



Swiss Federal Tax Administration

Main Division for Federal Direct Tax, Anticipatory Tax and Stamp Duty, Canton Supervision Division:

Supervision of the Assessment and Collection of Federal Direct Tax (FDT)

Key points

Objective of the audit

The Swiss Federal Audit Office (SFAO) audited the Canton Supervision Division of the Main Division for Federal Direct Tax, Anticipatory Tax and Stamp Duty of the Swiss Federal Tax Administration (FTA) to assess its supervision in the area of federal direct tax (FDT). The audit covered the strategy, organization, work methods and documents as well as the principles of cooperation underlying supervision in the area of FDT.

The SFAO's expectations in terms of FDT supervision

With respect to the supervision of FDT, the SFAO primarily expects that: a risk-based supervisory strategy is drawn up for all FDT processes; the audit steps are planned and resources allocated in accordance with the risks determined; efficient work procedures and regulations are defined; the independence of the FTA's inspectors is ensured; and there is a good working relationship with other partners operating in this area.

The SFAO finds that the Canton Supervision Division meets the above expectations only in part, as specified below.

Prevention-led supervision in tax assessment

The Canton Supervision Division has established an organization, along with the tools and methodology, for a supervisory strategy based primarily on preventative measures in tax assessment. In concrete terms, the main tasks of the inspectors from the Canton Supervision Division in FDT matters are in developing a training course for tax officers, supporting the cantons that use it for complex tax assessment cases, and in drafting circulars in the field of tax assessment. It is clear from the breakdown of the Division's activities that, in 2006, the supervision of FDT in the form of investigations or on-site visits of Cantonal Tax Administrations was only a secondary preoccupation, accounting for just 4% of the year's activities.

Nonetheless, the strategy adopted by the Canton Supervision Division to ensure the correct processing of tax assessments covers only part of the supervisory role set forth in the Federal Law on Direct Taxation, as interpreted by the SFAO. In addition to the preventive measures already in place, systematic and ongoing controls should also be rationally conducted across all FDT processes and domains, i.e. based on a global analysis of inherent risks. Such a strategic approach needs to be further substantiate and formalized to really serve as a planning and steering tool for supervisory activities.



Work methods requiring further formalization

An internal directive should be drafted to lay down the work methodology, the flows of cooperation and exchanges within and outside the FTA and to formulate the various activities conducted in the cantons, so as to harmonize the different practices noted by the SFAO between the various inspectors of the Canton Supervision Division.

Each year, the Canton Supervision Division sends out an annual report to each canton on the activities it has carried out. These reports contain general statements without drawing any conclusions on the compliance of the various cantonal practices with the law. Moreover, there is no systematic follow-up of any observations made.

The SFAO notes that the FDT statements (Form 57) sent by the cantons to furnish details on the invoicing and collection of federal direct tax for each fiscal period is not systematically checked by the Canton Supervision Division or an independent supervisory body. However, having a direct correspondence between the FDT statements and each canton's tax accounting and state accounts is very important for the correct entry of tax revenues in the Confederation's accounts and also for checking the statistics submitted by the cantons for calculating resource equalization as part of the financial equalization between the Confederation and the cantons.

Clarification needed on cooperation with the cantonal audit institutions

At present, the Canton Supervision Division relies on the audits conducted by the cantonal financial audit institutions to form an opinion on any issues in the cantons in areas for which it does not conduct its own investigations, such as tax organization or records. However, it should be noted that the cantonal audit institutions are independent cantonal bodies under no formally legal obligation to carry out investigations in federal direct tax and do not report to the FTA.

In concrete terms, the Canton Supervision Division currently makes insufficient use of the information it obtains from the cantonal audit institutions. These institutions should, in fact, be used as a veritable mine of useful information, not only on the results of audits actually carried out but also on the audits they have not performed on the Cantonal Tax Administrations. This information should be summarized in a database, regularly updated so as to provide the input needed for analysing global risk in the area of FDT.

Implementation of the recommendations by the FTA

The Federal Tax Administration, in its responses to the SFAO's recommendations on 13 December 2007 and 25 January 2008, outlined the measures it planned to take. The SFAO is satisfied that the FTA's introduction of a risk analysis and a manual for inspectors by the end of 2008 will fulfil several of the recommendations made. The SFAO will follow up on the implementation of this in 2009.

The main difference of opinion now between the FTA and the SFAO concerns the role of the supervisory body in the collection of FDT. This matter will be dealt with as part of the motion (07.3282) filed by the Commission 06.094-CN of the National Council of 7 May 2007, giving the Federal Council the responsibility, together with the cantons, to study how to improve supervision of FDT collection.



Finance Delegation to track the development of supervision or superintendence in this area

The Finance Delegation of the Federal Chambers dealt with this issue in its second ordinary session of February 2008. It noted the results of this audit, particularly the need to adapt supervision to the risks involved. Before taking any steps to improve supervision and superintendence in this area of financial importance to both the Confederation and the cantons, it is awaiting the proposals from the Conference of Financial Audits. A result is expected by the end of 2008.

Original text in French