

# IOTA PAPER

## Partnership Model and Data Cooperation

**Building Trust and Working with Intermediaries**

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# Introduction

In the evolving landscape of taxation, where regulatory complexities and compliance requirements challenge small and medium-sized enterprises (SMEs), the role of intermediaries, particularly accounting firms, has never been more crucial. Understanding that a single intermediary can manage tax matters for hundreds or even thousands of SMEs, the Finnish Tax administration recognised the opportunity to strengthen cooperation with these vital partners. In 2023, we launched a comprehensive project focused on fostering trust and enhancing data cooperation with intermediaries, ultimately aiming to improve tax compliance and reduce reporting errors.

This article presents a holistic overview of our initiative, detailing its rationale, the framework of cooperation, project objectives, and notable outcomes. It aims to share valuable lessons learned from our experience, showcasing how strategic partnerships can create significant benefits for all stakeholders involved. Through this narrative, we highlight how our approach can serve as a model for tax administrations worldwide, paving the way for more effective and collaborative tax environments.

## The Partnership Model: An Umbrella of Cooperation

At the heart of our initiative is a partnership model designed to enhance cooperation between tax administrations and intermediaries. This model serves as an umbrella that encompasses various components or pillars of collaboration.

While we identified several potential focus areas at the onset of the project, we ultimately decided to concentrate our efforts on data cooperation. This decision emerged from collaborative discussions with intermediaries, emphasising the importance of actionable data in achieving compliance.

Data co-operation

Centralized support

Coaching partner

Targeted training

# The Process of Cooperation: A Structured Approach

To ensure the success of this cooperation, we developed a structured process that involved continuous engagement and feedback between the tax administration and intermediaries. This was operationalised through four key meetings designed to facilitate the exchange of insights, correct recurring errors, and ensure continuous improvement in tax reporting.

## Initial meeting

The first meeting set the stage for the cooperation. During this session, the tax administration presented an overview of the project, outlining the key data points relevant to tax reporting and identifying the specific needs and challenges faced by the accounting firms. This helped to establish a shared understanding and provided a foundation for future collaboration.

## Data meeting

In the second meeting, the focus shifted to the data cooperation itself. The tax administration presented recurring errors identified in the tax reports submitted by the intermediary's clients, along with specific data trends that required attention. Together, both parties agreed on follow-up actions to address these issues, with the intermediary committing to corrective measures within their internal processes.

## Follow-Up meeting

This meeting was critical in ensuring accountability and progress. The tax administration reviewed the intermediary's actions to correct the errors identified in the previous meeting. In addition, new data related to the intermediary's performance and any outstanding issues were discussed, enabling continuous improvement of the intermediary's tax reporting practices.

### Feedback meeting



Finally, the feedback meeting allowed both parties to reflect on the cooperation process, identifying areas for further improvement. During this meeting, we gathered qualitative feedback from the intermediary regarding its experience with the data-sharing initiative and the effectiveness of the collaboration. This feedback was used to refine the partnership model and develop more efficient processes for the future.

After the initial round of these four meetings, only the second (Data Meeting) and third (Follow-Up Meeting) were required to continue. The intermediary was expected to maintain the corrective actions from previous sessions and adjust their internal processes as needed, ensuring a sustained focus on reducing errors in tax reporting.

## Data Cooperation: Driving Compliance through Shared Insights

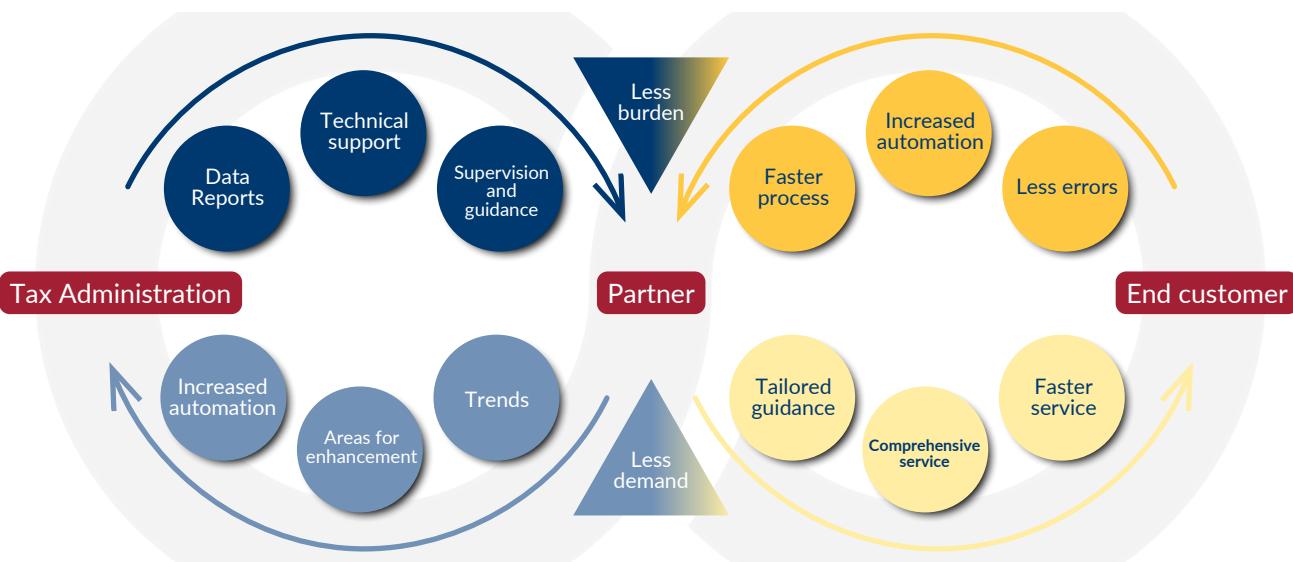
The core of our project lies in the development of a data cooperation solution, which was built in partnership with the five accounting firms over the course of a year. This solution is designed to facilitate seamless data sharing and to enhance the accuracy of tax reporting. To measure the functionality of this solution, we conducted a focus trial over three months with three selected firms. The response was overwhelmingly positive, with 100% of the surveyed firms expressing eagerness to participate in an extended trial.

### Project Objectives

The objectives of our initiative were multifaceted and aimed at ensuring the effectiveness of the data cooperation model:

- 1. Gaining insights into data cooperation:** We sought to understand how data cooperation impacts tax compliance and to identify best practices for enhancing reporting accuracy.
- 2. Testing follow-up actions:** Evaluating the effectiveness of corrective measures for errors in tax reporting was essential to our strategy.

3. **Assessing reactions from accounting firms:** Understanding how intermediaries respond to collaborative efforts provided critical insights into their motivations and challenges.
4. **Further development of services:** The feedback and data gathered would inform the continuous improvement of our cooperation model.
5. **Motivating error correction:** We aimed to measure the willingness of accounting firms to rectify identified errors, ensuring that our data cooperation model translates into actionable improvements.



## Data Collection and Sharing: Mechanisms for Success

The success of our data collaboration initiative depends on effective data collection and sharing mechanisms. Understanding how to analyse information is key to developing a productive partnership with intermediaries.

1. **Data collection:** We collected data from our internal databases to ensure that the information used for reporting was relevant and accurate. This tailored approach allowed us to provide actionable insights that intermediaries could apply directly to their client work.

2. **Current sharing methods:** Throughout the project, we utilised Power BI reports shared during collaborative meetings, followed by email attachments summarising key findings. This dual approach facilitated real-time discussion and immediate feedback, allowing for iterative refinements to our collaboration process.
3. **Future data sharing solutions:** Recognising that proactive use of data creates significant added value, we are exploring optimal solutions for secure and efficient data sharing. Current options include secure email attachments or the development of an API interface that allows firms to download their specific data and integrate it with their own reporting tools. The aim is to ensure that data is not only accessible but also actionable, empowering intermediaries to enhance their tax compliance efforts effectively.



## Criteria for Partner Selection: Ensuring Effective Collaboration

To ensure the effectiveness of our collaboration, we created a selection process for the accounting firms involved in the partnership model. These criteria were designed to identify firms capable of contributing meaningfully to our initiative:

- **Number of clients:** We focused on the thirty largest accounting firms, recognising that the benefits of cooperation must outweigh the resource costs. A larger client base allows for greater impact on overall compliance.
- **Technical capability:** Participating firms must demonstrate the ability to retrieve data from the tax administration through API interfaces and process it using analytical tools such as Power BI. This technical readiness is essential for effective data collaboration.
- **Confidentiality and data security:** Each firm must ensure adequate confidentiality and security for the information shared. This is a fundamental aspect of any collaboration involving sensitive data.
- **Reliability and willingness to collaborate:** We sought firms with a proven track record of tax-friendliness and collaborative ability. This includes ensuring that firms do not primarily service high-risk clients or have significant back-tax actions attributed to their operations.
- **Commitment:** Each accounting firm was expected to actively engage in promoting accurate taxation, high-quality reporting, and participate in the collaborative effort. This commitment is crucial for fostering a productive partnership and achieving our shared objectives.

The criteria are not yet set in stone and may be modified in the future.

## Customer Insight: A Foundation for Understanding Needs

Central to the success of our partnership model is a refined process for understanding the needs and challenges of our partners and their clients. This process involves several steps that guide our approach to collaboration:

1. **Assessing customer needs:** Identifying the specific challenges faced by SMEs and intermediaries allows us to tailor our solutions effectively, ensuring that we address real issues.
2. **Testing internal hypotheses:** We validate our understanding through customer insights, ensuring that the partnership model aligns with the needs of intermediaries and their clients.

3. **Developing a customer solution:** The partnership model serves not just as a tool for intermediaries but also as a comprehensive solution for SMEs, allowing them to navigate their tax obligations more effectively. By prioritising customer understanding, we can create solutions that resonate with the needs of SMEs, making tax compliance more accessible and manageable.

## Lessons Learned: Insights for Future Collaboration

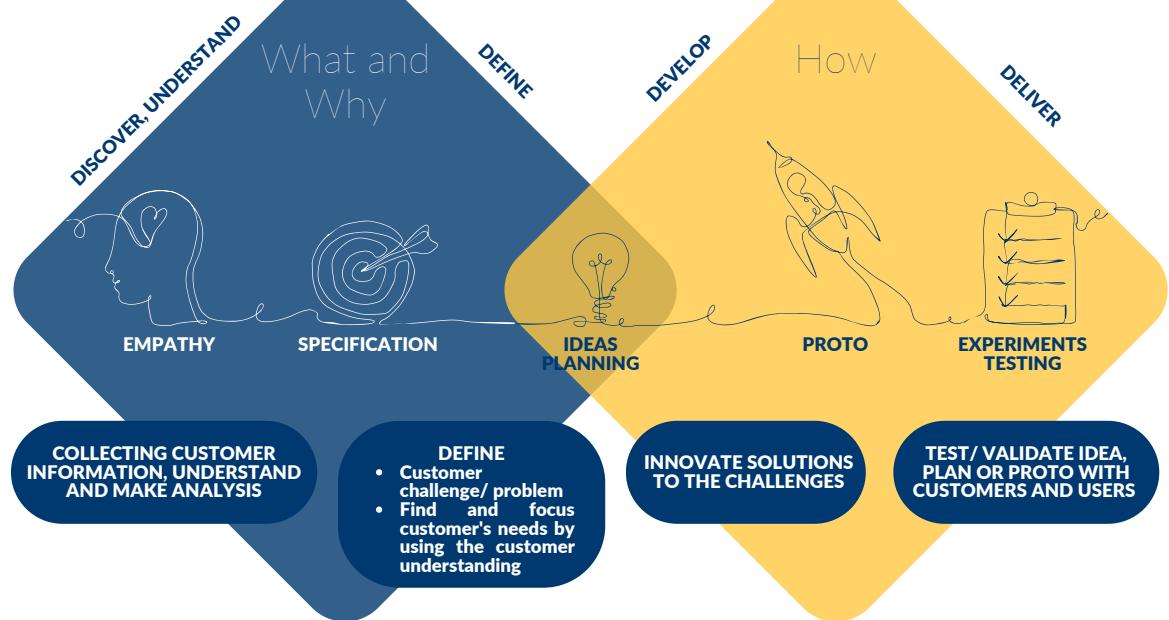
The feedback received from the accounting firms involved has provided valuable insights that will inform future iterations of our project. Key lessons learned include:

1. **Access to customer-level data:** Partners should have access to comprehensible data that is understandable even outside the tax administration context. It is essential to eliminate internal jargon and provide clear explanations of investigation or control tasks.
2. **Secure sharing of data:** While secure data sharing proved challenging, it is crucial to define data recipients, users, and usage restrictions clearly. The shared data should highlight bottlenecks and errors without compromising security concerns, even while granting the accounting firms flexibility in utilising the data.
3. **Sharing methods:** Secure sharing can be facilitated through various means, including sending email attachments via secure channels or employing an API interface for downloading specific data. These methods ensure that intermediaries can effectively integrate the shared data into their own reporting tools, maximising its utility.

**Importance of proactive data use:** Our experiences have shown that proactive data sharing creates significant added value for partners. However, developing a comprehensive solution for this remains a challenge and is a focus for future enhancements.

**Step 1:**  
Collecting customer understanding

**Step 2:**  
Customer oriented development



[Reference 1](#)

[Reference 2](#)

## Conclusion: A Model for the Future

The initiative to enhance cooperation with intermediaries represents a successful model for improving tax compliance in a challenging landscape. By focusing on intermediaries who serve multiple SMEs, we can achieve cleaner data, less errors, and a more efficient tax administration. This model not only streamlines processes but also alleviates the administrative burden on SMEs, allowing them to concentrate on growth and innovation.

As we share these key findings and experiences with the international community, we encourage other tax administrations to explore similar cooperative models. By investing in partnerships that leverage the strengths of intermediaries, we can create a more effective and collaborative tax environment that empowers SMEs and strengthens our economies.

By establishing a framework for trust and collaboration, we believe that tax administrations can not only improve compliance but also foster a sense of partnership among all stakeholders, creating a system that works better for everyone involved.

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