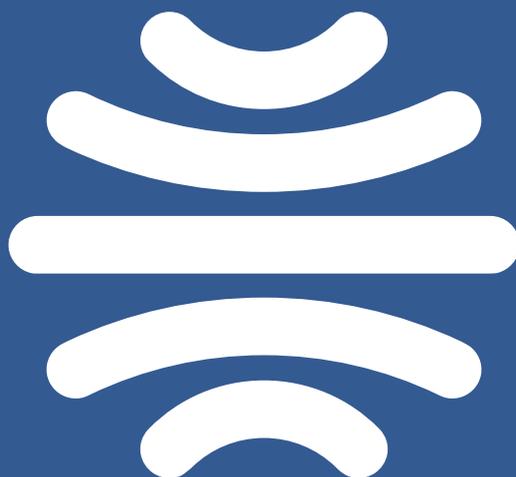


TAX GOVERNANCE AND DATA SECURITY

2nd Annual International Conference | 8-9 November 2017 Budapest, Hungary

SUMMARY REPORT



2017



IOTA

Intra-European Organisation
of Tax Administrations



National Tax and Customs
Administration of Hungary

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Conference Overview

IOTA, the Intra-European Organisation of Tax Administrations, organized in close cooperation with the National Tax and Customs Administration of Hungary (NTCA), the 2nd Annual International Conference “Tax Governance and Data Security” providing an opportunity to debate several aspects related to data security and good tax governance.

The conference gathered senior tax officials, representatives from regional and international organisations, business sector, academia and civil society, who engaged in discussions on how tax administrations are responding to the challenges of ensuring protection of data and good governance practices.

The Conference agenda featured six distinct sessions, comprising presentations and panel discussions. The sessions were dedicated to the following subjects:

- SESSION 1 – Data: Collection, Exchanges and Follow-up
- SESSION 2 - Ethics in Tax Administrations
- SESSION 3 – Relations between Tax Authorities and Taxpayers/Customers
- SESSION 4 – Interactions between the Media and Taxes
- SESSION 5 – The Fight against Tax Scams
- SESSION 6 – Tax and Development

This report contains the summary of the presentations and debates of each session.

Opening

The Conference was opened by **MS CSILLA TAMÁSNÉ CZINEGE**, Director General for Taxation Issues of the Hungarian National Tax and Customs Administration (NTCA), who mentioned the importance of developing a relation based on trust between tax administrations and their customers. She also mentioned the measures that are being taken by the NTCA in relation to

the flows of information generated by BEPS, AEOI, FATCA, etc. She highlighted that the role of IOTA in the above mentioned issues is crucial as it provides a platform to its members to exchange knowledge and experience.



MS CSILLA TAMÁSNÉ CZINEGE

MR FRANTIŠEK IMRECZE, President of the Financial Administration of Slovakia and President of IOTA delivered a keynote speech, highlighting the goals of the Slovak Presidency of IOTA for the term 2017/2018. He also referred to the first Worldwide Automatic Exchange of Information and stressed the need for tax administrations to adapt to a new international environment, characterised by transparency and corresponding massive flows of data. How the data gathered and received by the tax authorities will be used is a great challenge for the latter. He added that trust is a determinant factor to enhance tax compliance. Therefore, tax administrations have to invest more in digital security and risk management in order to increase trust with their taxpayers.



MR FRANTIŠEK IMRECZE



Session 1 - Data: collection, exchanges and follow-up

Tax authorities receive a lot of confidential information from individuals and businesses in a digital format. They also routinely exchange taxpayer information with other governmental bodies. Furthermore, tax administrations have put a lot of work into developing systems for new standards of automatic exchange of information under multilateral or bilateral agreements. The knowledge gained from these experiences, especially when introducing adequate safeguards to protect taxpayer privacy and ensure confidentiality of information, can provide valuable lessons as countries begin implementing Country-by-Country (CbC) reporting requirements to tackle Base erosion and profit shifting (BEPS).

Taxpayer confidentiality is fundamental for all functions carried out within the tax administration, and the basic principles of data protection set out in domestic and international legislation must be adhered to when collecting, keeping, processing, retaining and sharing taxpayer data. Tax administrations are regularly reviewing their structured processes and procedures to obtain taxpayer information fairly, process tax data only in ways compatible with the purposes for which it was provided initially.

This session explored different approaches of tax administrations to ensure the adequate level of governance of the data protection and taxpayer confidentiality. In addition to solutions and concrete measures in place to protect the privacy and security of data, the invited speakers from these countries also presented why they are doing this - and what outcome they expect to obtain by doing so.

MR GEIR HEGRE ROMUNDSET, Director of Strategy and Long-Term Planning, Norwegian Directorate of Taxes: *Strategy for and Experience from the Use of New International Standards in Exchange of Information*

Mr Romundset started his presentation with a brief assessment of Norwegian laws, processes and IT-portfolio relevant to the new international exchange of information prior to initial work on Common Transmission System (CTS), Common Reporting System (CRS), FATCA, etc. He also described the Norwegian approach towards the exchange of information nationally and globally, both near real-time and annually with taxpayers, private businesses, public sector and foreign countries.

Looking at analytical approach towards international (Common Reporting System) data, the presentation highlighted several examples of specific activities that Norwegian tax administration has already started with an aim to have an overall knowledge of risk, compliance and quality, and to be able to ensure compliance through automatic processes which are user friendly for the taxpayers.

While explaining the existing approach of conducting analysis of received international data, Mr Romundset underlined the challenge of finding the patterns and make use of that information. He presented concrete examples of activities executed towards the different target groups. One of such examples was creation of a campaign on Facebook targeted towards taxpayers that have obtained a secondary household abroad explaining what needs to be done if a house or cottage is owned in another country.



MR GEIR HEGRE ROMUNDSET



With regard to the information security management, Mr Romundset briefly introduced Information Security Management System (ISMS) which was developed in compliance with ISO 2700x Enterprise Information Security Standards. He then touched upon the adoption of important security principles: the principle of least privilege, defense in depth, segregation of duties and cost-benefit-analysis. Concerning the awareness and security culture, the Norwegian speaker referred to several initiatives, particularly security training of new employees, short e-learning modules (nano-learning), periodic security awareness campaigns, articles and a dedicated security section on the internal web-portal. Further, Mr Romundset provided a brief outline of what compliance or peer review can entail, including the experiences of the Norwegian tax administration so far. In the last part of his presentation, Mr Geir Hegre Romundset shared experience and lessons learned so far from the exchange of CRS and FATCA data. Among the major challenges in conducting automatic exchange of CRS/FATCA data, he listed most common errors which have led to the rejection of all messages. Finally, Mr Romundset offered few valuable recommendations, especially the importance to start planning and execution of the implementation of CRS/FATCA data exchange system much earlier than assumed and, if possible, to participate in the Quality Assurance tests of new format versions.



MR ÁDÁM GULRICH

MR ÁDÁM GULRICH, Head of Unit, Department for Risk Management and Selection for Tax Audit, Hungarian National Tax and Customs Administration: *Utilization of Exchange of Information*

In his presentation, Mr Ádám Gulrich described the organisational changes implemented in the Hungarian National Tax and Customs Administration from 1 July 2016 which led to the centralization of risk analysis and selection process, and the direct control of its execution by the Director at local level. He continued with elaborating on the main tasks of International Information Management and Customs Selection Support Division, one of which is the utilization of data from international exchange of information.

Mr Gulrich provided a structured overview of the established frameworks for the automatic exchange of information focusing on financial account information, income data (income from employment, directors' payments, pensions, income from transfer of ownership of immovable property, life insurance products), advanced tax rulings and MNE Group data.

Among the tools for utilization of the automatic exchange of information, the Hungarian speaker focused on so called "Supportive procedure" which is aimed at offering the professional support by the tax authority to taxpayers with correction of tax returns by self-revision. Such procedure allows a quick settlement of discrepancies between the data received from abroad and the data declared on tax return on voluntary basis. "Supportive audit" is another tool developed by the Hungarian National Tax and Customs Administration supporting the detection and elimination of inconsistencies in the received data with that declared on tax return. The supporting audit is not voluntary; therefore, the controlled taxpayer is obliged to co-operate.



Based on the statistical data illustrating the results of applying the supportive procedure in relation to FATCA data in Hungary, Mr Gulrich concluded that there is an overall positive reception by taxpayers. As a result of the supportive procedures, self-revisions were performed even for periods not covered by the data exchange, and furthermore, the Hungarian accountants performed self-revisions for clients not subject to supporting procedure.

MR GIUSEPPE BUONO, Director of Central Directorate for Technologies and Innovation, Italian Revenue Agency: *Data Collection and Exchanges in Italian Revenue Agency - Governance Measures and Key Challenges*

The Italian Revenue Agency has put in place a multi-layered system of both organisational and technology procedures and controls in order to increase the level of governance related to the protection of taxpayers' confidential information gathered from different national and international sources and strongly mitigate related risks.

Mr Buono gave an overview of a standardized ingestion process which has paired with severe protection and security policies and measures applied to procedures, applications, data repositories, communication channels and users behaviour, to guarantee the highest level of protection, proper use of collected information and focus on monitoring and continual improvement.

Data is exchanged exclusively through secure channels and services, designed and provided by the Italian Agency. Also, a rigorous access control policy has been adopted to prevent unauthorized access to contents and information from both internal and external users.

The Italian Revenue Agency collects, exchanges and manages data in line with best practices and law (in Italy protection of personal data is regulated by law n.196/2003). Within the information governance program, quality assurance methodology and measures have been defined - based on international ISO

standards - in order to measure, evaluate and improve the data quality. Responsibility model for personnel is defined by an internal policy, compliant with the current privacy regulation, clearly identifying roles and responsibilities for directors, operational managers and data handling appointees.

At the end of his presentation, Mr Giuseppe Buono emphasized the need to take up the challenges of data collection and exchange, including the management of interaction with large number of counterparts with different business context, size, organization model, culture, internal processes and technology maturity. Therefore, the multidisciplinary approach in managing the "competency mix" (data governance, tax, technology, privacy, legal) is a critical success factor.





Session 2 - Ethics in tax administrations

This session explored best practices on how tax administrations are ensuring ethical behaviour and implementing the policies and procedures on confidentiality of tax information in relation to all data processed, managed and controlled.



MR MÁRCIO F. VERDI

MR MÁRCIO F. VERDI, Executive Secretary, Inter-American Center of Tax Administrations (CIAT): *CIAT Permanent Committee on Ethics*

Mr Verdi started his presentation with an overview of how corruption is generally perceived in Latin America. Although corruption is a social phenomenon, it must be understood with a systematic approach, i.e. if the problem is multifactorial, the solution is also multifactorial and isolated efforts will not solve it.

The Executive Secretary highlighted that in tax administrations, in general, there is no measurement of the impact of unethical performance or corruption. Usually, ethical performance is a complementary (non-central) issue for tax administrations and in some countries there are no resources systematically devoted to ethical strengthening.

Although it is not easy for tax administrations admitting of having problems of ethical issue, the current situation shows significant improvements thanks to series of CIAT's initiatives (creation of Standing Committee on Ethics, Tool Kit available on Ethics, Creation of three Working Groups on Ethics and CIAT Technical Supports). Mr Verdi's conclusion was that focusing on human resources and process

management remains extremely important to tackle ethics issue.



MS ANETTE LANDÉN

MS ANETTE LANDÉN, Director of Large Taxpayers Department, Swedish Tax Agency: *Ethics in Tax Administration: Rules and Guidelines at the Swedish Tax Agency*

Ms Landén started her presentation by underling that in the Swedish tax administration, common basic values and the principle of public access represent the core principles of the central government and public administrations. Guidelines for civil servants, procedures with organizational workflows to minimize risks of fraud, dialogue and reporting activities to managers are essential in the Swedish Tax Agency.

At the same time, she added, audit activities, measures to ensure ethical behaviour and the respect of professional values from the tax officials (whistleblowing, training, capacity building, codes of conduct, internal control) aim to prevent or fight back any attempt of corruption and other illegal practices.



MR SAMSON URIDIA

MR SAMSON URIDIA, Head of Department for International Relations, Revenue Service of Georgia: *Ethics as the Building Block for Increasing Tax Compliance*



The speaker presented the experience in Georgia and offered a very good example of how improving ethical behaviours could enhance trust on tax administration and eventually contributing to a more efficient collection of taxes. In other terms, increasing tax compliance starts from building trust on tax administration and that is why fighting corruption becomes one of the highest priorities.

Mr Uridia presented some measures taken by Georgia to counter unethical behaviour: improvement of legislation; cut of number and rate of taxes; raise of salaries; establishment of electronic services; introduction of taxpayer-oriented institutions and projects; and many others. All those initiatives had a very positive effect on both taxpayers and tax officers' ethical behaviours.

Consequently, developing an ethical culture among tax officers is essential. Especially nowadays, when tax administrations have unlimited access to sensitive tax information, prevention and detection of confidentiality breach must be vital.



MR VICENTE PEIRATS

MR VICENTE PEIRATS, Economy and Tax Service Inspector, Spanish Tax Agency: *Information Security and Data Protection in the Spanish Tax Agency*

The speaker started by highlighting that the experience of the Spanish Tax Agency (AEAT) showed how the relevance of information technologies in its whole activity implied the

necessity to build up very early a strong and updated Information Security Management System. Indeed, information security and data protection system cannot be considered optional, but imperative for tax administrations and, although costly, a productive investment in the long term. It is clear that an information security system does not guarantee the absence of incidents, but it assures a general compliance and gives confidence to taxpayers and employees.

Mr Peirats continued with explaining that the Spanish experience also shows that security is not an absolute concept but a relative one; it is not a goal to be achieved once a time, but a path of continuous adaptation to new challenges. Moreover, data security is a global affair which needs national and international alliances between tax administrations (and public administrations in general) to share information, knowledge and expertise.

In his final remarks, it was stressed that if ethics regards people behaviour, focusing on human resources must be essential for each administration.

The experience of CIAT as well as Sweden, Georgia and Spain offered a comprehensive picture of how ethics should be a central issue for the tax administrations (and not complementary or completely disregarded).

Following the debate amongst the members of the panel and questions raised from the floor, conclusions were drawn as follows:

- Tax administrations should aim at being an example in terms of ethics.
- Ethics is an alive issue, raising awareness internally and externally is essential.
- Set of initiatives (guidelines, objective procedure, reporting activities, internal audits) are necessary but people behaviour (i.e. investing in human resources) remains the key.



Session 3 - Relations between tax authorities and taxpayers/customers

In an era of massive flows of taxpayer data along with increasing risks of data leaks, tax administrations face the challenges of ensuring the protection of taxpayer data and adhering to good governance practices to meet taxpayer expectations about the confidentiality of the information that is shared. Illegitimate use of data and hacking are major concerns of corporate taxpayers, also because of the competitive implications. The development of a fair and sound interaction between tax administrations and taxpayers/customers is of critical importance for the efficiency of the tax systems.

Representatives from several IOTA member tax administrations presented their good governance practices that would result in a better tax implementation, more quality services and eventually higher tax compliance. The expectations of taxpayers and the role and involvement of intermediaries in that context were voiced by representatives from the tax consultancy.



PROF. DR. ANDREAS WISMEIJER

PROF. DR. ANDREAS WISMEIJER, Tilburg University, the Netherlands, Department of Clinical Psychology and Financial Psychology, talked about *Exploring the "Self" in "Self-service" - Behavioural Principles*.

The speaker started by characterizing the relationship between taxpayer and tax administration as a (mostly unbalanced) "marriage for life". He highlighted that the behaviour of taxpayers, like other humans, is not always rational, but determined by many interacting factors, i.e. emotions, memories, associations, beliefs, desires, etc. Tax administrations should bear in mind that the taxpayer is not a „homo economicus” and that the concept of a rational taxpayer that consciously makes decisions is not realistic.

Simply telling taxpayers/humans what they should do because (a) it is better for them, (b) it is better for all of us, (c) it is morally superior, or (d) because the tax authority so demands would, therefore, only yield very disappointing results. To promote self-service and compliance tax administrations should not consider the "taxpayer", the "consumer", the "partner" or the "stakeholder", but the "human". Tax administrations should, therefore, use psychological principles to promote compliance, not just legal considerations. This means in practice that tax administrations should make it easy for taxpayers (minimum effort, maximum output), using pre-completed digital forms and receiving immediate feedback following action. They should also have taxpayers sign before completing forms and use eye images to increase cooperative behaviour. He added that nudging has proven to be a very useful and successful psychological tool to improve taxpayer compliance.



MR IAN VALENTINE

MR IAN VALENTINE, Assistant Director, Large Business Task Force, UK HMRC, spoke about *How HMRC is involving large businesses in the preparation of legislation and rulings, and acting as a reliable and trustworthy authority*.

He explained that five different parties are involved in the taxpayer – tax administration relationship: (a) the taxpayer, (b) the tax administration, (c) the public (influencing a taxpayer's reputation), (d) other tax administrations abroad, and (e) the European Commission with its common rules. In his view, transparency is an important element to build trust and enhance taxpayer compliance. He stated that a collaborative compliance program for large taxpayers encourages good relationship between tax administration and taxpayer, and encourages the public to believe in equal treatment.



The speaker concluded that transparency, fairness, respect, and equal treatment are the most important elements in the interaction between tax administrations and taxpayers/customers.



MS ELINE SPROS-VIERKANT, Director of Customer Interaction, the Netherlands Tax and Customs Administration (NTCA) spoke about *Help the Helper Strategy*.

She mentioned that several projects for further development of the NTCA's interaction strategy have been launched recently. The vast majority of the projects are aimed at digitalization and funnelling more and more customers through the NTCA's online platforms. This causes a significant reduction in the number of physical visits to the NTCA offices by private individuals. Over the course of this development the NTCA learnt several new insights. One of these insights is that with digitalisation there is a substantial group (17 %) of non-self-reliant citizens, i.e. people that cannot find their way to the tax administration because they are not aware if they have a question or a problem or because they experience physical or mental obstacles to do so.

Under supervision of the speaker, a project creating a safety net for this group has been initiated in the Netherlands: the "Help the Helper Strategy". The project aims at closer

cooperation with social service organisations and individual workers with fiscal knowledge that can support non-self-reliant citizens with their dealings with the tax administration. It also encourages good relationship between taxpayers and tax administration and increases trust.

The digital knowledge network in the Netherlands provides assistance and is yet more efficient than the traditional approach.



MS MARINA KRASHENINNIKOVA, Deputy Head of the Desk Audit Directorate, Federal Tax Service (FTS) of Russia talked about *Confidentiality and the Protection of Privacy and How This is Ensured by the FTS in Light of Increased, Complex Transactions and Data Flows*.

The speaker highlighted that the development of a good taxpayer – tax administration relationship is a strategic goal of the FTS. Given the limited human resources in tax audits, the FTS has introduced voluntary disclosure programs as part of a cooperative approach. The FTS has remote access to a taxpayer's accounting system and can thus perform efficient data analyses. The problems in relation to data security lie, however, in the third-party participants, i.e. software providers and professional advisors. Therefore, the FTS holds meetings and does networking with taxpayers and third-party service providers to understand the taxpayers' accounting system and IT processes.



MR ALEC PERCIVAL

MR ALEC PERCIVAL, Partner, KPMG Global Services Hungary Ltd. spoke about the *Expectations and Concerns of Taxpayers with regard to Data Security and Tax Compliance*.

He asked what input tax intermediaries could provide for tax administrations to improve taxpayer compliance. He assured that taxpayers want to be compliant, but tax administrations had to make it easier for taxpayers to be compliant. He stated that intermediaries perform a lot of checking and verifying of the taxpayer's data and information and requested more standardisation and fewer changes of the tax rules because these would entail high costs for taxpayers.

The moderator remarked that tax rules were not made by the tax administration, but by politicians.



MS ANDREA RABB

MS ANDREA RABB, Vice-President of Moklasz, Association of Hungarian Certified Tax Experts spoke about *the Role of Tax Intermediaries in the New Situation of Data Exchanges and Data Security and the Expectations of Tax Intermediaries to Tax Administrations in relation to Data Security and Tax Compliance*.

The speaker started with stating that there are 17 different tax types in Hungary and for VAT more than 100 forms and annexes. While tax intermediaries understand that tax administrations need to perform more risk analyses in order to better target audits, tax administrations need to bear in mind that there are contractual relationships in place between taxpayers and tax intermediaries. Intermediaries receive business and personal data from their clients and tax secrets have to be kept by tax intermediaries. She explained that the role of tax intermediaries in times of data exchanges is important, but the number of tax intermediaries would decrease because of the digitalisation.

In her view, hacking and the illegitimate use of data are the major concerns of taxpayers in relation to the increasing exchange of data and the use of third-party service providers, for example, outsourced booking.

On the question from the audience if there could be a conflict of interest between the tax intermediary and the tax administration and if tax intermediaries could be tempted to manipulate data of their clients, the speaker responded that intermediaries try to minimize their clients' tax burden, but only within the legal limits and without manipulation of data. Intermediaries have to follow a Code of Conduct and Ethics and face sanctions in case of misconduct.

Mr Ian Valentine echoed this statement by stating that tax intermediaries are useful because they assist taxpayers to be compliant. Intermediaries can filter out aggressive tax planning and help to improve the relationship between taxpayer and tax administration.

Finally, the panel discussed if blockchain technology could increase transparency and compliance and reduce the cost of compliance. They concluded that blockchain technology can make data transmission more secure, but not necessarily increase transparency and compliance or reduce compliance costs.



Session 4 - Interactions between the media and taxes

This session addressed the influence of a good/bad interaction between media and tax administrations on tax governance in a format of informal panel discussion. Panellists provided an insight on the way a good interaction between tax administration and the media might play a role in earning the public's trust and contribute to good governance.



MS STEPHANIE SOONG JOHNSTON

MS STEPHANIE SOONG JOHNSTON, Senior Reporter, International, Tax Analysts, United States of America

The journalist started by emphasizing that communication is key for good relationship with media. Media has a special role in rapidly changing tax landscape and a good relationship could improve the quality of public debate on tax. She advised to tax administrations to give preference to positive messages and “Do not disappear in case you have bad press. Explain what and why you did and give more stories, more information” – she suggested. She saw some positive examples, i.e. the Irish tax administration which reacted to Paradise Papers in media in a well-prepared and professional way. Misunderstanding can damage relations with media that is why the initiatives of OECD are very useful as they organise a lot of press events, such as tax talks where journalists have opportunity to gain deeper information and raise questions.

She also advised journalists on how to establish good relationship with tax administrations. She underlined the importance of reporting fairly

and accurately and paying more attention to the subject as tax can be very complicated. Knowing well the subject, using the right terms and checking the facts are elementary. Staying unbiased is also crucial and not “burning” the sources is also essential for maintaining good relationships.



MR FRANTIŠEK IMRECZE

MR FRANTIŠEK IMRECZE, President of Financial Administration of Slovakia (President of IOTA)

IOTA's President started with emphasizing the positive aspects of the relationship with media. If tax administrations give more information, provide more content that could result in better media. He also advised to be more proactive in providing information. It is inevitable to provide as many details and information as possible to avoid false or incorrect information to appear.

President also underlined the importance of being available for media which must become a systematic behaviour of tax administrations. More and more public events (i.e. on different occasions such as children day, national day of customs, best taxpayers awards), and briefings would be useful to spread information to the wider public by the help of media. It is better to be overexposed than silent and not being visible enough. Media can share information about tax fraud and the fraudsters – by this media will be an efficient tool to promote tax compliance. Media, however, can also share information about the major tax contributors – by this media helps to build a positive image for those companies, as they deserve respect in the society.



President highlighted an important aspect where media can be very helpful: the education of young generation. In Slovakia education of young people will be advertised also by the promotion of a computer game, which financial administration prepares for younger children. The game will teach them how to use the income of an imaginary country collected in the form of taxes. Each player will be assigned the role of a ruler of the country (i.e. king, since the game takes place in medieval ages) and has to manage income, spending and collect taxes to build a successful country.



MR ROSEN BACHVAROV

MR ROSEN BACHVAROV, Spokesperson, Communications Director, National Revenue Agency of Bulgaria

Mr Bachvarov underlined the importance of changing the attitude towards media; tax administrations must consider media as a partner instead of an enemy. Media can be very useful if tax administrations change their minds and they consider the relationship as cooperation. He also called the attention to the fact that media cannot be considered as homogenous entity. The different types of media, especially television, require different types of communications and information from tax administrations. Tax administrations also must devote more efforts to understanding that some issues are more complex so these need better explanations for media. Deeper

and more targeted information could result in more objective and positive appearance in media. The Spokesperson also stressed that tax administrations should send more tailor-made and catchy messages about their activities, events, results as it is crucial to put themselves in journalists' mind.

Mr Bachvarov also emphasized the need for tax administrations to build personal communication channels as well beyond mass communication. A message can be communicated to everyone by mass media but it is sometimes more efficient to have personal communication, sending e-mails, invitations to certain groups or part of the society.

When trying to improve tax compliance and use communications to facilitate that, tax administrations need to embrace the fundamental principles of social psychology as well. Taxpayers are human beings, their actions, or lack of actions (i.e. lack of compliance) are driven by motivations need to be examined. Research on taxpayer behaviour is more and more in the focus in tax administrations. It is a very interesting question to which extent bad behaviour need to be communicated and shared in media. He raised the issue: Do we agree that communicating the example of "bad guys" could be useful in deterring others? We can state that it can influence others; some bad examples need to appear - he concluded. Tax administrations need to build trust, showing bad example is part of it, communications are crucial in this respect.

Communication is more effective than expensive and it requires a lot of control. He shared the positive experience of Bulgaria in this respect: the Revenue Agency invested a lot into a dialogue with trade unions to explain the main issues and also what is expected from them. This turned to be very successful.



Session 5 - The fight against tax scams

This session analysed measures that tax administrations are undertaking to monitor the security of their IT systems and countering potential threats involving tax scams and fraudulent communications aiming to steal identity and fraudulently claim tax refunds.



MR TÕNIS KUUSE

MR TÕNIS KUUSE, Head of Data Security in the Estonian Tax and Customs Board: *Experience of Estonian Tax and Customs Board in the Fight against Tax Scams*

He started by describing the on-going setting of a digital tax administration, replacing the traditional declaration process by data-driven information exchange, where every task can be carried out electronically (returns filing, payments, registration, certificates, enquiries, notifications, etc.).

He then addressed the access to tax and customs via secure gates, presenting the cyber security framework put in place in Estonia.

He also mentioned the importance of international cooperation to fight against cybercrime.

Finally, he said that the Tax and Customs Board is considered as one of the most trustable public institutions in Estonia.



MR ASKO PAJUNEN

MR ASKO PAJUNEN, Strategic Director in the Finnish Tax Administration: *Identity Criminality*

The speaker presented several examples of VAT refund fraud attacks that took place in the last years in Finland and how the Finnish tax administration reacted, adapting its procedures. Firstly, by risk-profiling and acting quickly, following the changes in the fraud patterns. And more recently, responding to such criminal practices as identity theft of compliant taxpayers or switching bank accounts' numbers, by changing legislation and creating secure e-identity.

Through these scams both social, healthcare and tax benefits can be obtained. As a result of these crimes, involving a VAT loss in the range of 60 – 70 million euros, the anti-fraud function in Finland was enhanced, with rapid reactively VAT (de)registration, desk controls, audits, police/customs criminal investigation and cooperation and risk management.

Since these scams operate across the borders, he suggested to set up a fast-international exchange of information system, whereby once a perpetrator is identified in a country, the information is communicated to the others.



MS EUGENIE DE LANGE

MS EUGENIE DE LANGE, the National Contact Point of ENFIN and Project Member FCINET: *ENFIN: Financial investigation! An Opportunity to Fight All Forms of Organised Crime*

The speaker provided the background for the ENFIN project, which is being sponsored by the FIOD, the Fiscal Information and Investigation Service of the Dutch Ministry of Finance. The structure and functions of the FIOD were presented (FIOD covers a wide range of financial crimes, not being limited to tax and customs criminality) and, since 80% of the FIOD cases have an international component, and fraud is getting more digital, international and complex, two different initiatives were launched, the ENFIN and FCINET.

ENFIN, the European Network of Financial Investigations, is intended to become the leading European network of financial criminal investigation, connecting investigation agencies, strengthening knowledge and engaging with industry and academia. Working groups of practitioners will be formed in order to address topics such as digital evidence and new payment methods.

FCINET, Financial Criminal Investigation Network, aims at strengthening and intensifying cooperation amongst financial criminal investigation services within the EU and beyond. The project is being sponsored by the FIOD and HMRC (UK) and a few countries are in a pre-joining stage.

ENFIN wishes to partner with IOTA and a few initiatives are to be launched, such as international conferences and practitioners working groups.

Following the debate amongst the members of the panel and questions raised from the floor, conclusions were drawn as follows:

- Information security is an on-going process – it is essential to know who is who in the cyberspace;
- Tax administrations need to balance simplification (for registration) and security (abuses of tax identity). Solutions may rely on fast reaction and domestic and international cooperation;
- There is no single solution for combating tax crimes. This trend is a challenge for tax administrations. Tax security should be driving data policy in tax administration.



Session 6 - Tax and development

In the last session the implication that an efficient data managing and good tax governance can have for developing countries was examined. New opportunities available in capacity building policy towards developing jurisdictions were presented.



MR ENRIKO AAV

MR ENRIKO AAV, Senior Economist, Fiscal Affairs Department, International Monetary Fund: *Tax Data and Governance*

The speaker started mentioning that big data provides opportunities in increasing responsiveness and transparency, but also brings risks and challenges. Data security, tax organisation capacity to process and protect data as well ability to interact with other government bodies in this mode was mentioned.

He added that tax administrations and taxpayer relationships are now much more influenced by technology, more than ever before. In this regard trust needs to be built and enforced while using new technologies. Not a "lot of data" but rather "enough data" need to be collected and should be used properly.

It is easy for the administration to get lost in multiplicity of exciting opportunities that data provides and this need to be contained. We should always remember that the role of the tax administration is to achieve tax compliance in

the most efficient way. And this is what a new IT system is to provide for. Good governance practices will help the administration to stay mindful and will prevent them from being carried away by all the possibilities that are not really needed.

The speaker concluded that technology cannot drive development alone, but rather it can be an integral part and a key vehicle of development program of a dedicated leadership of a given tax administration. The opportunities of modern IT solutions have to be utilized by developing tax administrations, but strong governance should be built to address the risks that these solutions will bring.



MR HARRY TONINO

MR HARRY TONINO, Chief, Capacity Development Unit, Department of Economic and Social Affairs, United Nations: *Tax Capacity Building in Support of Sustainable Development - Bridging the Gaps as a Pathway to Fairer Tax Governance and More Effective Revenue Collection*

The speaker started with presenting the 2030 Agenda for Sustainable Development, which lays out an ambitious set of commitments to end poverty, hunger and to achieve sustainable development in its three dimensions through promoting inclusive economic growth, fostering social inclusion and protecting the environment. The Addis Ababa Action Agenda on Financing for Development provides a global framework for financing sustainable development by



aligning all financing flows and international and domestic policies with internationally agreed economic, social and environmental priorities.

He stated that the Addis Agenda calls for improving the fairness, transparency, efficiency and effectiveness of tax systems, including broadening the tax base, fighting tax avoidance and evasion and ensuring that companies pay taxes to the Governments of countries where economic activities take place and value is created.

He added that the Addis Agenda also emphasizes the importance of international tax cooperation and noted that it should be universal in approach and scope and should fully take into account the different needs and capacities of all countries.

The speaker concluded with an overview of the capacity building activities carried out under the United Nations Capacity Development Programme on International Tax Cooperation, including those implemented in partnership with other international organisations, as well as regional tax organisations.



MR TOBIAS FLECKENSTEIN

MR TOBIAS FLECKENSTEIN, Advisor, International Tax Compact Secretariat: *Activities of the International Tax Compact towards enhancing domestic revenue mobilisation on a global level*

The speaker started with presenting activities of the International Tax Compact (ITC) towards

enhancing domestic revenue mobilisation (DRM) on a global level. He referred to the Addis Tax Initiative (ATI), a multi-stakeholder platform of development partners and partner countries that aims to catalyse significant increases in domestic revenue and to improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. The 41 ATI signatory countries (21 partner countries, 20 development partners) have committed to increase their efforts to fulfil the three ATI commitments.

The speaker also presented the Network of Tax Organisations' Secretariats (NTOS), which is intended to be a network of regional and international organisations of revenue administrations to provide a forum for cooperation and coordination. IOTA is part of this project. The objective is to provide peer learning and the sharing of experiences and the provision of services, products and information.



MR JB HILLMAN

MR JB HILLMAN, Director, Global Development, Vertex Inc: *Technology: Impact on Tax Administration Effectiveness*

The speaker started with stating that tax administrations are under ever-increasing pressure to ensure strong administrative capacity. The realities of doing more with less, demands of internal and external information sharing, and accelerating changes in the tax landscape, require tax that administrations



have the technology capabilities to address these challenges.

The ability to demonstrate where the revenues are going is critical to build trust with citizens, other tax administrations, and tax payers. In addition, new technologies such as machine learning and blockchain create brand new opportunities for reducing costs.

The speaker concluded that technology must be a part of any tax administrations strategy for improving compliance and reducing costs. Both critical baseline capabilities and the willingness to understand emerging technologies are essential in augmenting human capital and keeping pace with corporate taxpayers. The speed of globalisation and technology advancement only increases the reliance on technology.

Following the debate amongst the members of the panel and questions raised from the floor, the following conclusions were drawn:

- Fiscal revenue is the most sustainable source of economic development;
- Technology in tax administrations cannot drive development alone, but it can be a powerful instrument for increasing efficiency and transparency when developing tax administrations;
- Big data provides opportunities in increasing responsiveness and transparency, but also brings risks and challenges that need to be considered and mitigated.



Closure and wrap-up of the Conference

MR MIGUEL SILVA PINTO, the Executive Secretary of IOTA concluded the event, by emphasising that, in the digital era, where more data is being channelled to the tax administrations, data security should be considered as a major concern; more data entails more risks. He said that the expectations of taxpayers towards the activities of their administrations are high. They demand their tax systems to be fair, simple and transparent.

He underlined that good data governance helps to create trustworthy relations between both parties, hence contributing to increase tax compliance. Thus, reputation is a key to influence good behaviour on the part of taxpayers.

On the other hand, tax administrations must be able to move with the changes and use media to send out the right messages.

He finished by announcing the realisation of the next General Assembly of IOTA, scheduled to take place on the 25-27 June 2018 in Bratislava, Slovakia under the theme “Impact of digitalisation on the transformation of tax administrations”.

He also announced that the next Annual International Conference of IOTA will be a joint event with the CIAT – Inter-American Center of Tax Administrations – hosted in Lisbon by the Portuguese Tax and Customs Administration, in October 2018.



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