HNWI workload is conducted within the Aggressive Tax Planning programme. **Ireland:** Results for 2012 cover only part of year (from May 2012). **New Zealand**: Amount shown is total value of discrepancies determined, including adjustments for loss reductions and imputation credits.

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