

# Webinar: Update on Cooperative Compliance

## Introduction



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# Agenda

13:00 – 13:10	<b>Overview of the project</b> Jeffrey Owens, WU
<b>The Next Stages</b>	
13:10 – 13:40	<b>Developing an Assurance Standard for Tax Control Frameworks</b> Jonathan Leigh-Pemberton, WU Daniel Dallhammer, WU Irene Burgers, University of Groningen
13:40 – 14:10	<b>Developing a Multilateral approach to Cooperative Compliance</b> Timoleon Christodoulopoulos, WU Rachel Craig, Anglo American
14:10 – 14:25	<b>Measuring the Cost and Benefits of these Programs</b> Kirsti Piiskoppel, Verohallinto Finland
14:25 – 14:30	<b>Concluding remarks</b>

# Webinar: Update on Cooperative Compliance

## Developing an Assurance Standard for Tax Control Frameworks



Irene Burgers  
Jonathan Leigh Pemberton  
Daniel Dallhammer



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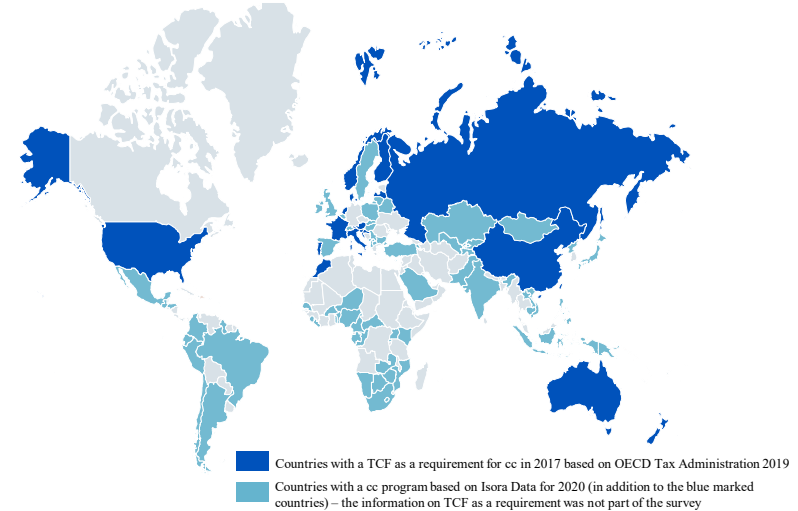


# A changing tax compliance environment

**Co-operative compliance** = collaborative trust-based relationship between tax authority and taxpayer as a contrast to traditional ex-post audits.

**Tax Control Frameworks** are an essential foundation of co-operative compliance.

Cooperative Compliance Countries



Based on CIAT, IMF, IOTA, OECD (2022), International Survey on Revenue Administration: 2020 and 2021 & OECD Tax Administration 2019



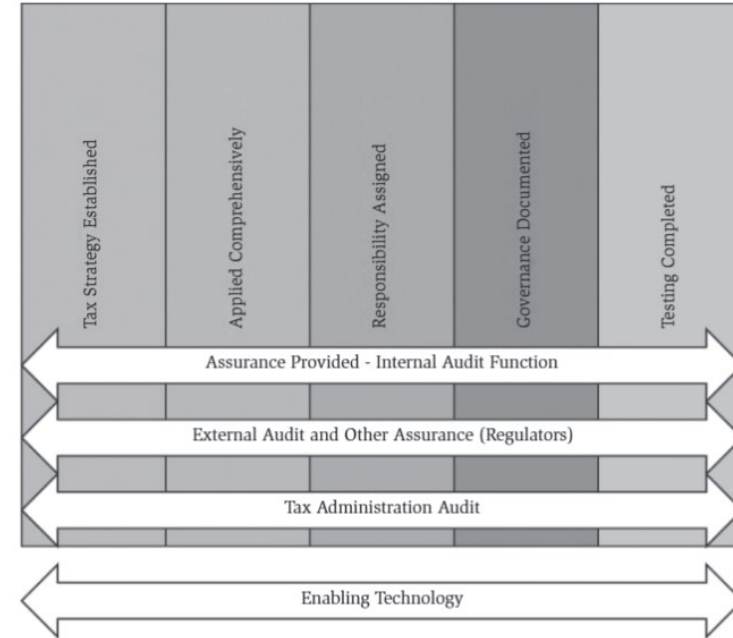
# Tax Control Frameworks

The **Tax Control Framework** is the part of the system of internal control that assures the accuracy and completeness of the tax returns and disclosures made by an enterprise. The TCF is seen as the key tool for disclosure and transparency between the tax administration and taxpayer. (OECD 2013 & 2016)

- In 2021 the **cooperative compliance handbook**\* a **research gap** was identified in relation to an assurance standard for the TCF and the harmonisation of TCF requirements across countries.
- **Statutory law** instruments could be complemented by **guidelines** for the taxpayer and internal guidance/procedures for the tax administration. **Taxpayer rights** should be protected at a statutory level

## Project Objectives:

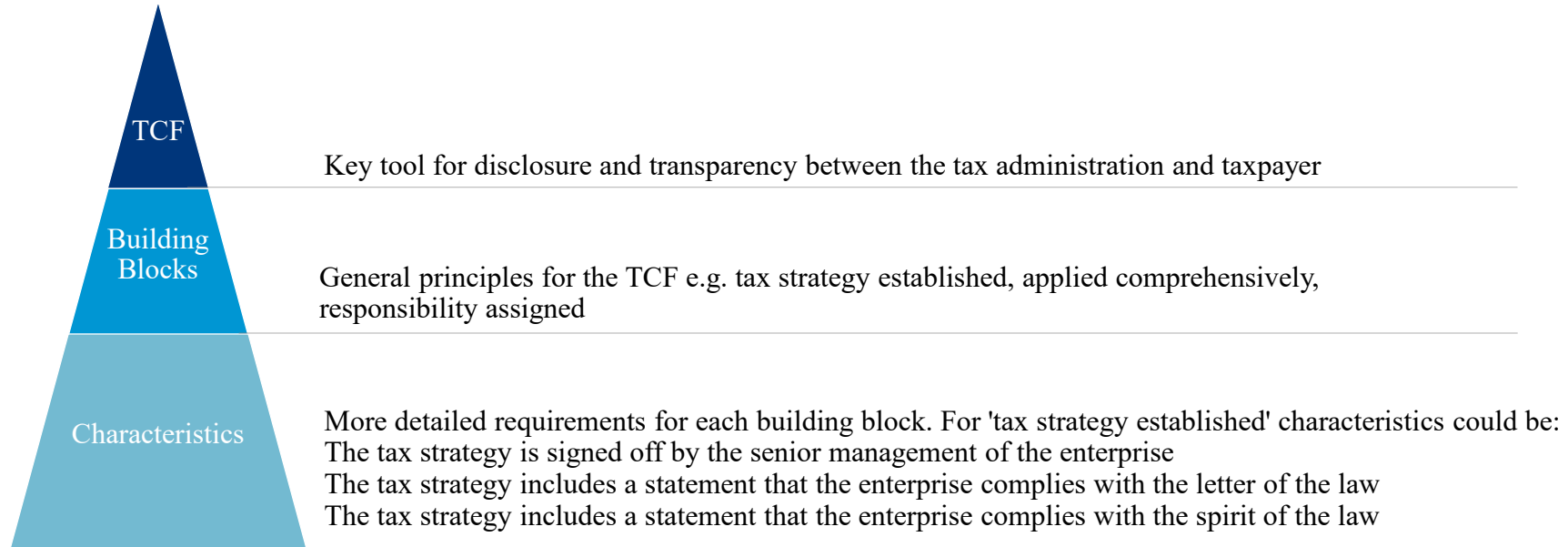
1. Provide guidance on the content, requirements and assurance of TCF
2. Develop a framework on which common assurance standards can be built and relied upon by tax administrations, external assurance providers and taxpayers alike.



# Assurance for tax control frameworks

- The **aim** is to develop guidance and a framework for obtaining assurance on a TCF so that tax administrations, taxpayers and society can be assured that a TCF can be relied upon to produce complete and accurate tax returns and disclosures.
- The **framework** needs to be sufficiently specific to guide the parties' assurance activities in an effective and consistent manner, while being able to respond to the heterogeneity of companies (sectors, geography and structure).
- As a basis for the guidance different **international** (e.g. OECD, ISO, COSO) and **domestic standards** are analyzed and compared. This includes assurance standards as well as reporting standards (e.g. GRI, ESG) for financial and non-financial information.
- The guidance will include information on the level of assurance (limited, reasonable), the subject matter and its boundaries, how evidence can be obtained and what an assurance report might look like.

# TCF characteristics



The **purpose** of the TCF characteristics is not to define a 'one size fits all' approach, but to provide a degree of precision, comparability and harmonisation.

# Maturity Model

- Develop a maturity model to help taxpayers self-assess the current level of their tax control framework based on defined attributes.
- The establishment of different levels and descriptors of maturity can be used to achieve a common understanding of the type of changes that would be likely to enable a higher level of maturity to be achieved over time.
- Based on the OECD Enterprise Risk Management Maturity Model as well as the TCF building blocks and characteristics.

Maturity Level \ Attributes	Emerging	Progressing	Established	Leading	Aspirational
Strategy					
Risk Analysis					
Control					
...					



# Next steps in the project

## 1. Initial survey with tax administrations and taxpayers

- Gain a better understanding of the current status of TCFs in different countries
- Identify characteristics for the TCF (as a basis for assessing the characteristics in a follow-up survey)
- Identify current regulations and best practices for TCF assurance

## 2. Interviews and survey to evaluate TCF characteristics

- Discuss identified key issues in detail
- Evaluate a set of predefined TCF characteristics

## 3. Develop and publish guidance

- Based on the survey results and the project team's research
- Guidance will include assurance guidance, characteristics and a maturity model
- Extension of the Cooperative Compliance Handbook



Until October  
2023

Until February  
2024

Until June  
2024

Presentation of first results at the cooperative compliance conference on October 23-24, 2023



# Webinar: Update on Cooperative Compliance

## Developing a Multilateral approach to Cooperative Compliance

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UNIVERSITY OF  
ECONOMICS  
AND BUSINESS**

Rachel Craig

Timoleon Angelos Christodouloupoulos



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# Elaborating on a solution

**Policy Aim** → Develop an effective cross-border tax certainty instrument



**Time-period or Project-based Multilateral Cooperative Compliance?**

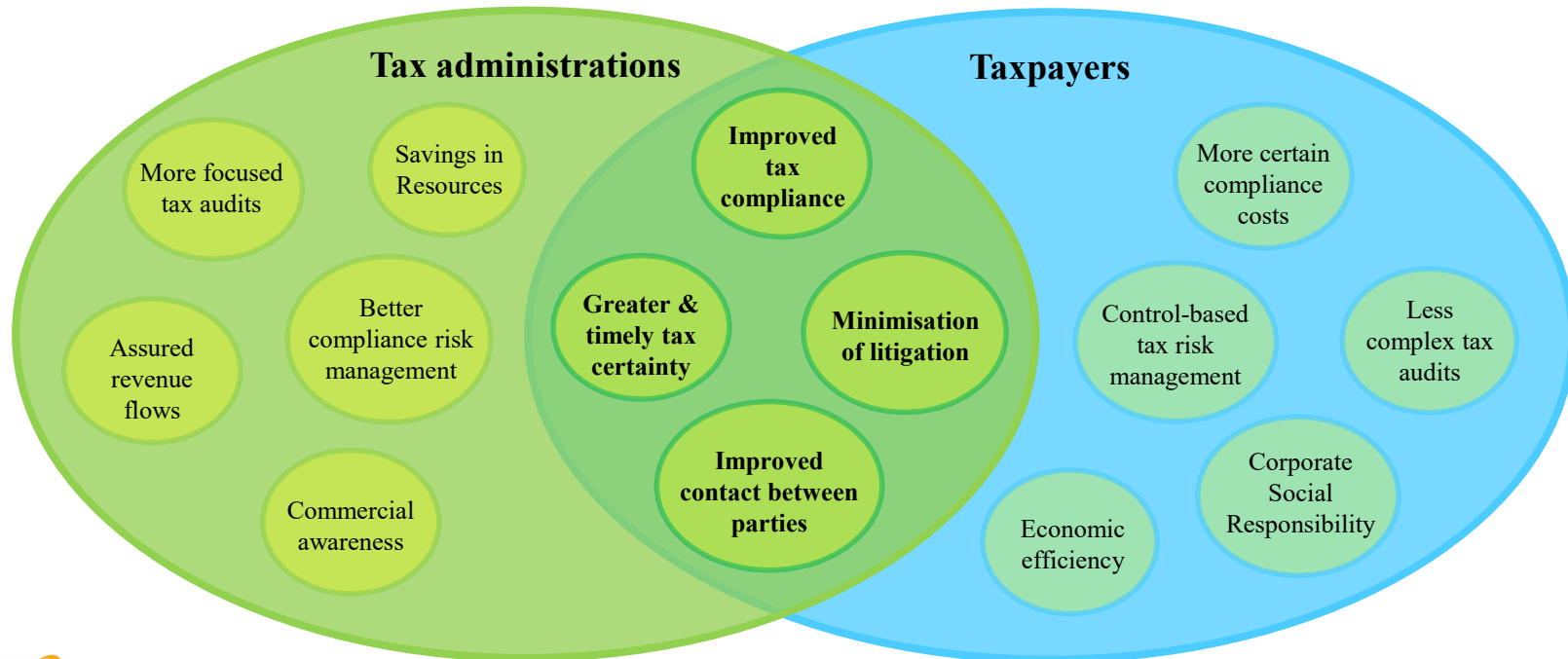
## Tax certainty for large- and potentially medium-size projects



### Examples

- Gas pipeline across multiple countries
- Cross-border restructurings involving multiple jurisdictions
- Railway from China to France

## Drivers for an MCC programme



## Relevant Considerations

- **Key concepts:** Transparency, Disclosure, Communication
- **Tax implications covered:**
  - Tax implications upon the execution / setting-up phase
  - Tax implications during subsequent operation / ongoing phase
- **Taxes covered:**
  - All taxes: CIT, VAT/GST, Payroll taxes, Customs Duties, WHT, Special levies
- **Legal Basis:** Administrative rules? Domestic legal instrument? Double taxation convention?
- **Eligibility:** MNEs and tax administrations
- **Criteria for entry:** National CC programme necessary – Turnover? Economic footprint?
- **Extent of tax certainty:** Facts and circumstances? Desired outcome?

# Survey to stakeholders across the globe

## Our goals

- Enable governments and MNEs to understand the positive aspects of Cooperative Compliance
- Encourage them to consider introducing / participating in Cooperative Compliance Programmes
- Explore the potential for the development of a Multilateral Cooperative Compliance Framework

## Our approach

- Understanding the perspectives and needs of tax administrations and MNEs
- Understanding the mechanics of existing national cooperation programmes and instruments
- Highlight the positive and desired characteristics of cooperation experience
- Identify shortcomings and negative aspects of cooperation experience
- Draw from the experience of countries in multilateral instruments (e.g. APAs or ICAP)

## Guidance on the designing of MCC programmes

1. Launching of the survey – Mid April 2023
2. Analysis of participants' answers – June 2023
3. Multilateral Cooperative Compliance Conference – October 2023
4. Preparation of guidance on how to design and introduce an MCC programme



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## Measuring the costs and benefits of Co-operative Compliance

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Kirsti Piiskoppel

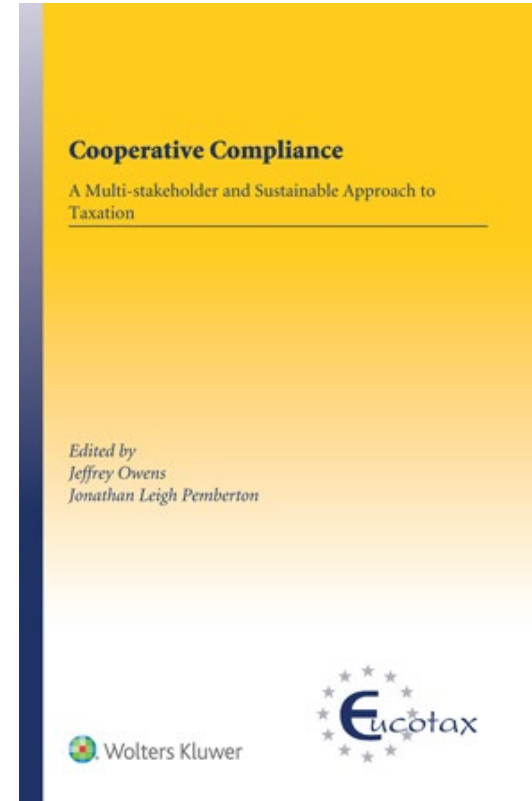


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# Quick recap on the matter

- Evaluation of the CC framework is based on performance indicators
- Includes both quantitative and qualitative measures covering:
  - Tax compliance / tax risk
  - Legal certainty
  - Tax risk management of the taxpayer
  - Costs (compliance/tax collection)
  - Trust & relationship
  - Satisfaction



# Looking forward

- Aim is to continue with the topic of costs and benefits & update the Chapter 5
  - Project group already established
  
- What is needed to move forward
  - Feedback from countries that have implemented and/or tested the measuring methods established
  - Analyze information received from the TCF&MCC survey as the survey touches the topic of costs and benefits
  - Other?
  
- Reporting back on country experiences at October 2023 meeting

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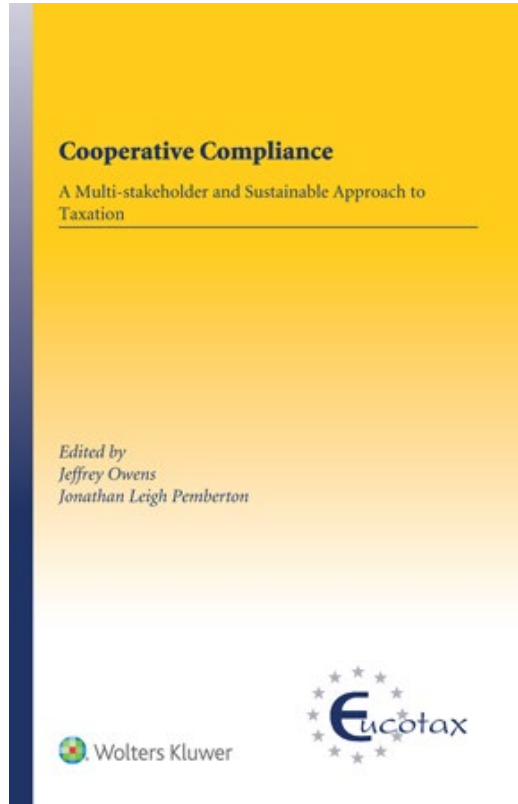
## Concluding remarks



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# Concluding remarks



Next event:

- October 23-24, 2023: Conference on Cooperative Compliance – Providing Greater Certainty to Tax Administrations and Business

If you wish to join the Working Groups, please contact Ms. Daniela Ende at [daniela.ende@wu.ac.at](mailto:daniela.ende@wu.ac.at)

# Call for survey participants



If you are interested in participating in initial survey and/or in the evaluation of TCF characteristics, please send an email to:

[daniela.ende@wu.ac.at](mailto:daniela.ende@wu.ac.at)

[daniel.simon.dallhammer@s.wu.ac.at](mailto:daniel.simon.dallhammer@s.wu.ac.at)

[timoleon.christodoulopoulos@wu.ac.at](mailto:timoleon.christodoulopoulos@wu.ac.at)