



PUBLIC FINANCE: Tax collection and the expenditure quality

Democratic Governance

The “Public Finance” Line of Action contributes to the mobilisation and effective and efficient use of resources, particularly through initiatives such as “raise more, spend better”. This means strengthening and improving the tax systems in the countries of the region, so that the domestic resources available to states can be expanded; and, on the other hand, improving the efficiency and quality of public spending. To do this, EUROSociAL+ supports institutional strengthening, and contributes with regulatory developments and with the adoption of instruments implementing fiscal policies and by accompanying budget reforms.

WHICH AREAS ARE INVOLVED?

The main objective of the “Public Finance” Line is to promote the redistributive functions of the public sector in Latin America, and to promote the implementation of public policies that contribute to social cohesion in the region.

We work in two areas of action:

- i) tax systems and public collection (income);
- ii) public budgets (expense).



On the one hand, from the tax area, issues are addressed related to strengthening and modernising public tax collection systems, in order to expand the volume of resources available to

the states. Specifically, efforts have focused on two lines of work: a) promoting voluntary compliance with tax obligations, understanding

that citizen commitment is a fundamental factor in the viability and sustainability of collection systems; b) the fight against fraud, evasion and



WHICH SDG DOES IT INVOLVE?



EUROPEAN CONSENSUS

Initiative “raise more, spend better” • Addressing tax fraud, tax evasion and illicit financial flows • Emphasis on the efficiency, effectiveness and equity of tax systems and financing of social protection.

Consortium led by:



tax avoidance; likewise, this line also works to improve international taxation, especially by supporting the countries in implementing the OECD/G-20 package of BEPS measures (tax base erosion and the transfer of benefits).

On the other hand, three lines of work have been prioritised in the budgetary area focusing on improving the efficiency and quality of spending and promoting the social nature of public budgets: a) support for results-based budgeting, in order to tighten the link between the financing for programmes or public interventions and the result obtained in improving citizens' quality of life; b) budgeting with a gender approach, seeking to reinforce equality and participation by women in all public policies; c) carrying out "Spending Reviews", and monitoring the implementation of its recommendations with the objective of evaluating the real impact of budgets on citizens.

To carry out these tasks, EUROsocial+ works with the tax administrations and the Ministries of Finance and Economy in the different countries, guiding the actions towards concrete normative, institutional or procedural results. It also collaborates intensively with relevant international organisations such as the Inter-American Center of Tax Administrations (CIAT), the Inter-American Development Bank (IDB), the Economic Commission for Latin America and the Caribbean (ECLAC), the Organization for Economic Cooperation and Development (OECD) and the Council of Ministers of Finance of Central America, Panama and the Dominican Republic (COSEFIN), which provide their technical expertise and institutional collaboration networks consolidated after years of experience in the region.

NETWORKS

- ▶ Inter-American Centre for Tax Administrations (CIAT)
- ▶ Results-based Budgeting Network at the Inter-American Development Bank (IDB).

ACTIONS BY COUNTRIES

Taxation and Income:

Country

- ▶ ARGENTINA: measurement of the cost of tax compliance for citizens.
- ▶ BOLIVIA: establishment of risk rating models for tax non-compliance in the hydrocarbons and construction economic sectors.
- ▶ CHILE:
 - implementation of anti-circumvention regulations.
 - classification of territorial tax management.

- ▶ COSTA RICA:
 - strengthening the International Tax Office to support the implementation in the country of the OECD/G-20 BEPS package of measures (tax base erosion and transfer of benefits).
 - implementation of a "contact centre" with services for taxpayers.
- ▶ PARAGUAY: estimation of the non-payment of the tax on commercial, industrial and services income - IRACIS and of the income tax on agricultural activities - IRAGRO.
- ▶ URUGUAY: implementation of a new information and assistance model for taxpayers.

Budget and Public Expenditure:

- ▶ URUGUAY:
 - analysis of the redistributive impact of the tax system.
 - progress in the budget with a gender focus.
- ▶ ARGENTINA: development of the results-based budget with a gender focus.
- ▶ PERU: development of incentive systems in the results-based budget.
- ▶ CENTRAL AMERICA: harmonisation and development of results-based budgets.

EUROsocial information – previous phases:

- ▶ Fact Sheet on the EUROsocial II Action Line "Voluntary compliance with tax obligations": http://www.sia.eurosocial-ii.eu/files/docs/compliance_voluntary.pdf
- ▶ Fact Sheet on the EUROsocial II Action Line "Linking the budget and evaluation plan": http://www.sia.eurosocial-ii.eu/files/docs/vinculacion_plan_presupuesto.pdf

PARTNERSHIPS

- ▶ Integration System of the Council of Finance Ministers of Central America, Panama and the Dominican Republic - SICA-COSEFIN
- ▶ Economic Commission for Latin America and the Caribbean (CEPAL)
- ▶ Interamerican Development Bank (IDB)
- ▶ Organisation for Economic Co-operation and Development (OECD)

Publications



EUROsocial LIBRARY

EUROSOCIAL COLLECTION 2: "The integration of the social cohesion approach and the reduction in inequalities in EU budget support programmes".



EUROSOCIAL TOOLS 3: "Study on stakeholders and good practice in managing public finances in the EU".