



SELF-SERVICE

for Tax Compliance



IOTA

Intra-European Organisation
of Tax Administrations

Published by IOTA, 2016, Budapest

Address: Wesselényi utca 16., H-1077, Budapest, Hungary

Phone: +36 (1) 478-30-30, Fax: +36 (1) 341-51-77, Email: iota@iota.hu

ISBN 978-963-12-4827-2



Dear Readers,

It is my great pleasure to present to you a new IOTA publication. This e-book contains articles on the subject of “Self-Service for Tax Compliance”.

Tax administrations are in a process of increasing the use of modern information and communication technology to improve taxpayer services, compliance, and internal efficiency. The introduction of self-service channels is one way towards more efficient services. If developed and implemented in the right way self-services would be considered as improvements by most taxpayers and lead to better compliance. Such solutions can make tax administrations more cost-effective with less need for human-to-human interaction. To achieve this, tax administrations need to engage and cooperate with the users, software developers, tax intermediaries and other stakeholders. This kind of cooperation is the focus of this e-book.

The articles in this e-book are centred around the topic of self-service for tax compliance and examining it from different points of view. The first three articles describe the experience of designing and/or implementing e-services, its results, challenges and impacts. The authors examine the experiences of France, Spain and Lithuania to present how taxpayers can be encouraged and supported by tax administrations to use e-services. Two more articles focus on the importance of collaboration with other stakeholders when improving service for taxpayers. Through the impressive results of Norway and Azerbaijan you can gain information about the added value that cooperation, early involvement and awareness-raising bring in creating new service that facilitates taxpayers' compliance. The same issue, the importance of cooperation, is examined in the two other articles but on an international level. You will find an overview from the position of international businesses (Grant Thornton) and an international organisation (the Organisation for Economic Co-operation and Development) about enhanced relationships and cooperative compliance in Europe for better tax services. Our Irish author presents two case studies (Local Property Tax and Home Renovation Incentive) showing how the positive impacts of reducing legislative and administrative complexity create innovative solutions for the delivery of self-service.

I would like to express our gratitude to these contributors who shared their thoughts and experiences in this e-book:

Mr Vincent Mazauric (Deputy Director General, General Directorate of Public Finances, France)

Ms Ana Arce García (Deputy Director of Planning and Coordination Management Department, Spanish Tax Agency)

Ms Asta Strazdaitė (Head of Service Administration Division of Tax Obligations Department, State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania)

Mr Alakbar Mammadov (Adviser to Minister of Taxes, Ministry of Taxes of the Republic of Azerbaijan)

Mr Korstian Kool (Senior Adviser, OECD)

Ms Francesca Lagerberg (Global leader – tax services at Grant Thornton)

Mr Pat Molan (Principal Officer, Planning Division, Irish Tax and Customs)

The title of this e-book may be familiar to you. The 19th General Assembly of IOTA held in Rotterdam, the Netherlands, on 2-3 July 2015 was devoted to this subject. Considering the relevance and importance of the topic we approached the speakers of the Assembly to write articles based mainly on what was presented there. This publication thus gives us an opportunity to further examine one of the most relevant issues that tax administrations are facing today, at the half-way point towards our next Assembly, which will address another current issue of tax administrations: opportunities and challenges for using data in a smarter way (“Data-driven Tax Administration”).

I am convinced that all the articles in this e-book will give you useful information and will contribute to sharing experiences and practices in the international tax community.

Budapest, February 2016

Jan Christian Sandberg

Acting Executive Secretary of IOTA, the Intra-European Organisation of Tax Administrations

CONTENT

I. IMPLEMENTING E-SERVICES	7
<i>Vincent Mazauric</i> , Deputy Director General, General Directorate of Public Finances, France:	
'E-Services: the Way Forward'	8
<i>Ana Arce García</i> , Deputy Director of Planning and Coordination Management Department, Tax Agency, Spain:	
'The Immediate Supply of Information system'	12
<i>Asta Strazdaite</i> , Head of Service Administration Division of Tax Obligations Department, State Tax Inspectorate Under the Ministry of Finance of the Republic of Lithuania:	
'E-Services for Taxpayers - Making Tax Compliance Obligations Simpler and Faster'	18
II. NEW SELF-SERVICE THROUGH PARTNERING WITH STAKEHOLDERS	25
<i>Alakbar Mammadov</i> , Advisor to Minister of Taxes, Ministry of Taxes of the Republic of Azerbaijan:	
'Attainment of Tax Compliance through Social Incentives: Role of Tax Representative Bodies'	26
<i>Jan Christian Sandberg</i> , Director for Innovation and Development in Norwegian Tax Administration (Acting Executive Secretary of IOTA) and <i>Viveca Liodden</i> and <i>Torstein Hoem</i> , Norwegian Tax Administration:	
'Achieving Results through Multilateral Cooperation'	32
III. SELF-SERVICE AND COOPERATION IN INTERNATIONAL LEVEL	39
<i>Korstian Kool</i> , Senior Adviser, OECD:	
'New Challenges, New Services'	40
<i>Francesca Lagerberg</i> , Global leader – tax services at Grant Thornton:	
'How Digitisation of Services Impacts Collaboration between Tax Administrations and Tax Intermediaries'	46
IV. REDUCING LEGISLATIVE AND ADMINISTRATIVE BURDENS TH AT PREVENT DIGITAL INTERACTION	51
<i>Pat Molan</i> , Principal Officer, Planning Division, Irish Tax & Customs:	
'Innovation in Developing Service for Compliance'	52



I. IMPLEMENTING E-SERVICES

E-services: the Way Forward



*by Vincent Mazauric, Deputy Director General,
General Directorate of Public Finances, France*

E-services help enhance operational performance insofar as taxpayers take it up (use it): otherwise tax administrations spend money but don't get any return on their investment.

There is a need to discriminate between e-services at large and self-service: self-service entails savings whilst electronic interactions such as e-mails can be even more costly than paper-based or physical (phone and face-to face) contacts. It is important to discard prejudices about digital as being automatically cost-saving. What matters is to direct traffic to self-service channels, while support requiring interaction can be directed to more traditional channels: a channel mix, which can result in **a specialization of channels by type of need**.

Adapting to taxpayers' needs rather than making them fit in our organization and technical constraints

We need to understand their habits. To this end, we carried out a pilot project early 2014 to make sampled taxpayers test the usability of our e-services so we can adjust them and make them more user-friendly.

We developed a wide range of mobile applications because people increasingly make transactions through their mobile phone. It is likely to be a lasting trend including phenomena such as «mobile-only» users who never use Personal Computers or even laptops. Now our customers can file their tax return through mobile phone and pay their tax. They also can pay their traffic fines. To promote them, a pilot was run with staff presenting mobile services to taxpayers queuing in tax offices.



The taxpayer's perspective is put to the fore. We are in the process of recasting the website design. One of the main underlying concepts is to structure it according to life events instead of services. Of course this architecture is designed to direct taxpayers first to e-services.

But overall, when dealing with service design, when trying to drive people to self-serve, the *key challenge* is removing irritants: authentication needs to be easier, not more complicated than logging to Facebook; and there should be no need to provide two times (or more) the same information. That's the philosophy of FranceConnect, the new whole-of-government unique authentication system: taxpayers can use login details of their choice (post, health insurance, tax administration...). Why log in again or process the same information again because of a piecemeal administrative landscape? Administrative organizational charts should be of no concern for citizens and we must save their time. Thanks to FranceConnect, applying for a child benefit takes 5 minutes instead of 20; companies applying for a public procurement tender get their administrative details pre-filled because their information is collected from the online tax account so they can focus on the commercial part.

Giving taxpayers the opportunity to self-serve

Developing a comprehensive set of services is making sure taxpayers will not look for traditional channels to attend their needs. In the 21st century we have already taken significant steps in that direction: consolidated fiscal account, pre-filled tax returns, browser-based electronic tax return (versus apps or paying apps).

Now we will upgrade the consolidated account to a «unique Revenue space» where our customers will be able to find all their documents related to tax and local governments' fees and duties, pay, file a request, etc...

Making it less appealing for taxpayers to use traditional and interactive channels

Tax administrations face budgetary constraints so we need to develop the best standards for the channels the most relevant for each type of service. Having a face-to-face contact at the tax office does not help solve easy cases, does not make filing a tax return faster. So this type of «tailored» interaction needs to be earmarked for complex cases. For this reason we decided to experiment a restriction in the opening hours span. For the same reasons we do not provide «offline» the same "fast-track" services that are available online such as the possibility to easily amend a tax return once filed

Conclusion

To make the most of our services we need to keep pace with fast-evolving taxpayer habits. Because of an increasingly mobile use of e-services, the future might see tax administrations develop smart-phone apps with enhanced functionality, and use built-in smart-phone payment apps.

Yet some people will always find it hard to self-serve. It might be relevant to embed in our e-services targeted support when using e-services (click-to-chat) so a person who needs assistance does not eventually need to be met by offline channels.

To understand this constantly moving environment, tax administrations will increasingly open themselves to new opportunities – Hackathon, Big Data. DGFIP-organized Hackathons – and will learn a lot from these events.

What is a Hackathon and how did DGFIP use it?

The concept is to assess how much free developers could contribute by building more user-friendly or targeted apps, making life easier for customers and therefore allowing DGFIP to focus on its core expertise of data detention, protection, analysis and control. It's also a way to give some fresh air, new ideas to think about, new ways to approach things.

50 developers broken down into 10 teams met with our people and eventually with our top managers to debrief. They brainstormed and drafted some apps screens/projects building on fictitious scenarios. One of the scenarios used as a basis for the work was "what if the tax administration website's data was shared through an open API" (kind of a data portal). App developers could think about what they would do with this data and propose ideas such as an app through which a user could give money to charities and afterwards would pre-fill the related fields in his tax return.

The Immediate Supply of Information System



*by Ana Arce García, Deputy Director of Planning and Coordination
Management Department, Tax Agency, Spain*

The Immediate Supply of Information (ISI) system is a new strategy in Value Added Tax (VAT) management that will be launched on 1 January 2017.

The Spanish Tax Agency (STA) is currently working a pilot project with tax advisors, software developers and big companies to modernize VAT management, using the advantages of new technologies to simplify VAT taxpayers' obligations through a new way of keeping VAT register books.

The idea that transcends broadly in this project is that VAT register books will be kept in the website of the STA, and will include the invoice register details previously submitted by VAT taxpayers, within four working days after the real economic transaction has taken place.

Introduction

The intensive use of the new information and communications technologies in the assistance services offered by the STA to taxpayers has led to the existence of a true "electronic Tax Agency" that constitutes today the main relationship channel with taxpayers.

However, VAT taxpayers' demands insist on the need for expediting refunds and easing formal obligations. At the same time STA is aware that an increasing use of electronic services by taxpayers constitutes a very powerful tool to achieve a higher level of voluntary tax compliance.

The ISI, as far as involves the obligation to submit to the Spanish Tax Agency the invoice details in nearly real time, will provide the STA with a great amount of information and within a very short period after the operations have taken place. This information will be

shared with taxpayers in the STA website where they will find not only the information provided by themselves but also by their clients and suppliers.

The availability of contrasted books and tax data will be a big step forward toward enhancing voluntary compliance, because as STA shares its information and makes it transparent, taxpayers will be able to minimize errors and misunderstandings in the fulfilment of their VAT obligations.

In the future, when the system is fully implemented, STA will be able to provide each VAT taxpayer with a draft of their tax form with all their information, only to be checked and sent back to the STA, which will be as powerful an assistance service as the draft return in PIT return is.

VAT taxpayers in the ISI

The Immediate Supply of Information system will only be required, from the beginning of 2017, for a group of 62,000 taxpayers consisting of large companies, company groups for VAT purposes and those registered in the monthly VAT refund regime.

The majority of these groups is constituted of taxpayers who are obliged to keep VAT registers electronically, and are already obliged to fulfil the information return of issued and received invoices, or because their transactions total more than 6 million euros and consequently already have more developed software systems. This group represents eighty percent of the total invoicing of all VAT taxpayers in Spain.

Remaining VAT taxpayers may voluntarily use the system and, if they choose, stop using the system at the end of each year provided they have previously communicated this to the STA.

An instant information system: deadlines to send information

One of the essential elements of the ISI operation, as previously mentioned, is to have the real operation information available as soon as possible.

The ISI is an instant information system, which means that registered taxpayers will have up to four calendar days to send the invoicing details to the STA, for all kinds of invoices. For issued invoices this deadline is from the time an invoice is issued, and for received invoices from the moment this received invoice is registered.

These four calendar days don't include Saturdays, Sundays and holidays.

It must be noted that the invoice details sent to the STA will be the same as the current entry on the VAT register books.

By this means all the transactions done in a month will have to be sent to the customer and supplied electronically to the STA before the 16th of the following month. This regularity in sending the information will allow its verification as the information is received.

At the same time the deadline of periodic self-assessment is extended until the last day of the next month so the taxpayer has enough time to verify the information to fulfil his tax return.

Information required: invoicing details

There is standard information required both for invoice issuer and receiver in the Immediate Supply of Information system that must be provided to the Spanish Tax Agency, taking into account that it is not required to send the invoices themselves, but specific information about invoicing.

First of all the identifying data of the provider of the register book and the type of VAT register book should be specified: Register book of issued invoices, Register book of received invoices, Register book of capital goods or Register book of specific Intra-Community operations.

There are some fields where it may be necessary to make available the essence of invoices issued or received, including tax aspects of operations that are documented in them.

The following information will be required both for issued and received invoices:

- Invoice identification: Number and series that will be the essential element to contrast the information.
- Transaction date and expedition invoice date, only if both dates are different.
- Personal identification, corporate name, tax identification number from both invoice issuer and receiver.
- Fiscal identification in the country in which the recipient of the invoice, if different to Spain.
- Description of operation (invoice object).

Specifically for issued invoices some of the following additional information will be demanded:

- a) Total amount of the operation, taxable base and tax rate.
- b) Invoice type (full, simplified or amendment).

- c) In the case of corrective invoices, a reference to the corrected invoice or amounts that are replaced.
- d) Tax qualification of the operations included in the invoice issued:
 - Not subject to VAT, subject, or subject to VAT but exempt.
 - Supplies of goods or services provision.
- e) Classification of transactions subject to the invoice issued according to the general or special regime to which they are welcomed.

In the case of received invoices it must be highlighted that it is necessary to include information about deductible tax rate and total amount of the transaction.

Channels to submit information in the ISI

The information that must be submitted will be adapted to the approved design registration.

There are two possible ways to send the information:

- a) Immediate and continuous sending of information using a “web service”, mainly for large companies with an existing invoicing program that will send the invoice details at the same moment the transaction registration is done with the STA.
- b) Web form fulfilment for those taxpayers who perform a small number of transactions.

Tax data as a result of the ISI

As a result of all this process, where companies and professionals in the ISI will provide STA with their invoicing details, there will be created a "Contrasted Register Book" in the Electronic Office where the user will check the qualification or validation of entries in the register.

It will not be necessary that taxpayers check each one of the attributed invoices in the Electronic Office, because they will be able to check the validation of their entries in the “Contrasted Register Book”. The contrasted information that will be provided in the Electronic Office will offer for each settlement period different levels of information, in different colours, about the operations included in the register and the transactions reported by third parties as follows:

REGISTER BOOKS state after contrast	
ISSUED INVOICES	RECEIVED INVOICES
Verified invoices from contrasted information	
Verified invoices from another contrasting information (Customs, VIES)	
Receiver invoices not obliged to submit information	
Outstanding verification invoices by issuer or receiver	
Imputed invoices waiting to be included	

1. Green for verified or considered verified invoices:

- Verified invoices from contrasted information, that refers to transactions contrasted and validated with records of other taxpayers, or from another piece of contrasting information (Customs, VIES).
- Considered verified invoices: For cases where the receiver invoices are not obliged to supply information because they are not required to keep books or because they are final consumers. These invoices may also appear with a mark that allows them to be considered as previously validated. This could be done by simply crossing the receiver Identification Tax Number in the professionals and business census.

2. Red for not yet verified invoices:

In other levels of the Contrasted Register Book” (with another brand or colour) appear those operations that could not be crossed or validated for different reasons, which in such cases would be an outstanding contrast.

It should also be identified when those attributed transactions are not recorded in the declared register, so they will remain as imputed invoices waiting to be included.

Conclusion

As has been described, the Immediate Supply of Information system is a very ambitious project to modernize VAT management while providing taxpayers with a new assistance service based on the use of the electronic channel and new technologies.

The ISI will change the way that VAT taxpayers must supply information about their transactions, so this system will not add a new obligation to taxpayers but will introduce a new way to interact with the Spanish Tax Agency in the field of VAT.

From the beginning of 2017 the obligation to fulfil and keep VAT register books will be substituted for the obligation, for those taxpayers included in this system, to immediately supply electronically to the Electronic Tax Office the details of every transaction taxed with VAT.

As a result the Electronic Office will be the site where all this information will be available, and where the VAT register books will be kept, but in a new way, because the Electronic Office will offer **tax data** that will be completed data contrasted from third-party information, customs information and an intercommunity taxpayers register.

VAT taxpayers will find in the Electronic Office not only the details of their transactions and the details provided by third parties but these details in an advanced way, in an earlier moment close to the transaction date.

With this information VAT taxpayers will be able to fulfil their tax returns in an easier and safer way, reducing the probability of mistakes.

Moreover, the ISI will allow reduction of indirect loads for taxpayers, eliminating the current obligation that companies and professionals have nowadays to fulfil different information returns, specifically for transactions included in the register books, annual information return on transactions with third parties, and in general VAT annual summary tax return.

In addition, since transaction information will be obtained nearly in real time, STA will be able to conduct verification ahead of time, thus streamlining control and refunds of the tax.

This streamlining will be more pronounced when both the customer and the supplier belong to the group using this system, since information about transactions between them will be immediately cross-checked.

The ISI will constitute a very high step for the STA towards a more cooperative and transparent scenario where both taxpayers and STA will find advantages and where as a result voluntary tax compliance will be enhanced.

E-Services for Taxpayers - Making Tax Compliance Obligations Simpler and Faster



by **Asta Strazdaitė**, Head of Service Administration Division of Tax Obligations Department, State Tax Inspectorate Under the Ministry of Finance of the Republic of Lithuania

Introduction

Most tax authorities are willing to improve their activity, to be more efficient, transparent and “user-friendly” for taxpayers and to increase tax compliance as well. They are implementing e-services to achieve these purposes. There are lots of challenges to overcome to be successful in e-service development. Implementation and improving of e-services has been one of target goals of the State Tax Inspectorate of the Republic of Lithuania (STI) for more than 10 years. STI has been considering the legal environment that defines functions of STI and tax procedures, and expectations of its clients and development of technology as well.

Electronic declaration system – for the beginning

In 2004 an electronic declaration system (EDS) was launched in Lithuania. EDS is an information system of the STI that started functioning in order to accept and process documents supplied by taxpayers in a variety of methods. EDS fulfils functions as follows:

1. Acceptance of formulated document data files electronically, as well as filling in forms on the internet (online);
2. Submission of data held by the STI to taxpayers;
3. Processing of paper documents submitted to and received by the STI;
4. Informing taxpayers about document processing results, identified errors and obligation to submit non-submitted tax returns;
5. Other electronic services.

Services via EDS are supplied for the authorized natural persons who are representing legal persons or natural persons as well. For authorization, the following means are used:

1. E-banks and other authorization systems;
2. Digital signature;
3. User name and passwords given by the STI.

Since 2004 the number of forms submitted electronically via EDS has increased to almost 100 and the number of EDS users is exceeding 1.8 million. In 2010 about 91% (out of 919,000 per year) of VAT returns by legal entities and about 80% (out of 1.03 million per year) of personal income tax returns by natural persons were submitted electronically via EDS. These numbers have increased in recent years and in the 2nd quarter of 2015 99% (out of 548,000) of VAT returns were submitted electronically by legal entities and about 98% (out of 1.61 million) of personal income tax returns were submitted electronically by natural persons.

“e.STI” – next step of digital tax administration

According to the Tax Laws STI not only accepts tax returns and other documents from tax payers, but also fulfils other functions, e.g.:

1. Educates and consults taxpayers;
2. Registers taxpayers (including VAT payers);
3. Administers assessment and payment of taxes and other contributions that are paid to the state (municipal) budget and funds, and gathers taxes that were not paid on time and fines that were imposed on taxpayers;
4. Returns tax overpayments and tax differences;
5. Executes law and decisions of local municipality concerning benefits on taxes, levies and deduction to its budget and funds;
6. Organizes the accounting, evaluation and selling of property that was forfeited, has no owner or was inherited by the government;
7. Exercises control over the correct calculation, declaration and payment of taxes. In 2010 a survey was made and it was obvious that about 90% of taxpayers expected more e-services. In order to improve service of taxpayers, save time and reduce administrative burden and expenses for tax administration, STI started implementing a project for launching an information system for education, consulting and information provision e-services for taxpayers (“ESKIS”). The target goal of the project was to transfer taxpayer service to the digital environment, to implement fast and convenient e-services and to ensure efficiency of tax administration.

At the end of 2012 “e. STI” started functioning. Its key results are:

1. [New web-page](#) – the public information was renewed and it was divided into different groups according to the target group of users (e.g., information for individuals and legal entities, moreover information for legal entities – non-profit organizations);
2. *All services available online* – e-services are available on self -service portal “[My STI](#)”;
3. *Personal account* – it became possible to check tax overpayments (tax differences) and tax debts and to make online payments as well;
4. *Personal calendar* helps to remind about tax duties (e.g., deadline of personal income tax declaration) – to check the term online or to receive an e-mail reminder;
5. All the documents and messages are published in *Document and message box* and a user receives an e-mail notification to check new incomings;
6. All online services shall be designed as interactive e-services guides –
7. [Digital assistant](#) is playing a role of tax consultant and is providing general information;
8. [E-forum](#) is a place for discussions between taxpayers and tax experts as well;
9. [E-training](#) is a portal of remote training where taxpayers can take part online (including asking questions) or to watch a record of a course;
10. [E-shop, e-auction](#) was launched for selling of property that was forfeited, has no owner or was inherited by the government

As mentioned above a personal taxpayers’ area was created – “My STI” – a self-service portal where a taxpayer can find relevant personal information: debts and overpayments of taxes administered by the STI, reminders of payable taxes, an opportunity to submit/receive documents electronically, and acquire/extend business certificates. “My STI” services are divided into 10 groups:

1. Registration of VAT payers;
2. Registration of natural persons providing business services;
3. Managing of data of tax accounting;
4. Excise services;
5. Declaration services;
6. Education and consulting services;
7. Ordering of certificates and other documents;
8. Sending reminders to declare/pay taxes;
9. Sending documents related with a tax audit;
10. Other services.

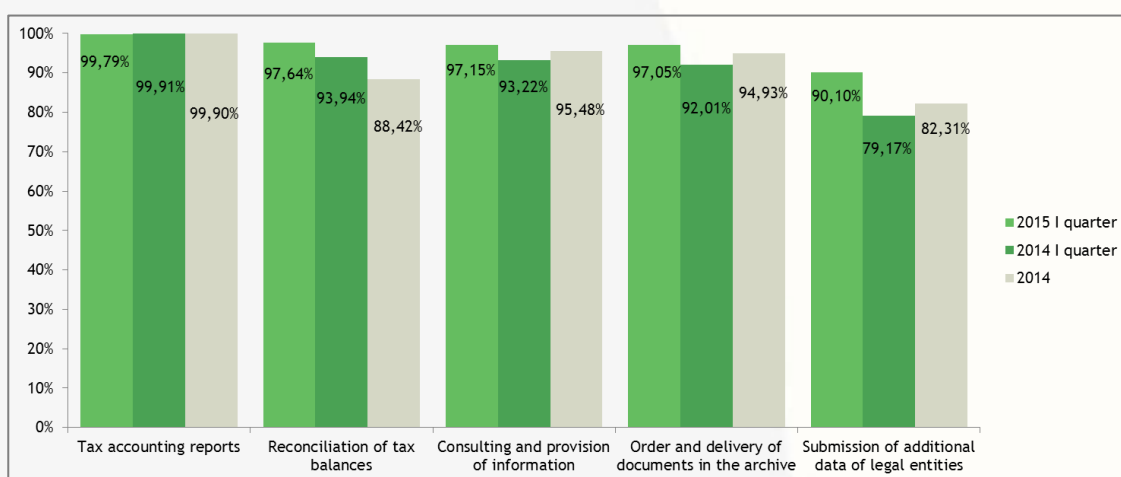
During implementation of ESKIS many changes in organization were made at STI, e.g.:

1. Re-engineering of processes of certain services:
 - 1.1. Merged services, reduced number of application forms. Now they are easier to find and better ordered for the taxpayer, and less time-consuming to administer for STI;
 - 1.2. Pre-filled application forms. Now they save time needed to fill in and check the form, and reduce incorrect data submission;
 - 1.3. Eliminated redundant data entry fields, process steps, e.g. various reports, obligations that are redundant to make the decision. Now they reduce administrative burden for citizens and businesses;
 - 1.4. Incorporated automatic activities: verifications, controls, e.g. automatic verification of VAT payers, liabilities for social insurance. Now they make service information more accurate and eliminate user activities;
 - 1.5. Eliminated document as a result (where possible), instead there is a record in the register that is easily accessible anytime by anyone.
2. Modern IT tools and technologies have been used and developed:
 - 2.1. Integration of STI information systems (Oracle Fusion Middleware solution);
 - 2.2. Development of e-services platform (BPM and BPEL implementation);
 - 2.3. New portal and new content management tool;
 - 2.4. E-service integration with other institutions using SOA architecture;
 - 2.5. Usage of horizontal ICT enablers:
 - 2.5.1. e-Identity – online identification and authentication;
 - 2.5.2. e-Documents – means to sign documents electronically;
 - 2.5.3. authentic sources – data from other national Lithuanian registers are used;
 - 2.5.4. Single Sign On – access to multiple systems without the need to log in multiple times.
3. Changes in organization of processes have been made:
 - 3.1. Correction, creation of legal base to ensure legal e-service provision;
 - 3.2. Centralizing provision of some services, i.e., tasks are executed by centrally assigned employees;
 - 3.3. Some services will be provided only online, e.g., registration of excise subjects;
 - 3.4. Promotion, incentives to use digital services.

The successes of the project ESKIS are shown by these indicators:

1. At the end of the 2nd quarter 2015 there were more than 700,000 “My STI” users
2. The most popular e-services were:
 - 2.1. Tax accounting reports (99.79%);
 - 2.2. Reconciliation of tax balances (97.64%);
 - 2.3. Consulting and provision of information (97.15%);
 - 2.4. Order and delivery of documents in the archive (97.05%);
 - 2.5. Submission of additional data of legal entities (90.1%).

Usage of most popular e-services

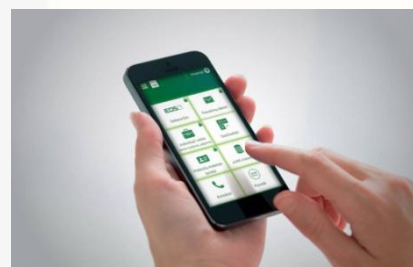


After receiving electronic service, a taxpayer has the opportunity to evaluate service by stars (up to a maximum of five). For example, average evaluation of e-service “Refund/set off of tax overpayment or tax difference” is 4.39.

Mobile application – taxes in your mobile phone

In 2014 mobile application “e.STI” was launched, which enables:

1. review and submit personal income tax return, allocate support for non-profit organizations, review the details of land tax returns;
2. register individual activities – acquire business certificate or receive a certificate of individual economic activity;
3. review messages received from the STI (“My STI” and EDS);
4. check tax account and pay taxes;
5. use STI calculators;



6. find non-confidential details about taxpayers as well as information required for paying taxes;
7. find STI contact details

Mobile application is integrated with an earlier launched application “Tax Hotline”, which enables the reporting of tax evasion cases to the tax administrator.

Intelligent Tax Administration System - never stop improving!

STI is improving e-services all the time and the strategic goal for the future is to implement “i.TAS” (Intelligent Tax Administration System), which would enable STI to receive from taxpayers e-invoices and SAF-T files, and, after adding data held by STI (e.g., data from taxpayer register) to prefill VAT return.

Conclusion

E-services for taxpayers in Lithuania is one of the good examples how to be innovative and digital in tax administration. Development of e-services requires many changes and all of the included parties (e.g., tax authority, taxpayers, developers of information system) have to be prepared for this. Successful development of e-services consists not only of launching modern IT tools, but it also includes process re-engineering, changing of legal environment, culture of organisation and attitude of the client-taxpayer. E-service should not stand for paper process and paper forms on the internet, this should be simplified, prefilled and automated. Indicators of usage of e-services in Lithuania show that taxpayers are willing to use IT tools to fulfil their tax compliance obligations. “No-touch services” should be the future of tax administration and this could be enabled by exchange of primary data by taxpayers, tax administrations and third parties.





II. NEW SELF-SERVICE THROUGH PARTNERING WITH STAKEHOLDERS

Attainment of Tax Compliance through Social Incentives: Role of Tax Representative Bodies'



*by Alakbar Mammadov, Advisor to Minister of Taxes,
Ministry of Taxes of the Republic of Azerbaijan*



The problem of bringing taxpayers into compliance is as old as taxes themselves. Managing compliance has always been the underlying aim of the Ministry of Taxes of the Republic of Azerbaijan (MoT).

The Ministry of Taxes has an individual attitude towards this tax phenomenon, and is more than confident that the significance of any education, as well as of the tax education which instils tax morale – a motivation to pay taxes and not consider this as an obligation – is invaluable.

As a matter of fact, compliance is not just a compulsion but the unity of compulsion, service, communication, education, liabilities and social incentives themselves. The awareness of taxpayers concerning tax issues, the availability of tax morale and, thus, the desire and skills to observe tax legislation, remain to be among the main conditions of compliance.

The factors that influence taxpayers' compliance is first of all trust and tax transparency. Trust is a crucial factor for both sides of this interaction. As concerns taxpayers, their trust in the tax authority engenders positive behaviour change. But how to win this trust of taxpayers or society, on the whole?! So, social incentives and proper services from tax representative bodies will contribute substantially. Otherwise, this kind of reliable collaboration paves the way for a "partnership contract" between the tax authority and a citizen who is honoured to fulfil his or her own obligations as a taxpayer.

If social incentives are so crucial in the tax compliance process, then what are these social incentives? **Social incentives**, in general, mean creating motives towards bringing any person to act for the benefits of other people, and can be motives stimulating people towards voluntary tax compliance. Thus, means of creating social motives, here, are highlighted by incentive, encouragement, recognition, stakeholders, productive cooperation and social status as well.

Today the main purpose of any tax administration and tax representative bodies, the MoT in fact, is to provide the budget with more tax revenues with minimum administrative expenses. Therefore, their mission is recognized through

- Awareness raising, enlightenment and propaganda activities,
- Raising tax culture, tax morale and, thus,
- Attainment of voluntary tax compliance as a responsibility for society.

Motivated by its mission, the MoT took the long and hard way towards creating opportunities for taxpayers to use services and to access information sources. The Ministry of Taxes of the Republic of Azerbaijan is implementing systematic and efficient activity for improving quantity and quality of taxpayers' services through enhancement of tax legislation, strengthening tax administration and modern information technologies.

For this, the tax administration possesses a **legal base** and relevant **development programmes** have been adopted: **Tax Code (2001)**, **"Strategic Plan on development of tax system for 2013-2020"**, **"Azerbaijan 2020: vision into the future" Development Concept**.

Within its historical development starting from 2002 up until today the MoT succeeded in the establishment of different measures for the purpose of boosting strong and trusting relations of taxpayers with tax representative bodies, for providing taxpayers with access to any kind of information at any time and at any place.

Today, the taxpayers in the Republic of Azerbaijan can use opportunities for different information sources and services created by the MoT such as Taxpayers Service Structure (2002), Tax Club (2008) and Tax Internet Office (2007). Besides MoT's favourable social network activity in Facebook, YouTube and Twitter, its website, www.taxes.gov.az, has received different awards and was fairly recognized as the best source among state authorities for openness of information by Multimedia Centre. In the line of services offered by MoT, the universal Call Centre and Taxpayers' Service Centres should be especially recognised.

Do we describe these activities as social incentives if they are aimed at increasing tax culture and tax morale among taxpayers and civil society, and thus stimulating voluntary tax compliance?! Yes, surely...

As a matter of fact, the Ministry of Taxes is rendering 62 e-services to taxpayers, so they have access to e-declarations, e-chancellery, e-registration, ASAN signature (Mobile ID) and

e-audit. These e-services provide transparency in the relations of entrepreneurs and state officials, and decrease time and financial expenses.

The Ministry of Taxes established **55 Taxpayers' Service Centres** in the regions for stimulating **Self-service** and the system of voluntary tax payments and creating a favourable business environment. Here, in the **Single Unit**, specialists of tax bodies render all services, including e-services, to taxpayers.



Taxpayers' Service Centre

In its important and purposeful way towards attaining its assigned task, the Azerbaijan tax administration pays due attention to a strong and trustable social partnership, where different state bodies, employers' organizations, trade unions, municipalities, civil society, educational enterprises and, of course, taxpayers act as true social partners of MoT.

Organization of joint activities, round-table meetings and conferences, and implementing joint projects, holding workshops and training courses on tax issues free of charge, participation in the regulation of labour relations, control upon labour contracts, preparation of tax-related study guides, conducting productive cooperation toward awareness-raising, increasing tax culture and tax morale should serve as social incentives of MoT for its social partners.

Nevertheless, bulk information hardly means proper knowledge! Here, the role of **education** is indisputable. Therefore, proper compliance requires combined actions, namely education and establishment of relations with taxpayers.

In the Republic of Azerbaijan, tax knowledge is imparted from the first levels of education, i.e.:

- Kindergartens,
- Secondary schools,
- Vocational training schools,
- Higher schools.

In the past 10 years, the picture contest “**Taxes from children’s view**” has been held annually among children. Secondary school students from third-grade are taught the subject “Tax knowledge”. About 56 “Tax Methodical Cabinets” and “Tax Training Rooms” are functioning at the secondary and vocational training schools to **instil important tax knowledge in young people**. Schoolchildren are provided with publications on tax-related issues prepared at MoT expense. Annually Tax Knowledge Olympiads are held at the higher schools with awards for winners. In turn, to enrich tax knowledge and education of the young, the winners of the different projects (Tax Knowledge Olympiads, tax competitions, contests, etc.) are promoted during recruitment to the tax authorities, when their achievements are taken into consideration.



Tax Friends Network

To strengthen awareness-raising, enlightening and propaganda activities, to render addressable services to taxpayers, to formulate tax morale and culture in society in remote settlements and villages without Territorial Tax Offices and Taxpayers’ Service Centres, the MoT created the ***Tax Friends Network*** from teachers of secondary and vocational training schools.

Today **Tax Friends Network** involves 1541 tax friends from 1463 villages and settlements of 53 regions of Azerbaijan.

- ✓ They have social status.
- ✓ They have social incentives towards productive activity.
- ✓ They render direct services to taxpayers in villages and settlements distant from city and district centers.
- ✓ They hold tax classes and knowledge competitions at secondary schools.

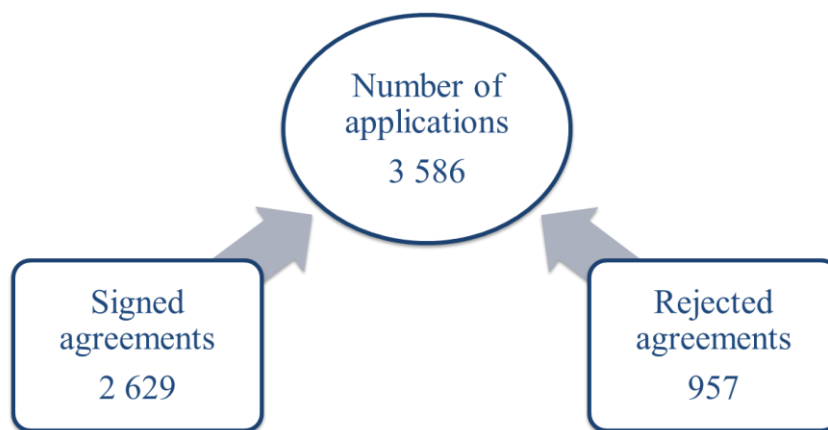
Besides its social activity, the Azerbaijan tax administration carries out successful cooperation with independent experts, economists, tax professionals and private tax intermediaries, certified audit companies such as **Pricewaterhouse Coopers, Ernst & Young, Deloitte and Touche, KPMG, and** science-research institutes to incentivise mobile tax services and joint activities.

The recently signed cooperation agreements of MoT with the Academy of Public Administration under the President of the Republic of Azerbaijan and the Azerbaijan State Economic University created favourable conditions for productive mutual cooperation of MoT with academic personnel and future young specialists towards organization of educational and practical process, science-research works on improving tax policy, tax legislation and administration, and other related activities.

Thus, the definite socio-economic activity towards attainment of tax compliance became enlarged with new relations between tax representative bodies and taxpayers established in a new manner, which are so-called partnership relations. Partnership agreements incentivise

- ✓ creating fair, flexible, efficient and rational tax control,
- ✓ minimizing tax risks,
- ✓ ensuring transparent cooperation, mutual consent and trust, and so,
- ✓ increasing the voluntary compliance level.

Picture. Tax Partnership Agreements by 2014



As is shown by the graphic, the number of applications submitted for Tax Partnership Agreements by 2014 totalled 3586, thus an increase of 17.4 per cent compared with the previous period.

So, with this article the author has tried to highlight the main tools and techniques as proper services, communication, education, liabilities, trust and tax transparency, for integrally affecting tax compliance and where the indisputable role of social incentives has become strongly pronounced.

URLs

<http://www.taxes.gov.az/index.php>

<http://www.taxes.gov.az/modul.php?name=e-xidmetler>

<http://www.taxes.gov.az/modul.php?name=pages&page=180>

http://www.taxes.gov.az/modul.php?name=195&lang=_eng

http://www.taxes.gov.az/modul.php?name=terminal&lang=_eng

<http://www.taxes.gov.az/vn/child/eng/index.html>

www.tedris.taxes.gov.az

Achieving Results through Multilateral Cooperation



by Jan Christian Sandberg, Director for Innovation and Development in Norwegian Tax Administration (Acting Executive Secretary of IOTA), and Viveca Liodden and Torstein Hoem, Norwegian Tax Administration

Introduction

The Norwegian Tax Administration is in the middle of a large modernisation effort, aiming to support and improve our administration and our capabilities to deliver good results in the future.

As part of these efforts we are pursuing projects that help us achieve three main business objectives while also replacing our legacy systems with a new technological platform:

- Ensure better compliance
- Increased efficiency within the tax administration
- Better services and more efficient work processes for businesses and the general public

The best modernisation initiatives move us towards all three targets at the same time while also undertaking necessary modernization of the systems portfolio.

As of 1.1.2015 Norway introduced a digital service for reporting income and employee information to the Norwegian Tax Administration, Welfare Administration and Statistics Norway directly from employers' own payroll systems.

This article sums up our experiences in this case and outlines the general approach, identifies key success factors as well as some key results from the first months of operations. We focus on how we leverage additional value through early involvement, cooperation and partnerships with stakeholders.

Business need

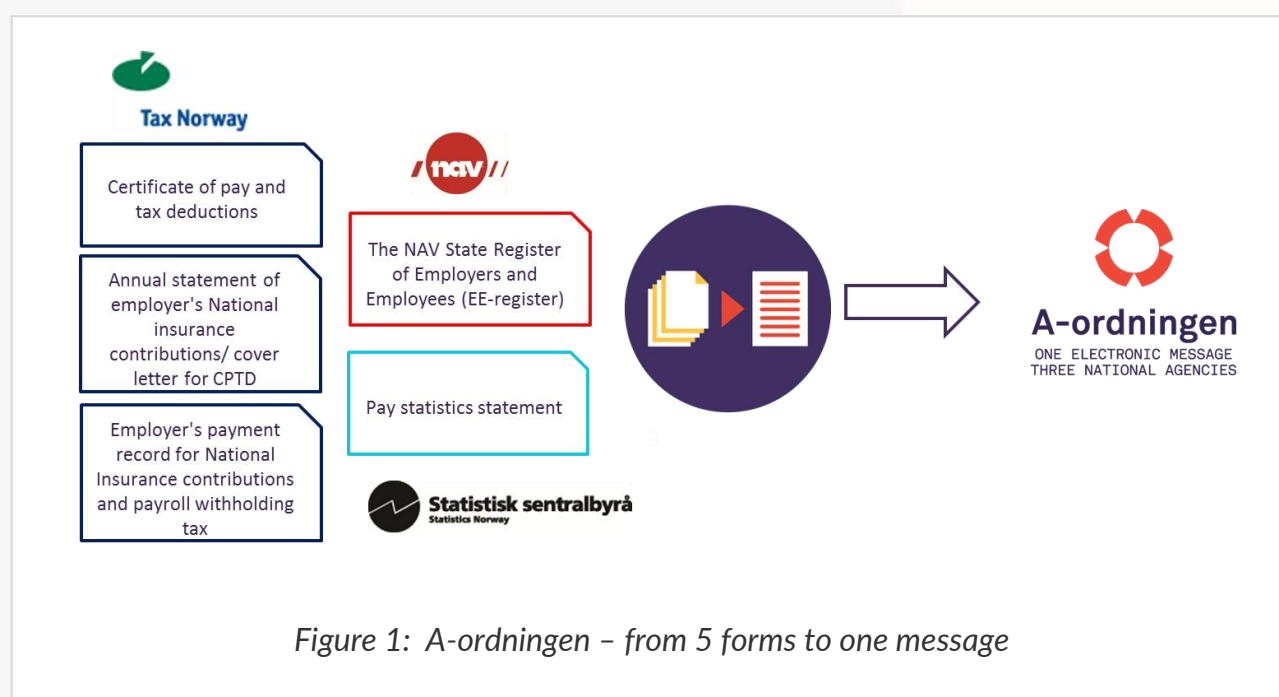
For taxation of wage earners and pensioners we rely on third-party reporting of income, tax deductions and wealth information. The main goal of the new service was to *reduce the burden associated with reporting income and employment information* to the authorities.

Before this new service Norwegian employers had to report overlapping and identical information on five different forms to three different government agencies. By coordinating our information requirements with the Welfare Administration and Statistics Norway we have reduced these five forms to one single, digital submission. Recent profitability analyses have shown that the new service will yield savings of up to € 70 million annually for employers.

The new service makes it easier for employers to remain compliant to the government regulations. They report once a month directly from their own payroll system. This level of integration has been made possible by cooperating closely with system providers. By building an integrated solution we achieve more efficient work processes and higher quality of data.

It also delivers wider benefits in term of compliance. It is no longer possible to report different salaries to the welfare and tax administrations, and fraud is prevented more efficiently by making a firm connection between the basis for public welfare and taxation.

The new service has enabled us to change the way we work within our own organisation. By receiving more up-to-date information on a frequent basis, and by enhancing data collection through better technology, we now have the foundation for establishing a more continuous tax process.



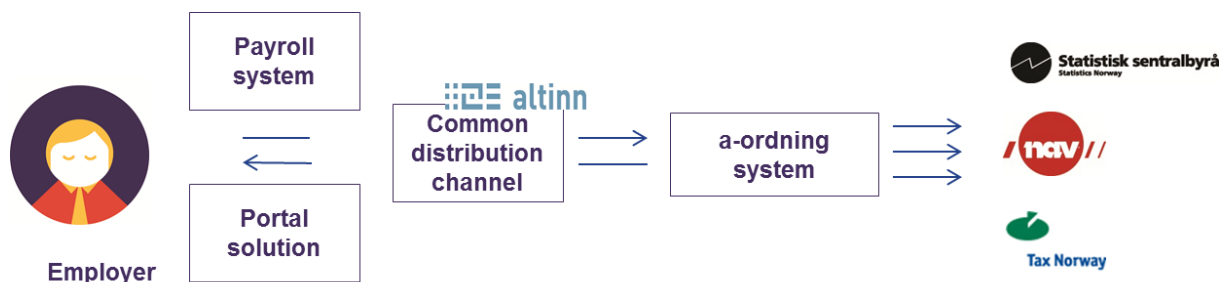


Figure 2: A fully integrated electronic value chain

Key factors of success

The new system and service have been operating less than a year, but have already proven to be a huge success.

In retrospect we attribute this to three major contributing factors:

- Partnering with other agencies
- Commitment and a common understanding of project objectives
- Early involvement and feedback from external stakeholders

The project delivering the new service has been a large, collaborative effort, involving many people and stakeholders with opposing interests.

The concept behind the initiative has had time to evolve and mature. From the day that the first idea was formed, it took 7.5 years with analysis, external dialogue, planning and maturing the legal framework before launching the main project. When finishing the first year of production in January 2016 the main project will have lasted 3.5 years (1.5 years design/development, 1 year of trial production, 1 year production/maintenance).

The early phase helped create a deep understanding of the concept and the objectives providing the basis to secure a commitment from all three agencies. This is important both in order to be explicit about the benefits for each agency, but also in order to secure a general acceptance for the concept with the relevant external stakeholders in the public.

When each agency recognized the possibilities the new service could offer their organisation, they gave the initiative the necessary priority. Vested interest secured priority at the executive level, and it also secured the right resources and support devoted to the project.

We succeeded in getting our best people interested in joining the project, filling the most important roles. Then we gave the project a certain amount of autonomy, to get the job done.

All system providers in the Norwegian market (approx. 40) were invited to participate from a very early stage. They quickly realised they would benefit from participating in the development process. We see their early involvement and close collaboration as one of the major contributors to our successful implementation.

Finally, the project has had a lot of focus on change management. A dedicated team has engaged actively with stakeholders and interest groups to reach out to 220.000 employers and get them ready in time. The project has also worked with groups opposing the initiative to remove uncertainty. This approach has proved very fruitful in managing concerns.

Succeeding with building new solutions – partnering with other agencies

By partnering with the Norwegian Labour and Welfare Administration and Statistics Norway we were able to significantly increase the benefits to the employers by seeing more schemas in connection with each other. An early profitability analysis showed significant potential savings for employers. Our ministries gave us very clear instructions that this was our main objective. This matched the expectations laid out in the budget resolution. A clearly defined mandate helped to coordinate our effort.

There are several key aspects of our partnership with other government agencies that have proved successful.

Commitment and a common understanding of project objectives

The agencies were involved and committed by the common mandate, but also partly motivated by agency-specific objectives. The benefits are plentiful, but mainly related to automation based on the increased level of detail, frequency and data quality. Keeping a clear focus on benefits for the employers when balancing different considerations would clearly be important. We staffed the steering committee with members from the executive level of management within each agency. These leaders were clear on their responsibility and had a thorough understanding of what we were expected to deliver. They also had the authority necessary within their own organisation to prioritise and provide effective leadership.

In addition to the formal steering committee meetings we early on established what proved to be a very useful series of meetings, between the leadership of the steering committee and project management of the main project, as well as a meeting with the managers of the different agencies' separate adaptation projects. It has provided us with an effective arena for securing timely decisions, especially when those decisions carried consequences for the organisations. It was also an arena for prioritising needs when the agencies had opposing interests.

After the project got under way we spent time finding a common culture between the participants. We moved people to the same location, and let them work together across different professional disciplines. This created a thorough understanding of the entire value chain throughout the project. Good relations and respect for each other's work have resulted in better solutions, and a more cooperative and focused effort to get the job done.

One of the most crucial decisions we made was to involve the legal expertise from the very beginning. Being an integrated part of the solution team they saw how and why the laws had to be changed in order to achieve the desired objectives. Based on this understanding they could establish an effective dialogue with the ministry. Hence, the ministry understood the need for change and conducted swift processes for political approval.

Developing the legal framework alongside the system design enabled us to build a simpler solution. Very early on we started work on the information model, harmonising and simplifying our information requirements on a detailed level. This was one of the most difficult tasks the project undertook.

Early involvement and feedback from external stakeholders

From a very early stage it was clear that we needed a good partnering relationship with tax intermediaries and stakeholders to build a successful new solution.

Early on we mapped out a Change Management Network. We initiated a dialogue with those stakeholders that could reach businesses most efficiently, and invited them to join our Advisory Board. They were encouraged to create understanding amongst their members of the change at hand, and gauge the employers' reaction. Having the support of most major stakeholders was vital in securing initial political support.



We had a firm political mandate from both politicians and our ministries saying this service will be implemented. Some stakeholders initially reacted to the tight timeframe, but even when opposition was at its strongest we had full support from the political leadership. This meant that instead of having a protracted discussion about when to implement the change, stakeholders joined our commitment to deliver the new service and cooperated fully.

We were dependent on stakeholders' contributions as success could not be dependent upon the project itself communicating with all 220,000 employers. We used dedicated change agents to prepare employers and help them adapt. The project has had a team of people dedicated to involving and engaging key stakeholders. Their job throughout the process was to manage concerns. We have taken stakeholders' concerns seriously, and met them with continuous dialogue, sometimes at the executive level, until we've reached acceptance.

The most important group we partnered with has been the payroll system providers. Most Norwegian employers rely on a payroll system to help organize their own business and the most important of these intermediaries were the software systems providers. They are the key to efficient and compliant third-party reporting and have also been our primary link to accessing existing work processes within the businesses. Through coupling on to these processes we combine the task of reporting information to us with their existing work routines. Digitalising our services following this model of cooperation allows reporting to the Tax Administration to become part of an existing routine. At the same time, system-to-system reporting also means we are receiving more correct data on a more frequent basis.

The software companies have also been valuable in helping us remain focused on the end user perspective when the three agencies have disagreed on what information we should ask for. We believe this cooperation has helped us create a better solution for the employers than what we would otherwise have been able to.

We have benefitted from the characteristics of the Norwegian market for payroll systems. Although this group has no strict legal obligation to implement changes in their systems, it is imperative for systems providers to stay compliant with official reporting solutions in order to stay competitive. Getting a head start on integration by taking part in the process was to the benefit of the providers. Knowing and understanding our system design, at the same time as they were designing their own, helped them build a more competitive product.

They were invited to participate right from the concept phase and quickly saw the business opportunity that cooperation would entail. They have been members of our Advisory Board, and participated in meetings and workshops on a near weekly basis. Collaboration has been on a voluntary basis but, nevertheless, commitment from system providers has not been an issue.

To facilitate a dialogue based on the actual practical problems we built the main components of the solution very early on – albeit in a rudimentary version. This was also aimed at satisfying the system providers' need for proper testing. We ran live data trials for a whole year, and through the coordinated effort of testing, both sides had time to refine and improve their system solutions. Knowing that our products worked well before implementation was very important and reassuring for both sides.

The results

We have delivered a new service, a new governing set of legislation and the IT capability necessary to improve business processes. The burden of reporting is reduced, at the same time as our administration benefits from better, more frequent information. The feedback we are getting from the special interest groups is that a lot of their members found transitioning to the new system much easier than expected, and after the initial quality assurance of data in their own systems, they are already seeing benefits in terms of efficiency.

By our estimates nearly all employers are now reporting via electronic channels – 99.7%. The approach to partnering with the payroll systems has proved mutually beneficial with a current 85% uptake in their use in reporting.

Cooperation is challenging, but essential. It has been our experience that if you want your modernisation effort to deliver the best possible results, you need to engage in cooperation across government sectors, disciplines and political arenas.

III. SELF-SERVICE AND COOPERATION IN INTERNATIONAL LEVEL

New Challenges, New Services



by *Korstiaan Kool*, Senior Adviser, OECD

Introduction

The Intra-European Organisation of Tax Administrations (IOTA) and the Organisation for Economic Co-operation and Development (OECD) have a longstanding cooperation. Currently the implementation of the Base Erosion and Profit Shifting (BEPS) package, which was endorsed by the G20 leaders in November 2015, is a key item on the international tax agenda. Not less important, and closely related, is the further work on the automatic exchange of information for tax purposes. This work is important to maintain the sustainability of our tax systems. So far 48 billion euros of additional revenue has been identified by 30 countries that have established voluntary disclosure programmes and other similar initiatives targeting offshore evasion, as the secretary general of the OECD indicated in November 2015. Now that 96 countries have committed to implement the common reporting standard in 2017 and 2018, a joint effort on implementation is necessary. The stakes for the BEPS measures are even higher, with an estimated impact of over 100 billion euros in revenue a year.

Addressing these challenges can only be a joint effort. Looking further there is a broader case for additional cooperation between tax administrations. Firstly, by exchanging best practices and cooperatively developing new strategies, tax administrations can become more effective and add better value to society. Secondly, the challenges we face in dealing with globalisation and new technologies need new and coherent responses. Services that both support the taxpayer and ensure compliant behaviour are part of that response. The theme of IOTA's General Assembly, 'Self Service for Compliance', is therefore very spot on.

OECD's Forum on Tax Administration (FTA) has over the years developed various reports and information notes that help tax administrations to further develop their operations. Related to the topic of the General Assembly, it is worth mentioning that currently the FTA has taken on projects on e-services and digital delivery, as well as on the changing landscape of tax service providers. We look forward to collaborate on this with IOTA.

Challenges

In the summer of 2015 I travelled from Paris to The Netherlands and with me on the trip was a young man. He was from a country in the Caucasus region, where he had earned a bachelor's degree in economics. Currently he was traveling through Europe and working as a freelance software developer for a US company. After a couple of months in Italy, he planned to travel to one of the Baltics to study and work there. A not quite unusual situation for young people today. But at the same time a complicated situation when we look at it as tax administrators. No doubt the income that he earned was subject to taxation, but where – and how?

This example illustrates how globalisation and digitalisation affect the way we live and work and pose new challenges to the tax system just on the level of this young man, traveling and working around Europe. And we haven't even addressed more far-reaching challenges such as the rise of the internet and cross-border transactions, which may be difficult to trace and create new illicit flows, or the possibilities to shift capital around the world.

The BEPS report on the Digital Economy refers to these small businesses which work cross-border as 'micro-multinationals'. It provides some interesting figures. The turnover from e-commerce is highest for large businesses, with percentages up to 25-30%. But also for these small businesses (with 10-50 staff) in some countries such as Sweden, Ireland, Estonia and Denmark e-commerce turnover is close to and over 10%. And this was for the year 2012.

In many Western European countries we observe that the labour market is becoming more flexible and shows a shift from traditional wage earners to self-employed. Also the dynamics are changing: people may change from being a wage-earner, to being self-employed, to a combination of those two, or they may be without a job for some time.

This is a challenge to tax administrations, as income from wages is relatively easy to administer: taxation of wages is in most countries based on withholding regimes and often the information in the tax return will be prefilled based on data from the employer as a third party, or at least be checked against these data. Easy for both the taxpayer and the administration and delivering a high level of compliance. Taxation of small businesses, as it is very much based on the self-declaration of the taxpayer, comes with more complexity for the taxpayer and more compliance risks for the tax administration.

These developments pose important challenges to tax administrations:

- how can we identify and correctly register taxpayers who are more and more working cross-border, or taxpayers who start small businesses and have income from various sources;
- how can we get the information needed to tax those taxpayers correctly?
- how can we do this in real-time, as society today expects to work and interact real-time, whereas tax administrations traditionally are mainly focused on 'dealing with the past';
- how can we service taxpayers in such a way that we make it easy for them, create a climate that fosters economic development and in which we drive down costs for both the taxpayer and the tax administrator?

The only way to deal with this complexity is to provide services that are effectively taking complexity away from the taxpayer and at the same time ensure the tax rules are being observed. And I think this is at the core of the topic we explore in this conference.

Co-operating for better taxpayer services

Taxpayer services are not an end in themselves. They are a means to support compliance and are key to achieving the final outcomes of any tax system: meeting the demands of legislation and preventing any unwanted distortion of the economic process via unnecessary administrative burdens or unfair competition. They would also aim to provide certainty to the taxpayer about his tax position and seek to limit the costs of administration. Let's have a closer look at what we mean by taxpayer services and the role that cooperation between the tax administration and other parties can play in achieving these outcomes. And let's also explore the role of international cooperation in this field.

Taxpayer services

As citizens increasingly use digital technologies in their everyday lives, revenue bodies are putting in place digital service delivery strategies to move taxpayers to digital channels and self-service. The OECD Forum on Tax Administration has published a report on Increasing Taxpayers' Use of Self-Service Channels¹. This study established that as revenue bodies' services mature, so should their approach to user-centred service design. The report presents a framework (see Annex) that presents different service experiences in the context of the different stages in self-service and corresponding customer experiences and service channel profiles.

¹ OECD (2014), *Increasing Taxpayers' Use of Self-Service Channels*, OECD Publishing

4E model: Stages and description

ESTABLISH - static service, often information only.

Focus on making services, particular information, available online. Example: FAQ, online filing.

ENHANCE - obligation-based self-service

Focus on enhancing the online offer by adding features to increase the attractiveness of the online service. Example: re-use of filed data, prefilled tax return, quicker procedures.

END-TO-END integrated, personalised self-service

Focus on integrating and connecting existing online services into end-to-end, holistic processes. Examples: services based on life events (one-stop shop),

EMBED seamless (invisible) service

Instead of building services so taxpayers can access them, the focus is on embedding services in natural systems, processes and activities, so services become a by-product of day-to-day activities.

Example: no-filing service, integration with business processes (e-invoicing, cloud computing).

Whereas the first three stages are to a large extent self-explanatory, it is interesting to highlight the fourth stage. In this stage services are not delivered as services-on-their-own, but embedded in the systems that taxpayers use for their day-to-day transactions. For business taxpayers this approach is reflected in the OECD publications *Right from the Start*² and *Tax Compliance by Design*³.

A possible example of such an approach would be dealing with tax consequences of a new mortgage when the mortgage loan is arranged by the taxpayer: based on cooperation and exchange of data between the bank and the tax administration.

For business taxpayers it could mean joining a trusted online accounting service which provides them with an integrated package of e-services at low cost: e-invoicing, e-payment, e-accounting and e-filing of tax returns. The online environment could be set up in such a way that data integrity is secured and correct filing is assured via the use of reporting standards and trusted algorithms. That would make it very easy for the taxpayer to file, taking no more effort than just a few clicks, and it would provide tax administrations with high quality tax returns. Of course this wouldn't rule out the key role of the tax advisor and other service providers in providing the taxpayer with advice where needed. But the process from transaction, to accounting, reporting and filing would be almost seamless. An interesting option for the far future? Not so, with a number of countries, including Denmark with its Easy SME programme, already embarking on this road.

² OECD (2012), *Right from the Start: Influencing the Compliance Environment for Small or Medium Enterprises*, OECD Information Note

³ OECD (2014), *Tax Compliance by Design: Achieving Improved SME Tax Compliance by Adopting a System Perspective*, OECD Publishing

Taking such an approach brings a shift in how tax administrations traditionally shape their service operations, as it puts the taxpayer in the centre of our service design process: the focus is not primarily on helping the taxpayer to deal with our processes, but rather shaping our processes in such a way that they fit the taxpayer's processes.

Cooperation

Whereas tax administrations are moving to this stage of embedded services, the ability to cooperate with other service providers in the taxpayer's environment is a key factor for success. This calls for tax administrations to operate in a more cooperative manner with third parties, changing the role for the administration and requiring it to acquire new capabilities. Such an approach may mean tax administrations find themselves more in the role of a market steward, participating in setting standards and monitoring performance, of a promoter of new developments or launcher of new initiatives, than a provider of services. It will be an interesting challenge to see how the opportunities in this domain will further develop, how we can participate, and how we can integrate these into our broader responsibilities as an administrator and enforcement agency.

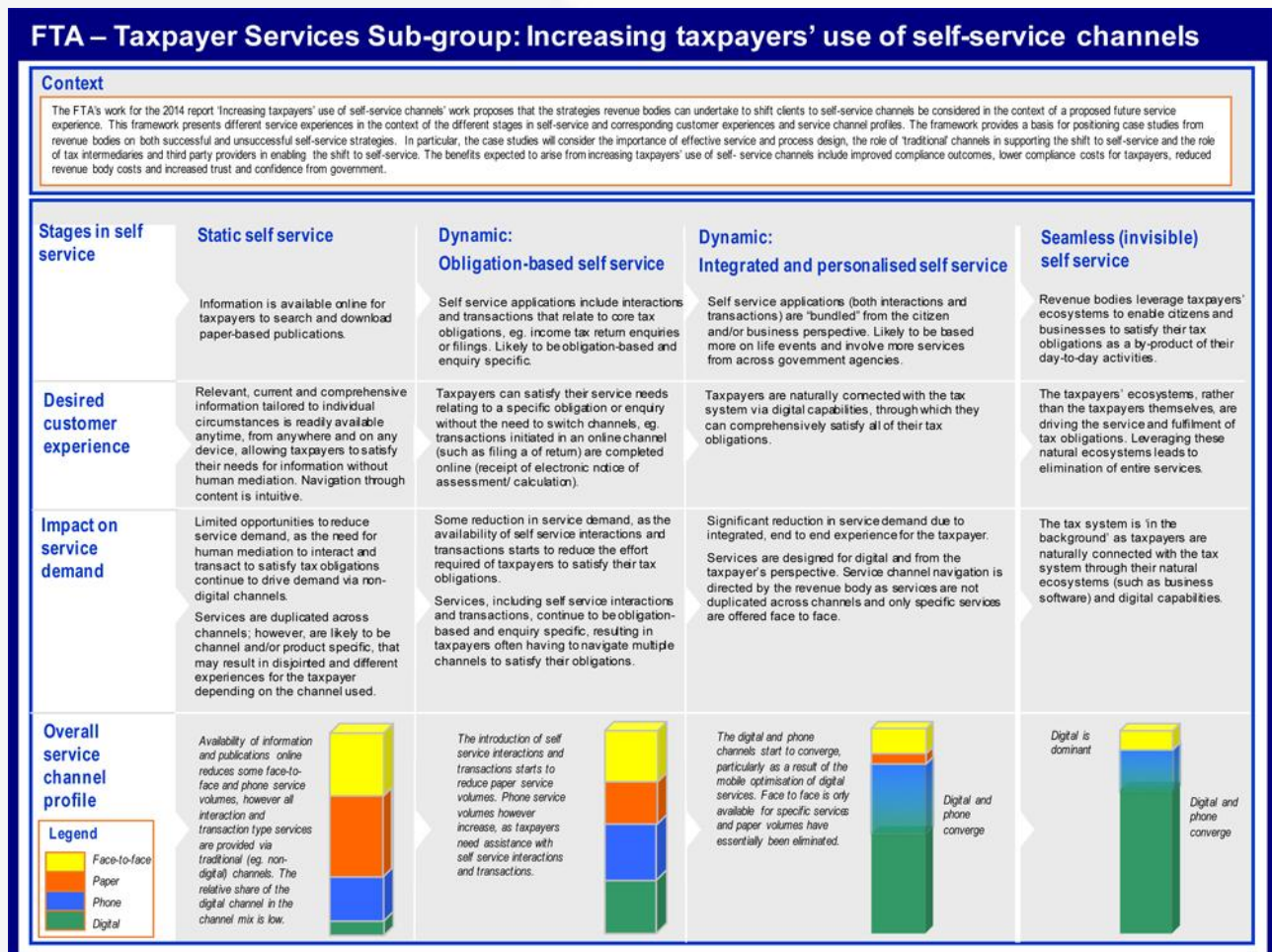
Cooperation also relates to the need to cooperate internationally. And on that note, let's get back to the young man I introduced earlier. Actually he wasn't so much worried about bookkeeping and taxes at this stage. But let's presume that he is going to be successful in what he's doing and that at some point he will start to consider his tax obligations: what comfort can we provide him? He'll probably use online e-services for accounting, invoicing and payment. But what about tax? A seamless service for him would be a service that helps him deal with all the tax consequences of his businesses, no matter to which jurisdiction it would relate. Would this be feasible? Do we need to cooperate as tax administrations in order to provide him with real cross-border and cross-agency services? Or would it be a role for tax service providers to provide those kinds of solutions? Food for thought; it illustrates that we may be only at the beginning of the development of more embedded and seamless tax services.

Final remarks

New technologies and globalisation pose important challenges for tax administrations: companies and private taxpayers are becoming more 'citizens of the world': working and living increasingly cross-border and participating in a global world via the internet and social media. This poses challenges to the tax system and it takes great efforts by tax administrations to keep pace with these developments and come up with effective strategies. But as outlined in this paper the same developments also bring new opportunities for building better services that serve both the taxpayer and the tax

administration. 'Self Service for Compliance', IOTA's theme for the General Assembly 2015, relates to this and sets the direction for a journey on which we may have just embarked.

Annex



How Digitisation of Services Impacts Collaboration between Tax Administrations and Tax Intermediaries



by **Francesca Lagerberg**, Global leader – tax services at Grant Thornton

Thirty years ago many of us didn't have mobile phones and only a few of us were on the internet. Today, television programmes can be streamed online, goods can be bought with the simple wave of a phone, and any object can be built with a printer. Science fiction writers like Isaac Asimov, Stanislaw Lem and Philip K. Dick would all be in awe.

Advances in technology have not only altered the way we work and live, but also the way we interact with tax administrations. Today, taxpayers have 24-hour access to information, tax returns can be filed online or via an app, and disputes can be resolved without ever having to meet the 'taxman'.

A culture of tax administration digitalisation in Europe has undoubtedly increased efficiency, reduced cost and paper flow. It has also altered the traditional role of tax intermediaries and the way in which they collaborate with tax administrations.

The role of tax intermediaries

In the film *Back to the Future Part II*, Dr. Emmett Brown casually states "the justice system works swiftly in the future now that they've abolished all lawyers." Whilst only a few have called for the abolishment of tax lawyers and accountants, the recent history of 'LuxLeaks' and the Organisation for Economic Cooperation and Development (OECD) project called Base Erosion Profit Shifting (BEPS) has led to greater scrutiny of tax intermediaries and the role they play in the tax system.

Tax intermediaries play a fundamental role in the efficient operation of the European tax system. They help taxpayers prepare tax returns, resolve disputes, and comply with the requirements of complex and ever-changing legislation.

The positive role intermediaries play is acknowledged by many. According to the OECD, tax intermediaries in essence assist tax administrations, the community, and the government in achieving its overall revenue collection targets. They are often the 'glue' that holds together the demands of the legislation with the practicalities of implementation and activation.

Enhanced relationship and cooperative compliance

Recognising the positive role that tax intermediaries play, European tax authorities have sought to improve their relationship with them.

In the last few years, a number of European tax administrations have adopted the 'cooperative compliance' framework developed by the OECD Forum on Tax Administration. This has led to the introduction of a number of initiatives aimed at fostering a tax environment built upon trust and co-operation. These measures have included, for example:

- United Kingdom - HM Revenue and Customs (HMRC) developed a Compliance Reform Forum, which enables HMRC to consult with tax intermediaries regarding changes in compliance checking activities
- Denmark - The Danish Customs and Tax Administration (SKAT) have collaborated with principal contractors to address the extensive use of unregistered subcontractors in the cleaning industry. A range of measures were collaboratively designed with the industry and have been implemented across contracts
- The Netherlands - The Tax and Customs Administration have adopted 'horizontal monitoring' in relation to tax intermediaries, which moves from looking backwards to working in a more present state, co-operative and trusting environment.

New challenges

The new tax environment, brought about by a focus on tackling BEPS and the digital age, has created new challenges and opportunities for tax intermediaries. Attitudes and cultures have started to change. Intermediaries have begun to reassess their roles, re-evaluate their approaches to tax planning, and re-examine the way they interact with revenue bodies and their clients.

Tax intermediaries have also begun to accept that they can play a defining role in assisting both tax administrations and taxpayers in making cooperative compliance programmes a success. For example, tax intermediaries now advise taxpayers on their Tax Control Framework (TCF), including the processes around the filing of a 'proper return'.

Other opportunities that have arisen from cooperative compliance include:

- assisting taxpayers to submit documentation that is required under a cooperative compliance programme
- designing and supporting cooperative compliance pilot programmes
- designing organisation structures for tax departments that are required to deal with cooperative compliance programmes, including the design of key performance indicators and rotation principles
- designing programmes for the verification of the reliability of TCF, prior to the admission of the taxpayer into the programme on a regular basis
- design of risk orientated audit programmes, including setting up standard or industry focused tax audit files and content to fit a particular country in this legislation
- supporting the IT side of cooperative compliance programme including the development of protocols for data exchange and the standardisation of data (e.g. for the use of XBRL).

The rise of self-service

Tax administration digitisation in Europe has created an era of self-service. Today, taxpayers can perform basic tasks that had previously been assigned to tax intermediaries.

It has even been suggested that an increase in the take-up of this self-service by taxpayers may result in less dependence upon tax intermediaries. Tax intermediaries will therefore need to redefine their service offerings and some have begun to do this. For example, a number of tax intermediaries have shifted their focus to advising taxpayers on the effective operation of the tax function, including tax reporting and controls.

The growth of self-service has been most evident in the area of e-filing. Between 2004 and 2013, many European countries saw a significant increase in the take-up of e-filing of corporate income tax returns. In France, for example, the take-up of e-filing increased from 26% to 96% over the nine year period.

Space for further collaboration

Whilst the e-filing of corporate income tax returns in Europe has seen a significant increase, a number of countries continue to have take-up rates of below 90%. This has opened up opportunities for further collaboration between the tax administrations and intermediaries.

In European countries where taxpayers are highly reliant upon tax intermediaries for compliance services, intermediaries can play a defining role in encouraging and supporting the shift to self-service channels.

Take-up rates have especially seen an increase where tax administrations have sought input from intermediaries for the design, development and implementation of new user-friendly systems. The following measures could be implemented in order to improve services and thus potentially increase take-up rates:

- an earlier expiry of audit windows (since data is available immediately)
- simultaneous sending of documents to agent and client
- history of clients available to the agent
- pre-filled returns
- extension of deadlines for filing
- confirmation of receipts on filing
- visibility of status of any audits

What now?

Advances in technology have transformed the way taxpayers interact with tax administrations. Whilst there has been a significant increase in take-up for self-service channels in Europe, it is not yet universal.

Tax intermediaries can play a defining role in encouraging a taxpayer shift to self-service channels. By marrying the expertise of tax authorities and tax intermediaries, who both have experience and understanding of how the tax system works both on paper and in practice, there is a better way forward.

There is a win for everyone in the brave new world of the future. Co-creation of ideas to help compliance, better working together and real engagement between tax administrations and intermediaries can help to both improve the experience for taxpayers and increase the ability to collect tax as painlessly as possible. By taking some pain out of the process and adding value wherever possible, everyone will benefit.



IV. REDUCING LEGISLATIVE AND ADMINISTRATIVE BURDENS THAT PREVENT DIGITAL INTERACTION

Innovation in Developing Service for Compliance



by **Pat Molan**, Principal Officer, Planning Division,
Irish Tax & Customs

Tax administrations have gone through or are going through a period of major change with an increased focus on reducing complexity both on the legislative and also on the administrative process. This approach calls for innovative solutions to the delivery of services including the promotion of self-service and the development of systems for “self-compliance” with advantages for both the citizen and tax administration.

Using two case studies will demonstrate how the Irish Tax and Customs Administration has developed these approaches.

Case Study 1 – Local Property Tax (LPT)

As part of the austerity programme to underpin the economic recovery in 2013, Ireland was committed to widening its tax base by introducing a Local Property Tax (LPT). The project had a very demanding timescale for such a major venture.

Introducing a new tax in the middle of a deep recession was a delicate task with major reputational issues for both Government and the tax administration.

Challenges

The introduction of LPT presented a number of serious challenges including,

- LPT was the largest ever extension to the self-assessment system, which underpins the overall administration of the Irish Tax and Customs process.
- Development of a national property register
- Development of support structure for a self-assessed tax for an audience (property owner) with little tax knowledge.

- Develop systems to support engagement with owners of 1.9m properties
- Introduction of mandatory e-filing for certain categories of “non business” property owner.
- Ensure that LPT does not impact on the effective collection of other taxes, in the middle of a deep recession.
- Develop systems to encourage compliance in difficult times.

Extension of the self-assessment system to LPT

Building a system for a new tax offered the opportunity to be innovative and continue to move to digital channels for service delivery. While LPT is a self-assessed tax, each property had a property valuation estimated by Revenue both as a guide to the value of the property for the property owner, and to provide a charge to allow Revenue to collect/enforce in the event of non-compliance. A new innovative Interactive Valuation Guidance system was developed to allow householders to view the estimated valuation and compare the valuation with estimates for similar properties in the locality. The estimates were based on recent property sale prices. Early engagement with the public was also vital and self-service systems were developed to allow owners to value their property in place of the Revenue-generated estimate.

Building a property register

Building a new national property register was a significant undertaking and involved early consultation with both private and State organisations that held data about property and property ownership, for example utility companies and State organisations. These bodies were obliged under legislation to share their property data with Revenue.

Support structures and engagement with homeowners

It was recognised at the outset that LPT would require extensive publicity which would lead to high levels of engagement and contacts from the public. Clear and consistent communications were essential and the message was continually stressed that Local Property Tax was easy to pay but difficult to avoid. There was an extensive public information campaign with a dedicated LPT website, media advertising, press briefings and regular radio and TV interviews.

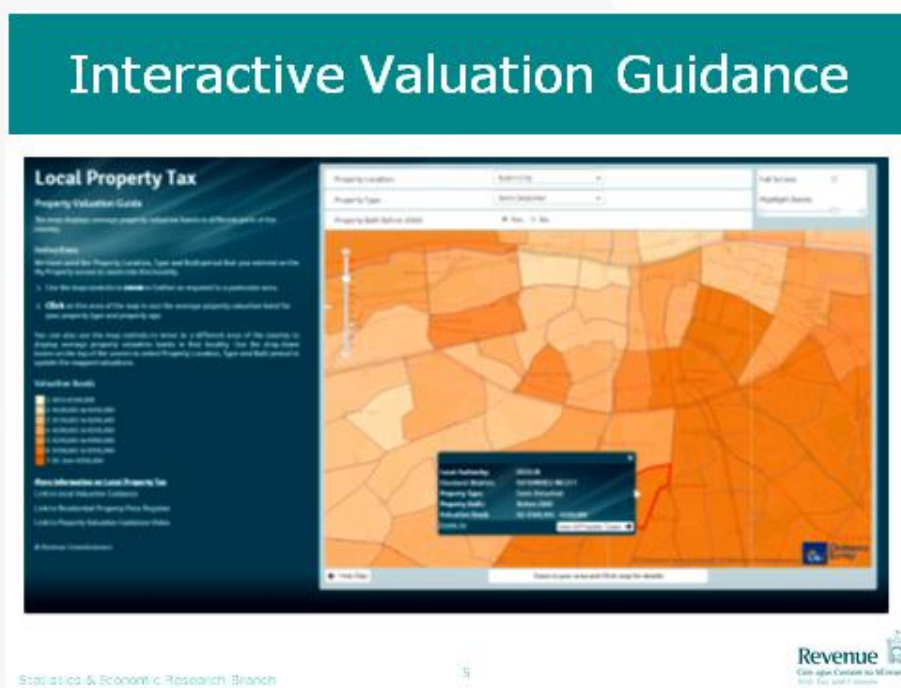
A call answering service to deal with simple LPT enquiries on property valuation and payment options was outsourced to a private company. The private company could scale up or down their staffing levels to respond to demand much faster than a public organisation. The call answering staff were trained by Revenue to deal with routine enquiries on LPT. This resulted in 90% of enquiries being dealt with outside of Revenue

and only complex issues surrounding property ownership having to be dealt with by Revenue staff. This was the first time that any such service was outsourced by a Public Sector organisation.

Application of self-assessment to LPT

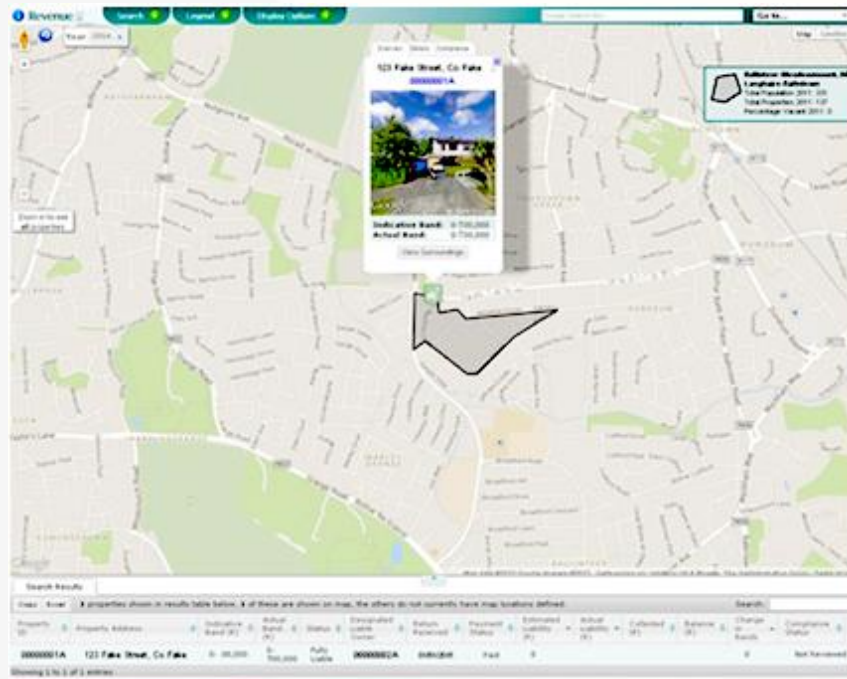
The level of the LPT payment was based on property valuations initially estimated by Revenue but could be amended by the owner. This valuation would then remain constant for three years. There were 20 valuation bands. 78% of households either paid the valuation estimated by Revenue or amended the valuation up or down by one band. The remaining 22% amended the valuation by more than one band. This reflected the accuracy of the Revenue estimated property valuation process.

Slide 1 – Property value bands by location with the intensity of the colour determining the value band.



While there were some “hardship” provisions provided for, the criteria to qualify under the “hardship” provision were very strictly applied and few cases qualified. A range of payment and enforcement options was catered for in the legislation including deduction at source from salary, State Welfare payments or indeed pensions.

Slide 2 – Using Google Maps to compare the Revenue estimated value of a property compared to the value realised in a recent sale.



Introduction of mandatory e-filing for certain classes of property owners

The introduction of LPT also saw the introduction for the first time of mandatory e-filing and payment for property owners who had multiple properties. This approach was replicated in later projects.

Range of payment options

To help spread the burden of LPT, a range of payment options was developed, including direct debit, voluntary deduction at source from wages/salaries/pensions, lump sum payment, credit/debit card and periodic payments through third-party payment terminals.

Compliance in difficult times

The message on compliance was clear and consistent. It was made very clear that failure to pay LPT would see the Revenue estimate applied with a surcharge and interest on any late payment. In the event of non-compliance, enforced collection of the Revenue estimate would include mandatory deduction from salary, welfare payments, pension etc. and could impact on a property owner's ability to get a tax clearance, which is required for all State grants. The "easy to comply and difficult to avoid" message was consistently used.

Compliance rates have been consistently above 95% for LPT.

Lessons learned

There were many lessons learned from the successful introduction of Local Property Tax. These include,

- Clear support from the Government with the introduction of a new controversial tax was essential.
- A clear and consistent communications strategy was essential.
- Early and extensive engagement with stakeholders was vital to the success.
- Outsourcing of customer contacts allowed close to 1m routine LPT calls to be successfully dealt with outside of Revenue and allowed Revenue staff to concentrate on more complex and time-consuming LPT enquiries.
- The legislation was comprehensive and robust.
- The provision of a national property database provides a wide range of compliance benefits outside of LPT. For example, comparison of rented properties against rental income for a taxpayer.
- There was a clear and consistent message on compliance from the outset.
- The success of LPT enhanced the reputation of Revenue as an organisation that was seen to deliver and be fair but firm when carrying out its duties.

Case Study 2 – Home Renovation Incentive (HRI)

The Home Renovation Incentive was introduced in the budget of 2013 following a deep recession for over 5 years where the State saw an unprecedented collapse of the construction sector. It was also suspected that there were high levels of “shadow economy” activity in the sector. In 2013, there were early signs of a recovery in the economy so the climate was right for an incentive to be introduced.

The legislative approach underpinning the Incentive was that the scheme should be simple to understand and operate and would imbed an innovative system of “self-compliance”.

- The Incentive had three broad objectives,
- to incentivise homeowners to invest in home renovation. Homeowners must however only engage tax-compliant contractors to avail of the incentive.
- to stimulate the construction sector, particularly at the lower end.
- to move activity from the shadow economy into the legitimate economy.

The Incentive was to be administered as an online system only with no paper alternative.

The HRI allowed a tax credit, within thresholds, equal to the VAT paid at the rate of 13.5%. The tax credit was allowed in equal instalments over two years following completion of the

works. The system was designed to be totally self-service through electronic systems that placed responsibility on the homeowner to ensure the contractor was tax-compliant. The online system was available on mobile devices to allow contractors to demonstrate to homeowners their tax-compliance status on site.

The HRI electronic system was build with links to the LPT system to confirm property ownership. In addition, the homeowner was checked for LPT compliance before the tax credit could be claimed.

Like the LPT project, a communications strategy was vital to the success of the project. There was early engagement with business and construction representative bodies to promote the Incentive, and many businesses started using the Home Renovation Incentive in their advertising. The Incentive essentially promoted itself and avoided the need for an advertising budget by Revenue to promote the scheme.

A range of guidance booklets, leaflets and video guides was developed. The guides and booklets were distributed across a range of outlets including Revenue offices, citizens advice outlets, etc. The video guides were available on a dedicated HRI portion of the Revenue website. The HRI team contributed to newspaper articles and radio interviews, attended trade shows and used social media to promote the Incentive and demonstrate how easy the systems were to use.

A new concept of “self-compliance” was introduced where only contractors who were tax-compliant could take part under the Incentive. The contractors’ tax-compliance status was checked when they logged on to the system initially. Likewise, homeowners were checked for their compliance with LPT when they claimed the HRI tax credit. This placed the responsibility for compliance back on the contractor and homeowner, a concept known as “self-compliance”. In addition, as VAT was central to the process, additional checks were built to ensure that VAT paid to contractors by homeowners was fully returned by the contractors, with “real time” checks applied when the contractors submitted their VAT returns.

In addition, spot checks were carried out by outdoor staff when home renovation was observed to see if the renovations were recorded on the HRI system. When they were not, the outdoor staff called the homeowner and advised them of the benefits of the Incentive and interviewed the contractor as well. A number of contractors who were operating in the “shadow economy” were detected during the campaign. The resultant media publicity from these operations saw a marked increase in HRI activity where contractors previously operating for cash were now operating within the legitimate economy.

With no paper alternative, some complaints were expected from homeowners who were not e-enabled. The level of complaints was extremely low and support was provided to these homeowners by Revenue staff.

The systems were simple to use and were “road tested” by non-Revenue persons to confirm their simplicity and ease of use.

To date, almost €700m of HRI-approved works have been recorded on the HRI system, with all works completed by tax-compliant contractors.

Both case studies have a number of attributes in common including a legislative framework underpinning systems that were simple to understand and simple to use. Early communications and engagement with key stakeholders was essential, with the use of “self-service” applications and linking the new applications to existing systems for “self-compliance”. Innovations and concepts introduced through LPT and HRI have been successfully re-used in other applications that have since been developed.





IOTA

Intra-European Organisation
of Tax Administrations