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**PUBLIC TRUST
IN TAX:
SURVEYING
PUBLIC TRUST
IN G20 TAX
SYSTEMS**

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We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in **our purpose**. In December 2020, we made commitments to the **UN Sustainable Development Goals** which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

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The International Federation of Accountants (IFAC) is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. Comprised of 180 members and associates in more than 130 countries and jurisdictions, IFAC represents more than 3 million accountants in public practice, education, government service, industry and commerce.

Over four decades, IFAC has represented the global profession and supported the development, adoption, and implementation of international standards that underpin the contributions of today's global accountancy profession. IFAC has maintained a long-term approach to building and strengthening a global accountancy profession that supports transparent, accountable, and sustainable organizations, financial markets, and economies. More information is here

www.ifac.org

About CA ANZ

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Foreword

This third edition of the *Public Trust in Tax* study comes at a time when governments and citizens the world over are re-evaluating their priorities in the wake of one of the biggest shocks to society and economies in living memory. Reflecting the views of over 8,000 people across the G20 countries, the survey results discussed below give us an insight into whom they trust and what concerns them. For this edition, we have also spoken to panels of tax experts and policy professionals from within and beyond the G20, to explore some of the key findings from this and previous reports in more depth and more breadth.

Alongside the turmoil of the COVID pandemic, 2021 has also seen historic advances in international tax cooperation, with political agreement at the G7, G20 and OECD Inclusive Framework on Base Erosion and Profit Shifting that began not long before this series of reports. At the same time, the longstanding challenges of digitalisation, climate change and ageing populations in much of the world have not gone away and continue to be reflected in citizens' views on the use of tax incentives and other policy positions.

The relationship between taxpayers and governments, and between businesses, society and tax systems, will be fundamental to the shape of the economies that support

us all, over the coming years. Whatever the differences between the cultures that drive the divergent views about who is paying enough taxes, or how the funds raised should be spent, the correlations between an effective tax system and economic growth and social well-being are clear.

As leaders in the global accountancy profession, we are proud to see the high levels of trust in professional accountants. This embodies the profession that we know and love. At the same time, we understand that there is always more to do to sustain and strengthen that trust. With this in mind, we look forward to continuing to engage with key stakeholders to drive trust in tax and trust in the profession, in the public interest.

Many survey respondents stressed the importance of financial education from an early age, so that people understand the purpose of tax. This is why we will continue to engage with key stakeholders – including the younger generation – to support financial education and drive trust in tax and trust in the profession.

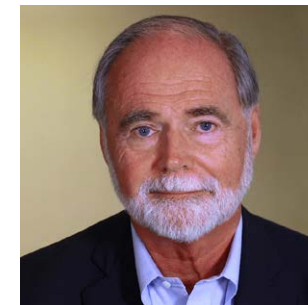
Our members who often act as the interface between taxpayers and the authorities are adapting to the increasing range of technologies available in the tax and accounting field. When properly developed, and introduced at the right time and in the right way, these software tools have a vital role to play in making tax administration easier and more efficient, so further helping strengthen public trust in tax.



Helen Brand OBE
Chief executive, ACCA



Ainslie van Onselen
Chief executive, CA ANZ



Kevin Dancey
Chief executive, IFAC

Key findings

Trust in all stakeholders has improved, on balance, but there are still significant variations between regions

- People continue to have the highest level of trust in professional tax accountants (55% trust/highly trust), professional tax lawyers (50%), and non-government organisations (37%) in relation to the tax system.
- Although trust in government tax authorities has improved from 2.7% net trust to 14.9%, opinions remain polarised, with 43% saying they trust or highly trust the tax authorities (third most-trusted group) while 22% said they distrust or highly distrust them (fourth most-distrusted group).
- Politicians' trust deficit continues to improve, but they remain the least trusted group (net 22.8% distrust).
- People trust media reports more than in previous years (net 0.1% positive trust balance in aggregate) but the newly introduced category of social media is the second least trusted category (41.9% distrust/highly distrust).
- Most people believe the role of professional accountants contributes to improving tax systems by making them more efficient (58%), more effective (56%), and fairer (53%).
- Across the G20 countries, 48% of the population are satisfied with the ease and efficiency of their dealings with tax authorities, a one-point fall from 2018.
- In the same population, 46% see the process as generally fair, up from 42% in 2018.

People want to see tax systems used to target specific positive outcomes

- People strongly support the use of tax incentives to support sectors affected by Covid-19 (66%).
- Support for tax incentives to target 'global megatrends' such as climate change and the ageing population remains high.
- In addition, 49% of people support the use of tax incentives to attract multinational business.
- Support for international tax collaboration has fallen in 15 of the 20 countries sampled since 2018.
- Support for requiring multinational companies to publish detailed tax information has fallen to 39%, from 44% in 2018.
- The proportion of people who see tax competition between countries to attract multinational business as important has fallen to 43% from 51% in 2017.

People generally think that taxpayers are paying enough tax

- Across the entire sample, respondents were more likely to agree than disagree that taxpayer groups were paying a reasonable amount of tax. This applied to all the groups considered, encompassing average- or low-income individuals, high-income individuals, local companies and multinational companies.
- People stated that local companies were most likely to be paying a reasonable amount of tax (33% agreed across the whole survey).
- On a country-by-country basis, multinationals were the most likely to face distrust around their contribution to tax revenues. In seven countries, respondents were more likely to disagree that multinationals are paying a reasonable amount of tax.
- In Argentina, Russia, France and South Africa, respondents claimed that average or low-income individuals do not pay a reasonable amount of tax. A number of respondents indicated in their further comments that they considered the tax burden on the lowest wealth group to be too high.
- Conversely, a number of comments highlighted the perceived injustice of higher-income individuals paying less tax. Fewer than one in four respondents across the G20 stated that high-income individuals pay a reasonable amount of tax in their country.
- One in three people think that tax is primarily about laws and regulations, whereas one in four think tax is more a matter of morals and fairness.

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About this study

This study is based on an online survey, conducted in the first quarter of 2021, of more than 8,000 individuals across all the G20 countries plus New Zealand, representing the population in each country with a confidence level of 95% and confidence interval of 5%. The sample in each country is balanced by demographics based on census data including age (targeting individuals of taxpaying age), gender, ethnicity, household income levels, and geographic location within the country (see Figures 1 and 2).

Respondents include more than 400 individuals residing in each of the following countries:

Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, New Zealand, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, and the United States of America.

FIGURE 1: Respondents' level of education

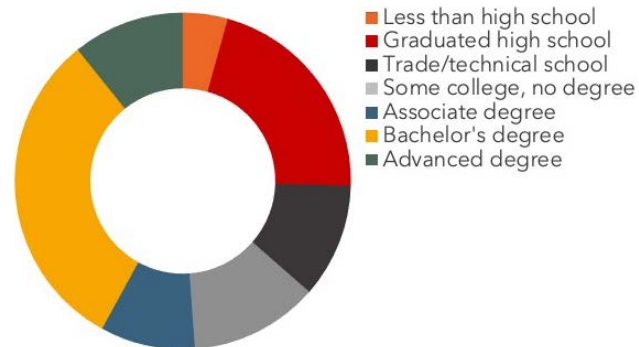
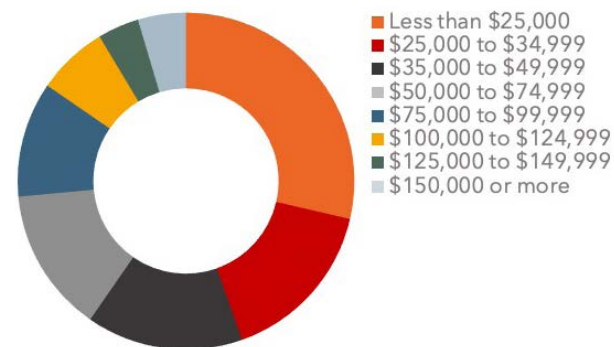


FIGURE 2: Respondents' household income in US\$



Trust in the **system** and trust in **actors** in the system

Public trust is central to tax morale, the tendency for individuals and businesses to pay their tax voluntarily and without intervention by tax authorities. Figure 3 shows variations in public trust in a number of parties involved in or reporting on tax and Figure 4 shows changes over time.

- As was also the case in 2017 and 2018, the net balance reporting trust in professional tax accountants was greater than that of any other stakeholder group or information source. Indeed, the net balance increased to 40.7% in 2021, up from 37.6% in 2018.
- The net balance of respondents reporting trust in government tax authorities increased markedly between 2018 and 2021. This figure rose from 2.7% to 14.9% over the three-year period.
- The net balance of respondents reporting trust in politicians also saw improvement, picking up to -22.8% in 2021, having stood at -40.4% in 2018. Nevertheless, with the figure remaining negative, respondents are more likely to distrust politicians than to trust them.
- A new category, social media, ranks as the second least trustworthy, solely ahead of trust in politicians.
- Non-governmental organisations (NGOs) are the only sector to have seen a slight fall in trust since 2018, but have shown a net positive balance in all three surveys, and remain less divisive than government tax authorities.
- Media reports have moved to a net positive balance for the first time in 2021, with 'distrust' decreasing at twice the rate that 'trust' has improved.
- Distrust in politicians has fallen at a higher rate than trust in them has improved since 2017.

THE NET BALANCE REPORTING TRUST IN PROFESSIONAL TAX ACCOUNTANTS INCREASED TO 40.7% IN 2021, UP FROM 37.6% IN 2018.



FIGURE 3: Whom do people trust when it comes to the tax system?

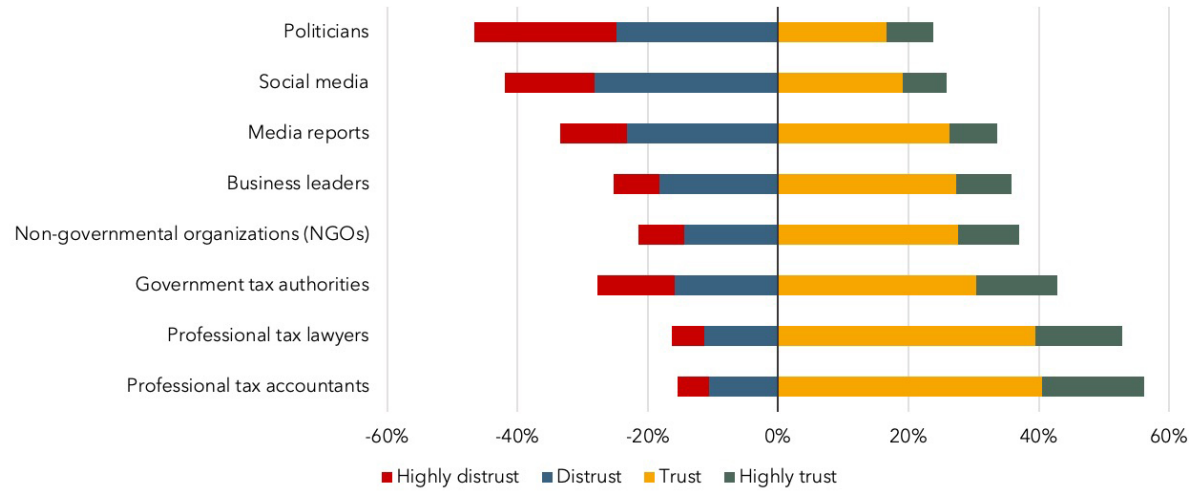
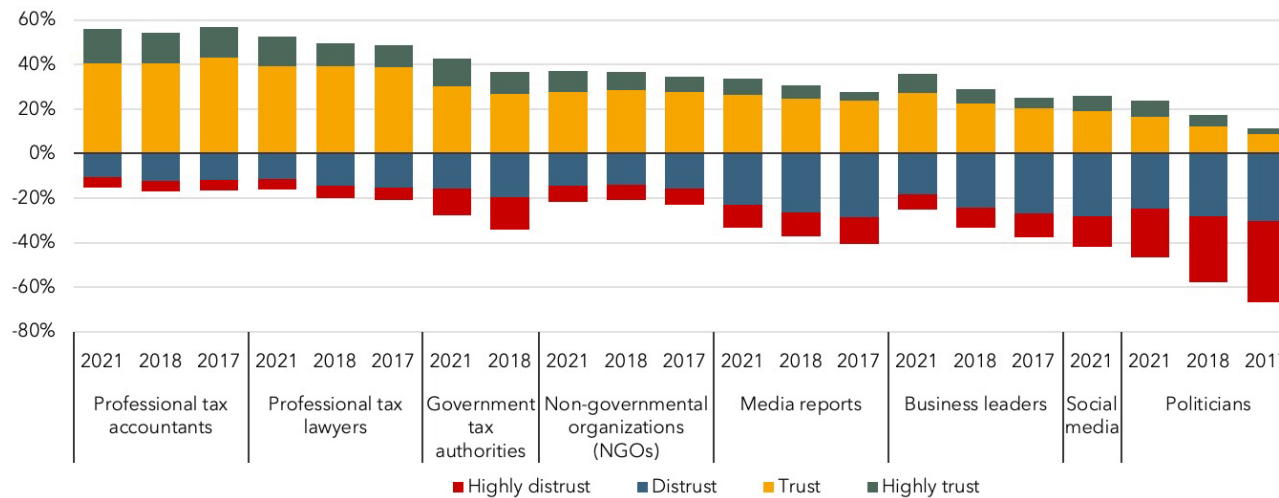


FIGURE 4: Public trust in relation to tax



A NEW CATEGORY, SOCIAL MEDIA, RANKS AS THE SECOND LEAST TRUSTWORTHY, SOLELY AHEAD OF TRUST IN POLITICIANS.



Politicians

Politicians are central to the decision-making process in tax policy and are also often seen as influential figures driving public engagement with the tax system.

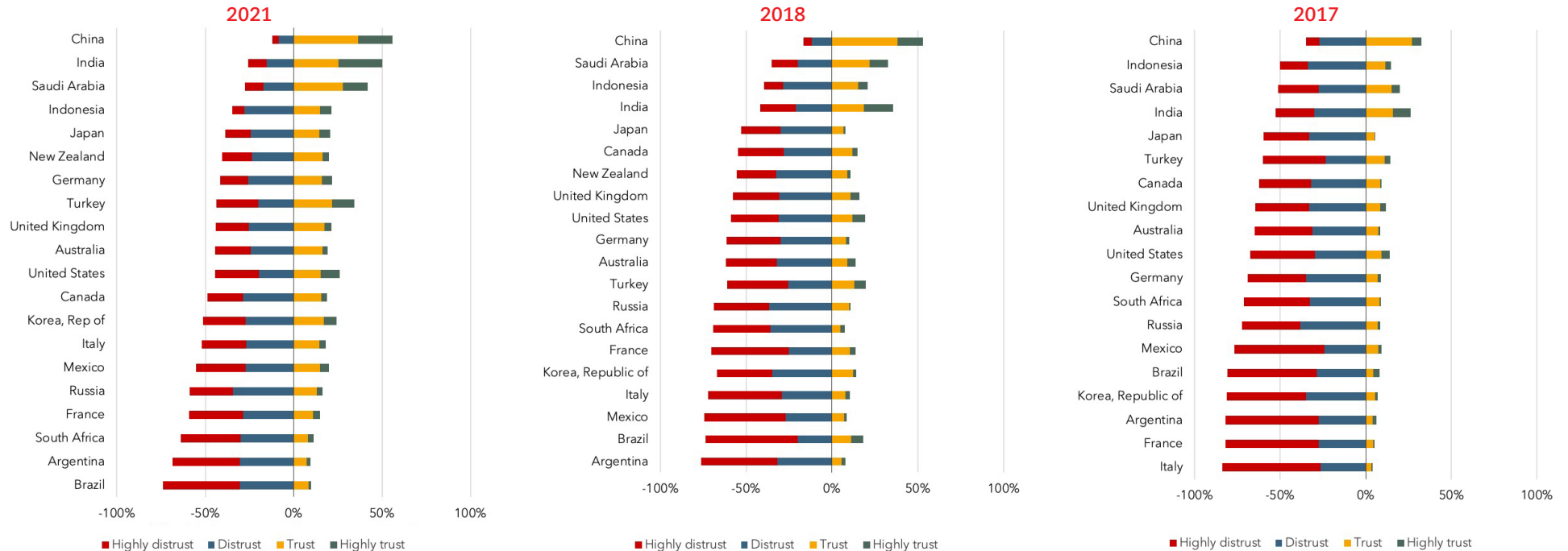
Since 2017, the same four countries have occupied the top four positions in this table, and yet even across these four countries, the net balance is barely positive (Figure 5). With public finances under stress as a consequence of the Covid-19 pandemic, trust in politicians will be vital to an orderly recovery.

- As was also the case in 2017 and 2018, levels of trust in politicians were highest in China in 2021. Of respondents in China, 55.8% reported that they either trust or highly trust politicians.
- India was the only other country in which a majority of respondents stated that they trust or highly trust politicians, at 50.1%.
- Respondents in Brazil were the most likely to distrust or highly distrust politicians, with this applying to 73.8% of such respondents. This was closely followed by Argentina, where distrust in politicians was reported by 68.3% of respondents.

- Brazil was the only country to witness a declining rate of trust in politicians between 2018 and 2021, amounting to a fall of 8.4 percentage points.
- The very broad cultural trend is for trust to be highest in Asian countries, and lowest in Latin and South America, with Anglophone, common law system countries showing broadly similar results to each other.

‘Generally, taxpayers do not object to paying taxes, as it is this revenue that keeps the wheels turning. They do, however, object to seeing their hard-earned money being wasted’. **Respondent in South Africa**

FIGURE 5: Trust in politicians across the sample

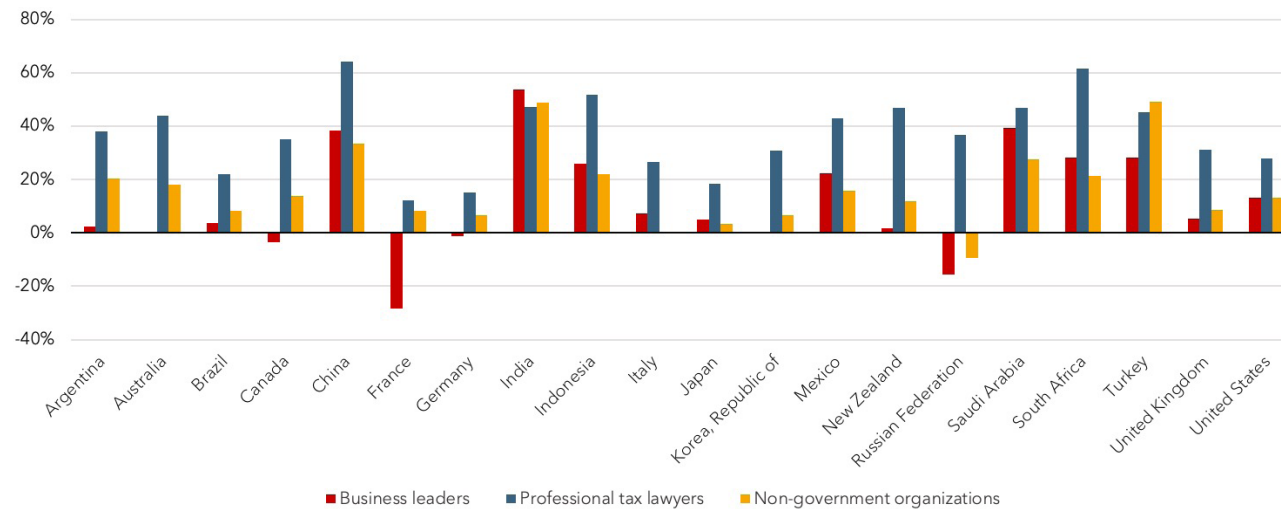


Business leaders, NGOs and tax lawyers

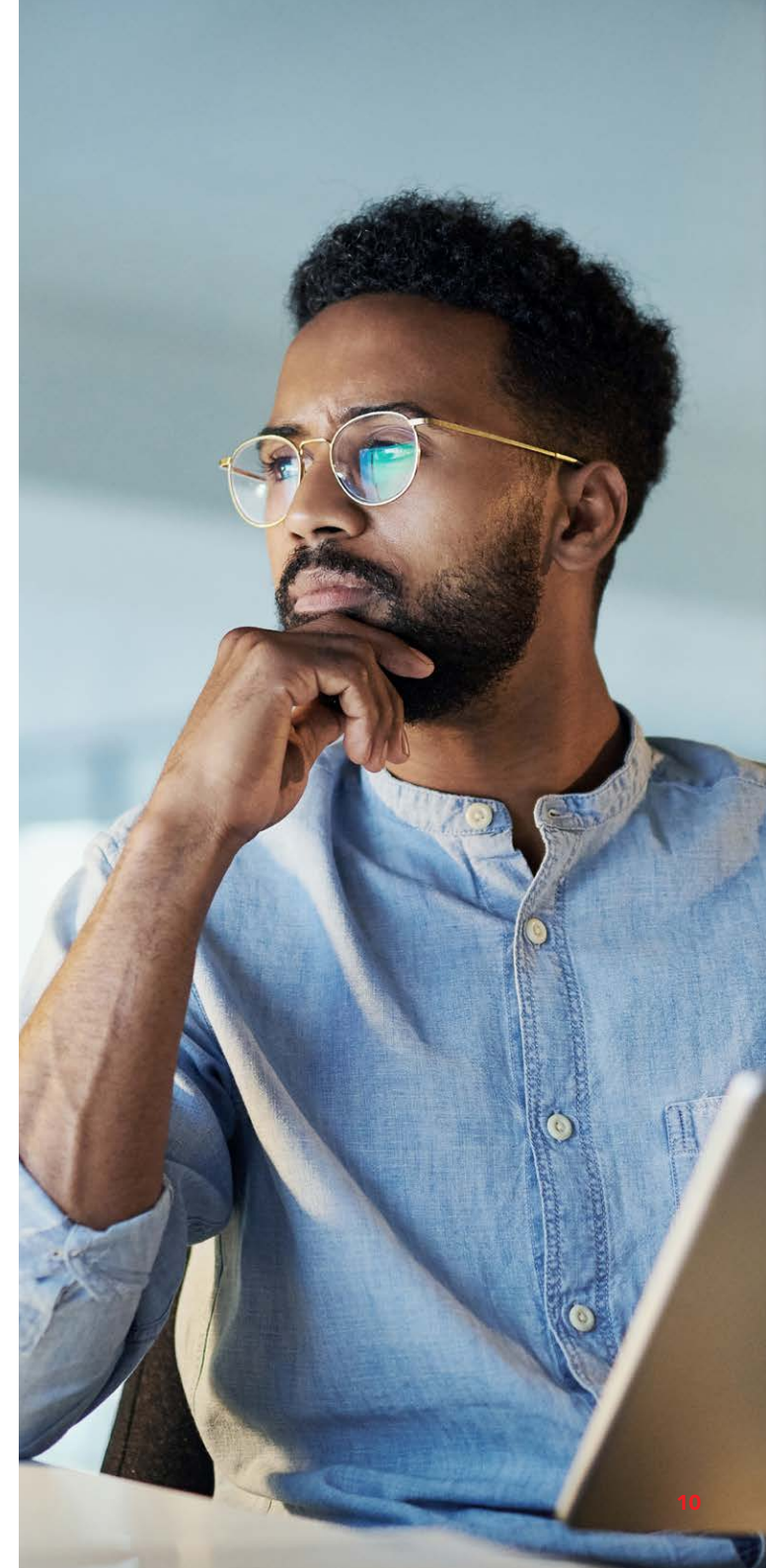
Public perception of the integrity of the tax system depends upon all the relevant stakeholders. Business leaders and professional tax lawyers represent two of the groups with a significant influence on how much tax is collected, while NGOs have been increasingly vocal in efforts to drive public opinion and policymakers' decision making (Figure 6).

- Although there is a degree of national variation, professional tax lawyers attract a net positive score in every country.
- Trust in each category has increased over the life of the surveys, with business leaders seeing the strongest growth in trust.

FIGURE 6: In relation to tax, how much do people trust or distrust: business leaders, professional tax lawyers, and non-governmental organisations?



ALTHOUGH THERE IS A DEGREE OF NATIONAL VARIATION, PROFESSIONAL TAX LAWYERS ATTRACT A NET POSITIVE SCORE IN EVERY COUNTRY.



Media and social media

Figures 7 and 8 show how trust in the media and social media, respectively, varies round the world.

- Trust in media is highest in India and China, where 57.5% and 55.6% of respondents, respectively, report some degree of trust.
- India was also the country with the greatest trust in the media in both 2017 and 2018.
- At the other end of the scale, the country where respondents reported the lowest level of trust in the

media is France, where just 21.6% of respondents reported a degree of trust.

- Russian respondents were the most likely to report active distrust in the media, with this being the case for 53.6% of respondents.
- France was the only other country in which a majority of respondents (50.1%) reported distrust in the media.

FIGURE 7: Degrees of trust and distrust in the media

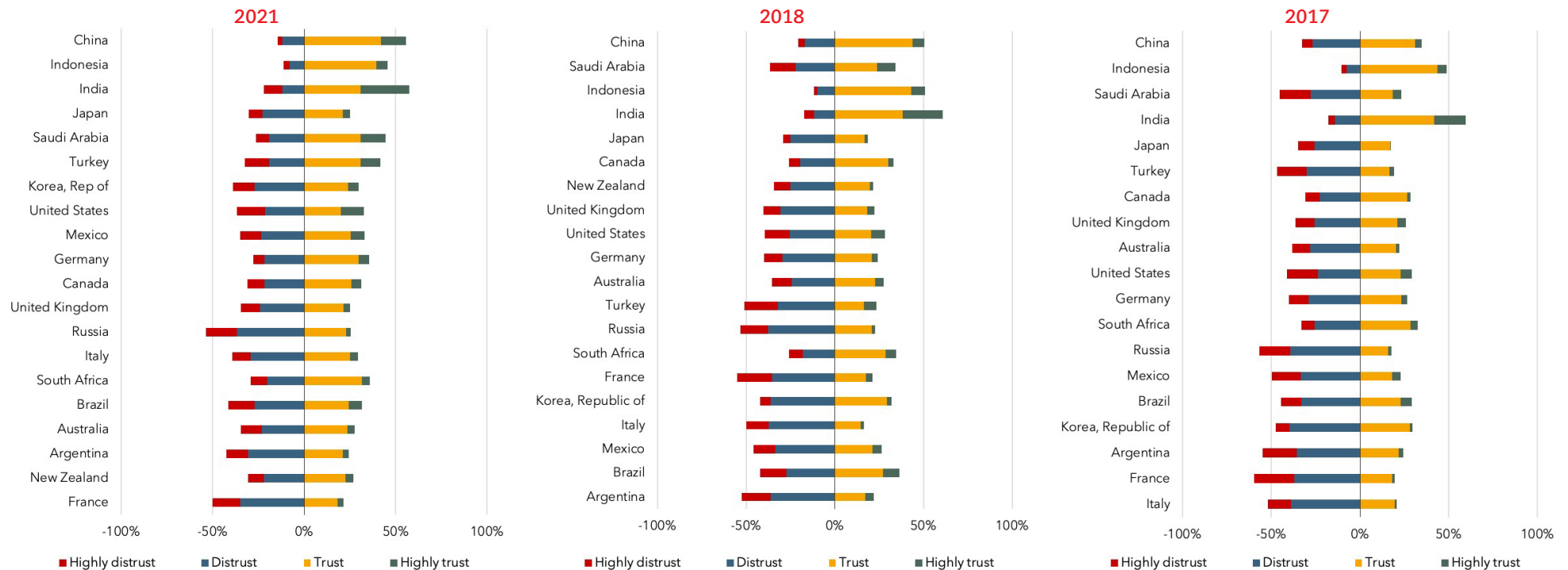
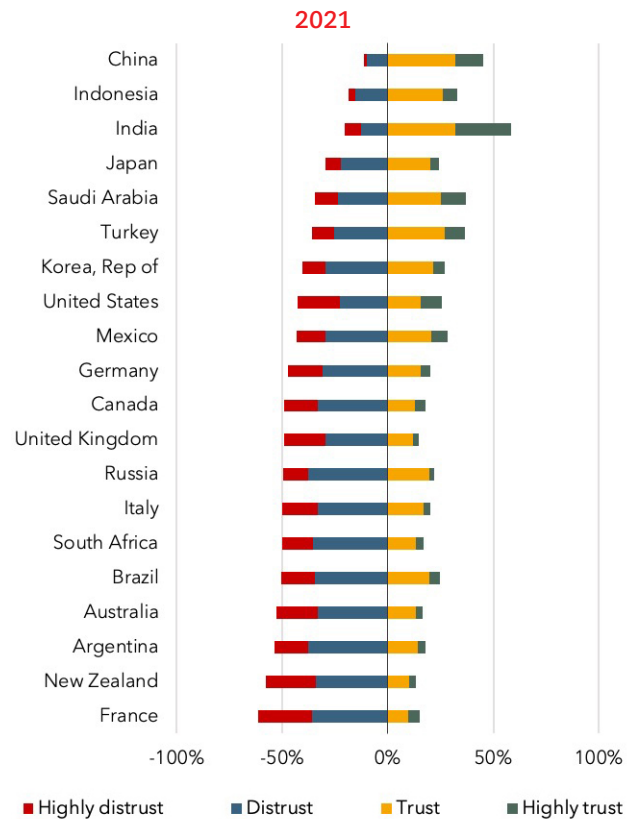
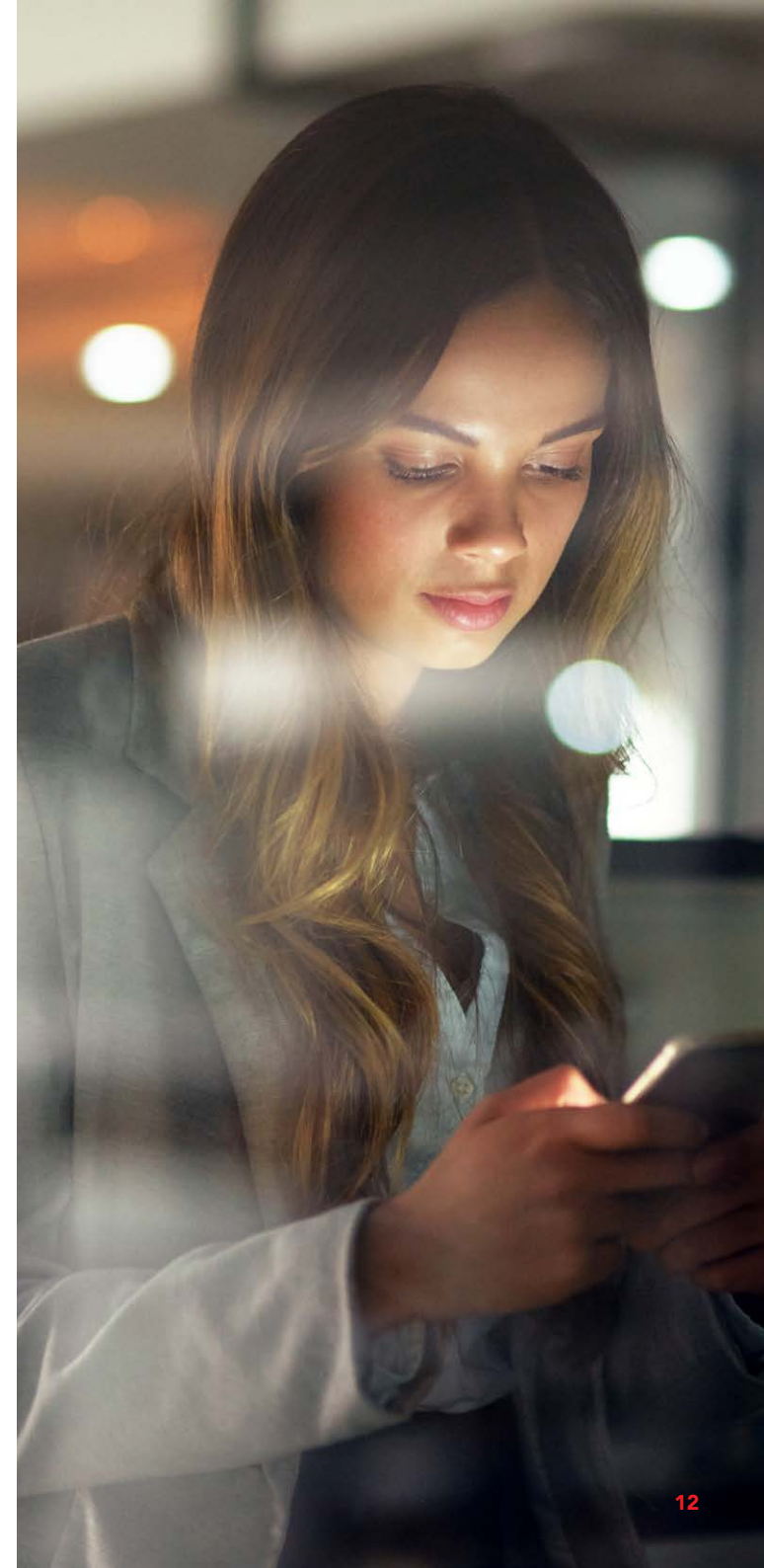


FIGURE 8: Trust and distrust in social media



- Total trust in social media was by far the highest in India, with more than half (58.4%) of respondents reporting some degree of trust.
- This was followed by China, where trust in social media was reported by 45.3% of respondents.
- The lowest level of trust was observed in New Zealand, with this being reported by just 13.4% of respondents in the country.
- Respondents in France were most likely to report distrust of social media, with 61.4% of respondents in the country reporting this.
- In six other countries – New Zealand, Argentina, Australia, Brazil, South Africa, and Italy – a majority of respondents reported a degree of distrust in social media.

THE LOWEST LEVEL OF TRUST WAS OBSERVED IN NEW ZEALAND, WITH THIS BEING REPORTED BY JUST 13.4% OF RESPONDENTS IN THE COUNTRY.



ACCA's Global Forum for Taxation

ACCA's Global Forum for Taxation is a global network of experts and thought leaders, ranging from large multinational businesses and tax authorities to high street accountancy practices, who are all experienced in tax matters. In June 2021, just days after the announcement of the G7 tax accord, members of the group discussed some of the survey's themes and their links to international business taxation.

The members of the group were clear that the tax system has a role in building a sustainable recovery from the COVID pandemic. There was very much a consensus that the focus should be on individuals and the smallest businesses, both to stimulate demand and to reflect where negative impacts have been most pronounced. Just as some individuals have had difficulty shaking off the lingering effects of the virus, so there are many businesses suffering 'long COVID' after-effects, and the support mechanisms to aid their recovery need to reflect the long-term impacts of the virus.

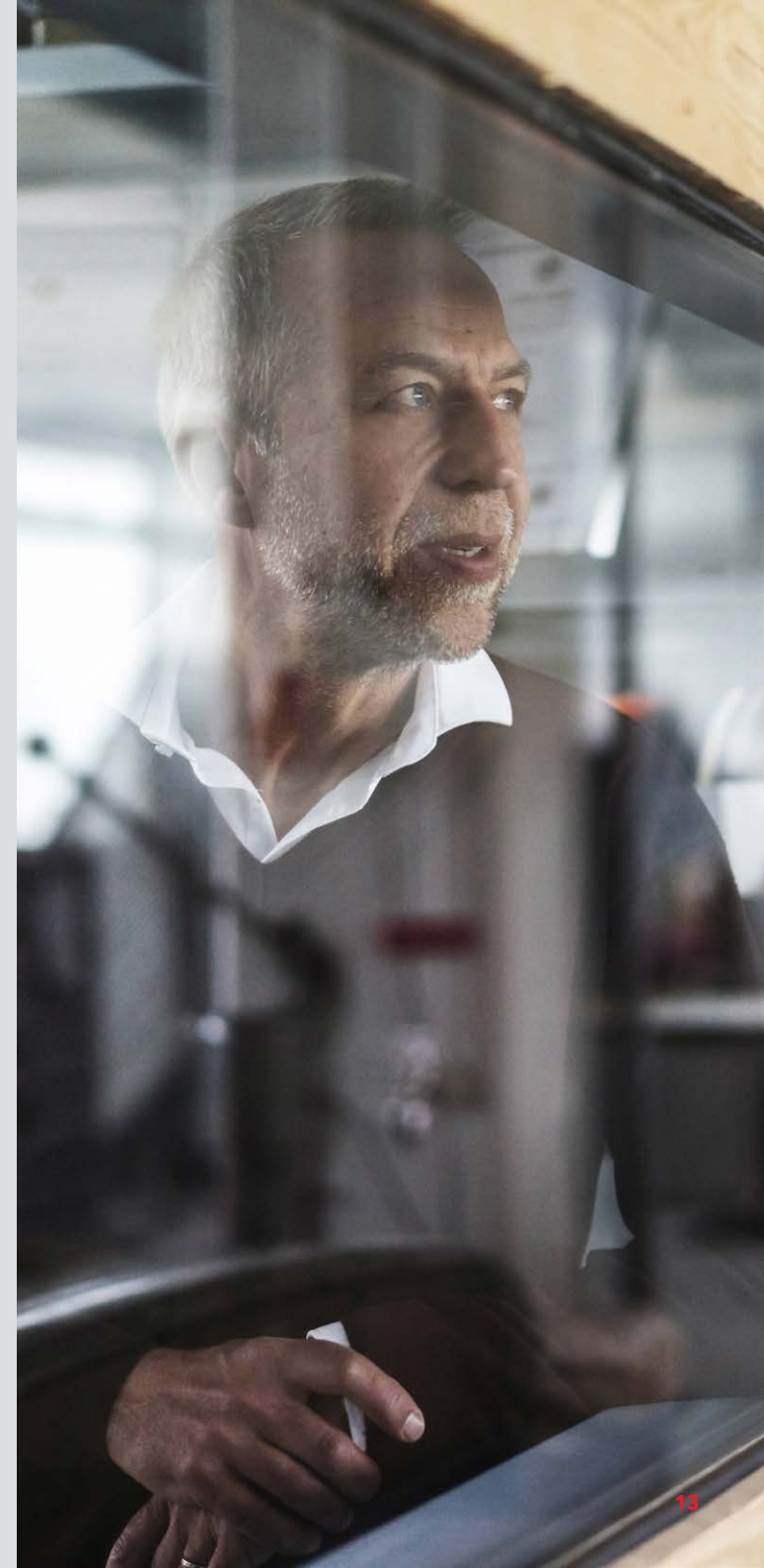
One key theme was the importance of data and of basing decisions on high-quality information. Again, though, gathering and interpreting the data presents a challenge to governments – especially for some economies outside the G20, where the prevalence of informal economic activity creates layers of additional complexity.

Aligning recovery measures to the long-term outlook is particularly important for jurisdictions where tax morale may currently be low. The balancing act between supporting individuals whose livelihoods may have been threatened and artificially sustaining sectors which, whether because of COVID, longer-term structural changes or a combination of both, are facing permanent shrinkage, will be a tricky dilemma for governments.

But bringing people into the formal economy can be problematic. If people don't trust governments, then they won't want to pay their taxes. Transparency from governments, and from businesses about what taxes they pay, will be an important part of the answer. The ability to communicate in a way that is understandable by populations that are not educated will be an essential building block in that process.

For business, though, that transparency can be costly. Several Forum members highlighted the risk to reputation of publishing any tax details, especially into a hostile environment where data could be misinterpreted. Building the necessary mutual respect and trust between stakeholders is going to take time.

TRANSPARENCY FROM GOVERNMENTS, AND FROM BUSINESSES ABOUT WHAT TAXES THEY PAY, WILL BE AN IMPORTANT PART OF THE ANSWER.



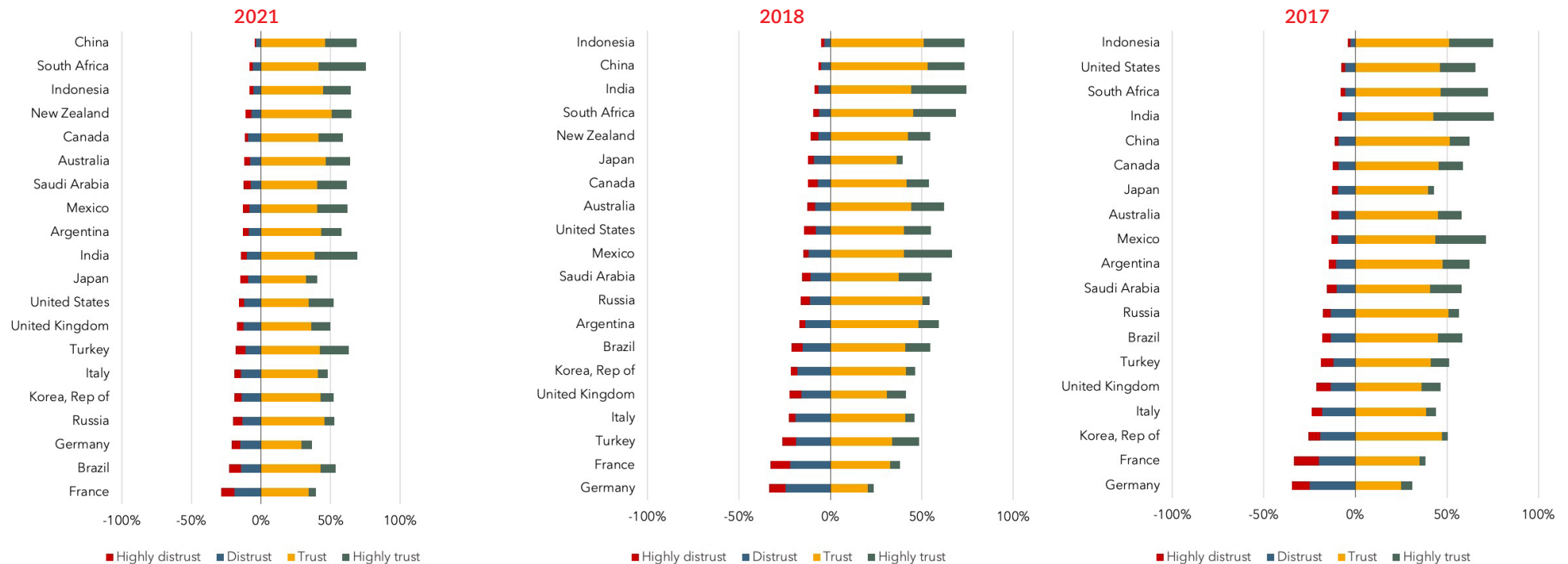
Accountants

Professional accountants support taxpayers in their interactions with tax systems the world over. They also play a vital role in helping governments to formulate evidence-based tax policy. Degrees of trust in accountants around the world are shown in Figure 9.

- Overall trust in accountants is at its highest net level, 40.7%, since the survey started, recovering from a dip in 2018 (37.6%, 2017 balance 40.3%).
- Levels of distrust in accountants were lowest in China in 2021. Among Chinese respondents, only 4.7% reported a degree of distrust.
- Among individual countries, respondents in South Africa give accountants the highest ranking, with more than three quarters (75.2%) of respondents reporting some degree of trust.
- Trust in accountants fell in eight countries between 2018 and 2021. Levels of distrust were greatest in France, with distrust being reported by 28.7% of all respondents.

'My interactions with my accountant are so easy for me'. Respondent in UK

FIGURE 9: Degrees of trust and distrust in accountants



The role of professional accountants

The view that accountants contribute to a fairer tax system has increased with each edition of the *Trust in Tax* report (Figure 10): 52.6% of respondents agreed with this statement in 2021, up from 20.8% in 2018 and 48.6% in 2017.

Attitudes towards accountants' contributions to the effectiveness and efficiency of tax systems have remained constant across the three years studied.

While scores for fairer and more effective tax systems are universally a net positive, the aggregated balances disguise significant variations in views on efficiency.

The net balance of respondents believing accountants contribute to a more efficient tax system is negative in five countries (Figure 11). Of these, the most negative value is witnessed in Argentina, with a net balance of -26.2%.

'A simplified system and simplified processes need to be put in place. Also, widening the tax net and higher taxes is not the solution, it's compliance with the system that will yield results'. **Respondent in India**

FIGURE 10: Perceptions of the impact of professional accountants on aspects of the tax system

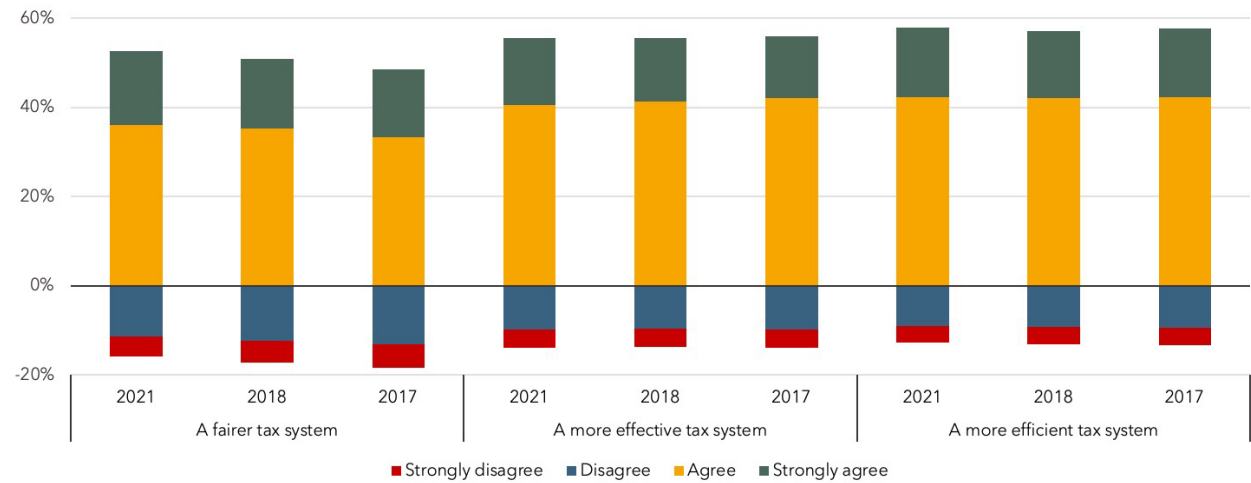


FIGURE 11: Perceptions of the impact of professional accountants on aspects of the tax system, by country

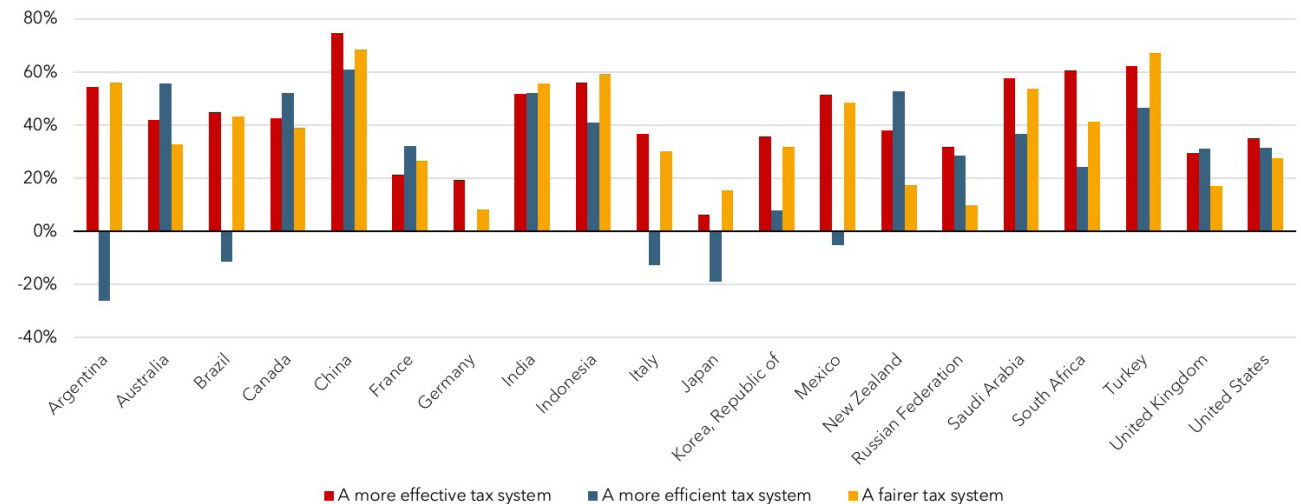


Figure 11 shows net percentage, agree or strongly agree minus disagree or strongly disagree.

The policymaker perspective – a roundtable of European and US policy experts

With the survey results showing support for COVID-affected sectors at its highest when respondents were asked ‘where might tax incentives be appropriate?’ We asked our experts for their opinions on what such incentives should be.

There was a clear theme that smaller businesses and taxpayers should be the focus, and that tax authorities should be creative. The burden of tax on small business isn’t always just financial, and relaxing filing deadlines and requirements can do just as much as cutting tax to help a business that’s been buffeted by the pandemic to stay afloat.

But COVID isn’t the only theme to have been driving the broader tax agenda since 2017, and we asked our experts whether they saw a tension between the need for COVID support mechanisms and the existing support for environmental tax incentives. The overwhelming response was that far from seeing a conflict between the two goals, ‘there is a real way of making sure that environmental taxation contributes positively to the recovery and to a more sustainable recovery’ as one put it.

Another commented: ‘Environmental taxation will play an instrumental role in the transition to fair and more sustainable societies’

One point of universal agreement was that governments will need to cooperate on environmental taxation measures, and that the broader impacts must be considered – ideally, the very design of the taxes should be progressive, so as to minimise the effect on those least able to bear the burden but, failing that, compensation measures should be explored.

The importance of basing policy decisions on credible academic economic data and engaging openly with stakeholders came through clearly in the broader discussions about public trust in the system.

The interconnection between trust and a perception of fairness, and the interaction of those concepts with transparency, was a clear theme in general discussions of tax morale. The need for policymakers and tax administrations to believe that they can trust business, and for taxpayers more generally to believe that they can trust the system, was a strong theme. Encouragingly, we heard examples of positive and constructive behaviour, with the policymakers, professional advisers and business working to build bridges and pursue a common goal in what remains a hugely complex field.

Our panellists argued that designing tax systems for the compliant majority, and adapting them to cope with those who might try to bend the rules, is a better route to trust than designing the system around an expectation of misbehaviour. While the existence of bad actors within both the taxpayer and adviser population cannot be ignored, responses need to be proportionate.

An emerging theme of particular interest was the importance of transparency, not just as the mechanism by which two parties (eg business and tax authorities)

build trust in each other, but also as a mechanism for fostering trust among third parties (ie the public). In the absence of that transparency, what might be seen by the cooperating parties as a great success for effective and efficient policymaking can end up being seen by others as an unduly cosy relationship, leading to suspicions of unfairness.

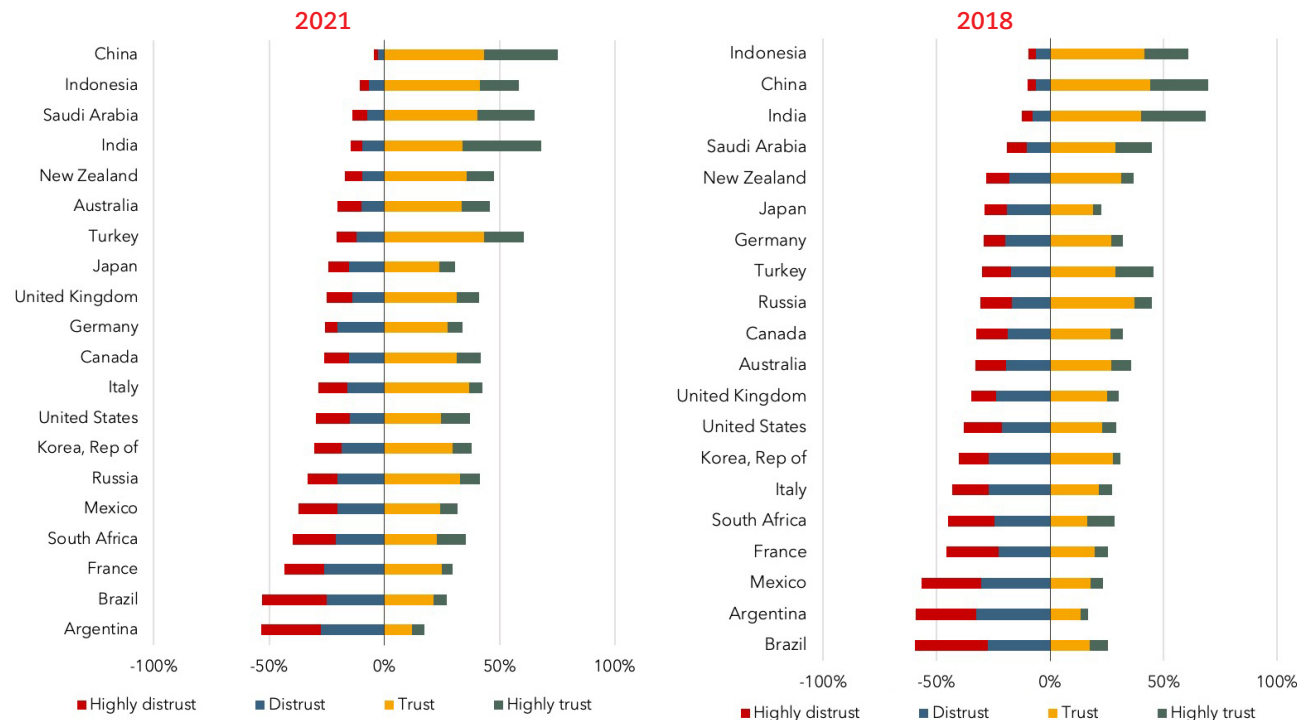
At the core of all the discussions was a common agreement that tax is important, and that without a perception of fairness or equity between taxpayers, public trust will suffer and with it the capacity for governments to pursue any policies requiring mass expenditure.

THE INTERCONNECTION BETWEEN TRUST AND A PERCEPTION OF FAIRNESS, AND THE INTERACTION OF THOSE CONCEPTS WITH TRANSPARENCY, WAS A CLEAR THEME IN GENERAL DISCUSSIONS OF TAX MORALE.

Trust and distrust in tax authorities

Tax authorities again provoke division among taxpayers' views, with 70.7% of respondents expressing a non-neutral opinion of their experience.

FIGURE 12: Trust and distrust in tax authorities around the world



- The net balance of respondents reporting trust in government tax authorities increased markedly between 2018 and 2021 (Figure 12b). This figure rose from 2.7% to 14.9% over the three-year period.
- Nonetheless, five countries (Mexico, South Africa, France, Brazil and Argentina) still show a net balance of distrust/highly distrust.
- Among the G7 countries, France is the only country to show a net negative sentiment at every income level. The UK and Germany were the only G7 countries to score a net positive trust rating in every income group.

'In my country, public believe that taxation is a place of large-scale corruptions along with law enforcement. Public need to know things more clearly in this matter'. Respondent in Indonesia

THE UK AND GERMANY WERE THE ONLY G7 COUNTRIES TO SCORE A NET POSITIVE TRUST RATING IN EVERY INCOME GROUP.

Experience of the tax system: Transparency, complexity and inequality

The administration of tax systems can be as important to taxpayers as the policy design behind them in determining individual experiences.

Many respondents found digital services easy to use, but a number of respondents expressed concern about their accessibility or reliability. The difference between ease of paying taxes and ease of reclaiming overpayments was also a common cause of complaint (Figure 13).

FIGURE 13: Overall views on dealing with the tax authorities in G20 countries

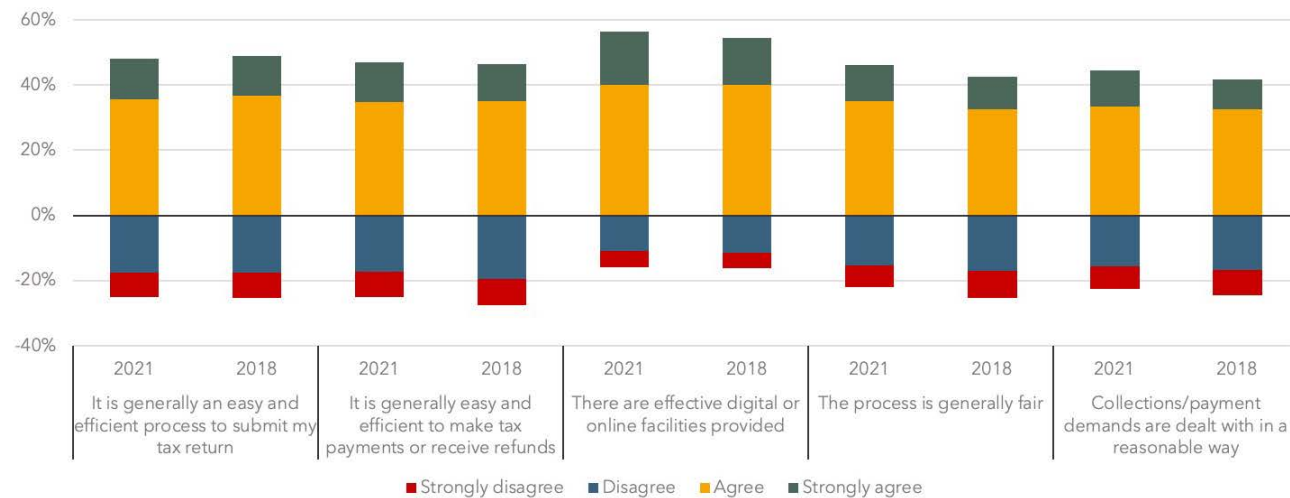


Figure 13 shows levels of agreement/disagreement with various statements about dealing with government tax authorities.



- A greater proportion of respondents in 2021 believe that ‘the tax process is generally fair’ than was the case in 2018: 46.2% agreed with that statement in 2021 compared with 42.5% in 2018.
- There was a slight decline in the proportion of respondents agreeing that ‘it is generally an easy and efficient process to submit my tax return’. This proportion fell to 47.9% in 2021, down from 48.8%.
- On all five of the measures outlined above, more respondents agree than disagree, suggesting a degree of positivity about interaction with authorities.

‘They should teach some tax matters in high schools or universities to prepare you for going out to work or becoming an entrepreneur, so you have a notion of how to relate to the tax authorities in different economic situations’. **Respondent in Mexico**

‘I think the process of paying tax is difficult and complicated, I think it should be more straightforward and it should be taught in schools rather than expecting people to learn it by themselves’. **Respondent in UK**

FIGURE 14: Views on the ease and efficiency of filing taxes

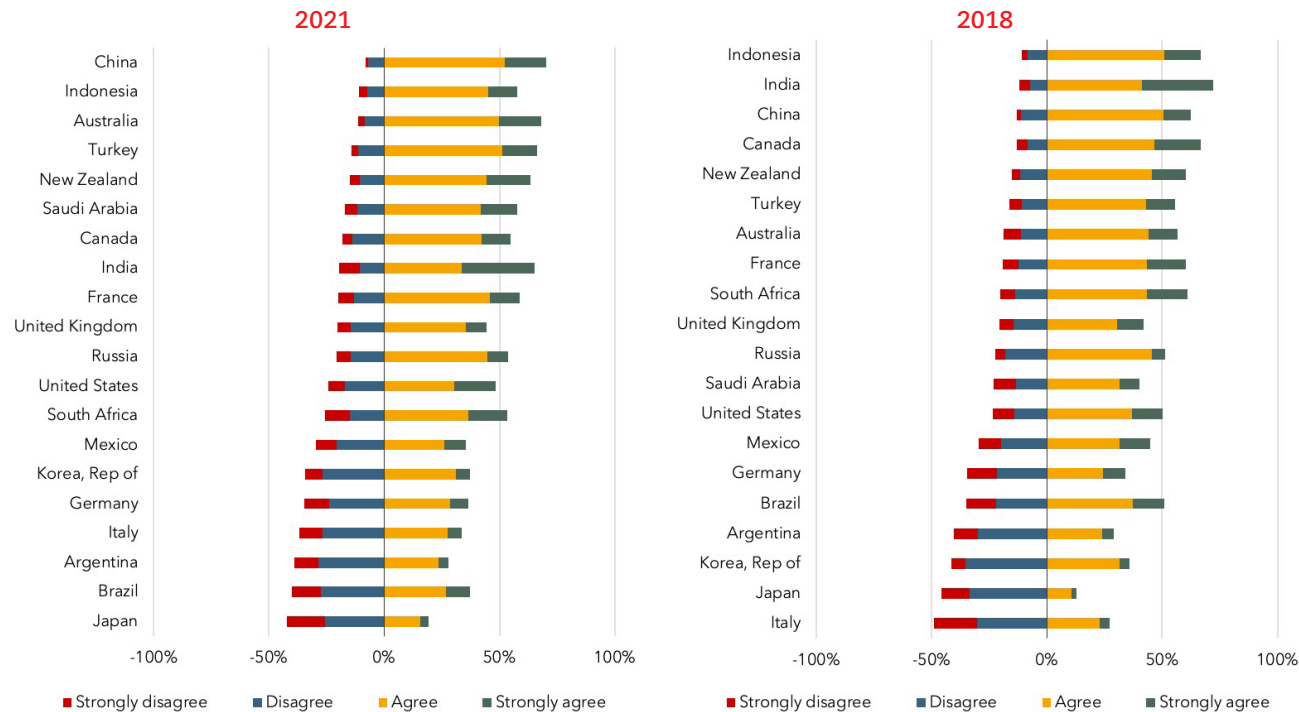


Figure 14 shows the extent of agreement that submitting tax returns to the authorities is generally an easy and efficient process.



- Concerns about fairness are greatest in South and Latin America, and in Italy.

46.2% OF RESPONDENTS AGREE THAT "THE TAX PROCESS IS GENERALLY FAIR" IN 2021, UP FROM 42.5% IN 2018.

- The least burdensome tax filing processes seem to be found in Australia and New Zealand, with 81.8% and 81.0% of respondents, respectively, reporting less than one week's time spent each year.
- At the other end of the scale, the tax filing process is most burdensome in India and Turkey, where just 47.7% and 51.7% of respondents, respectively, report spending less than one week on their tax affairs each year.

- Managing tax affairs in China was a speedier process among respondents in 2021 than in 2019: 25.8% of respondents in the country reported spending less than one day on their tax affairs in the most recent survey, compared with just 11.8% in 2018.

'While they [the tax authorities] do have efficient digital platforms to submit one's tax, it is very difficult to deal with them should any issues arise'.
Respondent in South Africa

FIGURE 15: Views on the overall fairness of the process of interacting with tax authorities

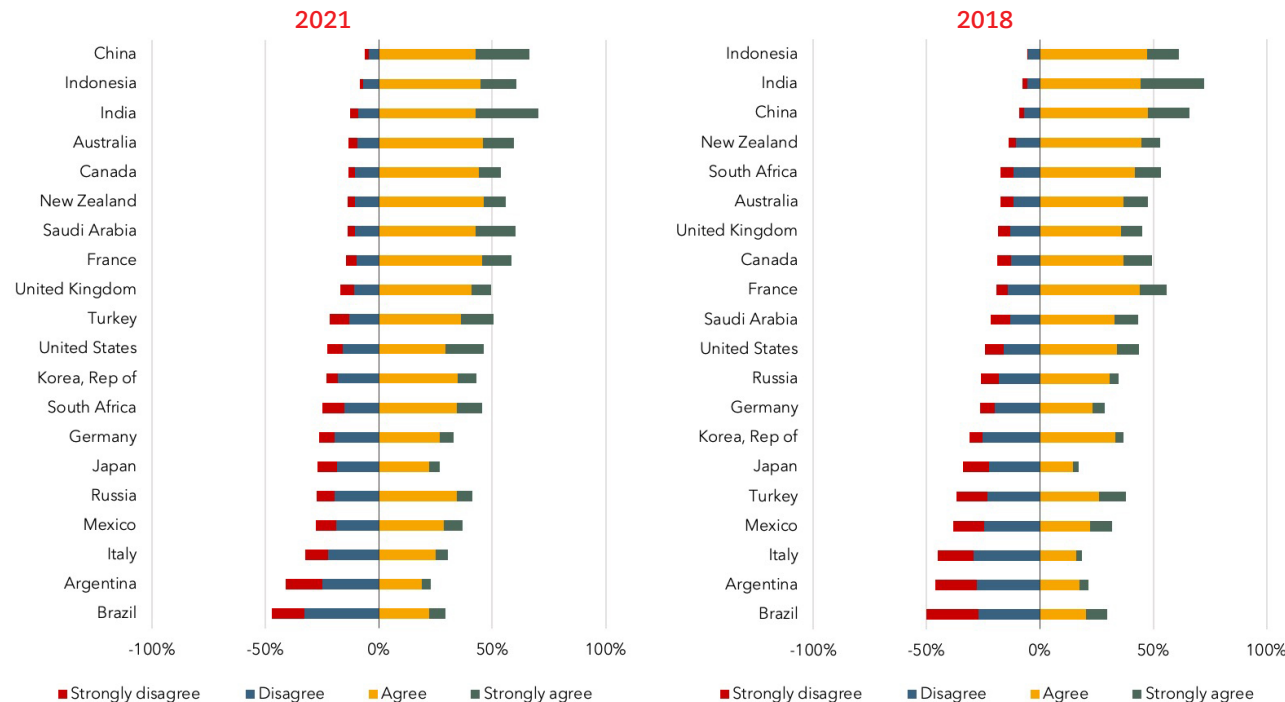


Figure 15 shows the extent of agreement among respondents that the process of dealing with tax authorities is generally fair.

FIGURE 16: Time people spend on managing their tax affairs each year

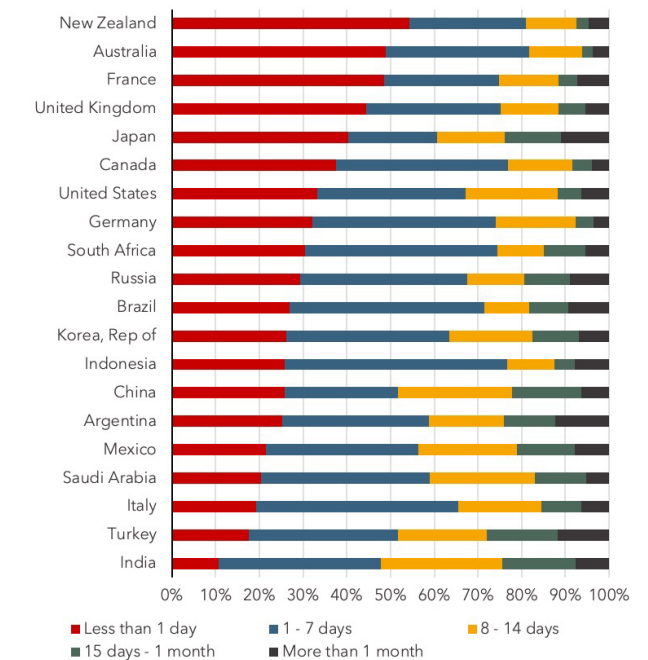


Figure 16 shows respondents' perceptions of the time burden of managing one's tax affairs.

The **view** from **Pakistan**

The Public Trust in Tax survey covers the G20 countries, which account for around 80% of global GDP but just 65% of the world's population. Pakistan is the most populous nation not in the G20, and we asked a panel of senior domestic figures from the tax and economics sectors to discuss some of the themes from our work.

The challenges facing the tax system in Pakistan are quite different from those across most of the G20, with the informal economy accounting for around 80% of GDP. The implications for the tax gap, and indeed underlying economic growth, are significant, and the panel members were keen to explore the options for increasing engagement with the tax system.

Several panellists highlighted the importance of tax education and of ensuring that individuals understand the link between taxes and service provision. Equally important, however, is the integrity of the tax authority, and its ability to treat taxpayers with respect.

The importance of technological change for tax systems has been highlighted during the pandemic, with a shift

to online purchasing driving tax revenues up as a greater proportion of Sales Tax due was able to be collected. This is significant but the long-term importance of digitalisation lies as much in the impact it will have on direct taxes, and the ways that taxpayers interact with the system.

The ability of digital systems to automate data collection has the potential to streamline interactions, improving the taxpayer experience. Nonetheless, the adoption of such tools will rely on taxpayers' trust in the authority, reinforcing the importance of inter-institutional trust and taxpayers' belief in the integrity of the system.

No matter how sophisticated the digital tools are, trust in the tax system will only be as strong as the faith that taxpayers put in the other human actors who influence it.

NO MATTER HOW SOPHISTICATED THE DIGITAL TOOLS ARE, TRUST IN THE TAX SYSTEM WILL ONLY BE AS STRONG AS THE FAITH THAT TAXPAYERS PUT IN THE OTHER HUMAN ACTORS WHO INFLUENCE IT.

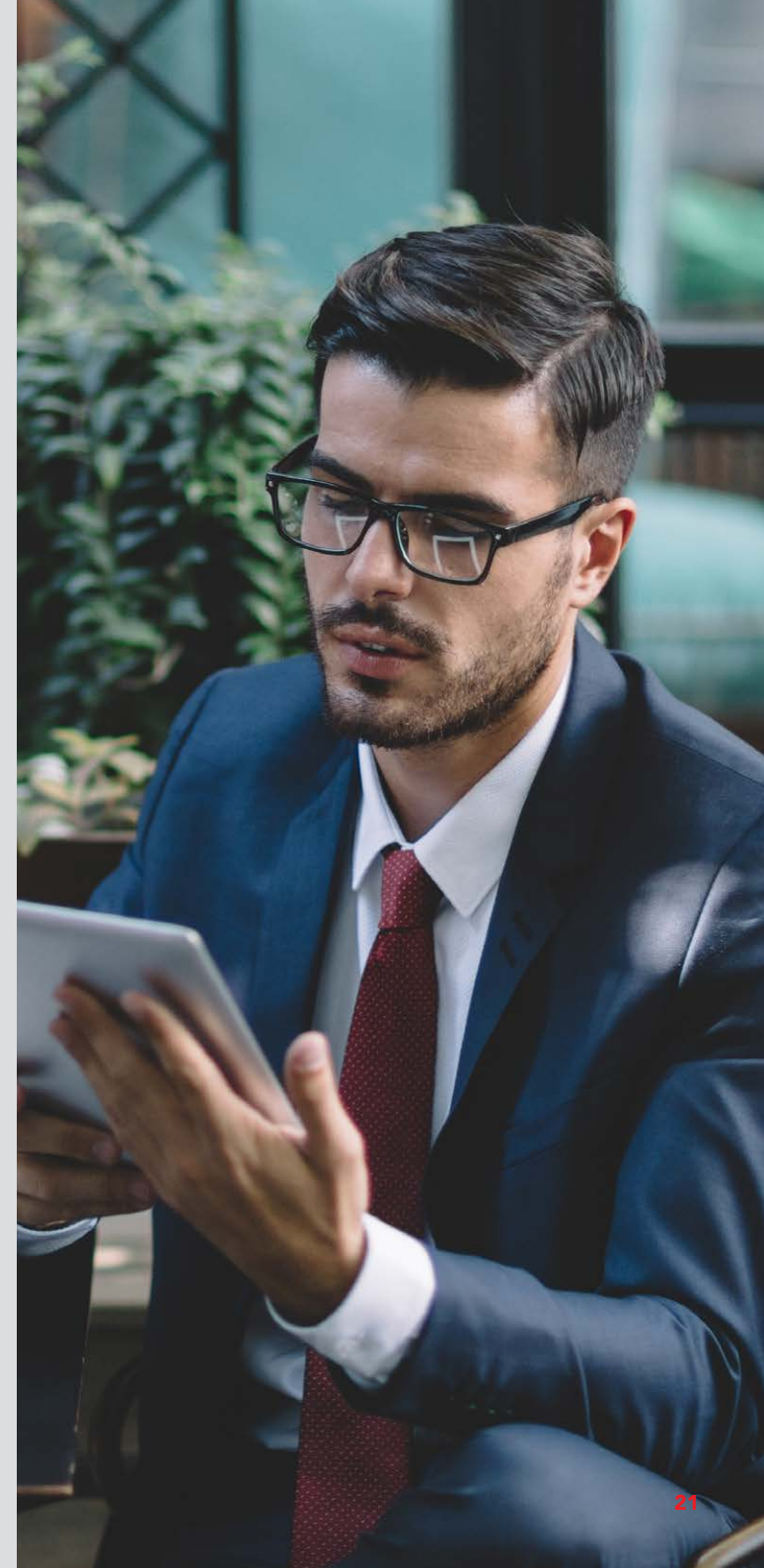


Figure 17 shows the various services taxpayers around the world use to help them manage their tax affairs.

- Across the entire sample, online services ranked as the most commonly used service in managing tax affairs, being selected by 36.9% of respondents.
- This was also the most commonly cited category in 12 of the countries.

Figure 18 shows net percentage who believe it is appropriate/very appropriate minus those who believe it is inappropriate/very inappropriate for the specified taxpayer groups to arrange their affairs in order to minimise taxes.

- In Italy and the Republic of Korea, attitudes towards tax minimisation were unanimously negative across all taxpayer groups.
- In three out of the four categories (high-income individuals, local companies, and multinationals), favourable attitudes towards tax minimisation were most prevalent in Turkey.
- In Australia, a net balance of 55.1% of respondents thought it was appropriate for average or low-income individuals to arrange their affairs to minimise their taxes. This was the highest net balance of any country in relation to this category.

‘Those who enjoy the advantages of the German infrastructure, health insurance, security, etc should also pay their taxes here.’ **Respondent in Germany**

FIGURE 17: Services people are using to manage their tax affairs

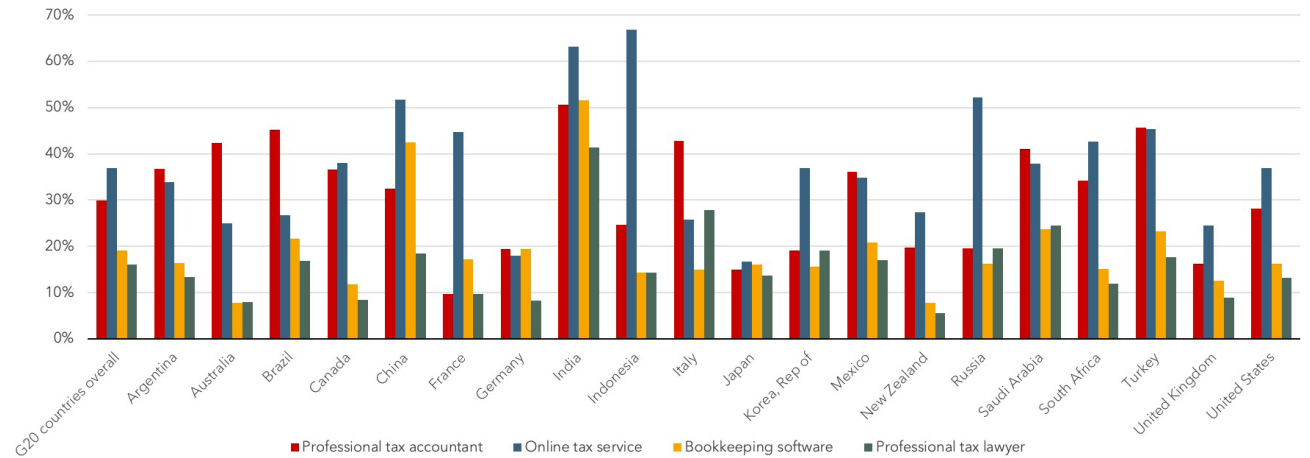


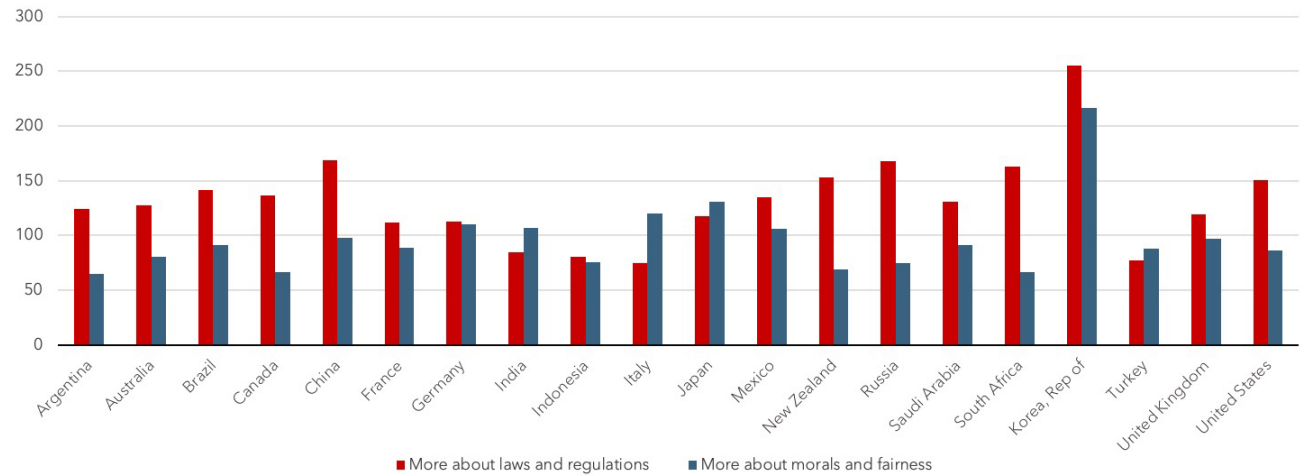
FIGURE 18: How appropriate is it for different taxpayer groups to arrange their affairs in order to minimise taxes?



Figure 19 shows the number of respondents who indicated they believe that paying tax is more a matter of either laws and regulations, or of morals and fairness, by country.

- Italy is the only country where more taxpayers have believed tax to be an issue of morals and fairness rather than of laws and regulations in every edition of the survey. In 2021, India, Turkey and Japan also all show a smaller bias to morals.
- Overall, more respondents believe tax to be an issue of law and regulations rather than of morals and fairness.

FIGURE 19: Is tax mainly about laws and regulation, or morals and fairness?



The future of the tax system

The Global Financial Crisis of 2007/08 prompted a focus on the role of business in society which in turn drove the public debate on taxation leading to, among other things, the OECD projects on Base Erosion and Profit Shifting and the Digitalising Economy, and the ‘Public Trust in Tax’ series of reports.

In 2020, the Covid-19 pandemic delivered an equivalent shock to the economy, alongside impacts on personal freedoms on a scale not seen since the Second World War.

Governments now are faced with trying to rebuild economies still facing the pre-existing challenges of climate change, digitalisation and an ageing population

while also trying to pay for the immediate short-term crisis response measures and support those whose livelihoods have been destroyed by the pandemic. Transition to a fair and sustainable system has always been a challenge but doubly so in this unprecedented fiscal landscape.

FIGURE 20: How appropriate are government tax incentives?

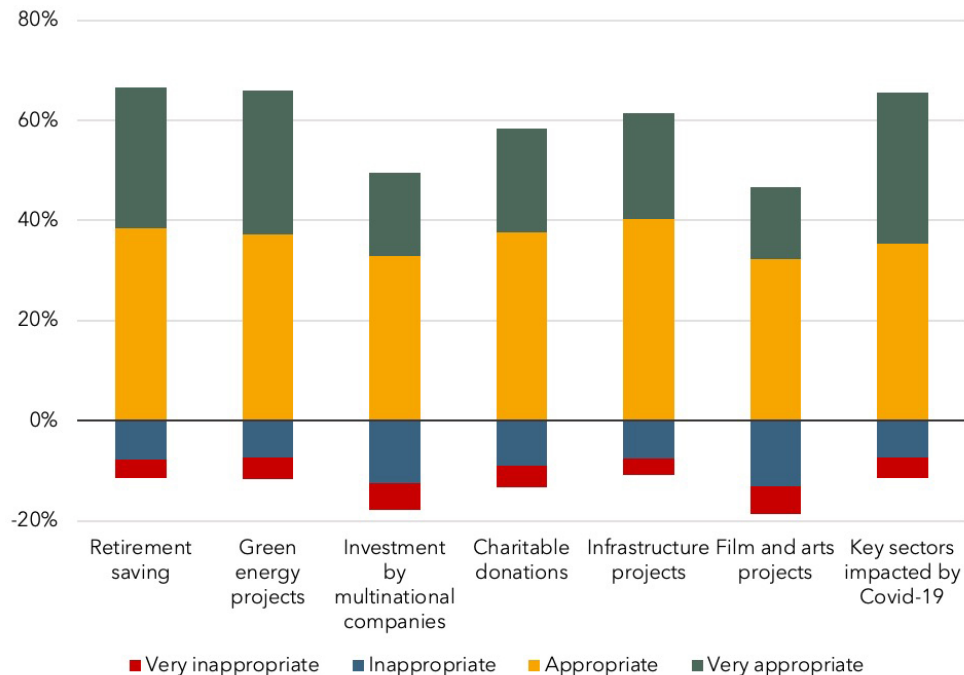


Figure 20 shows respondents views on the appropriateness government tax incentives for various areas of the economy.

- As was also the case in 2018, respondents were more likely to be favourable than unfavourable towards tax incentives across the categories shown in Figure 20.
- Nevertheless, the proportion of respondents believing tax incentives were appropriate did fall for five of the categories: retirement saving, green energy projects, investment by multinational companies, charitable donations, and infrastructure projects.
- The only category not to witness a fall was film and arts projects. This probably reflects the extent to which the sector has been hit by the Covid-19 crisis.
- Further reflecting this, 65.6% of respondents believe that key sectors damaged by the pandemic should be offered government tax incentives.

‘The tax system should not be used for social engineering’. **Respondent in the US**

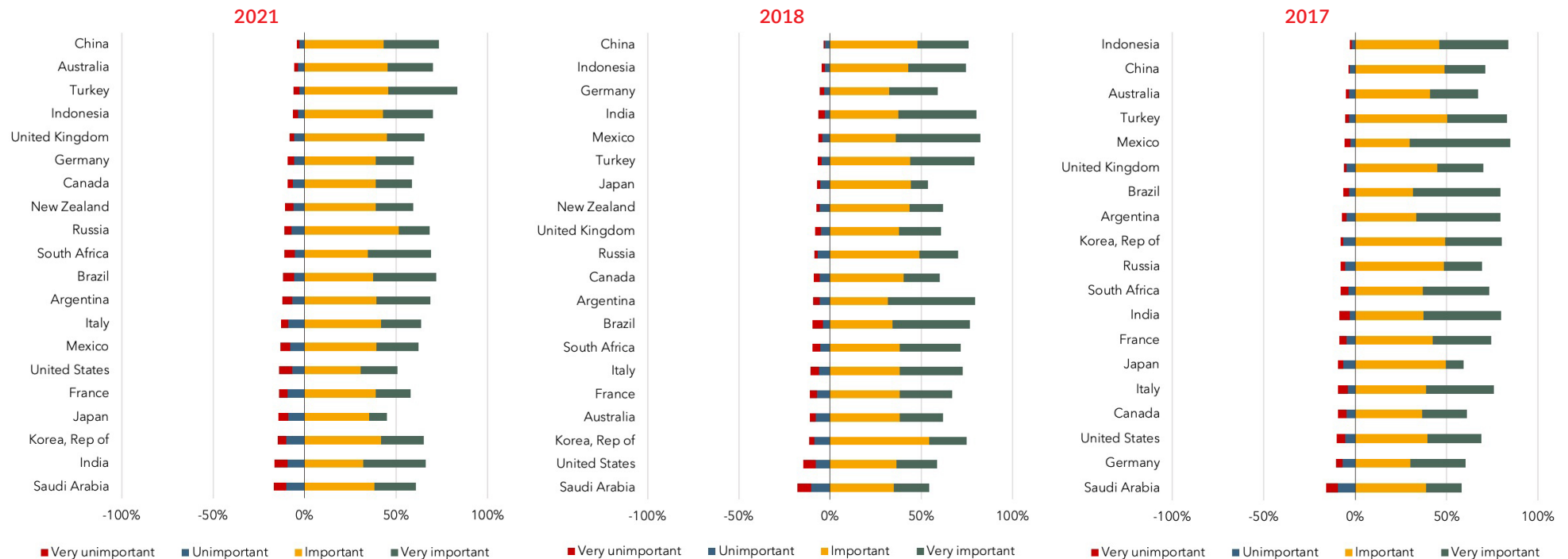
Figure 21 shows respondents' perceptions of the importance of intergovernmental cooperation on tax policy to create a more coherent international tax system.

- Individuals in Turkey were most likely to see tax collaboration between governments as important, with this being cited by 83.3% of respondents in that country.
- The country placing the least importance on collaboration with other governments was Japan. Just 45.0% of respondents there thought that inter-government collaboration was important/very important.

- As was also the case in 2017 and 2018, respondents in Saudi Arabia were the most likely to consider tax collaboration as unimportant/very unimportant.
- There has been considerable downward pressure in the proportion of individuals placing importance on inter-governmental tax collaboration. The proportion of respondents believing that intergovernmental cooperation on tax is important/very important declined in 15 of the countries sampled between 2018 and 2021.
- The only exceptions to this were Saudi Arabia, Germany, the UK, Turkey, and Australia.

'A common international taxation policy by the world's major economies which facilitates the economic development and the general well-being of underdeveloped nations and poor economies would be a great step towards eliminating worldwide poverty'. **Respondent in New Zealand**

FIGURE 21: Perceived importance of collaboration for a more coherent international tax system



Roundtable: Pan African Federation of Accountants

IMF research has found a tipping point for economic growth of 12¾% of GDP collected in taxes¹. In fact, OECD figures indicate that of 30 African countries monitored, 9 failed to reach that level in 2018, with many showing significant shortfalls not only in direct and personal taxes compared with wealthier nations, but also in collections of sales and services taxes, which form the bulk of tax revenues across the continent.

A small panel of practitioners and tax experts was assembled in association with PAFA (the Pan African Federation of Accountants) to discuss the challenges and opportunities facing the continent. In common with similar discussions with their peers around the world, public education was one of the strongest themes to come out of the discussion.

The importance of people understanding where their tax money is going, and the benefits it pays for, was highlighted. The COVID pandemic was cited as a possible watershed moment, with some governments able to point to vaccines, health care and support mechanisms as the benefit of tax payments.

But across too much of Africa, there's a fear that the opposite may hold true, as countries where a tax take of as little as 6% of GDP has left the authorities no room to manoeuvre. Those difficulties are compounded by long-term governance issues. A perception of corruption, even if unjustified, is hugely detrimental to public trust in governments and tax systems.

While technology has a role to play in improving the efficiency of the tax system, panellists acknowledged risks if processes are moved too quickly to a 'black box' solution over which taxpayers believe they have no control. Taxpayers who do not yet trust the tax administration are unlikely to embrace new technology until the initial confidence barrier is overcome.

But perhaps most fundamentally, politicians may be wary of pushing too hard for tax reform. In the words of more than one panellist, 'no-one likes paying taxes', and it cannot be far from elected officials' minds that the vast majority of the electorate in most African countries do not currently have any direct contact with the tax system. For people to vote for that to change, it's essential that all the stakeholders in the tax system work together to educate and inform the wider population of the importance of tax.

'Encourage government to introduce financial education from primary school; in that way it will help the generation to come to understand savings and purpose of tax'. **Respondent in South Africa**



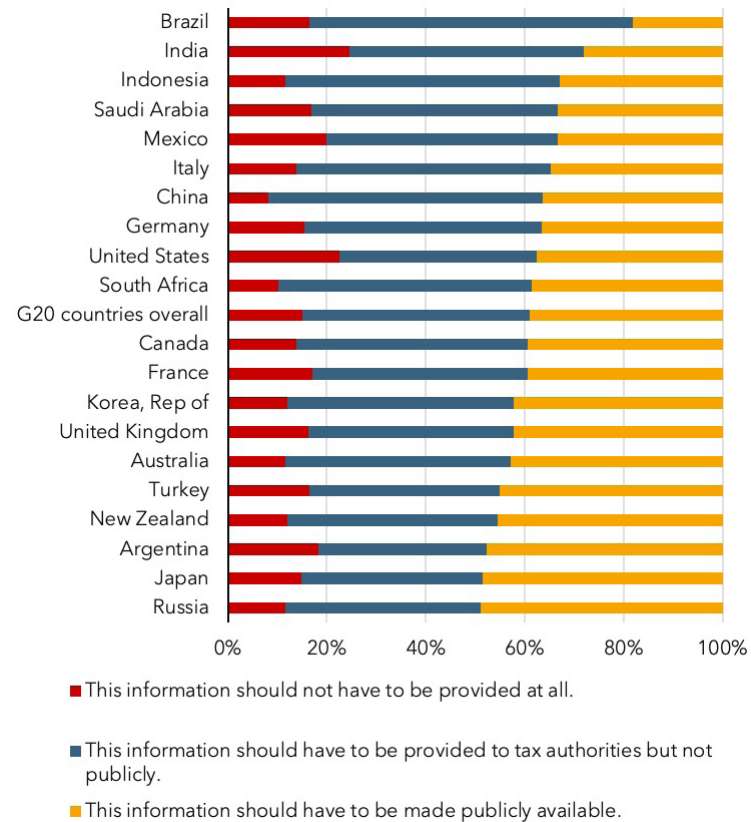
¹ Tax Capacity and Growth: Is there a Tipping Point? Gaspar, Jaramillo & Wingender, IMF 2016 <<https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Tax-Capacity-and-Growth-Is-there-a-Tipping-Point-44436>>, checked 28/07/2021.

Figure 22 shows respondents' attitudes to requirements that multinationals should have to publicly disclose their tax payments.

- In 2018, a plurality of respondents in 12 of the sampled countries believed that tax information should be made publicly available. By 2021, this was the case in only six countries, with respondents shifting towards the attitude that tax information should be available to authorities but not publicly.
- The largest fall in the proportion of respondents believing that multinational tax information should be made publicly available was in Mexico. This amounted to a drop of 14 percentage points.
- Mexico was followed by Japan and Turkey, with drops of 13.1 and 12.9 percentage points, respectively.
- Indeed, between 2018 and 2021, in only four countries – the US, China, Saudi Arabia, and Brazil – did the proportion of respondents believing multinationals should have to publicly declare their tax arrangements increase.
- In all countries, the view that tax information should not have to be provided at all was the least common response.

‘Transparency is what makes things happen’.
Respondent in France

FIGURE 22: Should multinationals have to disclose country-by-country tax information?



IN ALL COUNTRIES, THE VIEW THAT TAX INFORMATION SHOULD NOT HAVE TO BE PROVIDED AT ALL WAS THE LEAST COMMON RESPONSE.

Figure 23 shows the percentages of respondents who believe in the importance of competition between their government and other governments on tax policy, either focusing on the purpose of increasing national tax revenues or on attracting multinational business.

Here, we consider intergovernmental tax competition from the perspectives of increasing national tax revenue and attracting multinational business.

- China stands out as having the greatest proportion of respondents who believe tax competition to be important on both these measures. This had also been the case in 2018.

- At the other end of the scale, respondents in New Zealand were least likely to believe in the importance of intergovernmental competition for both these purposes.
- The results partially replicate the findings from 2018, when New Zealanders were the least likely to believe in tax competition for the purposes of attracting multinational business.
- In 2018, respondents in France were least likely to believe in the importance of tax competition for the purpose of increasing national tax revenue.

'May they [multinational businesses] help my country by bringing jobs and social equality'.
Respondent in Brazil

FIGURE 23: Views on tax policy competition

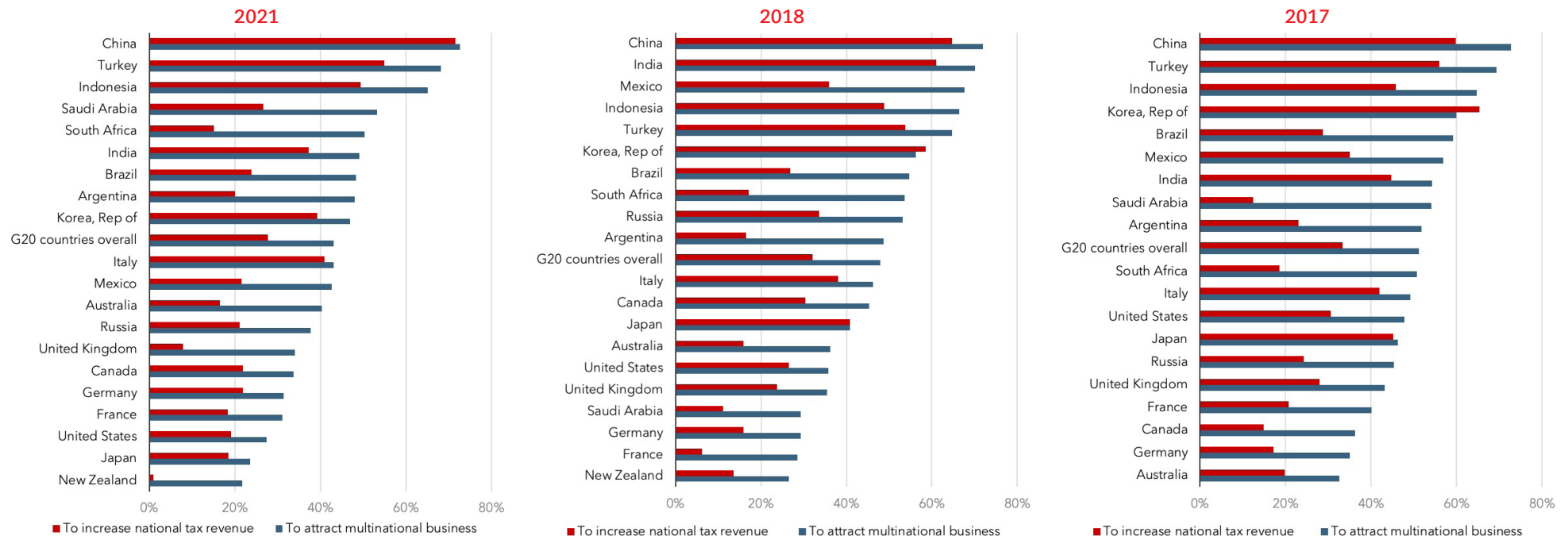
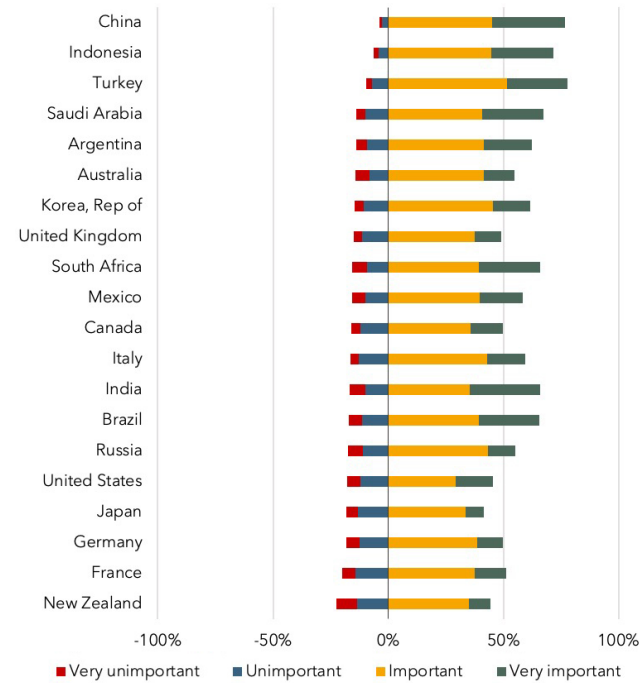


Figure 24 shows the percentages of respondents with different views on how important it is for their government to provide tax incentives to attract multinational business.

'I think huge multinational companies like Facebook should be required to pay their fair share of tax comparable to their commercial activities outside their home country. That's whether or not they have a physical presence: it's wrong that they should be able to benefit commercially like they do currently yet pay no tax.... Of course we welcome their business, but what's wrong with asking them to play fair and pay their fair share of tax?' **Respondent in New Zealand**

'I believe that the tax burden should be less for small entities/producers, to stimulate economic growth. That way, there will be greater employment creation and support for local economy.' **Respondent in Brazil**

FIGURE 24: Tax incentives to attract multinational business





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