

Sustainable Tax Policy: The Role of Tax Administration

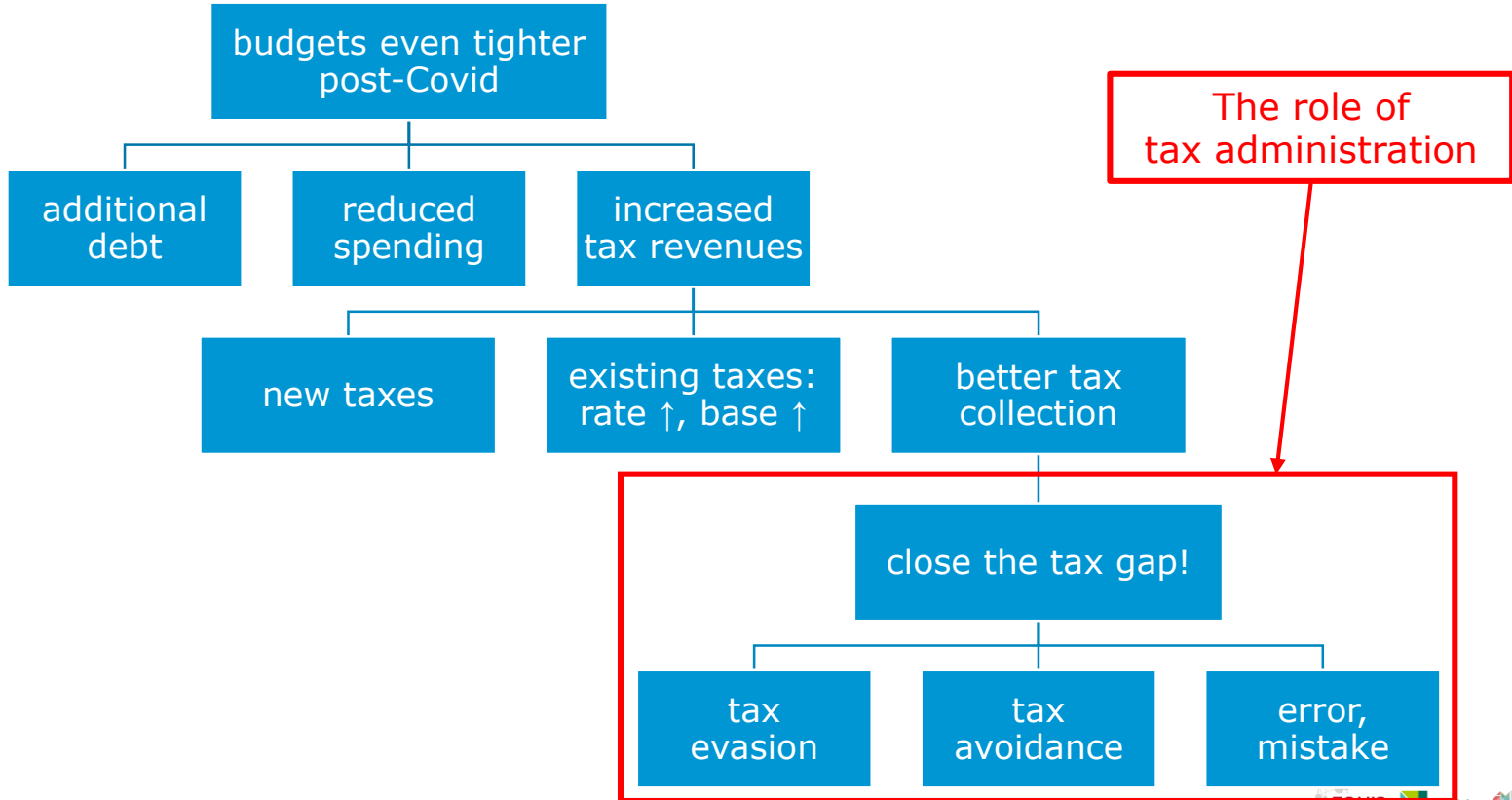


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Sustainable Tax Policy: Close the Tax Gap



Sustainable Tax Policy: Close the Tax Gap

New Approaches in Tax Administrations

- Data collection and control
 - (online) cash register
- Services
 - e-filing, online tax accounts
 - mobile apps
 - pre-filing
- Blockchain ...
- Digitalization of tax audits
 - AI-based and algorithmic (pre-)auditing, SAF-T
- Cooperative compliance
 - trust, transparency and cooperation, timely certainty

Cooperation of Tax Administrations

- OECD Forum on Tax Administration
- European Commission: Fiscalis Programme; ETACA
- Intra-European Organization of Tax Administrations (IOTA)
- Inter-American Center of Tax Administrations (CIAT)
- Tax Administration Research Centre (TARC), Exeter University

How do New Approaches in Tax Administration affect Businesses?

3 Viewpoints



Digitalization of tax audits

Cooperative compliance

1. Risk based tax audit + tax avoidance
2. E-audit
3. Trust + tax bargaining

Are Risk-based Tax Audit Strategies Rewarded?

An Analysis of Corporate Tax Avoidance

- Cross-country panel
 - 54 countries
 - 15,920 firms
 - 2014 to 2017
- Country-specific OECD data on “advanced” risk-based audit case selection
 - Risk profiling, predictive modeling, internal intelligence functions
- Main test OLS
 - Cross-sectional: firm, country characteristics
 - Robustness: disaggregation, diff-in-diff
- Additional tests
 - Efficiency and performance of tax administrations

Results:

- Risk-based tax audits are associated with
 - Reduced tax avoidance (ETR)
 - Firms of all sizes (!)
 - More effective in countries with
 - Low governance quality
 - High GDP
 - Low trust in government
 - Reduced cost of enforcement and improved performance of tax authorities

The Future of Tax Audits? The Acceptance of Online-Based, Automated Tax Audits and their Effects on Trust and Power

- Online-Based, Automated Tax Audits
 - Voluntary, trust-based, for micro + SME
 - Real time upload of micro transactional data → statistical + AI analysis → clarification → assessment
- 4 potential features of e-audits
 - Data privacy (deletion of uploaded data)
 - Audit certainty (no subsequent conventional tax audit)
 - Transparency (information about the audit process)
 - Independence of tax intermediaries (process can be used independently)
- Experimental survey of 331 business taxpayers and 530 tax auditors

Results:

- Opposing views
 - Taxpayers react with increased acceptance and trust particularly to audit certainty without perceiving a reduction in power of tax administration.
 - Tax auditors react with disapproval and perceive a substantial reduction in power from audit certainty.

How Does Trust Affect Concessionary Behavior in Tax Bargaining?

- Tax bargaining is a reality, and an element of cooperative compliance
- Effect of different types of trust?
 - Interpersonal trust between taxpayer and tax auditor
 - Taxpayer's and tax auditor's trust in the government
- Experiment, 304 student participants, 2x2 design
 - exogenous variation of interpersonal trust and trust in government
 - tax game in pairs (taxpayer + tax auditor), bargaining
 - observation of concessionary behavior

Results:

- Trust affects concessionary behavior
 - Trust in government in line with intuitive predictions
 - Taxpayer concedes less
 - Tax auditor concedes more
 - i.e. less taxes collected
 - Interpersonal trust only affects tax auditors
 - For high interpersonal trust, the alleviating effect of high trust in government on tax auditors' propensity to make concessions is less pronounced

To Conclude



Sustainable Tax Policy: Close the Tax Gap

- Role of tax administration: close the tax gap
 - Collect the tax due: it's not all about tax evasion
- Invest in risk-based audit case selection
 - Associated with less tax avoidance, and with higher performance of tax authorities
- Offer trust-based e-audit to micro + SME, who may be particularly prone to error and mistake
 - Only works if coupled with tax certainty; re-assure tax auditors
- Not too much trust, though
 - Tax auditors may display concessionary behavior in a trustful relation with the taxpayer
- And beyond: consider (other) behavioral insights, also for businesses ...

Thank you!

