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.
Discussion...