2019 Progress Report on Tax Certainty

IMF/OECD Report for the G20 Finance Ministers and Central Bank Governors

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June 2019

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Please cite this publication as:
IMF/OECD (2019), *2019 Progress Report on Tax Certainty*, Paris.
www.oecd.org/tax/tax-policy/g20-report-on-tax-certainty.htm

ACRONYMS

ADR	Alternative Dispute Resolution
AOA	Authorised OECD Approach
APA	Advance Pricing Agreement
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
BIAC	Business Industry Advisory Committee
CbC	Country-by-Country
CEMAC	Central African Economic and Monetary Community
CIAT	Inter-American Center of Tax Administrations
CIT	Corporate Income Tax
CoRA	Comparative Risk Assessment Initiative
CRS	Common Reporting Standard
DRM	Domestic Revenue Mobilisation
DST	Digital Services Tax
EC	European Commission
EI	Extractive Industries
EM	Emerging Market
FARI	Fiscal Analysis of Resource Industries
FTA	Forum on Tax Administration
FTE	Fiscal Transparency Evaluation
G20	Group of Twenty
HTVI	hard-to-value intangibles
ICAP	International Compliance Assurance Programme
IGF	Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development
IMF	International Monetary Fund
IOTA	Intra-European Organisation of Tax Administrations
ISOCA	International Survey on Customs Administration

LIDC	Low Income Developing Country
LVAS	low value-added intra-group services
MAP	Mutual Agreement Procedure
MLI	Multilateral Instrument
MNE	Multinational Enterprise
MNRW	Managing Natural Resource Wealth Thematic Fund
MTRS	Medium-Term Revenue Strategy
OECD	Organisation for Economic Co-operation and Development
PCT	Platform for Collaboration on Tax
RA-FIT	Revenue Administration Fiscal Information Tool
RA-GAP	Revenue Administration Gap Analysis Program
RMTF	Revenue Mobilisation Thematic Fund
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Tool
TEA	Tax Expenditure Assessment
TFDE	Taskforce on the Digital Economy
TIWB	Tax Inspectors Without Borders
TPAF	Tax Policy Diagnostic Framework
TPG	OECD Transfer Pricing Guidelines
TPSM	transactional profit split method
TREAT	Tax Risk Evaluation and Assurance Tool
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax
WBG	World Bank Group
WCO	World Customs Organization

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EXECUTIVE SUMMARY

Tax certainty for taxpayers is an important component of investment decisions and can have significant impacts on economic growth. In 2016, the G20 Leaders called on the International Monetary Fund (the IMF) and the Organisation for Economic Co-operation and Development (OECD) to work on this issue.

Following an initial report in 2017 (the 2017 Report[1]) and an update in 2018 (the 2018 Update[2]), the G20 Leaders re-iterated the importance of this issue, noting their continued support for enhanced tax certainty. The Buenos Aires Action Plan called for "the OECD and the IMF to report to Finance Ministers and Central Bank Governors in 2019 on progress made on tax certainty".

This report provides an update on the work on tax certainty issues and shows clearly that this remains a priority issue for taxpayers and tax administrations alike. Moreover, the work on tax certainty covers a wide variety of issues in both tax policy and tax administration, notably:

- A shifting focus from dispute resolution to dispute prevention: ensuring that disagreements between tax administrations can be resolved quickly to avoid double taxation will always be a core element of tax certainty, but with the advances in tax transparency, cooperative compliance and the implementation of the OECD/G20 BEPS Project, the opportunity for early certainty is far greater. The availability of Country-by-Country reports allows for more targeted audits and the practice of joint audits is becoming more common, allowing for the highest levels of integration and coordination. The International Compliance Assurance Program (ICAP), which has now launched its second pilot, provides for a multilateral approach to early certainty for eligible multinational enterprises.
- The demand and need for improvements to the integrity, efficiency and accountability of tax administrations, particularly in developing countries. The IMF has produced new results from its *Tax Administration Diagnostic Assessment Tool* (TADAT) and the OECD has begun work on the link between tax morale, namely the confidence that taxpayers have in a country's tax system, and tax certainty. Capacity building work by both the IMF and OECD (and others) continued to support tax certainty on many fronts, including new initiatives in relation to combatting corruption in tax administrations given corruption is closely linked to tax certainty.

[1] IMF/OECD (2017), OECD/IMF Report on Tax Certainty, Paris. www.oecd.org/tax/tax-policy/tax-certainty-report-oecd-imf-report-g20-finance-ministers-march-2017.pdf

[2] IMF/OECD (2018), OECD/IMF Report on Tax Certainty - 2018 Update, Paris. www.oecd.org/ctp/tax-policy/tax-certainty-update-oecd-imf-report-g20-finance-ministers-july-2018.pdf

- Work on ensuring that the tax rules are as clear and administrable as they can remains a key component of tax certainty. There is considerable work on-going to make the transfer pricing rules simpler and easier to administer. The OECD continues to work on strengthening the OECD Transfer Pricing Guidelines (TPG) and on the implementation of BEPS Actions 8-10 work streams, including work on hard-to-value intangibles (HTVI), low value-added intra-group services (LVAS) implementation, and in respect of financial transactions and the application of the transactional profit split method (TPSM).
- Several lessons (not all new) have emerged from the capacity building work of both the IMF and OECD to inform the design and delivery of future assistance to enhance tax certainty in developing countries. A key lesson is that success in improving tax systems should be assessed not only by revenue levels achieved, but also by the improvements in the quality of the tax system to minimize economic distortions while ensuring predictability, fairness and simplicity.

The current debates around the international tax agenda, and in particular how to address the tax challenges arising from digitalisation, necessarily have a tax certainty angle, and indeed, tax certainty is increasingly part of the policy agenda for both G20 and OECD countries as well as developing countries. There is good, concrete work going on in a number of areas and the IMF and the OECD will continue to take forward the work on these fronts.

INTRODUCTION

The work on international taxation over the past decade has focussed on enhancing transparency and developing more coordinated rules to ensure that all taxpayers contribute to the financing of vital public services and the policy priorities of their governments, as well as capacity building for developing countries to ensure they can contribute to and benefit from these advances. However, the need to ensure a predictable and stable investment environment and international rules that facilitate global trade remains a fundamental component of the international tax architecture.

In that regard, tax certainty for taxpayers is an important influence on investment and other commercial decisions and can have significant impacts on economic growth. Improving tax certainty also cuts both ways, benefiting both taxpayers and tax administrations. In 2016, the G20 Leaders called on the International Monetary Fund (the IMF) and the Organisation for Economic Co-operation and Development (OECD) to work on the issue of tax certainty. Following an initial report in 2017 (the 2017 Report[3]) and an update in 2018 (the 2018 Update[4]), the G20 Leaders re-iterated the importance of this issue, noting their continued support for enhanced tax certainty. The Buenos Aires Action Plan called for "the OECD and the IMF to report to Finance Ministers and Central Bank Governors in 2019 on progress made on tax certainty".

The 2017 Report highlighted that tax uncertainty creates a risk of discouraging investment and to enhance tax certainty, the report identified a set of concrete and practical approaches and solutions. These range from improving the clarity of legislation, increasing predictability and consistency of tax administration practices, effective dispute prevention, and robust dispute resolution mechanisms. The basis for much of the analysis in the 2017 Report was the 2016 OECD business survey on tax certainty (2016 OECD Survey), which compiled information from more than 700 businesses, combined with a review of the formal analytical literature.

While the 2017 Report focused on G20 and OECD countries, it was noted that the underlying concerns and suggested approaches have potential relevance to developing countries as well. However, it was also recognised that developing countries face different challenges than those in OECD countries, which could also require alternative tools, having regard to their enforcement capabilities and implementation capacity. The 2018 Update elaborated further on tax certainty in developing countries, particularly the specific results for developing countries

[3] IMF/OECD (2017), OECD/IMF Report on Tax Certainty, Paris. www.oecd.org/tax/tax-policy/tax-certainty-report-oecd-imf-report-g20-finance-ministers-march-2017.pdf

[4] IMF/OECD (2018), OECD/IMF Report on Tax Certainty - 2018 Update, Paris. www.oecd.org/ctp/tax-policy/tax-certainty-update-oecd-imf-report-g20-finance-ministers-july-2018.pdf

obtained from the 2016 OECD Survey, as well as from a consultative workshop that was held in Dar-es-Salam, Tanzania in October 2017.

There is an important role that capacity building work can play to inform the standard setting work. Co-operation among the international organisations active in this area, including through the Platform for Collaboration on Tax (PCT), is also vital.

A large part of the certainty agenda revolves around tax administration, which is at the heart of the implementation of tax legislation and consequently a crucial channel for delivering an appropriately certain tax system. Clear, coherent legislation is critical, but does not guarantee tax certainty if it is not accompanied by coherent, fair and efficient implementation. Uncertainty can also give rise to a poor general relationship between business and the tax authority. In this context, greater transparency with respect to the tax affairs of multinationals, coupled with a more cooperative approach to tax compliance has great potential to reduce uncertainty for low risk companies, assist tax administrations to better focus their resources and promote a culture of greater trust.

The OECD/G20 Project on Base Erosion and Profit Shifting (BEPS) has made significant progress in bringing more substance, coherence and transparency to the international tax system, but most of the fundamentals of the international corporate tax system remained unchanged.

Today, strains on the current system for taxing multinational enterprises in the face of the digitalisation of the economy have become more salient than ever, leading to an increased need to continue the focus on certainty in tax matters, with uncoordinated measures jeopardising the considerable co-operation that the BEPS project has achieved. For some countries, addressing the challenges arising from digitalisation seems to be a political imperative, given domestic perceptions of under-taxation and pending some longer-term global solution. These strains in international tax relations may heighten tax uncertainty.

Addressing the tax challenges of digitalisation is the subject of extensive discussions in the OECD/G20 Inclusive Framework on BEPS, which is working to deliver a long-term, consensus-based solution to the G20 by 2020[5]. The IMF has also contributed to the debate with a paper on the broad directions for reform (IMF (2019)[6]. The OECD's TFDE and Inclusive Framework embody a cooperative multilateral approach and IMF (2019) specifically stresses the need to maintain and build on the progress in international co-operation on tax matters that has been achieved in recent years. This strong urging towards international co-operation has already arguably had an immediate impact with a number of countries now actively

[5] www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.pdf

[6] www.imf.org/en/Publications/Policy-Papers/Issues/2019/03/08/Corporate-Taxation-in-the-Global-Economy-46650

engaged and focused on the multilateral process. For example, Australia announced in March 2019 that it had decided to continue to focus its efforts on engaging in the OECD multilateral process and not to proceed with an interim measure, such as a DST.

Tax certainty is increasingly part of the policy agenda for both G20 and OECD countries as well as developing countries. There is good, concrete work going on in a number of areas and the IMF and the OECD will continue to take forward the work on these fronts.

This report provides an update on the tax certainty agenda by building on the 2017 Report and 2018 Update in two dimensions[7]: firstly, it reports on further progress made to enhance tax certainty, including with respect to the work the IMF and OECD have taken forward; and secondly, it describes some new initiatives in relation to combatting corruption in tax administrations, and identifying and building tax morale, particularly given corruption is closely linked to tax certainty, and tax certainty is a component of tax morale.

[7] There have also been some relevant analytical contributions: Davig and Foerster (2018) show how the possibility of 'fiscal cliffs'—pre-announced large changes in tax policy—can depress economic activity ("Uncertainty and fiscal cliffs," Federal reserve Bank of San Francisco Working Paper 2018-12); Keen and Hines (2018) characterise circumstances in which ex ante tax rate uncertainty reduces/increases expected profits, output and input ("Certain effects of uncertain taxes," National Bureau of Economic Research Working Paper 25388).

UPDATE ON STATUS OF COUNTRY-BY-COUNTRY REPORTING IMPLEMENTATION

Improved and better-coordinated transfer pricing documentation will increase the quality of information provided to tax administrations, which aims to boost tax authorities' risk-assessment capabilities and help reduce tax uncertainty for tax administrations. More targeted audits and standardised documentation will also limit the compliance burden on businesses. OECD/G20 BEPS Action 13 on Country-by-Country (CbC) reporting establishes a three-tiered approach to transfer pricing documentation, comprising a master file with an overview of an MNE's business and transfer pricing policies, local files with more detailed information on specific transactions with a particular jurisdiction, and a CbC report containing information on the global spread of an MNE's activities, results, and where it pays tax.

OECD/G20 BEPS Action 13, which is one of the BEPS minimum standards, recommends that CbC reports be required for the fiscal years of multinational enterprises (MNEs) beginning on or after 1 January 2016. But it also recognises that some jurisdictions may need more time to make the necessary adjustments to their law. Fifty-eight of the OECD/G20 Inclusive Framework members required or permitted CbC reports to be filed by MNEs for fiscal years commencing in 2016, and almost 80 Inclusive Framework members have already introduced a CbC reporting filing obligation into law. Around 25 further members currently have draft laws to introduce an obligation in the near future.

In total, over three quarters of Inclusive Framework members have introduced or are in the process of introducing a CbC reporting obligation, including all G20 countries. As a result of this progress, substantially every MNE above the consolidated group revenue threshold of USD750 million is already within the scope of CbC reporting, and the remaining gaps are rapidly being closed.

The exchange of CbC reports is generally facilitated through the automatic exchange of information. There are currently in excess of 2,000 bilateral relationships for the exchange of CbC reports in effect. Further work is needed to support jurisdictions, in particular those with limited capacity, in putting exchange relationships in place and in meeting the conditions for obtaining CbC reports, but already tax administrations have access to unprecedented information on foreign MNEs that pose the greatest potential BEPS risk to their jurisdictions.

It is vitally important that tax administrations use the information in CbC reports effectively in the assessment of transfer pricing and other BEPS-related risks. The OECD Forum on Tax Administration (FTA) has undertaken a number of initiatives to support tax administrations in using CbC reports to provide greater certainty to MNEs, which will benefit all Inclusive Framework members receiving CbC reports from resident entities or from other tax administrations. These include:

- ***CbCR risk assessment workshops:*** Since January 2017, a series of risk assessment workshops have been held to consider how CbC reports can be best used in risk assessments. These include a September 2018 workshop in the People's Republic of China, co-hosted with the State Tax Administration, attended by representatives of 21 tax administrations and 10 MNEs and business groups.
- ***Handbook on the Effective Use of CbC Reports in Tax Risk Assessment:*** This handbook considers how CbC reports may be used within different approaches to tax risk assessment, the key risk indicators that may be detected and what a tax administration should do if a CbC report suggests a tax risk may be present.
- ***Comparative Risk Assessment initiative (CoRA):*** Building on the increasingly common information available to tax administrations for tax risk assessment, CoRA is an initiative to drive greater convergence in the perception of risk by tax administrations, and in the understanding of how key risk indicators can be detected, including through an MNE's CbC report.
- ***Tax Risk Evaluation and Assurance Tool (TREAT):*** TREAT is a tool under development to support tax administrations, in particular those in developing countries, in interpreting an MNE's CbC report to identify where further enquiries may, or may not, be needed. TREAT will incorporate training materials drawing on experience in ICAP and CoRA, to assist tax administrations in the risk assessment of MNEs.

UPDATE ON THE PROGRESS IN THE INTERNATIONAL COMPLIANCE ASSURANCE PROGRAMME

The OECD's International Compliance Assurance Programme (ICAP) is a voluntary programme for a multilateral co-operative risk assessment and assurance process. It is designed to be an efficient, effective and co-ordinated approach to provide MNEs willing to engage actively, openly and in a fully transparent manner with increased tax certainty with respect to some of their activities and transactions. ICAP does not provide an MNE with the same degree of legal certainty as may be achieved through an advance pricing agreement (APA), but the spirit of both are similar. APAs provide an opportunity for both tax administrations and taxpayers to consult and cooperate in a non-adversarial spirit and environment. The opportunity to discuss complex tax issues in a less confrontational atmosphere than may be the case in an audit context can stimulate a free flow of information among all parties involved for the purpose of coming to a legally correct and practicably workable result. Similarly, ICAP gives comfort and assurance where tax administrations participating in an MNE's risk assessment consider a covered risk to be low risk. Where an area is identified as needing further attention, work conducted in ICAP can improve the efficiency of actions taken outside the programme, if needed.

There are six key drivers behind the development of the ICAP risk assessment and assurance process, which are: 1) providing a pathway to improved tax certainty for MNEs 2) more effective dispute resolution 3) well-established MNE compliance frameworks 4) advances in international collaboration 5) better and more standardised information for transfer pricing risk assessment and 6) capitalising on greater opportunities for multilateral engagement to provide improved assurance for tax administrations and taxpayers. Some of these aforementioned drivers concern the imperative for mechanisms to provide greater certainty for MNEs and tax administrations, building on the outcomes of the OECD/G20 BEPS project and the establishment of the OECD/G20 Inclusive Framework on BEPS. Others concern the trend for greater collaboration and co-operation between different tax administrations, and between tax administrations and MNEs, which supported the development of such mechanisms.

As tax administrations and MNEs enter an era of increased transparency, new opportunities arise to use the increased flow of information to support open, co-operative relationships between taxpayers and tax administrations, providing routes towards greater comfort or certainty, and a more effective use of resources. The benefits of ICAP include helping tax administrations reach early decisions about the level of tax risk, if any. It may also improve consistency in the understanding of MNEs with similar transactions in multiple jurisdictions. ICAP will

also facilitate an efficient use of resources and a faster, clearer route to multilateral tax certainty with a process overall to be completed within 24-28 weeks following delivery of the main documentation package.

This is a novel approach to tax administration, and as such there is a need to run pilot projects in order to test different ideas and approaches with a small number of tax administrations and MNEs. The first ICAP pilot was launched in Washington D.C. in January 2018 where a pilot handbook was introduced.[8] It brought together eight tax administrations, from Australia, Canada, Italy, Japan, the Netherlands, Spain, the United Kingdom and the United States, with a number of MNEs headquartered in these jurisdictions. The ICAP process has since been updated to reflect the experience and feedback of these tax administrations and MNEs, gathered as the first pilot progressed. A second ICAP Pilot (ICAP 2.0) was announced in March 2019 at the OECD Forum on Tax Administration Plenary held in Chile and a second ICAP handbook was released[9], which includes an assessment of the learnings from the first ICAP pilot and how this influenced ICAP 2.0. The tax administrations participating in ICAP 2.0 are from the following jurisdictions: Australia, Austria, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Poland, Spain, United Kingdom, United States and others are actively considering joining at a later stage.

[8] ICAP pilot handbook available at: www.oecd.org/tax/forum-on-tax-administration/publications-and-products/international-compliance-assurance-programme-pilot-handbook.pdf.

[9] ICAP 2.0 pilot handbook available at: www.oecd.org/tax/forum-on-tax-administration/publications-and-products/international-compliance-assurance-programme-pilot-handbook-2.0.pdf

ADVANCE PRICING ARRANGEMENTS

Advance Pricing Agreements (APAs) can improve certainty for businesses and tax authorities. An APA between a given taxpayer and tax administration(s) determines, in advance of controlled transactions, an appropriate set of criteria (*e.g*., method, comparables and appropriate adjustments thereto, critical assumptions as to future events) for the determination of the transfer pricing for those transactions over a fixed period of time.

APAs often require considerable time and effort to conclude and—as with cooperative compliance programs—countries with limited capacity need to think carefully before entering into them, particularly if limited resources would be diverted away from other core activities (such as compliance efforts). They can also, for instance, take several years to negotiate, and issues of asymmetric information can pose significant risks to the tax authorities. However, such upfront diligence and costs can result in future time-savings and prevent disputes from arising in the first place. For example, some MAP-intensive jurisdictions deal with the vast majority of their caseloads via APAs while MAP is only required for a fraction of such cases. Therefore, the more that jurisdictions are willing to expend the initial effort to conclude APAs in the first place, the more certainty will be provided to taxpayers and tax administrations later on down the road.

TRANSFER PRICING DEVELOPMENTS

The interpretation and application of transfer pricing rules can be a significant source of uncertainty in tax matters, as well as be at the origin of international tax disputes. Using APAs is one approach to reduce uncertainty in this area, but there is also considerable work on-going to make the transfer pricing rules themselves simpler and easier to administer. The OECD continues to work on strengthening the OECD Transfer Pricing Guidelines (TPG) and on the implementation of BEPS Actions 8-10 work streams, including work on hard-to-value intangibles (HTVI), low value-added intra-group services (LVAS) implementation, and in respect of financial transactions and the application of the transactional profit split method (TPSM). The OECD is also studying variations in the application of the authorised OECD approach (AOA) to attribution of profits to a permanent establishment or non-AOAs to provide clarity/certainty on country approaches.

In June 2018, the G20/OECD Inclusive Framework issued guidance on the application of the approach to HTVI and the TPSM, which have been formally incorporated to the TPG. The revised guidance on the TPSM clarifies and significantly expands the guidance on when the TPSM may be the most appropriate method. In addition, the guidance elaborates on how the TPSM should be applied. Numerous examples have also been included to illustrate the implementation of the new guidance.

The HTVI guidance for tax administrations is aimed at reaching a common understanding and practice among tax administrations on how to make adjustments resulting from the application of the approach to HTVI. The guidance includes a number of examples to clarify the application of the HTVI approach in different scenarios and addresses the interaction between the HTVI approach and the access to the mutual agreement procedure under the applicable tax treaty. Further, the OECD/G20 Inclusive Framework has put in place a monitoring process of the implementation of the HTVI approach by jurisdictions, which will also feed into a future revision of the guidance in 2020.

The OECD/G20 Inclusive Framework is also currently developing guidance on the transfer pricing aspects of financial transactions. The project, which started in 2016, produced a discussion draft that was released for public consultation in July 2018. That discussion draft, which did not represent a consensus position of the Inclusive Framework or its subsidiary bodies at that time, clarified the application of the principles included in the TPG, in particular, the accurate delineation analysis under Chapter I to financial transactions. The work also addressed specific issues related to the pricing of financial transactions such as treasury function, intra-group loans, cash pooling, hedging, guarantees and captive insurance. Significant progress has been made on this project, completion of which is expected by end-2019.

The OECD is also engaged in monitoring the application of the TPG and the recommendations resulting from the BEPS Actions 8-10 and 13. Accordingly, the OECD has gathered and published Transfer Pricing Country Profiles[10] containing information on the key features of countries' transfer pricing systems. Further analysis of the information collected from tax administrations in more than 50 OECD/G20 Inclusive Framework members has been conducted with a view to assessing the effectiveness of the measures adopted as well as the impact on both compliance by taxpayers and proper administration by tax authorities.

On 10-12 October 2018, a workshop on the use of safe harbours in transfer pricing was organised jointly by the OECD and the Ministry of Finance of Slovakia in Velky Meder, Slovak Republic. This event presented the opportunity for transfer pricing policy experts responsible for design and implementation of transfer pricing rules as well as transfer pricing methodology to explore and discuss the benefits and concerns related to the use of safe harbours in transfer pricing. It also allowed them to exchange views on the necessary steps to take and the practical aspects of designing a transfer pricing safe harbour regime. A number of jurisdictions expressed interest in further practical guidance on safe harbours to better inform their decision to adopt safe harbours and guide them in their development.

Other events were organised and delivered by the OECD on Transfer Pricing Documentation and Risk Assessment:

- Transfer Pricing Documentation and Country-by-Country Reporting (China, 26-30 March 2018).
- Implementing documentation and reporting obligations and performing risk assessment analyses (Ankara, 11-14 September 2018).
- Transfer Pricing Documentation and Country-by-Country Reporting (Malaysia, 11-15 March 2019).

Finally, the OECD is also conducting a survey on how the transfer pricing rules can be made simpler, with a view to identifying and formulating specific best practices of simplification measures. The OECD will also engage with the business community on their experience with existing transfer pricing simplification measures and to gather ideas on potential measures that could be further explored, including in respect of transfer pricing documentation that gives rise to uncertainty.

[10] www.oecd.org/ctp/transfer-pricing/transfer-pricing-country-profiles.htm

Box 1. Tax Inspectors Without Borders

Tax Inspectors Without Borders (TIWB), a joint-OECD/United Nations Development Programme (UNDP) initiative, which was launched in Addis Ababa in July 2015, has further strengthened and expanded its reach across the globe in the past year. With 54 programmes currently underway or completed and over 26 upcoming programmes, TIWB audit assistance continues to provide tax administrations in developing countries with much needed assistance in building capacity to implement BEPS solutions and generate more revenues, in many cases with respect to transfer-pricing audits.

To date, cumulative increases in revenue collected since 2012 amount to approximately USD 470 million. On average, for every USD 1 spent on TIWB activities between 2013 and 2018, there was a more than USD 100 increase in tax revenues collected by Host Administrations (see Box Figure 1 on regional reported revenue increases). Beyond the increase in tax revenues collected, TIWB programmes have been a major confidence builder for tax administrations, and a deterrent against tax avoidance strategies by MNEs, helping to create behavioural changes and a culture of voluntary compliance as well as an environment where businesses know what to expect from tax administrations.

Box Figure 1. Regional Reported Revenue Increases from TIWB Assistance

The TIWB initiative has continued to evolve to meet the needs of developing countries. One of those needs has been for greater input from industry experts, e.g. from the diamond, floriculture, oil and gas, forestry and mining sectors. The enhanced sectoral focus of TIWB on the mining sector will be bolstered by the OECD's strengthening partnership with the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF). IGF will provide industry experts, raise demand for TIWB programmes among its 71 members and promote inter-agency co-operation in the host countries undertaking TIWB programmes in the mining sector. The TIWB initiative also places an increasing emphasis on enhancing South-South co-operation to help ensure developing country perspectives remain at the forefront in the audit assistance provided.

TIWB is currently looking into further areas where its model can apply. For instance, five pilot programmes on tax crime are due to begin in 2019. Other areas being explored include the use of TIWB for joint audits and support for Common Reporting Standard (CRS) data interpretation.

Direct assistance to developing countries on transfer pricing

The OECD has been actively building capacity through demand-led bilateral programmes in 2018, to support the application of the BEPS actions and international transfer pricing norms and standards through tailored country-level assistance. In many cases, this support was provided in partnership with ATAF, the EC and the WBG.

These programmes, while typically focussed on transfer pricing (regularly a top international tax priority for developing countries) also address other BEPS-related issues, so that a holistic approach is taken to building capacity and improving tax collection in the international area. These programmes continue to evolve to meet the needs of developing countries. For example, in 2018 greater use was made of industry experts, as an understanding of the industry concerned and its value chain is an important element in complex transfer pricing cases. These initiatives have, in some cases, also built a more collaborative and productive relationship between tax administrations and businesses that have shown a willingness to comply.

Some of the major impact indicators for these bilateral programmes include; 90% of the recipient countries are in the process of, or have enacted, legislative changes to address BEPS risks, particularly in the areas of transfer pricing and limiting excessive interest deductibility. These laws are helping governments to better protect their tax bases in ways which accord with international tax norms. Countries are also increasingly issuing guidance for taxpayers and tax administrations on the implementation of the new rules, increasing tax certainty.

Box 2. Country Examples

In 2018, Zambia published new Transfer Pricing Regulations and a Transfer Pricing Practice Note to supplement its existing legislation and regulation. The new regulations provide rules on a wide range of transfer pricing issues, as well as documentation requirements for taxpayers. The Practice Note sets out the Commissioner-General's interpretation of Zambia's transfer pricing rules. Together these provide Zambian taxpayers with much greater clarity on how to comply with Zambia's transfer pricing rules.

Over the last year in Nigeria, businesses reported a remarkable improvement in the skills of auditors of the Federal Inland Revenue Service and that, as a result, audits are now being conducted in a much more efficient and collaborative manner.

The knowledge and experience from these programmes is having a major impact on the standard-setting work of the OECD/G20 Inclusive Framework, increasing developing countries' confidence that international standards are indeed fit for purpose given the specific challenges they face and encouraging greater participation by such countries in the further development of those standards.

The effectiveness of these programmes has led to increased demand from other countries for similar assistance. Since 2012, over 30 developing countries have received OECD support on transfer pricing and other BEPS related issues.

The IMF, in its technical assistance, also frequently supports developing countries in strengthening their tax law framework to improve the implementation of transfer pricing rules, commonly in the context of broader based tax reforms (discussed further in the section dealing with improving tax law systems and their implementation by tax administrations).

TAX CERTAINTY THROUGH JOINT AUDIT

The report *Joint Audit 2019 – Enhancing Tax Co-operation and Improving Tax Certainty*[11] was published in March 2019 at the Forum on Tax Administration (FTA) Plenary in Chile. This report focuses on the most advanced form of audit-related tax co-operation with the highest levels of integration and coordination. It identifies both the benefits that can arise from the greater use of joint audits as well as the challenges that need to be overcome to ensure that those benefits can be realised as effectively and efficiently as possible for both tax administrations and taxpayers.

A number of key benefits of joint audits have been identified. More specifically, a joint approach to fact finding involving the participating tax administrations and the taxpayer helps to:

- avoid misunderstandings, different versions of reality and ensuring that there is one conversation, rather than several conversations with potentially different outcomes.
- achieve a holistic overview of taxpayers' business structures as well as cross-border transactions due to a better quality of information that is exchanged during a Joint Audit procedure that allows more targeted examinations in the future.
- ensure more efficient and faster processes compared to separate audits followed by MAP.
- reduce burdens for taxpayers and tax administrations compared to separate audits, especially where they subsequently result in a MAP case.
- prevent the need to undo decisions that have already been taken.

Furthermore, joint audits offer the ability to leverage the auditing experience and expertise of other tax administrations that can also support the improvement of each tax administrations' own case selection and auditing methods. They also provide a better understanding of the differences in legislation that can subsequently support better risk assessment and a better allocation of resources. Moreover, joint audits enhance the compliance of MNEs when early tax certainty can be achieved and a higher tax risk posture becomes increasingly unattractive.

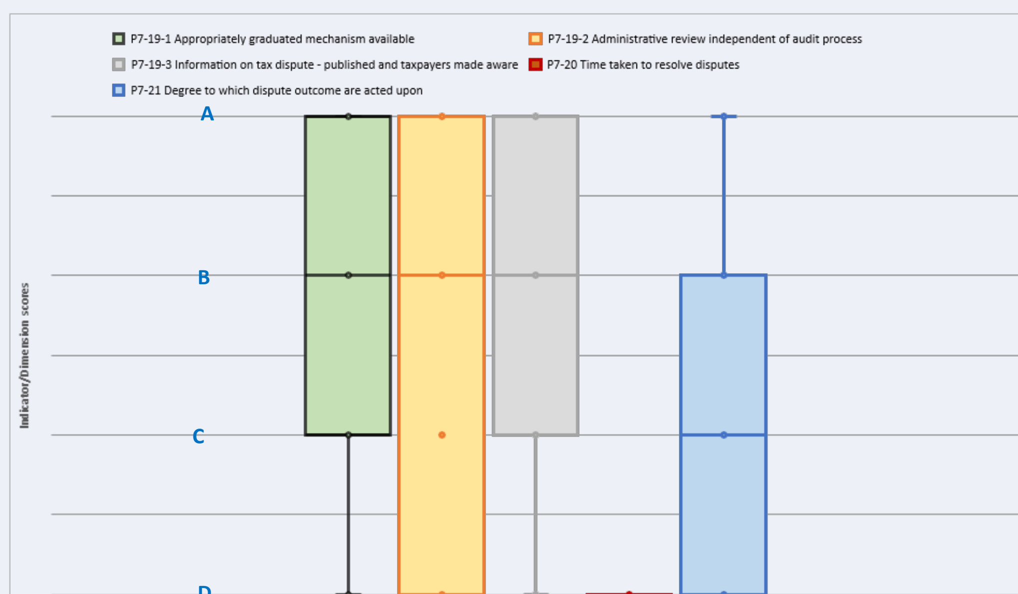
The report identified a number of best practices to support international co-operation and in particular the conduct of Joint Audits. In this context the participants of the Joint Audit Project 2018/2019 developed a Joint Audit Implementation Package that includes relevant templates and model agreements that can facilitate and streamline any practical aspects of the conduct of a Joint Audit. This will be kept up to date on a regular basis.

[11] OECD (2019), *Joint Audit 2019 – Enhancing Tax Co-operation and Improving Tax Certainty: Forum on Tax Administration*, OECD Publishing, Paris, https://doi.org/10.1787/17bfa30d-en

DIAGNOSTIC FINDINGS FROM TADAT

As described in the 2018 Update, the Tax Administration Diagnostic Assessment Tool (TADAT) can be used to evaluate the tax dispute resolution process of countries. With assessments now available for an additional thirteen countries (Box 3), the broad conclusions remain as before (see Box 7 of the 2018 Update). The design of the systems is good overall. Generally, a three-tiered approach is adopted: (i) administrative management of disputes; (ii) appeal to a quasi-judicial body or committee at the second level; and (iii) appeal to a judicial level for interpretation of the law, and increasingly, considering facts of the dispute as well. However, systems seem to falter during implementation—evidence available suggests that it takes too long to address disputed cases even though the processes may be in place. Additionally, monitoring of case-status appears to be generally poor. Causes of delay may be a combination of issues that may include: caution exercised by tax officials who may perceive that quick resolution may result in errors and taxes given away; cases may be complex and take longer than anticipated; inadequate numbers or skill levels of tax administration staff; or the inadequacy of the facilities (and related infrastructure) necessary to dispense justice.

Box 3. TADAT – Updated Dispute Resolution Scores, for 65 countries



The figure reflects a four-point 'ABCD' rating scale where 'A' represents adherence to good international tax administration practice and 'D' suggests that the fundamentals are either not in place or the evidence required is unavailable or unreliable.

The figure summarises performance in three TADAT dimensions:

- P7-19: Existence of an independent, workable, and graduated resolution process. For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review.
- P7-20: Time taken to resolve disputes. This indicator assesses how responsive the tax administration is in completing administrative reviews.
- P7-21: Degree to which dispute outcomes are acted upon. This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure.

See Box 7 of the 2018 Update for more detail.

Preliminary results from a May 2019 TADAT Impact Evaluation Survey[12] across the range of tax administration stakeholders provide useful insights into tax administrations' reform effort, bearing directly on assuring improved tax certainty:

[12] A full survey report will be published by end 2019.

- *Entities observed using the TADAT framework to implement reforms*. The TADAT framework (and related principles) is being used in various settings—predominantly in tax administrations, but also in customs administrations, subnational tax administrations and some government departments that are not of a tax/revenue administration nature.
- *Key reform areas countries are focusing on*. The reform of processes and procedures appears to be the predominant thrust, particularly for taxpayer registration, risk management, filing for declarations and payment of taxes, and in efficient revenue management/accounting. Legal and regulatory reform focus appears to be more in the dispute resolution area and not unsurprisingly, customer outreach and support under voluntary compliance initiatives.
- *Areas in which reform initiatives are still a challenge*. Challenges are experienced where the 'leadership' does not seem to be committed or does not prioritise, and therefore allocate resources, to the areas being focused upon. Other slow progress areas include: (i) entrenched policy, such as tax amnesties; (ii) management of the taxpayer register; (iii) risk management/analysing available data; and (iv) following up the timely payment of taxes and related collection enforcement.
- *Improvements in the exchange of information within and outside of the tax administration*. Most respondents (83 percent) indicate that the concepts of TADAT have helped improve the exchange of knowledge and experiences within the tax administrations (intra-organisational). This response confirms that the TADAT framework provides a holistic view on the functions of a tax administration. However, only 35 percent of the respondents indicated that the concepts espoused by the framework have been used to strengthen networks or interactions with other tax administrations. For those who have interacted with other tax administrations, the common channels used have been WhatsApp groups, email, LinkedIn, and face-to-face in workshops—in that order. Facebook and Twitter platforms were also mentioned.

COMBATTING CORRUPTION IN TAX ADMINISTRATIONS

Corruption—the abuse of public office for private gain—weakens key functions of the public sector, including the ability to collect and enforce taxes or to make expenditure choices in a fair, efficient and certain way. The widespread acknowledgment that tackling corruption is critical for macroeconomic performance and economic development has also led to its inclusion in the United Nations Sustainable Development Goals; it has also prompted several initiatives, including the Framework for Enhanced IMF Engagement in Governance (IMF 2018)[13] and the OECD's work through its Forum on Tax Administration (FTA) to examine tax administration governance arrangements in place in FTA countries (Box 4).

To reduce opportunities for corruption, institutions need to be upgraded continuously, to keep pace with new challenges as technologies and opportunities for wrongdoing evolve. It is necessary to ensure integrity of processes, especially in higher-risk areas (for example, procurement, tax administration, public enterprises), and to promote effective internal controls. The chances of success are higher when countries improve several, mutually supporting institutions. For example, reforms to tax administration will have greater payoff if tax laws are simplified with more certain application and the scope for discretion by tax officials is reduced. Other features that can promote better governance include institutional efforts to promote integrity. Appendix A describes the key features of good governance in revenue administration to reduce vulnerability to corruption and promote integrity, thereby contributing to—indeed providing a prerequisite for—tax certainty.

The April 2019 Fiscal Monitor[14] of the IMF focused on corruption, emphasising tax aspects. One finding, for example, is that both advanced and low-income countries in the top quartile in terms of control of corruption raise 4 percent of GDP more in tax revenue than do those in the lowest. There are thus strong signs that measures which reduce vulnerabilities to corruption in tax policy and tax administration can make a real contribution to revenue mobilisation. Indeed, corruption can harm revenue collection at both the legislative and collection stages. For example, the introduction of tax exemptions or other tax loopholes in exchange for bribes reduces revenue potential. Furthermore, a complex and opaque tax system enables corruption by requiring more discretion in its administration. The distortion of tax

[13] https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/04/20/pp030918-review-of-1997-guidance-note-on-governance

[14] *Fiscal Monitor: Curbing Corruption* (www.imf.org/en/Publications/FM/Issues/2019/03/18/fiscal-monitor-april-2019)

laws and the corruption of tax officials, by reducing trust in the state, weaken the culture of tax compliance.

The IMF has built up comprehensive diagnostics on the quality of fiscal institutions, supplying a wealth of information on many aspects of fiscal governance, including public financial management and revenue administration. These tools have been part of the IMF's capacity-building work across its membership. They help strengthen core institutional processes, promote integrity and certainty in public administration, and promote fiscal transparency. This work has been undertaken in co-operation with other international institutions (for example, the World Bank) and donors.

Fiscal Transparency Evaluations (FTEs) assess fiscal transparency practices against the principles outlined in the Fiscal Transparency Code with a focus on four pillars: (1) fiscal reporting; (2) fiscal forecasting and budgeting; (3) fiscal risk analysis and management; and (4) resource revenue management for specific needs of resource-rich countries. As of February 2019, 25 FTEs were publicly available.

Tax Expenditure Assessment (TEA) helps to improve transparency. Governments should devote the same attention to controlling financial support to the economy through the tax system, as they devote to outlay expenditures. Tax expenditures are alternative policy means, and they do not appear on the expenditure side of the budget. Therefore, the cost of tax expenditures should be identified, measured and reported regularly, and in a way that enables comparison with outlay expenditures. The TEA Program is designed to provide step-by-step capacity development for countries to the production of tax expenditure reports, complementing the PCT report on designing and implementing tax incentives for investment in low income countries in ways that are efficient and effective that was published in 2015.[15]

Another diagnostic tool related to resource revenue management is the Fiscal Analysis of Resource Industries framework, which assists countries in designing fiscal regimes for natural resources.

A similar suite of tools is available to assess the performance of tax and customs administrations. The *Tax Administration Diagnostic Tool* (TADAT) is designed to provide an objective assessment of the health of key components of a country's system of tax administration. TADAT assessments identify relative strengths and weaknesses, which helps in setting and prioritising reform agendas and facilitating external support for reforms. Other IMF diagnostic tools for revenue administration include the *Revenue Administration Fiscal Information Tool* (RA-FIT/ISORA), which compiles a set of performance indicators for more than 150 tax administrations, thanks to a joint IMF-OECD-CIAT-IOTA partnership; a similar tool (International

15 http://documents.worldbank.org/curated/en/794641468000901692/Options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment-a-report-to-the-G-20-development-working-group-by-the-IMF-OECD-UN-and-World-Bank

Survey on Customs Administration, ISOCA, will soon be launched in partnership with the WCO). The *Revenue Administration–Gap Analysis Program* helps countries estimate the size of tax gaps for major taxes; it provides a better understanding of factors affecting the size of, and changes in, those gaps—in particular, those stemming from taxpayer noncompliance.

Box 4. Examination of tax administration governance arrangements though the Forum on Tax Administration (FTA)

The OECD has been working through its Forum on Tax Administration (FTA) to examine tax administration governance arrangements in place in FTA countries. The results were provided to the Commission of Inquiry Into Tax Administration and Governance by the South African Revenue Service, and highlighted a number of elements that are often found in FTA members' tax administrations, including:

- the need for government oversight of the budgetary approval and review process,
- the publication of an annual report audited by an independent national audit function,
- the existence of an internal accountability and control framework with automatic checks to prevent internal fraud, and
- independent risk assessment of the accountability and control framework, including both performance and financial reporting, systems of risk oversight and management, and systems of internal control.

These measures contribute to ensuring a transparent and accountable environment that can guard against corruption in tax administrations and reinforce taxpayers' confidence in the tax administration generally.

Tax certainty also calls for a tax law framework with modernised features reflecting international good practice to better ensure the effective and efficient operation of the tax administration. The IMF has a well-developed program of providing technical assistance (TA) and training to IMF member countries, which contributes to tax certainty. This includes drafting new laws or amendments to existing laws containing safeguards to strengthen the governance of tax administrations, anti-corruption efforts and taxpayer protection (see Box 5).

Following the approval of a Framework for Enhanced Fund Engagement in Governance, the IMF has stepped up its involvement in governance issues, providing more candid, evenhanded, and actionable advice to its members in the context of surveillance and programs, with supporting capacity development in various areas of governance.

Box 5. Case Study Sri Lanka

A new Inland Revenue Act (IRA) was adopted effective April 1, 2018 with modernised features reflecting international good practice to better ensure the effective and efficient operation of the tax administration. The existing IRA was simplified and modernised and became a flagship reform under Sri Lanka's IMF supported program, with integrated tax policy and law design and drafting TA.

Importantly, the new IRA contained safeguards to strengthen governance, anti-corruption efforts and taxpayer protection. For example, the IRA removed most existing discretionary tax incentives and replaced them with a limited number of tax incentives with well-defined eligibility criteria and conditions, and introduced new offences and penalties to assist with anti-corruption efforts. Ongoing IMF TA is being provided to assist with the implementation of the IRA. All these efforts, together with enhancements under the 2019 budget, have made the administration of income taxes more predictable and transparent and better enabled Sri Lanka to effectively manage large-scale capital projects by avoiding ad hoc and discretionary tax exemptions. The revenue administration IT system is also being upgraded for compatibility with the IRA, with electronic filing and processing under this system designed to help reduce discretion and leakage.

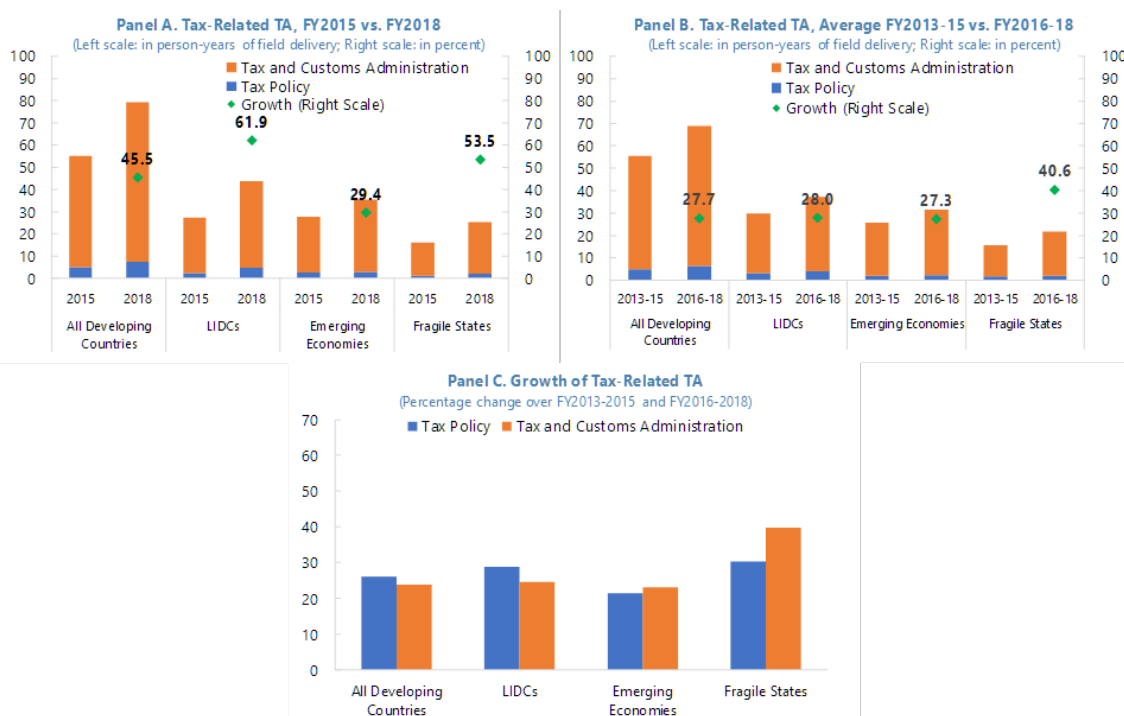
IMPROVING TAX LAW SYSTEMS AND THEIR IMPLEMENTATION BY TAX ADMINISTRATIONS

Building capacity and providing training in key tax system components—tax policy, revenue administration, and legal design and drafting of tax legislation—including in the taxation of natural resources, is central to the tax certainty agenda. The focus continues to be on developing a fair, stable and predictable tax system, based on each country's context and capacity and a coherent medium-term strategy.

The IMF committed to expanding its support for nationally-owned efforts to strengthen domestic tax systems and to broaden the use of a range of recently-developed diagnostic and analytical tools to improve the quality of those systems. IMF support for national efforts to strengthen tax systems in order to boost domestic revenue mobilisation (DRM) has increased sharply in recent years, facilitated by substantial donor support:

- The volume of assistance provided to developing countries, measured in "person years," in FY2018 was 46 percent higher than in FY2015; average levels of support during FY2016–18 were almost 28 percent higher than in FY2013–15 (Figure 1).
- Between FY2013–15 and FY2016–18, the volume of assistance increased by 28 percent for LIDCs, 27 percent for EMs, and 41 percent for fragile states.
- Patterns of support differ across country groupings, with large increases in TA for building tax/customs administrations across the board, as well with respect to the design and drafting of tax and fiscal legislation.

Figure 1. Tax-Related TA in Developing Countries



Note: The IMF's fiscal year is May 1 through April 30.
Source: IMF staff estimates, based on data available from the Travel Information Management System (TIMS).

IMF support has made use of various diagnostic and analytical tools (Box 6). TADAT is a publicly available instrument, with separate donor financing and a Secretariat housed within the IMF; 78 assessments (including subnationals) have been conducted since the official TADAT roll-out in November 2015. Analyses of VAT gaps, using the Gap Analysis tool, have been conducted in 36 countries and the methodology has now been expanded to cover the corporate income tax. The Fiscal Analysis of Resource Industries (FARI) tool has been applied in about 50 countries, while capacity building support on how to use FARI to strengthen fiscal regime analysis and revenue forecasting has been provided in 23 countries. As part of a joint initiative with the World Bank, the two institutions agreed to work towards developing a tax policy diagnostic framework (TPAF) that could assist countries and TA providers in systematically analysing existing tax policies in accordance with good practices. Initial online modules are in varying stages of development, with one, the VAT module, now available.[16]

[16] www.imf.org/external/np/fad/tpaf/pages/vat.htm

Technical support is being provided to 10 countries in various regions on developing medium-term revenue strategies (MTRS).[17] The MTRS approach was developed for the G20 by the PCT and provides a comprehensive approach to boosting tax revenues over the medium term, aligning tax policy, revenue administration and legal reforms around a coherent plan embraced by all of government, as well as other stakeholders. A key requirement is high-level political support over an extended period, with revenue goals being aligned with spending/development needs. The MTRS also serves as a vehicle to align the efforts of multiple capacity building partners active in the reforming country. Papua New Guinea and Uganda are examples of countries that are developing or have adopted a MTRS. Since the 2018 Update, Indonesia published a MTRS that aims to raise tax revenue by 5 percentage points of GDP in five years, with a detailed tax system reform proposal, supported by a plan to achieve coherent, fair and efficient implementation.

Box 6. Strengthening Tax Capacity

The IMF, working with development partners, has developed various assessment and other tools to continue to help countries seeking to strengthen their tax systems. These include:

- *Tax Administration Diagnostic Assessment Tool (TADAT)* to assess key functions, processes and institutions of tax administration systems.
- *Revenue Administration Gap Analysis Program (RA-GAP)* to assess gaps in value-added tax (VAT) and corporate income tax (CIT).
- *Revenue Administration Fiscal Information Tool (RA-FIT/ISORA),* a survey-based dataset on revenue administration practices, soon to include customs data (ISOCA).
- *Fiscal Analysis of Resource Industries (FARI)* to provide a framework for extractive sector fiscal regime policy advice. FARI, developed in 2007, continues to be used in TA as a fiscal analysis tool to provide policy advice.

These tools help inform diagnostics for the formulation of tax system reforms, notably in formulating a MTRS.

Countries that have received extensive IMF support in building tax systems include a mix of EMs and LIDCs (the latter including many fragile states). The Revenue Mobilisation Thematic Fund (RMTF), financed by bilateral donors, is supporting a second phase of technical assistance to developing countries on revenue issues. In this work-stream, emphasis has been placed on providing intensive support to

[17] The MTRS concept was introduced in a report to the G20 on "Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries," prepared by the Platform for Collaboration on Tax (IMF, OECD, UN and WBG) for the July 2016 G20 Finance Ministers meeting (www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Enhancing-the-Effectiveness-of-External-Support-in-Building-Tax-Capacity-in-Developing-PP5059). An update on experience with the development of MTRSs is provided in the PCT's progress report to the G20 of June 2019.

selected countries, with assistance phased over time. This assistance is in several cases providing the basis for developing MTRSs. The Managing Natural Resource Wealth Thematic Fund (MNRW) supports capacity building in resource-rich low and lower-middle income countries. The key emphasis is on the design, implementation and administration of the tax and non-tax fiscal regime for extractive industries and in an integrated manner also supporting macro-fiscal revenue management and statistics. Box 7 includes brief descriptions of three case studies that illustrate the breadth of work being done to produce tangible improvements in various aspects of national revenue systems, with implementation support to enhance tax certainty.

Box 7. Examples of Revenue Capacity Building to Enhance Tax Certainty

Tax administration reform in Mongolia. A three-year project began in 2017 under the RMTF to help the authorities increase taxpayer compliance. Through December 2018, nominal tax yields increased by 22 percent—in part due to increases in commodity prices, but also reflecting administrative reforms. The VAT compliance gap was reduced by a quarter, helped by the introduction of mandatory electronic receipts and compliance enforcement strategies. The tax coverage ratio (taxpayers who paid as a share of those expected to pay) increased modestly for the major taxes, while audit assessments increased by 300 percent.

Sierra Leone's Extractive Industries Revenue Act. In 2012, Sierra Leone set out to establish a standard framework for the taxation of extractive industries (EI), having long experienced revenue losses from discretionary and project-specific changes to its fiscal regimes for mining and petroleum. Reforms were delayed by the Ebola outbreak of 2013–2015 and the collapse of commodity prices in 2014–2015, but, with technical support financed through the MNRW, a new fiscal regime responding automatically to changes in project profitability was developed. The authorities, with IMF support, used the FARI modeling system to build capacity and to analyse and simulate mining and petroleum revenues. In July 2018 Parliament passed the Extractive Industries Revenue Act, which provides predictability, eliminates discretion, and promotes investment while protecting tax revenues.

Central African Economic and Monetary Community (CEMAC) changes in regional tax policy and legislation. The marked decline in commodity prices from mid-2014 underscored the need for CEMAC countries to build tax systems less dependent on resource revenues. The regional tax policy framework—mainly a set of directives governing the design of major national taxes (such as VAT and income taxation)—was outdated and ill-suited to helping member countries boost tax revenues. In 2016, a five-year reform prepared, with technical assistance to implement being supported by the RMTF. As of February 2019, the regional double taxation treaty has been updated to include the minimum standards under the BEPS project and to limit tax avoidance through 'treaty shopping'; excise taxation has been reformed; and a revised VAT directive is under preparation.

In both advanced and developing countries, the design issues relating to taxation and stability of legislative frameworks to enhance tax certainty are also dealt with in IMF surveillance. For example, the expansion of coverage of international corporate taxation issues in IMF surveillance continues to also be implemented with

both developed and developing countries. Discussions with 24 countries had been completed as of early-FY19, with additional cases to be taken up during the remainder of FY2019 and in FY2020. Conclusions from these discussions have fed into the IMF's wider analysis of international tax issues and informed its policy advice to individual countries, including in IMF (2019). Further, IMF TA and staff publications continue to focus on adopting a rules-based approach to designing and developing legislative frameworks to enhance implementation certainty, with a recent focus on the design and drafting of interest and tax penalty regimes (Box 8), being an example of an area where there is a clear need to ensure fairness and certainty for taxpayers by ensuring that administration of income taxes becomes more predictable and transparent.

Box 8. IMF technical assistance on designing interest and tax penalty regimes

When designing and drafting interest and tax penalty regimes, there is a clear need to ensure fairness and certainty for taxpayers. In January 2019, the IMF issued a new Tax Law IMF Technical Note[18] on the design and drafting of interest and tax penalty rules and guidance in relation to their application, which is also applied when delivering IMF TA. Nearly all tax systems have some form of interest and tax penalty regimes. Interest payable on any late or underpayment of tax seeks to protect the present value of the tax amount to the government budget, whereas penalties are intended to deter taxpayers from defaulting on their tax obligations—and to punish them if they do—to achieve horizontal equity vis-à-vis compliant taxpayers. The recent Tax Law IMF Technical Note focuses on the key issues that should be taken into consideration in designing interest and penalty regimes in tax legislations in order to preserve fairness and enhance tax certainty, with sample legislative provisions in order to promote consistency, international comparability, and therefore enhance tax certainty.

As TA on improving tax law systems and their implementation by tax administrations has substantially increased, several lessons (not all new) are informing work on the design and delivery of future assistance to enhance tax certainty:

- Success in building tax systems should be assessed not only by the revenue levels achieved, but also by the improvements in the quality of tax system—minimising economic distortions, while ensuring predictability, fairness, and simplicity.
- Tax policies, tax administration, and the legal framework within which they operate are closely intertwined; a reform strategy needs to address these in an integrated fashion. For example, a modern and robust tax law framework that conforms to international good practices will: (i) support greater

[18] https://www.imf.org/en/Publications/Tax-Law-Technical-Note/Issues/2019/04/04/Designing-Interest-and-Tax-Penalty-Regimes-46648

domestic revenue mobilisation; (ii) ensure international compatibility; (iii) better preserve the policy intention of the law by minimising tax avoidance opportunities; and (iv) simplify the application and administration of the provisions in order to enhance tax certainty.

- National ownership in various forms is needed to achieve lasting success in building tax systems that are sustainable and certain. Strong sustained support from finance ministries is essential, as is keeping capable managers and teams in place for an extended period; reform efforts need to be sustained beyond the life of a single government as institutional reforms can take years to fully implement; new governments must get behind ongoing reform programs quickly to avoid losing momentum.
- Sustained multi-year support from TA providers is essential to achieve effective and more certain results.

DISPUTE RESOLUTION: DEVELOPMENTS UNDER MUTUAL AGREEMENT PROCEDURES AND ARBITRATION

The genesis for the Action 14 Minimum Standard on dispute resolution was developed from a recognition that the actions to counter BEPS must be complemented with actions that ensure certainty and predictability for businesses and individuals. It was therefore necessary to develop robust dispute settlement resolution processes across jurisdictions to ensure that disputes are resolved in a timely, effective and efficient manner. This includes standards on mutual agreement procedures (MAP) and the option of arbitration.

Mutual Agreement Procedures

The Action 14 Minimum Standard seeks to strengthen the effectiveness and efficiency of the MAP process through a rigorous stage 1 peer review process that is then followed up one year later in a stage 2 monitoring report. The peer review process is now well underway. Already, 45 jurisdictions have been peer reviewed under stage 1 of the process, eight more are currently in the process of being finalised and another 26 jurisdictions are scheduled for review (see Table 1).

For the 45 jurisdictions reviewed thus far, around 990 recommendations have been issued, including recommendations for jurisdictions to maintain compliance with certain elements of the minimum standard as well as increasing resources to support the MAP function. At the same time, the BEPS Action 14 Minimum Standard is already having a broader impact on dispute resolution worldwide, thus contributing further to enhanced tax certainty in the international environment:

- There has been a marked increase in the number of cases dealt with by competent authorities and almost 80% of the reporting jurisdictions with more than 10 MAP cases closed more cases in 2017 than in 2016. This is likely the result of an increase in resources for many competent authorities as a result of the peer review process or, in some cases, for jurisdictions that anticipate their own upcoming peer review.
- The peer review process has spurred on changes regarding the structure and organisation of competent authorities to streamline better their processes for resolving MAP cases in a timely manner (e.g. hiring of more resources or reorganisation of competent authority staff per type of cases).
- The number of Inclusive Framework MAP profiles published on the OECD website continues to increase. In addition, many jurisdictions introduced MAP guidance to provide taxpayers with clear rules and guidelines on MAP.

- Access to MAP is now granted for transfer pricing cases even where the treaty does not contain Article 9(2) of the OECD Model Tax Convention, especially in those jurisdictions that did not provide access to MAP in such cases in the past.

In addition to these broader changes, the monitoring process under stage 2 has already begun. The reports for the six jurisdictions that were peer reviewed in batch 1 have recently been discussed and approved by the FTA MAP Forum[19]. These stage 2 reports are the first glimpse into how well jurisdictions are implementing the specific recommendations issued to them during stage 1 of the Action 14 peer review process, the results of which contribute to enhancing to tax certainty in a number of ways.

The results of this stage 2 monitoring process available thus far indicate that jurisdictions are making tangible progress. In general, the six batch 1 jurisdictions are considered to be compliant under most of the criteria of the Action 14 minimum standard with respect to the prevention of disputes, availability and access to MAP, the resolution of MAP cases and the implementation of MAP agreements. In this regard, a few noteworthy developments can be highlighted as follows:

- All six jurisdictions provide for the possibility of roll-back of bilateral APAs.
- All six jurisdictions have a documented bilateral notification and/or consultation process in place to notify the other jurisdictions in cases where they consider a MAP request to be not justified.
- Many of the jurisdictions have updated their publicly available MAP guidance to provide more clarity and details to taxpayers.
- Each of the six jurisdictions decreased the amount of time needed to close MAP cases and five of the six jurisdictions met the sought-after 24-month average timeframe to close MAP cases.
- Only one jurisdiction has a potential difficulty with implementing MAP agreements given that almost none of its tax treaties contain a provision stating that MAP agreements shall be implemented notwithstanding any domestic time limits, which may result in such agreements not being implemented.

In the future, more insights into progress will come not only from the MAP statistics but also from the release of each stage 2 monitoring report following up on any stage 1 recommendations.

[19] www.oecd.org/tax/beps/beps-action-14-peer-review-and-monitoring.htm

Table 1. Timeline of the Mutual Agreement Procedures Peer Review

Stage 1 completed						Stage 1 ongoing		Not yet started	
1st batch 5 December 2016	2nd batch 7 March 2017	3rd batch 7 July 2017	4th batch 29 December 2017	5th batch 10 April 2018	6th batch 31 August 2018	7th batch 31 December 2018	8th batch By April 2019	9th batch By August 2019	10th batch By December 2019
Belgium	Austria	Czech Republic	Australia	Estonia	Argentina	Brazil	Brunei	Andorra	Bahrain
Canada	France	Denmark	Ireland	Greece	Chile	Bulgaria	Curacao	Anguilla	Barbados
Netherlands	Germany	Finland	Israel	Hungary	Colombia	China	Guernsey	Bahamas	Kazakhstan
Switzerland	Italy	Korea	Japan	Iceland	Croatia	Hong Kong (China)	Isle of Man	Bermuda	Oman
United Kingdom	Liechtenstein	Norway	Malta	Romania	India	Indonesia	Jersey	British Virgin Islands	Qatar
United States	Luxembourg	Poland	Mexico	Slovak Republic	Latvia	Papua New Guinea	Monaco	Cayman Islands	Saint Kitts and Nevis
	Sweden	Singapore	New Zealand	Slovenia	Lithuania	Russia	San Marino	Macau (China)	Thailand
		Spain	Portugal	Turkey	South Africa	Saudi Arabia	Serbia	Tunisia	Trinidad and Tobago
								Turks and Caicos Islands	United Arab Emirates

Source: OECD/G20 Inclusive Framework on BEPS Progress Report, 2018-2019

Arbitration

While specific measures for preventing disputes will reduce the number of cases going through the MAP, mechanisms are also necessary to ensure that cases are resolved in a timely manner once they are being dealt with in this procedure. For this reason a mandatory and binding arbitration procedure was added as a final stage to the MAP of Article 25 of the OECD Model Tax Convention in 2008. Competent authorities involved are, pursuant to Article 25(5), given a two-year term to reach an agreement on how to resolve a situation of taxation not in accordance with the provisions of a tax convention. In the absence of such an agreement, taxpayers can request the initiation of the arbitration procedure for the unresolved issues of the case. The outcome of that procedure is binding for the competent authorities concerned.

It should be noted that the mere existence of including an arbitration provision in the text of a tax treaty incentivises competent authorities to reach an agreement during the MAP phase. Furthermore, if a mandatory and binding arbitration provision is included, taxpayers are assured of an outcome within a fixed amount of time. However, some countries still appear to have strong reservations about mandatory and binding arbitration. Efforts continue to be made to better understand these concerns and, where necessary and possible, address them. The number of treaties that contain such an arbitration continues to increase, thanks in large part to the Multilateral Instrument (MLI).

An optional arbitration provision was developed as part of the MLI. Part VI of that instrument contains the optional provision setting out rules on timelines for the procedure, the appointment of arbitrators and type of arbitration process. In total 29 jurisdictions have so far opted for Part VI that will apply to a treaty only if both treaty partners to that treaty choose to apply it. This figure represents 33% of current signatories. Via the MLI, nearly 200 treaties will incorporate this arbitration procedure, a number that is expected to increase over time, thus providing ever more certainty to taxpayers that their MAP dispute will be resolved within a fixed amount of time.

TAX CERTAINTY AS A COMPONENT OF TAX MORALE

The need for tax certainty in developing countries is just as pronounced as in developed economies and plays an important role in investment decisions. The 2018 report report looked at the results from the OECD tax certainty survey of business; this year, the focus shifts towards examining both tax morale and tax certainty. There are plans for country level work, as well as for new work to see how tax administrations in developing countries view some of the tax certainty/tax morale issues.

The notion of tax morale – confidence among taxpayers in the tax system to deliver fair and transparent results – is closely linked with tax certainty and, combined, they constitute key ingredients to mobilising domestic resources in developing countries. Tax morale is an area of increasing interest for tax policy, though relatively little work has been done on the tax morale of businesses. In part this is because measuring the tax morale of businesses is difficult, the public attitudes surveys used to track tax morale of individuals cannot be used to track businesses tax morale.

To overcome this challenge most research has used proxies for tax morale. One commonly used method is the fraction of sales concealed from tax authorities, though the source for this information, the Business Environment and Enterprise Performance Survey (conducted by the European Bank for Reconstruction and Development and the World Bank Group) has discontinued data on this topic since 2014.

In the absence of a clear measure for business tax morale, the OECD has alternatively been using the results of the OECD tax certainty survey of business as an entry point to generate a discussion on perspectives and attitudes to paying tax, especially in developing countries. This has included a conference held on 25 January 2019, which discussed issues of tax morale in both businesses and individuals, and the range of tools available to build tax morale.

The conference heard from a range of perspectives, which have been incorporated into a draft report which was prepared for discussion at the conference and is currently being revised following public consultation (final publication due later in 2019). A summary of the conference can be found in Box 9.

Box 9. Summary of OECD Tax Morale and Development Conference – 25 January 2019

The conference was organised by the Task Force on Tax and Development, the OECD's multi-stakeholder body that brings together governments from OECD and developing countries, as well as business and civil society. It featured over 125 delegates from over 65 delegations representing countries, jurisdictions, civil society, business and academia.

There was substantial discussion on the interplay between the determinants of tax morale, cooperative tax compliance and enforcement. Strategies that focus on one element alone are unlikely to succeed. Reciprocity (the provision of public goods in return for taxes paid), effective enforcement to support tax morale, the ease of paying tax, and an understanding of different groups of taxpayers (e.g. women) can work together in a virtuous circle of voluntary compliance. Participants emphasised the importance of developing enforcement strategies that seek to support social norms, and a willingness to comply, in reinforcing tax morale. This has advantages over purely deterrence-based enforcement.

As regards businesses, the challenges for different types of businesses were set out. For MNEs, there was support for using tax certainty as a proxy for tax morale; most companies want to comply, but also need predictability. In the informal sector, the challenges can look very different, with literacy (including financial) a significant challenge for many not in the tax system. The solutions are therefore likely to look different, with a role for social enterprises in supporting formalisation. The challenge of language was also highlighted, especially in developing countries where a high number of spoken languages can make it difficult to reach taxpayers in their mother tongue.

Participants showcased a number of tools to build tax morale. Nudging, or behavioural economic, approaches were shown to have the potential for significant impact, at least in the short run, with low cost interventions. The long run impact of such measures, likely to be contingent on other measures, including enforcement and education, were also discussed. The difference between short and long run impacts was also evident in the use of earmarked or hypothecated taxation, where there are clear political benefits in the short run for getting support for increased taxation, but over time the rigidities earmarking creates were shown to cause some significant problems.

A number of examples were given of how citizens can be engaged on tax issues, to build support for both paying taxes, and for developing fair and effective tax systems. Some of the key lessons from taxpayer education programmes at school/university level were highlighted, including the need for such strategies to be properly resourced, based on strong relationships with partners (e.g. schools and universities) and to have an inclusive approach, not just on tax, but to citizenship values, and the frameworks of transparency and accountability. Civil society also presented examples of how civil society organisations can support citizens to engage in the tax system, building support for progressive tax systems that deliver development outcomes and address inequality.

Following this conference the OECD is pursuing a number of work streams that will provide further insight and analysis into issues of both tax certainty and tax morale. Plans are being developed with several countries for more detailed work at the

country level to understand the specific challenges being faced, and to help identify tools and approaches that could be adopted. In some countries this work is being coordinated with the World Bank Group, which is also active in this area through their new innovations in tax compliance work stream.

The activity most closely related to the tax certainty agenda is a new survey of revenue authorities, focussing on officials from developing countries (see next section dealing with how adherence to responsible tax principles by business can help tax certainty). In addition, the OECD is facilitating relationships between revenue authorities and research academics to run behavioural economics experiments, as well as exploring more traditional tax morale survey work.

The OECD has also sought to draw the linkages between tax morale and the integrity and anti-corruption agenda, organising a side event at the annual Anti-Corruption and Integrity Forum in March 2019. This event looked at a range of ways in which corruption and integrity can affect tax morale, from the immediate activities of the revenue authorities themselves, through to overall government performance in transparency, accountability and delivering public services.

HOW ADHERENCE TO RESPONSIBLE TAX PRINCIPLES BY BUSINESS CAN HELP TAX CERTAINTY

While the 2018 Update looked at the view of tax certainty in developing countries from the perspective of businesses, this series has not yet looked at the issue from the perspective of revenue authorities, and to what extent businesses are themselves supporting tax certainty in developing countries.

A growing number of businesses have indicated their commitment to supporting tax certainty in developing countries, and their role in delivering it. The most common way in which large businesses have done this is to signal their commitment to certain principles and/or best practices. A range of principles and best practices have been developed by a range of actors, including businesses, business groupings, and civil society organisations. These principles go beyond a narrow focus on tax certainty, and cover a range of aspects of businesses tax practices, including relationships with the tax authorities, transparency, and approach to tax incentives. The most significant of these are the BIAC Statement of Tax Best Practices for Engaging with Tax Authorities in Developing Countries[20,] produced by the Business and Industry Advisory Committee to the OECD, and the B Team Responsible Tax Principles, produced by the B Team (a not-for-profit initiative formed by a global group of business leaders)[21].

A growing number of businesses have committed to such principles and best practices. The BIAC principles having been agreed by all members of BIAC. Since the B-Team launched its Responsible Tax Principles, 12 companies have endorsed them and many more have engaged and expressed interest. However, there has not yet been any attempt to monitor adherence to them, as such it is difficult to judge the impact that such principles have had on tax certainty in developing countries. To rectify this the OECD is planning to undertake a survey of revenue authority officials to see how they perceive adherence to the BIAC principles in their country.

The BIAC principles have been chosen as they are both the most widely endorsed, and oldest, having been agreed in 2013. The survey will be undertaken by officials participating in the OECD Global Relations Programme multilateral training events. Around 2000 officials participate in events under this programme every year, providing a significant sample; this may be complemented further by encouraging officials taking part in OECD e-learning programmes to also complete the survey. The survey is currently being piloted and will be launched later in 2019. It will run alongside the Global Relations Programme through into 2020. The results are expected later in 2020.

[20] http://biac.org/wp-content/uploads/2017/06/Statement-of-Tax-Best-Practices-for-Engaging-with-Tax-Authorities-in-Developing-Countries-2016-format-update1.pdf

[21] www.bteam.org/plan-b/responsible-tax/

PLATFORM FOR COLLABORATION ON TAX – TOOLKITS

Inconsistent or unpredictable treatment by tax authorities, lack of expertise in international taxation, and inconsistencies or conflicts between tax authorities on their interpretations of international tax standards continue to be high priority concerns of businesses in relation to developing countries. In this context the toolkits being developed by the Platform for Collaboration on Tax (PCT), which consists of the IMF, OECD, UN, and WBG are potentially useful. These toolkits, being delivered as part of a mandate from the G20 Development Working Group, are designed to help developing countries address key issues in international corporation tax that they have identified as high priority.

Two toolkits have already been published, with the remaining being developed over the next two years (Box 10). Each toolkit individually can help contribute to building tax capacity. This can in turn support tax certainty through providing clear options for developing countries to use, that are consistent with international standards.

Box 10. Platform for Collaboration on Tax - Toolkits

A report on **designing and implementing tax incentives for investment** in low income countries in ways that are efficient and effective was published in 2015. In addition to providing information on good practices for the design of incentives to encourage investment, the report also sets out the importance of good governance in their implementation: measures which would include greater transparency and certainty around the eligibility criteria and conditions which apply to incentive regimes.

Following this, a toolkit for **addressing difficulties in accessing comparable data for transfer pricing analyses** was completed in 2017. This toolkit provides step-by-step guidance on interpretation of the arm's length principle in accordance with international norms, including in cases where comparables are difficult to find. A lack of comparable data needed to apply transfer pricing rules is a common source of uncertainty and the toolkit aims to reduce the likelihood of inconsistent or arbitrary approaches in such scenarios. The toolkit also includes a supplementary report addressing **information gaps in pricing of minerals sold in an intermediate form**, which provides a solid analytical framework to help determine appropriate pricing for mineral products in the absence of directly applicable market prices.

A toolkit on **offshore indirect transfers of interests** has undergone two rounds of public consultation and is expected to be finalised in 2019. This toolkit will address the legal and practical difficulties that may be involved in taxing the transfer of shares in foreign entities which hold, directly or indirectly, valuable local immovable property. A variety of domestic practices currently exist in relation to such scenarios and this toolkit will provide developing countries with practical solutions and international best practices.

A toolkit on **implementing effective transfer pricing documentation** is due to be released for public consultation shortly. It will describe policy choices and rationales involved in developing a transfer pricing documentation regime as well as providing sample legislative provisions which would be effective and efficient in meeting those policy goals. It will facilitate the use of the standardised documentation package as recommended in the OECD Transfer Pricing Guidelines and the UN Practical Manual on Transfer Pricing by providing legislative models. The existence of coherent documentation rules in a country enhances tax certainty by ensuring tax administrations have access to necessary information in a timely fashion in order to conclude assessments.

Further toolkits on **treaty negotiation, BEPS risk assessment and base eroding payments** are also planned. As with the above, these toolkits will aim to provide developing countries with examples and best practices for addressing their international tax priorities in coherent and more standardised ways.

The planned toolkit on **supply chain restructuring** has been dropped, in response to feedback that many of the issues that would have been addressed in this toolkit have been addressed elsewhere, including through the BEPS Actions.

OECD capacity building work

The OECD has developed a range of capacity building, training and technical assistance programmes. These effectively contribute to the development of tax certainty through the creation of a virtuous circle between the inclusive international standards developed in the OECD forums, and the guidance, data and multilateral training that facilitates and accompanies country level capacity building. The lessons learned from each stage feeds into the others, creating positive feedback, and supporting the continued development of effective international standards that can be effectively implemented in all countries.

The OECD capacity building work operates at both the multilateral and bilateral level, and offers a range of tools and approaches to developing countries:

- Bilateral country level capacity building. This is provided in a number of areas including:
  - transfer pricing and BEPS issues - assistance provided to over 30 countries in response to demand, includes support to both legislative changes and organisational structures/skills)
  - exchange of information – assistance provided to over 60 countries, primarily supporting new members of the Global Forum implement the standard and make effective use of information.

These programmes are frequently provided in partnership with others, including Regional Tax Organisations, and other International Organisations (primarily the World Bank).

- Tax Inspectors Without Borders (see Box 1) – in partnership with UNDP.
- Multilateral Training. This is provided in a number of areas (e.g. BEPS, Exchange of Information, VAT, Platform Toolkits, Tax and Crime), through three main routes:
  - The Global Relations Programme – established in the 1990s the Global Relations Programme trains around 2000 officials per year through the Multilateral Tax Centres in Ankara, Budapest, Korea, Mexico City, Vienna and Yangzhou.
  - E-learning – the OECD has recently established e-learning modules open to tax officials anywhere in the world, delivered through the Canadian sponsored Knowledge Sharing Platform.
  - Tax and Crime Academies – established in Italy in 2013 the Tax and Crime academies are designed to enhance the ability of law enforcement authorities to investigate tax crimes and other financial crimes, building on the 10 Global Principles. To date over 700 officials from over 95 countries have been trained, and new academies have been established

in Africa (Kenya), Latin America (Argentina) with Asia (Japan) due to be launched shortly.

- Peer Review – for countries that voluntarily choose to commit to OECD standards the peer review process provides a structure for reform, as well as dedicated support to developing countries to assist them with the processes.

Appendix A

Key Features of a Good Governance Framework in Revenue Administration[22]

Given the revenues at stake, governments need to invest in modernising revenue administration and creating greater legitimacy in the collection of revenues. This will help reduce vulnerabilities to corruption and promote integrity, thereby contributing to—indeed providing a prerequisite for—tax certainty. A broader approach (whole of government) will be crucial to creating an environment conducive to greater integrity. The following describes the key features of good governance in revenue administration which will promote greater tax certainty:[23]

Good Governance in Revenue Administration	How These Features Reduce Vulnerabilities to Corruption
Sound Policy and Legislation	
Revenue policy designed based on principles of equity, efficiency and neutrality, simplicity, and transparency.	Raises revenue in non-distortive manner; creates a revenue system that is easily understood and harder to avoid or evade.
A common set of administrative and procedural laws that are simple and reliable for different tax types.	Provides common basis for administration of all taxes regardless of tax types, thus promoting fairness and ease of understanding and application by tax officers.
Legal framework provides appropriate balance between the rights of taxpayers and powers of revenue administration, supported by effective dispute settlement procedures (for example, independent tribunal/court or a tax ombudsman) and legal safeguards against the improper exercise of powers by revenue administration (for example, opportunity for taxpayers to pay overdue taxes before forced sale of property seized through distraint).	Supports the building of society's trust in revenue administration.
A system of tax self-assessment is in place, promoting voluntary compliance by taxpayers.	Minimizes intrusion of revenue officials in the affairs of compliant taxpayers.
Clarity and stability of laws, rules, and processes, including minimal discretionary power vested in the	Increases transparency; provides certainty to avoid disputes; and reduces discretion that

[22] Source: IMF *Fiscal Monitor: Curbing Corruption* (April 2019).

[23] Although the term revenue administration covers both tax and customs administrations, some of the information in this table is more specific to the features of tax administration.

revenue administration, and where discretion is unavoidable, there are clear conditions on how discretion will be exercised.	can be misused by dishonest officials.
Legal and human resource frameworks allow for firing of officers behaving unethically and provides a suite of appropriate sanctions for cases of lower culpability, with prosecution for criminal activities.	Provides basis for effective human resource practices to curb corruption.
Legislation allows for the adoption of modern systems and processes and technology in tax administration and sets out key aspects of organisation and management (including the relationship between the ministry and the revenue administration), including express legislative requirements for revenue administration to provide and publish reports on its operations and financials on a regular basis.	Provides legal basis for effective administration to minimize interference and opportunities for corruption.
Modern Systems and Processes	
Revenue administration work plans, budget, performance objectives, and outcomes are regularly reported to the public.	Increases transparency and public accountability of revenue administration.
Collection systems and procedures are streamlined to secure timely revenues without imposing undue compliance costs and inconvenience to the business.	Minimizes intrusion of revenue officials in the affairs of compliant taxpayers, avoiding rent-seeking behaviors.
Service-oriented approach ensuring taxpayers have the information (quantity, quality, comprehensiveness) and support they need to meet their obligations voluntarily.	Empowers taxpayers; reduces interactions with officials; and reduces vulnerability to corruption by dishonest officials making unlawful demands.
Availability of a tax ruling function with clear and straightforward rules to avoid distinct tax treatments that deviate from the general rules and pose transparency concerns (Christophe and Hillier 2016).	Provides certainty for tax treatment of transactions; empowers taxpayers in discussions with revenue officials.
A general risk-based approach is adopted in the administration aimed at detecting and acting on taxpayers who present the greatest risk to the revenue system.	Removes discretion and minimizes intrusion of revenue officials in the affairs of compliant taxpayers.
Special programs using modern and transparent approaches to manage the compliance of the largest contributors, including large businesses, high-wealth individuals, and high-income earners. They have complex tax affairs with a high amount of revenue at stake and the opportunity to undertake aggressive tax planning.	Focuses resources on highest risks to revenue; helps preserve the integrity of the tax system by ensuring that the wealthy in society pay their fair share.
Effective and impartial dispute resolution process is available and publicized.	Protects taxpayers from unsubstantiated or corrupt tax assessments.
Streamlined Organisation and Management	
Revenue administration is established with independence from political direction; for example, the administration reports to the minister of finance, who has overall fiscal responsibility, rather than to the prime minister or president.	Reduces political interference in taxpayer affairs; increases the ability of revenue administration to act independently in enforcing the laws.
A function-based organisation design with separation of	Removes one-to-one relationship between

duties and appropriate numbers of staff assigned to each function based on workload.	taxpayer and official; reduces under-employment and risk of corrupt behavior.
Strong headquarters function providing oversight and uniform operations across the field network.	Helps reduce vulnerability by establishing nationwide clear standardised processes and monitoring of operational performance of field offices.
Streamlined field operations and organisational alignment to key taxpayer segments.	Improves quality of professional interaction with taxpayers; focuses resources on highest risks to revenue.
Effective internal audit and investigation/anti-corruption units are established, with relationships and co-operation with public-service-wide anti- corruption activities and bodies.	Creates effective processes to identify and curb corruption.
Strong oversight of revenue administration by external bodies (general audit office, ministry of finance) focused on monitoring performance but not allowed to interfere in specific taxpayers' affairs.	Increases accountability of revenue administration.
Extensive Use of Technology	
Revenue administration processes are digitalised and automated to the extent possible.	Reduces face-to-face interactions; minimizes intrusion of revenue officials in the affairs of compliant taxpayers.
Robust automated system of internal control checks and monitoring of processes, with access controls and audit logs.	Ensures integrity of decisions; allows for review and audit of actions taken by revenue officials.
Automated risk assessment and case selection is in place.	Removes personal influence and staff discretion.
Technology supports notification of citizens about their obligations and correct procedures for revenue administration.	Increases transparency and accountability of revenue administration.
Technology supports collection of feedback from the public on interactions with revenue administration staff, including reporting of unethical behavior, for example, through a dedicated integrity hotline.	Supports detection and prevention of unethical and unprofessional behaviors.
Human Resources Management	
Human resource policies and processes ensure merit-based selection, appointment, appraisal, and promotion of revenue officials.	Improves quality and professionalism of staff.
Senior management of revenue administration is appointed for a fixed period (tenure).	Reduces vulnerability to cronyism.
Management process built on minimal management layers with appropriate spans of control, and internal control is one of the core management functions.	Ensures close monitoring of operations; reduces opportunities for corrupt behavior.
Salaries set at a sufficient and competitive level.	Reduces incentive for corrupt behavior.
A formal rotation policy supports staff development, with a cycle to allow staff to build expertise and contribute to the respective function's performance.	Increases officials' performance incentives and knowledge and expertise across all levels; increases taxpayer trust and satisfaction.
Ongoing staff training programs are delivered so officials know their duties, conditions of service, and sanctions for wrongdoing.	Informs staff of required behaviors and risks of noncompliance.

Institutionalised Promotion of Integrity	
Staff is regularly informed about and supported in adopting positive behavior; corporate practice, including through an enforced code of conduct, strongly signals zero tolerance of low staff integrity.	Management leads by example; creates a positive organisational culture and fosters "esprit de corps;" and supports the prevention of unethical behaviors.
Technology solutions to detect unethical behavior are routinely used.	Detects and prevents unethical behavior.
Legal sanctions are effectively applied on each detected corrupt behavior and publicly announced.	Addresses and prevents unethical behavior; instills greater public confidence in revenue administration.

2019 Progress Report on Tax Certainty

IMF/OECD Report for the G20 Finance Ministers and Central Bank Governors

Tax certainty for taxpayers is an important component of investment decisions and can have significant impacts on economic growth. In 2016, the G20 Leaders called on the International Monetary Fund (the IMF) and the Organisation for Economic Co-operation and Development (OECD) to work on this issue.

Following an initial report in 2017 and an update in 2018, the G20 Leaders re-iterated the importance of this issue, noting their continued support for enhanced tax certainty. The Buenos Aires Action Plan called for "the OECD and the IMF to report to Finance Ministers and Central Bank Governors in 2019 on progress made on tax certainty".

This report, prepared jointly by the IMF and OECD, provides an update on the work on tax certainty issues and shows clearly that this remains a priority issue for taxpayers and tax administrations alike.