



TRENDS AND DEVELOPMENTS IN TAX ADMINISTRATION

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EU Fiscal Blueprint: An overall framework

FRAMEWORK, STRUCTURES & BASIS

- Overall framework of a tax administration
- Structure and organisation
- Tax legislation

HUMAN AND BEHAVIOUR ISSUES

- Ethics
- Human resources management

SYSTEMS AND FUNCTIONING

- Revenue collection
- Tax Audit
- Administrative co-operation
- Fraud and tax avoidance

TAXPAYER SERVICES

- Taxpayers rights and obligations
- Systems for taxpayers' management
- Voluntary compliance

SUPPORT

- Information technology
- Communications



The Tax Administration Series

- Tax Administration 2013 is a comprehensive survey of tax administration systems and practices across 52 economies.
- The series uses data, analysis and country examples to identify key trends, comparative levels of performance, recent developments and examples of good practice.
- Sixth edition (55 countries) is currently being compiled.





Why is this research important

Tax Administrations are being asked

- **to do more with less,**
- to take on **new tasks**, and at the same time,
- to ensure that governments have the revenues they need to **finance important programs** that benefit their citizens.
- The report is an invaluable source for revenue bodies to helping them to **learn from the experiences** of others and to **identify opportunities for reform.**



Features of an ideal tax administration

Tax Administrations need to have

- Sufficient level of autonomy
- Clearly designated missions, responsibilities, visions, objectives
- Adequate sources
- Stable legal framework
- Power to operate

Tax Administrations should be

- Accountable for its operations and
- Subject to control and assessment



Focus of the research

- Institutional reform
- Organizational arrangements and reforms
- Aspects of strategic management
- Taxpayer service delivery, including the use of electronic services
- Human resource management
- Resources of national revenue bodies
- Key areas of operational performance
- Support to tax intermediaries
- Elements of legislative and administrative framework



Key findings: Institutional reforms

- Adoption of ‘unified semi-autonomous body’.
- Allocating additional roles to revenue bodies.
- Integration of collection (tax and social security contributions).
- Merger of Tax & Custom Administration.
- Special governance arrangements.
- Special complaints handling bodies.



Key findings: Organisational reforms

- Moving from a **'tax type'** structure to a **'functional'** structure.
- Structuring the compliance (i.e. service and verification) functions on the basis of **'taxpayer segment'**.
- Consolidating office networks.
- Fundamental business process redesign underpinned by more effective use of modern technology.



Key findings: Strategic management (1)

Drivers of managing improved performance

- A commitment open government (transparency, accessibility, responsiveness)
- More formalised planning approaches
- A much increased focus on performance
- Institutional and organisational restructuring,
- The use of market based mechanisms
- And modernising employee management arrangements



Key findings: Strategic management (2)

Measuring performance

- Focus of planning and performance evaluation towards the “outcomes”.
- Direct and indirect measures of taxpayers’ compliance.
- Measures that reflect the quality of services.
- Reductions in taxpayers’ compliance burden.
- Measures reflecting the level of taxpayer satisfaction with, and confidence in, the revenue body.

Managing compliance

- Formal process for identifying, assessing and prioritizing key compliance risks areas.
- Potential to increase awareness, serving to deter non-compliance, by greater use of the media.



Key findings: : Taxpayer service delivery

- Service delivery is an important component of the work of revenue bodies given the size of their client base and the complexity and range of taxes administered.
- Quality has many dimensions: e.g. timeliness, accuracy of advice and ease of access to information. Responsiveness is a key criterion in the context of what constitutes good service.
- ‘Whole of government’ service delivery approach.
 - Technology driven changes enable enhanced service delivery.
 - >50% of revenue bodies have established systems of electronic filing of tax returns for the majority of the taxpayers for each of the major taxes
 - pre-filing of PIT continues to evolve
 - reasonable progress in automation of tax payments



Key findings: Human resource management

- 88% of revenue bodies have a formal HMR strategy
- Most revenue bodies are undertaking staff development in the areas of commercial awareness (77%), risk management (82%) and financial management (77%)
- 58% of revenue bodies reduced staffing of the last two years and 33% increased staffing
- There are significant variation in the age profiles of revenue bodies' (e.g. considerable older workforce in Nordic countries, Belgium, Italy, the Netherlands, Portugal and the United States).
- There is a high correlation between revenue bodies with a high proportion of staff with academic qualifications and a workforce that is predominantly comprised of staff under 50 years of age.



Key findings: Human resource management II

- In general the workforce in Europe tends to be older (around 40% or more aged 5–60) but there are exceptions-Hungary less than 20%
- Staff costs as % of total costs tend to be high in Europe (70-80%, compared to an OECD average of 67%) but 2011 figure for UK is 57%
- Cost of collection: as a % of revenue collected in Europe tends to hover around 1%
- Costs compared to GDP: 0.15-0.25%
- Functional split of staff usage varies widely



Key findings: Resources

- Many revenue bodies are subject to cost-cutting/downsizing
- Outsourcing is widely used for some tasks:
 - Provision of IT services,
 - HMR administrative support services (NZ and UK) and
 - Debt collection



Key findings: Operational performance

- Tax refunds:
 - increasing trend in the proportion of tax being refunded to taxpayers with implications for workloads and risk of tax fraud
- Tax debt:
 - average tax debt levels in OECD countries continued to ease in 2011 following their peak in 2009
 - the incidence of unpaid taxes varies enormously across the surveyed countries suggesting that there are also substantial variation in the overall incidence of payment compliance
- Tax verification activities:
 - around 50% of the revenue bodies reported a significant increase (+20%) in the aggregate value of their verification outputs over a 5 year period



Key findings: Support to tax intermediaries

- Relatively few countries have comprehensive laws in place regulating the tax administration-related responsibilities of tax intermediaries.
- There is a significant disparity in the range of services offered by revenue bodies to tax intermediaries
- Many revenue bodies have considerable potential for leveraging improved tax compliance and easing taxpayers' compliance burden by increasing engagement with tax intermediaries



Key findings: legislative and administrative framework

- All revenue bodies (with minor exception) have a formal set of taxpayers' rights
- The vast majority of revenue bodies have the more traditional forms of powers to enforce the payment of tax debts. Less common powers are closure of businesses, loss of license to operate, denial of access to government services and limits on overseas travel
- All have powers to obtain relevant information and it can be extended to third parties
- Use of voluntary disclosure and programs is under-utilised. Results for countries indicate they can be an effective tool for encouraging to report past acts of non-compliance



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ATTENDING

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