

Why GAO Did This Study

The Internal Revenue Service (IRS) and foreign tax administrators face similar issues regardless of the particular provisions of their laws. These issues include, for example, helping taxpayers prepare and file returns, and assuring tax compliance. Understanding how other tax administrators have used certain practices to address common issues can provide insights to help inform deliberations about tax reform and about possible administrative changes in the U.S. existing system to improve compliance, better serve taxpayers, reduce burdens, and increase efficiencies.

GAO was asked to describe (1) how foreign tax administrators have approached issues that are similar to those in the U.S. tax system and (2) whether and how the IRS identifies and adopts tax administration practices used elsewhere.

To do this, GAO reviewed documents and interviewed six foreign tax administrators. In some cases, GAO also interviewed tax experts, tax practitioners, taxpayers, and trade-group representatives who were selected based on their expertise or involvement in developing or using the foreign systems. GAO also examined documents and met with IRS officials.

What GAO Recommends

GAO makes no recommendations in this report.

The IRS provided technical comments that are included in this report.

View [GAO-11-439](#) or key components. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

TAX ADMINISTRATION

Information on Selected Foreign Practices That May Provide Useful Insights

What GAO Found

Foreign and U.S. tax administrators use many of the same practices such as information reporting, tax withholding, providing Web-based services, and finding new approaches for tax compliance. These practices, although common to each system, have important differences. This report describes the following six foreign tax administration practices that address common issues in tax administration.

Selected Foreign Tax Administration Practices

Foreign administrator	Practice
New Zealand	Does integrated evaluations of tax expenditures and discretionary spending programs to analyze their effects and improve program delivery
Finland	Uses the Internet to calculate individual tax withholding rates and revise preprepared tax returns to improve service at lower costs
European Union	Uses multilateral treaty information exchange on interest payments to member nations' citizens to spur compliance by individual taxpayers
United Kingdom	Uses information reporting and withholding so most wage earners do not need to file a tax return
Australia	Uses a compliance program for high-net-wealth individuals that focuses on their full set of business interests to improve compliance
Hong Kong	Uses semiannual payments instead of periodic withholding for the Salaries Tax

Source: GAO.

Although differences in laws, culture, or other factors likely would affect the transferability of foreign tax practices to the United States, these practices may provide useful insights for policymakers and the IRS. For example, New Zealand integrates evaluations of its tax and discretionary spending programs. The evaluation of its Working For Families tax benefits and discretionary spending, which together financially assist low- and middle-income families to promote employment, found that its programs aided the transition to employment but that it still had an underserved population; these findings likely would not have emerged from separate evaluations. GAO previously has reported that the United States lacks clarity on evaluating tax expenditures and related discretionary spending programs and does not generally undertake integrated evaluations. In Finland, electronic tax administration is part of a government policy to use electronic services to lower the cost of government and encourage private-sector growth. Overall, according to Finnish officials, electronic services have helped to reduce Tax Administration staff by over 11 percent from 2003 to 2009 while improving taxpayer service.

IRS officials learn about these practices based on interactions with other tax administrators and participation in international organizations, such as the Organisation for Economic Co-operation and Development. In turn, the IRS may adopt new practices based on the needs of the U.S. tax system. For example, in 2009, the IRS formed the Global High Wealth Industry program. The IRS consulted with Australia about its approach and operational practices.