WORKING GROUP DISCUSSION

TOPIC 1

Addressing Tax Administration Challenges Posed by Globalization of Tax Base

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Working Group Final Report

1. Introduction

Globalisation of the tax base is not a new concept however it is seen as a serious issue for tax administrations around the world. While some countries may be at different stages in terms of globalisation of their economy there are common approaches that all tax administrations can adopt to address the challenges posed by globalisation of the tax base.

The development of the global economy over time has increased in both scope and pace as taxpayers take advantage over the broadening range of opportunities available to them upon which to structure and operate their business. This has been facilitated by advancements in technology and drivers to seize new business opportunities which increasingly provide taxpayers options to reach beyond national boundaries. Increased global integration and operations can mean historical structures are no longer effective and business model changes result. Individuals have also become more internationally mobile.

These can all have wide ranging impacts on national tax bases including far greater complexity in determining tax liabilities.

The challenge to tax administrations around the world is to be responsive to the threats posed by globalisation, to ensure they have a robust domestic tax regime and, perhaps ironically, to act more globally themselves.

To be successful in effectively identifying the threats caused by globalisation we need to look beyond our own borders and interact more with the rest of the world – in particular with other tax jurisdictions.

The challenges identified from globalisation of the tax base are considered to be serious and while continually developing are largely common across tax jurisdictions around the world. These challenges are canvassed below.

2. What challenges have been identified as arising from globalisation of the tax base?

The impacts on national tax bases arising from globalisation are many and varied but ultimately impinge on the central issues for any tax administration, those of determination of tax liabilities and subsequent collection. Particular challenges identified include the following:

2.1 International Arbitrage

The factors enabling globalisation have also unfortunately opened the door, to those inclined, to structure things to achieve the most favourable tax outcome. This can occur from a wide range of building block options across choices of jurisdiction, entity types, structuring arrangements, innovative financial instruments and stepping through loopholes in and between different tax regimes.

2.2 Determination of the Tax Base

In a global economy it can become a fundamental challenge for tax administrations to determine their own tax base even in terms of the most basic of tax concepts – taxpayer residence and source of income. To add complexity sovereign economic success will require that is achieved by allocating the tax base fairly so as not to deter foreign investment.

2.3 Transfer Pricing

Cross border related party transactions are common in a global economy which consequently give rise to transfer pricing related risks. The domestic tax regime must be able to guard against the profit shifting risks that flow from non-arms length transactions. Even with transfer pricing regimes in place multi-nationals can legitimately strip out business functions, assets and risks to achieve the most favourable overall tax outcomes.

2.4 Monitoring Beyond Jurisdictional Boundaries

To be successful in effectively identifying the threats caused by globalisation tax administrations need to look beyond their own borders and interact more with the rest of the world – in particular with other tax jurisdictions.

2.5 Treaty Shopping

The use/abuse of gaps or weaknesses in international treaty agreements which, while primarily designed to eliminate or provide relief from double taxation, are applied to inappropriately minimise or avoid any tax at all.

2.6 Development and Retention of Staff Expertise

The underlying issues that arise in the international tax area are amongst the most complex that tax administrations need to deal with. Clearly having staff capable of working in this area is a huge challenge so developing and retaining such staff is essential. Many SGATAR members have to also deal with language issues which exacerbates the complexity.

2.7 Engaging with Other Tax Jurisdictions

Achieving effective engagement with other tax jurisdictions can require alignment of a number of factors whether seeking agreement of international treaties or simply talking to staff in other tax administrations. These initiatives not only require a commitment from within the domestic administration but also in harmony with the foreign administration. In terms of networking with staff in other tax administrations this needs to be undertaken in a way that promotes development of relationships e.g. amongst an appropriate group of same who have continuing contacts over time.

3. Main Causes for the Emergence of these Challenges

The challenges arising from globalisation of the tax base derive from the factors which give rise to the opportunities that global business seek to take advantage of. These can be grouped into domestic and international causes.

3.1 Domestic Causes

Domestic causes include:

- Advancements in technology such as communication technologies, transportation and the internet.

- The liberalisation of financial and exchange controls.

- The easing of restrictions on foreign ownership and the international movement of capital.

- Domestic tax regimes are insufficient to cope with the impacts of transactions in the global economy. Some regimes exist without the support of a controlled foreign corporation, thin capitalisation or even anti-avoidance provisions. In one noted case the power to investigate potential tax fraud rests with the domestic police rather than the tax administration.

- Increased competition for limited resources – including land forces local business to seek cheaper alternatives elsewhere.

3.2 International Causes

International causes include:

- Increased global business integration and operations can mean historical structures are no longer effective and business model changes result.

- Tax competition designed to encourage foreign investment to help develop specific industries or the broader economy can provide scope for abuse and in some cases invite negotiation on tax liabilities outside the realm of the tax administration.

- Development of free trade agreements.

- Individuals have become more internationally mobile both in terms of high net wealth individuals and labour market participants.

4. Addressing the Impact of these Challenges on Tax Administrations

The impacts on tax administrations of the challenges identified as arising from globalisation are many and varied but the major ones cut to the heart of what tax administration is about – collecting national revenue and protecting the integrity of the tax base.

4.1 What are the Major Impacts of these Challenges on Tax Administrations?

The major impacts of these challenges include:

- Loss of national revenue from erosion of tax base.

- Tax administrations need to operate differently to efficiently administer national tax laws and are required to consider the international ramifications of their decisions.

- Potential loss of public trust in whole domestic tax administration and taxation laws.

Given the significance of these impacts failure to appropriately address the challenges can be extreme for the entire jurisdiction.

4.2 What Measures Have Been Taken to Address the Impacts?

The measures noted as taken by jurisdictions are often reflective of where the country sits in terms of the development of its domestic economy and supporting infrastructure. By way of example two noted cases involved:

- a country consisting of over 17,000 islands with a largely informal small business economy, and
- a country gradually transitioning from a planned economy to a more market driven economy.

Understandably tax administrations operating in such conditions can have far greater challenges focusing on their domestic issues without being involved in the complexities of e-commerce and international transactions. That said, there was general consensus that exchange of information was of high importance in the range of measures that can be taken to address the challenges of globalisation of the tax base.

4.2.1 Exchange of Information

The working paper contributed by Australia on this broader topic of globalisation contains good coverage on the subject of exchange of information. The working group discussions also focussed attention on the following aspects including suggestions for improving the ability to make exchanges and to streamline the processes involved:

- Spontaneous exchanges of information have the most potential for gain and can be the easiest to apply yet are arguably the least used. It was suggested that SGATAR members be encouraged to actively consider this avenue for appropriate sharing in the future.

- To assist in promoting exchanges of information between SGATAR members it was suggested that exchanges be tagged in some way to assist in tracking progress and ensure they are promptly dealt with thereby assisting our SGATAR partners.

- Exchange of information protocols sit within International Tax Treaties and such agreements can take a long time to develop and agree between countries. In light of this, it was suggested that consideration be given to developing an alternative platform to facilitate exchanges of information between SGATAR member without the need for all the issues involved in treaty negotiations to be dealt with. If this was possible it could provide a fast-track solution to facilitate exchanges where currently, in the absence of a formal treaty no possibility exists. It was noted that OECD Working Party 8 was currently looking at this concept.

- In cases where exchanges are currently possible, but language can be a barrier to successful exchanges, it would be useful for SGATAR members to provide protocols on the language and information criteria requirements to be able to act on requests or provide relevant information.

- Another way to potentially improve the exchange of information processes in some cases was to seek an informal view as to the likely success of any request prior to formally making the request. This step may assist in developing a request into better shape so to successfully deal with it.

- A further suggestion made in relation to existing tax treaties is to consider making the widest possible use of Article 26 exchange of information clauses. A possible example noted was to share information on appropriate methodologies to help resolve transfer pricing issues.

4.2.2 Other Measures

Other useful measures noted as having been taken to address the challenges posed by globalisation of the tax base include:

- Networking with other Tax Administrations – no prior international agreement or competent authority clearance is required if discussions are limited to discussing generic issues rather than taxpayer specifics. This manner of international co-operation can be used to share experiences of dealing with issues, share best practice and intellectual capital. An important element to consider in the context of networking between staff of different tax administrations is to develop relationships amongst the same individuals or small groups of staff to help facilitate an easier and freer flow of contacts over time.

- Tax Information Exchange Agreements are developing as very useful ways to access information from no or low tax jurisdictions which the OECD has targeted for the use of these arrangements to require greater transparency.

- Assistance in Tax Collection agreements between countries are also proving to be a very helpful means to recover tax debts from those who abscond a country leaving the debts behind.

Other measures taken which are more reflective of the respective maturity of domestic economies and tax regimes included:

- Introduction of more comprehensive tax reforms to fill gaps in domestic regimes.
- Training of staff particularly on the complexities of international issues.
- Modernise existing tax treaties and focus on developing treaty networks.
- Focus on introducing some of the newer measures for international co-operation into the scope of activity of tax administrations.

5. Conclusion

5.1 Summary

The development of the global economy facilitated by advancements in technology and drivers to seize new business opportunities increasingly provides taxpayers options to reach beyond national boundaries. Increased global integration and operations can mean historical structures are no longer effective and business model changes result. Individuals have also become more internationally mobile. This can all have wide ranging and fundamental impacts on national tax bases.

The challenge to tax administrations around the world is to be responsive to the threats posed by globalisation, to ensure they have a robust domestic tax regime and, perhaps ironically, to act more globally themselves.

5.2 Looking Forward

Effective global tax administration is the way of the future. Sharing of information and networking amongst officials from different tax administrations will be a central feature. With greater conscious regard to international cooperation on areas that affect our tax systems we can achieve more international alignment and enhance our administrative systems to a greater extent.

WORKING GROUP DISCUSSION

TOPIC 2

Improving Tax Compliance through Better Taxpayer Service

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Working Group Final Report

1. Introduction

Tax Administrations recognise that taxpayers need to know and understand their obligations, and be provided with a ready and accessible means by which they can meet them. This is critical to promoting voluntary compliance.

Taxpayer services are a range of activities that provide relevant information to taxpayers and support their interactions with the revenue agencies.

Common approaches to taxpayer service across SGATAR member jurisdictions were readily apparent from working party discussions. Whilst variations did exist in the tailored approaches and the maturity of the services provided, there was also an equal measure of agreement on the challenges to be faced and future broad areas of focus.

2. Service Strategy and Approach

There were many common themes and approaches across the member jurisdictions in the broad area of service strategy. Overall, however, the key approaches identified involved:

- properly understanding the service needs of taxpayers, so as to encourage voluntarily compliance, and
- meeting those needs in a timely and cost effective manner.

The following paragraphs outline many of the common areas of strategy and approach across the jurisdictions.

2.1 Segmentation

Segmentation of taxpayers according to, for example, their needs, size, or industry, was seen as an important way of ensuring that services were properly targeted. Segmentation is an appropriate means of ensuring efficiency, in that it allows services to be differentiated and tailored to customers' specific needs.

2.2 Information Technology

Information technology was seen as a vital component for the delivery of services to taxpayers. It provides direct accessibility by the taxpayer at a time most convenient to them and reduces the need for involvement of the revenue authority's staff. This supports a self-service approach where the client chooses when and how to interact with the revenue authority. It also provides a consistent, reliable and adaptable channel for delivery of the services. However, it was apparent that access to information technology and taxpayer computer literacy varied across the jurisdictions and this influenced the extent to which electronic services could be employed.

2.3 Planning for Service Provision

There was a recognised benefit in jurisdictions having a robust and well articulated client service plan. This could take the form of a formal Corporate Plan published both internally and externally making clear the service expectations and aspirations of the organisation.

Key themes of the planned strategies of member jurisdictions were characterised by:

- Targeting and tailoring activities as a result of understanding their customers
- Optimising operational efficiency and reducing compliance costs
- Creating an environment that encourages voluntary compliance, and
- Continuing investment in the capabilities of the organisations' service staff

2.4 Simplification

Simplification of processes, forms, information products and administrative policies in order that taxpayers are better able to understand their obligation and how to meet them was also common. This included:

- Clarification of the law
- Simplifying how clients interact with the revenue authority, and
- Streamlining internal processes to improve timely responses.

2.5 Stakeholder Relationships

Relationships with stakeholders including taxpayers, agents and intermediaries, other agencies and departments provide a means of developing mutually beneficial partnerships. This was seen to enhance the flow of information exchange, improve transparency and enable the design of services and products that meet the needs of the stakeholders.

2.6 Education Services

Education initiatives were also a common area of investment. These included seminars, tax forums, meetings with industry bodies, leaflets, media and publications. In some jurisdictions this involved tax education in school and college programs and the use of competitions such as essay/speech contests and tax quizzes.

2.7 Staff Development

Improving internal capability was also a prominent approach involving training programs and staff development in both tax subject matter and client service skills.

2.8 Service Evaluation

There was a common theme across jurisdictions' methods of evaluating their service initiatives. This started with the setting of targets for their strategies and measuring both the quantitative and qualitative outcomes. Examples included measuring turnaround times, compliance outcomes (registration, lodgement, payment) surveys of taxpayer satisfaction, and feedback via suggestion and complaint mechanisms. The evaluations allowed jurisdictions to identify and plan improvements in both content and delivery of their services.

2.9 Consistency and Certainty

Providing consistency and certainty to taxpayers was also a common aim of the jurisdictions. This was identified by many as important to taxpayers' achieving and sustaining confidence in the revenue authorities.

2.10 Taxpayer Relationships

Some jurisdictions promoted relationships with taxpayers as 'family' oriented whereas other jurisdictions saw the service provision in a much more transactional basis.

2.11 Choice of Service Channels

While it was generally agreed that it was important to provide taxpayers with a choice of service and access methods, one jurisdiction noted that at a particular stage of development it could be appropriate to remove service channels that were now less popular and costly to maintain. This approach, of moving taxpayers to electronic interactions, is more likely feasible in jurisdictions with highly developed infrastructure and internet penetration.

2.12 Information Technology Differences

It was notable that there were considerable differences in the availability of information technology to taxpayers across the jurisdictions and this would significantly influence the extent to which technology driven services would be successful at the current time.

2.13 Other Diversity

Delegates noted that similar diversity in strategies would also arise due to cultural differences. For example, some cultures prefer a face to face interaction in order to be satisfied with the level of service provided. Tax law differences across jurisdictions would also drive alternative approaches being employed.

2.14 Information Flows

Members experience differed in how easily and readily information flowed within revenue authorities and across government agencies. This was seen to detrimentally impact on the ability to provide comprehensive and timely services to taxpayers in some jurisdictions.

2.15 Organisational Structures

Organisational structures were different across the represented agencies. In some there was a focussed central service department while in other a more distributed approach was employed. The centralised approach allows for greater control and consistency of approaches to be managed while the distributed model gives more control to the areas responsible for particular segments or client groups. Both approaches have merit and the emphasis may relate to the maturity of the organisation's client service strategies.

3. Benefit & Achievement

The working group agreed that the key benefit of taxpayer service initiatives was the resulting improvements in voluntary compliance. In most jurisdictions this was evident in increases in the rate of registrations, lodgments and an expectation of improved overall revenue outcomes. The relationship between the tax authority and government was seen to be enhanced as a consequence and subsequent initiatives more likely to be supported.

This resulted from providing services that had the taxpayer aware of their obligations and more able to comply at reduced compliance cost. It was recognized that in many instances successful delivery of service was a much more cost effective way of achieving improved compliance than enforcement activities.

Revenue authorities have limited resources and taxpayers often have limited capacity. The successful service approaches were those that reduce taxpayer error and therefore reduce the risk of foregone revenue.

Enhanced relationships with taxpayers provide greater opportunities to listen and appropriately respond to their changing needs including the opportunity to work collaboratively in making those improvements.

4. Challenges

While member jurisdictions had made substantial progress in implementing effective taxpayer service strategies, they also recognised a number of challenges.

4.1 Innovation and Creativity

The ability for tax authorities to continue to generate new ideas and implement innovative and creative approaches was seen as an ongoing challenge. Being able to continue to attract the appropriate attention of taxpayers and anticipate and provide services appropriate for them was recognized as important.

4.2 Increasing Expectations

Similarly, continuing to meet increasing expectations of service to taxpayers, often driven by their experience with interactions with other more general service providers was a likely tension into the future.

4.3 Direct Attribution of Benefits of Service

The more diversity in services delivered by the organization often means a greater difficulty in attributing benefits to any particular element of the service provided. The benefits of providing service often emerge at a time in the future rather than immediately. This means it can be more difficult to demonstrate the cost effectiveness of service strategies compared to other more direct compliance activities.

Revenue Authorities have limited resources, and service initiatives have to compete with other activities for these limited resources. Identifying the right balance between service and enforcement activities is a continuing challenge.

5. Future initiatives

There was clear consensus in the working group that it was sensible to continue to invest in delivering taxpayer services that were customer focussed.

5.1 Investment in Information Technology

All jurisdictions, regardless of their current level of information technology experience, saw information technology as being a major platform for delivering service initiatives into the future.

5.2 Furthering Partnerships

There was an expectation that future initiatives were likely to explore partnerships across the government and private sectors and should include promotion of international co-operation - particularly, the opportunity to share infrastructure and approaches to servicing common clients.

5.3 Simplification

It was recognised that investments to date that had focussed on simplifying tax processes, forms and reducing red tape would also continue to be targets for investment and innovation.

6. Conclusion

The need to cooperate with others, whether partnerships with clients or their representatives, other government agencies and other jurisdictions was recognised as an area of further work. There was a firm belief that this will provide improvements in service initiatives, including providing an impetus for continual upgrading of the strategies.

There was some evidence provided by members that indicated that the effective implementation of right mix of service strategies is an economical means of improving broad based voluntary compliance.

The diversity of the working group membership served to emphasise that the cultural differences within and across jurisdictions would continue to be an influencing factor. Despite this, the diversity of detailed approaches and ideas discussed and shared was recognised as a great opportunity.

All member jurisdictions have taken action to identify stakeholder service needs and to address these by a range of appropriate strategies. These strategies include provision of education and information products, streamlining internal processes and assisting clients to more easily meet their obligations.

The effective delivery of taxpayer services assists by creating a more harmonious environment based on mutual trust and confidence.

WORKING GROUP DISCUSSION

TOPIC 3

Case Selection in Tax Audit

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Working Group Final Report

1. Introduction

1.1 All members use tax audits as part of their compliance strategy to detect and deter non-compliance, thus maintaining public confidence in their tax system. Members also see conducting audits as being important to improve voluntary compliance.

1.2 Limited resources faced by all members make it impossible to audit every single taxpayer or return. Hence, most members have developed risk evaluation mechanisms or assessment tools to better identify the compliance risks and to seek out potential non-compliers. Generally, members direct a major part of their audit resources to dealing with high risk or high yield cases.

1.3 All members believe that the majority of their taxpayers are compliant. Many members adopt different compliance strategies depending on the behavioural patterns of the taxpayer. Education, rather than enforcement actions, is directed at taxpayers who want to comply but may have genuine difficulties in doing so. On the other hand, members take strong enforcement actions against taxpayers who deliberately abuse the tax system.

1.4 While there is much diversity in the approaches taken to identification of compliance risks and selecting cases for audit, there are also some commonalities amongst the members. This report summarises the following:

- Members' approaches to case selection;
- Standards or criteria for case selection;
- Measures taken by members to enhance case selection;
- Moving forward, what members will be doing to enhance case selection

2. Approach to Case Selection

2.1 Most members recognise the importance of risk assessment for more targeted compliance strategy and better use of resources. Most invest in risk-profiling engines or risk-scoring system and in building up specialists who study the risk behaviours of taxpayers. Such investments enable the members to sift out cases which pose potential revenue risks for possible audits.

2.2 Most members adopt both top-down and bottom-up approach in identification of compliance risks and determination of audit selection criteria. At the strategic level, the focus is on developing macro risk profile, identifying priority risks and generating insights on compliance behaviour. Risk criteria developed at the strategic level are often built into the computer system of members. The computer system will then sift out cases with aberrations for scrutiny and possible audits. To prioritise and select cases for audit actions, cases sifted out by the computer system are typically subject to another level of review by auditors or assessors. The auditors may also make suggestion to refine the computer checks or input additional risk criteria to sift out non-compliant cases.

2.3 Most members also conduct different types of audits depending on the risk-profile of the taxpayers, the issues concerned and the objective of the audit programme. Audits can be desk or field based, simple/issue based audit and in-depth or comprehensive audits.

2.4 All members also segment their taxpayers for better compliance management. While there are different approaches in segmenting the taxpayers for compliance purpose, most members segment their taxpayers into 2 main categories: the large corporations and small to medium-sized enterprises (SMEs). While large corporations are generally compliant and have proper accounting records and systems, members recognise that any errors made by such corporations are likely to be significant in tax dollars due to the size and complexity of their businesses. Large corporations may be further segmented to the key industries or industries recognised to have complex technical issues such as banking and financial institutions. In recognition of the importance of large corporations, some members even dedicate special units or teams so as to monitor these corporations on a more regular basis.

2.5 On the other hand, SMEs are generally known for poor record-keeping and tendency to make simple errors due to ignorance of the law or human oversight. Members have different approach in treating SMEs, with some taking more of an educational approach towards these businesses while others having teams commissioned just to audit these businesses.

2.6 Case Selection Model

2.6.1 All members gather intelligence from internal and external sources to input into their case selection model. Internal sources include internal referrals from other divisions, data captured from the returns. All members capture information declared in the returns submitted and use computer- assisted tools to analyse the data for the purpose of sifting out taxpayers with unusual declaration trends.

2.6.2 External information can come from anywhere and everywhere – media, government agencies, private sectors and allegations from the public.

2.6.3 With various information/data coming from everywhere, the challenge lies in using human intelligence to make sense of all the various pieces of data coming in and identify the critical risk factors.

2.7 Case Selection Criteria

2.7.1 Most countries analyse the following to sift out potential tax audit candidates:

Comparison of tax declarations with industry averages such as turnover/gross margin. Misalignments will be flagged out as a potential compliance risk.

Comparison of current declarations with past or expected declarations. Taxpayers with unexplained or unusual fluctuations or variances are sifted out for further review or audits.

Expenditure items or revenue above or below certain thresholds:

Compliance history of taxpayers. Taxpayers with poor filing records are considered as revenue risks and may be selected for audits.

External information suggests undisclosed income or over-claimed expenditure. This typically involves the matching of information from third parties such as suppliers or customers with the data reported in the taxpayers' returns.

Allegations or tax evasion referrals from public.

2.7.2 A few members also select taxpayers randomly for audits. Random audits convey the message that anyone can be picked for audit and hence, increase public confidence in the equity of the tax system. Results from random audits can also help to conclude the compliance level of the tax population.

2.7.3 A member shared that the returns of its large corporations must be verified and co-signed by registered tax agents. The member's tax assessors would take note of the quality of reporting of these tax agents. Clients of tax agents who are found to be persistently wanting in the quality of reporting of taxpayers' affairs or in responding to the tax authorities queries may be selected for audits.

2.7.4 Another member has certain categories of taxpayers which are mandated by law to be audited, such as taxpayers who exercise merger, acquisition or are under dissolution, taxpayers who file tax return declaring losses. The member considers such cases as posing revenue risks and hence, mandates audits to be performed on such taxpayers. Yet another member carries out mandatory audits on certain tax cases for the purpose of giving tax clearance or processing claims for tax credit/refund.

2.7.5 At the other end of the spectrum, one member specifically excludes certain categories of taxpayers from audit, specifically, new engines of growth and job-creating companies and compliant companies with sales amount below certain threshold. Excluding such taxpayers from audit will allow them to concentrate on conducting their businesses without tax worries.

2.8 Measures to Improve Quality of Case Selection

2.8.1 Most members depend on the auditors to loop back on the findings upon completion of audits or observations made on fields and taxpayer interactions to fine-tune the case selection criteria.

2.8.2 One member has a proper process in place for auditors to report observations of activities of non-compliance during their interactions with taxpayers. These reports are risk-assessed before appropriate compliance actions are taken.

2.8.3 A member, to enhance transparency and earn public trust in their tax system has even publicised their compliance programme. Consultations are sought from the private sectors such as tax practitioners to provide insights into compliance risks.

2.8.4 Another member has a committee for tax audit selection comprising private experts in order to render objectivity and transparency in audit selection, concurrently earning public trust in their tax audit procedure. The committee also selects audit cases by random sampling.

2.8.5 Most members are constantly on the look out for ways including using more advanced tools to aid them to capture and analyse data more efficiently and timely for case selection purposes. One member has expanded its returns by requiring additional information (such as offshore profits from business operating through the internet) in order to do a more detailed risk assessment of taxpayers' affairs. Previously, such information is provided only upon request by its auditors. By expanding the return, the information can be captured into their computer system to facilitate case selection.

2.8.6 Members are also constantly searching for or increasing the usage of information from third parties such as suppliers and buyers as such information can help them to sift out more accurately the non-compliers.

3. Conclusion and Looking Forward

3.1 All members agree that there is no single best approach towards setting or determining the selection criteria for tax audits. The SGATAR meeting has served as a useful platform for members to share their valuable experiences and ideas on the various approaches to identify compliance risks and to build up a robust case selection model.

3.2 With the dynamic business environment and growing sophistication of taxpayers, members recognise the importance of being proactive in identifying compliance risks and gathering information on a more timely basis. Hence, all members will continue to leverage and invest in technology to improve the collection, capturing and analysis of data for compliance purpose.

3.3 Many members have shifted to electronic filing of returns. For these members, they work toward having more of the fields in the returns pre-filled to make returns easier for taxpayers to complete and to ease tax audit. With these measurements, assessments can become more immediate. One member envisages that in future case selection can occur before taxpayers file their tax returns. Taxpayers can even be informed of the likelihood of audit before they push the button for confirming the submission of their returns via e-filing.

3.4 All members also recognise the importance of continuous training and development of audit staff in audit techniques as well as the capabilities to recognise potential compliance risks or red flags more readily.

3.5 As audits are resource intensive to tax administrations and increase the compliance costs for taxpayers, members recognise the importance of striking a balance in carrying out audit activities to maintain compliance level while ensuring that businesses are not unduly affected by such activities and our limited resources are used efficiently. This remains a challenge today for the members although many have since leveraged on educational activities, simplifying tax rules and providing more self-help to taxpayers in the move to promote voluntary compliance. Perhaps this challenge can be discussed at future SGATAR meeting.