Best Practice of Selected Jurisdictions on Improving Tax Environment

BRITACOM Secretariat

September 2023

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Taxation and Cooperation at the Service of Development: Algerian Perspective

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Taxation and Cooperation at the Service of Development: Algerian Perspective

Abstract: Given the insufficiency of financial resources, all countries, particuladeveloping countries, must seek an adequate financial package to ensure economicgrowth and financing for their development. Faced with a steady decline in oil andgas revenues since 2014, Algeria has adopted a set of measures aimed at diversifying its economy so as to reduce its dependence on hydrocarbons, by undertaking budgetary and tax reform tosupport this new economic vision. These efforts havebeen consolidated by the establishment of an information exchange system and aninternational tax cooperation mechanism. Indeed, Algeria's accession to the Belt anRoad Initiative Tax Administration Cooperation Mechanism (BRITACOM) in 2019 the Global Forum on Transparency and Exchange of Information for Tax Purposes in2021, testifies to its desire for international cooperation for better mobilization oresources.

Keywords: Taxation; Tax administration; International cooperation; Development

1. Introduction

As an essential source of financingfor development, taxation is a cornerstone for the construction of a modern State, providing the necessary financial resources for the Stateto fulfill its sovereign functions and its role as a regulator.

In this thread, States can have several tax instruments at their disposal, in addition to other sources of financing originating in the exploitation of natural resources, with the possibility of resorting to debt.

Indeed, to meet their financing needs, several countries in difficulty benefit from external development aid, either in the form of grants or loans from international financial organizations. In this situation, the States find themselves forced, as regards their budgetary choice, to prioritize the conditions set by the creditors over the expectations of their people.

This is why a State, which derives most of its resources from taxation and from wealth and assimilated products, will easily set objectives that meet the social and economic needs of the country.

In addition, the mobilization of tax resources requires the buildup of the capacities of the administration and the establishment of an equitable and efficient tax system, so as to bring the State closer to its citizens.

2. Taxation in Development Financing

Tax is a source of financing for the Stateand an instrument of its economic policy. It stimulates the Human Development Index (HDI), by allowing States to mobilize resources to intervene in areas inherent to socioeconomic development, such as the construction of infrastructure, social coverage, housing, education, health, etc. The objectives can only be achieved through sustainable and sufficient tax revenues.

The evidence from a simple inter-country comparison shows that, compared with low-income countries, higher-income countries have longer life expectancy, higher school enrollment and therefore higher HDI.

Taxation is also intertwined with the formalization of economic activities, stimulating growth through the promotion of entrepreneurship and foreign trade activities. The implementation of a good tax policy strategy enables the State to collect sufficient and stablrevenue to finance its public expenditure, andto allocate resources through distribution, thus ensuring its role as a regulator in directing the economy and investment.

3. Limited Capacity of Tax Administrations

The lack of tax resources in several developing countries is characterized by a narrow tax base, owing to the low participation of some sectors in the tax collection, as well as the tax exemption of certain sectors, such as agriculture.

Furthermore, the limited capacity of the tax administration in developing countries is an obstacle to any tax strategy, owing to the limited resources deployed and unqualified orinsufficiently qualified staff.

Indeed, the biggest challenge that developing countries face in mobilizing their tax resources lies in tax administration as well as tax policy. This includes all aspects of tax administration, especially digitization and strategies for effective tax collection.

Tax fraud and evasion constitute a real threat to financing for sustainable development They occur inside and outside a country, exploiting fraudulent techniques to reduce the tax base, thus depriving countries, generally the most vulnerable, of the vital tax revenue needed to improve the quality of life for their populations.

It appears that one country alone is unable to find solutions to these problems, so there isa need to bring together international efforts to fight against these tax fraud and evasion bysetting up an information exchange system and an international tax cooperation mechanism.

4. International Cooperation for Better Taxation at the Service of Development

Taxation truly geared towards sustainable development requires certain conditions to be met at both national and international levels. This is why within the framework of fightingagainst tax fraud and evasion and illicit financialflows (IFFs), several countries have coordinatedactions to strengthen control and international tax cooperation, as well as the capacities of their services in this regard.

As such, revenue mobilization is at the center of sustainable development and the eradication of poverty, the delivery of which depends on the establishment of an effective and efficient global partnership, a framework bringing together governments, tax jurisdictions, research institutions and various partners to exploit the momentum generated thereby.

5. Algeria at the Heart of Internal and External Changes

Like all other countries in the world, the COVID-19 pandemic has hit the Algerian economy severely. The pandemic has exacerbated pre-existing economic and taxation vulnerabilities in Algeria, particularly those caused by the 2014 oil shock, which led to a sharp drop in hydrocarbon revenues, putting a strain on the country's growth model. As a result, it is necessary to diversify the economy to reduce its dependence on hydrocarbon revenue.

As such, one of the stated objectives of the Algerian government is to diversify its financial resources for sustainable socioeconomic development, through the modernization of public finances, a deep tax reform for better taxjustice, as well as the increase of activities and budgetary resources out of hydrocarbon revenues.

5.1 Budget Reform

Organic Law n° 18-15 of September 2, 2018 on finance laws, first implemented in 2023, introduced a major reform of the State budget framework. This law, which instituted new rules on drawing up and executing the State budget, also introduced a performance approach to improving the effectiveness of public policies, representing a shift from a logic of means to a logic of results. From now on, budget discussions will focus not only on the means, but also on the effectiveness of spending, to accomplish the objectives defined foreach program.

This new legislation aims to implement more efficient and transparent budget management through, in particular:

- multi-annual budget planning;
- cost analysis accounting for programs in order to assess the efficiency of public action;
- the audit and assessment of expenditure performance; and
- the introduction of the principle of budgetary integrity.

5.2 Tax Reform

To support the government's new vision, which targets the improvement of the investment climate and the diversification of the economy, a tax reform was conducted, based on the following axes:

• the promotion of tax compliance and the improvement of the business climate and the promotion of investment;
• improving resource mobilization capacities and obtaining tax information;
• the fair distribution of the tax burden among economic entities, to ensure a fair redistribution of
national wealth in the course of economic and social development; and
• the completion of the digitization of the tax administration through the promotion and the implementation of its Information System.

In addition, for better efficiency in the -bilization of internal tax resources, the AlgerianGeneral Directorate of Taxes carried out a structural reorganization (executive decree n° 21-252 of June 6, 2021), put in force in December 2021, where a new organization of International Tax Relations Department has been created with the aim of rationalizing international missions, creating new synergies, and broadening the global reach of the General Directorate of Taxes.

6. Algeria's Commitments to the Framework of International Cooperation

It is clear that the outcome of tax administration is largely dependent on the efficiency oits services and the performance of its human resources. In this context, the Algerian General Directorate of Taxes has launched a policy of modernizing its tools and organization, with the aim of increasing general tax revenue (non-hydrocarbon taxation) and better meeting the expectations of taxpayers.

With this in mind and in order to share its experience, Algeria has embarked on the cooperation with its various international and regional partners through the General Directorate of Taxes.

6.l The Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM)

During the First Conference of the Belt and Road nitiative Tax Administration Cooperation Forum (BRITACOF) held on 18-20 April 2019 in Wuzhen, the General Directorate of Taxes, represented by the Embassy of Algeria in Beijing, signed the memorandum of understanding (MoU), thus validating Algeria's membership of the BRITACOM.

Indeed, the BRITACOM is an official mechanism for cooperation between tax administrations, striving to align and complement the experience and practices of existing international and regional cooperation organizations in terms of managing tax administrations.

By hosting the third BRITACOF entitled "Enhancing Tax Administration Capacity Building in the

Post-pandemic Era” on 1921 September 2022 in Algiers, Algeria has demonstrated its commitment to conducting a cooperation dialogue, based on the exchange of experience and the identification of future challenges facing the tax administrations of member jurisdictions, as well as the opportunities available to them to rise to the highest level, particularly in terms of the quality of the services offered, as highlighted by Mrs. ABDELLATIF Amel, General Director of Taxes of Algeria, during the opening speech of this conference.

Lifelong learning for tax administration staff was one of the main topics around which participants exchanged in the third BRITACOF. Indeed, the BRITACOM serves as an ideal platform for providing knowledge products, training courses and technical assistance, as well as for underpinning research and exchanges aimed at facilitating tax administration cooperation between member jurisdictions.

It is clear that the BRITACOM is one of the privileged institutional forums for tax jurisdictions seeking interaction around sustainable development through taxation, an ideal channel for formulating suggestions for tracks to be explored by various members in order to adopt a better tax policy strategy.

6.2 Exchange of Information for Tax Purposes

Algeria has realized that the outcome of tax control actions on cross-border transactions and all aspects related to international taxation is closely linked to the availability of information, which can only be obtained within the framework of the mechanism for the exchange of information for tax purposes.

Indeed, according to studies carried out by the experts of the Global Forum on Transparency and Exchange of Information for Tax Purposes (hereinafter referred to as “Global Forum”), offshore tax inquiries and the exchangeof information on request have considerably contributed to the identification of additionaltax revenue and the effective combat against IFFs in Africa.

In this context, the Algerian tax administration has initiated actions for the implementation and effective use of tax transparency standards, with a view to contributing to the fight against tax fraud and evasion and other IFFs and the sustainable mobilization of national resources, by obtaining cross-border information.

Wishing to further mobilize its tax revenues in the service of development, Algeria joined the Global Forum on 30 August 2021 as the 163rd member, which enables the nurture of a real culture of information exchange for tax purposes in Algeria and will translate in additional revenue for the financing of public goods and services. This accession indeed confirms the commitment of Algeria in the conduct of reforms and changes that are part of a sustainable development approach.

2 Brazil

CONFIA: Building Cooperative Compliance in the Brazilian Tax Environment

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CONFIA: Building Cooperative Compliance in the Brazilian Tax Environment

Abstract: This article introduces the Cooperative Compliance Program of Brazil as one of the BRICS
Best Tax Practices (BBTP) case studies officially launched at the 2022 Meeting of the Heads of Tax Authorities of the BRICS Countries. It demonstrates Brazilian's efforts in fortifying taxpayers' satisfaction and compliance by strengthening dialogue and cooperation between the tax administration (TA) and large taxpayers, and illustrates how to build the Cooperative Compliance Program step by step.
Keyword: Cooperative Compliance; Tax Administration; Large taxpayers; Trust (Confia)

CONFIA, which means Trust in Portuguese, is a project that is implementing a Cooperative Compliance Program in Receita Federal (RFB), the Secretariat responsible for tax revenue in the Brazilian Federal environment.
The project was formally approved at the beginning of 2021. After almost two years of organizing
and planning strategies together with taxpayers, RFB will launch operational tests on September/22 and a pilot phase is expected for 2023.

1. Cooperative Compliance Initiatives

Cooperative Compliance is a set of initiatives developed by several Tax Administrations which aims to evolve the relationship between tax administration (TA) and large taxpayers. Despite diverse features of cooperative compliance programs developed or implemented by different countries, all of them have in common the objective to foster a more cooperative and transparent relationship between TA and large taxpayers committed to tax compliance.

It is expected that the transformation in the relationship is beneficial for both parts. For companies, more dialogue and cooperation could bring higher tax certainty, fewer disputes and less tax provision. The gains for tax administration include, for example, elevation in taxpayers' satisfaction and consequently better allocation of public resources.

2. Beginning of the project

The cooperative compliance program in Brazil seeks to transform the conventionally adversarial relationship between the tax administration and taxpayers that plagued many countries. Furthermore, the Brazilian tax environment is also associated with a high level of complexity of the tax law, which leads to an extremely large volume of tax litigation and wreaks high uncertainty and administrative costs on both parts.

The Cooperative Compliance, or Confia Project, was created as one of the strategies adopted by the Brazilian Tax Administration to deal with this problem.

Some factors were essential to the launch of the project. For example, the Tax Administration leadership mindset, the Tax Administration Diagnostic Assessment Tool (TADAT) assessment, the existing awareness of Cooperative Compliance across the tax administration and the support of three important Brazilian business associations: the banks' association; the publicly listed companies association; and the Applied Tax Studies Group. Receita Federal has established formal partnerships with these three associations and invested in building trust with their representatives, through which it reaches the taxpayers eligible for the Program and cultivates trust as well.

The Confia team in Receita Federal has also solicited external help from the Organisation for Economic Co-operation and Development (OECD), via its team that was working with the Brazilian TA on transfer pricing. Initial guidance was given on its inception, essential features and eventual challenges. They brought the study on the Swedish experience to Confia team's attention, which galvanized Brazil into the vision of designing a Brazilian Cooperative Compliance Program with the big taxpayers from the very start.

3. Changing the mindset: from building to taxpayers to building with taxpayers

As discussed above, one of the pillars established for the Confia was building together with the taxpayers. This idea was conceived after extensive studies of international experiences and based on the demands of large companies for more dialogue exposed in a survey made among Receita Federal employees and large companies' managers and directors. Because of current negative presumptions, a lot of time needed to be invested in building trust with the taxpayers in the first year of the project.

As a result, of almost a year of dialogue and improvement of the relationship between the parts, a Forum was established, where Receita Federal, the three taxpayers associations and more than forty of the Brazilian largest companies took part.

In addition to building an environment for exchange and cooperation, it was defined that the Forum Dialogue would be the place where Confia would be built. To this end, three working groups were set up. Each of the three groups, which consists of as many members from the Tax Administration as from companies, would be responsible to develop a proposal for a structuring element of the project:

(1) Code of Good Tax Practices – a set of principles and values that should guide this new relationship between the Receita Federal and taxpayers participating in Confia;

(2) Tax Control Framework – tax governance guidelines for companies participating in Confia, the adaptation to which demonstrates their commitment, including their top management, to tax compliance and lawful and responsible tax practices;

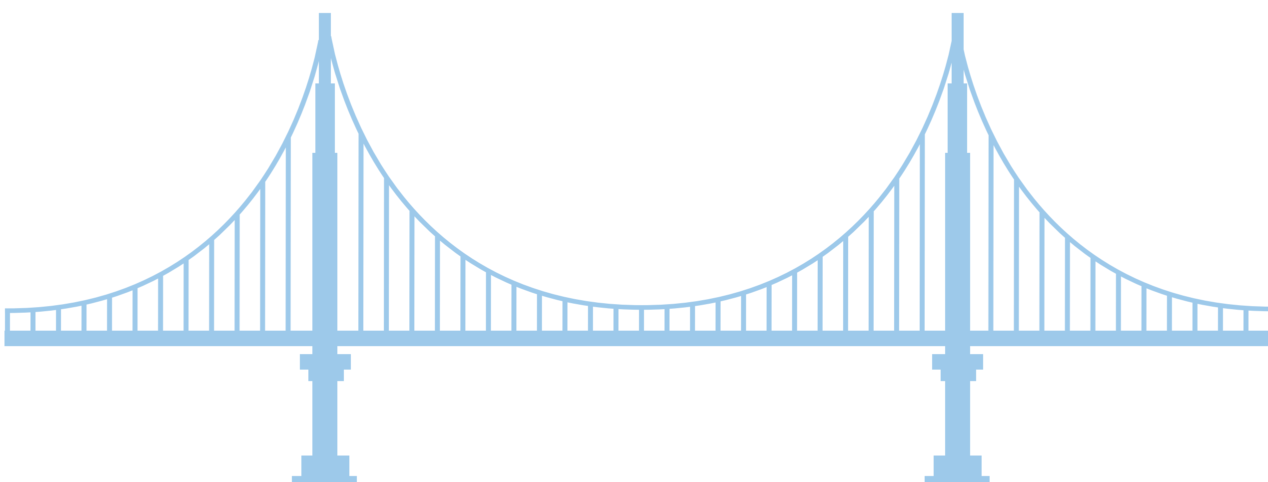
(3) Confia Model – creates the program's operating rules and specifies the commitments to be followed by each of the parties.

4. Next steps

Yet between September and December of 2022, operational tests will be carried out to validate the initial proposals designed by the working group of Confia Model. Nine companies have volunteered to test proposals for improvement in the RFB's work processes and to discuss tax doubts and fiscal risks identified with RFB. The objectives is to explore a more cooperative relationship, seek a faster and more agile resolution of inconsistencies captured and build up the ability to offer greater legal certainty on tax doubts or points that may raise interpretative conflict between RFB and taxpayers.

Also in 2022, an additional working group is planned to draw on the actual scenario, especially for the sake of legal tax framework, and formulate proposals to deal with situations when there is a disagreement between tax administration and taxpayers. In the course Confia Model and Code of Good Practices working groups were identified by both parties that are essential to creating conditions and mechanisms to solve disputes and find solutions for cases that are different points of view on tax legislation, guaranteeing cooperation and transparency when it is most necessary.

Finally, the pilot phase of the Program is scheduled in 2023, when the entire model built for Confia by the working groups is expected to be broadly tested.



A Study of China's Tax Environment (2016-2020)

The BRITACOM Secretariat

A Study of China's Tax Environment (2016-2020)

Part 1 Introduction

It is universally acknowledged that a good business environment is essential to the development of enterprises. A market-oriented, rule of law-based, and internationalized business environment is not only highly relevant to China's further opening-up, but also crucial for the country's high-quality development and modernization of governance. In recent years, China has continued the reforms of delegating power, streamlining administration, and improving government services, focusing on the transformation of government functions, in order to stimulate the initiative and resilience of market entities.

China is committed to optimizing the "soft" business environment to boost its "solid" economic development.

Tax environment is an important part of the business environment. Since 2016, China's tax authorities fully implemented decisions made by the Chinese government to promote China's business environment, and thereby made a series of remarkable achievements.

Based on three strategic goals, strengthened the top-level design of the tax environment.

Building a convenient, efficient, and intelligent market-oriented tax environment

01

From 2016 to 2020, China's tax authorities fully implemented the major decisions of the Chinese government on tax and fee cuts,including tearing down unreasonable institutional obstacles, following market rules, optimizing tax payment procedures and simplifying documentation submission with new tax service measures introduced and"smart taxation" promoted, service for market entities further elevated, greatly unleashing vitality of market and social innovation.

Building a stable, fair, and transparent law-based tax environment

02

From 2016 to 2020, China promoted the rule of law to a new and higher level concerning the state, government and society. China's tax authorities adhered to the principle of statutory taxation, continued to improve tax legal system, strengthened the legal basis for taxation, and standardized tax law enforcement, which provided strong support for building a rule of law-based tax environment.

Building an open, inclusive, shared, and internationalized tax environment

03

From 2016 to 2020, China's tax authorities supported the country's high-level opening-up to the outside world, earnestly strengthened international tax exchanges and cooperation, and improved international tax administration. A multi-level and multi-dimensional framework of international tax cooperation is built to promote high-quality development under the Belt and Road Initiative, in which multilateral cooperation and bilateral cooperation enhance each other, and international and regional organizations support each other. This framework is aiming at building a growth-friendly internationalized tax environment.

Undergoing three stages of development, continuously improved tax governance capabilities and built a market-oriented, law-based and internationalized tax environment.

The Starting Stage (2016-2017)	China sped up the reform of its tax regime as part of its efforts to improve its business environment. According to the arrangements of the Chinese government, China's tax authorities focused on streamlining administration, delegating power, strengthening regulation, and improving services.
The Progressing Stage (2018-2019)	The Chinese government adopted decisions to boost tax modernization and deployed China's own "doing business" environment measurement. The State Taxation Administration of China led local tax authorities to complete the merger of state and local tax administrations at the provincial level and below. At the same time, efforts were spent around some key objectives such as "reducing steps and visits, simplifying procedures and documentation requirements, lowering the threshold and costs." China's tax authorities at all levels were actively engaged in building a market-oriented, law-based, and internationalized tax environment.
The Leading/ Exceeding Stage (since 2020)	China has been implementing the Regulations on Improving the Doing-business Environment, which proposed higher requirements on optimizing China's doing business environment. China's tax authorities have conscientiously implemented the Regulations and, together with other relevant departments, issued the Notice on Implementing Measures to Promote Tax Payment Facilitation and Optimize the Tax Environment. In the meantime, China's tax authorities are committed to improving the quality and efficiency of tax services and promoting tax modernization in four aspects.

2016 2017 2018 2019 2020

The tax and fee service system being enhanced, market entities' sense of gain and satisfaction continued to increase.

Measures to relief tax and fee burdens have been fully implemented in a holistic manner to really benefit businesses and people at large. From 2016 to 2020, China's tax authorities took a range of measures to ensure the smooth transition from Business Tax (BT) to Value Added Tax (VAT), which completes the chain of deduction for the secondary and tertiary industries and create substantial benefits for taxpayers.

From 2016 to 2020, tax and fee cuts totalled more than 7.6 trillion yuan.

2016	Total tax cut by replacing BT with VAT	reached 573.6 billion yuan
2019	The VAT reform was implemented in full swing	a total of 9,791,400 general VAT taxpayers benefited from tax reduction
	Monthly VAT exemption enjoyed by small scale VAT taxpayers was raised to 100,000 yuan	an increase of 4,557,700 small scale VAT taxpayers enjoying exemptions or reductions
	The threshold for small and thin-profit enterprises eligible for tax incentives was significantly lowered	an increase of 522,000 taxpayers enjoying Corporate Income Tax (CIT) exemptions or reductions
	The reductions for "six taxes and two fees"	an increase of 41,085,000 taxpayers were benefited

Innovative tax payment measures were implemented to simplify the procedures. China's tax a uthorities managed to reduce the burden on taxpayers through the reduction or merger of tax matters, the relaxation of requirement for

93%	50%	8 working days
The number of tax administrative approval items has been reduced by	The submission of statements and documentation has been reduced by	The time needed for export tax refund has been reduced to

By the end of 2020

With steady progress, tax legislation entered a new stage. The Legislation Law of the People's Republic of China, as amended in 2015, clearly defines the principle of statutory taxation, under which the "one law for one tax" approach began to take effect.

11 out of 18 taxes had been legislated, laws are being formulated for other taxes

By the end of 2020

Through joint efforts of all related parties, the tax administration system was optimized by improving quality and efficiency. After two rounds of tax administration reform, state and local tax administrations at the provincial level and below have completed the process from “cooperation” to “merger”, involving millions of personnel of tens of thousands of units at four level and below, as well as hundreds of millions of taxpayers.

As the reform put people in the first place in the drive to improve services, the taxpayers satisfaction has improved year by year. China’s tax authorities paid close attention to the needs and concerns of taxpayers, and gradually improved the quality and efficiency of services by optimizing service measures.

The score of taxpayer satisfaction according to third parties

2016	83.61
2020	86.1

Part 2 Actions

1. Rule of Law-Based Taxation

From 2016 to 2020, China advanced rule of law-based governance to a new stage. China's tax authorities adhered to the principle of statutory taxation, continued to improve tax legal system, strengthened the legal basis for taxation, and standardized tax law enforcement, which provided strong support for building a rule of law-based tax environment.

1.1 Promoting the rule of law in all aspects of taxation

The principle of statutory taxation was strictly followed. In 2013, the Chinese government clearly put forward the requirement to "implement the principle of statutory taxation" for the first time. In 2015, the Legislative Affairs Committee of the Standing Committee of the National People's Congress made clear arrangements concerning when the existing 15 tax regulations should be made into laws or revoked, after which tax legislation sped up. China's tax authorities have actively participated in tax legislation and accelerated the process of statutory taxation. From 2016 to 2020, eight tax regulations were revised and made into laws.

China's tax laws enacted from 2016 to 2020

2016	Environmental Protection Tax Law of the People's Republic of China
2017	Tobacco Tax Law of the People's Republic of China; Vessel Tonnage Tax Law of the People's Republic of China
2018	Farmland Occupation Tax Law of the People's Republic of China; Vehicle Purchase Tax Law of the People's Republic of China
2019	Resource Tax Law of the People's Republic of China
2020	Urban Maintenance and Construction Tax Law of the People's Republic of China; Deed Tax Law of the People's Republic of China

The process of adopting departmental regulations and normative documents was optimized. In 2019, China's tax authorities successively revised the Measures for the Formulation and Implementation of Tax Regulations and the Measures for the Formulation and Administration of Tax Normative Documents, which provide clear and specific rules for the formulation and administration of department-level rules and normative documents, and establish a long-term mechanism for regularly and intensively reviewing tax normative documents.

From 2016 to 2020

China's tax authorities issued and publicized a total of **11** tax regulations	**269** normative documents	Legitimacy rate reaching **100%**

1.2 Standardizing tax law enforcement

The exercise of discretionary power concerning taxation was well regulated. China's tax authorities are working to standardize the exercise of discretionary power for administrative penalty and improve tax law enforcement on an ongoing basis to increase the fairness of law enforcement and taxpayers' compliance.

In 2016

China's tax authorities issued the Rules on the Exercise of Discretionary Power for Tax Administrative Penalty

It clearly defines the principles and procedures for the exercise of discretionary power for tax administrative penalty, including the principle of "no punishment to first violation". This document offers a unified benchmark for the exercise of discretionary power. Based on this benchmark, provincial-level tax authorities have formulated and implemented their own benchmarks, clarifying the standards,procedures, and scope of the exercise of power for tax administrative penalty, which has effectively addressed the problem of "different punishments for the same situation".

In 2019

China's State Taxation Administration issued the Measures for the Implementation of Case Guidance for Tax Law Enforcement

It offers interpretive guidance for tax law enforcement, and urges tax authorities and tax staff at grass-roots levels to exercise discretion legally, reasonably, and moderately, putting an end to the arbitrariness of law enforcement.

In the course of supervision, the government was mandated to select cases and tax inspectors randomly, and made public the results of random investigations in a timely manner. China's State Taxation Administration has formulated and issued the Implementation Plan for Promoting Random Tax Inspection, including measures for the random selection of inspection objects and inspectors, and has gradually established a new inspection and supervision model based on credit. Relying on the Golden Tax III project and the work platform for random tax inspection, the whole inspection process is controllable and traceable, and the effect can be clearly evaluated. In this way, differentiated law enforcement, arbitrary inspection, and power abuse can be effectively avoided.

From August 2015 to the end of December 2020

A total of 402,000 randomly selected taxpayers were inspected by tax auditing departments at all levels nationwide.

1.3 Safeguarding taxpayers' rights and interests

Taxpayers' rights and interests have been protected by law. China's tax authorities have actively improved the mechanism of dealing with taxpayers' complaints.

In June 2019

The revised Measures for the Administration of Taxpayers' Complaints was issued, which extends to feepayers, promises to shorten the time span for handling complaints by 50%, defines the fast-processing mechanism applicable for tax and fee cuts as well as natural persons' complaints, and adds clauses governing complaint review.

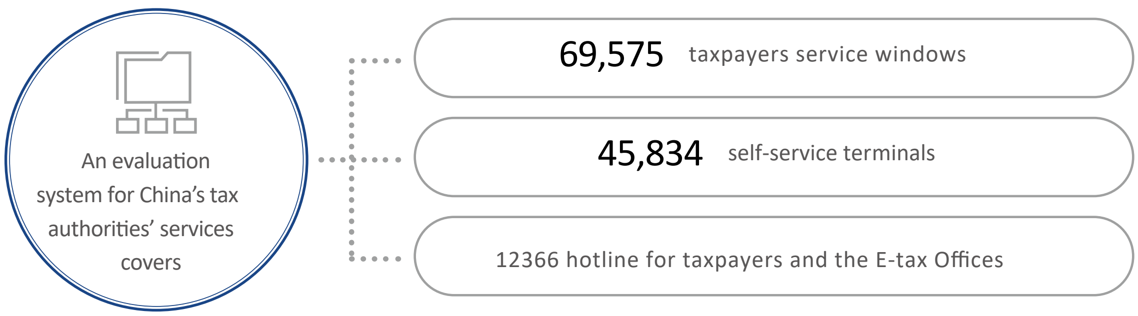
In July 2020

A rule has been put into effect requiring the public announcement of taxpayers' complaints in order to further strengthen and regulate supervision. In short, every complaint from taxpayers will be heard, answered, and addressed.

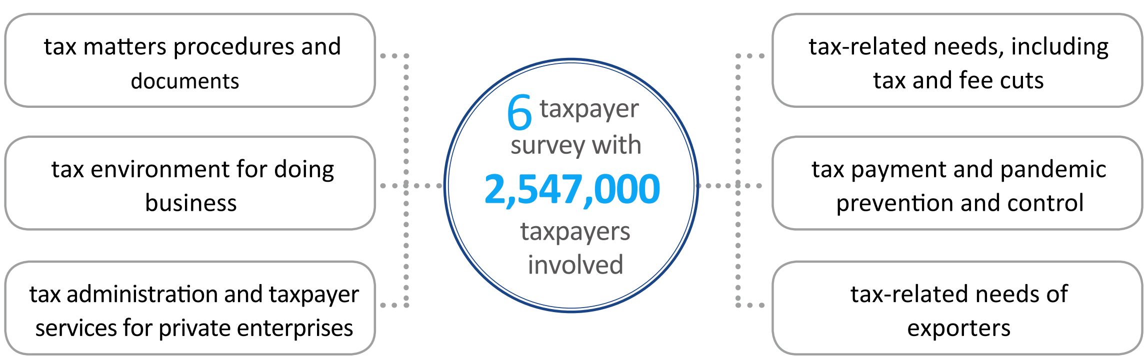
From November 2015 to the end of December 2020

China's tax authorities received a total of 56,000 complaints about taxpayer services, all of which had been addressed within the promised time span.

At the end of October 2020, China's tax authorities launched an evaluation system for their services under the deployment by the State Council, and service evaluation has been carried out in full swing since November 1, 2020.



Response to concerns has been precisely targeted. Since 2017, China's tax authorities have conducted six surveys on taxpayer's needs. Based on the common concerns of taxpayers, China's tax authorities have adopted practical and vigorous measures to address the needs of taxpayers in a timely manner: introducing targeted tax policies; streamlining tax payment procedures; reducing documentation submission; standardizing tax law enforcement; and optimizing and upgrading E-tax Offices.



2. Streamlined administration procedures

From 2016 to 2020, China's economy entered a "new normal" state, shifting from high-speed growth to high-quality growth and shifting from factor and investment-driven growth to innovation-driven growth, while the economic structure is continuously optimized and upgraded. Under the "new normal" circumstances, China's tax authorities have offered to use taxation as a tool of counter-cyclical adjustments, hoping to maximize market dynamics through a series of coordinated measures.

2.1 Revoking tax-related matters subject to examination and approval

As mandated by the Chinese government, China's tax authorities have gradually revoked and delegated to lower level authorities tax-related matter subject to administrative examination and approval.

By the end of 2020

The number of tax matters subject to administrative approval had been sharply reduced from 87 to 6, down by 93%.

46 tax administrative approval matters delegated by the central government to local tax administrations have been cleared from the list, and all tax matters subject to administrative approval on the list have been abolished.

2.2 Streamlining the procedures of submitting tax-related information

China's tax authorities have always endeavored to optimize and upgrade their services, and increase tax payment facilitation to improve taxpayer satisfaction.

Tax matters have been streamlined. China's tax authorities have consolidated repetitive procedures and revoked the requirement for many credentials, in order to streamline procedures and facilitate the enjoyment of tax and fee preferences.

By the end of 2020

26 documents and statements had been revoked

638 tax incentives, or more than 95% of the total, had been granted through a simplified procedure of "self-evaluation, claiming benefits, and keeping documentation for reference".

61 tax related credentials (involving 232 tax matters) had been revoked

Documentation submission has been simplified. China's tax authorities have continued to rationalize requirements for taxpayers to submit documentations, and tried to decrease the tax-related processing time in order to relieve the compliance burdens of taxpayers.

The number of taxpayers' filings has been reduced

- Eligible taxpayers may file **4** VAT returns a year only, down from 12.
- Small and micro enterprises may submit their financial statements every quarter, rather than every month.
- Self-employed individuals whose actual operating income and taxable income do not exceed the quota are exempted from the annual reconciliation filing.

Promote paperless tax processing

Digital tax documentation	Reduced tax filing requirements by **50%** through information sharing and other measures

Tax filing has been simplified

Annual CIT return has been updated and optimized from time to time	Reducing the number of forms and schedules by **10%** from 2014
Annual CIT filing of small and thin-profit enterprises has been streamlined.	With more than **95%** of small and thin-profit en- terprises exempted from filling out six schedules, such as the Income Statement of General Enterprises (A101010), and the number of commonly used forms reduced by **40%**.

2.3 Strengthening inter-departmental cooperation

China's tax authorities have proactively strengthened cooperation with market regulators, housing departments, the natural resources administration and other departments to optimize commercial registration and property registration procedures.

In October **2015**	Industrial and commercial business license, organization code certificate, and tax registration certificate were merged into only one registration certificate nationwide.
In December **2016**	The business license and tax registration certificate of self-employed individuals were merged into one.
In October **2018**	A series of facilitating measures regarding tax de-registration have been introduced, with the relevant procedures exempted, real-time processed, accelerated, or simplified.
In December **2019**	The reduction of tax matters, forms, simplification of filing requirements and procedures, and the enhancement of inter-departmental operation contributed to further decrease of the tax related processing time for business registration.
At the end of **December 2020**	All cities at the municipal level and above (including municipalities directly under the central government and cities specifically designated in the State plan) or their districts began to offer "one-stop" services for real estate registration. Among them, tax matters involved in real estate transaction can be handled on site immediately.

3. Tax and fee cuts

Tax and fee cut is an important decision of the Chinese government as well as an important measure to deepen the supply side structural reform. It is of great significance to reduce the burden of enterprises, optimize the business environment, and raise the people's wellbeing.

From 2016 to 2020, China's tax authorities managed to overcome many difficulties, including the diversity of policies, a tight deadline for implementation, and the difficulty of overall planning, and ensure that tax and fee cuts take effect and deliver a strong support for stabilizing and guaranteeing broader social and economic development. From 2016 to 2020, additional tax and fee cuts exceeded 7.6 trillion yuan.

In 2019, tax and fee cuts were implemented on a larger scale

reaching **2.36 trillion yuan** → accounting for over **2% of GDP** → pushing GDP growth up by about **0.8%**

In 2020, temporary large-scale tax and fee cuts were implemented, which, together with institutional arrangements

newly reducing the tax and fee burden on market entities by more than **2.6 trillion yuan** → specifically, reducing social security contributions by **1.7 trillion yuan**

3.1 Fueling business development

From 2016 to 2020, combining tax reform with tax and fee cuts, China issued and implemented a whole range of policies, which features the combination of institutional arrangements and temporary incentives, inclusive and structural tax cuts.

In 2016 — The pilot program of replacing BT with VAT was launched in full swing to cut taxes sharply.

In 2017 — VAT rates were consolidated to effectively relieve the burden on taxpayers.

In 2018 — The burden on taxpayers was further reduced by lowering the VAT rates and the threshold for qualifying small and micro enterprises.

In 2019 — Tax and fee cuts were implemented on a larger scale, focusing on manufacturing and small and micro enterprises.

In 2020 — Many temporary and targeted tax and fee reduction policies were introduced and implemented in a timely manner to deal with the impact of COVID-19 and stabilize the economy and market.

VAT Reform achieving substantial results	At the end of 2016, the total tax cut exceeded 1.17 trillion yuan through replacing BT with VAT. Tax burden was relieved for all industries.
	In 2019, the VAT reform was further deepened, resulting in a cumulative additional tax cut of 1,114,734 million yuan, accounting for approximately 47% of the total tax and fee cuts of that year.
Small and micro enterprises lowering their costs	From 2018 to 2020, after the continuous relaxation of recognition criteria for small and micro enterprises, the total tax reduction came to 270.4 billion yuan, with 6,423,800 enterprises harvesting the gains.

3.2 Reducing social security contributions and individual income tax burdens

Social security contributions by enterprises were lowered. From 2016 to 2020, China's tax authorities managed, through coordination with other departments, to reduce rates of social security contributions payable by enterprises and secure temporary reduction and exemption of employer contributions to social insurances, which substantially relieved the burden of enterprises, especially small and micro enterprises.

From 2019 to 2020

Social security contributions nationwide dropped by a total of 2,132.5 billion yuan.

The Individual Income Tax (IIT) reform was implemented. The IIT reform implemented in 2018, which started the combination of comprehensive and scheduler taxation, was a profound reform with far-reaching effects in China, symbolling fundamental transformation of the IIT system. The reform includes raising the standard basic deduction, optimizing the tax brackets, implementing specific additional deductions and annual reconciliation tax filing of comprehensive income. From 2018 to 2020, the IIT reform was advanced in three steps.

In the first annual filing, **99.5%** of taxpayers filed returns over the Internet, in which **80%** accessed the return pre-filling service via mobile phone Apps. For most of those who tried to achieve compliance through mobile terminals, the whole process took only **3-5 minutes** from logging in, filing their returns to paying tax or applying for refunds.

2018

The first step

The first step was raising the standard basic deduction and adjusting the tax brackets, which reduced tax payment by 395.9 billion yuan.

2019

The second step

The second was cutting tax by 64.5 billion yuan through specific additional deductions.

2020

The third step

The third step was across-the-board implementation of the annual reconciliation of comprehensive income. Given the ubiquity of mobil phones in China, advanced information technologies were used to create remote tax service channels, such as mobile phone APPs to enable hundreds of millions of natural persons to claim specific additional deductions, complete tax returns, make payments, apply for tax refunds, and check income tax details online. In particular, the application of big data empowered pre-filling of tax returns. The data of tax withholding on comprehensive income could be pre-filled through the electronic filing system, which made it easier for taxpayers to comply with their tax obligations.

3.3 Adding momentum to society-wide innovation

Mass entrepreneurship and innovation are expected to drive social and economic development and pave the path towards social equity, national prosperity, and people's wellbeing. Efforts in this regard have great significance for boosting economic restructuring, creating new engines of economic growth, and realizing innovation-driven development.

From 2016 to 2020

Tax reduction and exemptions to encourage scientific and technological innovations rose by **28.5%** annually, and the cumulative tax cut for this purpose totaled **2.54 trillion** yuan.

Among all industries, manufacturing, data transmission and information technology services, and scientific research and technology services accounted for around **90%** of the total tax cut.

R&D and innovations were encouraged. From 2016 to 2020, policies for super deduction of R&D expenses were optimized to help innovation-oriented start-ups reduce overheads, which would encourage innovations.

The number of enterprises eligible for super deduction of R&D expenses policies

53,000 — up 5.4 times — 339,000

2015 — 2019

China's R&D investment

1.42 trillion yuan — representing an annual average double-digit growth rate — 2.44 trillion yuan

2015 — 2020

China occupied the second place on the list of countries by R&D spending.

Scientific and technological progress was boosted. From 2016 to 2020, China rolled out tax incentives to help high-tech start-ups embrace innovations and seize market opportunities as they appear.

Since January 1, 2016

Following the 15% preferential tax rate granted to high and new technology enterprises (HNTEs), the scope of HNTEs was expanded and the procedures for identifying HNTEs were streamlined.

Since January 1, 2020

Eligible integrated circuit enterprises are entitled to CIT exemption up to ten years, and key software enterprises encouraged by the state are entitled to CIT exemption for the first five years and a preferential 10% tax rate for the following years.

4. Optimized services

4.1 Online tax services

E-tax services have a wide range of application. E-tax services cover all online tax matters, including tax processing and inquiry, tax-related matters consultation, service appointment, and tax-related training. E-tax services are accessible via webpage, WAP, mobile phone Apps, WeChat, and PC clients. Such an innovative and comprehensive tax service model enables taxpayers to handle tax-related matters wherever they are.

By the end of 2020

The number of taxpayers accessing E-tax services nationwide reached **64.5 million**, accounting for over **90%** of the total taxpayers.

214 tax matters could be handled online, among which **203** did not require any offline visits. More than **90%** of taxpayers could handle tax matters online.

The efficiency of invoice services has been improved. From 2016 to 2020, China's tax authorities vigorously promoted electronic invoices, and continued to upgrade online invoice services.

The reform of electronic invoices has produced remarkable results. On December 1, 2015, China started to promote electronic VAT general invoices nationwide, and introduced electronic VAT special invoices for new taxpayers on a pilot scale on September 1, 2020.

Online invoice services have been realized As of the end of 2020, taxpayers can apply for VAT invoices, handle invoice-related matters such as the change of invoice type and tax rate, and apply for VAT invoices on behalf of other persons or entities via E-tax services.

Tax filing and payment pFrom 2016 to 2020, China's tax authorities continued to facilitate tax processing. Reforms were advanced in order to create a better tax system in which tax processing is faster and tax services are more considerate.

China is well on track with the goal of moving all tax services online	Since 2017, China's tax authorities have managed to move tax matters online steadily batch by batch and step by step. In February 2020, the State Taxation Administration released the List of Contact-free Online Tax Matters Processing, which specified 185 tax matters that can be handled online.
The integrated online VAT filing system has been introduced	The main table and nine schedules for VAT filing for general taxpayers have been consolidated into a basic data sheet, which has sharply reduced the need to input general taxpayers' data.
Financial statement conversion has been promoted	In March 2018, an interface was built to connect the E-tax services of the State Taxation Administration with individual corporate financial systems. According to a list issued by tax authorities, enterprises are able to convert their own financial statements into formats that meet the standards of the tax authorities, so that their financial data and invoice data can be automatically extracted and imported to achieve immediate one-click filing
Online filing of tax correction has been optimized	Since September 2017, China's tax authorities have introduced online self-filing of tax correction on a pilot scale. Since 2020, taxpayers nationwide have been enabled to file online corrections and make corresponding tax payments during the filing period. In cities like Beijing and Shanghai, taxpay-ers can file corrections even after the tax filing period.
The whole process of excess input VAT refunding has been moved online	In 2019, after the full implementation of refund of excess input VAT, China's tax authorities have tried to process refund claim of excess input VAT online. In 2020, local Chinese tax authorities introduced innovative measures to promote online application and make the process easier. Meanwhile, China's financial, taxation and treasury departments worked closely to facilitate electronic tax rebate to ensure that eligible taxpayers receive tax rebates as soon as possible.

Combined filing relieves burden on taxpayers. In 2020, China's tax authorities continued to expand the pilot scope for promoting combined filing based on comprehensively implementing combined filing for Urban and Township Land Use Tax and Real Estate Tax. Some cities have introduced combined filing for property and behavior taxes and corporate income tax.

On July 1, 2020, Shanghai took the lead in consolidating the filing of five taxes:Corporate Income Tax, Urban and Township Land Use Tax, Real Estate Tax, Land Appreciation Tax, and Stamp Duty.

By the end of 2020

1,180,900 consolidated filings were successfully processed in Shanghai

Involving 43.566 billion yuan in tax payable

Since December 1, 2020, Jiangsu, Anhui, Hainan, Chongqing and Ningbo have piloted the consolidated filing of ten types of property and behavior taxes. Taxpayers can use a Property and Behavior Tax Return to declare one or more of ten designated taxes: Urban and Township Land Use Tax, Real Estate Tax, Vehicle and Vessel Tax, Stamp Duty, Farmland Occupation Tax, Resource Tax, Land Appreciation Tax, Deed Tax, Environmental Protection Tax, and Tobacco Tax.

2/3

Taxpayers only need to maintain tax source management information to automatically generate tax returns, which reduced the number of forms to be filled out by 2/3.

1/3

The number of data items to be filled out by taxpayers reduced by 1/3, which has greatly relieved the compliance burdens of taxpayers.

As of December 31, 2020, a total of **2,913,000** taxpayers in the pilot provinces completed combined filing of property and behavior taxes.

4.2 Simplified offline taxation procedures

In 2018, the merger of state and local tax administration in China enabled taxpayers to pay only one visit and submit one set of materials to comply with their tax obligations. On thisbasis, China’s tax authorities have tried to achieve the goal of “one visit at most” for all services, greatly reducing the compliance burdens of taxpayers and improving the convenience of paying tax.

As of August 2018

100% of all tax matters in China can be processed in this mode.

Compliance can be achieved with one visit to one window for all services. After the merger of state and local tax administration, China's tax authorities implemented a new tax service mode covering "application acceptance, internal circulation, time-limited processing, and delivery by one service window", in which one set of materials suffices for all purposes. As of 2020, 100% of all tax matters in China can be processed in this mode.

Only one visit is needed to comply with various tax obligations. Since 2018, China's tax authorities have continued to expand the list of "one visit at most" tax matters.

By the end of 2020	China's tax authorities issued an expanded list of "one visit at most"	List of "one visit at most" among 36 tax authorities at the province level
	Embracing **146** tax matters in **11** categories	The longest list now has **255** tax matters in **14** categories

Some tax matters will require "no visit at all" in the near future.

Tax matters can now be handled through self-service in a nearby location. From 2016 to 2020, China's tax authorities actively promoted self-service so that taxpayers can handle invoice application on behalf of other persons, invoice certification, invoice collection, IIT payment statement printing and the like on self-service terminals. The shift from "window service" to "self-service" has greatly shortened the processing time. By the end of 2020, basically all tax services nationwide have been equipped with self-service terminals. In order to deliver more convenient tax services, local tax authorities have brought self-service terminals to commercial complexes, industrial parks, banks, and post offices.

Cross-region service of tax obligations is more convenient. Since 2014, China's tax authorities have tried to promote cross-region tax services. In 2016, city-wide tax services gradually expanded to province-wide tax services, followed by cross-provincial tax services now available in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Sichuan-Chongqing region.

From 2016 to 2020

The State Taxation Administration assigned to local tax authorities the task to realize **city-wide** tax services for at least **53** tax matters in **7** categories

Province-wide tax services for **21** tax matters in **4** categories

4.3 Smart taxation services empowered by technology

Since 2018, China's tax authorities have been actively exploring smart tax service modes, including non-contact services. Based on cutting-edge technologies such as big data and cloud computing, China's tax authorities have developed innovative tax service systems that integrate online taxation, smart consultation, VRM remote tutoring, VR experience, big data display, taxpayer education, expert consultation, and 24-hour self-service to offer taxpayers smart, one-stop, and inclusive tax services.

5. Openness and inclusiveness

From 2016 to 2020, China's tax authorities supported the country's high-level opening-up tothe outside world, earnestly strengthened international tax exchanges and cooperation, andimproved international tax administration. A multi-leve and multi-dimensional framework otinternational tax cooperation is built to promote high-quality development under the Belt andRoad Initiative, in which multilateral cooperation and bilateral cooperation enhance each otherand international and regional organizations support each other. This framework is aiming atbuilding a growth-friendly internationalized tax environment.

5.1 Actively participating in global tax governance

From 2016 to 2020, China's tax authorities actively participated in the formulation and adjustment of international tax rules, and maintained effective communication and coordination with the international community. In order to maintain a fair and just international tax order,China has taken necessary actions and made remarkable achievements around but not limited to the following:

- Base Erosion and Profit Shifting (BEPS) Action Plan
- Amendment to United Nations Model Double Taxation Convention
- OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration
- United Nations Practical Manual on Transfer Pricing for Developing Countries
- G20 Standard for Automatic Exchange of Information and the Implementation Handbook

5.2 Sharing China's reform experience

China's tax authorities have proactively shared its experience of tax reform, including the integration of state and local tax administrations, optimization of the tax environment for doing business, performance evaluation, digitalized personnel management, and IT applications on multilateral cooperation platforms such as the Global Conference of the Platform for Collaboration on Tax, the Belt and Road Initiative Tax Administration Cooperation Forum, and the annual meeting of the Study Group on Asian Tax Administration and Research (SGATAR).

In 2020

OECD's Tax Policy Reforms 2020 included for the first time the latest and best practices of China's VAT and IIT reforms, as well as China's fiscal and tax policies to relieve the pressure caused by COVID-19.

5.3 Building the tax administration cooperation

The BRI tax administration cooperation is progressing well. In April 2019, the first BRI Tax Administration Cooperation Forum was held in Wuzhen, Zhejiang Province, China, and the participating tax authorities of 34countries and regions jointly signed the MOU for the Belt and Road Initiative Tax Administration Cooperation Mechanism. This signalled the formal establishment of the Mechanism (the “BRITACOM”). China, as one of the main initiators of the BRITACOM, has played an active role in the BRITACOM by building a cooperative growth-friendly tax environement with other participants.

BRICS tax cooperation has been advanced. In July 2017, China hosted a meeting of BRICS Head of Tax Authorities and proposed that BRICS countries deepen multilateral tax cooperation, strengthen capacity building for tax administration, and aid developing countries. The participants signed BRICS Memorandum of Cooperation in Respect of Tax Matters, the first institutional document on BRICS tax cooperation. For the first time, BRICS tax cooperation was advanced to the institutional level through an official document, which marked a new era in building BRICS tax cooperation mechanisms.

Tax information exchange is institutionalized. China’s tax authorities have actively participated in the formation and implementation of international tax information exchange mechanisms in order to further enhance tax transparency, jointly crack down on cross-border tax evasion and avoidance, prevent and eliminate cross-border double taxation, and promote cross-border trade and investment.

In December 2015	China signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information.
In April 2017	China issued the Administrative Measures for Due Diligence on Tax-related Information for Non-residents.
In July 2017	China introduced and implemented the international standard for automatic exchange of tax-related information in financial accounts.
In September 2018	China began to exchange tax-related information of non-residents’ financial accounts, and overseas account information of resident taxpayers was obtained.

5.4 Facilitating inbound and outbound international investment

The network of bilateral tax treaties has grown remarkably. From 2016 to 2020, China's tax authorities continued to expand the tax treaty network, which played a positive role in improving tax certainty, reducing tax burdens in host countries, and easing double taxation impact for cross-border taxpayers.

By the end of 2020

China's network of tax treaties covered 111 countries and regions, the 4th largest in the world. The network basically covered the main destinations of China's foreign investment and major countries and regions for investment in China

From 2016 to 2020

China's tax authorities conducted 500 bilateral mutual agreement procedures with the competent authorities of treaty countries (regions), and eliminated double taxation amounting to 15.2 billion yuan for cross-border taxpayers.

Tax measures are taken to encourage inbound international investment. From 2016 to 2020, China's tax authorities upgraded relevant tax policies and services in order to encourage foreign investment and promote exports.

- Expanded eligibility scope of deferral treatment for withholding tax on the direct re-investment by foreign investors
- Temporary CIT and VAT exemptions offered to foreign institutions for interest income earned by investing in the Chinese bond market
- Issuance of Tax Guidelines for Withholding Corporate Income Tax at Source for Non-Tax Resident Enterprises
- Simplification and consolidation of tax returns for non-resident enterprises
- Substitution of "retaining documents for inspection mechanism" for "record-filing procedure" for non-resident taxpayers claiming treaty benefits

Supporting outbound investment. In order to facilitate the overseas investment of Chinese enterprises, mainly helping them understand the local investment environment and tax policies of the host countries and thus guard against tax risks, Chinese tax authorities have established a country-specific tax information collection and study mechanism since 2015. Based on information collection and studies, China has released tax guides covering the Belt and Road Initiative countries and other overseas destinations of Chinese investors

By the end of 2020

China has published Tax Guides on Country-specific Investments (popularly called Tax Guides for Going Global) covering 104 countries and regions.

The Tax Guides for Going Global has embraced 97 tax matters.

Part 3 Suggestions

From 2016 to 2020, China’s tax authorities adhere to three commitments: responsibility, innovation, and continuous improvement, and have taken and will continue to take actions to promote the healthy development of economy and market, and address development needs and people’s concerns. During this period, China’s tax environment has made remarkable progress and is getting close to the best in the world. In order to push forward tax modernization at the new development stage, on March 24, 2021, the Chinese government issued the Opinions on Further Deepening the Reform of Tax Collection and Administration. The Opinions includes the master plan for advancing tax modernization in the next five years, and marks the beginning of a new round tax administration reform aiming to create synergy. With reference to other countries’ experience and practice, we put forward the following suggestions on the next step of China’s tax adminitration reform.

Optimizing law enforcement and shifting from empirical law enforcement to precisely targeted law enforcement

China is committed to promoting the modernization of tax governance based on the rule of law, improving tax legislation, and building a sound system of tax law to realize the rights and obligations of both tax administrations and taxpayers. China could further optimize the structure of taxes and fees and re-align tax administration and tax burden to create a fair playing field for enterprises, while consistent and easily accessible preferential tax policies will also be launched for key industries and emerging industries. In a nutshell, China should aim to standardize tax law enforcement, promote coordinated tax administration according to law, and create a fair,stable, and predictable tax environment for taxpayers.

Empowering tax governance by digital means and shifting from traditional administration to precise supervision

China needs to set up and improve a new supervision mechanism based on "credit + risk", and aim to establish a multi-dimensional system capable of dynamic monitoring, evaluation, and response to tax risks. China should optimize the digital tax collection and administration system, using big data to raise the level of tax administration and services, and thus speed up the reengineering of the tax structure, organizational structure, and tax collection and administration process. China should implement electronic invoices in all fields, all steps, and all elements by 2025. China aims to continue to expand the sharing and application of tax information, and raise the interconnectivity of information systems withingovernment departments nationwide.

Upgrading tax services with smart technologies and shifting from undifferentiated services to precisely targeted services

Based on the "tax cloud", China could build a comprehensive interactive platform for tax administration and payment, establish a national cloud data center, and understand the needs of taxpayers. China should promote tax facilitation, expand the scope of "non-contact" and "no visit" tax services, and continue to reduce the number of tax payments and the time for processing tax matters. China needs to enhance the timeliness, reliability, and consistency of policy implementation, and ensure that preferential tax policies are easily accessible by efficient and smart means. China should also establish a sound rapid mechanism for addressing taxpayers' needs and concerns in a close loop.

Building cooperation mechanisms to harness syngery in tax administration and services

China needs to strengthen inter-departmental cooperation, enhance the connectivity between electronic invoices, accounting and financial information systems, and strengthen information exchange and sharing to boost cooperation in law enforcement. To strengthen society-wide coordination, China could leverage the power of trade associations andintermediary organizations, and encourage third parties to provide customized services to taxpayersfollowing market rules and principles. China should solidify the legal ground of taxation and improve the linkage between administrative law enforcement and criminal law enforcement. China needs to strengthen

international tax cooperation, deeply participate in the formulation of international tax rules and standards in areas such as digital economy, and continue to build a global tax governance system.

4 Ethiopia

Optimizing Tax Services to Improve the Business Environment in Ethiopia

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Optimizing Tax Services to Improve the Business Environment in Ethiopia

Abstract: This article sets out framework for measures which have been takenby the Government of Ethiopia to optimize tax services in Ethiopia. A set of measures among others which potentially influence taxpayer services such as legislati changes, information technology modernization, introducing compliance risk management and standard taxpayers' services are explicitly discussed.

Keywords: Tax service; Business environment; Fiscal incentive; Tax transformatio

1. Background

Ethiopia had set itself an ambitious target of becoming a middleincome country by 2022. While it has enjoyed impressive GDP growth over the last decade, the tax to GDP ratio remains low compared with other Sub-Saharan countries. As a result, the Government of Ethiopia (GoE) still depends on nontax sources for expenditure assignments including external resources to finance notably public investment in the infrastructure that underpins investment, industrialization, trade and growth.

To begin with, Ethiopia is a federal state and takes fiscal decentralization system. The power to levy and collect different taxes is allocated either "exclusively to the federal government; exclusively to the regional states; concurrent to both the federal government and the regional states; [or is] undesignated" (FDRE Constitution, 1995 – Proclamation No. 1/1995).

The GoE is committed to tax transformation as both a political and economic imperative to promote economic growth, employment and services. As the country is able to secure more tax reve-nues, it needs an effective tax system in order to both foster and reap the benefitsof sustained growth, trade and invest-ment. Hence, the GoE has developed institutional capabilities to transform the tax administration system.

To this end, in 2020, the GoE has split the former Ethiopian Revenues and Customs Authority into the Ministry of Revenues (MoR) and Ethiopian Customs Commission. Before long, MoR developed a 10-year strategic plan with a vision to build a world-class and customer-centered tax and customs administration that will finance government expenditure through domestically collected tax and customs revenue.

To realize this ambitious plan, MoR is carrying out a tax transformation initiative. The overall objective of this initiative is to raise tax revenues towards 17.2% of GDP in a responsible and equitable manner. The reform covers all areas related to revenue policy and adminis-tration in

Ethiopia, including domestic tax and customs. The initiative has interlinked outcomes, including creating an equitable and business friendly tax environment, improving voluntary compliance and increasing domestic revenues. With regard to the tax administration aspect of the tax transformation initiative, the MoR has
embarked on a Business Process Transformation Project, which is intended to bring about operational excellence to the Ministry and enable it to achieve its strategic goals. Besides, it drives the Ministry into digital taxation, which is the most significant technological breakthrough that will alter the country's tax administration ecosystem in the next years.

The main objective of this article is ascertaining the major evolvement in Ethiopian tax administration while the global economy has witnessed recession due to the COVID-19. It also illustrates what measures have been taken to improve the business environment and promote high-quality economic development.

2. Measures Taken to Optimize Tax Services in Ethiopia

According to modern tax administration literature, tax services mean tax compliance services (i.e., assistance with taxpayers' obligation to prepare original and amended tax returns, claims for refund and tax payment planning), tax planning services, and other tax advices (i.e., assistance with tax audits and appeals, tax advice relating to mergers). From the taxpayer perspective,accounting and taxation services help the company to manage its business more efficiently and provide a better experience for its clients, improving its financialperformance and saving money on taxes.

The focus of this article is about measures which have been taken by the Ministry of Finance (MoF) and MoR to optimize tax services in Ethiopia. According to Proclamation No. 1263/2021 article 26(1) which defines thepowers and duties of the Executive Organs of GoE, MoF shall have the powers and obligations to initiate policies, strategies and laws that serve as a base for fiscal laws, particularly for taxes and customs duty laws. Hence, MoF has introduced new tax legislations notably Income Tax Proclamation No. 979/2016, Tax Administration Proclamation No. 983/2016 and Excise Tax Proclamation No. 1186/2020. The proclamations aim at introducing a fair, modern and efficient tax system that is consistent withe current level of economic development. In the meantime, the proclamations are aiming at facilitating voluntary compliance which set fertile ground to assist taxpayers in filing, payment,and other processes.

In the context of IMF best practices, taxpayers are usually classified into varied categories from the tax perspective. Drawing on international best practices, the MoR classifiedtaxpayers into three main groups: small, medium and large companies, which are defined byturnover or gross income, annual payment in major tax types (Corporate Income Tax, VAT, Turnover Tax and Excise Tax) and companies' assets. Three years data were drilled for taxpayer classification. Large, medium and small taxpayers have represented 3%, 27% and 70% of the total taxpayer population respectively. In terms of revenue contribution, the three categories, i.e., large, medium and small taxpayers,account for 70%, 20% and 10% of total revenues respectively. In the past 2 to 3 years, the MoR has built additional branch offices and tax centerto serve the taxpayers, featured with the concept "Not too far to walk".

Another major measure taken by the MoR to optimize tax services is compliance risk management. It develops structured and systematic compliance risk strategy which addresses systematic identification, assessment, ranking, and treatment of tax compliance risks (e.g., failure to register, failure to properly report tax liabilities, etc.). The compliance risk management strategy document is designed to assist tax officials and tax auditors to perfortheir tasks and optimize services in a comprehensive and defensible way.

With the development of information technology, the MoR is increasing the use of IT to improve its tax services. The electronic tax system is a computerized tax administration system that has been developed to replace a manual or traditional tax system. It is very important as it handles general tax administration from registration, assessment, filing returns, to processing of claims and refunds. Electronic tax filing and payment system known as "e-tax" has been launched in Ethiopia, in a bid to enable businesses to file and pay tax online. The e-tax platform provides effective, efficieand timely services for taxpayers. Other e-tax components such as e-registration, e-clearance and e-processing of claims and refunds will be launched before long.

The MoR issued Taxpayer Charter in 2016 (Revised in 2022) which is intended specifically to achieve better quality and moreresponsive tax services. This can therefore be seen as part of a much longer term trend, by which the tax services are becoming more "user friendly". The MoR has been conducting taxpayer perception survey twice per year, and according to the latest survey report, the MoR taxpayer satisfaction level reached 81%. This trend indicates that the MoR has given increasing emphasis on the importance of tax services. To attest the outcome of service, the MoR has taken part in the National Service Quality Award for non-business organization and got the High-level Recognition Certificate in 2020 and 2022 respectively.

In conjunction with other tax administration reform initiatives, the MoR targets at other reform measures including upgrading CRM, toll-free 24/7 Contact center, training and recruitment of qualified personnel, introduction of performance and accountability measures, setting up a taxpayer modular education program and similar initiatives aimed at modernizing the tax administration.

3. Effects and Accomplishmentsin Attracting Investment and Promoting Trade to Build a Growth-Friendly Business Environment

Foreign direct investment (FDI) to African countries hit a record of USD83 billion in 2021, according to UNCTAD's World Investment Report 2022 published on 9 June 2022. This was more than double the amount reported in 2020, when the COVID-19 pandemic weighed heavily on investment flows tothe continent. As is widely acknowledged, investment plays a significant role in a country's developmenttrajectory. While, investment flows to EastAfrica increased by 35% to USD8.2 billion, Ethiopia, a central hub of the Belt and Road Initiative in Africa, saw FDI flows rising by 79% to USD4.3 billion in 2021.

Fiscal incentive is one of the various attempts to create an investment-friendly environment. Ethiopia employs fiscal incentives, such as tax incentives, to promote industry sectors or activities considered crucial for development. The majority of tax incentives granted by the nation relate to investment in manufacture, exploration and extraction of mineral reserves, promotion of export and, increasingly, the tourism and leisure sectors.

It is well noted that, among other contributing factors, tax incentives and tax administration simplicity, stability and certainty in the application of the tax law are considered as pull factors in FDI inflows. Tax services also play apivotal role in building a growth-friendly business environment.

4. Reflection and Prospect ofEthiopian Tax Environment from a Tax Service Perspective

Over the last decade, the Ethiopian economy has registered impressive growth, making it one of the fastest-growing economies in Africa. The IMF revised its earlier forecast on Ethiopia GDP in 2023 from USD126 billion to USD156.1 billion, stretching its newfound lead as the third largest economy in Sub-Saharan Africa. According to the IMF, so far, Ethiopia along with South Africa is leading in attracting FDI and will keep stretching this lead up to the end of 2028. This is mainly due to Ethiopia's vibrant investment policy and strategy, with tax incentive being one of the pull factors for FDI and fiscal incentive one among the other attempts made to create an investment-friendly environment.

One of the main objectives of the Ethiopian tax reforms was to generate adequate tax revenues from economic growth to finance ever increasing public expenditure on poverty alleviation and development projects. As has been noted in this article, the MoR has embarked on the Business Process Transformation Project. It aims to bring operational excellence to the Ministry and enable it to achieve its strategic goals. The transformation agenda will not be practical without information and communication technology (ICT).

The adoption of technology can enable successful and sustainable tax reforms, ensure the proper taxation of the digital economy, and reduce the obstacles to compliance. The developments in ICT in recent decades, both for electronic filing and payment of taxes, havepresented many opportunities for MoR to increase government revenue, improve efficiencyand enhance the quality of services delivered to taxpayers, while at the same time reducing taxpayer compliance burden and government administration costs and improving enforcement. Digitalization in taxation would eventually change the Ethiopian tax system, including the tax service landscape.

Tax Reforms for Better Tax Administration : Georgian Experience

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Tax Reforms for Better Tax Administration
Georgian Experience

Abstract: This article sets out to share the experience of the major tax reforms in Georgia, which is eventually recognized worldwide by reputable international organizations, including theInternational Monetary Fund, the World Bank and others. The article highlights, in particular threefactors that we believe were and remain key to Georgia's success. These factors are: 1. Efficient taxpolicy; 2. Simple administration process; 3. Proactive communication with taxpayers.

Keywords: Single-window principal; e-filing; e-invoice; automatic VAT refund system; TADATassessment; Doing Business

1. Introduction

Following the collapse of the Soviet Union in 1991, Georgia would struggle with two civil wars, poverty, economic and political instability, ever growing corruption, uncertain future, etc. In the conditions of country-wide stagnation tax system was of least importance. Situation was even worse when around 300 amendments were made to the tax legislation during the period between 1997 and 2003. Most of them were difficult or impossible to follow, both taxpayers and tax officers were to some extent forced or encouraged to engage in corrupt behavior. The year 2003 was a pivotal moment in the history of the country when a new government came into power. Tax system with its potential to encourage and support future economic development became one of the key pillars towards success. Real changes have started already in 2004 and never stopped since then.

Very ambitious initiatives and their efficient execution in a relatively short period of time won Georgia an international recognition of its achievements by international tax community. In 2018, for example, IMF, in its report "Balancing Act: Managing the Public Purse" singled out Georgia as a striking example of successful tax reforms. According to the report, the success is mainly conditioned on efficient tax policy and taxpayer-friendly administration process. In addition to the factors mentioned by the IMF, proactive communication with taxpayers, through various channels and forms of communication, can be seen as an important element to build a trustful and cooperative relations between tax administration and taxpayers. Experience has proven that, trust–based and cooperative relationship is a good motivator for compliance behavior.

2. Efficient Tax Policy

The first reformation of the tax policy of Georgia began in 2004, when the number of taxes administered back then were reduced from 26 to only 6, and rates for some of those kept valid were decreased as well. Among the taxes that have been abolished as the result of policy reform are social taxes and taxes on export.

Table 1: Tax rates before and after tax policy reform

Tax	Before	After
Personal income tax	*20% progressive*	*20% flat rate*
Corporate income tax (profit tax)	*20%*	*15%*
Value added tax	*20%*	*18%*
Excise tax	*Imposed on various goods*	*Imposed on fuel, alcohol, tobacco and vehicle*
Property tax	*Different rates*	*Up to 1%*
Customs tax (import tax)	*0%, 12%, 20%, 32% and higher*	*0%, 5%, 12% (most of goods are zero-rated)*

Source: Jandieri Gia (2019). Tax Reforms in Georgia 2004-2012.

Fundamental changes to the tax policy would serve several purposes, including to build an attractive tax environment that would encourage local companies to expand and attract foreign investments into the country; to curb corruption by bringing clarity to the tax legislation, and to cut taxes, so as to increase tax revenues.

Above measures were accompanied by other measures aimed to strengthen the impact of the former on tax behavior. Government sent a “no corruption” message to both tax officers and taxpayers through providing organizational clean-up and arrests of public officers, including big figures, for being involved in corruption cases.

Until 2003, government used to run budget deficit. Tax cut created chances for surplus budget for the first time over the years. Revenues collected were directed to provide better public services to the citizens. People have increased trust in government and are therefore more willing to comply with tax obligations. Trust and certainty drive better tax collections over the years to come.

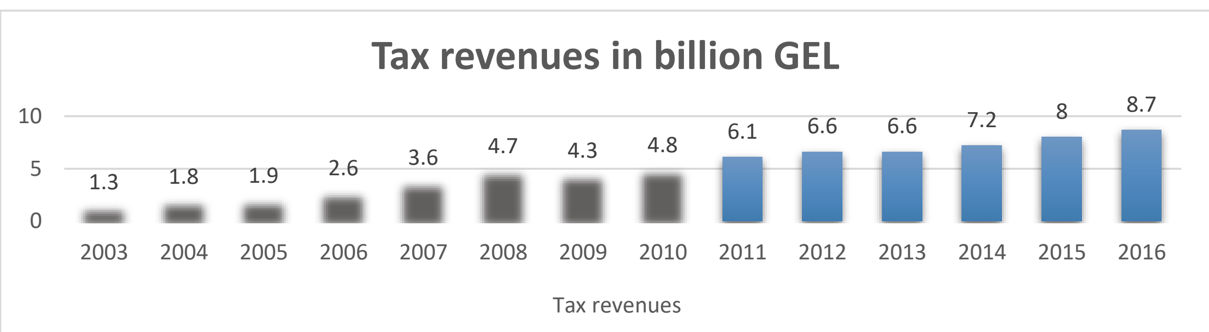

Figure 1. Statistics on tax revenues for 2003 - 2016

The transformation process which was started in 2004 was being pursued in the following years up until today. Another notable fiscal reform, among others, that took place in 2017 was a fundamental change of corporate income tax (profit tax) regime, by introducing "Distributed Profit Tax " system, under which profit tax is paid only if corporate profits are distributed to shareholders. The aim of the new reform is to encourage business expansion and reduce tax burden.

As part of the commitment made towards Georgia's EU integration, an appropriate amendment was introduced to the tax code of Georgia in order to bring it closer to the value added tax (VAT) directive of the European Union (EU). The goal is to improve investment environment, reduce the chances of disputes arising and simplify tax administration process by introducing the best EU practices in Georgia and promote cooperation between entrepreneurs working in Georgia and the EU.

3. Simple Administration Process

Administration process by all means plays a key role in good tax system formation. No tax policy reform can provide desired tax collection target if no efficient and result-oriented administration process is in place. In order to ensure a long-lasting effect of tax policy reforms started back in 2004, Revenue Service under the leadership of the government of Georgia has launched unprecedented projects towards tax administration simplification and digitization.

In the first place, it was decided to establish a Single-window concept for dealing with tax and customs matters (Revenue Service is a tax and customs administration). For that reason a memorandum of cooperation was concluded between several line ministries of Georgia, including Ministry of Agriculture, Ministry of Internal Affairs and Revenue Service of the Ministry of Finance of Georgia. The memorandum would give Revenue Service a mandate to perform those functions imposed by above agencies and thus create an environment in which tax issues are easily dealt with. For example, Revenue Service would provide passport control of tracks (performed by Ministry of Internal Affairs) or provide sanitary and phytosanitary control of plants and animals imported into the country and issue licenses and permissions for the admission of goods on the territory of Georgia (performed by the Ministry of Agriculture). Introduction of Single-window concept has helped taxpayers to save time (the most valuable resource) by dealing with only one entity for the fulfillment of tax and customs obligations.

In the second place, Revenue Service has introduced electronic tax system by developing

[1] Commodity waybill is a mandatory document to be attached to the goods transported from one point to another (from warehouse to the store or any other destination).

eventually totaling around 200 applications and 500 digital services. To enforce swift transition to the e-taxation, Revenue Service has made certain services paid. For example, in order to file paper-based tax returns, taxpayers had to pay 50 GEL service charges. Despite all expectations, demand for material tax returns has significantly decreased, and soon 99% of tax returns were filed electronically.

Gradual switch to the e-taxation system made it possible to collect most of tax sensitive information electronically and create e-database. E-database itself created a good root for the development of risk-based approach. In-house developed IT solutions assured accurate selection of taxpayers for tax audit, specification and expansion of tax risk criteria made it possible to narrow tax audit to subject auditing instead of comprehensive auditing. Further development of risk-based analysis, which remains strategic target of the Revenue Service, led to the introduction of the Automatic VAT Refund system. This system was launched in February 2019, underwent some modifications, and now runs in its full strength. The system allows low-risk taxpayers access to automatic VAT refund, once VAT return is verified and approved by the risk-based verification system. This automatic VAT refund system gained even greater importance in the event of COVID-19 pandemic. It is expected to support business and therefore national economy by increasing cash flow. According to the 2020 statistics, 34,153 VAT refund claims have been approved and paid with the total value of GEL928,327,011.

Other measures facilitating fast and comfortable tax administration may include:
• Single treasury code - taxpayers can enjoy using one single account for payment of all kinds of tax liabilities instead of 125 accounts they had before 2016; • Service centers – although all tax obligations can be fulfilled electronically, for those who “are not friends” with electronic devises Revenue Service established service centers across the country, where taxpayers are assisted and advised on complying with their tax liabilities;
• RS CAR – It is a “service center on the wheels” that was introduced in 2016 to ease tax administration process for those living in the remote places, where Revenue Service has no representation. RS cars are equipped with all technological device required for the delivery of a wide variety of electronic services at spot.
• Mobile applications - as e-filing and e-invoicing are the most frequently used services, Revenue Service has developed specialized mobile applications for taxpayers that can be downloaded to the mobile device and applied even when no internet or computer is available.

During the pandemic, Revenue Service has introduced remote tax dispute hearing via electronic means. E-hearing is believed to ensure business continuity of tax administration processes, safety of involved parties during the pandemic, as well as to save taxpayers time and financial resources. While implementing the project, it was vital to provide taxpayers with data protection and confidentiality, which is strictly followed. The system is using a

RS CAR

Service Center

video-conferencing platform that allows taxpayers to connect both via computers and phones. Taxpayers are duly notified and reminded of the time of the hearing through their e-pages as well as via SMS. In addition, they are provided with detailed instructions with regard to the use of the platform. Remote dispute resolution is gaining a rapid popularity among taxpayers from month to month. More and more of them express their positive attitude towards new approach. E-hearing of tax disputes has been institutionalized and envisaged under the Tax Code of Georgia and it will definitely be maintained after pandemic is over.

4. Proactive Communication with Taxpayers

Revenue Service for the interest of its taxpayer-friendly approach provides several communication channels in order to share changes to the tax legislation and other regulations with taxpayers.

For example, Revenue Service periodically conducts “Doors Open Days” in different regions/cities/towns, where detail discussions are held with taxpayers on issues of their concerns and interests. During the meeting taxpayers are informed of changes and amendments made to the tax legislation, additional explanations are provided regarding various provisions. The date and location for “Doors Open Days” meetings are announced in advance on Revenue Service webpage.

The other form of communication is Forum. This is an online alternative to “Doors Open Days”.Similar to “Doors Open Days”, taxpayers can raise questions and request clarifications. Frequently asked question are processed and analyzed by the Revenue Service back office and sample responses are developed and uploaded on Revenue Service webpage.

Webpage is another source of communication with taxpayers. Recently newly designed webpage equipped with additional functions was launched. Except for visual and content aspects, new webpage was enriched with new channel of communication called RS-chat. Feedback function added to the webpage provides opportunity to leave comments or suggestions on how webpage could be improved.

Georgian Federation of Professional Accountants and Auditors holds regular evaluation of the Revenue Service's performance and compliance with law in respect of tax auditing and in the interest of private sector. The Revenue Service conducts regular taxpayer satisfaction surveys to learn the attitude of taxpayers towards services provided by the Revenue Service. One of such surveys triggered change to the service centers' working hours to make it more comfortable and convenient for taxpayers.

5.Conclusion

Georgian experience proves that even those countries with poor economic, political, historical and tax background can start from scratch and achieve the goal. But, no goal can be achieved if there is no political will of the Government to initiate changes and readiness of the society to keep up with those changes. Over the past 17 years, Revenue Service many times challenged itself by making unpopular decisions, such as paid paper-based tax return forms, finding extraordinary solutions to the problems raised, even though most frequently those solutions would not get approval from the international organizations because of their incompliance with internationally acknowledged standards. But sometimes, country-specific solutions help to accelerate transformation process and achieve more at less cost.

Transparency and openness is another key feature of the Revenue Service as it takes an active participation in various international surveys and assessments, those helping to identify weaknesses and strengths of our tax system. Among others, IMF's TADAT assessment, conducted in 2016 for the first time, identified "use of modern information technology applications, good taxpayer service record and willingness to embrace innovation" as main strength of the Revenue Service, but it also revealed lack of "operational planning and performance monitoring", "very restricted access to bank account data", etc. Recommendations received from TADAT assessors made roots for many interesting and progressive projects in the years to come.

Efforts made through the years won Georgia and Revenue Service in particular recognition from other big name international organizations such as World Bank. "Ease of Doing Business" survey is clear demonstration of our success story providing that Georgia ranks 7th among 190 economies in the Doing Business 2020 ranking.

Speaking of doing business, it is worth mentioning that for doing business survey purposes Revenue Service holds voluntary collaboration with "Big Four" companies,[2]who have a mandate to speak for a large population of taxpayers and voice their concerns and satisfactions.

[2] The "Big Four" companies refer to Deloitte LLP, Price Waterhouse Coopers, Ernst & Young and the KPMG LLP.

Collaboration is a good opportunity to discuss and exchange views and opinions on new reform projects initiated by the Revenue Service. This is another form of communication where revenue service gets feedback from business, while business in turn gets detail clarification on goals and objectives of the reforms.

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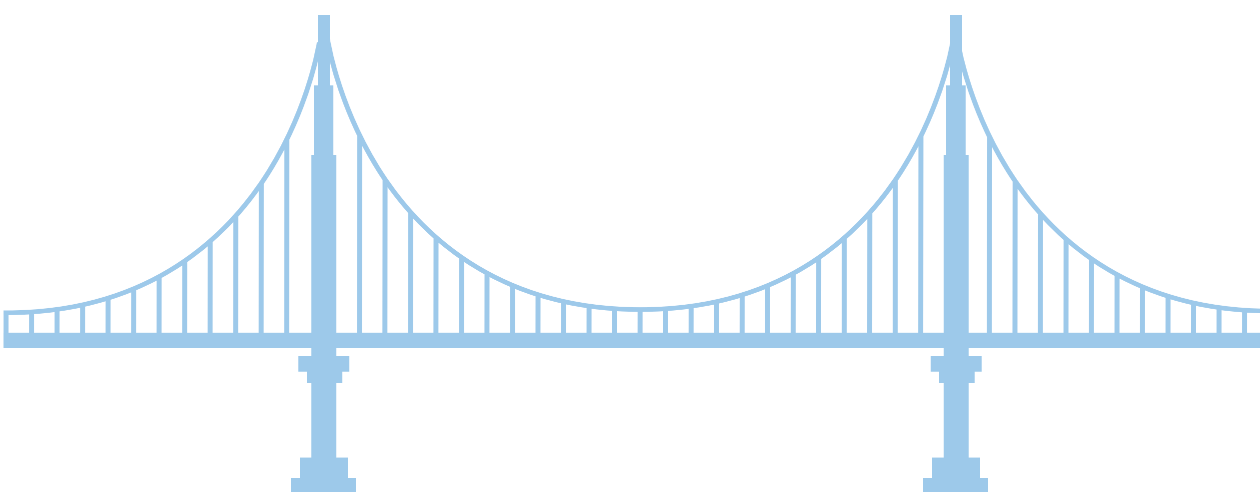
3. International Monetary Fund (2016). *Georgia Technical Assessment Report—Tax Administration Diagnostic Assessment Tool— Performance Assessment Report.*
4. World Bank Group (2020). *Doing Business 2020, Economic Profile-Georgia,* file:///C:/Users/ia.mikhelidze/Downloads/GEO.pdf.



6 Hong Kong, China

The Use of Technology to Enhance Taxpayer Service and Improve Tax Compliance —Experience of Hong Kong, China

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The Use of Technology to Enhance Taxpayer Service and Improve Tax Compliance —Experience of Hong Kong, China

Abstract: The Inland Revenue Department (IRD) is the authority which administers the tax law in the Hong Kong Special Administrative Region of the People's Republic of China. This article shares the IRD's experience in applying digitalised tax administration to enhance taxpayer services and improve tax compliance. This can be achieved through developing user-friendly digital platforms for filing and communication, the use of prepopulated tax returns, fillable PDF public forms and online systems for paying taxes, and providing accessible and easy-to-understand tax information on the Internet.

Keywords: Inland Revenue Department; Taxpayer service; Electronic service; Tax compliance;Digitalised tax administration

1. Introduction

The rapid development and advancement of technologies have moved the world towards a digital era, where technologies have become part of people's daily life. Digitalisation and emerging technologies have opened the doors to new opportunities not just for businesses, but for tax authorities as well to transform their day-to-day operations. Well-designed and efficiently implemented electronic systems not only reduce the time and effort required by taxpayers to meet their tax obligations but also offer significant benefits to tax authorities. With the use of technologies, tax authorities may improve the variety and responsiveness of service channels and shift taxpayers from traditional in-person communications to self-help channels. The Inland Revenue Department (IRD) is the authority which administers the tax law in the Hong Kong Special Administrative Region of the People's Republic of China (Hong Kong SAR).

The IRD is also responsible for the administration of certain duties and fees, e.g., the stamp duty and business registration fee. The IRD's mission and vision are expressed in its slogan "Tax by the Law, Service from the Heart". It aims at playing an important role as an excellent tax administration in promoting Hong Kong's prosperity and stability and developing a customer-oriented culture for delivering services to taxpayers.

In the following paragraphs, the IRD's experience in applying digitalised tax administration to enhance taxpayer services and improve tax compliance will be shared. This can be achieved through developing user-friendly digital platforms for filing and communication, the use of prepopulated tax returns, fillable PDF public forms and online systems for paying taxes, and platform and an individual can have access to the services provided to him/her via his/her personal eTAX account under eTAX. It offers taxpayers an easy, secure, cost-saving and environment-friendly means to facilitate their compliance with the tax law. In addition to providing a gateway for taxpayers to file their tax returns, eTAX also provides a wide range of online tax services (e.g. e-Stamping of property documents, business registration e-services, electronic notices, electronic payments and lodgement of applications), which enable taxpayers to keep track of their tax position, manage their tax affairs and communicate with the IRD.

Once taxpayers have registered their personal eTAX accounts with the IRD, they can view their tax returns submitted within the last three years online via the Tax Position service. All outstanding tax returns and tax payments will also be listed for their information. When the return filing due date or the tax payment due date is approaching, the system will also generate an e-alert message to the Message Box of the taxpayers' eTAX accounts to remind the taxpayers to file or to pay. At the time of registration for an eTAX account, the taxpayers can also opt to provide a designated email account to the IRD. When the IRD has issued returns, letters or messages to the taxpayers' eTAX accounts, an alert message will be sent to the designated email account to remind the taxpayers to login in their eTAX accounts to read the new messages.

The above measures can reduce the possibility of taxpayers' failure to meet their tax obligations due to accidental negligence or omission, thus increasing the level of voluntary compliance.
When taxpayers use e-filing services, data like personal particulars, spouse information, particulars of last year's allowance/deduction claims and employment information submitted by their employers will be pre-filled on the tax returns. This can make return filing more convenient for taxpayers, and at the same time, reduce the chance of making mistakes. The fields on the returns are guarded by validations. If taxpayers have made a deduction claim exceeding the ceiling allowed by the tax law or omitted to fill in some required information or filled in some inconsistent information in the returns, error messages will pop up and the taxpayers will have to make amendments before they can proceed to complete other parts of the returns. Taxpayers can also access the tax guidelines for a particular item through the hyperlink embedded in the filing screen.After taxpayers have completed their tax returns in the eTAX accounts, they can choose to view their estimated Salaries Tax Computation instantly based on the information filled in the tax returns. This e-service is available for the majority of Salaries Tax cases and taxpayers can get an idea of their tax liability at the time when they submit the returns through this service, and will have a few months before the due date to prepare for the tax payment, thus reducing the risk of default.

The e-services provided under eTAX are available to taxpayers 24 hours a day and 7 days a week. That means taxpayers can view their tax records, communicate with the IRD or use the services to meet their tax obligations anytime and anywhere

In processing paper returns, if the IRD staff spot any irregularities or incomplete information, theywill manually issue query letters to taxpayers to clarify or obtain further information from taxpayers. In case taxpayers use the e-filing service, the manual effort for screening returns and issuing query letters can be saved and taxpayers can file their tax returns correctly in the first instance. Compared with paper returns, e-returns can impose better control over the information filled in by taxpayers and facilitate them to meet their tax obligations by filing correct tax returns.

3. Portals for Automatic Exchange of Financial Account Information (AEOI) and Country-by-Country Reporting (CbC Reporting)

Hong Kong is committed to effective implementation of AEOI and CbC Reporting. To facilitate reporting by Hong Kong reporting entities, the IRD has developed two secure electronic platforms (i.e. the AEOI Portal and CbC Reporting Portal) for reporting entities to submit notifications and file returns in relation to AEOI and CbC Reporting. The IRD has attached great importance to the confidentiality of information. The portals are safe, secure, and can ensure confidentiality of information exchanged during the process. They make it easier and quicker for entities to comply with their obligations.

4. Fillable PDF Public Forms

To facilitate taxpayers who do not have an eTAX account to meet their tax obligations, the IRD has introduced fillable PDF forms with automatic generation of QR codes.
Pre-defined validation rules are incorporated in the forms to guide taxpayers in completing the forms, and any invalid input will be instantly rejected. QR code containing all the input information will be generated automatically after the form is completed. Upon receipt of the forms, the IRD staff will capture the information contained in the QR codes with barcode scanners. The information will then automatically be updated to the database. This new digital instrument facilitates those taxpayers who do not have an eTAX account to file a completed form as required by the IRD and reduce the chance of human error made in completing the forms.

5. e-Stamping

e-Stamping service, which involves printing a stamp certificate online for attachment to the instrument, is an alternative to conventional stamping. Such stamp certificates have the same legal status as conventional stamps imprinted on instruments. With e-Stamping, there is no need to present original instruments or documents to the IRD. All the user has to do is to input data and submit stamping application. After payment of stamp duty, a stamp certificate can be printed out and be affixed to the document as evidence of stamping.
Advantages of using e-Stamping service include:

- stamping possible anytime, anywhere;
- payment can be made online via Visa, MasterCard, JCB, Union Pay, etc;
- instant issue of stamp certificate after receipt of stamp duty online;

- free online service for checking authenticity of a stamp certificate; and
- one-stop service-submission of tenancy e-forms for reporting tenancy information to the Rating and Valuation Department online after e-Stamping of tenancy agreement.

6. e-Payments

The IRD allows taxpayers to settle their tax liabilities by various electronic means, e.g. payment by phone, bank ATM, or via Internet banking services and Faster Payment System. This not only saves taxpayers' time in queuing up to pay taxes, but also enables taxpayers to fulfill their tax obligations by online payment even if they are physically outside Hong Kong.

7. e-Communication Channels

7.1 IRD Website (www.ird.gov.hk)

The IRD website is a very effective channel for disseminating tax information and providing electronic services to the public. With continuous enrichment and updates, the website enables taxpayers to obtain the most current information about Hong Kong taxation in a fast and convenient manner. This will in turn enhance taxpayers' compliance and reduce the work of the IRD. To facilitate all sectors of the community to locate the relevant tax information, there are thematic content pages for individuals, businesses, property owners, employers, taxrepresentatives, etc. The IRD website has adopted responsive web design, which enables users to have quick and convenient access to tax information. It also has a mobile version to facilitate quick and convenient access to tax information anywhere. With the advancement of information technology, a lot of services and information are provided online.

Adopting artificial intelligence technology, the IRD has since April 2021 provided a real time interactive service, a Chatbot named "Iris", in the IRD website. Iris stands for "Inland Revenue Interactive Service", which means the intelligent assistant of the IRD. "Iris" provides round-the-clock instant service in answering general queries relating to tax on individuals. The information uploaded to the IRD website includes taxpayers' rights and obligations, IRD software, IRD public forms, tax law, Departmental Interpretation and Practice Notes (DIPNs), guidelines, advance rulings, penalty policy, e-Seminars, answers to frequently asked questions and press release.

The IRD sets out its interpretation of the applicable tax laws and practices adopted in relation to important tax issues in its DIPNs. They help taxpayers better understand the IRD's stance, thereby ensuring consistency in the application of the tax law, providing transparency in tax administration and reducing taxpayers' compliance costs.

Other than DIPNs, there are also pamphlets and guidelines which contain tax information in simpler terms. They are downloadable from the website. In addition, e-Seminars are provided for employers, property owners and individual taxpayers. Information on how to complete tax returns, fulfil tax obligations and overcome difficulties in compliance has been uploaded to the website. After reading the information, taxpayers can raise enquiries electronically at the “Q&A Corner”.

The IRD has also uploaded its penalty policy on its website to enhance transparency of the penal actions. To encourage full voluntary disclosure on non-compliance, the IRD’s penalty policy imposes escalated levels of sanctions on belated notifications to or delays/obstructions in the investigation work carried out by the IRD. Press announcements of successfully prosecuted court cases have also been posted on the IRD website to alert the public of the serious consequences of understatement.

Hong Kong has in place an advance ruling system so as to provide taxpayers with a degree of certainty about the application of the tax law in Hong Kong. A person may apply to the IRD for a ruling on how the tax law applies to him or the arrangement specified in the application. In addition to providing certainty to taxpayers, advance ruling also promotes consistency in the application of the tax law, minimises tax disputes which can be a lengthy and costly process, fosters trust relationship between taxpayers and the tax administration, and provides a transparent framework that encourages compliance with the tax law.

To promote transparency and consistency in the application of the tax law, some rulings considered to be of general interest have been published on the IRD website in redacted form. In order to protect taxpayer confidentiality, the IRD will edit the selected rulings prior to publication. Therefore, all information that might identify the taxpayer will be removed from the edited version.

7.2 e-Enquiry

The IRD’s Enquiry Service Centre (Centre) handles telephone and counter enquiries. The Centre is equipped with a computer network linked to the Department’s Knowledge Database to enable our staff to provide, as far as possible, an immediate “one-stop” service. The Centre operates an Interactive Telephone Enquiry System with over 100 telephone lines. Callers can have access on a 24-hour basis to a wide range of tax information by listening to recorded messages. Besides, callers can obtain facsimile copies of information sheets and forms through the system. A “Leave-and-Call-Back” facility, for recording information requests, and a “Fax-in Enquiry” service are also available. The IRD has also provided designated email accounts for communication on specific tax matters to speed up the processing of email enquiries.

7.3 GovHK

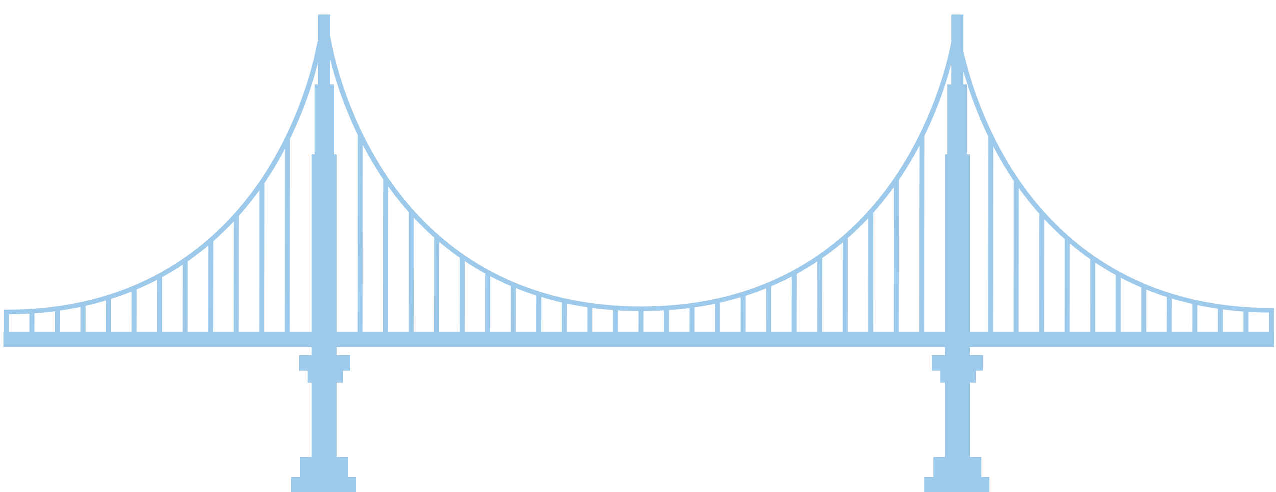
GovHK is the one-stop portal created by the Government of the Hong Kong SAR, making information and services of the public sector easier to find and use. The IRD has uploaded to the

"Taxes & Duties" cluster under the GovHK portal tax information and articles specially written for taxpayers such as their rights and obligations under the tax law, the kinds of income that are chargeable/non-chargeable to tax and the kinds of allowances/deductions they may claim. The GovHK provides another electronic channel for the public to obtain tax information.

8. Tax Challenges Arising from Digitalisation

While modern technologies can bring benefits to tax authorities, they pose a number of complex questions for tax policy at the same time. The most prominent tax policy issue is how to tax the digital economy. With a view to addressing the base erosion and profit shifting (BEPS) risks arising from the digitalisation of the economy, the Organisation for Economic Co-operation and Development (OECD) announced this year the framework for international tax reform (commonly referred to as BEPS 2.0).

The framework is based on a two-pillar package which seeks to ensure a fairer distribution of taxing rights in respect of profits of large multinational enterprises, and to set a global minimum tax rate. The OECD is developing the detailed rules for the BEPS 2.0 package, and aims at implementing the package in 2023. Hong Kong SAR together with over 130 jurisdictions have indicated acceptance of the BEPS 2.0 package. Implementation of the package will have far-reaching implications for Hong Kong's existing tax regime and tax treaties, as well as for multinational enterprises. The IRD will continue to participate in the OECD's meetings and work with the relevant bureau to monitor the international developments, make assessments and devise response measures.



7 Indonesia

Sustaining Economic Growth Through Customer-Oriented Taxpayer Services Reform in Indonesia

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Sustaining Economic Growth Through Customer-Oriented Taxpayer Services Reform in Indonesia

Abstract: Maintaining economic growth is a challenging undertaking. A nation requires numerous resources to keep its economy running and growing. In Indonesia, taxes continue tobe the major contributor to the budget. Indonesia's tax authority must collect taxes and dutiesowed in line with the law and in a manner that maintains confidence in the tax system and itsadministrations in order to keep the economy afloat. Thus, it is vital to devise a plan to prevenrevenue loss. This article aims to evaluate the efforts of Indonesia's tax authority to improve taservices as an investment and trade promotion strategy, as well as to improve tax complianceamong taxpayers. This article will detail the efforts taken by the Directorate General of Taxes (DGTto reform tax services, and the current work and future outlook of DGT's tax services reform.

Keywords: Tax service; Tax reform; Economic development; Tax compliance

1. Introduction

In the modern system of governance, the tax system is essential because it provides governments with reliable and sustainable means of revenue collection; reduces reliance on foreign aid and increases financial autonomy; enables the government to provide various cash support to deserving citizens; promotes good governance, accountability, and transparency; formalizes the economy and promotes economic growth.[1]

The case is similar in Indonesia. As a developing country, Indonesia still relies on tax as its primary source of revenue. In 2022, Indonesia's revenue reached Rp2,626.4 trillion, of which Rp1,716.8 trillion (65.37%) came from tax revenue.[2] However, Indonesia's taxto-GDP ratio in 2022 was 10.4%.[3] Countries that collect less than 15% of GDP in taxes must increase their revenue collection to meet the fundamental needs of citizens and businesses.[4] This level of taxation is a crucial tipping point for a state's viability and economic growth.

[1] Abdin MD. Joynal (2018). *Relationship Between Taxation and Economic Development of a Country,* https://ssrn.com/abstract=3295458.
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A tax authority's primary objective is to collect taxes and duties owed in accordance with the law and to do so in a way that maintains confidence in the tax system and its administration. Failures to comply with the law are inevitable due to the actions of taxpayers — whether due to ignorance, carelessness, or deliberate evasion — and weaknesses in tax administration. Consequently, tax administration should have in place strategies and structures to ensure minimal non-compliance with tax law.[5]

In order to keep the economy running and growing, countries need to fill the revenuegap through investment, trade, and minimiz-ing the loss caused by tax non-compliance. Therefore, appropriate tax policies to generate the necessary incentives are needed. The appropriate tax policies are not limited to policies regarding tax concessions but also regarding tax services. Tax authorities also need to provide excellent tax services to attract investment and trade since the stakeholders involved in investment and trade will often deal with tax services due to conducting business in a country.

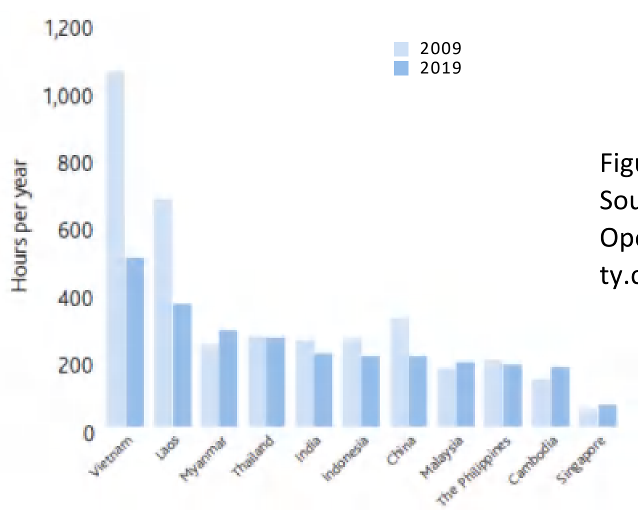

Figure 1. Time spent on filing tax return
Source: Brien Stephen & Herring Daniel (2019). Economic Openness: Indonesia Case Study, https://docs.prosperi-ty.com/4616/8027/7470/GIEO-Indonesia-2019-Web.pdf.

This article aims to assess Indonesia's tax authority measures in enhancing tax services as a strategy to attract investment and promote trade, as well as ensuring tax compliance. In doing so, this article will describe the measures that the Directorate General of Taxes (DGT) has taken in terms of reforming tax services, and the current work and future outlook of DGT's reform in tax services.

This article aims to assess Indonesia's tax authority measures in enhancing tax services as a strategy

2. Taxpayer Services in Indonesian Tax Reform

The Indonesian tax system has undergone significant changes in recent years as part of abroader tax reform initiative that aims to modernize and simplify the tax system, increase compliance, and enhance revenue collection. One crucial aspect of the reform is the tax service business process, which involves providing tax-related services to taxpayers. to attract investment and promote trade, as well as ensuring tax compliance. In doing so, this article will describe the measures that the Directorate General of Taxes (DGT) has taken in terms of reforming tax services, and the current work and future outlook of DGT's reform in tax services. Taxpayer service is aimed at streamlining tax collection and improving the efficiency and effectiveness of tax administration.

As a result of the tax administration reform in Indonesia, the duration for taxpayers to report their taxes has decreased from 259 hours to 208 hours per year between 2009 and 2019. In 2019, Indonesian taxpayers, just adjacent to Chinese taxpayers in Figure 1, needed only one hour more to fulfill their tax reporting obligations.[6]

A series of tax reform initiatives are divided into three volumes: Tax Reform Volume I, Volume II, and Volume III.

2.1 Tax Reform Volume I

This reform package was introduced in 2001 and aimed to improve tax collection by simplifying tax procedures, reducing tax rates, and broadening tax base. One essential change in this era was depicted by the transformation of the DGT units into function-based organizations; as a result, the organization was based on the type of taxes, namely personal income tax division, corporate income tax division, and value-added tax (VAT) division. The tax administration was restructured based on functions including tax services, monitoring, law enforcement, and supporting functions which covered all taxes services.

Modern Indonesian tax administration aimed to simplify the tax system, increase taxpayercompliance, and improve tax collection. This era kicked off the DGT's responsibility for providing better services to taxpayers, such as improving the quality of tax registration, tax return processing, and tax payment services to improve taxpayer compliance and make the tax system more efficient.
responsibility for providing better services to taxpayers, such as improving the quality of tax registration, tax return processing, and tax payment services to improve taxpayer compliance and make the tax system more efficient.

The modernization in Volume I continued until 2008. Two Large Taxpayer Offices (LTO)10 Special Tax Offices, 32 Medium Taxpayer Offices (MTO), and 357 Tax Service Offices have been erected

[8] Directorate General of Taxes (2021). *Reformasi adalah Keniscayaan, Perubahan adalah Kebutuhan Cerita di Balik Reformasi Perpajakan*, https:// pajakmania.com/wp-content/up loads/2021/08/Buku-Reformasi-Perpajakan-Web.pdf.
[9] Saleh Aim Nursalim, et.al (2019). Bersinergi Dukung Reformasi Perpajakan. *Majalah PAJAK100*, 3rd Edition 2nd year/2019, pp. 12-13.
[10] Mohamad Harisman Isa (2017). *Pajak Bertutur, Langkah Awal Menuju Indonesia Emas 2045*, https://majalahpajak.net/pajak-bertutur-langkah-awal-menuju-indonesia-emas-2045/.

as modern tax offices. The tax office is the result of the merger of three types of offices, namely the Tax Service Off(KPP), Service Office Land and Building Tax (KPPBB), as well as the Audit Office and TaInvestigation.

Another critical component of modernization is the implementation of technology solutions to streamline tax processes and improve efficiency. Digitalization was seen in thintroduction and development of e-registration, e-filing, e-SPT,[7] and e-payment as platforms used by taxpayers in fulfilling their tax obligations. On the tax officer's side, DGT Information System (SIDJP) is used in tax administration business processes.

The modernization in tax administration toward customer-oriented services is also equipped by the DGT human resources capacity. Account Representative (AR) is a professional position in DGT responsible to ensure taxpayers comply with tax laws and regulations by reviewing tax returns, analyzing financial data,preparing reports for tax assessments and collections, and providing guidance and support to taxpayers on tax compliance, and payment obligations. AR plays a vital role in the DGT, by leveraging technology to provide more timely and accurate assistance to taxpayers on tax obligations and processes, which is also critical to the modernization of tax services in Indonesia.

2.2 Tax Reform Volume II

Tax Reform Volume II was initiated in 2009. This era began with a massive registration of new taxpayers. It was roughly 3.5 million new Tax Identification Numbers (TINs) reflecting the number of new taxpayers broughtinto the tax system during 2008.

Moreover, in 2009 the DGT received awards from Indonesian World Record Museum (MURI) for breaking new records of not only the highest number of new taxpayers registered in a year but also the highest taxpayer registration in a day with 163,255 new taxpayers on 31 January 2008.[8]

As the number of registered taxpayers rocketed, the DGT needed to maintain the quality of the tax service so taxpayers could access tax-related services and information. To respond to that challenge, a hotline called Kring Pajak 500200 was established in early 2008 to administer taxpayers' inquiries and complaints.

Other notable achievements in taxpayer services are the implementation of e-Tax Invoice for Taxable Enterprise (PKP) and the development of Compliance Risk Management (CRM).

2.3 Tax Reform Volume III

Since 2017, Indonesia's tax reform has entered a new phase referred to as the Tax Reform Volume III, which aims to continue until 2024. One essential reform is massive digitalization in providing services to taxpayers. In 2019, the DGT had 32 services, some of which can be exercised online and in real time via web-based platforms, including e-Filing, e-Billing, e-Faktur (e-Invoice), and e-Registration.[9]The DGT has also introduced 3C services, whereby taxpayer services are directed through web (Click), KLIP (Call Center), and Integrated Services Counter (Counter). In the 3C program, the service counter (Counter) will be the last resort for taxpayers to seek services because minimizing the taxpayers' burden to visit tax offices is of paramount importance.

In education service, the DGT started implementing Pajak Bertutur, a tax education program that aims to increase tax literacy and awareness among the public, especially those with little knowledge about taxes. The program uses various communication channels, including radio, television, and social media, to educate people about the importance of paying taxes and the benefits of doing so. In 2017, a MURI record was broken by this program for an educational activity involving 127,459 active students at elementary, middle, and high school levels as well as university students in 2,182 schools and colleges in a day.[10]

In 2018, all regional tax offices offered a coaching program for Micro, Small, and Medium Enterprises (MSMEs) called Business Development Services (BDS), piloted in 2015. This service has brought MSMEs and large retailers together, as well as seminars on tax payment and account management. Monitoring and assessing these programs will allow for better targeting of services over time, and the range of services should be broadened based on lessons learned throughout the country.[11]

Another reform footprint was that in 2021, the DGT issued DGT Decree Number PER24/PJ/2021, which regulated the preparation of proof of unification withholding/collectionand the submission of Periodic Unification Income Tax Return and came into force starting from the January 2022 tax period. Periodic Unification Income Tax Return is a periodic income tax return used by income tax withholding agents to report their withholding obligations of several types of income taxes in one tax period.12 Previously, reporting was done separately for each type of income tax in a different format. Periodic Unification Income TaxReturn includes several types of income taxes: Income Tax Article 4(2), Article 15, Article 22, Article 23, and Article 26.[13]

3. Future Outlook on Taxpayer Services Reform

3.1 PSIAP

Currently, all tax administration business processes are managed through DGT's information system called SIDJP, an integrated system that helps the DGT manage and process tax-related information, as well as support decision-making processes. The SIDJP system has several modules designed to handle different aspects of tax administration. These modules include taxpayer registration, tax filing, tax payment processing, tax audit management, and data analytics.

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[11] Lewis Christine (2019). Raising More Public Revenue in Indonesia in a Growth- and Equity-Friendly Way. OECD Economics Department Working Papers. no. 1534.

[12] Taxation Monitor Commitee (2021). *SPT Masa PPh Unifikas*, https://komwasjak.kemenkeu.go.id/in/post/spt-masa-pph-unifikasi

[13] These types of income tax are withholding taxes on certain types of income, i.e. Article 4(2) on transfer or rental of land and buildings, construction services, Article 15 on transactions in relation with shipping and airline services, Article 23 on dividends, interests, or royalties, Article 26 on income received by a non-resident taxpayer, and Article 22 on imported goods, luxury products, and government expenditure. See PwC Indonesia (2021). *Indonesian Pocket Tax Book 2021,* https://www.pwc.com/id/en/pocket-tax-book/english/pocket-tax-book-2021.pdf.

[14] Directorate General of Taxes. DJP Siap Reform. Youtube, uploaded by Directorate General of Taxes, 9 September 2021.

[15] Directorate General of Taxes. *PSIAP*, https://pajak.go.id/id/psiap.

However, the SIDJP that has been used for 15 years has become outdated as it is not upgradable and needs a lot of other unintegrated supporting platforms. In addition to that, the durability and stability infrastructure of the SIDJP cannot balance the increase in the number of electronic services. Quite often, the system experiences an offline error, mainly when thhigh traffic is caused by the annual tax returfiling. Hence, it is essential to upgrade the system to prevent offline system errors from happening and becoming more severe.[14]

To address this issue, the DGT has been implementing an initiative to modernize its tax administration systems, with the Renewal of Tax Administration Core System (PSIAP) program as a core part of Tax Reform Volume III aiming to modernize and integrate tax administration systems. PSIAP is a tax administration business process redesign project through the development of a COTS (Commercial Off the-Shelf) based information system accom-panied by improvements to the tax database so that the tax system becomes Easy, Reliable, Integrated, Accurate, and Certain.[15]

PSIAP strategic agenda is codified in Presidential Regulation No.40/2018 in conjunction with MoF Decree number 767/KMK.03/2018 concerning Core Tax System Reform (PSIAP). The PSIAP program includes developing a new tax information system to replace the existing SIDJP system. Also, around 21 business processes will be redesigned, including taxpayer-services-related business processes. The PSIAP is expected to be introduced in 2023 and fully implemented in 2024.

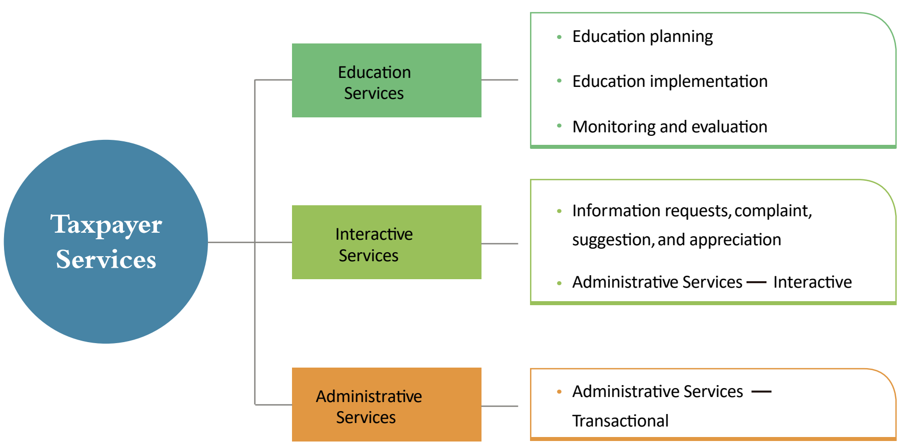


Figure 2. Taxpayer services business process (to be)
Source: Kemenkeu Learning Center (KLC).

3.2 Taxpayer Services Convenience

Taxpayer services convenience expected from the coming reform can be offered through the taxpayer portal. This online integrated platform puts forward user experience to facilitate the taxpayer fulfilling their rights and obligations as follows:

1) Registration Service
The taxpayer registration process will be noticeably easier, whereby taxpayers can register in every tax office, irrespective of their regional domicile, through a multi-channel platform and is validated with a single data source. Individual taxpayers can register easily by activating their National Identification Numbers to be their TINs.

2) Tax Return Filing
Taxpayers can prepare their tax returns more easily supported by an integrated process containing features like e-invoice, e-withholding, and e-statement supported by pre-populated data and its validation to minimize error in the filing.

3) Tax Payment
The payment of taxes has become easier with the implementation of multiaccount billing codes, which allow taxpayers to make payments using a single billing code for each Unified Tax Return or multiple tax assessmentletters. The taxpayer portal will also provide automation services for transferring tax paymentsfrom one tax ID to another, advance tax credits, and interest compensation.

4) Transaction History
The portal will allow the automation of a comprehensive taxpayer profile supported by an accounting system in accordance with the applicable law and tax accounting standards. Thus, the taxpayer can easily access their tax-related transaction records transparently.

5) Tax Education Services
Ease of interaction between taxpayers and DGT will be provided through expanding integrated channels and segmented education based on the taxpayers' needs.

3.3 Taxpayer Services Redesign

Despite the reforms that have brought about significant changes and improvements, the taxpayer services business process needs redesigning, as many taxpayers still need clarification about how their service application issubmitted, proceeds, and how to obtain the application results. The manual process, commonly carried out, leads taxpayer services to run less effectively, making it difficult for taxpayers to trace the process. Having said that, redesigning the taxpayer services business process is a crucial agenda in the PSIAP project.

The future agenda of the taxpayer services business process can be illustrated in Figure 2.

3.3.1 Education services

Some challenges remain in education services in the current administration which will open the room for future improvement. Firstly, the target audience for education currently needs to be targeted optimally. Management of the implementation of educational activities is carried out separately outside the core system used by DGT.

Moreover, taxpayers do not have access to adequate information related to educational activities, and no single educational material repository is available. Also, the educational services provided have no tracking, feedback, or rating features.

All those challenges will be addressed in the future business process redesign. In essence, education services will be administered throughout the process, beginning with the planning, implementation, monitoring, and evaluation phase.

3.3.1.1 Education planning

Currently, the data source used to determine the education's target audience is Compliance Risk Management (CRM) Education Function based on the formal compliance profile of the taxpayer. In this regard, reference to one function of CRM could pose infectivity since it is vital to consider other relevant business processes. In the new system, the education target will be determined using an integrated CRM involving several business processes: Extensification, Registration, Exchange of Information (EoI), Audit, Scrutiny, Payment, and Tax Return Management. In addition, there will be flexibility in the assignment of the tax education officers considerinthe education needs.

3.3.1.2 Education implementation

This process includes delivering tax education materials, survey content, and pretest and post-test content to participants, including recording the implementation of educational activities to compile reports on the implementation of educational activities. Educational activities can be implemented through direct active/passive methods, or indirect methods, either in one or two directions.

The implementation of the education alsoincludes routine educational activities comprising:

1) Billing reminder,
2) Annual Income Tax Return filing capaign,
3) Tax payment reminder,
4) Extensification support
5) Registration support, and
6) EoI support business processes.

The process of providing educational ser-vices can also be provided through third parties. Education services through third parties in the future will be documented in the new tax ad-ministration system and integrated with other educational activities carried out independently by the DGT.

3.3.1.3 Monitoring and evaluation

The monitoring and evaluation process in each activity implementation will provide feedback for future education planning, policies, or other business processes to improve the provision of educational services in the next period. The new system will support the monitoring and evaluation of tax education activities, namely related to the preparation of tax volunteer monitoring reports, preparation of education policy recommendations, and generate data mart, reports, and tax education dashboards needed in the monitoring and evaluation stage.

3.3.2 Interactive services

The interactive service is a two-way communication between the DGT and taxpayers/non-taxpayers, including the results of taxpayer requests or inquiries that have no impact on the taxpayer account status and have no monetary value. This service includes general inquiries for tax information, complaints, suggestions, and appreciation from taxpayers/non-taxpayers. In addition, administrative services that do not contain monetary value like general inquiry and counselling about tax obligation are also part of the interactive services. The flow of future interactive services can be illustrated in Figure 3.

In essence, notable changes in the interactive services can be summarized in Table 1.

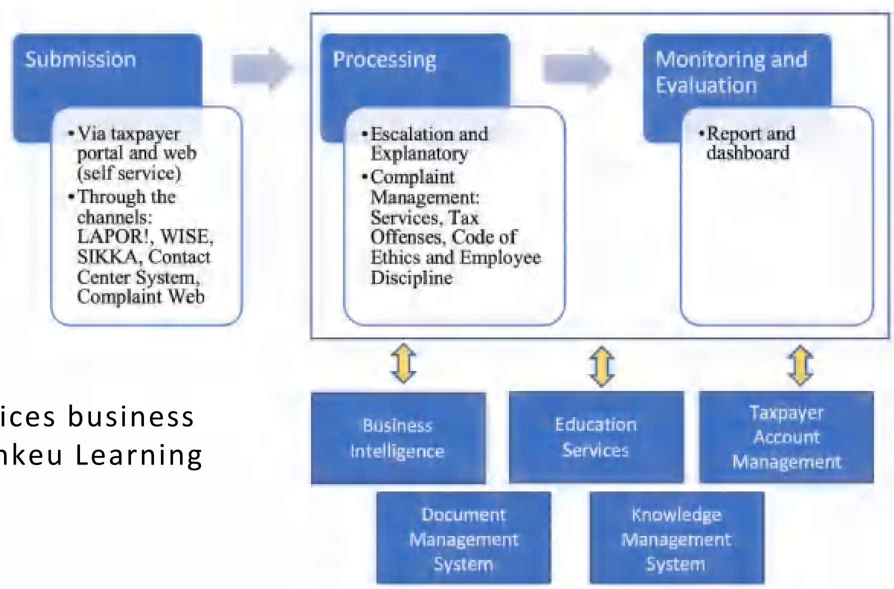


Figure 3. Interactive services business flow (to beSource: Kemenkeu Learning Center (KLC).

Table 1: As-is and to-be in interactive services

General Inquiry		
Area	As is	To be
Interactions and Historical Data	Interactions are not recorded and spread across each infor-mation request service system	All recorded interactions are integrated into the system through interoperability with DGT's internal/external systems. Historical data can be accessed on the taxpayer portal
Escalation and Confirmatio	Manually	Through case management
Data Utilization	Has not been used optimally, only for internal unit interests	Supported by business intelligence and can be input for DGT's business process
Documents and Reports	Manual administration and manual signature	Administration by the system and digital signature
Complaint, Suggestion, and Appreciation		
Complaint Reception	· Various procedures; · Interoperability is not optimal	· Uniform and simple admission procedures; · Interoperability with internal systems
Complaint Process	Manual	Case management
Tracking and Monitoring	Manual	Taxpayer portal
Historical Data	Scattered on each process owner	Integrated and available on the taxpayer portal

Source: Kemenkeu Learning Center (KLC).

3.3.3 Administrative services

he administrative services business process is how the DGT receives notifications andprocesses applications for taxpayers or non-taxpayers in issuing legal products or receiving administrative service product reports. This type of service encompasses administrative process of transactional taxpayer service, including administrative reports and official certificates that have monetary value, such as Notice of Tax Exemption, Taxpayer Status Confirmation,Certificate of Residency, and VAT ExemptionReports.

In general, the flow of administrative services provision includes the submission of requests and processing of requests until service output is available. The administrative services flow is shown in Figure 4.

Most future administrative services business processes will run online and be automated and integrated with other business processes. In addition, some of the services provided will consider the risk profile of each taxpayer. Thebenefits that are expected to be obtained withthe future business process of administrative services are:

1) Simplification: ease of administrative services;

2) Efficiency: system efficiency and ease of administrative services;
3) Validation: there is a strengthening of internal and external data validation; and
4) Streamlined process: simplifying business processes.

4. Tax Services and Economic Development

Most developing countries use tax concessions to help spur economic growth. Currently, many developed countries and the vast majority of developing countries provide import duty and income tax breaks to certain businesses for a period of time. Some countries even waive sales (and sometimes property) taxes, stamp duties, and other levies.
Despite widespread doubt among financial professionals about the effectiveness of tax incentive programs, tax-incentive schemes have been widely implemented nonetheless.

The fundamental argument posed by those opposed is whether the economic advantages of the additional investment attracted outweigh the loss of revenue from those who would have invested regardless of the special treatment. In order to minimize the loss of revenue from aggressive tax concessions, a country needs to provide other incentives to attract investment and promote trade growth. One of the incentives is through tax services reform.

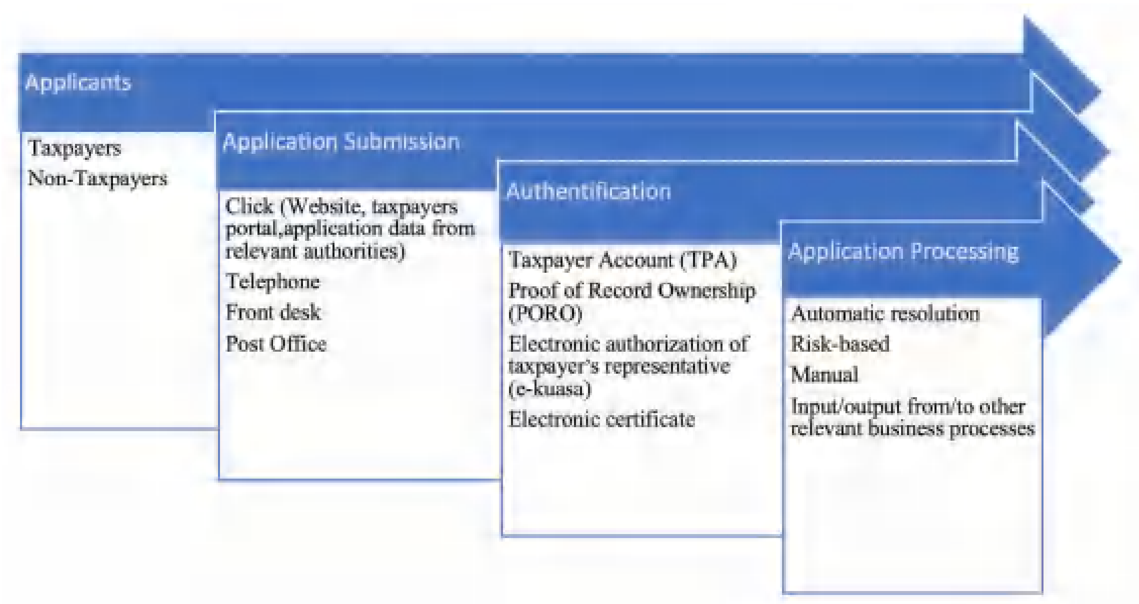


Figure 4. Administrative services business flow (to be)
Source: Kemenkeu Learning Center (KLC).

Plenty of literature has studied the importance of private sector investment and a good business environment on economic growth and development. A favorable business climate allows private businesses to flourish andcontribute more to the economy. The greater the development of the private sector and the number of enterprises produced, the greater the employment chances.[16]

In an attempt to promote private sector growth, numerous countries have simplified the business registration process. These initiatives have been pushed by the World Bank, most significantly through its Doing Business project. Since 2002, the World Bank has issued the Ease of Doing Business (EoDB) Report annually, which ranks the business environment of nearly 200 economies globally. The doing business report measures the difficulty, costs, and time required for a standard, medium-sized business to obtain construction permits, register property, obtain credit, pay taxes, import and export goods, enforce contracts, and complete the bankruptcy procedure. It also measures the level of investor protection.[17] Each of these elements includes a variety of indicators. For instance, indicators for international trade include the cost, time, and number of documents necessary to export and import goods.[18]

International benchmarking has proven to be the most effective strategy for mobilizing the public to demand superior public services, increase political accountability, and guide policymakers in formulating and implementing better economic policies. Various agencies are conducting a variety of global rankings to promote development and competition. They measure each economy's performance using predetermined variables and compare the results with those of other nations. Regarding EoDB rank, it has a substantial impact on eco-nomic growth. Changes in the indices of ease of doing business can account for 83% of the entire variation in economic growth in Asia.[19]

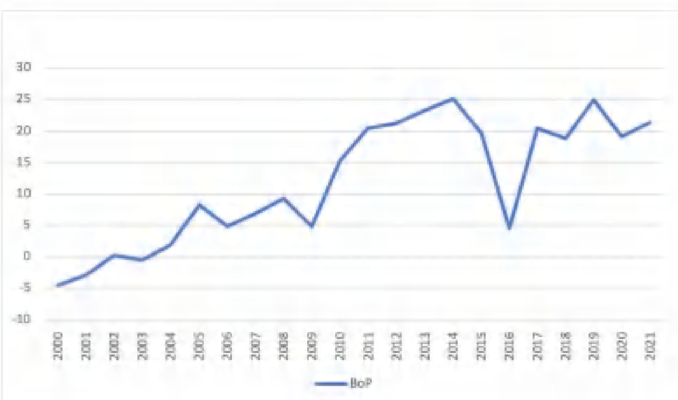


Figure 5. Indonesia's Balance of Payments from 2000 to 2021 (in USD billion)
Source: World Bank (2021).Foreign Direct Investment, Net Inflows (BoP, Current US$) –Indonesia, https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2021&loca-tions=ID&start=2000&view=chart.

[16] Canare T. (2018). The Effect of Ease of Doing Business on Firm Creation. 19*Annals of Economics and Finance* 2, pp. 555-584.
[17] Corcoran A. & Gillanders R. (2015). Foreign Direct Investment and the Ease of Doing Business. 151 *Review of World Economics,* pp. 103-126.
[18] The World Bank (n.d.). Doing Business Archive. *Methodology*, https://archive.doingbusiness.org/en/methodology. Retrieved Mach 13, 2023.
[19] Ani T. G. (2015). Effect of Ease of Doing Business to Economic Growth among Selected Countries in Asi. 3 *Asia Pacific Journal of Multidisciplinary Researc* 5, pp. 139-145.

Since paying taxes is one of the indicators in determining the EoDB rank, easing tax payment through tax services reform increases competitiveness. High rates of tax evasion, large informal sectors, increased corruption, and decreased investment are associated with overly complex tax systems. Modern tax systems should seek to maximize tax collections while minimizing the compliance burden on taxpayers.

The Indonesian tax reform initiative seeks to modernize and simplify the tax system, improve tax compliance, and raise more tax revenue. As seen from the explanation above, the tax reform that DGT has been doing concentrates on enhancing tax services provided to taxpayers. While this tax reform cannot be explicitly attributed to Indonesia's economic growth and Balance of Payments (BoP), the enhancement of tax services provided to taxpayers serves as another incentive to do business in Indonesia. Figure 5 shows BoP in Indonesia from 2000, before the tax reform, to 2021.
The Indonesia's overall economic growth can be seen in Figure 6.
Aside from supporting other government's policies in attracting investment and promoting trade, tax services reform also aims to increase overall tax compliance. Many kinds of literature argue that the quality of tax services has a positive and significant effect on taxpayer compliance (e.g. Sania & Yudianto, 2018; Oktaviani, Juang, & Kusumaningtyas, 2019).[20] Increasing tax compliance among taxpayers will minimizerevenue loss caused by failures to comply with the law, thereby maximizing tax revenue for Indonesia.

5. Conclusion

Indonesia's taxation system has undergone significant modifications in recent years as parof a broader tax reform program. This reform effort is targeted toward keeping the tax system up to date, making it easier for taxpayers to file their returns, resulting in more revenue.Providing tax-related services to taxpayers is a crucial part of the tax service business process, which is being reformed as part of the more extensive tax system. The tax service business process reform is one of the tools to increase tax compliance, attract investment, and promote trade. Enhancing the quality of tax services enables taxpayers to efficiently fulfill thetax obligation, reducing the cost of compliance. The simplicity of tax services also would attract firms to invest and do business in Indonesia.

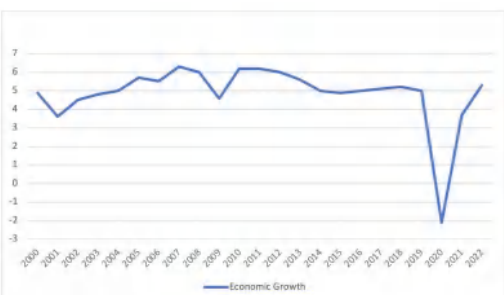


Figure 6. Indonesia's economic growth from 2000 to 2022 (in percentage)
Source: World Bank (2021). GDP Growth (Annual %) – Indonesia, https://data.worldbank.org/indi-ca-tor/NY.GDP.MKTP.KD.ZG?locations=ID&start=2000; Ekonomi Indonesia Tahun 2022 Tumbuh 5,31 Persen, https://www.bps.go.id/pressre-lease/2023/02/06/1997/ekonomi-in-donesia-tahun-2022-tumbuh-5-31-persen.html.

[20] Sania A. F. & Yudianto I. (2018). Analysis of Factors That Influence Taxpayers Compliance in Fulfilling Taxation Obligations. 1 *Journal of Accounting Auditing and Business* 2, pp. 17-27. Oktaviani A. A., Juang F. T. & Kusumaningtyas D. A. (2019). The Effect of Knowledge and Understanding Taxation, Quality ofTax Services, and Tax Awareness on Personal Tax Compliance. 16 *Indonesian Management and Accounting Research* 2, pp. 33-45.

Kazakhstan

Kazakhstan's Practice in Improving Tax Environment:

An Exclusive Interview with Chairman Ali Sapargaliyevich Altynbayev, SRC, Kazakhstan

State Revenue Committee of the Ministry of Finance,
Republic of Kazakhstan

Kazakhstan's Practice in Improving Tax Environment: An Exclusive Interview with Chairman Ali Sapargaliyevich Altynbayev, SRC, Kazakhstan

In recent years, Kazakhstan has made great progress in the ease of doing business. By reducing tax burden in order to support the development of entrepreneurship in the Republic of Kazakhstan and simplifying tax administration procedures for business entities, tax authorities are constantly working to ensure the timely and high-quality fulfillment bytaxpayers of their tax obligations in accordance with tax laws and regulations. Against this backdrop, the correspondents from the Belt and Road Initiative Tax Journal (BRITJ) interviewed Mr. Ali Sapargaliyevich Altynbayev, Chairman of the State Revenue Committee of Ministry of Finance of Kazakhstan (SRC).

BRITJ: Mr. Chairman, thank you for being with us in this interview. Would you please introduce the major changes to tax legislation and administration, and their impact on improving tax environment in your country?

Ali Sapargaliyevich Altynbayev: It's a great pleasure to be with you for this interview. Tax legislation is a sphere of law, and its norms are constantly improved. Most of the changes to tax legislation have already been in effect from 1 January 2022, and some will come into effect in the near to medium term.

Here I'd like to highlight some specific changes in Kazakhstan. First, tangible statesupport is provided to small and micro businesses, for example, a certain category of entrepreneurs is exempt from income taxes and tax audits for three years.

Second, individual entrepreneurs and legal entities (small business entities) have the right to choose only one of the following procedures for calculating and paying taxes and submitting tax reports:

- the generally established procedure;
- the special tax regime based on a patent;
- the special tax regime based on a simplified declaration; and
- other procedures.

For Kazakhstani entrepreneurs, the regime based on a simplified declaration is considered to be the simplest and most convenient. The regime involves minimizing accounting procedures and ease of preparation and submission of reports, thus allowing taxpayers to file a tax return without an accountant, especially for the sole proprietors who do not have any employees.

Special tax regimes are simplified mechanism of tax payment established by the Tax Code of the Republic of Kazakhstan. There are special tax regimes for small businesses, producers of agricultural and aquacultural products, agricultural cooperatives, as well as for peasants or farms.

BRITJ: Besides the changes in legislation and administration, what measures has Kazakhstan taken to promote tax digitalization? And what are the effects of these measures?

Ali Sapargaliyevich Altynbayev: In Kazakhstan, digital technologies are being introduced in tax and customs administration in order to create a favorable tax environment for taxpayers engaged in both domestic and foreign economic activities, minimize human factors in decision-making, create effective mechanisms to scale down the shadoweconomy and ensure adequate tax revenues for the state budget.

Roadmaps on optimization of public services have been approved by the interdepartmental commission, which is committed to the further optimization and automation of the e-government portal, as well as the integration of the public and private sectors.

The vision of human-centricity lies at the heart of the digitalization initiative of the tax and customs administrations, which is aimed at creating the most favorable conditions for citizens. To this end, alternative digital solutions have been put in place by the tax and customs administrations. For example, in parallel with the Taxpayer's Office, free mobile applications E-salyq-Azamat and E-salyq-Business are designed fo the convenience of fulfilling tax obligations by taxpayers while reducing their time andfinancial costs. These mobile applications allow taxpayers to automatically calculate taxes and social payments, pay taxes, and receive a tax notification and/or certificate onlineprefill tax returns and simplifydeclaration, etc.

As a result of the work carried out by the Ministry of Finance, it is planned to increase the provision of public services in electronic format to 95% by 2025.

From year to year, systematic work is being carried out to reduce budget classification codes and optimize tax returns. Since 2015, the number of codes of budget classifications has been reduced by 2.5 times, and tax returns have been optimized by 30%.

BRITJ: We're especially interested in the program "Digital Kazakhstan" launched in 2017. Could you please give us an overview of this program?

Ali Sapargaliyevich Altynbayev: The State Program "Digital Kazakhstan" was approved by the Decree of the Government of the Republic of Kazakhstan No. 827 on 2 December 2017, which is designed to accelerate the pace of the economic development and improve the living quality of our citizens. The program is aimed at developing digital technologies in key sectors of the country. Improving the quality and quantity of online public services will help reduce bureaucracy and corruption, and make government agencies more efficient and open.

Digitalization of the interaction between the state and businesses is intended to reduce the transaction costs of entrepreneurs, and increase the transparency of decisions made by state bodies and organizations. A significant direction is to implement a set ofmeasures aimed at improving the quality of tax and customs administration. The increase in tax revenues is also achieved by integrating databases of various sources.

BRITJ: Besides the changes in legislation and administration, what mea-sures has Kazakhstan taken to promote tax digitalization? And what are the ef-fects of these measures?

Ali Sapargaliyevich Altynbayev: In Kazakhstan, digital technologies are being introduced in tax and customs administration in order to create a favorable tax environ-ment for taxpayers engaged in both domestic and foreign economic activities, minimize human factors in decision-making, create effective mechanisms to scale down the shadoweconomy and ensure adequate tax revenues for the state budget.Facilitating access to preferential financing and reducing or eliminating certain types of taxes fore-commerce players will also help enhance the competitiveness of entrepreneurs doing business online.

BRITJ: As we have learnt, the Digital Kazakhstan program was updated in 2020. Is there any new progress in tax administration?

Ali Sapargaliyevich Altynbayev: In December 2021, the Law on Amendments to the Tax Code was promulgated. Thus, starting from January 2022, a new form of state control over the traceability of circulated goods has been introduced.

In addition, the list of risk criteria has been removed from the Tax Code, and will be regulated by a by-law instead, in order to simplify both the procedure of making changes to the list and the risk management system itself.

The simplified liquidation procedure is applicable not only to persons who are not VAT payers, but also to VAT payers who, according to tax reporting data, have not carried out business activities from the date of VAT registration.

The following list of information that banks and banking organizations must provide to the tax authorities has been expanded:

- Information on the total mobile payments received by companies and individual entrepreneurs for the calendar year (Effective from 1 March 2022);
- Information on monthly payments to the accounts of individual entrepreneurs applying special tax regimes and using a special mobile application (Effective from 1 March 2022);
- Information on payments and transfers made in favor of foreign Internet companies for the calendar year; and

- Information on transactions that have signs of receiving income from business activities via accounts of individuals who are not entrepreneurs (Information should be provided for those who are obliged to declare income. Therefore, this provision is being introduced in line with the stages of the universal declaration).

Also, from 1 January 2022, the statutory limitation period for all large businesses is five years. For a number of large companies, this means that, in 2022, the tax authorities may review their tax liabilities since 2017. Previously, the total limitation period for a tax obligation and claim had been reduced from five to three years since 1 January2020.

BRITJ: We understand that the "Electronic Invoice Information System" has proved to be the most effective measure in digital tax administration in Kazakhstan. Could you tell us more about the system?

Ali Sapargaliyevich Altynbayev: The most effective tool in remote administration was the introduction of the "Electronic Invoice Information System", which allows taxpayers to track all transactions on goods and services, and at the same time, check the completeness of their income.

The system works online. Since the launch of the system (in 2016, on a voluntary basis, and in 2019, mandatory application to all VAT payers), over 814 million invoices have been issued, with about 771,000 taxpayers being registered on the system.

The SRC also carries out automatic desk control with the system. Due to the use of the Risk Management System, the analytical programs and information resources, violations, such as firms that issue fictitious invoices, are detected remotely with notifications. However, taxpayers are given the

opportunity to make self-corrections. As a result, the efficiency of desk control has been enhanced, and tax revenues have been increase without going to the audit stages.

BRITJ: It is universally acknowledged that blockchain is a popular technology nowadays. Kazakhstan has made some exploration in administering VAT with the blockchain technologies. Could you please share some views on the use of blockchain technology in your tax administration?

Ali Sapargaliyevich Altynbayev: Yes, the blockchain technology protects the data while making it more accessible and transparent. However, it is important to comply with the legal requirements of a particular state when using the data stored in the blockchain, such as the General Data Protection Regulation (GDPR) of the EU.

Work has been underway to explore the feasibility of introducing the blockchaintechnology in VAT administration and setting up funds on the technical implementation of the relevant project. According to the results of the work carried out, taking into account the positions of the National Chamber of Entrepreneurs of the Republic of Kazakhstan “Atameken”, the Association of Taxpayers of Kazakhstan, and the banking sector, without the mandatory use of a control account by all VAT payers, the introduction of blockchain technology in VAT administration will be ineffective, which will entail risks for the budget.

The Ministry of Finance of the Republic of Kazakhstan, by letter No. 001-KG/10946-I dated 29 April 2021, submitted a position to the Office of the Prime Minister (KPM) othe Republic of Kazakhstan on the inexpediency of introducing blockchain technology in the VAT administration and spending funds on the technical implementation of the relevant project.

According to the results of the meeting dated 12 May 2021, the position of the Ministry of Finance of the Republic of Kazakhstan on the inexpediency of introducing blockchain technology in VAT administration was supported by the Administration of the President of the Republic of Kazakhstan.

BAccording to the resolution of the Head of the Presidential Administration of the Republic of Kazakhstan, E. Koshanov, dated 25 May 2021 No. 6584 PUB-8, as well as the instructions of the KPM of the Republic of Kazakhstan dated 27 May 2021 No.20-2/04-426//20-01-7.7(2.6-T.), item 42 of the State Program “Digital Kazakhstan” regarding the administration of VAT using blockchain technology was removed from control and from 1 January 2022 excluded from the Tax Code.

RITJ: Is there any other new progress in VAT administration?

Ali Sapargaliyevich Altynbayev: According to the Law of the Republic of Kazakhstan (No. 85-VII ZRK), dated 20 December 2021, amendments were made to the Tax Code (effective from 1 January 2022) in terms of extending the VAT payment onimported goods by the offset method for the means of production which are absent inthe territory of the Republic of Kazakhstan until 1 January 2025, as well as excluding pesticides, breeding animals of all types and equipment for artificial insemination andlive cattle from the list of imported goods, for which VAT is paid by the offset method.Action exemptions for VAT payment by the offset method have been extended until 1January 2025, which simplifies procedures of registration and closure for sole proprietors,as well as submission of tax reports, and exempts bank commission and payment for services of operators of fiscal data.

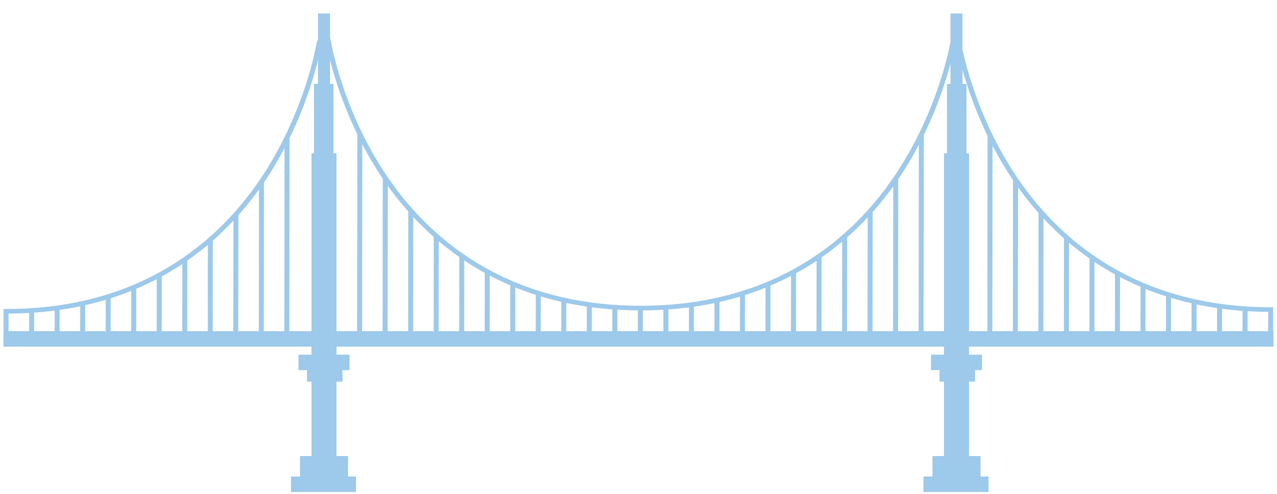
Business entities (according to the List) that converted at least 50% of the foreign exchange earnings received from the export of raw materials for the tax period are entitled to apply a simplified manner for VAT refund (no more than 80% of the amount ofexcess VAT established for the reporting tax period).

To simplify tax administration, goods traceability systems, accompanying invoices for goods and electronic seals are being introduced, which will ensure transparency of implementation between counterparties.

BRITJ: Does the SRC have any other plans to optimize the tax environment in the future?

Ali Sapargaliyevich Altynbayev: Kazakhstan faces a challenging task to achieve sustainable, balanced, and "green" growth. The Republic is striving to get into the top 30 most-developed countries in the world by the middle of the century. To meet that goal, we are working hard to achieve the transition from a resource-oriented economy to a cleaner, innovative and diversified one, which requires improving the publicadministration system, and increasing the openness and competitiveness of the economy. Tax authorities should tap the potential new data technology in tax administration and maintain constant communication with taxpayers, and provide taxpayers with tailored tax services. With the introduction of modern information technologies, the tax authorities will make every effort to expand the scope of taxpayer services, improve thequality of services, and monitor the implementation of tax rules, so as to ensure effectivecompliance with tax laws and regulations, transparency of economic activities, timely and complete collection of tax revenues, as well as improvement in the quality of budget planning and stability of state revenue.

Specifically, methodological basis for optimizing expenditures of the republican andlocal budgets will be developed; the information system of state planning regarding the use of the Single Window Procurement service will be finalized; a new scheme forproviding vehicles will be developed; monitoring and control of the effectiveness of theuse of anti-crisis funds will be strengthened; and an analysis of the effectiveness of statesupport measures will be carried out.



Macao
China

Digital Transformation in Taxation: Experience of Macao, China in the Use of E-services

Financial Services Bureau, Macao China

Digital Transformation in Taxation: Experience of Macao, China in the Use of E-services

Abstract: The Financial Services Bureau serves as the primary tax administration for the Macao Special Administrative Region of the People's Republic of China. It administers all tax types in the region, with the exception of Gaming Tax, Consumption Tax, and Vehicle License Tax. This article highlights the Bureau's efforts to enhance taxpayer convenience and compliance through the development and implementation of online services, such as e-filing platform, self-service kiosks, and mobile applications. By prioritizing self-service options, the Bureau aims to boost work efficiency and promote tax compliance among taxpayers, as part of its ongoing development strategy.

Keyword: Financial Services Bureau; Electronic service; Self-service; Mobile Application; Electronic payment.

1.Introduction and Background

Macao is a special administrative region of the People's Republic of China with full autonomy over its internal tax affairs, as stipulated in the Macao Basic Law. The region upholds a low-tax regime and employs a simple tax system. Depending on the type of tax collected, fixed amounts, standard rates, and progressive rates may apply.

The main types of taxes can be summarized in the following table:

Direct taxes	Indirect taxes
- Industrial Tax	- Gaming Tax
- Professional Tax	- Tourism Tax
- Complementary Income Tax	- Motor Vehicle Tax
- Urban Property Tax	- Stamp Duty
	- Consumption Tax
	- Vehicle License Tax

The Gaming Tax is the most significant type of tax, generating approximately 80% of the government's total revenue. This tax is levied on legal gaming businesses operating in the region, with a tax rate of around 35% on the gross revenue earned by casino operators.
Currently, there are six casino operators in the region.
Following the Gaming Tax, the Complementary Income Tax and Professional Tax are the second and third most important types of taxes. The Complementary Income Tax is a profit tax on business earnings, with progressive tax rates ranging from 3% to 12% for taxable profits exceeding

32,000 Patacas. On the other hand, the Professional Tax is an income tax applicable to both employed and self-employed individuals, with progressive rates ranging from 7% to 12% for taxable income exceeding 95,000 Patacas.
The latest tax benefits for 2023 have raised the exemption levels for the Complementary Income Tax and the Professional Tax to 600,000 Patacas and 144,000 Patacas, respectively. As a result, a flat tax rate of 12% will apply to the Complementary Income Tax, whereas, progressive tax rates of 7% to 12% will apply to the Professional Tax.

Macao's current population, according to the Statistics and Census Service, is approximately 672,000. However, since an individual can be subject to various types of taxes concurrently, the number of taxpayers is estimated to be over 800,000.

Consequently, the Financial Services Bureau, the principal tax administration agency in Macao, faces significant pressure as it handles a large volume of taxpayers every day. The opening up of the gaming industry in 2001 resulted in rapid economic expansion, with the GDP increasing from 55,112 million Patacas in 2001 to 445,530 million Patacas in 2019. As a result, the number of taxpayers has rapidly expanded. For instance, the number of Group 1 professional taxpayers (the employed) surged from 323,000 in 2009 to 471,000 in 2019, marking a 45% increase in a decade.

Despite the surge in taxpayers, the Financial Services Bureau's tax administration section only has approximately 250 staff members. The Bureau receives over 620,000 individuals annually, which is equivalent to more than 2,600 persons per working day. Currently, the Bureau has three branches open to the public, with the Nam Van branch, located in the central commercial district, receiving nearly 60% of all visitors to the Bureau.

Besides tax administration, the Financial Services Bureau is responsible for implementing various relief measures for Macao residents and businesses, particularly during economic downturns. These measures include the widely-known cash handout scheme, professional tax rebate program, and cash subsidy program for employees, self-employed individuals, and businesses. As these programs benefit tens of thousands of recipients, they also impose a heavy workload on the Bureau.

Thus, promoting the usage of electronic services by taxpayers is a significant challenge for the Financial Services Bureau. The aim is to alleviate the workload of frontline staff and improve work efficiency.

2.Online E-filing Platform

To cope with the increasing workload, the Financial Services Bureau has implemented measures to improve work accuracy and efficiency. In 2017, the Bureau has reorganized different tax centers in the Nam Van branch into two integrated units - Customer Service Unit I and Customer Service Unit II - which provide various services to taxpayers at one location. The Bureau is now planning to further integrate the two Customer Service Units into one single Customer Service Center in the second half of 2023. The one-stop service counters of the Center will be able to provide full-coverage services to taxpayers. This consolidation eliminates the need for taxpayers to move between different locations, saving time and reducing inconvenience.

Additionally, the Bureau has actively developed e-services and self-services to encourage their use among taxpayers. This approach allows the Bureau to provide online support to taxpayers without requiring any interaction with frontline staff. Recent taxpayer surveys show that the trend towards e-services and self-services has been on the rise, and the COVID-19 pandemic lockdown period has accelerated their adoption due to social distancing requirements.

The Financial Services Bureau introduced its e-filing platform in 2008, allowing registered individual and corporate taxpayers to use the Bureau's website for online tax declaration, tax return lodgment, and tax payment. Currently, the platform covers the most common types of taxes, such as Professional Tax, Complementary Income Tax, Urban Property Tax, Tourism Tax, and Motor Vehicle Tax.

The main types of services provided by the online e-filing platform include:

Type of Taxes	Type of E-services
Professional Tax	- Declaration of Group 1 taxpayer (registration and cessation of employment for employee) - Declaration of taxable income for Group 1 taxpayer - Payment of withholding tax - Declaration of Group 2 taxpayer (commencement and cessation of liberal and technical professions) - Group 1 taxpayer information Update
Complementary Income Tax	- Declaration of taxable income
Urban Property Tax	- Cancellation of property registration - Cancellation of tenancy agreement - Special application for property evaluation

Type of Taxes	Type of E-services
	- Declaration of maintenance and management expenses - Change of taxpayer correspondence address - Application for tax notification service
Tourism Tax	- Declaration of tourism tax - Payment of tourism tax
Motor Vehicle Tax	- Declaration of motor vehicle tax - Payment of motor vehicle tax

While the total number of registered users of the e-filing platform remains relatively small compared to the overall number of taxpayers, it includes several large-scale enterprises, including the six casino operators who employ thousands of workers. These enterprises have become accustomed to managing their professional tax matters through the online platform instead of queuing up to submit tax declaration forms at a tax service counter, and the number of professional taxpayers covered is still significant.

3.Challenges in the Promotion of E-services

The Complementary Income Tax Regulation categorizes taxpayers liable for Complementary Income Tax into two groups. Group A taxpayers are either individuals or collective bodies with complete and
appropriate accounting records. They typically consist of large-scale enterprises whose financial statements are audited by local registered accountants before submission to the Financial Services Bureau. On the othhand, Group B taxpayers include any other taxpayer who does not meet the Group A criteria.

These taxpayers are generally small and medium enterprises (SMEs) with incomplete accounting records, often owned by individuals with older ages or lower education levels. As a result, Group B taxpayers are taxed on estimated profits on an annual basis.

One of the primary challenges in promoting e-services in Macao is the fact that SMEs form the foundation of the region's business community. Many SME owners are still hesitant to adopt e-services due to their background and preferences. Some still prefer to queue up at tax service counters to submit declaration forms. The same goes for professional taxpayers who are older and have lower levels of education.

They often believe that a physical document is more credible than an e-message displayed on a

Financial Services Bureau has implemented various marketing strategies. These include direct mailing of promotional leaflets to targeted taxpayers, organizing promotional events with various district chambers of commerce, advertising on traditional and social media, and hosting lucky draw events to promote the convenience of e-services. During the latest round of lucky draw held in the first quarter of 2023, the number of online tax declarations for various types of taxes increased by 1.6 to 2.5 times compared to previous periods .

The numbers of e-filing, kiosk and mobile app users in recent quarters:

	No of Users				
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
E-filing	40,530	47,736	53,844	54,940	57,235
Kiosk	11,307	5,399	5,036	2,051	6,343
Mobile APP	58,847	187,639	314,120	156,460	344,096

Photo: Lucky Draw Promotion Poster

4.Self-service Kiosks

In addition to the e-filing platform, the Financial Services Bureau has also been focusing on self-service kiosks in recent years. The Bureau installed its first self-service kiosk in 2015, and now there are over 80 kiosk machines that provide tax services. These machines enable individuals to check tax information, change correspondence addresses, apply for tax certificates, and submit tax declaration forms at the Bureau's branches and various government premises. The kiosk machines are mainly designed for individual users, including SME owners and professional taxpayers.

As self-service kiosks are relatively easy to use, the number of users has remained steady over years. However, since the launch of the mobile applications, the rate of increase in the number of kiosk users has been slowing down in recent quarters.

The types of services provided by kiosk include:

Type of Taxes	Type of E-services
Professional Tax	- Inquiry about the Professional Tax rebate program - Inquiry about the correspondence address of Professional taxpayers - Inquiry about Professional Tax income records - Inquiry about "Professional Tax Income Assessment Notice (M/16)" - Inquiry about "Professional Tax Refund Notice" - Submission of "Employee or Causal Worker List (M3/M4)" - Reprint "Employee or Causal Worker List (M3/M4)"
Complementary Income Tax	- Inquiry about "Complementary Income Tax Income Declaration Form (M/1)" - Reprint "Complementary Income Tax Income Declaration Form (M/1) for Group B taxpayers"
Others	- Inquiry about the tax bills of regular taxes - Tax bill reprint for regular taxes - Inquiry about bank account autopay registration - Inquiry about personal debts owed to the Macao SAR government - Change of taxpayer contact information - Application for certificate of debt - Inquiry about the Cash Subsidy Program for Employees, Self-employed Individuals and Businesses

the In recent years, with the establishment of the Guangdong-Macao In-Depth Cooperation Zone in Hengqin, self-service kiosks have emerged as a convenient solution for taxpayers to handle cross-border tax matters. This zone, which was created following the issuance of the General Plan for Construction by the Communist Party of China (CPC) Central Committee and State Council on September 5th, 2021, is aimed at promoting Macao's economic diversification and providing new opportunities for Macao residents to work and live. As the zone continues to develop, it is expected that an increasing number ofMacao residents will be attracted to live and work there.

As a result of this trend, the Financial Services Bureau has already reached an agreement with the tax authorities in Hengqin to establish "remote smart counters" in various branches of the Bureau. This will enable Macao residents to conveniently handle Hengqin tax matters within Macao. Additionally, the Bureau is also planning to install self-service kiosks in Hengqin for the same purpose.

Photo: Hengqin remote smart counter in Macao

Photo: Self-service kiosk machines in Macao

5.Mobile Applications

As of 2022, statistics indicate that the average number of smartphones per thousand people has reached 1,803 in Macao. To adapt to the era of mobile devices, the Financial Services Bureau

introduced its first mobile application "MACAU TAX" in 2016. This app allows taxpayers to access their personal information and handle tax matters quickly and conveniently through their smartphones and tablets. The app is available for free on Google Play and App Store. By utilizing the "MACAU TAX" app, individual and corporate taxpayers can easily fulfill their tax obligations.

The types of services provided by the "MACAU TAX" app include:

Type of Taxes	Type of E-services
Professional Tax	- Submission of "Employee or Causal Worker List (M3/M4)" - Submission of "Profession Tax Income Declaration Form (M/5)"
Complementary Income Tax	- Submission of "Complementary Income Tax Income Declaration Form (M/1) for Group B taxpayers"
Urban Property Tax	- Submission of "Declaration of Maintenance and Management Expenses (M/7)" - Submission of "Cancellation of Tenancy Agreement (M/10)"
Others	- Application for 17 types of certificates issued by the Financial Services Bureau - Inquiry of tax information - Change of taxpayer contact information - Payment of regular taxes and land concession tax

In addition to the "MACAU TAX" app, the "MACAU SINGLE ACCOUNT" app, a mobile application developed by the Public Administration and Civil Service Bureau that services as a gateway and provides access to all government services, added a new feature called "My Tax Matters" in

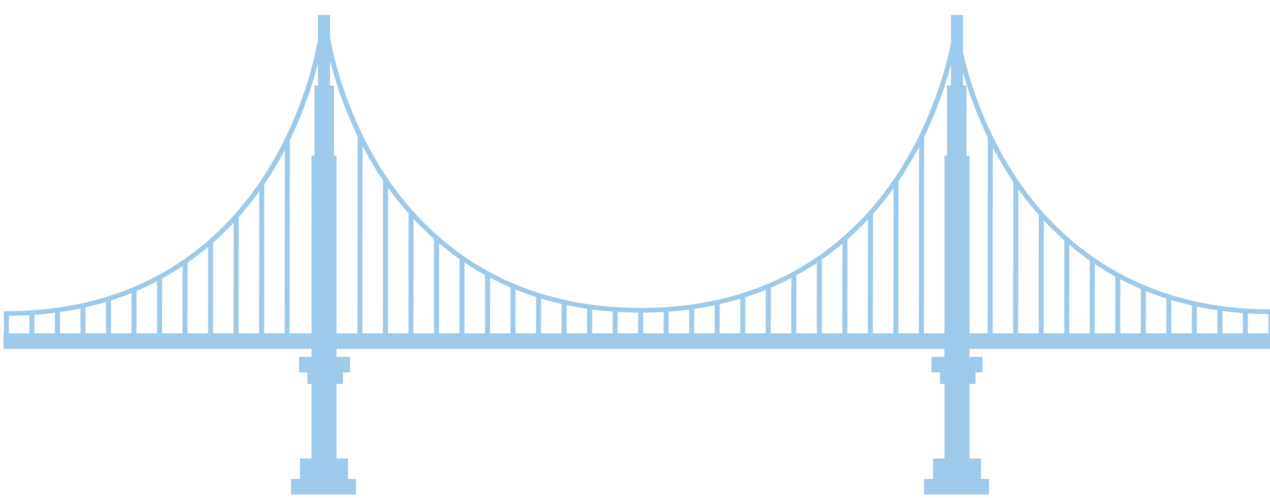
November 2022. Registered users of the app can now view their personal tax information and pay various types of regular tax bills directly through the "MACAU SINGLE ACCOUNT" app. The app also sends automated alert messages to users whenever the Financial

Services Bureau issues a new tax bill in their name, and sends reminders to pay the tax on time by sending notifications one day before the payment deadline.

Finally, to meet the growing demand for convenient e-payment services, the Financial Services Bureau has been expanding its e-payment channels. In 2014 and 2017, it began accepting UnionPay "Quick Pass Card" and "Macau Pass Card" payments for taxes and fees, respectively. The Bureau has also introduced the "Government Pay" platform, which utilizes the latest QR Code technology to provide clients of government departments with a variety of payment options, including online banking account, credit and debit cards, as well as electronic wallets.

6.Conclusion

In conclusion, the use of e-services has become increasingly prevalent in recent years. These services offer a range of benefits to both the Financial Services Bureau and taxpayers, including increased efficiency, reduced costs, greater accuracy, and enhanced convenience. E-filing platform, self-service kiosks and mobile applications have streamlined tax processes and improved the overall experience for taxpayers. As information technology continues to advance, it is likely that e-services will become even more integral to the tax process. Tax authorities, including the Financial Services Bureau, must continue to innovate and improve their e-services to ensure that taxpayers can easily and securely comply with their tax obligations.



Measures to Improve Business Environment from a Tax Administration Perspective: The Case of Inland Revenue Board of Malaysia

Esther A.P. Koisin
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Measures to Improve Busines Environment from a Tax Administration Perspective: The Case of Inland Revenue Board of Malaysia

Abstract: This paper reviews the literature on the sources of tax uncertainty in tax administration dimension and its effect on taxpayers. It examined two measures taken by IRBM which are the Advance Ruling (AR) and Advance Pricing Arrangement (APA) as dispute prevention and early issue resolution in addressing tax uncertainty. This study found that while the AR and APA have been made and issued, and succeeded in providing tax certainty to the taxpayers, their application is limited. This is reflected in the small number of AR issued and APA that have been made. There is a need to widen the scope by implementing other measures such as the Cooperative Compliance Programme which is already under consideration by IRBM to introduce.

Keywords: Tax certainty; Business environment; Inland Revenue Board of Malaysia; Advance ruling; Advance pricing arrangement

1. Introduction

Investment decisions can be influenced by many factors and tax certainty has been recognized as one of the main factors. This is acknowledged in the OECD/IMF Progress report on tax certainty (OECD/IMF, 2019).[1] Existing study also provided support that tax uncertainty impact negatively on investment (Zangari, Caiumi, & Hemmelgarn, 2017).[2] In Owens (2018), tax certainty is considered as a key component of a good tax system which provides a tax environment that is conducive to growth and FDI.[3]

In Malaysia, within the context of tax administration, the Inland Revenue Board of Malaysia (IRBM) is responsible in implementing measures that address issues on tax uncertainty for taxpayers. The
objective of this paper is to review the literature on the sources of tax uncertainty in the tax administration dimension and its effect on taxpayers. It further examines the measures taken by IRBM to address the issue of tax uncertainty before a dispute arises. Advance Ruling (AR) and Advance Pricing Arrangement (APA) are two programmes or schemes that offer or promote tax certainty for taxpayers and tax authority (Waerzeggers & Hillier, 2016).[4]

These two programmes are available in IRBM. This paper reviews and considers their effectiveness and adequacy in providing tax certainty to taxpayers.

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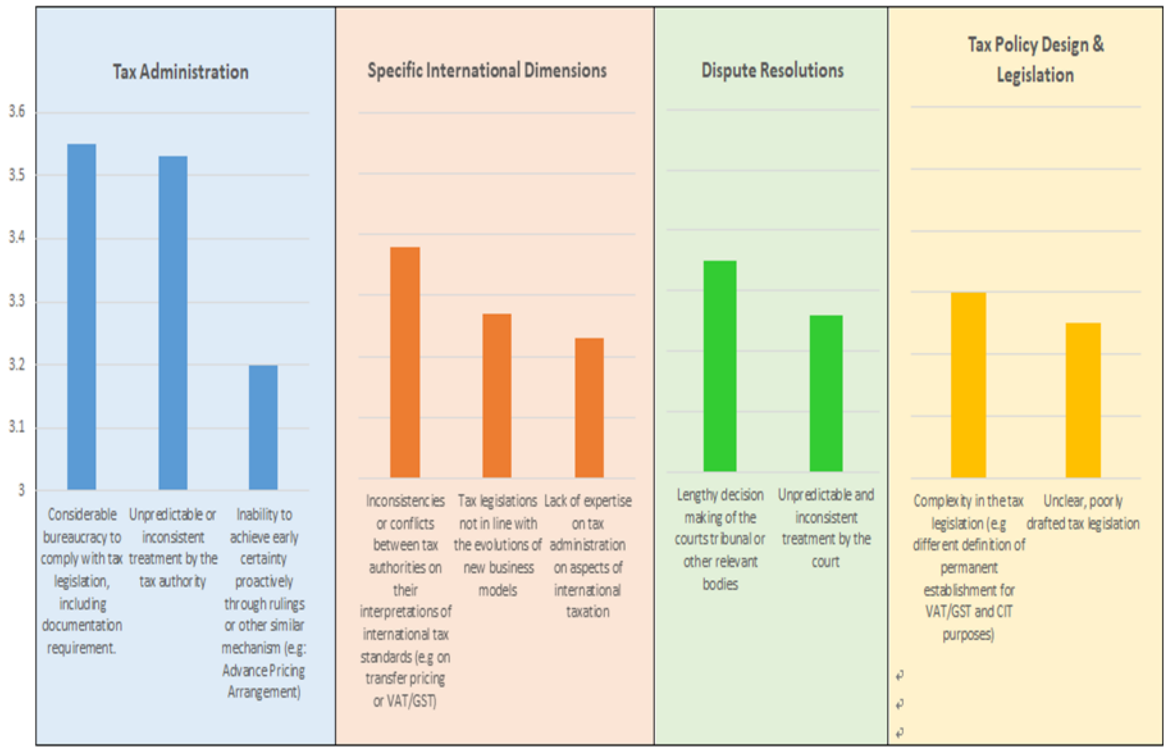
[1] OECD/IMF (2019). Progress Report on Tax Certainty. Paris: OECD/IMF.
[2] Zangari, E., Caiumi, A., & Hemmelgarn, T. (2017). *Tax Uncertainty: Economic Evidence and Policy Responses.* Luxembourg: European Union.
[3] Owens Waerzeggers, C., & Hillier, C. (2016). *Introducing an Advance Tax Ruling (ATR) Regime-Design Consideration for Achieving Certainty and Transparency.* Tax Law IMF Technical Note Vol 1 (2/2016).
[4] Waerzeggers, C., & Hillier, C. (2016). *Introducing an Advance Tax Ruling (ATR) regime-Design consideration for Achieving Certainty and Transparency.* Tax Law IMF Technical Note Vol 1 (2/2016).

2. Tax Uncertainty

In the context and perspective of business, tax certainty may be linked to the definition in Owens (2018) in which tax certainty is referred to as the capacity to make accurate assessment of the tax and compliance costs associated with an investment or a continuation of an investment in a country over the lifecycle of the investment or company. Based on a survey conducted by the Organization for Economic Co-operation and Development (OECD) in 2016 (IMF/OECD, 2017),[5] business has listed "considerable bureaucracy to comply with tax legislation, including documentation requirements", "unpredictable or inconsistent treatment by the tax authority" and "inability to achieve early certainty pro-actively through rulings or other similar mechanisms (e.g.APA)" as three of the main sources of tax uncertainty under the dimension of tax administration as shown in Figure1. These three sources also appeared in the top 10 sources of tax uncertainty under the overall dimensions surveyed, which also covered "specific international dimensions", "dispute resolution" and "tax policy design and legislation".

Figure 1: Businesses' Views on Sources of Tax Uncertainty



Source: IMF/OECD (2017). Report for the G20 Finance Ministers (IMF/OECD,2017).

In Zangari et.al. (2017),[6] the lack of precision of tax legislations, conflicting tax provisions and interpretations over time and frequent changes of the tax rules were also identified as the main sources of tax uncertainty in the domestic level.

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[5] IMF/OECD (2017). *Report to the G20 Finance Ministers.*
[6] Zangari, E., Caiumi, A., & Hemmelgarn, T. (2017). Tax Uncertainty: Economic Evidence and Policy Responses. Luxembourg: European Union.

3. AR

3.1 Background

AR in the OECD Glossary of tax terms is defined as a letter ruling, which is a written statement, issued to a taxpayer by tax authorities, that interprets and applies the tax law to a specific set of facts (OECD, 2021).[7] This AR also known as private ruling, is different from a public ruling. AR is a private ruling,

granted by the tax authorities to a single taxpayer, usually with respect to a single transaction or series of transactions and normally the ruling can be relied upon only by the taxpayer to whom it is issued, not by other taxpayers, and is binding upon the tax authority provided all relevant facts have been disclosed (OECD Glossary). A public ruling on the other hand is not issued to a specific or single taxpayer. It is issued by a tax authority as a guide to the general public and also the officers of the tax authority issuing it on the interpretation of a particular tax law and the policy as well as the procedure applicable to it (IRBM, 2021).[8]

The AR Programme or scheme has been introduced for some years now by many tax administrations and is a common scheme or feature in established tax systems. It is available in almost all OECD countries and many non-OECD countries are also increasingly making it available to their taxpayers (Waerzeggers & Hillier, 2016).[9]

For Malaysia, the AR Programme was made available by the IRBM since 1 January 2007 (IRBM, 2021).[10] AR may be issued with regard to the interpretation and application of the income tax provisions under the Income Tax Act 1967 upon request by any person. The scope, procedures and fees for the application of ARs are outlined in the Income Tax (AR) Rules 2008 which was effective from 1 January 2007. For the purpose of the administration of tax rulings, the IRBM has issued guidelines on 10 June 2016.

Generally, countries treat their tax rulings as binding on the tax authority. As shown in Table 1, with the exception of only 1 out of the 57 jurisdictions that were studied which indicated that they do not provide tax rulings to taxpayers, none of the 56 jurisdictions indicated that the tax rulings are not binding on the tax authority when issued (OECD, 2019).[11] This is also the case for Malaysia. However, the ARs will not be binding if there is a material difference in the actual arrangement that has been carried out or there has been a misrepresentation, omission or inaccuracy of facts which has been relied on in the issuance of the AR (IRBM, 2021).[12]

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[7] OECD. Glossary of Tax Terms. Retrieved from OECD: http://www.oecd.org/ctp/glossaryoftaxterms.htm.

[8] IRBM (2021). Lembaga Hasil Dalam Negeri Malaysia.http://www.hasil.gov.my/bt_goindex.php?bt_kump=5&bt_skum=5&bt_posi=3&bt_unit=1&bt_sequ=1.

[9] Waerzeggers, C., & Hillier, C. (2016). Introducing an Advance Tax Ruling (ATR) regime-Design consideration for achieving certainty and transparency. Tax Law IMF Technical Note Vol 1 (2/2016).

[10] IRBM (2021). Lembaga Hasil Dalam Negeri Malaysia.http://www.hasil.gov.my/bt_goindex.php?bt_kump=5&bt_skum=5&bt_posi=3&bt_unit=1&bt_sequ=1.

[11] OECD (2019). *Tax Administration 2019: Comparative Information on OECD and Other Advanced and Emerging Economies.* Paris: OECD.

Table 1: Selected features of the revenue rulings system

Jurisdiction	Rulings																	
			Public rulings				Private rulings											
	Rulings provided to taxpayers		Issued		Binding		Issued		Binding		Subject to fees		Issued within a set time frame		Legislation imposes deadlines for providing private rulings		Percentage of rulings made within deadline	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Argentina	■	■	■	■			■	■							□	□		
Australia	■	■	■	■	■	■	■	■	■	■			■	■	■	■	89.0	89.0
Austria	■	■	■	■	■	■	■	■	■	■	■	■			■	■	D	D
Belgium	■	■					■	■	■	■			■	■	□	□		
Brazil	□	□													□	□		
Bulgaria	■	■	■	■			■	■					■	■	■	■	D	D
Canada	■	■	■	■			■	■	■	■	■	■	■	■	□	□		
Chile	■	■	■	■	■	■	■	■							□	□		
Colombia	■	■	■	■	■	■	■	■	■	■			■	■	■	■	D	D
Costa Rica	■	■	■	■	■	■	■	■	■	■			■	■	□	□		
Croatia	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	100.0	100.0
Cyprus	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	93.0	93.0
Czech Republic	■	■	■	■	■	■	■	■	■	■	■	■	■	■	□	□		
Denmark	■	■	■	■	■	■	■	■	■	■	■	■	■	■	□	□		
Estonia	■	■					■	■	■	■	■	■	■	■	■	■	100.0	100.0
Finland	■	■	■	■	■	■	■	■	■	■	■	■			□	□		
France	■	■	■	■	■	■	■	■	■	■					■	■	D	D
Georgia	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	90.0	90.0
Germany	■	■	■	■	■	■	■	■	■	■	■	■			□	□		
Greece	■	■	■	■	■	■									□	□		
Hong Kong (China)	■	■	■	■			■	■	■	■	■	■	■	■	□	□		
Hungary	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	D	D
Iceland	■	■	■	■			■	■	■	■	■	■	■	■	■	■	81.8	82.6
India	■	■	■	■	■	■	■	■	■	■	■	■			□	□		
Indonesia	■	■	■	■	■	■	■	■	■	■			■	■	□	□		

[12] IRBM (2021). *Lembaga Hasil Dalam Negeri Malaysia.*
http://www.hasil.gov.my/bt_goindex.php?bt_kump=5&bt_skum=5&bt_posi=3&bt_unit=1&bt_sequ=1.

Ireland	■	■	■	■			■	■							□	□		
Israel	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	72.0	66.0
Italy	■	■	■	■	■	■	■	■	■	■			■	■	■	■	100.0	100.0
Japan	■	■	■	■	■	■	■	■	■	■					□	□		
Kenya	■	■	■	■	■	■	■	■	■	■					■	■	D	D
Korea	■	■	■	■	■	■	■	■	■	■					□	□		
Latvia	■	■				■	■	■	■	■			■	■	■	■	100.0	100.0
Lithuania	■	■					■	■	■	■			■	■	■	■	100.0	100.0
Luxembourg[1]	■	■	■	■	■	■	■	■	■	■	■	■			□	□		
Malaysia	■	■	■	■	■	■	■	■	■	■			■	■	□	□		
Malta	■	■					■	■	■	■	■	■	■	■	■	■	D	D
Mexico	■	■	■	■	■	■		■		■					■	■	0.0	85.0
Morocco	■	■	■	■	■	■	■	■	■	■					□	□		
Netherlands	■	■	■	■	■	■	■	■	■	■					□	□		
New Zealand	■	■	■	■	■	■	■	■	■	■	■	■	■	■	□	□		
Norway	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	95.0	94.0
Peru	■	■	■	■	■	■	■	■	■	■			■	■	■	■	100.0	100.0
Poland	■	■	■	■			■	■			■	■	■	■	■	■	100.0	100.0
Portugal	■	■	■	■	■	■	■	■	■	■	■[2]	■[2]	■	■	■	■	73.8	88.3
Romania	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	D	D
Russia	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	100.0	100.0
Singapore	■	■					■	■	■	■	■	■	■	■	□	□		
Slovak Republic	■	■					■	■	■	■	■	■	■	■	□	□		
Slovenia	■	■	■	■			■	■	■	■	■	■	■	■	■	■	100.0	100.0
South Africa	■	■	■	■	■	■	■	■	■	■	■	■			□	□		
Spain	■	■	■	■	■	■	■	■	■	■					■	■	60.0	60.0
Sweden	■	■					■	■			■	■			□	□		
Switzerland	■	■	■	■	■	■	■	■	■	■					□	□		
Thailand	■	■	■	■	■	■	■	■							□	□		
Turkey	■	■	■	■	■	■									□	□		
United Kingdom	■	■	■	■	■	■	■	■	■	■			■	■	■	■	D	D
United States	■	■	■	■	■	■	■	■	■	■	■	■	■	■	□	□		

■ Yes

□ No

D Data not available

Source: OECD (2019). *Tax Administration 2019: Comparative Information on OECD and Other Advance and Emerging Economies*

3.2 The AR Programme of IRBM

Since the AR Programme was introduced in 2007, IRBM has received 84 applications as shown in Table 2. Out of these, 31 rulings were issued and 53 applications were rejected. Under the Income Tax (AR) Rules 2008, there are several circumstances where an AR shall not be issued or declined. Among the reasons most of the applications have been rejected were, at the time of the application for the AR was made, the person applying the AR has already entered into or affected the arrangement sought in the application. The other reason was that the arrangements would involve the agreement of competent authorities to avoid double taxation. The next common reason was that the applicants have not provided sufficient information as required by IRBM (IRBM Tax Policy Department, 2021).[13] These reasons which are among the various reasons outlined for a rejection of an application are provided in Rules 3(a), 3(c)(ii) and 3(f) of the Income Tax (AR) Rules 2008 (Hasilpedia, 2021).[14]

Table 2: Advance Ruling Agreements issued by IRBM

Year	No. of Advance Ruling application	Issued	Rejected
2007-2020	84	31	53

Source: Tax Policy Department, IRBM.

4. APA

4.1 Background

The OECD Glossary of tax terms defines APA as an arrangement that determines, in advance of controlled transactions, an appropriate set of criteria (e.g., method, comparable and appropriate adjustments thereto, critical assumptions as to future events) for the determination of the transfer pricing for those transactions over a fixed period of time. An APA may be unilateral involving one tax administration and a taxpayer or multilateral involving the agreement of two ormore tax administrations (OECD, 2021). This can be distinguished from AR, where in APA, a determination of the legal consequences would only be made after a detailed review and verification of the factual assumptions are done. There is also the need for a continual monitoring of whether the factual assumptions remain valid throughout the course of the APA period (OECD, 2017).

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[13] IRBM Tax Policy Department. (2021). Reasons for Low APA Applications in IRBM. Cyberjaya: IRBM Tax Policy *Department.*
[14] Hasilpedia. (4 March, 2021). *The Income Tax (Advance Ruling) Rules 2008. Cyberjaya, Selangor, Malaysia*

4.2 The APA programme of IRBM

The APA programme was made available since 1 January 2009 by IRBM with the introduction of the Section 138(c) in the Income Tax Act 1967 and further supplemented by the APA Rules 2012 and APA Guidelines 2012. Table 3 shows the APA applications in IRBM from 2009 to 2020. A total of 52 applications have been received from 2009 – 2020. Out of these applications, 16 were accepted for processing while 24 were rejected and 12 withdrawn. IRBM has signed 3 unilateral agreements with the applicants within this period (Department of International Taxation IRBM,2009-2020).[15]

Table 3: APA applications in IRBM

Year	No. of Applications	Accepted	Rejected	Withdrawn	Agreement signed
2009-2020	52	16	24	12	3

Source: Department of International Taxation, IRBM

5. Discussion

The 84 applications of AR by taxpayers to IRBM over the last 13 years is a small number taking into consideration that there is around 59,000 large taxpayers in Malaysia (IRBM Tax Operation Department, 2021).[16] Similarly, the 52 applications for APA since 2009 is a small number in comparison to the number of the taxpayers in Multinational Tax Department, IRBM which is around 1,600 (IRBM Department of International Taxation, 2021).

Table 4 shows the appeal cases filed related to transfer pricing issues since 2016 to 9 March 2021 in IRBM (IRBM Legal Department, 2021).[17] A total of 62 appeal cases have been filed, out of which 13 have been resolved out of court through the Dispute Resolution Department of IRBM and 47 cases have been forwarded to the Special Commissioner of Income Tax for legal process. The number of appeals in comparison to the number of APA signed indicates that the APA programme has not been effectively used to provide tax certainty. There could be various reasons for this which needs further study.

[15] Department of International Taxation IRBM. (2009-2020). APA Statistic. Cyberjaya: DIT IRBM.
[16] IRBM Tax Operation Department (2021). Statistic on Large Taxpayers. *Cyberjaya: IRBM Tax Operation Department.*
[17] IRBM Legal Department (2021). Appeal Cases Related to Transfer Pricing Issues. Cyberjaya: Legal Department, IRBM

Table 4: Appeal related to TP issues in IRBM

	2016	2017	2018	2019	2020	2021 (as of 9 March)
Balance b/f	0	8	15	14	9	4
No. of appeal filed (Form Q)	15	18	14	9	6	0
Dispute resolved via out of court settlement	0	1	5	6	1	0
Forwarded to the Special Commissioners of Income Tax (SCIT)	7	10	10	8	10	2
Balance c/f	8	15	14	9	4	2

Source: IRBM Legal Department, 2021

The IRBM suggested that the small number of AR applications may be an indication that other measures taken by IRBM to support taxpayers are already providing certain level of assurance of tax certainty. Furthermore, IRBM stresses that the provisions of the Malaysian tax laws are relatively clear and when complemented with the various publications such as the Public Rulings, Guidelines and Practice Notes, the clarity of the tax laws are enhanced. IRBM also conducts frequent engagements with the tax practitioners and other stakeholders. Seminars and conferences particularly to explain the new provisions of the tax laws after each Budget are regularly conducted. All these measures, activities and other taxpayer services create taxpayers' confidence that the access to information and discussion with IRBM on taxation issues that may need clarification from IRBM is easily accessible (IRBM Tax Policy Department, 2021).[18]

[18] IRBM Tax Policy Department (2021). *Reasons for Low APA Applications in IRBM.*

6. Conclusion

The AR Programme and APA Programme are considered as quite recent programmes and are still

developing in IRBM. The number of applications for AR and APA are relatively small and in terms of the number of AR issued and APA signed, they are even smaller. Therefore, although AR and APA offer tax certainty to taxpayers, their current relevance and effectiveness are limited for taxpayers in Malaysia. Further promotion of the programmes may increase the interest of taxpayers to apply for the programmes.

A recent initiative announced by the Chief Executive Officer of IRBM, D r. Sabin Samitah during the 25th Anniversary celebration of IRBM, to introduce a cooperative compliance programme with the emphasis on Tax Control Governance as part of the Cooperative Compliance Framework may provide more avenue for taxpayers and IRBM to increase tax certainty and

[19] IRBM Media. (1 March, 2021). *Speech of IRBM during 25 Anniversary Celebration of IRBM.* Cyberjaya, Selangor, Malaysia

Major Changes in Tax System and Administration on Cross-border Trade and Investment in Myanmar

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Major Changes in Tax System and Administration on Cross-border Trade and Investment in Myanmar

Abstract: This article presents the efforts of Myanmar Internal Revenue Department to change the tax system from an office assessment system (OAS) to a self-assessment system (SAS) to achieve a fair and efficient tax system and to improve taxpayers' compliance through the impact of tax reform on cross-border trade and investment.

Keywords: Tax system; Tax administration; Tax reform; Tax incentives; Cross-bordtrade; Investment

1. Introduction

Strategically located between China and India, Myanmar is one of the ASEAN (Association of Southeast Asian Nations) countries in South-East Asia. Rich in natural resources, the country has a population of about 54 million with an average age of 28. Compared with other countries in the region, the minimum wages in Myanmar are significantly lower to attract foreign investment.

The government of Myanmar is initiating several structural reforms with great momentum to improve the living standards of Myanmar nationals and to promote cross-border trade. The Internal Revenue Department (IRD) has also been undertaking actions to advance tax reforms since the 2011/2012 fiscal year, and has successfully implemented the first phase of the reform program. Based on the success achieved and lessons learnt, the second phase of the reform program from the 2017/2018 fiscal year to the 2021/2022 fiscal year has been developed and implemented.

2. Background of the Latest Tax Reform in Myanmar

The Myanmar Sustainable Development Plan (MSDP, 2018-2030) is intended for the long-term development with "the vision of a peaceful, prosperous and democratic country". The MSDP is organized with three pillars: (1) peace and stability,
(2) prosperity and partnership, and (3) people and plant. The five goals are:
(1) Peace, national reconciliation, security and good governance;
(2) Economic stability and strengthened macroeconomic management;
(3) Job creation and private sectorled growth;
(4) Human resources and social development for the 21st century society; and
(5) Natural resources and the environment for the posterity of the nation.

Among these goals, Goal (2) is planned for fiscal, monetary and exchange rate polcies.The IRD under the Ministry of Planning and Finance is carrying out strategy 2.3 in Goal (2), which is "to increase domestic resource mobilization through a fair, efficient and transparent tasystem". The current tax-to-GDP ratio is nearly 7%, the lowest among ASEAN countries. The objective of the government is collecting high tax revenue for the causes of social welfare, economic development and poverty elimination.

3. Major Changes in Tax System and Administration

The IRD is currently undertaking a significant tax reform program with major changes in tax system and administration, including struc-tural, strategic and technological changes.

3.1 Structural Change of IRD

With the effective execution of the tran-formation program since the 2011/2012 fiscalyear, the IRD under the Ministry of Planning and Finance has managed to restructure the headquarters into different functional lines.

The IRD has transformed from a tax-based into a function-based organization. The IRD categorized taxpayers as large taxpayers, medium taxpayers, small taxpayers, and offices havbeen established accordingly (Large Taxpayer Office, Medium Taxpayer Office (1,2,3,4,5)Small Taxpayer Office).

As a pilot project of tax reform program, Large Taxpayer Office (LTO) was establishein 2014 and started self-assessment system on 1 April 2015 with about 450 largest taxpay-er companies in Myanmar, and now it is con-venient to collect tax. Based on the success of LTO, Medium Taxpayer Office (1) and MediuTaxpayer office (2) have utilized self-assessmensystem since 1 April 2016 and 1 October 2020. The IRD is practicing the self-assessment sys-tem (SAS) in other Medium Taxpayer Office(3) (4) (5) in Yangon and Mandalay.

Under the SAS, taxpayers are obliged tocalculate the amount of tax due using tax re-turns, file tax returns and pay taxes timely, andkeep books and records. The SAS has smoothed tax collection activities.

The LTO was established to introduce in-ternational good practices in tax administration, to focus on major contributors to tax revenue, to be a model office for IRD that orients animplements tax reform program. The LTO is the first reform project, the first office practicing Sand the first office using function-based syste.

The IRD has also been making changes for legislative framework: enacting of SpecificGoods Tax law and Tax Administration Procedure Law (2019), drafting new Income Tax Law, intro-ducing Value-Added Tax, and enhancing trans-parency in planning, reporting and monitoring system and boosting effectiveness in internal adits to increase transparency and accountability.

Under the management of reform, the IRD implemented the following:

• Developing governance framework;

• Setting up Tax Reform Program Steering Committee;
• Setting up Tax Reform Directorate; and
• Submitting project reports on progress.

3.2 Strategic Change of IRD

Before the change in 2011 tax adminis-tration was characterized by low capacity, low taxpayer compliance, and outdated tax policies, laws as well as procedures. Thus, IRD sets a vi-sion to be "a modern organization that acts with integrity and is recognized internationally as a highly effective tax administration". The IRD also sets a new mission —"to make taxpayers willingly pay tax as good citizens by delivering quality service in order to maximize revenue for the well-being of the people".

The goals of tax administration reform are to increase tax-to-GDP ratio and transform to modern tax
ad-ministration.
In order to collect revenue without any gap and to stabilize the financial situation of the government, tax reform activities were under-taken through the following four targets:
• Maximizing revenue;
• Broadening tax base;
• Improving and maintaining compliance; and
• Modernizing tax administration.

Activities that are underway according to strategic change program are:
• Human resource change;
• Tax policy change;
• Legal change;
• Information and communication technol-ogy change; and
• Administrative change.

According to human resources capacity building program, training for township reve-nue officials and special training for tax officias well as tax auditing training have been carried out annually to explain tax change program and develop staff Approaches to service and enforcement are as follows:
• Establishing Taxpayer Service Units;
• Educating taxpayers on self-assessment;
• Carrying out tax audit and collecting tax-payers' information; and
• Organizing programs to assist in capacity building, technical and legal support and dis-putes resolution processes.

Measures to develop the staff are as follows:
• Explaining tax reform program and orga-nizing discussions;
• Providing trainings and seeking technical assistance to raise the capacity of staff;

• Taking technical advice from international advisors to enable LTO and MTO (1) offices to work on the processes effectively; and
• Finding approaches to provide the staff with better facilities.

3.3 Technological Change of IRD

The IRD has been trying to change the system which maximizes the use of informa-tion technology in place of the traditional pa-per-based system. The IRD has prioritized providing adequate computers to all staff n-tionwide and has launched online payment platforms for making e-payment of tax using theMyanmar Payment Union's (MPU) Corporate Debit Card since 2015, mobile payment con-necting with the related banks for the taxpayers getting TIN (Taxpayer Identification Number) since 2018, and tax payment by m-banking and e-banking since January 2020.

In order to streamline tax processes and procedures, the IRD has developed the Integrated Tax Administration System (ITAS) since 2017/2018 fiscal year and has already carriedout building a data center and upgrading its official website. With the aim of providing eficient tax processes and
procedures by modern technology, the IRD assumes that the ITAS will be operated in key sites for taxation (Headquarters, Yangon and Mandalay) in 2022.

The IRD utilizes technology to:
• Change to the system which maximizes the use of information technology (IT) in place of the paper-based system;
• Prioritize to provide adequate computers to all staff in IRD nationwide; and
• Purchase a mini data center and combine with ITAS to provide tax services.
From the perspective of cross-border investors, major changes in tax measures implemented by the IRD have made tax-paying easier and more economical, and reduced the time to comply. Moreover, online filing system andmobile payment system have been utilized to overcome the impact of COVID-19 and ensure the certainty of tax payment and tax planning. To encourage the compliance of taxpayers, the IRD is implementing taxpayer education, tax-payer services and e-filing systems. Tax officare practicing transparency in tax assessment and tax auditing.

4. Cross-border Trade and Investment

Income generated from cross-border trade has become one of the main sources of in-come in Myanmar. According to the 2019 World Bank Census,1 export to China market accounted for 31.78% of the total, followed byThailand 17.99%, Japan 7.93%, the United States 4.61%, and Germany 3.54%. Moreover, China is also a top import partner of Myanmar by the rate of 34.64%, followed by Singapore 18.22%, Thailand 11.80%, Malaysia 5.08%, and Indonesia 4.87% respectively.

[1] World Bank (2019). *World Integrated Trade Solution, https://wits.worldbank.org/countrysnapshot/en/MMR.*

4.1 Export/ Import

Oil and natural gas lead Myanmar's exports. Other major exports include vegetables, wood, fish, clothing, rubber and fruits. The chief proucts imported were mineral fuels including oil, electrical machinery and equipment, base met-als and manufactures. Non-electric machinery and transport equipment are the major import products.

According to trade report (2020/2021),[2]the value of total export in 2020/2021 fiscalyear (October-January) is US$5,233.39 million, in-cluding normal trade US$2,978.58 million and cross-border trade US$2,254.81 million. Similarly, the value of total import was US$5,874.32 million with normal trade of US$4,721.97 million and cross-border trade of US$1,152.35 million respectively.

4.2 Trade Balance

As shown in Table 1, Myanmar's trade balance was apparently leading to a negative value of a trade deficit starting from 2014/2015 ton next five consecutive years, so all financial trafers, investments and other financial componentsshould be taken into account. The export data of re-export and import covers draw-back items.

Table 1:Value of foreign trade

Unit:million US$

Year	Export	Import	Balance of Trade
2005/2006	3,558.0	1,984.4	(+) 1,573.6
2010/2011	8,861.0	6,412.7	(+) 2,448.3
2014/2015	12,523.7	16,632.6	(-) 4,108.9
2015/2016	11,136.9	16,577.9	(-) 5,441.0
2016/2017	11,951.6	17,211.1	(-) 5,259.5
2017/2018	14,850.7	18,687.0	(-) 3,836.3
2018 (Apr.-Sep.)	8,832.2	9,859.3	(-) 1,027.1

Source:Customs Department,Myanmar.

4.3 Trade-to-GDP Ratio

The trade-to-GDP ratio is used to measure the importance of international transactions relative to domestic transactions. Total trade is the sum of exports and imports of goods and services measured as a share of GDP. As shown in Figure 1, in 2011, the trade-to-GDP ratio recorded 0.20% and increased continuously until 2018. Statistics suggest that the ratio fell to 52.04% 2019,however, it bounced up a year later.

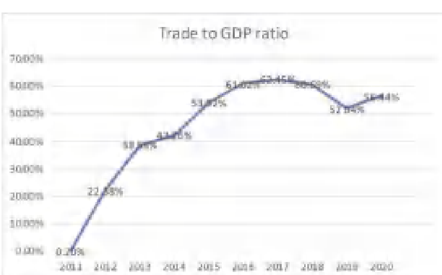

Figure 1.Trade-to-GDP ratio in Myanmar
Source:World Bank. https://www.macrotrends.net/countries/MMR/myanmar/trade-gdp-ratio.

[2] Trade Report (2020-2021, Oct-Jan), Ministry of Planning and Finance, https://www.csostat.gov.mm/Information-AndReport/TradeReport.

5. Taxation for Cross-border Trade and Investment

Investors could enjoy income tax exemption and commercial taxexemption in accor-dance with Myanmar Investment Law (2016) and Myanmar Special Economic Zone Law (2014). The investments covered in investment-promoted sectors should be granted income tax exemption if it is applied to the Investment Commission. Investment-promoted sectors have been prescribed by Myanmar Investment Commission (MIC).

5.1 Tax Incentives

Tax incentives generally aim at encouraging domestic and foreign investments. The Myanmar Investment Law (MIL) and Special Economic Zone (SEZ) Law provide tax incentives. The MIL stipulates profit-based tax holdays ranging between 3 and 7 years depending on the location of investment and other tax incentives. After termination of the tax exemp-tion period, tax ofreinvested profits are co-pletely exempted.Moreover, firms may deductR&D expenses and make use of an accelerated depreciation at a rate of 1.5 times of the standard rate.

The SEZ law, enacted in 2014, targets export-oriented firms.Initial tax holidays rangebetween 5 and 7 years. Subsequently, 50 percent of profits are exempt for another 5 years,increasing the effective benefit substantially. Iaddition, foreign investors have to pay income tax on their income at the rates applicable to the citizens residing within Myanmar.

5.2 Income Tax

If companies make investment in Myanmar, their net profit would be taxed at 22% under theIncome Tax Law. A company is defined pursuantto the Myanmar Companies Act or any other existing law. The income tax rate for individual persons is progressive from 0% to 25%.

5.3 Withholding Tax for Non-resident Foreigners

According to Notification No. 47/2018, nonresident foreigners will be subject to withholding tax as follows: withholding tax for nonresident foreigners must be assumed as a finaltax assessment of their income tax (see Table 2).

Table 2: Withholding tax rate

Income Classificatio	WithholdingTax Rate
Interest payment	15%
Royalties for the use of licenses, trademarks, patent rights etc.	15%
Payment by Union Organization, Union Ministries, Naypyitaw Council, Region/State Governments, State Enterprises and Development Committees for purchase of goods, work performed or supply of services within the country under a tender, an auction, a bid, a contract, an agreement or any other modes	2.5%
Payment by Public-Private Partnership (PPP), Partnership, Joint ventures, Compa nies, Body of persons, Organization or Association established under the existing laws, Co-operative Societies and Foreign companies or enterprises for purchase of goods, work performed and supply of services under a contract, an agreement or any other modes	2.5%

5.4 Commercial Tax

The commercial tax shall be imposed at a standard rate of 5% on the sale proceeds if the goods are produced and sold in the country or on the landed value if the goods are imported or on the sale proceeds for carrying out im-porting goods and reselling and trading them in the country. But the exempted goods are described in the yearly enacted Union Taxation Law. The commercial tax shall be charged at 8% on electricity and 5% on crude oil for exporting abroad and the commercial tax shall be charged at 0% on the sale proceeds for the export of all other goods, except the abovemen-tioned two goods.

The commercial tax paid at the time of purchase or production of goods may be set offfrom the commercial tax due for the export of goods in accordance with the regulations. With regard to the exported goods, if the commercial tax due for the export is less than the commercial tax paid at the time of purchase or production, a refund may be demanded. However, goods bought in the country and taken abroad for personal use shall not apply.

5.5 Specific Goods Tax

For specific goods imported into Myanmar, manufactured in Myanmar or exported abroad, specific goods tax shall be charged at therates defined under Union Taxation Law 2021.Specific goods tax shall not be charged on theexport of specific goods other than logs and di-ferent types of timber.

5.6 COVID-19 Economic Relief Plan (CERP) and Taxation

COVID-19 caused fiscal challenges andincreased public debts. Due to the effects of COVID-19 pandemic, Myanmar's public health and economy have both worsened. The government implemented CERP as a short-term response plan to mitigate the immediate impact of COVID-19 on households and businesses.Corporate income tax (quarterly payment) and commercial tax (monthly payment) of Cutting, Making and Packing (CMP), Hotel and Tourism and SMEs for 2019/2020 fiscal year were deferred up to 31 January 2021, while 2% advance income tax for exports was exempted till 30 April 2021. Other tax reliefs, such as non-refundable tax credits and deductions, have been allowed. Tax revenue declined slightly due to economic slowdown and the impact of policy responses such as tax deferrals and exemptions.

In order to resuscitate the businesses and stimulate investments that are delayed due to the COVID-19 outbreak, the income tax shall be imposed at 22% instead of 25% previously on the total net profit of the company in theUnion Taxation Law 2021. The commercial tax shall be charged at 3% on the receipt of the hotel and tourism services instead of the standard commercial tax rate of 5%.

6. Suggestions and Recommendations to MNEs

Administrative tax reform of the IRD has shown significant improvements in the efficency and effectiveness of tax collection, making the payment and tax compliance procedure simpler and reducing compliance cost for investors. Among them the apparent outcomes for the investors are:

- With the introduction of SAS system, the administration procedures including assessment are transparent, certain and simplified;
- Taxpayers' services are improved;
- Tax payment and filing can be made online;
- The rights of taxpayers and tax offices are balanced; and
- Measures are taken to combat corruption as zero corruption happens in SAS offices.

On the other hand, the lower corporate tax rates relate to the higher investment and larger economic growth. The income tax break for enterprises granted by the government intends to reduce tax burdens and improve new investments, work effort, skill acquisitions and entrepreneurial incentives.

Additionally, there are three main special projects that have been implemented in Myanmar to attract foreign direct investment, namely, Dawei Special Economic Zone in the southern Taninthayi region with Thai investors, Kyaukphyu Economic and Technology Zone in the western Rakhine state with investment from China, and Thilawa Special Economic Zone near Yangon with assistance from Japan. The aims of SEZs include increasing trade balance, employment, and investment.

7. Concluding Remarks

As a member of the World Trade Organization (WTO), Myanmar facilitates the exports of goods manufactured domestically. As part of the ASEAN Free Trade Area (AFTA), Myanmarparticipates in all intra-ASEAN trade agreements as well as trade agreements with Japan, China, India, Korea, Australia, and New Zealand and is a member of Regional Comprehensive Economic Partnership (RCEP) agreement.

Myanmar is strategically located near major Indian Ocean shipping lanes. Its geographical location is critical for the Belt and Road Initiative (BRI). The BRI seeks to improve integration, increase trade and stimulate economic growth. We suggest that jurisdictions along the Belt and Road provide tax incentives to attract foreign investment and boost startups and employment, such as income tax and other tax exemptions depending on job creation, trade tax reductions for value-added products related to agriculture, and custom duties and commercial tax relief for imported goods. Cost-based tax incentives (e.g. tax deductions and credits) should be considered other than profit-based tax incentives (e.g. tax holidays). The IRD has been implementing SAS to create a fair and efficientaxation system for all taxpayers.

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[3] Myanmar Internal Revenue Department. https://www.ird.gov.mm.

[4] Myanmar Trade to GDP Ratio 2000-2020, https://www.macrotrends.net/countries/MMR/myanmar/trade-gdp-ratio.

[5] Myanmar Sustainable Development Plan (2018-2030).

[6] Myanmar National Trade Portal Website. https://www.myanmartradeportal.gov.mm.

[7] Ministry of Planning and Finance (2019). Notification No.38/2019.

[8] Ministry of Planning and Finance. Trade Report (2020-2021, Oct-Jan), https://www.csostat.gov.mm/InformationAndReport/TradeReport.

[9] World Integrated Trade Solution. https://wits.worldbank.org/countrysnapshot/en/MMR.

Meeting the Challenges of Taxing Multinational Enterprises in New Zealand

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Meeting the Challenges of Taxing Multinational Enterprises in New Zealand

Abstract: There have been significant concerns globally regarding the undertaxation of multinational enterprises (MNEs). New Zealand has considerably relion MNEs in terms of income tax collection. Consequently a full range of measuresto combat base erosion and profit shifting (BEPS) by MNEs have been implemeed, guided by the products emanating from the OECD's BEPS Action Plan. These lachanges have been buttressed by the New Zealand tax administration through und-taking a robust intelligence-led tax compliance programme targeting high risk sectorsand issues involving MNEs. Inevitably there have been some trade-offs in taking thisapproach, but New Zealand regards the desired behavioural shifts by MNEs as a directresult of this substantial work on BEPS, with little material impact on the level of foreign direct investment.

Keywords: MNEs; BEPS; Compliance; Foreign investment

1. Background

The New Zealand Government strives to build a pro-ductive and inclusive economy, while supporting a sustainable revenue base to fund improvements to the wellbeing of New Zealanders and their families. This means it is im-portant for everyone to pay their fair share of tax in New Zealand. There has been significant global concern inrecent years over the undertaxation of multinational enterprises (MNEs), and especially digital MNEs. This undertaxation has been mostly caused by deficiencies in international tax ruleswhich have not kept up with modern business developments.The under-taxation of MNEs impacts the sustainability of Government revenues and the fairness of the tax sys-tem. It also distorts investment in favour of MNEs which pay lower worldwide income tax compared with other enterprises. This article canvases the major changes in the New Zealand tax system over the last three years targeting MNEs, including not only legislative measures but also administrative practices to buttress the law changes enacted.

2. Major Changes in the New Zealand Tax System for MNEs

New Zealand is a small open economy and competes for capital with the rest of the world. This means that the Government wants New Zealand to be an attractive place for non-residents to invest and do business. However, a fair share of tax is also necessary so New Zealand's rules for taxing MNEs must attempt to balance thesecompeting objectives.New Zealand has enacted several measures in recent years to improve our ability to taxmultinationals. Many of these are in response to the OECD's BEPS project which arose out of significant global media and political concernabout evidence suggesting that some multinationals paid little or no tax anywhere in the world. This problem is referred to as base erosion and profit shifting or BEPS. Such tax planning strategies exploit gaps and mismatches in countries' domestic tax rules and tax treaties tominimise tax. shifting or BEPS. Such tax planning strategies exploit gaps and mismatches in countries' domestic tax rules and tax treaties tominimise tax.The OECD/G20 BEPS Action Plan (BEPS Actions) was finalised in October 2015. The Action Plan consisted of 15 reports that contained recommendations to counter BEPS activities in three key areas:

• More robust tax laws;
• International agreements and co-operation; and
• Improving transparency and exchange of information.

The Taxation Act 2018 (Taxation(Neutralising Base Erosion and Profit Shifting) Act 2018 No.16, Public Act Contents New Zealand Legislation) was enacted to counter the BEPS activities of MNEs in New Zealand. The measures in this Act prevent MNEs from using:

• Artificially high interest rates on loans from related parties to shift profits out of New Zealand;
• Hybrid mismatch arrangements that ex-ploit differences between countries' tax rules to achieve an advantageous tax position;
• Artificial arrangements to avoid having a taxable presence (a permanent establish-ment) in New Zealand;
• Artificially high interest rates on loans from related parties to shift profits out of New Zealand;
• Hybrid mismatch arrangements that ex-ploit differences between countries' tax rules to achieve an advantageous tax po-sition;
• Artificial arrangements to avoid having a taxable presence (a permanent establishment) in New Zealand;
• Related-party transactions (transfer pricing) to shift profits into offshore group members in a manner that does not reflect the actual economic activities undertaken in New Zealand and offshore; and
• Certain tactics to stymie a New Zealand Inland Revenue (NZIR) review or audit, such as withholding relevant information that is held by an offshore group member.

In addition, New Zealand signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting or MLI on 7 June 2017, whichamends most of New Zealand's bilateral double taxation agreements (DTAs) to prevent them from being used to facilitate BEPS activities. These measures (together with New Zealand's existing law) address all of the major BEPS issues identified by the OECD.

These measures are only the latest in a series that New Zealand has undertaken to strengthen our laws for taxing multinationals. Other mea-sures include:

• Applying goods and services tax (GST) to cross-border services — including e-books, music, videos and software purchased from overseas websites;
• Introducing legislation to apply GST to the cross-border supply of low value goods to New Zealand customers;
• Strengthening non-resident withholding tax rules (to ensure non-residents cannot claiminterest

deductions without also being required to withhold tax on that interest withina reasonable period);

• Limiting the use of look-through companies as conduit vehicles for investment by non-residents (to prevent them from being used to arbitrage New Zealand and foreign tax laws);

• Clarifying that New Zealand's general anti-avoidance rule overrides DTAs; and

• Improving exchange of information between tax authorities, in particular by implementing the OECD's exchange of summaries of cross-border rulings andcountry-by-country reporting initiatives under which tax authorities exchange certain information on large MNEs.

3. Major Changes in New Zea-land Tax Administration of MNEs

In 2019, NZIR launched its latest Compliance Focus Document for Multinational Enterprises (MNE CFD). The MNE CFD outlined NZIR's refreshed compliance approach and highlighted its commitment to taxpayers. NZIR's objective is to collect the "right amount of tax at the right time through the right channels". NZIR's commitment to all taxpayers is that it will prioritise its efforts and focus mainly on prevention. Indoing so, NZIR will be pragmatic and proportionate in reaching solutions to problems.

NZIR's international tax strategy aligns with its customer-centric compliance model which outlines the principles of how it should interact with taxpayers. The MNE CFD recognised explicitly New Zealand's new anti-BEPS measures and encouraged MNEs to change behaviour to ensure compliance, including restructuring their financial arrangements ifnecessary. To ensure this outcome, a strong focus on MNEs is necessary.

NZIR has progressively increased its coverage of MNEs from a compliance perspective. Each year, NZIR reviews all foreign-owned MNEs with an annual turnover in excess of NZ$30 million. These MNEs are required to submit a Basic Compliance Package (BCP) every year. The BCP comprises a group structure, financial statements and tax reconciliations.Foreign-owned MNEs are also required to complete an annual international questionnaire (IQ) which is designed to collect key information about financing arrangements and transferpricing issues. In addition, based on the amount of tax they pay, the top 60 corporate taxpayer groups (which include many MNEs) receive even closer attention through one-on-one account management.

The intelligence derived from the information collected via the BCP and IQ processes informs NZIR's strategic and operational risk assessments relating to these businesses in New Zealand. This intelligence is combined with information from other sources (notably country-by-country reports, summaries of tax rulings provided by NewZealand's tax treaty partners, as well as information received from the NZ Customs Service and the Overseas Investment Office) and is run through NZIR's risrules' engine. Depending on the assigned rating, an MNE may undergo further in-depth examination (including risk reviews and audits). This enables NZIR to give MNEs greater certainty and means that appropriate interventions are made to facilitate their compliance in a timely fashion with tax law in New Zealand.

NZIR has endorsed the Forum on Tax Administration's concept of "enhanced relationships" based on risk management and a fair, open and responsive administration. NZIR endeavours to nurture relationships with taxpayers and their advisors, and create an environment that welcomes full and frank dialogue. As part of its right from the start approach, NZIR's objective is to head off any non-compliance before itoccurs by not only close monitoring, but also through advance pricing agreements (APAs) and the provision of practical guidance to allow MNEs to better self-manage their international tax risks. APAs lock in compliant outcomes by agreeing on the criteria for transfer prices in advance of transactions occurring. They can eliminate the need for costly post-lodgement reviews and audits. They are not only a faster and clearer route to multilateral tax certainty, but also give the wider community more confidence in the compliance of MNEs.

NZIR has also used all the intelligence gathered on MNEs to identify those groups that are most impacted by the anti-BEPS measures and develop an International Monitoring Framework (IMF) to actively track them. New Zealand's IMF has enabled NZIR to understand the effectiveness of these legislative measures, in particular whether the much-anticipated behavioural changes are taking place with MNEs adjusting supply chains and the locations of intangibles, as well as revising financing arrangements and contracting practices.

NZIR has supplemented its regular review methodology for MNEs with a series of compliance campaigns since 2019. These campaigns target major sectors and specific tax risks.The intent of the campaigns has been to ask for information and clarification of changes in MNE tax affairs for compliance review purposes, as well as giving NZIR a clearer view of the impact of anti-BEPS measures on MNE behaviour. These compliance campaigns have so far covered wholesalers/distributors, MNEs returning losses, intellectual property/royalties and financing arrangements. A further campaign is addressing the risk that the benefits of COVID-19 wage subsidies paid to foreign-owned MNEs may have been shifted to offshore related parties through inappropriate transfer pricing policies, and campaigns are also scheduled to address international tax risks arising for MNEs in the manufacturing and service sectors. Through these campaigns, NZIR has specifically reviewed over 50% offoreign-owned MNEs with annual turnovers in excess of NZ$30 million.

4. Impact of Tax Reform on Cross-Border Trade and Invest-ment

New Zealand has a general broad-base low rate (BBLR) tax framework, which aims to minimise distortions and promote economic efficiency. A robust company tax rate is aimportantcomponent of this framework. The company tax rate should apply to both residents and non-residents who derive income from New Zealand sources. It should not favour some taxpayers or some types of economic activity. For government spending initiatives, the tax revenue that is lost from an inability to tax MNEs appropriately needs to be made up from other sources. As a result, a higher tax burden on other sectors of the economy comes with real economic costs. The anti-BEPS measures were adopted to protect New Zealand's BBLR tax base from these distortions and ensure a more appropriate level of tax is paid by all taxpayers on their economic activities in New Zealand.

It was recognised that BEPS practices reduce national income while doing little or nothing to reduce the overall pre-tax cost of capital to New Zealand or increase the overall level of investment. Suchbehaviour of MNEs distorts the allocation of investment by favouring foreign investors who set out to game the system through aggressive tax planning practices. It was considered that the anti-BEPS measures would improve the equity and fairness of New Zealand's tax system. Multinationals engaging in BEPS activities were able to structure their affairs to receive unintended tax benefitplacing them at a competitive advantage over more compliant multinationals or domestic companies. As a result, these more compliant multinationals and domestic companies end up suffering greater tax burdens. The anti-BEPS measures therefore ensure that the tax burden is shared more equally among taxpayers.

In proposing legislative changes, New Zealand applies the generic tax policy process (GTPP) which includes a framework for assessing key policy elements and trade-offs of proposals. This framework is consistent with the New Zealand Government's vision for the tax and social policy system, and is captured by the following criteria:

• Efficiency of compliance — compliance costs for taxpayers should be minimised as far as possible;

• Efficiency of administration — administrative costs for NZIR should be minimised as far as possible;

• Neutrality — the tax system should bias economic decisions as little as possible;

• Fairness and equity — similar taxpayers in similar circumstances should be treated in a similar way; and

• Sustainability — the potential for tax evasion and avoidance should be minimised while keeping counteracting measures proportionate to risks involved.

In relation to the regulatory proposal for the anti-BEPS measures, it was accepted that it would be difficult to achieve positive sustainability, neutrality, and fairness impacts without some increase in compliance costs and so there are some trade-offs that were, and continue to be, considered. Through public consultation under the GTPP, stakeholders were fully engaged, making extensive submissions which have led to minimisation of associated compliance costs as much as possible without sacrificing the benefits of the package.

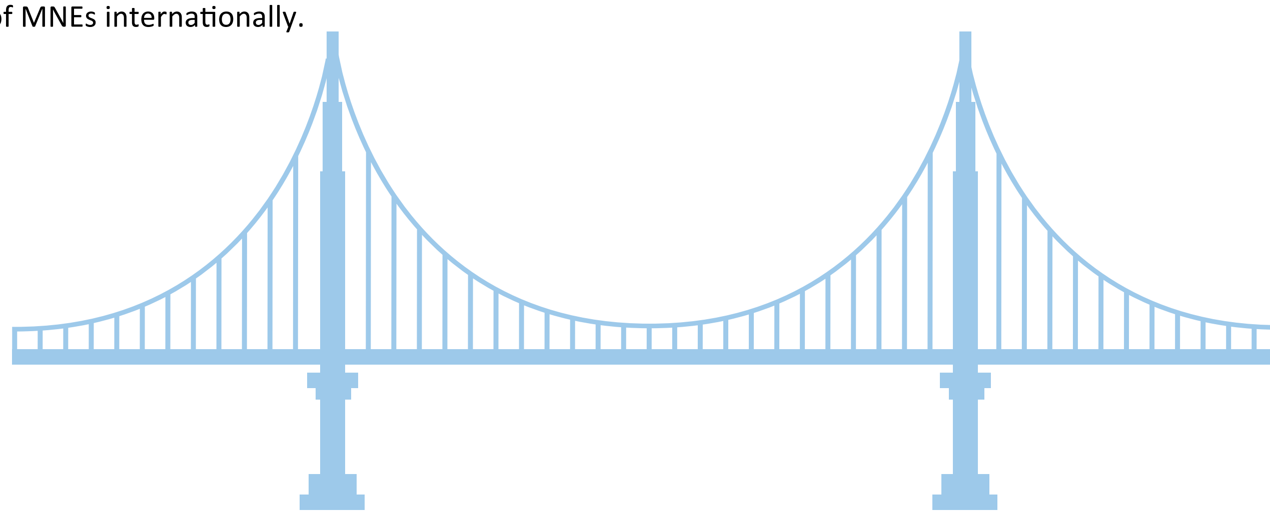
NeZealand also undertook these anti-BEPS measures, in line with a number of like-minded countries throughout the OECD. Given this, it was considered that any impacts on foreign direct investment into New Zealand would not be material and the implementation of these measures remained in New Zealand's best economic interests. It was also seen as foreign companies would remove their existing personnel from New Zealand as a result of the proposals. Most of the affected foreign companies are dependent on having personnel in New Zealand to arrange their sales and, without personnel on the ground, they would not be able to serve their profitable New Zealandmarkets. It was also thought unlikely that foreign companies would cease to operate in New Zealand altogether.

5. Conclusion

The tax collected from MNEs operating in New Zealand is a very significant contributor to the country's total annual tax revenue. The anti-BEPS measures that New Zealand hasimplemented, together with NZIR's refreshed compliance approach for MNEs, are designed to protect the New Zealand tax base and ensure MNEs pay their fair share.

Prior to the implementation of the anti-BEPS measures, New Zealand had some of the strongest tax base protection rules in the world. New Zealand has implemented the great majority of the recommendations made in the BEPS Action Plan, further strengthening the country's tax laws to protect against base erosion and profit shifting by MNEs. Action takenhas included ensuring New Zealand
transfer pricing laws reflect world's best practice, implementingcountry-by-country reporting, adopting a range of new tax treaty rules through the MLI, and introducing new measures to prevent aggresive tax structuring through hybrid/branch mismatches and related-party financingarrangements. These measures (together with pre-existing laws) address all of the major BEPS issues identified by the OECD.

NZIR is already seeing the desired behavioural shifts by MNEs from these anti-BEPS measures. In general, MNEs have become far more aware of their reputations and how aggressive tax positions can tarnish their brands. New Zealand now looks forward to the finalisation of the OECD-led solution for the digital economy, the remaining piece of work required to fully address the taxation of MNEs internationally.



Optimization of Taxpayer Services and Improvement of Business Environment in Serbia

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Optimization of Taxpayer Services and Improvement of Business Environment in Serbia

Abstract: In 2023, the Tax Administration of the Republic of Serbia (STA) is in the process of the implementation of the Transformation Program 2021-2025. On its way to the establishment of a modern and efficient administration, the STA develocommunication channels and a wide range of services for taxpayers in order to faciltate the communication between taxpayers and the tax administration and create aenvironment for easier and fair business.

Keywords: Transformation; Taxpayer service; Portal ePorezi; Digitalization; Tacollectio

The process of reforming the Tax Administration of the Republic of Serbia (hereinafter referred to as "STA") that started several years ago, with the adoption of the Transformation Program 2015-2020, was recognized as one of the most important reform activities in the process of modernization of the entire public administration system of the Republic of Serbia, resulting in improved efficiency of business processes and a significant increase in collection. By creating the new Transformation Program 2021-2025, the STA continues to deliver changes and contribute to the development of digitalization, which represents the strategic commitment of the Government of the Republic of Serbia. This program will ensure that the tax administration, which is invisible, present everywhere and fully integrated into the natural environment of taxpayers, supports sustainable and predictable public finances.

One of the main strategic goals of the STA is to improve the quality of existing services and introduce new types of services adapted to the needs of taxpayers.

To develop and improve customer-oriented and fair relations with taxpayers, the STA continuously works to increase the transparency of its operations by placing the taxpayers at the center of comprehensiveness and permanently raising the quality level of the wide range of services it provides.

In this way, STA expresses its desire and willingness to serve taxpayers at all times, and to provide them with full sup-port in fulfilling their obligations in a timely manner. The timely and comprehensive services will enhance the satisfaction of taxpayers and contribute to the building of the community's trust in the STA, while at the same time increasing the level of voluntary tax compliance, which is a real indicator of the efficiency of thadministration's work.

The STA provides tax services electron-ically and is in direct contact with taxpayers. Electronic services are part of the ePorezi portal of the Tax Administration, which is a set of free electronic services

available every day from 6 a.m. to midnight. To access electronic services on the ePorezi portal, a unique, specially designed ePorezi application is used, which can be downloaded by clicking on the banner published on the STA website (https://www.purs.gov.rs/e-porezi/portal.html).
To provide services, STA has developed several communication channels:

1) STA internet presentation

The website of the Tax Administration is tailored for taxpayers. Information about tax regulations and activities of the Tax Administration is published on the website's front page. According to the target groups of taxpayers (legal entities, entrepreneurs, and natural persons), tax laws and bylaws, as well as tax filings and requests, have been set. Links to special portals are visibly highlighted, such as the ePorezi portal, "Be e-fiscalized", for the registration ofseasonal workers, as well as links to the updates on the operations of the administration and the main contact points of the STA with taxpayers, such as the Contact Center, tax center "Your Tax Collector" and Large Taxpayers Office.

On the external portal of the Tax Administration, information and documents related to changes in legal regulations and activities of the Tax Administration are updated and published daily, as well as innovations.

ePorezi portal enables taxpayers to:

- file electronically the signed forms of tax returns (starting from 1 January 2018, it applies to all revenue administered by the STA. In 2022, 7,695,946 signed tax returns were electronically filed);
- monitor the status of filed tax returns
- have insight into the balance on public revenues accounts;
- submit a request for tax certificate eletronically (e-certificates)
- submit a request for transferring to another account and for refund;
- change contact information in the Taxpayer Profile in order to receive information and notifications;
- access tax inbox in order to download notifications and tax documents;
- grant/revoke authorizations for use of the electronic services; and
- calculate tax liabilities for lump sum entrepreneurs.

To access the ePorezi portal, it is necessary for a taxpayer to have a qualified electronic certificate with an electronic signature, whichis awarded by accredited certification bodies inthe Republic of Serbia (such as the Ministry of Interior, Post of Serbia, Chamber of Commerce of Serbia, Halcom and E-Smart Systems). Taxpayers can customize their accounting software so that it automatically generates a file in an appropriate format, which can be electronically signed and directly forwarded to STA via the ePorezi portal. The goal of establishing the ePorezi portal is to make it faster, easier, and simpler to fulfill the obligations toward the STA.

2) STA Contact Center

The Contact Center provides legal assistance to all taxpayers via telephone and e-mail and taxpayers can fill out a form on the websiteof the Tax Administration in the Contact Center/ask a question section, in relation to the rights and obligations prescribed by tax laws. It assists in filling out tax returns, provides infomation on service and the status of public revenue accounts and receives reports from citizens about the non-issuance of fiscal invoices and performance of unregistered activities. In addition, the Contact Center plays a role in the implementation of various campaigns when target groups of taxpayers are contacted by telephonefor information regarding the introduction of innovative measures and for the purpose of voluntary settlement of tax obligations. The working hours of the Contact Center are from 8:00 a.m. to 6:00 p.m. every working day. The form through which taxpayers can contact the Contact Center is available on the STA website 24 hours a day.

3) One Stop Shop — “Your Tax Collector” desk

The STA has opened “Your Tax Collector” counters in all its branches, where taxpayers can directly communicate with tax officials tget all the necessary information on exercising their rights and fulfilling their tax obligations.The counters were established in 2017 with the aim of enabling taxpayers to obtain all tax information more easily and quickly, and creating an environment in which employees can perform tasks in the best way to the general satisfaction of all participants. The services pro-vided to all

taxpayers at the “Your Tax Collector” desk include the provision of information related to the application of tax regulations, assistance in filling out and submitting tax r-turns and requests, clarification of tax acts andreview of tax account balances. In addition, at the “Your Tax Collector” desks, there are internet counters where taxpayers, with the help of tax officials, can submit tax returns and requestelectronically, as well as check the balances of their tax accounts. The intention of the STA is to minimize onsite visits and redirect taxpayers to other communication channels.

4) Media and social networks

Through the national and local media, taxpayers can obtain timely information on topics of public interest, like the application of tax regulations, and the activities carried out by the Tax Administration, such as the fight against the grey economy and the transformation of the Tax Administration. Through social networks, interactive communication with the taxpayers can be achieved. The Tax Administration of the Republic of Serbia has opened accounts on Facebook, Twitter and Instagram, as well as YouTube channel. Through the media and social networks, external campaigns are conducted aimed at raising citizens’ awareness of the importance of paying taxes. signed and directly forwarded to STA via the

the ePorezi portal. The goal of establishing the ePorezi portal is to make it faster, easier, and simpler to fulfill the obligations toward the STA.

5) Information gatherings, tax bulletins and education of taxpayers

Based on the Cooperation Agreement concluded between the Chamber of Commerce of Serbia and the STA, meetings and seminars are held with businessmen aimed at informing the community of current news and engaging businessmen in the STA processes, thereby improving cooperation and strengthening trust.

In accordance with the Strategy of providing services to the taxpayers, the STA publishes tax bulletins, brochures and flyers that aim to explain a specific tax situation to taxpayers inan easy and comprehensible way. The educational material is also published on the STA website.

The STA organizes training for the newly registered entrepreneurs through targeted visits. During the COVID-19 pandemic, continuity was maintained in the implementation of this method of communication through telephone education. Bearing in mind that entrepreneurs are specific taxpayers, the natural persons whoperform independent activities, special attention is paid to their education so that they are informed of their rights and obligations in a timely manner.

6) Campaigns and Tax Class

Campaigns, conducted through phone, email notifications or regular mail, aim to share tax information to help people to better understand the importance of paying taxes, as well as get to know the consequences of the grey economy. In 2022, the process of introducing the modern fiscal system was followedby a comprehensive campaign that included intensive broadcasting of promotional material, announcements on the STA website and infor-mation to the taxpayers through telephone calls.

In cooperation with the Ministry of Education, the STA implements a fiscal educationprogram for the young people called “Tax Class”. In an interactive lesson, games and examples are used to explain to the elementary school pupils why it is important to take fiscalbills at the time of purchase. So far, nearly 1,500 pupils have attended the “Tax Class”.

7) Welcome package

In order to inform the taxpayers of the services provided by the Tax Administration and the channels of communication with the Tax Administration, the STA posts the above information to all newly registered taxpayers within 24 hours of starting their activities in the tax box on the Tax Administration’s portal.

8) Tax Alarm

Tax Alarm is the name of a free application for smartphones (Android and iPhone devices), through which taxpayers of the Republic of Serbia can submit reports to the STA immediately after the occurrence or detection of any tax irregularities. Citizens can report irregularities in the business operations of business entities, such as not issuing fiscal bills, performingunregistered activities, hiring non-registered workers, etc. The users of the application automatically receive an electronic notification of the successful submission of the report, which is immediately visible in the Tax Administration's system.

The STA's strategic objective is to become a tax administration with an efficient and efftective system, which means the establishment of a fully digitalized tax system and the creation of an environment where taxpayers will be enabled to voluntarily fulfill their tax obligationswithout unnecessary costs, with the aim of increasing tax collection.

In the process of comprehensive transformation, the emphasis was placed on the digitalization and automation of business processes, along with the connection and exchange of the data with other institutions, which contributes to better and higher quality services. The STA has been electronically connected to the Central Register of Compulsory Social Insurance, which keeps insurance records for each insured person, and through this system the STA can access the funds for compulsory social insurance. Also, the STA is connected to the Treasury Administration, through which the flow of budget funds is monitored, with the Ministry of Interior and commercial banks. The processes established in this way enable the automated monitoring of the flow of information and the creation of a more stable business environment.

A survey of the taxpayers' satisfaction with the services provided by the STA shows constant progress. There is certainly room for improvement and in this sense, the priorities have been set for further development of services, such as the adoption of the Action Plan for the implementation of the Service Provision Plan for the period 2023-2025, the creation of services based on the segments of taxpayers, the definition of activities in getting taxpayersto digital communication channels, the establishment of a personal e-portal, as a communication module that enables the realization of all rights and obligations of taxpayers, starting from registration, without the need to come to the Tax Administration in person, while respecting the existing form of communication through the state e-government portal, and the development of the catalog of services.

14 Singapre

More than Just Tax Administration — the Inland Revenue Authority of Singapore

Inland Revenue Authority of Singapore

More than Just Tax Administration — the Inland Revenue Authority of Singapore

Abstract: This article is about the efforts of Inland Revenue Authority of Singapore in embracing agility through innovation and digitalisation to provide excellent taxpayer-centred experiences.

Keywords: Agility; Continual innovation; Data analytics; Digitalisation; Service excellence; Smart Nation; Taxpayers

1. Introduction and Background

The ongoing digital revolution and advancements in digital technologies are transforming rapidly the way we live, work and play. With the growing volume, changing lifestyles and increasingly sophisticated needs of taxpayers, tax administrations strive to continuously innovate, to improve the taxpayer experience.

The Inland Revenue Authority of Singapore (IRAS) leverages technologies and digitalisation to redefine the experiences of taxpayers and to bring greater value to the community. In line with the Smart Nation initiative announced by Singapore's Prime Minister Lee Hsien Loong back in 2014 for Singapore to harness technology and enhance productivity to improve the lives of the citizens, IRAS has been innovating continuously to improve the taxpayer experience.

2. Culture of Agility as an Enabler

Embracing agility and putting it into practice has allowed IRAS to pivot and respond quickly to emerging challenges in a VUCA (volatile, uncertain, complex and ambiguous) world. With agility as both a strategy and a mindset, IRAS (i) anticipates and stays alert to changes in the environment, (ii) innovates and experiments to try new ideas, (iii) responds swiftly, acts urgently and adjusts continually, and (iv) reflects and keeps improving to stay ahead.

The pandemic has severely disrupted global economic and social activities across the globe. A slew of pandemic relief measures were announced by the Singaporean government in 2020 and 2021 to help businesses overcome the widespread and unprecedented impact of the crisis, with the priority on supporting jobs and livelihoods. As part of a unified public service response to the pandemic, IRAS has contributed to wider government efforts by taking on a new function in granting disbursements to provide financial relief for businesses and enterprises affected by the pandemic.

The Jobs Support Scheme (JSS) is one of the key financial support initiatives offered by the Singaporean government. As of February 2021, the JSS payouts have benefited over 2 million local workers employed in more than 150,000 firms. The JSS provides financial support to employers by co-funding employees' wages, thereby helping employers retain their local employees during this period of economic uncertainty. The level of support varies by sector, with the hardest-hit sectors such as aerospace, aviation and tourism receiving more assistance.

The JSS was implemented expeditiously. Pre-COVID-19, IRAS had prior experience in implementing payouts and hence leveraged on the existing disbursement system by means of agile and progressive enhancement methodology to develop the JSS system within eight weeks.To enable timely and appropriate financial support for our businesses, IRAS avoided lengthy application procedures and instead leveraged on existing data from other government agencies to determine the eligibility and the entitlement of each business, while putting in place an anti-gaming mechanism to ensure that the JSS is not being abused. Through data analytics, IRAS also conducts regular post-processing checks to detect anomalies in the JSS disbursements. This has enabled IRAS to balance timely disbursements with effective protection of public monies. The amount of the support entitled is determined by IRAS automatically and the funds are credited into the bank accounts of the businesses directly.

Short, iterative cycles were also deployed in the implementation of the Rental Relief Framework (RRF). The RRF is a government cash grant to qualifying property owners to provide rental relief for tenants that are small and medium enterprises and non-profit organisations. IRAS recognises that each relief scheme is different, and proactively engages with policy owners on the design of each disbursement scheme whilst keeping the public informed through constant updates on the IRAS website.In addition to the role as the tax administrator of Singapore, IRAS was designated by the Singaporean government to be the Centre of Excellence for enterprise grant disbursements, which encompasses the facilitation of the smooth roll-out of business disbursement schemes. IRAS reacted quickly to its new functions and in 2021, housed expertise in a new branch for the end-to-end administration of government disbursements to enterprises. Through re-structuring and concentrating expertise in grant disbursements in a single branch, IRAS is able to implement new schemes speedily and help support businesses emerge stronger from the crisis.

For agility to create the most value, we rely on another constant: people-even when working remotely through the pandemic. New capabilities are required to deliver transformation outcomes. Through workforce transformation, a systematic process is put in place to enable an adaptable and future-ready workforce. IRAS officers gain foundational and functional competency through ongoing upskilling and taking ownership of their career development. We advocate career fitness and a life-long learning mindset as this allows IRAS officers to imbue an agile mentality and enhance competency to leverage on digital technologies and analytics to better fulfil IRAS' evolving mandate.

3. Continual Innovation

Inculcating a culture of innovation has allowed IRAS to meet its goal of refining the experiences of taxpayers, engendering ground-up creation of service ideas and out of the box solutions to help businesses comply with their tax obligations. This includes simplifying filing procedures and educating businesses on their tax obligations.

Through developing new online tools such as the "New Company Start-Up Kit" and simplifying existing filing procedures through the launch of Form C-S (Lite), IRAS continues to explore new ways to minimize the time that taxpayers spend on understanding tax filing obligations and the filing of taxes. These initiatives are elaborated below:

3.1 New Company Start-Up Kit

For newly incorporated companies (NICs), IRAS has developed the "New Company Start-Up Kit", an interactive e-learning guide which provides NICs with customized information to guide them through their first filing obligations with IRAS and the Accounting and Corporate Regulatory Authority of Singapore[1] (ACRA). Upon signing up for the kit, NICs will have access to the following information:

i)A tailored filing timeline reflecting the important filing due dates with IRAS and ACRA;

ii)Email reminders that will be sent by IRAS prior to the NICs' corporate tax filing due dates to remind them of their filing obligations;

iii)ACRA's information on filing of Annual Return and holding of Annual General Meeting;

iv)Goods and Services Tax (GST) information to aid NICs in their understanding of their businesses'

GST registration liability; and

v)Links to Enterprise Singapore's2 websites for NICs to seek information on industry insights, updates on grants and services to enhance their business efficiency.

Since its launch in February 2018, more than 10,500 NICs have used the kit.

3.2 Form C-S (Lite)

All companies carrying on a trade or business in Singapore need to report their income to IRAS annually by e-filing their corporate income tax return. There are two types of income tax return, Form C-S and Form C. Form C-S is a simplified income tax return with fewer fields to be completed as compared with the Form C. Qualifying companies with annual revenue of S$ 5 million or below may use Form C-S, instead of Form C, to report their income.

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[1] Singapore's regulator of business registration, financial reporting, public accounts and corporate service providers.
[2] Statutory board under the Ministry of Trade and Industry in Singapore which champions enterprise development and supports the growth of Singapore as a hub for global trading and startups.
[3] Year of Assessment refers to the year in which income tax is calculated and charged. The assessment is for the income earned in the preceding financial year. For example, for companies with a financial year end of [31] December, the Year of Assessment 2020 is for the basis period of 1 January 2019 to 31 December 2019.

Form C-S (Lite) was introduced from Year of Assessment[3] 2020 to further enhance the e-filing experience of small companies. Form C-S (Lite) is a streamlined version of Form C-S for companies with straightforward tax matters, requiring only six essential fields to be completed. To qualify to file Form C-S (Lite), companies must have an annual revenue of S$ 200,000 or below, and meet the existing Form C-S qualifying conditions.

3.3 Educational Programmes and Partnerships

IRAS conducts ongoing programmes to educate businesses on new standards, provides guidance to help businesses keep abreast of the latest tax developments and to comply with their tax obligations. For example, in the implementation of the Goods and Services Tax Reverse Charge (RC) and Overseas Vendor Registration (OVR) regime, which was effective from 1 January 2020, IRAS initiated a series of

interactive educational and outreach programmes with potential registrants and RC/OVR businesses to raise awareness of the new regime and educated businesses on the new tax rules to foster greater voluntary compliance. Internationally, in the implementation of the Common Reporting Standard (CRS), an internationally agreed standard for the automatic exchange of financial account information between jurisdictions for tax purposes, IRAS issued CRS Compliance Guidelines4 in July 2019 and
organised industry engagement events to raise awareness on the CRS compliance approach that would ensure industry's effective compliance with the implementation of CRS in Singapore. IRAS believes in working with the community to help taxpayers understand their tax obligations, and to facilitate business growth and wealth through sound and effective tax policies. In this regard, IRAS has formed partnerships with relevant stakeholders to improve the business environment for tax compliance. Under the Strategic Partnership Programme, IRAS partners with large businesses and the Singapore Chartered Tax Professionals[5] to develop a tax governance policy framework for large businesses. The framework seeks to encourage good tax governance and practices for both Corporate Tax and GST. Under the Enhanced IRAS-Tax Agent Relationship Framework, IRAS partners and collaborates with tax agents, particularly in the area of training and improving the competence of tax agents in recognition of the close working relationship they have with their clients, and their valuable insights of the clientele's business needs and concerns.

4. Leveraging on Data and Technology to Deliver Digital Solutions to Create Better Experiences for Taxpayers

Early investment made by IRAS in the fields of technology, artificial intelligence (AI) and data

[4] IRAS (2019). *IRAS e-Tax Guide,* https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/Quick_Links/International_Tax/IRAS%20CRS%20Compliance%20G uidelines%20e-Tax%20Guide.pdf.
[5] An accreditation body for local tax professionals.

4.1 Enhancing Partnership with the Digital Ecosystem

Through collaborations with various partners, IRAS has encouraged enterprises' digital transformations to reap the benefits of going digital from a business and tax perspective. Efforts were focused on digitalising processes in relation to filing and payments/refunds.

4.1.1 Digital Filing for Small and Medium-Sized Enterprises

For most Small and Medium-Sized Enterprises (SMEs), statutory filing obligations to IRAS and ACRA are last on their minds. To meet such obligations, SMEs commonly incur additional costs to engage third party service providers. Mindful of such challenges, IRAS and ACRA saw opportunities to streamline the preparation processes, and at the same time redefine the filing experience for these companies. In line with the Smart Nation initiative to promote digitalisation among the SMEs, IRAS and ACRA collaborated with five accounting software vendors to co-create a seamless digital filing solution that allows SMEs to automate the preparation and filing of statutory returns and financial data directly from their accounting software to IRAS and ACRA. For tax purposes, the accounting software prepares the tax computation and tax return (Form C-S) which are submitted directly to IRAS via the Application Programming Interfaces (APIs). Safeguards are in place, through the Corppass[6] API to maintain confidentiality of SMEs' financial information and to ensure that only the authorised end-user submits the documents and returns to the two agencies. SMEs can also tap the existing government support schemes for funding of the accounting software.

This initiative significantly reduces the time spent by SMEs in the preparation and filing process and simplifies the tax filing preparation to the extent that it can be done without the need for tax knowledge (through an automatic tax conversion tool that retrieves relevant accounting data and converts them into tax data). The solution also improves the accuracy of the statutory returns submitted. In addition, the initiative allows SMEs to enjoy productivity gains through the direct transmission of data to IRAS, instead of keying them manually into the IRAS digital service. What previously took a SME approximately nine hours to prepare and file can now take as little as 35 minutes. This translates to time savings of more than 90%. The initiative has received strong endorsement from SMEs which have used the software.

4.1.2 Chat Filing for Taxi and Private Hire Car Drivers

In 2020, IRAS collaborated with GovTech, the government agency driving Singapore's Smart Nation initiative and public sector digital transformation, to develop a conversational style chatbot as proof-of-concept for approximately 6,000 taxi and private hire car drivers. Technical jargon was replaced with users' natural language to make the tax form more understandable, and the conversational approach mimicked the experience of having an IRAS officer guide

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[6] Corppass is a corporate digital identity for businesses and other entities (such as non-profit organisations and associations) to transact with Singaporean government agencies online.

[7] PayNow is a secure funds transfer service that allows customers to receive money into their participating bank account via mobile number, NRIC/FIN, Company Unique Entity Number or Virtual Payment Address.

them through their filing. Close to 1,000 users had used this mode to file their taxes in 2020, and found the chatbot intuitive. In 2021, we enhanced the service based on users' feedback and would be scaling it up to more taxpayers as well as extending it to hawkers.

4.1.3 Digital Payments

As part of Singapore's drive to adopt digital contact free payments, IRAS has collaborated with DBS bank to integrate APIs into IRAS' operating framework to digitalise payments. The initiative promotes the usage of digitalising tax payments and collections via GIRO and PayNow[7] to encourage businesses to go cheque free. Apart from the convenience of using digital methods to make tax payments, taxpayers also benefitted from instant settlement and real-time status updates of their outstanding tax balance. IRAS has also leveraged on the initiative to disburse government payouts (such as the JSS payouts), which proved critical during the pandemic when businesses' employees had to work from home. Businesses which adopted the initiative receive the payouts earlier and in a timely manner, as compared with the conventional method of receiving the payouts by cheques.

4.2 Strengthening Communication and Service to Taxpayers

4.2.1 Digital Communication and Interaction

In line with the Singaporean public sectors' focus on digital transformation, IRAS has been exploring innovative ways to improve the digital experience of our taxpayers, and at the same time, help them to fulfil their tax obligations in the most seamless manner.

To improve taxpayers' user experience on our corporate website, IRAS sought to use the best technologically advanced methods to understand our taxpayers' needs and behaviour. For example, we were the first government agency in Singapore to apply NeuroVision, an automatic attention prediction AI tool, to aid in reorganising key content within webpages. Validated by A/B testing[8], customer satisfaction improved significantly from 38% to 83%, as taxpayers find the reorganised webpages more intuitive and clearer.

To truly offer an end-to-end digital experience for our taxpayers, IRAS also looked at how we communicated with them. From May 2021, most IRAS notices will be digitised, with paper notices minimised. By default, a digital copy of the tax notice will be uploaded in myTax Portal[9] and taxpayers will be notified once it is ready for viewing. Through this initiative, taxpayers will enjoy convenient online access to their notices, receive timely communications and be able to fulfil their tax obligations more readily.

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[8] A/B testing (also known as spilt testing) is a user experience research methodology.
[9] MyTax Portal is a secured and personalised portal to view and manage tax transactions with IRAS.

As we had pivoted early in the digital transformation movement, we were able to quickly scale up and widen the provision of digital services during the pandemic, enabling us to maintain high levels of tax compliance and taxpayer satisfaction. For example, IRAS had begun piloting the use of video conferencing to serve our taxpayers digitally in February 2020. This was prior to when the nationwide safe management measures were implemented. Instead of dampening our digital transformation efforts, the pandemic accelerated it. Apart from redesigning the space at the IRAS Service Centre to accommodate safe distancing measures, we were able to successfully shift walk-ins to digital channels. From June 2020, we served taxpayers by appointment only and via video conferencing by default. Those who walked in were either channeled to designated self-help kiosks to be assisted remotely via video conferencing or given the option to speak with our officers via video conferencing from the comfort of their homes on another day, where they will receive a short message service with a link to join the Video Conference on the requested appointment date. Since then, we had served more than 21,000 taxpayers via this mode and had received highly positive feedback.

We also explored the use of acoustic pods to improve the video conferencing experience. As the existing Service Centre setup could allow taxpayers of neighbouring counters to overhear conversations, confidentiality is potentially compromised. To address that, the acoustic pods seek to provide taxpayers with a conducive environment to safely discuss their personal tax matters with officers over video conferencing, as it isolates sound internally and externally. This initiative was first trialled in October and November 2020 with 116 taxpayers. As feedback was mainly positive, we procured another 12 pods. Since 14 March 2021, we had served approximately 3,500 taxpayers in these pods.

4.2.2 Quicker Refunds and Registration to Serve Taxpayers Better

IRAS' embedded analytics models within IRAS' business processes and core tax processing system have enabled a better targeting of risky GST refund claims and speedier processing of GST registration applications. For GST registrations, IRAS is now able to automatically process lower-risk applications so that businesses can be GST-registered promptly to fulfil their GST obligations. High-risk applications are systematically flagged out by using data analytics for more in-depth review.

5. Providing Tax Certainty

To facilitate voluntary tax compliance, IRAS adopts a multi-pronged approach to provide tax certainty to our taxpayers. To provide clarity and administrability on the more complex tax matters, IRAS regularly publishes advance tax rulings, and new or updated e-Tax Guides on a variety of tax issues/matters. Other initiatives that seek to provide tax certainty include the Enhanced Taxpayer Relationship (ETR) Programme, participation in the Organisation for Economic Co-operation and Development (OECD) International Compliance Assurance Programme (ICAP) and Singapore's adoption of the use of arbitration as an additional mechanism for the resolution of Mutual Agreement Procedure (MAP) cases.

The e-Tax Guides aim to provide taxpayers with IRAS' guiding principles on specific tax topics, compliance requirements, examples of practical scenarios and other information to facilitate voluntary compliance and provide better clarity on IRAS' positions. Some examples of the recently published e-Tax Guide include transfer pricing guidelines for centralised activities in multinational enterprise groups and income tax treatment of digital tokens. To enhance taxpayers' understanding of IRAS' interpretation and application of tax laws in specific scenarios, IRAS has worked with key stakeholders in the tax ecosystem to implement a framework to publish advance rulings summaries. The publication framework has features that protect taxpayers' information and business arrangements while ensuring published rulings enhance taxpayers' understanding of tax laws.

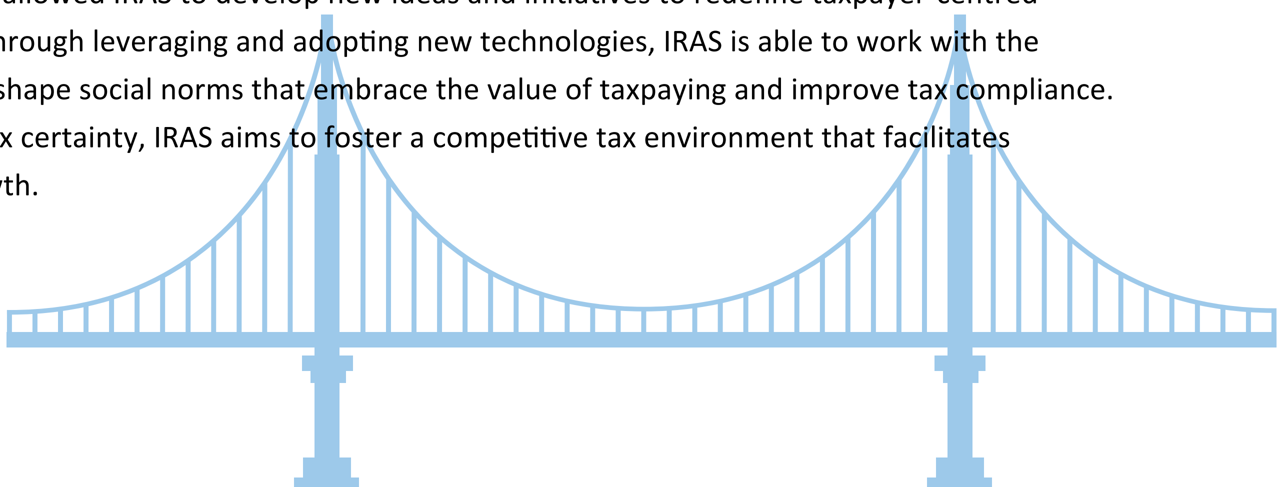
The ETR Programme is a service initiative aimed at building an open and collaborative taxpayer relationship through regular engagement with large companies. It is designed to address the needs of large companies, which are generally more complex, and help these companies manage their tax compliance. It offers large companies the benefits of finalising their tax assessments in a timely manner through a collaborative review process with IRAS, as well as tax certainty on significant current events through consultation with IRAS. During the engagement, IRAS gains a better understanding of the company's business operations which enables IRAS to better identify and address revenue risks early.

IRAS will also be participating in the ICAP from 2021, a voluntary risk and assurance programme to facilitate co-operative multilateral engagements between multinational enterprises (MNEs) and tax administrations developed by the OECD. The ICAP complements the ETR Programme, and augments other programmes to provide upfront tax certainty to MNEs.

The adoption of mandatory binding arbitration complements the existing MAP process provided under the tax treaties. Arbitration will provide finality for the taxpayers as a decision rendered by the arbitrators will be binding on the competent authorities (unless the taxpayer chooses to disagree with it, in which case the taxpayer may still pursue domestic remedies e.g. through litigation).

6. Conclusion

The vision and principles of an agile IRAS has allowed the organisation to anticipate and be responsive to change, as well as rapidly transform in a dynamic fast-evolving environment. Continual innovation has allowed IRAS to develop new ideas and initiatives to redefine taxpayer-centred experiences. Through leveraging and adopting new technologies, IRAS is able to work with the community to shape social norms that embrace the value of taxpaying and improve tax compliance. By providing tax certainty, IRAS aims to foster a competitive tax environment that facilitates economic growth.



15 South Africa

Taxpayer Compliance Evaluation and Monitoring

South African Revenue Service

Taxpayer Compliance Evaluation and Monitoring

Abstract: This article introduces CEMIS (Compliance Evaluation and Monitoring Information System) which plays a fundamental role in taxpayer compliance risk management in South Africa. It demonstrates capabilities of CEMIS on risk identification, evaluating compliance outcomes and providing uniformity of compliance analysis. As one of the BRICS Best Tax Practices (BBTP) case studies officially launched at the 2022 Meeting of the Heads of Tax Authorities of the BRICS Countries, it showed South African's efforts on improvement in taxpayer compliance.

Keyword: Taxpayer Compliance; CEMIS (Compliance Evaluation and Monitoring Information System); Compliance Strategy

1. The Compliance Evaluation and Monitoring Information System

Back in 2006, the South African Revenue Service (SARS) identified the need to measure, monitor and report on taxpayer compliance in a uniformed, standardised, and scientific manner. The idea conceptualised at the time was to identify areas of significant non-tax compliance across all tax types so that focused interventions could be developed and implemented accordingly. To achieve this, the respective business areas needed to have easy access to the data from various systems across SARS for it to be analysed for trends, behaviours, and anomalies. It was envisioned that it must eventually provide the basis for compliance strategy.

A project team was established to develop and provide a robust solution/capability that would package together technology, data and business rules into a single, flexible analysis tool that would evolve into the tool of choice for compliance strategy and monitoring. A benchmark study visit to the Canadian Revenue Authority (CRA) provided the team with guidance on international best practice on such a solution. The project proved to be a colossal task involving the coordination of business specialists, IT, system owners and analysts.

The project resulted in the phased development of the Compliance Evaluation and Monitoring Information System (CEMIS) over a period of 4 years. The power behind CEMIS can be attributed to the compliance indicators which underpin its design. The development of the indicators required specialist skills in tax legislation and compliance measurement methodologies. The system design took careful consideration of compliance standards, tax legislation, policies and procedures when developing the indicators. However, for the indicators to be considered accurate, they must be supported by complete and accurate data. In addition, the measurement of the compliance indicators needed to be accurate, fair, and transparent. Approximately 175 compliance indicators were developed over the years for the four main tax products (i.e., Personal Income Tax, Corporate Income Tax, VAT and PAYE), which enables SARS to closely measure and monitor compliance levels and trends.

In technology circles this was a rare feat. Business users were enabled to go beyond simple reporting to being able to compare and analyse disparate data sets and provide statistical significance to tax compliance. Business owners became empowered with timely and accurate compliance information for decision making. In addition to this, CEMIS provides seamless monthly updates and is also being continuously upgraded to ensure the provision of timely and accurate data. CEMIS was successfully deployed in 2011 and currently houses over 10-years of compliance data.

The implementation of CEMIS in SARS chartered a compliance journey that would take both CEMIS and compliance to new heights in the administration. The lesson learned in the development and implementation of CEMIS served and assisted other African countries with establishing their own compliance initiatives; these include amongst others; Uganda, Kenya, Lesotho, Zambia, and Mauritius.

Some of the significant achievements include:
• the development of the SARS Compliance Programme to create a focused compliance treatment strategy;
• becoming the "go-to" centre for compliance reporting to National Treasury, Ministry of Finance,
Parliament, external bodies, and media queries;
• initiating an on-going Public Opinion survey to gauge the public opinion on tax administration and its effect on compliance;
• implementing advanced compliance monitoring via modern Geographical Information Systems (GIS).

CEMIS plays a fundamental role in taxpayer compliance risk management. The Organisation for Economic Co-operation and Development (OECD) recommends, in line with international best practice, the implementation of a "compliance risk management process" to improve taxpayer compliance (refer to Figure 1). Compliance risk management is defined as a "structured process for the systematic identification, assessment, ranking, and treatment of tax compliance risks (e.g., failure to register, failure to properly report tax liabilities etc.)". The approach takes a holistic viewpoint and includes data analysis, strategy development, implementation, and monitoring.

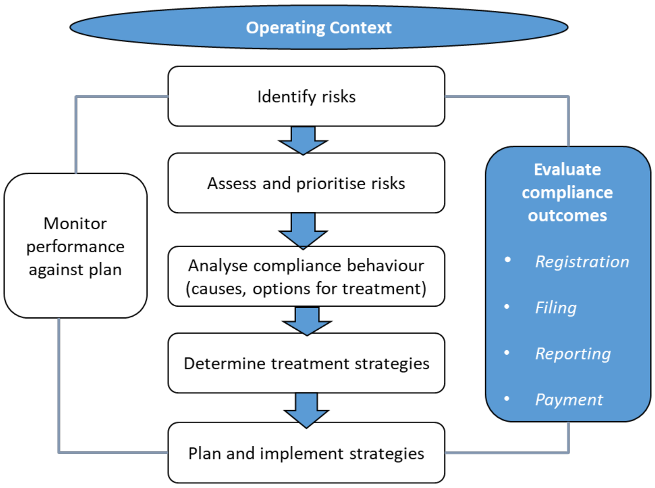


Figure 1: OECD Compliance Risk Management Process

SARS has, over time, enabled the process of analysing, prioritising, implementing, evaluating, and providing valuable feedback on compliance initiatives. This process is congruent to that which is prescribed by the OECD and, in so doing, offers a sustainable solution to tax compliance improvement and revenue generation.

The compliance evaluation and monitoring function within SARS; therefore, has a solid foundation together with building an adept set of resources to create a steeper growth trajectory for compliance strategy and monitoring. This function can move to the next level of data analysis i.e., Extended GIS, Big Data, and advanced metrics.

CEMIS has been able to provide capabilities in the following areas:

	CEMIS Capability
Risk Identification	○ Identify end-to-end strategic risks in the value chain per tax product ○ Identify high risk industries and further segment risk by geography (using GIS), size of business, nature of person/company type and demographics ○ Provide SARS with a holistic view of compliance across tax products through the Voluntary Compliance Index (refer to Section 2)
Assessing and Prioritising Risk	○ Ranks industries using a Heat Map based on industry compliance behaviour across the value chain per tax product and across tax products ○ Heat map can further be prioritised according to GDP contribution, revenue contribution and size of industry ○ Basis for compliance risk ranking model
Evaluating Compliance Outcomes	○ CEMIS can independently be used to evaluate if the organisation is achieving better outcomes in terms of programme efficiency and effectiveness (e.g., improved compliance with tax laws leading to increased

	tax collections and improved taxpayer service).
Providing uniformity of compliance analysis	○ CEMIS creates a strong foundation for evidence-based evaluation which will be further enhanced by specialised knowledge in the Segments of the taxpayer base.
Creating a critical link between Compliance to Revenue	○ CEMIS has been enhanced to show the revenue generated from returns filed on time and late and estimates the Rand value of outstanding returns (which forms part of the tax gap).
Projecting future compliance trends	○ CEMIS can be used to project compliance trends for each tax product. ○ Compliance projections can be combined with revenue and economic projections, to give a more complete and realistic view for compliance strategy development.
Setting realistic organisational performance targets	○ Performance targets can be determined based on historic trends provided by CEMIS, making it more realistic and relevant. This helps to create more synergy and alignment within the administration to achieve common goals/targets.
Defensible approach	○ The compliance evaluation and risk management approaches, which are scientific and data-driven, enables the organisation to withstand external scrutiny (e.g., by external audit officials, industry associations, the public and international peers).

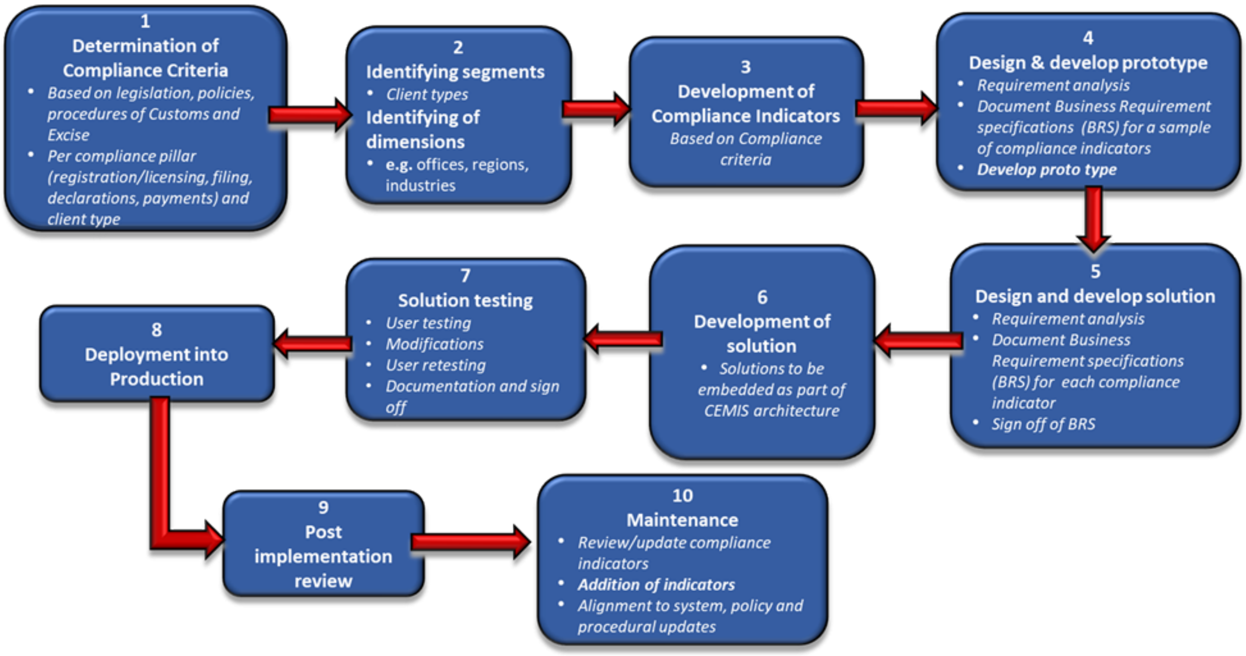
2. The Voluntary Compliance Index

In addition to the vast number of compliance indicators which are tracked, SARS further measures
voluntary compliance through a Voluntary Compliance Index (VCI). The VCI is a composite, quantifiable measure of the level of tax compliance across the value chain for the four main tax products (Personal Income Tax, Corporate Income Tax, VAT and PAYE). The index is derived from selected compliance indicators produced by CEMIS, that is:

- Registration on time
- Filing on time
- Accurate Declarations
- Payments on time

The methodology of the index is based on a hybrid model of statistical modelling and professional
judgement. Weightings are assigned to compliance indicators in the computation of the index. Deriving the weightings further required the application of professional judgement to ensure it would make business sense and this was done through consultations with various experts across the organisation. The baseline measure was established in 2021/22 and the VCI will be tracked and reported on in its Annual Performance Plan and Annual Report.

ADDENDUM 1: Process Development of CEMIS



ADDENDUM 2: Summary of the Main Compliance Indicators and Formulae

REGISTRATION	
Growth in register	
Registration on time	
FILING	
Filing on time (Periods)	
Late Filing (Periods)	
Non-Filing (Periods)	
Filing on time (Clients)	
Late Filing (Clients)	
Non-Filing (Clients)	
Outstanding returns (as at)	☒ **Number of outstanding returns** determines the number of returns outstanding at any given date irrespective when the return was originally required to be filed. (Age analysis) ☒ **Number of taxpayers** is the total number of taxpayers with at least one outstanding return at the reporting (as @) date ☒ **Estimated monetary value** is the estimated value of the outstanding returns
REPORTING (DECLARATION)	
Accurate Declarations	
Inaccurate Declarations	
Monetary yield	
Inaccurate Taxpayers	
Audit Coverage	
PAYMENT	
Payment on time (Periods)	
Late Payment (Periods)	
Non-Payment (Periods)	
Payment on time (Clients)	
Late Payment (Periods)	
Non-Payments (Clients)	
Outstanding debt as at	Outstanding debt (As @)
Deferred Arrangements adhered to	
Deferred Arrangements adhered to – On time	

Deferred Arrangements adhered to – Late	
Deferred Arrangements not adhered to	
Number of Debts Written off	**Debt written off (No)** – Total number of taxpayers whose debt was partially or fully written off during the SARS financial year.
Value of Debt Written off	**Value of debt written off (Amount)** is the monetary value of the debt written off during the SARS financial year.

ADDENDUM 3: Industry Heat Map

	VAT	PAYE	CIT	PIT Self-Employed
1	Construction	Mining and Quarrying	Construction	Transport, Storage and Communication
2	Transport Equipment	Construction	Personal and household services	Construction
3	Mining and Quarrying	Textiles	Mining and Quarrying	Vehicles, parts and accessories
4	Clothing and Footwear	Wood, wood products and furniture	Transport Equipment	Agencies and other services
5	Transport, Storage and Communication	Transport Equipment	Agencies and other services	Wholesale Trade
6	Personal and household services	Clothing and Footwear	Clothing and Footwear	Retail Trade
7	Wood, wood products and furniture	Transport, Storage and Communication	Catering and Accommodation	Food Drink and Tobacco
8	Agencies and other services	Bricks, Ceramics, Glass, Cement, and similar	Recreational and Cultural Services	Catering and Accommodation
9	Bricks, Ceramics, Glass, Cement, and similar	Personal and household services	Specialised Repair Services	Specialised Repair Services
10	Specialised Repair Services	Metal	Transport, Storage and Communication	Finance, Insurance, Real Estate, Business Services

ADDENDUM 4: Industry Quadrant

HIGH VOLUME/HIGH REVENUE	HIGH VOLUME/LOW REVENUE
(1) Construction (11.1%; 2.8%) (5) Transport, Storage and Communication (3.7%; 4.2%) (9) Agencies and other services (11.6%; 9.8%)	(10) Specialised Repair services (1.3%; 0.4%)
LOW VOLUME/HIGH REVENUE	**LOW VOLUME/LOW REVENUE**
(2) Mining and Quarrying (1.1%; 11.1%)	(3) Transport Equipment (0.5%; 0.6%) (4) Clothing and Footwear (0.7%; 0.4%) (6) Bricks, Ceramics, Glass, Cement (0.5%; 0.3%) (7) Wood, wood products and furniture (0.6%; 0.2%) (8) Textiles (0.4%; 0.2%)

16 Tajikistan

Recent Developments of Tax Administration

Solehzoda Ayubjon Maruf
Tax Committee under the Government of the Republic of Tajikistan

Recent Developments of Tax Administration in the Republic of Tajikistan

Abstract: The Tax Committee under the Government of the Republic of Tajikistan (Tax Committee) regularly improves tax administration and provides quality service to legal entities , individua l entrepreneurs , individuals , civi l servants , governmenagencies and the banking sectors. Up to now, more than 60 kinds of electronic services could be accessed by taxpayers on the official website of the Tax Committewhich greatly facilitates the digitalization of tax administration and contributes to thereduction of compliance burden of taxpayers. The government has adopted and revised Tax Codes to simplify tax system, strengthen tax administration, and optimizoverall tax environment. Moreover, the Tax Committee has implemented a new Tax Administration Development Program for 2020-2025 to improve the quality of activities of tax authorities, and enhance the service for taxpayers. A number of onli trainings, including those initiated by the Belt and Road Initiative Tax Administrat Cooperation Mechanism (BRITACOM), are held to improve the qualification, knowledge and skills of employees of the tax authorities in the country.

Keywords: Capacity building; The digitalization of tax administration; Tax service

According to the World Bank research conducted in 2021, the tax administration of the Republic of Tajikistan had a significantcredibility among the respondents of this research, due to the fact that the Tax Committee under the Government of the Republic of Tajikistan (Tax Committee) has improved tax administration on a regular basis and provided quality services to taxpayers.

Nowadays, taxpayers in Tajikistan, including legal entities, individual entrepreneurs, individuals, civil servants, government agencies and the banking sector, have access to more than 60 kinds of electronic services on the official websitof the Tax Committee,[1] such as filing taxreturns in electronic format, paying some taxes through bank cards, obtaining information from the Unified State Register, onlinerequesting for a certificate of being registeredin the inspection, checking fiscal receipts online,acquiring electronic value added tax (VAT) invoices, electronic filing of applications for VATrefunds and others.

From 2017 to 2020, taxpayer satisfaction with the official website of the Tax Commtee has increased from 27.3% to 92.5%. From 2016 to 2020, taxpayer satisfaction of electronic appeals has increased from 23.8% to 68.8%, and the overall assessment of satisfaction with the electronic declaration system from 2016 to 2020 has increased from 61.5% to 97.7%. Today, more than 70% of taxpayers in the Republic of Tajikistan use the website of the Tax Committee, where all the necessary information is available for conducting business activities in the country.

[1] https://www.andoz.tj/.

Back in 2012, electronic filing of tax returns was introduced on the official website othe Tax Committee to simplify the process of filing tax returns and reduce the frequency of interaction between taxpayers and tax authorities. In addition to electronic declaration, the tax authorities have also introduced online payment of taxes, electronic marking of goods in warehouses and electronic appeals.

The digitalization of tax administration in the Republic of Tajikistan has significantly contributed to the reduction of the human factor, and remote interaction with taxpayers has largely reduced the time required for filing taxreturns by taxpayers.

In order to expand non-cash payments and save as much time as possible for paying taxes and state duties, the Tax Committee introduces an electronic service that allows taxpayers to pay some taxes through bank payment cards (“Visa” and “National Card”) without visiting banks.

In addition, today the specialists of the State Unitary Enterprise “Tax Administration Programming Center” of the Tax Committee have developed a mobile application “Andozi man”, which allows individual entrepreneurs and individuals to carry out actions related to the fulfillment of tax obligations and beyond. Alarge number of electronic services of the Tax Committee are now available in this application, including “Personal Account”, “TIN Search”, “Tax Calculator”, etc.

On 9 October 2021, the Decree of the Government of the Republic of Tajikistan (No.432) adopted a new procedure for using online cash registers and virtual cash systems for settlements with the population in order to simplify the money circulation procedure, shrink the shadow economy, expand tax base, increase cash flowsthrough bank cards and mobile wallets, increase non-cash payments and streamline the digitalization of the tax administration system.

On 1 January 2022, a new edition of the Tax Code of the Republic of Tajikistan was put into force. Developed by an inter-departmental working group with the involvement of local and international experts, the amended Tax Code was formulated based on the experiences of other countries and the main trading partners of the Republic of Tajikistan, as well as the proposals from ministries and other state bodies, representatives of the private sector, business associations, and international financial organizations, including the World Bank Group, International Monetary Fund (IMF), and the Asian Development Bank (ADB).

One of the goals of the new edition of the Tax Code is to promote foreign direct investment, simplify the tax system, improve the quality of services to taxpayers and improve voluntary tax compliance of taxpayers. The other goals include improving tax administration, facilitating the tax collection process, reducing the administrative burden for responsible taxpayers and increasing the transparency of the tax system, so as to maintain the principles of tax fairness, legislative transparency and tax certainty, provide economic entities with equal opportunities, and eliminate contradictions and disputes.

With the adoption of the amended Tax Code, major and significant reforms will beintro-duced, including the preservation of some existing tax incentives and the introduction of a number of new tax incentives to create a more favorable environment for investment and entrepreneurship. In addition, the tax on road users has been excluded from the list of taxes, and the total number of taxes has been reduced from 10 to 7 types. The VAT rate has been reduced from 18% to 15% and it is envisaged that, up to 2027, the VAT rate will be reduced to 13%; the personal income tax rates (8% ~ 13%) have been abolished; and a single rate of 12% has been established.

At the same time, in the current Tax Code, for manufacturing enterprises, the income tax rate is retained at 13%; for credit and financialinstitutions as well as mobile companies, the rate has been reduced from 23% to 20%; and for other types of activities, the rate has been reduced from 23% to 18%. The social tax rate for insurers has been reduced from 25% to 20%.

The new edition of the Tax Code provides new provisions regarding tax control and tax adminis-tration, including:

- introduction of a system of electronic labeling of goods imported into the territory of the Republic of Tajikistan and produced in the Republic of Tajikistan, as well as marking or QR codes of excisable goods;
- use of functional currency;
- use of modern methods of prevention of tax evasion and avoidance of taxation;
- introduction of tax monitoring;
- implementation of automatic cameral control;
- voluntary registration as a VAT taxpayer; and
- other tax administration mechanisms.

Along with this, the Tax Committee plans to introduce big data technologies to search, process and store large volumes of structured and unstructured data. The use of big data in tax administration increases the transparency of tax processes. It becomes possible to track large transactions with large amount of VAT, tax refunds and cross-border transactions.

It should also be noted that the Government of the Republic of Tajikistan approved a new Tax Administration Development Program for 2020-2025 dated 30 December 2019 (No.643), which will be financed by annual budget allocations and a grant from the World Bank. The World Bank allocated USD50 million for the implementation of this six-year state program.

This program will contribute to the simplification of the tax system, the improvement of the services for taxpayers, the enhancement of the voluntary tax compliance, and the achievement of the following objectives and goals:

- improving tax administration, creating a healthy, competitive business environment and shrinking the shadow economy;
- improving steady development of the auto-mated system of tax administration, establishing remote cooperation with taxpayers and government agencies, reducing the use of paper documents;
- improving the tax discipline of taxpayers; and
- improving the quality of activities of tax authorities.

According to the action plan “on awareness-raising” proposed by the Tax Committee, the tax authorities organized 1,781 seminars, consultations and meetings with taxpayers on such topics as the procedure for filing tax returns, the use of cash registers, the installation of POS terminals, etc., with an aim to enable taxpayers to timely pay taxes to the budget and thus improve the culture of paying taxes in 2021.

Meanwhile, in 2021, the Tax Committee, through state media, information centers, radios, magazines and newspapers, provided 773 programs, announcements, news, television commercials and explanatory magazines for citizens and taxpayers on the above-mentioned topics.

Center for capacity building of the Tax Committee conducted 34 trainings for 931 employees of the Tax Committee in 2021, in order to improve the qualifications, knowledgeand skills of the tax authorities’ staff. The trainings were aimed at promoting the political and legal education of employees, enhancing their professionalism and attention to issues related to gender equality, strengthening tolerance and developing human rights.

Within the framework of programs related to the use of the existing modules of the computer program — “Integrated Tax Management Information System” (ITMIS) in 2021, trainings on the procedure for filing the tax returnswere also held, including the declarations of simplified regime taxes, income tax, and VAT on the electronic submission of a civil servant’s income and property declaration and approval of a comparative act, on the procedure for registering and operating the taxpayer’s personal account and on the use of ITMIS computer program modules, including:

- electronic treasure and tracking invoices for value added tax;
- tax accounting — individuals;
- tax accounting — legal entities;
- VAT and tracking invoices of the taxpayers;
- accounting for taxes of individuals;
- accounting by type of activity;
- tax accounting of cash registers with fiscal memory;

- management and monitoring of tax debts;
- reports of legal entities and individual entrepreneurs;
- acceptance of payments from the operator Amonatbonk; and
- the procedure for issuing non-cash invoices for bank payment cards through electronic POS-terminals, etc.

In addition, employees of the tax authorities of the Republic of Tajikistan actively participate in the online training programs organized by the Belt and Road Initiative Tax Administration Capacity Enhancement Group (BRITACEG). These programs are very useful to improve the skills of participants by learning the modern practices of tax authorities of the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) members. To date, the employees of the central office othe Tax Committee have participated in a variety of online training programs of the BRITACEG, such as:

- resolution of tax disputes;
- services for taxpayers;
- large business management;
- digitalization of tax administration; and
- VAT reform.

In conclusion, it is worthy to reiterate that the doors of the Tax Committee are always open for a constructive and trustworthy dialogue with all taxpayers, investors and international organizations to resolve emerging issues on the correct application of the provisions of tax legislation of the Republic of Tajikistan.

17 UK

Improving the UK Tax Environment —Building Future Success on Solid Foundations

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Improving the UK Tax Environment—Building Future Success on Solid Foundations

Abstract: The World Bank Group's Paying Taxes survey has consistently ranked the UK within the top quintile of global tax administrations. In 2015, the UK embarked on the biggest modernization of its tax administration in a generation. The programme has delivered major achievements, even while pushing the limits of HMRC's technology and capacity. A central reform has been the digitalization of tax administration, known as "Making Tax Digital". The reform process has coincided with two major external events—the UK's exit from the European Union and the response to COVID-19, requiring HMRC to deliver employment support schemes as well as manage an orderly UK exit from the European Union. The UK Government is now taking this reform process further and has set out a 10-year vision. It sees real-time information as being at the core of an effective and modern tax system. It wants people and businesses to be able to pay the right tax as they live their lives and go about their business.

Keywords: Tax environment; Tax administration; Making Tax Digital; Real-time information; UK

We are in a time of rapid change for tax administrations, with the emergence of new technologies and business models, and an explosion in the availability of digital data. This is also leading to greater possibilities for taxpayer service—according to the World Bank, "on average, every year it becomes easier for a medium-sized domestic business to comply with its tax obligations."[1] Even with this success, many tax administrations face challenges due to technological change, an aging workforce and budget constraints. They are often expected to do more with less, as customer expectations increase even as budgets and manpower reduce. Reforms to tax administration are likely to remain a consistent theme: with the aspirations of today transferring from being final destinations to mere steps on a journey with the final destination changing every time one looks up.

This paper comments on the UK's experiences in recent years, and on the likely direction for further reform. It draws on recent improvements in tax administration in the UK, both by the tax authority and the tax advice community.

1. Background

HM Revenue & Customs (HMRC) is the UK's tax, payments and customs authority. It collects the money that pays for the UK's public services and helps families and individuals with targeted financial support. It was established by Act of Parliament in 2005 as a new department, bringing

[1] The World Bank. Paying Taxes 2020, https://www.doingbusiness.org/en/doingbusiness

together the Inland Revenue and HM Customs and Excise, and taking on a clearer role in the delivery of government tax policy.

Both HMRC and its predecessors have sought to be high-performing and professional departments and the UK has consistently been in the top quintile of global economies as ranked by the World Bank Group's Paying Taxes survey, currently ranking 27th (out of 190 global economies). It outperforms the average for OECD high income countries in three out of four indicators:

Table 1: UK's Ease of Paying Taxes

Indicator	UK	OECD high income country average
Payments (number per year)	9	10.3
Time (hours per year)	114	158.8
Total tax and contribution rate (% of profits)	30.6	39.9
Post-filing index (out of 100)	71.0	86.7

The OECD has identified the following trends regarding the tax administration environment:[2]

(1) A significant shift towards e-administration, with increasing options and uptake of online filing of tax returns, as well as online payments and the full or partial pre-filling of tax returns;

(2) Engagement with taxpayers to support positive compliance attitudes, through:

- Initiatives to improve the education of taxpayers and communicate social norms;
- The use of taxpayer centric design in the expansion of taxpayer services; and
- The growing use of behavioral insights as a compliance tool.

(3) An increasingly proactive approach to compliance risk management, seeking to intervene at an early stage rather than after tax returns have been filed, for example:

- Increasing use of large and integrated data sets;
- Increasing segmentation and personalized interactions with taxpayers; and
- Continuing emphasis on co-operative arrangements to manage compliance and enhance tax certainty.

(4) Compliance-by-design approaches to maximize compliance.

All of these trends are relevant to the changing UK tax environment and like other tax administrations, HMRC is reforming in response. It is taking advantage of the availability of new technology, new data sources and analytical tools. The UK is also seeing increasing international co-operation and exchange of information as a way to manage compliance, tackle non-compliance and protect the tax base.

[2] OECD (2019), Tax Administration 2019: Comparative Information on OECD and Other Advanced and Emerging Economies, https://doi.org/10.1787/74d162b6-en.

2. Improving on Strong Foundations

Ahead of the latest set of reforms, HMRC was already in a strong position, with the vast majority (94.4% in 2019-20)[3] of tax revenue being received without any intervention by HMRC. This was occurring despite a 40% reduction in workforce, following the merger of the two predecessor departments and the challenge of introducing of new technology. However, the traditional challenges of managing a paper-based tax administration were still causing concern, as HMRC was criticized for aspects of its customer service, notably answering the phone and responding to post.

In its 2013 Improvement Plan[4], HMRC identified six key areas for improvement:

- Increasing revenues by promoting voluntary compliance and addressing non-compliance;
- Customer experience;
- Sustainable cost reduction;
- HMRC's digital offering;
- Employee engagement; and
- Capability.

The 2014 report[5] showed that HMRC was meeting or exceeding many of its targets for improvement, notably on revenue raised, cost reductions and aspects of its digital strategy. Nevertheless, HMRC included a note of caution:

"But this doesn't mean that we've reached where we need to be. Our 2013-14 figures show that our customer service levels still aren't high enough. And our employee engagement scores aren't yet hitting the Civil Service benchmark or even matching other comparative big organisations like the Department for Work and Pensions. We've also made progress in strengthening our skills and capabilities, but there's still more work to do."

HMRC also had a complex Information Technology (IT) landscape, with nearly 600 different IT applications with some of these built at a time when data were entered into mainframe computers using punched cards. The 2005 merger of the Inland Revenue with HM Customs & Excise had resulted in duplicate systems.[6]

Against this backdrop, HMRC committed to "truly putting customers at the heart of everything we do" and to offer customers "first-class online services".[7]

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[3] HMRC. 2019 to 2020 Annual Report and Accounts, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933121/HMRC_Annual_Report_and_Accounts_2019_to_2020__Web_.pdf.

[4] HMRC. HMRC Departmental Improvement Plan 2013, https://www.gov.uk/government/publications/hm-revenue-and-customs-departmental-improvement-plan.

[5] HMRC. HMRC Departmental Improvement Plan 2014, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/412636/HMRC-Departmental_ Improvement_Plan_2014.pdf.

[6] HMRC. IT Strategy. https://www.blog.gov.uk/.

3. Government Investment in Reform

A key part of that service was providing visibility to the taxpayer of their tax status and reducing the effort needed to provide tax information. Therefore, in the March 2015 Budget, the Government committed to transforming the tax system by introducing simple, secure and personalized digital tax accounts, removing the need for annual tax returns. The intention was to give individuals and businesses a more convenient real-time view of their tax affairs, providing them with greater certainty about the tax they owe.

In late 2015, the Government confirmed that it would further invest in HMRC, leading to "the biggest modernization of UK tax administration in a generation."[8] The Government committed to:

- £1.3 billion funding to transform HMRC into one of the most digitally advanced tax administrations in the world, with access to digital tax accounts for all small businesses and individuals by 2016-17, delivering an additional £1 billion of tax revenue by 2020-21 and sustainable efficiencies.
- £800 million confirmed funding for additional work to tackle evasion and noncompliance in the tax system, delivering an additional £7.2 billion over the next 5 years.[9]

This funding represented an almost 10% increase in HMRC's departmental expenditure over four years. HMRC was also required to deliver £717 million of sustainable resource savings a year by 2019-20, representing a headline 21% reduction in baseline resource costs, delivered through digitization of tax collection and a smaller but more highly skilled workforce.

This gave HMRC the opportunity to move closer to its aspiration of becoming one of the most digitally advanced tax administrations in the world, being one that is more effective, efficient and easier for taxpayers to deal with. It also set an ambition of delivering sustainable efficiencies and almost £1 billion of additional tax revenues by reducing errors through record-keeping.

4. The Recent Areas of Reform

Using the additional funds provided, along with smart innovations, to improve efficiency and usemodern technology, HMRC has introduced a range of improvements in tax administration to reflect changes to the current tax environment.

HMRC's transformation programme initially contained 15 major programs, including:

[7] HMRC. HMRC business plan: 2014 to 2016,https://www.gov.uk/government/publications/hmrcs-business-plan-2014-to-2016/hmrc-business-plan-2014-to-2016.
[8] HMRC. 2019 to 2020 Annual Report and Accounts
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933121/HMRC_Annual_Report_and_Accounts_2019_to_2020__Web_.pdf.
[9] HMRC. HM Revenue and Customs' Settlement at the Spending Review 2015,
https://www.gov.uk/government/news/hm-revenue-and-customs-settlement-at-the-spending-review-2015

- Making tax digital;
- Customs transformation;
- Creating regional centers;
- Developing data and digital platforms;
- Improving corporate services; and
- Developing people capabilities.

In practice, this ambition "pushed the limits of its technology and capacity".[10] Such capacity constraints required, in 2017 and 2018, structured prioritization exercises, to focus on the most vital transformation projects.

According to the Comptroller and Auditor General, HMRC placed "a higher premium on making efficiency savings and collecting additional tax revenue than on other beneficial aspects ofprojects."[11] Although these decisions delayed and reduced some of the expected benefits of transformation, the reprioritization has enabled HMRC's transformation to align more closely with the Government's current vision for the future of tax administration—reinforcing that tax reform is a journey rather than a destination.

4.1 Making Tax Digital for Individuals: Personal Tax Accounts

Since December 2015, HMRC has provided individuals with a "Personal Tax Account" and increased its functionality year-on-year. A Personal Tax Account gives individuals, businesses and their authorized agents the ability to view and make changes to their personal information online.

It provides a convenient real-time view of their tax affairs, providing them with visibility of the tax that HMRC believes they owe and payments they are due to receive. Personal Tax Accounts are voluntary, but take-up has been encouraged strongly.

HMRC now provides a Personal Tax Account to more than 22 million individuals (out of 32 million individual taxpayers).[12]

Table 2: Number of Personal Tax Accounts

Tax year	2016-17	2017-18	2018-19	2019-2020
Number of personal tax accounts (million)	9.4	15.0	19.1	22.6
Percentage of personal taxpayers (%)	30.1	48.1	62.4	74.3

[10] HMRC. 2019 to 2020 Annual Report and Accounts, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933121/HMRC_Annual_ Report_and_Accounts_2019_to_2020__Web_.pdf.

[11] HMRC. Annual Report and Accounts 2017-18, https://assets.publishing.service.gov.uk/government/uloads/system/uploads/attachment_data/file/726849/HMRC_Annual_Report_and_Accounts_2017-18__web_.pdf.

[12] HMRC. Number of individual Income Taxpayers, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/895182/Table_2.1.pdf.

4.2 Making Tax Digital for Business: VAT

As a part of its reprioritization, in July 2017 the Government prioritized digitalizing the tax system on VAT rather than all business taxes. Businesses with taxable turnover above the VAT registration threshold (currently £85,000) are now required to keep their records digitally and submit their VAT return digitally using Making Tax Digital compatible software.

Around 1.3 million businesses registered for Making Tax Digital for VAT during 2019 to 2020, including over 280,000 businesses with turnover below the £85,000 threshold, which joined voluntarily. As of September 2020, the total registered since launch is over 1.4 million businesses (out of 2.3 million live VAT registrations).[13]

The Making Tax Digital initiative is intended to deliver benefits to both the tax administration and to the taxpayer.[14] For HMRC, these benefits include reducing or eliminating paper-based or manual processes through the use of software and an integrated approach to business administration and tax, allowing for greater accuracy in tax returns. For business, this reduces the time spent on administration, providing more time to maximize business opportunities, productivity and profitability.

4.3 Sustainable Resource Savings

HMRC has met its commitment to deliver sustainable resource savings, through both business-as-usual activities and its transformation portfolio, which includes the digitization of the tax collection system.[15]

Table 3: Resource Savings (£ millions)

Tax year	2016-17	2017-18	2018-19	2019-20
Annual sustainable resource savings target	203	380	566	717
Annual sustainable resource savings outturn	181	410	576	693
One-Off savings	73	-	-	-
Total cumulative outturn	254	663	1,239	1,932

As an example of the use of technology, previously, the compliance caseworker role included spending a significant amount of time manually uploading documents to HMRC's casework IT system. This has been replaced by robotics process automation (RPA), which uses a dedicated

13 HMRC. 2019 to 2020 Annual Report and Accounts,https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933121/HMRC_Annual_Report_and_Accounts_2019_to_2020__Web_.pdf.
14 HMRC. Extension of Making Tax Digital for VAT, https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-vat/extension-of-making-tax-digital-for-vat.
15 HMRC. HMRC Performance Update: Spending Review 2015, https://www.gov.uk/government/publications/hmrc-quarterly-performance-report-january-to-march-2020/hmrc-performance-update-spending-review-2015.

secure document store where the caseworkers place their files for each case. The RPA software then retrieves the documents from this location and completes the upload into the HMRC casework IT System. In 2019, it was reported that, since the automation started, it has completed over 265,000 document uploads, freeing up at least 590 days of caseworker time.[16]

5. Expanding the Reach of the Tax Administration

In delivering reform, HMRC has sought to consider its strategic approach to achieving its aims, rather than merely improve its current processes. This has included the following approaches.[17]

5.1 Compliance and the Platform Economy

The UK made online marketplaces jointly and severally liable for the VAT due from those business customers that should have been registered for VAT. The UK now also requires online marketplaces to display a valid VAT number for businesses on its platform if provided with one. In 2019, HMRC received around 43,500 applications to register for VAT by online non-EU based businesses and issued more than 3,200 notices to online marketplaces resulting in the removal of non-compliant sellers.

5.2 Collecting Non Payroll Tax Debts via Payroll with Holding

HMRC has extended its capacity to collect various tax debts through adjusting an individual's payroll withholding. This means that repayments are automatically deducted from earnings, using a sliding scale of limits for individuals with annual earnings above £30,000. Debtors also have the option to pay their debt in full to avoid the change of the pay as you earn (PAYE) code.

5.3 Use of Behavioral Insights to Encourage Taxpayer Compliance

HMRC has been very active in the area of behavioral insights since understanding the factors that help taxpayers to get tax filing right, and that promote appropriate issue resolution when they do not, is fundamental to designing effective policies. People are faced with more decisions and information than can consciously be processed. They display unconscious behaviors in response to their surroundings and the probable reactions of others. Behavioral insights using these responses can lead to improvements in tax administration.

For example, HMRC collected additional revenue at a very low cost by applying social norms to tax debt letters. By adding the statement "9 out of 10 people pay their tax on time" in the context of the country as a whole, the taxpayer's postcode, or the taxpayer's hometown, HMRC successfully increased payments by up to 15 percentage points, from 67.5% to 83% on the bestperforming letter.

It has also used this approach in taxpayer education and the communication of social norms. This can support voluntary compliance and influencing beliefs, attitudes and norms is generally

[16] OECD. Tax Administration 2019: Comparative Information on OECD and other Advanced and Emerging Economies, https://www.oecd-ilibrary.org/taxation/tax-administration_23077727.

[17] Ibid.

considered an effective and efficient way to influence compliance behavior over the long term.HMRC has a programme for educating future taxpayers about the requirements to register for tax and the need to update personal details following a change in circumstances, for example moving home. This includes its " Tax Facts" programme of tax education for schools which has a range of teaching material for the 14 to 19 age range, including through animations available on social media.

HMRC has also used behavioral insights in its internal operations. It has redesigned its debt management call center guides using behavioral principles and applied change management approaches to implement these new procedures in call centers. The guides made it easier for new staff, and call operators were 20% more likely to agree to "time to pay" arrangement with upfront payments.

5.4 Responding to the Changing Nature of Tax Evasion

As technology and global economies continue to develop, tax evasion can have an international dimension, sometimes involving third parties, described by HMRC as "enablers". HMRC's Fraud Investigation Service (FIS) has responded with a dedicated programme of activity focused on those who facilitate tax crime, using new corporate criminal offence legislation. This has made it a criminal offence for an organisation to fail to prevent someone acting on their behalf from criminally facilitating tax evasion.

The FIS was created in 2015 through a merger of HMRC's Criminal Investigations and Specialist Investigations units. FIS brought together all of HMRC's criminal and civil fraud investigators alongside specialist capabilities such as forensic accountants, cyber investigators and intelligence analysts—described as "a world first for tax enforcement."[18] The FIS started the HMRC enablers of criminality programme in 2017, and has doubled the numbers of enablers under investigation since 2017.

It collaborates with other members of the Joint Chiefs of Global Tax Enforcement (J5, being the UK, the United States, Canada, Australia and the Netherlands) and shared more data in the first year of the J5 than in the previous ten combined.

5.5 Use of Third-Party Data

HMRC's main data analyzing tool, known as "Connect", is a system which cross-references more than 22 billion lines of data including taxpayers' self-assessment returns, property and financial data. This data matching and risking tool allows HMRC to cross match one billion HMRC and third-party data items, identifying "hidden" relationships between people, organisations and data that could not previously be identified. "Connect" has the capacity to highlight patterns in HMRC's rich reserves of taxpayer and third-party data, allowing HMRC to find anomalies between such things as bank interest, property income and other lifestyle

[18] Simon York CBE. HMRC's Response to the Rise of The Enabler,
https://www.taxjournal.com/articles/-hmrc-s-response-to-the-rise-of-the-enabler-44236.

indicators. "Connect" identifies more than 500,000 cases (onshore and offshore) for HMRC to enquire into every year.[19] Since its introduction in 2010, it has assisted in the recovery of more than £3 billion in taxes.[20]

6. Being Resilient in the Face of External Events

In the last three years, HMRC has been required to deal with two major external events—the UK's exit from the European Union (EU) and the response to COVID-19. As HMRC itself notes "it's been a tough year of urgent and unexpected challenges…"[21]

6.1 UK's Exit from the European Union

The UK exited the EU on 31 January 2020 when the withdrawal from the EU became law,although a transitional period applied until 31 December 2020. HMRC was required to prepare for the UK's exit from the EU, either with or without a deal, while maintaining many of its ongoing projects and day-to-day services. The work required including: working on Brexit preparations, building the customs, VAT and excise systems the UK will need and preparing taxpayers for leaving the EU, with or without a deal. This has been a significant extra burden with £516.9 million spent on UK transition work, and 6,100 full-time equivalents (19%) working on UK transition in 2019-20.

6.2 Response to COVID-19

It implemented the Chancellor's emergency support measures in record time—including the Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme and the Eat Out to Help Out Scheme. It has also made temporary changes in tax policy and the way it operates—delivering vital additional support through helplines.

COVID-19 increased HMRC's workload and made the organisation more complex. HMRC was required to reallocate many staff to work in COVID-19-related roles. At its peak, in May 2020, HMRC reallocated more than 9,000 (16%) of its staff. It has kept its usual services running and provided a safe working environment.

7. Future Direction for UK Tax Administration Environment

All this reform does not mean that changes are complete—but rather the considerable steps have been made on the journey. Indeed, in his March 2020 Budget, the Chancellor highlighted the Government's intention to create a tax system fit for the challenges and opportunities of the 21st century. The future direction for tax administration in the UK for the next ten years was set

[19] HMRC. No Safe Havens 2019: responding appropriately, https://www.gov.uk/government/publications/no-safe-havens-2019/no-safe-havens-2019-responding-appropriately.

[20] Jay Sanghrajka. HMRC's Connect computer and investigations, https://www.taxation.co.uk/articles/hmrc-s-connect-computer-and-investigations.

[21] HMRC. Charting HMRC's progress this financial year, https://www.gov.uk/government/news/charting-hmrcs-progress-this-financial-year

out in July 2020. The Government sees real-time information as being at the core of an effective and modern tax system. It also sees timely payment of tax as important:

"The Government wants people and businesses to be able to pay the right tax as they live their lives and go about their business. It should be easy for people to pay any tax due, and for the vast majority of people the calculation and payment of tax should be effortless. For the majority of businesses, tax should be straightforward and hard to get wrong."[22]

The Government also envisages that a well-designed tax administration system will allow third party software suppliers to align their systems more closely with those of HMRC, so that taxpayers are proactively offered new and innovative services.

This vision is important, worthwhile and achievable in the next 10 years. The resulting commitments made by HMRC[23] are to:

- Extend Making Tax Digital—With the new VAT service now in place, from April 2022 smaller VAT-registered businesses will also be required to join. From April 2023, Making Tax Digital will be extended to Income Tax Self-Assessment for businesses and landlords with income over £10,000. In November 2020, HMRC commenced consultation on Making Tax Digital for Corporation Tax, which will not be introduced before April 2026 at the earliest.
- Use real-time information—At the core of an effective, modern system is real-time information, giving taxpayers a more up-to-date understanding of, and certainty over, their tax position, with capacity for real-time risk assessment removing opportunities for error.
- Explore options for timely payment of tax—Bring tax payment more in line with the increasingly real-time nature of tax reporting and other services.
- Build a secure, easily accessible single digital account—Customers will be given one complete financial picture, bringing together their different taxes and data sources, enabling HMRC to provide more personalized services.
- Improve services for agents and representatives—HMRC will design in access from the outset, ensuring agents can see and do what their clients can.
- Modernize the Tax Administration Framework—HMRC will simplify and modernize the outdated legislative framework, so both it and taxpayers can benefit from advances in use of technology and data—for example, only needing to register once for all taxes.

Consultation has now commenced regarding improvements to the tax administration framework. Improvements will focus on the legislation, processes and guidance that underpin the administration

[22] HMRC. Building a trusted, modern tax administration system, https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system.

[23] HMRC. 2019 to 2020 Annual Report and Accounts, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933121/HMRC_Annual_Report_and_Accounts_2019_to_2020__Web_.pdf

of taxes and duties. The Government proposes that the revised tax administration framework will:

- Provide certainty and appropriate safeguards for taxpayers. It will aim to ensure that obligations are clear and easily understood, with decisions made in a consistent way that promotes trust and fairness. There should be appropriate safeguards and effective support for taxpayers.
- Be flexible enough to adapt to changing circumstances and enable targeted support for taxpayers. It should support a simpler experience for those who are working, structuring their businesses or managing their income in non-traditional ways. The framework should also have the flexibility to allow the tax system to respond to future technological, economic and social change, and deliver targeted policy responses to any future crises.
- Support HMRC's aim to make it easy to get tax right and harder to get wrong. It should provide clarity over what taxpayers, intermediaries, third parties and HMRC need to do, and by when.
- Help build trust in a tax system that is seen as fair and even-handed.
- Be as simple and transparent as possible.
- Help reduce the cost for taxpayers, agents and representatives in interacting with the tax system, and make it easier for HMRC to collect the tax that is due.

In the next phase of tax reform, the UK has an opportunity to test whether the current rules and established ways of doing things still make sense. There is an opportunity to develop a framework that will reflect the needs and experiences of people who use the tax system, and to build public trust in HMRC as an organisation central to the UK national resilience and crisis response.

8. Conclusions

The world has changed immeasurably over the last two decades, and the rapid growth of information and communications technologies and rising public expectations of world-class customer service mean that the UK both can, and must, have a fully digital tax system being able to support taxpayers across the full range of their needs.

Over recent years, many countries/regions have delivered improvements in tax administration, driven largely by advances in technology. As with many other areas of society, progress has not been universal or uniform, and this is reflected in the UK experience.

For all governments, the administration of tax is a priority. Paying tax is one of the most universal, frequent and potentially contentious interactions that citizens have with their government. It can affect, and be affected by, an individual's broader perception of government. If paying taxes is seen as easy, straightforward, fair and robust, then individuals and businesses may associate those traits with their government more broadly. If citizens can see how their taxes are used and if they recognise the corresponding value generated for society, they may be more likely to comply with their tax obligations. The UK's experience over this period offers some lessons for good practice in terms of improving the tax administration environment. These include:

• The need for agility and resilience: External events such as the UK's EU exit and COVID-19 have shown that tax administrations need the ability to adapt their plans in times of extreme need.

• Strong governance and prioritization reviews: HMRC's transformation was publicly identified as a strategic priority, key performance indicators identified and regularly reviewed by external bodies. Prioritizing aspects of a major transformation is difficult, as its components will often be interdependent, and some systems changes will have fixed dates. A clear and structured approach works well. HMRC benefitted from timely reprioritization exercises in 2017 and 2018.

• Modernisation cannot and should not happen overnight: HMRC's reforms and the UK Government's vision for future tax administration emphasize the importance of carefully sequenced reform in stages.

• Investment in good IT systems is vital: New technologies bring increased efficiency and effectiveness. The cumulative introduction of innovative technologies into the tax administrations' production systems, tax data capture at the transaction point and algorithm friendly tax code allow for unprecedented automation and efficiency. Dealing with legacy systems is often an issue for government bodies.

• Digitalization should be thought through carefully with an end goal in mind: Digitalization can bring huge benefits to taxpayers. Making Tax Digital has required a multi-year investment. It has shownthat good systems for making registration, returns, payments, handling data and communications can contribute to a tax administration's ability to engage with taxpayers. Supporting secure and unique identification of taxpayers in a joined-up way helps to reduce burdens and to move tax into the background.

• Effective use of data requires a systems-wide approach: Since 2015, the amount of data available to tax administrators has increased dramatically. HMRC's use of data matching and data analysis, combined with the expanded collection of third-party data from private sector institutions, shows the potential inherence in data.

• Minimize unnecessary change: Stability of the tax system makes administrative improvement easier to deal with. Change is the biggest source of complexity in the tax system.

• Tax administrations of the future will require different skills: Upskilling and increasing the competencies of tax officials is a major part of any reform to the tax environment. Human intervention will take place less frequently.

• Cooperation and understanding from all those involved makes a difference: Reforms benefit from an open and comprehensive approach to stakeholder engagement, ensuring any future reform is designed in collaboration with those who will be affected. The tripartite relationship between tax administration, business and tax advisers will be key in achieving voluntary compliance.

• Reform needs to include review of the legal framework: Tax law governing administration needs to facilitate rather than hinder administrative improvements, whereas most tax administrations may still be following outdated laws. The UK's approach to reforming the tax administration framework could lead to lasting benefits.

Benefits Realization Management Framework to Ensure the Creation and Timely Delivery of Public Value in Uruguay

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Benefits Realization Management Framework to Ensure the Creation and Timely Delivery of Public Value in Uruguay

Abstract: The aim of this article is to share the experience in enhancing tax administration capacity building to manage benefits realization. In 2020 the Uruguay Tax Administration implemented the Benefits Realization Management framewothrough the application of the DGI Business Case Preparation Methodology and the DGI Benefits Management General Methodology. This articl describes the maicharacteristics of both methodologies, their implementation process, the results obtained, and the actions that have been planned to be carried out to consolidate suchpractices in the organization. It also analyzes the relationship between benefits realization, organizational strategy, portfolio management, and public value creation.

Keywords: Benefit Realization Management; Business Case; Tax administratioPublic value

1. Background

DGI[1], the Uruguayan Tax Administration, pursues to produce public value for the State and the Society. To create public value, DGI carries out a results-based management approach. This management model seeks to ensure that the processes, products and services contribute to the achievement of clearly defined outcomes.To develop this management model, it is necessary to implement a strategic planning process, set up objectives, metrics and measurable goals that make it possible to evaluate those outcomes.

Strategic planning is a fundamental tool for aligning priorities in the application of limited resources and establishing criteria for management control. However, making the organizational strategy effective in a public organization is a complex matter. This requires, in the first place, to institutionalize the strategic planning process, and then it is essential to be efficient imanaging multiple projects as an integrated entity. Furthermore, it must be ensured that these projects effectively generate public value.

DGI consolidated the strategic planning process and generated the capacity to execute projects efficiently. However, it faces the challenge of ensuring that the projects' expected benefits are captured as soon as possible and atthe desired level. To meet this challenge, DGI is implementing the Benefits Realization Management framework (hereinafter referred to as "BRM framework").

The following describes what BRM is, the reasons to implement the BRM framework in DGI, the steps taken for its implementation, the results obtained, and what remains to be done to firmly consolidate this practice in theorganization.

[1] DGI, as per the Spanish abbreviation, Dirección General Impositiva.

2. Opportunities and Challenges

Facing a complex and dynamic context, characterized by increasingly rapid changes in the Tax Administration business, limited resources, changing tax regulations and increased demands for transparency and compliance, DGI must ensure that the investment in portfolio, programs, or projects is directed to obtain clear and sustainable benefits. Nonetheless, often there is a gap betweenthe benefits planned and those realized.

To guarantee that expected benefits ofone project are captured, usually the organization should carry out a series of actions which have not necessarily been identified as part ofthe project scope. Those actions will be definedaccording to the BRM framework, addressing the difficulties associated with the realization obenefits, as well as those linked to the managment of changes that could affect the organiztion, the project, or the defined benefits.

The BRM framework is defined as *" a set of integrated governance and management practices designed to define, develop, realize, and sustain plannedbenefits"*. [2] Value and benefit are not interchangable concepts. A benefit is considered as *"a gain realized by the organization and beneficiaries throughportfolio,*

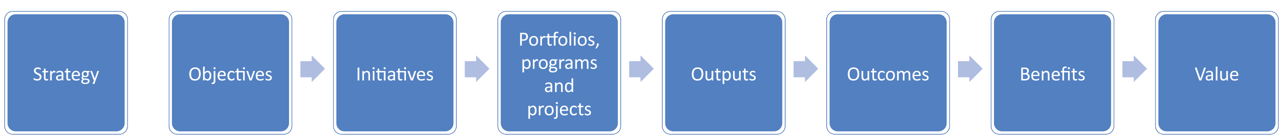

Figure 1. Relationship between BRM and organizational strategy
Source: The author's study based on Project Management Institute, Inc. (2019), pp. 9.

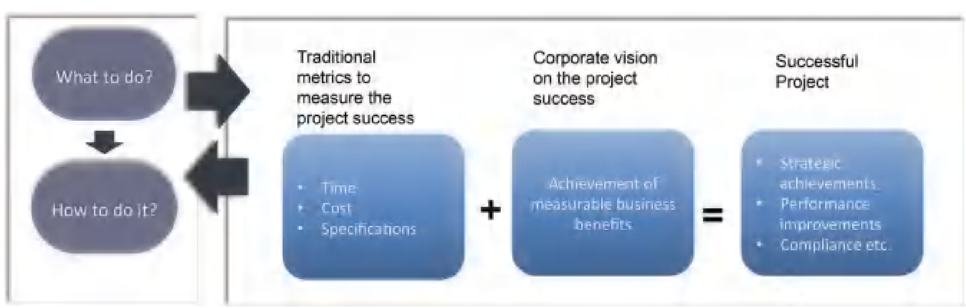

Figure 2. Successful project definitio
Source: The author's study based on Dirección General Impositiva (2020c).

[2] Project Management Institute, Inc. (2019). Benefits Realization Management: A Practice Guid. Pennsylvania: Project Management Institute, Inc., pp. 84.
[3] Ibid.
[4] Ibid, pp.7.

program or project outputs and resulting outcomes",[3] meanwhile, value *"is the net result of realized benefits less the cost of achieving these benefits."*[4]Benefits can be tangible or intangible. Many ofthe benefits produced by public organizationssuch as Tax Administrations are of an intangible nature; these are also considered by the BRM framework.

Then, organizational objectives are achieved by managing business initiatives, from which portfolios, programs and projects are executed to deliver outputs, which result in outcomes. Those outcomes produce benefits that ultimatelydeliver the value sought by the organization (see Figure 1).

The actions needed to ensure benefits realization could be developed during the project execution, and once it is completed, in the post-implementation stage. In addition, it could be needed to address issues related to the operating model defined for the project productsexploitation. It should be considered that even when the expected project deliverables are obtained in a timely manner, if the operating model in which the project products will be used has not been correctly defined, problems mayarise and benefits realization can be negativelyimpacted. In this case, the failure would not be attributable to the products defects but would probably derive from an error in the postimplementation operation planning, or even in the expected benefits identification.

2.1 When Is a Project Successful?

A project will be considered successful if it generates the expected outputs in a timely manner and its planned benefits are realized. Thisimplies that neither the projects nor the outputs generated by them constitute a goal in itself, but rather are means to achieve certain expected benefits. Those benefits must be defined at tbusiness level, in a BRM Plan.

A successful project definition (see Figure 2)

- Guarantees the alignment between the projects and the strategy;
- Maximizes the value;
- Focuses the discussion on "what to do", over on "how to do it";
- Optimizes resource allocation;
- Links customer needs to specific benefits; and
- Has quality information to support decision-making on the Portfolio.

2.2 How Is BRM Related to Business Case and Portfolio Management?

A Business Case is defined as *"a documented economic feasibility study used to establish the validity of the benefits of a selected component lacking sufficient definition and used as a basis for the authoriztion of further project management activities".*[5] This is a key tool to identify which initiative generates the greatest benefits, and based on that, prioities can be established considering their value for the business and their alignment with the strategic plan.

[5] Project Management Institute, Inc. (2015). Business Analysis for Practitioners: A Practice Guide. Pennsylvania: Project Management Institute, Inc. pp. 184.

A Business Case is also one of the outputs of the Business Analysis process. A Business Analysis is defined as"*a set of activities performed to identify business needs; recommend relevant solutions; andelicit, document, and manage requirements*."[6] This practice is used to assess the potential benefits ofa business proposal, and its associated costs and risks, in order to determine its relevance. It also provides a guide on how to document the main aspects that were considered when conducting the business analysis, facilitating the systematic sharing of this information.

The Business Case is useful when the decision-makers need to:

• Analyze how to implement the strategy at the corporate or divisional level;
• Determine if a venture will be beneficial for an organization;
• Determine the best alternative to achieve a strategic objective;
• Find a solution to a business problem; and
• Understand the costs/efforts that carrying out an enterprise implies.

Once the Business Case has been prepared and approved by the authority who promotes the initiative, it will be submitted for evaluation. To assess the Business Case the management team considers, among other elements, the cost-benefit ratio and the alignment withthe strategy. If it is selected to be implemented, it will be assessed considering other projects that integrate the portfolio, and other selected business cases. It should also be noted that profitability will not always be available as a decision factor. Therefore, it will be necessary to evaluate on the basis of intangible benefits that are noteasily quantifiable, for instance:

• Human Capital: skills, knowledge, and values;
• Organizational Capital: culture, leadership, alignment, and teamwork;
• Information Capital: quality of information;
• Institutional Image; and
• Compliance: legal, regulatory, etc.

It could happen that a Business Case which shows an excellent cost-benefit ratio was not selected because it is not the right time for its implementation, either due to the defined strategyor another circumstance that the organization is going through. In addition, the priority in its integration into the Portfolio will also depend on its comparison with other Business Cases against which it must compete for limited resources.
Once the Business Case is selected and prioritized, it is integrated into the Portfolio. Then, the initiation of the project or program required for its implementation is authorized. Resources are then allocated and the project planning stage begins.

[6] Ibid.

The selected and prioritized Business Case is also the main source of information for preparing the BRM Plan. The BRM Plan describes planned activities, time frameworks, and criteria to consider that one or more planned benefits are achieved.

After the Business Case approval, it is necessary to keep it updated considering possible events that affect the project and its benefits. Additionally, if changes occur in the organization or in its context, in the projects involved or in its implementation process, these factors could also affect the Business Case.

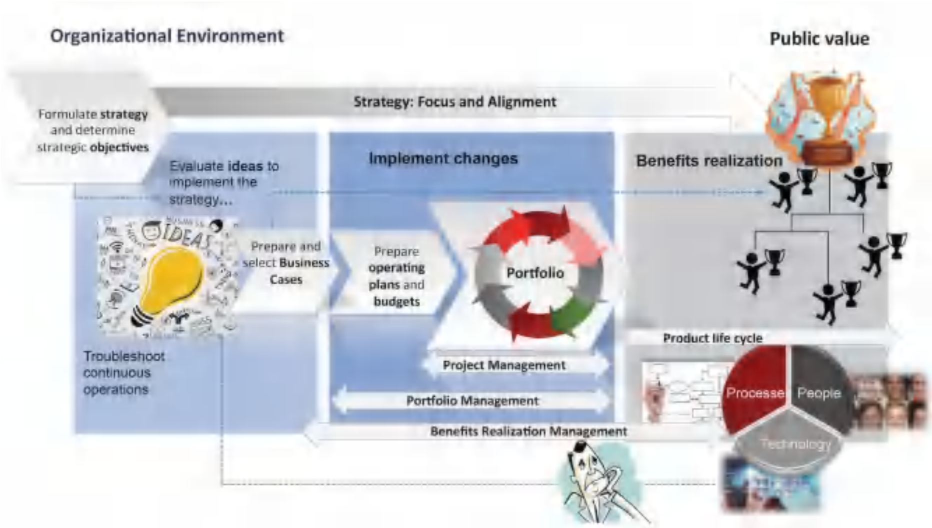

Figure 3. Relationship among Business Case, Benefits Realization Management, Portfolio Management and Public Valu
Source: The author's study based on Dirección General Impositiva (2020d).

Once the Program or Project associated with the Business Case has ended or the pre-defined timeline for starting BRM evaluationhas completed, it must be verified whether the expected benefits were achieved and to whatextent. If the expected benefits are achieved, thechange cycle will be successfully completed, and the Business Case will be closed (see Figure 3). If, on the contrary, the expected benefits are notachieved, two courses of action will be opened.

On the one hand, if it is considered that there is still time to achieve the benefits, theevaluation period will be extended, adjusting the BRM Plan accordingly. On the other hand, if it is concluded that the expected benefits willnot be achieved, the Business Case must be closed, recording the reasons for the benefitsrealization failure. By applying this procedure,lessons learned are recorded to generate organizational knowledge.

3. Practice and Progress Achieved on BRM Implementation

3.1 BRM Implementation Project

In 2020 DGI implemented the BRM framework through the application of two methodologies; the DGI Business Case Preparation Methodology (hereinafter referred to as "DGI BC methodology") and the DGI Benefits Management General Methodology (hereinafter referred to as "DGI BMG methodology").

The DGI BC methodology establishes the framework in which the organization manages the processes of formulating, selecting, prioritizing, evaluating, and closing Business Cases. Meanwhile, the DGI BMG methodology establishes the organizational framework to manage BRM.

To implement BRM, DGI relied on the advice of an expert consultant with proven experience in implementing this practice in public organizations. Advised by the expert, a team integrated by DGI planning area officials workein the project execution from August to December 2020 as follows:

(i) Initiation: During this stage, the objectives, scope, approach and schedule of the BRM implementation project were defined, and the stakeholders were identified. Subsequently, the work plan was presented to the DGI General Directorate for its approval.

(ii) Design: Once the plan was approved, the BC and the BMG methodologies were designed, and the training plan was prepared.

(iii) Implementation: In this stage, the training plan was executed, and to practice the methodologies application, BRM plans were prepared for a subset of projects in execution.

The outputs delivered by this project were the formal implementation of the DGI BC and the BMG methodologies, as well as the training of 59 officials from strategic, operational planning and projects areas.

Table 1: A summary of the process and the governance of the DGI BC methodology

Governance: Roles, functions, and responsibilities	Process	
	Stage 1: Business Case Formulation	Stage 2: Selection and prioritization
Business Case Owner: Organizational area Director who promotes the initiative/change	Responsible for the Business Case preparation and approval	Responsible for presenting the Business Case for evaluation, explaining, and adjusting it if necessary
Operational Planning areas	Responsible for conducting the business analysis and documenting the Business Case	
DGI Management Team		Responsible for the portfolio management: Evaluates, selects and prioritizes the Business Case, and approves the project initiation
Planning and Management Control Department	Responsible for providing methodological advice: Advises and trains those who formulate the Business Cases	Responsible for advising both the Business Case Owner and the DGI Management Team
Processes and Procedures Organization and Coordination Department	Provides technical advice in business analysis	Provides technical advice in business analysis

Source: The author's study based on Dirección General Impositiva (2020a).

3.2 Integrating the Practice into the Organization Operating Model

In 2021, the annual operating plan was formulated with both methodologies integrated into the operating model. This involved requiring Business Cases to evaluate new initiatives to be considered for inclusion in the portfolio, as well as defining a BRM plan for each of the 28 projects included in the DGI Annual Operating Plan 2021 (POA 2021).

Table 2: A summary of the process and the governance of the DGI BMG methodology

Governance: Roles, functions, and responsibilities	Benefits Managemen		
	Stage 1 — Information collection and validation	Stage 2 — Development of the BRM plan	Stage 3 — Monitoring, control and reporting of metrics and benefit
Business Case Owner: Organizational area Director who promotes the initiative/change	Responsible for ensuring the availability of adequate, sufficient, and accurat information to support the plan	Responsible for the BRM plan formulation	Responsible for the execution of the BRM plan
Benefit Owner: Is responsible for the process or service that will be directly favored by obtaining the benefit, and in general, is the organizational area Director that will receive	Provides information regarding the benefit, and how it can be achieved and measured	Collaborates in the BRM plan formulation, especially regarding how it is planned to be captured and measured	Collaborates in measuring the benefits realization if it is requested
Sponsor: Refers to the role defined according to the DGI Project Management practices	Responsible for ensuring the availability of adequate, sufficient, and truthfu information about the project benefit expecte	Collaborates in case it is required	Collaborates in measuring benefits during the projec
Project Manager: Refers to the official designated t coordinate the project	Provides information regarding the project; mainly during Initiation and Planning stages	Provides information for the development of BRM plan during the project if it is requested	Provides information about metrics defintion and measurement during the project, if it is requested
Project Team: Refers to the team designated to execute the project associated with		Provides information for the development of BRM plan during the project if it is requested	Collaborates in monitoring the execution of the BRM plan during the project
Team: Refers to the team appointed by the Benefit Owner and/or the Business Case Owner to measure the benefits realized		Collaborates in the BRM plan preparation if it is requested	Monitors the BRM plan during and after the project
Planning and Management Control Department	Provides mentoring	Provides mentoring and training	Provides mentoring and training
DGI Management Team		Receives the BRM plan	Approves the BRM plan evaluation report and the Business Case closure

Source: The author's study based on Dirección General Impositiva (2020b).

3.2.1 Main aspects of the DGI BC methodology

This methodology establishes the process for preparing and selecting Business Cases to be implemented, as well as the governance structure and the roles and responsibilities of those involved in such process. Additionally, it contains a business case template that provides a structure for researching and presenting a clear and comprehensive document, and general guidelines for risk analysis. Table 1 shows a summary of the process and the governance defined to be applied in DGI.

3.2.2 Main aspects of the DGI BMG methodology

This methodology establishes the process for collecting information, preparing the BRM plan, controlling and reporting metrics and benefits, as well as the governance structureand the roles and responsibilities of those involved in such process. Additionally, it contains a BRM plan template that provides a structure for researching and presenting a clear and compre-hensive document, and general guidelines for risk analysis. Table 2 shows a summary of the process and the governance defined to beapplied in DGI.

3.3 Critical Success Factors

During the BRM implementation, the following key factors to successfully advance in the process have been highlighted:

- Support from authorities: Successful adoption of BRM depends on support from executive leadership, sponsors, and benefit owners.
- Tailoring: There are different standards of BRM practices available; however, which ones the organization chooses to implement will depend on its specific structure, culture, and regulations. Standardized practices must always be adapted to each organization, prior to their application.
- Training and mentoring: Building capabilities through incremental steps requires balancing methodologies sophistication andstaff capabilities. For this, continuous training and a strong mentoring function are essential.

Table 3: The results obtained from the Business Case methodology application

Year	Business Cases presented	Business Cases approved for implementation	New projects integrated into the portfolio	New projects integrated into the portfolio with a Business Case
2021	4	2	12	2
2022	15	10	13	10

• Governance: BRM requires a clear governance structure under which those responsible for managing and achieving the expected benefits are properly identified as accountable. For each benefit planning, monitoring and evaluation cycle, the roles and responsibilities of those involved in the process should be reinforced.
• Focus on benefits: It is necessary to change the successful project conception based on its deliverables and performance, as the successful project is based on its long-term results and its contribution to the business strategy. Focusing only on staying on schedule, without considering the impact on costs, quality,benefits or results, should be avoided.
• Communication: It must be clear and relevant.

4. Achievements

Regarding the Business Case methodology application, the following results have been obtained as shown in Table 3. Meanwhile, regarding the BRM methodology application, in 2021, 28 BRM plans were defined (100% of the portfolio). This involveddeveloping several workshops to support each of the 28 project teams to formulate their respective BRM plan.

5. Future Outlook for Tax Capacity

In order to consolidate BRM in the organization, it is necessary to continue reinforcing the practice, and assessing, at planned intervals, the actual performance achieved against the criteria and metrics defined for the benefits rea-zation. For this purpose, 15 BRM plans whose expected benefits would be generated in theperiod will be evaluated during the first semeter of 2022. In addition, it is planned to review all BRM plans to verify their validity and up-dating, as well as to formulate BRM plans for all the new projects that have recently been integrated into the portfolio.

In relation to the BRM framework imple-mentation, by 2024 the DGI intends to achieve two goals: 80% of projects with defined BRMplans and 80% of projects with expected bene fits realized.

By strengthening its processes for managing portfolios, programs, projects and benefits realzation, the Uruguayan Tax Administration will increase its capability to produce value for the State and the Society.

References:

[1] Dirección General Impositiva (2020a). *Metodología general para la elaboración del Caso de Negocio en la DGI.*
[2] Dirección General Impositiva (2020b). *Metodología general para la Gestión de Beneficios en la DGI.*
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