

### Disruptive Trends and New Business Models: Challenges and Implications for the 21<sup>st</sup> century Tax Administration

We, the Heads of Tax Administrations or their representatives from 41 of the 44 member countries and 13 international organisations, met in Kyiv, Ukraine on 28-30 June 2017 for the 21st General Assembly of the Intra-European Organisation of Tax Administrations (IOTA), organised with the support of and under the Presidency of the State Fiscal Service of Ukraine. It was attended by over 150 delegates from Member Tax Administrations, high ranking officials of the Government of Ukraine, European Union, Organisation for Economic Co-operation and Development, Inter-American Center of Tax Administrations (CIAT), International Monetary Fund and other representatives of international organisations, tax practitioners and academia.

The professional theme of this year's General Assembly was "Disruptive Trends and New Business Models: Challenges and Implications for the 21st century Tax Administration".

Changes in the global economy are leading to the emergence of innovative business models. These new business models are posing challenges for tax administrations, in particular, determining the tax point for cross-border transactions and supply of services. Technological advances also create opportunities to improve tax services and compliance strategies and modernise tax audit and collection.

The technical programme of the General Assembly provided the opportunity to debate the challenges, opportunities and implications of disruptive trends and new business models for the future of tax administrations, with regard to:

- Compliance Treatment of Operators and Users of Sharing Economy Business Models
- Tax Administration in the Age of Blockchain Technology
- Developing Skilful Workforce to deal with Challenges of Digitalised Economy

Our discussions led us to these general conclusions:

1. Legislative gaps create risks for tax evasion and open up opportunities for tax planning. Therefore, legislation needs to adapt quickly to deal with digital P2P, B2B, B2C and C2C businesses in relation to all aspects concerning taxation (compliance, assessments, audits, enforcement).

2. In relation to their human resources, tax administrations face the challenge of retaining and retraining their staff and they must also be flexible and attractive employers to be competitive with the private sector in hiring new staff with the skills and talent to respond and take advantage of the new technologies.

3. Digitalisation can make the tracing of the supply of goods and services carried out using the new technologies more difficult. This can cause distortions of competition in relation to traditional trade. One area of specific concern relates to the emergence of new business models, whose key features include mobility (e.g. intangibles, automated business functions), reliance on data and other forms of user input and the spread of multi-sided business models.

4. Tax administrations need to respond to the changes in the economy and address the needs and expectations of taxpayers. In order to better understand new technologies, tax administrations need to engage together with providers and influence the process development.

In the fast-changing, ever evolving world of digital technologies and collaborative economy, developing and building ways for cooperation, standard setting and capacity building of tax administration have been embedded into the work of international organisations and regional tax organisations. As a spectrum of regulatory and tax policies for new disruptive trends and business models has emerged, accompanied by varying levels of application and enforcement, international organisations and regional tax organisations can support the development of new knowledge and skills in tax administrations to deal with these challenges.

We, as the Heads of Tax Administrations, their representatives as senior officials and tax experts attending this General Assembly, agree to continue to work closely within IOTA with the aim of sharing best practices and practical solutions for the mutual benefit of all members. This is particularly important at times when tax administrations need to adapt to these disruptive trends that are changing the face of the global economy.

Done in Kyiv, Ukraine

On 30<sup>th</sup> June, 2017