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Cooperative Tax Relationship or Compliance: Current situation in the CIAT member countries of Latin America, the Caribbean, Africa and Asia.

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CIAT

Cooperative Tax Relationship or Compliance: Current situation in the CIAT member countries of Latin America, the Caribbean, Africa and Asia.

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Preliminary comments:

The purpose of this document is to make available to the international tax community, especially the tax administrations of developing countries, the experiences which the Inter-American Center of Tax Administrations (CIAT) has identified among the administrations of a selection of member countries, in the area of the so-called "cooperative relationship" or "cooperative compliance"¹.

Much has been written on this subject in recent years, mainly within the scope of the Organization for Economic Cooperation and Development (OECD), the World Bank and the International Fiscal Association (IFA²). However, we have noticed that little has been published about this kind of practice and under the focus of cooperative/collaborative compliance relationship by tax administrations in developing countries and regional organizations and that is why we have been motivated to complete this work.

It must be noted that it is no easy task to classify the initiatives presented by our administrations. There is a very thin line between what we mean by service or assistance to the taxpayer and that which could be classified under the concepts of "cooperative relationship" or "cooperative compliance". However, considering the premise that "not all services are initiatives of cooperative compliance or cooperative relationship, but all cooperative compliance / cooperative relationship initiatives could be considered services", we have decided to classify the initiatives presented by our administrations.

This work is also aimed at progressing towards the conclusions obtained on May 9, 2014, at the workshop on "Methods to improve relations with taxpayers, business community and tax intermediaries" held by CIAT, the World Bank (IFC) and the "International Tax Compact" in Rio de Janeiro, and consequently promote knowledge and discussion of these matters among tax administrations in developing countries. We thus welcome comments and queries from the tax administrations of our member countries on the contents of this work.

¹ The concepts "Cooperative relationship" and "cooperative compliance" have been taken from the OECD document OECD (2013), The Cooperative Relationship: A reference frame: The cooperative relationship to cooperative compliance, OECD Publishing. <http://dx.doi.org/10.1787/9789264207547-es>.

² International Fiscal Association

I. INTRODUCTION

In recent years, several international forums and technical documents, have allowed for disseminating the experiences of the tax administrations of more developed countries with respect to the relations with taxpayers for achieving a higher level of voluntary compliance based on mutual cooperation. Today, one could argue that such initiatives have generated positive results and, in turn, constitute best practices for the tax administrations at the forefront.

The reason behind developing this working paper has been the lack of information in this field; mainly of CIAT members considered “developing” countries.

For this purpose, together with the World Bank (IFC) and "International Tax Compact", the CIAT Executive Secretariat held a workshop in Rio de Janeiro on "Methods to improve relations among the business community taxpayers and tax intermediaries" in May 2014³, thus affording our member countries and international experts the opportunity to present their experiences and share views and expectations on this issue. As a result, we have noticed that not only numerous initiatives have been successfully implemented in this sphere of action, but there is also a great interest of the CIAT member countries in moving forward in his direction. Also, these issues were partially discussed in different panels at the CIAT Technical Conference (Amsterdam 2012), which central topic was "Intelligent Cooperation"⁴.

Among the conclusions raised at that event and after analyzing the main regional and international experiences reported by CIAT member countries under the concepts of "cooperative relation/ cooperative compliance", we realized that there is no total consensus at the regional level regarding the characteristics these initiatives should have to be

³ Link with information of the workshop on "Methods for improving relations between the business community taxpayers and tax intermediaries" (Rio de Janeiro, 2014): <http://www.ciat.org/index.php/es/cooperacion-internacional/actividades-internacionales/seminarios-talleres.html>

⁴ Link with information to the CIAT Technical Conference on "Intelligent cooperation" (Amsterdam, 2012): <http://www.ciat.org/index.php/es/cooperacion-internacional/actividades-internacionales/conferencias-tecnicas.html>

considered under any of these concepts, according to the issues raised by the OECD and IFA publications.

In order to distinguish from such initiatives, those relating to the traditional services provided by tax administrations to the taxpayer; we have considered as general criterion that while all the initiatives of "cooperative compliance / cooperative relationship" could be classified as services, not all services can be understood as initiatives of "cooperative compliance / cooperative relationship". However, after completing the present work we continue to believe that it is still debatable, in certain specific cases, when we are presented with a service, or else an initiative aimed at "cooperative compliance / cooperative relationship". It is precisely for this reason we hope to move forward on this issue and promote the exchange of good practices oriented towards compliance.

The conclusions from the aforementioned workshop held in Rio de Janeiro and the analysis of this document have resulted in good experiences from developing countries, whose characteristics could allow for replicating them in different countries, under a South-South Cooperation perspective. However, when we refer to the exchange of experiences under this sphere of action, it is appropriate to quote the preliminary warning of the work published by the OECD⁵, which we fully share, and which reads: "national tax administrations are faced with diverse environments in which to administer their tax system. Jurisdictions are in fact different in terms of their political and legislative environment, as well as their administrative practices and culture. For these reasons, a standardized tax administration approach would not be in itself practical or desirable in a particular case." It is worth mentioning that this paragraph applies to most of the experiences dealt with in the field of tax policy and administration and are very much in line with the general criteria which the CIAT Executive Secretariat has upheld for years, when promoting best practices among its member countries.

Under this line of thought, it is important to note that the effective implementation of several of the initiatives analyzed in this document calls for a minimum level of development in different spheres of the tax administration and its context. Some of them

⁵ "Cooperative relationship" and "cooperative compliance" concepts have been taken from the OECD (2013), cooperative relationship document: A frame of reference: From the cooperative relationship to cooperative compliance, OECD Publishing. <http://dx.doi.org/10.1787/9789264207547-es>.

are : the level of tax culture, the control capacity of tax administrations, the level of human resources development, knowledge of the business by the tax administration, the level of compliance and administration costs, technological development, the complexity of the tax system, the availability and quality of information, risk management, the ability to work in real time, the quality of the processes, the way in which internal controls are applied, management of corporate governance related aspects and the tax administration's capacity to carry out multilateral initiatives with other governments, among others.

The definitions of "cooperative relationship" and "cooperative compliance" have generated much debate in the OECD Forum on Tax Administration (FTA), which has indicated that the term "Cooperative Relationship" has raised questions about the nature of the approach and possibly given way to connotations of inequality in tax treatment, which could in turn, may also violate basic principles such as equality before the law. It is thus that the FTA considered the term "cooperative compliance" more appropriate, since it is more precise, denoting not only the process of cooperation, but also showing its purpose as an integral component of the tax administrations' overall risk management strategy; namely: compliance, which implies the payment of tax debts owed in due time⁶. Taking into account the considerations raised by the OECD and after examining the responses provided by the tax administrations of CIAT developing member countries, for purposes of this document we have developed a broad definition of "cooperative compliance" which constitutes the main element used to classify the initiatives reported by the tax administrations:

A "cooperative compliance" initiative arises from the relationship between the tax administration and the taxpayer, and endeavors to achieve significant improvements in the level of mutual transparency and consequently in the level of voluntary compliance, having as objective the reduction of compliance and/or administrative costs and, if possible, the prevention of controversies in the juridical-tax relationship.

⁶ "Working smarter in structuring the administration, in compliance and through legislation (OECD, 2012)".

While the proposed definition is wide in scope, it is not expected that all the situations posed would occur simultaneously, in order for a "cooperative compliance" initiative to exist. For example, a reduction of compliance and/or administrative costs could not be guaranteed in all cases.

In this sense, we have deemed it timely to collect, analyze, classify and document the practices that have been or are being promoted by the tax administrations of a selection of developing countries, with the purpose of disseminating them in an orderly and systematic manner, whereby one may be precisely aware of the level of development in this sphere.

Considering the international experience acquired on the subject, the degree of consensus on certain concepts embodied in the technical documents most widely disseminated worldwide and the definition proposed in this document, hereafter we will refer to this type of initiatives, as follows: "cooperative compliance initiatives".

II. WORKING METHODOLOGY AND SOURCES OF INFORMATION

In order to collect the information needed to prepare this document, in April 2014 the CIAT Executive Secretariat drafted and sent a short questionnaire with 7 questions to all the CIAT member countries in Latin America, the Caribbean, as well as Kenya and India.

For developing this working paper, we have considered the experience of sixteen (16) countries that answered the questionnaire. Shown below are the countries and the date on which the aforementioned information was submitted to the CIAT Executive Secretariat.

Table II-1 countries that have reported initiatives and dates on which they were reported to the CIAT Executive Secretariat

| Countries | Tax administration | Dates |
|--------------------|---|------------|
| Argentina | Federal Administration of Public Revenues ⁷ (AFIP) | 04/21/2014 |
| Bermuda | Ministry of Finance (MF) | 14/04/2014 |
| Bolivia | National Tax Service (SIN) | 04/11/2014 |
| Brazil | Secretariat of Federal Revenues (RFB) ⁸ | 04/16/2014 |
| Costa Rica | General Directorate of Taxation (DGT) | 04/09/2014 |
| Ecuador | (SRI) Internal Revenue Service | 05/08/2014 |
| El Salvador | General Directorate General of Internal Taxes (DGII) | 04/11/2014 |
| Guatemala | Tax Administration Superintendency (SAT) ⁹ | 04/11/2014 |
| Guyana | Guyana Revenue Authority (GRA) | 04/11/2014 |
| India | Ministry of Finance (MF) | 04/17/2014 |
| Kenya | Kenya Revenue Authority (KRA) | 04/10/2014 |
| Mexico | Tax Administration Service (SAT) ¹⁰ | 04/12/2014 |
| Paraguay | Undersecretariat of Taxation (SET) | 04/11/2014 |
| Dominican Republic | General Directorate of Internal Taxes (DGII) | 04/15/2014 |
| Sint Maarten | Ministry of Finance (MF) | 05/01/2014 |
| Uruguay | General Taxation Directorate (DGI) | 04/09/2014 |

⁷ AFIP of Argentina is an integrated tax administration that manages taxes, customs and social security contributions.

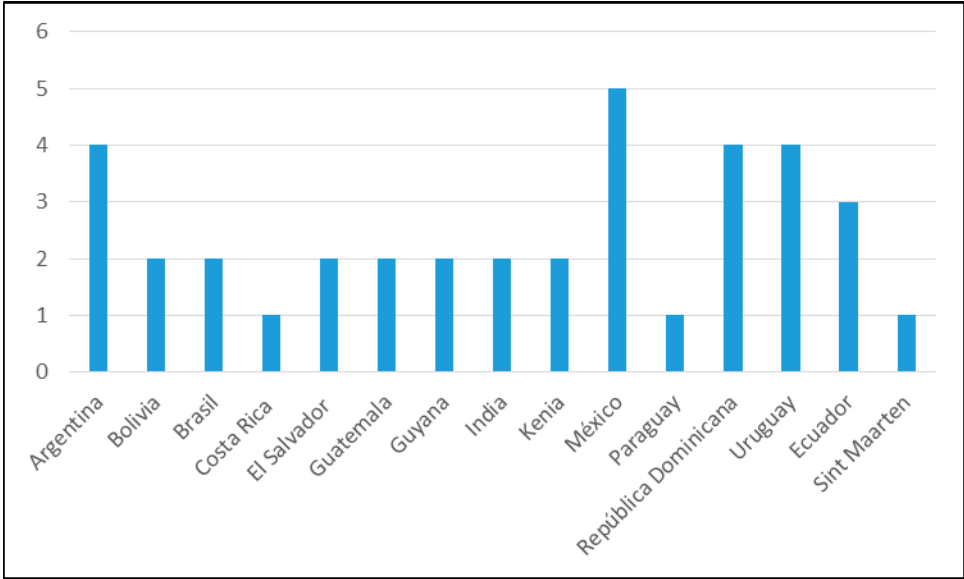
⁸ RFB from Brazil is an integrated tax administration that manages taxes, customs and social security contributions.

⁹ SAT of Guatemala is a tax administration that manages taxes and customs duties.

¹⁰ SAT of Mexico is a tax administration that manages taxes and customs duties.

Graph II-1 shows on the y-axis, the number of initiatives considered as "cooperative compliance", in the x-axis, we can see the 15 countries that provided information to the CIAT Executive Secretariat.

Graph II-1 Number of initiatives reported by country



In addition, as shown in the next section and for purposes of understanding the characteristics and scope of this type of cooperative relation/cooperative compliance initiatives, we have observed the experience acquired by other tax administrations of countries not included in the above table, which have made significant progress.

III. RELEVANT EXPERIENCES OF PIONEER COUNTRIES AND PROPOSALS FROM OTHER ORGANIZATIONS WITHIN THE SPHERE OF "COOPERATIVE COMPLIANCE".

In order to give an idea of the kind of initiatives that could be considered within the framework of the so-called "cooperative compliance", hereunder is a brief and objective description of selected initiatives that have been widely diffused and implemented in recent years by countries in Europe, North America and Oceania, which have set or followed trends:

1. Australia

The Australian Taxation Office (ATO) has the "Annual Compliance Arrangement (ACA)", which is basically an administrative agreement that provides, under different scenarios, the conditions of the relationship between the taxpayer and the administration and which program is focused on large taxpayers.

To reach an agreement within the framework of this initiative, the taxpayer must prove that it meets the tax administration's expectations regarding its "corporate governance". Thus, the tax administration determines the desirable behaviors that should be adopted by the taxpayer's "corporate governance" in order for the administration to consider them reliable in terms of compliance. Within the framework of this agreement, if the taxpayer provides the information required, the tax administration affords the taxpayer the possibility of access to personalized service. This service includes the following benefits:

- Administrative solutions to compliance issues
- Centralized contact points and constant dialogue on technical matters,
- Closure of previous periods,
- Concessions in dealing with penalties and interest,
- A working plan, which determines the different processes to be followed and the deadlines for implementing them.
- The possible extension of thresholds for the correction of GST errors¹¹.

¹¹ Tax on goods and services in Australia

In other words, instead of applying traditional enforcement procedures with respect to audits and risk reviews, procedures are applied in keeping with the circumstances and the taxpayer's risk level. For example, as a result, the Australian ACA offers as benefit the prompt solution of technical issues (e.g.: differences in criteria regarding risk situations and the correct application of these criteria.) in real time. Since the taxpayer submits to the administration his tax risks in real time, the Administration can decide thereon faster than through the traditional process.¹²

2. Spain

The State Agency for Tax Administration (AEAT) of Spain has a Large Companies Forum, which acts as a cooperative relationship organization to promote greater collaboration between large companies and the State's tax administration, based on the principles of transparency and mutual trust, through common knowledge and consideration of problems that may arise in the application of the tax system. There is also a forum of associations of tax professionals as a cooperative relationship entity based on transparency and mutual trust, so that it may ultimately favor and facilitate the taxpayer's voluntary compliance with his tax obligations. This forum aims to: promote mutual knowledge between the tax agency and professionals represented, within a framework of cooperation, transparency, technical rigor, objectivity, proportionality and receptivity, increase legal certainty in the relations of taxpayers and tax professionals with the Tax Agency, contribute to the improved application of the tax system as well as to the prevention of tax fraud.¹³

These forums, according to the AEAT, are informal, associative, flexible and non-bureaucratic. Top level representatives participate in plenary meetings, namely: The State Secretary of Finance and the AEAT's Executive Committee, on the one hand, and members of the boards of Directors of the companies on the other. Participation in the working groups is set at a more technical and flexible level.

¹² For more information, go to <http://www.ato.gov.au/Business/Large-business/In-detail/Compliance-and-governance/Annual-Compliance-Arrangements/>

¹³ For more information, go to http://www.agenciatributaria.es/AEAT.internet/Inicio_es_ES/ Segmentos /Empresas y profesionales/Foro_Grandes_Empresas/Foro_Grandes_Empresas.shtml y http://www.agenciatributaria.es/AEAT.internet/Inicio_es_ES/ Segmentos /Colaboradores/Foro de Asociaciones y Colegios de Profesionales Tributarios/Foro de Asociaciones y Colegios de Profesionales Tributarios.shtml

In particular, the fundamental objectives of these types of Forum are the following:

- a) Improvement of the relationship between the State tax administration and enterprises through the establishment of fluid communication channels. In particular, the dissemination of the structure of the entities applying the taxes and their actual application, as well as the dissemination of the specific interpretative criteria of general interest applied by the competent bodies (administrative, economic-administrative and judicial)
- b) Simplification and promotion of compliance with tax obligations, through the analysis of possible improvements to the tax application procedures, in such actions as tax control, compliance with formal obligations as well as in the establishment of information channels that may generate greater security in business performance and minimize the litigation costs and the risk of sanctions.
- c) Evaluation of the internal performance of companies in relation to the application of the tax system, thereby generating awareness with regards to the responsibility of the Boards of Directors in tax matters as a manifestation of Corporate Social Responsibility, as well as creating momentum for the development of codes of best tax practices and possible improvements in the internal control procedures for the detection and management of tax contingencies in business.

Along this line, and within the framework of the aforementioned Forum a Code of Best Practices was approved in recent years, to which 81 companies had adhered by the end of 2014.

According to this new Code, best tax practices are those that facilitate the reduction of significant tax risks and prevent the behaviors that are likely to generate them. To this end, it is recommended that companies do not use opaque structures which definitely try to avoid the tax authorities from determining who is ultimately responsible for the activities, properties and rights involved.

On the other hand, in a recent amendment to the modification of the Law on Corporations for improving corporate governance, a new provision was included which will be in force as of 2015. It provides, among the powers that cannot be delegated by the Board of

Directors of the corporations, the determination of the tax strategy and the risk control and management policies, including the fiscal ones, as well as the supervision of its internal information and control systems. In addition it is also provided that, in any case, the annual corporate governance report will include information on the risk control systems, including tax risk.

3. United States

The "Internal Revenue Service" (IRS) of the United States of America implements the "Compliance Assurance Process" (CAP). It is a program used to identify and solve situations involving tax risks through open, transparent and cooperative interactions between the IRS and the large taxpayers and international taxpayers, before they complete and submit a tax return. The program consists of three phases as follows: (i) Pre-CAP, (ii) CAP and (iii) Compliance Maintenance. The program requires a real-time exchange of information, on the positions proposed by the taxpayer in tax returns, their respective events, and the concluded transactions that may affect his federal tax responsibility. Taxpayers who enroll in the program are able to achieve certainty faster and with less administrative burden than in the traditional examination processes following the filing of the returns. This allows a better management of tax resources and ensures more accurate financial returns.

The program promotes compliance, contributing at the same time to the IRS objective of reducing its examination cycle time and optimizing some aspects such as certainty, efficiency, and timeliness in the solution of complex tax issues. In addition, this program has allowed to increase audit coverage, without affecting the efficient use of the respective resources.

The program does not provide taxpayers assistance in, or solution of prospective or incomplete transactions out of the existing processes.¹⁴

¹⁴ For more information, go to <http://www.irs.gov/Businesses/Corporations/Compliance-Assurance-Process>

4. International agencies

In addition to the references already made to the OECD, according to IFA's conception the "cooperative relationship" is a form of relationship between the tax administrations and taxpayers based on mutual understanding, respect and cooperation. It is aimed at the application of the tax system in the most effective and adequate way and always based on a reciprocal transmission of relevant information which includes the tax positions adopted by the companies to determine the taxes to be paid, taking into account the spirit and purpose of the standard and with respect by both parties, of the tax rights and obligations and the application of the procedural rules in the event of disagreement.

As the IFA highlights, this cooperative relationship is not achieved overnight, but rather it must be the result of a gradual process that requires cultural change, the means that may promote it and always under a perspective of pragmatism.

On the other hand, and in the field of certifying entities, the International Organization for Standardization (ISO)¹⁵ in its ISO 26000 standard, provides for a "Social Responsibility Guide" designed to be applied by all types of organizations including the public ones. This standard includes voluntary guidelines for consultation and action on the issue of social responsibility and does not intend for the time being to be a certification standard, as other ISO standards. This guide includes in particular:

- Social responsibility-related concepts, terms and definitions.
- Social responsibility background, trends and characteristics.
- Social responsibility principles and practices.
- Core subjects and social responsibility issues, wherein we may clearly include taxation.
- Identification and commitment with stakeholders.

¹⁵ The "International Organization for Standardization" (ISO) is an independent and non-governmental organization, which develops international voluntary standards.

- Communication of commitments, performance and other social responsibility-related information.

V. INITIATIVES FROM TAX ADMINISTRATIONS OF LATIN AMERICA, THE CARIBBEAN, KENYA AND INDIA

IV.1 Classification of initiatives:

The number and diversity of initiatives which the 16 countries consulted have reported under the "cooperative compliance" concept, has made it necessary to classify them according to a series of categories, in order to carry out a more accurate assessment.

From a methodological point of view and to arrive at a consistent classification of the 37 reported initiatives, we have identified a series of common features. These common characteristics have to do with their nature, the audience to which they are directed, or the objectives they pursue.

The categories are as follows:

Table IV-1 Categories and Definitions

| Categories | Definitions |
|---|---|
| Forum | This category would include initiatives seeking a formal space that may facilitate the interaction between the tax administration and certain groups of taxpayers and/or tax intermediaries; in order to deal with matters of tax policy and/or administration. |
| Personalized communication | Within this category there are initiatives that exclusively serve specific needs of taxpayers in the field of tax administration, or else the early report of risks, in order to avoid future disputes, facilitate and promote compliance. This type of initiatives can be directed to a group of taxpayers with common characteristics or to the public in general. In all cases, the attention given by the tax administration is personalized. |
| Tax administration actions by the tax administration based on level of risk or transparency of the taxpayers, for eligibility or negotiation and signing of agreements | Any actions that usually rely on the results of the risk management processes or evaluation of certain requirements that are set to assess the situation of a particular taxpayer would be included in this category. All this feeds the decision-making process of the tax administration to apply certain benefits (e.g.: simplification, services, certainty, reduced costs of compliance, APAs, etc.), to those taxpayers who have a lower risk level, are more transparent or meet certain pre-established compliance-oriented requirements. |

| Categories | Definitions |
|---|--|
| Channels of consultation | This category includes initiatives that allow taxpayers to consult the tax administration on technical and procedural issues. |
| Training | It includes initiatives that allow the tax administration to offer training to taxpayers, aimed at facilitating compliance. |
| Services in general, aimed at promoting the relationship | It includes initiatives that consist of multiple services, aimed at improving the relationship between the Administration and the taxpayer. |
| Other initiatives | The countries in the sample have reported other initiatives, which in our opinion would not qualify as cooperative compliance or not be framed within the definition that we have developed for this purpose; however they represent good practices that could have an impact when promoting a greater rapprochement between the tax administration, the taxpayer and the tax intermediaries. In other words, under the classification "other initiatives" there are those that even though they have been reported by the tax administrations under the concept of "cooperative relationship/cooperative compliance ", in our opinion they only abide partially by this definition. |

IV. 2. Summary of “cooperative relationship/cooperative compliance” initiatives reported by the tax administrations

The following is a systematic presentation of the cooperative compliance initiatives reported by the tax administrations of the different countries participating in the study, classified according to the categories previously described in the first part of this section of the study and highlighting their main characteristics:

Table IV-2 Classification of cooperative compliance initiatives

| Denomination of cooperative compliance initiatives | Classification of cooperative compliance initiatives according to the first section of this study | | | | | | | |
|--|---|----------------------------|---|-----------------------|----------|--|-------------------|------------------------|
| | Forum | Personalized communication | Program based on risk level for eligibility/ agreements | Consultation channels | Training | Services in general, aimed at promoting the relationship | Other initiatives | Date of implementation |
| Argentina | | | | | | | | |
| Special commissions and advisory councils | x | | | | | | | 2013 |
| Early SMS cell phone alerts | | x | | | | | | 2014 |
| Automated means of payment | | | | | | | x | n/a ¹⁶ |
| ABC and procedures guide | | | | | | | x | n/a |

¹⁶ n/a means that the information relative to the section is not available

| Denomination of cooperative compliance initiatives | Classification of cooperative compliance initiatives according to the first section of this study | | | | | | | |
|--|---|----------------------------|---|-----------------------|----------|--|-------------------|------------------------|
| | Forum | Personalized communication | Program based on risk level for eligibility/ agreements | Consultation channels | Training | Services in general, aimed at promoting the relationship | Other initiatives | Date of implementation |
| Bolivia | | | | | | | | |
| Consultation channels for large taxpayers | | | | | | | x | 1996 |
| Training | | | | | x | | | n/a |
| Brazil | | | | | | | | |
| Differentiated follow-up | | x | | | | | | 2014 |
| Early warnings about irregularities | | x | | | | | | 2013 |
| Costa Rica | | | | | | | | |
| APA | | | x | | | | | 2013 |
| El Salvador | | | | | | | | |
| PACE Corporate customs compliance program | | | x | | | | | 2012 |
| GTG Tax management of large taxpayers | | | | | | x | | 2013 |
| Guatemala | | | | | | | | |

| Denomination of cooperative compliance initiatives | Classification of cooperative compliance initiatives according to the first section of this study | | | | | | | |
|--|---|----------------------------|---|-----------------------|----------|--|-------------------|------------------------|
| | Forum | Personalized communication | Program based on risk level for eligibility/ agreements | Consultation channels | Training | Services in general, aimed at promoting the relationship | Other initiatives | Date of implementation |
| Large taxpayers assistance desk | | | | | | x | | n/a |
| APA | | | x | | | | | n/a |
| Guyana | | | | | | | | |
| Corporate policies | | x | | | | | | n/a |
| Certification of tax practice | | | | | | x | | n/a |
| India | | | | | | | | |
| APA | | | x | | | | | 2012 |
| LTU Large Taxpayers Unit | | | | | | x | | 2006 |
| Kenya | | | | | | | | |
| Relationship Manager | | | | | | x | | 2007 |
| Forum with ICPAK Accountants Association | x | | | | | | | n/a |
| Mexico | | | | | | | | |
| APA | | | x | | | | | 1994 |

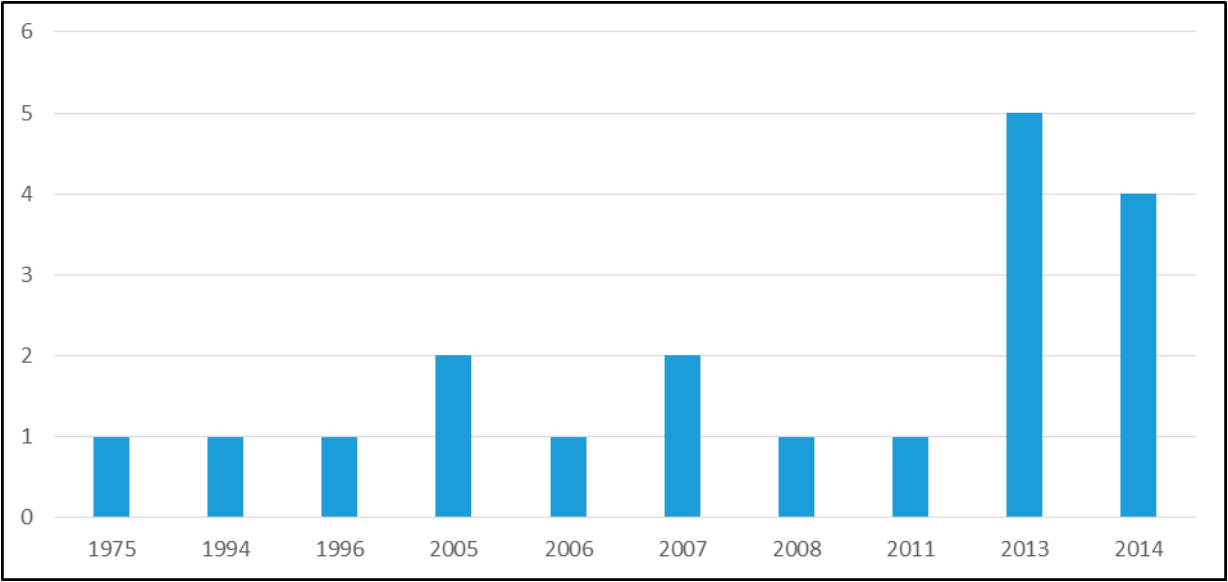
| Denomination of cooperative compliance initiatives | Classification of cooperative compliance initiatives according to the first section of this study | | | | | | | |
|--|---|----------------------------|---|-----------------------|----------|--|-------------------|------------------------|
| | Forum | Personalized communication | Program based on risk level for eligibility/ agreements | Consultation channels | Training | Services in general, aimed at promoting the relationship | Other initiatives | Date of implementation |
| Conclusive agreements | | | x | | | | | 2014 |
| Cooperative compliance | | | x | | | | | n/a |
| Tax consultation (legal procedure) | | | | x | | | | n/a |
| Tax pre-consultation (procedure not established by law) | | | | x | | | | n/a |
| Paraguay | | | | | | | | |
| Account executives | | | | | | x | | 2012 |
| Dominican Republic | | | | | | | | |
| APA | | | x | | | | | 2012 |
| Sectorial agreements in the self-assessment of income (pre-determined income margin) for the Agricultural sector | | | x | | | | | 2010 |
| Sectorial APA | | | x | | | | | 2014 |

| Denomination of cooperative compliance initiatives | Classification of cooperative compliance initiatives according to the first section of this study | | | | | | | |
|--|---|----------------------------|---|-----------------------|----------|--|-------------------|------------------------|
| | Forum | Personalized communication | Program based on risk level for eligibility/ agreements | Consultation channels | Training | Services in general, aimed at promoting the relationship | Other initiatives | Date of implementation |
| Personalized counseling | | | | x | | | | n/a |
| Uruguay | | | | | | | | |
| Examination team/ Account executive | | | | | | x | | 2005 |
| Tax seminars | | | | | | | x | 2008 |
| APA | | | x | | | | | 2011 |
| Consultation | | | | x | | | | 1975 |
| Ecuador | | | | | | | | |
| Communication with Large taxpayers | | x | | | | | | 2007 |
| Meetings on examination / sectorial aspects | x | | | | | | | 2013 |
| APA | | | x | | | | | n/a |

| Denomination of cooperative compliance initiatives | Classification of cooperative compliance initiatives according to the first section of this study | | | | | | | |
|--|---|----------------------------|---|-----------------------|----------|--|-------------------|------------------------|
| | Forum | Personalized communication | Program based on risk level for eligibility/ agreements | Consultation channels | Training | Services in general, aimed at promoting the relationship | Other initiatives | Date of implementation |
| Sint Maarten | | | | | | | | |
| Compliance Areas Division | | | | | | | x | n/a |
| Total | 3 | 5 | 12 | 4 | 1 | 7 | 5 | |

In the following graph, the y-axis shows the number of cooperative compliance initiatives implemented by the tax administrations considered in this working document, classified by their implementation year.

Graph IV-1 Number of initiatives, classified by year of implementation reported by country¹⁷

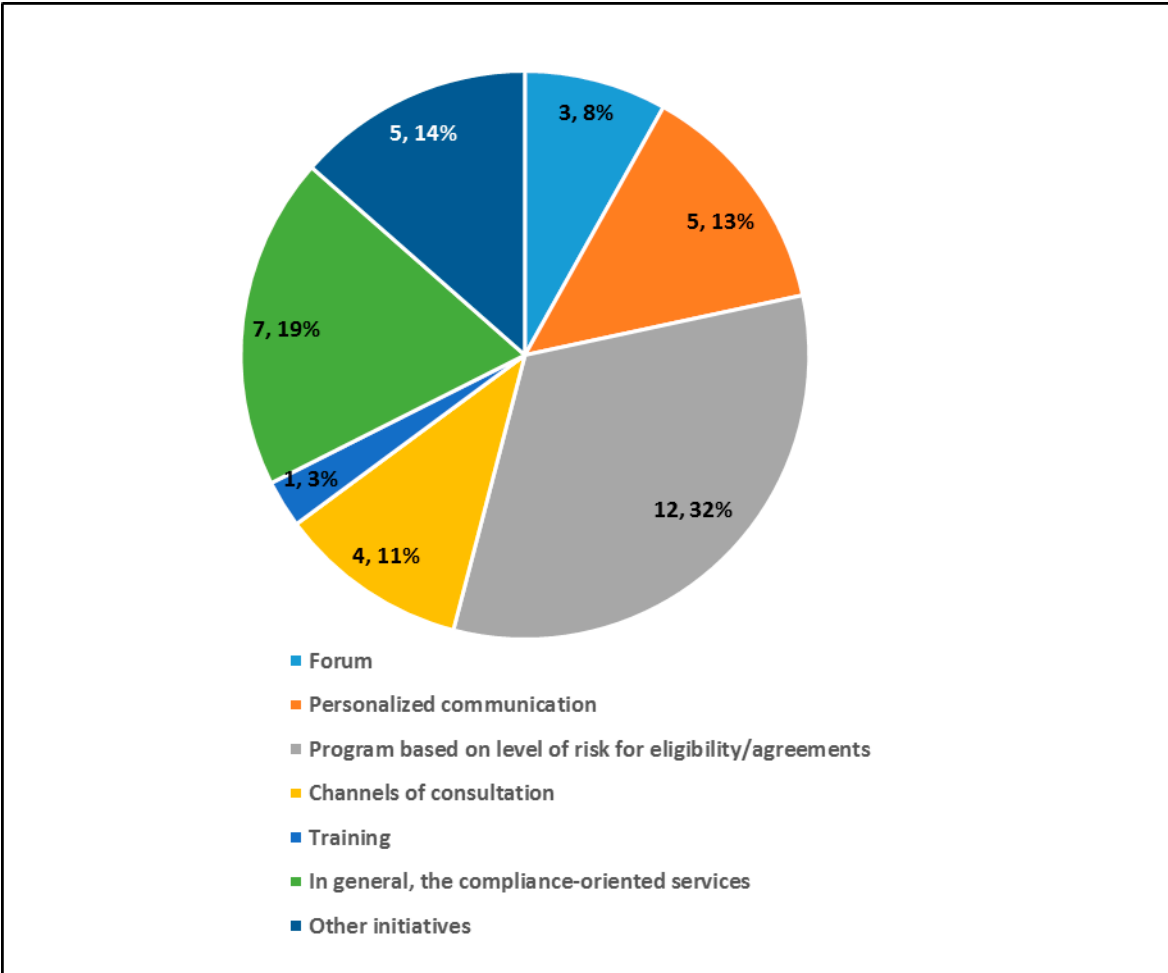


The analysis of this graph shows that the number of implemented initiatives increased significantly in the years 2013 and 2014. This increase could be due, on the one hand, to the dissemination and promotion in recent years, by the tax administrations and international organizations of the convenience of acting under the “cooperative compliance” conception and on the other, the permanent demand to the tax administrations by taxpayers and other groups for a better, more effective and efficient compliance with tax obligations.

¹⁷ Although the year of implementation of the initiatives has been reported by the vast majority of tax administrations, this information has not been received in all cases. As a result, the chart does not reflect 100% of the universe referred to in this work.

The following graph shows the number and percentage of initiatives, classified by category.

Graphic IV-2 Percentage and number of initiatives by category



From the analysis of this graph, we can observe that actions of tax administrations based on the level of risk or transparency of the taxpayers, for their eligibility or else negotiation and signing, are those with a higher percentage of 12.32%.

This situation reflects all those actions that are usually based on the results of the risk management processes or assessment of certain requisites established to evaluate the situation of a specific taxpayer.

These initiatives guide the tax administration’s decision-making process for granting certain benefits (simplification, services, certainty, lower compliance costs, APAs, etc.), to those taxpayers with a lower risk level, who are more transparent or meet certain pre-established requirements aimed at the better fulfillment of their tax obligations.

The various relationship/cooperative compliance initiatives classified by categories and the different countries that are the purpose of this study are described below.

IV.2.1 Forum

Argentina

Meetings held within the sphere of the Consultative Council and special commissions

Consultative Councils allow for institutional dialogue on issues of their respective competencies, with the participation of agencies and organizations representing the various sectors of the community involved in the economic, social and financial activities, in order to receive proposals and/or recommendations of a general nature and, at the same time, contribute to deciding on issues that are being considered. They are divided as follows:

- Tax Advisory Council.
- Customs Advisory Council.
- Social Security resources Advisory Council and
- Small and medium enterprises Advisory Council.

Advisory Councils are chaired by AFIP, assisted by an Executive Coordinator and a Permanent Secretariat under the sphere of the AFIP's Deputy General Directorate of Technical and Institutional Coordination. Organizations, professional associations and chambers or sectorial groups wishing to join the Advisory Councils as permanent members, will request their affiliation by submitting, through a computerized procedure, their institutional background information, articles of incorporation, modifications and the current composition of their governing body, as well as similar organizations of which they are members. To this end, entities must have a 'digital signature' certified by AFIP, in accordance with the provisions of the General resolution N° 2,651. Such request will be decided by AFIP, following intervention of the corresponding areas, according to the subject.

The "Agenda" will be prepared on the basis of the issues received by the Permanent Secretariat, at least 5 days from the date of the Consultative Council meeting. Those received later can only be included provided they are urgent and if their importance or institutional relevance justifies it. The respective proposals or requests must be submitted via the computerized procedure referred to in article 7 of the AFIP Provision 361 - 2013

available and deal exclusively with recommendations of a general nature, not allowing the treatment of individual or private matters.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large companies, specific group of taxpayers |
| Expected results | <ul style="list-style-type: none"> • Identify proposals that may improve the tax system • Contribute to the decision-making process • Improve transparency to the taxpayer and tax administration • Facilitate compliance |
| Implementation status | Implemented in 2013 |
| Regulatory framework | AFIP Provision 361-2013 |
| Statistical data | n/a |

Ecuador

Meetings on examination aspects of sectors of the economy

The SRI of Ecuador affords large taxpayers a channel to discuss with tax administration representatives issues dealing with the effective implementation of the tax policy (e.g.: electronic tools, training for their use, services, among other administrative aspects), in order to reach agreements on the way in which the tax reforms will be implemented.

This initiative promotes meetings between the tax administration and taxpayers belonging to specific and relevant sectors of the country's economy; in order to address issues of mutual interest and the ultimate goal of increasing certainty, reducing controversies, improving processes, and improving the level of compliance.

As of the date the SRI provided information for this document, it had held meetings with companies from the oil sector, to discuss conceptual aspects and the application of tax legislation. As a result, control processes have been improved and there has been a lower level of inconsistencies in the returns filed by the taxpayers of the sector.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Specific group of taxpayers |
| Expected results | <ul style="list-style-type: none">• Contribute to the decision-making process• Facilitate compliance |
| Implementation status | Implemented in 2013 |
| Regulatory framework | n/a |
| Statistical data | n/a |

Kenya

Forum with the accountants association (ICPAK)

The Kenya Revenue Authority has an agreement with the Institute of Certified Public Accountants of Kenya (ICPAK)¹⁸, whereby they consider issues that are important to their customers. Within the framework of this agreement, forums are organized for discussing issues of mutual interest for improving the relationship between taxpayers and the tax administration. In addition, the aforementioned forums allow for making proposals on tax legislation aspects that may create compliance problems.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Tax intermediaries |
| Expected results | <ul style="list-style-type: none">• Contribute to the decision-making process• Improve transparency to the taxpayer and tax administration• Reduction of administration and compliance costs• Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

¹⁸ By clicking [here](#) you will have access to the web site of the Institute of Certified Public Accountants of Kenya

IV.2.2 Personalized communication

Argentina

Early alerts via cell phone text messages

By means of constant interaction with the intermediary associations¹⁹ grouping small agriculture and livestock producers, AFIP has established a procedure whereby administrative actions carried out by AFIP for this group of taxpayers are anticipated through text and individual messages to each taxpayer.

This initiative was conceived as a result of a significant number of administrative collection actions, which due to a lack of response from the taxpayers, resulted in judicial seizures. The first notice which the taxpayer received from AFIP was the judicial action ordering the banking seizure. This situation occurred because the postal service was not efficient in sending notifications to domiciles or places of difficult access in rural areas.

The universe of taxpayers represented consists of small agricultural producers and small dairy producers. Upon receiving a text message in his cell phone, the taxpayer can verify through the AFIP website the action being taken by the tax administration and the noncompliance being claimed, so that he may thus solve it prior to the administrative act.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Specific group of taxpayers (small agricultural and dairy producers ²⁰ .) |
| Expected results | <ul style="list-style-type: none">• Improve transparency to the taxpayer• Reduction of administration costs• Facilitate compliance |
| Implementation status | Implemented in 2014 |
| Regulatory framework | The legal framework that regulates the services is the General Resolution No. 2416/2008 |
| Statistical data | In the year 2013, 52.835 SMS were sent ²¹ to the 5561 subscribers. |

¹⁹ Independent organizations that arise within civil society that are described as intermediary, precisely because they intervene" between individuals (citizens or companies) and the State

²⁰ In Argentina those persons or companies engaged in dairy livestock breeding are known as "tamberos"

²¹ English acronym for "short message service", which is a text messaging service used by cell phones.

Brazil

*Differentiated follow-up*²²

Within the framework of this program, taxpayers may be contacted by electronic means, in relation to specific situations dealing with: tax returns, enforced collection procedures or else to be given orientation in relation to their tax obligations.

First of all, taxpayers subjected to "differentiated follow-up" are notified of their inclusion in this program. Following inclusion, the RFB indicates the team supervisor who will be in charge of the taxpayer review. Additionally, the taxpayer is requested to report via the internet e-cac website²³, who will be his contact with the tax administration.

Even though there is a policy stating that the needs of taxpayers who apply to this program should be addressed as a priority, in practice there is no formal procedure to prioritize these needs. The notification of inclusion to this program takes place once a year (on January 31 of every year).

Summary of the main characteristics of the initiative:

| | |
|--|--|
| Group to which the program is directed | Large taxpayers |
| Expected results | <ul style="list-style-type: none">• Improve transparency• reduction of administration costs• Facilitate compliance |
| Implementation status | Implemented in 2014 |
| Regulatory framework | Articles 5 e 8 ° da Portaria RFB 2356 / 2010 |
| Statistical data | <ul style="list-style-type: none">• In the year 2013, 714 official releases were sent.• From 01/01/2014 to 09/06/2014 333 communications were sent.• The first cycle of dispatches occurred in late 2013.• 274 communications sent.• 215 were actually received. |

²² In Portuguese, the initiative is called "acompanhamento" which translated into Spanish is understood as follow-up.

²³ Virtual center of attention to the taxpayer of the RFB

| | |
|--|--|
| | <ul style="list-style-type: none"> • 42% (89 legal entities) regulate themselves • R \$²⁴ 24.4 billion declared as gross revenues • R \$ 77.3 as financial result. |
|--|--|

Early warnings of irregularities

Within the framework of this initiative, the tax administration sends messages to taxpayers pointing out the differences between the information filed by them and the amounts values obtained as a result of third-party information systems. This practice helps taxpayers to normalize their tax obligations after becoming aware of inconsistencies reported by the tax administration. In other words, it gives the taxpayer the opportunity to recognize and correct possible differences without being liable to any penalty. Also, this initiative allows the tax administration to reduce its supervisory actions and consequently reduce its administrative costs by focusing on the most relevant risks.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | All taxpayers |
| Expected results | <ul style="list-style-type: none"> • Provide certainty • Improve transparency • Reduce compliance costs • Facilitate compliance |
| Implementation status | Implemented in 2013 |
| Regulatory framework | n/a |
| Statistical data | 129 million R\$ were recovered |

Guyana

Corporate policies

Usually, the GRA issues criteria through its communication and corporate policy unit on the application of the existing law, in those areas where there may be different interpretations by the taxpayer or else on the so-called "legal gaps and/or loopholes". The purpose of this initiative is to provide greater certainty in these complex situations.

²⁴ R \$ is the symbol of the real, the legal tender in Brazil

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | All taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

Ecuador

Communications to large taxpayers

The SRI annually selects a group of large taxpayers via an official communication and provides them with the contact details of the official who will be their liaison in the tax administration. In this way, the taxpayer's benefit consists of having a personalized contact, while for the Tax Administration it is timely access to the information of these taxpayers.

This initiative generates the large taxpayer's commitment to comply in time and form with his tax obligations, as a result of the monitoring and personalized contact with the tax administration's liaison.

Thanks to the creation of the 'National Large Taxpayers' area, in the year 2007 and through the control processes implemented that same year, communications have been issued to large taxpayers regarding tax matters with different objectives. Some of them are:

- Reminders of specific obligations arising from the tax regulations.
- Persuasive control letters regarding individual and sectorial risks.
- Communications to taxpayers belonging to a specific sector of the economy, on tax risks detected by the tax administration in said sector.

Because of the diversity of issues that have been discussed through the communications sent to large taxpayers, for reasons of synthesis, it is difficult to individualize the results achieved. However, it may be said that, thanks to this initiative, it was possible to positively

influence the behavioral changes of several taxpayers, and consequently the collection of taxes.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | Although it is not formalized through legal or administrative rules, it is a practice carried out by the National Large Taxpayers Area since 2007 |
| Regulatory framework | n/a |
| Statistical data | n/a |

IV.2.3 Programs based on the level of risk or transparency of taxpayers, for their eligibility or negotiation and signing of Advance Pricing Arrangements (APAs)

The APAs are a measure of simplification and dispute resolutions usually implemented by tax administrations on the basis of provisions established in the agreements to avoid double taxation (DTA) or in their internal tax legislations. The definition of APA appearing in the DTA allows two or more Contracting States to discuss and establish mechanisms to avoid double taxation. When the APAs are signed between two countries they are considered to be bilateral, and if more than two countries are involved, they are considered multilateral. On the other hand, when by means of the internal legislation it is possible to request an APA between the taxpayer and the local tax administration, this would be a unilateral agreement. A unilateral APA can be defined as a contract between a taxpayer and the tax authority, in order to agree, prior to carrying out transactions between related parties, the criteria for the assessment of such operations. In particular, this would deal with methods for estimating prices or market margins, correction adjustments, determination of comparable businesses and transactions, goods or services subject to the transfer pricing methodology and other elements of analysis; so that the two parties may have certainty regarding compliance with the principle of full competition.

Unilateral APAs have acquired significant importance in recent years, due to their easier and faster administrative handling, as compared to the bilateral and multilateral agreements, and of course, their lower processing cost.

In general, the following are some of the APA benefits:

- Reduction of compliance costs of transfer pricing systems, both for taxpayers and tax administrations. An APA can avoid taxpayers and tax administrations costs and auditing times, as well as lawsuits;
- Greater legal certainty to the taxpayer. As a result of an APA, a taxpayer may be in a better position to predict his tax liabilities, thus allowing a tax environment favorable to investment;
- Efficient use of the tax administrations' resources. The APA can reduce the level of risk of taxpayers who sign it and thereby allow the tax administration to focus its resources on other taxpayers or risk areas.

Table IV-11 General information on APAs in a selection of CIAT member countries ²⁵

| Countries | Type of APA | Term of an APA | Response time to APA request |
|--------------------|--|--|-------------------------------------|
| Chile | Unilateral, bilateral and multilateral | The commercial year plus 36 months | 6 months |
| Colombia | Unilateral | | 9 months |
| Costa Rica | Unilateral/bilateral | 3 years | |
| Ecuador | Unilateral, bilateral and multilateral | 36 months or more | 24 months |
| Guatemala | Unilateral | 48 months | 12 months |
| Honduras | Unilateral | Not more than 5 fiscal years | |
| India | Unilateral, bilateral and multilateral | | |
| Mexico | Unilateral, bilateral and multilateral | 60 months | 8 months |
| Peru | Unilateral | 48 months | 12 months |
| Dominican Republic | Sectorial | 18 months | |
| Uruguay | Unilateral | 36 months | 3 months |
| Venezuela | Unilateral | 36 months plus remaining months of current fiscal year | 12 months |

Outstanding experiences in the scope of APA

India

In order to provide tax certainty and uniformity to international transactions between related parties, India introduced APA provisions through statutory legislation in the Income Tax Law in the year 2012.

²⁵ The Control of transfer pricing handling in Latin America and the Caribbean. CIAT, ITC and GIZ, 2013.

The law provides that the Central Board of Direct Taxes may, with the approval of the Central Government, enter into agreements with any person, for determining the free competition or "arm's length" price (ALP), or specifying the manner in which the ALP is determined in an international transaction said person may carry out.

The APA process is voluntary and may, in some cases, replace other mechanisms for solving transfer pricing disputes.

The APA scheme involves the following processes:

- Assistance for completing the form to apply for an APA.
- Treatment of APA application form.
- Processing of the APA application form.
- Examination and analysis of an APA application form, with respect to the TP analysis, the market forecasts, applicable judicial and administrative decisions, etc.
- Negotiation between the competent authority and the taxpayer in bilateral/multilateral APAs and between the Unilateral APA team and the taxpayer for their integration in APAs.
- Annual compliance report.
- APA compliance audit.

The benefits of this scheme are:

- Provides tax certainty to both the taxpayer and the Government.
- Reduces the risk of incurring in double taxation by means of bilateral or multilateral APAs.
- Reduces the cost of compliance, eliminating the risk of transfer pricing audit and solving long and impractical lawsuits.
- Reduces the cost of maintaining accounting records, since the taxpayer knows in advance what documentation is required to support the terms and conditions of the agreement.
- The tax administration is able to reorient the resources of extensive lawsuits to efforts for improving risk management.

The APA program entered into force on July 1, 2012 and the first group of applications was received in March 2013.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none"> • Provide certainty • Improve transparency • Facilitate compliance |
| Implementation status | Implemented in 2012 |
| Regulatory framework | n/a |
| Statistical data | India signed the first group of 5 unilateral advance pricing arrangements in March 2014, within a period of 1 year from application, which contrasts with the international accepted standard of at least 2 years of waiting. During 2013-2014 fiscal year, 232 new APA applications were received. The number of applications filed and the solution of 5 cases in the first year of the scheme indicate the success of the APA scheme in India. |

Mexico

An APA is the solution to a transfer pricing inquiry by a resident taxpayer in Mexico according to the terms of article 34-of the current Tax Code of the Federation.

Such inquiry must be formally initiated by the resident taxpayer in Mexico through a written document requesting confirmation of the methodology used in determining the prices or compensation amounts in transactions with related parties, according to article 179 of the Income Tax Law in force.

APAs can be unilateral or bilateral. The unilateral APAs are transfer pricing inquiries requested by resident taxpayers in Mexico to the Mexican tax authorities, while the bilateral APAs (BAPA) are transfer pricing inquiries by resident taxpayers in Mexico and abroad to the competent tax authorities in their respective jurisdictions.

There is another process called the Mutual Agreement Procedure, amicable settlement or MAP (English acronym). The difference between the BAPA and the MAP is that the latter is an inquiry by the taxpayer when he considers that the measures adopted by one or both tax authorities, in their respective jurisdictions, involves or may involve double taxation derived from an adjustment determined by the tax authority in a review process. Since the transfer pricing practice was initiated, SAT has not received requests for multilateral APAs, and therefore there are no rules for regulating said procedure. In Mexico, the APAs are not a binding mechanism between SAT and the taxpayer, since resolutions are issued to the taxpayer by the Mexican authority and their validity is conditioned to compliance with various requirements that demonstrate that the transactions that are the object of the resolution are carried out at prices or considerations similar to those used by independent parties in comparable transactions. Ultimately, the taxpayers are those who decide to implement the APA or not.

Some of the benefits of this initiative are:

- Creates legal certainty for the taxpayer, in the sense that the transaction under analysis has been agreed in the manner in which independent third parties would do it in comparable transactions during the periods requested in the APA, provided it fulfills the requirements stipulated in the resolution.
- It seeks to relieve the double taxation to which taxpayers may be subjected.
- It avoids the manipulation of profits in transactions carried out between companies of the same group, which seek undue benefits in the country, by relocating the tax bases of transactions in foreign countries with lower rates, bases or tax pressure and thereby erode the tax base in Mexico.²⁶

²⁶ **MAP:** There is another process called the Mutual Agreement Procedure, amicable settlement or MAP (English acronym). The difference between the BAPA and the MAP is that the latter is an inquiry by the taxpayer when he considers that the measures adopted by one or both tax authorities, in their respective jurisdictions, involve or may involve double taxation from an adjustment determined by the tax authority in a review process.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | The legal framework that regulated the issuance of APAs on transfer pricing was established in 1994, although actual implementation of said provisions began on January 1 st , 1995. |
| Regulatory framework | Article 34-A of the Fiscal Code of the Federation |
| Statistical data | n/a |

Other programs based on the level of risk or transparency of the taxpayers, for their eligibility or negotiation and signing of agreements

Mexico

Conclusive agreements

Taxpayers who are subject to the verification powers of SAT, may apply for the adoption of a final agreement, mediated by the Taxpayer Ombudsman Office, which is an independent entity of the tax administration, provided they do so prior to being notified of the resolution that determines the amount of unpaid taxes.

The taxpayer may seek to reach an agreement with the authority, by proposing himself the terms of the solution. For every taxpayer, the conclusion of a first agreement involves the cancellation of 100% of the fines; fines in subsequent agreements will be at the normal rate (20-30% of the unpaid contribution).

The tax authority cannot start a trial against the agreement reached, unless proven that it involved false facts.

The authority may afford greater transparency, and at the same time obtain greater security, with respect to agreements reached with the taxpayers. The agreements do not generate

precedents for other taxpayers. Agreements may deal with one or all subjects of controversy in an audit, which gives them a significant degree of flexibility that benefits both taxpayers and the tax authority.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | All taxpayers |
| Expected results | <ul style="list-style-type: none"> • Improve transparency • Reduce administration and compliance costs • Facilitate compliance |
| Implementation status | Implemented in 2014 |
| Regulatory framework | The regulatory framework is the Fiscal Code of the Federation in articles 69-C to 69-H (http://www.diputados.gob.mx/LeyesBiblio/pdf/8.pdf), as well as the guidelines of the Taxpayer Ombudsman Office (http://www.dof.gob.mx/nota_detalle.php?codigo=5328244 & date = 27/12/2013). |
| Statistical data | By April 30, 2014, 150 requests for conclusive arrangements had been received. |

Program prior to the cooperative compliance program

SAT’s General Administration of Large Taxpayers has initiated a program prior to what will eventually become the cooperative compliance program.

The initial objective is to undertake a large taxpayer risk assessment to then select a small group, about a dozen that will be analyzed in greater depth.

If the analysis detects parties who are unduly eroding the tax base, taxpayers will be invited to propose a scheme of multi-year correction on these items.

This analysis is intended for the tax authority to acquire experience and knowledge about this sample and, eventually, once the tax performance of these taxpayers has been leveled in recent years, invite them to join the cooperative compliance program, which involves conducting audits in real time.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none">• Contribute to the decision-making process• Provide certainty• Improve transparency• Reduce administration and compliance costs• Facilitate compliance |
| Implementation status | To be implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

El Salvador

Corporate Compliance Customs Program (CCCP)

This program involves a personalized service, focused on excellence and intended to provide prompt clearance to companies which comply with tax and customs regulations, having traceable internal control and accounting systems; all this for the purpose of facilitating and speeding up national and international trade.

To benefit from the program, the taxpayer must be an active importer or exporter, not having incurred in customs violations during the past three years, being free of debts with municipalities, Ministry of Finance, Salvadoran Social Security Institute and Pension Fund Administrators, enjoy financial solvency, make payment and use electronic signature on declarations of goods and have signed contracts with Carriers, Customs Agents and Consolidators, among others.

The benefits of applying for the CCCP involve priority access to customs windows, physical inspections and all customs procedures, such as those relating to the definition of anticipated criteria in tariff classification, inquiries about valuation and origin, among others.

An "Account Executive" is assigned to the companies certified in the Program, who will provide them personalized assistance and verify their compliance with the benefits granted.

Simplification and facilitation of customs procedures and transactions with respect to:

- Priority in assistance with customs procedures.
- Priority in the application of customs controls.
- Priority attention and mobilization of cargoes in border crossings.
- Reduction in the number of physical and documentary controls.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Specific group of taxpayers |
| Expected results | <ul style="list-style-type: none"> • Provide certainty • Improve transparency • Reduce administration and compliance costs |
| Implementation status | Implemented in 2012 |
| Regulatory framework | It is framed within the figure of the authorized economic operator (AEO), established in the Regulatory Framework for Ensuring and Facilitating Global Trade of the World Customs Organization (WCO). Article 28 of the Standard Central American Customs Code (CAUCA) and articles 159 to 166 of the Regulations of the Standard Central American Customs Code (RECAUCA). |
| Statistical data | 35 companies are currently assigned to the program, for which in the two years of the program selectivity has been reduced by 100%; and assistance times have been reduced by at least 50%. |

Dominican Republic

Sectorial agreements in income self-assessment - Predetermined profit margin

These agreements are applied in the agricultural sector depending on the item and its cost structure. They range from small to large producers. They afford greater transparency in the determination of the taxable income, reducing the risk of audit adjustments not in accordance with the reality of the business. Agreements have been signed with the milk, bananas and rice production sectors.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Specific group of taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Reduce administration and compliance costs• Improve compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

IV.2.4 Consultation channels

Mexico

Tax consultation (legal procedure)

The tax authority of Mexico considers "tax consultations" as a means of contact with the taxpayer, whose aim and purpose is to grant legal certainty to taxpayers in their proposals with respect to what should be the tax treatment in a real and specific transaction, and thereby promote due compliance with their obligations. Where the response by the tax authorities is contrary to the taxpayer's criterion, he can challenge the criterion of the tax authority until the moment in which, as a result of an audit, it is applied. The authority may find out about the practices being implemented by the taxpayers and set its position in due time. In recent years, an approximate average of 150 inquiries have been received per year.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Taxpayers in general |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency |
| Implementation status | Implemented. In Mexican law, antecedents to the tax consultations have existed since the 1930s. |
| Regulatory framework | <p>Currently, consultations are regulated by article 34 of the Tax Code of the Federation (CFF). This provision dates back to 1981. Although modifications have been made through the years, the guiding principle of consultations still remains the same. Thus, in accordance with article 34 of the CFF, the tax authorities are obliged to answer questions about real and concrete situations made by taxpayers, with the tax authority being obliged to apply the criteria included in the answer to the query, provided that: (i) the consultation includes the background and circumstances necessary so that the authority may rule on the matter, (ii) the background and circumstances that originated the inquiry would not have been modified after their presentation to the authority and (iii) the inquiry is made before the authority exercises its powers of verification with respect to the real and concrete situations referred to in the inquiry.</p> <p>It should be noted that tax authorities have three months to answer the inquiries, once the file has been properly integrated.</p> |
| Statistical data | n/a |

Tax pre-consultations

This measure has been implemented by the tax authorities in order to approach the taxpayer and promote cooperative compliance with his obligations. “Pre-Consultation”, although not a formal procedure expressly regulated in the tax legislation (as is the case of the tax inquiries), is a speedy and economic tool for tax authorities to express their position to the taxpayer, from a primary perspective, about the proper interpretation and application of legislation in specific cases. However, if as a result of the pre-consultation, the taxpayer wishes to obtain a formal decision from the tax authorities with regard to the tax effects generated in carrying out a real and specific transaction, he may always resort to the tax consultation.

It is a flexible and economic tool that allows both parties to have a clear idea of the other party’s position in real and specific cases. This procedure provides flexibility, but is not a formal decision by the authority.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | All taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | Implemented. |
| Regulatory framework | There is no express provision in the legislation, or administrative provisions governing this procedure. However, it should be noted that article 33 of the Tax Code of the Federation allows tax authorities to provide free assistance to taxpayers for the better fulfilment of tax obligations. It should also be noted that with respect to transfer pricing matters, administrative provisions (Miscellaneous tax resolution, rule I.2.12.4), state that taxpayers may analyze, together with the tax authorities, the information and methodology they intend to use, prior to the presentation of the formal consultation request. |
| Statistical data | n/a |

Dominican Republic

Personalized counseling

It provides a space for consultation on how to proceed and interpret current legislation. The taxpayer, prior to carrying out transactions that may involve taxes, approaches the tax administration to learn its opinion and its tax effects, thereby reducing the assessment risk and subsequent sanctions.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | All taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

Uruguay

Consultation

There is a legal institute that allows taxpayers to submit a written inquiry on tax issues and obtain a response from the tax administration.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | All taxpayers |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | Implemented, consultation N 1 was filed at the Income Tax Office on 1/04/1975. |
| Regulatory framework | Provided for in articles 71 and subsequent ones of the Tax Code. |
| Statistical data | About 100 inquiries are submitted and answered each year. |

IV.2.5 training

Bolivia

Training

In order to implement regulatory adjustments and updated forms or new versions thereof, training events are periodically scheduled by the external training area of the SIN of Bolivia. Some of these events are coordinated directly with Chambers of Commerce or entrepreneur associations, for which reason they afford large taxpayers extensive coverage.

To carry out this training in the 90s, SIN created a specific training area dependent on the "Communication and Public Relations" staff and a Department exclusively devoted to this task was established in the year 2011.

Since 2011, training is part of the process for generating tax culture, with the creation of the Taxpayer Service and Tax Culture Management Office.

Training is currently facilitated through the following channels:

Face-to-face training: Which involves public servants specialized in various tax matters. This type of training is provided to taxpayers segmented by specific sector of the economy.

Self-training: This program is carried out by means of tutorials transmitted by video.

Formative and informative documents: the "Toolkit" includes guides, manuals, and procedures, among others, that contribute to the taxpayer training and information process.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large businesses and tax intermediaries |
| Expected results | <ul style="list-style-type: none">• Improve transparency• Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | In 2013, 99 training events were organized in the operational management areas of this segment of taxpayers, with the participation of 2,195 persons. |

IV.2.6 Compliance-oriented services in general: Initiatives of services intended to facilitate specific processes for the taxpayer.

Guatemala

Large taxpayers table

The "large taxpayers table" implies the assignment of an account official by the tax administration, to provide advice to large taxpayers on various tax matters and support in various procedures before the tax administration.

Among the benefits of this initiative, we can mention an official table established to assist large taxpayers, for the timely handling of tax-related questions, as well as the possibility of being able to receive the results of a tax audit through verbal communication.

This initiative was created in 2005 by means of an administrative provision, having been originally initiated by the "Examination Intendance". Then, in subsequent years, the initiative was decentralized and became "Special Case Management Offices".

The initiative has the following main purposes:

- Provide personalized assistance to the taxpayer in tax procedures or else in answering tax inquiries.
- Provide official information in all cases, avoiding controversies resulting from inaccuracies in the assistance the tax administration could provide through its traditional channels.

The results have been positive, since they avoided procedural deterioration, as a result of the guidance provided, that has allowed taxpayers to comply voluntarily with their tax obligations.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none"> • Provide certainty, • Improve transparency • Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

Guyana***Tax Practice Certificates***

The GRA is responsible for issuing 'Tax Practice Certificates' to various individuals in the accounting and auditing fields. These individuals must meet both statutory and administrative requirements prior to the issuance of the certificate for practicing the profession. The GRA works closely with the Institute of Certified Accountants of Guyana (ICAG) to ensure that these individuals hold the highest level of professionalism, integrity, relevant experience and competency required to work in different functions, as for example in the preparation and filing of income, property, and value added tax returns, etc.

As a result of the sound parameters implemented by the GRA, in collaboration with the ICAG, auditors and public accountants are required not to encourage tax evasion or avoidance by its customers and to submit reliable and fair information, especially with respect to returns filed before the tax administration.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Tax intermediaries |
| Expected results | <ul style="list-style-type: none"> • Improve transparency • Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

Kenya

Relations Manager

Large taxpayers are segmented on the basis of the business sector in which they carry out their activity, such as banking, insurance, etc. Each of these economic sectors is assigned a "Relations Manager", who is the contact point for this group of taxpayers within the administration.

Taxpayers receive quality service in the issuance of "tax clearance certificates" and tax refunds, among other services.

As a result of the high level of compliance which the program has generated, the tax administration has benefited from an increased income collection. On the other hand, the taxpayer has benefited from the reduction of compliance costs.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Taxpayers belonging to a particular economic sector. |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | Implemented in 2007 |
| Regulatory framework | n/a |
| Statistical data | n/a |

Paraguay

Account executives

Creation and regulatory framework:

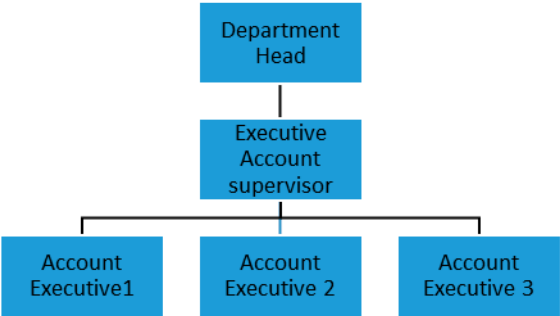
In 1992, the General Large Taxpayers Directorate was created, within the State Undersecretariat of Taxation-SET, and dependent on the Ministry of Finance. Subsequently, in 2007, the SET's new structure was developed and the functions of the departments of the Large Taxpayers Directorate were determined, among them those of the

Information Management Department, which were intended to implement, process, and debug the historical records of the taxpayers' returns and payment of obligations.

Later, in 2009, through Resolution M.H. N° 257/09, the figure of the Account Executive was created and new functions were adopted, aimed at providing taxpayer assistance. The Department operated as an exclusive "Call Center" for Large Taxpayers, where consultations were received and solved in a timely manner or redirected to the pertinent areas.

In 2012, Resolution M.H. N° 283/12, came to strengthen the figure of the "Account Executive", thereby making the difference with regard to care and control of the large taxpayer accounts and thus, the controls and services provided were gradually expanded.

Graph IV-3 Structure of the Information Management Department

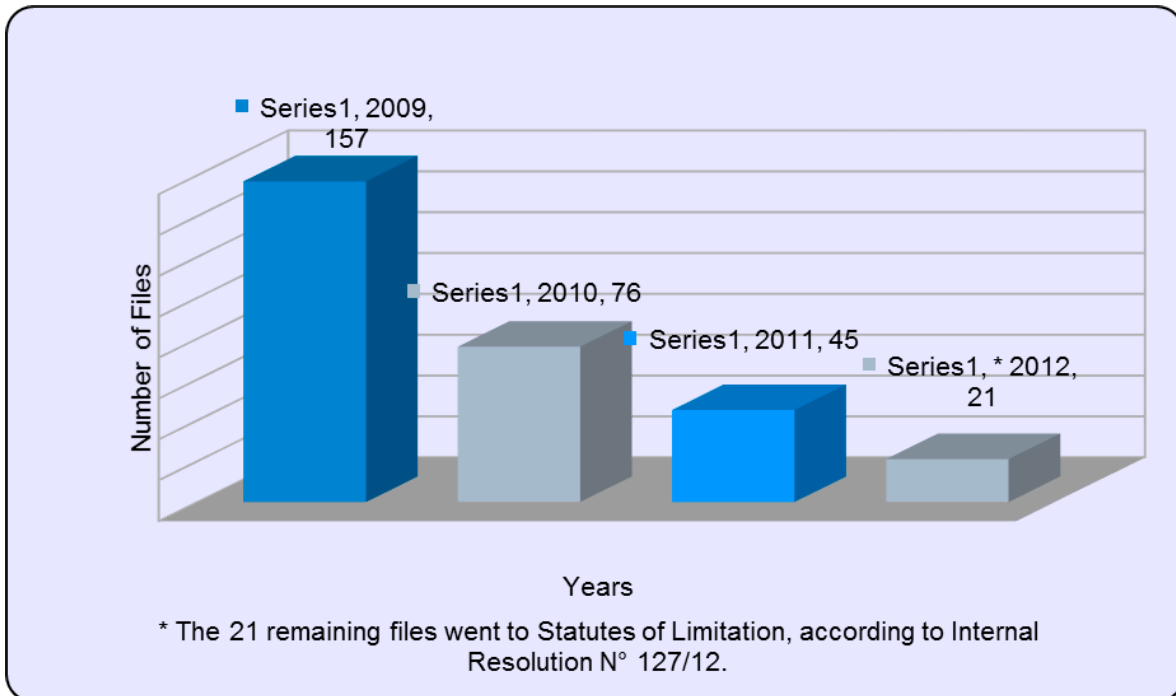


Activities carried out and results obtained:

Clearing of the Historical Current Account: Analyses were made of the taxpayers' historical Current Accounts in order to clear them, through adjustments of debit or credit transactions, from fiscal periods prior to or following the information technology re-engineering (2007), in order to determine the correct tax status of taxpayers of this Directorate, thereby clearing 100% of historical records.

Until the date the information for this paper was provided, SET continued analyzing requests from other agencies for statutes of limitations, closing and reporting data, in relation to obligations prior to the information technology re-engineering.

Graph IV-4 Clearing of historical current account files



Personalized assistance from Account Executives:

This figure implemented in 2010, was used to assist the 200 largest taxpayers ranked according to tax payments, whose inquiries were received and answered or whose concerns were directed to the pertinent areas.

Taking into account the importance of assisting national account large taxpayers and those who used this service, the number of taxpayers to be assisted by account executives was gradually increased, year after year, until reaching 720 by 2014.

Graph IV-5 Taxpayers with account executives

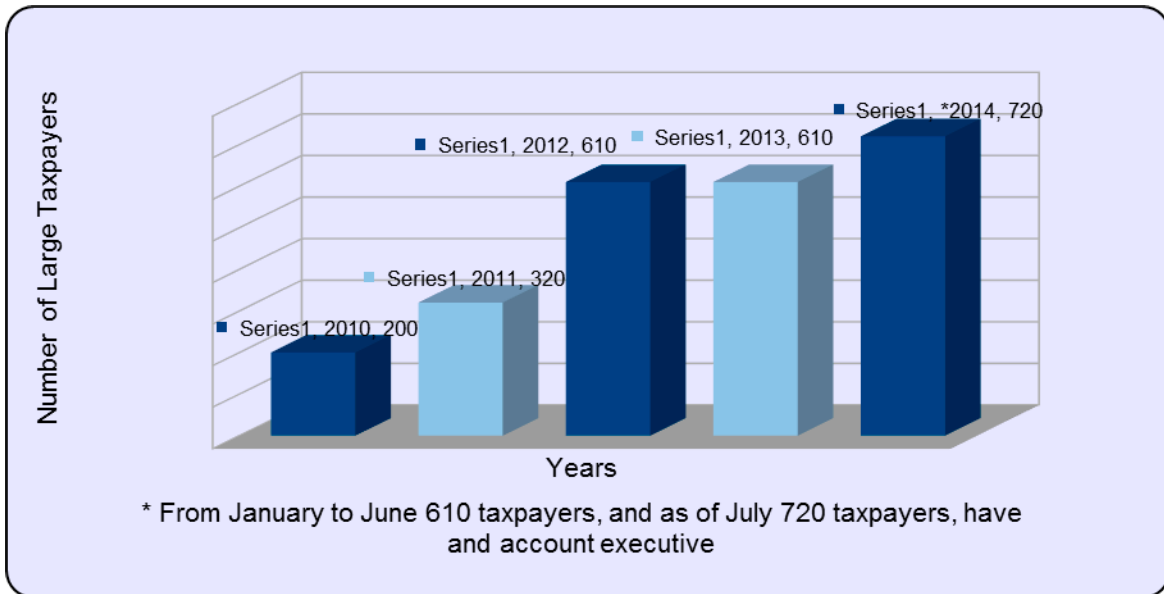


Table IV-1 Summary of taxpayer assistance²⁷

| Year | Telephone service | Assistance via email | Face-to-face assistance | Total |
|----------------------|-------------------|----------------------|-------------------------|-------------|
| 2012 | 603 | 514 | 151 | 1268 |
| 2013 | 1079 | 577 | 203 | 1859 |
| 2014 | 367 | 203 | 59 | 629 |
| GENERAL TOTAL | | | | 3756 |

Control of tax payment reductions:

In 2013 a selection was made of taxpayers showing the greatest revenue decreases. The “account executives” sent notices via e-mail to these taxpayers requesting them to state the reason for these reductions.

²⁷ Data for January-April 2014

A total of 584 notifications were made in 2013, of which 404 responses were received from taxpayers with different justifications that were confirmed by other units. The following were the results obtained:

Graph IV-6 Results according to payments following notification

| Results according to payments following notification : | | | | |
|---|----------------------|-----------------------|--------------------------------|-----------------------|
| <p>There is an increase in payments in almost all periods following the notification, of Gs. 14,072,170,141</p> <p>(*) In the period April 2012-2013 a negative result is observed but it was followed by an increase of 7,292,139,164 in the following period</p> | Month and year | Notified period (A) | Payment after notification (B) | Difference (B-A) |
| | January | 1,724,642,597 | 1,741,297,231 | 16,654,634 |
| | Feb. 2012-13 | 18,380,510,208 | 22,203,095,310 | 3,822,585,102 |
| | March 2012-13 | 23,386,047,314 | 32,900,955,003 | 9,514,907,689 |
| | April 2012-13 | 11,118,074,557 | 10,397,243,485 | -720,831,072 |
| | May 2012-13 | 7,990,220,217 | 9,310,464,922 | 1,320,244,705 |
| | June 2012-13 | 9,183,204,717 | 9,301,813,800 | 118,609,083 |
| | General Total | 71,782,699,610 | 85,854,869,751 | 14,072,170,141 |

Table IV-2 Example of response given by notified taxpayers

| <u>Examples of answers from notified taxpayers</u> | | | |
|---|-----|---------------|---|
| Main economic activity | TIN | Business name | Explanation for the decrease in payments |
| 153101: cereals, flour, seeds, wheat or corn flour, rice and other cereals (flour mills and other manuf.) | Xx | xx | Decrease in the price of wheat and investment |
| 222200 Printing related services (printing- lithography) | xx | xx | Assignment of contract with company |
| 361001 Furniture manufacture (except furniture for scientific, medical or laboratory | xx | xx | Imports |

| | | | |
|---|----|----|--|
| equipment) (METALLIC ACC. | | | |
| 501003 Wholesale and retail sale of all kinds of spare parts and accessories for autom. vehicles (Vehicles Spare Parts Store) | xx | xx | Stock increase - merchandise |
| 519006 of diverse products (wholesale importer-exporter) | Xx | Xx | Imports |
| | Xx | Xx | real estate sale in the previous fiscal period |
| | Xx | Xx | Defective products |
| | xx | xx | Increase in withholdings |

Control of payment of additional IRACIS tax rate-distribution of earnings

In mid-2013, by working together with other departments, a selection was made of taxpayers with a high index of Undistributed Accumulated Earnings, considering that the distribution of earnings in Paraguay is taxed at a 5% rate. In this sense and through the Account Executives, notifications were sent via email, requesting that the Minutes of Regular, Special or Board of Directors meetings be provided in order to confirm and control the payments of the companies' earnings.

As a result of response to these notifications, subsequently the revenues amounted to G.²⁸ 29.953.161.654, there being a general increase of the additional income tax rate, as shown in the following table:

²⁸ Symbol of Guarani, legal tender in Paraguay

Table IV-3 Collection from Earnings Distribution

Collection from Earnings Distribution (millions of G.)

| Items | November | | Difference | |
|---|---------------|----------------|----------------|--------------|
| | 2012 | 2013 | G | % |
| Earnings Distribution: additional 5% | 6,447 | 119,755 | 113,308 | 1,757.5 |
| Earnings Distributions: additional 15% additional from remittances abroad | 6,597 | 16,257 | 9,660 | 146.4 |
| Total | 13.044 | 136.012 | 122.968 | 942.7 |

Source: Statistics Department- SET

Considering the results obtained in 2013, in May of this year, notifications were sent to 375 taxpayers. To date, 65% of those notified have responded by attaching the documents requested, which are in the analysis stage.

Controls of Withholding Inconsistencies:

In terms of massive controls, the pilot plan has involved the selection of 5 taxpayers showing the greatest differences between their reported withholdings and those informed by their Withholding Agents, data obtained from the tax administration's risk matrix.

As a result of this work, 1 taxpayer has rectified his return for the verified month, 1 taxpayer has confirmed that the data is correct, 1 taxpayer has been subjected to a specific examination, while there are 2 cases that are still in the process of analysis.

Table IV-4 partial outcome of the case subjected to a specific examination

| Periods | Audit result (A) | Original return (B) | Differences (A-B) |
|---------|--|------------------------|--------------------|
| | Balance in favor of the Treasury in G. | Previous payment in G. | |
| Mar-10 | 8.099.110 | 0 | 8.099.110 |
| Dec-10 | 157.431.478 | 26.325.198 | 131.106.280 |
| Jan-11 | 72.417.817 | 0 | 72.417.817 |
| Mar-12 | 359.255.391 | 129.991.574 | 229.263.817 |
| | | Tax | 440.887.023 |

Controls of personal service income tax (PIT) registration:

In March of this year and through resolution of the Directorate, professional taxpayers providing personal services, received notifications via e-mail to register under the personal service income tax (IRP-Spanish acronym) since in the 2013 fiscal year, their VAT reported income had exceeded the tax's threshold of G. 179,089.056. The initial phase resulted in the registration of 1,498 taxpayers of the 2653 that were notified, almost 60% thereof. In the second phase of the operation, those taxpayers that have not registered are being reached through their Personal Identity Card. The result of such activity has been published in printed communication media, as shown below:

Table IV-5 Personal income tax statistics through 06/10/2014 (Paraguay)

PIT STATISTICS THROUGH 06.10.2014

Total PIT taxpayers through December 2013: **11,604**

Total Taxpayers registered between January and June 10, 2014 under PIT: **8.403**

Total registered taxpayers under PIT through June 10, 2014: 20,007

PERSONAL INCOME TAX (PIT) COLLECTION

| 2013-2014 (closing date) (millions G) | 2013 | 2014 | Difference in G | Difference in % |
|---|---------------|---------------|-----------------|-----------------|
| Collection, January 01 to 31 | 102 | 95 | 7 | 7.5 |
| Collection, February 01 to 28 | 1414 | 146 | 1,568 | 869.8 |
| Collection, March 01 to 31 | 68,996 | 8,876 | 60,120 | 677.3 |
| Collection, April 01 to 30 | 4,408 | 2,344 | 2,064 | 88.1 |
| Collection, May 01 to 31 | 1,982 | 433 | 1,550 | 358.3 |
| Total collection from 01/01/14 to 31/05/15 | 76,902 | 11,893 | 65,009 | 546.6 |

Uruguay

Inspection team - account executive

Each of the country's largest taxpayer is assigned an "inspection team" which includes an "Account Executive". The latter establishes direct contact with the taxpayer, endeavoring in all cases to ensure voluntary compliance. This program has allowed for solving technical and operational issues as well as for gathering information; all within minimum time frames.

In October 2005, with the creation of the Large Taxpayers Division, it was determined through administrative decision that the Control Department would have five inspection teams, formed by groups of inspectors that would operate as point of contact between the taxpayer and the Tax Administration.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none">• Reduce compliance and administrative expenses• Facilitate compliance |
| Implementation status | Implemented in 2005 |

El Salvador

Tax management of large taxpayers

It is a genuinely "preventive" plan which involves monitoring the tax behavior of taxpayers, through the information generated by different computerized systems of the tax administration and third parties, for the purpose of ensuring timely compliance with tax obligations and identifying risky behaviors that may influence the reduction of their taxation levels. At the same time, they are provided assistance and guidance on specific tax issues common to their activity, by answering their inquiries on aspects that need clarification. In addition, they are summoned to explain or illustrate specific operations to the tax administration, or to expose their activity or business with the corresponding tax implications, all in order to achieve a better understanding of their business, and thereby

minimize in the future, the time and resources devoted to intensive examination. The plan provides for the appointment of a working team (auditor, supervisor and head of department) that will do the monitoring, with the auditor serving as an account official carefully controlling a group of taxpayers assigned to him, and providing the assistance and guidance they may require, all under the corresponding supervision. The result of the initiative becomes an input to include taxpayers within the various examination plans included in the DGII's Annual Operational Plan. The tax administration has made progress in controlling the Large Taxpayers' portfolio and is heading towards specialization, through the segmentation of taxpayers and working teams (by economic activity). Likewise, this procedure contributes to the strengthening of the tax intelligence tasks.

By receiving assistance and personalized counseling, the taxpayers see the time of their procedures reduced and thus establish a better relationship with the Treasury, upon obtaining legal certainty, promptness and quality in their tax processes. These actions, by generating a sense of risk, cause, first, a deterrent effect among taxpayers, and secondly, brings them closer to the Tax Administration. In addition, it allows for developing future plans and strategies based on the information collected and the results obtained.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none"> • Contribute to the decision-making process • Improve transparency • Reduce administration costs • Facilitate compliance |
| Implementation status | Implemented in 2013 |
| Regulatory framework | <p>(Art. 36, numerals 1) and 2); 36-B numerals 1) and 2) of Executive Body's internal regulation.</p> <p>Arts. 3, 6, 7 and 8 of the Organic law of the General Directorate of Internal Revenues.</p> <p>Arts. 8 and 8-A of the Law on Registration and Special Control of Taxpayers contributing to the Treasury</p> <p>Arts. 23, 25, 26, 28, 29, 120, 126, and 173 of the Tax Code.</p> |
| Statistical data | Together with examination has contributed to the 4.94% income tax |

| | |
|--|---|
| | <p>increase with respect to the previous period (2012).</p> <p>The average level of satisfaction of the taxpayer of the large taxpayer office is 97%, this being an important input in the average of institutional satisfaction which was 82% in 2013.</p> |
|--|---|

India

Large Taxpayers Unit Scheme

To promote greater collaboration between large taxpayers and the tax administration, the Government of India launched the LTU scheme (Large Taxpayers Unit).

The Large Taxpayer Unit is an office of the autonomous tax administration under the Department of Revenues, which acts as a single point for all issues related to excise, income, corporate and service taxes. Large taxpayers may fill out all the returns related to the previously mentioned taxes in these LTU units and the returns will be verified therein. These units are equipped with modern facilities and are staffed with personnel trained to assist taxpayers in all matters dealing with direct and indirect taxes, the completion of documents, returns, requests for refunds or credits, solution of disputes, among others. The purpose of the scheme is to reduce compliance costs and to afford provide standard assessment of taxes and obligations.

Large taxpayers paying direct and indirect taxes over the established limit may register in the LTU. A large taxpayer who chooses to register in the LTU must file an authorization form before the LTU Manager, to then continue with the acceptance and change of jurisdiction procedure. All the taxpayers registered with LTU are assigned an "Account Executive", who serves as single point of interface with the Large Taxpayer for all purposes. A taxpayer registered under the LTU scheme has several advantages, such as:

- Delivery of documents at a single point, since the large taxpayer may file all his tax returns, as well as other documents, correspondence and notices at the LTU.
- Single point of interaction at the senior level, at the time of joining the LTU. He will be assigned an "Account Executive" to assist him in the needs related to tax obligations. This ensures that the taxpayer does not have to interact with different sections and users.

- The taxpayer has the option of transferring any CENVAT (Central Valued Added Tax) surplus credit accumulated in a manufacturing unit or service providing unit to any other eligible unit of his preference by means of a simple mechanism.
- The taxpayer shall not be subject to mandatory audit. The selection of a taxpayer to be audited is based on risk management. The Department ensures that audit schedules are consulted with taxpayers to minimize the inconveniences.
- An interactive approach to dispute resolution is adopted. The matter in dispute is discussed to try to find a solution prior to sending the notification.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Large taxpayers |
| Expected results | <ul style="list-style-type: none"> • Contribute to the decision-making process • Provide certainty • Improve transparency • Facilitate compliance |
| Implementation status | Implemented in 2006 |
| Regulatory framework | n/a |
| Statistical data | n/a |

IV.2.7 Other initiatives

Argentina

ABC and procedures guide: Reengineering of ABC FAQ questions and answers service and procedures guide

The purpose of these tools is to standardize the answers provided by AFIP. The taxpayer gets an immediate answer to the most frequent queries without having to go to an AFIP office.

Both tools are currently available and are the ones most frequently consulted in the institutional web site. However, they are being redesigned, and are expected to be implemented by late 2014. This re-engineering aims to facilitate their use and optimize the integrity of the information provided.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Taxpayers in general |
| Expected results | <ul style="list-style-type: none">• Provide certainty• Improve transparency• Facilitate compliance |
| Implementation status | Implemented but modifications will be carried out |
| Regulatory framework | The internal normative framework which regulates the ABC service is the General Joint instruction no. 1118/06 (DI PyNR) and NO. 205/06 (DI SCUA) |
| Statistical data | ABC Frequent Questions and Answers: 650,000 visits. Procedures guide: 150,000 visits. |

Automated means of payment

Argentine law favors the use of automated payment methods to cancel tax obligations and social security funds, since these forms of payment improve compliance with obligations.

The automatic means of payment currently used by AFIP are the following:

- Automatic debit in bank account
- Automatic debit in credit cards
- Fiscal Savings Fund or Special Fiscal Current Account (for legal entities).

It is a “free of charge” bank account for the taxpayer, implemented under the regulations of the Central Bank of the Republic of Argentina (BCRA). The main functionality of interest to the taxpayer and tax administration is the possibility of making automatic debit tax payments (simplified system for small taxpayers - single tax regime, self-employed and instalment payment plans). It can also be used to receive refunds through the bank account. The Fiscal Savings Fund has a magnetic card which the taxpayer may use for personal transactions, through ATMs, as well as for making payment to be debited to an account. Incentives are given when self-employed and small taxpayers subject to the simplified system use the automated means for making payments.

Under the current regulation, self-employed workers who would have timely and duly complied with their personal contributions to the Social Security System (SUSS), corresponding to the twelve (12) calendar months, are refunded a sum equivalent to the total amount of their monthly personal contribution, corresponding to their specific category.

Similarly, small taxpayers (subject to the simplified regime²⁹) who have timely and duly paid their integrated tax and, where appropriate, social security contributions corresponding to the twelve (12) calendar months, as well as with relevant material and formal obligations, will be refunded an amount equivalent to the monthly integrated tax.

In both cases (self-employed³⁰ and single tax regime), the benefit will be awarded only to those taxpayers who have made payments through direct debit to their bank account or automatic debit through credit card.

The refund is automatically made through accreditation to the respective bank account adhered to the service or to the respective credit card.

²⁹ Single taxpayers in Argentina: people who opt for the tax regime known as the Single tax or simplified regime, which consists of combining in a single payment the social security contribution and tax on a fixed amount of income.

³⁰ Self-employed: independent workers eligible for Argentina’s tax regime.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|-----------------------|
| Target group of the program | All taxpayers |
| Expected results | Facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

Bolivia

Consultation channels for large taxpayers

The "Virtual Office" is an on-line service that allows taxpayers access to detailed information from summaries and to digital forms to comply with their obligations, in addition to providing them some additional certification and consultation services.

The first phase of this tool was implemented in 2010, through RND³¹ No. 10.0004.10. As a result of the implementation of this type of mechanism in 2013, 67% of the returns were filed electronically, including those of the "Large Taxpayers".

Assistance to taxpayers on-line and through electronic means constitute other tools that facilitates access to information and solve basic queries about forms, deadlines, and others. Personalized services are offered through the operational "Large Taxpayers" offices. In this regard, in 2013, the taxpayer service area reported: 43,029 consultations on Large Taxpayers digital platforms, 193,350 telephone inquiries usually answered by officials of the toll-free service and 2,505 queries received via web.

Consultation channels are divided as follows:

| Channel | Implementation | Availability |
|--------------------|---|--|
| Face-to-face fixed | The service was formalized in 1996, through the creation of specialized units for providing assistance. | Available to taxpayers in general, including large taxpayers |

³¹ RND: stands for "Resolución Normativa de Directorio" (Normative Board Resolution).

| | | |
|---------------------|--------------------------------------|-----------------------------------|
| Telephone | The service was implemented in 1996. | Available to any type of taxpayer |
| Face-to-face mobile | The service was implemented in 2008. | Available to any type of taxpayer |
| Electronic (E-mail) | The service began in 2011. | For taxpayers in general |
| Social Networks | The service began in 2013. | For taxpayers in general |

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|--|
| Target group of the program | Taxpayers in general |
| Expected results | <ul style="list-style-type: none"> • Cost reduction (compliance) • facilitate compliance |
| Implementation status | Implemented |
| Regulatory framework | n/a |
| Statistical data | n/a |

Uruguay

Tax Sessions

The DGI of Uruguay organizes meetings with organizations gathering tax practitioners, the National University, private universities and academic guests from abroad, for discussing tax issues of common interest. The DGI tax sessions are organized annually, with the participation of all the universities in our country.

Each event brings together local academic specialists and experts from abroad, in order to discuss and exchange views on current tax issues.

Unlike other forums, the tax sessions have a more academic profile.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Tax intermediaries |
| Expected results | Contribute to the decision-making process |
| Implementation status | Implemented in 2008 |

| | |
|----------------------|-----|
| Regulatory framework | n/a |
| Statistical data | n/a |

Sint Maarten

Compliance Area Division

The island has been divided into different areas. Each compliance officer was assigned an area. All physically existing companies are visited and their compliance behavior is analyzed. Companies that have not filed their returns or made payments will be sent a letter urging them to do so. If 3 letters have been sent and the corresponding corrective measures have not been taken, the case could be sent to the Criminal Investigation section.

Summary of the main characteristics of the initiative:

| | |
|-----------------------------|---|
| Target group of the program | Taxpayers in general |
| Expected results | <ul style="list-style-type: none"> • Identification of non-registered taxpayers • Facilitate compliance |
| State of implementation | Implemented |
| Statistical data | n/a |



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