



HOW TO

NOTES

How to Use the Assessment Tool of the IMF Framework for International Tax Administration Strengthening

Susan Betts, Annette Chooi, Philip Fortier, and Pierre Kerjean

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International Tax Administration Strengthening**

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How to Use the Assessment Tool of the IMF Framework for International Tax Administration Strengthening

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The Framework for International Tax Administration Strengthening (FITAS) presents a structured framework to improve a country's international tax administration capacity. Jurisdictions are encouraged to use this assessment tool to enhance their understanding of their administration's capacity to manage international tax risks and then develop prioritized and sequenced action plans that will address the identified weaknesses over time. This publication will help administrations identify opportunities for capacity building and will promote a greater awareness of the international tax landscape.

General Description of the Assessment Tool

The assessment tool (see Table 1) allows an evaluation and rating of the six FITAS categories against a continuum that represents the tax administration's progress toward reaching international good practice. There are three stages (ratings) in the continuum: (1) emerging, (2) progressing, and (3) established good practice. The assessment tool provides examples of the capabilities expected in each category and element. The goal of a tax administration is to reach "established" for each of the elements contained in the FITAS.

For each FITAS category and element, questions have been designed to help tax administrations reflect on their current situation, and assess and rate their progress (see Table 2). Specific considerations are identified in each question to guide an assessment of the level of development for each element of the six categories of the FITAS. Where there is more than one question per element, a consolidated view will be required to arrive at an overall rating for that element. Similarly, the rating for each category is determined by considering the rating of the component elements. Forming these consolidated views is not simply a matter of a mathematical averaging: assessors will need to apply their judgment, considering the relative importance of various elements. To measure progress over time, consistency is important in how the FITAS categories, elements, and ratings are measured.

Table 3 presents the summary of the assessment. It is a good tool to present to senior tax administration management as it encapsulates the administration's status in a consolidated format for ease of reference. Judgment will be required to determine the overall rating, based on the relative importance in the tax administration of the various elements within the category.

By using the FITAS assessment tool, tax administrations can diagnose the gaps in their administrative capacity to identify and address international tax risks. The outcome of the assessment is the identification of the administration's capacity gaps, including policy gaps. This can then be used to inform the development of an overarching strategic roadmap and action plans to deliver systematic improvement, guide the development of technical assistance priorities, and inform discussions with partner agencies such as the IMF.

How to Rate

Although some guidance is provided here, country officials are encouraged to seek assistance in applying the FITAS assessment tool to their situation. Development partners such as the IMF are well positioned to compare international good practice in managing international tax risks with a jurisdiction's existing laws and administrative practices. IMF teams often have good knowledge of the overall status of tax administration as a result of many years of CD engagement with countries. This can be very helpful in understanding international tax risks and the institutional needs to strengthen international tax administration capacity. When such an evaluation is conducted in consultation with managers and experts from the administration, a comprehensive picture of existing gaps in administrative capacity can be established to inform the development of a strategic roadmap and to prioritize and sequence the actions needed to address the gaps.

Administrations may undertake a self-assessment using the FITAS assessment tool, but such analysis may not be as comprehensive. A self-assessment would not have the benefit of advice from a range of experts with broader experience in the field of international tax and relevant cross-country experience. Developing countries may greatly benefit from assistance in conducting the assessment and formulating and implementing action plans to strengthen capacity. Country officials will also benefit from a better understanding of the comprehensive approaches needed across tax administration operations to manage international tax risks, whether the tax administration is preparing for an assessment by a development partner or a self-assessment. In the latter case, a quality assurance process by experts with international tax experience is recommended to validate the findings.

The assessment tool questions provided in Table 2 are generic in nature, to allow application to any country. Where assistance from a development partner is available, the assessment tool can be further tailored to the country's particular situation, including its legal framework, which will provide a more accurate and detailed view of the gaps, enabling better strategies to be developed.

Some elements may be more important than others. This will be influenced by the country-specific circumstances and the relative priority and nature of international tax risks. Although simple averaging may be appropriate in some situations, the team conducting the assessment will generally need to apply its expert judgment to decide the ratings for elements and categories. For example, if a critical element is weak or missing, it may be necessary to rate the entire category at the lower level to ensure that the critical element is elevated for consideration. Although tax administrations may be tempted to rate up rather than down, where there is doubt, it is better to choose the lower rating to ensure that critical gaps are not overlooked.

It is important to avoid over-rating as this may mask development needs, potentially causing them to be overlooked. The purpose of the assessment is to identify and prioritize core institutional and procedural weaknesses, develop the capacity needed to overcome such weaknesses, and develop strategies and action plans to address those needs. The assessment provides one of the foundational elements for the overarching strategic roadmap and action plans that guide the direction, priorities, and activities to be undertaken to address capacity gaps. It is important, therefore, to ensure that there are no material omissions that may lead to suboptimal results. It is equally important to document the rationale behind each rating. The more detailed the assessment, the easier it will be to identify and prioritize the actions required to address the gaps.

A multidisciplinary team will be needed to conduct the capacity assessment effectively. The scope of the six categories outlined in the FITAS highlights the diverse range of expertise and skills that will be required to conduct the assessment of capacity in each category effectively. The assessment process also requires the application of professional judgment in reaching conclusions about the capacity across multifaceted and complex areas, such as the adequacy of the international tax legal framework and the skills and expertise gaps within the administration.

It is recommended that subject matter experts work together to reach an agreed view for each element. Subject matter experts would include staff working on the relevant activity and the users of the element. For example, in assessing the People category, it would be expected that the human resource area would be involved, but the managers working in the delivery areas, such as legal, international division (if there is one), and audit, are likely to be the main users and will provide vital insights.

External stakeholders may have a different view of the system in operation and may highlight capacity issues that are not clear to the tax administration. For example, the Ministry of Finance (MOF) may be aware of concerns raised by international contacts or may have received feedback from foreign investors that could help improve processes and relationships. Similarly, if the courts have considered enough international tax cases, they may have useful insights into tax administration capacity. These perspectives should be captured where possible. If feasible, it could be useful to seek the views of trusted professional associations on their insights, based on their interactions with the tax administration. It would be beneficial to consult with stakeholders on their perspectives about the way the administration manages international tax risks.

If the administration has conducted a self-evaluation of capacity, engagement of a development partner at the quality review stage would be advisable. Such organizations have broad experience in working across many jurisdictions and can bring new perspectives and analysis of the international tax risk landscape and provide independence in conducting quality assurance processes. Once the quality review is complete, the findings would typically be submitted to the Management Committee for approval¹. The Management Committee may wish to interview the initial review team and the quality assurance team as part of the approval process and would be expected to provide guidance about overarching strategic direction and areas considered to be of higher strategic priority.

The Management Committee provides strategic direction and appoints officials to lead the development and implementation of action plans. Depending upon the findings of the assessment, the international tax risks identified, the priorities, and the resources available, a number of teams may be appointed to complete the implementation work. At this stage, it is critical to be realistic when developing plans to ensure that the capacity-building efforts can be adequately resourced. Membership of the action planning teams should include staff with the right skill sets, qualifications, experience, and authority. Continuity of staff within such teams is vital to attain results.

The resources invested in building capacity and the ongoing management of international tax risks should be balanced with those assigned to priority domestic risks. In any tax administration, there are likely to be many existing capacity gaps in terms of managing both domestic and international tax risks. It may not be possible to address all gaps immediately. The choices about prioritization are best guided by an understanding of the relative severity of the various risks, both domestic and international, faced by the jurisdiction. Focusing too heavily on one aspect or another may produce unintended results such as declining compliance levels and increasing revenue leakage in neglected areas. Achieving a balanced approach and assigning resources across all priority risks should be the target. Developing and implementing the action plan to build capacity to manage international tax compliance risks should only be resourced to the extent justified by the significance of the international risks identified. The challenge is how to build tax administration capacity for both domestic and international tax risks concurrently.

Analyzing the Six Categories of Capacity

The following discussion examines how each category of the FITAS contributes to international tax capacity and is intended to help identify gaps to strengthen current capacity. The areas that may need to be strengthened to

¹ The “Management Committee” would typically be the most senior decision-making body within the tax administration, with authority to set strategic direction and commit resources from across the entire organization.

support more effective management of the risks to the corporate income tax (CIT) base are discussed under each category. Each tax administration's specific focus for improvement will be based on their diagnosis of current capacity, using the assessment tool results, and the priority international tax risks that are present within the jurisdiction.

People

There is an increasing need for professionalizing the tax administration workforce, particularly in the field of international tax. The relentless increases in complexity and scale of international economic and diplomatic relations, together with advances in technology and data management, are some of the factors driving the need for a highly professionalized workforce. Human resource management is critical in supporting professionalization and in implementing policies designed to build a workforce with the qualifications, knowledge, and skills required across the range of jobs and functions associated with international tax administration. Hiring, developing, and maintaining a highly professionalized workforce for international tax administration is a challenge for most tax administrations around the world, partly because of a wage gap between the private and public services for specialized professionals.

International tax administration typically calls on expertise from many disciplines. In established tax administrations, divisions dealing with international tax are often staffed with, or have access to, a mix of data scientists, economists, information technology (IT) experts, analysts, experts in international tax law, and auditors. Although skills may be honed on the job, particularly where the staff come to international tax with sound experience in other areas, qualifications—including foreign language skills—are increasingly important. Workforce planning, including competency-based recruitment and training, will be required. The planning will depend on the size, maturity, and experience of the tax administration as well as on legal or budget constraints for tax administration staff recruitment. Different approaches can be considered, including peer-to-peer cooperation, mentoring in the context of a technical assistance. In addition, building and maintaining high levels of professionalism are likely to require organizational arrangements that establish international tax specialization and multifunctional international tax teams (discussed further under the “Organization Structure and Governance” section).

Achieving technical mastery starts with recruitment of staff with qualifications and competencies in essential disciplines, as well as with specific personal qualities. Competency-based recruitment with appropriate compensation packages provides the foundation for developing high performing, capable, and credible civil servants with high integrity. Competency may be defined as a set of observable, measurable, and important skills, knowledge, qualifications, and attitudes that are linked to the capabilities required in the various job types within the tax administration. Defining required job competencies provides clarity for the human resources area on the needs of the organization and helps to guide the assessment of candidates. Competency-based recruitment is most beneficial when applied to both base-level entry as well as selections for promotion. In the longer term, achieving established good practice is best supported by an organization-wide competency-based approach to recruitment and training. In the short to mid-term, this may not be feasible across the entire organization, but it may be an option to start this approach as a pilot or trial in the international tax area.

A systematic, ongoing approach to training and development, with formal training, coaching, and on-the-job development, strengthens expertise. To achieve this, traditional forms of human resource management and training, typically found in emerging systems, may need to be enhanced. Generic training delivered by professional trainers with limited experience in the technical field and exam-based assessments that do not evaluate the ability to put classroom lessons into practice are not very helpful in strengthening top-end expertise. For emerging tax administrations, building international tax expertise may require technical assistance and external training opportunities, reinforced with practical exposure on the job. In “progressing” and “established” systems, such expertise is built through both organized and on-the-job training delivered by highly skilled practitioners, and assessed based on field performance and the quality of the results achieved.

Systems and Compliance Risk Management²

Conducting compliance risk management (CRM) analysis requires, among other things, the access to modern IT systems and a wide range of data from diverse sources. This discussion focuses on systems support to strengthen the management of international tax risks associated with the activities of multinational enterprises (MNEs). Discussions under the data category focus on identifying and addressing potential data gaps.

There will be differences across jurisdictions and in approaches adopted to enterprise IT architecture which will affect systems decisions. For these reasons, each tax administration will have different considerations in determining how to achieve the required IT capacity. Guidance is provided here on the IT processes likely to be necessary to support international tax CRM, and the related data onboarding, storage, analysis, exchange, and security requirements. This section does not attempt to provide advice on specific technical solutions (storage, hardware, or software) to deliver these functionalities.

Many tax administrations struggle to manage and make sense of an ever-expanding and complex array of data. Managing international tax compliance risks proficiently requires enhanced capacity to support more flexible approaches and to better manage how the data are supplied, onboarded, stored, and analyzed. These improvements are important not just in making the best use of the data that are currently available, but also to make the best use of emerging innovative technologies to strengthen data management into the future.

Data are required to identify the at-risk populations and support risk analysis at different levels: systemic, operational, and tactical (as described under the “Systems and Compliance Risk Management” section). Analysis at a systemic level builds a deeper understanding of the international tax landscape and the identification, quantification, and prioritization of systemic compliance risks. This level of analysis helps to build an awareness of what is happening across the system. Data are needed to develop operational compliance improvement plans (CIPs), including the identification of who is likely to be participating in risky behaviors, and the best options for prevention and treatment. Once individual risk cases are identified, the focus shifts to the tactical casework of treating the individual instances of likely non-compliance. In many cases, this will involve individual taxpayer profiling using case-level data. Profiling helps determine appropriate compliance actions as well as providing a snapshot of the taxpayer to support the chosen actions.

Systems necessary for international tax CRM processes should support effective data onboarding, storage, analysis, exchange, and security. In examining the range of systems requirements, it may be helpful to break the requirements down into different levels: systemic, operational, and tactical. At a systemic level, international tax CRM involves analysis to identify, quantify, and prioritize existing and emerging systemic risks. At an operational level, it involves developing and implementing CIPs for key taxpayer segments, important industry sectors, and major focus areas. At a tactical level, it involves risk-based case selection, case-level profiling to support case officers in deploying interventions, and the use of case-specific interventions designed to address specific risks or incidents of non-compliance. At each of these levels, systems must include different critical features to support operations.

To support systemic analysis of international tax risks, access to all national data holdings about MNEs, from a variety of data sources, is required. Many tax administrations take a centralized focus on large businesses, but the required data holdings may still be incomplete. Access may be fragmented, sometimes geographically, by tax type, or by data sources, such as tax returns and third-party data. Effective systemic analysis requires that the data can be accessed together for study and that the platforms used are able to support various types of data and analysis (ideally, both structured and unstructured). In strengthening international tax CRM, it will be important to bring together all data relating to large business taxpayers, including MNEs. Where systems do not support comprehensive access to data across the board, this may still be possible for the large business/MNE

² See CRM Framework series on the IMF revenue portal: Compliance Risk Management: Developing Compliance Improvement Plans (imf.org) and Revenue Administration: Developing a Taxpayer Compliance Program (imf.org).

segment, as the numbers of taxpayers are small, so the data may be unified relatively cheaply, within existing capacity, or with minor enhancements.

Operational analysis to support the development of CIPs for priority international tax risks requires insights on behavioral patterns and trends. More and more, tax administrations are seeking to deploy a broader suite of risk treatments and to further align the intensity of interaction with taxpayers with the level of compliance risk. It is, therefore, important that models for risk analysis and case selection are able to deliver this outcome. Ideally, they should incorporate elements, either automated or manual, to help target treatments that are commensurate with the level of risk, and are most likely to succeed in changing behavior. Adopting this approach relies heavily on the availability of rich and accurate data, and the analytics and profiling capabilities to support reliable differentiation between taxpayers to inform the choices of compliance interventions.

CIPs support cross-functional plans aimed at reducing compliance risks in key taxpayer segments, important industry sectors, and major focus areas. In an established system, these plans typically include the development and deployment of automated models for case selection and for determining the most appropriate treatment strategies. In a progressing system, automated case selection for audit may be possible, but automated analysis supporting selection of treatment strategies is likely to be absent. In an emerging system, case selection may be manual, for audit only.

To support tactical analysis, case officers need access to case-specific taxpayer data and suitable software to enable pattern detection, profiling, and risk analysis. In an established system, case officers would have electronic access to all the relevant data in one place, and a range of profiling tools at their disposal. In addition to case and risk profiling, in an established system, case officers would also have access to various visualization tools and social network analysis. These tools help bring together a big picture of relationships and interactions between MNE players within and outside risky groups. This uses techniques designed to illustrate connections and related party dealings that might not otherwise be apparent. In a progressing system, case officers would have some profiling capacity, supported by fragmented data and basic software, but these may be limited and without access to sophisticated tools. In an emerging system, processes may be largely manual and data are limited.

Maximizing the use of available data using modern systems and technologies delivers broad benefits. Good data management supports better service delivery, tighter controls over tax evasion, and increasing transparency. In the field of international taxation, it supports a better understanding and knowledge of transactions carried out by MNEs, a greater flow of information between countries, and a stronger international taxation system, all of which strengthen revenue performance. Achieving these gains will depend to a large extent on enablers offered by modern IT systems and data management. Revenue flows from better management of international tax risks may help to support a business case for the expenditure required for IT systems modernization.

Tools

A range of administrative tools are required to support an evolving international taxation focus in a tax administration. Developing an international tax CRM approach, including CIPs for key taxpayer segments, important industry sectors, and major focus areas, is perhaps the most important tool to support a tax administration's efforts to strengthen international tax capacity. An international tax CRM approach is used to focus compliance improvement efforts on the priority international tax risks that are expected to emerge, or are known to be present, within the jurisdiction. The high-level CRM analysis is then translated into a Compliance Improvement Strategy (CIS) and a series of CIPs, outlining the operational approaches to be adopted.

The CRM approach will be unique to the jurisdiction concerned and based on a study of local conditions. Factors such as the level and nature of MNE operations within the jurisdiction, the current legal framework (including the extent of the treaty network and engagement with international cooperative forums), and the

organizational capacity will all influence the types of international risk likely to manifest themselves, as well as the treatments that can be realistically deployed.

CRM provides priorities and direction for international tax compliance and capacity improvement efforts. The overarching strategic roadmap and the sequencing and prioritization of the suite of action plans for improving international tax capacity should flow from the use of the FITAS assessment tool. The objective is to give priority to strengthening capacity across all relevant categories and elements to help develop more effective responses to the identified priority risks. The strategic roadmap and action plans for strengthening capacity in areas such as the legal structure, data, and systems should also help develop capacity to implement CIPs for key taxpayer segments, important industry sectors, and major focus areas. For this reason, the overarching strategic roadmap and action plans for strengthening international tax capacity should be aligned with the international tax risk CRM approach.

An effective network of tax treaties is a tool that some jurisdictions pursue to provide certainty about taxation and protection against double taxation. Although this approach may not be suitable for all countries, for some jurisdictions, a treaty network may be a useful tool to encourage investment. In considering the terms of current treaties and possible expansion of the treaty network, it is important to ensure that the terms of the treaties do in fact support the interests of both parties and deliver the benefits intended (see also the “Legal Framework” section).

Similarly, the decision to participate in certain international cooperative forums is a tool that many jurisdictions have adopted. The benefits of membership, such as access to data, more effective data exchange, support, and training, need to be assessed by each jurisdiction to determine if the benefits justify the costs. The decision needs to be weighed against the nature of international tax risks and the obligations that membership entails. The decision to join (or not) and the assessment of the benefits that flow from membership will vary across jurisdictions (a detailed analysis of these factors is outside of the scope of this note).

Standard operating procedures are a valuable tool to support the management of complex processes and the consistency and quality of their application. In international taxation, there are many complexities associated with the types of tax planning strategies adopted by MNEs, as well as variances in business practices across sectors. These differences affect the ways staff need to approach their work, including their audit work. Specialization is one way of meeting this challenge, and in some situations, this may be advisable. But this is not always possible or practical, especially where the numbers of taxpayers are small, and staff numbers and skills are low. The development of policies and procedures to guide staff, and the documentation of these in a widely available procedural manual, which staff are required to follow (unless approval is given not to), are important for achieving consistency and quality. Such formal policies and procedures would be expected to be found in jurisdictions that have achieved established good practice.

Data

This section focuses on what data may be important in building a comprehensive data set to support international tax CRM.

Addressing shortcomings in data availability and management is likely to be a priority. The absence of a sound data set and data management framework will significantly limit the administration’s ability to effectively identify and manage international tax risks. Tax administrations first need to determine what data they need, what they are currently legally able to obtain, and how they will bridge any identified gaps. Data sources may include information from taxpayer filings and other reporting such as withholding tax returns or other information filing requirements (for example, from financial institutions), information collected during tax audits and other taxpayer interactions, information from third parties or other regulators (such as the financial services regulator and the stock exchange), environmental scanning and research, and international data sharing.

Data are required to identify the at-risk populations and support risk analysis at different levels: systemic, operational, and tactical (as described under the “Systems and Compliance Risk Management” section). Analysis at a systemic level builds a deeper understanding of the international tax landscape and the identification, quantification, and prioritization of systemic compliance risks. This level of analysis helps build an awareness of what is happening across the system. Data are needed to develop operational CIPs, including the identification of who is likely to be participating in the risky behaviors, and the best options for prevention and treatment. Once individual risk cases are identified, the focus shifts to the tactical casework of treating the individual instances of likely non-compliance. In many cases, this will involve individual taxpayer profiling using case-level data. Profiling helps determine appropriate compliance actions as well as providing a snapshot of the taxpayer to support the chosen actions. Different levels of analysis, with access to both internal and external data, bulk data, and individual case-level data will be required.

Data acquisition to support international tax CRM should be guided by the strategic roadmap that outlines data requirements and priorities. The data demands of international tax CRM are shaped by both the current situation and the direction of international tax administration and policy. The roadmap reflects considerations about (1) sourcing data to effectively administer the current international tax legal framework, including for conducting broad environmental scanning of the system, and for mitigating priority international risks requiring immediate action; (2) managing and protecting data collected that will be made available as part of current and planned participation in international cooperative forums; and (3) meeting additional data requirements that may arise due to plans to strengthen the international tax legal framework. In some cases, the data may not be currently legally attainable in the required form, so time will be needed to make the necessary changes before these data will become available to the tax administration.

A legal structure needs to support access to data for risk assessment and, where relevant, to meet international commitments. If not already authorized by law, access to prescribed bulk banking data, international movements of fund records, and prescribed reporting by MNEs and other entities on a range of international dealings is likely to be required. Ideally, the law should also allow the tax administration to prescribe not just what data are provided but to specify the formats and methods of transmission. The ability to change these as required, including as new data sets and new technologies emerge, without the need for continuous amendments to the law is preferable.

The strategic roadmap should highlight the broad data strategy and the data action plan, detail data gaps, and point to areas where data management capacity should be strengthened. The legal framework may need to be expanded to support all identified data collection and reporting requirements. Systems may need to be strengthened to enable full use of the data and to protect data confidentiality. People systems may need to be upgraded to ensure that staff with the required skills and qualifications are recruited and trained to effectively manage, analyze, and interpret the data.

Legal Framework

In addressing international tax compliance risks, jurisdictions often focus first on the adequacy of the legal framework. Law reform may be required ahead of other capacity building, and such reforms typically have long lead times, so it makes good sense to look at this category early. However, as shown in the FITAS, the legal framework, although important, can only deliver when supported by a range of other features of sound international tax administration.

Addressing legislative gaps will be influenced, at least in part, by the preferences of the government. In some jurisdictions, the preferred option may be for the reforms to be bundled into a comprehensive package, whereas in others, a phased or incremental approach may be preferred. In the following discussion, various considerations are outlined, which may be conducted concurrently or sequentially depending on the context and preferences of the jurisdiction.

A strategic roadmap outlines a broad pathway for reforming the international tax legal structure; an action plan to get there provides focus and direction. The required legal structure is shaped by an understanding of the nature and severity of the international tax risks present in the jurisdiction and the government's policy objectives. Evaluation of the adequacy of the existing legal framework to achieve these policy objectives, such as to provide the basic rights to tax income derived from economic activity within the jurisdiction, and to support effective mitigation of international tax risks, provides the direction for the roadmap and action plan.

The legal structure governing taxation of cross-border income includes both domestic laws and tax treaties for the prevention of double taxation. The roadmap for strengthening the legal framework may, therefore, need to include enhancements to both domestic law and the approaches adopted for the development and negotiation of existing and planned bilateral tax treaties.

Prioritizing and sequencing the changes required to the legal structure will depend on the significance of the various risks identified. The objective of domestic laws on international taxation is to ensure that the jurisdiction where an economic activity occurs can assert taxing rights over the income generated by that economic activity. Where it is not already well founded, establishing the basic right to tax MNEs on their earnings from economic activity within the jurisdiction is likely to be an immediate priority, before considering bilateral agreements and potential for expanded participation in international cooperative forums.

In addition to establishing the right to tax the earnings of MNEs within the jurisdiction, specific measures to limit the use of profit-shifting techniques may be needed. Each jurisdiction should conduct an analysis of international risks and how they are likely to manifest domestically. Tax policy issues are typically under the jurisdiction of a country's MOF or similar organization. Discussions between the tax administration and the Ministry to identify potential areas of risk within the existing legal framework should provide the opportunity for policymakers to design a policy framework suitable to the country. Technical assistance from development partners may help in this area.

The capability of staff and the availability of technologies and data may limit a tax administration's capacity to tackle certain matters. In this situation, policymakers may decide not to draft or expand laws on some areas until the tax administration has developed to a point where competent deployment is feasible. Examples may include advance pricing agreements (APAs) and General Anti-Abuse Rules (GAARs), where poor administration of the law may enable major revenue leakage.

Consideration of the legal ramifications of participation in current and planned future international forums will inform the strategic roadmap. For example, where a jurisdiction has joined the Global Forum on Transparency and Exchange of Information for Tax Purposes,³ domestic law must allow for the collection and exchange of certain information (from MNEs and financial institutions). The law must also protect confidentiality and security of the data collected and exchanged. Jurisdictions that have joined the Inclusive Framework require laws to support the four minimum standards including removing or modifying preferential tax regimes, sharing information on certain tax rulings, taking actions to prevent treaty abuse, and collecting and sharing documentation on transfer pricing.

Bilateral tax treaties in place or contemplated may need to be modified to strengthen domestic taxing rights. Bilateral treaties are often drafted on a model, such as the Model Tax Conventions from the United Nations and the Organisation for Economic Co-operation and Development with specific articles being negotiated between the parties to suit their preferences. For this reason, there can be substantial differences between tax treaties, creating opportunities for treaty shopping. Besides, the models are frequently amended to incorporate new anti-abuse provisions or clarifications, and the domestic laws of each party to the treaty also evolve. To ensure

³ The Global Forum on Transparency and Exchange of Information for Tax Purposes is the international body working on global transparency and exchange of information standards intended to end global banking secrecy. Over 160 members have implemented standards on information exchange.

achieving the expected domestic outcomes, the treaty network needs to be monitored, reviewed periodically, and modified as necessary. This may be done on a case-by-case basis, or where appropriate, a multilateral instrument may be used to simplify this process and enable the jurisdiction to modify treaties concurrently.

Much guidance is available on model laws and conventions to help address areas where jurisdictions may have legal gaps exposing vulnerability to base erosion. International agencies publish guidance, some of which has been drafted to reflect the concerns of developing countries. The IMF can provide expert guidance in this area to help jurisdictions assess their existing framework and identify and prioritize actions.

Organization Structure and Governance

Successful implementation of new and existing international provisions is likely to require organizational enhancements. These may include structures for managing international relations, developing and consistently maintaining supporting procedures and systems, and strengthening international taxation knowledge and skills systematically. Although these functions are often managed in a single international tax unit, there is no single template for organizing them—the exact structure will depend on the size, maturity, and experience of the tax administration. The common responsibilities of an international tax unit are outlined in Box 1, and include environmental scanning and systemic risk analysis, developing and monitoring of the international tax CRM, CIS, and CIPs; technical specialization; and quality control and governance. Where the international tax unit is separate from the operational areas, such as the large taxpayer office (LTO), it would need to work collaboratively with other areas in developing and applying new and existing provisions, processes, and procedures to address international tax risks more effectively.

It is critical that international tax administration is done holistically and fully integrated within the various processes and functional segments of a tax administration. Other institutions also play an important role in managing or resolving international tax matters (for example, administrative tribunals and courts), and it would be important that the international tax unit is part of the tax administration’s engagement with these institutions when it comes to international tax-related matters.

Box 1. Responsibilities of an International Tax Unit	
Purpose	
Responsibilities	<p>An International Taxation Unit could support the following:</p> <ul style="list-style-type: none">• Leading international tax compliance risk management and supporting implementation of compliance improvement plans (CIPs).• Developing, implementing, and monitoring the international tax compliance improvement strategy and CIPs.• Establishing a center of expertise on international tax law and practice, potentially including to act as a Competent Authority and to manage international dispute resolution.• Implementing existing and new international tax provisions.• Ensuring compliance with the requirements of international cooperative forums.• Informing tax policy decisions.
Roles	

Providing technical leadership	<ul style="list-style-type: none"> • Developing specializations in various areas of international laws. • Strengthening (as required) the international legal framework. • Issuance of advance rulings and monitoring consistent application of rulings and laws. • Building and maintaining a strategic data set including cross-border information sharing, such as through exchange of information and country-by-country reporting. • Directing research, analysis, and profiling, and using advanced analytics tools.
Supporting capability development	<ul style="list-style-type: none"> • Developing and implementing standard operating procedures for staff working in areas of international taxation. • Identification of capability development requirements (training, technical assistance, forms, manuals, and technology solutions) and implementing a capability framework across international taxation areas. • Promoting effective collaboration and coordination between the International Tax Unit and other areas involved in managing taxpayers with international dealings as well as external institutions. • Managing compliance with requirements of international cooperative forums.
Overseeing strategy and planning	<ul style="list-style-type: none"> • Commissioning and maintaining the international tax compliance improvement strategy, and overseeing the development of the CIPs as part of the annual business planning cycle. • Negotiating agreement of the structured compliance improvement activities, outlined in these key planning documents, with relevant outcome-based performance objectives for the final approval by the executive team. • Monitoring progress in implementing CIPs and initiate corrective action.

Source: IMF staff

The benefits of focusing on large taxpayers are widely recognized. Large enterprises represent an extremely important share of a country's revenues. They are generally well resourced and have in-house accounting and access to highly qualified professionals. Large enterprises often use sophisticated fiscal measures and have complex international dealings and relationships. Large enterprises are not very numerous, so they can be closely managed with the right levels of staff and systems capability. MNEs are an important and often expanding sub-category within the large taxpayer population, requiring even higher levels of specialized human and technological resources. These resources may be delivered within the LTO structure and may involve the establishment of specialized teams.

Resource Considerations

Strengthening administration of international tax risks could require additional resources. These resources may include not only funding for additional staff but also for training and infrastructure improvements such as enhanced IT systems. As more and better data are obtained for risk assessment, more storage will be required, as well as systems to ensure data security and confidentiality. For countries that plan to participate in exchange


of information, specific requirements⁴ established by the international cooperation agreements must be met prior to any exchange of taxpayer information.

An assessment of the resource needs should be undertaken, taking into consideration the results of the FITAS assessment. The actions identified to strengthen administrative capacity should be prioritized and sequenced. This will allow the administration to cost the various activities and determine whether resources can be reallocated from within the administration, or whether new funding is required. The administration should develop a business case for additional funding, where needs cannot be met from existing resources. Early and regular communication with the MOF and Government to explain changes and the ensuing benefits in the form of additional tax revenues, increased levels of compliance, and a modernized tax administration will be needed.


Sustained political commitment is critical to the success of improved management of international tax compliance risks. Building capacity is a multiple-year effort that requires explicit commitment and resources. The benefits of building international tax capacity will take some time to materialize in improved compliance and increased tax collection. Before embarking on the process, it would be advisable to have the support and commitment of the Government.

⁴ See, for instance, the Global Forum's monitoring and peer-reviewing work: Country monitoring— Organisation for Economic Co-operation and Development.

Table 1. The Framework for International Tax Administration Strengthening Assessment Tool


Category	Element	Emerging	Progressing	Established Good Practice
 People	<p>P1</p> <p>Analytics capability</p> <p>Use of data analytics and profiling tools</p>	<ul style="list-style-type: none"> ▪ Staff not assigned to international tax analytics and profiling ▪ No or limited skills exist ▪ No targeted recruitment of staff with relevant skills and qualifications 	<ul style="list-style-type: none"> ▪ Staff perform analytics and profiling but do not specialize ▪ Some skills on basic tools, for example, Excel and pivot tables ▪ Limited staff with relevant skills and qualifications 	<ul style="list-style-type: none"> ▪ Specialist full-time analytics team ▪ Basic skills for all staff ▪ Advanced skills, such as on design of risk algorithms and use of Big Data, for specialists ▪ Skilled staff are recruited and assigned to specialist teams
	<p>P2</p> <p>International audit and dispute resolution experience</p>	<ul style="list-style-type: none"> ▪ Few cases are selected, and staff do not specialize, so have little or no experience ▪ Cases may not be selected based on international risks and may tend to involve simpler matters. Complex international matters often not addressed ▪ Staff have no experience of international tax dispute resolution mechanisms. International tax audit disputes are resolved through settlement with the taxpayer, rather than tax court decision or bilateral MAP 	<ul style="list-style-type: none"> ▪ Staff have some experience in addressing less complex international tax risks, and good domestic skills in audit ▪ Some complex cases may not be addressed due to limited staff with required skills ▪ Most/all cases are handled by individual auditors ▪ Dispute resolution mechanisms have sometimes been activated, with unsatisfactory results because of limited staff skills in the audit or litigation phases 	<ul style="list-style-type: none"> ▪ Staff are skilled in addressing complex international tax risk issues within an audit ▪ Some staff have specialist expertise in complex topics, industry-specific issues, and international relations, such as transfer pricing, treaty shopping, thin capitalization, MAP, treaty negotiations, and APAs ▪ Major cases are actioned by multidisciplinary teams ▪ Staff have good experience of dispute resolution mechanisms
	<p>P3</p> <p>Resource availability and adequacy</p> <p>to address international tax issues</p>	<ul style="list-style-type: none"> ▪ Resources are sometimes assigned to action urgent international tax matters, but no staff are assigned full time ▪ International relations may be limited, and no specialist staff are available 	<ul style="list-style-type: none"> ▪ Some resources are assigned full time to addressing known international tax risks, but numbers are insufficient to address all higher risk matters ▪ International relations are managed as required with no dedicated resources 	<ul style="list-style-type: none"> ▪ Adequate resources are allocated to action all higher risk international tax issues and staff are supported and work full time on these cases; funding and resource allocation is stable over time ▪ A specialist team provides complex technical advice and manages international relations, including

Category	Element	Emerging	Progressing	Established Good Practice
				information exchange requirements <ul style="list-style-type: none"> Workforce planning ensures that staff skills are developed and retained
	P4 International tax specialist training	<ul style="list-style-type: none"> No international training manuals or guidelines on international tax No training on use of analytics and profiling tools or development of case selection algorithms Audit training is general with no international tax specialization No or limited on-the-job coaching or mentoring No training on information security or code of conduct relating to data access 	<ul style="list-style-type: none"> Training manuals and guidelines are generic, with only some international tax risks covered Some in-house training on basic analytics and profiling tools, for example, Excel and pivot tables, provided In-house auditing courses on international transactions and their tax risks provided Small numbers of staff attend external international tax risk and audit techniques training but may not apply the training in practice Limited training provided on code of conduct relating to data access 	<ul style="list-style-type: none"> Training program, manuals, and guidelines developed on risk analytics and profiling, case selection methods, international audit (transfer pricing, treaty shopping, thin capitalization, and so on), competent authority role, treaty negotiation and application, information security, and other relevant international topics Basic training on analytics and profiling for all staff and advanced training, such as on design of risk algorithms and use of Big Data, provided to specialists Staff funded to attend advanced international tax training and conferences to enhance skills On-the-job coaching and support provided by experts Annual training provided on code of conduct relating to data access
	P5 Treaty application and negotiation	<ul style="list-style-type: none"> There may be no strategy regarding treaty network and no engagement with international cooperative forums Little or no experience in negotiating treaties Little or no experience in managing case-level information exchanges under existing treaties or tax information 	<ul style="list-style-type: none"> Treaty strategy is under consideration and membership of international cooperative forums may be expanding Limited treaty negotiation experience and insufficient data on the existence of international risks to guide the treaty negotiations and protect domestic revenue Case-level information-sharing experience 	<ul style="list-style-type: none"> Specialist staff handle international relations Treaty strategy is in place, negotiation and application skills well developed, and risks well understood Competent authority is skilled and experienced Case-level information sharing well


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		exchange agreements	is limited	developed, including automatic exchange
 <p>Systems and compliance risk management</p>	S1 Support for international risk assessment in case work	<ul style="list-style-type: none"> International tax risks found after case work begins Taxpayer profiling is manual drawing on data from a number of systems/sources Links between related entities are not able to be identified using systems or mapped using suitable software 	<ul style="list-style-type: none"> Some cases auto-selected using international risk markers and information about the risks identified are provided to case officer for further analysis Limited information available to case officers on international dealings and corporate groups More analysis using advanced analytics and wider data sets needed to support risk analysis and fieldwork, including information about makeup of corporate groups and related party dealings 	<ul style="list-style-type: none"> International risk markers are well developed, cases are selected using algorithms, and case officers are provided with full details of risks identified for further analysis Case officers are provided with an automatically generated case profile, including risks identified, corporate structures, and related party dealings Software is available to map relationships and flows of funds
	S2 International risk markers and case selection algorithms	<ul style="list-style-type: none"> Case selection may not be risk based and is manual, if at all Necessary data for risk analysis are not available or limited 	<ul style="list-style-type: none"> Limited number of risk markers identified, and algorithms used in automated case selection Markers may not be tailored, such as by sector, and algorithms are broad based Some relevant data may not be available in systems 	<ul style="list-style-type: none"> Risk markers are both global and tailored based on specific international risks present in the jurisdiction and varied to reflect different conditions across sectors Identification of international tax risks is automated and updated regularly, and then results are forwarded to case officers for further analysis
	S3 Exchange of information	<ul style="list-style-type: none"> Data may not be routinely exchanged Where data are exchanged, it is on a case-by-case basis and is not able to be exchanged electronically because of system limitations Exchanged data must be analyzed manually 	<ul style="list-style-type: none"> Data are exchanged electronically through secure means but are held in stand-alone system Exchanged data are not easily accessed or manipulated for risk analysis and case profiling Information exchange reports are compiled manually 	<ul style="list-style-type: none"> Data are exchanged electronically, using the standard technical formats, and stored securely and in a way that supports use in risk analysis and case profiling Exchanged data are secured in accordance with international agreements Information exchanges are recorded and can be tracked and reported on
		<ul style="list-style-type: none"> There is no uniform approach to data 	<ul style="list-style-type: none"> The data platform supports acquisition and 	<ul style="list-style-type: none"> The data platform is able to take on data

Category	Element	Emerging	Progressing	Established Good Practice
	S4 Data onboarding and bulk data analysis	<p>onboarding</p> <ul style="list-style-type: none"> Significant data sets are held on stand-alone devices or platforms A high proportion of data are still supplied in paper form or through incompatible media 	<p>storage of structured data</p> <ul style="list-style-type: none"> Data are supplied through a variety of channels and in different formats, so onboarding is difficult Data may be held in different platforms because of incompatibility of formats and delivery channels Effective use of some data sets may be limited 	<p>in both structured and unstructured formats from MNE systems and other data sources</p> <ul style="list-style-type: none"> Most data are supplied through channels and formats specified by the tax administration, but if it is not, then onboarding is still possible Processes such as a data integration hub are used to support onboarding of data from different domestic and international sources and in different formats
		<ul style="list-style-type: none"> Limited access to bulk data Dispersed data holdings both systems and paper based Limited or no capacity to automate processes (hardware and software limitations) Access to data is not centrally controlled and cannot be tracked 	<ul style="list-style-type: none"> Automated mechanisms to view or analyze data from various sources for risk assessment purposes, field work, or for case profiling are limited, and data warehouse may be used but has limited capacity and available to only a small number of staff Some information may not be used effectively because of system limitations Access to data is controlled through a system to authorize users, but this may not be centralized Access audit trails may not be available or may be limited 	<ul style="list-style-type: none"> Data discovery and analytics platforms provide storage and movement of data to enable authorized users to conduct research, operational analytics, and taxpayer profiling A wide range of advanced analytics tools are available to sufficient numbers of staff Information from many sources and in multiple formats is used in risk analysis and case profiling Taxpayer, EOI, treaty, and other pertinent information are used extensively Systems and procedures are in place to protect the confidentiality of taxpayer information and to capture audit trails providing details on access Procedures are in place to ensure quality of data reported by taxpayers and required reporting format, such as penalization of misreporting


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	S5 Data storage capacity	<ul style="list-style-type: none"> Data storage capacity may be very limited and confined to internal data, such as from taxpayer filings Data may be held in multiple repositories External data, if available electronically, may be stored separately 	<ul style="list-style-type: none"> Central data storage for both internal and external data available Capacity limit may have been reached with some external data held separately Plan or financing for future expansion needs not approved 	<ul style="list-style-type: none"> A central national taxpayer data base is maintained and updated regularly (daily) Data storage capacity allows maintenance of data in multiple formats and holds multi-year files There is a strong search capability to use multi-formatted data Plans are in place to sustain contemporary data storage needs
	S6 Compliance risk management	<ul style="list-style-type: none"> No CRM processes in place Environmental scanning and research of international tax risk not yet developed Priority international tax risks not identified 	<ul style="list-style-type: none"> CRM is supported by some environmental scanning and research Some priority risks have been identified, although analysis may not be comprehensive Cross-functional CIPs are not developed or are only in place for a limited number of priority risks Most cases are comprehensively audited, and differentiated treatments (such as limited scope audits) are not used 	<ul style="list-style-type: none"> CRM process in place with systematic and comprehensive environmental scanning and research to identify and prioritize all international risks Operational analytics supports development of cross-functional CIPs for all priority risks and include differentiated treatments (that is, audits, information/clarification, cooperative compliance initiatives, simplification/safe harbor, proposed legislative changes) Mitigation measures are monitored, and feedback loops are set up to improve processes based on results of interventions, for example, audit Processes are in place to detect changes indicating evolving or new international tax risks, and to identify trends to allow officials to adjust strategy accordingly
	T1	<ul style="list-style-type: none"> Research on international tax risks has not been done There is no systematic approach to 	<ul style="list-style-type: none"> Some research has been conducted on international tax risks, and an understanding of the nature and extent of 	<ul style="list-style-type: none"> Research on international tax risks is extensive and regularly updated An international tax CRM and CIS analysis

Category	Element	Emerging	Progressing	Established Good Practice
 Tools	International tax CRM, compliance improvement strategies and plans	international tax CRM <ul style="list-style-type: none"> When international tax risks are encountered, they are managed by the area concerned in accordance with general approaches 	local international tax risks has been developed <ul style="list-style-type: none"> CIPs have been developed for some international tax risks, but these are largely focused on case selection and audit A comprehensive international tax CRM approach has not been developed A CIS has not been developed 	is prepared and updated annually and includes all higher priority risks <ul style="list-style-type: none"> An overarching cross-functional international tax CIS is developed annually Detailed CIPs are developed across key taxpayer segments, important industry sectors, and major focus areas Development and implementation of CRM, CIS, and CIPs are overseen by the international tax unit
	T2 Policies and procedures to set standard operating procedures for international tax work	<ul style="list-style-type: none"> No standard operating procedures or manuals outlining policies and procedures No specific policies or standard operating procedures relating to international matters Staff are guided by local practices and on-the-job instruction from local manager and peers Approaches may not be nationally consistent and quality variable Limited if any local or national reporting of CIS performance and results, or reporting is manually compiled 	<ul style="list-style-type: none"> Some standard operating procedures and manuals have been developed Some policies and standard operating procedures relating to international tax matters have been developed Not all activities are covered, and there may be gaps relating to complex international techniques in risk analysis, audit, and sector specific approaches Standard procedures may not be fully deployed at a regional level and are not applied consistently Some reporting of CIS performance and results is available at national and local levels but may be incomplete 	<ul style="list-style-type: none"> Standard operating procedures are available for all key international activities, including in the management of international relations A broad range of policies and standard operating procedures have been developed for international tax Procedures are deployed nationally, and consistent training is provided Staff have access to international specialists from the international tax unit when required to help interpret and apply procedures that are documented in standard operating procedure manuals Reporting of CIS performance and results is comprehensive, automated, and available at national and local levels
	T3	<ul style="list-style-type: none"> Audits are conducted using general approaches applied to large business audits No or limited specific tools relating to 	<ul style="list-style-type: none"> Audits are largely conducted using general approaches applied to large business audits Some specific tools relating to certain 	<ul style="list-style-type: none"> Cases are selected based on international tax risks, and audits are conducted using processes and standard operating procedures developed specifically for the


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	Audit tools to support staff conducting international tax audits	international tax audits are available <ul style="list-style-type: none"> Specialist staff are not available 	international tax risks and related international audits are included in existing processes and procedures <ul style="list-style-type: none"> Some specialist staff, such as industry specialists, are available 	international risks identified <ul style="list-style-type: none"> Where standard operating procedures have not been developed for a particular risk, the international tax unit provides guidance and direction Specialists in certain risk areas and important industry sectors are available to advise audit teams
	T4 International relations and bilateral/multilateral agreements	<ul style="list-style-type: none"> There is no strategy to guide decisions about the level of international engagement Limited or no treaty strategy in place Limited or no TIEA have been signed Treaties and TIEAs are not tailored to reflect the risk profile of the jurisdiction Staff negotiating agreements have not been trained 	<ul style="list-style-type: none"> Priority jurisdictions for negotiations (or renegotiation) of treaties or TIEAs have been identified from the tax administration's perspective, and some negotiations commenced, either led by a central government body or led by the tax administration Evaluation of international model agreements is underway to determine preferred approaches and critical articles for inclusion Staff who will negotiate agreements have been identified and trained at a base level 	<ul style="list-style-type: none"> All jurisdictions for negotiation of agreements have been identified and sequenced Treaty articles and terms of TIEAs are based on international models evaluated to be suitable for the jurisdiction concerned and adjusted to reflect local risks and protect the jurisdiction's interests while also recognizing the interests of both parties Where treaties are sought the staff who will negotiate them have been extensively trained, including internationally and have access to experts in international law and treaty negotiations
	T5 International cooperative forums	<ul style="list-style-type: none"> Limited or no involvement with international cooperative forums No strategy developed to help inform potential future involvement or to support delegates representing the country at cooperative forums 	<ul style="list-style-type: none"> An understanding of the various opportunities available is expanding Evaluation of the advantages and disadvantages of various opportunities is under development and is informed by an understanding of the international risks present within the jurisdiction A submission has been prepared 	<ul style="list-style-type: none"> A comprehensive assessment of the benefits and obligations flowing from joining various international cooperative forums has been prepared Based on an evaluation of the suitability of various international cooperative opportunities in helping to manage international risks found within the

Category	Element	Emerging	Progressing	Established Good Practice
			recommending suitable international cooperative opportunities	jurisdiction, a decision has been made about the forum(s) to be joined, if any <ul style="list-style-type: none"> Where participation in international cooperative forums is authorized, organizational arrangements are in place to manage commitments
 Data	D1 Access to data to support international tax risk analysis and taxpayer profiling	<ul style="list-style-type: none"> Some reporting may be electronic (such as for large businesses) Paper returns and reports are still common, and data may or may not be entered into systems Electronic data sets are incomplete Taxpayer data are not consolidated at a national level Limited bulk data from other government agencies and third parties are available and are received in a variety of forms, both paper and electronic Access to the taxpayer file and to banking and other third-party data may be available on a case-by-case basis to support audit and other case-level work 	<ul style="list-style-type: none"> Reporting for large taxpayers, MNEs, and large withholders all filed electronically Paper returns and reports for smaller taxpayers are still received but declining in number and most, if not all are entered into systems Data are not consolidated at a national level regularly so may be out of date Some bulk data from other government agencies and third parties are received, in varying formats Limited numbers of staff are able to access data, and many data sets must be searched in order to conduct analytics or profile taxpayers Access to the taxpayer file and banking and other third-party data are available on a case-by-case basis to support audit and other case-level work 	<ul style="list-style-type: none"> All reporting for large businesses and most other taxpayers submitted electronically All paper returns and reports are entered into systems Data are consolidated into a centrally held national data set and are updated regularly (daily) Bulk data from other government agencies are routinely exchanged, and third-party data, including from financial institutions, financial reporting agencies, and where relevant from international exchanges, are received in through specified channels and in specified format Data holdings are centralized nationally and include a range of data from a variety of sources Electronic access to consolidated national data sets available across the tax administration for authorized users to conduct analytics and case profiling
	D2	<ul style="list-style-type: none"> Rudimentary safeguards in place to restrict and monitor access and protect the confidentiality of data 	<ul style="list-style-type: none"> Some safeguards in place including authorization of users and physical controls over systems and paper file 	<ul style="list-style-type: none"> Confidentiality protocols in place to store data in line with domestic laws and any information-sharing agreements

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	Information security and privacy	<ul style="list-style-type: none"> No or limited physical controls over access to electronic or paper storage No documented procedures Limited or no training for staff 	<ul style="list-style-type: none"> access Limited or no monitoring of accesses or audit logs Documented procedures cover rules of access Training is provided to staff 	<ul style="list-style-type: none"> System safeguards such as passwords, and tiered access based on duties of position, to restrict unauthorized access and avoid information breaches Access logs maintained and checked regularly
	D3 Data to support CRM	<ul style="list-style-type: none"> Data from the taxpayer file and from some government agencies and third parties available at a case level No bulk data available to assess international tax risks at an operational or strategic level 	<ul style="list-style-type: none"> Data from the taxpayer file and from some government agencies and third parties available at a case level There is limited information on international dealings required in tax returns or other reports Bulk data sources incomplete and insufficient to support operational and strategic international risk analysis Methodology in place to evaluate the quantum of the risk 	<ul style="list-style-type: none"> Data are available from the taxpayer file, and reporting requirements for MNEs have been designed to ensure that required information on international dealings, including with related parties, and makeup of corporate groups is provided Sufficient information from government agencies and third parties, including where relevant data exchanged under bilateral arrangements, is available to meet international commitments and to identify and quantify international tax risks at a strategic, operational, and tactical level
	D4 Managing data related to international cooperative forum membership	<ul style="list-style-type: none"> Jurisdiction is not a member of any international cooperative forums Bilateral agreements are limited or may not exist at all Where data are required, it is gathered on a case-by-case level in accordance with existing laws 	<ul style="list-style-type: none"> Membership of international cooperative forums is under consideration Bilateral agreements are in place and will require data exchange. Required data are gathered on a case-by-case basis Domestic laws generally support access to data to comply with bilateral agreements in place 	<ul style="list-style-type: none"> Membership of relevant international cooperative forum(s) has been ratified Data gathering powers and practices are in place to ensure that the international commitments are met Data management arrangements are in place to ensure that full advantage is gained from data received as part of international cooperative forum memberships

Category	Element	Emerging	Progressing	Established Good Practice
 Legislative framework	L1 Domestic laws	<ul style="list-style-type: none"> No or limited provisions relating to international dealings Anti-avoidance rules may not exist or where present, are broad and may not adequately address international tax risks 	<ul style="list-style-type: none"> Laws governing international dealings establish the right to tax income relating to domestic economic activity Some anti-avoidance provisions such as those to prevent various forms of profit shifting in place, but may be incomplete General anti-avoidance rule may not be available Some international tax risks that may be occurring are not adequately addressed in law 	<ul style="list-style-type: none"> Laws governing international dealings establish the right to tax income relating to domestic economic activity Anti-avoidance provisions such as those to prevent various forms of profit shifting in place General anti-avoidance rule is available Key international tax risks have been analyzed and those that may be, or are known to be, occurring are adequately addressed in law The legal framework is regularly reviewed and updated as new risks are detected or conditions change There are mechanisms to communicate or disseminate updates to the legal framework at all levels of the institution
	L2 Network of international agreements	<ul style="list-style-type: none"> Limited or no network of treaties or TIEAs Most of the agreements in place do not incorporate the most recent anti-abuse provisions Domestic revenue outcomes of existing bilateral agreements may disadvantage the jurisdiction 	<ul style="list-style-type: none"> The network of treaties and TIEAs is growing, but is largely initiated without a prior assessment of treaty opportunities and risks Model international conventions are used to support negotiation and drafting of bilateral agreements Existing bilateral agreements appropriately balance the interests of both parties 	<ul style="list-style-type: none"> The network of treaties and TIEAs is current, and planned future agreements are prioritized based on the importance to the jurisdiction Treaty network is consistent and reflects the country strategy. Priorities are, at least in large part, driven by an understanding of the current international risks that are occurring and the jurisdictions with which these transactions are occurring Model international conventions are used to support negotiation and drafting of bilateral agreements Existing bilateral agreements appropriately balance the interests of both parties

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	L3 Domestic information reporting by taxpayers	<ul style="list-style-type: none"> ▪ Taxpayer reporting requirements are generic, and tax administration has limited scope to prescribe specific reporting to support international tax CRM ▪ No or inadequate laws to support bulk reporting by third parties ▪ Information reporting and access rules are prescriptive and not easily changed 	<ul style="list-style-type: none"> ▪ Taxpayer reporting is able to be prescribed by the tax administration ▪ Tailoring of reporting requirements based on risks, sector, or segment may be limited ▪ Ability to prescribe third-party reporting requirements may be limited to specified institutions ▪ Legislation to support information gathering to facilitate identification of international tax risks, may not be comprehensive ▪ Information reporting and access rules are not easily changed 	<ul style="list-style-type: none"> ▪ Law authorizes the tax administration to prescribe information reporting by taxpayers and third parties including type of information, format, and transmission method ▪ Required taxpayer reporting is broadly defined and supports both making of assessments and identifying international risk ▪ Access to bulk data from a range of sources including financial institutions and financial reporting agencies is legislated ▪ Tax law overrides other laws regarding secrecy ▪ Information access requirements are readily updated through a regulation or similar instrument
	L4 Information security and privacy	<ul style="list-style-type: none"> ▪ Legal provisions on information security may be narrow ▪ Protections may apply only to domestic information 	<ul style="list-style-type: none"> ▪ Domestic information security laws may be adequate ▪ Treaties or other international instruments may not adequately cover security of exchanged information 	<ul style="list-style-type: none"> ▪ Legal provisions and internal procedures to meet information security standards are in place at a domestic level ▪ Treaties and other international instruments protect the security of exchanged information
	L5 Legislation required to participate in international cooperative forums	<ul style="list-style-type: none"> ▪ Participation in international cooperative forums is limited or not present at all ▪ Any information exchanges that do occur are limited to those authorized by bilateral agreements, where they exist 	<ul style="list-style-type: none"> ▪ Participation in international cooperative forums is limited or not present at all, but plans may be in place to expand membership ▪ Any information exchanges that do occur are limited to those authorized by existing bilateral agreements ▪ Preparations are progressing to support 	<ul style="list-style-type: none"> ▪ Instruments required to authorize collection and international exchanges of information are in place ▪ Comprehensive information reporting and disclosure requirements are embedded in legislation ▪ Instruments allowing exchange of tax information expressly require the

Category	Element	Emerging	Progressing	Established Good Practice
			planned participation in cooperative forums	<p>confidentiality of the information by the receiving jurisdiction</p> <ul style="list-style-type: none"> Exchanged information is not released by the receiving jurisdiction under other domestic laws (such as freedom of information)
 <p>Organization structure and governance</p>	<p>O1</p> <p>Organization structure to manage international tax matters</p>	<ul style="list-style-type: none"> International tax matters may be encountered as part of broad compliance activities, and are dealt with by the area that identified the issue There is no central area providing expertise or advice on international tax matters Dispute resolution is not available or is not independent of the audit function 	<ul style="list-style-type: none"> International tax matters may be encountered as part of broad compliance activities, and are generally dealt with by the area that identified the issue Higher risk matters such as requests for rulings on international dealings may be centralized Capability building and specialist expertise is on a case-by-case basis and not linked to strategic focus areas The LTO may provide guidance on handling international tax matters 	<ul style="list-style-type: none"> International tax matters may be encountered as part of broad compliance activities, and are generally dealt with by the area that identified the issue, but must be reported to a central area for quality assurance Higher risk matters such as requests for rulings on international dealings are centralized An international tax unit has been set up to oversee the implementation of existing and new international tax laws, develop policies and standard operating procedures, and manage bilateral agreements and compliance with the various requirements of international cooperative forums An appropriately graduated mechanism of administrative and judicial review (including MAPs) is available to, and used by, taxpayers
	O2	<ul style="list-style-type: none"> No or little resources assigned 	<ul style="list-style-type: none"> Resources are assigned to manage the international tax program and reporting and exchange of information, but resources are not dedicated to these tasks 	<ul style="list-style-type: none"> Dedicated resources are assigned to manage the international tax program, international forum participation, and reporting and exchange of information as

Category	Element	Emerging	Progressing	Established Good Practice
	Resources assigned to manage international responsibilities		and staff may have other duties	well as to support any transfer pricing reporting
	O3 Governance and monitoring	<ul style="list-style-type: none"> ▪ No quality control in place to ensure consistency of treatment of similar issues ▪ No KPIs in place to monitor success of interventions on international tax ▪ Management reporting is limited or incomplete ▪ No formal oversight of implementation of international standards ▪ No calculation of a ROI of international tax audits compared to other compliance risks 	<ul style="list-style-type: none"> ▪ Quality control is through management approvals of cases which may result in inconsistencies ▪ Limited set of KPIs in place to track audit results, but may not address efficiency, relative audit risk, or ultimate revenue recovery ▪ Management reporting exists but is not reported and reviewed holistically ▪ International standards requirements implemented individually ▪ Relativity of risks considered, but data not available to conduct ROI calculation 	<ul style="list-style-type: none"> ▪ Formal quality control process is in place, and results (including analysis of dispute resolution outcome) are used to improve risk assessment and audit processes/training ▪ Comprehensive set of KPIs are in place and reported on regularly ▪ Regular management reporting in place and results viewed within the strategic context and decisions made accordingly ▪ International standards requirements part of overall reform program to strengthen capacity to manage international tax risks ▪ ROI calculation conducted to compare relative risks

Source: IMF staff.


Note: International tax in this framework refers to any cross-border non-compliance with tax obligations that could affect a country's tax base. APAs = advance pricing agreements; CIPs = compliance improvement plans; CIS = compliance improvement strategy; CRM = compliance risk management; EOI = exchange of information; KPIs = key performance indicator; LTO = large taxpayer office; MAP = mutual agreement procedures; MNEs = multinational enterprises; ROI = return on investment; TIEA = tax information exchange agreements.

Table 2. Questions to Assess the Current Status of Administration Readiness to Address International Tax Risks


(Follows the “Framework for International Tax Administration Strengthening (FITAS)” tool)

Considerations for undertaking the assessment:

1. The FITAS is designed to evaluate a tax administration’s progress in achieving good practice related to the capacity to manage international tax risks.
2. The FITAS has six categories: (1) People, (2) Systems and CRM, (3) Tools, (4) Data, (5) Legal framework, and (6) Organization Structure and Governance. Within each of the six categories are elements. Using the assessment tool, a rating for each element will be selected. From these “element” ratings, an overall rating for each “category” will be made.
3. Each of the questions in the assessment tool relates to an element in the FITAS designed to evaluate the current situation relative to that element. The response to each question should be documented in the assessment tool.
4. The range of “scores” includes Emerging (E), Progressing (P), and Good Practice (GP). The goal is to reach good practice, which can take years to accomplish, depending on the administration’s current status.
5. When evaluating the response to each question in the assessment tool, the person/team scoring the element should refer back to the FITAS to see where the response fits in terms of progression toward good practice. There could be a situation where the response to a particular question could have elements that correspond to more than one rating (Emerging, Progressing, Good Practice). In this case, the team will need to arrive at an overall score for that question based on the combination of all responses.
6. When there is doubt regarding a rating, users are urged to choose the lower rating. The purpose of the assessment tool is to determine capacity development needs in this area, so it is preferable not to underestimate these needs. A related goal, of course, is to raise the scores of the lower-rated aspects.
7. The assessment tool should be completed with the input of subject matter experts in the various elements—for example, an IT specialist should assist in rating the “systems” elements, along with business owners.
8. The questionnaire is broad and will need to be adjusted to reflect a tax administration’s current legal framework and participation in international cooperative forums. The benefit of expertise from development partners, such as the IMF, would be very helpful in identifying additional issues that may require enhancement based on the specific review of a country’s situation.
9. The assessment tool does not reflect any particular jurisdiction’s specific legislative framework. Having knowledge of the legislation in place, other assessment questions may be pertinent and could be added to the assessment tool. If using the FITAS and assessment tool as a self-assessment, this should be kept in mind. If the IMF assists in the evaluation, this legislative review will be conducted as part of the mission and additional questions added to the questionnaire as required.


Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
 People	Describe the degree to which risk assessment staff have expertise and specialize in the use of data analytics and profiling tools—no expertise/some expertise/significant expertise.	P1	<ul style="list-style-type: none"> 		
	Describe the level of experience of auditors in addressing international tax risks—limited/some experience/experience (number of years working in international tax and the types of cases actioned).	P2	<ul style="list-style-type: none"> 		
	Do auditors use a risk-based approach to audit where the audit issues are identified based on an assessment of potential non-compliance, along with a review of the potential tax at risk?	P2	<ul style="list-style-type: none"> 		
	Is there a mentoring/coaching program in place that allows junior auditors to work with experienced senior auditors to learn from them?	P2	<ul style="list-style-type: none"> 		
	Do any auditors specialize in a particular area of taxation? International, large business, or on an industry basis? Or is every auditor a generalist? Consider the level of staff turnover and its effect on skills.	P2	<ul style="list-style-type: none"> 		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	What types of audits (comprehensive/specific issue) are currently being undertaken? Are auditors experienced in complex domestic transactions/tax avoidance/domestic transfer pricing?	P2	▪		
	Do auditors work in a team when undertaking a complex/large taxpayer audit, or is an audit case allocated to a single auditor?	P2	▪		
	Does the administration have a process or method to determine the level of resources needed (based on workload/compliance risk) for the various elements of managing international tax risks, including the following: <ul style="list-style-type: none"> ▪ Audit. ▪ EOI. ▪ MAP. ▪ APA. ▪ CRM. ▪ Policies and procedures. 	P3	▪		
	Does the administration undertake workforce planning to ensure that the skillsets are available when needed for data analysis, risk assessment, specialist technical, or industry audit knowledge?	P3	▪		
	Does the administration undertake measures to retain staff and succession planning to ensure that key positions can be filled promptly with skilled staff after a vacancy?	P3	▪		


Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	Is there a formal training program for staff to follow to increase their technical and practical knowledge on international issues?	P4	■		
	If staff attend an international tax course, is the information they receive disseminated to the other auditors?	P4	■		
	Is there a formal unit or person that coordinates training within the tax administration?	P4	■		
	Does the administration have formal training manuals and if so, what information is they based on? For example, are court decisions referenced and discussed?	P4	■		
	Does the tax treaty negotiation team include audit staff with international technical background? What degree of experience does the negotiation team have?	P5	■		
 Systems and CRM	What information is available to an auditor related to potential international tax risks and are the data pulled together into a single risk assessment?	S1	■		
	How does the administration determine how to address the risk identified? Are there different approaches based on the degree of risk?	S1	■		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	Does the administration have an automated risk assessment process, using data from various sources? Describe the current risk assessment process.	S2	▪		
	Has the administration developed specific international risk filters for particular industries or international tax issues? If so, please describe.	S2	▪		
	How is information received from other countries under exchange agreements held—electronically or manually?	S3	▪		
	Is the information held in a stand-alone system or in secure area of the main tax administration system?	S3	▪		
	Does the format of the data allow use in existing risk assessment processes?	S3	▪		
	Does the administration have central database capability to manage all data related to international transactions/EOI?	S4	▪		
	Does the administration have access to any data analysis software?	S4	▪		
	How does the administration deal with data that are received in different formats? Is there a process to clean the data so that it can be used in risk assessment processes?	S4	▪		


Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	Are there data storage limitations within the IT system capacity? What are the limitations in ability to search data?	S5	▪		
	Describe how the administration currently identifies compliance risks related to international tax.	S6	▪		
	Does the administration currently use data from other countries to evaluate risk?	S6	▪		
	Does the administration undertake any analysis at a global level to identify trends as a means of identifying potential non-compliance?	S6	▪		
	Is there a feedback loop from audit results back to file selection to improve selection methods?	S6	▪		
	Does the administration validate the industry classification codes entered by taxpayers to ensure that they are correctly categorized?	S6	▪		
	Does the administration have a dedicated CRM capability that identifies risk across the core obligations of registration, on-time filing, correct reporting, and on-time payment?	S6	▪		
	Is the administration considering developing an international tax strategy (formally or informally)?	T1	▪		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
 Tools	Does the administration have any CIPs related to international tax issues?	T1	■		
	Does the administration have a management information reporting system (statistics) that regularly informs senior management about the results of the administration's efforts in managing international tax compliance obligations, which would help inform a strategy?	T1	■		
	What policies, processes, and templates are in place for EOI? <i>For example, logged requests, validating, responding, and sample letters.</i>	T2	■		
	Are there policies on how EOI is managed within the administration? Electronically stored/manual? Confidentiality policies and access rights.	T2	■		
	How does the administration systematically identify the relevant tax rulings that must be shared?	T2	■		
	What, if any, MAP process does the administration have in place?	T2	■		
	Does the administration currently use treatment strategies other than audit to address international tax risks? (Education, assisted compliance for lower risk taxpayers).	T2	■		


Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	Does the administration have an audit procedures manual for auditors to follow that outlines audit techniques for various situations?	T2	▪		
	Are policies available for both risk assessment and audit to ensure consistency and quality of audit?	T2	▪		
	What guidance and information have been developed to assist taxpayers in respect to BEPS?	T2	▪		
	Does the administration have industry profiles that outline common risks and audit techniques applicable to that industry for use by auditors?	T3	▪		
	Is there any issue-specific reference material on international tax risks for use by auditors in conducting their work?	T3	▪		
	Do auditors have access to audit software, legal databases, and specialist technical advice?	T3	▪		
	Does the administration have any approaches/tools to compare against what the taxpayer has declared (comparables, benchmarking studies)?	T3	▪		
	What procedures are in place to ensure that tax treaty language meets international standards? BEPS Action 6	T4	▪		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	Does the administration have a treaty policy to govern decisions around what countries to negotiate treaties with? How are decisions made regarding whether to negotiate a TIEA?	T4	▪		
	Has the administration done an analysis of the various cooperative forums to identify where participation could provide benefits in managing international tax risks?	T5	▪		
 Data and privacy	<p>What agreements does the administration have in place to receive tax-relevant data from external parties?</p> <p><i>For example, banking information, customs data, patent office, and companies register.</i></p>	D1	▪		
	<p>Do the administration's systems allow a comprehensive view of taxpayer data across the four pillars? (Registration, filing, correct reporting and payment).</p> <p><i>For example, organization structure and ownership details of all related companies/partnerships in a corporate group.</i></p>	D1	▪		
	Is transaction information available for incoming/outgoing offshore large value transfers of funds?	D1	▪		
	Is there a company database at the government level? Is information available to use in risk assessment?	D1	▪		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	What processes and safeguards are in place to prevent misuse and protect the confidentiality of data in accordance with international requirements? <i>For example, access/password protection/audit trails/backups.</i>	D2	▪		
	What information does the administration collect and store that will assist in assessing compliance risk? How is this information stored?	D3	▪		
	Is information available to document ultimate ownership and identity of taxpayers including the ownership structure of related party corporate groups?	D3	▪		
	Is the raw data accessible to undertake analysis? (Extractable into excel or Comma-Separated Value application).	D3	▪		
	What processes are in place to ensure that the data received can be fully used by the administration in managing compliance through matching and other risk assessment processes?	D4	▪		
	How do you determine which rulings must be shared under BEPS Action 5?	D4	▪		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
 Legislative framework	Does the existing legislation allow for access to taxpayers' business records and information? Are provisions available in the law for legal requirements (domestic and foreign) to be issued where information is not provided to validate compliance with the country's tax laws?	L1	▪		
	Does the current legislation provide for taxing rights for international tax risks as well as anti-avoidance provisions and a graduated penalty regime?	L1	▪		
	What disclosure requirements are in the existing law addressing the following: <ul style="list-style-type: none"> ▪ Description of entire corporate group. ▪ Detailed income position of each member of the group. ▪ Description and quantification of related party transactions. ▪ Master and local files. 	L1	▪		
	What is the existing time limit for reassessments (statute-barred period)? Is this sufficient for international tax audits?	L1	▪		
	Does the current legislative framework allow for information exchange under EOI? (BEPS Action 5).	L1	▪		
	What is the legislation/regulation timeframe for resolving objections? Is this a reasonable timeframe considering the complexities of international tax? (That is, MAP cases).	L1			

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	Does the existing legislation compel provision of CBC reporting? Are the provisions being used?	L2	•		
	Do bilateral agreements conform to recommended language in model conventions?	L2	•		
	Do existing bilateral agreements protect the interests of the country?	L2	•		
	Does the administration have the authority to require an additional schedule to the tax return to disclosure related party transactions? Through a regulation or is a law change required?	L3	•		
	Does the administration prescribe the format and transmission method of the reporting of related party transactions?	L3	•		
	What information security requirements are in domestic law and administrative practice?	L4	•		
	Have written procedures been finalized for the implementation of CBC?	L5	•		
	Are confidentiality requirements contained in domestic law, and do they prevent release of the information by other domestic laws (such as freedom of information)?	L5	•		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
 Organization structure and governance	Are staff working on international transactions in the same unit? (Centralized).	O1	•		
	How is the work coordinated between risk, audit, EOI, APA, and dispute resolution functions, including MAP?	O1	•		
	Does the administration have an independent recourse mechanism to resolve tax appeals?	O1	•		
	Is there a separate/dedicated unit to manage EOI and CBC reporting?	O2	•		
	Is there a separate unit for MAP/APA if warranted due to the volume of work?	O2	•		
	Has segregation of duties been considered in evaluating the organizational arrangements for improving integrity and managing international tax risks?	O2	•		
	Does the administration dedicate resources to international tax risks based on an evaluation of relative risks of international tax compared to other tax risks?	O2	•		
	What are the international tax compliance program success measures (KPIs)?	O3	•		

Category	Question	Element	Current Situation	Individual Score	Overall Score by Element
	What quality control mechanisms are in place to prevent corruption and ensure a quality and timely audit?	O3	•		
	Outline the implementation progress for BEPS minimum standards—Actions 5, 6, 13, and 14.	O3	•		
	What is the process for management reporting on international transactions and risks? Risk Committee? How often are meetings held to discuss international compliance risks?	O3	•		
	Do auditors calculate how much time they spend on any particular audit?	O3	•		
	Does the administration track international tax reassessments through ultimate resolution to determine net tax position?	O3	•		

Source: IMF staff.

Note: As a result of the ongoing discussions and development, this assessment tool does not currently include considerations relevant to BEPS Action 1 (pillars 1 and 2). These may be added, or a separate guide is released once deliberations are settled. APAs = advance pricing agreements; BEPS = base erosion and profit shifting; CBC = country by country; CIPs = compliance improvement plans; CRM = compliance risk management; EOI = exchange of information; IT = information technology; KPIs = key performance indicator; MAP = mutual agreement procedures; TIEA = tax information exchange agreements.

Table 3. Framework for International Tax Administration Strengthening Assessment Results

Category	Element	Rating			Overall Rating by Category
		E	P	GP	
People	P1—Analytics capability				
	P2—International audit experience				
	P3—Resource availability and adequacy				
	P4—International tax specialist training				
	P5—Treaty application and negotiation				
Systems and compliance risk management	S1—Support for international risk assessment in case work				
	S2—International risk markers and case selection algorithms				
	S3—Exchange of Information (EOI)				
	S4—Data onboarding and bulk data analysis				
	S5—Data storage capacity				
	S6—Compliance risk management				

Tools	T1—International tax CRM				
	T2—Policies and procedures				
	T3—Audit tools				
	T4—International relations				
	T5—International cooperative forums				
Data	D1—Access to data				
	D2—Information security				
	D3—Data to support CRM				
	D4—Managing data related to international cooperative forum membership				
Legislative framework	L1—Domestic laws				
	L2—Network of bilateral agreements				
	L3—Domestic information reporting by taxpayers				
	L4—Information security				
	L5—Legislation required to participate in international cooperative forums				

Organization structure and governance	O1—Organization structure to manage international tax matters				
	O2—Resources assigned				
	O3—Governance and monitoring				

Note: In the rating scale, “E” represents Emerging, “P” represents Progressing, and “GP” represents Good Practice. Administrations should bring each element to Good Practice over time.