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DIRECTORATE-GENERAL TAXATION AND CUSTOMS UNION

Direct taxation, Tax Coordination, Economic Analysis and Evaluation
Direct Tax Policy & Cooperation

Guidelines for a Model for

A European Taxpayers' Code

This European Taxpayers' Code provides a core of principles, which compiles the main existing rights and obligations that govern the relationships between taxpayers and tax administrations in Europe. EU Member States were consulted on the basis of a draft of this European Taxpayer's Code, which was prepared by a group of Member States. The information and views set out in these Guidelines do not necessarily reflect the official opinion of the European Union, the European Commission or the EU Member States. **It is a non-binding document and should be considered as a model to follow, to which Member States could add or adapt elements to meet national needs or context.**

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1 FOREWORD

Taxes are established for the purpose of covering the main expenses of Member States and to ensure their sustainability. Revenues collected are used to maintain and develop public services. Collecting the correct amount of taxes due by law is always of utmost importance. In order to protect the rights of citizens and to be able to maintain the benefits and the service that citizens can expect from society, it is important to ensure that taxes are collected in full and on time and that tax fraud, tax evasion and tax avoidance are prevented and combatted. It is also an issue of fairness that honest taxpayers should not be burdened with additional taxes because other taxpayers are not compliant and do not pay their taxes.

A prerequisite for well-functioning Member States is that all citizens fulfil their tax obligations and contribute to tax revenues. Taxpayers can expect that Member States' tax administrations will collect only as much tax as is due and in return Member States will use the taxes collected to finance public benefits and services. On the one hand, Member States need to provide a better and broader understanding of the importance of tax to society. To ensure that taxpayers can comply with their tax obligations in the easiest way, tax administrations need to cooperate closely with taxpayers.

On the other hand, it is the duty of taxpayers to declare honestly all their taxable income and pay the taxes due. Taxpayers must cooperate fully and submit all tax declarations, tax returns and required information in time and pay taxes by the due date.

This European Taxpayers' Code contains guidelines that aim to ensure a balance between the rights and obligations of both taxpayers and tax administrations. It is based on the main general principles and best practices in Member States deemed useful for enhancing cooperation, trust and confidence between tax administrations and taxpayers, ensuring greater transparency on the rights and obligations of both, and encouraging a more service-oriented approach of tax administrations. It encourages tax administrations and European taxpayers to adopt and apply all these principles and practices, including new developments and further ideas. As a consequence, this code is not mandatory but should be considered as a model to follow, to which Member States could add or adapt elements to meet national needs or context.

Therefore, this European Taxpayers' Code should contribute to more effective tax collection by improving relations between taxpayers and tax administrations, where the mutual understanding of tax rules will reduce the risk of mistakes with potentially severe consequences for taxpayers and subsequent costs for tax administrations.

2 INTRODUCTION

2.1 Nature and scope of the European Taxpayers' Code

The European Taxpayers' Code is a model of behaviour for both European taxpayers¹ and Member States' tax administrations to follow rather than a strict template code or charter. It is a non-binding instrument.

The guidelines contained in this European Taxpayers' Code encourage all parties to adopt and apply the general principles and best practices outlined in Chapter 3 at national level. Should these general principles and best practices in the Member States evolve over time, these guidelines could be reviewed to take into account any significant changes. The need for such a review will be considered on a regular basis. The guidelines also encourage tax administrations to consider the new developments and further ideas outlined in chapter 4.

The European Taxpayers' Code is envisaged to apply to all kinds of tax-related interactions between taxpayers and Member States' competent authorities for tax (designated as such by domestic law), described throughout this document as tax administrations.

Tax legislation and tax policy provide important foundations for good relationships between taxpayers and tax administrations, but the making of tax policy goes beyond the scope of the European Taxpayers' Code.

2.2 Background and context of an initiative at EU level

In an increasingly globalized world where there is free movement of citizens, business and capital, taxation rules may seem increasingly complex and difficult to comply with. It is therefore important to find ways to help taxpayers and tax administrations to observe their rights and obligations relating to taxes. Cooperation in this area would benefit the EU and individual Member States, demonstrating the added value of working together to enhance tax compliance as means to prevent tax fraud², tax evasion³ and tax avoidance⁴, which are limiting the capacity of Member States to collect taxes and to carry out their economic policy.

As identified in its Communication of 27 June 2012⁵, the European Commission believes that an increase in efficiency and effectiveness of the administration of tax collection is crucial. As a follow up to this Communication the Commission adopted an Action Plan on 6 December 2012⁶. The European Taxpayers' Code is one of the 34 initiatives listed in the Action Plan to strengthen the fight against tax fraud and tax evasion. This action is included in one of its specific strategies: enhancing tax compliance in Member States.

¹ Taxpayer also comprises, for the purpose of this European Taxpayers' Code, representatives and third parties such as employers, banks, jointly liable persons, notaries and other tax practitioners. In practice, taxes may be paid by a paying agent or automated system on behalf of the taxpayer.

² Tax fraud is a form of deliberate evasion of tax which is generally punishable under criminal law. Term includes situations in which deliberately false statements are submitted or fake documents are produced.

³ Tax evasion generally comprises illegal arrangements where liability to tax is hidden or ignored, i.e. taxpayers pay less tax than they are legally obligated to pay by hiding income or information from the tax administrations.

⁴ Tax avoidance generally means that taxpayers try to find loopholes in tax laws, with the intention to pay less tax. Even if technically legal, their actions may be against the legitimate financial or economic meaning of tax laws and in this sense, considered non-compliant.

⁵ COM(2012) 351 final of 27.06.2012.

⁶ COM(2012) 722 final of 06.12.2012.

2.2.1 Current national situations

Each jurisdiction has its own culture, policy, tax law, and administrative practices. However, for all taxpayers it is important that information relevant to their tax matters is available and easy to understand. Usually national tax administrations provide general information on tax matters on their websites and in printed brochures. The scope of the information provided and the availability in other languages vary from Member State to Member State.

Some Member States have established documents which are often called taxpayers' codes or charters which define the fundamental principles applying to tax matters, and in particular the rights and obligations of taxpayers and tax administrations. Such documents do not necessarily only include principles established by law, but may also cover guidelines that clarify the relationship between taxpayers and tax administrations and may even describe specific behaviour expected from both. In the remaining Member States, the absence of a specific document explaining principles in tax matters does not mean that taxpayers in these countries have fewer rights and obligations or that tax administrations attach less importance to these principles. In such Member States, principles are disseminated in law or administrative practices.

The existing national taxpayers' codes and charters differ in scope and content. In most of these codes or charters, there is a list of taxpayer's rights, e.g., the right to be informed, assisted and heard, the right of appeal, the right to pay no more than the correct amount of tax, the right to be treated equally, the right to privacy and the right to confidentiality and secrecy.

Likewise, there are obligations for taxpayers, which are commonly expected or are required in tax matters and in tax procedures, such as being honest, paying taxes on time, being co-operative, providing accurate information and documents on time, and keeping records.

2.2.2 Consultation process and preparation of the European Taxpayers' Code

European citizens and other interested parties were consulted by the Commission through an on-line consultation launched on 25 February 2013 on the experience of national taxpayers' codes or similar instruments and the possible content of a European Taxpayers' code. The consultation was closed on 15 May 2013 and the summary report was made public on 31 October 2013⁷.

Some concerns have been expressed as regards the added value of a Code at European level. According to these concerns:

- any attempt to make a code binding would raise subsidiarity concerns
- several of the aims could be better achieved at national level
- such a code would merge different principles of different jurisdictions
- such a code would not be an effective instrument to tackle tax fraud and tax evasion.

However, most of the contributors were in favour of the development of a European Taxpayers' code. Reasons given for such a development were that it might:

- ensure equal treatment of all taxpayers,

⁷ http://ec.europa.eu/taxation_customs/common/consultations/tax/2013_tpcode_en.htm

- ensure a higher level of legal certainty,
- enhance transparency,
- reduce disputes,
- standardize compliance processes,
- be a benchmark for third countries,
- improve practices and predictable assessment of tax liability,
- specify principles (e.g.: audit and investigations, conclusions on certain facts)
- ensure a better understanding when communicating with the tax administration of another Member State.

In compiling best practices from across the EU to create this European Taxpayers' Code, the views of respondents to the public consultation have been taken into account where possible.

In addition to the public consultation, all Member States were consulted on the basis of a draft of this European Taxpayers' Code, which was prepared by a group of Member States, together with the European Commission.

2.2.3 Advantages of the European Taxpayers' Code

The European Taxpayers' Code provides a core of principles, which compiles the main existing rights and obligations that govern the relationships between taxpayers and tax administrations. Furthermore, it expects to provide European citizens with a convenient source of knowledge on the main rights and obligations they can expect when dealing with a tax administration in a Member State other than their State of residence.

The Code could deliver long term benefits by:

- Improving transparency and making rights and obligations easy to understand,
- Fostering equity, efficiency, certainty, respect and responsibility in the relationships between the tax administrations and the taxpayers,
- Improving compliance and preventing and reducing tax risks and conflicts,
- Becoming a possible benchmark in tax systems.

3 GENERAL PRINCIPLES AND BEST PRACTICES

This chapter sets out the general principles and best practices in place across Member States that enhance cooperation, trust and confidence between taxpayers and tax administrations, helping to enhance tax compliance. These include general principles that underpin all aspects of the relationships between taxpayers and tax administrations, along with more specific principles and practices that help taxpayers and tax administrations to work together effectively, including during tax procedures and when there are differences of opinion that require resolution.

The objective of tax administrations is to ensure that their operations are efficient and effective and that their systems are reliable. They should consistently seek to improve their productivity. Through management systems, skilled staff and digital solutions, tax administrations should marshal resources efficiently, reduce the tax deficit and keep the taxpayers' costs in complying with the law to a minimum.

3.1 General principles

All kinds of relationships between taxpayers and tax administrations are governed by the following general principles, which are fundamental for effective taxation.

3.1.1 Lawfulness and legal certainty

Taxpayers can expect:

- to pay tax only as required by law
- tax administrations to apply the law reasonably and consistently
- openness about the intention of tax laws, rules and procedures
- tax administrations' decisions to be consistent with the wording of the law
- tax administrations to apply sanctions only as provided for by law.

Tax administrations will expect:

- taxpayers to meet their legal obligations
- taxpayers to respect tax administrations' right to administer the tax system according to law, including sanctions.

3.1.2 Non-discrimination and equality of taxpayers

Taxpayers can expect:

- tax administrations to be consistent with the principle of non-discrimination and promote equality of treatment before the law
- tax administrations to ensure that information and services are accessible to all taxpayers according to need.

3.1.3 Presumption of honesty

Taxpayers can expect:

- to be regarded as honest,
 - unless there is a clear reason to believe otherwise
 - even though tax administrations can check taxpayers' tax affairs, make verifications or proceed to audits.

Tax administrations will expect:

- taxpayers to fulfil their tax responsibilities honestly
- taxpayers to be honest and open in their dealings with them
- taxpayers to give true, full and sound information when lawfully requested to do so
- taxpayers to inform tax administrations spontaneously and without delay when there is a change of relevant circumstances that may impact on their tax obligations
- taxpayers to pay what they owe and only claim what they are entitled to.

3.1.4 Courtesy and Consideration

Taxpayers can expect:

- to be treated courteously, with consideration and in a non-discriminatory way.

Tax administrations expect

- taxpayers to treat them with courtesy and to give them all reasonable co-operation.

3.1.5 Respect of law

Taxpayers can expect:

- tax administrations to take action to counter tax fraud, tax evasion and tax avoidance including working together internationally to minimise opportunities for taxpayers to be taxed nowhere by taking advantage of mismatches in national laws.

Tax administrations will expect:

- taxpayers to only undertake transactions and operations that are justified by legitimate financial or economic needs
- taxpayers not to be taxed nowhere by taking advantage of mismatches in national laws
- taxpayers to take responsibility for the operations they carry out and to understand the consequences of non-respect of law.

3.1.6 Impartiality and independence

Taxpayers can expect:

- tax administrations to conduct their functions neutrally and free from any inappropriate influence.

Tax administrations will expect:

- taxpayers to respect their impartiality and independence and not to seek to influence their consideration or the conduct of taxpayers' affairs inappropriately.

3.1.7 Fiscal secrecy and data protection

Taxpayers can expect:

- tax administrations to protect their personal information and to adhere strictly to the law in this regard
- that information will not be given to a third party except as permitted by law
- the right to request, in line with national provisions, information tax administrations hold on them.

Tax administrations will expect:

- taxpayers to respect their right to hold, disclose and withhold taxpayers' information where this is permitted by law.

3.1.8 Privacy

Taxpayers can expect:

- tax administrations only to seek information relevant for their functions
- tax administrations to permit only those employees within the administration who are authorized to access that information.

Tax administrations will expect:

- taxpayers to comply with requirements to supply relevant information
- openness and co-operation from taxpayers where matters are relevant for their functions.

3.1.9 Representation

Taxpayers can expect:

- the right to be assisted or represented in dealing with their tax affairs.

Tax administrations will expect:

- taxpayers to inform them of their arrangements for representation
- taxpayers to understand that they may be contacted directly where necessary
- taxpayers to remain responsible for their tax affairs according to law.

3.2 Working together

The efficiency and effectiveness of tax systems depend on the behaviour of both tax administrations and taxpayers. Tax administrations should aim to explain the features of the tax systems beforehand and make it as easy as possible for taxpayers to comply. Taxpayers should give correct information to tax administrations and pay their taxes on time. Tax administrations and taxpayers should treat each other with courtesy in all circumstances and should always act in a constructive way with a view to identifying the best outcome.

For providing information and guidance, tax administrations should aim to be pro-active in identifying the need for general tax information and preventing potential problems that may impede people in complying. They should also aim to engage full-heartedly and in a spirit of cooperation with taxpayers to resolve tax issues and to take into account, within the boundaries of the law, specific circumstances affecting taxpayers.

Sometimes, taxpayers might need services over and above information and guidance. For tax administrations to provide assistance and for taxpayers to receive high quality service, it is taxpayers' responsibility to provide correct and prompt information on their specific case. Taxpayers should not expect tax administrations to give them financial or tax planning advice.

Key service standards⁸, should include qualitative and quantitative elements but they may vary across the Member States because of the different tax systems but they should include qualitative and quantitative elements. These key service standards are general and average in nature. Expectations about key service standards should remain realistic. They cannot be demanded by taxpayers in a specific case. Nonetheless tax administrations should survey and report on their performance against the standards and use the information and outcomes to improve their activities.

In addition to guidance and services, interpretations of a general nature may be published by tax administrations as official stand points. Where available, advance-ruling⁹ services may be provided by tax administrations.

3.2.1 Providing information and guidance to taxpayers

Taxpayers can expect:

- tax administrations to provide them with accurate and timely information to enable them to meet their tax obligations,
- tax administrations to keep the information up-to-date
- tax administrations to strive to introduce enhanced and pro-active ways of communicating¹⁰ when deemed appropriate
- tax administrations to improve their knowledge and understanding of taxpayers in order to be able to focus pro-active guidance on different types of taxpayers or target groups (for example, start-up companies) and to communicate in a tailored way to meet the needs of these target groups
- tax administrations to seek to provide targeted pro-active guidance that will help taxpayers anticipate their tax liabilities and reduce mistakes
- tax administrations to take into consideration that new, digital channels of communication might not be easy for all taxpayers to use and that derogation for their use can be foreseen according to law.

Tax administrations will expect:

- taxpayers to read the information sent to them
- taxpayers to use general information provided by various channels, for example responding to public campaigns and consulting websites (where they have information technology capability)
- when taxpayers cannot find the relevant information, to ask for advice where to find it

3.2.2 Services to taxpayers

Taxpayers can expect:

⁸ The taxpayers' key service standards may comprise, among others, average time to process requests for information and adjustments, and percentages and timescales for processing correspondence, phone calls, rulings and interpretations.

⁹ In such services, a person may apply for a written standpoint of the tax administration on how any provision of the tax regulations and rules apply to a certain personal situation or an arrangement specified in the application. Full details will need to be provided before an advance ruling can be given, and it may be subject to a fee and certain other requirements.

¹⁰ Enhanced and pro-active ways of communicating mean, for example, newsletters, on-line information and public awareness campaigns

- to be able to make contact with tax administrations about their tax affairs
- a dialogue with tax administrations where needed
- to have the right to request assistance and obtain reasonable services (for example, hotlines or public offices)
- tax administrations to deal with requests for assistance in a comprehensive and timely manner
- tax administrations to publicise their range of services.

Tax administrations will expect:

- taxpayers to use services designed for them to get the best possible help
- taxpayers to ask questions when they need clarification
- taxpayers to provide correct information without delay
- taxpayers to respond promptly to any request tax administrations make for further information.

3.2.3 Key service standards

Taxpayers can expect:

- tax administrations to define, put in place and make accessible key service standards
- tax administrations to aim to meet their key service standards

3.2.4 Interpretations of a general nature

Taxpayers can expect:

- tax administrations to publish interpretations of a general nature and to apply them consistently
- tax administrations to endeavour to provide guidance in relation to taxpayers' applications for technical interpretation and to give a timely response.

3.2.5 Advance rulings

Taxpayers can expect:

- Where an advance ruling system is in place, tax administrations to provide certainty on the application of the law in a specific case.

Tax administrations will expect:

- where advance rulings are possible, taxpayers to ask for advance rulings where they recognise and share risks
- taxpayers to provide all the relevant information in their request to the tax administration and to give information in good faith
- when the situation changes, not to be bound any longer by the tax ruling and taxpayers to understand that the advance ruling is no longer applicable in these cases.

3.3 Procedures

Tax administrations expect that taxpayers will follow and respect the procedures applicable to tax declarations, taxpayers' assessment, audit process¹¹, payment and debt collection, voluntary disclosure and sanctions. These procedures may vary from Member State to Member State. During all procedures, tax administrations should respect taxpayers' rights and taxpayers should fulfil fairly their obligations and act in such a manner that they do not obstruct the procedures.

To enable them to comply with these procedures, taxpayers should maintain accounting standards and keep their records and source documents to justify income and expenditure in a good and readable quality, for the required retention period and according to law, in order to give a true and fair representation of their situation or activity. These requirements will apply equally where any or all of these records are maintained in electronic format.

Tax administrations should seek to reduce the administrative burden on taxpayers and protect the compliant from unfair competition based on tax fraud, tax evasion and tax avoidance. Successful tax control has a preventative effect. Tax administrations should use risk management to target tax control at the right taxpayer groups. They should adapt control measures to the size of the risk and to the nature of the taxpayers. Controls should be conducted in order to allow the tax administration to verify the correctness of a tax situation. Taxpayers' cooperation helps tax administrations to conduct their control in an effective manner and for a proportionate duration by maintaining a constructive dialogue.

3.3.1 Tax declarations

Taxpayers can expect:

- to have information available about the procedures and timing for submitting their tax declarations.

Tax administrations will expect:

- taxpayers to truthfully submit tax declarations to them, respecting deadlines, in accordance with tax law.

3.3.2 Taxpayers' assessment

Taxpayers can expect:

- tax administration to provide an assessment of tax according to law
- an explanation in the event tax administrations correct their tax declarations.

Tax administrations will expect:

- to correct a tax declaration according to law, if considered as not correct
- to have a right to make desk checks¹² or controls to ascertain that the information provided by taxpayers is correct

¹¹ Audit process means the examination of books and records either in the premises of the taxpayers or in the premises of the tax administration, in order to determine the correct amount of tax due.

¹² A desk check can refer to a check performed in the tax office on specific items. It can also imply tax compliance interventions on specific items.

- taxpayer's to provide additional information when asked to do so.

3.3.3 Audit process

Taxpayers can expect:

- at the beginning of or when notified of an audit process, to ask or be informed about their rights and obligations
- tax administrations to communicate to them the character of the tax audit
- to be informed if the tax administrations review or adapt the overall scope of an audit
- to be able to give information in order to explain and better clarify their position, in accordance with law
- in general, to have the opportunity to discuss the results of the audit before the final report
- tax administrations to communicate clearly to them the conclusions and consequences of a tax audit
- tax administrations to inform them about the possibility to apply for a review of the consequences of a tax audit.

Tax administrations will expect:

- taxpayers to understand that tax administrations have the right to commence an audit and that there is no right to refuse it
- taxpayers to cooperate during a tax audit and provide complete and truthful information according to law
- taxpayers to supply their books, records and other documents used in tax calculations promptly
- where any records are maintained in electronic format, that these will be supplied promptly and in a suitable manner
- copies to be made of the taxpayers' books, records and other documents (including electronic copies of electronic records) if needed
- on request, taxpayers to provide additional information and to answer further questions connected to the scope of the tax audit.

3.3.4 Payment and debt collection

Taxpayers can expect:

- according to law, to be entitled to interest in case of overpayment
- in circumstances of financial hardship, to be able to present a payment arrangement for consideration.

Tax administrations will expect:

- taxpayers to pay taxes on time and for the full amount
- to charge interest according to law in the case of late payment
- In the absence of payment, to be able to apply specific collection actions provided by law

3.3.5 Voluntary disclosure

Taxpayers can expect:

- access to information on voluntary disclosure and any associated motivational incentives when they are possible according to law.

Tax administrations will expect:

- taxpayers to voluntarily submit to the tax administration the correct and full information, if they realise they have not declared or paid the correct amount of tax or other elements of their tax affairs need to be corrected.

3.3.6 Sanctions

Taxpayers can expect:

- sanctions to be applied according to law, for example for non-compliant behaviour
- tax administrations to have an ability to mitigate or waive a sanction in particular cases only according to law.

Tax administrations will expect:

- taxpayers to comply with sanctions according to law (for example by paying fines).

3.4 Resolution

There will be times when taxpayers and tax administrations have different views on taxpayers' situations and when there will therefore be a need for resolution.

Tax administrations should consider any disagreement, dispute, challenge, grievance, or complaint and give a professional and objective response.

Where they exist, internal appeal processes to seek a review of the tax case should be regarded – by tax administrations as well as by taxpayers – as a chance to correct possible misunderstandings, and to clarify, understand and learn, with a view to settling any disputes.

Taxpayers or tax administrations can also request a review of the matter by a second, independent decision-maker, such as a court, judge or tribunal.

Taxpayers should also have the right to complain, especially in cases where internal appeals are not foreseen. For example, a complaint might refer to the conduct of an official, the handling of tax affairs or the provision of services to taxpayers.

Taxpayers should be informed about when and how they can challenge tax administrations' decisions and actions, including their right to court or tribunal review where legal appeal rights exist.

Taxpayers should not challenge tax administrations' decisions or actions solely to delay or obstruct them in carrying out their duties.

3.4.1 Internal appeal process

Taxpayers can expect:

- to be encouraged to follow internal or appeal procedures before taking the matter to a court or tribunal
- their viewpoint and evidence to be carefully considered
- in only certain prescribed circumstances that an administrative appeal will postpone collection of the disputed amount of tax according to law
- to apply for reopening of proceedings according to law, in particular if new facts or evidence have come out, which could not be asserted in the completed procedure at the time.

Tax administrations will expect:

- taxpayers to engage constructively with the internal or administrative appeals process
- to be under no obligation to follow the internal appeal procedure where the appeal is evidently without merit.

3.4.2 Court or tribunal review

Taxpayers can expect:

- subject to national provisions, that a disagreement about the tax administration's decisions or actions should be appealable before an independent competent court that is able to judge the case on its merits
- their appeal or review rights to be explained to them
- tax administrations to make every effort to keep the Court procedure efficient and short.

Tax administrations will expect:

- taxpayers to comply with appeal procedures, including time requirements to do so
- taxpayers to make every effort to keep the Court procedure efficient and short.

3.4.3 Right to complain

Taxpayers can expect:

- to be able to make a complaint to the tax administration or another relevant complaint investigation body
- to have a dialogue with the tax administration or other relevant body about their complaint and to be listened to
- not to be treated differently for having complained
- for their complaint to be resolved objectively and in a timely manner
- any mistakes in taxpayers' affairs to be corrected as soon as possible.

Tax administrations will expect:

- taxpayers to understand that in most cases a complaint does not interfere with or postpone tax procedures, including collection
- taxpayers to be truthful and specific in making their complaint.

4 PROMOTING THE EXTENSION OF SOME BEST PRACTICES AND FURTHER IDEAS

Contrary to the previous parts of this European Taxpayers' Code, which gather best practices implemented in most of them, this part 4 focuses on some best practices that are implemented in some Member States and that could be considered for further exploration and development.

Indeed, further reflection could be carried out as regards possible next steps that could be usefully promoted for the future in order to facilitate compliance in tax matters.

Therefore, it is important for Member States to gain knowledge of the best practices or ideas implemented elsewhere, in order to be able to assess whether they could follow or develop such new practices or ideas. The following ideas and examples could provide a starting point for exploration by Member States.

4.1 Electronic administration and online services

Tax administrations aim to reduce taxpayers' compliance burdens by several means. In particular, more electronic services should be provided with a view to reducing the repeat data required from taxpayers and the unnecessary in-person contact, and to speeding up the process of compliance with tax obligations. A continuous development of electronic administration and online services will contribute to time and cost reductions for taxpayers in fulfilling their tax liabilities.

4.1.1 Electronic administration

Tax administrations should enhance their relations with other kind of public administrations or third parties (for example, financial institutions) with a view to obtaining an accurate and complete picture of taxpayers' situations. This should enable tax administrations to target tax controls better and ensure tax collection, taking into account rules of secrecy and data protection that are in place. For example, a regular communication of data between tax administrations and social security administrations would allow better cross-checking of information and would decrease the need for taxpayers' to give the same information twice.

4.1.2 Online services

In recent years, some Member States have developed online services for taxpayers that allow them to be in contact with their tax administrations for specific actions relating to their tax situation.

4.1.2.1 Tax declarations

In many Member States, tax declarations can be filed electronically to various extents. The method could be developed in all Member States as processing electronic declarations is faster and easier than using a paper-based approach.

For example, in *Austria* starting in 2003 all tax payers (employees, companies and municipalities) can access the online services "FinanzOnline" via the internet. There is no special Client-Software necessary. It is available 24 hours 7 days a week. Through online registration and login the electronic filing of tax returns (single online dialogue or XML-package) and various other applications (for example electronic assessment notice, online inquiry to tax-files and tax-accounts, online administration of personal data, instant online tax calculation) are possible.

The benefits for the Tax administration are enhanced quality of data due to online validity checks up front, reduced handling time due to elimination of postal delivery and manual intervention, significant risk analysis due to highly automated solution with risk management modules.

In particular, online services are a useful tool in validating or modifying tax declarations that are pre-filled with information stemming from various sources, including information from other kind of public administrations or third parties, such as financial, social and company information.

Some Member States have established “end-to-end processes”: electronic systems that allow automatic transfer of data from the accounting systems of businesses to the systems of the tax administrations. Such automatic transfer could significantly reduce the administrative burden of businesses who must comply with tax reporting obligations.

4.1.2.2 Payment of taxes

There have been many recent developments in the field of electronic payment methods available to taxpayers. For example:

The *United Kingdom* has established a *BillPay service* which offers the possibility to pay a range of taxes by credit or debit card. In addition, taxpayers can set up direct debits to collect single payments within a specific period. If taxpayers are up to date with their Self-Assessment payments, they can also set up a monthly or weekly Budget Payment plan to pay their taxes.

In 2012, *France* established a smartphone application («impots.gouv») for Android and iPhone. The application is free of charge for taxpayers. Taxpayers who do not have to make any changes to their prefilled tax declarations can send their validation by mobile phone. Furthermore, if the tax declaration includes a flash code, the application offers the possibility to pay the tax liability directly by smartphone. If this payment method is chosen, the amount will be debited from the taxpayers' bank account.

Since 2013, in *Estonia*, the income tax declaration can be submitted through smartphone application, similarly to France.

4.1.2.3 Certification

For taxpayers, being able to obtain details of their tax situation quickly is an asset.

For example, in *Spain*, it is possible to obtain a tax certificate online.

4.1.2.4 Tax account

In some Member States, taxpayers have a dedicated website where they can proceed to a number of tax activities with a secure login and password and where they can at any time obtain details of their personal tax situation and history.

For example, in *Denmark*, it is possible to send a tax declaration online; all tax operations can be performed through a website account accessible only to a given taxpayer with a login and a password. On the Danish website, there are videos that show, for example, how the taxpayer can use and check his tax assessment notice

online. A selection of the video files is also available in English and Swedish language.

In *Estonia*, the electronic service channel e-Tax/e-Customs was opened to taxpayers in 2000. Every taxpayer has a personal secured account in the e-Tax/e-Customs. After logging in, one can submit electronically all tax and customs declarations, monitor the tax accounting, pay taxes, communicate securely with tax administration and see all the information available at the tax administration concerning the taxpayer. New taxpayer services are constantly developed. The recent one was the electronic generation of certificates, e.g certificate on absence of tax arrears. Every taxpayer him/herself can generate and send the certificate as an official document to the e-mail address of the institution who needs the document, using a digital stamp of tax administration as a certification. Since January 2013, the notification system IRIS is in use that manages the taxpayer's tax arrears and tax return submission. The system sends out electronic (by e-mail or SMS) notifications about the taxpayer's coming and/or already arrived tax liabilities. In addition, IRIS allows to generate and deliver the administrative acts electronically. The act is sent to the taxpayer's mailbox in the e-Tax/eCustoms, at the same time notifying the taxpayer with e-mail or SMS about the delivered document.

In *Ireland*, Revenue is committed to providing a wide range of online services to business and personal taxpayers. Revenue Online Services (ROS) provides customers with a quick and secure facility to file tax declarations, pay tax liabilities and access their tax details. PAYE Anytime is the online service for employees to view and update personal information, declare additional income and claim tax credits.

In *Italy*, a wide range of online services to taxpayers are available to registered users. The *Cassetto Fiscale* (Tax Box) is an internet service that gives taxpayers the possibility to consult their fiscal data in complete security. By means of the *Cassetto Fiscale* citizens can consult the tax register having access to their information concerning, among others: their personal data and residence; the tax return submitted; payments; refunds of direct and indirect taxes; deeds of the register that concern them.

In *France*, there is a wide range of online services. Taxpayers can fulfill their tax return, pay taxes (corporate income tax, VAT, income tax, local taxes, etc.) and send a claim. The aim is to give rise to the same services as if taxpayers went to the premises of their tax center.

4.2 Using innovative approaches for better compliance

Ensuring better compliance in the payment of taxes implies that tax administrations use innovative ways of working with taxpayers to improve voluntary compliance, both as regards education and relationships, which can be, for example, based on a behavioural approach or on collaborative compliance.

4.2.1 Innovative education

Taxpayers should be able to understand clearly the importance of paying taxes for a better functioning of society as a whole, and this understanding should make them more willing to learn how the tax system functions in practical terms.

In order to pay the correct amount of tax on time, taxpayers should have a good knowledge of how the tax systems functions, when taxes are due and especially what is subject to taxation.

Because tax regulations can be complicated and it can be difficult to find and understand relevant information for taxpayers without any tax law background, tax administrations should find innovative ways to educate and inform taxpayers.

First, education has to be considered early in life and should be a continuous process.

For example, in *Austria*, the tax administration started an initiative with several schools and has developed an educational tax compliance program for young students in the 16 – 19 year old age range.

Both representatives of the tax administration together with the students will discuss about the voluntary tax compliance approach in the classroom. On the one hand the tax administration has the possibility to educate the young generation in tax related matters in general (for example “why people have to pay taxes and what will happen with the revenues” etc.); on the other hand the students and teachers can discuss specific tax situations with the representatives of the tax administration.

Second, tax administrations should conduct taxpayers' education programmes and keep up with opportunities to use modern media (for example, social networks) in order to assist taxpayers in meeting their current and future tax obligations. Seminars providing tailor-made information to a specific target group and cost-free online taxpayer education courses could be useful tools. Furthermore awareness campaigns could be a good means to draw attention to legislative changes, other new developments or issues that are identified as being important.

For example, in the *United Kingdom*, specific seminars are organised on the web (referred to as Webinars). These can be both live and pre-recorded and have been used to provide information to taxpayers on a range of issues such as getting started as an employer, understanding your responsibilities as a company director, and tax and retirement.

In *Italy*, the tax administration opened a YouTube channel (www.youtube.com/entrateinvideo) providing quick and easy to find information on issues of practical interest for taxpayers (tax compliance, services provided, news in the field of taxation). The videos focus on the most searched and clicked topics on the basis of breakout search terms on Google. One video addressed to foreign citizens (on how to obtain the tax identification number in Italy) was issued in two commonly used foreign languages (namely English and Spanish). Furthermore, in 2014 a Twitter channel (twitter.com/Agenzia_Entrate) was opened with a view to provide timely and clear information and updates on tax matters and deadlines. Both the YouTube and the Twitter channel are realized in-house with no extra costs for the tax administration.

In *France*, since the December 2012, the French tax administration has a Facebook page and a Twitter account. The aim of this involvement on social networks is to inform more broadly the individual and professional taxpayers, but also to promote the on-line services.

4.2.2 Behavioural approach

Taxpayers are responsible for their own actions, and the onus is on them to comply with tax requirements. Greater understanding of the behavioural drivers behind taxpayer compliance and non-compliance can help tax administrations adopt approaches that increase voluntary compliance as well as improving the effectiveness of action to tackle non-compliance.

For example, in the *United Kingdom*, a recent campaign was launched for electricians: sole trader electricians were sent a letter about voluntary disclosure and notices were placed in the press; following the window for voluntary disclosure, the United Kingdom tax administration undertook targeted investigations and compliance activity within that sector.

4.2.3 Enhanced relationships as a basis for cooperative compliance

In some Member States, relationships are based on a kind of contract between taxpayers and tax administrations, which imply that both partners know each other. In this approach, tax administrations and taxpayers both share a common objective of full compliance with tax laws. Taxpayers commit to handle their tax matters on their own initiative and pay their taxes on time and in full. In exchange, tax administrations are willing to consider offering tailored and appropriate procedures, through enhanced relationships programmes, to selected taxpayers.

Enhanced relationship programmes are not currently a common practice in the Member States. They could be considered to provide higher levels of compliance, to ensure guidance and to give greater clarity through effective consultation and dialogue. To qualify for the status, taxpayers should meet a number of criteria, which may vary from Member State to Member State. It should be tax administrations' right to determine who can join enhanced relationship programmes.

For example, *the Netherlands* have developed enhanced relationship programmes within their *Tax Control Framework*. The key elements of the Dutch enhanced relationship programmes, known as *horizontal monitoring*, are mutual trust, understanding and transparency. Tax administrations enter into a compliance agreement with taxpayers within the boundaries of tax law, which include agreements about the manner and intensiveness of monitoring and the way in which the parties work together. Dutch taxpayers benefit from improvements in their own compliance and control systems by bringing up their tax issues, scenarios and questions at an early stage. In return, Dutch tax administrations are ready to provide answers upfront and to adjust control models to implement a more open and responsive approach and to offer taxpayers a high level of certainty in their tax affairs.

In *France*, an experimental initiative, named *Relation de Confiance* (Enhanced Relationship) has been launched with 11 companies in order to enhance the communication and allow a better legal certainty between companies and French tax administration. This relationship is made formal by Protocols signed between the tax administration and the companies, and is based on principles such as transparency, availability, pragmatism and mutual trust. On the ground of the Protocol, the tax administration issues an annual opinion on the tax obligations and options of the company, provided that the company gives accurate and reliable information.

4.3 Availability of information in several languages and promotion of a commonly used language

The 2013 public consultation launched by the Commission on the experience of national taxpayers' codes or similar instruments and the possible content of a European Taxpayers' Code highlighted the importance of mitigating language barriers and ensuring a better understanding of taxpayers when communicating with the tax administrations of another Member State.

4.3.1 Promotion of a commonly-used foreign language

The availability of basic published information in a commonly used foreign language, generally in English, would be helpful not only for taxpayers, but also for the tax administrations of other Member States.

To some extent, specific or tailored published information could also be available in such a commonly used foreign language.

For example, in *Spain*, the national website contains specific information in English about immigrant workers.

In *France*, the website dedicated to taxes contains a presentation of French taxation in English.

4.3.2 Availability of information in several other languages

Several websites of national tax administrations already to some extent offer information in other languages than the official ones and the commonly used foreign language.

For example, in *Ireland*, not only Czech, German, Spanish, French, Lithuanian, Polish, Portuguese, Slovakian, Romanian and Bulgarian, but also Russian and Chinese are covered.

In *Sweden*, English, German, Spanish, French, Polish, Finnish, but also Arab, Persian, Russian, Serbian, Somali, Thai and Turkish are, to some extent, covered.

4.4 Greater transparency

Greater transparency should be pursued by both taxpayers and tax administrations.

4.4.1 On the side of taxpayers

Establishing transparency measures could encourage tax compliance and have a deterrent effect on non-compliant taxpayers, taking into consideration rules on secrecy and data protection.

In particular, increased transparency on the side of taxpayers could be achieved by incentive measures that make public that businesses/companies are paying their taxes. Tax administrations could also consider if increased public awareness of corporate tax decisions and actions would be a way to decrease tax fraud, tax evasion and tax avoidance. Increased transparency on tax decisions could indeed have a deterrent effect. For example, in other areas such as the environment, certificates are used to give consumers the possibility to buy goods from companies that share their social values and ethics.

In the tax area, for example in *Sweden*, information on taxes due (direct and indirect), on social contributions and other type of information is fully available: everybody can ask how much tax someone else has paid or is due to pay.

In *Finland*, there is an open database of businesses over the internet where one can see the taxed income and the amount of taxes to be paid.

4.4.2 On the side of tax administrations

The 2013 public consultation on a European Taxpayers' Code indicated that there are expectations as regards the efficiency of the relationship between taxpayers and tax administrations. Accountability of public administrations is of crucial importance, and tax administrations are no exception. Tax administrations should be available to answer questions about their activities through, for instance, the publication of statistics and periodical reports.

It is necessary that in each Member State, a system is in place in order to properly assess whether the tax administrations deliver their objectives in an efficient and effective way.

To that end, tax administrations could define and update key standards, such as efficiency, taking also into account international standards and benchmarks¹³.

As an example, in *Denmark*, measurement aspects are considered as good practice. They encompass some performance indicators related to taxpayers' satisfaction with the tax administration, the existence of an independent unit evaluating rule of law in the tax administration in addition to an independent Ombudsman appointed by the Parliament as well as an independent Tax Board with tasks in ruling on particular cases.

The *United Kingdom* published a study on international tax benchmarking covering areas such as cost and quality of call handling and elapsed time to resolve complex queries, in 2011¹⁴.

¹³ The main sources of information used for international standards and benchmarks are OECD and IMF comparative studies (eg OECD Comparative Information series – 44 countries), the EU fiscal blueprints developed for self-assessment of accession countries and the tax administration performance management tools developed by the World bank and the IMF (IAMTAX: Integrated Assessment Model for Tax Administration and TADAT: Tax Administration Diagnostic Assessment Tool) or by regional organizations (eg CIAT Inter-American Center of Tax Administrations benchmarking module).

Study to quantify and analyse the VAT Gap in the EU-27 Member States” published on TAXUD EUROPA web site. The study aims to understand the recent trends in the field of VAT collection better, by updating the VAT Gap estimates for 2000-2006 produced in the Reckon Report of 2009 and by providing estimates for the VAT Gap for the period 2007-2011).

http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/vat-gap.pdf

¹⁴ <http://www.hmrc.gov.uk/research/benchmarking.pdf>