Executive summary

Disruptive technologies are reshaping the economy by creating new products, services and business models. At the same time the Internet, portal solutions, social media, mobile platforms, cloud computing and Big Data technologies are creating new opportunities for citizens. They are also challenging the way tax administrations go about their work by providing new opportunities to administer taxes, support taxpayers and encourage their participation.

At the March 2015 Forum on Tax Administration (FTA) Bureau meeting, Commissioners endorsed a proposal by the Federal Tax Service of Russia (FTS) for it to lead a project to explore the latest developments in information technology that could enhance service delivery within revenue bodies, particularly focusing on developments in e-services and digital delivery.

This report focuses on two of the technological features discussed: Big Data Management, and Smart Portal Solutions & Natural Systems. These technologies are allowing revenue bodies to change the way they operate, how they provide service and manage compliance risk, and, importantly, how they develop environments that make tax compliance less burdensome and more effective for taxpayers.

For revenue bodies, these technologies are challenging them to think differently about their business and to critically look at whether their products, services and business model are sufficiently aligned to support tax administration in the 21st century. This fundamental re-examination of the *tax system as a whole* goes far beyond simply facilitating existing operations with new technologies or adding digital services to existing products and business processes. It requires revenue bodies to consider where and, importantly, how various tax responsibilities are managed. Adapting to this new environment requires them, among other things, to consider how they:

- Respond more quickly to taxpayer expectations of contemporary e-service and digital delivery;

- Become more agile and responsive to dealing with rapid and unexpected change;

- Ensure business architecture is adaptive and capable of supporting more timely digital delivery, collaborative platforms and simplified integration needs;

- Adjust compliance approaches to incorporate expanded service interventions and the use of new technologies; and

- Develop new capabilities and establish a culture that includes being data-driven and intelligence led.

With the majority of taxpayers neither interested in the internal operations of government nor generally wanting to invest time and effort in learning details of how to comply with tax laws and regulations, revenue bodies need to consider how they can better position themselves to assist and guide taxpayers to the services they need. Many administrations are taking a life events approach which also involves connecting with other government services and events. Such an approach can only be effective if administrations have improved knowledge of taxpayers and the ability to deliver new services using digital technologies. Consideration must also be given to how taxpayers are engaged in the design and development of these services to ensure they are effective and that any issues around use of data, including privacy and security where data is shared, as well as interoperability between government agencies or across borders, are appropriately considered.

Big Data technology offers revenue bodies the opportunity to extract better business value out of existing data. Investment in new capabilities creates the possibility to develop new and convenient services for taxpayers, along with the ability to create new tools that will help the administration provide proactive services; better manage and address tax risks including tax avoidance, evasion and fraud; and improve other targeted activities including debt collection or making social payments.

The availability of data in real-time or near real-time will create opportunities for revenue bodies in the future. Instead of capturing and analysing transactions that have already occurred, revenue bodies can consider how they might support tax assessment in real-time or near real-time. They can also explore options where features of the tax system are incorporated into the natural systems taxpayers use to operate their business or complete personal activities such as banking. Further, these technologies also offer administrations the opportunity to differentiate service based on the inherent risk of a transaction, a taxpayer or an event.

This report explores the opportunities that using Big Data presents for revenue bodies, and in so doing it identifies the asset value of Big Data, presents the potential business value it can deliver to revenue bodies, and highlights the new capabilities they will require to become more data-driven and to generate value from their data assets.

Many administrations have begun to use advanced analytics to assist in managing taxpayer interactions. While such practices are still in their infancy in most administrations, they are providing some positive results, encouraging tax administrations to further invest in such technologies as they look to improve tax compliance, reduce taxpayer burden, increase taxpayer trust and confidence, and improve business efficiency and revenue collection by delivering services and approaches that are more customer-centred.

This report also explores the use of Smart Portal Solutions and Natural Systems in tax administration, particularly the:

- Opportunities provided by integration of Big Data technology with portal and/or natural systems platforms;

- Key features of smart portal design that facilitate the delivery of contemporary services to taxpayers; and

- Evolving collaboration between revenue bodies and software developers and businesses to co-design and deliver contemporary services to taxpayers.

Finally, the report provides revenue bodies with recommendations on how to identify their level of digital maturity. Using a Digital Maturity Model for Big Data management and Smart Portal and Natural Systems, administrations can self-assess their current level of digital maturity and identify areas for further attention.

From:
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A Practical Guide for Revenue Bodies

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