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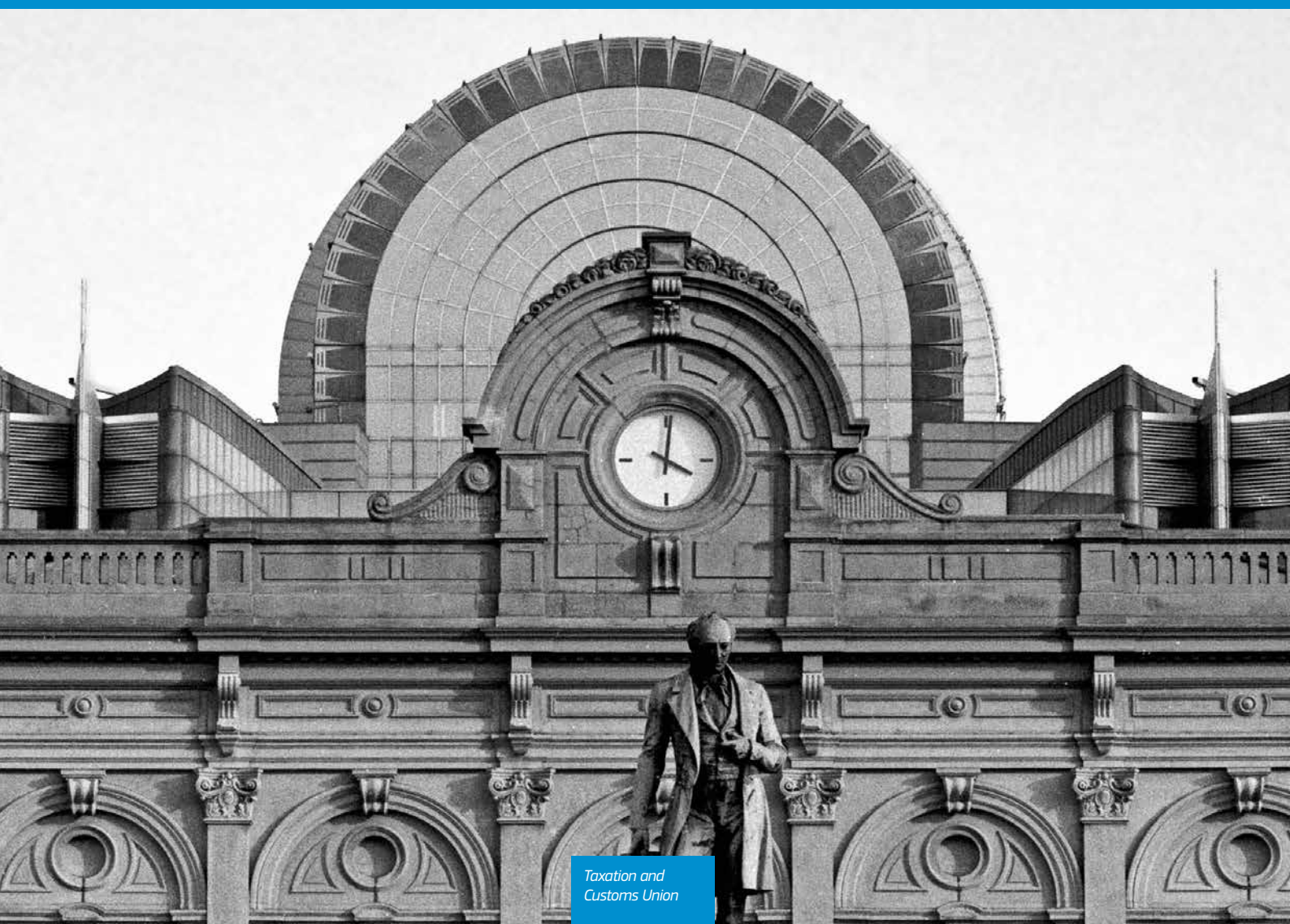
TAXATION PAPERS

WORKING PAPER N. 53 – 2015

Margherita Ebraico
(Italian Revenue Agency)

Savino Ruà
(European Commission)

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Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 2015

doi:10.2778/014143 (printed)
ISBN 978-92-79-45033-4 (printed)

doi:10.2778/14686 (PDF)
ISBN 978-92-79-45034-1 (PDF)

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PRINTED ON WHITE CHLORINE-FREE PAPER

An Assessment of the Performance of the Italian Tax Debt Collection System

Margherita Ebraico (Italian Revenue Agency)¹

and

Savino Ruà (European Commission)

Abstract: This paper provides a comparable estimate of the magnitude of tax debt in Italy and investigates which administrative factors would contribute to explain it. It is inspired by the work of the OECD on comparative tax administration. Our findings show that the level of undisputed tax debt in Italy is close to the EU average, with a decreasing trend since 2008. No more gaps are found in the administration of tax debt management in Italy, when comparing it with that of other EU Member States. The use of technology emerges as a possible area of further attention.

Keywords: Tax administration, Tax debt, Tax collection

JEL classification: H11, H71, H83, K34, K40,

¹ The authors thank Gaëtan Nicodème for useful comments. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They should not be attributed to the European Commission and their respective institutions. Any mistake and all interpretations are theirs and theirs only.

1. Introduction

Since 2004 the Organisation for Economic Co-operation and Development (OECD) has published biannually a comprehensive report on tax administration, comparing the revenue authorities of more than fifty countries, with the most recent edition issued in 2013 (OECD, 2013). Among the various aspects of tax administration covered by the report, the OECD deals with tax debt management.

Tax debt is a relevant topic from both a public finance and a tax administration perspective. The overall amount of uncollected taxes has increased during the past years across the OECD. Overall, undisputed tax debt in the OECD countries at the end of 2013 amounted to around two thirds of a trillion of US dollars (Forum on Tax Administration, 2013). This is equivalent to roughly 1.5% of the OECD GDP.

In its comparative reports, the OECD includes information on how tax debt recovery is organised, on its performance and on powers for enforced debt collection. Yet, not all countries covered by the scope of the report have provided data on their performance in managing tax debts. This is the case for Italy. On the basis of the most recent data reported by the Italian Court of Auditors on the performance of tax debt management in Italy (Corte dei Conti, 2013), this paper intends to review the performance of tax debt recovery in Italy and to put the results in a comparative perspective. In addition, this paper wishes to look more closely at which administrative factors might contribute to explain the performance of the Italian tax debt collection system.

The discussion is structured in five parts: first, we review previous and ongoing work done on tax administration. Secondly, we define what we mean with tax debt collection. Third, we estimate tax debt performance for Italy, comparing the results with those for other EU Member States for which information is included in the OECD report. Fourth, we take a closer look at the Italian tax debt collection system, focussing on those aspects of tax administration that the OECD considers particularly relevant for tax debt recovery. Finally we conclude making suggestions for further research.

2. Review of the Literature

Economists interested in tax administration have focused on the costs of tax administration for governments and for taxpayers. Researchers have tried to theorize what the “optimal” costs of tax authorities would be (Goode, 1981; Shaw, Slemrod, & Whiting, 2010; Slemrod & Yitzhaki, 1985). There is also a significant amount of studies on costs for taxpayers or compliance costs of taxation (Ramboll Management Consulting; The Evaluation Partnership; Europe Economic Research, 2013). The key finding of this research is that compliance costs generally dwarf administrative or government costs. For instance, for the US compliance costs have been estimated at about 10 cents per dollar collected against 0.6 cents per dollar of collection costs (Slemrod & Yitzhaki, 2002). A branch of economic research is concerned with estimating the efficiency or the performance of tax administration, using often methods borrowed from operational research (Alm & Duncan, 2013).

Increasing interest is being paid to an interdisciplinary research programme linking economics and other social sciences, in particular sociology and psychology, often referred to as “behavioural economics” (European Commission, 2014). In this area, researchers have developed a theoretical understanding of tax administration, in connection with the study of tax evasion. Studies have looked into the effectiveness of a service-based approach to tax administration and have found that providing even imperfect services and information make tax administration more effective (Vossler, McKee, & Jones, 2011).

Practitioners have approached tax administration largely from what we call a “diagnostic” perspective, trying to identify what is wrong with it and suggesting how to fix it (Brondolo, 2009). The focus has been on developing countries, in the context of donors’ assistance programmes, yet not exclusively. An example of this approach is the work which has led to the set up by the IMF of the Revenue Administration Fiscal Information Tool (RA-FIT) and its successor the Tax Administration Diagnostics Assessment Tool (TADAT). Key actors in this field have been the International Monetary Fund and the World Bank, as well as major international donors. The European Commission has developed its tax administration “diagnostics” capability in recent years, initially to face the need to provide assistance to enlargement countries (European Commission, 2007), subsequently to accompany structural reforms in countries subject to economic adjustment programmes (Cyprus, Greece and Portugal) and more generally to contribute to EU-wide economic reforms (European Commission, 2013).

A second dimension of practitioners' work relates to what we define as the "best practice" approach. This way of looking at tax administration is close to the one presented above, yet with a softer touch. The OECD has led efforts on this front which led, in 2002, to setting up the Forum on Tax Administrations (FTA), a place for exchange of views on tax administrations' practices. It is within the context of the FTA that the OECD began collecting comparative information on revenue administrations (OECD, 2013). Comparative tax administration can be considered as a specific outcome of the "best practice" approach of practitioners. To date, the OECD has released five editions of its comparative information series on tax administration. It has also created a webpage with a database on tax administrations. Comparative information is collected through surveys addressed to participating tax authorities of both OECD and non-OECD countries. The 2013 edition of the report covered the tax administrations of 52 countries.

3. Tax Debt Collection: Key Concepts

There is no standard definition of tax debt and various sources use terms such as recovery of tax, tax debt collection, collection of arrears, recovery of claims, almost interchangeably. There are two main types of tax debts, disputed and undisputed. The sum of disputed and undisputed tax debts can be referred to as "gross" tax debt. "Net" tax debt is gross debt minus disputed claims. Undisputed tax debt is defined as: "... *the total amount of tax (including any interest and penalties) that is overdue for payment at year-end and which is not disputed by the taxpayer (even where enforcement action may not have commenced) for all taxes administered by the revenue body*" (OECD, 2013). Disputed tax debts are those claims which are subject to objection, dispute, and/or litigation. Depending on the jurisdiction, tax administrations might or might not have powers to recover them. In addition to tax debt, the OECD mentions also social security contributions (SSC) debt and non-tax debts, for instance "student loans and overpaid welfare benefits". Tax debts can be collected either through enforcement, or paid spontaneously. A definition of enforced tax debt collection is: "*set of systems and procedures assuring that tax debts which are not spontaneously paid are collected in the simplest and most effective way*" (European Commission, 2007).

4. Estimating the Performance of the Italian Tax Debt Collection System

Interest in performance measurement reflects changes into the way we understand government and public service. As the OECD recalls, governments have become much more performance and outcome-oriented during the past 20 years. Tax administrations have not been excluded from this trend (OECD, 2013).

The OECD reports data useful to assess the operational performance of revenue bodies in the area of tax revenue collection, refund of taxes, taxpayers' services, tax verification activities, tax disputes, tax debt and their collection. Focussing on this last dimension, the OECD assesses the performance of tax debt collection by looking into various indicators.

A key indicator used to assess tax debt collection performance is undisputed tax debt as share of net revenue collections, i.e. after tax refunds are paid. This indicator has been used by the OECD since the 2009 edition of the comparative report on tax administration. In 2004, the OECD gave figures for gross and net tax debt. In 2007, the indicator covered gross tax debt only.

Using this indicator, the OECD assesses the relative performance of tax administrations in tax debt recovery. The OECD calls it a "benchmark" ratio indicator. A value of less than 5% is considered "low" or a good performance; above 20%, a relatively poor performance.

In addition to the level of undisputed tax debt, the OECD reports information also on debt collected as a share of total debt for collection; debt written off (i.e. cancelled) as a share of debt inventory; and movements in tax debts case numbers.

The OECD does not provide information on the performance of Italy when it comes to tax debt recovery. Looking at the latest edition of the series, Italy is of the very few countries and the only EU Member State for which no data are provided, for none of the indicators listed above, for any of the years covered (from 2005 to 2011).

In this section we use data reported by the Italian Court of Auditors to fill in the gap. *Table (1)* in appendix presents these data in details. This table reports in the first column the yearly amounts of undisputed debt to be recovered. The total gives the sum of undisputed debts originated during the period 2000-2012.² The second column gives the share of undisputed debt for various years which was recovered in 2012. For instance, in 2012, only 1.94% of the debt originated in that year was already repaid; 5.22% of the debt of 2011, 8.39% of the debt

² Figures for the most recent years are not consolidated and might be subject to variations.

of 2010. Of the debt which was accounted in 2000, only one fifth had been recovered over twelve years.

To estimate the ratio of undisputed tax debt and net revenue collection, we first divide the overall debt or “*carico netto*” by half, as typically half of the “*carico*” is due to tax and the remaining to SSC debts (Corte dei Conti, 2013). The resulting tax debt is then compared with the figure for net revenue collection, taken from the OECD report (OECD, 2013). The ratio we obtain is 13.2%. For previous years, the results are 8.9% (2008), 11.5% (2009) and 13% (2010), indicating a decreasing trend.

Table (2) in appendix compares the 2011 ratio for Italy with that of other Member States. We observe that Italy is not among the worst performers (above 20%), but rather its performance seems average. However, if we compare Italy’s performance with that of the other largest economies of the EU, we see that Italy’s undisputed tax debt as a share of net revenue collection is more than double of the figure for France (6.8%), well above the level reported for the UK (5.7%) and more than six times the share of Germany (1.8%). Overall, there is major variety across Europe when it comes to tax debt recovery, with figures ranging from a share of almost 90% in the case of Greece (2010 figures) to less than 2% for Denmark and Germany.

Having estimated and compared the performance of the Italian tax debt collection system, the question remains of which factors explain such a result. Good performance in tax debt recovery seems associated with an extensive use of withholding taxes, effective advance payments regimes, extensive use of electronic payment methods, extensive debt collection powers, well-staffed debt collection function, above average investment in IT for tax administration and wide use of technology (OECD, 2013). In the next part, we take a closer look at the Italian tax debt collection system focussing on these aspects.

5. Understanding the Performance of the System

This part of the paper will describe the Italian tax debt collection system focussing on those administrative characteristics which are generally associated with good performance in tax debt collection.

5.1. Institutional arrangements, organisation and strategic management

In Italy, several organisations are responsible for managing various elements of the tax system. The OECD (OECD, 2013) describes the institutional arrangements of the Italian tax administration as follows:

“Tax administration functions are carried out by a number of separate government and partly government-owned bodies due to a reorganisation of the Public Administration (Legislative Decree 30 July 1999, n. 300) The purpose of this reform was to separate the political guidelines (given by the Ministry of Economy and Finance which maintains control over policy orientation) from the managerial and operational charge (Agencies): 1) Revenue Agency (Agenzia Entrate), with the task of managing the direct taxes, VAT and other tax revenues; 2) Financial Police (Guardia di Finanza GDF) is responsible for dealing with tax fraud, financial crime, smuggling, money laundering, international illegal drug trafficking, customs and borders checks, counterfeiting; 3) Customs Agency (Agenzia Dogane) excise and VAT on imports; 4) Land Registry Agency (Agenzia del Territorio) with functions relating to cadastre, cartographic Services, conservation real estate registry; 5) The State Property Agency (Agenzia del demanio) has the task of administering the State Property; and 6) Equitalia Spa is the public company (51% Revenue Agency and 49% “National Social Security Institute – INPS) entrusted with the task of tax debt collection.”

Tax debt management is entrusted to Equitalia, a public company owned by the Revenue Agency and the National Social Security Institute. The latter was set up by the Italian government in 2006 to perform tax debt recovery in the country. Before the establishment of Equitalia, tax debt collection was outsourced to private collectors. Equitalia operates under the control of the Italian revenue agency. It is made up of one headquarter (Equitalia SpA holding) and three interregional offices (Equitalia Nord, Equitalia Centro and Equitalia Sud). The latter three are in charge of tax collection operations on the territory of Italy, with the exemption of Sicily, where a separate tax collection agency called *Riscossione Sicilia SpA* operates. Equitalia’s stockholders are the revenue agency and INPS, the Italian SSC agency (Equitalia, 2013). Equitalia is responsible for the collection of tax, SSC and other non-tax related debts owed to government, e.g. customs as well as local taxes etc. It is in charge of tax debt recovery both through enforcement and via spontaneous payments. Its four key business performance objectives are compliance burden reduction (*anti-burocrazia*), improved taxpayers satisfaction, fight against corruption, and operating costs reduction (*economicità della gestione*) (Equitalia, 2013).

Box 1: A short history of debt collection in Italy

For a period of more than one hundred years (1871-2006), the Italian state outsourced its tax collection to private tax collectors. In Italian, this arrangement was generally referred to as “sistema delle esattorie” (Manestra, 2010).

The budget law for 2006 reformed the system, creating a public body “Riscossione SpA” to perform the function of tax debt collection (“riscossione” means recovery in Italian). This body was meant to act under the control of the Italian revenue agency. The reform aimed at improving the efficiency of tax recovery (Manestra, 2010). As pointed by the Italian Court of Auditors, before the reform, underperformance in tax debt collection hampered the effectiveness of audit and verification activities (in Italian, “accertamento”), including the fight against tax evasion. A crucial weakness of the pre-reform arrangement was the lack of strategic and outcome-oriented planning and poor accountability of tax collectors (Corte dei Conti, 2013).

In 2007, Riscossione SpA was rebranded Equitalia SpA. The intention of the government was to actually improve the perception of the tax collector for taxpayers, emphasizing its role as provider or enabler of a fairer Italy (*equità* means fairness in Italian).

According to the Italian Court of Auditors, tax recovery performance improved following the establishment of Equitalia: between 2006 and 2009, enforced tax debt recovery increased by 77%. As from 2010 however, the performance of the Italian tax collector Equitalia began to decline (Corte dei Conti, 2013).

The worsening of the performance in tax debt collection in recent years and a more difficult relationship between Equitalia and taxpayers has led to recent proposals for another reform of the tax debt collection system in Italy: currently, the Italian Parliament is examining a proposal to abolish Equitalia and transfer the tax debt recovery function to the Italian revenue agency (law proposal 2299 of 11 April 2014).

5.2. Withholding, Advance Payments and E-Payments

Withholding, advance payments and e-payments are meant to making paying taxes as easy and fraud-proof as possible. They aim at preventing rather than managing tax debts.

The OECD Glossary of Tax Terms defines tax withholding (WHT) as a tax on income imposed at source, i.e. a third party is charged with the task of deducting the tax from certain kinds of payments and remitting that amount to the government. The use of WHT is associated with high levels of compliance. The US tax administration has estimated that individuals subject to WHT tend to report almost all of their wages for tax purposes, while individuals not subject to WHT report less than 70% of the income (Treasury Inspector General for Tax Administration , 2006).

Information reporting associated with WHT allows tax authorities to be informed about transactions by third parties (i.e. not by those who have statutory liability to pay a certain tax). Tax administrations use this information to match it with taxes actually paid, identifying suspect tax returns and focussing audits on those. Information reporting is useful to prevent the emergence of tax debts. Another preventive mechanism is the use of advance payments regimes, which allow collecting the bulk of taxes due in the fiscal year in which they were derived. Electronic payments methods are meant to reduce the costs of paying taxes, promoting compliance, including payments of taxes due, in time.

Italy uses WHT arrangements extensively. In addition to wages and salaries, WHT are used for interests, dividends, businesses and self-employed, royalties and patents as well as sale/purchase of shares. Reporting is used for all these categories of income, except interests (OECD, 2013). The bulk of taxes due for both individuals and companies due are collected via advance payments in the fiscal year in which the income is derived. Any surplus tax according to the tax return may either be carried forward and used to offset other tax liabilities or refunded. Electronic payments are used often, including through direct debiting. E-filing is used extensively. Taxpayers can access personal details online. Extensive tax-related information can be found on the website of the tax authorities.

5.3. Debt Collection Powers

A key variable which influences tax debt collection performance is the extent of debt collection powers available to the tax administration. To assess how powerful tax administrations are at recovering tax debt, the OECD looks into fourteen administrative

powers, of which the first ten are common across OECD and non-OECD countries and the last four are unusual:

1. Grant time to pay, for instance by allowing payment of the tax debt by instalments.
2. Make payment arrangements, to take into account of the particular financial circumstances of taxpayers and their ability to pay.
3. Collect information from third parties. For example, credit bureaus could provide information to tax authorities on the ability to pay of tax debtors.
4. Arrange seizure of debtors' assets. Using this power, tax authorities can recover claims by confiscating and selling debtor's properties.
5. Offset debits on tax credits. Using this power, tax authorities instead of paying tax credits to tax debtors use the amount or part of it to offset the debt.
6. Obtain lien over assets. The OECD Glossary of Tax Terms defines liens as "a charge against property, making it security for the payment of a debt, judgment, mortgage, or taxes". Tax administrations may apply lien over debtors' assets to push them to settle their debts. Usually, obtaining liens precedes seizure of assets. Liens are removed once debts are paid.
7. Withhold non-tax payments owed by government to debtors. In this way, tax administrations might suspend payments by other government agencies to tax debtors, with amounts being transferred to them to settle the tax debt.
8. Require tax clearance for government contracts. This means that for being awarded work under public procurement rules, taxpayers have to prove that they do not have any outstanding debt with tax authorities.
9. Initiate bankruptcy. Tax claims generally take precedence over private debtors' claims. Tax authorities are often empowered to kick off insolvency procedures against taxpayers who have not settled their obligation in order to recover the amounts due.
10. Impose tax debts on company directors. In some jurisdictions, tax authorities are empowered to make the directors of a company jointly and severally liable for the tax debts of the company.

Unusual powers:

11. Restrict overseas travel by debtor, to avoid that taxpayers might leave the jurisdiction without having paid their tax debts.
12. Close business / cancel license. Licenses and businesses are taxpayers' assets which can be seized.

13. Deny access to certain government services.

14. Publish name of debtors.

A vast majority of countries surveyed by the OECD have at their disposal “traditional” powers to enforce the payment of tax debts, such as seizure of assets. Only in limited cases, powers go as far as to include the ability of impose businesses closure or loss of licence, or denial of access to government services (OECD, 2013). *Table (3)* in appendix gives an overview of tax debt collection powers in the EU. Italy is able to exercise all of these powers except denying access to certain government services and publishing names of debtors. The next sections provide additional information on some key powers of the Italian tax debt collection system.

5.3.1. Liens and levies over the tax debtor's assets and power to collect taxes from third parties

The Italian tax administration has extensive powers over tax debtors’ assets. It can register a tax debtor's real estate mortgage at the Public Registry of Real Estate. According to the Decree Law n. 16/2012 converted into Law n. 44/2012 this can happen in the event the total amount owed is above €20,000.

However, according to a recent regulatory change (Decree Law n. 5/2012 converted into Law n. 35/2012), Equitalia is no longer able to place a lien on the tax debtor's real estate in the event the tax debtor has applied for an instalment agreement.

There are also different types of enforcement measures aimed to the foreclosure and the auction of the debtor’s movable and/or immovable property. Equitalia will generally start by foreclosing the debtor’s movable property (*seizure of debtor's goods*).

In some specific cases, Equitalia has the power to deduct percentages of an employee’s salary (wages or other allowances relating to the employment) if a tax debt is owed (*the attachment of wages*). The percentages of the amount that can be monthly attached are set under the tax law. These have been changed by the Decree Law 16/2012 and based/linked to the amount of the tax debtor's salary, i.e. 1/10 if the monthly salary does not exceed €2,500, 1/7 for monthly sums ranging between €2,500 and 5,000, 1/5 if the monthly salary exceeds €5,000 .

Equitalia can also recover any amount owed by third parties to the debtor (*seizure of third parties' movable property*). In this case, Equitalia notifies the third party concerned with a formal request including an order to pay directly to Equitalia the amount due to the debtor.

The discipline concerning the *seizure of the tax debtor's immovable property* has been modified recently. Equitalia is no longer allowed to seize the sole real property of the tax debtor if it is his/her primary residence with exception of luxury real estate, even though they can place a lien on it. The other real property can be seized provided that the tax debt amounts up to € 120,000 and six months have been passed in vain from the registration of the mortgage.

5.3.2. Tax clearance for the granting of government contracts

Another tool related to making the taxpayers/companies comply with his/her/its tax obligations is represented by the requirement of the *tax clearance for the granting of government contracts*.

According to the provisions of Legislative Decree n. 163/2006, companies that have committed violations relating to the payment of due taxes are not allowed to participate in tenders for public works, supplies and services.

A tax clearance certificate may be released to those taxpayers/companies who have not been accused of any violations of tax obligations by a definitive act. It can be issued also in the event at the date in which the certificate has been requested the claims of the Tax Administration have been satisfied fully, including the case of ongoing payments by instalments of overdue tax debts.

5.3.3. Withholding government payments to debtors

On the basis of Decree of the President of the Republic n. 602/1973 the Italian tax administration can withhold government payments to debtors. This occurs in the event a Public Administration is supposed for whatever reasons to pay a sum amounting up to more than € 10,000. In this case, before making the payment, the Public Administration is compelled to verify whether the beneficiary of the sums concerned has failed in the payment of tax debts for up at least the same amount of money. In affirmative case, the Public Administration will not proceed to make the payment withholding the due sums until the moment when Equitalia has pursued those tax debts by enforcement.

5.3.4. Level of interest and penalties

There is also in place a quite complex system concerning the discipline of the *penalties and interests*. There is a quite wide range of sanctions. Some of them are specifically aimed at punishing strongly the taxpayer that fails to fulfil his/her tax obligations, while others foster

instead tax compliance. For example, in case of undeclared income or unpaid tax, the penalty that can be charged by the Revenue Agency ranges between 120% and 240% of the unpaid paid taxes.

A penalty can be increased by up to 50% if the offender has committed other offences of the same nature in the previous three years. When an error or omission gives rise to several penalties, only the highest penalty is applied but it can be increased by up to 100%. The same applies for multiple violations of the same provision.

The offender is personally liable for the monetary penalty. As a result, managers and directors acting on behalf of a company or other entity are personally liable for the penalty if they participated in the violation. If the offender did not act fraudulently or with gross negligence and did not benefit directly from the offence, his liability is limited to the lesser of €51,645 or 25% of the penalty, provided the payment is made within 60 days after notification.

On the other hand, to encourage the taxpayer to comply with the content of the tax assessment notices the penalties are reduced in case the payment has been paid within the due period (i.e. 60 days from the notification).

In addition, to boost voluntary disclosure the tax law sets that reduced penalties may be applied if the taxpayer corrects the violation voluntarily. For example, if the violation is corrected within 30 days from the due date, the penalty is reduced to 1/10 of the minimum. If the taxpayer corrects the violation within the deadline for the filing of the return in which the violation would have appeared, the penalty is reduced to 1/8 of the minimum. Moreover, to stimulate the tax debtor to keep up with his/her instalments payments, the tax law states that in case of failure a sanction up to 60% on the sum still due will be charged.

Likewise interests are aimed at giving incentives to taxpayers to pay on time (usually sixty days from the notification of the tax assessment notice): in this case, in fact, the rate of interest applied on the sums owed has been fixed at 3.5 %, as per Ministerial Decree of 21st May 2009. On the contrary, the rate of interest on arrears (i.e. in case of payment beyond the due date after the notification of the tax payment form) is currently fixed at 5.14% on yearly base since 1st May 2014, according to the Act of the General Director of the Revenue Agency of 10th April 2014.

5.3.5. Close businesses/cancel licenses

In the Italian tax system, the possibility of *a temporary suspension of the trade license* (from 3 days to one month, or in specific cases up to 6 months) with a provisional closing of the

business also exists under certain circumstances (i.e. no issue of fiscal invoices four times in the course of five years, etc.). In addition, a sanction will be issued amounting up to 100% of the unpaid tax.

5.4. Resources

The OECD (OECD, 2013) reports on the resources of national revenue bodies. Information provided includes data on overall expenditure by governments on tax administration and measurements of the relative cost of tax administration.

Expenditure indicators cover both the costs for salaries of staff and what the OECD refers to as IT expenditure and human resources management costs. The sum of these three is called “administrative costs”. To gauge the relative costs of tax administrations, the report includes a few ratios: the cost of collection ratio, calculated by dividing administrative costs by net revenue collected by the revenue body; administrative costs as a share of GDP; the ratio of total taxpayers’ pollution and staff allocated to tax administration.

There is also information on the relative distribution of staff across the key functions of a revenue body: account management, verification, tax debt collection, other tax-related operations; non tax-related support tasks. Finally, the chapter reports information on outsourcing experiences of tax administrations and on the non-tax related work they perform (e.g. customs and SSC collection).

Despite the wealth of data provided, the report does not report information on the costs and amount of staff allocated to tax debt collection in Italy. Staff and costs for tax debt collection are therefore also excluded from the calculation of the costs of collection ratio and of the share of staff allocated to debt recovery. The report (OECD, 2013) makes this clear:

“(...) the computed ratios significantly understate the true ratio as they do not take account of expenditure incurred on tax related work carried out by other agencies (e.g. the tax fraud work of the Guardia di Finanza and enforced debt collection activities performed by Equitalia spa) that have not been quantified.”

According to Equitalia (Equitalia, 2013), in 2012 total administrative costs amounted to about €887 million. Staff costs claimed a little more than €500 million. Out of the remaining costs, circa €70 million were spent on IT. Staff figures are also reported: at end 2012, the figure was 8,083 staff.

5.5. Comparative Analysis

In this section, we compare the characteristics of the Italian tax collection system we have described above with those of other EU Member States. Comparative tax administration can help to improve the design and administration of tax system, by identifying weaknesses and strengths.

From a comparative standpoint, the way Italy has organised its tax debt collection is unusual. All but 7 countries surveyed by the OECD have a dedicated tax debt collection function *within the revenue administration*. Out of the EU Member States, only Italy and Sweden have an unusual arrangement, where most of the tax debt collection work happens outside the revenue body.

The OECD indicates that reducing overall tax debt level is a government-mandated objective that more and more tax administrations need to face. This is however not the case in Italy.

Italy uses WHT and advance payments extensively, as well as e-payments.

In the case of Italy, the OECD indicates that the country has at its disposal 12 out of 14 most common powers of tax debt collection enforcement: Italy does not publish the names of tax debtors and cannot deny access to certain government services. Leaving aside these two powers, the Italian tax debt collection appears to enjoy extensive powers of enforcement.

As far as resources are concerned, to allow for comparison with other countries' tax authorities, we review the ratios provided by the OECD for 2011 to include estimated tax debt collection costs. The cost of collection ratio increases by 0.3 percentage points, from 1% to 1.3%. The share of costs to GDP goes up from 0.17% to 0.23%. The share of staff devoted to debt collection increases from zero to 19.7%. The share of IT expenditure is increased from 5.2% to 6.06%. Italy has a relatively well staffed tax debt collection system, but it spends relatively a small amount on information technology.

To sum up, when comparing Italy with other Member States with relatively low levels of tax debt inventories, as shown in *Table (4)* in appendix, we observe that Italy's system seems to fill almost all the administrative requirements associated with good performance in debt recovery, with the exception of the level of investment in IT for tax administration. There is not enough information to be conclusive when it comes to the use of technology which might be an area deserving further investigation.

6. Conclusions

With this paper we have tried to contribute to the comparative study of tax administration. We have started by estimating the operational performance of the Italian debt collection system, adding information for Italy to the OECD data for 2011. The picture which emerges is that of an average performer in tax debt recovery, yet with a negative trend since 2008. However, when taking a closer look at some key administrative aspects of the tax debt collection system, we cannot find any major gap: Italy's tax recovery seems to be powerful and well-staffed, and placed within a system where the use of withholding taxes, advance payments and e-payments is widespread. From a comparative perspective, Italy has the key administrative elements in place for performing well in tax debt recovery, with one possible exemption: the use of technology appears limited. It is interesting to note that our findings seem to be in line with the remarks made by the Italian Court of Auditors in its annual report 2013 which calls for a "more efficient use of ICT" in recovery (Corte dei Conti, 2013). At a time when tax administration is becoming increasingly data-centred, this issue might be particularly relevant for tax debt collection performance. More investigation into the link between technology and tax debt recovery in Italy is surely warranted.

More generally, it should be recognised that there are limits to an administrative understanding of a tax system. Tax debt collection depends on tax administration's variables but there are other factors which can affect its performance: among others, the overall level of taxpayers' compliance with tax laws and economic performance of a country matter, as remarked by the OECD.

Further research on the Italian tax debt collection system might focus on the use of ICT; regarding research on tax debt collection in a broader sense, we believe it could be appropriate to deepen and expand our understanding of the work of tax administrations in this field. It is our impression that the administrative characteristics upon which the OECD and this paper focus are linked to what Alm calls the "enforcement paradigm" of tax administration (Alm, 2012). According to this paradigm, emphasis is put on repression of illegal behaviour through audits and penalties. Yet, there are at least two other key paradigms of tax administration: "service", which matches the role of enforcement with offering services and facilitations to taxpayers; and "culture", which stresses the role of morality, of social norms, and of other behavioural economics factors in deciding whether to pay or not taxes due (Alm, 2012 and Weber, Fookan, & Herrmann, 2014). A wider understanding of tax

administration could lead to focus on services provided to taxpayers when having to face debt recovery procedures, the role of communication, perception of the tax authority etc. Finally, we suggest that the Italian authorities when participating to the next OECD survey involve Equitalia into the data collection exercise to make sure information on debt recovery from Italy is added to the report.

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Appendix: Tables

Table (1): Performance of tax debt collection in Italy

Year when debt originated	Undisputed tax, SSC and other debt (<i>carico netto</i>), EUR billions	Recovered debt as a percentage of undisputed debt (2012)
2000	39.5	20.68
2001	21.9	20.49
2002	19.3	18.72
2003	20.8	20.44
2004	26.7	16.86
2005	37.7	13.58
2006	51.8	16.15
2007	49.7	13.24
2008	49.6	13.48
2009	59.9	10.21
2010	69.4	8.39
2011	72.8	5.22
2012	76.9	1.94
<i>Sum</i>	596	

Notes: This table shows the amount of undisputed tax and SSC debt per year (*carico netto*), the amount of debt recovered per year (*volumi di riscossione*) and the ratio of collected tax debt / tax debt to be recovered. For instance, in 2012 1.94% of the undisputed debt of 2012 was recovered; 5.22% of the undisputed debt of 2011 etc. Amounts are net of the share of debt which is suspended or cancelled / written off (*oggetto di sgravi o sospensioni*). (Corte dei Conti, 2013).

Table (2): Undisputed tax debt as a share of net revenue collection in the EU

EU country	2005	2006	2007	2008	2009	2010	2011	Movements in ratio 2008 2011
<i>Greece</i>	n.a.	n.a.	n.a.	61.1	72.7	89.5	n.a.	n.a.
<i>Slovak Rep.</i>	43.6	45.7	49.3	48.5	59.5	63.9	67.4	18.9
<i>Cyprus</i>	47.5	40.0	38.6	27.8	35.8	35.8	34.0	6.2
<i>Bulgaria</i>	39.7	21.9	12.8	11.3	15.6	24.3	27.3	16
<i>Malta</i>	n.a.	n.a.	n.a.	n.a.	29.5	30.9	25.2	n.a.
<i>Latvia</i>	13.7	12.1	8.8	14.2	18.3	21.8	22.9	8.7
<i>Portugal</i>	43.9	40.2	36.5	24.3	25.3	22.5	22.2	-2.1
<i>Hungary</i>	14.5	14.3	15.4	18.9	24.0	24.6	21.4	2.5
<i>Poland</i>	8.4	7.7	7.5	10.4	11.4	17.9	18.7	8.3
<i>Luxembourg</i>	n.a.	n.a.	n.a.	19.3	22.1	15.9	14.8	-4.5
<i>Czech Rep.</i>	20.5	19.7	n.a.	16.6	18.8	12.8	14.7	-1.9
<i>Italy</i>	n.a.	n.a.	n.a.	8.9	11.5	13.0	13.2	4.3
<i>Romania</i>	n.a.	n.a.	n.a.	9.1	12.9	n.a.	n.a.	n.a.
<i>Spain</i>	4.6	4.2	4.3	5.9	9.4	10.4	11.7	5.8
<i>Estonia</i>	10.1	7.6	7.9	8.8	13.1	5.2	10.7	1.9
<i>Slovenia</i>	3.7	3.4	3.6	3.8	4.3	5.2	10.7	6.9
<i>Lithuania</i>	6.1	4.5	3.5	3.8	8.8	10.0	9.6	5.8
<i>Belgium</i>	5.6	5.3	5.1	13.1	14.2	10.4	9.2	-3.9
<i>Finland</i>	7.1	7.1	6.6	6.5	8.0	8.0	8.0	1.5
<i>France</i>	7.7	8.6	6.0	6.9	6.9	6.8	6.8	-0.1
<i>United Kingdom</i>	3.6	3.3	5.7	5.5	6.2	6.5	5.7	0.2
<i>Netherlands</i>	4.2	3.0	3.8	n.a.	n.a.	4.0	3.9	n.a.
<i>Ireland</i>	1.8	1.5	1.6	2.4	3.4	4.4	3.8	1.4
<i>Sweden</i>	2.6	3.2	n.a.	2.3	n.a.	2.9	2.8	0.5
<i>Austria</i>	3.4	3.1	2.7	2.6	2.9	2.5	2.5	-0.1
<i>Denmark</i>	0.4	1.3	1.1	2.0	2.0	2.3	1.8	-0.2
<i>Germany</i>	2.0	1.6	1.7	1.6	1.7	2.3	1.8	0.2
<i>Croatia</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes: The table is an adaptation of the one included in the 2013 OECD report on tax administration (OECD, 2013). Croatia is added to the table but no data are available. For Italy, data are estimates based on authors' calculations. Data are ranked in descending order for the year 2011. Latest available figures used for Greece (2010) and Romania (2009). "N.a." means not available. Our estimates of the Italian undisputed tax debt as a share of net revenue collections are in *italics*.

Table (3): Comparison of powers to enforce tax debt collection

Enforced Tax Debt Collection Powers, 2011	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<i>Austria</i>	x	x	x		x		x	x	x	x		x		x
<i>Belgium</i>	x	x	x		x	x	x		x	x		x		x
<i>Bulgaria</i>	x	x	x	x		x	x	x	x			x		
<i>Croatia</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Cyprus</i>	x	x			x		x	x		x	x	x		x
<i>Czech Rep.</i>	x	x	x		x	x	x	x		x				x
<i>Denmark</i>	x	x	x	x	x	x	x	x	x	x		x	x	x
<i>Estonia</i>		x	x		x	x	x	x		x		x	x	x
<i>Finland</i>	x	x	x				x	x		x		x	x	x
<i>France</i>	x	x	x		x		x	x	x	x		x		x
<i>Germany</i>	x	x	x	x	x	x	x	x	x	x		x		x
<i>Greece</i>	x	x	x		x	x	x	x	x	x	x	x	x	x
<i>Hungary</i>	x	x	x		x	x	x	x	x	x	x	x	x	x
<i>Ireland</i>	x	x	x	x	x	x	x	x	x	x		x	x	x
<i>Italy</i>	x	x	x	x	x	x	x	x	x	x		x		x
<i>Latvia</i>	x	x	x		x	x	x	x	x	x			x	x
<i>Lithuania</i>	x	x	x		x		x	x		x		x	x	x
<i>Luxembourg</i>	x	x	x		x			x	x	x		x		x
<i>Malta</i>	x	x	x		x	x	x	x	x	x	x	x		x
<i>Netherlands</i>	x	x	x	x	x		x	x		x		x		x
<i>Poland</i>	x	x	x		x		x	x		x		x	x	x
<i>Portugal</i>	x	x	x		x	x	x	x	x	x	x	x	x	
<i>Romania</i>		x	x		x		x	x		x		x	x	x
<i>Slovak Rep.</i>	x	x	x		x		x	x		x			x	x
<i>Slovenia</i>	x	x	x		x		x	x	x	x				x
<i>Spain</i>	x	x	x		x		x	x	x	x		x		x
<i>Sweden</i>	x	x	x		x		x	x						x
<i>United Kingdom</i>	x	x	x		x		x	x				x		x

Notes: This table shows with an “x” whether an EU country has or not at its disposal a certain power to enforce tax debt recovery. “N.a.” means not available. (OECD, 2013). List of powers: 1) grant further time to pay, 2) make payment arrangements, 3) collect from third parties, 4) restrict overseas travel by debtors, 5) arrange seizure of debtors’ assets, 6) close business / cancel license, 7) offset debits on tax credits, 8) obtain lien over

assets, 9) withhold government payments to debtors, 10) require tax clearance for contracts, 11) deny access to government services, 12) impose tax debts on companies' directors, 13) publish names of debtors, 14) initiate bankruptcy.

Table (4): Comparison of administrative aspects of tax debt collection across selected EU countries

EU Member State	Extensive use of withholding tax	Effective advance payments regime	Extensive tax debt collection powers	Well-staffed debt collection function	Extensive use of e-payments	Above average investments in IT for tax administration	Wide use of technology
<i>Austria</i>	x	x	x	x	x	x	x
<i>Denmark</i>		x	x	x	n.a.	x	x
<i>France</i>			x	x	x		x
<i>Germany</i>	x	x	x	x	x		x
<i>Ireland</i>	x	x	x	x	x		x
<i>Netherlands</i>	x	x			x	x	x
<i>Slovenia</i>	x	x		x	n.a.	n.a.	x
<i>Sweden</i>	x	x		x	x	x	x
<i>UK</i>	x			x	x	x	x
<i>Italy</i>	x	x	x	x	x		?

Notes: This table shows with an “x” whether an EU country is characterised or not by the administrative practices which tend to be associated with good performance in tax debt management. The table is an adaptation of the one on page 227 of the 2013 OECD report on tax administrations. “N.a.” means not available (OECD, 2013).

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