Digitalization of Tax
Legal and institutional requirements

JVI Course on Future of Taxation – Panel Discussion

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The Importance of Digitalization

“Collecting the right revenue efficiently will be necessary to fund the challenges of today and of the future, from climate change to inequality.”


⇒ The digitalization of tax may help in this regard in particular by:

• Facilitating compliance and increasing convenience
• Gaining additional and more accurate information
• Enabling tax authorities to better detect tax evasion and avoidance
Better compliance & convenience: legal/institutional requirements

• Address **digital exclusion**
  • Caused by lack of digital skills, unreliable internet infrastructure, etc.
  • Actions may include: tax education, fiscal aids, public investments
  • Consider: permanent barriers to full digitalization (e.g., disabilities)

• Make digital tax filing and tax payments **as easy as possible**
  • Use existing data for purposes of **pre-filled forms**
  • Embed into ‘natural systems’ (such as accounting programs)
  • As an additional incentive: introduce convenient payment methods (e.g., integration of e-payment options into the relevant platforms)
Better compliance & convenience: legal/institutional requirements (II)

- Ensure the **trustworthiness of the system**
  - Take actions to safeguard **confidentiality of the data** (alternative: data storage by taxpayers)
  - Consider the (increasing) possibility of **cyber attacks**
  - Possibly additional requirements due to **data protection laws** and **fundamental rights** (e.g., who has access to which data for what purposes?)

- In an EU (international) context: consider **streamlining of standards**
  - Uniform requirements reduce **compliance costs** for businesses operating across borders
  - Might further allow for **removal of existing obligations** (e.g., recapitulative statements)
  - Facilitate **trade** and ensure **competitiveness** of the countries and regions involved
Additional & more accurate information, efficiently targeting tax evasion & abuse: legal/institutional requirements

• Create a legal/institutional framework to make use of data (already) available
  • Prerequisite: high-quality, workable and reliable data (e.g., identification of taxpayers at all stages)
  • Consider: eventual restrictions due to data protection laws and fundamental rights
  • Another important factor: designing taxes with regard to digitalization (e.g., focus on simplicity)

• Provide the necessary resources
  • Sufficient staff still required for random checks/enquiries/final decisions, etc.
  • Higher degrees of digitalization demand for more sophisticated government IT systems
  • Enable a smooth transition (e.g., pilot programs or stage rollouts)
Concluding remarks

• Some **typical issues** regarding the digitalization of tax can be identified.

• Nevertheless: there is **no single pathway to digitalization of tax** (e.g., due to cultural differences and divergent legal environments).

  “No two countries’ journeys are exactly alike, but there’s something to be learned from all of them.”


• When **making decisions** for/against (further) digitalization, there will **always be trade-offs** (e.g., higher degree of digitalization vs. higher cyber risks).
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