



# OPPORTUNITIES FOR ENGAGING AND INVOLVING STAKEHOLDERS

IOTA, 8 November 2016

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# Overview

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- Changing business models?
- The role of tax service providers
- Engaging and involving with taxpayers and other stakeholders



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# I. Changing business models



# Tax administration through the years

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Traditional role: tax assessed by the TA

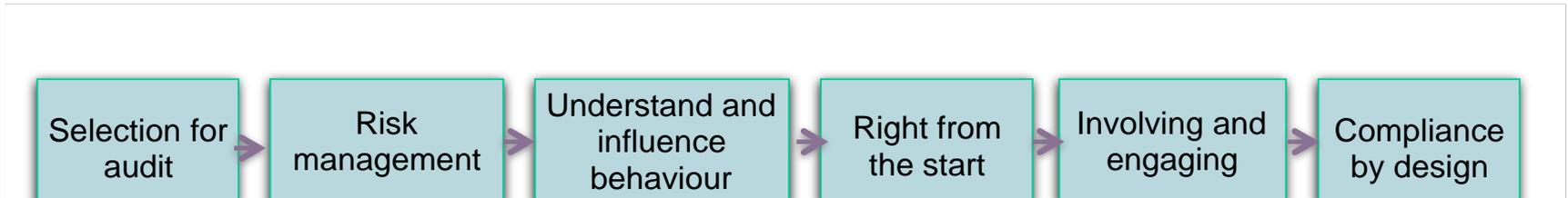
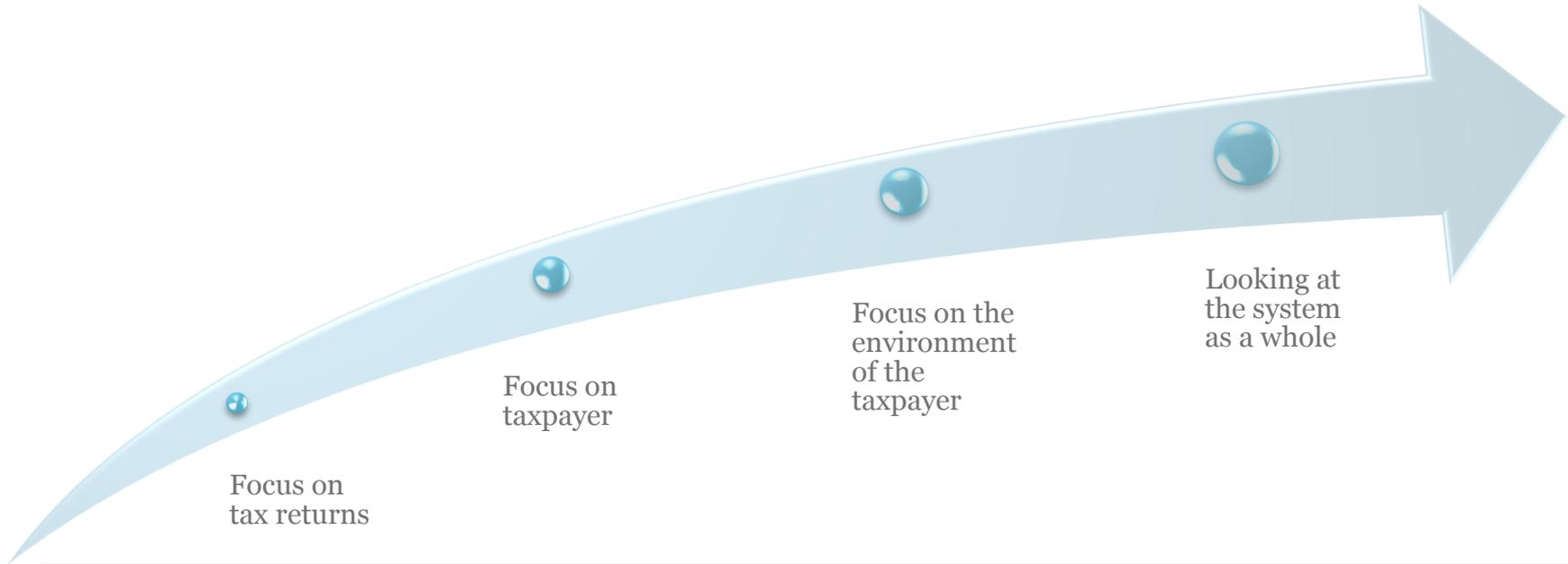
Self assessment and compliance risk management

Taking a more systemic approach: taxation as a more seamless and realtime process



# Example: FTA work on SME Tax Compliance

## The tax compliance journey upstream





# Right from the Start

- A compliance approach
- About influencing taxpayers environment: *making it easy to comply and difficult not to..*
- About what is happening before the tax return is filed
- Described in four dimensions:
  - Acting in real time and up-front
  - Focusing on end to end processes
  - Making it easy to comply
  - Engaging and involving taxpayers and other stakeholders





# Tax Compliance by Design

## *A concept*

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- Technology is changing the world and businesses; it is also creating opportunities to support and improve tax compliance through better design of “tax systems”
- “Tax system” – refers to the chain of processes that begin and end with the taxpayer, and not just those that operate inside the tax body.
- ***Tax compliance by design utilises different components of technology to develop a “system” that delivers a seamless and secure flow of information for tax purposes***



# Tax Compliance by Design: two approaches

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- **Secured chain approach**

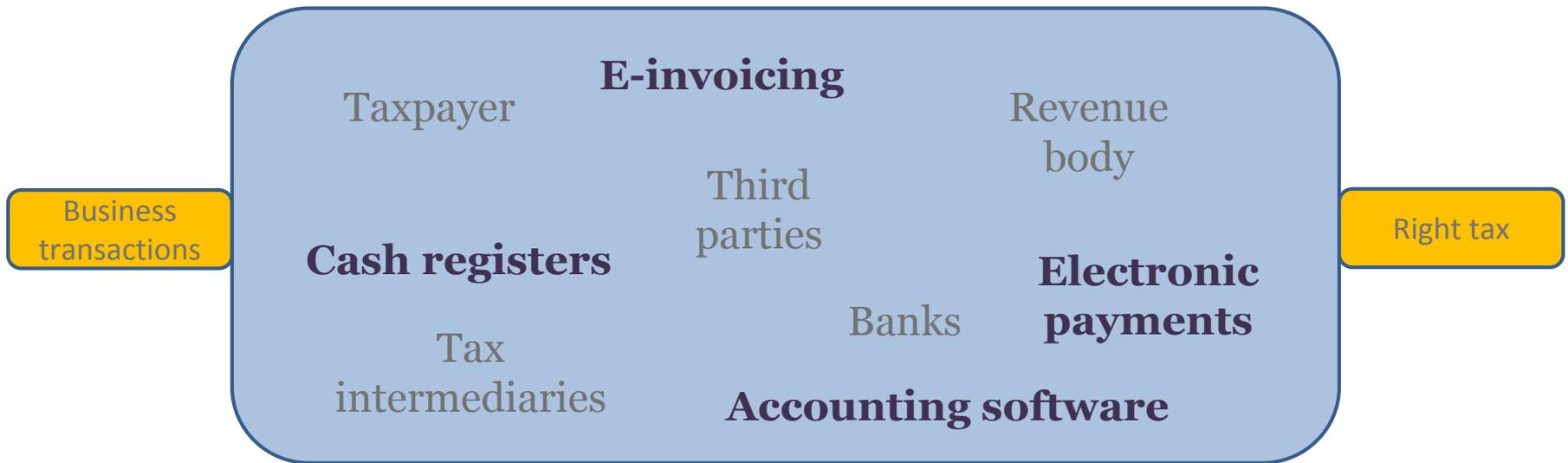
*A secured flow of information is created from the capture of business transactions to the final determination of the correct amount of tax being paid. Tax administration as facilitator.*

- **Centralised data approach**

*Tax administrations themselves capture all relevant business transactions from the source, in order to determine the right amount of tax to be paid, with a minimum of information from the taxpayer. Tax administration as manager of information flows.*

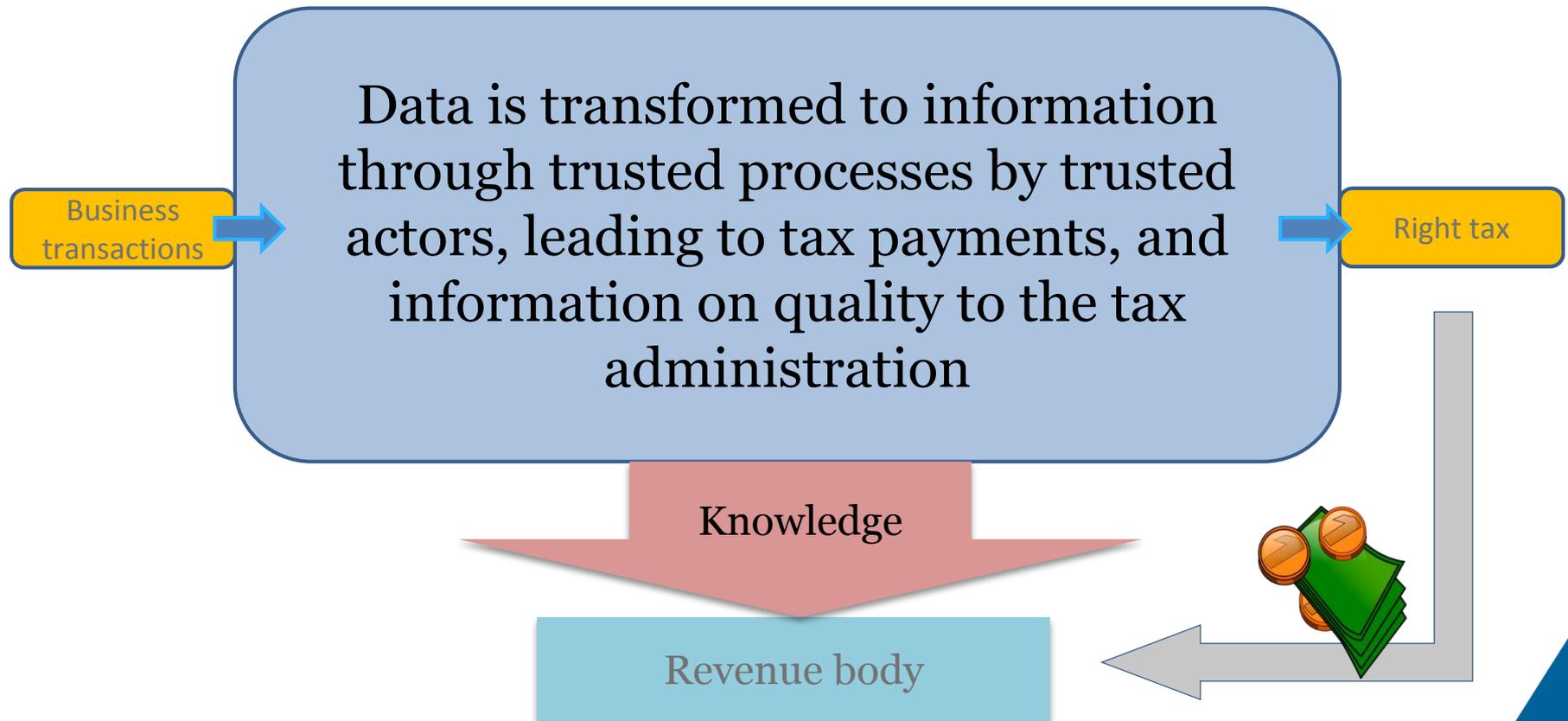


# Tax compliance by design (2)



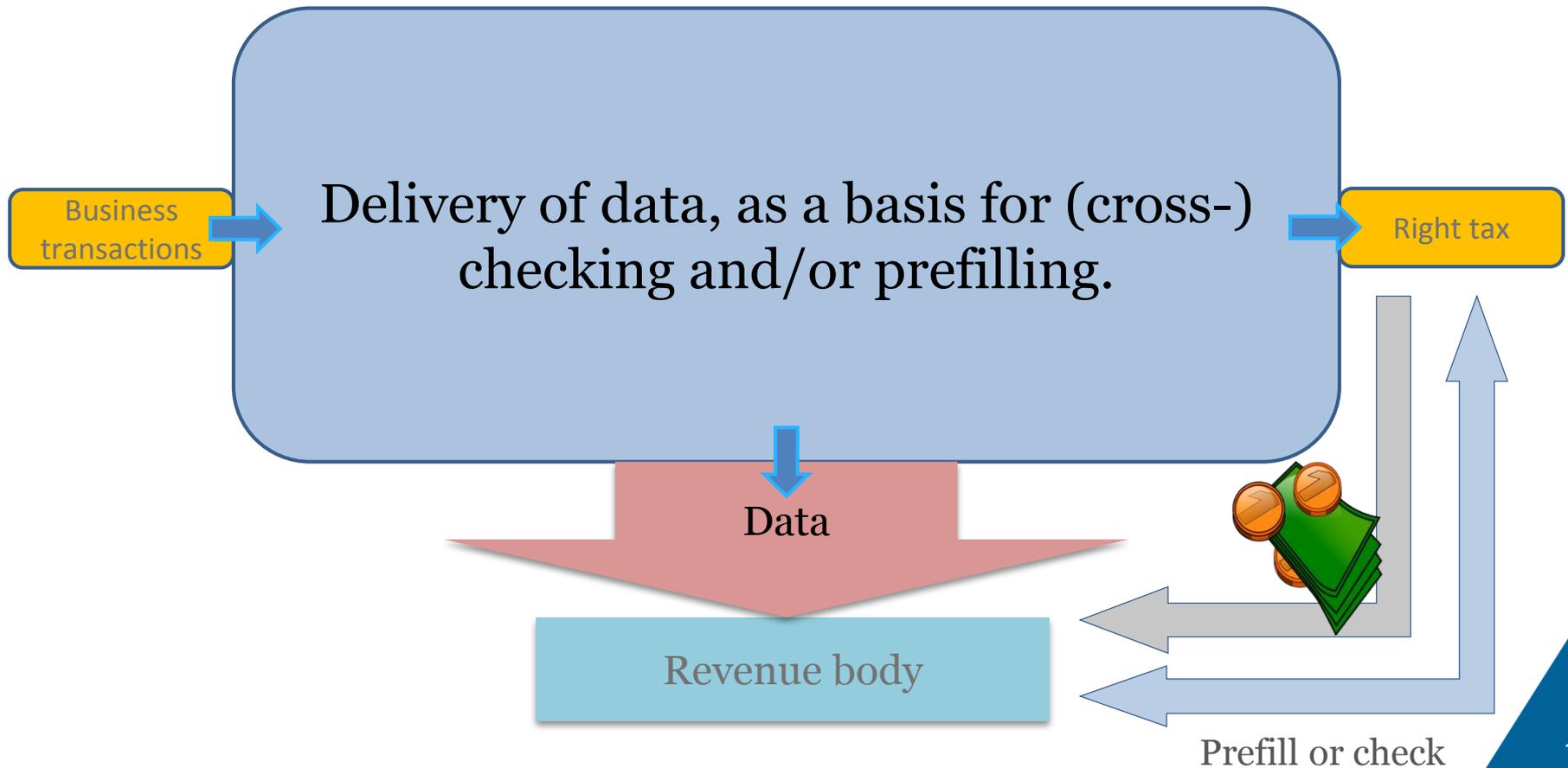


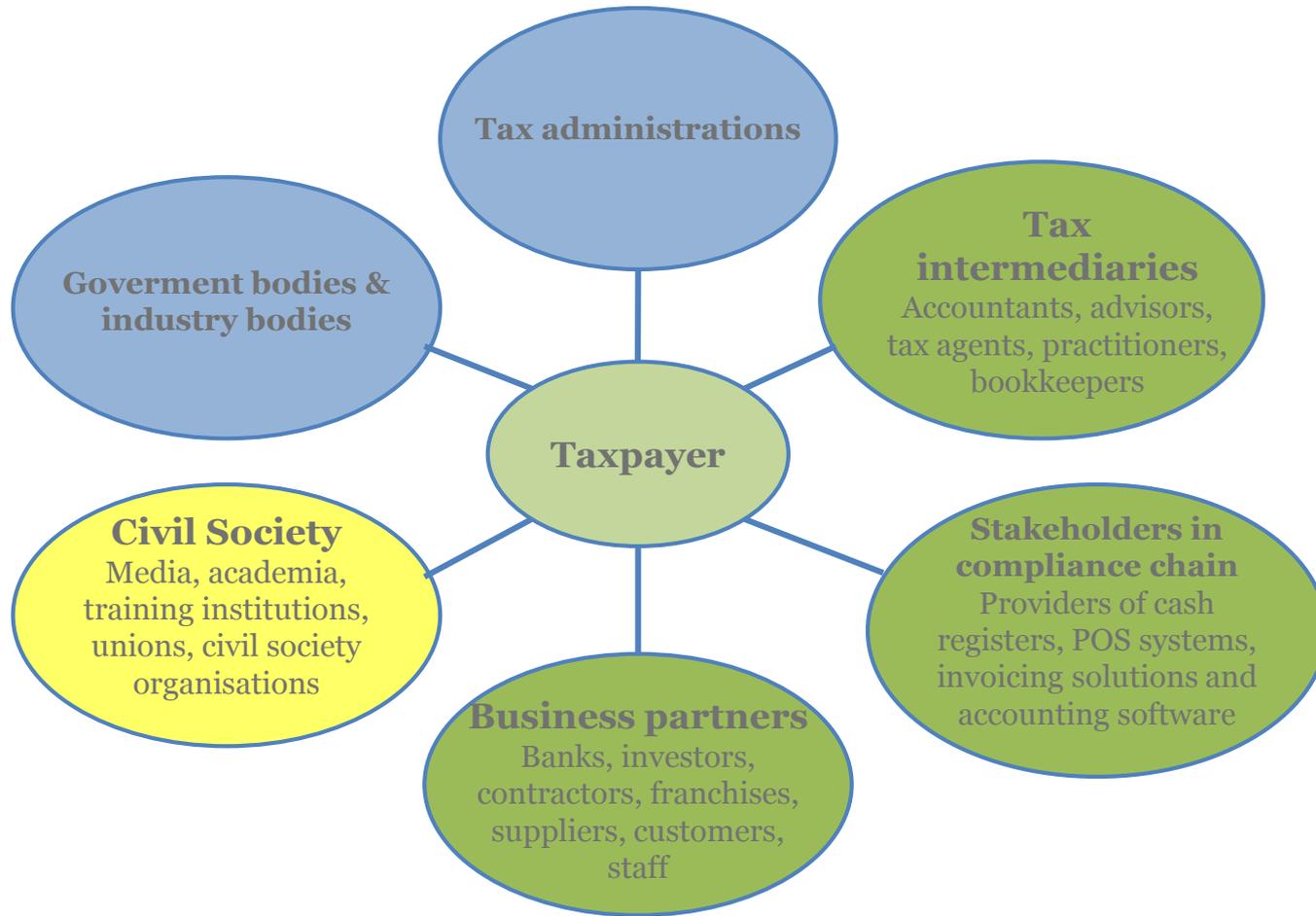
# Secured chain approach





# Centralised data approach







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## II. Co-operative approaches: tax service providers



## II. The Changing Role of Tax Service Providers

### *Tax Service Providers:*

- *Includes both traditional ‘tax intermediaries’ and new players, such as providers of online accounting*
- *Better explains the role of these organizations: providing services to SMEs rather than being intermediary between SMEs and tax administrations.*



### **Rethinking Tax Services**

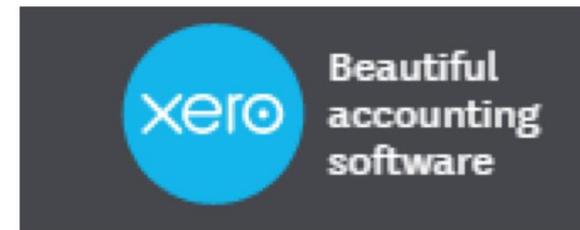
THE CHANGING ROLE OF TAX SERVICE PROVIDERS IN SME TAX COMPLIANCE





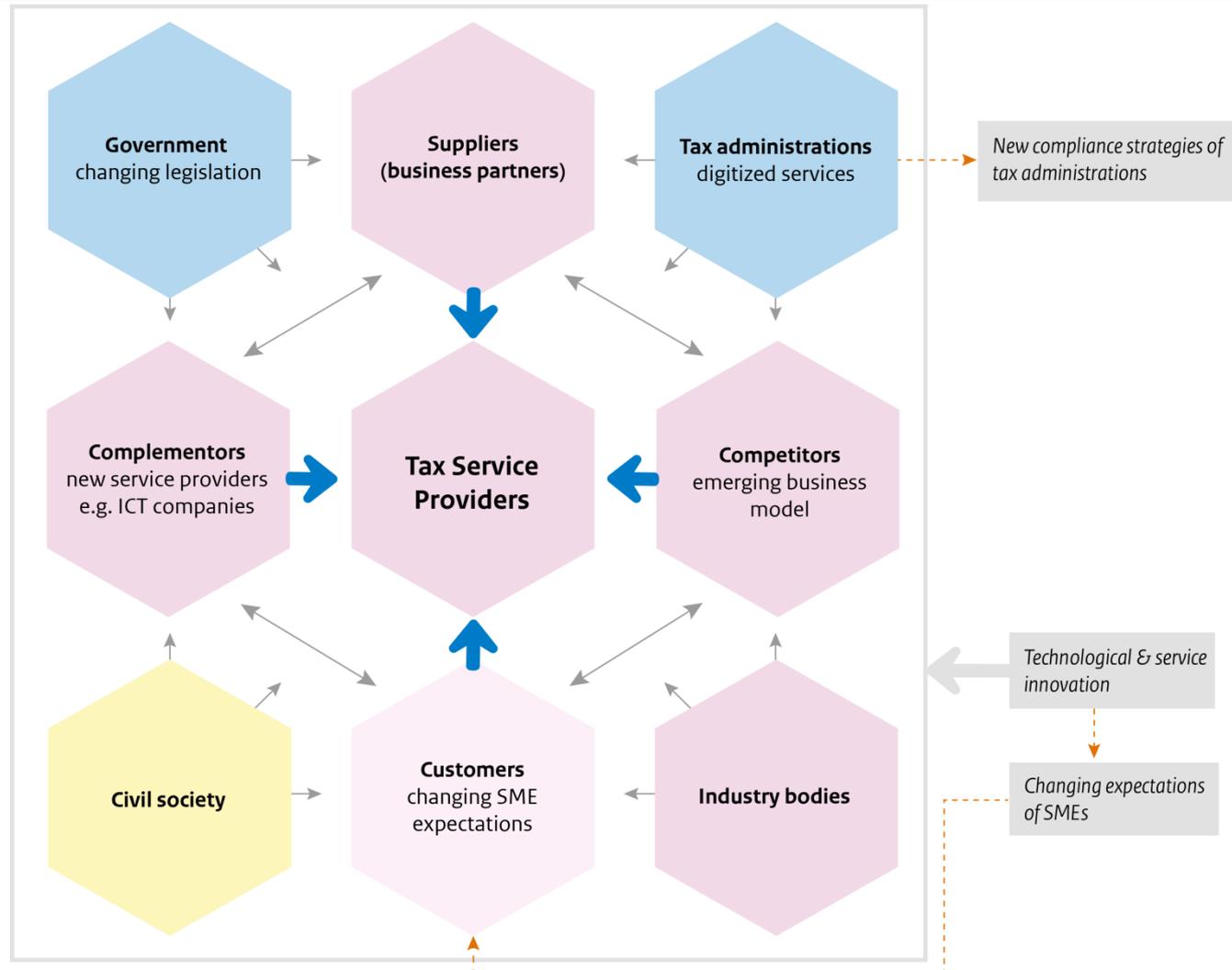
# Building secure chains

***Accounting software, e-invoicing, e-payment and devices as secure cash registers, trip computers for taxis etc. are changing traditional bookkeeping and accounting:***





# A changing landscape for tax service providers

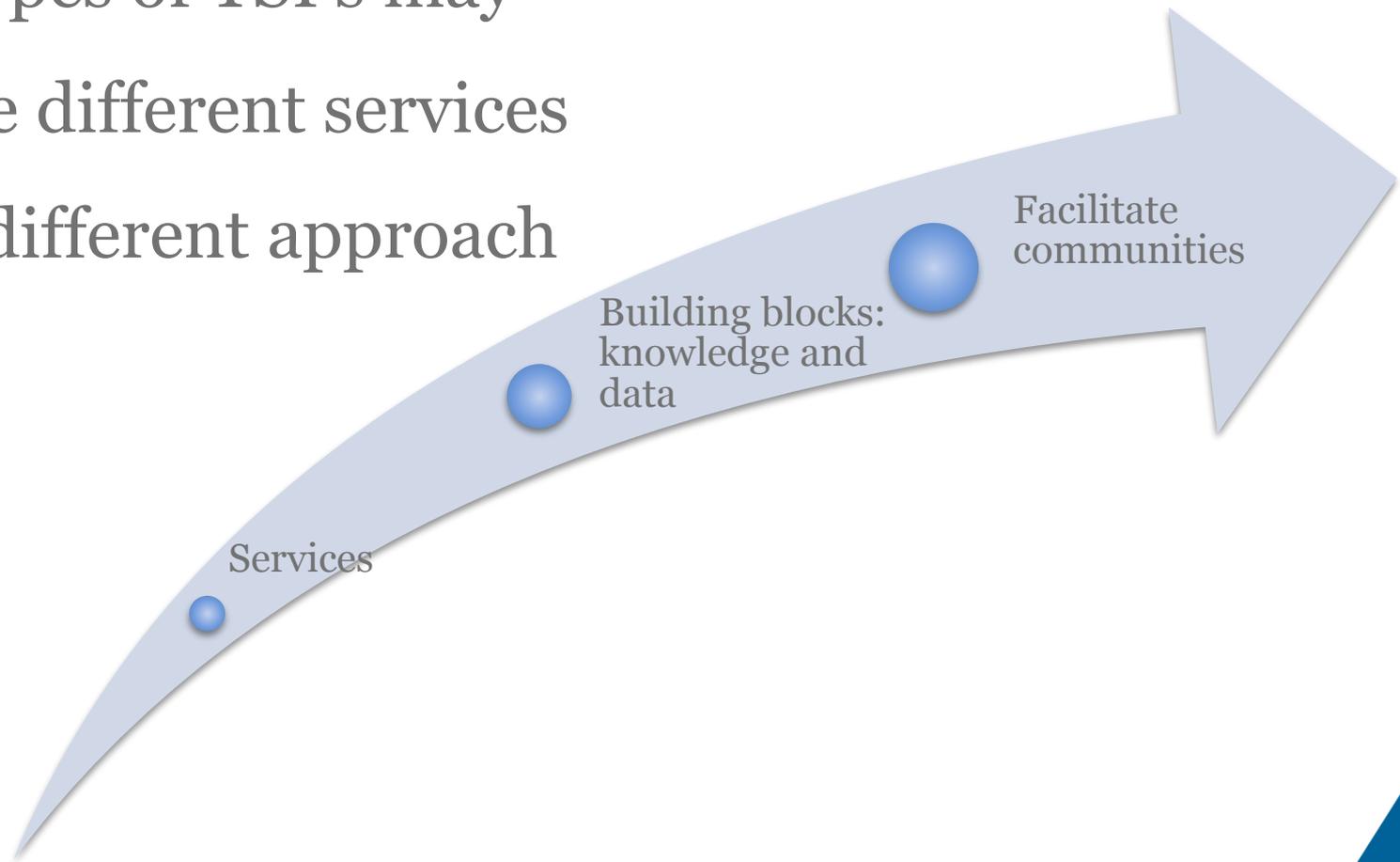




# Changing role of the tax administration

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New types of TSPs may  
require different services  
and a different approach





# Co-designing your strategy

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*In 2010 the Netherlands Tax and Customs Administration engaged in a co-operation with providers of online accounting software. This community provided the following advise:*

- Co-operate with business partners (engage!)
- As government ensure there is a coherent set of norms and standards to provide assurance to information
- Join the cloud, and also use the crowd
- Take the lead! Take a coordinating role in the information chains
- Share your business rules - application, validation and control rules



# Strategic options for tax administrations

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- Two key questions:
  - Do you want the market to drive developments, allowing for optimal innovation and new services to SMEs? Or is best option to drive developments by government initiatives?
  - Do you take a holistic ‘systems’ approach, targeted at integrated services for SMEs? Or do you focus on taxation itself, as first and key responsibility of the tax administration?



# Four Strategic Scenarios

<p>GOVERNANCE</p> <p><b>DOMINANT PERSPECTIVE</b></p>	<p><b>GOVERNMENT DRIVEN</b></p> <p><i>(Hierarchy. Government is largely in charge of tax compliance and data and information streams to be used for tax compliance)</i></p>	<p><b>MARKET DRIVEN</b></p> <p><i>(Market. There is room for market actors to contribute to tax compliance and play a role in providing data and information streams that can be used for tax compliance)</i></p>
<p><b>SILO PERSPECTIVE</b></p> <p><i>(TA closed to system)</i></p>	<p><b>Act/develop</b></p> <p><i>(Government itself is primarily responsible for increasing SME tax compliance and develops solutions for this in house. The role of established and new TSPs as well as other stakeholders is limited)</i></p> <p><b>Controlled Network</b></p>	<p><b>Regulate</b></p> <p><i>(Markets i.e. established and new TSPs and other stakeholders do play a role in increasing SME tax compliance, but their role is well regulated in advance)</i></p> <p><b>Hybrid closed network</b></p>
<p><b>SYSTEM PERSPECTIVE</b></p> <p><i>(TA open to system)</i></p>	<p><b>Organize</b></p> <p><i>(Government is primarily responsible for increasing SME tax compliance but realizes that it may organize the process in such a form that other mainly public administrations play a role in tax compliance as well. Data and information can be derived from other administrations and to a limited degree from established and new TSPs as well as other stakeholders)</i></p> <p><b>Hybrid open network</b></p>	<p><b>Stimulate</b></p> <p><i>(Markets i.e. established and new TSPs and other stakeholders are stimulated to step forward with innovative solutions that increase SME tax compliance)</i></p> <p><b>Adaptive Network</b></p>



## III. Engaging and Involving



# Engagement and Involvement

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*"...benefits are not limited to better outcomes for the revenue body in terms of improved compliance and cost reductions, significant though these are.*

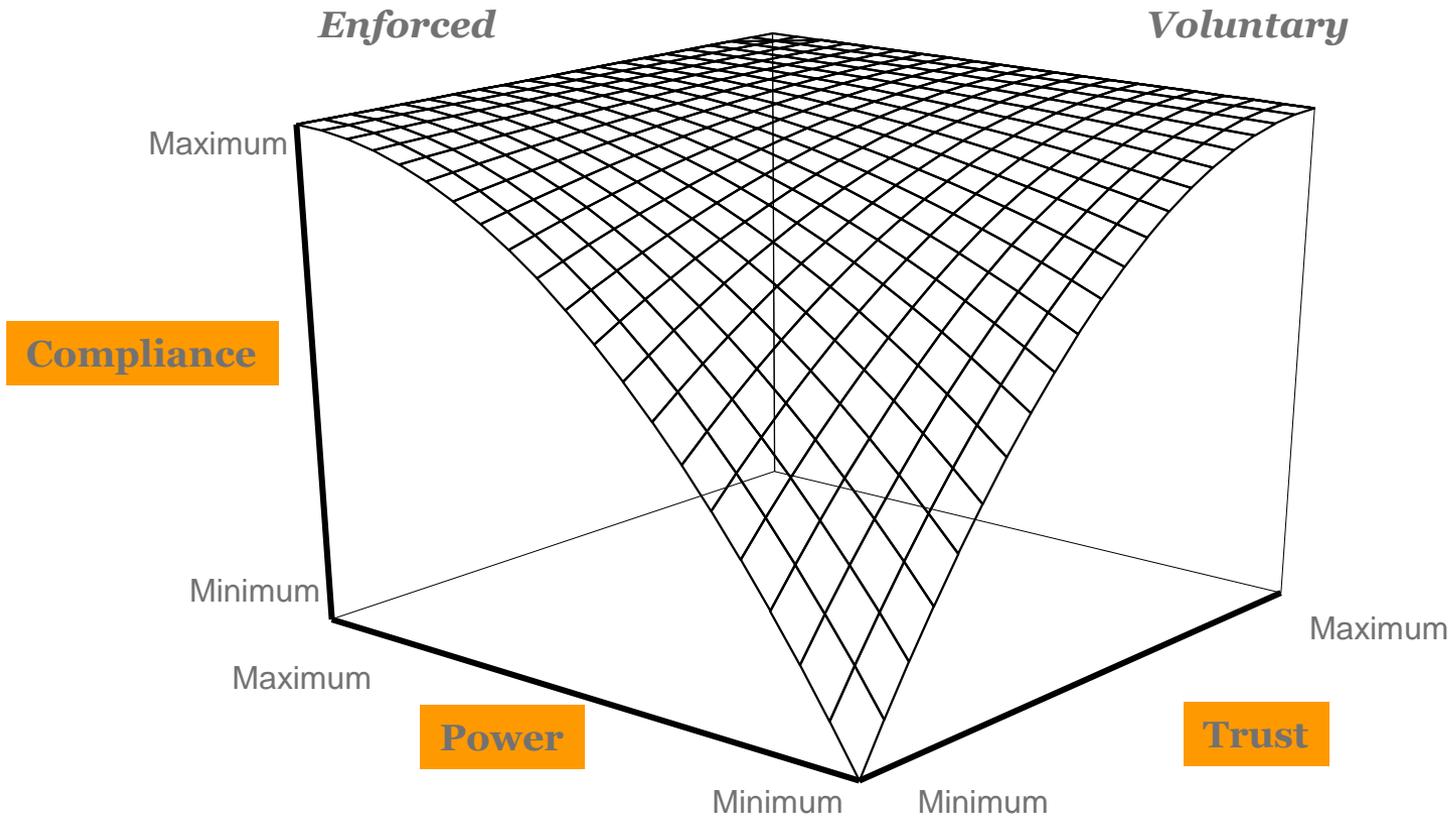
*These wider benefits include positive impacts on democratic governance and public trust, which feedback positively into attitudes towards tax compliance. Revenue bodies have also identified concrete benefits for taxpayers and stakeholders, such as lower compliance costs for SMEs, fairer competition resulting from more consistent compliance across the SME population and an improved service experience."*

OECD, Together for Better Outcomes,  
2013



# Slippery slope framework

Kirchler, Hoelzl, & Wahl (2008)



Finding the balance between trust and power



## Engaging and Involving with taxpayers and other stakeholders

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- Strengthens ‘ownership’ of the tax system
- Builds trust
- Leads to better outcomes, lower compliance costs and more certainty
- Creates innovation, and new solutions and services
- Helps tax administration doing their job in a globalised and digital world



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Thank you!