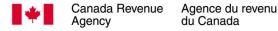


## **2013 CIAT General Assembly**

Exchange of Information and Mutual Administrative Assistance Between Tax **Administrations** 

#### **Examinations and Collection Abroad**





## **Exchange of Information**

- Exchange of information (EOI) is a very important tool for tax administration
- Instruments that allow EOI
  - Bilateral tax treaties
  - Tax information exchange agreements (TIEAS)
  - Multilateral Convention on Mutual Administrative Assistance in Tax Matters
  - Other multilateral agreements (e.g. the Andean Pact income and capital tax treaty)
- Without treaties/TIEAs, Mutual Legal Assistance Treaties also provide for the possibility of EOI for criminal matters
- Treaties/TIEAs more efficient for tax administrations

# Exchange of Information – Canada's perspective

- Canada fully supports the international standard for EOI
- Member of Global Forum on Transparency and Exchange of Information and soon to ratify the Convention on Mutual Administrative Assistance in Tax Matters
- Broad treaty and TIEA Network (90 treaties, 18 TIEAs concluded, another 12 under negotiation)

## Examinations Abroad – Canada's Approach

- Self-assessment tax system
- Canada's Income Tax Act Legislative Provisions
  - Obtaining information
  - Requests from foreign tax authorities
    - TIEA and tax conventions
  - Transfer Pricing
  - Books and Records
- Practical considerations
  - Auditor's travelling to other countries
  - Restrictions of other countries
  - Limitations on accessing and/or obtaining information

## **Examinations Abroad – Simultaneous Audit**

- Simultaneous but independent examination of tax affairs of a taxpayer (or group of related)
  - Purpose: determine correct tax liability and facilitate exchange of information
- Benefits
  - Promote exchange of information and sharing of knowledge and expertise
- Practical considerations
  - Requested through Competent Authority
  - If accepted: administrative arrangements
  - If rejected: full explanation of reasons
- Example Canada Revenue Agency Netherlands Tax and Customs Administration

## **Examinations Abroad – Example Joint Audit**

 Two or more revenue administrations forming a single team to examine the transactions of a taxpayer

#### Benefits

- Reduce audit times and resolve issues sooner
- Tax administrations: further improve compliance and reduce the volume and time required for MAP
- Taxpayer: greater tax certainty, less burden and timely resolution of issues
- Example Canada Revenue Agency/US Internal Revenue Services

#### **Collections Abroad**

- Assistance in Collection provisions are important but relatively new tool in bilateral treaties
- Important considerations before including:
  - Importance of cross-border investment/migration
  - Possibility for assistance under domestic law
  - Comparable tax systems
  - Whether benefits will be balanced and reciprocal
  - Similarity of legal standards (particularly concerning taxpayers' rights)
- National law, policy or administrative procedures may not justify/allow tax collection assistance in all countries

# Collections Abroad – Canada's Approach

- Responsible Enforcement
- Steps taken with or without Assistance in Collections
  - Domestic collection practices
  - Risk analysis
  - Legislative and Administrative Collection Tools
- Identification of offshore debtors
  - Public Information internet, personal property & land registry systems, federal & provincial business registry systems
  - Private Information tax returns, request or requirement for information to financial institutions, law offices, accountants, etc.
  - EOI requests

#### **Collections Abroad - Benefits**

- AIC agreement
  - Efficiency
  - Effectiveness
  - Compliance
- EOI for tax collection purposes Best Practices
  - Communication/update of tax collections issues between Competent Authorities
    - Important for efficient operation of AIC provisions
  - Regular information exchanges help determine:
    - The level of complexity or risk
    - If more aggressive or alternative forms of collection action may be warranted
  - Providing information also helps expedite the resolution of the claim in the requested State

## **Collections Abroad - Example**

- Treaty partner with category of debtors residing in Canada
  - Allowed to arrange and conduct interviews in Canada to make collection arrangements without an AIC referral
  - Debtors put on notice
  - Possibility of special arrangements
  - Coordination of tax debtor collection notices and central point of contact between treaty partners

#### Outcome

- Resolved tax debts that were previously uncollectable
- Significant compliance before resorting to AIC

#### Conclusion

- Importance of information exchanges between countries – participants must value
- Reasons for success
  - Tax conventions
  - Tax Information Exchange Agreements
  - Service delivery standards
- Relatively early days next steps
  - Multilateral Convention more signatories
  - Automatic exchange of information
    - Common reporting format
  - Improved internal processes EOI service delivery standards

# Thank You