MANUAL FOR THE EVALUATION OF COSTS AND BENEFITS OF COOPERATIVE COMPLIANCE PROGRAMS

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Foreword

The Manual for the Evaluation of Costs and Benefits of Cooperative Compliance Programs (the Manual) provides a comprehensive methodology for assessing the performance and value of cooperative compliance frameworks. In an era where tax adminitrations (TAs) increasingly seek to build trust-based relationships with taxpayers, understanding both the measurable outcomes and the broader impacts of these programs is essential. The Manual offers a structured approach to identifying, measuring, and analyzing the costs and benefits of cooperative compliance programs (CCPs)—including, for the first time, project-based multilateral cooperative compliance programs—while also addressing the practical challenges of implementation, stakeholder engagement, and the use of evaluation results to guide policy decisions.

The Manual was developed as part of the Cooperative Compliance Project led by the Global Tax Policy Center at the Institute for Austrian and International Tax Law, Vienna University of Economics and Business. It reflects the work conducted by the Workstream on Costs and Benefits of CCPs between 2024 and 2025. Its design and content are the result of a collaborative, multi-stakeholder process involving the Inter-American Development Bank, representatives from the TA of Ecuador, Brazil, Finland, Poland, and Slovenia, and academic experts from WU GTPC (Vienna, Austria), Kozminski University (Warsaw, Poland), and CUNEF (Madrid, Spain). Representatives of businesses, revenue authorities, tax advisors, and other professionals involved in the administration and analysis of CCPs provided valuable input to the Manual.

The Manual aims to support TAs, policymakers, and other stakeholders in making informed decisions based on credible and transparent evaluation. By fostering a deeper understanding of the impacts of cooperative compliance, it contributes to the development of more effective, efficient, and trusted global tax systems. The Inter-American Development Bank, in collaboration with the WU GPTC, will monitor how countries use the Manual, regularly updating it to reflect the experiences of Latin American and Caribbean countries and beyond.

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Abbreviations and Acronyms

AI	Artificial intelligence
APA	Advance pricing agreement
ATP	Aggressive tax planning
CBA	Cost–benefit analysis
CC	Cooperative compliance
CCP	Cooperative compliance program
FTE	Full-time equivalent
IT	Information technology
MAP	Mutual agreement procedure
MCCP	Multilateral cooperative compliance program
MNE	Multinational enterprise
NGO	Nongovernmental organization
NRA	National Revenue Administration (Poland)
OECD	Organisation for International Co-operation and Development
MCCP	Multilateral Cooperative Compliance Program
SME	Small and medium enterprise
TA	Tax administration
TCF	Tax control framework
VAT	Value-added tax
WU GTPC	Global Tax Policy Center at the Institute for Austrian and International Tax Law, Vienna University of Economics and Business

Glossary

Audit yield: an indicator measuring the number of irregularities detected in tax audits.

Cooperative compliance: an enhanced relationship between tax authorities and tax-payers, based on mutual understanding and trust, with the aims of the efficient and effective administration of tax rules and greater certainty.[1]

Cooperative compliance program: a formalized framework that institutionalizes the principles of cooperative compliance by establishing clear processes, roles, and responsibilities for fostering trust and collaboration between tax administrations and taxpayers.

[1] Different sources provide various definitions of corporative compliance, which have evolved from "enhanced relationship" to "cooperative compliance." The most comprehensive definitions of CC and clarification of its elements were developed in OECD (2008); OECD (2013); and OECD (2016). Specifically, OECD (2013) report introduces the concept of cooperative compliance as an evolution from the "*enhanced relationship*" model. While the report does not provide a single, formal definition, it characterizes co-operative compliance as a framework that fosters a relationship between tax administrations and large business taxpayers based on mutual trust, transparency, and collaboration. This approach emphasizes the importance of a robust tax control framework within businesses to provide assurance over tax positions and facilitate a more efficient tax administration process (OECD, 2013). The IFA Initiative on Enhanced Relationship gives the following description: cooperative compliance is a specifically defined institutional relationship, based on mutually expressed intentions and not on detailed rules, that taxpayers and tax administrations voluntarily enter into above and beyond their basic legal obligations, which relationship is based on mutual understanding, respect and true cooperation, and has as aim the administration of tax laws to the taxpayer's business in the most efficient and timely matter, assuming full, timely and reciprocal disclosure of relevant tax related information (including positions taken) and leading to the assessment of the correct amount of tax taking into account the spirit and purpose of the tax law (rather than merely the letter of the law) while respecting each parties' rights and obligations under procedural laws in case of disagreement on what constitutes the correct amount of tax (IFA, 2012, p. 12).

Corporate social responsibility: business model in which companies integrate social and environmental concerns into their operations and interactions with stakeholders. It involves businesses taking responsibility for the impact of their activities on society and the environment, going beyond legal obligations and contributing to the well-being of the communities where they operate.

Distortions and tax compliance inconsistencies: an indicator measuring distortions in tax collection (taxes voluntarily declared and paid) and other tax compliance inconsistencies detected by tax administrations' internal systems checks.

Incidence in targeting rules: an indicator measuring the quality of tax returns. The total incidence in targeting rules is measured by the number of targeting rules in which taxpayers have been selected to be audited.

Legal certainty: a fundamental principle of the rule of law that requires laws to be clear, precise, and predictable. It also means that the law must be accessible and easy to understand for those who are subject to it.

Practical certainty: taxpayers' ability to achieve a high level of predictability and confidence regarding their tax positions, obligations, and potential outcomes, based on proactive engagement and cooperative relationship with tax administrations.

Project-related multilateral cooperative compliance: a targeted multilateral tax certainty and dispute prevention mechanism which aims to provide early tax certainty in the specific context of large cross-border projects. Inspired by the existing cross-border risk assessment and assurance programs,[2] it builds on the characteristics of many national CC programs covering main corporate taxes and not limited to (mainly) transfer pricing or permanent establishment risks.

Stakeholders: all people, businesses and institutions that have some kind of interest in the management and results of a cooperative compliance program, influencing or being influenced by it, directly or indirectly.

Tax certainty: a taxpayer's capacity to make an accurate assessment of the tax outcomes and compliance costs associated with an investment or continuation of an investment in a country over the lifecycle of the investment or company.

Tax comfort: situation where the taxpayer has reason to believe that a tax administration will accept its tax positions even if tax certainty is not provided through legally binding tools, such as tax ruling, advance pricing agreement, or court judgement.

[2] The International Compliance Assurance Program (ICAP), the European Trust and Cooperation Approach (ETACA) and Finland's Cross-border Dialogue (FCBD).

Tax compliance: the extent to which taxpayers meet their obligations under the tax laws.

Tax control framework: that part of the system of internal control that assures the accuracy and completeness of the tax returns and related disclosures made by an enterprise. It refers to the set of practices and procedures adopted by an enterprise to ensure that it follows applicable tax legislation. This includes compliance with primary tax obligations, such as the correct calculation and payment of taxes, and ancillary obligations, such as the submission of accurate tax returns and the maintenance of adequate accounting records.

Tax dispute: disagreement between a taxpayer and tax administration which arises from tax assessment or enforcement of tax laws.

Tax governance: set of processes and rules aimed at effective management of a company's tax obligations.

Tax irregularities: deviations from the obligations established tax laws, regulations, or procedures that may occur unintentionally or intentionally (e.g., underreporting of income, incorrect filing, late submission).

Voluntary compliance: willingness of taxpayers to comply with tax laws, regulations, procedures and legal requirements without the need for enforcement actions or penalties.

Executive Summary

This Manual provides a comprehensive framework for evaluating the costs and benefits of cooperative compliance programs (CCPs). Developed by the Working Group on the Costs and Benefits of CCPs of the WU Cooperative Compliance Project, the Manual aims to equip tax administrations (TAs), policymakers, and stakeholders with a robust and credible methodology to assess the effectiveness, efficiency, and broader value of CCPs. It offers both conceptual guidance and practical tools to support informed decision-making and promote trust-based tax compliance.

After the introduction in Section 1, Section 2 introduces the methodological and procedural considerations related to the development and implementation of an evaluation methodology. These include the objectives of conducting an assessment, the key stakeholders involved, data sources and methods of data collection, evaluation timelines, and approaches to reporting the findings.

Section 3 emphasizes that evaluating the costs of CCPs requires a robust cost-mapping framework that distinguishes between initial and ongoing, direct and indirect, and measurable and intangible costs. For TAs, initial costs include those related to feasibility studies, legislative reforms, stakeholder engagement, the development of the information technology (IT) infrastructure, and pilot implementation. Ongoing costs encompass staff reallocation and training, dispute resolution, communication strategies, and system maintenance. These should be assessed through structured cost-benefit analysis, scenario planning, and continuous monitoring. For taxpayers, preparatory costs are mainly associated with implementing and documenting the tax control framework (TCF), conducting internal audits, and undertaking transparency exercises. Ongoing costs include TCF maintenance, system updates, and continuous engagement with TAs. Recommended evaluation methods include full-time equivalent (FTE) modeling and man-hour estimates.

Section 4 maps the expected benefits for both TAs and taxpayers, emphasizing the importance of tailoring the set of benefits to each jurisdiction's context. For tax administrations, benefits include enhanced tax compliance, more efficient audits, reduced litigation, and improved legal and tax certainty. For taxpayers, key benefits include lower compliance costs, reduced audit and litigation exposure, improved tax risk management, and greater legal certainty. The Manual proposes a set of indicators for each benefit category and offers guidance on interpreting evaluation results. Suggested evaluation approaches include before-and-after comparisons, control group analyses, and empirical methods such as difference-in-differences. Dashboards and data visualization tools are recommended for ongoing monitoring and communication.

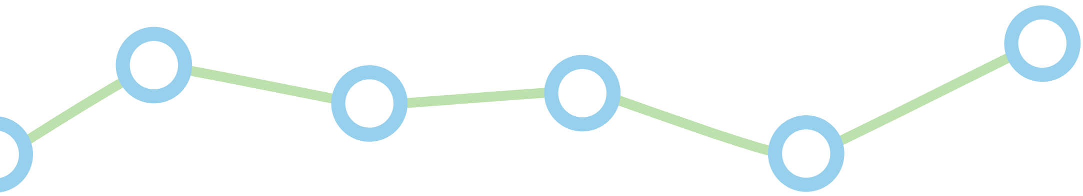
The Manual also highlights the importance of evaluating the quality of the relationship between TAs and businesses, a cornerstone of CCPs. It recommends a mixed-methods approach, combining qualitative research (e.g., interviews, focus groups) and quantitative tools (e.g., structured surveys) to assess key values such as trust, openness, fairness, and responsiveness. Periodic assessments support continuous improvement, while formative and summative feedback mechanisms should be embedded in program design and implementation. Clear and timely communication of feedback results is essential for program success.

Section 5 provides recommendations for the practical implementation of the evaluation methodology. It addresses common challenges such as limited resources, data privacy concerns, and political sensitivities. The Manual underscores the importance of broad stakeholder engagement, including with legislators, tax advisors, academics, civil society, and international organizations, to build trust, secure political support, and ensure effective implementation. Evaluation outcomes should be used to promote CCPs by demonstrating long-term benefits, countering misconceptions, and informing potential expansion strategies.

Section 6 outlines preliminary considerations for evaluating the costs and benefits of project-related multilateral cooperative compliance (PMCC) programs. While no PMCC pilot studies were available at the time of writing, the Manual suggests generic indicators and provides guidance for developing evaluation methodologies suited to a multilateral context.

Finally, Section 7 compiles key recommendations based on the Manual's content. In sum, the Manual offers a practical and comprehensive roadmap for conducting credible, tailored evaluations that strengthen CCP design, implementation, and long-term impact.

1



Introduction

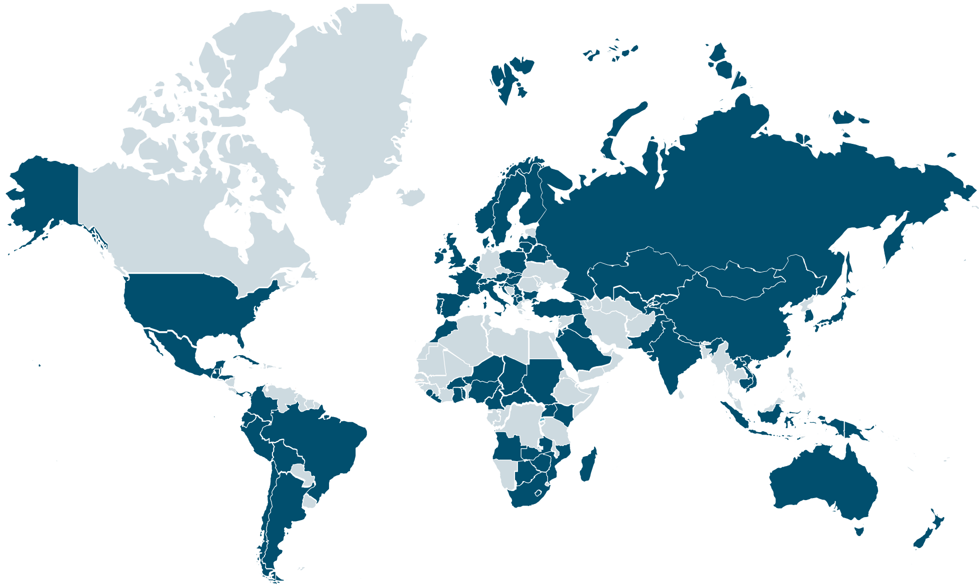
This section addresses the vision, key features, and essential components of cooperative compliance programs (CCPs), emphasizing their evolution from the OECD's early "enhanced relationship" model (OECD, 2008) to a comprehensive, trust-based approach to tax compliance. CCPs aim to replace traditional adversarial tax enforcement with a collaborative relationship between tax administrations (TAs) and taxpayers, centered on transparency, timely disclosure, and proactive risk management. These introductory pages outline the critical role of robust tax control frameworks (TCFs), the use of digital technologies, and the reallocation of resources to support this shift. It concludes that successful implementation of CCPs requires procedural and, in some jurisdictions, legislative adjustments, capacity building for both tax officials and businesses, and, most importantly, a cultural shift toward ethical tax behavior and mutual trust. CCPs present a forward-looking model that improves tax certainty, reduces disputes, and aligns with broader goals of good governance and corporate social responsibility.

1.1. Vision for Cooperative Compliance Programs

In recent decades, an increasing number of countries have recognized the value of CCP and have implemented these frameworks, while others are actively considering doing so (Figure 1.1). The innovative approach to tax compliance emerged more than two decades ago and was promoted as "enhanced relationship" (OECD, 2008). This concept has since evolved into what is now known as cooperative compliance (CC). At its core, CC represents a fundamental shift in the approach to tax compliance, moving from a reactive, enforcement-driven model toward a proactive, collaborative approach. This transformation aims to create a mutually beneficial situation for both TAs and taxpayers engaged in CCP.

The vision for CCPs centers on transforming the traditional adversarial model of tax compliance into a collaboration rooted in trust and mutual understanding. This paradigm shift aligns with the changing nature and culture of the relationship between TAs and taxpayers: rather than viewing each other as opponents, they are positioned as

Figure 1.1 — Countries that Introduced Cooperative Compliance Programs (as of 2021)



Source: International Survey on Revenue Administration (CIAT et al., 2024).

partners working together to achieve common goals, such as accurate tax reporting, timely payment of taxes, prevention of tax evasion, and overall efficiency. Historically, tax compliance was characterized by confrontation, with TAs relying on audits and enforcement to ensure compliance. In contrast, CCPs foster open dialogue and cooperation, encouraging a transparent and collaborative relationship.

1.2. Cooperative Compliance Programs: Key Features and Components

The adoption of the key components of the tax compliance approach envisioned by CCPs requires significant changes from TAs, taxpayers, and other stakeholders to ensure a smooth transformation and the achievement of its objectives. Since CC introduces a proactive, relationship-based approach that encourages real-time collaboration between TAs and taxpayers, rather than relying on post-filing audits and penalties, there is a need to focus on transparency, risk management, good governance, and the early detection of issues. Implementing this concept involves procedural and sometimes legislative changes to formalize or codify the compliance method and the framework through which TAs can seek information to facilitate a risk-management approach and provide early tax certainty (such as the introduction of internal control systems at the taxpayer level). Successful implementation of CC entails a broader transformation, however, which includes fostering an understanding of the need for tax transparency and how it can be achieved, shifting toward robust tax governance, embracing technological advancements, and undergoing a cultural shift. These changes are paramount to build trust, not only between TAs and taxpayers directly involved in CC but also among other stakeholders to ensure confidence in this alternative approach to the administration (TA)–taxpayer relationship.

At the heart of CCPs lies transparency. A key element of the vision for CCPs is creating an environment where taxpayers voluntarily and fully disclose their tax positions, uncertainties, significant risks, and relevant business activities to tax authorities, going beyond their statutory obligations in real time or near-real time. As a result, the level of disclosure under CC is higher than under traditional compliance models. This exchange of information enables TAs to provide timely feedback and guidance, reducing the risk of misunderstanding or different interpretations of the tax treatment of a transaction. For taxpayers, transparency is a key prerequisite for obtaining tax certainty and legal certainty,[3] which also leads to fewer negative outcomes related to audits or compliance issues.[4] In turn, TAs must be transparent in their dealings, offering clear, consistent communication about expectations, legal requirements, and potential risks. This proactive approach creates tax comfort and practical certainty and efficiently minimizes the occurrence of tax disputes and, consequently, the need for costly and time-consuming dispute resolution.

From the taxpayer's perspective, transparency and disclosure are ensured through the tax control framework (TCF), which plays a crucial role in maintaining robust internal controls and governance structures to manage tax risks. It is a key component in building "justified trust" by establishing a comprehensive system of processes and controls, ensuring that taxpayers are in control of their tax obligations and capable of detecting, mitigating, and reporting tax risks (OECD, 2016). In most of the countries that have adopted CC, implementing a robust TCF is a requirement for taxpayer enrollment in CCPs, as it provides assurance to the TA that tax reporting is accurate and complete. A strong TCF aligns with broader corporate governance and tax strategy, ensuring that the taxpayer's approach to tax compliance is systematic and consistent with both business and legal requirements (OECD, 2013).

Cooperative compliance emphasizes a risk-based approach to tax compliance (OECD, 2013). Both taxpayers and TAs focus their resources on areas of significant tax risk, rather than adopting a blanket enforcement approach. Tax administrations assess the risk of non-compliance based on the transparency and effectiveness of the taxpayer's TCF and overall business practices. If high-risk areas are identified, any potential issues are addressed proactively through dialogue and collaboration. This allows TAs to allocate resources more efficiently, targeting high-risk taxpayers while reducing unnecessary scrutiny of compliant ones. Such a streamlined approach can be enhanced through the deployment of digital technologies that facilitate data transmission, risk management, issue detection, and real-time support to taxpayers. These technologies improve the efficiency and responsiveness of the relationship between TAs and taxpayers, making the compliance process more dynamic and effective.

3 This is coined as "transparency in exchange for certainty" in OECD (2013, p. 29).

4 The OECD (2013, p. 20) refers to this as "no surprises."

Cooperative compliance programs play a critical role in preventing and resolving tax disputes before they escalate. As the number and scale of transactions, including those at the international level, continue to grow, the risk of disagreements between TAs and multinational enterprises (MNEs) over the tax treatment of specific operations increases, leading to potential disputes. In this context, continuous dialogue and collaboration between taxpayers and TAs contribute to early tax certainty, minimizing the occurrence of such disputes. When disagreements arise, CCPs provide a framework for addressing issues early, thus avoiding lengthy and costly dispute resolution processes. This proactive approach not only reduces the burden on both parties but also fosters a more cooperative and less adversarial tax environment.

Continuous and open dialogue that builds trust can be achieved through regular meetings with an assigned tax officer, specialized forums, or the option to obtain advance tax rulings. On the one hand, taxpayers gain the opportunity to keep communication channels open, which is vital for achieving early tax certainty and avoiding misunderstandings that could lead to audits or penalties. On the other, TAs can clearly communicate their expectations and provide timely feedback on the information disclosed.

The use of digital technologies, which allow for real-time data exchange and improved tax risk management, facilitate efficient communication and sharing of tax-related information between TAs and taxpayers enrolled in CC. Digital tools can help TAs collect, analyze, and assess tax information more effectively, enabling quicker feedback and faster resolution of tax issues. For taxpayers, integrating digital tools into their TCF can enhance transparency and ensure timely compliance with the program's requirements. Automation of tax processes also reduces manual intervention, thereby improving accuracy and efficiency.

Furthermore, implementing CCPs requires a reallocation of resources by both taxpayers and TAs. On the taxpayers' side, there is a need for trained employees, to implement tax governance and the TCF to qualify for enrollment in the program, and to maintain compliance with CC requirements and procedures throughout the participation period. Additionally, tax authorities must invest in training staff who handle large taxpayers enrolled in the CCP to enhance their understanding of business operations and improve their ability to assess tax risks with greater commercial awareness. Training is also essential to improve communication skills, which ensures that staff can engage in constructive dialogue with taxpayers.

Finally, the concept of CC goes far beyond implementing rules and frameworks. For businesses, CC aligns closely with broader corporate governance and corporate social responsibility objectives, encouraging businesses to adopt ethical tax practices that contribute to societal well-being. This requires fostering a compliance mindset among taxpayers by enabling a cultural shift in which taxpayers prioritize ethical tax behavior, transparency, and proactive engagement with tax authorities. By cultivating a mindset focused on collaboration and responsible tax governance, taxpayers can enhance their reputation, improve relationships with TAs and other stakeholders, and contribute to a fairer tax system. Tax administrations, in turn, must also change their attitude toward taxpayers by considering them partners, encouraging trust, mutual understanding, and respect in their relationships.

2

Methodological and Procedural Aspects of Evaluation of Costs and Benefits of Cooperative Compliance Programs

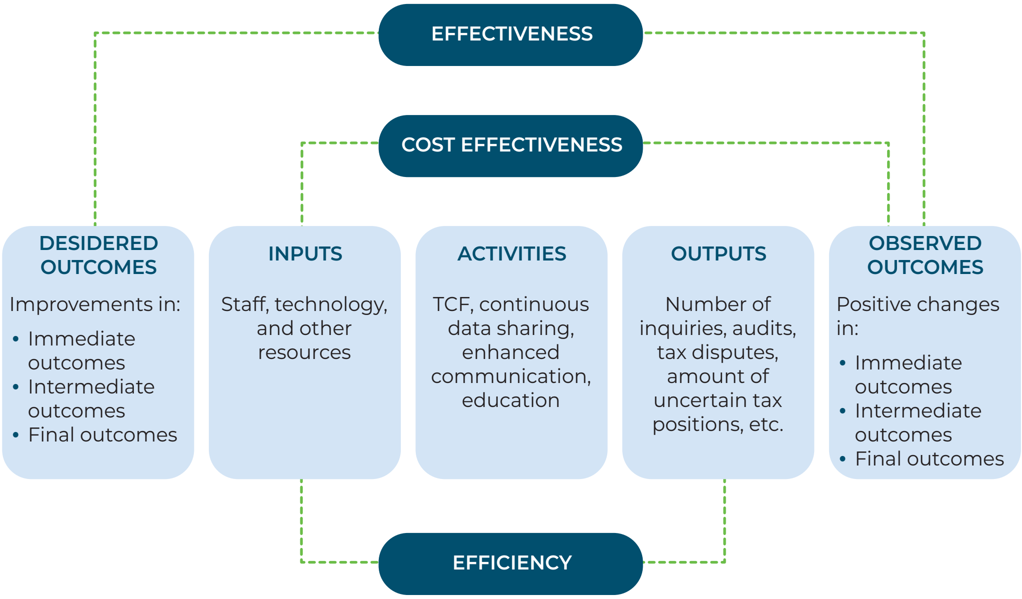
This section addresses the methodological and procedural aspects of evaluating the costs and benefits of CCPs, highlighting the importance of developing a structured, transparent, and consistent methodology grounded in established evaluation principles. It is recommended that the methodology incorporate both quantitative and qualitative indicators, facilitate comparability over time and across different taxpayer groups, and focus primarily on the experiences of TAs and large taxpayers, while engaging other stakeholders where relevant. Robust data collection and recognized evaluation standards are essential to ensure reliability. Evaluation frequency should align with the maturity of the CCP, with more frequent assessments during the pilot phase and less frequent evaluations for mature programs. The section concludes that publicly available evaluation results enhance transparency and trust.

2.1. The Objectives of Developing a Methodology for Measuring the Costs and Benefits of Cooperative Compliance Programs

Understanding the effectiveness, efficiency, and added value of CCPs requires evaluation of their costs and benefits, which should be based on a robust and credible methodology. In general, evaluation methodologies are applied across various fields and sectors. They typically involve a set of principles, procedures, methods, and techniques used to measure the performance and impact of different programs, policies, and interventions. Key components of these methodologies include research design, assessment strategies, data collection methods, evaluation and interpretation, and communication of findings (Kazdin, 2016). The choice of components depends on the object of evaluation and the goals to be achieved.

Using evaluation methodologies offers a structured, consistent, and reliable approach to conducting assessments. It provides evidence-based insights into the performance

Figure 2.1 — Tax Compliance Program Logic



Source: Authors' elaboration based on OECD (2013).

and impact of the object under evaluation. By employing these methodologies, stakeholders can assess the effectiveness of their operations and make data-driven decisions to improve outcomes. Additionally, the results of the evaluation can guide policy development and drive program improvement.

The OECD (2013) introduces a set of indicators that measure not only CCP outputs—primarily focused on detecting and correcting non-compliance—but also outcome metrics that establish how the connections between costs and expected effects can be evaluated (Figure 2.1). On the taxpayers' side, measuring the *efficiency* of participating in a CCP involves contrasting outputs, like those of TAs, with inputs such as investments in staff, training, external auditor services, technology, and more. To evaluate *effectiveness*, it is necessary to determine how activities (e.g., adjusted internal control procedures, continuous data sharing, enhanced communication with TAs) and outputs contribute to the expected outcomes of participating in CCPs, such as improved tax compliance and legal certainty.

In this context, the evaluation of the efficiency of CCPs would include identifying and measuring the costs and benefits associated with these programs, which will be discussed in detail in Sections 3 and 4 herein. Specifically, costs include the investments made by TAs and taxpayers during the implementation stage and the execution of compliance activities. Simultaneously, assessing outputs and outcomes involves determining both the quantitative and the qualitative benefits (including enforcement and compliance cost reductions and other desirable effects) to measure the impacts of these programs on both TAs and participating taxpayers.

The development of a methodology to measure the costs and benefits of CCPs is necessary to ensure that the evaluations are systematic, consistent, comprehensive, and traceable. A structured methodology will outline the process for collecting, analyzing, and interpreting data, ensuring that all relevant factors are considered. It will also facilitate comparability across different time periods and within the groups of taxpayers enrolled or not enrolled in a CCP, enabling stakeholders to draw meaningful conclusions and make data-driven decisions.

The methodology should be credible to ensure the reliability, validity, and trustworthiness of the evaluation results. Tax authorities, businesses, and policymakers must have confidence that the evaluation accurately reflects the costs and benefits of the CCPs. A credible methodology uses robust data collection and analysis techniques and adheres to accepted standards in evaluation practices. This credibility is crucial for gaining stakeholder buy-in and supporting policy decisions. It also enhances transparency and accountability, making it easier to communicate the program's successes and areas for improvement to a broader audience.

Furthermore, having robust evaluation results is particularly important in contexts where there is skepticism and distrust toward CCPs. Some stakeholders, such as nongovernmental organizations (NGOs), may perceive them as unfair, benefiting only participating MNEs by allowing them to minimize their tax burden through "sweetheart deals" (Owens and Pemberton, 2021). In this regard, it is crucial for TAs to clearly outline the benefits of CCPs, demonstrating that their key advantages are unrelated to the amount of tax liability. They should also develop a credible methodology for assessment and ensure that the evaluation results are publicly available. Additionally, documented evidence of the effectiveness of the tax administration's resource allocation would help change the perception of the cooperative approach to tax compliance and, ultimately, build societal trust in and legitimacy of CCPs.

Overall, the evaluation of costs and benefits of CCPs through a comprehensive and credible methodology helps determine whether the program meets its objectives, such as improving tax compliance and certainty, reducing enforcement and compliance costs, and enhancing relationships between TAs and businesses. By assessing both the quantitative and the qualitative impacts, TAs and other stakeholders can identify problems with carrying out such programs and make informed decisions about the program's future, such as whether to scale up, refine, or discontinue the initiative. Evaluations also provide evidence to justify the allocation of resources and demonstrate the program's impact on public revenue, degree of tax compliance, and legal certainty.

2.2. Key Parties to the Evaluation

In the most recent CC study, Owens and Pemberton (2021) identify the key actors and stakeholders to focus the research and determine those most relevant for evaluating the costs and benefits of the CC framework. This allows for the distinction between actors directly involved in the evaluation process and those indirectly involved.

The first group of actors includes TAs, customs authorities, ministries of finance, and large taxpayers. The second group encompasses representatives of businesses, tax advisors, chambers of tax advisors, tax lawyers and consultants, the media, NGOs, politicians, academics, and other stakeholders indirectly connected to the CC framework. The latter group was found to be more interested in the outcomes of the evaluation.

During the workshops and meetings held to prepare the Manual, the need for a broader definition of CCP stakeholders was highlighted. For instance, tax advisors may benefit from the CCP simply by gaining opportunities to expand their scope of services. They can also play a key role in building domestic CCPs and promoting the framework to large taxpayers in their jurisdictions.

In addition to tax advisors, academics should be involved in the CCP evaluation process. They are well-positioned to offer objective analysis of the domestic framework and to communicate the results. Academics also have access to extensive networks and comparative research, which can add value to the evaluation.

One challenge identified in preparing the Manual was that developing a universal evaluation approach applicable to all identified stakeholders would be highly complex. Therefore, it was agreed that the methodology should focus primarily on the key actors, namely, tax authorities, ministries of finance, and large taxpayers engaged in the domestic CCPs. Other stakeholders should be included only if they are directly involved in the evaluation process and if relevant data are available or can be made available through mutual agreement.

2.3. Data Collection Methodology and Data Sources

The evaluation of CCPs requires a robust data collection methodology tailored to the specific design of the program and the institutional context. A combination of quantitative and qualitative methods is recommended to capture the multifaceted impacts of CCPs on both TAs and taxpayers. Key sources of data include internal records of TAs, such as audit outcomes, resource allocation, and compliance indicators, as well as structured surveys and interviews with participating businesses. In addition, tax advisors may play an essential role by providing depersonalized, aggregated data on business-level costs and benefits, drawn from their experience assisting clients in CCP enrollment and implementation.

2.4. Timelines

When developing a methodology for evaluation, a key issue is how often to evaluate a CCP. This issue was examined from a practical perspective, revealing that the experience varies from one jurisdiction to another. Some jurisdictions evaluate the framework annually, while others conduct assessments less frequently. It was also noted that certain indicators can be monitored monthly. In some cases, jurisdictions have undertaken one-off evaluations to assess CCP performance and introduce design changes.

Overall, it was agreed that the frequency of evaluation depends on the maturity of the CCP in each jurisdiction and the availability of relevant data sources. During the pilot phase, conducting evaluations every two years may be appropriate, as this allows enough time to observe meaningful developments. Once the CCP reaches a more mature stage, the evaluation cycle can be extended to every four years.

It is important to develop the evaluation methodology prior to launching the CCP pilot. This enables TAs to conduct a benchmark study and provides an opportunity to test and refine the methodology before applying it to a fully implemented program.

2.5. Reporting the Output

The reporting of CCP evaluation results plays a crucial role in ensuring transparency, accountability, and promotion of the CCP. Tax administrations should present the findings in a clear and accessible manner, tailored to different audiences such as policymakers, businesses, civil society, and the public. Reports should highlight both quantitative and qualitative outcomes, including measurable improvements in compliance, reductions in disputes, and increased tax certainty, as well as broader impacts on trust and institutional performance. Where possible, results should be benchmarked against initial objectives or comparable international experiences to contextualize the findings. Public dissemination through official reports, presentations, and stakeholder dialogues helps build confidence in the CCP, supports evidence-based decision making, and encourages wider participation by demonstrating the program's value and fairness.

3

Measuring Costs of Cooperative Compliance

Section 3 provides detailed guidance for TAs on evaluating the costs of CCPs. It recommends developing a comprehensive cost-mapping framework that distinguishes between initial and ongoing, direct and indirect, and measurable and non-measurable costs.

For TAs, initial costs include feasibility studies, program design, stakeholder engagement, legislative and institutional setup, technology infrastructure, and pilot initiatives. Ongoing costs cover personnel reallocation and training, communication, information technology (IT) system maintenance, dispute resolution, and monitoring mechanisms. Cost assessments should be integrated into the program lifecycle and follow a structured cost–benefit analysis (CBA). CCP-related expenses should be viewed as strategic investments, with long-term gains in compliance, trust, and administrative efficiency justifying initial expenditures.

For businesses, the cost of CCP participation primarily stems from the implementation and maintenance of a TCF. Preparatory costs include documenting and operationalizing the TCF, prior reviews and audits, formalization efforts, and transparency exercises. These are typically evaluated using the full-time equivalent (FTE) method for internal personnel and man-hour estimates for external services. Ongoing costs, such as TCF updates, internal controls, continuous improvement processes, and communication with TAs, should be evaluated using the same methods to ensure consistency. These expenditures fall under broader tax compliance costs and may be offset by reduced audit burdens and faster dispute resolution. The complexity and maturity of a company's internal processes and control systems and tax function significantly influence overall CCP costs.

3.1. Costs Associated with Cooperative Compliance Programs: Definition and Mapping

Participation in a CCP involves costs for both TAs and taxpayers. Understanding and mapping these costs are essential steps for evaluating the overall effectiveness of such programs. While CCPs aim to create benefits such as improved tax certainty and reduced compliance burdens, the focus of this section is on the costs that arise from participating in or maintaining a CCP. For TAs, the implementation of a CCP requires a series of investments and key activities (e.g., development of clear guidelines). Further, tax authorities must train staff to engage with taxpayers under the new cooperative model. This includes understanding the TCF of participating entities and adopting new methods for ongoing risk assessments. Investment may be required to build compatible IT infrastructure. Finally, a key investment for a successful CCP is an accompanying continuous evaluation of the program.

Costs include both the monetary expenses and the set of necessary investments distributed over time, and/or forgone revenues that the administration or the taxpayer must incur to participate or remain in a CCP. Costs related to CCPs can be categorized based on different criteria:

- ***Stakeholder***
  - Tax administration: resources allocated for design, implementation, and monitoring
  - Taxpayer: investments in adapting internal processes and ongoing compliance efforts
- ***Measurement type***
  - Measurable costs: expenses that can be quantified, such as staff training, software acquisition, and procedural implementation
  - Non-measurable or difficult-to-measure costs: opportunity costs or the potential loss of revenues due to resource reallocation
- ***Nature***
  - Personnel costs: salaries and training for staff involved in the CCP.
  - Technological costs: investment in software, hardware, and digital communication infrastructure.
  - Material costs: physical resources required for program operation.
  - Communication costs: expenses related to facilitating interaction between taxpayers and tax authorities.
- ***Frequency***
  - Initial costs: setup expenses, including system development and onboarding efforts.
  - Post-implementation costs: ongoing costs to maintain and improve CCP processes, such as continuous training and system upgrades.

Understanding the costs associated with CCPs is critical for both TAs and taxpayers (see Tables 3.1 and 3.2). These costs, when carefully mapped and managed, enable both parties to make informed decisions about participation in such programs. Importantly, the costs associated with joining a CCP are distinct from the compliance costs that businesses typically incur. As such, it is essential to view them as investments, potentially leading to long-term benefits such as improved tax certainty and a stronger relationship between taxpayers and TAs. This section establishes a foundation for the methodologies that will be used to estimate and evaluate the costs of CCPs, which are explored further in the subsequent sections.

Table 3.1 — Taxonomy of Costs of Cooperative Compliance Programs for Tax Administrations

Category of costs	Indicator	Description	Data source	Frequency	Expected outcome	Comparisons	Tax focus
Development and implementation of a CCP	Time and resources dedicated to policy drafting and stakeholder consultation	Cost of creating the regulatory and legislative frameworks to launch/roll out a CCP	Internal reports from tax administrations, government budget allocations	One-time during setup, with ongoing evaluation	Operational/ functional CCP	Cost comparison with traditional tax enforcement systems	Legislative changes, policy drafting
TCF/legislative costs	Number of cases settled vs. disputed	Legal expenses of disputes	Dispute registers	Ongoing evaluation	Reduction in cases due to preemptive dispute resolution	CCP vs. non-CCP entities	Legal conflict
Technology	Expenditure on IT infrastructure and system upgrades	Investments required to upgrade or develop new digital tools to monitor compliance, support real-time reporting, and interface with the TCF, including databases, audit tools, real-time communication platforms, and data analytics for risk assessment.	Internal procurement records, IT budgets	One-time during setup, with ongoing evaluation	More efficient monitoring and compliance processes, improved data	IT expenses of traditional audit systems	
Human resources	Staff movement reports	Redistributing human resources from traditional audit to CCP	Human resources reports	One-time during setup, with ongoing evaluation	Increased efficiency, more resources for high-risk taxpayers	Pre- and post-CCP-introduction resource use	High-risk vs. low-risk taxpayer management

(continued on next page)

Table 3.1 — Taxonomy of Costs of Cooperative Compliance Programs for Tax Administrations

(continued)

Category of costs	Indicator	Description	Data source	Frequency	Expected outcome	Comparisons	Tax focus
Training and change management	Staff hours, external training	Training TA employees in the new compliance procedures	Training budgets, time logs	One-time during setup, with ongoing evaluation	Well-trained employees of tax administrations	Training intensity compared to standard audit training	Education
Evaluation costs	Time and resources allocated to program evaluation, including staffing, external consulting, and data analysis	Expenses for conducting evaluations of CCPs, including designing evaluation frameworks, data collection, stakeholder feedback, performance measurement, and reporting. External consultants may be hired for independent assessments.	Internal budgeting, external consultant fees, and reports on evaluation outcomes	Ongoing	Detailed reports on the effectiveness of CCPs, identification of areas for improvement, and evidence to support decisions on program continuation or modification		
Costs of managing public perception and expectations	Surveys about CCPs, expenses for communication campaigns, public relations, and stakeholder engagement activities	Costs associated with managing the perception of CCPs, including public awareness campaigns, press releases, marketing materials, stakeholder forums, and ongoing communication strategies aimed at promoting the benefits of CCPs	Marketing and communication budgets, external PR agency fees	Ongoing, with focus around the launch of the program	Improved trust in the TA, greater taxpayer participation in CCPs, reduced skepticism or resistance from businesses and the public, and enhanced transparency		Enhancing voluntary compliance

Table 3.2 — Taxonomy of Costs of Cooperative Compliance Programs for Taxpayers

Category of costs	Indicator	Description	Data source	Frequency	Expected outcome	Comparisons	Tax focus
1.a Tax control framework: documentation	FTE + indirect cost allocation	Costs related to the documentation of the control framework (e.g., tax strategy, procedures, risk appetite).	Internal data (time dedicated by professional involved). Time logs.	One-time during setup, with ongoing evaluation	To have everything in the TCF documented To prove the content of the TCF	No comparison New cost	Tax strategy and tax governance within the organization
1.b Tax control framework: operative implementation	FTE + indirect cost allocation + IT expenses and third parties' fees	Identification, measurement, management and control of tax risk (internal communication training, whistleblowing channel, and testing included)	Time logs. IT budget. Budget provided by third parties.	Ongoing	To have the TCF operational and internally integrated with other control mechanisms	No comparison New cost	Increasing risk management
2. Prior reviews and audits	FTE + indirect cost allocation/ third parties fees	Prior reviews and audits that can be carried out either with respect to the TCF or the entity's own taxes	Time logs. Budget provided by third parties.	One-time	To fulfill the requirements established by the CCP	No comparison New cost	Be able to access to the CCP
3. Tax transparency exercises	FTE + indirect cost allocation	Access to a CCP requires entity to undertake and document transparency exercises with TA	Time logs	One-time/ongoing depends on the program	To fulfill the requirements established by the CCP	No comparison New cost	Be able to access to the CCP
4. Formalization and legal communication	FTE + indirect cost allocation	Meetings held beforehand with the administration, the exchange of information, the designation of interlocutors, internal processes for the signing of agreements	Time logs	Ongoing Minor costs	To fulfill the requirements established by the CCP	No comparison New cost	Be able to access to the CCP

3.2. Assessment of Costs of Cooperative Compliance for Tax Administrations

3.2.1. General considerations on measuring the costs of cooperative compliance for TAs

Introduction to cost assessment of CCPs for TAs

Assessing the costs of CCPs for TAs is a crucial part of managing and sustaining such initiatives. A comprehensive cost assessment ensures that resources are allocated effectively and that program objectives are achieved without excessive strain on the budgets and mandates of TAs.

Costs associated with CCPs can vary significantly, depending on the complexity of the program, the scope of implementation, the number of MNEs engaged in CCP, and the administrative capacity of the tax authority. Key areas typically include infrastructure development, staffing, training, and technology investments. Indirect costs, such as stakeholder engagement and organizational process changes, also contribute to the overall impact.

Cost assessments are not a one-time exercise. The dynamic nature of CCPs requires continuous evaluation of both costs and benefits, allowing administrations to adapt to new challenges and optimize resource usage. Ongoing monitoring ensures that the program remains aligned with its objectives and delivers the intended benefits while remaining cost-effective.

Regular evaluations, however, introduce additional costs. Tax administrations must invest in developing metrics to measure both direct and indirect costs, including those related to compliance management, taxpayer cooperation, and program enhancements. Despite the expense, these evaluations are critical for the program's success. Only through careful, ongoing assessments can reliable conclusions be drawn about the efficiency and effectiveness of the program, ensuring that it provides value for the tax authority and taxpayers alike.

Incorporating cost assessments at each stage of a CCP ensures transparency and accountability, helping to justify the program's costs and its long-term benefits. Evaluations also provide the evidence needed to make informed adjustments to CCPs, ensuring that the objectives are met in an efficient manner on an ongoing basis.

Cost assessment methods

A key method for assessing the costs of CCPs is a CBA. The focus in this section is on the costs (see Section 4 for a discussion on the benefits). In a CBA, all relevant costs must be identified, quantified, and discounted to present value. These include direct expenses, such as technology investments, staff training, and program administration, as well as indirect costs, such as stakeholder engagement and communication strategies. The strength of the CBA lies in its ability to systematically account for both immediate and future expenses, providing a comprehensive understanding of the financial implications over time (Boardman et al., 2018). The steps in the CBA for the cost assessment of CCPs include the following:

- Identification of costs: This involves cataloging all possible expenses associated with CCPs, including start-up costs, infrastructure, and ongoing operating expenses. This step ensures that no cost component is overlooked.
- Quantification of costs: Once identified, these costs must be assigned monetary values. Direct costs are relatively easy to quantify, but indirect costs, such as those associated with internal resource reallocation or stakeholder management, may be more challenging to assess.
- Discounting future costs: Since many costs occur over time, CBA incorporates discounting techniques to adjust future expenses to their present value. This is critical for long-term programs, where costs accrue over several years.
- Cost comparison: Finally, by aggregating the discounted costs, TAs will have a clearer picture of the total financial commitment required for CCPs.

The limitations of the CBA arise primarily from the difficulty of accurately capturing indirect or intangible costs and the reliance on projections of future expenses. To better account for uncertainty, a scenario analysis can be used in conjunction with the CBA. Scenario planning explores different potential future developments by evaluating a range of possible outcomes. For example, in the case of CCPs, TAs could develop several scenarios based on different levels of taxpayer cooperation or technological upgrades, each with its associated cost implications (Godet, 2000). By applying this technique, TAs can explore the financial implications under both optimistic and pessimistic projections, improving the robustness of CBA results. Alternatively, tax authorities could choose to make certain simplifying assumptions.

Evaluation

While a CBA provides a solid framework for assessing the initial costs of a CCP, it is critical to recognize that a one-time analysis is not sufficient. Costs—and their impact—must be continuously monitored through ongoing evaluations to ensure that the program remains aligned with its goals and adjusts to new developments. For example, in the Netherlands' Tax and Customs Administration, continuous evaluation of its CCP resulted in reduced administrative costs and streamlined operations as inefficiencies were identified and addressed (OECD, 2013). Such evaluations help TAs remain agile, adjusting to taxpayer needs and external changes while keeping operating costs under control.

3.2.2. Development and implementation of a cooperative compliance program

Initial planning and development costs

The initial planning and development of a CCP involves significant up-front investment for TAs. These costs are critical to ensure that the CCP is properly structured and aligned with the tax administration's strategic objectives. Early-stage costs typically include research, program design, feasibility studies, and engagement with key stakeholders. These costs can be reduced through partnerships, for example, by encouraging tax authorities to conduct research at TAs abroad or at internationalized institutions. This research can serve as the basis for launching the program. Such an approach may be more efficient than setting up an internal group to carry out specific research.

In Brazil, the development of *Confia*, its CCP, involved extensive research into the existing compliance models and adapting them to fit the unique complexities of the Brazilian tax system. The *Confia* program was necessitated by the high amount of litigation and the significant administrative burden imposed by the country's complex tax laws. The *Confia* program sought to address these issues by providing legal certainty to businesses to avoid costly disputes and litigation.[5] These processes are necessary to build trust and transparency between TAs and taxpayers, laying the foundation for CC.

Pilot programs as a cost-minimization strategy

An effective way to mitigate the initial costs of implementing a CCP is through pilot programs. By adopting a phased approach, TAs can work with a select group of taxpayers to test key components of the CCP prior to full implementation. This allows for early identification of operational challenges, refinement of the program design, and adjustment of cost estimates, ensuring a more efficient allocation of resources in the long run.

Pilot programs can also leverage existing expertise by engaging third-party organizations such as professional associations, industry groups, or academic institutions. These entities can help develop technical standards and facilitate knowledge sharing among stakeholders. For example, the implementation of a TCF can benefit from lessons learned from comparative studies of similar frameworks abroad, allowing for more seamless integration by MNEs. By drawing on established best practices, TAs can reduce administrative burdens and improve the overall effectiveness of CCPs while keeping development costs under control.

Legislative and institutional framework costs

To support the successful implementation of a CCP, TAs often need to establish or amend legislation that governs the interaction between taxpayers and tax authorities. This legal framework ensures that the objectives and procedures of the CCP are clearly defined and legally enforceable. The costs associated with drafting, reviewing, and passing new legislation can be substantial and require legal expertise, cooperation between governmental bodies, and consultation with external stakeholders.

Austria's experience with horizontal monitoring illustrates the significant investment required to build the necessary legislative and institutional framework. The establishment

5 Based on the input shared by the Brazilian TA (Sales Parada and Gomez de Lamadrid, 2024).

of a robust legal structure and institutional oversight was key to integrating the program into the national tax system (Elmecker et al., 2016). Beyond the legal aspects, creating an institutional framework involves setting up dedicated units within the TA to oversee and manage the CCP. This includes administrative restructuring, hiring specialized staff, and investing in infrastructure, all of which are critical to the program's sustainability and effectiveness.

Technology and infrastructure costs

Investing in appropriate technology and infrastructure is important for the effective implementation of a CCP. Secure and efficient systems help manage data, streamline processes, and foster real-time communication with taxpayers. While this may involve upgrading IT systems or integrating new technologies, ensuring data security and efficiency remains a priority, especially in countries where technology plays a key role. However, significant technology investments may not always be necessary for all TAs. One of the key challenges in implementing a robust technology infrastructure is how to implement seamless integration across various TA platforms and departments. Many administrations face issues with outdated systems that are incompatible with newer, more efficient software solutions. For example, Austria's horizontal monitoring initiative faced such challenges during its early stages and required significant investment to upgrade its internal systems to facilitate effective cooperation between the TA and taxpayers (Elmecker et al., 2016).

Brazil's *Confia* program highlighted the need for a robust digital infrastructure to handle significant volumes of tax-related data. A particular challenge was how to apply efficiently the data matching system already in place for traditional audit processes to support real-time compliance assessments. In addition to the technological systems, this adaptation also involves the development of new procedures for communicating with the taxpayer. It affects the way auditors work and requires processes to identify and manage issues that involve potential tax risks so that they are addressed before they escalate into disputes (Sales Parada and Gomez de Lamadrid, 2024).

In Russia, the Federal Tax Service developed AIS "Tax-3," a digital system intended to improve TA and facilitate the CCP. The system is designed to centralize tax data, streamline interactions between taxpayers and authorities, and automate key processes, such as compliance monitoring and mass data processing. By establishing a unified information framework, AIS "Tax-3" aims to enhance decision making, reduce administrative burdens for both tax officials and taxpayers, and promote greater efficiency in tax-related operations. Additionally, the system seeks to foster transparency and accountability by providing real-time oversight of taxpayer activities and simplifying compliance procedures. However, references to the system's reliance on centralized federal data centers, advanced integration with other government systems, and regulatory compliance indicate that significant investments in IT infrastructure and software development were likely required. These include expenses for centralized components, federal backup systems, and compliance with stringent information security regulations (Federal Tax Service of Russia, 2025).

In addition to the traditional IT investments, recent advances in AI offer promising avenues for cost reduction. AI systems can assist in automating repetitive administrative tasks, such as data processing and analysis, reducing human labor costs and freeing up resources for more strategic activities. Moreover, AI tools can enhance the accuracy of risk assessments and monitoring, allowing TAs to identify compliance issues earlier and address them more efficiently. By adopting AI-driven solutions, TAs can significantly lower long-term operating costs while maintaining high standards of oversight.[6]

One example of using AI in a CCP is the *Confia* pilot in Brazil. To streamline the candidate selection process, *Confia* used supervised machine learning to identify risk patterns in taxpayer data and assist in the pre-screening of applicants. Other AI applications under consideration included clustering to segment taxpayers, regression models to predict behavior. While these tools are still in the testing phase, their use is expected to reduce labor hours, enhance anomaly detection, and automate reporting—significantly improving the program's efficiency and analytical capacity.

Costs of managing public perception and expectations

Maintaining a positive public perception and effectively managing stakeholder expectations are critical to the success of a CCP. Tax administrations must engage in constant communication with both external stakeholders (taxpayers and the public) and internal stakeholders (employees within the administration) to ensure transparency and trust. Successful communication strategies can draw on insights from marketing, public policy, and organizational management. Public perception can significantly affect the credibility of a CCP, and any missteps in communication can lead to skepticism or distrust. A well-documented case is Austria's horizontal monitoring program, where it was found that a lack of clear, ongoing communication caused concern among stakeholders who were unfamiliar with the program. This gap led to misunderstandings about the program's objectives and perceived fairness. In response, Austria's TA implemented a targeted public relations strategy to counter the negative perceptions and to demonstrate the program's benefits, ensuring a more positive reception from the public and stakeholders (Elmecker et al., 2016).

A key component of effective communication is proactive engagement. Tax administrations should not wait until issues arise to address public concerns but should instead provide consistent updates on the CCP's progress, objectives, and results. This can be achieved through multi-channel communication efforts, such as public briefings, press releases, and social media campaigns, which help demystify the program and foster public support. Internally, communication within the TA is equally important, as employees who are directly involved in the CCP must be well-informed and aligned with the program's objectives. Studies on organizational change indicate that employees are more likely to be committed to the success of the program

[6] ChatGPT, response to "Based on the document attached, how could AI help to reduce costs? Answer in 3 to 5 sentences." August 30, 2024, https://chat.openai.com.

if they feel involved in the decision-making process and are well informed about new initiatives (Kotter, 1995).

Another key element is stakeholder consultation. Regular consultation with taxpayers, business groups, and other external stakeholders creates a sense of partnership and cooperation, ensuring that the program is seen as a collaborative effort rather than a top-down imposition. For example, involving representatives from various sectors in the design and implementation phases of a CCP can help anticipate concerns and adjust communication strategies accordingly. This approach not only increases transparency but also builds trust among participants, which is crucial for the long-term success of the CCP (Enachescu et al., 2019). Managing public perceptions and expectations requires TAs to adopt a structured communication strategy that prioritizes transparency, inclusivity, and proactive engagement. By doing so, administrations can ensure that both external and internal stakeholders remain informed and supportive of the CCP.

Prioritization of costs and summary

When faced with a constrained budget, TAs should prioritize legislative and institutional framework costs. Establishing a robust legal framework and an appropriate institutional structure is essential to ensure the program's compliance with national laws and its long-term sustainability. Technology and infrastructure upgrades are also critical for enabling efficient data management, communication, and operational support. Without a well-maintained IT infrastructure, the CCP's effectiveness would be severely compromised. While public perception and communication costs may be lower initially, they should not be underestimated. Underinvestment in this area may lead to future resistance or skepticism from stakeholders, potentially increasing operating costs in the long run. The development and implementation of a CCP involves a range of costs, from initial planning and research to stakeholder engagement, infrastructure upgrades, and public outreach. Each cost category plays an important role in the successful rollout of the program, and careful budget management is essential to balance these needs.

3.2.3. Maintaining cooperative compliance programs

Ongoing operating costs

As CCPs transition from the development phase to regular operations, TAs must reallocate resources and invest in infrastructure on an ongoing basis. Building on the technological investments and stakeholder engagement efforts discussed in the previous section,, it becomes clear that maintaining a CCP involves significant recurring costs to support its operational framework. These include expenses related to managing the staff, technology, and communication systems required for the program's success.

One of the most pressing concerns for TAs is the reallocation of internal personnel to support the CCP. Tax administrations may perceive this as a loss of resources that could otherwise be used for direct enforcement activities such as audits. However, the personnel required for CCPs need to manage long-term relationships with businesses, ensuring compliance through cooperation rather than confrontation. This shift requires specialized skills, and TAs must invest in training to equip staff with the necessary knowledge of both the CCP framework and the industries they monitor.

Although this reallocation can be seen as a high initial cost, it is important to stress that the long-term benefits can outweigh the short-term expenditure. By shifting the focus to CC, TAs can improve compliance rates, reduce litigation, and promote greater transparency with taxpayers. These benefits, combined with the savings from reduced audit burdens and faster issue resolution, often result in a net reduction in overall costs. Studies have shown that in countries like the Netherlands and Austria, the CCP model has led to more efficient compliance management and communication between the stakeholders (Goslinga et al., 2021), which allows TAs to focus their enforcement efforts on higher-risk taxpayers. In the long run, this optimized allocation of resources can lead to cost savings through improved risk management and early detection of issues, that would otherwise escalate into costly disputes or audits.

Additionally, participation in a CCP leads to lower levels of risk-taking by businesses (Eberhartinger and Zieser, 2021), as they operate within a transparent framework. This reduction in risky behavior can result in fewer disputes and investigations, as businesses are more likely to adhere to agreed-upon standards and report issues proactively. This reduces the need for large audit teams and allows TAs to reallocate resources to more strategic activities. These activities may include identifying compliance risks in non-participating taxpayers or sectors that pose a higher risk of non-compliance. The resulting reduction in disputes and audits contributes to long-term efficiency and cost savings by reducing the need for traditional enforcement measures.

For TAs that choose to integrate artificial intelligence (AI) into their CCP operations, there is also the potential for significant cost reductions. AI systems can automate repetitive administrative tasks, such as data collection, risk assessment, and compliance monitoring, that traditionally require significant human resources. By deploying AI tools, TAs can reduce manual labor costs and focus staff on more complex, high-value activities. While adopting AI may come with initial costs for implementation, staff training, and system upgrades, the long-term benefits of reducing operating costs are considerable.

In addition, as TAs make greater use of AI, it has the potential to significantly contribute to the realization of CC benefits. For example, AI can analyze data on compliance risks identified and disclosed by taxpayers in the program to generate new risk rules applicable to the broader taxpayer population. It is recommended that TAs explore the use of AI in CCPs to further improve efficiency and reduce costs over time, although it is not essential to the program's success.

Litigation and dispute resolution costs

Despite the proactive approach of CCPs, disputes between TAs and taxpayers may still arise. Building on the operational considerations discussed earlier, it is important to recognize that managing these disputes, quickly and avoiding escalation, involves its own set of costs. In the Netherlands, for example, while the introduction of their CCP led to improved communication and fewer prolonged disputes, the TA still faced costs associated with managing disagreements. Resources were allocated to ensure that disputes could be resolved swiftly, preventing them from escalating into more serious conflicts (De Widt and Oats, 2017). This highlights that while litigation costs may decrease under CCPs, the need for investment in dispute resolution mechanisms remains relevant.

For that reason, it is important for TAs to anticipate the costs associated with establishing dedicated teams or units specialized in handling disputes promptly and effectively. These teams require specialized training to navigate complex tax matters and maintain the cooperative relationship with taxpayers. The costs associated with staffing, training, and retaining these experts contribute to the overall expenses of maintaining the CCP.

Additionally, CCPs may require the development of new internal guidelines and processes tailored to the cooperative approach. Creating these protocols involves costs related to policy development, staff training, and ongoing adjustments based on practical experience. Ensuring that both the TA and participating taxpayers are familiar with these procedures is critical for effective dispute management.

While CCPs aim to minimize conflicts through better transparency and early engagement, disputes still may arise, and the TA should be prepared to solve them swiftly and efficiently. Investing in effective dispute resolution supports the sustainability of the CCP and reinforces the trust and cooperation established between the tax authority and taxpayers.

Human resources and budgetary impact

Maintaining a CCP requires significant staff training and specialization. Beyond these immediate considerations, there are two additional imperatives that require close attention: the need to foster a collaborative culture within the TA and the need to engage in long-term workforce planning to ensure the program's sustainability.

Establishing a culture of cooperation is critical for the successful implementation of a CCP. Traditional tax enforcement models often rely on a hierarchical and confrontational relationship between tax authorities and taxpayers. In contrast, CCPs emphasize a more cooperative approach, which requires a fundamental change in the way tax officials engage with businesses. As Bauer and Kirchler point out, fostering a cooperative climate is essential to increase voluntary compliance and trust (Bauer and Kirchler, 2025). In this environment, tax officials need to act as both enforcers and partners, working alongside businesses to ensure compliance through transparency and dialogue. This change in mindset involves costs related to staff retraining, leadership development, and the creation of internal communication channels that encourage cooperation across departments.

Developing such a culture also carries indirect costs. Resistance to organizational change is common, and TAs may face internal opposition from employees who are more accustomed to traditional enforcement roles. Research indicates that these employees may struggle to adapt to the cooperative approach, perceiving it as a softening of their authority (Enachescu et al., 2019). To address this, TAs must invest in change management initiatives that help build a shared understanding of the benefits of cooperation, mitigate resistance, and align the goals of staff with the program's objectives.

Long-term workforce planning is equally vital for the continued success of a CCP. Given the complexity of CC, TAs must ensure that they have sufficient staff with the appropriate expertise to handle ongoing operations. CCPs often involve continuous, real-time interactions with large corporations, meaning that TAs cannot rely on ad-hoc staffing solutions. Workforce planning, therefore, requires investment not only in recruitment but also in retention strategies to keep highly skilled personnel engaged over the long term.

Planning for future staffing needs becomes particularly important as the CCP expands. As the number of participating businesses grows, so does the demand for tax officials with the skills to manage these relationships. Failure to anticipate these needs can lead to staff shortages, overwork, and ultimately, a decline in the quality of the program. Long-term budgeting for human resources must, therefore, factor in the gradual scaling up of the CCP, with provisions made for additional recruitment, training, and retention efforts to cope with the increasing workload.

At an early stage, CCPs could decide to run a pilot with a few taxpayers to test the design, improve and balance resources, and clarify the legal framework. The pilot should be effectively evaluated so that the results can inform the design of the full program. To enhance communication about the program, some third-party participation in the pilot by authorized stakeholders, NGOs, and/or academics, is worth considering.

Evaluation of ongoing costs

Evaluating the ongoing costs of CCPs is essential to ensure that the program remains financially sustainable and continues to achieve its intended objectives. As CCPs are dynamic in nature, TAs must continuously monitor costs and assess whether the program is operating efficiently. This includes tracking both direct costs, such as personnel and technology maintenance, and indirect costs, such as stakeholder engagement and administrative adjustments.

Regular evaluations help TAs identify areas of cost escalation and implement corrective measures where necessary. For instance, ongoing monitoring of human resource allocation may reveal inefficiencies in staff deployment or training needs that could be addressed through internal restructuring or additional professional development.

A notable example of ongoing costs in the Brazilian *Confia* program is the significant number of working hours devoted to maintaining stakeholder engagement. Between December 2021 and June 2023, *Confia's* Dialogue Forum[7] accounted for more than 1,847 working hours by senior technicians across 27 departments. These ongoing interactions,

7 Established by the Receita Federal Do Brasil (RFB) in October 2021, the Dialogue Forum serves as a structured platform for collaboration between the TA and selected companies in developing the *Confia* program. Participating companies are chosen based on criteria such as tax governance maturity, size, and economic relevance. Within the Forum, Thematic Chambers allow for joint discussion and the proposal of good tax compliance practices and related benefits.

while resource-intensive, were seen as critical to maintaining trust and ensuring the success of the program. Although this represents a recurring cost, it also helps to mitigate potential disputes and align the interests of the TA and taxpayers.

Similarly, maintaining the technological infrastructure for CCPs may incur variable costs over time, including software upgrades and cybersecurity measures. By regularly assessing these areas, TAs can optimize the use of resources and ensure that operating costs are kept in check while maintaining the integrity of the program.

Tracking and evaluating costs: methodologies and data requirements

To effectively evaluate the costs of maintaining CCPs, TAs must establish structured methodologies for data collection and analysis. Ongoing costs should be tracked systematically using a combination of real-time and periodic reporting mechanisms. Weekly data collection can provide insights into operational aspects, such as staff hours dedicated to specific CCP activities, the frequency of taxpayer interactions, and resource allocation to risk assessments. Monthly or quarterly reports should capture broader trends, such as expenses related to infrastructure maintenance, training programs, and stakeholder engagement efforts. Annual evaluations should consolidate these data points to offer a comprehensive overview of total costs, including indirect and non-measurable costs such as opportunity costs or potential loss of enforcement capacity.

A robust cost-tracking framework requires clear definitions of cost categories, standardized templates for reporting, and consistent data collection practices across departments. For example, dedicated teams should record time spent on CCP-specific tasks, and IT departments should document expenses related to system upgrades or cybersecurity measures. Furthermore, integrating cost data into centralized databases can facilitate easier access and analysis, enabling TAs to identify inefficiencies and optimize resource use. These tracking practices ensure that TAs maintain financial oversight of CCPs, enabling adjustments to meet objectives while remaining cost-effective.

Conclusions

Maintaining a CCP involves a range of ongoing costs, from staffing and technological infrastructure to providing effective dispute resolution mechanisms. While these costs can be significant, they are critical to ensure that the CCP remains effective, transparent, and adaptable. Through careful management of human resources, regular evaluations of operating costs, and adjustments to both processes and technology, TAs can optimize costs over time.

3.3. Assessment of Costs of Cooperative Compliance for Businesses

3.3.1. Preparatory stage of participation in a cooperative compliance program

Like the TA, any given taxpayer would evaluate the costs associated with the CCP, considering both the upfront or program access costs and the ongoing participation costs related to maintaining the program.

Access costs

Implementation of a tax control framework

In general, the implementation of TCF will require costs related to the documentation of the control framework and the development and implementation of its operational part.[8] Documentation usually encompasses the establishment of a tax strategy and/or a general risk management policy, its development through internal tax policies, the elaboration of a tax risk appetite framework, the documentation of the internal processes in which controls are incorporated, and other documentation related to reporting to governing bodies, training, internal or external communication, and others.

Normally, when using internal resources, the measurement of the cost of this type of task will be mainly determined by personnel costs and any indirect costs that may be charged (use of buildings, general software, etc.). The FTE technique can be used to estimate personnel costs. It consists of determining the cost per year of a worker according to his or her category. Prospectively, the company would calculate the necessary FTE and identify the categories involved, enabling it to estimate the cost. In such cases, the determination and documentation of strategy, fiscal policies, or risk appetite will incur staff costs at managerial levels. One way to minimize these costs is to draw on the experience of other entities that have made their respective strategies public. They can serve as a basis for internal adaptation if the entity is new to setting up such a strategy.

Middle management can normally document internal procedures and all other documentation, with further review and supervision by senior management. When starting from scratch, it is important to carry out proper planning because costs can be deferred if the most significant processes are documented as a matter of priority. If external resources or a combination of both (internal or external) are used, a third party will normally estimate the costs, considering a man-hour calculation as there is no tailor-made suit.

In terms of the costs linked to the more operational aspects of TCF (identification, measurement, management and control of tax risk), the most significant cost that could be incurred is the acquisition or adaptation of software. There is software on the market (e.g., SAP) dedicated to TCF with functionalities that allow it to be integrated with the entity's pre-existing enterprise resource planning system. Normally, the cost of the license and associated help desk, if any, must be assumed. The cost can be spread out, especially if the software allows for the progressive incorporation of functionalities.

In addition to the IT cost, the cost of dedicated staff for these more operational aspects should be added. This normally includes staff from the tax function, but also from other functions such as internal control and internal audit (especially if the three lines of defense model is used). In particular, the cost of the tax compliance officer or equivalent should be considered.

Some other operating costs, such as those linked to training, internal dissemination, and/or a whistleblowing channel, can also be established based on the FTE system

[8] Even though in some countries, implementing a TCF might be required outside CCPs, it constitutes a significant cost for taxpayers.

discussed above. In these cases, the indirect costs of communication should be added. A cost saving can be established if the training is carried out online, recorded, and reusable for new teams or when the channels used for these aspects are the pre-existing ones in the entity (intranet, internal portals, etc.).

Prior reviews and audits

Prior reviews and audits can be carried out both with respect to the TCF and in a more traditional way on the entity's own taxes. Normally, the costs associated with these processes are associated with dedicated staff, either in-house or outsourced. The FTE technique can be effective for this estimation, which is generally easier and based on accumulated experience. Other minor costs are often incorporated (e.g., imputed indirect costs). It is also possible that third parties (auditors, certifiers) may be required to verify the TCF before accessing a CCP. In this case, the costs charged by the entity performing the audit will have been established on a man-hour plus margin basis.

Ad hoc pre-access transparency exercises

Sometimes, access to a CCP requires the entity to undertake transparency exercises with the TA and document them. For example, a report may be required to detail uncertain tax positions for certain years, or to document or provide the TA with analyses related to transfer pricing, or details of the entity to inform the administration. In general, the assessment of these costs can be derived from FTE estimates and, where appropriate, the allocation of minor indirect costs.

Formalization and/or prior communication with the TA

There are some less important or less relevant costs. They include meetings held beforehand with the administration, the exchange of information, the designation of interlocutors, internal processes for signing agreements, etc. The most relevant are usually costs in time per person (measured as FTE), to which transport, travel and/or minor imputed costs are added.[9]

[9] In *Confia*, the pilot program prescribes a five-step opt-in process. The taxpayer must perform a self-assessment, filling out application forms, where the company must verify the adequacy of its policies and tax procedures to *Confia's* objectives and its compliance with the requirements and criteria of the program, defined in a specific administrative provision. Thus, the candidacy is presented by the electronic submission of documentation pre-defined by the RFB. The validated companies are invited to prepare, cooperatively, a compliance work plan. The RFB invited the 24 companies validated in the process of joining the *Confia* pilot to answer an anonymous online survey about their experience. Regarding the time spent on the process of joining the *Confia* pilot, most respondents reported that they spent less than 24 hours of work on preparation (19) and less than 24 hours on agreeing on the work plan (17). All respondents stated that they were satisfied or very satisfied with the amount of time invested. Concerning to the requirements for joining the pilot, the technological tools used, and communication and relationship with the RFB officers involved in the process, all respondents stated that they were satisfied or very satisfied (Sales Parada and Gomez de Lamadrid, 2024).

3.3.2. Maintenance costs

Once the taxpayer has entered a CCP, costs tend to decrease significantly. The costs that remain the highest are those linked to the maintenance of the TCF, in particular, those arising from new functionalities or enhancements introduced as a result of the deferrals proposed by the entity, the processes of continuous improvement of the TCF itself, or as a result of indications from the tax authorities, as well as the costs of maintenance of the dedicated software or those derived from cyclical reviews or audits of the system. The procedure for determining these costs does not vary (FTE, allocation of indirect expenses, third-party invoicing, etc.). On the other hand, in these phases of the CCPs, transparency exercises and communication with the TA are maintained. These costs may often be higher than the initial costs, but they tend to be very low *per se*. They can in any case be assessed in the same way and using the same techniques.

Relevant costs inherent to economic activity of a taxpayer are compliance costs, which are unavoidable and directly linked to tax obligations. Costs related to access and maintenance in the CCP can be, hence, considered as part of the overall taxpayers' tax compliance costs. As discussed in Section 4 herein, reduction in tax compliance costs is a key benefit and incentive for business to participate in CCPs. Annex 1 provides guidance for taxpayers on the process for determining access and maintenance costs in CCPs as part of the overall compliance costs.

3.3.3. Factors affecting the costs of cooperative compliance programs for businesses

The costs of CCP for business can depend on the following factors (1) external to the taxpayer, particularly those related to the requirements for access and maintenance of the CCP established by the TA, and (2) those relating to the taxpayer. The diversity of CCPs that can be observed internationally is the result of several features, which include, but are not limited to, the following:[10]

- The overall strategy of the TA in which the CCP is framed
- The objectives defined for the TA and taxpayers participating in the CCP
- The legal framework covering or, where applicable, regulating the CCP
- The taxpayer segments to which the CCP is open
- Whether it is compulsory or voluntary for the taxpayer
- The access requirements or the conditions for acceptance
- The mechanism for inclusion in the CCP (application or invitation)
- The presence of a standardized formalization vs. specific agreement negotiated between the administration and the entity

[10] The list is based on the questions on CC from the ISORA 2018 survey, corresponding to the financial year 2017, the last one available for the extensive or detailed cycle of the survey. In addition, the variables studied in Quiñones et al. (2022) were taken into account, and an attempt was made to group and systematize them.

- The legal nature of the instrument in which the eventual formalization of the participation takes place
- The period of validity of the instrument, if any
- The possible binding force of the agreement among the participants involved in the CCP
- Exit mechanisms (voluntary or involuntary; possible penalty system)
- The objective scope (taxes or obligations included or excluded)
- The existence of a "one-stop shop" with the administration
- The procedures established for interaction between the parties
- Focus on assurance through simultaneous inspections and/or focus on granting certainty through ad hoc mechanisms
- The existence of a dedicated body within the TA

Therefore, the costs will be conditioned by the characteristics of the CCP, specifically by the requirements in terms of access or maintenance. The variability in this respect is significant. In some jurisdictions, such as Spain, where access basically involves adhering to the Code of Good Tax Practices proposed by the Spanish Tax Agency, there are few costs. The commitments outlined in the Code are defined in a highly generic manner in its annex, allowing compliance-oriented entities to consider them fulfilled. If the entity so desires, it may voluntarily submit an annual transparency report together with the corporate income tax return, explaining the positions adopted, so that the new costs (which are voluntary) will derive from the time devoted to its preparation. In some countries, such as the Netherlands or Austria, efforts will focus on the establishment and maintenance of a TCF, and in other jurisdictions, such as Russia, on the investment in software to ensure the connectivity required by the CCP.

Factors affecting the taxpayers

The other important set of factors that may have a significant impact on the expense estimate are the conditions and circumstances peculiar to each taxpayer wishing to join a CCP. A key factor is the pre-existence of elements required by the CCPs (for various reasons), which therefore do not need to be incorporated, either because the entity already has them or because they do not need to be introduced from scratch. The more elements an entity has already incorporated, the lower the adjustment cost will be.

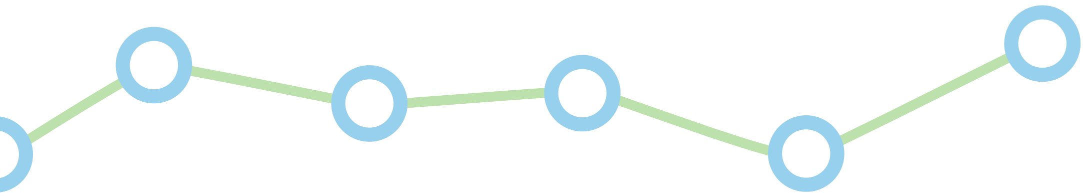
Among the costs associated with a CCP, those related to the implementation or improvement of a TCF may, in principle, be the most significant. In general, large companies—most of which are subject to international accounting standards (IFRIC 23 and FIN 48) requiring them to identify and justify their levels of tax risk, or to commercial or criminal regulations mandating a risk management and control system, whether tax-related or not—will require fewer adjustments to implement a TCF for the purposes of a CCP than entities not legally required to have such a control system. In all these cases, if the risk management and control system does not include or only partially includes taxation, applying economies of scale would mean that the tax component could be incorporated at very little additional cost.

It is also rare to find companies aspiring to participate in a CCP that do not have any risk management and control mechanisms. In such cases, the extent of the adaptations to be made will largely depend on factors such as the size and/or complexity of the company's internal processes.

Alongside the TCF, the other pre-existing factor of major relevance in terms of costs is technology. Generally, companies have had to incur significant technology-related costs to ensure connectivity with the administration and to complete their tax returns. Therefore, it is unlikely that joining a CCP would entail significant additional outlays. However, some taxpayers may incur such costs if their previous investments in technology were insufficient or hinder their tax compliance. Other cost factors, such as dedicated staff, will largely depend on the optimal allocation of resources required for CCP.

Conclusions

In general, the costs of access to or maintenance of a CCP by an entity are mostly determined by the access requirements of the specific CCP and by whether the entity has the required elements. Generally, in a post-BEPS (base erosion and profit shifting) environment, large companies already have the elements required by CCP that can be more costly (TCF and technology), so that only minor adaptations are required to access such programs. These costs are often measured by FTE techniques and through third party budgets. Once the initial cost burden of the CCP has been assumed, maintenance costs decline over time and are offset by the expected benefits of participating in the CCP. In addition, the continuous improvement cycles built into the CCP can help spread or distribute the initial costs.



4

Measuring Benefits of Cooperative Compliance Programs

This section provides structured guidance for evaluating the benefits of CCPs. Tax administrations should develop a jurisdiction-specific framework that identifies the expected benefits for both tax authorities and taxpayers, supported by a set of objective and, where possible, quantitative indicators. To assess effectiveness, TAs are encouraged to apply empirical methods and to use visualization dashboards and cost-benefit assessments that reflect the long-term and evolving nature of CCP outcomes.

For TAs, CCP benefits are grouped into four key areas: tax compliance, tax audit, tax litigation, and tax and legal certainty. Improved tax compliance is reflected in enhanced transparency, better risk management, and increased institutional insight. CCPs can lead to more efficient audits through better targeting and reduced costs, as well as fewer disputes and lower litigation expenses. CCPs also enhance legal certainty by facilitating early resolution of issues, fostering consistency, and supporting a more predictable and investment-friendly tax environment.

Taxpayer benefits are classified similarly across four categories: tax compliance, tax audit, tax litigation, and tax and legal certainty. Participation in a CCP is expected to reduce the amount of resources needed for tax compliance and audits, due to greater clarity and fewer administrative burdens. Taxpayers may also see a decline in litigation costs, as improved alignment with the TA limits discrepancies. Additionally, tax and legal certainty for businesses is increased through transparent dialogue and dispute prevention mechanisms, lowering risk management costs and improving the predictability of outcomes.

Evaluating the relationship between TAs and taxpayers and gathering feedback on a CCP are essential for program improvement and trust-building. Tax administrations should combine qualitative and quantitative tools, such as surveys, interviews, and behavioral assessments, to assess trust, cooperation, and responsiveness over time. Continuous monitoring and structured feedback loops, involving key stakeholders, help identify patterns, ensure timely and actionable input, and support context-specific improvements. Effective communication of findings through reports and stakeholder engagement reinforces a culture of collaboration and continuous development within CCPs.

4.1. The Benefits Associated with Cooperative Compliance Programs: Definition and Mapping

CCPs can deliver measurable benefits in terms of efficiency (e.g., reduced time and costs spent on audit, litigation, and tax compliance) and effectiveness (e.g., improved tax compliance outcomes and improved tax certainty). CCPs can provide a transparent mechanism to diminish disputes between taxpayers and TAs by reducing the risk of different interpretations of tax law for complex transactions. In that sense, CCPs are an important tool to enhance transparency and reduce information asymmetry, leading to a reduction in the number of tax disputes and more efficient allocation of resources. For large taxpayers, CCPs can also bolster a company's reputation by reducing reputational risk.[11]

Early on, the OECD (2013), in collaboration with the Netherlands Tax and Customs Administration, determined that, in general, CC strategies improve TAs' understanding of the tax behavior of large and complex businesses. The information, obtained from respondents from 21 countries, enabled better risk profiling for tax audit selection, which is an important determinant of TAs' performance (Eberhartinger et al., 2021). The literature also suggests that compliance behavior reflects the information asymmetry between taxpayers and tax authorities (DeBacker et al., 2018). That is, reducing information asymmetry positively affects compliance (Advani et al., 2023; Kleven et al., 2009, 2010).

From the taxpayer's perspective, improved tax certainty, decreased time spent on filing tax returns, and reducing overall tax compliance costs are important benefits of CCPs (OECD, 2013). Indeed, research conducted by the U.S. Internal Revenue Service to measure the compliance effects of the Compliance Assurance Process in the United States suggests increased taxpayer certainty at the time of filing returns (OECD, 2014). Another empirical study indicates that taxpayers participating in the Austrian Horizontal Monitoring Program perceive a significant increase in tax certainty, which is associated with a significant relative decrease in tax risk and compliance costs (Eberhartinger and Zieser; 2021).

For TAs, measuring the benefits associated with CCPs in terms of efficiency and effectiveness is crucial to demonstrate how CC strategies can contribute, in a cost-efficient and effective way, to a positive and sustainable change in compliance behavior and to a positive impact on investment decisions and economic growth (IMF/OECD, 2019). Moreover, the possibility of using indicators to track, quantify, and monitor the main tax issues arising from specific features of the tax system (e.g., complex and ambiguous provisions) provides important insights to policymakers on how to refine the tax system to incentivize voluntary compliance and enhance tax certainty.[12]

11 Recent leaks, including the Panama Papers, the Pandora Papers, and other investigations, have unveiled aggressive tax avoidance practices. CCPs enhance the capacity of tax administration to uncover these practices and enables them to identify and separate transactions that respond to a business rationale from tax avoidance.

12 Differences in tax system, such as tax code complexity and the tax appeal process, may vary from country to country and affect the overall efficiency and effectiveness of CCPs.

For a TA that embarks on identification and measurement of the benefits of CCPs, it is useful to develop a conceptual framework or mapping of the main benefits expected to materialize in their jurisdiction by area of focus. The expected benefits will depend on the structure and institutional context of the CCP. The OECD Cooperative Compliance Framework (2013) states that certainty, risk management, opportunity, and cost reductions are benefits for both taxpayers and TAs, while business understanding is a benefit accruing to the TA, and reputational gains are benefits for taxpayers. This provides a useful starting point for the conceptualization and structuring of the benefits of a CCP program.

Tables 4.1 and 4.2 summarize a proposed benefits measurement framework for CCPs. Subsection 4.2 presents the rationale for each set of indicators, while Annex 2 provides detailed methodological notes on computing each indicator. Annex 3, which summarizes the United Nations and OECD perspectives on the classification of CCP benefits, contains the suggested classification of indicators.

As Tables 4.1 and 4.2 show, many of the proposed indicators can be retrieved from the TA's information systems, while others involve administering surveys to taxpayers. Not all the indicators are applicable in all jurisdictions. Accordingly, the indicators proposed in Tables 4.1 and 4.2 can be considered a menu from which the relevant options for a given jurisdiction can be chosen, providing a starting point for the CCP assessment. This will assist the program implementation process by providing objective, primarily quantitative data to support its implementation and subsequent operation.

The pre-established measurement methods can be monitored over time, enabling a before-and-after comparison, as well as placing the CCP in the context of overall system performance. This is important given that the realization of the CCP's benefits may not be immediate, and the dynamics of the expected changes are specific for each indicator (i.e., the expected change in the indicator for time and human resources dedicated to tax disputes and litigation may accrue earlier than the expected change for the indicator of tax amount in dispute).

Considering both costs and benefits of the CCP compiled in a cost-benefit or cost-effectiveness analysis, parameters such as a discount rate or time horizon are important.[13] This is because the benefits of a CCP will arguably accrue later than its costs, which will be borne before or at the beginning of its implementation.

The quantification of benefits of a CCP requires estimation of its incremental benefit, that is, a benefit compared with the status quo or a base-case scenario. The easiest way to proceed is to make a comparison for a given indicator for CCP taxpayers only, measuring the indicator before and after the taxpayer becomes part of the CCP. In this case, only the indicators computed for CCP taxpayers are necessary. Another possible comparison is between the group of CCP taxpayers and a control group, or a group of comparable non-CCP taxpayers. The TA could also estimate the benefits

[13] See, for example, Boardman et al. (2018) for a discussion of the theory and practice of cost-benefit and cost-effectiveness analyses methods.

of a CCP using a rigorous impact evaluation. Empirical methods such as difference-in-differences analysis can be used to assess the causal effect of a CCP by comparing changes in outcomes over time between a population of taxpayers enrolled in a CCP (treatment group) in relation to a population of non-enrolled taxpayers (control group).[14] The estimation of the outcomes through impact evaluation could focus on some key indicators, given the information and resource requirements of rigorous impact evaluations. Tax administrations can also track the proposed monitoring indicators through visualization tools that provide an environment for data analytics to draw insights and uncover patterns and trends for better monitoring of the CCP and decision making. Annex 4 provides an example of such a visualization tool for a systemic analysis of CCP data.

[14] See, for example, Gertler et al. (2016), for causal impact identification methods and application.

Table 4.1 — Indicators for Measuring Cooperative Compliance Benefits for Tax Administrations

	Indicator	Purpose	Data source	Expected outcome
		I. Tax Compliance		
		1.1 Taxpayer Compliance Behavior		
I.1a	Incidence in Targeting Rules	Monitor the quality of tax returns filed by taxpayers enrolled in CCP	Tax administration (TA) internal systems	Reduction of incidence in targeting rule
I.1b	Distortions and Inconsistencies	Monitor distortions or inconsistencies detected by tax administration internal systems checks	TA internal systems	Reduction of distortions or inconsistencies detected by tax administration internal systems checks
I.1c	Tax Irregularities Detected in Audits*	Monitor trends in tax audit results	TA internal systems	Reduction of total irregularities detected in audits or reduction of complex audits related to aggressive tax planning (ATP)
I.1d	Tax Gap*	Monitor trends in tax gap measures	TA internal systems	Reduction in tax gap
I.1e	FTE for Monitoring of Taxpayer Compliance	Monitor trends in resources spent in activities related to monitoring compliance behavior	TA internal systems	Reduction in FTE for monitoring compliance behavior
		I.2 Transparency and risk management		
I.2a	FTE Dedicated to Targeting and Risk Profiling	Monitor the incremental performance of the taxpayer selection process by the risk management team based on enhanced knowledge of businesses	TA internal systems	Reduction of FTE for targeting and risk profiling and improvements in the capacity to focus and respond faster to relevant tax compliance risks, and refinements of risk profiling in tax audit selection
		I.3 Institutional management		
I.3a	Quantum of Complex Tax Issues Disclosed*	Monitor the main tax issues arising from specific features of the tax system, such as complex and ambiguous provisions	CCP data, financial statements, TA internal systems	Provide relevant insights to policy makers on how to refine the tax system in a way to incentivize voluntary compliance and enhance tax certainty

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Table 4.1 — Indicators for Measuring Cooperative Compliance Benefits for Tax Administrations *(continued)*

	Indicator	Purpose	Data source	Expected outcome
		II. Tax Audit		
		II.1 Audit expenses		
II.1a	FTE Dedicated to Tax Audits	Monitor trends in resources dedicated to tax audits	TA internal systems	Reduction in FTE dedicated to auditing
II.1b	Number of Tax Audits*	Monitor trends in quantity of auditing proceedings, classified by complexity	TA internal systems	Reduction in number of complex audits
		II.2 Audit yield		
II.2a	Performance of Tax Audits*	Monitor audit performance based on enhanced knowledge of businesses	TA internal systems	Change in proportion of audits with results
		III. Tax Litigation		
		III.1 Litigation expenses		
III.1a	FTE Dedicated to Tax Disputes and Tax Litigation	Monitor trends in resources dedicated to tax disputes and tax litigation	TA internal systems	Reduction in FTE dedicated to tax disputes and tax litigations
III.1b	Number of Tax Disputes*	Monitor trends in quantity of existing tax disputes, classified by complexity	TA internal systems	Reduction in the number of tax disputes
III.1c	Variability of Tax Disputes	Monitor variability of tax disputes over time	TA internal systems	Reduction in the variability of tax disputes over time
		III.2 Collection uncertainty		
III.2a	Tax Position Convergence	Monitor trends in the amount of the initial tax position stated by taxpayers and compare it with the final agreed position	CCP data, financial statements, TA internal systems	Reduction in the difference between initial stated tax position and final agreed tax position
III.2b	Tax Amount in Dispute	Monitor the total tax amount in dispute in relation to the total debt voluntarily declared by taxpayers	TA internal systems	Reduction in tax amount in dispute relative to the total debt voluntary disclosed

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Table 4.1 — Indicators for Measuring Cooperative Compliance Benefits for Tax Administrations *(continued)*

	Indicator	Purpose	Data source	Expected outcome
		IV. Tax and Legal Certainty		
IVa	Number of Advance Pricing Agreements (APAs) or Mutual Agreement Procedures (MAPs)	Monitor trends in the number of APAs or MAPs for CCP taxpayers	TA internal systems	Change in number of APAs or MAPs. This indicator is a monitoring indicator and could take either direction. For instance, a reduction in the number of APAs could signal that taxpayers have more certainty through the CCP, or an increase in the number of APAs could signal that taxpayers are more confident of success because of the CCP relationship
IVb	FTE Dedicated to Deliver Decisions	Monitor trends in resources spent to deliver decisions regarding the application of tax regulations and the tax treatment of complex transactions	TA internal systems	Reduction in FTE dedicated to deliver decisions
IVc	Complexity of Tax Code Environment	Monitor the variability of ATP audits in relation to the variability of tax code complexity over time	TA internal systems	Reduction in ATP audits

Notes: * The indicator can be disaggregated into two or more sub-indicators, for instance, by tax type or audit type. A range of comparisons can be used to monitor improvements and trends in the indicators, such as pre- and post-intervention differences and contrasts between CCP taxpayers and comparable non-CCP taxpayers. The table includes suggested indicators for measuring CCP effectiveness, efficiency, and program monitoring indicators.

Table 4.2 — Indicators for Measuring Cooperative Compliance Benefits for Taxpayers

	Indicator	Purpose	Data source	Expected outcome
	I. Tax Compliance: Resources Dedicated to Tax Compliance			
Ia	FTE for Tax Compliance Activities	Analyze resources dedicated by CCP taxpayers for tax compliance in-house	Questionnaire to CCP taxpayers	Reduction in the FTE for tax compliance activities
Ib	Fees to Consulting Firms for Tax Compliance Assistance	Analyze resources dedicated by CCP taxpayers for tax compliance outsourced	Questionnaire to CCP taxpayers or external tax advisors	Reduction in fees to external assistance for tax compliance activities
	II. Tax Audit: Resources Dedicated to Tax Audits			
IIa	FTE Dedicated to Tax Audits	Analyze resources dedicated by CCP taxpayers for tax audits in-house	Questionnaire to CCP taxpayers	Reduction in the FTE for tax audits
IIb	Fees to Consulting Firms for Assistance in Audits	Analyze resources dedicated by CCP taxpayers for tax audits outsourced	Questionnaire to CCP taxpayers or external tax advisors	Reduction in fees to external assistance for tax audits
IIc	Number of Tax Audits**	Monitor trends in quantity of audits	CCP data, financial statements, TA internal systems	Reduction in the number of audits
	III. Tax Litigation: Resources in Litigations and Disputes			
IIIa	FTE Dedicated to Tax Disputes and Tax Litigation	Analyze taxpayer resources dedicated to tax disputes and tax litigation	TA internal systems, questionnaire to CCP taxpayers	Reduction in CCP taxpayers' FTE dedicated to tax disputes and tax litigation
IIIb	Number of Tax Disputes**	Monitor trends in quantity of existing tax disputes	CCP data, financial statements, TA internal systems	Reduction in the number of tax disputes
IIIc	Tax Position Convergence**	Monitor trends in the amount of the initial tax position stated by taxpayers and compare it with the final agreed tax position	CCP data, financial statements, TA internal systems	Reduction in the difference between initial stated tax position and final agreed tax position
IIId	Tax Amount in Dispute**	Monitor the total tax amount in dispute in relation to the total debt voluntarily declared by taxpayers	CCP data, financial statements, TA internal systems	Reduction in tax amount in dispute relative to the total debt voluntary disclosed

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Table 4.2 — Indicators for Measuring Cooperative Compliance Benefits for Taxpayers *(continued)*

	Indicator	Purpose	Data source	Expected outcome
		IV. Tax and Legal Certainty		
		IV.1 Tax Risk Management		
IV.1a	FTE for Tax Risk Management	Analyze resources dedicated by CCP taxpayers for tax risk management in-house	Questionnaire to CCP taxpayers	Reduction in the FTE for tax risk management
IV.1b	Fees to Consulting Firms for Tax Risk Management	Analyze resources dedicated by CCP taxpayers for tax risk management outsourced	Questionnaire to CCP taxpayers	Reduction in fees to external assistance for tax risk management
		V.2 Legal Certainty		
V.2a	Number of APAs or MAPs**	Monitor trends in the number of APAs or MAPs for CCP taxpayers	TA internal systems	Change in number of APAs or MAPs. This indicator is a monitoring indicator and could take either direction. For instance, a reduction in the number of APAs could signal that taxpayers have more certainty through the CCP, or an increase in the number of APAs could signal that taxpayers are more confident of success because of the CCP relationship
V.2b	Time Dedicated to Deliver Decisions***	Monitor trends in time to deliver decisions regarding the application of tax regulations and the tax treatment of complex transactions	TA internal systems	Reduction in time dedicated to deliver decisions
V.2c	Provisions for Uncertain Tax Positions	Analyze the amount of provisions for uncertain tax positions of CCP taxpayers.	CCP data, financial statements, TA internal systems	Reduction in provisions for uncertain tax positions

Notes: ** Indicates that the benefit to taxpayer matches directly to one of the TA benefits' indicators. *** Matches partially to the TA benefit indicator "FTE dedicated to deliver decisions – TA". A range of comparisons can be used to monitor improvements and trends in the indicators, such as pre- and post-intervention differences and contrasts between CCP taxpayers and comparable non-CCP taxpayers. The table includes suggested indicators for measuring CCP effectiveness, efficiency, and program monitoring indicators.

4.2. Assessment of Benefits Associated with Cooperative Compliance Programs

4.2.1. Evaluation of benefits for TAs

Implementing CCPs requires time and effort by TAs for program design, coordination with relevant stakeholders, consideration of the political and institutional environment, communication, and training, among other time and resource investments. However, the benefits of CCPs are expected to outweigh these costs. In many jurisdictions, the initial work on defining CCP benefits and relevant indicators could start by analyzing the CCP objectives, which can provide guidelines for identifying the key dimensions where benefits are expected and the possible metrics, or indicators, to measure them. According to the Inter-American Center of Tax Administrations, a benchmark model of CCP could consider as objectives "reaching a better level of mutual transparency, and consequently better levels of compliance, aimed at reducing the cost of compliance and of administration, along with preventing disputes" (CIAT, 2015, p. 11).

In each jurisdiction, CCP objectives and their corresponding outcomes and benefits—measured through indicators—will depend on how the CCP's design choices interact with the existing institutional framework. This framework consists of formal rules, informal constraints or social norms, and levels of enforcement, which together form the institutional incentive structure. This structure aims to reduce transaction costs and uncertainty and plays a critical role in business and investment decision making (North, 2009). For example, since the cost of information is an important component of the costs of transacting, the transparent and enhanced relationship between taxpayers and TA in the context of a CCP may represent a significant reduction in costs and, thus, foster economic growth.

Tax revenue maximization must not be regarded as a benefit of CCPs. The general assumption underpinning the successful functioning of a CCP is that TAs aim to apply tax law correctly, resulting in the assessment and timely payment of the correct amount of tax (IFA, 2012). At the same time, the CCP provides TAs with tools for achieving this goal, such as better allocation of resources, less burdensome audit processes, and others, which, in turn, help ensure the sustainability and stability of tax revenue collection over the long term. The proposed methodology includes indicators to measure the positive effects of increased efficiency enabled by the CCP.

CCPs may also have short-term effects on revenue collection due to one-off revenue gains from resolving legacy issues. In the long term, CCPs may indirectly affect tax revenue collection through broader macroeconomic channels. For instance, businesses participating in a CCP are more likely to voluntarily disclose new tax issues, allowing TAs to learn from these experiences. This can lead to better legal drafting, issuance of targeted guidance, or improvements in the compliance framework for similarly affected taxpayers. Furthermore, the legal and tax certainty offered by CCPs may lower the investment risk premium, making the jurisdiction more attractive to both domestic and foreign investors. In the long run, this can stimulate business activity, expand the tax base, and lead to higher revenue collection. However, these indirect effects are often difficult to quantify and may not be directly attributable to CCPs in evaluation frameworks.

The proposed set of indicators is expected to provide TA with a toolkit of metrics that can be used to monitor and evaluate CCP program performance. The proposal includes indicators for measuring quantifiable the program's social benefits of the program (e.g., Efficiency Indicators such as FTE Dedicated by the Tax Administration for Performing Relevant Activities), CCP program tracking indicators (e.g., Complex Tax Issues Disclosed, Tax Amounts in Dispute), or strategic monitoring indicators (e.g., Tax Gap or Performance of Tax Audits). For the purposes of this Manual, the indicators are grouped into four main categories where the CCP benefits are expected to materialize: Tax Compliance, Tax Audit, Tax Litigation, and Tax and Legal Certainty.

I. Tax Compliance

The first group of proposed indicators includes those that measure the dimensions of tax compliance behavior, transparency and risk management, and institutional management. This set of indicators is relevant given the focus of the CCP on facilitating voluntary tax compliance and delivering improvements to compliance outcomes through transparency and enhanced relationships between taxpayers and TAs.

I.1 Tax Compliance Behavior

The rationale behind measuring improvements in tax compliance behavior is that as taxpayers enrolled in CCP implement a robust TCF,[15] performance of tax compliance indicators for enrolled taxpayers are expected to improve. In addition, discussing tax issues transparently in advance through a CCP can reduce compliance inconsistencies arising from misinterpretation of regulations. The following are the proposed indicators to measure improvements in tax compliance behavior:[16] I.1a Incidence in Targeting Rules; I.1b Distortions and Inconsistencies; I.1c Tax Irregularities Detected in Audits; I.1d Tax Gap; and I.1e FTE for Monitoring of Taxpayer Compliance.

I.2 Transparency and Risk Management

The key rationale for considering transparency and risk management dimension is that CCPs are an extension of a risk-based approach to tax compliance through voluntary openness and cooperation between taxpayers and tax authorities (Owens and Pemberton, 2021). Based on this voluntary disclosure of issues with potential or significant tax risk, taxpayers reveal all the facts and circumstances involved, giving the TA the opportunity to better understand complex transactions of large businesses, their behavior toward tax issues, and to have access to their accounting and control systems. The implementation

15 See Section 3 herein for details.

16 The detailed information on the methodology of measuring each proposed indicator presented in this section can be found in Annex 2.

of the CCP can potentially produce a positive effect on performance indicators related to targeting and auditing, considering that enhanced knowledge of businesses is an efficient way to reduce information asymmetry and improve the TAs capacity to focus and respond to relevant tax compliance risks (e.g., an eventual audit of a CCP taxpayer is expected to be based on a risk-based approach and to be faster in relation to a traditional tax audit with no previous knowledge of the business's behavior).[17] Ultimately, the information and knowledge obtained through the CCP may also provide further refinements of risk profiling in tax audit selection of non-CCP taxpayers. The study carried out by a project team from the Netherlands Tax and Customs Administration and supported by the OECD Centre for Tax Policy, based on a survey instrument responded to by 21 countries (OECD, 2013), indicates that CCPs promote efficient means of profiling/risk assessment of taxpayers, leading to enhanced capacity to focus and respond more quickly to relevant tax compliance risks. The proposed indicator to measure improvements in transparency and risk management is: I.2a FTE Dedicated to Targeting and Risk Profiling.

I.3 Institutional Management

The key rationale for institutional management is that, under a CCP, taxpayers will disclose areas of tax uncertainty, making it possible to track, quantify, and monitor the main tax issues arising from specific features of the tax system, such as complex and ambiguous provisions. The identification of the main tax issues stemming from specific features of the tax system can provide relevant insights to policy makers on how to refine the tax system, and/or associated guidance, and thus incentivize voluntary compliance and enhance tax certainty. The proposed indicator to measure improved institutional management is I.3a Quantum of Complex Tax Issues Disclosed.

II. Tax Audit

The second group of proposed indicators includes the dimensions of audit expenses and audit yield. The inclusion of these indicators is relevant because an eventual audit of a CCP taxpayer is expected to be faster compared to a traditional tax audit with much less prior knowledge of the business's behavior and documentation. In addition, because of enhanced risk management and risk profiling of taxpayers for audit selection, improvements in the performance of tax audit results are expected, with a more efficient allocation of the TAs resources.

II.1 Audit Expenses

The rationale behind measuring improvements in efficiency of resources dedicated to auditing (expenses) is that auditing is the most expensive treatment of tax risk, it involves

17 CCPs should permanently reduce the need for intensive controls for a specific segment of taxpayers, as transactions are evaluated before they are implemented. Yearly agreements and understandings for tax declarations can reclassify tax risk treatment from reduction to prevention, or acceptance when size has been controlled under the cost of tax risk treatment.

a tax administration's resources from different areas, including absorbing important IT capacity. CCPs are expected to allow a more focused auditing process and reduce the time and resources needed. The proposed indicators to measure better allocation of resources in audit expenses include II.1a FTE Dedicated to Tax Audits and II.1b Number of Tax Audits.

II.2 Audit Yield

The rationale behind measuring improvements in audit yield is that the performance of audits based on enhanced knowledge of businesses provided by CCPs can improve the accuracy of audits and offer better risk process feedback. CCPs make it possible to channel auditing resources to higher-risk taxpayers and produce better auditing results. The proposed indicator to measure audit yield is II.2a Performance of Tax Audits.

III. Tax litigation

This group of indicators includes the dimensions of litigation expenses and collection uncertainty. Monitoring taxpayer behavior in a CCP occurs in real time and closer to taxable events. This enables, for example, legislative changes affecting the taxation of specific economic sectors to be discussed in advance between the tax authority and the taxpayer, helping to avoid harmful misinterpretations that could lead to uncertainty and/or unnecessary litigation. The effects of a mistaken interpretation by the taxpayer can be minimized by the closer monitoring provided by the CCP. Without this more open dialogue, divergent interpretations would very likely cause greater damage to tax collection due to the time required for the TA to detect the misinterpretation risks, apply necessary enforcement measures, and await the development of case law. Taxpayers and TAs will benefit from CCP by reducing uncertainty and costs of litigation.

III.1 Litigation Expenses

The rationale behind measuring improvements in efficiency of resources devoted to litigation (expenses) is that CCPs incorporate relevant taxes, such as income tax and value-added tax, which are the source of most lawsuits. The importance of measuring tax litigation expenses is, generally, relevant in all TAs and becomes more important when measuring the benefits of CCPs. The proposed indicators to measure better allocation of resources in litigation expenses are the following: (i) FTE Dedicated to Tax Disputes and Tax Litigation, (ii) Number of Tax Eisputes, and (iii) Variability of Tax Disputes

III.2 Collection Uuncertainty

The rationale behind measuring improvements in this dimension is that, over time, the learning provided by the ongoing enhanced dialogue between the CCP taxpayers and the TA will contribute to less divergence between the originally stated tax position and the final agreed tax position. It is also expected that the CCP will provide enhanced transparency. Combined with disclosure of tax strategies and use of dispute avoidance mechanisms, this will contribute to reducing the amount of tax in dispute. The proposed indicators to measure collection uncertainty include: (i) Tax Position Convergence and (ii) Tax Amount in Dispute.

IV. Tax and Legal Certainty

This group of indicators aims to measure the benefits stemming from the CCP that are expected to materialize in the long term. The indicators are related to legal certainty dimensions. Many factors can cause uncertainty, depending on countries' institutional framework and tax complexity. Tax law is not permanent and may be amended when new fiscal needs emerge (e.g., during the COVID-19 crisis). Changes in business practices, processes, and transactions usually precede changes in the legal framework (for instance, a regulatory framework for digital currencies and assets, or tax rules for the gig economy), contributing to an uncertain business environment and even creating legislative loopholes. Studies find that tax complexity provides opportunities for aggressive tax avoidance through ambiguous provisions (Krause, 2000). Borrego et al. (2016) find a significant relationship between tax professionals' propensity for tax aggressiveness and their perception of legislative tax complexity.[18]

The open dialogue inherent in CCPs, which aims to reduce misinterpretation and disputes (e.g., by faster decisions and interpretations on difficult tax issues), can minimize the impact of a highly complex tax code environment (e.g., high variability of tax legislation and regulation changes) and reduce tax and legal uncertainty. In general, CCPs can provide enhanced legal certainty and predictability, reducing costs of transacting for taxpayers and fostering investment and economic growth.

The rationale behind measuring improvements in legal certainty is that CCPs may increase the use of dispute avoidance measures such as advance pricing agreements (APAs) and mutual agreement procedures (MAPs),[19] contribute to faster decisions regarding the application of tax regulations and the tax treatment of complex transactions and minimize the impact of a highly complex tax code environment (high variability of tax legislation and regulation changes). The proposed indicators to measure better allocation of resources through tax and legal certainty include: (i) APAs or MAPs, (ii) FTE Dedicated to Delivering Decisions, and (iii) Complexity of the Tax Code Environment.

4.2.2. Evaluation of the benefits to taxpayers

The first CCPs were implemented in OECD countries in the early 2000s. Currently, CCPs are running in about a third of OECD countries, and in recent years some non-OECD

[18] Tax uncertainty can also imply that taxpayers are less able to accurately predict all tax costs, which adds risk when appraising potential investments. This could discourage investment and the associated future tax revenues.

[19] Conversely, some taxpayer may consider tools such as APAs less necessary due to the increased certainty provided by the CCP, which may also be a more efficient way of providing certainty.

states, such as Honduras, Nigeria, Russia, and Zambia, have developed their own CCPs (Owens and Pemberton, 2021). Given the voluntary participation of the taxpayers in the program, these experiences demonstrate the importance of the CCPs' benefits for both TAs and taxpayers. Indeed, taxpayers would not choose to participate in the CCPs if the benefits did not outweigh the costs. This subsection of the Manual proposes a set of measurable indicators that would enable TAs to monitor and evaluate the benefits of CCPs from the taxpayers' perspective.

Some of the indicators can be retrieved from the tax administration's information systems and can coincide with the indicators measuring the benefits to the TA (for example, the number of audits, or tax amount in dispute). Other indicators would require additional data from the tax administration's information systems or taxpayer surveys. Like the indicators proposed in the previous subsection, the toolkit of indicators relevant to taxpayer benefits includes metrics that allow the TA to monitor the performance of the CCP as well as to measure the program's social benefits from the taxpayer's perspective. The indicators for measurement of CCP benefits to taxpayers are grouped into four large categories covering the main areas of interaction between taxpayers and TAs where potential CCP benefits can materialize: tax compliance, tax audit, tax litigation, and tax risk and legal certainty.

I. Tax Compliance – Resources Dedicated to Tax Compliance

The first group of indicators focuses on the compliance costs measured as the resources dedicated to tax compliance activities by taxpayer. The decline in the tax compliance cost is expected to occur as the result of almost real-time consultations on legal issues and complex transactions and their validation by the TA provided for in the CCP framework. The reduction in tax compliance costs is arguably the most important benefit expected by taxpayers who participate in CCPs. It also improves the business environment and encourages new investments and expansion of existing ones, thereby contributing to economic growth and prosperity. The proposed indicators to measure the resources dedicated to tax compliance include: I.a FTE for Tax Compliance Activities and I.b Fees to Consulting Firms for Tax Compliance Assistance

II. Tax Audit: Resources Dedicated to Tax Audits

This group of indicators focuses on the resources (expenses) related to tax audits. Internal and/or external tax audit costs are directly related to the taxpayer's perception of risk and uncertainty. As the main objectives of CCPs include reducing tax uncertainty, it is expected that taxpayers participating in CCPs would see their audit expenses decline. This could occur through a reduction in the number of audits and, even when audits do take place, less time spent on each one, as TAs can adopt a more focused, risk-based approach because of the CCP. The proposed indicators to measure the resources dedicated to tax audits include: II.a FTE Dedicated to Tax Audits, II.b Fees to Consulting Firms for Assistance in Audits, and II.c Number of Tax Audits.

III. Tax Litigation: Resources in Litigation and Disputes

The more differences that arise in the interpretation of the tax rules between the taxpayer and the TA, the greater the probability of tax litigation. Tax litigation and disputes generate costs for both the taxpayer and the TA, regardless of the outcome. From the taxpayer's perspective, the litigation and dispute costs include the resources dedicated to the legal services to conduct the litigation and the opportunity costs of the resources immobilized in disputes. CCPs can increase certainty for CCP taxpayers in relation to tax issues, leading to a reduction in the possibility of administrative litigation between the company and the TA, and, hence, fewer expenses on the part of the taxpayer and fewer resources immobilized due to the disputes. CCPs are also expected to enhance dialogue and trust, which will motivate taxpayers to start discussing their tax planning with the TA in advance. This will increase the predictability of tax obligations and convergence between the initial and the final tax positions. The proposed indicators to measure resources in litigations and dispute include: III.a FTE Dedicated to Tax Disputes and Tax Litigation, III.b Number of Tax Disputes, III.c Tax Position Convergence, and III.d Tax Amount in Dispute.

IV. Tax and Legal Certainty

This group of indicators includes the dimensions of tax risk management and legal certainty**.** In the traditional control system, taxpayers make provisions for the tax risks they believe they might face. Disputes with the TA can take years to resolve, which increases uncertainty. It is expected that the enhanced dialogue and relationship with the TA will result in fewer resources that taxpayers must devote to tax risk management. With respect to legal certainty, CCPs are expected to increase the use of dispute avoidance measures such as APAs and MAPs; reduce the time needed by the TA to deliver decisions on complex tax issues, given the exclusive communication channels and proactivity of TAs in carrying out the processes; and reduce tax provisions, or reserves, that taxpayers reflect in their financial statements. These provisions are made based on the risk of payment of the potential tax liability,[20] regardless of whether the TA has determined it. Financial auditors usually require such provisions to be made based on the rating of risks by specialized law firms. As certainty is almost immediate in CCPs, taxpayers can expect to reduce the provisions for uncertain tax positions and devote fewer resources to managing tax risks. This could also reduce volatility in the annual effective tax rate of the taxpayer, which, in the case of many taxpayers, would need to be externally reported in their financial statements.

[20] Strictly, it is based on the probability that the tax authority will accept the tax treatment adopted by the taxpayer on the assumption that the authority will examine the amount in question and will have access to the relevant information.

IV.1 *Tax Risk Management*

The main rationale for including tax risk management indicators is that the enhanced dialogue and transparent relationship between the TA and taxpayers in the context of CCPs can provide enhanced tax and legal certainty, resulting in fewer resources that taxpayers must devote to tax risk management. The proposed indicators to measure tax risk management include: IV.1a FTE for Tax Risk Management and IV.1b Fees to Consulting Firms for Tax Risk Management.

IV.2 *Legal Certainty*

The rationale behind measuring improvements in legal certainty is that CCPs are expected to increase the use of dispute avoidance measures such APA and MAPs and contribute to faster decisions delivered by the TA regarding the application of tax legislation and the tax treatment of complex transactions. CCPs are also expected to contribute to greater predictability of tax positions and could reduce the need for provisions for uncertain tax positions. The proposed indicators to measure legal certainty include: IV.2a Number of APAs or MAPs, IV.2b Time Dedicated to Deliver Decisions, and IV.2c Provisions for Uncertain Tax Positions

4.3. Assessment of the Relationship Between the Tax Administrations and Businesses

Evaluating the mutual relationship between the TA and business is crucial for monitoring the achievement of the CCP objectives. As was stated in OECD (2013), building cooperation based on trust was at the core of the CCP idea. However, measuring the quality of relationships and how they change over time is not easy. Relationships are often immeasurable, subjective, and perceived and interpreted differently by employees involved in tax compliance, both within TA and the participating businesses. Therefore, the assessment of mutual relationships between the TA and businesses can be challenging.

The CCP framework introduced by the OECD expresses a need to establish an enhanced relationship between tax authorities, taxpayers, and tax intermediaries based on trust and cooperation (OECD, 2008). Specifically, the 2008 report addressed the vital role played by revenue bodies in changing large taxpayers and intermediates' aggressive tax planning approach. Since the negative impact of aggressive tax planning on tax systems in all countries participating in the OECD Forum on Tax Administration in 2008 was recognized, it identified the need for robust strategies to bring about those changes.

Tax administrations should operate using the following five attributes when dealing with all taxpayers: understanding based on commercial awareness; impartiality; proportionality; openness (disclosure and transparency); and responsiveness (OECD, 2008). This approach should allow TAs to establish better relationships with taxpayers. In the long term, this new approach should contribute to developing cooperation based on trust. The OECD issued a comprehensive description of the CC framework, demonstrating that "the relationship between the taxpayers concerned and revenue bodies is based on objective criteria and justified trust" (OECD, 2013: 14).

The traditional perception of the relationship between taxpayers and TAs was based on the command-and-control approach. This approach resulted from the adoption of the simple economic model of the taxpayer's behavior, according to which any economic agent is guided by the principle of maximizing self-interest (Allingham and Sandmo, 1972). However, research on economic psychology and/or behavioral economics shows that the efficiency of the tax system is based not only on economic factors, but also on moral and, more broadly, social factors. For example, research shows that the perceived inequity of the exchange between taxpayers and the State affects taxpayers' behavior. Oats and Tuck (2019) highlighted that corporate tax compliance has become a matter of considerable public attention. As a result, corporate tax strategies and policies should consider factors such as their impact on stakeholders, transparency, governance and controls, and communication. While the increasing tax compliance burden presents a challenge for many companies, shifting public attitudes toward corporate taxation must also be considered. A report by the Fair Tax Foundation reinforces this by showing that UK consumers and employees prefer businesses that demonstrate responsible tax practices and reject artificial tax avoidance (Fair Tax Foundation, 2023). The report also underscores the public's strong expectation that the government will ensure that all businesses, large and small, pay their fair share of taxes, emphasizing the crucial role of trust in the tax system.

Trust increases taxpayers' willingness to cooperate with TAs. However, different levels of trust in each country mean that the actions taken by TAs to build or strengthen mutual trust may vary. Consequently, the scope and detail of questions aimed at measuring possible qualitative and quantitative changes in the relationship between TAs and business should be tailor-made each time.

With respect to the research approaches that can be applied in this case, evaluation can take the form of qualitative as well as quantitative measurements. Gathering data for the assessment of relationship between TA and business can be based on:

- Qualitative methods:
  - In-depth interviews
  - Focus group interview
  - Other qualitative methods

Qualitative research focuses on the qualitative description of reality, paying attention to the diversity of the phenomenon being studied, its causes, and consequences. Data collected using the qualitative method are aimed at understanding the opinions, needs, and motives of respondents. Therefore, qualitative research uses open-ended questions and other techniques that allow the respondent to speak freely. Data obtained from qualitative research can be used to develop research tools that are then used in quantitative research. Qualitative interviews can also be conducted to deepen the results of quantitative research. The specificity of qualitative research lies in relatively small research samples (20–50 people or interviews), an interview scenario that allows for elaboration on answers and an analysis of the results based on the meaning of the respondents' statements.

- Quantitative methods:
    - Questionnaires (CAWI, CATI)[21]
    - Experimental techniques (laboratory test)
    - Behavioral interventions (evidence-based, customized policy aimed at overcoming challenging behavior)

Quantitative research (survey and experimental) consists of the quantitative description of reality, focusing on the frequency and intensity of a given phenomenon. Data collected using the quantitative method are therefore numerical in nature, resulting from the use of questionnaires with a fixed structure and consisting mostly of closed-ended questions. Each respondent is asked questions in the same form and order, which allows the results of individual responses to be compared. The specificity of quantitative research is most often large research samples (500–1000 people), a fixed questionnaire, and analysis of results using statistics. A large sample size and the use of statistical analyses enable the results obtained with quantitative methods to be generalized.

Currently, it is common practice in the social sciences to combine different methods of data collection, which produces a broader, more in-depth picture of the reality studied. Mixed methods research can enhance the validity and credibility of the results and mitigate the presence of any research biases. Box 4.1 provides an example of the approach to assessing the relationship between the TA and taxpayers in Poland

4.4. Feedback on Participation in a Cooperative Compliance Program

Introducing a CCP is a complex and challenging process, entailing many changes in both TA procedures and the taxpayer's internal policies. Thus, providing feedback at every step of the process is crucial to increase the chances of success. Similarly, while participating in the CCP, changes may occur in the TA procedures or regulations and in the company's internal policies. Those changes may be a consequence of the CCP or may occur independently. Sharing knowledge on these changes among CCP stakeholders can significantly impact the quality of cooperation.

The experience gained to date from countries that have introduced CCPs shows that the evaluation carried out was both formative and summative. Each type of evaluation has different goals and provides different information to the stakeholders. Formative assessments are employed regularly throughout a given process to help track progress and identify areas where improvements are needed. They also provide necessary data to design changes that may be required throughout the program. Summative assessments are conducted at the end of the process (e.g., CCP pilot stage) to measure the overall achievement of program objectives. In summary, summative assessment is more product-oriented and

[21] A sample survey to evaluate the relationships between tax administrations and business is presented in Annex 5.

Box 4.1. Assessment of Relationships between Tax Administration and Business

In Poland, the CCP is based on the three main values:[a]

- Mutual trust: a reasonable belief that the partner will act in accordance with the agreed rules.
- Mutual transparency: the readiness and ability of the entity and the National Revenue Administration (NRA) to open in terms of tax issues. Transparency on the part of NRA means openness in terms of informing about the circumstances to which questions addressed to the taxpayer are related and in the implementation of supervisory activities toward the taxpayer.
- Mutual understanding: knowledge of the positions and interests of both parties. Understanding means that the parties consciously cooperate in the common interest, which is the proper fulfilment of tax obligations.

The evaluation process used both quantitative and qualitative methods to measure the degree to which the program values were achieved in subjective assessments made by the NRA employees (both those involved and those not involved in the execution of the Cooperation Program pilot) and taxpayers that have (or not) applied to participate in the Cooperation Program.

Quantitative methods:

- Questionnaire (CAWI) sample questions:
  - Mutual trust: *My company may rely on the NRA for tax obligations/NRA may rely on the company for tax obligations.*
  - Mutual transparency: *The NRA provides all relevant information regarding tax issues in ongoing dealings / The company provides all relevant information regarding tax issues in ongoing dealings.*
  - Mutual understanding: *I understand the specifics of how the NRA operates/ I understand the specifics of how the company operates.*
- Trust game: classical economic game frequently used in laboratory experiments on trust (Berg et al., 1995; Bohnet and Zeckhauser, 2004; Hong and Bohnet, 2007). The use of the trust game was intended to supplement the questionnaire measurement with the measurement of direct behavioral intentions.

Qualitative methods:

- In-depth interviews: conducted with employees involved in CCP (both the NRA and companies) to monitor changes in relationships during the pilot stage of the CCP.
- Focus group interview: carried out separately in two groups of employees involved in CCP (NRA and companies).

Both measurements, quantitative and qualitative, were conducted every six months during the two years of the CCP pilot among four groups of respondents:

- NRA employees involved in the CCP pilot execution.
- NRA employees not involved in the pilot execution.
- Taxpayers that had applied to participate in the CCP.
- Taxpayers that met the turnover criterion but did not apply to participate in the CCP.

The research conclusions were the basis for formulating recommendations aimed at improving mutual relationships between the tax administration and companies.

[a] For more information, see: https://www.podatki.gov.pl/program-wspoldzialania/zalozenia-programu-wspoldzialania/.

evaluates the outcome, whereas formative assessment focuses on the process leading to its completion. The type and completeness of data collected during assessments is related to the scope and quality of the feedback provided to program stakeholders.

Formative evaluation may take form of questionnaires, but it often uses observation, open-ended questions, and other qualitative methods helpful in identifying areas that need improvement. The aim of the research techniques used should be to collect data that will provide feedback in at least the following areas:

- General opinion about the program:
    - Attitudes toward the program and its implementation in the group of TAs and companies' employees
    - Perceived and actual costs and benefits of the CCP
- Opinions about the technical process of program implementation:
    - Opinions on the degree TA and companies' employees feel informed about CCP
    - Opinions on the communication process concerning the program (e.g., informing the public about the program, communication between the TA and businesses regarding the program and cooperation within the program, internal communication in both types of organizations regarding CCP)
    - Opinions on program procedures

The methods of data collection in summative evaluations are similar, but the purpose and manner of using the data are different. The assessment aims to verify the degree of achievement of the intended goals (e.g., in terms of costs and benefits related to joining the CCP, changes in relationships between the TA and businesses, efficiency of the tax system, etc.). Summative assessments offer important data for administrators and policymakers to evaluate the effectiveness of procedures, CCP regulations, and consequences in relation to the functioning of the TA, businesses, and the tax system. Both forms of evaluation aim to produce recommendations that can improve the process of implementing or participating in the CCP. In general, the main recipient of the feedback is the TA, which shapes the CCP framework. Knowledge about the assessment of solutions, procedures, methods of communication etc. implemented within the CCP will, therefore, be the basis for designing possible changes to the program or its development.

The quality of the feedback provided is strictly related to quality of the data gathered. Based on CCL (2020), the following recommendations are designed to maximize the value of feedback obtained from participants in CCPs.

Invite the right people to give assessment feedback.

The most useful feedback will come from people engaged in the process, both from the TA and companies. Therefore, it is crucial to recruit people who are in the best possible position to observe the CCP procedures and behaviors of CCP actors. Before beginning the data gathering process, inform them about the evaluation project and their important role and encourage them to be direct and honest in their responses.

Be open to the results.

Be ready to embrace the assessment feedback, regardless of what it contains. Do not discount positive results or become defensive about negative ones. Be aware that your respondents may adopt an evaluation perspective that differs from yours and focus on different aspects of the CCP. Be open to this information and use of it to improve the CCP.

Look at the big picture.

Focus on identifying overarching themes and patterns in the findings rather than fixating on individual data points. Becoming too focused on specific responses can mean losing sight of the overall picture. Take the time to think over the results and recommendations. Consult suggestions for improvements or solutions to observed problems with other stakeholders.

Use what you learn to set realistic goals.

CCPs are tailor-made. There is no universal solution that can address all problems. The improvement plan should cater to the specific needs of CCP stakeholders, which is why the assessments were conducted. The results help come up with changes that directly address the issues found.

Monitor progress.

It is important to regularly check the results of the implemented changes and evaluate how they have been received. In addition to the method of collecting data and developing proposals for changes, the method of providing feedback to the recipient is equally important. Feedback provides information about the stage at which the process is currently running and indicates the next steps that should be taken. In general, the following are the main characteristics of effective feedback (Wiggins, 2012):

- Timely: The most effective feedback is timely. It is crucial to provide feedback from the evaluation so that recommended actions can be taken within the planned timeframe.
- Communicative: The complexity and multithreading of the CCP may require, in addition to the report, the provision of information during meetings with the team monitoring the implementation of the CCP to ensure effective communication.
- Constructive: Effective feedback offers positive solutions to observed problems. The focus should be on aspects that are changeable, while acknowledging obstacles that are currently unchangeable.
- Specific: Specificity in feedback is important to provide a clear picture of a CCP's strengths and weaknesses. It is helpful in designing activities to improve the program's performance.

- Detailed: Providing details with feedback can help develop a clearer understanding of the areas in which improvement is needed. It minimizes the risk of introducing solutions that will not meet the needs of program participants.

Feedback is a key element in project maturation, and its implementation is based on reliable data and adapted to the specifics of a given CCP can significantly contribute to achieving the assumed goals. Effective and tailored communication of changes made based on feedback will contribute to expanding the group of companies interested in joining CCP. Boxes 4.2 and 4.3 contain examples of providing feedback of CCPs implemented in Poland and Slovenia.

Box 4.2. Feedback on Participation in the Cooperative Compliance Program in Poland

The CCP in Poland was launched in 2020 as a pilot with up to 20 large companies. The European Union funded the evaluation of the pilot CCP via the Technical Support Instrument, managed by the European Commission Directorate General for Structural Reform Support. The project beneficiary was the Polish Ministry of Finance. The evaluation was conducted throughout 2021–2023. Recommendations emerged from four studies: three conducted as part of a formative evaluation and the fourth a summative evaluation. Data were collected using quantitative methods (questionnaire), qualitative methods (individual interviews, focus group interviews) and workshops with the following participants:

- Employees of the NRA involved in executing the CCP pilot
- Employees of the NRA not involved in executing the pilot
- Taxpayers that applied to participate in the CCP
- Taxpayers that met the turnover criterion but did not apply to participate in the CCP
- Tax advisors

The evaluation covered: (1) the general opinion about the program, including expected costs and benefits; (2) assessment of mutual relationships between the tax administration and companies based on three CCP values: trust, understanding, and transparency; and (3) the method of CCP implementation. The data obtained enabled a SWOT (strengths, weaknesses, opportunities, and threats) analysis to monitor the CCP's evolution over time and draw conclusions about ongoing adjustments to it. The resulting recommendations were in five areas:

- Communication: activities targeted at CCP internal stakeholders regarding communication between CCP companies and the NRA auditors as well as the NRA internal communication
- Promotion and consultations: activities targeted at CCP external stakeholders (key entities). Undertaking initiatives promoting CC to increase the number of companies applying for the program
- Procedures for joining the CCP: development of two paths preparing companies to join the CC, depending on the taxpayer's financial and tax situation
- Pre-audit procedures: actions aimed at improving procedures as part of the pre-audit to optimize them, taking account of the situation of the companies and the NRA
- Taxpayer services under CC: activities aimed at improving the quality of taxpayer service under the CCP and implementation of service standards

Recommendations were presented to the TA during meetings with the team supervising the program at the Ministry of Finance, as well as in partial reports after each study and a final report. The were also provided to wider audience during a conference held as part of the evaluation project and in a published report (European Commission, 2024).

Box 4.3. Feedback on Participation in a Cooperative Compliance Program in Slovenia

Feedback on participation in the CCP in Slovenia is gathered through annual meetings with representatives from the Financial Administration of the Republic of Slovenia (FURS) and taxpayers. These meetings are held individually with each taxpayer once a year, bringing together top management from both sides—the participating taxpayer (typically the chief financial officer, accountant, tax advisor, and contact person) and FURS. As of March 2025, 16 taxpayers have been granted special status.

The evaluation of cooperation is based on the following agenda items discussed during these meetings:

Agenda item	Indicators
Ensuring early tax certainty	Number and topics (type of taxes or tax procedures) of questions submitted to the dedicated email address, available exclusively to taxpayers with special status
	Number and topics (type of taxes or tax procedures) of explanations of legislation issued
	Response time (number of days required to prepare each explanation)
	Number of issued advance rulings or APAs
Estimation of reliability of internal tax controls	Number and type of deficiencies in internal tax controls (identified by taxpayer or FURS)
	Number and type of recommendations provided to taxpayers by FURS
	Number, type and amount of taxes detected in audits
	Number, type and amount of taxes self-reported by taxpayers
Other relevant topics	Number and topics discussed in interactions between designated contact persons—issues connected to tax compliance of taxpayer with special status (e.g. disclosure of tax risks)
	Number and topics of discussions concerning tax administration, such as legislative proposals and suggestions for improving FURS procedures and processes.

At the end of the meeting, both sides evaluate cooperation according to one of the following characteristics:

- **Limited** (indicating minimal engagement or ineffective collaboration, that needs improvement)
- **Effective** (reflecting a functional and productive working relationship)
- **Excellent** (a highly cooperative and proactive partnership).

After the meeting, minutes are issued, summarizing key discussions, agreed actions, identified challenges, and recommendations for future improvements. The typical rating is either effective or excellent. All taxpayers participating in this program have applied for an extension of their special status every three years, demonstrating that the program is mutually beneficial for both parties.

5

The Process of Practical Implementation of the Evaluation Methodology

This section offers practical guidance for implementing a methodology to evaluate the costs and benefits of CPPS. It identifies key challenges that TAs may face and stresses the importance of securing political backing. A dedicated multi-stakeholder forum is recommended to support policy dialogue, while piloting the methodology is advised to demonstrate its value and ensure political buy-in. The section explains how the results of the evaluations should be used to promote a CCP by addressing concerns expressed by TAs, taxpayers, and society. It further highlights ways to ensure strong cooperation with various stakeholders, including tax advisors, academics, legislators, international and regional organizations, and civil society to adopt the evaluation methodology and conduct assessments.

5.1. Reaching a Policy Decision on the Implementation of the Evaluation Methodology

5.1.1. Practical challenges of developing and implementing the evaluation methodology

The development and implementation of a methodology to evaluate the costs and benefits of CCPs is associated with several practical challenges. First, it requires financial resources for designing the methodology, hiring experts, managing data, and conducting evaluations, which can be difficult to secure, especially in resource-constrained TAs. Limited funding may lead to delays, incomplete implementation, or a compromised evaluation in terms of quality and scope. Second, many TAs lack in-house expertise in fields such as statistics, economics, and evaluation. External collaboration may be necessary but adds costs and administrative complexity. Third, data availability, quality, and privacy concerns can hinder evaluation efforts. Tax administrations and taxpayers may be reluctant to share sensitive information, and even when data are available, they may be inconsistent or incomplete. Fourth, the evaluation process is time-consuming, involving multiple stages and potentially spanning several years.

Sustaining commitment and resources throughout is challenging. Finally, the evolving nature of tax systems and CCPs complicates long-term evaluation. Metrics must be regularly updated to remain relevant, while maintaining consistency to ensure comparability over time. Therefore, it is essential to ensure that the evaluation framework remains flexible and adaptable to future changes while maintaining the comparability of results over time.

5.1.2. Key considerations for reaching a policy decision

Reaching a policy decision on developing and adopting a methodology for evaluating a country's CCP requires strong stakeholder engagement and consensus building. It demands close collaboration not only within the TA but also among government bodies, including the executive and legislative branches, as policymakers need to be convinced of the evaluation's benefits to secure funding and political support. Consideration should be given to the resources available to the tax authority and to which measures are considered most useful and appropriate, considering the practical challenges mentioned above.

In this context, support from businesses, tax advisors, and civil society is essential to achieve political buy-in. These stakeholders can advocate that evaluating costs and benefits, along with publicizing the results, will not only promote the CCP but also address concerns related to its implementation. Such efforts would enhance transparency and accountability, demonstrate fair treatment, and foster societal trust and broader acceptance. To facilitate this, governments and TAs might consider establishing a discussion forum, such as Brazil's Dialogue Forum, that could effectively communicate the perspectives of businesses, tax advisors, academia, and civil society to policymakers.

Evaluation methodologies should consider not only the unique features of specific CCPs but also the local socio-economic, cultural, and political contexts of each jurisdiction. This approach highlights the value of evaluation outcomes and serves as a key factor in securing political buy-in.

Policymakers should also align the evaluation of CCP performance with national economic objectives. For instance, by demonstrating how CCPs contribute to a stable and predictable tax environment, they can improve the investment climate, which helps to attract foreign direct investment and stimulate economic activity. Furthermore, positioning evaluation as a tool to promote fair taxation and ethical corporate behavior can support broader corporate social responsibility and sustainable development goals.

To mitigate political risks, policymakers could adopt a phased approach, starting with pilot programs to test and refine the methodology. The results of these pilots can be used to illustrate the value of the evaluation, build confidence in its effectiveness, and secure broader political support for full-scale implementation. Ultimately, having a well-developed evaluation methodology that considers specific jurisdictional factors and receives broad stakeholder acceptance is crucial. Such a methodology not only overcomes challenges associated with CCP implementation across jurisdictions but also ensures the political buy-in necessary for their success.

5.2. The Use of the Evaluation Outcomes to Promote Cooperative Compliance Programs

Notwithstanding the potential benefits of including CCPs in the tax compliance frameworks of various countries, decisions regarding their implementation may be hindered by the challenges inherent in the process and concerns raised by different stakeholders. This section examines the key challenges and how these could be addressed using the outcomes of cost–benefit evaluations of CCPs, thus contributing to their promotion.

The promotion of CCPs can target several categories of stakeholders, each of whom makes different types of associated decisions influenced by distinct concerns related to such compliance arrangements:

- TAs deciding whether to adopt a CCP or extend an existing pilot into a full-fledged program
- Taxpayers deciding whether to join a CCP (if participation is voluntary)
- Society deciding whether to support the implementation of a CCP (which may be influenced by NGOs)

Developing countries adopting the CC approach may face different historical and political contexts, which can significantly influence their legal culture, compliance practices, and perceptions of authority. Additionally, economic and social conditions can vary, further affecting the political decisions surrounding the implementation of CCPs.

5.2.1. Challenges associated with the implementation of cooperative compliance programs

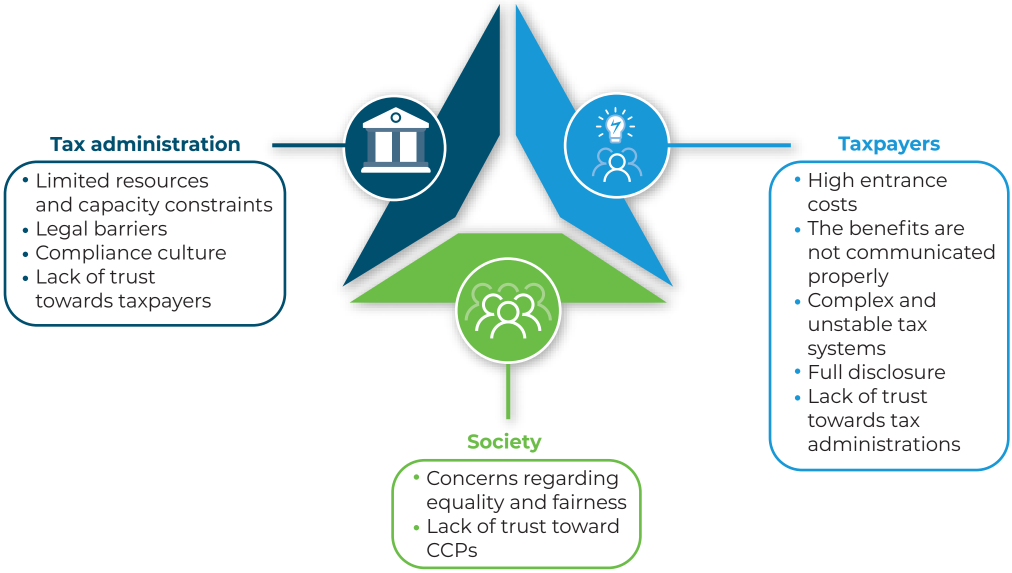
Figure 5.1 summarizes the key challenges associated with the implementation of CCPs.

5.2.2. Challenges faced by TAs

Limited resources and capacity constraints

As described in Section 3.2, implementing CCPs requires substantial TA investment. Beyond the political and stakeholder discussions and adopting necessary legal changes, TAs often need to make organizational adjustments to accommodate this new approach to tax compliance. These adjustments include preparing and training personnel to engage with large taxpayers effectively and manage the complexities of change. Furthermore, adopting advanced technologies for data collection and management may require the development of specialized software for real-time monitoring, adding to the costs. Given

Figure 5.1 — Key Challenges Associated with the Implementation of Cooperative Compliance Programs



Source: Authors' elaboration.

the significant funds and effort required for the initial development and implementation of a CCP, the benefits typically take a long time to materialize.

Legal barriers

In some jurisdictions, existing laws are perceived as posing challenges to implementing CCPs. These barriers include stringent confidentiality and data privacy requirements or adherence to the legality principle, which holds that taxes can only be imposed by law. CCPs might be perceived as indirectly affecting tax amounts, such as mediation or arbitration proceedings. In countries with complex or frequently changing tax laws, TAs may struggle to maintain a shared understanding of compliance requirements with taxpayers, which is critical for the success of CCPs. Additionally, TAs may hesitate to commit resources to initiatives with medium- or long-term payoffs if they cannot ensure tax system stability.

Compliance culture

Transitioning to CC often requires a fundamental shift in how TAs operate, moving from a control-centric approach to a relationship built on mutual trust. Some TAs may fear losing authority or may worry that reducing the emphasis on enforcement and penalties could undermine compliance. Resistance among tax officials may arise from concerns that CC could diminish the deterrent effect of audits and enforcement (Quiñones et al., 2022).

Lack of trust toward taxpayers

Trust is a cornerstone of CCPs but must be established on both sides. Tax administrations must demonstrate their reliability and commitment to transparency to gain taxpayers' trust.

5.2.3 Challenges faced by taxpayers

High entrance costs

Entering a CCP involves significant upfront costs for taxpayers. These include implementing a TCF, conducting prior audits, adapting internal processes to align with the new compliance approach, training employees, and possibly hiring or reallocating staff. For businesses with limited resources, these costs can deter or delay participation.[22]

Poor communication of benefits

There may be a perception that CCP benefits include reduced tax obligations, which is not always accurate. Additionally, some businesses may expect immediate effects derived from participation, overlooking the time lag before such advantages materialize.

Complex and dynamic tax systems

Taxpayers may be hesitant to engage in CCPs due to the complexity and dynamic nature of tax legislation and CC rules. Frequent changes to tax legislation or CCP regulations may create uncertainty, leading to concerns that the expected benefits may not fully materialize.

Full disclosure concerns

In the context of information asymmetry, taxpayers often worry about how the information they disclose to TAs will be used. Sharing financial details beyond statutory obligations, tax strategies, or past practices could expose them to scrutiny, audits, or investigations. Taxpayers may fear that legitimate tax planning strategies revealed today could be deemed aggressive if TA policies change in the future. Additionally, retroactive use of disclosed information in case a taxpayer terminates participation in a CCP, leading to penalties, poses another concern. Moreover, taxpayers are increasingly

[22] It should be mentioned that high entrance costs may be considered by some tax administrations as an objective way to control the number of participants enrolled in the CCP. Considering tax administration's limited resources, it cannot get a very large number of taxpayers into the CCP and must always start small and expand gradually. The existence of these costs is what can be used as an objective limit on the number of taxpayers joining the CCP.

worried about data breaches that could expose their sensitive financial information. They may also be concerned that information they have voluntarily disclosed to a TA they trust may be exchanged under a double tax treaty with another TA they do not trust.

Lack of trust in TAs

Lack of trust exacerbates fears related to full disclosure, making taxpayers skeptical of the TA's intentions and expecting increased scrutiny rather than cooperation.

5.2.4 Concerns expressed by society

When discussing CC, trust is a key component and is generally understood as a mutual, two-sided relationship between taxpayers and TAs. However, societal acceptance of this approach to compliance also requires trust in the CCP itself. Distrust in governmental organizations may stem from perceived corruption or concerns that a CCP could violate the principles of equality and fairness (IFA, 2012; Quiñones et al., 2022). Notably, taxpayers enrolled in CCPs are perceived to pay lower taxes, which may be considered unfair. Participation in CC is often available only to certain large taxpayers, undermining the principle of equality. The quality of service and responsiveness provided by TAs to taxpayers involved in CCPs may appear superior compared to services provided to other taxpayers, creating a perception of inequality.

5.2.5. Evaluation of costs and benefits of cooperate compliance programs to overcome these challenges

One of the primary objectives of utilizing the outcomes of the evaluation of costs and benefits of CCPs is to promote these programs. Table 5.1 outlines key issues regarding the indicators, along with ways that TAs can address them.

Table 5.1 — Considerations on How Outcomes of Evaluation Can Be Utilized to Address the Challenges Associated with Implementing Cooperative Compliance Programs

Issue	Solution
	Tax administrations
Limited resources and capacity constraints	Clear communication of the benefits of CCPs should emphasize that the costs should be considered as an investment, which will yield benefits in the mid-term or long-term. Maximizing tax revenue should not be considered a direct benefit for TAs, although CCPs may improve tax collection.

(continued on next page)

Table 5.1 — Considerations on How Outcomes of Evaluation Can Be Utilized to Address the Challenges Associated with Implementing Cooperative Compliance Programs *(continued)*

Issue	Solution
	Tax administrations *(continued)*
Limited resources and capacity constraints *(continued)*	The key benefits will include: • Improved compliance, which can be measured through indicators such as better tax compliance behavior (e.g., higher quality tax returns, fewer distortions in tax collection, fewer irregularities detected in tax audits, reduced tax gap, and lower monitoring costs). • Improved transparency and risk management, along with better institutional management. • Reduced audit expenses (due to lower resource requirements, less burdensome and frequent audits) and better performance of tax audits because of more effective resource allocation. • Fewer tax disputes (lower litigation expenses and a smaller amount of tax in dispute, which reduces collection uncertainty). • Improved tax certainty, especially in the context of a complex tax code environment. Tax administrations are recommended to look at the evaluation results from other jurisdictions that implemented CCPs several years ago and achieved proven benefits.
Legal barriers	High levels of tax uncertainty act as a driver to push forward investments in innovations such as CC. Concerns regarding the complexity of tax legislation and its frequent changes can be addressed through the role of CC in providing legal certainty. This benefit materializes through the ability to discuss tax treatment in advance, an increase in the number of tax rulings issued to CC taxpayers, and a reduction in costs associated with this process due to better knowledge of the business and transactions. One of the benefits of CC could be mitigation of the complexity of the tax code, measured by the variability of aggressive tax planning audits in relation to the variability of tax code complexity over time. This indicator is useful for analyzing to what extent a CCP's open dialogue, aimed at reducing misinterpretation and disputes (e.g., faster decisions and interpretations on difficult tax issues), can minimize the impact of a highly complex tax code environment and reduce legal uncertainty, thus fostering investment and economic growth.
Compliance culture and lack of trust in taxpayers	Even though it is expected that there will be fewer audits for CCP participants, these audits will be more targeted, focusing on high-risk taxpayers and issues, which will lead to better audit performance (measured as the share of audits with results out of the total number of audits). The TA will not lose its power; instead, it will enhance its approach, leading to greater efficiency and effectiveness. CC could also free up audit resources to focus on non-CCP taxpayers.
	Taxpayers
High entrance costs	Clear communication that the initial costs of being enrolled in a CCP should be considered as investment.
Poor communication of benefits	It is crucial not only to outline the benefits but also to emphasize that these benefits will materialize in the medium term or long term.[a] Minimization of tax obligations, which directly affects financial results, should not be considered a benefit of participating in CC. However, financial indicators are expected to improve through participation in CC due to the reduction in tax compliance costs, audit expenses, uncertain tax positions and associated provisions, and dispute resolution and litigation costs.

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Table 5.1 — Considerations on How Outcomes of Evaluation Can Be Utilized to Address the Challenges Associated with Implementing Cooperative Compliance Programs *(continued)*

Issue	Solution
	Taxpayers *(continued)*
Poor communication of benefits *(continued)*	Intangible benefits should also be highlighted. In addition to fostering an improved relationship between the tax administration and the taxpayer, these benefits include enhanced reputation, reflecting a company's commitment to implementing a corporate governance framework and maintaining transparency with tax authorities.
Complex and unstable tax systems	Maintaining the attractiveness of the CCP requires demonstrating its role in mitigating legal and tax uncertainty. Key benefits that highlight the attractiveness of CCPs include improved tax risk management and enhanced tax certainty. First, better tax risk management reduces the resources taxpayers need to allocate for managing tax risks internally and for hiring external consultants. Second, greater tax certainty leads to an increase in the number of tax rulings issued to taxpayers and shorter processing times. Furthermore, participation in a CCP is expected to reduce uncertain tax positions by providing greater predictability of tax outcomes. This, in turn, lowers the amounts taxpayers need to allocate for provisions related to uncertain tax positions.
Full disclosure concerns and lack of trust towards tax administrations	There is a need to demonstrate that the benefits of full disclosure outweigh its costs. It is essential to highlight that taxpayers participating in CCPs do not face increased audits or scrutiny. On the contrary, while the possibility of audits remains, they are expected to be less burdensome. Additionally, businesses participating in CCPs experience fewer tax disputes. Emphasizing that the commitment to full disclosure leads to improved tax certainty and enhances corporate reputation is crucial. This fosters the perception that the act of full disclosure has been appropriately reciprocated. Tax administrations can further support this by showcasing successful pilot CCPs or case studies that demonstrate how full disclosure has resulted in positive outcomes for both taxpayers and the administration.[b]
	Society
Concerns regarding fairness and equality and the lack of trust towards CCPs	It is crucial to emphasize that the CCP does not violate the rule of law or the principle of equality and does not result in unjustified preferential treatment. It is important to communicate clearly that participation in a CCP does not lead to "sweetheart deals" or a reduction in tax liabilities. The outcomes of evaluations can be used to demonstrate that the effective tax rate of taxpayers participating in CCPs is not lower than that of taxpayers who are not engaged in such arrangements. To address concerns about the availability of CCPs only to large taxpayers, it should be shown that implementing CCPs involves significant costs for both tax administration and businesses, making participation of other categories of taxpayers quite burdensome. Possessing more resources and generating most of tax revenues, large taxpayers are more suited for being enrolled in pilot studies. Once a CCP is settled, tax administrations may consider its extension to small and medium enterprises (SMEs). Determining the feasibility of expanding the CCP to include SMEs would require conducting a cost-benefit analysis. This analysis can also justify public expenditure by showing that the benefits of CCPs for both tax administrations and society outweigh the associated costs. Expansion to include SMEs may be facilitated by involving intermediaries, such as tax advisors and service providers who enable SMEs to automate and error-proof their accounting and tax reporting processes.

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Table 5.1 — Considerations on How Outcomes of Evaluation Can Be Utilized to Address the Challenges Associated with Implementing Cooperative Compliance Programs *(continued)*

Issue	Solution
	Society *(continued)*
Concerns regarding fairness and equality and the lack of trust towards CCPs *(continued)*	Tax administrations implementing a CCP should highlight that the ability of large taxpayers to participate in CCPs arises from their commitment to strong cooperation and disclosure beyond statutory obligations. Their different treatment is a function of their compliance with and acceptance of the rules of the program. Participation requires significant investment and a willingness to relinquish some privacy to gain benefits such as enhanced tax administration services and responsiveness. At the same time, this treatment does not violate the principle of equality, as it is equally available to all taxpayers enrolled in the CCP and does not confer any special benefits on a particular group among the participants.[c] Stakeholders typically prefer quantitative evaluations of CCPs, particularly those that measure improvements in the tax compliance process. However, it is essential to emphasize that evaluations should also consider outcome measures (e.g., results achieved using specific resources). Furthermore, qualitative measures and positive spillovers benefiting non-participating businesses and other stakeholders should be highlighted, even though empirical evidence on these benefits is currently limited.

[a] For example, the Polish NRA observed that the first tangible benefits started to materialize after 5 years of the CCP functioning (see Annex 8).
[b] The measures outlined may serve as supplementary to including a provision in the law or statute that establishes the CCP, stating that the information may be used solely for the purposes of the CCP and not for other tax administration audit processes, except in specifically listed exceptional circumstances.
[c] See the experience of implementing the CCP in Poland (Annex 8).

5.3. Cooperation with other Stakeholders

The evaluation of the costs and benefits of CCPs requires strong engagement from various stakeholders. In addition to the TA and entities participating in a CCP, these stakeholders may include a range of actors who are both directly and indirectly involved in a country's CC arrangement. Their roles encompass influencing the development and implementation of the evaluation methodology and actively participating in the evaluation process.

Tax advisors

The role of tax advisors in evaluating CCPs implies providing data on the costs and benefits that businesses experience when participating in such programs. T advisors possess significant expertise and knowledge not only in taxation, compliance procedures, and tax dispute resolution but also in business processes. This expertise allows them to assess the costs associated with various processes (e.g., the number of FTEs or monetary amounts) and evaluate the benefits from the business perspective. Data collected through surveys, depersonalized and generalized, can be utilized by TAs during initial research on the need for and feasibility of implementing a CCP or used for benchmarking.

Collaboration with tax advisors is also crucial for the evaluation of CCPs and their promotion among businesses. First, tax advisors assist businesses in evaluating the financial and operational implications of enrolling in CCPs, helping them make informed decisions. Additionally, the data and expertise accumulated by tax advisors are vital for quantifying long-term benefits such as tax certainty or enhanced reputation. Second, consultancy fees paid to tax advisors reflect different types of costs (e.g., TCF development or initial audits) and provide insights into benefits (e.g., reductions in tax compliance and dispute resolution costs). This information is essential for assessing various metrics proposed by the evaluation methodology. Finally, tax advisors play a key role in disseminating information about evaluation outcomes, significantly contributing to the promotion of CCPs. This, in turn, encourages the enrollment of new participating businesses and fosters broader adoption of CC.

Academic institutions

Cooperation with academic institutions is desirable for developing the evaluation methodology, conducting assessments, and performing subsequent analyses. Research institutions employ experts whose areas of expertise enable them to conduct in-depth analyses in fields such as taxation, economics, economic psychology, corporate finance, and statistics. This expertise allows academics to engage at various stages of the evaluation lifecycle.

Academics possess the necessary knowledge to develop evaluation methodologies, considering the diverse aspects of costs and benefits that need to be assessed. They can design research frameworks, including procedural elements and the identification of specific indicators to measure the costs and benefits of CCPs. If the level of trust between taxpayers and a TA is low, which may be the case in the early days of a program, academic institutions may be better placed to undertake taxpayer surveys. Taxpayers, both participants in the CCP and others, may be more willing to give honest feedback to a third party on condition the survey results are shared with the TA on an anonymized basis.

Experts in economic psychology can contribute to this process by designing tools to evaluate intangible benefits of participating in CCPs, such as trust, mutual understanding, satisfaction, and improved reputation. This can be achieved by developing tailored surveys that consider the specific design of CCPs within a given jurisdiction, as well as the socio-economic, political, and cultural dynamics unique to that jurisdiction.

Furthermore, research institutions play a pivotal role in processing the data collected during the evaluation of CCPs. The results of such evaluations not only quantify the costs and benefits for TAs and taxpayers but also identify trends in their dynamics. Additionally, evaluations provide valuable feedback, helping to determine the strengths and weaknesses of CCPs. This enables the areas that need improvement to be identified and data-driven decisions to be made on the strategies to enhance the overall performance of CCPs.

Academic institutions have the potential to play a significant role in promoting national CCPs by organizing high-level conferences, workshops, and other CC events. These events would bring together various stakeholders, including government representatives (such as TAs), international and regional organizations, businesses, tax advisors, and academics. The objective of such meetings would be to present and discuss the results of evaluations, share experiences, identify shortcomings in the CCP, and determine ways to improve it. This multi-stakeholder engagement fosters a sense of involvement in an important initiative, providing participants with the opportunity to contribute meaningfully to its development.

Legislature

In the jurisdictions where adoption of a CCP requires a legislative change, successful development, implementation, and evaluation of CCPs require cooperation with a country's legislative branch. The legislature plays a vital role in establishing the legal framework that governs the CCP, ensuring it aligns with the principles of fairness, equality, and the rule of law. In addition to securing political support and addressing potential legal barriers, cooperation with the legislature is essential for obtaining funding and resources necessary for program implementation and evaluation. The outcomes of the evaluation of the costs and benefits of the CCP can be used to provide legislators with regular updates based on empirical evidence, demonstrating the program's performance, transparency, and societal value. Such collaboration not only strengthens the accountability and legitimacy of CCPs but also fosters trust and public confidence in their outcomes.

International and regional organizations

Securing the support of regional and international organizations is essential for facilitating countries' efforts to develop and implement evaluation methodologies, particularly in developing countries. Organizations such as Inter-American Development Bank, which often coordinate regional initiatives to implement CCPs, can play a significant role in promoting methodologies for evaluating the costs and benefits of such programs. For instance, they could share best practices and provide a sample methodology that can be adopted by different countries within the region, considering jurisdictional differences and the specific design of CCPs. Additionally, international and regional organizations can support implementation by offering technical assistance, specialized trainings, and capacity-building initiatives on various aspects of evaluation.

Recognizing the role of CCPs in enhancing voluntary compliance, improving tax collection, and increasing efficiency in tax compliance and dispute resolution processes, these organizations can influence countries' decisions to adopt such programs to realize these benefits. In this regard, international and regional organizations can leverage the outcomes of the analyses of costs and benefits of CCPs to promote their adoption, emphasizing the positive effects at various stages of a program's lifecycle.

Civil society

Engaging with civil society representatives plays a crucial role, as they can influence public perception of CCPs. Tax administrations could consider providing civil society with access to evaluation results to ensure periodic reviews of CCPs and facilitate public scrutiny (Owens and Pemberton, 2021). This approach would offer empirical evidence that CCPs are both suitable and justifiable from a societal perspective (Owens and Pemberton, 2021, p. 165). Moreover, these stakeholders could help convince a broader audience that CCPs deliver benefits to society. Including civil society representatives in dialogue forums would also give them an opportunity to express their concerns to policymakers and propose ways to address those concerns effectively.

6

Considerations Regarding the Measurement of Costs and Benefits of Multilateral Cooperative Compliance Programs

The section outlines the initial considerations for evaluating the costs and benefits of multilateral cooperative compliance programs (MCCPs).

The intention to foster countries' efforts to provide early tax certainty in cross-border settings can be realized by extending domestic CC to the international level through the introduction of MCCPs. These programs apply the CC approach to specific cross-border projects, aiming to foster greater trust among stakeholders and achieve enhanced certainty on international tax matters. They facilitate efficient, pragmatic, and timely collaboration between multiple tax authorities and the taxpayer involved.[23]

Although the current landscape of international compliance arrangements providing tax certainty encompasses initiatives such as the International Compliance Assurance Programme and the European Trust and Cooperation Approach, the projected MCCP, while expected to draw some tools from these initiatives, will differ in scope. It will cover a broader range of tax issues and have timelines specific to projects, making it distinct from these existing programs.

Given that the concept of MCCP is still under development and no actual projects have been realized at the time of preparing the Manual, outlining a methodology, including a list of costs and benefits associated with such programs and a set of indicators for their measurement, presents challenges.

Nonetheless, a hypothetical list of MCCP benefits can be derived from the objectives of this compliance arrangement, which would encompass both tangible and intangible benefits. Notably, examples of benefits, in addition to those associated with domestic CCPs, would include, but are not limited to:

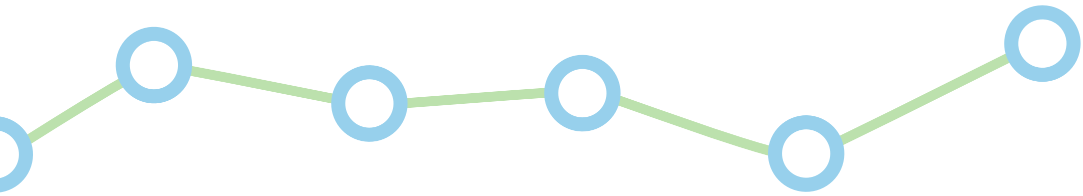
23 See Owens and Pemberton (2021).

- Providing early certainty regarding the tax treatment of cross-border transactions
- Decrease in cross-border tax disputes due to their minimization and timely resolution (particularly those not addressed through existing frameworks, such as cross-border VAT/GST disputes)
- Resource optimization at the levels of participating TAs and MNEs
- Enhanced international cooperation and coordination among participating TAs
- Promotion of fair tax practices
- Increased societal trust in the tax systems of participating states
- Improved reputation of participating states, TAs, and MNEs

On the costs side, it is expected that the additional efforts required for participation in MCCPs will result in an additional layer of costs. These could include, for example:

- For TAs:
  - Initial administrative costs related to establishing MCCPs, such as creating a legal framework at the international level, construction of CCPs that have similar requirements and characteristics, advocating for and promoting MCCPs, setting up cross-border tax dispute prevention and resolution mechanisms, and capacity building
  - Ongoing costs associated with tax certainty exercises
- For taxpayers:
  - Initial costs for participating MNEs, including developing and implementing a robust TCF tailored for multilateral requirements (based on the standardized TCF), as well as legal and administrative costs related to joining MCCPs
  - Ongoing costs related to increased documentation requirements to meet the regulations of multiple jurisdictions

However, to be robust and credible, the methodology for evaluating the costs and benefits should be tailored to the specific MCCP framework, also considering the legal contexts of the participating jurisdictions. It should be noted that outlining a complete list of costs and benefits for MCCPs will only be possible after running a pilot project, as the participating parties may encounter unforeseen costs or additional positive effects not initially anticipated. In this regard, it is recommended to adopt a phased approach to designing a methodology for the evaluation of costs and benefits of MCCPs. First, policymakers should consider setting clear objectives for MCCPs and designing a methodology that outlines an initial set of indicators, allowing for benchmarking and evaluating whether the project has achieved its objectives. Second, once the pilot project provides a better understanding of costs and benefits, the initial methodology should be revised to incorporate new evidence. Such an approach ensures that the evaluation process remains dynamic, adapting to emerging insights, and enhances the robustness, credibility and relevance of the evaluation over time.



7

Recommendations on Evaluation of Costs and Benefits of Cooperative Compliance Programs

This section presents a compilation of recommendations for evaluating the costs and benefits of CCPs, based on the guidance provided in this Manual. Countries that have or are contemplating such programs are encouraged to review the recommendations below, considering their own political, economic, and social circumstances.

I. Recommendations on the Methodological and Procedural Aspects of the Evaluation of Costs and Benefits of Cooperative Compliance Programs

Based on the overview provided in Section 2 herein, the key recommendations on the methodological and procedural aspects of the evaluation of costs and benefits of CCPs include the following:

- Evaluation of the costs and benefits of a CCP requires developing a structured, consistent, and transparent methodology grounded in established evaluation principles. This methodology must incorporate both quantitative and qualitative indicators to capture the full range of impacts. It should also measure outputs and outcomes of the CCP.
- The methodology should facilitate comparability over time and across groups (e.g., taxpayers inside and outside of the CCP).
- The primary evaluation efforts should focus on the experience of TAs, ministries of finance, and large taxpayers. Other stakeholders may be engaged, including tax advisors, academics, NGOs, business associations, where relevant and feasible.
- It is crucial to use robust data collection and analysis techniques, adhering to recognized evaluation standards. This would help ensure the reliability of the evaluation outcomes.

- The frequency of evaluation should be tailored to the degree of maturity of the CCP. Specifically, during the pilot phase, evaluations should be conducted every two years to allow time for measurable change. For mature CCPs, evaluations should be conducted every four years to balance continuity with resource efficiency. Depending on the availability of resources, TAs may consider monitoring key indicators more frequently (e.g., quarterly or annually) to support ongoing oversight.
- The evaluation results should be publicly available to promote transparency and build public trust in CCPs.
- Tax administrations may adapt the principles outlined in the proposed methodology to evaluate other programs, policy measures, or interventions. One example could be the implementation of AI in the work of TA, which requires careful consideration regarding the associated costs and benefits.

II. Recommendations on Measuring the Costs of Cooperative Compliance

Section 3 herein offers guidance on how to measure the costs of CCPs, including these main points:

- It is important to design a comprehensive cost-mapping framework for both TAs and taxpayers to distinguish and evaluate the different types of costs (e.g., initial vs. ongoing, measurable vs. non-measurable) associated with implementation and participation in a CCP. The taxonomy of CCP costs for TAs and taxpayers is presented in Tables 3.1 and 3.2.
- Tax administrations and taxpayers are encouraged to treat CCP-related expenses as strategic investments rather than routine compliance costs.

II.1. Assessment of Costs of Cooperative Compliance for Tax Administrations

- Tax administrations should regularly evaluate both direct and indirect costs of CCPs (for example, organizational change, training, and capacity building) to ensure efficient resource allocation, considering infrastructure, staffing, training, technology, and stakeholder engagement.
- Use cost–benefit analysis to quantify and discount costs to present value, ensuring a comprehensive understanding of financial commitments over time, supplemented by scenario analysis to account for uncertainties. The steps in the cost-benefit analysis cost assessment should include the identification of costs, their quantification, discounting future costs and comparison through aggregation.
- The key limitations are expected to stem from the difficulty of accurately capturing indirect or intangible costs and the reliance on projections of future expenses.
- Ongoing cost assessments should be built into the program's lifecycle to maintain flexibility and make necessary adjustments to stay aligned with evolving program objectives.

- When developing and implementing a CCP, TAs should allocate sufficient resources for initial planning, including feasibility studies, program design, and stakeholder engagement. These activities help align the CCP with the broader objectives of the TA. In addition, collaborating with external entities, such as international organizations or research institutions, for preliminary studies and research can reduce costs, improve efficiency, and provide a global perspective.
- Tax administrations should consider adopting pilot programs. Testing key components with a select group of taxpayers and resource optimization before full-scale implementation allows for early identification of challenges.
- It is crucial to invest in establishing a robust legislative and institutional framework, including creating new laws, if needed, and setting up dedicated units within the TA. These investments ensure the CCP's sustainability and alignment with national regulations.
- Technology and infrastructure investments should be strategically planned to ensure secure, efficient systems for data management and real-time taxpayer communication. AI applications can help reduce administrative costs while improving compliance monitoring and risk assessments.
- Tax administrations should proactively manage public perception and expectations through clear, ongoing communication. Engaging stakeholders early and consistently can prevent misunderstandings and build trust.
- The operational stage of the CCP is associated with changes in the cost structure and implies investment in managing the personnel, technology and communications systems required for the CCP's success.
- Tax administrations should plan for the strategic reallocation of staff from traditional enforcement roles to CCP-related functions. This shift must be accompanied by targeted investments in training to equip personnel with the skills required for relationship-based compliance management, industry-specific knowledge, and effective communication. These efforts will ensure the long-term effectiveness of CCPs and enhance the ability to engage constructively with taxpayers.
- Despite initial expenses, TAs should adopt a long-term perspective when assessing CCP-related costs. Benefits such as improved compliance rates, faster dispute resolution, and reduced audit burdens often outweigh the upfront investments. A cost-benefit framework should be used to demonstrate the value of CCPs to internal stakeholders, policymakers and non-participating taxpayers for better risk-based resource deployment.
- Notwithstanding the expected decline in tax disputes and litigation stemming from participation in the CCP, taxpayers may still encounter tax disputes. In this regard, TAs should allocate resources to efficient dispute resolution mechanisms. Specifically, they may consider establishing dedicated teams or units to handle such disputes, providing regular training, and developing standardized internal guidelines and protocols. In the long run, improved trust and cooperation within the CCP is expected to outweigh this investment.

- Tax administrations should actively promote a shift in the culture within the TA, internal communication strategies, leadership development, and retraining initiatives.
- To address potential resistance to organizational change, TAs should develop targeted change management strategies. These may include workshops, communication campaigns, and staff engagement initiatives to build a shared understanding of the CCP's goals and reduce opposition from those accustomed to traditional enforcement roles.
- Tax administrations should adopt a proactive and strategic approach to workforce planning. This involves forecasting future staffing needs, identifying skill gaps, and investing in recruitment, retention, and career development for specialized CCP personnel, especially as the program scales.
- When planning ongoing technology costs, it is essential to anticipate all types of expenses, including IT system maintenance, data management, cybersecurity, regular software and hardware updates, and staff training.
- Tax administrations should establish a system for regular evaluation of ongoing CCP costs to ensure financial sustainability and operational efficiency. This includes monitoring both direct and indirect expenditures, such as staffing, technology maintenance, and stakeholder engagement, to identify inefficiencies and adjust resource allocation as needed.
- Effective evaluation of costs associated with maintaining CCPs requires establishing robust approaches to data collection and analysis. Specifically, systematic tracking of ongoing costs should combine real-time and periodic reporting mechanisms. A comprehensive cost-tracking framework entails developing clear definitions of cost categories, standardized reporting templates, and consistent data collection practices across departments, as well as integrating cost data into centralized databases to facilitate accessibility.

II.2. Assessment of the Costs of Cooperative Compliance for Businesses

- The costs of accessing a CCP for businesses primarily include those associated with the implementation of a TCF.. Specifically, this process involves expenses related to documenting the control framework and developing and operationalizing its components. Some large taxpayers may already have a TCF in place prior to joining a CCP, which can help reduce access costs. However, depending on the design and requirements of the CCP, taxpayers may still incur additional expenses, such as those related to prior reviews and audits, transparency exercises, and formalization processes.
- When estimating personnel costs, apply the FTE method, especially for dedicated staff from tax, internal control, and audit functions, including the tax compliance officer. For managerial and middle management roles, FTE remains the recommended approach.

- If external or combined resources are used, costs should be estimated based on man-hour calculations provided by third parties, as no standard model applies.
- To reduce costs related to training and internal dissemination, it is recommended to use online, recorded training sessions and existing internal communication channels.
- Costs for prior reviews, audits, transparency exercises (e.g., disclosure of uncertain tax positions) and formalization processes (e.g., meetings, information exchanges, or agreement procedures) should include both FTE-based personnel estimates and relevant indirect costs such as travel or infrastructure usage.
- It is recommended to assess ongoing CCP-related costs using the same methodologies applied during the preparatory phase, such as FTE calculations, allocation of indirect costs, and invoicing from third-party service providers. This ensures consistency and comparability over time.
- TCF maintenance costs, including software updates, system enhancements, and continuous improvement processes, should be measured as part of the ongoing cost assessment, given their recurring nature and strategic relevance.
- Ongoing transparency and communication costs should be regularly monitored, even if relatively low, to ensure that the full scope of CCP participation is captured.
- Costs related to accessing and maintaining participation in a CCP can be considered part of a business's overall tax compliance expenses. A reduction in tax compliance costs is often a key benefit and incentive for joining a CCP.
- The internal complexity of the organization, including the scale of its internal processes and the existing capacity of its tax function, can significantly influence the overall cost of CCP participation.

III. Recommendations on Measuring the Benefits of Cooperative Compliance Programs

The recommendations listed below are derived from the methodological guidance provided in Section 4 herein on how to measure the benefits of CCPs.

III.1 Recommendations on Developing a Methodology for Evaluating the Benefits of CCPs

- When developing a methodology for evaluating the benefits of a CCP, TAs should create a structured mapping of the expected benefits for both TAs and taxpayers, tailored to their specific jurisdiction and aligned with the CCP's structure and institutional context. This framework can guide implementation and monitoring by identifying focus areas (e.g., legal and tax certainty, efficiency, etc.).
- Tax administrations should adopt a set of objective—preferably quantitative—indicators to assess CCP benefits. The data for the evaluation can be drawn from internal information systems or gathered via taxpayer surveys (see Tables 4.1 and 4.2).
- For meaningful evaluation, TAs are encouraged to conduct before-and-after comparisons for CCP taxpayers and, where feasible, establish a control group of

comparable non-CCP taxpayers. This is particularly important in the context when the materialization of benefits might not be immediate, and the dynamics of the expected changes are specific for each indicator.

- To rigorously assess the causal effects of CCPs, TAs should consider using empirical methods such as difference-in-differences analysis. These methods can help isolate the effects of the CCP from other external factors and provide evidence of effectiveness.
- Tax administrations may consider implementing visualization dashboards to track key indicators and generate insights. These tools enable better monitoring, highlight trends and anomalies, and support more informed decision making throughout the lifecycle of the CCP.
- In conducting cost-benefit or cost-effectiveness analyses, TAs should incorporate appropriate discount rates and time horizons, recognizing that costs are typically front-loaded while benefits accrue over time.

III.2 Evaluation of the Benefits of Cooperative Compliance for Tax Administrations

- The benefits of CC for TAs should reflect the objectives they are aiming to achieve through implementation of such a program. The set of metrics adopted for their measurement should be tailored to the CCP design as well as the jurisdiction's specificity.
- Tax revenue maximization should not be regarded as the key objective and benefit of CCPs. However, a CCP may indirectly affect tax revenue collection, for example, as one-off revenue impact from resolving legacy issues or through providing TAs with better knowledge of business models, improved legal and tax certainty.
- The proposed methodology offers a set of indicators in the following areas where the benefits of a CCP are expected to materialize, including tax compliance, tax audit, tax litigation, and tax and legal certainty. The detailed explanation of each benefit, specific metrics and indicators' methodological cards can be found in Table 4.1, Section 4.2.1, and Annex 2 herein.
- Tax Compliance aims to measure how CCP impacts voluntary compliance and compliance outcomes through transparency and enhanced relationship between the TA and CCP taxpayers. It can be measured through the indicators in such areas as tax compliance behavior, transparency and risk management, and institutional management.
    - Improvements in tax compliance behavior can be assessed by evaluating how CCP participation and the implementation of robust TCFs lead to more consistent compliance and reduced errors due to transparent, advance discussions of tax issues.
    - Transparency and risk management indicators demonstrate how CCPs can enhance TAs' ability to identify and address compliance risks by fostering

    voluntary disclosure and cooperation, thereby reducing information asymmetry and improving risk profiling and audit efficiency.
    - Institutional management shows how a CCP enables TAs to identify and monitor key areas of tax uncertainty disclosed by CCP taxpayers, providing valuable insights for policy refinement and enhancing voluntary compliance and tax certainty.
- The indicators in Tax Audit aim to measure how a CCP impacts tax auditing process and performance through improved risk management and risk profiling of taxpayers for audit selection, ultimately leading to more efficient resource allocation.
    - The change in audit expenses allows measuring how a CCP can improve the efficiency of resource allocation to auditing through a more focused auditing process.
    - Audit Yield measures the improvement of audit performance stemming from the enhanced knowledge of businesses provided by CCPs improving audits precision and offering better risk process feedback.
- The indicators in the field of Tax Litigation help determine the extent to which CCP can reduce the number of tax disputes, associated costs and their impact on tax revenue collection due to the possibility to address the risks of misinterpretation and inaccurate application of tax legislation in advance. This group of indicators includes the dimensions of Litigation Expenses and Tax Amount in Dispute.
    - The change in Litigation Expenses demonstrates how CCP can effectively reduce the number and variability of tax disputes as well as the amount of resources allocated by TAs to deal with such disputes.
    - The indicators in Collection Uncertainty can be used to measure how the ongoing enhanced dialogue between the CCP taxpayers and the TA will contribute to less divergence between the originally stated tax position and the final agreed tax position and to reducing the amount of tax blocked in disputes.
- Tax and Legal Certainty includes a set of metrics aiming to evaluate the long-term CCPs impact on improving tax and legal certainty that can be achieved through fostering open dialogue, reducing the risk of misinterpretation and disputes, promoting faster decision-making on complex tax issues, and encouraging the use of dispute avoidance mechanisms. This, in turn, lowers transaction costs, increases predictability, and supports investment and economic growth.

III.3 Evaluation of Cooperative Compliance Benefits for Taxpayers

- The rationale behind measuring the benefits of CCPs for taxpayers lies in the need to demonstrate that these benefits outweigh the costs associated with participating in a CCP, thereby encouraging businesses to enroll in such compliance arrangements.
- The Manual groups the indicators into four broad categories reflecting the main areas of interaction between taxpayers and TAs where potential CCP benefits are expected to materialize: Tax Compliance, Tax Audit, Tax Litigation, and Tax Risk and Legal Certainty.

- The evaluation of Resources Dedicated to Tax Compliance can be measured by assessing the resources allocated to tax compliance activities, whether carried out internally or externally. A reduction in tax compliance costs, which may be considered the most relevant CCP benefit for taxpayers, is expected because of near real-time consultations on legal issues and complex transactions, along with their validation by the TA within the CCP framework.
- The measurement of Resources Dedicated to Tax Audits focuses on the expenses incurred by taxpayers because of tax audits, including both internal and external costs. The expected benefit is a reduction in these costs, driven by a lower number of audits and a decreased administrative burden, due to the improved audit selection process and CCP taxpayers' opportunity to proactively discuss issues with the TA enhancing tax and legal certainty.
- Resources in Litigation and Disputes can be measured through the costs associated with legal services required to conduct litigation, as well as the financial impact resulting from the opportunity costs of resources tied up in disputes (as uncertain tax positions). The expected benefit is a reduction in these costs, due to better alignment between the taxpayer's and the TA's positions driven by improved tax and legal certainty, advance discussions of tax issues, increased predictability of tax obligations, and greater convergence between initial and final tax positions.
- Tax and Legal Certainty reflects the expected long-term reduction in resources taxpayers devote to managing tax risks and the change in dispute prevention measures undertaken by the TA towards a CCP taxpayer. The benefit can be measured through two subcategories of indicators—Tax Risk Management and Legal Certainty.
    - The reduction in costs associated with tax risk management stems from the enhanced dialogue and transparent relationship between the TA and taxpayers within the CCP.
    - Improvements in legal certainty can be measured by the number and duration of tax dispute prevention actions (e.g., APAs and MAPs) taken with respect to a CCP taxpayer, reduced time to deliver decisions, and greater predictability of tax positions.

III.4. Assessment of the Relationship between the Tax Administration and Businesses

- Tax administrations are recommended to adopt a mixed-methods approach for the assessment of the relationship with businesses participating in CCPs. Combining both qualitative and quantitative research methods will capture both the subjective and measurable aspects of the relationship, enhancing the credibility and depth of the findings.
- It is important to use tailored research tools, with the scope and content of surveys and interviews customized to reflect the specific context and trust levels in each jurisdiction, ensuring relevance and accuracy.
- Tax administrations should conduct in-depth qualitative research using interviews and focus group, which will allow for a deeper understanding of the perceptions, experiences, and expectations of both taxpayers and tax officials.

- Tax administrations are recommended to implement large-scale quantitative surveys. Structured questionnaires (e.g., CAWI, CATI) with closed-ended questions should be used to assess trends, frequency, and intensity of relational aspects across a larger sample of CCP participants.
- It is recommended to include behavioral assessments in the evaluation process. Behavioral interventions and experiments should be used to examine how trust and cooperation can be strengthened through specific policy actions or communication strategies.
- It is crucial for TAs to monitor trust and cooperation indicators. Developing specific metrics to assess mutual trust, perceived fairness, openness, and responsiveness will help measure the core values of the CCP framework.
- Changes over time can be evaluated by repeating measurements periodically, which will help monitor the evolution of the relationship between TAs and CCP taxpayers, detecting any shifts in perceptions or behaviors.
- Tax administrations should translate findings into policy guidance as insights from evaluations can be used to inform strategies for enhancing TA practices and further strengthening cooperative relationships.

III.5. Providing Feedback on Participation in a Cooperative Compliance Program

- Tax administrations should establish mechanisms to collect and use feedback throughout all stages of CCP implementation, recognizing that CCPs involve ongoing changes in procedures and internal policies for both administrations and companies.
- Tax administrations should apply both formative and summative evaluations to collect feedback on the CCP. While formative assessments can be conducted throughout the program's operation to improve its design, summative evaluations are carried out at the end of a specific phase (e.g., the CCP pilot stage) to assess the overall achievement of program objectives. Both types of evaluations may use methods such as questionnaires, observations, open-ended questions, and other qualitative approaches to identify areas for improvement.
- It is important to involve the right stakeholders in the feedback process. Tax administrations should engage individuals who are directly involved in CCP implementation, from both the tax authority and participating businesses, as they are best positioned to provide meaningful insights.
- The feedback should be provided at the right time, through clear communication channels, and with practical recommendations, which is essential for it to be actionable and effective.
- It is crucial to focus on broader patterns rather than isolated feedback points. Feedback should be analyzed for overarching themes to avoid overreacting to singular responses and to support well-informed policy adjustments.
- Tax administrations should use the feedback to set realistic and tailored improvement goals. As CCPs are context-specific, feedback should inform customized strategies that address the unique challenges and needs of each jurisdiction or participant group.

- It is important to regularly monitor the impact of implemented changes by following up on how feedback-based adjustments are received and whether they lead to measurable improvements to ensure the effectiveness of the feedback loop.
- Communication of feedback findings should be an integral part of evaluation. Feedback reports should be detailed and complemented by meetings or presentations with key stakeholders to ensure understanding and encourage collaborative responses.

IV. Recommendations on the Process of Practical Implementation of the Evaluation Methodology

IV.1. Reaching a Political Decision

The following recommendations on the process of practical implementation of the evaluation methodology are based on the insights presented in Section 5 herein:

- When developing and implementing a methodology for evaluating the costs and benefits of a CCP, TAs should take several practical challenges into account. These include the high costs associated with designing and adopting the methodology, a lack of in-house expertise, limitations in data availability and quality, concerns about data privacy, the potentially lengthy evaluation process, and the evolving nature of both tax systems and the CCP itself.
- Reaching a policy decision on the development and implementation of an evaluation methodology requires strong collaboration among multiple stakeholders, including the executive and legislative branches, the business community, tax advisors, and civil society. Such collaboration is essential to securing broad support and ensuring the necessary allocation of resources. From a broader perspective, it is recommended that governments and TAs consider establishing a dedicated discussion forum to foster multi-stakeholder engagement. This forum could, among other functions, address the issue of CCP evaluation.
- Evaluation methodologies should reflect not only the specific characteristics of the CCP being implemented but also the socio-economic, cultural, and political context of the jurisdiction in which it operates.
- To mitigate political risks, policymakers are advised to adopt a phased approach, beginning with pilot programs to test and refine the proposed methodology. The results of these pilots can demonstrate the value of the evaluation process, build confidence in its effectiveness, and obtain broader political support for full-scale implementation.

IV.2. Cooperation with other Stakeholders

In the process of evaluating the costs and benefits of CCPs, TAs should establish strong cooperation with various stakeholders:

- Tax advisors play a key role in both evaluating and promoting CCPs by providing data on business-level costs and benefits. This enables TAs to assess CCP feasibility, benchmark outcomes, and communicate the value of CCPs to a wider business audience, thereby contributing to the enrollment of new participating taxpayers.

- Tax administrations are encouraged to cooperate with academic institutions in developing evaluation methodologies, conducting assessments, and performing subsequent analyses. This collaboration helps address the lack of in-house expertise in relevant areas and facilitates dissemination of information on CCPs and assessment results through publications, high-level conferences, and other channels.
- Cooperation with the legislative branch is crucial for establishing the legal framework governing CCPs and ensuring alignment with broader policy goals, as well as with principles of fairness, equality, and the rule of law. In turn, TAs should share the results of CCP performance evaluations with legislators to secure political support and obtain the necessary resources for further CCP development and evaluation.
- Tax administrations, particularly those in developing countries, are advised to cooperate with regional and international organizations. Such engagement supports the implementation of CCPs and their evaluation methodologies by enabling knowledge sharing and providing technical assistance, training, and capacity-building initiatives.
- Tax administrations should consider cooperating with civil society organizations by involving them in CCP-related discussions and granting access to evaluation results. This promotes periodic reviews of CCPs and enhances public scrutiny, helping to secure the societal support necessary for successful implementation and long-term sustainability.

IV.3. The Use of the Evaluation Outcomes to Promote Cooperative Compliance Programs

It is recommended that the results of the evaluation of costs and benefits of a CCP be used for its promotion. Governments and TAs can utilize the outcomes of measuring specific indicators to address concerns expressed by various stakeholders and, thereby, support the implementation.

- For TAs:
  - The evaluation outcomes should be used to frame CCP costs as long-term investments rather than immediate expenditures, showing mid- to long-term returns in terms of increased efficiency and improved compliance. It is important to highlight quantitative indicators available from other jurisdictions (e.g., reduced tax gap, fewer audit irregularities, improved compliance behaviors) to justify resource allocation and strengthen the business case for CCP implementation.
  - The evaluation outcomes are useful for overcoming legal barriers and concerns regarding the tax code complexity by illustrating how CCP participation contributes to legal certainty (e.g., faster and more consistent rulings, fewer disputes). Empirical indicators, such as reduced variability of aggressive tax planning (ATP) audits in relation to the variability of tax code complexity over time (indicator IV.c) can help demonstrate the CCP's effectiveness in mitigating complexity and promoting predictable tax treatment.

    - The issues of compliance culture and lack of trust towards taxpayers can be addressed by presenting evaluation findings that CCPs do not reduce audit power but improve its focus and outcomes, such as increased audit yields and better risk targeting. In addition, pilot program results can be used to demonstrate how CCPs allow resource reallocation towards taxpayers outside the CCP, thereby improving overall enforcement efficiency.
- For taxpayers:
    - Evaluation results can be used to underscore that initial CCP enrollment costs are offset by reductions in audit, compliance, and dispute resolution expenses over time. It is crucial to emphasize improved financial indicators such as lower provisions for uncertain tax positions as tangible benefits.
    - Qualitative evaluations and case studies should be used to highlight intangible benefits, such as reputational gains, improved relationships with TAs, and alignment with corporate governance standards.
    - It is important to showcase how increased legal certainty through CCP participation leads to better predictability and reduced compliance burden.
    - Evaluation outcomes can be used to demonstrate how CCPs reduce complexity-related compliance costs, making them particularly valuable in jurisdictions with frequently changing tax laws.
- For society:
    - The evaluation results should be published to show that effective tax rates for CCP participants are on par with those for non-participants, dispelling myths about preferential treatment. It is crucial to emphasize that large taxpayers' participation reflects their willingness to make substantial disclosures and invest in compliance infrastructure, rather than receiving special favors.
    - Tax administrations should use cost–benefit evaluations to demonstrate that the societal benefits of CCPs, such as improved transparency, reduced litigation costs, and more efficient use of public resources, outweigh implementation costs. Where feasible, it is important to highlight spillover effects such as improved compliance culture among non-CCP taxpayers.
    - Tax administrations considering designing a CCP-type program to cover small and medium enterprises should conduct and share targeted evaluations assessing its feasibility, demonstrating the conditions under which such an expansion would be cost-effective and equitable.

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Annex 1. Guidance for Determining Compliance Costs in the Context of Cooperative Compliance Programs

Objectives and Approach

Annex 1 sets out a methodology that enables any taxpayer (entity) to calculate compliance costs. It should be noted, however, that the use of the proposed methodology is not a requirement for accessing a CCP, nor must it be followed in full or at the level of detail suggested. A company may conduct a comprehensive analysis of its compliance costs that is valid for its own purposes by using an alternative methodology or by considering only selected steps and aspects outlined below.

The aim is not to carry out a benchmark or a market study to establish ranges or limits of what might be acceptable or normal costs, but rather to provide the parameters by virtue of which a company wishing to access or remain in a CCP can calculate compliance costs according to its specific situation and circumstances, to compare them with the benefits it deems to derive from accessing and remaining in the program. The aim is therefore to facilitate the individual analysis of each entity to make its own cost–benefit decisions.

This approach derives from the recognition that, in practice, no two situations are identical between taxpayers. Any comparability exercise between entities using equalization procedures, even in the same tax jurisdiction and under the same CCP, would be both complex and inappropriate. It would provide little information for this type of decision making. The ultimate reason is that in this case, the decision to be made is not free from subjective judgment, especially when the expected benefits of such a program include many intangible benefits such as legal certainty or reduction of the expected conflict with the TA. Therefore, in the face of a hypothetical identical quantitative evaluation, in which the data and estimates yield the same numbers, there could be different decisions that could be considered prudent and justified. The methodology suggests an approach governed by simplicity to accommodate different realities. This idea of a basic, qualitative approach is more flexible and allows it to be adapted to the variety of subjects likely to participate in CCPs.

Compliance Costs and their Relationship with Tax Expenditure and Uncertainty

In most jurisdictions, self-assessment systems predominate. It is the taxpayers themselves who declare the taxable events and calculate their taxes, in addition to being obliged to provide TAs with information about themselves and third parties with which they are related so that the administration can carry out an adequate management of tax collection. For this reason, there are a series of certain and unavoidable costs linked to the simple fulfilment of tax obligations that go beyond the tax to be paid. These are known as tax compliance costs, which are commonly defined as the "costs incurred by the taxpayer to comply with the requirements of the law and tax authorities beyond the actual payment of taxes. Costs that would disappear if the law were abolished" (Sandford, 1995). These costs will be incurred in any case, although to a lesser extent in cases where collection is carried out by direct tax assessment systems (not self-assessment). Compliance costs must be distinguished from administration costs, which are those incurred by the TA in the management of the collection, and which were analyzed, as far as CCPs are concerned, in Section 3.2.

From a mainly business perspective, tax compliance costs are also mostly fixed costs in the sense that they do not depend directly on the production of goods and services or on the intended or actual activity of the company or entity.[24] Unlike tax expenditure itself, which is largely dependent on the intensity of the activity and the results obtained, compliance costs are linked to the management of the tax returns. Thus, an increase in the results of the activity will normally lead to an increase in tax expenditure, but not necessarily in compliance costs since the return containing the assessment, the systems set up for payment, and the resources needed to manage all of the above would be the same and do not vary because of a different figure included in the tax return. However, these costs are highly dependent on the complexity and legal requirements of the tax assessment and collection process.

These costs are of a different nature; they include costs derived from the IT tools used, dedicated staff, communication with the TA, specialized advice, prior mandatory financial audits, and others. Therefore, there are expenses that can hardly be managed by the taxpayer unless the external conditions are modified. In this sense, access to CCPs could imply a reduction in compliance costs. Most of them envisage a reduction or variation in the verification or control processes by the tax authorities. In addition, the early certainty provided by these programs can help reduce costs associated with the determination of tax liability, for example, arising from the use of internal or external advice. Similarly, an appropriate CCP should lead to a reduction in litigation, so that the costs directly linked to litigation should also decline.

Compliance costs are difficult to measure. Fundamental problems arise both from the difficulty of obtaining information and from comparability across entities and jurisdictions.

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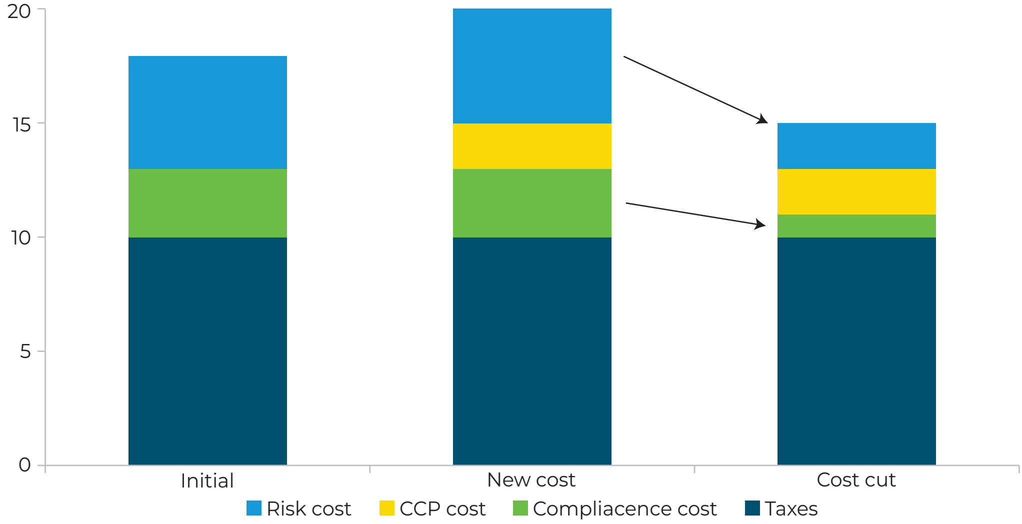
24 The Manual follows the classical distinction of Schneider, who considered that the distinction between fixed and variable costs requires an independent reference variable (Schneider, 1967).

Figure A1.1 — The Dynamics of Costs of Cooperative Compliance for Taxpayers



However, some studies report that these costs hardly fall below 2 percent of revenues collected and reach in some geographies around 10 percent (Hudson and Teera, 2005). In the same vein, some analyses, such as those developed by the World Bank and PwC during the years 2004 to 2020 (World Bank, 2020), or recent evaluations conducted by the International Finance Corporation (IFC, 2018; World Bank, 2025) provided references regarding the scope of tax compliance costs. That said, the above-mentioned information only constitutes a country benchmark. At the entity level, differences can be significant.

In addition to compliance costs and the tax expense itself, an entity's expenses include those derived directly from tax uncertainty and risk. Although the starting point of the analysis is a taxpayer willing to fully comply with its tax obligations, both in formal and material aspects, risk is inherent to any activity. This risk obliges the entity to incur certain costs, not only for its management (compliance costs) but also directly as expenses booked as provisions.

Indeed, the incorporation of a CCP should help reduce costs associated with uncertainty—both in terms of management-related expenses and litigation reduction, and provisions for risks arising from uncertain tax positions, including those that have not yet led to litigation and, in the medium to long term, by decreasing the likelihood of future disputes. Therefore, the expected dynamics resulting from access to a CCP would lead to an initial increase in taxpayers' costs, which could be offset by the reduction of pre-existing compliance costs, and costs linked to uncertainty (Figure A1.1).

Methodology for Calculation of Compliance Costs

The subsection below suggests a methodology for calculating the costs associated with tax compliance in the context of a given CCP, as part of a CBA process. Although for

Figure A1.2 — The Sequence of Tax Compliance Cost Calculation

the purposes of exposition it has been preferred to establish a sequence of tasks to be carried out, each entity can assess whether, and to what extent, it is necessary to follow this sequence (Figure A1.2); or whether it is preferable to group some of the phases and carry out a more unitary estimate.

The First Phase: Preliminary Phase

Analysis of current compliance costs

Analysis of current compliance costs is essential to periodically assess and evaluate the merits of the CCP to which a taxpayer intends to accede or in which it considers remaining. In this regard, it is important to consider the reflections made above. Not all costs associated with an entity's internal tax function qualify as compliance costs. Certain activities may be undertaken on a voluntary basis, for example, the preparation of global tax contribution reports by many multinationals, audit costs related to sustainability indices, or activities linked to foundations or NGOs, as well as the costs of preparing for and participating in trade groups or various tax forums. It is also possible that indirect costs are internally allocated to the tax function using parameters that are not solely driven by tax compliance, for instance, indirect costs related to building use, technology, or communication systems may be allocated based on the number of staff in the unit.

For the reasons set out above, it would be appropriate to first establish the perimeter of compliance costs. For this purpose, costs that are linked to the "core" of an entity's traditional tax function and that are inherent to the normal tax cycle may be useful as a criterion for defining compliance costs. This traditional cycle can be grouped around a process with four categories:

1. Tax planning and advisory: determination of tax treatment and advice to business and central/corporate areas.
2. Tax accounting: participation in the accounting process of determining tax magnitudes (mainly tax and deferred tax expense) and in the publication of the entity's mandatory financial and non-financial statements.
3. Tax compliance: preparation of tax returns, including informative declarations, and dealing with the requirements of the TA.
4. Tax defense: requests for information, tax audits and complaints/litigation.

Based on these core costs of the traditional function, a further distinction could be made by grouping them into three levels to facilitate their analysis and subsequently verify where the greatest cost reduction would occur because of participation in a CCP.

First-level compliance costs:

These are strictly the direct or indirect tax compliance costs associated with the filing of tax returns, and therefore the phase of the cycle that is referred to above as tax compliance. This should include all costs of staff involved in the preparation and filing of returns for the time spent on this function; costs of third parties carrying out this function for the company or on its behalf; costs of prior mandatory audits of the returns to be filed; costs arising from the acquisition of manuals, technical training and databases, costs linked to the request for tax rulings clarifying the content of the positions to be included in the returns; technological costs of specific software used in the filing or preparation of the declarations, attributable communication costs, indirect and/or minor costs passed on to the tax function, for which an appropriate distribution driver should be used or, failing that, adapted to this proposed distribution in levels (for example, if, as mentioned above, the cost driver is the number of employees, it could be apportioned according to the time dedicated by these employees to the preparation and filing of declarations).

Second-level compliance costs:

These are the direct and indirect costs associated with what is called tax accounting and tax defense functions for the purposes of this Manual. These are also costs incurred by the entity in responding to external obligations, but which are not exclusively tax-related (tax accounting) or are fundamentally linked to tax risk management (tax defense).

As regards the costs of the tax accounting function, only and exclusively those with a significant accounting tax component (determination of the accounting tax expense, deferred tax assets or liabilities, and mandatory public reporting of a tax nature) should be included. The aim is not to include the total costs of preparing the accounting or financial statements, but only those costs that are involved for tax reasons. For this reason, if it is difficult to estimate directly due to reporting constraints, an apportionment of the total accounting costs or costs charged to the accounting unit of the entity can be applied, based on the parameters such as staff time spent on the management of tax magnitudes or the preparation and verification of public information.

Costs related to the tax defense function are generally of a non-recurring nature, meaning that they will arise only to the extent that the entity is undergoing a tax audit or has ongoing litigation and claims. For this reason, it may be advisable to differentiate them from the above, especially in entities that do not have a constant or similar volume of ongoing litigation or are subject to a non-systematic tax audit schedule. These costs should again encompass both direct and indirect costs, including expenses of third-party advisors, in particular lawyers, legal costs, staff costs determined based on the time spent on the inspection including all phases of the inspection such as preparation, collection of supporting documentation, or explanatory meetings. It should also include the specific software for the management and follow-up of the tax audit and/or litigation or the general software in the part dedicated to these functions, and the allocation of indirect or general expenses according to an allocation driver as indicated above.

The risk management and control systems already in place within an entity should be treated separately and not included as compliance costs. There are several reasons for this. First, when such systems already exist, it is often difficult to distinguish tax-specific mechanisms from the broader integrated risk management framework. Second, considering these systems in their entirety provides more meaningful information for the cost-benefit analysis. In most cases, participation in a CCP will either maintain or increase these costs, rather than reduce them.

Third-level compliance costs:

These are costs linked to the tax planning and advisory function. They are the most problematic because they are typically internal costs necessary for compliance but not strictly mandatory or not to the full extent. They should be considered in large companies where the tax return preparation and internal advisory functions are usually divided. Therefore, it is necessary to only include those which, because of the internal advisory function to the business or central/corporate areas, are linked to the determination or establishment of criteria for situations or transactions that occur for the first time and are subsequently reflected in the disclosures. For example, when implementing Pillar II or successive EU Directives on Administrative Cooperation, the entity may have had to incur a series of expenses necessary to adapt them to the specific reality of its entity and to align all areas internally, but no tax disclosures or returns have been submitted. Therefore, the routine costs of merely providing informational internal advice to business units or central services, or those arising from monitoring and interaction with these areas, would not be included. The types of expenses to be considered should be like those included at the first level. As already indicated above, these compliance costs include neither the tax expense nor that derived from the entity's tax risk (whether provisioned for in the accounts or not).

Analysis of the capacities of the tax function in the entity

The tax function of companies has evolved because of the change in the tax compliance paradigm observed in recent times. A multitude of initiatives linked to more transparent and responsible taxation, aligned with the expectations of the different stakeholders, has led to the incorporation of new functions into the traditional core of the tax departments. These include, for instance, attention to different stakeholders including potential investors, analysts and indexes, and the expansion of non-financial information in accordance with environmental, social and corporate governance criteria. In many cases, these new functions, which are certainly time-consuming, have been incorporated without increasing the capacities and resources of the tax teams, so that possible access to a CCP makes it advisable to analyze the state of the department beforehand.

From a cost perspective, the rationale for carrying out this analysis is that it can be useful in determining whether third-party support will be required, whether to expand internal capabilities, or whether the entity will be able to use its existing internal resources through reorganization. Thus, a tax department that is overloaded with work because of the development of its function will require the incorporation of new resources, or subcontract and outsource part of its functions to third parties if it finally enters a CCP. On the other hand, an entity that is not overstretched and is well-sized will be able to take on the new tasks derived from the compliance program without requiring any impact adjustments. The possible incorporation into a CCP may constitute an opportunity, based on an analysis of its own capacities, to promote a reorganization aimed at making the internal function more efficient. Techniques from organizational theorists can be useful for this analysis, such as the one derived from the Congruence Model (Nadler and Tushman, 1980), in which work, people, organizational structure, and organizational culture itself are related.

Without prejudice to a possible full analysis, of all the combinations proposed by the model, the people-work relationship may be the most useful in trying to identify which employees do what work and whether they are best suited to the assigned functions. The same can be said about the people-structure relationship, which attempts to determine whether the team is organized in such a way that all team members can best perform their function. Equally interesting is the work-structure relationship, which seeks to define whether the processes for completing the work are correctly defined and if they are the most appropriate for the assigned function. In addition to the model, it may also be interesting to develop an analysis of tasks performed with a “stop-doing” focus to free up resources for possible new requirements resulting from joining a CCP.

Identification of sources of information

The main objective of this preparatory task would be to ensure the adequacy of information sources. The prospective construction of costs for a cost-benefit analysis requires a thorough grounding in data which must be obtained before or during the process of analysis. The main source of information is the entity’s previous experience. Experience in both financial or general accounting and cost accounting. As the main source is the entity’s accounting, and in particular cost and/or managerial accounting, it is of relevance to determine the basis of calculation to be used. What is relevant in this sense is that the entity is aware of what these criteria are so that they are known beforehand in the decision-making process. Among them, and due to their importance for the cost–benefit analysis, there are the criteria for allocating indirect costs.

During the process of determining the sources of information, the entity may also require information from third parties to facilitate its cost estimates. This will be relevant in cases where the entity needs third-party services (e.g., audit of the TCF, purchase of IT equipment or management software, etc.). It makes sense to request several quotes at more advanced stages once these services will be required.

Second Phase: Gap Analysis and Identification of Expected Costs

Once the preparatory tasks have been completed, the next step is to carry out a gap analysis with the aim of identifying and listing those elements required by a specific CCP, but which the entity does not currently possess. For the purposes of this Manual, it aims to specify as far as possible the set of aspects that are likely to generate a new cost for the entity. However, gap analysis can also be useful from a strategic point of view to plan all the steps to be taken to access the CCP under analysis and thus establish a roadmap. Normally, both aspects, estimation of costs and benefits, together with the roadmap, will be issues to be considered by the boards of directors or decision-making bodies of the entity to access or remain in the CCP. This type of analysis, which is fundamentally qualitative in nature, arises from the comparison between the point of arrival ("to be") and the current situation ("as is") in relation to the requirements established by the CCP under analysis.

To establish the point of arrival ("to be"), the entity must know the set of variables that make up the CCP. For this purpose, the description given above may be useful. Regarding the characteristics of the CCP, it would be useful at this stage to list those aspects that constitute requirements for access and/or maintenance in the program. To this end, it is necessary to divide them into manageable and non-manageable:

- Some of these requirements may be too structural and not manageable without a radical transformation of the entity (e.g., size requirements of the entity, level of turnover, sector of activity). Therefore, these are requirements for which verification of compliance is sufficient. Their absence would imply the impossibility of accessing and/or remaining in the program, simply because they do not correspond to the type of entity targeted by the program. The methodology proposed herein is not intended to estimate costs that would be prohibitive; therefore, except in very exceptional cases where a business is close to the thresholds established by the program, it would be prudent to consider the possibility of accessing the CCP.
- In addition, CCP usually establishes requirements that are manageable by the entity. These generally relate to the entity's tax compliance history, the need to carry out a tax audit prior to accessing the program, that the company has a previously established TCF, that the TCF is also verified by a third party, additional disclosures of tax information already provided to the authorities, that certain transparency and/or communication exercises are carried out with the tax authorities prior to or during the maintenance of the program, and that certain transparency and/or communication exercises are carried out with the TA before or during the maintenance of the program, specifying communication channels for uncertain tax positions, as well as the results of the TCF itself, incorporating software or IT resources, identifying interlocutors, obtaining internal authorizations, and formalizing the relationship with the administration by signing agreements or adhering to certain codes of good tax practices.

All these elements, while not exhaustive, share the common feature that they can be addressed with varying degrees of resource commitment by the entity considering entering or remaining in a CCP. The outcome of this "to be" should be a detailed list of these manageable requirements. By "detailed," it is meant that it should be done considering all the elements required by the program that could affect the entity. For example, if the access requirements include having a TCF, the entity should list all those elements that make up the TCF for the purposes of the program (e.g., a tax strategy, an identified risk appetite, a list of tax function processes and controls in place), or, if the CCP requires a country-by-country disclosure, the type of information required in the program should be specified regardless of any regulatory requirements. This will enable the entity to verify more precisely at a later stage whether it already has the required elements.

In relation to the starting point ("as is"), the exercise of identifying the entity's situation must be based on reality. Any overestimation of the entity's capacities would be detrimental to the calculation that is intended to be carried out. At this point, it may be advisable to complete the analyses discussed in the preparatory phase if the entity has not already done so.

Having undertaken this exercise, the entity should verify whether it already has the elements listed in the "to be" section, or whether it only partially or fully complies with them, to establish and determine what the entity's specific gap is. For example, if a program requires a TCF verified by a third party according to a pre-established standard, and the entity already has a TCF that essentially complies with that standard except for staff training and lacks the third party verification, it will identify in its "as is" the elements of the TCF that it already has, while only two aspects—staff training and third party verification—will be considered missing.

If the requirement refers to an action that will be carried out in the future (e.g., a previous tax audit), even if the entity has the capacity with its own resources to face it and understands that such an audit will not result in an additional tax adjustment or assessment that will generate a higher tax expense, it should consider it as missing entirety, since it will inevitably incur costs related to such a future audit. The outcome of this "as is" is a list of the elements required by the program that the entity already has, and as the comparison with the "to be" takes place in its elaboration, the determination of the gap can be simultaneous. An effective way to carry out the gap analysis is to draw up a synoptic table (Figure A1.3).

Obviously, such gap analysis consumes resources, which have an associated cost, and which will have to be added to the final cost estimate. Given its eminently strategic nature and considering that it requires a precise knowledge of the entity's circumstances, it is advisable that it should be carried out internally (normally by the management of the tax function), which in general terms will help ensure that this phase needs not be particularly burdensome or costly.

Figure A1.3 — Example of a Synoptic Table for Gap Analysis

TO BE	AS IS	GAP
Tax audit excercise 2025	Tax audit excercise 2025	—
Tax strategy	Tax strategy (partial compliance)	Tax strategy (full compliance)
Tax risk appetite framework	—	Tax risk appetite framework

Third Phase: Prioritization

Once all the elements that should be fulfilled to access or remain in a CCP have been identified, it is useful to sequence and, to the extent permitted by the program, prioritize the steps necessary to access or remain in the program, determining which are to be carried out in preference to the rest.

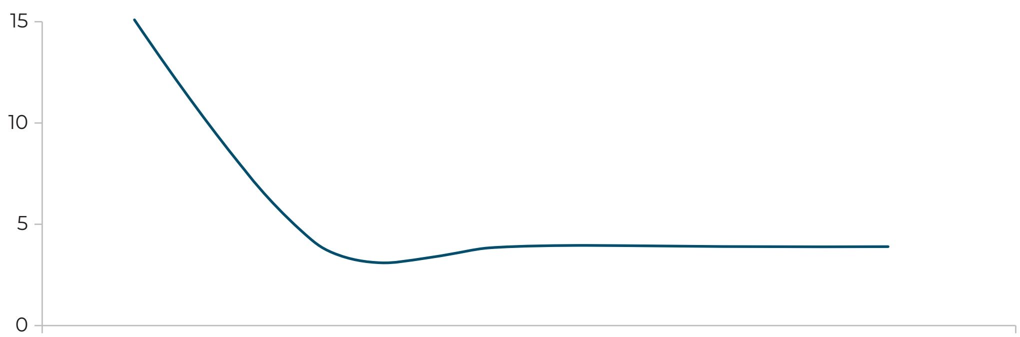
This is particularly important in terms of cost allocation in relation to TCF. In many cases, it will not be necessary to have a completely closed and perfect TCF from the outset; initially, it should only contain the basic elements that make it effective and then build it up iteratively in a cycle of continuous improvement agreed and/or supervised by the tax authorities. In this way, costs could be spread out, and the "one shot" effect usually associated with joining CCPs could be reduced.

In this regard, it is important to bear in mind that costs are likely to be higher when entering the CCP, and that thereafter the intensity of costs incurred by the entity will decrease significantly. The rationale is that CCPs typically have significant entry filters that are applied restrictively to ensure the justified confidence that underpins them. This contributes to a containment of administration costs in the public administrations themselves. Subsequently, once the entity is incorporated into the program, the associated costs are usually restricted to those derived from ordinary monitoring and making any adjustments that may be required by the administration. Graphically over time, such a spending curve would be as the one illustrated by Figure A1.4.

Fourth Phase: Cost Estimation

Once the elements of the CCP have been incorporated and their prioritization has been established, it is necessary to estimate the cost associated with them, which will depend on the nature of the requirement. For this purpose, the information gathered during the preliminary or preparatory phase will be used. The elements described may be used for this final phase.

Figure A1.4 — Spending Curve of a Taxpayer Enrolled in a Cooperative Compliance Program



Annex 2. CCP Benefit Indicators' Methodological Cards

Benefits for Tax Administrations

I. Tax Compliance

I.1 *Taxpayer Compliance Behavior*

I.1a Incidence in Targeting Rules

- **Objective:** The indicator measures the quality of tax returns filed by CCP taxpayers. It is expected that taxpayers enrolled in a CCP would have less incidence in targeting rules due to previous disclosure and open dialogue with TA before filing tax returns.
- **Formula:** *Change in the number of total incidence in targeting rules in the given period with respect to previous period:* (Yt – Yt–1)/Yt–1[25]. Total incidence *in targeting rules* can be measured by the number of targeting rules in which taxpayers have been selected to be audited.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** TA internal systems used for targeting and risk profiling of taxpayers.

I.1b Distortions and Inconsistencies

- **Objective:** The indicator measures distortions in tax collection (taxes voluntarily declared and paid) and other tax compliance inconsistencies detected by TA internal systems checks.
- **Formula:** Total tax paid (directly or via installments and offsets) / total tax voluntarily declared, during a given period. Total tax paid refers to the aggregated value of taxes voluntarily declared and paid (directly or via installments and offsets) in each period by CCP taxpayers.

[25] Here and in the reminder of this Annex, Yt refers to the value of the indicator in the given period, and Yt-1 refers to the value of the indicator in the precedent period.

- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** This information should be available in TAs' internal systems.

I. 1c Tax Irregularities Detected in Audits

- **Objective:** The indicator measures the yield of tax audits, measured as the number of irregularities detected in tax audits. The rationale behind this indicator is that as CCP taxpayers implement a robust TCF and engage in a transparent and open dialogue with TAs to resolve tax issues in advance, the number or amount of tax irregularities detected in eventual tax audits will decline over time. The indicator can be computed for all audits, and for aggressive tax planning (ATP) audits separately.
- **Formula:** Change in the number or value of tax irregularities detected in audits in each period compared to previous period: (Yt – Yt–1) / Yt–1. The number or value of tax audits can be classified by complexity.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

I.1d Tax Gap

- **Objective:** The indicator monitors changes in the tax gap.
- **Formula:** Tax administrations estimate compliance gap using standard methodologies adopted in each jurisdiction. The estimation of the value-added tax (VAT) compliance cap usually employs a top-down methodology, the compliance gap being a percentage difference for a given year between the amount of tax paid and the amount of tax theoretically due. The estimation of compliance gaps for direct taxes, such as corporate income tax and personal income tax, usually employs bottom-up techniques in several categories of income (e.g., business income, capital gains, interest, rents, etc.).
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Estimation of VAT gap requires data on consumption derived from the sources outside of the TA such as national accounts, input-output matrices, customs records, etc. Estimation of the direct taxes gap is usually based on the information available in the TA internal systems, such as Digital Tax Bookkeeping.

I.1e FTE for Monitoring of Taxpayer Compliance

- **Objective:** The indicator measures the resources dedicated by the TA on monitoring taxpayer compliance. The CCP is expected to contribute to a decline in a "veracity gap"[26] in CCP taxpayers' declarations, which will result in less resources needed to monitoring taxpayer compliance.

[26] The veracity gap is the difference between the declared amount and that determined by the tax administration following an inspection (Pecho Trigueros et al., 2012).

- **Formula:** FTE of TA human resources dedicated to tax compliance monitoring of CCP taxpayers. Can be computed as the number of tax auditors involved in the monitoring of compliance of CCP taxpayers, times the number of hours (per year, or month, or quarter) of dedication to compliance monitoring of CCP taxpayers, times the per hour salary of the auditor.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

I.2 *Transparency and Risk Management*

I.2a FTE Dedicated to Targeting and Risk Profiling

- **Objective:** The indicator measures the performance of the TA risk management team on selection process of taxpayers for auditing. The CCP is expected to provide enhanced knowledge of businesses, which will result in a reduction of information asymmetry leading to improved capacity of TA to focus and respond faster to relevant tax compliance risks and refinements of risk profiling in tax audit selection. The observed improvements in the indicator show better capacity to focus and respond faster to relevant tax compliance risks and refinements of risk profiling in tax audit selection.
- **Formula:** FTE of TA human resources dedicated to risk management/risk profiling of taxpayers for audit selection. Can be computed as the number of tax auditors involved in the risk management/risk profiling of taxpayers for audit selection, times the number of hours (per year, or month, or quarter) of dedication to risk management/risk profiling of taxpayers for audit selection, times the per hour salary of the auditor.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

I.3 *Institutional Management*

I.3a Quantum of Complex Tax Issues Disclosed

- **Objective:** The indicator measures the incidence of main tax issues arising from specific features of the tax system, such as complex and ambiguous provisions. The identification of the main tax issues arising from specific features of the tax system can give relevant insights to policy makers on how to refine the tax system in a way to incentivize voluntary compliance and enhance tax certainty.
- **Formula:** Value and/or number of uncertain tax positions disclosed by tax issue (transfer pricing, Controlled Foreign Companies rules, hybrid instruments, etc.).
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA CCP data, financial statements, TA internal systems.

II. Tax Audit

II.1 *Audit Expenses*

II.1a FTE Dedicated to Tax Audits

- **Objective:** The indicator measures the resources dedicated by the TA on tax audits. Real-time tax supervision provided by the CCP would allow using the resources of TA on auditing in a more efficient way, resulting in less dedication of the TA staff. Ançeventual audit of a CCP taxpayer is expected to be faster in relation to a traditional tax audit with no previous knowledge of business's behavior and documentation.
- **Formula:** FTE of TA human resources dedicated to auditing of CCP taxpayers. Can be computed as the number of tax auditors involved in auditing of CCP taxpayers, times the number of hours (per year, or month, or quarter) dedicated to auditing of CCP taxpayers, times the per hour salary of the auditor.
- **Frequency of measurement:** Yearly, quarterly, monthly.
  Data required and information sources: TA internal systems.

II.1b Number of Tax Audits

- **Objective:** The indicator measures the quantity of auditing proceedings (can be classified by complexity). It is expected that CCPs will result in less complex audits of CCP taxpayers.
- **Formula:** Can be measured as the total number of tax audits performed by the TA during a given period (e.g., year). The monitoring can be done by audit complexity.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

II.2 *Audit Yield*

II.2a Performance of Tax Audits

- **Objective:** The indicator measures the performance of tax audits. It is expected that CCPs will result in better assignment of resources for auditing higher risk taxpayers, resulting in a better yield of tax audits. Real-time tax supervision provided by the CCP would allow dedicating the resources assigned for auditing riskier taxpayers, improving the yield of tax audits.
- **Formula:** Number of tax audits with results/total number or tax audits.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

III. Tax Litigation

III.1 *Litigation Expenses*

III.1a FTE Dedicated to Tax Disputes and Tax Litigation

- **Objective:** The indicator measures the resources dedicated by the TA to tax disputes and litigations. It is expected that greater legal certainty provided by CCPs would allow reducing the resources that TA dedicates to tax disputes and litigations.
- **Formula:** FTE of TA human resources dedicated to tax disputes and litigations with CCP taxpayers. Can be computed as the number of tax auditors involved in tax disputes and litigations with CCP taxpayers, times the number of hours (per year, or month, or quarter) of dedication, times the per hour salary of the auditor.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

III.1b Number of Tax Disputes

- **Objective:** The indicator measures the quantity of existing tax disputes (can be classified by complexity). It is expected that the CCP will result in less tax disputes with CCP taxpayers.
- **Formula:** Can be measured as the total number of tax disputes of TA with CCP taxpayers during a given period (e.g., year). The monitoring can be done by complexity.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

III.1c Variability of Tax Disputes

- **Objective:** The indicator measures the variability of tax disputes over time. It is expected that the CCP will result in less tax disputes with CCP taxpayers.
- **Formula:** Change in the number of tax disputes in each period compared to previous period: $(Y_t – Y_{t–1}) / Y_{t–1}$.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

III.2 *Collection Uncertainty*

III.2a Tax Position Convergence

- **Objective:** The indicator measures the amount of the initial tax position stated by taxpayers and compares it with the final agreed position. It is expected that CCPs will reduce the difference between initial stated tax position and final agreed tax position.
- **Formula:** Total amount of initial stated tax position / amount of final agreed tax position of CCP taxpayers in each period.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA CCP data, financial statements, TA internal systems.

III.2b Tax Amount in Dispute

- **Objective:** It is expected that, over time, the proportion of the amount of tax in dispute in relation to the total debt voluntarily declared by taxpayers decreases, reflecting an enhanced level of transparency with full disclosure of tax strategies combined with dispute avoidance measures and faster decisions regarding the application of tax regulations and the tax treatment of complex transactions.
- **Formula:** Can be measured as the total tax amount in dispute/total tax amount voluntarily declared in the given period (e.g., year) for CCP taxpayers.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA CCP data, financial statements, TA internal systems.

IV. Tax and Legal Certainty

IV.1 *Number of APAs or MAPs*

- **Objective:** The indicator monitors the number of APAs or MAPs. It is expected that legal certainty provided by the CCP would allow to change the number in APAs or MAPs for CCP taxpayers
- **Formula:** Number of APAs or MAPs for CCP taxpayers.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

IV.2 *FTE Dedicated to Deliver Decisions*

- **Objective:** The indicator measures the resources spent to deliver decisions regarding the application of tax regulations and the tax treatment of complex transactions. It is expected that legal certainty provided by the CCP would allow to decrease the time needed to deliver decisions on complex transactions.
- **Formula:** FTE of TA human resources dedicated to deliver decisions regarding the application of tax regulations and the tax treatment of complex transactions. Can be computed as the number of tax auditors involved in this activity, times the number of hours (per year, or month, or quarter) of dedication to delivering decisions, times the per hour salary of the auditor.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems.

IV.3 *Complexity of Tax Code Environment*

- **Objective:** The indicator measures the variability of ATP (aggressive tax planning) audits in relation to the variability of tax code complexity over time. This indicator is useful to analyze to what extent a CCP's opened dialogue aimed at reducing misinterpretation and disputes (e.g., faster decisions and interpretations on difficult tax issues) can minimize the impact of a highly complex tax code environment and reduce legal uncertainty, fostering investment and economic growth.

- **Formula**: (ATP_audits_t/complexity_t) – (ATP_audits_t-1/complexity_t-1). The complexity of the tax code environment can be measured as the number of changes in tax law and regulations, relevant for CCP taxpayers, during a given period.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** TA internal systems and tax code.

Benefits for Taxpayers

I. Tax Compliance – Resources Dedicated to Tax Compliance

I.1 *FTE for Tax Compliance Activities*

- **Objective:** The indicator allows analyzing the amount of resources that taxpayers dedicate to tax compliance activities inhouse. It is expected that CCPs would result in less expenditure on tax compliance activities for the firms participating in the program.
- **Formula:** Can be measured as the FTE of human resources dedicated to the relevant activity as number of staff, times hours of dedication, times salary per hour.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires for firms (at least CCP taxpayers).

I.2 *Fees to Consulting Firms for Tax Compliance Assistance*

- **Objective:** The indicator allows analyzing the amount of resources that taxpayers dedicate to tax compliance activities outsourced. It is expected that the CCP would result in less expenditure on external advising for tax compliance.
- **Formula:** Fees to consulting firms reported by taxpayers, or fees received as reported by consulting firms.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires (at least in CCP taxpayers, or external tax advisors).

II. Tax Audit – Audit Expenses

II.1 *FTE Dedicated to Tax Audits*

- **Objective:** The indicator allows analyzing the amount of resources that taxpayers dedicate to tax auditing activities inhouse. It is expected that CCPs would result in less expenditure on auditing for the taxpayers participating in the program.
- **Formula:** Can be measured as the FTE of human resources dedicated to the relevant activity as number of staff, times hours of dedication, times salary per hour.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires (at least CCP taxpayers).

II.2 *Fees to Consulting Firms for Assistance in Audits*

- **Objective:** The indicator allows analyzing the resources that taxpayers dedicate to auditing activities outsourced. It is expected that the CCP would result in less expenditure on external advising for tax auditing.
- **Formula:** Fees to consulting firms reported by taxpayers, or fees received, as reported by external advisors.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires (at least CCP taxpayers, or external tax advisors).

II.3 *Number of Tax Audits*

- **Objective:** The indicator allows measuring the number of tax audits. It is expected that the CCP will result in less audits of CCP taxpayers.
- **Formula:** Can be measured as the total number of tax audits performed by TA on the taxpayer during a given period (e.g., year).
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Can be retrieved from the TA internal systems from the CCP taxpayer monitoring system.

III. Tax Litigations – Resources in Litigations and Dispute

III.1 *FTE Dedicated to Tax Disputes and Tax Litigation*

- **Objective:** The indicator allows analyzing the amount of resources that taxpayers dedicate to tax litigations and disputes. It is expected that the CCP would result in less expenses.
- **Formula:** Can be measured as the FTE of human resources dedicated to the relevant activity as number of staff, times hours of dedication, times salary per hour.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires (at least CCP taxpayers).

III.2 *Number of Tax Disputes*

- **Objective:** The indicator allows measuring the number of tax disputes. It is expected that the CCP will result in a decline in the number of tax disputes.
- **Formula:** Can be measured as the total number of tax disputes in the given period (e.g., year).
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Can be retrieved from the TA internal systems from the CCP taxpayer monitoring system.

III.3 *Tax Position Convergence*

- **Objective:** The indicator allows measuring the amount of the initial tax position stated by taxpayers and comparing it with the final agreed position. It is expected that CCPs would result in a decline in the difference between the initial stated tax position and final agreed tax position.
- **Formula:** Total amount of initial stated tax position/amount of final agreed tax position in each period.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Can be retrieved from the TA internal systems from the CCP taxpayer monitoring system.

III.4 *Tax Amount in Dispute*

- **Objective:** The indicator allows to measure the total tax amount in dispute in relation to the total debt voluntary declared by taxpayers. It is expected that the proportion of the amount of tax in dispute in relation to the total debt voluntarily declared by taxpayers decreases because of enhanced transparency with full disclosure of tax strategies (uncertain tax positions) combined with dispute avoidance measures (e.g., APA or MAP), and faster decisions regarding the application of tax regulations and the tax treatment of complex transactions.
- **Formula:** Can be measured as the total tax amount in dispute / total tax amount voluntarily declared in the given period (e.g., year).
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Can be retrieved from the TA internal systems from the CCP taxpayer monitoring system.

IV. Tax and Legal Certainty

IV.1 Tax Risk Management

IV.1a FTE for Tax Risk Management

- **Objective:** The indicator enables the amount of resources that taxpayers dedicate to tax risk management in-house to be analyzed. It is expected that CCPs would result in lower expenses on tax risk management.
- **Formula:** Can be measured as the FTE of human resources dedicated to the relevant activity as number of staff, times hours of dedication, times salary per hour.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires (at least CCP taxpayers).

IV.1b *Fees to Consulting Firms for Tax Risk Management*

- **Objective:** The indicator allows analyzing the amount of resources that taxpayers dedicate to tax risk management outsourced. It is expected that CCPs would result in less expenses on tax risk management.
- **Formula:** Fees to consulting firms reported by taxpayers, or fees received, as reported by external advisors.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Requires implementation of questionnaires (at least CCP taxpayers, or external tax advisors).

IV.2 Legal Certainty

IV.2a *Number of Advance Pricing Agreements or Mutual Agreement Procedures*

- **Objective:** The indicator enables monitoring of the number of APAs or MAPs. It is expected that the legal certainty provided by CCPs would make it possible to change the number of APAs or MAPs issued to CCP taxpayers.
- **Formula:** Number of APAs or MAPs.
- **Frequency of measurement:** Yearly, quarterly, monthly.
- **Data required and information sources:** Can be retrieved from the TA internal systems from the CCP taxpayer monitoring system.

IV.2b *Time Dedicated to Deliver Decisions*

- **Objective:** The indicator measures the time needed to deliver decisions regarding the application of tax regulations and the tax treatment of complex transactions. It is expected that the legal certainty provided by the CCP would result in decreasing the time needed to deliver decisions on complex transactions.
- **Formula:** Time it takes for TA to deliver decisions regarding the application of tax regulations and tax treatment of complex tax positions. Can be computed as the average time for decisions each year.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Can be retrieved from the TA internal systems.

IV.2c *Provisions for Uncertain Tax Positions*

- **Objective:** The indicator measures the amount of provisions for uncertain tax positions. It is expected that the CCP would result in a decline in uncertain tax positions.
- **Formula:** Can be measured as current period tax reserve beginning balance (i.e., prior period's ending balance) as reported in annual financial statements.
- **Frequency of measurement:** Yearly.
- **Data required and information sources:** Can be retrieved from the TA internal systems from the CCP taxpayer monitoring system.

Annex 3. Classification of Cooperative Compliance Programs' Benefits from Two Perspectives: United Nations and Organisation for Economic Co-operation and Development

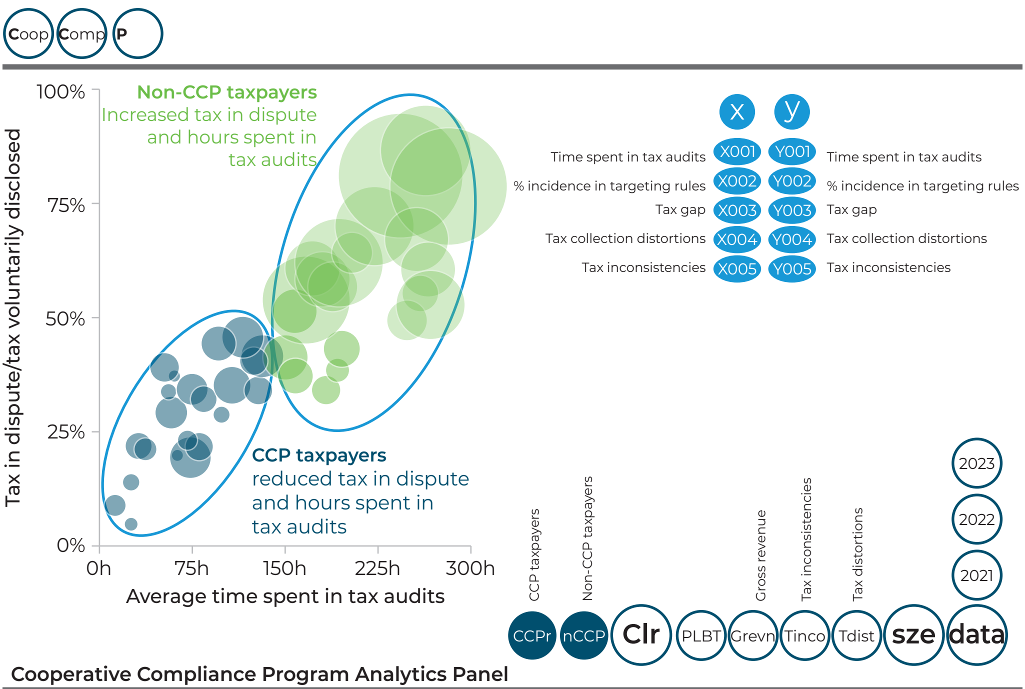
Table A3.1 — Classification of Cooperative Compliance Programs' Benefits

Attribute/According to / Beneficiary	United Nations	OECD	United Nations	OECD
	Taxpayers		Tax administration	
Transparency	x	x		
Certainty	x	x	x	x
Risk management		x		x
Opportunity / Real-time information		x		x
Understanding of rights	x			
Understanding of obligations	x	x		
Understanding the business				x
Making informed decisions	x			
Unnecessary costs	x	x	x	x
Unnecessary delays	x	x	x	
Direct their resources to higher risk taxpayers			x	
Direct their resources into higher risk areas of law			x	x
Trust and confidence			x	
Integrity of the tax system			x	x
Encourage voluntary compliance / Improved taxpayer compliance behavior			x	x
Enhanced relationship		x		x
Reputation		x		
Balance the need to raise revenues and the need to Attract and keep foreign investment				
Strengthening of their domestic Resource mobilization				

Sources: (OECD (2013); United Nations (2021).

Annex 4. Example of an Analytical Tool for Monitoring Cooperative Compliance Programs

Figure A4.1 — Example of an Analytical Tool that Can Be Used for Monitoring Cooperative Compliance Programs



Note: This figure illustrates a prototype of an analytical visual tool that can be used to monitor the performance of a CCP using indicators. In this illustration with fictional data, the indicators and variables used to measure the benefits and costs of CCPs are displayed as follows: axis X (average time spent in tax audits), Y (e.g., tax in dispute/tax voluntarily declared), and the size of the bubble (each bubble represents taxpayers and the total number of tax distortions detected via internal systems checks per taxpayer). CCP and non-CCP taxpayers are differentiated by the colors blue (CCP) and red (non-CCP). In the illustration, the expected outcome is a reduction in tax in disputes and a reduction of time spent on tax audits for CCP taxpayers, indicating effectiveness and cost-efficiency of the CCP. Non-CCP taxpayers present higher levels of tax in dispute and increased time spent on tax audits.

Annex 5. Sample Survey to Evaluate the Relationship between Tax Administrations and Business

The aim of this sample survey is to evaluate five aspects of relations between the TA and businesses regarding the following:

- Knowledge about objectives, benefits, and procedures of the CCP
- Emotions evoked by the TA – company cooperation
- Evaluations of perceived power and trust of TA in each country
- Mutual trust, transparency and understanding between the TA and companies
- Perceived effects of the CCP

The questionnaire is intended to survey the following four groups of respondents:

- Representatives of companies involved in the CCP
- Representatives of companies not involved in the CCP
- TA employees involved in the CCP
- TA employees not involved in the CCP

Survey questions that require adjustment, based on whether the respondent is an employee of the TA or company and participates in the CCP, were marked below. Summing up respondents' answers within specific sub-scales enables comparisons of results between (1) different respondent groups (e.g., TA vs. companies; CCP participants vs. non-participants) and (2) changes over time. Instructions for calculating results can be found at the end of the questionnaire.

The questionnaire serves as a basis for developing surveys tailored to the specific conditions of introducing the CCP in each country. There may be a need to change the wording of questions or add positions measuring areas related to the relationships between the TA and taxpayers that are important in each context.

The questionnaire can also be used for repeated measures to analyze changes in the relationships between the TA and taxpayers during the implementation process and full operation of the CCP. The questionnaire's positions are based on surveys used in the evaluations of the CCP pilot in Austria and Poland.

Tax Administration and Taxpayers – Survey

The purpose of this survey-based study is to gather information about cooperation between the (*Country*) Tax Authority (TA) and taxpayers.

[*Optional:* Participation in the study is voluntary, and the subject may opt out of the study at any time without giving a reason. However, by taking part in the survey and expressing your opinion, you can make an impact on how the tax system functions. This will contribute to a more harmonious cooperation between the TA and businesses.]

Below is a list of statements regarding TA, taxpayers—companies and mutual relations between them. Please read each statement and give your opinion on the scale provided below. Please use a scale of 1 to 7 (where 1 means "strongly disagree"and 7 means "strongly agree") to indicate how much you agree with the following statements.

1. Knowledge

I am familiar with:

a. The objectives of the Cooperative Compliance Program (*Q1.1*).
b. The benefits resulting from the Cooperative Compliance Program (*Q1.2*).
c. The procedures of the Cooperative Compliance Program (*Q1.3*).

2. Emotions[27]

Thinking about the CCP / cooperation with the TA [companies] can evoke different feelings. Please indicate how you feel when thinking about this Program / cooperation?

a. Joy (*Q2.1*).
b. Trust (*Q2.2*).
c. Fear (*Q2.3*).
d. Surprise (*Q2.4*).
e. Sadness (*Q2.5*).
f. Anger (*Q2.6*).
g. Anticipation (*Q2.7*).

[27] Statements should be formulated differently to:
a) The employees of TA and companies involved in CCP: Thinking about **the CCP**...
In addition, TA employees involved in CCP should see the following instruction: Please formulate your answers to the following questions considering only your experience with the Cooperative Compliance Program.
b) The employees of TA: Thinking about **the cooperation with companies**...
c) Companies not involved in CCP: Thinking about **the cooperation with the TA**...

3. Tax authorities

(*Country*) tax authorities:

a. Are trustworthy (*Q3.1*).
b. Are reliable (*Q3.2*).
c. Are responsible (*Q3.3*).
d. Have ample means to enforce tax compliance (*Q3.4*).
e. Discover almost every tax-related irregularity (*Q3.5*).

4. Cooperation Between Tax Authorities and Taxpayers[28]

Please indicate how much you agree with the following statements regarding the ongoing service provided by the TA / the service provided under the Cooperative Compliance Program:

a. The TA provides all relevant information regarding tax issues in ongoing dealings (*Q4.1*).
b. [NON-TA: my company / TA: companies] provides/provide the TA with all relevant information regarding tax issues in ongoing dealings (*Q4.2*).
c. The TA takes the initiative to provide information useful to the taxpayer (*Q4.3*).
d. [NON-TA: my company / TA: companies] takes/take the initiative to provide information to the TA (*Q4.4*).
e. The TA provides transparent information regarding tax issues (*Q4.5*).
f. [NON-TA: my company / TA: companies] provides/provide the TA with transparent information regarding tax issues (*Q4.6*).
g. I understand the specifics of how the TA operates (*Q4.7*).
h. I understand the impact of the specifics of operation of [NON-TA: my company / TA: companies] on the fulfilment of tax obligations (*Q4.8*).
i. I understand the motives of the TA in relation to tax obligations (*Q4.9*).
j. I understand the motives of [NON-TA: my company / TA: companies] in relation to tax obligations (*Q4.10*).
k. [NON-TA: My company / TA: companies] may rely on the TA for tax obligations (*Q4.11*).
l. The TA may rely on [NON-TA: my company / TA: companies] for tax obligations (*Q4.12*).

28 Statements should be formulated differently to:
a) The employees of TA and companies not involved in CCP: ...**the ongoing service provided by the TA**
b) The employees of TA and companies involved in CCP: ...**the service provided under the CCP** In addition, TA employees involved in CCP should see the following instruction: Please formulate your answers to the following questions considering only your experience with the CCP.
c) The TA employees [TA] evaluate their relations with companies; companies' representatives [NON-TA] evaluate their relations with the NRA.

m. [NON-TA: my company / TA: companies] treats the TA as a business partner (*Q4.13*).
n. The TA treats [NON-TA: my company / TA: companies] as a business partner (*Q4.14*).
o. [NON-TA: My company / TA: companies] has / have confidence in the TA's operations (*Q4.15*).
p. The TA has confidence in [NON-TA: my company's / TA: companies'] operations (*Q4.16*).

5. Effects of the Cooperative Compliance Program

a. I am convinced that the CCP increases tax compliance (*Q5.1*).
b. I am convinced that all participants in the CCP disclose all relevant documents (*Q5.2*).
c. I am convinced that in the CCP tax authorities give accurate information in a timely manner (*Q5.3*).
d. Companies benefit from establishing and developing internal tax control frameworks in cooperation with the tax authorities (*Q5.4*).
e. TA benefits from establishing and developing internal tax control frameworks by companies (*Q5.5*).
f. The CCP provides legal and planning security for all stakeholders (*Q5.6*).

Calculation of Results:

1. Knowledge of CCP Objectives, Benefits, and Procedures: Results can be calculated and interpreted in two ways:
   a. As separate items.
   b. As a sub-scale: Q1.1 + Q1.2 + Q1.3.
2. Emotions Evoked by TA–Company Cooperation: Results can be interpreted as separate items.
3. Perceived Power and Trust in the Tax Administration:
   a. Trust: Q3.1 + Q3.2 + Q3.3.
   b. Power: Q3.4 + Q3.5.
4. Mutual Trust, Transparency, and Understanding Between TA and Companies:
   a. Transparency: Q4.1 + Q4.2 + Q4.3 + Q4.4 + Q4.5 + Q4.6.
   b. Understanding: Q4.7 + Q4.8 + Q4.9 + Q4.10.
   c. Trust: Q4.11 + Q4.12 + Q4.13 + Q4.14 + Q4.15 + Q4.16.
5. Perceived Effects of the CCP: Results can be calculated and interpreted in two ways:
   a. As separate items.
   b. As a sub-scale: Q5.1 + Q5.2 + Q5.3 + Q5.4 + Q5.5 + Q5.6.

Interpretation guide:

For all sub-scales and scales, a higher value indicates a higher level of the measured variable.

Annex 6. Ecuadorian Cooperative Compliance Fiscal Program

The Cooperative Compliance Fiscal Program in Ecuador[29] has been strengthened since 2021, when the Large Taxpayers Unit became fully operational. Initially, it was nurtured by good practices from the OECD International Compliance Program and international cooperation with the U.S. Treasury through its Office of Technical Assistance. In subsequent years, the Inter-American Development Bank promoted the Program in Ecuador, alongside similar initiatives in three other Latin American countries. The program has achieved three important milestones. First, the project was conceived through the collection, analysis, and exchange of experiences from various countries. Second, the project engaged potential taxpayers and stakeholders by clearly outlining the associated costs and benefits and gathering diverse perspectives on its implementation. Third, several stakeholders actively participated in drafting the program's legal framework and designing it to fit the current tax regime, the compliance culture, and the need to address protracted tax litigation. This phase also included the active involvement of professional associations, tax practitioners, industry representatives, and academics.

The program covers internal revenue issues, transfer pricing disputes, and the three most relevant taxes: income tax, value-added tax, and special consumption tax. It is designed for individual participants rather than conglomerates of related companies, given the limited scope of the initial pilot. Once tested, it can be extended to corporate groups with common ownership, enabling them to benefit from the program and streamline compliance with the TCF at the group level. An important feature of the selection process is that international companies with similar programs abroad may undergo a simplified TCF review. Additionally, companies certified under UNE 19602 will have fast-tracked access to the program, until such best practices can be fully adopted in Ecuador.

In 2025, the Program in Ecuador will launch a practical, on-the-run pilot phase. This phase will allow the legal framework to be tested with at least five to ten large taxpayers and is not intended to be merely a trial run. It represents a comprehensive cost-benefit evaluation from the standpoint of both the TA and the companies. This thorough assessment is essential for establishing a permanent program in the coming years that is not only effective but also sustainable.

[29] More information on the Cooperative Compliance Fiscal Program in Ecuador is available on the dedicated webpage: https://www.sri.gob.ec/programa-cooperativo-de-cumplimiento-fiscal#%C2%BFqu%C3%A9-es?.

Annex 7. Costs and Benefits of Implementing a Cooperative Compliance Program in Brazil: The Experience of Confia[30,31]

Confia[32] is the Brazilian CCP, developed and administrated by the Brazilian Federal Revenue Service (RFB).[33] The word *confia* means *trust* in Portuguese.

Launched in 2021, the program aims to change the paradigm in the relationship between the TA and taxpayers, observing principles such as transparency, good faith, mutual trust, and cooperation, to achieve predictability and legal certainty and to reduce litigation. By applying the concept of risk management and analyzing the taxpayers' behavior, compliance records and TCF, the TA can relate to each of them in the most effective and efficient way. *Confia* seeks to act in a pre-emptive, continuous, and systemic manner to contribute to the improvement of companies' TCF..

Confia's development includes five phases: align, design, test, implement, and expand. As part of this development, it created the Confia Dialogue Forum,[34] a platform for meetings, dialogue, and systematic debate for collaborative work. Companies participating

30 Marcio Henrique Sales Parada: Tax Auditor at the Brazilian Federal Revenue Service, currently working on the development of the CCP (Confia). Graduated in Law from the Federal University of Goiás (UFG, 2007), where he is also a professor of tax law and constitutional theory. Master in Tax Law from the University of Bologna/Italy (2010) and Ph.D. in International Business Taxation from the Vienna University of Economics and Business (WU)/Austria (2021).

31 Patrícia Bacheschi Gomez de Lamadrid: Tax Auditor at the Brazilian Federal Revenue Service (since 2010), working on the development of the CCP *Confia* (since 2020). Master in Tax Law from the Fundação Getúlio Vargas (FGV, 2020). Graduated in Law from the Universidade de São Paulo (USP, 2014). Double degree in Industrial Engineering from the same University and from École Centrale de Lyon (USP/ECL, 2006). Former Business Analyst at McKinsey & Co (2007-2009).

32 For more information about *Confia*: https://www.gov.br/receitafederal/pt-br/acesso-a-informacao/acoes-e-programas/confia.

33 Receita Federal do Brasil (RFB) is the Brazilian Tax Administration at the federal level. The Special Secretariat of the Federal Revenue of Brazil is an entity under to the Ministry of Finance, which performs essential functions so that the State can achieve its objectives. It is responsible for tax administration under the competence of the Union, including social security contributions and those levied on foreign trade and customs administration. Available at: https://www.gov.br/receitafederal/pt-br

34 The Confia Dialogue Forum was created by an administrative act in October 2021 (Portaria RFB n. 71/2021, available at: http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=120970).

in the Forum can propose topics that will be discussed by technical groups formed by their representatives and RFB tax authorities. These may include, for example, the criteria for defining good tax compliance practices and suggestions for the program's design.

These discussions happened mainly through online meetings and consumed many working hours from both the TA and the taxpayers' teams. One of the working groups estimated that between December 2021 and June 2023, 102 people from 27 organizations participated in 36 online meetings, which took 1,847 working hours. Although these hours were a cost for the development of the program, the effort brought justifiable benefits in terms of results, especially for building trust.

Confia aims to change the relationship between taxpayers and TA. This is one of the main challenges, because it entails a cultural change requiring investment in communication and training. From the beginning, *Confia* offered lectures, courses, and participation in conferences, both for taxpayers and tax officials, because not all tax officials understand and are willing to work cooperatively and preventively. This cultural change also generates a cost for implementing the program.

A Procedures Test was carried out from September 2022 to April 2024 with the participation of nine large companies, which represented around 8.3 percent of the total tax revenue administered by the RFB. Participation in this test was voluntary, subject to the requirements of the company joining the Confia Dialogue Forum and having signed a Cooperation Protocol with the RFB. The test aimed to improve the cooperative relationship and to implement work processes in a cooperative format. During the test, the RFB was able to observe the openness to dialogue and cooperation of companies when faced with controversial tax issues. This is another issue to consider in the cost-benefit analysis.

A decision that the TA must make when planning to establish a CCP is which taxpayers to start with. Should the CCP start with companies that have a higher risk appetite and that litigate more to seek solutions to major problems? Or should the program start with companies that have a lower appetite for risk and are, therefore, easier to deal with?

In December 2023, a pilot program was launched.[35] The intention was to expand the procedures test and test **a five-step opt-in process**, as well as quantitative and qualitative criteria. The participation was voluntary.

To be enrolled in the Program, a taxpayer needs to do **a self-assessment** (1), fulfilling application forms, in which the company must verify the adequacy of its policies and tax procedures to Confia's objectives and the compliance with the requirements and criteria of the program, defined in a specific administrative provision.[36] Thus, the **candidacy** (2) is presented by the electronic submission of documentation pre-defined by the RFB.

In the next step, Confia's team, based on the TA's information and systems, **validates** (3) that candidacy. The validated companies are invited to prepare, cooperatively, a **compliance work plan** (4). The intention of this **work plan** is to provide predictability for

35 *Confia's* Pilot Program was created by an administrative act (Portaria RFB n. 387/2023, available at: http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=135261).

36 The admission criteria and other requirements of the *Confia* Pilot Program were established by an Administrative Act in March 2024. (Portarias RFB n. 402 and 417/2024, available at: http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=136563 and http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=137881).

the taxpayers about all relevant issues the TA intends to work on with them, during the Plan's validity period (1 year).

Once RFB and the taxpayer agreed on the work plan, the company could be **certified** (5) as a participant in the pilot program. In August 2024, RFB held a public ceremony with the presence of authorities and the Press to certify the 20 companies admitted in the Confia pilot.

The companies validated during the process of joining the *Confia* pilot were invited to complete an online survey about their experience. The survey revealed that most respondents felt their company's relationship with the RFB had improved after going through the admission process. All respondents stated they would recommend participating in the *Confia* pilot program to other companies.

While RFB runs the pilot of *Confia*, **a draft of law**[37] **is being discussed in the National Congress.** *Confia* needs this new legislation because some matters are dealt with exclusively by law, such as the application of penalties. The representatives of RFB see a political cost in this process.

Recently, the RFB has been working on performance measurements. There is a need to change the performance indicators, from a focus on taxpayer "control" to one based on compliance results, such as tax gap measurements and behavioral analysis. Other indicators, such as rates of reduction and prevention of litigation and compliance to present timely and consistent information regularly, are good for demonstrating effectiveness in changing taxpayers' behavior, with an increase in voluntary compliance.

[37] Projeto de Lei n. 15/2024, available at: https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2416861&fichaAmigavel=nao.

Annex 8. Cooperative Compliance Program in Poland

Concept of Implementing the CCP in Poland

The CCP was implemented in Poland on July 1, 2020, although the concept of introducing the CCP in Poland emerged as early as 2017. The aim of the CCP's implementation was to enhance the effectiveness of the Polish tax system by expanding the range of supervisory methods to include non-authoritative actions. The idea is that a combination of both restrictive methods (demonstrating authority) and non-restrictive methods (building trust) used by the TA is more effective than an approach based solely on authoritative governance. Non-authoritative supervision increases voluntary and correct compliance with tax obligations, which contributes to stable budget revenues and reduces tax collection costs.

By deciding to implement the CCP, the Polish TA chose to invest in building trust and long-term cooperation with taxpayers to permanently change their attitude toward tax compliance, ultimately increasing both voluntary compliance and correctness in fulfilling tax obligations in Poland.

Already during the development phase of the CCP concept, special emphasis was placed on two aspects: preparation for implementation and evaluation of the pilot phase. These elements were considered critical for ensuring the Program's effective implementation in Poland.

Preparation for Implementing the CCP in Poland

1) Drawing on the experience of other TAs

When planning the implementation of the CCP in Poland, the experiences of other TAs were considered. Models adopted in Australia, Austria, France, the Netherlands, Spain, and the United States were analyzed to shape the Polish model. Based on this analysis, the foundations of the Polish model of cooperation with taxpayers were primarily based on the experience of the Dutch Tax and Customs Administration, particularly its Horizontal Monitoring approach for large taxpayers, which is recognized by the OECD as a model solution. The conceptual work also incorporated insights from the Austrian Tax and Customs Administration's pilot "Horizontal Monitoring" project, which had adapted the Dutch solutions to Austria's specific needs.

2) Adapting the CCP concept to the Polish legal system

Poland adheres to the principle of legality. Therefore, implementing a contractual form of cooperation within the CCP required establishing a legal framework regulating the CCP's operation, including the rights and obligations of both parties. Polish regulations governing the CCP are intentionally general, as over-formalizing the cooperation agreement would undermine its trust-based and flexible nature.

In addition to statutory regulations, supporting materials such as the "TCF Guidelines" and the "CCP Participant Handbook" were developed to assist applicants. Importantly, when determining cooperation principles, the Polish TA began collaborating with taxpayers and other stakeholders early on. Both the legal regulations and supporting documents were subject to public consultations, including with major businesses and tax advisors.

3) Tailoring the CCP to Poland's socio-economic conditions

According to OECD publications, for a CCP to be effective, it must be tailored to the needs, capacities, and expectations of both the TA and taxpayers in each country. Therefore, adapting the CCP to the socio-economic context is essential. Establishing a trust-based relationship between taxpayers and the TA in Poland was particularly challenging due to the persistently low level of public trust in public administration, especially the tax authorities.

As a result, Poland decided to introduce additional material benefits for CCP participants to make it more compatible with local socio-economic conditions. In such circumstances, these additional benefits were deemed necessary to offset the lack of trust and high costs of enrolment. Specifically, implementing and maintaining a TCF requires significant financial and human resources from taxpayers, as the TCF ensures effective tax function management and proper tax compliance.

To encourage participation and compensate for the additional obligations and financial burden, the CCP included legal incentives that would make economic participation attractive and worthwhile. It is important to emphasize that these incentives do not violate the principle of equality before the law. This principle guarantees identical treatment of all taxpayers only when they are in the same factual situation. By granting privileges to all CCP participants (those in the same situation, with more obligations and costs), the principle is upheld. A violation would occur only if such privileges were granted selectively within the group.

Therefore, to encourage participation and balance out the added obligations and costs, in addition to legal certainty in application of tax legislation, the following benefits and legal facilitations were offered to make the CCP economically viable for taxpayers:

- Exemption from the minimum corporate income tax
- Priority service in all matters, including tax refunds
- No interest on tax arrears after joining the CCP
- Exemption from penal fiscal proceedings
- No or reduced (by 50 percent) fees for obtaining tax rulings, transfer pricing agreements, and protective opinions
- Exemption from the obligation to report domestic tax schemes

4) Ensuring the Necessary Resources to Support the Cooperative Compliance Program

a) *Personnel*

Planning and preparing an adequate number of personnel to support the CCP was a significant challenge. First, because the CCP is voluntary, it was difficult to predict the level of interest and, consequently, the number of officials required. Second, it was a challenge to have sufficient staff with appropriate competencies, as they were required to possess not only tax knowledge but also the ability to assess the quality of the TCF implemented by taxpayers. Therefore, they needed to be experts in areas such as risk management systems, internal control, and corporate governance.

A dedicated unit for supporting the CCP was established within the Ministry of Finance in Poland, employing 20 officials. Additionally, around 150 officials were designated across Poland within the Tax Administration Chambers, mostly from departments responsible for conducting tax audits. These officials, if needed, would assist in performing tax audits—a new form of verification for applicants and participants of the CCP, in addition to their regular duties.

Both the Ministry of Finance staff and designated officials from the Tax Administration Chambers underwent a series of trainings covering various tax-related topics, accounting, risk management, internal control, strategic management, and tax audit methodology.

b) *IT support*

Effective cooperation under the CCP also requires proper support from IT tools. In Poland, standard IT tools used by the NRA for collecting and analyzing information were primarily used to support taxpayers in the CCP. Additionally, a dedicated tool was created specifically for the CCP, serving solely to collect and archive information provided by taxpayers and documents prepared by officials in connection with CCP-related services.

5) Principles of the CCP operation in Poland

Cooperation under the CCP is based on mutual trust, understanding, and transparency that goes beyond statutory obligations. The CCP is voluntary and aims to facilitate joint actions between the TA and taxpayers to ensure real-time tax compliance.

The innovative nature of the CCP also lies in the partial transfer of control functions from the National Revenue Administration (NRA) to the taxpayer, who—through the implementation of a TCF—can effectively supervise their own compliance. The level of supervision exercised by NRA under the CCP depends on the maturity of the taxpayer's TCF. The more mature it is, the greater the trust placed in the taxpayer by NRA, and consequently, the less supervision is required.

The CCP in Poland is open to *strategic entities* (currently defined as those reporting revenues above EUR 50 million in their CIT-8 return)—entities with the greatest economic potential and with sufficient human, technical, and financial resources necessary to participate in the CCP.

A cooperation agreement forms the basis for participating in the CCP. Its signing is preceded by a verification process assessing the maturity of the taxpayer's tax self-control mechanisms and the correctness of their previous tax compliance (a preliminary audit).

The contractual nature of the cooperation aligns with the principle of voluntariness, which underpins the CCP. This means that either party can freely choose to join or leave the CCP. Therefore, taxpayers have no legal entitlement to conclude an agreement. They cannot demand it based on legal provisions. Conversely, the tax authority cannot force a taxpayer into this relationship or impose the related obligations.

The foundation of the Cooperation Program is ensuring legal certainty in exchange for transparency on the part of the taxpayer. To this end, the CCP includes voluntary tax agreements, which are binding on both parties and guarantee adherence to agreed-upon positions on disputed or ambiguous matters. The ability to conclude tax agreements is a right granted to taxpayers because of entering into a cooperation agreement, and it reflects the principles of openness and rapid response.

Given the consensual nature of the relationship, one of the fundamental principles of the CCP is "agreeing to disagree," meaning that the taxpayer is not required to agree with the NRA on every disputed matter. If a dispute cannot be resolved through consensus (i.e., via a tax agreement), the taxpayer can resort to standard tax law instruments (e.g., a tax ruling) or resolve the dispute through the courts. The existence of a dispute does not automatically terminate the cooperation agreement.

Poland has introduced a requirement to maintain a public register of taxpayers participating in the CCP. This register is published in the Public Information Bulletin at: https://www.gov.pl/web/kas/program-wspoldzialania. So far, 14 entities have signed cooperation agreements, and 6 taxpayers are currently undergoing pre-agreement assessments.

CCP Pilot and Evaluation – Implemented and Planned Changes

To verify whether the CCP implemented in Poland was appropriately adapted to the legal system and socio-economic conditions, it was necessary to conduct a pilot phase of the CCP and its evaluation. The pilot phase of the CCP was initially planned for 3 years and later extended to five years. The evaluation of the CCP pilot was conducted by the Kozminski University IT tools. funded by the European Commission under the Technical Support Instrument.

As part of the project, both qualitative and quantitative research was conducted between 2021 and 2023 among taxpayers and other stakeholders. Based on this research, the Kozminski University provided an objective assessment of the functioning of the CCP and identified its strengths, weaknesses, and areas for improvement. Based on the results of the formative evaluation, several actions were undertaken:

- Building trust by jointly developing with taxpayers and other stakeholders the "TCF Maturity Assessment Model" and "TCF Guidelines and Best Practices"
- Improving communication with taxpayers through the following:
  - A series of soft skills training sessions (e.g., change management, effective communication, negotiation), as well as project management training
  - Initiating the development of a dedicated IT tool enabling secure document exchange, ongoing communication, and more efficient data analysis
- Promoting the CCP among key taxpayers and stakeholders (e.g., by developing promotional videos, brochures, and leaflets; creating a communication and promotion strategy; presenting the CCP at tax conferences)
- Enhancing the speed and quality of taxpayer services within the CCP by establishing a dedicated CCP unit within the First Mazovian Tax Office, employing 20 additional staff exclusively focused on CCP implementation

Based on the summative evaluation, a "Concept for Changes to the Cooperation Program" was developed, which includes the following:

- Extending the CCP to cover capital groups
- Shortening the duration of the preliminary audit by modifying internal procedures and introducing legislative changes
- Continuing the CCP's promotion
- Improving both internal and external communication
- As of 2025, these changes are being implemented.

Key Benefits for the National Revenue Administration

Building trust is a long-term process. After nearly five years since the CCP's implementation in Poland, the first tangible effects of the cooperation are beginning to materialize. Taxpayers participating in the CCP, after signing the cooperation agreement, are now voluntarily disclosing potentially disputable issues.

It is also important to note that, because of the preliminary audits, taxpayers corrected several irregularities. Some of these involved routine transactions that had been repeated for years. As a result, these taxpayers not only corrected past mistakes but also now properly report taxes on those transactions in subsequent years. In the case of the CCP, irregularities are eliminated permanently, not just for the period under review.

Furthermore, a noticeable shift in mindset has occurred on both the taxpayer and official sides, with genuine dialogue focused on finding constructive solutions. A key feature of the CCP is the use of tax agreements, which enable consensual resolution of potentially disputable matters. These agreements save resources for NRA and ensure correct taxation of specific transactions, thus preventing tax losses. Consequently, it can be concluded that increasing mutual trust translates into improved compliance with tax obligations.

Additional benefits for NRA include enhanced competencies among officials dedicated to supporting the CCP. This improvement is the outcome of both training and the practical experience gained through tax audits. As a result, these officials are now seen by taxpayers as discussion partners and are also better equipped to identify tax risks and perform their duties more efficiently.

Moreover, another benefit for NRA is the broader understanding of tax risks faced by key taxpayers not participating in the CCP. NRA can use this insight to more effectively select entities for audit, thereby conserving resources and increasing budget revenues from recovered tax liabilities. Therefore, the CCP impacts not only participating entities but also the wider population of key taxpayers.

Annex 9. Slovenian Experience with the Cooperative Compliance Program

In the Republic of Slovenia, the first activities related to the CCP were initiated in 2010 with the horizontal monitoring pilot project. Eighteen large taxpayers signed the agreement with the Slovenian Tax Administration (STA). After two years of cooperation, focus group interviews and questionnaires were conducted to evaluate the collaboration. During the interviews, participants were divided into two groups: financial companies (banks, insurance companies) and non-financial companies (trade, pharmaceutical industry, other companies). Additional feedback was gathered from questionnaires completed by employees of the STA involved in the CCP. Based on the positive results of both the questionnaires and interviews, the decision was made to continue the CCP program in Slovenia.

On August 1, 2014, the Customs Administration of the Republic of Slovenia and the Tax Administration of the Republic of Slovenia merged in the new organization: the Financial Administration of the Republic of Slovenia (FURS). The Financial Administration Act (Official Journal of the RS, no. 25/14 – FAA) was adopted, Article 99 of which includes a provision about granting special status to taxpayers. The basic purpose of the provision from Article 99 of FAA is establishing cooperation with taxpayers, with the objective to encourage voluntary compliance and reduce the administrative burden of financial supervision.

Submission of an application for granting the special status was possible after implementation of the Rules on October 9, 2015. Since then, FURS has granted the special status to 16 large taxpayers who have met the prescribed conditions. One of the entry requirements is a completed self-assessment questionnaire published on the Financial Administration's website, which was prepared in cooperation with the Slovenian Audit Institute. By preparing the self-evaluation questionnaire, FURS complied with OECD guidelines for establishing internal tax controls, which are published in the OECD TCF report (OECD, 2016). Applicants use it for their own estimation of the effectiveness of the internal control system.

The possibility of granting special status is in accordance with the provisions of Article 99 of the Financial Administration Act is also available to taxpayers who do not yet have internal tax controls in place, provided they commit to establishing them within the time limit set by the FURS. This time limit may not exceed two years from the date the special status is granted.

Evaluation of the Cooperative Compliance Program in Slovenia

Since 2016, when the special status to the first large taxpayer in Slovenia was granted, different methods have been used for the evaluation of the CCP.

Annual meetings

Satisfaction with the program on both sides—taxpayers and tax authorities—is evaluated through annual meetings organized with the top management of each taxpayer with special status. This aligns with the provision outlined in the Rules on the Program for Encouraging Voluntary Tax Compliance and Reducing the Administrative Burden of Financial Supervision, which states that the implementation of the program must be assessed by the Financial Administration and taxpayers at least once a year. During these meetings, the following topics are discussed: (i) disclosure of tax risks, (ii) implementation of internal tax controls, and (iii) ensuring tax certainty in advance and resolving tax compliance issues.

Contact persons have been designated on both sides to ensure smoother and more controlled communication. Additionally, a dedicated email address has been set up for tax-related questions from taxpayers with special status, and efforts are made to provide information or rulings as quickly as possible. Minutes of the meetings are issued with a brief description of the topics discussed and the conclusions.

The experience with the program on both sides is estimated as positive. After the three-year period, all taxpayers involved in the CCP have applied for an extension, and new decisions for another three years have been issued. To eight taxpayers, special status has already been extended twice during this period.

No distinction is made between taxpayers with or without special status when requesting advance rulings or advance payment agreements, which are subject to a fee in Slovenia. The procedure is governed by the Tax Procedure Act and is applied uniformly to all taxpayers. Desk audits and inspection procedures remain possible for all taxpayers, including those with special status. However, priority is given to resolving issues proactively to minimize the need for audits.

Cooperation with Researchers

Several research papers have been published regarding the cooperative compliance approach in Slovenia:

- Sever, Tina and Tatjana Stanimirović. Undated. Voluntary Tax Compliance in Slovenia: A Path to Cooperation and Mutual Trust with Public Administration? V: *From policy design to policy practice*. Prague: NISPAcee. https://www.nispa.org/files/conferences/2019/e-proceedings/system_files/papers/voluntary-tax-sever.pdf.

- Sever, Tina and Tatjana Stanimirović. 2019. Prostovoljno izpolnjevanje davčnih obveznosti kot institut dobrega javnega upravljanja. V: Pečarič, Mirko (ur.). *Od boljših predpisov k njihovemu učinkovitejšemu izvrševanju*. 1. izd. Ljubljana: Fakulteta za upravo. Str. 107-121, tabele. Zbirka znanstvenih monografij Upravna misel. ISBN 978-961-262-115-5. http://www.fu.uni-lj.si/wp-content/uploads/2021/02/Od-boljsih-predpisov-WEB.pdf. [COBISS.SI-ID 5346734].
- Sever, Tina and Tatjana Stanimirović. 2022. Can Voluntary Tax Compliance Status Lead to Participation, Tansparency and Co-operation? *Hrvatska i komparativna javna uprava: časopis za teoriju i praksu javne uprave*. 22(2): 313–29. ISSN 1848-0357. https://hrcak.srce.hr/file/406417, DOI: 10.31297/hkju.22.2.2.
- Stanimirović, Tatjana. 2018. Evaluation of the Voluntary Tax Compliance in Slovenia: Tax Authority Perspective. *Zbornik radova*. 24: 153–69, ISSN 1840-3255. https://hrcak.srce.hr/file/316233.
- Stanimirović, Tatjana and Tina Sever. 2022. Cooperative Tax Compliance: A Path to Fiscal Sustainability? *Transylvanian review of administrative sciences*. 67: 123–41, ISSN 1842-2845. https://rtsa.ro/tras/index.php/tras/article/view/707, DOI: 10.24193/tras.67E.7.

Stanimirović and Sever (2022) use structured interviews with the management of FURS and taxpayers' management officials as the main data collection technique. The authors have identified and analyzed the inhibitory and acceleratory factors influencing the cooperative compliance model in Slovenia and presented the recommendations for improvement in Table A9.1.

Key Takeaways

A major benefit of the CCP program in Slovenia is that tax risks can be promptly identified and managed effectively, and taxpayers with special status can implement internal control systems. As a result, certain supervisory functions are transferred to taxpayers, enabling internal oversight procedures to be conducted to ensure tax compliance. Consequently, FURS can adopt a less repressive and more preventive approach, with a focus on reducing tax risks. When tax risks are effectively managed and information is voluntarily disclosed in a timely manner by taxpayers, the FURS's limited resources can be redirected toward monitoring higher-risk taxpayers. In this manner, FURS would like to increase the number of large taxpayers with special status on one side and explore and improve the methods of measuring the costs and benefits on the other.

Table A9.1 — Inhibitory and Acceleratory Factors Influencing the Cooperative Compliance Model in Slovenia and Recommendations for Improvement

Criterion	Inhibitory factors	Accelerating factors	Recommendations
Entering status and internal controls	Whether the status is needed depends on the tax risk of a company.	Elimination of tax uncertainty.	More clearly defined purpose, content, and procedure of internal controls. More support by FURS when entering the status. More promotion to enter the status by FURS.
	Internal controls are not well defined in advance.	Faster resolution of tax problems.	
	Too little support at the beginning when entering the status.	Priority treatment of taxpayers with the status.	
	Harder for companies which do not have internal controls and do not have enough resources.	The possibility to consult FURS on contentious issues.	
	The procedure of internal control implementation is very complex and requires time and competent staff.	Being under FURS monitoring encourages a higher level of precision and timeliness.	
	It is difficult to arrange impartial control (employee cannot perform the control him/herself).	Perception of the status as one of the achievements mentioned in the yearly report.	
	Increased number of internal controls in recent years.	—	
Tax authority relationship	Lack of staff at the tax authority, which is too bureaucratic.	Collaboration with FURS brings tax certainty and reciprocity.	Employment of new competent staff at FURS. Less bureaucratic behaviour—assessment of FURS internal processes by identifying the inhibitory factors. Promoting faster action. More investment in the practical knowledge of FURS employees. FURS replies, which are more concrete, solving the taxpayer's problem.
	FURS cannot act as a consultant in this relationship.	FURS staff are helpful and professional.	
	Sometimes, the tax authority does not have enough practical experience and consequently does not understand the taxpayer.	FURS staff have knowledge, competence, and are responsive.	
	Sometimes, the replies from FURS are not concrete enough.	Trust is very high.	
	Sometimes, it takes two years to study some transactions and then intensive controls begin, even among taxpayers with special status.	Taxpayers' errors are rectified on an ongoing basis.	
		Direct communication with FURS.	

(continued on next page)

Table A9.1 — Inhibitory and Acceleratory Factors Influencing the Cooperative Compliance Model in Slovenia and Recommendations for Improvement *(continued)*

Criterion	Inhibitory factors	Accelerating factors	Recommendations
Tax inspection	Self-reporting can be done by any taxpayer.	Probability that an inspection will come is much lower, especially retrospectively.	Amnesty of tax inspections. Change of tax legislation. When having the status, matters should be resolved promptly.
	Taxpayers within the status are in the same position as others—no guarantees the taxpayer will not be subject to tax control and inspection.	High level of trust—no fear of tax inspection.	

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