FORUM ON TAX ADMINISTRATION
TWELFTH PLENARY MEETING
26-28 MARCH, SANTIAGO, CHILE
SUMMARY REPORT
Dear colleagues

This special edition of the FTA update provides a short and informal summary of the 12th FTA Plenary meeting held in the beautiful city of Santiago from 26th to 28th March 2019. Let me begin by expressing my sincere thanks to Fernando Barraza and his dedicated team from the Chilean Tax Administration for both their hospitality and their hard work in organizing the Plenary, together with the OECD, the FTA Secretariat and my own team from the Norwegian Tax Administration.

I would also like to express my gratitude to fellow Commissioners and their senior officials for their excellent and thoughtful contributions throughout the Plenary, as well of course to the representatives from the business community and international organisations.

This summary cannot do justice to the quality and depth of the discussions at the Plenary. I hope however that it will provide readers with a greater understanding of the breadth and scope of FTA work. As mentioned several times during the Plenary, cooperation, collaboration, and knowledge sharing between FTA members are key to our success as an organisation of leading global tax administrations.

We achieved a tremendous amount through our collective work following the Oslo Plenary in 2017. And we have set ourselves similarly ambitious aims for the new FTA work programme for 2019/20 covering our agreed priorities in the area of tax certainty, tax cooperation and digital transformation. Outcomes of the last work programme and the agreed plans for our future work are set out in the Communique issued at the Plenary. This can be found at: https://www.oecd.org/tax/forum-on-tax-administration/events/forum-on-tax-administration-communique-2019.pdf

I am counting on your continued active participation, expertise and insights in the different aspects of our work programme, ranging from the time-limited projects to the wide range of collaborative Networks now in existence. For my part as FTA Chair, I will continue to work actively to increase the visibility and dissemination of our work and to ensure that it is both strategic in nature, topical and reflective of broad and active involvement from FTA members.

Finally, and with thanks to Commissioner Jaap Uijlenbroek, I am pleased to announce that the next FTA Plenary will be held in the Netherlands from 21st to 24th September 2020. I very much look forward to working with all FTA members to ensure that both the 2020 Plenary and our work in the run-up to it continues to deliver the highest value to FTA members.

Hans Christian Holte
Key note address from the Chilean Finance Minister

The Minister of Finance, Mr. Felipe Larraín Bascuñán, gave the keynote speech at the opening of the Plenary stressing in particular the importance of modernization of the tax system at a time when technological changes and digitalization are generating enormous challenges in areas such as education and the labor market. He also highlighted the fight against tax evasion and avoidance, tax certainty and digital transformation as important priorities. Referring to the Tax Modernisation Bill sent to Congress last August, the Minister said, "Our government has set as one of its priorities the modernization of our tax system, with the purpose of facing the challenges posed by the 21st century and to finish paving the road to development. We consider it fundamental that our entrepreneurs devote less time to complying with their tax obligations and more time to their companies, to make them grow and develop new businesses. For this purpose, we believe it is important to continue advancing and to promote digitalization of our tax authority and its relationship with taxpayers, which will not only result in a better and more efficient audit work, but also in simpler and more effective tax compliance".

Commissioner Barraza underlined the importance of cooperation between tax administrations in his opening remarks and pointed out that the Plenary agenda had a rich potential for discussions of hot topics and exchange of knowledge and experience. He also hoped that participants would have some time to enjoy Santiago and be together with colleagues from 46 tax administrations, business representatives as well as international partner organisations.

Reflections on FTA work programme and projects

FTA Chair Hans Christian Holte and Vice Chairs Bob Hamilton and Chris Jordan expressed their appreciation for the extensive work undertaken by FTA members and the Secretariat since the Oslo Plenary. Seven new reports were published at the Santiago Plenary and significant outcomes were achieved through work carried out in other FTA projects and Networks. The Chair and Vice Chairs touched upon the practical collaborative approaches that have been taken on the implementation of BEPS Actions and the Common Reporting Standard as well as in the set of projects aimed at enhancing tax certainty. They also highlighted the importance of operational cooperation through JITSIC and the depth and breadth of knowledge sharing between FTA members in different fora, including through the FTA’s work on capacity building.

The common thread through their dialogue was the importance of collaboration for tax administrations, an increasingly important and powerful tool for helping to achieve both domestic and international agendas in an era of rapid and fundamental change. The subsequent discussions between Commissioners confirmed the views expressed in the pre-Plenary survey of FTA members and business stakeholders as to the overall balance of FTA work, both in terms of the different forms of collaboration as well as the priorities for the 2019/20 work programme.
Delivering Tax Certainty

Commissioner Bob Hamilton introduced the session by setting out the interaction between the various elements of the tax certainty agenda and his expectations for the direction of future work. The subsequent panel discussion went into more depth on the ongoing work on the international compliance assurance programme (ICAP), the mutual agreement procedure (MAP) and joint audits. Two breakout sessions then drilled down further into some of the challenges and options for further enhancing tax certainty. A number of concrete suggestions emerged, in particular the importance of taking a holistic approach to the range of tools available in order to maximise synergies and to help to achieve tax certainty at the earliest stage. This included developing mechanisms for recognising routine transactions to help minimise transfer pricing disputes, as well as options to further streamline the MAP process, including through the possible greater use of multilateral MAP cases. Commissioners agreed to:

- Launch an expanded pilot of the international compliance assurance programme – ICAP 2.0
- Advance work on improving the consistency and co-ordination of tax risk assessments
- More closely integrate international audit activity
- Explore other aspects of the tax certainty agenda

Ms. Claudia Suarez, the Commissioner from Peru, moderated a dialogue session on perspectives from South America between Commissioners from Argentina, Brazil and Chile. Ms. Suarez, gave a brief overview of the current political and economic challenges Peru is facing, noting the similarities to other countries in the panel, which had implications for the effectiveness and efficiency of tax administration. She explained that the implementation of the BEPS minimum standards which is in train, is expected to improve the effectiveness of MNE taxation. She further outlined how digitalisation and digital transformation will enhance the quality of tax return verification and assessment processes. It was also expected to promote behavioral change in taxpayers towards tax compliance on the one hand, and on the other, relations with other governmental organizations. She stressed the importance of building partner relationships with taxpayers, for example, by enhancing the understanding of business processes by tax administrations.

The Commissioner from Brazil, Mr. Marcos Cintra, gave an overview of the challenges the Brazilian tax system is currently facing. These include the sometimes high cost of tax compliance cost, the lack of tax certainty in some areas and the importance of taking account of the global value chain throughout the different parts of the tax administration. Mr. Cintra set out the outlines of a forthcoming tax reform to build a unified VAT system (at the state, federal and municipality level) and the central role of municipalities in the delivery of the Brazilian tax system. Furthermore he briefly described the difficulties that the digital revolution is placing upon tax administrators across the world and mentioned plans to re-impose a bank transaction tax that was abolished in Brazil in 2008.

Leandro Cuccioli, Argentina’s Commissioner, focused on the need to invest in human resources in a rapidly changing environment for tax administrations. In Argentina, this has meant recruiting staff with new skill sets such as mathematicians, actuarial experts and data scientists. The Revenue is bringing in 1,100 new staff in 2019. Mr. Cuccioli also stressed the need to invest a higher share of the budget in new technologies, which involved in the case of Argentina, re-structuring the budget in 2018.

Commissioner Fernando Barraza set out the Chilean Tax Administration’s strategic approach to the use of tools to improve tax compliance and to ease burdens. Initiatives include the development of mobile applications, e-invoicing systems and pre-filled VAT returns. He stressed that tax administrations are required to innovate constantly in order to deliver solutions that allow for adequate tax compliance and meet the demands of societies in permanent evolution. Mr. Barraza highlighted the newly adopted pre-filled VAT return. The pre-filled VAT return offers taxpayers a proposal for the monthly VAT declaration, facilitating the filing and payment of such tax. About a year and a half after its implementation, 92.6% of the taxpayers who declare VAT credits or debits have done so by using this proposal, which amounts for 91.5% of the total VAT declared.

As panel conclusions, Ms Suarez highlighted: the value of the strategic approaches to improve tax compliance put in place by four administrations on the panel; the importance of digital transformation for successful tax administration; and effective implementation of BEPS and tax certainty as key objectives in enhancing the effectiveness of MNE taxation.
Priority Areas for Collective Work on Digital Transformation

The session on digitalisation set out the big picture on how digitalisation affects tax administrations and sought to identify priority areas for collective work. A number of country examples were showcased on the innovative use of new technology tools and data to enhance compliance and reduce burdens.

What is Digital Transformation?

The FTA Chair set the scene for discussion at tables on priority areas for collective work on digital transformation. His presentation began by looking at the continuing scope for important incremental enhancements of tax administration functions, highlighting areas where FTA collaboration on the use of new digital tools could support developments. He then identified the main drivers, including greater integration with taxpayers’ natural systems, increased data flows and the greater use of algorithms in decision-making, that could lead to a paradigm shift towards compliance-by-design processes, with tax collected seamlessly and with minimal burdens. The Commissioners were then invited to discuss which challenges, priorities and outcomes they would like to feed into the three suggested priority projects in the new work programme. These were for a report on the pathway to “Tax administration 2030”, a project on the SME ecosystem and how compliance might be increased and burdens reduced, and further work on the effective taxation of those selling through the sharing and gig economy, including through automatic exchange of information between jurisdictions.

Digital transformation goals and strategy

Commissioner Mikhail Mishustin from the Federal Tax Service of Russia presented his vision of the digital transformation of tax administration. He emphasised that this is part of a wider and fundamental digital transformation that is changing the way people interact with each other and society more generally. This is raising a number of pressing issues in the areas of jobs and skills, privacy and security, education and health as well as many other policy areas. Mr. Mishustin visualized the new “smart” tax administration as a responsive platform integrated in, and fully connected with many elements in society. The Commissioner stressed that digital transformation is not just about technologies. It is also about organizational changes, new skills, cultural changes, new business models and processes, legislative reforms and dealing with legacy issues. In particular, it is not just about big data. Success in this endeavour would also require big hearts and big minds.
**Welcome COTS - Goodbye legacy systems**

The Finnish Commissioner, Markku Heikura, presented Tax Finland's major transformation project which involved replacing its legacy IT applications and e-services with one commercial off-the-shelf (COTS) product. The project, which will renew every aspect of the operations of Tax Finland, began in 2010 and will continue until 2019 in five implementation stages, four of which have already gone live as planned. The major part of the transformation project has now been successfully completed. This will help ensure that taxation in Finland will continue to function effectively and reliably for years to come. Enhanced E-services are providing taxpayers with more visibility of their data and giving them a wider selection of online services. The COTS system allows Tax Finland to introduce tax policy changes faster and with lower costs. Annual savings in IT costs are in the range of 15-20 million euros and the break even point of the project is expected in 2021.

**Digitalisation and Taxpayer Experience**

Commissioner Wai Choong Ng from the Inland Revenue Authority of Singapore (IRAS) presented on Singapore's digital transformation journey. IRAS is aiming to redefine the experiences of both taxpayers and staff by leveraging analytics, design and digitalisation (LEA:D). The LEA:D initiative is also aligned with Singapore's Smart Nation and Public Sector Transformation initiatives. One of the desired outcomes of LEA:D is to create taxpayer-centred experiences by using an outside-in approach. By first understanding taxpayers’ desires and preferences, IRAS seeks to provide convenient and customised digital services to taxpayers. IRAS also collaborates with different players in the tax ecosystem, such as software developers and banks, to increasingly integrate tax into taxpayers’ natural systems, providing them with a more seamless tax experience and lowering their compliance costs. To support these digitalisation efforts, IRAS is also modernising its technology platforms and deepening staff competencies in taxpayer-centric service delivery.

**Country examples - Digital transformation**

**Korea: Big data and Artificial Intelligence systems**

Commissioner Sunghee Han explained the efforts that Korea had made to improve taxpayer services, including through the introduction of the cash receipt system and the tax deductible data service for salary earners. He also explained the Korean National Tax Service’s major ongoing projects to innovate its systems including through the use of big data and artificial intelligence (AI). These include an AI “tax secretary”, compliance risk prediction, and workload smoothing system. Mr. Han also shared the tax administration’s experience on dealing with the various challenges arising during delivery of these innovative projects.

**WCO: Blockchain’s possibilities**

Mr. Ping Liu, the Director of Tariff and Trade Affairs in the World Customs Organization (WCO), presented the possibilities that blockchain could offer for customs administrations and other border regulatory agencies. Blockchain provides opportunities to access more diverse and reliable supply chain data that could be used to complement the declarations traditionally provided by importers and exporters. This could potentially eliminate the requirement for supporting documents, simplify the complexities of cross-border regulatory procedures, eliminate redundancies in regulatory data requirements, and improve Customs administration, including improving risk analysis and targeting. Taken together these improvements could make a significant contribution to greater trade facilitation. Mr. Ping Liu encouraged other international organizations and stakeholders to work collaboratively in the area of standardization and interoperability of blockchains, as well as data standardization and data security in the blockchain environment.

**Norway: Digital transformation through external co-operation**

The International Director of the Norwegian Tax Administration, Mr Øivind Strømme, presented a set of initiatives for simplifying the administrative processes for accessing data across organisational borders. The initiatives have been planned, and some have already been realised, in cooperation with the financial sector and several public sector administrations in Norway. Mr. Strømme illustrated the initiatives by showing an example of a project that has already been implemented, namely a digital consent-based loan application scheme. Under this new scheme, instead of receiving information from loan applicants, banks are now able to receive the required information digitally directly from the Norwegian Tax Administration after consent by the taxpayer. This has in turn resulted in significant savings for all parties involved.
Russia: Integrated Risk Management System

Mr. Daniil Egorov, Deputy Commissioner of the Federal Tax Service (FTS) of Russia explained the new integrated risk management system (IRM) which enables the FTS to engage with large business taxpayers to flag tax risks early so that they can be addressed upfront, minimising the risk of future disputes. The IRM system allows the FTS to directly interrogate the accounting information of participating large businesses. It uses a large number of multifactorial risk models built and applied to large data sets through the use of complex algorithms. The embedded data mining functions are able to quickly assess the taxpayer’s current operations and predict the probability of future non-compliance. Where such risks are detected, the system automatically generates warnings visible to the taxpayer as well as the tax administration, allowing further enquiries and/or preventative action to be taken at early stages.

Chile: Sales and Acquisitions Electronic Ledger and Pre-filling of VAT returns

Commissioner Fernando Barraza explained that electronic invoicing is mandatory for B2B transactions (since February, 2018) and that about 99% of invoices are issued electronically, providing tax authorities with real-time information on the transactions. He explained that the SII replaced the mandatory VAT ledger with the SAER, which is an electronic register where the tax administration systems register every electronic invoice and tax document issued (Sales Register - output VAT) or received (Acquisitions Register - input VAT) from the taxpayers. In addition, taxpayers are required to upload some information (e.g. invoices issued on paper) in order to reflect accurately their situation and transactions.

The Commissioner explained that, based on the data of the SAER, the SII provides the taxpayers with a draft form, which the taxpayers can adjust as necessary. The form contains information such as VAT codes related to invoicing, consumer receipts, credit note and debit note transactions; withholdings for reverse charge invoices; and excess credit from the previous period.

He stressed that both initiatives represent significant improvements in VAT administration. Regarding the taxpayers, the draft form simplifies and makes the task easier for them, as it comes prefilled with the VAT due to be declared and paid. In addition, as the information is obtained from validated documents, there are fewer errors and inconsistencies in the VAT return process.

Regarding the SII, these initiatives resulted in improvements in efficiency and accuracy of VAT inspections and audits due to automatization and better analytical capabilities, and in improvements in risk and fraud detection.

Country Stalls: Six countries gave hands-on demonstrations of innovative digital tools

- "Alex" – Virtual Assistant. The Australian Taxation Office demonstrated their new virtual assistant "Alex", who is always available on ato.gov.au to help taxpayers with their tax queries.

- Prefilled VAT return, Chile. The Chilean Tax Administration showcased an application that generates the VAT return based on the information contained in the electronic tax documents (DTEs).

- Online cash registers. The Hungarian Tax Administration explained how the introduction of cash registers connected online to their administration has dramatically improved VAT compliance.

- Consent based loan system. The Norwegian Tax Administration explained their digital consent-based loan application scheme developed through a co-operation between the public and financial sectors.

- App based end-to-end solution. The Russian Federal Tax Service has developed a new app to support micro businesses to register and become compliant taxpayers. The app facilitates biometrics-based taxpayer registration, which is simple and quick to do, as well as digital tax payment functionalities. Its use is incentivised by a simplified flat rate tax regime.

- Big data tool for HNWI. The Spanish Tax Administration demonstrated the use of Big Data analytical tools to calculate the actual wealth, both personal and family, of all taxpayers, whether or not they reside in Spanish territory, as well connections with related parties.

- AVIVA Virtual Assistant. The Spanish Tax Administration also demonstrated their new Virtual Assistant which uses artificial intelligence to provide answers for most enquiries about VAT, including invoicing, foreign trade or immovable property. This new system frees up officers to be able to deal with more complex enquiries.
Focus on future skills and diversity or risk missing out on talent

The session on “Our People” was led by the Commissioner from New Zealand, Ms. Naomi Ferguson, who gave an overview presentation on the future human resource challenges for tax administration. This focused on gender balance – including the launch of a new FTA Gender Balance Network - the role of the employer regarding the well-being of employees and the risk of loss of intellectual property as a generally aging workforce retires. The session included a panel discussion with representatives from Argentina, Germany, Greece and Singapore.

A key message from the session was that as tax administrations increase their reliance on digital intelligence and solutions, there is a need to bring new skills and talents into the tax administration. In general, many administrations have ageing workforces and need to attract new and younger staff to create the next generation of tax administrators. There is also a need to ensure that the knowledge of older generations is still valued as well as ensuring that this wealth of knowledge is passed on, including both technical knowledge and soft skills such as emotional intelligence, the benefits of wider experience, and networks. The panel also discussed the challenges of ensuring the best use of all available talent through enhanced gender balance and wider diversity.

New FTA network on Gender Balance

A new Gender Balance Network was launched at the Plenary. This network aims to be a catalyst for positive institutional change to improve gender balance in leadership positions, and to identify ways of implementing that change. It was noted that while 76% of administrations have more than 50% female employees, only 42% have more than 50% female executives and only four administrations have a higher percentage of female executives than female employees. The initiative will seek to provide a support network at a more individual level to facilitate mentoring and other developmental opportunities, including possible short-term secondments between administrations. The network will also work towards giving female tax professionals an opportunity to connect and share experiences virtually using the Knowledge Sharing Platform (KSP). FTA Commissioners were asked to nominate Gender Balance Champions to the network. In order to create a successful and sustainable network, the Champions will take an active role in implementing strategies and agreed actions within their administrations, as well as sharing experiences and identifying potential secondment opportunities.

The Gender Balance Network is led by Naomi Ferguson assisted by an Advisory Group comprising of senior managers from Singapore, Canada, Argentina and Norway

If you have not yet nominated your Gender Balance Champion please do so by emailing FTA@oecd.org
Capacity Building for Developing Countries

The session on Capacity Building for Developing Countries was a panel discussion moderated by Commissioner Bob Hamilton, Canada Revenue Agency. He set out how the FTA capacity building programme has shaped since 2016, including a vision of how it might develop over time with a focus on practical work and contributions such as the catalogue of activities, the Knowledge Sharing Platform, peer-to-peer support and the planned reports on Whole of Government approaches and opportunities related to the use of technology in tax administrations. Mr. Hamilton invited the four panellists to share their perspectives and experiences with capacity building and they picked up on topics like:

- How to move from talking about collaboration and coordination to actually doing it?
- Where can we cooperate and interact at a practical level – beyond strategic plans and platforms?
- Where would an FTA contribution be most effective?
- What are the benefits of deploying experts for FTA members?
- How critical are technologies and systems in developing countries’ tax administrations’ performance?
- How can we support and balance a demand-driven approach with our own domestic accountability requirements?
- Is there a role for the FTA to help stimulate more South-South cooperation?

Behavioural insights - a cost-efficient compliance tool

Eduard Mueller, Director General of the Austrian Ministry of Finance, gave an overview of behavioural insights and their application in tax administrations. Behavioural insights, put simply, provides a foundation for understanding why people behave the way they do, helping administrations to develop more effective policies and interventions, often at low cost. Mr. Mueller illustrated some examples of current applications of behavioural insights within tax administrations, which has helped to reduce tax debt, increase the number of voluntary disclosures of offshore wealth and reduce taxpayer errors. While the Community of interest (COI) on Behavioural Insights provides a springboard for administrations to share best practices, Commissioner’s should be aware of the clear implications for the use of behavioural insights in reducing the tax gap and optimizing tax administration across the value chain. Mr. Mueller invited his peers to join the efforts, either in joining strategic conversations on potential applications or in engaging the COI with practical examples so as to build a knowledge base on what works.

Ensuring effective use of CRS data

Deputy Commissioner Antoine Magnant from the French Tax Administration gave an introductory presentation reflecting on the current scale and scope of CRS exchanges, as well as the challenges and opportunities identified in the FTA project on the effective use of CRS data and the various collaborative efforts underway in response. This was followed by a panel discussion with Commissioners and representatives from the Finnish, Dutch, Japanese and UK tax administrations. Panellists shared their experience of the exchanges of CRS data and assimilation of that information into their systems to date, and elaborated on the particular challenges encountered and how they had been addressed. There was also a discussion of ways to use CRS data in compliance interventions and in wider analysis, including on how to address CRS avoidance. Work on the CRS will be continued in the 2019/2020 work programme.
Next steps on the Sharing and gig economy

Deputy Commissioner, Paolo Valerio Barbantini, from the Italian Revenue Agency presented the outcome of the FTA project on the sharing and gig economy and its key recommendations. He then engaged the Commissioners from Australia, Denmark and Ireland in a panel discussion on the report and next steps. The report was seen as both timely and highly relevant for guiding further work under the 2019/2020 work programme, in particular assisting in the development of a multilateral legislative approach for the automatic exchange of information between tax administrations as well as finalising a new Code of Conduct for sharing and gig economy platforms. It was noted, though, that while waiting for a global solution, tax issues arising from the sharing and gig economy still need to be managed and the panellists provided insights on their experiences and challenges. In this regard the Danish Commissioner explained that all domestic platforms in Denmark will be obliged to provide information to the tax administration on income paid to participants in the sharing and gig economy, with participation open to non-domestic platforms on a voluntary basis.

JITSIC- operational co-operation

Deputy Commissioner Mark Konza of the Australian Tax Office shared some of the outcomes of recent JITSIC work, highlighting the practical results it delivers for its members. Through the strong focus on outcomes and the established Single Point of Contact (SPOC) network, JITSIC is equipped to provide operational support to its members and to other OECD groups through the practical sharing of confidential intelligence and through coordinated actions where appropriate. Working collaboratively through JITSIC also allows FTA members to see the wider picture around individual cases and to be on the front foot to address emerging risks. During 2018, JITSIC expanded to its membership to 40 FTA members, the vast majority of FTA members and the highest number since JITSIC was formed.

Participant’s experience with the 12th FTA Plenary

Plenary participants were invited to write down a word which described their experience with the 12th FTA Plenary. More than 95 participants gave their input and the result is shown in the word cloud below.

The FTA secretariat has also sent out a post plenary questionnaire to all participating countries to capture more detailed insights.
The FTA Chair noted in his closing remarks that there is a common understanding of what we want to achieve from the new work programme. He was delighted to get the endorsement from participants to the structure and the overall programme for the next period.

In the coming weeks, the FTA Secretariat together with the Chair’s office will refine this, incorporating inputs from the discussions with the aim to get the new projects and networks up and running in the next couple of months.

The future work programme will continue to have a strong focus on tax certainty, enhanced tax cooperation and further exploiting the world of digitalization.

The Chair also reminded participants of the importance of active participation, involvement and engagement in the execution of the work programme. Participating in FTA work programme should add value to both the quality of the FTA projects and to the development of FTA Tax administrations.

Many thanks to the Chilean Tax Administration for organising the 12th FTA Plenary