eJournal of Tax Research

Volume 14, Number 2 November 2016
(Special Edition: Atax 12th International Tax Administration Conference)

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1. INTRODUCTION

Comparative analysis of different countries has evolved in recent decades and plays a vital role since it may increase understanding of which systems

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3. THE DEFINITION OF TAX COMPLEXITY OR SIMPLIFICATION

Although tax complexity is a much debated topic, defining or measuring what is meant by complexity is difficult and a serious barrier to tax simplification.[14] To arrive at a definition of 'complexity' is not an easy task. Most scholars do not define tax complexity but they have listed and categorised some characteristics that contribute to complexity. For instance, Slemrod lists four main dimensions of tax complexity: enforceability, predictability, difficulty and manipulability. He also provides a description of tax complexity as the sum of compliance costs or the total resource cost and administrative costs incurred in complying with the system's requirements. Thlty (f)11.9 chlty (ft.7(ta)1.554 0 Td [(H)3.6 (e)0.8Se3 (d [(hlty (flahlty (ft3 (ta)

complexity index,[43] and contributions such as Tran-Nam and Evans' combination of the axiomatic and statistical approaches[44], and Borrego, Loo, Lopes and Ferreira's General Tax Complexity Index [45] related to the measurement of complexity in specific countries and around the world. These valuable studies have made important progress in improving methods of calculating complexity in order to make comparative analyses but much remains to be done.

4.1 The Progressive Policy Institute (PPI)

In 2010, the US President's Economic Recovery Advisory Board Report noted that the level of tax system complexity is very high. This complexity generates substantial costs for affected taxpayers and represents both time and money that taxpayers spend every year to prepare and file their taxes. It was estimated that taxpayers spend 7.6 billion hours and incur substantial expenses in meeting their federal income tax filing obligations. These costs are approximately equal to one percent of GDP yearly (or about $140 billion in 2008). These taxpayers' costs are also estimated at more than 12 times the IRS budget.[46]

The Progressive Policy Institute (PPI) reported a study ranking the tax systems of all 50 US states plus the District of Columbia (the State Tax Complexity Index)**.** The index calculates tax complexity with regard to the number of tax expenditures in the tax code for each state revenue system. In other words, PPI has prepared an index of tax complexity based on the number of tax expenditures offered by each state. Several states do not provide complete reports on tax expenditure data. These non-transparent states received the highest ranking in the survey because producing a thorough list of tax expenditures is a key first stage in reducing complexity. Several relevant conclusions were drawn from the data summarised in Table 1 below:

1. All tax systems suffer from too much complexity
2. The type of tax structure does not define the level of complexity. Complex tax systems exist in states with progressive income taxes, states with a flat rate income tax, as well as states with no income tax. Tax complexity is everywhere in the US
3. Decreasing tax complexity through removing tax expenditures can finance lower tax rates and rise fairness because their benefits commonly go to higher income individuals and businesses.[47]

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[42] PricewaterhouseCoopers International Limited, *Paying Taxes 2013* ((2013) <http://www.pwc.com/gx/en/paying-taxes/assets/pwc-paying-taxes-2013-full-report.pdf>.

[43] Jones et al., above n 29.

[44] Binh Tran-Nam and Chris Evans, 'Towards the Development of a Tax System Complexity Index' (2014) 35(3) *Fiscal Studies* 341–70.

[45] Ana Borrego, Ern Chen Loo, Cidália Lopes and Carlos Ferreira, 'Tax Professionals' Perception of Tax System Complexity: Some Preliminary Empirical Evidence From Portugal'(2015) 13(1*) eJournal of Tax Research* 338–60.

[46] President's Economic Recovery Advisory Board, '*The Report on Tax Reform Options: Simplification, Compliance and Corporate Taxation*' (27 August 2010) <https://www.whitehouse.gov/sites/default/files/microsites/PERAB_Tax_Reform_Report.pdf>.

[47] Weinstein, above n 41.

Table 1: State Tax System Complexity Index: Complexity as measured by tax expenditures

State	Range of Tax Expenditures	Rank	State	Range of Tax Expenditures	Rank
Alabama	N/A	1	Rhode Island	200 to 250	24
Florida	N/A	1	Texas	200 to 250	24
Indiana	N/A	1	Colorado	150 to 200	29
Nevada	N/A	1	Connecticut	150 to 200	29
New Hampshire	N/A	1	Michigan	150 to 200	29
South Dakota	N/A	1	Missouri	150 to 200	29
Wyoming	N/A	1	North Dakota	150 to 200	29
Washington	550 to 600	8	South Carolina	150 to 200	29
Louisiana	450 to 500	9	Vermont	150 to 200	29
Oklahoma	450 to 500	9	Virginia	150 to 200	29
Arizona	400 to 450	11	California	100 to 150	37
New York	400 to 450	11	Hawaii	100 to 150	37

On the basis of these findings there does not seem to be a significant link between the level of tax expenditures, the tax structure, and complexity. Stat80 wTS Catt o(t)-4.6 0.017 Tw 1.42

This ranking has been criticised by Tran-Nam and Evans.[52] Even though the PwC Paying Taxes ranking ensures an appropriate method for the international comparison, its usefulness as an index of overall tax complexity appears to be limited for a number of reasons as follows:

1. The indicator of the total tax rate is calculated as a tax burden instead of tax complexity. Although there is a tendency to relate total tax rate to tax planning by businesses, PwC has not considered this argument.

2. The PwC Paying Taxes ranking is restrictive since it has mainly focused on medium-sized companies, in spite of the fact that most businesses worldwide are small businesses.

3. The report does not adequately explain the methodology used for combining the three indicators. In the meantime, it is unclear how the three indicators are utilised in order to get the final ranking.

4. The compliance time with tax regulations and number of payments are not sufficient to include the total burden of tax compliance. An important omission is external tax advisers' costs.

5. The other matter of concern is the statistical availability

The aggregation formula is much simpler and a multiplication factor is included to extend the index to give scores between 1 and 10:

$$[(Y^1 + Z^1 + \ldots n^1)/4]*10$$

where '$n^{1'}$ represents a normalised indicator, a score of 10 means the most complex tax possible and a score of 0 the least complex. As mentioned above, the OTS Complexity Index is made up of two main complexity indexes. One is the Underlying Complexity Index, which contains policy complexity, legislative complexity, and operational complexity. The other is the Resource Id e

They have contributed to the complexity literature and mainly focused on the construction of a tax complexity of a specific country at a particular time. Moreover, it has to be said that it was over-ambitious to put together a single index number for the entirety of a tax system. Their approach was based upon a combination of the test and statistical approaches in index number theory. The proposed index possesses certain desirable properties, which limit the functional form of the index formula. The statistical method was also utilised in a manner that the index formula was derived as a measure of central tendency.

Evans and Tran-Nam have considered two indexes, one devoted to business taxpayers and the other for personal taxpayers. A combination of the test and statistical method was considered to be the most appropriate approach. However, the index designed was not [illegible]

not been separated out between different taxes but it is noticeable that, as might be expected, the aggregate impact of VAT/GST is usually lower than for income tax.

Taking the Underlying Complexity Index together with the Resource Impact Index, Turkey has the lowest score for the former and the highest for the latter. There are also significant differences for the other three countries with the Underlying Complexity Index though they are much closer together regarding the Resource Impact

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administration costs per 100 units of net revenue collection' comes from

heart of this process which inevitably encourages progress and brings considerable benefit to the wider public. It is obvious that there is a need for fundamental changes in tax simplification culture.

7. ANNEX

Table 6: The UK Data (2014)

Table 9: Standardised Indicators for Turkey

Taxes	Underlying Complexity Index			Resource Impact Index	
	Policy Complexity		Legislative Complexity	Average resource cost	Aggregate impact
	Numbers of exemptions plus the	*Changes to legislation (since 2000)*	*The Gunning-Fog*		

In this step, the aggregation formula $(Y^1 + Z^1 + \ldots n^1)/4)*10$ is applied to give each tax a score between 1 and 10.

Table 11: Indexes for Australia

		Income Tax	GST	Total Underlying Complexity
1- Numbers of exemptions plus the number of reliefs 2- The number of Finance Acts with changes to the area (since 2000)	**Policy Complexity**	*2.9*	*2.61*	**8.74**
3- The Gunning-Fog Readability Index 4- Number of pages of legislation	**Legislative Complexity**	*3.07*	*4.53*	
Underlying Complexity Index		*5.97*	*7.14*	**Total Impact of Complexity**
5- Administration costs for tax administration/net revenue collected	**Average resource cost**	*2.35*	**2.35**	**6.38**
6- Number of taxpayers 7- Average ability of taxpayers 8- Avoidance risk	**Aggregate impact**	*4.58*	*0*	
Resource Impact Index		*6.93*	*2.35*	

Table 12: Indexes for New Zealand

		Income Tax	GST	Total Underlying Complexity
1- Numbers of exemptions plus the number of reliefs 2- The number of Finance Acts with changes to the area (since 2000)	**Policy Complexity**	*0.19*	*2.5*	**5.61**
3- The Gunning-Fog Readability Index 4- Number of pages of legislation	**Legislative Complexity**	*3.04*	*2.68*	
Underlying Complexity Index		*3.23*	*5.18*	**Total Impact of Complexity**
5- Administration costs for tax administration/net revenue collected	**Average resource cost**	*2.12*	**2.12**	**6,22**
6- Number of taxpayers 7- Average ability of taxpayers 8- Avoidance risk	**Aggregate impact**	*2.5*	*0.83*	
Resource Impact Index		*4.62*	*2.95*	

Table 13: Indexes for Turkey

	Income Tax	VAT	Total Underlying Complexity[69]

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