Digital Services: Supporting SMEs to Get Tax Right, by the OECD Forum on Tax Administration (FTA), is the third report in the FTA’s Supporting SMEs to Get Tax Right Series. This report looks at how digital services can help SMEs comply with their tax obligations, leading to reduced burdens and increased compliance rates. In addition to a number of examples from tax administrations, the report also highlights two detailed case studies. The report was developed by the Canada Revenue Agency with the support of the Forum on Tax Administration’s Community of Interest on SMEs.
OECD Forum on Tax Administration

Digital Services

Supporting SMEs to Get Tax Right
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I am pleased to present this report "Digital Services: Supporting SMEs to Get it Right" which demonstrates how tax administrations have developed digital services to support the small and medium enterprises (SME) sector and developed services over time that help SMEs throughout their life cycle. This report is being published at a time when SMEs are looking to overcome the significant challenges they have faced as a result of the COVID-19 pandemic, such as lower sales due to a reliance on in-person traffic or periodic government-imposed closures. In many Forum on Tax Administration (FTA) member countries, tax administrations have been helping SMEs by administering government relief programs and issuing financial support payments to qualified SMEs during these difficult times.

Like most FTA countries, SMEs play an integral role in Canada’s economy, with the SME sector employing nearly 90% of the private sector workforce and generating over 50% of our GDP. Prior to the pandemic, many tax administrations were seeking to improve the service experience for taxpayers (through both digital and non-digital channels) to build trust and sustain high levels of voluntary compliance. For example, during the pandemic, the Canada Revenue Agency’s (CRA) previous investments in its digital service channels, as well as the recent adoption of a People First organisational philosophy, have been particularly important. Although our efforts have brought some success, the pandemic has nonetheless revealed areas where further digital service improvements would offer opportunities to modernize and simplify interactions.

When it comes to improving services, many decisions faced by tax administrations require finding a balance; for example, between gathering sufficient information to ensure tax compliance, while being mindful not to increase the administrative burden. The digital services evolution offers tax administrations the opportunity to satisfy the interests of all parties by creating a positive service experience for SMEs, while also assuring compliance for tax administrations.

We must apply the lessons learned from our response to COVID-19 so we can seize opportunities and continue to innovate with agile technology development, accelerated digital solutions and delivery of digital services. The COVID-19 pandemic has shown the necessity of being able to deliver services in a physically distanced world, and although there are significant advantages of digital services, the pandemic has also highlighted that we need to be mindful of those that are unable to access and use these services. While we have to establish a secure digital environment that creates value-added benefits, we must also ensure inclusion for all taxpayers.

It is my hope that through this note on Digital Services, along with the complementary Notes issued under the banner of the Enhancing Compliance and Reducing Burden FTA Project, we learn from each other’s experiences (both from before and after the pandemic) and seek to apply best practices to our country-specific circumstances. To continue this dialogue amongst tax administrations, in 2021, the Organisation for Economic Co-operation and Development (OECD) launched the SME Community of Interest (CoI) on SMEs. The CoI on SMEs has allowed interested tax administrations to participate in bilateral discussions, to present on latest developments, and to discuss new ideas and approaches.
Finally, I would like to thank all the FTA tax administrations who have provided helpful input for this note, in particular, the Nordic tax administrations for their insightful case study. I would also like to thank the officials in the Compliance Programs Branch of the CRA, namely Jennifer Ryan, Sahil Behal, Diana Hamdan and Stephanie Pashak for producing this engaging and informative report. Going forward, we look to further collaboration with FTA members to support our SMEs in their compliance obligations by providing effective digital services.

Bob Hamilton
Chair of the OECD Forum on Tax Administration
Commissioner of the Canada Revenue Agency
Foreword

*Digital Services: Supporting SMEs to get tax right* has been produced by the Organisation for Economic Cooperation and Development (OECD)'s Centre for Tax Policy and Administration (CTPA) under the auspices of the Forum on Tax Administration of the Committee on Fiscal Affairs.

It is the third in a series of reports by the OECD’s Forum on Tax Administration (FTA) on supporting small and medium sized enterprises and entrepreneurs in complying with their tax obligations while minimising both compliance burdens and wider administrative burdens.
Acknowledgements

This publication was authored by officials from the Canada Revenue Agency, and the input and assistance of officials from the FTA members represented in the Community of Interest (COI) on SMEs, many of whom also provided examples for the report. The authors are also grateful for the guidance and input from the OECD, and in particular Sonia Nicolas, Eunkyung Shin, Milton Pérez Rivera, José Puig Pimentel and the OECD CTPA Communications Team.
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<tr>
<td>AEOI</td>
<td>Automatic Exchange of Information</td>
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<td>API</td>
<td>Application Programming Interfaces</td>
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<td>ATO</td>
<td>Australian Taxation Office</td>
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<td>CoI</td>
<td>Community of Interest</td>
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<td>CRA</td>
<td>Canada Revenue Agency</td>
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<td>CRS</td>
<td>Common Reporting Standard</td>
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<td>EOIR</td>
<td>Exchange of Information on Request</td>
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<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<td>GST</td>
<td>Goods and Services Tax</td>
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<td>HMRC</td>
<td>HM Revenue and Customs</td>
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<td>HST</td>
<td>Harmonised Sales Tax</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>MTD</td>
<td>Making Tax Digital</td>
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<td>MNE</td>
<td>Multi National Enterprise</td>
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<td>NTCA</td>
<td>Netherlands Tax and Customs Administration</td>
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<td>PAYE</td>
<td>Pay As You Earn</td>
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<td>SII</td>
<td>Servicio de Impuestos Internos (Chile)</td>
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<td>SME</td>
<td>Small and Medium enterprises</td>
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<td>TIN</td>
<td>Taxpayer Identification Number</td>
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<td>UTR</td>
<td>Unique Taxpayer Reference</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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Executive summary

Small and medium enterprises are crucial to local and global economies. Members of the OECD Forum on Tax Administration have collaborated over many years on initiatives aimed at better understanding the SME sector and its needs. Most recently, this was demonstrated through the work of the SME: Enhancing Compliance and Reducing Burdens Project Group, which sought to enhance an understanding of the SME sector, while actively looking for new ways to simultaneously enhance compliance and reduce burden.

The work of this Project has now been recast into a Community of Interest on SMEs that echoes the Project’s overarching goal to gain deeper knowledge of the SME sector in order to support them in getting tax right. Specifically, the COI on SMEs will bring together tax officials from FTA member jurisdictions on a regular basis to exchange and present on latest developments in this sector, and to discuss new ideas and approaches for engaging with SMEs.

This note is one in a series of planned notes on supporting SMEs, and outlines how tax administrations have developed digital services to support the SME sector and developed services over time that help SMEs throughout their life cycle. In particular, it charts how services have evolved over the last decade, and are now on the cusp of a further revolution where tax becomes more integrated into the natural systems of SMEs. It also sets out a roadmap for how digital services can be integrated effectively into tax administration systems.

Enabling SMEs to adapt and thrive in an open environment and to participate more actively in digital transformation efforts will result in boosting economic growth and supporting inclusive globalisation, which is a key priority for governments worldwide. Ongoing discussions through the FTA’s COI on SMEs will allow tax administrations to stay informed on the latest innovations and experiences in supporting SMEs to “get tax right.”

Caveat

Tax administrations operate in varied environments, and the way in which they each administer their taxation system differs in respect to their policy and legislative environment and their administrative practice and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance. Therefore, this report and the observations it makes need to be interpreted with this in mind. Care should be taken when considering a country’s practices to fully appreciate the complex factors that have shaped a particular approach. Similarly, regard needs to be had to the distinct challenges and priorities each administration is managing.
SMEs interact with tax administrations during all stages of their lifecycle, from registration to filing and paying taxes.

The ease or difficulty of these transactions, and the overall administrative burden associated with tax compliance, often depends on the environment and segments within which SMEs do business. These segments are comprised of a wide range of businesses, from micro enterprises to related parties operating within a multinational enterprise structure, meaning that some have the infrastructure and expertise to handle their accounting and tax obligations, while others are left to navigate these potentially complex requirements on their own. To reduce burdens on SMEs, tax administrations need to fully understand the different contexts within which the SME operates.

Over the last decade, digitalisation has had a significant influence on the way citizens conduct business, with revolutions in social media, cloud computing, big data technologies and advanced analytics techniques meaning that businesses are often at the forefront of developing and providing embedded, real-time, omni-channel, on-demand, and personalised services.

These emerging technologies have the potential to greatly reduce the tax compliance burden, which SMEs can be disproportionately subjected to. However, digital adoption gaps in dealing with government are often larger in the SME sector. As SMEs are crucial to local and global economies, it is in the best interest of tax administrations and governments to more widely educate SMEs and support them to adopt new information and communication technology tools. In this respect, administrations may wish to review the 2021 OECD report Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education which contains a number of examples of business education activity (OECD, 2021[1]). Early initiatives implemented by various tax administrations have proven to be successful, demonstrating that SMEs are both willing and able to adopt digital technologies when provided with adequate support.

The tax administration context

Tax administrations rely heavily on the positive compliance attitudes of taxpayers. While many citizens will naturally adhere to the notion of good social responsibility to file and pay their taxes on time, the ongoing provision of timely and efficient services is critical to lowering the burden for SMEs and upholding the compliance mandate. Complementing these services with appropriate education and support for those who may need it is important to support voluntary compliance.

While many tax administrations continue to conduct business in person and via paper means, most have implemented a digital strategy and set a goal to increase the digitalisation of services over time. Generally speaking, an increased expansion of digital offerings, based on an understanding of the SME sector’s needs and expectations, will continue to lower burden and facilitate compliance.

Over the last number of years, digital technology and borderless economies (in addition to the platform economy), enabled by the reach of the internet and social media, have allowed SMEs to expand and work in ways never before experienced. As such, compliance challenges are arising as digitally-delivered goods have a higher likelihood of having cross-border aspects for the SME sector. This can lead to challenges for tax administrations, including the ability to detect non-compliance.
While tax administrations seek to modernise their services and compliance techniques, there is an accompanying need to address the growing security challenges around digital identity, including identity theft, but also challenges around digital identity in general, such as the ability to validate virtual identity, particularly across jurisdictions and platforms.

To address these concerns, tax administrations have little choice but to modernise their approaches, practices, and tools for building Information Technology (IT) solutions that support the digital era. Digitalising services will better support taxpayers and provide them with the high quality support that they have come to expect. Improving and increasing digital service offerings must be done while compromising neither the security of these services nor the confidentiality and integrity of taxpayer data. Using modern tools and processes will ensure a strong, secure, and responsive IT foundation. Seamless integration of IT with other business lines within the tax administration will contribute to an integrated, consistent user experience for SMEs.

The impact of the COVID-19 pandemic

At the onset of the pandemic, tax administrations were forced to close offices and move employees to remote working arrangements. Tax administrations were further required to re-prioritise their mandates and pause certain compliance activities to support SMEs during a time of increased financial distress, and to support the administration of emergency response measures. Many tax administrations published business resumption plans stating that the transition to full business resumption would be gradual and that employees would not all return to work right away.

Lockdowns forced tax administrations in many countries to limit or completely eliminate in-person services. To accommodate this new reality, tax administrations had to re-think their provision of services to taxpayers. In this way, the COVID-19 pandemic acted as a catalyst for the accelerated development and implementation of digital services.

While all businesses were affected by the COVID-19 pandemic, some SMEs have been particularly badly affected, and many lacked sufficient financial resources to sustain business operations. Many SMEs interacted more frequently with their tax administration during this time in order to claim financial relief assistance provided by their government.

In addition to grants, subsidies, and direct lending, government policy responses that assisted SMEs during this time have included deferral options for income and corporate tax, value added tax, local and property tax, and debt payments. Many countries removed interest on delayed payments, postponed enforcement measures, lowered tax rates, and waived fees. Furthermore, others suspended evictions of SMEs unable to pay rent (OECD, 2020[2]).

Focusing on the needs of SMEs given the impacts of the COVID-19 pandemic, tax administrations needed to consider new ways to conduct business, in particular with regard to functions that had previously been in-person. This included accelerating or prioritising digital projects that were already under consideration, but not implemented for reasons that may include resourcing (financial or human) or other policy and legislative considerations. In addition, many administrations developed and implemented brand new digital solutions, at unprecedented speed, in light of the sudden global crisis.

The importance of digital services

This report examines the impacts of increased digital services on both tax administrations and SME taxpayers. It sets out how providing services that are tailored to the needs of taxpayers can reduce the burden on taxpayers, and how making interactions easier for taxpayers can lead to enhanced compliance with tax obligations. The report is broken down into the following chapters:
• **Chapter 2** explores the digital journeys tax administrations have been on in developing services for SMEs;
• **Chapter 3** highlights the channels used by tax administrations to deliver digital services;
• **Chapter 4** looks at different digital services offered by tax administrations in relation to the different touchpoints SMEs have with them;
• **Chapter 5** discusses the challenges and opportunities that tax administrations face when developing digital services; and,
• **Chapter 6** identifies some of the key lessons in developing digital services for SMEs from the experience of tax administrations.

Finally, at the end of this report, there are 2 case studies. One from Canada regarding the use of digital channels to support SMEs during the COVID-19 pandemic (**Annex A**) and one regarding the Nordic Smart Government initiative (**Annex B**) which aims to simplify the lives of SMEs and help make the Nordic region the most integrated region in the world.

**References**


The past decade has seen an especially rapid advance in the transformation of the digital sphere, which has had significantly positive implications for businesses and tax administrations alike. Further contributing to the uptake of these technologies have been the high-speed broadband internet and the increasing availability of software tools which, combined with advances in artificial intelligence, means that the rapid pace of innovation has persisted and is likely to continue.

Tax administrations have been, and continue to be, impacted by digital transformation in the environments that surround them (see Figure 2.1).

**Figure 2.1. The technology environment surrounding revenue bodies**


Successive editions of the OECD Tax Administration Series (OECD, 2022[3]) have shown that digital service offerings have increased exponentially. E-filing, online payment, e-learning, electronic
communication, and online forms continued to be offered through the second half of 2010’s, during which they only became more sophisticated. The mid to late 2010s also saw advances in the areas of analytics, big data, identity security, artificial intelligence, and integration with natural systems. Analytics has been applied to tax administration in the areas of audit case selection, taxpayer service, debt management, policy, and filing and payment compliance. (OECD, 2016[i]) Big data has also been applied in numerous ways to tax administration. For example, revenue bodies have used big data to monitor value-added tax (VAT) compliance and to develop a better understanding of taxpayers’ needs. (OECD, 2016[i])

Moreover, identity security has been enhanced through the use of document, voice, and other authentication technologies to verify taxpayer identities. (OECD, 2017[iii]) Toward the end of the decade, revenue bodies also began to experiment with artificial intelligence and automation, leveraging these technologies in the creation of virtual assistants and self-help tools for taxpayers.

Finally, advances in software development have enabled the integration of tax services with the natural systems used by businesses. This has supported the Compliance by Design approach to taxation within a number of revenue bodies, for example within the Inland Revenue Authority of Singapore (see Figure 2.2).

**Figure 2.2. Integration with natural systems supporting compliance by design in Singapore**

While these trends have been consistent among most jurisdictions, each revenue body has approached digital innovation in its own way. Below are some examples of how governments have transformed their digital service offerings in the past ten years, specifically as it relates to the SME context.

**Box 2.1. Digital service growth to support SMEs**

**Finland**

The guidance model for new SMEs, developed by the Finnish Tax Administration in the latter part of the last decade, exemplifies the extent to which e-learning has evolved over the course of the decade. The multi-channel model includes a website, videos, guidance letters and newsletters. The content made available through these channels is designed to help new businesses comply with tax regulations, completely and on time.

**Netherlands**

The Netherlands Tax and Customs Administration (NTCA) was looking forward to the prospect of online bookkeeping, made possible by recent advances in cloud computing. Already, the NTCA foresaw online bookkeeping becoming the most common form of bookkeeping for SMEs and was optimistic about its ability to reduce compliance failure. The NTCA launched a project in collaboration with software developers to further this technology and work toward the automation of the administrative environment. This initiative has since evolved to support the NTCA’s compliance by design approach to tax administration.

**United Kingdom**

HM Revenue and Customs now requires businesses to keep digital records and use a specific software program to file their tax returns, in line with the programme Making Tax Digital (MTD). MTD is delivered through this software using an application programming interface to facilitate the transfer of data. As of 2020, MTD had been introduced for VAT with the goal of expanding to other taxes in the future. Originally, MTD was only mandatory for businesses whose turnover was above the VAT threshold of GBP 85 000; however, since 1 April 2022, it has become mandatory for all VAT registered businesses.

**United States**

By 2012, the Internal Revenue Service had introduced an e-learning programme for new businesses (primarily SMEs) to increase awareness of requirements and responsibilities. This virtual workshop covered topics such as federal taxes, e-payments, retirement plans, and unemployment insurance contributions. The aim of this service was to mitigate compliance risk by making businesses aware of their responsibilities upfront.

Sources: Finland (2022), Netherlands (2022), United Kingdom (2022), United States (2022).

Despite the advancements of digital services over the last decade, there remain many taxpayers, including SMEs, that have continued to use non-digital means to interact with their tax administration, whether by preference or by necessity. These in-person and paper-based methods were made more difficult in the context of COVID-19 due to office closures and postal delays, which in turn encouraged digital interactions. The uptake in digital service use has been facilitated by the concerted efforts of tax administrations to engage, inform, and assist taxpayers as needed.

Ultimately, the digital transformation that has taken place over the course of the decade has enabled leaps in innovation across all fields, including tax administration. The restrictions put in place during the COVID-19 pandemic accelerated this trend and proved the extent to which digital services are necessary.
While different approaches have been taken toward technological innovation between revenue bodies, all are putting considerable efforts into delivering and improving digital services to better support taxpayers. Chapter 3 will expand on these service offerings in greater detail.

Notes

1 Please see here for the different editions of the Tax Administration Series: https://www.oecd.org/tax/forum-on-tax-administration/database/.

References


As Chapter 2 illustrated, technology is driving innovation, both in tax administrations and in the business sector. As strides have been made in the development of portal solutions, applications, software, and websites, new methods have emerged on the cutting edge of taxpayer engagement. Other technologies, such as social media and e-learning platforms, also continue to create new opportunities for the provision of services. Figure 3.1 sets out the categories of digital channels that tax administrations use, and this chapter explores those channels in more detail, along with some examples of how tax administrations have used them.

As illustrated by the case studies in Annex A and Annex B, digital service channels provide exciting growth opportunities for SMEs in the “digital world” by helping to improve performance, spur innovation, enhance productivity and compete with large multi-national enterprises (MNEs). These opportunities and the extent to which they are being adopted by SMEs are the primary reasons why various tax administrations are looking at integration opportunities using digital service channels to both enhance compliance and reduce administrative burden for SMEs.

**Figure 3.1. Digital services channels offered by tax administrations**

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<th>Web Portals</th>
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<tr>
<td>Whole-of-government or tax-specific</td>
<td>Static, dynamic, or interactive</td>
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<th>Accessible Technologies</th>
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<th>Software</th>
<th>Other Digital Channels</th>
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<tbody>
<tr>
<td>Cloud-based or locally-stored</td>
<td>Social media, e-learning, and more</td>
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Source: Canada (2022).

**Web Portals**

Web portals bring together information from multiple inputs to create a cohesive and personalised space accessible via the worldwide web. Web portals differ from websites in that they are dynamic and user-centric; they display content that is specific to the user and the time of access. In this way, portals are designed for the audience as individuals, while websites are designed for the audience as a mass. Initially more commonly put in place for large MNEs, the increased availability of digital services has made web
portal solutions more accessible to SMEs. These portal solutions can help to maximize efficiency and connectivity, while reducing time, costs and effort. Timely access to live or personalized data from various sources provides a significant benefit to a SME. Web portals offer a cost-efficient and time-saving solution to this need, allowing SMEs to access this data, as well as customize and personalize services in a user-friendly manner based on their business needs and demands.

Web portals allow tax administrations to provide multiple personalised services to taxpayers, contained within a single space. These portals range from providing general information of interest to a SME and its operations, to more unique services specific to the SME and its dealings with the tax administration, such as details on their tax filings. Some portals used by tax administrations are whole-of-government and others are tax-specific. This choice depends on the content required to best meet the needs and obligations of taxpayers within the national context. Box 3.1 sets out some examples of web portals for SMEs from FTA member tax administrations.

### Box 3.1. Web portals

**Australia**

Sole traders can use the web portal MyTax to manage their business tax and superannuation affairs, while eligible businesses can use the Business Portal. MyTax gives sole traders the ability to lodge activity statements and file tax returns online. Currently, over 1.1 million sole traders access this service. The Business Portal is a secure online service that allows businesses to manage lodgement, update registration details, send and receive secure mail, lodge objections and request taxation rulings. Currently, of the 655 000+ businesses that access the Business Portal, over 70% are SMEs with an annual turnover less than AUD 10 million. In the future, this service will be further improved for SMEs through a greater offering of services including in-channel payment functions, the ability to set up payment plans, visibility of communication history, and a more comprehensive view of all tax obligations.

**Canada**

The Canada Revenue Agency (CRA) provides online services to SMEs through three secure portals, one of which is the “My Business Account” portal. The “My Business Account” portal offers services related to filing a variety of business returns. Through this portal, users are able to view outstanding balances, make payments, submit electronic documents, view electronic mail, submit enquiries for certain accounts, communicate with auditors via a secure channel, and print reports and documents, among other actions. Users must be authenticated to obtain access to these services and third-party representatives must be granted authority by the authenticated owner of the account. There are also multiple electronic service offerings to assist SMEs with GST/HST tax obligations. These services allow registrants to file GST/HST returns via the Internet. These services eliminate the need to mail paper returns and also speed up refunds.

**Mexico**

Three portals are available to SMEs. The first is Mis cuentas (My Accounts), which allows users to keep income and expense records to fulfil their record-keeping obligations. The second portal, Factura fácil (Easy invoice), is a password-protected electronic invoice generating service. The third portal is Nómina Mis Cuentas (Payroll My accounts). This password-protected portal allows taxpayers to receive electronic receipt for payroll payments and calculates: the withholding of Income Tax and/or employment subsidies; the employer's labour quotas bonuses; and, where appropriate, workers' entitlement to company profits.

Sources: Australia (2022), Canada (2022), Mexico (2022).
Applications

An application is a type of software package designed to perform one or more specific functions. End-users typically interact directly with the application to engage in a process or complete a task. Applications facilitate communication, information management, and data manipulation, among other activities. Applications made for desktop and laptop computers are referred to as “desktop applications,” while applications made for mobile devices such as smartphones and tablets are referred to as “mobile applications” or “apps.” Both desktop and mobile applications are used by tax administrations to provide information and facilitate business, accounting, and record-keeping functions.

As SMEs look to shift their business modes to more digital means, the use of applications are being adopted as a necessary means for business growth and to satisfy both customer and business needs. To improve brand recognition and enhance overall customer loyalty and experience, SMEs are investing in mobile applications as part of their overall growth strategy. Similarly, SMEs are expecting to receive the same type of services from their partners, particularly tax administrations. Tax administrations have developed specific applications to support taxpayer services as part of their move to digitalisation, and some examples of this are in Box 3.2.

Box 3.2. Use of applications in tax administration

Argentina

A “Mobile Billing” application was developed with many goals in mind. These goals include the expansion of voucher authorisation tools, the digitalisation of invoicing; real-time invoicing; the elimination of the costs of printing, distribution, storage, and acquisition of software for the issuer; and the integration of diverse electronic payment methods. A new fiscal controller technology is currently being developed for this application to optimise processing, registration, invoice, and data transmission. This new technology will facilitate the generation of weekly reports, even for weeks without movements or issued vouchers. These reports will relay the “Summary of Totals” and the “Electronic duplicates of vouchers”.

Australia

SMEs can use the Australian Taxation Office’s (ATO) mobile application myDeductions to capture transactions on-the-go and send information to their tax agent. Sole traders also have the option to enter information directly into their myTax online tax return. Furthermore, the ATO App provides businesses with tools and calculators such as the payment plan estimator, the tax withheld calculator, the fuel tax credit calculator, and the business performance check function. A final feature of the ATO App is its small business benchmarks, which allow owners of businesses with turnovers of up to AUD 15 million to compare their business’ performance to similar businesses in the same industry.

Peru

“Emprender SUNAT” is a mobile application developed specifically for SMEs to assist with tax compliance. This application allows business owners to monitor their business’ tax situation; generate and share returns and payment reports; conduct single taxpayer record inquiries; set alerts and/or reminders for tax obligations; and learn about tax benefits for SMEs. A second application, “Personas SUNAT,” allows users to keep track of additional, SUNAT-validated, deductible expenses of up to three (Unidad Impositiva Tributaria) UIT including rent, services, health care, hotels and restaurant meals. The UIT is a reference unit set annually by the Peruvian Ministry of Economy (MEF) to determine taxes, penalties, fines, processing fees, deductions, and others. “Personas SUNAT” also facilitates the registration and authorisation of interbank account codes. Both applications are available via Google Play and the App store.

Sources: Argentina (2022), Australia (2022), Peru (2022).
Software

Applications are just one of the many types of software that exist. Whereas end-users interact directly with application software to execute functions, other types of software support these processes by running behind the scenes and interacting with additional software programs. These types of software include system software, programming software, driver software, and network software. Some, but not all, of the software in these categories have a user interface. Software can be cloud-based or stored locally on devices.

The general availability of application software in the SME ecosystem is pushing the implementation of both unique and general software solutions, both proprietary and off-the-shelf. These software are being used to improve business efficiencies and eliminate anomalies and errors by offering integration at various different business levels. Many FTA tax administrations also offer software for a number of innovative purposes, such as the automation of record-keeping, the pre-filling of returns, and the creation and conversion of electronic files and forms. Below are some examples of software innovations in tax administrations.

Box 3.3. Use of software to support SMEs

Australia

The ATO is implementing a Single Touch Payroll (STP) reporting initiative through which employers can report their employees’ income, tax withheld, and superannuation obligations in real time. STP uses an Application Programming Interface (API) to extract information from employers’ payroll solutions and make it available to both employees and employers through the ATO’s online portals. This information is used to pre-fill employees’ annual tax returns, which removes employers’ obligation to issue an annual payment summary to the employee and report it to the ATO. STP also pre-fills employers’ Business Activity Statements to facilitate the remittance of withholding amounts withheld from the employee’s salary and wages.

Chile

In Chile, the Servicio de Impuestos Internos (SII) provides SMEs with free access to a cloud-based income tax accounting software called “Contabilidad Mipyme Completa,” which is also available in a simplified version. Both versions of this software support bookkeeping for commercial transactions; provide access to financial statements and accounting reports; and connections with other SII accounting software, such as the transaction-based system “sales and acquisitions electronic register” (SAER). SAER obtains information from validated documents to automatically update VAT returns. This helps businesses to fulfill their record-keeping obligations and results in fewer errors and inconsistencies. SAER also allows the SII to provide businesses with pre-filled VAT return forms, thus simplifying the return process. SAER has been crucial to the tax audit process due to its ability to facilitate risk assessment through automatic data cross matching. This technology has had an especially high adoption rate in the SME sector.

Poland

All active VAT taxpayers are obliged to keep electronic records of purchases and sales and report this information via the Standard Audit File for Tax (SAF-T). Various free tools are offered to help taxpayers fulfill this obligation. One tool, “E-mikrofirma,” was designed for sole proprietorships, especially those without professional accounting assistance. “E-mikrofirma” is offered as a web tool. This tool allows business owners to create records relevant to VAT and submit to the authorities. Another tool, “Klient JPK 2.0,” is used to send records of purchases and sales to XML files and to send these files to the Ministry of Finance. It also allows users to sign a file and to check the status of the uploaded file with the reference number received. The application can be used by all groups of taxpayers.

Sources: Australia, (2022), Chile (2022), Poland (2022).
Websites

With the rapid adoption of technology, the use of websites has become more prominent among SMEs. Many tax administrations use websites to provide taxpayers (including SMEs) with information and support related to matters of business and tax. In this way, websites are used as a means of communication, which can be seen in the examples below.

Box 3.4. Country examples of using websites to support SMEs

Argentina

Educational and business support for SMEs is provided by the Ministry of Production through the “World SME” website. Through this website, the Ministry of Labour and Production and the Secretary of Entrepreneurs and SMEs offer a virtual academy, advice for the completion of procedures, and information on loans. “World SME” also features a Chatbot with machine learning technology. New technologies such as biometrics, big data, and blockchain are currently being implemented to improve identification and registration functionalities.

Australia

In Australia, the “Small Business Newsroom” website is a popular support channel for SMEs. The Small Business Newsroom offers many tools to SMEs including the Business Viability Assessment tool, which SME business owners can use to help to determine whether their business is viable. The assessment considers a range of information that is linked to the financial performance and position of a business, such as a business’s ability to pay its outstanding debts while meeting its ongoing commitments to creditors. Another tool is the Employee / Contractor Decision tool. This tool was designed to help SMEs and new employers determine whether a worker is an employee or a contractor for tax and superannuation purposes. Finally, the Payment Plan Estimator helps individuals and SMEs determine an affordable payment plan for their circumstances.

Singapore

The web-based and mobile-compatible “GST Registration Calculator” enables businesses to determine whether they are required to register for GST based on the new rules. The calculator is intuitive and simple to use; businesses only need to select their relevant sources of income (e.g. selling goods or providing services) and enter their income figures. The calculator determines which sources of income are to be included as taxable turnover and directs those with taxable turnover exceeding $1 million to myTax Portal to submit their registration application.

Sources: Argentina (2022), Australia (2022), Singapore (2022).

Accessible Technologies

Taxpayers are diverse and have differing needs, and this extends from the context of traditional services to the digital realm. Accessible technologies make digital services usable by as many taxpayers as possible. These technologies are especially useful for individuals who use digital services and have: visual, auditory, physical, speech, cognitive, language, or learning disabilities; limited Internet bandwidth; or other reasons to use accessible technologies. Such technologies include screen readers for those that are unable to see, or software that can change colours, contrasts or zoom-in/out for those that are colour-blind or have low vision. Recognizing these diverse needs, more and more SMEs are implementing accessible technologies to service not only their customer needs, but also support the accessibility needs of their employees and reduce legal risks.
To assist those taxpayers and SMEs, administrations can optimise their websites for the use of such technologies and offer other accessibility features, such as providing subtitles in videos or providing content in sign-language format. As a result, many owners of SMEs would be able to better fulfil their tax obligations. Further, it can be expected that it would significantly increase taxpayer satisfaction ratings among this group of taxpayers. Below are some examples of how tax administrations have made digital services more accessible to SMEs.

**Box 3.5. Accessible Technologies**

**Australia**

The ATO website is optimised for use with screen readers, magnifiers, navigation switches, and speech recognition software. Furthermore, the ATO website uses a responsive design that automatically fits content to all sizes of screens.

**Canada**

All forms, publications, and personalised correspondence are available to SMEs in the following alternate digital formats: MP3 digital audio; electronic text (readable with screen reading software); and large print (18-point type). Individuals can request alternate formats through their CRA My Business Account or by submitting an online form. Individuals can also communicate with the CRA through a teletypewriter phone line.

**Mexico**

All images, videos, hyperlinks, icons, and buttons are accompanied by equivalent machine-readable text descriptions. Moreover, all forms include clear descriptions of what is required from SME taxpayers. Users can also reduce or stop the motion of all moving Web content.

**United Kingdom**

SME users are able to change the colours, contrast levels, fonts, and text sizes of documents and forms for ease of access, and most forms can be navigated entirely using keyboard functions.

**United States**

Videos in American Sign Language are provided to explain many concepts and procedures related to SME taxation. The United States Internal Revenue Service also offers Braille-ready files which can be displayed on a Braille embosser, printed on a Braille printer, or spoken aloud by certain software programs.

Source: Australia (2022), Canada (2022), Mexico (2022), United Kingdom (2022), United States (2022).

**Other Digital Channels**

Digital innovation is by no means limited to the categories mentioned above; tax administrations are developing a wide array of approaches to support compliance and reduce the burden on SMEs. These approaches include e-learning platforms, the use of social media, and online information centres, to list a few. It is predicted that digital innovation will become increasingly diversified as time progresses. Below are some examples of other digital channel innovation that build on these approaches.
As this chapter has highlighted, tax administrations have a wide range of digital approaches available to them to support SMEs. To ensure that the right approach is used at the right point in the SME journey can be challenging, and needs to be carefully considered. This is explored in the next chapter.
4 Delivering digital services

Building digital services to support SMEs can be a complex process. One tool that can help guide that journey is a digital touchpoint Roadmap that can guide tax administrations by examining the different touchpoints SMEs have with tax administrations and identifying where changes can improve those interactions. Based upon the experiences of FTA COI members, Figure 4.1 illustrates such a roadmap, and this chapter explores the new tools and digital services that have been developed to support this roadmap for SMEs.

Figure 4.1. Digital touchpoints roadmap for SMEs

![Roadmap Diagram]

Source: Canada (2022).

Taxpayer Assistance/Enquiries

The first touchpoint in the Roadmap is taxpayer assistance and enquiries. In this area, tax administrations provide SMEs with the information required to understand and meet their obligations. This ranges from global information to case-specific information and can be provided on a one-to-one or one-to-many basis. This touchpoint is of special importance to new SMEs who strive to comply with regulations but might be unsure of their obligations. Tax administrations have deployed numerous techniques to deliver information and assistance to SME taxpayers digitally:

- **Social media** feeds are leveraged to communicate general information to taxpayers, while direct messaging functions are used to answer questions and direct taxpayers to other sources of information relevant to the enquiry.
Websites are also used to explain procedures and obligations and to direct taxpayers to other relevant channels and tools, and often include online tools and calculators to allow taxpayers to assess their situation and understand how best to comply with obligations. These can include web chat functions to allow taxpayers to interact with live agents via the web. Web portals are also being developed that bring together multiple sources and forms of assistance for taxpayers including tools, calculators, e-learning programmes, data and statistics, and communication channels.

E-learning platforms educate taxpayers about various topics relevant to their specific tax situation. For example, many tax administrations have developed e-learning programmes directed at new businesses and SMEs. These can be supported by digital newsletters which update taxpayers on upcoming deadlines and on changes to tax legislation.

Phone lines, call centres, and Voice Over Internet Protocols continue to be a core area of support for SMEs wishing to make an enquiry via oral communication at a distance from the nearest tax office. This can be augmented with co-browsing to allow taxpayers to share their screen with an agent. This can bring clarity to enquiries and allow for visual explanations and demonstrations of complex processes.

Information made available through intermediaries such as financial institutions and trade schools can serve to reinforce the information provided by tax administrations.

Taken together, these means remove many barriers when assisting taxpayers and contributes to SMEs better understanding their responsibilities and increases the likelihood of compliance.

Registration and Verification

The second touchpoint in the Roadmap for SMEs is registration and verification. This area encompasses all activities involved in the registration process, including verification measures taken to ensure that the registration details provided are correct. This touchpoint is essential to the early stages of the business lifecycle.

Registration is completed via diverse channels across tax administrations. Many jurisdictions allow taxpayers to self-register a new business via phone, mail, or fax; however, online registration is generally preferred. Online registration can be completed through applications, web forms, and portals. Registration is moving toward a whole-of-government approach in many jurisdictions. This simplifies the registration process by allowing taxpayers to provide their information once in a centralised location, rather than multiple times to different government agencies.

Whereas taxpayers were previously required to verify their identity in person, technology is making it so that this is no longer necessary. Various means are being engineered to digitally identify and authenticate business owners upon registration, including single digital identifiers, geo-location, block chain, biometrics, retina scans, and voice recognition.

Upon receiving registrations, tax administrations and other government agencies have multiple technological tools at their disposal to verify that the information provided by registrants is accurate. These tools include:

- **Big data** from various third-party sources including financial institutions, insurance companies, immovable property sales, international sources, and unstructured data concerning the taxpayer contained in emails, texts, and social media;
- **Data crosschecking** between the information provided and information previously provided to complementary government agencies; and
- **Application Programming Interfaces** which automatically draw data from third part sources (such as banks or other areas of government).
Ultimately, digital technologies have the capacity to greatly reduce the administrative burdens related to the registration of SMEs, which combined with greater compliance checks makes it easier for businesses to be compliant and harder to operate in the shadow economy.

Assessment

The third touchpoint in the Roadmap is assessment. Assessment activities include filing returns and making payments. Digital service offerings that facilitate assessment are especially advantageous for SMEs because they face a disproportionate compliance burden compared to larger firms.

While some tax administrations still accept mail returns, all are moving toward e-filing, with some already requiring it from some or all businesses. E-filing is most often accomplished through Web portals or application software.

Digital strategies are also leveraged to remind taxpayers to file their returns on time. These strategies include phone calls, emails, and text messages. Some applications offered by tax administrations allow users to set reminders and alerts for deadlines.

To eliminate the need for reminders, some tax administrations have initiated programmes that integrate reporting with the natural systems used by taxpayers. Where these natural systems record the information needed for tax reporting purposes, it can be a significant simplification to have that information automatically transmitted to the tax administrations’ IT systems. This process is facilitated through application programming interfaces (APIs). This direct transmission of tax relevant information to the tax administration can result in burden reductions when used, for example, for the pre-filling of tax returns.

As filing has become increasingly digital, so too have payment methods. Like mandatory e-filing, many tax administrations require some or all businesses to make payments electronically, through in-channel payment methods, third-party service providers, and cloud payment systems.

Compliance Verification and Audit

The fourth touchpoint is compliance verification and audit. This area includes activities that promote compliance and address non-compliance.

Early engagement with SMEs is key in the proactive promotion of compliance, as the aim of these strategies is to reduce the number of non-compliant cases before they occur.

Digital technologies are instrumental to achieving this goal and include:

- **Cognitive systems** that leverage artificial intelligence to assess unstructured text to gain insights and inform decision-making processes. Tax administrations use cognitive systems in two ways: first, to predict potential cases of non-compliance; and second to develop a better understanding of taxpayer attitudes and behaviours in order to create services that meet their needs.

- **Prescriptive analytics** that uses causal reasoning to help tax administrations compare the outcomes of potential courses of action and determine the best option to drive compliance.

- **Business intelligence** that analyses data to provide past, present, and future insights. Business intelligence can help businesses to reduce compliance risks by centralizing data and facilitating error detection.

- **Counter-suppression tools** such as fiscal control units, electronic fiscal devices, fiscal memory devices, sales data controllers and sales recording modules record electronic sales transactions to prevent deliberate non-compliance through suppression.
Active collaboration with SMEs during the development and improvement of these services ensures that tax administrations are creating user-friendly end products. Tax administrations accomplish this through user product testing, surveys, and feedback channels embedded in services.

Tax administrations also leverage digital solutions to detect and address cases of non-compliance. Risk models are preferred over random selection because they are more time and cost-efficient. Many technologies facilitate risk modelling through:

- **Tax-integrated electronic invoicing** which enables real-time auditing through the automation of compliance tests and the enhancement of risk assessment. Electronic invoicing can potentially benefit SMEs by reducing administrative burden and manual errors.

- **Expert systems and automated risk profiling** that rely on artificial intelligence to mimic expert judgement and behaviour. Tax administrations use expert systems to perform pre-audit functions and identify cases that might require further attention.

- **Real-time analytics** which extracts data as it becomes available and **batch analytics** extracts data at predetermined intervals. Analytics is useful to tax administrations because it can help to identify risk indicators in real time or at a specific time. **Predictive analytics** can be used to anticipate future risk.

- **Automated interventions** that are machine actions implemented by tax administrations to address specific risks. An example of an automated intervention is the automatic denial of a claim where certain conditions are not met.

- **Big data** to inform audit selection through risk profiling and data cross matching. Sources of third-party data include financial institutions, payment service providers, insurance companies, VAT invoices, contractors, suppliers, international agencies, other government agencies, and sources of unstructured data concerning the taxpayer (for example emails, texts, social media, and records of business appointments). Internal sources of data include the taxpayer’s history, company status, and compliance with other tax regulations. The increase in online interactions and transactions has made it so that records from these sources are more easily accessible and comparable.

These digital technologies have diversified information sources, sped up interventions, automated simple interventions, and conserved resources. (OECD, 2017[7]) All of this contributes to the effective and efficient promotion of compliance and remediation of non-compliance with SMEs.

**Dispute Resolution**

The fifth touchpoint in the SME Roadmap is dispute resolution. This area encompasses services offerings related to appeal and objection processes and the associated actions taken by tax administrations. As the assessment and verification steps have become increasingly digitalised, it is logical that dispute resolution has followed suit.

While the appeals agencies within certain tax administrations still rely on mail for the appeal process, others have introduced various digital technologies such as:

- **Web portals** which are used by many appeals agencies as a convenient way for taxpayers to lodge objections, request taxation rulings, communicate with auditors, and view the status of a case.

- **Online forms** that can simplify the dispute process for both the taxpayer and the appeals agency. Online forms are also a convenient, time-efficient, and secure way for taxpayers to launch a dispute. They also ensure that the information contained in the form is legible through the elimination of handwriting.
• **Digital communication** between the appeals agency, tax administration, courts, and other public agencies which is essential to effective dispute resolution. Information often shared between agencies includes the initial submission of an objection; requests for files and records; invitations to meetings and hearings; internal information related to decisions; communications with the taxpayer; and data on the activities of the agency for auditing and accountability purposes. Digital technologies accelerate the sharing of this information and ensure its completeness and integrity.

Each of these technologies has advanced the processes for launching and solving disputes between taxpayers and tax administrations. In particular it can help with the accessibility of dispute mechanisms, as it can make them open to SMEs without the need for expensive legal advice. More on the use of technology as part of the dispute resolution process can be found in Chapter 6 of the 2019 report by the World Bank Group *The Administrative Review Process for Tax Disputes: Tax Objections and Appeals in Latin America and the Caribbean - A Toolkit (English)* (World Bank Group, 2019[8]).

**Collections**

The sixth touchpoint depicted in the Roadmap is collections. This final touchpoint encompasses actions taken by tax administrations to collect outstanding debts from taxpayers. In addition to traditional payment methods, tax administrations are increasingly accepting electronic methods of payment. Digital tools are used to support electronic payment, and **Digital Payment Orders** can be sent to debtors with tax arrears to instruct the debtor to make a payment. **Portals, applications, and dashboards** make the status of debts and payments easily visible, and easier for SMEs to understand.

Finally, in the case of non-payment, tax administrations use digital technologies to identify assets against which debt can be recovered (OECD, 2019[9]):

• **Predictive analytics** are used to prioritise cases according to complexity and likelihood of repayment within a given amount of time.

• **Whole-of-government approaches** to debt collection can make tax administrations aware of any refunds owed to the debtor by other public administrations and claim them to offset tax arrears.

• **Big data analytics** can be used to automatically identify other assets against which debt can be recovered and advise of the recovery measure with the least negative consequences for the taxpayer.

Each of these digital strategies make collections activities a smoother process more comfortable for both the tax administration and the taxpayer.

**Application of the roadmap: the Canadian Context**

The Canada Revenue Agency (CRA) has applied the principles of this Roadmap to its interactions with SMEs, and as a result, three secure online portals form the cornerstone of the CRA’s delivery of digital services to SMEs. Through these online portals, taxpayers can access services and complete the actions associated with each of the Roadmap’s touchpoints.

The first portal, “My Account,” grants taxpayers access to services that allow them to view their personal income tax and benefit information, apply for benefits, apply for certain tax credits, and manage their tax matters online. The second, “My Business Account” allows businesses to access their accounts online which gives visibility to a range of taxes such as payroll, corporation income taxes, excise taxes, excise duties and other levies accounts online. The third portal, “Represent a Client” provides secure and controlled online access to both individual and business tax information. Once registered, representatives can be authorised to access their clients’ tax information online.
CRA digital services are constantly evolving to support taxpayer interactions and streamline processes. Following extensive User Experience (UX) design and testing, the CRA launched a completely redesigned “My Account” in October 2018, which was followed by a redesigned “My Business Account” in 2019.

Taxpayer feedback is used to help design and deliver digital services that meet the current and future needs of Canadians. In 2017, the CRA launched exit surveys on the “My Account,” “My Business Account” and “Represent a Client” portals to gather feedback on the digital service experience of users. The surveys are part of the CRA’s Service Management Strategy, forming part of the Agency wide Service Feedback Mechanism. As of 31 March 2021, more than 440 000 taxpayers completed surveys, with over 80% of taxpayers indicating they are satisfied with their experience in the secure online portals. Of the 124 000 surveys received about “My Business Account,” over 80% of respondents indicated that they are satisfied with their experience.

In the development and improvement of these services, the CRA has paid special attention to the security and integrity of personal and business data to reduce exposure to internal and external cyber threats. One fraud prevention measure that has been put in place for “My Business Account” allows users to sign up to receive email notifications when important changes are made to their accounts. Launched in February 2019, there have been over 14.2 million registrations for email notifications. The CRA also added a multi-factor authentication feature to the login process for these services. When prompted to enrol in the multi-factor authentication service, users provide a cell or landline phone number. A one-time passcode is sent via text message or landline to the phone number provided, which users must input to gain access to online services.

References


As previous chapters have shown, the taxation landscape has been changing, enabled by the provision of digital services by tax administrations to meet the ongoing needs of their taxpayers. As a result, tax administrations have undergone a journey of transforming programmes and services to better meet the needs and expectations of SMEs, who form the core of most of the world’s economies. Recognizing their importance, tax administrations have paid particular attention to concerns facing SMEs, notably the costs, time, and effort associated with compliance. Addressing these concerns presents both challenges and opportunities for tax administrations.

Challenges

Like any new service, developing digital services to meet the needs and expectations of the SME sector is often challenging. Tax administrations report that the two most frequent and significant challenges are data protection and engagement with SMEs (see Figure 5.1), which are explored below.

Figure 5.1. Challenges associated with digital innovation

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Solutions</th>
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<tbody>
<tr>
<td>Data Protection</td>
<td>• Skills, awareness, and resources</td>
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<td></td>
<td>• Robust IT infrastructure</td>
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<td></td>
<td>• Risk assessment methodologies</td>
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<td>• Collaboration among tax administrations</td>
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<td>Engagement</td>
<td>• Increased awareness</td>
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<td></td>
<td>• Accessible technologies</td>
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<td></td>
<td>• Targeted education strategy</td>
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<tr>
<td></td>
<td>• Alternate engagement options</td>
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</table>

Source: Canada (2022).

Data protection

Data protection and data security are essential to ensuring services are both trusted by SMEs and protect the reputation of the tax administration. Both SMEs and tax administrations are especially vulnerable in these areas. SMEs can be more prone to cyberattacks than larger enterprises should resourcing constraints result in underdeveloped digital security management practices. As shown in the 2021 OECD report *The Digital Transformation of SMEs* smaller firms implement digital security measures less often. (OECD, 2021[10]) One of the reasons for SMEs investing in such measures less than large MNEs is that they generally do not work in highly regulated industries which may specify certain standard and policies regulating their business operations. SMEs may see these investments as a financial burden which may inhibit investments in growth opportunities. Digitalisation trends, however, coupled with negative public
Attention surrounding data breaches are presenting SMEs with an opportunity to revisit the emphasis they place on data protection. Skills, awareness, and technological resources can help to combat this risk. Sound data privacy standards also offer SMEs a competitive advantage to others, helping them to differentiate themselves from their competitors.

SMEs, like all taxpayers, place their trust in tax administrations to protect their information from unauthorized access or disclosure and to ensure that its services are delivered securely and without interruption. That trust is crucial to promoting their compliance with their tax obligations. Tax administrations have sought to expand their use of innovative technology—including data science/analytics, behavioural insights, artificial intelligence/ machine learning, process automation, and digital identification—to combat these risks. Robust IT infrastructure and sound risk assessment methodologies also help to identify non-compliance and execute the appropriate resulting intervention. To reinforce public confidence in their data protection practices, tax administrations can look to communicate to their SME taxpayer base the emphasis they place on data protection, the various elements of data they gather, as well as its intended purpose. The way data is collected, transmitted and received by tax administrations has a crucial role in increasing taxpayers’ trust in the tax administrations, and ultimately in enhancing compliance.

**Box 5.1. Data Protection**

**Canada**

The CRA is one of the largest holders of personal information in the Government of Canada. Making sure this personal information is properly managed and protected is one of its top priorities. To meet their expectations, the CRA takes the necessary measures to protect personal information, enable the appropriate management of data and drive employee responsibility for privacy and confidentiality. The CRA publishes its privacy framework on its external website and regularly communicates its commitment to privacy and confidentiality to its taxpayer base.

Another means by which tax administrations are contributing to this challenge is by dedicating resources within their departments committed to upholding privacy laws and standards. The Chief Privacy Officer (CPO) within the CRA operates as the privacy champion and is responsible for defining, executing on and maintaining the Privacy Commitment of the CRA. The role of the CPO is to ensure that the CRA’s respect for privacy is reinforced and strengthened.

Source: Canada (2020).

**Engagement**

As the earlier chapter highlighted, another issue for tax administrations is that simply offering digital options to SMEs is not sufficient; there are still firms within the sector who do not have the means or knowledge to access and use online services. With a goal of digital inclusion, tax administrations should support all SMEs, particularly those that may be digitally challenged and those that are hesitant to adopt digital services.

In developing digital services, which can be expensive and complex to design and implement, engagement with SMEs is crucial. This involves understanding the wider SME environment, constraints and possible opportunities, and should involve direct engagement with SMEs from different sectors as well as representative bodies, agents and intermediaries. Increasing awareness of digital services will succeed through engagement with the SME sector. This intelligence will also provide tax administrations with an
opportunity to increase SME awareness of the services they offer in a manner and forum most convenient to SMEs. Given SME adoption of digital services, tax administrations can look to leverage these channels to implement tailored communication strategies to educate SMEs. Use of accessible technologies will ensure that engagement efforts can reach all taxpayers, regardless of ability.

The 2021 OECD note *Tax Administration: Digital Resilience in the COVID-19 Environment* showed that the sudden shift to digital services as a result of the COVID-19 pandemic has caused burden for taxpayers who may be digitally challenged or have special needs (OECD, 2021[11]). While some administrations were able to address those challenges through special provisions, such as telephone services, it remains important for all administrations to consider targeted education strategies for this portion of the sector.

**Opportunities**

As mentioned earlier, digital services were helpful to tax administrations in dealing with the challenges presented by the COVID-19 pandemic, and indeed accelerated their adoption. The pandemic has also provided tax administrations with the opportunity to learn from the agile processes used to quickly improve services during this time. This momentum can be continued if tax administrations implement emerging best practices in the post-pandemic world. It is also important to prioritise addressing these opportunities as SMEs look to leverage digital services to grow their business operations and keep pace with the needs and demands of their partners (other SMEs, customers) within their ecosystem.

**Enhanced compliance**

Many tax administrations have leveraged digital service options to reduce SME compliance burden. Digital services present an opportunity to embed compliance obligations related to taxation in everyday business processes, which not only increases compliance, but also lowers the costs for SMEs to comply. Integration of tax administration processes within a business’ operations is critical to achieving seamless taxation. Digital services are allowing tax administrations to provide more timely support to SMEs, and it is important to ensure that information to support these services, including information needed to be compliant, is accessible and understood by the SME sector. Therefore, promoting digital services, educating SMEs on how to use them, and supporting SMEs with their tax obligations is vital to success in both enhancing compliance and reducing the administrative burden. In order to effectively achieve this goal, tax administrations should ensure that they are aware of the SME ecosystem. Such awareness can be increased through regular engagement with SMEs.

**Collaboration**

The future of digital tax administration includes looking outside the boundaries of government to find opportunities to develop, improve, and deliver digital services to SMEs. Engaging with trusted stakeholders, such as financial institutions, to provide services and messaging could help reach the SME sector in spaces where they are already interacting. Partnership with both private and government organisations, allows for efficiency gains within tax administrations, as well as provides SMEs with consistency in benefits they receive from digital services.

A future where digital services may be voluntary, mandatory, or a mix of both, can be supported by both tax policies and incentives. For example, a government may proactively provide filing software free of charge so that SMEs can file electronically without incurring the cost of the required software. Alternatively, governments may provide incentives, such as tax credits, to those who use a pre-approved software that is compatible with government systems.

An alternative could be to partner with private sector organisations by providing them the guidance and framework within which they can develop and deliver digital services. Such a partnership can prove useful
as software developers routinely update their offerings to keep pace with government priorities and changes in approaches. Governments need to be flexible and open if they are to be successful in increasing digital uptake and meeting the needs and expectations of the SME sector. Trends towards digitalisation require alternative approaches to be considered, with a goal to support SMEs in reducing their burden and enhancing their compliance with tax obligations.

From these challenges, we can draw lessons and highlight best practices for the development of digital services by tax administrations for SMEs. These are explored in chapter 6.

References


6 Lessons Learned

The pandemic demonstrated the crucial importance of digital services in delivering and administering a tax administration’s mandate. SMEs previously non-reliant on digital services were forced to become dependent on them, as digitalisation became the new normal in business operations. These past years have proved insightful for tax administrations, helping them gain a better appreciation of the benefits of digital services. It is important that these lessons are identified and considered as tax administrations continue to evolve.

To ensure tax administrations are achieving maximum efficiencies from their decisions and actions, they must also continue to learn and adapt to the ever-changing SME landscape. As this report has set out, the landscape of the SME sector is constantly evolving, and tax administrations need to keep pace. This report has outlined many practical and successful ways that tax administrations are using digital services to enhance compliance and reduce burdens within the SME segment. This chapter highlights some of the key learnings identified by tax administrations as they have successfully implemented these services, which are highlighted in Figure 6.1.

Figure 6.1. Key learning

Collaborate Internationally
Institutionalize Relationships
Target Communication
Best Practices
Leverage Data
Strengthen IT Infrastructure
Expand Compliance Approaches

Source: Canada (2022).

Collaborate internationally

Emerging digital technologies provide SMEs with an opportunity to transcend boundaries with a view to expanding their operations. These technologies facilitate borderless economies and have allowed SMEs to expand in ways never possible before. They can also provide low-cost solutions to expand business operations and reduce costs associated with typical global expansion such as transportation and border operations. This trend is only expected to accelerate, as are the associated compliance challenges. International collaboration, including the adoption of global standards, will enable digital compliance while reducing the burden for SMEs conducting business across jurisdictions. SMEs like any other taxpayer
value certainty and uniformity in approaches. As SMEs push global boundaries, the idea of having similar approaches among the various tax administrations they interact with can support their expansion.

International collaboration also allows tax administrations to share best practices and lessons learned, capitalizing on experiences of other tax administrations and their experiences. The key learnings identified in this chapter provide meaningful conversation topics for tax administrations, capitalising on existing forums that allow these conversations, such as various FTA sponsored groups.

These can also help gather feedback of software associations and SME-centred stakeholder associations, through coordinated direct engagements.

FTA members can benefit from institutionalizing relationships through the COI on SMEs, a forum where tax administrations can share their experiences and best practices, as well as discuss challenges when it comes to leveraging digital services to increase compliance in the SME sector. The COI on SMEs can also be used to get feedback from software associations and SME-centred stakeholder associations. This can be achieved through direct engagements such as speaking panels at COI on SMEs meetings.

**Target communication**

SMEs range in sizes and business needs and are a very heterogeneous group, pointing to the value of targeted communication to best achieve tax administration objectives. Targeted communication with the SME segment helps to support positive compliance attitudes, manage compliance risks, provide education, and promote digital services. A strong, well-coordinated, and ongoing stakeholder engagement will be important to keep a finger on the pulse of the evolving nature of the SME segment and its ever-changing needs. It is critical that engagement is continuous so approaches by tax administrations can evolve and keep pace with changing needs and demands of SMEs. Examples to obtain this continuous feedback can range from targeted focus groups and survey research conducted by third parties, to analysis of impacts of communication products. The latter can encompass analysing web trends such as hits on websites, or re-tweets to online posts on social media channels such as Twitter.

A strategic approach will provide tax administrations with the opportunity to educate this segment, while gleaning valuable insights. The promotion of digital services and engaging SMEs on their use and efficacy will also enable SMEs to participate more actively in digital transformation efforts, resulting in further economic growth and support of inclusive globalisation, which is a key priority for governments worldwide. As stated earlier in the report, it is important that a wide array of communication forums be leveraged to communicate with SMEs given their wide variety. The needs for SMEs are unique and does not fit a one-size-all approach. The use of various communication products such as webpages, mobile apps and communication through social media maximises the potential of success.

**Leverage data**

Tax administrations worldwide are recognizing the importance of advanced analytics. This recognition has led to tax administrations investing in the establishment and continued enhancement of operations dedicated to improving advanced analytics functions. Results from analytics is helping inform decision making within tax administrations, from investments in new programs and services, to changes in policies and legislation.

Data and predictive modelling may also be used to better identify risk and compliance issues. Many tax administrations are using behavioural insights and analytics to better understand taxpayer behaviour and then use these insights to design practical policies, tools, and interventions. This intersection between data and analytics, digital services, and behavioural insights and design is key to enhancing compliance and reducing burden for the SME sector. Recognizing the importance of leveraging data, tax administrations...
are also looking at building multi-disciplinary teams, including hiring behavioural experts and data specialists to support the more conventional workforce such as tax specialists.

**Expand compliance approaches**

Most tax administrations look for compliance by design approaches to help maximise compliance. Such an approach looks to exploit developments in technology and the ways in which businesses, particularly SMEs, organise themselves to incorporate tax compliance into the systems they use to manage their tax affairs. Such an approach places the SME at the centre of the ecosystem with tax administrations leveraging off their ecosystem rather than driving it. Following this philosophy allows tax administrations to tailor its processes to meet the needs of the SME, while at the same time ensuring its compliance mandate is upheld.

Many tax administrations are expanding their collaboration with software developers to make it easier for smaller businesses to enter pay-as-you-earn type arrangements; and through the introduction of secure chains of information, for example e-invoicing and electronic cash registers. In addition, there are opportunities for tax administrations to incentivise the use of digital services, or to partner with institutions outside of government to engage with SMEs in the digital space and facilitate compliance within the sector. Offering and considering various options allows for greater flexibility for tax administrations in meeting the needs and demands of SMEs.

**Strengthen IT infrastructure**

Tax administrations depend on their IT infrastructure to deliver services, and they need to continue to strengthen their IT infrastructure so that they can remain agile in the development and delivery of digital services to SMEs. Within the context of the COVID-19 pandemic, some tax administrations were forced to accelerate their digital services agenda, which supports taxpayers including SMEs, in many ways. Tax administrations were responsible for developing and expanding digital payment options, digital filing, and artificial intelligence solutions; and expediting the delivery of new benefits in much less time than it would have taken under normal circumstances.

Fraud is an inherent risk with any digital offering and combatting it necessitates an increased focus on IT infrastructure, as well as increased focus on sound business relationships among all functional areas to ensure a balance between timeliness, security, and functionality.

**The Future of Digital Services for SMEs**

Whilst the pandemic caused some rapid shifts and has increased digital adoption among SMEs and effected changes in the ways firms operate, many of these changes are expected to last with some trends and investments being irreversible. The demand for digital services is clear, and when provided with adequate support, all data points to SMEs wanting to conduct their business and interact with their tax administration via digital means. Digitalisation trends are multi-faceted, and as highlighted in this report, involve the use of a variety of digital services for different purposes. This advocates for the continued prioritisation of digital services offering and delivery by tax administrations.

The earlier report in this series “Towards the seamless taxation of SMEs” explores what the future of digital services might be for SMEs.
Annex A. Case study: Using digital channels to support Canadian SMEs during the COVID-19 pandemic

Similar to governments worldwide, in March 2020, the Government of Canada announced a COVID-19 Economic Response Plan that provided immediate and significant economic relief programs to help Canadians and businesses facing hardship as a result of the COVID-19 outbreak. As part of the response, numerous measures targeting Canada’s business community were enacted, and information regarding relief programmes was available to businesses digitally through the creation of webpages dedicated to the Government’s COVID-19 Economic Response Plan. Prior to the pandemic, the CRA was already responsible for the administration of a range of ongoing benefits and one-time payment programmes on behalf of the federal government and Canadian provinces and territories, amounting to more than CAD 31 billion in payments by the CRA each year to more than 12 million Canadians. With the implementation of these new relief programs, the CRA provided temporary relief to businesses, in particular the SME sector.

Seamless and Client-centric service experience

Due to the nature of its mandate, the CRA had already developed numerous taxpayer-facing digital solutions allowing for the electronic submission and receipt of data, including secure online portals for individuals (My Account) and businesses (My Business Account). Additionally, the CRA had invested in call-centre technology to ensure efficient communication with Canadians, an important component of the CRA’s taxpayer-focused approach to service. Similarly, the CRA had invested in internal-facing solutions allowing for the electronic storage and retrieval of data. These digital services helped the CRA provide a seamless, empathetic and client-centric service experiences to taxpayers, particularly SMEs. Additionally, the CRA developed working relationships with other areas of government that collect and submit taxpayer information, which were leveraged to improve its ability to make the right benefit payment to the right beneficiary, enhance digital services and expand its call-centre technology. Similarly, through outreach, the CRA had already developed strong relationships with many segments of the Canadian population, including the small and medium business community as well as key stakeholder associations supporting SMEs.

CRA-administered COVID-19 relief measures – Businesses

The COVID-19 pandemic had an unprecedented impact on the lives of Canadians. The CRA’s vision of being trusted, fair and helpful by putting people first guided its actions to support SMEs during this pandemic. As part of Canada’s COVID-19 Economic Response Plan, the CRA took action to help clients facing hardship, while ensuring that any privacy implications were reviewed, mitigated, and addressed when required.
The CRA’s mandate, along with its experience and infrastructure in administering and delivering benefits, made it the ideal organisation to deliver key COVID-relief measures to support SMEs. Specifically, the CRA administered the following programs aimed at providing financial relief to SMEs:

- The Canada Emergency Response Benefit (CERB), to provide income support for people facing unemployment, who are sick, quarantined, or in directed self-isolation;
- The Canada Emergency Wage Subsidy (CEWS), to support employers and protect jobs;
- The Temporary Wage Subsidy (TWS), to support eligible employers by reducing the amount of payroll deductions required to be remitted to the CRA; and,
- The Canada Emergency Rent Subsidy (CERS), which provided financial assistance to cover part of a businesses’ commercial rent or property.

By integrating the administration and delivery of these measures to existing digital services channels such as My Business Account and My Account, the CRA was able to quickly provide SMEs with the benefits they may be entitled to. Administration of these measures using existing service channels also ensured timely verification with existing CRA systems and processes, thereby strengthening the integrity of these measures.

**Wage Subsidy Programs**

The Canada Emergency Wage Subsidy (CEWS) program allowed eligible businesses to cover part of their employee wages based on their drop in revenue during the COVID-19 pandemic. The subsidy enabled businesses to re-hire workers, help prevent further job losses, and ease their business back into normal operations.

The CEWS is a subsidy that was initially available for a period of 12 weeks (made up of three four-week periods), from 15 March 2020 to 6 June 2020, that provided a subsidy of up to 75% of eligible remuneration, paid by an eligible employer that qualified, to each eligible employee. Further extensions and refinements were made to tailor the program to provide support to struggling businesses due to the pandemic until the 7 May 2022 period.

**Figure A.1. Summary of CEWS claims to date – as of 22 May 2022**

![Figure A.1. Summary of CEWS claims to date – as of 22 May 2022](image-url)

Source: Canada (2022)
Rent Subsidy Programs

The Canada Emergency Rent Subsidy (CERS) provided commercial rent, property tax, property insurance and mortgage interest support to tenants and property owners between 27 September 2020, and 23 October 2021, for qualifying businesses and organisations. Beginning 24 October 2021, the CERS was replaced with a tailored program to subsidise an eligible business’ part of commercial rent or property expenses. These measures continued to support Canadian businesses where provincial and territorial public health restrictions, including capacity restrictions, remained in place.

Figure A.2. Summary of CERS claims to Date – as of 24 April 2022

<table>
<thead>
<tr>
<th>Total approved applications</th>
<th>All approved applications by value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,078,244</td>
<td></td>
</tr>
</tbody>
</table>

Breakdown by claim period

<table>
<thead>
<tr>
<th>Under $500</th>
<th>$500 to $1K</th>
<th>$1K to $1.5K</th>
<th>$1.5K to $2K</th>
<th>$2K to $4K</th>
<th>$4K to $10K</th>
<th>Over $10K</th>
</tr>
</thead>
<tbody>
<tr>
<td>340,777</td>
<td>352,520</td>
<td>275,047</td>
<td>208,034</td>
<td>456,746</td>
<td>302,652</td>
<td>142,468</td>
</tr>
</tbody>
</table>

Applications received 2,133,882

Unique applicants with approved claims 223,463

Unique applicants with approved claims that benefited from lockdown support 95,558

Dollar value of subsidies approved $7.73 Billion

Breakdown by support type

<table>
<thead>
<tr>
<th>Canada Emergency Rent Subsidy: approved dollar value</th>
<th>Lockdown Support: approved dollar value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6.62 Billion</td>
<td>$1.12 Billion</td>
</tr>
</tbody>
</table>

Source: Canada (2022).


In developing these responses, the CRA was able to leverage digital tools and infrastructure already in place to ensure accurate and timely delivery of services to SMEs. Specifically, the majority of employers...
were able to apply online through their existing CRA “My Business Account” or have their tax representatives apply for the CEWS on their behalf electronically. Similarly, self-employed individuals were able to apply for the CERB through their existing CRA “My Account”. Payment of benefits were facilitated either through direct deposit into beneficiary banking accounts or through a mailed cheque. Direct deposit was also available to those with a CRA payroll account and allowed for receipt of payments within 3-5 business days.

The CRA was also able to leverage internal expertise in digital tools to develop a solution providing automatic validation and a front-facing interface to accept applications, specific landing pages providing businesses with information on application processes, and interactive calculators. Using established relationships with industry groups, the CRA was able to seek input relating to web content and design and incorporate feedback prior to launch of the landing pages, and then use information received from existing feedback channels to enhance the website and calculator.

**A way forward**

As the COVID-19 pandemic continues to impact the lives of Canadians, the CRA continued to play a role in the government’s response to it. The CRA was well positioned to respond to the pandemic given the work that had already begun to transform our digital services. The pandemic required the CRA to rapidly respond to significant challenges. It pivoted its operations to not only ensure the continued safety and well-being of its employees, but also to deliver new emergency relief measures on behalf of the Government of Canada and maintain its essential tax and benefit services for Canadians. The agility with which the CRA responded to the crisis was guided with past investments in digital services as well as the dedication and skills of its workforce and leadership.
The Nordic Smart Government & Business (NSG&B) project, which was initiated in 2016 by the Nordic Ministers for Trade and Industry, is an ongoing initiative being undertaken by Denmark, Finland, Norway, Sweden and Iceland in line with the Nordic prime ministers’ stated ambition to make the Nordic region the most integrated region in the world. One of the goals is to simplify the lives of SMEs and to create new business opportunities and growth based on economic data, and thereby support a more competitive region. The description of this important initiative set out below has been drawn from the NSG&B website by the OECD Secretariat.

**Vision**

The vision of the NSG&B is to create value for the SMEs by making real time business data accessible and usable for innovation and growth across the region, in an automatic, consent based and secure manner. The core idea is that structured and standardised business data can be shared automatically and thereby replace burdensome manual handling of data exchange. This involves alignment of digital systems and services as opposed to digital silos, and requires collaboration across sectors using the business data. The mission is thus not to implement a centralised IT system, but to enable and facilitate a transformation of the Nordic ecosystem and business processes, both nationally and across the Nordic borders.

Once Nordic Smart Government and Business is fully implemented, it will be easier for businesses to interact with other businesses and authorities. This requires that systems processing business data – both private and government systems – become connected, so information can flow seamlessly and be shared. The status of the project and plans for delivery are described in the figure below:

**Figure B.1. Aligning the digital infrastructure in order to make business data accessible and usable across the Nordics**

> Automatic flow of structured and standardised data from electronic catalogues, orders, invoices and receipts - and share real time data with third parties for credit assessment, business intelligence as well as automatic reporting to authorities.

Challenges

In 2019, the NSG&B programme conducted workshops and in-depth interviews with 50 SMEs across the Nordic countries. The aim was to identify barriers and obstacles experienced by SMEs in their day-to-day processes. The findings and possible solutions have been verified in dialogues with banks, business systems vendors and other third-party service providers, whose customers are SMEs.

Key findings

- SMEs work with paper-based processes – even if they use digital tools
- SMEs cannot transfer their accounting data and choose new services
- SMEs lack information on potential business partners’ trustworthiness
- SMEs experience time-consuming credit assessments
- SMEs lack an overview and easy control of cash flow and liquidity
- SMEs are uncertain about formal requirements when going Nordic

These findings are all connected to the same basic problems: Transactions that are handled via paper documents, systems that cannot exchange data, and a tendency in the public sector of developing stand-alone solutions that do not fully accommodate the basic business administration processes.

Based on workshops and interviews, NSG&B has identified user needs and formulated user principles to guide the future work. The purpose is to ensure that the SMEs’ needs are prioritised, increasing the likelihood of support for the vision.

The Pains of Nordic SMEs

SMEs often do administrative work in evenings and weekends. This also involves hours spent on manually typing data into digital self-service systems when reporting to the government. Much typing is necessitated by poor interoperability between systems. The manual entries also result in errors that would be avoided if administrative tasks, such as bookkeeping and reporting, to a higher degree were automated. The manual work of typing hinders the SMEs in getting real-time insights into their current financial situation. They often worry about whether they have money to pay their employees, about their liquidity, and how they are doing compared to competitors.

Roadmap

The NSG&B roadmap is the result of several years of unique Nordic collaboration under the leadership of a common Nordic steering group in which nine Nordic authorities are represented, including tax administrations. NSG&B builds on national strengths and the collaboration has brought together people with different competencies and experiences in an open and innovative setup. The programme organisation set up in 2018 to develop the roadmap, has almost doubled in size from around 30 persons in the start, to include more than 50 persons from more than 15 governmental organisations. The work has been carried out in working groups across countries and institutions, in a semi agile set up with weekly virtual meetings and common digital workspaces.

The NSG&B roadmap defines the major strategic steps towards strengthening cross-border trade, supporting Nordic integration, and towards establishing an ecosystem based on the business data of Nordic SMEs. The roadmap should not be regarded as a five-year plan set in stone, but more as an effort to present the probable actions needed to realise the NSG&B potential, step by step. The Roadmap identifies six solution areas to support the realisation of the vision. These are illustrated in Figure B.2.
solution areas are organised as individual projects and there are processes in place to ensure alignment between the different areas.

**Figure B.2. Roadmap solutions**

![Roadmap solutions diagram](image)


**Digital Business Documents**

High-quality data is the foundation for a future ecosystem of data-driven services. Data is generated in the daily business processes of sales and purchases, but to get the benefits of high-quality, structured data, SMEs must use digital business documents (such as e-orders, e-invoices, e-receipts, etc.) in standardised formats. This will reduce manual and paper-based processes and save time for SMEs.

**Future scenario: Digital business documents**

SMEs can send and receive invoices and receipts, and issue and receive orders to and from their Nordic trade partners in a way that makes it possible to automatically process bookkeeping, payment, and VAT-calculation, etc. The automation helps SMEs to have real-time updates on their bookkeeping and financial status, simplify applying rules and reporting to governments and to ensure up-to-date forecast of inventory and payments. The use of digital business documents will also save time for the SMEs, as well as give them the opportunity to work with data-driven business development.

**Open Accounting**

Open Accounting is, by use of standardised content and interoperable interface solutions, a secure way for SMEs to voluntarily give service providers access to financial information from their bookkeeping.
Accounting also enables portability, i.e. the transfer of historic data from one system into another, which means it will be easier for SMEs to change service providers without losing historic data. Open Accounting will thus increase the consumers’ protection, foster innovation and competition.

Future scenario: Open accounting

SMEs can provide third parties, banks, trade partners and public authorities access to real-time bookkeeping information, i.e. transaction data as well as aggregated data. The data is delivered in a standardised and structured format which enables automated processes with banks, brokers, auditors and other service providers, hence offering SMEs better services at a lower cost. The transfer of standardised transaction data enables SMEs to change service providers and business systems, without losing essential historical data.

Product information

Many small companies, even when using digital business documents, make invoices that include free-text descriptions without product codes. Detailed and structured product information is often lacking, preventing the development of automated accounting and VAT postings. In addition, machine-readable product information and codes may be used directly by different applications, for example in warehouse management.

Future scenario: Product information

SMEs across the Nordic borders can use standardised product IDs in business documents they receive for automatic calculation of VAT, product specific fees, inventory, etc., but also in documents connected to e-orders and e-catalogues that they send to their customers. Standardised information on products also enables SMEs to automatically fulfil product-specific documentation and reporting requirements on items such as pesticides, chemicals, goods in food production.

For example, SMEs can easily add green data on ecological certificates to their e-invoices and other e-documents. The tagging of this additional data is integrated in the invoicing process, together with other types of transparent green data, such as Total Cost of Ownership. The business systems have integrated tools that allow SMEs to comply with non-financial reporting requirements on, for example, the waste directives related to EU Circular Economy.

Reliability and data quality

Realising NSG is dependent on high quality bookkeeping data. Unless the data is correct and reliable, it cannot be used in automated processes and shared with confidence in real time. Governments, by their role in society, have authoritative information about businesses and that is relevant for verification purposes. Reliable bookkeeping data can be supported by public registries, such as verification of the identity of business partners through registration number and business register data.
Future scenario: Reliability and data quality

SMEs can validate their trading partners’ bank account and VAT registration information in integrated business systems. SMEs can also evaluate their national and Nordic trading partners in terms of financial stability and reliability, using official information on their business enterprise, i.e. legal registration, business status, VAT and tax registration and payment, overview of shareholders and board members, as well as the business change history.

Born digital

Today, SMEs grow into the digital domain, but new companies should from the very start use digital business systems that ensure consistency, digital processing of business documents and support compliance with law. Increased use of business systems will contribute to increased adoption of digital business documents and ultimately enable new types of services and service providers.

Future scenario: Born digital

SMEs can be established and registered digitally in one coherent process, where the companies receive guidance regarding requirements in order for the businesses to be compliant. SMEs also receive confirmation that they have fulfilled the different steps identified throughout the start-up and registration process, and are ready to go into operations. The result of the registration process is a digital company, with all the relevant capabilities available to benefit from the NSG Ecosystem, i.e. sending and receiving digital business documents, access to product information, Open Accounting mechanisms for easy and secure sharing of data etc.

Simplified reporting

SMEs make different kinds of financial reports to authorities, but the basis of such reports is always the business transactions. For example, reporting VAT and net sales or import/export figures to the national statistics agency is based on the very same transactional data from sales and purchases. While the data source is the same, the burdens related to calculation and submission process is quite different from one authority’s solution to another.

Future scenario: Simplified reporting

SMEs can automatically aggregate and report accurate information on annual accounts and tax declaration to public authorities using standardised exchange of information (e.g. through API connections) and data formats in the companies’ business systems. This reduces manual filing of reports, errors and misunderstandings.

SMEs can also give access to public authorities to extract data for statistical surveys, analytics and, in a longer perspective, research, from their business systems. Automation, including mutual information and rule sharing, ensures accuracy and quality of data and enables better policy-making based on up-to-date, detailed data about the current business situation, e.g. when unforeseen disturbances in the economy occurs, such as the current Covid-19 pandemic.
Milestones

The Roadmap presents capabilities and main areas of alignment from 2020-27, as well as milestones for the same period. The critical timeline below summarises the envisaged milestones from the roadmap and highlights the critical steps.

- By 2021, a public private advisory board has been established to support the implementation of the NSG&B roadmap
- By 2022, 70% of the Nordic SMEs use a digital business system
- By 2023, SMEs can freely choose to move business data between business systems; sales and purchases can be handled digitally by default in compatible formats across the Nordic region systems and 80% of the Nordic business systems have implemented common tools (APIs) so service providers can access an SME’s data with appropriate consent
- By 2024, 80% of the invoices sent in the Nordics are digital
- By 2025, the Nordic SMEs have saved EUR 500 million by using smart services and real-time data
- By 2027, the Nordic countries are the most integrated region in the world

Benefits

NSG&B will make companies’ economic data securely accessible and usable for the purposes of innovation and growth. This will create a more transparent and integrated region in which it is easier for Nordic companies to trade with each other, file reports with public authorities, and develop new digital solutions with the help of better and more accessible data.

Real-time data will give companies a better overview of their financial situation and make it quicker and easier for companies to, for example, obtain a credit check from a bank for a loan. Real-time data will make it easier for companies to do business in a timely manner and will also create increased liquidity in the market.

In particular:

- By supporting compatible digital standards, it becomes easier to automate processes and to do business cross borders in the Nordics, which contributes to growth;
- By aligning standards across the region, it also becomes easier for the service providers to offer services in a larger Nordic market, and thus increase the services available and the competition for the benefit of both the service providers, the Nordic SMEs and the region as a whole;
- By helping Nordic companies become more competitive and better suited for international competition, the Nordic market presence is strengthened globally and a common Nordic market will be more robust than each national market on its own;
- By utilising the business data for the benefit of SMEs and other parties, the Nordic region, already being a digital frontrunner, may also lead the way for the European Union with a fair and beneficial use of business data; and,
- By making a Nordic model for the shared development of the common digital ecosystem, core Nordic principles of transparency, trust, sustainability, and the safeguarding of democratic rights are supported.
Figure B.3. Public sector participants

DENMARK
• The Danish Business Authority
• Statistics Denmark
• The Danish Customs and Tax Administration

SWEDEN
• The Swedish Companies Registration Office
• The Swedish Tax Agency
• Statistics Sweden

NORWAY
• The Brønnøysund Register Centre
• The Norwegian Tax Administration
• Statistics Norway
• The Norwegian Agency for Public and Financial Mgm
• The Norwegian Digitalisation Agency

FINLAND
• Finnish Patent and Registration Office
• Finnish Tax Administration
• State Treasury
• Statistics Finland

ICELAND
• Iceland Revenue and Customs
• Ministry of Finance and Economic Affairs
• Ministry of Industry and Innovation
• Statistics Iceland


Notes

¹Please see here for the complete Nordic Smart Government report: https://nordicsmartgovernment.org/.
Digital Services: Supporting SMEs to get Tax Right, by the OECD Forum on Tax Administration (FTA), is the third report in the FTA’s Supporting SMEs to Get Tax Right Series. This report looks at how digital services can help SMEs comply with their tax obligations, leading to reduced burdens and increased compliance rates. In addition to a number of examples from tax administrations, the report also highlights two detailed case studies. The report was developed by the Canada Revenue Agency with the support of the Forum on Tax Administration’s Community of Interest on SMEs.