

OECD's Current Tax Agenda

APRIL 2011



Table of contents

Message from the Secretary-General of the Organisation for Economic Co-operation and Development	1
The OECD: What is it?	4
The Committee on Fiscal Affairs	7
The Centre for Tax Policy and Administration	12

HOT TOPICS

Tax Reforms to Improve Economic Performance	17
The Role of Tax for Development	20
Offshore Voluntary Disclosure	25
Multilateral Convention on Mutual Administrative Assistance in Tax Matters	30
Green Growth and Climate Change: Taxation and Tradable Permits ...	33
Value Added Taxes: Could Do Better?	38
Addressing Tax Risks from Bank Losses	42
Strengthening the Role of Taxation in the Fight Against Corruption and Financial Crime	43
Tax Relief and Compliance Enhancement (TRACE)	51

CORE ISSUES

Tax Conventions and Related Questions	57
Tax Policy Analysis and Statistics	65
Taxation of Multinational Enterprises	75
Consumption Taxes	80
International Tax Co-operation	83
Tax Administration	92
Transparency and Exchange of Information for Tax Purposes	102
Developing a Global Partnership	109
Network on Fiscal Relations across Levels of Governments	113
International Tax Dialogue	117

CTPA Management Team

Want to Know More?

Tax Administration

CORE ISSUES

In July 2002, the Forum on Tax Administration (FTA) was established to develop effective responses to tax administration issues in a collaborative fashion. The FTA aims to influence the environment within which tax systems operate: to move away from a conflictual dialogue to a constructive dialogue with taxpayers. To do this, it brings together tax commissioners from around the world to share information and experience, and to identify international good practices for resolving particular administration issues. To ensure that such information and experiences are made available to other revenue bodies, they are published in the tax administration guidance series. The CTPA supports the work of the FTA in the pursuit of its key objectives in a broad range of areas.



U.S. Commissioner of Internal Revenue and Chair of the FTA, Douglas Shulman, speaking at the United States Council for International Business Conference, The OECD's Evolving Role in Shaping International Tax Policy, Washington, 1-2 June 2009.

"I look forward to chairing the OECD's Forum on Tax Administration during these particularly challenging times. Nations across the globe face the harsh reality of declining tax revenues brought about by the economic slowdown and made worse by illegal offshore tax abuse. The OECD and FTA, with the active involvement of its Tax Commissioners, are ideally positioned to provide the experience, expertise and strategies to help governments pay for critical services and contribute to economic recovery efforts.

I am also particularly keen to lead the Forum in building greater co-operation between tax administrations across the world as we work to improve tax compliance both domestically and internationally. This could include utilising innovative techniques such as joint audits to leverage our enforcement resources and streamline our mutual cross-border work. There is much we can learn from each other and I welcome this important dialogue."

Mr. Douglas Shulman

Commissioner of Internal Revenue and Chair of the FTA upon his election as Chair of the FTA.

Istanbul Forum on Tax Administration Meeting

At the Sixth Meeting of the Forum on Tax Administration in Istanbul, Turkey, held in September 2010 Tax Commissioners from OECD and non-OECD countries, including all G20 countries, met to consider:

- The challenges facing revenue bodies in the current business climate and how revenue bodies could more effectively engage global business;
- The conclusions and recommendations from four studies which focused on improving offshore compliance, on joint audits between FTA participating countries as a potential path to improved international compliance and on a number of compliance issues associated with banks; and
- The role of corporate governance to influence corporate behaviour in relation to tax.

The Communiqué issued at the conclusion of the meeting set out the agreement of the Commissioners participating:

- To continue to work together to improve tax administration, taxpayer services and tax compliance – both nationally and internationally;
- To move beyond co-operation to co-ordinated action designed both to boost international tax compliance and reduce costs for taxpayers and revenue bodies alike;



Commissioners at the Sixth Meeting of the Forum on Tax Administration, Istanbul, Turkey, 15-16 September 2010.

"Corporate vehicles should not be misused for illicit purposes. Standards of responsible business conduct should be reflected in corporate decision-making. Corporate responsibility entails timely and accurate fulfilment of tax obligations wherever a company operates. Companies should comply with both the letter and the spirit of the tax law."

Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance, 28 May 2010

- To promote strong corporate governance in the area of tax;
- To support tax administrations in developing economies.

Next Forum meeting of Tax Commissioners

The next meeting of the FTA will take place in Argentina on 18-19 January, 2012.

Improving Voluntary Compliance

The FTA recognises that tax compliance requires a balance between enforcement and service. Recent work undertaken by the FTA has examined compliance management, including risk management, to identify innovative ways that revenue bodies can promote greater voluntary compliance and reduce costs for taxpayers.

Its studies and Information and Guidance Notes aim to provide support for compliance improvement in participating countries across a wide range of taxpayer segments.



Left to right: Mr. Ricardo Echegaray, Administrator Federal, Administración Fedelra de Ingresos Públicos, Argentina and Mr. Jeffrey Owens, Director of the CTPA, OECD, April 2010.

Taxpayers with an international footprint

International compliance has been a key topic for the FTA since its meeting in Seoul, Korea in September 2006 leading to a number of studies focusing on the role of tax intermediaries, compliance by banks and compliance by high net worth individuals. The international compliance theme has again featured in reports published in 2010 on joint audits and on offshore compliance and in two further studies related to compliance by banks.

Reports from FTA studies to support co-ordinated action on international compliance

Joint Audits

A Joint Audits Report examined the experiences of FTA countries who have worked jointly with other countries under various legal structures in conducting audits of taxpayers with multinational interests. The report was accompanied by a Joint Audits Participants Guide which may be used as a roadmap for countries interested in participating in joint audits.

Offshore Compliance

This report compiled a catalogue of the initiatives taken by FTA revenue bodies to recover revenues which have, up to now, been hidden because of the limitations on exchange of information in certain jurisdictions. A parallel report commented in more detail on voluntary compliance or disclosure initiatives initiated by countries to promote the regularisation of their tax affairs by taxpayers with assets held offshore for tax evasion purposes.

Large Business Taxpayers including Banks

At its Seoul meeting the FTA commissioned a study, published in 2008, into the role of tax intermediaries in relation to voluntary compliance and to the promotion of aggressive tax planning. This study evolved into a wider examination of the tripartite relationship between revenue bodies, business and tax intermediaries, and its potential influence on large business compliance.

This theme of finding new ways to improve large taxpayer compliance, including through building enhanced engagement and greater trust between the parties, recurred in a number of subsequent FTA studies and reviews of experience. Because of the financial crisis a number of these studies had a particular emphasis on banking. Identifying country experience of finding more effective ways of improving large business compliance will also be a focus of the new network of heads of Large Business Operations in FTA countries.

FTA studies to support large taxpayer compliance and services

Compliance Management of Large Business- Experience and Practices of Eight OECD Countries. This and a number of subsequent studies looked at the experience of initiatives taken and strategies implemented by these countries in a range of important areas of large business compliance.

Building Transparent Compliance by Banks. This 2009 study analysed the nature of banking, the complex structured financing transactions developed by banks and how these are then used by both banks and their clients. It also explored the internal governance processes that banks use to manage tax risk and the prevention, detection and response strategies applied by different revenue bodies in responding to the challenges that banks pose.

Addressing Tax Risks involving banks losses. Currently there are over USD 800 billion of bank losses around the world driven by the financial crisis. This report examined the opportunities for aggressive tax planning constructed around tax-effective use of these exceptional losses and the possible responses of revenue bodies to deal with the consequent tax risk.

Framework for a Voluntary Code of Conduct for Revenue Bodies and Banks. This report introduced a Voluntary Code of Conduct for Revenue Bodies and Banks which is available for use as a guide by countries interested in working towards improved compliance by banks through the medium of a Code of Conduct which stresses good corporate governance and encapsulates commitments by both parties. The Framework for the Code draws on the experience of the UK and South Africa in introducing voluntary Codes of Conduct for the banking industry.

High Net Worth Individuals (HNWIs)

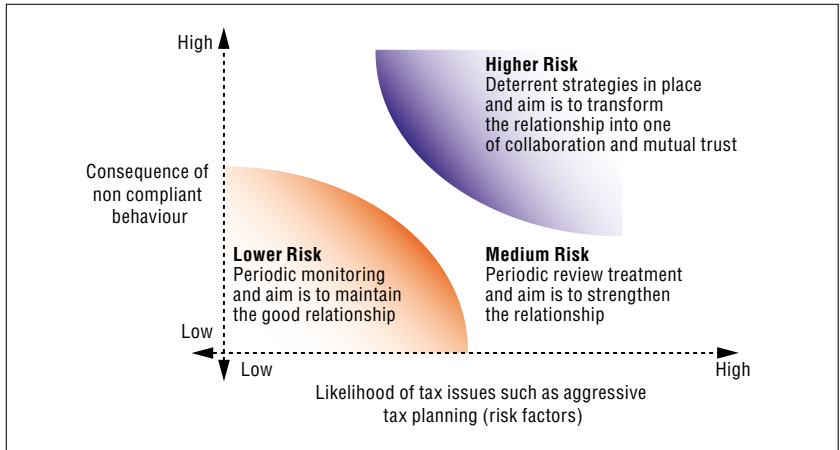


The study, *Engaging with High Net Worth Individuals on Tax Compliance*, examined tax compliance within the HNWI taxpayer segment. The study concluded that HNWIs pose significant challenges to revenue bodies because of the complexity of their affairs, their revenue contribution, the opportunities that they have for aggressive tax planning and the impact of their compliance behaviour on the integrity of the tax system. It found that focusing resources on the HNWI segment can achieve significant improvements in compliance. The report also identifies and recommends to tax administrations a number of best practices for dealing with HNWIs.

To support the work of participating revenue bodies in dealing with tax compliance and service issues related to HNWIs, the FTA established a network of revenue body experts with responsibility for HNWI compliance. This network reviews good practice and initiatives in revenue bodies aimed at improving compliance by HNWIs.

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An example of risk ranking and possible matching treatment or response strategies

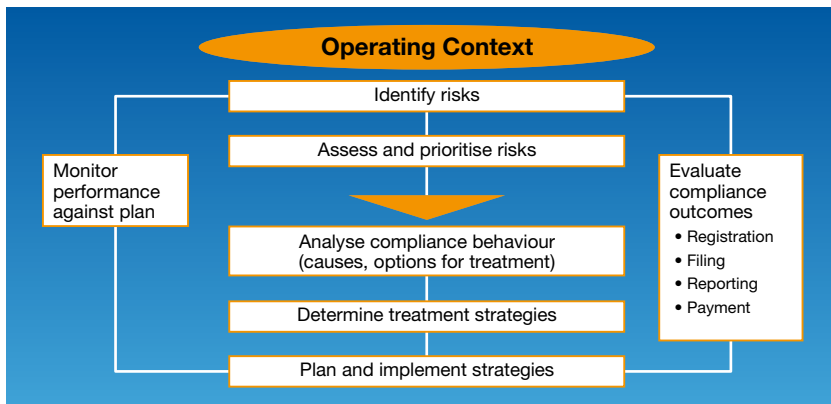


Effective Compliance Risk Management Techniques

The vastly increased demands on revenue bodies in today's world require them to have a thorough and systematic approach for identifying key compliance risk areas and the treatments for those risks, such as service, education, audits, enforcement or legislative change. Tax administrators must design a treatment strategy for each of their major compliance risks, recognising that non-compliance behaviours and attitudes vary substantially across different taxpayer segments. This represents one of the most significant challenges to effective administration of tax laws.

The FTA helps member countries share approaches on compliance risk management (and associated research efforts) and to prepare materials on successful practices for the guidance of OECD member countries and non-members.

In 2004 a Guidance Note – Compliance Risk Management: Managing and Improving Tax Compliance was published. That Guidance Note promoted compliance risk management as an essential management tool for revenue bodies and described practical approaches that could be adopted. The recommended model of compliance risk management, which draws on leading revenue body experience and underpins the work of the FTA, is set out below.



The Compliance Risk Management Process

In 2010, work in this domain included the development of practical guidance for revenue bodies to assist with the evaluation of their risk treatment strategies. A guidance note, and accompanying background materials, published in October 2010 set out a practical methodology for conducting outcome evaluations of compliance risk treatment strategies undertaken by revenue bodies in priority areas. The guidance draws on innovative work carried out by one of the leading revenue bodies in the OECD, as well as research carried out by staff working on EC tax programmes, and is supplemented by further practical guidance (including by way of many case study examples) from a number of other revenue bodies.

The current work programme in this area includes a study of revenue bodies' successful strategies for reducing opportunities for informal/cash/underground economy activities, and the use of electronic payment systems to conceal (and reveal) taxpayers' incomes, especially those in offshore locations. Also underway is a separate study of revenue bodies' successful strategies entailing proactive measures to prevent non-compliance in the SME sector.

Recent key reports include:

- Measuring the effectiveness of compliance risk treatments (October 2010);
- Understanding and influencing taxpayers' behaviour (October 2010);
- Withholding and Information Reporting Regimes for Small/ Medium-sized Businesses and Self-employed Taxpayers (September 2009);
- Developments in managing the VAT Compliance Management in Selected Countries (September 2009).

Corporate Governance

Following on from the Study into the Role of Tax Intermediaries, a report issued in 2009 examines the experience of three countries (Australia, Canada and Chile) in promoting tax risk management as an important element of corporate governance. The report encourages enhancing relationships with large business tax payers through the engagement of their Boards and CEOs in dialogue about shared approaches to improving compliance.

This report suggests that large businesses with good corporate governance and more transparent relationships with tax administrations can expect fewer audit interventions and hence greater certainty.

Taxpayer Service Delivery

Service is a key component of any revenue body's strategy for improving compliance with tax laws. Over the last decade, the capacity of revenue bodies to expand the range of services provided, and improve service delivery, has been greatly enhanced by developments with, and growth in the use of, modern information technology systems.

The FTA continues to examine how revenue bodies can improve the delivery of taxpayer services, including the use of electronic services. Electronic services enable tax administrations to deliver faster, cheaper, more tailored services.

In late-2009, a major survey of revenue bodies in OECD and selected other countries was undertaken to assess their progress, and plans for, the deployment of modern electronic services in taxpayer service delivery. The survey report and related tabulations, which were published in March 2010, provide a very comprehensive assessment of revenue bodies' progress with, and plans for, the deployment of technology to deliver services to taxpayers and topics examined included; 1) revenue bodies' strategic directions; 2) specific e-services (*e.g.* e-filing, e-payment, pre-filing, online/real time personal taxpayer information); 3) use of telephony; 4) 'whole of government' service delivery approaches; and 5) security, authentication, and authorisation. The work also included the development of a "maturity" framework for the provision of electronic services that would enable revenue bodies to gauge their progress towards achieving a "transformational level" of capability.

The study's findings note that many revenue bodies have made considerable progress over the last 5-6 years in the development, delivery and exploitation of electronic services. However, many challenges remain and most revenue bodies have some way to go to realise the transformational level of competence set out in the framework.

Other recently published reports include:

- Programmes to Reduce the Administrative Burden of Tax Regulations- follow-up report (March 2010);

- Tax Reference Mode-Application Software Solutions to Support Revenue Administration in Selected Countries (March 2010);
- Framework for the Provision of Electronic Services (March 2010).

The current work programme in this area includes studies associated with identifying key issues related to security and authentication in the delivery of electronic services to taxpayers and how these issues are being addressed by revenue bodies, and developments with the use of social media technologies in tax administration.

Comparative Data on Tax Administration

In today's rapidly changing environment revenue bodies are being asked to do more with less, to take on new tasks, and at the same time ensure that governments have the revenues they need to finance important programmes that benefit their citizens. In facing this challenge revenue bodies around the world are seeking ways to make tax administration within their countries both more effective and more efficient. One of the ways many of them seek to do this is by comparing their structures, operations and performance with comparable organisations.

The CTPA and the FTA have been supporting revenue bodies in this area through its research and associated report, *Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series*. Published every two years, and now in its fourth (2010) edition, this series contains a wide range of insightful, comparative data on aspects of tax administration around the world. Almost 50 countries have contributed to the research that went into this publication – every OECD member country, as well as EU, G20, and selected other countries. It provides a unique insight into the tax administration environment. Not only does it promote greater understanding between countries by setting out the

context in which revenue bodies operate, but it is also a key tool to assist both administrators and policy makers in identifying the key trends and innovations in tax administration.

The latest edition describes institutional setups, organisational arrangements and reforms, aspects of strategic management, resourcing, key areas of operational performance, the use of technology, and elements of the legislative and administrative framework for administration across the 49 countries covered by the series. There is also a new section dealing with selected aspects of human resource management.

The series uses data, analysis and country examples to highlight key trends, recent innovations, and examples of good practice and performance

Countries covered by the Comparative Data :

Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States.

measures/indicators. Armed with such knowledge, revenue bodies should be better equipped to undertake their own comparative analyses and benchmarking studies, particularly for performance-related aspects and for assessing comparative efficiency.

Key Events

- Tax and Crime Conference, Oslo, 21-23 March 2011.
- Seventh Meeting of FTA, Argentina, 18-19 January 2012.

Key Publications

- Evaluating the Effectiveness of Compliance Risk Treatment Strategies (November 2010).
- Understanding and Influencing Taxpayers' Compliance Behaviour (November 2010).
- Joint Audit Report and Joint Audit Participants Guide (September 2010).
- Framework for a Voluntary Code of Conduct for Revenue Bodies and Banks (September 2010).
- Addressing Tax Risks Involving Banks (September 2010).
- Guidance and Specifications for Tax Compliance of Business and Accounting Software (GASBAS) (April 2010).
- Guidance on Test Procedures for Tax Audit Assurance (April 2010).
- Guidance for the Standard Audit File-Tax, version 2.0. (SAF-T) (April 2010).
- Guidance for the Standard Audit File-Payroll, version 1.0. (SAF-P) (April 2010).
- Tax Compliance and Tax Accounting Systems (April 2010).
- Study into the Role of Tax Intermediaries (2008).
- Information Note, General Administrative Principles : Corporate Governance Tax Risk Management (July 2009)

Tax Administration on the Web

- www.oecd.org/ctp/ta

Want to Know More?

Key Links

Consumption tax	www.oecd.org/ctp/ct
Dispute resolution	www.oecd.org/ctp/dr
Exchange of information	www.oecd.org/ctp/eoi
Harmful tax practices	www.oecd.org/ctp/htp
Global Forum on transparency and exchange of information for tax purposes	www.oecd.org/tax/transparency
OECD tax database	www.oecd.org/ctp/taxdatabase
Partnerships with non-OECD economies	www.oecd.org/tax/globalrelations
Tax administration	www.oecd.org/ctp/ta
Tax crimes and money laundering	www.oecd.org/ctp/taxcrimes
Tax evasion	www.oecd.org/tax/evasion
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Treaty Relief and Compliance Enhancement	www.oecd.org/tax/trace
Transfer pricing	www.oecd.org/ctp/tp
Tax treaties	www.oecd.org/ctp/tt
Tax treatment of bribes	www.oecd.org/ctp/ttb

Key Publications

- Revenue Statistics 1995-2009 (2010 edition)
- Taxation, Innovation and the Environment (2010)
- OECD Tax Policy Studies No.19: Choosing a Broad Base – Low Rate Approach to Taxation (2010)
- OECD Tax Policy Studies No. 20: Tax Policy Reform and Economic Growth (2010)
- Model Tax Convention on Income and Capital (2010)
- Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (2010 update)

- Taxing Wages (2010)
- Consumption Tax Trends 2010: VAT/GST and Excise Rates, Trends and Administration Issues
- Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series 2010
- Global Forum on Transparency and Exchange of Information for Tax Purposes, 18 Peer Review Reports



Key Events in 2011

- Tax and Crime: A Whole-of-Government Approach in Fighting Financial Crime, Oslo, 21-23 March 2011
- Second Plenary Meeting of the informal Task Force on Tax and Development, Paris, 11-12 April 2011
- 11th Annual U.S. & Europe Tax Planning Strategies Conference, Paris, 14-15 April 2011
- Global Forum on Transparency and Exchange of Information for Tax Purposes, Bermuda, 31 May – 1 June 2011
- OECD-USCIB Tax Conference, Washington, 6-7 June 2011
- High Level Seminar: Current Issues in Transfer Pricing – Delhi, India, 13-14 June 2011
- OECD 50th Anniversary: High Level Tax Reform Conference, Paris, 30 June 2011
- 16th Annual Tax Treaty Meeting, Paris, 15-16 September 2011
- First Annual Transfer Pricing Meeting, Paris, 3-4 November 2011
- Fifth ITD Global Conference on Inequality, 5-7 December 2011
- Seventh Forum on Tax Administration, Argentina, 18-19 January 2012

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