



WHAT MAKES TAX COLLECTION SUSTAINABLE?

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Tax administration & compliance

- Essential element of effective tax policy implementation.
- Effective administration entails securing compliance with minimal need for coercion.
- Efficient administration secures compliance while minimising resources/costs.





Cooperative Compliance

- Promulgated by OECD
- Developed alongside move towards responsive regulation
- Benefits accrue to both tax authorities (more efficient use of resources) and taxpayers (reduced uncertainty)
- Primarily with large corporations





Existing research on cooperative compliance

Challenges shown in the existing literature:

- Difficult to change working practices within the tax administrations.
- Cooperative compliance requires that a 'partnership' must be created between the corporations and the tax administrations.
- A challenge because of an 'absence of any common interest'.
- Problem with the inherent ambiguity in the laws and regulations that can be read and interpreted differently.





Our Projects

- Concerned with how things work in practice.
- Interview & observation based studies in various jurisdictions:
- Sweden, Denmark, Norway
- UK, Ireland, the Netherlands





Cooperative compliance in Denmark

A specially designed program to regulate large corporations' taxation practices.

The basic idea of the program:

- Large corporations must share information about their taxation arrangement.
- SKAT must provide knowledge about its view on the presented matters.

Aim: Regulation based on openness and dialogue.
Proactive certainty and predictability about taxation positions.
Less resource demanding reactive audits.

In Denmark the program is called *Tax Governance*.





Tax Governance

- **The pilot:** The Tax Governance program was first started as a pilot project in 2008-2011.
- **The Tax Governance-program:** launched ultimo 2012.
- **Facts:**
 - 17-20 man-years.
 - 30 largest corporations (covers 800 companies).
 - Covers app. 10 pct. of all large corporations/companies in DK.
 - Selected based on a risk assessment.
 - The program includes focus on VAT, transfer pricing, corporate taxes, income taxes and e-capital.
 - Webpage : <http://www.skat.dk/SKAT.aspx?oId=80161&vId=211244>





Why is this important to study?

Tax Governance represents a fundamental shift in regulation philosophy:

- Reactive audits to proactive guidance.
 - Antagonism to collaboration.
 - Major audits to random tests of 'self-monitoring' systems.
 - A distribution of 'regulatory responsibility'.
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- Promoted as a cost-efficient regulation program.
 - Promoted as a future oriented way of working.
 - Especially in relation to the focus on "Tax Control Frameworks".





Interviews SKAT

Number of interviews	Data	Place	Title	Area of expertise
1	19.05.15	KBH	Project owner	Manager
2	09.06.15	Århus	Project manager	Manager
3	18.06.15	KBH	TG manager	Corporate tax
4	22.06.15	KBH	TG manager	Corporate tax
5	25.08.15	KBH	Project owner	Manager
6	05.10.15	KBH	Specialist/project participant	VAT
7	05.10.15	KBH	Specialist/project participant	Transfer pricing
8	19.10.15	Århus	TG manager	Corporate tax
9	19.10.15	Århus	TG manager	Corporate tax
10	20.10.15	Århus	TG manager	Corporate tax
11	20.10.16	Århus	Specialist/project participant	Duties (VAT)
12	21.06.16	Århus	TG manager	Manager



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Interviews external advisors

Interviews	Data	Organisation
1	11.05.16	Interest organisation
2	27.04.16	Interest organisation
3	04.05.16	Interest organisation
4	04.07.16	Interest organisation
5	09.06.16	Tax Lawyer, partner
6	01.07.16	Tax Lawyer, partner
7	09.06.16	Big four accounting firms (PwC, Deloitte, KPMG and EY)
8	12.08.16	Big four accounting firms (PwC, Deloitte, KPMG and EY)
9	27.05.16	Big four accounting firms (PwC, Deloitte, KPMG and EY)
10	29.06.16	Big four accounting firms (PwC, Deloitte, KPMG and EY)
11	22.06.16	Big four accounting firms (PwC, Deloitte, KPMG and EY)
12	12.07.16	Big four accounting firms (PwC, Deloitte, KPMG and EY)





Main argument today

- ❖ The Danish Tax Governance program is a close copy of what has been done elsewhere.
- ❖ The Danish Tax and Customs Administration has a hard time accounting for the program's outcomes.

This has profound implications:

- ✓ For how other tax administrations take up the program.
- ✓ For how cooperative compliance can continue to be a legitimate program for regulating large corporations.





First argument: A close copy

The Tax Governance programme is a close copy of what has been done elsewhere:

- The adoption of the programme has been closely linked to a search for legitimacy for SKAT.
- SKAT has experienced direct and indirect coercive pressures from, respectively, politicians and authoritative organisations such as the OECD and IFA.
- In a situation where new methods were called for SKAT mimetically adopted a form that functioned well in other tax administrations.





Second argument: Outcomes?

SKAT has a hard time accounting for outcomes:

- The tax administration cannot show outcomes in an usual quantifiable way because outcomes are related to new (and better) '*relations*'.
- Not so much about a lack of outcomes, as a lack of possible ways to measure and shows these outcomes.





Profound implications

...for tax practitioners:

- Raises awareness of adopting a standardised program.
- Questions how the program is legitimate.
- Illustrates challenges in implementing 'fad and fashions' programs.

Relating back to the heading of our talk:

- *What Makes Tax Collection Sustainable?*

Our answer is extended knowledge about the mechanisms in regulation.





Thank you

Comments?

Questions?



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