



## Servicewide Approach to International Tax Administration

The IRS will improve tax administration to deal more effectively with the increase of globalization of individual and business taxpayers. This will be accomplished through Servicewide cross-functional cooperation in addressing emerging international issues. The priority will be to improve voluntary compliance with the international tax provisions and to reduce the tax gap attributable to international transactions. Our approach to international tax administration follows the IRS Strategic Plan for 2009-2013 and includes the following components:

### **IRS Goal: Enforce the law to ensure everyone meets their obligation to pay taxes**

As globalization continues to grow, tax planning is increasingly focused on minimizing the worldwide effective tax rate. In this context, international/U.S. territory non-compliance is a significant area of concern and focus. We are challenged by a lack of information reporting on many cross-border transactions. The ease of utilizing complex international structures and cross-border transactions results in constantly evolving compliance issues. We will proactively enforce international tax law by expanding our approaches and tools, using a data driven approach to target new and emerging issues, expand workforce skills on international issues, and ensure adherence to professional standards by tax professionals.

#### **Strategic Initiatives:**

1. Strengthen our information reporting and withholding systems to ensure we receive the appropriate information and use it effectively in our compliance and withholding tax efforts
2. Identify emerging compliance issues and increase issue specialization to address complex transactions
3. Assess system and resources devoted to referrals of international/U.S. territory issues to ensure high risk issues are addressed in a timely manner
4. Leverage partnerships with other government organizations to gather and share information that will assist in tax administration and compliance efforts
5. Utilize alternative treatments (non-audit procedures) to address compliance issues as appropriate
6. Identify and address the workforce skills needed to address emerging international/U.S. territory issues
7. Provide IRS employees with the tools needed to accurately and timely respond to taxpayer inquiries and do their work
8. Improve cooperation with treaty partners and international community to address inappropriate tax arbitrage and abusive schemes, achieve greater transparency on cross border transactions, and implement process improvements in the mutual agreement program
9. Improve examination coverage on international transactions
10. Detect and deter financial criminal activity and abusive transactions that involve offshore entities and cross border transactions
11. Provide targeted outreach to the tax-exempt sector to address current international compliance issues
12. Engage with tax professionals who provide international tax advice on international administrative, technical and information reporting matters

### **IRS Goal: Improve service to make voluntary compliance easier**

International tax law is extremely complex. Providing international taxpayers and taxpayers in the U.S. territories with clear and accurate information before they file their tax returns helps avoid unintentional errors and reduces unnecessary contacts afterwards. To achieve this, we will incorporate taxpayer perspectives as we improve service options, provide targeted guidance and outreach on international issues, and strengthen our partnership with tax professionals and third parties to ensure effective international tax administration.

#### **Strategic Initiatives:**

1. Determine assistance needs of international taxpayers to facilitate compliance with complex international tax laws
2. Enhance customer service options for international/U.S. territories taxpayers to encourage voluntary compliance
3. Identify opportunities for burden reduction through form revisions, regulations, legislative proposals and procedural changes, for example:
4. Explore opportunities for expanded e-filing of international/U.S. territory forms and streamline processing of taxpayer data
5. Provide earlier certainty to taxpayers on international/U.S. territory tax issues through pre-filing tools and early

resolution of issues

6. Deliver education and outreach to taxpayers with international/U.S. territory transactions
7. Identify and develop guidance on priority international issues
8. Enhance our partnership with tax practitioners involved in the preparation of international/US territory returns

#### **IRS Strategic Foundation: Invest for high performance**

The fast pace of change in the global economy requires an equally fast pace of change within our organization. We must strategically manage resources, associated business processes, and technology systems to effectively and efficiently meet international service and enforcement missions. To achieve this, we will modernize information systems, use data to make informed decisions and allocate resources, and expand online tools and service available for international and US territory taxpayers.

#### **Strategic Initiatives:**

1. Improve systems for capturing and utilizing information reported by treaty partners to enhance compliance of U.S. taxpayers
2. Utilize new and existing technologies to improve efficiencies in international tax administration
3. Identify opportunities to improve international/U.S. territory forms and the related processing systems to ensure appropriate information is available for risk assessment and issue identification
4. Identify and develop baselines and measures to better assess the international tax gap and our progress in reducing it
5. Expand on-line customer service tools to improve quality and enhance assistance to taxpayers with international transactions

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