

Transparency Principles for Tax Policy and Administration¹ Approved by the GIFT Stewards Meeting (General Assembly) Bogota, Colombia, August 2, 2022

Introduction

ABOUT THE PRINCIPLES

The Transparency Principles for Tax Policy and Administration contained in this document are intended to help policymakers and a range of civil society stakeholders evaluate and improve the legal, regulatory, and institutional frameworks that comprise national tax systems. A number of pathways and information requirements are set out in the document, which are intended to inform multi-stakeholder evaluations of tax system performance and enhance policy dialogue between governments, civil society and international organizations.

The Principles are intended to be concise, understandable and accessible to a range of interested stakeholders. They provide a basis for assessing the extent to which a given jurisdiction meets each principle, for assessing and improving tax system performance in terms of stated objectives, and how transparency could be enhanced in a jurisdiction by more fully implementing The Principles. The Principles should act as a focal point benchmark for informing discussions about tax system performance and transparency within national jurisdictions and with the international community. The Principles have been written at a sufficient level of generality to enable them to be applied in ways that are sensitive to and take into account country-specific economic, legal, and cultural differences.

The Principles do not aim at detailed prescriptions for national legislation. Rather, they seek to identify objectives and suggest various means for achieving those objectives. The Principles aim to provide a robust but flexible reference point for policy makers and stakeholders to develop their own frameworks for taxation. The Principles should be evolutionary in nature and be reviewed periodically in light of significant changes in circumstances in order to maintain their usefulness as an instrument for policy making in the area of taxation.

The foundational research document, *Making Tax Work*, from which The Principles were originally drawn, notes that tax transparency is not an all or nothing affair, but a matter of degree². That document identified four levels of tax transparency: basic; intermediary; advanced; aspirational. No government in the world currently meets the aspirational level, and only a relatively few are making limited selective progress in

¹ Based on [Making Tax Work: A Framework for Enhancing Tax Transparency](#), these GIFT principles were drafted by Jean Ross, with the support of Raquel Ferreira and Juan Pablo Guerrero. They have been revised following an extensive consultation exercise with multilateral institutions: OECD, IMF, World Bank, national authorities, a number of civil society partners, and with extensive input and advice from Andrew Baker and Richard Murphy authors of *Making Tax Work*. Written comments have been received from the OECD, IBP, the Institute of Public Finance, Kenya, Makati Business Club Philippines, USAID, Institute of Public Finance Croatia, Asociación Civil por la Igualdad y la Justicia Argentina, Public Service Accountability Monitor South Africa, Instituto Centroamericano de Estudios Fiscales, Guatemala. We thank those responding bodies for engaging with The Principles and offering useful comments, while acknowledging the finished product are the responsibility of GIFT. As Network Director, Guerrero is responsible for this publication.

² Richard Murphy and Andrew Baker, 2021. *Making Tax Work: A Framework for Enhancing Tax Transparency*, Global Initiative for Fiscal Transparency, Washington DC, <https://fiscaltransparency.net/making-tax-work/>

relation to advanced requirements. In other words, The Principles are a device for improving performance and degrees of transparency over time on a step by step basis. It is best for governments to first meet basic and intermediary levels to a significant extent before progressing to advanced, and aspirational goals. The different levels are intended to be a pre-requisite for and feed into one another. It is possible to note the level that each principle operates at and this is included later in the document in the guidance notes on applying The Principles.

The guidance notes at the end of this document are general and do not make prescriptive recommendations regarding a precise methodology for assessing the extent to which a jurisdiction meets The Principles. Many methodological suggestions are made in the framework document, *Making Tax Work*, but precise decisions on the methodology for assessing and applying The Principles remain to be discussed and decided upon by those bodies and parties interested in working with and applying The Principles in the future.

Context: The Need for Transparency Principles for Tax Policy and Administration

Taxation is at the core of the social contract between governments and the governed. Taxation not only plays a fundamental role in the funding of government expenditures, it can also be used to influence social and economic outcomes and advance the priorities established by government. It can be a central component for achieving social justice. Sound government requires that the governed have a voice in determining the priorities of government, understand what government seeks to achieve, and have access to the information needed to contribute to policymaking and to hold government to account for the decisions that are made.

An accountable and transparent tax system is fundamental to good governance as it provides the basis for checks and balances and establishes the foundation for trust in government. In recent years, consensus has emerged around a set of standards addressing the spending side of public budgets, however there is no consensus around transparency on the revenue side of the budget nor full clarity on how to best promote participation and accountability around domestic taxation. The standards that do exist are often fragmented, limited in scope, and lack support from the full-range of stakeholders affected by the outcome of fiscal policy debates. Moreover, members of the public and civil society organizations have traditionally been excluded from important decisions around taxation, undermining confidence in governments.

The Global Initiative for Fiscal Transparency's (GIFT) [High-Level Principles on Fiscal Transparency, Participation and Accountability](#), adopted by United Nations General Assembly Resolution 67/218 in 2012, established norms and standards regarding the public's right to information and participation in decisions about public spending and taxation. GIFT's High Level Principles provide a framework for transparency in fiscal matters – both revenues and expenditures – including the right to information on fiscal policies, the various types of fiscal information that governments should make available, and the need for independent oversight and public participation in all fiscal matters. However, the Principles do not address the issue of revenue transparency, directly and specifically. GIFT's [Principles of Public Participation in Fiscal Policy](#) subsequently detailed the range of decisions that should be informed by public participation and identified the points in the budget cycle and policy implementation process where governments should engage with members of the public, civil society organizations, and other non-state actors. However, these Principles too lack specificity regarding the revenue side of the budget.

A new set of global principles that establishes standards for transparency, participation, and accountability of domestic tax systems can promote an informed public and provide the basis for a strong social compact between government and the governed that helps ensure that tax systems raise needed revenues more equitably and efficiently. The adoption of such principles through a multi-stakeholder process can provide governments with clear expectations and give the public the tools needed to hold governments to account.

Background to the development of the principles

The Global Initiative for Fiscal Transparency (GIFT) was founded as an action network in 2011 to bring together a wide array of stakeholders – spanning governments, international financial institutions, private sector representatives, and civil society organizations – to achieve sustained, measurable improvements in fiscal transparency and inclusive public participation. Through advocacy, high-level dialogue, peer-learning, technical collaboration, innovation, and research, GIFT helps to strengthen and harmonize fiscal transparency norms and standards and promote their effective implementation. GIFT facilitates dialogue among governments, civil society organizations, international financial institutions, and other stakeholders to find and share solutions to challenges in fiscal transparency and promote public participation with the ultimate goal of alleviating poverty and fostering inclusive and sustainable development.

In response to growing attention to the importance of taxation in international development debates, with the support of the World Bank's [Global Tax Program](#) and in collaboration with the International Budget Partnership's [Tax Equity Initiative](#), GIFT commissioned a set of documents to inform the development of a comprehensive tax transparency and participation framework in 2019. This effort included a compendium, *Making Tax Work: A Framework for Enhancing Tax Transparency* authored by Professors Richard Murphy and Andrew Baker, a [brief](#) written by Paolo de Renzio and Juan Pablo Guerrero, *Promoting more open and accountable tax systems: The role of international principles and standards*, and a scoping [study](#), *Tax Transparency and Informed Public Dialogue in Tax Policies: A civil society perspective on taxes*.³ These documents were designed to address a gap in the current debate – the lack of consensus around what constitutes revenue transparency and how best to promote public participation in decisions regarding taxation – by identifying the information and tools needed to promote strong civil society engagement in tax policy and administration.⁴ This research and related conversations informed the development of the principles outlined below that are presented for finalization and approval by the GIFT Stewards at their August 2022 general meeting.

THE GIFT TRANSPARENCY PRINCIPLES FOR TAX POLICY AND ADMINISTRATION

Public awareness of the role of taxation in financing more equitable and sustainable growth has increased dramatically in recent years. Domestic resource mobilization can raise revenues for poverty alleviation and reduce reliance on foreign aid and debt. Tax systems that are transparent and accountable to the public can also improve governance when taxpayers demand better services in exchange for compliance with tax laws.

³ Richard Murphy and Andrew Baker, [Making Tax Work: A Framework for Enhancing Tax Transparency](#), Global Initiative for Fiscal Transparency (2021) and Juan Pablo Guerrero, [Tax Transparency and Informed Public Dialogue in Tax Policy: A civil society perspective on taxes](#), Global Initiative for Fiscal Transparency (2020). See also Paolo de Renzio and Juan Pablo Guerrero, [Promoting more open and accountable tax systems: The Role of International principles and standards](#), International Budget Partnership and Global Initiative for Fiscal Transparency (May 2021).

⁴ The publication by the civil society collaborative [initiative](#), *Derechos y Política Fiscal*, entitled [Principles for Human Rights in Fiscal Policy](#) (May 2021), was also taken into account.

Despite increased attention to the importance of taxation for sustainable development and governance, there is no consensus around the principles and practices that should guide the transparency of the information on practices of tax administration and policymaking. Global standards, such as those included as part of the OECD's Base Erosion and Profit Shifting (BEPS) initiative, are largely focused on the exchange of information among countries and are of limited application to the full range of issues involved in domestic revenue mobilization. Other tools, such as the [Tax Administration and Diagnostic Tool](#), [Public Expenditure and Financial Accountability](#) Framework, and [International Survey on Revenue Administration](#) are largely intended to meet the needs of government officials and financial institutions rather than those of civil society or the public. Lastly, existing standards also do not address the question of public participation in tax policy and administration decision-making.

A new set of principles, developed through an inclusive multi-stakeholder process, can serve as the basis of a comprehensive framework of norms and standards that promotes greater transparency and accountability and encourages informed and engaged public participation.

Defining tax transparency

Tax transparency can be defined as the disclosure and publication of quantitative and qualitative data about the tax system, that a society needs to hold decision makers to account and to reach informed judgements on how the tax system is performing during a particular time period. It is a process that supplies the information required to ensure that a tax system works for the benefit of all stakeholders – in and out of government – tax administrators, other government officials, legislators, those who elected them, and those who pay taxes, including any identified disadvantaged and marginalized groups⁵. The information made available through a tax transparency framework is part of an integrated process that includes the collection, analysis, scrutiny and dissemination of data, and the subsequent discussion of tax system performance, as well as the broader fiscal framework that includes the spending side of public budgets⁶.

Specifically, the stakeholders of a tax system require the information that allows them to: 1) understand how the tax that people have to pay is determined; 2) understand the administrative procedures that prescribe how taxes are paid; 3) assess whether the taxes they are expected to pay are fair compared to the contribution required of others within the society of which they are a part; 4) determine whether all of those who should pay taxes actually do so; 5) evaluate what alternative options for raising revenues exist within their society; 6) understand how their tax system compares to those of similar jurisdictions; and 7) know how the taxes that are collected are used by government.⁷

⁵ The GIFT definition of tax transparency focuses on government transparency relating to the management of national tax systems. It is intended to be both broader than, but also complimentary to the OECD definition, which sees tax transparency as a means of tackling bank secrecy and tax evasion through global cooperation on tax issues. Elements of the OECD approach feed into the GIFT approach to tax transparency, notably in principle 10, but the GIFT approach is focused primarily on government policies and procedures and the obligations associated with those, rather than private wrongdoing, which to date has been the focus for the OECD. Enhanced public and government transparency can of course also reduce and limit private and individual wrongdoing in some of the ways explained later in this document.

⁶ Tax transparency involves an information cycle covering all areas of a taxation process from the setting of objectives, to estimations and forecasts of projected revenues, to policy decisions on rates and specific design (reliefs and exemptions), to the collection and recovery of tax owing, to the payment, settlement, holding and distribution of resources, to assessment and reflection on overall performance and record.

⁷ Richard Murphy and Andrew Baker, [Making Tax Work: A Framework for Enhancing Tax Transparency](#), Global Initiative for Fiscal Transparency (2021), p. 7.

Tax transparency also enables dialogue on the design and implementation of tax policies and practices; promotes trust between government and the governed; and facilitates an understanding of the role of government in advancing social and economic goals. Accountability and transparency are two of the central pillars of good governance. A transparent and accountable tax system begins with a statement of the key goals and objectives of the tax system and a statement of what the jurisdiction’s policy and administrative frameworks are designed to achieve so that the performance of a tax system can be measured against overarching intent and purpose.⁸ Governments should regularly publish not only goals and objectives, but also the assumptions on which they are based, and the information needed to evaluate whether a tax system is working in the public interest.⁹

Too often, however, the information on revenues that is available is incomplete, not timely, and not made public with the level of detail needed to enable informed debates. Information on critical elements of tax administration – such as audit rates and estimates of tax evasion (“tax gaps”) – is frequently limited. This lack of information on the performance of tax administrators can give rise to perceptions of a lack of fairness that, in turn, reduces compliance with tax laws. And information on what governments don’t tax – tax expenditures: the credits, deductions, and other special treatment that results in a lack of taxation – is generally less available than corresponding information on the expenditure side of the fiscal equation.

A comprehensive framework as outlined in the principles below would provide stakeholders inside and outside of government with the information needed to understand how a tax system works and would prescribe a process for ensuring that meaningful participation informs debate over policies and their implementation. To achieve these goals, GIFT offers the following principles as an elaboration on its previously adopted [High-Level Principles of Fiscal Transparency, Participation, and Accountability](#) and [Principles of Public Participation in Fiscal Policy](#). The new principles are intended to apply to all government jurisdictions with the authority to tax and are intended to apply to all country contexts. They are designed to promote improvements in the scope, consistency, and quality of information that governments make available to the public and to establish a framework for how governments meaningfully engage with their stakeholders around issues of tax policy and administration with the ultimate goal of ensuring that public resources are used to advance the public interest.

These new principles address fundamental components of good governance and seek to cultivate the trust required to ensure a more sustainable fiscal pact, namely: the right of access to information, proactive transparency, accountability, and public participation.

Preamble

The parties to these principles:

- Affirm that a meaningful system of tax transparency supplies the quantitative and qualitative data that a society needs to ensure that its tax system works for the benefit of government, for those who elected them, for those who pay taxes, and for all other stakeholders of its tax system, as the basis for good transparent tax governance.

⁸ Richard Murphy and Andrew Baker, [Making Tax Work: A Framework for Enhancing Tax Transparency](#), Global Initiative for Fiscal Transparency (2021), pp.3- 4.

⁹ Richard Murphy and Andrew Baker, [Making Tax Work: A Framework for Enhancing Tax Transparency](#), Global Initiative for Fiscal Transparency (2021), pp. 12-13.

- Resolve that in order to achieve this goal, all people have the fundamental right to access the information needed to assess whether a tax system is meeting its intended goals and working for the benefit of society as a whole.
- Declare that the public and all stakeholders in the tax system have a fundamental right to participate fully and effectively in public debate and discussion with respect to the design, implementation, and review of fiscal policy decisions including those decisions affecting tax policies and administration.
- Recognize that a new set of international principles to guide the development of improved and expanded norms and standards, and provide all relevant actors—including governments, the public, civil society organizations, and international institutions—with a clearer sense of what is expected of them, what they can demand and how they can support the necessary reforms is fundamental to the development of sound domestic tax systems.
- Proclaim that a new set of international transparency principles for tax policy and administration should guide policymakers and tax administrators to ensure that:

1. Governments and national authorities should follow procedures that recognize stakeholders have a right to access information to enable them to reach judgements and participate in consultations, about whether a tax system is meeting stated objectives and working in the public interest. (BASIC).
2. Governments should publish clear and measurable objectives for the tax system on a timely basis, usually annually for each budgeting and reporting period. (BASIC).
3. The objectives of the tax system should be supported by timely and detailed projections of future tax revenues for each annual budgeting and reporting period, along with the sources of information and assumptions underlying all estimates and projections. (BASIC).
4. All taxes and their administrative framework should be codified in law, with changes in policy and substantive administration being made through a legislative process, that involves appropriate meaningful institutionalized consultation with stakeholders and civil society. (BASIC).
5. Taxpayers should be able to access clear, free and accurate information and advice that will maximize their ability to comply with the tax laws of a jurisdiction. They should also have the right to access a clearly set out appeal process and redress mechanism in relation to any liabilities, or judgements against them, which they believe to be incorrect. (BASIC).
6. All taxpayers have a right to confidentiality with regard to their affairs unless specific circumstances require otherwise. (BASIC).

7. Governments should provide the contextual information needed to place taxation within a broader fiscal, economic, and social framework. (BASIC/INTERMEDIATE).
8. Governments should publish a set of accounts on taxes collected at least once a year that includes a discussion of major deviations from budgeted amounts by type of tax, with reference to numerical data and previously published budgets, as well as commentary on whether the tax system has successfully met its stated objectives in the light of this data. (BASIC/ INTERMEDIATE).
9. Tax administration - government relations should be subject to the rule of law and tax administrators should be accountable to executive and or legislative branches of government. (BASIC/ INTERMEDIATE).
10. Where appropriate, governments should collaborate with international and regional financial institutions and tax administrators to meet their international reporting obligations. More generally they should seek to engage with international efforts (inclusive of civil society) to increase revenue transparency, improve administrative practice and participate in research on the impact of tax policies across countries and regions. (INTERMEDIATE).
11. Governments should evaluate and report on the extent to which taxes that are legally owed go unpaid, as a first step in preparing a tax gap estimate (see principle 14). (INTERMEDIATE/ ADVANCED).
12. Governments should seek to examine the impact of and publish information on the amount, sectors and beneficiaries of tax incentives – such as reliefs, allowances and exemptions, in terms of their rationales, costs, benefits and effectiveness. (INTERMEDIATE/ ADVANCED)
13. The data underpinning tax transparency should be subject to verification by an independent agency that audits, evaluates, and reports on the accuracy, quality and fairness of that data. (ADVANCED).
14. Governments should aspire to work with international bodies to periodically evaluate the performance of their tax system by applying advanced assessment tools such as *tax gap analyses* and *tax spillover assessments*, to enhance their own and stakeholder understandings of the risks and vulnerabilities within the tax system, and to inform potential reform debates. (ADVANCED/ ASPIRATIONAL).

Guidance Notes on Applying and Assessing The Principles

1. Governments and national authorities should follow procedures that recognize stakeholders have a right to access information to enable them to reach judgements and participate in consultations, about whether a tax system is meeting stated objectives and working in the public interest. (BASIC).

Effective tax systems require the faith, trust and confidence of taxpayers. Individual citizens and business, as well as civic institutions and expert voices need to believe that the system is fair, follows due process, the rule of law and serves a wider public good. Tax morale refers to the willingness to pay tax. Such willingness is likely to increase if there is broad confidence amongst a population that the tax system is effective in meeting objectives assigned to it, avoids maladministration, corruption and follows the rule of law. Principle 1 is therefore a general high-level principle that is informed by a view that increasing tax transparency is likely to increase tax morale. Tax morale is likely to be strengthened by a commitment to making information available that reports and reflects on tax system performance. A good tax system is also an open transparent tax system, where people and stakeholders can access information on procedures, performance and intent, with relative ease. Procedures for making such information available should be in existence. Government should demonstrate a commitment to enabling stakeholders to access information on what taxes are collected and for what purpose, rather than concealing information (unless there are explicit reasons relating to confidentiality or legality). Different stakeholders will have different information needs and understandings. Government should be sensitive to this, and respond to different needs by making information available in different formats, and at different levels of detail where possible, highlighting which stakeholder needs different information sets are serving.

More generally this principle is asking, *how strong is the commitment to providing, publishing and making publicly available information about the tax system in terms of both procedure and performance in a jurisdiction in accessible formats? Is there a general culture of making accessible information about the tax system in different forms and what evidence is there of that?* Further discussion of the differentiated information needs of different stakeholders can be found in chapters 2, 3 and 4 of the framework document: *Making Tax Work*¹⁰. Countries seeking to implement and fulfil this principle should have an institutional culture of reporting and reflecting on their tax system's performance and procedures, and should have institutional mechanisms and procedures for doing this. Ideally there should also be a commitment and willingness to offer information on the performance of different parts of the tax system and how those parts interact to impact aggregate overall tax system performance as a combined entity.

Posing the following questions will help with evaluation of the degree to which this principle is practised in a jurisdiction:

¹⁰ Richard Murphy and Andrew Baker (2021) *Making Tax Work: A Framework for Enhancing Tax Transparency*, Global Initiative for Fiscal Transparency: Washington DC <https://fiscaltransparency.net/making-tax-work/>

- Is the government generally accepting of the need for tax transparency, including efforts to improve available tax data and evaluation of the performance of the tax system?
- Has the government committed (e.g. through legislation) to deliver data required to hold it to account for the management of the tax revenues of a jurisdiction?
- Has the government understood the different needs of primary (experts, public officials and professional advisers) and secondary users (non-expert electorate and individual tax payers) for tax transparency data, by producing basic headline and more detailed technical readings of data?
- Are procedures designed to meet the separate needs of primary and secondary users of data?
- Are the government's tax data commitments (point 2 above) upheld by law?
- Is government performance on the release of tax data monitored and reported upon?
- If the mechanisms for generating tax transparency can be shown to be incomplete, is there evidence that efforts are being made to remedy the deficits?
- Is the government encouraging feedback and providing platforms whereby users of the data can participate in discussions and put forward additional information needs?¹¹

2. Governments should publish clear and measurable objectives for the tax system on a timely basis, usually annually for each budgeting and reporting period. (BASIC).

A transparent tax system is also one that seeks to cultivate public understanding of what tax policy is seeking to achieve and accomplish. All stakeholders are materially impacted by the outcomes of the design and operation of the tax system in terms of distribution, economic performance, prosperity, levels of inclusion, fairness, societal resilience and sustainability, and any other objectives that a society may choose to prioritize and attach to the tax system. Taxation is in this regard a powerful potential instrument for shaping an economy and society, as well for raising revenues. The fundamental underpinning for any system or framework of tax transparency is that a government of the jurisdiction and its tax authority, should state the key assumptions and objectives informing the management and administration of the tax system¹². Transparency in taxation has to begin with some statement of what tax policy and the design of the system as a whole is intended to achieve. Evaluating the performance and success of a tax system does require a sense of its overarching intent and purpose, while being transparent and explicit about objectives is an important component part of transparency in its own right and government accountability more generally. A tax transparency framework should involve comparing expectations and stated objectives with outcomes. This will involve appraising and reaching evidence-based judgements on the effectiveness of a government and a tax authority in achieving their own stated goals¹³. Ultimately, tax transparency is a device for building and encouraging the growth of trust between citizens, businesses and their governments on tax matters, particularly in states with low tax morale and distrust of government.

¹¹ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.27.

¹² Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.4.

¹³ The Tax Transparency Framework (TTF) advanced in MTW is intended to compare expectations and stated objectives with outcomes. This will involve appraising and reaching evidence-based judgements on the effectiveness of a government and a tax authority in achieving their own stated goals. This theme is elaborated further in chapter 7 of MTW. That chapter explains how a tax system can be designed to achieve a government's objectives.

As part of a drive to produce greater tax transparency a government should publish: i) the social, economic and fiscal goals that it wishes to achieve through its tax policy; ii) how it sees the role of tax within its overall fiscal management of the economy; iii) its objectives with regard to redistribution of income and wealth through the tax system; iv) how the government intends to use the tax system to compensate for market failures, most especially on taxing harmful products and providing subsidies through tax reliefs and exemptions, including if and why there is a view it is not appropriate to use taxation for such purposes; v) how the government decides what to tax; vi) the broad philosophy and assumptions informing its setting of tax rates and tax exemptions, reliefs and allowances; vii) the objectives and beliefs behind the government's approach to its tax administration, its management and its funding¹⁴. Ideally such a statement of objectives would be published in a document by a specified date at the start of each budgetary year.

Clarity in stating such objectives can build appreciation, acceptance and understanding of how tax can be used for different purposes, enabling societal debate not only about the appropriateness of targeting certain objectives, but also in monitoring the tax system's success in delivering these objectives. This is itself a vital component of enabling and enshrining tax transparency as a governmental and societal norm. Tax systems are not standard public administrative systems like any other. Instead, they recover and compile essential public revenues that also have an enormous power to shape society and social relations as a whole, creating a need to explicitly announce and specify the objectives to be attached to various tax policies¹⁵.

Within this context, *timely*, means that an information cycle is established that requires that the objectives for the forthcoming year are published before the formal annual budget process starts¹⁶. While the broad objectives noted above might remain relatively unchanged during a government's term of office it is good reflective practice to update and revise them based on experience and events over previous years, as a matter of course.

3. The objectives of the tax system should be supported by timely and detailed projections of future tax revenues for each annual budgeting and reporting period, along with the sources of information and assumptions underlying all estimates and projections. (BASIC).

Tax transparency is a *process that supplies the quantitative and qualitative data that a society needs to ensure that its tax system is working for the benefit of its tax authority, government, legislators, those who elected them, those who pay taxes and all other stakeholders of its tax system*¹⁷. That in turn requires some basic data needs are fulfilled. This should start with the budgeted and past actual income and expenditure of the government as a whole, broken down so that: the source of all income can be reasonably identified; all revenue expenditure (charged as an expense in government accounts in accordance with generally accepted accounting principles) can be explained; and capital expenditure is explained.

¹⁴ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.12.

¹⁵ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.18.

¹⁶ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.24.

¹⁷ Richard Murphy and Andrew Baker, *Making Tax Work*, p.27.

In projecting ahead for the forthcoming budgetary year, the government should state: the total revenue it seeks to collect for the period in question; why that sum has been decided upon, and with regard to which policy objectives; what assumptions have been made in preparing this revenue estimate and what the risk within those assumptions might be. A budget should be prepared annually for each budgetary year stating tax revenues to be collected in total, and in summary by tax, while stating for each tax: what the proposed rates of tax are and a specification of the occasions when they will apply, noting the reasons for any change from the previous year/ period; what reliefs, allowances and exemptions are to be given during the year; what each is worth and what changes are planned from previous years¹⁸. Ideally this should be published as a publicly accessible document by a specified date in the annual budget calendar.

4. All taxes and their administrative framework should be codified in law, with changes in policy and substantive administration being made through a legislative process, that involves appropriate meaningful institutionalized consultation with stakeholders and civil society¹⁹. (BASIC).

A transparent tax system is also one in which changes in tax policy and law, both in terms of rates, tax bases, legal liability and eligibility, exemptions and reliefs, the budgets and mandates of revenue authorities, and substantive procedural and administrative changes relating to targets for the revenue authority and how cases are pursued, are all changed by law through a legislative scrutiny and approval process. Proposed changes to legislation should be published early enough for stakeholders with interest in the issue to make comment on the proposals to legislators before the changes are decided upon. The process for engaging should be prominently advertised to encourage comment. Each change should have an accompanying explanation, providing detailed reasons for the change and what the implications of not making it might be to ensure that all stakeholders can understand its implications²⁰. On occasion a national emergency, such as natural disasters or war might require rapid response and a temporary suspension of this norm.

5. Taxpayers should be able to access clear, free and accurate information and advice that will maximize their ability to comply with the tax laws of a jurisdiction. They should also have the right to access a clearly set out appeal process and redress mechanism in relation to any liabilities, or judgements against them, which they believe to be incorrect. (BASIC).

An important element of tax transparency is the ease of complying with the law, in following correct procedure and the clarity and accessibility of information surrounding that. Tax compliance can be defined as seeking to pay the right amount of tax (but no more,) in the right place at the right time, where right refers to the economic substance of the transactions undertaken coinciding with the place and form in which they are reported for taxation purposes. If this is difficult and obfuscated by lack of information, and or confusing complexity (non- transparency), mistakes on returns and the settling of liabilities will be more likely. The presence of limited and confusing information, or

¹⁸ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, pp.28-30.

¹⁹ While the first three basic level principles, 1-3 referred to the publication of data and objective for the tax system, the next three basic level principles, 4-6 are concerned with legal requirements and rights.

²⁰ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.29.

complex unclear rules and procedures can reduce tax compliance and revenue collection. Such features can contribute to the emergence of tax gaps, where annual revenue collection fails to meet expectations and falls below potential estimated revenue totals. In assessing this principle, the following question should be posed: how intelligible are procedures for paying tax and settling tax liabilities and how clear and accessible is the information explaining this?

Taxpayers are sometimes unclear on certain points and procedures. Consequently, transparent effective tax systems should maintain an advice, or query service administered by the revenue authority, that can provide clear advice on procedure and legality to taxpayers, that is accessible and will respond to queries within a specified time frame. This principle entails some judgements being reached on the effectiveness and clarity of such a service and its procedures, based on a review of the experiences of affected parties.

This principle is a two-step principle and for good reason. Tax is often an unavoidably complex affair. Genuine mistakes can arise on behalf of both taxpayers and the revenue authority. Likewise, this is more likely where procedures and calculations are complex, opaque, or obscured by absent, or poor quality information and explanation. In such scenarios genuine misinterpretations of information and procedure can arise. Where mistakes are made by either the revenue authority, and or the taxpayer, it is important that taxpayers have access to an effective appeals process, rather than being subject to immediate full legal sanctions and penalties, including prosecution. Compliance and perceptions of fairness will be enhanced by an accessible and transparent appeals process, that can also resolve disputes and differences of interpretation fairly by following due process, offering full timely redress where that is found to be appropriate. Consequently, this principle also requires an assessment of the accessibility, fairness and effectiveness of the appeals process, by collating the views and experiences of a diverse range of stakeholders and taxpayers. Ability to appeal is a bedfellow and probable enabler of high tax compliance. As p.10 of Making Tax Work notes: a key element of a transparent tax system is to impose penalties only when it is appropriate to do so, and there is evidence of clear fraudulent intent. Too many tax systems impose penalty upon innocent error, and this is very unlikely to encourage tax compliance, or tax transparency.

6. All taxpayers have a right to confidentiality with regard to their affairs unless specific circumstances require otherwise. (BASIC).

Most of the forms of transparency called for in The Principles relate to government and administrative affairs. The Principles are not an attempt to shine a specific light on the affairs of individual taxpayers. As a matter of course a fair and just transparent tax system would be based on an acknowledgement of the rights of individual taxpayers to confidentiality, and respect for that confidentiality. A transparent tax regime should avoid arbitrary breaches of that confidentiality and have few, or no instances of such breaches. A number of exemptions to this basic principle should be noted.

Corporate and Limited Liability Exemptions: registers of businesses are necessary to ensure that those undertaking trade can be identified. This should not be considered a breach of taxpayer confidentiality.

Exceptional Transactions and Sweetheart Agreement Exemptions: The undertaking of exceptional transactions that might as a consequence be identifiable within the national accounts of a jurisdiction should also not automatically be considered a breach of taxpayer confidentiality, even if a taxpayer can be recognized as a result. The above applies to cases or countries where it is commonly argued that tax data cannot be published, because a few or even one company dominates a particular type of tax revenue e.g. in the extractive industries. The need for national accounting data with regard to taxation is usually of higher priority than the demand for taxpayer confidentiality in such cases. The making of agreements for the settlement of tax outside the normal course of tax legislation is also an occasion when taxpayer confidentiality should be suspended. In such cases, a duty should be placed on governments to publish the facts surrounding these matters, and to disclose the parties to them²¹.

Criminal and Dispute Settlement Exemptions: The right to taxpayer confidentiality should also be considered to be foregone in the event that a criminal prosecution of a taxpayer is considered necessary. A state should also reserve for itself the right to publish details of large non-criminal tax settlements reached with taxpayers who have entered into contractual agreements to settle tax disputes relating to past tax affairs. The publication of such information is in the public interest to deter others from undertaking tax abuse in the various ways in which it is possible, even if prosecution did not result. Such disclosure is a necessary part of a tax transparency framework, but a taxpayer at risk of having their affairs disclosed in this way should be given prior notice of a tax authority's intention to publish their details.

The above exemptions aside, the state does have a duty to protect taxpayer confidentiality and to prosecute those who might breach this duty. Tax transparency should also be seeking to eliminate corruption in a tax system, which raises the special case of whistleblowers. There is a duty for all tax authorities to provide mechanisms to both permit whistleblowing and to protect the identity of a whistleblower, to ensure their personal safety, and to reward their efforts and the risk that they take in the public interest²².

7. Governments should provide the contextual information needed to place taxation within a broader fiscal, economic, and social framework. (BASIC/INTERMEDIATE)

This principle builds upon principles 1-3, and entails a deeper qualitative commentary on and explanation for the data and objectives covered in those principles. Tax Transparency requires the publication of notes of qualitative exploration and elaboration. For example, quantitative data such as that noted in principle 3, needs to be explained and located in a broader and wider context of the economic and social policy objectives of the government, with that accompanied by explanations and interpretations of the significance of patterns and trends in that data, and what that in turn means for government objectives. The reasons why a government engages in taxation as established in principle 2 can be far broader than simple revenue raising. Explanation of this should go beyond stating certain objectives and the broad assumptions behind them as in principle 2, to

²¹ More on such instances can be found in Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.55.

²² More on taxpayer confidentiality and exemptions, including whistleblowing can be found in MTW, pp.55-57 and in Chapter 8 of the document.

narrate in more detail the rationale behind certain choices. Broadly speaking this will require some qualitative explanation of why certain income tax, or corporation tax rates for example are chosen, what assumptions that is based on and whether the aim is to deliver a more progressive taxation system that keeps inequality in check, whether it is particularly focused on reducing inequality for certain disadvantaged groups, including why that might be a particular priority, whether the priority is stimulating growth, and or economic efficiency, or some sense of the optimality of revenue raising, or whether and how tax policy relates to specific targeted macroeconomic objectives. In short, this principle is assessing how effectively a government explains their own rationales and thinking in taxation and how this relates to particular tax policy choices, and trends in recent tax and other economic and fiscal data.

One additional element of this is the provision of reliefs, allowances, breaks and exemptions in the tax system, sometimes referred to as tax expenditures, or social tax expenditures, because they are effectively a form of foregone revenue or uncollected tax, which is intended to encourage or incentivise certain forms of economic activity. Many governments publish little in the public domain about the rationale and justification for various reliefs and allowances, nor do they reflect on their effectiveness in achieving those stated objectives in much detail. Assessing this principle in full requires some consideration of the extent to which the rationales for reliefs and allowances are clearly explained and whether their effectiveness is documented and reflected upon by government in general terms.

8. Governments should publish a set of accounts on taxes collected at least once a year that includes a discussion of major deviations from budgeted amounts by type of tax, with reference to numerical data and previously published budgets, as well as commentary on whether the tax system has successfully met its stated objectives in the light of this data. (BASIC/ INTERMEDIATE).

One of the most important functions of tax transparency is to ensure that those who must make decisions on tax policy have the information that they need. In this context it is, of course, vital that a government and a tax authority have such data. It is also important that those who hold them to account are also in possession of this information. Legislators, taxpayers and the residents of a jurisdiction need access to the accounts of both their government and its tax authority to ensure they can fully appraise what is happening within the tax system, and therefore reach judgements on whether it is being appropriately managed²³. While principles 1-3 and 7 are forward looking projections of intent and outcome, principle 8 is intended to enable a look back over the previous year to reflect on how actual performance in a given year, relates to prior projections. One way to do this is for a government to publish, the annual budget for each period as approved by the legislature, including all forecast data by type of tax, with the tax authority then reporting actual outcomes in its accounts (also by type of tax), so that subsequent appraisal of outcomes against expectations in the earlier budget document is possible. Other economic data should also be published by a government for the period, alongside this tax data, so that when compared with that data, it can suggest whether the social, economic and fiscal goals of the government are broadly being fulfilled or not. This can include data on growth, redistribution, tackling of poverty and disadvantage (particularly specifically targeted disadvantaged groups), climate change, including

²³ Richard Murphy and Andrew Baker, (2021) *Making Tax Work*, p.59.

some discussion, analysis and reflection on all of this²⁴. This should also extend to some discussion and reflection on whether estimations and expectations in terms of tax data and objectives have been met, and what the reasons for those patterns might be. This is the question of actual yield versus anticipated yield, and the reasons for actual yield being higher or lower, as well as evidence of some published reflection on how that impacts on objectives as noted in principles 2 and 7²⁵.

9. Tax administration - government relations should be subject to the rule of law and tax administrators should be accountable to executive and or legislative branches of government. (BASIC/ INTERMEDIATE).

A transparent tax system requires that appropriate accountability relationships and lines of reporting responsibility are clearly established and specified, particularly between the revenue authority and the executive and legislature. The executive should be able to set broad objectives for the revenue service, including where appropriate deploying the legislative process for this purpose. This should extend to ensuring that the revenue authority has the resources and autonomy to pursue the investigations it needs to, within the framework of law. Safeguards should exist to prevent a government blocking the revenue authority from pursuing cases that are politically embarrassing, or inconvenient. Nor should the revenue authority be subjected to the political whim of the government of the day, to turn a blind eye to certain cases, or practices, while pursuing others with little basis other than potential political advantage. Legal frameworks should exist that prevent government arbitrarily interfering in and directing the day-to-day affairs of the revenue authority. Rather as noted in principle 4, notable changes in tax practice and policy should be backed by law and legislative ratification. Procedures should also exist for the appointment of senior executives of the revenue authority, to ensure the best possible candidates are appointed and their performance is evaluated according to appropriate criteria, which if not met may lead to removal from the most senior posts, in accordance with due process.

Annual reporting on performance, resources, procedure and administrative practice by the tax authority according to specified criteria and standards to parliament and or executive should be institutionalized as part of the annual routine of government business where appropriate. This will enable the legislature and or executive to hold the revenue authority to account, but also to empower the revenue authority and give it voice in explaining the issues and challenges it faces in public²⁶. Scrutiny and discussion of the structure and performance of the tax administration of a jurisdiction is an important aspect of both democratic accountability and tax transparency. The process should involve some reflection on how tax issues are integrated into related areas of administration, including company law, accounting regulation, trust law, rules on inheritance and personal data, with personnel from the revenue authority being encouraged to report and reflect on their own experience of these issues in testimonies to the legislature, and or members of the executive²⁷.

²⁴ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, pp.12-13.

²⁵ For more information and discussion of this see Chapter 10 of MTW, which goes into detail on government accounting on budgets, on revenue (including matters such as anticipated yield, reliefs that reduce a theoretical tax yield creating a tax policy gap and the sum for each year compared to previous years).

²⁶ Richard Murphy and Andrew Baker, 2021. *Making Tax Work*, p.62.

²⁷ Richard Murphy and Andrew Baker, 2021. *Making Tax Work*, p.13.

10. Where appropriate, governments should collaborate with international and regional financial institutions and tax administrators to meet their international reporting obligations. More generally they should seek to engage with international efforts (inclusive of civil society) to increase revenue transparency, improve administrative practice and participate in research on the impact of tax policies across countries and regions. (INTERMEDIATE).

Today international standards such as automatic information exchange and country by country reporting are monitored and overseen by the OECD²⁸. A transparent tax regime is one that participates in and fulfils its international commitments and reporting requirements in full, is transparent in reporting and reviewing its international tax treaties and generally participates with the international community in exchanging research, ideas and best practice, as to how tax administration, revenue collection and policy can be better designed and made more transparent. This engagement should also be inclusive of and allow voice for civil society actors. An evaluation of this principle would seek to reach judgements on the degree to which a country meets its commitments in relation to automatic information exchange and country by country reporting and participates in international initiatives designed to encourage good and transparent tax governance.

11. Governments should evaluate and report on the extent to which taxes that are legally owed go unpaid, as a first step in preparing a tax gap estimate (see principle 14). (INTERMEDIATE/ADVANCED).

Government debt has increased markedly around the world increasing the pressure on many authorities to improve their fiscal position, especially in the context of the economic impact of the Covid-19 pandemic. One approach to addressing this is to identify missing existing revenue as tax that goes unpaid and its sources. Tax transparency is ultimately a means to increase confidence and trust in tax systems, and with it tax morale as the willingness to pay tax. This can be aided by discovering the extent to which taxes go unpaid due to illegal tax evasion and because revenue authorities fail to recover taxes declared but unpaid, either through insolvency, or through administrative shortcomings, and to be as open as possible about the extent of this. Moreover, if estimates can be arrived at, authorities can then begin to signal their intent and strategy to recover the missing revenue in a more precise and systematic fashion. The starting position for this kind of strategy however is to be aware of the extent, scale and form of the problem of legally owing taxes that go unpaid.

More ambitiously, some jurisdictions have begun publishing tax gap estimations, including the European Union and the United Kingdom, though in both cases the methodologies have potential shortcomings. A tax gap analysis is an estimation of the difference between the tax revenues that its tax authority could potentially collect and the tax revenues it actually recovers during the course of a specified period (usually this is an annual tax gap). Tax gap analysis seeks to establish and calculate this difference²⁹. A methodology for calculating a tax gap, and from there recoverable amounts is a more complex undertaking, including estimates of: tax base gaps; tax expenditure gaps; tax avoidance gaps; tax evasion gaps; and tax known to be owing but not settled (unpaid tax).

²⁸ Richard Murphy and Andrew Baker, 2021. *Making Tax Work*, p.53.

²⁹ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.63. Chapter 9 of MTW outlines the methodological issues involved in tax gap analysis.

The first two in that list are the policy tax gap, that results from conscious policy choices. The third entails the exploitation of legal loopholes and creative accounting, within the law. The last two are in some ways the easiest calculations to arrive at and in their aggregate are an estimation of total amounts legally owing but unpaid. In this sense arriving at regular reliable estimates for both of these would be a feasible first step for undertaking a more ambitious tax gap estimation (either for an individual tax, or the tax system as a whole).

The tax evasion gap is the tax cost of the illegal non-declaration of income, that should be taxed, or the tax cost of an illegal claim for a tax exemption, allowance or relief to which a taxpayer is not entitled. More detailed notes on items and processes to be considered and accounted for in the calculation of a tax evasion gap can be found on pp.73-75 of MTW. The unpaid tax gap is the tax cost of sums known to be owing to the tax authority that are not collected. More on the unpaid tax gap can be found on pp.75-76 of MTW.

Tax evasion requires and thrives on opacity. Publishing information on the extent, scope and form it takes, provides a basis for action to tackle the issue. Enhancing tax transparency by reporting on the mechanisms through which tax evasion takes place, the numbers of detected cases and successful prosecutions of: underreported income; omission of tax returns; dissolving companies before tax liabilities become due; and overclaiming on reliefs and allowances, - while making this information public can disincentivize tax evasion and discourage illegal behaviour.

Unpaid tax gaps can arise from: insolvency of the taxpayer; inability to trace the taxpayer; refusal of the taxpayer to make settlement; lack of resources to pursue recovery through the legal system; corruption and the bribing of officials; error in recording amounts owed in turn impeding tax recovery. A more forensic reporting of the above and publication of amounts and breakdowns as an element of a tax transparency framework, would give a better reading of where resources could be concentrated to improve tax recovery rates. Assessing this principle would require establishing what procedures and methods of reporting and publicising unpaid tax and penalties associated with that are present in a jurisdiction.

12. Governments should seek to examine the impact of and publish information on the amount, sectors and beneficiaries of tax incentives – such as reliefs, allowances and exemptions, in terms of their rationales, costs, benefits and effectiveness. (INTERMEDIATE/ ADVANCED).

The total value of tax reliefs, allowances and exemptions (tax expenditures) provided annually in a jurisdiction is often disputed and contested. For this reason, a key element of enhancing tax transparency should involve putting in place a system for accurately reporting on the amounts of revenue foregone in the form of reliefs, allowances, double-tax reliefs and exemptions, and the sectors and beneficiaries to which these reliefs are directed. Transparency can be further enhanced by publishing clear stated rationales for each tax relief, including some effort to track both costs, and benefits in terms of impact, with these efforts being published in one annual report, or document³⁰. This matters because the total value of reliefs provided in a jurisdiction can be substantial. For some jurisdictions for every amount of tax collected, over half of that might be given

³⁰ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.4, p.23. More on the calculation of a tax expenditure gap can be found on pp.41-42 and pp.69-73 of MTW. Questions to pose that can help in the evaluation of reliefs are also covered in Chapter 12.

away in reliefs and allowances³¹. How reliefs are designed can therefore have a substantial impact on the form the economy takes and the distribution of wealth and welfare in society. It is important therefore if society is to understand and support the role reliefs play in an economy, that they are openly reported on and fully appraised. Where possible this should take the form of one publicly accessible document.

Establishing a robust system for evaluating reliefs will not only enhance transparency and public debate about the purpose such reliefs serve and their actual impact, but can also potentially help to allay the suspicion that tax reliefs are hidden forms of welfare provided to favoured groups. Assessing the extent to which this principle is implemented in a jurisdiction would require reaching judgements on how robust the quantitative and qualitative procedures for calculating relief amounts are, and for elaborating and explaining reliefs in terms of their rationales and impact.

13. The data underpinning tax transparency should be subject to verification by an independent agency that audits, evaluates, and reports on the accuracy, quality and fairness of that data. (ADVANCED).

An important aspect of tax transparency is that data should be reliable and subject to a quality control or audit process during its preparation. The aim should be for data supplied to be as accurate as possible, meaning that it is not contradicted by other data sources. The differences between interim reporting, where standards may not be as reliable as final data, should always be highlighted if such information is made available. The adoption of tax transparency standards as a basis of appraisal should assist this process. The objective is to ensure data cannot be manipulated for political purposes. This requires that the integrity of the data needs to be established. This may require involvement from an outside panel of independent experts that should be inclusive and representative of a diverse range of stakeholder groups, including academics, campaigners, business and tax professionals³². This principle is a question of degree and the questions to be posed in assessing it are what safeguards and oversight mechanisms are in place, what procedures and forms of scrutiny do they undertake, what breadth of perspectives are represented in these processes and what degree of rigour do they display?

14. Governments should aspire to work with international bodies to periodically evaluate the performance of their tax system by applying advanced assessment tools such as tax gap analyses and tax spillover assessments, to enhance their own and stakeholder understanding of the risks and vulnerabilities within the tax system, and to inform potential reform debates. (ADVANCED/ASPIRATIONAL).

This principle is intended to be the pinnacle gold standard of tax transparency that governments should work towards and aspire to meet. Tax transparency is ultimately about identifying how, where and in what ways tax system performance can be improved. The two most ambitious existing forms of evaluation that could be undertaken, which would identify losses in potential revenue, their sources, and also their causes, are *tax gap analyses* and *tax spillover assessments*. The former, as principle 11 explains is an estimation of the difference between the tax revenues that a tax authority

³¹ Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.69.

³² Richard Murphy and Andrew Baker (2021) *Making Tax Work*, p.24.

could potentially collect and the tax revenues actually recovered during the course of a specified period (usually an annual tax gap). Tax gap analysis seeks to calculate this difference. Different methodologies for estimating this already exist. The outlines of a comprehensive approach are sketched in Chapter 9 of MTW³³. In reality most governments would be best to work with outside experts and international organizations, while consulting with civil society, in developing and conducting tax gap analysis, with similar applying to tax spillover assessments. Ultimately, tax gap data can inform and spark policy debate, as to how a tax system can be improved in terms of the level of additional revenue that might be collected. It is important to note that a tax gap can be appraised for any individual tax, or for the tax system as a whole. International organizations could usefully expand their expertise in both areas and offer to conduct these kinds of evaluations as a service to member states, to help identify potential evidence led improvements to tax system performance.

Tax spillovers are the knock-on effects, reductions in corporation tax, and other tax competition strategies, have as largely unintended consequences, that undermine other parts of the tax base, or tax policy and administration in the same country, or in other countries. In short, tax spillovers are the externalities (intentional and unintentional) generated by policies designed to increase the tax competitiveness of a particular jurisdiction, or locale. They can be both domestic and international in nature, caused by domestic policies, or by the policies of other states. Spillover effects as IMF econometric research has shown can reduce the revenue raised by a country (particularly developing countries) through a particular tax such as corporation tax³⁴. But they can also make revenue collection procedures more difficult to execute, or create incentives for private actors which damage the overall tax base and functioning of the tax system as whole. Such spillovers cannot be fully captured in terms of quantitative estimations of lost revenue, as behaviours and declining administrative effectiveness are hard to quantify. Qualitative reporting can help to identify how widespread certain administrative weaknesses or behavioural practices are, and the risks they pose to a tax system, as a supplement to more quantitative estimates of lost revenue. Spillover assessments are therefore complementary to and follow on from tax gap analyses, enabling more precise identification of the sources of those tax gaps. Spillover assessments give a rounded reading of how tax systems are performing in practice, based on reviewing the experiences of a range of stakeholders with the tax system under consideration, and are best undertaken by trained assessors operating within a distinct and systematic assessment framework³⁵.

Such an assessment framework should contain both quantitative and qualitative elements, with precise details remaining to be worked out. Enough existing research exists for international organizations and other expert bodies to develop an accepted viable appraisal framework between them and this should be taken forward further through an appropriate pooling of expertise. Ideally spillover assessments should be comparable across jurisdictions involving a broadly similar methodology, to be undertaken in collaboration with the international community, with primary findings both qualitative and quantitative published for the benefit of a range of stakeholders.

³³ Also see Murphy, R. 2021. 'Reappraising the Tax Gap'. In Unger, B. et al (eds.), *Combating Financial Fraud and Empowering Regulators* 2021, Oxford: Oxford University Press.

³⁴ IMF (2014) Spillovers in international corporate taxation, IMF Policy Paper, 9 May [online]. Available from: <https://www.imf.org/external/np/pp/eng/2014/050914.pdf>

³⁵ Richard Murphy and Andrew Baker, A 2021. *Making Tax Work*, p.79. Also see Andrew Baker and Richard Murphy, 2019. The Political Economy of Tax Spillovers: A New Multilateral Framework. *Global Policy*, Vol.10:2, pp.178-192.

There are numerous potential beneficiaries from spillover assessments including: revenue agencies in terms of the case for enhanced resources and powers; governments who can identify how to enhance revenues by targeting administrative weaknesses and loopholes, rather than raising existing rates, while learning more about how the tax system as whole is performing in relation to their specified objectives; oppositions, publics and campaigning groups can learn more about the weaknesses and vulnerabilities of a tax system and how these might be addressed through targeted reforms.

Conducting a tax spillover assessment will enable some of the following:

1. Raising additional tax revenues without increasing rates, or extending the tax base;
2. Identifying weaknesses in the functioning of tax law and how and where tax rule enforcement could be made more effective;
3. Identifying targeted measures to improve overall fiscal management of the economy;
4. Establishing whether incentives and other arrangements to encourage particular behaviours built into the tax system are delivering on their original intended objectives, or whether they are having distorted, unintended consequences, such as exploitable legal loopholes, or creating incentives that undermine other parts of the tax base;
5. Determining the extent of tax compliance, including whether groups and individuals are paying their appropriate and correct share of taxes owing, or whether the burden falls inappropriately on the law abiding, or those without means to exploit legal loopholes;
6. Assessing how the tax revenue authority is performing, whether it is adequately resourced and whether funds are being used to best effect; and
7. Evaluating international tax relations and vulnerabilities, especially to specific forms of tax competition pursued by other countries³⁶.

³⁶ Richard Murphy and Andrew Baker, 2021. *Making Tax Work*, pp.80-81.