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A diagnostic tool for assessing the corporate income tax compliance burden: pilot study findings

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Abstract

The purpose of this article is to provide further and deeper insights on the size, nature, and drivers of the corporate income tax (CIT) compliance burden. The study, conducted during 2020-2021 across 10 jurisdictions with diverse economic characteristics, is built upon the premise that this information can be gained from developing a suitable CIT compliance burden diagnostic tool. The article details the methodology, analysis, and recommendations of the CIT pilot study. This article, modelled on a prior similar VAT study, adopts both the structure of the earlier article and, more importantly, the methodology, analysis, and findings are undertaken analogously. The primary objective of the CIT diagnostic tool is to provide an indication of the likely scale of compliance burden of a jurisdiction's CIT burden expressed in terms of a compliance burden index, and the main drivers of that burden. The secondary objective is to identify those aspects of CIT policy and administration that contribute to such burden most frequently across a population of surveyed jurisdictions. Despite significant disparity within factors and indicators, the pilot study results from the 10 jurisdictions surveyed indicate little difference in terms of compliance burden index ranking with a medium or high compliance burden for all CIT taxpayers. The consolidated results indicate that all jurisdictions contain CIT compliance and administration measures that can be improved.

Keywords: tax compliance costs; corporate income tax; diagnostic tool; compliance burden management

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1. INTRODUCTION AND BACKGROUND

Interest in the issue of tax compliance costs has grown significantly over the last two decades, in large part due to the work of academics and government agencies concerned about their incidence and perverse impacts.[1] Tax compliance costs are defined as 'the costs borne by businesses and individuals for complying with tax regulation, excluding the costs of the taxes themselves'.[2] Over time, a variety of approaches have been used to gauge the size and nature of the tax compliance burden.[3] Two prominent examples noted in the earlier value added tax (VAT) project include the 'Standard Cost Model'[4] (which is widely used by and on behalf of the European Commission) and the World Bank's 'Doing Business (DB)'[5] series. Additionally, jurisdictional revenue authorities may publish very limited data.[6] While each of these methodologies have several useful features, they also have conceptual and practical limitations,[7] which in part led to the commencement of exploratory work at the Organisation for Economic Co-operation and Development (OECD) in 2012-13 to develop a superior methodology. However, due to competing priorities, in particular the Base Erosion and Profit Shifting (BEPS) project, the OECD ceased exploratory work on the alternative methodology.[8] Subsequently, in 2015, tax academics at UNSW agreed that further exploration on the development of a diagnostic tool was warranted and initially focused on VAT with the intention to extend the diagnostic tool concept to other business taxes in due course. This culminated in the VAT compliance burden pilot project,[9] and its subsequent roll-out.[10]

The pilot study involved 13 countries and was launched by UNSW Sydney in early 2017, to test the VAT diagnostic tool. The findings broadly aligned with expectations and participants were generally of the view that the tool displayed merit in assessing the likely relative VAT compliance burden and its main drivers.[11] The project was then

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[1] Phil Lignier, Chris Evans and Binh Tran-Nam, 'Tangled Up in Tape: The Continuing Tax Compliance Plight of the Small and Medium Enterprise Business Sector' (2014) 29(2) *Australian Tax Forum* 217; Chris Evans, Philip Lignier and Binh Tran-Nam, B 2016, 'The Tax Compliance Costs of Large Corporations: An Empirical Inquiry and Comparative Analysis' (2016) 64(4) *Canadian Tax Journal* 751.

[2] European Commission, *A Review and Evaluation of Methodologies to Calculate Tax Compliance Costs*, Working Paper N.40-2013, Taxation Papers, FWC TAXUD/2012/CC/116 (prepared by Ramboll Management Consulting, the Evaluation Partnership, and Europe Economic Research, 2013) 1.

[3] Richard Highfield, Chris Evans and Michael Walpole, 'The Development and Testing of a Diagnostic Tool for Assessing VAT Compliance Costs: Pilot Study Findings' (2019) 16(3) *eJournal of Tax Research* 620.

[4] European Commission, above n 2. The European Commission report reviews, assesses and compares twelve methodologies which can be used for measuring compliance costs of taxation.

[5] World Bank, *Doing Business 2018: Reforming to Create Jobs* (World Bank, 15th ed, 2018).

[6] For example, the Australian Taxation Office publishes annual data on the average time per form completion reported by taxpayers. See Australian Government, 'Taxation Statistics 2018-19: COC Table 1, Cost of Taxation Compliance Data, by Form Type, 1998–99 to 2019–20 Years', https://data.gov.au/data/dataset/taxation-statistics-2018-19/resource/c454ed6a-42c4-4b61-92ef-144ec13c7026?inner_span=True.

[7] For a detailed discussion of these limitations see Richard Highfield, Michael Walpole and Chris Evans, 'A Proposal for the Development and Testing of a Diagnostic Tool for Assessing VAT Compliance Costs' (2017) 28(3) *International VAT Monitor* 228.

[8] Highfield, Evans and Walpole, above n 3, 622.

[9] Highfield, Evans and Walpole, above n 3.

[10] Richard Highfield, Chris Evans, Binh Tran-Nam and Michael Walpole, 'Diagnosing the VAT Compliance Burden: A Cross-Country Assessment – Amended Final Report' (21 October 2019), https://www.business.unsw.edu.au/Our-People-Site/Documents/Joint%20Report%20on%20VAT%20compliance%20costs%20tool.pdf.

[11] Highfield, Evans and Walpole, above n 3.

expanded, in partnership with KPMG, to cover the 47 member countries of the OECD's Forum on Tax Administration (FTA) which have a VAT or GST in place.[12] A modified tool was used which incorporated feedback from pilot study participants. The academics leading this project concluded that the modified diagnostic tool is a robust instrument for measuring and evaluating the business VAT compliance burden *across* countries and for identifying the underlying *drivers* of that burden.[13]

This project builds on the successful work carried out in the VAT project by extending the diagnostic tool concept to corporate income tax (CIT). In line with the VAT project, this project operates from the premise that further and deeper insights on the size, nature, and drivers of the CIT tax compliance burden can be gained from developing a suitable CIT compliance burden diagnostic tool. Furthermore, a recent scandal involving the World Bank's DB Index[14] has led to the discontinuation of the DB Report creating additional impetus for the development of a robust alternative methodology.[15]

This article details the methodology, analysis, and recommendations of the CIT pilot study. The study was conducted during 2020-21 across 10 jurisdictions with diverse economic characteristics.[16] The assistance of academic researchers previously involved in the initial VAT project as well as new academic researchers to the project was sought.[17] The approach adopted was consistent with the final report of the VAT compliance burden project. As such, this article is modelled on that study and, to ensure consistency and build on the success of the earlier project, both the structure of the article and, more importantly, the methodology, analysis, and findings are undertaken analogously.

Following this introduction, section 2 outlines the methodology and details both the design of the diagnostic tool and administration of the survey. Section 3 discusses the survey responses, while section 4 provides an analysis of the key findings from the survey. Section 5 provides concluding comments. This article reflects the project position as at November 2021.

2. METHODOLOGY

2.1 Design of the diagnostic tool and process of analysis

The design and development of the CIT diagnostic tool was a multi-stage process that followed the VAT diagnostic tool developmental steps.[18] Prior to the development of the tool, CIT was defined to ensure participants approached the tool from the same level of understanding as to what taxes were the subject under investigation. This compliance

[12] Highfield et al, above n 10.
[13] Ibid 34.
[14] See Fernanda G Nicola, 'Scandal Involving World Bank's "Doing Business" Index Exposes Problems in Using Sportslike Rankings to Guide Development Goals', *The Conversation* (15 October 2021), https://theconversation.com/scandal-involving-world-banks-doing-business-index-exposes-problems-in-using-sportslike-rankings-to-guide-development-goals-169691.
[15] See World Bank, 'World Bank Group to Discontinue Doing Business Report' (statement, 16 September 2021), https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report.
[16] Australia, China, Egypt, Germany, Hong Kong, Italy, Japan, New Zealand, South Africa and USA.
[17] Four of the 13 jurisdictions surveyed in the VAT project were included in the CIT compliance project. These were Australia, Egypt, New Zealand and South Africa.
[18] Highfield et al, above n 10.

burden diagnostic tool adopts the definition of CIT in the OECD's Revenue Statistics database.[19] Specifically, CIT refers to income tax that is levied on the profits of an entity, usually a company, not on the shareholders who own it.[20] However, given the adoption of the OECD definition, taxes paid on the profits of partnerships and the income of institutions, such as life insurance or pension funds, are also classified as CIT if they are charged on the partnership or institution as an entity.[21] In these cases, the term 'corporation' in this rating sheet includes these kinds of entities.

As a starting point, the framework for the diagnostic tool was established through the identification of four factors perceived to be the main drivers of aggregate CIT compliance costs at the individual jurisdiction level. Each of the four factors was then sub-categorised into indicators. Whilst much of the groundwork for the CIT diagnostic tool was laid by the VAT compliance burden project, the CIT tool also incorporates specific indicators relevant for CIT which were conceived by participants of the original project at previous workshops in Sydney and Exeter.

The Sydney workshop, hosted at the Sydney offices of KPMG on 3-4 April 2018, was attended by many of participants from the original VAT pilot study to review the VAT diagnostic tool and identify areas for refinement. In addition, one of the objectives of the workshop was to explore, at a high level, the possible features of diagnostic tools for other major taxes, including CIT. On day 2 of the workshop, participants split into four syndicate groups – two brainstorming ideas for the development of a CIT diagnostic tool and two considering the features of a tool for employment related taxes. All groups were asked to assess the merits of the four-factor framework adopted by the VAT project for both the CIT and employment taxes respectively. Each group made a brief presentation of its findings that included proposed indicators, followed by discussion.

Building on the discussion and ideas gathered at the Sydney 2018 workshop, work continued on the development of diagnostic tools for other business taxes at the Exeter workshop on 9-10 April 2019. The workshop was hosted by Exeter University and brought together a number of participants from the expanded VAT study. Development of the prototype tools continued in sessions with syndicate groups, and it was agreed that the four-factor framework underpinning the VAT diagnostic tool was generally applicable to the other business tax regimes. The prototype tool developed at the Sydney workshop and later refined at the Exeter workshop formed the basis of the CIT diagnostic tool used in this pilot study. The four factors in the framework are:

Factor A: Compliance burden from core elements of CIT policy;

Factor B: The number and frequency of administrative requirements to comply;

Factor C: Revenue body capabilities in meeting taxpayers' service and compliance needs; and

Factor D: Monetary costs/benefits associated with compliance.

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[19] OECD, *Revenue Statistics: Interpretative Guide* (2021), https://www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf.
[20] Ibid 11.
[21] Ibid.

As outlined above, Step 1 required the identification of a four-factor framework to provide the overall structure for the diagnostic tool. Step 2 involved the development of a comprehensive set of compliance burden indicators, 30 in total, which were categorised under Factors A – D. These indicators are largely objective and aim to maintain the consistency of the final weighted scores used for cross-jurisdictional comparisons. A brief explanation of each factor and the associated indicators is as follows:

Factor A, entitled 'compliance burden from core elements of CIT policy', aims to establish a jurisdiction's perceived degree of complexity and compliance burden by considering core aspects such as tax rates, exemptions and simplification regimes, and alignment of tax returns with financial statements. A total of 10 indicators were developed for this factor based on agreement of the experts participating in the project.

Factor B, entitled 'number and frequency of administrative requirements to comply', aims to establish a jurisdiction's perceived degree of complexity and compliance burden by considering core aspects such as registration, document completion, and information requirements. A total of 10 indicators were developed for this factor based on agreement of the experts participating in the project.

Factor C, entitled 'revenue body capabilities in meeting taxpayers' service and compliance costs', aims to establish a jurisdiction's perceived degree of complexity and compliance burden by considering core aspects such as online services and phone services of the revenue authority. A total of seven indicators were developed for this factor based on agreement of the experts participating in the project.

Factor D, entitled 'monetary costs/benefits associated with compliance', aims to establish a jurisdiction's perceived degree of complexity and compliance burden by considering core aspects such as time taken to process refunds, interest paid on delayed refunds, and charges for private rulings. A total of three associated indicators were developed for this factor based on agreement of the experts participating in the project.

Table 1 outlines the four factors, the compliance burden indicators associated with each factor, and the range of possible scores for each indicator. A higher (lower) score indicates a higher (lower) compliance burden. The range of scores varied across indicators depending on the scale being used and information required (see Appendix Table A for further details on the scale descriptions for each indicator).

Table 1: Summary of Compliance Burden Factors and Indicators

Factor A: Compliance Burden from Core Elements of CIT Policy	
Compliance Burden Indicators	**Range**
Number of tax rates for different types of entities	1-3
Percentage of taxpayers subject to more than one rate	1-3
Percentage of corporations eligible for exemptions from CIT	1-3
Approval requirements for exemptions	1-4
Number of special CIT regimes that simplify tax computation and compliance	1-4
Percentage of taxpayers using the special CIT regimes that simplify matters	1-5
Number of adjustments from financial accounts generally required in CIT returns	1-4

Number of special CIT regimes that complicate tax computation and compliance	1-4
Percentage of taxpayers using special CIT regimes that complicate matters	1-4
Frequency of legislative amendments of the CIT law during 2019 fiscal year	1-4
Total unweighted score range	**10-38**
Factor B: Number and Frequency of Administrative Requirements to Comply	
Compliance Burden Indicators	**Range**
Percentage of new CIT taxpayers that registered electronically	1-5
Frequency of CIT return filings	1-5
Frequency of CIT payments for a small/medium/large corporation	1-5
Percentage of taxpayers required to make estimated CIT payments	1-4
Information required for a CIT return of a small/medium/large corporation	1-4
Percentage of taxpayers required to submit additional documentation	1-4
Standard period for retaining records for CIT purposes	1-3
Percentage of taxpayers subject to verification actions each year	1-3
Percentage of verification actions that result in disputed CIT assessments	1-3
Whether cooperative compliance programs exist	1-2
Total unweighted score range	**10-38**
Factor C: Revenue Body Capabilities in Meeting Taxpayers' Service and Compliance Needs	
Compliance Burden Indicators	**Range**
Quality of revenue body's website for CIT	1-5
Percentage of CIT payments made through revenue body's online payment facilities	1-5
Percentage of taxpayers using revenue body's online filing facilities to file CIT returns	1-5
Quality of revenue body's online transaction services for additional services	1-5
Quality of revenue body's phone enquiry service	1-5
Quality of revenue body's support services for newly registered businesses subject to CIT	1-5
Time generally required for revenue body to provide private tax rulings	1-3
Total unweighted score range	**7-33**
Factor D: Monetary Costs/Benefits Associated with Compliance	
Compliance Burden Indicators	**Range**
Time generally required for revenue body to process CIT refunds	1-3
When is interest paid on delayed refunds	1-4
A charge for a private tax ruling	1-2
Total unweighted score range	**3-9**
Aggregate unweighted score range (all factors)	**30-118**

Step 3 required eliciting survey responses through the administration of the instrument across a group of appropriate jurisdictions. Each of the compliance burden indicators required a single rating on the project's 'Rating and Evaluation Form'. There was

provision for any qualifying comments to be made by researchers if deemed necessary and helpful for research purposes. The relevant fiscal year for rating purposes in this pilot study was 2019. While some of the indicators could be determined independently by country researchers using published materials, a number required data and insights that were held only by government agencies, in particular the tax administration body and/or ministry of finance, and/or representatives of business and the tax/accounting profession. Where this was the case, project researchers were encouraged to seek clarification from experts. The lack of objective data at times was a limitation of the study which this clarification sought to address.

The 'Rating Sheet' also sought to gather a limited amount of information pertaining to the degree of government and institutional recognition and attention being given to address the tax compliance burden/costs of the CIT and other taxes. There were two statements (Indicators B10 and D3) that required an indication of whether certain policies and activities are in place, with just a simple 'Yes/No' response required. Information required to respond to these two statements was likely to be found in official government, Ministry of Finance (MOF) and/or revenue body documents (eg, annual budget statements, revenue body plans and performance reports). A copy of the Rating Sheet sent to participants is provided at Appendix Table A.

Step 4 involved the normalisation of the ratings along with their weighting and aggregation. Where indicators provided for multiple scores, such as Factor B, indicators 3 and 5 with small medium and large businesses, these scores were converted to the arithmetic mean of the three ratings (rounded up to a whole number). Following the VAT project, it was also recognised that the four factors would impact unevenly in a compliance burden context. Consequently, the same empirical methodology as that adopted in the earlier VAT project was used for the purposes of scoring and weighting the responses to the diagnostic tool.

The aggregation subsequently allowed systems to be classified by the likely compliance burden in Step 5. Finally, in Step 6, the major drivers of the CIT compliance burden were identified.

Figure 1 (Summary of Process, Appendix) provides a summary of the process of design, implementation and analysis described above.

2.2 Survey participants

Ten jurisdictions were targeted for engagement with the pilot study. The sample of jurisdictions was selected partly on convenience, generally based upon academic contacts known to researchers who were part of the VAT project and/or the current CIT project. In addition, the researchers aimed to ensure there was a mix of developed and developing jurisdictions as well as broad geographic representation and varying degrees of tax system maturity. While the sample size was relatively small, a diverse set of jurisdictions was selected that included Australia, China, Egypt, Germany, Hong Kong SAR, Italy, Japan, New Zealand, South Africa, and United States of America. Consistent with the VAT pilot study, academics only were consulted during the current CIT pilot study. The obvious limitation of this approach was that experts within the profession were not generally consulted unless informally approached by individual academics to assist with their survey responses. The rollout of the VAT pilot study to a larger project took this limitation into account and with the assistance of a 'Big 4' international accounting firm was able to garner the expertise of individuals with greater

practical experience. A consistent approach will also be adopted in any further rollout of the CIT study.

2.3 Administration of the survey

The diagnostic tool contained in Appendix Table A and distributed to participants identifies the main factors perceived to drive overall CIT compliance costs at the jurisdiction level and, for each factor, sets out a series of compliance burden indicators relating to the design and administration of CIT systems.

Participants were advised that other information sources should be utilised where practicable in the event that some ministries of finance and/or revenue bodies were not prepared to engage on this project or would do so only on a partial basis. Participants were then provided with a summary of those indicators where such sources of information may need to be accessed as indicated in Appendix Table B. Participants were asked to provide an indication of their use of these information sources in the 'comments' section of the ratings form.

Finally, as CIT regimes are often complex and quite different among countries, it is impossible for this diagnostic tool to cover all possible features of the regimes that affect compliance costs. As such, participants were provided with the opportunity to provide additional information in comment sections in the rating sheet to highlight any specific rules or features of a jurisdiction's CIT regime that are not covered in the indicators but have significant implications on the compliance burden.

The academics approached were generally enthusiastic about participating in the project and were overall compliant with the timeframe provided. Where participants were unclear as to particular questions, clarity was generally sought. The quality of the responses was generally high with the biggest limitation being missing indicators. Where this was the case, as described in section 3 below, the main researchers attempted to locate the data and, where this was not possible, consistent with the VAT project, default indicators were used.

2.4 The development of weightings for each burden factor

The VAT compliance burden project acknowledged that the four factors would have an uneven impact on the compliance burden and that, as a result, some form of scoring and weighting would be needed for the diagnostic tool. The process adopted in the earlier VAT project was applied to the CIT compliance burden survey results. Specifically, the academics representing the 10 jurisdictions participating in the survey were given an opportunity to provide a judgment on the relative weighting of each of the four factors. Participants were advised that this part of the project was voluntary. Nine responses were received. Table 2 summarises those responses.

Table 2: Suggested Factor Weighting Provided by Participants

Country	Suggested Weightings			
	Factor A Tax law/policy complexity	**Factor B Administrative requirements**	**Factor C Revenue body capabilities**	**Factor D Monetary costs/benefits**
Australia	0.45	0.30	0.20	0.05
China	0.60	0.10	0.20	0.10
Egypt	0.25	0.30	0.30	0.15
Hong Kong	0.25	0.25	0.25	0.25
Italy	0.20	0.50	0.20	0.10
Japan	0.50	0.15	0.05	0.30
New Zealand	0.30	0.20	0.30	0.20
South Africa	0.30	0.20	0.30	0.20
USA	0.40	0.40	0.15	0.05
Range	0.20-0.60	0.10-0.50	0.05-0.30	0.05-0.30
Median	0.30	0.25	0.20	0.15
Arithmetic Mean	0.361	0.267	0.217	0.156
Geometric Mean	0.340	0.241	0.195	0.131
Normalised Geometric Mean	0.375	0.265	0.215	0.144

Analysis of the weightings in the VAT pilot study suggested a reasonable degree of consistency. However, this was not the case in the CIT pilot study and was of concern to the main researchers in the current investigation. Analysis of the weightings provided by the nine participants revealed significant variation in the perceptions of factor relevance across the jurisdictions. The most variation in suggested weightings was found for Factors A and B which varied from 0.20 to 0.60 and 0.10 to 0.50, respectively. Again, consistent with the VAT project, a geometric mean computation of weightings was made for each factor and applied for determining the final weighted score for each factor. Given the significant variation in perceptions of factor relevance, the normalised geometric mean was calculated with all jurisdiction responses included and then again removing the highest and lowest scores for each factor. The results, as set out in Table 3b below, suggest that difference was not significant. The participants were not asked to provide further details as to their judgment of the weightings and consequently the main researchers were unable to determine the cause of the variations. Weightings were also normalised. Weighted scores were then aggregated for each jurisdiction to derive an overall weighted score. These figures are provided in Table 3a.

Table 3a: Theoretical Scores (Weighted and Unweighted)

Factor	Minimum unweighted score	Maximum unweighted score	Normalised weightings	Minimum normalised weighted score	Maximum normalised weighted score
A	10	38	0.375	3.752	14.256
B	10	38	0.265	2.655	10.087
C	7	33	0.215	1.505	7.095
D	3	9	0.144	0.433	1.299
Totals	30	118	1.000	**8.344**	**32.738**

Table 3b: Mean Scores for Factors A – D

	F A	F B	F C	F D
Normalised Geometric Mean with all jurisdictions included	0.375	0.265	0.215	0.144
Normalised Geometric Mean with highest and lowest scores removed	0.360	0.262	0.210	0.167

The final weightings also allowed the calculation of a minimum and maximum theoretical score reflecting the incidence of overall burden that was then converted into a Compliance Burden Index ranging from 1 to 10, with 1 being the lowest compliance burden and 10 being the highest compliance burden. In addition, the index permits the classification of the compliance burden into evenly spread groupings labelled ‘very low’, ‘low’, ‘medium’, ‘high’ and ‘very high’. The categorisation of the Compliance Burden Index is contained in Table 4.

Table 4: Normalised Weighted Scores and Compliance Burden Index

	Proposed weighted score range	Compliance Burden Index	Classification
Range of total weighted scores: 8.344 to 32.738	8.344 – 10.783	1	Very Low
	10.784 – 13.223	2	
	13.224 – 15.662	3	Low
	15.663 – 18.102	4	
	18.103 – 20.541	5	Medium
	20.542 – 22.980	6	
	22.981 – 25.420	7	High
	25.421 – 27.859	8	
	27.860 – 30.299	9	Very High
	30.300 – 32.738	10	

3. SURVEY RESPONSES

Survey responses were received from researchers representing the 10 countries in the data set. Detail on each indicator within the four factors along with a summary and analysis of the survey responses were either fully or partially provided. While participants in the project largely completed the survey forms, there were instances where they were unable to locate the data or form a judgment as to the appropriate value for a specific indicator. Where this occurred, the main researchers attempted to locate additional sources of data by using databases such as the IBFD Country Tax Guides[22] and OECD Tax Administration Comparative Information.[23] Where data was not able to be obtained, consistent with the VAT project, a default value set at the mid-point of the indicator range value was used.[24] The results required seven default indicators for Hong Kong, four for Germany and Japan and one for Australia, China and New Zealand.[25] The original VAT study determined that jurisdictions with five or more default values should be removed from the final analysis. The researchers in the current study were cognisant of this approach and undertook an investigation as to the consequences of keeping jurisdictions above this threshold in the data sample. Given the high number of default indicators for Hong Kong, the main researchers undertook the statistical analysis discussed above and below including and excluding the jurisdiction and found no statistical difference. Consequently, Hong Kong remained in the survey.

[22] The IBFD Country Tax Guides were accessed through the IBFD Tax Research Platform: https://research.ibfd.org

[23] OECD, *Tax Administration: Comparative Information on OECD and Other Advanced and Emerging Economies* (various years), https://www.oecd-ilibrary.org/taxation/tax-administration_23077727#:~:text=The%20OECD's%20Tax%20Administration%20Comparative,and%20examples%20of%20good%20practice.

[24] Highfield et al, above n 10, 10.

[25] Hong Kong was an outlier in this sense.

3.1 Factor A – compliance burden from core elements of CIT policy

Country ratings for Factor A are set out in Table 5 (Country Ratings – Tax Law/Policy Complexity (Factor A), Appendix), while comments for each of the 10 indicators are provided below.

3.1.1 Indicators A1-A2: ease of computation

Ease of computation comprised two indicators: number of tax rates for different types of entities and percentage of taxpayers subject to more than one rate.

Indicator A1 was derived by determining the number of tax rates for different types of entities such as base rate entities and small business entities as defined by the individual jurisdictions being surveyed. This indicator was included on the basis that the number of different tax rates increases complexity as taxpayers are required to ascertain the applicable rate.[26] Indicator A2 was derived from determining what percentage of taxpayers were subject to more than one rate of CIT on the basis that complexity is increased where the same taxpayer is dealing with more than one rate of tax.

Of the 10 jurisdictions surveyed, seven had more than one rate of corporate tax; however only two jurisdictions, Hong Kong and Italy, indicated that more than 50 per cent of taxpayers where subject to more than one corporate tax rate. This suggests that while there are different corporate tax rates within jurisdictions, once a taxpayer determines which rate applies to them, in most jurisdictions there is only one rate within the relevant category of taxpayer.

3.1.2 Indicators A3-A6: CIT policies that simplify tax computation and compliance

Indicators pointing to CIT policies that simplify tax computation and compliance involved four gauges: percentage of corporations eligible for exemptions form CIT (for example charities), whether approval is required for exemption, the number of special CIT regimes, and percentage of taxpayers that use special regimes that may simplify tax computation and compliance.

Indicator A3 was derived by taking account of the percentage of taxpayers that were exempt from CIT as an exemption potentially simplifies compliance.[27] The need to gain formal approval for any such exemption was represented in indicator A4, with a lower number of taxpayers needing approval indicating a simpler process. Indicator A5 reflected the number of special CIT regimes that were in place that were designed to simplify tax computation and compliance, such as small business or group tax regimes, with a higher number of potential regimes applying indicating more complexity in compliance. Participants were also asked to list the relevant regimes. As a follow up question, indicator A6 asked about the percentage of taxpayers using the special CIT regimes identified on indicator A5, where a higher score indicated less taxpayers being able to avail themselves of a simplification regime.

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[26] Tracy Oliver and Scott Bartley, 'Tax System Complexity and Compliance Costs – Some Theoretical Considerations' (2005, Winter) *Economic Roundup* 53, https://treasury.gov.au/publication/economic-roundup-winter-2005/tax-system-complexity-and-compliance-costs-some-theoretical-considerations.

[27] Tamer Budak and Simon James, 'The Level of Tax Complexity: A Comparative Analysis Between the UK and Turkey Based on the OTS Index' (2018) 44(1) *International Tax Journal* 23.

All jurisdictions, except two, indicated that less than 25 per cent of corporate taxpayers were eligible for exemptions from CIT. The United States indicated that more than 50 per cent were eligible, while Hong Kong indicated that between 25 and 49 per cent were eligible. Where taxpayers were eligible for exemptions, seven jurisdictions indicated that approval was required for 50 per cent or more of all exemptions. Only Italy and Japan indicated that no approval was required prior to applying the exemptions. Turning to the number of special CIT regimes that simplify tax computation and compliance, six jurisdictions indicated they had no such regimes with the consequential flow-on that most jurisdictions also indicated that taxpayers were not using any simplification regime. Only Italy indicated there were regimes that simplified computation and compliance that were being utilised by between 25 and 49 per cent of available taxpayers.

3.1.3 Indicators A7-A10: CIT policies that complicate tax computation and compliance

Following indicators that rate the simplification of computation and compliance, indicators A7 to A10 rate CIT policies that complicate computation and compliance. Indicator A7 investigates the alignment between financial accounts and tax returns and rates the number of adjustments from financial accounts generally required in CIT returns. Indicator A8 rates the number of special CIT regimes, such as transfer pricing, anti-hybrid, and controlled-foreign-company rules, while indicator A9 determines the percentage of taxpayers using any of the special regimes identified in indicator A8. Finally, indicator A10 rates the frequency of legislative amendments of the CIT during the 2019 financial year.

All jurisdictions indicated that there were significant numbers of adjustments required from financial accounts in CIT returns, with three indicating the number was between five and 20 and seven indicating the number was more than 20. In a similar vein, jurisdictions indicated that there were more than three special CIT regimes that complicated tax computation and compliance, although the majority of jurisdictions indicated that less than 25 per cent of taxpayers used any of the regimes identified. Finally, the majority of jurisdictions specified a limited number of legislative amendments in the 2019 financial year with six indicating that there were one to five amendments during the year.

3.2 Factor B – number and frequency of administrative requirements to comply

Country ratings for Factor B are set out in Table 6 (Country Ratings – Number and Frequency of Administrative Requirements to Comply (Factor B), Appendix), while comments for each of the 10 indicators are provided below.

3.2.1 Indicator B1: ease of registration

The first indicator of complexity in administration, B1, rates the percentage of new taxpayers that registered electronically with a five-point scale that considered compulsory electronic registration as a 1, and paper and or attendance at a tax office in person to register as a 5. Jurisdictional responses to this indicator were markedly different with Egypt, Germany, Italy, and South Africa all stating that electronic registration was required, while China indicated that paper/in person registration was required. Other jurisdictions generally noted that most taxpayers chose to register electronically.

3.2.2 Indicators B2-B4: frequency of tax filing and payments

Increased frequency of tax filing and payments arguably contributes to a higher level of compliance burden. Three indicators reflected the question of frequency. Indicator B2 rated the frequency of CIT return filings, while indicator B3 rated the frequency of CIT payments. Indicator B3 was separated into micro/small corporate taxpayers, medium taxpayers, and large taxpayers. Indicator B4 rated the percentage of taxpayers required to make estimated CIT payments.

All jurisdictions surveyed were consistent in indicating that CIT returns were filed once a year. However, frequency of payments varied significantly across jurisdictions and across different sized corporate taxpayers. For example, Australia reported one payment per year for small taxpayers and monthly payments for large taxpayers while China reported quarterly payments for small and medium taxpayers and one payment per year for large taxpayers. Other jurisdictions, such as Germany and Italy, reported the same frequency of payments no matter the size of the taxpayer. The percentage of taxpayers required to make estimated CIT payments was much more consistent across jurisdictions with eight reporting that 50 per cent or more taxpayers were required to do so.

3.2.3 Indicators B5-B7: information requirements

The greater the information requirements, the greater the burden on the taxpayer. As such, indicators B5 to B7 rated the information required to comply with the relevant reporting obligations. Indicator B5 examined the amount of information required for the completion of the CIT return in terms of boxes or fields that need to be completed. Indicator B5 was separated into micro/small corporate taxpayers, medium taxpayers, and large taxpayers. Indicator B6 rates the requirement for additional information, while indicator B7 rates the number of years that records for CIT purposes must be retained by taxpayers.

Responses to indicator B5 suggest a large variance across jurisdictions but, in most cases, very little variation within jurisdictions but across different sized taxpayers. Australia, New Zealand and Egypt were the exception to this where information requirements increased as the size of the taxpayer increased. Most respondents indicated that additional information was required by at least some taxpayers although taxpayers affected ranged from less than 25 per cent to more than 50 per cent. Indicator B7, relating to record keeping as relatively consistent across jurisdictions with eight indicating that the time frame was between four and eight years. China and Germany indicated that the time frame was more than eight years.

3.2.4 Indicators B8-B10: level of verification actions and disputed assessments

The final set of indicators rating administration of the CIT system related to the level of verification actions and disputed assessments. Indicator B8 rated the percentage of taxpayers subject to verification actions each year with verification actions defined as all types of actions taken by the revenue bodies to verify taxpayer's reported liabilities such as document verification requests, audits, investigations, and written and phone inquiries. Indicator B9 rated the percentage of verification actions that resulted in disputed CIT assessments, while Indicator B10 was a yes/no response as to whether cooperative compliance programs exist.

Half of the jurisdictions surveyed stated that more than 10 per cent of taxpayers were subject to verification actions each year, but this did not result in consistent ratings in terms of the percentage that resulted in disputed assessments. In some jurisdictions, such as China and the United States, more than 10 per cent of taxpayers were subject to verification actions but less than 5 per cent of those actions resulted in disputed assessments. The opposite was true of Hong Kong where less than 5 per cent were subject to verification actions but that resulted in more than 10 per cent disputed assessment. For indicator B10, six jurisdictions had cooperative compliance programs while four did not.

3.3 Factor C – revenue body capabilities in meeting taxpayers' service and compliance needs

Country ratings for Factor C are set out in Table 7 (Country Ratings – Revenue Body Capabilities in Meeting Taxpayers' Service and Compliance Needs (Factor C), Appendix), while comments for each of the seven indicators are provided below.

3.3.1 Indicators C1-C4: online services

Indicators C1 to C4 consider the revenue body's online services to aid taxpayers in meeting their obligations. Indicator C1 considers the quality of the revenue body's website for CIT generally with a qualitative five-point rating of 1 for excellent through to 5 for non-existent. Indicator C2 then rated the percentage of CIT payments made directly through the revenue body's online payment facilities rather than third party facilities. Indicator C3 rates the percentage of taxpayers using the revenue body's online filing facilities to file CIT returns. Finally, indicator C4 rated on a five-point scale, from excellent through to non-existent, the quality of the revenue body's online transaction services for additional services such as clarification requests, extension filing requests, and advanced ruling requests.

All jurisdictions considered the quality of the revenue body's website to be at least reasonable, with several rating the service as good and New Zealand rating the service as excellent. No jurisdiction rated the quality of the website as poor or non-existent. The percentage of payments made directly through the revenue body's online payment facilities varied significantly between jurisdictions. Half the jurisdictions stated that 75 per cent or more taxpayers used the direct facility, while Japan and New Zealand stated that less than 25 per cent did so. In terms of online filing facilities, Hong Kong was the only jurisdiction to not have an online system, while eight of the 10 jurisdictions stated that 75 per cent or more taxpayers used such a system.

3.3.2 Indicator C5: phone services

Indicator C5 specifically asked about the quality of the revenue body's phone enquiry service, including response times and the standard of advice. The indicator defined quality of the revenue body's phone service as the ease with which taxpayers are generally able to make phone contact with a relevant tax official and that official typically provides reliable and relevant advice in a courteous and timely manner.

Jurisdiction responses to the quality of phone services were mixed. Only Hong Kong and Japan rated the services as excellent, with New Zealand and South Africa rating the services as poor. Most jurisdictions rated phone services as adequate.

3.3.3 Indicators C6-C7: other services

Indicator C6 rates the quality of the revenue body's support services for newly registered businesses subject to CIT. It does so on a five-point scale of excellent through to non-existent. The indicator was broad in terms of support, including but not limited to: (1) proactive visits by revenue body officials to taxpayers' premises to explain CIT obligations; (2) proactive transmittal from the tax body of practical guidance on CIT obligations to taxpayers; (3) public seminars conducted by revenue body officials; (4) easy to understand guidance materials that are readily accessible; (5) a dedicated section of the revenue body's website devoted to educating and assisting new businesses; (6) regular use of business journals to explain CIT obligations; and (7) financial assistance/incentives for the use of tax accounting software packages. Indicator C7 rates the time generally required for a revenue body to provide private tax rulings after taxpayers submit applications.

As with the previous indicators in Factor C, ratings were highly variable across the 10 jurisdictions. For example, Japan rated the quality of support as excellent, while South Africa and United States rated it as poor. The remaining seven jurisdictions rated the quality of the support as good or reasonable. Similarly, the time taken for a revenue body to provide private tax rulings varied significantly from less than a month to longer than two months, with the majority of jurisdictions (six in total) in the survey sample falling within the longer period of time.

3.4 Factor D – monetary costs/benefits associated with compliance

Country ratings for Factor D are set out in Table 8 below, while comments for each of the three indicators are provided below.

3.4.1 Indicators D1-D3

Indicator D1 rates the time generally required for a revenue body to process CIT refunds after taxpayers submit applications while indicator D2 determines whether interest is payable on delayed refunds and, if so, the time at which that interest is payable. Indicator D3 is a yes/no response to whether the revenue body charges fees for private tax rulings.

In terms of time taken to process CIT refunds, Italy, South Africa, and the United States were the slowest, taking on average longer than two months. Australia, China, and Japan were the quickest taking on average less than one month. Generally, the jurisdictions that provided the quickest refunds were also those jurisdictions that paid interest on delayed refunds. Only Egypt has a regime where no interest is payable, yet refunds were generally processed within one to two months. The charging of fees for private tax rulings was mixed across jurisdictions with five charging and five not charging fees.

Table 8: Country Ratings - Monetary Costs/Benefits Associated with Compliance (Factor D)

Country	Monetary costs/benefits indicators (* denotes use of default indicator)			Total score (min. score = 3, max. score = 9)	Normalised weighting	Normalised weighted score
	1	2	3			
	Time required for revenue body to process CIT refunds	Payment of interest on delayed funds	Does revenue body charge fees for private tax rulings			
Australia	1	1	1	3	14.4%	0.433
China	1	1	1	3	14.4%	0.433
Egypt	2	4	1	7	14.4%	1.011
Germany	2	3	2	7	14.4%	1.011
Hong Kong	2*	2*	2	6	14.4%	0.866
Italy	3	2	1	6	14.4%	0.866
Japan	1	1	1	3	14.4%	0.433
New Zealand	2	4	2	8	14.4%	1.155
South Africa	3	1	2	6	14.4%	0.866
USA	3	2	2	7	14.4%	1.011
Mean Score				6		0.809

4. ANALYSIS OF SURVEY FINDINGS

As with the VAT diagnostic tool, the primary objective of the CIT diagnostic tool is to provide an indication of the likely scale of compliance burden of a jurisdiction's CIT expressed in terms of a compliance burden index, and the main drivers of that burden. The secondary objective is to identify those aspects of CIT policy and administration that contribute to such burden most frequently across a population of surveyed jurisdictions. The tool is not intended, nor designed, to provide a definitive ranking of the compliance burden of individual participating jurisdictions, acknowledging the considerable difficulties of achieving this in a precise and defensible manner.

4.1 Jurisdiction ratings

Overall results from the 10 jurisdictions surveyed indicate little difference in terms of compliance burden index ranking. All jurisdictions fell within the range of 5 to 7 with the majority ranked at 6. Table 9 provides summary scores and then allocates the relevant compliance burden index to the 10 jurisdictions surveyed, while Table 10 categorises the jurisdictions into the relevant compliance burden index.

Table 9: Summary Scores and Compliance Burden Index

Country	Total normalised weighted score for each factor				Total normalised weighted score – ALL FACTORS	Compliance Burden Index	Compliance Burden Index (Rounded)
	Factor A	Factor B	Factor C	Factor D			
Australia	10.505	5.309	2.580	0.433	18.827	4.868	5
China	9.004	6.105	2.580	0.433	18.123	4.608	5
Egypt	10.505	6.636	3.440	1.011	21.592	5.888	6
Germany	10.505	6.105	3.655	1.011	21.276	5.771	6
Hong Kong	12.381	5.840	4.300	0.866	23.387	6.550	7
Italy	9.754	5.840	3.870	0.866	20.331	5.422	5
Japan	10.130	5.309	3.870	0.433	19.742	5.205	5
New Zealand	9.754	6.636	3.655	1.155	21.201	5.743	6
South Africa	10.130	6.636	4.300	0.866	21.932	6.013	6
USA	10.880	5.840	3.440	1.011	21.170	5.732	6
Mean Score	10.355	6.026	3.569	0.809	20.758	5.580	6

Table 10: CIT Compliance Burden Index for Surveyed Jurisdictions

Compliance Burden Index	Number of Jurisdictions	Jurisdictions
1	0	-
2	0	-
3	0	-
4	0	-
5	4	Australia, China, Italy, Japan
6	5	Egypt, Germany, New Zealand, South Africa, United States
7	1	Hong Kong
8	0	-
9	0	-
10	0	-

The ranking of the 10 jurisdictions surveyed indicates a medium or high compliance burden for all CIT taxpayers. Despite significant disparity within factors and indicators, the consolidated results indicate that all jurisdictions contain CIT compliance and administration measures that can be improved.

These two Tables also highlight that attempts to derive a definitive or precise quantification of the compliance burden may be problematic since reducing the compliance burden to a single figure index masks underlying heterogeneity in the scores. For example, China's compliance burden index of 4.608 rounds *up* to 5, while Italy's compliance burden index of 5.422 rounds *down* to 5. Despite both jurisdictions receiving an overall rounded compliance burden index of 5, the variation of 0.814 in the actual score represents a difference of 17.7 per cent. This demonstrates that care must be taken when interpreting the results.

4.2 Drivers of the CIT compliance burden

In addition to the development and testing of a diagnostic tool for assessing the CIT compliance burden, the responses to each of the indicators within Factors A – D provide some insight into the main drivers of CIT compliance costs. Responses to Factor A suggest that the compliance burden from the core elements of the CIT policy caused the highest compliance burden with total scores for Factor A ranging from a low of 24 (China) to a high of 33 (Hong Kong) out of a possible 38. Within the core elements of a jurisdiction's CIT policy, the main indicators driving compliance costs are the lack of comprehensive special simplification regimes with most jurisdictions indicating that either no regime existed or less than 25 per cent of taxpayers were able to avail themselves of a special tax regime where one or more did exist, and the number of CIT policies that complicate compliance with most jurisdictions indicating there were more than three special CIT regimes that complicated computation and compliance. In essence, and as would be expected, the complexity of the CIT regime increases the compliance burden. Administrative requirements to comply were found to increase the compliance burden in some jurisdictions and not others. Total scores for Factor B ranged from a low of 20 (Australia and Japan) to a high of 25 (Egypt, New Zealand and South Africa) out of a possible score of 38 however it was within the 10 indicators that there was a deal of variation. While it is difficult to detect a discernible trend, information required for both the tax return as well as additional documentation are two areas that researchers consistently indicated contribute to the compliance burden. Despite the potential trend, the mean of the scores does not suggest this is the case. Taxpayer experience with the revenue authority, represented in Factor C, affected the compliance burden both negatively and positively. Total scores for Factor C ranged from a low of 12 (Australia and China) to a high of 20 (Hong Kong and South Africa) out of a possible score of 33. Again, there was a deal of inconsistency within the indicators; however this was not reflected in the overall score or means of jurisdictional responses to individual indicators. Consistent with a strong move towards technology-based tax administration systems, where a revenue authority had a user-friendly web presence and online payment system, the compliance burden decreased. However, the compliance burden was increased where the revenue authority provided poor quality phone services. Finally, monetary costs and benefits associated with compliance which were dealt with in Factor D, seem to have little effect on the CIT compliance burden. Total scores for Factor D ranged from a low of 3 (Australia, China and Japan) to a high of 8 (New Zealand) from a possible score of 9.

4.3 Post-survey validation

Similar to the VAT pilot study, the ratings and findings above are considered as preliminary and not final and further refinement of the tool is expected (see section 4.4 below). Furthermore, the findings were subjected to an external validation exercise in the months after the survey was conducted. Specifically, the findings were benchmarked

against comparative data to ascertain the reliability of the compliance burden classifications. The best available data for this exercise is the PwC *Paying Taxes 2020* report which formed part of the World Bank's *Doing Business* study.[28] This report ranks the ease of paying taxes across 190 jurisdictions and includes data up to and including 2018.[29] The Paying Taxes indicator consists of several components, the most relevant of which for our validation purposes, is the 'total time to comply' which is expressed in hours.[30] This is disaggregated into the time to comply for the three major tax types being CIT, labour tax and consumption tax.

A comparison of the findings of the pilot study and the 'time to comply' data is provided in Table 11. For comparison purposes, the PwC data has been categorised into quintiles as follows: 0-23 hours = 'very low'; 24-37 hours = 'low'; 38-49 hours = 'medium'; 50-79 hours = 'high'; and 80+ hours = 'very high'.

Table 11: Comparison of CIT Compliance Burden Diagnostic Tool and PwC/WB *Paying Taxes* 'Time to Comply' (2018 fiscal year)

Jurisdiction	**Prototype Diagnostic Tool**			***Paying Taxes* – Time to comply (CIT)**		
	CBI	Classification	Rank	Estimated hours to comply in 2018	Classification	Rank
Australia	5 (4.868)	Medium	2	37	Low	3
China	5 (4.608)	Medium	1	40	Medium	6
Egypt	6 (5.888)	Medium	8	56	High	8
Germany	6 (5.771)	Medium	7	41	Medium	7
Hong Kong	7 (6.550)	High	10	20	Very Low	1
Italy	5 (5.422)	Medium	4	39	Medium	5
Japan	5 (5.205)	Medium	3	38	Medium	4
New Zealand	6 (5.743)	Medium	5	34	Low	2
South Africa	6 (6.013)	Medium	9	96	Very High	10
USA	6 (5.732)	Medium	6	87	Very High	9

In terms of classification, the comparative data in Table 11 reveals an 'exact' match for four jurisdictions (China, Germany, Italy and Japan) and a 'close' match for three

[28] As mentioned in the Introduction, above n 15, in September 2021, the World Bank announced that it has discontinued the *Doing Business* study. It was published annually from 2006 to 2019.
[29] The data is available at PricewaterhouseCoopers, 'Paying Taxes 2020: Overall Ranking and Data Tables', https://www.pwc.com/gx/en/services/tax/publications/paying-taxes-2020/overall-ranking-and-data-tables.html.
[30] We note that the Paying Taxes Indicator is based upon a hypothetical case study company that may or may not be representative of the population of CIT payers in the jurisdictions surveyed.

jurisdictions (Australia, Egypt and New Zealand).[31] There are three 'outlier' jurisdictions (Hong Kong, South Africa and USA) with Hong Kong having vastly divergent results. A possible reason for the latter is that the results for Hong Kong included seven 'default indicators' compared to four for Germany and Japan and one for Australia, China and New Zealand. This may have unduly influenced the results for this jurisdiction.

Overall, the results of the benchmarking exercise suggest the prototype CIT diagnostic tool produces credible outcomes rendering the tool worthy of further exploration and refinement.

5. CONCLUDING COMMENTS

This current study expands the original VAT compliance burden project (the pilot study and extended study) by applying similar principles and methodology to develop and test a diagnostic tool for assessing the corporate income tax (CIT) compliance burden. Consistent with the VAT project, this pilot study was able to evaluate the merits of a prototype diagnostic tool for gauging the nature and likely overall incidence of CIT compliance burden at the jurisdictional level, and to evaluate its use in comparative cross-jurisdiction assessments to promote reform. The pilot was conducted across 10 countries, representing a mix of advanced and developing economies. Unlike the VAT diagnostic tool that found significant variations between jurisdictions, this was not the case with CIT, at least in the sample of 10 jurisdictions used for the purposes of testing the survey.

Consistent with the rollout of the VAT diagnostic tool on a far more extensive basis, future research in this area is highly desirable. This would include asking survey participants to provide written feedback on the prototype CIT diagnostic tool and the preliminary findings of the pilot study. Subsequently, a workshop involving survey participants and other members of the wider compliance burden project could be conducted to discuss the results and potential areas for refinement to the tool. The tool could then be rolled out to more countries such as the 53 members of the OECD's Forum on Tax Administration. The rollout would require significant investment of time and resources and industry partners are currently being sought for this purpose.

[31] A 'close' match is defined when there is only a one step difference in classification, eg, medium versus high.

6. APPENDIX

Appendix Table A: Survey Form (As Used in the Prototype Pilot) 189-196

Appendix Table B: Sources of Additional Information 196-198

Fig. 1: Summary of Process 199

Table 5: Country Ratings – Tax Law/Policy Complexity (Factor A) 200

Table 6: Country Ratings – Number and Frequency of Administrative Requirements to Comply (Factor B) 201

Table 7: Country Ratings – Revenue Body Capabilities in Meeting Taxpayers' Service and Compliance Needs (Factor C) 202

Appendix Table A: Survey Form (As Used in the Prototype Pilot)

CORPORATE INCOME TAX
Compliance Burden Indicators – Rating Sheet
(Record a single rating for each indicator as it relates to the country's CIT for the 2019 fiscal year (pre-COVID-19))

General Note
1. Definition of Corporate Income Tax ("CIT")
This compliance burden diagnostic tool adopts the definition of CIT in the OECD's Revenue Statistics database. In particular, CIT refers to income tax that is levied on the entity, not on the individuals who own it. For instance, taxes paid on the profits of partnerships and the income of institutions, such as life insurance or pension funds, are classified as CIT if they are charged on the partnership or institution as an entity. In these cases, the term "corporation" in this rating sheet includes these kinds of entities.

2. Comment sections
As CIT regimes are often complex and quite different among countries, it is impossible for this diagnostic tool to cover all possible features of the regimes that affect compliance costs. Please use the comment sections in this rating sheet to highlight any specific rules or features of your country's CIT regime that are not covered in the indicators, but have significant implications on the compliance burden.

Country	
Organisation	
Completed by	
Email contact	
Phone number	
Other organisations who assisted with completion	1) Ministry of Finance: Name and email address
	2) Revenue body: Name and email address
	3)
	4)
	5)

A. Compliance Burden from Core Elements of CIT Policy

Compliance burden indicators	Relevant rating
Ease of tax computation	
A1. Number of tax rates for different types of entities (e.g. base rate entities, small business entities, etc.) : *(Note)* 1. One rate 2. Two rates 3. More than two rates Note: Some countries may impose different tax rates for different types of income or highly specialised entities including mining companies, life companies, credit unions, retirement sovereign accounts and not-for-profits. Tax rates for different types of income or highly specialised entities are **excluded** for the purposes of this indicator. You may wish to provide further information in the comments section below about the specific tax rates included in your answer to A1 (e.g. Two rates being the standard CIT rate and the CIT rate for small business entities).	☐ 1 ☐ 2 ☐ 3
A2. Percentage of taxpayers subject to more than one rate: 1. Less than 25% 2. 25%-49% 3. 50% or more	☐ 1 ☐ 2 ☐ 3
CIT policies that simplify tax computation and compliance	
A3. Percentage of corporations eligible for exemptions from CIT (e.g. charities): 1. 50% or more 2. 25%-49% 3. Less than 25%	☐ 1 ☐ 2 ☐ 3
A4. Is approval required for exemptions? 1. No approval required for all exemptions 2. Approval required for less than 25% of all exemptions 3. Approval required for 25% to 49% of all exemptions 4. Approval required for 50% or more of all exemptions	☐ 1 ☐ 2 ☐ 3 ☐ 4

Compliance burden indicators	Relevant rating
A5. The CIT regime has the following special CIT regimes which simplify tax computation and compliance: 1. One regime (e.g. small business or group tax regimes) 2. Two to three regimes 3. More than three regimes 4. No simplified regimes exist **Please list the regimes:** _____	☐ 1 ☐ 2 ☐ 3 ☐ 4
A6. Percentage of taxpayers using the special CIT regimes identified in Question A5, which simplify tax computation and compliance: 1. 75% or more 2. 50%-74% 3. 25%-49% 4. Less than 25% 5. No such regime	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
CIT policies that complicate tax computation and compliance	
A7. Alignment between financial accounts and tax returns: number of adjustments from financial accounts generally required in CIT returns: 1. No adjustment required 2. Fewer than 5 adjustments 3. 5 to 20 adjustments 4. More than 20 adjustments	☐ 1 ☐ 2 ☐ 3 ☐ 4
A8. The CIT regime has the following special CIT regimes which complicate tax computation and compliance: 1. One regime (e.g. CFC, transfer pricing, anti-hybrid rules) 2. Two to three regimes 3. More than three regimes 4. No simplified regimes exist **Please list the regimes:** _____	☐ 1 ☐ 2 ☐ 3 ☐ 4
A9. Percentage of taxpayers using any of the special CIT regimes identified in Question A8, which complicate tax computation and compliance: 1. No such regime 2. Less than 25% 3. 25%-49% 4. 50% or more	☐ 1 ☐ 2 ☐ 3 ☐ 4
A10. Frequency of legislative amendments of the CIT law during 2019 fiscal year: 1. No amendments 2. 1 to 5 a year 3. 6 to 10 a year 4. More than 10 a year	☐ 1 ☐ 2 ☐ 3 ☐ 4

Compliance burden indicators	Relevant rating
COMMENTS (If you wish to elaborate on any ratings in this section, please do so here. For instance, please highlight any rules or features in your country's CIT regime that are not covered in the above indicators, but have significant impact on compliance burden)	

B. Number and frequency of administrative requirements to comply

Compliance burden indicators	Relevant rating
Ease of registration	
B1. Percentage of new CIT taxpayers that registered electronically: 1. Business must file registration electronically 2. 50% or more 3. 25%-49% 4. Less than 25% 5. Businesses must file registration on paper and/or attend a tax office in person	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
Frequency of tax filing and payments	
B2. Frequency of CIT return filings: 1. Once a year 2. Twice a year 3. Quarterly 4. Monthly 5. Other (please specify: _____)	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

B3. Frequency of CIT payments (including estimated CIT payments): *(Note)*	Micro/ Small	Med-ium	Large
Once a year	☐ 1	☐ 1	☐ 1
Twice a year	☐ 2	☐ 2	☐ 2
Quarterly	☐ 3	☐ 3	☐ 3
Monthly	☐ 4	☐ 4	☐ 4
Other (please specify: _____)	☐ 5	☐ 5	☐ 5
Note: Some countries may impose different CIT payment requirements depending on the size of the corporation. If so, please tick the relevant boxes in each of the relevant categories of corporations.			

B4. Percentage of taxpayers required to make estimated CIT payments:	
1. No such requirement	☐ 1
2. Less than 25%	☐ 2
3. 25%-49%	☐ 3
4. 50% or more	☐ 4

<table>
<tr><th>Compliance burden indicators</th><th>Relevant rating</th></tr>
<tr><td colspan="2">Information requirements</td></tr>
<tr><td>B5. Information required for a CIT return of a small/medium/large corporation:
1. Less than 50 boxes or fields
2. 50-100 boxes or fields
3. 101-200 boxes or fields
4. Over 200 boxes or fields</td><td>Micro/ Small
☐ 1
☐ 2
☐ 3
☐ 4

Medium
☐ 1
☐ 2
☐ 3
☐ 4

Large
☐ 1
☐ 2
☐ 3
☐ 4</td></tr>
<tr><td>B6. Percentage of taxpayers required to submit additional documentation:
1. No such requirement for all taxpayers
2. Less than 25%
3. 25%-49%
4. 50% or more</td><td>☐ 1
☐ 2
☐ 3
☐ 4</td></tr>
<tr><td>B7. Records for CIT purposes must be retained by taxpayers for a standard period of:
1. Up to 4 years
2. Between 4 and 8 years
3. More than 8 years</td><td>☐ 1
☐ 2
☐ 3</td></tr>
<tr><td colspan="2">Level of verification actions and disputed assessments</td></tr>
<tr><td>B8. Percentage of taxpayers subject to verification actions each year: (Note)
1. Less than 5%
2. 5%-10%
3. More than 10%
Note: “Verification actions” include all types of actions taken by revenue bodies to verify taxpayers’ reported liabilities (e.g. document verification requests, audits, investigations, and written and phone inquiries).</td><td>☐ 1
☐ 2
☐ 3</td></tr>
<tr><td>B9. Percentage of verification actions that result in disputed CIT assessments:
1. Less than 5%
2. 5%-10%
3. More than 10%</td><td>☐ 1
☐ 2
☐ 3</td></tr>
<tr><td>B10. Cooperative compliance programs exist? (Note)
1. Yes
2. No
Note: Cooperative compliance programs refer to arrangements developed by revenue bodies, under which the extent of reviews and audits of the CIT returns submitted by a taxpayer to a revenue body can be reduced significantly, typically when the revenue body is satisfied that the taxpayer has an effective internal tax control framework and provides complete disclosures of relevant information and tax risks to the revenue body.</td><td>☐ 1
☐ 2</td></tr>
</table>

Compliance burden indicators	Relevant rating
COMMENTS (If you wish to elaborate on any ratings in this section, please do so here. For instance, please highlight any rules or features in your country's CIT regime that are not covered in the above indicators, but have significant impact on compliance burden)	

C. Revenue body capabilities in meeting taxpayers' service and compliance needs

Compliance Burden Indicators	Relevant rating
Online Services	
C1. Quality of revenue body's website for CIT (e.g. comprehensiveness and ease of navigation) is generally: 1. Excellent 2. Good 3. Reasonable 4. Poor 5. Non-existent	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
C2. Percentage of CIT payments made directly through revenue body's online payment facilities rather than third party facilities (e.g. banks): 1. 75% or more 2. Between 50%-74% 3. Between 25%-49% 4. Less than 25% 5. No online payment facility	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
C3. Percentage of taxpayers using revenue body's online filing facilities to file CIT returns: 1. 75% or more 2. Between 50%-74% 3. Between 25%-49% 4. Less than 25% 5. No online filing facility	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
C4. Quality of revenue body's online transaction services for additional services (e.g. clarification requests, extension filing requests, advance ruling requests, etc.): *(Note)* 1. Excellent 2. Good 3. Reasonable 4. Poor	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Compliance Burden Indicators	Relevant rating
5. Non-existent Note: Relevant factors for this indicator include but not limited to: (1) the online transaction services are relatively easy to access and to use; (2) the services are sufficiently personalised and attractive to use; (3) registration and security requirements are relatively simple and low cost to use; and (4) there are readily accessible "Help" services available when problems arise.	
Phone Services	
C5. Quality of revenue body's phone enquiry service (including response times and the standard of advice) is generally: *(Note)* 1. Excellent 2. Good 3. Reasonable 4. Poor 5. Non-existent Note: The quality of revenue body's phone service refers to the ease with which taxpayers are generally able to make phone contact with a relevant tax official and that official typically provides reliable and relevant advice in a courteous and timely manner.	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
Other Services	
C6. Quality of revenue body's support services for newly registered businesses subject to CIT is generally: *(Note)* 1. Excellent 2. Good 3. Reasonable 4. Poor 5. Non-existent Note: This support service can take a variety of forms, including but not limited to: (1) proactive visits by revenue body officials to taxpayers' premises to explain CIT obligations; (2) proactive transmittal from the tax body of practical guidance on CIT obligations to taxpayers; (3) public seminars conducted by revenue body officials; (4) easy to understand guidance materials that are readily accessible; (5) a dedicated section of the revenue body's website devoted to educating and assisting new businesses; (6) regular use of business journals to explain CIT obligations; and (7) financial assistance/incentives for the use of tax accounting software packages.	☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5
C7. Time generally required for revenue body to provide private tax rulings after taxpayers submit applications: 1. Within one month 2. One to two months 3. Longer than two months 4. Not available	☐ 1 ☐ 2 ☐ 3 ☐ 4

Compliance Burden Indicators	Relevant rating
COMMENTS (If you wish to elaborate on any ratings in this section, please do so here. For instance, please highlight any rules or features in your country's CIT regime that are not covered in the above indicators, but have significant impact on compliance burden)	

D. Monetary costs/benefits associated with compliance

Compliance Burden Indicators	Relevant rating
D1. Time generally required for revenue body to process CIT refunds after taxpayers submit applications: 1. Within one month 2. One to two months 3. Longer than two months 4. Not available	☐ 1 ☐ 2 ☐ 3 ☐ 4
D2. Payment of interest on delayed refunds: Interest is not payable to taxpayers unless CIT refund remains unpaid after: 1. One month 2. Two months 3. Three months 4. No interest is payable on CIT refund in any case	☐ 1 ☐ 2 ☐ 3 ☐ 4
D3. Does revenue body charge fees for private tax rulings? 1. No 2. Yes	☐ 1 ☐ 2
COMMENTS (If you wish to elaborate on any ratings in this section or any features of your country's CIT regime not covered by the above indicators but with significant implications on compliance burden, please do so here)	

Appendix Table B: Sources of Additional Information

No.	Compliance burden indicator	Comments and suggested additional sources of information
A-6	Percentage of taxpayers using the special CIT regimes identified in Question A5, which simplify tax computation and compliance	We appreciate that there might not be any statistical sources for the '% volume' aspects of these indicators. Their completion requires a judgment call from experienced in-country tax/ accounting professionals on the likely incidence in practice of the specific design features to which the indicators relate.
A-9	Percentage of taxpayers using any of the special CIT regimes	

	identified in Question A8, which complicate tax computation and compliance:	
B-1	Percentage of new CIT taxpayers that registered electronically	We appreciate that there might not be any statistical sources for the '% volume' aspect of this. Although *Tax Administration 2019*, OECD (page 231 of Annex A)[32] details the registration channels as a percentage of total registrations, this data is not specific to tax type. This indicator's completion likely requires a judgment call from experienced in-country tax/ accounting professionals on the likely incidence in practice of the specific design features to which the indicator relates.
B-2	Frequency of CIT return filings	See *Tax Administration 2019*, OECD referenced below (page 244 of Annex A) which details the return filing frequency per year for CIT. Although the latest data reported is for 2017, they should be adequate for UNSW purposes.
B-3	Frequency of CIT payments (including estimated CIT payments)	See *Tax Administration 2019*, OECD referenced below (page 285 of Annex A) which details payment obligations per year for CIT. Although the latest data reported is for 2017, they should be adequate for UNSW purposes.
B-4	Percentage of taxpayers required to make estimated CIT payments	We appreciate that there might not be any statistical sources for the '% volume' aspect of this indicator. Its completion requires a judgment call from experienced in-country tax/ accounting professionals on the likely incidence in practice of the specific design features to which the indicator relates.
B-8	Percentage of taxpayers subject to verification actions each year	We appreciate that there might not be any statistical sources for the '% volume' aspect of this indicator. However, page 448 of Annex A (*Tax Administration 2019*, OECD) which details CIT verification/audit activity for CIT may provide some guidance. Page 67 of Annex A also details the audit hit rate for CIT. Nonetheless, this indicator may require judgment call from experienced in-country tax/ accounting professionals.

[32] This report provides internationally comparative data on aspects of tax systems and their administration in 58 advanced and emerging economies. See n 23 above.

B-9	Percentage of verification actions that result in disputed CIT assessments	We appreciate that there might not be any statistical sources for the '% volume' aspect of this indicator. However, page 448 of Annex A (*Tax Administration 2019*, OECD) which details CIT verification/audit activity for CIT may provide some guidance. Page 67 of Annex A also details the audit hit rate for CIT. Nonetheless, this indicator may require judgment call from experienced in-country tax/ accounting professionals.
C-2	Percentage of CIT payments made directly through revenue body's online payment facilities rather than third party facilities (e.g. banks) **Note:** This does not include payments made through third parties but rather focuses on the revenue body's capabilities.	See *Tax Administration 2019*, OECD referenced below (page 289 of Annex A) which details whether electronic payment is mandatory for CIT. Page 308 also reports payment channels for all tax types (for 2016 and 2017). Unfortunately, many countries have not provided data to the OECD and this source may be of limited use. If required, a judgment call will need to be made drawing on general knowledge of business practices.
C-3	Percentage of taxpayers using revenue body's online filing facilities to file CIT returns	See *Tax Administration 2019*, OECD referenced below (page 39 of Annex A) which provides data on CIT e-filing rates. Although the latest data reported is for 2017, they should be adequate for UNSW purposes
C-4	Quality of revenue body's online transaction services for additional services (e.g. clarification requests, extension filing requests, advance ruling requests, etc.)	This indicator is meant to be determined based on the perspectives of users, not the revenue body. The guidance provided with the rating form gives some general criterion to guide the formulation of a judgment on the 'quality of transaction services' which would largely be for making CIT payments and filing returns
C-5	Quality of revenue body's phone enquiry service (including response times and the standard of advice)	This indicator is meant to be determined based on the perspectives of users, not the revenue body. This indicator may require judgment call from experienced in-country tax/ accounting professionals.
D-1	Time generally required for revenue body to process CIT refunds after taxpayers submit applications	There is no known statistical source for this indicator outside the revenue body. However, it is possible that experienced in-country representatives of business and/or tax/ accounting professionals can make a judgment call on the likely incidence in practice of the specific design features to which the indicator relates.

Fig. 1: Summary of Process

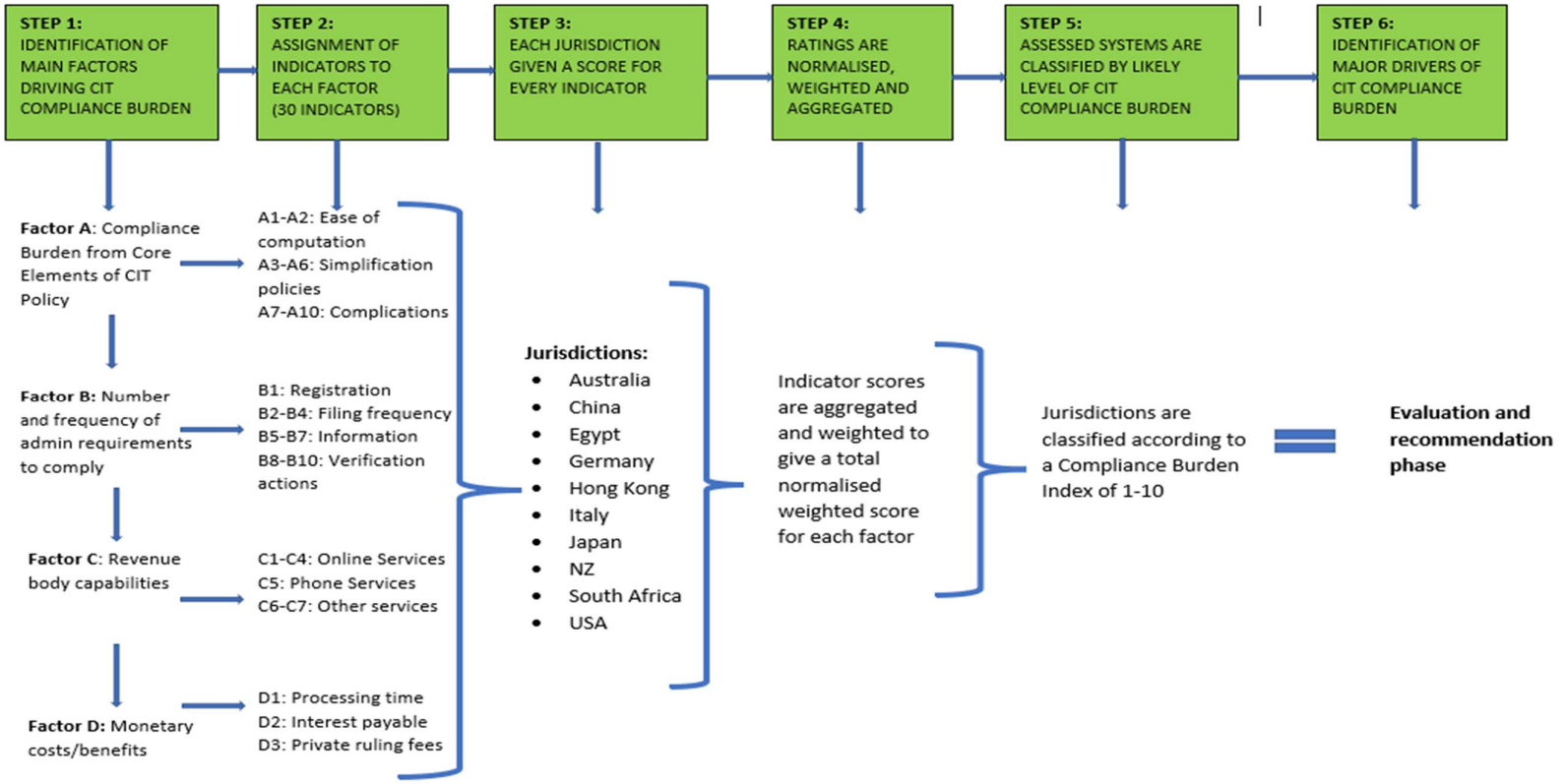

Table 5: Country Ratings - Tax Law/Policy Complexity (Factor A)

Country	Tax law/policy complexity indicators (* denotes use of default indicator)										Total score (min. score = 10, max. score = 38)	Normalised weighting	Normalised weighted score
	1	2	3	4	5	6	7	8	9	10			
	Number of tax rates for different entity types	% Taxp'rs subject to >1 rate	% Taxp'rs eligible for exempt'n from CIT	Approval required for exempt'n	Special regimes which simplify tax comput'n and compliance	% Taxp'rs using special CIT regimes identified in Indicator 5	Number of adjm'ts required between financial accounts and tax returns	Special regimes which complicate tax computation and compliance	% Taxpayers using special CIT regimes identified in Indicator 8	Frequency of legislative amendm'ts of CIT law			
Australia	2	1	3	3	4	5	3	3	2	2	28	37.5%	10.505
China	3	1	3	2	1	4	4	3	2	1	24	37.5%	9.004
Egypt	1	1	3	4	4	5	3	4	1	2	28	37.5%	10.505
Germany	1	1	3	4	1	4	4	2	4	4	28	37.5%	10.505
Hong Kong	3	3	2*	4	4	5	4	3	2*	3	33	37.5%	12.381
Italy	2	3	3	1	3	3	4	3	2	2	26	37.5%	9.754
Japan	2	1	3	1	4	5	4	3	2	2	27	37.5%	10.130
New Zealand	2	1	3	4	1	5	3	3	2	2	26	37.5%	9.754
South Africa	3	1	3	4	1	4	4	3	2	2	27	37.5%	10.130
USA	1	1	1	4	4	5	4	4	1	4	29	37.5%	10.880
Mean Score											28		10.355

Table 6: Country Ratings - Number and frequency of Administrative Requirements to Comply (Factor B)

Country	Administrative requirements indicators (* denotes use of default indicator)										Total score (min. score = 14, max. score = 38)	Normalised weighting	Normalised weighted score
	1	2	3	4	5	6	7	8	9	10			
	% New taxpayers reg'd electronic -ally	Freq'cy of CIT return filings	Freq'cy of CIT payments	% Taxp'rs required to make CIT payments	Inform'n required for a CIT return	% Taxp'rs required to submit addit'nal documen -tation	Records retained	% Taxp'rs subject to verific'n actions each year	% Verific'n actions that result in disputed CIT assessm'ts	Existence of cooperative compliance program			
Australia	2	1	3	3	2	2	2	2	2	1	20	26.5%	5.309
China	5	1	3	4	1	1	3	3	1	1	23	26.5%	6.105
Egypt	1	1	2	4	3	4	2	3	3	2	25	26.5%	6.636
Germany	1	1	3	4	2	4	3	1	2	2	23	26.5%	6.105
Hong Kong	3*	1	2	4	2	2*	2	1	3	2	22	26.5%	5.840
Italy	1	1	2	4	3	2	2	3	3	1	22	26.5%	5.840
Japan	3*	1	2*	3	2*	4	2	1	1	1	20	26.5%	5.309
New Zealand	2	1	5	4	3	4	2	1	2*	1	25	26.5%	6.636
South Africa	1	1	2	4	3	4	2	3	3	2	25	26.5%	6.636
USA	2	1	3	4	4	1	2	3	1	1	22	26.5%	5.840
Mean Score											23		6.026

Table 7: Country Ratings - Revenue Body Capabilities in Meeting Taxpayers' Service and Compliance Needs (Factor C)

Country	Revenue body capabilities indicators (* denotes use of default indicator)							Total score (min. score = 7, max. score = 33)	Normalised weighting	Normalised weighted score
	1	2	3	4	5	6	7			
	Quality of revenue body's website	% CIT payments made directly through revenue body's online payment facilities	% Taxpayers using revenue body's online facilities to file CIT returns	Quality of revenue body's online transaction services for additional services	Quality of revenue body's phone inquiry service	Quality of revenue body's support services for newly registered businesses	Time required for revenue body to issue private tax rulings after submission			
Australia	2	1	1	3*	2	2	1	12	21.5%	2.580
China	2	1	1	2	3*	2	1	12	21.5%	2.580
Egypt	3	3	1	2	3	3	1	16	21.5%	3.440
Germany	3*	1	1	3*	3*	3*	3	17	21.5%	3.655
Hong Kong	2	2	5	5	1	3*	2	20	21.5%	4.300
Italy	2	1	4	3	3	2	3	18	21.5%	3.870
Japan	3*	4	1	5	1	1	3	18	21.5%	3.870
New Zealand	1	4	1	2	4	2	3	17	21.5%	3.655
South Africa	3	1	1	4	4	4	3	20	21.5%	4.300
USA	2	1	1	2	3	4	3	16	21.5%	3.440
Mean Score								17		3.569