

SUMMARY

Report to the federal Parliament: Dealing with taxpayers who fail to submit their returns



The Court of Audit examined the failure to submit returns and the way tax authorities tackle the problem. The report to Parliament deals with personal income tax as well as corporation tax.

The individuals who fail to submit their personal income tax returns come close to 5%. The problem is especially prevalent in larger cities. The list of taxpayers who must receive a tax return is based on the data contained in the national register of persons. In larger cities, many tax returns are returned to sender because the address is no longer correct and the addressee has omitted to communicate his/her new address (in Belgium or abroad). A pilot project has been launched in Brussels in order to obtain more accurate data thanks to a closer cooperation between the municipal services and the police.

The Court of Audit noted that there are a very large number of recidivists among people who fail to file their returns. This is, however, much less the case as the taxpayers' age increases.

The tax authorities attempt to solve the problem in two different ways. First they exempt some taxpayer groups from submitting their tax returns. In this way, 725,000 taxpayers already received a simplified tax return proposal in 2011. Since their number should increase noticeably in 2012, a significant reduction of returns remaining outstanding is to be expected. Besides, since 2010, the tax authorities have systematically sent a reminder to taxpayers who failed to submit their returns. This allowed them to receive another 29% of employees' tax returns and 53% of self-employed tax returns for the fiscal year 2010.

Almost one third of taxpayers who do not submit their returns after this reminder end up being automatically taxed. Otherwise the enrolment occurs immediately, most of the time because there is no tax due. A quarter of the automatically taxed get a tax raise or a fine as a penalty. There are substantial and non-objectifiable differences in the various services' sanction policies.

As for corporation tax, companies in liquidation or in bankruptcy make up the largest part of non-submitting corporations. If we do not take them into account, the non-submission

rate amounts to 2 to 3%. Recalcitrant companies, which have failed to submit their tax returns for four years in a row, make up about 20% of the non-submitting corporations. Among them, companies in liquidation or in bankruptcy represent the largest group. The remaining group is mostly made up of dormant companies that fail to submit their tax returns. It is necessary to introduce a system allowing the tax authorities to identify them rapidly and control their activities as well and, if necessary, to wind them up because of the entailed risk of abuse. Although the tax authorities strike some of them off administratively, they still exist legally so that cases of abuse can occur.

About three quarters of recalcitrant active companies are automatically taxed. This measure is actually carried out for 60% of them, most of the time on the basis of the minimum flat-rate profit (article 342, § 3 of the Income Tax Code 1992). This minimum flat-rate profit system appears to encourage some companies to finally submit a tax return.

Around half of recalcitrant active companies that are automatically taxed are not penalized. Neither do they receive a tax raise, nor do they have to pay a fine. Moreover, the sanction policies are different from one service to another; therefore it is recommended to introduce a uniform approach.