



Best Practices in the Tax Administration for Sustained Revenue Increase for Social Development

Context (1/2)

- The State's capacity of spend or invest depends basically on resources generated by the Tax System.
- In each decision of spend there is an implicit decision of recover.
- The social investment is related directly with tax burden, because on that depends the capacity of spend.

Context (2/2)

- The long term investment for sustainable development, is guaranteed with:
 - **Tax rules:** for management of public finances, that guarantee rational use of resources and creation of funds “anti cyclical” to maintain the social expenditure.
 - State’s capacity of generating sufficient resources
 - **Tax System**
 - Strong **Tax Administration** in order to implement the tax system

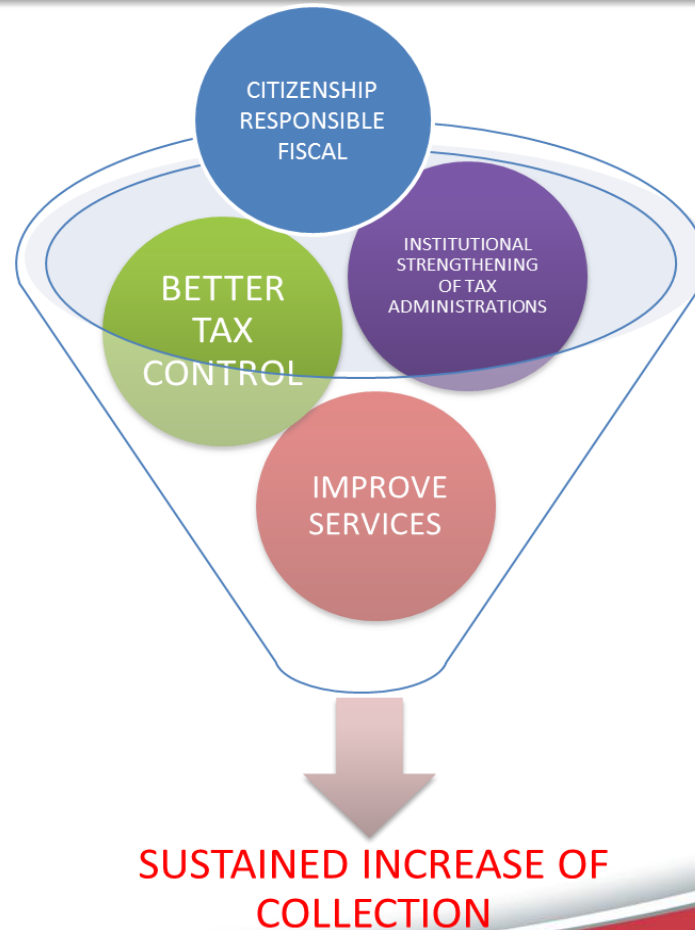
Principles of Tax System

- Tax System must comply with the principles of:
- Suficiency: is those that generates the resources required by the State as established in its design
- General: when establishes tax burdens for all as common duty of citizens;
- Simple: if the process of compliance and control is clear;
- Equitable, when everyone pays according to their capacity to pay (horizontal equity) and treated equal to the same and unequal to those that are not in same circumstances (vertical equity).

Tax Rules

- Are formal or informal rules, quantitative and qualitative, to ensure that tax police management be **prudent**; to achieve “tax responsibility”.
- Propose limits for indebtedness, for relation between current expenses and investment, transparency in budget management, etc.

“a Tax System is worth what is worth the Tax Administration that manages it”



Tax Control

- Efficient tax control deters the noncompliance and promote voluntary compliance.
- Tendencies:
 - Invoicing control
 - Intensive use of Information Technologies (IT)
 - Control of International Taxation

Improve Services



Balance between control and facilitation

Improve Services

- Facilitate compliance should be part of the tax administrations operate as part of the State.
- Facility induces the compliance



Responsible Tax Citizenship

- “A sustainable taxation system is that in which taxpayers consider that taxes payment is a civic responsibility that allow them enjoy all rights that a canadian resident or entity has.”

Source: Presented by representative of Canada Revenue Agency – CRA-
in 45th General Assembly of CIAT, “Tax Morale as a Determining Factor in the Improvement of
Effectiveness of Tax Administration.” 2011 in Ecuador.

Responsible Tax Citizenship

- In a inquiry performed by the firm Ernst and Young in USA, for the question “How much influence has each of the following factors in the fact that you declare and pay your taxes with honesty?” These are the answers of factors with much or enough influence:
 - Fear of an audit: 64%
 - Belief that its neighbors declare and pay honestly: 44 %
 - Third parties who report your incomes to Internal Taxes Service: 66 %
 - **Its personal integrity: 92%**

Source: Presented by Deborah Nolan in Fuente: Presentado por Deborah Nolan in 45th General Assembly of CIAT, “Tax Morale as a Determining Factor in the Improvement of Effectiveness of Tax Administration.” 2011 in Ecuador.

Responsible Tax Citizenship

Countries that enjoy higher levels of voluntary compliance are those in which citizens show a citizenship with greater tax responsibility.

It is like if there were a permanent tax deal in order to build a better nation.



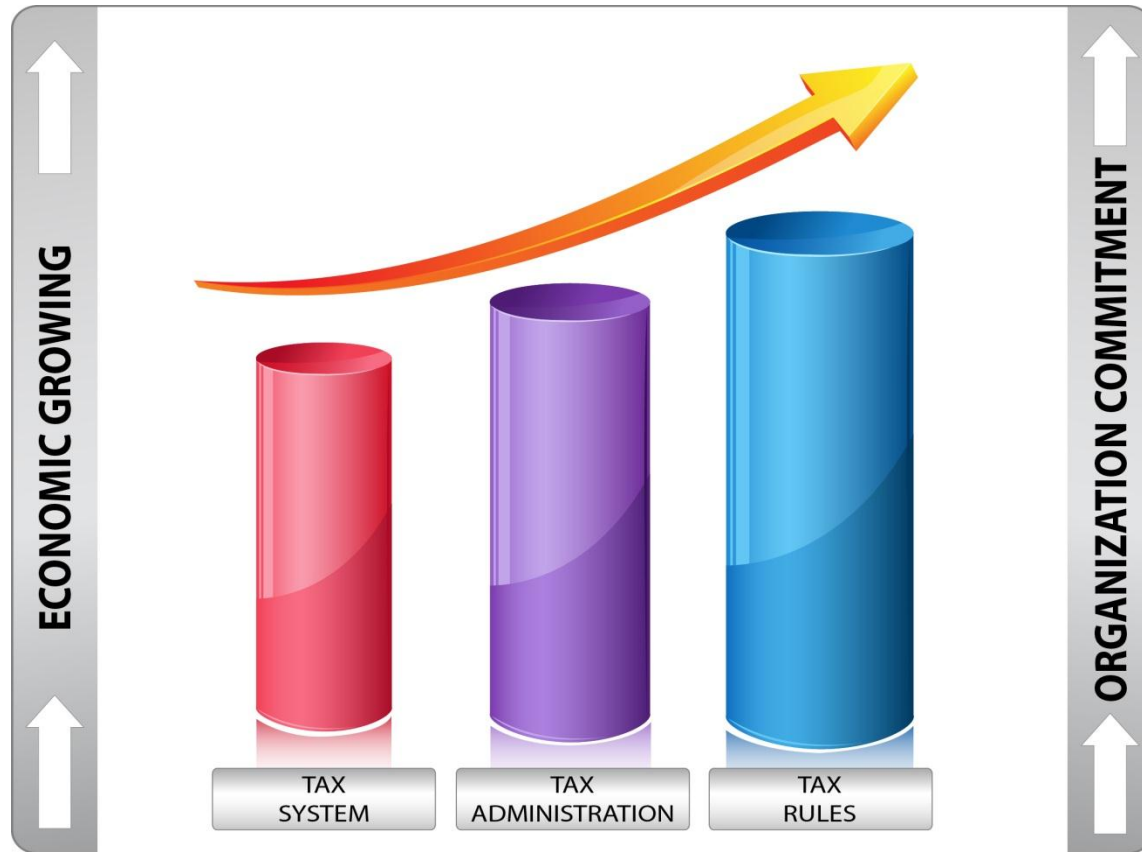
Institutional Strengthening

- Provide Tax Administration (TA) with public servers who are ethically and professionally unobjectionable must be a long term commitment of the countries.
- TA must has a special laws for managment of human resources.

Institutional Strengthening



Summary



Conclusion

**INCOMES AND EXPENSES BOTH SIDES OF
THE SAME COIN**





Thanks for attention

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