

**Tax Administration and
Enforcement: A view from the
Tower**
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What Do Tax Policy Makers Need to Know about Tax A&E?

- How A&E interacts with traditional tax policy—the setting of rates and bases.
- How rate and base policy should be formulated in light of the second-best solutions to A&E issues.
- Claim: the optimal setting of all tax instruments—bases, rates, audit rates, penalties, information reports, etc.—should be based on the same principles.

What Do Tax Policy Makers Need to Know about Tax A&E?

- Example #1: How many resources should HMRC receive?
- Example #2: How does PAYE constrain the income tax system?

What Does HMRC Need to Know about Tax A&E?

- The magnitude, nature, and determinants of tax compliance.
- The magnitude, nature, and determinants of administrative and compliance costs.
- What should HMRC do with this information?

What Does HMRC Need to Know about Tax A&E?

- Claim: This empirical information should flesh out an explicit normative “theory of tax remittances.”
- Example #1: Should cross-country profit shifting be treated differently than “domestic” tax avoidance/evasion?
- Example #2: Firms do not “bear” tax burden, but they “remit” most tax.

How Can HMRC Learn the Answers to these Questions?

- Initiate and evaluate pilot programs.
- Conduct small-scale versions of random audit studies such as the U.S. National Research Program.

How Can HMRC Learn the Answers to these Questions?

- Systematically assimilate and evaluate program results in the context of an overall normative framework.
- Engage non-HMRC researchers in the analysis agenda, with appropriate confidentiality protection.

What Does the Future Hold?

- Continued advances in information technology that will, in some areas, facilitate avoidance and evasion.
- Will the tax authority be allowed to keep pace?

What Does the Future Hold?

- Continued globalization that will put pressures on cross-country tax differences.
- Will international information sharing keep pace?