



Twelfth IMF- Japan High-Level Tax Conference for Asian Countries

Digitalization potential for tax administrations

October 25, 26 2022

Margaret Cotton

Deputy Division Chief, Revenue Administration

Fiscal Affairs Department

Key Messages: Tax Administration

- New momentum for digitalization is reinvigorating the core business of tax administration
- The strategic question faced by many administrations is how to best harness this momentum
- A trending focus towards digital ecosystems and scalability of services may be transformational for some
- For most however, improvements in the core fundamentals still usually offers the most potential

Understanding Digital Transformation

Operating Context

Digital Infrastructure

Digital Fiscal Ecosystem

Revenue System

- Tax Policy
- Legislation
- Tax Administration

- **Digitalization** is the conversion of information into a digital format
- In broader context it is a component of **Digital Transformation**
- Thinking on Digital Transformation continues to rapidly evolve
- The topic is a fluid concept affecting relatively rigid revenue systems

A Story of Progressive Iteration

Operating Context

Digital Infrastructure

Digital Fiscal Ecosystem

Revenue System

- Tax Policy
- Legislation
- Tax Administration

The scope of Digital Transformation is –

Structural: Innovation, Scale

Systemic: Reimagined Interactions

Institutional: Reform, Optimization

Operational: Digitalization, Automation

Towards Systemic Value Creation

Operating Context

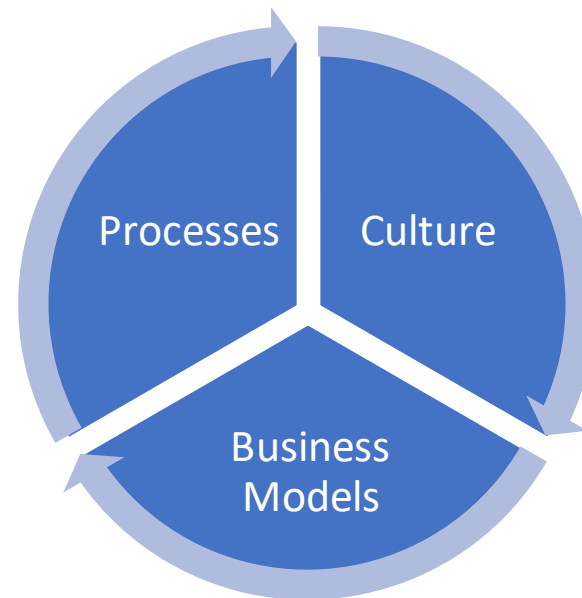
Digital Infrastructure

Digital Fiscal Ecosystem

Revenue System

- Tax Policy
- Legislation
- Tax Administration

Ecosystem Design as an Activity?



Integrated Change:

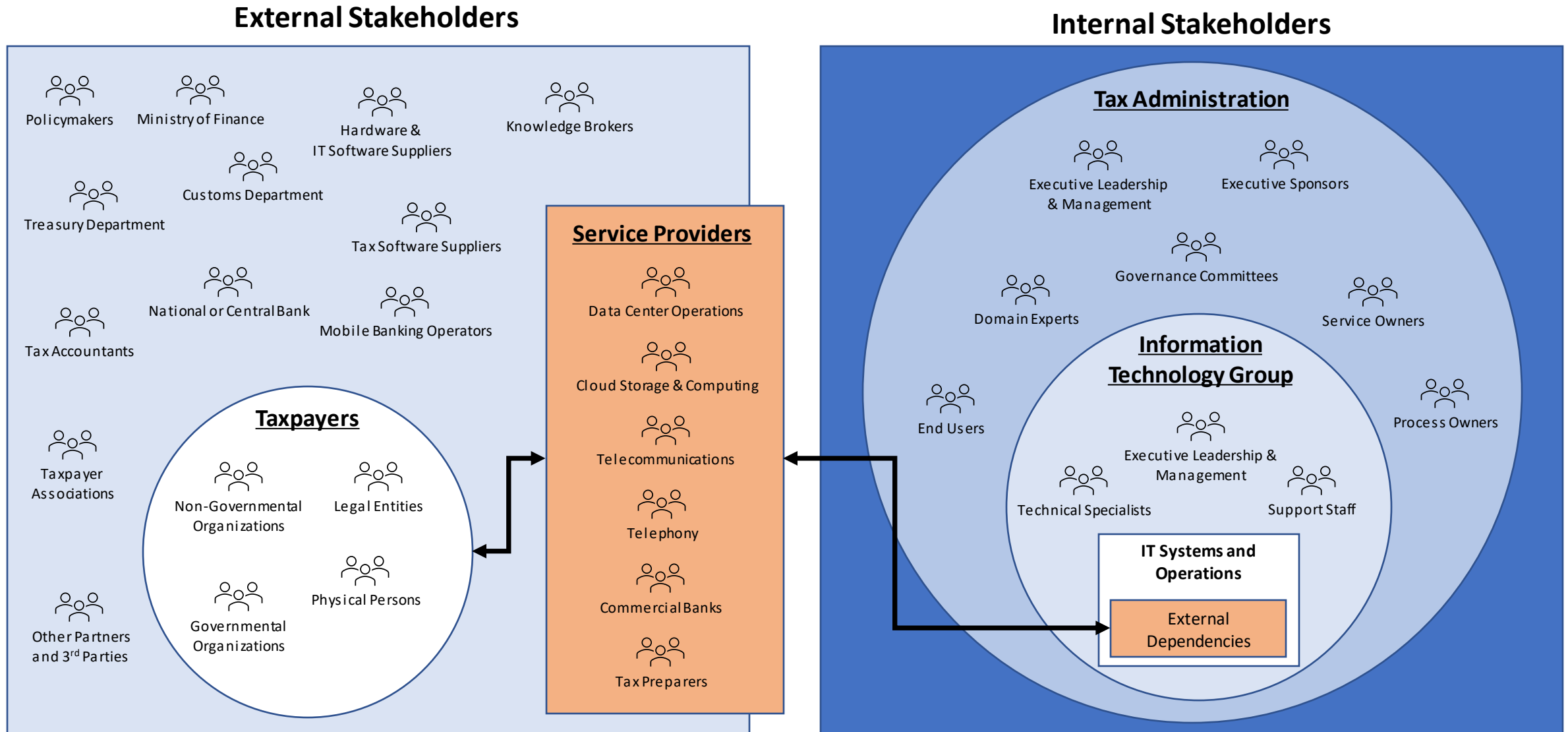
- Stakeholders
- Relationships
- Incentives
- Supply Chains
- Business Systems

OECD Tax Administration 3.0:

- Moving taxation closer to the event
- Taxation embedded in taxpayer business systems

The “Ecosystem” Concept

Digital Fiscal Ecosystem: Tax Administration – *Benefits from More Active Management?*



Recurring Foundational Challenges

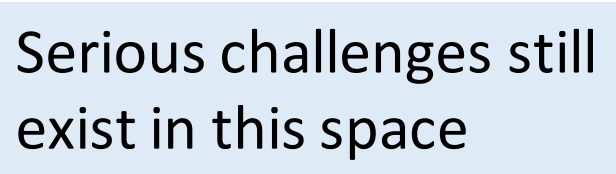
Areas of Special Concern

- A lack of information security resources, awareness and capabilities as investments in the digital space increase
- Problems in core operations (e.g., taxpayer accounting and processing) that ripple throughout other IT services
- Relatively low levels of investment in HQ systems (e.g., HR, Quality Assurance, Enterprise Risk, Program Management)
- Difficulty scaling IT services internally and to taxpayers due to inadequate investment in IT operations and core platforms

Digitalization Potential

Digitalization Potential: Operational

The biggest opportunities for most tax administrations remain unchanged in recent years:

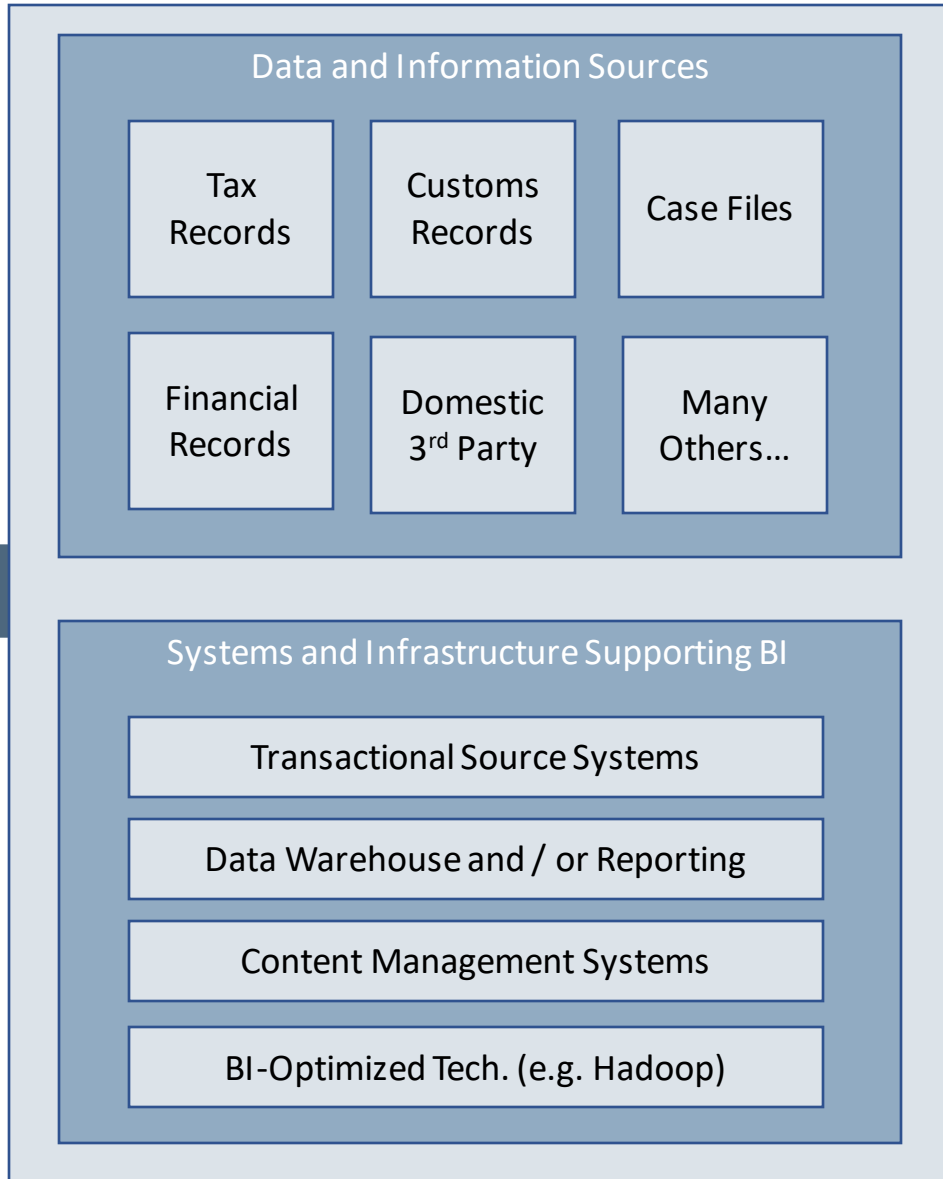
- Digitalizing and automating:
 - Core tax administration processes
 - Centralized support services
 - Extending digitalization to the rest of the organization to achieve a fully paperless work environment
 - Introducing a handful of new, high-value electronic capabilities (e.g., e-invoicing, e-audit)
- 

Digitalization Potential: *Institutional*

Important institutional reforms and capabilities enabled by digitalization are still relevant, including:

- Improvements in organizational design and delivery:
 - Transition to function-based administration
 - Changes in the degrees of tax office autonomy
 - Centralization or decentralization of key functions
 - Standardization of operations across offices
- Effective use of data to improve performance outcomes

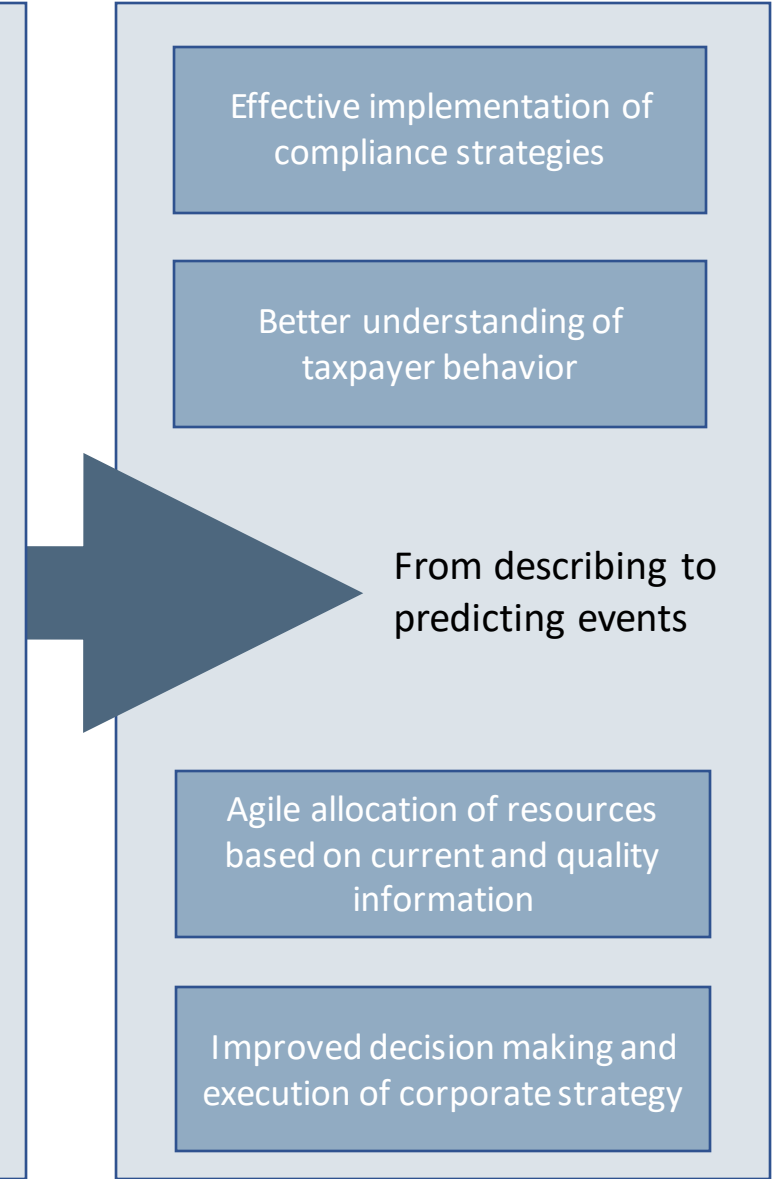
Data Management



From Data to Information



Business Intelligence Outcomes



Digitalization Potential: Systemic

Exciting potential exists for more proactive engagement on external digitalization developments, including:

- Global and regional capacity development mechanisms
- Studies to map and analyze the relevant digital ecosystems
- Analysis of key stakeholders and supply chains (e.g., software)
- Identification of digitalization strategies leading to new revenues
- Cooperative development of sectoral roadmaps and blueprints
- Establishment of new digital communities and centers of excellence
- Focused engagement on related topics (e.g., fiscalization, invoicing)

Digitalization Potential: Structural

Potential also exists to improve the conditions for innovation and the ability to scale services to large numbers:

- Legal framework:
 - Digital Privacy, E-Signature, Procurement, Civil Service Law etc.
- National digital infrastructure:
 - Connectivity, Data Centers, Cloud Computing, Cybersecurity
 - Digital Identity, Digital Payments, Data Exchange

Thank You!