Tax Administration Modernization
Trends and Recommendations

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Key trends in Modern Tax Administration: Increasing Service and Compliance while reducing Cost

• Improving e-service and reducing cost through more effective channel management.

• Closing the gap between owed and collected tax by reducing fraud and abuse

• Increased use of third party data for compliance purposes

• Addressing the challenge of cross border tax issues in a global economy

• Being more adaptable to the policy changes brought on by evolving economic conditions.

• Exploring new models for combined government tasks, like collection/payment of social, health and other income related benefits/payments

• Increasing organizational efficiency so more resources can be focused on performance improvements

• Open government

• Real time tax administration

• How to best use social media

• How to better use tax as a lever for economic development
The OECD Compliance Risk Management Framework

Fundamental principal: Tax administrations are in the behavior modification business! All activities need to be organized in a way that reflects an understanding of this.
Reengineered Tax Administration Framework

Identity management

E-Tax Administration
- Tax Web Portal
  - E-Tax Self Services
    - Registration
    - Filing
    - Payment
    - Compliance
    - Self Audit
    - Taxpayer Service
    - Research Policy
- E-Data Store

Core Tax Processing System(s)
- Transaction Processing
  - Registration
  - Returns
  - Remittances
- Revenue Accounting
- Taxpayer Accounting
  - Personal Income
  - Business Income
  - Sales
  - Withholding
  - Misc. Taxes
- Workflow Management or CRM
- Correspondence and Document Management
- Authoritative Taxpayer Account Data

Compliance Management
- Strategy/Policy Development
- Performance Measurement
- Taxpayer Behavior Modeling
- Decision Engine
- Compliance Components
  - Collection
  - Audit
  - Fraud Detection
  - Legal
- Compliance Data Warehouse

Technical framework (variety of vendor solutions)

Back office systems (personnel, finance, internal audit, asset management)
## Alternative solution approaches

<table>
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<tr>
<th>Solution</th>
<th>Advantages</th>
<th>Disadvantages</th>
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| Custom Built   | - build to exact client specifications                                      | - allows maximum deviation from best practice  
|                |                                                                             | - generally costly to maintain and modify  
|                |                                                                             | - to be effective requires IT department to operate like software company or to use a vendor                                           |
| End-to-End COTS| - pre-configured full solution closely aligned to effective practices based upon earlier client experience | - generally strong core but not best-of-breed in all functions  
|                |                                                                             | - could be hard to “pull apart” to install alternative components  
|                |                                                                             | - ties agency to single SW vendor                                                                                                           |
| Component COTS | - advantages of COTS components with maximum flexibility to use variety of software products and to upgrade components in the future | - requires higher level of enterprise architecture management and governance than many tax agencies are prepared for                           |
Recommended process

Figure A The Compliance Risk Management Process

Operating Context

- Identify risks
- Assess and prioritise risks
- Analyse compliance behaviour (causes, options for treatment)
- Determine treatment strategies
- Plan and implement strategies
- Evaluate compliance outcomes
  - Registration
  - Filing
  - Reporting
  - Payment

Monitor performance against plan

From: Compliance Risk Management: Managing and Improving Tax Compliance, OECD, 2004
The big picture

Figure 2.1 Risk Identification Diagnostic

From: Compliance Risk Management: Managing and Improving Tax Compliance, OECD, 2004
Tax Administration as “Managing the Ecosystem”

- Many players in the tax system.....does anyone understand it all?
- Taxpayer burden impacted by not only tax administrations, but by all the players
- Extends outside the boundaries of the country...data exchange is great if you can use what you are getting
Thank you!

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