

Paul College Professor Helps Out IMF's Fiscal Affairs Department

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John Hasseldine, associate professor of the accounting and finance at the UNH Peter T. Paul College of Business and Economics

John Hasseldine, associate professor of accounting and finance at the UNH Peter T. Paul College of Business and Economics, has been appointed as an external fiscal expert to the International Monetary Fund and has assisted with the IMF's work on developing a model and estimating the tax gap for the Value Added Tax (VAT) for its member countries.

"This model is an exciting development that will allow tax agencies to benchmark their performance against each other and to use the data to drill down into and examine the VAT compliance in different industrial sectors," Hasseldine said.

In January Hasseldine visited the IMF to review its model for computing an indicator of the VAT gap that arises from tax noncompliance and policy decisions. The model will allow the 130 countries that have VATs to compute their VAT gap from national accounts data. The United States is the only major economy without a VAT.

"In practice many member countries have deficiencies in their national accounts data, so rolling out the model to IMF member countries will clearly take some time," Hasseldine said.

Hasseldine also notes that there are still many remaining challenges in computing a tax gap indicator for a member country. For example, the model needs to consider how and whether to make various adjustments around cross-border trade, residential housing and how to factor in tax avoidance and the hidden economy – the latter is present, yet obviously difficult to measure, in all countries.

Therefore, the final tax gap indicator will have margins of error and final estimates will need to be used with care since changes in the levels of the VAT gap over time may be due to the performance of the tax agency with better compliance risk management, reflect an underlying change in the economy, or simply fall within the margin of error, he said.

Hasseldine is an international expert in tax administration and tax compliance. He recently travelled to the U.K. to present his tax gap research as an international member and invited guest at the inaugural conference of the newly funded Tax Administration Research Center at the University of Exeter. He joined UNH in 2011 from the University of Nottingham where he had been full professor since 2004 and co-director of its Tax Research Institute.

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