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G20 public trust in tax

Surveying public trust in G20 tax systems

January 2019

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This report projects the voices of more than 8,400 people across the G20 countries, delving into who they trust and the issues they care most about in relation to the tax system. The G20 countries account for around two-thirds of the world's population, 85% of the Gross World Product, and 75% of world trade. This is the first update following the inaugural *Public Trust in Tax* study in 2017.

Citizens across G20 countries are concerned about transparency, complexity and inequity in tax systems. However, they are also aware of the international tax landscape and understand the need for trade-offs in tax policy. In tackling these issues, people say they trust and want to hear more from experts and professionals, but have grown skeptical of politicians and the media. This update delves more deeply into people's views on tax authorities, and their concerns in relation to tax systems.

At the London launch of the inaugural *G20 Public Trust in Tax* report, then Permanent Secretary of Her Majesty's Revenue & Customs Service Edward Troup said tax policy is all about national preferences operating in an international context - everyone has a responsibility to build and maintain trust in the tax system.

People have an expectation that governments will work together for greater international coherence in tax systems, but are also wise to the reality of national priorities such as attracting multinational business and tax policy as a national economic lever.

In achieving the balancing act needed, we call on all those involved whether in designing, administering, or advising on tax systems, to pay heed to how citizens view the issues, and to work together on building public trust and inspiring their confidence.

Helen Brand OBE
Chief Executive, ACCA

Rick Ellis
Chief Executive, CA ANZ

Kevin Dancey
Chief Executive, IFAC

Key Findings

People trust professionals, experts on tax, but are divided on the tax authorities and remain skeptical of politicians and media...

- People continue to have the **highest level of trust in professional tax accountants** (55% trust/highly trust), Professional tax lawyers (50%), and non-government organizations (37%) when it comes to the tax system.
- People are **divided in their trust in government tax authorities**, with 37% saying they trust or highly trust the tax authorities (third most trusted group) while 34% said they distrust or highly distrust them (third most distrusted group).
- **Politicians' trust deficit has improved since the 2017 survey, but remains** (58% distrust / highly distrust), along with distrust in the media (37%).
- Most people believe the **role of professional accountants contributes to better tax systems** by making them more efficient (57%), more effective (56%), and more fair (51%).
- 49% of the population across G20 countries are satisfied with the ease and efficiency of their dealings with tax authorities, while only 42% see the process as generally fair.

People are concerned about transparency, complexity, and inequality in tax systems...

- **Transparency is a top issue for G20 citizens when considering tax systems.** Across the G20, respondents desired more clarity on how and from whom their governments are collecting taxes, and how their tax money is spent. Corruption in the tax system is a top concern in multiple countries.
- **Complexity of the tax system is also a major issue** for people in many G20 countries, who face uncertainty, opacity, and increasing costs in dealing with their taxes.
- **People across the G20 countries are also concerned about inequality**, with many perceiving high income earners and multinationals to be better off in tax terms than average or low income earners.

People understand that tax is an international issue and requires policy trade-offs...

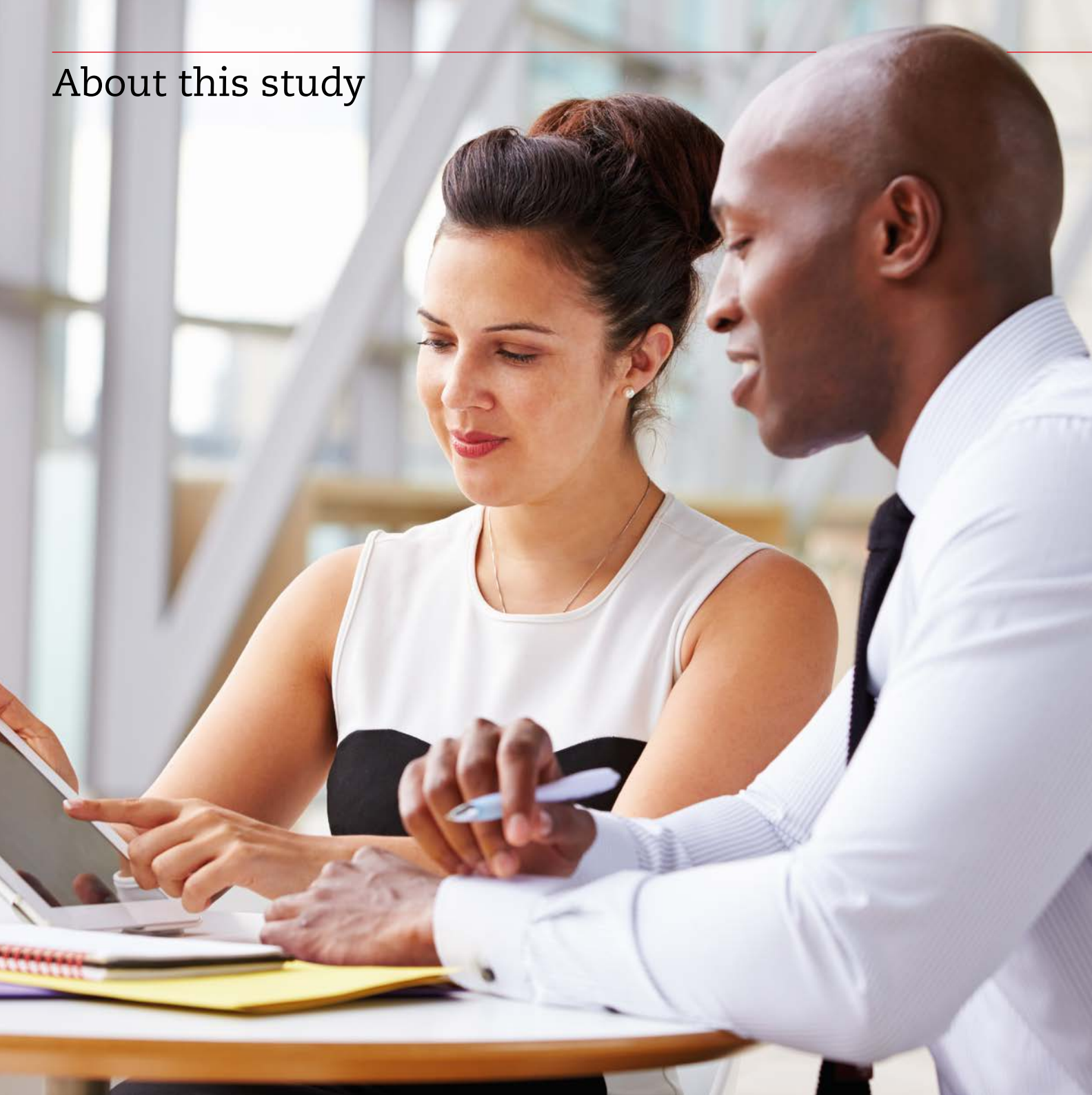
- **Most people are supportive of cooperation on international tax policy** to create a more coherent international tax system (69%).
- **69% of people in G20 countries see paying taxes as mainly a matter of laws and regulations as opposed to morals and fairness.**
- **People mostly see tax competition to attract multinational business as important** (62%), but they are **less supportive of competition simply for the sake of increasing national tax revenue** (52%).
- People are **divided on whether multinationals should have to publicly disclose their taxes on a country by country basis** – 56% believe the information should only be confidentially provided to tax authorities or not provided at all, while 44% support public disclosure.
- A strong **majority support tax incentives** for retirement saving and green energy projects (around 70%), and half are supportive of incentives to attract multinationals.



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About this study



This study is based on an online survey fielded in 2018 of more than 8,400 individuals across G20 countries and New Zealand, representing the population in each country with a confidence level of 95% and confidence interval of 5%. The sample in each country is balanced by demographics based on census data including age (targeting individuals of taxpaying age), gender, ethnicity, household income levels, and geographic location within the country.

Respondents include more than 400 individuals residing in each of the following countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, New Zealand, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, and the United States of America.

8,400

individuals across G20 countries and New Zealand surveyed in 2018, representing the population in each country with a confidence level of 95% and confidence interval of 5%

Figure 1: Respondents' level of education

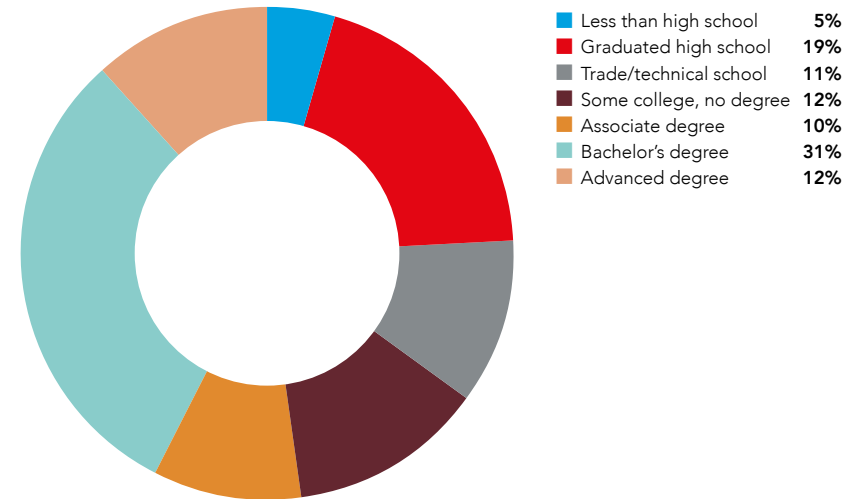
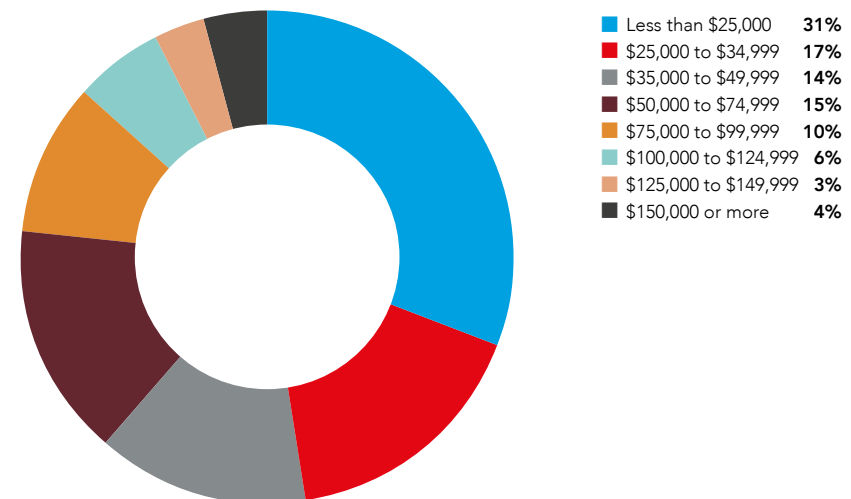


Figure 2: Respondents' household income



Public trust is vital to the effectiveness and sustainability of any tax system – this section focuses on public trust/distrust in the custodians of tax systems, professionals, business, and other key voices on tax policy.

- People continue have the **highest level of trust in professional tax accountants** (55% trust/highly trust), professional tax lawyers (50%), and non-government organizations (37%) in relation to the tax system.
- People were **divided on their trust in government tax authorities**, with 37% saying they trust or highly trust the tax authorities (third most trusted group) while 34% said they distrust or highly distrust them (third most distrusted group).
- **Politicians' trust deficit has improved but remains** (58% distrust / highly distrust), along with distrust in the media (37%).

58%

of respondents in G20 countries distrust or highly distrust politicians in relation to the tax system

Figure 3: Public trust in tax

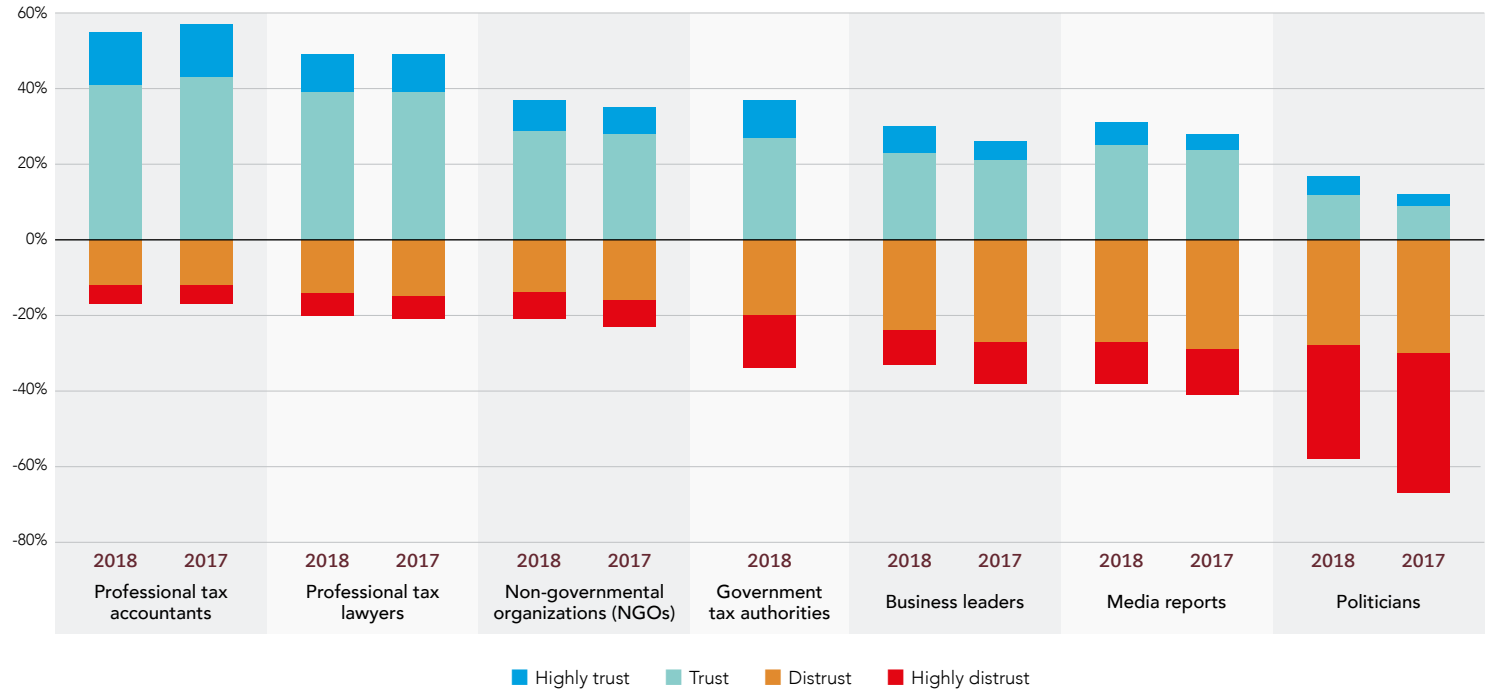


Chart shows perceived trust and distrust in these groups when it comes to the tax system.

“To improve trust, I wish more information could be provided to consumers about taxation and why and how each amount is reflected in simple terms.”

Respondent in South Africa

Trust and distrust in politicians

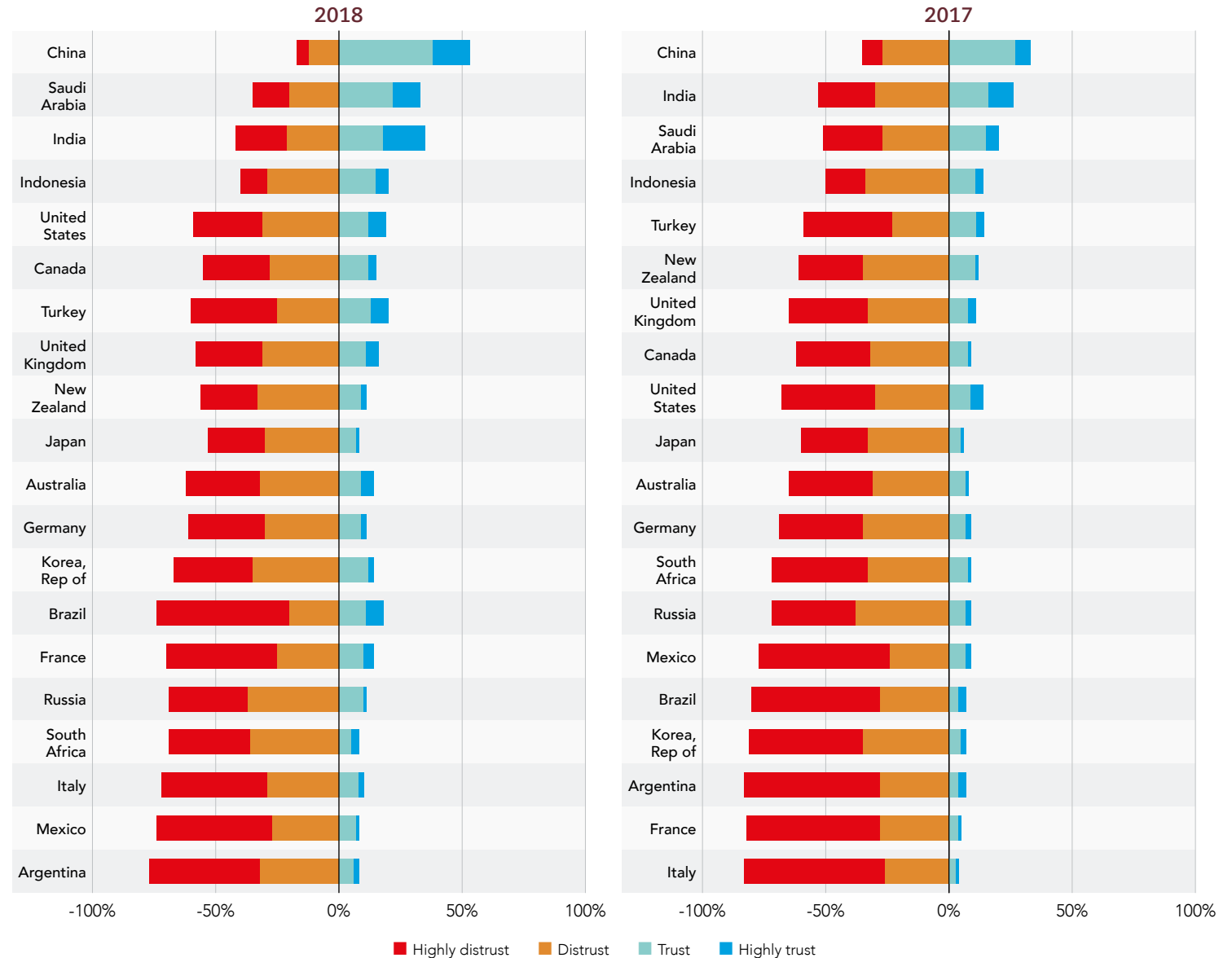
Politicians are central to the tax debate and in government are the key decision makers on tax policy. Despite a modest recovery in some countries in 2018, trust in politicians has remained at critically low levels throughout the G20 countries.

- Trust in politicians on tax has improved in the United States, moving from 9th to 5th place across G20 countries (ranking based on net trust/distrust);
- Trust in politicians also improved in Korea, (17th to 13th).
- Trust in politicians on tax has deteriorated in South Africa (13th to 17th), and Argentina (18th to 20th).

“Whatever taxpayers do, it will not do any good if the government does not also act with transparency and responsibility.”

Respondent in Brazil

Figure 4: Trust and distrust in politicians



Charts show perceived trust and distrust in politicians in these countries when it comes to the tax system.

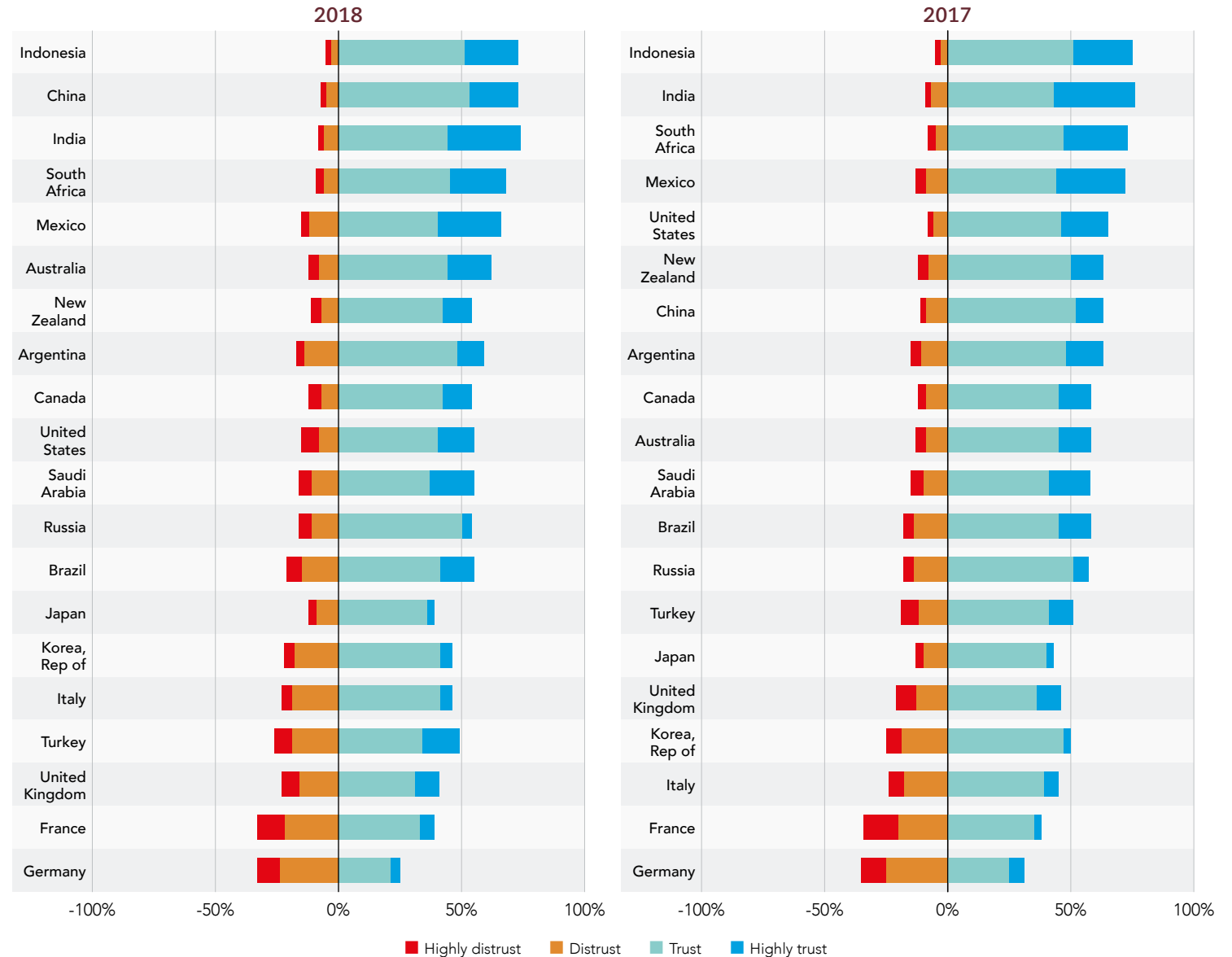
Trust and distrust in professional accountants

Professional accountants play vital roles across tax systems in aiding taxpayers as well as advising on tax policy.

People across the G20 have continued to demonstrate a high level of trust in the expert voice brought by professional accountants on tax policy.

- Trust in professional accountants on tax has improved in China, moving from 7th to 2nd place across G20 countries (ranking based on net trust/distrust).
- Trust in professional accountants has also improved in Australia (10th to 6th).
- Trust in professional accountants on tax remains lowest in Germany across G20 countries.

Figure 5: Trust and distrust in professional accountants



Charts show perceived trust and distrust in professional accountants in these countries when it comes to the tax system.

The role of professional accountants

- People’s views on the contribution of professional accountants to tax systems also remained positive – on the whole people believe that their role fosters fairer, more effective and efficient systems.

57%

of respondents in G20 countries believe the role of professional accountants makes tax systems more efficient

“Taxes should be certified by professional tax experts who can be trusted and reported transparently.”

Respondent in Indonesia

Figure 6: The role of professional accountants

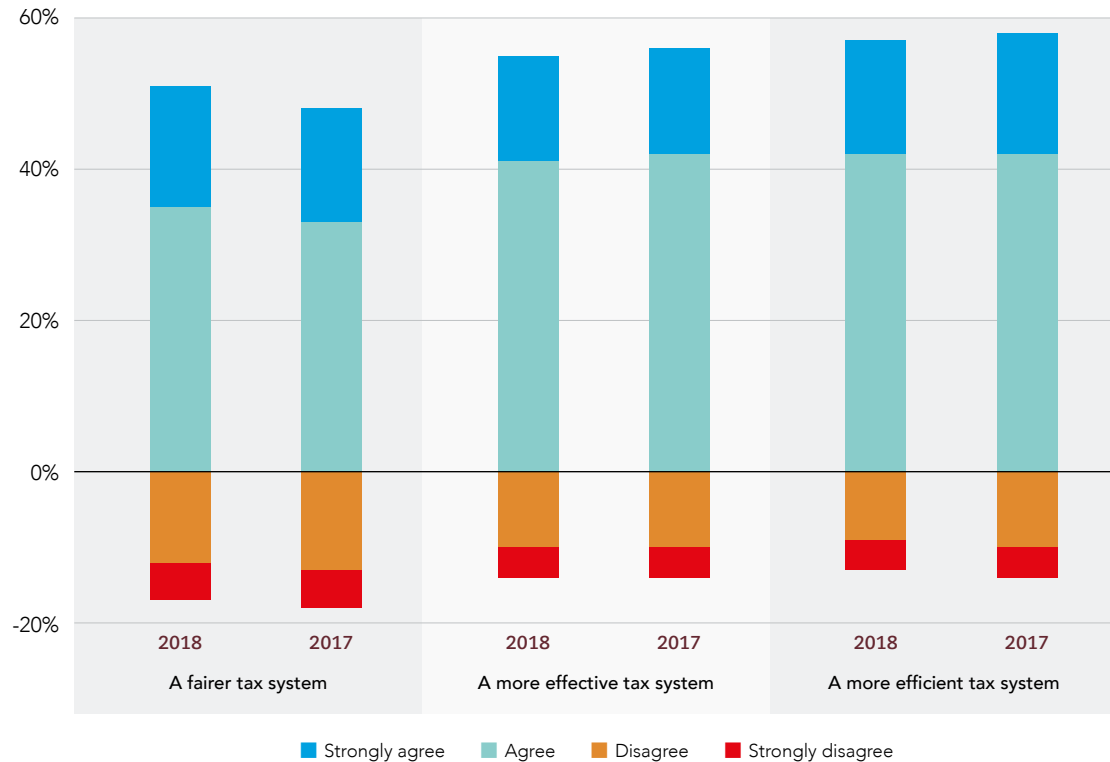


Chart shows level of agreement/disagreement that professional accountants contribute to a fairer, more effective, and more efficient tax system.

Trust and distrust in tax authorities

Tax authorities represent the main point of interaction between the tax system and citizens. Across the G20, people's views on the tax authorities are more divided than on any of the other key players in the tax system (first time surveyed in 2018).

- The tax authorities in China, India, and Indonesia are the most trusted, while people in Argentina, Brazil and Mexico have a comparatively high level of distrust in their tax authorities.
- In most of the G7 economies, people's views are polarized, with significant segments of the population trusting, and distrusting the tax authorities.

Figure 7: Trust and distrust in tax authorities

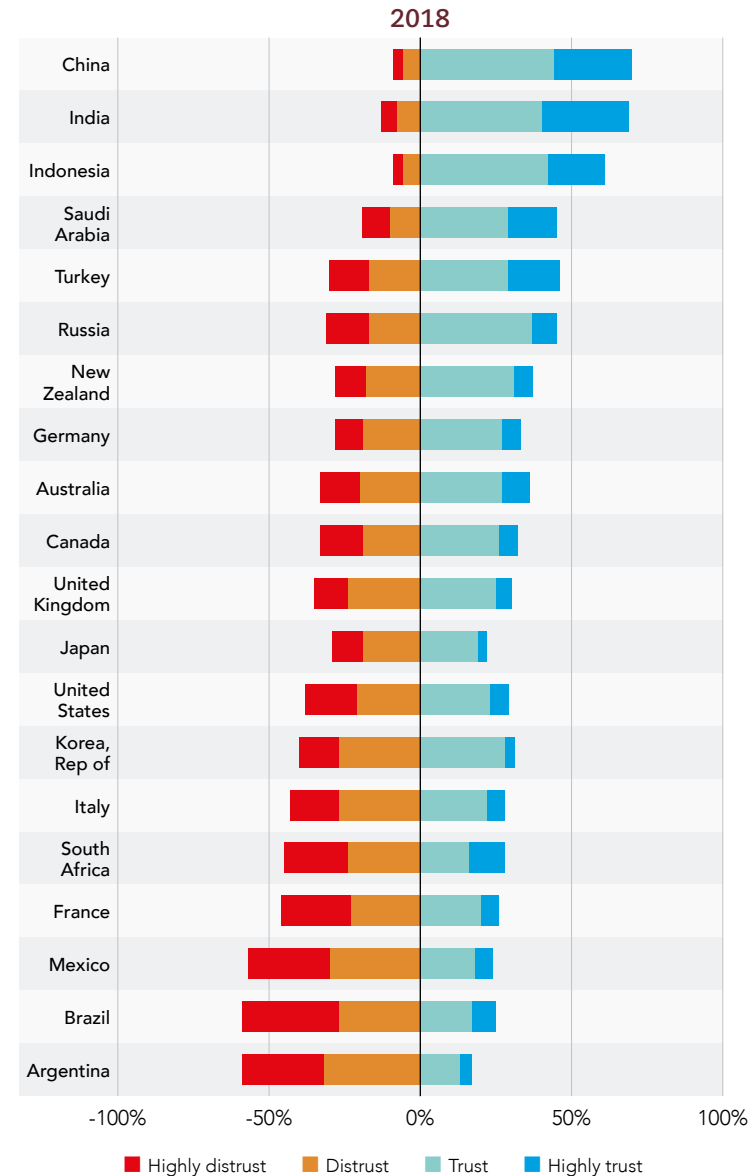


Chart shows perceived trust and distrust in government tax authorities in these countries when it comes to the tax system.

Overall, the public in the G7 countries appear to have the most polarized views on the trustworthiness of the tax authorities.

- In G7 countries, those with higher household incomes appear to have a greater level of trust in the tax authorities than those on lower incomes.
- Inequality in the tax system is a chief concern for tax payers across almost all the G20 countries. This includes perceptions that more wealthy tax payers are better off than low or average income earners (refer also to ‘People’s concerns about tax systems’ below).

Figure 8: Net trust / distrust in tax authorities by income level in G7 countries

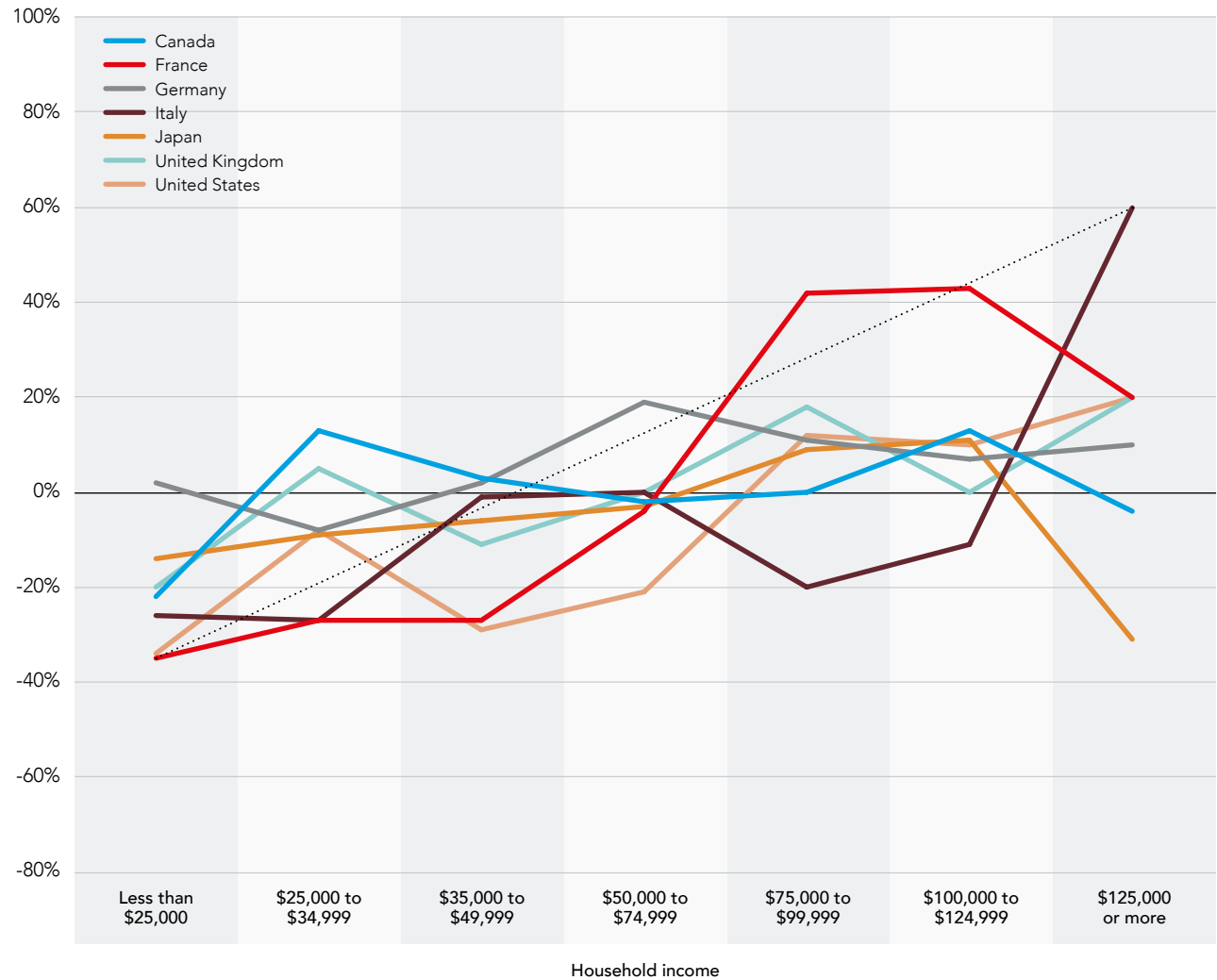


Chart shows perceived trust and distrust in government tax authorities across different bands of household income.

“Countries need to make taxes a more simple process – people don’t want to feel like every time they talk to the tax office that they’re going to get audited.”

Respondent in Australia

People’s experiences dealing with tax authorities and managing their tax affairs

- More people report a positive than negative experience in dealing with the tax authorities when managing their tax filings, payments, and general tax affairs but there is variability across jurisdictions.
- People are less positive in their perceptions of the overall fairness of the process of interacting with the tax authorities, and the reasonableness of how payment demands are dealt with.

Figure 9: Overall views on dealing with the tax authorities in G20 countries

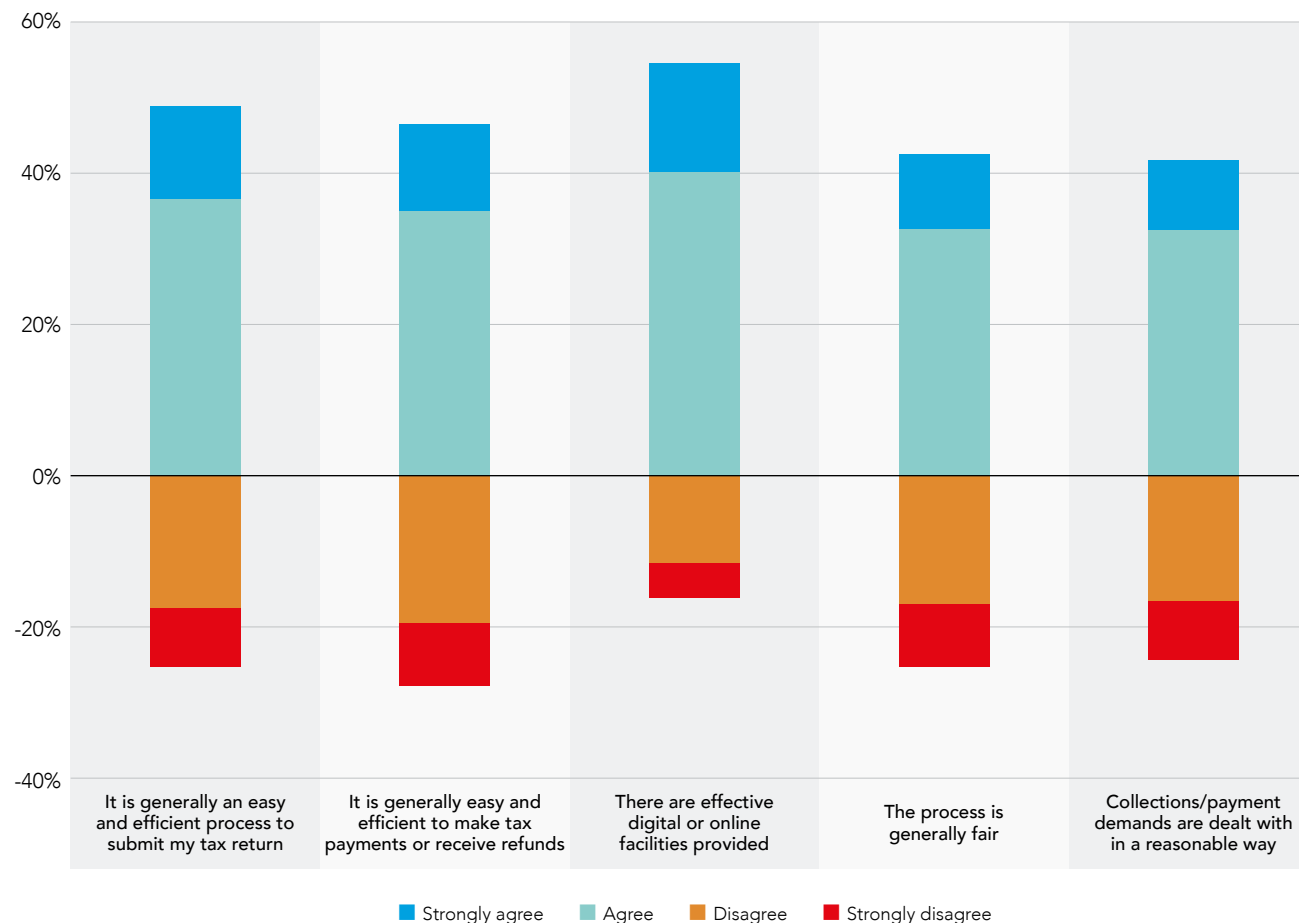


Chart shows level of agreement/disagreement with these statements regarding dealing with government tax authorities.

“More simple guidance as well as clear disclosure of how taxes are being spent toward infrastructure, health, education and so on would surely improve people’s confidence and in turn the taxes collected.”

Respondent in India

Figure 10: Views on the ease and efficiency of filing taxes

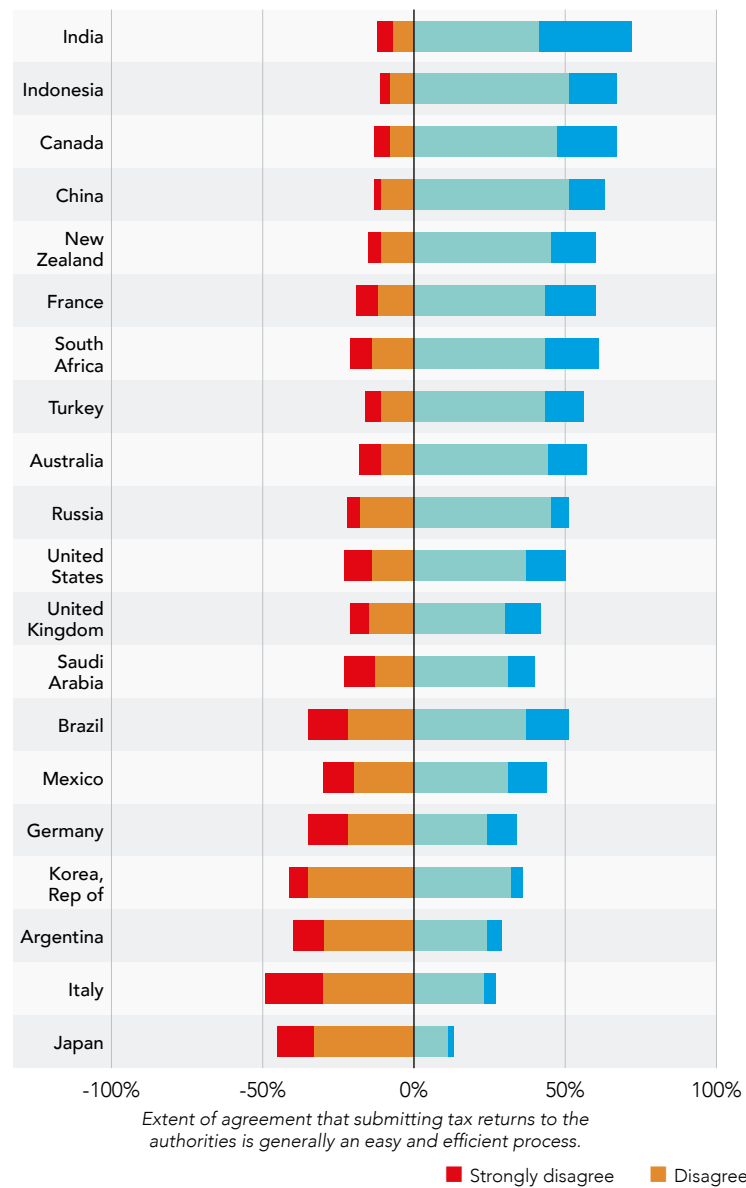
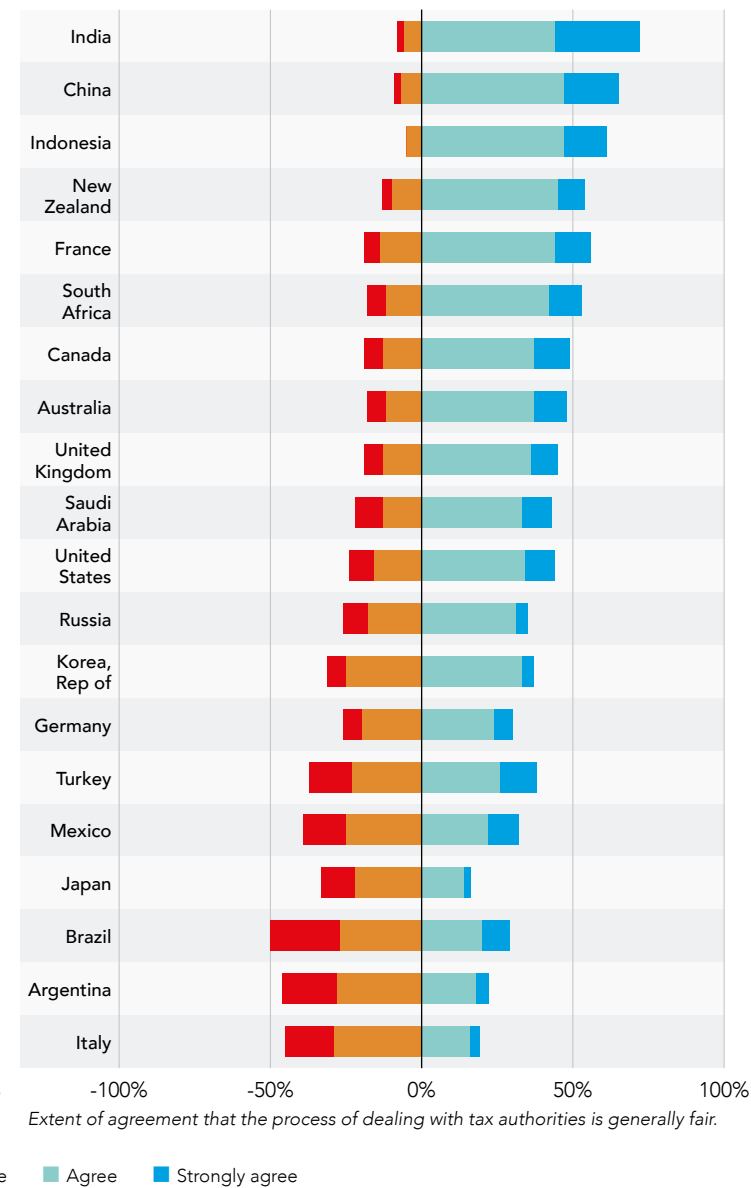


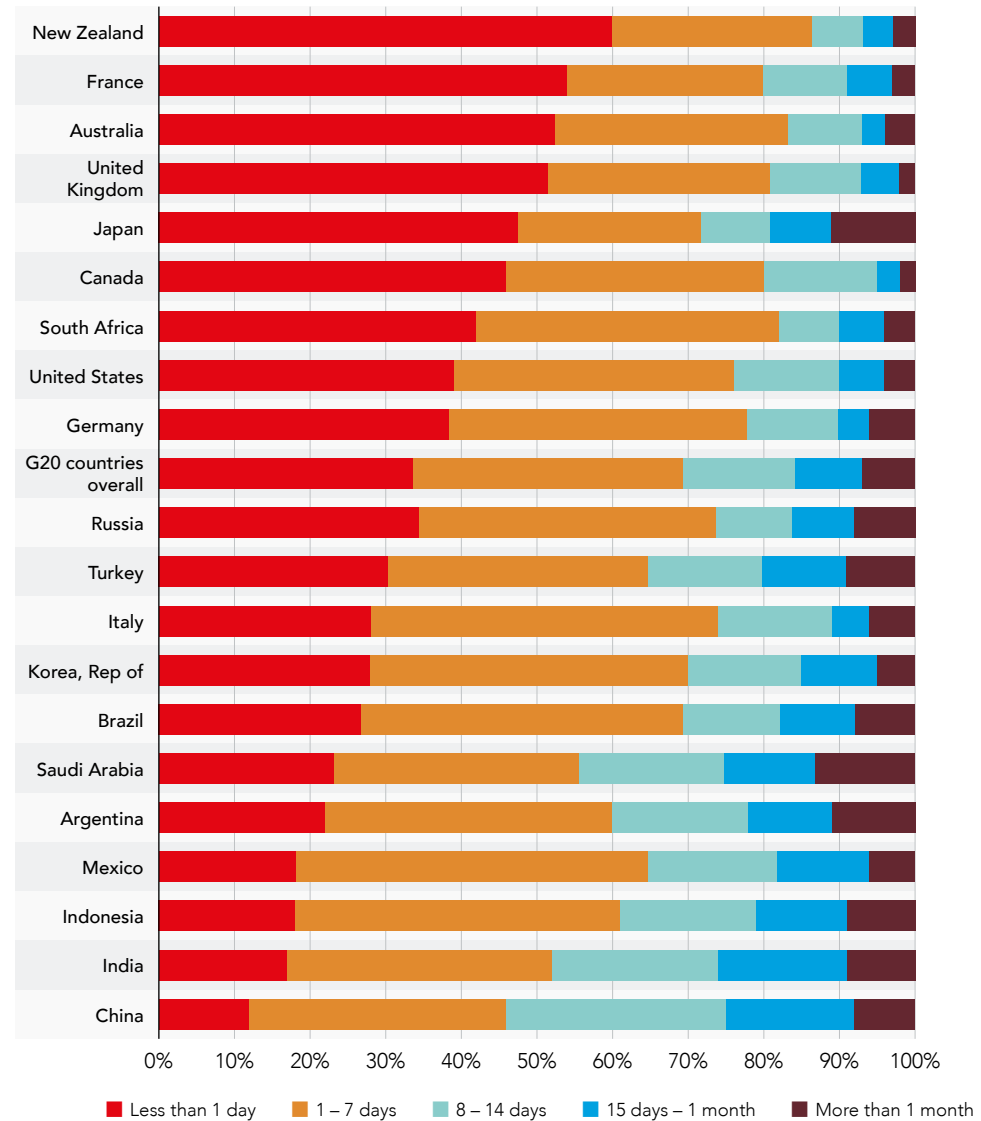
Figure 11: Views on the overall fairness of the process of interacting with tax authorities



The time people spend on managing their tax affairs each year is an economically relevant but often unreported cost entailed by tax systems.

- New Zealand, France, Australia and the UK appear to have achieved the most time efficient tax systems from the perspective of taxpayers, with most spending less than one day each year on their tax affairs.
- Taxpayers in China, India, Indonesia, and Mexico, taxpayers are spending the most time on their tax affairs each year, a substantial proportion of respondents devoting more than seven days.

Figure 12: Time people spend on managing their tax affairs each year



“The problem is the bureaucracy that slows all tax matters, often resulting in exceeding deadlines and resulting in fines for taxpayers.”

Respondent in Italy

Professional tax accountants and online tax systems are the services most widely used by taxpayers across the G20 countries.

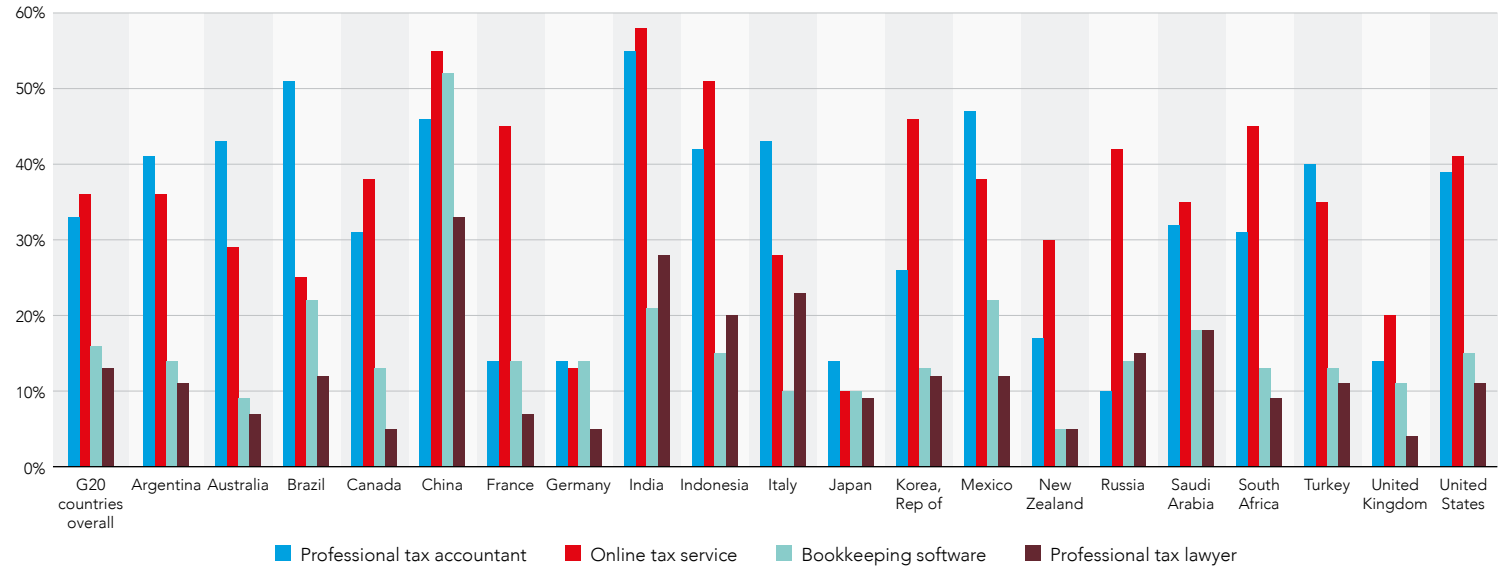
“There are so many options for tax returns these days – from online, to professional tax accountants and pop up shops, there really is no excuse not to get your taxes in on time!”

Respondent in Canada

“For the last few years, online tax return filing has simplified the process, but the taxation rules themselves should be made simpler.”

Respondent in India

Figure 13: Services people are using to manage their tax affairs



Concerns about tax systems: transparency, complexity, and inequality

Narrative survey responses indicate that the top concerns about G20 tax systems include:

Transparency

People want clarity on how and from whom their governments are collecting taxes, how their tax money is being spent, and in some countries they are particularly concerned about corruption.

- Citizens are looking for more clarity on the comparative contribution of different taxpayer classes to national tax revenues, particularly that of multinational companies.
- They also want more clear and simple information about how the government is allocating their taxes across different spending priorities.
- Compared with those in other countries, respondents in Argentina, Brazil, and South Africa more frequently raised concerns about corruption in the tax system including impacts on tax policy and how the system is administered.

Complexity

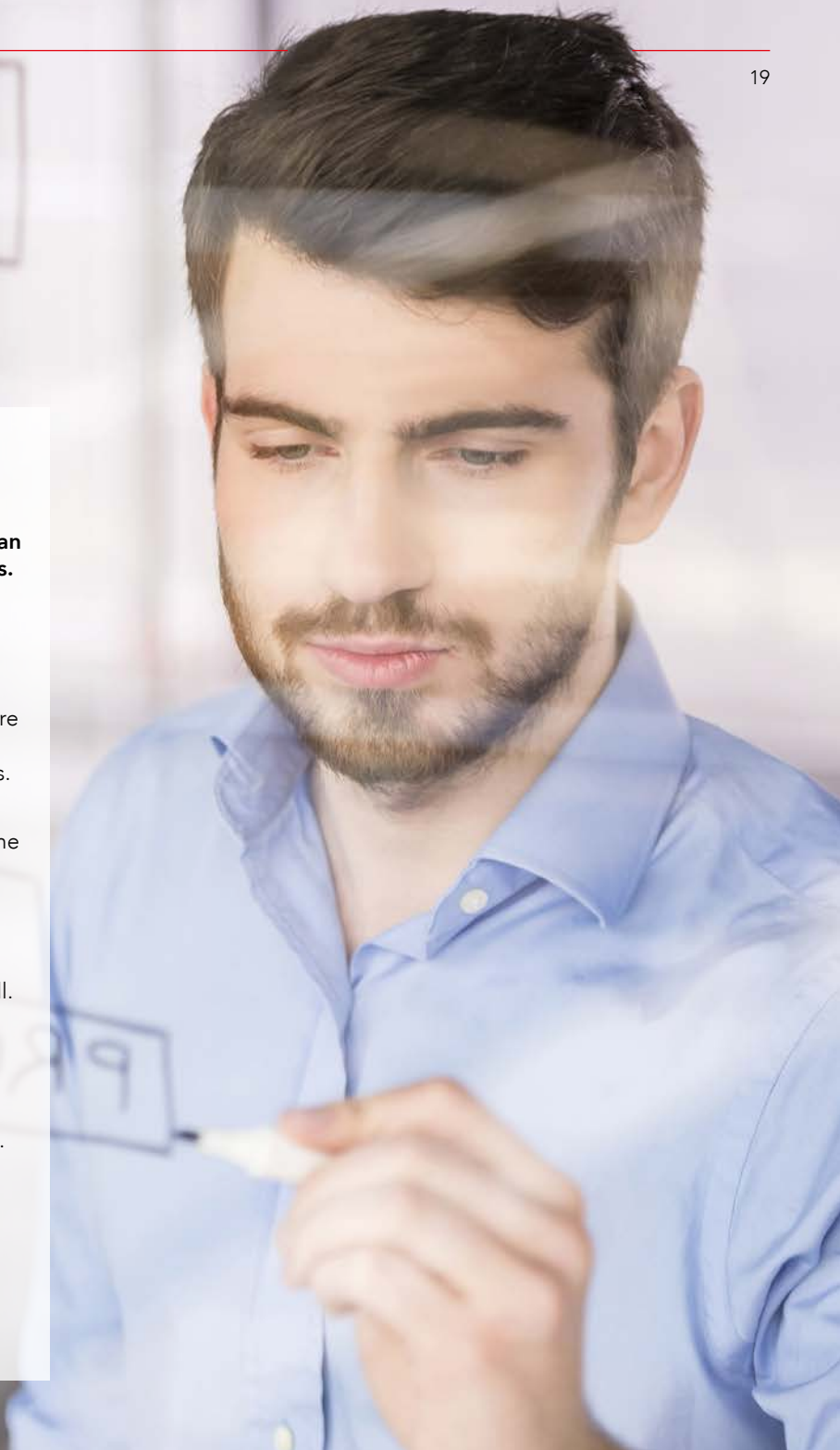
People face uncertainty, opacity, and increasing costs in dealing with the tax system.

- People across the G20 countries frequently raised the overall complexity of the tax system as having a major impact on their trust and the ease of managing their tax affairs.
- In connection with the perception of inequality, people also perceive that more wealthy individuals and companies are better equipped with the resources to deal with the complexity of the tax system, and those without these resources end up being burdened disproportionately.
- In some countries, such as India and Saudi Arabia, respondents are uncertain about how they will be affected by and deal with recent tax reforms.

Inequality

People perceive high income earners and multinationals as better off in the tax system than average or low income earners.

- A large proportion of citizens in most of the G20 countries have the impression that allowances and various incentives in the tax system are skewed toward wealthy individuals and multinationals.
- The nature and extent of concern about inequality in the tax system varies throughout G20 countries.
- In Russia: many respondents raised the need for a more progressive tax system overall.
- In France: a perception that the Value Added Tax is disproportionately burdens lower and average income citizens was frequently raised.
- In Australia, Canada, New Zealand, and the UK: many respondents raised concern about multinational tax minimization practices (see also 'Views on tax minimization' below).



Views on who is paying enough tax

Across the G20 countries overall, people believe local companies are making the most reasonable contribution to national tax revenues, with views diverging on the amount paid by individuals of different income brackets and by multinational companies.

- A clear pattern exists in Australia, Canada, Italy, New Zealand, the UK and US where low to average income earners and local companies are seen as paying enough tax, while many believe high income earners and multinationals should be paying more.
- In contrast, people believe local/multinational companies and high income earners are making a more reasonable contribution than low to average earning individuals across Argentina, China, Indonesia, Korea, Mexico, Saudi Arabia, South Africa, and Turkey.

Figure 14: Which taxpayer groups are paying enough tax?

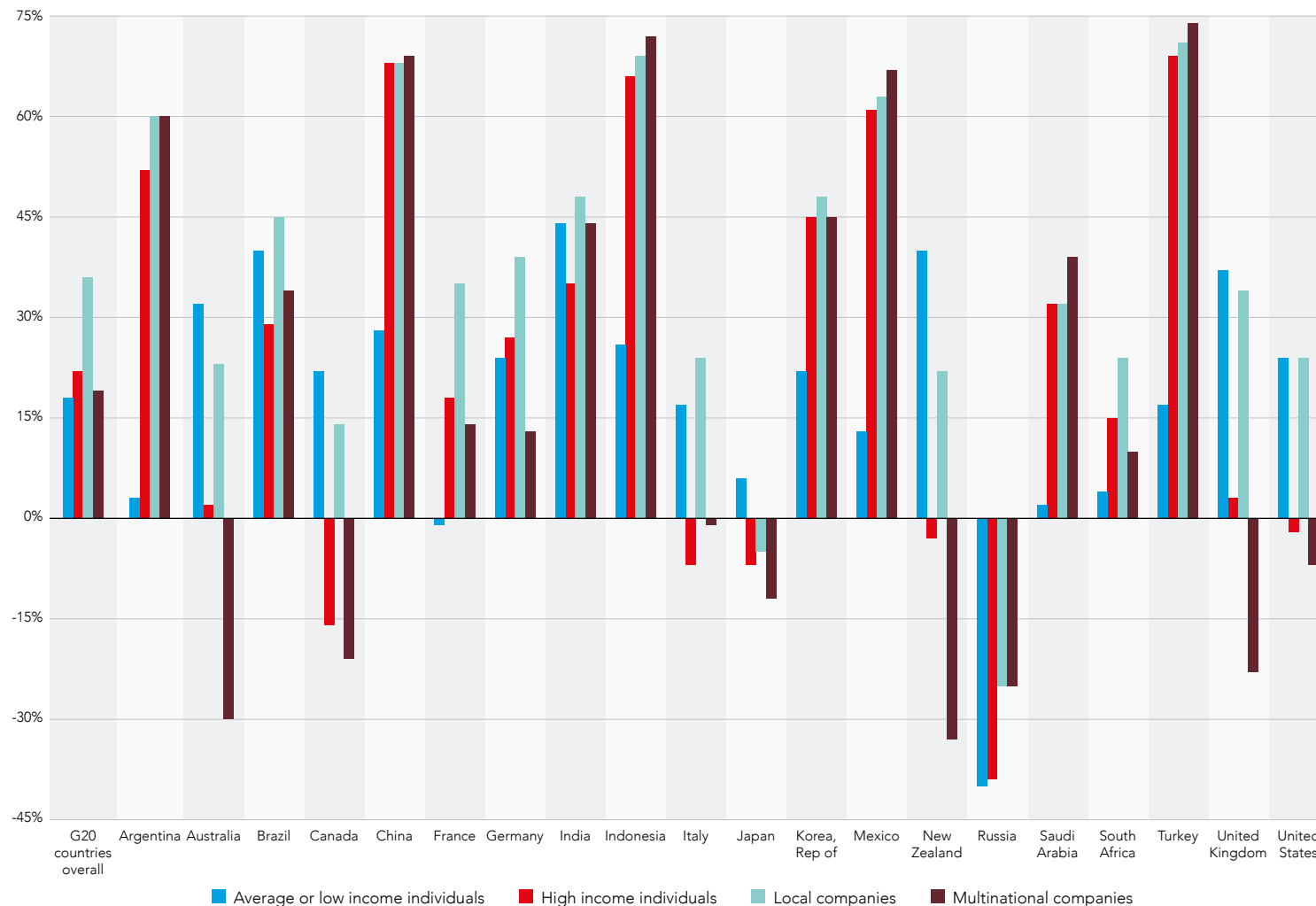


Chart shows net percentage agreeing/strongly agreeing minus disagreeing/strongly disagreeing that these taxpayer groups are paying enough tax in respondents' countries.

Views on tax minimization strategies

People across the G20 countries on average believe it is most appropriate for local companies to arrange their affairs in order to minimize taxes, and least appropriate for average to low income earners to do so.

- This is in contrast to Australia, Canada, Germany, Japan, New Zealand, UK and US, where tax minimization is seen as more appropriate for low or average income earners and local companies, than for high income earners and multinationals. This reflects a similar pattern to that of views in those countries on who's paying enough tax (see also 'Views on who is paying enough tax' above).

Figure 15: How appropriate is it for different taxpayer groups to arrange their affairs in order to minimize taxes?

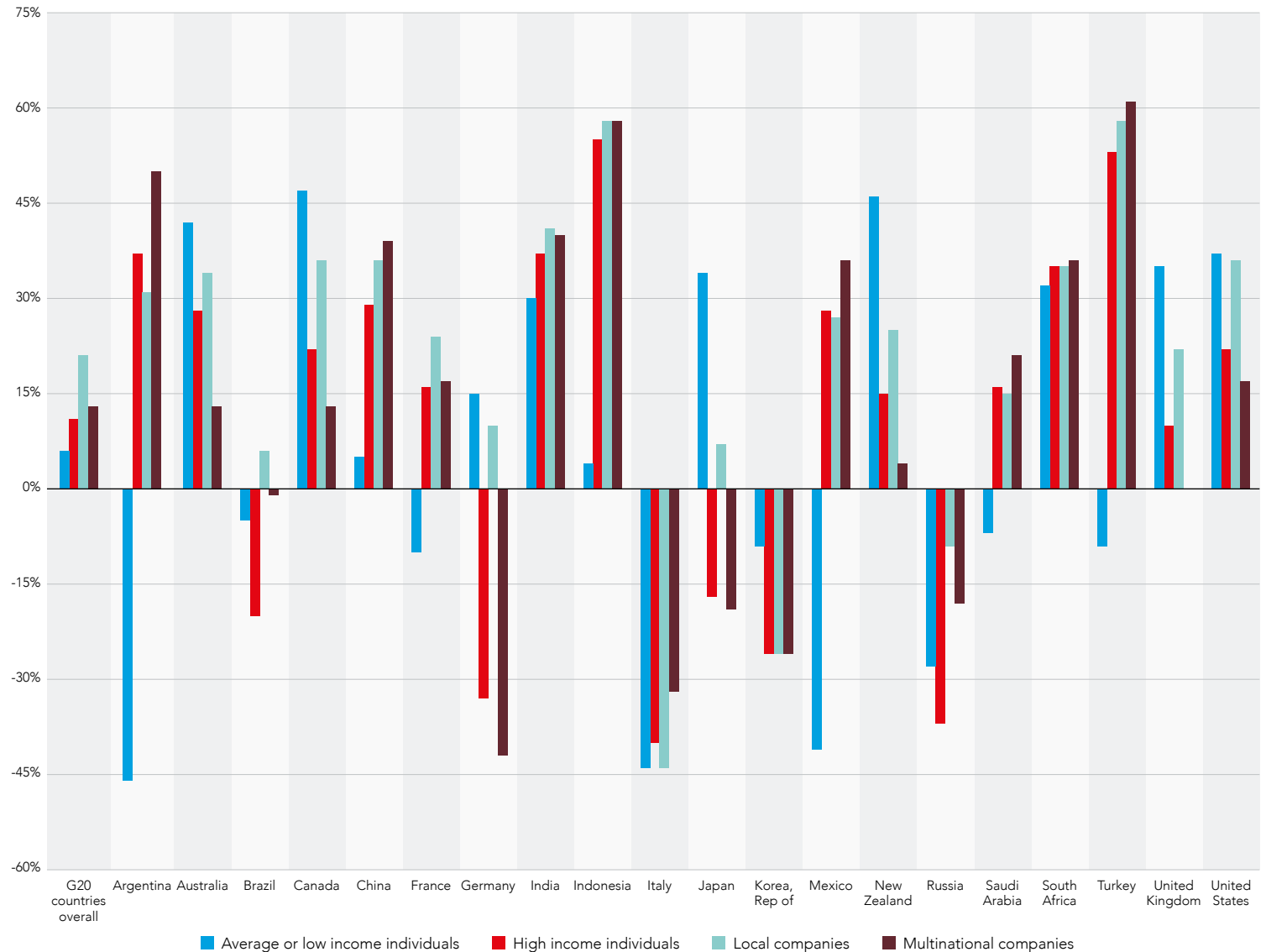


Chart shows net percentage appropriate/very appropriate minus inappropriate/very inappropriate for these taxpayer groups to arrange their affairs in order to minimize taxes.

Views on the international tax context and policy trade-offs

“I would happily pay more tax if it meant improvements in infrastructure and welfare. I think taxation is a backbone of any society.”

Respondent in Australia

“Having so many different tax systems in countries that are in the same region is creating unfair competition.”

Respondent in Italy

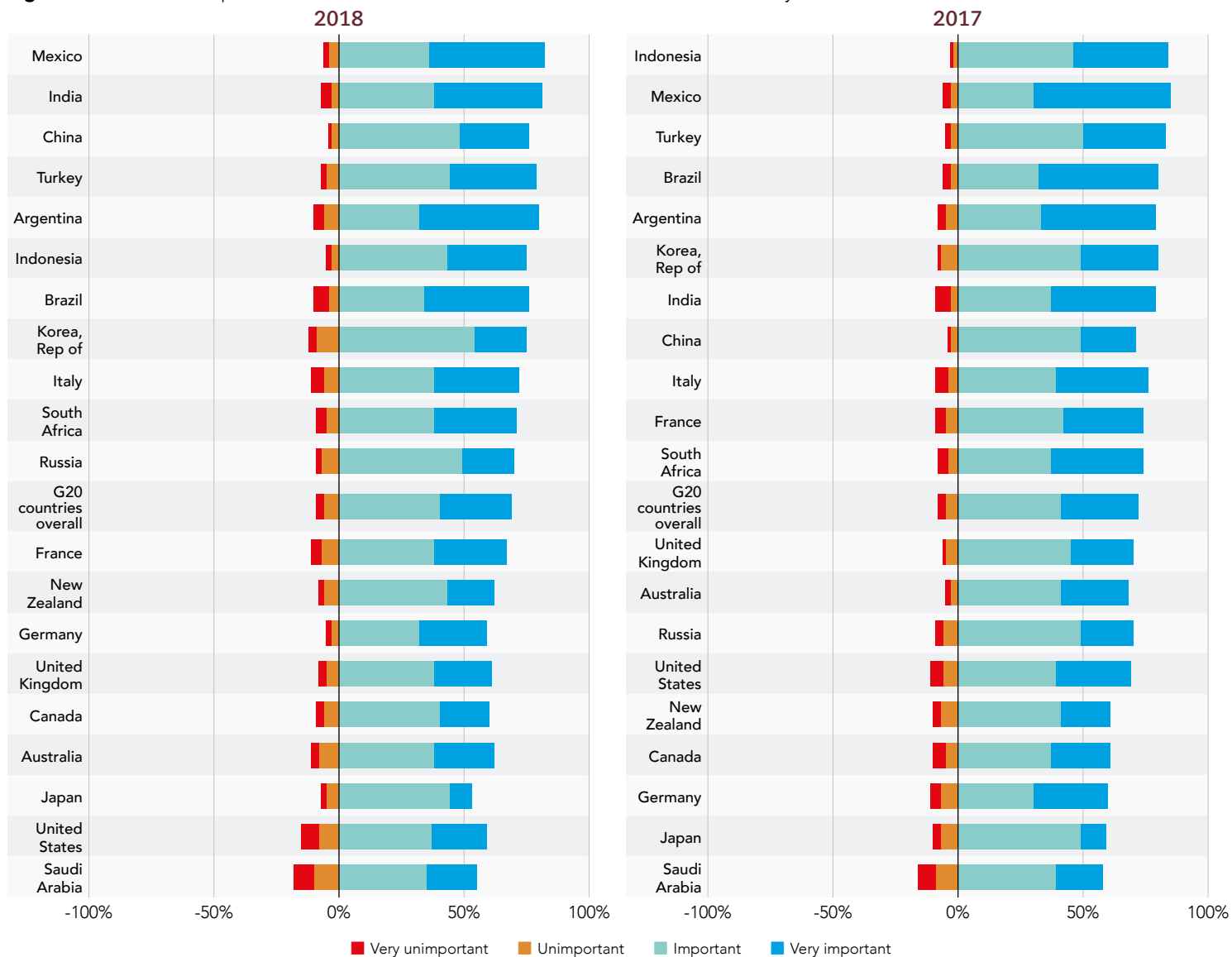
While tax policy debates most often take place at a national level, the preferences expressed and decisions made are done so within an increasingly dominant global economic context and have far reaching impacts:

- **Most people are supportive of cooperation** on international tax policy to create a more coherent international tax system (69%).
- **69% of people in G20 countries see paying taxes as mainly a matter of laws and regulations**, and people are more than twice as likely to see paying taxes as more about laws and regulations, than morals and fairness.
- **People mostly see tax competition to attract multinational business as important** (62%), but they are **less supportive of competition simply for the sake of increasing national tax revenue** (52%).
- **People are divided on whether multinationals should have to publicly disclose their taxes on a country by country basis** – 56% believe the information should only be confidentially provided to tax authorities or not provided at all, while 44% support public disclosure.
- A strong **majority of people support tax incentives** for retirement saving and green energy projects (around 70%), and **half are supportive of incentives to attract multinationals**.

Views on tax policy cooperation

Cooperation among countries on tax policy has been recognized by policy makers as a vital step in modernizing tax systems to deal with the reality of an increasingly globalized and digitalized 21st century economy. **Most people in G20 countries are supportive of cooperation on international tax policy** to create a more coherent international tax system (69%).

Figure 16: Perceived importance of collaboration for a more coherent international tax system



“Cooperation is determined by the dynamic between power and trust.”
Respondent in India

Charts show respondents' perceived importance of inter-governmental cooperation on tax policy to create a more coherent international tax system.

Views on paying tax as a legal or moral issue

Public debate has increasingly focused on the morals and fairness of how much tax individuals or companies pay, even if they have met all of the applicable tax laws and regulations. More people in G20 countries consistently see paying taxes as mainly about laws and regulations, highlighting the importance of governments setting clear expectations for how much tax is paid and by whom, and earning the public's trust in the tax system.

Figure 17: Is tax mainly about laws and regulation, or morals and fairness?

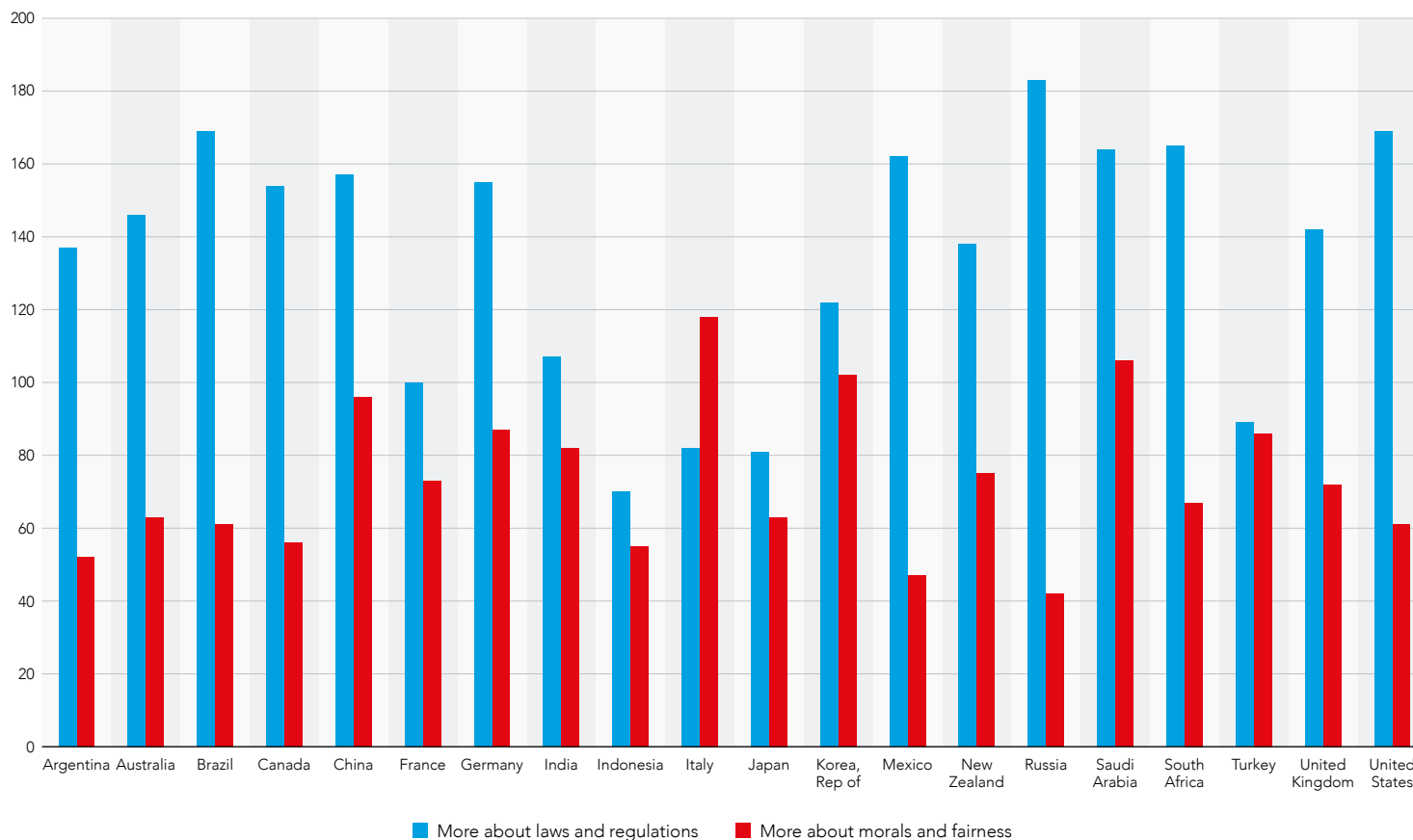


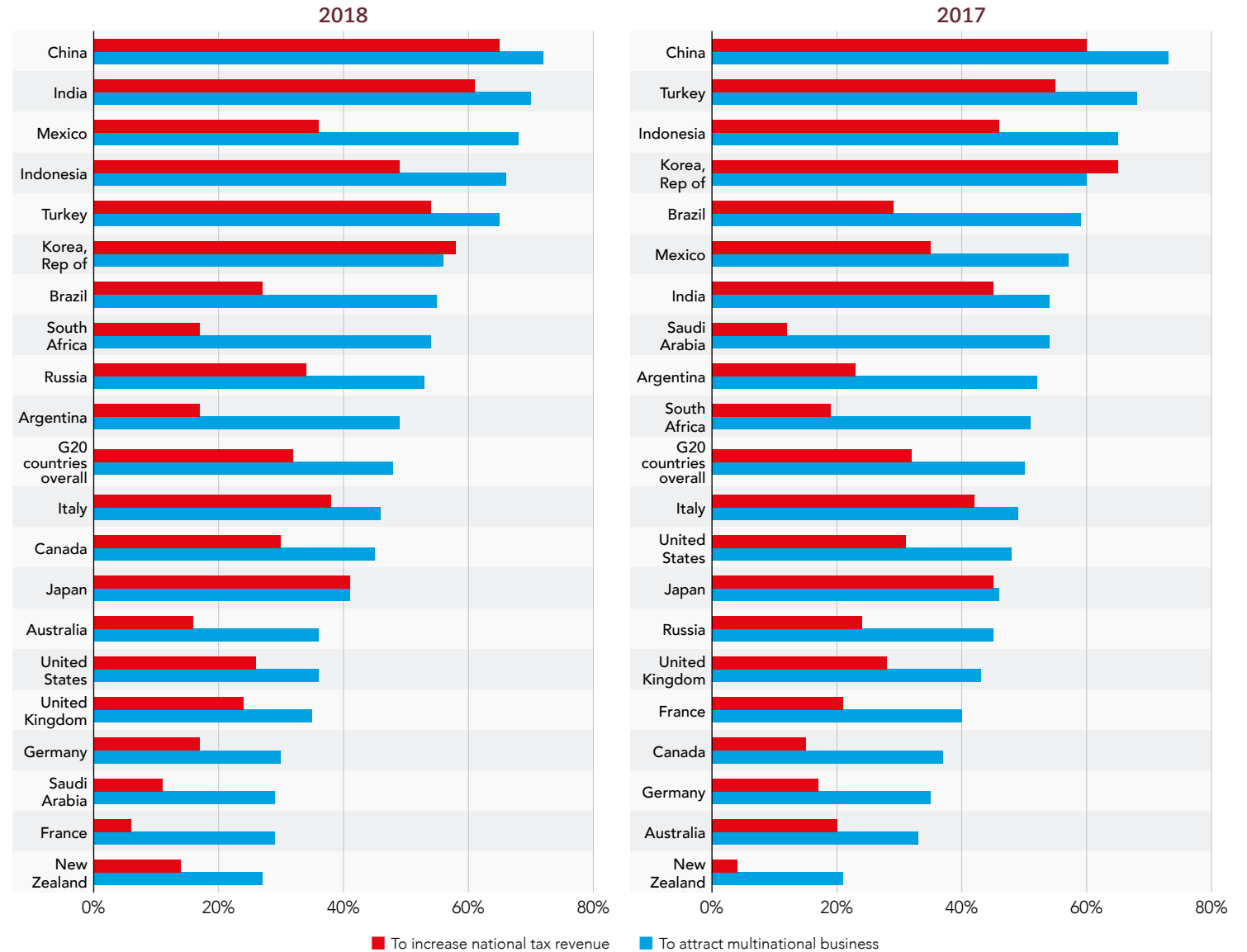
Chart shows number of respondents who indicated they believe paying tax is more a matter of either laws and regulations, or morals and fairness, in these countries.

Views on tax policy competition

Competition on tax policy among countries, whether to take a greater share of revenues or attract multinational business, is the reality of the international tax environment.

People see tax competition to attract multinational business as important (62%), but they are less supportive of competition for the sake of increasing national tax revenue (52%).

Figure 18: Views on tax policy competition



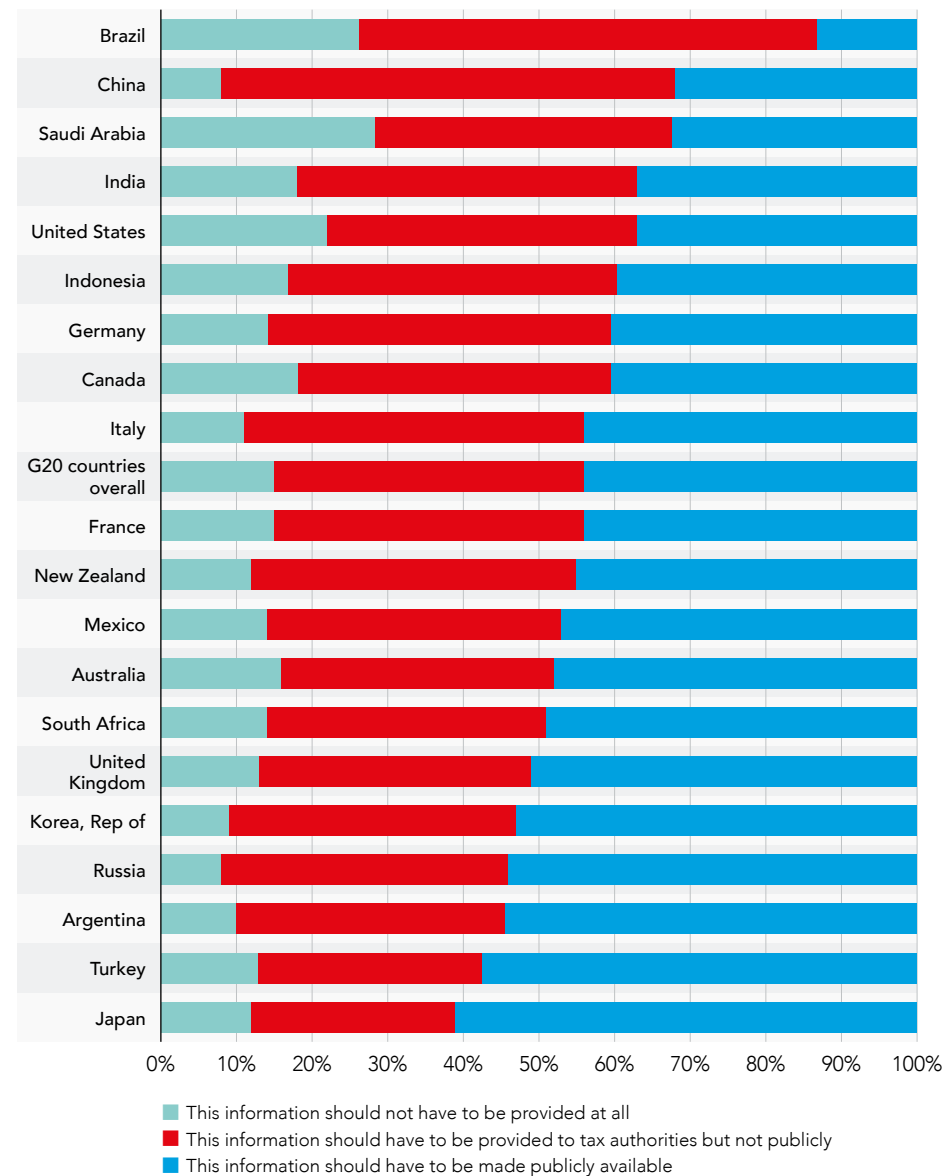
Charts show the percentages of respondents who believe in the importance of competition between their government and other governments on tax policy, either focused on the purpose of increasing national tax revenues or attracting multinational business.

Views on country-by-country reporting by multinationals

Tax policy debate in some regions has suggested that multinationals should disclose information on their tax affairs on a country by country basis, either privately to tax authorities, or in public reports. The public's views on this topic across G20 countries are polarized -

- **56% believe country by country reporting should only be confidentially provided to tax authorities or not provided at all**, while
- **44% support public disclosure.**
- Country by country reporting has been vigorously debated in Europe - notably a majority of people surveyed across European countries preferred private disclosure or none at all.

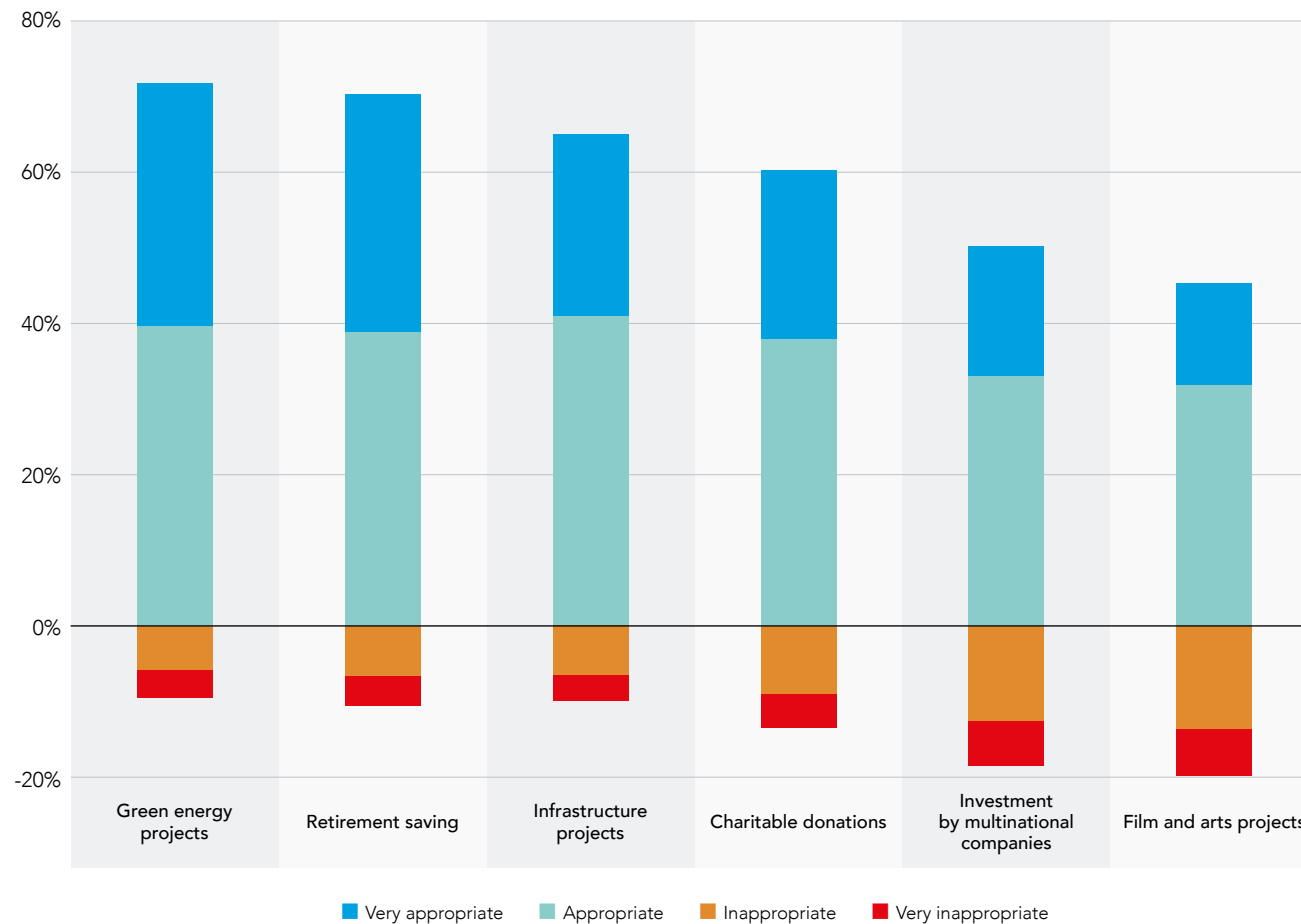
Figure 19: Should multinationals have to disclose country by country tax information?



Views on tax incentives

Governments provide tax incentives as a means of promoting and encouraging social and economic objectives. While recent public debate has focused on the outcomes of tax incentives – i.e. reduced taxes for certain groups of taxpayers – this study shows **people throughout the G20 countries are largely supportive of their governments' policy providing tax incentives for a range of social and economic objectives.**

Figure 20: How appropriate are government tax incentives?



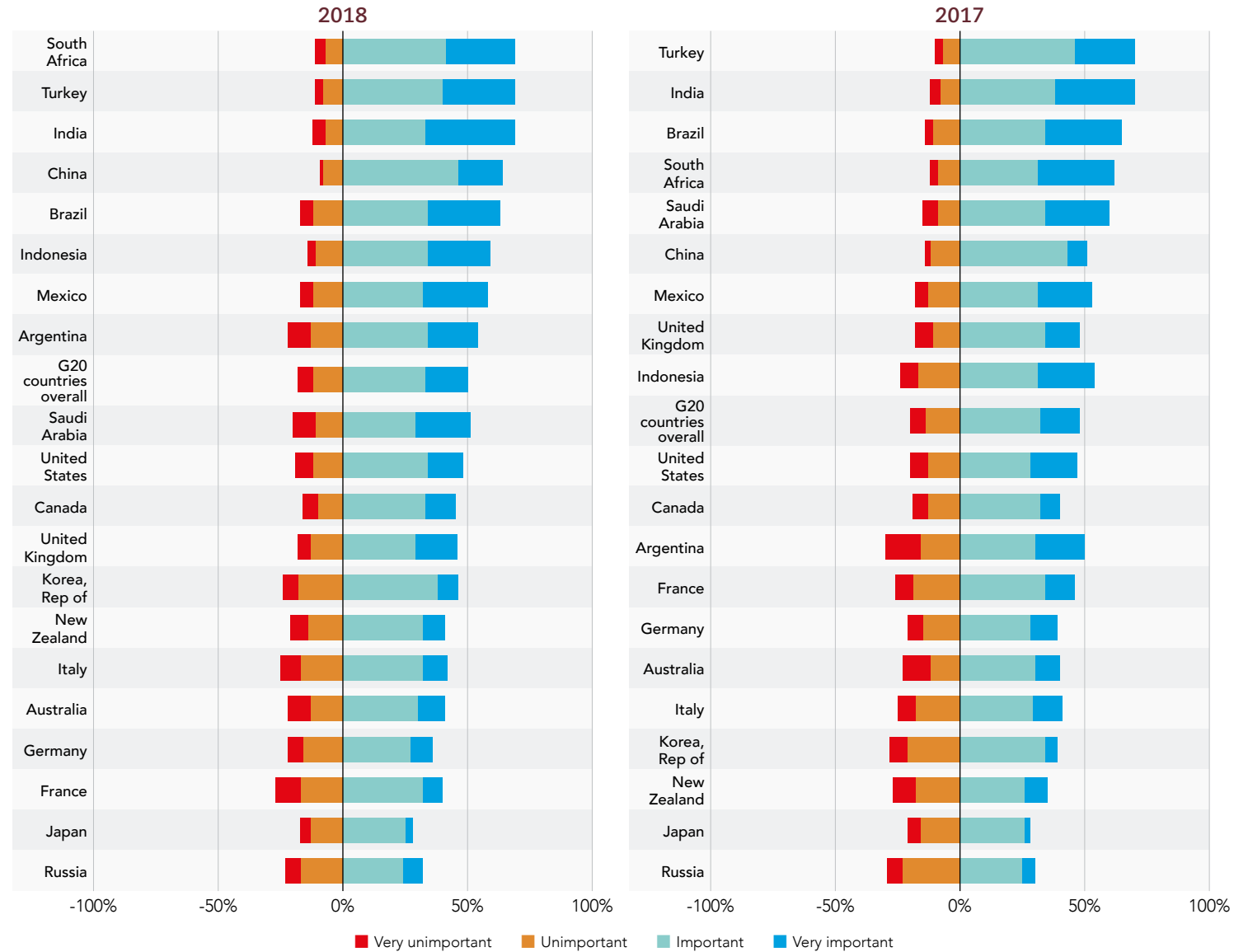
50%

of respondents in G20 countries are supportive of tax incentives to attract multinational business.

“Multinational companies have to have fiscal incentives to stay in the country.”

Respondent in Brazil

Figure 21: Tax incentives to attract multinational business



Charts show the percentages of respondents with different views on how important it is for their government to provide tax incentives in order to attract multinational business.

