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Taxpayer Credit Governance in a Changing World

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Part 01

About Tax Credit Governance

Concept

"Taxpayer Credit Governance" refers broadly to institutional arrangements through which taxpayer compliance behavior is assessed, recognized, classified, incentivized, or utilized for governance purposes.

The concept encompasses a wide range of practices, including taxpayer credit evaluation systems, compliance certification mechanisms, taxpayer recognition programs, and related governance arrangements.





Part 02

Country Experiences

Brazil: Sintonia national tax rating system

Brazil's Sintonia national tax rating system scores most firms via 26 metrics into five tiers A+ to D updated quarterly, granting high-ranked taxpayers fast refunds and tax discounts while imposing strict oversight on low-rated entities with formal compliance rectification access.

It forms a full-cycle tiered governance framework with incentives, restraints and credit repair, linking tax and customs administrations.



Korea: Honorable Taxpayer Program

Through its Honorable Taxpayer Program, annually commends taxpayers with three years of flawless tax records, granting audit exemptions, simplified tax services and financial preferences as one-way compliance incentives.

It illustrates how positive incentives can strengthen compliance culture and reinforce public trust.



Italy: ISA system

The ISA (Indici Sintetici di Affidabilità Fiscale) system scores VAT-registered taxpayers 1–10 on fiscal trustworthiness; higher scores cut audit odds and streamline/expedite refund procedures by waiving the compliance-certification or guarantee requirement".

The quantitative scoring rule achieves targeted differentiated tax administration effectively, guiding taxpayers to maintain good fiscal records.



China: Integrating Tax Credit into Public Governance

Taxpayers are evaluated annually using objective indicators covering tax registration, filing compliance, tax payment performance, invoice management, and cooperation with tax authorities. Evaluation results are classified into categories including A, B, M, C, and D.

Through information-sharing mechanisms, taxpayer credit records may support administrative facilitation, financing services, government procurement participation, and other public service arrangements.





Part 03

Global Trends

Trend 1: From Enforcement Administration to Credit Governance

Historically, tax administration relied heavily on audits, penalties, and enforcement measures.

Today, many governments increasingly recognize that sustainable compliance requires more than deterrence.

Accordingly, taxpayer recognition, reputational incentives, convenient services, and trust-based governance mechanisms are receiving greater policy attention.

The objective is gradually shifting from reacting to non-compliance toward encouraging compliance before violations occur.



Trend 2: From Tax Administration to Broader Governance Applications

In some jurisdictions, most notably China, taxpayer credit information is increasingly being utilized beyond traditional tax administration.

Tax compliance records may become relevant in areas such as financing, government procurement, public service delivery, and regulatory administration.

This development reflects a broader trend toward integrating compliance information into wider governance frameworks.



Trend 3: From Periodic Evaluation to Dynamic Assessment

Traditionally, taxpayer evaluations were conducted periodically, often on an annual basis.

Advances in digital tax administration now make more dynamic assessment possible.

Electronic invoicing systems, online filing platforms, and real-time reporting technologies enable tax authorities to maintain more accurate and up-to-date taxpayer profiles.

As digitalization advances, taxpayer credit evaluation is likely to become increasingly dynamic.



Trend 4: Growing Attention to Remediation and Credit Restoration

The increasing recognition that taxpayer credit systems should encourage improvement rather than impose permanent penalties.

Many jurisdictions have strengthened mechanisms supporting voluntary disclosure, corrective action, and compliance improvement.

China has also introduced taxpayer credit restoration arrangements that allow taxpayers to improve their credit standing after rectifying certain compliance issues.



Trend 5: Growing Interest in Trust-Based Governance

Around the world, governments are increasingly exploring ways to complement traditional enforcement with approaches that emphasize trust, cooperation, transparency, and taxpayer service.

While institutional models vary considerably, many jurisdictions are seeking to strengthen the relationship between tax authorities and taxpayers through mechanisms that recognize good compliance behavior and encourage long-term cooperation.

This development reflects a broader transformation in public governance itself.





Part 04

Conclusion

Conclusion

A modern tax system ultimately depends not only on legal authority, but also on credibility, fairness, transparency, and public confidence.

Different jurisdictions have developed different approaches reflecting their legal traditions, administrative capacities, economic conditions, and governance priorities.

Belt and Road jurisdictions can further strengthen taxpayer trust, improve compliance, enhance governance effectiveness, and contribute to sustainable economic development.





THANKS