Executive summary

With the participation of 58 jurisdictions accounting for around 90% of global GDP, the tenth edition of the OECD's Tax Administration Series (TAS 2022) provides a comprehensive view of the state of tax administration in 2020. The report, which provides comparative information in 76 tables covering tax administration performance and profile data, is intended to assist tax administrations in consideration of where further improvements might be made, as well to enhance wider public understanding as to the scale and the changing nature of global tax administration. This 2022 edition also attempts to draw out, from both the data provided through the International Survey of Revenue Administrations (ISORA) and the more than 100 examples received from over 35 tax administrations, the most significant changes that tax administrations are dealing with. It focuses in particular on how tax administrations are increasingly looking at the opportunities to take more proactive approaches to influencing and managing compliance as well as the challenges they face in adapting to the changing resource requirements.

Table 1. Key figures related to the tax administrations covered in this publication

Staff employed	1 700 000
Audits/verifications	20 000 000
In-person enquiries	54 000 000
Telephone calls received	330 000 000
Number of active PIT and CIT taxpayers	865 000 000
Contacts via online taxpayer account	1 310 000 000
Number of tax returns (PIT, CIT and VAT) received	1 370 000 000
Operational budget (in EUR)	79 000 000 000
Collectable arrears at year-end (in EUR)	900 000 000 000
Total arrears at year-end (in EUR)	2 310 000 000 000
Net revenue collected (in EUR)	12 070 000 000 000

Note: The figures are based on data obtained through the 2020 and 2021 ISORA surveys. The data has been converted to EUR using the exchange rate of 31 March 2022. They are minimum figures as not all administrations were able to provide information for all data points. Figures typically relate to the fiscal year 2020. Data for fiscal year 2019 was used where 2020 data was not available.

To complement the ISORA survey data, this edition of the TAS also uses data from the recently launched Inventory of Tax Technology Initiatives (ITTI) (OECD, 2022[1]) which contains information on technology tools and digitalisation solutions implemented by more than 75 tax administrations. The inventory data is collected through a global survey on digitalisation, and offers additional insight into the ISORA data on certain topics.

Impact of the COVID-19 pandemic

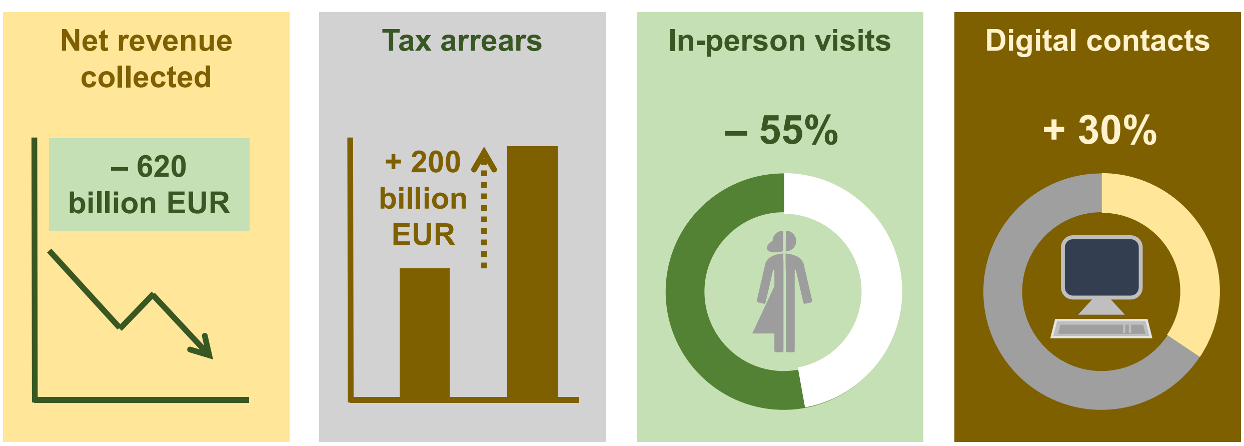
This is the first edition of the TAS that shows the impact of the COVID-19 pandemic on tax administrations. Figure 1 below highlights how the pandemic has had a significant impact on net revenue and tax arrears.

Tracking these indicators will be of great interest in future editions of this series, to see if, and how quickly they bounce back.

The COVID-19 pandemic fundamentally challenged the operating models of tax administrations, and it saw some significant changes in the way they interacted with taxpayers, with for example a drop of 55% in in-person visits, and a 30% increase in digital contacts. Tax administrations have proved to be resilient in the face of these challenges, and, as the examples in this edition show, they have continued to innovate and to deliver high quality services to taxpayers. In parallel, many tax administrations took on new services as part of wider government COVID-19 support schemes. This may be an acceleration of the trend noted in earlier editions of the TAS for administrations to take on new responsibilities, reflecting the deep expertise of tax administrations in delivering services to taxpayers, and in handling large and complex data sets.

The innovations highlighted in this edition of the report also show how the pandemic accelerated the growth in digital services and digital transformation and led to the consideration of new ways of working more generally. Many tax administrations report that they are now reflecting on their experiences during the pandemic and considering what this means for future tax administration, including for employees as well as taxpayers.

Figure 1. COVID-19 impact on tax administration



Note: The figures are based on data obtained through the 2020 and 2021 ISORA surveys. The data has been converted to EUR using the exchange rate of 31 March 2022.

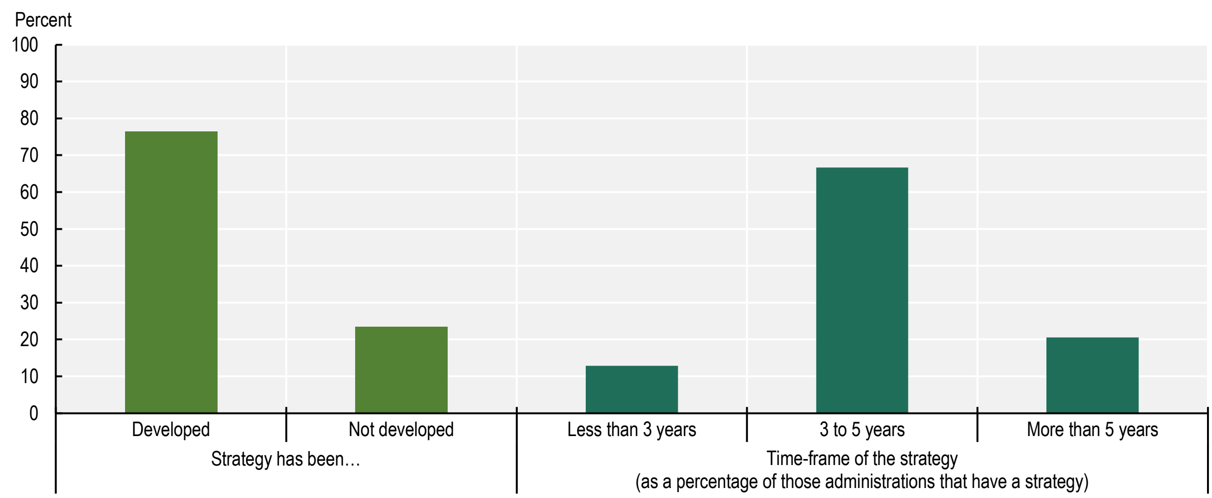
Moving towards digital transformation

Previous editions of the TAS have shown a significant trend towards **e-administration** with an increasing uptake of online filing of tax returns as well as online payments and, in many jurisdictions, a move towards the full or partial prefilling of tax returns. This 2022 edition shows how that trend has continued and been accelerated by the pandemic, with digital contact channels now dominating interactions with taxpayers. For example, tax administrations reported that in 2020 there were around 1.3 billion contacts via online taxpayer accounts – an annual growth of 27%.

This report also highlights how tax administrations are starting to move towards **digital transformation**, with Figure 2 highlighting that around 75% of administrations have a digital transformation strategy in place.

Figure 2. Existence of a strategy for digital transformation in tax administrations, 2022

Percent of administrations



Note: The figure is based on ITTI data from 52 jurisdictions that are covered in this report and that have completed the global survey on digitalisation.
Source: (OECD et al. (2022), Inventory of Tax Technology Initiatives, https://www.oecd.org/tax/forum-on-tax-administration/tax-technology-tools-and-digital-solutions/, Table SG1 (accessed on 13 May 2022).

StatLink https://doi.org/10.1787/888934310385

Tax administrations report that these strategies are driving their digital services to become 'smarter', allowing taxpayers to complete increasingly complex tasks digitally, more efficiently and 24/7. This is also helping to bring important improvements in taxpayer compliance, and there are growing signs that the pace of digital transformation will accelerate further. This edition of the TAS highlights two broad themes in the drive towards digital transformation: engaging with taxpayers and compliance management.

Engaging with taxpayers

With more and more services being delivered online, the ways tax administrations engage with taxpayers is evolving. Effective digital engagement is being driven by two main factors:

- **Secure digital identity and verification**: As tax administrations deliver more and more of their services online, digital security, digital verification and digital identity is becoming the cornerstone of tax administrations' work. Tax administrations are leveraging their expertise and data sets to not only give taxpayers greater self-service access to tax administration services, but also to third parties and to wider government systems. Common digital identities are critical to these programmes.
- **Collaboration with third party service providers**: Embedding services and processes in the natural systems used by taxpayers in their daily lives and businesses is a growing trend among tax administrations. While this helps to improve tax compliance, it also reduces administrative burdens and frees up time that owners can use to grow their businesses. As these forms of collaboration become more common and sophisticated, tax administrations are starting to take strategic approaches to managing and providing support to service providers. This can include co-creation activities, as well as allowing direct data exchanges through Application Programming Interfaces (APIs).

Compliance management

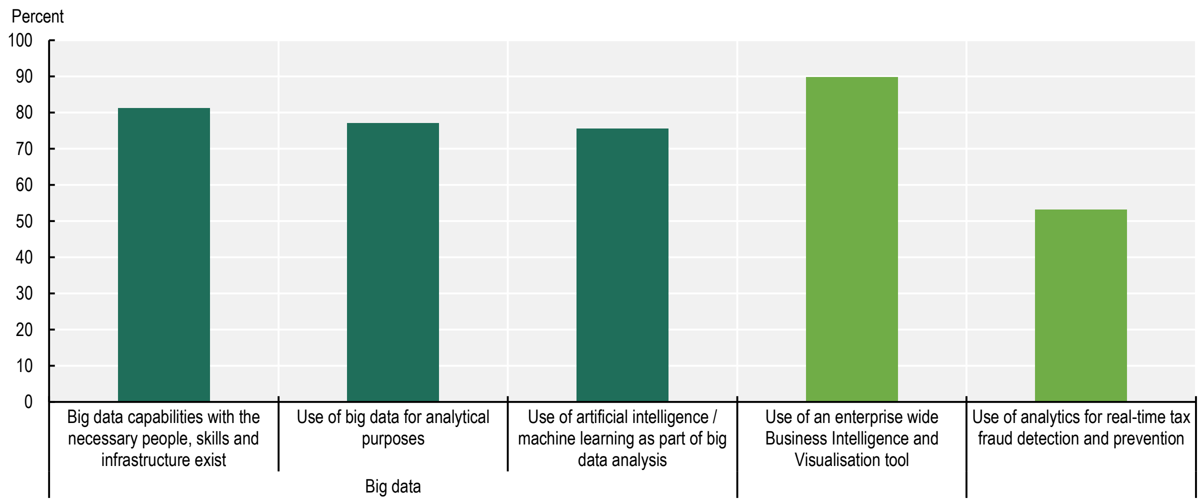
Compliance-by-design approaches have been in place for many years for salaried personal income taxpayers through Pay-As-You-Earn withholding and reporting by employers. These systemic arrangements, adopted by almost all tax administrations, have helped maximise compliance for this significant part of the tax base. The increasing availability and sharing of data is now allowing such approaches to expand to cover other sources of income and other classes of taxpayers, including through the prefilling of Corporate Income Tax and Value Added Tax returns. The collaboration with third parties strategies highlighted above is also important to the wider rollout of compliance-by-design approaches.

Digital techniques are also allowing tax administrations to take a more upstream approach to risk management. This can be seen in:

- **The regular use of large and integrated data sets**. Manipulating and managing data is now a core part of a tax administration's functions, with the use of analytics tools and techniques being incorporated into all areas of tax administrations. Around 90% of tax administrations report using data science and analytical tools, and this is facilitating the use of data in all aspects of an administration's work.
- **The increasing use of artificial intelligence and machine learning**. As tax administrations become more comfortable with managing large data sets and computing power increases, the use of artificial intelligence and machine learning is opening up new approaches in risk management. Figure 3 highlights that over 70% of tax administrations report that they are already using cutting-edge techniques to exploit data in ways that can uncover previously hidden assets or identify new risks.

Figure 3. Use of data analytics in tax administrations, 2022

Percent of administrations



Note: The figure is based on ITTI data from 52 jurisdictions that are covered in this report and that have completed the global survey on digitalisation
Source: OECD et al (2022), Inventory of Tax Technology Initiatives, https://www.oecd.org/tax/forum-on-tax-administration/tax-technology-tools-and-digital-solutions/, Table DM5 (accessed on 13 May 2022).

StatLink https://doi.org/10.1787/888934310404

Tax administration resources

Budgetary constraints continue to impact tax administrations. While the majority of administrations report increasing operational expenditures in absolute terms, this may not show the whole picture, as administrations are dealing with increased responsibilities, the pressures of technology change and the changing structure of their workforce. There is also significant variation in the amount of operational and capital expenditure on information and communication technology. While this may often be due to different sourcing and business approaches, it also raises the question as to whether expenditure levels in some cases may be somewhat low to support the demands for more sophisticated services, the ongoing digital transformation of tax administrations as well as enhancing resilience to respond to future crises.

Technology is helping tax administrations respond to these budgetary challenges, and an emerging trend that is showing remarkable results, is the growing use of Robotic Process Automation (RPA), where machines are used to complete repetitive tasks. Tax administration examples contributed to this report have highlighted that RPA is not only significantly increasing operational efficiency, but employee satisfaction is increasing as they can focus on the more interesting, challenging tasks.

One of the biggest shifts caused by the pandemic was the growth in remote working, and tax administrations are now considering how they adjust their working practices to take advantage of the benefits that can be offered from more flexible working arrangements. Digital transformation is also proving central to the shift towards longer-term remote working. As the examples show, it is being used in HR processes such as staff recruitment, staff training and performance management to help maintain the performance levels within administrations, and be ready for the challenges ahead.

International co-operation

Supporting much of the work of tax administrations is the continuing growth in the scale and scope of international co-operation, and the sharing of knowledge between tax administrations has never been more important as jurisdictions implement significant changes. This report forms part of that programme of knowledge sharing across the OECD Forum on Tax Administration (FTA) which is helping tax administrations learn from each other. Furthermore, practical tools such as the OECD FTA maturity model on digital transformation (OECD, 2021[2]) are helping jurisdictions identify their strengths and weaknesses, which in turn provides further focus for collaboration.

International co-operation has also helped support the domestic trend towards the sophisticated use of data, by providing access to data sets provided by initiatives such as Country-by-Country reporting, the exchange of rulings and the OECD/G20 Common Reporting Standard. These have provided large volumes of data on cross border activities to tax administrations, which is adding a new dimension to existing domestic activities, including risk assessment processes.

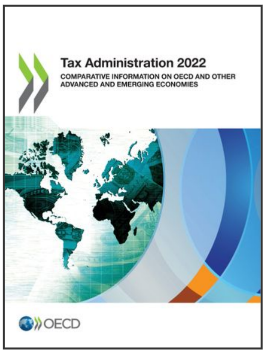
Tax administrations have also gained significant experience of working together to effectively implement complex international initiatives such as the OECD/G20 BEPS Package, and the OECD's multilateral International Compliance Assurance Programme, where taxpayers and tax administrations work co-operatively and multilaterally in close to real-time to undertake risk assessment and assurance of key international tax risks. As tax administrations go through their own processes of digital transformation, the next challenge will be how that domestic learning can be applied across borders, to use the new technology to support real-time cross-border exchange of information and to provide more seamless outcomes for taxpayers as well as early tax certainty. This may offer opportunities to help ensure the effective and efficiency implementation of new initiatives such as the 'Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy' (OECD, 2021[3]).

References

OECD (2022), *Inventory of Tax Technology Initiatives*, https://www.oecd.org/tax/forum-on-tax-administration/tax-technology-tools-and-digital-solutions/ (accessed on 13 May 2022). [1]

OECD (2021), *Digital Transformation Maturity Model*, OECD, Paris, https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/digital-transformation-maturity-model.htm (accessed on 13 May 2022). [2]

OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, OECD/G20 Base Erosion and Profit Shifting Project, 8 October 2021*, https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf (accessed on 13 May 2022). [3]



From:

Tax Administration 2022

Comparative Information on OECD and other Advanced and Emerging Economies

Access the complete publication at:

https://doi.org/10.1787/1e797131-en

Please cite this chapter as:

OECD (2022), “Executive summary”, in *Tax Administration 2022: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/3991b5f3-en