



Horizontal Monitoring as a concept of proactive cooperation between the Tax Administration and the taxpayer

Belgrad, September 27, 2018

Gabriela Hrachovinová

Agenda



- I. Is it the mutual cooperation between the taxpayer and the Tax Administration possible?
- II. Horizontal Monitoring
 - Methodology, principles and goals
 - Horizontal Monitoring in practice
- III. Conclusion



Target of presentation

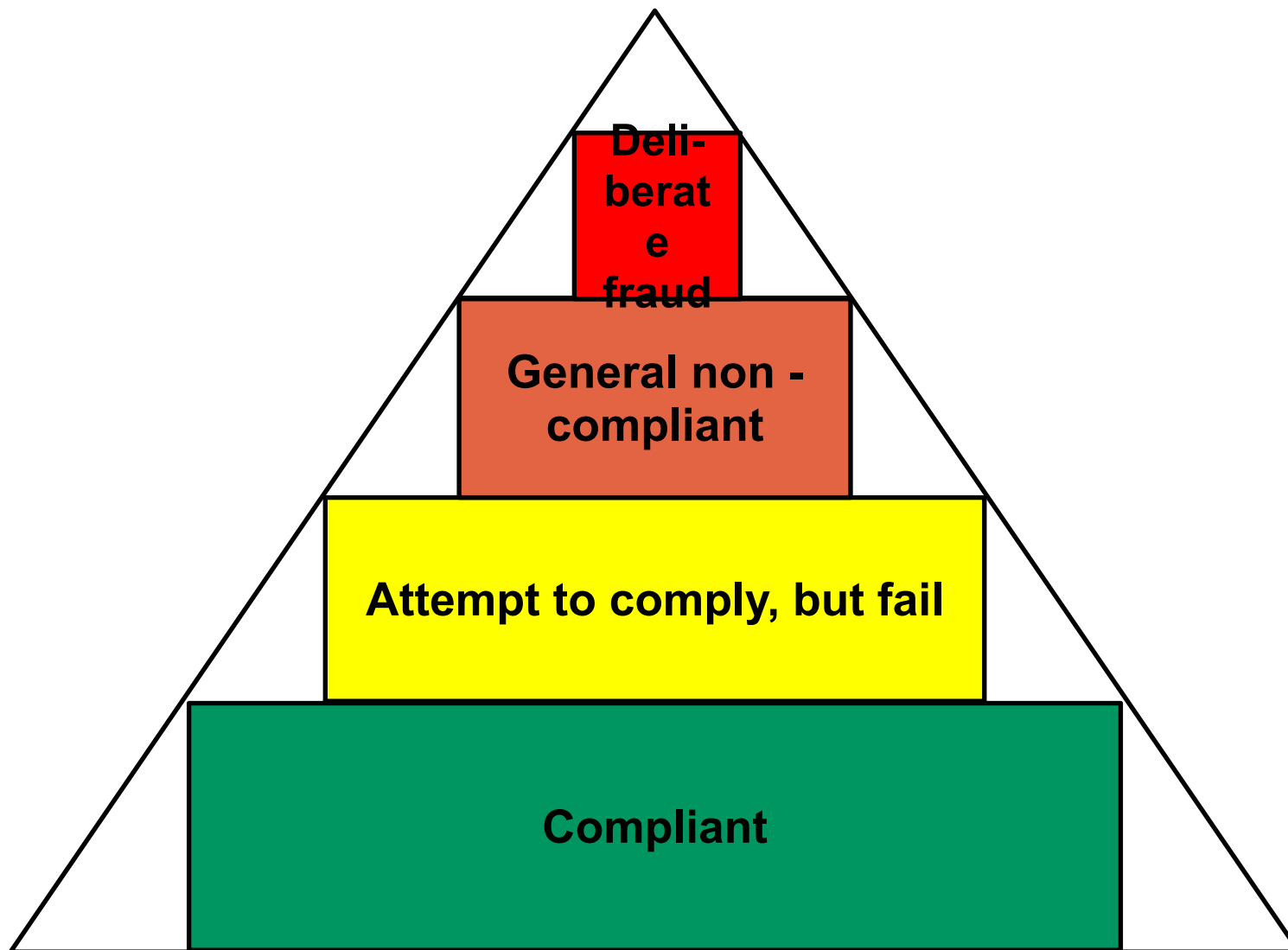
At the end of this presentation you know, what the implementation of horizontal monitoring brings in practice.

Abbreviations

- HM - Horizontal Monitoring
- TP – Taxpayer
- TA – the Tax Administration
- TO – tax office
- VLBT – the Very Large Business Taxpayers
- CIT – corporate income tax
- PIT – personal income tax
- VAT – value added tax

II. Is the mutual cooperation between the TP and the TA possible?

Compliance Pyramide – (Australian Taxation Office)



II. Is the mutual cooperation between the TP and the TA possible?

Is the mutual cooperation between the taxpayer and the Tax Administration possible?



II. Is the mutual cooperation between the TP and the TA possible?

Providing that we don't tar everyone with the same brush



www.vrac-coloriages.net

YES!

II. Is the mutual cooperation between the TP and the TA possible?



The expectations of the TP and of the TA by the performance of the tax administration:

Differences

| TP | TA |
|---|-------------------------------------|
| observance of principles of „Good governance“ | showing taxes in the correct amount |
| legal reliance | performance of duties in time |
| fairness and objectivness | observance of laws |
| fair-minded rating of TP´s | fairness |
| adequacy | responsibility |

II. Is the mutual cooperation between the TP and the TA possible?



Joint expectations

proficiency

proactive cooperation on partnership basis

mutual confidence

openness

transparency

timeliness

Horizontal Monitoring

Dus dat bedoelen ze met
horizontaal toezicht bij
de Belastingdienst

Is this the HM of a tax audit?



Methodology, principles and goals

Methodology

- HM was introduced in studies of OECD concerning themes about „Tax Compliance“ and „Enhanced Relationship“.
- The TA develops in HM the concept of cooperation between VLBT participating in HM in a relationship based on trust. The idea of Good Governance supports that delegates from business, advisory companies and academics in this project take part in.

Methodology

- States, where the concept of HM is implemented, for instance are as follows: Australia, Denmark, Finland, France, Hong Kong, Ireland, Japan, Italy, Canada, the Netherlands, New Zealand, Norway, Portugal, Austria, Russia, Singapur, Slovenia, Spain, Sweden, Switzerland, Great Britain, the USA, Croatia.

Principles

- HM – needs the positive climate based on mutual confidence, openness and transparency.
- The targeted group for HM are VLBT who are willing to act honestly in tax matters.
- The disclosure and transparency ensure that the TA for VLBT has the continuous overview concerning taxpayer's internal control systems and their tax consequences.

Principles

- The TA will not repeat the control measures provided by other control bodies, e.g. audit, internal revision or risk management. The TA is focused on the topical business development and internal processes. In connection with this the TA encourages the TP with fast fulfilment of matters and gives reliance by delivering information according to the law.
- The TA has qualified the horizontalization of supervision as the adoption a fundamentally new approach. The term „paradigm change“ refers to a new form of supervision from ex post, which is committed to history, on the contrary to the continuous supervision, which is oriented to present.

III. Horizontal Monitoring

Goals



Goals

TP

the reliance on law and the certainty to plan

the cost reduction on the observance of rules (Compliance)

TA

the support in Tax Compliance

the assuring of paying taxes in time and correctly

the explanation and the preparatory work for Advance Ruling






Goals

TP

TA

TA will focus on TP who are at risk of failing to comply with the statutory regulations or failing to pay their tax in medium-term plan.

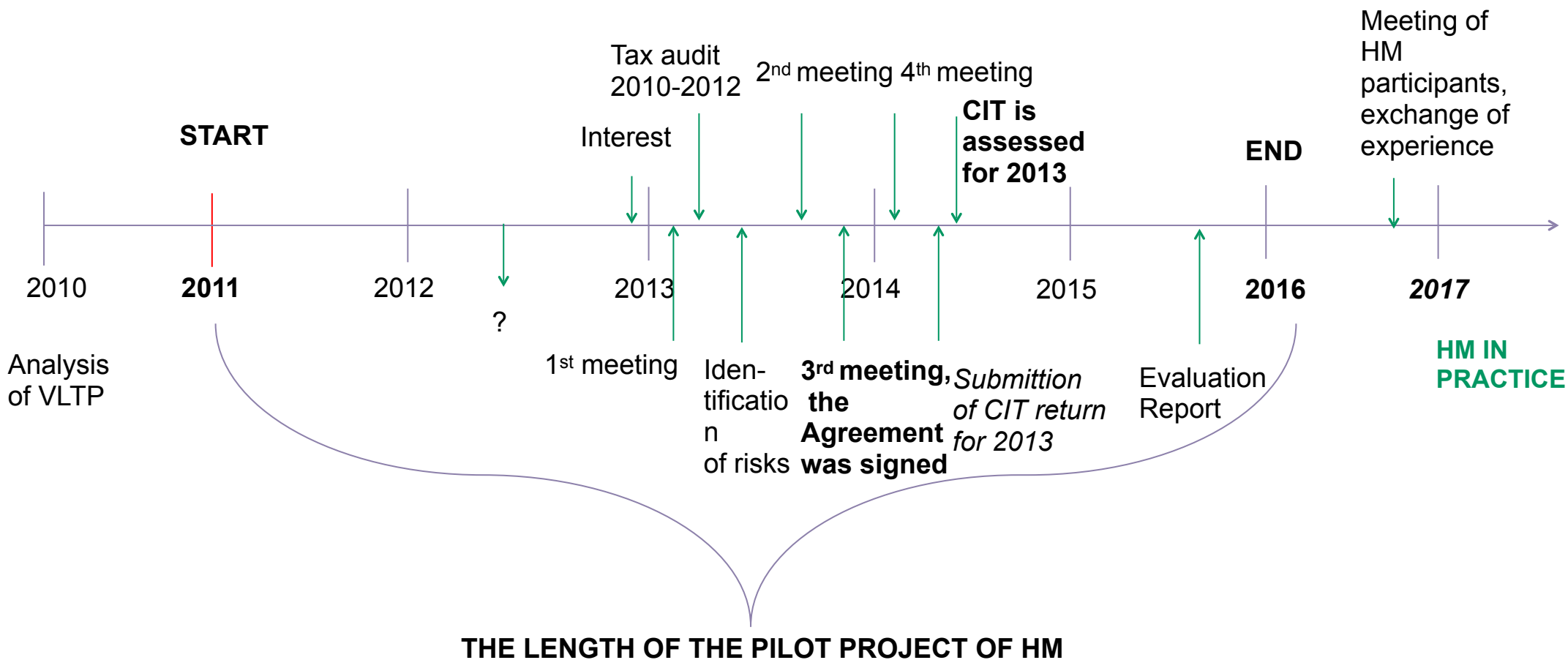
HM in practice

| |  |  |  |
|--------------------|--|---|---|
| Start | 2009 | 2013 | Preparatory phase |
| Taxes | CIT PIT VAT | CIT PIT VAT | CIT PIT VAT |
| Agreement | Yes | No | |
| Satisfaction | Yes | Yes | |
| Embedding into law | No | No | No |





Experience from pilot project HM in Austria:





Results of the pilot project „Horizontal Monitoring“ in Austria

17 VLTP (E.g. Egger, Shell, Deichmann, Red Bull, Hornbach) participated in the pilot project

„Horizontal Monitoring – Meeting for the Future“ concluded:

- HM as a close cooperation between the TA and the TP is beneficial for both sides
- HM offers legal security and planning reliability for the TP as well as timely and compliant collection of duties for the TA
- HM is viable and effective and should continue to be applied



FAIRPLAY

Fairness zahlt sich aus.

The cooperation based on the mutual confidence is the highest form of people's motivation.

The point is to find the way, how to motivate the taxpayers for paying taxes enthusiastically.



Gabriela Hrachovinova
Tax Advisor and Expert Witness
Phone: +420 602 959 954
E-mail: hrachovinova@medion-consulting.cz