



Tax behaviour rating e-service

Estonia

	<p>Summary</p> <p>The Estonian Tax and Customs Board (ETCB) launched a ‘tax behaviour ratings’ e-service tool to provide feedback and information to companies about their tax behaviour. It helps companies to keep tax matters in order and immediately correct any tax deficiencies, thus preventing them from becoming subject to tax control.</p>
<p>Title of the practice in original language</p>	<p><i>Maksukäitumise hinnangute e-teenus</i></p>
<p>Name(s) of authorities/bodies/organisations involved</p>	<ul style="list-style-type: none"> ▶ The Estonian Tax and Customs Board (ETCB) (<i>Maksu- ja Tolliamet</i>)
<p>Sectors</p>	<p>All</p>
<p>Target groups</p>	<ul style="list-style-type: none"> ▶ Companies (directly targeted)
<p>Purpose of measure</p>	<p>Changing attitudes: commitment to tax morality</p>

	<p>Aims and objectives</p> <p>The aim is to make Estonia the most voluntary tax compliant country in Europe through e-governance by providing companies with feedback and information about their tax behaviour, providing incentives, and building trust between companies and the Tax Authority.</p>
<p>Background context</p>	<ul style="list-style-type: none"> ▶ The tax behaviour ratings e-service tool was introduced at a national level in June 2020 against a background of a high proportion of tax deficiencies among companies. The service is ongoing; ▶ The Tax Authority sought to support business operators across the country by providing feedback to companies prior to submitting their tax returns; ▶ The idea for the e-service tool was motivated by low tax morality, the main reason for undeclared work. The service is based on the analysis of data that business operators voluntarily submit online. This helps companies to keep their

	<p>tax matters in order while providing the Tax Authority with a simple and easy way of carrying out effective checks;</p> <ul style="list-style-type: none"> ▶ The service brings together companies' public data such as business address, national taxes paid, number of employees, tax arrears etc.; ▶ The service introduced a more user-friendly way to pay taxes; ▶ The service provides the opportunity for companies to share their ratings with other companies, sole proprietors, and the public (they can select who can see their information; however, all information is available to the Tax Authority).
<p>Key objectives of the measure</p>	<p>General Objective:</p> <ul style="list-style-type: none"> ▶ To make Estonia the country with the most voluntary tax compliance in Europe and tackle undeclared work across all sectors. <p>Specific Objectives:</p> <ul style="list-style-type: none"> ▶ To support companies to correct tax deficiencies, preventing them from becoming subject to tax control; ▶ To increase the willingness to pay taxes by building trust through providing companies with feedback from the Tax Authority; ▶ To focus on high-risk companies based on the information from the tax behaviour rating tool; ▶ To fight unfair competition through enhancing equal tax competition and the protection of consumers; ▶ To digitalise tax services using automated data processing systems.
<p>Main activities</p>	<ul style="list-style-type: none"> ▶ The company voluntary provides tax information to the tax behaviour rating e-service. Two types of tax compliance ratings exist including tax compliance and tax behaviour adequacy ratings, both using 'traffic light' indicators: <ul style="list-style-type: none"> ▷ Red: Significant deficiencies; ▷ Yellow: Some deficiencies; ▷ Green: fully compliant; ▶ (1) The tax compliance rating concerns tax performance and fulfilment of obligations under the law, for example,



	<p>whether data is submitted on time or whether a company's tax dealings are correct. If there are behaviour deficiencies, the business operator receives suggestions for improvement from the Tax Authority;</p> <ul style="list-style-type: none"> ▷ In this rating the Tax Authority considers corporate debt, tax offences, tax compliance, and declarations submitted (if lawful); ▷ The Tax Authority also compares the wages declared by a company with the average national wages in the same sector. If the wages in the company are significantly lower than the national average wages, it may suggest that employees are in receipt of 'envelope wages' (additional undeclared wages) or that they are underpaid; <p>▶ (2) Tax behaviour adequacy rating reflects potential shortcomings and inconsistencies in data and tax declarations;</p> <ul style="list-style-type: none"> ▷ Here, the Tax Authority considers the correctness of data in the employment register and in tax returns (such as sales, purchases, employment, taxable expenses); ▷ This enables the company to immediately improve their tax behaviour/ratings prior to and after submitting their tax declaration; <p>▶ As of August 2021 companies can disclose their ratings to the public (if they choose to). This increases transparency and allows consumers to see which companies are tax compliant.</p>
<p>Funding/organisational resources</p>	<ul style="list-style-type: none"> ▶ The development costs to set up the tool was EUR 728 845, funded by the European Regional Development Fund (ERDF); ▶ Maintenance costs are estimated at around EUR 40 000 per year; ▶ The Tax Authority outsourced the development of the tool to a digital transformation company. However, around 70 employees from the Tax Authority contributed to the design and content of the e-service and included analysts, testers, risk modellers, lawyers, IT specialists etc.

	<p>Outcomes</p> <p>Receiving a rating helps companies to remedy deficiencies and avoid tax control. The e-service tool has increased the actual number of tax declarations submitted and the number of companies willing to pay their taxes.</p>
<p>Achievement of objectives</p>	<ul style="list-style-type: none"> ▶ Since launching in June 2020, around 50 000 companies have submitted their tax information and checked their ratings; ▶ Out of those companies, 69% received a green rating, 14.4% yellow, and 15.7% red; ▶ Around 7 000 – 10 000 users use the e-service per month; ▶ 65% of the users indicated that they would recommend the e-service to others.
<p>Lessons learnt and success factors</p>	<ul style="list-style-type: none"> ▶ Providing feedback and suggestions to companies concerning their tax performance prior to submitting their tax declarations, ease and facilitate the process of paying taxes; ▶ Supporting companies to correct deficiencies helps to prevent them from being subject to tax control and is a significant way to improve tax reporting.
<p>Transferability</p>	<p>The Tax Authority needs to ensure the systems for data analysis of companies' tax matters are put in place in order to provide feedback and information to them prior to submitting tax returns.</p>

<p>Further information</p>	
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<p>Useful sources and resources</p>	<p><i>What the tax behaviour ratings tell you</i>, Estonian Tax and Customs Board website:</p> <p>https://www.emta.ee/en/business-client/e-services-training-courses/advice/what-tax-behaviour-ratings-tell-you</p>