

## OECD's FTA hosts virtual meeting of tax administration leaders

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### Executive summary

On 7-8 December 2020, the Organisation for Economic Cooperation and Development's (OECD) Forum on Tax Administration<sup>1</sup> (FTA) held its annual plenary meeting (the meeting) virtually for the first time, bringing together more than 300 delegates from the 53 jurisdictions that are members of the FTA, which includes all OECD and G20 members.

The meeting followed the 18 November second annual OECD Tax Certainty Day,<sup>2</sup> which the OECD Center for Tax Policy and Administration (CTPA) Secretariat described as providing input into the FTA meeting.

The meeting was coordinated by the Tax Authority of the Netherlands with participation by the Netherlands State Secretary for Finance. Attendees included tax commissioners and senior officials of FTA member countries, representatives of business and international partner organizations.

The discussions focused on a variety of tax administration issues, including responses to the global pandemic, emerging risks, digital transformation and tax certainty, and a communique was issued at the end of the meeting.<sup>3</sup> Four reports also were released, addressing tax issues for Small and Medium-Sized Enterprises (SMEs), the digital transformation of tax administration, international tax debt management, and the compliance of financial institutions with information submission requirements.

## Detailed discussion

During the meeting, the FTA member discussions focused on four key areas:

- ▶ Improving the resilience and agility of tax administrations globally to respond to crises, including through collaboration on new ways of working and the development and use of new information technology tools and different working arrangements.
- ▶ Developing a roadmap in early 2021 for the digital service transformation of tax administrations building on the concept “Tax Administration 3.0,” which was further detailed in one of the reports released at the meeting. This roadmap will aim to identify priority work on core elements, such as digital identity, e-invoicing and secure mechanisms for the real-time sharing of information across borders.
- ▶ Increasing work on tax certainty through several programs. This includes moving the International Compliance Assurance Programme<sup>4</sup> (ICAP) from a pilot phase to an established program for the coordinated assessment of multinational enterprise (MNE) groups’ transfer pricing risks. ICAP is a voluntary dispute resolution program that the OECD has designed with the objective of reducing the number of new MAP cases. It is supported on an ongoing basis by the OECD and uses country-by-country (CbC) reports as well as other taxpayer-provided information to facilitate open, cooperative and multilateral engagement between participating taxpayers and participating tax administrations, with a view to providing early tax certainty and assurance. A taxpayer that successfully completes ICAP will receive an outcome letter confirming its low-risk status from each of the participating tax administrations, confirming that they anticipate no further compliance interventions on the risks reviewed for a period of two years. The FTA communique notes that information on the scope of the future ICAP program, its timing and the participating tax administrations is expected in early 2021. It was further noted that information on the two prior ICAP pilots may be found on the FTA website.<sup>5</sup> Separately, the Inland Revenue Authority of Singapore (IRAS) published a notice<sup>6</sup> on 9 December 2020 confirming that Singapore will participate in ICAP from 2021.

Plans for additional work on tax certainty discussed at the FTA meeting include continuing the work to identify how greater tax certainty can be provided to business through improvements to Advance Pricing Arrangements (APAs),

through greater use of multilateral APAs and mutual agreement procedures (MAPs), and through the use of standardized benchmarking in common areas of transfer pricing dispute. These issues are discussed in the EY Global Tax Alert on the OECD’s Tax Certainty Day,<sup>7</sup> which preceded the FTA meeting. Work also will focus on supporting tax administrations in conducting more effective tax risk assessments, including through the launch of a Tax Risk Evaluation and Assessment Tool (TREAT) for analyzing CbC reports filed by MNE groups in accordance with Base Erosion and Profit Shifting (BEPS) Action 13.

FTA members also discussed the need to explore the development of more secure channels for multilateral interactions between tax administrations when discussing confidential taxpayer information. The communique noted that experience during the COVID-19 crisis showed that there are constraints on the ability of tax administrations to have secure multilateral discussions where physical meetings are not possible. The identification of appropriate secure platforms will facilitate more frequent discussions between tax administrations, reduce the resources needed for these discussions, and support a range of multilateral approaches to providing tax certainty.

- ▶ Plans for bringing together senior FTA leaders in the spring of 2021 to consider collective FTA support for capacity building in developing countries, in particular around the digitalization and further development of the joint OECD/United Nations Development Programme (UNDP) Tax Inspectors Without Borders initiative.

### Several new reports issued

Four new reports released in connection with the FTA meeting were outlined in the annex to the Communique. Three of these reports that are likely to be of interest to the business community are described below.

### Tax Administration 3.0: The Digital Transformation of Tax Administration

This FTA discussion document sets out a vision for the digital transformation of tax administrations under which taxation becomes more of a seamless and frictionless process over time. The intention of this discussion document, which was requested by the members at the 2019 FTA plenary meeting in Santiago, Chile, is to stimulate debate and conversation, both on the vision and on its component building blocks.

The digital transformation of tax administrations is a journey that will take many years and will require many pieces to fit together to realize the full benefits. This includes co-development of many of the building blocks of tax administration in the future with other parts of government and with, the private sector actors, as well as international coordination. It is hoped that this will lead to the establishment of a common language, framework and endpoint, assisting tax administrations in their individual and collective consideration of the digital transformation journey. It is expected that the next step will be the development of a roadmap to identify the priority areas for future FTA work.

### **Supporting SMEs to Get Tax Right Series: Strategic Planning**

This report is intended to assist tax administrations in the development and implementation of strategic approaches to support SMEs with tax compliance and to identify opportunities for tax compliance burden reductions. The report provides some country examples as to the development and implementation of such strategies, including two case studies.

The report is the first in a planned series of notes on supporting SMEs, with future notes planned to look at tax administration engagement with SMEs; the provision of digital services; issues around trust, fairness and co-operation; and solutions that integrate tax into the software used to support the regular business operations of SMEs (so called “seamless taxation” solutions).

To support the production of these notes and to facilitate an ongoing international collaboration among tax administrations on SME-related issues, members of the FTA also agreed to set up a new Community of Interest on SMEs.

### **Automatic Exchange of Information: Guide on Promoting and Assessing Compliance by Financial Institutions**

Automatic exchange of information under the Common Reporting Standard (CRS) and the *United States Foreign Account Tax Compliance Act* (FATCA) involves the exchange of large amounts of information on financial accounts between tax administrations. The ability of the receiving tax administration to use this information effectively requires both the sending administration and all financial institutions to have sufficiently robust due diligence and reporting processes in place.

The purpose of this compliance guide is to assist government officials and financial institutions in monitoring and ensuring compliance with reporting obligations under CRS and FATCA. It also provides a practical overview of what a robust compliance regime may involve.

In addition to the above three reports, a fourth report, on international tax debt management by revenue authorities was also published.

### **Implications**

The FTA is an important forum for tax administrators from around the world to collaborate, set collective priorities and share leading practices. Its work is therefore relevant to business taxpayers, and its discussions and publications often foreshadow future tax authority activities at country level.

Consequently, taxpayers should continue to monitor the work of the FTA, particularly in relation to work on tax certainty which is a key priority of the OECD and the FTA.

The next FTA plenary meetings will be held in Singapore in 2021 and in Australia in 2022.

## Endnotes

1. The Forum on Tax Administration (FTA) is a global forum on tax administration for Commissioners. It has 53 members, including all G20 and OECD member countries as well as selected advanced and emerging non-OECD economies. The work of the FTA is overseen by a Bureau of 13 Commissioners from the participating revenue bodies and the current chairman is the Commissioner of the Canada Revenue Agency. The FTA collaborates extensively with a wide range of international and regional organizations, including the International Monetary Fund, Inter-American Center of Tax Administrations (CIAT) and the Intra-European Organisation of Tax Administrations (IOTA), as well as key stakeholders in the private and public sector.
2. See EY Global Tax Alert, [OECD holds second Tax Certainty Day](#), dated 3 December 2020.
3. <http://www.oecd.org/tax/forum-on-tax-administration/events/2020/forum-on-tax-administration-communique-2020.pdf>.
4. See EY Global Tax Alert, [OECD's Forum on Tax Administration announces International Compliance Assurance Programme \(ICAP\) 2.0 and publishes new Pilot Handbook](#), dated 4 April 2019.
5. <https://www.oecd.org/tax/forum-on-tax-administration/>.
6. <https://www.iras.gov.sg/irashome/Businesses/Companies/Getting-it-right/About-the-International-Compliance-Assurance-Programme/>.
7. See EY Global Tax Alert, [OECD holds second Tax Certainty Day](#), dated 3 December 2020.

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