



International VAT Association

Cooperative compliance in VAT/GST to reduce disputes and enhance trust

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Cooperative compliance. Context

- VAT/ GST disputes: more frequent and more costly in a digital, cross-border environment. Unlike direct taxation, in VAT/GST there is currently no fully effective, fast and cost-efficient international mechanism to resolve many of these disputes.
- Typical examples: place of supply, right to deduction, refunds, exemptions and application of reduced rates (divergent interpretations).
- Fraud mitigation impact: fraud evolves quickly, timing matters. Cooperative compliance can reduce fraud exposure through better upfront verification, faster detection of anomalies, and earlier correction of errors.
- Objective: reduce disputes and strengthen trust through early tax certainty.

What cooperative compliance is in VAT / GST

- A change of model: from ex post control to real-time risk management. A more collaborative relationship model (tax administrations, taxpayers, intermediaries).
- Purpose: assurance leading to early tax certainty. Move from a largely reactive and contentious approach (audits and litigation after the fact) to a more preventative approach.
- Foundations: transparency, justified trust, and a Tax Control Framework.

Why cooperative compliance matters

- Reduces the cost of disputes: adjustments, lengthy audits, litigation, provisions. Cooperative compliance matters for businesses because it delivers early tax certainty, reducing unexpected VAT adjustments, audit and litigation risk, and the time and cost of managing disputes.
- Improves outcomes for administrations: collection of the right amount of tax, better risk-based resource allocation.
- In VAT/ GST: benefit in fraud mitigation and early correction. More harmonised solutions.

What cooperative compliance looks like in practice

- A structured and continuous relationship: early disclosure plus real-time dialogue.
- Tax Control Framework: processes, key controls, evidence, defined responsibilities.
- Digitalisation as an enabler: electronic invoicing, near real-time reporting, analytics.
- Good implementation: practical recommendations for designing cooperative compliance programs that work for both tax administrations and businesses. Win/win basis.
- Measuring results: fewer disputes, faster resolution, more targeted audits, fewer fraud signals. Results should be measured to make sure that the decisions taken go in the right direction and to amend them where necessary.

Cross-border and scalability for smaller businesses and non-residents

1) Cross-border

- Cooperative compliance can operate on a multilateral basis (Multilateral Cooperative Compliance)
- The International Compliance Assurance Programme of the OECD, and the European Trust and Cooperation Approach of the EU, as multilateral models with potential to extend to VAT / GST.

2) SMEs

- A formal cooperative compliance model is often not viable due to cost and capacity constraints.
- **Alternative**: lighter formats (forums, tailored support, voluntary disclosure and self-correction of errors, digital tools, agreements with intermediaries etc.). **This form of collaboration cannot be seen as cooperative compliance.**

3) Non-residents

- Central to cross-border disputes, but practical obstacles exist (control, frameworks, cost-benefit, no participation in national programs, impossibility of building a relationship of justified trust)
- **Alternative**: informal arrangements (treatment of specific flows, error correction).

Examples of cooperative compliance in VAT

Example 1: VAT Tax Control Framework plus early assurance

- Share a process map, a risk map and key controls.
- Review the design and effectiveness of the control framework, plus a channel for transparent disclosure and voluntary corrections.
- **Outcome**: early tax certainty, fewer adjustments, fewer intensive audits, less litigation and lower related costs.

Example 2: Structured dialogue plus early engagement

- A stable point of contact plus periodic meetings
- A communication channel of material issues.
- An early resolution route: Quick agreements or rulings, or more formal advance clarification when needed.
- **Outcome**: fewer post-filing controversies; lower audit and litigation risk; lower total dispute cost

Cooperative compliance. Conclusion / key takeaways

- Prevention over litigation: real-time VAT risk management
- Justified trust: transparency plus Tax Control Framework
- Better outcomes: fewer disputes, lower audit and litigation cost
- Next steps: cross-border solutions and scalable formats for SMEs.



THANK YOU

