

## FORUM ON TAX ADMINISTRATION

# COMMISSIONER CONVERSATIONS: DIGITAL TRANSFORMATION – THE VIEW FROM CHINA

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Commissioner Wang Jun of the State  
Taxation Administration of the People's  
Republic of China



Pascal Saint-Amans, Director of the  
OECD Centre for Tax Policy and  
Administration

## Interview between Commissioner Wang Jun and Pascal Saint-Amans

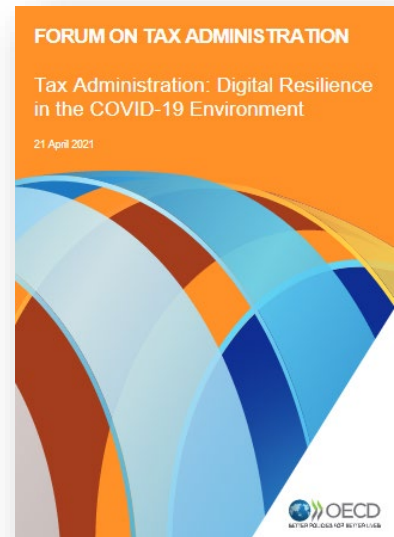
This Commissioner Conversation, between Commissioner Wang Jun of China's State Taxation Administration (STA) and Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration, provides insights into the digital transformation plans of the STA. After making significant progress in the development and use of a wide range of e-administration tools, the STA is now embarking on a digital transformation journey along the lines of the vision set out by Forum on Tax Administration (FTA) Commissioners in the Tax Administration 3.0 discussion paper published at the FTA 2020 Plenary.

Commissioner Wang Jun sets out the background to the recently published "Blueprint for Further Deepening the Reform of Tax Collection and Administration", which adopts a whole of government approach to respond to the rapid digitalisation of the economy as well as the changing expectations of taxpayers and citizens.

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**Pascal Saint-Amans (PSA):** *It is a great pleasure to be able to talk with you about the State Taxation Administration's (STA) plans for further digitalisation. The last few years have seen great increases in the use of digital technology and tools, taking us into the era of e-administration. I wonder if I could start, though, in asking about the use of digital tools in helping your administration and taxpayers during the COVID-19 pandemic.*

**Commissioner Wang Jun (WJ):** *Thank you for the invitation to talk about this issue which I would say is central to the thinking of all tax commissioners. Digitalisation has been hugely important in enhancing the efficiency and effectiveness of tax administration in both supporting voluntary compliance and in the use of more sophisticated analytical tools to identify compliance risks. In addition, digitalisation has also improved the robustness and resilience of tax administrations to external shocks, as shown during the COVID-19 crisis. This was well described in the recent OECD Forum on Tax Administration (FTA) report on [Digital Resilience in the COVID-19 Environment](#) that you and your team prepared. We, like many other tax administrations, were able to use digital channels to continue to provide services to taxpayer during the crisis, including assisting in the provision of government support. In particular, I would highlight that the STA made relief policies available to taxpayers at great speed via the internet and social media, which were literally at their fingertips. We also offered "non-contact" services to help taxpayers pay their taxes in a secure and timely manner.*



**PSA:** *Before we move on to discuss your latest published plans to move from digitalisation to a more fundamental digital transformation, perhaps you could describe the main impacts of changes made in the last few years which I am sure will be of great interest to other countries on their digitalisation pathway.*

**WJ:** *I would highlight in particular the impact of digitalisation on our organisational arrangements. The ability to join-up our internal processes and databases and to provide a wide range of digital services, allowed us to bring together the state tax offices and the local tax offices in 2018. These offices, which had been operating in parallel for 24 years, were merged into the STA, meaning that taxpayers need only to deal with only one tax office for their tax affairs. This major reshuffle has helped to reduce compliance costs and burdens considerably and was warmly welcomed by the business community. The result is partly manifested by the average time spent annually by a corporate taxpayer for its tax affairs, which reduced from 259 hours in 2017 to 138 hours in 2020, boosting China's "ease-of-doing-business ranking" from 78th to 31st in the annual Doing Business report released by World Bank and PwC.*

**PSA:** *Some of the new technology tools and the availability of large data sets is now allowing administrations to rethink how they manage the tax system. What are the early manifestations that you have seen of that?*

**WJ:** *We have been able to make increasing strides in the use of big data, cloud computing and artificial intelligence. This is something that we would not have dreamed of a decade ago and, as you say, allows us now to envisage a different operating model for the tax administration of the future.*

For example, with the help of artificial intelligence, we have also been able to launch and keep updating STA's Robotchat, an online smart Q&A platform operating 24/7. The Robochat platform also allows more complicated questions to be directed to human experts to ensure high taxpayer satisfaction.

On the analytics side, during the design stage of our 2019 major VAT reform, the STA tested the estimated outcome of over 100 scenarios with different rate combinations through the use of advanced analytics models based on big data technology. The results helped the government to choose the optimal policy framework. These new analytics tools have also helped us in the better targeting of our auditing programmes. During 2016-2020, the number of taxpayers selected for audit witnessed an annual decrease of 22.1%, while the tax collected per taxpayer via audit increased 29.7% annually, thanks to enhanced screening processes enabled by IT developments.

**PSA:** As you know, the FTA, of which you are a Bureau member, published a discussion paper, [Tax Administration 3.0](#) at the FTA Plenary in 2020. This set out a vision for future tax administration in which tax administration processes are increasingly built into the natural systems taxpayers use to transact, run their businesses and communicate. Is this something that resonates with you?

**WJ:** Very much so. China's economy is digitalising at an impressive pace and the tax administration needs to adapt to new taxpayer expectations, helping to make tax a more seamless process and freeing up taxpayers from administrative burdens. In 2020 China's digital economy registered 39.2 trillion yuan (USD 6.1 trillion), accounting for 38.6 percent of GDP, making China the second largest digital economy in the world. The digitalisation of the economy brings both challenges and also significant opportunities for tax administration.



As a result, in March 2021, the Chinese government published the "Blueprint for Further Deepening the Reform of Tax Collection and Administration". This was a milestone document setting out a road map for China's tax administration reform for the next 5 years, coinciding with 14th Five Year Plan, China's social and economic development initiative for every 5 years. The fact that the Blueprint was released by the government instead of the STA itself sent out a clear message, namely that the reform is an important initiative endorsed by strong political backing. It also envisages a whole-of-government approach to administration, which is essential for the success of the reform.

One cannot help noticing the resonance between the Blueprint and FTA's Tax Administration 3.0 initiative. For instance, both highlight a whole-of-government approach, effective data management, transformation from voluntary compliance to compliance-by-design and the integration of more taxation processes into taxpayers' natural systems. It demonstrates that tax administrations around the world are more or less thinking along the same lines in light of the omnipresent digitalisation.

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**PSA: What are the main elements of the new Blueprint?**

**WJ:** Aimed at realization of “Smart Taxation”, the blueprint is characterized by synergy gained from four new systems, i.e. tax law enforcement, tax and fee payers services, tax risk assessment and control, and tax co-governance. I would highlight the following features in particular. First, the rule of law. China has been stepping up its efforts to expedite tax law legislation for the digital age and the momentum will continue during the implementation of the Blueprint. More attention will be given to offering tax certainty to taxpayers, including in dispute resolution. Second, the focus of the Blueprint is on taxpayers as customers, or indeed as owners of the tax administration, and the importance of driving down compliance burdens. This is also very much in line with the government’s drive to improve the environment for doing business. Third, it introduces the idea of invisible tax administration. With the help of technology, the STA will try to sit back with minimum interference in taxpayers’ activities while keeping risks in check. Finally, I would highlight the important balance that has to be struck between data access and data protection. With respect to the ability to access data necessary for tax administration, information technology has obviously been hugely empowering. The Blueprint, though, makes it specifically clear that the STA should refrain from over-reaching and treat data security and privacy as a top priority. Building taxation processes into taxpayers’ own systems will play an important part in managing this balance in a data-rich world, with the rules increasingly “going to the data” rather than masses of data coming into the tax administration for centralised processing.

**PSA: As you say, the coming decade is likely to see significant shifts in how tax administrations operate. This is, of course, not just a domestic issue given the interlinkages within the global economy and it will be important that cross-border issues around real-time data exchange and assurance are addressed. How do you see the role of the FTA and other organisations in this regard?**

**WJ:** International cooperation is indeed of critical importance. Learning from what others have done, as well as the challenges and how they overcame them, can help us in optimising our reform pathways. The FTA has done a great deal of collaborative work over the years in this regard. In addition, given the increasing international connections, where different approaches by different countries can multiply the costs that taxpayers face, we now need to work more closely together than ever. For example, the STA has joined the group leading work on addressing international aspects of e-invoicing systems which is being undertaken by the FTA as one of the projects on the building blocks of Tax Administration 3.0. With the global tax deal on Pillar One and Pillar Two quickly falling into place, the international tax community has witnessed extensive and profound cooperation and coordination. On the administration front, we see Tax Administration 3.0 as the emerging game-changer of synchronization on the administration side.

International cooperation has long been a priority of the STA. Since the 1990s, we have been carrying out international cooperation programmes with leading international organisations including the OECD, IMF, UN and World Bank, and with counterparts in Australia, Japan, South Korea, the Netherlands, the United Kingdom, the United States as well as many other countries. The STA is also a proud member of the FTA, and one of the highlights of my time as Commissioner was hosting the 10th Plenary meeting in Beijing in 2016.



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**PSA: From your perspective as co-sponsor of the FTA's capacity building network, how do you think that FTA members can best assist capacity building efforts in the area of digitalisation and digital transformation?**

**WJ:** *This is an extremely important issue. As I mentioned earlier, digitalisation showed its value in enhancing tax administrations' ability to respond to shocks and crises. Some developing country tax administrations also have opportunities to digitalise very quickly which others with extensive legacy systems may have found more difficult in some aspects. In particular, there are real opportunities for leap-frogging. For example making full use of mobile technologies and applications can not only reduce burdens, but can also help to bring people into the formal economy, allowing them access to finance and helping them to grow. One of the key challenges here is around the digitalisation strategy, sequencing and implementation processes, including change management. This was an area identified by FTA Commissioners for FTA support at a series of meetings on capacity building earlier this year. In particular, the idea was floated of piloting an expansion of the Tax Inspectors Without Borders initiative into the area of strategic and confidential advice on digitalisation. I look forward to working with FTA colleagues on testing this idea further. The STA will be more than willing to offer ideas and resources in that regard.*

**PSA: Thank you for your time in answering my questions and setting out both your progress and plans for digitalisation and digital transformation. Do you have any final words of encouragement for your fellow Commissioners?**

**WJ:** *It has been a great pleasure. As for final words, I would stress the importance of ambition and collaboration. The world is digitalising at an increasing pace and to release the full benefits of that for taxpayers and citizens requires us to rethink how we do administration, helping to realise the full potential of the new technology tools to make taxation more seamless and to reduce burdens to a minimum. This is not easy to do at the same time as we fulfil our important daily responsibilities. Collaboration will be an extremely powerful tool here, allowing us to pool our resources, stimulate each other's thinking and co-create solutions to common challenges.*

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