FURTHER READING

DAY 1

Plenary Session 1: The Digitalisation Journey of Tax Administrations

The objective of the session is to explore the opportunities and challenges associated with the digital transformation of tax systems and operations, discuss best practices and case studies from around the world, and provide insights into the technological, legal, and organisational aspects of digital tax administration. The session aims to help tax administrators, policymakers, and tax professionals to gain a better understanding of the potential benefits and risks of digitalisation, and to provide practical guidance and recommendations for implementing digital tax administration in a way that maximises its benefits while minimising its potential pitfalls.

Presentation

• Mr. Peter Green, Head – Forum on Tax Administration (FTA), Organisation for Economic Co-operation and Development (OECD)

Panel discussion

• Mr. Olufemi Olarinde, Assistant Director and Technical Assistant on Tax Policy to the Executive Chairman, Federal Inland Revenue Service (FIRS), Nigeria

• Mr. Logan Wort, Executive Secretary, ATAF • Mr. Wilson Prichard, Executive Director, International Centre for Tax and Development (ICTD)

• Mr. Erick Marinkovic Febre, Deputy Commissioner – IT Division, Internal Revene Service of Chile (SII)

Open discussion and Q&A

Moderator

• Ms. Mary Baine, Deputy Executive Secretary, ATAF

Presentations

Green, P. (2023). *Future of Tax Administration*. OECD.

Prichard, W. (2023). *Making Digitalisation work*. International Center for Tax and Development.

FORUM ON TAX ADMINISTRATION

FUTURE OF TAX ADMINISTRATION

Peter Green
OECD FTA Secretariat

OECD
BETTER POLICIES FOR BETTER LIVES

Summary

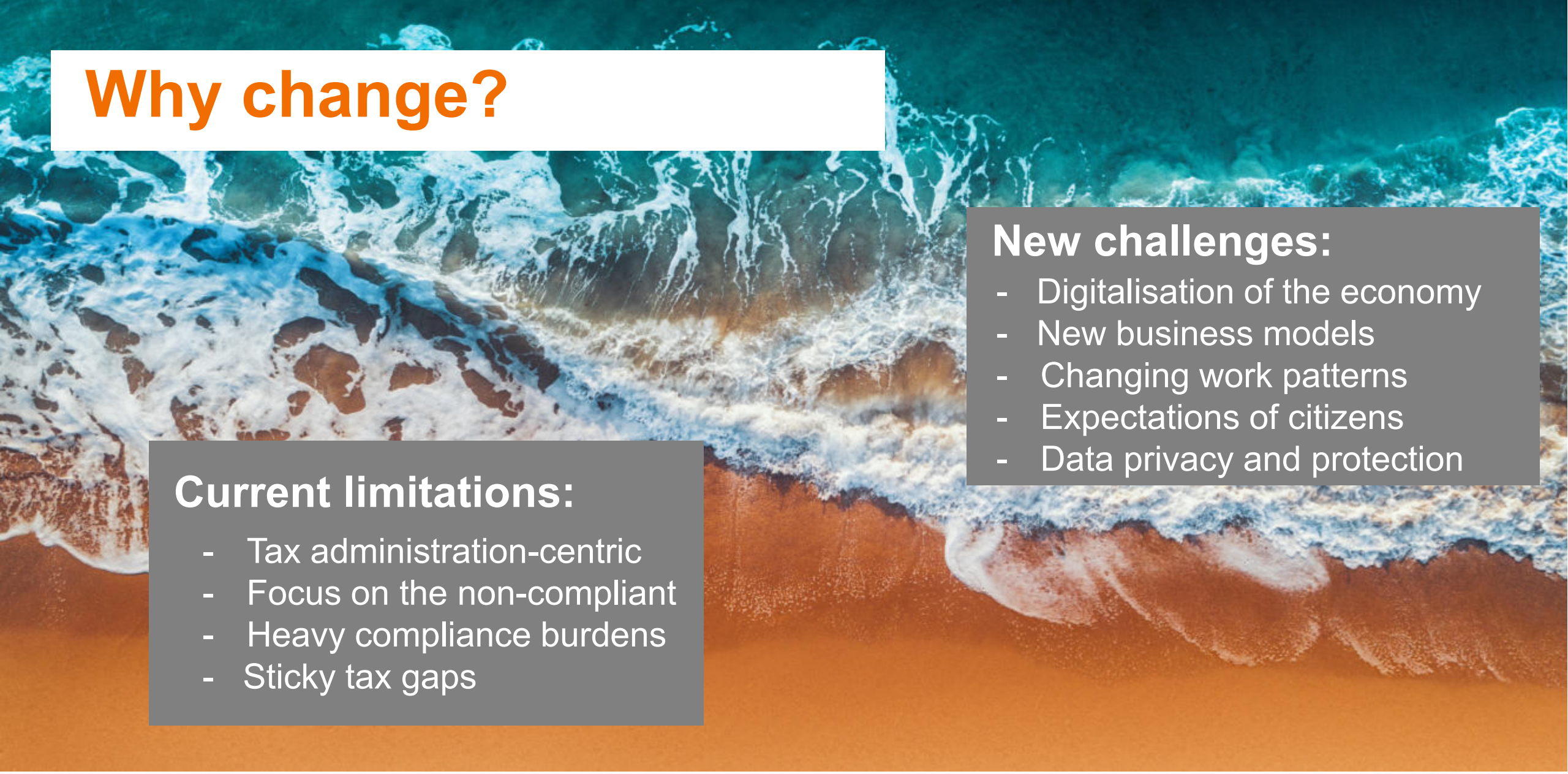
1. From administration-centric to citizen-centric

2. Moving tax administration processes into natural systems

3. Country-specific strategies

4. The key role of collaboration

Why change?



Current limitations:

- Tax administration-centric
- Focus on the non-compliant
- Heavy compliance burdens
- Sticky tax gaps

New challenges:

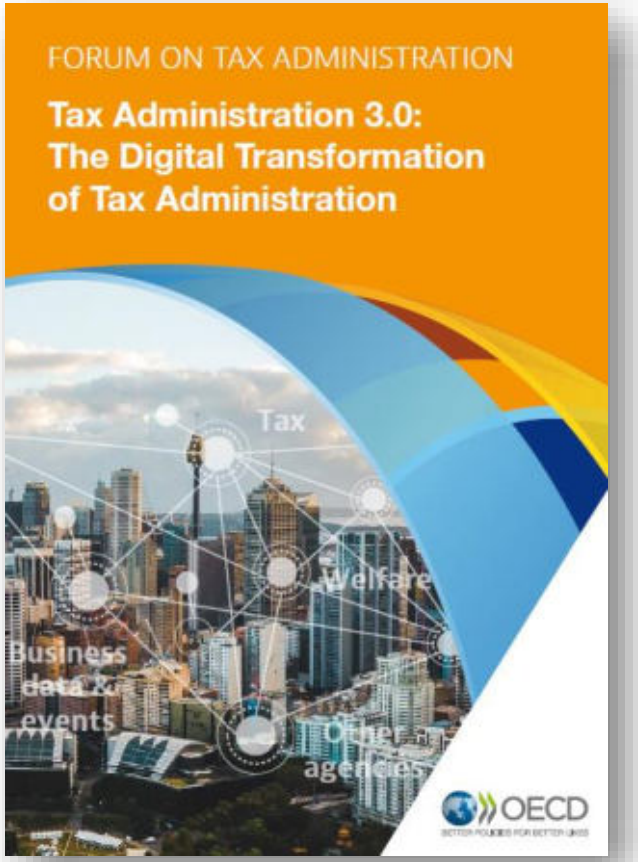
- Digitalisation of the economy
- New business models
- Changing work patterns
- Expectations of citizens
- Data privacy and protection

Tax Administration 3.0

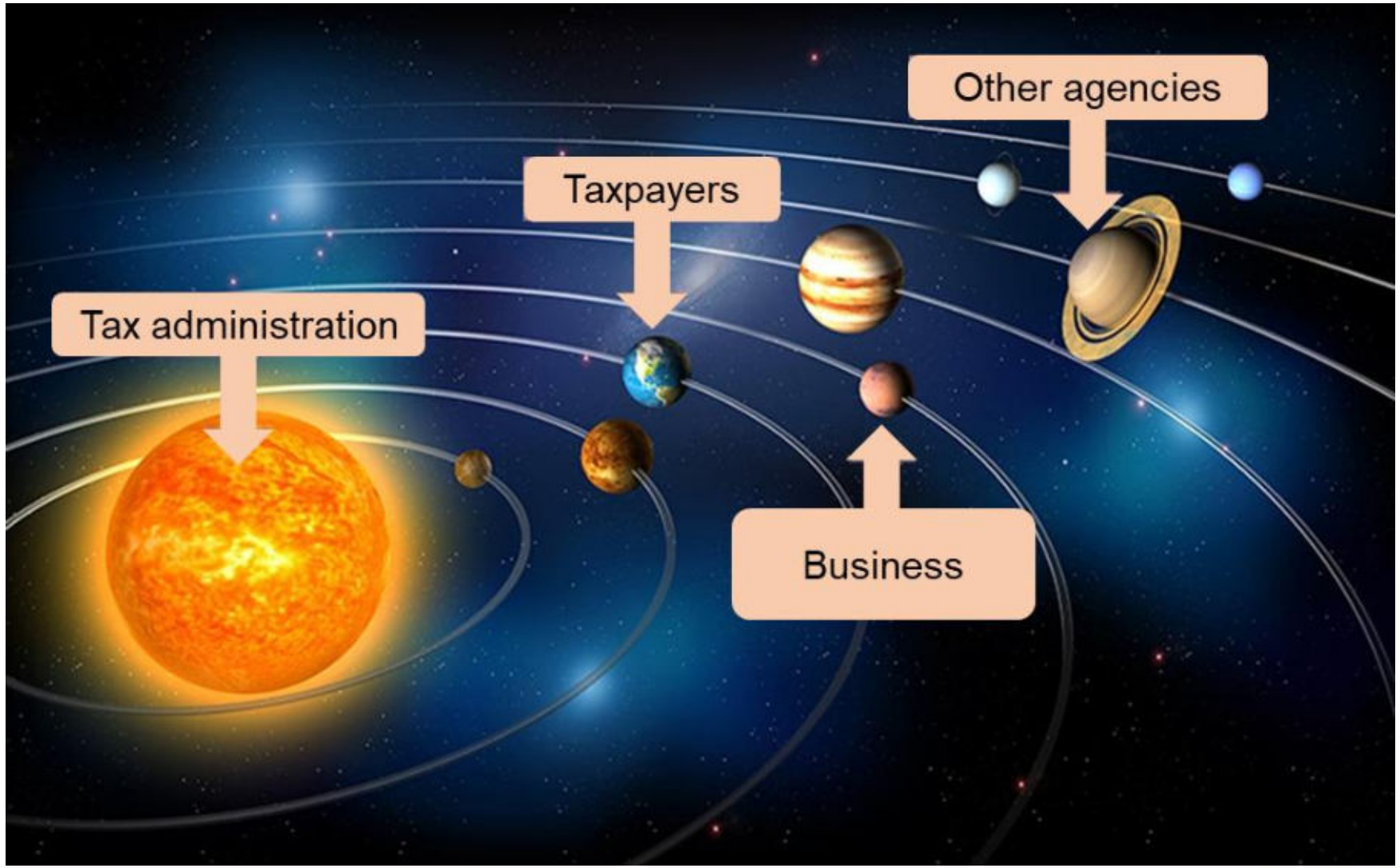
A vision of future tax administration

Vision of future tax administration requested by FTA Commissioners

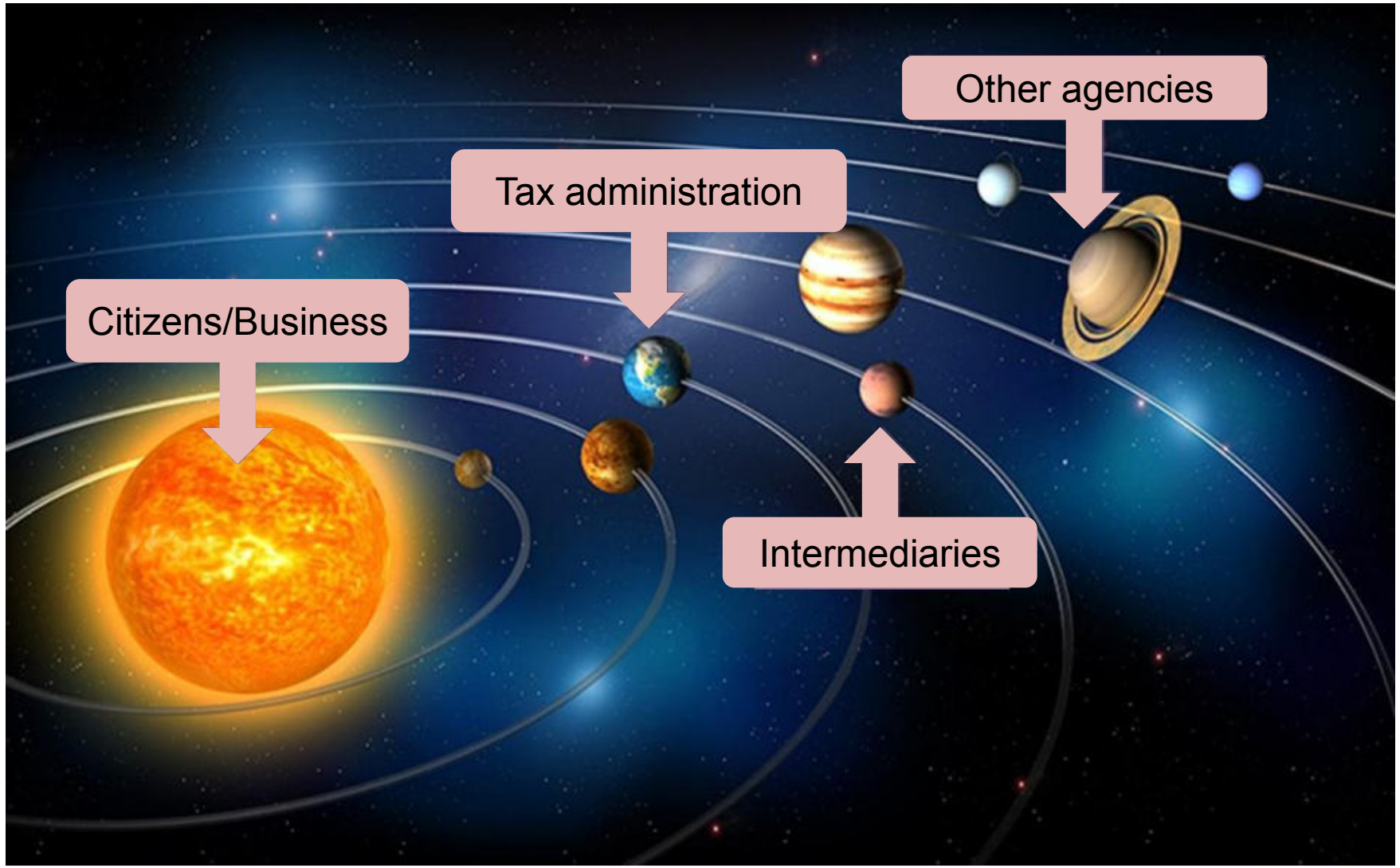
Core characteristic is embedding taxation processes into taxpayers' natural systems



Tax Administration 2.0 - Mindset



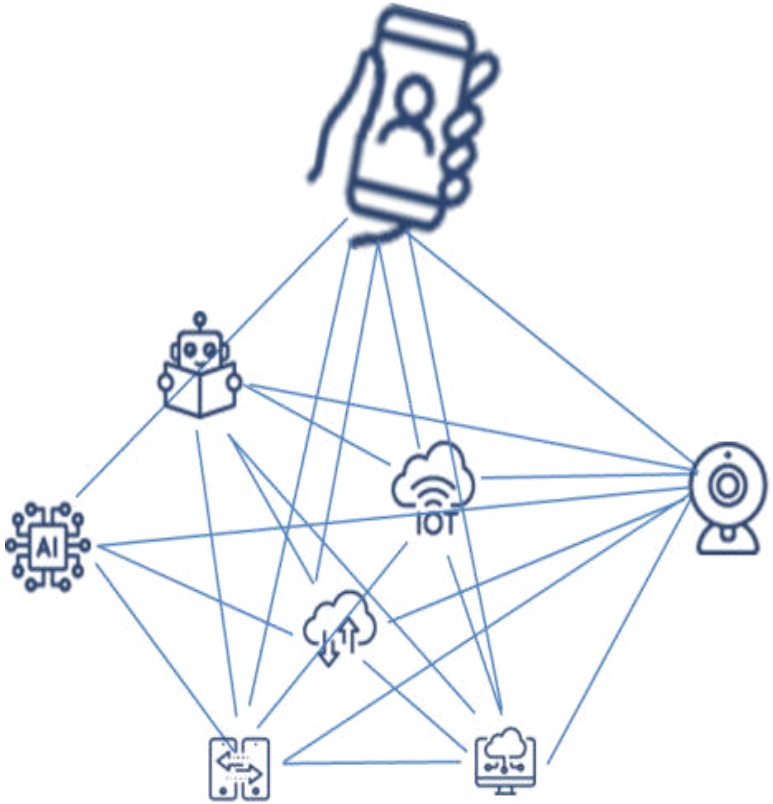
Tax Administration 3.0 - Mindset



Moving Taxation Processes into Taxpayers' Natural Systems

What is the end result of TA 3.0?

- **Seamless taxation**
- **Reduced burdens**
- **Targeted data flows**
- **Greater fairness/lower tax gaps**
- **More flexible systems**
- **Greater tax certainty**



FORUM ON TAX ADMINISTRATION

WORK COMPLETED AND NEXT STEPS

OECD
BETTER POLICIES FOR BETTER LIVES

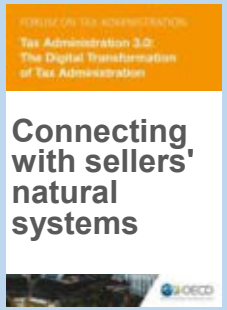
Tax Administration 3.0
Phase 1 - 2021-2022

Assessment tools

Maturity model

Technology Initiatives

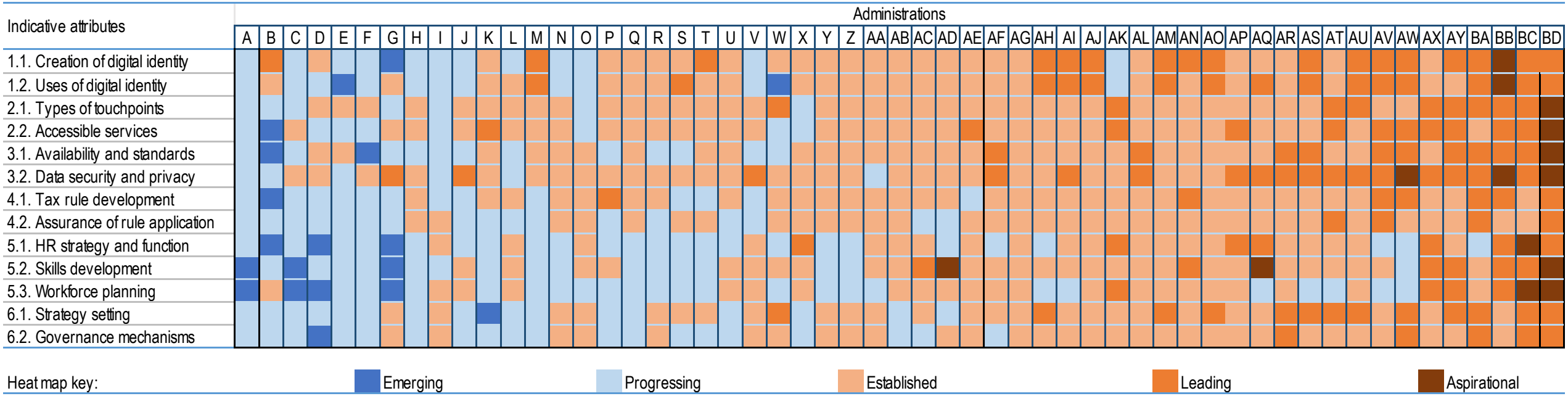
Reports



Knowledge sharing

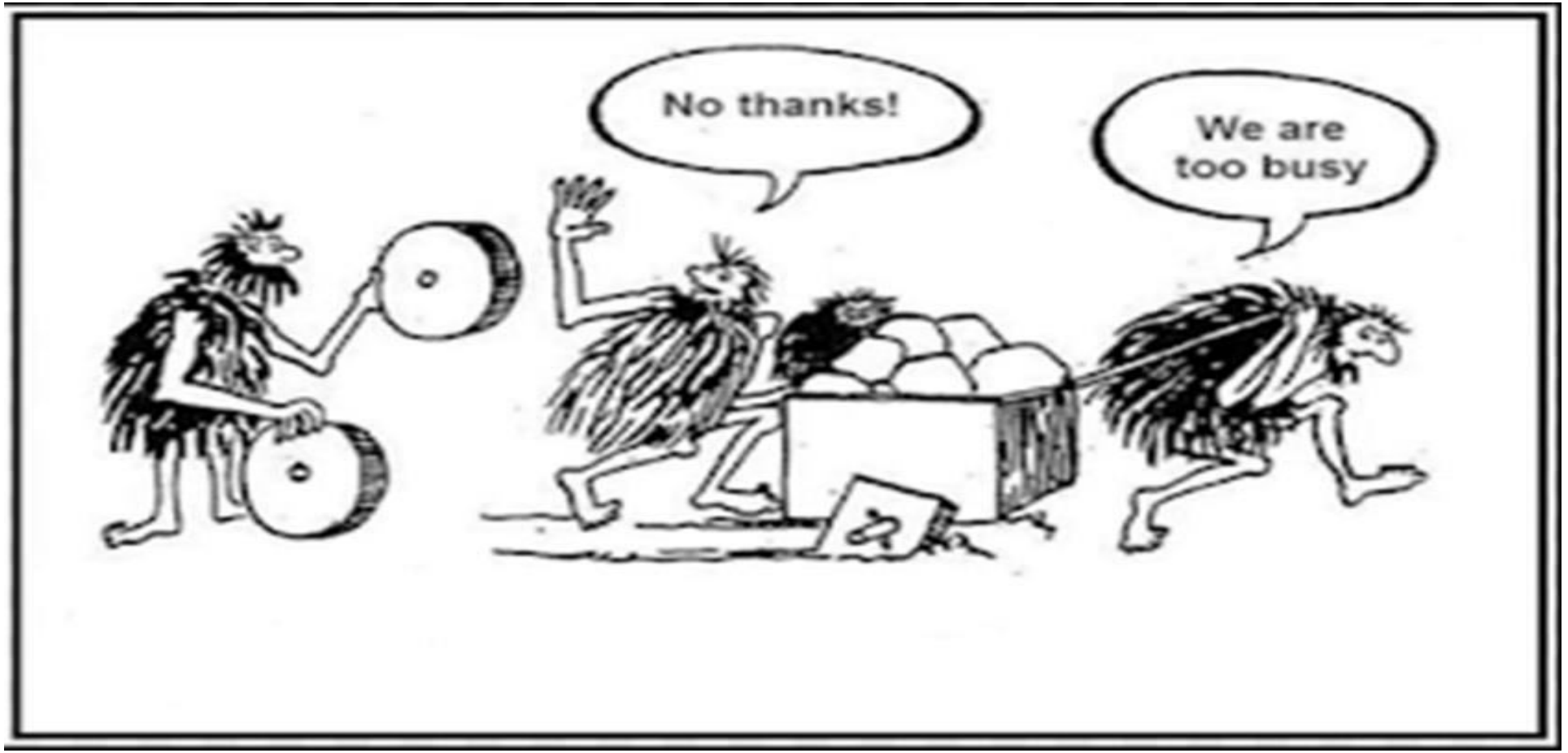
Digital Transformation Maturity Model

Self-assessment results



https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/digital-transformation-maturity-model.htm

What's Next?



2023 onwards - Collaboration in Practice

New senior level TA 3.0 Working Group

Stakeholder Liaison Groups (business, academics)

Project identification and prioritisation

Thank you

Making Digitalization Work

Wilson Prichard

Executive Director, International Centre for Tax and Development

Associate Professor, Munk School of Global Affairs and Public Policy, University of Toronto

Research Fellow, University of Toronto

PARTNERS

Bill & Melinda Gates foundation

UKaid from the British people

institute of development studies

Norad

Framing the Issue

- Digitalization reform has enormous potential to improve tax – and broader public – administration. But that potential is rarely, if ever, fully realized.

- Discussion of how to strengthen digitalization often focused on how to strengthen selection and implementation of new technology, including issues related to procurement, system design, IT infrastructure, capacity development and change management. This is of course critical.

- However, it is not the full story: Digitalization reform is not exclusively – or perhaps even primarily – about technology, but is about broader administrative changes that are enabled by technology.

- Underperformance of technology is often related not to technology itself, but to deeper problems: (a) inadequate data and data access, (b) ineffective use of available tools and data and (c) non-adoption, or unequal adoption, of new technologies by taxpayers.

- These, in turn, are often linked to legal constraints, administrative weaknesses or resistance, political or institutional barriers to reform or limited trust among taxpayers.

Implications for Reform

- More effective reform requires clear statement of objectives, and clear diagnosis of the character of existing problems, in order to devise digitalization strategies that have clear objectives, address core challenges and anticipate potential barriers effectively.

- Problem-focused digitalization:

- Holistic diagnostic and reform strategies:

The Case of Data Sharing

Data sharing with tax agencies, and across government, is a foundational potential benefits from digitalization, to enable deeper and more sophisticated analytics and enforcement, but often falls short of expectations. There are a variety of possible explanations:

- **Technical limitations** of existing systems, either tax systems themselves or the inability of other government systems to share date effectively
- **Legal restrictions** on the sharing of data, or the absence of data governance frameworks to enable sharing and ensure that data can be used for tax purposes
- **Data limitations:** The quality of available data is sometimes limited by (a) weak national data structures that fail to provide strong identifiers and data structures for sharing, (b) low quality administrative data across agencies, or (c) the unavailability or incompleteness of data owing to taxpayer or business resistance (e.g. slow uptake of digital merchat payments or e-filing)
- **Administrative/Institutional Challenges**: Institutional rivalries or ways of working often constrain actual data sharing, as different actors seek to retain their control over data and the influence and opportunity that entails
- **Political interference** often limits effective data sharing and lies behind the challenges noted above, as political leaders may view effective data sharing as a threat to vested interests

Even where data sharing occurs effectively data may not be used effectively, as political interference, low administrative capacity and administrative corruption can both presents barriers to using data effectively.

Understanding what data sharing is the central objective, what the key barriers to doing so are, and devising a holistic strategy accordingly can allow better targeted reform, better monitoring of impact and improved outcomes

Outline

Introduction and Framing

- Digitalization reform has enormous potential to improve tax – and broader public – administration. But that potential is rarely, if ever, fully realized. This reflects a wide range of distinct barriers and challenges.
- Digitalization reform is not exclusively – or perhaps even primarily – about technology, but is about broader administrative changes that are enabled by technology. Where digitalization reform succeeds, technology itself is inevitably only one piece of a much broader story. When digitalization efforts fall short of their ambitions the explanation often lies somewhere other than technology itself.
- More effective reform anywhere requires clear diagnosis of the character of existing problems, in order to devise digitalization strategies that address the core challenge and anticipate potential barriers effectively.
- Core challenges include inadequate or inappropriate systems, problems in the enabling infrastructure environment, problems related to inadequate data and data access, the ineffective use of available tools and data and non-adoption, or unequal adoption, of new technologies by taxpayers.
- Those problems, in turn, are often underpinned by deeper drivers: legal constraints, administrative weaknesses or resistance, political or institutional barriers to reform or limited trust among taxpayers.
- Understanding those distinct challenges and drivers can offer effective and context-appropriate lessons for reform efforts

Key Sections

1. Potential and successes: Huge potential of IT driven reform across a variety of areas – including improved data management, improved data sharing, reduced compliance costs for taxpayers, increased administrative transparency and monitoring, and overall increases in efficiency – but they often fall significantly short of expectations.
2. How reforms fail: Reform fall short of their ambitions in a variety of distinct ways, including problems of The extent of these challenges varies across different cases, and point toward different reform needs.
3. Why reforms fail: While diagnosing reform needs begins with understanding where existing systems are falling short, it also requires a deeper analysis of ***why*** existing systems are falling short of their potential. Individual challenges may be driven by technical, legal, administrative or political challenges on the government side – and by similarly multiple possible drivers of non-adoption by taxpayers.
4. Lessons for Reform: The key message for reform is that strategies need to begin from an understanding of the character of existing challenges *and* what is driving those continued challenges. Distinct binding constraints on reform require distinct strategies that seek to address core constraints within the limits imposed by existing infrastructure, capacity, institutions and politics.
5. Broader Implications for Digital Governance: The digitalization of tax administration (a) bears many commonalities with digital reform efforts in other parts of government, (b) can be catalyst for reform elsewhere, both as a model any because of interdependencies, and (c) can inherently contribute to strengthening digital governance more broader through the analysis of tax administration data.
6. The Case of Data Sharing: Taking the example of data sharing, effectiveness may be constrained by technical limitations of existing systems, by legal restrictions on the sharing of data, by administrative rivalries or ways of working that constrain actual data sharing, by political interventions aiming to limit data sharing or expanded transparency or by resistance of taxpayers to using new technologies that facilitate (e.g. National IDs) or provide for (e.g. digital payments) better data sharing. In turn, strengthening data sharing for tax admin can catalyze reform elsewhere, and have direct spillovers through broader improvements in data quality.

Detailed Outline

Intro

- Digitalization reform has enormous potential to improve tax – and broader public – administration. But that potential is rarely, if ever, fully realized. This reflects a wide range of distinct barriers and challenges.
- Digitalization reform is not exclusively – or perhaps even primarily – about technology, but is about broader administrative changes that are enabled by technology. Where digitalization reform succeeds, technology itself is inevitably only one piece of a much broader story. When digitalization efforts fall short of their ambitions the explanation often lies somewhere other than technology itself.
- More effective reform anywhere requires clear diagnosis of the character of existing problems, in order to devise digitalization strategies that address the core challenge and anticipate potential barriers effectively.
- Core challenges include inadequate or inappropriate systems, problems in the enabling infrastructure environment, problems related to inadequate data and data access, the ineffective use of available tools and data and non-adoption, or unequal adoption, of new technologies by taxpayers.
- Those problems, in turn, are often underpinned by deeper drivers: legal constraints, administrative weaknesses or resistance, political or institutional barriers to reform or limited trust among taxpayers.
- Understanding those distinct challenges and drivers can offer effective and context-appropriate lessons for reform efforts

Potential

- The digitalization of tax administration has enormous potential to dramatically improve performance. This is not just about technology, but reflects that fact that digitalization is often part of broader process and institutional restructuring which, collectively, can driven rapid improvements.
- The potential for digitalization to improve administration performance reflects a range of distinct possibilities, for each of which we have important examples of success:
    - **Improved data collection**:
    - **Improved data sharing**:
    - **Improved data management**:
    - **Improved data analytics**:
    - **Increased administrative transparency and controls**:
    - **Reduced compliance costs for taxpayers**:

- The potential for digitalization to improve outcomes also extends beyond tax administration:
    - Some technologies are cross-cutting and multi-use (e.g Digital ID, data warehousing)
    - Some tax data can be used for other government functions (e.g. property data for urban planning, tax data for economic planning)
    - Tax reform efforts can generate demand for reform elsewhere (e.g. digitalization of business registries,improved land management)

How Reform Fails

When reform falls short of its aspirations that may reflect a range of proximate causes or shortcomings:

1. **Ineffective systems**: (1) Inadequate functionality or robustness, (2) Excessive complexity, (3) Lack of safeguards, (4) Weak sustainability owing to inadequate or excessively costly support
2. **Inadequate infrastructure**: (1) Weak administrative connectivity, (2) inadequate hardware, (3) inadequate planning for local support, (4) weak connectivity for taxpayers, (5) lack of interoperability across systems
3. **Inadequate data**: (1) Low quality data collection, (2) ineffective data controls result in low quality data in the system, (3) ineffective data access and sharing, (4) weak protocols for data management/cleaning/updating
4. **Ineffective use of tools and data**: (1) administrators lack the skills to exploit available data, (2) processes do not incorporate quality data analysis, (3) skills and systems are available but new tools and analysis are not consistently used, (4) new data and analysis is used selectively, with evasion moving to new margins
5. **Non-adoption by taxpayers**: (1) non-adoption of e-filing or e-payments, (2) non-adoption of, compliance with, ETFs or digital merchant payments

Why Reform Fails

While diagnosing reform needs begins with understanding where existing systems are falling short, it also requires a deeper analysis of ***why*** existing systems are falling short of their potential.

1. **Technical**: Why do countries end up with inappropriate systems? (1) Market failures (e.g. limited offerings), (2) ineffective or corrupt procurement processes, (3) inappropriate vision for reform (e.g. 'big bang' tech driven reform vs targeted, modular, flexible reform)
2. **Legal**: Legal restrictions may limit the successful adoption of reform (e.g. ineffective legal frameworks for data sharing, legal restrictions on property identification or) valuation models for property taxation,
3. **Institutional**: Institutional arrangements may create barriers to realizing potential of digitalization (e.g. institutional silos/fragmentation prevent data sharing, absence of a central IT actor to coordinate interoperability and data sharing, lack of independence of tax agencies enables political interference)
4. **Administrative**: (1) inadequate capacity to make use of data tools – which may have multiple causes, (2) administrative resistance to reforms that threaten existing roles/power, (3) administrative resistance to reforms that threaten opportunities for corruption, (4) administration captured by political or economic interests
5. **Political**: (1) Political interference in procurement, often owing to corruption, (2) political interference in blocking data sharing or transparency initiatives, (3) political interference in the use of automated or new analytical tools, (4) political interference prevents revenue potential
6. **Taxpayers**: Why do taxpayers resist adoption of new technologies? (1) Lack of skills/capacity/resources, (2) lack of trust in systems or government, (3) fear of increased tax burdens

Lessons for Reform

1. **Getting the right systems**
    1. **Market shaping efforts**: Are appropriate systems available? If not, why not, what is needed and how can they be encouraged?
    2. **Smart procurement**: How can procurement efforts be designed to reduce capture and corruption and to focus on fit-for-purpose solutions?
    3. **Focus on fit-for-purpose solutions**: Move away from complex and comprehensive off-the-shelf solutions in favor of systems that stress interoperability, flexibility and sustainability
2. **Focus on the enabling environment**
    1. **Infrastructure**: Make appropriate investments in infrastructure, and choose systems that fit constraints
    2. **Legal:** Understanding necessary legal enabling conditions *before* embarking on IT reform
    3. **Institutional:** Identifying institutional barriers to success *before* embarking on IT reform
    4. **Processes:** Reorganize administration processes to maximize efficiency and use of new tools, while ensuring IT system match administrative processes
    5. **Capacity:** Consider capacity needs to implement new tech tools, while aligning IT choices to realistic capacity
3. **Anticipate and plan for sources of administrative and political resistance**
    1. **Risk diagnosis**: Where might administrative and political resistance emerge? How might those resisting reform seek to block reform (e.g. Non-adoption, undermining data quality, exploiting institutional or legal barriers)? How those risks be mitigated?
    2. **Effective change management practices:** Aligning processes and IT systems, provide for clear training and opportunities for key staff, build supportive coalitions who see benefit from reform
4. **Understand taxpayer needs and constraints**
    1. **Constraints on adoption:** Where adoption may be limited capacity, resources, costs or a lack of trust how can those be mitigated?
    2. **Incentives:** Where taxpayers fear increased tax burdens as a result of adoption can can those incentives be shifted through positive incentives, benefits from adoption etc…?

Broader Implications for Digital Governance

The digitalization of tax administration (a) bears many commonalities with digital reform efforts in other parts of government, (b) can be catalyst for reform elsewhere, both as a model any because of interdependencies, and (c) can inherently contribute to strengthening digital governance more broader through the analysis of tax administration data.

Lessons for other types of reform: Because of its relative specificity – but also importance across government – insights from the digitalization of tax administration can serve as a ”use case” to illuminate broader messages about how to strengthen digital reform. And, indeed, the lessons described here dovetail with emerging lessons from, for examples, the ODI/Public Digital program on DPIs.

Catalyzing reform elsewhere: Historical research has highlighted the potential for tax reform to catalyze reform across connected government agencies, given the centrality of tax agencies, and the same is plausibly true for digital reforms. There are a number of emerging areas worthy of further study: digital IDs, digital warehousing and data sharing, strengthening interoperability across government etc…

Strengthening governance through data: Data collected by tax agencies can be a powerful tool for other parts of government, and digitalization accelerates that potential (e.g. improved land management, improving business information and economic planning, using digital tools and data for social protection)

Other Cases

Thank you for listening!