

# **Strengthening Declaration Management and Improving Declaration Quality**

## **[Overview of Declaration Quality Management]**

### **I. Relevant Concepts of Declaration Quality Management**

Declaration management is the management activity implemented by the tax authorities in accordance with tax laws and regulations to organize, standardize, supervise, and serve taxpayers and withholding agents throughout the entire process of fulfilling their tax declaration obligations. It is one of the core links of the tax collection and management system, running through the entire process before, during, and after declaration. Its goal is to ensure timely and full collection of tax revenue, maintain tax collection and management order, and improve collection and management efficiency. It ensures that taxpayers file tax declarations legally, truthfully, and on time through establishing systems, clarifying standards, optimizing processes, and strengthening monitoring. Declaration quality refers to the overall compliance level of taxpayers in accurately, completely, and promptly submitting tax declaration materials and fulfilling their tax obligations in accordance with tax laws. It is a core basic indicator for measuring taxpayers' tax compliance and the quality and efficiency of tax collection and management, and also an important prerequisite for taxpayers to enjoy tax benefits in accordance with the law and reduce tax compliance risks.

Strengthening declaration management and improving declaration quality is fundamentally about reducing taxpayers' errors, omissions, and concealments in the declaration process, lowering the additional burden on taxpayers due to errors such as corrections and late payment penalties, reducing the tax authorities' costs of repetitive verification and correction, accurately controlling tax sources, reducing tax revenue losses, and ultimately promoting a positive tax collection and payment relationship based on lawful and honest tax payment.

### **II. The Necessity of Strengthening Declaration Management and Improving Declaration Quality**

Strengthening tax declaration management is a core measure for tax authorities to fulfill their tax collection responsibilities and maintain tax order. For countries whose tax collection and management systems are still in the early stages of development, strengthening declaration management helps to solidify the foundation of tax collection and management and establish standardized declaration data collection norms; for countries with a high degree of digitalization in tax collection and management, strengthening declaration management is a key tool for achieving precise supervision and optimizing resource allocation. Regardless of the stage of development, strengthening declaration management and improving declaration quality are core issues in the modernization of tax governance capabilities, and their necessity is mainly reflected in the following aspects:

First, ensuring the stable and full collection of national fiscal revenue. Tax declaration is a legally mandated prerequisite for tax collection and the source of tax revenue. Strengthening declaration management can urge taxpayers to declare on time and truthfully, effectively preventing tax losses due to omissions, underreporting, or late declarations, ensuring timely allocation of fiscal funds, and providing stable financial

support for national public services and economic construction.

Second, it plugs loopholes in tax collection and management, preventing the risk of tax evasion. By reviewing, comparing, and monitoring declaration data, tax-related suspicions such as false declarations, concealed income, and fictitious costs can be detected in a timely manner, accurately identifying tax evasion behavior, plugging loopholes in tax collection and management at the source, and strengthening the deterrence and crackdown on tax-related illegal activities.

Third, it maintains tax fairness and market competition order. Strictly regulating declaration management can prevent some taxpayers from evading tax obligations through illegal declarations, ensuring fair tax burdens for entities of the same industry and size, creating a market environment of honest tax payment and fair competition, and avoiding distortion of market resource allocation due to tax unfairness.

Fourth, it consolidates the foundation of tax collection and management and improves governance efficiency. Accurate and complete declaration data is the basis for conducting tax assessments, tax audits, and macro-tax analysis. Strengthening management can ensure the quality of tax-related data, providing a reliable basis for smart taxation, precise supervision, and scientific decision-making, and promoting the transformation of tax collection and administration from "extensive management" to "refined governance."

Fifth, strengthen taxpayers' awareness of tax law compliance. By standardizing the declaration process, clarifying legal responsibilities, and strengthening publicity and constraints, taxpayers can be compelled to fulfill their declaration obligations in accordance with the law, establish a concept of honest tax payment, reduce tax-related violations, and improve the overall tax law compliance of the whole society.

Sixth, implement the principle of tax legality and standardize the relationship between tax collection and payment. Strengthening declaration management is a manifestation of the tax authorities' performance of their duties in accordance with the law. It clarifies taxpayers' declaration obligations, standardizes the tax collection and administration behavior of the tax authorities, clarifies the rights and boundaries of both tax collection and payment, and promotes the legalization and standardization of tax collection and administration.

### **【The Development History of Declaration Quality Management】**

The evolution of declaration quality management has always been in sync with the changes in tax collection and administration models and the development of information technology. The core is to solve the core issue of "how to accurately control declaration compliance, reduce collection and payment costs, and improve taxpayer compliance" at different stages of development. Its evolution is essentially a process in which tax authorities, using data as the core tool, continuously expand data sources, upgrade data application capabilities, and optimize declaration supervision logic. It has gradually evolved from initial manual review and single-point verification to a closed-loop management system encompassing the entire process, all dimensions, and intelligence. With the continuous advancement of global tax informatization and digitalization, and combined with the practical experience of tax administration in various countries, declaration quality management has undergone three core development stages.

#### **I. Basic Manual Review Stage**

This stage is the initial stage of declaration quality management, with the gradual

transition from paper-based to electronic declarations as its core background. In this stage, the traditional manual declaration and household-by-household manual review model could no longer meet the rapidly growing tax administration needs. Manual review was not only extremely inefficient but also prone to human error, resulting in a large number of basic reporting errors going undetected. This increased the burden on grassroots tax officials and brought compliance risks to taxpayers regarding subsequent corrections and late payment penalties. The basic report comparison model emerged precisely to address this core pain point.

**Core Features:** The single taxpayer tax return form is the sole core, with a highly singular data source, limited only to the taxpayer's self-submitted current declaration materials, lacking cross-support from external or historical data.

**Management Logic:** Focuses on basic logical verification within and between forms, emphasizing the compliance of basic reporting rules such as the legal consistency between columns, the matching degree between tax base and tax payable calculations, and the completeness of required columns. It can only identify obvious errors that are visually identifiable, such as formula errors, data omissions, and calculation deviations, achieving the most basic compliance verification of declaration data.

## **II. Digital Empowerment Verification Stage**

This stage represents the management model during the rapid development period of tax informatization. It relies on the implementation of the tax department's collection and management and invoice informatization management system, achieving data interoperability across business systems and levels within the tax system, as well as data sharing with external departments. It represents an advanced form of declaration quality management. At this stage, relying solely on single-table logical verification is no longer sufficient to address the increasingly hidden problem of false declarations. Some taxpayers evade their tax obligations through off-the-books operations, false input tax credits, and concealed income. The declaration form itself cannot identify these risks, necessitating multi-dimensional data cross-verification to reconstruct the taxpayer's true business situation. This has led to the rapid development of multi-source data comparison models.

**Core Features:** Completely breaks through the limitations of single-table data verification, significantly expands data sources, and forms a multi-dimensional cross-verification data pool based on declaration data, with invoice data as the core and third-party data as a supplement, achieving a leapfrog upgrade in data dimensions.

**Management Logic:** 1. Using invoice data as the core, comprehensively verify the matching of taxpayers' declared operating income and input tax deduction with the entire chain of VAT invoice issuance and deduction data, and accurately identify abnormal situations where declared income and invoice data are disconnected; 2. Based on report data, verify the logical consistency between taxpayers' current declared data and historical declared data, annual financial statement data, and filing-type preferential data, and investigate the risk of abnormal changes in declared data; 3. Link data from third-party departments such as industrial and commercial equity changes, social security payments, real estate registration, and customs import and export, cross-verify the authenticity of taxpayers' declared business scale, personnel information, asset status, business scope, etc., and realize the fundamental upgrade of declaration quality management from "single table verification" to "multi-source data cross-verification".

### **III. Intelligent and Precise Governance Stage**

This stage represents the intelligent management model following the digital transformation of taxation. Globally, this stage is currently experiencing rapid development and is a phase of comprehensive advancement in smart taxation. It is centered on the deep integration and application of digital technologies such as big data, artificial intelligence, and cloud computing in the tax field, supported by the full-scale, all-encompassing, and all-element promotion of fully digitalized electronic invoices. This represents a high-quality and mature form for improving tax declaration quality. In this stage, the core logic of tax collection and administration shifts from "managing taxes through invoices" to a profound shift towards "data-driven tax administration" means that declaration quality management is no longer limited to single-stage verification and inspection, but has moved towards proactive and precise risk prevention and control throughout the entire cycle and chain, maximizing the prevention of risks before they occur.

**Core features:** Based on standardized data resources covering the entire tax business domain, it breaks down barriers between business processes, departmental levels, and data types; it relies on artificial intelligence algorithms to build a dynamic risk early warning model, creating multi-dimensional profiles and risk classifications for taxpayers; and it achieves seamless data integration and coordinated handling throughout the entire process of declaration pre-warning, in-process interception, and post-verification.

**Management logic:** With "prevention and precise control" as the core, the focus of declaration quality management shifts from traditional post-event correction to full-cycle risk prevention and control. Through data-driven intelligent profiling and differentiated management, while reducing tax collection and payment costs, it achieves precise identification and targeted handling of declaration risks, promoting a fundamental shift in declaration quality management from "passive response" to "proactive prevention."

### **【How to Improve Declaration Quality】**

Declaration quality management covers three core stages: pre-declaration guidance and preparation, in-process acceptance and verification, and post-declaration verification and feedback. This section is divided into different levels according to the maturity of tax administration, forming differentiated operational guidelines to provide practical references that can be implemented and flexibly adapted for various countries and regions.

#### **I. Pre-declaration quality management - Precisely conduct tax declaration guidance**

The pre-declaration stage is the first checkpoint in declaration quality management, and it is also the core stage with the lowest collection and payment costs and the best prevention and control effect. It can reduce the occurrence of declaration errors from the root and avoid the error correction costs and compliance risks in subsequent stages. The core objective of this stage is to intervene in advance, help taxpayers master the declaration rules, avoid common declaration errors, improve the accuracy of declaration data from the source, and reduce the error rate of subsequent declarations. Tax authorities mainly guide taxpayers to do a good job in various pre-declaration preparations through policy guidance, declaration guidelines, and advance reminders.

**(I) Primary tax administration level: popularize basic declaration rules and**

**conduct general guidance.** Focusing on popularizing basic declaration rules, the system covers core content such as basic declaration policies, filling requirements, and processing procedures through on-site guidance at tax service halls, the release of general declaration guidelines through official channels, and offline centralized training. It aims to address the fundamental issue of taxpayers "not knowing how to declare" and ensure basic compliance of declarations.

**(II) Medium-level tax administration: Implementing categorized and precise guidance to resolve declaration risks.** Based on basic guidance, categorized and precise guidance is implemented. For taxpayers of different industries, tax types, and sizes, high-frequency declaration risk points are identified, and personalized declaration reminders are pushed; online consultation hotlines and intelligent customer service are opened to answer taxpayers' declaration questions in real time and resolve declaration risks in advance.

**(III) Mature management level: Data-driven differentiated and personalized guidance.** Utilizing tax big data, insights into tax-related business behaviors are gained, a detailed taxpayer and payer labeling system is established, guidance targets are accurately identified, and based on taxpayer types and behavioral preferences, filling checkpoints are analyzed, automatically generating targeted guidance points, and precisely pushing them to provide differentiated and personalized compliance declaration guidance services. A normalized communication and exchange mechanism of "online intelligent interaction + offline in-depth interaction" is improved. Utilize intelligent robots to expand the scope and business scenarios of online interactive services, achieving a higher level of human-machine integration and collaborative processing.

## **II. In-process management of declaration quality—strengthening tax declaration compliance verification**

The in-process stage is the core checkpoint for safeguarding the quality of declaration data. It is the last real-time defense line before the declaration enters the tax administration system, directly determining the compliance of the declaration data entering the database in the current period. It can minimize the entry of erroneous data into the subsequent tax administration process and significantly reduce the tax administration cost of post-event verification. The core objective of this stage is to intercept declaration errors in real time during the declaration acceptance process, quickly handle declaration anomalies, and ensure the immediate compliance of the declaration data in the current period. Tax authorities mainly complete error correction and risk handling in the declaration stage through system verification, real-time review, and immediate guidance.

**(I) Primary tax administration level:** Build a basic declaration verification rule system, set up basic cross-reference rules within and between tables in the declaration system, and provide real-time prompts for obvious errors, logical inconsistencies, and data omissions, guiding taxpayers to correct on the spot, complete the compliance verification of basic data, and ensure the integrity of declaration data.

**(II) Medium-level tax administration:** Upgrade multi-dimensional real-time verification capabilities. Based on basic logic verification, link core data such as invoices, past declarations, and filing information, and set verification rules for core indicators such as industry tax burden, income and cost matching, and tax calculation. Real-time pop-up reminders are provided for low- to medium-risk anomalies, and declaration interception is implemented for high-risk anomalies. Taxpayers are guided to verify and correct their declarations, achieving real-time handling of declaration

anomalies.

**(III) Mature management level:** Build an intelligent real-time risk control system, optimize real-time declaration verification and intelligent self inspection. Based on internal and external data and artificial intelligence algorithms, real-time risk profiling of taxpayers is carried out in the declaration process, and differentiated control is implemented according to risk levels. Implement "fault-tolerant acceptance" for low-risk taxpayers, Post event push reminders; Real time reminders and guidance for medium risk taxpayers to make corrections; Implement precise interception and manual docking guidance for high-risk taxpayers to achieve precise classification and disposal of declaration risks. Optimize the pre filling of declaration data and promote the transformation of declaration mode towards intelligent pre filling and automatic tax calculation. Key monitoring of undeclared income, utilizing privacy algorithms and other technologies to obtain third-party data such as payment information, conducting comparisons and verifications with declared data, and transforming the identification of undeclared income towards proactive prevention and insight.

### **III. Post-Declaration Quality Management—Deepening Compliance Quality Evaluation**

The post-declaration stage is the final guarantee for the closed loop of declaration quality management. It is both a safety net for the risks of current declarations and a review and optimization of the entire process management mechanism. It is a key link to achieve continuous iteration and upgrading of declaration quality management. The core objective of this stage is to conduct in-depth risk verification of completed declaration data, accurately handle declaration problems that were not discovered in a timely manner, and optimize the declaration management mechanism through the verification results to form a closed loop of management.

**(I) Primary Tax Collection Level:** Conduct post-declaration data review and spot checks. Batch logical review of current declaration data is conducted, focusing on identifying basic errors and data omissions still existing in accepted declarations. Suspicious data is manually checked and verified, and taxpayers are notified to correct their declarations. Simultaneously, frequently occurring declaration errors are identified, and declaration guidelines are updated to form a closed-loop basic management system.

**(II) Medium-level tax administration:** Constructing a risk-based declaration verification system. A standardized risk indicator model is established to conduct a full-scale risk scan of declaration data, classifying items into low, medium, and high-risk categories. Risk reminders are pushed in batches for low-risk items to guide taxpayers to correct them independently; tax assessments and interviews are conducted for medium-risk items; special verification is implemented for high-risk items, and tax-related violations are dealt with according to law. The verification results are also incorporated into taxpayer credit management.

**(3) Mature management level:** Establish a tax declaration quality evaluation system with full cycle closed-loop management. Relying on big data and intelligent algorithms, conduct in-depth mining and dynamic risk tracking of declaration data, accurately identify hidden, industry-specific, and systematic declaration risks, and implement targeted verification. At the same time, empower the pre coaching and in-process verification processes with the verification results in reverse, and continuously optimize the risk model, declaration rules, and coaching content; Linking tax credit management and joint punishment mechanisms, linking the quality of declaration with the taxpayer's credit rating and tax processing convenience,

Implement a closed-loop mechanism for improving application quality through evaluation feedback guidance optimization.

### **【Typical Cases of Improving Declaration Quality】**

#### **(I) [China] Strengthening the Foundation of Tax Services by Optimizing Tax Declaration**

China's tax authorities are using the digital transformation of taxation as a starting point to continuously upgrade the entire process of declaration quality management system. Before declaration, relying on the electronic tax bureau and taxpayer labeling system, data-driven differentiated and personalized guidance services are provided to taxpayers. Personalized declaration guidelines and risk pre-inspection reminders are pushed to different industries and groups to reduce the declaration error rate from the source. The innovative "automatic tax calculation" service enables the information system to automatically extract data, automatically calculate tax amounts, and automatically pre-fill forms for multiple tax types. The pre-filled tax business reaches 86 items and the data items reach 6,994. Taxpayers can complete the declaration by directly confirming or supplementing a small amount of data, which significantly reduces the burden of tax payment. During the declaration process, a full-dimensional intelligent verification system is built to optimize real-time declaration verification and intelligent self-inspection. More than 5,000 declaration verification rules are designed to help taxpayers correct errors in a timely manner, prevent risks, and promote the improvement of tax declaration quality. After the declaration, the quality evaluation of compliance is deepened, and differentiated supervision is implemented with "credit + risk" as the core. Key checks are conducted on taxpayers with low credit and high risk, while disturbances are reduced for taxpayers with high credit and low risk. At the same time, the quality of declarations is fully incorporated into the taxpayer credit evaluation system to guide taxpayers to proactively improve the compliance of their declarations.

#### **(II) [China] Empowering Declaration Quality Management with Electronic Invoice Reform**

To adapt to the requirements of the digital and intelligent era, the Chinese tax authorities have promoted the nationwide application of fully digital electronic invoices (hereinafter referred to as digital electronic invoices). Digital electronic invoices have the same legal effect as paper invoices, do not exist in paper form, do not require media support, and do not require application for issuance. Instead, they fully digitize the information on the paper invoice. Digital electronic invoices are deeply integrated with declaration management. Relying on the nationally unified electronic invoice service platform and tax digital accounts, free and convenient digital electronic invoice issuance, delivery, verification, and usage selection services are provided to both parties in market transactions, building a seamless data channel from the invoice issuance end to the declaration entry end. By issuing electronic invoice data specifications and promulgating national standards for electronic invoices, the entire process of digital circulation has been achieved, ensuring that invoice data can be directly, accurately, and in real time converted into data usable for declaration.

#### **(III) [Saudi Arabia] Promoting the Digital Transformation of Invoice Management**

In 2021, the Saudi Arabian tax authorities launched the "Fatoora" e-invoice program, aiming to achieve a fully digital transformation of invoice management in two phases. It requires businesses to use e-invoices instead of traditional paper invoices to reduce

tax fraud, improve compliance, and simplify auditing processes. The first phase, implemented mandatorily from December 2021, focused on policy implementation, building the basic framework, rapidly popularizing e-invoices, and completing the basic switch "from paper to electronic," with over 300,000 taxpayers successfully adopting e-invoices. The second phase, implemented from 2023, strengthened system integration, enabling seamless connection between e-invoices and corporate financial systems and tax filing platforms, achieving a system integration success rate of over 99%. This automated accounting processes, effectively reduced transaction costs, and improved filing quality.

#### (IV) [Greece] Mobile Application for Real-Time Recording of Transaction Information

New tax regulations in Greece require certain businesses to retain digital customer records. However, many micro and small enterprises lack both the relevant technical knowledge and the financial resources to purchase business digital solutions. To support these businesses, the local tax authorities have developed a mobile application to help them maintain customer records conveniently and free of charge. This application records transactions in real time in accordance with tax regulations, and its mobile format ensures that all business owners can use it, regardless of their digital literacy level or location. The application provides a free and easy-to-use solution for many small businesses, not only improving the quality of customer record data but also promoting the smooth implementation of tax policies without adding extra expenses to businesses.

#### (V) [Thailand] Strengthening Tax Return and Invoice Classification Management Using Natural Language Processing Technology

The Thai tax department has introduced natural language processing (NLP) technology to classify and innovate and optimize the process of tax returns and electronic invoice data. Previously, due to the diverse and detailed instructions submitted by taxpayers, the manual processing of withholding tax returns and invoices was time-consuming and prone to errors. By applying natural language processing technology, the accuracy of income classification in withholding tax data has been increased by 60%, and the risk identification ability has been significantly enhanced. The system can automatically detect data discrepancies, such as inconsistencies between withholding tax declaration income and VAT declaration data; at the same time, it can identify taxpayers who have withheld tax but have not filed annual returns, assisting in compliance analysis. In addition, natural language processing plays a key role in expanding the tax base through the classification of electronic invoice data, by efficiently distinguishing between personal and operating expenses, the technology simplifies the identification process of non-registered business operators and urges them to complete registration.

### **[Future Outlook]**

Improving tax return quality and promoting tax compliance are perpetual challenges in the modernization of tax administration. With the continuous advancement of the global digital wave and the ongoing upgrading of tax administration models, tax return quality management will develop towards greater intelligence, precision, and collaboration, exhibiting three core trends.

#### **I. Continuous Deepening of Digitalization and Intelligence**

Digital technologies centered on artificial intelligence, big data, and cloud computing

will be deeply integrated into the entire tax return process, enabling fully automated pre-filling of tax return data, comprehensive intelligent pre-inspection, and dynamic risk control throughout the entire cycle. This will further reduce the margin for tax return errors, allowing taxpayers to achieve "seamless and accurate tax returns," thus solidifying the foundation for tax return quality from a technological perspective.

## **II. Comprehensive Upgrade of Differentiated and Refined Service Management**

The "taxpayer-centric" approach will become more prominent. A differentiated management and service system based on taxpayer industry, size, credit rating, and compliance level will be further improved, truly achieving "no disturbance without risk, service where there is demand, and strict supervision for high risk." While improving the quality of tax declarations, this will minimize costs for both taxpayers and tax authorities, creating a better tax business environment.

## **III. Accelerated Formation of a Cross-Border and Cross-Regional Collaborative Governance Pattern**

With the deepening of global economic integration, tax declaration quality management will break down departmental, regional, and national barriers, promoting international tax data sharing and collaborative tax administration. Simultaneously, it will deepen data sharing and joint supervision among domestic departments, building a comprehensive and multi-level collaborative governance system. This will continuously improve the quality of tax declarations from the institutional and mechanism levels, promoting an overall improvement in global tax compliance.