

36th EDITION



# TAX TRIBUNE

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## magazine

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AND THE 22nd IOTA GENERAL ASSEMBLY  
IN JUNE THIS YEAR

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22nd GENERAL ASSEMBLY, 2018 BRATISLAVA



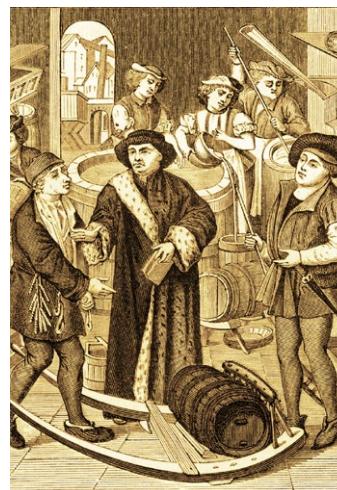
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**IMPRESSUM**

# EXPLORING NEW AVENUES IN 2018

## Miguel Silva Pinto - IOTA Executive Secretary

As 2018 gets underway we are moving forward with our new strategy for the next 5 years. It is a challenging time for all involved with tax administration issues, not only because technology and trade are shaping the global economy but also because structures and organisational models are constantly evolving in the search for modern and cost-effective ways to better serve customers.

That is why the new IOTA strategy will be the blueprint for how we search ambitiously for new ways of working for the organisation. IOTA will continue to consolidate its role as a forum where member countries gather to learn more about each other's practices, solutions and techniques, providing inspiration for increasing the effectiveness of tax administrations. We will also look for projects to be started, together with additional financing opportunities. We will start looking at how technical assistance foundations can unlock the potential to widen the service we provide to our members.

We are all aware that digitalisation is changing the world we live in, creating risks and opportunities that need to be embraced by modern tax administrations. The on-going technological revolution is leading to a different relationship between tax administrations and citizens. Taxpayers wish to be offered real-time services and be guided through the labyrinth of tax compliance in a consistent and professional way. More information and data requested from taxpayers needs to be accompanied by guarantees of more responsibility, liability and safety in relation to the processes, tools and mechanisms used by tax authorities.

IOTA needs to rise to the digital challenge facing our members. With that in mind, the next IOTA General Assembly in Bratislava, the capital of the Slovak Republic from 25 to 27 June, will be dedicated to addressing the impact digitalisation is having on tax administrations. Innovative tools being used by tax authorities in their different areas of activity will be displayed at an exhibition

showcasing new digital ways of transforming tax processes. This will include the role of IOTA and other international stakeholders in this contemporary environment.

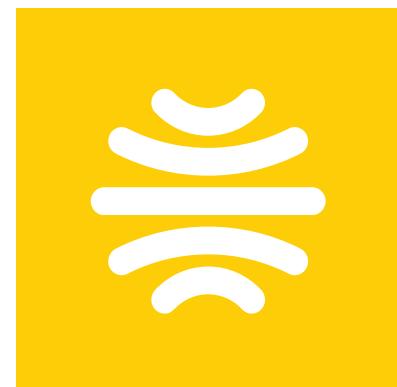
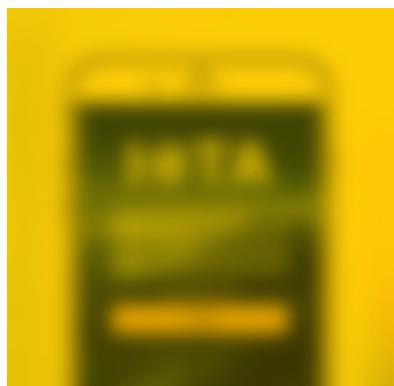
Later this year, IOTA will join the Inter-American Center of Tax Administrations (CIAT) in a tax summit hosted in Lisbon by the Portuguese Tax and Customs Authority, gathering around 80 tax administrations from all continents, to provide a unique opportunity to learn more about how the digital challenges for tax administrations are being faced at global level.

Speaking about innovation and technology, IOTA is also presenting to its members varied and modern publication formats, such as newsletters, books on hot topics in taxation, the series of IOTA papers, the new knowledge-sharing platform and our magazine – the Tax Tribune. The current edition marks a new era for the magazine, with innovative new content that goes beyond the more technical dimensions of our work as tax professionals to present stories, views, and interviews highlighting how colorful and rich our tax community is.

We wish you enjoyable reading and please let us know what you think of the new magazine and other IOTA outputs so we can improve and continue to build on their quality.



**We truly hope you will like the  
magazine and maybe in the future  
we can tell your story as well!**



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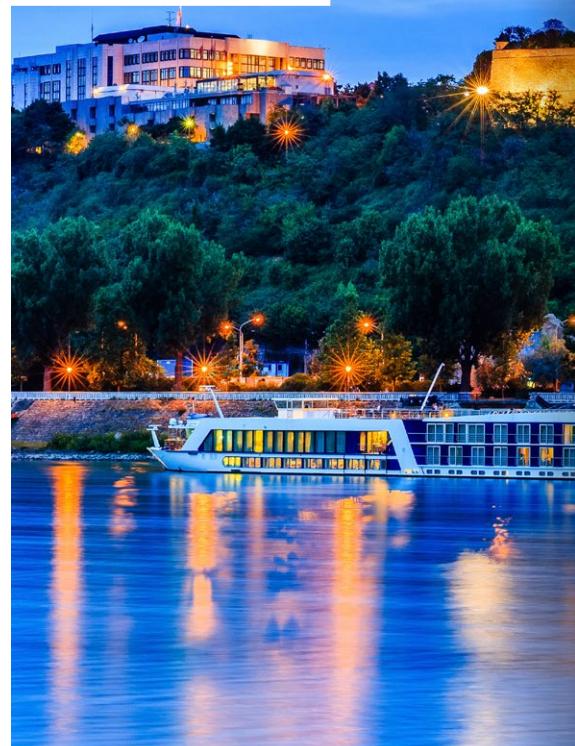


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# INTERVIEW

## WITH THE PRESIDENT OF THE SLOVAK FINANCIAL ADMINISTRATION AND IOTA PRESIDENT FRANTIŠEK IMRECZE



Bratislava



IOTA's 1st General Assembly held in Bratislava in 1997

I see this as a great opportunity to demonstrate the progress of the Slovak Financial Administration during the 22 year history of IOTA. It is also a challenge to prove that we are a reliable partner for all IOTA member countries. IOTA is the most important platform for best practice sharing and knowledge transfer within European tax administrations. During its history IOTA has achieved significant accomplishments and I am proud the Slovak Republic has had the opportunity to move IOTA forward since it was established. Slovakia has a historical role in IOTA not only for holding the first Presidency and organising its first General Assembly but in the

process leading to establishment of the organisation itself.

So I feel a special sense of ownership to move this project forward and give a new momentum to the organisation. I believe that the 22nd General Assembly "Impact of Digitalisation on the Transformation of Tax Administrations" to be held in Bratislava on 25-27 June this year will be a good example as we will discuss how technology and "being digital" is a must for tax administrations.

**How will the Slovak Presidency give new momentum to IOTA? What are your main priorities in achieving that?**

European countries have very similar tasks or practical problems with systems implementation, European legislation directives and recommendations from international organisations. It's really important we all share these experiences and recommendations for the benefit of all our members. We will clearly and precisely highlight IOTA activities among member states and make IOTA more attractive to the senior management of member countries. We need to further strengthen the cooperation with international partners such as OECD, IMF, EU or CIAT and successfully implement the 2018 work programme goals. We will also provide

# SLOVAKIA HAS BEEN HOLDING THE PRESIDENCY OF IOTA SINCE JUNE 2017



22nd GENERAL ASSEMBLY, 2018 BRATISLAVA

expertise and experience from the projects carried out in Slovakia. One of my key priorities is to increase the visibility of IOTA both internally (IOTA members) and externally (within partner organizations, businesses, academics and relevant members of the public) and utilize every possible occasion for doing so. So I can assure you, IOTA under Slovak leadership is ready to continue assisting member countries with managing the challenges that the tax administrations are facing.

## Do you have any particular proposal to reach these goals?

I will encourage member countries to participate more in the European tax administration common projects. We addressed this issue in the Executive Council meetings in Budapest and Paris. For example, we agreed to launch a survey on member countries needs



President with Miguel Silva Pinto,  
IOTA's Executive Secretary

and offers for technical assistance. This will provide the basis for a future establishment of partnerships between

our members, where advanced countries can provide assistance in certain areas to developing tax administrations.

## How would Slovakia engage in that exercise?

Slovakia is ready to provide expertise and experience from projects implemented in our country to other IOTA member countries.

## How can Slovakia's Presidency of IOTA have an impact on your own administration?

We are now preparing a key financial administration reform – both in the tax and customs area. The reform motto is “more performance, less administration”. In the framework of our IOTA Presidency I want to take the advantage of close cooperation with other financial administrations

to transform how we work in Slovakia. Experts will be consulted in all project changes – especially from Estonia, Norway and the Netherlands, as well as other countries from the IOTA membership. This is a great opportunity for Slovakia to gain a perspective from abroad and follow good examples.

**So, the Slovak Financial Administration is planning the biggest change in its history? Can you share more details with us?**

We are running the national project “Effectiveness of Tax and Customs Administration” within the Operational Program “Effective Public Administration”. This will lead to a fundamental change in the processes of financial administration. For the time being, the project scope has been approved. Currently we are preparing the project documentation that will be the basis for declaring the call, submitting the application for non-refundable financial contribution (NFC) and signing the NFA Agreement. Therefore, the Financial Administration created expert teams that will define objectives and clearly set out the structure of the project. Part of the

target model will be, for example, the introduction of a tax reliability index, the categorization of entities based on the reliability index and a better service for reliable tax payers, or the application of a ‘soft-warning’ for taxpayers, the extension of electronic communication and others.

**What is the reason for your strong support for the extension of e-communication?**

We, of course, want to make it easier for our clients to access our services. They can arrange their tax matters from the comfort of their homes. The number of our clients communicating electronically is gradually expanding and we need to be ready for it. Since January, 80,000 legal entities registered in the Commercial Register will be added to 360,000 electronically communicating clients so far. And since July, another 350,000 self-employed clients will be added.

**How can Slovakia be an inspiration for other countries?**

We managed to increase our efficient VAT rate, bringing in an extra €2.66 billion

to the state budget. We began gambling audits, expanded e-communication to this segment, introduced and simplified electronic customs imports, and improved the virtual cash register. We are actively implementing new measures to combat tax fraud within the new Action Plan.

**Tax fraud was one of the key topics at the Global Trade Development Week, held in November 2017 in Dubai. As a representative of the Slovak Financial Administration, you had the opportunity to attend the conference. What were you talking about?**

Yes, it was a great opportunity to introduce Slovak measures in the fight against tax fraud, which can also inspire other countries. In particular, I am referring to introduction of analytical systems such as the VAT Control Statements, the Virtual Cash Register or the Information system on Duty stamps. It was the world's largest international trade conference and I also spoke in my capacity as IOTA President.



IOTA's President in Global Trade Development Week, held in November 2017 in Dubai

## What is the current state of the fight against tax fraud and evasion in Slovakia?

Tax fraud attempts are changing. Tax fraudsters are constantly inventing new ways to defraud the state and its citizens. Our response is contained in a set of measures that are reflected in Government Action plans to combat tax fraud. In 2017 we started implementing a shortened tax impose proceedings or fast and simple assets assurance warrant. From this year, we will implement the prevention of the special-purpose companies mergers by the acceleration of the exchange of information between the Financial Administration, the Police and the General Prosecutor's Office. And while we have concentrated so far mostly on VAT fraud, now we have to focus our attention on Corporate Income Tax. In September 2017, we exchanged the data on the bank account balances of residents of all the contracting countries within the EU and OECD countries. It is an important milestone for eliminating part of Corporate Income Tax evasion.

## So the International Exchange of Information is really critical in the fight against tax evasion?

Worldwide, tax administrations receive a wealth of confidential information about tax subjects. In the framework of the Automatic Exchange of Information some of them already exchange information on residents' accounts abroad, adding information on the number of employees, revenue, profits or loss of multinationals. And this is very important! International exchange of information is useful also because at the same time it increases the importance of data protection and taxpayers' data security.

## What exactly do you mean by that?

Although the administrations have invested a lot in information systems and their security, the risk of possible leaks of confidential information still exists. It is essential to recognize that taxpayer data must be absolutely protected. Tax administrations are gaining more and more data over the years thanks to expanding of digitalisation and international agreements. At the same time, they also invest a lot of

money in securing this data. We need to strengthen the debate on how this data will be used. Taxpayers have the right to privacy and the security of their data and tax administrations must ensure it for them. Trust is a decisive factor in the efforts towards the highest level of voluntary compliance. This trust must exist between tax administrations and their clients. The way data is used is even more important than the question of data acquisition. Data must be used properly avoiding any abuse. Tax administrations must therefore invest in enhancing digital security and risk management. This is also the question that has to be resolved. There is still much to do in this respect, but I believe the IOTA Slovak Presidency will bring success in various areas.

**Recently the "Paradise Papers" leak of taxpayer information received global attention by tax administrations and the media. It included some Slovak citizens. In this respect, do you already have any findings?**

We are acting in both cases. At the end of November in 2017 we received the first official documents from the Cayman Islands and we are making every effort to obtain information from other preferential tax jurisdictions that the Paradise Papers refer to. We will apply a similar procedure as we did in the case of Panama Papers – soft-warning, and we will invite the taxpayers to submit documents to be evaluated. Where appropriate, the Financial Administration Criminal Office will create a joint action plan together with the National Criminal Agency. We will coordinate the process within the Joint International Task Force on Shared Intelligence and Collaboration (JITSIC).

In the case of the Panama Papers, based on the results of the analysis, we identified 39 people to which we sent soft-warnings; we applied a common procedure with the National Criminal Agency; we opened tax audits; we filed initiatives for criminal prosecution. We already know that 4 tax audits have ended without any findings. Since April 2016 we have been dealing with the Panama Papers, in all of these proceedings the International Exchanges of Information is ongoing at several levels – the Exchange of JITSIC frameworks, Automatic Exchange of

Information and the relevant financial Administration Criminal Offices and Police Offices.

**These cases also show that tax evasion is an important issue. All IOTA member countries are fighting against tax evasion or profit shifting. What is your perception of this topic?**

Profit shifting is a complicated tax area which requires analysis and evaluation. The primary problem is that some countries are not part of the cooperating framework within the International Exchange of Information. There are also countries with a preferential tax rate and they are part of an International Exchange of Information such as Malta and Cyprus. In terms of profit shifting, these countries are less problematic than non-cooperating countries, i.e. states with neither Double Taxation Agreement nor a Treaty on Mutual Administrative Cooperation in Tax issues such as Honduras, Panama and Nicaragua. Another important piece of information is whether or not the end-user is known in the company. Cases in which they are known are less suspicious than cases when they are unknown. There are many more attributes to the complexity of this issue. The final solution at the end, however, depends on global international cooperation and common practices. Therefore, cooperation within organizations such as IOTA is essential.



Mr Imre Cze delivering the keynote speech of IOTA's International Conference "Tax and Trust" in November 2017



**Mr Petrov, tell us about yourself. What do music and taxes have in common?**

Precision... figures are always precise... they don't lie, and with music, in particular with drums, the beat must be in the right place and at the right pace.

**Why drums and not a guitar, for example?**

I guess the answer lies in my sense of rhythm. As a kid, I used to beat time with my foot to every song I listened to. My grandmother had noticed and years later, when I became involved with drums, she shared it with me.... At the time, when I started, it seemed to me spectacular and fascinating to watch drummers of famous bands lift up the crowd and make an incredible show. It didn't seem incredibly difficult to me... in fact, it turned out this was not the case and it required hard work and dedication.

**Please, tell us who inspired you in music when you started playing?**

I have a seven-year older brother, who, in the early 1980s brought records of bands such as Deep Purple, Whitesnake, Rainbow, Black Sabbath, Ronnie James Dio and many others. It all started there and I am thankful for it. This music has incredible energy and sound, giving you goosebumps and making you jump. Music, which is

already classics. These were the golden years of hard rock. In the late 1980s, when we were 15 or 16 year old, we, classmates and friends, started a band named ICARUS.

I remember how we drove our classmates crazy with our first gig on our school's holiday. This is the answer as regards inspiration. It comes from the crowd, whenever you see raised hands, smiling faces, and you hear shouting even after the end of the performance... nothing compares to that.

**With all the work, family and friends, do you find time for developing your music skills?**

This is a challenge, too. Playing musical instruments requires constant rehearsals

**By day he is the Director of the Project Management and International Affairs Directorate of the National Revenue Agency (NRA) in Bulgaria. By night Venelin Petrov replaces the suit and brief-case with drums and drumsticks to perform in his hard-rock band Icarus.**

to keep in good shape and develop. Fortunately, there are already electronic drums you can play with headphones; they are not loud, which gives you the opportunity to do it whenever it's convenient for you. So... if there's a will, there's a way.

**Do you and your band do professional gigs?**

We play mainly for pleasure. We like being together and covering well-known hits. We are now much better musicians and we play several times a year in my hometown, in clubs and at festivals across the country. It's energizing, some people have different hobbies – sports, fishing, drawing... we love playing music.



The band Icarus recently



Venelin behind the drums of the band Icarus just after its establishment

**How long have you been working for Bulgaria's revenue administration? Why have you chosen to be a tax official, instead of let's say a teacher?**

I started working for the revenue administration back in 1997. This was the first serious opportunity for me to start working after I graduated in economics. At that time, the administration was young and the foundations of market economy were being laid, following the democratic changes in Bulgaria.

My grandfather, whom I was named after, was a respected teacher in my hometown, and I would feel great admiration seeing how people greeted him and treated him and his profession with respect. When I started working in the revenue administration, it was difficult for me to accept people's negative attitude towards it and the payment of taxes. Over time, my work became a mission for me and I actually started seeing it more and more as something laudable. I tried to convey to people my understanding of tax collection as the foundation of statehood through which the state fulfills its social commitments to citizens.

**What made you stay that long at the NRA?**

Indeed, it's been a long time. Over the years, I have gone almost all the way up the administration's hierarchical ladder and each of the positions has been a challenge for me. I think this is

the main thing... I like challenges... they inspire me and pump up my adrenaline (smiles), and the pleasure with the results is incomparable. I am honored to be part of the team that established today's revenue administration of the Republic of Bulgaria. This was achieved through a major World Bank-funded project whose implementation has been highly appreciated outside the country.

**What do you like about your job in Bulgaria's revenue administration?**

My current position is about international affairs and project management. Daily communication with different people from the administration, their professionalism and dedication in dealing with their tasks is unique to me. We have managed to build a modern administration of professionals. It is not by chance that surveys show that our administration enjoys the highest level of trust among Bulgarians in



The Bulgarian delegation in IOTA's 21st General Assembly in Kyiv: Venelin Petrov with Mr Gavrail Zaburtov Secretary General, Yordanka Tzoneva and Ani Rusinova Chief Experts

comparison to other institutions. I like the dynamics and the feeling that I do something useful not only for myself, but also for the others.

**What are the next challenges for you, professionally and personally?**

In recent years, Bulgaria's National Revenue Agency, and me personally, have focused on the Agency's international positioning. A very responsible and inspiring task. And as you know, Bulgaria will be holding the presidency of the Council of the European Union during the first six months of 2018 – a historic moment for Bulgaria, but also a great responsibility and another serious challenge for our administration.



"United We Stand Strong" is the slogan of the Bulgarian EU Presidency which is completely in unison with the essence of IOTA and its moto "In Partnership for Advancing Tax Administrations", included in the new Strategy 2018-2022. On a personal level, the challenge relates to the education and upbringing of my two twin sons who are 8. We love singing... especially when travelling in the car.



Venelin with his twin sons Ioan and Valentin

**Enjoy your hobbies and listen to this divine thing called music, whatever music you might like...**

# A STEP-BY-STEP APPROACH TO TAXPAYER SERVICES IN ROMANIA - LEARNING WITH IOTA

By Mihaela Dragulin from the National Agency for Fiscal Administration (NAFA) of Romania

What have we learned from IOTA? Ever thought about it? Well, for us there is a road of learning, full of lessons for those willing to listen and want to go home and further study and elaborate on what they have heard. That is what we did! We took the opportunity that IOTA gave us, taking advantage of the possibility to share experience and learn together with other countries.

Thanks to IOTA events, we understood that best practices exist not only in theory but also in practice, because in each country the people and tax administration have their own distinctiveness. A practice is best just when it is a success in a certain context.

In our field, which is taxpayers' services, we started to tailor services and concepts. We have formulated proposals, taking into consideration our specific context. Why is that? Because differences between national cultures can influence behaviours and fundamental values, and citizens differentiate themselves through values, attitudes, and experiences. Therefore, civics, social norms, cultural differences, values, traditions, social, political, legislative contexts, etc. are aspects that are extremely relevant with regards to rethinking fiscal systems and we take that thinking into account.

Sharing experiences gave us the possibility to see different practices and to understand that not everything already implemented in other tax administrations can be implemented in our country. Systems that are a real success in other countries could end

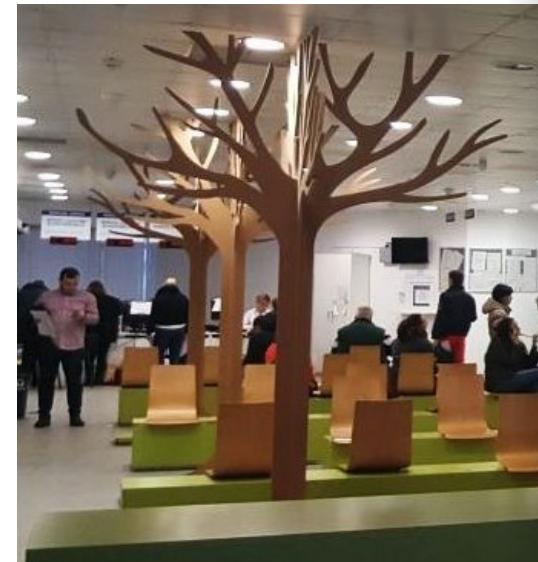
up being a failure in situations where practices or models are copied and not adapted accordingly. More concretely, a fiscal administration cannot simply "copy" fiscal systems, nor can it simply adopt measures, strategies, etc. as fiscal administrations operate in different contexts. The abilities of the fiscal administrations, fiscal policies, frameworks, and practices all differ.

So, in order to ensure that the services that we want to provide would be successful in our country, we took into account a series of considerations and tailored our approach.

We did not implement a specific model used by a certain country or tax administration, but IOTA's events have opened our eyes and we understood, studied more, adapted, we went beyond what we saw and implemented projects in our own way.

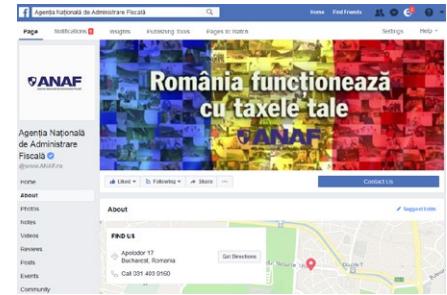
## USING SOCIAL MEDIA AS SERVICE CHANNEL

After IOTA's workshop "Taxpayer Services in the Modern World", we understood the necessity of using social media, to be where our taxpayers are, in particular the young people, which is an asset for any tax administration. Social media is an environment which gives us the opportunity to reach a category of citizens that we cannot reach by using our classic channels of communication. So, since 2012 we have started to propose to use social media. The channel proposed was Facebook, because in Romania it's the most used social network. Trying to



sustain our proposal was not an easy task. Usually tax administrations are resistant to use social media because of its power to spread the news. But, in May 2015 NAFA created a Facebook page. From that day, we were among our taxpayers and interacting in their environment. For us, Facebook is not a simply communication channel, it is a service channel also. As with every tax administration, ours also has a website, which provides guidelines, press releases, relevant information and e-services to our taxpayers. But, usually websites are not used by all taxpayers. The website is explored usually by those who have an interest to use it, for submitting a tax return, reading a guideline, such as tax practitioners, taxpayer intermediaries or taxpayers who have a certain level of knowledge to use the Internet or e-services.

Visiting the tax administration website it is a necessity for taxpayers. Starting from this presumption we used our Facebook page as a service channel, by



NAFA's Facebook page

providing a weekly on-line assistance session, where taxpayers can ask different questions about certain topics. The



## NATIONAL AGENCY FOR FISCAL ADMINISTRATION (NAFA) OF ROMANIA

topics are chosen by us considering the demand received from the taxpayers or the legislative changes. Facebook helps us reach taxpayers around the world, and to inform them in a correct manner about relevant topics. It helps us to avoid misinformation to taxpayers as a result of various articles published in the media erroneously.

The basic principle of social media, using a classic example, is that "my friend's friend is also my friend, even if we are not friends" and according to this principle any information published on Facebook can reach a considerable number of people, people to whom you cannot get through using the classic communication or service channels. Someone said that Facebook is a hard-to-manage and a risky channel. Entirely true! A wrong answer can create a true story and appear in the news, but more important than that is the fact that a wrong press article can misinform a considerable number of taxpayers. So the question that a tax administration should ask itself is, what is the choice? To avoid the risks of using social media or to see it as an opportunity to correctly inform taxpayers? We have seized the opportunity and we are organising our online sessions. From January until October 2017 we organised 43 Facebook sessions, and the impact of our sessions reached 513,609 users. The outreach campaign conducted by our fiscal units attracted approximately 25,000 people from our country. So,

comparing the resource involved in both cases I think it is obvious what the advantages and disadvantages when using social media are.

### CREATING UNIQUE SERVICE CHANNELS

Starting from 2012, we have proposed to create unique service channels for e-mail and phone and to develop the e-services offered to our taxpayers. The inspiration came also from the IOTA's **workshop held in Armenia, "Taxpayer Services in the Modern World"**. The philosophy behind the creation of unique service channels is to succeed to manage in a more efficient way in each service channel, giving us the opportunity to increase the efficiency and the effectiveness of our tax administration. After the event we started to rethink each of our services in a consistent manner.



IOTA workshop "Tax administration marketing activities to inform taxpayers and improve perceptions about the tax system" held in Budapest on 27-29 January 2016.

The first service channel that was finalised was the e-mail. We succeeded in closing the various e-mail addresses that were available across the country in the tax offices, by which taxpayers could ask assistance in fiscal matter. The creation of a unique single service channel for e-mail started in 2014 and it was finalised in 2017, the service being available through NAFA's website. We have built a database where all the e-mails are received through our website and can be accessed by all the tax offices across the country and it is monitored at central level. This database helps us to obtain both quantitative and qualitative statistics.

Why did we do it? Because even if an e-mail is cheap for a taxpayer for the tax administration it is expensive, taking into consideration the time, the internal processes and the number of people involved in replying to multiple e-mails. There is also the fact that it was very difficult to ensure the answer across each of the tax offices was consistent.

Another service that we began to develop is the call centre. From 2014 we have started to develop our call centres, in order to offer our taxpayers the possibility to contact us by using a unique phone number at national level. Our participation at the **IOTA Workshop "Contact Centres" held in 2014, in Lithuania**, gave us the chance to see different concepts of call centres with different functions.



## Workshop Contact Centres

14 - 16 May 2014  
Vilnius, Lithuania

After the event, the main question that we asked our self was „What is the proper model, the resources and the proper number of employees that we need in the end”? We understood that the call centre must be developed in a coherent manner, in steps, in order to build our own model that can answer to the demands, a call centre with proper resources that will allow us to create a high quality service.

Our vision is to educate taxpayers to use on-line environment. In our opinion the call centre should be available in special to that category of taxpayers who cannot use the e-services. So, we have started to gradually close different phone numbers that were available in each tax administration, different then the number available for the call centre. Now, we are on our way to create the call centre, adapted accordingly to our needs, a virtual call centre, the head office in Bucharest and 8 offices around the country, with dedicated resources, professional people, very well trained a unique telephone number available for our taxpayers. The development will take time, but we want it to be a success from the beginning, and even if it could sound strange, we have the chance because



The call centre of NAFA

we learned from others mistakes. So, we can do it „right from the start” by taking everything step by step.

Our desire is to provide and develop services that will help us to reduce the costs and effort but, at the same time to provide services that will add value for taxpayers. In this regard, we have started to take progressive actions in order to convince taxpayers on the benefits provided by e-services and call centres versus classic channels such as face-to-face contact or letter. After the measurements made by us, and the surveys that were conducted, we understood that Romanian taxpayers prefer contact face-to-face, a relationship that involves time and important financial and human resources for the tax administration but also for taxpayers. In order to reduce the face-to-face contact and move taxpayers to e-services, we began to promote e-services through media, social media, call centres, and outreach campaigns. This promotion helped us to start correlating NAFA's vision with the taxpayers' vision, which will not always be the same. In order to reach our goals, we intend to design a strategy and the actions needed to allow us to move taxpayers from more classic channels to e-services in an adequate manner, taking into consideration various criteria, such us the access to Internet in each region, the number of taxpayers per region, etc. actions that will be coordinated, monitored, adjusted or modified accordingly.

### DEVELOPING NEW SERVICES

One of the services provided by HMRC that we intend to implement in the

future is Webinar. The presentation made by the UK delegate at the **IOTA workshop held in Hungary, in 2013, "Providing Assistance to Start Up Business"** made us aware about the potential of using this type of service. But, at that time, it was too soon for our taxpayers to develop this type of services. We want to avoid developing unwanted services for our taxpayers. Our intention is to design the specific mix of service channels, at the right moment, in order to prepare the population to use it. We want to find for our tax administration the right balance between NAFA objectives of improving the services provided to taxpayers and the need for our tax administration to reduce costs.



IOTA workshop "Providing Assistance to Start Up Business" held in Budapest, Hungary on 13 - 15 November 2013

We plan to implement the Webinar initially for large and medium taxpayers, and later on to extend it for the other categories of taxpayers. This service will allow us to move taxpayers to e-services, Webinars being one of the actions that we intend to include in our strategy plan in order to migrate taxpayers to on-line environment. The services that we want to develop take into consideration various factors, in special efficiency and effectiveness – one without the other it does not make sense. We must not forget that a service must be useful and „friendly” if it is to be used by taxpayers. At the same time, the service must also be developed to the tax administration, otherwise it will not be a win-win situation.

### ANALYSING TAXPAYER BEHAVIOUR

At the **IOTA's workshop "Tax administration marketing activities to inform taxpayers and improve perceptions about the tax system" in Budapest in January 2016** we looked in depth at a field that has not been fully explored,

## Serviciul de depunere online a declarațiilor fiscale

### Serviciul Spațiu Privat Virtual



taxpayer behaviour. The presentation made by the representatives of the Bulgarian tax administration „Marketing Initiatives in the Bulgarian Tax Administration” inspired us. The efficiency measurement mechanisms raised the question in our mind of how can we go further than what we saw and heard. So, even if we are talking about nudge techniques or techniques used to influence taxpayer behaviour, this is a field that we think should be more explored by tax administrations. Our point of view is that each tax administration has the same purpose, respectively to increase the level of compliance. No matter if we are talking about voluntary or forced/stimulated compliance, voluntary compliance is the ideal model in a society.

more about this field. After studying specialized literature about taxpayer behaviour and nudge techniques we decided to create a team which will be responsible on taxpayer behaviour.

Understanding taxpayers attitudes/postures and their behaviour can improve voluntary compliance and the efficiency of tax administrations. We must not forget that society cannot survive without taxes, so the level of compliance must be stimulated through different techniques that need to be well established by the tax administration.

Meanwhile, what we intend to do is to create a special team (with specialists from different general directorates of NAFA) which will be responsible for



IOTA workshop “Tax administration marketing activities to inform taxpayers and improve perceptions about the tax system” held in Budapest on 27-29 January 2016.

Photos from the IOTA workshop “Tax administration marketing activities to inform taxpayers and improve perceptions about the tax system” held in Budapest on 27-29 January 2016.

This event was a trigger that made us return home and start studying



pilot projects. The main objective of the projects will be to increase the level of compliance. The team will select target groups that will be subject to different actions in order to change their behaviour more effectively and from a scientific perspective. Considering the fact that the project is at its beginning we hope that we will be able to present the results in a future edition of the magazine, and hopefully at a dedicated IOTA event on this topic.

Those are some of the projects taking place in NAFA that are under direct

coordination of the General Directorate for Taxpayer Assistance that were inspired at/by IOTA events/delegates.

What have we learned? A lot! We understood that best practice from other tax administrations cannot just be copied and pasted, but adapted to suit the needs of each individual tax administration. We take into consideration the culture and the evolution of each country, its background, and so on. We understand that „copy” and „paste” is useful when you write on your computer, it gives you the opportunity to save time, but nothing more. Concepts and practices must be adapted and analysed before being implemented, measures and studies are the key words, everybody must measure twice and cut once, this is our mentality and for us it works. We build our own way, we tailor and we learn on the road with other countries and with IOTA bringing us together to share our successes, and also our failures.

I had the chance to meet at each event visionary people who are open to sharing their experiences. In the end IOTA events are not about saying you are the best, it is about sharing, learning, growing, staying together at the same table and thinking about what can we learn, what else can we do, where are we, how can we evolve, where have we failed, what are the lessons learned, it opens your eyes, it makes you to evolve as a professional and a human, it makes you grow.

Delegates who join the events have the same purpose, to build today for the next generations, because in the end they will be the real beneficiary of our work. We are small parts of a system but we count, because we are the ones who are building the system. Four wheels of the same size can make the car go, never forget that! Because, even if is not easy we must not forget that our contribution can change in the end the evolution of our own society. So, just don’t forget to open your mind.

As Nicolae Iorga, a great Romanian historian said, „Never say «it cannot be done». Start with «let’s see».”

# HOW TO ORGANISE A TAX ADMINISTRATION

By Marcus Zackrisson from Tax Administration of Norway

Many tax administrations go through organisational changes. The organisational set up is just one side of being able to perform the duties of a tax administration, but it is an important one, and changing it will always cause worries in the organisation. A common reason for organisational changes is the addition or removal of responsibilities. Another possible reason is that the environment or society requires something different. Whatever reason for change there is extensive research on how an organisation should or could organise itself.

Tax administrations are constantly evolving and developing, and we are constantly innovating and developing new methods of achieving compliance and increasing efficiency. Vital to adapting tax administrations in changing times is the structure of the organisation itself.

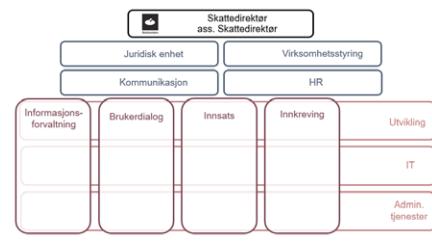
This article is based upon work done in conjunction with the reorganising of the Norwegian Tax Administration. Although this article is based on experiences in a tax administration in a small and developed economy, the challenges described are general.

An organisational structure with boxes and reporting relationships cannot by itself achieve efficiency and compliance, but it can impede or facilitate it. Organisational structure is the formal layout of a company's personnel, but one should remember that what makes an organisation's function is also all of the informal contacts and collaborations that cannot be seen on the organisational chart.

There are a vast number of books and articles written on how to structure organisations to perform effectively.



The Norwegian Tax Administration



The new organigram of the Norwegian Tax Administration

It is a major research field; there are academic journals and conferences devoted to this. In overview, there are five basic organisational structures and most organisations are organised according to one or more of these five organisational types.

## ORGANISATION ACCORDING TO FUNCTION

The functional structure divides the company based on specialty. For a tax administration, this could mean audit, legal, collection, service delivery, which is a common division among tax administrations. Functional departments permit greater operational efficiency because employees with shared skills and knowledge are grouped together by functions performed. Each group of specialists can therefore operate independently with management acting as the point of cross-communication between functional areas. You get highly specialized units and there is to a lesser degree duplication of functions. The downside is that it is challenging to facilitate effective communication between different departments. Another common criticism against a functional organisation is that it easily creates silos and taxpayers may have

a dialogue with several functions at the tax administration to resolve their concern.



Interior spaces of the Norwegian Tax Administration

## ORGANISATION ACCORDING TO TYPE OF TAX

A common organisation in the corporate sector is organisation around products. The tax equivalent is to organise around different taxes and other types of fees. In such an organisation, employees are assigned, regardless of the type of their duties, according to the tax their work relates to. The advantage with such an organisation is that all issues regarding a certain type of tax are handled in one part of the organisation and it facilitates equal treatment of taxpayers. Similar to a structure organised according to functions, experts are grouped together, but in this case experts on a certain tax. An obvious disadvantage is duplication of functions and resources and a taxpayer will most certainly have to deal with different parts of the organisation. In the world of tax administrations, an organisation according to type of tax is often combined with organisation around users/taxpayers (see below).

## ORGANISATION ACCORDING TO USERS

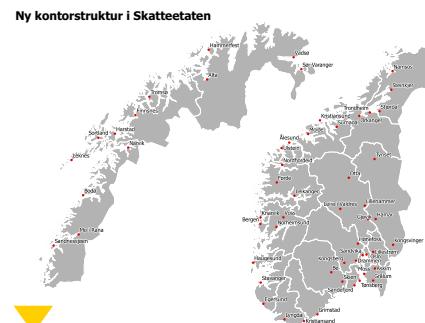
A third type of organisation is to organise around the customers, or in our case - the taxpayers. For tax administrations, it is common to divide between individuals and companies. Companies can further be divided into small and large, and sometimes into sectors. Some tax administrations, also single out high net worth individuals. Another way to sort taxpayers is into risk segments; having one unit or division that deals with taxpayers considered to have a compliance risk. An example of this is the on-going reorganisation of the Norwegian Tax Administrations. The advantage of this type of structure is that it specializes

in the needs of each taxpayer group and it creates one contact point for the taxpayers. A challenge is that tax administration may fail to see links between individuals and companies, and may need to.

## ORGANISATION ACCORDING TO GEOGRAPHY

In a geographical organisational structure, a representative from each function forms units to serve a specific region. Whilst most large organisations (and tax administrations are typically large organisations) have in some respects a geographical dimension, it is often a practical necessity when the country is large. An advantage by this type of organising is closeness and knowledge about tax payers. By grouping all functions into geographical units, the employees will often work side by side with personnel from other departments and communications between functions are easier. An obvious disadvantage with a geographical organisation is that it duplicates functions. Furthermore, individual taxpayers and companies do not always limit their activities to a geographical area and that can cause errors in communications.

## ORGANISATION ACCORDING TO PROCESSES



Tax offices in Norway

Process-based organisational structures are designed around the end-to-end flow of different processes. Unlike a functional structure, a process-based structure considers not only the activities employees perform, but also how those different activities interact with one another. It is an organisational structure that facilitates creativity and communication between departments and it usually works best for organisations that have non-routine tasks that require constant modifications to customer demands. The main challenge with a

process-based structure is to identify the core business processes, which produces the service that relates to the taxpayer. For a tax administration, process-based structures would look different depending on what processes the organisation is organised around, but the core processes for a tax administration is usually routine-like and it would be difficult to apply a process-based structure for all core processes in a tax administration. However, on lower organisational levels in a tax administration a process-based structure could be helpful in developing and innovating processes.

## CONCLUSION



Most tax administrations have a combination of organisational structures on various levels of organisation, i.e. a hybrid organisation. When individuals have more than one reporting line the organisation is often referred to as a matrix organisation. Regardless of organisational model, it is for instance common to have debt collection as a separate unit (e.g. Norway, Denmark, Finland). A tax administration has a political mandate and therefore has limitations on how it can organise itself. In addition, there might be political expectations on geographical distribution and professional unions can have a strong say in how the works should be organised. Organisational structure is important because it provides guidance to all employees by laying out the official reporting relationships and responsibilities. However, if an organisation have a dedicated works force, clearly defined roles, and well-intentioned management, you can usually make most organisational structures work, but if the organisational structure is aligned with the organisations strategic goals everything becomes easier.

# GOODBYE TO THE TAX CALENDAR OF 2,000 YEARS

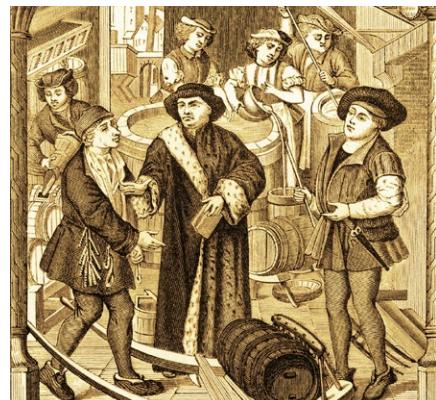
## THE FORGOTTEN FACTOR: TIME

By Victor van Kommer, Director Tax Services IBFD

A fixed date for return filing is causing heavy seasonal peaks in the workloads of tax administrations. Why do taxpayers have to submit their income tax return in spring? Why do we see this pattern so strongly imbedded in the tax regulations in many countries in the world? Do we need to stick to this seasonal system when our personal data is more and more part of a global financial I-cloud? Why couldn't tax administrations move to real-time auditing? These are the questions I am trying to answer looking back in history and also examining how time will have a different connotation in future.

### 1. THE INTRODUCTION OF TIME

When we talk about the core operations of a tax administration, we hardly immediately think about timing as the factor that makes the difference. Yet, a little reflection makes it clear that our tax laws are full of time-based requirements: the period for submitting a tax return, the maximum period that a tax inspector can retroactively check the books and ask for additional information,



The 15th century bishop of Tournai is receiving beer duties

the period granted for appeal and the time frame for the official to answer. And if we have an understanding of the operations, then we realize that if we could tax today but postpone it to tomorrow, the chance that the tax money due will evaporate increases by the minute.

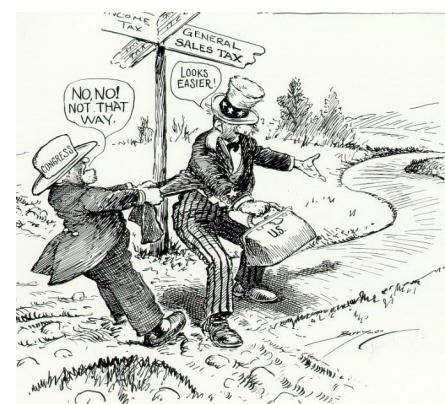
In the Middle Ages, taxes were based on immediate access (toll fees for access to bridges or cities) or consumption (excise duties on beer, wine and sugar).

Today we would say that the tax system was based on transactions and the moment of usage (passing by or consuming) coincided with the moment of taxation. In the 19th century, with the emancipation of the middle class, there arose a need to finance the required infrastructure for industrialization and, soon after, the welfare state by other methods of taxation. The concept of income and profit was the hallmark of the income tax system and with its introduction the authorities automatically introduced a new dimension of time because the income tax system was implicitly based on the lifetime cycle. The tax has an annual basis, but implicitly the application of the income tax system is based on the entire lifespan between birth and death. This makes inheritance tax the ultimate closure and merely a final tax for the deceased more than for the heirs. For companies, the concept is the same, with acknowledgement of the startup phase to compensate for losses generously with future profits, and providing closure with a capital gains tax by a merger or a tax by liquidation when untaxed income is left.



Keleti railway station in Budapest. The modern temple at the end of the 19th century. Instead of a cross above the entrance, we see a gigantic clock.

Income tax was a new dimension that spanned the breadth of our entire life through the perspective of a beginning and an end, divided by taxable moments. In this sense, taxation entered the religious world, which always had a monopoly on the final say about our purpose on earth. Am I exaggerating? I



Clifford K. Berryman (1933) shows that income tax is purely a political instrument with its own complications.

# KELETI RAILWAY STATION IN BUDAPEST



don't think so, because these days we talk more about the taxable events in our life than the religious rituals that once structured our daily lives.

The end of the 19th century, which saw the introduction of income tax, was also the era of the birth of the nation state and the emancipation of a whole new class of citizens who were longing for a better life for themselves and their children. Perhaps the most quintessential symbol of this time was the invention of the railway and the new cathedrals of its time were the railway stations. They were new temples, where time was the visible dominant factor, represented by timetables and clocks. The railway system made people aware that they belonged to a nation that was entitled to tax them, and they were aware that they could travel to other countries with similar railway temples and the same connecting mechanism: the clock and the calendar.

## 2. THE SEASONS AND TAXATION

In our daily lives, we are used to the steady rhythm of the seasons, even when the economy is changing dramatically

	EUROPE	ASIA-ME	AFRICA	AMERICAS
<b>1 March</b>		Macau		
<b>15 March</b>			Cameroon	Panama
<b>25 March</b>	Turkey			
<b>31 March, 1 April</b>	Czech Republic Estonia France Netherlands	China Kazakhstan Thailand Vietnam	Egypt Senegal	Nicaragua
<b>15 April</b>		Japan Philippines		United States
<b>30 April, 1-2 May</b>	Bulgaria Denmark Lithuania Norway Poland Russia Sweden Ukraine	Jordan Indonesia Malaysia	Benin Ghana Ivory Coast Kenya Mozambique Zambia	Argentina Barbados Brazil Canada Chile Mexico
<b>30 June</b>	Belgium Spain			

around us. We can ski, if we can afford it, in Dubai where it is 45°C outside, we can eat all kinds of vegetables and fruits all-year round and, if the winter is too tough, we can take a plane and enjoy warm weather a few thousand kilometres away. Still, we are undeniably affected by the seasons around us: we celebrate Christmas when it is cold outside, when it is time for Easter we

are desperately waiting for spring, and summer remains a period of warm, long evenings. The tax season is not that different. We know we have to submit our tax declarations in the spring and, strangely enough, this is the same almost everywhere. The overview above provides a number of examples from countries in the world (including the larger nations and even

countries in the southern hemisphere) that require their taxpayers to submit their tax returns for personal income tax before a certain date in the spring.

Why are taxpayers required to submit their income tax return in spring? Why do we see this pattern so strongly embedded in the tax regulations of many countries in the world? Would another date not be more convenient? Why have governments not chosen the first of January, which, in most countries, is the beginning of the new year or the first of September, close to the beginning of the new school or college year? The answer<sup>1</sup> lies in the pattern of the seasons in the northern hemisphere. The seasons of the year gave a fixed rhythm to the peasants for surviving winter, starvation and the invasion of hostile armies. That is probably the reason that the human mind is basically able to plan ahead only four or five seasons and, if this is true, it may give an indication of the limitations of strategic planning.

During the summer, the peasants were on the fields to take care of their crops or in the villages looking after their animals, and repairing and maintaining their houses. In the late summer and early autumn, everyone was needed for the harvest and, during this time, the church did not plan any celebrations that would require too much time from the labor force. In wine regions, the harvest is mostly at the end of September or at the beginning of October, and this is followed in November by the slaughtering of the animals that are no longer needed on the fields and would cost only additional food in wintertime. During the shortest days of the year, during Christmas, there was an abundance of food, and this provides an explanation for the rich meals and funds available for gifts. During the winter months, the levels of stock and the severity of the climate would determine whether there would be a shortage of food. The month of March used to be the worst period for the peasants, because the available seeds were needed for sowing, the normal food supply was disrupted, and the fields or forests could not deliver any nutrition. On top of that, March meant (as the name shows) the beginning of the war season when the armies were able to march (what's in

a name?) again and demanded a high price from the rural population by taking their minimal food supply and taking their sons to join the army. The church responded to this misery by organizing many clerical holidays in springtime, after the sowing period, as Easter, before the important fasting (not difficult to plan, given the shortage of supplies) and later with Ascension Day and Pentecost. There was time to celebrate because the peasants had to be patient anyway, waiting for their crops to grow, and the people needed distraction and devotion. It is also understandable that, at the same time, the royal courts and their vassals were eager to collect money for their expensive military operations and, as result, we see that in almost every country the collection day is around 1 April.

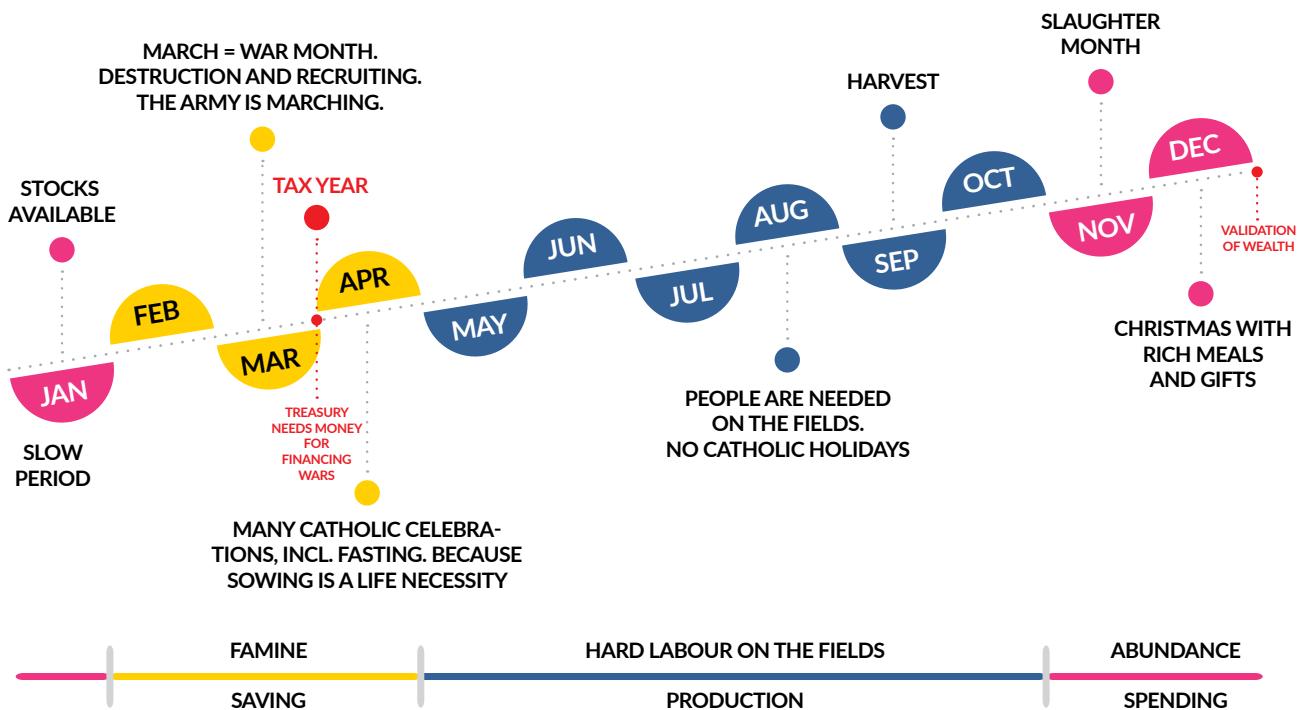
Presently, in most countries, agriculture is no longer the dominant economic activity and urban lifestyles have changed significantly. Therefore, the need to accommodate the income tax process, including a tax return submission date in spring to the agricultural calendar, no longer exists.

The rationale for clinging to the tradition of an income tax return submission date in spring would be to combine the aim of completing the assessment and collection of taxes shortly after the end of the tax year, on one hand, with providing sufficient time to taxpayers to enable them to collect the necessary information to prepare for their tax returns, on the other. The disadvantage for tax administrations of a fixed date for return filing is that it causes heavy seasonal peaks in their workloads, possibly leading to inefficiencies and diminished levels of service provision to taxpayers. Given the possibilities that ICT solutions could provide for spreading the workload of tax return processing, holding to a fixed tax return date in spring would no longer be required.



<sup>1</sup> See also: The Handbook of Tax Administrations by M. Alink and V. van Kommer, IBFD Amsterdam (2015)

The picture below provides an overview of the tax calendar illustrated against the historical reality of the seasons in the northern hemisphere and the Roman Catholic celebrations.



Those were the good old days and the rhythm of the seasons was accompanied by the steady beat of the taxation process. But is this still the case and do we need to stick to our agricultural seasonal system? Thanks to automation and digital services, we could ask every taxpayer to submit the tax return in their month of birth. This would spread out the workload and the tax administration would not have to struggle to meet their own deadlines. However, of course this simple suggestion ruins every anniversary when you expect to receive presents and not to pay your share of taxes. You could easily avoid this by using the alphabet for the tax return spread. Let us rather forget about this suggestion, because today we can tax differently and that is based on significant moments in the lifetime cycle of an individual or a corporation. Life, death, birth, marriage, divorce, start-ups, mergers, take-overs, investments, etc. are all relevant moments when taxation occurs. We have to follow, as a tax administration, all these moments when the concepts of income, profit, savings, investments or consumption are changing. Between these moments there lies a dull path where you have to collect the fruits of the last changes in life.

### 3. TAXATION AND THE END OF SEASONS

The next stage is quickly marching towards us because smartphones are such an integral part of our lives that taxation will be also an integrated part of this device, which tends to receive more attention than our loved ones. An example: say you are a self-employed entrepreneur and you deliver services at an hourly rate, then it is not that difficult to stream the appointments in your Outlook calendar, the invoices you provide and, finally, the result on your bank account. Before you know it, the tax administration has silently taken its share from the financial flows and checked it with your calendar. It is like your electricity and water bill – eventually you believe the numbers on your digital statement at the end of the year and, except for a few diehards, there will be hardly anyone who goes into the damp basement to find the water meter hidden somewhere in a dusty corner. We simply believe that the overview we receive on our laptop or smartphone is correct. We are so used to paying for all kinds of services on a monthly basis, whether it is water, Netflix, Spotify, Internet providers, health care insurance, car insurance, etc. that a license deal for taxes would not seem so strange. Our

personal data are increasingly part of a global financial iCloud that enables a tax administration to move to real-time auditing. The seasons are dead in taxation and, with its conclusion, time will have a different meaning. It seems that space and time are shrinking to the current moment or the event-driven occasion.

In the same railway station, people are not connected by sharing the same environment anymore, but by sharing the instant consumption of time by their devices. Goodbye to all that has brought us together for more than a century. Income tax was the symbol of the nation state and the underlying acceptance of the lifetime cycle as the main principle of taxation. Now that we have immediate access to all platforms for our demands and have given up the simpler times when you had to endure more and needed a bit of patience before your wishes were fulfilled, we now have to face the truth and abandon the trenches of income tax. It will be a renaissance as from the Middle Ages: taxation on a transactional basis, to tax immediate consumption, transmission and access. With a farewell to the seasons, we are playing the requiem of income tax.

# COOPERATION ON THE NORDIC AGENDA

By Hillevi Rönstrom, former Communication Strategist of the Swedish Tax Agency

The Intra-European Organisation of Tax Administrations (IOTA) brings together 44 countries and provides a forum for them to exchange views, experiences and best practices regarding tax administration. Although member states have most tax issues in common, there are regional differences that call for bilateral or regional cooperation as a complement. One example is the cooperation between the Nordic countries – Nordisk Agenda.

## Nordisk Agenda

- The Nordic countries have a common market, similar legislation and the same tradition regarding authorities. In most ways, we face the same challenges, and have the same possibilities, says Arne Jakobsson, International co-ordinator at the Swedish Tax Agency and member of the secretariat of Nordisk Agenda. One example of how the Nordic countries have benefited from the fact that they are neighbouring countries with similar tax systems, is The Nordic Action on International Tax Evasion.

- When agreeing on cooperation, meetings etc. with offshore countries and tax havens, working together has made us stronger, says Margareta Nyström, International coordinator. Our countries are quite small, but our cooperation makes it easier for other countries to sign agreements with all of us at the same time. All parties benefit from it. In international arenas, this way of working together is regarded as successful.

### ON THE AGENDA

The Nordisk Agenda aims at being a long term, strategic cooperation and

at the same time creating a forum for delivering results quite quickly. To accommodate different perspectives, some of the work within Nordisk Agenda is run as projects, but there is need for other forms of cooperation as well. In some cases, networking, conferences and workshops offer more flexible and suitable ways of working together.

Approximately 20 working groups deal with a number of different questions. Some of the items that are on the agenda right now are cash registers, IT forensics, cross border VAT fraud, secure chain approach, ID crimes, FATCA/CRS, customer interaction, transfer pricing and AEOI (Automatic Exchange of Information).

- Experiences and results from the working groups are valuable assets for us, and we want to make them available for other countries, too. At times, working groups present their work at IOTA workshops, which gives us the opportunity to share our knowledge and at the same time learn from other IOTA countries and see things from their perspectives, says Arne Jakobsson.

### IOTA AND NORDISK AGENDA – PARTS OF A SYSTEM

According to Alma Olofsson, National coordinator for antifraud MTIC and National liaison official in Eurofisc, Nordisk Agenda and IOTA play different and important roles in international cooperation together with other forums.

- IOTA is a forum where the EU member states can connect and communicate with countries outside the EU, which is essential. One example is cross border VAT fraud, which includes import and export. This is one area where IOTA



Stockholm

has given us the opportunity to share and gain knowledge about methods and ways of working. We have used country experiences and feedback from third countries to further develop our methods, says Alma Olofsson.

By inviting the OECD, Europol and other organisations to workshops and meetings, IOTA also gives access to other forums and arenas.



## ATRADITIONOFWORKINGTOGETHER

There is a strong tradition of working together among the Nordic countries, not only when it comes to tax matters. Initiating Nordisk Agenda was a natural development in order to meet new challenges and expectations in a global and digital world.

The cooperation is not supposed to require many resources or a completely new organisation. The Directors General already have the overall responsibility for strategic cooperation within the Nordics.

In addition to them, a steering group manages the work according to certain objectives, decides new areas for cooperation etc.

A secretariat manages communication between the steering group and the working groups, and administration, including monitoring the activities within Nordisk Agenda.

- Regional cooperation gives us the opportunity to promote mutual issues and exchange experiences with countries that are very similar to ours. We would like to see the results of the cooperation

as part of our contribution to IOTA. In return, we gain a lot of knowledge from other countries within the larger cooperation, says Arne Jakobsson.

## ABOUT NORDISK AGENDA

Members: Denmark, Iceland, Sweden, Norway, Finland

The Nordic countries take turns chairing Nordisk Agenda. Every summer, the next country according to a certain order takes over the chair. At present, Sweden chairs Nordisk Agenda.



36<sup>th</sup> EDITION

# **TAX TRIBUNE**

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**magazine**