What is "Tax Inspectors WithoutBorders (TIWB)"?

TIWB is an initiative to facilitate the transfer of tax audit knowledge and skills to developing country tax administrations using a practical, “learning by doing” approach. Experienced tax auditors work alongside local tax officials in developing countries under a TIWB programme on current tax audits and international tax issues, sharing their expertise and skills.

How does it work?

Developing country tax authorities request audit assistance, which is matched to appropriate expertise drawn from a pool of currently serving tax officials or recently retired tax officials. TIWB operates a clearing house which matches the requests of developing countries with available expertise from around the world.

TIWB programmes are flexible, and tailored to developing country specific needs. They can include pre-audit risk assessment and case selection, investigatory techniques, audit cases involving transfer pricing issues, anti-avoidance rules, or sector-specific issues relating, for example, to natural resources, e-commerce, financial services or telecommunications.

It is important to note the foreign experts are not to be deployed to substitute for local audit staff or to carry out audit work where no local audit personnel are involved – it’s about sharing expertise by working side-by-side, building skills through practical, case-based cooperation.

What’s new, why is it different?

There is growing evidence that technical assistance, and other Official Development Assistance (ODA) financed support for tax work, has been money well spent. The IMF, the World Bank Group and bilateral donors have been active in this field for decades. However, developing countries have indicated that there is a gap in the provision of practical audit expertise, particularly concerning the fast moving and complex area of international taxation, including transfer pricing. There is no international initiative dedicated to this kind of hands-on approach. TIWB is intended to fill this gap.

What are the benefits in terms of revenues to developing countries?

Practical audit assistance to develop tax audit skills and effective audit processes is an area which can improve the quality and consistency of frontline tax administration. For host administrations, improvements in tax audit knowledge and skills can result in increased revenue. Evidence of revenue increases gathered in the pilot phase of the project involving external experts include:

- Transfer pricing audits in Colombia (anonymised audit files): a significant increase in profit tax revenue (from USD 3.3 million in 2011 to USD 33.2 million in 2014)
In Kenya every dollar spent working with the tax authorities on cracking down on tax avoidance produced over USD 1,000 in increased revenues.

Senegal reported increased revenue as a result of their TIWB project: adjustments have resulted in an additional USD 12.3 million of tax income (CFA Franc 8 billion).

**What are the other benefits to developing countries?**

Broader benefits include:

- Improved voluntary compliance. Support provided by foreign experts working with tax administrations in developing countries sends an important signal to all taxpayers concerning transparency and fairness in tax administration;
- A more certain and transparent investment climate. Increased expertise greater certainty and consistency for business, improving the investment climate;
- It enhances state-society relations, where taxation is one of the founding elements of that relationship, by fostering engagement with (and confidence in) the taxation process;
- Fostering international dialogue on tax matters between tax administrations in developed and developing countries.

**What are the benefits of TIWB to the supplying administration?**

In an era of rapidly accelerating international tax cooperation, tax administrations are engaging in more active partnerships with each other. Activities such as TIWB that promote a common understanding of shared problems serve everybody's interests. At an individual level, TIWB provides tax officials with a unique development opportunity, to share their knowledge in a different environment.

**What is the current status of the initiative?**

Since mid-2013, several TIWB assistance programmes have been initiated as part of the initial Pilot Phase. Several TIWB programmes are already underway (e.g. Albania, Ghana and Senegal). Experience has shown that TIWB audit assistance can result in improved quality and consistency of tax audits, sustained improvements in tax audit skills and higher levels of voluntary compliance by taxpayers.

A review of the pilot phase pointed to the need to extend the global reach of TIWB, to address funding, to increase access to potential experts and a higher impact governance structure. In 2015, the OECD and UNDP agreed to join forces to scale up TIWB in order to better address the constraints faced in the pilot phase. The new partnership is launched on 13 July 2015 at the Third conference on Financing for Development in Addis Ababa.

At present, the OECD and UNDP are establishing a dedicated joint TIWB Secretariat in Paris, completing and installing a TIWB Governance Board that will oversee and advocate for the initiative and are putting in place a sustainable TIWB deployment financing mechanism (TIWB Fund) administered by UNDP. It is expected that by having this in place TIWB will be up and running at the start of 2016.
Why the partnership between OECD and UNDP?

OECD and UNDP have joined forces to extend the global reach of the project and scale-up the number of deployments. The OECD’s technical competence in tax matters and a network of tax experts will be complemented by UNDP’s global network of “on the ground” expertise in developing countries around the world.

How exactly will TIWB be structured?

The TIWB Secretariat, supported by UNDP’s network of country offices, will provide the technical and legal assistance to developing countries in establishing TIWB programmes as needed, including assisting the parties involved in drafting and concluding TIWB expert deployment agreements. The TIWB programmes will be monitored, adjusted and evaluated to ensure lessons are learned for new deployments.

A multi-stakeholder Governance Board, co-chaired by senior OECD and UNDP staff and including governments from donor and developing countries, regional organisations, civil society and business will monitor the operations of the Paris-based joint OECD-UNDP TIWB Secretariat.

A dedicated UNDP administered TIWB Fund will expedite the TIWB programmes, moving away from inefficient case-by-case funding arrangements. The purpose of the dedicated TIWB Fund will be to bear the costs related to the TIWB programmes, including travel, accommodation and miscellaneous expenses. Retired tax-experts may require compensation on a fee basis.

Where will funds come from?

Initially we are seeking voluntary contributions from development agencies. Over time, business and charitable foundations may contribute. Host administrations may be able to contribute to some deployment costs. In many cases, tax administrations in developed countries may provide their experts time for free.

The average costs of a TIWB programme are estimated at around €50,000. The main components are the salaries, travel and accommodation expenses of the tax audit expert. In principle the host administration should contribute to these costs where possible.

In addition, the annual TIWB Secretariat costs amount to approximately €750,000 (comprising expenses including salaries, staff-related cost, travel, IT support, hosting meetings, translations).
Annex.

The Practicalities of a TIWB Programme

Who is involved in TIWB programmes and what are their roles?

The host administrations of developing countries are the lead partners in TIWB programmes, clearly specifying their needs and scope of work.

Tax administrations with capacity to share their expertise can deploy their employees and encourage recently retired audit experts to make themselves available.

Governments in developed countries, through their Ministries of Finance and Development Agencies should encourage requests and the provision of experts by their respective tax administrations. They also may directly and indirectly provide funding to deploy experts under TIWB assistance programs, including by making funding available to the TIWB Fund from which experts may be compensated.

International and regional organisations currently working in the tax and development field can promote these types of practical assistance and also stimulate the exchange of know-how by experts.

Business groups may share their specific industry knowledge to complement the transfer of know-how by audit experts. Civil society can promote the programme and share lessons.

Where are the tax audit experts from?

Currently serving officials could be drawn from any tax administration capable of offering tax officials with the necessary skills and experience. Recently retired experienced tax audit officials are another valuable source to be deployed under TIWB programmes in developing countries.

TIWB will boost “South-South” cooperation as countries that have received expert assistance further disseminate those skills to neighbouring countries. This has already been done by Kenya in other African countries and is being explored by other developing countries.

Recently retired tax officials may register in the TIWB expert contacts list, providing a short employment résumé that includes contact details of at least one reference from their previous tax audit role in a tax administration. Recently retired tax officials will often participate in TIWB programmes on a voluntary basis, with their costs of participating (e.g. travel and daily expenses) covered by the host administration or by a third party sponsor such as a donor agency.

What will be the legal position of the experts to the host administration?

The tax audit experts, both the retired as well as currently serving tax officials, in each TIWB programme will work with the host administration under a TIWB deployment agreement which covers all the legal and practical safeguards and provisions. A TIWB Toolkit available on the TIWB website (http://www.oecd.org/ctp/tax-global/taxinspectors.htm) sets out a guide for establishing TIWB deployment agreements, addressing potential issues such as confidentiality and conflicts of interest. As the international experts will be deployed as staff of the local
administration, they will be led and managed by that host administration which will set the objectives for the experts. The intended approach is for the expert to integrate into existing teams as much as possible and to foster open dialogue and skills transfer.

What about taxpayer confidentiality?
The tax audit experts will be directly involved in the daily audit activities of the host administration, which in most cases will require them to have access to confidential tax information relating to individual taxpayers. This position raises issues of confidentiality and conflict of interest which have to be laid down in the TIWB deployment agreement. The practicalities of such arrangements are also addressed in the TIWB Toolkit, outlining how this should be managed between both parties involved in the agreement.

Options for dealing with confidentiality issues include, for example, removing taxpayer-specific identifying information from the case under examination, or through confidentiality arrangements between the host tax administration and the assisting expert. Conflicts of interest will be identified and managed wherever possible prior to, during and after each TIWB programme. Audit assistance programmes undertaken on an anonymised base must be treated with the same level of care as non-anonymised audits.

What about personal liability and safety risks of the expert?
TIWB programmes may involve professional liability and liability for the workplace health and safety of the expert when working in the developing country. The host administration, experts (serving experts as well as recently retired officials) and partner administrations will ensure that issues of liability are considered and addressed adequately before commencing a TIWB programme. It is equally important to ensure that protections are in place for the workplace health and safety of the expert such as secured housing, travel arrangements and adequate access to the office facilities if and when required.

What is the content of TIWB programmes?
TIWB programmes are flexible, and can be tailored to specific needs and in principle may involve all types of taxation, such as corporate income tax (profit tax), value-added tax (sales tax) and personal income tax. However, the feasibility study and the pilot phase have proven that developing countries’ main request for audit assistance is in the field of corporate income/profit taxes and more specifically the international tax aspects of cross border transactions, including financing arrangements and licensing contracts. TIWB programmes can include pre-audit risk assessment and case selection, investigatory techniques, audit cases involving transfer pricing issues, anti-avoidance rules, or sector-specific issues, relating, for example, to natural resources, e-commerce, financial services or telecommunications.

How long will a TIWB programme typically run for?
TIWB programmes are primarily short term since they are generally related to an actual audit. However, the timeline for any particular TIWB programme requires flexibility, depending on demand and availability of experts. Different modes of assistance can be considered, including periodic or full-time deployments, or longer-term arrangements.