

# IOTA WORK PROGRAMME 2019



**IOTA**

Intra-European Organisation  
of Tax Administrations

## Priority 1: Tax Compliance

### Sub-Priority 1.1: *Combating international tax avoidance and aggressive tax planning*

The work of IOTA may include, but not be limited to:

- › assisting and facilitating **the implementation of Automatic Exchange of Information (AEOI) and Common Reporting System (CRS)**, identification of challenges for conducting AEOI, and development of effective ways to access and use data under the CRS
- › supporting member tax administrations to work collaboratively towards meeting the emerging challenges of **the implementation of measures to counter Base Erosion and Profit Shifting (BEPS)**
- › facilitating and contributing to the **OECD's capacity building work under the Inclusive Framework on BEPS** in Eastern Europe and Central Asia countries

#### *Activity: Forum on the Use of Data from Automatic Exchange of Information*

The focus of the Forum's work will be on the development of effective ways to access and use the Common Reporting System (CRS) data in the following priority areas:

- › Examining **the data matching possibilities** of the CRS data in order to verify tax compliance of different groups of taxpayers;
- › Enhancing the **compliance risk management** (incl. risk analyses, risk profiling, use of segmentation, aggregated data regarding the same taxpayer, etc.) to identify high risk taxpayers;
- › Identifying methods and best practices on **the use of data from AEOI for advanced data analytics** (e.g. social network analysis, predictive and behavioural analysis, data modelling, etc.);
- › Facilitating the **compliance of Financial Institutions (FIs)** with CRS-related reporting obligations.

**The Steering Group**, composed of AEOI experts from Austria, Belgium, Germany, Latvia, Norway and from an international partner organisation (the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes) together with the IOTA Secretariat act as the driving force, steering and closely monitoring the achievement of overall objectives by the Forum, as set out in the mandate 2018-2019.

To supplement the Forum's activities, two subgroups have been established with the overall objective of bringing expertise to examine and report in depth on the following topics:

1. **Subgroup on Use of data from CRS to identify non-compliance of taxpayers** will analyse and report on practical experience with the use of CRS data to identify non-compliance of taxpayers and will explore possible approaches for using the CRS data in the most effective way in the context of tax assessment.
2. **Subgroup on Ensuring Compliance of Financial Institutions** will identify and report about effective approaches/strategies for ensuring compliance of Financial Institutions (FIs) with CRS related reporting obligations.

Each subgroup will comprise of tax officials commissioned by senior management of their administration to perform specific tasks defined and outlined in the roadmap. IOTA Secretariat will undertake overall coordination of the subgroup activities.

### **Activity: Forum on Implementation of measures to counter Base Erosion Profit Shifting (BEPS)**

Within a scope of the Mandate for 2018-2019, the work of IOTA Forum will primarily focus on specific aspects of four minimum standards (harmful tax practices, tax treaty abuse, country-by-country reporting, dispute resolution) under the BEPS Action Plan, and more specifically with regard to:

- Enhancing the process of **automatic exchange of information on tax rulings**, with a particular focus to improve quality and content of the rulings summaries exchanged, and to ensure effective implementation of the transparency framework under Action 5 of the BEPS Action Plan and EU DAC.
- Supporting the **consistent implementation of 'Country-by-Country Reporting'** under Action 13 of BEPS Action Plan, considering the challenges tax administrations face and sharing the solutions being successfully adopted to fulfil the reporting requirements.
- Offering suitable **organisational and structural solutions for optimising the process of handling MAP requests** under the Action 14 'Dispute Resolution' based on existing experience of participating tax administrations.
- Facilitating the establishment of a common practice towards application of provisions (which are part of the four minimum standards) under **Multilateral Instrument** (Action 15).

The agenda for Forum's meeting is developed by a **Steering Group**, comprising of BEPS experts from Belgium, Georgia, Italy, Sweden, Switzerland and from OECD Centre for Tax Policy and Administration, which also acts as source of advice and guidance to the Forum providing consultations on planning and co-ordination of its work as well as ensuring the delivery of high-quality outputs in the running of the Forum activities.

To supplement the Forum's activities, two subgroups have been established with the overall objective of bringing expertise to examine and report in depth on the following topics:

1. **Subgroup on Effective Treatment of Tax Rulings subject to the Exchange between Tax Administrations** will explore and report about approaches to the effective treatment of tax rulings exchanged between tax administrations with a view to: i) enhance the process of (compulsory and spontaneous) EOI on tax rulings, ii) improve quality, consistency and content of the rulings summaries exchanged, and iii) ensure appropriate and effective use of tax ruling information received.
2. **Subgroup on Optimising the Process of Handling Mutual Agreement Procedure (MAP) Requests** will identify and report on organizational, structural and procedural solutions implemented by member tax administrations in order to: i) eliminate obstacles in the administrative processes and practices in handling MAP cases; ii) improve the timeliness of MAP cases, and iii) enhance the efficiency of the MAP process.

Each subgroup will comprise tax officials commissioned by senior management of their administration to perform specific tasks defined and outlined in the roadmap. IOTA Secretariat will undertake overall coordination of the subgroup activities.

### **Activity: Inclusive Framework on BEPS for Eastern Europe and Central Asia (Regional Event)**

These meetings are a key element of the OECD Inclusive Framework, enabling all countries and jurisdictions to discuss the implementation of the BEPS package on a regional basis, and feed their perspectives into the global dialogue. The purpose of the regional meetings is also to:

- › Provide participants with an update on recent developments in the Inclusive Framework on BEPS including its governance and membership and on the implementation of the BEPS Package including its minimum standards as well as the work on toolkits to address developing countries' needs.
- › Prepare for participation in the upcoming meetings of the Inclusive Framework on BEPS, including the Committee on Fiscal Affairs meetings, as well as the various Working Party meetings.
- › Provide an opportunity for countries to input their views, concerns and needs into the Working Party and inclusive framework discussions in a coordinated and more effective way.

IOTA will continue to be engaged in the strategic partnership with OECD supporting the organisation of regional meeting and channelling views from its memberships within the Eastern Europe and Central Asia region into the development of the BEPS Action Plan outputs.

### Sub-Priority 1.2: *Preventing tax evasion and fraud*

The work of IOTA may include, but not be limited to:

- › assisting and facilitating the implementation of concrete measures to address the threat of the **shadow economy**
- › promoting the sharing of knowledge and experience on **new VAT fraud trends**, strengthening **cooperation among tax administrations within and outside EU** to prevent and combat VAT fraud
- › identifying and promoting **new approaches on the compliance risk management**, helping to work smarter in conducting the real-time identification of potential risk and promptly tackling non-compliance and tax evasion

### Activity: *Forum on Combating VAT Fraud*

VAT frauds still account for a very large percentage of tax revenues lost by our member tax administrations through evasion activities across Europe and beyond. The continuing challenges faced by all of our tax administrations in relation to VAT fraud, which continues to 're-invent' itself and make use of ever more sophisticated fraud methods, means that as tax administrations have a key role in combatting this form of evasion and there is a real need for a more permanent and ongoing vehicle for liaison between IOTA members to keep abreast of latest developments, share experiences and expertise and provide a more robust practical platform for knowledge sharing in this area of risk.

The IOTA Forum on Combating VAT Fraud will continue to operate as an important platform for alerting members to **emerging trends and new VAT fraud approaches** so that they are forewarned and forearmed and in time build a very effective network through IOTA.

The Combating VAT Fraud Forum is mandated for a two-year period, holding one meeting each year. A Steering Group composed of VAT Fraud experts provides advice and guidance in defining a mandate that takes into consideration the needs and expectations of the IOTA membership. The current **Steering Group** is represented by the IOTA member tax administrations of Denmark, Norway, Sweden, Switzerland and United Kingdom. They are responsible for setting the agenda for each meeting and assist in identifying expert speakers from their extensive VAT Fraud networks that are in line with the overall objectives of the Forum's mandate.

### Activity: “Prevention of VAT fraud in the in automobile sector” (Case Study Workshop)

The tax fraud in the area of reselling the used cars is very widespread - abuse of a special procedure for taxation of margin scheme, use tax exemptions when supplied to another EU Member State but the cars do not leave the domicile area of Member State, unlawful use the deduction of input VAT when the car not being received from the company that issued an invoice. Such **fraud cases in the automobile sector** appear in most of the EU Member States, but also would be useful to non EU Member States since this practice is present even wider.

This workshop will provide an opportunity for IOTA member tax administrations to present and share experiences and identify best practices regarding:

- › prevention and control measures used to combat margin scheme VAT fraud in the filed of second hand cars trading
- › practical implementation specific legislative provisions in this field

During the event information, views and best practices on cases of tax evasion and fraud when reselling used automobile will be presented that participants could apply in their further work and in early detection of VAT fraud.

Gaining of experience from best practice cases from other IOTA tax administrations will result in a more successful fight against VAT fraud in the area of resale of the used automobile.

### Sub-Priority 1.3: *Compounding the complexity and risk of digitalised economy*

The work of IOTA may include, but not be limited to:

- › contributing to the development of effective compliance programmes as well as risk-based and balanced approaches (e.g. audits, examinations, education, and outreach activities) in relation to the **digital economy operators**
- › promoting the knowledge sharing on new business models as well as exchange of experiences on practical application of tools and techniques for **searching, capturing, analysing and using data obtained from sharing economy platforms**
- › identifying and supporting the introduction of new, more effective methods to exchange data between tax administrations on **complex transactions carried out by digital economy platforms trading across borders**

### Activity: “Virtual currency – cryptocurrencies” (Workshop)

The world is on the cusp of a major tax revolution as cryptocurrencies push financial systems from the physical world to online. There is an increase of the population's interest towards virtual currency, especially BITCOIN, in what concerns their owning and their transacting, and as a business. Now, however, the new generation of cryptocurrencies – such as Ethereum, Litecoin, Dash and Monero – are working with regulated structures and are becoming accepted forms of transactions.

Using virtual currency schemes as a payment alternative has its potential tax evasion risks on the basis of the lack of rulings and supervision of virtual currency schemes. **How tax administrations are developing compliance programmes in this area and how they are capturing the relevant information?**

The event will provide an opportunity for IOTA tax administrations to present, share experience and identify best practices regarding:

- › ways of detection and fiscal control of the revenues gained as a result of transactions made on the market of virtual currency;

- › the fiscal treatment applicable to the revenues gained – setting the revenues in accordance with the type of income and implicitly their taxation.

Participants will gain knowledge and expertise on lessons learned from identifying and taxing the real income obtained by individuals from transactions with virtual currency.

### **Sub-Priority 1.4: Improving the efficiency of tax debt management**

The work of IOTA may include, but not be limited to:

- › improving the management of **bankruptcy and insolvency procedures** and facilitating greater co-ordination of cross-border insolvency proceedings in 44 divergent insolvency regimes of the IOTA membership
- › exploring the new approaches to **information/data driven collection and recovery**, including the opportunities to use data from automatic exchange of information
- › identifying and sharing the insights from successful implementation of **debt management process automatisation** within the IOTA membership

#### **Activity: Tax Debt Management Forum**

This Forum will encompass certain activities previously undertaken by IOTA Area Group on Debt Management bringing together senior debt collection/recovery experts from IOTA member to meet annually and discuss new and innovative working methods of tax debt collection and recovery.

The IOTA Tax Debt Management Forum will continue the work to ensure greater co-ordination of **cross-border insolvency proceedings** in 44 divergent insolvency regimes of the IOTA membership. In 2019, **the IOTA Project**, sponsored by Sweden, on development of online knowledge base (practical toolbox) of international (cross-border) insolvency proceedings will be completed.

The use of financial account information from abroad is a new possibility for tax administrations. However, it challenges the existing ways of working with debt recovery. The IOTA Forum will support sharing of experiences and results from different approaches in **using CRS data together with domestic data in debt collection and recovery process**. The purpose would be to get practical input from the member tax administrations participating in this Forum.

Successful implementation of debt management process automatisation is necessary due to the high amount of debts. This Forum will provide opportunities to **exchange and identify best practices on automatisation of debt collection procedures** that will facilitate the reduction of tax debts. It will explore how to deliver a flexible agile technology environment which leverages the use of automated transparent processes and improves the overall effectiveness and efficiency of debt collection thereby reduces the debt and increases tax compliance. The Forum will also allow members to review this ongoing case study and learn from the successes and obstacle's that arose as the transformation of debt management progressed.

**The Steering Group** made up of debt management experts from Belgium, the Netherlands, Norway, Sweden and UK provides the steward and guiding influence for the achievement of overall objectives by the IOTA Forum on Tax Debt Management. The Steering Group fosters discussions revealing good practices adopted by IOTA tax administrations in managing tax debts, through joint meetings, networking and concerted actions, and also assist IOTA Secretariat in preparation of the Forum meetings.

### Sub-Priority 1.5: *Promoting voluntary tax compliance*

The work of IOTA may include, but not be limited to:

- › facilitating the development of **new strategic approaches as well as new models of cooperation between tax authorities and taxpayers** in order to promote the maximum level of voluntary tax compliance
- › bringing the **new and more advanced forms of communication with taxpayers** to enhance public awareness and encourage voluntary compliance
- › promoting the application of **nudging and behaviour change techniques** for tailoring approaches developed to facilitate taxpayer compliance

#### **Activity: *Measuring the level of tax compliance and actions supporting it in practice (Webinar)***

The objectives of this webinar are to share information and good practices on the basis of the following questions:

- › What is the level of tax compliance in IOTA member countries -> how its is defined -> how it is measured?
- › What is tax administration's role and what kind of concrete actions and campaigns have IOTA members performed to enhance tax compliance?

By the end of this webinar, the participant shall gain new ideas and thoughts to measure compliance level and what to do in practice to advance it.

#### **Activity: *Forum on Communications***

IOTA will focus in 2019 on addressing the use of communications to strengthen trust of taxpayers, to provide better services and -as a result- increase tax compliance. This includes launching **a new Forum on Communications** which will operate as a network of communication experts seeking to intensify the exchange of communications best practice among member tax administrations. This network of IOTA communication experts will also contribute to increase visibility of the organisation inside tax administrations. Priority will be put on:

- › **Communication strategies in tax administrations;** messages, channels, target audiences, specific channels for specific audiences, customer centric communication versus deterrence, recruitment and training, etc.
- › **Technology-based communication in tax administrations;** digital communication channels, apps, mobile solutions, responsive websites, etc.
- › Media and tax administrations; policies on how to interact with traditional and social media
- › **Marketing strategies, communication campaigns** and their results in tax administrations

Members will learn about effective services and practical solutions by the intensified exchange of communications best practices related to the improvement of tax compliance.

The Forum on Communications will hold a meeting every year based on an agenda as defined by **a Steering Group made up from members of the Forum**. Activity framework of this Forum is defined in the mandate outlining priority areas and expected outcomes, including specific task team (project group) work.

## Priority 2: Progress in e-services and quality of taxpayer services

### Sub-Priority 2.1: Digitalisation of taxpayer services

The work of IOTA may include, but not be limited to:

- › following-up to the progress towards **digital maturity of tax administration** enabling to offer end-to-end, modern digital services meeting the highest standards of security while being easy to access and use
- › identifying the effective ways of **making information and documents quickly available to taxpayers online**, including the use of early irregularity warning systems in order to foster a dynamic and structured dialogue
- › promoting the **broader adoption of pre-filled tax returns** for individuals and further implementation of digital solutions to be used for populating information in business tax returns (CIT, VAT, etc.)
- › exploring the innovative efforts of **partnership with other government agencies and third parties** as well as successful implementation of **customer engagement strategies** to provide high-quality services through secure digital and self-service channels

#### *Activity: New challenges and ways to enhance taxpayer service in the digital age (Webinar)*

The objectives of this webinar are the following:

- › to understand what **new developments are happening in digital-channels**, especially concerning customer service.
- › to present good practice examples on the **use of prediction models, technical solutions** e.g. Skype, whatsapp etc.
- › to gain **new ideas and thoughts** on how to advance good taxpayer services in practice.

#### *Activity: Implementation of solutions for pre-filled tax returns (IOTA Project)*

In the course of the last decade, pre-filled tax returns were introduced in many IOTA member countries. Pre-filling makes preparing and lodging tax returns easier and quicker, while reducing some of the need for costly audit activities. Examining the experiences of IOTA member countries who have already implemented pre-filled tax returns could be edifying for other member countries of IOTA that are about to implement it.

IOTA project will develop a **Good Practice Guide giving an overview of pre-filled tax returns** with a special focus on the experience of those member countries who have just applied pre-filling or about to apply. The IOTA Project will assess the implementation of pre-filling and its impact on enhancing the quality of taxpayer services. The produced Good Practice Guide will be used for developing pre-filled tax return systems in other IOTA member countries.

### Sub-Priority 2.2: Enhancing the quality of taxpayer services

The work of IOTA may include, but not be limited to:

- › exploring the use of **automated (real-time) verification processes to reduce errors or omissions when paying taxes**, especially in the field of VAT

- › enhancing **capabilities of member tax administrations for tax refunds** claimed by taxpayers (individuals and companies), also through the adoption of risk analysis techniques
- › analysing the IOTA member country approaches in providing **targeted information and supports for new taxpayers**
- › exploring the recent practices of **conducting surveys and analytics to better identify taxpayer needs**
- › identifying examples of best practice for **strengthening the relationship between taxpayer and Tax Administration, and confidence in the efficiency and quality of services**, including the use of citizens' reporting (e.g. complaints) and fostering taxpayers' rights

## Priority 3: Development of IT and implementing new technological solutions

### Sub-Priority 3.1: *Use of cutting-edge technology and intelligent solutions*

The work of IOTA may include, but not be limited to:

- › analysing the existing approaches of **developing a flexible and agile technology environment** that enable tax administrations to use automated, transparent processes and to improve operational efficiency, increase collections and compliance
- › supporting further **use of new technology in e-audit and in risk management techniques** to improve tax audit process and increase their quality

#### *Activity: "Introduction of online invoicing - experiences of European tax authorities" (Workshop)*

Online invoicing systems have been introduced in more countries during the past years and have been operating successfully, which communicate data of invoices issued by economic operators (or an extract of them) to the tax authority automatically and without any specific human intervention.

In the course of this workshop, participants will get acquainted with **principles, engineering aspects, details of legal regulations, introductory processes and operational experiences of different online invoicing systems** implemented by IOTA member tax administrations. The given systems' beneficial effects exerted on administrative burdens of economic operators must be understood as best practices, with special regard to spreading machine and electronic invoicing.

The event will also address issues relating to data disclosures containing invoice data as well as possibilities and results of risk analysis and tax audit built on them.

Besides presenting the best practices, effective operation and shortfalls of online invoicing systems will be shared among participants from IOTA member countries.

### Sub-Priority 3.2: *Use of big data and the deployment of analytics*

The work of IOTA may include, but not be limited to:

- › identifying and promoting **solutions maximising the use of data, intelligence and analytics** to conduct the real-time identification of potential risks and promptly tackle tax non-compliance and evasions
- › helping **to expand and sharpen research and analytics capabilities** that would foster evidence-based and data-driven decision-making culture across IOTA member tax administrations
- › identifying and sharing member experiences on the **practical implementation of methodologies, tools and techniques concerning data quality measurement and data quality improvement** to maximise the effectiveness of data analytics

## Priority 4: The administrative capacity of Tax Administrations

### Sub-Priority 4.1: *Transforming structures and processes*

The work of IOTA may include, but not be limited to:

- › analysing and promoting the examples of **Business Transformation strategies** implemented to develop new core and supporting capabilities as well as to build new ways of working as response to the changes in the operating environment
- › exploring the **key shifts in organisational design, including the changing structures and roles of member tax administrations**, to increase operational productivity and optimise the use of available resources

#### *Activity: “Implementing proactive business transformation strategies in tax administrations” (Workshop)*

Implementing proactive business transformation strategies in order to continuously improve performance is crucial for any entity. Successful business transformation campaign can yield substantial benefits including greater strategic clarity, credibility, commitment and continuity. Digital platforms, and other innovations are changing the fundamental nature of work. The world moves so fast that more than a great strategy is needed in order to succeed. New technologies require new skills, i.e. different way of thinking. Different way of thinking is the ability to see alternative angles and perspectives and to create new patterns of thinking that will propel innovation. **Business Transformation is a change management strategy which has the aim to align People, Process and Technology initiatives.** The importance of organizational structures in the implementation of a such strategy is hard to overemphasize.

This workshop will provide an overview of business transformation strategies developed to quickly to address the challenges and to adjust to ever-changing international tax environment in the new era of economic deficits and increased demand for fiscal revenues by governments around the world. The event will also look into the role of organization structure on strategy implementation and business transformation. Participating member tax administrations will share best experiences in undertaking re-alignments of key organisational design including changing structures and roles of the divisions within the administration.

### Sub-Priority 4.2: *Measuring tax administration performance*

The work of IOTA may include, but not be limited to:

- › analysing the most recent models and methodologies implemented by members for **measuring end-to-end processes in tax administration**
- › facilitating **the review of the performance measures** and supporting **the improvement of performance measurement system** for better identification of emerging systemic risks and weaknesses in operational processes
- › providing opportunity to learn about **Tax Administration Diagnostic Assessment Tool (TADAT)** and to share the experiences of IOTA members in conducting TADAT assessments (in close collaboration with IMF)
- › offering opportunities to **benchmark and compare core performance** across the IOTA membership using the data available in ISORA/TIP

### Sub-Priority 4.3: *Ethics and fighting tax corruption*

The work of IOTA may include, but not be limited to:

- › inventorying the best practices within IOTA membership concerning the **development and adoption of internal policies that deal with specific ethical issues** such as discipline, harassment, misconduct, etc.
- › identifying and promoting approaches of the **effective management of tax corruption risks**, including governance, internal mechanisms and processes implemented to detect and prevent risks pertaining to corruption of tax officials
- › sharing the knowledge and experience on the use of **systematic and independent reviews of tax administration performance by third parties** (e.g. State Control Department, General Audit Department)

### Sub-Priority 4.4: *Human Resource development and smart management of staff*

The work of IOTA may include, but not be limited to:

- › identifying and supporting the dissemination of best practices regarding the implementation of **strategies for staff learning and development** to enable transformational change, build an agile, engaged and skilled workforce in member tax administrations
- › exploring member approaches for **planning and recruiting new generation of staff** (e.g. data scientists, behavioural economists, etc.) to keep pace with the evolving performance transformation in tax administrations
- › encouraging **the innovative thinking** in member tax administrations and identifying **new approaches for staff performance management**
- › supporting the development of **staff motivation mechanisms, personnel satisfaction surveys and secure rotation policies** to enhance capability and performance of tax administration

### *Activity: Forum on Human Resource Management*

A huge number of employees in a rapidly changing world where governments constantly meet tax administrations with demands to be more effective and efficient. Because of that and a rapid IT development - tax administrations will have to release numerous employees and recruit new talented people prepared for the future. The implications and the challenges connected to this replacement of human resources obviously ought to be a central focus area of IOTA work.

The new IOTA Forum will provide an opportunity to address the main topics related to **new strategies and innovative approaches of managing human resources in tax administrations** during the course of its activities, particularly as regards:

- › Recruitment & Selection
- › Performance Evaluation and Management
- › Promotions/Transfer
- › Managing reductions in staff
- › Professional Learning and Development
- › Competence framework
- › Motivation and Performance Appraisal

The Forum will meet once per year based on an agenda items focused on examining practical operational issues as defined by **a Steering Group made up from members of the Forum**. Activity framework of this Forum will be defined in the mandate outlining priority areas, topics of interest, planned outcomes, including specific task team (project group) work.