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**“INTERNATIONAL TAXATION ASPECTS THAT AFFECT MANAGEMENT  
OF THE TAX ADMINISTRATIONS”**

**Subtopic 3.2**

**“EXAMINATIONS AND COLLECTION ABROAD”**

**Tax and Customs Administration**

**The Netherlands**

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## **1 Introduction**

### **1.1 The Duties of the Netherlands Tax and Customs Administration (NTCA) in a nutshell**

The NTCA performs the following duties.

- Implementing the levying and collecting of state taxes and customs duties
- Monitoring health, safety, environment and economics aspects of imports, exports and transit traffic
- Levying and collecting employee premiums and National Insurance Contributions
- Implementing income-dependent contributions under the 2006 Healthcare Insurance Act
- Performing criminal law enforcement duties in the area of economic structures and financial integrity
- Establishing and paying out income-dependent allowances for such things as childcare and healthcare costs
- Levying and collecting various taxes, charges and other types of recovery for third parties.

28,000 people work at the NTCA in primary and supporting processes.

NTCA promotes compliance by providing appropriate services, exercising adequate supervision and where necessary enforcing compliance by applying the provisions of administrative or criminal law. When acting, the NTCA puts the public and companies centre stage and where justified assumes an attitude of trust. When it comes to compliance, the NTCA attunes the level of enforcement it uses to the attitude and motives of the public and of companies. The NTCA will always choose the most effective instrument at its disposal when seeking compliance from taxpayers. We call this 'compliance risk management'. These efforts are thus directed at influencing behaviour. Besides this, processes are currently being digitalised and standardised as much as possible.

Compliant behaviour manifests itself in terms of one's own taxation in:

- Properly registering the fact that you are liable for tax
- Filing a tax return
- Filing tax returns correctly and fully
- Paying on time.

Compliance manifests itself too in fulfilling the duty to cooperate in imposing taxes on third parties.

### **1.2 International cooperation**

International cooperation in the field of taxation is of increasing importance for the

NTCA and for those liable to pay tax. The economy of the Netherlands is closely connected to the outside world and those liable to pay tax are operating more and more on the international stage. This paper describes how the NTCA arranges international cooperation focussing on international examinations and cooperation when collecting taxes. The activities the NTCA has developed when doing so fit within the framework of compliance risk management and are based on national, bilateral and multilateral treaties and regulations. I will first deal with these regulations and the treaty policy of the Netherlands before going on to describe the way in which we have organised international tax examination and tax collection and what our practical experience of this is.

The NTCA is organised in such a way as to place the competent authority for the exchange of information with a centrally empowered authority that has a mandate both to exchange information for direct and indirect tax purposes and to assist with recovery.

## 2. Regulations<sup>1</sup>

More and more companies are operating internationally, not just multinationals but companies in the Small and Medium Enterprises segment [= SMEs] as well as private individuals. This means the importance of Tax Authorities operating at the international level has become greatly enhanced through for example exchange of information and more intense forms of cooperation. The statutory basis for such cooperation consists of bilateral and multilateral treaties and international and national regulations. The Finance Ministry of the Netherlands published the treaty policy in a memorandum entitled Fiscaal Verdragsbeleid<sup>2</sup> [= Fiscal Policy and Treaties].

### 2.1 Levying taxes

#### Bilateral treaties

The exchange of information can be regulated in specifically targeted bilateral Tax Information Exchange Agreements (TIEAs) or in tax treaties containing an Article corresponding to Article 26 of the OECD model treaty as this Article has read since 2005. Both sorts of treaty make it possible to obtain information relevant to the levying of taxes. In principle, the standard Article in tax treaties makes provision for exchange of information on a spontaneous or automatic basis. To cover the latter eventuality, more detailed agreements can be concluded between the tax authorities concerned. The way the Netherlands does this is in the form of cooperative agreements, generally known as MOUs, concluded with colleague tax authorities in which more detailed agreements are made about the set-up of automatic exchange of information, such as e.g. agreements about exchanging categories of information and deadlines. In the Netherlands due to the obligation to notify, such MOUs are published in the Staatscourant [= State Gazette]. This acts as a legal protection measure imposing an obligation on the Tax Authority to inform taxpayers about it prior to providing information at the international level.

Both TIEAs and the more recent tax treaties with an information exchange article correspond with current standards of transparency and information exchange that were established in 2009 by the OECD, G 20 and the Global Forum on Transparency and Exchange of Information. One of the standards that was developed, namely, that when receiving any such request for information a requested state cannot refuse to provide information based on their own lack of domestic interest in levying a tax. Moreover the requested state cannot refuse to provide information based on national bank secrecy.

The Netherlands has concluded treaties aimed at avoiding double incidence of tax with more than 90 countries and TIEAs with another 30 countries. The Ministry of Finance

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<sup>1</sup> When writing Chapters 2 and 3 of this paper, I made grateful use of “Intra-Community Tax Audit”, Professor Dr. E.C.J.M. van der Hel-van Dijk LL.M., IBFD 2011

<sup>2</sup> English summary available at <http://www.rijksoverheid.nl/onderwerpen/belastingen-internationaal/documenten-en-publicaties/circulaires/2011/02/14/summary-memorandum-dutch-tax-treaty-policy-2011.html>

publishes a list of treaties along with the current state of affairs surrounding them once a quarter.

## **Multilateral regulations**

At the level of administrative cooperation, alongside bilateral treaties there are multilateral treaties and regulations. For the Netherlands both the regulations of the EU and the Convention on Mutual Administrative Assistance in Tax Matters are of importance for international audits. This is briefly explained below.

1. Directive (Directive of February 15<sup>th</sup> 2011 (2011/16/EU)) regarding administrative cooperation at the level of taxation and the repeal of Directive 77/799/EEC.
2. Regulation (Regulation of October 7<sup>th</sup> 2010, (EU904/910)) regarding administrative cooperation and combating fraud at the level of taxation in relation to added value.

Taken together this Directive and the Regulation constitute the basis for administrative cooperation between EU Member States for both direct and indirect taxes regulating both the exchange of information and, on request, spontaneously and automatically, all aspects of far-reaching cooperation involved in carrying out audits in their various different forms i.e.:

- Presence of officials in the offices of the tax authority in other Member States, also known as 'assistance in person'
- Simultaneous audits.

Of importance to the Netherlands, besides EU legislation, there is also the January 25<sup>th</sup> 1988 Convention of the Council of Europe and the OECD, in the form of the Convention on Mutual Administrative Assistance in Tax Matters (hereinafter referred to as: 'the Convention'). This multilateral treaty has been adapted to the aforementioned new standards. States other than those of the Council of Europe and the OECD can now sign up to this treaty.

The next chapter will discuss the concrete elaboration of these regulations as it applies to foreign audits.

## **The law of the Netherlands**

The aforementioned international regulations have been incorporated into domestic legislation as taken up in the Wet op de Internationale Bijstandsverlening [= International Assistance Act] when levying taxes – EU Regulations work directly. This Act regulates the extent of the exchange of information and the forms of assistance the Netherlands extends and receives.

## 2.2. Collecting taxes

### Bilateral treaties

The Netherlands has concluded bilateral treaties with a variety of countries both within and outside the EU. For example assistance in collection of direct taxes is made possible through a treaty with New Zealand (Verdrag tussen het Koninkrijk der The Nederlanden en Nieuw-Zeeland inzake wederzijdse bijstand bij de invordering van belastingvorderingen) and a treaty with Germany (Verdrag Nederland-Duitsland inzake de wederzijdse administratieve bijstand bij de invordering van belastingschulden en de uitreiking van documenten) based on specific collection assistance agreements with these countries. Besides this, bilateral agreements have been concluded with various countries such as Belgium and Canada to preclude double taxation. Incorporated into these agreements are one or more articles relating to assistance in tax collection.

For the Netherlands assistance in collecting taxes is an important element in its fiscal treaty policy that aims at improving cooperation at the administrative level. Treaty negotiations focus on determining assistance in accordance with Article 27 of the OECD model treaty. Moreover by way of supplement to the OECD model the Netherlands aims at incorporating the following elements.

#### (i) Submitting applications for tax collection and the limits of suitability

Here we seek to establish a link with the EU Directive on assistance in tax collection. We can think of practical agreements about such things as deadlines, the use of standard forms and digitalisation.

#### (ii) Guarantees of legal protection

A non-inhabitant/ non-national is likely to be less aware of his options in terms of submitting objections or appeals in the other state and is therefore offered a greater degree of legal protection: payment of a tax debt will only be claimed when this no longer remains open to appeal or a statement by the inspector of taxes is handed over showing that the sum demanded is owed in a material sense. After all, in principle, the point of departure is that the claim will only be pressed if the debt demand has become established as being irrevocable and can be claimed in full i.e. 'finally determined and fully recoverable'. Besides this, in accordance with Article 27 OECD model treaty the principle is that treaty partners will only ever provide assistance for tax collection where existing material tax debts are not in conflict with the tax treaty or some other regulation to which the treaty partners are party. The Netherlands seeks to have a provision included concerning assistance with tax collection based on Article 27 OECD model treaty supplemented by the above two elements.

## **Multilateral regulations**

In addition to bilateral agreements based on Article 27 of the OECD model treaty, multilateral regulation covers international tax collection. Within the EU the new Collection Assistance Directive was established in 2010: Directive of March 16<sup>th</sup> 2010 (2010/24/EU) concerning the collection of debts resulting from taxation, laws and other enactments. The Convention discussed earlier also applies to providing international support for tax collection. Incidentally when applying the Convention it is important to know what pre-conditions various countries has set.

### **3. International cooperation in tax audits**

#### **3.1 Exchange of information and tax audits**

In the light of the regulations referred to above the following forms of mutual assistance in international audits can be combined.

1. Assistance in person/presence of officials abroad.
2. Simultaneous audits.

These forms of international audits are described below before going on to discuss the concrete instruments developed bilaterally and multilaterally to carry out international audits.

##### **To Point 1: Assistance in person/presence of officials abroad**

Assistance in person takes place in the context of a request for information. A competent authority requesting information from the Netherlands can apply to be present in the offices of the NTCA or at audits being carried out in the Netherlands. The competent authorities make agreements about this and under certain conditions the Netherlands will allow it. Provision for this possibility is made in EU regulations and in Article 9 of the Convention. In addition international regulations and treaties appear to allow far-reaching powers, namely: an active role in asking questions of persons and tax examinations. The agreement competent authorities reach about this covers powers and conditions and depends in part on regulations and administrative practice prevailing in the receiving country.

##### **To Point 2: Simultaneous Tax Examinations**

Article 8 of the WABB Convention defines a simultaneous tax examination when it states that: 'For the purposes of this Convention, a simultaneous tax examination means an arrangement between two or more Parties to examine simultaneously, each in its own territory, the tax affairs of a person or persons in which they have a common or related interest, with a view to exchanging any relevant information which they so obtain.'

One of the tax authorities takes the initiative to approach one or more colleague authorities to carry out tax examinations. All parties decide themselves as to whether they wish to take part in the simultaneous tax examination. The tax authorities then consult one another about which cases to select and how to set up procedures for the tax examinations they wish to carry out.

##### **NB: Books and records abroad**

The forms of presence of officials abroad referred to above take place within the context of a request for information. This should not be confused with a situation in which a



company has moved its books and records (partly) abroad so that a tax authority has to conduct audits across borders. In these kinds of situations the Netherlands asks first and foremost that the taxpayer bring his administration to the Netherlands to enable the audit to take place on Dutch soil. Where this proves impossible, we perform audits of financial administration abroad as the only remaining option. Countries cannot just carry out acts of enforcement on one another's soil just like that. Competent authorities request permission to carry out tax examinations from the competent authority in the country where the accounts are kept. We also ask permission from the company itself.

When doing so we again make it clear to the company that the law of the Netherlands governs the execution of the tax audit as provided for in terms of the administration and duty to cooperate in for example the 1959 State Taxes Act. Similarly we ask other tax authorities to follow a similar approach if the company's financial books and records are kept in the Netherlands.

### **3.2 International tax audits in practice**

#### **Organisation in the Netherlands**

In the Netherlands we have set up an Expert Group for International Tax Auditing that is responsible for the coordination of a proper application of the international regulations in international audits. Auditors from tax offices carry out the audits under an experienced auditor as project manager from the Expert Group responsible for coordinating international cooperation.

The Expert Group works for the entire NTCA and is positioned in the SME segment with overall organisational responsibility for the Expert Group falling to a managing director from this segment. The Group, consisting of 11 full and part-time staff, has 5 FTEs carrying out the following jobs:

- management and secretarial support
- work carried out by competent authorities for direct and indirect taxation
- project manager duties
- acting as FISCALIS EU MLC coordinator.

Members of staff at the Expert Group are mandated to exchange information and are authorised to provide auditors involved in individual audits with a mandate.

#### **Frameworks for international tax audits**

The following instruments have been developed bilaterally and multilaterally to implement international cooperation when performing audits.

- Bilaterally the Netherlands has agreed regulations with the neighbouring countries of Belgium and Germany to intensify cooperation in simultaneous audits.
- Under the Fiscalis Programme the European Union coordinates the implementation of multilateral controls.

- The OECD's Forum on Tax Administration presented the Joint Audit report in 2010.

What these instruments have in common is their use of the internationally regulated forms of information exchange "presence of officials abroad" and "simultaneous tax audits". The instruments referred to below all offer a framework with varied scope for effective and efficient cooperation.

In general the aims behind implementing these instruments match

### **3.3 Simultaneous tax audits: regulations with Belgium and Germany**

In the context of international administrative cooperation along the borders with Belgium and Germany the NTCA has concluded special agreements with Belgium (direct taxes and VAT) and Germany (VAT). This forms the basis on which officials operating along the borders can exchange information directly. On both sides of the border officials have been given a mandate from the competent authorities in their own country. Amongst the tasks of these officials is coordination and handling requests for assistance in person or a visit to a tax office or setting up a simultaneous audit in the context of the cooperation agreements in force with Belgium and Germany. Whilst doing so they work closely with the competent authorities and the Expert Group for International Tax Auditing.

### **3.4 Multilateral controls (EU)**

#### **Definition**

Multilateral control (MLC) means an arrangement whereby Member States agree to carry out a coordinated financial control of one or more related taxable persons i.e. legal entities and individuals where the control has a common or complementary interest.

Each of the participating Member States will carry out the audits within its own territory.

MLCs may also be carried out simultaneously in each participating Member State, but this is not obligatory. An MLC may relate to indirect taxes, direct taxes or taxes on insurance premiums and customs duties.

The term Multilateral Control is not a statutory or legal term but is used to indicate that the MLC is carried out under the Fiscalis programme and/or more than two countries are involved. MLCs are performed on the basis of legal instruments from the aforementioned Directives for Direct and Indirect Taxes. The Fiscalis programme of the European Commission organises coordination and support for MLCs. The MLC Guide for Tax Auditors and the MLC Management Guide has been developed with this specifically in mind.

## **Objectives**

The main objectives of multilateral controls are as follows.

- To ensure that tax is payable in accordance with EU and National legislation
- To encourage tax officials to consider multilateral controls as part of standard audit activity
- To share knowledge on audit practices with other Participating Countries
- To test the existing multilateral control procedures and improve those procedures where necessary.

## **The MLC process in broad outline**

During the course of an MLC, completed by preference within one year, Participating Member States hold a number of meetings. A Member State takes the initiative in setting up an MLC. As a rule, the background to a proposal to set up an MLC has to do with simple national audits failing to provide the necessary information to assess the correct amount of tax that is owed. Cases emerge amongst national tax authorities especially as a result of compliance risk management approaches.

MLCs in the Netherlands are not just triggered when we receive a request from individual auditors. Members of the Expert Group also scan the market for potential risks. Market monitoring of pleasure yachts and internet services are just two examples of the cases we have been dealing with.

When an MLC is initiated, a start-up meeting is held with the Participating Countries where agreements are made about the strategy, aims and objectives of the joint control.

In this way, Participating Member States gain insight into one another's approach and the statutory options available to Participating Member States. Joint agreements are recorded in an intra-community control plan that then serves as the basis for the control to be performed in the Participating Member States. An additional request can be made for authorisation to allow for the presence of national officials from other Participating Member States. At this stage exchange of information takes place. The concluding stage in an MLC consists of a concluding meeting and a joint report.

## **Experience of the Netherlands**

On average the tax administration of the Netherlands is involved in about 20 new MLCs every year. About 65% of these are developed on the initiative of the Netherlands. The projects that were started in year 2011 cover, amongst others, the following topics:

Internet services, alcoholic beverages, carousel fraud, real estate, migrant labour and second-hand cars.

17 MLC projects in which the Netherlands took part were concluded in 2011. The European revenue from these projects amounted to more than €583 m, of which €68 m accrued to the Netherlands. Although no Dutch assessments were imposed in 5 projects the Tax and Customs Administration was able to issue valuable information to other states that enabled them to impose assessments. In addition, the European states imposed penalties amounting to a total of more than €18 m.

### 3.5 Joint audits (OECD)

#### Definition

The OECD's Forum on Tax Administration developed the instrument of the joint audit in 2010<sup>3</sup>. "A joint audit can be described as two or more countries joining together to form a single audit team to examine an issue(s)/transaction(s) of a company or individual with cross-border business activities perhaps including cross-border transactions involving related affiliated companies organized in the participating countries, where the taxpayer jointly makes presentations and shares information with the countries, and the team includes Competent Authority representatives from each country who are involved to resolve potential differences/stalemates."

"The term 'joint audit' is not a legal term as such. In tax matters the term 'joint audit' has been used *in practice* to express the idea that two or more tax administrations work together. If countries wish to carry out a joint audit, it is necessary to determine the legal framework on which they could co-operate. The basis for co-operation can be found in a network of bilateral and multilateral tax treaties in which mutual assistance is incorporated."

For the Netherlands obtaining the consent of the taxpayer concerned is an important element in the statutory underpinning of any such audit.

#### When to consider a joint audit

The FTA report states that, "A joint" audit should be considered when:

- there is an added value compared to the procedures of exchange of information;
- the countries have a common or complementary interest in the fiscal affairs of one or more related taxpayers, and
- in order to obtain a complete picture of a taxpayer's tax liability in reference to some portion of its operations or to a specific transaction, where a domestic audit is not sufficient."

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3 OECD/Forum on Tax Administration, September 2010, Joint Audit Report <http://www.oecd.org/tax/administration/45988932.pdf> & Joint Audit Participants' Guide <http://www.oecd.org/tax/administration/45988962.pdf>

“The main objectives of joint audits are:

- to reduce taxpayer burden of multiple countries conducting audits of similar interests and/or transactions;
- to improve the case-selection of tax audits by mutual risk identification and analyses;
- to provide as much evidence as possible that the correct and complete income, expense and tax are reported in accordance with national legislation, through efficient and effective administrative cooperation;
- to enhance the awareness of tax officers of the opportunities available in dealing with international tax risks;
- to gain understanding of the differences in legislation and procedures and if necessary to accelerate the Mutual Agreement procedure by early involvement of the Competent Authority, where double taxation is involved;
- to recognise and learn from the different audit methodologies in participating countries;
- to harness the particular strengths and expertise of team members (for example, valuation experts, economists or industry experts) from different administrations for the benefit of the joint audit;
- to identify and improve further areas of collaboration; and
- for all participating countries to reach a joint/mutual agreement on the audit results to avoid double taxation, as applicable.”

The FTA Report goes on to state that, “a joint” audit can also contribute to:

- the development of enhanced relationships [= cooperative compliance] between revenue bodies and taxpayers;
- enhancing the compliance of multinational companies;
- providing certainty for taxpayers;
- a reduction in compliance costs for taxpayers through the resolution of tax issues in a timely and cost effective manner;
- more effective management of tax issues in ‘real time’;
- increasing the efficiency and effectiveness of revenue bodies; and
- more effective challenges to those taxpayers who push legal boundaries and who rely on lack of transparency in cross-border transactions.”

### **Main Steps in the Joint Audit process**

The Joint Audit Participants Guide distinguishes a number of steps when setting up and arranging joint audits [= JA] which are comparable to those of the European MLC:

- Preparation process
- Case selection process
- The planning meeting
- Auditing process: joint information requests, examinations and meetings with the taxpayer

- Final stages of the JA: final report and team meeting

### **The experience of the Netherlands**

For the NTCA a joint audit is a relatively new instrument. We have however already had positive experiences with joint approaches as mentioned by the FTA Joint Audit report, in the context of horizontal monitoring or cooperative compliance. In the Netherlands we are carrying out pilot projects for joint audit with colleague tax authorities and have agreed with them to apply the joint audit and work it out in more detail. Such joint audits are carried out in the context of cross-border developments in cooperative compliance relations with multinationals. We expect the pilot to provide us with greater clarity about the following:

-legal aspects such as:

-how to act if not all of the partners have signed up to the Convention

-room for active presence of foreign national officials during controls

-practical aspects such as:

-experience of working with a single audit team e.g. language and travel movements

-reaction and experience of taxpayers

## **4. International cooperation in tax collection**

### **4.1 Mutual assistance when collecting taxes**

Collecting taxes abroad is about the Netherlands requesting that people in another state assist us and vice versa. The basis for any such request would have to be provided by international regulation or a treaty (see: Chapter 1 of this paper).

We need to distinguish between international regulations for the collection of taxes and for the collection of National Insurance Contributions [= NICs], the latter encompasses collection of specific amounts in the form of allowances that were paid erroneously – a subject beyond the remit of this paper that deals only with the collection of taxes. In the Netherlands income tax and NICs are collected together meaning that where cases occur with differing international regulations assessments have to be split into two with one part dealing with taxation and the other with NICs.

Mutual assistance can take any of the four [sic] following forms.

This relates to notifications from and to another state.

1. *Notification* (the serving or issuing of documents).  
This relates to requests for notification to another state and requests for notification from another state.
2. *Exchange of information*. This concerns requests for information by the Netherlands to another state and vice versa. Here too in the context of the exchange of information when collecting taxes “the presence of national officials” abroad is an option.
3. *Attachment of property before judgment*. This concerns applications for attachment of property before judgment by the Netherlands to another state and vice versa.
4. *Taking collection measures*. This concerns requests for assistance in collecting taxes by the Netherlands to another state and vice versa.

The policy aim of the NTCA is to intensify international assistance in collecting taxes. To achieve this we have deployed a plan to make the most effective use possible of bilateral and multilateral treaties already in place. Paragraphs 4.3 and 4.4 refer to how these different forms of mutual assistance are deployed.

### **4.2 International tax collection and general policy principles**

- Generally speaking, assistance with collection of taxes in another state is not under discussion unless and until we have exhausted all national means to secure collection of the tax.
- The collector of taxes applies for assistance for the collection of tax assessments that have been established irrevocably, that are recoverable in full and for which a writ of execution for the entire debt has been issued and served. This could be an estimated

tax assessment where the suspicion is justified that materially speaking it is due. Where assessments are not undisputed or irrevocably established the collector of taxes can apply for assistance in collecting them if he views measures to secure the debt as necessary. In doing so the collector of taxes does not have to wait till collection procedures have been initiated or concluded. Options that include passport issuance alerts, committal for failure to comply with a judicial order or a notice of liability do not impede an application for assistance in collecting taxes.

- A request for information can be submitted at any stage in the collection process.
- An application to notify (issuing or serving documents) can be useful if the collector of taxes needs to be certain that the document subject to notification really has reached the taxpayer. The requested state draws up a statement concerning notification to show whether and if so how the document has been brought to the taxpayer's attention.
- Notification is next in line to the procedure for the service of documents and the service of a writ of execution abroad.
- To attach property before judgment the collector of taxes must have at his disposal valid title i.e. a writ of execution that has been served upon the taxpayer.
- Mutual assistance when collecting taxes is not just possible for the taxpayer himself but also for any person held liable. By the way, internationally, as far as inheritance laws go, beneficiaries are only liable for the deceased's debts to the extent of their own share in the estate.
- Unless states have agreed some other minimum amount, there will be no request for assistance from authorities abroad if the amount of tax owing comes to less than €227. If the amount owing comes to less than €2,269 the collector of taxes will not submit a proposal to attach property before judgment, unless special circumstances justify doing so for a lower amount. Where special circumstances prevail a request for information can be made for a lower amount.

### **4.3 Step by step approach**

Reducing international tax collection arrears can be best done by applying a step-by-step approach. Having first launched a query throughout the Netherlands as to how many and how large amounts receivable are whilst coupling these with addresses abroad of natural persons only, the competent authority proceeds to submit requests for information abroad (Step 1) to establish identity, address and recovery. It would however be more logical if an international regulation were in place to allow the Netherlands to make a simultaneous request for information as well as an application for assistance when collecting the taxes.

Where the requested state knows the person concerned and reports that he does have the means at his disposal with which to pay the debt, the information obtained especially that relating to recovery options will be analysed (Step 2) and a decision made as to whether or not to submit a request for mutual assistance.



#### **4.4 Direct approach**

This approach involves communicating directly with the taxpayer and impressing upon him how important it is to still pay his/her taxes due. To do so it would not be necessary per se for a country where taxpayers live to conclude a treaty or that any such treaty would for example be lacking in making provision for tax collection. The approach is attuned to the competent authorities in the taxpayers' country of residence. If it proves to be the case that the taxpayer does not wish to cooperate and a treaty is already in place, the process leading to mutual assistance in collecting the tax will be initiated as a last resort.

The 'direct approach' has its advantages both for the Netherlands and for the requested states abroad. For the Netherlands for example it means that communication is more direct and dossiers can be dealt with quicker. By the way, dossier processing is aimed at solving all of the tax problems at one fell swoop and where possible to sever the bonds with the Netherlands to avoid having to address the taxpayer all over again at some future date. We have found that this approach increases compliance. For the requested state this approach means they are not overwhelmed by a large number of requests for mutual assistance.