

## INCREASINGLY AGGRESSIVE TAX AUTHORITIES:

### HOW SHOULD A TAXPAYER RESPOND?

#### INTRODUCTION

Across developed and emerging economies, tax administrations are undergoing a structural shift. Enabled by data, technology, cross-border cooperation, and political mandates to close tax gaps, authorities are no longer relying primarily on reactive audits. Instead, they are deploying systematic, forward-looking enforcement models characterized by tighter reporting, harsher penalties, coordinated investigations, and reduced settlement flexibility.

**Have you experienced a tax authority investigation based on information obtained under the CRS automatic exchange of information rules or under a bilateral exchange of information on request?**

This thought piece considers global trends and selected jurisdictional examples, and proposes practical, lawful strategies taxpayers to implement when planning to mitigate risk and preserving after-tax income in this more adversarial environment.

#### GLOBAL ENFORCEMENT INFLECTION POINT

##### 1. What are the main multilateral drivers:

Two decades of incremental reform culminated in a step-change in enforcement intensity during the 2020s. The **OECD's Tax Administration 2024** report (covering 58 jurisdictions) documents how tax authorities are converging on a common operating model: enhanced compliance programs, systematic use of **tax-gap estimation**, and pervasive application of data analytics and digital tools as core administrative functions rather than experimental add-ons. The result is more reliable detection of non-compliance and a higher probability of sustained follow-up. These developments are amplified by political momentum from the G7 and G20.

The **OECD's 2024 G7 progress report** highlights the implementation phase of the **Global Minimum Tax (Pillar Two)** and a significant expansion of information-exchange mechanisms. Together, these measures enlarge the enforcement perimeter for multinational groups, extending regulatory reach across borders and reducing arbitrage between jurisdictions.

Consumption taxes show a similar trajectory. The **OECD's Consumption Tax Trends 2024** details how VAT/GST regimes are tightening worldwide through **e-invoicing, real-time**

**reporting, and platform---based collection obligations.** These tools shift enforcement upstream and convert private intermediaries into compliance gatekeepers.

## 2. National Case Studies: A Comparative View of Assertive Enforcement

### United States

Following the **Inflation Reduction Act of 2022**, the IRS adopted a multi-year **Strategic Operating Plan** that explicitly prioritizes “expanded enforcement on taxpayers with complex filings and high-dollar non-compliance.” Crucially, this is backed by sustained funding for technology, analytics, and enforcement personnel rather than short-term initiatives.

The IRS’s **2024 annual update** confirms that this build-out is ongoing, and FY2025 budget materials indicate growing enforcement full-time equivalents financed by IRA allocations. This institutionalizes a higher baseline level of scrutiny.

Compounding this is interpretive complexity. The **Priority Guidance Plan (2023–2024)** lists **237 guidance projects**, reflecting a dense regulatory pipeline. While aimed at clarity, the volume itself increases uncertainty and compliance risk for taxpayers navigating overlapping rules.

### United Kingdom

HMRC’s posture is shaped by its **Litigation and Settlement Strategy (LSS)**, repeatedly reaffirmed, and updated. The LSS states that HMRC will not settle disputes for less than it believes would be achieved in litigation and explicitly rejects “package deals.” This removes flexibility historically relied upon in negotiated resolutions.

In parallel, HMRC’s 2025 consultation on **simplifying and strengthening behavioural penalties** (for inaccuracies and failures to notify) signals legislative intent to enhance deterrence through more predictable and impactful sanctions.

### Australia

Australia offers one of the clearest examples of institutionalized aggressiveness. The **Tax Avoidance Taskforce** has been repeatedly extended and re-funded, delivering cumulative revenue effects estimated at **A\$32 to 38 billion**, with **A\$5 to 6 billion annually** from large corporates, multinationals, and wealthy groups. Its remit now expressly covers “medium and emerging” companies and the “Next 5,000” high-wealth private groups.

ATO communications emphasize **strategic litigation, transfer pricing enforcement, thin capitalization reforms**, and targeted industry campaigns (e.g., oil and gas). These are hallmarks of a deliberate, high-impact enforcement philosophy.

### Canada

The **Canada Revenue Agency's 2024–25 plans** frame combating aggressive tax planning and evasion as a top strategic priority, supported by large audit programs in real estate, the underground economy, and complex arrangements.

CRA thematic briefings also highlight **automatic filing pilots** aimed at expanding the filing base, coupled with service modernization and continued compliance escalation. This reflects a broad “detect and include” posture, widening the net while raising enforcement intensity.

## India

India's enforcement environment is shaped by revenue mobilization imperatives. **CBDT communiqués** report record direct tax collections alongside frequent administrative notifications adjusting rules and procedures. Public “**tax defaulter**” lists remain in use as a naming-and-shaming mechanism, reinforcing deterrence beyond formal penalties.

## South Africa

SARS has openly articulated a mandate to “**make non-compliance hard and costly.**” Technology-driven compliance filters and aggressive verification processes are credited in media releases with preventing **R100 to R150 billion** in impermissible refunds over recent fiscal years, evidences stringent, automated enforcement thresholds.

## France

France's **five-year anti-fraud roadmap** has translated into measurable enforcement escalation. In **2024**, DGFIP reported a **9% increase in international scheme audits, €5.2 billion** in corporate tax assessments (**64% tied to transfer pricing**) and expanded powers to **suspend VAT numbers** and **dereference non-compliant marketplace sellers**.

## Germany

Germany reinforced cross-border scrutiny by transposing **EU DAC joint audit rules** into national law effective **2024**, enabling **joint and simultaneous audits**. This marks a shift toward coordinated multinational examinations rather than isolated national reviews.

## Conclusion

Across jurisdictions, tax authorities are deploying **more data, more tools, deeper cross-border coordination, firmer settlement policies, and stronger penalties**. Compliance is no longer episodic; it is continuous, predictive, and increasingly unforgiving.

## LAWFUL STRATEGIES TO REPULSE THESE THREATS

In order for taxpayers to be best able to reject tax authority claims many actions can be undertaken, some of which are:

### 1. Building a contemporaneous defensible file.

Taxpayers should maintain contemporaneous documentation for predictable issues including transfer pricing, economic substance, beneficial ownership, VAT evidence chains, R&D support, and treaty forms. Authorities' own playbooks show where scrutiny concentrates.

### 2. Using pre-filing certainty mechanisms.

Use Advanced pricing agreements, rulings, cooperative compliance, and pre-lodgement programs to lock in positions. Germany's BZSt, the ATO, HMRC, and the IRS all support advance engagement.

### 3. Designing for Pillar Two and digital reporting.

For groups exceeding the €750m threshold early modelling of GloBE ETRs, safe harbours and deferred tax effects and aligning with ERP data to DAC7, CESOP, marketplace VAT, and e-invoicing regimes. Data mismatches are audit triggers.

### 4. Optimizing legal form and location including substance.

Revisiting legacy structures under modern thin capitalisation, hybrid, and CFC rules. Refreshing governance and operational substance to reflect commercial reality.

### 5. Use charters, appeals, ADR and MAP strategically.

Understanding settlement boundaries (e.g., HMRC LSS) and escalating cross-border matters to Mutual assistance Procedures early where appropriate.

### 6. Managing cash and refunds proactively.

Automated refund blocks are widespread. To avoid these taxpayers should be accurate, have reconciled filings with strong audit trails.

### 7. Leverage voluntary disclosure windows.

When legacy issues exist, timely Voluntary disclosures can cap penalties before analytics identify issues.

### 8. Automate compliance data flows.

Map source-to-return data across payroll, e-invoicing, and withholding. Clean data reduces AI-driven adjustments that erode net income.

## 9. Reserve for controversy and choose battles wisely.

Build tax risk reserves and litigate only principle issues with strong facts and settle the low-materiality items efficiently.

## 10. Stay on the front foot with governance and training.

Implement a tax control framework, involving running mock audits, and training teams on emerging risk areas both c-suite and finance. Prepared organizations preserve lawful deductions, credits, and incentives.

### FINAL WORD

The age of lenient or negotiable enforcement is ending. Tax authorities now operate as data-driven, coordinated regulators with the tools and mandate to pursue perceived non-compliance aggressively. However, with foresight, governance, and strategic use of lawful mechanisms, taxpayers can still protect value and retain what they rightfully earn.

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**If you want to limit your tax risk then be advised by the best, contact Dr Peter or one of the team at PB First Global Tax.**



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