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# HOW TO NOTES

## FISCAL POLICY

## How to Establish a Tax Policy Unit

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The design of a country's tax system plays a critical role in its economic and social development, as recognized by the United Nations: its sustainable development agenda identifies strengthened domestic revenue mobilization as a key priority. Clearly, in developing economies, sufficient tax revenue is necessary to finance spending on health care, education, and infrastructure—all of which are prerequisites for economic growth and development. However, it is not simply the revenue ratio that matters; the quality of the revenue system is also essential for delivering fair and efficient outcomes.

To design a revenue system that fosters sustainable economic and social development and enjoys broad public support, it is essential for tax reform proposals to be carefully assessed, quantitatively analyzed, and openly debated. This requires that decision makers and all stakeholders in the debate have access to the best available facts, data, and independent evidence-based analysis, including about the impact of tax reforms on revenue, the income distribution, and economic performance. The central institutional actor in the decision making process—the executive—is best supported in this process by what is generally called a tax policy unit (TPU). TPUs are tasked to guide and inform the tax policy debate, based on facts, independent data analysis, and multidisciplinary efforts. TPUs also generally maintain oversight to ensure integrity of the tax system, and play a critical role in informing stakeholders along the path towards a coherent, manageable, fair, and efficient design of the tax system.

Many developing economies lack a well-functioning TPU. Some emerging market economies (Brazil, South Africa) and low-income countries (Burundi) have established TPUs or some specialization in tax policy analysis. Yet, in most developing economies, the government lacks such a unit; it also suffers from severe data constraints and/or has limited capacity to perform data analysis.[1] This lack of information complicates decision making, hampers the debate about tax reform, and can lead to ill-designed tax policies or a tax system that fails the test of legitimacy in the eyes of the public—which can be detrimental to tax morale and compliance. Under these circumstances, even a small TPU (which could gradually be expanded) can be critical for making progress, not only in supporting good tax policy, but also in identifying the needs for capacity development, and coordinating efforts of donor countries and technical assistance providers.[2]

Based on several decades of experience in technical assistance on tax policy by IMF staff, this note provides advice and guidance for establishing a TPU. It relies largely on collective experience of tax policy experts, mainly from advanced and some emerging market economies, as well as a sparse literature on the issue, to draw lessons for countries that seek to make progress. The note covers such aspects as the role and functions of a TPU, its organizational structure, its location within government, as well as its relationships with other organs of state and external stakeholders. The analysis here is also informed by a review and comparison of various jurisdictions' tax policy design function—sometimes organized in a TPU—in 25 high-, middle-, and low-income countries (see Annex 1).

Several lessons about what has worked well, where, and when, emanate from the analysis. Given, however, that institutional structures and processes of tax policy formulation vary significantly across countries, the study concludes that the structure of a TPU should be tailored to the needs, capacity, circumstances, and opportunities of individual countries. The note ends with ten general lessons for countries seeking to establish or further develop a well-functioning TPU.

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[1]Data constraints stem from, among other things, limited use of information technology and lack of transparency on behalf of institutions and policymakers generating taxpayer data that would inform quantitative and qualitative analyses.

[2]Establishment of a TPU is one important element in the wider context of building tax capacity in developing economies (see, for example, IMF and others 2016).

## Functions

A TPU generally encompasses four key functions: (1) guide general tax design and associated public consultations; (2) perform revenue and economic impact analyses; (3) initiate, participate, and oversee manifestation of policy content during legal drafting processes; and (4) contribute to international tax obligations by, among other things, supporting the country team that is negotiating tax treaties with economic impact analysis. Each of these functions is important, both during a period of major structural tax reform and when implementing smaller year-to-year tax changes.[3]

### Guiding Tax Reform

TPUs play a critical role in guiding tax policy reform and producing objective analysis of the available tax options.[4] They generally deal with analyzing and evaluating ideas for policy changes or new policies arising from many sources: parliament and government officials, business, labor organizations, and the general public. Within the government, key players in this process include the ministry of finance, which identifies and estimates public expenditure and revenue; other ministries, which attempt to achieve policy objectives through the tax system; and the revenue administration, whose role is to enforce the law and improve tax compliance. Often, these institutions' objectives with respect to tax policy proposals compete, and complex policy and administrative trade-offs arise. The TPU plays a pivotal role in clarifying these trade-offs and guiding the decision making process under the government's tax policy agenda. It should do so by providing impartial analysis and recommendations on how to best serve the public interest. In addition, a TPU can facilitate—through its tax analysis—a broader economic policy coordination function across ministries and agencies in terms of trade policy (tariffs), regional and local government own-source revenue development, sectoral strategies (extractive industries), unemployment and labor market developments, and entrepreneurship.

Regarding the implementation of tax changes, a TPU's work program should be realistic, and its priorities should be based on measurable criteria (for example, preparing achievable revenue-raising strategies and targets in support of the medium-term budget framework). A pragmatic approach would be to rank priorities by distinguishing different categories of tax changes, for example: (1) items deemed essential and requiring legislation during the next parliamentary session to correct major drafting deficiencies in the law that are being aggressively exploited as tax loopholes; (2) items that are still important, but not critical, which should be legislated as soon as practicable, and certainly within the next 12 to 18 months; (3) items that, while still important, are less urgent and which can be deferred.

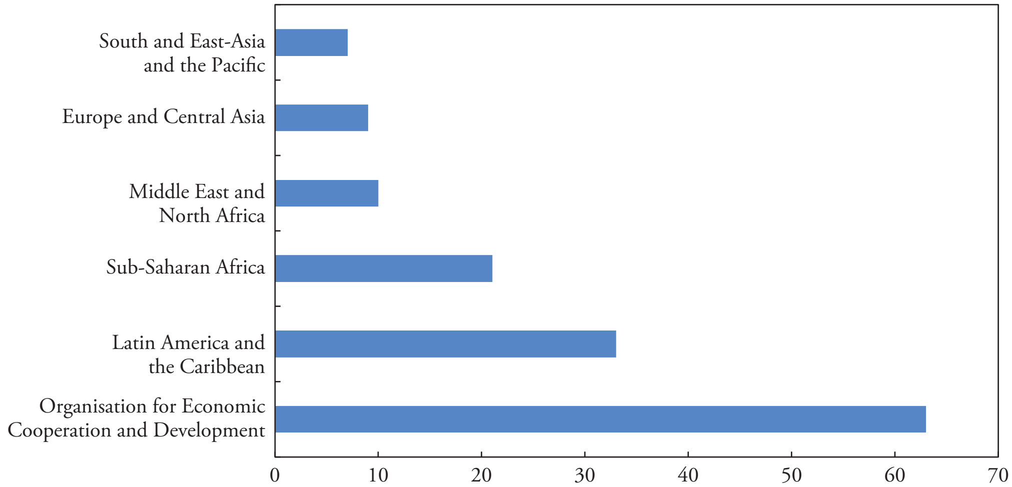
The TPU plays a leading role in explaining in a non-politicized way the economic rationale and intent behind tax policy changes and tax legislation. However, it is mainly the revenue administration that drafts interpretation notes that provide taxpayers and revenue administration officials with guidance and direction in applying the existing tax codes and regulations. In this regard, a TPU should advise the revenue administration and the ministry of finance on the revenue implications of draft interpretations before their publication. Policy interpretations or guidance notes are usually published to inform and guide taxpayers and their advisors, and this secondary or subsidiary legislation is an essential element of creating certainty vis-à-vis the tax law and its application. However, great care is required that discretionary powers of the tax administration are not inappropriately expanded without legislative oversight—for example, a TPU could monitor and alert the executive if such discretions exceed a certain predetermined materiality level.[5]

[3]Countries with significant extractive industry sectors often add a specialized TPU function that focuses on designing a fiscal framework for extractive industries and negotiates together with the responsible line ministry (that is, mining and energy) production-sharing contracts.

[4]*Tax policy* should be distinguished from *tax administrative policy*, which refers to policies conducted by the revenue administration's headquarters in relation to administration, taxpayer services, return and payment processing, collection enforcement, and auditing. Administrative policies are codified into staff procedure manuals and collectively form a key part of the revenue administration's governance system, often embodied in a stand-alone tax procedures code. Such code provides a uniform approach on all procedural aspects relating to income tax, value added tax, excise duties, and other taxes. The tax procedures code could be an alternative for other provisions present in the various tax laws that deal with procedures of registration, collection, and enforcement. Also, note that the line between tax policy and revenue administration is not always clear-cut, as a specific stance on determining penalties, fines, and tax amnesties is equally important from both a policy and an administrative perspective.

[5]IMF, OECD (2017): 41–45.

**Figure 1. Percentage of Countries where Tax Expenditures Are Periodically Calculated**




Source: World Bank (2015).

## Revenue and Economic Impact Analysis

TPUs generally perform quantitative and qualitative analyses, often as part of the ministry of finance's broader budget development process. These analyses should be rigorous, systematic, and based on transparent and up-to-date methodologies. The underlying methodological tools must be made publicly available so that they can be replicated and scrutinized by external stakeholders (for example, academics, civil society organizations and businesses).[6] The following analyses are often conducted by a TPU (Bird 2004, UNDP 2008, Martinez-Vazquez and Heredia-Ortiz 2009); among them, the first two are most essential and of critical importance, also for developing economies:

- *Revenue forecasting* is essential for every TPU. It has two aspects:
  - Projecting a baseline of tax receipts over the budget cycle for a given set of policy parameters. These are usually based on a combination of micro and macro data and play a vital role in the budget preparation process. They are also often used for other purposes, such as to establish collection targets for the revenue administration. Baseline projections are usually made twice a year: first for the annual budget cycle and, second, during the middle of the fiscal year to take stock and assess the variance from initial budget estimates for medium-term expenditure budget purposes.[7]
  - Predicting revenues under proposed tax law amendments relative to current law (revenue impact analysis), is often based on microsimulation models, which can infer the revenue effects of detailed parametric changes in the tax code on specific groups of taxpayers. Aggregating those effects provides insight into the revenue implications.
- *Tax expenditure analysis* refers to the calculation of the revenue forgone due to specific provisions in the tax code in deviation of a benchmark system—such as exclusions, deductions, tax credits, deferrals, and preferential tax rates. Given that tax expenditures may constitute a sizable share of total public expenditure, tax expenditure analysis is vital for informing decision makers and other stakeholders about the costs and benefits of specific tax preferences, ideally annually or every second year. Most advanced economies perform an annual tax expenditure review, often published as part of the budget. This type of analysis is less common in developing economies (Figure 1).

[6]Micro level taxpayer data needed for this analysis is not generally public and should be made available to the TPU on an anonymized basis (see Section II.C).

[7]Revenue estimates used for budget planning purposes may be the result of interactions between various agencies, facilitated through revenue committees that work towards a technically informed and credible result. In some countries, the ministry of finance relies in part on estimates from reputable think tanks (for example, the Institute of Fiscal Studies in the case of Spain), thereby improving the transparency of underlying assumptions for revenue projections and methods used.

- *Distributional analysis* refers to the implications for income distribution among households, individuals, and businesses. This type of analysis is generally based on microsimulation models, set at the level of individual households or corporations. Sometimes, these models incorporate behavioral effects to provide 'dynamic scoring'—that is, forecasts including the impact of behavioral responses to tax policies. If market price responses are also captured by the model (which is the case in general equilibrium models), the analysis can take account of the incidence effects of taxes—that is, the ultimate effects on individuals after taking account of tax shifting effects that occur through market responses to the tax. The economic incidence of a tax change might be quite different from the statutory incidence and can be very relevant for the distributional implications of a tax change.[8]
- *Economic impact analysis* often refers to the macroeconomic implications of tax policy changes on the labor market, investment, aggregate inflation, economic growth, and so on. This is generally carried out by employing partial and/or general equilibrium models that capture various behavioral responses to taxes and include possible interactions between markets. Different models will generally need to be employed for different taxes, for example, an elaborate household model for personal tax reform and an elaborate business sector model for corporate tax reform. Parameters are often estimated based on econometric data analysis or calibrated on the basis of existing empirical literature. Some models also capture international spillover effects of tax policies, such as through trade, the international allocation of labor and capital, and international profit shifting by multinational companies.
- *Cost-benefit analysis* is the most comprehensive assessment for determining the desirability of certain tax provisions (such as tax incentives) based on a broad welfare concept. Other types of analysis are usually used as input for cost-benefit analysis, for example, a tax expenditure study is a necessary input to determine the direct fiscal costs of a certain tax provision (see IMF and others 2015).
- *Tax indicator analysis* refers to the use of simulated indicators capturing certain distortions of the tax system (which can generally be compared across countries). One such indicator is the *effective tax rate* on business investment, which can be usefully employed to reveal distortions of income taxes, such as corporate taxes, withholding taxes, and personal income taxes (IMF and others 2015). Another indicator is the *labor tax wedge*, which summarizes the overall impact of taxes and social security contributions on the wedge between the cost of labor and the net wage for the employee—as an indication of the distortion to the labor market (OECD 2016).

TPUs are not always sufficiently resourced to employ the full range of economic models and economic analyses mentioned here. However, the most essential ones, such as revenue forecasting, tax expenditure reviews, and some form of costing tax policy changes (that is, revenue impact) are generally undertaken. In developing economies, it is advisable to focus initially on capabilities that improve the accuracy of revenue forecasting, quantitative assessments of tax changes, and calculating tax incentives' revenue losses.

As countries advance on these fronts, models analyzing economic and distributional impacts could be developed, and cost-benefit analyses for major adjustments of tax instruments be conducted. It is quite common that governments outsource more refined analysis to a group of academics, external consultants, or a government agency (for example, autonomous fiscal institutes) that specialize in data analysis and economic modeling. As indicated in Annex 1, countries that have specialized fiscal analysis institutions include Italy, the Netherlands, Norway, Spain, and the United Kingdom. Moreover, some analyses are more appropriately conducted by the revenue administration, such as tax gap analysis (mostly conducted for value added tax or corporate income tax, as elaborated in detail in the Fiscal Affairs Department's gap analysis program which constitutes a model for value added tax gap estimation)—or a methodology for revealing the untaxed share of the tax base due to non-compliance. The results inform discussions on revenue administrations' compliance risk management strategies and complement tax expenditure analyses, which seek to identify revenue effects associated with policy design (the tax policy gap).

[8]Incidence effects can also be informed by evidence reported in external sources. For example, when assessing the incidence of the value added tax in Europe, Benedek and others (2015) report that changes in reduced value added tax rates might not be fully passed through to consumers; such effects might inform European value added tax policy, as well as policies elsewhere.

### Legal Drafting

Legal drafting is a complex stage in the tax design process. Based on the policy formulation of intended tax changes, legal drafters must translate these into concrete and transparent law. On one hand, the applied drafting language must be tight to reflect the policy's intent fully, without creating loopholes for tax avoidance and evasion. On the other hand, language must be informed by the interpretations of a jurisdiction's courts. Due to the complex nature of tax legislation, it is important for revenue administration officials to be closely involved in the drafting of tax legislative amendments and to stay engaged throughout the legislative process.

Drafting can be managed by the office of the attorney general, yet be undertaken through a drafting committee with different participants, including TPU staff. Sometimes, a separate parliamentary office oversees legislative drafting standards or undertakes the drafting role directly. In some jurisdictions, all legislation is drafted by parliament's counsel (for example, the U.K. Office of Parliamentary Counsel), but in close cooperation with tax lawyers of the TPU and revenue administration. The TPU will also manage the legislative program and participate in reading debates on draft tax legislation in a parliament's standing or select committee responsible for the deliberation on tax law amendments.

### Treaty Negotiations and Participation in International Tax Fora

International tax law expertise is needed for dealing with international taxation, such as negotiating bilateral tax treaties, considering appropriate source rules, anti-avoidance rules (thin capitalization and controlled foreign company rules), and transfer pricing. Ideally, this process requires knowledge about the costs and benefits of certain provisions in a tax treaty, calling for specific data analysis by the TPU on such issues. For example, the TPU should over time begin to get a better understanding of the effects of tax treaty provisions on inbound and outbound investments, as well as on tax revenue obtained from such flows. It should also assess risks associated with treaty shopping. Moreover, the TPU should contribute to discussions about internationally agreed standards, such as binding directives (for example, used in the European Union or the West-Africa Economic and Monetary Union) and be familiar with standards and guidelines developed by the Organization for Economic Co-operation and Development (OECD), Group of Twenty (G20) and the United Nations (UN). TPU senior staff should also be involved in international initiatives on tax coordination in respect of the G20/OECD inclusive framework on base erosion and profit shifting (BEPS), the global forum on automatic exchange of information, and the UN Committee of Experts on International Cooperation in Tax Matters. Countries' tax treaty negotiation teams, constituted on an inter-agency basis, are commonly led by high-ranking revenue administration officials or a senior tax counsel in the Treasury, who should rely on the TPU's quantitative analysis when negotiating treaty benefits for the country.

## Governance

### Placement

TPUs are commonly placed within the executive branch of government, but there are exceptions. In Russia, for example, the TPU was initially situated in an academic environment and resourced through an independent foundation.[9] This independence can have the advantage of providing protection against overly restrictive political influences of the analyses and forecasts by the TPU. However, an external TPU may suffer from limited access to confidential taxpayer data or a lack of information about controversial reform proposals. Instead of full delegation of all TPU functions to an independent institution, certain tasks can be outsourced (such as the development of economic models or certain types of analysis, for example, a tax gap study or an economic impact analysis). In some countries, tax policies are analyzed by an independent ministry of planning. However, this is not generally seen as best practice, as the staff of such a ministry might be insufficiently informed about broader fiscal policies. Thus, it can lead to advice that is inconsistent

[9]It is not uncommon that countries opt for managing advanced fiscal analysis out of semi-autonomous fiscal institutes. An example of an independent fiscal policy think tank is Britain's Institute for Fiscal Studies, founded in 1969, and recognized as a leading independent microeconomic research institute. Its research remit is one of the broadest in public policy analysis, covering subjects ranging from tax and benefits to education policy, from labor supply to corporate taxation (see https://www.ifs.org.uk/).

with the tax system's overall integrity or with the wider fiscal policy design (Bird 2003).

In most countries, the TPU is placed in the ministry of finance. Out of the 25 countries listed in Annex 1, only two (Croatia and New Zealand) have assigned the tax policy design function to the revenue administration. In Argentina, Brazil, Chile, Guatemala, Peru, and Tanzania, well-organized tax research units are embedded in the revenue administration. These units perform similar or complementary analysis of tax reform proposals, for example, by reviewing revenue collections against targets, assessing and reporting on tax evasion and compliance trends, and producing tax expenditure reports. In these countries, there is generally a close working relationship between the revenue administration and the Treasury (responsible for tax policy design) in formulating tax policy and amending tax laws.

Placing the responsibility for the tax policy function within the ministry of finance—as opposed to the revenue administration—has two main advantages. First, it is consistent with the ministry of finance's general responsibilities for fiscal policy and macroeconomic management. Indeed, TPUs located in the ministry of finance are often part of a wider fiscal policy unit that formulates both tax and expenditure policy. The fiscal policy unit's functions and outputs are varied but are usually clustered around six core areas: macroeconomic analysis and forecasting; tax policy analysis; revenue forecasting and taxpayer statistics; expenditure planning and analysis; public debt management; and the analysis of intergovernmental fiscal relations (Martinez-Vazquez and Heredia-Ortiz 2009). Importantly, while tax policies preferred and advocated by the revenue administration can be expedient from an administrative perspective, they might give too little weight to economic, social, or distributional impacts or the wider fiscal stance. By placing it in the ministry of finance, the TPU is better able to serve the public interest in all its dimensions.

A second advantage of locating a TPU in the ministry of finance instead of the revenue administration is that the latter may be naturally more risk-adverse to policy changes (especially if they are frequent) that necessitate substantial adjustments to administrative and information technology systems. It is for those reasons that the revenue administration might be more inclined than the ministry of finance to refrain from proactively advocating tax policy changes that could improve the overall architecture of the tax system or that respond quickly to external changes. Still, a TPU needs to engage and consult continuously with the revenue administration to reap the benefits of "insider knowledge" with respect to taxpayer behavior and compliance, and to access taxpayer data generated by the revenue administration in line with an explicit taxpayer data exchange protocol. Institutional rivalry between the revenue administration and TPU should be minimized; if left unaddressed, it could undermine joint efforts in revenue forecasting and impact analysis and ultimately lead to poorly informed or highly biased tax policy debates and policy choices.

## Staffing and Organization

The size of TPUs tend to vary considerably among countries, depending on the size of the country, its stage of economic development, and the governments' capacities (that is, resources) regarding the process of policymaking. Figure 2 gives an example of a mid-sized TPU of approximately 35 staff. Alternative structures are also observed: for instance, direct and indirect tax experts are also sometimes responsible for the quantitative analysis of their respective areas; or the revenue forecasting group may cooperate closely with the macroeconomic forecasters in the budget office to assess the overall revenue envelope. In some advanced economies, the number of staff could be substantially higher. For example, Canada's TPU employs more than 150 staff. In developing economies, however, the TPU or division dealing with tax policy design is much smaller—for example, Kenya's National Treasury currently employs about 10 staff in its tax division.[10]

A TPU should be staffed with interdisciplinary expertise—economists, statisticians, lawyers, accountants, and tax administrators (Bird 2004). At least some analysts should have practical experience in revenue administration and legal drafting. The interdisciplinary approach is important to guard against a narrow policy orientation.

TPU staff should be employed on a long-term basis; their positions require ample investment in human capital development through in-house training, which calls for firm commitment from both the staff and the organization. Experts should impart their knowledge

[10]Systematically documented information about the organizational arrangements of countries' TPUs is scarce. South Africa's TPU has a staff of about 40, with their focus split evenly between legal tax design and economic tax analysis.

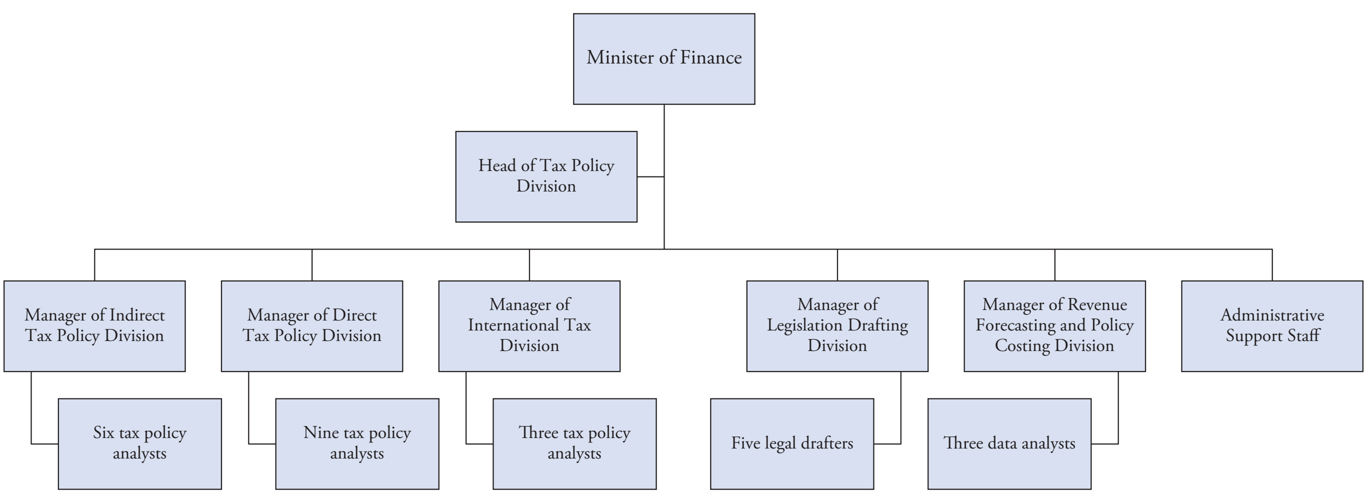
### Box 1. The African Tax Institute

The African Tax Institute was born out of the fortuitous union of two initiatives: first, the United States Agency for International Development (USAID) and the U.S. Treasury supported, through financial and technical resource transfers, the creation of the South African tax policy unit in the National Treasury. Second, the Harvard International Tax Program promoted the establishment of an academic tax institution serving Africa. In 2002, the South African National Treasury, a private U.S. donor, and the USAID funded and cooperated with the University of Pretoria to establish the Southern African Tax Institute. Due to its wide regional acceptance and recognition for its successful tax training modules, the Southern African Tax Institute evolved into the African Tax Institute. The Institute is devoted to training, research, and technical assistance in areas of tax policy and tax administration for Africa. The Institute employs international tax experts, including from the International Monetary Fund, on a short-term basis.

on junior staff, evidencing the organization's commitment to the lifelong training and development of staff. The TPU should offer market-based salaries to attract qualified staff and retain scarce skills. This is often problematic in developing economies. For example, some African countries face a limited pool of individuals with skills in accountancy, economics, statistics, and tax law. In addition, even when trained within the TPU, staff are often drawn away to the private sector or to a semi-autonomous revenue administration that offers more competitive wages. A TPU with a dynamic internship program, offering bright finishing PhD students practical work experience for a few years, could counter some of these destabilizing effects of the labor market.

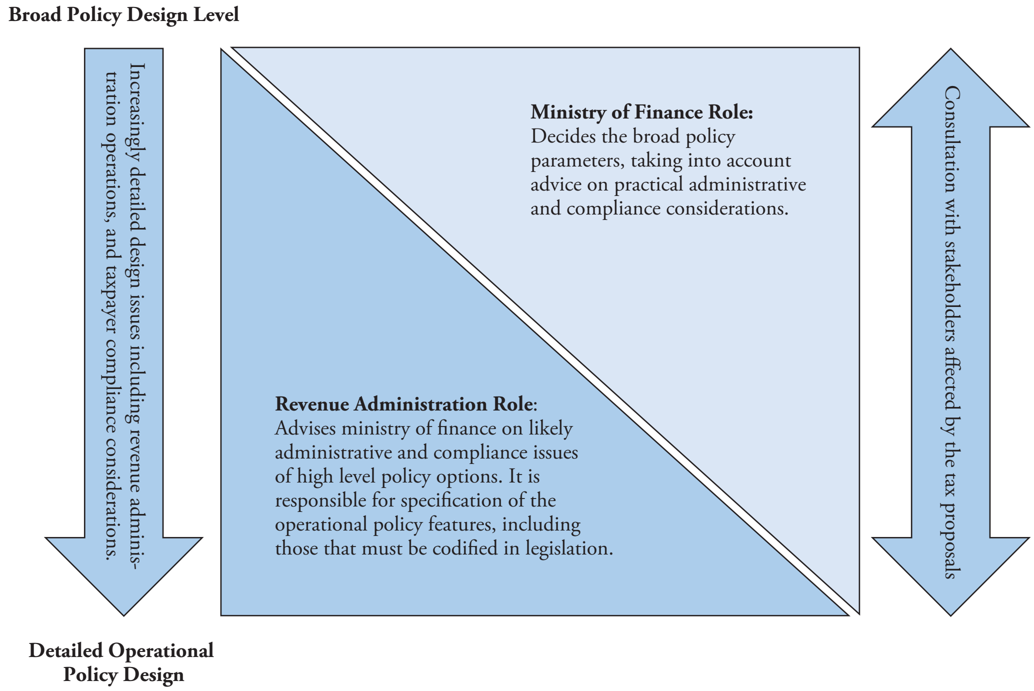
Where foreign donors initially set up a TPU, it is critical to pair local staff with foreign experts and international advisors who initially run and manage it. These cooperative efforts encourage domestic staff to publish working papers jointly with international experts, which can raise the quality and usefulness of reports (Martinez-Vazquez and Heredia-Ortiz 2009). Analytical capacity can be provided by local academic institutions to preserve capacity for the future and encourage fresh inflow of academically trained staff, especially in cases where donor-funded skills transfers are expected to dry up after some time. An example is the African Tax Institute (Box 1).

**Figure 2. Example of an Integrated Tax Policy Unit**




Note: The head of the tax policy department is synonymous to the head of a TPU.

**Figure 3. The Tax Policy Development Life Cycle**




## Interactions with the Revenue Administration and other External Relations

The relationship between the TPU and the legal/technical and operational departments within the revenue administration is critical. Tax policy analysts should consult with the revenue administration's operational managers on the feasibility of tax policy proposals under consideration. Conversely, managers in the revenue administration should be responsible for alerting the TPU of possible weaknesses in the tax legislation that are identified while processing and auditing tax declarations, and for ensuring that anonymized taxpayer data is made available regularly in the format and within timeframes required by the TPU. Figure 3 illustrates the nature of these interdependencies. It shows the greater relative influence of the ministry of finance during the early stages of the policy development process when broad policy issues are being decided upon. Subsequently, the revenue administration has greater influence, as matters of detailed operational design of the legislation are being developed.[11]

Countries have developed different ways to organize collaboration between the TPU and the revenue administration. For example, Australia has broken down barriers by organizing preparatory work through project committees (Box 2). Such committees can foster a coordinated and effective approach to revenue forecasting, policy analysis, and guidance of the tax debate.

In the interest of well-considered and practical taxation policies, the relationship of the TPU and the operational side of the revenue administration should be formalized under a firm institutional arrangement (for example, a protocol). This is especially important if the revenue administration is organized as a semi-autonomous revenue authority. A mutually binding protocol could delineate how their respective inputs would be coordinated and organized. The protocol also needs to provide for conflict resolution when the Treasury and revenue administration cannot agree on a common tax policy stance and/or legislative matter. In such situations, the Treasury, as the leading policy institution, must ensure that the revenue administration's opposing view is provided to the executive (the minister) in the format approved by the revenue administration. The minister should provide direction, and utilize input from the legislative counsel or a tax advisory body (for example, Australian Board of Taxation, Turkish Tax Council, and so on).

[11]"Legal drafting" would be an integral part of the process labeled in the figure as "detailed operational policy design."

### Box 2. Australian Integration Model in Tax Policy Design

The Australian integration model in tax policy design and the drive towards transparent public consultations was initially applied to business tax reforms. The approach emphasized the need to move from a "sequential" taxation design process (different units organized in terms of labor specialization) to a holistic approach by combining units of different institutions in project committees or cross-functional teams. In formulating new tax proposals, the design committees draw their membership from the Treasury's tax policy unit, the revenue administration and its various specialist units, and parliament's counsel. These units maintain their separate identities, accountabilities, and core functions, but cooperate in committees or teams that are tasked to review separate aspects of the tax system or a specific tax policy issue. This tax design approach delegates, first, to the Treasury's tax policy unit the primary accountability for tax policy development and for ensuring that the final products of the integrated design process achieve their stated policy objectives. It is also responsible for the oversight of tax laws and regulations. Second, the Australian Taxation Office is primarily responsible for the design and development of the legislative, administrative, and compliance systems to give practical effect to stated tax policy in addition to the implementation and ongoing administration of these systems. Finally, the Office of Parliamentary Counsel has primary responsibility for detailed tax design and drafting of tax legislation. These tax design working committees need to be resourced properly (especially if external expertise is drawn into such a process); the research brief needs to be drawn up and agreed upon by responsible government institutions, team leaders need to be appointed, and effective project management arrangements need to be established.

The TPU should have reasonable access to taxpayer data to ensure its successful operation. Given that revenue administrations' collection activities generate data on the financial affairs of taxpayers, access to such data is legally protected and often subject to strict secrecy rules. Consequently, access rights must be carefully balanced within such cooperation protocols. For that purpose, the identity of taxpayers must be concealed or, in the case of large taxpayers, information needs to be merged with aggregate taxpayer data if it would allow for their identification (for example, if only one big oil company or brewery is operating in the jurisdiction). Access to taxpayer data is best achieved through the signing of binding protocols, as informal understandings or traditional practices based on an individual's conduct and willingness to cooperate in a taxpayer data exchange may not be sufficient. The alternative of allowing TPU staff to take so-called oaths of secrecy to access confidential and individualized taxpayer data from the revenue administration is neither common nor favored by revenue administrations.[12]

[12]The TPU may also encourage the revenue administration to share anonymized taxpayer data with academic researchers or international organizations, under strict agreement regarding the disclosure of information. Revenue administrations are increasingly inclined to do this, as new research can benefit the quality of policy analysis and decision making.

The TPU should also coordinate with other stakeholders to ensure a smooth and sound tax reform process that receives broad public support. External consultation with the private sector, the statistical office, and parliament's legislative counsel are important—and the evidence in Annex 1 suggests that this is almost universal. TPUs should be judicious as to which other institutions contribute to tax policy formulation so that hints of state capture by private sector interests do not arise (McIntyre and Oldman 1975). Also, communication is important to build support across party lines. Stakeholders should be informed about the need for certain tax policy reforms through active information campaigns. It is desirable that the TPU's research and policy discussion papers be widely available on the government's website (D'Ascenzo 2002, Du Toit 2004).

### TPU and Advisory Boards

If major structural changes to the tax system are contemplated, the appointment of a special "one-off" commission may assist the government in deflecting political difficulties during the tax reform process. This has sometimes proven an effective tool for tax reform. Australia, Canada, Columbia, Germany, India, Italy, Japan, the Netherlands, New Zealand, Norway, Poland, South Africa, Sweden and the United Kingdom (mostly through the Institute for Fiscal Studies) have complemented the Treasury and revenue administration tax policy machinery with appointed commissions of inquiry into the tax system. Commissions often consist of panels of tax practitioners, business leaders, and academics. Some make use of tax specialists from the TPU, as they depend on their knowledge and secretarial inputs. Yet, tax reform commissions are not always successful. For instance, experience suggests that governments often appoint tax commissions to deflect popular resentment of the tax system, thereby postponing hard decisions. Also, tax-reform-by-commission may allow the government to cherry-pick recommendations acceptable to the executive while ignoring those elements of the proposed tax reform that underpin the tax system's integrity.

Countries may also establish permanent review bodies or tax advisory boards, which report to the ministry of finance and serve as screening devices in assessing public support (mainly from tax practitioners and businesses) before draft tax legislation is tabled for wider public comment. In Australia, for example, a non-statutory Board of Taxation is tasked with advising the treasurer on improving the tax system. The Board comprises ten members, seven of whom, including the chairman, have been appointed from the nongovernmental sector. The Board is supported by a secretariat provided by the Treasury. Permanent advisory committees may, however, sometimes run the risk of lobbying for special interests (or perceived as doing so), which should of course be avoided; the latter can be achieved through governance rules that excuse members from deliberating on matters in which they have a direct interest. South Africa and Turkey have put in place similar advisory boards, which provide an institutional platform for engagement with taxpayers on identifying inconsistencies in tax laws and seeking ways to alleviate compliance burdens.

## How to Establish a TPU?

Most advanced economies—in contrast to many developing economies—have well-functioning TPUs that provide revenue forecasts and economic impact analyses, support legal drafting and tax treaty negotiations, and guide the tax policy debate. For developing economies, establishing a TPU is a vital step toward building an effective revenue-raising system. To that end, experience yields a number of lessons that may be of assistance to countries in the process of establishing or advancing a TPU:

1. **Establishing a TPU requires broad support in government.** There should be wide political consensus regarding the importance of effective, efficient, and fair domestic revenue mobilization. The ministry of finance should convey to other organs of state the TPU's central role in designing tax policies.
2. **A TPU may start on a small scale and grow gradually.** Low-income countries with limited resources and weak institutionalized capacity could begin with a small TPU comprising perhaps five staff—for example, two analysts focusing on direct and indirect taxes, one tax lawyer, and two economists in the revenue analysis section (focusing on tax expenditure budgeting and revenue projections). This could gradually be expanded with more specialized functions.
3. **The revenue analysis section of the TPU may initially operate as a technical working group with delegated staff**, for example, from the statistical bureau or similar institution, thereby leveraging scarce skills and knowledge in government until the TPU's own capacity is expanded.
4. **The drafting of tax laws may initially be assigned to the attorney generals' office, with growing involvement of the TPU over time.** The legal drafting process could be executed by an interdepartmental committee with treasury and revenue administration representation. Ultimately, as tax lawyers join the TPU, the unit could draft tax laws itself, or provide expert advice during the tax law drafting process where that function is in another government agency or parliamentary body.
5. **The TPU should ultimately employ an interdisciplinary group of experts**, with qualifications in economics, econometrics, statistics, tax law, and accountancy. Staff should have advanced academic qualifications, together with experience in government, budgeting, and taxation.
6. **TPU staff positions need clear job descriptions and performance agreements**, aligned with the short- and medium-term strategic plans of the unit.
7. **TPU leadership must have solid experience in tax policy theory and contemporary tax debates.** The unit will be responsible for overseeing a country's tax policy development and implementation. TPU leadership will engage with legislative counsel,

parliament's standing or select committees on public finance, taxpayer associations, and practitioners. To provide objective advice to the minister, TPU leadership should be apolitical.

8. **The TPU should be supported by a binding agreement with the revenue administration about accessing sanitized taxpayer data** for modeling purposes—while honoring important taxpayer confidentiality protocols enforced by the revenue administration.
9. **A newly created TPU should disseminate information publicly**, for example, through releasing tax analysis working papers and aggregated tax statistics (for example, revenue structure, sectors' revenue contributions, and distributional analyses). This will improve the TPU's public profile and perceptions about its objectivity.
10. **Complex analyses may be contracted out to local academic institutions** as part of long- term academic backstopping. This should include an internship program managed by the TPU to identify, attract, and ultimately retain competent analysts. TPU management should play a strong mentoring role and encourage life-long training of staff.

The translation of these lessons into operational advice on establishing a TPU requires an assessment of country-specific circumstances, capabilities, and preferences. The IMF stands ready to provide such tailored technical assistance where desired.

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# ANNEX 1
# Cross-Country Practices with Tax Policy Design

| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **1. Australia** | The Treasury formulates advice for government on taxation options, drafts tax laws and regulations, and prepares economic impact statements and official revenue impact assessments and forecasts, in support of the annual government budget. The tax policy debate is contested among the different arms of government: the executive, the legislature, and the judiciary. | The design of structural tax reforms and legal drafting is organized within an integrated working committee. Several divisions in the Treasury's Revenue Group formulate tax policy advice, which includes revenue forecasting: Corporate and International Tax; Small Business Tax; Indirect Tax, Philanthropy and Resource Taxation; Personal and Retirement Income Tax; Tax Analysis; Tax Law Design Practice. The operations of the Revenue Group are managed by an executive. The group has an active technical assistance program, which provides for the secondment of private sector experts to government for periods of up to two years in return for compensation. | The role of the Australian Taxation Office (ATO) in policy design is more limited, but it contributes to a number of working committees of the Australian Integration Model regarding tax policy. Treasury's core policy and revenue forecasting functions are executed in close conjunction with the ATO, the principal revenue collection agency. In 2012 this relationship was delineated in a protocol between the ATO and Treasury. The Cabinet of Ministers is the eminent tax policy decision making body.<br><br>Major structural tax reforms or reviews are conducted by way of review commissions (for example, the 1975 Asprey Review on tax base broadening; the 1999 Ralph Review on International Taxation Arrangements; and the 2010 Henry Review on Australia's Future Tax System). There is limited use of academic institutions by government, with semi-independent institutions conducting commissioned tax research. | The power to promulgate tax laws rests with parliament (the House of Representatives and the Senate). The Senate's Standing Committee on Economics reviews all taxation bills. Parliamentary scrutiny is somewhat hindered by the maintenance of strict confidentiality during the budget process with reference to tax law changes. Given strong party discipline, there is little room for amending tax proposals once assumed into the taxation amendment bill. The Parliamentary Budget Office, created in 2011, with a staff complement of 25–30, provides independent, non-partisan analysis of budget policy issues, including taxes, accessing tax statistics, and reviewing the results of Treasury's revenue modeling. The Joint Committee of Public Accounts and Audit and the Senate Economics Committee conduct public hearings with respect to the design and administration of taxes. | The Board of Taxation (a non-statutory advisory body) creates a tax discussion forum for the Treasury, the ATO, and the private sector. Consultations with taxpayers constitute an integral part of the policy design and draft legislation phases, as it is a discovery process on how best to implement policies; minimize compliance costs; elucidate on policy intent; create a forum for discussing policy options on an informed basis; and provide situational awareness for taxpayers, which could have a positive impact on tax morale. In 2013 a Tax and Transfer Policy Institute was established as an independent center of excellence at the Australian National University's Crawford School of Public Policy. It collaborates with academics on a wide-ranging tax research agenda. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **2. Austria** | Experts in the Ministry of Finance (MOF) design tax policies and—through a consultative process with representatives from other ministries, scholars, external experts—draft the annual finance bill with the contained tax proposals. | Legal specialists drive the design of the tax bill and its associated regulations. Given the complex technical nature of tax law, the MOF's technocrats lead the process. | The Council of Ministers (cabinet), after the public comment period, authorizes the tax law's promulgation on the basis of unanimous approval. The so-called post-World War II "social partnership" requires the reconciliation of social partners' different interests—that is, the Austrian Federal Economic Chamber; the Chamber of Agriculture, the Austrian Federal Chamber of Labor, and the Austrian Trade Union Federation. Each of these bodies have their own tax experts that participate, through comments, in the conceptualization phase towards a draft tax law. | The legislative process must be fair and transparent and it must ensure that the general public is adequately informed. Formal requirements and compliance with specific deadlines are especially important to ensure transparency. In order for the National Council to be able to assess a tax proposal, a bill must be presented in the form of a motion. In the National Council, bills are deliberated in the relevant committees and in the plenary. Before a bill is adopted, it must be studied and discussed in detail. The Federal Provinces are also involved in the legislative process. Their representatives in the Federal Council can confirm, or veto, a bill passed by the National Council. Before a law enters into force, it must be authenticated by the federal president as having been passed in good order. Once authenticated, it is published in the Federal Law Gazette. | A draft tax bill is circulated to all state departments, federal governments, and interest groups for comment. The draft is also published on the home page of the parliament's website, allowing all political stakeholders to provide further input. The Council of Ministers must consider these, but is not bound by them. |

| Country \ Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **3. Brazil** | The executive plays a prominent role in proposing tax policy reforms and amendments to tax laws. This work is jointly carried out by policy and legal drafting specialists in the Revenue Administration and by macroeconomists in the Ministry of Finance (MOF). The Revenue Service is responsible for impact analyses, calibration of rates and bases, and the drafting of legislation. All explanatory memoranda supporting tax changes are signed by the Minister of Finance. The preparation of secondary law (normative rulings, tax admin decisions and practices) are carried out by the Revenue Service. | The Tax Studies Unit in the Revenue Service and the MOF are responsible for analyzing taxes and their policies. For that purpose, they employ multi-disciplinary teams of economists, engineers, lawyers, statisticians, and accountants. The Tax Studies Unit is tasked with: (1) preparing the official revenue forecast that goes into the Federal Budget; (2) monthly monitoring of the revenue execution performance and publishing corresponding data/analysis; (3) preparing and publishing the Federal Tax Expenditures Budget; (4) proposing and drafting tax law changes and amendments; (5) carrying out impact analyses of changes in tax laws to support tax policy changes; and (6) preparing and publishing analytical studies about the Total Tax Burden (all levels of government) and with reference to individual taxes. The Tax Policy Unit works in coordination with the Legal Department of the Revenue Administration to draft the laws. Technocrats in the MOF influence policies underlying the amended drafts of tax laws. | The key players in tax policy reform are potentially all those line ministries (for example, the Ministry of Commerce and Development, the Ministry of Agriculture) that could be involved in, or whose line functions are impacted by, proposed changes in tax law. They can comment on the policy content of draft tax laws. Congress can also comment on the desirability of certain tax policy changes, as can various private institutions (for example, the Bureau for Small and Medium-Sized Enterprises, which often exercises influence on presumptive tax legislation affecting small and medium-sized enterprises), and diverse trade and business associations. | Congress approves tax legislation, but the right to propose new tax laws can be exercised by the executive and the legislative branches. Individual members of congress can also introduce their own motions for tax policy changes or amendments to the draft tax legislation. Tax bills are reviewed by the Congress Legislative Committee. The Committee on Constitution and Justice vets tax bills' constitutionality. After the House of Representatives and the Senate have approved the bill, the president receives it for approval or veto. | Although it is not mandatory, key draft laws are in some cases submitted for public consultation, which in general involves engagement with business associations, the Bar, and public sector agencies. Commercial interests may exert important influence on tax policy design through this process, and opposition to tax policy changes can be also expressed via the media. However, it is not apparent that this is in all cases a structured public consultation process with a specified range of taxpayer associations. In certain situations, consultations may take place at the discretion of the Ministry of Finance or the Congress. |
| **4. Burundi** | During 2007–13 fundamental tax reforms were executed by the Burundi Revenue Authority (OBR) under direction of the Ministry of Finance (MOF). The envisaged reform process, given political uncertainties, is not necessarily being comprehensively implemented. | Tax policy design is formally managed by the MOF, together with the responsibility to draft tax laws. The MOF oversight role is developing; most of the technical work in terms of tax design and legal drafting is advanced by external specialists, with the OBR providing policy direction and support. | The semi-autonomous revenue authority (SARA/OBR) drafted the new income tax law, with the tax design having been prepared by the IMF's Fiscal Affairs Department. Drafting support was provided by the IMF's Legal Division, the International Finance Corporation, and East African Community experts. Donors are providing material and technical assistance for establishing and developing the capacity of a tax policy unit within the MOF. | Parliament owns the process of passing tax legislation and organizing the necessary hearings on draft tax laws. Secondary legislation (guidelines and rulings) are drafted by an ad hoc technical committee with representation from the MOF, the OBR, and an international expert under the auspices of parliament. | During the drafting of tax laws, representatives of the private sector, through the Burundi Federal Chamber for Commerce and Industry and the Association of Professional Accountants, can comment and provide further technical input. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **5. Canada** | The Department of Finance (DOF) is responsible for tax policy formulation; the Canadian Revenue Agency (CRA) administers tax legislation. The Tax Policy Branch (one of ten branches) in the Department of Finance develops and evaluates federal taxation policies. The Minister of Finance presents (annually) the budget with tax proposals (by Notice of the Ways and Means Motion). | Policies and legislation with respect to key taxes, such as the personal income tax, corporate income tax, and sales and excise taxes, are developed by the Personal Income Tax Division; Sales Tax Division; Business Income Tax Division; Intergovernmental Tax Policy, Evaluation and Research Division; and Tax Legislation Division (which mainly drafts federal tax law). The Tax Policy Branch is comprised of a large staff of economists, lawyers, accountants, and modelers. | The CRA develops tax proposals as well, but decisions to change elements of the tax system are tightly controlled by the executive (the Prime Minister and the DOF). The DOF usually undertakes public consultations on key tax policy issues and engages in constant dialogue with stakeholders, such as the four large accounting firms, Tax Executives Institute of Canada, Canadian Tax Foundation, Joint Committee of the Canadian Institute of Chartered Accountants, and Canadian Bar Association, and tax advocacy groups (CD Howe Institute, Fraser Institute, Conference Board of Canada, the Taxpayers Advocate Inc., Canadian Taxpayers Federation. The Auditor-General's (AG) office has significant influence on tax policy and tax law development through its independent audit of federal government operations. By reviewing CRA operations, auditing the effectiveness of taxing non-residents, reviewing the handling of tax credit claims for research and development, and by auditing write-offs of tax debt, important pointers for tax reform are being generated by the AG's office. Canada uses tax reform commissions for complex reform initiatives to canvass opposing views and work towards a wider consensus in the House of Commons. | Tax legislation is initiated in the House of Commons on recommendation of the Governor General. The Parliamentary Budget Office has independent research capabilities and comments on the department's annual budget and tax proposals. The Tax Legislation Division drafts income tax legislation and supports its passage through parliament in consultation with the Department of Justice Canada and the CRA. Parliament's (House of Commons) Standing Committee on Finance, through pre-budget/ad hoc consultations, can also influence tax policy design and legislation. The tax bill is read in the House (first reading), debated (second reading), and the third reading follows the review in the Committee of Ways and Means before it is sent to the Senate. | Public consultations are generally undertaken with regard to most substantive changes to tax laws. Taxpayer and tax practitioner input is also facilitated during hearings in the House's Committee reviewing the budget proposals, as embodied in the finance bill. Nonprofit institutes can contribute to tax policy debates by releasing studies and preparing submissions for parliamentary hearings. Changes to tax legislation in the form of technical amendments are made available for public comment. Tax law regulations are extensively used, and it is not necessary that these are passed by the legislature—they are approved by the executive (Governor in Council) and published in the Canada Gazette. |

| Country \ Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **6. China** | The Ministry of Finance and the State Administration of Taxation (SAT) are responsible for tax policy formulation, drawing up the national annual budget, and executing government expenditure programs. | The formulation of tax laws follows four steps: drafting, examination, voting, and promulgation. The four steps for the formulation of tax administrative regulations and rules are: planning, drafting, verification, and promulgation. | The SAT is in charge of tax collection and the exchange of information. It is also intricately involved in executing the Thirteenth Five-Year (2016–20) Plan's tax reform blueprint. The Standing Committee of the National People's Congress (NPC) constitutes a working team of academics (universities and research institutes) and officials from the SAT and MOF to design and propose tax policy changes. Academia, tax officials, the media, and business associations actively contribute to the Chinese tax policy reform process. Their involvement covers the entire tax legislative process through drafting of proposals for new revenue instruments, amending existing ones, and providing comments and suggestions on the proposal and the draft legal text when the NPC publishes these for comment. | State organs that participate in formulating tax laws or tax policy include the NPC and its Standing Committee, the State Council, the Ministry of Finance (MOF), the State Administration of Taxation, the Tariff and Classification Committee of the State Council, and the General Administration of Customs. The administrative regulations on tax (for example, the Detailed Rules for the Implementation of the Tax Collection and Administration Law, and so on) are formulated by the State Council. Departmental tax regulations, guidelines, and rules are formulated by the MOF, SAT, the Tariff and Classification Committee of the State Council, and the General Administration of Customs. | The NPC's Standing Committee drafts the tax amendment bill and publishes it on the NPC website, calling for comments from the whole country. During this public review phase, full compliance with the constitution and obligations under international agreements are verified. Secondary legislation (that is, rulings and interpretations, administrative regulations) are important instruments for implementing tax laws—the State Council can draft and enact tax regulations with the help of academics, supporting SAT and MOF staff. Such secondary legislation is then sent to the NPC and its Standing Committee for endorsement. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **7. Colombia** | The Ministry of Finance and Public Credit is responsible for the tax policy design function. | Tax policy design, economic analysis, and legal drafting are the core functions in support of tax reforms. | Colombia employed, for the 2016 Tax Reform Program, the institutional arrangement of an independent tax reform commission, making extensive use of advice provided by experts. External tax practitioners and academics contributed to the process of reviewing and drafting tax reform proposals. These are consultative reports only, as drafting of tax initiatives remains the responsibility of the government. Tax law amendments face many iterative changes by members of Congress, who can individually propose deviating tax amendments. Research institutions and universities have only limited influence on tax reforms, but the Ministry of Finance (MOF) is promoting increased participation by the Colombian Tax Institute and representatives of the top three law schools in Bogota in the policy design and legal drafting process. Annually, government's tax bill to Congress usually includes only a limited number of the well-researched proposals. | During congressional debates on draft tax laws, members of Congress are heavily influenced by sectoral interests—the academic input has only a secondary role to play. During times of peace, it is only Congress that has the authority to impose and amend tax legislation in line with the general principle of "no taxation without representation." The tax reform bill is prepared by the government (sanctioned by cabinet) and is drafted by a committee of experts, practitioners, academics and foreign advisors, as appointed by the MOF and the Tax Administration (DIAN). The final draft, before its submission to Congress, is prepared by a small group of senior officials to forge coherence and maintain strict confidentiality. | Before the final bill is submitted to Congress, it is vetted by the president's advisors to ensure that it supports presidential programs and does not violate the constitution. The tax bill is debated in Congress (the House of Representatives and the Senate). Its text can be modified by members of Congress during four reading debates. The government's tax proposals—not those originating from individual members of Congress—are usually those that are finally accepted. After each round of debate, a commission consisting of members of both chambers seeks to reconcile the text of the newly forged post-debate agreement. The final text of the tax amendment bill becomes law. The process is influenced by Congress members' individual tax amendment motions, and is the result of pressure from regions and campaign supporters. |

| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **8. Croatia** | Tax policy design is part of the Tax Administration's (RA) functional domain within the Ministry of Finance (MOF). Its basic task is to implement tax laws and regulations in respect of social security contributions (SSCs). The RA compiles and processes data on taxes and SSCs, suggests changes in tax policy, tax and other regulations, and prepares and draws up draft legislation and regulations aimed at improving the tax system. Parliament and working groups of parliament, including political parties, have the right to propose tax policy amendments. | The MOF—organized in directorates and sectors—oversees the development of tax policy, customs policy and tax administration. It includes non-customs protection, supervision, and inspection tasks in the field of taxes, customs, and other public revenues, and of foreign currency exchange and foreign trade business operations, and the organization of games of chance. The Sector for Legislative Activity, Education, and International Cooperation in the Tax Administration contributes to policy development and is organized into departments as follows: VAT Department Contribution, PIT and CIT Department PIB; Fiscalization, Local Taxes Department; Tax Procedure Department, Information and Education of Taxpayers Department, Lottery Games Department, Fun and Rewarding Games Department, Tax Treaty Division; European Affairs and International Cooperation Department. The Sector for Legislative Activity, Education, and International Cooperation prepares draft tax laws. | Special commissions for researching, drafting, and evaluating tax reform processes, or using the academic community for purposes of structural tax reforms, so far, has not been common practice. However, in isolated cases, representatives of universities are invited by the MOF to make presentations on the final draft of a tax law amendment bill (for example, the recent real estate tax bill). Two state-financed research institutes—the Institute for Public Finance and the Institute of Economics—often participate on an ad hoc basis in governmental advisory bodies (for example, the Council of Economics of the Prime Minister) to research economic, revenue, and distributional impacts of envisaged tax changes. Although the MOF does not have a de jure veto power, tax policy is the exclusive prerogative of the MOF, and its minister will have a de facto veto power on tax proposals coming from other line ministries. So far, ministers of finance have been very strong and influential in cabinet. | Final tax law amendment bills are drafted by legal drafting experts in the MOF, but often in consultation with academics. Parliamentarians can also propose tax law changes. Upon submitting the draft tax law to parliament, the Law on Evaluating Effects of Laws kicks in, and revenue and compliance impacts must be assessed. For the following 15–30 days, said draft bill must be publicly discussed. Parliament's Committee for Finances and State Budget organizes the hearings on the draft tax bills. After the hearings, the committee submits its report to parliament, which includes the suggestions put forth by tax practitioners and other stakeholders. | There is no formal consultative tax forum involving the business community. However, the tax law drafting team must hold public discussions on the aims of the draft law before finalizing the draft bill. The allotted time for such discussion is 30 days. The draft bill is published on the website of the legal drafting team, and the team must report back in detail on discussions held with all stakeholders, including on suggestions that would require accommodation. Furthermore, reasons for rejecting private proposals must be clearly provided. There is no hard rule on the relative influence of parties commonly involved in tax policy formulation (that is, political parties, public officials, MOF). The ultimate process and outcome is very much influenced by the issue itself. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **9. Czech Republic** | The Department for Tax Policy, Cooperation, and Administration in the Ministry of Finance (MOF) coordinates inputs from a number of tax departments in the MOF and those that are involved with the formulation of tax policies. The department reviews the tax system's individual revenue instruments and customs duties in order to raise revenues in line with the annual budget requirements. The tax department usually works on two or three big tax policy reform projects during the political term of a government. | The Department for Tax Policy, Cooperation, and Administration Department proposes additional revenue raising measures as needed by coordinating closely with the public budget department, which, on a quarterly basis, reviews the revenue predictions, as influenced by macroeconomic developments. The department also maintains a tax statistics database, designs strategies for combating tax evasion, and implements some European Union (EU) and Organisation for Economic Co-operation and Development tax-related agendas (that is, international tax cooperation). The international agenda, such as communication with the European Community and representing the country in the EU Council, value added tax and excise harmonization; direct tax harmonization; and tax treaty negotiations, is spread across separate departments, such as Indirect Taxes, Direct Taxes, Property and Road Tax. These departments are also responsible for the design of these respective taxes. The Administrative Operations Department formulates policies on user-charging and functions as an appellation body for some decisions on tax administration. The Tax Legislation Department prepares draft tax legislation based on solutions delivered by the Area Departments for all direct and indirect taxes. It guides tax bills through the legislative process and designs policy in the area of tax | The MOF is responsible for tax policy design, but during consultations on amendments of tax laws, cooperation with other line ministries on taxes' economic and distributional impact is actively sought. Nevertheless, the MOF can always veto other line ministries' tax proposals. The influence of academia, the media, and tax practitioners on structural tax reforms varies. Public consultations are conducted openly in the case of key reforms. Tax dialogue with trade unions, employer organizations, and other stakeholders takes place after tax proposals have been assumed into draft legislation, with the exception of the Chamber of Tax Advisers, which is often consulted before the release of draft legislation. The Czech Republic's tax administration—the Financial Administration (FA)—has considerable impact on tax design through its regular inter-service consultations with the Minister of Finance. The FA is consulted for input before the tax amendment bill is circulated for comment to other ministries. Formulation of tax policies does not follow a rigid procedural process. It is largely driven by the needs of the day and the make-up of working committees, constituted from relevant ministerial departments. Very often, an informal arrangement develops within a group of experts tasked with the drafting of tax options. Independent research institutes and universities can, to some extent, influence tax reform | Newly drafted tax law amendments closely adhere to government's legislative rules and guidelines and aim to comply with international treaties, EU law, and case law. Draft legislation is circulated for comment through a formal inter-service consultative process among ministries, regions, the office of the president, and both chambers of parliament. Draft legislation is also published on the website of the ministry. The Legislative Council of Government reviews the draft tax bill for its constitutionality. The so-called "Tripartism", which is a voluntary conciliation body made up of trade unions, employers, and government, is specifically requested to comment on the draft tax bill. | Public consultations are the practice for any legislative proposal, preceded by the obligatory inter-departmental or inter-service consultations in which all members of the government and their services must be involved. Also, non-governmental bodies receive the tax laws amendment bill for comments, including professional chambers and employer federations, associations, and academia. All these bodies are granted the opportunities to discuss individually their comments with the Ministry of Finance. Political parties, especially those who have taken political control of the MOF, wield strong influence over the agenda and substance of tax policy design—which is a quite common global practice. |

| Institutional Arrangements / Country | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **9. Czech Republic *(continued)*** | | and customs management and procedures, including the gambling tax. The Section Taxation and Customs of the MOF is headed by the Deputy Minister in Charge of Taxation and Customs. | deliberations. Although the tax reform process is directed by the political forces of the day, in the past, some Prime Ministers have chosen to rely on independent advisory bodies, such as the National Economic Council of Government that was established in 2009. It is staffed by economists, advising government on broad public policy topics, one being public finance. | | |
| **10. Finland** | The Ministry of Finance (MOF) is responsible for tax policy design, including economic analysis of the tax system. The Tax Department is the government's expert on tax policy. It is responsible for developing the tax system and assessing the effects of tax policy. The tax policy design process is further supported by the Economics Department (through analysis of the developments in the Finnish economy and its public finances) and the Budget Department (which coordinates the work on central government budget and budget policy). The Finnish Tax Administration collects taxes; it is an agency under the authority of the MOF. | The Tax Department in the MOF formulates tax policy and is responsible for legal drafting of tax and customs legislation. It also negotiates Double Tax Treaties and acts as the Finnish Competent Authority under these treaties. The Tax Department is divided into six units: Personal Income Tax; Corporate Income Tax; Value Added Tax; Customs; Excises; and International Tax Affairs. | Although the MOF is responsible for tax policy design, close links with academia and research institutes are maintained. They play an important role in preparation and evaluation of tax reforms, for example the Government Institute for Economic Research, under direction of the MOF, has participated in tax reforms. Finland has also used commissions and committees, comprised of tax experts, to contribute to important structural tax review initiatives. | The Tax Committee in parliament exercises strong oversight over the tax policy design process by inviting testimony from academia, tax practitioners, and the private sector to be submitted during hearings. The committee also initiates post-implementation reviews of newly-introduced tax measures. | Civil Society and trade unions make substantive inputs and comments during the tax policy development phases. Their engagement is facilitated by an open and formalized process of consultation. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **11. France** | Tax policy design is a core function of the Ministry for the Economy and Finance (MOEF). It is one of the most important ministries in cabinet—and relies notably on highly qualified staff from the National School of Public Administration. | The Minister of Finance oversees the drafting of tax laws by exercising control over the Tax Policy Board of the Department of Revenue. The French tax system is managed by three separate divisions dealing with: (1) corporate income tax and value added tax; (2) personal income tax and local taxes; and (3) customs and excises (fuel, alcohol, tobacco). | The Minister for the Budget, Public Accounts, the Civil Service, and State Reform supervises the preparation of the annual finance law and coordinates tax rulings closely with the Ministers for the Economy and Finance, and Industry and Employment. For that purpose, he requires inputs from the Board for Tax Policy. In the tax design phase, other government departments make inputs. Within the tax administration (DGFiP) the fiscal legislation directorate (DLG) drafts tax law, once revenue projections have been finalized by the revenue analysis units in the MOEF and the DGFiP. | There is scope in commenting on tax policy changes. Tax policy changes in the context of the annual budget are assumed into the finance bill, which is kept secret until tabling in the National Assembly, but can be amended due to received comments. The parliamentary standing committee on budget/taxation hesitates to summon Ministry of Finance officials to hearings explaining adopted tax policies. Parliamentarians are not professionally supported by analytical research staff to review government's tax policy proposals in a non-partisan way. | Business participates only to a limited extent in the public consultation process on tax legislation. There is a limited engagement with academia. |

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| **12. Germany** | In the Ministry of Finance (MOF), DG IV is responsible for tax policy development. The task is complicated, given the fiscal federalism dispensation. Depending on the type of tax (as specified in the constitution), tax legislation is either prepared at the federal or state level, in which case it can (depending on the tax) either be in competition to the federal level (that is, the Länder are only allowed to legislate a tax if no federal tax law exists), or exclusively at subnational level. In practice, most tax legislation is formulated at the federal level—that is, the federal level uses the option to pass legislation in areas where it could also be done by the Länder. The states are responsible for the administration of both federal and Länder taxes. Lawyers dominate the MOF's staffing in the tax policy department. | These are the key policy divisions and functions on the DG/Section III on customs, value added tax (VAT) and excises (Customs: strategic planning, administration, control audits for European Union (EU) and the Global Economy; compliance monitoring, risk analysis); (Excises: air transport taxes, circulation taxes, EU harmonized excises, energy taxes, tobacco, alcohol and green taxes); and consumption taxes (VAT, transport taxes, fire insurance tax, taxation of lottery winnings and games of chance). The DG/Section IV deals with tax policy design and law for all direct taxes—income and capital, property taxes, tax law design, updating the tax procedural code, interpretation and guideline notes, tax simplification, tax coordination federal and states, budget revenue analyses, international taxation and tax treaties, and EU tax harmonization. | The MOF's tax policy proposals are thoroughly prepared and remain mostly unchallenged from tax practitioners outside government. The MOF can rely on strong academic support (both in economics and law) for tax policy development. This is made available through the highly regarded and capacitated Academic Advisory Board. In addition, structural tax reforms are at times being advanced through the appointment of Tax Commissions (Brühl Commission on fundamental business tax reform), given that their broad membership (representatives from business, public administration, academia, tax practitioners, trade unions and local authorities) provides a realistic chance for the acceptance of tax proposals by parliament. Less complex tax review projects rely on ad hoc working groups comprising tax experts from the federal and regional tiers of government.<br>Highly complex and controversial tax reforms, such as corporate tax reviews are managed jointly by requesting inputs from the Council of Economic Experts, together with the Centre for European Economic Research, the Max Planck Institute, and the Market Economy Foundation.<br>In particular, the German Institute for Economic Research is popular with tax policymakers for ongoing analytical support. | Tax law amendment bills are prepared by drafting experts in the Federal Ministry of Finance in consultation with the tax administrations of the Länder. At times, tax legislation is prepared by Länder Ministries of Finance and the Bundesrat (a body representing the federal states). It is important to note that the Bundestag and Bundesrat are two separate institutions under the constitution and both can originate legislation with both institutions having defined procedures and roles in adopting such draft legislation. Limited professional support is made available to the elected representatives in the Bundestag and its review committees. Committees use expert witnesses but they adopt a certain partisanship in their rendered advice and evidence. | During hearings of draft legislation in the Bundestag or parliament, external experts and interest groups can make written and oral representations as part of a broader consultation process. In the case of hearings on fundamental structural tax reforms, consultations take first place in the Federal Ministry of Finance, before cabinet adopts the draft taxation bill. There is some criticism by taxpayers about insufficient or inconsistent policy deliberation approaches when it comes to engagement with external stakeholders, taxpayer associations and practitioners. Legislation in some cases is finalized when the hearings and reading debates in the German Bundestag/national parliament of the federal republic commence but that seems to apply to only the very few major structural tax reform initiatives. Commonly, these are preceded by intense deliberations conducted within the Federal Ministry of Finance before hearings and reading debates in the Bundestag are being scheduled. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **13. Ireland** | The Tax Policy Unit within the Fiscal Policy Division of the Department of Finance (DOF) is responsible for the development of tax policies in support of government's economic, social and environmental objectives through the publication of an annual Budget. | The division is responsible for all aspects of tax policy, domestic and international. It collaborates closely with the Office of the Revenue Commissioners, the OECD and the EU in its tax formulation processes. It would also coordinate outputs with the Tax Strategy Group (being an interdepartmental committee), chaired by the Department of Finance. The Group's core function is to conduct an economic and revenue impact analysis for the tax policy proposals and draft the necessary tax legislation. | The Department of Finance leads a Tax Strategy Group which is an interdepartmental committee comprising senior officials from the DOF, the Taoiseach (Prime Minister's) office, Public Expenditure and Reform, Jobs, Enterprise and Innovation, Foreign Affairs and Trade, Social Protection and the Revenue Commissioners. The Tax Strategy Group will prepare and publish technical reports containing various options for next fiscal year's Budget and medium and longer-term tax policy proposals. Its terms of reference are to: (1) examine and develop proposals for measures in the areas of taxation, social insurance (PRSI), levy finance, for budget and finance bills within agreed government parameters for the overall budget position and in the context of the framework of a medium-term and longer-term strategy set out in the government's program, and (2) examine the strategic approach for a general social welfare package and to assess the interaction of income tax/levies proposals with social welfare proposals, including child income support, its impact on the labor market, and income distribution. Since 1999 the Tax Strategy Group has been preparing analytical papers in the runup to the annual budget discussions | Annual tax law amendments are being debated in parliament's Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach to promote and coordinate improvements to the tax law amendments. The Committee's deliberations present an opportunity for government to inform representatives and the private sector about the reasons for adjustments. | Time for wider and earlier consultation with the private sector and other relevant stakeholders is reportedly limited. |

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| **14. Italy** | The Ministry of the Economy and Finance (MOEF) is the responsible line ministry tasked with the formulation of tax policy and revenue-raising strategies, whereas the semi-autonomous Revenue Agency collects taxes. | While tax policy is centralized in the MOEF, mainly operated out of the Department of Finance (Directorate for Studies and Research on Tax Economics and Directorate for Tax Legislation and Fiscal Federalism), the revenue administration is fragmented across multiple bodies: Revenue Agency, the Customs Agency, the Guardia di Finanza (customs and excise enforcement agency), Equitalia (tax debt collection agency), Social Security Information IT (SOGEI), and SOSE (private company owned by the MOEF and the Central Bank) responsible for statistical research. Tax policy design, therefore, needs to coordinate outputs from a range of special revenue agencies. | Italy is using the institution of tax reform commissions with the view to reforming complex aspects of the tax system. Academia is then coopted in by appointing knowledgeable tax experts to serve on these tax commissions. Even though there is no public finance institute, such as the UK Institute for Fiscal Studies, specializing in tax research, the Council on Economics and Labor (a consultative body for economic and social matters reporting to Government, parliament, and the regions) recently drafted proposals for a comprehensive tax code, addressing mostly procedural issues that would systematize uniform tax collections. Moreover, the Parliamentary Budget Office is an independent body set up in 2014 with the purpose of carrying out economic analysis and impact assessment concerning government's economic policy. This is carried out in accordance with national and European budgetary rules. | Commonly, tax legislation is approved by tabling it in parliament for debates. It is ultimately approved after it passes through hearing debates of the parliamentary budget committee; or taxes are imposed by legislative decree upon receipt of a law-making parliamentary delegation; or a law decree by government. All tax legislation is accompanied by reports providing reasons for the legislative change, its purpose, and the financial impact of the proposed measures. These technical-financial reports, measuring economic impact, are reviewed by the Office of the State Auditor. | The introduction of major tax law amendments and drafting of tax bills is preceded by meetings between government, representatives of social constituencies, trade unions, and employer federations. The same representatives also participate in parliamentary hearing debates on the tabled draft tax legislation, by presenting comments and alternative tax options to members of the parliamentary budget committee. This process is only adopted for core tax legislation covering the scope of the tax, its tax base, the tax rate and penalties in case of non-compliance. All subsidiary provisions are assumed into secondary legislation. These regulations need only approval by the Council of Ministers after vetting by the Council of State and the Court of Audit as to their constitutionality. |

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| **15. Japan** | The tax policy design process follows an annual cycle. Usually during December of each year, the cabinet's Tax Commission Office releases tax proposals for the following year. The Commission's members (39) include 19 that are appointed for certain periods until the end of the specific tax discussion, while 20 are standing members, with a three-year term. The Tax Commission, or Tax Advisory Commission, is under the direction of the cabinet's office. | The annual tax law amendment procedure managed by the Tax Commission is supported by the Tax Bureau for National Taxes in the Ministry of Finance (MOF) and the Tax Bureau of the Ministry of Internal Affairs and Communication for local taxes. The Tax Bureau in the MOF comprises the following divisions: (1) Planning and Administration; (2) Tax Research; (3) Income Tax and Property Tax Policy; (4) Indirect Tax Policy; (5) Corporate Tax Policy; and (6) International Tax Policy (tax treaties, and so on). The Tax Commission reviews on an ongoing basis changes to the tax systems. The Commission publishes, for comment, in November its report on planned tax law amendments for the following fiscal year. In- house trained tax lawyers in the MOF's Tax Bureau draft the annual tax law amendment bill, with comments from the National Tax Agency (RA). | The Tax Commission in the Prime Minister's Office (Cabinet Office) is currently chaired by an esteemed professor in Tax Law; in the past, it was chaired by a leading economist or an academic of note. The commission focuses more on structural tax system changes, such as the recent amendments to consumption taxes in Japan, and addresses also current topical themes such as base erosion and profit shifting by revisiting domestic anti-avoidance legislation. An outline of annual tax law amendments (Taiko) reflects the consensus of represented Leading Parties in the commission. Cabinet's Legislative Council must vet the tax laws amendment bill before it is tabled in the Diet for its reading debates. The Tax Commission can appoint ad hoc advisory committees for purposes of reviewing special aspects of the tax system. On such committee private sector and tax practitioner participation is possible as the proposal must be finalized the latest in mid-December and a comprehensive view must be found within tight time frames. | The annual tax law amendment bill is approved by both Houses of Parliament (Diet) (the House of Representatives and House of Councilors), usually by the end of March, becoming effective April 1. But the effective date can differ depending on the contents of the amendments. The Commission's tax reform proposal (Taiko), as approved by cabinet on the basis of consensus, is released in December of each year, followed by the draft bill (prepared in the Ministry's Tax Bureau responsible for tax policy design) in January the following year. On the basis of hearings, conducted by the Budget and Finance Committee of the Diet, consultations ensue with interested parties. This iterative process culminates in the approval of the bill in March. The Budget and Finance Committee has its own non-partisan staff of tax analysts that independently evaluate the annual tax laws amendment bill. An individual party member can propose tax law changes but with little chance of acceptance given that the ruling party pushes its preferred tax plan for the next fiscal year. Tax regulations are issued as cabinet orders and are not subject to parliamentary debate. | It is common practice for tax law amendments and tax reform initiatives to be accompanied by public consultation. For purposes of tax reviews (for any tax), the Tax Commission calls for submissions from stakeholders before the final tax design is accepted and translated into draft legislation. |

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| **16. Netherlands** | The Ministry of Finance (MOF) has a central role in putting together the national budget and the budget statement. One of its key tasks is the design and levying of taxes. The Directorate-General for Tax and Customs Policy and Legislation is responsible for tax policy formulation and legislation (signed off by parliament) whereas the Dutch Tax Administration levies and collects taxes. | The MOF staff is involved in all aspects of tax and revenue analysis, tax instrument design and legislative drafting. Some of the revenue, distributional and economic analysis is outsourced to the Central Planning Bureau (CPB), which offers independent forecasts and analysis, yet it resides within the government. The MOF provides the first revenue estimates for tax policy changes but the CPB validates these in case large revenue changes are expected. The MOF together with the Dutch Tax and Customs Administration (DCTA) conduct ex-post evaluations of implemented tax law amendments. It also prepares the annual tax expenditure budget. | Based on its macroeconomic forecast model, the Central Planning Bureau provides the official, independent revenue forecasts, which complements that of the MOFs own assessment. The DCTA influences the preparatory process of the tax legislative program by advising the MOF about the feasibility, enforceability and cost-effectiveness of intended tax legislation. In this phase, the DCTA calculates the implementation and taxpayer compliance costs, it assesses hurdles in implementing new legislation within the DCTA due to IT system change requirements, and conducts post-implementation evaluation. There have been several Tax Reform Commissions in the Netherlands, comprising of both independent members and stakeholders from within the government. They review major tax structure adjustments: (1) 2012/13 Dijkhuizen Commission on income tax and allowances; (2) the 2009/10 Van Weeghel Commission on tax base broadening, rate reductions, greater neutrality in tax treatment of debt and equity, and environmental taxes. The Commissions are supported by the technical staff in the MOF and the Central Planning Bureau. | New tax legislation is proposed by the MOF, which also prepares legal drafts. The Second Chamber of parliament can change government's tax proposals. The First Chamber can only approve or reject the tax plan legislation. After the bill has been tabled in parliament, stakeholders such as business confederations, tax practitioners, trade unions and consumer bodies can submit comments to parliament. These are often referenced during the reading debates. This inclusive and comprehensive consultation process supports greater tax morale. Secondary tax laws are drafted by the Ministry's technical staff. These so-called regulations do not require any discussion or debate in parliament. The Netherlands Council of State examines draft tax legislation whether it complies with the Constitution and international treaties. | During the legal drafting process, inputs from a number of stakeholders are invited to improve the amended tax laws, such as employers' associations and the central bodies of trade unions (who together with independent members represent the Social Economic Council). Draft legislation is in most cases put on the ministerial internet site to solicit comments. Government's close cooperation with private sector tax expertise is evident by testing legislative proposals with the Netherlands Association of Tax Advisors which checks draft tax laws against criteria such as incompatibility with the law; effectiveness; efficiency, retroactive effect; feasibility; administrative burden; and the fiscal attractiveness of the Netherlands. This review has no binding effect but it is being carefully considered by the MOF. |

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| **17. New Zealand** | Tax policy design is a shared responsibility by the Inland Revenue Department (IRD) and the Treasury. Within the IRD, tax policy formulation and legal drafting is executed by the Policy and Strategy Division. This division is also responsible for the general administration of the tax system. The (IRD) in its policy advice role, follows the Generic Tax Policy Process (GTPP) framework. The GTPP has not been enacted as a statute; as such, it is not binding on the government, but it works effectively so that successive governments adhered to this protocol of cooperation between the Treasury and IRD. | In terms of the GTPP, the Treasury advises government on changes to the tax systems and reviews quantitatively the economic, revenue, and social impact on the economy. It also monitors and advises government on the IRD performance. Treasury's Macro-economic and Fiscal Policy, Forecasting and Modeling and Research divisions contribute to the quantitative analysis side of the tax policy design process as the Treasury's forecasts are the Crown's official forecasts. IRD pre-pares an independent set of tax forecasts based in the short term on taxpayer data, but for the longer term, bases its forecasts on the same macro-economic trends used by Treasury. The IRD drives tax policy analysis for all taxes, data collection, revenue analysis, legislative design and drafting. The Policy and Strategy group identifies tax and related social policy issues as it raises taxes, it develops policy proposals to deal with shortcomings, draws up implementation plans, manages taxpayer consultations, obtains ministerial and cabinet approvals for tax changes, drafts tax legislation and manages the passage of the bill in the Parliamentary Select Committee's hearing debates. Finally, it reviews the revenue and compliance impact post-implementation. | Generally, academics, the media, trade unions, employer associations and other stakeholders play a limited role in tax policy formulation. Yet, tax practitioners and the corporate sector are highly influential. Since 2000 New Zealand has used only once the commission/committee approach for major tax reform; the 2001 McLeod Committee reviewed the tax system and advised the coalition government on a new tax framework. The Committee's independent analytical work was driven by the Victoria University of Wellington Tax Working Group (TWG, 2009). The Treasury and IRD, however, provided considerable support to the Working Group. The TWG comprises tax practitioners, academics, business representatives, and public officials. | Tax policy design is one of the core functional domains of the Minister of Revenue (that is, IRD), but less so in the case of the Minister of Finance (that is, Treasury). For a tax policy change to translate into legislation both Ministers need the full support by cabinet. The IRD through the GTPP process drafts tax legislation as the Parliamentary Counsel Office has delegated this to the IRD. The IRD has the necessary tax technical expertise and an experienced expert team of tax law drafters. The drafting skills are reinforced by the experience in administering tax laws, the drafting of binding rulings and interpretation guidelines. The IRD coordinates the process of submitting the tax laws amendment bill to parliament and supports technically the Finance and Expenditure Committee that manages the hearings on draft tax legislation. Outside stakeholders have ample opportunity to engage and comment on the taxation bill during the Select Committee Phase. This is done by way of written submissions, followed by requests to appear before the Select Committee and comment directly on the written material. Business and tax practitioners would comment however much earlier on so-called green and white papers that precede legal drafting of newly amended tax provisions. | The GTPP embodies the principle that major tax reforms are subject to public scrutiny throughout the phases of their development. It focuses on how the tax system fits in with government's overall economic, fiscal and revenue strategy. It discloses upfront to tax practitioners and the business community government's tax work program for the next 18 months and pursues wide-ranging consultations prior to legislation. Consultation consists of the dialogue before drafting a green paper and the consultative approach of reviewing draft legislation. Active participation in the Parliamentary Select Committee process of hearings on legislation is guaranteed. The ensured participation of private sector professionals guarantees an open access to the Treasury and the IRD, although limiting consultations to mostly tax practitioners and the corporate world may be too narrow. This can translate into more pragmatic and taxpayer-accepted solutions. However, subtle lobbying by the private sectors needs to be carefully monitored. |

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| **18. Norway** | The Ministry of Finance (MOF) is responsible for tax policy design, including the economic analyses of the tax system. Two departments within the MOF are closely involved—the Tax Law Department and the Tax Policy Department. The Norwegian Tax Administration (NTA) collects taxes and it is an agency under the authority of the Ministry. The NTA consists of the Directorate of Taxes and five regional offices. | Next to tax law drafting, the Tax Law Department is responsible for interpretation and administration of regulations relating to income and wealth tax, petroleum tax, national insurance contributions, property tax, inheritance tax, VAT, customs duties and other special taxes. It is also tasked with the negotiation of Double Tax Treaties and acts as the Norwegian Competent Authority under these treaties. The Tax Policy Department analyses how tax legislation and any amendments thereto affect revenues, savings, consumption, investments and labor supply, and how tax revenues change when regulations are amended. The Department is responsible for preparing the annual budget's tax proposals. | The Tax Policy Department works with the Ministry's Economic Policy Department, which coordinates the preparatory work for the national budget, incl. modeling of impacts and revenues. In this process, close links with academia and independent research institutes are maintained. They play a key role in preparation and evaluation of tax reforms. Two independent research institutes, Statistics Norway and Rambøll Management Consulting AS, under direction of the MOF, participated in the 2006 tax reforms. Norway has also used Commissions and committees, comprised of domestic and inter-national tax experts, to contribute to important structural tax review initiatives, such as the 2006 PIT reform. The MOF has established an Advisory Panel on Macroeconomic Modelling and Methods that informs tax simulations and prepares comments for white papers on tax reform. Statistics Norway operates a competent tax department which releases tax statistics and runs sophisticated econometric models for simulating revenue and economic effects of tax proposals. | The Ministry's Tax Law Department is responsible for legal drafting and the preparation of the annual tax law amendment bills. This is often done by an expert committee in the case of major tax reforms. From October to November each year, the Govt.'s tax and expenditure proposals are debated in Parliament's Standing Committee on Finance and Economic Affairs. | Outside stakeholders can comment on draft legislation during MOF- arranged hearings. This enables other government agencies, private sector organizations, business, employer associations to review and add suggestions for improving effectiveness, fairness, and ease of administration, and so on. In particular, the Confederation of Norwegian Business Enterprises as well as the Tax Forum for Large Norwegian Business Enterprises is consulted during the hearing process. |

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| **19. Poland** | The Ministry of Finance is responsible for tax policy design, which is compiled on a cooperative basis across different tax departments (for example, Income Tax or VAT Departments), many of which have their separate quantitative analysis capacity. In most cases, the Tax System (previously Policy) Department is leading this process however, by preparing policies for the separate tax instruments within the overall taxation strategy of the government. It cooperates on taxation policies globally with the EU, the OECD and other multilateral organizations. | Next to revenue analysis, the Tax System Department formulates policies for most of the revenue instruments, leads the international tax policy development by negotiating DTAs, and it formulates and executes tax anti-evasion policies (including the application of GAAR). In its operations, the Tax System Department cooperates closely with the Macroeconomic Policy Department which develops macro-fiscal policies, forecasts revenues and supports preparation of the annual state budget. The Tax System Department, together with the Tax Admin Department, also oversees the local tax offices. Other Departments' tax expertise that need to be coopted for policy development are: Customs; Excise Duty; Goods and Services Tax; Personal and Corp. Income Tax; Sectoral, Local and Gambling Taxes. | It is reported that there are no independent structures which consistently monitor the tax system, or present extensive analytical perspectives on future tax system changes. However, tax experts and academia are actively involved in tax analytical work of parliament and the government. Their research feeds into tax debates and their expertise is also being utilized in legal drafting. Yet, their inputs are not binding on parliament. This can take the form of special committees or commissions. There are other interest groups outside government that prompt tax policy decisions: (1) The National Chamber of Tax Advisors; (2) the Polish Confederation of Private Employers; (3) Polish Craft Association; and (4) the Business Center Club—all influencing tax legislation through the process of public consultations. Also, these associations participate in the Entrepreneurship Council that influences economic development strategies, public finance and regulatory reforms. | Tax legislation can be initiated by government, a minimum number of parliamentarians (15), or the president. In practice, taxation amendment laws mainly originate in government. The Government Center of Legislation coordinates the drafting of all laws and regulations, including tax laws, but the first drafts of tax laws are prepared in the Ministry by tax departments (per function) in coordination with the Legal Department. The Tax System Department per se is not responsible for legal drafting and implementation of respective tax laws. | All draft tax law need to be circulated for comment by sending these to trade unions, employer associations, tax advisors and practitioners. Comments and proposals received back are reviewed by the sponsoring department in coordination with the Tax System Department and Legal Department. At the parliamentary reading debate stage, after a tax bill has been submitted to parliament, external experts preparing an independent opinion are also used. Again, this review procedure and its recommendations are not binding on parliament. |

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| **20. Russia** | The Ministry of Finance (MOF) is the federal executive body responsible, among other things, for tax policy formulation, including customs duties and associated valuation. The Department of Tax Policy and Customs is advancing tax policy design. The MOF has no veto power over tax proposals originating in other ministries. However, given that the MOF is principally tasked with tax formulation other ministries can only object and make counter-proposals that would mitigate adverse social impacts stemming from proposed tax law amendments. | MOF formulates tax policy based on the revenue analysis of existing taxes, and by comparing the Russian tax trends against other global comparators. Other line ministries review the tax system independently from the MOF and influence it materially in line with other perspectives such as its impact on economic growth and development (Ministry of Economic Development), its impact on Russia's fiscal federalism framework (Ministry of Regional Development). Finally, the Administration (the Office) of the Russian President also evaluates closely the tax system's revenue potential as it assists him to coordinate, develop and implement the federal budget cost-effectively. | Since 1996 the Federal Ministry of Finance, the Administration of the President and the State Duma used a number of external experts to "elaborate" and refine the Russian Federation's Tax Code. Each draft was circulated for comment, and the second part of the tax code, most notably, is the product of extensive consultations. Many research institutes and experts (domestic and international) contributed to the review of the federal tax code. The Deputy Minister of Finance coordinated the 1996 tax reform process. Academia, the media, business and employer associations, trade unions through conferences and commenting on draft tax laws also seek, and have, influenced tax instrument design. | According to the Russian Constitution, the following organs of state can initiate tax laws: the President, Council of the Russian Federation, members of the Higher Chamber of the Federal Parliament, members of the Lower Chamber of the Parliament (the Duma), federal government, and regional parliaments. The direction of tax reforms is in the public domain as per official web pages of the State Duma. The person submitting draft tax legislation is responsible for its preparation and may use inputs from academia and business associations. It is common cause that draft tax laws, that most frequently are accepted, are those that were drafted by the federal government. | The initiators of draft federal tax laws involve the public and business associations in the preparatory discussions. MOF organizes its tax reform discussions with business and academia through the Consultative Council of the Ministry and participation of experts and academics in parliamentary hearings (a total of three) in the meetings of the Committee on the Budget and Taxes in the federal parliament. Many of the suggested amendments to tax laws are made by members of parliament and there are conciliation procedures if on important tax legislation the executive differs greatly in its approach vs. the committee's view. The use of "green" and "white" papers for policy development is not common. In pre-paring tax rulings, the Russian Supreme Commercial Court also involves expert opinions. Secondary tax legislation such as regulations are not publicly debated but they are being published before adoption which enables stakeholders to object in writing. |

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| Country / Institutional Arrangements | Location of Tax Policy Formulation/Tax Policy Unit Function | Core Functions | Other Institutions outside Ministry of Finance Pronouncing on Tax Policy | Role and Capacity of Legislature to Independently Analyze Tax Design | Process of Public Consultation/ Taxpayer Engagement |
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| **21. South Africa** | Previously, tax policy design was centralized in the Tax Policy Unit in the National Treasury. It advised the Minister of Finance on tax policy measures to meet the annual revenue targets. This function is now split between the Economic Tax Analysis and Legal Tax Design Chief Directorates in the Tax and Financial Sector Policy Division. The Minister of Finance advances tax policy choices with the backing of cabinet. He also requests inputs from external advisory committees or commissions. | The Tax Policy Unit/Economic Tax Analysis unit has the following directorates: General tax analysis and design; revenue and economic impact analyses and forecasting; whereas the Legal Tax Design unit focuses on legal drafting and international tax treaty negotiations. The discussions on annual budget tax proposals are carried out in close cooperation with the South African Revenue Service (SARS: Legal Services and the LTO group). Commonly, legal drafting is carried out in committee format with participation of National Treasury and SARS specialist teams. | The National Treasury holds regular consultations with producers of excisable products, accounting firms, corporate tax law practitioners, business community, labor unions, other line ministries on tax risks (avoidance) and structural tax adjustments (for example, the extractive industry tax review, taxing financial instruments, taxation and retirement, green taxes). During the past 50 years, respective governments appointed Tax Review Commissions in order to map out major structural reforms (that is, Franzsen Commission (1968–70), Margo Commission (1984–86), Katz Commission (1994–99) and Davis Committee (2014–17)). The influence of independent institutes and universities is limited but academic tax experts are members of the abovementioned tax reform commissions. | Tax Laws are primarily drafted in-house by the National Treasury in close cooperation with SARS. Outside experts in the form of legal drafters in academia and tax practitioners are roped in, as are international tax experts (for example, in the case of introducing worldwide taxation and capital gains tax reforms). The government drafts a Green Paper, setting out new tax proposals (for example, green tax initiatives) and which are published in the Government Gazette for public comment. This is followed-up by a White Paper, also published in the Government Gazette. Then a Taxation Amendment Bill is published in the Gazette requesting comment which is formally introduced by the MOF in the National Assembly. SARS publishes simultaneously an Explanatory Memorandum which provides explanations as to the planned tax changes. The bill is referred to the Standing Portfolio Committee on Finance which investigates the bill and request comments. The Committee can suggest changes. After changes to the bill, it is presented to the National Assembly for a second reading debate. The bill is also debated in the National Council of Provinces. When the bill is passed, and on signing by the president, it becomes a Statute. | Parliament's Portfolio Committee on Finance conducts post-Budget tax law amendment reading debates during which the annual tax proposals are debated with relevant private and public stakeholders. The National Treasury, SARS, and the Portfolio Committee invite outside stakeholders to comment on policy proposals in the Green Paper and draft legislation if major policy changes are envisaged. There is also a consultative forum for tax practitioners and business bodies. Draft national tax legislation is made available on government's and the SARS' official websites. Both during the conceptualization phase of structural tax changes and presentation of the annual budget tax changes in parliament, the National Treasury and SARS technical teams must explain in hearings orally and in writing their responses to the stakeholders' counter-proposals. |

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| **22. Spain** | The Directorate-General for Taxation in the Ministry of Finance and Civil Service is responsible for the revenue analysis and tax policy design function for all of Spain's taxes. Revenue forecasting and analysis is being managed cooperatively with the Directorate-General National Budgets. | The Directorate-General conducts tax policy and revenue analysis; develops tax proposals; prepares and drafts national tax legislation and regulations; interprets tax provisions by publishing on a regular basis guideline notes; develops Spain's international taxation approach by negotiating and applying double taxation conventions, and so on. Its subdivisions are covering key instruments of the tax system: General tax policy; personal income tax, corporate income tax, consumption taxes; financial activity taxes; property taxation; international taxation; local taxes. The Directorate-General for the Cadaster registers and maintains the property cadaster with physical, economic, and legal attributes per property plot in order to collect recurrent property taxes and capital gains tax for urban land. The State Tax Administration Agency uses the cadastral information in life style audits of its registered taxpayers. | The Spanish Institute of Fiscal Studies, an autonomous body attached to the Ministry of Finance through the State Secretary for Taxation and Budgets, in collaboration with other centers, institutes, public administration schools, universities, financial administrations, both public and private, with national and international support, focuses on fiscal research, economic and legal studies and delivers advice to the Ministry on issues such as taxation, public expenditure, economic and social impact studies, revenue analysis, tax statistics and revenue forecasting. The Institute regularly delivers reports—some in the public domain—but others are for exclusive use of the Ministry. Spain is using the model of tax reform commissions (supported by academia) and ad hoc committees to advance particularly complex structural tax reforms such as the 2013 comparative tax study. The Comisión General de Codificación is the official advisory body for assisting with the drafting of legislative amendments to the tax code. Also, independent research institutes such as political parties' think tanks deliver inputs on desired tax reforms, which carry more clout if aligned with the governing party. As to tax policy proposals, the banking industry's research institute and the Spanish Federation of Municipalities and provinces are most influential. | Tax Law amendments can be proposed by the government or parliament—but it is almost always introduced by government. Tax law provisions and amendments are drafted by senior bureaucrats, such as tax inspectors and state attorneys in the Ministry's Secretaría General Ténica. The State Tax Administration Agency and the Minister's counsel influence the process. Draft Laws are sent to parliament where members can introduce changes on advice of their own private advisors and official researchers. Government's tax proposals and draft tax bills are not amended by parliament during the hearings. Thus, the Ministry of Finance (prepared by the Directorate-General for Taxation) is the eminent organ in tax policy formulation in Spain. Its preparation of proposals, backstopped by the Fiscal Institute's revenue and economic impact analyses, is of a high standard. | There are consultations with taxpayers and business associations before the approval of draft taxation bills. These hearings or consultations happen before approval of the drafts and infrequently draft tax legislation is published on the Ministry of Finance's website and State Tax Administration Agency. The Large Business Forum representatives can discuss tax matters with the Ministry's senior officials in an informal manner. The drafting of secondary legislation in the form of regulations does not require parliamentary debates. There is an increasing trend towards frequent use of secondary instruments, that is, regulations, for stipulating key tax policy changes. Secondary legislation does not require wide public debate as would be the case of substantive tax changes. |

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| **23. Sweden** | The Minister of Finance (MOF) leads the tax policy design process, and is supported by his technocrats in the Tax and Customs Department. This effort is further supported by the Ministry's Department of Public Administration (Statistics); the Budget Department (coordinates the work on central govt. budget, budget policy); and the Economic Affairs Department (analyzes the real development of the Swedish economy and her public finances). | The Tax and Customs Department in the MOF is responsible for formulating policies and proposals for legislation on all taxes and social security contributions, as well as customs. | An Independent Group of Experts has been created by the Swedish government to review and research public finances and the impact of tax reforms with the emphasis of the overall impact of fiscal policies on the socio-economic situation of Swedes. Also, the National Audit Office can present independent views on public finances. Sweden utilizes the model of tax review and reform commissions—the latest example being a specially appointed commission on reviewing the tax system for shipping and its replacement with a tonnage tax. Tax design is managed transparently in these committees and commissions. The MOF commonly appoints the commissions which comprise of tax experts in the Ministry, the Swedish Tax Agency, members of parliament, international experts, academics, members of the Confederation of Swedish Enterprise, and other topic-specific stakeholders. The deliberations and analyses are thorough but it can be a protracted process, creating some uncertainty. Independent research institutes, universities had a very limited influence on tax reforms. Some non-profit institutes or organizations such as the Confederation of Swedish Enterprise and the Swedish Taxpayer Association had major impact on tax reforms. Lately, the ministerial technocrats are drafting tax provisions without the well-rounded competencies and holistic analyses of commissions. The Tax Agency is authorized in limited cases to issue and implement binding decrees without a parliamentary decision—these are in the form of guideline notes, standpoints, notices and handbooks. The Agency's body of secondary legislation on tax is significant. | The Parliamentary Committee for Fiscal Affairs has important analytical functions as to the justification for, effectiveness, efficiency and fairness of newly proposed tax legislation. Its work is supported by own research and economic analysis capacities. But the committee can also rely on extensive briefings by MOF officials and it can also request further research input by the MOF, before ratifying tax law changes.<br>The independent Law Commission, its members being judges from the Supreme Court and Supreme Administrative Court, verify that the passing of tax laws and their preparatory work are consistent with the Constitution and Sweden's legal system. | White and green papers are made public and widely distributed as they are digitally available on the ministry and Tax Agency's websites. Before referring tax law drafts to the Law Commission to verify their constitutionality, the drafts are circulated to the Swedish Tax Agency, law faculties, the Swedish Association of Local Authorities and Regions, the Confederation of Swedish Enterprise and other NGOs.<br>With important draft legislation, public hearings are being organized by the parliamentary Committee on Taxation. Thus, outside stakeholders have ample opportunity to evaluate and comment but there is a time constraint. Explicit lobbying by corporate taxpayers through business associations exists as they are making direct inputs to the committees. Large corporate taxpayers and organized labor have a prominent influence on the tax policy debate. Secondary legislation like regulations are drafted by the Swedish Tax Agency without any public involvement or only limited referral to specialist groups. |

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| **24. United Kingdom** | Tax policy design is formally centralized in the Treasury and directed by the Chancellor of the Exchequer. The tax policy design process is shared by HM Treasury (HMT) and the HMRC (Revenue and Customs). HMT is tasked with the broad tax policy work, whereas HMRC is responsible for the detailed technical aspects of tax policy design. | The great bulk of tax policy analysis, costings, impact assessments and tax revenue estimates is however provided by HMRC's analytical division. Since 2011 the HMRC publishes impact assessments during periods of structural tax adjustments or reforms. These tax information and impact notes, in essence, provide statements on the new tax policy, with an impact analysis on revenues, the economy, individuals, business and civil society, as well as reflecting on matters of equality. HMT has, in terms of the revenue analysis function, a sub-ordinated role because they are not allowed access to HMRC's taxpayer data.<br>The division dealing with general tax design and revenue impact analyses, is supposed to look at tax design for all taxes comprehensively. While HMT does mainly recruit generalists with only a few economists specializing in tax, the Treasury do take a number of HMRC experts on secondment into their tax policy teams. Legal drafting is carried out in the large Office of Parliamentary Counsel based on guidance from the HMRC. Importantly, the transparency of tax policy formulation processes is enhanced by the fact that published fiscal data and analysis are Official Statistics within the meaning of the United Kingdom's Official Statistics Act. This provides for their autonomy from political and management interference. | There is no competing tax policy advice from outside government or from parliament to the advice provided by HMT and HMRC. Since June 2010 the new Tax Policy Making Approach entrenches wide consultation on tax policies by formalizing it with outside stakeholders. This has become a core principle for tax policy formulation in the United Kingdom. The Treasury's tax policy design function benefits from centralized decision making but the HMT supports and is committed to extensive public consultation, backed up by inputs of the Tax Professionals Forum and inputs from the Office of Tax Simplification. The independent Office for Budget Responsibility (OBR) also plays an important role in tax policy processes, by scrutinizing HMRC's costings and impact assessments. OBR is responsible for the budget's economic and fiscal outlook. There are however multiple submissions from business and professional bodies on draft tax legislation.<br>Also, the United Kingdom employs Tax Reform Commissions to tackle structural tax reviews such as: the 2011 Mirrlees Review on Structural Tax Reforms for the 21st Century; the 2012 Calman Commission on Tax Devolution for Northern Ireland, Scotland and Wales; the 1997 Tax Law Rewrite Project to rewrite tax legislation in plain English; the 2004 O'Donnell Review on Organizational and Institutional Restructuring of the Tax Policy and Administration between HMT and HMRC. | Treasury decisions on tax design remain mostly unchallenged, even though parliament's Treasury Select Committee and Public Accounts Committee have increased their oversight of tax policy but limited resources do not permit own research capacity. Most UK fiscal measures are legislated for in the annual Finance Act. The Finance Bill (incl. revenue proposals) is subject to parliamentary scrutiny by the Committee of the Whole House or the Finance Bill Committee; one should note that Finance Bills/Acts are always passed.<br>The Office of Parliamentary Counsel (OPC), being part of the cabinet office, is responsible for drafting primary legislation, incl. tax laws. Its staff of 50 are experienced solicitors and barristers with extensive private sector experience. HRMC policy officials instruct the OPC but some Finance Bill provisions are drafted by departmental lawyers (especially those dealing with indirect taxes). Secondary legislation (that is, regulations) are drafted by departmental lawyers without OPC intervention and are considered by parliament before enactment. Secondary legislation allows detailed technical provisions to be enacted quickly without overloading parliamentary supervision but there may be a concern that parliamentary supervision can be circumvented this way. | The bicameral legislature (House of Commons and House of Lords) have oversight over the annual tax legislative process. The House of Lords has no power in relation to tax legislation). HMRC and HMT consult widely with business, tax advisers and the NGO sector over tax proposals and new legislation. The new approach in respect of public participation entails informal and formal consultations with stakeholders. Since 2011 HMRC and HMT publish in early December draft legislation for consultation at least three months before publication of the Finance Bill. Thus, stakeholders have eight weeks to prepare and circulate comments before revised legislation is published as the Finance Bill. Thus, there is ample opportunity for informal and formal consultation with affected stakeholders as and when tax changes are prepared. |

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| **24. United Kingdom *(continued)*** | | | The Chancellor can also appoint short-term independent reviews for aspects of policy and tax administration. In these processes, government involves academics alongside stake-holders from business. The United Kingdom relies on inputs from independent Research Institutes: for example, the Institute for Fiscal Studies; the Tax Law Review Committee; Oxford University Centre for Business Taxation; the Institute for Public Policy Research; the Policy Exchange; the Green Fiscal Commission and the 2020 Tax Commission. | | |
| **25. United States** | The well-resourced US Treasury leads tax design with lawyers dominating the process.<br>The tax policy formulation is decentralized to introduce checks and balances. | The president, working through the Department of the Treasury formulates tax proposals that are then tabled in Congress for debate. Treasury has a high-caliber economic analysis capacity supporting tax design on the back of economic and distributional impact analyses, with high accuracy in revenue forecasting. Treasury and the Internal Revenue Service (IRS) have clearly defined role and their cooperation is strong. The Office of Tax Policy in the Treasury includes lawyers and economists with specialist knowledge and experience in tax policy design. | The IRS has extensive contact with all taxpayer cohorts and sectors and releases, next to its tax administration function, policy documents (say on taxpayer service, collection due processes, voluntary compliance strategies, fraud detection, appeals, debt collections, and so on). It also contributes to legislative initiatives such as the simplification of the tax code). A large number of high-quality think tanks support policymakers with alternative tax design options. They also serve in an advisory role a diverse range of business interests which lobby independently the White House, Treasury, Joint Committee on Taxation, Senate Finance Committee, House Ways and Means Committee, plus individual representatives on tax proposals benefiting mostly narrow sectoral interests. | Promulgation of tax legislation requires agreement of the House of Representatives, the Senate, and the president. Because the same political party does not usually control all three branches of government, the process is premised on forging compromise tax positions. Congress has a material influence on the direction of tax design, backstopped by its own high-quality research capacity through the Joint Committee on Taxation and the Congressional Budget Office, with a research capacity that is unparalleled internationally. Irrespective of this impressive own tax analytical capacity, very often the integrity of tax policy is eroded by rogue tax provisions attached to non-fiscal legislative proposals. Both the House Ways and Means Committee and the Senate Finance Committee are very influential in the tax policy development. | There are limited formal consultations by Treasury but there are many informal discussions with taxpayer groups and practitioners which influence the ultimate tax design in varied ways. Tax policy proposals undergo extensive consultations underpinned by in-depth quantitative analyses. Many tax options are prepared given the availability of competing tax policy choices from within government but also from tax practitioners, taxpayer associations, academics from think tanks and research institutes. This is associated with the risk of fragmentation and accompanying complexity in taxation. It translates into a protracted process before tax policy decisions are promulgated. Political partisanship, and the many checks and balances, could lead to polarized debates that may end in stalemates. |

Sources: Individual Ministry of Finance and Treasury websites; Wales and Wales 2012; Arnold 2013; and Lang and others 2016.