

# TAXPAYER INFORMATION SERVICES

Anandita Bagchi  
Kalyan Chand

# CHANGE FROM 'COMMAND AND CONTROL' TO 'VOLUNTARY COMPLIANCE'

## ❖ Factors affecting voluntary compliance by taxpayers

- Certainty of the amount
- Convenience to pay it
- Attitude of the tax administration

## ❖ Taxpayers' rights and obligations

- Countries have either published formal 'taxpayers' charters' or included behaviour expected from officials in the revenue body's 'mission statement'.
- **United States of America** – Taxpayer Bill of Rights groups existing rights of the taxpayer into ten **fundamental** rights. First among them is the **'Right to be Informed'**.
- **Canada** – CRA believes that taxpayers are more likely to comply with the law if they have the requisite information to meet their obligations. It has brought out the 'Taxpayer Bill of Rights Guide: Understanding Your Rights as a Taxpayer', setting out in detail 16 rights.



# CHANGE FROM 'COMMAND AND CONTROL' TO 'VOLUNTARY COMPLIANCE'

## ❖ **Taxpayers' rights and obligations (cont.)**

- **Australia** – ATO has issued a 24 page document title 'Taxpayer's charter – what you need to know'. 13 'expectations' that the taxpayer may have from the revenue body have been stated along with 6 obligations that the taxpayers have (reasons for each obligations have also been shared).
- **Singapore** – 'Service Pledge' by the IRAS which states 'expectations' and then lists out 'areas of cooperation'.
- **India** – Revised 'Citizens' Charter' issued on April 29, 2014. '**Expectations from the Taxpayer**' laid out in 12 points, followed by what the Department endeavours to do. No rights of the taxpayer stated in the charter.

## ❖ **Points to be noted**

- Charters of countries such as the US, Australia, and Canada do not *create* new rights, only highlight and showcase rights for taxpayers to understand them.
- These rights are available to Indian taxpayers as well, but are not consolidated for the benefit of the taxpayers' knowledge and *information*.



# SEGMENTATION OF TAXPAYERS: UNDERSTANDING TAXPAYER BEHAVIOUR

- ❖ **Necessary to recognise that individuals and businesses have a complex set of motivations**
  - These motivations are strongly affected by the actions of tax administrations, legal framework, as well as societal norms and economic incentives.
  - Heterogeneity of taxpayer population → different reasons and intentions causing non-compliance → complicates the service challenge
- ❖ **Move towards ‘customer segmentation’ approach by tax administrations**
  - Successful tax administrations have realised that this approach to planning and delivery of information services has a higher potential of achieving desired results.
  - Specific taxpayer segmentation models been developed by revenue bodies to target specific taxpayer groups with **tailored information** through **appropriate channels**.



# SEGMENTATION OF TAXPAYERS: UNDERSTANDING TAXPAYER BEHAVIOUR

## ❖ Canada

- Taxpayer Attitudinal Segmentation Research in 2011 using cluster analysis. Six segments derived:
  - ✓ law abiders
  - ✓ altruistic compliers
  - ✓ rationalisers
  - ✓ underground economists
  - ✓ over-taxed opportunists
  - ✓ outlaws
- Currently, CRA uses improved information technology and data analysis to distinguish between:
  - ✓ those who can and want to pay
  - ✓ those who owe but cannot pay immediately
  - ✓ those who are unwilling to pay.

## ❖ United Kingdom

- Exercise conducted for both, individuals and (SMEs) in 2012 and 2013 respectively.
- Individual Segmentation Enhancement report:
  - ✓ unaware
  - ✓ willing but need help
  - ✓ willing and able
  - ✓ potential rule breakers
  - ✓ rule breakers.
- SME Compliance Segmentation:
  - ✓ willing and able
  - ✓ payment deferrers
  - ✓ potential payment deferrers
  - ✓ unaware and willing but need help
  - ✓ rule breakers
  - ✓ potential rule breakers.



# SEGMENTATION OF TAXPAYERS: UNDERSTANDING TAXPAYER BEHAVIOUR

## ❖ Australia

- ATO understands that taxpayers are not a homogenous group.
- It uses a two sided model – left side identifying the **BISEP factors** affecting taxpayers' compliance decisions, right side setting out the 4 categories:
  - ✓ have decided not to comply
  - ✓ don't want to comply
  - ✓ Try to, but don't always succeed
  - ✓ willing to do the right thing

## ❖ United States of America

- Tax gap reflects the extent of non-compliance, but it is important to understand the reasons for compliance or non-compliance.
- 'IRS – Taxpayer Compliance Research' provide insights into taxpayer behaviour using the following means:
  - ✓ Econometric analyses
  - ✓ Lab experiments
  - ✓ Field or natural experiments



# SEGMENTATION OF TAXPAYERS: UNDERSTANDING TAXPAYER BEHAVIOUR

## ❖ South Africa

- SARS understands that compliance ranges from :
  - ✓ conscious and determined non-compliance, through
  - ✓ 'grudging' compliance, to
  - ✓ unwitting non-compliance (due to lack of knowledge of legal requirements), and finally to
  - ✓ willing and purposeful non-compliance
- It accepts that:
  - ✓ a certain number of people will always do the right thing
  - ✓ others will always do the wrong thing, and
  - ✓ and some people fit in between these two extremes, i.e., they will do the right thing if the circumstances are right for them

## ❖ India

- Not yet developed any focussed strategies using segmentation analysis
- Only attempt as yet – introduction of Large Taxpayer Units (LTUs) in 2006 – did not meet with much success.
- Tax Administration Reform Commission has also stressed on the necessary nature of taxpayer segmentation.



# TAXPAYER INFORMATION SERVICES: MODES OF DELIVERY AND INTERNATIONAL BEST PRACTICES

## ❖ **Modes of Delivery covered in the study:**

- The Tax Administration's Official Website
- Educational Publications for Taxpayer Information
- Circulars, Rulings, and Instructions
- Telephone Contact Centres and Interactive Voice Response System
- Written Communication with Taxpayers
- Publicity Campaigns
- Community Engagements Programmes
- Social Media Technologies





# TAXPAYER INFORMATION SERVICES: MODES OF DELIVERY AND INTERNATIONAL BEST PRACTICES

## ❖ **The Tax Administration's Official Website**

**CRA:** information on tax laws and regulations in easily understandable language.

: personalised messages to the taxpayer (eg. “If **you** fail to file an information return by the due date, **we** may assess a late filing penalty”)

**ATO:** ICT links to lodge tax returns provided – detailed instructions for filling up tax forms along with the return form (eg. The ‘Individual Income Tax Return Instructions 2015’ is an 84 page document along with **illustrations**)

**US IRS:** inclusion of ‘tax consultants’ as a separate tab on the website for information pertaining to them.

## ❖ **Educational Publications for Taxpayer Information**

**ATO:** publishes Law Administration Practice Statements – internal ATO documents.

: available for public consumption on ATO’s website along with protection to taxpayers who rely on them.

## ❖ **Circulars, Rulings, and Instructions**

**ATO:** ATO Advice Products (public ruling, product ruling, class ruling, **oral ruling**, administratively binding advice.

: **all rulings are available in a structured manner** on ATO’s website for the public.

**CRA:** new service called **Public Body Ruling**

# TAXPAYER INFORMATION SERVICES: MODES OF DELIVERY AND INTERNATIONAL BEST PRACTICES

## ❖ Telephone Contact Centres and IVRS

- Contact centre numbers provides either activity-wise (HMRC) or taxpayer-wise (US IRS/CRA) mostly
- All contact centre numbers mention the hours and days of operation.

## ❖ Publicity Campaigns

- Sufficient funds deployed by tax administrations (eg. HMRC invested GBP 917 million between 2010 and 2015 to increase tax compliance)
- Thinking outside the box: SARS – “We put ourselves in the shoes of taxpayers, and try to get the nation talking, thinking, and sometimes even chuckling.

## ❖ Written Communication with Taxpayers

- Response to written communication ensured by the revenue administrations (UK, USA, Australia, Hong Kong, Singapore, South Africa)
- Defined timelines to send substantive replies.
- Timelines: staggered or single target.
- Revenue administrations do not ask for information already submitted to them earlier.



# TAXPAYER INFORMATION SERVICES: MODES OF DELIVERY AND INTERNATIONAL BEST PRACTICES

## ❖ Community Engagement Programmes

- Target audience: individuals with modest income and a simple tax situation
- Community organisations set up tax preparation clinics – train volunteers.
- Increases camaraderie amongst citizens – increases sense of responsibility (eg. USA – In the 2015 filing season, over 90,000 Americans helped prepare more than 3.7 million returns at thousands of tax sites nationwide.
- Free of cost

## ❖ Social Media Technologies

- ATO: engages in two-way communication with taxpayers when online – helpful, unobtrusive messages delivered **when the taxpayer is online.**
- Formal strategies published on the use of social media.
- Warning against posting Social Security Numbers or confidential information.




# TAXPAYER INFORMATION SERVICES: ASPECTS OF QUALITY

## Accessibility of Information

- **US IRS:** Accessible forms and publications; American Sign Language (ASL) videos
- **HMRC:** Text relay, textphone service, British Sign Language (BSL) videos, face-to-face help from HMRC adviser, forms in Braille, large print.
- **India:** Website can be accessed using assistive technology, accessibility features such as icons and alternate text – can still be augmented

## Assurance of Reliable and Updated Information

- **HMRC:** Date of first publication and date of which last updated for all policy documents, guidance notes.
  - **ATO/ US IRS:** Each webpage mentions the date on which it was last reviewed/ updated/ modified.
  - **India:** Date of updating information being mentioned since the launch of the upgraded website of the Income Tax Department in November 2015 – the practice is not being uniformly followed as yet – presence of disclaimer on the website that in case of discrepancy between the Hindi versions/ translations and the English ones, the latter will prevail.
- 

# GAUGING THE IMPACT: SERVICE DELIVERY STANDARDS

- Revenue administrations around the world fix service delivery standards for delivery of quality services to taxpayers.
- Performance evaluation targets are made public – increasing transparency, instilling confidence.
- It is still a relatively immature practice – OECD Study 2015
- **ATO** has 5 ‘service commitments’ which are tracked by ‘assessment indicators’, each of which are mapped with the use of performance measures – Change of terminology from ‘service standards’ to ‘service commitments’.
- **India** – Income Tax Department lists out 16 services and their delivery timelines in the Citizens’ Charter. **The turn-around-time for information queries is not listed.**
- Publishing results of achieved against the decided delivery standards – transparency reinforced.

## Australian Taxation Office: Service Delivery Performance for the Current Year (2015-2016)

S.No.	Service Standards (Performance Measures)	Result	Status as on
1	People surveyed agreed that the ATO provides information that can be relied on and understood	75% (relied on) 76% (understood)	June 2015
2	People surveyed agreed that the ATO provides information sufficient to meet their needs	76%	June 2015
3	90% of quality performance measures have been met	94%	June 2015

Source: ATO website



# SERVICE CHANNELS TRACKED AND THE PARAMETERS

## Written Correspondence

Taxpayer services: Service standards and performance in 2013: written correspondence		
Country	Sending substantive reply to written correspondence	
	Standard set for processing in 2013	Result
Australia	85% in 28 days	92%
Canada	-	-
United Kingdom	80% within 15 working days and 95% within 40 working days	85%/97%
United States	Routine letters; (1) Interim response in 30 days, and (2) Final response in 45 days	(1) 100%, (2) 55 days
Hong Kong, China	Simple: 95% in 7 working days, 99% in 9 working days; Technical: 98% in 21 working days, 99% in 42 working days	99.9%; 99.9%
Singapore	80% in 15 work days	92.30%
South Africa	75% within 21 days	75.10%
India	Data for India was not incorporated in this table	

Source: OECD, Tax Administration 2015

## In-person Inquiries

Taxpayer services: Service standards and performance in 2013: in-person inquiries		
Country	Dealing with in-person inquiries at tax offices	
	Standard set for processing in 2013	Result
Australia	90% in 15 min.	96%
Canada	-	-
United Kingdom	-	-
United States	-	-
Brazil	Average waiting time of maximum 15 minutes	10 mins 42 secs
Hong Kong, China	Peak times: 95% in ten minutes	99.60%
	Other times: 99% in ten minutes	100%
Singapore	80% in 20 minutes	88.70%
South Africa	-	-
India	Data for India was not incorporated in this table	

Source: OECD, Tax Administration 2015



# GAUGING THE IMPACT: TAXPAYER SATISFACTION SURVEYS

- Essential to periodically review the situation on ground.
- Taxpayer satisfaction surveys/ taxpayer perception surveys carried out by revenue administrations – reflect the effectiveness of the measures taken by the revenue administration to **promote voluntary compliance** by the **provision of adequate information services**.
- **ATO**: conducts research itself or engages a third party – surveys are either regular or one-off research projects.
- **US IRS**: ‘Customer Satisfaction Surveys’ by mail, telephone and online – periodicity: annual, semi-annual, bi-annual, quarterly, and one-time – uses the American Customer Satisfaction Index (national indicator of customer satisfaction)
- Tax administrations have online surveys at the end of their home page asking the customer how their experience was in using its website.
- Research on common mistakes made by taxpayers, results placed on the revenue body’s website.
- Currently, the Indian Income Tax Department does not conduct satisfaction surveys nor publishes data on common mistakes by taxpayers.



# RECENT INITIATIVES BY THE INCOME TAX DEPARTMENT

- ❖ Two separate Directorates — Directorate of Tax Payer Services I and Directorate of Tax Payer Services II in CBDT.
- ❖ Launch of upgraded website of the Income Tax Department in November 2015
- ❖ Categorisation of taxpayers into Individual/HUF, Firm/LLP/AOP/BOI, Company, Trust, Non-resident, Tax deductors prominently on the home page
- ❖ Date on which information on certain webpages of the website was updated is now being mentioned.
- ❖ Twitter handle of the Income Tax Department launched in November 2015.
- ❖ Increasing number of FAQs on the Income Tax Department's website are now answered in layman's English rather than being quoted verbatim from the Income Tax Act, 1961 or any related law.





## SELECT RECOMMENDATIONS FROM THE STUDY

- ❖ Comprehensive Taxpayers' Charter must be drafted with 'rights' of the taxpayers clearly mentioned.
- ❖ Taxpayer segmentation exercise must be carried out to tailor information service delivery for different categories of taxpayers.
- ❖ Removal of disclaimer from the information booklets. Insert a statement, like the ATO, assuring the taxpayers that if they apply the information stated in the booklet in good faith, they will be absolved of the liability to pay fines and penalties.
- ❖ Social media must be used beneficially. Draft participation guidelines to be followed by the revenue officers and the public.
- ❖ Bring out forms and publications in disability friendly versions
- ❖ Taxpayer Satisfaction/Perception Surveys must be conducted to gauge the satisfaction levels and perception of the taxpayers



Thank You

