



Declaration of the 50th General Assembly of the
Inter-American Center of Tax Administrations
CIAT

"PAST, PRESENT AND FUTURE OF THE TAX ADMINISTRATION"

Approved by the 50th CIAT General Assembly held in Mexico City
United States of Mexico
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INTRODUCTION

On March 19, 1996, at the closing of the CIAT 30th General Assembly, which was celebrated in the Dominican Republic, a declaration was made in which members affirmed their commitment to promote "minimum necessary attributes for a sound and effective tax administration." The principles of this declaration became the cornerstone of many CIAT programs in the following years. These principles are:

1. GUARANTEE OF THE INTEGRITY AND IMPARTIALITY OF A TAX ADMINISTRATION;
2. GUARANTEE OF CONTINUITY OF A SOUND TAX ADMINISTRATION; and,
3. GUARANTEE OF THE TAXPAYERS' TRUST.

In the past as in the present, these principles continue to be as the guiding light in achieving a sound and effective tax administration. They define the attributes considered to be necessary by the CIAT member countries in order for a tax administration to be efficient, effective, transparent, modern and professional.

As CIAT approaches its golden anniversary and celebrates its 50th General Assembly, we find that the principles declared at the 30th General Assembly remain valid as we take the road to complete our first century.

In order to provide further guidance to member tax administrations when faced with current and future challenges, these principles have been reinforced with specific resolutions published after subsequent CIAT General Assemblies.

Whereas the common acceptance of these attributes by the tax administrations of the CIAT member countries is of utmost importance for committing them to their full application in those administrations;

Therefore,

THE CIAT 50th GENERAL ASSEMBLY

Declares

That the 30TH General Assembly declaration on the “MINIMUM NECESSARY ATTRIBUTES FOR A SOUND AND EFFECTIVE TAX ADMINISTRATION” are as valid today as they were 20 years ago and will serve the organization well into the next decade.

That the equitable application of the tax laws is a fundamental requisite in order that the Tax Administration may legitimize its juridical-tax relationship with the taxpayers; and, the need to, where it is in the purview of the tax administration, to consider promoting progress towards greater tax equity so that tax collection can contribute more effectively in order to meet the goals of human development of our societies.

That declaration’s guiding principles of 1) guarantee of the integrity and impartiality of a tax administration, 2) guarantee of continuity of a sound tax administration, and 3) guarantee of the taxpayers' trust, are further enhanced through the following resolutions:

1. TAX MORALE AS DETERMINING FACTOR IN IMPROVING THE EFFECTIVENESS OF THE TAX ADMINISTRATION – CIAT recommends that tax administrations consider their role in contributing to a solid tax morale to which end they may consider:

- Determining the scope and objectives of the concept of tax morale;
- Creating and facilitating mechanisms of dialogue to facilitate collaboration and mutual understanding between taxpayers and the tax administration as an important factor in promoting voluntary compliance;
- Undertaking studies to identify, analyze, and evaluate tax behavior of different taxpayers and, as a result, aim their actions toward improved risk identification as well as improved responses ranging from assistance to enforcement;
- Developing strategies to build capacity and trust within the tax administration, such as strengthening ethical leadership and organizational culture; and,
- Developing strategies and mechanisms that may contribute to structuring and promoting tax morale as a determining factor to promote and improve voluntary compliance.

2. IMPROVING THE PERFORMANCE OF THE TAX ADMINISTRATION THROUGH EVASION CONTROL AND TAXPAYER ASSISTANCE – CIAT recommends that tax administrations work on improving taxpayer assistance services; to consider designing and implementing effective control strategies that will lead not only to determining the levels of evasion in relation mainly to income tax and VAT, but to fight in a determined and specialized manner the business activities and individuals that undermine revenue collection of States, by:

- Defining and implementing technology that improves internal processes and facilitates taxpayer compliance;
- Developing and/or using the tools and advantages offered by Internet to improve tax administration processes and the services offered to taxpayers, facilitating compliance of their obligations and respecting their rights;
- Implementing mechanisms for measuring the quality of taxpayer services and designing and executing strategies oriented to improving those services; and,
- Improving the effectiveness and results of the control programs.

3. INTERNATIONAL TAXATION ASPECTS THAT AFFECT THE MANAGEMENT OF TAX ADMINISTRATIONS – CIAT recommends that tax administrations, to the extent that they may have the purview to act upon, to carry out actions with respect to the following international taxation matters:

- Consider implementing rules addressing tax implications of cross-border trade and share their experiences with their country tax policy makers in order to improve the effectiveness of rules regarding the tax implications of cross-border trade;
- To adopt the “arm’s length principle” (ALP) as the core principle for assessing transfer pricing and continue efforts for developing methodologies and procedures for applying the “arm’s length principle” in managing transfer pricing, with special attention to the asymmetries between the different countries, the availability of information for making analysis and calculations of comparables and the complexity of application of the methodologies;
- Where the ALP may not be applied, seek the development and implementation of alternatives that secure the State’s tax base;
- Consider introducing mechanisms for competent authorities to aim at resolving disputes and,
- Signing information exchange agreements, including the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

4. THE USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES IN THE TAX ADMINISTRATION – CIAT recommends that tax administrations consider:

- Developing strategic actions that allow for the effective use of information technology and telecommunications, including providing taxpayers with services that will enable them to easily comply with their tax obligations at the lowest possible cost;
- Obtaining information about operations of tax interest carried out by economic agents and to process them with “intelligent” applications to determine noncompliance, identify indicators or assess risks in order to exercise appropriate control actions;
- Promoting the use of secure electronic documents in transactions between taxpayers from tax returns to electronic invoices, electronic shipping documents or electronic withholding certificates; and,
- Supporting the development of international common transmission

standards for the automatic exchange of information between tax administrations through electronic means, to be used by countries in bilateral or multilateral conventions framework.

5. RISK MANAGEMENT AS TOOL FOR IMPROVING TAX COMPLIANCE – The CIAT organization recommends to the tax administrations to:

- Implement risk management as a working policy in processes of tax relevance by identifying and classifying risk-related factors and events of tax relevance;
- Evaluate the results of risk mitigation actions to identify achievements and use the results in future planning processes;
- Create improvement programs that include elements of cooperation with other tax administrations, public entities (anti-money laundering units, anti-corruption units, attorney general's office, etc.) and the private sector;
- Develop programs for improving compliance with tools for appropriate risk management; and,
- Innovative techniques for appropriate management of compliance risks.

It is also the consensus of the CIAT membership that all elements of the G20-OECD Base Erosion and Profit Shifting project are key elements in their endeavor to improve their tax administrations.

On the 50th anniversary of our organization we reflect on our success in creating and improving an organization of the Americas; but we welcome the tax administrations of other regions of the world that inspire the fundamental purpose of our existence, of being a forum good ideas to help all tax administrations. This declaration voices what are our main challenges in the coming decades and provides guidance on recommended approaches toward meeting those challenges. With greater collaboration and cooperation amongst its members and all tax administrations, and the endless vital support received from international organizations, these challenges will be met.