

THE ENHANCED RELATIONSHIP



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ABSTRACT

An efficiently operating tax administration is no less important than clear and well written tax laws.

Currently the relationships between taxpayers and tax administrations are mostly based on a framework of legal obligations determining communications of closed transactions.

Recently, attempts have been undertaken to “enhance” this relationship that are based on advance communication of future transactions requiring mutual trust, understanding and transparency. This means a revolutionary change in the relationships between taxpayers and tax administration.

The subject of this thesis is:

- researching the theoretical framework and the practical issues of the “enhanced relationship” as it is already practiced in the United States, the United Kingdom and the Netherlands; and
- discussing the possibility of its introduction in the Czech Republic and Poland, two jurisdictions with quite a different tradition of government administration.

The thesis looks into the theoretical basis and the practical problems of increased cooperation with the specific category of taxpayer - large corporations.



ENHANCED RELATIONSHIP

Going beyond statutory obligations – real-time working, based on mutual trust and understanding accompanied by transparency and disclosure of relevant information and dialogue. High degree of certainty.

ADVANCE TAX RULINGS

To obtain advance certainty taxpayers, in many countries, may apply for a ruling, which is a decision or opinion of tax authorities re factual situation. A ruling may be binding for taxpayer and/or tax administration. Private rulings are issued in all five researched countries. There is more advance information but no dialogue.

THE BASIC RELATIONSHIP

Exists in every country. It is an obligation based relationship, where taxpayer and the revenue body only do what is required by the laws. As a result the information shared by a taxpayer and available to the tax administration is rather limited and there is always a time delay between the time when a transaction takes place and when it is reported. Basically, there is no trust or cooperation between the parties.