



REPUBLIC OF LITHUANIA

TECHNICAL ASSISTANCE REPORT - IMPROVEMENT OF HIGH WEALTH INDIVIDUALS CONTROL FUNCTION - PROJECT REPORT

May 2023

This technical assistance report on the Republic of Lithuania was prepared by experts of the International Monetary Fund. It is based on the information available at the time it was completed in April 2023.

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TECHNICAL ASSISTANCE REPORT

REPUBLIC OF LITHUANIA

*Improvement of High Wealth Individuals Control
Function – Project Report*

April 2023

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Improvement of High Wealth Individuals Control Function – Project Report

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Technical Assistance Report

April 2023

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This report is dedicated to the memory of our wonderful colleague, Phillip Cherrett, who passed away on April 10, 2023.

I. INTRODUCTION

1. The Lithuanian State Tax Inspectorate (STI) identified the need to improve its control over High-Wealth Individuals (HWI). The International Monetary Fund (IMF) Fiscal Affairs Department (FAD) supported the STI in this endeavor, using funding from the European Union (EU) in a Capacity Development (CD) project that commenced on November 1, 2020, and ended on April 14, 2023.

2. The purpose of this CD project is to strengthen the STI's existing HWI control function. The FAD experts delivered nine CD activities to assist the STI in the development of their Compliance Strategy and implementation plan for HWIs. The activities focused on the application of international good practices and operational experiences from tax administrations that have had HWI programs and strategies in place for some time. The FAD experts provided a detailed analysis of these approaches and evolution of the different HWI strategies and presented key recommendations for consideration by the STI in the development and implementation of their HWI compliance strategy and implementation plan. See annex 1 for an overview of the material provided to the STI.

3. The purpose of this report is to provide an assessment of the development of the STI HWI Compliance Strategy and progress in executing the implementation plan tasks, as well as FAD recommendations for the future success of the HWI compliance program. The report will first focus in section II on key components of fully developed HWI compliance strategies currently in place in a number of tax administrations. The report includes in section III FAD's findings, and early recommendations to the STI for consideration in the implementation of their strategy. It identifies the achievements and progress made by the STI in implementing their HWI Compliance Strategy including the tasks in their implementation plan. Section IV sets out additional FAD recommendations to assist the STI in reaching a fully developed level in the management of their HWI segment.

II. GOOD INTERNATIONAL PRACTICE IN THE MANAGEMENT OF HWIS

A. Challenges and risks posed by HWIs

4. As the numbers of HWIs continue to grow globally, so has the significant disparity in the general wealth distribution. According to Oxfam International, the richest 1 percent grabbed nearly two thirds of all new wealth worth 42 trillion dollars created since 2020, almost

twice as much money as the bottom 99 percent of the world's population.¹ Since HWIs across the globe tend to pay very low taxes, there are mounting concerns that they are not contributing their fair share to support the tax base of the jurisdictions where they reside. Furthermore, the consequences of the COVID-19 pandemic have exacerbated wealth inequalities highlighting the necessity of fair taxation of the wealthy.² According to Oxfam International, only 4 cents in every tax dollar comes from taxes on wealth worldwide and they are calling on Governments to tax the richest at high enough rates to reduce their ranks and redistribute resources.³

5. The IMF and the OECD have both highlighted the significant risks and tax losses that can result from a failure to tax income generated by HWIs.⁴ In its 2009 publication, the OECD noted four key reasons in relation to HWIs that warrant closer scrutiny by tax administrations: the complexity of their affairs; the revenue at stake; the opportunity to undertake aggressive tax planning and; the need to preserve the integrity of the tax system by ensuring that the wealthy pay their fair share. To address the potentially large tax leakage from this taxpayer segment, several tax administrations dedicated specific resources and programs to evaluate the level of risk posed by HWIs within their own jurisdiction.

6. Gaining a better understanding of the motivations of HWI non-compliance allows tax administrations to tailor their approaches and programs to achieve desired outcomes. The FAD's analysis of the different approaches by tax administrations for managing HWIs, including those with dedicated programs and resources, indicates that tax administrations with dedicated HWI units have a clear advantage of being able to analyze and address the specific challenges posed by the HWI segment over time. As a result, tax administrations can identify emerging risks quickly and direct limited resources to areas of highest risk.

B. Common elements of HWI strategies

7. The study of HWI strategies across 24 tax administrations and three international organizations identified key elements that are in place and necessary to understand and manage the risks of HWIs. FAD experts identified the most important outcomes from the

¹ Richest 1% bag nearly twice as much wealth as the rest of the world put together over the past two years. Published 16th January 2023. www.oxfam.org

² Coughlan, T (2021, February 2).. More than 40% of millionaires paying tax rates lower than the lowest earners, Government data reveals. Feb 25, 2021.i. stuff.co.nz. According to research from Inland Revenue and Treasury in New Zealand, 42 per cent of the wealthiest New Zealanders paid lower tax rates than the lowest tax rates of ordinary salaried workers. It found that often HWIs pay less than 10 per cent of their total income tax.

³ Supra 1, *ibid*.

⁴ IMF (2017), Mc Laughlin, L. and J. Buchanan, *Revenue Administration: Implementing a High-Wealth Individual Compliance Program*, 2017/007 (Washington, International Monetary Fund), <https://www.imf.org/en/Publications/TNM/Issues/2017/05/04/Revenue-Administration-Implementing-a-High-Wealth-Individual-Compliance-Program-44805>, and OECD (2009), *Engaging with High Net Worth individuals on Tax Compliance*, OECD Publishing, Paris, <https://doi.org/10.1787.9789264068872-en>

various HWI programs in place and found the following common elements across tax administrations.

Capability

8. HWI programs require investment into highly skilled and specialized resources as well as access to legal and other expert resources to deal with the complex tax issues and litigation that often surface in the HWI segment. Key findings:

- HWI programs are ideally separately funded, defined and identified in the tax administration organizational structure and are seen as a priority program area of the organization.
- Gaining an understanding of the HWI population is a process that has evolved over many years garnered from the analysis of general and specific risks inherent to HWI taxpayer segments.
- Substantial investments have been made to grow the resources of HWI units based on evidence of positive program results.
- The appropriate level of audit and other relevant expertise is in place to engage with HWIs and their advisors.
- Adequate compliance tools are available to provide procedural and technical guidance to HWIs and their advisors.

Data management and application

9. Access to sufficient data is critical to facilitate the identification and risk analysis of the HWI taxpayer segment. Tax administrations are continually seeking additional data from domestic, international, and third-party sources to enhance their risk assessment models. Key findings:

- Comprehensive Business Intelligence strategies are in place to identify and access the right data and develop tools to analyze and integrate large amounts of data which leads to improved decision making in identifying HWIs and the highest tax risk cases.
- Formal and structured data exchange mechanisms are in place with domestic and international partners including access to all Automatic Exchange of Information (AEOI) sources and other international data.

Identification of HWIs and risk assessment models

10. Having a clearly defined HWI taxpayer population helped guide the work of tax administrations in building profiles of their HWIs. Several tax administrations began their HWI programs through a pilot project or by defining and identifying an initial HWI segment. This

defined group was monitored to gain a good understanding of the financial and tax related vehicles and planning strategies used by HWIs in managing their wealth. Key findings:

- Set thresholds to define the HWI population will better facilitate the identification of the HWI segment.
- Although tax administrations use different definitions and thresholds with respect to their HWI taxpayers, in general they use criteria in the following 3 categories to help identify their HWI population: indicators of wealth, third party data, and external sources.
- More sophisticated risk assessment models were developed incrementally over time including the use of comprehensive profile templates, identification of indicators of tax risk with a focus on Aggressive Tax Planning (ATP).
- With advanced risk assessment models in place, the HWI definition was broadened and the population being risk assessed was expanded.
- Continuous refinement of risk assessment tools and analysis of outcomes from HWI compliance activities are in place to focus on, and validate the specific risks identified in the HWI segment. This will assist in understanding emerging HWI risks and ensure the right cases are selected for compliance activity including audit and projects where appropriate.

Legal framework

11. Legal authorities are needed to tax all HWI income streams and appropriate legislation must be in place to enable the tax administration to gather information from various sources and to enforce taxation. Key findings:

- Tax administrations work closely with the Ministry of Finance legal department to identify and close tax loopholes in a timely manner.
- Reporting requirements for international financial transactions are continually being reviewed and expanded.
- New penalties and criminal offenses have been introduced and tax administrations focus on tax scheme promoters who assist HWIs as an effective deterrence to willful non-compliance.
- Mandatory disclosure regimes have been implemented for promoters of ATP where certain criteria are present.

International collaboration

12. Actively working with international partners on information exchange and effective use of shared data is a core element of the HWI strategy. Key findings:

- Championing and participating in international tax transparency and initiatives are priorities.
- Active participation (and leadership roles) in the OECD's Forum on Tax Administration (FTA) initiatives and working groups⁵ to learn of good practices and emerging issues with respect to HWI taxpayers is essential.
- Tax administrations leverage their international treaty and information exchange networks and continuously review these for further expansion.

Communication and engagement

13. The primary objective of tax administrations is to encourage voluntary compliance.

This includes having dedicated resources to strengthen communication with HWIs, representatives and intermediaries to avoid errors and make it simple to correct errors when they occur. Key Findings:

- Strong emphasis on building relationships with HWI taxpayers, their representatives and intermediaries to help them comply and identify and correct mistakes early.
- Provide guidance through taxpayer communiques and advanced rulings.
- Actively engage with tax advisors to foster support for tax administration initiatives such as new legislative changes or proposals.
- Provide transparency in dealings with HWIs in terms of timelines, requests, data etc.
- Public communication campaigns are in place to inform the general public and warn those who avoid paying taxes that they will be found.

Measurement of impact of HWI programs

14. Tax administrations have refined and evolved their methodology to assess the impact of their HWI programs. This has led to a shift from an output or yield focused measurement to a broader outcomes-based results. For example, output-based measures might include measures of additional taxes assessed, number of tax avoidance schemes identified, number of legislative amendments introduced, and level of taxes assured. Whereas outcome-based measurements would consider measuring tax gap measurements, trends of effective tax rates and levels of avoidance recidivism. Comprehensive performance management frameworks have enabled tax administrations to quantify and build support for continued investments in HWI programs.

⁵ E.g., (OECD Working Party 11 (ATP Directory), Joint Intelligence Taskforce on Shared Intelligence and Collaboration (JITSIC).

III. STI MANAGEMENT OF HWI

A. Original HWI control function

15. Many of the elements, functions, and data needed to improve compliance for HWIs were already in use and available in the STI. While improvements could be implemented, the use of internal and third-party data to identify HWIs was sound and the STI has access to some sources of third-party information, both national and international. The compliance plan 2020-2021 identified ten areas of tax risks including HWIs.⁶ The STI has a focus on challenging tax avoidance. The Selection and Audit Support Department analyses and identifies tax risks including tax avoidance schemes and selects cases for monitoring and control activities including HWIs. The tax laws appear extensive enough to tax the main income and capital streams of HWIs and there is a General Anti-Avoidance Rule in the legislation. The STI has a training program for new hired and sitting staff.

16. A formal definition for HWIs was not in use. The STI compiled annually a list of residents who owned the most assets and income using eight criteria to identify HWIs. Using set criteria, the 500 highest ranked individuals were identified. Non-residents with a substantial economic interest in Lithuania were likely not to be included, nor were closely related family members or related investment or holding entities. The STI did not use internationally exchanged data sources nor publicly available information for the compilation of the list identifying the top 200 wealthiest taxpayers which was produced from the 500 ranked individuals.

17. There were no specific tax risk indicators for HWIs. The STI did not profile HWIs. The STI did not use a Risk Differentiation Framework⁷ to determine their compliance strategy for HWIs.

18. A dedicated team responsible for managing the service and compliance requirements of HWIs was not in place. The Control Department was responsible for the organization and coordination of control activities. This included the assignment of audit cases to the private individuals' units of the county offices.

19. Annex 2 summarize the findings of the stock taking undertaken during the first visit. The Table sets out the areas of the STI administration and HWI compliance program which required further development.

⁶ Risk number 10.3 related to the selection and audit of the "rich segment".

⁷ Background information on the RDF can be found in: Lithuania - Improving the High Wealth Individuals Control Function, April 2021.

B. Strategy and Implementation Plan

20. The STI drafted the HWI Strategy and an Implementation Plan which were approved in July 2022. The strategy presented the overall objectives, together with a detailed implementation plan which outlined tasks and challenges. The Strategy identified four areas relating to the HWI segment that required improvement. It set out the two main objectives of the strategy for the years 2022 to 2024 as developing and implementing a sustainable model for tax compliance of the HWI segment, also obtaining tax certainty on compliance. Eight main tasks were identified to enable the implementation of the strategy together with six main challenges to achieving implementation.

21. The strategy aims to improve the supervision and compliance results of the HWI segment. A dedicated HWI Supervision Unit will focus on assisting tax compliance, managing tax risks and carrying out verification actions. The compliance strategy aims to have an identifiable group of HWIs who will be closely supervised by the HWI unit. The Unit will also be responsible for conducting comprehensive risk assessments and dedicated managers with the necessary expertise will provide individualized services to HWIs to promote compliance.

22. The Implementation Plan focused on eight main objectives. These include: (i) creating a dedicated unit of the STI responsible for the HWI segment, (ii) adapting the processes, procedures and IT platform of the STI, (iii) identification of the HWI segment, (iv) development and introduction of principles for the management of tax risks, (v) implementing a system of individual supervision of HWI persons, (vi) evaluating the capacity of the legal regulation, (vii) developing and implementing a program for the implementation to deliver on the strategy's objectives and targets including for voluntary disclosure, and (viii) tax compliance communication with the HWI segment and all stakeholders.

23. Feedback was sought by the STI on the draft Strategy and on the Implementation Plan. As part of the February 2022 mission a SWOT analysis summarizing the strengths, weaknesses, opportunities and threats of the strategy was provided.⁸ Detailed commentary on the strategy was also set out in an Appendix to the mission report. Separately, in written feedback in March 2022 the FAD team advised that the implementation plan was considered to be very comprehensive. Specific recommendations were made for consideration in six particular areas that were identified as important for a successful implementation.

C. Progress on Implementation Tasks

24. The STI has made substantial progress on the Implementation Tasks. Since the development of the HWI Strategy a dedicated HWI Unit structure was established in the Large

⁸ See Annex 3 of this report.

Taxpayers Department⁹ and initially 123HWIs (and 81 spouses) are allocated to the unit, allowing the work of the unit to commence. A substantial consideration to the nature of the communication required with HWIs and a dedicated space on the STI website has been developed. The STI has established links and is engaged with international forums on data sources that are relevant to the HWI sector.¹⁰ Annex 4 shows the progress of the STI on IMF high level recommendations.

IV. RECOMMENDATIONS

25. The recommendations of the FAD team for the future development of the STI HWI program are set out below.

Resources and Capability: Maintain sufficient and experienced dedicated resources.

26. As HWIs have access to the top level of advisors and their financial and tax affairs are extremely complex it is important that sufficient dedicated resources with the appropriate skill set remain allocated to the management of HWIs. While there is no general guidance on the allocation level of resources, it is accepted good practice that the staff allocated to a dedicated HWI unit have a number of years appropriate experience and academic qualifications in an appropriate discipline in e.g., accounting, tax, and legal. To attract resources with the required expertise, it is recommended that the STI put in place a well-funded and active recruitment campaign aimed at both internal as well as external and private sector experts.

27. It will be important to consider the additional downstream costs that will result from the new and increased workload of the HWI program. Specifically, to ensure HWI cases are prioritized across the STI, it is recommended that consideration be given to allocating HWI funding to STI functions and programs that will be directly impacted by the HWI workload. This is considered below under the support functions of Collections, Legal, and IT

Collections

28. Experience from tax administrations has shown that having dedicated collections resources or points of contact working closely or integrated within the HWI audit teams maximizes efficiencies. Integrating or having point of contact resources that have experience collecting from foreign jurisdictions into the HWI teams will assist in the identification and collection of assets once additional taxes have been assessed. As well, funding dedicated collections resources where feasible ensures that collections resources are not diverted to other workloads.

⁹ An initial dedicated staff allocation for the HWI Unit of 15 was agreed, of which during 2022, seven staff were appointed to the Unit. The appointed staff include a head of unit, curators, analyst, and auditors.

¹⁰ The STI is member of the OECD WP 11 since the fourth quarter of 2022.

Legal

29. Since HWI audits tend to be challenged and litigated at various stages during the audit process, it is important to consider early legal counsel. Having immediate access to legal and litigation experts will help the HWI team anticipate and respond to issues that may arise. Identifying and funding highly skilled legal resources ensures efficiencies are gained throughout the audit and can lead to the early and less costly resolution of issues.

Information Technology

30. Close collaboration with Information Technology resources is key to adapt risk assessment systems to a continually growing and evolving HWI program. As the STI gains access to increasing sources of domestic and foreign data, it will need to ensure this data is integrated into, and cross referenced against, the broader STI risk assessment systems. Dedicated IT resources are important to identify the best solutions and tools to identify and risk assess the HWI segment. They ensure the latest business intelligence derived from HWI audits is quickly identified and integrated into new STI risk algorithms.

Data Management and Application: Continue to place strong emphasis on the need to access and leverage new domestic and international data sources

31. The STI Compliance Strategy should continue to place strong emphasis on the need to access and leverage new domestic and international data sources to enable the proper identification and assessment of the HWI segment. Since HWIs are highly mobile and use foreign jurisdictions in their tax planning strategies, it is important to leverage open-source databases in other jurisdictions, including beneficial ownership registries, to help identify unknown foreign assets or holdings and better assess global wealth. Separately, the HWI identification process provides a unique opportunity to take stock of the sufficiency, adequacy, and value of the data it can access from all data sources. It is often through the HWI identification process that tax administrations are able to identify and remedy information gaps in their internal and external data sources. For example, in jurisdictions where taxpayers are required to report foreign holdings or assets, this process helped identify the need for more detailed information reports on the value and location of assets. The process can also be used to help identify the need for tax information exchange agreements with specific jurisdictions or with certain regulatory bodies. It is recommended that the STI take advantage of these data opportunities.

Identification of HWIs and Risk Assessment models: periodically review the HWI threshold and continue tailoring risk assessment procedures

32. It is recommended that a structured approach to the identification of HWIs is continued This includes having regard to many of the indicators of wealth, for example, large disposals and acquisitions, significant asset ownership and significant revenue expenditure on

lifestyle/non-capital items. These sources should constantly be updated as new sources become available.

33. The threshold to define HWIs should be reviewed periodically. The set threshold will better facilitate the identification of the HWI segment. The threshold will also help determine the number of HWIs and whether the threshold needs to be adjusted over time.

34. Establish a risk assessment model for HWIs. Consideration should be given to establishing an RDF including a system to comprehensively profile HWIs. This should include lifestyle indicators such as luxury purchases, and an evaluation of multiple year returns and data to assist in the identification of tax risk and data are reviewed as this can highlight changes and trends over time.

35. While there is no single recommended approach to the management of HWIs, the clear indication from the various approaches is the importance of understanding how the wealthy manage their wealth and the associated tax risks. The relationship between HWIs, their assets including various investment vehicles, and sources of income is generally extremely complex. Gaining an understanding of the complexity of wealth management and related tax risks is best managed through a dedicated HWI unit. It is acknowledged that the STI has established a dedicated HWI Unit that is now operational. As experience is gained in this unit It is recommended⁰ that guidance manuals are developed on the various investment vehicles often used by HWIs.

36. Because of the mobile nature of HWIs and the diversity of their assets non-residency / change of residence, is considered to be a tax risk worth considering for relevant HWIs. In general, non-resident HWIs with substantial economic interests in a State or HWIs in the year of a change of residence should be profiled for potential tax risks. The first challenge can be to identify the non-resident individual. The other challenge is to identify transactions in which the non-resident is involved but in respect of which there is no tax liability as a result of their non-resident status. It is recommended that structures are put in place to identify non-resident HWIs and also substantial transactions in which they are involved. It is also recommended that there is spontaneous exchange of information on non-residents with the other relevant foreign jurisdiction to assist with the risk assessment process for both jurisdictions.

Legal Framework: Ensure the legislative framework is sufficiently robust to support compliance activities for HWIs.

37. It is important that there is a legislative review to ensure the appropriate powers are in place to support requests for relevant information from an HWI. Such a review can be undertaken as a separate project or can take place on an ongoing basis as matters arise. For example, the STI should review what foreign reporting requirements are in place regarding specified property or income as well as the applicable thresholds for reporting. Having clear foreign reporting requirements defined in the tax legislation will enable the STI to request specific details from the taxpayer such as any real property or funds over a set value held outside

of Lithuania, shares in capital stocks of a non-resident corporation, or an interest in a non-resident trust or an interest that may be held in a foreign insurance policy as well as where they are held.

International Collaboration: Engage with relevant international organizations

38. It is recommended that representatives of the HWI unit engage with the relevant international organizations that research and report on good practice in the management of HWIs. One relevant group the STI unit should consider seeking membership in the OECD JITSIC group. It is understood from the STI that they are represented at the OECD WP ATP Directory Group.

Communication and Engagement: A dedicated communication officer appointed to the HWI Unit would facilitate media enquiries and the issuance of communiqués about the HWI program and services

39. Having a communication resource dedicated to promoting the new HWI unit and the services it will provide would be beneficial for the unit. We recommend on initial contact with the HWI and their advisor that there is an introductory statement announcing the establishment of the new Unit and describing the objectives and focus of the HWI strategy and program including the link to the STI strategic objectives of reducing the tax gap and facilitating compliance. Also, there should be a focus in the communication on the service that will be provided to the HWIs including a dedicated case manager, so that the benefits for the HWI of being assigned to the new unit is clear. It is recommended overall as regards communication with the HWIs that the HWI's representative is communicated with at all times at the same time as the HWI. The preferred method of communication for most jurisdictions and for HWIs is generally through a secure portal which usually includes a secure email system.

40. A dedicated communication resource can also proactively issue updates on HWI program activities. By addressing media sensitive queries promptly, the STI will be in a better position to receive positive media coverage rather than being placed in a less favorable reactive mode.

41. Separately, consideration should be given to establishing an advisory committee to provide advice to the STI consisting of legal, academic and accounting professions to provide advice on operational and possibly policy decisions related to HWI program. It is a great opportunity to leverage external expertise on a consultation basis.

Measure the Impact of HWI Programs: Capture output and outcomes

42. It will be important to establish the impact of the HWI unit activities at an early stage so the results can be reported on and are also available as justification of further resource or investment requirements. There is a need to establish the metrics that will be applied to measure the impact of the activities of the unit. It is recommended that both output

and outcome.¹¹ Results are captured and measured. It is also recommended that how the results are reported on publicly is determined at an early stage.

Residency: Undertake a review of the residency rules to ensure they are robust, also a change of residence by a HWI should be profiled for potential tax risks.

43. It is important to ensure the rules for determining residence in the State are robust. In general, there are common rules for residency tests across many jurisdictions¹² including minimal duration of stay in a country in a year or longer period, and/or establishing where the center of vital interests is for an individual through various criteria. Separately, some jurisdictions apply an exit tax (e.g., Ireland) often on change of domicile or habitual residence. this can take the form of a capital gains tax on unrealized gains.

V. ANNEXES

Annex I. References/ Material Provided to STI

Technical Report April 2021: February 25 to March 5, 2021

- IMF Technical Note; “Revenue Administration: Implementing a High-Wealth Individual Compliance Program”, April 2017 (J. Buchanan & L McLaughlin).
- PowerPoint presentations: Introduction HWI project; Why do tax administrations give special attention to HWIs; Overview of managing HWIs; Risk Profiling; Tax avoidance schemes.

Technical Report June 2021: May 20 to 25, 2021

- Background note for the Mission of May 20-25, 2021 Lithuania – High Wealth Individuals including:
 - Appendix 2 – Comparative study of 6 jurisdictions
 - Appendix 3 - Management of HWI Taxpayer Population
 - Appendix 4 - Statistics on HWIs
- Note on ‘Considerations for the identification of HWIs’
- Responses to general questions by STI for the IMF experts
- Responses to specific questions by STI on HWI management in Canada

¹¹ Performance measures including ‘Output and Outcomes’ were discussed during the visit on February 9, 2022, presentations were also provided.

¹² A link was provided as part of the visit in February 2023, to a publicly available OECD website that sets out the residency rules applicable across jurisdictions.

- Responses to specific questions by STI on HWI management in Ireland
- Canada Revenue Agency Forms:
 - Foreign Income Verification Statement
 - Information Return Relating to Controlled and Non-Controlled Foreign Affiliates
 - Trust Income Tax and Information Return
- Ireland Revenue Forms:
 - Form SA 1 - Statement of Affairs (Individual)
 - Form SA 1 - Statement of Affairs (Representative / Trustee)
- PowerPoint presentations:
 - Structure – Countries with a HWI Unit, Unit a part of LTO, and Criteria in Determining HWI
 - Definitions for HWIs – General Advantages / Disadvantages
 - Identifying High Wealth Individuals - Ireland
 - Canada’s HWI Program – Identification Methodology

Technical Report February 2022: July 28 – 30, 2021 and January 10 – 20, 2022

- Background note for the Mission of July 28-30, 2021, including
 - Agenda for July Visit
 - Comparative Study
 - HWI programs in Tax Administrations- Considerations for a HWI Strategy- Management of HWI taxpayers
- Key Elements of HWI Strategy
- Approaches to management of HWIs
- Examples of HWI Strategies
- Measures to encourage Voluntary Compliance
- Functions of HWI Program
- Project Implementation Plan
- HWI Project Plan - Funding Proposal
- Measurement of Impact on HWIs
- Quality Assurance

Technical Report March 2022: February 8 and 9, 2022

- Agenda for February 2022 Visit

Technical Report April 2022: March 2022 written feedback

- Email dated March 16, 2022, titled “Strategy implementation plan draft” containing FAD recommendations and feedback
- Feedback on the “Plan of Measures for the Implementation of the High Net Wealth Individuals (HNWI) of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania 2022-2024”

Technical Report November 2022: September 26, 27, and 30, 2022

- Agenda for September 2022 Visit
- Presentation Tax Residency Rules – Canada and Ireland
- Presentation Basis of Canadian Residency Status

Technical Report November 2022: November 23, 24, and 25, 2022

- Agenda for November 2022 Visit
- HWI Communication and Engagement Strategies
- Phases of the Communication Strategy
- Overview of the Taxation of Insurance Policies in Canada
- Case 3 Comments
- Reporting of ATP transactions under Canadian legislation by tax agents and intermediates
- Mandatory Disclosure and Protective notification regimes in Ireland

Technical Report March 2023: February 20, 22, and 23, 2023

Prior to Mission:

- Agenda for Mission on 20, 22, and 23 February 2023
- Expert comments on STI questions relating to:
 - Communication with HWI
 - Recommendations of the IMF regarding public info of STI
 - Supervision of HWI
- General note on residency rules also, a link to OECD publicly available document that sets out the residency rules applicable across jurisdictions
- Expert comments on STI questions relating to:
 - Canadian case assigned to ATP directory
 - Irish case assigned to ATP directory

- Limited liability companies (LLC) that are established in the US
- Link to a Judgement delivered by the Irish High Court in 2019 in a case similar to those outlined in the ATP Directory cases
- Expert comments on STI questions relating to 'Exiting a Business'
- Draft outline of final Mission Report
- Post Mission:
- A document containing links to the taxation of Trusts in Canada
- A link to the Revenue web-site area that provides an Overview of the Discretionary Trust Tax that applies in Ireland together with the relevant tax forms and Revenue's manual on the taxes that arises in respect of Discretionary Trusts.
- Link for the promoter schemes from the CRA
 - Link to Ireland's Revenue website www.Revenue.ie setting out Revenue's approach to Tax Avoidance
- Link to the published information on CFCs on Ireland's Revenue web-site
- Link to the Taxes Consolidation Act 1997 to provide access to the legislation referenced in the 'Hughes v The Revenue Commissioners' case High Court Judgement i.e. sections 130, 543, 547 of the Taxes Consolidation Act 1997.

Annex II. Findings of the Stock Taking

Areas of STI administration and HWI compliance program requiring further development

| Topic | Already in Place | Areas for improvement |
|--------------------------|---|--|
| Structure | No dedicated HWI structure | Establish a dedicated HWI Unit |
| Project Team | CD support from IMF and EU | Allocate Sufficient resources to the project team |
| Define and Identify HWIs | Rich 200 identified using 8 different criteria Internal and third-party information used | Introduce a definition for HWI Expand criteria for identification of HWIs to include Internal, Third-party, and Public data Identify fixed group of HWIs |
| Compliance Strategy | Audits | Develop a specific HWI compliance strategy Consider using the CRM framework |
| Risk assessment | Generic case selection Wide range of internal and external data available | Introduce RDF Develop a HWI profile template Introduce specific HWI risk rules Introduce indicators of tax avoidance |
| Staff capability | General training of staff | Identify suitable qualified and experienced staff |
| Review of legislation | Comprehensive legal system No significant deficiencies | Review taxing of income streams and existing exemptions to provide assurance on the tax base |

Annex III. SWOT Analysis



Annex IV. STI Progress on implementing IMF Recommendations

| | IMF Recommendations | STI Progress to-date |
|----|---|--|
| 1. | Develop a HWI compliance strategy and implementation plan for the introduction of a dedicated HWI unit | In July 2022 the STI completed and received formal approval for the strategy for the supervision of high-net-worth individuals (HWI) for 2022-2024, and the plan of measures for its implementation. The STI established the new structural unit in the Department of Large Taxpayers - Resident Tax Obligations Division (GMPS) in order to ensure supervision of HWIs and their spouses in one unit of the STI. |
| 2. | Ensure sufficient and experienced dedicated resources are appointed to the HWI Unit. | In total 13 positions were established at the GMPS, 7 civil servants with more than 15 years of experience in tax administration were hired/transferred to GMPS by the end of 2022. |
| 3. | Introduce a threshold and structured approach to the identification of HWIs which can be periodically reviewed. | The STI developed a methodology for defining the HWI segment and determined, the threshold and selection criteria for assigning residents and non-residents to the HWI segment. The selection criteria include the use of publicly available information and international exchange of information data. The methodology and definition criteria were approved by STI senior management. The HWI segment list was compiled, and the individuals were assigned according to the new rules which entered into force on 02/01/2023. |
| 4. | Adapt the processes, procedures and IT platform of the STI in the new HWI Unit | Changes to the STI processes and updates to information systems were completed and adapted to the processes and powers of the GMPS staff. From 02/01/2023, identified HWI persons will be supervised by dedicated GMPS employees. |
| 5. | Develop a communication and engagement strategy to include: <ul style="list-style-type: none"> - Building relationships with HWI taxpayers, and their representatives. - Actively engaging with tax advisors. - Put in place public communication campaigns to inform the general public on developments when they are in place. | The STI completed the following initial steps in the communication and engagement strategy: <ul style="list-style-type: none"> - To inform the HWIs about their assignment to the HWI segment as well as the available communication mechanisms with the STI - Organized a meeting with associations of tax consultants and presented the main goals of the HWI strategy - Issued press and television releases on the establishment of GMPS and supervision goals of the HWI segment. - The STI website published a dedicated section which provides updated information and background details on the STI structural and operational changes regarding the HWI supervisory approach, including practical information for HWIs. |

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| 6. | Engage with the relevant international organizations that research and report on good practice in the management of HWIs. | In 2022 Q4 the STI applied for and was granted to use the OECD WP11 ATP directory. Currently, approx. 10 employees have access and assigned with tasks to make a review of certain offshore cases assigned to ATP directory. |
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