Panel 5: Efficiency, Digitalization, and Taxpayer Rights in the Collection of Tax

Abstract:

Taxpayer Rights Vulnerabilities in Tax Collection

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Three key domains in tax collection pose significant threats to taxpayer rights: digitalization of tax payment systems; advance payments by taxpayers; and outsourcing of tax payments administration. All three domains have sound rationales for their enactment and the potential to generate substantial benefits for both tax authorities and taxpayers. However, these domains also pose significant threats to taxpayer rights. The very elements essential for effective digitalization also decrease flexibility and facilitate fraud. Advance payments can help taxpayer liquidity management and smooth the flow of government revenue but taxpayers might find it very difficult to receive refunds of overpayments. Outsourcing of tax collection can improve taxpayer convenience and reduce tax authority corruption, whereas outsourcing of tax enforcement undermines government credibility and is open to abuse and lack of accountability. In all three of these tax collection domains the key is optimizing benefits while minimizing harm.