



2013 CIAT General Assembly

Exchange of Information and Mutual Administrative Assistance Between Tax Administrations

Examinations and Collection Abroad



Canada Revenue
Agency

Agence du revenu
du Canada

Canada 

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

