THE IMPACT OF AUSTERITY ON TAX COLLECTION

EPSU REPORT 3

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Contents

Summary

This report is based on reports from national tax authorities and other published documents as well as a survey of EPSU affiliates with members working in tax authorities.

There is still a clear need for action on tax, with various reports showing a significant gap between what should be, and what is collected.

There are also a range of measures which could be taken to tackle tax evasion and avoidance, and some of them have begun to be implemented through the Anti-Tax Avoidance Directive and other measures.

Major differences remain between EU states both in total taxes as a proportion of GDP and in terms of how tax is collected, but there is a common trend towards less progressive taxation regimes.

In the context of the EU economic planning process (the Semester), the EU has made a number of country-specific recommendations for action on tax, several of which relate to aggressive tax planning.

However correct these recommendations may be, they fail to take into account the massive job losses in tax administrations over the past decade.

Between 2008 and 2018, almost 100,000 jobs were lost in tax authorities in 28 European countries – a fall of 14.3% or around one in seven. The losses were greatest at the start of the period, particularly in 2010 and 2011, but they have continued since then.

The situation is more positive in some countries. In Denmark, a "tax crisis" forced the government to reverse some aspects of its cuts policy, and, in others, employees are being recruited. In Luxembourg, there is a significant expansion to meet growing demands.

Employees in tax authorities are increasingly better qualified, although there are still many tax authorities with an ageing workforce. Some services are being outsourced.

Digitalisation is being used to cut costs, and a majority of unions think this has led to improved service, although fewer are convinced that it has reduced tax evasion and fraud. Unions are more positive about the impact of digitalisation

on job quality, although some feel very negatively about it. Most also believe it reduces the access of some users.

Most tax authorities have separate units for companies and large taxpayers, but this is less frequent in the case of high net-worth individuals. There are also some cases where powerful companies and individuals are seen to have affected taxation decisions.

State regulation plays a major role in setting pay and conditions, which are rarely set separately for the tax authority.

A clear majority – 14 out of 19 countries – consider that pay was held down as a result of austerity, with cuts in non-standard pay the most frequently used method. Most still believe that pay continues to be negatively affected. Conditions have also suffered, although this is primarily because of job cuts.

Introduction

In 2014, EPSU produced its second report on employment in tax authorities across Europe. Written at a time when the falls in tax revenues following the financial crisis resulted in cuts to public services across the continent, it concluded:

> "On average tax authorities across Europe have lost around one in ten of their employees in the period 2008 to 2012, and that in many countries this process is continuing. Cuts in employment on this scale make it more difficult for the tax authorities to pursue those who deliberately seek to evade and aggressively avoid tax. However, they also make it more difficult for all taxpayers to obtain the support they need to pay the right amount of tax at the right time."

> "Where a deterioration in the service and advice provided to citizens in the area of taxation is combined with a public belief that others are able to escape their tax obligations – perhaps entirely, the damage to public confidence in the tax system is severe. The consequences of this loss of confidence are felt across society."

This new report comes at a time when the economic outlook seems less positive and tax receipts based on continuing growth seem more at risk. This makes it even more essential that the tax that is due is collected and that the initiatives that had been taken to improve compliance and to reduce evasion and fraud are effectively implemented.

To gain a better understanding of this situation, this report is not just based on reports from national tax authorities and other publicly available documents, but also on the results of a survey of EPSU affiliates with members in taxation authorities. Their direct experience adds another quality to this report and EPSU is very grateful to the 23 unions from 19 countries which participated (see box).

Box: The EPSU survey

The survey consisted of a questionnaire sent to EPSU affiliates in September 2018. It was available in Bulgarian, English, French, German, Greek, Italian and Spanish.

In total 23 replies were received, although one, from Vision in Sweden, simply stated that the union did not have any members in tax authorities and therefore was not able to provide further information. There were two substantive replies from unions in Norway, three from unions in Spain and one from Cyprus and from Turkish Cypriot Community part.[1] In all other cases there was only one union response from each country.

The list of unions responding is set out below. Both EPSU and the author of the report are grateful to the unions which took the time to respond.

COUNTRY	UNION	COUNTRY	UNION
Armenia	USLGPSE	Italy	FP CGIL
Austria	GÖD	Norway	Fagforbundet
Belgium	CGSP/ACOD	Norway	YS Stat
Bulgaria	TUKOT Podkrepa	Portugal	APIT
Cyprus	PASYDY	Spain	FEP-USO
Turkish Cypriot Community part	KTAMS	Spain	FSC CCOO
Czech Republic	OSSOO	Spain	FeSP-UGT
Denmark	FOA	Sweden	Vision
Estonia	ROTAL	Sweden	ST
Finland	Pardia/VERO-ATK	Switzerland	VPOD
France	CGT Finances	UK	PCS
Germany: Hesse	Ver.di		

[1] i.e. Northern part of the island, where the Government of Cyprus does not exercise effective control.

The need for fair taxation

Tackling tax avoidance and evasion has continued to be high on the political agenda since it was included in the final Leaders' Declaration at the G20 summit in September 2013. The mobilisation led by tax justice groups and trade unions against tax avoidance has certainly made headway, as evidenced by the way governments talk about the problem, the adoption of new EU measures, and the decision by the EU Parliament in September 2019 to set up a permanent subcommittee on tax and financial crimes. However, this political shift must not result in the cutting of corporate tax rates or the creation of new tax breaks in some countries.

Between 2014 and 2019, the EU agreed upon a number of initiatives to combat aggressive tax planning (see below) and the new European Commission, which took office on 1 December 2019, has indicated its ongoing commitment to "fair and effective taxation".[2]

A recent brochure from the European Commission[3] points out that fair taxation is still of crucial importance, as it:

- "allows citizens to access quality education, health care and public infrastructure. It helps provide a safety net for the more vulnerable and a good tax mix can support social fairness;
- plays a crucial role in upholding a strong and sustainable economy, a thriving business environment and social justice; and
- is essential for sustainable revenues, the European social model, a competitive business environment and overall taxpayer morale."

However, the paper notes that tax evasion and avoidance are still present on a large scale. This is reducing the funds available for public spending and investment, damaging citizens' and business's confidence in their governments, and undermining fair competition.

[2] See here Mission letter from Ursula von der Leyen, Commission President, to Paolo Gentiloni, Commissioner-designate for Economy, 10 September 2019
[3] See here A fair share: Taxation in the EU for the 21st century, European Commission 2018

Measuring the value of the tax that should be collected but is not – the tax gap – is difficult and the estimates are uncertain. The EPSU survey indicates that only five countries – Denmark, Estonia, Italy, Sweden and the UK – attempt this. The extent of the tax gap was estimated at 2.5% of total tax liabilities in Denmark in 2017, 5.6% or £35 billion (€39 billion) in the UK and €304 million in Estonia in 2016. However, in the UK, the union PCS believes this is a significant underestimate.

At EU level, the latest estimate of the VAT gap was €137.5 billion in 2017, around 11.2% of total VAT liability.[4] A report for the European Parliament in 2015 estimated the amount of corporation tax lost through profit shifting to lower tax jurisdictions to be around €50 to €70 billion a year, and that if "aggressive tax planning" were taken into account this figure would rise to €160 to €190 billion.[5]

A separate study on the European tax gap by tax expert Richard Murphy in 2019 suggests that the overall tax gap in EU member states is at least €750 billion a year, and could be as high as €900 billion.[6]

Tackling tax evasion, avoidance and fraud

Whatever the precise figure, the extent of revenue lost through evasion, avoidance and fraud is substantial. Since 2014, the EU Council and Parliament have adopted a series of measures mainly related to automatic, compulsory exchange of information between tax administrations including country-by-country reporting by large companies.[7] Tax authorities are therefore expected to receive and process more information on companies and individuals' tax behaviours, and it is all the more essential that they have the required monitoring and investigative capacity to reap the benefits of these new legal instruments.[8]

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[4] See here Study and Reports on the VAT Gap in the EU-28 Member States: 2019 Final Report, HIS Vienna

[5] See here Bringing transparency, coordination and convergence to corporate tax policies in the European Union by Dover, Ferrett, Gravino, Jones, and Merler, 2015, European Parliament Research Centre

[6] The European Tax Gap: A report for the Socialists and Democrats Group in the European Parliament by Richard Murphy, 2019

[7] See here Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

[8] See here For more detailed recommendations from a trade union standpoint An examination of tax shifting and 'harmful taxes' by Paul Sweeney, ETUI 2015; see here Tackling tax evasion, avoidance and tax havens, by Paul Sweeney, ETUI 2015

Other measures are currently in deadlock in the EU Council. In the view of EPSU[9] and tax justice organisations, if improved and adopted these measures could eliminate or at least reduce revenue losses. They include:

· Draft directive on public country-by-country reporting;

· Draft directive for a Common Consolidated Corporate Tax Base (CCCTB) in the EU, which the unions want to see supported by a common minimum tax rate of 25% and so-called unitary taxation. This would mean that each subsidiary of a company would be treated as part of the same company, not a separate entity which could be used as a vehicle for tax avoidance, with more emphasis to calculate the taxable basis on factors of production especially jobs and sales; and

· An EU list of tax havens, including tax havens located in EU Member States, which should be supported by sanctions on the users of those tax havens.

Since 1st January 2019, new legally binding rules, known as ATAD (Anti-Tax Avoidance Directive), have been in force across the EU. They require EU member states to:

· prevent tax profits being moved to low-tax countries where the company does not have any genuine economic activity (controlled foreign company rules);

· discourage companies from using excessive interest payments to minimise taxes – states will limit the amount of net interest expenses that a company can deduct from its taxable income (interest limitation rules); and

· tackle tax avoidance schemes in cases where other anti-avoidance provisions cannot be applied (general anti-abuse rule).

There are further changes to prevent companies from exploiting mismatches in the tax laws of two different EU countries in order to avoid taxation, as well as measures to ensure that gains on assets such as intellectual property moved from a member state's territory become taxable in that country (exit taxation rules). These measures will come into force in 2020.

[9] See here EPSU Congress 2019 briefing on tax justice, in EN, FR, ES, SV and RU

Following a successful campaign by trade unions and transparency groups,[10] a new EU directive on whistleblowers' protection was approved in 2019. The directive provides minimum standards for the protection of those revealing wrongdoings, including related to tax avoidance or fraud. As the directive states in the preamble, the new legislation will "add to recent Commission initiatives aimed at improving transparency and the exchange of information in the field of taxation, and creating a fairer corporate tax environment".

The Lux Leaks scandal in 2014, the Panama Papers in 2016 and the Paradise Papers in 2017, all of which involved tax fraud and/or aggressive tax planning and would not have come to light without whistleblowing, emphasise the need for this protection.

The Commission has also shown itself willing to tackle some national governments' tax deals with multinational companies, declaring them to be illegal state aid on several occasions.

Commissioner Margrethe Vestager, who took office in December 2019 and is responsible for competition in the Commission, has, for example, called on Ireland to levy additional taxes on Apple, on Luxembourg to tax Amazon more, and on Starbucks to pay more tax to the Netherlands, although this last case was lost.

While the Commission found no illegal state aid in the case of McDonald's, a case which was partly triggered by the report Unhappy Meal published by EPSU, EFFAT, SEIU and War on Want in 2015, Commissioner Verstager stated that "Of course, the fact remains that McDonald's did not pay any taxes on these profits – and this is not how it should be from a tax fairness point of view".[11]

In 2020, the OECD is also due to finalise recommendations on digital tax reform and some form of (low) minimum tax rate.

[10] See here Trade union/NGOs joint platform

[11] See here Statement Commissioner Vestager, 19/09/2018

The pattern of taxation in the EU

The overall tax ratio in the then EU28 – total taxes and social contributions as a proportion of output (GDP) – was 39.0% in 2017. However, there are significant differences between countries. The tax ratio is highest France at 46.5%, and lowest in Ireland at 23.0% (see Table 1). With the exception of Ireland, where the presence of many multinational companies distorts the GDP figures, and Malta, all of the eight countries with tax ratios below 33.3% are in Central and Eastern Europe, while the seven countries with tax ratios above 40% are the three Nordic EU members, plus Belgium, France, Italy and Austria.

Compared with 2011, the latest figures available at the time of the 2014 EPSU report show that the proportion of GDP taken in taxes increased slightly, going up by 1.3 percentage points from 37.7% in 2011 to 39.0% in 2017. The largest increase was in Greece, where it went up by 5.3% and the largest decrease was in Ireland, where it fell by 5.1%.

The European Commission groups tax revenue into three main areas:

- indirect taxes, of which by far the most important is VAT;
- direct taxes on income and wealth including taxes on wealth transfers that are only levied occasionally, such as inheritance taxes; and
- social contributions normally paid by both employers and employees.

On average for the EU28, these three revenue streams accounted for roughly equal shares of total tax revenues in 2017, with indirect taxes providing 34.7%, direct taxes 34.3% and social security contributions 31.2%, as the 2019 report on tax trends from the European Commission indicates.

However, this report also shows that the average hides major differences between countries. Croatia is the country where indirect taxes make up the highest proportion of total tax revenue – they account for more than half the total (52.0%). By contrast, in Belgium, indirect taxes provide 30.0% of total revenue, the lowest figure in the EU.

In Denmark, it is direct taxes that provide almost two-thirds (65.4%) of tax revenue, the highest proportion in the EU, while in Lithuania direct taxes are of least importance, accounting for just 18.2% of total tax revenue. One reason why direct taxes make up such a high proportion of taxation raised in Denmark, is that

TABLE 1: Total taxes as a proportion of GDP

COUNTRY	2011	2012	2013	2014	2015	2016	2017	Change 2011 to 2017*
France	43.4	44.5	45.5	45.7	45.7	45.8	46.5	3.1
Denmark	45.0	45.8	46.3	48.9	46.4	45.9	45.7	0.7
Belgium	43.7	44.8	45.7	45.5	45.1	44.3	44.9	1.2
Sweden	42.5	42.5	42.9	42.5	43.1	44.2	44.4	1.9
Finland	42.0	42.7	43.6	43.8	43.9	44.0	43.3	1.3
Italy	41.5	43.5	43.5	43.1	43.0	42.3	42.1	0.6
Austria	41.2	41.9	42.7	42.8	43.2	41.9	41.8	0.6
Germany	37.2	37.8	38.2	38.1	38.4	38.8	39.1	1.9
Greece	33.6	35.8	35.7	36.0	36.6	38.7	38.9	5.3
Luxembourg	37.2	38.5	38.4	37.6	37.5	38.1	38.9	1.7
Netherlands	35.5	35.6	36.1	37.0	36.9	38.4	38.8	3.3
Hungary	36.6	38.3	37.9	38.1	38.8	39.3	38.3	1.7
Croatia	35.2	35.9	36.3	36.7	37.3	37.8	37.8	2.6
Slovenia	36.7	37.1	36.7	36.4	36.6	36.7	36.5	-0.2
Czech Republic	33.8	34.2	34.8	33.9	34.0	34.8	35.4	1.6
Portugal	32.3	31.8	34.1	34.2	34.4	34.1	34.4	2.1
Poland	31.8	32.1	31.9	31.9	32.3	33.5	34.1	2.3
United Kingdom	34.0	33.2	33.0	32.6	33.0	33.5	34.1	0.1
Cyprus	31.9	31.6	31.6	33.4	33.3	32.9	34.0	2.1
Spain	31.2	32.2	33.0	33.6	33.7	33.4	33.8	2.5
Slovakia	28.5	28.2	30.1	31.0	32.0	32.2	33.0	4.4
Estonia	31.5	31.7	31.6	32.1	33.2	33.5	32.8	1.3
Malta	32.2	32.4	32.6	32.4	30.7	31.2	31.9	-0.2
Latvia	28.4	29.1	29.3	29.7	30.1	31.1	31.0	2.6
Lithuania	27.2	27.0	27.0	27.5	28.9	29.7	29.5	2.3
Bulgaria	25.3	26.7	28.3	28.4	29.1	29.0	29.5	4.2
Romania	28.3	27.8	27.3	27.5	28.0	25.8	24.9	-3.4
Ireland	28.1	28.3	28.8	28.8	23.4	23.5	23.0	-5.1
EU-28	37.7	38.3	38.7	38.6	38.5	38.7	39.0	1.4
Iceland	33.3	34.0	34.5	37.3	35.5	50.5	:	
Norway	42.0	41.5	39.9	38.8	38.4	38.7	38.9	-3.1

* Percentage points: Source Taxation trends in Europe 2019 European Commission 2019

social contributions are so low, just 0.1% of the total, the lowest proportion in the EU. The country where social contributions are most important is Slovakia, where they make up 44.1% of the total.

These differences reflect historical developments and political choices, particularly in relation to progressive taxation. Seven EU states, all in Central and Eastern Europe (Croatia, Bulgaria, the Czech Republic, Hungary, Lithuania, Romania and Slovakia) have chosen to have flat-rate income tax rates, although Estonia and Latvia have both moved away from this system, and there is some academic evidence that moving to a more progressive tax system could be beneficial both in terms of greater equity and raising more public revenues.[12] The flat-rate structure of taxation helps to explain why in many of these countries direct taxation plays a smaller role in overall revenue raising than elsewhere.

[12] See here Progressive tax reforms in flat tax countries, European Commission, December 2018. This found that "enhancing progressive elements in the personal income tax system under alternative and plausible tax reform scenarios would have significant positive effects on redistribution and equity and would yield additional tax revenues".

Specific recommendations for action

The fact that the tax administration system and/or tax rules often do not work as they should is further reflected in the Commission's annual country-specific recommendations in the context of the EU Semester, part of the European Union's economic governance framework, with regular references to tax including tax administration.

The most dramatic of the 2019 recommendations which was directed to all the states in the Euro area is as follows:

> "Addressing tax fraud, evasion and aggressive tax planning (ATP) are essential to make tax systems more efficient and fairer. These are essential to secure government revenues, impede distortions of competition between firms, preserve social cohesion and fight increasing inequalities. The mobility of capital, which has increased with the introduction of the euro and the ensuing suppression of currency risks, facilitates tax arbitrage by multinational enterprises operating within the euro area, which make the adoption of measures to address ATP particularly urgent for euro area Member States. This is therefore a particularly relevant issue for the euro area."

Six countries – Cyprus, Hungary, Ireland, Luxembourg, Malta and the Netherlands – were singled out as needing to address their tax rules to prevent them being used for "aggressive tax planning". The recommendations addressed to Cyprus, set out below, are typical and the section in italics was reproduced largely word for word in relation to the other five. The second half, setting out the precise problems varied from country to country.

> "The fight against aggressive tax planning is essential to make tax systems more efficient and fair as acknowledged in the 2019 euro area recommendation. Spillover effects of taxpayers' aggressive tax planning strategies between Member States call for a coordinated action of national policies to complement EU legislation. Cyprus has taken measures against aggressive tax planning, but the high levels of dividend and interest payments (relative to GDP) suggests that Cyprus' tax rules are used by companies that engage in aggressive tax planning. The absence of withholding taxes on outbound (i.e. from EU residents to third country residents) dividend, interest and, in many cases, royalty payments by Cyprus-based companies to third country residents may lead to those payments escaping tax altogether, if they are also not subject

> to tax in the recipient jurisdiction. The absence of such taxes, together with the corporate tax residency rules, may continue to facilitate aggressive tax planning."

There were also four other countries where the problems related to other ways in which the authorities were failing to collect the tax due. These were:

Latvia: "The share of under-reported economic activity is higher in Latvia than in other Baltic States. In particular, underreporting of salaries ('envelope wages'), particularly in the construction sector, accounts for a large share of the shadow economy."

Lithuania: "Lithuania has continued to take measures to combat the shadow economy and improve tax compliance. While these measures have shown encouraging results, overall tax compliance remains low. Lithuania still has one of the largest VAT gaps in the EU. Further increasing tax compliance would raise revenues and make the tax system more fair."

Romania: "Tax compliance remains low. As regards VAT, the difference between theoretically expected and actually collected revenues remains very high. The large informal economy represents an additional challenge for tax compliance, while the high levels of undeclared work deprive the state budget of significant resources. Furthermore, the prevalence of cash payments facilitates tax evasion. In the past year, Romania achieved limited progress in addressing the repeated country-specific recommendation to strengthen tax compliance and collection. The introduction of electronic cash registers connected to the tax administration's IT system is progressing rather slowly. The tax administration is taking steps to set up a risk assessment system for auditing taxpayers."

Slovakia: "Despite some progress in fighting tax evasion, tax compliance remains a challenge and the VAT compliance gap was more than twice the EU average in 2016. While measures planned under the Third Action Plan are expected to bring positive results, some of them are still pending implementation. For instance, the introduction of electronic tax returns is likely to reduce the administrative burden on taxpayers, but a failure to implement all planned measures risks diminishing the overall effect."

Number employed in tax authorities

Tax authorities in most countries are facing staff shortages, yet the new EU legal provisions described above are expected to make more information available on corporate tax and thus require more, not fewer employees than in the past to process it. There are reliable figures on employment in tax authorities for 25 of the EU's 27 member states (the exceptions are Greece and Malta – see pages 28-29) as well as the UK, Norway and Iceland. In all but two countries, Luxembourg and Norway, there were fewer people employed in 2018 than in 2008.

The figures are set out in Table 3 on pages 30-31, and although there are differences between countries in how tax authorities are structured and the information that is available (for example, in some countries there is an institutional split between the institutions that collect customs and excise duties and those which collect other taxes, while elsewhere only details on employment at the level of the finance ministry are published) the trends are clear.

While there were only two countries where employment increased between 2008 and 2018, there were 15 where it fell by more than 10%, and seven where it fell by more than 20%. These were: Italy (-20.7%), Romania (-23.6%), Estonia (-26.3%), Belgium (-27.5%), Latvia (-28.3%), UK (-28.5%) and Lithuania (-28.8%). France was just outside this group losing almost one in five (-18.9%) tax authority posts between 2008 and 2018.

In some cases, this was a result of internal reorganisation. In Belgium, for example, some catering staff were transferred out of the finance ministry to a separate state organisation, Fedorest, in 2016. But the reorganisation in Belgium was in addition to overall staff cuts, and there are also examples where reorganisation increased rather than reduced staff numbers. In Poland, for example, customs operations were merged into the National Tax Administration (KAS) in 2017, adding around 750 staff.

Overall, in the 28 countries for which figures are available, 95,549 jobs were lost in national tax authorities between 2008 and 2018. This is equivalent to a 14.3% reduction on the 668,404 people employed in 2008.

The picture year by year

These figures are for the change over 10 years, and, although the total number of employees has fallen every year, the rate of decline has varied. As Table 2 shows, the largest annual declines were towards the start of the period, in 2010, when overall employment fell by 2.2%, and in 2011, when it dropped by 3.4%. In the second half the decline was slower, particularly in 2016, when there was a 0.5% decrease, and 2017, when only 0.2% of jobs in tax authorities were lost. However, in 2018 job losses again increased, with 1.8% lost over the year. In total, between 2012 and 2018, 41,861 jobs were lost, a decline of 6.8%

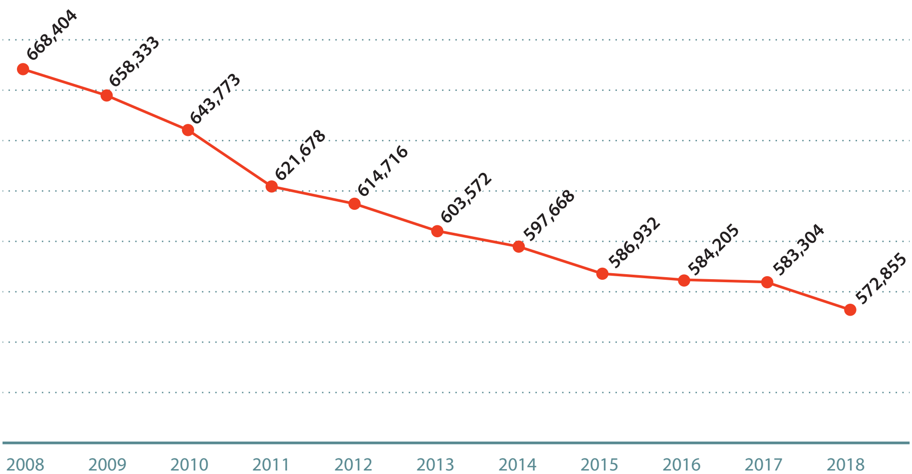
TABLE 2: Total job losses in European tax authorities – year-on-year change

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
-1.5%	-2.2%	-3.4%	-1.1%	-1.8%	-1.0%	-1.8%	-0.5%	-0.2%	-1.8%

Source: see Table 3, pages 30-31.

The shape of the downward trend is shown very clearly in Chart 1, which makes it clear that although the fall in employment in tax authorities may have slowed, it has certainly not stopped.

CHART 1: Employment in European Tax Authorities 2008-18

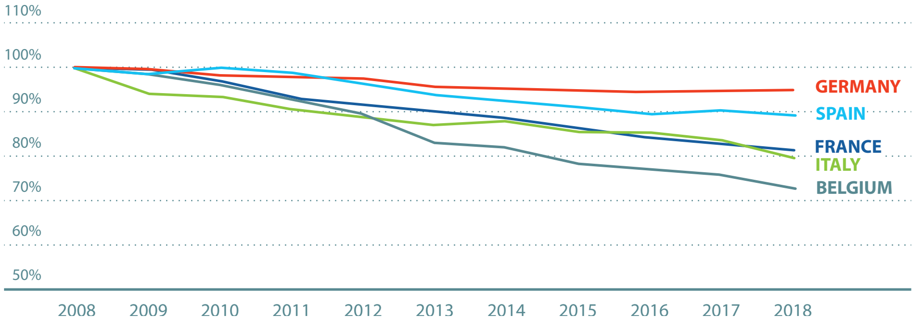


The national year by year figures in each of the 28 states covered by Chart 1 are set out in Annex A. Each country has a different trajectory but there are a number of common patterns.

Declining workforces

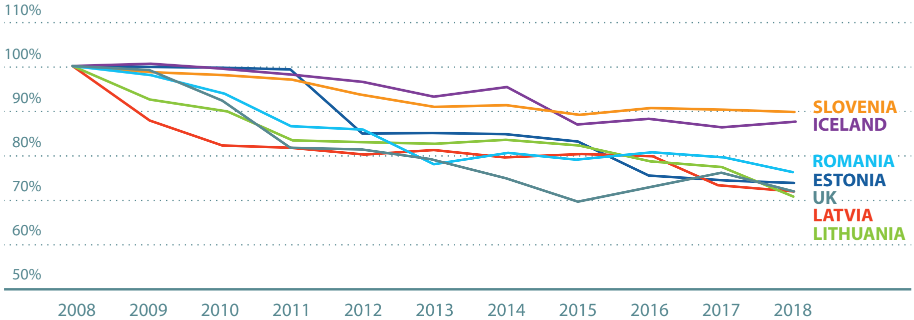
In some countries there is a broadly constant year by year decline, which leaves employment in the national tax authority in 2018 well below the figure at the start of the period. France, Italy, Spain and Belgium all fall into this category, although the fall is less sharp in Spain, and there is a slight increase at the very start of the period. Developments in Germany also appear similar, although here too the decline is less steep, and the fact that the last two years are estimates makes the trend more difficult to ascertain.

Constant decline



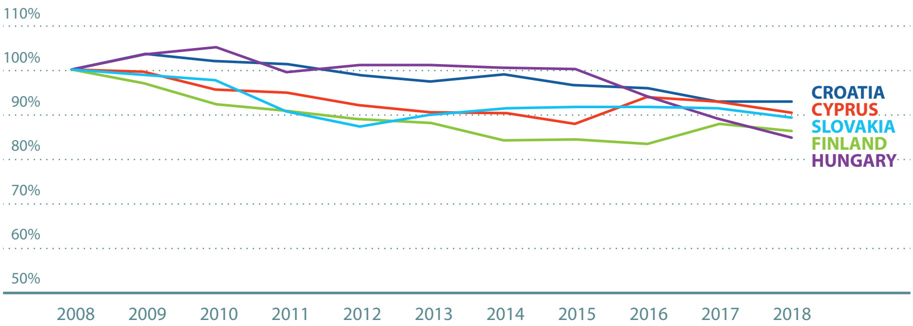
There is also a group of countries in which employment in 2018 is well below what it was 10 years earlier, but the decline has not been continuous and there are years when employment is unchanged or even slightly higher than the year before. The three Baltic states are in this group, as are Iceland and Slovenia and the UK, although the earlier figures for Slovenia are estimated based on employment in the tax authority's predecessor organisation. In Iceland and Slovenia the fall is not as large as in the Baltic states, Romania and the UK.

Stepped decline



The third group with falling tax employment are those countries where employment has fallen over 10 years but there have been some periods where it has increased. Croatia, Cyprus, Finland, Hungary and Slovakia are all in this category. In some cases, this may be because of reorganisations with new responsibilities (and new employees) being added.

Fluctuating but still declining



The consequence of decline: an ageing and an unhappy workforce

Where staff numbers have fallen, in most cases as a result of far fewer people being recruited than there are leaving, this has resulted in an ageing workforce. Not all tax authorities provide details on this, but a number do, particularly those in the larger economies.

In Italy for example, in 2018, 22,878 (62.5%) of the Italian tax authority's 36,585 employees (excluding executives) were over 50.[13]

The situation is less dramatic in France, where only 47% of the workforce was over 50 in 2018, but it is four percentage points higher than the 43% over 50 reported in 2008 and over that period the French tax authority has lost almost 24,000 employees – down from 126,586 to 102,607.[14]

The FSC-CCOO union in Spain, where jobs have also been lost following the government-imposed strict limits of recruitment, sets out the longer-term consequences of this approach. It states:

[13] Relazione sulla performance 2018 Agenzia delle entrate
[14] Rapport d'activité 2008 and 2018 DGFiP

"Because of the limits placed on replacements, the workforce has been progressively ageing. In addition, the fact that periods of recruitment have been cyclical has produced a very uneven age pyramid, which in the future will cause large drops in staff numbers as people retire. If this is not addressed immediately, it could lead to a collapse in tax collection, since either there will be insufficient staff, or, if has been dealt with too quickly, there will be a large percentage of new entrants, wasting the enormous build-up of experience that workers have accumulated."

The statistics from the annual reports of the Spanish tax authority show that, in the six years from 2012 to 2018, the number of employees fell almost constantly from 26,962 to 24,939 and the average age of those employees rose from 49.14 years to 52.16.[15]

The fall in employment in HM Revenue and Customs (HMRC), the UK tax authority, has been more dramatic, dropping from 82,050 in 2008, to 58,630 in 2018, a loss of 23,000 jobs. This has left HMRC with a much older workforce. The proportion of staff aged 50 and over increased from 26.5% in 2008 to 43.1% in 2018.[16]

The lack of staff has led to discontent and protest action by unions and staff in several countries.

In France, unions took strike action on 14 March 2019 to protest against staff reductions and the consequent increase in workload.[17]

In Italy, joint action by the unions blocked access to tax offices for two hours on 23 January 2020, the country's so-called "Tax Day". The unions were protesting against the lack of staff and poor organisation, making it difficult for employees to meet their responsibilities and to tackle tax evasion.[18]

In the UK, PCS, the union organising tax employees started a series of strikes against closures of tax offices in January 2020. As the union said in a statement, "we need to keep the tax offices and employ more tax staff, not less, so we can

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[15] Memoria 2018 Agencia Tributaria

[16] See here Civil Service Statistics 2012 and 2018

[17] See here Finances publiques: plus d'un agent sur quatre était en grève ce jeudi, Le Figaro 14.03.19

[18] See here Agenzia delle Entrate, sciopero di due ore: mancano i dirigenti e il personale, Corriere della sera, 23.01.20

guarantee everyone is paying the tax they owe."[19] In addition, HMRC has some of the worst scores for staff satisfaction of all UK government departments. For example, on employee engagement, which measures responses to questions such as "My organisation motivates me to help it achieve its objectives", HMRC scored 49% in 2018 compared to a whole civil service average of 62%.[20]

Problems in recruiting staff

Even when a government has stated that it wants to recruit more staff in the tax authority, factors like low pay, poor reputation and low morale may make it difficult to do so.

The union PCS, explains the problems in the UK:

> "One key thing however is that the Department is unable to maintain a stable head count or an increased head count despite robust recruitment because so many people are leaving the department demoralised. They have gone out to try to recruit literally thousands to cope with Brexit but they are standing still or even decreasing in actual numbers in the Department because even where people are not being made redundant (and yes they are continuing with redundancies even as they recruit) people are leaving in droves."

The questionnaire response from Ver.di (a German union), in the state of Hesse points to the problem of low pay. On a positive note, it states: "After years of drastically reducing the number of employees, the number of apprentices has been increased from an average of 250 per year to 650." However, the union also points out that this is only a partial solution:

> "This will only offset the fact that 25% of staff will retire over the next five years. There is also a big deficit in relation to IT experts. Despite a constantly increasing workload, the necessary personnel cannot be recruited. A key reason for this is the significantly lower pay compared to the private sector."

[19] See here Tax collectors go on strike, Morning Star 29 January 2020

[20] See here Civil Service People Survey: 2009-18, Median Benchmark scores and Main department scores, Cabinet Office, 2019

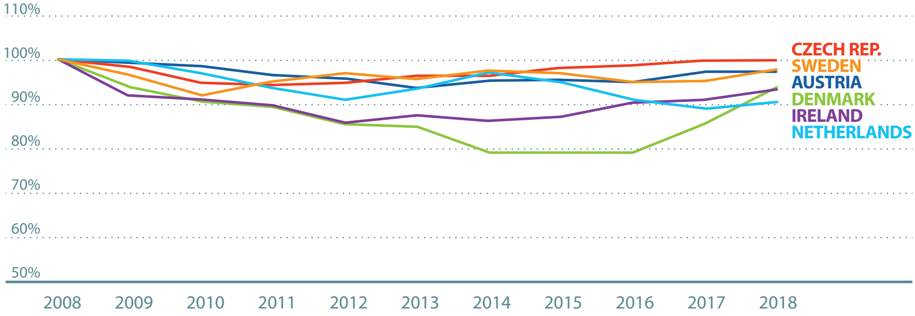
Later partial recovery

The situation is slightly different in countries where there has been a clear increase in tax employment towards the end of the period, even if employment in 2018 is still lower than 10 years earlier. The countries in this group are Austria, the Czech Republic, Denmark, Ireland, the Netherlands and Sweden.

There are clearly differences within this group. In Austria, the Czech Republic and Sweden, employment in the national tax authority fluctuated only slightly over the period and had recovered almost fully by 2018. In Ireland and Denmark, the declines were deeper and the recovery less complete. In the Netherlands, the decline came later, and the recovery was still uncertain at the end of the period.

However, the experiences of both the Netherlands and Denmark indicate that problems with a lack of staff have produced a change in approach.

Later partial recovery



Netherlands: dealing with a mismatch in staffing

In the Netherlands, where employment in the tax authority (Belastingsdienst) fell by 8.5% between 2015 and 2017 – from 30,015 to 27,437, the Year Plan for 2019 indicated that the loss of employees had led to problems, which needed to be solved. The plan stated

> "The outflow of experienced employees has led to a mismatch between our required and our actual staffing. Partly because of this there is a qualitative and quantitative mismatch in the organisation, producing a vulnerability in terms of carrying out our obligations. This is why we will continue to recruit staff in the years to come."[21]

The tax service, which had previously been losing staff, planned to recruit 3,450 new employees in 2019, taking total employment from 27,360 in September 2018 to 29,650 by the end of 2019.

Denmark: responding to a crisis

In Denmark, cuts in employment and investment produced what has been described as a "tax crisis", with problems in tax assessments, tax collection and the overall performance of the tax authority (SKAT, Denmark's on-line service on tax). In 2016, the Danish government published a report which stated that a series of damaging cases had "weakened citizens' and businesses' confidence in tax administration and SKAT's performance". This was, it said, "a serious problem in a tax funded society that is based on the willingness of citizens and businesses to pay taxes."[22]

The report went on to note that, as well as outdated IT, the failure to recruit new staff had been a crucial factor in SKAT's crisis. It stated:

> "During the period from the merger of the municipal and state tax administrations (2005) and until 2013, only a very limited number of new employees were recruited by SKAT. Such a long-term de facto stop for hiring new employees has seriously weakened the opportunities to secure the skills needed to transform the organisation to tackle new tasks and in new conditions."

[21] See here Jaarplan 2019 Belastingdienst

[22] See here Et nyt skattevæsen: Ny organisering, flere medarbejdere og velfungerende it (A new tax system: New organization, more employees and well-functioning IT), August 2016

This view is shared by the Danish union FOA. In its response to the EPSU survey it states:

> "The main tax authority has during the last 10 years been drastically reducing the staff (part of the Danish Austerity policy), arguing that new IT-procedures etc. would do the job. But what has happened was massive staff reductions AND complete outrage with new IT not able to do the job. This does not only mean hard, intense work, but also public scandals with bad taxation, etc., and this has given the employees a bad reputation in the public, which has been very stressful."

The government report concluded in 2016 that, "It is therefore necessary to rebuild large parts of the tax administration from scratch and invest massively in, among other things, data, IT, more employees and new skills."

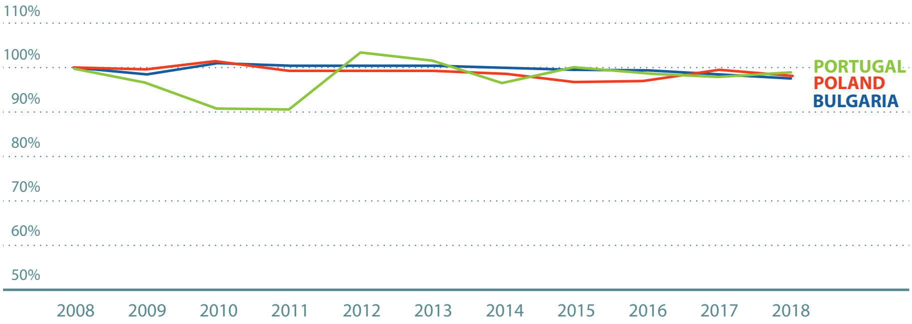
Since 2016 when employment in the tax authority was at 6,122, almost one fifth (18%) lower than it had been in 2012, staff numbers have recovered, although at 7,415 in 2018 they are still below the 7,463 figure recorded in 2012. Certainly, in the view of FOA there is still some way to go:

> "The government has been forced to revise the extreme hard version of its austerity policy towards the main tax authority. This revision has started, but it has not yet been completed".

Stability and growth

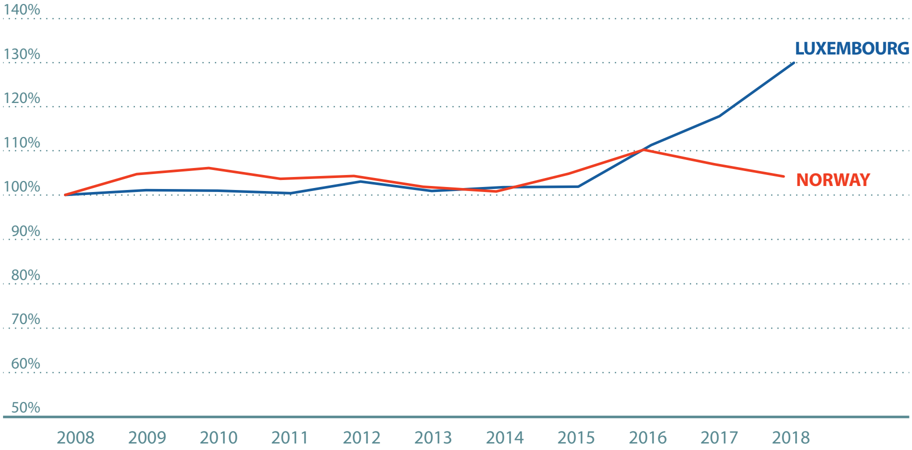
The final group are the countries where tax authority employment has either remained stable or grown. In Bulgaria, Poland and Portugal employment in tax authorities in 2018 was almost the same as 10 years earlier. In Portugal, the stability has only been present since 2012 and in Poland the figures are somewhat distorted because customs responsibilities were added to the tax authority in 2017. However, the broad picture of stability remains, at least since 2012.

Broadly unchanged



Finally, there are two countries, Luxembourg and Norway, where employment in the tax authority was higher in 2018 than in 2008, although employment growth has been much stronger in Luxembourg than in Norway.

Growing employment



Luxembourg – facing the challenges

Luxembourg, where employment in the tax authority (Administration des contributions directes –ACD) has risen since 2008 and has grown particularly sharply (up 27.6%) since 2015 is certainly unusual in terms of the number of employees in tax collection. In 2008, the tax authority had 752 employees as compared with 579 in 2008.

However, while Luxembourg is an exception in terms of the increase in the number of employees, it is surely not an exception in terms of the factors that have led to this increase. The Luxembourg tax authority, the ACD, set these factors out in its 2018 annual report:

> "The ACD has recruited some 100 additional agents to partially address the most immediate needs resulting from an increase in the number of dossiers and tasks in a context of increasingly sophisticated regulation and many additional assignments. The recruitment effort will probably have to be continued next year [...] Our country needs to give itself the resources for an administration that is modern and effective. In the short term, the adequate implementation of ATAD [the anti- tax-avoidance directive], as well as, in more general terms, any control strategy worthy of the name, represents a real challenge for the existing staff."

It is certainly clear that, at least based on the situation revealed in a number of leaks, Luxembourg faces specific challenges in the area of tax avoidance. However, the picture of "an increase in the number of dossiers and tasks in a context of increasingly sophisticated regulation and many additional assignments" can be found in many other tax jurisdictions, most of which have not, as of yet, followed Luxembourg's example in increasing staff.

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Employment in the tax authorities of Greece and Malta

Despite direct requests to the tax authorities it has not been possible to obtain reliable figures on the numbers employed in the tax authorities in Greece and Malta. A national source for the figures could not be found and the statistics from the international sources, the Intra-European Organisation of Tax Administrations (IOTA) for the period up to 2012, and the Organisation for Economic Cooperation and Development (OECD) for almost the whole period, appear inconsistent.[23]

For **Greece**, OECD figures are only available for five years – there is a gap between 2009 and 2014 – and there is a major variation between the numbers published for 2014 and 2015, which come from the 2017 edition of the OECD's biennial series of reports on tax administrations, those for 2016 and 2017, which come from the 2019 edition. The figures suggest that employment fell by 4,030 (a 34% drop) in a single year. The IOTA figures, which are only available up to 2012, come from two separate versions of the IOTA website for Greece, and also show a substantial drop in a single year. Between 2010 and 2011 they indicate that the numbers employed fell by 1,795. This is a 16% fall at a time when employment in the adjacent years was falling by between 2% and 3%.

Figures on employment in tax authorities in Greece

YEAR	SOURCE OF FIGURES		DATE OF OECD REPORT
	IOTA	OECD	
2008	12,280	n.a.	
2009	11,892	10,184	2010
2010	11,555	n.a.	
2011	9,760	n.a.	
2012	9,596	n.a.	
2013		n.a.	
2014		12,556	2017
2015		11,990	2017
2016		7,960	2019
2017		8,022	2019

23 See here Tax Administration: Comparative Information on OECD and Other Advanced and Emerging Economies, reports for 2010, 2013, 2017, 2015 and 2019, see OECD tax forum

There is one year, 2009, when both IOTA and OECD figures are available, but there is a gap of 1,708 between the two sources.

The situation on figures for **Malta** is similar, with major variations in the number of employees, depending on the source of the figures. The OECD figures from the 2010 report on tax administrations show employment at 374 for 2009 and 362 for 2010. However, the figures from the 2013, 2015 and 2017 OECD reports show employment levels are more than double this although steadily falling, from 790 in 2011 to 723 in 2015. However, in the 2019 report, employment is back to the levels reported for 2009 and 2010, although again they are falling, from 342 in 2016 to 328 in 2017. Assuming that these figures are calculated on the same basis as those for 2009 and 2010, this suggests that between 2009 and 2017, employment in the Maltese tax authority fell from 374 to 328, a 12.3% drop.

As with Greece, in years where both IOTA and OECD figures are available, there is a considerable difference between the figures from the two sources – around 120 in 2009 and 2010 and around 530 in 2011 and 2012.

Figures on employment in tax authorities in Malta

YEAR	SOURCE OF FIGURES		DATE OF OECD REPORT
	IOTA	OECD	
2008	257	n.a.	
2009	253	374	2010
2010	241	362	2010
2011	253	790	2013
2012	241	770	2013
2013		751	2015
2014		732	2017
2015		723	2017
2016		342	2019
2017		328	2019

TABLE 3: **Employment in European tax authorities – 2008 to 2018**

Country	2008	2009	2010	2011	2012	2013
AUSTRIA	11,059	10,958	10,876	10,674	10,612	10,374
BELGIUM	27,256	26,790	26,118	25,229	24,279	22,624
BULGARIA	7,542	7,439	7,643	7,577	7,596	7,572
CROATIA	4,331	4,493	4,409	4,380	4,298	4,227
CYPRUS	658	656	629	626	606	597
CZECH REPUBLIC	15,560	15,376	14,721	14,640	14,728	14,991
DENMARK	8,708	8,177	7,871	7,768	7,463	*7,395*
ESTONIA	1,823	1,824	1,812	1,805	1,551	1,546
FINLAND	5,757	5,595	5,336	5,229	5,130	5,072
FRANCE	126,586	124,614	121,929	117,964	115,411	113,286
GERMANY	112,981	112,295	110,894	110,650	110,000	108,023
HUNGARY	21,334	22,110	22,461	21,286	21,587	21,583
ICELAND	*270*	*270*	268	264	259	251
IRELAND	6,675	6,130	6,063	5,957	5,715	5,836
ITALY	*46,440*	*43,803*	43,398	42,146	41,208	40,343
LATVIA	5,074	4,461	4,176	4,147	4,069	4,102
LITHUANIA	3,986	3,676	3,585	3,312	3,296	3,285
LUXEMBOURG	579	584	584	583	595	584
NETHERLANDS	30,894	30,707	29,964	29,010	28,106	28,857
NORWAY	6,141	6,434	6,527	6,373	6,393	6,249
POLAND	47,395	47,252	47,903	47,127	47,117	47,135
PORTUGAL	11,153	10,760	10,170	10,073	11,566	11,341
ROMANIA	31,281	30,793	29,448	27,025	26,668	24,481
SLOVAKIA	*10,062*	*9,996*	*9,863*	*9,141*	8,781	9,065
SLOVENIA	*4,057*	*4,007*	*3,963*	*3,931*	*3,798*	*3,693*
SPAIN	27,951	27,555	27,880	27,613	26,962	26,231
SWEDEN	10,802	10,419	9,922	10,267	10,462	10,349
UNITED KINGDOM	82,050	81,160	75,360	66,880	66,460	64,480
TOTAL	**668,404**	**658,333**	**643,773**	**621,678**	**614,716**	**603,572**

Country	2014	2015	2016	2017	2018	Change 2008-18
AUSTRIA	10,525	10,534	10,504	10,764	10,735	-2.9%
BELGIUM	22,274	21,297	20,918	20,531	19,748	-27.5%
BULGARIA	7,508	7,496	7,492	7,423	7,368	-2.3%
CROATIA	4,297	4,199	4,155	4,031	4,031	-6.9%
CYPRUS	596	579	617	612	595	-9.6%
CZECH REPUBLIC	15,035	15,263	15,374	15,519	15,540	-0.1%
DENMARK	*6,878*	*6,880*	6,887	7,476	8,155	-6.4%
ESTONIA	1,541	1,515	1,377	1,346	1,343	-26.3%
FINLAND	4,865	4,877	4,802	5,065	4,978	-13.5%
FRANCE	111,305	109,068	106,685	104,873	102,607	-18.9%
GERMANY	107,407	106,864	106,603	*106,633*	*106,851*	-5.4%
HUNGARY	21,498	21,427	20,069	19,011	18,141	-15.0%
ICELAND	257	235	238	233	236	-12.6%
IRELAND	5,745	5,819	6,025	6,075	6,225	-6.7%
ITALY	40,695	39,610	39,538	38,742	36,834	-20.7%
LATVIA	4,040	4,051	4,044	3,732	3,636	-28.3%
LITHUANIA	3,314	3,257	3,137	3,072	2,837	-28.8%
LUXEMBOURG	588	590	643	685	752	29.8%
NETHERLANDS	30,015	29,407	28,151	27,437	27,897	-9.7%
NORWAY	6,202	6,420	6,768	6,581	6,413	4.4%
POLAND	46,685	45,883	46,022	47,179	46,248	-2.4%
PORTUGAL	10,762	11,122	10,996	10,995	11,015	-1.2%
ROMANIA	25,123	24,824	25,168	24,708	23,888	-23.6%
SLOVAKIA	9,216	9,228	9,245	9,205	9,053	-10.0%
SLOVENIA	3,693	3,612	3,660	3,647	3,629	-10.5%
SPAIN	25,742	25,429	25,014	25,152	24,939	-10.8%
SWEDEN	10,492	10,456	10,253	10,317	10,531	-2.5%
UNITED KINGDOM	61,370	56,990	59,820	62,260	58,630	-28.5%
TOTAL	**597,668**	**586,932**	**584,205**	**583,304**	**572,855**	**-14.3%**

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Box: Sources for the employment figures

With the exceptions of Greece, Malta and Croatia, the employment figures in this report are drawn from national sources. In most cases the information comes from the tax authorities, typically their annual reports (as in Finland, France, Italy and Spain), or from their press offices (as in Hungary, Lithuania, Romania and Sweden). In other cases, they come from reports on overall government employment (for example Belgium, Ireland, Poland and the UK), and in some cases from the EPSU survey (Cyprus and Estonia). Unlike the report published in 2014, it is no longer possible to use national figures from the Intra-European Organisation of Tax Administrations (IOTA), as these figures are no longer published separately but instead fed into the survey produced by the OECD (Organisation for Economic Cooperation and Development). This collects and publishes figures on a worldwide basis, not just for Europe. Its latest survey, which appeared in September 2019, covers 2016 and 2017, although its figures do not always seem to be comparable with earlier editions of the survey.[24] The employment figures in this report are also more up-to-date than the OECD data, as they take the story up to 2018. Croatia is the only country where the figures in Table 3 are taken from international sources, from IOTA for 2008 to 2012 and from the OECD for 2013 to 2017. There are no figures for Croatia for 2018 and the 2018 figure in the table is the same as that for 2017.

For details on the bodies covered by these figures and the sources see Annex A. Figures in *italics* have been estimated. For example, the figures in italics for Italy in 2008 and 2009 reflect the fact that the Italian tax authority, the Agenzia delle Entrate, merged with the Agenzia del Territorio in 2012. The merged entity recalculated its employment figures going back to 2010, but not to 2008. The 2008 and 2009 figures in the table are estimates based on trends in employment in Agenzia delle Entrate.

[24] Tax Administration 2019: Comparative Information on OECD and other Advanced and Emerging Economies, OECD, September 2019

Changes in the type of employees

As well as asking about the number of employees, the EPSU survey also asked whether there had been changes in contractual basis and type of staff, as well as whether there had been an increase in services being contracted out.

There were only two countries, Austria and Spain, where it was reported that there had been a decline in the number of employees with a special "civil service" status. For Austria, the union GÖD added that no new civil servants were being hired.

In terms of the balance between permanent and temporary staff, unions in four states (Bulgaria, Spain, the UK and Norway) and the Turkish Cypriot Community said that the number of permanent staff had fallen, while British, Swedish and Turkish Cypriot unions said the number of temporary staff had increased.

Declines in the number of full-time staff were reported from five states (Belgium, Portugal, Spain, the UK and Norway) and increases in the number of part-time staff were reported from three (Belgium, Germany, although the response only covered the Hesse region, and the UK).

There were only two states (Sweden, the UK) and the Turkish Cypriot Community part where unions reported an increase in the number of agency workers.

Only three countries (Austria, Germany (Hesse) and Sweden) reported an increase in the proportion of women employed.

Asked more generally about changes in the structure of employment, several countries reported an increase in the number of more qualified staff. Examples include:

- Austria: In recent years more qualified personnel have been taken on, particularly lawyers, and economic and tax experts.

- Czech Republic: There is an increasing demand for recruits with higher education. In other words, when employees with secondary education retire, they are replaced by graduates.

- Estonia: There are more highly qualified staff, such as IT staff and development analysts who improve operational efficiency.

- Finland: There are more highly qualified staff.

- France: There are more managers, increasing from 28% to 30% over five years, and fewer operational staff, down from 32% to 29%. There are more IT employees, up from 4% to 5%.

- Italy: There are more qualified staff.

- Norway: There are more highly qualified staff (Fagforbundet)/more highly educated staff (YS-Stat).

- Spain: The proportion of employees holding highly qualified posts has increased relative to those with few qualifications (FeSP-UGT).

- Sweden: There are more IT and qualified staff.

However, on the question of age which was raised by many unions, four unions (in three countries) said that there were more older employees:

- Belgium: There are more older employees and there is less training.

- Portugal: There are more older staff; the average age is over 45 in tax and over 50 in customs.

- Spain: The workforce is ageing (FSC-CCOO and FeSP-UGT)

… and three said the opposite:

- The Turkish Cypriot Community part: compared to the last five years, more younger people are being employed.

- Italy: more young people.

- Sweden: There are more younger staff.

Two countries saw no significant changes:

- Bulgaria: There has been no major change, but it is not such an attractive a profession because the workload is not linked to salary. For the most part, the employees have the necessary computer skills.

- Switzerland: No significant changes.

The response from the UK was that, "work has been downgraded and moved around", meaning that work is being done by less qualified staff and shifted to other locations.

Asked about the contracting out of some services to private providers, unions in nine states (Armenia, Belgium, Finland, German – Hesse, Italy, Portugal, Spain, the UK and the Turkish Cypriot Community part) say that this occurs. The types of services contracted out are set out in Table 4.

TABLE 4: Contracting out

COUNTRY	SERVICES CONTRACTED OUT
ARMENIA	New services like online IT have been contracted out
BELGIUM	Notaries have taken on some administrative tasks
FINLAND	About 80 IT technicians, 20 to 30 salary and accountants and 3 security guards
GERMANY: HESSE	IT services because not enough qualified staff plus services like cleaning and messengers
ITALY	No details given
PORTUGAL	IT and support services
SPAIN	Software, building maintenance and general tax services and a telephone answering (200 people)
UK	Bailiff functions (collecting debts) and some child tax credit (benefit) functions
TURKISH CYPRIOT COMMUNITY PART	Cleaning services and IT

This is a slightly different to what was revealed in the latest OECD report on tax administrations.[25] It found that security services were outsourced most frequently, with 69% of tax authorities reporting this. This was followed by cash/banking services (60%), training of personnel (59%) and IT services (57%). The outsourcing of training and IT services seems particularly concerning as these are both key elements for tax authorities – training in shaping employees' skills and approaches and IT as the core skill for the future.

[25] Tax Administration 2019: Comparative Information on OECD and other Advanced and Emerging Economies, OECD, September 2019

The impact and uses of digitalisation

Digitalisation has had a major impact on most tax authorities, with a range of techniques being used including digital-only tax returns, pre-filling of tax returns, the use of data analytics to identify non-compliance, using bio-metrics for taxpayer identification and providing online access to tax payer accounts.

The EPSU survey, therefore, asked to unions to indicate how far they agreed with a series of statements relating to tax authorities use of digitalisation covering:

· cutting costs;

· improving the service for users;

· reducing tax evasion and fraud;

· improving job quality for tax authority staff; and

· ensuring that all citizens continued to have access to help and support on tax issues.

The responses from the 22 unions in 19 countries indicated that that vast majority either agreed (14) or agreed strongly that digitalisation had been used to cut costs. Only the union OSSOO from the Czech Republic disagreed, while TUKOT Podkrepa from Bulgaria neither agreed nor disagreed.

On the issue of the service offered to users, opinions were more divided, with seven unions thinking it had not led to a better service and 12 thinking that the service had improved as a result of digitalisation. A further three neither agreed nor disagreed. It is noticeable that the UK and France, which were firmest in their view that the service had not been improved since digitalisation (and in other areas had a negative assessment of its impact), are both countries where staff numbers have been cut between 2012 and 2018, down to 11.1% in France and 11.8% in the UK.

The unions were also somewhat divided on the issue as to whether digitalisation was helpful in cutting tax evasion and fraud. The argument is that sophisticated analysis of large data sets can expose links and fraudulent activities that are not evident from standard assessments. Eight unions (from seven countries) agreed or agreed strongly that this was the case, although only one of these, ST in Sweden, agreed strongly. However, unions from six countries disagreed or disagreed strongly on the value of digitalisation in tackling evasion and fraud, with unions from Belgium, the Turkish Cypriot Community part, France, Germany and the UK disagreeing strongly. A further seven unions (from seven countries) neither agreed nor disagreed.

Unions were generally more positive on the impact that digitalisation had had on job quality, with 13 unions from 10 countries agreeing or strongly agreeing that it had had a positive impact, and only around half that number – six unions from six countries taking the opposite view. ST from Sweden was the only union to strongly agree with the proposition, while the unions from Denmark, France and the UK strongly disagreed.

However, the unions tended more to see digitalisation as a cost to users' access. In total, 16 unions from 14 countries agreed or strongly agreed that digitalisation had meant that some users find it more difficult to access help and support, with only four unions (from Bulgaria, the Czech Republic, Italy and Switzerland) disagreeing. The unions that agreed strongly that digitalisation had made access for some users more difficult were FOA (Denmark), UGT and USO (both Spain) and the PCS (UK).

The union APIT from Portugal set out clearly why it thought that digitalisation made access more difficult at least for some. It stated:

> "All the tax forms are now delivered electronically but Portugal is still a country with a lot of problems in digital knowledge (We cannot forget that we have an ageing population – more than 20% are over 65 years old, and that 26% of Portugal population never uses the internet – data provided by INE and Simplex). We don't have any doubt that this is the way of the future, but we have to find ways of not excluding an important part of our populations that lack IT knowledge."

The responses to the questions by country and union (where there are several unions from the same country) are set out in Table 5.

TABLE 5: Impact and uses of digitalisation

Statement	Disagree strongly	Disagree	Neither agree nor disagree	Agree	Agree strongly
Digitalisation has been used to cut costs		Czech Republic	Bulgaria	Austria Belgium CY (KTAMS) Estonia Finland Germany Italy Norway (FagForbundet) Portugal Spain (CCOO) Spain (UGT) Sweden (ST) Switzerland UK	CY (PASYDY) Denmark France Norway (YS) Spain (USO)
Totals		1	1	14	5
Digitalisation has resulted in a better service to users	France UK	Belgium CY (KTAMS) Denmark Germany Portugal	Czech Republic Finland Spain (UGT)	Armenia Austria Bulgaria Estonia Italy Norway (FagForbundet) Spain (CCOO) Spain (USO) Switzerland	CY (PASYDY) Norway (YS) Sweden (ST)
Totals	2	5	3	9	3
Digitalisation has helped to reduce tax evasion/fraud	Belgium CY (KTAMS) France Germany UK	Italy	CY (PASYDY) Czech Republic Denmark Finland Norway (YS) Spain (UGT) Spain (USO)	Austria Bulgaria CY (PASYDY) Estonia Norway (FagForbundet) Portugal Spain (CCOO)	Sweden (ST)
Totals	4	1	7	7	1
Digitalisation has improved job quality for tax authority staff	Denmark France UK	Belgium CY (KTAMS) Czech Republic Portugal	Austria Germany	Armenia Bulgaria CY (PASYDY) Estonia Finland Italy Norway (FagForbundet) Norway (YS) Spain (CCOO) Spain (UGT) Spain (USO) Switzerland	Sweden (ST)
Totals	3	4	2	12	1

Digitalisation has meant some users find it more difficult to access help and support		Bulgaria Czech Republic Italy Switzerland	Austria CY (PASYDY) Spain (CCOO)	Armenia Belgium CY (KTAMS) Estonia Finland France Germany Norway (FagForbundet) Norway (YS) Portugal Sweden (ST)	Denmark Spain (UGT) Spain (USO) UK
Totals		4	3	12	4

Dealing with taxpayers

The survey asked whether tax authorities had specialist departments for companies, large taxpayers and high net-worth individuals, and for two of these groups in most cases the answer was yes. In total, 15 of the 19 countries covered said that there was a special unit for companies and 12 said that such a unit existed for large taxpayers. However, only seven countries had a special department for high net-worth individuals (see Table 6).

TABLE 6: is there a special unit/department/office dealing with these groups?

Country	Companies	Large taxpayers	High net-worth individuals
Armenia	Yes	Yes	No
Austria	Yes	Yes	No
Belgium	Yes	Yes	Don't know
Bulgaria	Yes	Yes	Yes
Cyprus	Yes	Yes	No
Turkish Cypriot Community part	Yes	No	Yes
Czech Republic	Yes	Yes	Yes
Denmark	Yes	No	No
Estonia	No	No	No
Finland	Yes	No	No
France	Yes	No	No
Germany: Hessen	No	No	No
Italy	Yes	Yes	Yes
Norway	Yes	Yes	No
Portugal	No	Yes	Yes
Spain	Yes	Yes	Yes
Sweden	Yes	Yes	No
Switzerland	Don't know	Don't know	Don't know
UK	Yes	Yes	Yes

Six countries, Armenia, Germany, Italy, Portugal, Spain and the UK, said that there were examples of the tax authorities being criticised for failing to collect the correct amount of tax. Google was given as an example in the UK and Google, Apple, Amazon and some major electricity companies in Spain. In Portugal, as well as the gas and power company EDP, where the tax authority is in major court case over property taxes, the union referred to the situation of companies based in the island of Madeira, which has a tax environment similar to a tax haven.

The response from Armenia referred to the situation before the Velvet Revolution in May 2018, when "a lot of big companies, linked to high profile officials, as well as high-wealth individuals connected to politicians, and politicians themselves effectively managed tax avoidance and evasion schemes, mainly using corrupt internal agreements, nepotism and kleptocracy". This situation has now changed.

Asked about examples where powerful individuals, companies or other organisations appear to have exercised undue influence on the tax authority, unions from eight countries - Armenia, Denmark, Germany, Italy, Portugal, Spain, Switzerland and the UK and the Turkish Cypriot Community part – said that this had been the case. Most did not provide details, but the response from Armenia again mentioned the situation before the Velvet Revolution and the response from Portugal referred to Madeira. The Spanish response referred to CIMEX and the Swiss response to the influence of very rich individuals in some Cantons.

There were seven countries, Armenia, Denmark, Italy, Portugal, Spain, Sweden and the UK as well as the Turkish Cypriot Community part, where the tax authorities had been criticised for poor service and twelve, Armenia, Czech Republic, Denmark, Finland, Germany, Italy, Norway, Portugal, Spain, Sweden, Switzerland and the UK, where they had been praised for good service. The fact that some counties are in both lists reflects different aspects of their work – and the situation before and after the Velvet Revolution in Armenia.

Some tax authorities take the responsibility for tackling tax fraud very seriously, as the following example from Sweden shows.

Tackling fraud in Sweden

The Tax Agency is responsible for investigating and preventing economic crime in the tax area. In order to prevent tax evasion, there is a criminal sanction system, mainly regulated by the Tax Crimes Act (1971: 69). Legislation primarily addresses tax evasion related to larger amounts, where tax has either been deliberately evaded or has not been paid because of gross negligence. In order to carry out the assignment, there is a tax-breach unit (SBE) within the Tax Agency, which acts as an independent business area.

The Tax Crime Unit's activities are governed by the Act (1997: 1024) on the Tax Agency's participation in criminal investigations and more. According to this law, prosecutors may request assistance from the tax evasion unit in criminal investigations. The Tax Crimes Unit assists in investigations led by prosecutors at the Economic Crime Authority – ECO (Ekobrottsmyndigheten), a specialist authority in the public prosecution service, or the Public Prosecutor. The law also states that the tax-breach unit must act to prevent crime and has the right to undertake intelligence work.

The Tax Crime Unit handles more than approximately 1,300 investigations each year, primarily on behalf of prosecutors from the ECO or the Public Prosecutor. The investigations mainly concern tax and accounting violations, but the tax-breach unit can also investigate other offences if the prosecutor requests it. When a notification is submitted to the ECO, prosecutors will decide if a preliminary investigation is to be initiated or not. If assistance is requested by the tax-breach unit, the preliminary investigation of one or more investigators at the unit is conducted under the auspices of prosecutors. In major investigations, the investigators from the Tax Crime Unit often interact with investigators from the ECO.

The investigative measures taken in a criminal investigation consist mainly of the collection and analysis of information about the suspected crime, as well as an interrogation of suspects and witnesses. Taxpayer investigators may in some cases enforce the prosecutor's confiscation order. Tax investigators can also contribute when the police are conducting a search.

Once a case has been completed, the basis of the criminal investigation is reported to prosecutors who make a decision on the case.

The Tax Crime Unit also conducts intelligence activities. The purpose of intelligence is to collect, process and analyse information to disclose any crime committed or potentially committed. The analysis can be used to gain a better understanding of areas of concern, or to initiate concrete criminal investigations. By acquiring better knowledge of crime, the Tax Crime Unit is working to prevent crime and to detect criminal activity as early as possible.

Within the intelligence business, the Tax Crime Unit collaborates with, among other services, the Police Criminal Intelligence Service, the Financial Police, the Customs, the Ecobrot Authority and the Coast Guard.

The Tax Crime Unit belongs to the National Tax Agency's large business department but functions as an independent business area. This means that, amongst other things, there is a confidentiality check between the unit and other parts of the Swedish Tax Agency. There are approximately 200 taxpayer investigators within the Swedish Tax Agency, located in Umeå, Sundsvall, Uppsala, Örebro, Stockholm, Linköping, Gothenburg and Malmö.

In most tax fraud investigations, the legal difficulties lie primarily in the tax area. Therefore, for the processing stage, a specialist competence in tax matters is required. Most of the investigators at the tax evasion unit have this specialist competence and have also undergone special education and training courses regarding criminal law and investigation methodology. Many investigators have previously worked as tax attorneys or tax lawyers, but there are also a number of investigators from services such as the Police, Customs and Kronofogden with other specialist skills needed in the investigation.

Pay and conditions

As well as asking about employment and the operation of tax authorities, the EPSU survey also asked about the pay and conditions of those working in tax authorities. This is an important issue not just for those employees directly concerned. It also affects the performance of tax authorities and in turn the whole society. This is because tax authorities will be unable to operate effectively if they are unable to recruit the staff they need due to uncompetitive pay and conditions.

Setting pay

The questionnaire first asked how pay and conditions were set, whether by state regulation, collective bargaining or a combination of both.

The biggest group, accounting for nine of the 19 countries responding, stated that pay and conditions were determined by state regulation, with additions linked to the provision of additional services in Armenia and negotiated conditions in the Czech Republic. The next largest group, made up of nine states, said that pay and conditions were determined by a mixture of collective bargaining and state regulation, although precisely what this means varies from state to state. In Germany for example, the pay and conditions of tax staff with a normal employment contract is set by collective bargaining, while for civil servants (Beamte) it is set by regulation. In the UK where there are no employees with a special employment status, the impact of state regulation comes through government decisions on pay levels. There are only two countries, Italy and Sweden, where pay and conditions are purely set by collective bargaining.

In the vast majority of countries, pay and conditions are not set separately for tax authorities. The exceptions are Bulgaria, Finland and Spain (although only two of the three Spanish replies thought this was the case). In six countries, Armenia, Austria, Cyprus, Denmark, Estonia and Portugal, as well as in the Turkish Cypriot Community part, pay and conditions were determined uniformly across the whole public sector (although with some minor changes for tax authorities). In eight countries, Belgium, the Czech Republic, Germany, Italy, Norway, Sweden, Switzerland and the UK, the tax authorities were included in a grouping covering part of public services – and typically other government ministries. In Germany however, where tax authorities are at regional (Länder) level, it is the regional settlements which are crucial, and Hesse, the region which provided the response, negotiates separately from other regions.

TABLE 7: How pay and conditions are set

State regulation	Mixture of state regulation and collective bargaining	Collective bargaining
Armenia (although there is some additional funding from non-government sources, which boosts pay)	Bulgaria	Italy
Austria	Cyprus	Sweden
Belgium	Denmark	
Turkish Cypriot Community part	Finland	
Czech Republic (but conditions negotiated)	Germany	
Estonia	Norway	
France	Spain	
Portugal	UK	
Switzerland		
9	**8**	**2**

Impact of austerity

However pay is set, the majority of those responding to the survey (14 countries out of 19) thought that in the last 10 years it had been affected negatively by government policies to control/reduce public spending. Only in five countries, Austria, Belgium, Norway, Sweden and Switzerland, did the respondents feel that this had not been the case.

Pay has been cut or held down in various ways, most commonly by cutting specific pay elements such as bonuses, supplements or additional monthly payments (13^{th} or 14^{th} month). This was reported in eight countries. This is followed by pay freezes, reported from seven countries, and pay increasing by less than in other parts of the economy reported in six countries. There are also four countries, Cyprus, the Czech Republic, Portugal and Spain, which report that basic pay was cut at some point in the last 10 years. (Pay was also cut in Greece and Ireland, whose unions did not reply to the survey.) The lists of countries are set out in Table 8.

TABLE 8: **Methods to hold down pay in tax authorities over the previous 10 years**

Basic pay cut	Other pay elements cut	Pay frozen	Pay increases less than elsewhere
Cyprus	Bulgaria	Turkish Cypriot Community part	Bulgaria
Czech Republic	Cyprus	Estonia	Turkish Cypriot Community part
Portugal	Turkish Cypriot Community part	France	Denmark
Spain	Denmark	Germany	Germany
	Estonia	Italy	Spain
	Finland	Spain	UK
	Portugal	UK	
	Spain		
4	8	7	6

The survey also asked whether pay restraint was continuing and responses from nine countries – Bulgaria, Cyprus, Denmark, Finland, France, Germany, Italy, Spain (although one union responding thought that austerity had not ceased to have an impact in 2017), the UK and the Turkish Cypriot Community part – indicated that it was.

In the Czech Republic and Estonia, the unions stated that pay restraint had ended several years ago (2013 in the Czech Republic and 2012 in Estonia). But in Portugal things had only changed in 2018 and the previous position on pay is only expected to be fully restored this year.

The responses indicated that conditions had also been affected by austerity in the last 10 years, with 14 countries stating that this was the case. The five countries where the unions indicated this was not the case were: Austria, Belgium, Estonia, Sweden and Switzerland. (One Norwegian union thought that conditions had been affected by austerity but the other one did not.)

TABLE 9: **Impact of austerity on conditions over the previous 10 years**

Country	Union	Impact on conditions
Armenia	USLGPSE	500 employees fired because of austerity
Bulgaria	TUKOT Podkrepa	Change with political change
Cyprus	PASYDY	Cuts in staff led to fewer controls
Turkish Cypriot Community part	KTAMS	
Czech Republic	OSSOO	Yes, and not only in salaries but also in operating expenses; Governmental measures and change of legislative measures (amendments of laws), frequent legislative changes and tax illiteracy of civil society
Denmark	FOA	The main tax authority has during the last 10 years been drastically reducing the staff. This does not only mean hard, intense work, but also public scandals with bad taxation, and this has given the employees a bad reputation in the public, which has been very stressful.
Finland	Pardia/VERO-ATK	Holiday pay cut 2016-2019, no longer have personal offices, now in open plan offices, working time 6 min/day longer without any extra pay.
France	CGT Finances	Continued fall in employees
Germany: Hessen	Ver.di	Constant cuts in personnel with increasing workload
Italy	FP CGIL	Cuts in staff, closure of offices, non-replacement of those retiring
Norway	YS Stat	Fewer employees means more work
Portugal	APIT	Working conditions getting worse
Spain	FSC CCOO	Removal of social support, loss of holiday and time off for one's own affairs, reduction of resources dedicated to training and preparation for promotion
Spain	FeSP-UGT	Attack on sick pay
UK	PCS	Demoralisation from job cuts downgrading of work and undervaluing of expertise

The responses indicate that the main way that conditions were affected by austerity was through cuts in staff, making the job more stressful for those remaining as Table 9 shows.

Only in Armenia did the union consider that the attack on conditions had terminated, although it feared it might restart.

Conclusion

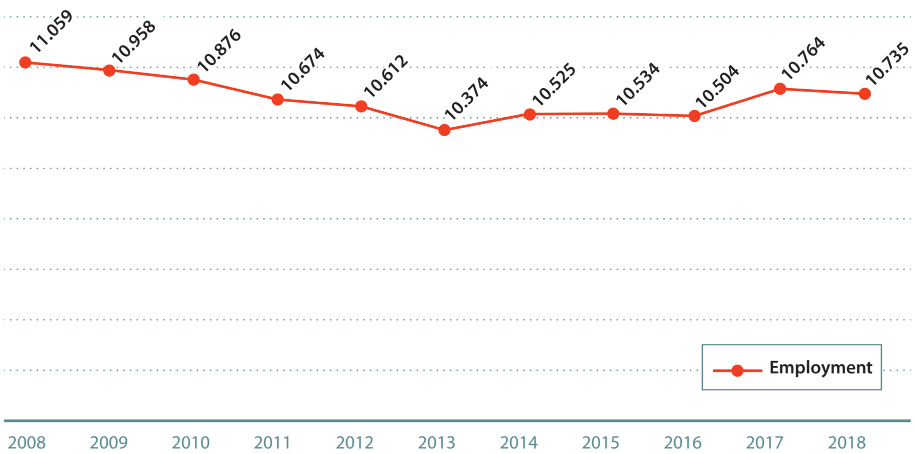
The period 2008 to 2018 has seen the loss of almost 100,000 jobs in tax authorities in Europe, around one in seven of the total number of employees.

The largest annual declines were towards the start of the period, in 2010 and 2011. However, whilst the decrease has been less pronounced in the years that have followed, it has certainly not stopped. Pay and conditions are no longer under the same direct attack that they were in the years immediately after the financial crisis. New EU mechanisms to tackle some areas of tax avoidance by the rich and powerful have begun to be introduced. However, the situation is very far from perfect, with large amounts of tax revenue still being lost. The experience of Denmark indicates that cutting staff and relying on technology to fill the gap is potentially a recipe for disaster, while elsewhere, failures to recruit have left tax authorities with clear skills gaps.

There are signs that some countries have started to recognise these issues and begin recruiting again. There is no question that the challenges facing the tax authorities have grown and continue to grow. These challenges need people to tackle them, especially in view of recent EU requirements to exchange tax information between tax administrations.

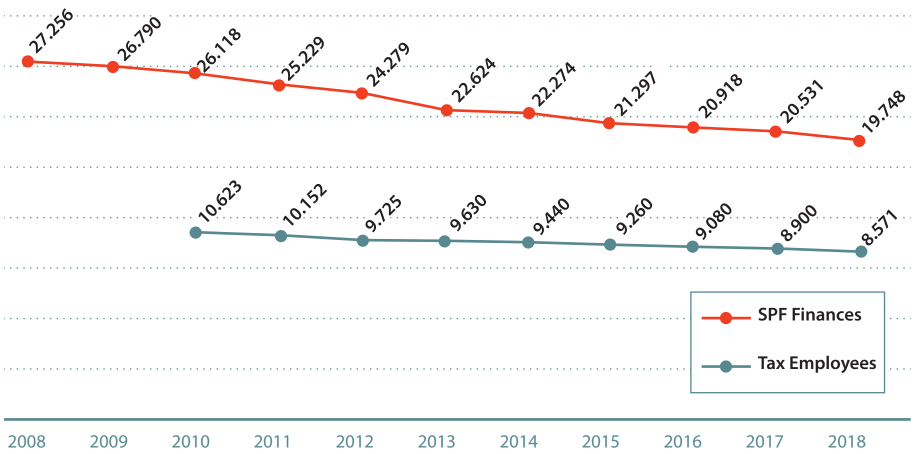
ANNEX A: Employment in tax authorities: the national figures

AUSTRIA



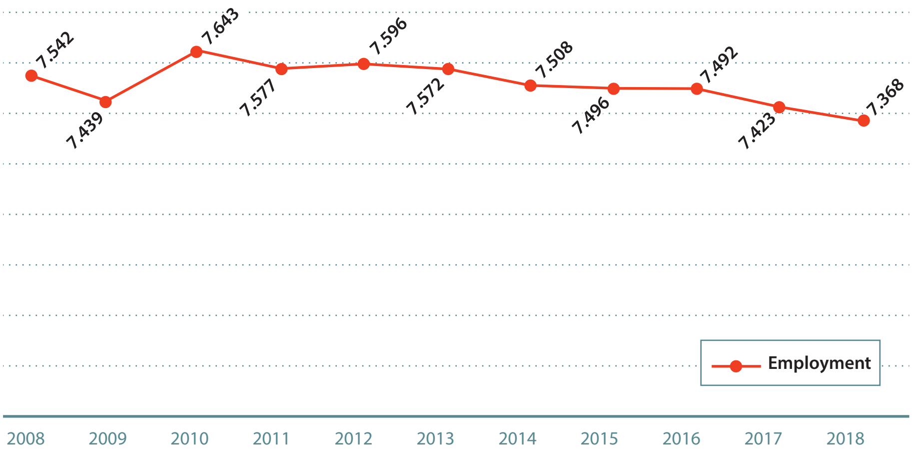
Finance Ministry (Bundesministerium für Finanzen)

BELGIUM



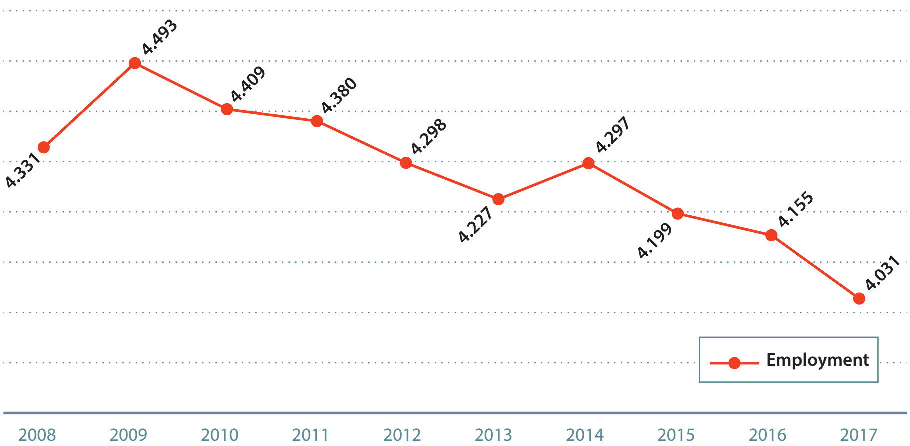
SPF Finances

BULGARIA



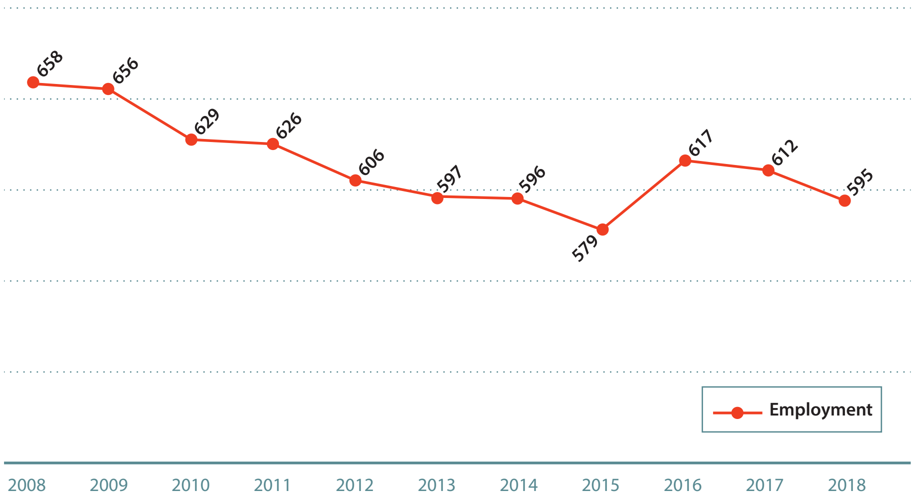
National Revenue Agency

CROATIA



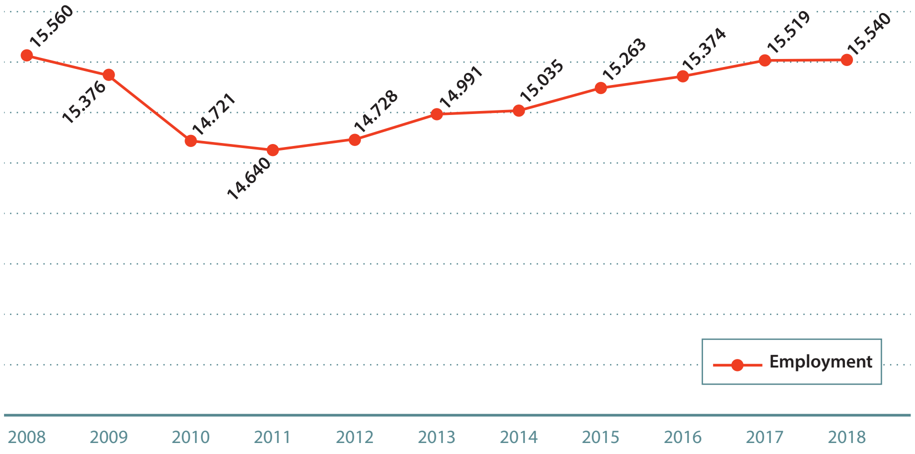
Croatian tax authority

CYPRUS



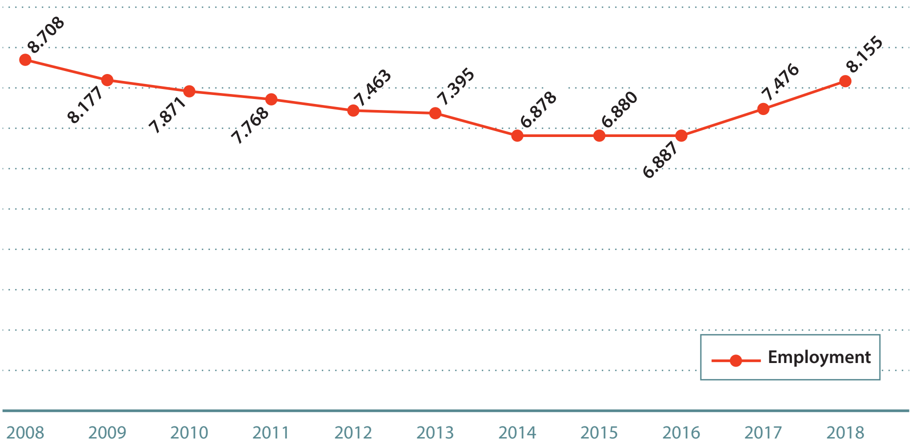
Cyprus Tax Department

CZECH REPUBLIC



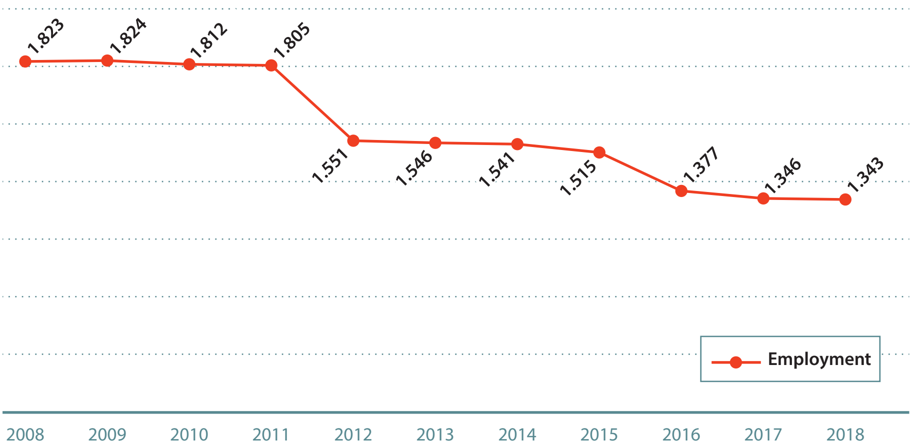
Finanční správa CR

DENMARK



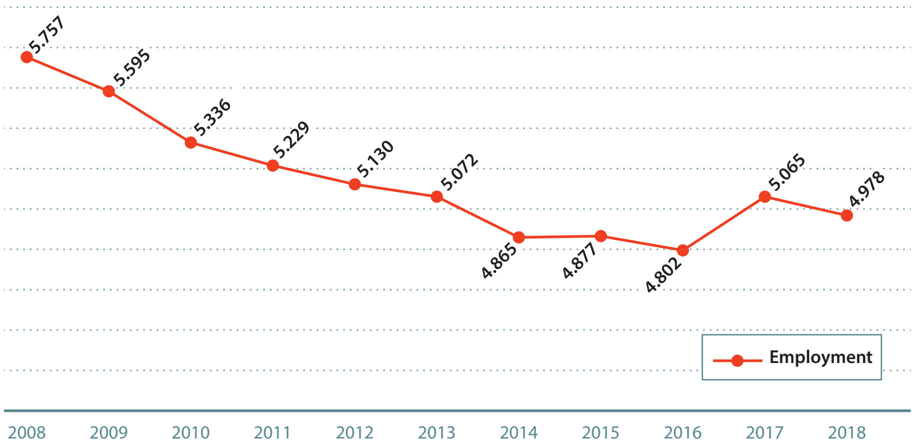
Ministry of Taxation (Skatteministeriet). Figures for 2013 and 2014 taken from Finance Law 2014; figure for 2015 estimated.

ESTONIA



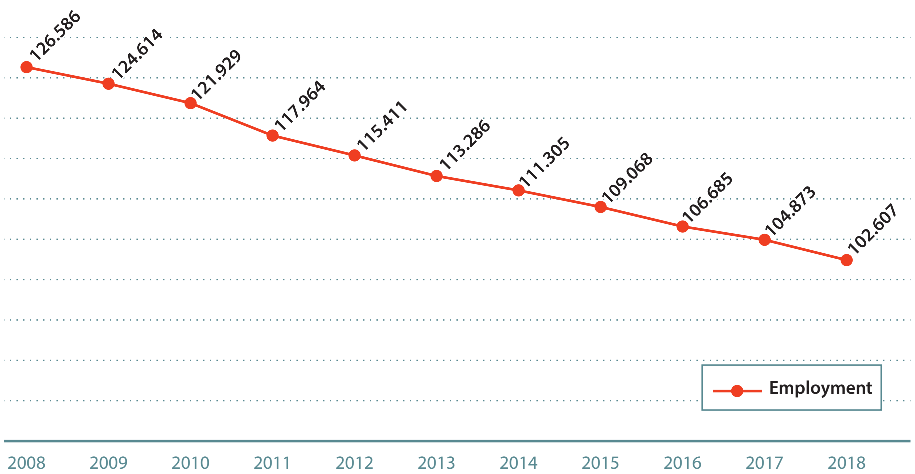
Tax and Customs Board (Maksu- ja tolliamet)

FINLAND



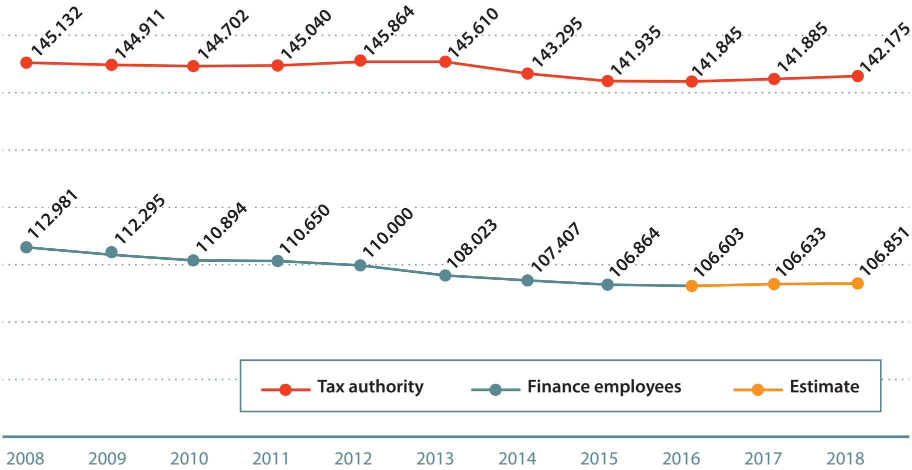
Tax Administration (VERO)

FRANCE



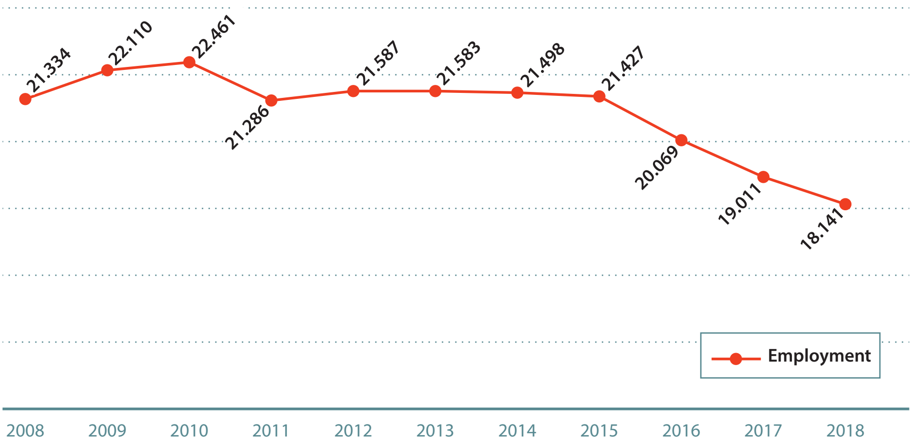
DGFIP

GERMANY



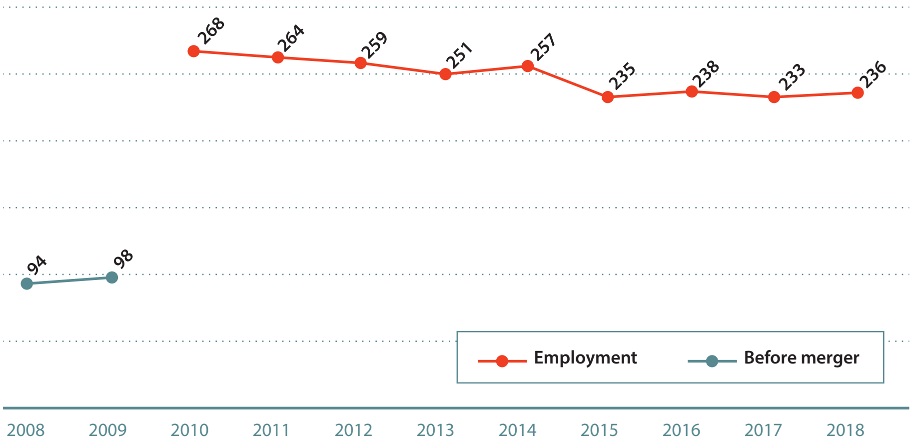
Tax staff (Personal der Steuerverwaltung). Information before 2013 is not available in the same form and 2016 is the latest year for which data published; figures for 2017 and 2018 are estimated based on employment in financial administration in the regions (Ländern).

HUNGARY



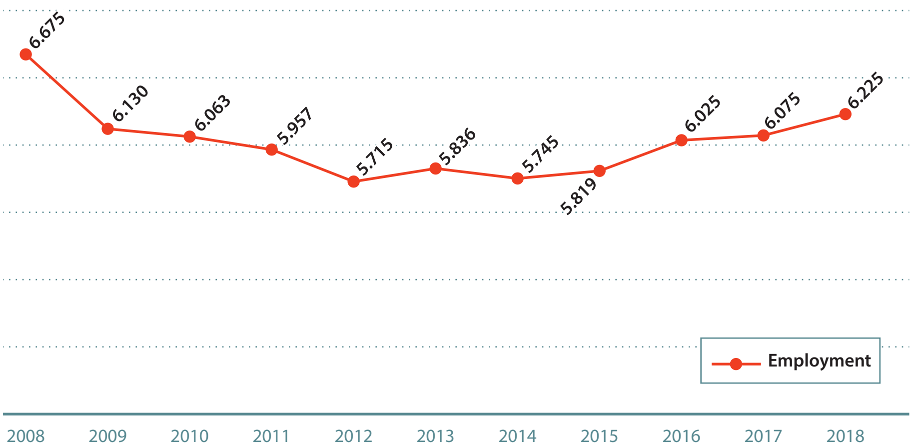
NAV

ICELAND



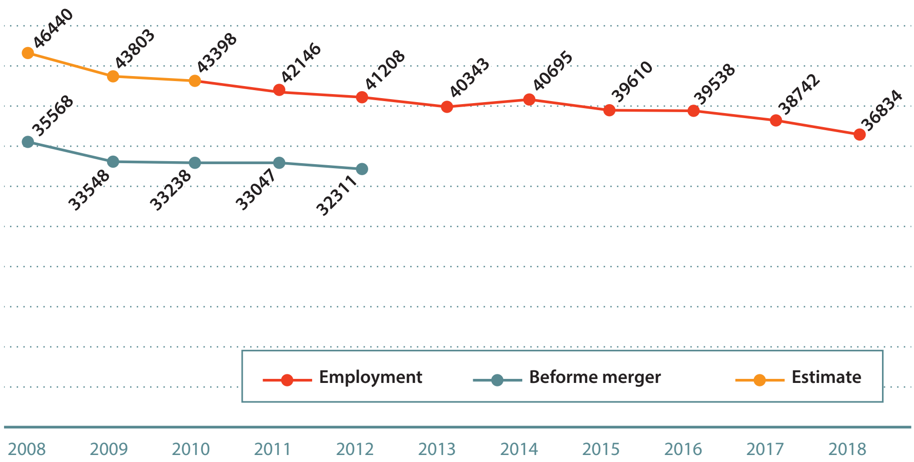
RSK. New structure from 2010 onward.

IRELAND



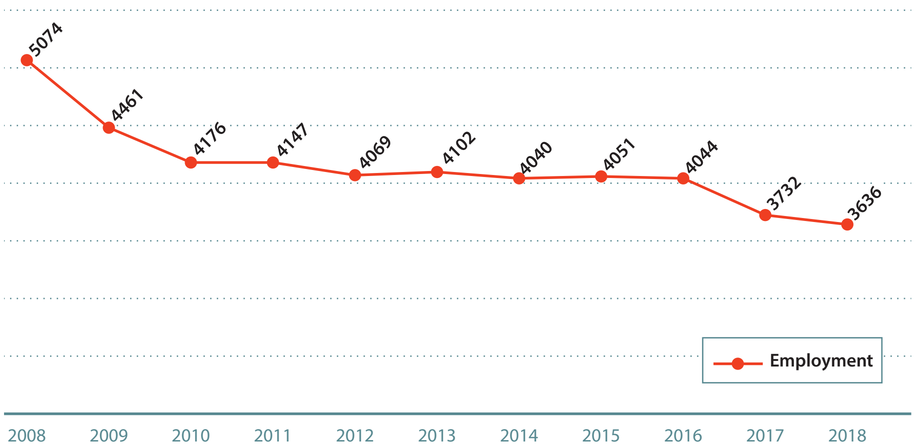
Revenue Commissioners

ITALY



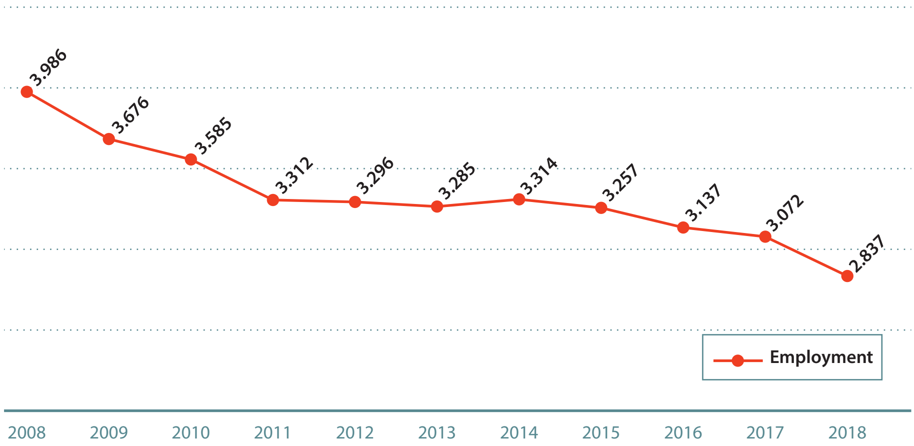
Agenzia delle Entrate. Merged with Agenzia del Territorio in 2012 (included in figures from 2010); figures for 2008 and 2009 are estimates based on Agenzia delle Entrate only.

LATVIA



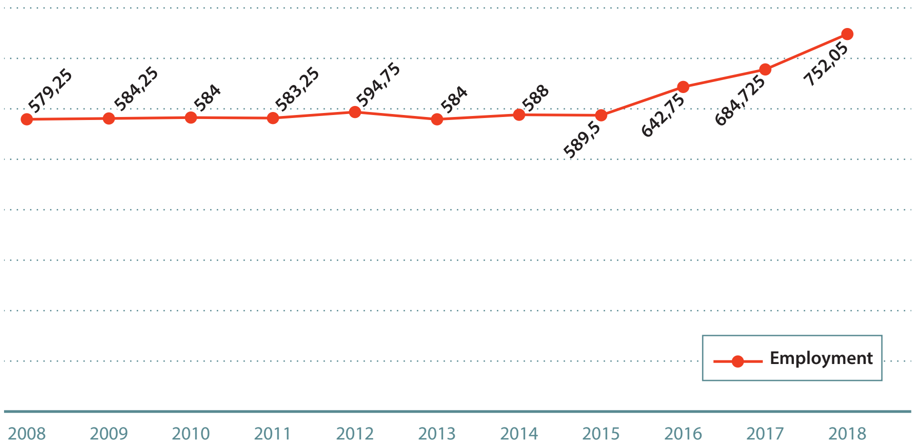
Latvian State Revenue Service (VID)

LITHUANIA



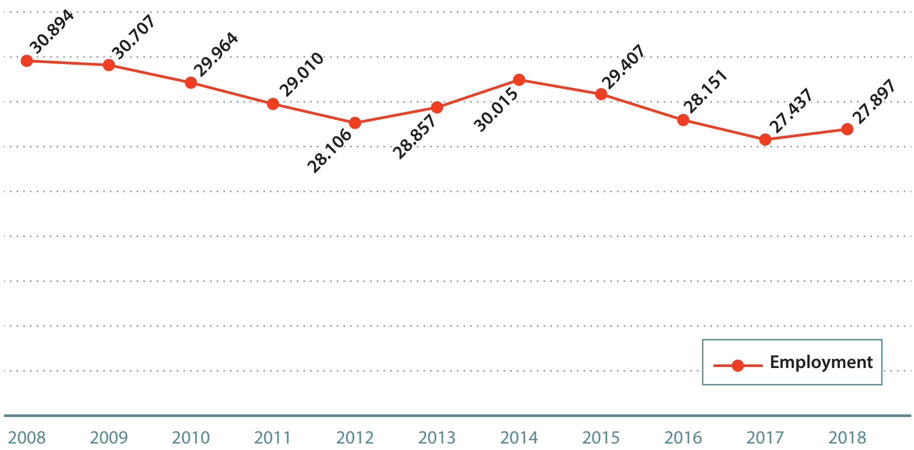
Lithuanian State Tax Inspectorate (VMI)

LUXEMBOURG



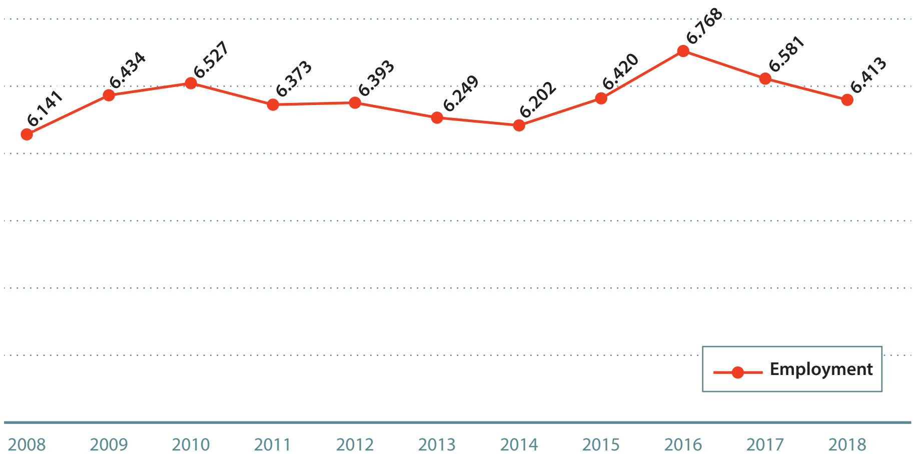
Administration des contributions directes (ACD)

NETHERLANDS



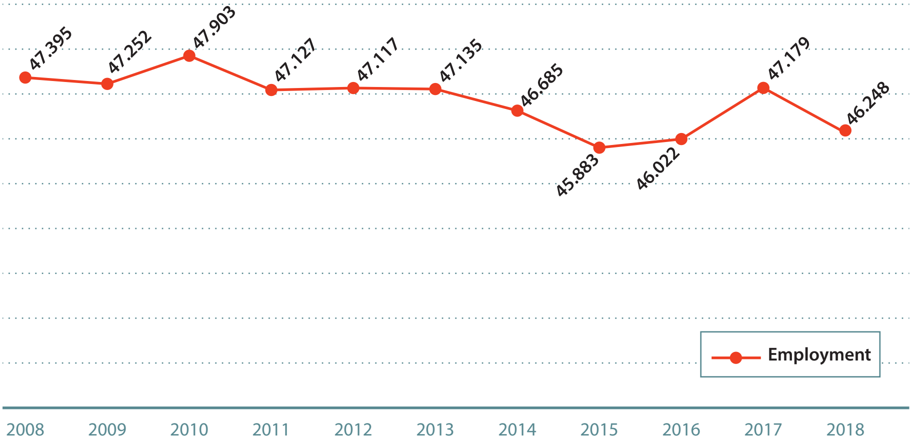
Tax Service (Belastingsdienst)

NORWAY



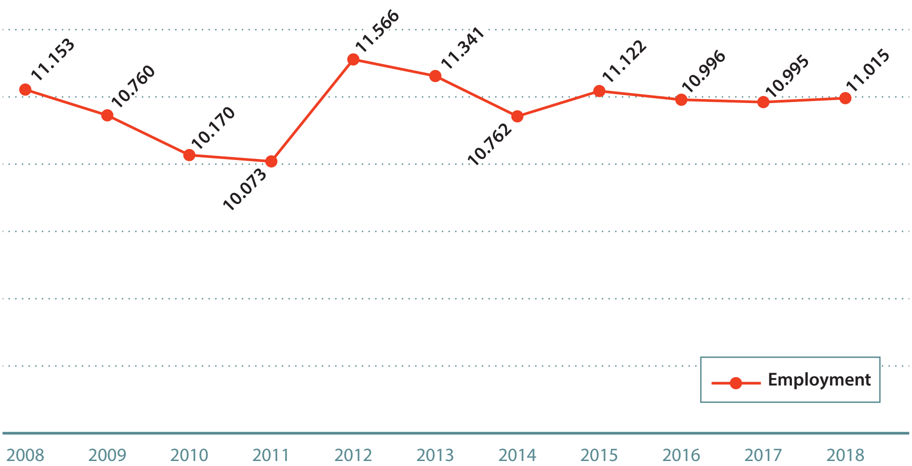
Skatteetaten

POLAND



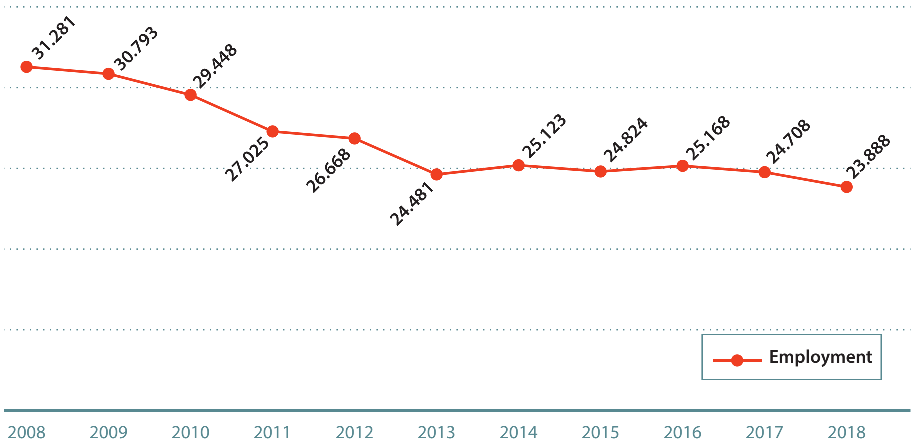
National Tax Administration KAS. In 2017 and 2018 the figure for the National Tax Administration included customs (758 in 2016).

PORTUGAL



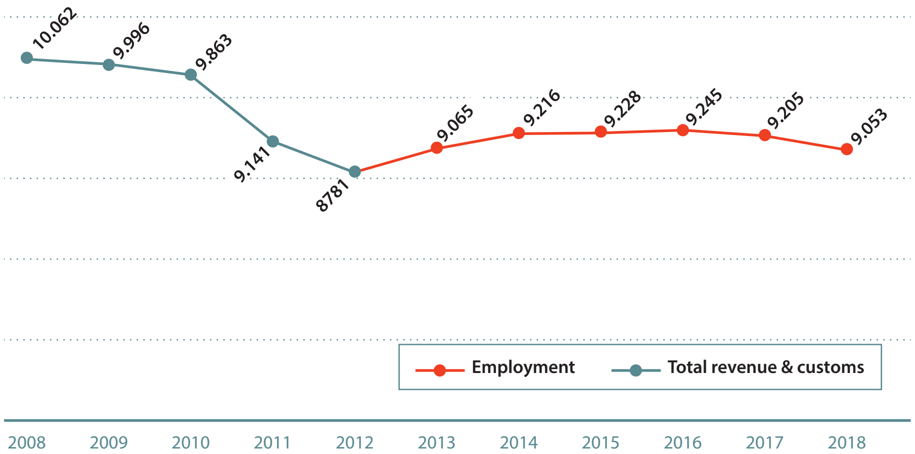
Autoridade Tributária e Aduaneira

ROMANIA



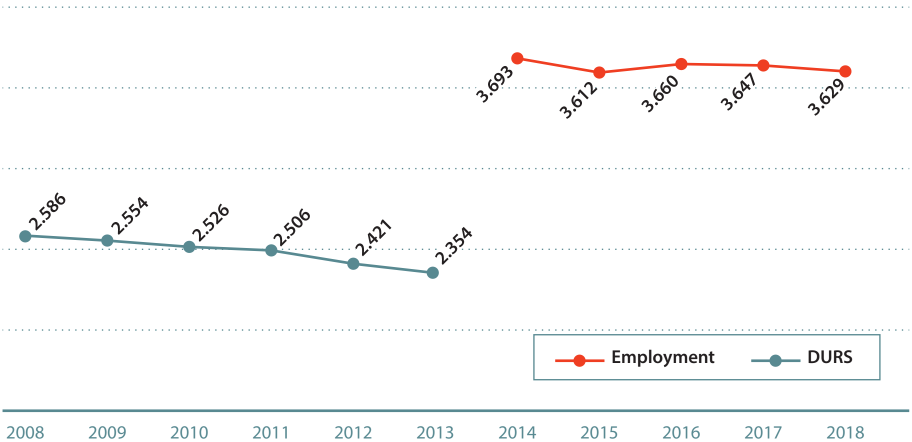
ANAF

SLOVAKIA



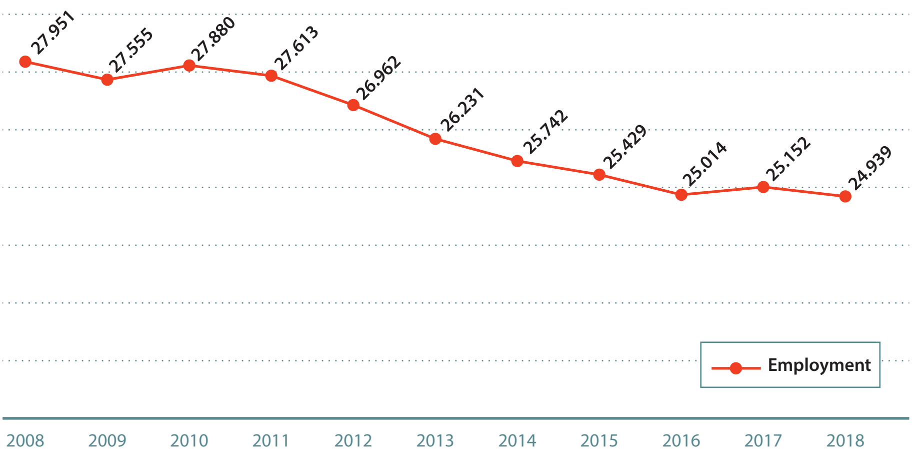
Daňové Riaditeľstvo Slovenskej Republiky. Created in 2012 with the merger of customs and tax authorities; figures for 2008 to 2011 are total of employment in both bodies.

SLOVENIA



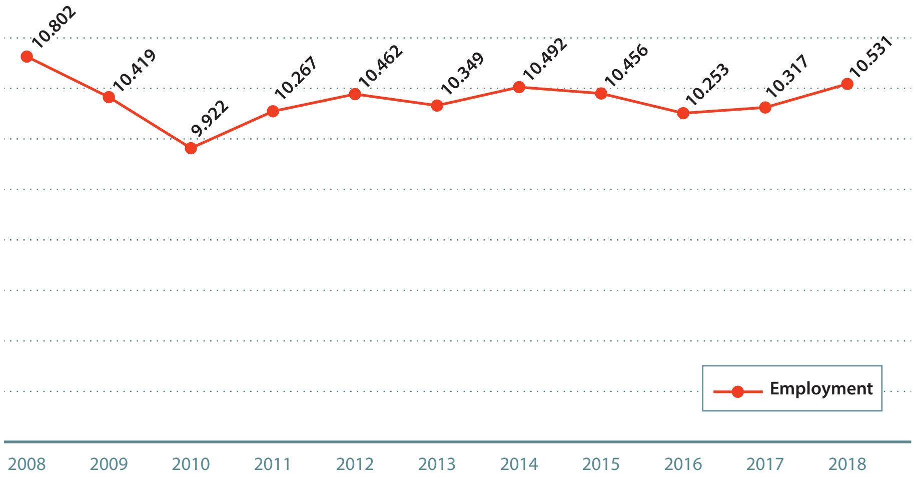
Finančna Uprava Republike Slovenije. Created in 2014 with the merger of the customs and tax administrations; figures from 2008 to 2013 in Table 3 are estimates based on employment in tax authority (DURS).

SPAIN



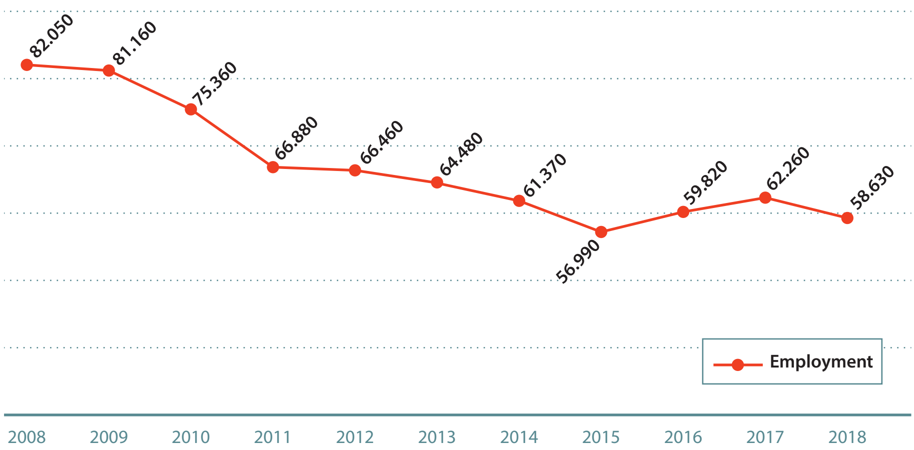
Agencia Tributaria

SWEDEN



Skatteverket

UNITED KINGDOM



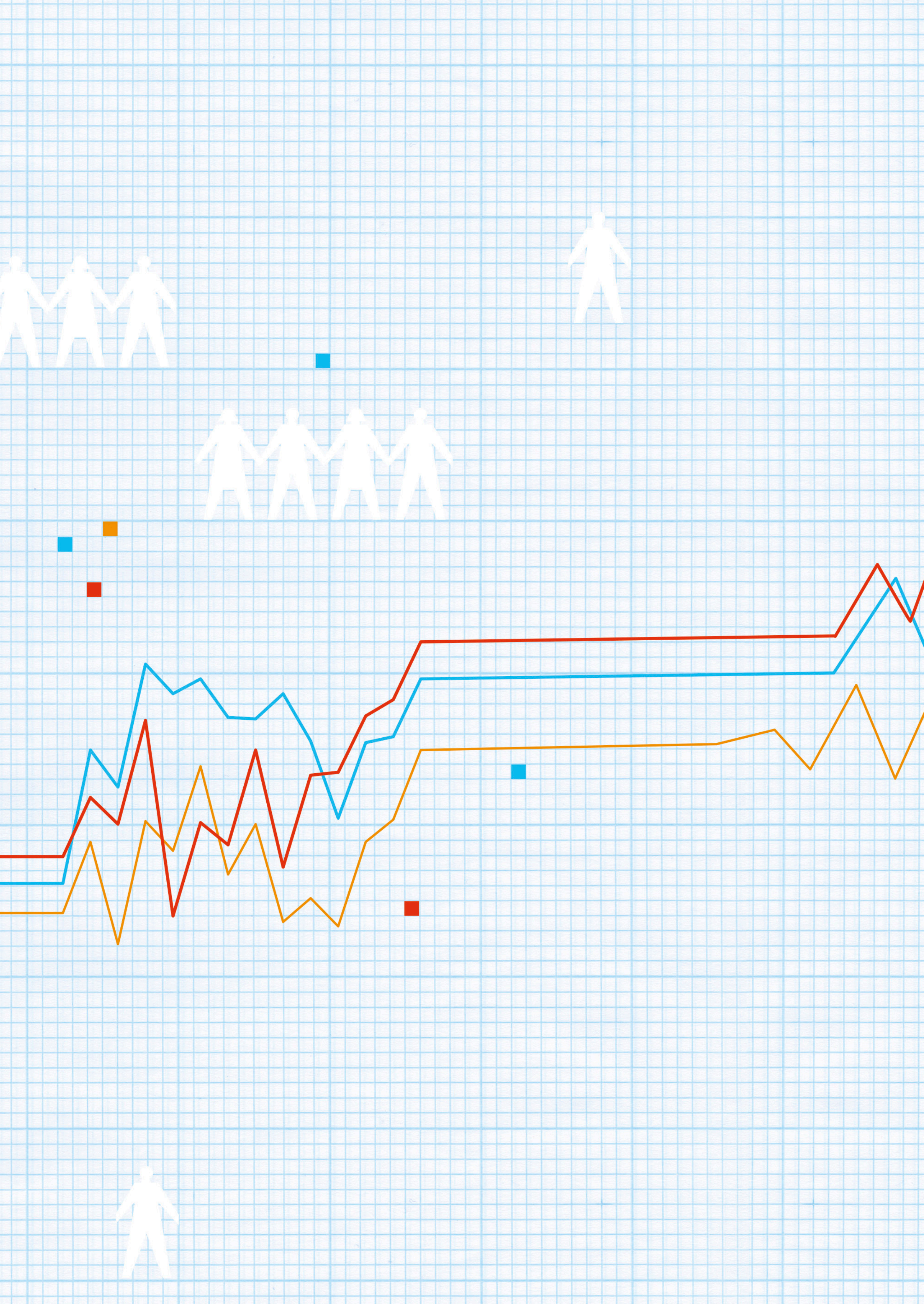
HM Revenue and Customs

SOURCES

COUNTRY	SOURCE	WEBLINK
AUSTRIA	Personal des Bundes Daten und Fakten and Bundesministerium press office	https://www.oeffentlicherdienst.gv.at/fakten/PJB_2018_BF.pdf.pdf?6wd8o1
BELGIUM	EPSU survey and SPF Stratégie et Appui	https://infocenter.belgium.be/fr/statistiques/spf-finances/emploi/effectifs
BULGARIA	ЗА ДЕЙНОСТТА НА НАЦИОНАЛНА АГЕНЦИЯ ЗА ПРИХОДИТЕ	https://nap.bg/page?id=100&textMode=0&sId209cP=1
CROATIA	IOTA 2008 to 2012; OECD 2013 to 2017. Although the figures come from two sources, they appear to be consistent. There are no OECD figures before 2013.	
CYPRUS	EPSU Survey	
CZECH REPUBLIC	Zprávy o činnosti finanční a celní správy	https://www.mfcr.cz/cs/verejny-sektor/dane/danove-a-celni-statistiky/zpravy-o-cinnosti-financni-a-celni-sprav
DENMARK	SKAT	2009-2012: Årsrapport 2011 and 2012Skatteministeriet; 2013-14: Finanslov for finansaret 2014 2016-2018: Parliamentary Answer 4. October 2018
ESTONIA	EPSU Survey and press office	
FINLAND	VERO Annual Reports	https://www.vero.fi/en/About-us/finnish-tax-administration/year-2019/figures/
FRANCE	DGFIP	https://www.economie.gouv.fr/dgfip/rapports-dactivite-dgfip

COUNTRY	SOURCE	WEBLINK
GERMANY	Das Personal der Steuerverwaltung and Personal des öffentlichen Dienstes - Fachserie 14 Reihe 6	https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/2018-03-16-die-steuerverwaltung-in-deutschland.html
HUNGARY	NAV Press Office	https://nav.gov.hu/nav/kozerdeku_adatok/altalanos_kozzeteteli_lista/3_3_mukodes/a_foglalkoztatottak/nav_foglalkoztatottak.html
IRELAND	Public Service Numbers Databank	https://www.gov.ie/en/service/department-of-public-expenditure-databank/
ITALY	Agenzia delle Entrate: annual reports	https://www.agenziaentrate.gov.it/portale/Agenzia/Amministrazi-one+trasparente/Performance+new/Relazione+sulla+Performance/?page=am-ministrazionetrasparente
LATVIA	VID Annual reports	https://www.vid.gov.lv/en/annual-reports
LITHUANIA	VMI Press Office	
LUXEMBOURG	Administration des contributions directes (ACD) Rapports d'activité	https://impotsdirects.public.lu/fr/profil/rapports.html
NETHERLANDS	Belastingsdienst Website to 2015 and half year reports	https://over-ons.belastingdienst.nl/feiten-en-cijfers/
POLAND	Zatrudnienie przeciętne według kategorii urzędów	https://dsc.kprm.gov.pl/sites/default/files/zal_1_zatrudnienie_w_sluzbie_cywilnej_w_2018_r.pdf
PORTUGAL	Report on Activities (Relatório de Atividades)	http://info.portaldasfinancas.gov.pt/pt/at/Instrumentos_Gestao/Relatorio_atividades/Pages/default.aspx

COUNTRY	SOURCE	WEBLINK
ROMANIA	ANAF press office	
SLOVAKIA	Daňové riaditeľstvo Slovenskej republiky	https://www.financnasprava.sk/sk/financna-sprava/vyrocne-spravy
SLOVENIA	Letno Poročilo Finančne Uprave Republike Slovenije	https://www.gov.si/drzavni-organi/organi-v-sestavi/financna-uprava-republike-slovenije/o-upravi/
SPAIN	Memorias de la Agencia Tributaria	https://www.agenciatributaria.es/AEAT.internet/Inicio/La_Agencia_Tributaria/Memorias_y_estadisticas_tributarias/Memorias/Memorias.shtml
SWEDEN	Skatteverket press office	
UNITED KINGDOM	Civil Service Statistics	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/datasets/civilservicestatistics



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