# Diagnosing the VAT Compliance Burden: A Cross-Country Assessment

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## 1. Introduction and Background

This paper sets out the findings of an extended study designed to test a diagnostic tool that has been developed for use in comparative cross-country assessments of the VAT compliance burden and its main drivers. It is based on data gathered from surveys conducted in the 47 member countries of the Forum on Tax Administration (FTA) that administer a Value Added Tax (VAT) or Goods and Services Tax (GST) regime.[2]

Over the decades, a variety of approaches have been used to gauge the size, nature and drivers of the burden imposed on businesses and others in complying with their tax obligations. In early research efforts, surveys—postal surveys of a random selection of businesses—were frequently the main source of data designed to estimate the levels of tax compliance costs. However, such surveys require considerable time and effort and the results are not always conclusive given the heavy reliance on subjective inputs such as time or cost estimates and the low response rates sometimes achieved. As a result, more recent efforts to better understand the burden of tax regulations have entailed the use of other methodologies, in particular employing the *'Standard Cost Model'*[3] which is used fairly widely across Europe and the World Bank's '*Doing Business (DB)'* series covering 190 countries in 2018. While

[1] The authors of this paper would like to acknowledge and thank the in-country and international KPMG staff who contributed so significantly to the compilation and collation of the information in this paper, together with the business, professional and public administration colleagues whom they consulted in the process. They would also like to acknowledge the help and insights provided by academic colleagues, and particularly Rick Krever (University of Western Australia) and Antony Ting (University of Sydney), in completing the study, and to thank Amanda Uppal for her administrative assistance in the conduct of the country survey.

[2] Henceforward the paper will use the term VAT to cover both the VAT and the GST. The 47 member countries are detailed in Section 2 of this paper.

[3] Development and use of the standard cost model is overseen by the Standard Cost Model Network. Its use is not restricted to measuring tax compliance burdens and it is widely used for measuring administrative burdens generally.

these methodologies have a number of useful features and their own distinct working objectives, they also present their own set of conceptual and practical limitations.[4]

In 2012, officials at the Organisation for Economic Cooperation and Development (OECD) Centre on Tax Policy and Administration (including two researchers now associated with this project) commenced exploratory work to develop an alternative methodology.[5] Initial thinking about assessing the tax compliance burden associated with VAT systems suggested that it should be possible to develop a diagnostic tool that identifies the main factors that drive taxpayers' compliance costs, to identify a robust set of 'compliance burden indicators' that could be applied reasonably objectively for each factor, and to derive a method of scoring and possible weightings that reflect their perceived contribution to the overall VAT compliance burden. It was envisaged that applied systematically and regularly at the individual country level, the tool could potentially provide insights as to whether progress was being made in an overall sense to reduce taxpayers' compliance burden and to identify those areas of tax system design and administration that require attention from a burden reduction perspective.

An additional consideration concerned the potential to undertake and publish large scale cross-country comparisons, given the attraction of using such comparisons to encourage 'poor performers' to give greater attention to addressing the compliance burden of their tax systems. Under this scenario, a large number of countries would be able to make comparisons between their tax systems and assess the likely impact of the policy and operational choices they make on compliance costs. The set of indicators would show how a country 'scores' against a comprehensive range of predetermined factors (and related largely objective indicators) that reflect important elements of tax compliance burden/costs (i.e. activities related to time and effort required to comply with tax obligations and offsets and detriments related to the 'time value of money'). If it was possible to identify an appropriate weighting for each of the indicators, then that could be used to arrive at an aggregate, overall 'score' for the compliance burden of the tax in each country, which could be the basis for more meaningful comparisons than can be made using the indicators currently available.

The OECD did not continue with its original work as a result of other, more pressing, commitments (and in particular the Base Erosion Profit Shifting (BEPS) project). In mid-2015, tax academics at UNSW Sydney agreed that the idea of the diagnostic tool, initially focussing on the VAT compliance burden and building on the earlier OECD work, warranted further exploration. To this end, preliminary expressions of interest in advancing this new work were sought in 2016 from a cross-section of academics around the world and a formal pilot study involving 13 diverse countries[6] was launched in early 2017.

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[4] See Highfield R, Walpole M and Evans C, 2017, 'A proposal for the development and testing of a diagnostic tool for assessing VAT compliance costs', *International VAT Monitor*, vol 28, no 3, pp 228-239 for details of these limitations.

[5] This initial work was led by Richard Highfield working with Jonathan Leigh Pemberton and Piet Battiau, all OECD officials, and further assisted by Michael Walpole (UNSW Sydney) during his secondment to the Centre. It included discussions with selected country tax officials and representatives of the European Commission and business sector that were associated with the OECD's Committee on Fiscal Affairs' Working Party 9 (Consumption Taxes).

[6] The participating countries were Australia, Canada, Chile, Croatia, Egypt, Ethiopia, Greece, Indonesia, Malaysia, New Zealand, South Africa, United Kingdom, and Vietnam.

A preliminary report of the pilot study was released in early 2018 and detailed the findings, conclusions and recommendations for further refinement of the diagnostic tool. Survey participants were asked to provide feedback on the VAT diagnostic tool and related processes following the release of the report. The findings of the study broadly aligned with expectations and participants were generally of the view that the tool had merit in assessing the likely relative VAT compliance burden and its main drivers.[7]

A workshop was also held in Sydney on 3-4 April 2018 where project participants and representatives of KPMG Global (KPMG) discussed the broader project, potential areas for enhancement, and extension of the diagnostic tool concept to other business taxes. Their feedback informed further refinement of the VAT diagnostic tool, including an increase in the total number of indicators from 21 to 27, and it was agreed that further testing should be a priority objective.

Following the April 2018 workshop in Sydney, the tax academics from UNSW Sydney discussed with representatives of KPMG the feasibility of participating with them on an extended VAT compliance burden project, acknowledging KPMG's significant global presence in over 150 countries. Under the model of participation envisaged, KPMG would assist at the individual country level, using its local network to engage with relevant government bodies, representatives of business and the accounting profession, and academic institutions to gather the information required to complete the diagnostic tool's rating and evaluation form.

With KPMG's agreement to participate, UNSW Sydney decided in mid-2018 to commence planning for a second round of research, targeting the 47 member-countries of the OECD's Forum on Tax Administration (FTA) that administer a VAT system of taxation.

This paper details the outcomes of the survey of the 47 member countries of the FTA. Section 2 explains the methodology involved, including design of the diagnostic tool and details of how the surveys were administered. Section 3 contains a preliminary analysis of the survey responses and in Section 4 further analysis is undertaken to identify key features of the VAT compliance burden and its relationship to variables that may have an impact upon that burden.

# 2. Methodology

## 2.1 Design of the VAT diagnostic tool

Analysis of the literature together with the early OECD work and the conduct of the 13 country pilot study suggested that the design of the diagnostic tool should be based on four factors that are perceived to be the main drivers of the aggregate VAT compliance burden at the individual country level. These are:

a) **Factor A**: Tax law complexity and burden resulting from core elements of VAT policy;
b) **Factor B:** The number and frequency of administrative requirements to comply;
c) **Factor C**: Revenue body capabilities in meeting taxpayers' service and compliance needs;
d) **Factor D:** Monetary costs and benefits associated with the act of complying.

[7] See Highfield R, Evans C and Walpole M, 2019, 'The development and testing of a diagnostic tool for assessing VAT compliance costs: pilot study findings', *eJournal of Tax Research*, vol 16, no 3.

A comprehensive set of compliance burden indicators (27 in total) was developed and categorised under **Factors A – D** (see Table 1 and the accompanying 'Rating and Evaluation Form' at Appendix 1).

**Table 1. Summary of Compliance Burden Factors and Indicators**

| **FACTOR A: TAX LAW COMPLEXITY AND BURDEN RESULTING FROM CORE ELEMENTS OF VAT POLICY** | |
|---|---|
| **Compliance Burden Indicators** | **Range** |
| The VAT rate structure | 1-4 |
| The scale (i.e. revenue impact) of reduced rates and exemptions | 1-4 |
| The use of cash records by specified small businesses to calculate the VAT liabilities | 1-4 |
| Use of rules for prescribed industries that simplify calculations of VAT liabilities | 1-4 |
| VAT registration requirements | 1-8 |
| Optionality (i.e. the availability of optional regimes to small businesses) | 1-4 |
| **Total unweighted score range** | 6-28 |
| **FACTOR B: NUMBER & FREQUENCY OF ADMINISTRATIVE REQUIREMENTS TO COMPLY** | |
| **Compliance Burden Indicators** | **Range** |
| Electronic VAT registration | 1-4 |
| Staggered VAT payments for small businesses | 1-3 |
| Staggered return filing periods | 1-3 |
| Information requirements of typical VAT return form | 1-4 |
| Documentation requirements for exported goods and services | 1-4 |
| Other reporting requirements in addition to the VAT return | 1-4 |
| Use of electronic VAT invoices between businesses | 1-4 |
| Invoice reporting requirements to revenue body | 1-3 |
| Record retention periods | 1-3 |
| Number of VAT verification actions | 1-3 |
| Level of disputed VAT assessments | 1-3 |
| **Total unweighted score range** | 11-38 |
| **FACTOR C: REVENUE BODY CAPABILITIES IN MEETING TAXPAYERS' SERVICE & COMPLIANCE NEEDS** | |
| **Compliance Burden Indicators** | **Range** |
| The revenue body's website | 1-3 |
| The revenue body's phone enquiry service | 1-4 |
| Support for newly registered businesses | 1-4 |
| The revenue body's online tax payment facilities | 1-4 |
| The revenue body's VAT on-line return filing service | 1-4 |
| Quality of the revenue body's on-line transaction services | 1-4 |
| The revenue body's refunding of excess VAT payments | 1-4 |
| The revenue body's private rulings service | 1-3 |
| **Total unweighted score range** | 8-30 |
| **FACTOR D: MONETARY COSTS/ BENEFITS ASSOCIATED WITH THE ACT OF COMPLYING** | |
| **Compliance Burden Indicators** | **Range** |
| The payment of interest on delayed refunds | 1-4 |
| Aggregate value of annual VAT refunds | 1-5 |
| **Total unweighted score range** | 2-9 |
| **Aggregate unweighted score range (all factors)** | 27-105 |

These indicators are largely objective and aim to maintain the consistency of the final weighted scores used for cross-country comparisons. In brief:

- **Factor A** is associated with the perceived degree of complexity and compliance burden resulting from core elements of the VAT policy framework (e.g. the VAT rate structure, the availability of simplified methods for determining VAT liabilities, and the VAT registration threshold). The set of core elements and associated indicators (six in total) have been selected on the basis of previous studies suggesting they have a direct impact on compliance costs.
- **Factor B** is associated with administrative obligations and events arising under the VAT law (e.g. registration, filing, payment, record-keeping, audits, disputes) and the burden these impose on business. There are 11 indicators for this factor.
- **Factor C** is assigned eight indicators that provide more insight into how each country's revenue body operates in the context of helping taxpayers comply with their obligations. The indicators relate to the nature and quality of specific services of the revenue body (e.g. the comprehensiveness of its website, the quality of its phone enquiry service, the ability to provide timely VAT refunds). Theoretically, the provision of such services reduces tax law complexity and thus, compliance burdens.
- **Factor D** is allocated two indicators that explore aspects of the monetary costs and benefits involved in complying with VAT laws. These indicators deal with the aggregate value of annual VAT refunds and provisions for the payment of interest to taxpayers for delayed refunds.

It was acknowledged at the outset of the project that the four factors would impact unevenly in a compliance burden context and that, as a result, some form of scoring and weighting would be needed for the prototype diagnostic tool. The development of a total weighted score was seen as a prerequisite to the derivation of a composite indicator that could be used to allocate participating countries into groupings of relative VAT compliance burden. Details of the approach taken to the formulation of weightings is set out in Appendix 2.

There are features of the VAT Diagnostic Tool that are similar to features in other instruments designed to measure or evaluate aspects of tax administration and the tax compliance burden. For example, the PwC *Paying Taxes* index (which is part of the World Bank *DB* series) incorporates a measure of the number of hours of taxpayer effort required to prepare and submit an application for a VAT refund and respond to any inquiries; and the IMF's *Tax Administration Diagnostic Assessment Tool (TADAT)* includes (at P8.24 of the Field Guide) an evaluation of the adequacy of the VAT refund system and the time taken to pay (or offset) VAT refunds. *TADAT* also includes (at P5.14 of the Field Guide) a measure of the timeliness of payments, which incorporates the number and value of VAT payments made by the statutory due date as a percentage of the total number and value of VAT payments due, respectively. All of these features are also contained in the VAT Diagnostic Tool. The various tools are not, however, substitutes for each other; rather they are complementary – each has differing objectives. Some overlap is inevitable, but their differing objectives mean that they cannot be directly compared one with another but can be useful complements to each other.

## 2.2 Administration of the survey

### *Countries Targeted*

The countries targeted for engagement in the extended study were those member countries of the FTA that administer a VAT system of taxation — some 47 countries as of August 2018 (see Table 2).[8] [9] These countries provide a broad level of global representation, covering all continents and reflect a fair mix of advanced and developing economies.

**Table 2. FTA Member Countries with a VAT System of Indirect Taxation**

| | | | | |
|---|---|---|---|---|
| Argentina | Denmark | Ireland | Netherlands | Slovenia |
| Australia | Estonia | Israel | New Zealand | South Africa |
| Austria | Finland | Italy | Norway | Spain |
| Belgium | France | Japan | Peru | Sweden |
| Brazil | Germany | Kenya | Poland | Switzerland |
| Canada | Greece | Korea | Portugal | Turkey |
| Chile | Hungary | Latvia | PRC (China) | United Kingdom |
| Colombia | Iceland | Lithuania | Russian Fed. | |
| Costa Rica | India | Luxembourg | Singapore | |
| Czech Rep. | Indonesia | Mexico | Slovakia | |

With the inclusion of Brazil, the question arose as to which system of indirect taxation should be included—the federally-administered tax on industrialised products (IPI) and/or the state-administered tax on circulation of goods and transportation and communication services (ICMS).[10] The OECD classifies each tax as a 'value added tax'.[11] It was decided, in the end, to include both taxes in the data gathering process, with the respective information and ratings to be recorded separately in relevant survey tabulations.

### *Project timelines and milestones*

Planning for the project commenced in July 2018 and the project was formally launched in early August 2018 with the objective of having a draft interim report prepared by February 2019. The draft interim report was completed on time and disseminated to all key stakeholders for validation/feedback and a final report was prepared and finalised in early June 2019. This paper is based upon that final report and represents the culmination of work to conclude this extended study of the VAT diagnostic tool.

[8] FTA member countries excluded from the participation in the second pilot study were Hong Kong (SAR) and the United States, neither of which impose a VAT, and Malaysia which repealed legislation for its VAT system in 2018 and reverted to the Sales Tax that existed up to 2015.

[9] The European Commission, representing the European Union (EU), participates in the work of the OECD, including the FTA, as an effective full member in accordance with the Supplementary Protocol to the OECD Convention.

[10] In Brazil, these two taxes are known as *imposto sobre produtos industrializados* (IPI) and the *imposto sobre operações relativas à circulação de mercadorias e serviços de transporte interestadual de intermunicipal e de comunicações (ICMS).*

[11] OECD, 2018, Revenue Statistics in Latin America and the Caribbean, 1995-2016. Page 178.

***Completion of the diagnostic tool's rating and evaluation form***

Each of the 27 compliance burden indicators requires a single rating on the project's 'Rating and Evaluation Form' (Appendix 1). There is provision for any qualifying/elaborating comments to be made by researchers if deemed necessary and helpful for research purposes. The relevant fiscal year for rating purposes for this round of research is 2017.
While some of the indicators can be determined independently by country researchers using published materials, a number require data and insights that are held only by government agencies, in particular the tax administration body and/or ministry of finance (MOF), and/or representatives of business and the tax/accounting profession. Guidance was provided on suggested data sources for each of the 27 compliance burden indicators.

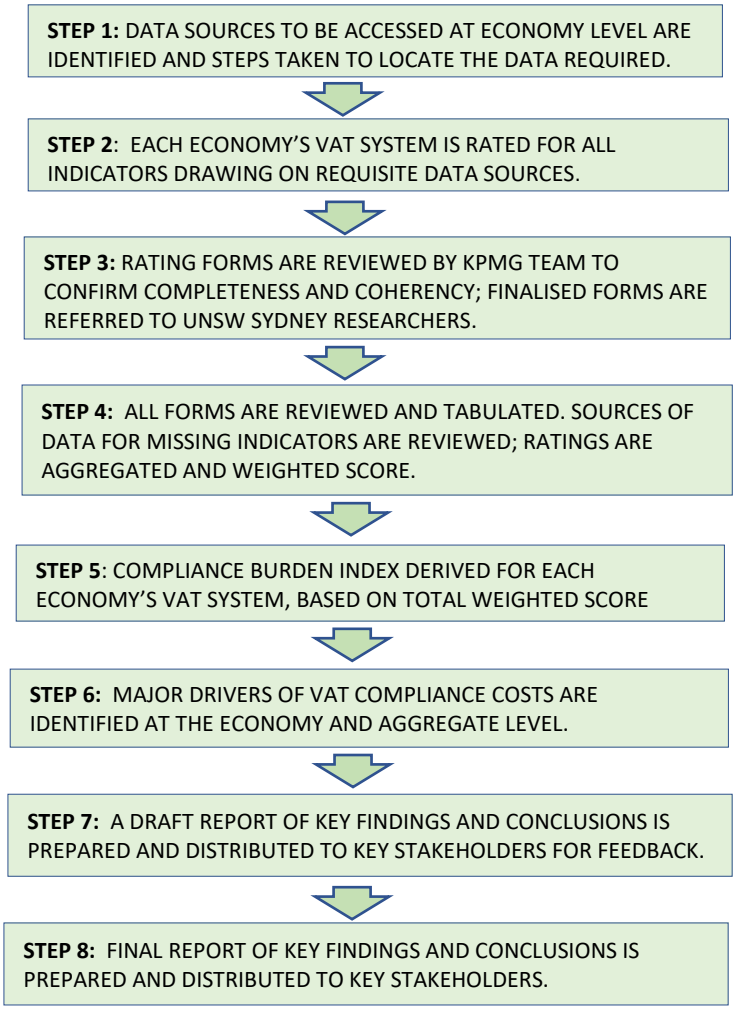
The 'Rating and Evaluation Form' also seeks to gather a limited amount of information concerning the degree of government and institutional recognition and attention being given to address the tax compliance burden of the VAT and other taxes. There are six statements that require an indication of whether certain policies and processes are in place, with just a simple 'Yes/No' response required. Information required to respond to these statements is likely to be found in official government, MOF and/or revenue body documents (e.g. annual budget statements and revenue body plans).

## *The Role of KPMG*

To carry out the preliminary research required, staff of KPMG member firms in each country undertook a range of enquiries needed to complete the diagnostic tool's 'Rating and Evaluation' form in respect of the country's VAT system. In the relatively short time available, KPMG country-based staff were required to research relevant publicly-available materials and liaise, to the extent practicable, with relevant government authorities, academics and professional bodies for completion of the survey.

For the extended study, each participating country's VAT system was rated against the 27 indicators and ultimately assigned a final normalised weighted score. Each score was then converted into a 'compliance burden index' applying a 10-point scale, with an index rating of 1 reflecting a VAT system with a very low/minimal compliance burden while a rating of 10 is indicative of a VAT system with a very significant burden (refer Table 13 in Appendix 2). The overall process followed for testing use of the diagnostic tool is depicted in Figure 1.

**Figure 1. Use of the VAT diagnostic tool to assess VAT compliance burden**




## 3. Survey Responses

Completed survey forms were received for all 47 countries comprising the targeted population of countries. In a few instances that are highlighted in survey tabulations, it was not possible to locate data or form a judgment as to an appropriate value for a specific indicator. For these situations, the researchers decided to adopt a 'default value' indicator that would be set at the mid-point of the indicator range value. It was also decided that if the survey response for any country included more than five 'default value' indicators the country would be excluded from the study's findings. No countries fell into this category.

### Factor A – Tax Law Complexity and Burden Resulting from Core Elements of VAT Policy

Country ratings for this factor are set out in Table 14 in Appendix 3, while brief comments for each of the six indicators are set out hereunder.

### *1) The VAT Rate Structure*

This indicator is derived by taking account of the number of reduced rates that comprise the VAT rate structure (discounting any 'zero' rate for exports). Prior research, including the pilot study of 13 countries, had indicated that the greater the number of rates in a VAT regime, the greater the likely complexity of that regime and hence the higher the potential compliance burden.

Approximately three quarters of the surveyed countries had a rate structure with two or more reduced rates in 2017 including, in some cases, a zero rate for supplies other than exports of goods and services, with over a third found to have three or more reduced rates. Countries in this latter category were predominantly in Europe and included Austria, Belgium, France, Hungary, Ireland, Luxembourg, Norway, Sweden, and Switzerland, as well as Argentina. Countries with only one or two rates included Australia, Canada, Chile, Denmark, Indonesia, Japan, Korea, Peru and Singapore.

### *2) The Scale (i.e. Revenue Impact) of Reduced Rates and Exemptions*

The existence of additional rates of VAT beyond the standard rate, in addition to exempt products and services, adds to the complexity of the VAT system and the compliance burden of businesses.[12] [13] This indicator is derived by taking account of the estimated revenue impact of reduced rates and exemptions as a proportion of the overall theoretical VAT base.

The survey responses for just under half of surveyed countries indicate a revenue impact of reduced rates and exemptions exceeding 20 percent of the estimated tax base.

### *3) The Use of Cash Records by Specified Small Businesses to Calculate VAT Liabilities*

This indicator is derived by taking account of the availability of the 'cash basis of accounting' for calculating VAT liabilities and, if applicable, the estimated extent of its use. The assumption underpinning this indicator – suggested by prior research[14] – is that the existence of a cash basis of accounting will lead to lower compliance costs for those businesses able to access it.[15]

Many countries rated low on this indicator, with just under two-thirds reporting that either use of the cash basis for calculating VAT liabilities was generally not permitted in 2017 or, where its use was permitted, that actual usage was likely to have accounted for less than 25 percent of the registered VAT population. On the other hand, there were nine countries (i.e. Australia, Brazil (Federal), Germany, Ireland, Israel, Mexico, New Zealand, South Africa, and Switzerland) where use of the cash basis is permitted and was estimated to be used by the majority of small businesses.

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[12] Smulders S and Evans C, 2017, 'Mitigating VAT compliance costs – a developing country perspective', *Australian Tax Forum*, vol 32, no 2, pp. 283-316.

[13] A recent study on tax compliance burdens undertaken by KPMG for the European Agency for Small and Medium Enterprises (EASME) confirmed that multiple VAT rates are a burden on business. https://publications.europa.eu/de/publication-detail/-/publication/0ed32649-fe8e-11e8-a96d-01aa75ed71a1/language-en/format-PDF/source-85473347

[14] Smulders S and Evans C, 2017, 'Mitigating VAT compliance costs – a developing country perspective', *Australian Tax Forum*, vol 32, no 2, pp. 283-316.

[15] According to the European Commission, the great majority of EU countries allow cash accounting for VAT. https://ec.europa.eu/taxation_customs/sites/taxation/files/18012018_impactassessment_vat_smes_en.pdf

### *4) Use of Rules for Prescribed Industries that Simplify the Calculation of VAT Liabilities*

This indicator is derived by taking account of the availability to taxpayers in prescribed industries of simplified rules for calculating VAT liabilities and (if applicable) the estimated extent of their usage. The assumption underpinning this indicator is that the existence of a simplified rule for prescribed industries will lead to lower compliance costs for those businesses able to access it.[16]

Most countries rated low on this indicator, with approximately two thirds reporting either an absence of rules for prescribed industries in 2017 or, where such rules existed, their usage was likely to have accounted for less than 25 percent of the registered VAT population. There were only four countries (i.e. Denmark, Ireland, Italy and Lithuania) where such rules were in place in 2017 and estimated to have been used by the majority of registered taxpayers.

### *5) VAT Registration Requirements*

This indicator is derived by taking account of the number of businesses registered for VAT administration purposes and calculating the proportion this represents of the total population of businesses.

Determination of a rating for this indicator was a complicated issue for quite a number of countries in the absence of contemporary data on the number of businesses registered with the revenue body for VAT purposes and difficulties in identifying an official or widely-recognised estimate of size of the business population. Concerning the former, for some countries assistance was sought and provided by the revenue body and/or reference was made to the OECD publication *Tax Administration 2017* which reports VAT registration data for many countries, albeit most recently for the 2015 fiscal year.

From the survey tabulations and related research, it appears that most countries require registration for VAT purposes for the majority of businesses. In over 80 percent of surveyed countries, over 50 percent of the estimated population of businesses were registered for VAT in 2017, including over 40 percent where more than 80 percent of businesses were required to register owing to the relatively low threshold set for VAT registration and collection purposes (see examples in Table 3). On the other hand, for a few countries less than 40 percent of the business population are registered for VAT, an outcome most likely influenced by the relatively high threshold set for VAT registration and collection purposes in the countries concerned (see Table 3).

[16] For example, Spain has an extensive system of simplification ("*regimen simplificado"*) measures for SMEs in specific economic sectors (bars, restaurants, farming, fisheries, etc.)

**Table 3. Examples—Thresholds for VAT Registration and Collection**

| VAT registrants > 80% of the business population | | | VAT registrants <50% of the business population | | |
|---|---|---|---|---|---|
| Country | Threshold for VAT registration etc. | | Economy | Threshold for VAT registration, etc. | |
| | Nat. Currency | USD | | Nat. Currency | USD (approx.) |
| Austria | 30,000 (EUR) | 37,457 | Estonia | 40,000 (EUR) | 72,612 |
| Brazil (Fed.) | 0 | 0 | Indonesia | 4,800,000,000 | 360,000 |
| Chile | 0 | 0 | India | 2,000,000 | 28,200 |
| Denmark | 50,000 | 6,908 | Ireland | 75,000 (EUR) | 92,218 |
| Germany | 17,500 (EUR) | 22,436 | Latvia | 40,000 (EUR) | 79,774 |
| Greece | 10,000 (EUR) | 16,700 | Lithuania | 45,000 (EUR) | 51,300 |
| Israel | 99,003 | 26,132 | Singapore | 1,000,000 | 726,000 |
| Korea | 24,000,000 | 27,364 | United Kingdom | 85,000 | 119,167 |
| Mexico | 0 | 0 | | | |
| Spain | 0 | 0 | | | |

Sources: OECD, 2018, *Consumption Tax Trends*; KPMG, 2017, *Asia Pacific Indirect Tax Guide*; and KPMG, 2017, *Americas Indirect Tax Country Guide*.

### *6) Optionality*

This indicator seeks to recognise the availability of optional regimes to smaller businesses, acknowledging that their existence may result in additional costs to taxpayers seeking advice on such regimes and in moving from one regime to another. The availability of 'choice' has long been acknowledged as a source of additional tax compliance costs.[17]

Survey responses for the vast majority of countries indicate that optional regimes are a common feature of VAT systems and for around one half of surveyed countries the VAT system features two or more such regimes. Examples of 'optional' regimes cited in survey responses included registration for SMEs below the legislated threshold, the use of cash accounting, liability calculation rules for specified industries, payment of VAT by instalments, and annual apportionment of input tax credits. The absence of any such regimes was reported for only four countries (i.e. Czech Rep., Indonesia, Kenya, and Singapore).

### *7) All Compliance Burden Indicators for Factor A*

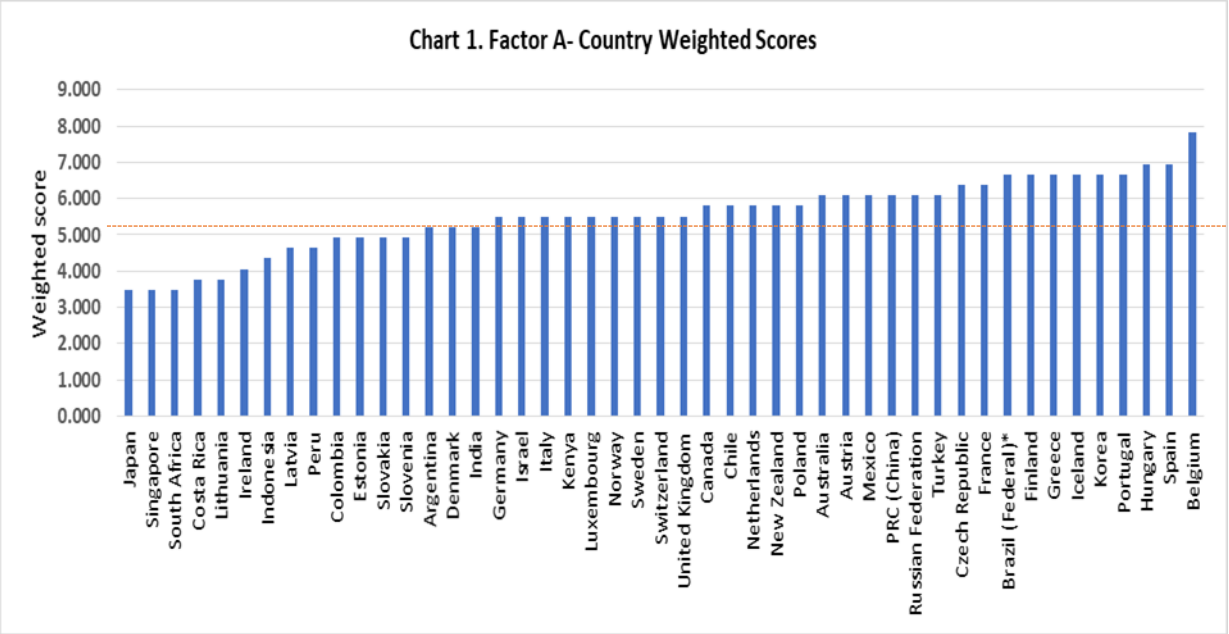
Taking account of survey ratings across the full range of indicators in the diagnostic tool, the more commonly observed drivers of compliance burden for this factor in 2017 were:

- Multiple rate structures.

[17] See, for example, Oliver T and Scott B, 2005, 'Tax system complexity and compliance costs - some theoretical considerations' [online], *Economic Round-up*, Winter, pp 53-68, available at < https://search.informit.com.au/documentSummary;dn=371069343630084;res=IELBUS> ISSN: 1031-8968. [cited 29 Jan 2019] where the authors note, at p. 60: "While it seems reasonable that providing choice is of benefit to taxpayers, there are significant costs associated with choice. Whenever choice is provided taxpayers have an incentive to investigate the tax consequences of all options. This may result in some taxpayers incurring the costs of performing multiple tax calculations for no benefit. Therefore, though some taxpayers will benefit, providing choice may be associated with a net cost to society".

- The scale of reduced rates and exemptions.
- Limited use of the cash basis for determining VAT liabilities.
- Limited availability/use of simple rules for prescribed industries for determining VAT liabilities.
- VAT registration obligations.

Viewed across all of the indicators for this factor, approximately two thirds of countries rate above the mid-point of the total weighted score range (i.e. approximately, a score of 5.000), suggesting a medium/high, or very high compliance burden attributable to the sorts of policy design elements identified in the prior section—see summary in Chart 1.




## Factor B: Number and Frequency of Administrative Requirements to Comply

Country ratings for this factor are set out in Table 15 in Appendix 3, while brief comments for each of the 11 indicators are set out hereunder.

### *1) Electronic VAT Registration*

This indicator is derived by taking account of the availability of an electronic registration system for VAT administration purposes and, if applicable, the estimated extent of its use. Where such a system is not available, businesses seeking to register for VAT administration purposes must prepare and file applications on paper and/or attend an office of the revenue body.

Approximately two thirds of revenue bodies offered an electronic registration service in 2017 and in most countries these were used for the majority of VAT registrations (e.g. in Argentina, Canada, Chile, Costa Rica, Italy, India, Kenya, Netherlands, New Zealand, and Sweden). There were 14 countries that did not offer such a service in 2017 (e.g. Austria, Belgium, Indonesia, Latvia, Mexico, Poland, Slovakia, South Africa, and Turkey).

### *2) Staggered VAT Payment Periods for Smaller-sized Businesses*
### *3) Staggered VAT Filing Periods for Smaller-sized Businesses*

In many countries, tax legislation aims to minimise the burden/workload that would otherwise arise for smaller businesses (referred to as SMEs for the purposes of this Report) and the revenue body if standard 'monthly' VAT return payment and filing obligations were to be applied to all taxpayers. In these countries, the tax law provides longer/staggered periods (e.g. quarterly) for the completion of these routine obligations by SMEs, which often also extend to other taxes.

These two indicators are derived by taking account of the frequency with which SMEs are generally required to meet their periodic VAT payment and filing obligations.

Survey responses for this indicator revealed that just over two thirds of Governments aim to ease the compliance burden and revenue body workloads by allowing VAT returns and payments on a quarterly or less frequent basis. On the other hand, around 20 percent apply a 'one size fits all' approach, generally requiring all taxpayers to file returns and pay VAT on a monthly basis. Countries falling into this latter category in 2017 included Argentina, Chile, Kenya, Lithuania, and Turkey.

### *4) Information Requirements of a Typical VAT Return*

Much of the VAT compliance burden research conducted over many years has highlighted the significant costs often imposed on taxpayers by burdensome VAT return preparation and filing obligations.[18] To counter this, revenue bodies in many countries have sought to streamline the return filing process, reducing the amount of information routinely required in tax returns and/or automating the collection and capturing of tax return information from taxpayers and their agents. This indicator focuses on the information requirements of a typical VAT return and is derived by taking account of the number of boxes/fields that must normally be completed by business taxpayers.

Survey responses for this indicator suggest there is considerable potential for many revenue bodies to streamline their tax return design, with well over half found to require the completion of 21 or more boxes/fields in a typical VAT return. On the other hand, eight revenue bodies (i.e. Australia, Canada, Chile, Germany, Iceland, Ireland, Israel, and United Kingdom) were reported as having relatively streamlined tax return information requirements, with no more than 10 boxes/fields requiring completion in a typical VAT return.

### *5) Documentation Requirements for Exported Goods and Service*

This indicator is derived by taking account of any additional requirements imposed on taxpayers to submit additional supporting documentation in respect of exports to revenue bodies, and estimating the extent of their application across the registered population of VAT taxpayers. (The requirement to retain proof of export and (in the EU) proof of the customer's VAT registration number, as well as statistical filings are additional requirements, and are not included in this indicator.)

[18] See, for example, Bain K, Walpole M, Hansford A and Evans C, 2015, 'The internal costs of VAT compliance: evidence from Australia and the United Kingdom and suggestions for mitigation', e*Journal of Tax Research,* vol 13, no 1, pp 158-182.

Survey responses for this indicator revealed that such requirements are not widely seen in practice, with approximately 80 percent of revenue bodies found not to impose such obligations on exporters. On the other hand, in five economies (i.e. Brazil (Fed.), Chile, Israel, Korea, and Turkey) such requirements were observed and estimated to impact over 20 percent of the registered taxpayer population in 2017.

### *6) Other Reporting Obligations of Taxpayers (in Addition to the VAT Return)*

This indicator is derived by taking account of any additional statistical information requirements that apply (in addition to the regular VAT return) and having regard to the frequency of the reporting obligation (e.g. annual, quarterly).

Survey responses for this indicator revealed that the imposition of additional reporting obligations on taxpayers is quite common, and in particular across the membership of the EU. For over half of surveyed countries and all of those that are EU members, taxpayers are required to meet additional reporting obligations (e.g. in the EU, sales listings and Intrastat returns) at least every three months or more frequently.

### *7) The Use of Electronic Invoices Between Businesses*

This indicator is derived by taking account of the existence of legislative provisions that permit the use of electronic invoices between businesses and, if applicable, estimating the extent of the practice across the population of businesses at large. Estimating the extent of usage across businesses at large was difficult in the absence of any official/recognised data source and had to rely on judgments of tax professionals and/or representatives of business.

Based on survey responses, no country was found to have legislative barriers to the use of e-invoicing between businesses. Extensive use (i.e. over 50 percent) of electronic invoicing between businesses was reported for just under 40 percent of economies, including Chile, Denmark, Korea, New Zealand, Slovenia, and the United Kingdom.

### *8) Reporting of Copies of VAT Invoices to the Tax Body*

This indicator is derived by taking account of any requirements on businesses to systematically supply copies of VAT invoices, in paper form or electronically, to the revenue body. It has been observed that revenue bodies globally are increasingly embarking on the development of large computer-based e-invoicing systems where VAT invoice data is captured systematically and used for, among other things, compliance checking purposes. For example, in 2017 Spanish authorities introduced a new regulation for a system concerning Electronic VAT books called the 'Immediate Supply of Information (SII)'. This system, which is compulsory for those entities that submit their VAT returns on a monthly basis, entails a new way of providing information to the Spanish Tax Authorities, since VAT records must be kept through the tax authority's website by an electronic and almost immediate supply of invoice data. The implementation of the SII has reportedly imposed significant compliance costs on taxpayers while its longer term objective is to reduce tax non-compliance.

Survey responses indicate that a requirement for the systematic reporting of VAT invoices to revenue bodies was not a significant compliance burden issue for countries covered by the survey in 2017, with

only three countries (e.g. Brazil (Federal), Chile, and China) found to mandate such an obligation on the majority of VAT payers.

### *9) Record Retention Periods*

Depending on their duration, record keeping obligations can impose a fair burden on taxpayers although this is likely to be become less of an issue over time with increasing automation of business practices. This indicator is derived by taking account of the length of time that taxpayers need to retain their VAT records for tax administration purposes.

Based on survey responses, the 'norm' for record retention was a period of four to seven years, with approximately two thirds of countries imposing such a requirement.

### *10) Rate of VAT Verification Actions (Annually)*

This indicator is derived by taking account of the number of VAT verification actions undertaken in 2017,[19] expressed as a proportion of the registered VAT payer population. The term 'verification action' is intended to refer to all types of actions taken by revenue bodies to verify taxpayers' reported liabilities (e.g. documentation verification requests, audits, investigations, and written and phone enquiries).

Overall, survey responses for this indicator varied significantly, no doubt reflecting a variety of factors (e.g. the level of the VAT registration threshold, levels of compliance, administrative verification policies and practices, revenue body resources):

a) For 16 countries (including 10 EU member countries), the annual rate of verification actions exceeded 10 percent of the population;
b) For 11 countries, the annual rate of verification actions was between 5-10 percent of the population; and
c) For 20 countries (including 8 EU member countries), the annual rate of verification actions was less than 5 percent of the population.

### *11) Rate of VAT Assessment Disputes (Annually)*

This indicator is derived by taking account of the number of VAT assessments completed by the revenue body in 2017 that were disputed by taxpayers, expressed as a proportion of the number of VAT verification actions.

Overall, survey responses for this indicator also varied significantly, for reasons that have not yet been clearly identified:

a) For 18 countries, the annual rate of disputation exceeded 10 percent of the population subject to verification actions;
b) For 10 countries, the annual rate of verification actions was between 5-10 percent of the population subject to verification actions; and

[19] These data were sourced directly from the revenue body, obtained from official publications, or based on data published in the OECD publication *Tax Administration 2017* for the 2015 fiscal year.

c) For 19 countries, the annual rate of disputation was less than 5 percent of the population subject to verification actions.

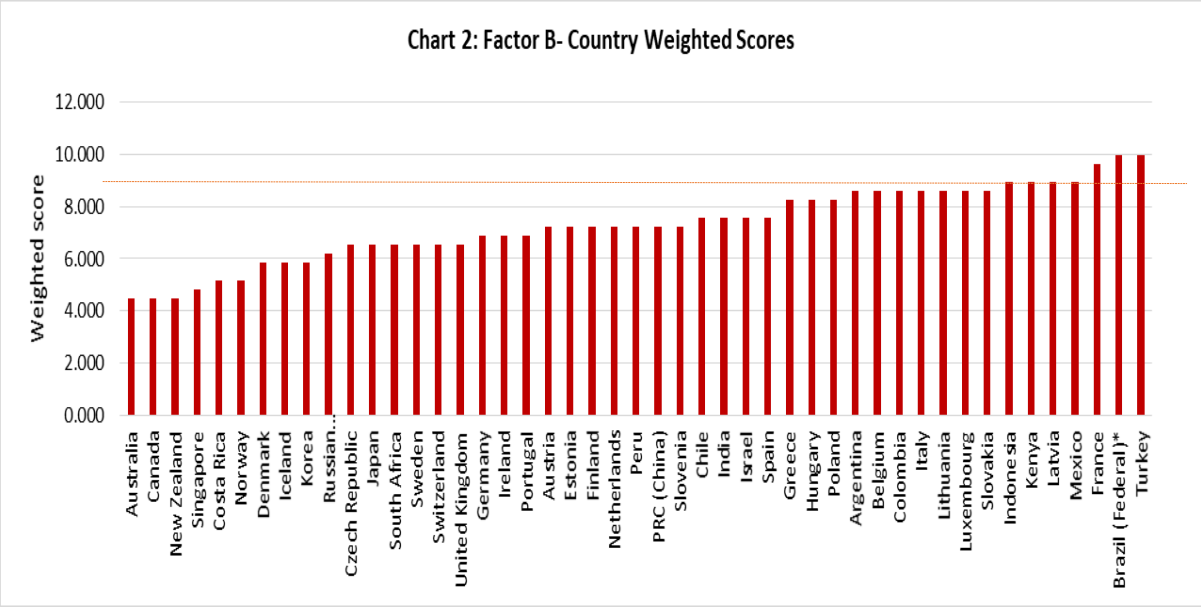
Acknowledging the potentially significant compliance burden resulting from high rates of verification actions and disputation, it is noteworthy to observe that for 10 countries (i.e. Brazil (Federal), France, Hungary, Italy, India, Kenya, Latvia, Mexico, Peru, and the United Kingdom) the survey responses record rates of verification action and disputation each exceeding 10 percent of the chosen benchmark.

***12) All indicators for Factor B***

Taking account of survey ratings across the full range of indicators, the more significant/prevalent drivers of compliance burden in 2017 for this factor were:

- Burdensome tax return information requirements.
- A lack of staggered VAT payment and filing periods for SMEs.
- High rates of verification actions and disputed assessments.

Viewed across all of the indicators for this factor, approximately two thirds of countries have a total weighted score below the mid-point of the total weighted score range (i.e. approximately 8.4) suggesting a very low or low/medium compliance burden resulting from the administrative compliance requirements of their respective VAT systems—see Chart 2.




## Factor C: Revenue Body Capabilities in Meeting Taxpayers' Service and Compliance Needs

Country ratings for this factor are set out in Table 16 in Appendix 3, while brief comments for each of the eight indicators are set out hereunder.

***1) Revenue Body's Website***

This is a qualitative indicator that relies on a judgment as to the 'comprehensiveness' of the VAT-related information available to taxpayers on the revenue body's website. To guide participants on how to assess 'comprehensiveness' practical guidance was provided (see Box 1).

**Box 1. Revenue Body's Website**

The indicator for this area of tax administration requires a judgment of the comprehensiveness of the revenue body's website in relation to the provision of adequate practical and technical advice on the requirements of the VAT system. The following guidance should assist in determining an appropriate rating (ideally in conjunction with tax professionals or representatives of businesses):

- ***Very comprehensive:*** This website will have a dedicated section on VAT setting out practical advice (e.g. instructions, guides, forms, and calendars) on all aspects of the VAT system, and there will be clear guidance on how to find out more information where it is required (e.g. details of a phone enquiry service). This practical advice and guidance will include the provision of a good level of information in an accessible language (e.g. English) for non-residents and others who do not speak the local language. There will be modules/ facilities enabling taxpayers to meet regular requirements on-line such as filing returns and making payments and taxpayers will have on-line access to their own personal tax history and tax accounting records. There will also be access to a legal data base where more detailed technical advice and guidance can be accessed by businesses and tax practitioners.
- ***Reasonably comprehensive:*** This website will have a dedicated section on VAT setting out practical advice (e.g. instructions, guides, forms, and calendars) on most aspects of the VAT system, and there will be guidance on how to find out more information where it is required (e.g. details of a phone enquiry service). There will be modules/ facilities enabling taxpayers to meet regular requirements on-line such as filing returns and making payments. There will be limited or no access to a legal data base where more detailed technical advice and guidance can be accessed by businesses and tax practitioners.
- ***Very little or no information:*** Use this rating where it is judged that the others are not applicable.

From the survey responses summarised in Table 15 in Appendix 3 it will be seen that all revenue bodies have taken steps to assist taxpayers meet their VAT obligations, with all responses revealing a 'very comprehensive' or 'reasonably comprehensive' rating.

### *2) Revenue Body's Phone Enquiry Service*

Tax laws are invariably complex for many taxpayers and can be particularly challenging for those not familiar with business taxes or who are operating a business for the first time. The ability of taxpayers to readily obtain accurate and clear information in a timely manner using phone enquiry services should be a core service deliverable/objective for all revenue bodies.

This is a qualitative indicator that requires a judgment on the general standard of the revenue body's phone enquiry service, with particular attention being paid to average response times and the quality of advice provided. To guide participants in making this judgment practical guidance was provided (see Box 2).

**Box 2. The revenue body's phone enquiry services**

This indicator requires a judgment of the 'quality' of the revenue body's phone enquiry services. For the purpose of this diagnostic tool, the 'quality' of the revenue bodies phone service refers to ***the ease with which taxpayers are generally able to make phone contact with a relevant revenue body official and that official typically provides reliable and relevant advice in a courteous and timely manner.*** To assess the rating for this indicator, inquiries should be made of bodies representing business at large (e.g. chambers of commerce) or tax accounting bodies, and/or publications of the revenue body (e.g. annual performance reports, reports of surveys, other published performance–related information).

Just over half of survey responses reported that revenue bodies operated a dedicated phone enquiry service with response times and accuracy of advice generally of a reasonable standard in 2017. However, the quality of phone services appears to require attention in well over 25 percent of economies spread across all continents, including Argentina, Colombia, Germany, India, Israel, Italy, Japan, Latvia, and United Kingdom economies. Survey responses also reported the absence of a dedicated call centre enquiry service in four countries (i.e. Belgium, Brazil (Fed.), Czech Rep., and Luxembourg).

### *3) Revenue Body's Support for Newly Registered Businesses*

This is a qualitative indicator that seeks to take account of a revenue body's efforts to support newly registered businesses with the provision of special services and programs and, if applicable, a judgment on the standard of those services and programs. To guide participants in making such a judgment, practical guidance was provided (see Box 3).

**Box 3. Support for newly registered businesses**

The indicator requires a judgment of the comprehensiveness and accessibility of the revenue body's support for newly registered businesses, expressed as of a high, reasonable, poor standard, or non-existent. This support can take a variety of forms, for example:

1. Proactive visits by revenue body officials to taxpayers' premises to explain VAT obligations.
2. Proactive transmission (by mail or electronically) from the revenue body of practical guidance on VAT obligations to taxpayers.
3. Public seminars conducted by revenue body officials.
4. Easy to understand guidance materials and forms that are readily accessible.
5. A dedicated section of the revenue body's website devoted to educating and assisting new businesses.
6. The regular use of trade/ business journals to explain VAT obligations.
7. Accessible experts who can be contacted via phone or visited at tax offices.
8. Financial assistance/ incentives for the use of accounting software packages.

Taking account of these sorts of offerings, assess the overall standard of these services in terms of a very high, high, medium, or low rating.

Survey responses for this indicator revealed that many revenue bodies may not be offering sufficient support for newly registered businesses, with just over half reported as having no unique VAT-related services for new business or, where they are offered, they are of a poor standard. Countries rated highly on this indicator were Austria, Denmark, New Zealand, and Sweden.

4) ***Revenue Body's Online VAT Payment Facilities***
5) ***Revenue Body's Online VAT Return Filing Facilities***

These indicators are derived by taking account of the availability of online payment and return filing services and, if applicable, the extent of their use.

The vast majority of revenue bodies rated very highly on both these indicators, no doubt reflecting efforts over many years to establish modern online tax payment and return filing systems. In over 80 percent of countries, the rate of online payment exceeded 75 percent in 2017 while the number achieving this benchmark for online/electronic filing exceeded 90 percent. Responses indicated that all surveyed countries have established both online payment and return filing services.

6) ***The Quality of the Revenue Body's Online Transaction Services***

This is a qualitative indicator that requires a judgment of the overall standard of the revenue body's online transaction services. To guide participants in making such a judgment practical guidance was provided (see Box 4).

**Box 4. Quality of the revenue body's online transaction services**

The indicator for this aspect of tax administration requires a judgment of the general degree of satisfaction among users with the quality of the revenue body's online transaction services. Taking into account the factors listed below assess the overall standard of these services in terms of a very high, high, medium, or low rating:

1) The range of online transaction services offered has a common "look and feel".
2) The services are relatively easy to access and not too complex to use;
3) The services are sufficiently personalised and attractive to use;
4) The services do not entail an excessive level of rework;
5) Registration and security requirements are relatively simple and low cost to use; and
6) There are readily accessible "Help" services available when problems arise.

Survey responses indicated that the overall quality of the revenue body's online services was rated as either 'very high' or 'high' for around two thirds of revenue bodies. For the balance of surveyed countries, overall quality was assessed as 'medium' and a low (or poor) standard of quality was not reported for any surveyed country.

7) ***The Revenue Body's Refunding of Excess VAT Payments***

An important feature of the invoice-credit form of VAT is that some businesses (viz. exporters and businesses with large investment purchases) pay more tax on their purchases than is due on their sales, entitling them to claim a refund of the difference from the revenue body. However, this feature of VAT systems provides an incentive for fraudulent behaviour which can result in significant revenue leakage if exploited and not quickly detected. On the other hand, the failure to provide timely refunds to those taxpayers with legitimate entitlements increases their compliance costs and weakens the integrity of the tax system. With the incidence of annual VAT refunds rising up to over 50 percent of

annual gross VAT collections in some countries[20], the operation of an efficient refund mechanism can be significant for many countries. This indicator is derived by taking account of the length of time it typically takes the revenue body to refund 90 percent of excess VAT payments (e.g. within one month, two months, three months, or over three months).

Many countries rated poorly on this indicator, with just on half reporting a period of three months or longer for refunding 90 percent of VAT excess payments, including 12 where the period exceeds three months. However, the significance of this finding in a tax compliance burden context needs to pay regard to two other considerations: a) whether interest is payable on delayed refunds; and b) the overall incidence of VAT refunds. Separate indicators for both of these matters are incorporated in the diagnostic tool and more is said on this in the comments under Factor D.

***8) The Revenue Body's Private Rulings Service***

While most small businesses are unlikely to ever require a private ruling on a VAT issue, the provision of rulings can be an important consideration for many large and medium-sized businesses given the complexity of VAT law and efforts by some to take advantage of reduced rates and exemptions. This indicator is derived by taking account of the length of time it typically takes for revenue bodies to provide private rulings requested by taxpayers, where it is the practice to do so.

Most countries rated poorly on this indicator, with around 75 percent reporting a period exceeding two months. Exceptional levels of performance—rulings are generally provided within one month of being requested—were reported for Australia, Estonia, Latvia, Lithuania and Singapore.

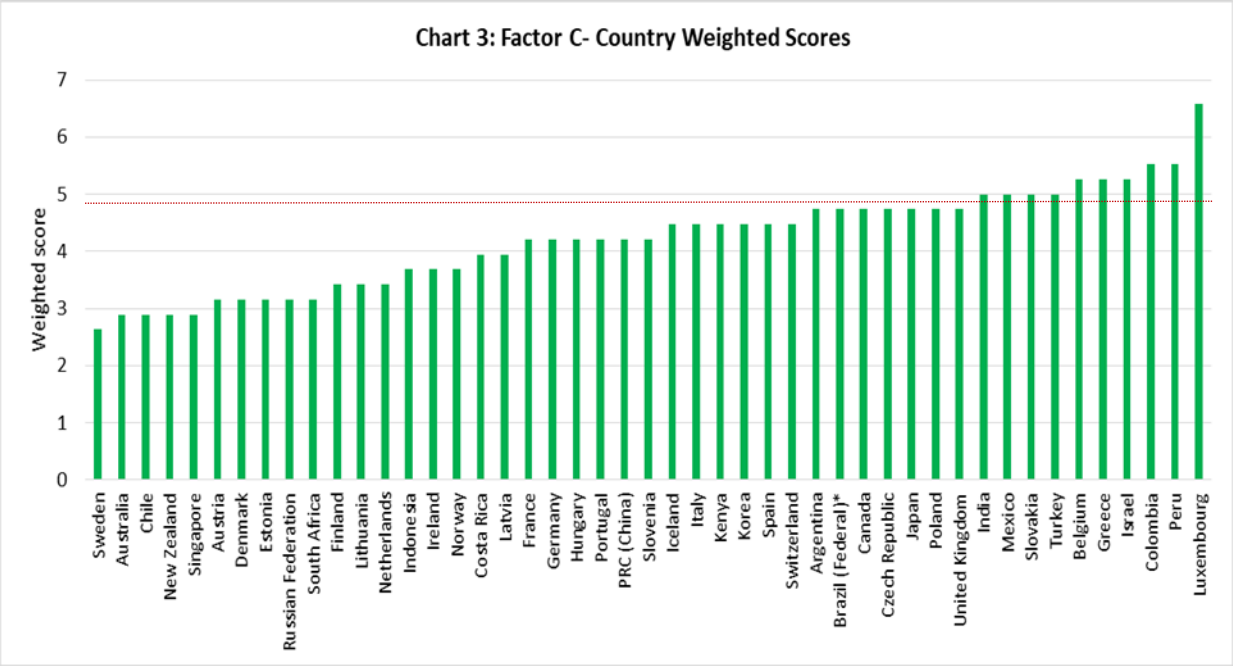
***9) All indicators for Factor C***

Taking account of survey ratings across the full range of indicators, the more significant/ prevalent drivers of compliance burden for this factor in 2017 were:

- Inadequate or poorly designed services and programs for newly registered taxpayers.
- Delays in refunding excess VAT payments to taxpayers, which in some countries is exacerbated by limitations on the payment of interest on late refunds.
- Weaknesses in revenue bodies' phone enquiry services.

Viewed across all of the indicators for this factor, the vast majority (i.e. just under 90 percent) have a total weighted score below the mid-point of the total weighted score range (i.e. approximately 5), suggesting a very low or low/medium compliance burden resulting from the capabilities of the revenue body to meet taxpayers' service and compliance needs—see Chart 3.

[20] As reported in various editions of the OECD's comparative series on tax administration (e.g. Tax Administration 2015).




## Factor D: Monetary Costs and Benefits Associated with the Act of Complying

Country ratings for this factor are set out in Table 16 in Appendix 3, while brief comments for each of the two indicators are set out hereunder.

### *1) Payment of interest on delayed refunds*

This indicator is derived by taking account of whether interest is payable on 'delayed' refunds of excess VAT payments and the period of time that must elapse under the law before interest becomes payable. A country's compliance burden rating is ameliorated when interest is payable on excess VAT credits that are overdue.

Overall, responses for this indicator varied significantly reflecting highly divergent policy and practices on the payment of interest on delayed refunds:

a) For 17 countries (e.g. Canada, Colombia, Finland, Norway, New Zealand, Slovenia, and South Africa), interest is generally payable on excess VAT credits unpaid after one month or more.
b) For 4 countries (e.g. Hungary and Japan), interest is generally payable on excess VAT credits unpaid after two months or more.
c) For 12 countries (e.g. Czech Republic, France, Germany, Italy, and Peru), interest is generally paid on excess VAT credits unpaid after three months or more.
d) For 14 countries (e.g. Austria, Belgium, Chile, Kenya, Korea, and Sweden), interest is generally not paid on excess VAT credits.

### *2) The Aggregate Value of Annual VAT Refunds*

This indicator is derived by taking account of the amount of annual VAT refunds as a proportion of annual gross VAT collections and, as observed earlier in the paper its 'impact' ideally needs to be assessed in conjunction with indicators concerning the 'timeliness of VAT refunds' and ' the payment of interest on delayed refunds'.

Reflecting the large number of countries with relatively high levels of exports covered by the survey, approximately half of surveyed countries refund in excess of 30 percent of annual gross VAT revenue collections:

a) 11 countries refund in excess of 40 percent of gross annual VAT collections;
b) 13 countries refund between 30 to 39 percent of gross annual VAT collections;
c) 10 countries refund between 20 to 29 percent of gross annual VAT collections;
d) 3 countries refund between 10 to 19 percent of gross annual VAT collections; and
e) 10 countries refund less than 10 percent of gross annual VAT collections.

With relatively large amounts of gross VAT collections being refunded by a relatively large number of countries, two additional considerations arise: a) the timeliness of the VAT refund process; and b) the payment of interest on delayed refunds of excess VAT credits. Table 4 below highlights the relationship between these factors in respect of those surveyed countries where the proportion of annual VAT refunds exceeded 30 percent of gross VAT revenue in 2017. Taxpayers in countries shown in the shaded section would appear to be significantly disadvantaged in a compliance burden context—a relatively slow refund process, with limitations on the payment of interest, and with fair amounts of excess VAT credits involved.

**Table 4: Countries with Large Refunds of VAT—Timeliness of Refunds and Payment of Interest /1**

| Compliance Burden Indicator | | Timeliness of VAT refunds: Period Required to Pay 90% of Claims | | | |
|---|---|---|---|---|---|
| | | Less than 1 month | 1-2 months | 2-3 months | Over 3 months |
| Interest is paid on delayed refunds of excess VAT payments | 1 month or more | Australia, Denmark, Estonia, Finland, Norway, Slovenia, | Canada, Poland | | Mexico |
| | 2 months or more | | South Africa, Switzerland | Russian Federation | |
| | 3 months or more | Czech Rep., | Hungary | Spain | Slovakia |
| Interest is not paid | | Chile, Sweden | Lithuania | Austria, Belgium, Korea, United Kingdom | Luxembourg |

/1. Relates to those countries where total VAT refunds exceeded 30 percent of gross VAT revenue in 2017.

Taxpayers in these countries experience a relatively greater compliance burden, resulting from the high level of excess VAT payments, lengthy VAT refund claim processing periods and limits on the payment of interest on delayed refunds.

### The Institutional Posture and Attitude of Government to Taxpayers' Compliance Burden

In addition to examining features of the VAT law and its administration, the diagnostic tool aims to gather insights as to the degree of government and institutional recognition and attention being given to address the VAT (and other taxes) compliance burden. For survey purposes, six 'statements of position' were tested (see Box 5).

**Box 5. Statements of Position Examined with the Diagnostic Tool**

- There is a formal government goal/target in place for reducing tax compliance costs (or administrative burdens) in general resulting from Government regulations.
- Compliance costs considerations are generally assessed by the MOF when formulating tax policy proposals affecting the VAT.
- Objective data on tax compliance costs (or "administrative burdens") are captured periodically from external sources (by the MOF, the revenue body, and/or an associated research body) to inform the development of tax policy and/or compliance burden reduction initiatives.
- There is an announced government plan (not yet implemented) for specific VAT burden reduction initiatives (e.g. a higher registration threshold and relaxed return filing periods).
- The revenue body's formal planning documents reflect goals/ objectives for compliance cost reductions, and related strategies to achieve them.
- Formal consultative arrangements involving representatives of business and/ or the tax accounting profession are in place that provide an opportunity for compliance costs issues to be raised/ discussed.

Data gathered concerning these aspects of the survey are set out in Table 18 in Appendix 3, while brief comments for each are set out hereunder:

1) ***Formal Government Goal/Target for Reducing Compliance Costs/Burden:*** Governments in well over half of the countries surveyed had established formal goals/targets in 2018 for reducing compliance costs.
2) ***Compliance Costs Considerations when Formulating Tax Policy Proposals:*** In over two thirds of countries surveyed, compliance cost considerations are taken into account when formulating tax policy proposals.
3) ***Use of Objective Cost Data from External Resources to Inform Policy Decisions:*** Less than one third of countries acquire periodically and use objective compliance costs data obtained from external sources to inform their policy decisions.
4) ***Announced Government Plan to Reduce VAT burden:*** Approximately a third of countries surveyed are reported as having an announced government plan with specific VAT burden reduction initiatives.
5) ***Revenue Body's Formal Plans and Goals/Objectives for Compliance Cost Reductions:*** Revenue bodies in approximately half of the surveyed countries had formal plans in 2018 that reflected goals/objectives to reduce compliance costs- see Example 1 below.

**Example 1: The 'Internet+Tax' Action Plan of China's State Administration of Taxation**

In September 2015, the State Administration of Taxation (SAT) introduced the 'Internet+ Tax' Action Plan with the vision to further reduce the compliance burden through providing comprehensive e-services as a smarter tax authority by the year of 2020. This plan, being taxpayer-oriented, is designed to establish an e-tax authority, which provides seamless online and in-person services with enhanced standards and efficiency. Specific tasks of this Plan have been published. Within three months of introduction of 'Internet+Tax' Action Plan, the SAT rolled out the first pilot program in 17 provinces to promote use of the invoice online verification system to establish a nationally unified invoice verification system.

Source: http://www.chinatax.gov.cn/eng/n2367746/index.html

6) ***Formal Consultative Arrangements to Discuss Compliance Costs issues:*** Two thirds of surveyed countries had formal consultative arrangements in place with representatives of business and/or the tax accounting profession that provide opportunities for stakeholders to raise and discuss compliance costs issues.

***Summary position***

Viewed across the full range of survey responses there were 13 countries where VAT compliance burden reduction appears to be receiving no explicit or very limited attention, relying on survey data of four or more negative responses. These were Argentina, Canada, Czech Republic, Greece, Iceland, India, Japan, Poland, Portugal, Slovakia, Sweden, Switzerland, and Turkey. There was insufficient survey data reported to make a judgment concerning Austria and Korea.

Given the limited and generalised nature of the information sought via the survey for these matters, an absence of positive responses to one or more of the 'indicators' should not necessarily be viewed as a major concern. A country that has a relatively simple and well-administered VAT system and/or where action has been taken in the past to reduce the VAT compliance burden may no longer deem it a priority to make further efforts to reduce the VAT compliance burden, focusing on other more important matters. Concerns will, however, be justified where the diagnostic tool suggests that a country appears to have a significant VAT compliance burden and based on the information gathered the matter does not appear to be a priority for government, the MOF and/or the revenue body. More is said on this in Section 4.

## 4. Analysis of Survey Findings

The primary objective of the diagnostic tool is to provide an indication of the likely scale of the compliance burden of a country's VAT system, expressed in terms of a compliance burden index, and the main drivers of that burden. The secondary objective of the tool is to identify those aspects of VAT policy and administration that contribute to such burden most frequently across a population of surveyed countries. The tool is not intended, nor designed, to provide a definitive ranking of the compliance burden of individual participating countries, acknowledging the considerable difficulties of achieving this in a precise and defensible manner.

Table 18 in Appendix 3 presents a summary view of ratings for each surveyed country, summarising the responses in Tables 14 to 17 (of Appendix 3) and their individual weighted scores applying the

weighting factors identified in Table 11. Table 18 also displays a 'compliance burden index', drawing on the methodology described in Appendix 2.

Prior to the finalisation of the report, the findings and ratings set out in this section were disseminated to in-country KPMG officials for validation of captured data and a review of the preliminary findings and observations. A small number of revisions were advised (i.e. for Colombia, Czech Republic, Denmark, and Estonia) and these are all reflected in this paper and accompanying tabulations.

## Classification of Countries by Compliance Burden Index

A summary of the VAT compliance burden index for each country surveyed, computed as described in Table 13 of Appendix 2, is set out in Table 5.

**Table 5. VAT Compliance Burden Index for Surveyed Countries (2017 Fiscal Year)**

| Compliance Burden Index | Number of Countries | Countries |
|---|---|---|
| 1 | - | - |
| 2 | 1 | Singapore |
| 3 | 4 | Australia, Costa Rica, New Zealand, South Africa |
| 4 | 9 | Canada, Denmark, Estonia, Ireland, Japan, Lithuania, Norway, Russian Federation, Sweden |
| 5 | 18 | Austria, Chile, Czech Rep., Finland, Germany, Iceland, India, Indonesia, Israel, Korea, Latvia, Netherlands, Peru, Portugal, Peoples' Republic of China, Slovenia, Switzerland, United Kingdom |
| 6 | 11 | Argentina, Colombia, France, Greece, Hungary, Italy, Kenya, Mexico, Poland, Slovakia, Spain, |
| 7 | 4 | Belgium, Brazil (Federal), Luxembourg, Turkey (NB. Brazil (State) also falls into this category). |
| 8 | - | - |
| 9 | - | - |
| 10 | - | - |

Note: For the Compliance burden Index (column 1), a rating of 1 suggests a VAT system with a very low/minimal compliance burden, while a rating of 10 is indicative of a VAT system with a very significant burden.

Important findings and observations are set out hereunder.

*Overall*

Fourteen countries have a compliance burden index score of 4 or less, including five where the index score is less than 4 (i.e. Australia, Costa Rica, New Zealand, Singapore, and South Africa), while 15 countries are reported as having an index score of 6 or more, including four with an index score of 7. No country records an index score above 7, an outcome most likely resulting from the fact that the population of targeted countries is largely confined to higher income and advanced countries.

*Better performing countries*

Based on the design of the tool and the data gathered, only one country rates an index of 2 or better (i.e. Singapore) and this rating is achieved with a relatively small margin below the threshold for a

higher index rating. It is noteworthy that in the case of Singapore, four of the 27 indicators applied to arrive at its rating were allocated a default value in the absence of verifiable data/ knowledge. These 'gaps' largely impact its score for Factor A (i.e. tax law complexity), while the high overall rating is achieved with exceptional scores for Factors B (i.e. administrative obligations) and Factor C (administrative capabilities). In the case of both Australia and New Zealand, both countries recorded above average scores for Factor A (i.e. tax law complexity) but offset this aspect of compliance burden with exceptionally low scores for Factors B (i.e. administrative obligations) and Factor C (administrative capabilities).

*Poorer performing countries*

The diagnostic tool identifies some 15 countries with indications of medium/high to very high VAT compliance burden, applying an index factor of 6 as the minimum for this observation. Significantly, of these 15 countries:

- Thirteen countries rate above the midpoint score for Factor A (Tax complexity etc. resulting from the VAT policy framework), pointing to the pervasiveness of VAT policy choices as a significant factor influencing compliance burden in these countries.
- Ten countries rate above the mid-point score for Factor B (Number/frequency of administrative obligations etc.), pointing to fair potential for administrative changes, for example:
    - Streamlining the data requirements of regular VAT returns (12 of the 16 countries);
    - Improving audit quality to reduce the incidence of disputed assessments (10 of the 16 countries).
- Notwithstanding the challenges presented by the VAT policy and administrative framework to minimising compliance burden, approximately three quarters of these countries rated favourably on Factor C (Revenue body capabilities etc.,) suggesting that in these countries the revenue body has been successful in its efforts to minimise the VAT compliance burden.
- Concerning the prevailing institutional posture and attitude to tax compliance burden reduction (see Table 18 in Appendix 3), the survey indicators reflect a mix of positive and negative environments:
    - Survey indicators suggest that the issue is recognised and there is a commitment and plan for burden reduction in seven countries (i.e. Belgium, Brazil, Colombia, Hungary, Italy Kenya, and Mexico);
    - There are some indicators of burden recognition reported in four countries (France, Luxembourg, Spain, and Turkey) but more concerted action by governments appears warranted; and
    - There were no indications of commitment or plans to reduce the VAT compliance burden reported in four countries (Argentina, Greece, Poland, and Slovakia).

*Key Drivers of Aggregate Compliance Burden Across All Countries*

The more prevalent drivers of compliance burden identified from use of the diagnostic tool are summarised hereunder:

**Factor A**: Tax law complexity and burden resulting from core elements of VAT policy

- The VAT rate structure.
- The scale of reduced rates and exemptions.
- Limited use of the cash basis for determining VAT liabilities.
- Limited availability and use of simple rules for taxpayers in prescribed industries for determining VAT liabilities.
- VAT registration obligations.

**Factor B:** The number and frequency of administrative requirements to comply

- Burdensome tax return information requirements.
- A lack of staggered VAT payment and filing periods for SMEs.
- High rates of verification actions and disputed assessments.

**Factor C**: Revenue body capabilities in meeting taxpayers' service and compliance needs

- Inadequate or poorly designed services and programs for newly registered taxpayers.
- Delays in refunding excess VAT payments to taxpayers, which is exacerbated in some countries by limitations on the payment of interest on late refunds.
- Weaknesses in revenue bodies' phone enquiry services.

**Factor D:** Monetary costs and benefits associated with the act of complying.

- For a few countries with a significant incidence of VAT refunds, delays in refunding excess VAT payments to taxpayers, for some countries exacerbated by limitations on the payment of interest on late refunds.

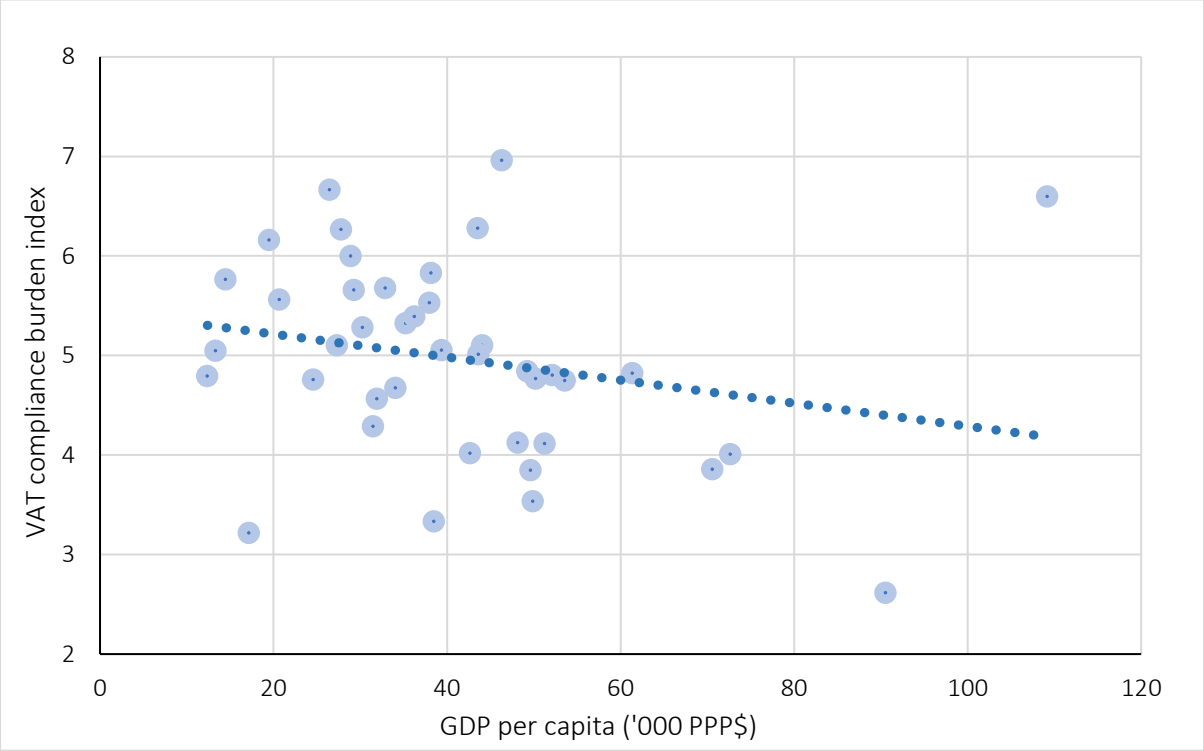
## Further statistical analyses of the results

This sub-section presents summary statistical analyses of the relationship between the derived VAT compliance burden index and a number of potential determinants such as the level of economic development, age (maturity) of VAT, tax level (Tax revenue/GDP), VAT level (VAT revenue/GDP), VAT share (VAT revenue/tax level), VAT revenue ratio (VAT revenue/Potential VAT revenue) and exports level (exports/GDP). To this end, we utilise secondary data sources for 2017 from the OECD and World Bank. The data and results of statistical analyses are summarised in Appendix 4.

*Analysis of countries by relative compliance burden and income levels*

It was established through simple correlation analysis that there was generally a negative relationship between the VAT compliance burden index and the level of development of a country, but this relationship is not statistically significant. In other words, and as illustrated in the scatter diagram in Figure 2, the more developed the country the lower the likely compliance burden. For these purposes, the level of development of a country was measured by reference to GDP per capita in Purchasing Power Parity (PPP) dollars.

**Figure 2. Country Compliance Burden Relative to Level of Country Development (41 Countries)**




Note: Due to lack of relevant date, six countries, namely, Brazil, China, India, Kenya, Russia and South Africa, are excluded from statistical analyses.

As can be noted from the trend line, those countries with lower positions on the compliance burden index tend to have higher levels of development (as proxied by GDP per capita in PPP$). The simple correlation coefficient between relative VAT compliance burden and a country's income level (level of development) is found to be -0.231, which is statistically insignificant (with a computed t-statistic of -1.48 against a critical t-value of -1.65).

This simple correlation analysis was supplemented by a more sophisticated multiple regression analysis. The multiple regression strongly confirmed the negative relationship between the VAT compliance burden and the level of development in a country: the more developed a country is, the relatively lower is its compliance burden (estimated coefficient of –0.00004 with a computed t-statistic of –2.46, which is significant at the 1% level).

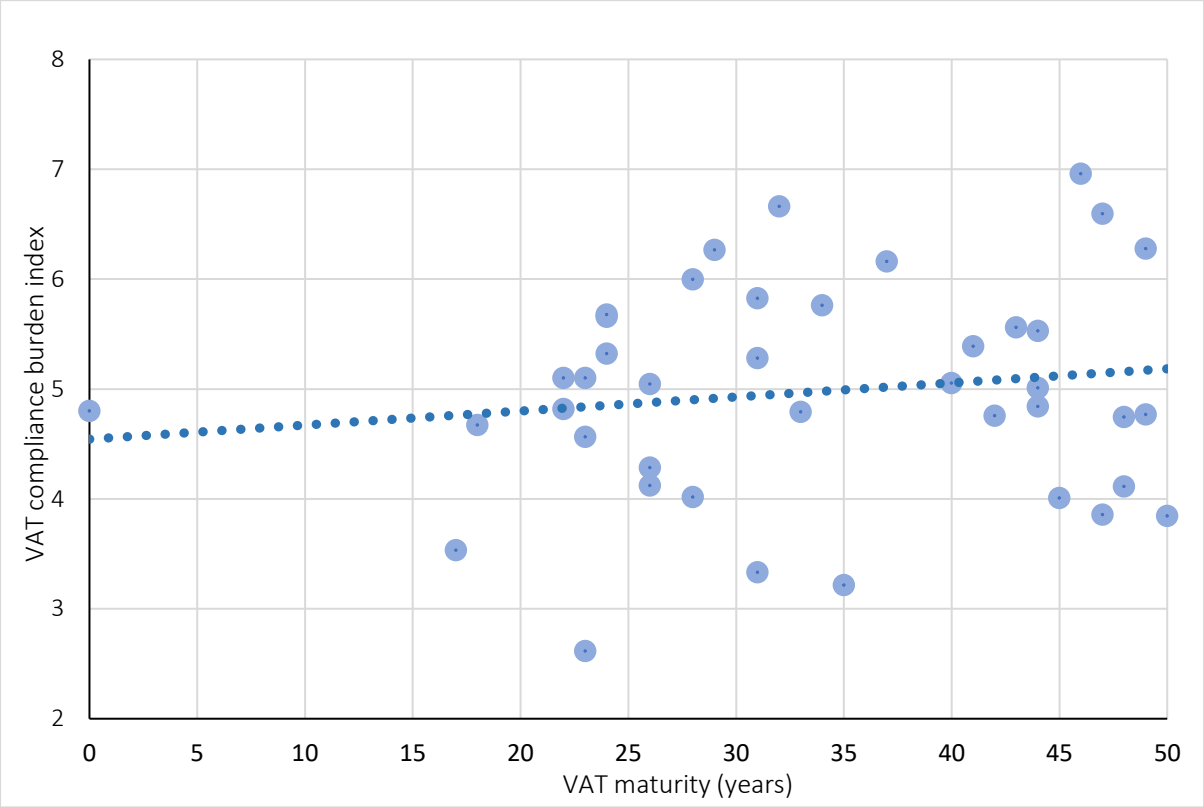
A number of other statistically significant relationships were found when multiple regression was used, all of which are intuitively plausible. These are now dealt with in turn.

*Analysis of countries by relative compliance burden and maturity of VAT*

The level of maturity of a VAT regime (measured by the number of years since its introduction) could potentially and intuitively have two opposing impacts on the relative compliance burden. On the one hand, the older the VAT is, the more experienced tax administrators and VAT payers become, and this should have a downward effect on the relative VAT compliance burden. On the other hand, the VAT law may become more complex over time with, for example, more tax rates and more layers of regulation.

Figure 3 provides a scatter diagram of the VAT compliance burden index plotted against VAT maturity. It generally indicates a negative impact of age of the VAT on relative compliance burden: the older the VAT becomes, the higher is the relative compliance burden (with a simple correlation coefficient of 0.15). But this influence, identified through simple correlation, is not statistically significant (with a computed t statistic of 0.94).

**Figure 3. Country Compliance Burden Relative to VAT Maturity (41 Countries)**




This lack of significant simple correlation is further confirmed by a multiple regression which firmly suggests that the maturity of the VAT has a positive but statistically insignificant impact on the compliance burden – the older the VAT becomes, the higher is the relative compliance burden (coefficient of 0.018 and computed t-statistic of 1.42, which is statistically significant at the 5% level).

*Analysis of countries by relative compliance burden and various tax ratios*

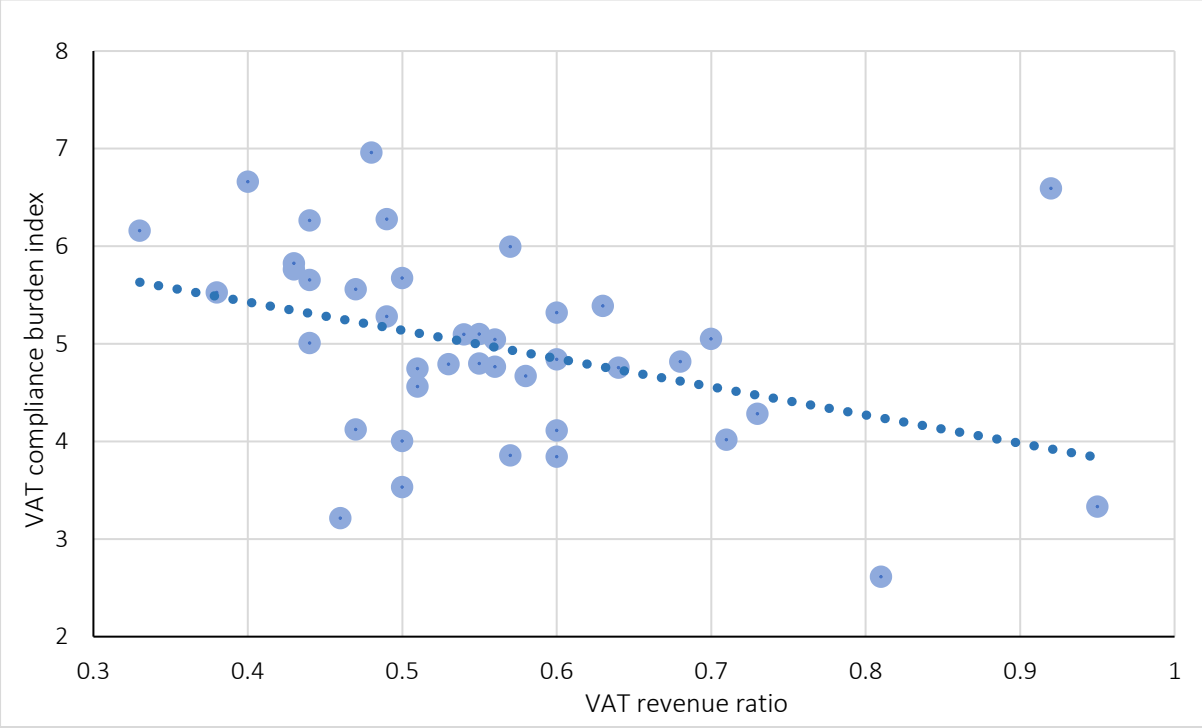
In terms of both simple correlation and regression analyses, none of tax level, VAT level and VAT share has any significant impact on VAT compliance burden index. However, the VAT revenue ratio[21] is a determinant that exerts a statistically significant and negative influence on VAT compliance burden

[21] The VAT revenue ratio (VRR) measures the ratio between the amount of VAT revenue actually collected in respect of a fiscal year and what would theoretically be raised if the VAT was applied at the standard rate to the entire potential tax base in a "pure" VAT regime and all revenue was collected (i.e., with perfect compliance). In general, the maximum value of the VRR is 1, although in particular and rare circumstances its value can exceed 1. A more detailed account of the VRR's computation and its interpretation can be found in the OECD publication *Consumption Tax Trends* published biennially.

index using both correlation and regression analyses. The simple correlation coefficient between VAT compliance burden index and VAT revenue is -0.387 with a computed t value of -2.62, which is significant at 1% level. This is further confirmed by a multiple regression analysis yielding a coefficient of -0.0244 with a computed t statistic of -1.97, which is significant at 5% level.

Figure 4 illustrates the negative relationship between VAT compliance burden index and VAT revenue ratio. This is intuitively plausible as we expect a country with a broader base and fewer reduced VAT rates to have a relatively lower VAT compliance burden.

**Figure 4. Country Compliance Burden Relative to VAT Revenue Ratio (41 Countries)**




*Analysis of countries by relative compliance burden and exports level*

Multiple regression also strongly indicates that a country's level of exports has a statistically significant negative influence on the VAT compliance burden of a country – the higher the level of exports as a percentage of GDP, the higher is the relative compliance burden (coefficient of 0.0158 and computed t-statistic of 3.04, which is statistically significant at the 1% level).

## 5. Concluding Comments

This paper provides a detailed account of a test across 47 advanced and developing countries to explore the merits of the VAT diagnostic tool for assessing VAT compliance burden and its key drivers. In summary, the key findings are as follows:

- The VAT diagnostic tool is considered "fit for purpose" as a robust instrument capable of measuring and evaluating the business VAT compliance burden across the 47 FTA countries, and of identifying the key drivers of that burden.

- The 47 countries surveyed range from those with very low compliance burdens to those with high compliance burdens, with the majority of countries (38) clustered around the middle of the index.
- Roughly 30% of the countries surveyed (14) have indications of a low to very low VAT compliance burden.
- The VAT policy framework (Factor A of the tool) appears to be a significant factor in driving the compliance burden in many countries, whilst the administrative framework (Factor B) and the capabilities of the revenue services (Factor C) were less prominent as driving factors.
- The compliance burden is heavily influenced by the level of economic development of the country, and the level of exports. It is also influenced, although not as significantly, by the ratio of VAT to GDP. The VAT revenue ratio, reflecting the impact of tax policy design choices and taxpayers' non-compliance, also appears highly relevant.
- The range of rating values for a number of the indicators used (e.g. revenue body's website) can be increased to enable a more concise formulation of an appropriate rating.
- The set of explanatory guidance provided for a number of the indicators can be improved (e.g. with more detailed descriptions and extended to include more indicators) to assist those tasked with assessing the most appropriate rating.
- The overall process adopted for testing of the diagnostic tool proved highly effective and efficient—the initial survey process was carried out relatively quickly and the information gathered proved to be generally accurate and largely complete for analysis purposes.

The UNSW Sydney team considers that – at this stage – it has sufficient proof of concept to be able to undertake, in collaboration with stakeholders, the development of a broader suite of diagnostic tools designed to measure and evaluate the tax compliance burden of other business taxes, in particular, the corporate income tax; tax regimes applicable to the provision of labour (e.g. income tax withholding and social security regimes); and other taxes (particularly customs duties and excises).

**Appendix 1**

## Compliance Burden Indicators: Rating Sheet

**(Record a single rating for each indicator as it relates to the country's VAT for the 2017 fiscal year)**

### A. Tax Law Complexity and Burden Resulting from Core Elements of VAT Policy

| Compliance burden indicators | Relevant rating |
|---|---|
| **The VAT rate structure:**<br>1. No reduced rates apply.<br>2. One reduced rate applies.<br>3. Two reduced rates apply.<br>4. Three or more reduced rates apply.<br>NB: Reduced rates include 'zero-rated' goods and services, exclusive of exports. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The scale (i.e. revenue impact) of reduced rates and exemptions:**<br>1. The revenue impact of reduced rates and exemptions is nil or low (i.e. <10% of the estimated VAT base).<br>2. The revenue impact of reduced rates and exemptions is medium (i.e. 10-19% of the estimated VAT base).<br>3. The revenue impact of reduced rates and exemptions is high (i.e. 20-29% of the estimated VAT base).<br>4. The revenue impact of reduced rates and exemptions is very high (i.e. 30% or more of the estimated VAT base).<br>NB: Reduced rates include 'zero-rated' goods and services, exclusive of exports. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **Use of cash records by specified small businesses (*) to calculate VAT liabilities:**<br>1. 50% or more of small businesses required to pay VAT use the "cash basis of accounting" for calculating VAT liabilities<br>2. Between 25-49% of small businesses required to pay VAT use the "cash basis of accounting" for calculating VAT liabilities.<br>3. Less than 25% of small businesses required to pay VAT use the "cash basis of accounting" for calculating VAT liabilities<br>4. Use of the "cash basis of accounting" is generally not permitted.<br>(*) Guidance for interpreting the term 'small businesses' is at the end of this form. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **Use of rules for prescribed industries that simplify calculations of VAT liabilities:**<br>1. Over 50% of VAT taxpayers use simplified rules that are available for taxpayers in prescribed industries to calculate their VAT liabilities.<br>2. Between 25-50% of VAT taxpayers use simplified rules that are available for taxpayers in prescribed industries to calculate their VAT liabilities.<br>3. Less than 25% of VAT taxpayers use simplified rules that are available for taxpayers in prescribed industries to calculate their VAT liabilities.<br>4. There are no simplified rules for taxpayers in any prescribed industries. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **VAT registration:**<br>1. Less than 30% of the business taxpayer population is registered for VAT purposes.<br>2. 30-39% of the business taxpayer population is registered for VAT purposes.<br>3. 40-49% of the business taxpayer population is registered for VAT purposes.<br>4. 50-59% of the business taxpayer population is registered for VAT purposes.<br>5. 60-69% of the business taxpayer population is registered for VAT purposes.<br>6. 70-79% of the business taxpayer population is registered for VAT purposes.<br>7. 80-89% of the business taxpayer population is registered for VAT purposes.<br>8. 90% or more of the business taxpayer population is registered for VAT purposes | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5<br>☐ 6 |

| Compliance burden indicators | Relevant rating |
|---|---|
| | ☐ 7<br>☐ 8 |
| **Optionality (i.e. the availability of optional regimes to small businesses) (*):**<br>1. There are no optional regimes generally available to small businesses.<br>2. There is only one optional regime generally available to small businesses.<br>3. There are two optional regimes generally available to small businesses.<br>4. There are three or more optional regimes generally available to small businesses.<br><br>(*) Guidance for assessing the rating for this indicator is provided at the end of this form. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **COMMENTS (**(if you wish to elaborate on any responses/ratings please do so in this part) | |

## B. Number and frequency of administrative requirements to comply

| Compliance burden indicators | Relevant rating |
|---|---|
| **Electronic VAT registration:**<br>1. Businesses can register electronically: 50% or more use this method<br>2. Businesses can register electronically: 25-49% use this method<br>3. Businesses can register electronically: < 25% use this method<br>4. Businesses required to register must file applications on paper and/or attend a tax office in person. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **Staggered VAT payment periods for small businesses:**<br>1. Small businesses generally need only pay their VAT liabilities quarterly or less frequently.<br>2. Small businesses generally need only pay their VAT liabilities bi-monthly.<br>3. Most small businesses are generally required to pay VAT liabilities monthly. | ☐ 1<br>☐ 2<br>☐ 3 |
| **Staggered return filing periods for small businesses:**<br>1. Small businesses generally need only file VAT returns quarterly or less frequently.<br>2. Small businesses generally need only file VAT returns bi-monthly.<br>3. Most small businesses are generally required to file VAT returns monthly. | ☐ 1<br>☐ 2<br>☐ 3 |
| **Information requirements of a typical VAT return**<br>1. Tax returns require minimal data to be provided, with less than 10 boxes or fields (other than for taxpayer identification) typically to be completed.<br>2. Tax returns require a moderate amount of data, with 11-20 boxes or fields typically to be completed.<br>3. Tax returns require a significant amount of data to be provided, with 21-30 boxes or fields typically to be completed.<br>4. Tax returns require a very large amount of data, with over 30 boxes or fields typically to be completed. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **Documentation requirements for exported goods and services**<br>1. There are no additional documentation requirements in respect of exported goods and services to be provided to the tax authorities as part of return filing obligations. | ☐ 1<br>☐ 2<br>☐ 3 |

| Compliance burden indicators | Relevant rating |
|---|---|
| 2. There are additional documentation requirements in respect of exported goods and services to be provided to the tax authorities as part of return filing obligations that impact less than 10% of registered taxpayers.<br>3. There are additional documentation requirements in respect of exported goods and services to be provided to the tax authorities as part of return filing obligations that impact between 10-19% of registered taxpayers.<br>4. There are additional documentation requirements in respect of exported goods and services to be provided to the tax authorities as part of return filing obligations that impact 20% or more of registered taxpayers. | ☐ 4 |
| **Other reporting requirements (in addition to the VAT return (e.g. statistical data)**<br>1. There are no reporting requirements additional to the periodic VAT return<br>2. There are reporting requirements in addition to the periodic VAT return — completed on an annual basis.<br>3. There are reporting requirements in addition to the periodic VAT return — completed every 4-6 months.<br>4. There are reporting requirements in addition to the periodic VAT return — completed at least every 3 months or more frequently. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The use of electronic invoices between businesses**<br>1. Legislation permits use of e-invoicing between businesses and 50% or more of invoices are estimated to be prepared in this way.<br>2. Legislation permits use of e-invoicing between businesses and 25 to 49% of invoices are estimated to be prepared in this way.<br>3. Legislation permits use of e-invoicing between businesses and less than 25% of invoices are estimated to be prepared in this way.<br>4. Legislation does not permit use of e-invoicing between businesses. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **Provision of copies of VAT invoices to the revenue body**<br>1. Except for specific requests (e.g. re audits), copies of invoices do not need to be provided to the revenue body as a general rule.<br>2. Less than 50% of businesses are required to supply invoices to the revenue body.<br>3. 50% or more of businesses are required to supply invoices to the revenue body. | ☐ 1<br>☐ 2<br>☐ 3 |
| **Record retention periods:**<br>1. Records must be retained by taxpayers for up to 4 years.<br>2. Records must be retained by taxpayers for between 4 and 8 years.<br>3. Records must be retained by taxpayers for 8 years or more. | ☐ 1<br>☐ 2<br>☐ 3 |
| **The number of VAT verification actions (*):**<br>**1.** The overall number of VAT verifications actions each year is generally less than 5% of the registered VAT payer population.<br>2. The overall number of VAT verification actions each year is generally between 5-10% of the registered VAT payer population.<br>3. The overall number of VAT verification actions each year is generally over 10% of the registered VAT payer population.<br>(*) "Verification actions" include all types of actions taken by revenue bodies to verify taxpayers' reported liabilities (e.g. document verification requests, audits, investigations, and written and phone inquiries). | ☐ 1<br>☐ 2<br>☐ 3 |
| **The level of disputed VAT assessments**<br>1. The no. of VAT assessments disputed each year is < 5% of the no. of VAT verifications.<br>2. The no. of VAT assessments disputed each year is 5-10% of the no. of VAT verifications.<br>3. The no. VAT assessments disputed each year is over 10% of the no. of VAT verifications. | ☐ 1<br>☐ 2<br>☐ 3 |

| Compliance burden indicators | Relevant rating |
|---|---|
| **COMMENTS** (if you wish to elaborate on any responses/ratings please do so in this part) | |

## C. Revenue body capabilities in meeting taxpayers' service and compliance needs

| Compliance Burden Indicators | Relevant rating |
|---|---|
| **The revenue body's website (*)**<br>1. The revenue body's website has a very comprehensive range of VAT information on taxpayers' VAT obligations.<br>2. The revenue body's website has reasonably comprehensive range of information on taxpayers' VAT obligations.<br>3. The revenue body's website offers very little or no information on taxpayers' VAT obligations.<br>(*) Guidance for assessing the rating for this indicator is provided at the end of this form. | ☐ 1<br>☐ 2<br>☐ 3 |
| **The revenue body's phone enquiry services (*)**<br>1. The revenue body provides a dedicated phone enquiry service — phone response times and the standard of advice and service are generally of a high standard.<br>2. The revenue body provides a dedicated phone enquiry service — phone response times and the standard of advice and service are generally of a reasonable standard<br>3. The revenue body provides a dedicated phone enquiry service — phone response times and the standard of advice and service are generally of an unsatisfactory standard.<br>4. The revenue body does not provide a dedicated call centre enquiry service.<br>(*) Guidance for assessing the rating for this indicator is provided at the end of this form. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **Support for newly registered businesses (*)**<br>1. The revenue body's range of VAT-related services targeted at newly registered businesses are of a high standard.<br>2. The revenue body's range of VAT-related services targeted at newly registered businesses are of a reasonable standard.<br>3. The revenue body's range of VAT-related services targeted at newly registered businesses are of a poor standard.<br>4. The revenue body does not provide any unique VAT-related services dealing with VAT targeted at newly registered businesses.<br>(*) Guidance for assessing the rating for this indicator is provided at the end of this form. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The revenue body's online VAT payment facilities:**<br>1. 75% or more of VAT payments received from taxpayers are made using online (i.e. Internet-based) payment facilities.<br>2. Between 50-74% of VAT payments received from taxpayers are made using online (i.e. Internet-based) payment facilities.<br>3. Between 25-49% of VAT payments received from taxpayers are made using online (i.e. Internet-based) payment facilities.<br>4. Less than 25% of VAT payments received from taxpayers are made using online (i.e. Internet-based) payment facilities, or there is no such capability. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The revenue body's online VAT return filing service**<br>1. 75% or more of taxpayers use online filing facilities for submitting returns.<br>2. Between 50-74% of taxpayers use online filing facilities for submitting returns.<br>3. Between 25-49% of taxpayers use online filing facilities for submitting returns.<br>4. Less than 25% of taxpayers use online filing facilities for submitting returns or there is no such service. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |

| Compliance Burden Indicators | Relevant rating |
|---|---|
| **Quality of the revenue body's online transaction services (e.g. return filing) (*)**<br>1. The revenue body's online transaction services are of a very high standard<br>2. The revenue body's online transaction services are of a high standard<br>3. The revenue body's online transaction services are of a medium standard<br>4. The revenue body's online transaction services are of a low standard<br><br>(*) Guidance for assessing the rating for this indicator is provided at the end of this form. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The revenue body's refunding of excess VAT payments:**<br>1. 90% of refund claims are paid with 1 month of receipt.<br>2. 90% of refund claims are paid within 2 months of receipt.<br>3. 90% of refund claims are paid within 3 months of receipt.<br>4. More than 3 months are required to pay 90% of refund claims. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The revenue body's private rulings service:**<br>1. Rulings are generally provided within one month of being requested.<br>*2.* Rulings are generally provided within two months of being requested.<br>3. Rulings generally take longer than two months to be provided. | ☐ 1<br>☐ 2<br>☐ 3 |
| **COMMENTS (**(if you wish to elaborate on any responses/ratings please do so in this part) | |

## D. Monetary costs/benefits associated with the act of complying

| Compliance Burden Indicators | Relevant rating |
|---|---|
| **The payment of interest on delayed refunds:**<br>1. Interest is paid on excess VAT credits unpaid after one month or more.<br>2. Interest is paid on excess VAT credits after two months or more.<br>3. Interest is only paid on excess VAT credits after three months or more<br>4. Interest is <u>not</u> generally paid on excess VAT credits. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4 |
| **The aggregate value of annual VAT refunds:**<br>1. The value of VAT refunds annually is less than 10% of annual gross VAT collections.<br>2. The value of VAT refunds annually is between 10-19% of annual gross VAT collections.<br>3. The value of VAT refunds annually is between 20-29% of annual gross VAT collections.<br>4. The value of VAT refunds annually is between 30-39% of annual gross VAT collections.<br>5. The value of VAT refunds annually is 40% or more of annual gross VAT collections. | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **COMMENTS** (if you wish to elaborate on any responses/ratings please do so in this part) | |

### Other information relevant to assessing the management of tax compliance costs

*Institutional posture and attitude to tax compliance burden reduction*

In addition to examining features of the VAT law and how its administration, the diagnostic tool aims to gather insights as to the degree of government and institutional recognition and attention being given to address VAT (and other tax) compliance costs. Please ascertain the situation in relation to the statements below and provide any additional relevant information in the space provided.

| Statement of position | Yes/ No |
|---|---|
| There is a formal government goal/ target in place for reducing tax compliance costs (or administrative burdens) in general resulting from Government regulations. | ☐ Yes ☐ No |
| Compliance costs considerations are generally assessed by the Ministry of Finance (MOF) when formulating tax policy proposals affecting the VAT. | ☐ Yes ☐ No |
| Objective data on tax compliance costs (or "administrative burdens") are captured periodically from external sources (by the MOF, the revenue body, and/or an associated research body) to inform development of tax policy and/or compliance costs reduction initiatives. | ☐ Yes ☐ No |
| There is an announced government plan (not yet implemented) for specific VAT burden reduction initiatives (e.g. a higher registration threshold and relaxed return filing periods) | ☐ Yes ☐ No |
| The revenue body's formal planning documents reflect goals/ objectives for compliance cost reductions, and related strategies to achieve them. | ☐ Yes ☐ No |
| Formal consultative arrangements involving representatives of business and/ or the tax accounting profession are in place that provide an opportunity for compliance costs issues to be raised/ discussed. | ☐ Yes ☐ No |
| **COMMENTS** (if you wish to elaborate on any responses to the prior statements) | |

**Appendix 2**

## The Development of Weightings for Each Burden Factor

It was acknowledged at the outset of the project that the four factors would impact unevenly in a compliance burden context and that, as a result, some form of scoring and weighting would be needed for the prototype diagnostic tool. The development of a total weighted score was seen as a prerequisite to the derivation of a composite indicator that could be used to allocate participating countries into groupings of relative VAT compliance burden. The following steps were accordingly taken:

### Pilot study

1. A panel of five participating researchers (from the pilot group of 13 countries) was established to develop an approach to this aspect of the project and a proposal for going forward was agreed upon.[22]

2. Each of the 13 countries participating in the pilot was given an opportunity to provide a judgment on the relative weighting of each of the four core factors identified as influencing a country's VAT compliance burden. Participation in this phase of the work was voluntary and in the end eight contributions were received. Following a review of these contributions and some minor revisions by three participants, a set of weightings was settled for use - **refer Table 9.**

**Table 9. Suggested factor weightings provided by participants**

| Country | Suggested Weightings | | | |
|---|---|---|---|---|
| | Factor A: Tax law complexity | Factor B: Administrative Obligations | Factor C: Revenue body capabilities | Factor D: Monetary costs/ benefits |
| Australia | 25 | 40 | 25 | 10 |
| Canada | 35 | 25 | 20 | 20 |
| Croatia | 20 | 40 | 30 | 10 |
| Indonesia | 35 | 30 | 20 | 15 |
| Malaysia | 30 | 30 | 35 | 5 |
| New Zealand | 25 | 35 | 25 | 15 |
| S. Africa | 25 | 35 | 35 | 5 |
| Vietnam | 35 | 35 | 20 | 10 |
| ***Range*** | 20-35 | 25-40 | 20-35 | 5-20 |
| ***Median*** | 25 | 35 | 25 | 10 |
| ***Arithmetic Mean*** | 28.75 | 33.75 | 26.25 | 11.25 |
| ***Geometric Mean*** | 28.2 | 33.4 | 25.6 | 10.1 |

Analysis made of the weightings provided by the eight participants pointed to a reasonable degree of consistency in the judgments made. All participants clearly rated Factor 4 as the least significant

[22] The researchers involved were Katarina Ott (Croatia), Pierre-Pascal Gendron (Canada), Christine Tjen (Indonesia), Binh Tran-Nam (Vietnam), and Richard Highfield (Australia).

and relatively low. Six participants rated Factor 3 (revenue body capabilities) as of lower significance than Factor 2 (administrative obligations), one ranked them of equal significance, and one favoured Factor 3 over 2. Judgments on the relative weightings of Factors 1 and 2 varied: two rated Factor 1 as more significant than 2; four favoured 2 over 1, and two ranked them of equal significance. The judgments concerning Factors 1 and 2 suggested that their final weighting for scoring purposes should be fairly close and, viewed more broadly, above the weightings for Factors 3 and 4.

3. As agreed among the participating researchers, a 'geometric mean' computation of weightings was made for each factor and applied for determining the final weighted score for each factor. Weighted scores were then aggregated for each country to derive an overall weighted score **(refer Table 10).**

4. The final weightings also enable the derivation of minimum and maximum theoretical scores reflecting an incidence of overall burden that was then used to derive groupings of very low, low, medium, high and very high in evenly spread score ranges **(refer Table 11).**

**Table 10. Theoretical scores (weighted and unweighted)**

| Factor | Minimum unweighted score | Maximum unweighted score | Proposed weighting | Minimum weighted score | Maximum weighted score |
|---|---|---|---|---|---|
| A | 4 | 15 | 1.282 | 5 | 19 |
| B | 9 | 31 | 1.334 | 12 | 41 |
| C | 6 | 21 | 1.256 | 8 | 26 |
| D | 2 | 9 | 1.101 | 2 | 10 |
| Totals | 21 | 76 | | 27 | 96 |

**Table 11. Ranges of Compliance Burden (Phase 1 Pilot Study)**

| | **Overall Classification of Compliance Burden** | **Proposed weighted score range** |
|---|---|---|
| Range of weighted scores: 27 to 96 | Very Low | 27.0 to 40.8 |
| | Low | 40.801 to 54.6 |
| | Medium | 54.601 to 68.4 |
| | High | 68.401 to 82.2 |
| | Very High | 82.201 to 96.0 |

## Extended Study

For the extended study involving 47 countries, the researchers retained the basic weightings developed in the 13 country pilot but took steps to normalise the weightings to account for a minor statistical oversight in the initial study. Account was also taken of six additional indicators and revisions to a few others—see Table 12 for relevant details of scoring methodology. For ease of understanding and comparison it was also decided to express each newly computed weighted score into an 'index of compliance burden' applying a 10-point scale evenly across the range of minimum and maximum normalised weighted scores (see Table 13).

**Table 12. Theoretical scores (weighted and unweighted)**

| Factor | Minimum unweighted score | Maximum unweighted score | Initial weightings | Normalised weightings | Minimum normalised weighted score | Maximum normalised weighted score |
|---|---|---|---|---|---|---|
| A | 6 | 28 | 28.2 | 0.290 | 1.739 | 8.115 |
| B | 11 | 38 | 33.4 | 0.343 | 3.776 | 13.044 |
| C | 8 | 30 | 25.6 | 0.263 | 2.105 | 7.893 |
| D | 2 | 9 | 10.1 | 0.104 | 0.207 | 0.934 |
| **Totals** | 27 | 105 | 97.3 | 1 | **7.827** | **29.987** |

**Table 13. Normalised Weighted Scores and Compliance Burden Index (Phase 2 Extended Study)**

| | **Normalised Weighted Score Range** | **Compliance Burden Index** |
|---|---|---|
| Range of total weighted scores: 7.82734 to 29.98664 | 7.827 – 10.043 | 1 |
| | 10.044 – 12.259 | 2 |
| | 12.260 – 14.476 | 3 |
| | 14.477 – 16.692 | 4 |
| | 16.693 – 18.908 | 5 |
| | 18.909 – 21.124 | 6 |
| | 21.125 – 23.350 | 7 |
| | 23.351 – 25.556 | 8 |
| | 25.557–27.772 | 9 |
| | 27.773 –29.987 | 10 |

**Appendix 3**

**Summary Survey Tabulations**

**10 June 2019**

**Table 14. Summary Tabulations (Factor A: Tax Law Complexity and Burden Resulting from Core Elements of VAT Policy)**

| Country | Area of tax law/ administration and assessed country rating (*** denotes use of default indicator) | | | | | | Total s (*theore min. sc ma score= |
|---|---|---|---|---|---|---|---|
| | Complexity of VAT rate structure | Scale of reduced rates & exemptions | Use of cash records is permitted & their usage | Rules for prescribed industries & usage | VAT Registrations as % of Business Taxpayers | Optionality | |
| Argentina | 4 | 1 | 4 | 3 | 4 | 2 | 18 |
| Australia | 2 | 4 | 1 | 3 | 7 | 4 | 21 |
| Austria | 4 | 3 | 2*** | 2*** | 8 | 2 | 21 |
| Belgium | 4 | 4 | 4 | 4 | 7 | 4 | 27 |
| Brazil (Federal)* | 4 | 4 | 1 | 2 | 8 | 4 | 23 |
| Canada | 2 | 2 | 4 | 3 | 7 | 2 | 20 |
| Chile | 2 | 1 | 2 | 4 | 8 | 3 | 20 |
| Colombia | 3 | 2 | 4 | 1 | 6 | 1 | 17 |
| Costa Rica | 3 | 1 | 4 | 2 *** | 1 | 2 | 13 |
| Czech Republic | 3 | 4 | 4 | 4 | 4 | 3 | 22 |
| Denmark | 2 | 1 | 4 | 1 | 8 | **2** | 18 |
| Estonia | 3 | 4 | 3 | 4 | 1 | 2 | 17 |
| Finland | 4 | 2 | 3 | 3 | 7 | 4 | 23 |
| France | 4 | 2 | 2*** | 2*** | 8 | 4 | 22 |
| Germany | 3 | 2 | 1 | 3 | 8 | 2 | 19 |
| Greece | 3 | 2 | 3 | 4 | 8 | 3 | 23 |
| Hungary | 4 | 2 | 3 | 3 | 8 | 4 | 24 |
| Iceland | 3 | 3 | 4 | 4 | 7 | 2 | 23 |
| India | 4 | 4 | 4 | 3 | 1 | 2 | 18 |
| Indonesia | 1 | 4 | 4 | 4 | 1 | 1 | 15 |
| Ireland | 4 | 3 | 1 | 1 | 1 | 4 | 14 |
| Israel | 2 | 2 | 1 | 4 | 8 | 2 | 19 |
| Italy | 4 | 4 | 2 | 1 | 4*** | 4 | 19 |
| Japan | 1 | 1 | 2 | 2 | 3 | 3 | 12 |
| Kenya | 3 | 2 | 4 | 4 | 5 | 1 | 19 |
| Korea | 2 | 3 | 4 | 4 | 8 | 2 | 23 |
| Latvia | 4 | 2 | 3 | 4 | 1 | 2 | 16 |
| Lithuania | 4 | 1 | 3 | 1 | 1 | 3 | 13 |
| Luxembourg | 4 | 4 | 3 | 3 | 3 | 2 | 19 |
| Mexico | 2 | 3 | 1 | 4 | 8 | 3 | 21 |
| Netherlands | 3 | 2 | 3 | 3 | 7 | 2 | 20 |
| New Zealand | 3 | 1 | 1 | 4 | 8 | 3 | 20 |
| Norway | 4 | 2 | 4 | 3 | 4 | 2 | 19 |
| Peru | 1 | 1 | 4 | 3 | 5 | 2 | 16 |
| Poland | 4 | 4 | 3 | 2 | 4 | 3 | 20 |
| Portugal | 3 | 4 | 3 | 4 | 6 | 3 | 23 |
| PRC (China) | 3 | 2 | 4 | 2 | 8 | 2 | 21 |
| Russian Fed. | 3 | 2*** | 4 | 4 | 4*** | 4 | 21 |
| Singapore | 2 | 1 | 2 *** | 2*** | 4*** | 1 | 12 |
| Slovakia | 3 | 2 | 2*** | 2*** | 4 | 4 | 17 |
| Slovenia | 3 | 2 | 3 | 3 | 4 | 2 | 17 |
| South Africa | 2 | 2 | 1 | 4 | 1 | 2 | 12 |
| Spain | 3 | 4 | 3 | 2 | 8 | 4 | 24 |
| Sweden | 4 | 1 | 2 | 4 | 5 | 3 | 19 |

| Country | Area of tax law/ administration and assessed country rating (*** denotes use of default indicator) | | | | | | Total s (*theore min. sc ma score= |
|---|---|---|---|---|---|---|---|
| | Complexity of VAT rate structure | Scale of reduced rates & exemptions | Use of cash records is permitted & their usage | Rules for prescribed industries & usage | VAT Registrations as % of Business Taxpayers | Optionality | |
| Switzerland | 4 | 4 | 1 | 2 | 4 | 4 | 19 |
| Turkey | 3 | 2 | 4 | 4 | 6 | 2 | 21 |
| United Kingdom | 3 | 2 | 3 | 2 | 5 | 4 | 19 |
| ***Mean Score*** | | | | | | | 19 |

*Brazil (State VAT) not included but presented below

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Brazil (State) | 4 | 4 | 1 | 2 | 8 | 2 | 2 |

## Table 15. Summary Tabulations (Factor B: Frequency of Administrative Requirements to Comply)

| Country | Area of tax law/administration and assessed country rating (*** denotes use of default indicator) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Electronic VAT registration | Payment frequency obligations for SMEs | Filing frequency obligations for SMEs | Data required for VAT returns | Documents required for exports | Other reporting require-ments | E-invoices between businesses & their usage | Provision of VAT invoices | Length of record retention periods | Rate of VAT verif-ications |
| Argentina | 1 | 3 | 3 | 4 | 1 | 4 | 1 | 1 | 3 | 3 |
| Australia | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| Austria | 4 | 1 | 1 | 2 | 1 | 4 | 2*** | 1 | 2 | 1 |
| Belgium | 4 | 1 | 1 | 4 | 1 | 4 | 2*** | 1 | 3 | 3 |
| Brazil (Fed.)* | 1 | 3 | 1 | 4 | 4 | 4 | 1 | 3 | 2 | 3 |
| Canada | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 2 | 1 |
| Chile | 1 | 3 | 3 | 1 | 4 | 1 | 1 | 3 | 2 | 2 |
| Colombia | 4 | 1 | 1 | 4 | 2 | 2 | 3 | 2 | 2 | 1 |
| Costa Rica | 1 | 1 | 1 | 2 | 1 | 1 | 2*** | 1 | 2 | 2 |
| Czech Rep. | 1 | 1 | 1 | 2 | 1 | 4 | 1 | 1 | 3 | 1 |
| Denmark | 1 | 1 | 1 | 2 | 1 | 4 | 1 | 1 | 2 | 1 |
| Estonia | 1 | 3 | 3 | 2 | 1 | 4 | 1 | 1 | 2 | 2 |
| Finland | 2 | 1 | 1 | 2 | 2 | 4 | 1 | 1 | 2 | 3 |
| France | 4 | 1 | 1 | 4 | 1 | 4 | 3 | 1 | 3 | 3 |
| Germany | 4 | 1 | 1 | 1 | 1 | 4 | 2 | 1 | 3 | 1 |
| Greece | 4 | 1 | 1 | 3 | 1 | 4 | 3 | 1 | 2 | 1 |
| Hungary | 1 | 1 | 1 | 4 | 1 | 4 | 3 | 1 | 2 | 3 |
| Iceland | 4 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| India | 1 | 1 | 1 | 4 | 1 | 2 | 3 | 1 | 2 | 3 |
| Indonesia | 4 | 3 | 3 | 4 | 1 | 1 | 1 | 1 | 3 | 3 |
| Ireland | 1 | 2 | 2 | 1 | 1 | 4 | 3 | 1 | 2 | 3 |
| Israel | 3 | 2 | 2 | 1 | 4 | 2 | 3 | 1 | 2 | 1 |
| Italy | 1 | 1 | 1 | 4 | 1 | 4 | 3 | 1 | 3 | 3 |
| Japan | 2*** | 1 | 1 | 2 | 1 | 1 | 3 | 1 | 2 | 2 |
| Kenya | 1 | 3 | 3 | 2 | 3 | 2 | 3 | 1 | 2 | 3 |
| Korea | 1 | 1 | 1 | 3 | 4 | 1 | 1 | 1 | 2 | 1 |
| Latvia | 4 | 1 | 1 | 4 | 1 | 4 | 2 | 1 | 2 | 3 |
| Lithuania | 1 | 3 | 3 | 3 | 1 | 4 | 1 | 1 | 3 | 2 |
| Luxembourg | 4 | 1 | 1 | 4 | 1 | 4 | 3 | 1 | 3 | 2 |
| Mexico | 4 | 2 | 2 | 3 | 1 | 4 | 1 | 1 | 2 | 3 |
| Netherlands | 1 | 1 | 1 | 2 | 1 | 4 | 3 | 1 | 3 | 2 |
| New Zealand | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 2 | 1 |
| Norway | 1 | 1 | 1 | 2 | 1 | 1 | 3 | 1 | 2 | 1 |
| Peru | 2 | 1 | 3 | 3 | 1 | 1 | 2 | 1 | 1 | 3 |
| Poland | 4 | 1 | 1 | 4 | 1 | 4 | 2 | 1 | 2 | 3 |
| Portugal | 1 | 1 | 1 | 3 | 1 | 4 | 2 | 1 | 3 | 1 |
| PRC (China) | 1 | 1 | 1 | 3 | 2 | 1 | 3 | 3 | 3 | 2 |
| Russian Fed. | 1 | 1 | 1 | 4 | 2*** | 1 | 2 | 1 | 2 | 2*** |
| Singapore | 1 | 1 | 1 | 2 | 1 | 1 | 2*** | 1 | 2 | 1 |
| Slovakia | 4 | 1 | 1 | 4 | 1 | 4 | 2*** | 1 | 3 | 1 |
| Slovenia | 1 | 1 | 1 | 3 | 1 | 4 | 1 | 1 | 3 | 3 |
| South Africa | 4 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 2 | 1 |
| Spain | 1 | 1 | 1 | 4 | 1 | 4 | 2 | 2 | 2 | 2 |

| Country | Area of tax law/administration and assessed country rating (*** denotes use of default indicator) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Electronic VAT registration | Payment frequency obligations for SMEs | Filing frequency obligations for SMEs | Data required for VAT returns | Documents required for exports | Other reporting require-ments | E-invoices between businesses & their usage | Provision of VAT invoices | Length of record retention periods | Rate of VAT verif-ications |
| Sweden | 1 | 1 | 1 | 4 | 1 | 4 | 2 | 1 | 2 | 1 |
| Switzerland | 1 | 1 | 1 | 3 | 1 | 2 | 3 | 1 | 3 | 2 |
| Turkey | 4 | 3 | 3 | 4 | 4 | 1 | 3 | 1 | 2 | 1 |
| United Kingdom | 1 | 1 | 1 | 1 | 1 | 4 | 1 | 1 | 2 | 3 |
| ***Mean Score*** | | | | | | | | | | |

*Brazil (State VAT) not included but presented below:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Brazil (State) | 1 | 3 | 3 | 4 | 4 | 4 | 1 | 3 | 2 | 3 |

**Table 16. Summary Tabulations (Factor C: Revenue Body Capabilities in Meeting Taxpayers' Service and Compliance Needs)**

| Country | Area of tax law/administration and assessed country rating (*** denotes use of default indicator) | | | | | | | | Tot (* m = 8 sco |
|---|---|---|---|---|---|---|---|---|---|
| | Comprehen-siveness of website | Quality of phone enquiry services | Support for newly registered businesses | Rate of usage of | | Quality of online transaction services | Timeliness of | | |
| | | | | Online payment facilities | Online filing service | | VAT refunds | Rulings | |
| Argentina | 2 | 3 | 3 | 1 | 1 | 1 | 4 | 3 | |
| Australia | 1 | 2 | 2 | 1 | 1 | 2 | 1 | 1 | |
| Austria | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 3 | |
| Belgium | 2 | 4 | 3 | 1 | 1 | 3 | 3 | 3 | |
| Brazil (Fed.) | 2 | 4 | 2 | 1 | 1 | 1 | 4 | 3 | |
| Canada | 2 | 2 | 3 | 2 | 1 | 3 | 2 | 3 | |
| Chile | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 2 | |
| Colombia | 2 | 3 | 4 | 3 | 1 | 3 | 2 | 3 | |
| Costa Rica | 1 | 2 | 2 | 1 | 1 | 2 | 4 | 2 | |
| Czech Rep. | 2 | 4 | 4 | 1 | 1 | 2 | 1 | 3 | |
| Denmark | 1 | 2 | 1 | 1 | 1 | 2 | 1 | 3 | |
| Estonia | 2 | 2 | 2 | 1 | 1 | 2 | 1 | 1 | |
| Finland | 1 | 2 | 2 | 1 | 1 | 3 | 1 | 2 | |
| France | 2 | 2 | 2 | 1 | 1 | 2 | 3 | 3 | |
| Germany | 2 | 3 | 3 | 1 | 1 | 2 | 1 | 3 | |
| Greece | 2 | 2 | 4 | 1 | 1 | 3 | 4 | 3 | |
| Hungary | 2 | 2 | 2 | 1 | 1 | 2 | 3 | 3 | |
| Iceland | 2 | 3 | 3 | 1 | 1 | 3 | 1 | 3 | |
| India | 1 | 3 | 4 | 1 | 1 | 2 | 4 | 3 | |
| Indonesia | 2 | 2 | 2 | 1 | 1 | 2 | 1 | 3 | |
| Ireland | 1 | 2 | 4 | 1 | 1 | 1 | 1 | 3 | |
| Israel | 2 | 3 | 3 | 3 | 2 | 2 | 2 | 3 | |
| Italy | 2 | 3 | 2 | 1 | 1 | 1 | 4 | 3 | |
| Japan | 1 | 3 | 3 | 2*** | 1 | 3 | 2 | 3 | |
| Kenya | 2 | 2 | 2 | 1 | 1 | 2 | 4 | 3 | |
| Korea | 2 | 2 | 2 | 2*** | 1 | 2 | 3 | 3 | |
| Latvia | 2 | 3 | 3 | 1 | 1 | 3 | 1 | 1 | |
| Lithuania | 2 | 2 | 2 | 1 | 1 | 2 | 2 | 1 | |

| Country | Area of tax law/administration and assessed country rating (*** denotes use of default indicator) | | | | | | | | Tot (* m = 8 sco |
|---|---|---|---|---|---|---|---|---|---|
| | Comprehen-siveness of website | Quality of phone enquiry services | Support for newly registered businesses | Rate of usage of | | Quality of online transaction services | Timeliness of | | |
| | | | | Online payment facilities | Online filing service | | VAT refunds | Rulings | |
| Luxembourg | 2 | 4 | 4 | 4 | 1 | 3 | 4 | 3* | |
| Mexico | 2 | 2 | 2 | 3 | 1 | 2 | 4 | 3 | |
| Netherlands | 2 | 2 | 1 | 1 | 1 | 1 | 2 | 3 | |
| New Zealand | 1 | 2 | 1 | 1 | 1 | 1 | 1 | 3 | |
| Norway | 2 | 2 | 2 | 1 | 1 | 2 | 1 | 3 | |
| Peru | 1 | 3 | 2 | 3 | 3 | 2 | 4 | 3 | |
| Poland | 2 | 2 | 4 | 1 | 1 | 3 | 2 | 3 | |
| Portugal | 1 | 2 | 4 | 1 | 1 | 1 | 3 | 3 | |
| PRC (China) | 1 | 1 | 4 | 2*** | 1 | 1 | 3 | 3 | |
| Russian Fed. | 1 | 1 | 1 | 1 | 1 | 2 | 3 | 2 | |
| Singapore | 2 | 1 | 2 | 1 | 1 | 2 | 1 | 1 | |
| Slovakia | 2 | 2 | 3 | 2*** | 1 | 3 | 4 | 2 | |
| Slovenia | 2 | 2 | 3 | 1 | 1 | 3 | 1 | 3 | |
| South Africa | 1 | 3 | 2 | 1 | 1 | 1 | 2 | 3 | |
| Spain | 1 | 2 | 4 | 1 | 1 | 2 | 3 | 3 | |
| Sweden | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 2 | |
| Switzerland | 2 | 2 | 2 | 1 | 3 | 3 | 2 | 2 | |
| Turkey | 1 | 2 | 4 | 1 | 1 | 3 | 4 | 3 | |
| United Kingdom | 1 | 3 | 4 | 1 | 1 | 2 | 3 | 3 | |
| ***Mean Score*** | | | | | | | | | |

*Brazil (State VAT) not included but presented below:

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Brazil (State) | 2 | 3 | 2 | 1 | 1 | 1 | 4 | 3 | |

**Table 17. Summary Tabulations (Factor D: Monetary Costs/ Benefits associated with the act of complying)**

| Country | Area of tax law/administration and assessed country rating (*** denotes use of default indicator) | | Total score (* min. score = 2, max. score = 9) | Normalised weighting | Normalised weighted score |
|---|---|---|---|---|---|
| | Payment of interest provided for on delayed refunds | The value of VAT refunds as a % of total gross VAT revenue | | | |
| Argentina | 4 | 1 | 5 | 10.38% | 0.519 |
| Australia | 1 | 5 | 6 | 10.38% | 0.623 |
| Austria | 4 | 4 | 8 | 10.38% | 0.830 |
| Belgium | 4 | 4 | 8 | 10.38% | 0.830 |
| Brazil (Federal) * | 1 | 1 | 2 | 10.38% | 0.208 |
| Canada | 1 | 4 | 5 | 10.38% | 0.519 |
| Chile | 4 | 4 | 8 | 10.38% | 0.830 |
| Colombia | 4 | 1 | 5 | 10.38% | 0.519 |
| Costa Rica | 3 | 1 | 4 | 10.38% | 0.415 |
| Czech Republic | 3 | 5 | 8 | 10.38% | 0.830 |
| Denmark | 1 | 5 | 6 | 10.38% | 0.623 |
| Estonia | 1 | 5 | 6 | 10.38% | 0.623 |
| Finland | 1 | 5 | 6 | 10.38% | 0.623 |
| France | 3 | 3 | 6 | 10.38% | 0.623 |
| Germany | 3 | 2 | 5 | 10.38% | 0.519 |
| Greece | 4 | 2 | 6 | 10.38% | 0.623 |
| Hungary | 2 | 5 | 7 | 10.38% | 0.727 |
| Iceland | 1 | 1 | 2 | 10.38% | 0.208 |
| India | 4 | 1 | 5 | 10.38% | 0.519 |
| Indonesia | 1 | 1 | 2 | 10.38% | 0.208 |
| Ireland | 3 | 3 | 6 | 10.38% | 0.623 |
| Israel | 1 | 2 | 3 | 10.38% | 0.311 |
| Italy | 3 | 1 | 4 | 10.38% | 0.415 |
| Japan | 2 | 3 | 5 | 10.38% | 0.519 |
| Kenya | 4 | 1 | 5 | 10.38% | 0.519 |
| Korea | 4 | 4 | 8 | 10.38% | 0.830 |
| Latvia | 1 | 3 | 4 | 10.38% | 0.415 |
| Lithuania | 4 | 4 | 8 | 10.38% | 0.830 |
| Luxembourg | 4 | 5 | 9 | 10.38% | 0.934 |
| Mexico | 1 | 4 | 5 | 10.38% | 0.519 |

| Country | Area of tax law/administration and assessed country rating (*** denotes use of default indicator) | | Total score (* min. score = 2, max. score = 9) | Normalised weighting | Normalised weighted score |
|---|---|---|---|---|---|
| | Payment of interest provided for on delayed refunds | The value of VAT refunds as a % of total gross VAT revenue | | | |
| Netherlands | 3 | 3 | 6 | 10.38% | 0.623 |
| New Zealand | 1 | 3 | 4 | 10.38% | 0.415 |
| Norway | 1 | 4 | 5 | 10.38% | 0.519 |
| Peru | 3 | 1 | 4 | 10.38% | 0.415 |
| Poland | 1 | 4 | 5 | 10.38% | 0.519 |
| Portugal | 3 | 3 | 6 | 10.38% | 0.623 |
| PRC (China) | 4 | 3 | 7 | 10.38% | 0.727 |
| Russian Fed. | 2*** | 5 | 7 | 10.38% | 0.727 |
| Singapore | 3 | 3 | 6 | 10.38% | 0.623 |
| Slovakia | 3 | 5 | 8 | 10.38% | 0.830 |
| Slovenia | 1 | 4 | 5 | 10.38% | 0.519 |
| South Africa | 1 | 4 | 5 | 10.38% | 0.519 |
| Spain | 3 | 4 | 7 | 10.38% | 0.727 |
| Sweden | 4 | 4 | 8 | 10.38% | 0.830 |
| Switzerland | 2 | 5 | 7 | 10.38% | 0.727 |
| Turkey | 4 | 3 | 7 | 10.38% | 0.727 |
| United Kingdom | 4 | 5 | 9 | 10.38% | 0.934 |
| ***Mean Score*** | | | 6 | | **0.60** |

*Brazil (State VAT) not included but presented below:

| | | | | | |
|---|---|---|---|---|---|
| Brazil (State) | 4 | 1 | 5 | 10.38% | 0.519 |

**Table 18. Summary Scores and Compliance Burden Index (All Tabulations)**

| Country | Total normalised weighted score for each factor | | | | Total normalised weighted score-ALL FACTORS | Compliance Burden Index |
|---|---|---|---|---|---|---|
| | Tax law complexity and burden resulting from core elements of VAT policy | Number/ frequency of administrative requirements to comply | Revenue body's capabilities in meeting taxpayers' service and compliance needs | Monetary costs/ benefits associated with the act of complying | | |
| Argentina | 5.217 | 8.582 | 4.736 | 0.519 | 19.05344296 | 6 |
| Australia | 6.086 | 4.462 | 2.894 | 0.623 | 14.06577595 | 3 |
| Austria | 6.086 | 7.209 | 3.157 | 0.830 | 17.28263104 | 5 |
| Belgium | 7.825 | 8.582 | 5.262 | 0.830 | 22.49948613 | 7 |
| Brazil (Fed.)* | 6.666 | 9.955 | 4.736 | 0.208 | 21.56423433 | 7 |
| Canada | 5.797 | 4.462 | 4.736 | 0.519 | 15.51387461 | 4 |
| Chile | 5.797 | 7.552 | 2.894 | 0.830 | 17.0729702 | 5 |
| Colombia | 4.927 | 8.582 | 5.525 | 0.519 | 19.55292909 | 6 |
| Costa Rica | 3.768 | 5.149 | 3.947 | 0.415 | 13.27852004 | 3 |
| Czech Rep. | 6.376 | 6.522 | 4.736 | 0.830 | 18.46454265 | 5 |
| Denmark | 5.217 | 5.836 | 3.157 | 0.623 | 14.83247688 | 4 |
| Estonia | 4.927 | 7.209 | 3.157 | 0.623 | 15.91572456 | 4 |
| Finland | 6.666 | 7.209 | 3.420 | 0.623 | 17.91778006 | 5 |
| France | 6.376 | 9.612 | 4.210 | 0.623 | 20.82014388 | 6 |
| Germany | 5.507 | 6.865 | 4.210 | 0.519 | 17.10071942 | 5 |
| Greece | 6.666 | 8.238 | 5.262 | 0.623 | 20.78931141 | 6 |
| Hungary | 6.956 | 8.238 | 4.210 | 0.727 | 20.13052415 | 6 |
| Iceland | 6.666 | 5.836 | 4.473 | 0.208 | 17.18191161 | 5 |
| India | 5.217 | 7.552 | 4.999 | 0.519 | 18.28674203 | 5 |
| Indonesia | 4.347 | 8.925 | 3.683 | 0.208 | 17.16341213 | 5 |
| Ireland | 4.058 | 6.865 | 3.683 | 0.623 | 15.22918808 | 4 |
| Israel | 5.507 | 7.552 | 5.262 | 0.311 | 18.63206578 | 5 |
| Italy | 5.507 | 8.582 | 4.473 | 0.415 | 18.97636177 | 6 |
| Japan | 3.478 | 6.522 | 4.736 | 0.519 | 15.25488181 | 4 |
| Kenya | 5.507 | 8.925 | 4.473 | 0.519 | 19.42343268 | 6 |
| Korea | 6.666 | 5.836 | 4.473 | 0.830 | 17.80472765 | 5 |
| Latvia | 4.637 | 8.925 | 3.947 | 0.415 | 17.92394656 | 5 |
| Lithuania | 3.768 | 8.582 | 3.420 | 0.830 | 16.60020555 | 4 |
| Luxembourg | 5.507 | 8.582 | 6.578 | 0.934 | 21.60020555 | 7 |
| Mexico | 6.086 | 8.925 | 4.999 | 0.519 | 20.52929085 | 6 |
| Netherlands | 5.797 | 7.209 | 3.420 | 0.623 | 17.04830421 | 5 |
| New Zealand | 5.797 | 4.462 | 2.894 | 0.415 | 13.56834532 | 3 |
| Norway | 5.507 | 5.149 | 3.683 | 0.519 | 14.85817061 | 4 |
| Peru | 4.637 | 7.209 | 5.525 | 0.415 | 17.78622816 | 5 |
| Poland | 5.797 | 8.238 | 4.736 | 0.519 | 19.28982528 | 6 |
| Portugal | 6.666 | 6.865 | 4.210 | 0.623 | 18.36382323 | 5 |
| PRC (China) | 6.086 | 7.209 | 4.210 | 0.727 | 18.23124358 | 5 |
| Russian Fed. | 6.086 | 6.179 | 3.157 | 0.727 | 16.14902364 | 4 |
| Singapore | 3.478 | 4.806 | 2.894 | 0.623 | 11.80061665 | 2 |
| Slovakia | 4.927 | 8.582 | 4.999 | 0.830 | 19.3381295 | 6 |
| Slovenia | 4.927 | 7.209 | 4.210 | 0.519 | 16.8643371 | 5 |

| Country | Total normalised weighted score for each factor | | | | Total normalised weighted score-ALL FACTORS | Compliance Burden Index |
|---|---|---|---|---|---|---|
| | Tax law complexity and burden resulting from core elements of VAT policy | Number/ frequency of administrative requirements to comply | Revenue body's capabilities in meeting taxpayers' service and compliance needs | Monetary costs/ benefits associated with the act of complying | | |
| South Africa | 3.478 | 6.522 | 3.157 | 0.519 | 13.67625899 | 3 |
| Spain | 6.956 | 7.552 | 4.473 | 0.727 | 19.70709147 | 6 |
| Sweden | 5.507 | 6.522 | 2.631 | 0.830 | 15.49023638 | 4 |
| Switzerland | 5.507 | 6.522 | 4.473 | 0.727 | 17.22816033 | 5 |
| Turkey | 6.086 | 9.955 | 4.999 | 0.727 | 21.76670092 | 7 |
| United Kingdom | 5.507 | 6.522 | 4.736 | 0.934 | 17.69886948 | 5 |
| ***Mean Score*** | **5.54** | **7.29** | **4.21** | **0.60** | **17.645** | |

*Brazil (State VAT) not included but presented below:

| | | | | | | |
|---|---|---|---|---|---|---|
| Brazil (State) | 6.086 | 10.642 | 4.473 | 0.519 | 21.720 | 7 |

**Table 19. Summary: Indicators of institutional Posture and Government Attitude to Tax Compliance Burden Reduction**

| Country | Indicators of institutional posture and Government attitude to tax compliance burden reduction (Yes/ No) | | | | | |
|---|---|---|---|---|---|---|
| | Formal government goal to reduce compliance burden | Compliance costs are assessed in new VAT policy proposals | Objective costs data are captured from external sources to inform policy decisions | There is an announced government plan to reduce VAT burden | The revenue body's strategic plan reflects burden reduction objectives | Formal proces place wi to discu is |
| Argentina | No | No | No | No | No | |
| Australia | Yes | Yes | Yes | No | Yes | |
| Austria | Yes | Yes | No response | Yes | No response | No r |
| Belgium | Yes | Yes | No response | Yes | Yes | |
| Brazil (Federal)** | Yes | Yes | Yes | Yes | Yes | |
| Canada | No | Yes | No | No | No | |
| Chile | Yes | Yes | No | Yes | Yes | |
| Colombia | Yes | Yes | Yes | Yes | Yes | |
| Costa Rica | Yes | Yes | No | No | Yes | |
| Czech Republic | No | No | No | No | No | |
| Denmark | Yes | Yes | No | No | No | |
| Estonia | Yes | Yes | No | Yes | Yes | |
| Finland | No | Yes | No | No | Yes | |
| France | No | Yes | No | No | Yes | |
| Germany | Yes | Yes | No | No | No | |
| Greece | No | No | No | No | No | |
| Hungary | Yes | Yes | Yes | Yes | Yes | |
| Iceland | No | Yes | No | No | No | |
| India | Yes | No | No | No | No | |
| Indonesia | No | Yes | No | Yes | Yes | |
| Ireland | No | Yes | Yes | No | Yes | |
| Israel | Yes | Yes | Yes | No | Yes | |
| Italy | Yes | Yes | Yes | Yes | Yes | |
| Japan | No | No | No | No | No | |
| Kenya | Yes | Yes | Yes | No | Yes | |
| Korea | No response | No response | No response | No response | No response | No r |
| Latvia | Yes | Yes | No | No | Yes | |
| Lithuania | Yes | Yes | No | Yes | Yes | |
| Luxembourg | Yes | Yes | No | No | Yes | |
| Mexico | Yes | Yes | Yes | Yes | Yes | |
| Netherlands | No | Yes | Yes | Yes | No | |
| New Zealand | No | Yes | Yes | No | Yes | |
| Norway | Yes | Yes | No | No | Yes | |
| Peru | Yes | Yes | Yes | No | No | |
| Poland | No | Yes | No | No | No | |
| Portugal | No | No | Yes | No | No | |
| PRC (China) | Yes | Yes | Yes | Yes | Yes | |
| Russian Federation | Yes | No | No | Yes | No | |
| Singapore | Yes | Yes | No | No | * | |
| Slovakia | No | No | No | No | No | |
| Slovenia | Yes | Yes | Yes | No | Yes | |
| South Africa | No | No | No | No | No | |
| Spain | Yes | Yes | No | No | No | |

| Country | Indicators of institutional posture and Government attitude to tax compliance burden reduction (Yes/ No) | | | | | |
|---|---|---|---|---|---|---|
| | Formal government goal to reduce compliance burden | Compliance costs are assessed in new VAT policy proposals | Objective costs data are captured from external sources to inform policy decisions | There is an announced government plan to reduce VAT burden | The revenue body's strategic plan reflects burden reduction objectives | Formal proces place wi to discu is |
| Sweden | No | Yes | No | No | No | |
| Switzerland | No | No | No | No | No | |
| Turkey | No | No | No | Yes | No | |
| United Kingdom | Yes | Yes | Yes | Yes | Yes | |

Source: Country Survey, with summary assessment (column 8) based on Authors' conclusions.

## Appendix 4

## Data Used for Correlation and Regression Analyses

| Country | Year VAT commenced | GDP per capita (PPP$) | VAT revenue/GDP (%) | VAT revenue rat |
|---|---|---|---|---|
| Argentina | 1974 | 20,677 | 14.6 | 47 |
| Australia | 2000 | 49,882 | 7.5 | 50 |
| Austria | 1973 | 49,247 | 11.9 | 60 |
| Belgium | 1971 | 46,301 | 10.8 | 48 |
| Canada | 1991 | 48,141 | 7.6 | 47 |
| Chile | 1975 | 24,588 | 11 | **64** |
| Colombia | 1983 | 14,455 | 7.3 | 43 |
| Costa Rica | 1982 | 17,149 | 8.9 | 46 |
| Czech Republic | 1993 | 35,223 | 11.3 | 60 |
| Denmark | 1967 | 49,613 | 14.8 | 60 |
| Estonia | 1991 | 31,473 | 14.6 | 73 |
| Finland | 1994 | 44,050 | 14.4 | 54 |
| France | 1968 | 43,551 | 11.1 | 49 |
| Germany | 1968 | 50,206 | 10.1 | 56 |
| Greece | 1987 | 27,776 | 15.4 | 44 |
| Hungary | 1988 | 28,910 | 16.6 | 57 |
| Iceland | 1989 | 52,150 | 12.1 | 55 |
| Indonesia | 1985 | 12,378 | 4.8 | 53 |
| Ireland | 1972 | 72,632 | 7.6 | 50 |
| Israel | 1976 | 36,250 | 11.8 | 63 |
| Italy | 1973 | 37,970 | 12 | 38 |
| Japan | 1989 | 42,659 | 6.3 | 71 |
| Korea | 1977 | 39,387 | 7.4 | 70 |
| Latvia | 1995 | 27,291 | 12.8 | 55 |
| Lithuania | 1994 | 31,935 | 11.5 | 51 |
| Luxembourg | 1970 | 109,192 | 9.6 | 92 |
| Mexico | 1980 | 19,480 | 6.4 | 33 |
| Netherlands | 1969 | 53,582 | 11.3 | 51 |
| New Zealand | 1986 | 38,502 | 12.1 | 95 |
| Norway | 1970 | 70,590 | 12.1 | 57 |
| Peru | 1991 | 13,342 | 7.3 | 56 |
| Poland | 1993 | 29,251 | 12.2 | 44 |
| Portugal | 1986 | 30,258 | 13.6 | 49 |
| Singapore | 1994 | 90,531 | 4.3 | 81 |
| Slovakia | 1993 | 32,895 | 10.7 | 50 |
| Slovenia | 1999 | 34,064 | 14.3 | 58 |
| Spain | 1986 | 38,171 | 9.8 | 43 |
| Sweden | 1969 | 51,264 | 12.4 | 60 |
| Switzerland | 1995 | 61,360 | 5.9 | 68 |
| Turkey | 1985 | 26,453 | 11 | 40 |
| United Kingdom | 1973 | 43,620 | 10.6 | 44 |

Sources: OECD Consumption Tax Trends, 2018; OECD Global Tax Database; World Bank; and International Monetary Fund,