

Corte dei conti



The effects of the action of the fiscal control on the stabilization of tax compliance. The change in taxpayers' behavior

The need of a new strategy

EUROSAI Seminar – Audit of Public Revenues –
Exchange of Experience, Problems and Best Practices -
Prague, 22-24 October 2014



The Corte dei conti activity

- The Corte dei conti has studied the effects on the taxpayer behaviours caused by the tax control
- The study has shown the poor effect of the *ex post* control on the tax compliance level of the subjects submitted to the control



The reason of the limited effects of the tax control activity

a) Inadequate number of the controls carried out yearly, compared to the number of taxpayers which can estimate their tax contribution level for spontaneous compliance (declaration and payment of the tax): about 250.000 in-depth audits, yearly, on about 4.500.000 persons which perform independent activities (companies, individual firms, professionals)



The reason of the limited effects of the tax control activity

b) The inadequate level of the administrative sanctions. The Italian legislation has been progressively weakened up to provide for, in case of amicable definition, a sanction equal to 1/6 of the minimum sanction corresponding to 16,66% of the major payable tax (from 2009 to 2011 the amount of the sanction was even decreased to 1/8, that is the 12,5% of the evaded tax)



The reason of the limited effects of the tax control activity

c) The inapplicability of the criminal sanctions. In Italy, the penal tax system is characterised by the same inefficiencies which are typical of the whole penal system: difficulty to reach the final judgement before the statute of limitations, remote chance of the effective application of the custodial penalty if convicted, etc.



The reason of the limited effects of the tax control activity

d) Strong restrictions on the forced tax collection. The relevant procedure for the forced collection of the assessed tax, carried out by the public body responsible for the collection (Equitalia), has been progressively weakened because of the public opinion reaction, often not justified. Currently, it is very high the option of not paying taxes and sanctions



The reason of the limited effects of the tax control activity

Essentially, the insufficient number of in-depth assessments, small consistence of administrative sanctions, inadequate applicability of penalties, ineffectiveness of the forced tax collection make the Italian audit system not able to significantly affect the tax behaviours.



The need of a different strategy

To improve the tax compliance level it is necessary to define a new strategy based on:

- an advanced use of information and communication technologies in a preventive and persuasive way
- a different role of the tax administration, aimed to assistance and comparison with the taxpayer before the tax compliance
- a more adequate ratio between the control risk and the amount of due penalties



The IT in a preventive and persuasive way

- The Information and Communication Technology (ICT) has so far been used to strenghten the *ex post* tax control activity (cross-checks customer-supplier for the VAT, statements by the withholding agent, personal general information, financial reports, etc.).
- It is necessary to overcame this approach which impacts with the number of controls that the tax administration is able to carry out yearly.
- To use the data of the IT system in an informative and persuasive way, in order to positively influence the taxpayers behaviour when they declare and pay taxes.



Advanced use of Information and Communication Technologies in a preventive and persuasive way

For example, data relating to customers and suppliers affect about 4,5 million people. Currently, these data are used in two or three years after the submission of individual tax returns and allow to carry out only tens of thousands of assessments, within the limited operative potentialities of the administration. If the same data were available before the submission of the tax returns and were made available to the taxpayers and their advisers, it would exert a preventive and strong moral suasion, thus improving the level of tax compliance.



Advanced use of Information and Communication Technologies in a preventive and persuasive way

The same considerations can be applied to the financial and bank data, which today affect millions of taxpayers but are used to a few tens of thousands of assessments, to the data concerning the sector studies, to the data relating to the consumptions which are significant for the synthetic assessment.

Essentially, it is to provide the taxpayers with all the information concerning them before they fulfill the obligation of declaring and paying taxes.



The different role of the tax administration

- Together with the different use of the ICT, it is necessary to give the tax administration a precise communicative and persuasive role with regard to the taxpayer, already at the tax compliance phase.
- After the telematic provision of data through the IT system, the taxpayer must to be able to deal with the tax office to obtain clarifications, underline errors in order to have a guidance on how to behave.



Conclusions

The increase of tax compliance levels can be reached by a combined use of different tools: a) use of ICT and administrative action in an informative, preventive and persuasive way;

b) adequate ratio between the number of practical and feasible ex post controls and the amount of the sanctions applied in case of substantial irregularities.

Corte dei conti



Thank you for your attention