

Inter-American Center of Tax Administrations - CIAT

52nd GENERAL ASSEMBLY



**"WORLD CLASS TAX ADMINISTRATION - FOSTERING SUCCESSFUL RELATIONSHIPS  
WITH KEY STAKEHOLDERS BOTH DOMESTICALLY AND INTERNATIONALLY"**

PROGRAM

May 15 - 17, 2018

## ABOUT CIAT

The Inter-American Center of Tax Administrations (CIAT) supports the efforts of national governments by promoting the evolution, social acceptance and institutional strengthening of tax administrations, encouraging international cooperation and the exchange of experiences and best practices.

We are a non-profit international public organization that provides specialized technical assistance for the modernization and strengthening of tax administrations. Founded in 1967, CIAT currently has 40 member countries and associate member countries from four continents: 31 countries of the Americas, 5 European countries, 3 African countries and 1 Asian country.

## MEMBER COUNTRIES

Angola	Ecuador	Nicaragua
Argentina	El Salvador	Panama
Aruba	France	Paraguay
Barbados	Guatemala	Peru
Bermuda	Guyana	Portugal
Bolivia	Haiti	Spain
Brazil	Honduras	Sint Maarten
Canada	India	Suriname
Chile	Italy	Trinidad and Tobago
Colombia	Jamaica	Uruguay
Costa Rica	Kenya	USA
Cuba	Mexico	Venezuela
Curaçao	Morocco	
Dominican Republic	Netherlands	

## EXECUTIVE COUNCIL 2017- 2018

**President:** Marta Gonzalez Ayala

**Councilors:**

Argentina	Lendro Cuccioli
Canada	Michael Snaauw
Colombia	Santiago Rojas Arroyo
Honduras	Miriam Guzmán
Italy	Giorgio Toschi
Mexico	Osvaldo Santín Quiroz
Trinidad & Tobago	Allison Raphael
United States	Kirsten Wielobob

## EXECUTIVE SECRETARIAT

Executive Secretary	Márcio F. Verdi
Planning and Institutional Development Director	Socorro Velázquez
Operations and Institutional Management Director	Francisco J. Beiner
Technical Assistance and Information and Communication Director	Raúl Zambrano
Training and Human Talent Development Director	Alejandro Juárez
Tax Studies and Research Director	Santiago Díaz de Sarralde
International Cooperation and Taxation Director	Isaac Gonzalo Arias
Accounting and Finance Manager	Xiomara Tejada
Internal Administration and Human Resources Manager	Rita L. Solis
Information Technology Manager	Tomás Torres
International Cooperation Manager	Mónica Alonso

## REPRESENTATIVES AND CORRESPONDENTS OF CIAT

Country	Representative	Correspondent
Angola	Silvio Franco Burity	Luis Gomez Sambo
Argentina	Leandro Cuccioli	Horacio Castagnola / Angel Pacheco
Aruba	Luenne Gomez Pieters	Angeline Geerman-Giel
Barbados	Margaret Sivers	Margaret Sivers
Bermuda	Derek Rawlins	Mary Inocencio
Bolivia	Veimar Mario Cazón	Juana Patricia Jiménez
Brazil	Jorge Antonio Deher Rachid	Flávio Araújo
Canada	Michael Snaauw	Javier Nacarino
Chile	Fernando Barraza	María Bernardita Moraga
Colombia	Santiago Rojas Arroyo	Sandra Lucía Virgüez
Costa Rica	Carlos Vargas Durán	Maribel Zúñiga C.
Cuba	Yamilé Pérez Díaz	Alberto Fernández R.
Curaçao	Jamila Isenia	Yut-Ha Natalie Sint Hil
Dominican Republic	Magín J. Díaz	Nieves Vargas Collado
Ecuador	Leonardo Orlando	Paola Isabel Hidalgo V.
El Salvador	Sergio De Jesús Gómez	Ramón Pérez Gómez



France	Bruno Parent	Sylvie Sturel
Guatemala	Abel F. Cruz Calderón	Oty Aixa Farfán
Guyana	Godfrey Statia	Janet Abbensetts
Haiti	Miradin Morlan	
Honduras	Miriam Guzmán	Gabriel Perdomo
India	Rajat Bansal	Sinha Vinay
Italy	Giorgio Toschi	Stefano Gesuelli
Jamaica	Ainsley Powell	Meris Haughton
Kenya	John Karimi Njiraini	Andrew N. Osiany
Mexico	Osvaldo Santín	Enrique Lavín V.
Morocco	Omar Faraj	
Nicaragua	Martín Rivas	Francisco Reyes
Netherlands	Uijlenbroek Jaap	Jaco Tempel
Panama	David Hidalgo	Yessika Araúz
Paraguay	Marta González Ayala	Augusto Delvalle
Peru	Víctor Shiguiyama	Dioselina Esther Urbina Cruz
Portugal	Helena María Borges	Rui Miguel Candeias
Spain	Santiago Menéndez Menéndez	Ignacio del Río Angulo
Sint Maarten		Sherry Hazel
Suriname	Roy May	Joan Veldhuizen
Trinidad and Tobago	Allison Raphael	Ravi Taklalsingh
Uruguay	Joaquín Serra	Margarita Faral
United State	Kirsten Wielobob	Virginia Tarris
Venezuela	José David Cabello	Erick Romero

## PERMANENT TECHNICAL ASSISTANCE MISSIONS

### France

Head of Mission:

### Spain

Head of Mission: Juan Francisco Redondo

### Italy

Head of Mission: Stefano Gesuelli

### GIZ-German Cooperation

Head of Mission: Joerg Wisner



**DAILY SCHEDULE OF ACTIVITIES**

**WORLD CLASS TAX ADMINISTRATION - FOSTERING SUCCESSFUL RELATIONSHIPS WITH KEY STAKEHOLDERS BOTH DOMESTICALLY AND INTERNATIONALLY**

Tuesday, May 15, 2018

Hour			TOPIC
From	To	Time	
9:00	9:45	0:45	<b>Inaugural Ceremony</b>
		0:05	Presentation of the Executive Council Members
		0:10	Statement by Mr. Márcio F. Verdi, CIAT Executive Secretary
		0:10	Statement by the Executive Council President, Mr. Michael Snaauw, Assistant Commissioner, Canada Revenue Agency
		0:20	Statement by the Minister of National Revenues - Canada
9:45	10:15	0:30	Official photograph, Coffee and Integration
<b>10:15</b>	<b>11:15</b>	<b>1:00</b>	<b><i>Topic 1: The tax administration as a pillar of society: its relationships with citizens and businesses</i></b>
10:15	10:25	0:10	Moderator: Marta González Ayala, Deputy Minister of Taxation, State Undersecretariat of Taxation, Paraguay
10:25	10:45	0:20	Speaker: Nancy Chahwan, Deputy Commissioner, Canada Revenue Agency
10:45	11:05	0:20	Speaker: Aboubakr Himeur, Director of Information System, Strategy and Facilities, General Administration of Taxes, Morocco
11:05	11:15	0:10	Debate
<b>11:15</b>	<b>12:35</b>	<b>1:20</b>	<b><i>Subtopic 1.1: Involving practitioners and the business community in the developments of forms, regulations and procedures</i></b>
11:15	11:25	0:10	Moderator: Michael Snaauw, Assistant Commissioner, Canada Revenue Agency
11:25	11:45	0:20	Speaker: Santiago Rojas, General Director, Directorate of Taxes and National Customs, Colombia
11:45	12:05	0:20	Speaker: Ken Roberts, Chairman, Federation of Tax Administrators - USA, Idaho State Tax Commission
12:05	12:25	0:20	Speaker: Meris Houghton, Chief Corporate Communications Officer of Tax Administration, Jamaica
12:25	12:35	0:10	Debate
12:35	13:35	1:00	Lunch
<b>13:35</b>	<b>15:25</b>	<b>1:50</b>	<b><i>Round Table 1</i></b> <b><i>Topic: World Class Tax Administration</i></b>
13:35	13:45	0:10	Moderator: Márcio F. Verdi, Executive Secretary, CIAT
			Bob Hamilton, Commissioner, CRA, Canada
			Abel Cruz, Superintendent of Tax Administration, SAT, Guatemala
13:45	15:25	1:40	Suggested Participants: Katherine Baer, Chief of the Revenue Administration Division II in the IMF's Fiscal Affairs Department. IMF
			Naomi Ferguson, Commissioner, Inland Revenue, New Zealand
			Nikole Flax, Deputy Commissioner, Large Business and International, IRS, USA
15:25	15:45	0:20	Coffee and Integration

<b>15:45</b>	<b>16:45</b>	<b>1:00</b>	<b><i>Subtopic 1.2: Performing taxpayer service above and beyond the walk - in office (The American Experience)</i></b>	
15:45	15:55	0:10	Moderator	Miguel Silva Pinto, Executive Secretary, Intra-European Organisation of Tax Administrations, IOTA
15:55	16:15	0:20	Speaker 1:	Flavio Araujo, Head of International Relations Counseling, Secretariat of Federal Revenues of Brazil
16:15	16:35	0:20	Speaker 2:	Fernando Barraza Luengo, Director, International Revenue Service, Chile
16:35	16:45	0:10	Debate	
<b>16:45</b>	<b>17:45</b>	<b>1:00</b>	<b><i>Subtopic 1.3: Performing taxpayer service above and beyond the walk-in office (The Asian Experience)</i></b>	
16:45	16:55	0:10	Moderator:	Babatunde Oladapo, Executive Secretary, WATAF
16:55	17:15	0:20	Speaker 1:	Jong-Hoon Kang, Director of System Operation Office, National Tax Service, South Korea
17:15	17:35	0:20	Speaker 2:	Chunsheng Yu, Deputy Commissioner, State Administration of Taxation, People's Republic of China
17:35	17:45	0:10	Debate	



Wednesday, May 16, 2018

Hour			TOPIC	
From	To	Time		
<b>8:30</b>	<b>10:00</b>	<b>1:30</b>	<b>Topic 2: The Tax Administration as a Pillar of the State: its partnerships with other public and administrative bodies and state services</b>	
8:30	8:40	0:10	Moderator:	Egil Martinsen, International Director, Norwegian Tax Administration
8:40	9:00	0:20	Speaker 1:	Santiago Menéndez Menéndez, Director General, State Agency of Tax Administration, Spain
9:00	9:20	0:20	Speaker 2:	Leandro Cuccioli, Federal Administrator, Federal Administration of Public Revenues, Argentina
9:20	9:40	0:20	Speaker 3:	Audran Le Baron, Deputy Commissioner Taxpayer Services and Debt Management, General Directorate of Public Finances, France
9:40	10:00	0:20	Debate	
10:00	10:20	0:20	Coffee and Integration	
<b>10:20</b>	<b>11:20</b>	<b>1:00</b>	<b>Subtopic 2.1: The sharing of tax-related information amongst government entities for administrative functions</b>	
10:20	10:30	0:10	Moderator:	Duncan Onduru, Executive Director, CATA
10:30	10:50	0:20	Speaker 1:	Iágaro Jung Martins, Deputy Secretary of Examination, Receita Federal do Brasil
10:50	11:00	0:10	Commentator:	Victor Gomez De La Fuente, SET, Paraguay
11:00	11:20	0:20	Debate	
<b>11:20</b>	<b>12:50</b>	<b>1:30</b>	<b>Subtopic 2.2: The sharing of tax-related information amongst government entities for criminal enforcement functions</b>	
11:20	11:30	0:10	Moderator:	Sarah Adelberger, Advisor, International Tax Compact, ITC
11:30	11:50	0:20	Speaker 1:	Stefano Gesuelli, Head of the Permanent Italian Mission at CIAT, Finance Guard, Italy
11:50	12:10	0:20	Speaker 2:	Leonardo Orlando Arteaga, General Director, Internal Revenue Service, Ecuador
12:10	12:30	0:20	Speaker 3:	Jeffrey Cooper, Executive Director, IRS - Criminal Investigations Division, United States
12:30	12:50	0:20	Debate	
12:50	14:00	1:10	Lunch	
<b>14:00</b>	<b>15:10</b>	<b>1:10</b>	<b>Subtopic 2.3: Joint or simultaneous filing of tax declarations for national and provincial governments (VAT, CIT, PIT, others)</b>	
14:00	14:10	0:10	Moderator	Laura Bussa, Program Director, Harvard Kennedy School
14:10	14:30	0:20	Speaker 1:	Brian Calleja, Assistant Director, Service Delivery Relations Provincial and Territorial, Canada Revenue Agency Carl Finnis, Assistant Director, Collaborative Relations Provincial and Territorial, Canada Revenue Agency
14:30	14:50	0:20	Speaker 2:	Megumi Kashiwagi, Research Director, Canon Institute, The Japan Model
14:50	15:10	0:20	Debate	
15:10	15:30	0:20	Coffee and Integration	

15:30	17:10	1:40	Round Table 2	
			<i>Topic: New Directions for Partnerships (How the informal economy undermines national revenues and undercuts profits from entities following the rules)</i>	
15:30	15:40	0:10	Moderador:	Santiago Díaz de Sarralde Miguez, Tax Studies and Research Director
15:40	17:10	1:30	Participantes:	Amy Trafford, Manager - Fintech Section, Canada Revenue Agency
				Sushil Chandra, Chairman, Central Board of Direct Taxes, India
				Santiago Menéndez Menéndez, Director General, State Agency of Tax Administration, Spain
				Annastaciah Githuba, Deputy Commissioner, Kenya Revenue Authority



Thursday, May 17, 2018

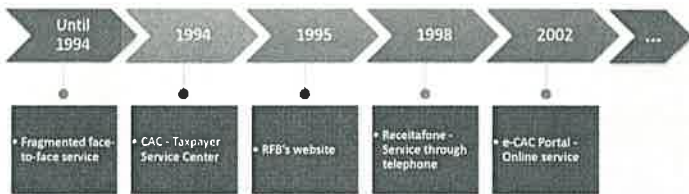
Hour			TOPIC	
From	To	Time		
<b>9:00</b>	<b>10:10</b>	<b>1:10</b>	<b>Topic 3: The Tax Administration as a Pillar of International Relations: its collaboration with other national administrations and regional and international organizations</b>	
9:00	9:10	0:10	Moderator:	Luis Gomes, Chief Inter-Institutional Cooperation Department, Tax Administration, Angola
9:10	9:30	0:20	Speaker 1:	Subhash Jangala, Under Secretary, Central Board of Direct Taxes, India
9:30	9:50	0:20	Speaker 2:	Alejandro Grilli, Division Director, General Directorate of Taxation, Uruguay
9:50	10:10	0:20	Debate	
<b>10:10</b>	<b>11:20</b>	<b>1:10</b>	<b>Subtopic 3.1: International collaboration in the age of the Digital Economy</b>	
10:10	10:20	0:10	Moderator:	Raúl Zambrano, Technical Assistance and Information and Communication Director, CIAT
10:20	10:40	0:20	Speaker 1:	Peter Green, Head of Secretariat, Forum on Tax Economy Administration, OECD
10:40	11:00	0:20	Speaker 2:	Rui Canha, Director General Tax and Customs Authority, Portugal
11:00	11:20	0:20	Debate	
11:20	11:40	0:20	Coffee and integration	
<b>11:40</b>	<b>12:10</b>	<b>0:30</b>	<b>Subtopic 3.2: Ethics and Tax Administration (an open discussion with the audience)</b>	
11:40	12:10	0:30	Speaker	Alejandro Juárez, Training & Development of Human Talent Directorate, CIAT
				Kerrie Lawn, Assistant Director, Values & Ethics Office, Human Resource, Canada Revenue Agency
				Juan Antonio Garde, Service Inspector, AEAT, Spain
				Juan Francisco Redondo, Head of the Spanish Mission, Spain
				Virginia Tarris, Senior Tax Law Specialist, Internal Revenue Service, USA
<b>12:10</b>	<b>13:20</b>	<b>1:10</b>	<b>Subtopic 3.3: Addressing global tax challenges through multilateral collaboration - BEPS and JITSIC</b>	
12:10	12:20	0:10	Moderator:	Audace Niyonzima, Commissioner General, ATAF
12:20	12:40	0:20	Speaker 1:	Ted Gallivan, Assistant Commissioner of International, Large Business and Investigations, Canada Revenue Agency
12:40	13:00	0:20	Speaker 2:	Theodore Setzer, Assistant Deputy Commissioner-International, Joint International Taskforce on Shared Information & Collaboration (JITSIC) Network - IRS, USA
13:00	13:20	0:20	Speaker 3:	Line Wilberg, Member of the JITSIC advisory group, Norway presents its experience with JITSIC
13:20	14:20	1:00	Lunch	

14:20	16:20	2:00	<b>Round Table 3</b>	
<i>Topic: Future Role of Regional Tax Organizations</i>				
14:20	14:30	0:10	Moderador:	Socorro Velázquez, Planning and Institutional Development Director, CIAT
14:30	16:20	1:50	Participantes:	ATAF
				Duncan Onduru, Executive Director, CATA
				Márcio F. Verdi, Executive Secretary, CIAT
				Miguel Silva Pinto, Executive Secretary, IOTA
16:20	16:50	0:30	Coffee and integration	
16:50	17:45	0:55	<b>CLOSING</b>	
16:50	17:10	0:20	<b>Final Comments on the Technical Sessions</b>	Socorro Velázquez, Planning and Institutional Development Director, CIAT
17:10	17:20	0:10	Invitation to the 2018 Technical Conference, Portugal	
17:20	17:30	0:10	Invitation to the 2019 General Assembly, Cuba	
17:30	17:45	0:15	Closing Ceremony Executive Council President, Canada	

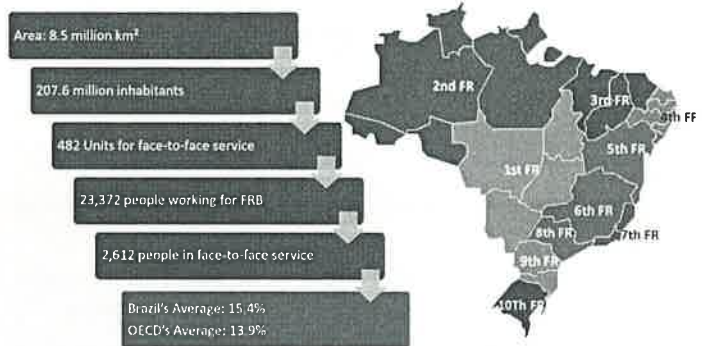
## Scenario - 2018 Guidelines



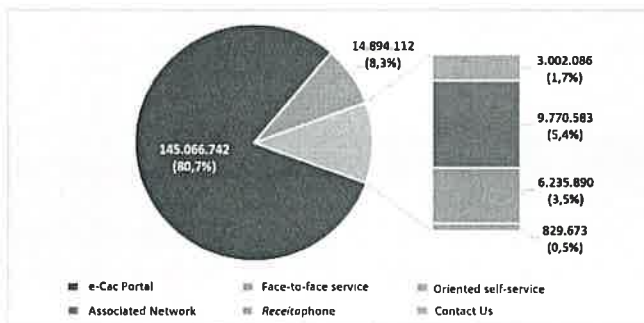
## History of Service in RFB



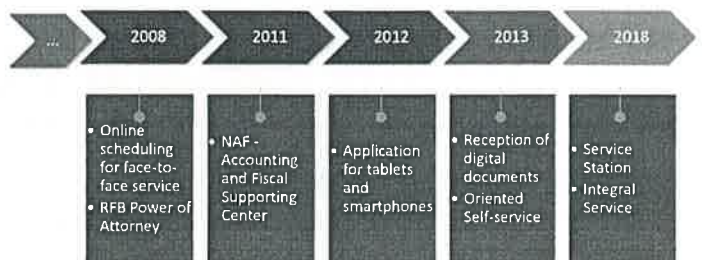
## Scenario - Brazil & Federal Revenue (2017)



## Rendered Services (2017)



## History of Service in RFB





## Face-to-Face Service

482 face-to-face service units

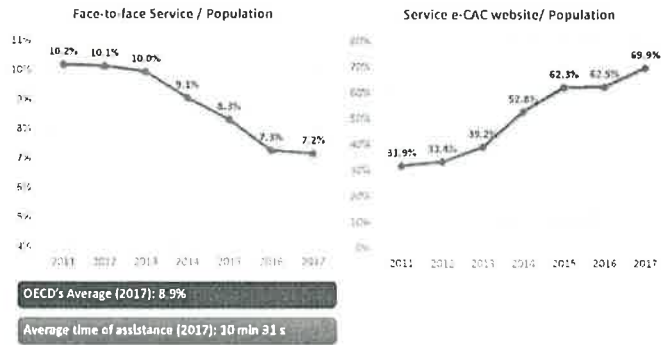
14.9 million services delivered in 2017

Novelties for 2018:

- Integral service
- Service Stations
- More comfort for citizens
- Cost reduction



## Services x Population



## Service beyond Face-to-Face Units

### Receiptophone

- Electronic telephone service available 24 hours a day, 7 days a week
- 6.2 million taxpayers assisted in 2017
- Services provided: guidance about CPF and restitution of income tax

### Oriented self service

- Physical environment where taxpayers get guidance on services that are available on the internet
- 366 stations delivered 3 million services delivered in 2017

### Contact Us

- Answering questions via email
- 829 thousand accesses in 2017
- Services: general information about services and legislation

## Service beyond Labor Offices

### e-CAC Portal

- Website accessible through digital certificate authentication or access code
- 145 million services delivered in 2017
- 127 available types of service on the virtual platform, 24 hours a day, 7 days a week

### Associated Network

- Partnership with Banks, Post Offices and Commercial Registries
- 9.7 million services delivered to taxpayers in 2017
- Services available: registration, update and issuance of individual taxpayer numbers (CPF); registration, update and closures of legal entity taxpayer numbers (CNPJ)

### Registry Offices

- Partnership in order to simplify the issuance of CPF and to reduce the possibility of frauds
- 3.9 million CPFs issued since 2016
- Service: registration of CPF in birth certificate

## Non-Presence Service

Channels in development:

### Online Chat

- Usage of virtual platform by attendants
- Direct answers for citizens
- Service delivery in every municipality of the country

### Chatbot

- Automated interface of interaction
- Service delivered in accordance with citizen's necessities
- Full-time service (24 hours a day, 7 days a week)

## Service beyond Face-to-Face Units

### NAF - Accounting and Fiscal Supporting Center

- Learning offices associated to Higher Education Institutions in partnership with the Brazilian Federal Revenue
- 262 centers formalized in 2017
- Services: tax assistance to disadvantaged taxpayers

### Ombudsman

- Email service in which the taxpayer can register compliments, complaints, suggestions and denunciations
- 3.8 thousand registrations in 2017

## Contents

- Overview
- e-Filing & Payment, Issuance of Documents
- e-Tax Invoice
- Cash Receipt
- Deduction Data Service for Salary Incomer
- Mobile App
- Future Plan (Big Data & A.I.)

CHAT

## Performing Taxpayer Service above and beyond the Walk-in Office

### Internet Taxpayer Services - Hometax (Korea)

May 15, 2018  
Ottawa



### e-Filing & Payment, Issuance of Documents

#### e-Filing for every tax excluding Estate tax

- ▶ Pre-filled services are provided using 3-rd party data
- ▶ Full-filled services for small businesses (30% of total returns)
- ▶ e-filing ratio (2017)



#### e-Payment for every tax

- ▶ account transfer, credit card, online smart pay(e.g.PayPal)

#### Issuance of Documents

- ▶ Taxpayers print out tax-related documents  
(e.g. certificate for tax payment, certificate for income)

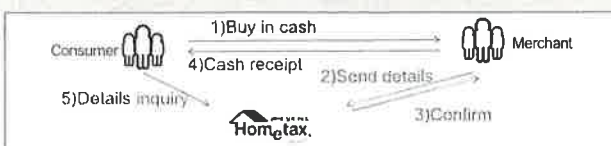
### Overview

- ▶ Internet Tax Services operating 24hours / 7days
- ▶ Most tax services are available  
(e.g., tax filing, tax payment, Issuance of e-tax invoice)
- ▶ 16M registered (out of population of 50M), 1.5B visits in 2017



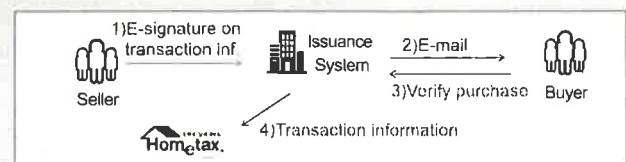
### Cash Receipt (since 2005)

- ▶ Introduced to cope with **tax evasion from cash transaction**  
- B2C cash transactions captured same as credit card transaction
- ▶ Issued via **credit card reader, Internet or ARS**  
- Taxpayers issue&search Cash Receipt on Hometax
- ▶ **Mandatory** when consumers demand cash receipt  
- Consumers get tax deduction for their personal income tax
- ▶ 5B receipts issued by 3M merchants in 2017  
- 100B US\$ (7.6% of annual GDP of Korea)



### e-Tax Invoice (since 2011)

- ▶ Taxpayers **issue, receive & search VAT invoice on Internet**
- ▶ Applied to taxpayers considering compliance burden  
- **Every corporation** is obligated to issue e-tax invoice  
- **Mandatory for individuals if yearly revenue ≥ 300,000 US\$**
- ▶ 600M (99% of total invoices) are issued on Internet (2017)
- ▶ Reducing the possibility of **fraudulent VAT invoice**  
- Taxpayers need not issue/keep paper invoice  
- Pre-filled VAT returns



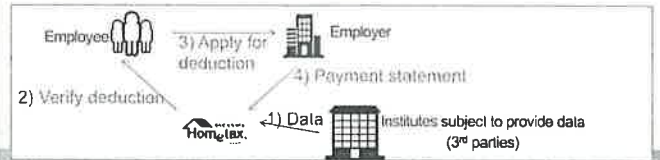
### Mobile Hometax(App)

- ▶ Establish mobile app for smart-phone users
- ▶ Provides varied services
  - e-Filing, e-Payment, submission of document
  - Taxpayer registration, tax counseling
  - Fax documents (certificates) to requester(e.g. bank)
  - Check tax bill / refund
  - Tax calculator, report tax fraud
  - Issue e-tax-invoice, check cash receipt
  - Verify tax deduction data (especially for salary incomers)
  - Check progress of application (e.g. tax suspension request)
- ▶ 3.5M taxpayers downloaded and used Hometax App



### Deduction Data Service for Salary Earner (since 2006)

- ▶ Individuals verify tax deduction data on Hometax
  - medical expenses, educational costs, pension contribution, etc.
- ▶ Hometax collects data from 3<sup>rd</sup> parties
  - banks, hospitals, schools, credit card companies, etc.
  - 162,083 of 3<sup>rd</sup> parties provided 1.8B of data in 2017
- ▶ Taxpayers do not need to collect each data personally
  - 12M used the service in 2017 (Max 2.2M users in a day)
- ▶ Hometax also provides pre-filled income tax returns



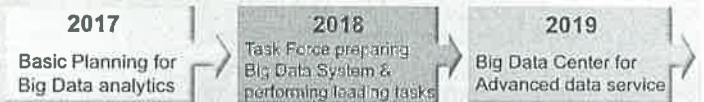
*Thank You !*

*Q & A*

### Future Plan (Big Data & A.I.)

- ▶ **What is Big Data?**
  - Large volume of data both structured/unstructured including voice, image, SNS, etc.
- ▶ **Big Data Services for Taxpayers (examples)**
  - A.I. counselor on chatting apps (Chatbot)
  - Tax Statistics Service on demand for researchers & taxpayers
  - Customized Hometax webpage by business-type/situation
  - A.I. tax assistant for tax returns

### ▶ Big Data Implementation Road Map





## Important Measures to Deepen Taxpayer Service for Large Business

In recent years, in order to meet tax-related requirements of large business and promote high-quality economic development, State Administration of Taxation, drawing on foreign advanced experience and combining with the reality of China, have adopted a series of measures to deepen taxpayer service for large business.

## Practice and Exploration of Taxpayer Service for Large Business from the Perspective of the People's Republic of China

Yu Chunsheng

Deputy Commissioner of State Administration  
of Taxation of the People's Republic of China

## Important Measures to Deepen Taxpayer Service for Large Business

1. Establishing and Completing Professional Institution
2. Standardizing and Improving Working Mechanism
3. Formulating Development Outline
4. Exploring Advance Ruling

## The Significance of Taxpayer Service for Large Business

Directly concerning the interests for business and individual, taxation attracts extensive attention from all sectors of society especially the taxpayers.

## Achievements of Taxpayer Service for Large Business

1. Promoting High-Quality Economic Development
2. Optimizing Taxation Business Environment
3. Strengthening International Competitiveness of Business

## The Significance of Taxpayer Service for Large Business

1. Being a significant method for the construction of modern economic system
2. Being an important measure for streamlining administration, delegating power, strengthening regulation and improving service
3. Being an important guarantee to meet the individual requirements of large business

State Administration of Taxation  
of the People's Republic of China

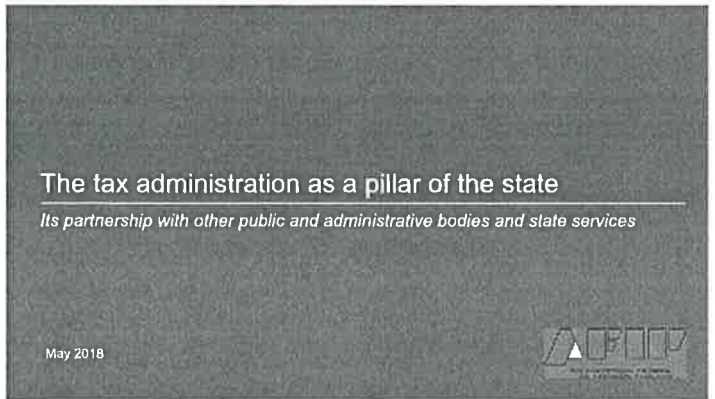
Thank You

Agenda

1. Introduction: the Argentina experience

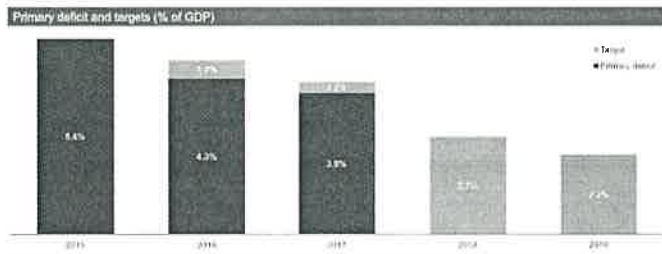
2. Collaborative approach: emerging challenges

3. Action plan and success stories



AFIP has a key role in the path to a convergence to fiscal balance

The primary purpose of AFIP is the collection of tax revenue on behalf of its citizens to fund the work of the government



The challenge of efficient and effective tax administration is not only to raise the revenue needed to fund public services, but also to minimize the burden on tax payers

The Federal Administration of Public Revenues in figures



Agenda

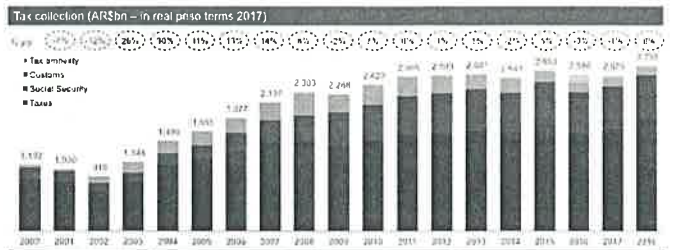
1. Introduction: the Argentina experience

2. Collaborative approach: emerging challenges

3. Action plan and success stories

AFIP has a broad scope of responsibilities in the collection of tax revenues

The Administration is in charge of the collection of personal and corporate income tax, VAT, customs duties and social security contributions



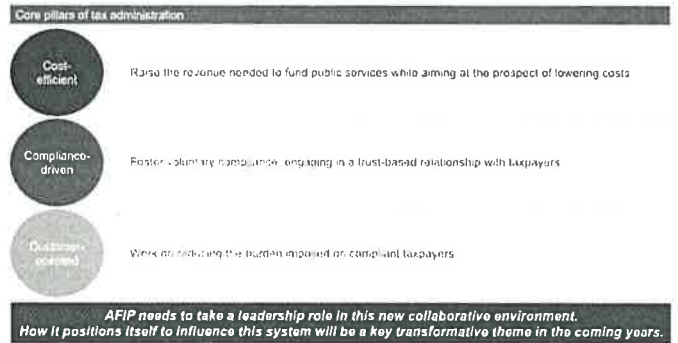
High tax evasion (35%) requires new methods and solutions from the tax authority in order to maximize revenue.



and it requires AFIP to address several challenges

- Restrictions**
- 1 **Legal framework**
    - Strike the right balance between the administrative that some fiscal information holds and the demands of the public policy bodies seeking a more efficient information management by the State
    - Acknowledge the bureaucratic structures of the agencies that will play a role in the collaborative system
  - 1 **New technologies and connectivity**
    - Re-design tax collection taking into account the benefits of new technologies
  - 1 **Risk management**
    - Define a risk management policy towards information that leaves behind years of data shielding
  - 1 **Resource management**
    - Review the human resource allocation in light of new responsibilities
  - 1 **Organizational culture**
    - Work towards a conversion of the organizational culture, aiming at instilling a collaborative environment that abides by the rules of new technologies

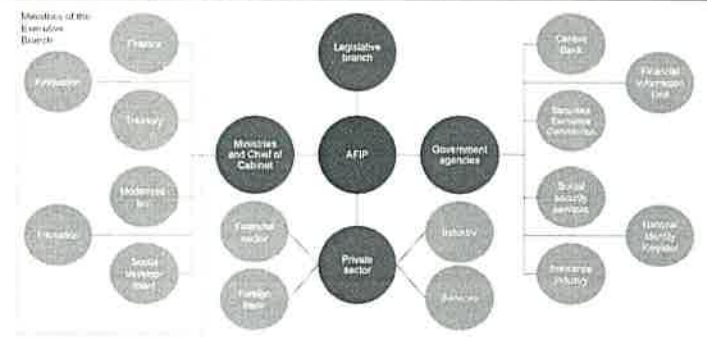
A collaborative approach is key to an efficient tax administration



Agenda

1. Introduction: the Argentinean experience
2. Collaborative approach: emerging challenges
3. Action plan and success stories

Mapping of relevant actors in a collaborative environment



Tax collection on behalf of third-party agencies or jurisdictions

**AFIP's support of provincial tax administrations**

- Assists with registry and information on employers personal and corporate income tax data and VAT information
- Assists with the collection of gross revenue tax, stamp and custom duties

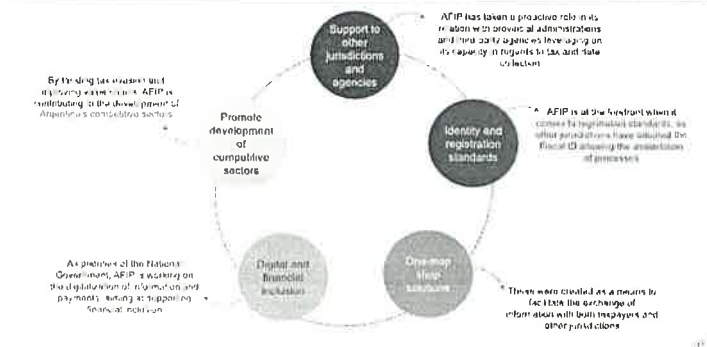
**AFIP's support of third-party agencies**

- Electronic collection systems for non-tax payables
  - Aimed at concentrating payments on a single website via the generation of vouchers for payment
- So far, 21 government bodies and agencies have subscribed this agreement, reaching AR\$21.267mm in tax collection

**Tax collection for provincial tax administrations and third-party agencies (ARSbn - in real peso terms 2017) :**

Year	Tax Collection (ARSbn)
2004	29
2005	32
2006	123
2007	138
2008	138
2009	113
2010	126
2011	131
2012	134
2013	172
2014	183
2015	186
2016	183
2017	206

AFIP has been working on key areas to foster a collaborative environment



## Case studies: AFIP in a collaborative approach

### Social security

- Together with the Ministry of Labor, AFIP has designed the program for financing Social Security in nature of social security.
- The program will be used to finance the Social Security system.
- The program is a milestone in the development of the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.

### Foreign trade

- AFIP has implemented the program for financing Social Security in nature of social security.
- The program will be used to finance the Social Security system.
- The program is a milestone in the development of the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.

### Financial inclusion

- The December 2016 Tax Rifer (Ley 27.430) aims to improve the quality of services provided to customers.
- It is a key element in the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.
- It is a key element in the social security system.

2016: 150,000  
2017: 200,000

## Case study: joint oversight of cattle and beef value chain

- The cattle and beef meat sector faces a 5% VAT tax evasion due to the under-report of the true amount of sales as well as the exemption of expenses on supply chain.
- AFIP together with the Ministry of Agriculture and the Buenos Aires Tax Administration, has launched a pilot project in March 2017 to regulate the sector's supply chain.
- Some of the steps taken to this end included:
  - The tracking of livestock by means of an electronic transit document from the farm to the cold storage facilities.
  - Working jointly with Platón de Incañi and Ceres for Agri Food Administration (SENASA) to link the authorization for slaughter houses to operate with the compliance of VAT related on an even basis of cattle.
  - In case of non-compliance, reports are submitted to the Ministry of Agriculture, which has the capacity to close down operations preventing the possibility of future slaughterhouses.

5% VAT collection from the pilot project → 100% VAT collection from the public sector

**The plan is to deploy this action plan into other key economic areas such as porcine and poultry meat, cotton and the fruit and vegetables sector**

## Thank you

<https://www.afip.gob.ar/>

Twitter: @AFIPcomunica  
<https://twitter.com/AFIPcomunica>

Facebook: @AFIPcomunica  
<https://www.facebook.com/AFIPcomunica/>

LinkedIn: @AFIP  
<https://www.linkedin.com/company/afip/>

Instagram: afipcomunica

Youtube: AFIP Administración Federal de Ingresos Públicos  
[https://www.youtube.com/channel/UCe0zCSU15U1YDDMF3\\_W-97A](https://www.youtube.com/channel/UCe0zCSU15U1YDDMF3_W-97A)

## Closing remarks

- The challenge of efficient tax administration is not only to raise the revenue needed to fund public services, but also to minimize the burden on tax payers
  - A collaborative approach is key to this goal
- In the path to collaboration, AFIP needs to focus on:
  - Leveraging on new technology and data analytics
  - Addressing information risk management
  - Redesigning budget and resource management policies
- While there are still many challenges ahead, AFIP is committed to embrace this leadership as it progresses into an innovative framework of collaboration





## 1. The French context

- Every individual has a specific identification number for each administration:
  - Tax administration, family allowance, health insurance, family insurance, unemployment insurance, local services (nursery, school, etc.)
  - ... which means as many ...
- Many public policies (welfare benefits, local services, etc.) either depend on the revenue ...
  - Amount of the family allowance, nursery/canteen fares, rent amount in the subsidized housing sector, etc
- ... or make it necessary to prove one's address
  - Identity card/passport, vehicle licence, parking card for residents, etc

DGFIP at the heart of the "Government as a platform" strategy

Audran LE BARON, DGFIP (France), Ottawa, May 16th, 2018

2

## 3. The "Government as a platform" strategy

- A strategy inspired by Tim O'Reilly's vision, known as "Government as a platform"
  - To make all the public information (electronic identity, personal data, services ...) safely interoperable
  - Break down the administrative "silos"
- Objectives :
  - A more efficient administration, at the service of citizens
  - A better user experience: "Tell us once"
- A tax administration that has already been implementing this "Tell us once" approach for more than 15 years
  - From a control administration to a service providing administration
  - ...

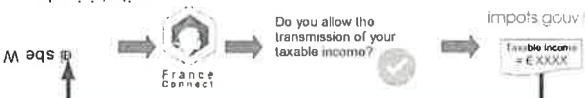
DGFIP at the heart of the "Government as a platform" strategy

Audran LE BARON, DGFIP (France), Ottawa, May 16th, 2018

4

## 3b. Personal data: tax APIs

- Cf. context: the need to prove one's income/address/etc.
- Hackathon "Gov-platform" in June 2015
  - All administrations (State & local) were represented
  - ...



DGFIP at the heart of the "Government as a platform" strategy

Audran LE BARON, DGFIP (France), Ottawa, May 16th, 2018

9



FINANCES PUBLIQUES



## DGFIP at the heart of the "Government as a platform" strategy

Audran LE BARON  
DGFIP (France)  
Ottawa, May 16<sup>th</sup>, 2018



## 2. DGFIP, as a data « centraliser »

- Knows everybody
  - Each individual (daily exchanges with the national civil register)
  - ...
- Knows everybody's address
  - Daily exchanges with the French Post Office (mail redirection contracts)
- Knows all the incomes
  - Prefilled tax return thanks to the data provided by employers/banks/
  - ...
- Knows the real estate property
  - Deeds uploaded by the notaries for the maintenance of the real estate registrar

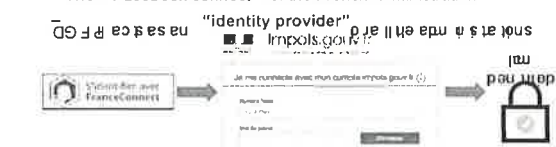
DGFIP at the heart of the "Government as a platform" strategy

Audran LE BARON, DGFIP (France), Ottawa, May 16th, 2018

3

## 3a. Online identification: FranceConnect

- Cf. the French context: multiplicity of ID/password
- And yet, all citizens have a tax account on impots.gouv.fr
  - Tax number / password
- Idea: enable users to connect on any website by using their tax id/password
  - The « Facebook connect » of the French administration



DGFIP at the heart of the "Government as a platform" strategy

Audran LE BARON, DGFIP (France), Ottawa, May 16th, 2018

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#### 4. The move to the withholding income tax

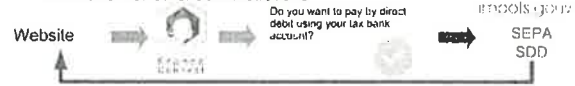
- The administration at the heart of a triangular relationship "taxpayer – tax administration – employer"
  - DGFIP calculates a personal rate for each individual
  - and forwards it to the employer



- PIT is paid in real-time: a change of perspective
- How to refund tax credits in real-time?
  - Forget the income tax form, and think "Government as a platform"
  - Example: tax credit for insulation works

#### 3c. Payment service: PayFiP

- Context: all local authorities cannot afford investing in online payment systems
- Aim: provide a free, universal method of payment for any online public services
- Solution:
  - DGFIP already offers a direct debit payment method (SEPA Direct Debit "one-off" (ou SM eqs p
  - "PayFiP, or the DGFIP's PayPal®": DGFIP as a "provider of payment methods" for other administrations



## Legal authority to impose taxes

- The *Constitution Act of 1867* gives both the federal and provincial governments the right to tax
  - The federal government has unlimited taxing powers enshrined in subsection 91(3) of the Constitution
  - Subsections 92(2) and 92(3) give a more limited power of direct taxation to the thirteen provincial and territorial governments
  - Municipal governments do not have a Constitutional right to tax their residents but receive taxation powers from the province
- These powers allow:
  - Federal, provincial and territorial governments to levy personal and corporate taxes, among many others,
  - Municipalities to levy direct taxes (e.g., property tax)

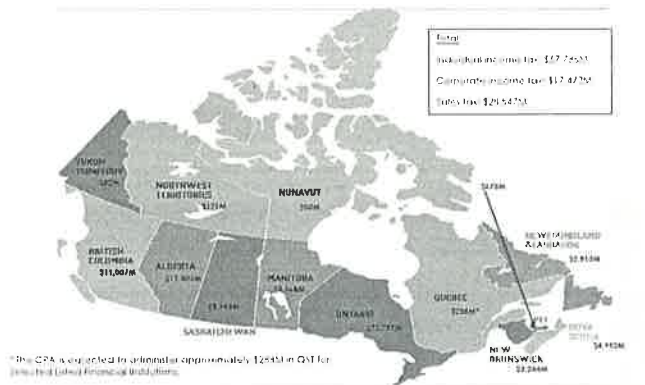


Canada

## Joint filing of tax declarations

Canada Revenue Agency

## CRA tax administration



## Administration for provincial governments

- A consolidated approach to tax administration improves efficiency, provides better service, and reduces opportunities for non-compliance
- The federal government has agreements with most provinces and territories\* to administer provincial income tax and with 5 jurisdictions to administer a harmonized sales tax
- The CRA collects and remits taxes to the provinces
- The CRA is able to collect and share information with provincial and territorial governments to aid in the administration of their taxes or duties
- The administration of provincial taxes is done at no cost as long as they adopt the same tax base as the federal government

\*Throughout the remainder of this presentation, reference to the provinces will also include the territories

## Benefits of harmonization

- In most provinces:
  - **individuals** file one tax return
  - **businesses** file one tax return
  - **registrants** file one harmonized sales tax return
  - **taxpayers** remit payment of taxes owing to the CRA
  - **provinces** receive payments, data, services at little or no additional cost
- Efficiencies gained in harmonization passed on to the taxpayers and the provinces through lower compliance burden, lower cost of administration

Provinces	Individual Income Tax	Corporate Income Tax	PST/GST, HST, or QST	Benefits*
Atlantic (4 provinces) and Ontario	CRA	CRA	CRA (HST)	CRA
British Columbia, Saskatchewan and Manitoba	CRA	CRA	CRA (GST) Province (PST)	CRA
Alberta	CRA	Alberta Finance	CRA (GST) No provincial sales tax	CRA
Québec	Revenu Québec	Revenu Québec	Revenu Québec (QST+GST) CRA (QST+GST for Selected Listed Financial Institutions)	Revenu Québec

\* Some provincial benefit programs are administered by the provinces. In such cases the CRA shares taxpayer information to assist with the determination of eligibility.



## Harmonized administration in practice

- Paid on an assessment basis (federal government bears risk of non-collectible tax debt)
- Administrative fees only applied when tax bases are not aligned with federal bases
- Same degree of federal administrative diligence for provincial measures
- Province can purchase enhanced services on cost-recovery basis
- Accountability through Commissioner's Annual Report to the Provinces and Territories, scheduled Senior Management Meetings, regular dialogue at various levels

## CRA administration

- In 2016 the CRA processed nearly 39M payments from individuals, businesses, and GST/HST registrants, totaling over \$498B (gross) for income, sales, and excise taxes and duties
- This included the assessment of over \$113B of taxes for the provinces and territories:
  - \$66.5B in individual and trust income tax;
  - \$21.5B in corporate and trust income tax; and
  - \$28.5B in sales (value added) tax
- The CRA also administers 33 provincial benefit programs worth over \$5B

## Sharing tax data

- Provinces can use data for administration, or fiscal or policy analysis
- Data provided to province at no cost in a number of reports based on their needs
  - Basic data offering is reviewed annually to ensure efficient data sharing
- The CRA has memoranda of understanding with each province to share tax information collected on their behalf
- Some provinces provide additional data to assist the CRA in its tax administration (liquor sales, vehicle registration, land registry)

## Key characteristics of tax system

- Protection of taxpayer information is paramount:
  - Self-assessment tax system requires that taxpayers have trust in the overall system and fairness in its administration
  - Taxpayers provide large amounts of sensitive personal and financial information to the CRA
  - Tax Acts govern how it is shared or released, and contain confidentiality provisions
  - Contraventions of the confidentiality provisions may result in criminal prosecution
- Provinces still require data for fiscal planning purposes, as well as tax policy
  - Provisions in legislation allow them access to tax data

Today's topics

- Background
- Current situation
- Future challenges

Subtopic 2.3: "Joint or simultaneous filing of tax declarations for national and provincial governments (VAT, CIT, PIT, others)"

The e-filing System of Japan

Megumi Kashiwagi, Ph.D

Research Director, The Canon Institute for Global Studies

The 52nd General Assembly

Ottawa, May 16, 2018

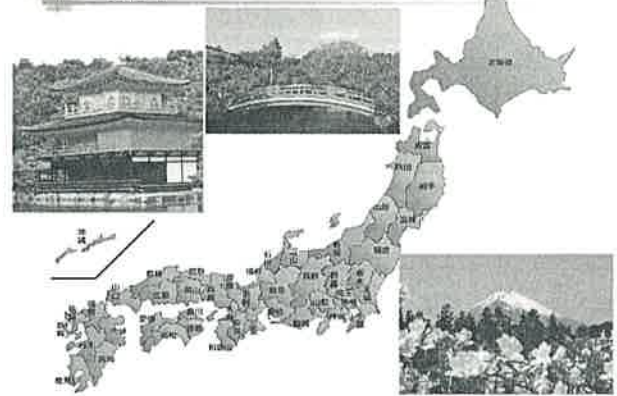
CIGS The Canon Institute for Global Studies

Background of Japan's e-filing system

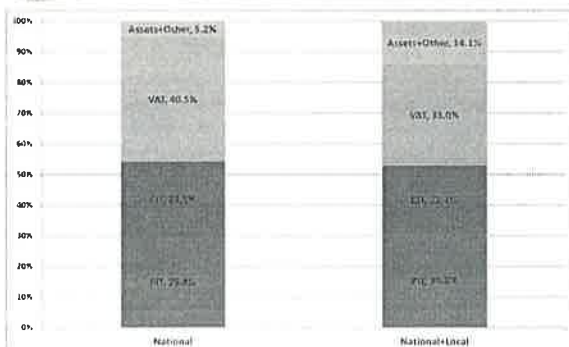
- National and local tax systems: organization and law
- National and local tax systems: operation and budget
- Decline in the number of tax staff in the National Tax Agency and local governments
- Psychology of the Japanese people



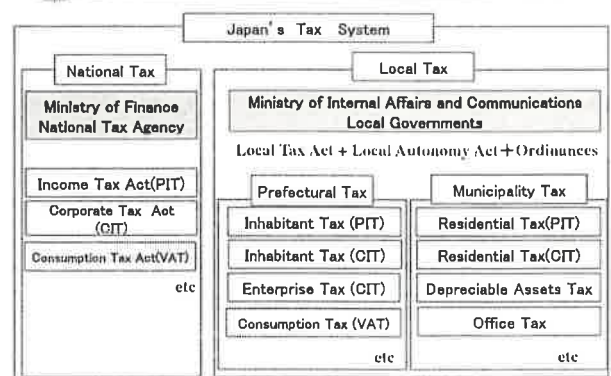
Japan



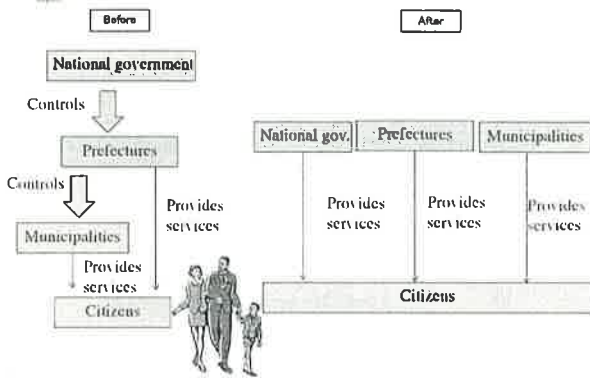
Composition of taxes



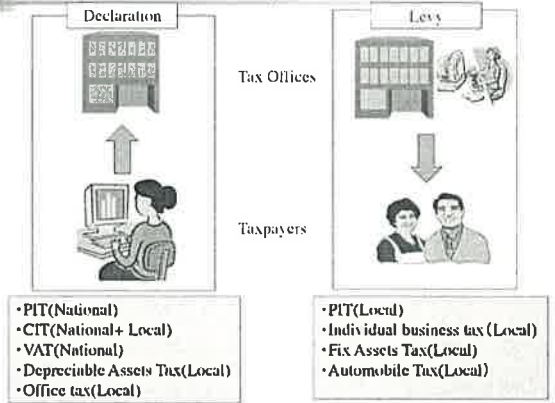
National and local tax systems: organization and law



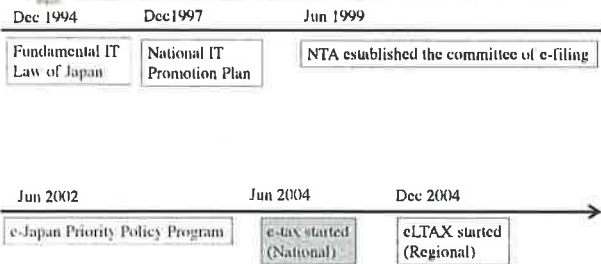
### Decentralization (Since 2000)



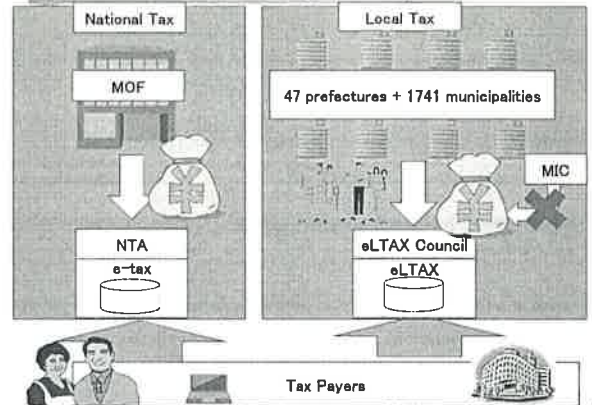
### Declaration versus levy



### History of e-filing in Japan

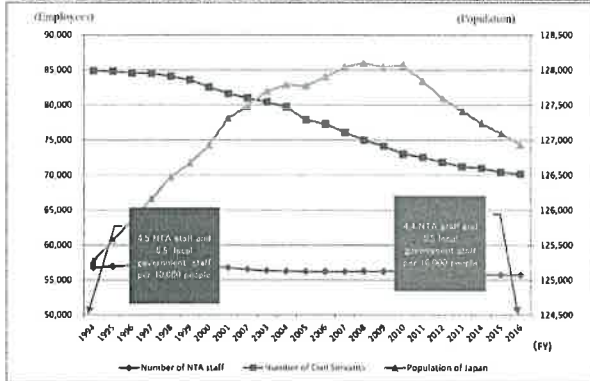


### National and local tax systems: operation and budget

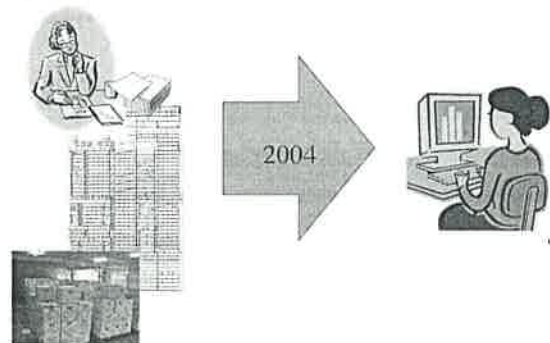


### Administrative concerns

#### Decline in the number of tax staff in NTA and local governments

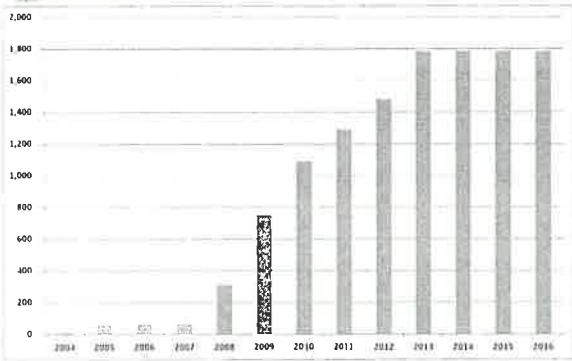


### E-filing started in 2004



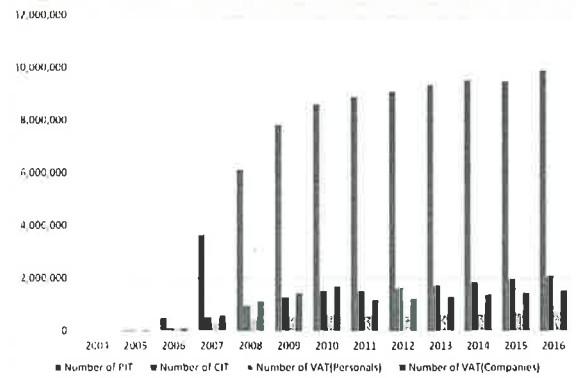


Number of local governments participating in eLTAX



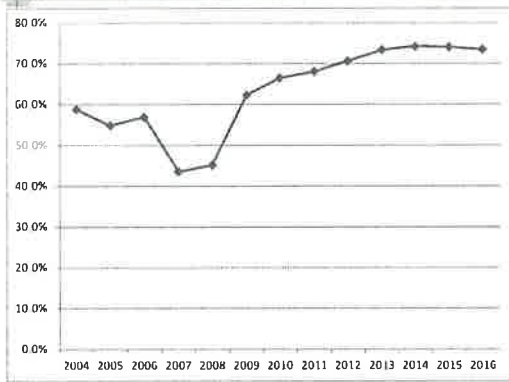
13

Number of National e-tax transactions



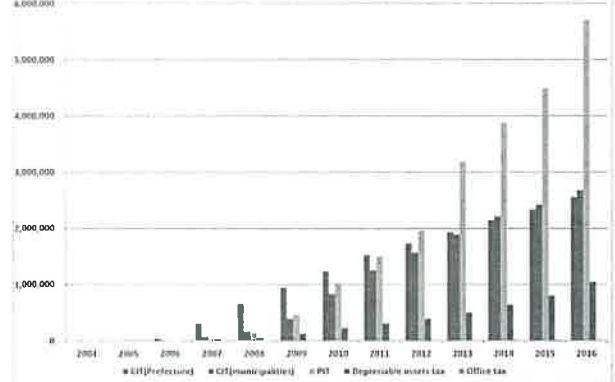
12

Satisfaction with national e-tax system



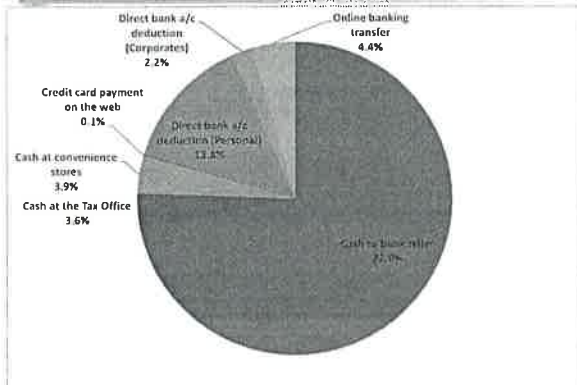
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Number of eLTAX transactions for local tax



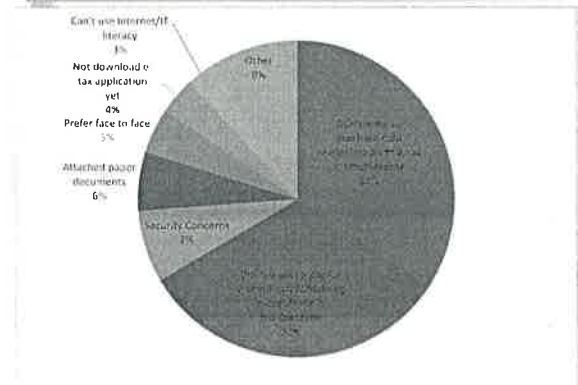
14

National tax payment method



17

The reason why people don't use e-tax



16

## Continually evolving

2006 to 2018

The Tax Accountants Association has been requesting some changes every year

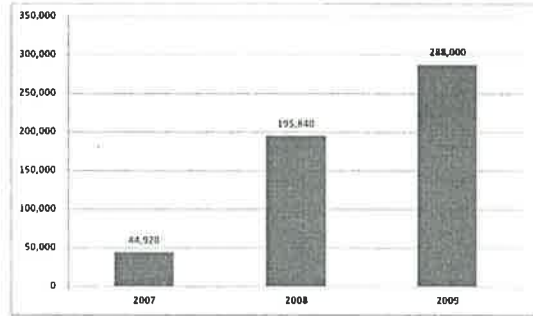
- 24-hour acceptance (2006)
- Tax Accountants allowed to send on behalf of tax payers (2006)
- Immediate issuance of ID (2007)
- No requirement of medical receipts (2008)
- Image data attachment allowed (2016)
- Expanded operation time (2016)
- Data be shared between National and Local e-filing (2017)
- Multiple banks registered (2018)

etc

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## Effects of introducing e-tax

Introducing e-tax reduced the work load of NTA employees by 533,760 hours over 3 years.



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## In the future

10 years have gone by since e-filing started.  
There are still a lot of documents being attached!



Jan 2018  
Digital Government Action Plan

Aims to decrease the amount of attached documents, etc

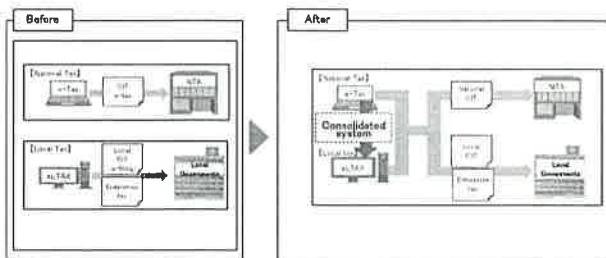
21

## Our challenges for the future

- Unified e-filing
- Improved convenience for taxpayers
- Efficiency

20

## Further in the future: Unified collection



23

## Time schedule going forward

2019

October 2019  
Introduce unified collection for local governments

April 2020  
Make e-filing obligatory for companies capitalized at 100 million yen or more

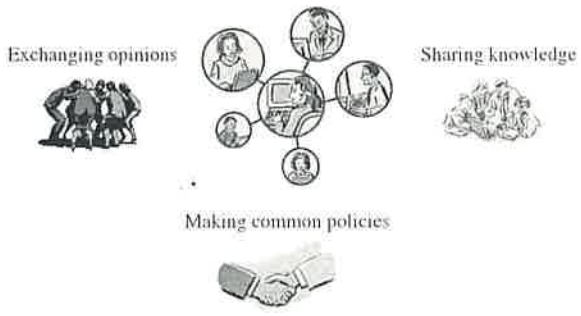
Inter-agency collaboration between ministries

Data linkage /coordination between Ministries  
Not only taxes but also pension, public assistance, healthcare, unemployment insurance, Disability welfare will be handled online

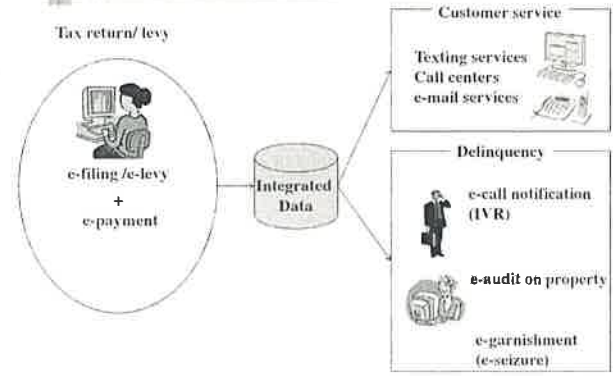
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Next challenges

**How do we improve our system ?**



Our goal: integration of information







“Tax Challenges Arising From Digitalisation” – March 2018

<http://www.oecd.org/ctp/tax-challenges-arising-from-digitalisation-interim-report-9789264293083-en.htm>

Chapter VII – special feature on tax administration

TAX ADMINISTRATION  
COOPERATION ON EFFECTIVE  
TAXATION OF PEER-TO-PEER  
PLATFORM USERS



A TAXONOMY OF THE COLLABORATIVE ECONOMY: CATEGORIES AND EXAMPLES

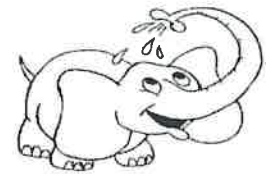


Peer-to-Peer Platforms

What are peer-to-peer platforms?

“Online platforms which facilitate transactions involving goods and services between individuals.”

A.k.a the “sharing, collaborative or gig economy”



Peer-to-Peer Platforms:  
Tax policy issues

Forum on Tax Administration Project

- Effective taxation of P2P platform users
  - Encouraging self-reporting
  - Withholding
  - Information exchange

Peer-to-Peer Platforms

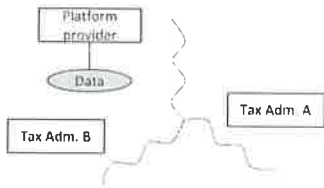
Why P2P platform users?

- Facilitating new economic activity
- Rapid growth
- Competition, regulatory and tax concerns
- Lack of taxpayer understanding
- Informal economy links



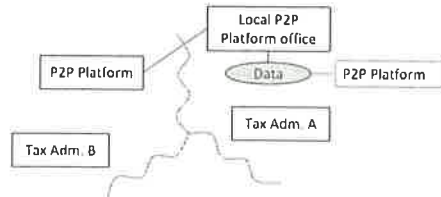
## Information Access

Case 2: Platform and data in third country



## Information Access

Case 1: Domestic office and data in country



## Convention on Mutual Administrative Assistance in Tax Matters

### Article 6 – Automatic exchange of information

- With respect to categories of cases and in accordance with procedures which they shall determine by mutual agreement, two or more Parties shall automatically exchange the information referred to in Article 4. (*ie foreseeable relevant information*)



## Peer-to-Peer Platforms: Tax administration issues

### Information exchange

How to minimise burdens on platforms and tax administrations?

- Common formats (CRS experience)
- Legal gateways (including Multilateral Convention)
- Multilateral competent authority agreements



# THANK YOU!

Peter Green  
Head of Forum on Tax Administration Secretariat



## Wider issues

Taxation of the platforms

VAT

Tax base

OECD/G20 Base Erosion and Profit Shifting Project

# **Tax Challenges Arising from Digitalisation – Interim Report 2018**

INCLUSIVE FRAMEWORK ON BEPS

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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## 7.1. Overview

465. Chapters 1 and 2 of this report describe the far reaching implications of digitalisation. Beyond the international tax rules, other elements of the modern tax system are shaped by its disruptive effects which bring both opportunities and challenges. From the design of the tax system through to tax administration, relevant developments include the rise of business models facilitating the growth of the gig and sharing economies, as well as an increase in other peer-to-peer (P2P) transactions, the development of technologies such as blockchain, and growing data collection and matching capacities.

This chapter explores some of these changes, looking at areas where further work in the coming years will provide the tools for governments to better understand and harness the opportunities these changes bring, while ensuring the ongoing effectiveness of the tax system. It will also be important to consider how some of the advances being made in this area can be effectively implemented in developing countries to take into account their particular constraints and environments.

## 7.2. Online platforms and their impact on the formal and informal economy

466. One of the major changes to the economy facilitated by digitalisation is the rapid growth in multi-sided online platforms. Online multi-sided platforms often facilitate transactions between individual sellers of goods and services to individual consumers, peer-to-peer (P2P) transactions, which occur outside of traditional business structures (e.g., the case of marketplaces). In particular, online platforms facilitate the growth and proliferation of the “sharing” and “gig” economies. Familiar examples are the temporary rental of a spare bedroom, unused apartment or parking space; or the provision of a service such as delivery of goods, occasional household services or the provision of transport or taxi services.

467. Some of the transactions facilitated by online platforms, including P2P transactions have long been carried out through other mechanisms such as for example by word of mouth, physical marketplaces or through community advertising and networking.

In this context, it has traditionally been difficult for the tax authority to monitor and assess the amount and value of such transactions and as a result such activity has often taken place in the informal economy. As described in Chapter 2, digitalisation, however, has facilitated the emergence of multi-sided platforms as the global reach of the Internet enables digital businesses to quickly and relatively cheaply increase their customer bases and develop large networks across different sides of the markets, including across jurisdictions. As previously informal transactions, including between peers are now channelled and recorded through online platforms, there exists a new potential for tax authorities to monitor and assess previously unreported tax bases.

468. The size of the gig and sharing economy activity is not yet well measured. Although it

has been growing rapidly, it remains relatively small on most estimates (see Box 7.1 below). Taken together the features of this business model suggest, though, that its share may continue to grow strongly given the scale of partially utilised assets in private hands, the likely unmet demand for different working patterns and the convenience of use for both buyers and sellers, including strong trust-enhancing mechanisms. This can have positive impacts on the economy and welfare through facilitating additional economic activity and individual choices, as well as potentially shifting some activity from the informal to the formal economy. These effects are likely to positively impact tax revenue. However, these types of business models also raise a number of public policy issues as regards fair competition with other providers, as well as the impacts on social protections, pensions, consumer protection and government revenues; in particular taxation and social security contributions. For example, across OECD countries, a growing number of workers earn income outside of traditional employee-employer relationships. While this trend has been in place for some time in various OECD countries, it has met with renewed focus recently due to continued developments in the digital economy, which have ushered in an increased provision of services by self-employed workers through multi-sided platforms.

**Box 7.1. Understanding the size of the gig and sharing economy**

There is a lack of reliable data on the size of the gig and sharing economy, including as a result of different definitions. Vaughan and Hawksworth (2014) calculate that on a global basis the collaborative economy was worth USD 15 billion in 2014 and could reach USD 335 billion by 2025. Within the European Union (EU), Vaughan and Daverio (2016) estimated that the five main sectors of the sharing economy generated nearly EUR 4 billion in revenues and facilitated EUR 28 billion in transactions in 2015, exceeding earlier expectations of growth. Goudin (2016) estimated that the potential gains from removing barriers to bring underutilised assets into use could be of the order of USD 572 billion annually within the EU. Survey data also indicates a growing number of people who have engaged in P2P transactions. A Pew Research Centre Survey (2016) of 4 787 adults in the United States estimated that around 72% of US adults had used one of 11 different shared and on-demand services. Stokes et al. (2014) estimated that in 2014, 25% of the adult population in the United Kingdom had used P2P platforms to share assets or resources.

469. The opportunities presented by multi-sided platforms as regards taxation are twofold:

i. **Facilitate integration into the formal economy.** Where previously unreported transactions (in particular in the cash economy) are now carried out through multi-sided online platforms and there is greater or full reporting of income as a result, more taxpayers and economic activity will be integrated into the formal economy. Conversely if the expected increase in transactions via multi-sided

platforms is not accompanied by an increase in reporting, then it would lead to growth of the informal economy.

ii. **Drive growth and increase revenues.** Multi-sided platforms often provide new opportunities for economic activity as well as encouraging movement into the formal economy. This may help to drive growth and have some positive impacts on government revenue. The growth impacts can take place directly through enhanced economic activity as well as indirectly through positive spillover effects on other parts of the economy. This can arise, for example, through increased tourism or greater demand for services as a result of increased transport opportunities etc. The impact on growth and revenues will also depend to an extent on whether the economic activity taking place through multi-sided platforms is at the expense of existing, direct competitors. While important in all countries, the positive growth and revenue impacts are likely to be particularly significant for developing countries with large informal economies.

470. In order to realise these benefits, as well as to address some of the challenges arising from the operation of online platforms, there are a number of issues that must be addressed.

### ***7.2.1. Understanding the tax implications of the changing nature of work***

471. With the rise of the gig and sharing economies, changes in the mix of taxable status in the economy – for example from employee to self-employed or incorporated – can have important consequences. When changes in taxable status occur, different rules may apply for example on deductions and thresholds for income tax purposes and social security contributions. When these changes occur across significant proportions of the working population, this will have implications for government revenues as well generate other public policy concerns, including from loss of certain employment rights. These changes may either arise from individuals voluntarily choosing different work patterns or as a result of changing preferences of employers, at least in some areas of their business, or both. The growth in the use of platforms in certain sectors may already be acting to reduce the relative number of standard employment contracts.

472. For example, the legislation of some countries provides for lower levels of social security contributions for non-standard labour contracts. In other countries, the tax system provides incentives to offer labour services as a closely-held corporation instead of as employees subject to a higher rate of personal income tax. These features of the tax system could lead to revenue losses if there are large shifts in working patterns and taxable status. If governments wish to maintain today's expenditure levels, losses will have to be compensated by a higher tax burden on less elastic tax bases, such as for example property and consumption. The need for a shift towards other, less variable sources of taxation could also be exacerbated by the difficulties of raising corporate income tax from digitalised business, as highlighted in other chapters of this report. From a broader tax policy perspective, the impact of such changes on both revenue and the tax mix will need to be considered as part of a global

and inclusive assessment on whether such a shift is welfare improving for the overall population.

473. Many governments and courts are already considering these issues. The evolution of such platforms and the nature of the contracts between the platforms and their users may, for example, provide greater opportunities for activities to be structured in ways that minimise tax liabilities and reduce the tax base.

474. The impact of platforms on the changing taxable status of economic actors across different forms of employment merits further examination. The OECD stands ready to deliver further work on this topic. Initial steps have already been taken to analyse tax incentives for platforms and more generally employers, to hire labour through nonstandard labour contracts, and for employees to offer labour services either as a selfemployed person or through a closely-held corporation.

### ***7.2.2. Fostering innovation and ensuring equivalent tax treatment with similar, existing activity***

475. Fostering nascent economic activity and ensuring appropriate tax treatment requires that governments take into account the impact of administrative burdens on users of online platforms. This issue is not new and is already recognised in many countries through simplified tax regimes for micro-businesses and small and medium sized enterprises, and for activity not primarily carried on as a business.

#### **Box 7.2. Tax policy measures targeted at the sharing economy**

In Denmark, the Ministers of Industry, Business and Financial Affairs, Transport, Building and Housing, and Taxation recently presented the Danish Government's strategy on growth through the sharing economy. The strategy contains 22 initiatives including higher basic allowances on renting out property, cars and boats if a third party (e.g., a platform) declares all income to the tax authorities. The strategy also includes an initiative on developing a digital solution for declaring income arising from the sharing economy.

In Italy an optional taxation regime for short-term rental income has been introduced allowing the taxpayer to opt for a substitute tax (in lieu of personal income tax) in the form of a 21% flat rate tax on gross income from the rental. The new law applies to rental contracts not exceeding 30 days, on contracts defined online as well as contracts defined in traditional ways.

The United Kingdom has introduced two separate annual tax allowances for individuals, each of GBP 1 000, for income from a trade or property with the objective of simplifying the tax system and supporting the development of the digital and sharing economy.

Where the allowances cover all of an individual's relevant income (before expenses) then they will no longer have to declare or pay tax on this income. Those with higher amounts of income will have the choice, when calculating their taxable profits, of deducting the



allowance from their receipts, instead of deducting the actual allowable expenses.

476. Going beyond this, for example, by introducing special tax regimes for activities facilitated through the use of platforms may not be optimal: such activity will be in direct competition with existing activity (e.g., taxi services). This may result in different tax outcomes for substantially similar activities. On the other hand, there may be a case for considering simplified transitional measures to encourage existing and new activities into the formal economy, and for also taking into account the likely lack of experience with tax matters of some platform users. Further work could be undertaken to analyse options for achieving a balance between reducing the compliance burden for some players and preserving the level playing field. This is particularly important in light of the spread of the gig and sharing economies highlighted in Box 7.1.

### ***7.2.3. Improving the effective taxation of activities facilitated by online platforms***

477. Where a transaction involves payment from one individual to another, rather than being based on altruism or a cost sharing arrangement (for example contributing to petrol costs in a shared ride), then there can be taxable consequences for the parties involved.

Platforms may create certain tax challenges for their users, including uncertainty amongst users about their tax liabilities. This is likely to be the case particularly where P2P transactions are involved.

478. For tax administrations, the challenges raised by online platforms, particularly in the case of P2P transactions, include a lack of information about the identity of users and the amount of payments made for the activities facilitated by the platform. Difficulties with access to that information will be exacerbated where the platform is not located in the same jurisdiction as the person receiving payment for the transaction and where the tax liability is due.

479. There are a number of options to address this challenge, including targeted taxpayer education campaigns and gathering information from the platforms themselves. Both of these approaches are discussed further below.

#### ***Improving taxpayer education and self-reporting***

480. Depending on the contractual arrangements between the platforms and their users, a traditional employment or other business relationship may not exist. As a result, payments may not generally be visible to the tax administrations in the way that they are, for example, for salaried employees in many countries, where withholding will typically also be a feature.

Taxation of such income may therefore depend on self-reporting by the taxpayer in the absence of wider cooperation between platforms and tax administrations, and between tax administrations. Self-reporting tends to be most complete when an individual knows that the tax administration can obtain the data themselves or, more powerfully, if it is reported directly to the tax administration.

481. Lack of self-reporting can be exacerbated by uncertainty among platform users about their tax liabilities, including whether the activity is taxable. This can be a difficult area, with particular challenges arising over determining the correct employment status, any relevant income thresholds, and whether an activity is carried on as a business. Some platform users may see their activity as akin to a hobby or pastime rather than a business, and some will not be registered for tax in any capacity. As a result many appear not to report this source of income. In this regard, issuance of timely guidance by tax authorities on the appropriate tax treatment and reporting obligations in relation to emerging business models can be extremely useful. Even where they are aware, the lack of publicly available material as well as any complexity inherent in reporting of such income may lead some to take no action, believing the risks and potential penalties to be low.

482. Improving taxpayer education aimed at providers of goods and services through P2P platforms in particular, could make an important impact to ensure effective taxation of activities facilitated by online platforms. Consideration of these issues could build on previous work which gathered global best practice in taxpayer education, such as the 2015 report on *Building Tax Culture, Compliance and Citizenship*,<sup>2</sup> to look specifically at taxpayer outreach in the online platform environment where cross-border considerations also play a role. Combined with improving access to information by tax administrations, which is discussed further below, it is likely that significant progress can be made to improve effective self-reporting of tax obligations in respect of these types of activities.

### **Box 7.3. Educating taxpayers about tax obligations arising from the platform economy**

The Canada Revenue Agency (CRA) has added new pages to its website, providing information on income tax and goods and services tax (GST)/harmonised sales tax (HST) obligations for registering, collecting, remitting and reporting income derived from the sharing economy. These webpages include information specifically intended to assist taxpayers who may not have reported income in previous years and now want to correct their tax affairs. The CRA has also collaborated with one large accommodation sharing platform, using the platform's own communication tool, to provide its users with information

concerning their tax obligations, and is planning to offer similar collaboration with smaller platforms

In France a requirement was placed on P2P platforms to provide information on the tax and social security obligations of the users of these platforms. This requirement is deemed to have been complied with if the message sent by the platform to its users following each transaction provides accurate, unambiguous and transparent information concerning these obligations and includes, “in a clear manner”, hypertext links to the websites of the tax authorities and social security organisations. In addition, the platforms must send their users an annual statement (prior to 31 January) of the gross amount received from transactions carried out via the platforms.

### *Obtaining tax data about transactions facilitated through platforms*

483. Addressing the lack of information available to tax administrations about the identity of taxpayers using platforms, particularly in the case of P2P transactions, would be an important step forward in improving tax compliance in this sector. As discussed in Chapter 2, some multi-sided platforms often act as payment intermediaries. Others may facilitate a transaction with the payment being made directly between the parties. In both cases, the platform will typically retain at least some relevant information, for example about the identity of the parties to, and the amount of, the transaction. Other third parties may also hold relevant information about transactions facilitated by platforms, for example, payment service providers that are linked to the platform.

484. Where such powers are not already available, introducing legislative measures which require platforms or other third parties to report payment and identification data of P2P users and/or which allow tax administrations to request group information, could provide tax administrations with information needed to improve compliance or to enhance selection of cases for audit. The fact that data is reported would also be likely in itself to encourage greater self-reporting. As tax administrations continue to improve data use, increasingly it will be possible to join up this information with other income data, opening up options for pre-filling of tax returns or automatic checking of tax returns.

Requiring withholding is also a possible tool, although in some contexts this may involve greater administrative difficulty for the tax administration, platform or taxpayer depending on the design of the withholding measure.

485. However, domestic legislative requirements may not be directly effective where the data is located in a jurisdiction other than the jurisdiction of the platform seller. In such cases, it may be possible to obtain agreement from the platform to supply information directly

to the tax administration, although in some jurisdictions this could breach data protection requirements unless the consent of the platform user is obtained. Information can also be obtained from platforms located in other jurisdictions through individual requests for information to the relevant tax administration. However, in order to be accepted as a legitimate request, information would need to be sufficient to identify the individual taxpayer concerned or meet the criteria for group requests where applicable under international agreements. This approach will often not be very cost-effective or timely. Some tax administrations have attempted to increase the number of requests for information through web scraping techniques (i.e., techniques used to automatically extract data or collect information from the web), although this is not straightforward and the effectiveness of this approach may depend on the systems employed by the platforms.

#### **Box 7.4. Obtaining tax information directly from platforms**

The Estonian Tax and Customs Board (ETCB) has entered a cooperative agreement with two well-known ride-sharing platforms for information sharing. The platforms first ask consent from the drivers for income information to be shared with the ETCB. Where consent is given, the platforms compile the relevant data into a single file with names, personal codes and income amounts, and send this file to the ETCB before the beginning of income tax return submitting period. The ETCB prefills the natural persons' income tax returns using all relevant data. The natural person has to check the prefilled data, amend if necessary and submit the income tax return. The process is entirely electronic. The Finnish Tax Administration (FTA) has focused efforts on sharing economy platforms related to the accommodation industry, P2P lending and crowd funding activities. While domestic legislation has been effective at collecting third party data from P2P and crowd funding platforms within Finland, it cannot be applied where the platform only has a presence in a third country. The FTA has also used website scraping techniques and international administrative cooperation, including receiving data through spontaneous exchange. However, data obtained in this way has often not been complete and has faced administrative obstacles.

In Mexico, the Mexican Tax Administration (SAT) has worked with a ride-for-hire service in order to help their drivers to comply with tax regulations, including sending electronic invoices to all their customers. As part of this, the ride-for-hire service requires that a driver obtains the electronic certificate required to digitally sign invoices before registering with the platform. Drivers are able to use the platform's own systems to file and send invoices to the customers and to SAT, as well as to download them for record keeping purposes.

In Ecuador, the Ecuadorian Tax Administration has worked with a taxi company in such a way that the company will prepare, file and send each month an electronic invoice to each



passenger for their usage of the platform (their rides). In addition, each driver will prepare an electronic invoice relating to the commission they would receive from the taxi company. The Tax Administration will receive all of these invoices electronically.

#### Adopting a collaborative approach

486. In that context, there is a strong case for collective discussions between tax administrations and platforms about possibilities for obtaining access to transaction and identification data held by multi-sided platforms, particularly where they involve P2P transactions. Through the OECD's Forum on Tax Administration, 50 tax administrations have recently agreed to collaborate on such a project to be completed in 2018 which will have four components:

1. To develop a common understanding of the various types of platforms, the scale of the challenges and opportunities, and the location and accessibility of platform data.
2. Understand the approaches already applied by different tax administrations in order to increase tax compliance amongst platform users, including through education, legislative changes, and collaboration with the platforms.
3. Consider the scope of information that tax administrations would require in order to match income received from activities facilitated by the platform with the users who are tax resident in their jurisdictions. This is likely to be similar in many respects to the information required under the Common Reporting Standard where information is sent annually on financial accounts held in other jurisdictions with information allowing for the identification of the beneficial account holder in the receiving jurisdiction. Even in cases where the platform is not the payment intermediary and payments are made by another third party or between the parties to the transaction, relevant information may still be held by the platform itself.
4. Consult with some of the larger platforms with cross-border operations with a view to agreeing a common set of information which, with appropriate legal arrangements in place, could be provided by those platforms to all tax administrations in the jurisdictions in which their users are located. Such a common solution, which would likely depend on a combination of domestic legislation for the provision of data and agreements between tax authorities for spontaneous exchange, would reduce the burdens on these platforms and tax administrations which would otherwise arise should information be requested by a large number of individual tax administrations in different formats and with different periodicity. The issues to be considered would be the common set of information, a common format and transmission mechanism, a common timetable and any necessary domestic legislation.

#### Possible multilateral agreements for data exchange

487. As well as considering the range of solutions for accessing income and identification information through cooperation between tax administrations and platforms, and based on the

outcome of that work, it may be appropriate to explore further the possibility of a possible multilateral agreement between countries. Such an agreement, along the lines of the Common Reporting Standard, might require all platforms carrying out particular types of activity to provide information in a standardized format on platform users, transactions and income to the tax authority in their jurisdiction of residence for exchange, through appropriate legal gateways, to the jurisdiction of tax residency of the user. This set of information, as well as the underpinning legislation and international agreements, is likely to be broadly similar to that required under the CRS.

### **7.3. Digitalisation and tax compliance**

488. As noted above, online platforms facilitate the recording of P2P transactions that may have previously been very difficult to trace. If this information can be made available to tax authorities, it can be integrated into data matching analysis to enhance tax compliance. Technology is in fact expanding the capabilities of tax administrations in a wide range of ways, to enhance the effectiveness of compliance activities, improve taxpayer services, and reduce compliance burdens. Some of the latest developments in this regard are described below, as well as some of the potential risks arising from digitalisation.

#### ***7.3.1. Enhancing the effectiveness of tax compliance activities***

489. Recent years have seen a large increase in the amount of third party data available to tax authorities coupled with lower storage costs and advances in analytics techniques.

These data include transaction and income data, behavioural data generated from taxpayers' interactions with the tax administration, operational data on ownership, identity and location, and open source data such as social media and advertising. This data can be used as individual sources or in combination to enable partial or full reporting of taxable income and to uncover under-reporting, evasion or fraud. It can also be used to understand better taxpayer behaviour, to measure the impact of activities and to identify the most effective interventions, both proactive and reactive.

490. A growing number of tax administrations are increasingly using algorithms to review the broad range of data to which they now have access in order to more effectively define risks. These new processes are replacing some audit actions, including audit selection, and other verification checks previously performed by people. These developments are allowing tax administrations to increase the number of such verification checks which can be performed, shifting from a small percentage of returns to cover much larger proportions, in turn increasing the amount of tax revenue which is appropriately raised.

491. New technology is also being used to tackle the under-reporting of sales or the over-reporting of deductions through false invoicing, forms of tax evasion which have themselves been made easier through the use of technologies such as sales suppression software and more sophisticated tools that create forgeries. A number of tax administrations have introduced requirements for data recording software which records and secures sales data immediately at the time of a transaction, and in some cases transmits it in real time to the tax authorities. The introduction of a requirement to use such electronic data recording technology has seen VAT revenues increase by up to 20% in certain countries,<sup>3</sup> and has also led to criminal charges for tax evasion. These tools have also proven useful for business owners in providing protection from theft by employees as well as facilitating a more efficient process to meet their tax obligations.

492. Technology has also allowed for significant advances in tax transparency internationally as well as domestically, in particular through enhanced information exchange between tax administrations. The OECD's Common Reporting Standard (CRS) for the automatic exchange of financial account information (AEOI) has made available to tax authorities information on offshore transfers and accounts which was previously unknown and unknowable. Using technology available through the OECD-developed Common Transmission System, as the platform for secure bilateral exchanges of information between participating tax administrations, these exchanges now occur automatically on a periodic basis. With the large amounts of AEOI data, tax authorities must ensure it is effectively deployed, matching it with existing information sources relating to the taxpayers concerned.

#### **Box 7.5. Impact of data recording technology and electronic invoicing on the fight against tax evasion and fraud**

- In Hungary, requirements to introduce electronic cash registers saw VAT revenue increase by 15% in the targeted sectors, exceeding the cost of introducing the new system.
- In Quebec alone, more than CAD 1.2 billion has been recovered following the introduction of data recording technology in the restaurant industry. By 2018-19, this is expected to reach a total of CAD 2.1 billion.
- In Rwanda, in the two years since the introduction of electronic cash registers in March 2013, VAT collected on sales increased by 20%.
- Over EUR 500 million in risky VAT was identified over a 2 year period in the Slovak Republic following the introduction of electronic invoice data matching processes
- An additional 4.2 million micro-businesses were brought into the formal economy after Mexico introduced mandatory electronic invoicing.

- In Russia the Federal Tax Service has implemented a system that allows it to monitor VAT compliance on a nationwide basis mostly in real time, drastically reducing opportunities for fraud. The approach is based on automatic cross-matching of all VAT paid with all VAT claimed across all transacting parties. 2016 results show an increase in VAT collection over 2015 of 8.5%, while in 2014 the increase amounted to 12.2% and 16.8% respectively.

493. Taking this a step further, work is now being launched by the OECD's Forum on Tax Administration to investigate innovative approaches to the analysis of the data now available under the CRS. This includes tax authorities working together to develop a more systematic analysis of behavioural patterns relating to both onshore and offshore non-compliance/evasion, including with respect to different taxpayer segments such as individuals, small traders, and micro businesses. In time, such approaches will be able to not only detect existing tax evasion, but also pre-empt and deter these behaviours through the use of targeted tools.

### ***7.3.2. Improving taxpayer services***

494. The increase in data availability and advancements in analytics are also leading to improvements in taxpayer services. This includes identifying ways to make it easier to understand and report tax obligations, for example by use of analytics on large data sets to identify areas of uncertainty or errors in reporting, as well as to understand where guidance and communication needs to be clearer for taxpayers, or where tax administration processes may need to be redesigned. The use of such techniques can also inform behavioural insights, allowing tax administrations to more effectively use "nudge" techniques designed to alter taxpayer behaviour, to prevent for example the accumulation of tax debt by upstream engagement or to prompt taxpayers to review potential errors in tax returns by automatically drawing attention to taxpayers in comparable situations or previously received information concerning the particular taxpayer.

495. Many tax administrations are now providing self-service options for taxpayers through the introduction of mobile and web-based applications, seeking to use channels of communications that are easiest for taxpayers. Such applications can allow taxpayers to update their personal data, register for tax purposes (and other services provided by tax administrations), upload tax returns electronically and receive electronic notifications. This has been accompanied by a shift towards user-centric design in most tax administrations, which can also be integrated into broader e-government initiatives subject to data protection limitations.



496. The increase in the availability of online services for taxpayers is aimed at maintaining and building voluntary compliance against a background of heightened expectations on the part of many taxpayers in respect of the level of services and access to the tax administration. Increased self-service also requires enhanced security to protect confidential information and to minimise fraud. In this regard, a number of tax administrations are now using enhanced authentication techniques, such as multi-step verification and unique identifiers such as biometric information.

497. Given their ability to facilitate taxpayer interaction with the tax system, the piloting and roll-out of new technologies to support the delivery of more effective taxpayer services should continue to be monitored. Current efforts to compile best practice and facilitate peer-to-peer knowledge sharing between tax administrations to lift standards in taxpayer service across the globe should be reinforced, including ensuring that developing country tax administrations can both contribute to and benefit from these developments.

#### **Box 7.6. Improving taxpayer services through the use of technology**

In India, the government has built a nationwide biometric database based on fingerprints and iris scans from more than a billion residents. Those residents are issued with a 12 digit identity number which is used for security purposes in many government and private sector applications, including income tax returns.

Peru's tax administration, SUNAT, launched its first mobile app in February 2015. This provides constant tablet and cell phone access to a range of services including tax registration, invoice issuing, access to a virtual tax guide and the ability to report tax evaders.

The Danish Tax Administration (SKAT) is collaborating with software developers to embed tax-related guidance and functionality in third party accounting software solutions targeting small businesses. The long-term ambition is that transaction data flowing from banks to accounting systems should form the basis for a semi-automated process that integrates with SKAT's business processes.

#### **7.3.3. Reducing tax compliance burdens**

498. A number of tax administrations have long had processes in place to minimise the tax compliance burden for salaried employees and wage earners, including automated reporting of earnings or even withholding tax from salary and wages in regular instalments. Such approaches, which rely upon information being obtained from third parties, have also been seen to improve compliance levels. These automated compliance processes are now being further enhanced as a result of the increasing availability of data on other sources of income, which in some countries allows the comprehensive pre-filling

of tax returns. Tax administrations are increasingly looking at how such “compliance by design” approaches can be used for businesses as well as individuals.

499. In this regard, the availability of digital information and the use of technology by taxpayers is increasingly allowing tax administrations to embed tax requirements and reporting within taxpayers’ existing systems (such as accounting software and recordkeeping tools, online banking, electronic cash registers and mobile applications). Tax administrations are increasingly working with third party software providers and tax service providers as well as developing in-house solutions such as applications supporting the recording, calculation, reporting and payment of tax. Embedding compliance, including upfront verification, in the design of tax administration systems offers the opportunity to substantially reduce administrative burdens, freeing up taxpayer and tax administration resources while also improving overall compliance.

500. Burdens on taxpayers can also be reduced through increasing the efficiency and security of income and transaction reporting, and a number of tax administrations are also exploring the use of blockchain for this purpose. Blockchain is a distributed ledger technology that can be used to store any type of data, including financial transactions. By recording when a transaction occurs, the details of the transactions (e.g., transfers of the ownership of assets), and providing assurance that the relevant business rules have been met without the necessity of a centralised verification authority, blockchain offers some useful applications for tax authorities. For example, a secure method for the registration and authentication of taxpayers, or the recording of transactions (e.g., land title registers).

501. As with other types of technology, blockchain also presents some risks particularly as a result of the absence of a central rule-setting governance mechanism. Some of its applied uses, such as crypto-currencies,<sup>4</sup> may also offer a new avenue for masking the identity of those sending and receiving payments. As such, it could present new transparency risks which if unchecked may undermine progress over the last decade to tackle offshore tax evasion. More broadly, the implications of crypto-currencies for tax crime and other financial crime may be an area where further study is warranted.

502. Greater integration of government and third-party information systems, as well as more effective process design offers opportunities to reduce the compliance burden for taxpayers. As with all new technologies, it will be important to ensure that the risks, as well as the benefits are fully understood and mitigated to the extent possible. Given that many of these technologies are being deployed globally, future work that allowed tax administrations to work together to explore these issues would be a cost-efficient use of resources that would

also disseminate its benefits effectively.

#### **Box 7.7. Use of electronic data to enhance compliance**

A large number of tax administrations have already adopted pre-filled returns for some or all sources of personal income. Some jurisdictions, including Belgium, Denmark, Finland, Hungary, Iceland, Lithuania, Malaysia, Malta, Norway, Singapore and Slovenia, have adopted a “deemed acceptance” approach of pre-filled returns after the expiry of a notice period. In their most advanced form, complete pre-filled tax returns cover close to 100% of personal income taxpayers in a number of jurisdictions.

The Australian Tax Office has incorporated a tool in its mobile app which allows users to record tax deductions on the go. Using the camera on their device, taxpayers can capture receipts and use location services to record work-related car trips for vehicle deductions, eliminating the need for paper records.

The Kenya Revenue Authority introduced the iTax system in 2013. This is a web-enabled tax collection system that provides a fully integrated and automated solution for the administration of income taxes, including pay as you earn, VAT and withholding taxes. It allows taxpayers to simply update their tax registration details, file tax returns, register all tax payments and make status enquiries with real-time monitoring of their account.

#### **7.4. Emerging frontiers for tax and digitalisation**

503. The examples cited in this chapter reflect only a small sample when considering the far-reaching implications that new technologies, driven by digitalisation, could have for the whole tax system. These range from the impact of automation and artificial intelligence on the workforce, the changes that the growth of 3-D printing and augmented reality could bring to value chains, to the ability of big data and analytics to radically transform tax policy-making and compliance activities in a way that enables real-time, bespoke measures to be developed.

504. In light of the opportunities to improve taxpayer services, enhance compliance and tackle tax fraud and evasion, further work on the issues highlighted in this chapter is warranted, including on how best to assist less developed countries to realise these benefits. Initial steps have already been taken to progress some of these issues, including with respect to:

- The impact of online platforms on the changing taxable status of economic actors across different forms of employment. Namely, the shift from standard labour contracts to non-standard labour contracts, which may include the offering of labour services either as a self-employed or through a closely-held corporation.

This work will be delivered in 2019.

- Options for tax authorities to access information held by online platforms regarding the income-generating activities facilitated by such platforms. This

work will be completed in 2018. Based on its outcomes, further work could also be considered in putting in place a multilateral data exchange mechanism for information held by platforms, to be shared with tax authorities automatically on a periodic basis.

- Analysing the financial account data now available to tax authorities as a result of the CRS, to identify behavioural patterns with respect to both onshore and

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offshore non-compliance/evasion with a view to improving detection and deterrence tools for such activities. This work will be delivered in 2019.

- Developing options for measures which strike a balance between reducing the compliance burden for innovative entrants to the market, while preserving a level playing field for similar, existing activities.

505. In addition, further areas of work which could be explored as highlighted in this chapter include:

- Further develop tax policy work currently underway to assess the impact of the shift from standard to non-standard labour contracts on both revenue and the tax mix. Specifically, a global and inclusive assessment on whether such a shift is welfare improving for the overall population will be needed.
- Build on existing best practice with respect to taxpayer education to focus on situations involving online, cross-border activities to improve understanding of tax obligations and promote self-reporting for voluntary compliance.
- Peer-to-peer knowledge sharing between tax administrations to build a database of best practice and monitor new developments in the use of new technologies to improve taxpayer services.
- Analysis of how and the extent to which the integration of government and third party information systems offers opportunities but also some risks in terms of reducing the tax compliance burden on taxpayers, and consider options to mitigate the risks while effectively disseminating the benefits.
- Analysis of the risks of tax evasion posed by crypto-currency and blockchain technology more generally, and the possible solutions, such as legislative measures which require digital asset exchange platforms or other third parties to report, and/or which allow tax administrations to request information on transactions regarding digital assets such as crypto-currency as well as targeted exchange of information.

506. In each of these areas of ongoing and proposed work, it will be important to ensure that developing countries, as equal-footing members of the Inclusive Framework



on BEPS, can both contribute to and benefit from these developments, in a way that takes into account their specific constraints and environment. As appropriate, this may include working with the regional tax administration bodies, as well as the Platform for Collaboration on Tax.

507. More generally, the TFDE should continue to monitor new developments, including digital innovations, which may have implications for the effectiveness of tax systems, from policy matters through to administration, in view of the rapid degree of transformation resulting from digitalisation. An update on progress on each of these topics will also form part of the Inclusive Framework's 2020 report on tax and digitalisation.

### Notes

<sup>1</sup> The term 'gig economy' indicates a labour market characterised by the prevalence of short-term and often non-standard contracts or freelance work as opposed to permanent jobs and standard labour contracts. The term 'sharing economy' refers to a market in which assets or services are shared between private individuals, either for free or for a fee. Both the gig economy and the sharing economy have become increasingly prominent as a result of digitalisation, and in

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TAX CHALLENGES ARISING FROM DIGITALISATION – INTERIM REPORT 2018 © OECD 2018

particular, the use of the Internet, which has allowed a rapid expansion of such activities on a global scale.

<sup>2</sup> More information on the OECD's previous work on this topic can be found in the 2015 Report on (OECD/FIIAPP, 2015<sup>[1]</sup>)

<sup>3</sup> (OECD, 2017<sup>[2]</sup>)

<sup>4</sup> A crypto-currency is a digital asset used as a medium of exchange and which relies on cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets. It is a type of virtual currency, meaning a digital unit of exchange that are not backed by government-issued legal tender

## 210 | 7. SPECIAL FEATURE - BEYOND THE INTERNATIONAL TAX RULES

TAX



# INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

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# INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY



# INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

## Digital Economy - a definition

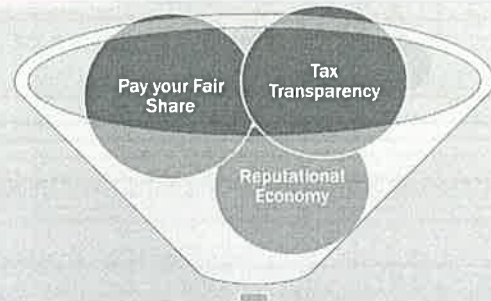
"[t]he digital economy is the result of a transformative process brought by information and communication technology (ICT) which has made technologies cheaper, more powerful, and widely standardized, improving business processes and bolstering innovation across all sectors of the economy" (OCDE, 2015)



Source: OCDE, 2015. Ver: The Paths to the Digital Economy (Background for the report) (2015) (March). 1. no. 2015. Available at: <http://www.oecd.org/digital/digital-economy/> (Accessed on 11 Apr 2018)

# INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

## Introduction

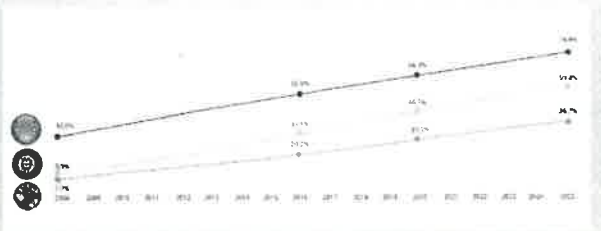


New standard of International tax cooperation

# INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

## The importance of digitalization

### Evolution of the Portuguese population buying online

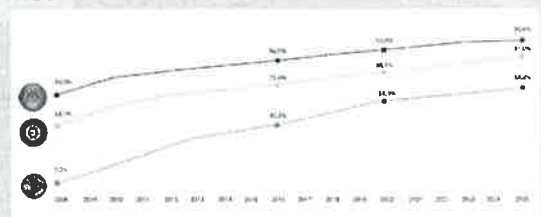


Source: ACFT, Estado Brasileiro Digital em Portugal 2017 (in Portuguese) (13 Apr 2018) Available at: <http://www.acft.gov.br/pt/estados-brasileiros-digital-em-portugal-2017/>

# INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

## The importance of digitalization

### Evolution of the Portuguese population using the Internet



Source: ACFT, Estado Brasileiro Digital em Portugal 2017 (in Portuguese) (13 Apr 2018) Available at: <http://www.acft.gov.br/pt/estados-brasileiros-digital-em-portugal-2017/>

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS opportunities in the Digital Economy

#### DIRECT TAXATION

- **Minimisation of taxation in the market country:**
  - Avoiding a taxable presence
  - Minimising the income allocable to functions, assets and risks in market jurisdictions
  - Maximising deductions in market jurisdictions
- **Choosing locations with low or no withholding tax at source**
- **Avoiding withholding tax**

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### Key Features

#### KEY FEATURES OF THE DIGITAL ECONOMY

- **Mobility**
  - Of intangibles
  - Of users and products
  - Of business functions or factors of production
- **Network effects**
- **Reliance on data**
- **Spread of multi-sided business models**
- **Tendency towards monopoly or oligopoly**
- **Volatility**

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### Project BEPS Actions

- **BEPS ISSUES RAISED BY DIGITAL ECONOMY CAN BE MINIMIZED BY IMPLEMENTING:**
  - **Action 1:** Addressing the Tax Challenges of the Digital Economy
  - **Action 3** - strengthening of CFC rules ;
  - **Action 5** - countering harmful tax practices more effectively;
  - **Action 6** - preventing treaty abuse;
  - **Action 7** - preventing the artificial avoidance of permanent establishment (PE) status;
  - **Actions 8-10** - ensuring that transfer pricing outcomes are in line with value creation.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS opportunities in the Digital Economy

#### DIRECT TAXATION

- **Eliminating or reducing tax in the intermediate country**
- **Eliminating or reducing tax in the country of residence of the ultimate parent**

#### INDIRECT TAXATION

- **Structuring of affairs so that little or no VAT is paid on remotely delivered services and intangibles.**

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

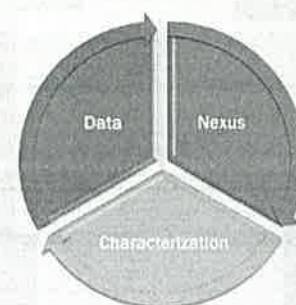
### New standard of international tax co-operation

- Acceptance of the new global tax standard, based on the automatic exchange and mandatory information;
- Align taxable profits with the economic substance that gives rise to them;
- Articulation between tax policy objectives and other objectives with fiscal relevance (fight against money laundering, terrorism and corruption);
- Protection of data;
- Potential application of defensive measures to non-cooperating jurisdictions;
- Promotion of fiscal certainty, and compliance.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### Broader Tax Challenges

#### BROADER DIRECT TAX CHALLENGES OF THE DIGITAL ECONOMY





## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in EU

#### ▪ Anti-Avoidance Directive

- **Controlled foreign company (CFC) rule**
  - to deter profit shifting to a low/no tax country;
- **Switchover rule**
  - to prevent double non-taxation of certain income
- **Exit taxation**
  - to prevent companies from avoiding tax when re-locating assets.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in EU

#### THE BEPS PROJECT AND THE EUROPEAN UNION

- Code of Conduct on business taxation
- State Aid cases
- Directive on Administrative Cooperation (DAC) :
  - DAC 1 – 5 income categories;
  - DAC 2 – Financial accounts (CRS)
  - DAC 3 – Tax rulings
  - DAC 4 – CbC reports
  - DAC 5 – Beneficial ownership
  - DAC 6 – Cross-border tax planning schemes
- VAT on business to customers digital services (MOSS)

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in EU - Digital Economy

#### The Commission has made two legislative proposals:

1. **Reform corporate tax rules** - so that profits are registered and taxed where businesses have significant interaction with users through digital channels

A digital platform will have a taxable digital presence in a taxable year (in a Member State) if:

- It exceeds €7 million revenues in a Member State
- It has more than 100,000 users in a Member State
- Over 3000 business contracts for digital services are created between the company and business users.

This proposal envisages the alignment between where digital profits are made and where they are taxed.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in EU

#### ▪ Anti-Avoidance Directive

- **Interest limitation**
  - to discourage artificial debt arrangements designed to minimise taxes.
- **General anti-abuse rule**
  - to counteract aggressive tax planning when other rules don't apply.
- **hybrid mismatches**
  - to prevent companies from exploiting national mismatches to avoid taxation.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in Portugal

Before the launch of the BEPS project, the Portuguese law already had the following provisions:

- Higher taxation of investment income from entities headquartered in non-cooperative jurisdictions;
- Exit Taxes;
- CFC rules;
- Limitations on interest deduction;
- General Anti-Abuse Clause;
- Transfer pricing rules.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in EU - Digital Economy

The Commission presented two legislative proposals:

2. **Interim Tax** - covers the main digital activities that currently escape tax altogether in the EU.

Revenues from:

- selling online advertising space;
- digital intermediary activities which allow users to interact with other users and which can facilitate the sale of goods and services between them;
- the sale of data generated from user-provided information.

A tax of 3% on revenues from these services only to apply to companies with total annual revenues over:  
€750 million worldwide and  
€50 million EU revenues



## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in Portugal

Permanent establishment	Action 7	Subject to Implementation of MLI and bilateral negotiations.
Transfer Pricing	Actions 8-10	Is in study the need of review of existent provisions.
Disclosure of aggressive tax planning	Action 12	Disclosure obligations have already been implemented
CbC reporting	Action 13	Its already implemented in Portuguese legislation
Dispute resolution	Action 14	Subject to implementation of MLI and bilateral negotiations. Minimum standard under evaluation – minor recommendations expected
Multilateral Instrument	Action 15	Signed on 7 June 2017 – impending ratification expected

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### BEPS Project in Portugal

VAT on B2C digital services	Action 1	EU VAT directive applies (MOSS)
Hybrids	Action 2	EU anti-avoidance directives apply
CFC	Action 3	Portugal already has CFC legislation
Interest deductions	Action 4	Portugal already has legislation on limitation of interest deductions
Harmful tax practices	Action 5	Portugal already amended its IP regime to comply with the nexus approach and implemented the automatic exchange of relevant tax rulings
Prevent treaty abuse	Action 6	Subject to implementation of the MLI and bilateral negotiations

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

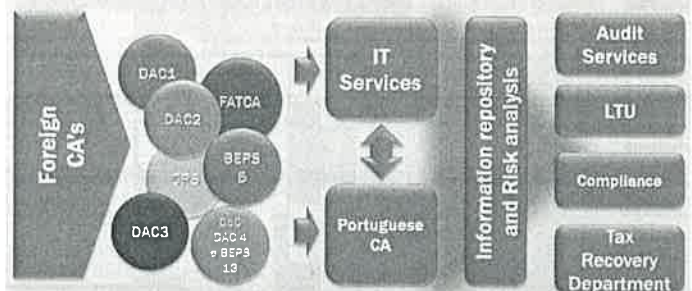
### Challenges

- Aligning taxation with value creation;
- Developing transfer pricing guidance for digital economy;
- Implementing, in coordination, an innovative tax policy.

## INTERNATIONAL COLLABORATION IN THE DIGITAL ECONOMY

### Eol in Portugal

#### THE CHALLENGE OF INFORMATION MANAGEMENT



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