



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

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— Improving Tax Environment

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Transparency of Tax Regulations and Tax Administration



Name: Chris Sanger

Title: EY Global Government Tax Leader

Jurisdiction/Organization: Ernst and Young LLP (UK)



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What do we mean by tax transparency?

6. Exchange of tax data

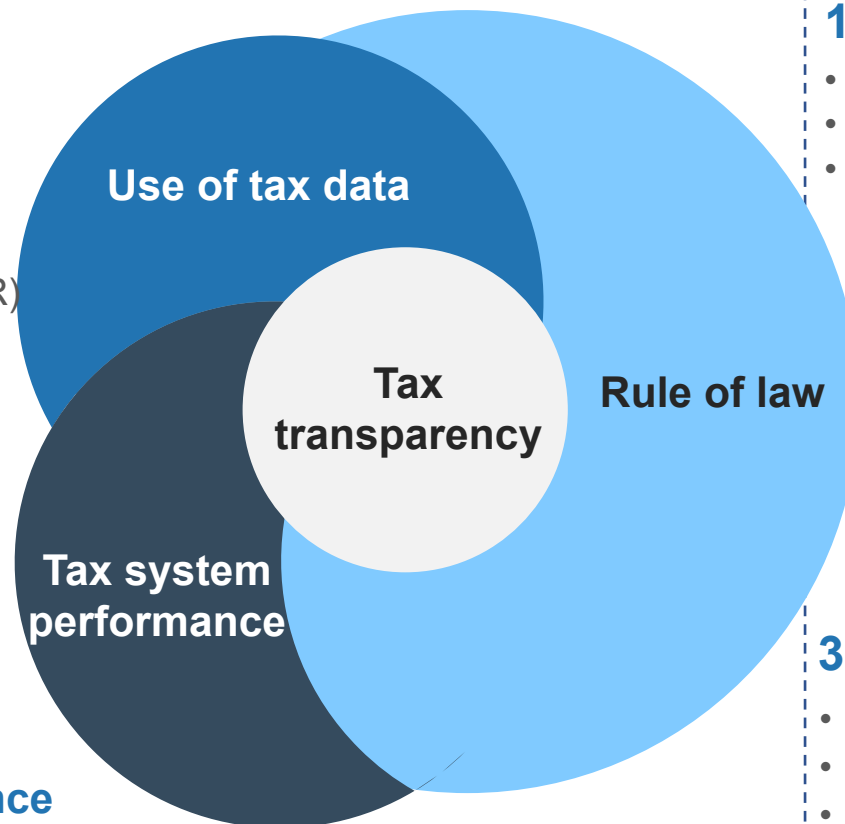
- Exchange of information
 - On request (EIOR)
 - Automatic (AEOI)
- Common Reporting Standard (CRS)
- Country-by-Country Reporting (CbCR)
- Mutual Administrative Assistance

5. Publication of tax data

- Public country-by-country reporting
- Annual tax lists
- Beneficial ownership registers
- Confidentiality safeguards
- Public rulings

4. Tax system performance

- Taxes collected
- Tax administration performance metrics
- Taxpayer access to official information



1. Engagement processes

- Clear principles
- Legislative process
- Business engagement

2. Tax law

- Legislation and court cases
- Aides to interpretation
- Call centres
- Private rulings

3. Tax administration

- Powers of tax agency
- Rulings processes
- Risk assessment
- Audit approach
- Tax ombudsman
- Stakeholder surveys



1. Transparent engagement processes



New Zealand: A clear framework

Tax Principles Reporting Act legislates for a set of “generally accepted” tax principles

- It requires annual report against those principles
- Aims to improve transparency, provide the public and tax officials with information, and increase understanding of the tax system

[Taxation Principles Reporting Bill 253-2 \(2023\)](#),
Government Bill Contents – New Zealand Legislation



UK: A commitment to consultation

Where possible, the Government will:

- Engage interested parties
- Minimise confidential consultations
- Set out its strategy for consultation
- Set out
 - Objectives of the tax law
 - Relevant broader context,
 - Consultation scope
 - Current impact assessment, and
 - Lead department and official

HMT, HMRC (2011): The Government's Tax Consultation Framework: Summary of Responses and Finalised Framework



New forms of consultation

- Use of digital technology during lockdowns
- Drop down boxes in online forms
- Interactive chat functions
- Video conferencing

Example: CogniStreamer platform allows internal and external users to join forces to create, assess and select innovative ideas within strategically selected areas.



2. Transparent tax law

Transparency of tax law involves providing taxpayers with an understanding of the tax law and how it is, and has been, applied.

Taxpayer education



Taxpayer education is...about communication between citizens and tax administrations, including reminding taxpayers of important deadlines, and being transparent and explaining how revenues are used in a way citizens can understand.

Example: Teaching tax to business

The Togolese Revenue Office (OTR) trains taxpayers from small, medium and big enterprises in current tax laws to encourage their respect for tax obligations and reduce their apprehension towards the tax administration.

Lessons learnt: The population understands the tax message better when the language is simplified.

OECD (2021), Building Tax Culture, Compliance and Citizenship

Rulings process

- A clear rulings process increases transparency of tax law
- Public rulings set out the interpretation of the tax authority in respect of a particular tax law, policy and procedure
- Taxpayer-specific rulings can be considered for release if:
 - Anonymized
 - Redacted if necessary

Example: Guide to advance tax rulings process

The South African Revenue Service (SARS) provides a comprehensive guide to taxpayers covering:

- Filing an application for an advance tax ruling (ATR), and
- The ATR system and process.
[Rulings | South African Revenue Service \(sars.gov.za\)](https://www.sars.gov.za/rulings)

Example: Public rulings database

The Inland Revenue Board of Malaysia (LHDN) has a comprehensive online database of public rulings.

[Public Rulings | Lembaga Hasil Dalam Negeri Malaysia](https://www.lhdn.gov.my/public-rulings)



3. Transparent tax administration

A transparent tax administration can enhance trust.

Example: Tax administration reform in India

In the last five years, India has focused on building trust with taxpayers, increasing the levels of transparency around service delivery and embracing technology.

Reforms include:

- “Faceless” assessment and appeals
- A new Taxpayer’s Charter which defines a taxpayers’ rights and obligations under the law, outlining the tax department’s commitment to providing services to taxpayers.

Outcomes:

- Income tax taxpayers have increased from 84.5 million in 2018 to 110 million in 2022
- Robust direct and indirect tax revenues.

EY (2022), Global tax controversy trends and insights

Example: Australia’s tax ombudsman

The Inspector-General of Taxation and Taxation Ombudsman (IGTO) strives to improve the administration of the tax laws for the benefit of the community.

It is independent of the Australian Taxation Office (ATO)

It provides advice and assurance that Australian taxation administration laws are operating effectively and consistently with community expectations.

Outcomes for FY22:

- Disputes investigation services achieves 69% satisfaction
- Recommendations to improve the ATO’s communications of taxpayers’ rights to complain, review and appeal accepted
- Regular stakeholder and community engagement

[FY22 Annual Report for the Inspector-General of Taxation and Taxation Ombudsman is now available - IGTO](#)



Conclusion

Tax transparency has some challenges ...

Engagement

- Increased time taken to implement

Tax Law

- Commercially sensitive transactions being published

Tax Administration

- Risk of focus on measured outcomes rather than underlying factors



... but offers many benefits when done well

- Efficient choices, allowing consideration of trade offs.
- Equality of treatment through equal access to law
- Greater insights into how tax system is operating
- Increased trust in tax authority, leading to
- Increased tax morale, leading to
- Increased tax receipts.



Transparency builds trust in tax systems, enhances tax morale, and increases revenue.

Juan Pablo Guerrero, Global Initiative for Fiscal Transparency (GIFT) Director, 19 October 2022



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THANKS

