

PROMOTING THE CONSISTENCY OF TAXATION IN THE TAX ADMINISTRATION

Promoting the consistency of taxation has been specified in legislation as one of the tasks of the National Board of Taxes since it was established. The need to develop consistency was emphasized in the recommendations that were made in the final report of a working group on legal security in taxation at the end of the last decade. Development work began in the Tax Administration, and the present audit concerns its effectiveness.

The Tax Administration's costs total around 350 million euros a year. The audit focused on a significant quality factor in the activities financed with these resources. Emphasizing the development of consistency in the Tax Administration is a key matter for the transparency and openness of administration. As a result of management by results and accountability, administration must be able to do a better job reporting to Parliament and other stakeholders on the effectiveness of its activities.

The main question in the audit was how the Tax Administration as a whole promotes consistency in levying taxes. The audit investigated how the requirement of consistency has been taken into consideration in management and how the Tax Administration has strived to influence factors that affect the consistency of taxation. The audit also examined methods used to monitor consistency and their development.

The audit observed that considerable positive development has taken place in promoting the consistency of taxation in the Tax Administration in the past decade. In the opinion of the State Audit Office, it is important that consistency has been made a key focus in developing activities. Many measures, such as the issuing of guidelines, studies, the development of processes, investments in training and the setting of targets, have helped promote consistency.

According to audit observations, management by results has not been used very well as a tool to promote the consistency of taxation.

The Tax Administration has not succeeded in linking the actual performing level to promoting consistency with the help of targets. It has not succeeded in creating a clear definition of the content of consistency or a basis for evaluating or measuring the level of consistency.

The audit presents two studies concerning the state of consistency. These are the only significant information sources on this subject. The audit indicates that there is not really any information on the development of the consistency of taxation or the effectiveness of different means used to promote it.

In the opinion of the State Audit Office, the Tax Administration should clearly define the concept of the consistency of taxation. The entire organization should agree on what must be consistent for taxation to be consistent.

Developing the consistency of taxation is a broad task that involves a number of difficult problems. Resolving these problems requires a clearly documented plan and action programme.

The focus should be shifted from the norm-based control of consistency to management and particularly management by results. The Ministry of Finance should improve its direction by developing targets for the Tax Administration that promote consistency more concretely. Targets should form a logical whole at all levels of administration. They should be spelled out so that each target is clearly separated.

A monitoring system covering the current situation and development of the consistency of all taxation should be created. If this is not possible in every respect, problems should be studied and documented. Stakeholders should be informed of problems and any resource investments that are needed for more comprehensive monitoring. The openness of administration and the transparency of activities require that monitoring information is produced in an adequate scope.