

Abstract

THE USE OF INCOME TAX RETURNS FOR TAXING THIRD PARTY'S INCOME

The audit has examined how tax authorities make sure that the amounts of certain expenses regarded as tax allowances (such as payment of alimony, payment of rent, etc.) are also completed by the beneficiaries in their own income tax returns.

Results of the audit

The audit, performed in 2002 after examining files from several taxation services, showed that only 26 % of the information to be forwarded to another service was actually sent to it and that about half of the information forwarded was not used. On the whole, in the audited files, only 10 % of the information useful to tax a third party was actually used.

This deficient information exchange causes a loss of tax revenues (in the files examined, there are only eight taxpayers out of ten who had spontaneously declared as income the amounts corresponding to expenses which had qualified for the tax allowances concerned)

In addition, the varying degree of performance quality of the taxation services and assessors does not warrant an equal treatment of all taxpayers.

Future prospects

The reform under way within the administration, which is scheduled for implementation within five to seven years, envisages the creation of a single computerized tax file by taxpayer, which would compile all information about taxpayers.

The Court of audit believes that the implementation of this tax file system should be a priority. Also, the briefing to the taxation services should be revised to take account of the deficiencies noted.

The Finance Minister promised he would attend to it that tax authorities fulfil the commitments made after completion of the audit, on the measures to be taken at short notice as well as the implementation of the single tax file system.