

Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2006)

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CENTRE FOR TAX POLICY AND ADMINISTRATION

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FOREWORD

This information series, prepared by the Centre for Tax Policy and Administration and approved by the Committee on Fiscal Affairs (CFA), provides internationally comparative data on aspects of tax systems and their administration in OECD and selected non-OECD countries. The primary purpose of the series is to provide information that will facilitate dialogue among tax officials on tax administration issues, and which may also identify opportunities for revenue bodies to improve the design and administration of their respective tax systems.

There is a considerable amount of useful information that could be shared on the design of tax systems and aspects of their administration. This information series, the second edition, contains an expanded array of information that should be of interest to tax officials in most countries and to other observers. It is the CFA's intention that this information series be progressively expanded and updated around every two years and that it evolves to become the definitive source of comparative tax administration-related information for OECD and selected non-OECD countries.

The information provided in this series has been obtained from a survey of national revenue bodies conducted in 2005, revenue bodies' annual reports, third party information sources (e.g. the International Bureau of Fiscal Documentation (IBFD)), selected other OECD tax publications and other sources. Every effort has been made with relevant revenue bodies to validate the information displayed in the series and to note the sources of information used.

This edition of the series was approved by the Committee on Fiscal Affairs in October 2006. The Committee would welcome feedback from OECD members and other countries that can be taken into account for future editions of this information series.

The series is published under the responsibility of the Secretary-General of the OECD.

Chair, Committee on Fiscal Affairs
October 2006

1 INTRODUCTION

Background

1. Implementing tax policy in an increasingly globalised world is becoming more challenging for tax administrators. Recognizing this and the potential value of administrators working together to explore and agree approaches to key strategic issues, the Committee on Fiscal Affairs (CFA) established the Forum on Strategic Management in 1997. In 2002, the CFA reconstituted this Forum into the Forum on Tax Administration (FTA) with the objective of further increasing its focus on domestic tax administration matters. Coinciding with the creation of the FTA, a number of Sub-groups were established to deal with specific aspects of tax administration – compliance and taxpayer services.
2. As the work of the FTA and its Sub-groups has proceeded, it has become increasingly apparent that there are many differences in the tax system arrangements across countries that directly impact on how tax systems are administered, and potentially their relative efficiency and effectiveness. For example, as identified in this information series:
 - There are significant variations in the organisational setups and the degree of autonomy of national revenue bodies across OECD and non-OECD countries.
 - The national revenue body in a number of countries is also responsible for customs administration and/or various other non-tax functions.
 - In around half of OECD countries, the system of administration for income tax is based on administrative assessment while in others the system is based on self-assessment principles.
 - In around half of OECD countries, the vast majority of employee taxpayers are not required to file annual income tax returns owing to the special tax withholding arrangements and other tax system design features in place; in most other OECD countries the majority of employees are required to file an annual income tax return, although an increasing number of revenue bodies are assisting taxpayers by providing fully/partially completed tax returns (referred to as “pre-filled” tax returns in this series).
 - Tax burdens across OECD countries range from below 20 percent of GDP to just over 50 percent, implying substantially different administrative workloads and tax compliance management considerations.
 - In some OECD and non-OECD countries, the collection of social contributions has been integrated into the tax administration arrangements whereas in others it is the responsibility of a separate agency or agencies.
 - In some OECD countries, the national revenue body is responsible for real property and/or motor vehicle taxes while in others such taxes are administered by separate sub-national government agencies.
3. While there are many reasons for such differences, the absence of a comprehensive and current information series contrasting aspects of country tax systems and their administration has meant that much of the dialogue between officials on tax administration matters has often taken place without a full appreciation of these differences. In recognition of this, the FTA decided in 2003 to establish a comparative

information series covering important aspects of tax administration. The prior edition of this series was published in October 2004.

Countries covered by the information series

4. Compared to the first edition of this series, this edition includes a selection of non-OECD countries to enhance its international comparison objective. The criteria used to identify these additional countries were:
 - Countries that are formal observers to the CFA (i.e. Argentina, Chile, China, India, Russia and South Africa);
 - Non-OECD countries that are members of the European Union (i.e. Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia);
 - Countries that have a comprehensive engagement strategy with the CFA for the purposes of its Outreach Program (i.e. Brazil); and
 - Countries whose revenue body has worked closely with the CFA's Forum on Tax Administration over recent years (i.e. Singapore).

Structure of the information series

5. The series is structured along the following lines:
 - Part 2 provides a comparison of the institutional and organisational setups of revenue bodies for the administration of national taxes in OECD and selected non-OECD countries.
 - Part 3 provides a high level description of management practices generally and for selected revenue bodies.
 - Part 4 provides a comparison of the tax filing and payment obligations for the major taxes (i.e. personal income tax (PIT), social contributions, corporate profits/income tax (CIT), and value added tax (VAT)).
 - Part 5 provides a summary of selected administrative powers given to revenue bodies to carry out their mandate.
 - Part 6 provides a comparison of country tax burdens (measured in terms of taxes as a proportion of gross domestic product (GDP)) and the relative mix of the major taxes in total revenue collections.
 - Part 7 provides a summary of selected operational performance information for all countries, along with guidance as to how such information should be interpreted.
 - Part 8 provides a description of selected administrative practices.
6. For ease of reference all tables, with minor exception, are located at the end of each relevant part.

2 INSTITUTIONAL AND ORGANISATIONAL ARRANGMENTS FOR TAX ADMINISTRATION OPERATIONS

Introduction

7. This part provides details of the institutional and organisational arrangements put in place by the 30 OECD member countries and 14 selected other countries—hereafter referred to collectively as ‘the surveyed countries’—to conduct national/federal revenue administration operations. As described later in this part, these arrangements can have significant implications for the overall effectiveness and efficiency of revenue administration.
8. The information provided by surveyed countries for this part is described hereunder:
 - Table 1 describes in broad terms the type of institutional arrangements for revenue administration established to carry out revenue administration functions; it also provides an indication of whether the body has been given non-tax roles.
 - Table 2 provides data on the range of non-tax related functions that have been assigned to national revenue bodies.
 - Table 3 describes the major tax types collected by the national revenue bodies.
 - Table 4 describes selected internal organisational design features that have been adopted by the respective bodies.
 - Table 5 provides an indication of the range of powers given to revenue bodies to carry out their mission, which collectively reflect their individual degree of autonomy.
 - Table 6 provides information concerning the features of the office networks established by national revenue bodies to carry out their assigned functions.
 - Figures 1-5 provide examples of official revenue body organizational structures for a cross-section of countries covered by the series.

Key observations and trends

9. Based on an analysis of the information contained in Tables 1 to 6 there are a number of important observations that can be made:

Institutional arrangements

- Governments in surveyed countries have evolved a variety of institutional arrangements for the administration of tax laws. These include:

- Unified and semi-autonomous bodies (in 23 surveyed countries) with a broad range of powers (refer later comments) that are responsible for the administration of most, if not all federal/national taxes (including, where applicable, social contributions), that report direct to a government minister, sometimes via a separate board).
 - Separate bodies for the collection of tax and social contributions, the latter in many European countries being the predominant source of federal government revenue collections.
 - Semi-autonomous or single directorates in MOF bodies responsible for both tax and customs administration operations (16 surveyed countries).
 - Single or multiple directorates within the formal structure of the Ministry of Finance with fairly limited autonomy.
- In a small number of surveyed countries, a formal management board comprised of external representatives has been interposed between the head of the revenue body and the relevant government minister (a description of a number of these arrangements is provided later in this part).
 - To a large extent, these varied institutional arrangements reflect underlying differences in the political structures and systems of public sector administration in countries, as well as longstanding historical practice.
 - Revenue bodies in many countries have been given a considerable degree of autonomy to carry out their mission; however, there is scope in many OECD countries for greater autonomy (e.g. to design their internal structure (8/30 countries), budget expenditure/discretion (9/30 countries), and to set staffing levels within overall expenditure limits (7/30 countries)).
 - In the 28 OECD member countries that have a separate regime of social contributions, 17 member countries have chosen to have such contributions collected by a separate social security agency (or multiple agencies), while in the balance of countries the collection of these revenues is integrated with normal revenue administration functions carried out by the revenue body; in the 14 selected non-OECD countries integration is the preferred approach with 8 countries adopting this approach (refer later comments).
 - The great majority of surveyed countries have merged the administration of direct and indirect taxes within a single revenue collection body; countries where this is yet to occur are largely members of the British Commonwealth that adopted the model of separate direct and indirect revenue bodies that was, until recently, the prevailing model in the United Kingdom.
 - Six OECD member countries have aligned the operations of tax and customs operations within a single agency, although there appears to be no trend in this direction¹; in the 14 non-OECD countries, the alignment of tax and customs administration within a single agency is applied more widely with 5 countries adopting this approach.
 - Where there are separate tax and customs administration agencies, 12 countries have allocated the administration of excises to the customs body, not the main revenue body.

¹ The most recent change in this area was undertaken by the Canadian Government which decided in December 2003 to remove responsibility for customs administration from the Canadian Customs and Revenue Agency and attach it to a new agency responsible for homeland security functions.

- The national revenue body in most European OECD member countries is also responsible for the collection of real property taxes (and in many, motor vehicle taxes), while in virtually all non-European OECD member countries these taxes are administered by tax bodies of sub-national governments.
- There is a trend to allocate additional tasks of a non-taxation nature to the national revenue agency in many countries. These tasks include government valuation tasks, the payment of various social welfare benefits, the collection of non-tax government debts (e.g. child support, student loans), and the maintenance of population registers.

Organisational structure

- The general trend seems to be that more and more countries do not use a main structural criterion but rather shows an eclectic and pragmatic approach incorporating all structural models. The tax type structure is certainly giving way to either a functional, taxpayer or mixed structure. Of the OECD countries, 9 countries have a pure functional structure, 4 countries have a mix of functional and tax type/taxpayer structure, whereas 12 report use of all structures. Only 5 countries do not use functional structuring of their tax administrations at all.
- The majority of surveyed countries maintain a dedicated debt collection enforcement operation, as well as separate tax fraud investigation and appeals functions.
- In line with the progressive establishment of a functional structure over the last decade, member countries are increasingly integrating their direct and indirect taxes compliance activities.
- To achieve economies of scale, many surveyed countries have established dedicated information/ transaction processing centres.
- Arrangements in member countries for the provision of information technology support vary significantly, and include (1) comprehensive in-house operations covering both infrastructure operations and applications development; (2) shared arrangements across areas of government (e.g. a single IT department supporting all MOF functions); and (3) largely outsourced operations involving private contractors. The large scale outsourcing of IT functions to private contractors occurs in relatively few countries.
- While most countries maintain traditional office networks which are geographical and hierarchical, more and more countries are creating national call centres, data processing centres, and large taxpayer offices as their administrations become organized on 'functional' or 'taxpayer' basis.
- Particularly with Europe, there is a tendency for revenue bodies to operate relatively large networks of small offices; a number of countries (e.g. Austria, Denmark, Norway, and Russia) have rationalised their office networks in recent years to achieve greater efficiency.

The institutional arrangements for revenue administration

10. Governments have at their disposal a range of "institutional" options for the carriage of revenue administration functions. These include:
 - a separate directorate within/under the direction of the ministry of finance;

- multiple directorates- one for direct taxes, another for indirect taxes- within/under the direction of the ministry of finance;
 - a semi-autonomous unified body responsible for the administration of all taxes;
 - separate semi-autonomous bodies - one for direct taxes, the other for indirect taxes;
 - shared/ decentralized arrangements where the administration of some/ all taxes are delegated to sub-national bodies; and
 - some of the foregoing options but with or without the inclusion of responsibility for the collection of social contributions and/ or customs administration.
11. Generally speaking, the option chosen will depend on a range of political, cultural, and historical factors. While there is no single “right” approach, a number of trends can be identified from prevailing practices and recent country reforms:
- allocation of responsibility for the administration of both direct and indirect taxes to a single unified body;
 - provision of a broad range of autonomous powers to the revenue body;
 - integration of the collection of social contributions with other taxes; and
 - recognition that customs administration is a separate and quite different business to revenue administration that requires its own dedicated leadership, management, and support infrastructure.
12. Table 1 provides information on the institutional options adopted by OECD and selected non-OECD countries while further commentary on other features of the options in place are discussed later in this part.

The extent of revenue body autonomy

13. Generally speaking, the extent of powers given to the national revenue body depends on the system of government in place and the state of development of a country’s public sector administration practices. Although this matter was not examined in detail as part of the data collection and research leading to this series, the extent of an agency’s autonomy is likely to have important implications for operational efficiency and effectiveness.
14. Table 1 indicates that around 50 percent of member countries have established semi-autonomous bodies while Table 5 provides a greater insight as to the range and nature of powers that revenue bodies have at their disposal.
15. In practice, this autonomy includes some or all of the following powers/ responsibilities:
- **Tax law interpretation:** The authority to provide interpretations, both in the form of public and private rulings, of how tax laws will be interpreted, subject only to review by judicial bodies.

- **Penalties and interest:** The authority to impose administrative sanctions (i.e. penalties and interest) for acts of non-compliance and to remit such sanctions in appropriate circumstances.
- **Organisation and management:** Responsibility for the internal organisation of tax operations, including the size and geographical location of tax offices; discretion to formulate and implement strategic and operational plans; and discretion to allocate/reallocate budgeted administrative funds across administrative functions to meet emerging/changed priorities.
- **Information technology:** Authority to administer their own in-house IT systems, or to outsource the provision of such services to private contractors.
- **Performance standards:** Discretion to establish administrative performance standards (e.g. taxpayer service objectives).
- **Personnel:** The ability to set academic/technical qualification standards for categories of recruits, and to recruit and fire staff, in accordance with public sector policies and procedures; the ability to establish and operate staff training/development programmes; and the ability to negotiate staff remuneration in accordance with broader public sector-wide policies and arrangements.

Boards of management

16. In a number of countries, a management/advisory board (comprising externally-appointed officials) has been interposed between the revenue body and the relevant minister/arm of government to provide a degree of independent advice on the general operations of the revenue body and tax administration matters in general. In a number of countries where such an arrangement has been established, its introduction coincided with the establishment of new institutional arrangements for the conduct of tax administration (e.g. in Canada, Singapore, and South Africa²).
17. Set out hereunder is a brief description of the arrangements in place in those countries where a formal management/advisory board has been established:
 - **Canada Revenue Agency (CRA):** The CRA's Board of Management was established in 1998 with the creation of a new more independent government agency—then known as the Canada Customs and Revenue Agency—to administer Canada's tax and customs laws. The Board is comprised of 15 members appointed by the Governor in Council, 11 of who have been nominated by the provinces and territories. The Board has the responsibility of overseeing the organization and management of the CRA, including the development of the Corporate Business Plan, and the management of policies related to resources, services, property, personnel, and contracts. The Commissioner of the CRA, who is a member of the Board, is responsible for the CRA's day-to-day operations. Unlike the boards of other crown corporations, the Board is not involved in all business activities of the CRA. In particular, the Board has no authority in the administration and enforcement of legislation, for which the CRA remains fully accountable to the Minister of National Revenue. The Board is denied access to confidential client information.³

² An Advisory Board for the South Africa Revenue Service (SARS), created in 1997 with the establishment of SARS as a semi-autonomous revenue authority, was dissolved in 2002. In its place, a new governance framework was introduced that makes provision for the establishment of specialist committees to advise the Commissioner and Minister on any matter concerning the management of SARS's resources. To date, two specialist committees have been established—a Human Resource specialist committee and an Information Technology specialist committee.

³ Canada Revenue Agency website

- ***Finland's National Board of Taxes:*** An Advisory Board to the National Board of Taxes was established by government Ordinance in 2002 and commenced in 2003. It is comprised of a senior official of the Ministry of Finance, the Director-General of the National Tax Board, and six other members from local government, union, taxpayer and commerce bodies. The role of the Board is to provide guidance/advice on strategic planning, tax administration priorities and operational guidelines. The Board convene around five times per year.⁴
- ***Inland Revenue Authority of Singapore (IRAS):*** The IRAS Board was established in 1992, as part of legislation authorizing the creation of a new statutory authority with autonomy in managing its operations to administer the tax laws. The Board comprises the chairman, the Commissioner of Inland Revenue, and five other members (comprised of current and former public and private sector representatives). The Board is responsible for ensuring that the IRAS carries out its functions competently, and generally meets twice a year to review major corporate policies and approve financial statements, the annual budget and major expenditure projects. To assist it in carrying out its duties the Board has established two committees—a Staff Committee and an Audit Committee. The Staff Committee's role is to review key personnel policies. It is also the approving authority for key appointments and promotion of senior executives in the IRAS. The Audit Committee ensures that accounting policies and internal controls are in place and reviews the adequacy of IRAS accounting and financial policies. It also approves the annual internal audit plan.⁵
- ***United States Internal Revenue Service (IRS):*** A nine-member IRS Oversight Board was created by Congress under the IRS Restructuring and Reform Act of 1998. The Board's responsibility is to oversee the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws. The Board was created to provide long-term focus and specific expertise in guiding the IRS so it may best serve the public and meet the needs of taxpayers. Seven board members are appointed by the President of the United States and confirmed by the Senate for five-year terms. These members have professional experience or expertise in key business and tax administration areas. Of the seven, one must be a full-time federal employee or a representative of IRS employees. The Secretary of Treasury and the Commissioner of Internal Revenue are also members of the Board.

The Board operates much like a corporate board of directors, but is tailored to fit a public sector organization. The Board provides the IRS with long-term guidance and direction, and applies its private-sector experience and expertise in evaluating the IRS's progress in improving its service. It reviews and approves IRS strategic plans and its budget requests, and evaluates IRS efforts to monitor its own performance. The Board reviews the hiring and compensation of senior IRS officials. It also recommends candidates to the President to serve as IRS commissioner, and can recommend a commissioner's removal. The Board meets in sessions every other month, and holds at least one public meeting each year. The Board's web site provides information on upcoming public meetings. The Board publishes an annual report, as well as a separate mid-year report reviewing the progress of IRS' electronic tax filing efforts. The Board may also publish interim reports throughout the year on specific topics, such as the budget. All reports are available on its web site. The Board also is invited to testify before Congress periodically. The Board's

⁴ Annual Report of National Board of Taxes 2003, 2004 and 2005

⁵ 2003 Annual Report of IRAS.

testimony is posted on its web site, and complete testimony from all witnesses is usually posted on the web site of the congressional committee that held the hearing. The Board distributes press releases to the media at the end of each of its bimonthly meetings describing its activities. Under the law, the Board cannot be involved in specific IRS law enforcement activities, including audits, collection activities, or criminal investigations. The Board also cannot be involved in specific procurement activities or most personnel matters. The Board does not develop or formulate tax policy on existing or proposed tax laws. However, the Board has an ongoing interest in IRS operations and administration and would be interested in the insights and observations of those working with the IRS. These insights can be helpful in understanding the IRS' progress in communicating and implementing its long-term plans.⁶

Responsibility for the collection of social contributions

18. As will be evident from the information in Table 22, social security contributions are now the largest single source of general government revenue in a number of OECD countries—Austria, the Czech Republic, France, Germany, Japan, the Netherlands, the Slovak Republic, and Spain.⁷ However, as will be evident from the information in Table 1, governments in OECD countries have taken different paths as to how these revenues are collected in practice.
19. Table 1 reveals that of the 28 OECD countries with separate social security regimes, the majority (some 17 countries) administer the collection of social contributions via a separate social security agency, rather than the main tax revenue collection agency. In the other 11 OECD countries, the collection of social contributions has been integrated with domestic tax collection operations. (Korea has recently announced its intention to integrate the collection of social contributions under the National Tax Service from 2009. Beyond the OECD economies, this dichotomy in approach is also apparent—Chile, China, and Singapore all administer the collection of social contributions via a separate agency while countries such as Argentina, Brazil, Bulgaria, Estonia, Latvia, Romania, Russia, and Slovenia have all integrated (or are in the process of integrating) the collection of these contributions with revenue administration operations.
20. The pros and cons of these two fundamentally different approaches to administering government revenue collection have not been examined by the OECD's Committee on Fiscal Affairs. However, the matter has been the subject of recent analytical work undertaken by officials of the IMF's Fiscal Affairs Department—see Box 1 below which identifies the reasons why a number of countries have chosen over the last decade or so to integrate the collection of social contributions with domestic tax collection operations.
21. The experiences of countries that have integrated the collection of social contributions with tax revenue administration generally may provide a useful source of information, particularly concerning any perceived improvements in compliance and efficiency, to authorities in other countries contemplating reform along these lines.

⁶ IRS Oversight Committee Website

⁷ The dominant role of such contributions in most of these countries stems directly from the so-called Bismarck model which remains the foundation of the social security system in much of Europe today. The model sees government-provided social security as a special form of insurance, with both benefits and contributions tied to the wages of workers. In a number of countries, the contributions are channelled through separate funds which are kept apart from the budget of central government. By contrast, notably in some of the Scandinavian and the English-speaking OECD countries, a substantial part of public spending on social benefits tends to be financed directly out of general tax revenues of the government although, even in countries following the Bismarck model, social security funds may also show a persistent deficit requiring subsidies from general taxation.

Box 1: An analysis by IMF officials of the reasons certain countries have integrated the collection of tax revenue and social contributions

Commonality of core processes

The argument for unifying the collection of tax and social contribution collections stems from the commonality of the core processes involved in collection of tax and social contributions including the need to (1) identify and register contributors and taxpayers using a unique registration number; (2) have systems to collect information in the form of returns from employers and the self employed, usually based on similar definitions of income; (3) for employers, withhold tax and contributions from the income of their employees and pay this to the agencies (usually through the banking system); (4) have effective collection systems to follow up those employers who do not file, or do not account for payments; and (5) verify the accuracy of the information shown on returns using modern risk based audit methods.

Efficient use of resources

Countries that have moved to integrate social contribution collection activities into their revenue administrations have often found that the marginal costs of expanding systems used for tax administration to include social security contributions are relatively minor. This is a particularly important factor to consider for those countries that lack the resources to implement two very similar sets of reforms in different agencies. For example, some countries have integrated the collection of payments as diverse as accident compensation insurance contributions, Medicare contributions, child support contributions, and student loans repayments into the tax administration. While the features of each are very different, the countries in question have seen the value of using the tax administration's core collection capacity to lower collection costs and improve collection rates.

From a collection administration viewpoint, social insurance contributions (particularly those based on income) have many of the features of a "tax type"—albeit one tied to a particular purpose. Special arrangements relating to separate accounting apply to these contributions, and information transfers must be made to another agency but the principles of collection are strongly aligned to those used for core taxes—particularly employee withholding taxes.

Perceptions on the nature of social contribution collection

It is worth noting that the OECD treats social contributions as in the nature of 'taxes' and includes them in its compilation of tax burden statistics. Some developed countries, of course, simply pay benefits out of consolidated tax revenues.

Public perceptions of tax and social contributions may differ, but if the social contribution is compulsory general attitudes to payment and non-compliance are likely to be similar. That said, it is recognized that attitudes to compliance may vary between tax and social contributions, and between social contributions of different types. For example, attitudes to compliance, and therefore collection rates, arguably may be better for unemployment insurance contributions than for pension contributions—reflecting that contributors believe that benefits of making unemployment contributions are likely to flow in the shorter term—compared with the greater uncertainty of benefits associated with contributions toward longer-term pension schemes.

In this example, it is possible that age of the contributors is likely to be a significant factor, with compliance rates for pension schemes being lower for younger age-groups than for contributors in the age groups closer to retirement. Compliance improvement strategies of modern revenue administrations are designed to recognize and implement programs to deal with these complex compliance risks associated with the various revenues they collect.

Core competencies of tax and social organisations

Over time, tax administrations build core competencies in relation to collection functions. There are countries where tax administrations have been shown to have improved collection levels in relation to social contribution type payments, or been able to do this more efficiently, when they have been transferred from social insurance agencies. Tax administrations, where the sole focus is on revenue collection, develop compliance-based organisational cultures and strongly-aligned processes suited to the assessment and collection of monies.

Similarly, social insurance agencies typically build a strong focus on establishing individual entitlements to benefits and efficiently paying them out to recipients. They develop organisational cultures and processes aligned to this role and it is logical to conclude that incorporating the somewhat counter-intuitive responsibility for collections compromises both the collection efficiency and the provision of benefits. Social insurance agencies may have limited success in proceeding beyond a certain level of collection performance.

Lowering government administration costs

Placing responsibility for collections with the tax administration eliminates duplication of core functions that would otherwise occur in the areas of processing, enforced collection of returns and payments, and audit of

employers. This can contribute to significantly reducing government administration costs, with: (1) fewer staff and economies of scale in human resource management and training, fewer numbers of managers, and common processes for filing and payment and enforcement and data entry data and verification; (2) lower infrastructure costs in office accommodation, telecommunications networks, and related functions; and (3) elimination of duplicated IT development costs and less risk in system development and maintenance.

There is often an opportunity presented during the modernization program of the tax administration to incorporate improved processes and modern information technology systems for the collection of social contributions. These systems can be designed with the inter-agency transfer of information in mind.

It might be argued that significant costs can be incurred under a unified system with transferring information and data between organisations and managing other linkages. On the other hand, if parallel collection systems are to work effectively, significant coordination of effort will be required including data matching across registration and income bases. While no empirical evidence exists that measures the relative information transfer costs, it can be argued that the coordination costs in a parallel system would be at least as high as in a unified system.

Lowering taxpayer and contributor compliance costs

Placing responsibility for collections with the tax administration can also significantly reduce compliance costs for employers, with less paperwork as a result of common forms and record-keeping systems, and a common audit programme covering income, VAT and payroll taxes, and social contributions based on income and payrolls. The increasing use of Internet-based electronic filing and payment systems within the tax administration also lowers taxpayer and contributor compliance costs. This simplification can also improve the accuracy of the calculations made by employers, and therefore compliance levels.

Sources: IMF Working Paper: Integrating Tax and Social Security Contribution Collections Within a Unified Revenue Administration: The Experience of Central and Eastern European Countries (Peter Barrand, Graham Harrison, Stanford Ross (December 2004))

The placement of customs administration

22. A small number of OECD countries have aligned in an organizational sense the administration of tax and customs operation by bringing them within a single management structure (e.g. Austria (from 2003), Canada (till December 2003),⁸ Denmark, Ireland, Mexico, Netherlands, Spain, and the United Kingdom). This practice is also followed to a degree outside the OECD and appears to have its origins in a number of factors (e.g. perceived synergies with customs operations which are responsible for the collection of VAT on imports, efforts to get economies of scale with HRM and IT functions, historical factors associated with the separation of direct and indirect taxes administration).

Internal organisational structure of revenue administration bodies

Types of organizational structures for revenue administration

23. Table 4 briefly highlights some features of the internal organizational structure of revenue administration bodies in surveyed countries. As will be evident from the information in this table, significant variations in the organizational structures of revenue bodies exist from country to country. However, there appears to be a substantial reliance on the 'functional' model of organization—over four out of every five surveyed countries appear to have adopted the functional model as the primary (but not sole) method for structuring tax administration operations, mirroring a trend that is occurring more broadly.
24. Box 2 provides brief background information describing the evolution of the organizational structures of revenue bodies. The description in Box 2 is largely conceptual in nature—in practice, the organizational structure of many OECD and

⁸ Customs operations were removed from the Canada Customs and Revenue Agency (CCRA) in December 2003 and placed in a new Canada Border Services Agency (Department of Public Safety and Emergency Preparedness).

non-OECD revenue bodies is a hybrid of the models described, a common structure being one based largely on ‘functional’ criteria, but with a dedicated multi-functional division/ unit to administer the affairs of the largest taxpayers. This can be seen in Figures 1-5 which illustrate the current organizational structure, in high level terms, of a number of national revenue bodies. As will be evident from the examples provided, which are drawn from a culturally diverse range of countries, the ‘functional’ model features prominently. In a number of examples it is complemented by a separate organizational unit/division responsible for administering large taxpayers.

Box 2. How the organisational structures of revenue bodies have evolved

Over the last 20-30 years, there has been a clear trend in the way the internal organisational structures of national revenue bodies have evolved.

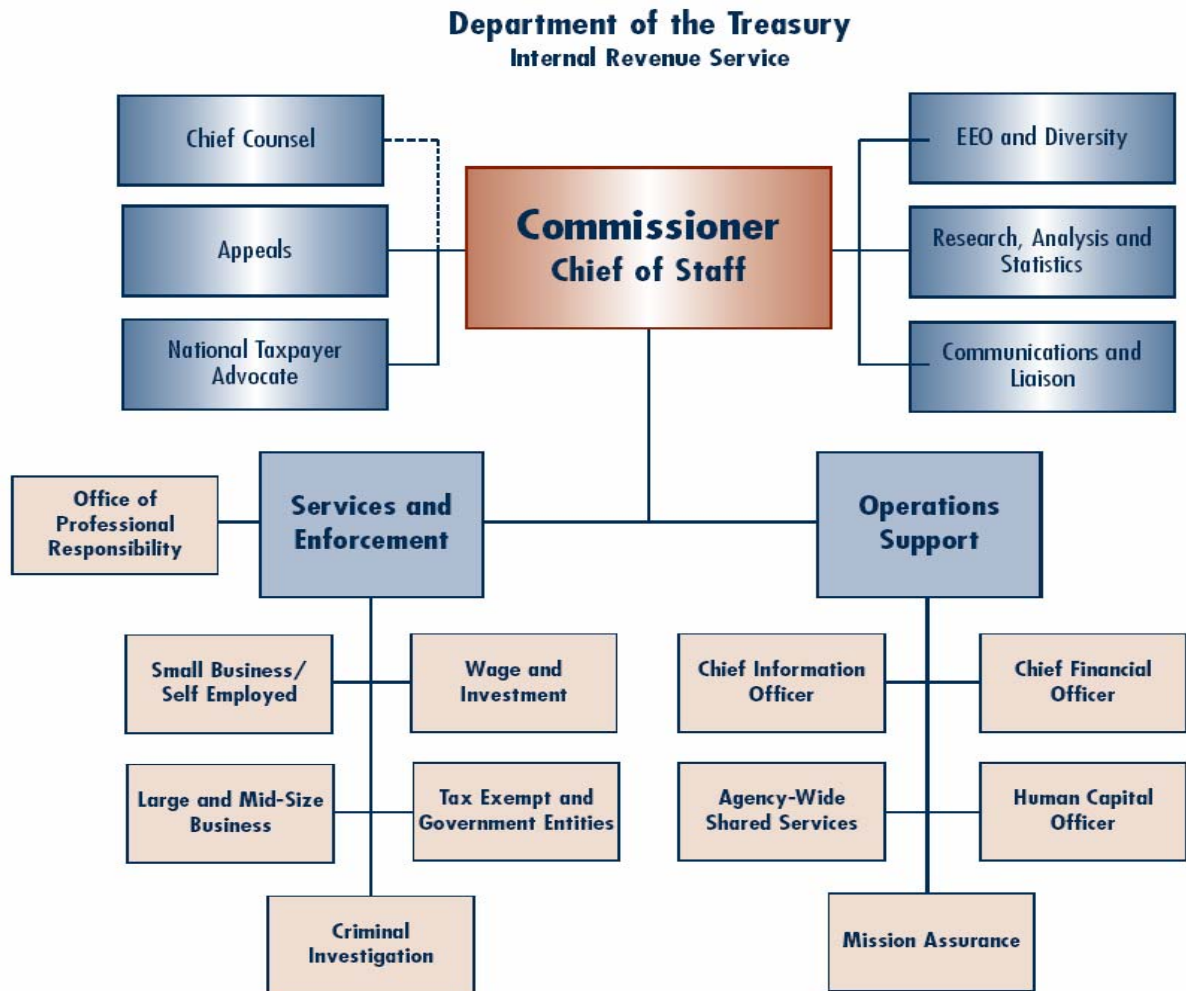
The type of tax model: The earliest organisational model employed by tax administrators was based principally on “type of tax” criterion. This entailed the operation of separate multi-functional departments for each tax that were largely self-sufficient and independent of each other. While this model served its purpose, it was eventually seen to have numerous shortcomings: (1) with its inherent duplication of functions, it came to be seen as inefficient; (2) it was inconvenient for those taxpayers with multiple tax dealings (e.g. businesses), requiring them to deal with different departments on similar issues; (3) it severely complicated the management of taxpayers’ compliance, with its separate audit and debt collection functions; (4) it increased the likelihood of uneven and inconsistent treatment of taxpayers across taxes; (5) it impeded the flexible use of staff whose skills were largely confined to a particular tax; and (6) it unnecessarily fragmented the overall management of tax administration, thus complicating organisational planning and co-ordination. Faced with these shortcomings, many revenue bodies have evolved their organizational design to one based largely on functional criteria.

The functional model: Under the functional model, staffs are organized principally by functional groupings (e.g. registration, accounting, information processing, audit, collection, appeals, etc.,) and generally work across taxes. This approach to organizing tax work was introduced to enable greater standardization of work processes across taxes, to simplify computerization and arrangements for taxpayers, and to generally improve operational efficiency. Compared to the ‘tax type’ model, this model was perceived to offer many advantages and its adoption has facilitated many developments aimed at improving tax administration performance (e.g. providing single points of access for tax inquiries, unified system of taxpayer registration, common tax payment and accounting approaches, and more effective management of tax audit and debt collection functions.) However, this model also is not without its weaknesses—fragmentation by function can lead to poor/inconsistent service while standardization (e.g. a “one size fits all” approach) may not be appropriate on some areas of revenue administration work given the myriad of behaviours and varying attitudes to tax compliance to be addressed.

The taxpayer segment model: A more recent development among a small number of developed countries has been to organize service and enforcement functions principally around segments of taxpayers (e.g. large businesses, small/ medium businesses, employees, etc.). The rationale for organizing these functions around taxpayer segments is that each group of taxpayers has different characteristics and tax compliance behaviours and, as a result, presents different risks to the revenue. In order to manage these risks effectively, the revenue body needs to develop and implement strategies (e.g. law clarification, taxpayer education, improved service, more targeted audits) that are appropriate to the unique characteristics and compliance issues presented by each group of taxpayers. 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.

Figure 1. Organizational Structure of the US Internal Revenue Service



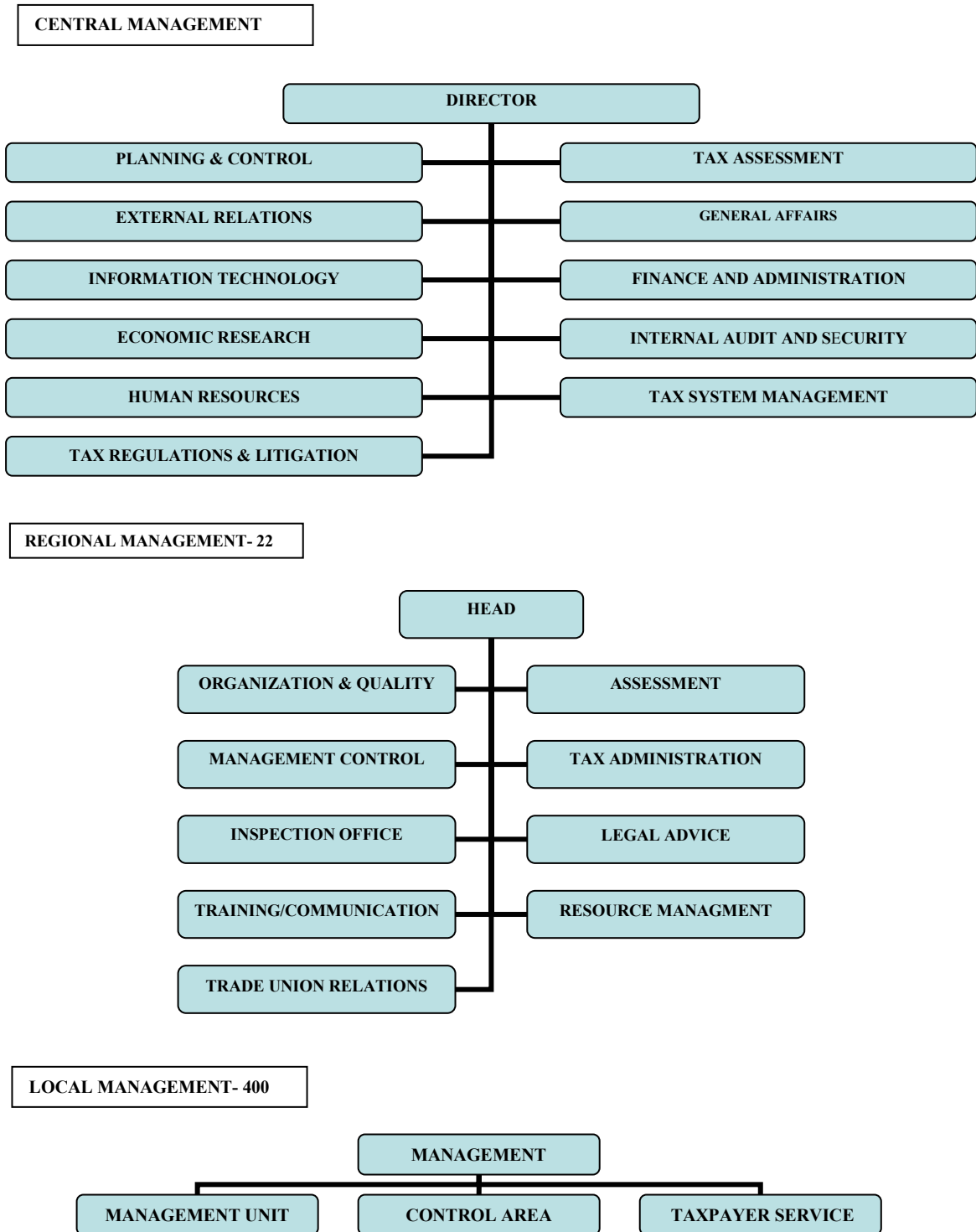
Background:

“To conform to the provisions of the RRA 98, our organizational structure closely resembles the private sector model of organizing around customers with similar needs. Each of our four operating primary divisions meets the needs of the specific taxpayer segment it serves..... The realignment helped clarify accountability and responsibilities for improving taxpayer service, strengthening enforcement initiatives, and continuing modernization efforts. To support this structure and ensure accountability, one Deputy Commissioner position was created to oversee service and enforcement work. The second Deputy Commissioner position integrates the support functions, facilitating economy of scale efficiencies and better business practices in the IRS.

The four operating divisions, along with the Criminal Investigation and Office of Professional Responsibility, report to the Deputy Commissioner for Services and Enforcement. IRS specialized units— including: Chief Tax Counsel; Appeals, the Taxpayer Advocate service; Equal Employment Opportunity and Diversity; Research, Analysis, and Statistics; and Communications and Liaison—report directly to the Commissioner. The IRS Chief Tax Counsel also reports to the Treasury General Counsel on certain matters. The Deputy Commissioner for Operations Support oversees all IRS support functions, including Modernization and Information Technology Services, Agency-wide Shared services, Mission Assurance, Chief Human Capital Officer and the Office of the Chief Financial Officer.”

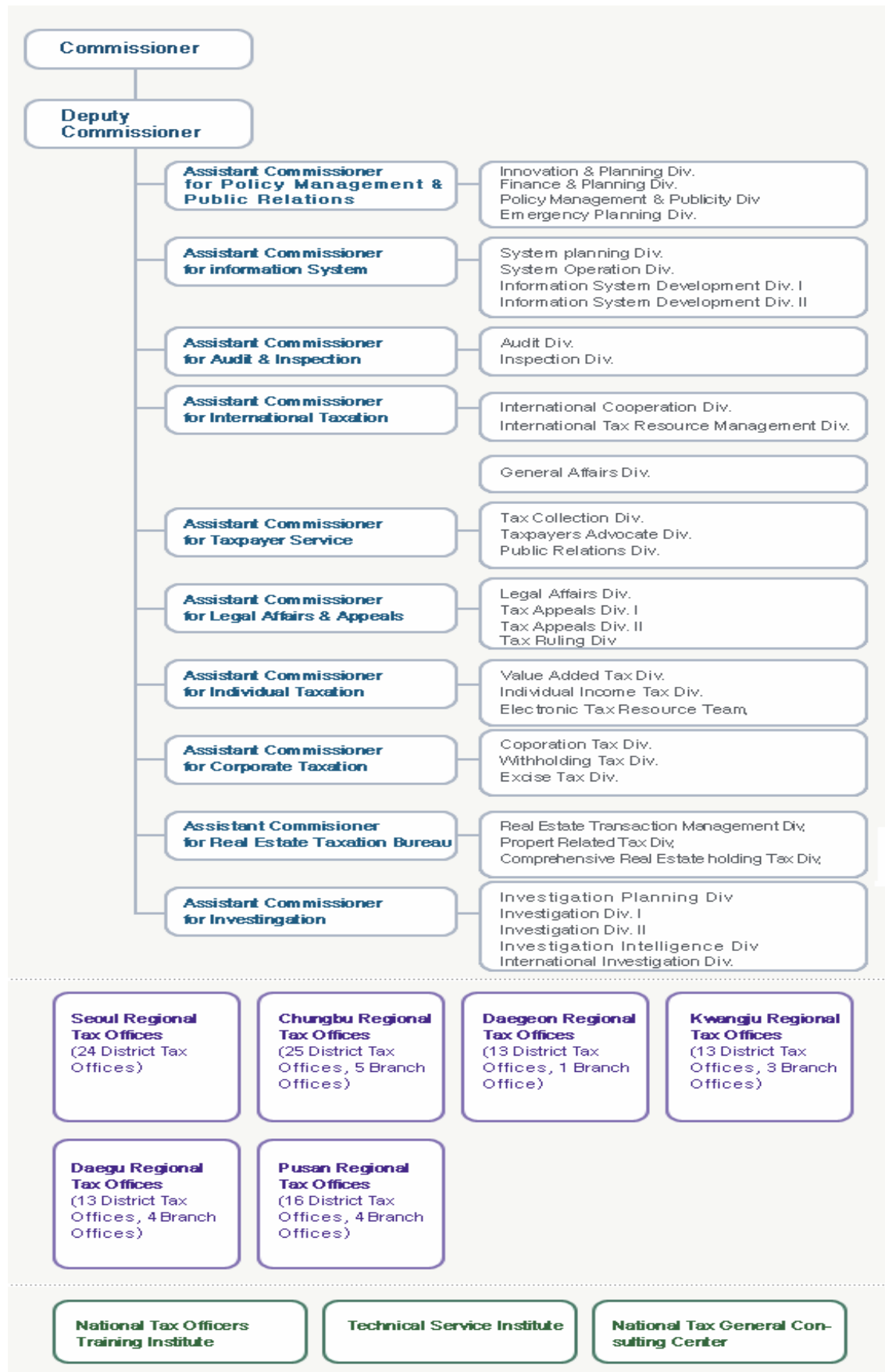
Source: US IRS Strategic Plan 2005-09

Figure 2. Organization Structure of the Italian Revenue Service



Source: Italian Revenue Service: A Modern Organization Serving the State—External Relations (June 2003)

Figure 3. Organization Structure of the Korean National Tax Service



Source: Website of Korean National Tax Service (September 2006)

Figure 4. Organization Structure of Chilean Internal Revenue Service

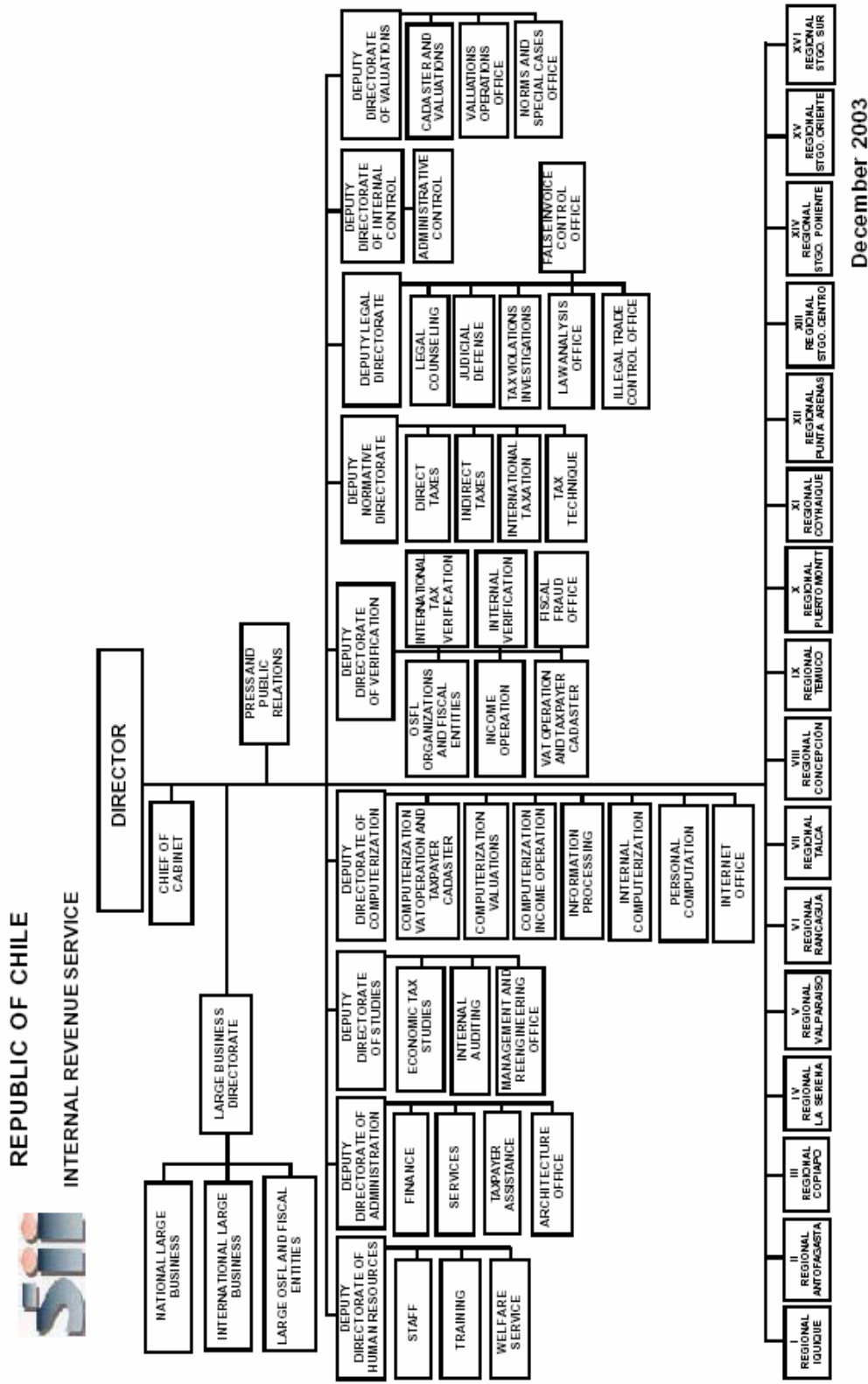
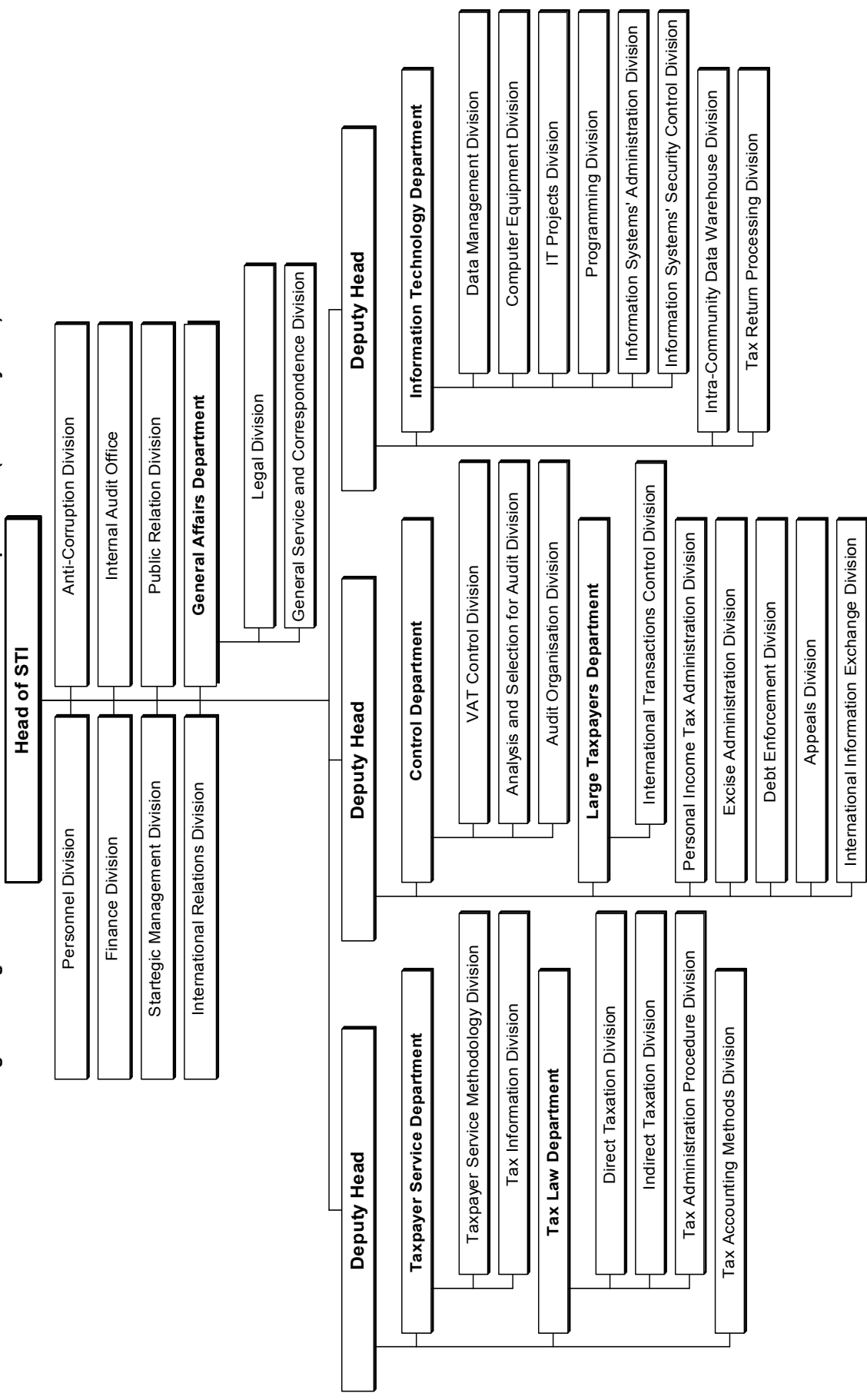


Figure 5. Organization Structure of Lithuanian State Tax Inspectorate (1 February 2006)



Large taxpayer operations

25. A clear trend in tax administration worldwide (including almost two thirds of surveyed countries) has been the establishment of special organisational arrangements for the revenue body's largest taxpayers.⁹
26. The experience of many national revenue bodies is that the payment of taxes is generally concentrated among a relatively small number of taxpayers (all taxes taken into consideration). Typically, many of these large taxpayers also have complex tax affairs, characterised by one or more of the following factors: (1) multiple operating entities that are widely dispersed geographically; (2) diverse business activities and/or involvement in transactions that frequently raise complex/ novel law interpretation issues; (3) significant off-shore transactions, often with related parties; (4) high volume of transactions in the course of day to day business activities; 5) use of complex financing arrangements; and (6) use of professional tax advisers, part of whose brief is to minimize their exposure to taxation. This combination of features inevitably means that these taxpayers (who pay the bulk of tax revenues) also present the greatest risk to effective tax administration.
27. To address these sorts of risks, many countries have established special organisational arrangements to administer the tax affairs of their largest taxpayers. While there are various models that are employed in practice, a fairly common approach is to establish at the operational level a fully multi-functional organisational unit responsible for major tax administration functions (e.g. registration, account management, information processing, taxpayer service, audits, debt collection enforcement) to administer all the tax affairs of specially-designated large taxpayers. In some countries, there is a large taxpayer management and co-ordination division with the revenue authority's headquarters to provide strategic and operational support. The primary objective of these sorts of arrangements is to enhance the coordination and monitoring of those taxpayers responsible for the bulk of tax payments.
28. Selected examples of three OECD countries that have adopted such an arrangement are described in Boxes 3, 4 and 5, while an example from a non-OECD country that has recently established such an operation is described in Box 6.

Box 3. Features of Large Taxpayer Divisions - United States

Background. A new organizational structure for the IRS, including the establishment of four operating divisions based on "customer segments" (i.e. large and mid-size business, small business and self-employed, wage and investment, and tax exempt and government entities, was implemented in late 2000. The fundamental change in structure proposed (moving from a functional and regional-based structure) followed a study of IRS operations which concluded that its existing structure no longer supported the achievement of its major goals. The move to a "customer segment" structure recognized that the needs of taxpayers in each segment were quite different; serving them effectively required diverse services and distinct ways of delivering those services. As part of this restructure, the Large and Mid-Size Business Division (LMSB) was established to administer the tax affairs of the largest taxpayers.

Role. The stated mission of the LMSB operating division is 1) to be a world-class organization, responsive to the needs of its customers in a global environment, while applying innovative approaches to customer service and compliance; 2) to apply the tax laws with integrity and fairness through a highly skilled and satisfied workforce in an environment of inclusion, where each employee can make a maximum contribution to the mission of the team.

⁹ For further information on this development, see *Improving Large Taxpayers' Compliance: A Review of Country Experiences* (IMF Fiscal Affairs Department, 2002).

Taxpayers administered. The Large and Mid-Size Business (LMSB) Division serves corporations, subchapter S corporations, and partnerships with assets greater than \$10 million. For 2004, this represented around 48,000 taxpayers who paid around \$US 145 billion in taxes.

Organization structure. LMSB is organized along five industry lines, with each industry headquarters located where the core businesses reside. These industries are 1) Heavy Manufacturing and Transportation; 2) Natural Resources and Construction; 3) Financial Services; 4) Communications, Technology and Media; and 5) Retailers, Food, Pharmaceuticals and Healthcare. The Office of Field Specialists completes the field operations.

Headquarters functions that support the field include: 1) International; 2) Pre-filing and Technical Guidance; 3) Strategy, Research, and Program Planning; 4) Management and Finance; 5) Performance Management, Quality Assurance and Audit Assistance; 6) Communication and Liaison; 7) Business Systems Planning; 8) EEO and Diversity; 9) Division Counsel; and 10) Division Appeals.

Audits. In fiscal year 2004, over 9,500 audits were conducted of corporations and large taxpayer leading to adjustments totalling \$16.0 billion dollars.

Sources: 2004 IRS Databook, Research and Program Planning of LMSB Office of Strategy

Box 4. Features of Large Taxpayer Divisions – Australia

Background. The Australian Taxation Office (ATO) is structured into divisions known as business and service lines. A line focuses on a type of taxpayer (such as small business or large business), a type of tax (such as excise or GST), or an area of internal support (such as information technology or financial support). The current structure comprises a number of business lines, including the 'Large Business and International' (LB&I) line.

Role. Large Business and International administers the income tax system for large business and associated key individuals. It conducts a range of programs, including research, advice, education, and auditing. It also represents Australia in treaty negotiations to ensure that Australia gets its fair share of tax. For this purpose, it develops the Tax Office's insights into how Australia's tax system links with economic activity and global frameworks, and the elements needed to ensure that Australia remains internationally competitive. It also develops insights into compliance behaviour so that these can be taken into account in developing laws and leverage approaches to support, facilitate and encourage corporate citizenship and cooperation between the Tax Office and taxpayers.

Taxpayers administered. The large business segment consists of around 1,450 business groups with a turnover of \$A 100 million or more, and some 700 high wealth individuals who (together with their families and business entities) control more than \$A30 million in assets. The segment contributes around 52% of total tax revenue.

Helping taxpayers to comply. In 2004/05, key achievements were 1) successful introduction of a priority process for private ruling requests on complex matters; 2) reduction in the average time to provide written advice by 21%; 3) finalisation of 278 requests for written binding advice; 4) provision of 158 corporate groups with key client manager services to resolve issues; and 5) resolution of 799 objections and finalise 47 litigation cases involving complex compliance issues.

Audits. In 2004/05, one third of large businesses were subject to active compliance activities across all taxes. Audit adjustments were made, amounting to \$2.1 billion tax and \$1.0 billion penalties and interest, and representing almost 50% of total audit results.

Sources: Annual reports and compliance program

Box 5. The Large Business Centre of the South African Revenue Service

About the centre: A dedicated facility was created to deal with the few hundred large corporations that contribute a great share of SARS's total revenue. The Large Business Centre (LBC), an integrated facility in Maxwell Drive Sunninghill, provides SARS's administrators and taxpayers with the information and tools they need to assess liability for all taxes – quickly, accurately and collaboratively.

The centre aims to improve interaction between SARS and South Africa's largest corporate taxpayers by having expert tax advisors provide excellent customer service. The centre aims to improve SARS's audit capacity and facilitate a culture of voluntary tax compliance.

The centre's main clients include: companies listed on the JSE Securities Exchange; parastatals; unlisted companies with a turnover greater than R250 million; major financial institutions; multinational corporations and their local branches; and individuals with a high net worth.

Sector teams: There are eight specific economic sector teams: 1) primary, energy and transport industries; 2) mining; 3) manufacturing; 4) construction; 5) retail; 6) financial services; 7) information technology & communication; 8) general; and 9) high net worth individuals.

Services: The tax services offered by the sector teams include: 1) income tax; 2) secondary tax on companies; 3) Value Added Tax; 4) PAYE - including the Unemployment Insurance Fund and the Skills Development Levy; 5) Marketable Securities Tax and Uncertificated Securities Tax; 6) donations tax; 7) royalties tax; 9) stamp duty; and 10) certain customs services. Additional features to be introduced include: a transparent compliance approach; a dispute-resolution process; electronic filing of returns; a clear audit policy; and advance rulings.

Sources: SARS' website (May 2005) and survey reply

Tax fraud investigation function

29. As noted in Table 4, the great majority of surveyed revenue bodies in OECD countries maintain a dedicated organisational unit responsible for the handling of serious cases of tax fraud/evasion. In two OECD member countries (i.e. Italy and Hungary), this work is performed mainly by a separate law enforcement agency, although in the case of Italy, the revenue agency is the only body responsible for the issue of notices of assessment.

Office networks for tax administration

30. Revenue bodies are relatively large employers within their respective public sectors and thus require substantial accommodation holdings (with attendant costs to government) to carry out their mandate. Overlaying the need for accommodation holdings is the requirement to provide certain services (e.g., for personal taxpayer inquiries, for field audits) in reasonable proximity (i.e. via a physical presence) to taxpayers to minimize their compliance burden and the administrative costs associated with conducting fieldwork. In some countries, there are also demographic (e.g. geographical remoteness) and/or political factors (e.g. the administration of property taxes) that dictate the need for national revenue bodies to maintain a physical presence in a particular location, notwithstanding the fact that this may be difficult to justify on a cost/benefit basis. Other relevant considerations include 1) the use and costs of available information technology; 2) the costs of training remotely-located staff; 3) the management structures/layers (e.g. the interposition of a regional layer of management) employed; and 4) decisions concerning the use of large centralized/regionalized operations (e.g. call

centers, data processing centers). For all these sorts of reasons, the design of a revenue authority's office network can be a critical determinant of operational efficiency and, therefore, the overall costs of tax administration operations.

31. Over the last 10-15 years, a number of national revenue bodies have initiated large-scale office network rationalization programs in order to improve operational efficiency. A number of these are briefly described in Box 6 below.

Box 6. Examples of revenue bodies conducting large scale office network rationalization programs.

Finland: In their 2004 and 2005 annual reports, Finnish tax officials reported on plans to reform aspects of their organizational arrangements taking into account taxpayers views on service needs, regional balancing of resources, staff views, and objectives of cost efficiency and economy. A large number of changes were underway or in course of development at the end of 2005, including:

- Contact centers provide centralized responsibility for telephone and web response consultation.
- In January 2005, a centralized Service Center in one geographic location only, took over a number of accounting and payment operations that concern the entire administration. During 2005 preparations for similar Service Centers were in progress: a new Human Resources Center will be responsible for all the HR services within the administration and a new Production Center, which began its operations in February 2006, will handle the automated operations related to the assessment process. In the future payroll accounting and other recurring tasks within HR will be centralized and a comprehensive Personnel Management Center is planned to be established in 2009.
- Planning was in course to organize the whole of the administration on a functional basis around taxpayer groups as opposed to the existing regional and geographical divisions, with these changes expected to be fully in place by 2008.
- The stated long term objective is to have one single authority to replace existing multiple authorities at different levels of government.

Denmark: In 2005 the central and municipal tax administration bodies merged thereby creating a country-wide, unified tax administration dealing with all aspects of tax, contributions to the unemployment and sickness leave fund, real estate valuations, VAT, customs and tax collection. There are 30 local tax offices altogether, a considerable reduction from 275 when each municipality had its own local tax office.

Norway: In 2001, tax administration was structured across 19 counties in Norway, with some 436 local assessment offices. In 2002, this structure was reorganized, with the number of local tax assessment offices reduced to 99.

Russia: By the late 1990's, the organization of tax administration arrangements in Russia's mirrored the design of the country's political structure, with some 89 regional centers responsible for a network of around 2,600 local inspectorates (organized largely on a 'tax type' basis). In 2000, as part of its World Bank-funded modernization program, plans were announced to 1) redesign the network by amalgamating many of the smaller uneconomic offices and in the process reduce the network by over 1,000 local offices; 2) organize local offices on the basis of a functional model; 3) create a number of regional data processing centers to undertake bulk information processing work; and 4) establish a small network of large taxpayer inspectorates to administer the tax affairs of designated large taxpayers.

Sources: Revenue body annual reports, survey responses, World Bank reports

32. Table 6 displays data on the office networks used in OECD and selected non-OECD countries and the staffing numbers at each level of network. Most countries have hierarchical office network structure: 1 head office under which a number of regional and local offices.

Table 1: Institutional Arrangements for Tax Administration

COUNTRY	Type of revenue body	FEATURES		
		Collects most social security	Performs customs functions	Performs other non-tax roles
<i>1) OECD countries</i>				
Australia	Unified semi-autonomous body	n.applic.	No	Yes
Austria	Single directorate in MOF	No	Yes	Yes
Belgium	Multiple directorates in MOF	No	Yes	Yes
Canada	Unified semi-autonomous body with board	Yes	No	Yes
Czech Rep.	Single directorate in MOF	No	No	Yes
Denmark	Single directorate in MOF	No	Yes	Yes
Finland	Unified semi-autonomous body with board	Yes	No	Yes
France	Multiple directorates in MOF	No	No	Yes
Germany /1	Multiple directorates in Federal MOF and 16 State MOF	No	No	Yes
Greece	Multiple directorates in MOF	No	No	Yes
Hungary	Unified semi-autonomous body	Yes	No	Yes
Iceland	Unified semi-autonomous body	Yes	No	Yes
Ireland	Unified semi-autonomous body	Yes	Yes	Yes
Italy	Semi-autonomous body /1	Yes	No	No
Japan	Unified semi-autonomous body	No	No	Yes
Korea	Unified semi-autonomous body	No	No	No
Luxembourg	Multiple directorates in MOF /1	No	Yes	Yes
Mexico	Unified semi-autonomous body	No	Yes	No
Netherlands	Single directorate in MOF	Yes	Yes	Yes
N. Zealand	Unified semi-autonomous body	n.applic.	No	Yes
Norway	Unified semi-autonomous body	Yes	No	Yes
Poland	Multiple directorates in MOF /1	No	Yes	No
Portugal	Multiple directorates in MOF	No	No	Yes
Slovak Rep.	Unified semi-autonomous body	No	No	Yes
Spain	Unified semi-autonomous body	No	Yes	Yes
Sweden	Unified semi-autonomous body with board	Yes	No	Yes
Switzerland	Single directorate in MOF /1	No	No	No
Turkey	Unified semi-autonomous body	No	No	No
UK	Unified semi-autonomous body with board	Yes	Yes	Yes
USA	Unified semi-autonomous body with board	Yes	No	Yes
<i>2) Selected Non-OECD countries</i>				
Argentina	Unified semi-autonomous body	Yes	Yes	Yes
Brazil	Single directorate in MOF	Yes	Yes	No
Chile	Unified semi-autonomous body	No	No	Yes
China	Separate body with minister	No	No	Yes
Cyprus	Multiple directorates in MOF /1	No	Yes	No
Estonia	Single directorate in MOF	Yes	Yes	No
India	Separate departments for direct & indirect taxes /1	No	Yes	No
Latvia	Unified semi-autonomous body	Yes	Yes	No
Lithuania	Separate inspectorate in MOF	No	No	No
Malta	Multiple directorates in MOF /1	Yes	Yes	Yes
Russia	Single directorate in MOF /1	Yes	No	-
Singapore	Unified semi-autonomous body with board	No	No	Yes
Slovenia	Single directorate in MOF	Yes	No	No
South Africa	Unified semi-autonomous body	Yes /1	Yes	No

Sources: Survey responses, revenue bodies' annual reports.

1. **Cyprus, Luxembourg, Malta**—There separate directorates for Direct Taxes, Indirect Taxes, and/or Customs and Excise; **Germany**—The major taxes are administered separately by 16 State (*Länder*) MOFs, and subject to coordination and supervision by the Federal MOF; additionally, a Federal Central Tax Office, subordinated to the Federal MOF, performs certain central functions. **India**—All coordinated by Department of Revenue; **Italy**—Tax fraud functions are carried out by a separate government agency while enforced debt collection work is carried out by separate agents; **Poland**—with common head, Secretary of State; **Russia**—Serious tax fraud investigation work is carried out by the Tax Police within the Ministry of Internal Affairs; **Switzerland**—Some direct taxes are administered at sub-national level (by cantons); **S. Africa**—Collects unemployment insurance fund on behalf of Department of Labor.

Table 2: Non-tax Functions of Revenue Bodies

COUNTRY	NATURE OF NON-TAX FUNCTIONS ADMINISTERED						
	Customs laws	Welfare benefits	Child support	Student loans	Property valuation	Population register	Other
<i>1) OECD countries</i>							
Australia	No	Yes	No	Yes	Yes	No	Yes /1
Austria	Yes	Yes	No	No	Yes	No	No
Belgium	Yes	No	No	No	No	No	Yes /1
Canada	No	Yes	No	No	Yes	No	Yes
Czech Rep.	No	No	No	No	No	No	Yes /1
Denmark	Yes	Yes	No	Yes	Yes	No	Yes /1
Finland	No	No	No	No	Yes	No	Yes
France	No	No	No	No	Yes	No	Yes /1
Germany	No	No	No	No	No	No	Yes /1
Greece	No /1	No	No	Yes	Yes	No	Yes /1
Hungary	No	No	No	Yes	No	No	-
Iceland	No	Yes	No	No	No	No	Yes /1
Ireland	Yes	No	No	No	Yes	No	Yes /1
Italy	No	No	No	No	No	No	No
Japan	No	No	No	No	No	No	Yes /1
Korea	No	No	No	No	No	No	No
Luxembourg /1	Yes	No	No	No	Yes	No	No
Mexico	Yes	No	No	No	No	No	No
Netherlands	Yes	No	No	No	No	No	Yes /1
N. Zealand	No	Yes	Yes	Yes	No	No	No
Norway	No	No	No	No	No	Yes	No
Poland	Yes	No	No	No	No	No	No
Portugal	No	No	No	No	Yes	No	No
Slovak Rep.	No	Yes	No	No	No	No	Yes /1
Spain	Yes	Yes	No	No	No	No	Yes /1
Sweden	No	No	No	No	Yes	Yes	Yes /1
Switzerland	No	No	No	No	No	No	No
Turkey	No	No	No	No	No	No	No
UK	Yes	Yes	No	Yes	Yes	No	Yes /1
USA	No	Yes	No	No	No	No	No
<i>2) Selected Non-OECD countries</i>							
Argentina	Yes	No	No	No	Yes	No	No
Brazil	Yes	No	No	No	No	No	No
Chile	No	No	No	No	Yes	No	No
China	No	No	No	No	Yes	No	No
Cyprus	Yes	No	No	No	No	No	No
Estonia	Yes	No	No	No	No	No	No
India	Yes	No	No	No	No	No	-
Latvia	Yes	No	No	No	No	No	No
Lithuania	No	No	No	No	No	No	No
Malta /1	Yes	No	No	No	No	No	Yes /1
Russia	No	No	No	No	-	No	No
Singapore	No	No	No	No	Yes	No	Yes /1
Slovenia	No	No	No	No	No	No	No
South Africa	Yes	No	No	No	No	No	No

Sources: Country survey responses and revenue bodies' annual reports.

/1. **Australia**—fuel rebate & grants scheme, Australian Business Register & some aspects of social welfare & student loan scheme; **Belgium**—counter-terrorism activities at ports and at airports; **Canada**—administer national charities program, collect debts on behalf of other departments, distribute federal and provincial payments for social programs; **Czech Rep**—lotteries & gambling games; **Denmark**—agricultural export refund; **Finland**—statistical functions; **France**—state property management; **Germany**—premiums for owner-occupied homes, the Capital Formation Law, saving for home ownership, and for miners, allowances under the Investment Subsidy Law, and gaming casinos levy; **Greece**—collection of certain obligatory contributions, revenue of local authorities, and management of state property, state lotteries and public endowments; **Iceland**—maintains companies register, & supervises accounting rules; **Ireland**— government sponsored national savings scheme (SSIA); **Japan**—administers liquor industry; **Malta**—ECO contribution and permanent resident applications; **Netherlands**—housing and care allowances; **Singapore**— supervises charities & regulatory authority for housing agents, appraisers and promoters of private houses; **Slovakia**—administers judicial fees, supervises lotteries & processing of bookkeeping data; **Spain**—enforced collection of debts of other public bodies; **Sweden**—administers collection of private debts and congestion tax (during a test period); **UK**—anti-smuggling & counter-terrorism activities at ports & airports.

Table 3: Taxes Administered by Revenue Bodies (2005)

COUNTRY	MAJOR TAX TYPES ADMINISTERED BY THE NATIONAL REVENUE BODY						
	Direct taxes	Social funds	VAT	Excises	Real property taxes	Wealth/estate taxes	Motor vehicle taxes
<i>1) OECD countries</i>							
Australia	Yes	n.applic.	Yes	Yes	No	No	No
Austria	Yes	No	Yes	Yes	No	Yes	Yes
Belgium	Yes	No	Yes	Yes	No	No	Yes
Canada	Yes	Yes	Yes	Yes	No	No	No
Czech Rep.	Yes	No	Yes	No	Yes	Yes	Yes
Denmark	Yes	No	Yes	Yes	Yes	Yes	Yes
Finland	Yes	Yes	Yes	No	Yes	Yes	No
France	Yes	No	Yes	No	Yes	Yes	Yes
Germany	Yes	No	Yes	No	Yes /1	Yes /1	Yes
Greece	Yes	No	Yes	No	Yes	Yes	Yes
Hungary	Yes	Yes	Yes	No	Yes	No	No
Iceland	Yes	Yes	Yes	Yes	No	Yes	Yes
Ireland	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Italy	Yes	Yes	Yes	No	Yes	Yes	Yes
Japan	Yes	No	Yes	Yes	Yes	Yes	Yes
Korea	Yes	No	Yes	Yes	Yes /1	Yes	No
Luxembourg /1	Yes	No	Yes	Yes	Yes	Yes	Yes
Mexico	Yes	No	Yes	Yes	No	No	No
Netherlands	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N. Zealand	Yes	n.applic.	Yes	No	No	No	No
Norway	Yes	Yes	Yes	No	No	Yes	No
Poland	Yes	No	Yes	Yes	No	Yes	No
Portugal	Yes	No	Yes	No	Yes	Yes	Yes
Slovak Rep.	Yes	No	Yes	No	Yes	No	Yes
Spain	Yes	No	Yes	Yes	No	Yes	No
Sweden	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Switzerland	Yes	No	Yes	No	No	No	No
Turkey	Yes	No	Yes	Yes	Yes	Yes	Yes
UK	Yes	Yes	Yes	Yes	Yes	Yes	No
USA	Yes	Yes	n.applic.	Yes	No	Yes	No
<i>2) Selected Non-OECD countries</i>							
Argentina	Yes	Yes	Yes	Yes	No	Yes	No
Brazil	Yes	Yes	No /1	Yes	No	No	No
Chile	Yes	No	Yes	Yes	Yes	Yes	No
China	Yes	No	Yes	Yes	Yes	Yes	Yes
Cyprus /1	Yes	No	Yes	Yes	No	Yes	No
Estonia	Yes	Yes	Yes	Yes	Yes	No	Yes /1
India	Yes	n.avail.	No /1	Yes	No	No	No
Latvia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lithuania	Yes	No /1	Yes	Yes	Yes	Yes	No
Malta /1	Yes	Yes	Yes	Yes	No	No	No
Russia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Singapore	Yes	No	Yes	No	Yes	Yes	No
Slovenia	Yes	Yes	Yes	No	Yes	Yes	Yes
South Africa	Yes	Yes /1	Yes	Yes	Yes /1	Yes	No

Sources: Country survey responses and revenue bodies' annual reports.

/1. **Brazil**—Administer taxes similar to VAT (e.g. PIS/COFIN); **Germany**—Revenue bodies determine property values for real property tax collected by municipalities, and administer inheritance tax.; **India**—VAT is administered by States; **Lithuania**—Social contributions are collected by the State Insurance Fund Board while the revenue body undertakes taxpayer registration and control functions; **Luxembourg, Cyprus, India, and Malta**—Revenue administration functions performed by separate bodies in these countries—information reflects taxes collected by all bodies; **Korea**—a new Comprehensive Real Estate Holding Tax introduced in 2005; **South Africa**—SARS collects only unemployment insurance fund contributions; **Estonia**—heavy goods vehicle tax; **Malta and South Africa**—capital transfer duties only.

Table 4: Selected Features of the Organisational Structure of Revenue Bodies

COUNTRY	SELECTED FEATURES OF THE INTERNAL ORGANISATIONAL STRUCTURE							
	Main criterion (*) for structure	Large taxpayer division	Dedicated transaction processing centres	Debt collection function	Tax fraud function	Dedicated appeals disputes function	Audits—separate by tax or integrated	Full in-house IT function
<i>1) OECD countries</i>								
Australia	All	Yes	Yes	Yes	Yes	Yes	Separate	Yes /1
Austria	T, TP	Yes	No	Yes	Yes	Yes	Integrated	Yes /1
Belgium	All	Yes	Yes	Yes	Yes	Yes	Integrated	No
Canada	F	Yes /2	Yes	Yes	Yes	Yes	Integrated	Yes
Czech Rep.	F, T	No	No	Yes	Yes	Yes	Integrated	Yes/1
Denmark	All	Yes	Yes	Yes	Yes	Yes	Integrated	No /1
Finland	F,TP	Yes	Yes	Yes	Yes	No	Integrated	No /1
France	TP	Yes	Yes	Yes	Yes	No	Integrated	Yes
Germany /2	F, TP	Yes/ 2	Yes	Yes	Yes	Yes	Integrated	Yes
Greece	All	Yes/2	Yes	Yes	Yes	No	Separate	Yes
Hungary	F	Yes	Yes	Yes	No	Yes	Integrated	Yes
Iceland	F	No	Yes	No	No	No	Integrated	No /1
Ireland	TP	Yes	Yes	Yes	Yes	No	Integrated	Yes
Italy	F	Yes	Yes	No /2	No /2	Yes	Integrated	No
Japan	All	Yes	Yes	Yes	Yes	Yes	Integrated	Yes
Korea	F	No	Yes	Yes	No	Yes	Integrated	Yes
Luxembourg	T, F	No	Yes	Yes	Yes	Yes	Separate	No /1
Mexico	All	Yes	Yes	Yes	Yes	Yes	Integrated	Yes
Netherlands	F	Yes	Yes	No	Yes	No	Integrated	Yes
N. Zealand	All	Yes	Yes	Yes	Yes	Yes	Integrated	Yes
Norway	All	Yes	Yes	Yes	Yes	Yes	Integrated	Yes
Poland	All	Yes	Yes	Yes	Yes	Yes	Integrated	Yes /1
Portugal	F	Yes	No	Yes	Yes	Yes	Separate	No
Slovak Rep.	F	Yes	No	Yes	Yes	Yes	Integrated	No /1
Spain	All	Yes	Yes	Yes	Yes	No	Integrated	Yes
Sweden	All	Yes	Yes	Yes/2	Yes	No	Integrated	Yes
Switzerland	T	No	Yes	No	Yes	No	Separate	Yes
Turkey	F	Yes	No	Yes	Yes	Yes	Integrated	Yes
UK	All	Yes	Yes	Yes	Yes	Yes	Separate	No /1
USA	TP	Yes	Yes	Yes	Yes	Yes	Integrated	Yes
<i>2) Selected Non-OECD countries</i>								
Argentina	All	Yes	No	Yes	No	Yes	Integrated	Yes
Brazil	F	No /2	Yes	Yes	Yes	No	Integrated	No
Chile	F	Yes	No	No	Yes	Yes	Integrated	Yes
China	All	No	Yes	Yes	Yes	Yes	Integrated	Yes
Cyprus- IR	All	No	Yes	Yes	Yes	Yes	Separate	No
Cyprus-VAT	All	No	Yes	Yes	Yes	Yes	Separate	No
Estonia	F	No	No	Yes	Yes	No	Integrated	Yes
India	T, F	-	-	-	-	-	Separate	-
Latvia	F	Yes	No	Yes	Yes	Yes	Integrated	Yes
Lithuania	All	Yes	Yes	Yes	Yes	Yes	Integrated	Yes
Malta- IR	F	No	Yes	Yes	Yes	Yes	Separate	No /1
Malta- VAT	All	No	Yes	Yes	Yes	Yes	Separate	No /1
Russia	All	Yes	Yes	Yes	No	Yes	Integrated	Yes
Singapore	F,T	No	Yes	Yes	Yes	No /2	Separate	Yes
Slovenia	F	Yes	No	Yes	No	Yes	Integrated	Yes
South Africa	F, TP	Yes	Yes	Yes	Yes	Yes	Separate	Yes

(*) Structural criterion: Function-F; Tax type-T; and Taxpayer type-TP.

/1. **Australia**—Mainframe, network and communications hardware and support outsourced; **Austria, Czech Rep., Luxembourg, Malta, & Poland**—IT functions provided by central ministry of finance or similar department; **Denmark, Iceland, Italy, Slovakia, and UK**—IT operations are largely outsourced to private contractors; **Finland**—IT operations are partly outsourced;

/2. **Brazil**—dedicated unit for financial institutions only; **Canada & Greece**—dedicated large case audit function; **Germany**—Most states have tax office for large taxpayer audits and tax fraud function, specialized debt collection units, appeals units, and full in-house IT functions; **Italy**—Debt collection outsourced to separate agents while most tax fraud carried out by the Guardia di Finanza; **Singapore**—function in each tax management division; **Sweden**—Enforcement Service also collects private/ non-tax debts.

Table 5: Powers of Revenue Bodies

COUNTRY	POWERS THAT CAN BE EXERCISED BY THE NATIONAL REVENUE BODY /1										
	Make tax law rulings	Remit penalties and/or interest	Establish internal design/structure	Allocate budget	Fix levels & mix of staff	Maintain own IT operation	Set service performance levels	Influence staff recruitment criteria	Hire & fire staff	Negotiate staff pay levels	
<i>1) OECD countries</i>											
Australia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Austria	Yes	Yes	No	No	No	No	Yes	Yes	No	No	
Belgium	No /2	No/2	No	No	No	No	Yes	Yes	No	No	
Canada	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Czech Rep.	Yes	Yes	Yes/2	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Denmark	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Finland	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes -2006	
France	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	
Germany /1	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	
Greece	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	No	
Hungary	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Iceland	Yes	Yes	Yes/2	Yes/2	Yes	Yes	Yes	Yes	Yes/2	Yes/2	
Ireland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Italy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Japan	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	No	
Korea	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	
Luxembourg	Yes	Yes	Yes	No	Yes	Yes/2	Yes	Yes	No	No	
Mexico	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Netherlands	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
N. Zealand	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Norway	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Poland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Portugal	Yes	Yes	No	No	No	No	Yes	Yes	No	No	
Slovak Rep.	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes	
Spain	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Sweden	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Switzerland	Yes/2	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Turkey	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No	No	
UK	Yes	Yes	Yes	Yes	Yes (limited)	Yes	Yes	Yes	Yes	Yes	
USA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

POWERS THAT CAN BE EXERCISED BY THE NATIONAL REVENUE BODY / 1

COUNTRY	Make tax law rulings	Remit penalties and/or interest	Establish internal design/structure	Allocate budget	Fix levels & mix of staff	Maintain own IT operation	Set service performance levels	Influence staff recruitment criteria	Hire & fire staff	Negotiate staff pay levels
<i>2) Selected non-OECD countries</i>										
Argentina	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Brazil	Yes	No	Yes	Yes	No	No / 2	Yes	Yes	No	No
Chile	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
China	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Cyprus- IR	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No
Cyprus- VAT	Yes	No	Yes	Yes	No	No	Yes	Yes	No	No
Estonia	-	-	-	-	-	Yes	-	-	-	-
India	Yes	Yes	-	-	-	-	-	-	-	-
Latvia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-
Lithuania	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Malta- IR	Yes	Yes	Yes	No	No	No	Yes	Yes	No	No
Malta- VAT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Russia	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Singapore	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Slovenia	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
South Africa	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

/1. Separate references for countries with multiple revenue bodies.

/2. **Belgium**—tax rulings are made by the Office for advance decisions in tax matters, remittance of interest and penalties for tax offences are under the jurisdiction of Minister; **Brazil**—IT functions are provided by a state owned company SERPRO; **Czech Republic**—tax office network is fixed by a special law; **Germany**—Generally 16 States MOF can decide on the internal structure. Most important decisions on levels & mix staff are made by State and Federal Parliaments as part of the budget. Each of 17 MOF can hire within the limitations provided by its budget and can influence recruitment criteria, but firing staff is virtually impossible under German civil service law. Most of 16 States and Federal MOF maintain own IT operations.; **Luxembourg**—supervised by the National IT Centre; **Iceland**— not including the regional tax offices; **Switzerland**—No for VAT; **UK**—top level Public Service Agreement targets have to be agreed with Ministers.

COUNTRY	Total staffing /1	Head-quarters operations		Regional offices (i.e. for regional management functions) /3		Local/ branch offices		Satellite offices (i.e. limited service functions)		National/ regional information processing and /or call centres		Other special purpose offices/ operations		
		Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing	Number	Staffing
<i>2) Non-OECD countries</i>														
Argentina	20,415	2,690	32	6,190	197	7,255	-	-	-	1	87	-	-	
Brazil	14,123	686	10	13,437	557	In regions	-	-	-	-	-	-	(6,135) /1	
Chile	3,499	694	17	2,051	50	754	-	-	-	-	-	-	-	
China	737,963	327	61	16,031	6,345	719,732	-	-	-	61	610	3	1,263	
Cyprus-IR	576	41	5	535	-	-	-	-	-	-	-	-	-	
Cyprus-VAT	537	143	-	-	8	394	-	-	-	-	-	-	-	
Estonia	2,268	430	4	868	-	-	-	-	-	-	-	-	-	
India	-	-	-	-	-	-	-	-	-	-	-	-	-	
Latvia	3,098	522	5	839	33	1,737	-	-	-	-	-	-	-	
Lithuania	3,978	400	10	2,457	50	960	-	-	-	2	161	-	-	
Malta- IR	228	201 /2	1	23	-	-	-	-	-	-	-	1	4	
Malta- VAT	136	135 /2	1	1	-	-	-	-	-	-	-	-	-	
Russia	166,000	1,051	82	/1	1,184	164,949	-	-	-	5	/1	16	/1	
Singapore	1,683	-	-	1,683	-	-	-	-	-	-	-	-	-	
Slovenia	2,675	158	15	1,717	49	735	-	-	-	-	-	1-LTO	65	
South Africa	13,135	1,734	7	65	108	11,336	-	-	-	2	232	-	-	

Sources: Revenue authority annual reports, country surveys.

/1. Number of total staffs may not equal to the number of staff in tax only work in table 25 owing to the inclusion of non-tax staffs.

/2. **Austria**—recent reduction in number of local offices from 90 to 49 including large taxpayer audit offices; **Belgium**—one call center (41 staff) and two scanning center (100 staff); **Brazil**—the 6,135 employees are not employees of the revenue body, but contractors to support the activities by SRF employees; **Czech Rep.**—training centers; **Denmark**—Data reflects creation of new unified organization (including around 950 customs staffs) from 1 November 2005; staffing to be reduced to between 7-8,000 by 2009; the 1,000 includes staff in IT services and Boards of Appeal; **Estonia**—total staffing as at the end of 2004 including customs operations, the number of HQ staffs derived from data in annual report (2004); **Finland**—authorities are planning to move from a three level organization (i.e. central, regional and local offices to a unified central body with divisions under it; **France**—headquarter staff number 2,109 in central services and 3,041 in national directorates; **Germany**—Numbers are for 2004; headquarters are tax directorates of Federal MOF and 16 State MOF; special purpose office is Federal Central Tax Office (former Federal Finance Office).; **Greece**—tax officials serving in the headquarters and regional offices of the Service for Special Controls (i.e. financial crime task force), 8 regional offices have only tax audit function; **Japan**—the figure includes the number of staffs at one processing centre and tax payment call centres located at each Regional Taxation Bureau; **Malta**—each body has a single site for HQ and most tax administration work; **Netherlands**—17 regional offices are 13 revenues and 4 customs; **Poland**—data includes some 15,718 staff across all levels performing customs functions; **Russia**—staff in these offices included in number for local offices; **Sweden**— a new unified national organisation for taxpayer services (including call centres) will be introduced on September 1. 2006, staffed with approximately 550 officials; **Turkey**—the number of staffs as per annual report 2005, national call centre project in 2005; **UK**—includes customs and national insurance contribution agency of over 20,000 staffs; **USA**—office network structure is decentralized and organized around taxpayer, head office has 12 distinct semi-autonomous business and functional units, each with its own head office operations.

/3. For some of the countries identified (e.g. Australia, United States) the staffing data in this column includes staff delivering front-line operations, as well as regional management responsibilities.

3 ASPECTS OF MANAGEMENT APPROACHES AND PRACTICES

Introduction

33. This part provides brief information on key trends in public sector management approaches as an introduction to identifying selected management approaches for the administration of tax laws in a sample of countries. The specific country-related information provided in this part is described hereunder:
- Table 7 provides an indication of availability of multi-year business plans, service delivery standards, annual performance reports, and official statements of taxpayers' rights.
 - Table 8 provides selected information from the official strategic/business plan documents of revenue bodies in two surveyed countries.
 - Table 9 provides examples of service delivery standards applied by revenue bodies in selected surveyed countries.

Key observations and trends

34. Based on the data in Table 7 and Table 9, there are numbers of observations that can be made:
- One third of OECD countries do not, as yet develop and publish a multi-year business plan and/or do not set and publish service delivery standards.
 - About two thirds of surveyed countries with a semi-autonomous revenue body develop and publish taxpayer service delivery standards.
 - Almost all surveyed countries, regardless of their institutional arrangements, publish annual performance report and are guided by formal taxpayer rights in law or in official document. However, concerning annual performance reports, a reading a many of these reports reveals that there is considerable variation in the nature and scope of information reported to Government and central planning agencies and taxpayers at large.

Context—Enhancing public sector performance in general

35. The work leading up to the preparation of this information series did not entail any in-depth study of the approaches of individual revenue bodies to high level/strategic planning and performance management. Rather, the opportunity is being taken to introduce readers of this series to selected findings of recent OECD work¹⁰ describing key trends and issues in public sector management practice and to

¹⁰ See 'Modernizing Government' (30 March 2005), OECD reference GOV/PGC/RD(2005)2

illustrate, by way of examples, related approaches as described in materials provided by revenue bodies of two OECD countries.

Planning and management approaches in the public sector ¹¹

36. In the 1960s, there was a strong trend towards centrally planned and measured approaches to government. In some countries this took the form of very detailed multi-year national planning systems. In the United States, less ambitious about the role of government, it took the form of the Planning Programming Budgeting Systems (PPBS). Both systems ultimately failed because they were too rigid to take account of uncertainty and unpredictability, and too formal in that they did not recognize the limitations of formal systems in influencing peoples' behaviour.
37. Public sector performance oriented reform has had a revival over the past two decades. Learning from the failure of central planning, the approaches adopted within government ministries in a number of OECD member countries have been: a) strategic planning—focusing on goals but not trying to be precise on how to get there; b) strategic management—how to adapt to new circumstances while still remaining focused on the main goals); c) mission and vision articulation – a process aimed at aligning the hearts and minds of staff with organizational goals); and more recently d) leadership—enhancement of the capacity of certain individuals to touch the internal motivation of staff in support of organizational purposes.
38. Within public service agencies, these approaches to strengthening performance are now of well proven validity, and they remain the most important and fundamental steps in moving organizations to become more performance oriented.

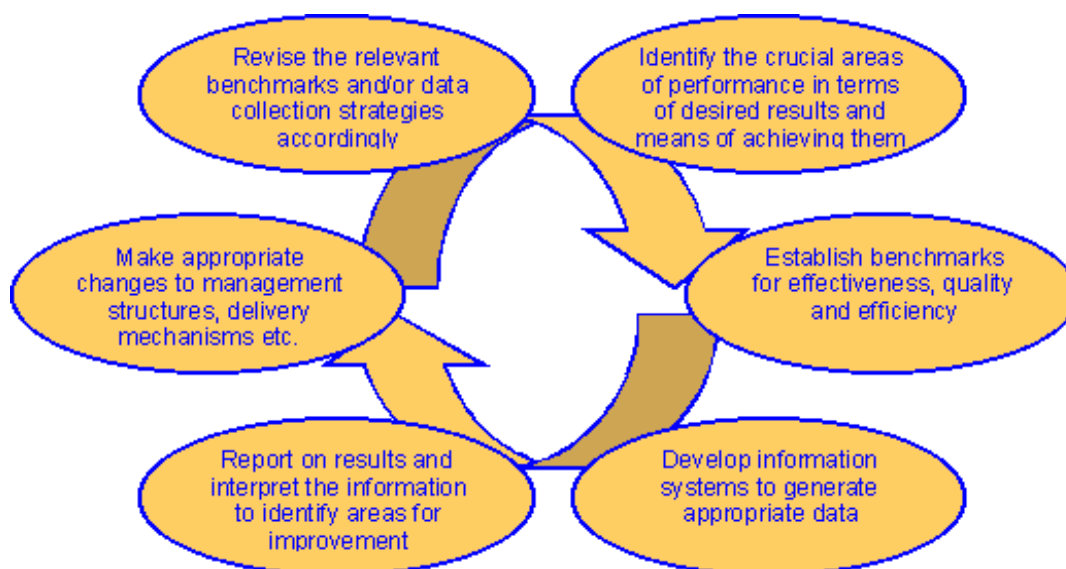
Performance budgeting and performance management

39. The strongest current performance oriented trend across OECD member countries is performance-oriented budgeting and performance management. While performance budgeting and performance management can be seen as separate concepts, in practice many governments have sought to adopt a results-based approach to both management and budgeting in which input controls are relaxed and managers/organisations are given flexibility to improve performance and are held accountable for results measured in the form of outputs and/or outcomes.
40. There are numerous definitions of performance budgeting and performance management. Results/performance-based budgeting is subject to diverse interpretation. It can be broadly defined as any budget that presents information on what agencies have done or expect to do with the money provided (Allen Schick, *The Performing State*, GOV/PUMA/SBO(2003)17. In this case it can simply refer to performance information presented as part of the budget documentation or to a budget classification in which appropriations are divided by groups of outputs or outcomes. A strict definition of performance-based budgeting, however, is a form of budgeting that relates funds allocated to measurable results. These results are measured in the form of outputs and/or outcomes. Resources can be related to results either in a direct or indirect manner.
41. Broadly, performance management covers corporate management, performance information, evaluation, performance monitoring, assessment and performance reporting. In the context of the new performance trend, however, a stricter definition is a management cycle under which program performance targets and objectives are determined (and often published in official planning documents), managers have flexibility to achieve them, actual performance is measured and reported (often in agency annual performance reports), and this information feeds

¹¹ This and the following sections draw directly on the text of the report 'Modernising Government', in particular pages 42-45 and 58-60 (OECD reference GOV/PGC/RD(2005)2) of March 2005.

into decisions about future program funding, design, operations and rewards and penalties (OECD, *Governance in Transition*, 1995). Such a cycle is illustrated in Figure 6 below.

Figure 6. Example—The performance management cycle



Source: Australian Department of Finance and Administration

42. It is possible to discern four broad objectives for which countries have adopted the formalisation of targets and measures in the government management process:
- Managing the efficiency and effectiveness of agencies and ministries and/or the internal control and accountability within individual ministries.
 - Improving decision making in the budget process, and/or in the allocation of resources and accountability of ministries to the Ministry of Finance.
 - Improving external transparency and accountability to parliament and the public and clarifying the roles and responsibilities of politicians and civil servants.
 - Achieving savings.
43. In summary, this reform lever seeks to shift the emphasis of budgeting, management and accountability away from the traditional emphasis on controlling inputs towards results measured in the forms of outputs and/or outcomes. The provision of performance information is not an end in itself: rather its overall objective is to support better decision making by politicians and public servants, leading to improved performance and/or accountability and ultimately improved outcomes for society.

Future challenges

44. A great deal of rhetoric has surrounded the introduction of performance management, and budgeting supporters claim it has the capacity to transform governments. However, it is important that this reform should not be seen as a panacea and that governments have realistic expectations about what it can achieve and the time needed to achieve these objectives. A number of challenges that countries continue to struggle with are described in the following comments.

Measurement

45. Even countries that have been using this approach for over fifteen years continue to struggle with issues of measurement; this is especially the case for ‘outcomes’. A key challenge for all countries is obtaining good quality information which is valid, reliable, and timely. Numerous challenges can be encountered including setting clear objectives, finding accurate measures of performance and having good systems of data collection.
- **Setting objectives:** For some agencies or programs, even setting clear objectives can be a problem when there is no agreement on what the mission is, or there are diverse missions, overlapping and fragmented programmes, and stakeholders with different interests.
 - **Finding accurate measures of performance:** The design of measures is made difficult by finding measures for specific activities, and relating what an agency or programme actually contributes towards achieving specific outcomes. Output and outcome measures each present a different set of challenges. Outcomes are technically more difficult to measure; they are complex and involve the interaction of many factors, planned and unplanned. Also there are problems with time lag issues and in some cases the results are not within the control of the government. Outcomes, however, have a strong appeal for the public and politicians. Most countries appear to have adopted a combination of outputs and outcomes; this is potentially more beneficial than concentrating on just one type of measure.
 - **Establishing and maintaining systems of data collection:** To ensure quality there needs to be a process by which data collected is verified and validated. However, setting up and maintaining these systems can be both complex and costly. The auditing of performance information can help to improve standards and provide some legitimacy for the reported results. It is especially challenging to assure the quality of the data when agencies are dependent on third parties to provide the information. This is particularly a problem in federalist systems.

Setting and using performance targets

46. Performance targets help to clarify performance expectations for an organisation for given a time period. Countries, however, continue to struggle with the issues of target level and numbers. There are problems with setting targets too low and/or too high. Setting targets too low means that agencies are not challenged to improve performance. Setting them too high, while it can serve as a motivation, also creates unrealistic expectations and situations in which agencies will fail. It takes time to get the right level and to get the comparative data to realize that targets are set at too high or too low a level.
47. There is also an issue about how many targets to have. Too many targets create information overload and make it difficult to select priorities; having too little creates distortion effects. Again it takes time to get a realistic balance. Several countries have started out with a large number of targets and subsequently reduced them.
48. This is a challenge for all governments in using this approach. Possible perverse effects include goal distortion – that is, organisations and managers focusing on a few specific indicators and targets at the expense of the overall objectives or program. Other problems arise from agencies or staff under pressure to meet targets; they may present misleading information or even - in extreme cases- cheat.

Challenges with using the budget process to improve performance

49. In many OECD countries, the objective of introducing performance into the budget process is to improve budgetary decision making and to act as an incentive for agencies to improve performance. Most countries, however, continue to struggle with this approach. As discussed above, one of the key issues is obtaining good quality and reliable performance data. Briefly, other challenges include establishing some link between financial information and performance information. This is particularly challenging for outcome measures. In many countries there are also problems with the structure of the budget and accounting issues. Budgets tend to be structured in accordance with institutional and functional boundaries and not results categories. Also, if there is no system of cost recording it is difficult to relate true costs to results.
50. Getting the right mix of incentives is an issue when countries use performance information in resource allocation. A fundamental question is: Should financial rewards be given for good performance, and bad performance punished, and if so, how? To do the former can create the appearance of rewarding poor performance; to do the latter, while creating positive incentives, could condemn failing agencies to continue to under-perform. Punishing failure by removing resources creates a clear signal to other agencies that performance is considered important. However, it does not help address the underlying causes of poor performance. Indeed in some cases failure to meet targets can be the result of lack of funding or other resources. While rewarding good performance is intuitively appealing, it does not take into account cost issues and government priorities. In a climate of budgetary saving, a question is whether to give additional funding to an agency, especially one that is not a government priority. In either case, there is always the danger that linking results to financial resources can create incentives to distort and cheat in presenting information.

Changing the behaviour and culture

51. One of the most difficult challenges is to create a results based culture within organisations and throughout government. To achieve change in behaviour and culture across government requires a whole of government approach and the creation of the right mix of incentives that takes account of how the actions of key actors influence each other. Most countries continue to struggle with achieving change in the behaviour of public servants and politicians; this is a long-term process.

Planning and management approaches of national revenue bodies

52. For the purpose of this information series, revenue bodies were asked to answer four relatively basic questions: 1) Does your agency prepare and publish a multi-year business plan? 2) Does your agency formulate and publish service performance standards for its main taxpayer service functions? 3) Does your agency prepare and publish an annual report of its performance? 4) Are taxpayers' rights codified in law or administrative documents? A summary of the responses to these questions is provided in Table 7 and the key findings are set out hereunder:
 - Around one third of surveyed revenue bodies, including 10 in OECD countries, do not as yet prepare and publish a multi-year business plan; a number of these revenue bodies indicated that an annual plan is prepared.
 - Around one third of surveyed revenue bodies, including many in the aforementioned category, have not as yet established taxpayer service delivery standards that are made public to taxpayers at large.

- The vast majority of surveyed revenue bodies—those in Germany, Greece and Switzerland being the exceptions—prepare and publish an annual performance report describing the overall results of their tax administration activities for each fiscal year; a reading of many of these reports, however, reveals that there are substantial variations in the quality (i.e. scope and nature) of the information provided.
 - The vast majority of surveyed revenue bodies are required to recognize a formal set of taxpayers’ rights that are reflected in the law or official administrative documents.
53. Boxes 7 to 8 and accompanying information in Table 8 set out in fairly brief terms a description of the approaches to performance planning and budgeting (and associated outputs) adopted by two revenue bodies. Specifically;
- ***US Internal Revenue Service (IRS):*** Box 7 provides an overview of the performance planning and budgeting process followed by the IRS while Table 8 provides a description of key elements (i.e. vision, values, mission, goals, objectives and key measures of success) from the IRS’s official strategic plan for 2005-2009.
 - ***The Canada Revenue Agency (CRA):*** Box 8 provides an overview of the performance planning and budgeting process followed by the CRA while Table 8 provides a description of key elements (i.e. vision, values, mission, strategic outcomes, expected results, and performance measures) from its official business plan for 2005-2008.
54. These examples are presented to illustrate a number of points:
- Both agencies are committed to preparing and publishing a multi-year business plan, as part of Government-wide requirements, that provides a direct linkage between strategic, financial, and program planning.
 - Both agencies have a formalized internal planning process, the end-product of which is the formal multi-year business plan.
 - Officially-published plans provide a clear articulation of agency mission, vision, values, and strategic goals and related objectives and key measures of performance, and the linkages between each element.
 - Agency plans are subject to external scrutiny, as are underlying elements of program activity.
 - Official goals are relatively few in number and so far as tax collection is concerned have a clear orientation to taxpayer service, enforcement, and internal capability requirements.
 - Key measures of success/ performance for each goal and related objectives are both ‘outcome’ and ‘output’ related; concerning the measurement of ‘outcomes’, measures/ indicators used by these agencies include 1) taxpayer satisfaction with services delivered and overall perceptions of agency management of the tax system; 2) rates of taxpayers’ compliance achieved; 3) compliance burden reduction; and 4) perceptions of employee engagement/ satisfaction.
 - The results of agency operations are published in annual performance reports, against the framework reflected in the formal business plan.

Table 7. Selected Management Practices

COUNTRY	Type of revenue body	Management Practices			
		Develops/ publishes multi-year business plan	Develops/ publishes service delivery standards	Publishes annual perform- ance report	Guided by formal taxpayers' rights in law or official documents
<i>1) OECD countries</i>					
Australia	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Austria	Single directorate in MOF	No	No	Yes	Yes
Belgium	Multiple directorates in MOF	Yes	No	Yes	Yes
Canada	Unified semi-autonomous body with board	Yes	Yes	Yes	Yes
Czech Rep.	Single directorate in MOF	No	Yes	Yes	Yes
Denmark	Single directorate in MOF	Yes	Yes	Yes	Yes
Finland	Unified semi-autonomous body with board	Yes	Yes	Yes	Yes
France	Multiple directorates in MOF	Yes	Yes	Yes	Yes
Germany	Multiple directorates in Federal MOF and 16 State MOFs	No	No	No	Yes
Greece	Multiple directorates in MOF	No /1	No	No	Yes
Hungary	Unified semi-autonomous body	No	Yes	Yes	Yes
Iceland	Unified semi-autonomous body	Yes	No	Yes	Yes
Ireland	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Italy	Semi-autonomous body	Yes	Yes	Yes	Yes
Japan	Unified semi-autonomous body	No	Yes	Yes	Yes
Korea	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Luxembourg	Multiple directorates in MOF	No	No	Yes	Yes
Mexico	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Netherlands	Single directorate in MOF	Yes	Yes	Yes	Yes
N. Zealand	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Norway	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Poland	Multiple directorates in MOF	Yes	Yes	Yes	No
Portugal	Multiple directorates in MOF	No	No	Yes	Yes
Slovak Rep.	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Spain	Unified semi-autonomous body	Yes	Yes	Yes	Yes
Sweden	Unified semi-autonomous body with board	Yes	No	Yes	Yes
Switzerland	Single directorate in MOF	No	No	No	No
Turkey	Unified semi-autonomous body	No	No	Yes	Yes
UK	Unified semi-autonomous body with board	Yes	Yes	Yes	Yes
USA	Unified semi-autonomous body with board	Yes	Yes	Yes	Yes
<i>2) Selected non-OECD countries</i>					
Argentina	Unified semi-autonomous body	No	Yes	Yes	Yes
Brazil	Single directorate in MOF	Yes	No	Yes	No
Chile	Unified semi-autonomous body	Yes	Yes	Yes	Yes
China	Separate body with minister	Yes	Yes	Yes	Yes
Cyprus-IR	Multiple directorates in MOF	No	Yes	Yes	Yes
Cyprus-VAT		Yes	No	Yes	Yes
Estonia	Single directorate in MOF	Yes	-	Yes	-
India	Separate departments for direct & indirect taxes	-	-	-	-
Latvia	Unified semi-autonomous body	No	No	Yes	Yes
Lithuania	Separate inspectorate in MOF	Yes	Yes	Yes	Yes
Malta- IR	Multiple directorates in MOF	Yes	No	Yes	Yes
Malta- VAT		No	Yes	Yes	Yes
Russia	Single directorate in MOF	-	-	-	-
Singapore	Unified semi-autonomous body with board	Yes /1	Yes	Yes	Yes
Slovenia	Single directorate in MOF	Yes	Yes	Yes	Yes
South Africa	Unified semi-autonomous body	No	Yes	Yes	Yes

Sources: Survey responses and official country documents (e.g. Business plans, annual reports).

/1. Greece—annual plan prepared, certain directorates prepare annual performance reports; Singapore—a five-year plan not published for public.

Box 7. Strategic/business planning – The approach of the US Internal Revenue Service

Background

The IRS Strategic Planning Process is designed to support the Internal Revenue Service executives in making decisions about what goals and strategies should drive the agency in meeting its overall goals of ensuring that taxpayers understand and meet their tax obligations in a timely and accurate manner, allocating resources to achieve those goals, and evaluating the results. In 1993, the United States Congress passed the Government Performance Results Act. The law applies to all U.S. agencies, including the Internal Revenue Service. The purpose of the Government Performance Results Act of 1993 (GPRA) is to: 1) improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, service delivery, and satisfaction; 2) improve Congressional decision-making by providing more objective information on the relative effectiveness and efficiency of Federal programs and spending; and 3) improve internal management of the Federal Government. GPRA requires that federal agencies produce the following three documents:

- **Strategic Plan.** The Strategic Plan provides a framework for both the Annual Performance Plan and Annual Performance Report. It must include general agency goals and objectives with outcome-related measures and how these relate to specific program performance goals. It must provide objective, quantifiable criteria by which to measure the success of each program activity.
- **Performance Plan.** The Annual Performance Plan (APP) provides performance goals and indicators for the fiscal year; a description of the resources needed to meet the goals for the fiscal year including processes, skills, technology, personnel, and capital; and an explanation of how the results will be verified and validated. The APP is linked to the budget providing program justification for allocating resources as shown in the budget.
- **Performance Report** - The Annual Performance Report (APR) reviews and evaluates the success of achieving the performance goals from the previous fiscal year. These reports establish a system for measuring each agency's performance that is tied to the congressional appropriations process. The content for the APR is developed by the operating divisions during the Performance Management Phase.

The six phases of the strategic planning process are:

1. **Strategic Assessment** – A broad assessment of the customer segment to determine emerging trends, issues and problems that impact tax administration. During this phase, proposed solutions to these trends, issues and problems are generated, and a determination of resource availability is made.
2. **Commissioner's Planning Guidance** – The IRS Commissioner outlines strategic priorities, resource availability and target allocations IRS-wide.
3. **Program Planning Phase** – Operating divisions prepare Strategy and Program Plans (SPPs) that address the questions: what will be done to achieve identified strategies; what resources are needed; what are the performance expectations.
4. **Congressional Justification** - The Performance Plan and Budget Justification phase includes preparing and submitting the IRS Annual Performance Plan (APP), Treasury and OMB Budget Submissions, and Congressional Justification (CJ).
5. **Business Planning Phase** - During this phase, the strategic initiatives developed in the Strategy and Program Plans are translated and developed into business plans, taking the strategic to the tactical. At this stage, measures and targets are finalized and linked to specific action plans and managers' commitments.
6. **Performance Management Phase** - The Business Performance Review is the central process for measuring, reporting and reviewing performance against plans.

The sixth phase of the cycle—Performance Management -- is quite different from the preceding phases in that it is performed as a continuous, iterative process throughout the year. As such, it is a common integrating theme throughout all phases of the cycle. Organizational performance management hinges

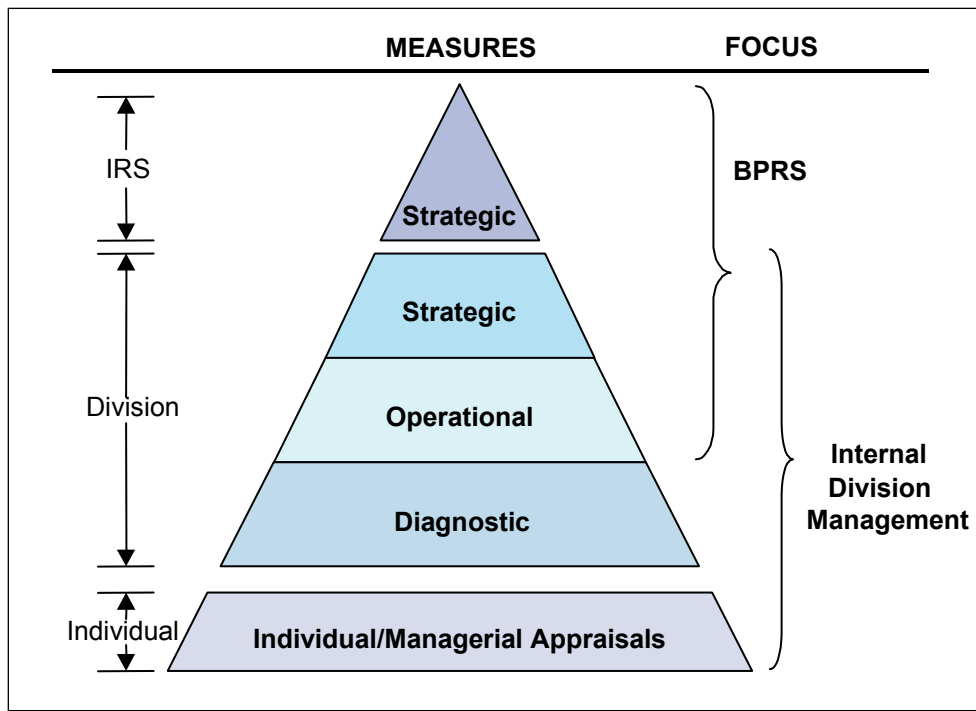
on using measures developed within the balanced measurement framework to gain insights into an agency's performance against plan. The performance management phase emphasizes achieving specific results against plans and linking these results to achievement of the overall mission and strategic goals of the IRS. This system ensures that three components of balanced measures—customer satisfaction, employee satisfaction, and business results—are carefully considered when setting organizational objectives, establishing goals, and assessing progress and results.

The Key Role of Performance Measures:

Performance measures are the common language terms that link all phases of the planning cycle—from planning and execution, to reviewing and revision. Measures are key indicators of performance for the review process. The agency uses balanced measures at both the strategic level and the operational level to gauge an organization's performance.

The balanced measures framework below depicts how the review process links with operational and diagnostic performance measures. Measures (and supporting diagnostic tools) are employed in the Business Performance Review System to focus management attention on achievement of strategic and operational goals, and to show linkages between performance and achievement of IRS-level strategic goals.

IRS Balanced Measures Framework



A Tool-Box of Measures

Strategic measures are used to assess overall performance in delivering on the IRS-wide mission and the strategic goals of improving taxpayer service, enhancing enforcement of the tax law, and modernizing the IRS through its people, processes and technology. Operational measures are used to assess the effectiveness of program and service delivery of particular components of the IRS. Diagnostic tools are used to explain or discover the factors impacting changes in balanced measures. Workload indicators are used to project an expected level of activity for an organizational unit or program and are necessary to identify resource needs and justify resource requests.

Source: The Control of Strategic Plans (US Internal Revenue Service), CIAT Technical Conference (October 2004).

Box 8. Canada Revenue Agency: Planning, measuring and reporting

Background and Legislation

The Canada Revenue Agency (CRA) operates within a robust planning, measuring and reporting framework. This framework was enhanced when, in 1996, the Government announced in the *Speech from the Throne* that it intended to convert Revenue Canada from a department of government into what it then called a “revenue commission”. In taking this step, the Government wanted the new organization to achieve three objectives: 1) provide better service to Canadians; 2) become a more efficient and effective organization; and 3) establish a closer partnership with the provinces and territories.

Bill C-43, *An Act to Establish the Canada Customs and Revenue Agency*, was introduced into Parliament in June 1998 and received royal assent in April 1999. The Canada Customs and Revenue Agency, later referred to as the Canada Revenue Agency (CRA), came into existence on November 1 of that year. The legislation contains five major elements: mandate and governance of the Agency; accountabilities; partnership responsibilities; human resource authorities; and administrative authorities.

The Agency was created as part of the Government’s exploration of ‘alternative service delivery’ and the legislation gives the CRA considerable flexibility and latitude in the human resources, financial, and administrative areas. Apart from the management of public monies, which continues to be governed by the *Financial Administration Act* (FAA), the Agency is effectively given full authority for human resource and general administration – authorities which to this point had been the responsibility of Treasury Board, the Public Service Commission, and Public Works and Government Services Canada.

The legislation also established a governance regime for the Agency that is unique in Canada. The Minister of National Revenue retains full responsibility and accountability for the administration by the Agency of tax and benefit legislation, notably the *Income Tax Act* and the GST legislation. The *CRA Act* created a Board of Management whose members, with the exception of the Commissioner, are appointed from the private sector. The Board oversees the human resources, financial, and administrative authorities that were formerly the responsibility of central agencies. The *CRA Act* also created a Commissioner who is effectively accountable to the Minister for the day-to-day administration of the program legislation and to the Board which has oversight responsibilities over HR and administration.

The provisions of the legislation give the Agency the authority to implement agreements with other federal departments and agencies, with provincial and territorial governments, and with aboriginal governments. The important relationship with provinces and territories is strengthened by the requirement that they nominate eleven of the fifteen members of the Board of Management. The accountability provisions round out the legislation by putting in place a strong and transparent regime that ensures Agency actions are reported upon and given proper scrutiny by appropriate authorities. Indeed, the Agency is arguably subject to stronger accountability requirements than virtually any other federal organization.

Accountability to Parliament is guaranteed by the longstanding concept of ministerial responsibility, coupled with the fact that the Auditor General is named as the Agency’s auditor. As well, the CRA is required not only to submit for tabling the *Report on Plans and Priorities (RPP)* and the *Departmental Performance Report (DPR)* required by the *Financial Administration Act*, but it also must submit two additional documents: the *Summary of the Corporate Business Plan* and the *Annual Report*. The Public Service Commission is required to report on aspects of the Agency’s staffing regime.

Strengthened accountability to the provinces and territories is demonstrated by the Agency’s annual report to the provinces and territories, required by the *CRA Act*. The Agency is also required to apprise government departments, on whose behalf it administers programs, of significant developments affecting them.

Planning

One of the Board’s key responsibilities, as defined in the *CRA Act* is the development of the *Corporate Business Plan*. The Plan must include the CRA’s:

- objectives;
- strategies to achieve objectives (operational and financial, and human resource strategies);
- expected performance;
- operating and capital budgets; and
- any other strategic information required by the Treasury Board.

The Corporate Business Plan is a confidential document that sets a three-year course for the Agency and is normally submitted to Treasury Board for approval each February. Once approved, the confidential Plan forms the basis for two public documents: the *Summary of the Corporate Business Plan* and the

[Report on Plans and Priorities](#), both of which are tabled in Parliament in March. The two documents are in effect the same, under separate cover, to meet the dual reporting requirements resulting from the CRA's agency status.

The corporate planning process begins each spring, at which time the Board of Management and Agency Management Committee review priorities, risks and opportunities. The planning process is designed to produce a corporate planning document that builds direct linkages between strategic, financial, and program planning, and ensures a full consideration of the human resources, funding, and information technology realities of the organization. Following a series of meetings, the Board approves a set of themes and priorities for the Corporate Business Plan. Once these themes and priorities are set, a call letter is sent to all functional branches, which then identify their input into the plan by Program Activity.

Based on the content submitted by Branches, the Corporate Planning, Governance and Measurement Directorate drafts the Plan and provides the branches, the Agency Management Committee and the Board with a series of opportunities for comment. In January, the Board recommends the final plan to the Minister, who then presents it to Treasury Board for approval. Based on the approved Plan, the [Summary of the Corporate Business Plan](#) and [Report on Plans and Priorities](#) are then prepared and tabled in Parliament: the Summary by the Minister responsible for CRA and the RPP by the President of the Treasury Board who tables all of the Government's RPPs.

In 2005, as required by legislation, the CRA tabled in parliament a review of the first five years of the Agency. The CRA took advantage of this opportunity to perform a major strategic review in order to set the course for the next five years and beyond. The result of this review was the Agency 2010 vision, which forms the basis of the *Corporate Business Plan 2006-2007 to 2008-2009*. The CRA Summary of the Corporate Business Plan can be found at http://www.cra-arc.gc.ca/agency/business_plans/menu_e.html

Reporting

As prescribed by the *CRA Act*, the Minister must annually table a copy of its annual report in each House of Parliament. The two key components of the [Annual Report](#) are the CRA's financial statements and performance information with respect to achieving the objectives set out in the Corporate Business Plan.

The *CRA Act* requires that the Auditor General for Canada provide an opinion on the financial statements and periodic assessments of the fairness and reliability of CRA's performance information. These opinions and assessments are to be included in the Annual Report to Parliament. While this process is time consuming and costly, it adds significantly to the transparency and accountability elements of CRA's planning and reporting processes, and ultimately increases the reliability and trust Canadians place in their Tax and Benefits systems.

As is the case for the Corporate Business Plan, the CRA is also required to respect the *Financial Administration Act* regarding the preparation of a [Departmental Performance Report](#). For the purposes of efficiency and effectiveness, the DPR is identical in content to the Annual Report. The DPR report is tabled in Parliament by the President of the Treasury Board, along with the reports from all government departments and agencies.

The Treasury Board Secretariat uses departmental RPP and DPR documents as a basis for the President of the Treasury Board's annual planning and reporting documents: the *Government-wide Report on Plans and Priorities* (new in 2006) and [Canada's Performance Report](#). These documents are designed to improve reporting to Parliament by providing a whole-of-government view on federal spending, plans, and results. The electronic version of the report allows the reader to drill down from Government of Canada outcomes to specific planning, resource, and results information contained in both RPPs and DPRs. This mapping enables parliamentarians and Canadians to see how departments and agencies are working together toward shared outcomes.

Reporting Framework

Departments and agency are required to develop their own Management Resources and Results Structure (MRRS). The intention of the MRRS is to provide a standard, government-wide approach to planning and managing the relationship between resources and results, while serving as a consistent and enduring foundation for financial and non-financial reporting to Parliament. Each MRRS contains clearly defined strategic outcomes that reflect the department's mandate and vision and that are linked to the thirteen Government of Canada outcomes – the long-term benefits to Canadians that the federal government is working to achieve. Each MRRS also contains a Program Activity Architecture (PAA) that links program activities to strategic outcomes, allowing departments to provide a consistent reporting structure to Parliament. Each program activity is accompanied by performance expectations and supported by performance indicators and targets.

Sources: CRA

Table 8. Key Elements of Multi-year Strategic/ Business Plans
– United States

Elements	Description		
Vision	The IRS in 2009 is a 21st Century agency with the human capital and technology capabilities to effectively and efficiently collect the taxes owed with the least disruption and burden to taxpayers.		
Values	Integrity, Accountability, Accuracy, Respect, Professionalism, & Partnering.		
Mission	Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.		
Goals (or strategic outcomes)	Improve Taxpayer Service	Enhance Enforcement Of The Tax Law	Modernize the IRS Through Its People, Processes & Technology
Objectives (for each goal)	* Improve Service Options for the Tax Paying Public	* Discourage and Deter Non-Compliance with Emphasis on Corrosive Activity by Corporations, High-Income Individual Taxpayers & Other Contributors to the Tax Gap	* Increase Organizational Capacity to Enable Full Engagement and Maximum Productivity of Employees
	* Facilitate Participation in the Tax System by all Sectors of the Public	* Ensure that Attorneys, Accountants and Other Tax Practitioners Adhere to Professional Standards and Follow the Law	* Modernize Information Systems to Improve Service and Enforcement
	* Simplify the Tax Process	* Detect & Deter Domestic & Off-Shore Based Tax and Financial Criminal Activity * Deter Abuse within Tax-Exempt & Governmental Entities and Misuse of such Entities by Third Parties for Tax Avoidance or Other Unintended Purposes	* Ensure the Safety & Security of People, Facilities & Information Systems * Modernize Business Processes and Align the Infrastructure Support to Maximize Resources Devoted to Front-line Operations
Strategies/ means	Elaborated for each goal and objective in plan document		
Key measures of success (for each goal and objective)	<ul style="list-style-type: none"> ◇ Customer satisfaction data ◇ Rate of accuracy ◇ Burden reduction ◇ Levels of service ◇ Rate of electronic interactions ◇ Timeliness of responses 	<ul style="list-style-type: none"> ◇ Rate of reporting compliance ◇ Rate of filing compliance ◇ Rate of payment compliance ◇ Percent of priority guidance list items published ◇ Percent of Americans who think it is OK to cheat on taxes ◇ Average cycle time 	<ul style="list-style-type: none"> ◇ Level of employee engagement ◇ Index of employee perceptions of Performance Management System ◇ President's Management Agenda Scorecard ◇ Ratio of mission-critical occupations (MCOs) employees to non-MCO employees ◇ Benchmark IT services and development to Private Industry Standards for costs, scheduling, and functionality
Accountability	Annual Performance Report		

Source: IRS Strategic Plan 2005-2009.

Table 8. Key Elements of Multi-year Strategic/ Business Plan – Canada

Elements	Description	
Vision	To be recognized & respected by our clients for our integrity, fairness, & innovation in administering high-quality, yet affordable programs. To encourage new intergovernmental & international partnerships fostering greater government efficiency & a stronger economic union.	
Values	Integrity, Professionalism, Respect, and Co-operation	
Mission	To promote compliance with Canada’s tax legislation & regulations through communication, quality service, & responsible enforcement, thereby contributing to the economic & social well-being of Canadians.	
Goals(or strategic outcomes)	<p style="text-align: center;"><u>Tax Services</u></p> Taxpayers meet their obligations & Canada’s revenue base is protected.	<p style="text-align: center;"><u>Benefits Programs</u></p> Eligible families & individuals receive timely & correct benefit payments contributing to the integrity of Canada’s income security system.
Objectives (for each goal)	ER1: Clients receive timely, accurate, and accessible information ER2: Assessment, eligibility determination, & payment processing are timely & accurate ER3: High levels of compliance are achieved & non-compliance is identified & addressed ER3: Non-compliance is identified & addressed ER4: Tax debt is resolved on a timely basis and is within targeted levels ER5: Taxpayers receive an impartial and timely review of contested decisions The CRA has, at all times, a knowledgeable, skilled, & representative workforce able to carry out the CRA mandate; a culture that promotes CRA values and the well-being of the workforce; & employees engaged in & committed to the CRA success & program delivery Sound financial & treasury management, & excellence in the provision of internal financial & administrative services Agency management & internal services to advance program goals through reliable & efficient policies, processes, & practices	
Strategies/ means	Elaborated for each goal and objective in plan document	
Key measures of success (for each goal and objective)	◇ ER1: Clients are served within target (as prescribed for a range of services); client satisfaction ratings (measured by CRA Annual Survey and other surveys). ◇ ER2: Timeframe for processing is done within target; trend in \$ value of interest paid on refunds; % of returns assessed accurately; % take-up of electronic service delivery options. ◇ ER3: \$ value of non-compliance identified and tax assessed through tax review programs; % of non-compliance identified through random versus targeted reviews. ◇ ER4: \$ amount of cash collected; % of accounts receivable over 5 years old; accounts resolved compared to new account intake; % of intake resolved in year of intake. ER5: % of files meeting targets for timely completion; % of files not requiring court action	ER1: Caller accessibility (% of callers who reach our telephone service); call service level (% of calls answered within 2 minutes of entering the queue). ER2: Timeliness of benefit payments; timeliness of processing – benefit applications/elections and account maintenance adjustments; accuracy of processing – benefit payments, applications, account maintenance adjustments; client satisfaction ratings; and client evaluation of products / satisfaction with service. ER3: % of clients that receive the proper entitlement under random sample; % of accounts reviewed; % of targeted reviews resulting in an adjustment; \$ value of validation adjustments recouping benefits; and \$ value of validation adjustments in favor of client.
Account-ability	CRA Annual Report	

Source: CRA Summary of Business Plan (2005-08)

Taxpayers' rights and charters, and service delivery standards

Taxpayers' rights and charters

55. An emerging trend in revenue tax administration practice over recent decades has been an increasing recognition that taxpayers have 'rights', as well as 'obligations', that should be respected in the way revenue authorities go about their activities. In a number of countries (e.g. Netherlands and Russia), these rights have been codified in tax laws, while in others (e.g. Australia, Ireland, New Zealand, Singapore, and South Africa) they have been elaborated in administrative documents, sometimes referred to as 'taxpayers' or 'service' charters.
56. In 2003, the CFA approved a practice note, drawing on the experiences of revenue authorities in a number of OECD countries, which described the elements (expressed in terms of both 'taxpayers' rights' and 'taxpayers' obligations' of an illustrative taxpayers' charter. An illustrative version of the element dealing with 'rights' is set out in Box 9.
57. A survey of practices of revenue authorities in OECD member countries in 2004 found that around two thirds of revenue authorities had formal statements (e.g. charters) specifying taxpayers rights and/or the services they could expect. Examples of a number of such statements, including for one non-OECD country, appear in Boxes 10, 11 and 12.

Box 9. Taxpayers' Charter-illustrative description of taxpayers' rights

Your rights

1. Your right to be informed, assisted and heard: We will treat you with courtesy and consideration at all times and will, in normal circumstances, strive to:

- help you to understand and meet your tax obligations;
- explain to you the reasons for decisions made by us concerning your affairs;
- finalise refund requests within ... days/[as quickly as possible] and, where the law allows, pay you interest on the amount;
- answer written enquiries within ... days/ [as quickly as possible];
- deal with urgent requests as quickly as possible;
- answer your telephone call promptly and without unnecessary transfer;
- return your telephone call as quickly as possible;
- keep your costs in complying with the law to a minimum;
- give you the opportunity to have your certified legal or taxation adviser present during any investigation; and
- send you, within ... days/[as quickly as possible] of the completion of an investigation, written advice of the result of that investigation including the reasons for any decision and, where an assessment has been issued, details of how the assessment was calculated.

2. Your right of appeal: We will, in normal circumstances, strive to:

- fully explain your rights of review, objection and appeal if you are unsure of them or need clarification;
- review your case if you believe that we have misinterpreted the facts, applied the law incorrectly or not handled your affairs properly;
- ensure that the review is completed in a comprehensive, professional and impartial manner by a representative who has not been involved in the original decision;
- determine your objection within ... days/[as quickly as possible], unless we require more information to do so, or the issues are unusually complex;
- give you reasons if your objection has been completely or partially disallowed; and
- request further information from you only where it is necessary to resolve the issues in dispute.

3. Your right to pay no more than the correct amount of tax: We will:

- act with integrity and impartiality in all our dealings with you, so that you pay only the tax legally due and that all credits, benefits, refunds and other entitlements are properly applied.

4. Your right to certainty: We will, in normal circumstances, strive to:

- provide you with advice about the tax implications of your actions;
- let you know at least ... days/[as quickly as possible] before the conduct of an interview;
- advise you of the scope of an interview and our requirements; and
- arrange a suitable time and place for the interview and allow you time to prepare your records.

5. Your right to privacy: We will:

- only make enquiries about you when required to check that you have complied with your tax obligations;
- only seek access to information relevant to our enquiries; and
- treat any information obtained, received or held by us as private.

6. Your right to confidentiality and secrecy: We will:

- not use or divulge any personal or financial information about you unless you have authorized us in writing to do so or in situations where permitted by law; and
- only permit those employees within the administration who are authorized by law and require your personal or financial information to administer our programs and legislation, to access your information.

Source: Practice note: Taxpayers' Rights' and Obligations (OECD CFA, July 2003)

Box 10. Ireland—Revenue Customer Service Charter

Revenue collects taxes and duties which fund the provision of public services for the benefit of all citizens. Revenue protects society through its Customs Service working on frontier control. The effective and fair administration of tax and customs law requires Revenue and citizens to recognise certain basic rights and responsibilities. This Customer Charter sets out mutual expectations in this context.

Consistency, Equity and Confidentiality

- Revenue will administer the law fairly, reasonably and consistently and will seek to collect no more than the correct amount of tax or duty.
- Revenue will treat the information you give us in confidence and ensure that it will not be used or disclosed except as provided for by law.

Courtesy and Consideration

- You can expect to be treated courteously, with consideration and in a non-discriminatory way in your dealings with Revenue.
- We expect you to treat Revenue officials with courtesy and to give them all reasonable cooperation.

Information and Assistance

- You can expect to be given the necessary information and all reasonable assistance to enable you to clearly understand and meet your tax and customs obligations and to claim your entitlements and credits.
- We expect you to provide true and correct information in all your contacts with Revenue and to advise Revenue in a timely manner of developments (such as change of address, commencement or cessation of business) that are relevant to your tax and customs affairs.

Presumption of Honesty

- You can expect to be treated as honest in your dealings with Revenue unless there is clear reason to believe otherwise and subject to Revenue's responsibility for ensuring compliance with tax and customs law.
- We expect you to deal in an honest way with Revenue by returning the tax and duty which you are due to pay and seeking only those entitlements and credits to which you are due.

Compliance Costs

- You can expect that Revenue will administer the tax and duty regimes in a way that will minimise, as far as possible, compliance costs.
- We expect you to maintain proper records and accounts and to ensure that your Returns and Declarations are completed fully, accurately and in a timely manner.

Complaints, Review and Appeal

There are comprehensive complaints and appeal procedures open to all customers of Revenue and we encourage you to avail of these if you are in any way dissatisfied with the service you receive from us.

- You can expect that if you make a complaint, Revenue will deal with it promptly, impartially and in confidence; and That availing of Revenue's own complaints procedures will never prejudice your rights to raise issues with the Ombudsman or lodge, within the statutory time limits, a formal appeal to the Office of the Appeal Commissioners against an assessment raised by Revenue or against certain determinations made by Revenue officials.

Source: Revenue's Website (May 2005)

Box 11. Rights in Taxpayers' Charter—Australian Taxation Office

Your rights

You can expect us to:

- A. Treat you fairly and reasonably.
- B. Treat you as being honest in your tax affairs unless you act otherwise.
- C. Offer you professional service and assistance to help you understand and meet your obligations.
- D. Accept you can be represented by a person of your choice and get advice about your tax affairs.
- E. Respect your privacy.
- F. Keep the information we hold about you confidential in accordance with the law.
- G. Give you access to information we hold about you in accordance with the law.
- H. Give you advice and information you can rely on.
- I. Explain to you the decisions we make about your tax affairs.
- J. Respect your right to a review.
- K. Respect your right to make a complaint.
- L. Administer the tax system in a way that minimises your costs of compliance.
- M. Be accountable for what we do.

Source: Extract of 'Taxpayers' Charter—in Detail' (ATO, November 2003)

Box 12. Our Service Pledge—Inland Revenue Authority of Singapore

We are committed to providing excellent service. You can expect courtesy, competence, clarity and convenience from us.

Courtesy. We will be attentive and polite when we serve you.

Competence. We will ensure that you are served by well-trained officers and our tax assessments are accurate.

Clarity. We will provide clear and complete information to help you fulfill your tax obligations.

Convenience. We will continuously seek improvements to make it simple for you to meet your tax obligations.

We will respond to you in a timely manner :

- We will answer most of your telephone calls within 2 minutes.
- We will reply to most letters within 3 weeks.
- We will usually attend to you within 20 minutes when you visit us.
- We will usually make refunds to you within 30 days.

We recognise your desire for excellent service. To help us deliver service to meet your expectations, we need your co-operation to: 1) be timely in filing your return; 2) give us accurate and complete information; 3) pay your tax on time; and 4) comply with tax laws.

Source: Internet website of Inland Revenue Authority of Singapore (May 2005)

Are you being served? The emergence of service delivery standards in tax administration

58. In line with the sorts of developments in public sector administration that are described in the Box 13, revenue authorities are increasingly being required to achieve higher standards in service delivery.

Box 13. 'Responsive Government – Doing more with less but doing it nicer'

"Services to the community are a substantive part of government budgets and public policy. Community demand for public services is increasing and governments face resource constraints arising from the pressure to achieve budget surpluses. The demand is for greater value, which is better service at lower cost. The choice is stark; governments have to increase productivity and service quality or reduce services. At the same time, recipients of public services or their advocates increasingly expect to participate in the design and delivery of public services (O'Faircheallaigh *et al.* 1999). Together, this has created pressure for substantive changes in the funding and delivery of public services to increase efficiency, effectiveness and responsiveness to users. Governments have responded to these pressures with public management reforms intended to improve performance by making service providers more accountable for results achieved. Performance management is the foundation of what has become known as New Public Management (NPM) (Hood 1991; Pollitt 1995; Hughes 1998). Governments want to improve quality and cost-effectiveness of public services for the benefit of users or clients, taxpayers and the community.

Since 1990, the OECD's Public Management Committee (PUMA) reports, analyzing and evaluating public management developments in member countries, have supported managerialist reforms including service quality initiatives (PUMA 1994, 1996, 1997, 1999b). In March 1996, the OECD held its first ministerial meeting on public management chaired by Alice Rivlin, then director of the US Office of Budget and Management (Osborne and Plastrik 1997: 8). The summary report of that meeting identified a number of similarities in public management reform in member countries. These included decentralization; re-examining the role of government (what it should do and pay for); downsizing; contracting, market mechanisms and user charges; customer orientation including explicit quality standards for public services; benchmarking; and simplifying and reducing the costs of regulation.

Service Charters are in essence a quality assurance strategy that offers a type of consumer guarantee. An explicit objective is to improve the responsiveness of public services providers to clients or users. The UK Citizen's Charter pioneered the application of consumerism to public services (Walsh 1994). Despite the title, the Citizen's Charter conceived of consumers of public services as customers rather than citizens. PUMA has had a role in disseminating the UK experience in developing the first comprehensive Service Charter initiative. Customer service plans, introduced in the USA in 1993 by the Clinton Administration, and the Australian Government Service Charters introduced by the Howard Government in 1998, were both influenced by the Citizen's Charter.

The Service Charter initiatives are based on a common idea of extending the market logic of consumer sovereignty to public services provision (Pollitt 1994; Walsh 1994). There are essentially two approaches to increasing the sovereign power of consumers of public services. The first is to make providers more responsive to consumers by consultation and more accountable to government and the community through performance monitoring. Consumer power depends on the effectiveness of voice mechanisms. The second approach is to make providers more responsive to consumers by providing consumers with choice based on competition between providers of public services. Despite the rhetoric of choice, Service Charters generally rely on voice mechanisms in the form of monitoring performance against specified standards and complaint mechanisms. Service Charters programs have incorporated a range of quality assurance techniques including setting service standards, consultative mechanisms, providing information to citizens and clients, complaints and redress mechanisms and quality awards."

Source: *SERVICE CHARTERS—GLOBAL CONVERGENCE OR NATIONAL DIVERGENCE?* (Linda McGuire, Dept. of Management, Monash University, Victoria, Australia (2001)).

59. The increasing use of service standards can be seen in the operations of a number of revenue bodies in surveyed countries and their significance is well reflected in the following comment from the Corporate Business Plan (2005-2008) of the Canada Revenue Agency (CRA)..... "Client service standards state publicly the level of performance that citizens can reasonably expect from the CRA under normal circumstances. The CRA is committed to developing, monitoring, and reporting on a full suite of service standards in areas of significance to our clients. Service standards support our commitment to Canadians, transparency in government, management accountability, and citizen-centred service"

60. A survey of revenue bodies in the 30 OECD countries carried out in 2004 found that around 80 percent had established time-bound service standards for some or most aspects of taxpayer service delivery but less than half reported having a comprehensive set of such standards and making public the results achieved. (Table 9 provides examples of the service standards applied by a number of OECD and non-OECD countries.) Noticeably, substantial variations were observed in the standards of timeliness offered for some services. The survey also revealed that around two thirds of revenue bodies conduct periodic surveys of taxpayers' perceptions of the quality of these services, the results of which, with few exceptions, are made public.

Table 9: Examples of Service Delivery Standards Applied by Selected OECD and Selected Non-OECD Countries

NATURE OF SERVICE STANDARD FOR MAJOR SERVICES INDICATED							
COUNTRY	Sending personal income tax refunds	Sending VAT refunds	Sending a substantive response to a written letter on a routine matter	Attendance to a taxpayer's office visit	Responding to taxpayers' telephone calls	Resolving taxpayers complaints	Registering a new business
<i>1) Selected OECD countries</i>							
Australia	90% completed in 42 days- paper returns; 95% completed in 14 days- electronic returns	90% completed in 14 days	84% completed within 28 days- general inquiries; 75% completed within 28 days – advance rulings.	All attended to within 10 minutes (non-peak) and 15 minutes (peak).	80% connected within 2 minutes (non-peak) and 5 minutes (peak)	Taxpayer contacted within 3 days of substantiated complaint	91% completed within 28 days
Canada	Within 28 - 42 days- paper returns; within 14 days-electronic returns	Within 28 - 42 days	All completed within 60 days (advance rulings) & 90 days - technical interpretations.	All attended to within 20 minutes (except during peak periods)	80% connected within 2 minutes.	Acknowledged within 2 days, resolution within 15 working days	n.applic.
Ireland	80% within 10 working days; balance within 20 days	85% within 10 working days; balance within 20 working days	All completed within 20 working days	n.applic.	Calls connected within 30 seconds.	All resolved within 20 working days (less complex cases)	100% completed within 5 days -PIT withholding and CIT, and 10 days - VAT
Korea	All completed within 30 days	All completed within 15 days or 30 days	50% completed within 14 days	All attended to within 10 minutes (normal) or 15 minutes (in peak time)	50% connected within 20 seconds	All resolved within 14 days	n.applic.
Mexico	All completed within 40 days	Completed within 40 days; volume exporter completed within 5/6 days	All completed within 3 months	All attended to within 20 minutes	80% connected within standard time	Acknowledged within 24 hours, resolution within 15 days	Within 15 days; immediately for business registered by a Public Notary
Netherlands	All completed within 3 months	All completed within 1 month	6 weeks on appeals and 8 weeks on requests	n.applic.	80% connected within 30 seconds	All completed within 4 weeks	n.applic.
New Zealand	90% completed within 21 days	All completed within 15 working days	85% completed within 21 days	n.applic.	Priority calls within 30 seconds; all others in 2 minutes	n.applic.	n.applic.
Norway	All completed within 42 days	All processed within 21 days	All completed within 3 weeks	n.applic.	70% connected within 30 seconds	n.applic.	n.applic.
Poland	All completed within 3 months	n.applic.	All completed within 30 days	n.applic.	n.applic.	All completed within 30 days	n.applic.
Slovakia	All completed within 1 month	All completed within 1 month	All completed within 30 days	n.applic.	n.applic.	All resolved within 30 days	n.applic.
UK	n.applic.	n.applic.	77% completed within 15 working days	85% attended to within 15 minutes	90% connected within 20 seconds	n.applic.	n.applic.
<i>2) Selected Non-OECD Countries</i>							
Argentina	-	-	-	10 minutes	Connected in 7 minutes	48 hours	-
Singapore	All completed within 30 days	All completed within 30 days	80% completed within 3 weeks	80% attended to within 20 minutes	75% connected within 2 minutes	6 working days	n.applic.
South Africa	Process income tax refunds in 30 working days	Process VAT refunds in 21 working days of receipt	Respond within 21 working days to 80% of all written correspondence	Attend to 95% of visitors to a branch office within 15 minutes of arrival	Answer 90% of calls within 20 seconds	n.applic.	n.applic.

Source: Forum on Tax Administration note on 'Trends in the Delivery of Taxpayer Services Using New Technologies' (February 2005) and country surveys

4 RETURN FILING, PAYMENT, AND ASSESSMENT REGIMES FOR THE MAJOR TAXES

Introduction

61. This part identifies selected features of the return filing, payment, and assessment regimes for the collection of personal income tax, corporate tax, and value added tax. While these design features may be seen to be “policy in nature” many of them have important implications for overall administrative workloads, the nature and scope of administrative programs that need to be conducted to achieve compliance with the laws, and the general efficiency and effectiveness of revenue administration operations. The specific information in this part is described hereunder:

- Table 10 identifies the collection and assessment regimes in place for employee taxpayers.
- Table 11 identifies the categories of personal income normally subject to withholding of tax at source.
- Table 12 identifies the categories of personal income normally subject to information reporting requirements.
- Table 13 identifies payment and reporting obligation for employers.
- Table 14 identifies payment and filing obligations for personal income tax payers.
- Table 15 identifies payment and filing obligations for corporate income tax payers.
- Table 16 identifies payment and filing obligations for VAT taxpayers.

Key observations and trends

Personal Income Taxes and Social Contributions

62. Tables 10-14 reflect selected features of personal income tax systems in surveyed countries. Significantly:

- The vast majority of countries—France, Singapore and Switzerland being the three exceptions—rely on withholding at source arrangements for the collection of bulk of personal tax revenue in respect of salary and wage income.
- Employers are typically required to deduct tax from salaries and wages and remit withheld taxes on a monthly basis. However, three countries (i.e. Australia, New Zealand, and the United States) expedite the collection of employer withholdings from large employers, while many countries ease the payment burden of small businesses by providing a bi-monthly, quarterly, or annual payment cycle.
- Employers are typically required to report details of salaries and wages paid and taxes withheld for each employee on an annual basis. However, a small number of countries require more regular reporting, in many cases on a monthly basis, which may raise compliance burden issues.

- Withholding at source arrangements are also widely used across surveyed countries for the collection of personal income tax on dividends (30 countries) and interest (31 countries) income received by resident taxpayers.
- All countries provide for the gradual collection of income tax on income not subject to withholding of tax at source (e.g. income of self-employed persons) with a regime of advance/ instalment payments, although the requirements of these arrangements vary substantially in terms of the number of payments to be made, the basis of their computation, and the precise timing of individual payments (refer later comments).
- Other than for employee, dividend and interest income, mandatory third party reporting of income (e.g. for independent personal services) varies significantly, although a few countries (e.g. Japan, Spain, and the United States) have substantial programmes.
- Just over 50 percent of member countries have evolved their systems of administration to one based on self-assessment principles, as opposed to administrative assessment (refer later comments).
- Annual return filing requirements in respect of employee taxpayers, who constitute the vast population of payers of personal income tax, vary substantially across member countries, and fall into four distinct models (refer later comments).
- Substantial use is being made of third party information reporting requirements by countries in the Nordic region and Chile to assist taxpayers complete their return filing obligations—this is being achieved with systems known as ‘pre-filled returns’ or ‘tax proposals’.
- The period of time provided to taxpayers to settle end-of-year tax liabilities (based on annual returns) varies substantially across member countries, ranging from just under 3 months to up to 11 months.

Corporate Income Taxes

63. Table 15 reflects selected design features of corporate income tax systems in surveyed countries. Significantly:
- All countries provide for the gradual collection of income tax with a regime of advance/ instalment payments, although the requirements of these systems vary substantially in terms of the number of payments to be made, the basis of their computation, and the precise timing of individual payments (refer later comments).
 - Just over 50 percent of member countries have evolved their systems of administration to one based on self-assessment principles, as opposed to administrative assessment.
 - Annual return filing requirements and practices vary substantially across surveyed countries (refer later comments).
 - Around two thirds of member countries have introduced systems of electronic filing for the reporting of annual tax obligations, a few through the introduction of mandatory requirements for prescribed taxpayers.
 - The period of time provided to taxpayers to settle end-of-year tax liabilities (based on annual returns) varies substantially across countries, ranging from 2 months to up to 11 months.

Value Added Taxes

64. Table 16 reflects selected features of VAT systems in surveyed countries. Significantly:
- Registration thresholds applied across surveyed countries vary substantially; however, the impact of these thresholds on administrative workloads and taxpayers’ compliance burden is “softened” in many countries with extended tax payment and return filing requirements

(e.g. quarterly, six-monthly or annually) and/or with the use of ‘flat rate’ schemes for computing VAT liabilities.

- For large and medium VAT traders, the majority of surveyed countries adopt a monthly (for large) and quarterly (for medium/small) payment and return filing model to balance revenue collection, administrative workload considerations, and taxpayers’ compliance burden considerations; a small number of member countries (e.g. Australia and Denmark) provide for the integrated reporting of regular direct and indirect tax liabilities.
- Around two-thirds of OECD countries have introduced systems of electronic filing for the reporting of monthly/ quarterly VAT liabilities.
- The periods of time given to large and medium traders for the payment of VAT liabilities vary substantially across OECD member countries, ranging from 10 to 60 days after the end of the relevant liability period.
- Generally speaking, countries’ legislation requires VAT liabilities to be computed on an “accruals” basis; however, a small number of countries permit use of a “cash” basis for liability determination by a prescribed class of smaller traders (using turnover criteria) to simplify taxpayers’ compliance burden.
- The period of time provided to large taxpayers to settle regular (for most countries, monthly and quarterly) tax liabilities varies substantially across member countries, ranging from 10 to 60 days.

Administrative assessment versus self-assessment procedures

65. As indicated in Tables 14 and 15, just under 50 percent of OECD countries have evolved their systems for the administration of income taxes to one based on self-assessment principles, as opposed to administrative assessment (which typically requires the examination of all/most returns by technical officials prior to issuing assessments to taxpayers). The proportion of non-OECD surveyed countries applying self-assessment principles was larger, at around 60 percent.
66. Generally speaking, the use of self assessment principles in the countries concerned reflects an abandonment of administrative assessment procedures on efficiency and effectiveness grounds, in favor of a more targeted verification approach (e.g. risk-based desk and field audits, computerized matching of income reports) to verify the information contained in tax returns. In countries where this change has been made, it has generally been initiated with the objective of improving overall compliance with the laws and efficiency through (1) the earlier collection of tax revenue; (2) an expanded and better-targeted program of audit inquiries; and (3) reducing the incidence of disputed assessments. The data in Tables 14, 15 and 16 partially bear out this observation:
 - In those countries where self assessment procedures are in place, the practice is generally to require the annual tax return earlier in the year after the year of income, and to seek payment of any residual tax due with the return when it is filed, as opposed to the practice of later filing and payment obligations typically seen in countries using administrative assessment.
 - At least 7 OECD countries with relatively low complements of audit/verification staff employ administrative assessment procedures.
67. That said, it should also be recognized that a number of countries applying systems of administrative assessment have largely automated the process so that only a minority of returns are identified for technical scrutiny before a formal notice of assessment is sent to the taxpayer.

Collection of income taxes by regime of advance/instalments and end-of-year assessments

68. All taxing legislation is required to contain basic provisions for the payment of a tax (i.e. when to pay, the number of payments to be made, and how each payment is to be computed). Factors relevant to the design of these basic rules include (1) *timing*: when the taxing event occurs; (2) *equity*: taxpayers in similar circumstances should be treated equally; (3) *compliance burden*: taxpayers should have a reasonable period of time to be able to compute their liability (with external assistance if needed), assemble requisite information from their books and records, and prepare any associated paperwork; (4) *budget management*: the government generally requires a regular flow of revenue to meet its outlays; (5) *efficiency*: the volume of payments and information to be processed by the revenue body; and (6) *effectiveness*: the need to achieve a high level of overall compliance with the relevant law.
69. Taking these sorts of factors into account, all surveyed countries have evolved systems for the advanced collection of personal income and corporate profits taxes. Tables 7 and 8 set out some basic features of these arrangements, an analysis of which reveals some notable characteristics:
- There is a clear trend to maximise the amount of tax collected by country tax regimes within the year the relevant income is derived (26 countries); typically, this is achieved with a regime of monthly and/or quarterly instalments to be paid largely within the year of income.
 - 11 countries have aligned their personal tax (largely representing self-employed taxpayers) and corporate tax instalment regimes.
 - There are a variety of bases used for the calculation of instalment liabilities (e.g. proportion of prior year tax, proportion of estimated current year liability) reflecting, on the one hand, ease of administration and, on the other hand, aligning the payment of tax to the derivation of the underlying income.
 - There are substantial differences between many member countries in the timing of tax collection that may warrant closer examination.

Design of personal income tax arrangements for employee taxpayers

70. Personal income tax is a major source of tax revenue in most OECD member countries (refer Table 21). With the vast bulk of personal income tax paid by employee taxpayers, the design of effective and efficient administrative arrangements for the collection of tax and the assessment of employees' liabilities are important objectives for all countries. In this respect, it is notable that while almost universal use is made of withholding arrangements for the collection of personal income tax on employment income, there are four quite distinct systems used across OECD countries for the collection and assessment of personal income tax of employee taxpayers. Each of these systems is briefly described in Box 14, while Table 10 identifies their use by individual member countries. More information on arrangements involving the preparation by revenue bodies of pre-populated returns is provided later in this section.

Box 14. Employees: Systems for the Collection and Assessment of Personal Income Tax

1) Cumulative withholding—largely return free. Under this system employees are required to provide employers with details of relevant entitlements (which tend to be fairly limited in number). Employers withhold tax from income paid, taking account of entitlements and determining withholdings on a progressive/ cumulative basis over the course of the fiscal year. For the majority of employees, the total amount of taxes withheld over the course of a fiscal year approximates to their full-year liability. Employees may, or may not, be registered with the revenue body.

Employers report annually or more regularly in some countries to revenue bodies on incomes paid and taxes withheld in respect of individual employees. Employees generally are not required to file tax returns. (In some countries, where employees derive income from more than one source of employment, they must file an annual return.) Other income, such as interest and dividends, is typically taxed at source.

2) Non-cumulative withholding—annual tax return required. This system enables employees to provide employers with details of relevant entitlements that can be taken into account for withholding calculation purposes. Employers withhold tax from income paid, which is calculated on a periodic (i.e. non-cumulative) basis. Employees generally must be registered with the revenue body; in some countries, failure by employees to provide their taxpayer identification numbers to their employer can result in additional withholdings at source. Employers provide advice to employees at year-end of total income paid and taxes withheld, which must be disclosed in an annual tax return provided to the revenue body. The revenue body confirms the overall liability for each taxpayer and refunds any excess tax paid, or seeks payment of any balance of owing by taxpayers.

Following the processing of the bulk of annual tax returns, revenue bodies generally match income reports provided by employers and other payers (e.g. banks) with tax returns/taxpayer master file records to detect undeclared income, the non-filing of tax returns, and to validate credits for tax withholdings claimed in tax returns.

3) Pre-populated returns sent to taxpayers. Under this system, employees provide employers with details of relevant entitlements that can be taken into account for regular withholding purposes. Employees must also be registered with the revenue body and provide their unique taxpayer identification number to employers and a wide range of other parties that are required to report information and, in some situations withhold taxes, to the revenue body. Employers withhold tax from income paid, calculated on a periodic (i.e. non-cumulative) basis. Employers withhold tax and report details to revenue body.

All third party reports (covering both income, deduction and other tax-related items) received by the revenue body are computer-processed relatively quickly after the end of the fiscal year to produce a 'pre-populated' tax return that are made available to taxpayers, either in paper, electronic or both formats. Taxpayers are required to validate the information contained in the return. Any adjustments required must be advised to the revenue body. Refunds of any overpaid tax are subsequently paid to the taxpayer by the revenue body.

4) No withholding; taxpayers' pay tax by instalments—annual tax return required. Under this system, employees are required to pay their own tax via a system of instalments and file an annual tax return declaring relevant information. The revenue body issues an assessment to the taxpayer advising of any further amounts payable or refundable.

The revenue body may match reports from employers with tax returns/ taxpayer master file records to detect undeclared income and the non-filing of tax returns. It is also required to ensure that all employees make regular installments payments, as required under the law.

Information Reporting

71. Systems of information reporting are an important compliance tool for the administration of income tax systems in many countries. For the purpose of this series, the term 'information reporting' refers to a mandatory requirement on prescribed third parties to report payments of income (and other tax-related transactions) and payee details (generally with a taxpayer identifying number) to the revenue body for systematic matching with tax return data or, as described later in this section to prepare pre-populated tax returns for taxpayers.
72. The traditional objective of these arrangements is to detect and deter non-compliance resulting from a failure to report income and/or tax related transactions, including by the non-filing of tax returns. Over the last decade or so, revenue bodies in a number of countries have started to use systems of third party reporting to facilitate taxpayer's preparation of their annual tax returns. This development is described in greater detail later in this section.

73. As indicated in Table 12, many countries require the mandatory reporting of payments in respect of salaries and wages, dividend and interest income (much of which is also subject to withholding). However, beyond these categories of payments, use of mandatory third party reporting varies substantially. The Internal Revenue Service (IRS) in the United States is a good example of a revenue body that administers a substantial program of information reporting.
74. Under the requirements of the US tax code, an extremely wide variety of transactions must be reported to the IRS, generally in electronic format, including agricultural payments, allocated tips, barter exchange income, brokers' transactions, capital gains distributions, non-employee compensation and fees, fishing boat crew member proceeds, fish purchases for cash, prescribed gambling winnings, interest, dividends, real estate transactions, rents, sales of securities and wages. In 2004-05, almost 1.5 billion such reports were received (96.7% electronically or magnetically) and computer matched with taxpayer records. During that year, the program entailed some 3.5 million taxpayer contacts (including over 2.5 million in respect of non-filed returns) and resulted in additional assessments amounting to almost \$US 12.4 billion (averaging almost \$US 3,517 per taxpayer contact).¹²
75. Unlike audit activities which are labor-intensive and as a result generally achieve relatively low levels of taxpayer coverage, comprehensive programs of information reporting and matching can provide an extremely effective tool to detect non-compliance and to encourage the correct reporting of income. However there are generally at least two pre-conditions for such arrangements to be sufficiently efficient to make them attractive to revenue bodies: 1) the ability of reporting bodies to capture and refer information reports electronically to the revenue body; and 2) the use of a high integrity taxpayer identifier that is captured and reported by the reporting body, enabling such reports to be readily matched by the revenue body with tax records.

The use of pre-filled tax returns to assist taxpayers meet their return filing obligations

76. In countries where personal income taxpayers are generally required to file annual tax returns, revenue authorities have till relatively recent times followed a fairly similar approach encompassing four basic steps:
 - Taxpayers are provided general information concerning the tax system and their obligations under the law to assist them (or their representatives) prepare their annual tax returns.
 - Returns submitted by taxpayers are processed by the revenue body applying either assessment or self-assessment principles, generally with limited checking, and a formal assessment notice is issued to the taxpayer along with details of any further amounts payable or refundable, after taking account of taxes already paid.
 - Information reported by third parties (e.g. employers and financial institutions) under the law is processed for matching with tax records to detect cases of inaccurate returns or return non-filing.
 - Actions are taken (e.g. office audits, correspondence inquiries) to examine suspected cases of unreported income, and if needed, to issue reassessments, and to obtain outstanding tax returns; taxpayers may also seek amendments to their returns after discovering any errors.
77. Over the last decade or 20 years, countries in the Nordic region (i.e. Denmark, Estonia, Finland, Norway, and Sweden), and more recently in Chile and Spain, have fundamentally reformed this approach by making third party information available to taxpayers by way of a 'pre-filled' or 'pre-populated' tax return, or 'tax proposal'. The term 'pre-filled returns' is used in this series to describe all these arrangements.
78. Potential benefits of pre-filled return system for both taxpayers and revenue bodies include :

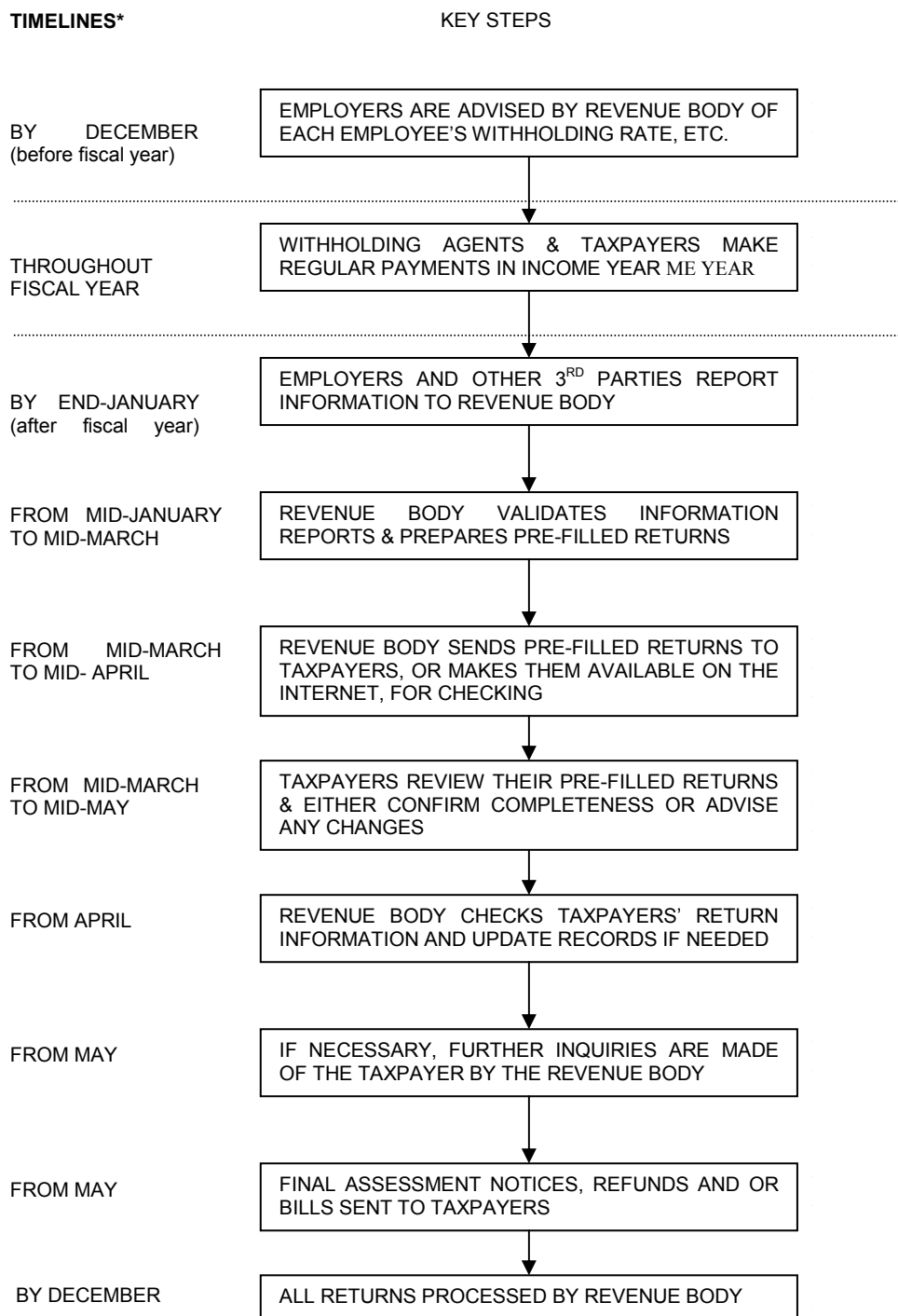
¹² 2005 Data Book. US Internal Revenue Service.

- a substantially reduced compliance burden for taxpayers;
- greater certainty for taxpayers that they have fully reported their income and properly claimed their deduction entitlements;
- an improved image of revenue body, resulting from the more personalized service being given to taxpayers;
- faster processing of taxpayers' tax return information;
- quicker refunds of overpaid tax to taxpayers; and
- the elimination of much of revenue bodies' work associated with raising amended assessments that result from unintended taxpayers' errors and/or traditional post-assessment verification programs.

An outline of how these systems operate in Nordic region countries is illustrated in Figure 7.

79. Establishing an effective and efficient system of pre-filled returns requires a number of preconditions to provide the majority of taxpayers with complete and timely pre-filled returns for their examination. In particular:
- Accurate withholdings at source can minimise the incidence of large refunds of tax, and thus the desire of taxpayers to file their tax returns shortly after the end of fiscal year.
 - High integrity taxpayer identifiers contained in the information provided by third parties would enable revenue body to match large volumes of third party reports with tax records.
 - Comprehensive system of third party reporting to the revenue body can maximize the extent of information presented in each pre-filled return.
 - Compatible legislative framework which limits the scope for tax deductions, rebates, credits, and discretions that cannot be predicted by revenue body using third party information can reduce the adjustments by taxpayers after examining pre-filled returns.
 - High degree of automation in third party information reporting to revenue body can greatly facilitate the data processing in revenue body.
 - Large scale information processing systems are required to capture, validate, and prepare relevant data for the generation of pre-filled returns in 6-10 weeks, a period typically given to revenue bodies.
 - Mechanisms to minimize the interactions with taxpayers are required to avoid large scale clerical vetting of completed pre-filled returns returned by taxpayers to revenue body.

Figure 7. Overview of pre-filled tax return systems used by Nordic region countries



*TIMELINES MAY VARY SLIGHTLY FROM COUNTRY TO COUNTRY

(NB: The fiscal year is the calendar year in all Nordic countries)

Table 10: Systems for the Collection/Assessment of Employees' Personal Income Tax Liabilities

COUNTRY	NATURE OF SYSTEM IN PLACE			
	Cumulative withholding—largely tax return free for most employee taxpayers	Non-cumulative withholding—return required from most employees	Non-cumulative—pre-populated returns sent to taxpayers for validation	No withholding/instalments required from taxpayer—annual return required
<i>1) OECD countries</i>				
Australia		Yes		
Austria	Yes			
Belgium		Yes	(Being developed)	
Canada		Yes		
Czech Rep.	Yes			
Denmark			Yes	
Finland			Yes	
France			(Being piloted)	Yes
Germany	Yes			
Greece		Yes		
Hungary		Yes		
Iceland			Yes	
Ireland	Yes			
Italy	Yes			
Japan	Yes			
Korea	Yes			
Luxembourg	Yes			
Mexico	Yes			
Netherlands	Yes		(In 2008)	
NZ	Yes			
Norway			Yes	
Poland		Yes		
Portugal		Yes	(In 2008)	
Slovak Rep.	Yes			
Spain		Yes	Yes	
Sweden			Yes	
Switzerland				Yes
Turkey	Yes			
UK	Yes			
USA		Yes		
<i>2) Selected Non-OECD countries</i>				
Argentina	Yes			
Brazil	Yes			
Chile	Yes		Some taxpayers	
China	Yes			
Cyprus	Yes	Yes		
Estonia			Yes	
India				
Latvia	Yes			
Lithuania	Yes			
Malta		(Simple tax declaration)		
Russia	Yes			
Singapore			Yes /1	Yes
Slovenia	Yes			
South Africa	Yes			

Sources: Revenue bodies' annual reports and IBFD.

/1. **Singapore**— for returns filed over the internet.

Table 11: Personal Income Tax: Withholding Tax Systems

COUNTRY	TYPE OF INCOME OF RESIDENT TAXPAYERS WHERE TAX NORMALLY WITHHELD BY PAYER					
	Wages & salaries	Dividends	Interest	Independent personal services	Royalties, patents etc.	Other income payments
<i>1) OECD countries</i>						
Australia	Yes	No	No	No	No	
Austria	Yes	Yes	Yes	No	No	
Belgium	Yes	Yes (F) /1	Yes (F) /1	No	Yes /1	
Canada	Yes	No	No	No	No	
Czech Rep.	Yes	Yes	Yes	Yes	Yes	
Denmark	Yes	Yes	No	No	No	
Finland	Yes	Yes /1	Yes	No	No	
France	No	No	No	No	No	
Germany	Yes	Yes	Yes	No	No	
Greece	Yes	No	Yes	Yes	Yes	/2
Hungary	Yes	Yes (F)	Yes	Yes	Yes	/2
Iceland	Yes	Yes	Yes	No	No	
Ireland	Yes	Yes	Yes	Yes /1	Yes	/2
Italy	Yes	Yes	Yes	Yes /1	No	
Japan	Yes	Yes	Yes	Yes /1	Yes	/2
Korea	Yes	Yes	Yes	Yes	Yes	/2
Luxembourg	Yes	Yes	No	No	No	
Mexico	Yes	Yes	Yes	Yes	Yes	/2
Netherlands	Yes	Yes	No	No	No	
N. Zealand	Yes	No	Yes	Yes	No	
Norway	Yes	No	No	No	No	
Poland	Yes	Yes	Yes	No	Yes	/2
Portugal	Yes	Yes	Yes	No /1	Yes	/2
Slovak Rep.	Yes	Yes	Yes	No	No	/2
Spain	Yes	Yes	Yes	Yes	Yes	/2
Sweden	Yes	Yes	Yes	No	No	
Switzerland	No	Yes	Yes	No	No	/2
Turkey	Yes	Yes	Yes	Yes	Yes	/2
UK	Yes	No	Yes	Yes /1	Yes	/2
USA	Yes	No	No	No	No	
<i>2) Selected Non-OECD countries</i>						
Argentina	Yes	No	No /1	Yes	Yes	
Brazil	Yes	No	Yes	Yes	Yes	/2
Chile	Yes	No	No	Yes	Yes	/2
China	Yes	Yes	Yes	Yes	Yes	/2
Cyprus	Yes	Yes	Yes	No	No	
Estonia	Yes	No	Yes	Yes	Yes	
India	Yes	Yes	Yes	No	No	
Latvia	Yes	Yes	Yes	Yes	Yes	
Lithuania	Yes	Yes	Yes	No	Yes	/2
Malta	Yes	Yes	Yes	No	No	
Russia	Yes	Yes	Yes	No	No	
Singapore	No	No	No	No	No	
Slovenia	Yes	Yes	No	Yes	Yes	
South Africa	Yes	No	No	No	No	

Sources: Revenue bodies' annual reports, and IBFD.

1. **Argentina**—Yes, if receiver is not regulated by central bank; **Austria**—except income of non-resident artists and athletes; **Belgium**—exempt from withholding under certain circumstances; **Finland**—dividends paid by publicly quoted company; **Ireland**—For payments by government/ public bodies & gross payments made under contracts in certain industries (unless the payee is authorized by the revenue authority to receive payment in full); **Italy and Japan**—for services prescribed in the law; **Mexico**—where paid by a legal entity; **Portugal**—Yes if the payer is a corporation or individual entrepreneur that are required to keep accounting book; **Slovak Republic**—Certain lottery winnings, prizes, insurance policies rents, benefits from supplementary retirement funds ; and **United Kingdom**—for the building industry.

2. **Brazil**—certain capital gains; **Chile**—director fees, gambling winnings, horseracing winnings, withdrawals from voluntary social security savings; **China**—certain rental payments; **Greece**—directors fees, rents prizes, and certain capital gains; **Hungary**—capital gains on securities; **Ireland**—rents paid to non-residents; **Japan**—prizes, racehorse winnings; **Korea**—retirement income, pension; **Lithuania**—rental income (unless derived in the framework of a business activity conducted with a business certificate; **Mexico**—rents, sale of goods, prizes, exchange profits, payments to non-residents; **Poland**—pensions, retirements, agricultural production society, grants; **Portugal**—rents, prizes; Romania—gambling income, commissions; **Slovakia**—certain lottery winnings, prizes, insurance policies, rents, benefits from supplementary retirement funds; **Spain**—prizes, rents, certain capital gains; **Switzerland**—prizes, insurance payouts; **Turkey**— rents; **UK**— certain rents.

Table 12: Income Taxes: Information Reporting Requirements

COUNTRY	CATEGORIES OF INCOME SUBJECT TO INFORMATION REPORTING BY PAYERS						
	Wages & salaries	Dividends	Interest	Rents	Independent personal services	Sales of shares and/ or real estate	Other
<i>1) OECD countries</i>							
Australia	Yes	Yes	Yes	No	No	No	/2
Austria	Yes	No	No	No	Yes /1	No	
Belgium	Yes	No	No	No	Yes	No	
Canada	Yes	Yes	Yes	No	Yes /1	No	
Czech Rep.	Yes	Yes	Yes	Yes	Yes	Yes	/2
Denmark	Yes	Yes	Yes	No	No	Yes	/2
Finland	Yes	Yes	Yes	No	No /1	Yes	/2
France	Yes	Yes	Yes	No	No	Yes	
Germany /1	Yes	Yes	No	No	No	Yes	/2
Greece	Yes	No	Yes	Yes	Yes	Yes	/2
Hungary	Yes	Yes	Yes	No	Yes	Yes	
Iceland	Yes	Yes	Yes	Yes	No	Yes	/2
Ireland	Yes	Yes	Yes	No	No	Yes /1	
Italy	Yes	n.avail.	Yes	n.avail.	n.avail.	n.avail.	
Japan	Yes	Yes	Yes	Yes	Yes	Yes	/2
Korea	Yes	Yes	Yes	No	Yes /1	Yes /1	/2
Luxembourg	Yes	Yes	No	No	No	No	
Mexico	Yes	No	Yes /1	Yes	Yes /1	Yes /1	/2
Netherlands	Yes	No	Yes	No	No	No	
N. Zealand	Yes	Yes	Yes	No	Yes	No	
Norway	Yes	Yes	Yes	No	No	Yes /1	
Poland	Yes	Yes	No	Yes	Yes	Yes	
Portugal	Yes	Yes	Yes /1	Yes/1	Yes /1	Yes	/2
Slovak Rep.	Yes	No	Yes	No	No	No	/2
Spain	Yes	Yes	Yes	Yes	Yes	Yes	/2
Sweden	Yes	Yes	Yes	No	No	Yes	
Switzerland	Yes	No	No	No	No	No	
Turkey	Yes	Yes	Yes	Yes	Yes	-	/2
UK	Yes	Yes	Yes	Yes	No	Yes	/2
USA	Yes	Yes	Yes	Yes	Yes	Yes	/2
<i>2) Selected Non-OECD countries</i>							
Argentina	Yes	No	No	Yes	Yes	No	
Brazil	Yes	-	-	-	-	-	
Chile	Yes	Yes	Yes	Yes	Yes	Yes	/2
China	Yes	Yes	Yes	Yes	Yes	-	/2
Cyprus	Yes	Yes	Yes	Yes	Yes	Yes	/2
Estonia	Yes	Yes	Yes	Yes	No	No	
India	Yes	-	-	-	-	-	
Latvia	Yes	-	-	-	-	-	
Lithuania	Yes	-	-	-	-	-	
Malta	Yes	Yes	Yes	No	No	Yes /1	
Russia	Yes	-	-	-	-	-	
Singapore	Yes	No /1	Yes /1	Yes	Yes	No /1	
Slovenia	Yes	Yes	Yes	Yes	Yes	Yes	
South Africa	Yes	Yes	Yes	No	No	Yes /1	

Sources: Country survey responses, revenue body annual reports, and IBFD.

1. **Austria**—very limited range; **Canada**—building industry; **Finland**—services for domestic households can be reported; **Germany**—interest is reportable when no withholding of tax, certain rents and independent personal services payments are reportable when they are paid by public corporations; real estate sales and sales of shares in a German private limited company(GmbH) are reported by notary; **Korea**—independent personal services payments to individuals, only for payment for sales of shares or real estate to non-resident; **Ireland**—real estate sales only; **Malta**—by notary or tax practitioner; **Mexico**—for payments by legal entities only; **Norway**—sale of shares only; **Portugal**—interest reported when taxpayer opts for global aggregation, rents and independent personal services reported when the payer is a corporation or individual entrepreneur required to keep accounting book; **South Africa**—sales of collective investment scheme and financial instruments administered by a portfolio administrator; **Singapore**—dividends are not taxed from 2008, interest on deposits with approved banks are tax exempt, but other interests are taxed and should be reported by payers, no capital gain tax.

2. **Australia**—royalties; **Chile**—royalties, mutual funds returns, pensions, endowment insurances; **China**—royalties; **Cyprus**— royalties, goodwill, pensions; **Czech Rep.**—royalties, gambling winnings/gains; **Denmark**—royalties, pensions; **Finland**—pensions; **Germany**—life insurance benefits, pensions; **Greece**—royalties and gambling winnings/gains; **Iceland**—gambling winnings/gains; **Japan**—royalties and gambling winnings/gains; **Korea**—royalties; **Mexico**—royalties, gambling winnings/gains; **Portugal**—pensions, royalties; **Slovak Rep.**—life insurance benefits, gambling winnings; **Spain**—royalties, gambling winnings/gains; **Turkey**—agricultural goods, royalties; **UK**—fees and commissions to agency worker; **USA**—goods prescribed in the law, royalties, gambling winnings/gains.

Table 13: Personal Income Tax: Employers' Withholding, Payment, and Reporting Obligations in OECD & Selected Non-OECD Countries

COUNTRY	WITHHOLDING PAYMENT OBLIGATIONS				WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	Prescribed large employers		Other employers		Prescribed large employers		Other employers	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
<i>1) OECD countries</i>								
Australia	Depends on payment salary cycle	Within 6 to 9 days of payment	Monthly and quarterly (very small employers)	By the 21 st day after end of liability period	Annually	By 14 August after the end of financial year	Annually	By 14 August after the end of financial year
Austria		Monthly- By 15 th day of following month	Monthly (normally)/ quarterly/ yearly	Within 15 days after the end of the period during which the income is paid	Monthly	Annually- By end of February in following year	Monthly (normally)/ quarterly/ yearly	Within 15 days after the end of the period during which the income is paid
Canada		Monthly- By 15 th day of following month			Annually	Annually – By the last day of February		
Czech Republic	Monthly	By 15 th day of following month	Monthly	By 15 th day of following month	Annually	By 20 th January after end of income year	Monthly	By 15 th day of following month
Denmark	Monthly	Last weekday in the month of withholding	Monthly	By 10 th day of following month		Annually- By 20 th January after end of income year		
Finland		Monthly- By 10 th day of following month				Monthly- by 15 th day of following month, and Annually- by end-January after end of income year		
France		No employer withholding of personal income tax required				Annual report of income paid etc. by 31 January of following year		
Germany	Monthly	By the 10 th day of the following month	Monthly (generally), quarterly/annually if previous year's wages tax less than €3000/€800	By the 10 th day after the end of the relevant period	Annually	By the 28 th February of the following year	Annually	By the 28 th February of the following year
Greece		Monthly- by end of the following month			-	-	-	-
Hungary		Monthly- By 12 th day of following month			-	-	-	-
Iceland		Monthly- By 15 th day of following month				Annually- By 14 th February after end of income year		
Ireland		Monthly- By 14 th day of following month				Annually- By 15 th February after end of income year		
Italy		-	-	-	-	-	-	-
Japan		Monthly- By 10 th day of following month				Monthly- By 10 th day of following month		
Korea		Monthly- By 10 th day of following month				Monthly- By 10 th day of following month		
Luxembourg	Monthly	Biannually –By 10 th day of following month (pre-approved small companies)	Monthly		Biannually –By 10 th day of following month (pre-approved small companies)			

COUNTRY	WITHHOLDING PAYMENT OBLIGATIONS				WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	Prescribed large employers		Other employers		Prescribed large employers		Other employers	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
Mexico		Monthly- By 17 th day of following month			Monthly-By 17 th day of the following month / Annually-By February 15	Annually	Annually	By 30 th of April after the end of income year
Netherlands	Monthly	Before last day of following month	Monthly	Before last day of following month	Annually	Annually	Annually	Annually
New Zealand	Twice monthly: By 20 th of month for payments made up to 15 th day; by the 5 th of following month for payments later in the month		Monthly	By 20 th day of following month	Monthly	By 5 th of following month	Monthly	By 5 th of following month
Norway	Bi-monthly- By 15 th day following end of bimonthly period				Annually- By 20 th January after end of income year			
Poland	Monthly- By 20 th day of following month				Annually- By the last day of February after end of income year			
Portugal	Monthly	Mainly by 20 th of following month	Monthly	Mainly by 20 th of following month	Monthly and Annually	Annually: by end of February after income year	Monthly and Annually	Annually: by end of February after income year
Slovak Rep.	Monthly- By 15 th of following month				Monthly-by the 30 th of the following quarter			
Spain	Monthly	-	Quarterly	-	Annually- By 31 st January after end of income year			
Sweden	Monthly- By 12 th day of following month				Annually- By 31 st January after end of income year			
Switzerland	No employer withholding obligations in place				No employer withholding obligations in place			
Turkey	Monthly- By 20 th day of following month				Annually- By 19 th May after end of income year			
UK	All employers withhold tax from wages based on periods and rules set out by tax authorities that determine personal level of deductions from employees				Annually- by 19 th May of the following tax year			
United States /1	Semi-weekly 3 business days after date of payment		Monthly	By 15 th day of following month	Quarterly	The last day of the month following the end of the quarter	Quarterly	The last day of the month following the end of the quarter
2) Selected Non-OECD Countries								
Argentina	Monthly- By 10 th day of following month				Monthly- By 10 th day of following month			
Brazil	-				-			
Chile	Monthly- By 12 th day of following month				Annually- By 15 th March after end of income year			
China	Monthly- By 7 th day of following month				Monthly- By 7 th day of following month			
Cyprus	Monthly- By 30 th day of following month				Annually- by end- April after end of income year			
Estonia	Monthly – by 10 th day of following month				Monthly – by 10 th day of following month			
India	Monthly – by 7 th day of following month				Six Monthly – by 30 October for period ending 30 September and by 30 April for period			

COUNTRY	WITHHOLDING PAYMENT OBLIGATIONS				WITHHOLDING/WAGE INCOME REPORTING OBLIGATIONS			
	Prescribed large employers		Other employers		Prescribed large employers		Other employers	
	Payment frequency	When payable	Payment frequency	When payable	Reporting frequency	When reportable	Reporting frequency	When reportable
Latvia	-	-	-	-	-	-	-	-
Lithuania	Twice monthly: By 15 th of relevant month for payments made up to 15 th day; by the 30 th of relevant month for payments after the 15 th							
Malta	Monthly – by end of the following month				Annually – by 15 February after end of income year			
Russia	Monthly- By last day of payment month				-	-	-	-
Singapore	There is no general withholding system on employee income except for non-citizen employees who are quitting their jobs or are leaving Singapore. Employers should withhold tax and keep it until tax authority gives tax clearance.				Auto-inclusion Scheme – voluntary participation by employers to provide information to IRAS regarding the remuneration of employees, Annually - by 1 st March			
Slovenia	On payday	On payday	-	On payday	-	-	-	On payday
South Africa	Monthly- By 7 th day of following month				Annually – within 60 days following end of end of income year (i.e. end - February)			

Sources: *IBFD, survey responses, and country revenue officials.*

/1. **Belgium**—employers that make use of the service of an officially registered social secretariat have generally two weeks more for payment and reporting, quarterly payment and reporting for other employers that have paid withholding less than €25,000 during previous year, yearly for farmers under certain conditions; **US**—IRS Publication 15-(Circular E) Employers' tax guide.

Table 14: Personal Income Tax: Payment and Return Filing Obligations in OECD and Selected Non-OECD Countries

COUNTRY	ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE)			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	Employees' filing obligations /4	Self-assessed / assessed	When is any final tax payable /3
<i>1) OECD countries</i>								
Australia	All with income not taxed at source (small threshold applies)	4 / quarterly, 2 in 3 rd and 4 th quarters for certain payers	28 days after the end of each quarter of income year	Gross quarterly income x prior year average tax rate or 1/4 of prior year tax adjusted for GDP growth	4 months (registered tax agents can file progressively) up to 9 months)	Employees generally have to file tax returns	Self-assessed	21 days after notice issued.
Austria	Self-employed	4/ quarterly	15 February, May, August, and November of income year	1/4 of the prior year's tax plus adjustment factor	3 months (extension possible if registered tax consultant used)	Employees do not have file tax returns if income only from one source	Assessed	One month after assessment notice issued
Belgium /5	Self-employed and other specified individuals	1 to 4 times a year / No obligation of advance payment	10 April, July, and October, and 22 December of income year	Determined by taxpayer.	Date indicated on tax return	Employees generally have to file tax returns	Assessed	2 months after assessment notice issued
Canada	Self-employed (tax payable above small threshold)	4/ quarterly	15 March, June, September, December of income year	1/4 of prior year's tax or current year estimate	4 months	Employees generally have to file tax returns	Self-assessed	4 months (due with filing of return)
Czech Repub.	All with income other than employment income	Large: 12/ monthly; small: 4/ quarterly	Large- last day of each month; small- by 15 th day of 3 rd , 6 th , 9 th , & 12 th months of income year	1/12 (large) or 1/4 (small) of prior year's tax	3 months (can be extended by 3 months if tax advisor used)	Employees generally do not have to file tax returns	Assessed	3 months (due with filing of return)
Denmark	All with income not taxed at source	10/ monthly	20 th of each month: January-May, July-November of income year	1/10 of estimated tax ability	4 months (for pre-populated returns); 6 months for others	Employees receive pre-populated return for vetting	Assessed	9 months (3 instalments: in September, October and November after assessment)
Finland	All with income not taxed at source	12/ monthly	By the 23 rd day of each month in income year	1/12 of the prior year's tax	Varies for different types of taxpayer-up to 3 months	Employees receive pre-populated return for vetting	Assessed	11 months (2 instalments: December and February after assessment)
France	All personal taxpayers (no withholding systems, except employees' social contributions)	2	15 February and May of assessment year	1/3 of prior year tax	2 months/ 3 months (business income earners)	Employees generally have to file annual return	Assessed	270 days (September or October of assessment year), 11 months (Nov & Dec of assessment year).
Germany	All with income not taxed at source	4/ quarterly	10 March, June, September and December of income year	1/4 of prior year's tax; current year estimate where tax office has	5 months (12 months where tax advisor used)	Employees generally do not have to file tax returns	Assessed	1 month after assessment notice issued.

COUNTRY	ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE)			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	Employees' filing obligations /4	Self-assessed / assessed	When is any final tax payable /3
			year	information on expected relevant difference to prior year's income				
Greece	All with income not subject to withholding	4	End of month for specific independent services; for others, by 15 April, July, October & January	As notified; equal to 55% of prior year's in aggregate	Varies for different classes of taxpayer-up to 5 months	Employees generally have to file tax returns	Assessed	5 months (from May of the assessment year)
Hungary	All with income not subject to withholding	4/ quarterly	12 th day following end of each quarter	Prorated share of estimated current tax	80 days (45 days for VAT payers)	Employees generally have to file tax returns	Self-assessed	80 days (due with filing of return)
Iceland	All with income not taxed at source	Monthly	1 February to June	Monthly—10.5% of previous year's tax	1 month	Employees generally have to file tax returns	Assessed	Over 5 months (August to December)
Ireland	Taxpayers with income not taxed at source	1/ annually	31 October of income year	90% of estimated tax payable	10 months	Employees generally do not have to file tax returns	Self-assessed	10 months (due with filing of return)
Italy		2/ biannually	20 June and 30 November of income year	39.2% and 58.8% of prior year's tax	5 months and 20 days (10 months for electronic filers)	Employees do not have to file if only in receipt of employment income and no deductions	Self-assessed	5 months and 20 days (due with filing of tax return)
Japan	All (threshold applies)	2/ biannually	31 July and 30 November of income year	1/3 of prior year tax payable (with some adjustments)	75 days	Employees generally do not have to file tax returns	Self assessed	75 days (due with return).
Korea	All with business and rental income	1/ annually	30 November	1/2 of tax paid or payable for the previous year plus any penalty tax	5 months	Employees generally do not have to file tax returns	Self-assessed	5 months (due with return)
Luxembourg	All with incomes not taxed at source	4/ quarterly	10 March, June, September, December of income year	1/4 of prior year tax	3 months (in practice it may be extended)	Employees generally do not have to file tax returns	Assessed	1 month after tax assessment
Mexico	All individuals not subject to withholding	12/ monthly;	17 th day after end of relevant month	Generally net income of the period times tax rate	During April of following year	No obligation to file if income is less than \$300,000 and interest less than \$100,000	Self-assessed	4 months after the end of the tax period
Netherlands	All with income not taxed at source	Up to 12/ monthly	Progressively each month following receipt of assessment notice for prior year's income	Based upon the prior year's tax (plus inflation factor) divided by number of months remaining in income year	3 months (may be extended)	Employees generally do not have to file tax returns	Assessed	2 months after assessment notice issued
New Zealand	All with income not taxed at source (threshold applies)	3/ trimester	By 7 April, August, and December of income year	1/3 of 105% of prior year tax payable	158 or 188 days depending on income source	Employees generally do not have to file tax returns	Self-assessed	37 days after month of balance day
Norway	All with income not taxed at source	4/ quarterly	15 March, May, September, and	Prior year assessment and the tax rates for	1 month	Employees receive pre-populated return for	Assessed	Two instalments: one 3 weeks, the

COUNTRY	ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE)			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	Employees' filing obligations /4	Self-assessed / assessed	When is any final tax payable /3
Poland	All taxpayers in business	12/ monthly	November of income year	the coming year	20 th day of each month following income month	vetting	Self-Assessed	second 12 weeks, after assessment notice issued 4 months (due with filing of return).
Portugal	Self-employed, professionals businessmen and farmers	3/ trimester	20 July, September, and November of income year	Based on progressive rates of income tax (i.e. 19%, 30%, or 40%) 85% of the tax payable for the year two years prior to the income year	Varies for different classes of taxpayer: from 2.5 up to 4 months	Employees generally have to file tax returns	Assessed	5/6 months (for employees-31 May; for others- 30 June of assessment year).
Slovak Republic	All individuals with income not subject to withholding (threshold applies)	Large: 12/ monthly; small: 4/ quarterly	Monthly- within the end of each month; quarterly- within the end of each quarter	1/12 or 1/4 of prior year tax	3 months (up to 3 months longer where certified tax advisor used)	Employees generally do not have to file tax returns	Self-assessed	90 days after end of fiscal year
Spain	Self-employed professionals and businessmen	4/ quarterly	20 April, July, October of the income year and 30 January of the following year	Varies for different classes of taxpayer	4-6 months	Employees generally do have to file tax returns	Self-assessed	180 days (two instalments: 60% by June and the balance by 5 November)
Sweden	Income from business	12/ monthly	From February of the income year, generally between 12 th and 17 th of month.	Between 105-110% of prior year final tax	4 months	Employees receive pre-populated return for vetting	Assessed	90 days after assessment notice issued.
Switzerland	Tax collection arrangements vary across individual cantons. Generally speaking, all taxpayers make advance payments and there is no system of tax withholding at source on employee income (other than for guest workers).					Tax return arrangements (and associated tax payment requirements) vary across individual cantons. Generally speaking, all returns are subject to administrative assessment. There is provision for electronic filing in some cantons.		
Turkey	Persons with rental, business and professional income	2/ biannual	15 th day of the 2 nd month following the semi-annual period	15% of actual income during income period	1-2 months (depending on income type)	Employees generally do not have to file tax returns	Assessed	1-2 months (3 instalments: one with return and the other between April and August)
UK	Taxpayers with income not taxed at source	2/ biannual	31 January of income year, and 31 July of following year (Tax year runs 6 April to 5 April)	50% of prior year's tax	6 months where liability not self-calculated; 10 months where taxpayer self-calculates	Employees generally do not have to file an tax returns	Self-assessed	10 months approx. (by 31 January after the tax year)
United States /5	All with income not taxed at source	4/ quarterly	15 days of month following end of the quarter	1/4 of the lesser of (i) 90% of the estimated current year tax; or (ii) 100% of prior year tax	15 th day of 4 th month of the following year	Employees generally have to file tax returns	Self-assessed	15 th day of 4 th month of the following year (final payment due with return)

2) Selected Non-OECD countries

COUNTRY	ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE)				ANNUAL INCOME TAX RETURN			
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	Employees' filing obligations /4	Self-assessed / assessed	When is any final tax payable /3
Argentina	All with income not taxed at source	5	In June, August, October and December of income year, and following February	20% of prior year tax	4/5 months (depending on tax ID)	Employees do not have to file where in receipt of employment income only	Self-assessed	4/5 months (with filing of return)
Brazil	All with income not taxed at source	12/ monthly	By end of the following month	% of net income for period	4 months	General exemption for employees where tax withheld at source	Self-assessed	4 months days (with return) or option to pay in equal instalments over 6 months
Chile	Self-employed	12/ monthly	By 12 th day of following month	Fixed percentage of monthly receipts, as advised by tax body	4 months	Employees do not have to file where income from one employer	Self-assessed	4 months (with filing of return)
China	All with income not taxed at source	12/ monthly	By 7 th day of following month	Varies according to the nature of income	3 months (business income and income earned abroad); 30 days (annual income more than RMB 120,000)	General exemption for employees where tax withheld at source	Self-assessed	3 months (business income and income earned abroad); 30 days (annual income more than RMB 120,000)
Cyprus	All with income not taxed at source	3	On 1 st August, 30th September, and 31st December of income year	Equal instalments of estimated tax	4 months	Employees with taxable income must file returns	-	8 months (i.e. 1 st August)
Estonia	Self-employed	4/ quarterly	-	1/4 of prior year's tax	3 months	Employees receive pre-populated return for vetting	Self-assessed	6 months, 9 months (business income, capital gains) As notified by assessment
India	All (in respect of income not taxed at source), Small threshold applies	3	By 15 th September, December & March of March-ending income year	30%, 60% and balance of estimated liability	5 months (7 months if audit is required)	-	Assessed	
Latvia	Self-employed	4/ quarterly	-	1/4 of either prior year's tax or estimated current year tax	3 months	Employees do not have to file where employment income only	Self-assessed	15 days after filing return (automatic extension of 3 months for larger debts)
Lithuania	No system of advance payments for tax on income not subject to withholding				4 months	Employees do not have to file where income from employment only	Self-assessed	4 months (with filing of return)
Malta	Self-employed taxpayers	3	End-April, August, and December of income year	20%, 30%, and 50% respectively of prior year of assessment tax	6 months	Employees are generally required to file a simplified tax (in lieu of return)	Self-assessed	6 months (with return)
Russia	Individual entrepreneurs and professionals	3	15 th July and 15th October of income year, and 15 th January of following year	50% of estimated liability (July), half of balance in both October and January	4 months	Employees need not file unless they wish to claim deductions	Assessed	198 days (i.e. 15th July of following year)
Singapore	No general system of advance payments applies				105 days - 15 th April	Employees generally are required to file an annual	Assessed	Within 1 month from the date of

COUNTRY	ADVANCE PAYMENTS OF TAX (OTHER THAN TAXES WITHHELD AT SOURCE)			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number/ payment frequency	When payable /2	Standard computation of payments	When normally due /3	Employees' filing obligations /4	Self-assessed / assessed	When is any final tax payable /3
Slovenia	Sole entrepreneurs – prior advance payment	12/ monthly; 4/ quarterly	Monthly – till 15 th day in a month; Quarterly- in 15 days after the end of a quarter	1/12 (1/4) of prior year tax assessed	3 months	Employees generally are required to file an annual return	Assessed	Within 1 month of the notice advising liability
South Africa	All with income other than salaries and wages. Threshold applies.	2/ 6 monthly	After 6 and 12 months of start of tax year	1/2 of prior year assessed tax or estimated liability	129 days	In practice, majority of employees are not required to file returns; only employees with net income over R60,000 required to file	Assessed	7 months after end of income year

Sources: *IBFD, survey responses, and country revenue officials.*

1. Many countries apply small threshold, or exclude specific categories of low income businesses.
2. Income year equals a calendar year unless otherwise stated.
3. Expressed as duration from end of income year to normal filing or payment deadline.
4. Many countries operate special withholding arrangements that free the bulk of employees (generally those with one source of employment and small amounts of other income) from having to file annual tax returns. In Denmark, Finland, Iceland, Norway, and Sweden, the tax bodies compile a return with data from third party sources and refer it to taxpayers for vetting. The majority of employee taxpayers confirm these returns and no other action is required.
5. **Belgium**—Tax amount is increased if no or insufficient advance payments are waived. Basis of advance payment is last year's tax amount. Advance payments are waived during the first three years upon start-up; **US**—IRS Publication 17—Your federal income tax.

Table 15: Corporate Income Tax: Payment and Return Filing Obligations in OECD and Selected Non-OECD Countries

COUNTRY	ADVANCE PAYMENTS OF TAX			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	Use of electronic filing?	When is any final tax due /3
<i>1) OECD countries</i>								
Australia	All taxpayers (small threshold applies)	4—quarterly	28 days after end of each quarter of income year	Quarterly income x PY average tax rate	5 months	Self-assessed	Yes	With return
Austria	All	4—quarterly	15 February, May, August, and November of income year	$\frac{1}{4}$ of prior assessment plus adjustment factor	3 months (extension possible if tax professional used)	Assessed	Yes	One month after assessment notice issued
Belgium /4	All	4—quarterly	Respective 4 deadlines: 10 April, July, October, and 20 December of income year.	$\frac{1}{4}$ of estimated liability	Date indicated on tax return	Assessed	Yes	Two months after assessment notice issued.
Canada	All	12—monthly	At end of each month in income year	$\frac{1}{12}$ of PY tax or estimated CY liability	6 months	Self-assessed	Yes	Two months after end of income year
Czech Repub.	All	last known tax liability in last year (less 30,000CZK), 6 month (30,000 – 150,000 CZK), 3 month period (more than 150,000CZK)	By 15 th of last month of this period	Proportion of PY tax of the period	3 months (6 months if chartered accountant used)	Self-assessed	Yes	With return
Denmark	All	2	Due by 20 March and November of income year	50% of average tax paid in three prior years	6 months	Assessed (full annual accounts required with return – only for large firms from 2006)	No (Yes from 2006)	10 months after end of income year
Finland	All	12—monthly	Each month of income year	$\frac{1}{12}$ of estimated liability	4 months	Assessed	Yes	11 months after end of tax year
France	All (except those below very small threshold)	2 for very small liabilities	March and September of income year	Prorated share of estimated liability	105 days	Self-assessed	Yes	With return
Germany	All with taxable income	4—quarterly	By 15 March, June, September, and December of income year	8.3% of PY ordinary income (plus other % for other income)	5 months (12 months where tax advisor is used)	Assessed (full financial statements required with return)	No	1 month after assessment

COUNTRY	ADVANCE PAYMENTS OF TAX			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	Use of electronic filing?	When is any final tax due /3
Greece	All taxpayers	5—equal monthly	First payment due with the return, balance in four equal instalments in subsequent months.	Based on CY estimate	130 days	Assessed	No	With return
Hungary	All	12—monthly for large taxpayers; 4—quarterly for others.	End of following month or quarter of income year	Prorated proportion of PY tax	5 months	Self-assessed	Yes	With return
Iceland	All	10—monthly except in January and July of assessment year	1 each month	Monthly—10.5% of previous year's tax	1 month	Assessed	Yes	In equal instalments in last two months of assessment year
Ireland	All	Two (subject to transitional arrangements)	One month prior to end of income year; balance six months after end of income year	First payment; 20% for 2002 income year rising progressively to 100% by 2006	9 months	Self-assessed	Yes	Transitional arrangements in place
Italy	All	Two	By the 6 th & 11 th month of income year	First—39.1% of PY liability; second—59.1 of PY liability; third—balance	10 months	Self-assessed	Yes (mandatory)	Balance due by 6 th month of following year
Japan	All taxpayers (small threshold applies)	1	By the end of the 8 th month in the income year	1/2 of PY liability (or CY liability if interim return filed)	2 months	Self-assessed	Yes	With return
Korea	All	1	8 months into the income year (for annual filers)	1/2 of PY liability or CY estimate	3 months	Self-assessed	Yes	With return
Luxembourg	All	4—quarterly	By 10 March, June, September, and December of income year	1/4 of PY liability	5 months (taxpayer can request an extension)	Assessed (full accounts and minutes of shareholders meetings required)	No	Within one month of official assessment.
Mexico	All	12—monthly	By 17 th day after end of relevant month	Estimated CY liability	3 months	Self-assessed	Yes	With return (90 days after end of fiscal year)
Netherlands	All	Up to 12/ monthly	Progressively each month following receipt of assessment notice for prior year's income	Average of two prior year's tax (plus inflation factor) divided by number of months remaining in income year	5 months (extension can be requested)	Assessed (annual reports etc. required)	Yes (mandatory)	Two months after receipt of official assessment.
New Zealand	All taxpayers (except those below a small threshold)	3	7 July, November, and March	Previous year residual plus 5%, or 1/3 of estimation (mandatory for non-individual taxpayers).	97 days	Self-assessed (from 2002/03 income year)	Yes	14 months where extension of time is given; interest applies to residual tax

COUNTRY	ADVANCE PAYMENTS OF TAX			ANNUAL INCOME TAX RETURN					
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	Use of electronic filing?	When is any final tax due /3	
Norway	Petroleum producers and transporters Others	2 2	1 October of income year, 1 April of following year 15 February and April, in assessment year	50% of estimated liability First two- 50% +/- amount prescribed by authorities; balance after return filed.	2 months (extra 1 month on application)	Assessed (returns must include audited statements)	Yes	Paid in two instalments, due on 15 September and November of assessment year.	
Poland	All	12—monthly	20 th day of each month following income month	Difference between estimated tax for income during the year and accumulated advance payment to previous month Large- 85% of PY liability; others- 75% of PY liability	3 months	Self-assessed	No	With return (3 months after end of income year)	
Portugal	All	3	July, September and December of income year	Large- 85% of PY liability; others- 75% of PY liability	5 months	Self-assessed	Yes (mandatory for all)	30 days after any notice.	
Slovak Republic	All legal entities (over prescribed threshold)	Large: 12—monthly; others: 4—quarterly	Monthly- within the end of each month; quarterly- within the end of each quarter	Large: 1/12 of PY liability; Small: 1/4 of PY liability	3 months (further 3 months where use of tax advisor)	Self-assessed	Yes	With return 90 days after end of fiscal year)	
Spain	All	3	By 20 April, October, and December of income year	Large—progressive % of CY estimated liability; others—% of PY liability	Up to 205 days (depending on timing of annual general meeting)	Self-assessed	Yes	On filing of return.	
Sweden	All	12/monthly	Each month of income year	Based on a preliminary return required from taxpayer	3 months	Assessed	No	90 days after receipt of notice	
Switzerland	Tax collection arrangements vary across individual cantons								
Turkey	All	4	15 th day of second month after end of quarter	CY estimate	4 months	Self-assessed	Yes	After 15 days of filing tax return.	
United Kingdom	Large (taxpayers with profit > £1.5m)	4	Due in the 7 th , 10 th , 13 th , and 16 th months after the income year	1/4 of estimated tax liability	12 months	Self-assessed	Yes	Nine months after end of income year.	
United States /4	All	4/quarterly	By 15 th day of 4 th , 6 th , 9 th , and 12 th months of the corporation's tax year	Generally, 1/4 of either estimated current year tax or previous year tax	15 th day of 3 rd month after the end of its tax year.	Self-assessed	Yes	By 15 th day of the 3 rd month after the end of tax year	
<i>2) Selected Non- OECD countries</i>									
Argentina	All legal entities except for non-profit organization	10/ monthly	From 6 th month after accounting year, and thereafter monthly	First payment—25% of prior year liability; others—8.33% of prior year tax	5 months	Self-assessed	Yes	140 days (on filing of return)	
Brazil	All legal entities	4/quarterly	By end of the following quarter	% of actual net profit for quarter	3 months	Self-assessed	Yes	90 days (with filing of return)	

COUNTRY	ADVANCE PAYMENTS OF TAX			ANNUAL INCOME TAX RETURN				
	Who is liable /1	Number of payments	When payable /2	Computation of payments	When normally due /3	Self-assessed or assessed by tax body	Use of electronic filing?	When is any final tax due /3
Chile	All enterprises	12/ monthly	By 12 th day of following month	Fixed percentage of monthly receipts which is recalculated yearly on the basis of prior year's percentage. /4	4 months	Self-assessed	Yes (mandatory for large taxpayers)	With filing of return
China	All enterprises	4/ quarterly	Within 15 days of end of each quarter	1/4 of prior year tax, or tax on actual quarterly profits	45 days after end of income year	Self-assessed	Yes /4	4 months after end of income year
Cyprus	All	3	On 1 st August, 30 th September, and 31 st December of income year	Equal instalments of estimated tax	7 months	-	-	210 days (with filing of return)
Estonia	Income derived by companies is not taxed if retained. Upon distribution, a distribution tax is levied at a rate prescribed in the law. The taxable period of legal entities is a calendar month. Where a distribution is made, a return and payment must be made by the 10 th day of the month following the payment of the distribution.				-	Self-assessed	-	-
India	All (with income above prescribed threshold)	4/ quarterly	By 15 June, September, December, and March of March-ending income year	15%, 45%, 75%, and balance respectively of estimated liability	8 months	Assessed	No	As notified in assessment
Latvia	All	12/ monthly	By 15 th day of each month	Based on prior years tax, with adjustment for CPI movements	7 months (large tax- payers), 4 months (others)	Self-assessed	No	30 days after receipt of assessment notice
Lithuania	All taxpayers (except those below LTL 100,000 threshold)	4/ quarterly	By last day of each quarter (Q1/ Q3); by 25 th days of last quarter (Q4)	-	9 months	Self-assessed	Yes	-
Malta	All	3	End-April, August, and December of income year	20%, 30%, and 50% respectively of prior year of assessment tax	9 months	Self-assessed	Yes	270 days (with filing of return)
Russia	All	12/ monthly (large); 4/ quarterly (other)	-	Large- 1/3 rd of liability for prior quarter; other- estimated quarterly liability	88 days (i.e. 28 th March)	Self-assessed	Yes	88 days (with filing of return)
Singapore	Companies are required to file estimated assessments of their chargeable income within 3 months of the end of their accounting year. Payment commences with the filing of these estimated assessments.				31 st July of the following year /4	Assessed	Yes (for estimated assessments)	Within 1 month from the date of assessment notice
Slovenia	All	12/ monthly; 4/ quarterly	10 days after the arrival	1/12 (1/4) of prior year tax assessed	3 months	Self-assessed	Yes	30 days after submission of the tax settlement
South Africa	All	2/ 6 monthly	End of August and February	1/2 of prior year assessed tax or estimated liability	End of July	Assessed	Yes	6 months after end of income year

Sources: *IBF, country survey responses, and country revenue officials*

1. Many countries apply small threshold, or exclude specific categories of low income businesses.
2. Income year equals a calendar year unless otherwise stated.
3. Expressed as duration from end of income year to normal filing or payment deadline.

4. **China**—tax law allows electronic filing while it must be accompanied by paper return in practice; **Belgium**—when taxpayer opts for one single advance payment, the deadline is 20 December. Specific rules for advance payment deadline exist for companies with accounting year that coincide with calendar year or less than one year.; **Chile**—This percentage is 1% in the first commercial year, or when the company has tax losses in the previous year.; **Singapore**—if the company's accounting year ends on 31 March 2005, it is required to file the return by 31 July 2006; **US**—IRS Publication 542-corporations.

Table 16: Value Added Tax: Registration, Payment, and Filing Obligations in OECD and Selected Non-OECD Countries

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	General payment requirements (i.e. frequency and days after end of liability period) /2		General filing requirements (i.e. frequency) /3		Provision for electronic filing	Special filing obligations?
			Large	Other	Large	Other		
<i>1) OECD countries</i>								
Australia	\$A 50,000	Accruals (with cash basis permitted for businesses with turnover below \$A 1 million)	Monthly- within 28 days	Quarterly- within 28 days	Monthly	Quarterly	Yes	Yes- all regular tax obligations reported in single statement
Austria	€ 22,000	Accruals (with cash basis permitted for certain types of small businesses)	Monthly- within 45 days	Quarterly- within 45 days	Monthly	Quarterly	Yes	Annual return required by end-March
Belgium /5	Zero	Accruals (with cash basis under specific conditions, flat rate scheme)	Monthly- within 20 days	Monthly- within 20 days	Monthly	Quarterly	Yes	Yes- Annual sales listing to all registered purchasers is required
Canada	\$C 30,000	Accruals (with simplified 'quick method' scheme for prescribed traders with turnover below \$C200,000)	Monthly- within 30 days	Quarterly- within 30 days	Monthly	Quarterly	Yes	Yes- some business sectors have specific reporting requirements
Czech Rep.	CZK 1,000,000 (in last 12 calendar months)	Accruals	Monthly- within 25 days, Quarterly- within 25 days	Monthly- within 25 days, Quarterly- within 25 days	Monthly (turnover in last calendar year is more than 10 million CZK), Quarterly (turnover in last calendar year is less than 10 million CZK)	Quarterly	Yes	Yes- all regular tax obligations reported in single statement
Denmark	DKK 50,000	Accruals	Monthly- within 25 days	Quarterly- within 40 days and two months respectively	Monthly	Quarterly and half-yearly	Yes	Yes- all regular tax obligations reported in single statement
Finland	€ 8,500	Accruals	Monthly- within 45 days	Monthly- within 45 days; annual payment for primary producers and artists	Monthly	Monthly; annual filing for primary producers and artists	Yes (via an external agent who may charge for service)	Yes- all regular tax obligations reported in a single monthly statement
France	€ 76,300 (threshold of € 27,000 for suppliers of services)	Accruals (with simplified scheme for prescribed businesses (turnover thresholds apply); instalments based on prior year tax	Monthly- within 19/24 days	Quarterly- within 19/24 days;	Monthly	Quarterly and annual	Mandatory for large payers; optional for others	Under simplified scheme, prescribed businesses make 4 instalment payments during year and file annual tax return by end-April
Germany	€ 17,500 prior year turnover and €50,000 current year expected turnover	Accruals (cash basis permitted in certain cases, e.g. prior year turnover not exceeding €125,000)	Monthly- within 10 days	Monthly (generally), quarterly/annually if previous year's tax does not exceed €6,136/€512	Monthly	Monthly (generally), quarterly/annually if previous year's tax does not exceed €6,136/€512	Yes	Annual return required from all payers (monthly or quarterly filings are provisional advance returns)
Greece	€ 9,000 (€ 4,000 for suppliers of services)	Flat rate scheme applied to special sectors (e.g. farming, fishing)	Monthly- within 20 days	Quarterly- within 20 days	Monthly	Quarterly	Yes	Annual return required from all payers

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	General payment requirements (i.e. frequency and days after end of liability period) /2			General filing requirements (i.e. frequency) /3			Provision for electronic filing	Special filing obligations?
			Large	Other	Large	Other	Large	Other		
Hungary	Zero	Accruals	Monthly- within 20 days	Quarterly- within 20 days	Monthly	Quarterly, and annually for very small payers	Yes (but limited)			
Iceland	ISK 220,000	Accruals	Bi-monthly- within 35 days	Bi-monthly- within 35 days	Bi-monthly	Bi-monthly, twice a year for farmers & yearly for very small payers	Yes	No		
Ireland	€ 51,000 (threshold of € 25,500 for suppliers of services)	Retailers can use apportionment scheme where sales are at a number of rates. Flat rate scheme for prescribed businesses (e.g. farming)	Bi-monthly- within 19 days	Bi-monthly- within 19 days	Bi-monthly	Bi-monthly	Yes	Annual return of trading details required from all payers		
Italy	Zero	Various schemes for a range of prescribed business categories	Monthly- 16 days	Quarterly- within 46 days for Q1-Q3, and 76 days for Q4	Annual	Annual	Yes (mandatory for larger payers)	Annual consolidated return required from all payers		
Japan	JPY 10 million	Accruals	Monthly within 2 months	Quarterly, semi-annually or annually -within 2 months	Monthly	Quarterly, semi annually or annually	Yes	Annual return required		
Korea	Zero	Accruals	Quarterly (corporates and large individuals) within 25 days	Bi-annual- within 25 days	Monthly	Quarterly corporations; bi-annual -others	Yes			
Luxembourg	€ 10,000	Accruals	Monthly- within 15 days	Quarterly- within 15 days	Monthly	Quarterly, and annually for very small traders	Yes / 4	Annual return required from all payers		
Mexico	Zero	Cash flow basis	Monthly- within 17 days	Monthly- within 17 days	Monthly	Monthly	Yes	Information return at end of tax period		
Netherlands	Zero	On application, traders including certain retailers may use simplified method.	Monthly- within 30 days	Quarterly- within 30 days	Monthly	Quarterly, and annually for very small traders	Yes (mandatory)			
New Zealand	\$NZ 40,000	Use of cash or cash/ accruals by small businesses	Monthly- within 30 days	Bi-monthly- within 30 days, & 6 monthly for small payers	Monthly	Bi-monthly, & 6 monthly for small payers	Yes			
Norway	NOK 50,000	Accruals	Bi-monthly- within 40 days	Bi-monthly- within 40 days	Bi-monthly	Bi-monthly	Yes	No		
Poland	10,000 euros	Accruals (with cash basis permitted for businesses with turnover below prescribed threshold)	Monthly- within 25 days	Monthly- within 25 days / Quarterly- within 25 days (small taxpayers or farmers who opt to)	Monthly- within 25 days	Monthly- within 25 days (small taxpayers or farmers who opt to)	No	Intra-community transactions of goods- declared quarterly within 25 days		
Portugal	Zero	Special flat rate scheme for small retailers	Monthly- within 40 days	Quarterly- within 45 days	Monthly	Quarterly	Yes	Annual consolidated return required from all payers		

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	General payment requirements (i.e. frequency and days after end of liability period) /2			General filing requirements (i.e. frequency) /3			Provision for electronic filing	Special filing obligations?
			Large	Other	Large	Other	Large	Other		
Slovak Rep.	SKK 1.5 million previous consecutive months	Accruals	Monthly- within 25 days	Quarterly- within 25 days	Monthly	Quarterly	Quarterly	Yes	No	
Spain	Zero	Simplified scheme for unincorporated businesses- tax calculated applying specific indices	Monthly- within 20 days	Quarterly- within 20 days	Monthly	Quarterly	Quarterly	Yes	Annual return required from all payers	
Sweden	Zero	Accruals	Monthly- within 26 days	Monthly- within 42 days	Monthly (*)	Monthly; some traders can declare with annual income tax return	Monthly; some traders can declare with annual income tax return	Yes	(*) Yes- all regular tax obligations reported in a single monthly statement by most businesses;	
Switzerland	CHF 75,000	Accruals (and cash basis where requested). Flat rate scheme for prescribed traders	Quarterly- within 60 days	Monthly / Six monthly – both within 60 days	Quarterly	Monthly / Six monthly – both within 60 days	Quarterly	Yes (2006)		
Turkey	Zero	-	Monthly- within 26 days	Quarterly- within 26 days	Monthly	Quarterly	Quarterly	Yes		
United Kingdom	£ 61,000	Traders with turnover to £ 660,000 can use cash basis; special flat rate schemes for retailers and farmers	Quarterly - within 1 month	Quarterly - within 1 month	Quarterly	Quarterly	Quarterly; annually for businesses with turnover under £660,000	Yes		
United States	*****	*****	*****	*****	*****	*****	*****	*****	*****	
2) Selected Non-OECD countries										
Argentina	ARS 144,000	Accruals (special lump sum scheme exists for small businesses covering VAT & income tax)	Monthly- actual date varies (based on tax ID)	Monthly- actual date varies (based on tax ID)	Monthly	Monthly	Monthly	Yes	Office of import	
Brazil	Zero	Accruals	Monthly within 12 days	Monthly within 12 days	Monthly within 12 days	Monthly within 12 days	Monthly within 12 days	Yes	Largest registrants required of file annual return of purchases and sales	
China	Various /5	Accruals (small traders pay flat % of turnover)	Within 1,3, 5,10, 15 or monthly, depending on size of business	Various	Various	Various	Various	Yes		
Cyprus	CYP 9,000	Accruals (with special scheme for farmers and retailers)	Quarterly- by 10 th day of second month after liability month	Quarterly- by 10 th day of second month after liability month	Quarterly	Quarterly (annually permitted farmers)	Quarterly (annually permitted farmers)	Yes		
Estonia	EEK 250,000	Accruals (special schemes for travel agents, lumber sales, and second hand goods)	Monthly- within 20 days	Monthly- within 20 days	Monthly	Monthly	Monthly	Yes		
India	*****	*****	*****	*****	*****	*****	*****	*****	*****	
Latvia	LVL 10,000	Accruals	Monthly- within 15 days	Quarterly- within 15 days	Monthly	Quarterly	Quarterly	No	Annual return required from all registrants	

COUNTRY	Registration threshold /1	Liability basis: cash and/or accruals	General payment requirements (i.e. frequency and days after end of liability period) /2			General filing requirements (i.e. frequency) /3			Provision for electronic filing	Special filing obligations?
			Large	Other	Other	Large	Other			
Lithuania	LTL 35,000	Accruals (with flat rate scheme for farmers)	Monthly- within 25 days	Semi-annually- within 25 days	Monthly	Semi-annually	Yes			
Malta	Equivalent to €10,000	Accruals	Quarterly- within 15 days	Quarterly- within 15 days	Quarterly	Quarterly	Yes	Prescribed small businesses must file report of annual turnover		
Russia	RUR 1 million (quarterly turnover)	Cash and accruals	Monthly- within 20 days	Quarterly- within 20 days	Monthly	Quarterly	Yes			
Singapore	SGD 1 million	Accruals	Quarterly	Quarterly	Quarterly	Quarterly	Yes			
Slovenia	SIT 5 million	Accruals or cash	Monthly- within 30 days	Quarterly/ semi-annually- within 30 days	Monthly- within 30 days	Quarterly / semi-annually- within 30 days	Yes	New taxpayers have to fill the statements monthly (for the first year)		
South Africa	ZAR 300,000	Accruals (Cash basis for individuals with turnover up to R2.5 million)	Monthly- within 25 days	Bi-monthly / Four-monthly - within 25 days	Monthly	Bi-monthly / Four-monthly	Yes	Farmers with turnover up to ZAR 1.2 million may account semi-annually		

Sources: *IBFD, European Commission (July 2002 and 2004 summaries of EU member VAT arrangements).*

1. Threshold based on business turnover level unless otherwise indicated.
2. Most countries provide special payment and filing regimes for designated business categories (e.g. agriculture, fishing).
3. Most countries provide special filing procedures for taxpayers in regular credit situations (e.g. exporters).
4. System of electronic filing for annual reporting introduced implemented for fiduciaries; to be extended to monthly and quarterly reporting.
5. **Belgium**—flat rate scheme for unincorporated traders with turnover below €500,000 and exempted from issuing invoices; **China**—RMB 2,000-5,000 per month (taxable sales), RMB 1,500-3,000 per month (taxable services), RMB 150-200 (sales one time/day)

5 SELECTED ADMINISTRATIVE POWERS OF REVENUE BODIES

Introduction

80. This part describes selected administrative powers of revenue bodies, and also takes account of previous OECD work in this area.¹³ The specific information provided is described hereunder:
- Table 17 identifies features of the systems in place for obtaining public and private tax rulings.
 - Table 18 describes features of the information gathering powers of revenue bodies.
 - Table 19 describes features of the enforced collection powers of revenue bodies.
 - Table 20 describes features of the penalty and interest requirements for certain non-compliance offences.

Key observations and trends

Advance Rulings

81. Table 17 reflects the powers of surveyed revenue bodies' to issue public and/or private rulings. Significantly:
- The vast majority (40 countries) of surveyed countries provide public rulings. They are binding on revenue bodies in the great majority of countries.
 - Private rulings are also provided by most surveyed revenue bodies (40 countries) to taxpayers who make ruling requests; such rulings are generally binding on revenue bodies (34 out of 40 countries) and for around half of surveyed revenue bodies there are legislated time limits for replying to taxpayers' private ruling requests.
 - Around one quarter of surveyed revenue bodies are empowered to charge a fee for private ruling requests.

Information Access and Search Powers of Tax Officials

82. Table 18 reflects revenue bodies' powers to gather information, to access taxpayers' premises and to seize documents to assist with the verification or establishment of taxpayers' liabilities. Significantly:
- Generally speaking, all surveyed revenue bodies have powers to obtain relevant information and can extend their requests for information to third

¹³ See 'Taxpayers' Rights and Obligations: A Survey of the Legal Situation in Member Countries' OECD (1990).

parties. However, there are some limitations in obtaining information from government departments in a small number of surveyed countries (8 countries).

- Revenue bodies in most surveyed countries have broad powers of access to taxpayers' business premises and dwellings for the purpose of obtaining information required to verify or establish tax liabilities. However, in exercising this power, a search warrant is required to enter business premises in 14 countries for any purposes and in 6 countries only in criminal cases. Revenue bodies' access power is narrowed with regard to dwellings in surveyed countries. A search warrant is required in 28 surveyed countries to enter taxpayers' dwellings for any purposes and in 3 countries only for fraud or criminal cases.
- Around half of surveyed countries require a warrant to seize taxpayers' documents.

Powers to Enforce Tax Debt Collections

83. Table 19 reflects revenue bodies' power to enforce tax debt collection. Significantly:

- Revenue bodies in most surveyed countries have traditional powers to enforce tax debt collection: 1) to grant taxpayer further times to pay; 2) to make payment arrangements; 3) to collect from third parties that have liabilities to taxpayer; 4) to seize taxpayer's asset; 5) to offset taxpayer's liabilities to his/her tax credits; and 6) to initiate bankruptcy.
- Other powers such as 1) obtaining lien over taxpayer's assets; 2) withholding government payment to debtor taxpayers; 3) requiring tax clearance for government contracts; and 4) imposing tax liabilities on company directors when certain conditions are satisfied are available in between half and two thirds of surveyed countries.
- Additional powers are given to some surveyed revenue bodies to facilitate tax collection that entail the imposition of restrictions on taxpayer's business or private activities, including 1) limits on overseas travel; 2) closure of businesses or cancellation of business licenses; and 3) denial of access to government services; additionally, a small number of surveyed bodies are permitted to 'name and shame' taxpayers through the public disclosure of individual taxpayers' offenses.

Penalties and Interest for Non-compliance

84. Table 20 reflects the nature and quantum of penalties imposed for the most common tax offenses (i.e. taxpayers' failure to file returns on time, to report their correct tax liabilities, a taxpayers' failure to pay tax on time) by surveyed revenue bodies. Significantly:

- Most surveyed revenue bodies impose failure-to-file penalties as a certain percentage of income or additional tax liability while some countries charge lump-sum amount (Argentina) or at certain rates of tax liability according to the delayed period (Denmark, Greece, Portugal, and the United States). Many surveyed countries have ceilings failure-to-file penalties go up to.
- All surveyed revenue bodies impose interest on taxes not paid on time.
- The common feature in administrative penalties on underreporting tax liabilities is the penalty varies according to the seriousness of offense:

failure to exercise reasonable care, deliberate underreporting, or fraud/criminal case.

Provision of tax rulings on the application of tax laws

85. Compared to the situation identified in last comprehensive survey of the powers of revenue bodies (in 1990), the vast majority of OECD countries now provide public rulings and, at the request of taxpayers, private rulings.
86. In brief, public rulings are published statements of how a revenue body will interpret provisions of the tax law in particular situations. They are generally published to clarify the application of the law, especially in situations where large numbers of taxpayers may be impacted by particular provisions and/or where a particular provision has been found to be causing confusion and/or uncertainty. In the majority of cases, rulings are binding on the revenue body, meaning that taxpayers are protected from further assessment, penalties and interest where they have acted in accordance with the advice given in the ruling.
87. Many revenue bodies now also provide private rulings in response to specific requests from taxpayers seeking clarification of how the law would apply in relation to their completed or proposed transactions. The objective of private ruling system is to generally guide taxpayers in their tax affairs so as to avoid their exposure to reassessments involving further tax and, potentially, penalties and interest. In many countries, these rulings are binding on the revenue body, but only where the taxpayer has disclosed all relevant facts when seeking the ruling and, in the case of proposed transactions, where those transactions were actually carried out in accordance with the way were described when the ruling request was made.
88. In order to ensure that taxpayer's ruling requests are dealt with expeditiously, in a number of countries there are legal or administrative requirements that a ruling request be dealt with in a prescribed period of time- refer Table 17 for examples. In addition, a minority of countries impose a fee for the provision of private rulings.

Control and search powers of tax authorities

89. As evident from the information in Table 18, revenue bodies generally have powers to obtain all information relevant to the correct assessment of tax liabilities — powers which extend beyond the taxpayer to third parties. In addition, revenue bodies also have some more specific powers: (1) taxpayers must produce records and documents on request; and (2) tax authorities have extensive powers to enter business premises, though in a small number of countries, access is limited to certain times of day, or requires the taxpayer's consent. Many countries require a search warrant to enter private dwellings though most do not for entering business dwellings. Table 18 also shows that the power to seize documents usually requires some kind of warrant.

Enforced collection of tax debts

90. The efficiency and effectiveness of a revenue body's enforced debt collection activities depends critically on the underlying legal framework in place, including the provision of an appropriate regime of sanctions (e.g., interest and/or penalties) to deter and penalize non-compliance. In practice, this legal framework is set out separately in the laws governing each tax administered or, preferably for ease of legislative maintenance, in a single comprehensive law on tax administration that provides a common set of provisions, including for enforced debt collection, covering all taxes.

91. Table 19 sets out details of information gathered from revenue bodies and other sources on the nature of the specific powers available to them to secure the payment of unpaid taxes. Of particular note:
- A number of powers are fairly universal in their availability to revenue bodies. These include powers to 1) grant extensions of time to pay; 2) formulate payment arrangements; 3) collect tax debts through specific third parties who owe money to a taxpayer or hold money on their account; 4) offset taxpayers' tax debts against credits arising under other taxes; 5) initiate (or arrange for) seizure action; and 6) initiate bankruptcy/liquidation action.
 - Other powers found to be less frequently available (and for some requiring a court order), included powers to:
 - impose restrictions on overseas travel by debtor taxpayers;
 - effect the closure of a business or withdrawal of a business licence;
 - obtain a lien over a taxpayer's assets;
 - withhold non-tax payments owed by government to debtor taxpayers;
 - disqualify debtor taxpayers from bidding for government contracts;
 - impose liability on company directors for certain company tax debts; and
 - require a tax clearance certificate from taxpayers (in some cases, subject to a threshold) who bid for government contracts.

Interest and penalties

92. All countries impose interest on taxes not paid by the prescribed date (refer Table 20). The rate of interest applied varies greatly across countries, but is generally influenced by market/bank interest rates and inflation factors. A number of countries set the rate of interest according to an official bench rate (e.g. average interest rate on 90-day Treasury Bills) plus a few percentage points. Such rates are reviewed and adjusted periodically.
93. Administrative penalties for understatements of tax liability are generally imposed as a percentage of the additional tax payable and vary according to the seriousness of the offence. While practices vary, a common approach sees penalties for minor offences in the region of 10-30 percent of the tax evaded while more serious offences involving deliberate evasion are in the region of 40-75 percent of the tax evaded.

Table 17: Access to Advance Rulings

COUNTRY	FEATURES OF THE RULINGS SYSTEM					
	Public rulings are issued /1	Binding/ not binding on revenue body	Private rulings are issued /2	Binding/ not binding on revenue body	Legislated time limits for private rulings	Fees for private rulings?
<i>1) OECD countries</i>						
Australia	Yes	Binding	Yes	Binding	Yes	No
Austria	Yes	Not binding	Yes	Binding	Yes	No
Belgium	Yes	Binding	Yes	Binding	Yes	No
Canada	Yes	Binding	Yes	Binding	No /3	Yes
Czech Repub.	Yes	Not binding	Yes	Not binding	No	No
Denmark	Yes	Binding	Yes	Binding	Yes	Yes
Finland	Yes	Binding	Yes	Binding	Yes	Yes
France	Yes	Binding	Yes	Binding	Yes	No
Germany	Yes	Binding	Yes	Binding	No	No
Greece	Yes	Binding	Yes	Binding	Yes	No
Hungary	No	n.applic.	Yes	Binding	Yes	Yes
Iceland	Yes	Binding	Yes	Binding	Yes	Yes
Ireland	Yes	Binding	No	n.applic.	No	n.applic.
Italy	Yes	Binding	Yes	Binding	Yes	No
Japan	Yes	Binding	Yes	Not binding	No	No
Korea	Yes	Binding	Yes	Binding	No	No
Luxembourg	Yes	Binding	No	n.applic.	n.applic.	n.applic.
Mexico	Yes	Binding	Yes	Binding	Yes	No
Netherlands	Yes	Binding	Yes	Binding	Yes	No
N. Zealand	Yes	Binding	Yes	Binding	No	Yes
Norway	Yes	Binding	Yes	Binding	No	Yes /3
Poland	Yes	Not binding	Yes	Binding	Yes	No
Portugal	Yes	Binding	Yes	Binding	No	No
Slovak Rep.	Yes	Not binding	Yes	Not binding	No	No
Spain	Yes	Binding	Yes	Binding	Yes	No
Sweden	Yes	Binding	Yes	Binding	-	Yes
Switzerland	Yes	Not Binding	Yes	Binding	No	No
Turkey	Yes	Binding	Yes	Binding	No	No
UK	Yes	Binding	Yes	Binding	Yes	No
USA	Yes	Not binding	Yes	Not binding	No	Yes
<i>2) Select non-OECD countries</i>						
Argentina	Yes	Binding	Yes	Binding	Yes	No
Brazil	Yes	Binding	Yes	Binding	No	No
Chile	Yes	Not binding	Yes	Not binding	No	No
China	Yes	Binding	Yes	Binding	Yes	No
Cyprus- IR	Yes	Binding	Yes	Binding	No	No
Cyprus- VAT	Yes	Binding	Yes	Binding	Yes	No
Estonia	No	n.applic.	Yes	Not binding	No	No
India	No	n.applic.	Yes	Binding	Yes	Yes
Latvia	Yes	Not binding	Yes	Binding	Yes	No
Lithuania	Yes	Binding	Yes	Binding	Yes	No
Malta- IR	No	n.applic.	Yes	Binding	No	No
Malta- VAT	Yes	Binding	Yes	Binding	No	No
Russia	No	n.applic.	No	n.applic.	n.applic.	n.applic.
Singapore	Yes	Binding	Yes /3	Binding	Yes	Yes
Slovenia	Yes	Binding	No	n.applic.	No	No
South Africa	Yes	Binding	Yes	Binding (from 2006)	No	Yes (from 2006)

Sources: IBFD and country survey responses

/1. Public rulings are formal expressions of how provisions of the law will generally be interpreted and applied by the revenue body.

/2. Private rulings are interpretations of the law in respect of a specific set of facts provided by a taxpayer, on which a ruling is being sought.

/3. **Canada**—Though not legislated, time limits are established and published: within 60 to 90 days for income tax rulings, within 30 to 45 days for excise and GST rulings; **Norway**—Yes, if binding; **Singapore**—for income tax.

Table 18: Verification of Taxpayers' Liabilities: Information Access and Search Powers of Tax Officials

COUNTRY	Do powers to obtain all relevant information exist?	Does this power extend to third parties?	Taxpayers are required to produce all records in request	Powers of entry to:		Search warrant required		Seizure of documents		Powers to obtain information from other government departments
				Business premises	Dwellings	Business premises	Dwellings	Limited to	Warrant required	
<i>1) OECD Countries</i>										
Australia	Yes	Yes	Yes	Full and free access at all times. Custodians to provide "reasonable assistance".	Warrant required	No, but in fraud cases warrants may be used.	Yes	Penal procedure	Yes	Yes, unless specifically excluded.
Austria	Yes	Yes	Yes	Full and free access	Warrant required	Yes	Yes	Penal procedure	Yes	Yes
Belgium	Yes	Yes	Yes	Full and free access, provided any activity takes place at that time	Yes, if authorized by the Judge of the police court and between 5 am and 9 pm.	No	With authorization by Judge of the police court	VAT: audit purpose, Income tax: No without consent of taxpayer / 1	n.avail.	Yes
Canada	Yes	Yes	Yes	Full and free access. Custodians of records must provide reasonable assistance.	Yes, if used for business	No	Yes	Reasonable suspicion	Yes	Limited
Czech Repub.	Yes	Yes	Yes	Full and free access	Yes, if used for business	No	Yes	Reasonable suspicion	Yes	Yes
Denmark	Yes	Yes	Yes	Full and free access	Warrant required	Yes (for criminal cases)	Yes	Penal procedure	Yes	Yes
Finland	Yes	Yes	Yes	Full and free access	Yes, if penal crime suspected	No	Yes	Criminal cases	Yes	Yes
France	Yes	Yes	Yes	Yes	Warrant required	No	Yes	Reasonable suspicion	Yes	Yes
Germany	Yes	Yes	Yes	Access during normal working hours	Only with taxpayer's consent or search warrant	Required in criminal cases (unless taxpayer consent)	Required in criminal cases	Criminal cases	Yes	Yes (some limitations)
Greece	Yes	Yes	Yes	Full and free access during working hours	Full and free access during normal working hours	No	Yes	Reasonable suspicion	No	Yes
Hungary	n.avail.	n.avail.	n.avail.	Full and free access during working hours	Full and free access in normal working hours	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Iceland	Yes	Yes	Yes	Full and free access	Yes	No	Yes	None	No	Yes
Ireland	Yes	Yes	Yes	Full and free access at pre-specified times	Full and free access at pre-specified times	No	No	None	No	Yes
Italy	Yes	Yes	Yes	Full and free access	Authorization of public prosecutor required	Yes (for fraud cases)	Yes (for fraud cases)	Criminal cases (by Guardia di Finanza)	-	Yes
Japan	Yes	Yes	Yes	Full and free access	Full and free access	Yes (for criminal investigation cases)	Yes	Criminal cases	Yes	Yes

COUNTRY	Do powers to obtain all relevant information exist?	Does this power extend to third parties?	Taxpayers are required to produce all records in request	Powers of entry to:		Search warrant required		Seizure of documents		Powers to obtain information from other government departments
				Business premises	Dwellings	Business premises	Dwellings	Limited to	Warrant required	
Korea	Yes	Yes	Yes	With taxpayer's consent	With taxpayer's consent	Yes	Yes	Criminal cases	Yes	Yes (some limitations)
Luxembourg	Yes	Yes	Yes	Full and free access during normal working hours	No	No	n.applic.	Seizure not allowed	n.applic.	Yes
Mexico	Yes	Yes	Yes	Full and free access	Full and free access	Yes	Yes	No	No	Yes (some limitations)
Netherlands	Yes	Yes	Yes	Full and free access in normal working hours	Search warrant required	Yes (for criminal cases)		Criminal cases	No	Yes
New Zealand	Yes	Yes	Yes	Full and free access	Full and free access	No	No	Criminal cases	No	Yes, unless specifically excluded
Norway	Yes (but limited) /1	Yes	Yes	Full and free access (but force not permitted)	Taxpayer must be present and warrant required	No	Yes	Criminal cases	No	Yes (some limitations)
Poland	Yes	Yes	Yes	Yes with authorization	With taxpayer's consent	Yes	Yes	Specifications in Tax Ordinance Law	Yes	Yes
Portugal	Yes	Yes	Yes	Full and free access	Requires taxpayer's consent or warrant	No	Yes	For restricted period	No	Yes
Slovak Republic	Yes	Yes	Yes	Full and free access	With taxpayer's consent	Yes	Yes	None	Criminal cases	Yes
Spain	Yes	Yes	Yes	With taxpayers consent	With taxpayer's consent	Judicial authorization to registered office	With judicial authorization	No	No	Yes
Sweden	Yes	Yes	Yes	Full and free access (but force not permitted)	-	-	Yes	Serious fraud	Yes	Yes (some limitations)
Switzerland	Yes	Yes, For certain groups	Yes	Access only for certain types of investigations	Yes	Yes	Yes	Reasonable suspicion	Yes	Yes
Turkey	Yes	Yes	Yes	Full and free access during working hours	Warrant required	Yes	Yes	Reasonable suspicion	Yes	Yes
United Kingdom	Yes	Yes	Yes	/1.	Warrant required	Yes/No /1	Yes	Serious fraud	Yes	Yes
United States	Yes	Yes	Yes	Requires taxpayer's order	Requires taxpayer's consent or court order	Yes	Yes (unless taxpayer consents)	Where tax offense committed	Yes	Yes

2) Selected Non-OECD Countries

COUNTRY	Do powers to obtain all relevant information exist?	Does this power extend to third parties?	Taxpayers are required to produce all records in request	Powers of entry to:		Search warrant required		Seizure of documents		Powers to obtain information from other government departments
				Business premises	Full and free access (but force not permitted)	Requires taxpayer's consent or warrant	Business premises	Dwellings	Limited to	
Argentina	Yes	Yes	Yes	Yes	Full and free access (but force not permitted)	Requires taxpayer's consent or warrant	Yes	Yes	Judge's determination	Yes
Brazil	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	Yes
Chile	Yes	Yes	Yes	No	Yes	n.applic.	n.applic.	Yes	In case of reasonable suspicion of fiscal fraud	Yes
China	Yes	Yes	Yes	Yes (for business premises), no (for dwellings)	Yes	Yes	n.applic.	Yes	None	Yes
Cyprus- IR	Yes	Yes	Yes	Access permitted to business premises and dwellings	Yes	Yes	Yes	Yes	None	Yes
Cyprus- VAT	Yes	Yes	Yes	Access permitted to business premises and dwellings	Yes	No	Yes	Yes	None	Yes
Estonia	-	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-	-	-
Latvia	Yes	Yes	Yes	No	Yes	No	No	No	-	Yes
Lithuania	Yes	Yes	Yes	Access permitted to business premises and dwellings	Yes	No	No	No	None	Yes
Malta- IR	Yes	Yes	Yes	Access permitted to business premises and dwellings	Yes	No	Yes	Yes	Seizure not permitted	n.applic.
Malta- VAT	Yes	Yes	Yes	Access permitted to business premises but not dwellings	Yes	No	Yes	Yes	Reasonable suspicion	No
Russia	-	-	-	-	-	-	-	-	-	-
Singapore	Yes	Yes	Yes	Access permitted to business premises and dwellings	Yes	No	No	No	None	Yes (subject to legislation)
Slovenia	Yes	Yes	Yes	No	Yes	No	Yes	Yes	90 days	Yes
South Africa	Yes	Yes	Yes	Access permitted to business premises and dwellings /1	Yes /1	Yes /1	Yes /1	Yes	None	Yes

Sources: *IBFD, country survey responses, description of selected country audit practices compiled by the Netherlands Tax and Customs Organisation*

/1. **Belgium**—VAT: officers can take documents for audit, but must hand them back afterward. Income tax: officers can seize documents with an explicit consent of taxpayer.; **Norway**—All information for specific taxpayer & certain information for unrelated taxpayers; **South Africa**—no warrant required for entry into business premises if reasonable prior notice is given, for entry into dwelling if consent is given, or for customs and excise investigations; and **United Kingdom**—Warrant required for income tax; full and free access for VAT.

Table 19. Enforced tax debt collection powers

POWERS PROVIDED FOR ENFORCED PAYMENT OF TAXES AND FILING OF TAX RETURNS (* DENOTES COURT ORDER REQUIRED)															
COUNTRY	Grant further time to pay	Make payment arrangements	Collect from third parties	Restrict overseas travel by debtor	Arrange seizure of debtors' assets	Close business/ cancel licence	Offset debts on tax credits	Obtain lien over assets	Withhold government payments to debtor	Tax clearance for government contracts	Bar debtors from government contracts	Deny access to government services	Impose tax debts on company directors	Publish names of debtors	Initiate bankruptcy
<i>1) OECD countries</i>															
Australia	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	No	No	No	Yes*
Austria	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes
Belgium	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	Yes	No	No	Yes	No	Yes*
Canada	Yes	Yes	Yes	No	Yes*	No	Yes	Yes*	Yes	No	No	No	Yes*	No	Yes*
Czech Rep.	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	No	Yes*
Denmark	Yes	Yes	Yes	Yes*	Yes*	Yes*/Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes*
Finland	Yes	Yes	Yes	No	No	No /1	Yes	Yes	Yes	Yes	Yes	No	Yes*	Yes	Yes
France	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes*	No	Yes*
Germany	Yes	Yes	Yes	Yes*/1	Yes	Yes /1	Yes	Yes	Yes	Yes /1	Yes /1	No	Yes	No	Yes*
Greece	Yes	Yes	Yes	No	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Hungary	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes*
Iceland	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No/1	No/1	No	Yes	No	Yes
Ireland	Yes	Yes	Yes	No	Yes	No	Yes	Yes*	No	Yes	Yes	No	Yes*	No	Yes
Italy	No	Yes	Yes	No	Yes*	No	Yes	No	Yes	Yes	Yes	No	No	No	No
Japan	Yes	Yes	Yes	No	Yes	No	Yes	No	No	Yes	Yes	No	No	No	No
Korea	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	Yes	Yes	No
Luxembourg	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	No	Yes	No	Yes
Mexico	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes*	Yes	No	No	Yes	No	Yes
Netherlands	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	No	No	Yes	No	Yes
New Zealand	Yes	Yes	Yes	Yes*	Yes*	No	Yes	Yes*	No	No	No	No	Yes*	No	Yes*
Norway	Yes	Yes	Yes	Yes*	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes
Poland	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes
Portugal	Yes/1	Yes/1	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes/1	No
Slovak Rep.	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes
Spain	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes*
Sweden	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes
Switzerland	Yes	Yes	Yes*	No	Yes	No	Yes	No	Yes*	Yes	No	No	Yes	No	Yes
Turkey	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
UK	Yes	Yes	Yes*	No	Yes	No	Yes*	Yes*	No	No	No	No	Yes	No	Yes*
USA /1	Yes	Yes	Yes	Yes*	Yes*	Yes*	Yes	Yes	Yes	No	No	No	No	No	Yes

POWERS PROVIDED FOR ENFORCED PAYMENT OF TAXES AND FILING OF TAX RETURNS (* DENOTES COURT ORDER REQUIRED)

COUNTRY	Grant further time to pay	Make payment arrangements	Collect from third parties	Restrict overseas travel by debtor	Arrange seizure of debtors' assets	Close business/ cancel licence	Offset debits on tax credits	Obtain lien over assets	Withhold government payments to debtor	Tax clearance for government contracts	Bar debtors from government contracts	Deny access to government services	Impose tax debts on company directors	Publish names of debtors	Initiate bankruptcy
<i>2) Selected non-OECD countries</i>															
Argentina	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Brazil	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Chile	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes
China	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Cyprus- IR	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No	No	Yes	No	No
Cyprus- VAT	Yes	Yes	No	No	Yes	Yes	No	Yes	No	Yes	Yes	No	Yes	No	Yes
Estonia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latvia	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes	Yes
Lithuania	Yes	No	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes
Malta- IR	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes	No	No	No	No	Yes
Malta- VAT	Yes	Yes	Yes	No	Yes	Yes	No	No	n.avail.	n.avail.	n.avail.	n.avail.	Yes	No	No
Russia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Singapore	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No	No	No	No	No	No
Slovenia	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No	Yes
South Africa	Yes	Yes	Yes	No / 1	Yes*	Yes	Yes	Yes*	No	Yes	Yes	No	Yes	Yes / 1	Yes

Sources: Country survey responses

/1. **Finland** – can cancel company's or entrepreneur's registration at the prepayment register; **Germany** – actions of other authorities needed (can be initiated/requested by tax administration), vehicle registration may be denied if vehicle tax is not paid; **Iceland** – not generally, but used by some government agencies; **Portugal** – further time to pay and payment arrangements are limited by law and no bargaining allowed, publish names of debtors from 2006; **South Africa** – cannot restrict travel under tax legislation but court order can be obtained in exceptional circumstances; can publish names in respect of criminal convictions; **US** – cannot withhold contractually binding payments to government vendors, can impose tax debts on company directors only in specific situations where director is liable for payment of trust fund taxes.

Table 20: Enforcement of Taxpayers' Liabilities: Penalties and Interest for Non-compliance

COUNTRY	OFFENCE	Failure to file returns on time	Failure to pay tax on time	Failure to correctly report tax liability
<i>1) OECD countries</i>				
Australia	One penalty unit for up to 28 days late; each unit valued at \$A110. Penalty increased to two and five units for medium and large taxpayers respectively.		General interest charge imposed—calculated as the monthly average yield of 90-day Accepted Bank Bills plus 7% (daily compound).	Penalty tax ranging from 25% of tax payable (for failure to exercise reasonable care) to 50/75% (for reckless or deliberate acts). Plus a general interest charge.
Austria	Penalty of up to 10% of tax due.		Surcharge of 2% is imposed; additional 1% after 3 months; and additional 1% after 6 months.	Penalties of up to double the amount evaded.
Belgium	i) Tax increase, in case non-declared profits exceed €620. No tax increase, if unintentional. Tax increase ranges between 10% and 200% of the unpaid tax, but the sum of unpaid tax and tax increase can not exceed the non-declared profit. ii) Administrative penalties are between €50 and €1,250, but rarely used, in principle only if the tax increase would be less than the administrative penalty.		Interest of 7% per annum (with minimum charge of € 5).	i) Tax increase, in case non-declared profits exceed €620. No tax increase, if unintentional. Tax increase ranges between 10% and 200% of the unpaid tax, but the sum of unpaid tax and tax increase can not exceed the non-declared profit. ii) Administrative penalties are between €50 and €1,250, but rarely used, in principle only if the tax increase would be less than the administrative penalty.
Canada	5% of unpaid tax, plus extra 1% for each month of delay.		Interest calculated according to average yield of 90 day Government of Canada Treasury Bill plus 4%.	Penalty ranging up to 50% according to the seriousness of the offence.
Czech Republic	Penalty up to 10% of tax payable		Interest chargeable at the rate of 0.1% per day (for up to 500 days). After that, interest charged at 140% of Czech national Bank discount rate.	Penalty at the rate of 0.1% per day (for up to 500 days). After that, interest charged at 140% of Czech national Bank discount rate.
Denmark	Penalty of DKK 200 for each day of delay, up to maximum of DKK 5,000.		Interest of 0.6 % per month.	For serious evasion, penalty from 100-200% of the tax evaded and/or imprisonment of up to 4 years.
Finland	Penalty of up to € 300		Penalty surcharge imposed at rate of 9.5% for 2004 – 2006 /1	For unintentional errors, penalty of € 150-300; penalty of 5-20% of additional income for reckless and/or deliberate behavior, with a minimum of € 800; under penal code, penalty for tax fraud is imprisonment of up to 2 years.
France	Penalty of 10% of tax payable, in addition to late payment interest of 0.75% per month. Penalty can be increased for extended failure.		Penalty of 10% of tax payable, in addition to late payment interest of 0.75% per month.	For unintentional errors, penalty of 0.75% per month; for other cases, penalty ranging from 10-80% of tax evaded. For criminal tax fraud, penalty of fine up to €37,500, and or prison sentence of up to 5 years; higher penalties for repeat offenses. Court may also suspend driving license and/r prohibit operation of business for up to 3 years.
Germany	Penalty of up to 10% of tax payable, maximum of €25,000, no penalty if failure is excusable.		Penalty of 1% per month.	Generally no penalty unless facts are intentionally or gross negligently reported incorrect or incomplete. Criminal penalties for intentionally incorrect reporting (tax fraud, up to 5 years prison). Administrative fines for gross negligence (up to €50,000).
Greece	Interest of 1.5% per month on tax due (up to 300% of tax payable). If there is no tax due, penalty up to € 888.		Interest of 1.5% per month of tax due (up to 300% of tax payable)	Penalty of 3.0-3.5% per month, up to 300%. For criminal tax fraud where tax evaded is more than €30,000, prison sentence of 1 year.
Hungary	Fine up to HUF 200,000		Interest, set at twice the prime rate of the Hungarian National Bank.	Penalty of 50% of tax evaded, plus late payment interest (for up to 3 years).
Iceland	Penalties up to 25% of tax payable		Penalty interest	Penalties up to 10% plus late payment penalty interest

COUNTRY	Failure to file returns on time	Failure to pay tax on time	Failure to correctly report tax liability
Ireland	Surcharge of either 5% of amount due (maximum of € 12,695) where the tax return is not more than 2 months late or 10% (maximum of €63,458 where the return is more than 2 months late	Interest of 0.0322% per day	For tax fraud, penalty up to 200% of tax evaded; for neglect, penalty up to 100% of tax evaded.
Italy	-	Interest of 5% per annum; penalty up to 30% of tax due may also be imposed.	Penalty ranging up to 240%, according to the seriousness of the offense. For criminal offenses, imprisonment from 6 months-6 years.
Japan	Penalty of 5% for voluntary filing. 15% filing as a result of tax audit	Until the date when two months have elapsed from the date following the specific due date for tax payment, either 7.3% per annum or official discount rate on November 30 of the preceding year plus 4%, whichever is lower. After the date when two months have elapsed from the date following the specific due date of tax payment 14.6% per annum	Administrative sanction of 10-40% according to seriousness of offense.
Korea	20 % of tax due or 0.07% of gross income, whichever is greater	Interest of 0.03% per day	Penalty tax of 10-30%, according to the size of the understatement.
Luxembourg	Penalty of up to 10% of amount due	Interest of 0.6% per month; an additional 10% may be imposed for persistent failure to pay liabilities on time.	Penalty up to 40% of tax evaded.
Mexico	Inflationary adjustments and surcharges plus penalty ranging between \$773.00-15,835.00	Inflationary adjustments and surcharges plus penalty ranging between 70-100% of unpaid taxes	Inflationary adjustments and surcharges plus penalty ranging between 50-100% of unpaid taxes
Netherlands	Omission: max. penalty € 1,134 Offense: max. penalty 100% of amount of tax return For criminal offenses: max. fine of € 16,750 or, if higher the amount of tax return or imprisonment of up to 4 years	Maximum penalty of € 4,537 and applicable rate of interest on the amount of tax return	Offense: maximum penalty of 100% of amount of tax return. For criminal offenses: max. fine of € 67,000 or, if higher, 1 x amount of tax return or imprisonment of up to 6 years
New Zealand	Penalty ranging from \$NZ 50-500, according to the size of the taxpayers' net income	Late payment penalty imposed at rate of 5% of tax payable, compounding at an additional 2% of unpaid tax and penalty for each subsequent month.	Administrative sanctions ranging from 20% (not taking reasonable care) to 150% for serious evasion/fraud. For criminal evasion offenses, a fine of up to \$NZ 50,000 or imprisonment not exceeding 5 years.
Norway	Penalty ranging from 0.1to 2% of net income	Interest of 15% for employers' withholding tax; 12% for income not subject to withholding	Administrative sanctions: surcharge up to 60% of the tax payable; for criminal offenses, fines and/or imprisonment of up to 2 years.
Poland	Fine or confinement, or both	Interest equal to 200% of the basic interest rate on pawn credits as announced by the National Bank of Poland. Rate was 13.5% as of January 2004. Compensatory interest chargeable of 1% per month.	Fine or confinement, or both
Portugal	Compensatory interest chargeable of 4% per annum. Penalty ranging from €199 up to €2,500.		Administrative sanctions: a fine of up to € 15,000 for minor offenses; other offenses subject to higher fines according to degree of seriousness (up to €25,000). For criminal offences fine or imprisonment up to 3 years.
Slovak Rep.	Penalty ranging from 0.2-10% of tax declared in return, up to SKK 1 million	Default interest on overdue amount equal to 4 times the base amount set by National Bank of Slovakia	For criminal offences, a fine or imprisonment of up to 12 years.
Spain	Surcharge	Interest for delay (with rate varied annually) plus surcharge	Administrative sanctions: Fine equivalent to fixed amount of deficiency; for less serious offenses ranges from 0-50%, for serious offenses from 50-100%, for serious offenses from 100-150%. Criminal offences: Court imposed fines can range up to 6 times the amount evaded and also a jail sentence of up to 4 years.
Sweden	Fine of SEK 1,000; further fine of SEK 4,000 if not filed after a reminder sent.	Interest calculated day by day	40% surcharge on undeclared income; reduced to 20% if relevant information was in the possession of the tax body.

COUNTRY	Failure to file returns on time	Failure to pay tax on time	Failure to correctly report tax liability
Switzerland		Vary across cantons	
Turkey	-	Late payment charge of 4% per month	Administrative sanction of up to 100% of deficiency plus one half of late payment charge imposed. For criminal tax fraud, imprisonment from 6 months to 3 years.
United Kingdom	PTT- fine of £100 is due if filed late; additional fine of £100 if not filed within 6 months of due date; further fine of 100% of tax due if not filed within one year; and further penalties possible	Interest is due on all tax paid late a variable rate. A surcharge of 5% is payable on any unpaid tax after 28 days from due date; a further 5% surcharge is payable if still unpaid after six months.	Additional tax up to 100% of tax payable, according to the seriousness of the offense.
United States	5% penalty for each month (or part of a month) during which there is a failure to file any returns, up to 25%. Interest accrues from the return due date, or extended due date.	1/2% of the tax not paid, for each month (or part of month) it remains unpaid up to 25%. The rate increases to 1% per month where the account is in field status, and reduces to 1/4% where taxpayer enters in payment agreement and makes payments timely. The failure to file penalty is reduced by the amount of failure to pay penalty.	The penalty range from 20% to 75%, according to the seriousness of the offense. Interest on the penalty amount accrues from the return due date, or extended due date. Interest on the tax deficiency starts from return due date, without regard to extensions. Underpayment interest on the tax is in addition to the interest on penalty. On the penalty, interest accrues from the date of the notice and demand or the assessment date of the penalty. The interest rate on the underpayment varies according to the type of return. For individual returns the current rate is 7% (compounded daily), and for corporate it is 9%.
2) Selected Non-OECD countries			
Argentina	Fine of ARS 200 for individuals and ARS 400 for entities	Compensatory interest of 1.5% per month calculated from due date; additional penal interest of 2.5% per month from commencement date of court collection procedure.	50-100 % of tax evaded
Brazil	-	-	-
Chile	Penalty of 10% of unpaid tax, plus an extra 2% for each month of delay after the sixth month. The total percentage cannot exceed 30%.	Penalty of 10% of unpaid tax, plus an extra 2% for each month of delay after the sixth month. The total percentage cannot exceed 30%. When the tax administration detects a failure in the payment of withholding taxes in an audit, the previous limits increase to 20% and 60%, respectively	Penalty ranging from 5% to 20% of evaded tax. In case of fraudulent report of tax liability, the previous limits increase to 50% and 300%, respectively, plus penal servitude
China	Penalty up to RMB10,000	Late payment penalty of 0.05% per day	50-500% of tax evaded. Imprisonment might be incurred.
Cyprus	£30 penalty for the failure, 5% penalty on 30 days from due date, 9% per annum from due date	Interest of 9% per annum from due date on late payment, 5% penalty imposed on 30 days from due date	10% of additional tax when declared taxable income is lower than 3/4 of the final taxable income
Estonia	A penalty of up to EEK 50,000 can be imposed on a company	Interest of 0.06% per day until payment	Penalty of up to EEK 50,000 can be imposed on a company
India	-	Interest of 1.25% per month generally	-
Latvia	Up to 15 days late—0.1% of declared liability (with ceiling); 16-30 days—0.5%; and over 30 days—1.0% of declared liability	Interest charged at the refinancing rate determined by Bank of Latvia for the period of delay. Additional surcharge of 0.05% is also charged.	Penalty of up to 100% of the tax evaded.
Lithuania	-	Interest in daily basis up to the unpaid tax amount, MOF determines interest rate	Penalty of up to 100% of the undeclared tax is imposed. The actual percentage depends on the nature of the taxpayer's violation.

COUNTRY	OFFENCE		
	Failure to file returns on time	Failure to pay tax on time	Failure to correctly report tax liability
Malta	Fixed values for Persons (Lm5) and Companies (Lm20) for filing up to six months after due date. 1% per month thereafter subject to maximum amounts.	Interest of 1% per month on late payment	1% per month of "unreported tax" subject to maximum amounts.
Russia	Penalty of 5% of the tax payable per month of delay, up to 30% of the amount of tax due; after 180 days the fine is 30% of the tax payable increased by 10% of the tax payable per month of delay starting from the 181st day of the delay	Interest of 1/300 of the refinancing rate of the Central Bank of Russia per day	Penalty of 20% of the understated tax (40% if intentional)
Singapore /1	Fine not exceeding \$1,000; In default of payment, imprisonment not exceeding 6 months	5% of tax payable; Further, 1% of tax unpaid for each completed month, up to 12%	Range of penalties depending on nature of error. Maximum penalty for willful intent to evade: penalty-300% of tax undercharged, fine-not exceeding \$10,000, imprisonment-not exceeding 3 years.
Slovenia	The penalty for individuals is €208.6; if returns are not filed at all, the penalty for individuals is between €417.3 and €1,251.8; penalty for legal entities and individuals performing business activities is between €1,669 and €25,037.5 if they fail to file VAT settlements on time the penalty is between €1,251.8 and €41,729.3.	The penalty for legal entities and individuals performing business activities is between €1,669 and €25,037.5; if they fail to pay VAT on time, the penalty is between €2,086.5 and €125,187.8.	The penalty for individuals is between €417.3 and €1,251.8; the penalty for legal entities and individuals performing business activities is between €1,669 and €25,037.5 if they fail to settle VAT or if they settle it incorrectly, the penalty is between €2,086.5 and €125,187.8.
South Africa	1 st offence R300, 2 nd offence R600, 3 rd and repeat offender R900	Interest is charged at a rate set from time to time by the Minister of Finance for debt owed to government.	Penalties depend on nature of understatement. Administrative penalty reaches a maximum of 200% for tax evasion with no extenuating circumstances. Criminal penalty for tax evasion is a fine and/or imprisonment not exceeding 5 years

Sources: *IBFD, country revenue officials, and summary of country audit practices prepared by the Netherlands Tax and Customs Administration.*

/1. **Finland**— after June 2006 new reference rate for penalty rate will be fixed by national central bank; **Singapore**—penalties are for income tax.

6 TAX REVENUE COLLECTIONS

Introduction

94. The OECD generally seeks to publish internationally comparable data on the tax revenues of OECD countries for all strata of government. The term “taxes” is confined to compulsory, unrequited payments to government. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments. It is important to recognize that the tax ratios published by the OECD depend just as much on the denominator (GDP) as the numerator (tax revenue), and that the numerator is subject to revision for a variety of reasons. Readers are directed to the OECD publication ‘Revenue Statistics 1965-2004’ (page 30) for more information concerning the impact of GDP revisions on reported tax ratios in member countries.
95. Table 21 provides aggregate country tax revenues (for the major tax types and covering all levels of government) as a percentage of gross domestic products (GDP) for 2003. These ratios are calculated by expressing total tax revenues as a percentage of GDP at market prices. A provisional or actual aggregate figure for all taxes is also provided, where available, for 2004. The data for OECD countries has been sourced from the OECD’s ‘Revenue Statistics’ publications while the data for other countries have been obtained from a variety of sources (that are referenced at the foot of the Table). Care needs to be taken when comparing the tax burdens of OECD and non-OECD countries given the possibility of differences in the way the underlying aggregate data may have been compiled.
96. Table 22 reflects the tax structures of surveyed countries for fiscal year 2003. Tax structures reflect the share of major taxes in total tax revenue, and in turn the degree of reliance by governments on the various taxes.

Key observations and trends

97. Tax ratios vary enormously between surveyed countries, as does their evolution over time. For fiscal year 2003, in the European region nine countries—Austria, Belgium, Denmark, Finland, France, Italy, Luxembourg, Norway and Sweden—had tax/GDP ratios of more than 40 per cent. In contrast, total tax revenues of Chile, China, India, Mexico, and Singapore were less than 20 per cent of GDP, while eight countries—Argentina, Ireland, Japan, Korea, Latvia, Lithuania, the United States, and South Africa—had tax ratios in the 20-30 per cent range. Just over half of surveyed countries had an aggregate tax burden equivalent to between 30-40 percent of GDP.
98. The variations evident from Tables 21 and 22 have a number of implications from a tax administration viewpoint, particularly in the context of international comparisons.
99. The significant variations in reported tax ratios coupled with variations in the mix of direct and indirect taxes mean that there can be quite different administrative workloads and compliance considerations from country to country.

Table 21: Taxes/GDP in OECD and Selected Non-OECD Countries (2003 & 2004)
(All levels of government)

COUNTRY	Tax/GDP (%) for major tax types (2003)					All taxes- all levels of government	
	Personal income (1100)	Social funds (2000)	Corporate /profits (1200)	Value added (5111)	Specific goods & services (5120)	2003	2004 (provisional or actual)
<i>1) OECD Countries</i>							
Australia	12.2	n.applic.	5.3	4.2	4.3	31.6	n.avail.
Austria	9.9	14.5	2.2	7.9	3.4	43.1	42.9
Belgium	14.3	14.4	3.4	7.0	3.3	45.4	45.6
Canada	11.7	5.2	3.5	3.4	3.2	33.8	33.0
Czech Rep.	4.9	16.4	4.6	6.4	3.8	37.7	37.6
Denmark	25.6	1.2	2.9	9.7	5.4	48.3	49.6
Finland	13.9	12.0	3.5	8.7	5.3	44.8	44.3
France	7.6	16.4	2.5	7.1	3.5	43.4	43.7
Germany	8.5	14.4	1.3	6.4	3.7	35.5	34.6
Greece	4.9	12.9	3.3	7.8	3.6	35.7	35.1
Hungary	7.3	11.7	2.2	8.4	4.9	38.5	37.7
Iceland	14.9	3.4	1.5	10.1	4.1	39.8	41.9
Ireland	7.9	4.4	3.8	7.3	3.6	29.7	30.2
Italy	10.8	12.7	2.9	6.1	3.8	43.1	42.2
Japan	4.4	9.7	3.3	2.4	2.1	25.3	n.avail.
Korea	3.2	4.9	3.9	4.6	4.5	25.3	24.6
Luxembourg	7.1	11.5	7.9	6.2	5.1	41.3	40.6
Mexico	2.9	3.2	1.9	3.7	6.1	19.0	18.5
Netherlands	6.9	14.1	2.9	7.7	3.5	38.8	39.3
N. Zealand	14.6	n.applic.	4.7	9.1	2.4	34.9	35.4
Norway	10.8	10.0	8.1	8.7	4.0	43.3	44.9
Poland	4.4	14.1	1.8	7.4	4.8	34.2	32.9
Portugal	5.8	11.7	3.2	8.5	5.0	37.1	34.5
Slovak Rep.	3.3	12.3	2.8	6.8	3.9	31.1	30.8
Spain	6.5	12.3	3.1	6.0	3.2	34.9	35.1
Sweden	15.8	14.7	2.5	9.2	3.7	50.6	50.7
Switzerland	10.1	7.5	2.5	4.0	2.5	29.5	29.4
Turkey	5.2	6.8	2.6	8.2	7.2	32.8	31.1
UK	10.2	6.6	2.8	7.0	4.1	35.6	36.1
USA	9.0	6.7	2.1	n.applic.	1.8	25.6	25.4
Aver. Unw.	9.4	9.5	3.4	6.7	4.0	36.3	n.avail.
<i>2) Selected Non-OECD Countries</i>							
Argentina /1	3.9	4.4	In PIT	5.6	2.0	21.1	24.2
Brazil	-	-	-	-	-	-	-
Chile /1	2.2	1.4	2.2	8.3	1.9	19.0	18.7
China	1.2	-	2.6	8.6	1.0	17.4	18.8
Cyprus	4.5	7.1	4.4	8.9	3.8	33.3	34.1
Estonia	7.0	11.5	1.7	8.9	3.3	32.9	32.6
India	1.6	-	2.3	n.applic.	3.3	15.0 /1	15.7
Latvia	5.9	9.0	1.5	7.3	3.3	28.5	28.6
Lithuania	6.6	8.6	1.4	6.8	3.2	28.2	28.4
Malta	6.6	6.8	4.7	7.3	2.8	32.2	35.1
Russia	4.0	8.6	3.4	6.7	2.6	34.0	35.2
Singapore	2.4	n.avail.	3.7	1.8 /1	1.2	14.3	13.9
Slovenia	6.0	14.9	1.9	8.9	3.5	39.4	39.7
South Africa	7.7	-	4.8	6.3	1.0	23.6	25.0

Sources: **OECD members**—OECD Revenue Statistics (1965-2004) published in October 2005 and country survey; **Non-OECD EU members**—Structures of the Tax Systems of European Countries (2006 edition); **Argentina**—IMF Country Report No. 05/236 (July 2005); **India**—IMF Country Report No. 05/87 (March 2005); **Russia**—IMF Country Report No. 05/378 (October 2005); **Singapore**—Budget Table 2006; **South Africa**—Budget Table 2006.

/1. **Argentina**—PIT and CIT cannot be separated; **India**—includes taxes on commodities and services levied at sub-national level; **Singapore**—Goods and service tax.

Table 22: Tax Structure—Major Taxes/Total Country Taxation-2003 (%)

COUNTRY	Major direct taxes			Major indirect taxes		Other taxes /1
	Personal income (1100)	Social funds (2000)	Corporate /profits (1200)	Value added (5111)	Excise (5121)	
<i>1) OECD Countries</i>						
Australia	38.5	n.applic.	16.7	13.3	8.5	23.0
Austria	23.1	33.7	5.1	18.4	6.2	13.5
Belgium	31.4	31.8	7.4	15.5	5.0	8.9
Canada	34.6	15.4	10.4	10.2	5.5	23.9
Czech Rep.	13.0	43.6	12.3	17.1	9.1	4.9
Denmark	53.1	2.5	5.9	20.1	10.3	8.1
Finland	31.0	26.7	7.7	19.4	9.7	5.5
France	17.5	37.7	5.7	16.3	6.2	16.6
Germany	23.9	40.5	3.5	17.9	9.0	5.2
Greece	13.7	36.1	9.2	21.8	8.9	10.3
Hungary	18.9	30.5	5.8	21.7	9.9	13.2
Iceland	37.6	8.6	3.9	25.5	7.7	16.7
Ireland	26.5	14.8	12.9	24.5	11.7	9.6
Italy	25.1	29.5	6.6	14.2	5.8	18.8
Japan	17.5	38.5	13.0	9.5	7.6	13.9
Korea	12.7	19.5	15.3	18.2	13.1	21.2
Luxembourg	17.1	27.9	19.1	14.9	11.8	9.2
Mexico	24.6 /2	16.9	- /2	19.4	9.3	29.8
Netherlands	17.9	36.3	7.6	19.7	8.3	10.2
N. Zealand	41.9	n.applic.	13.6	26.1	4.8	13.6
Norway	24.8	22.9	18.5	20.0	8.4	5.4
Poland	12.8	41.4	5.3	21.7	12.3	6.5
Portugal	15.8	31.7	8.7	22.9	11.5	9.4
Slovak Rep.	10.8	39.6	9.1	22.0	10.1	8.4
Spain	18.6	35.3	9.0	17.2	7.2	12.7
Sweden	31.3	29.1	5.0	18.2	6.5	9.9
Switzerland	34.3	25.5	8.5	13.4	6.3	12.0
Turkey	15.7	20.8	8.0	24.9	19.2	11.4
UK	28.7	18.5	7.8	19.8	9.7	15.5
USA	35.3	26.4	8.1	n.applic.	4.3	25.9
Aver. Unw.	24.9	26.1	9.3	18.1	8.8	13.1
<i>2) Selected Non-OECD Countries</i>						
Argentina /2	20.3	21.0	In PIT	26.4	9.4	22.9
Brazil	-	-	-	-	-	-
Chile	11.7	7.6	11.4	43.6	10.2	15.5
China	6.9	-	14.9	49.3	6.0	22.9
Cyprus	13.5	21.2	13.1	26.8	11.5	13.9
Estonia	21.0	34.5	5.1	26.5	9.9	3.0
India	10.5	-	15.2	n.applic.	-	-
Latvia	20.1	31.5	5.2	25.2	11.6	6.4
Lithuania	23.3	30.3	4.9	23.9	11.1	6.5
Malta	19.5	20.3	13.9	21.7	8.3	16.3
Russia	-	-	-	-	-	-
Singapore	16.8	n.avail.	25.7	12.8 /2	8.4	36.4
Slovenia	15.1	37.1	4.7	22.3	8.8	12.0
South Africa	32.6	-	20.1	26.7	4.1	16.5

Source: OECD Revenue Statistics (1965-2004) published in 2005 and country survey responses.

1. This category is comprised of an array of federal, state, and local government taxes (e.g. non-resident withholding taxes, customs duties, payroll taxes, property taxes, and sales taxes other than VAT) that vary in nature and relative magnitude from country to country.

2. **Argentina**—PIT and CIT cannot be separated; **Mexico**—ratio of tax on income not allocable between 1100 and 1200; **Singapore**—Goods and service tax

7 OPERATIONAL PERFORMANCE INFORMATION

Introduction

100. This part provides a limited array of operational performance information of the kind that is sometimes used in international comparisons of tax administration systems. For the reasons outlined in this part and elsewhere in this document, considerable care should be taken when interpreting this information and in drawing any conclusions as to the relative efficiency and effectiveness of the individual revenue bodies identified.
101. The information provided in this part is described hereunder:
- Table 23 provides aggregate data on the overall costs of tax administration with separate data on salary and information technology expenditure for 2003 and 2004 fiscal year.
 - Table 24 provides information on the computed 'cost of collection' ratio (that is, the ratio of total administration expenditure for tax administration to net revenue collections. Where available, multiple years' data are provided. Given that this ratio is frequently used (and sometimes misinterpreted) in international comparisons, a brief indication is also given of known factors that may influence the ratio for individual countries.
 - Table 25 displays aggregate staffing levels (expressed as FTE's) of revenue bodies for tax-related activities. For international comparison purposes, two comparative measures are provided- the number of citizens per one staff member and the number of labor participants per one staff member. Known abnormal factors that may influence these comparative measures are also indicated.
 - Table 26 displays aggregate staffing levels, along with sub-organizational allocation of staff by major functional groupings.
 - Tables 27 and 28 provide information on the performance of audit and other verification activities, including the number of completed actions, the amounts assessed and collected, and the ratio of the assessment to total net revenue collections.
 - Table 29 displays data on the incidence of unpaid taxes and associated debt caseloads.

Key Observations and trends

102. Based on the data in Table 23 to 29, the key observations are as follows:
- Although more and more operations are becoming computerised, salary is the single largest cost item for tax administration functions in 2003 and 2004 in all surveyed countries because revenue body's mission is to collect revenues by enforcing tax laws, not to make government expenditures. Salary ratios in 2004 are in the 60-90 per cent range of total tax administration cost in two thirds of surveyed countries while others 50-60 per cent range.

- Cost of collection ratios (i.e. the ratio of administrative costs/tax revenue collections), which are widely used internationally to draw conclusions on the relative efficiency and effectiveness of revenue bodies, vary substantially across surveyed countries, in part due to factors unrelated to efficiency and effectiveness; for this reason, these ratios need to be interpreted with considerable care, and used only as a pointer to further analysis.
- For similar reasons, comparisons of the relative staffing levels of revenue bodies need to be made with a degree of caution, in particular to take account of non-tax functions performed (e.g. customs, welfare-related roles) where these have not been separately identified, and the scope of taxes administered by the bodies concerned.
- Staff resources devoted to tax audit and other verification functions appear to vary substantially across surveyed countries, most likely reflecting a range of factors (e.g. different systems of assessment, varying definitions of tax audit activities), varying priorities to the management of compliance risks, and wide variations in the degree of modern technology usage to support operational activities).
- Notwithstanding the little amount of revenue collected by those functions, compared to total staff usage, tax audit and verification activities are important measures for compliance management purposes.
- Available data (although limited) suggests that the collection of tax debts is a growing and/or significant problem for a number of surveyed countries.

Ratio of Administrative Costs to Revenue Collections

103. It has become a fairly common practice for revenue bodies to compute and publish (e.g. in their annual reports) a 'cost of collection' ratio as a surrogate measure of the efficiency/ effectiveness of administration.¹⁴ The ratio is computed by comparing the annual costs of administration incurred by a revenue authority, with the revenue collected over the course of a fiscal year. It can be expressed as a percentage or as the cost of collecting 100 units of revenue. The ratio is sometimes calculated for a particular tax, but as this tends to raise 'cost apportionment' issues it is not common practice. A summary of such ratios for a number of OECD countries (drawn from published reports and survey data) is provided in Table 24.
104. Most tax authorities tend to publish the ratio for a number of years and, all other things being equal, changes in the ratio over time should reflect movements in relative efficiency and/or effectiveness. This arises from the fact that the ratio is derived from a comparison of inputs (i.e. administrative costs) to outputs (i.e. tax revenue collections); initiatives that reduce relative costs (i.e. improve efficiency) or improve compliance and revenue (i.e. improve effectiveness) will impact on the ratio. In practice, however, there are a number of factors that inevitably come into play and influence the cost/ revenue relationship, but which have nothing to do with relative efficiency or effectiveness (refer Box 15 which identifies a number of these factors). Clearly, any analysis of movements in the ratio should pay regard to the sorts of factors described.

Box 15. Is the 'Cost of Collection Ratio' a Reliable Indicator of Efficiency/Effectiveness?

Observed over time, a downward trend in the 'cost of collection' ratio can constitute evidence of a reduction in relative costs (i.e. improved efficiency) and/or improved tax compliance (i.e. improved effectiveness). However, experience has also shown that there are many factors that can influence the ratio which are not related to changes in a revenue authority's efficiency and/or effectiveness:

¹⁴ Examples include Australia, Hong Kong, Ireland, Japan, Singapore, United Kingdom, and the United States.

a. Changes in tax rates: The legislated rates of tax are an important factor in determining the cost/revenue relationship. In theory, a policy decision to increase the overall tax burden should, all other things being equal, improve the ratio by a corresponding amount, but this has nothing to do with improved operational efficiency or effectiveness.

b. Macroeconomic changes: Abnormal changes in rates of economic growth etc. or inflation over time are likely to impact on the overall revenue collected by the tax administration and the cost/revenue relationship. This is especially likely to occur in countries that are prone to considerable volatility in the movement of such indicators.

c. Abnormal expenditure of the revenue authority: From time to time, a tax authority may be required to undertake an abnormal level of investment (e.g. the building of a new information technology infrastructure, acquisition of more expensive new accommodation). Such investments are likely to increase overall operating costs over the medium term, and short of off-setting efficiencies, will impact on the cost/revenue relationship. The introduction of new taxes may also present additional up front administrative costs that initially impact on the cost/revenue ratio, but which are dissipated over time. (The use of accrual accounting may reduce the impact of these expenditures on the cost/revenue relationship.)

d. Changes in the scope of taxes collected by a revenue authority: From time to time, governments decide to shift responsibility for the collection of particular taxes from one agency to another. For example, in Australia, responsibility for administration of excises was moved from the Customs Authority to the Australian Taxation Office (ATO) in 1999; in the UK, responsibility for the collection of national insurance contributions fell for many years to the IRD but was excluded from 'cost of collection' computations until 1999/2000, when the IRD assumed a broader set of responsibilities in relation to its administration. For both agencies, the incorporation of a new revenue stream had a substantial positive impact on the ratio reported by the respective agencies.

As the 'cost of collection' ratio takes account of total revenue collections, there has been a tendency by some observers to use it as an indicator of effectiveness. However, its usefulness in this regard is limited for one fundamental reason. The difference between the amount of tax actually collected and the maximum potential revenue is commonly referred to in tax literature as the "tax gap". Put another way, the amount of revenue collected compared with the maximum potential revenue, expressed as a percentage, is the overall level of compliance or effectiveness achieved by the tax administration. All other things being equal, initiatives that improve compliance with the laws (i.e. improve effectiveness) will impact on the cost/revenue relationship. **However, because the cost/revenue ratio ignores the revenue potential of the tax system, its value as an indicator of effectiveness is limited.** This is particularly relevant in the context of international comparisons—countries with similar cost/ revenue ratios can be poles apart in terms of their relative effectiveness.

International Comparisons of Cost of Collection Ratios

105. Given the many similarities in the taxes administered by federal revenue collection authorities from country to country, there has been a natural tendency by observers to make comparisons of 'cost of collection ratios' and draw conclusions on the respective administration's efficiency and effectiveness. However, experience shows that such comparisons are difficult to carry out in a consistent fashion, given the range of variables to be taken into account (refer Box 16).

Box 16. International Comparisons of Cost of Collection Ratios

From analytical work that has been undertaken in conducting such comparisons, there are many factors that have been found to explain the marked variations in the ratio that are reported from country to country. The more significant factors are described below:

a. Differences in tax rates and structure: Rates of tax and the actual structure of taxes all will have a bearing on revenue and, to a lesser extent, cost considerations. For example, comparisons between high-taxing countries (e.g. from within Europe where tax burdens regularly exceed 40 percent) and low-taxing countries (e.g. from within Asia or Africa) are hardly realistic given their respective tax burdens.

b. Differences in the range and nature of taxes administered by federal revenue authorities: There are a number of differences that can arise here. In some countries, more than one major tax authority may operate at the national level (e.g. India, Cyprus and Malta), or taxes at the federal level are predominantly of a direct tax nature, while indirect taxes are administered largely by separate regional/state authorities (e.g. in the United States of America). In other countries, one national authority will collect taxes for all levels of government, i.e. federal, regional and local governments (a number of EU countries). Comparisons between countries should pay careful regard to this factor.

c. Collection of social insurance, retirement contributions, etc.: As described earlier in this

series, there are significant variations from country to country in the collection of social security contributions. Some countries do not have special regimes (e.g. Australia, New Zealand), while others make separate provision for them and have them collected by the main tax revenue collection agency. Some countries have them collected by a separate government agency. Given that social contributions are a major source of tax revenue for many countries, the inclusion/exclusion of social contributions in the revenue base for 'cost of collection' calculation purposes can have a significant bearing on the computed ratio.

d. Differences in the range of functions undertaken: The scope of functions undertaken by the national revenue body can vary from country to country. For example, in some countries 1) tax fraud investigations are undertaken by a separate government agency (whose costs are excluded from the 'cost of collection' ratio), rather than the main revenue collection agency and 2) the tax authority is also responsible for carrying out functions not directly related to tax administration (e.g. administration of customs laws, valuation functions, payment of certain welfare benefits).

e. Lack of a common measurement methodology: There is no universally accepted methodology for the measurement of administrative costs. Tax authorities that publish a 'cost of collection' ratio generally do not reveal details of the measurement approach adopted for their calculations. In relation to administrative costs, the treatment of employee pension costs, accommodation costs, interest paid on overpaid taxes, the use of cash and non-cash methods (e.g. by means of a float) to recompense financial institutions for collecting tax payments, and capital equipment purchases are some of the potentially significant areas where the measurement approaches adopted may vary. The ratio is also influenced by the selection of the revenue base i.e. 'gross' or 'net' (i.e. after refunds) revenue collections figure for its computation. For example, the US Internal Revenue Service (IRS), which has one of the lowest reported 'cost of collection' ratios for any national revenue authority, and the Irish Revenue Authority, both use 'gross' revenue as the basis of their reported computation, while most other authorities use a 'net' figure. As a result, for both countries the reported ratio is around 10-12 percent lower than if it were computed on a 'net' revenue basis.

106. Many of the factors described in Box 16 are evident from the data provided in Table 24. For example;

- for many of the surveyed countries (particularly some in Asia and Europe) social security contributions, which in many countries constitute a significant revenue stream, are collected by a separate agency and therefore are excluded from the revenue base used to compute the ratio;
- the inability of some revenue bodies (i.e. Ireland, Mexico, South Africa and Spain) to exclude the costs of non-tax functions (e.g. customs, welfare – related roles) from the cost base used to calculate the ratio;
- there are substantial differences in the statutory tax burden (and hence the potential tax revenue base) across surveyed countries (ranging from below 20% to to over 50% of GDP) that influences what is collected in practice, and hence the computed ratio; and
- unusual institutional arrangements exist in some countries (e.g. Italy—tax fraud functions, and Chile—tax debt collection functions) that see some mainstream tax administration-related functions performed by a body separate from the main revenue body; as a result, the cost data used to compute the ratio for these countries understates the real costs of tax administration, and hence the computed ratio.

107. For these sorts of reasons, international comparisons of this ratio need to be made with considerable care and take account of any abnormal factors highlighted, as well as other differences in approach to revenue administration highlighted elsewhere in this series.

Relative Staffing Levels of Revenue Bodies

108. A summary of the staffing levels of national revenue bodies is set out in Table 25. To the extent possible, account has been taken to remove the staffing related to the performance of some non-taxation related roles performed by some revenue bodies.

109. In order to reflect a degree of relativity, aggregate staff levels have been compared with overall official country population and labor force data. Comparisons of this nature are naturally subject to some of the qualifications referred to earlier concerning ‘cost of collection’ ratios—in addition to efficiency considerations, exogenous factors such as the range of taxes administered (e.g. social contributions, motor vehicle and property taxes) and the performance of non-tax related roles (where these cannot be isolated) all impact on the magnitude of the reported ratio.¹⁵ For some countries, demographic features (e.g. country age profile, rate of unemployment) are also likely to be relevant. To assist readers, known abnormal factors influencing the reported ratios have been identified.
110. Concerning OECD countries, it will be evident that the greatest level of consistency occurs in relation to the measure based on country labour forces:
- some 5 revenue bodies have a ratio less than 300 (for some including customs operations);
 - 15 revenue bodies have a ratio in the range 301-500; and
 - 10 revenue bodies have a ratio over 500 (including 5 “outliers” (i.e. Japan, Korea, Mexico, Switzerland and the United States) where the ratio exceeds 1,000).
111. In the case of Japan, staffing levels of the NTA have remained in the region of 50,000 to 56,000 for the last 50 years, reflecting decisions both to keep resources roughly constant and, importantly, to minimize workloads. Concerning the latter, administrative workloads have been kept well below the levels of other revenue bodies in a relative sense by tax system design features (high reporting thresholds, infrequent tax payment obligations, wide use of tax withholding) that reduce operational workloads. For example, until recently¹⁶, there was an abnormally high threshold for VAT registration (i.e. equivalent to around €300,000) and bi-annual payment and filing requirements for VAT. In addition, there are biannual return filing and payment obligations in respect of corporate tax, withholding of tax at source on dividend and interest income and certain payments for independent services, while a final wage withholding system applies for most employee taxpayers (with minimal recording of taxpayer registrations). Also relevant is the collection of social security contributions by a separate agency.
112. Korea also imposes withholding at source for dividend and interest income and certain payments for independent services, makes substantial use of final withholding systems for the bulk of employee taxpayers (employers withhold monthly, calculate employees’ tax liability and clear the balance off at the end of year, which keeps minimal recording of taxpayer registrations), and applies bi-annual reporting and payment arrangements for VAT liabilities. Korea introduced a new electronic third party information providing system to relieve documentation burden of employers and employees in 2005.
113. With annual tax collections equivalent to around 19 percent of GDP, Mexico’s tax system is of a considerably smaller scale than all other OECD countries. Its tax system arrangements are characterized by substantial use of final withholding system arrangements for employee taxpayers (with quite limited registration of personal taxpayers (equivalent to around 20 percent of the official labor force)), and a relatively small population of registered business taxpayers.

¹⁵ Also relevant to this matter is the fact that a number of national revenue bodies (e.g. Denmark, Netherlands) are required to undertake government-directed staff reduction programmes. In addition, as part of the reform of tax administration arrangements recently announced in the UK involving the merging of the UK IRD and C&E, significant staff reductions are envisaged in the coming years.

¹⁶ From 2004 registration, return filing, and payment obligations have been brought more into line with the requirements seen in most OECD countries.

114. The ratio for Switzerland is greatly impacted by the fact that personal income taxes are administered at the sub-national level by separate agencies in each canton. To a very large extent, the ratio reflects only the costs of VAT administration thus making it incomparable with all other revenue bodies.
115. In the case of the United States, a comparison of relative staffing levels with other surveyed countries is complicated by the absence of a national VAT (or a similar tax) administered at the national level, as in most other surveyed countries. A further complication is that, unlike most other surveyed countries, there are income taxes and retail sales taxes levied at the state level in the United States that are administered separately, not by the IRS. For these reasons, the computed ratio for the IRS—and this would also apply to its computed ‘cost of collection’ ratio—is not really comparable with that of revenue bodies in surveyed OECD countries.
116. Concerning revenue bodies in non-OECD surveyed countries, the computed ratio reflects a similarly divergent pattern, ranging from less than 300 to over 6,000. The factors that might explain this disparity have not been identified but may be similar in nature to those applying in OECD countries.

Staff Resources Devoted to Verification and Related Functions

117. Revenue bodies are allocated finite resources to carry out their responsibilities. Employees constitute the major resource of all revenue bodies and a critical decision is the allocation of these resources across many competing demands (e.g. resources for critical “front-line” compliance functions such as taxpayer services, education, audits, and debt collection; resources for essential “back room” information processing/ taxpayer account maintenance work; and resources for corporate support functions such as information technology, human resource management, etc.).
118. Table 26 provides an indication of country practices concerning the allocation of resources to compliance functions, in particular for audit and related verification functions, and other key functional groupings. Given definitional issues (e.g. what constitutes “tax audit” work?), and the possibility of some inconsistencies in the compilation of data, this information needs to be interpreted with care. Nevertheless, it does indicate that there are potentially substantial differences in the levels of resources devoted to these important functions, which may warrant further inquiry and potentially action to address any perceived imbalances. Factors that may explain some of these differences in staff functional resource allocations between countries include (1) the use of administrative assessment versus self-assessment for income tax; (2) the extent of automated systems in place; (3) the extent of staff devoted to overheads; and (4) the size of the revenue bodies’ network of offices and rules associated with the allocation of staffing across office networks.

Tax Audit Activities

119. Tax audit and verification activities represent a major investment of revenue body resources in surveyed countries—based on the data in Table 26, just on half of surveyed revenue bodies reported that over 30% of staff resources are devoted to tax audit, investigation, and verification activities. For this reason alone, how audit resources are applied and the contribution they make to revenue collections and rates of compliance are of interest to all revenue bodies.
120. Tables 27 and 28 attempt to provide an idea of the scale of tax audit and related verification activities, in terms of the numbers of audits conducted, the value of assessments resulting from such actions. Ideally this information should also be read in conjunction with information on taxpayer populations provided in Table 30.

These data need to be interpreted with care given possible differences in understanding/ practice in the definition of ‘tax audit’ activities.

Tax arrears inventories

121. The collection of tax debts is another important responsibility of revenue bodies. As noted in Table 4, with very few exceptions all revenue bodies in surveyed countries maintain a dedicated debt collection function to pursue the non-payment of tax debts.
122. Included in Table 29 is the ratio of aggregate tax arrears (i.e. all unpaid taxes, including those where a dispute is involved, for all years recorded on taxpayers’ accounts) to the denominator of annual net revenue collections of all taxes for the years indicated, reported by surveyed countries. A number of countries apply this measure, or a variant thereof, in their management information systems to gauge the broad trend over time of tax payment compliance and their debt collection performance. Generally speaking, a declining trend in the ratio is likely to indicate improved payment compliance and/or debt collection effectiveness. Table 29 also displays, where available, data on the size of debt inventories and cases finalized in 2004. These data should be read in conjunction with the registered taxpayer population data in Table 30.
123. From the data provided in Table 29, a number of observations can be made:
 - the relative incidence of unpaid taxes varies enormously across surveyed countries, for some revenue bodies at less than 5% of annual net revenue, for around 25% of surveyed countries exceeding 15%, and for a very few exceeding over 50% of annual net revenue collections;
 - relatively large numbers of countries were unable to provide data on the volumes of finalized and year-end cases, suggesting possible weaknesses in the management information systems in place.
124. Comparisons between countries need to be made with care, for the sorts of reasons described earlier in this part. In addition, the size of a revenue body’s reported volume of tax arrears will be affected by the debt write-off policies in place and the extent of their use, which may vary substantially across surveyed countries, and potentially by the scale of enforcement/ verification activities.

Table 23. Aggregate Administrative Costs for Tax Administration Functions (2004)
(All amounts in millions of local currency, unless otherwise stated)

COUNTRY	Aggregate administrative costs for all tax functions (incl. salaries)		Total salary costs for tax functions		Salary costs/aggregate administrative costs (%)		Total IT costs		IT costs/aggregate administrative costs (%)	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
<i>1) OECD countries</i>										
Australia	2,299.9	2,438.9	1,466.2	1,528.8	63.8	62.7	412.0	420.5	17.9	17.2
Austria	534	481	451	404	84.4	84.0	100	100	18.7	20.8
Belgium	-	1,500 /1	-	1,226.6 /1	-	81.8	-	-	-	-
Canada /1	3,164	2,946	n.avail.	n.avail.	-	-	366	370	11.6	12.6
Czech Rep.	-	-	-	-	-	-	-	-	-	-
Denmark	€ 759	€ 752	€ 503	€ 502	66.3	66.8	€ 97/1	€ 124/1	12.8	16.5
Finland	317	324	215	222	67.8	68.5	53	51	16.7	15.7
France	4,348	4,423	3,514	3,587	80.8	81.1	138	125	3.2	2.8
Germany	n.avail.	6,435	n.avail.	5,486	-	85.3	n.avail.	n.avail.	-	-
Greece	568.9	620.2	489.7	537.6	86.1	86.7	7.1	6.2	1.2	1.0
Hungary	n.avail.	71,143	n.avail.	52,587	-	73.9	n.avail.	n.avail.	-	-
Iceland	3,029	3,181	2,000	2,080	66.0	65.4	598	619	19.7	19.5
Ireland/1	337	365	246	266	73.0	73.0	31	38	9.3	10.4
Italy	1,864	2,275	956	1,155	51.3	50.8	107	116	5.7	5.1
Japan	723,221	717,627	568,620	569,512	78.6	79.4	73,258 /1	70,079 /1	10.1	9.8
Korea	879,651	949,234	579,627	641,733	65.9	67.6	47,508	58,056	5.4	6.1
Luxembourg	n.avail.	102	n.avail.	87	-	85.3	n.avail.	n.avail.	-	-
Mexico	7,978	7,701	6,426	6,256	80.5	81.2	454/1	492/1	9.6	10.8
Netherlands	1,903	1,862	1,232	1,234	64.7	66.3	449	457	23.6	24.5
N. Zealand	289	310	168	188	58.1	60.6	67	68	23.1	21.9
Norway	3,369	3,295	1,989	2,209	59.0	67.0	263	231	7.8	7.0
Poland/1	2,837	3,789	1,783	2,526	62.8	66.7	n.avail.	n.avail.	n.avail.	n.avail.
Portugal	358	353	298	290	83.2	82.1	55.7 /1	58.3 /1	15.6	16.5
Slovak Rep.	2,381	2,572	1,520	1,641	63.8	63.8	530	391	22.2	15.2
Spain	1,086	1,149	730	768	67.2	66.8	69/1	70/1	6.3	6.1
Sweden	6,517	6,963	4,681	5,009	71.8	71.9	n.avail.	1,018	-	19.1
Switzerland	143	142	127	127	88.8	89.4	16	15	11.2	10.6
Turkey	666	922	543	682	81.5	74.0	31	57	4.7	6.2
UK /1	3,140	3,146	1,866	1,871	59.4	59.5	430	529	13.7	16.8
USA	9,400	9,760	6,850	7,120	72.9	72.9	1,560	1,600	16.6	16.4

COUNTRY	Aggregate administrative costs for all tax functions (incl. salaries)		Total salary costs for tax functions		Salary costs/aggregate administrative costs (%)		Total IT costs		IT costs/aggregate administrative costs (%)	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
2) Non-OECD countries										
Argentina	1,362.21	1,637.17	1,034	1,358	75.9	82.9	31	41	2.3	2.5
Brazil	1,919	2,878	1,247	1,773	65.0	61.6	-	-	-	-
Chile	69,295.1	77,331.6	52,661.3	57,715.0	76.0	74.6	1,104.8	3,092.1	1.6	4.0
China					No data available					
Cyprus- IR	6.9	8.2	6	6.8	86.9	82.9	-	-	-	-
Cyprus- VAT	145.4	129.2	18.7	20.7	12.7	16.0	2.2	2.6	1.5	2.0
Estonia	-	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-	-	-
Latvia	-	-	-	-	-	-	-	-	-	-
Lithuania	147.1	184.2	84.3	93.0	57.3	50.5	6.3	8.1	4.3	4.4
Malta- IR	3.65	4.31	2.76	2.73	82.1	82.3	0.22	0.22	6.5	6.6
Malta- VAT	2.12	2.17	1.07	1.11	50.5	51.2	0.012	0.01	-	-
Russia	-	-	-	-	-	-	-	-	-	-
Singapore	166.6	183.3	106.6	108.6	64.0	59.2	33.3	48.2	20.0	26.3
Slovenia	19,117	20,528	12,832	13,581	67.1	66.2	988	2,012	5.2	9.8
South Africa	3,653	4,312	1,658	2,210	45.4	51.2	426	598	11.7	13.9

Sources: Country survey responses, annual reports.

/1. **Canada**—All expenditures exclude services provided by other government departments, 2003 and 2004 aggregate administrative costs do not include costs of customs operations, salary cost solely for tax functions is not measured; **Denmark, Ireland, Mexico, Poland and South Africa**—Aggregate costs include costs of customs operations; **Japan**—the figures include KSK system (comprehensive tax administration system)-related expenditures and expenditures to improve convenience for taxpayers (touch screen computers and the development of e-Tax and tax return preparation website); **Portugal**—software and informatics equipments not included (around €9 million); **Spain**—IT costs shown are investments in equipment and external applications only.; **UK**—figures are a combination of the two former revenue bodies that were formally merged in 2005; **Belgium**—total administrative expense and total salary expense are for all revenue body functions in 2005.

Table 24: Comparison of Aggregate Administrative Costs to Net Revenue Collections /1

COUNTRY	Administrative costs/ net revenue collections (costs per 100 units of revenue)				Abnormal or unusual factors likely or known to influence reported ratio	
	2000	2001	2002	2003		2004
<i>1) OECD Countries</i>						
Australia /2	-	1.06	1.07	1.05	1.05	
Austria	0.80	0.71	0.72	0.91	0.78	High tax burden; revenue base <u>excludes</u> social contributions
Belgium	-	-	-	-	1.89	
Canada	1.07	1.08	1.20	1.33	1.17	Removal of customs functions to separate agency at the end of 2003; Costs and revenue bases for 2003 and 2004 exclude customs
Czech Rep.	-	-	2.08	-	-	Revenue base <u>excludes</u> social contributions and, from 2004, excise revenues.
Denmark	-	-	0.73*	0.87	0.83	High tax burden; revenue base includes VAT on imports; * 2002 excludes municipalities
Finland	0.73	0.77	0.82	0.82	0.80	High tax burden; revenue base includes social contributions and local government taxes.
France	1.40	1.41	1.44	1.41	1.35	Revenue base <u>excludes</u> social contributions
Germany	n.avail.	n.avail.	n.avail.	n.avail.	1.8	2004 ratio is a projection based on data from 12 of 16 states; revenue base <u>excludes</u> social contributions.
Greece	n.avail.	n.avail.	n.avail.	1.65	1.69	Revenue base <u>excludes</u> social contributions ; cost base includes some non-tax administration costs
Hungary	1.45	1.23	1.35	n.avail.	1.14	Revenue base includes social contributions
Iceland	-	-	1.12	1.06	1.02	Revenue base includes social contributions
Ireland	0.81	0.90	0.95	0.91	0.86	Costs include customs operations; revenue base includes social contributions and VAT on imports.
Italy	n.avail.	n.avail.	n.avail.	0.42	0.52	Costs exclude substantial tax fraud work carried out by Guardia di Finanza (tax police)
Japan	1.42	1.54	1.66	1.67	1.58	Relatively low tax burden; revenue base <u>excludes</u> separately-collected social contributions; substantially reduced administrative workloads due to design features of tax systems- refer text
Korea	0.80	0.85	0.85	0.82	0.86	Substantially reduced administrative workloads due to tax systems design features - refer text
Luxembourg	n.avail.	n.avail.	n.avail.	n.avail.	1.59	Revenue base <u>excludes</u> social contributions
Mexico	1.47	1.20	1.19	1.21	1.17	Ratio is slightly overstated as cost element includes overheads for customs
Netherlands	1.70	1.74	1.76	1.39	1.30	Costs include customs administration; revenue base includes social contributions and VAT on imports
N. Zealand	0.89	0.90	0.87	0.83	0.81	
Norway	-	0.56	0.59	0.59	0.56	High tax burden; revenue base includes social contributions
Poland	1.54	1.50	1.78	1.95	2.62	Costs and revenue base <u>include</u> customs operations; revenue base <u>excludes</u> social contributions
Portugal	1.60	1.61	1.68	1.51	1.49	Revenue base <u>excludes</u> social contributions
Slovak Rep.	1.30	1.43	1.46	1.45	1.26	Revenue base includes VAT on imports but <u>not</u> social contributions or some income tax refunds
Spain	-	0.81	0.78	0.83	0.82	Revenue base includes customs administration and VAT on imports
Sweden	0.52	0.55	0.56	0.57	0.59	High tax burden & revenue base includes social contributions; cost base includes Enforcement Service which also collects non-tax debts

COUNTRY	Administrative costs/ net revenue collections (costs per 100 units of revenue)				Abnormal or unusual factors likely or known to influence reported ratio	
	2000	2001	2002	2003		2004
Switzerland	-	-	-	0.66	0.62	Ratio excludes costs of direct taxes administration of sub-national cantons
Turkey /2	0.83	0.81	0.72	0.74	0.83	
UK – IRD	1.02	1.06	1.11	1.04	0.97	Revenue base includes national insurance contributions while cost base includes all staff of national contributions agency
UK – HMRC						
USA /2	0.43	0.46	0.52	0.57	0.56	Revenue base includes social contributions; no national VAT
2) Selected Non-OECD countries						
Argentina	0.93	0.88	0.86	0.85	0.83	Revenue base includes VAT on imports
Brazil				0.70	0.89	
Chile				0.85	0.85	Cost base excludes tax debt collection function which is carried out by separate agency
China				n.avail.	n.avail.	
Cyprus- IR				1.20	1.39	Covers direct taxes only and <u>excludes</u> social contributions
Cyprus- VAT				12.88	9.91	Covers indirect taxes only
Estonia				-	-	
India				-	-	
Latvia				-	-	
Lithuania				2.36	2.11	Revenue base <u>excludes</u> social contributions
Malta- IR				0.85	0.83	Direct taxes only and includes social contributions
Malta- VAT				1.71	1.53	VAT administration role only
Russia				-	-	
Singapore	0.87	0.90	0.99	1.01	1.02	Very low tax burden (that does not include social contributions or their equivalent)
Slovenia		1.14	1.13	1.17	1.05	Revenue base includes social contributions
South Africa				1.21	1.25	Costs include customs operations; revenue includes VAT on imports and customs duties

Sources: Country survey responses, annual reports of revenue bodies.

/1. Observations and conclusions based on the information in this table should pay close regard to the comments in the preceding text in this chapter.

/2. **Australia, Turkey**—data as per revenue body's annual report for 2006 (Australia) and 2005 (Turkey); **USA**—ratios indicated vary from IRS-published ratios owing to use of 'net' and not 'gross' collections as the denominator.

Table 25: Staff Usage on Tax Administration Functions: Comparison of Staff-related Measures

COUNTRY	STAFF-RELATED MEASURES			UNUSUAL/ ABNORMAL FACTORS LIKELY/KNOWN TO INFLUENCE REPORTED RATIO
	Staff usage (FTEs) on tax functions in 2004 /2	Citizens/ full-time staff	Labour force/ full-time staff	
Australia	20,645	974	494	
Austria	5,331	1,533	739	
Belgium	18,696	528	246	Includes real property, motor vehicle taxes/fees /4
Canada	37,323	856	462	
Czech Rep.	15,077	677	323	Includes real property, motor vehicle taxes/fees /4
Denmark	9,826	550	293	Includes real property, motor vehicle taxes/fees /4
Finland	6,305	825	412	Includes real property, motor vehicle taxes/fees /4
France	76,208	790	359	Includes real property, motor vehicle taxes/fees /4
Germany	118,000	699	339	Staff numbers include Federal and State tax administration (as described in footnote of Table 1).
Greece	12,779	865	377	Staff numbers include some non-tax functions
Hungary	9,399	1,075	442	
Iceland	541	542	298	Includes motor vehicle taxes/fees /4
Ireland	6,400	625	297	Includes customs component
Italy	34,677	1,659	702	Ratio excludes tax investigation staff in Guardia di finanza and outsourced debt collection function
Japan	56,239	2,270	1,181	Substantially reduced administrative workloads- refer text.
Korea	17,023	2,824	1,373	Substantially reduced administrative workloads- refer text.
Luxembourg	1,386	361	216	
Mexico	26,737	3,889	1,592	Substantially reduced administrative workloads- refer text.
Netherlands	26,000	627	323	Includes motor vehicle taxes/fees and some overhead functions for customs /4
N. Zealand	3,179	782	663	
Norway	6,058	759	396	
Poland	50,132	762	345	
Portugal	11,560	909	474	Includes real property, motor vehicle taxes/fees /4
Slovak Rep.	6,097	883	436	Includes motor vehicle taxes/fees /4
Spain	27,415	1,557	736	Includes customs staff
Sweden	10,851	829	416	Includes real property, motor vehicle taxes/fees and collection of non-tax debts /4
Switzerland	1,000	7,391	4,368	Staffing data is largely for VAT administration; most income taxes administered by separate sub-national bodies
Turkey	39,943	1,797	621	Includes real property, motor vehicle taxes/fees /4
UK /2	73,863	810	398	
USA	98,735	2,974	1,505	No national VAT

COUNTRY	STAFF-RELATED MEASURES			UNUSUAL/ ABNORMAL FACTORS LIKELY/KNOWN TO INFLUENCE REPORTED RATIO
	Staff usage (FTEs) on tax functions in 2004 /2	Citizens/ full-time staff	Labour force/ full-time staff	
<i>2) Selected Non-OECD Countries</i>				
Argentina	20,079	1,904	764	Includes customs function
Brazil	14,123	13,043	6,402	Includes customs function and outsourced work forces are not included in staff number
Chile	3,569	4,511	1,765	Staffing figure excludes tax debt collection function undertaken by separate body
China	530,939	2,455	1,490	
Cyprus- IR	576	1,736	642	
Cyprus- VAT	537	1,862	689	Includes customs function
Estonia	2,268	573	295	Includes customs function
India	-	-	-	
Latvia	5,106	450	217	
Lithuania	3,066	1,109	522	
Malta- IR	200	2,000	800	
Malta- VAT	149	2,690	1,074	
Russia	166,000	861	447	
Singapore	1,683	2,519	1,297	
Slovenia	2,690	743	290	
South Africa	13,258	2,537	1,149	Staffing data includes customs operations

Sources: *Country survey responses, annual reports of revenue bodies; OECD in Figures (2005 Supplement 1), 2005 World population data sheet-PRB, CIA World fact book.*

/1. Observations and conclusions based on the information in this table should pay close regard to the comments in the preceding text in this chapter.

/2. **All countries**—the data shown has been drawn from individual country survey responses unless otherwise indicated; the definition of the number of person-days that constitute one person year (one FTE) varies from country to country. For the purpose of this analysis no attempt has been made to apply a standard definition in order to arrive at a more consistently based summary of aggregate FTEs/ revenue body; **UK**—figures are a combination of the two former revenue bodies that were formally merged in 2005.

/3. Population and labour force data obtained from 'OECD in Figures' (2005 Supplement 1).

/4. Real property taxes and motor vehicle taxes/ fees are collected at the sub-national level in other OECD countries.

Table 26. Aggregate Staff Usage on Major Tax Administration Functions in 2004

COUNTRY	Total staff usage in 2004 (FTEs), or year-end employees	Total staff usage on major tax functions / 1							
		Client account management functions		Audit, investigation & other verification functions		Enforced debt collection and related functions		Corporate management functions	
		No.	% of total	No.	% of total	No.	% of total	No.	% of total
<i>1) OECD countries</i>									
Australia	20,645	3,823	18.5	6,980	33.8	3,367	16.3	3,212	15.6
Austria	5,331	417	7.8	2,631	49.3	1,148	21.5	181	3.4
Belgium / 2	18,696	6,547	35.0	9,468	50.1	2,634	14.1	2,695	14.4
Canada	37,323	n.avail.	-	10,188	27.3	5,195	13.9	7,940	21.2
Czech Rep.	15,077	8,683	57.6	3,289	21.8	1,016	6.7	1,687	11.2
Denmark	9,826	3,567	36.3	3,321	33.8	992	10.1	1,946	19.8
Finland	6,305	4,562 / 2	72.4	732	11.6	206	3.3	805	12.8
France	76,208	24,359	32.0	5,865	7.7	26,918	35.3	-	-
Germany	118,000	n.avail.	-	n.avail.	-	n.avail.	-	n.avail.	-
Greece	12,779	n.avail.	-	n.avail.	-	n.avail.	-	n.avail.	-
Hungary	9,399	2,763	29.4	3,881	41.3	2,397	25.5	226	2.4
Iceland	541	- / 2	-	337	62.3	83	15.3	121	22.4
Ireland	6,400	2,535	55.2	1,985	31.0	575	9.0	1,085	17.0
Italy	34,677	n.avail.	-	13,362	38.5	Function is outsourced	Function is outsourced	5,679	16.4
Japan	56,239	n.avail. / 2	-	38,466	68.4	8,045	14.3	4,619	8.2
Korea	17,023	7,377	43.3	4,489	26.4	2,232	13.1	1,880	11.0
Luxembourg	1,386	n.avail.	-	n.avail.	-	n.avail.	-	n.avail.	-
Mexico	26,737	1,104	4.1	8,202	30.7	n.avail.	-	3,444	12.9
Netherlands	26,000	1,400	5.4	9,450	36.3	1,000	3.8	1,500	5.8
New Zealand	3,179	1,222	38.4	1,100	34.6	869	27.3	786	24.7
Norway	6,058	2,544	42.0	1,333	22.0	848	14.0	1,333	22.0
Poland	50,132	n.avail.	-	n.avail.	-	n.avail.	-	n.avail.	-
Portugal	11,560	1,250	10.8	1,500	13.0	1,413	12.2	1,514	13.1
Slovak Rep.	6,097	2,287	37.5	1,867	30.6	330	5.4	110	1.8
Spain	27,415	6,774	24.7	4,994	18.2	4,556	16.6	3,353	12.2
Sweden	10,851	965	8.9	3,526	32.5	2,281	21.0	918	8.5
Switzerland	1,000	89	8.9	330	33.0	64	6.4	122	12.2
Turkey	39,943	3,066	7.7	4,279	10.7	585	1.5	168	0.4
UK	73,863	2,686	3.6	10,238	13.9	1,371	1.9	7,232	9.8
USA	98,735	17,150	17.4	17,874	18.1	21,184	21.4	16,608	16.8

COUNTRY	Total staff usage on major tax functions / 1									
	Total staff usage in 2004 (FTEs), or year-end employees	Client account management functions		Audit, investigation & other verification functions		Enforced debt collection and related functions		Corporate management functions		% of total
	No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	
<i>2) Selected non-OECD countries</i>										
Argentina	20,079	710	3.54	6,911	34.42	3,654	18.20	3,090	15.39	
Brazil	14,123	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	
Chile	3,569	173	4.8	2,150	60.2	Performed by separate body	11.3	402	11.3	
China	530,939	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	
Cyprus- IR	576	87	15.0	79	13.7	60	10.4	98	17.0	
Cyprus- VAT	537	10	1.9	206	38.4	4	0.7	n.avail.	-	
Estonia	2,268 / 2	-	-	-	-	-	-	-	-	
India	-	-	-	-	-	-	-	-	-	
Latvia	5,106	-	-	2,776	54.4	-	-	409	8.0	
Lithuania	3,066	1,129	36.8	1,549	50.5	184	6.0	762	19.9 / 2	
Malta-IR	200	11	5.5	23-	11.5	15	7.5	22	11	
Malta- VAT	149	-	-	56	37.6	-	-	-	-	
Russia	-	-	-	-	-	-	-	-	-	
Singapore	1,683	974 / 2	57.87	35 / 2	2.08	198	11.76	158	9.39	
Slovenia	2,690	396	14.7	1,573	58.4	121	4.5	32	1.2	
South Africa	13,258	6,910	52.1	1,941	14.6	488	3.7	1,239	9.3	
<i>Sources: Country survey responses and annual reports</i>										

/1. The data on distribution of resources should be treated with caution owing to differences in interpretation between countries on the functional split described and organizational arrangements in place.

/2. **Belgium**—a same staff who is in charge of multiple functions is counted several times; **Estonia**—total staff number includes customs; **Finland**—includes staffs on tax assessment process and supportive functions; **Iceland**— included in audit, investigation & other verification function; **Japan**—inseparable from the audit, investigation and other verification function; **Lithuania**—ratio to total staff usage for all functions (3,828); **Singapore**— 974 includes staff for tax assessment and audit functions, 35 includes staff for investigation functions only.

Table 27. Tax Audit Activities in 2003 and 2004

(All monetary values in millions of national currency unless otherwise indicated)

COUNTRY	Tax audit activities (2003)				Tax audit activities (2004)			
	Number of audits completed	Value of assessments raised	Value of collections on these assessment	Value of assessments /total net revenue collections (%)	Number of audits completed	Value of assessments	Value of collections on these assessment	Value of assessments /total net revenue collections (%)
<i>1) OECD countries</i>								
Australia	118,000	4,092	2,828	2.06	94,530	4,870	2,873	2.27
Austria	38,800	1,200	n.avail.	2.06	41,900	1,200	n.avail.	1.95
Belgium	556,963	2.36	n.avail.	0.00	609,603	1.87	n.avail.	0.00
Canada	301,714	9,200	n.avail.	3.87	304,707	10,200	n.avail.	4.04
Czech Rep.	-	-	-	-	119,428	5,403	n.avail.	n.avail.
Denmark	216,710	€3,109	n.avail.	3.57	210,022	€3,078	n.avail.	3.39
Finland	4,500	€ 241	n.avail.	0.64	4,500	€ 270	n.avail.	0.71
France	51,242	9,922	n.avail.	3.22	51,964	9,914	n.avail.	3.04
Germany	503,535	16,998 /1	n.avail.	4.70	499,551	16,024 /1	n.avail.	4.46
Greece	80,782	2,985	n.avail.	8.65	36,046	3,229	n.avail.	8.80
Hungary	n.avail.	n.avail.	n.avail.	-	391,143	121,589	36,719	1.95
Iceland	832	1,024	n.avail.	0.36	1,001	1,139	n.avail.	0.38
Ireland	16,042	429.2	408.4	1.12	16,321	549.6	527.7	1.29
Italy	291,195	85,311	n.avail.	19.63	228,337	101,138	n.avail.	23.27
Japan	508,000	646,800 /1	n.avail.	1.63	682,000	691,500	n.avail.	1.63
Korea	20,625	3,240,700	n.avail.	3.03	26,526	4,715,800	n.avail.	4.28
Luxembourg	n.avail.	n.avail.	n.avail.	-	-	-	-	-
Mexico	87,906	2,454	n.avail.	0.32	66,428	3,763	n.avail.	0.49
Netherlands	72,000	3,476	n.avail.	2.49	62,000	2,854	n.avail.	1.99
New Zealand	41,000	898	n.avail.	2.57	31,500	785	n.avail.	2.07
Norway	18,013	4,000	n.avail.	0.00	17,501	3,400	n.avail.	0.06
Poland	312,621	886	n.avail.	0.61	390,056	1,323	n.avail.	0.91
Portugal	84,122	1,180.5	n.avail.	4.99	86,436	1,573.9	n.avail.	6.66
Slovak Rep.	47,600	6,428	1,442	3.92	33,747	8,395	1,746	4.11
Spain	759,112	5,264	n.avail.	4.04	801,352	5,817	n.avail.	4.13
Sweden	7,393	6,726	n.avail.	0.59	7,553	3,199	n.avail.	0.27
Switzerland	8,450	n.avail.	467.4	n.avail.	9,100	n.avail.	387.5	n.avail.
Turkey	68,251	3,168	n.avail.	3.76	153,881	11,398	n.avail.	11.28
UK	442,352	2,173	n.avail.	0.63	439,349	2,559	n.avail.	0.69
USA	278,000	14,011	10,498 /1	0.85	261,000	20,099	13,145 /2	1.16

COUNTRY	Tax audit activities (2003)			Tax audit activities (2004)			
	Number of audits completed	Value of assessments raised	Value of collections on these assessment	Value of assessments /total net revenue collections (%)	Number of audits completed	Value of assessments these assessment	Value of assessments /total net revenue collections (%)
<i>2) Selected non-OECD countries</i>							
Argentina	434,465	3,929.6	n.avail.	4.9	648,213	4,375.3	n.avail.
Brazil	16,513	n.avail.	36,303	-	16,586	n.avail.	68,352
Chile	318,991	393,794	177,010	4.85	321,864	412,179	178,282
China		Data not available				Data not available	
Cyprus- IR	8,443	47.2	n.avail.	8.21 /1	9,865	172.4	n.avail.
Cyprus- VAT	976	5.7	n.avail.	0.5 /1	919	5.7	n.avail.
Estonia /1	-	-	-	-	1,807	-	-
India	-	-	-	-	-	-	-
Latvia	2,768	133.1	n.avail.	6.5	1,887	98.3	n.avail.
Lithuania	10,944	293.8	n.avail.	4.72	8,014	212.9	n.avail.
Malta- IR	779	10.2	n.avail.	2.59 /1	1,270	8.2	n.avail.
Malta- VAT	295	0.82	n.avail.	0.66 /1	245	1.36	n.avail.
Russia	-	275	-	7.56	-	1,099.4	-
Singapore	36,791	n.avail.	396.26	2.40 /1	7,123	n.avail.	232.41
Slovenia	6,223	34,866	20,260	2.14	5,896	33,309	25,803
South Africa	58,986	19,068	n.avail.	6.30	59,451	14,482	5,253

Sources: Country survey responses

/1. **Belgium**—does not include corporate income tax audit; **Cyprus, Malta**—direct tax revenue and indirect tax revenue are separately used for denominators; **Estonia**—the number of audits is the number of verification of tax return in 2004 annual report; **Germany**—includes trade tax, a municipal tax essentially not included in total net revenue collections, does not include interest or penalties. Audit-related interest or penalties are not recorded separately from other interest or penalties. **Greece**—Number of audits is for audits carried out by the Regional and Interregional Tax Audit Centre, the local tax offices, and the Service for Special Controls. Assessment amount is amount levied through audits by the Regional and Interregional Tax Audit Centre and the local tax offices, which correspond to 18,652 audits in 2004 and 7,998 audits in 2004.; **Japan**—value of assessment does not include interest; **USA**—amounts shown as collected includes finalized cases from current and prior years; **Singapore**—ratio for value of collections.

/2. The information need to be interpreted with care as the results from some countries appear to include the results of those assessing functions (including correspondence inquiries) which were not included in the survey definition of an audit.

Table 28. Other Verification Activities in 2003 and 2004
(All monetary values in millions of national currency unless otherwise indicated)

COUNTRY	Other verification activities (2003)			Other verification activities (2004)			
	Number of actions completed	Value of assessments on these assessment	Value of assessments /total net revenue collections (%)	Number of actions completed	Value of assessments	Value of collections on these assessment	Value of assessments /total net revenue collections (%)
<i>1) OECD countries</i>							
Australia	916,000	2,316	1.17	1,828,000	1,908	1,360	0.89
Austria	46,800	88.5	0.15	34,500	301	n.avail.	0.49
Belgium	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Canada	2,650	87	0.04	3,327	91	n.avail.	0.04
Czech Rep.	-	-	-	112,194	1,337	n.avail.	-
Denmark	214,207	€224	0.26	211,095	€260	n.avail.	0.29
Finland	1,200	n.avail.	-	1,300	n.avail.	n.avail.	-
France	-	4,602	1.49	-	4,649	-	1.42
Germany	n.avail. /1	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Greece	18,794 /1	158	0.46	106,862	481	n.avail.	1.31
Hungary	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Iceland	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Ireland	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Italy	11,304	n.avail.	-	8,326	n.avail.	n.avail.	-
Japan	738,000 /1	24,900	0.06	547,000 /1	7,500	n.avail.	1.29
Korea	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Luxembourg	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Mexico	26,292	54	0.01	31,606	75	n.avail.	0.01
Netherlands	600,000	2,590	1.85	480,000	3,400	n.avail.	2.38
New Zealand	1,179	1.5	0.00	400	1.6	n.avail.	0.00
Norway	7,113	238	0.00	10,306	287	n.avail.	0.00
Poland	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Portugal	37,556	947.8	4.00	30,329	877.3	n.avail.	3.71
Slovak Rep.	n.avail.	3,145	1.92	n.avail.	1,990	683	0.98
Spain	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Sweden	549,100	13,800	1.22	459,000	15,100	n.avail.	1.28
Switzerland	2,350	n.avail.	-	2,150	n.avail.	n.avail.	-
Turkey	3,118,069	76	0.09	4,579,677	92	n.avail.	0.09
UK	365,585	2,125	0.62	386,843	1,618	n.avail.	0.44
USA	6,759,000	17,321	1.05	11,743,000	19,412	5,551	1.12

COUNTRY	Other verification activities (2003)				Other verification activities (2004)			
	Number of actions completed	Value of assessments	Value of collections on these assessment	Value of assessments /total net revenue collections (%)	Number of actions completed	Value of assessments	Value of collections on these assessment	Value of assessments /total net revenue collections (%)
<i>2) Selected non-OECD countries</i>								
Argentina	152,157	787.6	n.avail.	0.98	142,915	789.1	n.avail.	0.72
Brazil	38,409/1	n.avail.	4,993	-	10,859/1	n.avail.	4,661	-
Chile	204,860	3,802	1,383	0.05	261,112	6,194	2,230	0.07
China	n.avail.	n.avail.	n.avail.	-	n.avail.	n.avail.	n.avail.	-
Cyprus- IR	5,430	7.0	n.avail.	1.21/1	3,715	4.4	n.avail.	0.74
Cyprus- VAT	51	0.09	n.avail.	0.01/1	74	0.07	n.avail.	0.01
Estonia	-	-	-	-	1,113	-	-	-
India	-	-	-	-	-	-	-	-
Latvia	53,797	0.7	n.avail.	0.03	61,890	0.6	n.avail.	0.03
Lithuania	n.avail.	n.avail.	n.avail.	-	42,677	1.73	n.avail.	0.02
Malta- IR	393	0.765	n.avail.	0.19/1	42	0.361	n.avail.	0.09
Malta- VAT	878	0.71	n.avail.	0.57/1	719	1.36	n.avail.	0.96
Russia	-	-	-	-	-	-	-	-
Singapore	81/1	n.avail.	26.53	0.16/1	83/1	n.avail.	22.42	1.25/1
Slovenia	203,535	9,256	n.avail.	0.57	225,302	13,430	n.avail.	0.69
South Africa	3,954,559	n.avail.	n.avail.	-	4,470,123	n.avail.	n.avail.	-

Sources: Country survey responses.

/1. **Brazil**—customs auditing included, customs administration system changed between 2003 and 2004; **Cyprus, Malta**—direct tax revenue and indirect tax revenue are separately used for denominators; **Estonia**—the number of other verifications is the number of inspections of persons liable to tax and operations to detect unrecorded wages in 2004 annual report; **Germany**—Generally, all returns are checked at least on coherency, either by personnel or by machines. Especially in employee cases, incoherent or unusual statements in returns are verified through inquiries by correspondence or telephone from within the office. The number of these checks and inquiries is not recorded, neither is the value of additional assessments realized through such inquiries; **Greece**—; **Japan**—the number of phone calls or asking taxpayers to visit tax offices to correct errors in individual income tax return and individual consumption tax return; **Singapore**—actions are investigation cases, ratios are for value of collection.

/2. It appears some countries don't record

Table 29: Selected Data on Unpaid Taxes

COUNTRY	Total year-end gross debt (incl. disputed debt) / net annual revenue collections (%)			Debt cases finalised in 2004(000's)	Debt cases on hand at end- 2004 (000's)
	2002	2003	2004		
<i>1) OECD countries</i>					
Australia	9.3	8.5	8.1	1,474	1,497
Austria	-	14.1	12.7	n.avail.	102
Belgium	35.8	39.9	38.7	n.avail.	1,740
Canada	8.3	8.7	9.0	531	794
Czech Rep.	49.7	44.2	32.0	n.avail.	n.avail.
Denmark	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Finland	8.2	7.9	7.5	n.avail.	268
France	7.1	6.7	5.9	929	399
Germany	5.3	5.3	4.8	n.avail.	3,788
Greece	25.6	31.4	42.8	368	836
Hungary	12.3	11.5	13.4	197	192
Iceland	-	-	-	n.avail.	n.avail.
Ireland	4.4	4.3	3.4	n.avail.	n.avail.
Italy	3.1	2.8	9.9	n.avail.	n.avail.
Japan	5.6	5.1	4.4	1,866	4,370
Korea	3.0	2.7	3.6	n.avail.	704
Luxembourg	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Mexico	47.0	49.6	55.4	1,970	1,738
Netherlands	2.9	3.4	3.0	n.avail.	250
N. Zealand	6.1	6.7	6.2	456	256
Norway	n.avail.	2.5	2.4	n.avail.	n.avail.
Poland	11.8	10.8	11.0	n.avail.	n.avail.
Portugal	41.5	44.6	51.3	639	2,473
Slovak Rep.	-	49.5	33.0	n.avail.	n.avail.
Spain	7.9	7.8	7.8	3,625	2,142
Sweden	3.1	3.0	2.7	n.avail.	200
Switzerland	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Turkey	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
UK	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
USA	5.9	6.1	6.2	12,580	26,429
<i>2) Select non-OECD countries</i>					
Argentina	n.avail.	n.avail.	n.avail.	91.13	288.44
Brazil	-	6.5	8.7	n.avail.	199
Chile	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
China	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Cyprus- IR /1	-	49.9	55.1	-	-
Cyprus- VAT/1	-	5.1	4.8	1,082	7,430
Estonia	-	-	-	-	-
India	-	-	-	-	-
Latvia	-	20.7	17.4	-	-
Lithuania	n.avail.	27.5	17.2	153 /1	29 /1
Malta- IR /1	28.4	25.6	24.7	n.avail.	203
Malta- VAT /1	-	-	-	-	-
Russia	-	-	-	-	-
Singapore	9.46	9.47	8.58	n.avail.	721.4
Slovenia	6.82	6.64	5.16	-	-
South Africa	19.8	20.3	19.1	n.avail.	n.avail.

Sources: Country survey responses, annual reports.

/1. **Cyprus, Malta**— direct tax revenue and indirect tax revenue are separately used for denominators; **Lithuania**— authorities advise data incomplete owing to limited functional capacity of tax information system.

8 ADMINISTRATIVE PRACTICES

Introduction

125. This part briefly examines selected features of revenue bodies arrangements/practices for the registration of taxpayers
126. The information provided in this part is described hereunder:
- Table 30 provides the number of active registered taxpayers for personal and corporate income tax and VAT together with the ratio of registered personal taxpayers to labour force.
 - Table 31 displays features of taxpayer identifiers used for personal and corporate income tax and VAT administration.
 - Table 32 displays the extent of usage of taxpayer identifiers for information reporting and matching.
 - Table 33 provides electronic filing take-up rates in 2004 and popularity of each method of tax payment.

Key observations and trends

127. Based on an analysis of the information in Tables 30-33, there are a number of important observations that can be made:
- Using country labour force data as a benchmark, the proportion of individual taxpayers who are registered with the revenue body varies substantially across surveyed countries, with implications for administrative workloads and practices, and potentially the efficacy of enforcement operations in those countries where the proportion is substantially below 100%; and
 - Taxpayer identification numbering systems, unique for each major tax type, are widely used in surveyed countries although a number of countries use a citizen identification number or business registration number as their 'taxpayer identifier' for tax administration purposes.
 - Revenue bodies in most surveyed bodies rely extensively on the inclusion of 'taxpayer identifiers' with reports on the major categories of income required from payers under their personal income tax arrangements.

Registration of taxpayers and the use of unique taxpayer identifiers

128. Comprehensive systems of taxpayer registration and numbering are a critical feature of the tax administration arrangements in many countries, supporting numerous tax administration processes. In addition to recording basic taxpayer identifying information (e.g. for individuals—full name and address, date of birth, for businesses—full name, business and postal addresses) that permits the routine identification of taxpayers for a range of administrative functions (e.g. issue of

notices, follow-up enforcement actions (e.g. detection of non-filers), the use of unique taxpayer identification numbers (TINs) as part of the registration system facilitates the matching of information reports with tax records to detect instances of potential non-compliance, the exchange of information between government agencies (where permitted under the law), and numerous other applications.

129. Information pertaining to registered taxpayer populations in surveyed countries and the use of taxpayer identification numbers is set out in Tables 30-32. Significantly;
- In almost one quarter of OECD countries, less than 50% of personal income taxpayers are registered with the revenue body; while all of these countries operate final withholding systems for employees thus negating the need for an end-of-year tax return the absence of registrations for a significant proportion of the citizen population may seriously complicate enforcement activities to detect persons who should but have failed to register with the revenue body.
 - The vast majority of revenue bodies in surveyed countries utilize a unique taxpayer identifier (or some other high integrity number (e.g. a citizen identification number)) for personal taxation purposes and a unique number of business tax purposes; typically, these numbering systems are all numeric and incorporate a check digit for point-of-entry validation purposes (refer Table 31).
 - Unique taxpayer identifiers are widely used with information reports covering wages, pensions, government benefits, interest, dividends, contract income, and/or asset sales and purchases reported to revenue bodies for verification purposes (refer Table 32).

Electronic Services

130. Over the last 10 to 15 years, revenue bodies in many countries have been transforming their administrative processes for receiving tax payment and tax return data to realize the significant benefits of optimally employing modern technology, in particular for the electronic transmission of critical taxpayer data. (The findings of a comprehensive survey of trends in taxpayer service delivery using new technologies by revenue bodies in OECD member countries can be found on the OECD website- see www.oecd.org).¹⁷
131. Historically, the paper-based processes associated with tax returns and payments processing have consumed a considerable proportion of the resources of revenue authorities, in some cases in the region of 20-30 percent. With pressures to reduce staff and expand value-adding compliance work (both of a service and enforcement nature), revenue authorities have had considerable incentive to automate these processes through greater use of technology. Significantly, there are other benefits to be attained from optimal use of technology in these areas: 1) faster collection of government revenue; 2) improved data accuracy and elimination of reverse workflows; 3) reduced paperwork for taxpayers; 4) speedier crediting of tax refunds; and 5) speedier capture of taxpayer data for a range of administrative purposes. In aggregate, there is strong business case for revenue authorities to invest substantial funds and efforts to establish modern and comprehensive systems of electronic filing (EF) and payment.

¹⁷ See 'Survey of Trends in Taxpayer Service Delivery Using New Technologies', Forum on Tax Administration (February 2005).

132. With enormous benefits to be realized some revenue bodies have established quite sophisticated electronic filing services only to find that their take up by taxpayers has been far below expectations. Indeed, the experience of many revenue bodies is that substantial progress is only achieved after a long and sustained effort entailing a range of strategies. Work undertaken by the Forum on Tax Administration on this specific aspect in 2005 is summarized in Box 17 while further information can be found in the relevant information note published in early 2006.¹⁸

Box 17. Key findings of a survey on strategies for improving the take up rates of electronic services

The 2006 report summarizes the findings of a survey across 8 member countries to gather information on the key strategies employed to promote increased take-up of electronic services. The key findings were as follows:

- Revenue bodies that have achieved a relatively high take-up of electronic services typically have a multi-faceted set of strategies to promote usage by taxpayers.
- Information campaigns utilising a variety of channels are an essential component of revenue bodies' set of strategies.
- The use of incentives (e.g. faster refunds of overpaid taxes and extended filing periods) appears to play a significant role in encouraging a good rate of take-up, particularly concerning the personal income tax.
- Tax professionals, who prepare a fair proportion of tax returns in many countries, are critical stakeholders to the effective operation of electronic filing systems and should be consulted widely and regularly on the development and operation of electronic filing systems.
- Revenue bodies that have implemented mandatory electronic filing arrangements have typically targeted larger businesses and taken a cautious 'softly/softly approach' in the early years of these arrangements.
- Short of imposing mandatory requirements which may present their own problems, there are no "silver bullets" for rapid success towards achieving good outcomes; a considerable investment of time, money, and staff is inevitably required over a fair period of time to achieve a good level of success.

133. Information pertaining to the extent of electronic filing take up (i.e. the proportion of all taxpayers who file electronically) achieved by revenue bodies for the latest completed fiscal year is set out in Table 32 for the major taxes (i.e. personal income tax, corporate profits tax, and VAT). The table also displays the range of payment methods available for the collection of taxes and a ranking in terms of their relative usage, as reported by surveyed countries.

¹⁸ See '*Strategies for Improving the Take up Rates of Electronic Services*', Forum on Tax Administration (March 2006).

Table 30: Comparison of Registered Taxpayer Populations

COUNTRY	Number of citizens (mlns)	Labour Force (mlns)	Number of active registered taxpayers (mlns)			Relative indicators	
			Personal income tax (PIT)	Corporate income tax (CIT)	Value added tax (VAT)	Registered personal taxpayers/labour force (%) /1	Employees generally file annual returns
<i>1) OECD Countries</i>							
Australia	20.1	10.2	17.04	1.05	2.4	167.1	Yes
Austria	8.2	3.9	5.3	0.11	0.72	135.9	No
Belgium	10.4	4.6	6.0	0.5	0.6	130.4	Yes
Canada	31.9	17.2	23.3	1.5	2.2	135.4	Yes
Czech Rep.	10.2	5.1	2.48	0.29	0.597	48.6	No
Denmark	5.4	2.9	4.6	0.15	0.4	158.6	Yes /3
Finland	5.2	2.6	4.8	0.35	0.51	184.2	Yes /3
France	60.2	27.4	34	1.2	3.6	124.3	Yes
Germany	82.5	40.0	27.9 /5	1.0	5.1	69.8	No /5
Greece	11.1	4.8	10.72	0.62	0.93	223.3	Yes
Hungary	10.1	4.1	4.4	0.39	1.9	107.3	Yes
Iceland	0.29	0.16	0.23	0.02	0.03	143.8	Yes /3
Ireland	4.0	1.9	1.99	0.111	0.236	104.6	No
Italy	57.6	24.4	n.avail.	n.avail.	n.avail.	-	No
Japan	127.7	66.4	46.14 /5	2.74 /5	2.13 /5	69.5	No
Korea	48.1	23.4	2.2	0.34	4.0	9.4 /4	No
Luxembourg	0.5	0.3	0.133	0.50	0.38	44.3	No
Mexico	104.0	42.6	8.3	6.3	0.6	19.5	No
Netherlands	16.3	8.4	7.14	0.65	1.07	84.9	No
N. Zealand	4.1	2.1	5.1	0.40	0.62	242.9	No
Norway	4.6	2.4	3.66	0.163	0.316	152.5	Yes /3
Poland	38.2	17.3	28.26	0.37	1.857	163.4	Yes
Portugal	10.5	5.5	6.7	0.3	1.5	121.8	Yes
Slovak Rep.	5.4	2.7	0.51	0.13	0.13	18.9 /4	No
Spain	42.7	20.2	37.6	1.1	2.9	186.1	Yes
Sweden	9.0	4.5	7.1	0.45	0.91	157.7	Yes /3
Switzerland	7.4	4.4	n.avail.	n.avail.	0.31	-	Vary /5
Turkey	71.8	24.8	3.162	0.593	2.166	12.8 /4	No
UK	59.8	29.4	28.5	0.7	1.8	96.9	No
USA	293.6	148.6	222.5	10.5	n.applic.	149.7	Yes
<i>2) Selected Non-OECD Countries</i>							
Argentina	38.6	15.34	0.9	0.26	0.87	42.9	No
Brazil	184.2	90.41	98.44	7.91 /5	n.avail.	108.9	No
Chile	16.1	6.3	1.6	0.7	0.7	25.4	No
China	1,303.7	791.4	- /5	2.71	12.26	-	No
Cyprus- IR	1.0	0.37	0.243	0.088	-	65.7	No
Cyprus- VAT			-	-	0.063	-	-
Estonia	1.3	0.67	-	-	-	-	Yes /3
India	1,103.6	496.4	-	-	-	-	-
Latvia	2.3	1.11	0.97	0.06	0.06	87.4	No
Lithuania	3.4	1.6	1.58	0.085	0.05	98.8	No
Malta- IR	0.4	0.16	0.23	0.024	n.applic.	143.8	No
Malta-VAT			n.applic.	n.applic.	0.047	n.applic.	n.applic.
Russia	143.0	74.22	-	-	-	-	No
Singapore	4.24	2.183	1.73 /5	0.101 /5	0.066	79.36	Yes
Slovenia	2.0	0.78	1.167	0.062	0.085	259.1	Yes
South Africa	46.9	15.23	4.65	1.44	0.58	30.5	No

Sources: OECD in Figures: Statistics on Member Countries (2005 Supplement 1), country survey responses, 2005 World population data sheet, CIA world fact book

/1. This indicator may exceed 100% for a variety of reasons e.g. requirement for a tax registration before having to file a tax return, taxpayers who are not members of the labour force (e.g. investors), registrations required for non-tax purposes, old/ inactive registrations.

/2. Represents the total corporate tax returns received each year.

/3. Most employees in these countries receive pre-filled statements of income and deductions for vetting.

/4. Most employees in these countries are not required to file an annual return; however, employers in these countries are typically required to report details of income paid and tax withheld along with a relevant identification number for each employee.

/5. **Brazil**—CIT+VAT; **China**—personal income taxpayer can register as many as the number of income type; **Germany**—Married taxpayers filing joint returns count as one. Generally no legal obligations for employees to file returns, but majority of employees does file returns to claim deductions and other allowances.; **Japan**—PIT includes 38.7 million wage earners who are not required to file tax return, CIT indicates the number of corporate tax return for 2004 business year (July 2004-June 2005), VAT indicates the number of consumption taxpayers (both individual and corporation) for 2004 calendar year; **Mexico**—compulsory for employees with gross income over 300,000 pesos; **Singapore**—number of assessment for 2004; **Switzerland**—Tax return requirements vary across individual cantons.

Table 31: System of Taxpayer Identifiers for Revenue Administration

COUNTRY	Personal Income Tax (PIT)				Corporate Income Tax (CIT)				Value Added Tax (VAT)						
	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics
<i>1) OECD Countries</i>															
Australia	Yes	N	9	Yes	No	Yes	N	8	Yes	No	Yes	N	11	Yes	No
Austria	Yes	N	9	No	No	Yes	N	9	No	No	No/1	-	-	-	-
Belgium	Yes	N	11	Yes	No	Yes	N	10	Yes	No	Yes	AN	12 / 1	Yes	No
Canada / 1	No/1	N	9	Yes	No	Yes	AN	15	Yes	No	Yes	AN	9 - 15	Yes	No
Czech Rep. / 1	Yes	AN	12	Yes	No	Yes	AN	12	Yes	No	Yes	AN	12	Yes	No
Denmark / 1	Yes	N	10	Yes	No	Yes	N	8	Yes	No	Yes	N	8	Yes	No
Finland / 1	No	N & AN	10	Yes	Yes	No	N	8	Yes	Yes	No	AN	10	Yes	Yes
France / 1	No	N	13	-	-	Yes	N	-	No	No	Yes	N	-	No	No
Germany / 1	No	-	-	-	-	No	-	-	-	-	Partially	-	-	-	-
Greece	Yes	N	8	-	-	Yes	N	8	-	-	No/1	-	-	-	-
Hungary	Yes	N	10	-	-	Yes	-	11	-	-	Yes	-	-	-	-
Iceland	No/1	N	8	Yes	Yes	No/1	N	10	Yes	Yes	Yes	N	5	No	No
Ireland	Yes	AN	7	Yes	Yes	Yes	AN	7	Yes	Yes	Yes	AN	7	Yes	Yes
Italy	Yes	AN	11	Yes	Yes	Yes	AN	11	Yes	Yes	Yes	N	16	No	No
Japan	No	-	-	-	-	No	-	-	-	-	No	-	-	-	-
Korea / 1	No	N	13	Yes	Yes	Yes	N	10	Yes	Yes	Yes	N	10	Yes	Yes
Luxembourg	Yes	N	11	Yes	Yes	Yes	N	11	Yes	Yes	Yes	AN	11	Yes	Yes
Mexico / 1	Yes	AN	13	Yes	Yes	Yes	AN	12	Yes	Yes	Yes	AN	12(13)	Yes	Yes
Netherlands	Yes	N	9	Yes	No	Yes	N	9	No	No	No/1	AN	9	Yes	No
N. Zealand	Yes	N	8	Yes	No	Yes	N	8	Yes	No	Yes	N	8	Yes	No
Norway / 1	Yes	N	11	Yes	Yes	Yes	N	9	Yes	No	Yes	N	9	Yes	No
Poland	Yes	N	10	Yes	No	Yes	N	10	Yes	No	Yes	N	10	Yes	No
Portugal	Yes	N	9	Yes	No	Yes	N	9	Yes	Yes	Yes	N	9	Yes	Yes
Slovak Rep.	Yes	N	10	Yes	No	Yes	N	10	Yes	No	Yes	N	10	Yes	No
Spain	Yes	AN	9	Yes	Yes	Yes	AN	9	Yes	Yes	No/1	AN	9	Yes	Yes
Sweden / 1	Yes	N	10	Yes	No	No	N	10	Yes	No	No	N	10	Yes	No
Switzerland / 1	No	AN	Vary	No	Yes	No	Vary	Vary	Vary	Vary	Yes	N	6	No	No
Turkey	Yes	N	10	Yes	No	Yes	N	10	Yes	No	Yes	N	10	Yes	No
UK / 1	Yes	N	10	Yes	No	Yes	N	10	Yes	No	Yes	N	9	Yes	No
USA / 1	No/1	N	9	No	No	Yes	N	9	No	Yes	-	-	-	-	-

COUNTRY	Personal Income Tax (PIT)				Corporate Income Tax (CIT)				Value Added Tax (VAT)						
	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics	Unique TIN	Num. or Alpha-N.	No. of digits	Check digit	Taxpayer specifics
<i>2) Selected Non-OECD Countries</i>															
Argentina	Yes	N	11	Yes	Yes	Yes	N	11	Yes	No	Yes	N	11	Yes	Yes
Brazil	Yes	N	-	Yes	No	Yes	N	-	Yes	No	-	-	-	-	-
Chile	No/1	N	8	Yes	No	Yes	N	8	Yes	No	Yes	N	8	Yes	No
China	Yes	N	18	No	Yes	No	AN	9	Yes	No	No	AN	9	Yes	No
Cyprus	Yes	AN	-	Yes	Yes	Yes	AN	-	Yes	Yes	Yes	AN	9	Yes	Yes
Estonia	-	N	11	Yes	Yes	Yes	N	8	Yes	No	Yes	-	-	-	-
India	Yes	AN	10	-	-	Yes	AN	10	-	-	-	-	-	-	-
Latvia	No	N	-	-	Yes	No	N	-	-	-	No	N	-	-	-
Lithuania	No/1	N	-	Yes	Yes	No	N	-	Yes	No	Yes	AN	-	Yes	No
Malta / 1	No/1	AN	Vary	No	Yes	Yes	N	9	Yes	Yes	Yes	N	8	Yes	No
Russia	Yes	N	-	-	-	-	-	-	-	-	-	-	-	-	-
Singapore	Yes	AN	9	Yes	No	Yes	AN	9	Yes	No	Yes	AN	9	Yes	No
Slovenia	Yes	N	8	Yes	No	Yes	N	8	Yes	No	Yes	AN	10	Yes	No
South Africa	Yes	N	10	Yes	No	Yes	N	10	Yes	No	Yes	N	10	Yes	No

Source: *Information series compiled by CFA Working Party 8 and country survey responses.*

1. **Austria, Netherlands, Spain**—same TIN for both direct tax and indirect tax purposes; **Belgium**—BE+10 digits; **Canada and USA**—use social security/ insurance number for individuals; **Chile, Denmark, Korea, Lithuania, Malta, and Norway**—use citizen identification number for PIT; **Czech Rep.**—one TIN for all taxes; **Denmark**—VAT identifier is the exact same as identifier for corporate income tax; **Finland, Sweden**—social security number for PIT and individual VAT, business registration number for CIT and corporation VAT; **Germany**—Legislation on use of TIN for both individuals and legal entities are recently enacted, but technical implementation is still underway. Unique VAT TIN is for taxpayers with cross-border activities; **Greece**—TIN for VAT is same to those for PIT and CIT; **Mexico**—VAT TIN has 12 digits for legal entities, 13 digits for individuals; **UK**—for companies only; **Norway**—VAT TIN is part of that of PIT or CIT; **Singapore**—National Identification Card number for PIT, company/business registration number for CIT & GST, year of birth or registration included; **Switzerland**—Direct taxes are imposed by 26 Cantons while VAT is imposed by Swiss Federation; **United Kingdom**—a separate numbering system (i.e. the National Insurance Number) applies to PAYE taxpayers who do not self assess and file returns.

Table 32: Use of Taxpayer Identifiers for Information Reporting and Matching

COUNTRY	Use of taxpayer identifiers (or some other number) for information reporting and matching /1					
	Wages	Pensions & government benefits	Interest	Dividend	Asset sales and purchases	Prescribed contractors
<i>1) OECD Countries</i>						
Australia	Yes	Yes	Yes	Yes	No	No
Austria	Yes	Yes	No	No	No	No
Belgium	Yes	Yes	No	No	Yes	Yes
Canada	Yes	Yes	Yes	Yes	Some	Yes
Czech Rep.	Yes	Yes	Yes	Yes	Yes	Yes
Denmark	Yes	Yes	Yes	Yes	No	No
Finland	Yes	Yes	Yes	Yes	Yes	Yes
France	Yes	No	No	No	No	Yes
Germany	Yes	No /2	No	No	No	No
Greece	Yes	Yes	No	No	No	Yes
Hungary	Yes	Yes	Yes	Yes	Yes	Yes
Iceland	Yes	Yes	No	Yes	Yes	Yes
Ireland	Yes	Yes	Yes	No	No	Yes
Italy	Yes	Yes	Yes	Yes	Yes	Yes
Japan	No	No	No	No	No	No
Korea	Yes	Yes	Yes	Yes	Yes	Yes
Luxembourg	Yes	Yes	No	Yes	Yes	Yes
Mexico	Yes	Yes	Yes	No	Yes	Yes /2
Netherlands	Yes	Yes	Yes	Yes	Yes	No
NZ	Yes	Yes	Yes	Yes	No	Yes
Norway	Yes	Yes	Yes	Yes	Yes	Yes
Poland	Yes	Yes	No	Yes	Yes/No	Yes
Portugal	Yes	Yes	No	Yes	Yes	Yes
Slovak Rep.	No	No	No	No	No	No
Spain	Yes	Yes	Yes	Yes	Yes	Yes
Sweden	Yes	Yes	Yes	Yes	Yes	No
Switzerland	No	No	No	No	No	No
Turkey	Yes	No	Yes	Yes	Yes	No
UK	Yes	Yes	No	No	Yes	Yes
USA	Yes	Yes	Yes	Yes	Yes	Yes
<i>2) Selected Non-OECD Countries</i>						
Argentina	Yes	No	Yes	Yes	Yes	Yes
Brazil	Yes	Yes	Yes	Yes	Yes	Yes
Chile	Yes	Yes	Yes	Yes	No	No
China	Yes	No	No	No	No	Yes
Cyprus- IR	Yes	Yes	Yes	Yes	Yes	Yes
Cyprus- VAT	No	No	No	No	No	No
Estonia	Yes	Yes	Yes	Yes	No	No
India	-	-	-	-	Yes	-
Latvia	Yes	No	No	No	No	No
Lithuania	Yes	Yes	Yes	Yes	Yes	Yes
Malta- IR	Yes	Yes	Yes	Yes	Yes	Yes
Malta- VAT	No	No	No	No	No	No
Russia	Yes	Yes	Yes	Yes	Yes	Yes
Singapore	Yes	Yes	Yes	Yes	Yes	Yes
Slovenia	Yes	Yes	Yes	Yes	No	No
South Africa	Yes	Yes	Yes	Yes	Yes	Yes

Source: Country survey responses.

1. Types of identifiers used are described in Table 31.

2. **Germany**—legislation enacted, but technical implementation underway; **Mexico**—contractors done with the government.

Table 33. Use of Electronic Services in Taxpayer Service Delivery

COUNTRY	Electronic filing take-up rates in 2004 (%)			Methods for the collection of tax payments (ranking (and %) in terms of relative usage)						
	Personal income tax	Corporate income tax	VAT	Phone banking	Direct online	Direct debit	Payment kiosk	Mailed cheque	In person at tax body or agent	In person at bank
<i>1) OECD countries</i>										
Australia	80	88	36	2	4	5	-	3	1	-
Austria	10	30	80	2	6	1	7	1	3	-
Belgium	3	1	9	1	1	1	1	1	No	1
Canada	48	1.5	11	/1	3(14)	<1%	<1%	1 (42)	4 (7)	2 (37)
Czech Rep.	1	1	1	-	-	1(97.64)	-	3(0.55)	2(1.81)	-
Denmark	68/1	n.avail.	60	1	1	-	-	3	5	4
Finland	-	1	35	-	1 (60)	3 (8)	2 (34) /1	4 (6) /1	-	5(5)
France	4	26	2	-	2	1	3	-	-	-
Germany /1	7	-	19	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.	n.avail.
Greece	4	-	51	4	3	1	n.applic.	n.applic.	2	-
Hungary	2.5	3.4	6.1	2	5	6	4	1	3	-
Iceland	86	99	16	1	-	-	-	-	2	-
Ireland	62/1	18	13	-	2	3	-	1	4	-
Italy /1	100	100	100	1	2	-	-	-	-	-
Japan /1	n.avail.	n.avail.	n.avail.	-	n.avail.	n.avail.	-	n.avail.	n.avail.	-
Korea	43	92	50	4	3	-	5	-	2	1
Luxembourg	-	-	8	-	-	-	-	1	1	-
Mexico	48	100	55	1	2	-	-	-	-	-
Netherlands	69	n.avail.	-	-	-	1	-	-	-	-
N. Zealand	56	67	9	3	5	2	-	1	4	-
Norway	37	47	38	-	1	2	-	4	3	-
Poland /1	n.applic.	n.applic.	n.applic.	-	-	-	-	-	-	-
Portugal /1	24	100	83	-	-	2	-	3	1 (46)	4
Slovak Rep.	-	In course of testing	-	-	-	-	-	-	-	1
Spain	23	17	21	3	2	1	-	-	-	-
Sweden	15	-	3	1	1	1	-	-	-	-
Switzerland /1	Vary	Vary	n.avail.	-	-	-	Various in 26 Cantons	-	-	-
Turkey	30	72	70	-	-	-	-	1	1	-
UK	17	1	0.2	3	4	2	6	1	5	-
USA	47	1	n.applic.	-	4 (4)	2 (28)	-	1 (46)	3 (22)	-

COUNTRY	Electronic filing take-up rates in 2004 (%)				Methods for the collection of tax payments (ranking (and %) in terms of relative usage)							
	Personal income tax	Corporate income tax	VAT		Phone banking	Direct online	Direct debit	Payment kiosks	Mailed cheque	In person at tax body or agent	In person at bank	
2) Selected non-OECD countries												
Argentina	18	34	30		5 (0.1)	4 (1.6)	3 (2.8)	-	-	2 (8.5)	1 (87)	
Brazil	98	100	-		-	-	-	-	-	-	1 / 1	
Chile	83	92	38		-	1	1	-	4	3	-	
China	-	-	-		4	3	2	-	5	1	-	
Cyprus-IR	15	n.avail.	-		-	-	3	-	2	1	-	
Cyprus-VAT	-	-	1		-	-	-	-	2	1	-	
Estonia	59	-	75		-	-	-	-	-	-	-	
India	-	-	-		-	-	-	-	-	-	-	
Latvia /1	-	-	8.6		-	-	-	-	-	-	-	
Lithuania	14	34	35		3	-	-	-	1	2	-	
Malta- IR	21	82	-		4	3 (0.6%)	-	-	1 (80.4%)	2 (19%)	-	
Malta- VAT	-	-	n.avail.		-	-	-	-	1	2	-	
Russia	-	-	-		-	-	-	-	-	-	-	
Singapore	67	84	12		5 (0.43)	6 (0.18)	1 (82.95)	2 (6.59)	3 (4.96)	4 (4.60)	No	
Slovenia /1	0.1	-	4		-	-	-	-	-	-	-	
South Africa	4-5	-	6.96		-	1	3	-	2	2	-	

Sources: Country survey responses.

/1. **Belgium**—tax payment to bank account of tax administration is mandatory; cash payments are not allowed; **Brazil**—payment can be made only through banking system; **Canada**—phone banking included in the 'direct online' category; **Denmark**—percentage indicated relates to the proportion of pre-populated where adjustments were advised by electronic means; **Finland**—the second important is GIRO ATM method and the fourth important is payment service envelope method with which taxpayer puts bills to be paid in an envelope(offerred by bank) to the bank and taxpayer's account is charged accordingly, payment by mail or by cheque is no longer used; **Germany**—Figures are partly estimates. Electronic filing take-up rate of PIT is 13% and that of VAT is 90% in 2005. VAT electronic filing is mandatory for most taxpayers from 2005.; **Ireland**—personal income tax take-up rate is 53% if employee group targeted for non-electronic return only are included; **Italy**—tax professionals must use e-file arrangements, companies can also present them at banks or post offices which must capture all requisite relevant data and transmit these electronically to the tax agency; bank and post offices are reimbursed by the revenue authority for the cost of this service (on average €7 per return), which in 2003 covered around 1% of returns; **Japan**—electronic filing system became available in June 2004; **Singapore**—CIT for estimated assessment, GST e-filing launched in Dec. 2004; phone banking includes internet banking and ATM; **Latvia**—payment methods are 'From taxpayer's account' or 'Hard net cash by using brokerage of the credit institution; **Poland**—Electronic filing is planned on August 2006; **Portugal**—Electronic filing take-up rates of personal income tax are 37% in 2005 and 48% in 2006, direct on line payment is made by ATM; **Slovenia**—100% of tax payments are made via commercial banks; **Switzerland**—Direct taxes are imposed by 26 Cantons while VAT is imposed by Swiss Federation.