



**ACCOUNTANCY
EUROPE.**

PROVIDING SUPPORT IN TAX CONTROLS AND ASSURANCE

Factsheet

FACTS.

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HIGHLIGHTS

This publication explores new concepts in tax based around enhanced transparency: tax control frameworks, tax assurance and co-operative compliance.

These developments offer significant advantages for taxpayers and tax authorities. Professional accountants can use their skills to help clients design systems that mitigate tax-related risks. Auditors can apply their skills to provide assurance on a client's tax control framework. This publication also covers practical aspects professionals should keep in mind when providing such services.

INTRODUCTION

This factsheet introduces new work areas – tax controls and assurance – where professional accountants apply their skills to provide support to taxpayers and tax authorities.

Some taxpayers are using internal control structures to minimise reputational and non-compliance risks. These risks arise from late filing, incorrect or disputed tax returns or misstatements in the tax positions in the statutory financial statements. These structures have significant benefits for tax authorities and taxpayers even when a formal co-operative compliance programme has not been implemented.

Professional accountants can use their experience to help businesses design and implement more effective internal control structures. They can also ensure the effectiveness of these control structures by providing independent assurance.

One common question is how the tax control system would be verified during the statutory audit, if the taxpayer is required to have one. As part of the statutory audit of financial statements, an auditor would be expected to:

- obtain an understanding of the internal controls relevant for financial reporting, but without providing an opinion on their effectiveness
- test the amounts related to tax in the financial statements

A tax assurance assignment would review and test the tax controls to a much higher degree of detail than a statutory audit would do. The provider would issue an opinion on the tax controls' design and implementation and their operating effectiveness. Tax assurance also provides assurance to management that they are in control of all relevant tax compliance obligations rather than assurance that the tax figures reported in the financial statements are true and fair.

Tax assurance is, therefore, a valuable additional service that can be provided to clients as a stand-alone service. It can also be provided in addition to the statutory audit, subject to some restrictions due to auditor independence, discussed in more detail under the section *Independence and conflicts of interest*.

First, we will examine the key concepts covered in the document. We will then look in more detail at the two that most directly affect the profession – the tax control framework and tax assurance. For both we will consider the advantages for all stakeholders, how the profession can contribute and what standards and guidance are available for practitioners. We will also approach the concept of co-operative compliance before finishing with the important issue of auditor independence and potential conflicts of interest. Appendices provide more detail on each of the key issues.

INTRODUCING KEY CONCEPTS

TAX CONTROL FRAMEWORK

The tax control framework (TCF) is a system of internal control activities implemented by taxpayers and designed to prevent or detect the tax risks identified. It facilitates the production of timely and accurate tax returns, other tax reporting obligations and statutory financial statements. It is a prerequisite for taxpayers seeking effective risk management of their tax compliance obligation.

As part of co-operative compliance programmes, TCFs have mostly been adopted by very large companies to cover their corporate income tax reporting systems. However, there is no reason why a suitably adapted TCF could not be beneficial for other types of tax reporting¹ and for smaller entities.

¹ For example, to become a Certified Taxable Person, a concept proposed by the European Commission as part of its Definitive Regime for VAT proposal, an applicant must be able to demonstrate “a high level of control of his operations and of the flow of goods, either by means of a system managing commercial and, where appropriate, transport records, which allows appropriate tax controls, or by means of a reliable or certified internal audit trail”. Also, since 2013, France has an obligation for tax payers to document an ‘invoice audit trail’ to secure VAT deductions and validate accuracy of VAT payments.

TAX ASSURANCE

Tax assurance is the external verification of the control activities defined in the taxpayer's TCF. It provides comfort to taxpayers, tax authorities, investors and other stakeholders that the control framework functions effectively and as documented. Tax assurance is a new service, separate from the audit of statutory financial statements but drawing on the same skill set.

We will use the term *tax assurance* throughout the document to differentiate it from *tax audits or tax inspections*, which are audits of taxpayers' records carried out by tax authorities.

CO-OPERATIVE COMPLIANCE

Co-operative compliance revolves around the enhanced exchange of information between the taxpayer and tax authority, based on a relationship of trust and transparency. Taxpayers provide high levels of disclosure and transparency and, in return, they benefit from increased tax certainty and a lighter-touch tax audit regime.

The programmes are voluntary and are currently focused on corporate income tax for the largest taxpaying companies. However, some countries have a programme for other taxes, such as payroll taxes.

TAX CONTROL FRAMEWORK

The TCF requires thoroughly examining the key areas within a business that could lead to incorrect tax returns, misstatements in the financial statements and other non-compliance. If the examination indicates areas of weakness, these need to be remedied by implementing additional internal and/or external controls to mitigate these risks.

The TCF extends the concept of compliance management and risk control to the tax function and is part of the business' governance structure. It is examined in more detail in Appendix 1, which also includes details about available standards and guidelines.

ADVANTAGES

An effective TCF provides comfort to a business' management that the main tax-related risks have been identified and that systems are adequate to mitigate the potential impact of these risks.

Having a well-designed and implemented TCF may mitigate penalties when a company makes an error on a tax return. The systems can prove that it was a simple error and does not indicate carelessness or intent to mislead.

To be effective, TCFs must draw on skills that the accountancy profession has. These skills include:

- risk analysis and assessment
- design and implementation of internal systems, including IT systems
- independent assurance services on internal systems

HOW THE PROFESSION CAN ASSIST TAXPAYERS

Professional accountants and statutory auditors can assist taxpayers in assessing their tax risks and designing and implementing a TCF that mitigates these risks. Such work could involve:

- recording the business' current systems and controls over the tax function and assess their suitability for identifying and controlling tax risks
- based on this assessment, indicate the one-off and ongoing costs of an effective TCF (and of entering into a co-operative compliance programme, if relevant)
- helping to design and implement a compliant and effective TCF, including how existing IT systems need to be modified

Statutory auditors have many of the skills required. However, the auditor must be aware of potential conflicts of interest arising from auditing their own work. Please find more detail in the section Independence and conflict of interest considerations below.

TAX ASSURANCE

Professional accountants can provide independent assurance services to test the TCF's effectiveness. Thereby they contribute to the smooth running of the tax system. The TCF is another form of internal controls over the finance function and, as such, the statutory auditor will have the necessary skills and experience to provide independent assurance of these controls.

ADVANTAGES

The value of independent assurance to tax systems has already been recognised by national tax authorities.

Tax controls. The Australian Tax Office states that “independent assurance provides the **highest level of reliance** when assessing the effectiveness of the control framework”². Consequently, independent assurance will enhance the credibility that an enterprise's TCF has been properly designed and implemented and is being operated effectively.

Tax return filings. Turkey and Greece have tax control mechanisms where a taxpayer has their accounts and tax filings certified by a registered auditor – in the case of Turkey, failure to do so will result in a greater chance that the taxpayer will be selected for a tax audit. These are clear cases of tax authorities leveraging the statutory auditor's experience and expertise.

HOW THE PROFESSION CAN ASSIST TAXPAYERS

The TCF system highlights, and mitigates the risks, of producing an incorrect tax return. An assurance assignment looks at the underlying systems and controls rather than at the underlying transactions.

We identify two different forms of tax assurance assignments:

1. assessment of the design and implementation of the TCF against the system documentation
2. assessment of the design and implementation of the TCF against the system documentation and assessment of its operating effectiveness

We split the assignments to highlight that some clients may only need assistance with the initial planning and implementation of the TCF whereas others may see the benefit in ongoing independent assurance of the TCF's design and operational effectiveness.

The independent assurance provider would not normally examine the individual tax planning strategies of the taxpayer. Rather, they would need to confirm themselves that the controls and systems are adequate:

- to identify the taxpayer's risks of non-compliance
- for publicly communicating the tax risks to stakeholders and/or to the tax authorities under a co-operative compliance programme

As the tax assurance field is constantly developing, clients may ask for independent assurance services that are different in scope, for example:

- independent assurance of the processes underlying preparing a tax policy statement and reconciling figures contained therein to the statutory financial statements
- independent assessment of the risk of existing tax planning strategies

² [https://www.ato.gov.au/Business/Large-business/In-detail/Key-products-and-resources/Tax-risk-management-and-governance-review-guide/?page=6#How to test controls](https://www.ato.gov.au/Business/Large-business/In-detail/Key-products-and-resources/Tax-risk-management-and-governance-review-guide/?page=6#How%20to%20test%20controls)

Such engagements are outside this publication's scope, but would draw on professional accountants' existing skills. These engagements could require specialist tax advice to deal with technical questions and to assist in considering ethical and reputational issues.

The assurance does not principally aim to identify individual instances of non-compliance. If breaches are identified, the assurance provider should assess their impact on the TCF's design, implementation or operating effectiveness.

We examine how the assurance provider would assess the design, implementation and effectiveness of the TCF, including what standards and guidelines are available, in more detail in Appendix 2.

CO-OPERATIVE COMPLIANCE

Co-operative compliance programmes are voluntary national schemes enhancing the relationship between a tax authority and taxpayers, based upon mutual increased transparency, cooperation and collaboration. They aim to enhance trust and resolve disputes as soon as possible. It is not about paying less tax but rather increasing tax certainty.

ADVANTAGES FOR TAX AUTHORITIES

- earlier and more complete information about the tax affairs of taxpayers
- increased trust with compliant taxpayers allows the focusing of scarce resources on non-compliant or riskier taxpayers
- increased efficiency and reduced compliance costs

ADVANTAGES FOR TAXPAYERS

- increased and accelerated certainty of tax liabilities
- a tax audit regime tailored to the taxpayer, leading to reduced compliance costs
- improved public image as a compliant taxpayer and less risk of reputational loss as being known for aggressive tax planning

HOW THE PROFESSION'S INVOLVEMENT CAN BENEFIT TAX AUTHORITIES

- fully costing the introduction of a co-operative compliance programme up to implementation, including an estimate of the potential benefits both in terms of long-term cost savings and enhanced tax collection
- identifying and designing the most suitable co-operative compliance programme for the country in question, using international best practices aligned to domestic tax legislation and practice
- designing the criteria and paperwork for admission of a taxpayer into a co-operative compliance programme and well as review programmes to determine continuing eligibility
- design of risk based standard tax audit files based on best international practice (e.g. the Organisation for Economic Co-operation and Development's (OECD) Guidelines SAF-T) and suitable for the national environment
- training of relevant tax authority staff
- design and implementation of IT systems

HOW THE PROFESSION CAN ASSIST TAXPAYERS

The profession can support designing, documenting and implementing a TCF suitable for the requirements of the programme.

The profession can assist taxpayers with the assessment of the costs and benefits of entering into a co-operative compliance programme – costs arising both from the design and implementation of fully compliant systems and the costs of unwinding existing tax positions that could be incompatible with the new environment.

INDEPENDENCE AND CONFLICTS OF INTEREST

Always consult national ethics and independence legislation or professional standards before accepting an engagement with an existing accountancy client or statutory audit client to assist in the design and/or implementation of a TCF or to provide tax assurance services.

ISSUES TO BE CONSIDERED WHEN DESIGNING AND IMPLEMENTING A TCF

AN ACCOUNTANT

Subject to national rules, there should be no independence issues for a professional accountant assisting a client with the design and/or implementation of a TCF.

A STATUTORY AUDITOR OF NON-PUBLIC INTEREST ENTITIES

Subject to national rules, the auditor of a non-public interest entities (PIE) may assist their client with the design/implementation of a TCF providing that the impact of the TCF on the financial statements is not material and that the auditor will not be under the threat of self-review.

A STATUTORY AUDITOR OF A PUBLIC INTEREST ENTITY

Subject to national rules, the auditor of a PIE would not normally be permitted to assist their client with the design/implementation of a TCF.

ISSUES TO BE CONSIDERED WHEN PROVIDING TAX ASSURANCE SERVICES

AN ACCOUNTANT

Subject to national rules, there should be no independence issues for a professional accountant providing tax assurance services. Where, however, the accountant has previously assisted the client with design/implementation of the TCF in question, ethical standards would prevent the accountant from providing assurance services due to the threat of self-review.

A STATUTORY AUDITOR OF NON-PUBLIC INTEREST ENTITIES

Subject to national rules, there should normally be no independence issues in providing tax assurance services to a statutory audit client. Where, however, the accountant has previously assisted the client with design/implementation of the TCF in question, ethical standards would prevent the auditor from providing assurance services due to the threat of self-review.

A STATUTORY AUDITOR OF A PUBLIC INTEREST ENTITY

Normally, tax assurance services cannot be provided to a PIE statutory audit client. It may be possible to provide tax assurance services where national rules permit PIE auditors to provide such services and where the fees, taken together with other non-audit service fees for the same client, do not exceed the permitted national percentage of the audit fee.

PERCEIVED CONFLICTS OF INTEREST WHEN ADVISING TAX AUTHORITIES AND TAXPAYERS

Firms advising tax authorities on implementing co-operative compliance programmes must be aware that public and lawmakers could view advising taxpayers who wish to enter the relevant programme as a potential conflict of interests.

In such circumstances these firms should consider the particular circumstances of the advice in question, and the national requirements in assessing whether action is required to deal with a potential conflict of interests.

IN CONCLUSION

Tax control frameworks, tax assurance and co-operative compliance promise to re-write the relationship between tax authorities and taxpayers, bringing benefits to both. This paper introduces key features of these new concepts. It aims to inform the professional accountants and statutory auditors about the role they can play in this new environment.

We plan to further explore this area in future papers and expand on certain topics, such as the need for international standards and the relevance of these developments to smaller entities.

APPENDIX 1: TAX CONTROL FRAMEWORKS

The OECD's *Co-operative Compliance: A Framework* (2013) describes the TCF as “the part of internal control system that is responsible for the accuracy and completeness of the tax returns and disclosures a company makes”³. A properly functioning internal control system in a company is indispensable for managing tax risks and being transparent.

In the publication *Co-operative Tax Compliance – Building Better Tax Control Frameworks* (2016)⁴, the OECD emphasises the importance of TCFs to effective co-operative compliance programmes:

“Basing the relationship on an explicit and objective assessment of the taxpayer’s ability and willingness to provide the necessary disclosure and transparency (the TCF) means that it is and can be seen to be based on justified trust and empirical evidence”.

The TCF success will depend on the degree to which all senior managers, from Board level downwards, of the organisation:

- understand the purpose and importance of the TCF
- understand their responsibility to be in control of tax risks and the agreement to be transparent with tax administrations
- fulfil their roles and responsibilities

It is challenging to prescribe a one-size-fits-all internal control system for the TCF. Companies design their internal control systems based on specifics of the industry they operate in, its business structure and its activities. However, the OECD outlines six essential principles useful for companies developing their own approach:

1. tax strategy established – there should be ownership at the senior management level and the strategy should be properly documented
2. comprehensive application of TCF – any transaction can have an impact on a company’s tax position. Therefore, the TCF must be able to oversee a wide range of activities and should be embedded in everyday management of business operations
3. responsibility assigned – the role of the company’s tax department and its responsibility for implementation of TCF should be clarified and properly resourced
4. governance documented – governance processes⁵ are explicitly documented and sufficient resources are allocated for the TCF and its review
5. regular monitoring, testing and maintenance of compliance with policies and processes in the TCF
6. the TCF should be able to provide assurance to stakeholders, including tax administrations, that tax risks are controlled and tax returns are correctly filed

These generic principles are fully compatible with other frameworks, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

³ https://read.oecd-ilibrary.org/taxation/co-operative-compliance-a-framework_9789264200852-en#page28

⁴ https://read.oecd-ilibrary.org/taxation/co-operative-tax-compliance_9789264253384-en#page12

⁵ System of rules and reporting that ensures transactions and events are compared with the expected norms and potential risks of non-compliance identified and managed.

STANDARDS AND GUIDELINES

As the TCF is a new development, there are no specific international frameworks available. However, there are existing frameworks and guidance on related topics that practitioners could use to help clients design and implement their TCF.

- the *Enterprise Risk Management Framework*⁶ published by COSO. This provides a common definition of internal control and a framework against which internal control systems may be assessed and improved. It consists of:
 - 4 key concepts, which highlight that internal control is a process to achieve an objective, it is dependent on people and can only provide reasonable, not absolute, assurance
 - 5 interdependent components: control environment, risk assessment, control activities, information and communication, and monitoring
- the *Control Objectives for Information and Related Technologies (COBIT 5)*⁷ IT management framework, developed by the Information Systems Audit and Control Association (ISACA). COBIT 5 provides an operational "set of controls over information technology and organizes them around a logical framework of IT-related processes and enablers." It consists of:
 - a set of generic processes for the IT management, with each process defined together with inputs and outputs, key process-activities, process objectives, performance measures
 - a set of recommended best practices for governance and control processes of information systems and technology, with the objective of aligning IT with business

⁶ <https://www.coso.org/Documents/COSO-ERM-Executive-Summary.pdf>

⁷ <http://www.isaca.org/COBIT/Pages/default.aspx>

APPENDIX 2: TAX ASSURANCE

Tax assurance is primarily directed at the entity's internal management bodies that have an interest in an independent assessment of the stage of development of the TCF.

DESIGN AND IMPLEMENTATION OF THE TCF

The assurer should assess whether the policies and procedures described in the TCF documentation:

- have been implemented and are reflected in practice
- will identify risks of material non-compliance timeously
- are suitable for preventing non-compliance with a reasonable degree of certainty
- result in those breaches that occur being reported promptly to the competent party and that the TCF is reviewed for ongoing improvement

This would often be done by performing a walkthrough of the control processes followed up with a mapping from beginning to end, indicating points of potential errors and controls.

The assessment of control design effectiveness should include:

- whether the control, as designed, achieves the control objective (a control objective should clearly describe the specific risks or potential errors that the control aims to reduce or eliminate)
- the timeliness of the control procedures
- the rigour and precision at which the control is designed to operate
- the appropriateness of assigned roles and responsibilities

Conclusions on both effective and ineffective control designs should be clearly documented.

ASSESSMENT OF THE DESIGN, IMPLEMENTATION AND EFFECTIVENESS OF THE TCF

Any assessment of the effectiveness of a TCF will necessarily include assessment of the design and implementation.

The level of work required to test the effectiveness of the TCF is greater than evaluating its design and implementation. It is an ongoing engagement that will also document and assess changes to the TCF over time.

If the design effectiveness of a control is adequate and expected to reduce the identified tax risk, the control should then be tested for operational effectiveness. This determines whether controls have operated effectively throughout the period under review. To determine control operational effectiveness, a combination of methods can be used, including (in descending order of evidence obtained):

1. re-performance
2. examination/inspection
3. observation
4. inquiry (inquiry alone does not provide sufficient evidence to support a conclusion about the effectiveness of a control)

An independent assurance provider may be able to rely on existing internal control testing plans – i.e. identifying the key controls with a significant impact on tax risk and assessing the existing level of assurance for operating effectively.

If the independent review of a key tax control is robust enough to provide a reasonable level of assurance, the control may be considered tested for operational effectiveness. The independent assurance provider then concentrates on those key tax controls where no internal testing has occurred.

Auditing standards do not specify set sample sizes to test within a population of control occurrences. The level and frequency of any control testing necessary for a reasonable level of assurance is determined by the independent auditor based on their training and experience.

STANDARDS AND GUIDELINES

As with TCFs, tax assurance is still a relatively new development and there are no specific international frameworks available. However, there are existing frameworks and guidance on related topics that could be used by an independent assurer to design their own work programmes.

- Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) *Pronouncement on Assurance Services on Tax Compliance Management Systems*” (IDW AsS 980)⁸. This document provides practical guidance on the key elements of a TCF (known as ‘a compliance management system’ in the document) such as:
 - the scope of tax assurance engagement
 - how to undertake and report on the assurance engagement

Although based around German law, the statement contains principles that are universally applicable to tax assurance engagements.

- Australian Tax Office Guidance – “Tax risk management and governance review guide – How to Test Controls”⁹. The website provides a comprehensive overview of tax risk management and governance for businesses of all sizes, not necessarily linked to the Australian co-operative compliance programme. It provides guidance on:
 - testing the design and operational effectiveness of tax controls
 - detailed guidance on walk-through tests, testing plans and consideration of sampling
- International Standard on Assurance Engagements *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (2010)¹⁰. This gives detailed guidance on many areas, such as:
 - ethical requirements
 - engagement acceptance, obtaining evidence, documentation
 - preparing the assurance report
- International Standard on Assurance Engagements *ISAE 3402 Assurance Reports on Controls at a Service Organization* (2010)¹¹. Although this is quite a specialised standard, it does contain generally applicable principles on obtaining reasonable assurance as to whether:
 - the description of a system fairly presents the system as designed and implemented
 - the controls related to the control objectives stated in the service organisation’s description of its system were suitably designed throughout the specified period
 - the controls operated effectively - providing reasonable assurance that the control objectives stated in the system description were achieved throughout the specified period

⁸ <https://shop.idw-verlag.de/product.idw.jsessionid=24A09405053494F5B81C25D4F518D28A?product=20419>

⁹ <https://www.ato.gov.au/Business/Large-business/In-detail/Key-products-and-resources/Tax-risk-management-and-governance-review-guide/?page=6#TestingOperationalEffectivenessOfControl>

¹⁰ <http://www.ifac.org/system/files/downloads/b012-2010-iaasb-handbook-isaе-3000.pdf>

¹¹ <http://www.ifac.org/system/files/downloads/b014-2010-iaasb-handbook-isaе-3402.pdf>

APPENDIX 3 CO-OPERATIVE COMPLIANCE PROGRAMMES

The recent OECD publication *The Changing Tax Compliance Environment and the Role of Audit* (2017)¹² indicates that over 30 jurisdictions already have a co-operative compliance programme in place or are working on introducing one.

CO-OPERATIVE COMPLIANCE IN ITALY

Introduced in 2016 after a pilot programme, some key features of the Italian programme are:

- available for corporate taxpayers with total turnover in excess of €10 billion
- taxpayer must implement an effective TCF
- taxpayer commits to a co-operative and transparent approach – i.e. notifying the tax authority of tax risks and potentially aggressive tax planning
- taxpayer promotes a corporate culture based on honesty, fairness and compliance.
- taxpayer can enter into advance discussions before filing a tax return
- taxpayers can apply for a fast-track ruling on the application of tax provisions
- 50% reduction of tax penalties and tax collection suspended until case settled
- where criminal offense is suspected, the Public Prosecutor will be informed of the existence of a TCF and the internal tax function roles and responsibilities

HOW DOES IT WORK FOR TAX AUTHORITIES?

To ensure the filing of accurate and timely tax returns, tax authorities leverage the company's internal controls and process around tax compliance that. This allows the tax administrations to become more efficient by using their scarce resources to audit those that are not 'in control' or willing to comply in a voluntary manner.

As the OECD's publication on co-operative compliance outlines¹³, such an open and transparent cooperation can be beneficial for both tax authorities and taxpayers. Applying co-operative compliance programmes:

- enhances relationship with taxpayers and increases commercial awareness for tax officials
- improves risk assessment and management by addressing emerging risks sooner and through contact with the taxpayer's senior management
- allows for a faster resolution of issues and more certainty when it comes to forecasting tax yield. Receiving more timely and accurate tax returns can reduce administrative burden and costs for tax authorities
- reduces the number of staff needed for compliance activities, leading to a better use and allocation of scarce resources
- increase confidence in the tax system

However, for co-operative compliance to be successful, tax authorities will need to become more commercially aware as they will be asked to provide opinions on the tax treatment of complex commercial transactions within a short period. This often goes hand in hand with a necessary change in attitude from seeing taxpayers as adversaries to something closer to partners.

They will also have to deal with public suspicions that certain taxpayers are being offered 'sweetheart deals' not available to the vast majority of taxpayers.

¹² https://read.oecd-ilibrary.org/taxation/the-changing-tax-compliance-environment-and-the-role-of-audit_9789264282186-en#page1

¹³ https://www.taxassurance.nl/uploads/tekstblok/co_operative_compliance_preliminary_oecd_2013.pdf

HOW DOES IT WORK FOR TAXPAYERS?

Taxpayers admitted to the co-operative compliance programme can benefit from an early discussion with the tax authority on the tax return filing, which ideally prevents tax audits. Through constant communication and information exchange with tax administrations, taxpayers can better understand expectations and needs of tax administrations when it comes to tax issues. Working in real time helps to:

- finalise tax returns on time
- quickly identify and resolve tax issues
- decrease uncertainty about tax exposure

Taxpayers, by showing willingness to be transparent and open with tax authorities about their business and tax planning, can meet public's growing expectations and, at the same time, mitigate reputational risks.

However, there are some challenges to overcome throughout the process for co-operative compliance to reach its full potential. Taxpayers may have a different understanding of how it will affect them in terms of attention and support by the tax administrations. Clear communication is, therefore, a very important element. A shift in culture and behaviour is also necessary to work in real time, taking a preventive and problem-solving approach.

Within the taxpayer's organisation, expectations must also be managed as the relationship between the taxpayer and the tax authority will take time to change and the full benefits for the taxpayer will not be immediately available.

Both sides must commit to maintain a constant communication line, particularly at the initial stages, which requires resources. This can become an issue given limited resources of tax administrations and in some cases of taxpayers. To measure the delivery of expected benefits, new metrics may need to be established – more forward looking and concentrating on the outcome of the process.

STANDARDS AND GUIDELINES

The rules covering co-operative compliance programmes are set by national tax authorities. Although many programmes share similar features, the practitioner must be fully cognisant of the detailed national rules before giving advice.

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