

# FTA UPDATE

## Message from The Chair



Hans Christian Holte, Chair FTA

Dear FTA colleagues,

I hope that you all had a good break over the holiday season and that the start of the New Year has been good for you, your family and your administration.

Since the Oslo FTA Plenary the FTA secretariat has, together with sponsoring tax administrations, been busy in detailing the content and milestones for the different projects and Communities of Interest in our ambitious work programme. Many thanks to all tax administrations for taking part in these workstreams. Surveys have now been sent out to tax administrations participating in the various projects and I would encourage you to fill them in. The success of the projects crucially depends on your experiences, evidence and insights.

There are a few things that I wanted to draw to your attention in particular.

### Maturity models

First, exploratory work on maturity models has now moved to the pilot phase. You will see the background in this newsletter. I would strongly encourage you to consider taking part in one of the pilots. This project can have multiple benefits for FTA members individually and collectively, particularly as we go through a period of extensive change management.

I have also recently emailed FTA members on a pilot for a new Peer-to-Peer initiative aimed at facilitating informal targeted advice between FTA administrations. That we can learn from each other, given the similarity of our organisations and challenges, is perhaps something of a no-brainer and I hope that you will be able to support this new initiative.

I am pleased that we have managed to extend the depth and width of our cooperation through the January meeting on enterprise risk management and the upcoming May meeting on human resources and organisational issues – both firsts for the FTA. For many of the participants, this may be the first time that they have engaged in this way with a range of FTA members. These meetings allows administrations to learn from each other across a wider spectrum of tax administration business and to establish new networks.

## Dates and Events

- 12<sup>th</sup> April  
FTA Bureau Meeting
- 3<sup>rd</sup> and 4<sup>th</sup> May  
Meeting of Senior HR officials
- 13<sup>th</sup> to 15<sup>th</sup> June  
FTA MAP Forum

### FTA Bureau meeting

Finally, I would like to let you know that the next FTA Bureau meeting will be in April. In addition to providing guidance on the FTA joint work programme, the Bureau meetings also provide an opportunity for discussions on strategic topics and priorities for future work. If you have thoughts on areas we should focus on, whether that is particular themes such as use of blockchain or ideas for further collaboration such as joint procurements, I would be delighted to hear from you at [fta@oecd.org](mailto:fta@oecd.org).

Thank you again for your continued support for the FTA.

Hans Christian Holte

## Feature: Maturity Models – Where is your tax administration?

It was agreed at the Oslo Plenary that exploratory work should be taken forward on the development of possible maturity models to cover the core elements of tax administration.

For those not familiar with maturity models, they are a tool which, together with other inputs, can help tax administrations understand their current level of maturity in a particular area. They also allow them to benchmark themselves (anonymously) against their peers and can assist in strategic decision making and change management processes.

An example may be better than a thousand words. The one below is taken from the Tax Administration Digital Maturity which was drawn up by the Russian Federal Tax Service and the Australian Taxation Office.

The background to the digital maturity model is set out in the OECD publication Technologies for Better Tax Administration which can be found at: <https://goo.gl/6N5mGa>.

Following a very encouraging meeting of an advisory group of FTA members in January, work is beginning to build on the digital maturity model by extending the approach to other core and cross-cutting areas of tax

administration. This will first be tested by pilots in three areas:

- human resources
- tax debt management
- compliance burdens

The intention is to take forward the work on the pilots in groups of 3 to 5 FTA members. What would be involved would be working (remotely) with the other participating tax administrations on:

- determining the different themes within an area and the corresponding descriptions of the different levels of maturity;
- development of underpinning guidance to help facilitate objective self-assessments;
- and piloting of the maturity model within your own tax administration when the model is sufficiently developed.

Category	Heading	Assessment Criteria				
		Nascent (1)	Emerging (2)	Adoption (3)	Advanced (4)	Leading practice (5)
1. Organisation	1.1 Data-Driven Culture	Senior executives have little awareness of the advantages of data-driven approaches.	Senior executives are aware of the advantages of being data-driven, and are exploring initiatives that may generate benefits.	The tax administration understands what being data-driven means. The Chief Data Officer (or equivalent) role or position may have been introduced.	Executives and staff view the tax administration's culture as data-driven. Data-driven approaches are not uncommon throughout the organization. The Chief Data Officer (or equivalent) receives more empowerment.	A data-driven culture exists across all levels of the tax administration, and across all aspects of the tax administration's business including internal and external functions.

We would expect the development of the models and subsequent piloting and evaluation to take around 9 to 12 months in total although the resource commitment should be relatively light over the period. (We will be involving the IMF in this work as well to ensure that maturity models are complementary to their Tax Administration

Diagnostic Assessment Tool (TADAT). An email has already been sent round to FTA members asking for volunteers to participate in the development of the pilots. If you wish to do so, or would like to have further information, please contact the FTA Secretariat at [fta@oecd.org](mailto:fta@oecd.org) by 20<sup>th</sup> March.

### Maturity models

#### Key Features

- Describe processes for achieving outcomes and do not prescribe methods
- Self-assessment basis
- Anonymous
- Provide detailed guidance
- Include supporting metrics
- Minimum expectations will be set out for governance of the use of maturity models

#### Key Benefits

- Provide managers with a good oversight of the level of maturity within their area
- Enable input from stakeholders across the organisation
- Senior leaders can see the overall picture of the tax administration
- Assist in strategic development and change management
- Allow tax administrations to see where they sit relative to peers
- Facilitate the sharing of best practice

## What could go wrong? The first meeting of FTA risk management officials

With many thanks to the excellent sponsorship of the US Internal Revenue Service, assisted by a steering group of FTA members, the first ever meeting of FTA risk management professionals was held at the OECD on 29-31 January 2018.

The idea to bring together experts in enterprise risk management came out of the Oslo Plenary as Commissioners discussed the wide range of risks facing tax administrations. Most expected these risks to grow over the coming years making this a very timely and relevant event. A detailed report of the meeting will be sent to all FTA members shortly.

36 FTA countries completed a pre-workshop questionnaire identifying their top risks.

At the workshop a large number of FTA countries delivered presentations that covered topics including: approaches to enterprise risk management (ERM); methods and strategies for identifying emerging risks; ERM and internal controls, tax compliance risk management, and the shadow economy. There was also an engaging presentation by the managing editors of the International Tax Review and Transfer Pricing Week on the main risks seen by business as well as a look at the key current influences and influencers, as identified in the Global Tax 50.

Participants indicated strong support for setting up a Risk Management Community of Interest to continue the dialogue and help build a network of FTA risk management professionals. There was particular interest in:

- further discussion of country approaches to ERM and emerging risk identification,
- key risk indicators
- ERM Maturity Models and Frameworks
- IT-related risk management tools and systems
- cataloguing key learnings from risk events
- strategies for building management ownership of risk
- and deeper-dives on specific risks.

The steering committee will develop plans for the Community of Interest, including creation of a Risk Management ONE site. Questions about the workshop or the planned Community of Interest can be directed to Tom Brandt, U.S. IRS Chief Risk Officer, at [Thomas.a.brandt@irs.gov](mailto:Thomas.a.brandt@irs.gov) or to the FTA Secretariat at [fta@oecd.org](mailto:fta@oecd.org).



36 FTA countries identifying their top risks

## Australian Tax innovators embrace behavioral insights

*In each newsletter we would like to feature news about innovative developments in FTA member tax administrations. If you have something you wish to share with other FTA members, please let the FTA Secretariat know at [fta@oecd.org](mailto:fta@oecd.org)*

In this newsletter we are highlighting the work done by the Australian Taxation Office on behavioural insights.

A number of tax administrations either have separate behavioural insights units or are embedding this expertise within functional teams. If you want more information about the new FTA Community of Interest on Behavioural Insights, sponsored by the US and Austria, please contact the FTA Secretariat. For more about the background to behavioural insights, you may wish to look at the book by Richard Thaler, father of behavioural economics and recent Nobel prize winner, entitled "Misbehaving: The Making of Behavioural Economics".

The Australian Taxation Office (ATO) uses behavioural insights to help taxpayers to pay debts, lodge their tax return on time and report their income accurately among other things.

The principles also underpin the organisation's digital transformation program which encompasses a large number of innovations including:

- Real time nudges to help taxpayers get their work related expense claims right as they complete their myTax return (the ATO's free web based tax return). These nudges let them know where their claims appear out of step with their peers. When trialled, a significantly higher proportion of people reduced their work related expense claims when nudged in this way.
- Personalised email and text message to individuals about the progress of their returns. When introduced, this contributed to a reduction of more than 25% in both calls and complaints about the progress of returns.

Across the breadth of its work, the ATO has applied behavioural insights to more than 180 activities. Examples include:

- Helping clients pay their debts on time - in 2016-17, 560,000 pre-emptive text message payment reminders were sent to those businesses and individuals judged unlikely to pay on time or at all. These text reminders resulted in on-time payments of \$800 million.

- Encouraging clients to pay their overdue tax debts by giving a clear call to action in debt letters, including using colour to indicate escalating levels of concern.. The redesigned coloured letters saw around a 6% increase in clients finalising or reducing their debt within 30 days in trials.
- Encouraging businesses to bring their tax lodgements and payments up-to-date using personalised emails, doubling the number of businesses that complied.

The ATO's behavioural insights approach is considered to be advanced for a government and tax administration. The small team is also busy spreading the word, training twenty per cent of the organisation's 20,000 staff so far.

## Upcoming meeting of senior HR officials



For the first time in the history of the FTA there will be workshop of senior tax administration HR professionals at the OECD in Paris on 3 and 4 May.

As with the recent meeting of risk management officers (see above), this represents a deepening and widening of interactions between FTA members on areas of common concern. As we saw at the Oslo Plenary, HR and organisational issues are high on the priority list of most FTA Commissioners. The changes in the business environment and the rapid introduction of new technology, tools and data sets present a complex mix of challenges for tax administrations. These include recruitment and retention in a highly competitive market, skill sets and training among many other issues.

The draft agenda will be made available shortly and is expected to cover among other things:

- an exchange of views and experiences on recruitment issues, staff turnover and age profiles, training, retention, outsourcing etc.
- skills gaps and how to address them
- challenges and experience around organisational arrangements, including cross-cutting functions, governance, change management and strategic planning
- the possible development of new tools such as maturity models, a compendium of organizational structures, staff exchange programmes etc.

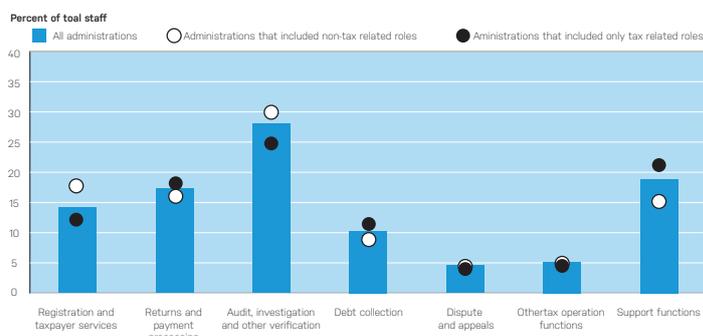
The meeting will be Chaired by the Norwegian Tax Administration. Over thirty FTA member countries have already registered. It is still possible to register by contacting the FTA Secretariat at [fta@oecd.org](mailto:fta@oecd.org) We hope to see you for a fruitful exchange of thoughts and experiences in Paris and to help build a new HR network.

## Did you know? The Tax Administration Series

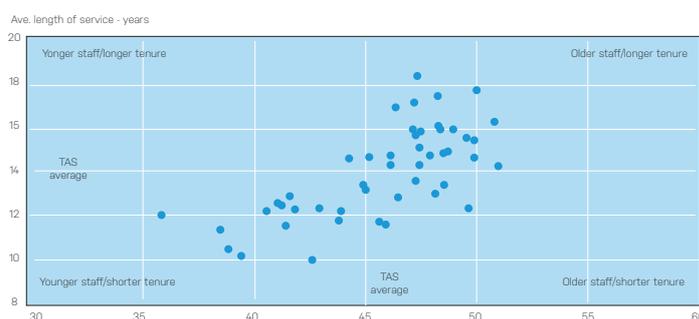
We intend to feature an aspect of the OECD Tax Administration Series 2017 (TAS) in every newsletter. For those who have not had a chance to look at TAS 2017 yet, it is available online at <https://go.gl/HehdWc>. That page also contains a link to the OECD public data portal through which it is possible to search, compile and extract relevant country data. In addition, tax administration officials can also access the secure CIAT/IMF/OECD data portal, which contains the data of more than 120 jurisdictions that have completed the 2016 International Survey on Revenue Administration (ISORA). The best encouragement to look at the rich comparative data sets in TAS 2017 is the Preface by Edward Troup, former Chair of the FTA:

*"The Tax Administration Series has developed into a rich resource of comparable information for tax administrations since the first edition was published in 2004. This comprehensive survey of organisation, process and performance helps tax administrations to understand better how they and their peers are operating. The new 2017 edition contains more analysis of trends and activities and of the changing environment in which tax administrations operate. It includes, for the first time, country-authored articles on some of the latest developments in the field. Our aim in regularly collating and publishing comparable data is to help tax administrations increase the efficiency, effectiveness and fairness of tax administration and reduce costs of compliance. This is an important and shared purpose. Together the 55 tax administrations that participated in TAS 2017 raise some EUR 8.5 trillion in revenue. Even small increases in compliance rates or compliance costs can have significant impacts on government revenues and the wider economy."*

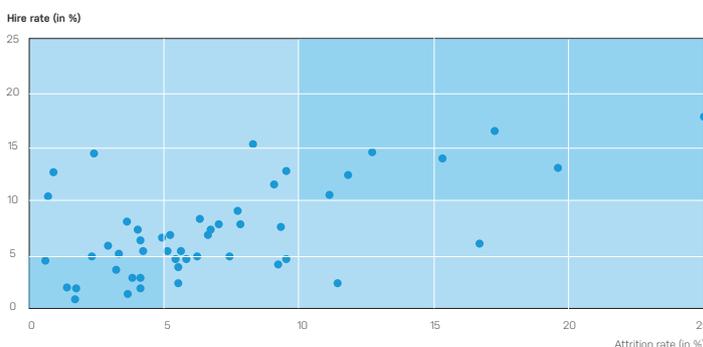
In this newsletter, we are featuring a few of the insights that can be drawn on human resources, relevant to the upcoming workshop of senior FTA HR officials covered in the newsletter. These can be found in Chapter 7 of TAS 2017.



TAS 2017 sets out the average allocation of staff resources across seven areas of tax administration. As you will see, the audit function continues to employ around one third of staff. Despite recent changes in compliance approaches, the percentage of staff engaged in audit and verification work has remained static over the last decade.



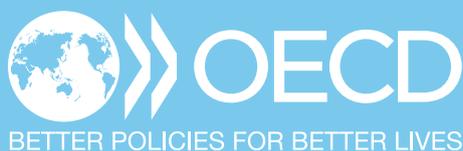
The second chart above shows the average length of service versus the average age profile. This indicates that a significant number of administrations will not only face a large number of staff retiring over the next few years, but that many of these staff will be highly experienced. This raises questions about retention of key intellectual knowledge.



Finally, the chart above shows attrition and hire rates. As TAS 2017 comments, while high attrition rates combined with a low hire rate is usually associated with a general downsizing policy, it may be a source for concern where both rates are high. Having attrition rates that are too low may also not be ideal, particularly in periods of change. As the chart shows, there is a very broad range of attrition and hire rates across FTA members.

### FTA Update

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### Upcoming topics

- News from the Capacity Building Network
- Introduction to the new COI
- The Sharing and Gig economy
- JITSIC post Panama and Paradise Papers