

ICC RECOMMENDATIONS ON ACCREDITED TAX PAYERS (ATPs)

POLICY GUIDANCE

Key messages:

1. An ATP programme aims to establish a global, mutually-recognised system to streamline the authorization of trusted tax payers by a national tax administration, on the basis that they meet a certain standard of criteria.
2. Through a clear set of rules and principles an ATP system can enhance certainty and trust. Some commercial certainty is vital in driving cross-border trade and investment, generating benefits for business and governments alike.
3. The ICC Recommendations and the accompanying annex seek to outline existing practices relevant to the creation of an ATP programme and the subsequent benefits for both tax administrations and businesses.

Implementation:

The Recommendations will be available on the ICC website for dissemination and implementation worldwide and will be distributed to ICC members and National Committees.

Document review:

After 24 months

Introduction:

In a globalised commercial environment, taxation can pose complex challenges to both business and governments, fortifying the need for global standards and consistent procedures. An Accredited Tax Payer (ATP) programme aims to establish a global, mutually-recognised system to streamline the authorisation of trusted tax payers by a national tax administration, on the basis that they meet a certain standard of criteria.

The concept of mutual recognition is instrumental to the ATP programme. Mutual recognition extends the recognised preferential status by a national tax administration to various tax administrations across the globe.

Through working collaboratively with business to promote international trade, responsible business conduct and a global approach to regulation, ICC aims to identify criteria for the establishment of an ATP programme, noting current and relevant in-country practices for enhancing cooperation, trust and confidence between tax administrations and tax payers.

For the purpose of this document, 'accredited tax payers', may be defined as: tax payers who have been approved on behalf of a national tax administration as compliant with a global set of standards.

Benefits:

In implementing ATP programmes, both business and tax administrations stand to benefit from greater transparency, predictability and efficiency when authorised tax payers meet a certain standard of criteria in the context of national and international tax environments.

Benefits to Tax Administrations:

- Mutual recognition and facilitated cross-border cooperation with other states to streamline international processing
- Lessened administrative burden and subsequent reduction of costs
- More stable and predictable forecast of tax revenues paid by tax payer
- More efficient allocation of resources to allow tax administrations to more comprehensively meet their needs and objectives
- Reduced turn-around times and avoidance of excessive duration of inspection procedures

Benefits to Business:

- Advance certainty on tax issues to avoid unnecessary costs and delays
- One-stop-shop: a single window or a clear point of contact where a taxpayer can bring forward relevant tax matters
- Lessened administrative burden and subsequent reduction of costs
- Lower costs resulting from fewer, expedited, joint or less-intrusive audits

Note: The benefits awarded to ATPs are in addition to, and should not in any way diminish, the measures already offered to non-accredited tax payers. Additionally, parties should consider that there may always be situations where views differ. An understanding of 'agreeing to disagree' could then be applied in order to isolate particular issues and an ATP programme could nevertheless be implemented.

ICC Recommendations:

The above benefits can only be realised within the framework of a global set of standards. Therefore, ICC recommends that tax administrations, in close co-operation with business, clearly define a set of global standards for an ATP programme, in accordance with the principles laid out in the [ICC Tax Charter](#).

ICC suggests that the following criteria could be applied for the establishment of a globally standardised ATP programme:

- **Regular payment of taxes**

The tax payer commits to the responsible fulfilment of its duty to pay required taxes in countries where it operates. The absence of any historic infringements could be considered.

- **Transparent information sharing**

The tax payer, as a socially responsible company, is committed to public transparency as one of the guiding principles of its tax activities. This could include industry specific information, where relevant, for the determination of tax payments.

- **Reliable internal control systems**

The tax payer can prove that they have a Code of Ethics (including whistleblowing procedures), an integrated Risk Control System (COSO and ISO 31000) and tax policy procedures or controls for main taxes. An agreed escalation procedure between the tax payer and the tax administration is recommended in order to prevent disturbance in case of unforeseen events.

- **Proof of solvency**

The tax payer will provide tax authorities with the required information and documentation as soon as possible.

- **Commitment to report illicit behaviours**

The tax payer is committed to collaborate in the detection and search of solutions regarding fraudulent fiscal practices in the markets in which it operates, or with which it maintains relevant relationships.

Note:

- Such programmes should be subject to a joint assessment and to evaluation by business and tax administrations, to ensure that the programme continues remain relevant in a changing business environment.
- The process for obtaining this status should not be a burdensome process for companies to the extent that it is unlikely that small- and medium-sized enterprises (SMEs) would have the resources to be accredited.

Conclusion:

Establishing a global, mutually recognised ATP system can enhance certainty and trust through a clear set of rules and principles. Such commercial certainty is vital in driving cross-border trade and investment, generating benefits for business and governments alike.

ANNEX I:

RELEVANT AND RELATED PROGRAMMES RELATED TO ACCREDITED TAX PAYERS

The below annex notes current country practices for enhancing cooperation, trust and confidence between tax administrations and tax payers.

WORLD CUSTOMS ORGANIZATION

Authorized Economic Operators (AEO) Programme

An ATP programme could be modelled similar to the customs equivalent of an AEO programme.

An AEO programme is defined by the WCO SAFE Framework of Standards¹ as a party involved in the international movements of goods, in whatever function, that has been approved on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards.

The benefits of such a programme include:

- a strengthened partnership between the customs administration and business
- international set of standards
- establishment of uniformity and predictability for both customs and business
- increased efficiencies, and a lessened administrative burden for both customs and business
- faster processing times (e.g. reduced inspection rate) and expedited clearance and release of goods for businesses
- enhanced ability to detect and deal with high risk consignments
- improved revenue collection for customs.

DOMESTIC TAXPAYER PROGRAMMES

Golden Tax Payer – Indonesia

A tax payer classified as a golden tax payer is entitled to obtain early (pre-audit) VAT refunds. The golden tax payer designation is a status granted by the Director General of Tax (DGT) to tax payers who fulfil certain criteria, such as the filing of tax returns on time, the absence of tax in arrears, and the lack of any criminal involvement. The DGT every year designates, on the basis of the criteria, certain tax payers as golden tax payers. Once a tax payer is granted this status, the company is eligible to apply for early VAT refunds. Tax payers must notify the DGT in writing if they do not wish to make use of the privilege.²

Horizontal Monitoring – Netherlands

¹ As defined in WCO Safe Framework on Standards to secure and facilitate trade http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/safe2015_e_final.pdf?la=en

² <https://www.pwc.com/id/en/pocket-tax-book/english/ptb-2017.pdf>

The Netherlands has introduced a voluntary horizontal tax programme, which aims for an enhanced relationship based on trust, transparency and mutual understanding.

Although vertical monitoring will not disappear, horizontal monitoring becomes more important. Where vertical monitoring is based on checking retrospectively, horizontal monitoring is a form of working in the present. Horizontal monitoring consists of two elements. On one hand it includes a good relationship between the tax payer and the tax authorities, which is recorded in a compliance agreement ('handhavingsconvenant') concluded with an enterprise or a trade organisation. On the other hand it allows for good risk detection.³ The organisation must be able to demonstrate it is in control of its tax processes and tax risks, based on the Tax Control Framework.⁴

The Dutch Tax Authorities will adjust the methods and intensity in which they perform their monitoring to the level of tax control of the tax payer.

Horizontal monitoring can be applied to all taxes including corporate income tax, value added tax, wage tax and social security.

One of the greatest benefits of the arrangement is that relevant tax risks and positions can be dealt with when they occur (in the present) within acceptable commercial deadlines. As a result, fewer checks afterwards are necessary and the administrative burden is reduced.

There are also some critical remarks to be made with respect to horizontal monitoring. The way horizontal monitoring is executed depends very much on the individual tax inspector in charge of supervision since the concept is not strictly regulated. Another remark is that the Tax Authorities have not formulated any objective criteria with respect to the concept of Tax Control Framework requirements. According to the Dutch Tax Authorities a Tax Control Framework is a 'subjective, dynamic, open standard'.

Note: The United Kingdom has the framework of a similar horizontal system, although the process is not as formalised as in the Netherlands.

Assisted Compliance Assurance Programme – Singapore

The Goods and Services Tax (GST) Assisted Compliance Assurance Programme (ACAP) is a compliance initiative for businesses that set up a robust GST Control Framework as part of good corporate governance. Businesses may, on a voluntary basis, conduct a holistic risk-based review to endorse the effectiveness of their GST controls. In the long run, with a structure and a visible tax function set up to manage the proper accounting of GST on business transactions, businesses would have a sustainable compliance framework to ensure correct GST reporting on an ongoing basis. In turn, a reduced risk of non-compliance with GST law ("GST risks") ultimately allows businesses to reap productivity gains - savings in both time and money.⁵

A business can be eligible for ACAP if it meets the following conditions:

- The business has established acceptable GST Control Framework with key controls (listed in the 'Self-Review of GST Controls') at Entity, Transaction and GST Reporting levels.
- The auditor's opinion on the latest financial statements is unqualified.
- The business is registered for GST for at least three years.

³ <https://www.loyensloeff.com/en-us/expertise/horizontal-monitoring-amp-compliance-agreements>

⁴ <https://www.pwc.nl/nl/assets/documents/pwc-doing-business-in-the-netherlands-2017.pdf>

⁵ <https://www.iras.gov.sg/irashome/GST/GST-registered-businesses/Getting-it-right/Voluntary-Compliance-Initiatives/Assisted-Compliance-Assurance-Programme--ACAP/>

- The business is currently not under any GST audit conducted by the Inland Revenue Authority of Singapore (IRAS).
- The business has good compliance records (including no tax outstanding with IRAS) for GST, Income Tax, Property Tax and with the Singapore Customs authority.
- The business commits to engage a qualified ACAP reviewer to conduct ACAP review.

Blue Ocean Project – Malaysia⁶

The Royal Malaysian Customs Department (RMCD) commenced the Blue Ocean Project and friendly visits to conduct a GST “health check” for GST registrants.

This is a non-voluntary collaboration program with the RMCD, which is focusing audit fieldworks in GST. Any findings from the project will be considered as mere recommendations and will not involve penalties.

Programme of Credit-Rating a Tax Payer – China⁷

For the tax payer with a Class A rating, the tax authorities shall provide the following incentives:

- The tax payer will be announced on the annually-published public list of Class A tax payers.
- The tax payer may receive VAT invoice amounts for 3 months or more.
- Ordinary invoices will be allocated as requested.

In addition to enjoying the above measures:

- Tax authorities may provide green channels or specialised personnel to help with the tax-related matters of Class A tax payers, for up to three consecutive years.

Programmes Under Development

European Union (EU) Proposal for Certified Taxable Person

As part of the October 2017 proposal for the European Union Single Value Added Tax (VAT) area, the European Commission (EC) introduced the concept of a Certified Taxable Person (CTP). This concept is part of a wider legislation proposal to update the current VAT system. While the criteria provided thus far still needs to be defined in detail and the proposal is still subject to political agreement at this moment in time, the concept offers an example of benefits that can be provided for companies in good standing.

The proposed concept entails the idea that if companies meet a set of criteria, they can be considered throughout the EU as a reliable VAT tax payer. A business can become a Certified Taxable Person by applying to their national tax authorities and proving compliance with a set of sufficiently harmonised and standardised pre-defined criteria that likely will include: regular payment of taxes, reliable internal control systems and proof of solvency. In the proposal, a link to the status of Authorized Economic Operator has been made.

⁶ See PWC tax alert in: <https://mailchi.mp/my/rmcd-friendly-notices?e=f5c562e1d6>

⁷ Reference: State Administration of Taxation Announcement No. 40 of 2014, <http://www.chinatax.gov.cn/n810341/n810755/c1150610/content.html> [in Chinese]

Once certified, the company can enjoy several simplified procedures for the declaration and payment of cross-border VAT, which should support EU Member States in the fight against fraud. The status of Certified Taxable Person will be mutually recognised by all EU Member States. The proposed simplification rules relate to certain types of B2B supplies of goods which are of benefit to the Certified Tax Payer as it lowers the administrative burden. The Certified Taxable Person concept should in addition allow for a gradual implementation of the definitive VAT system as during the first step of that definitive system a reverse charge would apply where the acquirer, in case of intra-EU supplies of goods, is a Certified Taxable Person. As the certified taxable person should be regarded as a reliable tax payer, the assumption would be that no fraud should occur as a result of VAT not being charged on intra-EU supplies of goods made for a certified taxable person. In this context, it is essential for businesses and tax administrations that it is possible to verify the status of the certified taxable person immediately and online.

The EU Certified Taxable Person is still a proposal, further details need to be defined, politically agreed upon, and the proposal must be implemented before it can be evaluated in practice.

Accredited Tax Payer - Relation to Cooperative Compliance

The idea of a reciprocal relationship of co-operation between businesses and tax authorities, previously referred to as an “enhanced relationship”, has been in existence since the early 2000s at the national level, and was elaborated upon in greater depth by the Organisation for Economic Co-operation and Development (OECD) in the “Study into the Role of Tax Intermediaries”⁸ in 2008. In 2013, OECD released a further report “Cooperative Compliance: A Framework – From Enhanced Relationship to Cooperative Compliance”⁹.

The concept of co-operative compliance is largely viewed as greater upfront transparency by the tax payer in exchange for greater certainty by the tax authorities.¹⁰ Co-operative compliance involves agreement by the tax administration and business on the actions that each side must take to ensure a business is tax compliant.¹¹

While co-operative compliance programmes can be perceived as a stepping stone to an accredited tax payer programme, it is important to differentiate the two concepts.

An ATP programme would define a set of global standards that would provide a recognised preferential status to be implemented consistently by domestic tax administrations across the globe, which in turn provides additional and specific benefits for tax payers.

⁸ <http://www.oecd.org/tax/administration/39882938.pdf>

⁹ <http://www.oecd.org/tax/co-operative-compliance-a-framework-9789264200852-en.htm>

¹⁰ <https://www.pwc.com/gx/en/hr-management-services/publications/assets/pwc-cooperative-compliance-ias-tax-policy.pdf>

¹¹ <https://www.revenue.ie/en/companies-and-charities/cooperative-compliance/what-is-cooperative-compliance.aspx>



About The International Chamber of Commerce (ICC)

The International Chamber of Commerce (ICC) is the world's largest business organization representing more than 45 million companies in over 100 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.

www.iccwbo.org

Follow us on Twitter: [@iccwbo](https://twitter.com/iccwbo)

INTERNATIONAL CHAMBER OF COMMERCE

33-43 avenue du Président Wilson, 75116 Paris, France

T +33 (0)1 49 53 28 28 **F** +33 (0)1 49 53 28 59

E icc@iccwbo.org www.iccwbo.org