

The Administrative Review Process for Tax Disputes: Tax Objections and Appeals in Latin America and the Caribbean

A Toolkit



WORLD BANK GROUP



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Confédération suisse
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Abstract

A well-designed internal administrative process for reviewing tax decisions can contribute to economic efficiency, competitiveness, and growth by accurately identifying errors in tax administration, lowering compliance costs for taxpayers, and enhancing the credibility and popular legitimacy of the tax regime. This toolkit describes the administrative processes that various jurisdictions in Latin America and the Caribbean (LAC) use to review tax decisions and analyzes their relative efficiency and effectiveness. The toolkit is designed to provide policymakers, tax officials, donor agencies, and development partners with a framework for improving the business climate by enhancing the quality of the administrative tax-review process, and it offers practical advice for designing and implementing tax-review procedures based on good-practice principles derived from the international experience. While the toolkit focuses on the LAC region, its conclusions and guidelines are directly applicable to countries around the world.

After providing an overview of the key concepts of administrative tax review, the toolkit describes the most salient lessons learned from the international experience, examines recent global trends and innovations, and explores the tax-review mechanisms used by 23 countries in the LAC region. This approach reveals how various concepts apply in practice while highlighting priority areas for reform. The toolkit's detailed account of the most common tax-review issues facing LAC countries is designed to inform national strategies for improving tax administration. The toolkit also offers an analysis of cutting-edge developments in information and communications technology and their potential to strengthen various aspects of administrative tax review. It concludes by underscoring the key role that an effective communications strategy plays in the successful implementation of tax-administration reforms.

The toolkit draws on three main sources of information: (i) the experience gained by the World Bank Group through more than 20 years of engagement in tax policy, (ii) the international literature on tax policies and systems, and (iii) a survey examining tax administration and related issues in 23 LAC countries. The analysis is based primarily on data collected in 2016, and thus it may not fully reflect the latest round of reforms in all countries.

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The toolkit was prepared by the World Bank Group's LACTAX team. Its primary authors are Marc Reichel, Graeme Godfrey Hammond, and Isabel Espejo (Consultants) and Numa F. De Magalhaes (Senior Private Sector Specialist). It was prepared under the general direction and supervision of Ana Cebreiro (Senior Economist).

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Context

The LACTAX program includes a knowledge-management component designed to promote dialogue, encourage peer-to-peer learning, and support the dissemination of knowledge and best practices among public and private stakeholders involved in tax policy and administration. Its goal is to help governments across the region develop suitable and balanced reform programs that successfully improve the business climate, support competitive markets, facilitate the development of small and medium enterprises, and help prevent harmful, zero-sum regional tax competition.

Many of the key challenges faced by tax authorities in Latin America and the Caribbean stem from the excessive complexity of regional tax systems, which increases administrative costs for the both the public and private sectors, generates uncertainty for investors, and creates opportunities for corruption. Reforms that simplify and streamline regional tax systems have the potential to increase public revenue, improve governance, and encourage investment, employment, and long-term growth.¹ According to the World Bank’s Investment Climate Advisory Services,² a credible, independent, and expeditious administrative tax-review process is vital to an efficient tax system. A well-functioning tax-review process, including appropriate appeals mechanisms, improves public perceptions of the legitimacy of the tax regime, promotes tax compliance, and increases revenue collection.

Like other administrative processes, tax-review systems must be regularly observed, assessed, and reformed to maintain their effectiveness and ensure that they achieve their intended objectives. In this context, the following toolkit examines global best practices for administrative tax review and applies them to the unique challenges facing Latin America and the Caribbean. The toolkit presents a detailed analysis of regional tax-review systems and provides policymakers and tax officials with a framework for evaluating their efficiency and identifying priority areas for reform.

1 World Bank Group, 2011. “Tax Perception and Compliance Cost Surveys: A Tool for Tax Reform.”

2 World Bank Group, 2009. “A Handbook for Tax Simplification.”

Chapter 1: Introduction

The Purpose of the Toolkit

The quality of each country's tax administration is a major element of its business climate and a key factor in determining investment decisions. Because investors value certainty and predictability in tax administration, enhancing the tax-review process can encourage investment and promote economic growth and diversification. A vast body of literature examines numerous aspects of taxation, from ideal tax rates and tax types to good practices for tax legislation and tax administration, yet relatively little attention has been devoted to the internal process for identifying errors by the tax authorities and addressing objections by taxpayers. This process—known as administrative tax review—is an integral part of tax administration, as a well-designed review process can enable the authorities to accurately identify and swiftly address errors, lower compliance costs for taxpayers, and enhance the credibility and popular legitimacy of the tax regime. Conversely, a poorly designed or ineffectively implemented review process can compromise the efficiency of tax administration and undermine public confidence in the tax system. In this context, the following toolkit was created to facilitate the establishment of thorough and efficient administrative processes for administrative tax review.

The toolkit addresses a wide range of legal, administrative, and institutional issues related to administrative tax review. Its purpose is to assist national policymakers, private-sector tax preparers, international development agencies, and other stakeholders in analyzing and strengthening tax-review processes. While it focuses on the Latin America and the Caribbean (LAC) region, the toolkit's research, analysis, and guidelines for establishing an effective and efficient review process are directly applicable to countries around the world.

The Scope of the Toolkit

This toolkit describes and analyzes the various systems through which taxpayers in the LAC region may formally request and receive an internal administrative review of a tax authority's decision. It examines the different objectives, legal frameworks, institutional arrangements, procedures, and requirements of each system and considers their relative merits in the context of the international experience. The toolkit focuses exclusively on the internal review processes undertaken by the tax administration or other public agencies, and it does not cover external review by the judiciary. The analysis also touches briefly on cooperative approaches for avoiding or settling tax disputes, such as advance tax rulings, alternative dispute resolution (ADR), arbitration, or negotiated settlements.

The toolkit begins by exploring the conceptual foundations, legal and institutional prerequisites, and principal objectives of administrative tax review. It defines and compares the respective institutional arrangements for reviews conducted by the tax authority itself, by a separate tax-review authority, and by a tax board or tribunal. It also contrasts one-tier and two-tier administrative tax-review systems and describes the key features of an effective administrative tax-review process, which include a strong legal foundation, substantial institutional independence, robust transparency requirements, and a high degree of procedural efficiency.

The toolkit goes on to examine international good practices and global trends in administrative tax review. It presents ten good-practice principles based on the international experience that address the legal basis for tax review, the structure of the review process, and the relevant institutional arrangements. Countries with high-performing tax authorities, including Canada, Hong Kong, Singapore, and the United Kingdom are used to benchmark the quality and efficiency of review processes in LAC. The analysis of global trends indicates a shift toward more cooperative approaches for resolving tax disputes, underscores the importance of leveraging information and communications technology (ICT) solutions, and highlights the expanding use of innovative communications strategies.

In the context of the international experience, the toolkit details the governing legislation, administrative procedures, and institutional frameworks for administrative tax review in 23 LAC countries. The authorities in these countries completed a survey designed to collect information on their different approaches to administrative tax review and gauge the quality and efficiency of their review processes. An analysis of the survey data reveals several priority reform areas and yields important lessons for countries in LAC and worldwide. The analysis finds that the key determinants of an effective review process include the transparency of its governing legal and regulatory framework, the strength of the relevant institutional arrangements, the efficiency with which disputes are resolved, and the effectiveness with which ICT solutions are integrated into the process. Particularly important legislative factors include the degree of regulation applied to

the review process and the formal requirements for objecting to a tax decision. Key procedural features include the effect of an objection on the tax payment, the taxpayer and tax authority's respective deadlines for advancing the review process, the mechanisms used to discourage frivolous objections, and the scope of the administrative review. The most salient institutional issue is the designation of the appropriate review authority.

Because all tax-review processes require a substantial degree of information management, effective documentation and recordkeeping is vital to the quality of administrative tax review. Replacing paper-based application forms, stamps, and physical signatures with online e-filing and e-payment systems can greatly improve information management. The toolkit describes the key technological and administrative issues associated with developing and implementing a computerized information-management system to guide the tax-review process. These include integration with other e-government systems, physical and network security, potential interagency agreements, web development, workflow management, information exchange, data management, and the associated capacity-building requirements.

Finally, the toolkit explores how a robust communications strategy can enhance the quality of the tax-review process. It describes effective methods for publicizing tax reforms and outlines appropriate training modules for tax officials. A sound communications strategy can build public trust in the tax authority and reinforce the legitimacy of the tax system, but accomplishing these objectives requires credible representation, openness and transparency, public accessibility, and a well-trained staff. Examples of successful communications initiatives are drawn from the international experience, and the analysis concludes by presenting a comprehensive communications action plan.

Goals and Target Users

The toolkit's primary objective is to provide policymakers and agents of the tax administration with a framework for evaluating and enhancing the quality of the tax-review process. It provides practical advice on the design and implementation of review procedures based on good-practice principles gleaned from the international experience. The toolkit aims to assist government officials, bilateral donor agencies, multilateral development partners, and both domestic and international nongovernmental organizations in strengthening their capacity to productively engage with issues around administrative tax review. While the toolkit reflects the institutional arrangements and administrative procedures that are most common in the LAC region, its conclusions and guidelines for establishing an effective review process are directly applicable to countries around the world.

Regional Focus

The World Bank’s LAC region comprises 32 countries, including 12 in the Caribbean and 20 in mainland North, Central, and South America. This toolkit uses examples from 10 island nations³ and 13 mainland countries.⁴ While these countries were selected on basis of data quality and administrative resources, they are sufficiently numerous and diverse to provide an overview of regional tax policies and practices. The Caribbean countries include both former British and former Spanish colonies, with political and legal systems rooted in both the common law and civil law traditions. The continental Latin American countries include both large and small nations, allowing for a well-balanced sample reflecting a wide range of political-economic circumstances and administrative capacity constraints.

Methodology

Consistent with its goals and target users, the toolkit is designed to serve as a practical guide for policymakers, private firms, development partners, and informed citizens. Certain concepts have been simplified to keep the text as clear and accessible as possible.

The toolkit draws on three main sources of information:

- The experience gained by the World Bank Group through more than 20 years of engagement in tax policy, legislation, and administration reform in LAC and around the world.
- The international literature on tax policies and systems, including academic analyses, policy reports, and legislation from multiple countries; and
- A survey of tax-review procedures in LAC conducted expressly for the toolkit. This survey took the form of a questionnaire sent via email to the management of the tax authorities of 27 LAC countries, 23 of which responded. These 23 countries form the toolkit’s sample group, and their responses are described in detail in Chapter 3. In countries that conduct a second internal review, the same questionnaire was also sent to the authorities in charge of the second review. The response rate was 85 percent for the first questionnaire and 63 percent for the second. The survey team used letters and telephone interviews to supplement incomplete responses. A copy of the questionnaire and a list of the tax authorities contacted are included in Annexes 1 and 2.

3 Antigua & Barbuda, Barbados, Dominica, Grenada, Guyana, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, and Trinidad & Tobago.

4 Argentina, Bolivia, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Uruguay, and Venezuela.

The Contents of the Toolkit

Chapter 2 outlines the scope of the toolkit and explains the key terms and concepts involved in administrative tax review. It describes the key features of the review process, details its guiding rationale, and situates it in the context of the larger tax regime.

Chapter 3 presents good-practice principles and explores international trends in administrative tax review. It defines the prerequisites for a well-functioning tax-review process, including accessibility, transparency, legislative grounding, independent oversight, efficiency, and flexible decision-making.

Chapter 4 describes and compares tax-review processes in the selected LAC countries using data derived from the above-mentioned survey. It identifies broad regional commonalities and highlights idiosyncratic features of specific country systems.

Chapter 5 identifies typical tax-review reform challenges. It details the legislative, institutional, and procedural issues most often encountered by reform advocates and describes how to address them.

Chapter 6 describes the important role ICT solutions can play in improving the efficiency of administrative tax review, including the potential of web-based services and platforms, computerized data-management systems, and interinstitutional networks.

Chapter 7 discusses how public communications initiatives can support and complement the reform program. It describes how tax-review reforms can be effectively publicized and identifies appropriate training modules for tax officials.

Chapter 2: Key Concepts in Administrative Tax Review

The Purpose of Administrative Tax Review

Most countries grant taxpayers the legal right to challenge alleged errors in tax administration or improper decisions by the tax authority in a court of law. Indeed, judicial review of actions by the executive agencies, including the tax authority, is generally regarded as fundamental to the rule of law. While an administrative review of tax decisions is not a substitute for judicial review, providing taxpayers with an opportunity to obtain an internal review within the executive branch before appealing to the courts can strengthen the integrity of the tax administration, speed the process of redressing taxpayer grievances, and ease the caseload faced by tax courts. An effective administrative review process is not only less costly than an appeal to the courts, but is often a taxpayer's only realistic chance to be heard. In some countries, taxpayers frequently wait years to obtain a final court decision and pay several times the average annual income level on lawyers and court fees.

Beyond affording taxpayers the opportunity to have inaccurate tax assessments revised and errors redressed without the burden of litigation, a well-organized internal review process also offers important advantages for the government. An internal review can enable the tax authorities to swiftly identify and correct mistakes at a minimal fiscal and administrative cost and without the need to involve the judicial branch. The benefits of resolving tax disputes within the tax authority are so substantial that many governments have made an internal review mandatory before a taxpayer can seek legal recourse.⁵

Germany is one such country, and statistics collected by the Ministry of Finance underscore the impact of mandatory internal reviews. A study in Germany found that in the year 2000 more

⁵ A survey of 52 advanced and emerging economies showed that three-quarters allowed legal recourse only after an administrative review. *Tax Administration 2013*, OECD, p. 321.

than one in five tax assessments included errors, and the error rate in certain local tax centers was as high as 50 percent.⁶ In 2014, 3.46 million objections were submitted to the tax authorities, and 4.23 million objection decisions were issued.⁷ Only 61,958 of these decisions, just 1.5 percent, were challenged before a court of law, while in all other cases the internal review process adequately addressed the taxpayers' concerns.⁸

The World Bank Handbook on Tax Simplification summarizes the general objective of the internal tax-review process. Its goal is to provide a credible, independent and timely resolution to taxpayer objections, thereby strengthening public confidence in the tax system and reducing opportunities for corruption and abuse.⁹ The OECD regards administrative reviews as one mechanism for safeguarding taxpayers' rights and ensuring the integrity of the revenue authority.¹⁰ According to the OECD guidelines for tax administration, the internal review process has three main objectives, which each country may prioritize differently:

- *Efficiency.* Internal tax-review procedures should resolve tax disputes in a timely and less expensive manner than courts of law. These objectives can be accomplished by minimizing procedural rules, allowing informal communication within the tax authority and with the taxpayer, and adopting a flexible approach to dispute resolution that focuses on achieving mutually agreeable outcomes.
- *Self-control.* The review process should give the tax authority an opportunity to evaluate its own systematic accuracy and administrative capacity. The primary purpose of the tax authority is not to maximize revenue collection, but to apply tax laws correctly. The internal review process can help the authorities ensure equal treatment of taxpayers, identify and correct recurring errors, reduce corruption, and enhance the overall quality of tax administration.

6 Rather than reflecting administrative capacity constraints, the high frequency of errors in tax assessments is almost certainly due to the extreme complexity of the tax code, as each German tax official is now expected to apply roughly 200 different tax laws encompassing more than 100,000 regulations. The phenomenon of an overly complex tax code outstripping the capacity of even the most competent tax officials is all too common in both developed and developing countries. Stiftung Warentest, 2000. Finanztest.

7 In January 2014 the total backlog was 3.9 million objections.

8 Bundesministerium der Finanzen, 2014. Statistics and Analysis of the Objection Process. http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Weitere_Steuertemen/Abgabeordnung/BMF_Anordnungen_Allgemeines/2015-07-24-statistik-ueber-die-einspruchsbearbeitung-in-den-finanzaemtern-jahr-2014-anlage.pdf?__blob=publicationFile&v=3.

9 World Bank, Handbook on Tax Simplification, 2009, p. 131. This is also reflected in the 1927 mission statement of the Appeals Office of the US Internal Revenue Service: "To resolve tax controversies, without litigation, on a basis which is fair and impartial to both the Government and the taxpayer in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the Service."

10 See OECD, 2013. Tax Administration. p. 320.

- *Justice.* In jurisdictions where litigation is especially slow and expensive, many citizens may be effectively unable to obtain legal redress in tax cases. A swift and inexpensive review process by an independent agency within the tax authority can greatly enhance the perceived fairness and credibility of the dispute-resolution process.

A well-designed process for administrative tax review should reflect and address the unique constraints of the national legal system. For example, in cases where judicial procedures are particularly slow, the efficiency of the internal review process should be emphasized. In cases where litigation is especially expensive, the internal review process should focus on serving lower-income taxpayers. In cases where judgments are inconsistent and uncoordinated due to differences in the efficacy of local court systems, a centralized internal review process can provide a vital measure of consistency and predictability.

Types of Tax Review

As noted above, the two most common systems for evaluating tax decisions and redressing grievances are: (i) an internal administrative review process conducted by an executive agency, and (ii) an external judicial review process conducted by a court of law. This toolkit concentrates solely on internal review, which includes reviews by tax authorities, independent review boards, and executive-branch tax tribunals. It does not encompass the operations of regular courts, specialized tax courts, or judicial tax tribunals. Nevertheless, in order to fully contextualize the internal review process, the key elements of both systems are briefly outlined below.

Internal Review

All of the 23 LAC countries surveyed offer taxpayers the opportunity to request an internal administrative review of decisions made by the tax authorities, and most mandate at least two stages of administrative review before a taxpayer can appeal to the courts.¹¹ The second internal review is typically conducted either by the tax authority or by another executive-branch institution supervised by a ministry. The review is carried out by public officials who are bound by both the standard civil-service regulations and the specific procedural rules of the agency charged with internal tax reviews. In all cases, the outcome of the internal review process is not final and may be appealed in a court of law. Most LAC countries guarantee the right to such an appeal in their respective national constitutions.

External Review

The external judicial review process differs in several important ways from the internal administrative review process. External review is conducted by either a general court of law or a specific court, chamber, or tribunal empowered to adjudicate tax disputes. In most cases, the external

¹¹ See Table 2.4.

review process is conducted entirely by the judiciary, and the verdict is rendered by a judge. In some countries, however, special tax tribunals may include adjudicators that are not judges, but rather tax experts from the private sector.¹² These tribunals and their tax experts are governed by unique procedural legislation. The decisions rendered by both tribunals and other courts can typically be appealed to a higher court per the structure of each country’s judiciary, and the decision rendered by the highest court of appeal is final and terminates the review process. Whereas an internal administrative review provides opportunities to verify the underlying facts of the initial decision, a judicial review often limits its scope to matters of law, especially at higher levels of the judiciary. Rules designed to protect judges from undue influence safeguard the independence of the judiciary, and the integrity of each country’s judicial system hinges on the extent to which these rules are respected and enforced.

TABLE 2.1: Key Features of the Internal and External Review Processes

Feature	Administrative Review	Judicial Review
Institution	The tax authority or another executive agency, review board, or administrative tribunal	A general court of law or a court or tribunal specifically empowered to adjudicate tax disputes
Decision-maker	Civil servants	Judges and/or tax experts
Main objective	Efficiency	Justice
Scope of review	Includes both matters of fact and matters of law	Often limited to matters of law
Independence	Low	High
Efficiency	High	Low

Terminology: “Objections,” “Appeals,” “Complaints,” “Protests,” and “Grievances”

At this point, it is important to distinguish between various terms that will be used repeatedly throughout this toolkit. While these terms may be defined differently in different countries,¹³ the following definitions are used for the purposes of this toolkit. An *objection* is a formal request by a taxpayer asserting his or her legal right to have a tax decision reviewed by the same authority that made the decision. An *appeal* is a formal request by a taxpayer asserting his or her legal right to have a tax decision reviewed by an institution that did not make the decision, whether in the executive or judicial branch. *Complaints*, *protests*, and *grievances* are informal requests by

12 See, for example, the rules of the U.K.’s 2007 Tribunals, Courts and Enforcement Act.

13 For example, the Caribbean island nations of St. Kitts & Nevis and Antigua & Barbuda both define an attempt to contest a land-valuation decision for property-tax purposes as a “complaint.” However, in this instance the toolkit would use the term “objection,” as this is an effort by the taxpayer to obtain a review from the same authority that issued the decision.

taxpayers to review decisions made or actions taken by a public institution or its personnel. These requests may or may not assert a legal right to such a review, and they may or may not allege a specific legal or procedural violation.

BOX 2.1: The Organization of the Objection Process among Tax Authorities in LAC

Tax decisions can be reviewed by the same officer who issued the objected decision, by a colleague in the same department, by his or her superior, or by a dedicated “objections” unit. In general, the more bureaucratic distance between the officer who issued the original decision and the one who reviews that decision, the greater the credibility of the process. LAC countries that conduct initial tax reviews within the same department that issued the decision, but by a different officer or specialized unit, include Brazil, Chile, Colombia, Dominican Republic, Guatemala, Mexico, Nicaragua, Paraguay, and Peru. A review is conducted in the same department by the immediate superior of the official responsible for the initial decision in two Caribbean countries, St. Kitts & Nevis (Comptroller) and Antigua & Barbuda (Commissioner), and seven Latin American countries, Argentina, Costa Rica, Ecuador, Honduras, Mexico, Panama, and Uruguay.

Source: State of the Tax Administrations in Latin America: 2006-2010, IDB 2013, p. 238.

Key Concepts of Internal Tax Review

Internal Review by the Tax Authority

The institutional arrangements for internal review, its regulatory framework, and the appeals process are all specific to each country, and different tax authorities have different levels of administrative capacity. Except for Bolivia, all LAC countries allow taxpayers to lodge an objection that obliges the tax authority to review its own decision. Some countries allow the same official or unit that issued the objected decision to conduct the review, while others allocate this task to a separate official or specialized unit within the tax authority. Though the public servants tasked with the review report to the same managers as those who made the initial decision, the review process is designed to provide a different perspective of the issue in question.

The degree of separation between the person or unit in charge of the initial decision and those tasked with reviewing it varies by country. Some countries, such as Antigua & Barbuda, charge the deputy commissioner of the tax authority with reviewing all objections. Others, like Jamaica, have an initial assessment made by the respective local tax center of the tax authority, while objections

are dealt with at the national headquarters. Other countries have established a special unit for objections that reports to a different deputy commissioner or commissioner than the tax-assessment unit. For example, in the United States the Office of Appeals acts as an independent review body within the Internal Revenue Service.

Internal Review by a Separate Authority

Some countries have established special tax-review agencies with a high degree of independence from the national tax authority. However, these agencies are still part of the executive branch, their employees are civil servants, and they are often overseen by the same ministry as the official or office that issued the original contested decision. While these agencies do not have the same degree of independence as a court of law, regulations barring both the official that issued the decision and the commissioner of the tax authority from interfering in a second internal review allow the appeals authority to effectively serve as a quasi-supervisory body during the review process.

Establishing and operating a separate agency for tax appeals may prove costly and complicated. An appeals agency requires an institutional framework backed by formal legislation, as well as adequate staff and equipment, a system for exchanging documents between the involved institutions, and a firewall to protect taxpayer information. Governments often justify these efforts by emphasizing the considerable advantages of establishing a separate tax-appeals authority, which can allow taxpayers to access a more reliable, efficient, and cost-effective review process.¹⁴ LAC countries with separate tax-review authorities include Jamaica, Argentina, Mexico, and Panama.

Internal Review by a Tax Board or Administrative Tax Tribunal

Tax boards and administrative tribunals are quasi-judicial authorities comprised of a panel of experts that decides the merits of each objection or appeal. Several LAC countries have established a review board for appealing tax decisions. These boards vary in terms of their legal status and composition, but their rules tend to be more formal than those of the agencies tasked with the initial review of objections. In St. Kitts & Nevis and Antigua & Barbuda, an independent board made up of specially appointed commissioners presides over appeals.¹⁵ While tax tribunals are part of the executive branch, their procedures are often similar to those of tax courts.

Tax tribunals typically have a panel of adjudicators in charge of each case. These adjudicators tend to follow more elaborate and rigid procedures than do other tax authorities, and in some cases they may stand in for one level of the court system. Well-designed tax tribunals can provide a similar degree of independence and credibility to that offered by courts, but without the procedural and administrative rigidity of the legal system.

¹⁴ For more information on Jamaica's Revenue Appeals Division, see: World Bank, 2015. In Practice, An Efficient Administrative Tax Review Process for Jamaica.

¹⁵ Sec. 41 of the Tax Administration and Procedures Act, 2003.

TABLE 2.2: Typical Features of a Quasi-Judicial Tax-Review Authority

Institutional role	Part of the executive branch
Decision-maker	Panel of experts comprised of accountants, judges, lawyers, civil servants, and/or private-sector representatives, who act as adjudicators without the status of judges
Process	Renders decisions on matters of law. Procedures are more formal than those of the tax authorities and may include hearings, written statements, and the use of attorneys, but less formal and faster than court procedures.
Independence	Independent from tax authority

BOX 2.2: Examples of Review Boards and Administrative Tax Tribunals

Singapore: The Board of Review is charged with addressing appeals to objections lodged against the Comptroller of the Internal Revenue Authority. Its decisions are made by a committee with at least three members. The Chairman or Deputy Chairman of the Board must be a district judge or accountant. The other members may be businesspeople or tax experts.

Denmark: The Danish National Tax Tribunal is the only tax tribunal in Denmark. It rules on administrative decisions by the Tax Authority, either with or without an oral hearing, and its decisions can be appealed in local courts of law.

Hong Kong: The Internal Revenue Review Board is an independent tribunal consisting of at least three members. It rules on objections to decisions by the Commissioner of the Internal Revenue Department. The board's rulings can be appealed to Hong Kong's High Court, but only on questions of law.

One-Tier Internal Tax-Review Systems

One-tier systems allow taxpayers to object to a decision by the tax authority and obtain an administrative review, but they do not allow for further appeals within the tax administration. Decisions by the tax authority can, however, be appealed in regular courts, and most countries afford taxpayers the opportunity to pursue their cases through multiple levels of the judicial system. International examples of one-tier systems include China, Germany, Canada, Qatar, Norway, Portugal, the UK and the US. Examples of one-tier systems in LAC include St. Lucia,¹⁶ Trinidad & Tobago, Chile, and Colombia (see Table 0.4 in the annex).

¹⁶ St. Lucia has on paper a two-tier system, but the Tribunal of Appeal Commissioners is not operational.

Two-Tier Internal Tax-Review Systems

Two-tier systems offer the taxpayer two stages of internal review. Following an initial review of the objection by the tax authority, the taxpayer can request another internal review by an appeals agency. In some cases, the appeal may be made to a separate appeals authority (e.g., Jamaica or Bolivia) or to a tax board or tribunal (e.g., Barbados or Mexico). In Venezuela, the taxpayer can appeal twice to the same tax authority if the first objection is rejected. Following the internal review process, the taxpayer can choose to appeal to the courts. Some countries, however, restrict appeals to the courts until after a tribunal has issued a decision and may apply additional requirements, such as a claim threshold. International examples of two-tier systems include Hong Kong and Denmark. Two-tier administrative tax review systems in LAC are listed in Table 0.5.

One-Tier vs. Two-Tier Internal Tax-Review Systems

The one-tier and two-tier review processes each offer distinct advantages and drawback. The government must ensure that the approach it selects is aligned with its policy objectives, the national institutional and legislative context, and the available administrative resources.

A one-tier system requires fewer resources, a simpler legal framework, and less institutional infrastructure. In general, one-tier systems are faster and less expensive than two-tier systems, as the government does not need to establish, finance, supervise, or coordinate a second review stage. However, a one-tier system provides less self-control for the tax authority and may be perceived to afford less justice to the taxpayer. Consequently, one-tier systems rely more on the judiciary to deliver justice efficiently, as the prospect of resolving disputes within the tax authority is more limited.

A one-tier system may be more appropriate for countries with relatively few tax disputes that do not justify the cost of a two-tier system. A one-tier system is more likely to be sufficient if it is complemented by cooperative approaches to dispute resolution, such as negotiated settlements or mediation, and one-tier systems may be appropriate in countries where an efficient, high-capacity judiciary can manage a significant number of appeals. In some cases, national laws mandate only one internal review stage for every administrative act, including tax decisions. Germany, Norway, the United Kingdom, and the United States all use one-tier review systems, and each has a high-capacity judiciary that can adjudicate tax appeals efficiently.

Two-tier systems tend to be relatively expensive to establish and maintain. A two-tier system can provide more self-control within the tax administration and potentially offer greater justice to taxpayers, but the second review stage also lengthens the pretrial process. However, a two-tier system is more likely to lessen the burden on the judiciary by resolving tax disputes before they reach the courts. Most LAC countries use two-tier systems (Table 2.3), though some small-island states with relatively few tax cases could consider the viability of a one-tier system.

TABLE 2.3: Comparison of One-Tier and Two-Tier Internal Tax-Review Systems

	One-Tier Tax Review	Two-Tier Tax Review
Key objectives	Efficiency	Self-control, justice
Resources	Lower	Higher
Governing legislation	Less elaborate	More elaborate
Institutional infrastructure	Less elaborate	More elaborate
Costs	Lower	Higher
Resolution capacity	Lower	Higher

Prerequisites for an Efficient and Effective Tax-Review System

A sound tax-review system delivers timely, credible decisions at a reasonable cost. The effectiveness of a tax-review process hinges on four criteria: legality, independence, transparency, and efficiency. While different countries may choose to emphasize the dimensions that best reflect their unique objectives and institutional contexts, all four are essential to the quality and integrity of the review process.

Legality

Legality reflects the extent to which the tax-review process is governed by laws and formal administrative rules. When assessing the legality of the review process, policymakers should consider whether the legal and regulatory frameworks are appropriate to the objectives of the review process, whether they adequately limit arbitrary or capricious actions, and whether they provide both the substance and appearance of justice.

The laws and regulations that govern the tax-review process should be clearly distinguished from those that govern the assessment of tax liability. The legislation should also clearly separate operational and administrative rules, and it should avoid inconsistency and redundancy. Some tax administrations may be empowered to establish internal review processes without the need for new legislation.¹⁷

¹⁷ For example, the United Kingdom allows taxpayers to request an administrative review of tax assessments, but this right is not enshrined in British law. However, the right to appeal to the judicial Tax Tribunal is established by the Tribunals, Courts and Enforcement Act of 2007 and the Tribunal Procedure Rules of 2009. The office of Her Majesty's Revenue and Customs (HMRC) provides detailed procedural information on each tax assessment through a dedicated website. Administrative review by the HMRC is primarily an internal control mechanism, not a right of the taxpayer. Consequently, an administrative review is not mandated before taxpayers can appeal to the Tax Tribunal.

Independence

Independence refers to the administrative distance between the office that made the original decision and the office charged with reviewing that decision.¹⁸ While the complete separation of the two can enhance the independence of the review process, this often entails a significant cost, whereas reviewing objections and appeals within the existing tax administration typically requires fewer resources. Policymakers in each country or jurisdiction must attempt to strike the balance between independence and administrative efficiency that best reflects their unique circumstances.

At one end of the spectrum, a tax official may review his or her own decision. This arrangement comes at a low administrative cost, but offers no independence. A moderately independent process could involve a review by the official's immediate superior, though both would still exist within the same administrative hierarchy. The creation of a separate objection unit within the tax authority could offer greater independence, but it would require additional resources. Finally, at the far end of the spectrum, a government could create a separate institution outside the tax authority charged with managing the review process. This institution would be fully independent, but it would entail the greatest cost in terms of staff and resources.

Transparency

Transparency reflects whether a taxpayer can easily obtain key information on the review process. Highly transparent tax-review systems provide clear, easily accessible information on the steps involved in the review process. In addition to a user-friendly description of their rules and procedures, tax authorities should provide regular updates on the status of each taxpayer's objection or appeal.

Efficiency

Efficiency reflects the ability of the review process to render decisions swiftly and at a low cost to both the taxpayer and the state, especially relative to the time and cost involved in pursuing a case through the court system. The less efficiently a review process is organized, the fewer disputes will be settled at the objection stage. Indicators of efficiency include the average time between when an objection or appeal is submitted and when a decision is rendered, the number of officials involved in the process, the internal costs to the tax administration, and the compliance costs borne by the taxpayer.

¹⁸ The Office of Appeals at the US Internal Revenue Service (IRS) considers independence, objectivity, and impartiality to be its most important values. A 2012 restructuring included several changes designed to reaffirm its independence. To ensure that the IRS executes its core mission of compliance and fact-finding, the Office of Appeals does not undertake investigations.

Chapter 3: International Good Practices and Global Trends in Administrative Tax Review

This chapter describes international good-practice principles for administrative tax review and highlights the implications of recent global trends. Whereas the previous chapter focused on the LAC region, the examples here are drawn primarily from OECD countries and other highly developed economies such as Canada,¹⁹ the United Kingdom,²⁰ and Germany²¹ (which use one-tier systems), Australia²² (which uses a two-tier system with a tribunal), and Singapore²³ and Hong Kong²⁴ (which use two-tier systems with a panel). These economies were selected because they represent a wide range of internal review processes and because their tax-appeals management systems are generally effective and efficient.²⁵ The diversity of these systems underscores the extent to which there is no single “right way” to establish an internal tax-review process.

The quality of an internal tax-review process hinges on its efficiency, credibility, transparency, and ability to reach determinations that are generally regarded as satisfactory and fair. However, the best strategy for managing tax objections is to prevent them before they arise. The following measures can help reduce the number of objections that the internal review process must resolve: (i) developing an effective communications system, (ii) simplifying tax legislation and presenting

19 Sec. 165 and 166 Income Tax Act, and www.cra-arc.gc.ca.

20 Tribunals, Courts and Enforcement Act 2007, www.gov.hk/en/residents/taxes/taxfiling/object/objections.htm.

21 §§ 347-367 German Tax Code (Abgabenordnung).

22 Part IVC of the Taxation Administration Act 1953, Administrative Appeals Tribunal Act 1975 and the Administrative Appeals Tribunal Regulation 2015, and www.aat.gov.au.

23 Sec. 76 (objections), Sec. 78-84 (appeals) of the Income Tax Act, and www.iras.gov.sg.

24 Sec. 64 (objections), Sec. 65-69A and 82B (Appeals) of the Inland Revenue Ordinance.

25 OECD, 2015. Tax Administration: Comparative Information on OECD and Other Advanced and Emerging Economies, Chapter 6: Operational Performance of Revenue Bodies, Tables 6.11-13. www.oecd.org.

it in an accessible format, (iii) ensuring adequate administrative flexibility to correct mistakes; and (iv) introducing self-assessments, advance tax rulings, and other tools designed to reduce the number of objections that must be resolved through the review process.

The more information taxpayers have about tax laws and processes, as well as the basis for tax decisions and the grounds for appealing them, the fewer objections will be lodged. Moreover, the objections that are lodged will tend to reflect more serious substantive issues. Changes to tax laws and administrative processes should be proactively communicated to firms and individuals. Highly complex or poorly defined tax laws give rise to inconsistencies and misunderstandings, which increase the frequency of tax disputes. Clear and straightforward tax legislation helps minimize the number of objections. Enabling the tax administration to acknowledge and correct errors without launching a full-scale formal review can also significantly reduce the burden on the internal review system. Finally, allowing for self-assessments, advance tax rulings, and other sophisticated administrative mechanisms can help cut down on the number of disputes. An OECD survey of 56 countries concluded that those which rely solely on return assessments receive more objections than those that use self-assessments.²⁶

Some objections are unavoidable, however, and the following 10 international good-practice principles for internal tax review can help the authorities establish a well-functioning process that serves the interests of both taxpayers and the state. While many of these principles are not limited to the internal review process and can be applied to multiple aspects of the public administration, this toolkit will continue to focus on internal tax review.

Ten International Good-Practice Principles for Internal Tax Review

Principle 1: Legally Define the Rules of the Process

A credible internal tax-review process requires the degree of public transparency and formal authority provided by legislation. The laws governing the tax-review process should be clearly presented and easily understandable to non-specialists.²⁷ To avoid taxpayer confusion and ensure consistent application of the law, the tax administration and legislature should clearly and consistently define key terms related to the internal tax-review process. Using terms such as “objection” and “appeal” interchangeably can lead to misunderstandings and confusion among taxpayers. Similarly, the terms “commissioner,” “competent officer,” “taxpayer,” “taxation decision,” “appellant,” “document,” “hearing” and “review” are often incorrectly or inconsistently defined in tax legislation.

²⁶ Ibid. p.223 and Tables 6.12 and 6.13.

²⁷ Legislative Drafter’s Deskbook, Tobias A. Dorsey, Alexandria/VA, 2006, 6.20.

Tax legislation plays a key role in preventing disputes, and a strong legislative framework should clearly establish the procedures for internal tax reviews via either primary or secondary legislation. Primary legislation—i.e., laws approved by the legislature—provides a greater degree of policy certainty because it is more difficult to change, while secondary legislation—i.e., implementing regulations—offers greater flexibility. In most cases, the fundamental rules of the tax-review process should be set forth in primary legislation, with secondary legislation providing more detailed procedural guidelines, but an appropriate legal framework must reflect each country's unique legal tradition and institutions.

Some countries have relatively simple laws governing objections and appeals, while others provide a significant amount of procedural detail. The first stage of the review process may require only limited legislation; for example, the United Kingdom does not have any legislation on the first stage of the internal tax-review process. However, countries that offer an internal appeals process typically devote specific laws or chapters of the tax code to it. Usually, the higher the administrative level of the reviewing institution, the more elaborate its legal framework. If the tax authority can communicate effectively with taxpayers in a context of administrative transparency and mutual trust, the government may need only a simple legal basis for the initial objection process. Using ICT systems to disseminate information on the review process is crucial to ensure taxpayer compliance.²⁸

Hong Kong has one provision on objections, but it is detailed over the course of 12 paragraphs.²⁹ Legislation on the second administrative review stage, which is governed by a Board of Review, is outlined in eight provisions covering the following five topics: (i) the constitution of the Board of Review, (ii) the right to appeal, (iii) the transfer of appeals to the Court of First Instance, (iv) the hearing by the Board of Review, and (v) the right to appeal the Board of Review's decision through the legal system.³⁰ Germany provides a detailed description of the internal review process in 22 provisions of the tax code.³¹ Australia's Taxation Administration Act of 1953 includes a chapter covering both stages of the internal review process, as well as judicial review procedures, and outlines 14 provisions on the objections process within the tax authority.³² Jamaica includes several provisions on the objections process in specific tax laws, and it has a separate law governing the appeals stage of the internal review process.³³ The Goods and Consumption Tax Act contains two provisions³⁴ and addresses three issues: (i) the right to object to a decision

28 See Chapter 7.

29 Section 64 of the Inland Revenue Ordinance.

30 Sections, 65-69A, 82B of the Inland Revenue Ordinance.

31 §§ 347-368 German Tax Code.

32 Part IVC of the Taxation Administration Act of 1953.

33 Revenue Appeals Division Act.

34 Art. 40 and 41 of the GCT Act.

by the tax authority and valid grounds for objection, (ii) the rules for negotiated settlements, and (iii) the right to appeal the tax authority's decision. Singapore's Income Tax Act includes only one provision defining the legal right to object to a tax assessment and the requirements for objecting. A separate law covers appeals to a dedicated Revenue Appeals Division.³⁵ Table 3.1, below, summarizes the relevant legislation in selected countries.

TABLE 3.1: Internal Review Legislation in Selected Countries

Country	First Administrative Review	Second Administrative Review
Australia	Described in detail in the Taxation Administration Act	Separate law with regulations on the appeals tribunal: Administrative Appeals Tribunal Act 1953 with Regulations 2015
Canada	Elaborated in two sections of the Income Tax Act	Not applicable
Germany	Elaborated in two chapters of the Tax Code	Not applicable
Hong Kong	Described in one provision of the Internal Revenue Ordinance	Described in eight provisions in the Internal Revenue Ordinance
Singapore	Defined in one provision in the Income Tax Act	Defined in seven provisions of the Income Tax Act
United Kingdom	No specific legislation	Not applicable

Principle 2: Harmonize Internal Review Procedures

Objections can be lodged against various types of tax assessment. Some countries provide for objections in the laws governing each tax type. Others include objection rules in an umbrella law on tax procedures, which typically applies to all tax types. When objection processes are included in individual tax laws, each process is often unique to its respective tax. However, adopting multiple objection procedures for different tax types is generally unnecessary and potentially wasteful, and thus harmonizing internal review procedures is regarded as a good-practice principle.

In countries with multiple procedural rules, harmonization can be achieved by consolidating the rules for internal review in a general law on tax administration, while keeping only those provisions in the respective tax laws that are specific to the tax type in question. For example, Australia, Germany, Hong Kong, and Singapore address administrative tax reviews in their general laws on tax administration. Alternatively, each individual tax law can be amended to reflect a single, harmonized set of procedural rules, though this method typically requires much more administrative and/or legislative effort.

³⁵ Revenue Appeals Division Act (2015) and its Rules.

FIGURE 3.1: The Degrees of Independence of the Tax-Review Review Institution in Ascending Order



St. Kitts & Nevis harmonized its internal review procedures by adopting the Tax Administration and Procedure Act (TAPA) as an umbrella law. The TAPA includes a chapter on administrative reviews applicable to all decisions by the tax authority. The only unique rules included in individual tax laws reflect concrete differences between tax types. For example, the Value-Added Tax Act requires an objecting taxpayer to pay 50 percent of the disputed tax bill, while the Property Tax Act establishes specific rules for reassessing the property in question. This approach to harmonization requires a high degree of consistency between each specific tax law and the umbrella law to avoid contradictions and redundancies. The Internal Revenue Department of St. Kitts & Nevis conducted several rounds of reforms to align the TAPA with each individual tax law. Antigua & Barbuda is currently in the process of adopting an umbrella law for tax administration that will harmonize tax-review procedures.

Principle 3: Ensure the Independence of the Review Institution

The independence of the internal review institution increases the credibility of the entire tax system, encourages voluntary compliance with tax laws, and results in more satisfactory decisions that reduce the need for litigation. The independence of the tax-review institution also improves the attractiveness of a country's investment climate by strengthening investor confidence in the tax system's integrity. Moreover, an independent review institution cannot easily be politicized and provides greater predictability to firms and individuals.

Various factors influence the independence of an internal review institution, including: (i) its legal status; (ii) the rules for appointing its officials; (iii) its integration into the institutional hierarchy; (iv) its supervisory structure; and (v) the administrative status of its employees. While highly independent internal review institutions tend to be the most effective, they can also impose significant administrative costs, as they require additional offices and staff that are exclusively dedicated to reviewing objections and appeals. However, a well-designed institutional framework supported by appropriate regulations and effective information-management systems can mitigate these costs. Figure 3.1, below, illustrates the various degrees of independence of internal review institutions.

While the same institution that issued the original tax assessment may also be in charge of the review, no assessment should be reviewed by the same agent who made it. This can be avoided by establishing an independent review unit, and there should be rules governing contact between the original agent and the reviewer. For example, the Appeals Office of the US Internal Revenue Service has regulations limiting the interaction between the assessing unit and the review unit. The Australian Tax Office applies similar rules of conduct, which are described in Box 3.1, below.

BOX 3.1: The Independence of the Internal Review Process in Australia

The Australian Tax Office (ATO) has adopted several key measures designed to ensure an impartial review. When the objection is to an earlier ATO decision, the reviewer (i) must be a member of the ATO's Review and Dispute Resolution team, (ii) must not have had any prior involvement in the case, and (iii) must coordinate closely with other ATO agents.

When the objection is part of a self-assessment and does not relate to an earlier ATO decision, the reviewer must still be a member of the Review and Dispute Resolution team and abide by its protocols, though the reviewer is afforded more procedural latitude. The review process anticipates that the evidence and rationale for the original assessment will have already been provided to the taxpayer as part of the original assessment. This information, along with additional information provided by the taxpayer, should be sufficient for the reviewer to resolve the objection. When necessary, the reviewer may contact the original agent or other ATO agents involved in the original assessment to obtain additional information and seek independent internal or external advice. The reviewer must apprise the taxpayer of any discussions with the original agent and/or other ATO agents or independent advisors involved in the original decision, as well as any discussions of broader strategic issues relating to the case. The reviewer may consider opportunities for ADR and may need to balance these considerations against other strategic concerns.

The agent in charge of the original assessment and any other agents involved in the assessment will: (i) ensure the relevant case records are complete and up to date; (ii) explain the basis of their decision when required to do so by the reviewing officer; (iii) ensure that information provided to the reviewing officer is fair, objective, and supported by evidence; and (iv) make himself or herself available to the reviewer for meetings, either in person or through an appropriate representative, but is otherwise not to initiate contact with the reviewer.

Source: Australian Tax Office, 2016

Principle 4: Communicate Effectively with the Public and with Taxpayers Involved in the Review Process

An effective communications strategy can greatly facilitate the review process, as well-informed taxpayers are more likely to refrain from submitting cases that lack merit, provide complete documents and other evidence, enter the process with realistic expectations, and make use of ICT services where available. Communication is also a key element of institutional transparency and credibility.

An effective communications strategy should address the specific information needs of the general public, of the taxpayers involved in the administrative tax-review process, and of relevant professionals such as accountants and tax lawyers. Communications strategies often begin with institutional mission statements, declarations of taxpayer rights, or other foundational definitions of the responsibilities of the tax authority, its agents, and taxpayers. Box 3.2 presents the introduction to the Customer Service Charter of the Irish Revenue Commissioners, which includes sections on the complaints, review, and appeals processes. Communications strategies are described in greater detail in Chapter 7.

BOX 3.2: The Customer Service Charter of the Irish Revenue Commissioners

Revenue collects taxes and duties which fund the provision of public services for the benefit of all citizens.

Revenue protects society through its Customs Service working on frontier control.

The effective and fair administration of tax and customs law requires Revenue and citizens to recognize certain basic rights and responsibilities.

This Customer Charter sets out mutual expectations in this context.

Consistency, Equity and Confidentiality

- Revenue will administer the law fairly, reasonably and consistently and will seek to collect no more than the correct amount of tax or duty.
- Revenue will treat the information you give us in confidence and ensure that it will not be used or disclosed except as provided for by law.

Courtesy and Consideration

You can expect:

- to be treated courteously, with consideration and in a non-discriminatory way in your dealings with Revenue.

We expect you:

- to treat Revenue officials with courtesy and to give them all reasonable co-operation.

Information and Assistance

You can expect:

- to be given the necessary information and all reasonable assistance to enable you to clearly understand and meet your tax and customs obligations and to claim your entitlements and tax credits.

We expect you:

- to provide true and correct information in all your contacts with Revenue and to advise Revenue in a timely manner of developments (such as change of address, commencement or cessation of business) that are relevant to your tax and customs affairs.

Presumption of Honesty

You can expect:

- to be treated as honest in your dealings with Revenue unless there is clear reason to believe otherwise and subject to Revenue's responsibility for ensuring compliance with tax and customs law.

We expect you:

- to deal in an honest way with Revenue by returning the tax and duty which you are due to pay and seeking only those entitlements and tax credits to which you are due.

Compliance Costs

You can expect:

- that Revenue will administer the tax and duty regimes in a way that will minimize, as far as possible, compliance costs.

We expect you:

- to maintain proper records and accounts and to ensure that your Returns and Declarations are completed fully, accurately and in a timely manner.

Complaints, Review and Appeal

There are comprehensive complaints and appeal procedures open to all customers of Revenue and we encourage you to avail of these if you are in any way dissatisfied with the service you receive from us.

You should note:

- That if you make a complaint, Revenue will deal with it promptly, impartially and in confidence.
- That availing of Revenue's own complaints procedures will never prejudice your right to raise issues with the Ombudsman, the Workplace Relations Commission or under the Disability Act, or make an appeal to the independent Appeal Commissioners, where appropriate.
- Revenue also has an Unreasonable Complainant Conduct Policy in place.

Source: www.revenue.ie

Tax authorities must also offer practical information about the assessment, review, and appeals processes. For example, some institutions provide estimates of how busy their offices will be at given times on given days so that taxpayers can plan their visits outside peak hours. Raising awareness of ICT solutions can encourage the use of e-government services for tax submission and payment. Publishing detailed technical information, including regular updates on legal precedents and review decisions, can help tax professionals better serve their clients. The more information taxpayers and their representatives have about the institution's previous decisions, the fewer meritless cases will be submitted. A regular newsletter aimed at tax professionals and their associations can enable the authorities to disseminate timely technical information.

Principle 5: Resolve Disputes as Early in the Process as Possible

Putting systems in place to fast-track certain disputes or refer others to ADR mechanisms can greatly enhance the efficiency of the internal review process. For example, the Australian Taxation Office offers in-house mediation, in which an impartial facilitator from the Review and Dispute Resolution team meets with the taxpayer and the agent who made the original assessment to hold a structured discussion of the case. The mediation process is offered free of charge. The Australian Taxation Office also offers large businesses an early independent review option for audit statements. Upon request by the taxpayer, the U.S. Internal Revenue Service provides an Appeals Fast-Track Settlement procedure designed to expedite the internal review process. As part of the

procedure, an employee of the independent Appeals Division facilitates a discussion between the taxpayer and the agent who made the original assessment in an effort to reach a mutually satisfactory settlement.

Mechanisms for resolving disputes swiftly and amicably include: (i) a complaint review by an independent ombudsman's office; (ii) mediation or conciliation; (iii) negotiated settlements; and (iv) arbitration. These mechanisms should be formally established through appropriate legislation, and their processes, requirements, and criteria should be clearly defined and published. Further information on ADR is provided in the section on recent international trends in internal review processes.

Promoting a strong relationship between taxpayers and the tax administration can help prevent disputes before they arise. For example, the Netherlands uses a “horizontal monitoring” model, under which a taxpayer can enter into a voluntary agreement with the Netherlands Tax and Customs Administration. These agreements can provide early indications of tax risks, and they support mutual trust, understanding, and transparency between the authorities and taxpayers. By proactively addressing emerging issues before taxes are filed, the horizontal monitoring approach can avert disputes without the need to launch a formal internal review process.

While horizontal monitoring can promote efficiency in tax administration, using this model may raise constitutional issues or concerns about impartiality. Critics in some countries have alleged that creating enhanced relationships with certain taxpayers—often large taxpayers—results in unequal treatment by the tax authorities. For example, Sweden's constitutional court rejected horizontal monitoring on these grounds. To minimize the possibility of systemic inequalities in tax administration, horizontal monitoring and other cooperative approaches should be made available to all taxpayers, not just the largest taxpayers.

Principle 6: Collect, Publish, and Report Performance Data

Continually improving the internal review process requires detailed information on the efficiency of tax institutions and the performance of their staff. Some performance data should be regularly reported to a supervisory body to identify emerging challenges and adjust resource allocations accordingly. Other data should be made available to the public in the interest of transparency, accountability, and establishing realistic expectations among taxpayers. Taxpayers should be aware of the average length of the review process, the percentage of disputes resolved in favor of the taxpayer, and other practical information on objections and appeals. Key data that should be collected and reported include: (i) the total number of objections and appeals made and the monetary amounts involved; (ii) the total number of review decisions and the amounts involved; (iii) the share of tax assessments that are objected to; (iv) the share of objections and appeals rejected by the tax authority; (v) the current backlog of cases; (vi) the number of decisions issued per official

per month; and (vii) the average length of the objection and appeals processes. Box 3.3 presents the objection statistics published annually by the German Ministry of Finance.

BOX 3.3: Objection Statistics Published in Germany

The German Ministry of Finance publishes the following statistics on its website each year. The figures shown here are for 2014:

- The caseload at the beginning of the year (3,907,650)
- The number of objections lodged (3,467,424) and the percentage change from the previous year (-18.7%)
- The number of resolved objections (4,233,922) and the percentage change from the previous year (+0.1%), including the number of withdrawn objections (813,225 or 19.2%), the number of objections resolved without a formal decision (2,869,287 or 67.8%), the number of decisions rendered (523,095 or 12.4%), the number of partial decisions rendered (18,195 or 0.4%), and the number of objections otherwise resolved (10,120 or 0.2%); and
- The number of objections that remained unresolved at the end of the year (2,883,112) and the percentage change from the previous year (-26.2%)

It should be noted that the large share of cases resolved without a formal decision (87%) includes cases in which the taxpayer lacked adequate documentation to complete the objection process.

Source: German Federal Ministry of Finance

Principle 7: Embrace ICT Solutions

ICT systems can greatly enhance data collection and analysis. St. Kitts & Nevis, for example, uses the SIGTAS program to produce regular data on various aspects of tax administration, which provide the basis for performance assessments and budget planning. ICT systems can also facilitate communication with taxpayers and help publicize important information. Key online services include downloadable forms, calculators and other tools, e-filing and e-payment platforms, and secure databases for storing taxpayer information. Table 3.2 lists several online tax-review services provided by selected countries. A detailed discussion of ICT applications is presented in Chapter 6.

TABLE 3.2 : Online Services Provided by Selected Tax Authorities

Country	Tax authority website	Offers e-filing and online objections?	Offers case tracking?	Secure database
Australia	www.ato.gov.au	Yes	Yes	myTax
Canada	www.cra-arc.gc.ca	Yes	Yes	My Account
Germany	www.elster.de	Only e-filing	No	ElsterBasis
Hong Kong	www.gov.hk/en/residents/taxes	Yes	Yes	eTAX
Singapore	www.iras.gov.sg	Yes	Yes	myTax Mail
United Kingdom	www.hmrc.gov.uk	Yes	Yes	Online tax registration

Principle 8: Train Officials Continually

An efficient internal review process requires well-trained staff. Due to the complexity of most tax systems and the frequency of both legislative and administrative changes, tax personnel require continual training. Key training subjects include procedural rules, taxpayer communications, and the use of ICT solutions. Training plans should be formulated for staff at each administrative level, and the effectiveness of training sessions should be regularly assessed. A well-regarded training program can also enhance the tax authority's attractiveness to potential recruits.

Principle 9: Improve the Quality of Tax Documents

Accessible tax forms are crucial to the efficiency of tax administration, and simple, clear documents can help prevent disputes from arising. Tax forms should focus on collecting essential information, and they should communicate ideas and requests in a straightforward manner. Streamlined tax forms can reduce the administrative burden on both the taxpayer and the tax authority. To the extent possible, tax forms should be made available for download or online submission via a secure government website. The most important forms in the internal review process include the notice of objection or appeal and the withdrawal of objection or appeal.

Supporting documents can improve the transparency and consistency of the internal review process, which are vital to its credibility and efficiency. In addition to high-quality tax forms, process maps, procedural manuals, and internal circulars can enhance the flow of information within the tax authority and improve the consistency of the review process. Process maps document how cases progress through the administrative system, noting the points at which decisions are made and how those decisions affect the case. An official process map can provide a useful visual aid that helps to ensure that every person in the objections and appeals unit shares a common understanding of the process. A procedural manual can provide detailed information on

both the everyday operations of the agency and the protocols for addressing a range of unusual situations. As tax procedures may change frequently, the manual should be regularly updated. Finally, internal circulars can allow agents of the tax authority to document and disseminate information regarding actions taken and decisions made. Circulars can be issued regularly or on an ad hoc basis. Circulars should be sent to all agents, and the information they provide should be regularly consolidated and incorporated into new editions of the procedural manual.

Principle 10: Establish and Use Performance Indicators

Policymakers can use performance indicators to assess the effectiveness and efficiency of tax institutions and design appropriate reforms. Key performance indicators include: (i) the number of objections filed and resolved; (ii) whether the case was settled, fully or partially decided, or rejected; and (iii) the length of the objection process. To collect these data, every objection should be assigned a unique identification code and recorded in a casefile. Each casefile should include the identity of the taxpayer, the office in charge of the original assessment, the nature of the assessment and any penalty applied, the type of tax and the tax period, the amount of the disputed payment, and the date when the objection was lodged. In cases involving multiple points of law, the amount in question should be broken down by legal issue whenever possible.

International Trends in Internal Tax Review

In recent years, three major trends have emerged around tax administration in general and internal tax review in particular. These trends include: (i) the increasingly widespread adoption of a cooperative approach to tax administration that includes ADR mechanisms, (ii) the rising use of ICT platforms and services, and (iii) the application of enhanced communications practices. These innovative strategies and their implications for LAC are described in detail below.

Cooperative Approaches to Tax Administration

Tax authorities in advanced economies have increasingly adopted a cooperative approach to tax administration designed to minimize the frequency of objections, deliver swift and satisfactory resolutions, and alleviate the administrative burden on the formal internal review process. However, implementing cooperative approaches can pose a considerable challenge for developing countries, as these approaches require specific skills and experience, detailed rules, and effective supervisory systems, which developing countries may lack. Inadequate staff training and experience and weak institutional frameworks can increase the rate of errors and facilitate corruption.

In the United States, the Compliance Assurance Process describes the country's cooperative approach to addressing cases that cannot be easily or effectively resolved through the normal internal review system. The process frequently employs ADR techniques in cases that are especially complex or that suffer from incomplete documentation or other obstacles. ADR is designed

to achieve mutually agreeable solutions without the need to resort to litigation.³⁶ ADR may be a viable option in cases that have unusual features, where the law is unclear, or in which a long and expensive legal process is anticipated.³⁷ However, ADR mechanisms also increase the tax authority's discretion, which may result in the unequal treatment of different taxpayers.

The United States demonstrates how ADR mechanisms can be integrated with more traditional tax procedures. The first opportunity for ADR occurs during the audit stage, when taxpayers and tax auditors are allowed to reach informal agreements. Later in the process, mediation may be offered in an effort to settle cases before an appeal is launched. Even during an appeal the tax authority can still settle the case out of court.

During a mediation or conciliation process, the taxpayer and tax authority seek the intervention of a third party. The mediator is usually a tax specialist who can provide expert advice on the dispute's main issues and the available options for resolving it. The mediator strives to assist both parties in reaching an agreement, but does not issue binding decisions. Mediation is especially common during audit procedures, including early referral to appeals,³⁸ and U.S. appellate officials can serve as mediators or conciliators.

A negotiated settlement is a voluntary agreement between both parties in a dispute. Negotiated settlements to tax objections and/or appeals must be legally authorized, and they are not appropriate in all circumstances. For example, the Australian Tax Office's Code of Settlement forbids negotiated settlements in cases where: (i) a point of law requires clarification; (ii) there is a public interest in litigation, or (iii) the taxpayer's behavior is determined to be so egregious that it demands a public legal resolution.³⁹ Similarly, South Africa's tax authority forbids settlements in cases where: (i) they would be contrary to common practice, (ii) no exceptional circumstances justify a departure from the standard legal or administrative procedure, or (iii) there is a public interest in judicial clarification of the issues involved.⁴⁰ As part of a negotiated settlement, the taxpayer should sign an agreement waiving any right to further legal recourse against the initial assessment.

36 Internal Revenue Manual 4.51.8. The CAP pilot started in 2005 with 17 taxpayers. The program was made permanent in 2011, and by 2014 185 taxpayers were participating.

37 For example, in 2007 HMRC officials interviewed judges from a number of countries who regularly hear tax disputes. The judges expressed the view that transfer-pricing cases should not be litigated. See OECD publication *Dealing Effectively with the Challenges of Transfer Pricing* (2012, <http://dx.doi.org/10.1787/10.1787/9789264169463-en>).

38 This represents a clear case of early neutral evaluation.

39 The Code of Settlement, a practical guide, illustrative examples, and sample settlement agreements are available on ATO's website at <https://www.ato.gov.au/General/Dispute-or-object-to-an-ATO-decision/In-detail/Avoiding-and-resolving-disputes/Settlement/Code-of-settlement/>

40 Clause 145 of the South African Tax Administration Bill.

To ensure consistency and sufficient oversight, the national legislation should clearly define the officials and offices empowered to negotiate and approve settlements. The Appeals Office of the U.S. Internal Revenue Service has the authority to settle tax disputes and is directed to avoid litigation whenever possible. Similarly, the U.K.'s Litigation and Settlement Strategy provides the legal framework for resolving disputes through settlements, as well as through litigation, and the tax authority is instructed to minimize litigation costs so long as doing so does not unnecessarily compromise its ability to collect taxes to which the government is legally entitled.

In an arbitration process, both parties voluntarily agree to present arguments and evidence to a neutral arbitrator, who is legally empowered to issue a binding judgment. For example, in 2005 Georgia established Tax Arbitration Councils, which were designed to resolve disputes according to the procedural rules established in the Law on Private Arbitration. Under this law, the taxpayer had a right to demand arbitration and did not need to obtain the consent of the tax administration, and all arbiters were private-sector professionals, not tax officials. The law was amended after only four months, as critics claimed it unfairly biased the arbitration process in favor of taxpayers.⁴¹ Portugal introduced a similar private arbitration system in 2011, which remains in place.

Several countries, including Mexico and Brazil, have recently established a tax ombudsman's office. By addressing complaints, an ombudsman can facilitate interactions between tax officials and taxpayers, helping to resolve or prevent disputes. According to a 2015 OECD report, 37 of 56 surveyed countries had a tax ombudsman's office, though the structure and role of each office were specific to each country:⁴² (i) 21 countries were reported to have an independent ombudsman's office; (ii) 10 were reported to have an autonomous body dealing solely with tax-related complaints, and (iii) six were reported to have an internal body within the tax authority dealing independently with taxpayer complaints.

Tax ombudsman's offices are often established outside the organizational framework of the tax authority to safeguard their independence. An ombudsman typically does not make legally binding decisions but instead attempts to address taxpayer complaints and guide the objection process toward a satisfactory outcome. Meanwhile, the tax administration remains responsible for formally resolving the objection. Typically, the process of lodging a complaint with the tax ombudsman is separate from the formal objection and appeals procedures and is not regarded as a substitute for them.

Leveraging ICT Solutions

Like other public-sector agencies, tax administrations increasingly utilize online platforms, databases, and other ICT services. Though these systems tend to have high installation and mainte-

41 New Europe, 2005. "Tax arbitration cancellation disfavors Georgia"; Jones, 2015. [Georgia: A Political History Since Independence](#), p. 120.

42 OECD, 2015. Tax Administration. p.49.

nance costs, they can generate enormous efficiency gains. Online taxpayer services can provide access to information, forms, calculators and other tools, e-filing and e-payment platforms, and secure taxpayer-information databases. However, because ICT systems entail high costs and require continuous internet access, tax authorities in developing countries may have difficulty establishing these systems and encouraging their use, especially among lower-income households.

While most LAC countries offer some of the online tax services listed above, e-filing and e-payment platforms are limited. Moreover, some countries that do provide these services have not extended them to encompass objections and appeals. By contrast, over 75 percent of OECD countries now allow e-filing for all major taxes, and both the availability and use of online services have expanded dramatically over the past decade. Austria, for example, introduced e-filing for personal income tax returns in 2003; it reported a usage rate of 10 percent in 2004, which shot to 80 percent in 2013. Germany introduced e-filing in 1999, and between 2004 and 2013 its usage rate increased from 4 percent to 51 percent.⁴³

Utilizing Creative Communication Strategies

Tax authorities are increasingly using creative communications strategies to better inform taxpayers of internal review procedures and improve institutional transparency and credibility. St. Kitts & Nevis, for example, uses a well-known song about making tax payments to remind citizens of the need to file their taxes. Other educational materials and outreach tools can be used to encourage taxpayer compliance and enhance the efficiency of internal review procedures. Leaflets can be used to explain the key stages of the objection and appeals process to taxpayers in simple terms. Well-designed newsletters can educate taxpayers and tax professionals on the internal review process, the relevant public institutions, and recent decisions by the tax authority and/or the judiciary. Disseminating this information both in print and electronic form can help ensure that it reaches a broad audience. Tutorials in the form of short animated or live-action films explaining tax-compliance issues can also be disseminated online to further improve taxpayer awareness. Regular or ad hoc radio and television appearances by tax officials can provide forums for addressing taxpayer concerns and questions.

43 Ibid. pp.250-255.

Chapter 4: Administrative Tax Review in Latin America and the Caribbean

This chapter provides information on the tax-review processes of 10 Caribbean and 13 continental Latin American countries based on a 2015 survey. The survey was sent to 27 LAC countries, 23 of which responded. The data are self-reported by the public administrations of those 23 countries and are subject to both self-selection and self-reporting bias. While national legislation, international reports, and other surveys were used to supplement the data, the assessments provided in this toolkit might not reflect the experience of all tax officials and taxpayers in each of the countries surveyed.

Elements of the Review System

Country Characteristics

LAC countries vary enormously in terms of their geographic size, populations, and demographics. The region's largest country is Brazil, with a population of 202 million spread over 8.5 million square kilometers. The smallest is St. Kitts & Nevis, with a population of 51,000 spread over 389 square kilometers. These two countries—and those in between—differ greatly in terms of the number of taxpayers, assessments, and objections that their tax-review processes must serve and address.

While larger countries may be able to achieve economies of scale in tax administration, they may also face challenges in coordinating multiple subnational tax centers. Larger countries also require more complex systems for transferring data and documents safely between their local, regional, and national offices. Moreover, public outreach programs can be more difficult to implement in a large country, especially one with a large rural population. Meanwhile, smaller countries may lack the resources necessary to establish a fully independent internal review process.

Tax Systems

Tax systems in LAC countries differ in terms of the types of taxes they collect, the obligations they impose on taxpayers, their assessment and audit procedures, their collection methods, the authority of their tax officers, the internal organization of the relevant agencies, and their use of technology. These differences have important implications for the scope and complexity of the administrative review process and the level of human capital and technological sophistication that must be accounted for when designing or reforming that process.

Institutional Capacity

The effectiveness and quality of each country's internal tax-review process depend in part on the pool of available tax experts and their incentives to work in the public sector. The institutional capacity of the public sector varies among LAC countries, and these differences are reflected in both the average time required to deliver an objection decision and the quality of that decision.

Internal Tax-Review Processes in the LAC Region

The following section describes the tax-review systems currently in place in the LAC region. It provides an overview of the legal frameworks, institutional arrangements, review procedures, uses of information technology, and levels of data quality that prevail across the region. While the analysis focuses on the tax authority's initial administrative review process, 18 of the 23 LAC countries surveyed for this toolkit allow an appeal to a second internal administrative review body.

The Legal Framework

All of the surveyed countries afford taxpayers the legal right to object to tax decisions. In almost all Caribbean countries, the right to contest a tax decision is enshrined in the relevant tax law. The only exception is St. Kitts & Nevis, which is currently harmonizing its national tax law, the Administrative Tax Act, with individual tax laws governing value-added tax (VAT), income tax, and other taxes. By contrast, all 13 surveyed countries in continental Latin America address the objection process in a general tax law. Table 0.2 in Annex 3 summarizes the legislative arrangements in the selected LAC countries.

The legal framework governing the review process typically specifies: (i) the deadline to object and the procedures for obtaining an extension; (ii) which party carries the burden of proof; (iii) the documents required from each party; (iv) the procedures for appealing a decision; and (v) the payment obliged by the verdict. In some countries, the objection suspends the obligation to pay (e.g., Argentina, Bolivia, Chile, Colombia, Peru, Dominica, Grenada, and Trinidad & Tobago), while in others the assessed tax must be paid despite an objection (e.g., Costa Rica, Uruguay, Venezuela, St. Lucia, St. Kitts & Nevis, and St. Vincent & the Grenadines). The tax legislation of

Mexico and St. Kitts & Nevis, which is summarized in Table 4.1, provides a useful example of the issues typically addressed during the objection phase.

TABLE 4.1: Summary of the Legislation on Internal Tax Reviews in Mexico and St. Kitts & Nevis

	Mexico: Federal Fiscal Code	St. Kitts & Nevis: Tax Administration and Procedures Act
Objection provisions	Art. 116-133	Sec. 40-45
Remark	Appeal is optional before going to court (Art. 120, 125). An exclusive appeal procedure can be applied against specific actions by the tax authorities when the challenged amount exceeds a given threshold (Art. 133B-G).	The Income Tax Act, the Value-Added Tax Act, and the Property Tax Act also include provisions regarding objections and appeals, many of which are redundant. The government is in the process of harmonizing its tax legislation.
Subject to objection	Final acts of the federal tax authorities (Art. 117).	An assessment or other decision by the Inland Revenue Department (Sec. 40 (1)).
Deadlines	30 days following the notification of the challenged decision (Art. 121).	One month from the date of the assessment or the date the taxpayer was notified (Sec. 40 (2)).
Extension of deadline possible	Only in specific cases as determined by a judicial authority (Art. 121).	No.
Formal requirements for objection	Formal requirements, including online submissions, are prescribed in Art. 18 and 122.	Formal requirements are prescribed in Sec. 40 (2).
Payment suspended	Payment is suspended until the appeal is resolved (Art. 144).	Payment is not suspended (Sec. 45), but the Comptroller can, with cause, suspend the payment (Sec. 19).
Hearing	No.	Only in an appeal to the Board of Commissioners.
Scope of decision	The decision encompasses every violation alleged by the appellant but does not extend beyond those allegations (Art. 132).	Not specified.
Settlement possible	Settlements are not mentioned as a form of resolution (Art. 133), but taxpayers can request a settlement from the Taxpayer Advocate Office after an audit.	Not specified.

	Mexico: Federal Fiscal Code	St. Kitts & Nevis: Tax Administration and Procedures Act
Decision period	Not exceeding three months from the filing date (Art. 131). If no decision is issued within three months, the assessment is considered confirmed.	Within a reasonable timeframe, in writing, and with a valid reason (Sec. 40).
Burden of proof	The taxpayer must bear the burden of proof (Art. 130).	The taxpayer must bear the burden of proof (Sec. 43).
Who decides on objections	A specialized unit of the Tax Authority not involved in the challenged decision.	Comptroller.
Period for Appeals	45 days.	Appeals are allowed within one month after the date of the notice (Sec. 42)
Appeals Process	Appeal to the Federal Tax and Administrative Court followed by appeal to the Federal Circuit Court of Appeals	The first appeal is made to the Board of Commissioners. A second appeal may be made to the High Court concerning a matter of law (Sec. 44)

Institutional Arrangements

All LAC countries surveyed offer at least one administrative review by the tax authority, except Bolivia, where an independent agency outside the tax authority conducts the administrative review. Of the 23 countries surveyed, 18 apply a two-tier system, in which the tax authority reviews the original assessment, and appeals are made to a separate administrative body. Five LAC countries use one-tier review processes. Table 0.4 in Annex 3 lists the various systems and review institutions in place in each country.

The degree of administrative distance between the original review agency and the appeals body varies by country. In the Caribbean, the second review institution is often an appeals commission, a board consisting of tax commissioners, or an expert panel appointed by a minister but without formal legal status. Only Barbados and Jamaica have established separate second-tier institutions solely tasked with conducting administrative reviews. Six of the 13 continental Latin American countries surveyed allow appeals to an independent tax appeal tribunal, but only Bolivia and Guatemala have a special administrative authority in charge of such appeals. Chile, Colombia, and Paraguay each use a one-tier system. Almost all surveyed countries allow an appeal to a court of law; only in Dominica does an administrative review end the review process. Table 0.5 in Annex 3 lists the review authorities of the selected LAC countries.

An administrative review is most likely to resolve a dispute when it provides a credible decision rendered with significant independence from the original assessment. All LAC countries surveyed allow the tax authority in charge of the initial assessment to conduct an administrative

review of the decision. The second administrative review stage typically offers a greater degree of independence than the first. In LAC, the second administrative review is often undertaken by a separate agency within the executive branch, typically operating under the same ministry as the tax authority.

The independence of the second administrative review depends on the nature of the review body, the procedure for appointing and dismissing its members, and its position within the tax authority. Eight Caribbean and 10 continental Latin American countries surveyed offer a second review stage to the taxpayer, though three of the Caribbean review bodies are not operational. Only Jamaica has a separate administrative authority for appeals. The body that appoints and dismisses the head of the review agency is part of the executive branch in each country except Mexico, which reserves this power for the judiciary.

Procedural Features

The key procedural elements of the internal review process include the scope of the objection process, the eligibility of taxpayers, the objection requirements, the available options to terminate an objection, and the impact of the decision. The scope of tax authorities varies from country to country, and not all decisions are eligible for appeal. All of the Caribbean countries surveyed allow taxpayers to object to corporate and personal income tax decisions and to VAT decisions. Three countries—Guyana, Jamaica, and St. Kitts & Nevis—also allow objections to customs-duty assessments, and these three countries, along with Barbados, Grenada, and St. Lucia,⁴⁴ allow objections to decisions regarding fines and penalties. Grenada, Jamaica, St. Kitts & Nevis, and St. Lucia allow objections to property tax assessments, and taxpayers can object to duties and contract taxes in Jamaica, St. Kitts & Nevis, and St. Lucia. Only St. Kitts & Nevis has an “open objection” clause that allows objections against any decision by the comptroller. The tax authorities also administer various other taxes, such as business taxes in Antigua & Barbuda and insurance-premium taxes in St. Lucia.

All of the continental Latin American countries surveyed allow objections against personal and corporate income tax decisions, as well as tax-related fines and penalties. Taxpayers can object to customs duties in Argentina, Chile, Colombia, El Salvador, Guatemala, Mexico, Peru, and Venezuela. Taxpayers may be able to object to customs decisions in other LAC countries, but the tax authorities in those countries would not review the objection.

Objection Deadlines

All of the surveyed countries limit the timeframe during which the taxpayer may object to a decision. The deadline is calculated based on the receipt of the initial decision, which may be delivered through direct communication with the taxpayer or via a public notice. Some tax authorities

⁴⁴ The second internal review stage in St. Lucia is not currently operational.

deliver decisions by physical mail, others by e-mail or fax, and some deliver decisions through a representative.

Among the Caribbean countries surveyed, the applied objection deadlines are 15 days (in two countries), 21 days (in one country), and 30 days (in seven countries). All 10 Caribbean countries allow for an extension of the objection deadline, which is typically granted by the tax commissioner or comptroller based on absence from the country, physical illness, or other serious issues. The continental Latin American countries surveyed tend to impose shorter deadlines to object, and these deadlines cannot be extended. The timeframe for objections ranges from five days to two months. Eight countries have deadlines between five and 15 days from the receipt of the decision, and four have deadlines from 15 to 30 days. Only Colombia, which offers taxpayers two months to object to a decision, has a deadline longer than 30 days. The deadline for appealing a decision may differ from the deadline for objections. A summary of these deadlines is provided in Table 0.7 and Table 0.8 in Annex 3.

Deadlines for Delivering a Review Decision and the Principle that “Silence is Consent”

Two Caribbean countries limit the amount of time in which the tax authority must issue a decision. In Jamaica, the Revenue Appeals Division has 60 days to deliver an appeals decision following the conclusion of an investigation or a formal hearing. The start of the 60-day period must be announced to the taxpayer. In Trinidad & Tobago, the tax authority has a full two years to deliver a decision on the original objection. Grenada’s Value-Added Tax Law states that an objection decision shall be made “as soon as practicable,” and the Tax Administration and Procedures Act of St. Kitts & Nevis states that a decision shall be rendered “within a reasonable time.” All of the Latin American countries surveyed impose decision deadlines, which range from 20 working days in Paraguay to one year in Colombia. Some countries use different deadlines depending on the type of tax involved. For example, Trinidad & Tobago’s tax authority has two years to decide on objections involving corporate taxes, one year for objections involving “pay-as-you-earn” (PAYE) taxes, and six months for objections involving VAT.

Five of the 23 LAC countries surveyed apply the “silence is consent” principle: if a decision is not delivered within the legally mandated timeframe, the judgment is automatically made for the plaintiff. These countries include Trinidad & Tobago, which has the longest timeframe (one year for PAYE taxes; two years for corporate income tax), Nicaragua (30, 45, or 90 days), Jamaica (six months, but only for General Consumption Tax objections), Colombia (one year), and Venezuela (60 days). Two countries, however, apply the converse principle, “silence is rejection”: Uruguay (200 days) and Mexico (three months). Table 0.9 in Annex 3 lists the deadlines for rendering a decision on the original objection in selected LAC countries.

Internal Administrative Review as a Precondition for External Judicial Review

To afford the tax authority an opportunity to correct erroneous decisions, and to reduce the burden on the legal system, many countries require that taxpayers obtain an internal review before taking their cases to court. Though the legal provisions mandating internal review are not always clearly set forth in the national legislation, in practice all surveyed Caribbean countries require taxpayers to obtain at least one internal review decision before taking legal action. Seven of the 13 continental Latin American countries surveyed require the taxpayer to exhaust the internal review process before litigation can begin: Argentina, El Salvador, Guatemala, Nicaragua, Paraguay, Peru, and Uruguay (see Table 0.10 in Annex 3). The other six countries do not mandate an internal review and allow taxpayers to take their cases directly to the courts.

The length of the internal review process can influence its effectiveness. An excessively slow process will not provide a viable alternative to litigation and, in countries where an internal review is mandatory, it may even present an additional obstacle to resolving objections. The tax authorities in the surveyed LAC countries provided widely varying estimates of the time required for internal review, which ranged from one month or less in Antigua & Barbuda, Grenada, Nicaragua, and Paraguay to one year or more in Jamaica, Costa Rica, El Salvador, and Venezuela (see Table 0.11 in Annex 3).

Terms for Suspending Payment During the Internal Review Process

In some cases, an objection automatically suspends the taxpayer's payment obligation, with important implications for the effectiveness and efficiency of the review process. In four Caribbean countries (Antigua & Barbuda, Dominica, Grenada, and St. Vincent & the Grenadines), the objection does not suspend the payment, while in another four countries (Barbados, Guyana, St. Lucia, and Trinidad & Tobago) payment is suspended until a decision is issued. Jamaica and St. Kitts & Nevis suspend all tax payments except VAT, and 50 percent of the disputed VAT payment must be paid on the due date.

Countries that suspend payment during the objection process require the taxpayer to make the full payment plus interest if the objection is denied. The interest rate applied in such cases varies considerably, both from country to country and from tax to tax. Table 0.12 in Annex 3 summarizes the suspension rules and interest rates used in selected LAC countries.

Dispute Settlement

Most internal reviews end when the review authority renders its decision. However, under certain circumstances the taxpayer and the tax authority may decide to reach a negotiated settlement.

This is most common in cases where the documentary evidence is incomplete, the legal situation is unusually complicated, and/or a lengthy review process is expected. Four of the 10 Caribbean countries surveyed do not allow the tax authorities to terminate an internal review through a negotiated settlement: Barbados, Grenada, Jamaica, and St. Kitts & Nevis (see Table 0.13 in Annex 3). Nine of the 13 surveyed countries in continental Latin America do not allow negotiated settlements.

Standard Objection Forms

Standard objection forms can facilitate the internal review process. As shown in Table 4.2, below, five Caribbean countries (Grenada, Jamaica, St. Kitts & Nevis, St. Lucia, and Trinidad & Tobago) have a standard objection form, but its use is mandatory only in St. Kitts & Nevis. Grenada's tax authority offers a standard form only for objections involving property tax assessments. In continental Latin America, only Chile and Peru use a standard objection form, and this form is mandatory only in Peru.

TABLE 4.2: Standard Forms for Tax Objections

	Available	Mandatory
Antigua & Barbuda	No	-
Barbados	Yes	No
Dominica	No	-
Grenada	Yes	No
Guyana	No	-
Jamaica	Yes	No
St. Kitts & Nevis	Yes	Yes
St. Lucia	Yes	No
St. Vincent & the Grenadines	No	-
Trinidad & Tobago	Yes	No
Argentina	No	-
Bolivia	No	-
Chile	Yes	No
Costa Rica	No	-
El Salvador	No	-
Guatemala	No	-
Mexico	No	-
Nicaragua	No	-
Paraguay	No	-
Peru	Yes	Yes
Uruguay	No	-
Venezuela	No	-
Colombia	No	-

The Use of ICT in the Internal Review Process

ICT solutions can enhance the transparency and efficiency of the internal review process. A website that provides important information, offers downloadable forms, or even allows for electronic submissions can save considerable time and money, both for the taxpayer and the tax administration. An electronic filing and case-management system can also improve the flow of information within the public sector. Electronic data collection and reporting can enhance supervision and facilitate analysis of the internal review process. Potential ICT applications are described in greater detail in Chapter 6.

The use of ICT systems in the LAC region varies from country to country. All tax authorities in the 23 surveyed LAC countries maintain a website, but five do not provide information on the objection process. In the Caribbean, Barbados, St. Kitts & Nevis, and St. Vincent & the Grenadines have e-submission systems, but only St. Kitts & Nevis offers downloadable forms. In continental Latin America, only Mexico allows e-submissions, while only Chile offers downloadable forms. While ICT use remains limited, tax authorities in several of the surveyed countries reported that efforts to expand web-based services were underway. The current availability of web-based services is summarized in Table 4.3, below, and further details are provided in Table 0.14 in Annex 3.

TABLE 4.3: The Use of Web-Based Services in Internal Review Processes by Region

	Website	Downloadable forms	Electronic submission	Process tracking	Electronic approval	Online interaction
Caribbean	100%	10%	30%	30%	30%	30%
Latin America	100%	8%	15%	23%	8%	0%

The use of case-management filing systems also varies by country. Tax administrations in five of the 10 surveyed Caribbean countries and eight of the 13 surveyed mainland countries operate a case-management system. Officials in some countries (e.g., Jamaica) report that they are in the process of updating their case-management filing systems, while officials in other countries (e.g., Antigua & Barbuda) report that such a system is currently being developed. Table 0.15 in Annex 3 lists the case-management filing systems used by tax authorities in LAC.

Performance and Reform

Many administrative review processes in LAC have been reformed during the last five years. Half of the surveyed countries reported implementing significant reforms, with some overhauling the entire review process for certain types of tax disputes. These reform efforts often prioritized the

efficiency of the internal review process and its use of resources. Further details are provided in Table 0.16 in Annex 3.

Timely and accurate performance indicators can enable policymakers to assess the workload of the internal review authority, ensure the quality of its decisions, and evaluate its impact on the budget. Some indicators, such as the average duration of the objection process, are also directly relevant to taxpayers and should be made public.

Some Caribbean countries collect little or no information on objections filed and decisions issued. All Caribbean countries surveyed reported the number of objections filed in 2014, which ranged from six in Grenada to 693 in Trinidad & Tobago. However, only five countries also collect data on the outcome of the objection process: Dominica, Jamaica, St. Kitts & Nevis, St. Vincent & the Grenadines, and Trinidad & Tobago.

The number of objections filed and resolved varies dramatically between countries and between years. For example, the number of objections filed in Trinidad & Tobago fell by almost 50 percent between 2013 and 2014, from 1,365 to 693. In 2011, St. Lucia recorded 843 filed objections, but in 2014 this figure dropped to 281. In 2012, Guyana recorded 1,129 resolved objections, but in 2014 the number of resolved objections fell to 599 despite an increase in the number of filed objections. In addition to data on objections filed and resolved, Jamaica, St. Kitts & Nevis, and St. Lucia have each established a set of performance indicators for the internal review process (see Table 0.17 in Annex 3).

Conclusion

Internal review processes in the 23 selected LAC countries differ substantially. While this chapter provides only a brief overview, the analysis presented above can serve as a useful starting point for policymakers as they evaluate the systems used in other countries and strive to improve their own review processes. Key differences include the transparency of the rules that guide the review process, the relevant institutional arrangements, the efficiency with which objections are resolved, and the relative utilization of ICT solutions.

Some countries provide a great deal of information on what taxpayers can expect when objecting to or appealing a tax decision, while other countries provide very little information on key aspects of the internal review process. Most countries offer the taxpayer the opportunity both to obtain an initial review by the tax agency and to appeal that decision to a separate agency with a greater degree of independence. Some provide only one internal review by the tax authority before referring the case to an often costly and inefficient court system. While some LAC countries typically resolve objections in less than a month, others can take years to complete the process. Excessive delays at either the original objection or appeals stage can jeopardize the taxpayer's right to seek legal recourse and may create incentives for corrupt behavior. Finally, the use of ICT in internal

tax reviews is limited and inconsistent across countries. Making better use of ICT solutions could greatly enhance the efficiency of internal review processes in LAC.

Chapter 5: Selected Reform Issues in Administrative Tax Review

This chapter describes various issues involved in reforming internal tax-review processes. It identifies potential legislative, procedural and institutional challenges that reformers may face, and it examines a range of options for addressing them.

Legislative Issues

Optimizing the Use of Legislation

The legal framework for the internal tax-review process varies by country. As noted in Chapter 4, some countries have no legislation on internal reviews at all, while others have detailed legal provisions governing the requirements, scope, and procedures involved. Some countries include internal tax-review legislation in specific tax laws, while others do so in an overarching law on tax administration. The appropriate method for addressing administrative tax reviews in national legislation must reflect the unique legal traditions and institutions of each country. In general, however, more advanced stages of the review process typically require more elaborate legislation, and countries that offer a second administrative review typically have specific laws or chapters of the tax code devoted to the process.

Determining the Appropriate Degree of Legislative Detail

Well-designed tax legislation can enhance transparency and bolster public confidence in the tax system. While many countries, including all the LAC countries surveyed, have some type of legislation governing administrative tax reviews, a small number of countries—most prominently the United Kingdom—lack any legislation on the first stage of the internal tax-review process. While the United Kingdom allows taxpayers to request an administrative review of tax assessments, this right is not enshrined in British law.

Some countries, especially those focusing on the self-monitoring aspects of internal tax reviews, may choose to publicize key information on the internal review process through means other than legislation. Online publication is often effective in countries with a high rate of internet use, especially those that employ a more complex two-tier review process. In the United Kingdom, which has an internet penetration rate of 90 percent and where filing an objection is not a precondition for requesting a review by a tribunal, a well-designed website and comprehensive manuals explain every detail of the objections process.⁴⁵

Among countries with laws on tax objections, the degree of detail provided in the legislation can vary substantially. In some countries, the legislation states that a taxpayer has the right to file an objection with the tax authority, yet it provides little detail on the requirements for filing an objection. Providing detailed legislation on objections procedures can improve the transparency and credibility of the process and promote the consistent application of the law. However, legislation is often difficult to alter, and a law that addresses every step of the process may make the tax administration less flexible and potentially less efficient. Less-detailed legislation may be appropriate in countries with well-established communications systems between the tax authority and taxpayers, as well as a high degree of administrative transparency and mutual trust. In such cases, ICT platforms and other communications channels, such as newsletters and media appearances, can be used to disseminate information on objections procedures.

Determining the Relationship Between Administrative and Judicial Review

Most LAC countries require taxpayers to obtain at least one internal review decision before taking legal action (see Table 0.10 in Annex 3). However, six LAC countries allow the taxpayer to go directly to the courts. The decision to mandate an internal review before a judicial review should reflect the review's objective. If the administrative review's primary goal is efficiency or self-control, then requiring an administrative review before a judicial review can maximize its benefits, as a mandatory internal review gives the tax administration a chance to improve its decision-making process and will likely decrease the workload of the judiciary. However, if the administrative review's primary purpose is to render justice to the taxpayer, then offering an optional administrative review may be more appropriate, as it would allow the taxpayer to determine whether such a review would suit his or her interests. Additional criteria for deciding whether an internal administrative review should be a prerequisite for a judicial review include the judiciary's workload, the tax authority's institutional capacity, the percentage of tax decisions that are corrected at the various review stages, and the average duration of each stage.

45 www.hmrc.gov.uk/manuals/artgmanual/ARTG4030.htm

TABLE 5.1: Criteria for Determining Whether an Internal Review Should Be a Precondition for a Judicial Review

Criteria	Internal review as precondition for judicial review	Internal review offered at the taxpayer's discretion
Primary objective of internal review: efficiency	x	
Primary objective of internal review: self-control	x	
Primary objective of internal review: justice		x
Large judiciary workload	x	
Long judiciary review process	x	
Long internal review process		x
Low capacity of the review authority		x
High success rate of objections	x	

Establishing Formal Requirements for an Objection

The tax legislation should stipulate the formal requirements for filing an objection or appeal. These requirements could include using a prescribed form, filing at an appropriate location, providing a taxpayer identification number and signature, submitting the objection or appeal within a given deadline, providing the appropriate reference number for the decision, and/or stating the reasons for the objection.

Defining Objection Exclusions

Taxpayers may wish to object to a variety of tax decisions, such as fines and other penalties, refusals to extend deadlines, or refusals to accept new evidence. Moreover, these decisions may involve different types of taxes, including corporate and personal income taxes, customs duties, VAT, or property taxes. While some tax administrations allow objections against any type of decision involving any type of tax, others limit the right to object to certain decisions or taxes. In either case, the legislation should clearly specify which decisions can be objected to and whether any exclusions apply. In Antigua & Barbuda, an annex to the TAPA lists all tax laws governed by the umbrella law. In Germany, taxpayers can file objections with the tax authorities against all decisions based on the tax code, except: (i) objection rulings themselves, (ii) the failure to rule on

an objection, and (iii) decisions made by the highest revenue authorities. In these cases, German taxpayers still have a right to legal recourse,⁴⁶ but not through an appeal to the tax authorities.

Distinguishing Between Objections and Appeals

In addition to defining key terms and detailing objection exclusions, the legislation on internal reviews should clearly distinguish between different stages of the review process. The relevant laws should clarify whether one or two appeals stages follow the objection decision and identify the institutions responsible for issuing a decision at each stage. The legislation should also stipulate whether the taxpayer must pass through each stage consecutively, or if certain stages in the process can be bypassed.

Consistent with international best practices, all of the LAC countries surveyed require that a taxpayer wait until the objection decision has been issued before proceeding to the next stage in the process. According to the 2015 OECD tax-administration report, an administrative review was compulsory in just over three-quarters of the 56 countries surveyed.⁴⁷ In the United Kingdom, a taxpayer may object to the tax authority before appealing to a tribunal but is not required to do so by law. However, once a taxpayer objects to the tax authority, an appeal cannot be lodged until the review decision has been issued.⁴⁸

Formulating Representation Rules for Individuals and Businesses

The legislation should also contain rules governing how individuals and businesses are represented in internal reviews. A variety of representatives could potentially be involved in the review, including legal representatives of estates, corporate entities, insolvent taxpayers, or incapacitated persons. The law should state under what circumstances a representative can act on behalf of a taxpayer. Some tax administrations may choose to reference the rules on representation that apply in other administrative or civil processes.

Procedural Issues

Suspending Payments During the Internal Review Process

Tax administrations may choose to automatically suspend the taxpayer's payment obligation until an objection decision has been made, or they may require taxpayers to pay the disputed amount despite the request for an internal review. Each option has important implications for the effi-

46 § 347 German Tax Code.

47 OECD, 2015. *Tax Administration*, p. 313.

48 Rules to Tribunals, Courts and Enforcement Act 2007. Section 20.

ciency of the system and the willingness of individuals to object to an assessment. A full payment suspension may incentivize taxpayers to file unfounded objections or appeals, and it may appear to unfairly disadvantage taxpayers who pay their taxes on time. Many administrations mitigate these risks by requiring substantial interest payments if an objection, and possibly an appeal, is rejected.

The 2015 OECD tax-administration report found that tax authorities in two-thirds of the 56 countries surveyed collect the disputed tax amount in the event of an administrative review. Just 12 of the 34 OECD member countries were found to suspend tax collection during the administrative review process.⁴⁹ Some countries partially suspend tax payments or suspend only certain types of tax payments. In Jamaica, for example, objections to property taxes suspend 25 percent of the required payment, while income tax payments are fully suspended, and transfer taxes must be paid in full.

Most countries apply the same rules both to internal administrative reviews and external judicial reviews, but this is not universal. In Ireland, Slovakia, Latvia, Chile, and Argentina, tax obligations are suspended during an internal review but not during an external review. In Cyprus, the opposite is true.⁵⁰

TABLE 5.2: The Effect of a Request for an Administrative Review on the Disputed Tax Payment

Country	Payment suspended	Exception possible	Default interest rate
Australia	No.	Yes.	20% per year
Canada	Yes.	Withholding taxes, 50% of amount claimed as a charitable donation tax credit or deduction in relation to a tax shelter.	Prescribed annual interest rates are calculated and announced quarterly (e.g., 6% in the fourth quarter of 2018).
Germany⁵¹	No.	Upon application, where serious doubts as to the legality of the objected assessment exist, or the execution would result in an unreasonable hardship for the taxpayer not required by overriding public interests.	0.5% per month if execution was suspended and the objection is rejected.
Hong Kong	No.	Commissioner can grant postponement	5% initially; 10% after six months

49 OECD, 2015. Tax Administration, p. 313.

50 Ibid. Table 9.12.

51 §§ 361, 237, 238 German Tax Code.

Country	Payment suspended	Exception possible	Default interest rate
Singapore	No.	No.	Initially 5% penalty for late payment, subsequently 1% per month.
U.K.	Yes (indirect taxes). No (direct taxes).	For direct taxes, appellant can request postponement	3% per year

Instituting Requirements for the Notice of Objection or Appeal

Notices of objection or appeal can be either formal or informal. Some administrations allow an informal notice in the form of a letter, fax, or email, while others require the use of an official form, which is generally available on the tax authority's website or at its offices. In either case, the law should clearly stipulate whether a specific form is required. An official form has the advantage of structuring the objection request, which can help ensure that the taxpayer includes all essential information and may simplify processing by the review authority.

Ensuring Document Delivery and Proof of Receipt

There are a variety of ways in which tax authorities can receive taxpayer documents, including regular or registered mail, fax, email (with or without an electronic signature), online submission, or in-person delivery. Some tax authorities allow taxpayers to use any of these methods to deliver their documents, while others may exclude some methods due to technological or administrative capacity constraints. Whatever delivery method is used, it must provide proof of receipt by the tax authority. The burden of proof is typically borne by the taxpayer, who must be able to verify the timely delivery of all required documents.

Establishing Taxpayer Deadlines

Most countries limit the timeframe during which a taxpayer may object to a decision by the tax authority. A 2015 OECD survey found that these timeframes varied from a minimum of 14 days to a maximum of five years, though periods of 30-60 days were most common.⁵² General administrative or civil-procedure laws typically determine the method by which deadlines are calculated and whether holidays and weekends are included in the period.

Internal tax reviews typically involve two types of deadlines: general and individual. General deadlines apply to all taxpayers, while tax officials may set an individual deadline for a specific

⁵² OECD, *Tax Administration 2015: Comparative Information on OECD and Other Advanced and Emerging Economies*, OECD 2015, p. 313.

taxpayer to conduct a given action, such as submitting a supporting document. The German Tax Code authorizes the tax authority to establish individual deadlines for taxpayers to provide relevant facts, declarations or documents, and any declarations or evidence submitted after the deadline will not be considered.⁵³ National legislation does not typically establish specific deadlines required for taxpayer responses.

A key general deadline is the timeframe during which a taxpayer may submit an objection or appeal. This deadline is typically established in national laws or regulations. A 30-day or one-month deadline to lodge an objection or appeal is common. Some countries, however, may apply longer or shorter timeframes or use multiple deadlines. Canada has two deadlines for objections: within one year of the deadline for filing the original tax return or within 90 days after the notice of assessment was sent, whichever comes later. Australia uses different deadlines for each tax type, and some tax types are subject to multiple deadlines.⁵⁴ An assessment involving the goods and services tax can be objected to within 60 days of the date the assessment was sent to the taxpayer or within four years of the end of the relevant tax period, whichever comes later. By contrast, income tax assessments for individuals and small business can be objected to for a period of two years from the date the assessment was sent to the taxpayer.

Extending Deadlines for the Taxpayer

Most countries allow for an extension of the filing deadline for administrative reviews under certain circumstances. Among Caribbean countries, most general tax administration laws and specific tax laws permit an extension in cases of absence from the island, sickness, or other reasonable cause. Singapore's Income Tax Act includes similar wording for objections and appeals extensions. In Canada, circumstances beyond the control of the taxpayer may lead to an extension, but only if the taxpayer lodges the objection as soon as possible and no later than one year after the date the objection was originally supposed to be filed. In Germany, the deadline to submit an objection extends automatically to one year if the taxpayer was not properly informed about his right to object when the assessment was delivered.⁵⁵

Avoiding Frivolous or Unreasonable Objections and Appeals

When a tax administration affords taxpayers the opportunity to request an administrative review, the incentive structure of the review process can either encourage or deter frivolous objections and appeals. The tax administration should attempt to make the internal review process as accessible as possible to taxpayers while avoiding frivolous or unreasonable objections and appeals. The factors that may incentivize taxpayers to file unwarranted objections or appeals include: (i) a

53 § 364b German Tax Code.

54 Section 14ZW of the Taxation Administration Act 1953.

55 § 356 German Tax Code.

lack of administrative filing fees; (ii) the automatic suspension of tax payments without interest or at a low interest rate, even if the objection or appeal is denied; and (iii) a high success rate for taxpayers in internal review decisions. Incentives that may deter frivolous requests include: (i) charging an administrative fee, (ii) not suspending disputed tax payments or suspending them at a high interest rate; (iii) increasing the likelihood of an audit; (iv) improving the quality of assessments; and (v) establishing lengthy review procedures or imposing high compliance costs.

In Hong Kong, the Board of Review can order an appellant to pay an administrative fee of up to HK\$5,000 (US\$640) if an appeal is unsuccessful.⁵⁶ In Singapore, the Board of Review can order the appellant to pay up to S\$250 (US\$185) if the Board decides that the appeal was frivolous.⁵⁷ Singapore also levies an appeals fee of S\$50 (US\$35) for individuals and S\$200 (US\$150) for businesses.⁵⁸ In the UK, filing an objection is free, and the tax tribunal may levy a fee only if it determines that a party or their representative has acted unreasonably in filing, defending, or conducting the proceedings.⁵⁹

TABLE 5.3: Incentives to Discourage Frivolous Objections

Incentives	Function
Administrative fee	A flat submission fee or a percentage of the objected amount can help prevent frivolous claims. Such fees are only charged if the objection or appeal is unsuccessful.
No suspension of the tax payment	Suspending tax payments can encourage frivolous claims by effectively creating a temporary tax credit.
Suspending the tax payment at a high interest rate	A high interest rate can penalize frivolous claims, but it also increases the risks and costs of a reasonable objection or appeal.
Increased likelihood of audit	If an objection or appeal increases the risk of an audit, the attractiveness of the internal review is reduced.
High assessment quality	High-quality assessments are the basis for an efficient internal review process; a speedy decision diminishes the incentive for taxpayers to make frivolous claims.
Streamlined administrative review	Limiting the options for prolonging an internal review (e.g., by requiring additional documents) can reduce opportunities for taxpayers to abuse the process.

⁵⁶ Section 82A of the Inland Revenue Ordinance.

⁵⁷ Sec. 80 (11) Income Tax Act.

⁵⁸ Sec. 3 Income Tax (Board of Review) (Appeals Procedure) Regulations with the First Schedule Fees.

⁵⁹ Sec. 10 (1) Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009.

Unreasonable conduct by the taxpayer may negatively impact the efficiency of the review process. The tax authorities should have a policy in place to deter and address such behavior. In 2016, Ireland established a policy for dealing with “unreasonable complainant conduct,” which defines such conduct and describes the tax authority’s procedure for dealing with it. Under this policy, a taxpayer’s contact with the revenue authorities may be limited to a particular method (e.g., letters only) or to a named Irish Revenue official; the tax authority may also restrict the frequency and duration of telephone calls, as well as access to Irish Revenue’s public offices.⁶⁰

Establishing the Scope of the Review

Once an objection or appeal has been lodged, the authorities can either review the entire decision or focus solely on the objections specified in the complaint. Reviewing the entire decision can both address the taxpayer’s complaint and strengthen the tax authority’s internal monitoring and self-control. In such cases, any errors in a reviewed decision should be corrected regardless of whether the taxpayer specifically cited them in the complaint and regardless of whether the correction is in the taxpayer’s favor. This approach may discourage taxpayers from objecting or appealing a decision, as the findings of the review could penalize the taxpayer.

Allowing for an Increase in Taxes

Related to determining the scope of the review, the government must decide whether the tax authority has a right to increase the claimant’s tax liability as a result of errors found through the review process. In countries where the reviewing authority does not have the right to increase the tax amount, the review is treated primarily as a taxpayer right, the exercise of which should not be penalized. In countries that allow for an increase in taxpayer liability, the review process is treated primarily as a means of producing an accurate assessment. The risk that the review will produce a higher tax bill can also deter frivolous objections. Countries that allow the review authority to increase the taxpayer’s liability include Hong Kong and Germany.

The Burden of Proof and Disclosure Requirements

The burden of proof in an internal review lies with the taxpayer, who must demonstrate that the tax authority made an incorrect assessment, either by failing to consider all relevant facts or by incorrectly applying the law. In the former case, the taxpayer can provide additional documents or witnesses, while in the latter the taxpayer can argue that the tax authority’s interpretation of the law is incorrect. To ensure that all relevant facts are accounted for in the review process, disclosure requirements must oblige the tax authority to turn over evidence that is in its possession. For example, if the taxpayer claims that a document was overlooked during the initial assessment, and

60 <http://www.revenue.ie/en/about/custservice/customer-charter.html>

this document is on file with the tax authority, then the tax authority would be obliged to disclose the document during the review process.

Instituting Voluntary or Mandatory Formal Hearings

Tax authorities can choose whether to require a formal hearing during one or both stages of the internal review process. A formal hearing can be mandatory, or it can be contingent on the request of the taxpayer or tax authority. In countries with two distinct internal review stages, a formal hearing is typically held only at the second stage.

In a formal hearing, the taxpayer or his or her representative is obliged to appear in person at the tax authority. Specific procedural rules apply to the conduct of the hearing and its resolution, and these rules are often borrowed from judicial procedures. The internal review legislation should address the rules of a formal hearing, including the conditions for calling a hearing, the notification requirements, the obligations and rights of the parties involved, and the institutional requirements for holding a hearing.

TABLE 5.4: Formal Hearings in Selected Countries

Country	First Administrative Review	Second Administrative Review
Australia	No formal hearing.	Formal hearing.
Canada	No formal hearing.	./.
Germany	No formal hearing.	./.
Hong Kong	No formal hearing.	Formal hearing.
Singapore	No formal hearing.	Formal hearing.
U.K.	No formal hearing.	./.

Considering Matters of Fact and Matters of Law

An assessment involves two distinct but related features: (i) an investigation of the facts, and (ii) an application of the law based on the established facts. An internal review can both reconsider established facts and reassess the legal basis for the decision, or it can acknowledge the established facts and only reconsider the legal rationale on which the decision is based. Lower review stages typically consider both matters of fact and law, while higher review stages often conduct a legal assessment only. The regulations governing the internal review process should clearly establish whether each review stage allows for the submission of new evidence or whether only matters of law are considered. If the submission of new evidence is permitted, the reviewer should allow the taxpayer to submit additional documentation to support his or her claim within an established

timeframe and according to predetermined submission rules. Evidence submitted after the deadline should be excluded from consideration.

TABLE 5.5: The Scope of the Review Process in Selected Countries⁶¹

	First Administrative Review	Second Administrative Review	Judicial Review
Matters of fact and law	Canada, Hong Kong, Germany, Singapore, United Kingdom	Hong Kong (Board of Review), Singapore (Board of Review)	Germany (<i>Finanzgericht</i>), United Kingdom (First-tier Tribunal)
Matters of law only	Australia (Australian Tax Office)	Australia (Administrative Appeals Tribunal) ⁶¹	Canada (Tax Court), United Kingdom (Upper Tribunal, Court of Appeal), Australia (Federal Court), Germany (<i>Bundesfinanzgericht</i>)

Defining Rules for New Evidence

Rules regarding the extent to which new evidence, such as documents or witnesses, can be introduced at the objection or appeal stage impact the efficiency of the internal review process. The introduction of new evidence can significantly prolong an internal review. Some countries allow for the submission of new evidence until the review decision has been issued, on the basis that the rules for the initial assessment should also apply during the internal review. Objections against tax assessments in the United Kingdom follow this approach. Other countries view the internal review as a distinct process, and for the sake of efficiency they do not allow, or they limit, the introduction of new evidence. A tax authority that does not normally permit the admission of new evidence may allow for exceptions in narrowly defined circumstances. Whichever system the tax authority adopts, the relevant national legislation should clearly specify the rules for introducing new evidence.

Establishing Deadlines for Review Decisions

Establishing an appropriate deadline for the objection or appeals authority to deliver a decision can expedite the internal review process and enhance the credibility of the tax administration. Twenty-five of the 34 OECD member countries stipulate a deadline for the review body to resolve a dispute, though time limits vary considerably. Turkey, Hungary, and Spain allow the tax authority 30 days to deliver a decision, while Finland allows up to five years. After receiving the objection notice, the Australian Tax Office has 60 days to issue a decision. If a decision is not issued within

⁶¹ “The Administrative Appeals Tribunal may determine the scope of the review of a decision by limiting the questions of fact, the evidence, and the issues that it considers.” Section 25 (4A) of the Administrative Appeals Tribunal Act 1975.

the 60-day period, the objection is considered to have been rejected.⁶² Most OECD countries apply time limits of between two and six months,⁶³ though some do not establish a firm deadline and instead indicate that a decision must be made in a “reasonable timeframe,” as determined by the tax authority or a court on a case-by-case basis.

The consequences for tax authorities that fail to meet the review deadline should also be stipulated. Some countries apply the “silence is consent” principle, under which a judgment is automatically made for the plaintiff if a decision has not been rendered by the deadline (see Chapter 4). However, this principle can incentivize frivolous objections or appeals and may adversely impact tax revenue. An alternative would be to establish and publicize an internal target for delivering decisions; failing to meet this deadline would reflect negatively on the performance of the tax authority, but it would not affect the status of the objection or appeal.

Using Case Profiling

A tax authority can use case profiling to increase the efficiency of the review process. By fast-tracking simpler cases and concentrating on those that involve more complex factual or legal questions, the review authority can both expedite the review process and more efficiently allocate its limited resources. For example, Jamaica’s Revenue Appeals Division profiles cases to determine whether an objection or appeal can be decided based on the case file, is suitable for a settlement, or requires a formal hearing.

Allowing for Settlements

Some countries allow the taxpayer and the review agency to resolve an objection or appeal through a negotiated settlement. Settlements may be appropriate in cases that are especially complex, where the interpretation of the law is unclear, or where a long and expensive legal process is anticipated. If a settlement is used, the taxpayer should be required to sign a waiver precluding any further legal action with respect to the initial assessment. Settlements should only be approved and signed by authorized individuals.

Some countries expressly forbid a settlement in certain cases. The Australian Tax Office’s Code of Settlement states that a settlement will generally not be considered in cases where: (i) there is a contentious point of law that requires clarification; (ii) it is in the public interest to litigate; or (iii) the case involves such serious issues that the tax authority considers a review necessary to send a strong message to the community.⁶⁴

62 Section 14 of the Taxation Administration Act of 1953.

63 OECD, 2015. Tax Administration, Table 9.12.

64 The Code of Settlement, a practical guide, illustrative examples, and sample settlement agreements are available on the ATO’s website at <https://www.ato.gov.au/General/Dispute-or-object-to-an-ATO-decision/In-detail/Avoiding-and-resolving-disputes/Settlement/Code-of-settlement/>

Determining the Content of the Objection Decision

An objection decision should include essential information and apply sound reasoning, both to persuade the taxpayer of its legitimacy and to serve as the basis for further legal action. Applying a decision template can help to ensure that a consistent standard is met. Box 5.1 below, outlines the structure of an appeals decision by Jamaica’s Revenue Appeals Division.

BOX 5.1: Sample of the Jamaica Revenue Appeals Division’s Decision Structure

A. Cover page:

- (1) Case reference number
- (2) Names of parties and their representatives
- (3) Date of decision and name of deciding person/institution
- (4) Decision summary

B. Rationale:

1. Description of the facts
 - (a) A statement of the relevant facts
 - (b) A summary of the assessment
 - (c) A description of the objection and the objection decision
2. Legal assessment
 - (a) Judgment as a result of the legal assessment (e.g., “the appeal is valid and justified” or “the assessment must be confirmed”)
 - (b) A statement on the validity of the appeal
 - (c) The legal analysis

C. Legal notice:

A standard legal notice of the right to appeal the decision will be issued within 30 days of the receipt of the notice by the High Court. The notice should provide both a mailing address and an email address to which to submit an appeal.

Institutional Issues

Determining the Appropriate Review Authority

As discussed above, decisions on objections and appeals may be rendered by: (i) the tax official who issued the objected decision; (ii) a tax official who did not issue the objected decision but who works at the same institution as the issuing official; (iii) a tax official who works at a separate institution; (iv) the head of the institution that issued the objected decision; (v) a third party appointed by a minister; (vi) a panel of officials; or (vii) an independent panel. Table 5.5 outlines the strengths and weaknesses of each option.

TABLE 5.6: The Relative Strengths and Weaknesses of Different Internal Tax Reviewers

	Efficiency	Independence	Transparency	Credibility
Official who issued the original decision	+++++	+	+++	+
Different official, but from the same institution	++++	++	+++	++
Official from a different institution	+++	+++	+++	+++
Head of the institution	+++	++	+++	++
Appointed third party	+++	+++	++++	+++
Panel of officials	++	+++	++++	++++
Independent panel	+	+++++	+++++	+++++

Note: + = weakest; +++++ = strongest

Smaller countries with similar legal frameworks and relatively few objections may opt to develop a cooperative tax-review process. A common tax-appeals authority tasked with reviewing objections from multiple countries could decrease the marginal cost and increase the efficiency and effectiveness of tax reviews. Based on an international agreement, each participating country would second adjudicators to the institution and issue decisions. This approach would obviate the need for each country to establish a review body with its own governing legislation and dedicated staff. This model could be especially viable for the small-island economies of the Caribbean.

Chapter 6: The Role of Information Technology in Administrative Tax Review

Information Management in Internal Tax Reviews

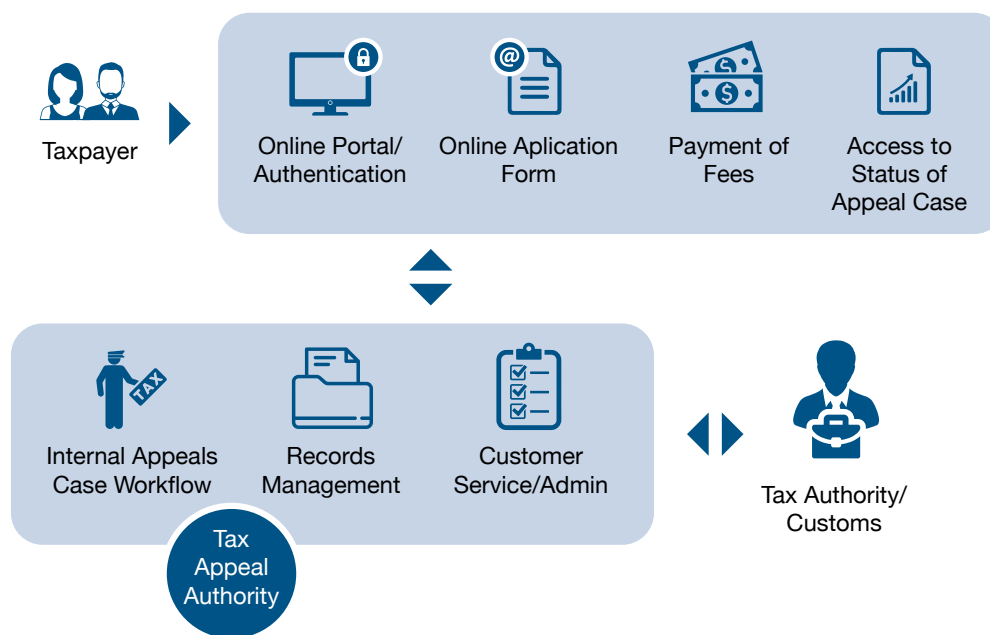
All internal tax-review processes require a substantial degree of information management. Taxpayers must submit official forms and private documents, and they must obtain regular updates on the status of the review process. Meanwhile, the various agencies within the tax authority must share information among themselves, maintain detailed records of their operations, and be prepared to transfer all relevant information for a given case to an appellate body, mediator, arbitrator, or court of law. Consequently, effective information management is vital to the quality and efficiency of the internal review process. The most critical elements of a high-performing information-management system are accessibility, security, transparency, and confidentiality.

When a tax office uses a manual information system, taxpayers prepare hard copies of tax forms and compile other documents into dossiers, which are then submitted to the authorities. Manual systems are highly complex and require significant physical and human resources to guarantee a secure and efficient process. Eliminating paper-based application forms, stamps, and physical signatures and replacing them with online e-filing and e-payment systems can greatly improve information management, but during the transition the authorities may have to manage elements of both a manual and a computerized process simultaneously, which can strain their administrative capacity.

A country that decides to computerize its internal tax-review process should do so in the context of a larger e-government initiative in order to leverage economies of scale through shared infrastructure and services, such as common web portals, data centers, and broadband infrastructure. A

government-wide initiative can also help to ensure compatibility between various databases and operating systems and maximize the security of the computerization process.

FIGURE 6.1: Information Management at Various Stages of the Internal Tax-Review Process



A computerized information-management system should expedite communications both within the government and between the government and the public. It should also increase transparency and promote accountability by collecting up-to-date performance data and other information. This chapter describes the key technological and management issues that should be considered when developing and implementing a computerized information-management system designed to guide an internal tax-review process.

E-Government Systems for Document Filing, Payments, and Recordkeeping

Establishing and maintaining e-government systems requires substantial human and financial resources. To be sustainable, these systems must be backed by an enduring political commitment and strong administrative leadership guided by a long-term strategy that emphasizes the importance of economies of scale and system-wide compatibility. Document filing, payments, and recordkeeping are the core elements of information management in the internal tax-review process.

Online submission of tax documents, including objections to tax assessments and other information relevant to the internal review process, requires a secure, well-designed web portal with adequate data-processing capacity. Some documents must be signed and verified, and electronic signature software can help prevent fraud. Similarly, e-payment systems require both sound physical infrastructure and secure software for electronic transfers, credit card payments, and, in some cases, mobile banking. Given the volume of records involved in the review process, the authorities should establish a centralized records-management system (RMS) capable of providing secure access and confidentiality.

Physical and Network Security

Because tax systems must manage and store a large amount of highly sensitive personal and financial data, security concerns are paramount. The entire computerized review process must have both physical safeguards and software controls. Server rooms should have security plans, which may include video cameras, guards, or other security measures. The entire tax-information system should have an encrypted backup; it should be protected by the latest security software and a firewall; and it should be monitored by both a system administrator and a network administrator.

A government should only host its own information-management system if the volume of tax information is sufficient to justify the substantial costs involved. Countries with low information volumes should consider outsourcing data management to a trusted private firm. The relationship between a private hosting service and the tax authority should be defined in a service-level agreement (SLA) that covers systemic redundancy, disaster recovery, operational continuity, and technical assistance.

Interagency Agreements

As the various agencies involved in internal review may prioritize the process differently, the authorities should use memoranda of understanding or SLAs to define the roles, responsibilities, and expectations of each party interacting with the review authority. Processes for exchanging data and documents between the taxpayer, the tax authority, and other relevant institutions should be clearly specified, along with the requirements for storing records. The timeframe for each step in the review process should be defined, and remediation procedures should be established to address any issues that may arise. An interoperability standard should be adopted to guide system changes or upgrades. SLAs should require that audit logs be kept for each type of operation, along with records specifying the date of the transaction and the responsible official. Tests, drills, and audits should be conducted frequently to ensure that all relevant parties are prepared for potential system malfunctions.

Developing an Interactive Website

The internal tax-review agency's website is its most important point of contact with taxpayers. The website should be accessible to the public, but it should also provide secure services for individuals and firms engaged in the review process. A separate internal interface should link the review agency's staff to their counterparts in other government departments.

The website should provide useful information about the review process, which can be enhanced by smartphone applications. Tax information should be presented in plain language, and technical jargon should be avoided. The website should describe each step in the objection and review process, along with the associated documentary requirements, timelines, and contact information, and it should include a section on frequently asked questions. The website should also publicize any recent or upcoming changes to the review process.

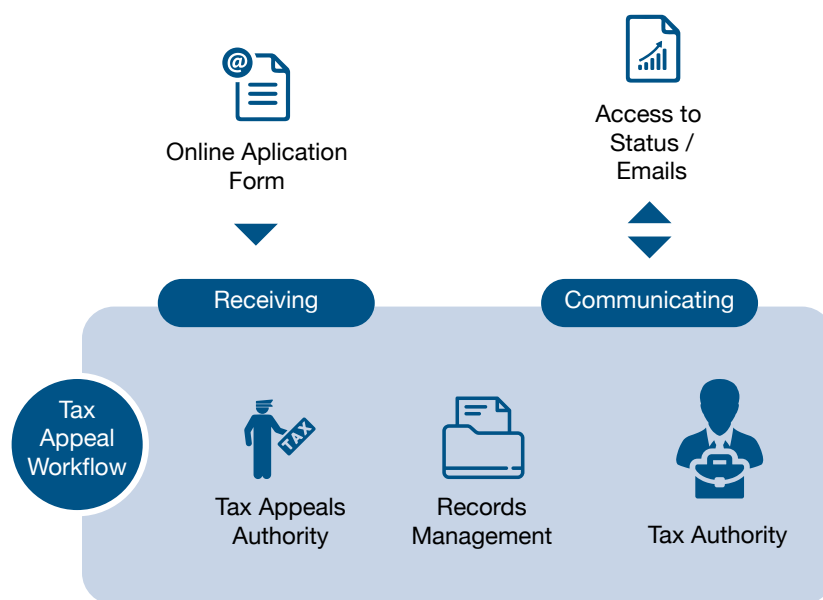
The website should include standard forms, ideally available both for download and for online submission. Forms submitted online are often more legible than forms filled out by hand, and special software can highlight errors during the process. However, online submission of sensitive information entails important security concerns, further underscoring the importance of state-of-the-art security protocols.

The website can also serve as a platform for communications between the taxpayer and the review agency. While the agency may wish to allow the anonymous submission of tax questions or user feedback, all direct communications between taxpayers involved in the review process and agency staff should be recorded for quality and security purposes. Finally, the website should provide links to other government agencies, such as regional tax offices or the finance ministry, and it may also include links to national associations of tax attorneys, accountants, and other relevant professionals.

Workflow Management and Communication Processes

The tax-review agency must manage the flow of information both internally (within the tax authority) and externally (between the authority and taxpayers) in a manner consistent with its procedural workflow. A secure workflow-management system can enable both government staff and taxpayers to better understand how information is used in the review process. It can also facilitate external oversight and strengthen accountability.

FIGURE 6.2: Key Elements of the Generic Internal Tax-Review Workflow



A computerized information-management system can enable a review agency to communicate swiftly and securely with other relevant authorities. A review agency must regularly exchange information with the offices in charge of the original decision and the appeals process. It may also need to exchange files and documents with other public agencies or courts. The information-management system can record the activities of the review agency and other offices to help analyze their efficiency. Secure communications should include: (i) the submission of objections and appeals, as well as all related data; (ii) requests for files and records; (iii) invitations to meetings, hearings, and other events, (iv) internal information on decisions and agreements; (v) information for taxpayers on decisions and agreements; and (vi) data on the activities of the review agency and its interactions with other institutions for auditing and accountability purposes.

Data Management

Taxpayer data should be stored within the RMS or in another secure database. The RMS should include: (i) all information filed when the objection or appeal was submitted; (ii) information added during the objection or appeals process, including intermediate decisions and communications with the taxpayer, tax authority, or third parties; and (iii) digital copies of all files and documents related to the resolution of the case.

Authorization to view or alter information in the database should reflect the respective roles of the various agents and offices involved in the review and appeals processes. The database will contain a large amount of sensitive tax data, and access must be restricted to authorized personnel.

Data encryption, firewalls, password protections, and other security features must be regularly updated. Once established, the database will swiftly become critical to the operations of the review agency, and steps must be taken to ensure that it functions properly at all times. Before creating a database, the tax authority must verify that it has sufficient resources to provide for redundancy, disaster recovery, and the long-term maintenance of the system.

ICT Development and Management

ICT systems require highly specialized skills and expertise to install, manage, and upgrade. Building the internal capacity to develop ICT systems is rarely cost-effective, and it is only warranted when an agency is tasked with managing such an enormous volume of transactions and specialized applications that economies of scale justify the fiscal and administrative costs involved. In most cases, tax authorities choose to outsource ICT system operations, either to a dedicated central government ICT agency or to a private firm.

If managed properly, outsourcing can generate many important benefits. However, a well-designed strategy is necessary to ensure competition between service providers, transparency in awarding contracts, and efficiency in the development of the system and its applications. The relevant institution—either the internal tax review agency or the tax authority—should always be able to terminate contracts and change outsourcing arrangements if a service provider proves unsatisfactory. The outsourcing process should include clear standards, proper documentation, routine systems testing, quality controls, and reliable auditing procedures. As ICT systems require regular technical support and mechanisms for recording user feedback, a call center or on-site help desk should be included in the SLA with the ICT agency or contracting firm.

Long-Term Planning and Sustainability

The review agency should develop a long-term strategy designed to anticipate its future ICT needs and to meet those needs sustainably. Like all sophisticated software applications, e-government systems are subject to continual technological change and must adapt to new threats and risks. In addition, forecasting the long-term financial needs of the system can pose a major challenge, and computerized systems should not be established if their operations and maintenance costs cannot be sustainably financed.

Capacity-Building

Regular staff training is necessary to maximize the value of ICT systems. The ICT service provider should provide user guides, and the review agency should prepare trainings on applications specific

to the internal tax-review and appeals processes. Ideally, each office should have more than one person capable of executing each ICT function. Given the crucial importance of information security, trainings should emphasize proper techniques for dealing with confidential information.

Monitoring and Evaluation

An ICT system can enable the review agency to more accurately measure the performance of its staff and assess the efficiency of its administrative procedures. The system should regularly present managers with reports on quantifiable indicators, such as the number of objections filed, the average time required to resolve an objection, and the average cost of resolving an objection. In addition, the ICT system should record information on staff activities and the labor costs involved in the various stages of the review process. High-quality monitoring and evaluation can allow managers to develop effective strategic plans and implement process improvements. In addition to internal monitoring, the ICT system should allow for regular independent audits focused on quality control, security, and administrative efficiency.

Risks

ICT systems are subject to a variety of risks. Some studies have suggested that the failure rate of large ICT projects is very high.⁶⁵ Major risks stem from: (i) a lack of well-defined goals; (ii) poor planning and project management; (iii) uncooperative or unengaged internal stakeholders; (iv) unrealistic expectations and deadlines; (v) unsustainable financial or human-resource requirements; (vi) insufficient managerial support; (vii) unclear objectives; and (viii) inadequate security controls.

⁶⁵ Dorsey, 2005. Top Ten Reasons Why Systems Projects Fail <https://sites.hks.harvard.edu/m-rcbg/ethiopia/Publications/Top%2010%20Reasons%20Why%20Systems%20Projects%20Fail.pdf>

Chapter 7: The Role of Public Communications in Reforming the Administrative Tax-Review Process

This chapter explores how effective public communications can support reforms to the internal tax-review process. It describes how tax reforms can be effectively publicized and identifies appropriate training modules for tax officials. Key elements of public communications include: (i) stakeholder trust and acceptance; (ii) well-designed strategies and plans; (iii) credible representation; (iv) openness and transparency; (v) public accessibility; and (vi) staff training. The analysis is supported by international examples of successful communications initiatives implemented by national tax authorities, and the chapter concludes by presenting a comprehensive communications action plan.

Fostering Stakeholder Trust and Acceptance

In order to operate efficiently, a tax authority must be recognized and trusted by stakeholders.⁶⁶ A comprehensive communications strategy can help shape public perceptions of the agency's independence, integrity, efficiency, fairness, and openness. Effective communication is also crucial to manage the diverse and occasionally conflicting needs and expectations of various stakeholders.

Establishing stakeholder trust and acceptance can prove difficult, as taxpayers may suspect that the agency, as an arm of the government, will always favor the revenue authority. Trust and acceptance are especially vital to the reform process, as stakeholders in both the public and private sectors could view prospective reforms as a threat to their interests. For example, lawyers and tax

⁶⁶ In this context, “stakeholders” are defined as all individuals, groups, or organizations that have an interest in or are affected by the tax system, including taxpayers, firms, professional associations, international investors and trading partners, the national revenue authorities, and other government agencies and personnel.

professionals might be concerned that their services will become redundant, and public sector staff might be anxious about their job security and the new demands that could be placed upon them.

Early engagement with stakeholders through targeted educational materials and regular dialogue, both prior to and following the formal launch of a reform initiative, can help tax authorities overcome these challenges. Moreover, the commitment of ministers and senior officials to an open and transparent public information policy will be crucial to the success of the reform process. In many cases, administrations that have garnered broad public and political support for reforming appellate agencies have done so by adopting a proactive communications strategy and developing a comprehensive multimedia communications plan that promotes the benefits of tax reform, addresses stakeholder concerns, and enhances the reputation of the tax authority.

Communications Strategies and Plans

Communications strategies are complementary to, but distinct from, communications plans. A strategy establishes the policies that guide an organization's communications with stakeholders and enshrines key principles such as openness, transparency, and honesty. Once the strategy has been developed, a communications plan should identify specific, incremental activities to be implemented in the short-to-medium term. These activities should support the tax authority's stated objectives and reflect the policies and principles set forth in its communications strategy.

By timing public communications to coincide with specific milestones in the reform program, a tax authority can focus public attention on priority issues and promote the benefits of proposed changes. Relevant milestones might include the formulation of draft law, the appointment of senior officials, the start of public consultation exercises, the presentation of the draft law to the legislature, the passage of the law, or the implementation of important reforms. The communications plan should schedule press conferences, public statements, and media appearances to coincide with these events in order to maximize their impact. A significant reform should be marked by a major press event, which could be hosted by the finance minister or another high-ranking government official to highlight its importance.

As noted above, both the communications strategy and the communications plan should enjoy the enthusiastic support of ministers and senior officials in order to publicly demonstrate the government's commitment to meaningful stakeholder dialogue. Stakeholders may have diverse concerns, as well as varying levels of information and degrees of technical fluency, and they might access information from different media sources. A communications plan should identify and address these and other key differences between stakeholder groups. Understanding the channels through which various stakeholders typically receive information can be especially helpful in crafting effective communications strategies and plans.

Public information can be transmitted to stakeholders via websites, social networks, radio and television, newspapers and other print media, posters and fliers, seminars, public meetings, and official announcements. In addition to public outreach, the revenue authority should develop a plan for internal communications to ensure that its staff are fully informed about changes in policies, procedures, or institutional arrangements. In countries or regions where adult literacy is low, comic strips, radio jingles and even popular songs have been used successfully to encourage tax compliance or provide relatively simple messages about the tax administration.

BOX 7.1: Innovative Public Communication Methods and Media

As it prepared to introduce a new goods and services tax (GST), the Sierra Leone National Revenue Authority faced a difficult communications problem due to the country's high level of adult illiteracy. This situation prompted the revenue authority to adopt several novel communications initiatives. Football and music are extremely popular in Sierra Leone, and local radio is available throughout the country. The revenue authority enlisted the assistance of one of Sierra Leone's most famous football players and the country's most popular musical group to assist in its outreach efforts. Both offered their services free of charge in the national interest.

The football player recorded several messages endorsing the new tax, which were played by local radio stations. Meanwhile, the musical group wrote and recorded a song with lyrics such as "GST makes the country grow" and "pay your tax, pay your tax." Copies of the song on compact disk were given to local bus drivers, nightclubs, and radio stations. Due to the popularity of the musical group, the GST song achieved widespread exposure and reached an audience that would not have been well served by written communications.

Faced with similar constraints, both the Ghana Revenue Authority and the Jamaican Tax Administration have invested in school outreach programs aimed at raising tax awareness among students. These programs stress the importance of paying taxes honestly and on time. In addition to educating young people about their legal obligation to pay taxes, these programs emphasize positive messages about the importance of taxation, which the students pass on to their families and communities.

Credible Representation

Stakeholder interaction is a continual process that requires regular appearances by public officials acting as representatives of the government or its agencies. These representatives may be govern-

ment ministers, members of the tax authority, or high-level officials of the executive branch. They may appear at public meetings and seminars or give media interviews. Whatever the forum, the enthusiasm and commitment displayed by these representatives will help shape public perceptions of government agencies and reform initiatives. Tax authorities should consider appointing a dedicated public affairs officer to manage press relations and/or collaborating with the communications department of the finance ministry.

BOX 7.2: Communicating the Establishment of a New Appeals Agency in Jamaica

In 2015, the Jamaican government established the Revenue Appeals Division (RAD) as a separate agency from the revenue administration. The RAD's creation was accompanied by a major publicity campaign, which included workshops and seminars for private firms and legal and accounting professionals. Extensive public information was disseminated in both written and electronic form, and the Ministry of Finance launched a dedicated website to provide practical information and advice on the RAD and its functions.

Media appearances by senior RAD staff proved to be among the most effective means of demonstrating the RAD's integrity and impartiality. In these appearances, the senior staff underscored the RAD's commitment to independence, fairness, and transparency, and explained the procedures and benefits of the new system. Specialized training in public speaking and media interview techniques enabled the senior staff to present a highly positive image of the new agency. One especially effective initiative used recorded interviews with a member of the management team to explain RAD policies and procedures in clear and simple terms. These interviews were posted on the Ministry of Information's website. Within the government, memoranda of understanding between the RAD, the tax administration, and the customs service concerning working practices helped allay staff concerns.

The RAD's communications strategy had a highly positive impact on the public's perception of, and confidence in, the new organization. Over the longer term, the RAD, like any new appeals body, must demonstrate its continued commitment to independence, efficiency, and public accountability by producing regular reports on its decisions and publishing key performance statistics.

While high-level officials often play an important role in representing the tax administration and communicating information about reform efforts, the contribution of junior staff members is also critical. Junior staff frequently represent the tax authority in its everyday interactions with stakeholders. In many cases, a taxpayer's initial contact with a tax authority will be an interaction with a junior staff member, and the taxpayer's impression of that staff member could greatly influence

his or her opinion of the entire agency. Training junior staff in public relations can help ensure that they can act as credible representatives of the tax administration.

Openness and Transparency

While a tax authority must always ensure taxpayer confidentiality, the sensitive nature of its operations should not be used as an excuse to hide poor performance or obscure mistakes. The authority's communications strategy should reflect the principles of openness and transparency, and it should produce regular reports detailing its activities, performance targets, and output indicators. A well-designed communications policy can enable the tax authority to highlight its value to the public and strengthen its reputation. If mistakes have been made, or if targets have been missed, the authority should openly and proactively explain its performance before another source exposes this information.

Public Accessibility

Taxpayers around the world frequently express concerns and anxiety regarding their dealings with the tax authority. To facilitate effective stakeholder dialogue and public communications, the tax authority should ensure a high degree of public access to relevant information and resources. Simplified processes and expedited procedures can enhance the public's access to information and guidance. Serving the public effectively requires courteous and knowledgeable staff, and even the physical design of the buildings and the organization of the rooms that taxpayers use should foster openness and accessibility. In its dealings with the public, the tax authority should embrace an approach that is centered on customer service, and taxpayers should be entitled to receive free advice online, by phone, and in person. While tax-authority staff should strive to offer as much assistance to taxpayers as possible, care should be taken to ensure that no advice or comment is made concerning the merits of an individual case and that no action is taken that might prejudice the outcome of a review. A code of conduct for tax-authority staff can help them serve the public effectively without compromising the integrity of the internal review process.

Staff Training

Conducting interviews with the media, speaking at public events, preparing written materials, and interacting directly with taxpayers are all tasks that may be unfamiliar and even intimidating for tax-authority staff, especially those who are more used to focusing on the technical aspects of tax compliance. Consequently, training staff in communications techniques can greatly strengthen public relations.

Media training should target officials who are likely to be interviewed by newspaper, radio, or television outlets. Training programs should reflect the attitudes and expectations of journalists and enable officials to exploit media opportunities effectively. Emphasis should be placed on the practical aspects of preparing for and delivering a successful media interview, and participants should have the opportunity to practice techniques for live interviews.

Public speaking courses can improve the performance and build the confidence of staff tasked with representing the agency at seminars, workshops, and public events. These courses should include practical exercises in delivering public statements and provide advice on preparing for a public-speaking event. An additional module dealing specifically with appearances before legislative committees may be appropriate for higher-level staff.

Service training is important for any staff who may be required to deal directly with the public. Courses should be tailored to suit both senior officials who deal with large firms and junior officers who work with individual taxpayers. Service trainings should cover the rights, expectations and attitudes of taxpayers and provide advice for dealing with difficult situations. Their objective is to ensure a high level of service quality that meets the needs of taxpayers and enhances the reputation of the tax authority.

Stakeholder analysis courses examine the diverse perceptions, attitudes, concerns, requirements, and rights of various stakeholders, as well as the means by which they routinely receive information. This type of analysis has proven extremely valuable in meeting or managing the expectations of individual stakeholders and stakeholder groups. It enables the formulation and delivery of targeted messages designed to influence public opinion and to improve the agency's reputation for service.

BOX 7.3: Generic Training Agenda for Communications Specialists

Day One

- Introduction to course objectives and the benefits of proactive public communications
- Discussion: Rules for releasing information and the role of communications specialists in advising, briefing, and supporting senior managers
- Presentation: Preparing for media interviews
- Presentation and discussion: Stakeholder analysis
- Practical work: Selection and preparation of interview topics
- Group workshop on interview preparation

Day Two

- Individual preparation for mock media interviews
- Recorded mock interviews and group critique
- Presentation: Parliamentary hearings
- Presentation: Preparing a news release
- Briefing practice
- Second recorded mock interview and group critique
- Presentation and discussion: Customer care and service

Day Three

- Presentation: Press conferences and media facilities
- Discussion: Innovative PR initiatives
- Presentation: Service quality
- Preparation for third mock interview
- Third recorded mock interview and group critique
- Conclusion and closing statements

A Communications Action Plan

Regular communications between a tax authority and stakeholders can publicize the benefits of reform initiatives, disseminate important information, and encourage interagency cooperation. Stakeholders in both the public and private sectors are more likely to embrace a reform effort if they are engaged at an early stage in the process. The following steps can help to ensure effective stakeholder communications.

Step 1. Appoint a senior member of the tax authority or recruit a communications specialist to serve as a public affairs officer responsible for disseminating information and managing stakeholder communications. The public affairs officer should be selected for his or her communications skills and knowledge of the tax authority. Previous communications experience would be an advantage, and some degree of training in public relations and media skills would be necessary, as the officer would become the tax authority's principal spokesperson.

Step 2. Develop a communications strategy and a public-relations plan outlining the policies, principles, and initiatives that will underpin public communications. The public affairs officer should be directly involved in formulating this strategy and plan. The strategy should reflect the principles of openness, transparency, and public accountability, and the plan should formulate concrete objectives and define the specific communications initiatives necessary to achieve them.

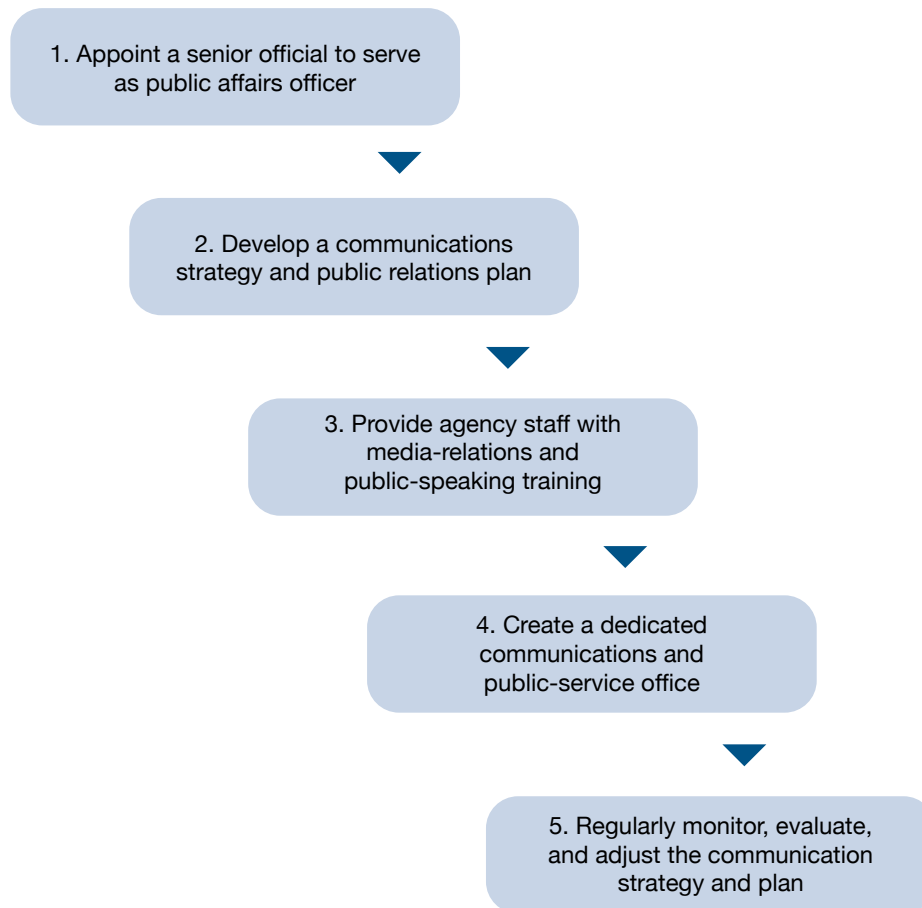
The aim of the communications strategy and plan should not be solely to disseminate official educational information about procedures and processes, but also to address the concerns of taxpayers and build public confidence in the tax authority. Whenever possible, information on new laws or regulations should be communicated in advance, and performance information should be published regularly and in an accessible format. Consultative processes can be an important component of an effective communications strategy, as public workshops and seminars can increase stakeholder awareness of reform efforts and bolster the popular legitimacy and reputation of the tax authority.

Step 3. Provide agency staff with training in media relations, public speaking, public service, and stakeholder analysis, especially personnel in service-oriented positions. Staff training should address a wide range of communications skills. If possible, this training should be provided by international communications experts with experience in tax administration.

Step 4. Create a dedicated communications and public service office capable of providing stakeholders with information and guidance on the operations of the tax authority. The agents that staff this office should have sophisticated interpersonal skills and advanced technical knowledge of tax administration. The headquarters of the tax authority should include a front desk where members of the public can meet directly with a customer service agent and receive practical advice and assistance. Both the staff and physical appearance of the reception area should project a welcoming atmosphere and an image of public service. Written materials describing tax regulations and the responsibilities of taxpayers in nontechnical terms should be available at the customer service facility and at tax offices. The customer service officer or unit should be placed under the management of the public affairs officer.

Step 5. The effectiveness of the tax authority's communications strategy and plan should be regularly monitored, evaluated, and adjusted. Public communication is an ongoing process that requires continuous improvement, and it does not cease once a reform initiative has been implemented. To ensure the independence of the tax authority from political interference by the finance ministry or other executive agencies, the public affairs officer should maintain close communications with senior government officials.

FIGURE 7.1: Sample Outline of a Communications Action Plan



Annexes

Annex 1: Copy of Questionnaire



LATIN AMERICA and the CARIBBEAN TAX APPEALS SURVEY

The International Finance Corporation (IFC) of the World Bank Group offers advisory services to governments in countries to promote an environment conducive to private sector development and providing opportunities for all. One of our current programs in Latin America and the Caribbean entails Business Taxation Reform.

The Organization is currently preparing a toolkit on tax review reforms in Latin America and the Caribbean; the following survey shall gather information regarding the use of internal (administrative) review mechanisms and processes in the region for this toolkit.

By internal (administrative) review we mean the possibility of a taxpayer to request the review of a tax authority's decision by any institution (tax authority, independent administrative agency, tax tribunal) that is NOT part of the judiciary. The term we use in this survey for such a request of an internal (administrative) review is "objection". The term we use for a (judicial) review of a tax decision by a court as part of the judiciary is "appeal". **Please fill in the survey by typing on the lines and in the tables provided, as well as typing 'X' beside correct response options.**

A. Questions on the Recipient (Authority)

1. Institution:

Name:

Address:

Website:

2. Recipient

Name:

Contact:

Email:

Department:

Position:

B. Questions on the Procedure

1. What mechanisms are in place for a taxpayer to request the review of a decision of the tax authority?

- Internal (administrative) review by the tax authority
 - Administrative review by independent authority/institution/entity
 - Judicial review by regular court system (e.g. fiscal court/administrative court/high court?)
- Other (Please Specify):
-

2. If the taxpayer can request a review of a tax decision through an independent authority/institution/entity (second option in the question above), what is the name of such an entity?

3. What is the legal base for the administrative review process? (Also state the name of the law, year of promulgation, and regulations)

4. What decisions can be objected?

- (Corporate/Personal) Tax Assessment
- Customs Duty Assessments
- Stamp Duty Assessments
- Penalty/Fine Decisions

Other Tax related Decisions:

5. a. Can the first review decision be further objected/appealed for a second internal (administrative) review?

- Yes
- No

5. b. If yes, to which institution?

6. a. Is there a deadline for the taxpayer to object a decision by the tax authority?

- Yes
- No

6. b. If yes, how long is the deadline?

6. c. Can an extension of this deadline be granted?

- Yes
- No

7. Is a decision by the tax authority required before proceeding to judicial review (court system)?

- Yes
- No

8. a. Has there been a reform of the administrative review process in the last 5 years?

- Yes
- No

8. b. If yes, please explain briefly the objective, content and any results of the reform:

9. a. Do you use a case file management system for the management of objections?

- Yes
- No

9. b. If Yes, which one?

10. Are there any web-based services offered to the taxpayer in relation to the internal (administrative) review of tax-related decisions? Put 'X' in appropriate box.

• Objection forms that can be downloaded

Yes No

• E-Filing

Yes No

• Tracking of the Process

Yes No

• Electronic Approval Processing

Yes No

• Online interaction with Objections Officer

Yes No

Other:

11. In what year did web-based services become available to the tax-payer?

12. How long does an average internal review process take (from submission of complete objection to issuance of objection decision – give a range, if necessary):

13. a. Does the law set a deadline to the tax authority for issuing an objection decision?

- Yes
 - No
-

13. b. If yes, how long is it?

13. c. Does the concept of “Positive Silence” apply in the case where the Tax Authority does not comply with the established deadline for issuing an objection decision?

- Yes
 - No
-

14. How many objections were filed in the following years?

Year	Number of Objections Filed
2011	
2012	
2013	
2014	

15. How many objections were settled in the following years?

Year	Number of Objections Settled
2011	
2012	
2013	
2014	

16. How many objections were rejected (meaning the objected decision was confirmed) in the following years?

Year	Number of Objections Rejected
2011	
2012	
2013	
2014	

17. How many were fully or partly successful (meaning the objected decision was revised in favor off the taxpayer) in the following years?

Year	Number of Objections Fully or Partly Successful
2011	
2012	
2013	
2014	

18. a. Do you use performance indicators for the administrative review process (such as time per case, number of rejections/settlements/confirmations, etc.)?

- Yes
 - No
-

18. b. If yes, which ones

19. Does an objection suspend the disputed tax payment?

- Yes
- No

20. Does the authority have a mandate to negotiate a settlement with the taxpayer?

- Yes
- No

21. a. Is there an official objections form available?

- Yes
- No

21. b. If Yes, is it mandatory to be used for an objection?

- Yes
- No

22. a. If an objection is refused and the disputed tax in question has finally been paid, does the tax payer have to pay interest on the suspended sum?

- Yes
- No

22. b. If so, what percentage?

Thank you very much for your time!



Annex 2: List of Tax Authorities Contacted

TABLE A2.1: Legislation on Internal Tax Review by the Tax Authority in Selected LAC countries

Country	Tax Authority
Antigua and Barbuda	Inland Revenue Department
Barbados	Barbados Revenue Authority
Dominica	Inland Revenue Division
Grenada	Inland Revenue Division
Guyana	Guyana Revenue Authority
Jamaica	Tax Administration Jamaica
St Kitts & Nevis	Inland Revenue Department
St Lucia	Inland Revenue Department
St Vincent & the Grenadines	Inland Revenue Department
Trinidad & Tobago	Inland Revenue Division
Argentina	Federal Administration of Public Revenues (AFIP)
Bolivia	Tax Appeal Regional Authority (of the Tax Review Authority -AIT)
Chile	Internal Revenue Service (SII)
Colombia	Directorate of Taxes and National Customs (DIAN)
Costa Rica	General Directorate of Taxation
Dominican Republic	General Directorate of Internal Taxes
Ecuador	Internal Revenue Service
El Salvador	General Directorate of Internal Taxes (DGII)
Guatemala	Superintendence of Tax Administration (SAT)
Honduras	Directorate of Revenue
Mexico	Tax Administration Service (SAT)
Nicaragua	General Directorate of Revenues (DGI)
Panama	General Directorate of Revenues
Paraguay	State Undersecretariat of Taxation (SET)
Peru	Customs and Tax Administration National Superintendency (SUNAT)
Uruguay	General Directorate of Taxation (DGI)
Venezuela	Integrated Service for the Administration of Taxes (SENIAT)

Annex 3: Tables for Chapter 3

TABLE A3.1: Legislation on Internal Tax Review by the Tax Authority in Selected LAC countries

	Parliamentary Law	Central Tax Administration Law	Specific Tax Laws	Regulations
Antigua & Barbuda	✓	✗	✓	✗
Barbados	✓	✗	✓	✗
Dominica	✓	✗	✓	✗
Grenada	✓	✗	✓	✗
Guyana	✓	✗	✓	✗
Jamaica	✓	✗	✓	✗
St. Kitts & Nevis	✓	✓	✓	✗
St. Lucia	✓	✗	✓	✗
St. Vincent & the Grenadines	✓	✗	✓	✗
Trinidad & Tobago	✓	✗	✓	✗
Argentina	✓	✓	✗	✓
Bolivia	✓	✓	✗	✗
Chile	✓	✓	✗	✗
Colombia	✓	✓	✗	✗
Costa Rica	✓	✓	✗	✗
El Salvador	✓	✓	✗	✓
Guatemala	✓	✓	✗	✓
Mexico	✓	✓	✗	✓
Nicaragua	✓	✓	✗	✗
Paraguay	✓	✓	✗	✗
Peru	✓	✓	✗	✗
Uruguay	✓	✓	✗	✗
Venezuela	✓	✓	✗	✗

**TABLE A3.2: Issues Addressed in Tax Laws on Objections
(First Administrative Review) Against Income Tax Assessments in the Caribbean**

	Legislation	Formal Requirements	Rules on Payment of Objected Assessment	Burden of Proof	Rules on Appeals	Remarks
Antigua & Barbuda	Specific tax laws	Yes	Yes	Yes	Yes	A Tax Administration and Procedures Bill is in the legislative process.
Barbados	Income Tax CAP. 73	Yes	No	No	Yes	Sec. 57 (Objections), Sec. 58-63 (Appeals) of the Income Tax Act
Dominica	Income Tax Act 37 of 1982	Yes	Yes	No	Yes	Sec. 87-88, 93 (Objections), Sec. 89-93 (Appeals) of the Income Tax Act
Grenada	Income Tax Act 36 of 1994	Yes	Yes	No	Yes	Sec. 86-87, 92 (Objections), Sec. 88-92 (Appeals) of the Income Tax Act
Guyana	Income Tax Act	Yes	No	Yes	Yes	Sec. 78 (Objections), Sec. 79-88 (Appeals) of the Income Tax Act and Income Tax (Board of Review Appeals Procedure) Regulations.
Jamaica	Specific tax laws	Yes	Yes	Yes	Yes	
St. Kitts & Nevis	Tax Administration and Procedures Act 2003 and specific tax laws	Yes	Yes	Yes	Yes	SKN is currently in the process of consolidating the provisions on administrative reviews in the tax laws
St. Lucia	Income Tax Act	Yes	Yes	No	Yes	Art. 106, 107, 112 (Objections), Art. 108-112 Income Tax Act and Income Tax Appeals Rules.

TABLE A3.3: One-Tier Internal Tax Review Systems in LAC

Country	Internal Review Authority
St. Lucia	Inland Revenue Department ³
Trinidad & Tobago	Inland Revenue Division
Chile	Servicio de Impuestos Internos (SII)
Colombia	Directorate of Taxes and National Customs (DIAN)
Paraguay	Subsecretaria de Estado de Tributación (SET)

TABLE A3.4: Two-Tier Administrative Tax Review Systems in LAC

	Country	First Tier	Second Tier
Caribbean	Antigua and Barbuda	Inland Revenue Department	Income Tax Appeal Committee
Caribbean	Barbados	Barbados Revenue Authority	Barbados Revenue Authority Appeals Tribunal
Caribbean	Dominica	Inland Revenue Division	Appeals Commission
Caribbean	Grenada	Inland Revenue Division	The Appeals Commissioners (The Land Valuation Appeal Board in the case of property taxes)
Caribbean	Guyana	Guyana Revenue Authority	VAT/Income Tax Board of Review - Customs Tribunal Board
Caribbean	Jamaica	Tax Administration Jamaica	Revenue Appeals Division
Caribbean	St. Kitts & Nevis	Inland Revenue Department	Commissioners of Appeal Board
Caribbean	St. Vincent & the Grenadines	Inland Revenue Department	Appeals Commission
Latin America	Argentina	Federal Administration of Public Revenues (AFIP)	Fiscal Tribunal of Argentina
Latin America	Bolivia	Tax Appeal Regional Authority (of the Tax Review Authority -AIT)	Tax Appeal General Authority (of the Tax Review Authority -AIT)
Latin America	Costa Rica	General Directorate of Taxation	Fiscal and Administrative Tribunal
Latin America	El Salvador	General Directorate of Internal Taxes (DGII)	Internal Taxes and Customs Tribunal

	Country	First Tier	Second Tier
Latin America	Guatemala	Superintendence of Tax Administration	Board of Directors and higher administrative authority of the Superintendence of Tax Administration (SAT) or Ministry of Public Finances
Latin America	Mexico	Tax Administration Service (SAT)	Federal Tribunal of Fiscal and Administrative Justice
Latin America	Nicaragua	General Directorate of Revenues (DGI)	Customs and Tax Administrative Tribunal
Latin America	Peru	Customs and Tax Administration National Superintendency (SUNAT)	Fiscal Tribunal of the Ministry of Public Revenue
Latin America	Uruguay	General Directorate of Taxation (DGI)	Ministry of Economy and Finance
Latin America	Venezuela	National Internal Tax Department of the Customs and Tax National Service	Revision Resource of the Tax Authority

TABLE A3.5: Mechanisms to Ensure the Independence of the Second Administrative Review in Selected LAC Countries

	Name of 2 nd Review Body, Authority or Tax Tribunal	Nature of the Body	Separated from Tax Authority	Head Appointed and Dismissed by Minister/ Panel/Tax Commissioner	Remarks
Antigua & Barbuda	Income Tax Appeal Committee	Committee	Yes	n.a.	The Income Tax Appeal Committee is not in operation
Barbados	Barbados Revenue Authority Appeals Tribunal	Tribunal	Yes	Yes (by the Minister)	The Appeals Tribunal has not been established
Dominica	Appeals Commission	Committee	Yes	n.a.	

	Name of 2 nd Review Body, Authority or Tax Tribunal	Nature of the Body	Separated from Tax Authority	Head Appointed and Dismissed by Minister/ Panel/Tax Commissioner	Remarks
Grenada	The Appeals Commissioners (The Land Valuation Appeal Board in the case of property taxes)	Committee	Yes	Yes (The Governor-General)	
Guyana	VAT/Income Tax Board of Review/ Customs Tribunal Board	Committee	Yes	Yes (By The President)	
Jamaica	The Revenue Appeals Division	Authority	Yes	Yes (By the Governor General)	
St. Kitts & Nevis	Commissioners of Appeal Board	Committee	Yes	Yes (By the Governor General)	
St. Lucia	Tribunal of appeal commissioners	Tribunal	Yes	n.a.	The Tribunal of Appeal Commissioner is currently not operating
St. Vincent & the Grenadines	The Appeals Commission	Committee	Yes	Yes (By the Cabinet)	
Argentina	Fiscal Tribunal of Argentina	Tribunal	Yes	Yes (By the National Executive Power)	
Bolivia	Tax Appeal General Authority (of the Tax Review Authority -AIT)	Authority	Yes	Yes (By the President of the Plurinational State of Bolivia)	
Costa Rica	Fiscal and Administrative Tribunal	Tribunal	Yes	Yes (By the Executive Power)	
El Salvador	Internal Taxes and Customs Tribunal (TAIA)	Tribunal	Yes	Yes (By the Minister of Finance)	
Guatemala	Board of Directors and higher administrative authority of the Superintendence of Tax Administration (SAT)	Authority	No	Yes (By the Executive Power)	

	Name of 2 nd Review Body, Authority or Tax Tribunal	Nature of the Body	Separated from Tax Authority	Head Appointed and Dismissed by Minister/ Panel/Tax Commissioner	Remarks
Mexico	Federal Tribunal of Fiscal and Administrative Justice	Tribunal	Yes	Yes (By the Board of the Superior Court)	
Nicaragua	Customs and Tax Administrative Tribunal	Tribunal	Yes	Yes (By the President of the Republic)	
Peru	Fiscal Tribunal of the Ministry of Public Revenue	Tribunal	Yes	Yes (By the Ministry of Public Revenue)	
Uruguay	Ministry of Economy and Finance	Authority	Yes	n.a.	
Venezuela	Integrated Service for the Administration of Taxes (SENIAT)	Authority	No	n.a.	

TABLE A3.6: Scope of Objections by Tax Type in Selected LAC Countries

	Corporate/ Personal Income Tax	VAT/ GST	Customs Duty	Property Tax	Stamp Duty	Penalty/ Fine	Remark
Antigua & Barbuda	X	X	-	-	-	-	Business taxes can be objected to the IRD; Property taxes are only reviewed by the Property Appeal Board
Barbados	X	X	-	-	-	X	Barbados also reviews land tax assessments.
Dominica	X	X	-	-	-	-	
Grenada	X	X	-	X	-	X	
Guyana	X	X	X	-	-	X	Assessments are done in mortgage interest relief cases.

	Corporate/ Personal Income Tax	VAT/ GST	Customs Duty	Property Tax	Stamp Duty	Penalty/ Fine	Remark
Jamaica	X	X	X	X	X	X	Also transfer tax, asset tax, education tax, telephone call tax, special consumption tax and hotel guest tax
St. Kitts & Nevis	X	X	X	X	X	X	Includes any decision of the Comptroller
St. Lucia	X	X	-	X	X	X	Also, pay-as-you-earn (PAYE) tax, withholding tax, insurance premium tax and contract tax
St. Vincent & the Grenadines	X	X	-	-	-	-	Also PAYE tax and withholding tax assessments
Trinidad & Tobago	X	X	-	-	-	-	Also petroleum tax and unemployment levy
Argentina	X	X	X	X	-	X	
Bolivia	X	X	-	X	-	X	
Chile	X	X	X	X	X	X	Also special contributions
Colombia	X	X	X	X	X	X	
Costa Rica	X	X	-	X	-	X	
El Salvador	X	X	X	X	-	X	
Guatemala	X	X	X	X	X	X	
Mexico	X	X	X	X	X	X	
Nicaragua	X	X	-	X	-	X	
Paraguay	X	X	-	X	-	X	
Peru	X	X	X	X	-	X	
Uruguay	X	X	-	X	-	X	
Venezuela	X	X	X	X	X	X	

**TABLE A3.7: Deadline to Object a Decision of the Tax Authority
(First Administrative Review) in Selected LAC Countries**

	Deadline to Object	Beginning of Deadline	Extension Possible
Antigua & Barbuda	30 days	Date of service of notice	Yes
Barbados	21 days	Date of service of the decision	Yes
Dominica	30 days	Date of service of the notice of an assessment	Yes
Grenada	Income tax: 30 days VAT: 1 month Property tax: 14 days Stamp tax: 30 days	Income tax: notice of decision VAT: date of service of assessment or date of decision Property tax: date of public advertising of a notice Stamp tax: date of service of notice	Yes
Guyana	Income tax: 15 days VAT: 20 days	Date of service of assessment	Yes
Jamaica	Income tax, GCT, Contractor's levy: 30 days Land evaluation: 60 days Customs duties: 90 days	Date of service of notice	Yes
St. Kitts & Nevis	30 days	Date of service of notice	Yes
St. Lucia	30 days	Date of service of notice	Yes
St. Vincent & the Grenadines	30 days	Date of service of notice	Yes
Trinidad & Tobago	15 days	Date of service of notice	Yes
Argentina	15 days	Date of service of notice	No
Bolivia	20 days	Date of service of notice	No
Chile	15 business days	Date of service of notice	No
Colombia	2 months	Date of service of notice	No
Costa Rica	30 business days	Date of service of notice	No
El Salvador	5 business days	Date of service of notice	No
Guatemala	10 business days	Date of service of last notice	No
Mexico	30 days	Date of service of notice	No
Nicaragua	8 business days 10 business days	1. The appeal before the official who issued the determinative resolution must be filed within 8 days after notification thereof. 2. An appeal for review to the Director of the DGI must be filed within 10 working days from the date the determinative resolution decision was notified.	No

	Deadline to Object	Beginning of Deadline	Extension Possible
Paraguay	10 business days	Date of service of notice	No
Peru	5 business days 20 business days	1. In cases involving resolutions which provide for penalties of confiscation of property, temporary custody of vehicles and temporary closure of establishments or offices of independent professionals, as well as resolutions that substitute, the claim must be submitted within five (5) working days calculated from the working day following that on which the contested decision was notified. 2. In cases involving claims against resolutions determination, fine resolutions, resolutions that resolve refund requests, resolutions that determine the loss of general or particular fractionation and acts directly related to the determination of debt tax, they will be presented in a non-extendable term of twenty (20) working days counted from the working day following that on which the act or decision appealed against was notified.	No
Uruguay	10 business days	10 business days from date of service of notice or 150 days if the request was not resolved	No
Venezuela	25 business days	Date of service of notice	No

TABLE A3.8: Deadline to Request an Appeal and Objection Decision (Second Administrative Review) in Selected LAC Countries

	Deadline to Appeal	Beginning of Deadline	Extension Possible
Antigua & Barbuda	30 days	n.a.	Yes
Barbados	n.a	n.a	n.a
Dominica	30 days	n.a.	Yes
Grenada	30 days	n.a.	Yes
Guyana	15 days 20 days 3 Months	15 days (Income Tax) 20 (VAT) 3 Months (Customs)	Yes
Jamaica	90 days	90 days from the date of the objection decision letter, or 30 days from the receipt of the objections decision letter	Yes
St. Kitts & Nevis	30 days	One month after the date of the Notice of the Comptrollers Decision	Yes
St. Lucia	n.a	n.a	n.a
St. Vincent & the Grenadines	30 days	30 Days from service of the Comptroller's decision	Yes
Argentina	15 days	15 days after the date of the notice	No

	Deadline to Appeal	Beginning of Deadline	Extension Possible
Bolivia	20 days	20 days after the date of the notice	No
Costa Rica	30 days	Determinative: 30 days from notification Penalties: 5 days of notification, except in the case of omission or inaccuracy penalty that has 30 days.	No
El Salvador	15 business days	15 days after the date of the notice	No
Guatemala	10 business days	Within 10 business days of notification of the resolution	No
Mexico	45 business days 15 business days	15 or 45 business days after the date of the notice.	No
Nicaragua	15 business days	15 business days to appeal to the Customs and Tax Administrative Tribunal after receiving notification of the decision of the Director of the DGI.	No
Peru	5-30 work days	Deadlines for appeal depend on the type of resolution (decision) involved: - Resolutions that resolve a claim: 15 working days or 30 working days if the issue is transfer pricing. - Constructive denial of a claim: You can lodge an appeal at any time after the deadline to resolve the complaint - Resolutions that resolve a non-contentious procedure: 15 working days. - Resolutions that resolve a claim related to the confiscation of property, detention of vehicles, closure and substitute fines: 5 working days. - Appeal of pure law: 20 working days or 10 working days if the issue is related to the confiscation of property, detention of vehicles, closure and substitute fines. - Resolution involves a third party (excluding intervention of property): 5 working days. Deadlines begin from the day following notification of the appeal	No
Uruguay	10 days	The appellant has ten calendar days from the date of notification of the express or tacit administrative act to challenge it.	No
Venezuela	3 months	3 months after the day of the notice	No

**TABLE A3.9: Deadline to Deliver the Objection Decision
(First Review) in Selected LAC Countries**

	Deadline to Deliver an Administrative Review Decision	Silence is Consent
Jamaica	6 months (only for GCT objections)	Yes (only for GCT)
St. Kitts	90 days	
Trinidad & Tobago	Corporation Tax: 2 years PAYE (failure to deduct): 1 year Value-Added Tax: 6 months	Yes
Argentina	60 days	No
Bolivia	40 days	No
Chile	50 business days	No
Colombia	1 year	Yes
Costa Rica	1 month	No
El Salvador	9 months	No
Guatemala	30 days	No
Mexico	3 months	Silence is rejection
Nicaragua	30, 45, 90 business days for different procedures	Yes
Paraguay	20 business days	No
Peru	9 months	No
Uruguay	200 days	Silence is rejection
Venezuela	60 calendar days	Yes

**TABLE A3.10: Whether an Administrative Review Decision is Required before
Judicial Review, Selected LAC Countries**

	Tax Authority Decision Required	Remarks
Antigua & Barbuda	Yes	
Barbados	Yes	
Dominica	Yes	
Grenada	Yes	
Guyana	Yes	
Jamaica	Yes	In most cases except for GCT matters not related to an assessment and stamp duty
St. Kitts & Nevis	Yes	Based on TAPA Section 42 (2), the established process should be followed in terms of moving first from an internal administrative review to a review by the Commissioner, before proceeding to the judicial system

	Tax Authority Decision Required	Remarks
St. Lucia	Yes	
St. Vincent & the Grenadines	Yes	
Trinidad & Tobago	Yes	
Argentina	Yes	
Bolivia	No	The administrative review process must be completed before a taxpayer can request a judicial review by the Supreme Court of Justice.
Chile	No	
Colombia	No	
Costa Rica	No	
El Salvador	Yes	
Guatemala	Yes	
Mexico	No	
Nicaragua	Yes	The administrative review process must be exhausted before applying to the courts.
Paraguay	Yes	
Peru	Yes	
Uruguay	Yes	
Venezuela	No	

TABLE A3.11: Average Length of the First and Second Administrative Review Process

	Average Length of Process (First Review)	Comments	Average Length of Process (Second Review)
Antigua & Barbuda	1 month or less		n.a.
Barbados		The length of the process depends on the complexity of the objection.	n.a.
Dominica		No time frame is provided.	6 months
Grenada	1 month or less	This is an approximation, and the process can take much longer.	3-6 months

	Average Length of Process (First Review)	Comments	Average Length of Process (Second Review)
Guyana	1-4 months	Average time of each step: All relevant documents in Files/on hand (one Week approx.); Notices/ Returns to be located (three Weeks approx.); Additional Information needed (eight weeks approx.); Additional Records to be examined (Fifteen Weeks approx.).	n.a.
Jamaica	18-24 months		1-12 months
St. Kitts & Nevis	6-12 months	The speed of processing an objection case is largely determined by the complexity and timeliness of information submitted by the taxpayer.	n.a.
St. Lucia	3-12 months	Based on the nature of the case	n.a.
St. Vincent & the Grenadines	1 week to 5 years		n.a.
Trinidad & Tobago	2 months to 2 years		n.a.
Argentina	3-6 months		90 days
Bolivia	4 months		3 months
Chile	2-6 months	In regular objection cases, the decision must be sent within 50 days. In specific cases, the tax code allows a decision to be made within 6 months. In cases involving other administrative disputes (Article 6 letter BN 5 of the Tax Code), the review process cannot last more than 6 months unless there is a fortuitous event or force majeure.	n.a.
Colombia	12 months		n.a.
Costa Rica	1 - 3 years		6 months or more
El Salvador	12 - 14 months	For the Tax Administration. For the Court of Internal Taxes and Customs Appeals	n.a.
Guatemala	54 - 70 working days		54-70 working days
Mexico	47 days		183 days
Nicaragua	20 - 25 working days	The time frame will vary depending on the nature of the case	70-80 working days

	Average Length of Process (First Review)	Comments	Average Length of Process (Second Review)
Paraguay	More than 20 working days	By law, the tax administration has a maximum of 20 business days to reply to an appeal lodged by the taxpayer. However, in practice the tax administration frequently delivers a decision after this deadline. Since its last organizational restructuring, the administration is making significant efforts to meet the legal deadline.	n.a.
Peru	3- 9 months	With respect to objections to SUNAT, between 2013 and May 2015 55 percent of cases were resolved within the first 3 months, 32 percent were resolved between the fourth and the nine month (the legal deadline for resolving cases), and the remaining 13 percent were resolved after nine months. For appeals made to the Tax Court, between 2013 and May 2015 36 percent of cases were resolved within 3 months, 26 percent were resolved between the fourth and the nine month, and the remaining 38 percent were resolved after nine months. The legal deadline for deciding cases is 12 months.	2.5 years
Uruguay		After 200 days the request is decided in the negative.	50 days or more
Venezuela	12 months or more		n.a.

TABLE A3.12: Tax Payment Suspension and Interest Rates Applied if Objection or Appeal is Not Successful or Payment is Delayed in Selected LAC Countries

	Tax Suspended	Interest Rate if Tax is Suspended or in Case of Late Payment	Remark
Antigua & Barbuda	No	1% per month	
Barbados	Yes	1% per month	
Dominica	No	1% per month	
Grenada	No	1.5% per month for income tax and VAT; 2% per month for annual stamp tax, property tax and PAYE	
Guyana	Yes	19.5% p.a.*	Interest is only charged if the decision is appealed to the courts

	Tax Suspended	Interest Rate if Tax is Suspended or in Case of Late Payment	Remark
Jamaica	Yes*	Depends on tax type	*50% of VAT must be paid when due
St. Kitts & Nevis	Yes*	1-1.5% per month	*50% of VAT must be paid when due
St. Lucia	Yes*	./.	Taxpayer must pay 50% of the tax amount due before the objection
St. Vincent & the Grenadines	No	1.5% per month	
Trinidad & Tobago	Yes	20% p.a.	
Argentina	Yes	3% per month (0.1% per day)	
Bolivia	Yes	The interest rate is set by the Central Bank of Bolivia plus 3 percent points.	
Chile	Yes	1.5% per month	
Colombia	Yes	The interest rate is equivalent to the rate determined by the Superintendencia Financiera de Colombia for consumer credits.	
Costa Rica	No	The Tax Authority establishes the interest rate, which is equal to the simple average lending rates of state banks for loans in the commercial sector. The rate applied should not exceed the basic borrowing rate set by the Central Bank of Costa Rica by more than ten points.	
El Salvador	Yes	El Salvador uses the Central Bank rate plus 4 points. The average interest rate applied to the payment of delinquent taxes during the period from February 1 to July 31, 2016 was 6.16% per year.	
Guatemala	Yes	The applicable interest rate is calculated on the amount of tax owed and is equal to the amount resulting from applying the maximum annual rate of simple interest determined by the Monetary Board for tax purposes to the tax liability. The average interest rate to be applied in 2016 is 13.08% per year.	
Mexico	Yes	To calculate the monthly interest rate, the authorities increase the annual rate set by Congress under the law by 50%. The current rate is 1.13% per month.	
Nicaragua	Yes	5% per month	
Paraguay	Yes	The monthly interest rate is determined by the government and shall not exceed the discount rate set by the Central Bank.	
Peru	Yes	1.2% per month	

	Tax Suspended	Interest Rate if Tax is Suspended or in Case of Late Payment	Remark
Uruguay	No	The monthly surcharge, calculated on a per day basis, is fixed by the Executive and cannot exceed by more than 10% the maximum rates set by the Uruguay Central Bank, or failing that, the average rates of current market bank credit operations in the previous quarter without concerted clause adjustments for terms of less than one year.	
Venezuela	No	1.2 times the average bank rate of the six main banks in the country. The SENIAT fixed rate for interest calculation in June was 26.076%.	Per article 257 of the Tax Code, tax payments are suspended only if the taxpayer requests it and can prove that paying the tax would cause him or her serious damage.

TABLE A3.13: Mandate to Negotiate a Settlement with the Taxpayer, Selected LAC Countries

	Negotiate with Taxpayer	Remarks
Antigua & Barbuda	Yes	
Barbados	No	
Dominica	Yes	
Grenada	No	A person may, by submitting a notice in writing to the Comptroller, lodge a notice of objection to a reviewable decision and request that the Comptroller reconsider his decision. The taxpayer must provide the reasons for the request. The Comptroller is mandated to consider any valid objection, but is not mandated to negotiate a settlement with the taxpayer.
Guyana	Yes	
Jamaica	No	Under the new legislation, the RAD can facilitate and sign off on settlement agreements, which must be negotiated and agreed upon by the RAD and the relevant tax authority.
St. Kitts & Nevis	No	The IRD does not have a mandate to negotiate a settlement with the taxpayer. The taxpayer is encouraged to pay all arrears in full. If the taxpayer is unable to pay in full, then a payment plan can be arranged to allow for payment within one year. If the taxpayer is unable to set up a payment plan, a financial analysis is done and the taxpayer is required to pay the arrears to the extent he or she is able.
St. Lucia	Yes	
St. Vincent & the Grenadines	Yes	

	Negotiate with Taxpayer	Remarks
Trinidad & Tobago	Yes	
Argentina	No	
Bolivia	No	
Chile	No	
Colombia	No	
Costa Rica	Yes	When a case that is settled by the Administrative Tax Court is sent to the tax administration, it is settled and moved to the administrative collections unit, which has the authority to negotiate payment arrangements at the request of the taxpayer.
El Salvador	No	
Guatemala	No	
Mexico	Yes	After the audit before the appeal
Nicaragua	No	
Paraguay	No	
Peru	No	
Uruguay	Yes	Within the limits laid down by the law
Venezuela	Yes	

TABLE A3.14: The Use of Web-Based Services in Internal Review Processes in Selected LAC Countries

	Web site	Information on objections	Download of forms	E-filing	Tracking of process	Electronic approval	Online interaction
Antigua & Barbuda	Yes	No	No	No	No	No	No
Barbados	Yes	Yes	No	Yes	Yes	Yes	No
Dominica	Yes	Yes	No	No	No	No	No
Grenada	Yes	Yes	No	No	No	No	No
Guyana	Yes	Yes	No	No	No	No	No
Jamaica	Yes	Yes	No		Yes	Yes	Yes
St. Kitts & Nevis	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Lucia	Yes	Yes	No	No	No	No	No

	Web site	Information on objections	Download of forms	E-filing	Tracking of process	Electronic approval	Online interaction
St. Vincent & the Grenadines	Yes (website is appended as a page on the Ministry of Finance's website.)	No	No	Yes	No	No	No
Trinidad & Tobago	Yes	Yes	No	No	No	No	No
Argentina	Yes	Yes	No	No	No	No	No
Bolivia	Yes	Yes	No	No	Yes	No	No
Chile	Yes	Yes	Yes	Yes	No	No	No
Colombia	Yes	No	No	No	No	No	No
Costa Rica	Yes (website shared with Ministry of Revenue)	Yes	No	No	No	No	No
El Salvador	Yes	Yes	No	No	Yes	No	No
Guatemala	Yes	Yes	No	No	No	No	No
Mexico	Yes	Yes	No	Yes	Yes	Yes	No
Nicaragua	Yes	Yes	No	No	No	No	No
Paraguay	Yes	No	No	No	Yes	No	No
Peru	Yes	Yes	No	No	No	No	No
Uruguay	Yes	No	No	No	No	No	No
Venezuela	Yes	No	No	No	No	No	No

**TABLE A3.15: The Use of Case Management Filing Systems
in Selected LAC Countries**

	Use of CMFS	CMFS	Remark
Antigua & Barbuda	No		-
Barbados	Yes	VETAS	-
Dominica	No	-	-
Grenada	Yes	Partly (SIGTAS)	The tax authority uses SIGTAS for some of the data.
Guyana	No	-	-
Jamaica	Yes	RAiS	The ECM is a tool that is being implemented that will be used to link RAiS to ASYCUDA, and to link the internal processes of the Revenue Appeals Division to the Tax Authority.
St. Kitts & Nevis	Yes	SIGTAS	-
St. Lucia	No	-	-
St. Vincent & the Grenadines	No	-	-
Trinidad & Tobago	Yes	GENTAX	-
Argentina	No	-	-
Bolivia	Yes	-	System links district managements with large taxpayers
Chile	Yes	RAV	-
Colombia	No	-	-
Costa Rica	No	-	-
El Salvador	Yes	CMM	Includes Control Management Module and a system to track sanctions
Guatemala	Yes		
Mexico	Yes	JUPITER	Integral Program for Decision Making, Assessment and Resolution
Nicaragua	Yes		Control of Claims
Paraguay	Yes	Marangatu	Management tax system; taxpayers with a passkey can track their case
Peru	Yes	RSIRAT	-
Uruguay	No	-	-
Venezuela	No	-	-

**TABLE A3.16: Recent Reforms of the Administrative Review Process
in Selected LAC Countries**

	Reforms in the Last 5 Years	Content and Objective of Reforms
Antigua & Barbuda	No	-
Barbados	No	-
Dominica	No	-
Grenada	No	-
Guyana	Yes	Objections to audit cases are now reviewed by the head of the Audit Department prior to a final decision to expedite the resolution of the case.
Jamaica	Yes	In April 2011 the Taxpayer Appeals Department (TAD) was placed within the Ministry of Finance as a division reporting to the Financial Secretary. Legislation to establish a new Revenue Appeals Division was drafted and tabled in Parliament. It has passed both houses of Parliament and is currently awaiting one amendment and promulgation. A new organizational structure was created to support the reform, and operations were streamlined. The appellate process was also reengineered to make it more efficient. A project to pilot these reforms commenced in 2014, and once the relevant legislation is enacted, the new systems and processes will be utilized throughout the division.
St. Kitts & Nevis	Yes	The administrative review process for VAT was reformed. The tax administration is working with the WBG to further update and modernize the process.
St. Lucia	No	-
St. Vincent & the Grenadines	No	-
Trinidad & Tobago	No	-
Argentina	No	-
Bolivia	No	-
Chile	Yes	Reforms were undertaken to create tax and customs courts and courts of first instance. Although the tax and customs courts are not part of the judiciary, they depend on the Supreme Court for direction and supervision.
Colombia	No	-
Costa Rica	Yes	Reforms were implemented addressing the allocation of administrative resources and the enforceability of settlements.
El Salvador	No	-
Guatemala	Yes	Reforms streamlined the resolution process, eliminating the need for consultation with the Office of the Procurator General of the Nation.
Mexico	Yes	Summary trials were introduced to reduce the workload of tax administration staff and reduce the time required to an issue a resolution. Online trials were also instituted to encourage a more efficient review process.

	Reforms in the Last 5 Years	Content and Objective of Reforms
Nicaragua	Yes	Law No. 822, Tax Harmonization Act, reformed the administrative resources chapter (Chapter V, article 96 numeral 4), on review appeals, benefiting the taxpayer suspending the implementation of the contested act.
Paraguay	No	Not applicable.
Peru	Yes	Reforms streamlined the appeals process by stipulating that if an objection at first instance and an appeal at second instance did not resolve the matter in a timely manner, no interest would be generated; rather, the Official Peruvian Consumer Price Index would be applied from the day of the deadline until the matter's resolution. The deadline for applications for correction was also amended, and the Tax Court's resolutions were limited to ten (10) working days.
Uruguay	No	-
Venezuela	Yes	Tax payments are no longer automatically suspended when an objection is filed.

TABLE A3.17: Key Performance Indicators (KPI) for the Administrative Review Process in Selected LAC Countries

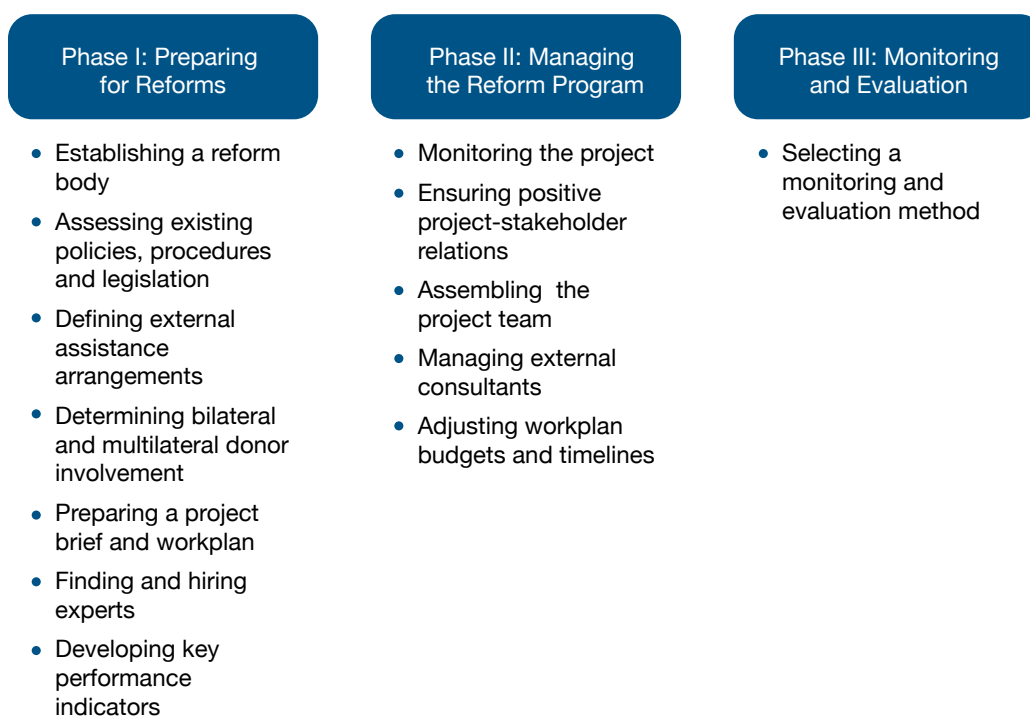
	KPI	Specifics
Antigua & Barbuda	No	
Barbados	No	
Dominica	No	
Grenada	No	
Guyana	No	
Jamaica	Yes	The number of appeals received and number not accepted by tax type and tax authority; the number of cases confirmed, vacated, reduced and withdrawn (results based on individual taxpayers and business); the number of appeals filed by individual taxpayers or businesses
St. Kitts & Nevis	Yes	The number of cases received during the month; the number of cases closed within the month; the value of the adjustment for cases closed; the average length of time it took for the closed cases to be completed; the number of cases in inventory at the end of the month; and the length of time those cases have been in inventory
St. Lucia	Yes	Number of cases completed in a given time frame
St. Vincent & the Grenadines	Yes	Number of settlements; number of rejections; number of confirmations
Trinidad & Tobago	No	Time per case and number of cases completed
Argentina	Yes	Partial use of indicators for the administrative review process Monitoring objections to Proceedings of the Social Security Resources Monitoring administrative taxation resources

	KPI	Specifics
Bolivia	Yes	Success rate in defending impugned processes by the taxpayer, which measures the ratio of objections successfully resolved
Chile	Yes	Percentage of cases with voluntary administrative replacement (RAV) and resolved within a period of 50 days, compliance is required by 90% of the Regional Directorates and the Large Taxpayers' Directorate.
Colombia	Yes	108 statistical variables
Costa Rica	No	
El Salvador	Yes	The Internal Tax and Customs Appeal Court uses the indicator "final decisions of Tax and Customs Appeals issued."
Guatemala	Yes	Effectiveness in resolving procedures per year; productivity in filing; average amount of time required to file a resolution
Mexico	Yes	The tax authorities collect the following performance data: 1. Percentage of decisions notified by the Tax Office 2. Percentage of care issues and legal consultation procedures and judicial and administrative representation 3. Percentage of previous reports completed 4. Percentage of appeals brought 5. Percentage of trials and procedures served 6. Percentage of requests for the defense answered 7. Percentage of indirect appeals claims answered 8. Percentage of ruled against sentences
Nicaragua	Yes	Length of the objection process.
Paraguay	Yes	Since 2014, the SET has implemented an Annual Operating Plan, which contains management indicators. With regard to the administrative review process, one objective for 2015 was that all cases admitted through 2013 and 2014 would be completed no later than June 2015. For objections settled after 2015, the tax authority would measure the time it took for cases to be resolved.
Peru	Yes	Attended litigation rate within a set period; success rate of settled objections
Uruguay	No	
Venezuela	No	

Annex 4: Reforming the Tax Review Process

This annex describes the key elements and sequencing of a proposed tax review reform program. It is structured according to three phases: reform preparation, managing the reform program, and monitoring and evaluation. The design and implementation of the reform program will naturally vary depending on the goals and capacities of different tax administrations. Some of the phases described below may not be relevant, while others may need to be added to better tailor the process to the needs and objectives of the tax administration.

Phases of a Tax Review Reform Program



Elements of the Reform Program

Before discussing the three phases of the tax review reform program, it is important to understand the core elements of the tax review process itself.

Developing a Reform Policy

Prior to implementing a reform program, officials should draft a policy document detailing the objectives of the proposed reforms and the strategies that will be employed to achieve them. The

policy document should also discuss the context of the reform program in terms of the country's overall tax policy and other past or current tax reform efforts.

The policy document signals the authorities' commitment to the reform program. In making the case for reform, the document can address the following issues: (i) identified shortcomings, such as a lengthy review process, a high backlog of cases, poor-quality decisions or low compliance rates; (ii) the objective and benefits of the reforms, e.g. increasing the efficiency of the review process, improving communication with the taxpayer, raising taxpayer awareness, or facilitating the submission of objections and payments; (iii) the measures required to meet reform objectives, e.g. simplifying the review process, launching an awareness campaign, introducing a taxpayer portal, allowing for ADR or updating the tax review legislation; and (iv) the institution managing the reform process—e.g., the Ministry of Finance, the tax authority, or a donor organization.

The reform policy should be publicly announced, preferably through an official statement by the prime minister, the minister of finance, a cabinet member or another high-level government official. The plan could be announced separately or as part of a scheduled public statement on the budget, the country's economic development strategy or another related topic. It is generally better if the statement is presented in writing as well to make it easier to reference. The content and delivery of the statement can signal the extent of the government's commitment to the reform program. The greater the support and commitment of the authorities, the easier it will be to overcome resistance to reforms and successfully implement them.

Consulting with Key Stakeholders on the Reform Policy

A number of stakeholders are involved in the tax review process and should be consulted in developing the reform policy. This includes Ministry of Finance officials, associations of tax advisors, tax lawyers and accountants, international donors, the tax authority and taxpayers. Key issues should be discussed in an open and collaborative environment to help build support for the reform program, determine the main issues to be addressed, and assess whether reform measures are politically feasible. Meetings with donors can also be used to secure funding and technical support for the reform program. Consultations could take the form of formal hearings, conferences, workshops, focus groups or high-level meetings.

Drafting or Amending the Legal Framework

Once the authorities have clearly articulated a reform policy, adjustments to the legal framework will often be necessary before the reform program can be implemented. This could involve adding or reformulating provisions of existing laws, overhauling existing procedures, or drafting new legislation. It could also involve establishing a separate review institution or a procedure for a second internal review. It is important that policymakers engage in legislative efforts only after developing a policy that outlines the overall objectives of the reform program. The legal frame-

work should clearly reflect the objective of the reform program as outlined in the policy reform document.

Assessing Institutional Capacity and Improving Efficiency

The review process is only as efficient as the institution that carries it out, whether it is the tax authority, an appeals board, an administrative tribunal or a separate review body. Assessing a review institution's capacity and effectiveness in carrying out timely and cost-efficient internal reviews and implementing measures to improve its operations is often an essential element of a reform program. Process maps can be used to document the flow of documents and the allocation of tasks between the various officials, units and institutions involved in the review process. Process maps can also help identify redundancies or other inefficiencies in the process, and they can facilitate the analysis of performance data.

Implementing ICT Reforms

ICT reforms are often an important component of the tax review reform program. The current ICT system should be assessed and potential improvements should be identified. Policymakers should examine whether the current system needs to be upgraded or replaced, the potential for synergies between institutions, as well as the cost implications of system upgrades. ICT reforms aimed at improving the tax review process should build upon other e-government projects and strategies already underway.

Developing a Communications Strategy and Plan

Developing an effective communications strategy and plan is an important element of the tax review reform program. The reviewing agency must be able to effectively communicate with both taxpayers and tax advisors in order to describe and promote the reform program and ensure high compliance rates. A well-formulated communications plan should define the media channels to be used, assess their potential costs and benefits, and determine whether outside expertise is needed.

Training Officials and Stakeholders

Far-reaching reform programs may also require a training component. Tax officials may need to be trained on new regulations, procedures, or systems, as well as on appropriate communications strategies. Trainings may also be provided to tax advisors or tax lawyers. The success of a training program depends in large part on its design and implementation.

Phase I: Preparing for Reforms

Several preparatory tasks need to be completed before a reform program can be implemented. The planning phase begins after the government has formulated a reform policy. It is designed to

determine the specific measures to be carried out, the resources and expertise required, and how success will be measured. The planning phase ends with a realistic and detailed workplan.

Establishing a Reform Body

One of the first steps in the preparation phase is identifying an administrative leader for the reform preparation effort. This could be a government official, a designated unit in a ministry or the tax authority. The reform body should be responsible for initiating, conducting, delegating, coordinating and monitoring preparatory efforts. The same person or agency could also serve as the coordinator during the project management phase.

Assessing Existing Tax Policies, Institutional Responsibilities, Review Procedures and Legislation

Conducting a formal assessment of current tax administration policies, laws, systems and processes, as well as current and past reform efforts, is vital to understand the context for reforms, design more effective interventions, and ensure the consistency of the overall tax system. During the preparation phase, a general overview is typically sufficient, while the project management phase requires a more detailed analysis of the relevant issues.

Assessments should identify the institutions involved in tax reviews, define their responsibilities and relationships, detail the various stages and procedures involved in the review process, and highlight available performance data. The existing legal framework for the review process should similarly be evaluated, and an inventory of relevant laws, regulations and administrative provisions should be produced. The assessment should also take stock of current and past policy initiatives involving taxation and tax administration reform, including both government- and donor-led initiatives.

Defining External Assistance Arrangements

Private firms or donor organizations can support the government's reform efforts by providing additional capacity and expertise. Depending on the arrangement, the assisting organization could be responsible for implementing certain reform measures. An agreement should be drafted early in the process, which clearly outlines the parties' respective roles and responsibilities, as well as all required deliverables.

Determining the Involvement of Bilateral and Multilateral Donors

The government should consider how bilateral or multilateral donors could assist with the reform program and approach potential donors for support. Tax authorities in other countries may have experience with implementing similar tax reform programs, while the World Bank, the IMF, and

regional development banks have a wealth of specialized expertise. If a donor is involved in the reform program, then the planning phase may be influenced by the donor's requirements and regulations.

Preparing a Program Brief and Workplan

Using the information gathered through these assessments, the tax authorities should prepare a program brief outlining the objectives of the reforms and how they will be achieved. High-level government officials should endorse the brief to reconfirm the government's commitment to the reform program. If a donor or other third party will be providing support, then the project brief should outline the specific rights and obligations of the parties in an agreement or memorandum of understanding.

A workplan is a more detailed document that describes the various reform measures to be carried out, assigns responsibilities for specific tasks, identifies outside expertise, provides a timeline for activities and quantifies the costs involved. The various components of the reform program should be appropriately sequenced to ensure that elements build on one another. A workplan often identifies specific milestones that must be met or stages that must be completed before additional funding is triggered. As the workplan has far-reaching implications for the reform program, it is not uncommon for a high-ranking minister or cabinet member to endorse the plan.

Finding and Hiring Experts

Implementing certain reforms may require expertise that is not readily available within the government. This is often the case for legislative drafting specialists, process-mapping experts or ICT and communications advisors. In addition to their technical proficiency, external experts can bring an international perspective that government officials often lack, and they can provide insights into how other countries resolve similar reform issues. Hiring an external individual or firm to support the reform program can be a time-consuming process, and all relevant public procurement and contracting rules must be observed.

Finding and hiring the right expert can be difficult, and it may be helpful to access the experience of other government agencies or donor organizations. Donor organizations providing technical support to the reform program will typically bring their own experts, following consultations with the client, which can speed the reform process. The government and external consultants should sign a terms of reference that clearly defines the consultant's responsibilities, the duration of the contract and the costs involved.

Developing Key Performance Indicators

Key performance indicators (KPIs) should be developed to monitor and measure the inputs, outputs, outcomes, and impacts of the reform program. KPIs can serve as an early warning system

to identify and address implementation issues. However, to serve as effective management tools, KPIs must be clearly defined and measurable and should include both a baseline estimate and target.

Performance indicators relevant to the tax review reform program could include: (i) the average case-processing time; (ii) the number of assessments objected to per year; (iii) the number of objection decisions or appeals filed per year; (iv) the number of cases resolved through settlement, arbitration, and withdrawal; (v) the average case backlog; (vi) the type of decision reached (confirmed, discharged, altered or remitted); and (vii) the number of objection decisions corrected by appeal.

Phase II: Managing the Reform Program

Once the preparation phase is complete, the project management unit is in place and the work plan has been endorsed, the authorities can begin to implement the reform program.

Monitoring the Project

The purpose of project management is largely to monitor progress against workplan objectives. The project management unit must ensure that tasks are completed and that milestones are reached, making adjustments to the workplan as necessary. Meeting reporting requirements and maintaining open communications with the implementation team are important elements of project monitoring.

Ensuring Positive Project-Stakeholder Relations

Throughout the implementation of the reform program, the project management team should maintain strong working relationships and open communications with stakeholders. Stakeholders should be regularly informed of relevant developments, issues or adjustments to the reform agenda in order to maintain broad-based support. If donors are supporting the reform effort, the contract or memorandum of understanding should specify the relevant reporting obligations.

Assembling the Project Team

The project team's composition should reflect the priorities of the project. The project management unit should determine the appropriate mix of junior and senior staff members and domestic and international experts. Consultants should be hired as necessary.

Managing External Consultants

The project management unit is responsible for supervising and managing the work of consultants to ensure that their deliverables meet the quality standards and deadlines outlined in their terms

of reference. The project management unit is also responsible for reviewing the consultants' timesheets, travel expenses and payment requests. Supervising consultants can be a time-consuming task, particularly for larger reform programs that involve many international experts.

Adjusting Workplan Budgets and Timelines

The tasks, timelines and budgets outlined in the workplan may need to be adjusted during program implementation. Certain reforms may end up being more or less time-consuming or costly than initially expected, there may be problems identifying appropriate experts, institutional relationships could be flawed, or political changes could lead to shifting reform priorities. Any of these unforeseen events may require changes to the budget or duration of the reform program.

Phase III: Monitoring and Evaluation

Monitoring and evaluating the impact of reforms is necessary both to justify the reform effort and to identify and correct inefficiencies.⁶⁷ Reforms can be measured by tracking outputs, outcomes and impacts. In this context, *outputs* are the deliverables required to meet short-term reform objectives, such as reports and training events. *Outcomes* measure the observed effects of a reform, such as a simplified review process, a new legal framework for appeals, or the establishment of a new review unit in the tax authority. *Impacts* measure the aggregate and often longer-term results of the reform program, such as a higher tax compliance rate, increased tax revenues or lower administrative costs for taxpayers.

Selecting a Monitoring and Evaluation Method

There are various methods for monitoring and evaluating the impact of a project, and the method selected should reflect the complexity of the project, the government's capacity and the available resources. Establishing performance indicators at the beginning of the reform process is often the easiest way to measure the inputs, outputs, outcomes and impacts of reforms and to monitor them consistently over time. Performance indicators should be periodically adjusted to reflect lessons learned. Moreover, impact evaluations can be used to systematically identify the effects of a reform on a target group. Surveys can also be used to collect standardized information from a sample of stakeholders about their experiences with and perceptions of the tax review process, and repeated surveys can allow for trend analysis. The standard cost model can be used to measure the administrative costs that the review process imposes on businesses and individuals. Conducting a standard cost model analysis at the beginning and end of the reform program can be particularly useful when the reforms are designed to lower the administrative burden of the tax review process.

⁶⁷ For further information, see: "Gorgens, Marelize; Zall Kusek, Jody. 2009. Making Monitoring and Evaluation Systems Work: A Capacity Development Toolkit. World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/2702> License: CC BY 3.0 IGO."

Annex 5: Case Study - Reforming the Tax Appeals Process in Jamaica

LESSONS LEARNED FROM REFORMING THE TAX APPEALS PROCESS IN JAMAICA

Jamaica's tax legislation gives taxpayers the right to appeal tax assessments to an appeals authority. The internal appeals process was established as an alternative to an often time consuming and relatively expensive judicial review process, which effectively restricted small- and medium-sized taxpayers' right to an appeal. However, the internal appeals process as it was originally formulated did not represent an efficient and credible alternative to judicial review by the courts. This was due to a number of factors, including an increased demand for administrative reviews, limited human and financial resources, and an expansion of the tax administration's mandate. A considerable backlog of cases accumulated and as a result, many appeals took on average more than one year to resolve⁶⁸. This note examines how Jamaica addressed this issue aiming to substantially reduce the average processing time of cases. The lessons learned from Jamaica's experience are relevant for other tax authorities facing lengthy and costly administrative review processes.⁶⁹

68 Baseline data provided by RAD is pending validation from the WBG project team.

69 This note was prepared by Mr. Marc Reichel (Tax Reform Specialist, Consultant at the World Bank Group), as well as officers of the Revenue Appeals Division of the Ministry of Finance and Planning of Jamaica.

CONTEXT

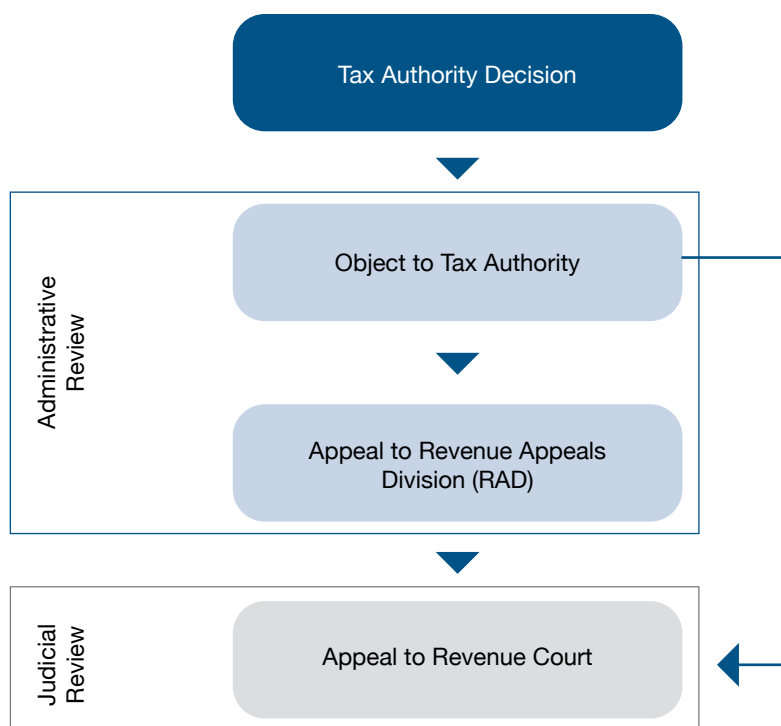
It is common practice to provide taxpayers with an opportunity to request an internal review of disputed decisions by the revenue authorities. A credible, independent and fast appeal process improves taxpayer confidence in the tax system, reduces opportunities for illegal tax collection and curbs corruption and extortion by tax officials.⁷⁰

There are two general types of review processes:

1. An *internal or administrative review* is typically conducted by officials of the tax authority; and
2. An *external or judicial review* is conducted an independent court of law.

Most countries, including Jamaica, offer taxpayers the possibility of both requesting an administrative review of an assessment and subsequently a judicial review by the courts.

Tax Appeal process in Jamaica



In Jamaica, the courts accumulated a large backlog of cases, which significantly extended the time period for judicial review decisions. To address this, an additional internal appeals process was established to provide taxpayers with a cheaper and faster alternative to the courts. This resulted in a three-tier system in which a taxpayer could object an assessment of the tax authority to the objec-

⁷⁰ World Bank, Handbook on Tax Simplification, 2009, p. 131.

tions unit of the tax authority, then file an appeal against the objection decision to the Revenue Appeals Division (RAD),⁷¹ and subsequently appeal against the RAD decision to the courts.

In 2010 the government decided to overhaul the institutional and procedural arrangements for appeals. At the time, the Taxpayer Appeals Department (TAD) was not a separate, independent entity from the Tax Administration Directorate, as the Commissioner of Taxpayer Appeals reported directly to the Director General of Tax Administration. It was felt that based on international best practices, TAD should be a distinct and independent agency in order to ensure the impartiality of its decisions. The International Monetary Fund (IMF), in a report on its 2006 mission to review the proposed reform, formally proposed the separation of TAD, and this suggestion was subsequently approved by the Cabinet. The World Bank Group was asked to support the reform process in 2013, and it has, in partnership with the governments of Canada⁷² and Switzerland⁷³, provided technical assistance to aid various elements of the reform program since that time.

Despite implementation of some of the reform recommendations, RAD continued to face a backlog of cases. In 2014 RAD had a backlog of 240 appeals cases and it took RAD an average of more than 1.5 years from the date of acceptance, and 5 months from the conclusion of a hearing, to deliver an appeals decision.⁷⁴ Considering that an appeal suspends the taxpayer's payment obligations in Jamaica, the procedure had a significant effect on government revenue. Approximately JMD 3 billion (US\$25 million), or 0.5 percent of the public budget, was held up in the appeals process in 2014.⁷⁵

While Jamaica's institutional arrangement to allow for two sequential administrative reviews is unusual, the lessons learned from reforming the Jamaican appeals process can be useful for other countries facing an inefficient and expensive administrative or judicial review process.

ISSUES

An analysis of Jamaica's internal review process in 2013 showed that taxpayers, though generally content with the quality of appeals decisions, were dissatisfied with the length of the process. Moreover, the revenue authorities expressed concerns about taxpayers misusing the process to delay their tax payments. Several factors contributed to the length of the review process: (i) a formal hearing had to be convened for every appeal; (ii) the Commissioner of RAD had to chair each hearing; (iii) both the taxpayer and the tax authority had to be present at the hearing; (iv) every appeal had to be determined by issuing a formal decision; (v) case files from the tax author-

71 The former Tax Appeals Department (TAD) was renamed Revenue Appeals Division (RAD) in 2015.

72 Global Affairs Canada (GAC)

73 The State Secretariat for Economic Affairs (SECO)

74 Baseline data provided by RAD is pending validation from the WBG project team.

75 Ministry of Finance and Planning

ities were submitted late and in some instances not submitted; and (vi) there were no penalties in place in the event that a party delayed or obstructed the appeals process.

Overall Reform Program

The objective of the reform was to create an appeals process that enabled an average appeal time of six months from the time the case was accepted and 60 days from the date the hearing was concluded, without compromising the quality of the appeals decision.

Components and Sequencing

The first step in initiating such a reform should be to formulate a policy that defines the overall role of the appeals process, possible institutional options and the legal approach. Legislative drafting should only begin after policy questions are resolved. The Government of Jamaica considered several options, including to consolidate the administrative review process into only one stage, establish a more formal tax appeal tribunal, or to maintain the three-tier review process, but make it more efficient and autonomous. The decision was to adopt the third option, as it would minimize disruptions to the system and could be achieved at less cost.

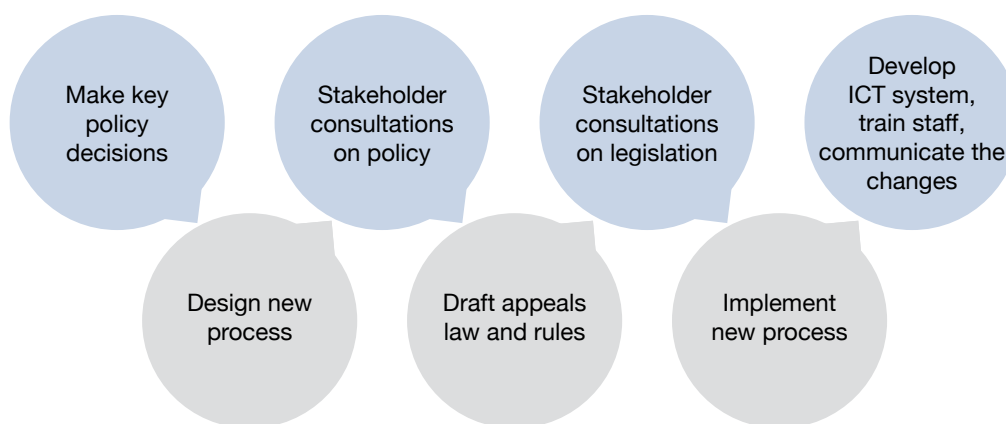
A team of international experts from the WBG provided support for each of the four main components of the reform program:

1. *Drafting a new revenue appeals law and implementing its rules.* Many of the envisioned institutional changes required legislative backing. The government opted for a new law instead of amending the existing Revenue Administration (Appeals and Disputes Settlement) Regulations of 2002. The key rationale behind preparing a new law was to consolidate the new appeal institution, which was to be separated from the tax authority;
2. *Implementing institutional and procedural changes.* In order to make the reform worthwhile, the additional flexibility afforded to the appeals body in the new legislation needed to result in streamlined procedures. This component included an analysis of existing processes and recommendations for improvements. Outputs included detailed process flow charts, simplified forms and new templates, a Memorandum of Understanding between RAD and the tax authorities, a detailed operations manual and staff training on the new operating framework.
3. *Automating the process.* The goal of this component was to improve the review process' efficiency by linking the appeals body to the tax authorities, using digitalized files, assisting officers in processing an appeal, sharing file information within the organization and producing status reports.
4. *Communicating the reform and educating taxpayers on the new appeals framework.* A new communications strategy was adopted and elements of the associated action plan were

implemented to coincide with key milestones, materials were developed, and staff were trained on communications and client relations.

Sequencing the Reform Process

The sequencing of the components was important. The entire process, from drafting instructions to the adoption of the Revenue Appeals Division Act, took over four years and involved thirteen drafts. During these four years, a marginal amount of work could be done on the other components of the program⁷⁶. Additional work on the other components could only commence after the shape and content of the Act and its rules became apparent. For example, the process flow charts and forms had to be designed before a first draft of the manual could be produced.



Legislative Changes

A new law was necessary to establish the independent appeals institution within the Ministry of Finance and Planning, now called RAD, mandated to decide on tax and customs appeals. The new legislation consisted of two parts: a law dealing with the institutional set up and implementing rules establishing the appeals procedure. The institutional provisions provide RAD with its own independent legal framework and establish the principles for its operations.

The rules on the appeals procedure will:

- **Eliminate the obligatory formal hearing in appeals cases** and instead give the Commissioner of Appeals three options: (i) to conduct a formal hearing; (ii) to facilitate a settlement between the parties; or (iii) to issue a decision without a formal hearing based on the documentation available.

⁷⁶ The WBG team started contributing to the process when the reform was already 2 years underway. This particular process took an extended period of time to implement since it included the creation of a new law, an independent appeals institution as well as an automatization.

- **Enhance the right of officers to collect information in informal meetings.** This will give the taxpayer the right to be heard, yet without the time-consuming formalities of a formal hearing.
- **Allow the Commissioner to delegate powers.** The old system resulted in a bottleneck, as formal hearings had to be conducted and every step in the process had to be confirmed by the Commissioner.
- **Allow RAD to decide an appeal when one of the parties willfully tries to delay or obstruct the appeals process.**
- **Though not obligatory, allow the taxpayer to request a formal hearing.**
- **Allow the taxpayer to go directly to the Revenue Court, waiving the right to an appeal.**

Details of the appeals process were only formulated during the legal drafting phase, which may have extended the drafting process.

Institutional and Procedural Changes

Detailed flow charts were used to redesign the review process. The development of case criteria was particularly important in determining whether an appeals case could be decided based on the available documentation, needed a formal hearing or might be suitable for a settlement. A range of supporting documents were enhanced to streamline the process and make the reforms sustainable, including:

- ✧ **Mandatory Appeal Forms.** Prior to the reforms appeals could be submitted by letter and in any format. The advantage of the mandatory form is that the appellant is encouraged to submit only relevant facts and the reviewing officer knows where to find relevant information. The appeal form is available in all tax offices and can be downloaded from the tax authority's website.
- ✧ **Withdrawal Forms.** Under the old system appellants usually submitted a letter indicating their intent to withdraw an appeal. Nothing in the law explicitly facilitated the withdrawal of an appeal. The law now gives appellants the option to withdraw an appeal using a prescribed form.
- ✧ **Operating Manuals.** A more-detailed operations manual provides practical guidance to appeals officers and helps ensure the consistent application of appeals legislation.
- ✧ **Settlement Templates.** The previous law did not allow for settlements. The new settlement template clarifies the rules surrounding settlements and ensures that essential information is included. It also contains the legal provisions of a settlement.

- ✧ **Decision Templates.** A decision template ensures that all relevant facts are included in the decision and that information is presented in a standard format. The decision template was revised in line with other procedural reforms.

A Memorandum of Understanding was signed between RAD, the tax administration and the Jamaica Customs Agency under the supervision of the Financial Secretary within the Ministry of Finance. It stipulates the rights and obligations of each party with regards to facilitating and expediting the review process, assigns liaison officers to each of the parties, and includes guidance on resolving disputes.

The Role of ICT

The reform program attempted to move the country from paper-based management of the appeals process to a digital file management system. This was particularly important as previous review delays were often caused by a failure of the tax authority to send relevant tax files to the appeal division on time. In addition to its time savings, an electronic system can increase internal transparency by allowing for greater sharing of case data and performance reports.

This coincided with larger efforts to computerize the tax administration's operations. A new ICT operational system was implemented, which will include a module that will be adopted to RAD. As a result, both agencies will be able to use certain digitalized files, yet at the same time secure sensitive data from being accessed. This is important as it ensures RAD's status as an independent review authority.

Training

The training of RAD staff was an important component to ensure proper implementation of the reforms. Trainings included a course on legislative changes and their applications, ICT use and the new case management system, public speaking, interacting with taxpayers and media management. The courses were provided over 12 months.

Communication Strategy

A communications strategy was developed and endorsed by the head of RAD to establish the guiding principles and policies of the organization's outreach activities. A detailed work plan was also developed to ensure that the public was well informed on the reform program and the new review framework once the legislation was drafted.

RAD prepared materials such as frequently asked questions, brochures, videos and other documents. Trainings were conducted for RAD staff to strengthen their communications with the media and stakeholders and improve client relations. Meetings and sensitization sessions were also held with various stakeholder groups, informing them of the contents of the RAD bill.

PERFORMANCE INDICATORS

RAD refined the performance indicators that were in use under the previous system. Setup of the RAiS software included the production of real-time performance data, as well as monthly, quarterly and annual reports. RAD plans on releasing some of the data to the public to make the process more transparent; for example, the average duration of the appeals process and the success rate for appeals. This information will also be presented in an annual report to Parliament. Performance indicators include (i) the total number of appealable decisions; (ii) the number of new appeals broken down by appealed tax and region; (iii) the stock of appeals broken down by appealed tax and region; (iv) the average amount appealed; (v) the number of appeal decisions broken down by type (confirmed, discharged, altered, settled), tax and region; and (vi) the average duration of the appeal process.

LESSONS

Appropriately sequencing reform components and effectively communicating reforms to both staff and the public are key components of a successful administrative reform program. Key lessons learned from Jamaica's reforms to the tax appeals process include:

- **Establish and update performance indicators** at an early stage in order to document the impact of reforms and ensure that improvements are sustainable.
- **Answer key policy questions and formulate them within a policy document to guide the entire reform process.** Key questions include, what is the problem to be solved? What will the internal review achieve and how will achievements be measured? What is the most effective and efficient institutional set up to achieve the objective? How independent from the assessment will the review process be and how will the degree of independence be measured? Will the request for an internal review suspend the taxpayer's payment obligation? Will all or certain groups of taxpayers be able to waive the right for an internal review and go directly to the courts?
- **Consult with stakeholders at an early stage**, once the basic policy parameters have been formulated, to garner support, avoid misunderstandings and address concerns;
- **Address the review process from the start in a comprehensive way.** In Jamaica, gains from reforming appeals procedures were partly offset by the lengthy objections process at TAJ prior to the appeals process. It became apparent that reforms needed to be extended to the objections stage;
- **Incorporating an ICT component to the reforms can contribute to the more efficient processing of information, but cannot replace the need for reforming the appeals process;**

- **There is a tradeoff between simplifying rules to enhance public understanding, particularly in rural areas, and ensuring a detailed and efficient review system.** Finding the right balance can be challenging and highlights the importance of developing an effective communications strategy.
- **The WBG's support helped create momentum for the reform program.** By following up and meeting several times with stakeholders, particularly the drafters in charge of finalizing the new law and regulations, the WBG helped facilitate a successful reform outcome.

CONCLUSION

Reforming an inefficient administrative tax review process can entail considerable advantages for the taxpayer and the state. An internal review is often the only realistic option for a taxpayer looking to obtain a second opinion on a tax assessment. A credible, transparent and fast review process can promote tax compliance. An internal review is often more credible and acceptable to a taxpayer if the reviewing body is independent from the assessment agency. Reforming the review process can generate additional revenue for the government, particularly when an appeal suspends the taxpayer's payment.



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