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Making it easier:
taxpayer services,
cooperative compliance
and tax simplification

ISORA data on tax certainty and
tax administrations

Santiago Díaz de Sarralde Miguez



Making it easier: taxpayer services,
cooperative compliance and tax
simplification

**ISORA data on tax certainty and tax
administrations**

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Making it easier: taxpayer services, cooperative compliance and tax simplification

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1 Introduction

Providing tax certainty could -and should- imply multiple aspects, being by nature a multidimensional strategy that tries to “make it easier” to taxpayers to fulfill tax obligations by voluntary compliance¹. In this section we analyze Tax Administration (TA) reality in this area, using the recent data available (2015) through ISORA, the International Survey on Revenue Administration² performed in 2016-2017.

One hundred and twenty-five countries and jurisdictions are considered, grouped by level of income, using World Bank classification³ into High (38.4% of the countries surveyed), Upper middle (26.4%), Lower middle (18.4%) and Low income (16.8%)⁴.

Three dimensions linked to tax certainty are considered in this panorama: Taxpayer rights and services; Cooperative compliance strategies and alternative dispute resolution channels; Rulings and special regimes/segmentation.

1 IMF & OECD (2017) provides an up-to-date panorama of tax certainty issues.

2 ISORA (International survey on revenue administrations) has emerged from the joint effort of the IMF, IOTA, OECD and CIAT, as a homogeneous survey addressed to the revenue administrations. The survey collects collection data, institutional structure, budget and human resources, segmentation and taxpayer registration, returns filing and payments, taxpayer assistance and tax education, enforced collection of debts, inspection, audit, and investigation of tax fraud and dispute resolution mechanisms.

3 “Economies are divided into four income groupings: low, lower-middle, upper-middle, and high. Income is measured using gross national income (GNI) per capita, in U.S. dollars, converted from local currency using the World Bank Atlas method. Estimates of GNI are obtained from economists in World Bank country units; and the size of the population is estimated by World Bank demographers from a variety of sources, including the UN’s biennial World Population Prospects.” World Bank Data.

4 Income groups:

- High income (48): Anguilla, Antigua and Barbuda, Australia, Austria, Barbados, Belgium, Canada, Chile, China, P.R.: Hong Kong, Cook Islands, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Seychelles, Singapore, Slovak Republic, Slovenia, Spain, St. Kitts and Nevis, Sweden, Switzerland, Trinidad and Tobago, Turks and Caicos Islands, United Kingdom, United States, Uruguay, Virgin Islands British.
- Upper middle income (33): Argentina, Belize, Brazil, Bulgaria, China, P.R.: Mainland, Colombia, Costa Rica, Croatia, Dominica, Dominican Republic, Ecuador, Equatorial Guinea, Fiji, Gabon, Grenada, Jamaica, Malaysia, Maldives, Mauritius, Mexico, Namibia, Panama, Paraguay, Peru, Romania, Russian Federation, Samoa, South Africa, St. Lucia, St. Vincent and the Grenadines, Suriname, Tonga, Turkey.
- Lower middle income (23): Angola, Bolivia, Cameroon, Republic of Congo, Côte d’Ivoire, El Salvador, Ghana, Guatemala, Honduras, India, Indonesia, Kenya, Lesotho, Mauritania, Morocco, Myanmar, Nicaragua, Nigeria, Papua New Guinea, Solomon Islands, Swaziland, Vanuatu, Zambia.
- Low income (21): Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Ethiopia, The Gambia, Guinea, Republic Guinea, Liberia, Madagascar, Malawi, Mali, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Uganda

2 Taxpayers rights and services

Establishing taxpayer rights and improving services to facilitate tax compliance undoubtedly could improve voluntary compliance and reflect an increase in tax certainty. Tax administrations seem to be in line with this strategy and close to eighty per cent (78.4%) of them declare to have established a document that formally sets out taxpayer rights, with no significant differences across income levels (Table 1). Nevertheless, some outstanding differences arise concerning the existence of a formal body to deal with complaints (75% of high income tax administrations; 47% in low income countries), and, in general, the number of Tax Administrations where this body is autonomous and external drops dramatically (only 28.8 on average).

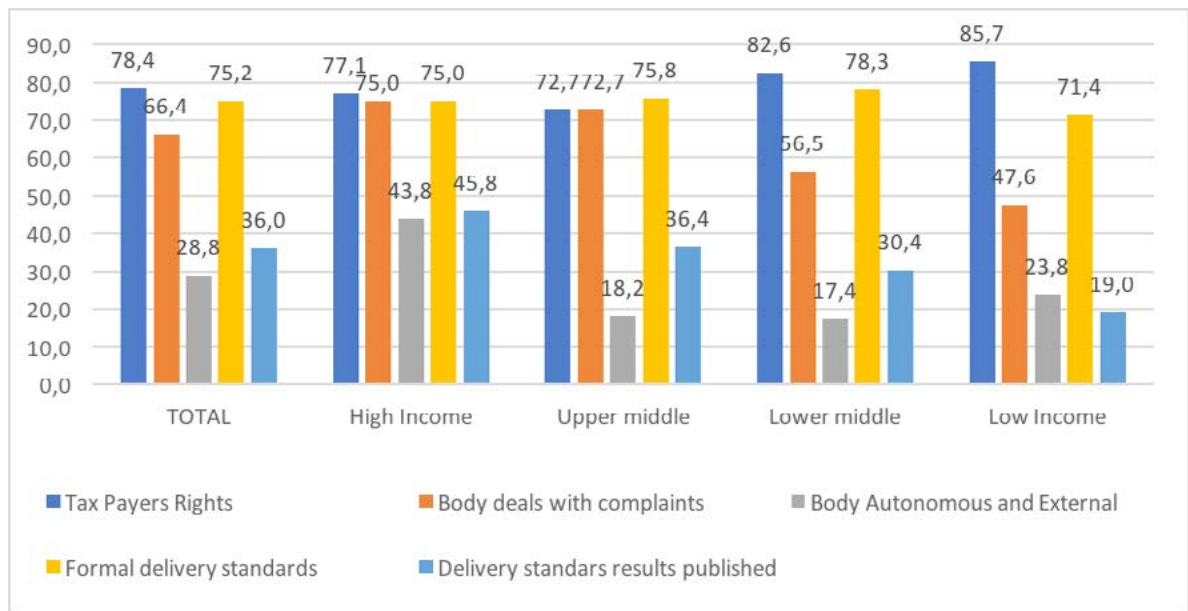
When the presence of a formal set of delivery standards is considered, more than 70% of administrations answer positively (again regardless of income levels), but the percentages collapse when they are asked about the publication of the results obtained pursuing those standards (just 36%, ranging from 45.8 -high income- to just 19% -low income-).

Table 1. Taxpayer rights, complaints, delivery standards and service assistance

Countries	Taxpayer Rights	Body deal with complaints	Body autonomous and external	Formal delivery standards	Delivery standards results published	Taxpayer service and assistance strategy	Taxpayer certainty High priority
TOTAL	78.4	66.4	28.8	75.2	36.0	77.6	69.1
High Income	77.1	75.0	43.8	75.0	45.8	81.3	69.2
Upper middle	72.7	72.7	18.2	75.8	36.4	81.8	77.8
Lower middle	82.6	56.5	17.4	78.3	30.4	87.0	55.0
Low Income	85.7	47.6	23.8	71.4	19.0	52.4	72.7

Source: ISORA (2015) and own elaboration

Graph 1. Taxpayer rights, complaints and delivery standards (% of TAs)



Source: ISORA (2015) and own elaboration

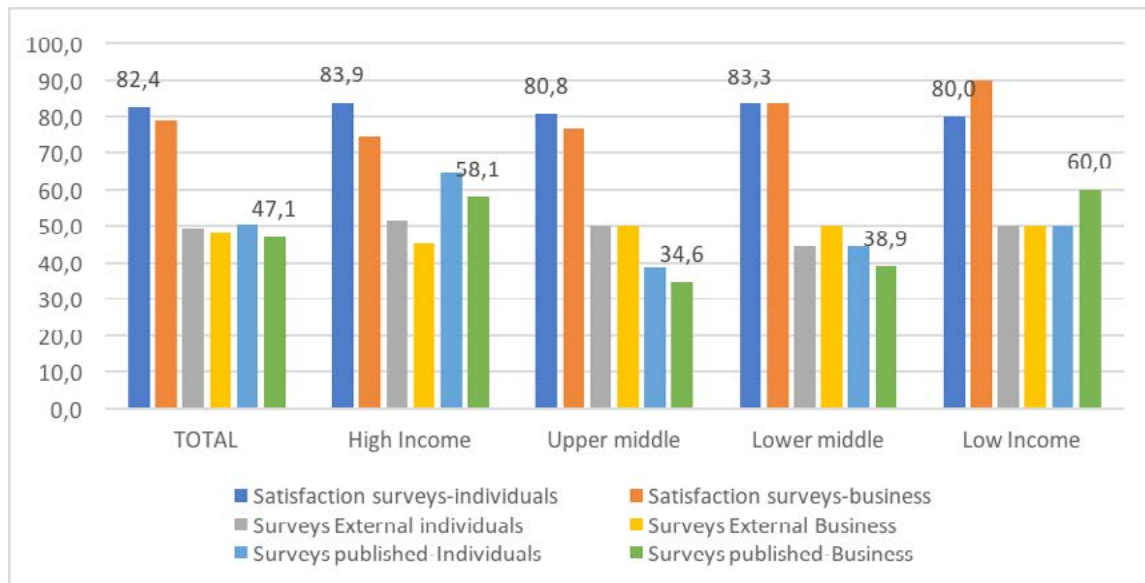
The last two columns of Table 1 show that 77.6% of TAs have established a formal taxpayer service and assistance strategy and that nearly seventy per cent of them consider increasing taxpayer certainty a high priority. Table 2 complete this overview. Around 80% of TAs use satisfaction surveys to control results both on business and individuals, even if the percentages drop to fifty per cent in the case of surveys conducted by external vendors and when their publication is considered.

Table 2. Taxpayers' satisfaction surveys

Countries	Satisfaction surveys-individuals	Satisfaction surveys-business	Surveys External individuals	Surveys External Business	Surveys published-Individuals	Surveys published-Business
TOTAL	82.4	78.8	49.4	48.2	50.6	47.1
High Income	83.9	74.2	51.6	45.2	64.5	58.1
Upper middle	80.8	76.9	50.0	50.0	38.5	34.6
Lower middle	83.3	83.3	44.4	50.0	44.4	38.9
Low Income	80.0	90.0	50.0	50.0	50.0	60.0

Source: ISORA (2015) and own elaboration

Graph 2. Taxpayers' satisfaction surveys



Source: ISORA (2015) and own elaboration

Concerning taxpayer services, the survey focus on E-services. The results are shown on Table 3, showing that the use of the administration website to provide information is universally spread (nearly 90%), even if the percentage increase with income level. The provision of tools/calculators and online applications (70 and 61%) are also much more frequent in high income countries. Something similar happens with the implementation of digital mailboxes for electronic communication with taxpayers (60% on average, but much more frequent in high or upper middle-income countries) and the ability to view taxpayer information captured from third parties -employers, financial institutions, etc.- (57% on average; 73% in high income countries; 23.8% in low income countries).

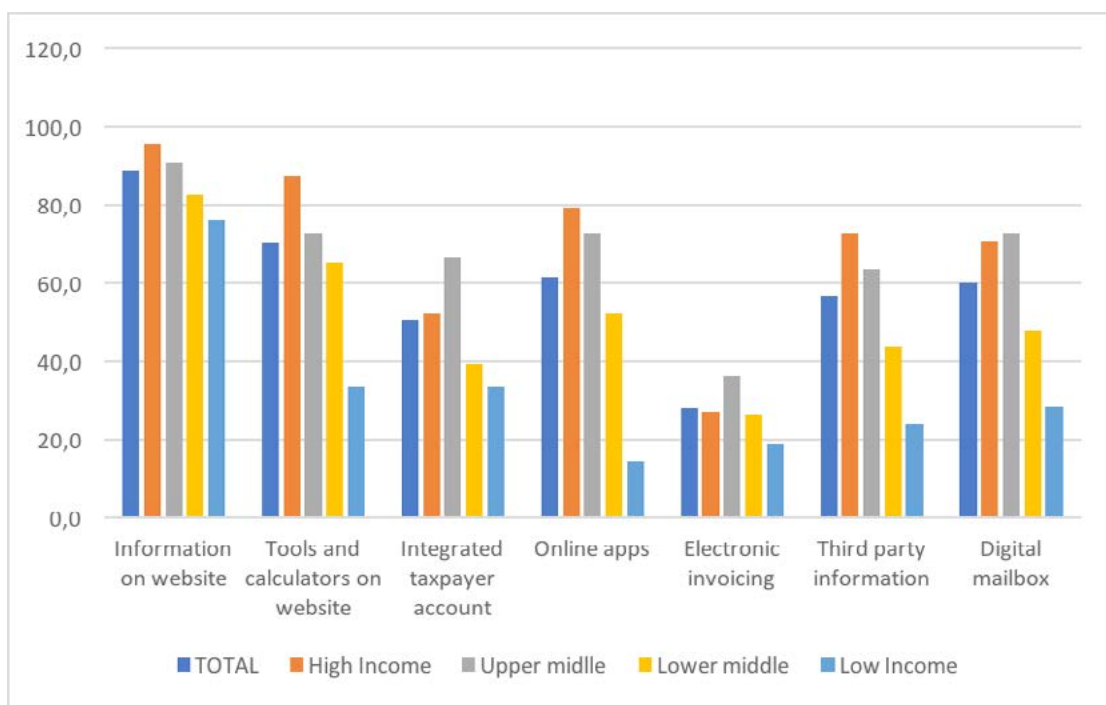
Nevertheless, only 50% of all countries use an integrated taxpayer account to provide a “whole of taxpayer” view across major taxes, and less than 30% have implemented an electronic invoicing system to support businesses, with less significant differences depending on income level.

Table 3. E-services

Countries	Information on website	Tools and calculators on website	Integrated taxpayer account	Online apps	Electronic invoicing	Third party information	Digital mailbox
TOTAL	88.8	70.4	50.4	61.6	28.0	56.8	60.0
High Income	95.8	87.5	52.1	79.2	27.1	72.9	70.8
Upper middle	90.9	72.7	66.7	72.7	36.4	63.6	72.7
Lower middle	82.6	65.2	39.1	52.2	26.1	43.5	47.8
Low Income	76.2	33.3	33.3	14.3	19.0	23.8	28.6

Source: ISORA (2015) and own elaboration

Graph 3. E-services



Source: ISORA (2015) and own elaboration

3 Cooperative compliance strategies and alternative dispute resolution channels

Cooperative compliance strategies⁵ for large taxpayers (Table 4) are present in around half of the TAs⁶, standing out their relevance among low income countries, where two out every three have already implemented, are now implementing or are planning to introduce this approach. Concerning the nature of the cooperative compliance models, the non-formal strategy -enhance relationships- is the most popular, followed by specific regulations -legal framework- and formal agreements. Complementary to these cooperative strategies, alternative dispute resolution forums are in place in only 20% of the TAs (classical civil, criminal and administrative courts continue to be the preferred channels), but it must be highlighted that the percentage presents an inverse relation with the income level (12.5 in high income countries, 18.2 in high middle, 21.7 in low middle, and 38.1% in low income TAs).

Table 4. Cooperative compliance approach for large taxpayers

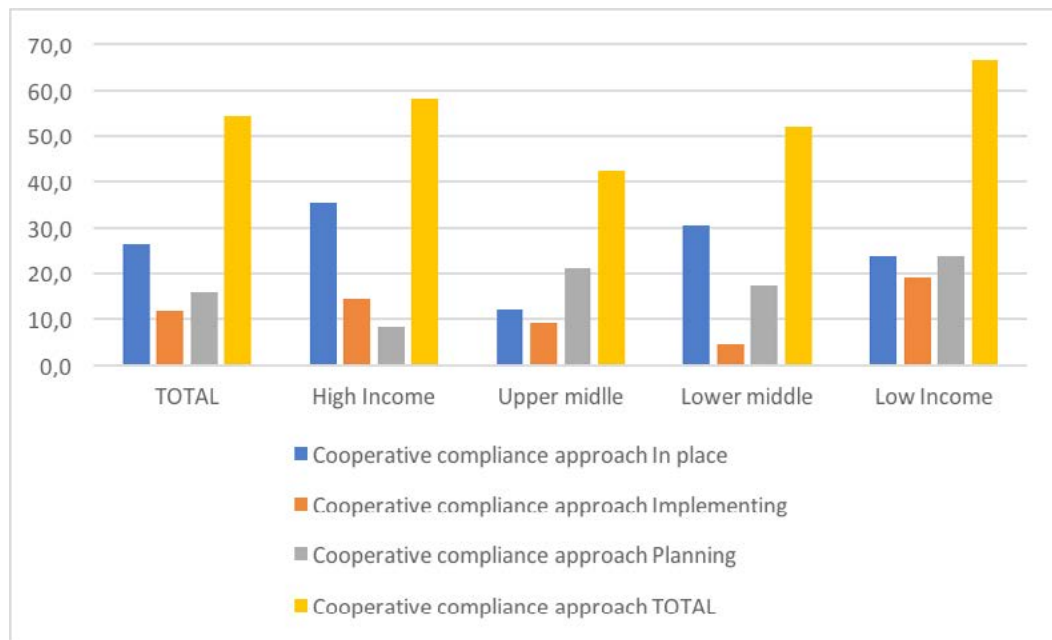
Countries	Cooperative compliance approach				Nature of coop. compliance model		
	In place	Implementing	Planning	TOTAL	Enhance relation	Formal agreement	Specific regulation
TOTAL	26.4	12.0	16.0	54.4	31.2	19.2	20.8
High Income	35.4	14.6	8.3	58.3	29.2	27.1	10.4
Upper middle	12.1	9.1	21.2	42.4	27.3	12.1	21.2
Lower middle	30.4	4.3	17.4	52.2	39.1	17.4	30.4
Low Income	23.8	19.0	23.8	66.7	33.3	14.3	33.3

Source: ISORA (2015) and own elaboration

5 OECD (2013) and CIAT (2015) provide a review of the concept and its practice in OECD and CIAT member countries of Latin America, the Caribbean, Africa and Asia.

6 And more than sixty percent consider cooperative compliance a high priority approach.

Graph 4. Cooperative Compliance approach for large taxpayers



Source: ISORA (2015) and own elaboration

4 Rulings and special regimes/segmentation

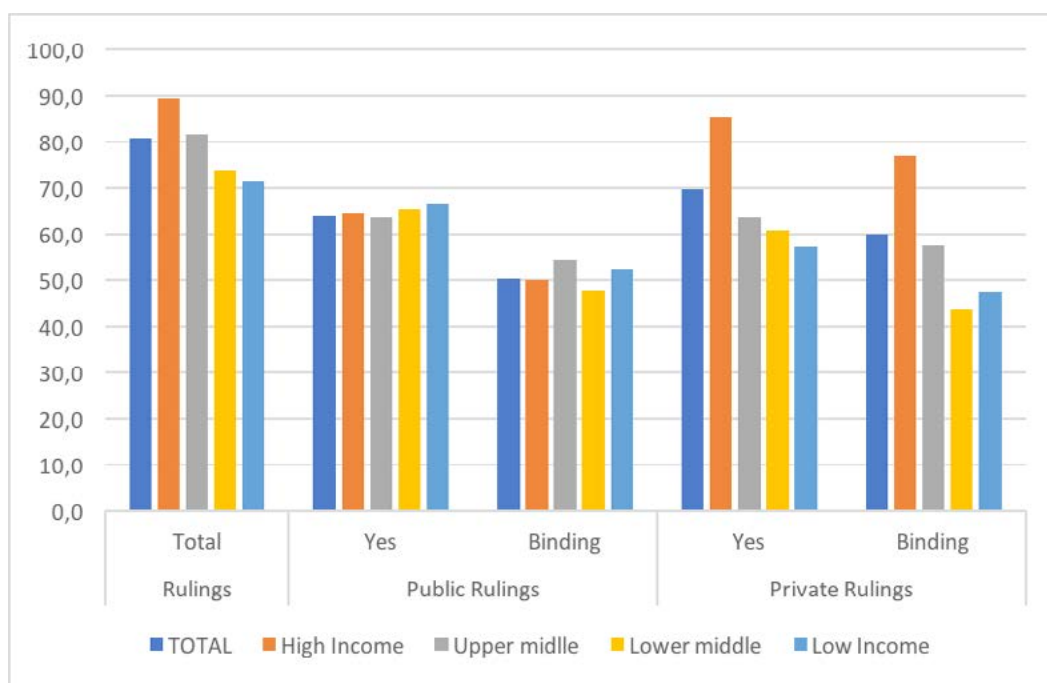
When it comes to solve doubts on the practical interpretation of tax law, most Tax Administrations (80% on average) use rulings to increase tax certainty, especially private and binding (on the administration) rulings in the case of high and upper middle countries, while TAs from lower middle and low-income countries registered more public rulings' systems (Table 5).

Table 5. Rulings

	Rulings	Public Rulings		Private Rulings	
Countries	Total	Yes	Binding	Yes	Binding
TOTAL	80.8	64.0	50.4	69.6	60.0
High Income	89.6	64.6	50.0	85.4	77.1
Upper middle	81.8	63.6	54.5	63.6	57.6
Lower middle	73.9	65.2	47.8	60.9	43.5
Low Income	71.4	66.7	52.4	57.1	47.6

Source: ISORA (2015) and own elaboration

Graph 5. Rulings



Source: ISORA (2015) and own elaboration

Finally, Table 6 shows as the extensive use of special programs and segmentation policies to deal with the complexity of tax systems and to try to reduce it.

In this case, the lower the income the greater the implementation of this strategy in terms of LTOs (Large Taxpayers Office) -84.8%, on average; 100% in Low Income countries-, SME (Small and Medium Enterprises) -40.8%, on average; 76.2 in Low Income countries - and Small taxpayers -54.4% on average; 95.2 in Low Income countries-, while HNWI programs (High Net Wealth Individuals) are less popular (20% on average) and their presence is significant only in High Income countries (31.3%).

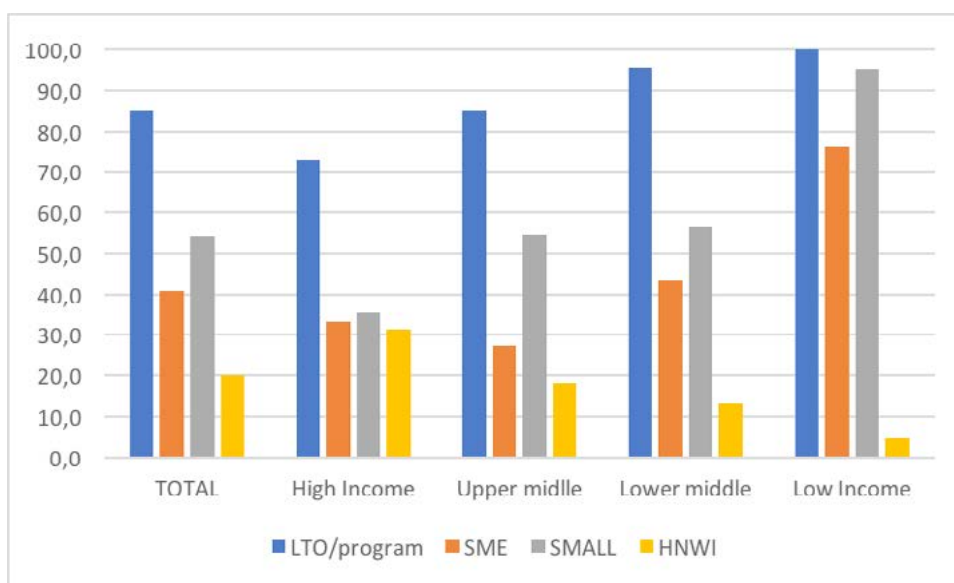
Table 6. Special regimes and segmentation policies

	Special regimes/segmentation			
Countries	LTO/program	SME	SMALL	HNWI
TOTAL	84.8	40.8	54.4	20.0
High Income	72.9	33.3	35.4	31.3
Upper middle	84.8	27.3	54.5	18.2
Lower middle	95.7	43.5	56.5	13.0
Low Income	100.0	76.2	95.2	4.8

NOTES: LTO: Large Taxpayers Office or program; SME: Small and medium enterprises specific programs; SMALL: Simplified income tax regime for small taxpayers; HNWI: High Net Wealth Individuals program.

Source: ISORA (2015) and own elaboration

Graph 6. Special regimes and segmentation policies



Source: ISORA (2015) and own elaboration

Tables 7 to 10 give more information on LTOs effectively working. The main criteria for determining a “large taxpayer” is turnover or revenue figures (94% of the TAs), especially in lower middle and low-income countries, followed by economic sector or activity, while taxes paid, income or assets are less significant. While the organizational structure of the program (Table 8) combines economic sector -around sixty per cent of the TAs-, geographic region and other criteria.

Table 7. Main criteria for determining a large taxpayer

Countries	Main criteria for determining a large taxpayer				
	Economic sector/ activity	Turnover/revenue	Income	Taxes (assessed/paid)	Assets
TOTAL	42.5	94.3	9.4	24.5	10.4
High Income	51.4	88.6	14.3	20.0	14.3
Upper middle	42.9	92.9	14.3	39.3	14.3
Lower middle	36.4	100.0	4.5	27.3	4.5
Low Income	33.3	100.0	0.0	9.5	4.8

Source: ISORA (2015) and own elaboration

Table 8. Organizational structure of LTO or program

	Organizational structure of LTO or program		
Countries	By economic sector	By geographic region	By other criteria
TOTAL	58.5	29.2	42.5
High Income	62.9	40.0	40.0
Upper middle	57.1	28.6	42.9
Lower middle	45.5	36.4	45.5
Low Income	66.7	4.8	42.9

Source: ISORA (2015) and own elaboration

Concerning the functions carried out by LTOs or programs (Table 9), audit (90.6%), services (84.9%), collection enforcement (69.8%) and return and payment processing (67%) are the most frequent, especially in low-income countries. From another point of view (Table 10), on average, CIT, VAT and employers' withholdings are the taxes more frequently administered by LTOs (95.3; 85.8%; and 76.4), while PIT drop under 50%, being less commonly included by LTOs in high and upper-middle income countries.

Table 9. Functions carried out by LTO or program

	Functions carried out by LTO or program					
Countries	Registration	Return and payment processing	Services (e.g. telephone calls, contacts and rulings)	Audit	Collection enforcement and management of arrears	Dispute resolution
TOTAL	47.2	67.0	84.9	90.6	69.8	50.0
High Income	42.9	54.3	82.9	97.1	42.9	60.0
Upper middle	50.0	57.1	89.3	92.9	67.9	42.9
Lower middle	54.5	68.2	86.4	86.4	86.4	45.5
Low Income	42.9	100.0	81.0	81.0	100.0	47.6

Source: ISORA (2015) and own elaboration

Table 10. Tax types administered by LTO or program

Countries	Tax types administered by LTO or program				
	CIT	PIT	VAT	Employers withholdings	Other taxes
TOTAL	95.3	47.2	85.8	76.4	77.4
High Income	94.3	22.9	82.9	74.3	71.4
Upper middle	96.4	48.5	85.7	64.3	75.0
Lower middle	90.9	60.9	81.8	72.7	72.7
Low Income	100.0	85.7	95.2	100.0	95.2

Source: ISORA (2015) and own elaboration

Where SMEs programs are in place, the concept of SME is usually (72.5%) defined in legislation being turnover/revenue figures the main criteria to qualify – 82.4%- (Table 11) to the programs that regulate a wide range of different special items (tax rates; services; education, communication channels; etc.).

Table 12 shows that, for small taxpayers, simplified income tax regimes in place are mainly characterized by the use of flat tax rates on turnover -52.9%-, even if other options -as simplified participation in regular regimes, forfeit or indicator based regimes- are also used.

Table 11. Main criteria for determining SMEs

Countries	Main criteria for determining SMEs			
	SMEs defined in legislation	Turnover/revenue	Assets	Other
TOTAL	72.5	82.4	5.9	33.3
High Income	56.3	75.0	18.8	50.0
Upper middle	77.8	88.9	0.0	33.3
Lower middle	70.0	90.0	0.0	30.0
Low Income	87.5	81.3	0.0	18.8

Source: ISORA (2015) and own elaboration

Table 12. Type of simplified income tax regime for small taxpayers

Countries	Type of simplified income tax regime for small taxpayers					
	Flat Rate Turnover Regime	Forfeit (Agreed) Regime	Indicator Based Regime	Simple Patent	Simplified Participation in Regular Regimes	Other
TOTAL	52.9	20.6	11.8	17.6	25.0	23.5
High Income	52.9	11.8	11.8	17.6	23.5	35.3
Upper middle	33.3	16.7	22.2	22.2	27.8	16.7
Lower middle	46.2	30.8	0.0	15.4	15.4	30.8
Low Income	75.0	25.0	10.0	15.0	30.0	15.0

Source: ISORA (2015) and own elaboration

Finally, as we have seen in Table 6, only 20% of the countries surveyed manage High Net Wealth Individuals programs⁷ and their presence is slightly significant only in High Income countries (31.3%).

Table 13. High Net Wealth Individuals programs

Countries	Main criteria for determining an HNWI taxpayer			Functions carried out by HNWI unit					
	Assets/wealth	Income	Other	Registration	Return/ payment	Services	Audit	Collection	Dispute resolution
TOTAL	64.0	44.0	48.0	44.0	48.0	68.0	92.0	32.0	40.0
High Income	80.0	33.3	53.3	40.0	46.7	66.7	86.7	20.0	33.3
Upper middle	66.7	83.3	33.3	50.0	16.7	66.7	100.0	33.3	33.3
Lower middle	0.0	33.3	33.3	33.3	100.0	66.7	100.0	66.7	66.7
Low Income	0.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ISORA (2015) and own elaboration

⁷ OECD (2009) examines in detail this taxpayer segment, describes their usage of aggressive tax planning schemes and proposes prevention, detection and response strategies that tax administrations can use to respond to these challenges. It also addresses aspects of voluntary disclosure initiatives for past non-compliance. Buchanan and McLaughlin (2017) analyze how revenue administration are implementing High-Wealth Individual Compliance Programs.

Where in place (Table 13), assets and wealth in the main criteria for determining HNWI. The main functions carried out by the HNWI are audit -92%- and services (e.g. telephone calls, contacts, rulings) -68%-, while return and payment processing, registration, dispute resolution and collection fall all below 50% on average.

5 Final comments

Summing up, improving taxpayer service, easing cooperation channels and clarifying/simplifying legal framework are strategies already in place by TAs to increase tax certainty, even though to different extent depending somehow on the countries level of development.

Formal tax-payers' rights, delivery standards and satisfaction surveys could increase their contribution to tax certainty strengthening autonomous and external control mechanism and transparency in the publication of results. Likewise, cooperative compliance approaches, despite of their success in gaining attention by TAs need to confirm their effective relevance in practice.

E-services seem to be in the focus of all TAs as an essential tool to foster voluntary compliance, although the data show somewhat different strategies. In this field all TAs could incorporate best-practices from other countries regardless of their relative level of income (e.g., electronic invoicing is not being developed mainly in high-income countries, unlike digital mailbox use). The use of rulings, especially private versus public rulings, also show these different approaches.

Finally, the study of special regimes and segmentation policies, show how the TAs in low-income countries tend to try to make a more efficient use of scarce resources by focusing on large taxpayers and simplifying small and medium enterprisers' regimens. Conversely, high net wealth individuals' programs have certain relevance only in high-income countries.

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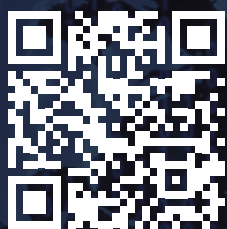
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