

# Digitalization and Future of Taxation: Debate

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# Reasons for tax digitalization

- This is just the accepted contemporary way of doing things
  - A horse and a carriage and a candlelight
- Bookkeeping and other record-keepings are increasingly digital
- Efficiency gains for tax administrations and for taxpayers
- Necessity to exchange information cross-border

# Some outcomes of tax digitalization

- More services / tasks with less resources employed
  - The usuals “more with the same” or “the same with less” might not hold
- The services / processes can be brand-new, rather than updated
  - A reengineering is needed considering digital possibilities – no need to digitalize paper processes; some need to be abolished rather than updated
- Quality increases and time spent decreases
  - Digital processes less prone to errors (but if errors are in the algorithms, their effect can be significant due to automatic replication)
  - Authorities use less time per task and taxpayers spend less time complying
  - Harder to cheat and easier to comply – double benefit

# Related changes and considerations

- Change management and a particularly strong HR plan
  - People tend to favor status quo, incl. customers; number and profiles of staff change drastically, which calls for active management of HR changes
- Opportunities arise for standardization and consolidation
  - Territorial-based approach may be completely inappropriate
- Corruption may be affected
  - Less face-to-face interaction and more machine decisions, data logs
- Changing administration practices may take longer
  - Explaining a new rule to 200 service staff vs. programming and testing

# Ways to digitalize

- In a successful RA, the IT does not digitalize, the business side does
- Largely three approaches: COTS, SaaS, own bespoke systems
  - OECD\* reports: almost all use some bespoke systems, 60% use COTS, and 50% use SaaS
- On average, tax bodies use approx. 10% of operating expenditure on IT, but there is a number of administrations that use much more\*
- Time is high for innovative approaches in digitalizing tax: AI and machine learning, cloud computing, data science / analytical tools, and blockchain or other DLT
- Absence of public infrastructure is an excuse (personal opinion) – tax bodies can be pioneers

\*Tax Administration: Comparative Information on OECD and Other Advanced and Emerging Economies Tax Administration 2021.

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