

# Functional audit of the withholding tax and stamp duty receipt processes – part of the audit of the federal financial statements

## Federal Tax Administration

### Key facts

---

The main task of the Collection Division within the Main Division for Federal Direct Tax, Anticipatory Tax and Stamp Duty (DAS Main Division) is the correct calculation, setting and collection of withholding tax and stamp duties (issue tax, transfer stamp tax, duty on life insurance premiums). In 2020, the Federal Tax Administration (FTA) recorded gross receipts of CHF 30.5 billion on withholding tax. For stamp duties, receipts amounted to CHF 2.4 billion in 2020. As regards the collection of withholding tax, it is also possible to simply submit a report, whereby the withholding tax need not be paid – subject to reporting being authorised. In 2020, gross distributions of over CHF 475 billion were authorised under the reporting procedure. Over 80% of withholding tax obligations were settled without any flow of money. The SFAO's last functional audit of the Collection Division took place in 2018.

#### **Supervision under Article 21 of the Withholding Tax Ordinance is inconsistent**

In accordance with Article 21 of the Withholding Tax Ordinance, under certain conditions, each domestic company limited by shares or limited liability company must spontaneously submit a defined set of documents to the FTA. The audit revealed that various documents were missing, despite the existence of information indicating a tax liability. The Collection Division has no overview of which documents are missing. These are not monitored, nor are reminders actively issued. The lack of supervision weakens the internal control system (ICS).

The programmed automatic processing of forms is not performed from a risk-based perspective. The forms are not checked for correctness, even by random sampling. Offsetting checks would increase the effectiveness of checking.

An ICS is otherwise in place for the audited core processes of the Collection Division. The key controls audited in those areas exist and are effective.

#### **Digitalisation offers huge potential for improvements – a quicker pace is desirable**

The automatic key controls in the existing processes are working. With the current solution, which meets the control requirements (ICS), reports can be processed.

The degree of digitalisation achieved to date is not very high. Online submission via the internet is still not used enough. The SFAO considers the current solution to be barely satisfactory. At the time of the audit, 95% of taxpayers submitted their forms in hard copy, resulting in an unnecessary extra burden as regards the processing and inspection of the forms. The manual processing of forms by different offices also increases the risk of errors.

The Collection Division has defined minimum requirements, but implementation has been delayed. In the SFAO's view, the attractiveness of online submission must be increased by integrating the main documents that are still missing. The current solution cannot ensure compliance with the requirements under Article 21 of the Withholding Tax Ordinance. Improvements are necessary and possible.

**Digitalisation: the Collection Division is facing fundamental changes**

With increasing digitalisation, a significant portion of the Collection Division's current tasks will disappear, with corresponding repercussions in terms of headcount. The DAS Collection Division is aware of the challenges and intends to support the transformation in the near future with the change management process Fit4 Future.

**Original text in German**