



Foreign, Commonwealth
& Development Office



Wilton Park



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Abridged Report

The Use of Information Technology to Drive Efficiency and Efficacy in Tax Administration

Monday 24 July – Wednesday 26 July 2023| WP3204

In association with:





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INTRODUCTION

This report summarizes the key points of a dialogue at Wilton Park on 24 – 26 July, which brought together tax practitioners, tax officials, academics and private sector experts from the UK, India and other Commonwealth countries including Bangladesh, Barbados, Malaysia, the Maldives, Nigeria, Rwanda and Sri Lanka. Wilton Park's intention is that the conference will foster greater international co-operation resulting in a new working group allowing for collaboration on the specific agendas that surfaced during the discussions. Participants have shared views on how tax bodies can best engage digitally with taxpayers, and what internal developments need to be made to achieve this. This was an opportunity for participants to benefit from each other's expertise to build collective capacity for using IT in tax administration. To encourage open and candid dialogue, discussion occurred under the Wilton Park protocol of non-attributability.

The dialogue was organized in association with the British High Commission India, the HM Revenue and Customs (UK), the Central Board of Direct Taxes, the Government of India and the Commonwealth Association of Tax Administrators (CATA). The programme was developed collaboratively between these organisations and Wilton Park to ensure alignment with tax authority demand, and complementarity with existing multilateral fora.

EXECUTIVE SUMMARY

An efficient taxation system is the condition for accessible, high-quality public services, and the prime tool of redistributions policies, making tax administration a cornerstone of the social contract. A better domestic revenue mobilisation improves the economy's resilience to shocks and shifts in commodity markets and increases the country's independence from donors. Promoting greater tax compliance is key to achieving higher collection but also greater fairness.

The use of IT technologies in tax administration is bringing numerous benefits to all stakeholders. Automation reduces unintentional mistakes and corruption by curtailing human interactions. Implementing a "compliance by design" system of pre-populated forms thanks to third-party information drastically improves compliance, reduces costs and enhances user experience. The dialogue consensus was that leveraging IT in tax administration is the way forward for all countries, although it takes different forms depending on national contexts and domestic challenges. India has demonstrated how leveraging IT in tax administration can be achieved: it successfully implemented a customer identifier, as well as integrated systems.

Policy, legislation and policymakers with a vision are essential in enabling the use of IT in support of the tax authorities' missions. This relationship can be facilitated by agreeing digitalisation strategy on a national level and by fostering co-creation with all stakeholders.

Challenges in using IT in tax administration that are common to all include the fact that the pace of change of technology that is higher than the pace at which governments can adapt, so designing more agile systems is essential. All have also faced the hurdles in upgrading and merging old systems, achieving a dataset of high quality, ensuring the physical security of servers and cost efficiency of the software, ensuring the safety of data and determining whether data should be shared, retaining qualified staff, and obtaining funding. Developing countries face the additional hurdle of the lack of supporting infrastructure. Depending on their national context, countries have diverging views on whether tax administrations should build in-house capacity or out-source.

The longer-term future of IT systems applied to the tax administration entails the use of a cloud-based system that would end the need for migration of data, cut the cost of building hardware. Tax authorities will be able to take an anticipatory approach to tax administration thanks to artificial intelligence. The implementation of a natural system whereby “tax just happens” will be possible. Blockchain could improve audit, transparency and security by securing and tracing transactions made in a natural system, and by designing and securing agile contracts.

RECOMMENDATIONS

- Implementing “compliance by design” will improve enforcement and voluntary compliance therefore lead to higher levels of collection.
- Each tax authority must identify the main challenges it faces. These may include the setting up of an infrastructure, of affordable and reliable connectivity, the establishment of a unique identifier, or merging legacy systems. The authority must tailor a consistent digitalization strategy, supported by the country’s government.
- Setting up a “horizon scanning” team to promote a vision that will make change easier to consistently implement and ensure the relevance of goals.
- Disseminating more information about IT and the tax administration to higher strata of government will improve their financial and digital literacy thereby facilitating change and unlocking budget when required.
- Procurement contracts should be made more agile in order to create the necessary room for manoeuvre in adapting to rapidly changing technology.
- The tax authorities should create an online platform allowing for cross country conversation to tackle some of the challenges and benefit from opportunities them to exchange, learn and discuss across jurisdictions but also within country, across ministries.
- Participants agree that they would benefit from setting up a follow-up conference at which each delegation would present a concrete case study of a technical challenge they face, to collect thoughts on how to solve it.
- No function of the tax administration should be fully automated; a human should stay involved in the process to supervise.
- Engaging workforces and hiring people with flexible mindsets will be conducive to change. As will ensuring proper and regular upskilling. This should take place in all areas of the workforce.

Eva Renon

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