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*Panel Discussion:*

The Impact of  
Globalization on Tax  
Administration



2010 IRS Research Conference

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*The Impact of Globalization on  
Tax Administration*

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# The Impact of Globalization on Tax Administration

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Three topics considered to be relevant:

- *The balance between control and service in customs operation*
- *The intensive use of IT to deliver better tax services*
- *The exchange of information for tax purposes*



## Balance between control and service in customs operation

We face a dual objective:

- The need to facilitate legitimate trade and travel.
- Contribute to guarantee border security.

Finally: the security challenges that must not be ignored.

The Mexican Tax Administration is transforming its customs operations to better balance these objectives and to strategically manage the security challenges.



## Balance between control and service in customs operation

What we are doing:

- Acquiring new physical infrastructure and equipment.
- Applying risk management tools.
- Using more non-intrusive controls.
- Hiring and training new customs officials with a strong focus on security issues.
- Designing new ways to coordinate our work with other government agencies.
- Coordinating activities with foreign government agencies.

The amount of financial, human and technological resources we are devoting to these ends is without precedent.

It is also necessary to deliver better services for legitimate travel and trade, this requires a clear differentiation of strategies based on risk criteria.

We are:

- Simplifying processes.
- Eliminating paper based operations.
- Making services more transparent for our users.
- Implementing new payment mechanisms.
- Improving our service delivery standards.

The challenge here is to transmit the right message to customs users.

Governments in general have been using modern technology systems for the delivery of services at least during the last 10 years.

Electronic transactions in the economy raise some complex taxation issues:

- Traces are not easy to follow.
- The difficulty of defining such things as the location of the sale or the creation of wealth.

The effect of electronic transactions on tax revenue can only be estimated.

It is necessary to build internal capabilities regarding information management.

A first approach has been the improvement of tax services supported by an intensive use of IT:

- In 2003 only 5% of tax returns were received through the internet, the figure for 2009 is 97%.
- The average time for an individual to get a refund was 61 days in 2003 and 12 in 2009.
- We are reducing costs and eliminating paper-based operations with the digital invoice.

Beyond the advantages for service delivery this has also improved data accuracy and added value to compliance work.

Information management is a core competence for a tax administration

A global financial system generates risks that the tax administration must mitigate in order to accomplish its mission.

During 2009 the progress achieved towards a more effective exchange of information was remarkable:

- The standard of transparency and exchange of information developed by the OECD has been universally endorsed.
- Almost 200 Tax Information Exchange Agreements were signed.
- 110 Double Taxation Conventions or protocols have been signed or brought up to the standard.
- Many countries have passed legislation aimed at implementing their commitment to the international tax standard.
- Some other countries have initiated important legislative changes intended to allow them to meet the international tax standards.
- Since the issuance of the Progress Report on April 2009, 21 jurisdictions have moved to the category of jurisdictions having substantially implemented the standard.

On September 2009, Mexico was honored to host the Fifth Meeting of the Global Forum on Transparency and Exchange of Information. Participants agreed to:

- Restructure the Global Forum
- Launch peer review:
  - **Phase 1:** will review the legal and regulatory framework, and will conclude by June 2012.
  - **Phase 2:** will assess the practical implementation of the standard, and will be completed by June 2014.
- Ensure that developing countries benefit from the new transparency environment. It is necessary to find a balance between an attractive tax regime for investment and the ability to raise revenue to sustain public spending.