

ATA

40th Annual Technical Conference 2019

Strategies for Managing the Shadow Economy - Role of Tax Administrators & Tax Practitioners

Dr Veerinderjeet Singh

Date of Presentation: 11-November-2019

- Reduce the tax gap
- Reduce tax leakages
- Explore new sources of tax revenue
- Enhance tax administration

- Informal & hard-to-tax sectors create an unfair advantage compared to compliant taxpayers
- Tax revenue to GDP ratios
- Research on the size of the shadow economy must continue to be funded
- In general, 30% of GDP is the estimated size of the informal sector
- Under-reporting /non-reporting undermines the tax system and public trust /confidence in the tax system

□ Access to data /information

- Legislative provisions used to seek information
- Reporting obligations
- Tax audits
- Sharing of data among government agencies (avoid duplication)
- Matching data
- Establish various touchpoints
- Exchange of information

- Data analytics /use data effectively
- Effective technological tools /software
- Efficient /trained personnel

- ❑ Build a culture of tax compliance as a national duty (a way of life)
 - Accountability by the Government on how tax revenues are utilised is essential
- ❑ Simplification and efficiency of the tax administrative rules
- ❑ Continue with enforcement activities e.g. anti-smuggling and under-declaration of imported values of goods /tax audits

- Tax identification number (TIN) for all financial transactions (sale of property, trading contracts, loans, rental agreements, opening of bank accounts for a business, etc)
- Ultimately, allocate a TIN to all entities /residents
- Impose a withholding tax on residents in respect of contracts where a TIN is not disclosed
- Banks to share all cash transaction reports on large deposits /withdrawals

- ❑ Presumptive tax on smaller businesses
 - Those who do not maintain complete /proper records
 - To enable them to file tax returns and work out their tax liability easily
 - Only for businesses with gross revenue below a fixed threshold
 - Of course, the percentage of annual turnover to be deemed as the taxable business income will differ according to the different business sectors
 - Aim to assist /educate on maintenance of accounting records and to eventually graduate into the normal tax system

- ❑ Continuously look at what is happening in the global /regional scene
 - New types of business models
 - Understand how these operate
 - Do these fall within the existing tax rules?
 - If not, improve the tax rules & educate

- Need to enhance professionalism and ethics
- Code of conduct
- Accredited professional bodies who have robust processes in place to discipline members
- All tax practitioners must have a professional membership with such bodies
- Continuous professional development
- Licensing of tax practitioners??
- Tax administrators must make official complaints to the professional body if its members run foul of ethical /professional conduct

THANK YOU