OECD Forum on Tax Administration

Communication and Engagement with SMEs

SUPPORTING SMES TO GET TAX RIGHT

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Preface

Effective communication and engagement between tax administrations and Small and Medium sized Enterprises (SMEs) is of paramount importance given the major role that they play in economies around the world, both as taxpayers and employers of large numbers of people. SMEs generally have tight resource constraints and the obligations arising from tax administration including audits, record-keeping and maintaining payrolls can be significant for them.

As tax administrations, we have a range of tools at our disposal to communicate with SMEs and it is important that we continue to learn, improve and adapt the way we communicate and engage with SMEs, so we can better understand their needs, give them more support and help them to make the most of their economic potential.

At HM Revenue and Customs, we are using this understanding to tailor both customer support and compliance interventions to make them more effective. The application of modern techniques such as the optimisation of communication channels has led to increased productivity and efficiency, especially for nascent SMEs. This has also directly influenced the amount, type, and frequency of errors and has led to increased levels of compliant behaviour.

Sharing our experiences and learning have a central role in improving our work, and I'm therefore pleased to introduce this report 'Communication and Engagement', the latest in the OECD's 'Supporting SMEs to get tax right' series. This report explores the common and evolving engagement practices in use among members of the OECD's Forum on Tax Administration, including how different tax administrations are tackling and addressing similar issues and developing constructive engagement with SMEs. It sets out commitments for how communication should be conducted and complements the wide range of engagement toolkits and standards that already exist internationally through the experiences of FTA members.

I would like to thank the FTA's Community of Interest on SMEs for their participation, guidance and support with this work, as well as the OECD FTA Secretariat and all the organisations that took the time to make contributions. I hope that by bringing together experiences, initiatives and solutions from across the globe, this report will prompt vital discussions and help tax administrations to achieve better outcomes in the way they support and collect revenue from SMEs.

Angela MacDonald

Deputy Chief Executive and Second Permanent Secretary

HM Revenue and Customs (HMRC)

Foreword

Supporting SMEs to Get Tax Right Series: Communication and Engagement with SMEs 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 fourth in a series of reports by the OECD's Forum on Tax Administration (FTA) on supporting Small and Medium-sized Enterprises and Entrepreneurs (hereafter jointly referred to as 'SMEs') in complying with their tax obligations while minimising both compliance burdens and wider administrative burdens.

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The authors are also grateful for the guidance and input of officials from the FTA members represented in the Community of Interest (COI) on SMEs.

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Abbreviations

ADAD: Automatic Dialling Announcing Device

AGSC: General Administration of Taxpayer Services (Mexico)

ATO: Australian Taxation Office

BEIS: Department for Business Energy, Industrial Strategy (United Kingdom)

CIT: Corporate Income Tax

CRA: Canada Revenue Agency

DGT: Directorate General of Taxes (Singapore)

DIAN: National Taxes and Customs Agency (Colombia)

ePIT: Electronic Personal Income Tax

FTA: Forum for Tax Administration

GDP: Gross Domestic Product

GST: Goods and Services Tax

HMRC: HM Revenue and Customs (United Kingdom)

IRAS: Inland Revenue Authority of Singapore

IRS: Internal Revenue Service (United States)

LO: Liaison Officer (Canada)

MTD: Making Tax Digital

NAFA: National Agency for Fiscal Administration (Romania)

NTA: National Tax Agency (Japan)

NTCA: National Tax and Customs Administration of Hungary

OCRs: Online Cash Registers

OECD: Organisation for Economic Co-operation and Development

PIT: Personal Income Tax

POR: Public Opinion Research

RST: Simple Taxation Regime

SMEs: Small and Medium-sized Enterprises

STP: Single Touch Payroll

VAT: Value Added Tax

Executive Summary

This report, the fourth in the OECD Forum on Tax Administration's (FTA) series "Supporting Small and Medium-sized Enterprises (SMEs) to Get Tax Right", looks at the various options for communication and engagement with SME taxpayers as well as providing a range of examples from FTA member administrations.

Communication and engagement with taxpayers is a core part of modern tax administration, helping to support voluntary compliance and trust in the tax system as well as helping to reduce burdens. This is particularly important for SMEs which may have limited resources to deal with what can be complex tax affairs and which also have many other administrative issues to address in addition to the day-to-day running of their business.

While much communication and engagement will be multifaceted in nature, this report seeks to help tax administrations in their choices of appropriate actions and activities by unpacking the different components of the tax administration communication and engagement toolkit, focusing primarily on outbound communication and engagement with SMEs.

- **Chapter 1** of the report begins by setting out some considerations that tax administrations may wish to bear in mind when developing a **communication and engagement strategy**. A crucial element of this is developing a good understanding of the various friction points that SMEs can face, which may occur at annual tax compliance pressure points, when there are changes in responsibilities and obligations, and on the occurrence of various "life cycle" points. These life cycle points can include crossing tax thresholds, taking on employees or beginning to export, among other things. Such a strategy can help tax administrations in their choice of appropriate communication and engagement tools, taking account of their cost-effectiveness as well as the impact on compliance attitudes and behaviours over time.
- **Chapter 2** explores some of the main considerations for **one-to-many communications** which will mostly be generic in nature: for example, communications on tax reporting deadlines, legal changes, or the correction of common misunderstandings. These can be very cost-effective, particularly if done through an administration's websites, although thought needs to be given to how to best reach a wide population of SMEs given their heterogeneity, including as regards the adoption of digital tools.
- **Chapter 3** looks at more **targeted engagement**. This can range from educational initiatives aimed at future taxpayers or those just starting their business, to engagement with specific sectors to address known issues. This chapter also looks at considerations for more in-depth consultation, for example to seek views on implementation issues or to help identify more effective ways of working and interacting.
- **Chapter 4** sets out what administrations may wish to consider for delivering **one-to-one support**, which can be highly effective but can also be resource intensive. This can be an important tool in reaching those who may be excluded from digital engagement or who have special needs. This chapter also sets out suggestions as to how tax administrations may wish to use new technology solutions to reduce the costs traditionally associated with one-to-one engagement.

- **Chapter 5 and Chapter 6** set out two **case studies** that provide more in-depth examples of engagements with SME taxpayers. The first, by the Swedish Tax Administration, looks at the whole of government approach that they are implementing, recognising the burdens that can be placed on SMEs as a result of multiple interactions with different government bodies. The second case study, by the Finnish Tax Administration, sets out the guidance model that they have adopted to improve the level of service provided to newly started businesses. This reflects the value of assisting a new business in understanding tax matters from the outset, helping to reduce compliance risks as well as costs to business.

Caveat

Tax administrations operate in varied environments, and the ways in which they administer their taxation systems differ 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 jurisdiction'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.

1 Considerations for an engagement strategy framework

Considerations for an engagement strategy framework

Successful communication and engagement between the tax administration and the taxpayer is fundamental to the efficient and smooth-running operation of the tax system, helping to support voluntary compliance, reduce burdens and, increasingly in some countries, playing a role in the provision of timely business support and advice.

For SMEs, effective engagement from the tax administration is particularly important given that:

- they can face varying degrees of complexity in complying with tax obligations depending on the tax policy framework, including VAT/GST[1], employee payroll taxes, expenses and deduction regimes and multiple reporting requirements. In an increasing number of cases, SMEs can also face challenges which are often inherent in operating across borders;
- in addition, they can face multiple interactions with other government agencies for example for registration, licencing, local taxation, etc.; and
- they do not have the same resources to devote to what can be complex tax affairs compared to large businesses, which will often have a dedicated team of tax professionals and advisers. This can especially be the case with very small businesses (including entrepreneurs) and can affect the running of their businesses.

For the tax administration and wider government, effective engagement strategies are important as:

- the SME sector is hugely important to the economy and to tax revenue, making up the vast majority of businesses, contributing a large percentage of GDP and, in many cases, being the main drivers of job creation and employment;
- SMEs can be particularly vulnerable to economic shocks, as was evidenced in many countries during the COVID-19 crisis;
- SMEs can account for a large proportion of the tax gap. For example, in the UK in 2020-21, small and mid-sized businesses are estimated to account for over a half of the tax gap, a significant proportion which includes errors and failure to take reasonable care (HMRC, 2020[1]); and

[1] The term "VAT" refers to any national tax by whatever name or acronym it is known such as Goods and Services Tax (GST) that embodies the basic features of a value added tax, i.e. a broad-based tax on final consumption collected from, but in principle not borne by, businesses through a staged collection process, whatever method is used for determining the tax liability.

- the large number of SMEs means that the tax administration does not have the resources to engage with them consistently on a one-to-one basis in the way they might be able to with some large businesses or wealthy individuals.

Box 1.1. OECD SME and Entrepreneurship Outlook 2021

Small and Medium-sized Enterprises (SMEs) and entrepreneurs were hit hard during the COVID-19 crisis. Policy responses were quick and unprecedented, helping cushion the blow and keep most SMEs and entrepreneurs afloat. Despite the magnitude of the shock, available data so far point to sustained start-ups creation, no wave of bankruptcies, and an impulse to innovation in most OECD countries. However, government support has been less effective at reaching the self-employed, smaller and younger firms, women, and entrepreneurs from minorities. Countries were not all even in their capacity to support SMEs.

The OECD SME and Entrepreneurship Outlook 2021 brings new evidence on the impact of the crisis and policy responses on SMEs and entrepreneurs. It reflects on longer-term issues, such as SME indebtedness and the SME role in more resilient supply chains and innovation diffusion. The report contains country profiles that benchmark impact, factors of vulnerability, and sources of resilience in OECD countries, and shine a policy spotlight on liquidity support and recovery plans for SMEs. (OECD, 2021[2])

Designing engagement strategies for the SME sector involves special challenges given the diverse nature of SME businesses, the different levels of understanding of tax obligations that exist and the different systems that they use in running their businesses, interacting with their customers, and meeting their tax obligations. For example, some SMEs, particularly at the medium sized end of the spectrum, may be experienced in handling tax matters and have good networks and IT systems in place. Others, particularly some entrepreneurs and micro businesses, may have little tax knowledge, and in many cases the same person will be managing the operation of their business and the administration of tax. For SMEs in this position, understanding and complying with their tax obligations can be burdensome, time consuming and potentially frustrating. Engagement therefore needs to be multifaceted to provide the right level of support at the right time for what is a very heterogeneous group of taxpayers.

Developing and maintaining communication and engagement strategies or approaches towards SMEs is an iterative process, itself relying on broad and continuing two-way engagement with different types of SMEs, representative bodies, intermediaries, other stakeholders, and other parts of government. As with any strategy, the starting point is a good understanding of the environment (or ecosystem) in which SMEs operate and their internal constraints, as well as the major issues that they face in complying with their tax obligations. The OECD (2020) report *"Tax Administration: Supporting SMEs to Get Tax Right Series: Strategic Planning"* set out the case for developing a strategy towards the SME sector in general as well as the building blocks and the processes that administrations may wish to consider. (OECD, 2020[3])

Building on the insights from the development of a general strategy towards SMEs, a separate **communication and engagement strategy framework** can be helpful in ensuring that well targeted and impactful forms of engagement are used.

Figure 1.1. below sets out some of the main issues that might be covered in an engagement strategy framework. These are expanded upon below.

Figure 1.1. Communication and engagement strategy framework

Source: United Kingdom (2022).

Customer journey mapping

A customer journey mapping is a description of the experience a customer has as they encounter a service or a set of services, taking into account not only what happens to them but their responses to the experience. It is usually a visual illustration of customers' processes, needs, and perceptions throughout their interaction and relationship with a tax authority.

Box 1.2. Experience Maps

Experience maps provide a visual representation of what users do, think, and feel over time, from the point they start needing a service to when they stop using it. Speaking to a range of users will help understand all the events, transactions, and related services they may experience throughout their journey. Consolidating these into a single map will help understand:

- how users experience the current service
- how things work (or don't work)
- interdependencies - for example, between different departments or services
- pain points and where things are broken

A UK guide to producing experience maps can be found at: https://www.gov.uk/service-manual/user-research/plan-round-of-user-research.

Customer journey mapping also involves looking at the different points at which taxpayers commonly run into issues. For SMEs, these can often be "life-cycle" events such as starting a business, beginning to pay VAT, starting to employ people, cash-flow crises, insolvency etc. As part of customer journey mapping for SMEs, it can be helpful to understand the interactions that they have with other parts of government and other third parties, allowing consideration of how the administration might take account of these

interactions in engagement and service design. Customer journey mapping can be informed in various ways, including:

- **Surveys of different taxpayer groups**. This can be helpful in identifying where there are generic issues, such as the design of the administration's websites, availability of services etc., or whether different taxpayers face particular issues, such as a lack of understanding of legal provisions, record keeping requirements, reporting obligations, or language difficulties.
- **Meetings with taxpayers and their representatives** to drill down into the issues (which may be ongoing or only occur at particular times, such as filing season, the introduction of new legislation or new reporting requirements, etc.). These meetings can also be used to discuss alternative or additional approaches which might help, such as "how to" guides, hotlines, or chatbots.
- **Analysis of common errors and causes of non-compliance**. Increasingly data analytics (including web analytics) are used to identify patterns showing where taxpayers struggle to comply: for example, understanding allowable expenses provisions, complex tax calculations or definitions of income. This can identify areas for targeted engagement or where redesign of processes or forms might be an option. Similarly, analysis of causes of non-compliance may identify where engagement, for example through targeted campaigns, might be most effective.

Clear communication and engagement objectives

In designing a communication and engagement strategy it is important to be clear on the **objectives,** since engagement can be an expensive and time-consuming process. This also helps in the evaluation of outcomes. The list in Box 1.3 sets out examples of specific objectives for engagement, recognising that engagement actions may simultaneously cover more than one of these objectives. It is also important to note that the relative weight of these objectives might vary at different points and for different groups.

Box 1.3. Communication and engagement objectives

- **Improving taxpayer understanding** – by signposting information and support services, tax administrations can help SMEs to gain an understanding of their tax obligations, deadlines, or legislative changes, helping them to get their taxes right and reducing the burdens involved in searching for information.
- **Making it easier to comply** – in some areas, the process of complying with tax requirements can be complex: for example, calculating obligations, record keeping requirements, the design of forms etc. Targeted engagement, including at appropriate points in the process (such as through chatbots, "how to" guides and examples as well as support and education programmes) can help smooth the process for taxpayers.
- **Building trusted relationships** – by consulting and collaborating with SMEs, tax authorities can demonstrate their willingness to listen to and be responsive to the needs of SMEs, including around designing new services, transparency in decision-making, and review processes. This can help improve compliance attitudes and reduce frictions.
- **Building trust in the tax system** – this can have an important impact on compliance attitudes, potentially affecting compliance behaviours such as taking due care and attention. Communication and engagement can be important tools in helping to create perceptions of a fair tax system: for example, by explaining the purpose and use of taxes and the interventions that administrations take to support fairness and fair competition, as well as to tackle non-compliance. This can enhance trust and increase the credibility and legitimacy of the tax administration. An important element in building trust is effective complaints handling and associated engagement.

- **Increasing the tax administration's knowledge of SMEs** – Communication and engagement provides an important source of information and data for decision-making for the tax administration, including how to influence taxpayer behaviour, where interventions may be of most value and in the identification of the main drivers of SMEs compliance attitudes.

Understanding capabilities

As mentioned above, the SME community is very heterogeneous with varying knowledge and experience of the tax system and their obligations; resources (money and time); IT capabilities; access to professional advice, etc. A "one-size-fits-all" approach is unlikely to be appropriate in many areas. Tax administrations may wish to consider:

- **Mapping where generic approaches work best**. Generic, one-to-many approaches can be highly cost-effective, particularly when they can be done electronically. This might include for example, dealing with uncertainty around new tax obligations by testing and refining website guidance, the provision of information to all taxpayers about tax filing and payment deadlines, or the availability of automated support. Even where the message is generic, tailoring will be required when the taxpayer has no or limited access to electronic media (which may also be because of a preference for non-digital communication). This may require the use of other media, such as print, television, written communication or in-person engagement (for example through helplines) which can be higher-cost.
- **Where tailoring is needed.** Tailoring, including personalisation, is likely to be of greatest importance where particular frictions or poor practices are identified – such as non-registration, poor record keeping, consistent late filing, persistent errors, or lack of responsiveness.
- **Channel shifting over time**. While there will remain some cases where taxpayers will require continued in-person support to carry out at some actions, this can be expected to reduce over time as the use of electronic devices and the availability of low-cost applications and real-time support becomes more prevalent. A number of tax administrations are seeking to encourage and support voluntary shifting to digital channels and in some circumstances are also mandating the use of such channels other than in exceptional circumstances.

Box 1.4. Channel Shifting – Reduction of paper tax returns

In the ***United Kingdom***, HM Revenue and Customs (HMRC) have been progressively digitising its services and encouraging customers towards self-service across its major taxes. This is even more prevalent in view of lessons learned from the COVID-19 pandemic and HMRC's vision for a trusted, modern Tax Administration System.

Some of the most notable changes so far have included the introduction of online Corporation Tax where all Company Tax Returns are filed online apart from those customers who are digitally excluded, and Self-Assessment services - with 96% of all Self-Assessment tax returns filed in 2020 to 2021 being completed online. HMRC have also introduced a range of new digital services over the course of the COVID-19 pandemic, such as digital stamps to avoid paper handling and a virtual assistant to handle routine Self-Assessment and tax credits queries like password resets and payment date queries. These simple and efficient services are available 24 hours a day, reducing the need for customers to contact their helplines. Customer satisfaction with HMRC's digital services reached a record high of 88.5% during the period after these new services were released and remained high at 85.2% overall for the financial year 2020 to 2021.

HMRC will continue to consider how to deploy digital channels in a way that adds value to their business objectives and customers' needs, builds resilience and trust and is delivered in a way that is an effective use of resources. Alongside this, HMRC is also considering the barriers to digital inclusion that customers may face, and how these barriers can be addressed practically.

Source: United Kingdom (2022).

Interactions with wider government

SMEs usually have to engage with a number of government agencies: for example, for registration, regulatory and licensing reasons, for government support schemes or for reporting purposes. Understanding the different interactions and the timing of those interactions, as well as the burdens involved, can help deliver tax administrations' engagement objectives, offering opportunities for cross-cutting messaging and whole of government approaches. (See Chapter 5 on the Swedish whole of government approach.) For example:

- It may be possible to link-up between different government services, creating "one-stop-shops" or hubs where relevant information and links can be found: for example, around tax registration processes or obligations.
- A common government portal may be put in place to centralise communications between government and the SME taxpayer. This may also include options for self-service: for example, updating details, responding to secure messages, or giving permissions for the sharing of data.
- In some cases, joining-up may allow simultaneous registration or regulatory processes to be completed with multiple government agencies, or the introduction of "tell us once" processes. It may also be an option to make certain processes contingent on other regulatory requirements being met, for example when there are significant compliance concerns. As an example of such an approach, in the United Kingdom, from April 2022, the renewal of licences to drive taxis and private hire vehicles as well as to deal in scrap metal will only be given if the person applying can show they have completed a tax check with HMRC. Licensing bodies will have to obtain confirmation that an applicant has completed the check before deciding on the renewal application.

Role of intermediaries and other stakeholders

Intermediaries are a vital part of the tax administration system, supporting compliance, taxpayer experience and efficiency. SMEs already rely on them to perform key functions in the tax administration system; new ways of working and digital advances are likely to increase intermediaries' role. Intermediaries can be powerful advocates for tax authorities when engaging with SMEs. In addition to supporting many aspects of engagement, intermediaries may also be able to provide new insights as to the most effective engagement methods and timing from their own experiences.

In many countries, it is common practice for tax administrations to engage more formally with intermediaries. This may include the collection of data to enhance compliance and assist in reducing administrative burdens: for example, by working directly with software and application developers and third-party service providers. Understanding the increasingly important role intermediaries play in the tax system, whether in the reporting or payment of tax, can make it easier to deliver better targeted support to taxpayers. The intermediaries' landscape is large and complex, and can include for example:

Table 1.1. The intermediary landscape

Intermediaries	Considerations
Tax agents/accountants	SMEs in some countries make heavy use of tax agents. In that case it may be that one of the primary engagement targets will be tax agents themselves since they will have first-hand knowledge of issues facing SMEs as a group as well as individual SMEs.
The voluntary and community sector	In some countries, the voluntary and community sector may be a helpful intermediary for tax administrations' engagement in general as well as in particular circumstances, for example when someone is facing financial difficulties.
Financial institutions	Almost all SMEs will have accounts at financial institutions. They can be an effective conduit for tax administration information, particularly on the opening of accounts, during the tax filing season or where the SME is suffering financial issues. A number of financial institutions also offer business support services for SME customers.
Online platforms	Some users of online platforms may not understand their tax obligations, including whether they need to register for tax. Cooperation with online platforms can assist in educating taxpayers, providing them with timely prompts and signposting tax administration support. (For example, see the OECD Code of Conduct (2020): Co-operation between tax administrations and sharing and gig economy platforms. (OECD, 2020[4])
Other government agencies	Most SMEs will engage with a number of government departments, whether for regulatory or business support reasons. This will often include local governments as well. Understanding the main interactions of SMEs with other government agencies can provide opportunities for helping to target engagements.
Insolvency practitioners	Insolvency is a stressful and difficult experience and will often involve tax issues. Tax administrations may wish to consider working with insolvency practitioners to help ensure that the right information is available to SMEs, including information about how the administration can help (for example with debt payment plans).
Contracting companies	Some sectors make extensive use of contractual arrangements for the supply of goods and services. It may be possible to work with large companies that regularly contract out to smaller companies to provide relevant information supplied by the tax administration.
Trade associations and representative bodies	Trade associations and representative bodies can be highly effective conduits for two-way information flows between the administration and the SME sector, both for general information and for identifying and cooperating on particular issues facing the sector.

Software and application developers	Establishing cooperative arrangements with software and application developers can help in the provision of new services for taxpayers like easy-use accounting and record keeping software. It can also provide direct routes for support and education from the administration.

Box 1.5. Examples of Tax Administrations working with Intermediaries

In ***Australia,*** the ATO has co-designed the Single Touch Payroll (STP) system, in collaboration with payroll software providers. It provides a solution to collect data from employers primarily within existing payroll business processes for the majority of employers. Using existing payroll events, STP reporting is designed to minimise change for SMEs using payroll software, so they can fulfil administrative reporting of employer taxation and superannuation obligations with less burden, while providing the ATO with more regular and current information on their compliance. The STP design also includes other parts of government, so the data collected and reported to the ATO, through STP, can be used by other parts of Government that administer programs based on employment income and related information. The system's design was an important enabler for rapid delivery of the Australian Government's COVID-19 economic stimulus in 2020.

Sources: Australia (2022)

Evaluation of impacts

In order to understand whether communication and engagement activities reach the intended audience and achieve the desired results, administrations may wish to consider a variety of metrics to measure short-term and long-term impacts.

Looking at the short-term impacts, administrations might consider measuring:

- web page views and length of time per view. This can provide insight into the proportion of SMEs accessing the relevant information;
- mentions in media of the issues covered by the communication or engagement, including media particularly relevant to targeted taxpayer groups (for example trade media);
- general surveys related to select engagements, which might include individual surveys or phone interviews. This might be particularly relevant when looking at the impacts of a new type of interaction;
- improved trust in the tax administration. These insights could potentially shed more light into how tax administrations should define and operationalise concepts of 'trust and fairness' that are often very abstract and hard to measure in the institutional context;
- positive or negative feedback. This provides tax administrations with an important source of information as to the issues faced by taxpayers individually or as a group. It can also allow quick responses to be given where necessary as well as identifying where process improvements or further support and education may be helpful, including to address any misunderstandings that risk becoming prevalent;
- use of customer service channels; and
- level of voluntary compliance.

For understanding the longer-term impacts, metrics might include:

- changes in the number of enquiries or complaints related to particular issues over time;

- improvements in outcomes that the communication or engagement was intended to stimulate, for example on-time filing, reduction of errors, channel shifting etc.; and
- qualitative feedback on SME attitudes in general. This can be important information even where there have been positive improvements in outcomes, as taxpayer perceptions can be different from measured outcomes[2]. This feedback can potentially be gathered at engagement forums with stakeholders or their representatives, as these groups give a voice to the voluntary and community sector and other organisations representing SMEs. They also provide an effective forum for tax administrations to explain and explore the implications of potential changes to policies, products and processes that affect SMEs and their representative bodies. This dialogue also provides an opportunity for early review of guidance and information so that SMEs can influence both the practical and strategic content of changes.

Box 1.6. Examples of reviewing the effectiveness of engagement

In ***Canada***, Public Opinion Research (POR) is a primary method through which the Canada Revenue Agency (CRA) engages in frequent, targeted consultations. In this way, compliance programs are adjusted, or new initiatives are implemented. This also promotes their voluntary compliance model and improves the taxpayers' experience. The CRA has undertaken a POR with representatives from the SME population in order to obtain feedback on their communication and compliance strategies related to their corporate business workload. The final report and findings from the POR sessions will be used to revise communication and compliance strategies as needed. Moreover, the CRA takes unsolicited feedback from stakeholder organisations and ensures that this feedback is both acknowledged and acted on.

In **Indonesia**, to measure the effectiveness and levels of customer service in bringing behavioural change in the fulfilling of tax obligations, the Directorate General of Taxes (DGT) enlists the help of third-party companies to conduct Customer Satisfaction Surveys on an annual basis. The surveys are used to analyse the satisfaction levels of taxpayers with services provided through direct channels, online applications, and other channels, and to also determine whether the current state of services provided is meeting their expectations as well as delivering behavioural change. The DGT use the results as a basis to seek out improvements to enhance the customer's experience and to provide better tax education and services. Moreover, through this survey, the DGT can determine the effectiveness of various communication channels promoted by the DGT, such as website, television, radio, emails, text messages, online mass media, and social media.

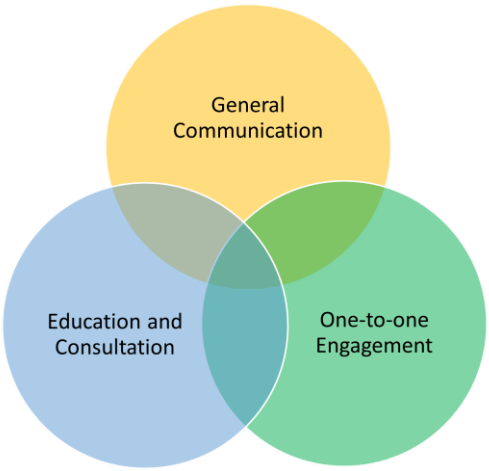
Sources: Canada (2021), Indonesia (2022)

Forms of communication and engagement

The communication and engagement strategy framework set out above can help to inform what activities might work best in particular circumstances, taking account of the heterogeneity of SME taxpayers. The three main forms of engagement are depicted in Figure 1.2. These are covered in more depth in the following chapters of this report.

[2] See the OECD Tax Administration Series 2019, chapter 5 on "Measuring impacts on the taxpayer's perception of compliance burdens (OECD, 2019[8]).

Figure 1.2. Forms of engagement



Source: United Kingdom (2022).

General communication – Chapter 2

General communication, or one-to-many communication, involves generic interactions: for example, the posting of guidance on the administration's website, or common messages sent to large groups (such as upcoming deadlines, changes in tax law or new assistance programmes). For messages of this kind, administrations will often use traditional channels such as television and radio advertisements as well as social media channels depending on their analysis of the reach and impact of each.

Education and consultation – Chapter 3

In the case of education and consultation, generally one-to-target group engagements are used, often with personal interactions. These groups may, for example, be new SME taxpayers, particular SME segments facing specific issues or SMEs undertaking new activities (such as employing staff, exporting, etc.)

One-to-one engagements – Chapter 4

Tax administrations also increasingly use one-to-one personalised communications: for example, in respect of taxpayers whose returns are overdue. Increasingly such personalised communications can be automatically generated and sent by tax administrations, allowing bespoke one-to-one interactions to be increasingly reserved for more complex or sensitive situations.

Multifaceted communication and engagement with SMEs on COVID-19 support

Of course, the engagement options set out in this report are not exclusive, and different forms of communication and engagement are often used simultaneously by tax administrations. This was seen very clearly in the COVID-19 pandemic, where tax administrations had to implement policy measures at pace to support businesses and mitigate the economic impact of COVID-19 in a complex and fast-moving environment.

Active and multifaceted engagement was a critically important tool, and many tax authorities rapidly adapted their engagement approaches as well as using existing communication channels to engage with

SMEs about topics like new services, changes to requirements and deadlines, and newly available support schemes.

Box 1.7. Examples of multifaceted engagement

In ***Colombia***, the National Taxes and Customs Agency (DIAN) improved the diversification and adaptability of service channels, as part of a strategy of focusing on citizen satisfaction that aims to increase voluntary compliance. This was important during the COVID-19 pandemic as DIAN maintained services through a strategy called the "Virtual Attention by Email", which allowed 1.543.183 taxpayers to be supported between March 2020 and March 2021.

However, DIAN recognised that more direct connections were needed with taxpayers. To achieve that, in April 2021 a Video Service was enabled, replacing the service by email. This new channel brought significant benefits to SMEs as it enabled virtual meetings with tax officials, increased the effectiveness of procedures, and reduced transaction costs. Since 2021, 1.087.553 virtual meetings have been held.

Subsequently, DIAN's premises have reopened, but the video channel has been retained, as offering remote services allows DIAN to take into account the needs of each citizen, in turn promoting a better relationship between citizens and the tax administration.

In ***Singapore***, a variety of COVID-19 support measures to help individuals and SMEs were introduced during the pandemic. This included measures targeted towards SMEs, such as the distribution of grants, cash pay-outs, reliefs, rebates, and concession. Some of these grants were jointly administered by Inland Revenue Authority of Singapore (IRAS) and other relevant government agencies. Details of these measures were communicated to SMEs via website updates and media releases through both the traditional media and social media. IRAS also leveraged intermediaries for the communication of these COVID-19 measures. For instance, in its regular engagement with the 'Taxpayer Feedback Panel' and 'Singapore Chartered Tax Professionals-SME Dialogues', discussions were held on these support measures to seek relevant input. These dialogues were subsequently shifted to virtual meetings when physical meetings became challenging due to the pandemic.

Source: Colombia (2022), Singapore (2022).

2 General communication

This chapter looks at general communication with SME taxpayers, focusing on the "broadcasting" of information from the tax administration rather than extensive two-way dialogue. The information and messaging may be aimed at specific groups of taxpayers, such as SMEs operating in specific sectors, but will generally be generic in format.

This chapter looks at three aspects of this form of communication:

- **Communication channels**: this explores the different options which administrations may consider based on reach, effectiveness, and value for money considerations.
- **Good practices for effective communication**: this sets out some general considerations for the style and content of general communication with SME taxpayers.
- **Communication touchpoints**: this final section explores some of the most relevant and common points at which it might be of most value to undertake general communication.

Communication channels

Whilst internet-enabled tools have dramatically increased the possibilities for low cost and immediate communication, they may not necessarily be the most effective choice in all cases given the heterogeneity of SMEs. Tax administrations may review the various available channels and their effectiveness, alone or in combination, at reaching widely into the SME population and/or relevant sub-sectors. This could also include consideration of those in the SME segment that do not have online access or do not want to use it. (See for example research published by the UK's HM Revenue and Customs (HMRC) in 2020, "Assisted Digital and Digitally Excluded Support Needs". (HMRC, 2020[1]))

Such a review can be informed by engagement with SMEs, representative organisations, intermediaries, and other stakeholders, including other parts of government. This consideration should also factor in how these various actors might help in delivering the communication as well as in refining the style of messaging based on their own experiences.

The main communication channels that were identified by tax administrations participating in the production of this report can be divided into two categories, **awareness generating** channels and **explanatory** channels. These will often be used in combination, particularly in targeted campaigns aiming to change taxpayer behaviours, which might include campaigns to increase the number of people meeting filing and payment deadlines, drives to increase taxpayer registration in parts of the informal economy, or campaigns encouraging channel shifting.

Awareness generating channels

These are channels which work well at quickly engaging taxpayers' interest and attention and, where appropriate, encouraging taxpayers to use other channels to obtain more detailed information. Particular consideration needs to be given in designing communications to the competitive environment for getting SMEs' attention given the many other incoming communications from customers, suppliers, marketing materials, other parts of government and so on. Examples include:

- **Letters and emails**: Written communication sent directly to taxpayers can be an effective awareness generating tool, since their official nature may mean that they are more likely to at least be opened. There can be risks, though, if these forms of communication are overused or not related to required actions, potentially reducing the attention paid to them over time. In addition to being sent to private or business addresses, letters and emails may be sent via taxpayer portals. This can help to avoid the communication being lost among many letters or emails, although analysis will be needed of how often SME taxpayers actually log on to their individual portals.

Box 2.1. Written communication campaigns

In ***Singapore***, hardcopy filing reminder letters used to be sent to companies who had yet to file their Corporate Income Tax (CIT) Returns near the CIT filing due date. In 2021, instead of sending hardcopy letters to these companies, the filing reminders were sent via emails to those who had opted to receive email notification from Inland Revenue Agency of Singapore for their notices. With companies adopting hybrid working arrangement due to the pandemic, emails reached the taxpayers faster and allowed them to react in a timely manner. This change in the mode of communication, coupled with other interventions, contributed to a 3% increase in the CIT on-time filing rate in year 2021.

Source: Singapore (2022).

- **SMS (short message service) and recorded messages**: Like letters and emails, short text or recorded messages can be effective in garnering attention since mobiles and landline telephones are often checked multiple times daily. Again, it is important to make judicious use of this form of communication, as overuse can potentially lead to frustration with some customers being susceptible risks from fraudsters. SMS messages are often best suited to calls to action, such as reminders of filing and payment deadlines or notification of high-impact changes. They can be particularly effective when aimed at the right group.

Box 2.2. Use of SMS to engage with SMEs

In the ***United Kingdom***, HM Revenue and Customs (HMRC) currently utilises both outbound email and SMS messaging as a way of communicating directly with customers.

The remit of the text messaging services has expanded over recent years, and messages are now sent to all types of HMRC customers including Employers, Agents, Self-employed and those that are VAT-registered. The messages are sent for a variety of reasons including reminders to fulfil mandatory obligations and as help and support. These messages have also been used to support numerous high-profile campaigns for tax-related subjects including the COVID-19 Response, exiting from the European Union, Making Tax Digital and promoting digital services such as online guidance and webinar help.

In 2020/21 HMRC issued over 353 million emails and 17.5 million SMS messages to its customers. Over 231 million emails and 6.3 million SMS were directly supporting the HM Government's COVID-19 response, by informing and educating customers on the various support schemes and initiatives available, highlighting what customers could claim and when, as well as signposting customers to the right online guidance and support channels.

HMRC also utilises these services for other key business critical events, such as the Self-Assessment annual filing peak in January each year. During the Self-Assessment peak in January 2022, HMRC issued 22.6 million emails and 7.8 million SMS messages with targeted support to help customers complete their Self-Assessment tax returns and make any payments due on time.

The upward trend seen in the use of both services across HMRC is expected to continue as their use is established across strategic communication planning as a preferred strategic method of contacting customers quickly and efficiently.

Source: United Kingdom (2022).

- **Social media**: Tax administrations are increasingly using a range of social media channels to communicate with SMEs and their intermediaries, since a growing number of SME taxpayers make extensive use of social media as part of their own business communications. It is, though, important to be aware that not all SMEs will use social media (or will use it solely for marketing purposes), so it cannot be relied upon to reach the entire target audience. The use of social media can also have multiplier effects as people repost administration messages or comment on them. This multiplier aspect is something that administrations may also wish to monitor as it can provide useful feedback on the impact of the communication and may also sometimes require further administration input to correct misinterpretations (which can spread rapidly) and to respond quickly to issues which may impact the tax administration's reputation.

Box 2.3. Use of Social Media

In ***Australia***, the Australian Taxation Office (ATO) use social media channels to provide education and support messages to SME owners and their intermediaries, ranging from introductory 'new-to-business' basics through to more complex tax and superannuation guidance.

Business owners are also able to ask the ATO questions via their preferred social media platform during extended business hours, Monday to Friday. The ATO's customer care staff provide tailored information including links to explanatory content on their website; in more complex scenarios, they will work with compliance and guidance teams to determine how the law may apply to their situation.

For SMEs, the ATO have a dedicated business social media account @ATOSmallBizExec which is fronted by the Deputy Commissioner, Small Business. The account shares information and insights directly from the Deputy Commissioner to a broad audience of business owners and key industry bodies. It uses a conversational tone and innovative rich media to help support key organisational messages – for example, the account shared a short video to help explain some of the important concepts from the ATO's Small Business Tax Gap release.

Source: Australia (2022).

- **Paid-for advertising**: More traditional forms of media, such as television, radio, and newspapers, can also be an effective part of communication campaigns, both in print form and in online versions, as they are capable of reaching large groups of taxpayers and can deliver multiplier effects when combined with other communication channels. This is often the case when communicating during a crisis or in relation to major changes which may impact the wider SME sector, such as the introduction of government support schemes during the COVID-19 pandemic.

Box 2.4. Traditional media campaigns

In ***Hungary*,** between 1 January and 20 May each year, personal income tax filing is required for private individuals, self-employed persons, self-employed farmers, and all farm employees. The electronic Personal Income Tax (ePIT) was created six years ago by the National Tax and Customs Administration of Hungary (NTCA). As part of this service, it is necessary to provide timely electronic reminders and technical guidance for these groups, focusing on key tasks, with deadline-related awareness-raising being at the heart of the campaign strategy. This is supported with traditional media campaigns which are focused on press releases, interviews and social media posts. In an average ePIT campaign, NTCA issue around 25 press releases, have 30-40 social media posts, and conduct almost 400 interviews with TV and radio stations.

Source: Hungary (2022).

- **Tax administration produced media**: The production of leaflets, flyers and posters, which will often be relatively low cost, can help showcase important messages and can be used in a variety of locations, from tax administration offices to other government departments, citizens' advice offices and the wider SME stakeholder community. They can also be used effectively in pop-up events where information can be displayed on stalls likely to be seen by a significant number of taxpayers: for example, in public locations with a high volume of foot traffic, or by a specific target group of SME taxpayers at trade events or conferences.

Box 2.5. Use of printed materials

In ***Georgia***, the Georgia Revenue Service created brochures specifically aimed at newly registered SMEs. Brochures provide primary information about declarations and due dates that might occur for a natural person or a legal person. Furthermore, detailed guidelines on major tax returns are publicly available on www.rs.ge. They provide information about who must file, when they need to do so, what the main conditions and liabilities are, and how to file.

Source: Georgia (2019).

Explanatory channels

While there is overlap with awareness generating channels, as the name suggests **explanatory channels** provide more in-depth information on particular topics and, where appropriate, link to other sources of pertinent information and guidance. Examples include:

- **The tax administration's website**: The tax administration's own website is the main location for in-depth information apart from face-to-face consultations in tax offices and telephone helplines. These are increasingly combined, as many administrations' websites now offer real-time access through chat functions to tax officials where issues cannot be resolved through a review of the information on the website. As the website is usually the primary and lowest-cost conduit of comprehensive information, administrations may wish to employ specialist website administrators and designers as well as seeking professional advice and feedback from taxpayers and stakeholders.
- Core characteristics for successful websites include that they:
  - are easy to navigate and intuitive to use;
  - are written in clear and easy to understand language;

- have clear signposting for new or updated information, or for issues covered in awareness generating campaigns;
- have interactive features where taxpayers can request further information (this may be a contact page, email addresses, web-forms, live chat or taxpayer portals); and
- are regularly tested and updated (to remove, for example, broken links).

Administrations may also wish to consider whether to incorporate a dedicated section of their website aimed at SME taxpayers, bringing together relevant information and make searching easier, for example focussed on the communication touchpoints set out in Figure 2.2. This may also be linked to and from other government websites dedicated to SME issues.

Box 2.6. – Digital channels

In ***Ireland,*** Revenue makes information and digital services accessible to 3.5 million customers. The redesigned website was informed by insights from customers, feedback from staff and the latest research into how people consume information online. 225 staff were involved in the project. Revenue restructured and rewrote 6000 webpages, adopting style and writing guidelines that ensured that content is written in a clear and consistent manner.

The complete redesign aimed to improve service by delivering a one-stop-shop that enables and encourages customers to self-serve for information and online services; make services accessible by ensuring availability on all devices (desktop, smartphone, tablet); and present content in a way that makes sense to a diverse range of customers. The data is layered in complexity, enabling customers to quickly access key information and to navigate to more detailed technical material where needed. A rigorous content management process is in place to ensure that information remains correct and up to date.

Over the last 3 years, ***Sweden*** has produced a series of podcasts for on SMEs who are in the process of starting up, which have had over 200 000 listens. Podcasts have been effective as they not only are easy to produce; they also complement existing channels and are easy to consume by SMEs (they can for example be listened to whilst doing something else). One challenge faced has been to ensure the podcast series is 'timeless', and so the podcasts are careful to avoid specific references to years or time-specific facts.

Source: Ireland (2019), Sweden (2022).

- **Tax administration newsletters/circulars**: Newsletters can be a high-impact way to communicate with a particular group of SME taxpayers, providing them with in-depth information on issues such as legislative changes, upcoming consultations, deadlines, updated forms, and relevant information from other parts of government. Such newsletters can be regular and, as such, a part of keeping the wider SME community engaged, or put out when specific issues arise which need special attention.

Box 2.7. Tax administration newsletters for SMEs

In ***Sweden***, the Swedish Tax Agency sends the online newsletter "TaxInfo" electronically 8 times a year to 4 350 accountants and auditors throughout the country. It contains current and ongoing news about tax and VAT and provides practical information on, for example, form completion and submission. As the newsletter is targeting accountants, it has a high impact on the SMEs community, since accountants are usually responsible for the tax duties of a large number of small businesses.

There is also a newsletter once a month to SMEs which highlights new legislation, "news for the season" and other reminders. This newsletter is produced in collaboration with other agencies so that it has a whole of government approach.

Source: Sweden (2022)

- **Videos and animated presentations**: developing video content can be an effective way to increase awareness of an issue or subject, with visual presentations sometimes making it easier to convey key messages in an intuitive and engaging way, particularly when complementing written guidance. They can also be shared across other digital channels, including the tax administration and stakeholders' websites and via email. Videos can, though, be expensive to produce, so they must add value when compared to cheaper alternatives. Due consideration should also be given to the accessibility of the video for the targeted SME audience, whether it might need to be translated, or if a sign-language version needs to be produced.

Box 2.8. Use of videos

In ***Singapore***, the Inland Revenue Authority of Singapore (IRAS) has created videos to assist taxpayers in self-learning and understanding their tax and record-keeping obligations. For example, to proactively educate businesses on Goods and Services Tax (GST) rules and particularly SMEs who may be less tax-savvy, IRAS published a series of videos on IRAS' social media channel on Common GST Input Tax Errors to avoid.

IRAS has also published two video guides to guide businesses in using their e-Services to file GST returns and register for GST, and on half-yearly basis sends out a GST Bulletin via electronic direct mail to update businesses on the latest GST developments.

E-learning videos have also been developed for employers participating in the auto-inclusion scheme (who may be SMEs) to guide them on the correct reporting of their employees' remuneration. These digital educational initiatives offer businesses more interactive and targeted learning experiences to complement the comprehensive information already available on the website.

For example, a video on Taxation of Self-Employed Persons was developed and uploaded to the IRAS website. The video covered topics such as Tax Obligations of a Self-Employed, Keeping of Proper Records and Common Mistakes, to assist the self-employed in understanding and handling their own tax matters. A series of e-learning videos have likewise been published for corporate income tax issues, covering topics such as withholding tax and capital allowances.

Source: Singapore (2022).

- **Sectoral media**: Trade magazines and material aimed at SME segments and produced by other government agencies can also be an important multiplier for tax administration messages, particularly for more targeted messaging. Examples might be communication of changes to requirements or processes for SMEs that are importing or exporting, the availability of new tax

reliefs for certain types of activity, or tax administration rulings on the acceptability or otherwise of certain practices and tax schemes.

Box 2.9. Effective partnering with trade media

In ***Australia***, the Australian Taxation Office (ATO) works with stakeholders to share information and resources about tax topics across their networks and channels. The ATO conducts monthly outreach to industry bodies and groups, small business and professional associations, chambers of commerce, government agencies, and other influencers, resulting in the ATO's white-labelled content being regularly reproduced across the stakeholder channels. The relationships the ATO has built with these stakeholders has led to many of them regularly asking the ATO to provide tailored articles on specific topics for publication. In recent years the ATO has worked with three large retail chains to provide input into their tax time promotions to their customers. In 2021, one of the retail chains consulted with the ATO to feature tax time tips in their trade catalogues, which had a reach of more than 2.6 million people. Another retail chain's catalogue sent to more than 100 000 people in 2021 featured information provided by the ATO about the instant asset write-off for eligible businesses.

Source: Australia (2022).

- **Multichannel combinations**: General communication can combine channels to increase the effectiveness through multiplier effects. By layering communication and using different channels, the chances of taxpayers seeing messages and retaining the messages can be increased.

Box 2.10. Multichannel Communication

In **Romania**, the Romanian Tax Administration (NAFA) has introduced webinars on a wide range of topics. The webinars are organised both to inform the taxpayers of their fiscal obligations and to answer their questions related to the topic, with the aim of improving voluntary compliance. The webinars last two hours and in addition to a presentation taxpayers can ask questions either in writing through the Q&A section or orally using the "raise hand" function. The webinars are organised monthly and taxpayers must register to participate, giving NAFA greater insight into the number of participants and the number of questions asked through the Q&A section.

The webinars are for a wide range of taxpayers, including SMEs, and in addition NAFA's Call centre was upgraded to a Contact Centre giving more opportunities to fully answer taxpayers' questions by phone and by the newly introduced chat service.

This is all supported by various online guides or brochures on a wide range of topics which are also promoted through open pages on social networks and using press releases. NAFA also publishes videos on social media, to explain more about the services offered or how to fulfill fiscal obligations.

Source: Romania (2023).

Good practices for effective communication

Style of messages

The style of messages will obviously vary according to the nature of the media and the intent of the communication (awareness generating or providing detailed content). There are, though, several common

elements for effective communication which have been identified by administrations participating in this work. These are set out in Figure 2.1.

Figure 2.1. Principles of good communication

Targeted

- The administration should be clear who is the target of the communication as this will affect the choice of channels, the tone of messaging and the content of messaging. Without clarity on who the message is for, taxpayers could resent having spent time understanding that it does not apply to them.

Action oriented

- The communication should have a clear point to it, setting out what the taxpayer is supposed to do in the case of reminders of upcoming deadlines or legal changes or what they should take out of the message (for example that compliance and supporting fairness is taken seriously).

Respectful

- Communication should be respectful of the taxpayer, including recognising that what they are being asked to do or to focus on is only one part of the large set of things involved in running a business.
- Ideally, the tone of communication should create an impression that the administration is trying to support the taxpayer to get tax right and reduce burdens.

Goal driven

- The administration should have clear aims for the chosen communication and, ideally, the ability to measure impacts. Goals may be related to upcoming events, such as filing and payment deadlines, or longer-term, such as messaging to reinforce the importance of paying taxes.

Engaging

- In a crowed communication environment, it is important that the communication is noticed and the right channels are used to attract the intended audience.

Timely

- To be impactful, communication has to be immediately relevant to the SME taxpayer. For example communication well in advance of deadlines may not get noticed or acted upon. In other contexts, such as registration drives, timeliness may be related to the optimum use of a suite of communication channels in order to reinforce messaging.

Easy to understand

- Plain language should be used, avoiding jargon or uncommon undefined terms. Short sentences and concise sentences can also help aid understanding. Consideration should also be given to the position of non-native speakers and the possibility of translating the communication into appropriate languages.

Dependable

- Taxpayers must be able to trust the information circulated by tax administration. It is important to avoid ambiguity and to direct the taxpayer to appropriate sources for more in-depth information. The reputation of the tax administration could be at risk if wrong or misleading information is shared. An increasingly important consideration here is how to ensure that the messaging can be properly identified as coming from the administration and not from fraudsters.

Source: United Kingdom (2022).

Increasingly, tax administrations are also making use of the science of behavioural insights to increase the impact and effectiveness of their communication efforts. The OECD 2021 publication “Behavioural Insights of Better Tax Administration: A Practical Guide” (OECD, 2021[5]) explains how behavioural insights can be beneficial to tax administration, together with concrete examples and guidance on building behavioural insights capabilities within tax administrations.

Communication touchpoints

While communication campaigns aimed at SMEs will often be in response to new events, and therefore have some bespoke elements, they will generally fall into a particular category and have a number of common elements. Considering what the common touchpoints for communication might be can help tax administrations in the advance preparation of appropriate material, in building their understanding of the best channels and in their choices of how best to engage, including through regular evaluations after the event.

Figure 2.2 sets out common communication touchpoints identified by tax administrations together with some specific considerations that administrations may wish to reflect on and some examples.

Figure 2.2. Communication touchpoints

Source: United Kingdom (2022).

General information

There is a lot of general information needed by taxpayers to fulfil their tax obligations. Much of this will not necessarily need tailoring, such as links to relevant forms, guidance on the main questions facing taxpayers, links to underlying tax law, information on filing deadlines and so on. The main issue for consideration here is ensuring that the information is:

- readily accessible either through a well-structured website or, where paper forms are required and cannot be printed from the internet, through easy to access sources;
- updated as necessary, for example when legal requirements change, gaps in information are identified or links are broken.

A helpful practice in this regard can be interaction with relevant SME stakeholders on the design of website, coverage of content and information accessibility for those who may not have access to the internet. Administrations may also wish to have a dedicated contact point where taxpayers can raise issues as to the availability, sufficiency, or clarity of information.

Box 2.11. Optimising websites

In Sweden, there is a single-point-website (www.verksamt.se) to register a new company at the business register and then register as employer, VAT and "F-skatt" (preliminary income tax for company) at the tax administration together with other authorities. The four government agencies are the Swedish Companies Registration Office, the Swedish Tax Agency, the Swedish Agency for Economic and Regional Growth, and the Swedish Public Employment Agency – which have brought together and structured information and services of value to SMEs. The website streamlines information from these authorities to SMEs in various situations.

The main measure to make sure SMEs are providing the right information is to build in formal controls in the e-service, like checks against available register information.

Source: Sweden (2019).

Life cycle events

Life cycle events, such as registering for tax, employing staff, reaching VAT thresholds, audits or closing a business, can be difficult and stressful and therefore a common point of friction and errors. It can be useful to put together detailed guides to assist SME taxpayers at these significant points of change. Administrations may wish to consider a range of options for how best to assist SME taxpayers on a one-to-many basis. For example, if the changes are complicated or easily misunderstood, it can be helpful to employ visual aids, such as flow charts or step-by-step instructions or videos. In addition, use of videos can be helpful in guiding SMEs through the changes in obligations they face. Co-designing detailed guides with SME taxpayers and/or their representatives may also be helpful in ensuring that the issues are seen from a taxpayer perspective and pitched at the right level.

Box 2.12. Guides for life cycle events

In the ***United States***, various platforms are used for Internal Revenue Service (IRS) educational and business support initiatives specifically aimed at SMEs, including face-to-face interactions and the provision of electronic or web resources. A sampling of the initiatives is provided below.

- IRS Nationwide Tax Forums offer three full days of seminars with the latest word from the IRS leadership and experts in the fields of tax law, compliance, and ethics.
- Spanish Leveraged Small Business Tax Workshops
- Small Business Tax Workshop
- Small Business Taxes: The Virtual Workshop (Web based)
- Basic Payroll Tax Seminar
- Employee versus Independent Contractor
- IRS Video Portal https://www.irsvideos.gov/

The information provided in stakeholder initiatives addresses key SME life-cycle events. This includes useful information for new or start-up business such as requirements for the filing and payment of taxes throughout the life span of the business. Also, information relative to recording and accounting related to business activities for the life span of the organization is addressed.

Source: United States (2022).

Filing, reporting and payments

In addition to the information that SME taxpayers need to complete their tax obligations, there are regular periodic actions they need to undertake, like filing, reporting and making tax payments (which may cover tax on business profits, VAT or sales tax, and income tax for employees). While the provision of general information will support SMEs with those obligations, communication around deadlines can be an important compliance tool helping to ensure that the obligations are considered in good time (reducing the chance of errors that can occur with rushed filing, etc.), and that tax returns and tax payments are made on time.

Where these obligations are not done at the required time, it can create additional burdens on the administration, such as reminding people or starting enforcement action, and can lead to additional costs for taxpayers, including late filing or payment fines or having to respond to enforcement actions.

Such communications close to deadlines can be done through one-to-many channels – such as mainstream media, social media, through multipliers etc. – as well as more personalised channels on an automated basis for example, through emails, letters, text messaging etc.

Box 2.13. Multichannel communication on fulfilling tax obligations

In ***Hungary***, the National Tax and Customs Administration (NTCA) uses a range of channels to promote tax obligations. In 2022 the NTCA launched the NTCA News, a new information source, where NTCA produces one to two-minute video reports on important tax-related activities of the period, as well as details of compliance activities. These reports are primarily available on social media platforms.

NTCA also uses social media to promote other messages and use it in a variety of ways such as simple, one-sentence headlines and humorous leaflets. Campaigns include VAT returns (VAT refund, deadlines, useful tips for draft returns, mailing draft returns, paying in instalments) or car tax (how to claim a refund, or how to calculate the tax due).

This is all supported by a ‘Clarity Programme’ aiming to make taxation easier through clearer communication, with a special focus on SMEs. NTCA information leaflets, information booklets, official letters, posters, and all online and offline platforms are subject to a clarity check, to ensure they are in plain language. This is promoted through training and various tools to help plain language usage. To further develop the programme, the NTCA set up the Office of the Clarity Programme. To date, the programme has revised almost 25,000 pages of information to make them more understandable for taxpayers. Clarity is now part of NTCA's strategy and institutional work plan.

From February 2023 a “Taxation for All” section is also available on the NTCA portal, which offers comprehensive information on the most common scenarios encountered by taxpayers. The information is grouped according to life stages and gives step by step guidance to taxpayers. The platform, created within the Tax Awareness and Clarity Program of the NTCA is constantly expanding and provides guidance for individuals and self-employed persons in most tax situations.

In ***Singapore***, the Inland Revenue Authority of Singapore (IRAS) provides a suite of general and customised communication and education to taxpayers during the tax filing season. General communication such as press releases on filing season, media stories, and bite-sized educational materials in the form of infographics via social media posts are aimed at the tax community at large. There is also customised communication such as filing reminders in the form of text messaging, emails and letters targeting higher risk taxpayers.

To simplify and improve the tax filing experience, IRAS has been using data to pre-fill taxpayers' income. One such example is the pre-filling of self-employed income information for commission income earners and taxi and private hire car drivers. To ensure that the information providers and intermediaries understand the purpose and benefits of such initiative, engagement sessions were conducted to explain and address any concerns. IRAS also designed infographic brochures for these intermediaries' dissemination to their agents and drivers.

Source: Hungary (2023), Singapore (2022).

Compliance verification activities

Compliance verification activities can be both stressful and time consuming for SMEs, potentially having a significant impact on their day-to-day business activities. It can be useful to consider producing general communication material on different types of compliance activity.

At one end, this communication may concern a general compliance campaign that is being undertaken: for example, looking at a particular SME segment or SMEs located in a particular geographical area. Here communication serves the dual purpose of preparing SMEs for the possibility of compliance activity and giving a nudge to SMEs to ensure that their tax affairs are up to date and correct.

Where the compliance activity concerns a particular SME rather than a general notification of possible activities, then generic communication in addition to the specific engagement with the taxpayer can be important in helping the SME taxpayer understand why the compliance activity is being undertaken, what is expected of the taxpayer in the process and what steps they may wish to take to make the process easier for themselves. This may help to reduce uncertainty, lead to a more co-operative and smoother process and allow the taxpayer to use the experience to educate themselves for the future. This can be particularly useful where a comprehensive audit is being undertaken which may look at all aspects of an SME's tax affairs.

Box 2.14. Communication on compliance verification activities

In ***Hungary***, the Hungarian Tax and Customs Administration (NTCA) communicates electronically during tax audits with all companies (including SMEs). Companies must register a Corporate Mailbox (Cégkapu) in order to send the audit documentation as e-documentation / e-paper for the NTCA. The Corporate Mailbox facilitates the establishment of connections between economic organizations and bodies providing electronic processing, since every mail item intended for delivery is delivered to the secure, authentic mailbox obtained by the economic organization.

Electronic communication is possible for the taxpayers from the beginning to the closing of the audit as well as in the following legal procedures. Taxpayers can communicate with the tax administration without using the original communication channel (ordinary mail) or appearing in the offices of the administration in person. The tax administration can forward the official documents (reports, decisions, etc.) made during their procedures to the taxpayers or their representatives in electronic formats. Types of documents made during the audit include

- Documents of the audit such as the letter of authorization and the Announcement letter of audit, Audit Report, etc.
- Documents of the following legal procedures like orders and decisions of the first and second instance

Only the documents produced during on-the-spot audits requiring the signature of the taxpayer and the auditors are required to be paper based.

Source: Hungary (2022).

Changes in legislation and processes

Given other demands on their time, SMEs may find it difficult to stay up-to-date on changes in legislation and corresponding changes in tax administration processes. This can lead to errors, inaccurate returns, and additional costs for SMEs. Since changes in legislation are regular events in most countries, administrations may wish to have a set of standard practices in place for how they inform SME taxpayers of these changes.

For example, administrations may wish to use SME representative bodies, intermediaries, mailing lists, websites, social and mainstream media, or other channels to help ensure wide awareness of the nature of the changes and so that SME taxpayers have established routes they can use to access more detailed guidance. As with other regular events, administrations may wish to evaluate the effectiveness of the communication arrangements each year to look for gaps and areas for improvement.

Box 2.15. Legislative changes

In ***Colombia***, in view of the need to reduce both formal and substantial tax burdens for micro and small entrepreneurs, a payment mechanism called RST (Simple Taxation Regime) was created. The RST allows the payment of up to 6 taxes in a single form. The RST is paid annually, improving entrepreneurs' cash flow. The registration process through to the tax declaration is done electronically, through a web portal or through the App from the National Taxes and Customs Agency (DIAN). 66,000 entrepreneurs are currently registered for the RST, of which 48% are new companies.

In ***Poland***, the National Revenue Administration carried out a campaign that accompanied the introduction of the obligation to use the Uniform Controlled File (JPK_VAT). JPK VAT is a monthly delivery of records of purchases and sales in electronic form. This change in law encompasses a large and very diverse group, as the estimated number of microenterprises in Poland is 1.6 million. Most of them do not use professional accounting services (according to the ministry's estimations only over 30% use such services).

The campaign was aimed at informing to whom the new obligation and liability relates, helping taxpayers in fulfilling the new obligation, and indicating its benefits for those conducting business activities and the tax administration. Organized by the Ministry of Finance and the National Revenue Administration, it included channels of the two organisations (such as websites, social media, and tax offices), paid commercials in media (including a campaign in nationwide media, internet, and printed materials like leaflets and posters), and cooperation with public administration and social partners. 93% of the companies fulfilled the obligation to send JPK_VAT on the first date.

Source: Colombia (2022), Poland (2021).

Business continuity disruption events

As seen during the pandemic, communication is a vital tool during business continuity disruption events to keep taxpayers informed as to the impacts on them, as well as any changes to deadlines or processes (such as closure of offices). Administrations may also have a major role to play in helping to communicate wider government messages given their extent of contact with the SME community, as well as communicating information about economic impacts to relevant government departments or agencies to inform policy decisions. Since business continuity disruption events are usually sudden and unexpected, advance preparation against a range of scenarios can be extremely useful. This should not only concern the nature of communication for particular types of events but also the process in different circumstances. For example, in certain types of events some communication channels may be disrupted, relevant personnel may not be available and decision-making processes may change.

Some of the main considerations for the role of communications in the COVID-19 crisis were set out in the CIAT/IOTA/OECD 2020 publication *Tax Administration Responses to COVID-19: Business Continuity Considerations* (CIAT/IOTA/OECD, 2020[6]).

Box 2.16. Communication considerations during the pandemic

"Communications with taxpayers can take on heightened importance in the confusing, worrying and rapidly changing environment of a pandemic. Administrations may want to put in place a pandemic communication strategy about how best to communicate with taxpayers to achieve administration and government objectives. Communication considerations may include the following (in different languages where appropriate):

- getting across in general terms that the administration is there to support taxpayers and the wider economy, including the fit with other government policies, in particular to get across that this is a communal effort and citizens are in this together;
- watch words to guide communication styles might be "fair, kind and human", ensuring that communications are clear, transparent and sympathetic in a time of significant anxiety. This can also be important for longer-term changes to compliance behaviours and the reputation of the tax administration, which will be of great importance during the recovery phase;
- making it easy to navigate to up-to-date information on the tax administration website (for example, promoting a simple new web address), linking to other government websites as appropriate;
- explaining clearly how to contact the tax administration with clarity on expected time lines/methods of response;
- communicating the detailed support options available, with clarity on how to access them, expected timings of support and any conditions, as well as how to communicate with the administration in cases of uncertainty;
- making taxpayers aware quickly of changes in services, service levels or processes as a result of changing business continuity arrangements (for example, the closure of offices or the move to remote working).

Tax administrations will also wish to consider communication channels which may be appropriate for different types of messages, for example, their website, third parties such as trade associations or advisers, social media, newsprint and television. Consideration might also be given to providing a dedicated service, for example, a telephone service, specifically for employers to support them in different situations due to Covid-19.

As with existing communication strategies, thought will need to be given to how best to access different groups, including those who may be digitally challenged or with special needs."

Source: OECD 2020 Tax Administration Responses to COVID-19: Business Continuity Considerations.

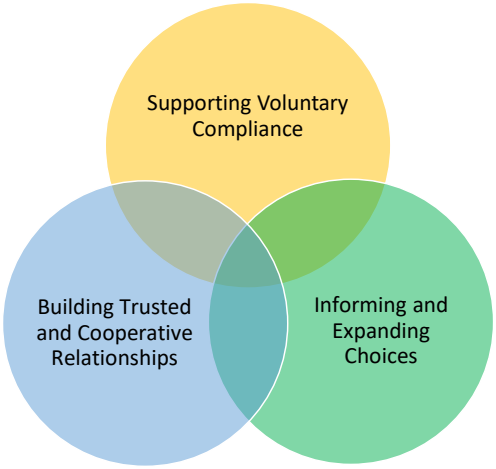
3 Education and consultation

Targeted group engagements

The previous chapter focused on general communication initiatives with the emphasis on one-to-many communication, also described in that chapter as "broadcasting". This chapter focuses on interactive engagements (i.e. involving personal engagement) that are targeted at specific groups and issues, in particular through **educational programmes** or **consultation processes**.

These interactive group engagements have several common objectives, with the primary difference between them being that education is generally more focused on influencing long-term compliance behaviours while consultation is usually related to identifying issues with current taxation processes or changes in processes, whether announced or being considered. Common objectives of objectives or education and consultation, as illustrated in Figure 3.1., are:

Figure 3.1. Objectives of education and consultation



Source: United Kingdom (2022).

- **Supporting voluntary compliance**: As described in chapter 1, many aspects of tax administration still rely on voluntary compliance, particularly in parts of the SME sector where much information is self-recorded and self-reported. Put simply, compliance attitudes matter a lot in these circumstances. While these attitudes are influenced by a wide variety of factors, interactive educational activities can help in developing a wider understanding of the purpose of tax, the role of government and the impacts of unfair competition on compliant SMEs. This in turn can help to reinforce social norms, particularly when the tax administration is seen as providing continuing

support to SMEs in understanding and meeting their tax obligations, including through consulting them on the implementation and design aspects of tax administration processes.

- **Building trusted and cooperative relationships:** Educational activity and consultation can also help to build ongoing trusted relationships with SME taxpayers, allowing taxpayers to obtain more clarity about the requirements of the administration and how to meet them; and the administration to gain a better understanding of where additional support or changes to processes might be helpful. While the resource-intensive cooperative compliance arrangements that exist in some countries between large businesses and the tax administration would be impossible to replicate across the large number of SME taxpayers, education and consultation can help to create a cooperative compliance culture with potential reductions in compliance verification interventions.
- **Informing and expanding choices**: Targeted group engagements can also help to inform the work choices of younger people by exposing them to the opportunities of entrepreneurship among other options, particularly when it also covers and demystifies the wider range of issues involved in setting up a small business. Education and consultation can also help established taxpayers in considering new options: for example, the use of software packages and applications to help automate their tax reporting or through assistance with the tax issues involved at various business life-cycle points, such as taking on employees, beginning to export and so on.

Education

The important role that taxpayer education can play is highlighted in the second edition of *Building a Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education* (OECD, 2021[7]). This study analyses a unique dataset of 140 taxpayer education initiatives deployed in 59 developed and developing countries around the world, offering a classification of different approaches to taxpayer education, and identifying common challenges and solutions. With over 80% of taxpayer initiatives reported to generate an improvement in tax morale – the intrinsic motivation to pay taxes – the study shows that increasing tax literacy can play an active role in shaping a country's tax culture, in which citizens understand the effects of paying (or not paying) taxes on their daily lives.

Educating taxpayers is not just the business of tax administrations. Annex A of the Global Source Book on Taxpayer Education also contains a summary of the initiatives reviewed for the report, covering teaching tax to students, businesses and individuals. Many of the initiatives presented in the study demonstrate the value of effective partnerships with other stakeholders such as schools, business associations and non-governmental organisations. The numbers of administrations undertaking educational and business support initiatives is also rising over time. Data from the OECD's Tax Administration Series is set out in Table 3.1 (OECD, 2019[8]).

Table 3.1. Selected special educational and business support initiatives, 2017

	Educational activities aimed at university students	Educational activities aimed at school children	Hosting of online seminars (e.g. live streaming, e-learning or videos)	Free tax services for lower income individuals or newly created businesses
No. of jurisdictions	13	20	14	10

Of course, there are a variety of ways to provide targeted taxpayer education on a group basis, ranging from traditional lectures in a classroom style environment, via the use of live webinars, to providing material for delivery by others. Administrations will wish to review the cost and benefit of the different formats, including levels of resource commitments, taking account not only of the expected short and longer-term impacts on compliance behaviours of attendees but also of the potential wider effects that can arise. These include helping to build trust in the administration among taxpayers in general as well as the wider compliance support that compliant taxpayers might offer over time (for example, being more willing to encourage compliance by others or to report non-compliance).

Group educational initiatives relevant to SMEs can be split into three broad categories:

- General engagement with future taxpayers
- Engagement with new SME taxpayers
- Targeted engagement with SME taxpayers on specific issues

Box 3.1. Promoting tax education in schools and universities

In ***Colombia***, the "Culture of Contribution at School" is a programme for primary and secondary schoolchildren that aims to strengthen fiscal education. The National Taxes and Customs Agency (DIAN), with the support of the Secretaries of Education and Educational Institutions, intends to promote the construction of a value system that facilitates fiscal citizenship; helps students understand the reason for the existence of taxes; influences compliance in the medium and long term; and promotes the social acceptance of taxation.

Every year, a virtual book is published on the DIAN website where good teaching practices are recognised, highlighting creativity in learning activities where, through games and experiences, students can meet the goals of the programme. Approximately 75,150 primary and secondary students have benefitted from the programme, and it has been implemented in 11 cities in Colombia, with 18 more being added this year. In addition, 2,405 teachers have been trained on the course in partnership with SENA (the National Learning Service).

In ***Japan***, in November 2011 the Central Council for Promoting Tax Education (the Central Council) was founded with the objectives of strengthening the degree of cooperation among the relevant ministries at the central government level and promoting tax education aimed at young generations by society as a whole. The Central Council is comprised of the National Tax Agency (NTA), the MEXT (which oversees educational administration), and the Ministry of Internal Affairs and Communications, which is responsible for local tax administration. The Central Council cooperatively undertakes consultations and research on how to enhance tax education at each educational stage in elementary, junior high and high schools and universities, and also the knowledge-enhancing activities for people who are responsible for tax education, including teachers. Nowadays, promotion of tax education in Japan is being advanced through coordination among "the Local Council" and the Central Council, and the NTA is fulfilling an important role as a member of both Councils.

The Japan Federation of Certified Public Tax Accountants' Associations, which had been actively participating in the tax education programme since earlier days, became a supporting member of the Central Council. Regional Certified Public Tax Accountants' Associations (Certified Public Tax Accountants' Associations at each local level) and other relevant private organisations are also becoming members of "the Local Council" gradually, and the number of members is growing annually. As a result, the NTA is strengthening its ties with other ministries and agencies in central government,

regional tax authorities, educators, and relevant private organisations; it is engaging in tax education; and it is striving to expand the wider the circle of students taking tax education classes.

In ***Mexico***, the General Administration of Taxpayers Services (AGSC) is working to promote a contributory culture and tax culture. The AGSC focuses on the formation of conscious citizens who are convinced, informed and able to voluntarily comply with their tax obligations, through developing activities aimed at students of all educational levels, in which there are four lines of action:

- Formal education: oriented to individuals in training (Educative Institutions basic, middle and upper level).
- Non-formal education: oriented to society in general.
- Taxpayers and specific sectors.
- Actions for continuous improvement; measurement and evaluation of results as well as the dissemination and implementation of best practices are promoted thanks to the international and inter-institutional linkage.

Source: Colombia (2022), Japan (2019), Mexico (2019).

General engagement with future taxpayers

This category encompasses programmes run as part of general educational programmes, for example in schools or universities, or offered to those considering starting up a business.

Educational programmes in schools covering tax issues will usually be relatively short in duration, giving high-level overviews of the role of tax in society, often as part of wider civics courses. Such programmes will also usually require a degree of training for schools and teachers to ensure that the information is correct and that there is consistency across schools.

For other people, whether university students or those who are considering starting a small business, the focus will usually be on the practical aspects of starting up a business, going beyond tax and covering issues such as business licencing requirements, financing issues, marketing and so on. Such courses may often be delivered by local chambers of commerce, local government, or trade bodies. Where tax administrations are not participating directly in such education programmes (which can be resource intensive), they may wish to engage with providers to ensure that core tax issues affecting compliance are covered, as well as providing supporting information and materials. These courses can be helpful in ensuring that those who are considering starting a new business think about their tax obligations from the outset, as these can easily get crowded-out in the early life of a business, particularly given that some tax obligations may only come a year after the business has started.

Box 3.2. Partnering in educational programmes for those considering starting a business

In ***Colombia***, the Accounting and Fiscal Support Centres are an initiative of the National Tax and Customs Directorate (DIAN) that aims to strengthen public tax education policies and promote tax culture programs. Delivered through universities, students and teachers are provided free guidance on tax and custom obligations, as well as signposted to online support services available to low-income individuals, small businesses and entrepreneurs.

From 2017, 118 agreements were signed with universities covering more than 44 cities, training 6,470 students and teachers in tax education workshops. Also, 205,359 services were provided for free to low-income taxpayers. DIAN publishes further training on its social media channels, which have more than 1,222,000 views.

In ***Hungary***, to provide individuals who want to start a business with taxation information, some regional offices of the National Tax and Customs Administration of Hungary (NTCA) participate in training courses on legal and financial skills for starting a business. These courses are organised by the Employment, Labour and Labour Protection Department of the Hungarian Government as part of the service related to the support for entrepreneurship. The programme is aimed at registered jobseekers participating in the labour market programme. Due to the programme's success, it will be expanded countrywide.

Source: Colombia (2022), Hungary (2022).

Engagement with new taxpayers

Offering courses targeted at new taxpayers can potentially be an effective use of resources to try to address problems before they arise.

As noted above, tax issues may be low down the list of priorities for a new small business. There is therefore a risk that practices which make meeting tax obligations difficult set in at the outset, making businesses more susceptible to making errors when filing taxes. In particular, many new businesses may not be familiar with bookkeeping and record keeping, including a potential lack of knowledge about the various digital tools that can now be used to make this easier, automating large parts of the tax return process. There are many applications now available which can produce customer invoices and receipts and keep records of transactions and expenses on an ongoing basis.

Box 3.3. Educational initiatives for new SMEs

In ***Australia***, the Australian Taxation Office (ATO), recognising the importance of managing cash flow in the long-term viability of SMEs, worked with the tax profession to develop a Cash Flow Coaching Kit. The kit is designed to increase business and financial acumen, helping SMEs understand and improve their cash flow.

This program is delivered via tax agents as well as industry and professional associations and includes a focus on tax professionals and small businesses who may be at higher-risk or in shadow economy industries.

In ***Colombia***, under the motto "*Lo Público es Nuestro*" a strategy was developed within the National Tax and Customs Directorate (DIAN), which includes training content for current taxpayers, public servants, and citizens in general.

This was recently used in the implementation of e-invoicing for SMEs, where a communication campaign involving videos, social media, press releases and so on were used to promote the launch of invoicing and provide training.

Thanks to this and other campaigns, Colombia in a very short time managed to have more than 783,000 electronic billers. To achieve these results, the offer of electronic solutions has been strengthened, allowing taxpayers to generate and transmit documents for their validation through third party suppliers. Currently there are 98 technological suppliers, and similarly, a free invoicing service was developed, which all companies could use without any limitations or costs.

In ***Hungary***, the National Tax and Customs Administration of Hungary (NTCA) provides information on tax liabilities to start-up companies, and provides personal contact (i.e., mentoring) free, for the first year of the SME's existence. Participation in the programme is voluntary.

Group training for start-ups is also available, and presentations consist of two separate parts, *"What you need to know about taxation"* and *"How to pay tax"*. The group forums are organised monthly. The group training materials are continuously updated and can be found, together with other useful information, on the NTCA's website in a dedicated section.

Most of the personal mentoring activities are proactive, i.e., mentors draw the taxpayers' attention to possible shortcomings and help them to fulfil their tax obligations in a lawful way. The mentoring activity therefore consists of correcting the errors or deficiencies that arise, explaining the services provided by the tax administration and raising awareness of their benefits.

In ***Singapore***, a Start-Up Kit which provides customised information on tax obligations is available to all newly registered businesses and companies. Upon registering a business or company with the Accounting and Corporate Regulatory Authority (ACRA), data of the newly registered business or company will be passed from ACRA to Inland Revenue Authority of Singapore (IRAS) to facilitate the sending of email invites to the newly registered business or company to access the Start-Up Kit. The Kit provides:

- Customised information to guide businesses and companies in their first filing of the Tax Returns with IRAS and Annual Return with ACRA;
- Email reminder on tax filing due dates;
- Useful tips based on the responses of the business or company to key questions;
- GST information to help the business or company to determine its GST registration liability; and
- Links to Enterprise Singapore's website for more information on industry insights and updates on grants and services to enhance business efficiency.

Source: Australia (2022), Colombia (2022), Hungary (2022), Singapore (2022).

Targeted engagement on specific issues

In addition to educational programmes on general taxation issues, administrations may want to consider targeted engagement on specific issues which are identified as areas of concern among particular groups of taxpayers. These might, for example, be identified by the number of requests for clarification or assistance received by the administration on specific topics (whether from taxpayers or tax intermediaries), or because of compliance activities and audits. The kind of issues which might be suitable for specific engagement could be where there are:

- Issues with record keeping or bookkeeping that have been identified as an issue for a specific sector
- Alerting taxpayers to phishing and fraud by raising awareness and helping customers spot scams and protecting those who might be vulnerable
- Common issues occurring at life-cycle events, for example when an SME first takes on employees, when an SME passes a VAT threshold or where an SME begins to export to multiple countries
- Uncertainties about the application of tax rules in particular circumstances (for example where the administration has noticed lots of errors)
- Concerns about the smooth implementation of new legislative requirements, for example following the introduction of new reporting systems or special tax regimes.

Administrations may wish to partner with other stakeholders in delivering targeted group engagement of this sort: for example, with trade bodies, taxpayer representatives or other intermediaries, depending on the nature of the issues.

Box 3.4. Targeted group engagement on specific issues

In ***Hungary***, during the design phase of the new website of the National Tax and Customs Administration of Hungary (NTCA), user needs and information-seeking habits were assessed in two steps. In the first phase, interviews on the nav.gov.hu website were conducted among the general public (aged 18-59), and test tasks were used to map how quickly and accurately the respondents could find information, a calculator, a form on a particular taxation type, a form-filling program or an information booklet. In the second phase, business interviews were conducted to investigate the motivations of groups of self-employed individuals, SME managers and accountants.

Five characteristics of the ideal portal emerged: it should be understandable, relevant, easy to navigate, easy to search, and easy to connect. The study also found that a site is most successful when a well-functioning search engine is placed at the centre of the homepage, and that the NTCA Information Booklets series should be brought to the forefront, with different information for advisors and taxpayers.

This is part of a wider research programme to understand taxpayer needs. Focus group testing is regularly used by NTCA in the future to adapt its developments in tax-related services and obligations to the needs of its taxpayers and to offer them the simplest possible solutions.

Source: Hungary (2022).

Consultation

The other main type of targeted group engagements is consultations. Broadly there are two types of consultation:

- **those on legislative or operational changes** that have been announced or are being considered; and
- **more "blue sky" consultations** to help identify issues of concern in the current system of tax administration (for example, burdensome requirements and areas of non-compliance, and possible options for addressing them).

For either type of consultation, administrations will want to consider the best format for a consultative process in order to achieve their objectives and reach the target SME audience. (In many cases, multiple formats may be appropriate). Choices of format include:

- **Written consultation** through the publication of a consultative document and a call for responses. While this can be effective in ensuring that large numbers of stakeholders have the opportunity to comment, if relying solely on written consultation care needs to be taken that it is representative. For example, many SMEs may not have the time to engage, and responses might be dominated by larger firms. Administrations may, therefore, wish to ask SME representative bodies to reach out to their members and collate views.
- **"Town hall" style consultations or online webinars**, where views are sought from the target SME group in specific locations (or at specific times in the case of webinars). This can be a helpful supplement to written consultations since it gives people a chance to ask questions and raise issues that may also be of concern to others, allowing the administration to react in real-time. It may not be a suitable forum for discussions of more detailed issues, though, given that there will often be a large number of participants with different levels of expertise and experience (and a risk that some voices will dominate).
- **Consultation with selected groups of stakeholders**. This can be useful when the issues are more complex, and it can help to ensure that there is good representation across the spectrum of SMEs and representative groups with requisite expertise and knowledge. Administrations may wish to be transparent about such engagement and to run some other events in tandem to mitigate concerns about certain groups of stakeholders having privileged access.
- **Consultation with focus groups**, consisting for example of SMEs invited semi-randomly to help ensure that a wide range of views are heard directly from SMEs. Again, administrations may wish to be transparent about the use of such groups and the selection criteria.

In all cases, it will be important to provide written feedback following consultation, setting out the tax administration's analysis and responses, as well as indicating the number and range of opinions expressed (including identifying which representative groups responded). This is important in providing reassurance that the consultation was inclusive and meaningful.

Legislative and systems changes

In some jurisdictions, consultation is often a formal part of a country's process for agreeing new legislation or making changes to existing legislation. Where possible, prior consultation on legislative changes can be very helpful in identifying in advance any issues with administering the changes which may take time to address (potentially affecting implementation timetables); or where changes to aspects of the policy design might make it less burdensome to achieve the underlying objectives.

This may not always be possible depending on legislative processes and/or potential adverse behavioural impacts of consulting before introducing a change. For example, consulting on closing loopholes may lead to some taxpayers to make use of those loopholes before changes take effect.

On systems changes, which may either involve changes in administration systems affecting taxpayers or new systems requirements for taxpayers (such as new forms of reporting or recording of information), consultation can be important in identifying:

- the additional net costs and burdens on taxpayers from the changes and whether any adjustments might be possible to reduce those costs. This might lead to reconsideration of the changes or

options for possible support for taxpayers: for example, through tax reliefs for additional costs or grants;

- whether the implementation burdens might affect different SME taxpayers differently and the possible benefits of transitional arrangements, staging of reforms, or exclusion of certain taxpayers (for example below certain size thresholds); and
- where new private sector solutions might be developed to assist SME taxpayers. See, for example, the OECD 2019 report on Implementing Online Cash Registers (OCRs) which contains examples of how the market in OCRs was stimulated by consultation on the policy. (OECD, 2019[9])

Box 3.5. Stakeholder Engagement, Communication and Customer Insight

In the ***United Kingdom***, Making Tax Digital (MTD) was announced in 2015 as a key part of the UK government's plans to make it easier for individuals and businesses to get their tax right through online digital services. VAT-registered businesses with a turnover above the VAT threshold (currently £85,000) were the first to migrate to MTD in 2019. From 1 April 2022, all VAT-registered businesses have been required to submit VAT returns to HMRC through MTD-compatible software. In April 2024, MTD will also be extended to taxpayers with business or property income over £10,000.

Engagement and communication were essential in the announcement, raising awareness and supporting customers on MTD and their responsibilities. Types of engagement included early and continuous consultation with key stakeholders, clear guidance, and direct communications to stakeholders and taxpayers.

In advance of the rules being introduced, HMRC ran a pilot which over 90,000 businesses joined, allowing them to test the service with a variety of business types and at increasingly higher volumes. The pilot was open to all VAT registered businesses and was not limited to SMEs. HMRC also engaged extensively with businesses and their tax agents to support them to get ready.

With the SME community it was recognised that more outreach would be needed given the varying levels of knowledge and varying availability of professional support from agents or other intermediaries. To reach out to as many as possible, HMRC wrote directly to all customers affected and introduced a series of webinars and videos.

HMRC has an ongoing programme of customer insight to understand customer awareness, attitudes, and experience of MTD. At the outset of its development, research was commissioned which resulted in a segmentation of the user population, which helped identify the transitional support needs for businesses as they registered, the business population required to adopt MTD, along with their readiness and preparedness to change. This insight was fed into the ongoing communications planning to ensure audiences were targeted correctly.

MTD is bringing new, digital, tax and business management tools to UK business. As of December 2021, nearly 1.6 million businesses have signed up for MTD for VAT and over 11 million returns have been successfully submitted.

Source: United Kingdom (2022).

Identifying issues and problem solving

As set out in the OECD 2020 report *Supporting SMEs to Get Tax Right Series: Strategic Planning*, consultation can be a useful tool in developing an understanding of where burdens arise for SMEs and why, and for consideration of possible options for change. (OECD, 2020[3]) This may be structured around a particular known issue or issues, or through an open process looking to surface concerns as well ideas for how to simplify or streamline tax administration processes.

Such consultation can take place through standing groups that bring together a range of relevant stakeholders. Examples in the report include the Canada Revenue Agency's (CRA) partnership with the Canadian Chamber of Commerce and the Chartered Professional Accountants of Canada holding "Serving You Better" consultations, and the ATO's work with the Small Business Stewardship Group to improve the client experience and the administration of Australia's tax and superannuation systems.

In addition to standing groups, ad hoc groups can also be established to identify issues facing SMEs. These can also include events such as "hackathons" where teams work to find better solutions to administrative challenges.

Administrations may also wish to consider the exploration of issues and possible solutions jointly with other government agencies. For example, burdens might arise because of overlapping requirements of different agencies (for example, for the provision of information which may be reduced by the sharing of information), or from the need for multiple contacts, where agencies might be able to offer shared service solutions.

4 Delivering one-to-one support

Previous chapters have highlighted how different channels can be used to broadcast key messages to the diverse SME audiences, and how these channels can be combined to deliver programmes of activity that can effectively build awareness of issues and prompt further action. However, there can be limitations in these programmes. For example:

- A SME may realise that they have to meet a particular obligation, but do not have the resources or ability to understand how that obligation applies to their circumstances. This can lead to frustrations within SMEs, and some may choose not to comply with their obligations.
- Some groups can be harder to reach for these programmes, leading to pockets of taxpayers who are not reached by key messages.

Although technology has created opportunities for low-cost and high-volume personal communication, the support programmes needed to tackle these challenges can rely on tax administration staff interacting directly with SMEs either online, via telephone calls or face to face. This makes it highly labour intensive as these interactions can involve deeper discussions on the individual circumstances of the SME taxpayer, and the interactions can often be numerous and lengthy. Given the large numbers of SMEs, it is therefore critical that the interventions are both sufficiently targeted and are delivered at the right time. This chapter explores how tax administrations can deliver that additional personalised support effectively.

Targeting support

Thanks to the sophisticated data analysis capabilities that tax administrations have developed, tax administrations can identify groups or segments of SME taxpayers that may potentially benefit from personal support. This analysis can be central to identifying target audiences for personalised support and can help build the business case for investment in one-to-one support as it can demonstrate the longer benefits this action can bring.

However, it is also important that this analysis is combined with deeper consideration of the purpose of support that is being delivered to ensure that the targeting is effective. In particular, it will be important to examine issues from a taxpayer perspective and analyse how the taxpayer may perceive the administration or a particular issue.

A helpful starting point for this analysis can often be the customer journey of SMEs and identifying specific points within that journey where additional personalised support can have the biggest impact. For example, there may be issues with starting or registering a business where a higher impact one-to-one intervention could prevent future compliance or error issues. This may save administration resources in the longer term.

As part of the process of targeting of the support, in parallel, it is important to consider who is initiating the support. Using the tools mentioned earlier, tax administrations are increasingly able to pro-actively identify groups that they feel would benefit from personalised engagement. For example, tax administrations may be able to identify taxpayers at risk of non-compliance or building up a significant tax debt.

This contact, however, needs to be handled sensitively, as the engagement is unsolicited by the SME, and can have a negative impact on taxpayer behaviour. Tax administrations may need to slowly expose the

offer of one-to-one support and can use different mitigation techniques to ensure that the engagement is accepted by the taxpayer. These techniques can include:

- behavioural insight to nudge taxpayers in the right direction;
- smart use of data to personalise 'warm up' communications, which can help SMEs recognise that this message is relevant to them;
- offers of consultations or advice services so detailed issues can be explored; and
- using supportive language with SMEs so that they can recognise that the tax authority is trying to assist them rather than take action against them.

If the taxpayer is willing to accept the proactive support, this can be highly effective, as the outreach work can build closer connections with the tax administration and promote a compliance culture.

Box 4.1. Examples of proactive one-to-one support programmes

In ***Canada***, the Canada Revenue Agency (CRA) in 2016 initiated four nudge pilot campaigns focusing on improving filing compliance using an Automatic Dialling Announcing Device (ADAD) to contact and remind individual taxpayers of their tax obligations. The campaigns proved that a nudge delivered in a successful ADAD call had a positive impact on personal income tax filing compliance. In January 2020, Canada undertook a similar campaign but this time for corporate income tax filers. A randomised controlled trial was designed to test the effect of a reminder nudge. Results show that the nudge message had a positive impact on the filing rate of corporations that were contacted by ADAD.

In ***France***, the tax administration (DGFiP) introduced a programme of dedicated support for SMEs. It was set up to deal with specific questions posed by SMEs and to help SMEs identify their main risks and get some insights on how to address them. This programme also involves giving tax certainty to the company by producing a legal document known as the *rescript* (rescript), in which the administration issues an opinion about how to apply fiscal rules to a given situation. About 2,000 *rescrits* are issued each year by the tax administration to individuals and companies. The law states that when a taxpayer follows this opinion and applies it correctly, no tax control can later challenge this interpretation for the past.

With respect to the SME programme, in addition to the available of the *rescript* process, there is a specialised team able to dedicate more time to assisting the company, including through visits. This helps to address the issue that tax legislation can be complex and may change regularly, helps SMEs to limit their financial risks, and can help to facilitate their economic development.

In the ***United Kingdom***, HM Revenue and Customs (HMRC) worked with the Department of Business Energy, Industrial Strategy (BEIS), the Scale Up Institute and several Local Growth Hubs to make it easier for businesses to access local growth support.

This was done by analysing business data which identified high growth businesses and those with potential for high growth. HMRC then informed them of support available locally through the Growth Hubs. Feedback from the Growth Hubs and businesses has been very positive, with businesses welcoming the supportive information received from HMRC.

HMRC and BEIS are also working together to send information to businesses about local support to help improve performance. The government-backed 'Help to Grow' Management course is delivered over 12 weeks locally by leading business schools across the UK, accredited to the Small Business Charter. The course is for senior leaders in small and medium-sized enterprises and aims to develop their leadership and management skills. At the end, businesses will have a tailored business growth plan to tackle business challenges, become more efficient and better engage employees.

The course is 90% subsidised by the government and is open to any SMEs across the UK, with 5 - 249 employees, who have been trading at least a year.

Source: Canada (2022), France (2022), United Kingdom (2022).

Reactive support

Reactive support is triggered by SMEs who have recognised that they need further assistance on an issue and contact the tax administration. As this is initiated by the taxpayer, this can be hard to plan for, although careful customer journey planning can help identify peak times when this might occur.

In the past this reactive one-to-one support was provided through telephone calls, counter services, or advice centres. The growth of digital technology and the drive to digitalisation has meant that tax administrations have been able to expand their reactive channels, and tax administrations report that they frequently use reactive support channels such as chatbots, and guided web chat to offer more personalised one-to-one support to taxpayers.

Box 4.2. One-to-one support programmes

In ***Canada***, the Liaison Officer (LO) service is designed to help small businesses and self-employed individuals by providing them with free and personalized support, information and guidance about their tax obligations and responsibilities. The objective is to reduce their compliance burden by making it easier for them to comply and to avoid costly intervention in the future. The LO service has had success in supporting this population in their interactions with the tax administration to promote and ensure voluntary compliance from the start. Since the launch of the program in 2014, more than 69 000 small businesses and self-employed individuals have benefited from this service.

Traditionally, the LO service was offered through in-person, one-on-one visits and group seminars at a time and place that was convenient for the client(s). Now, Canada is taking an innovative approach to the new work environment by offering the LO service virtually through telephone and secure videoconference platforms and expanding to include information about COVID-19 relief programme funds. This approach aims to remove geographical barriers, increase flexibility, accessibility, and convenience, and provide better service, while ensuring that clients' safety and privacy are respected. The service is voluntary and is readily available by request to any small business or self-employed individual in Canada.

Source: Canada (2022).

The digitally excluded

A group that is frequently identified for targeting work is the digitally excluded. As digitalisation has grown tax administrations have identified that some groups may not have access to digital services or may not

be comfortable with them. Understanding the needs and drivers of these groups of SME taxpayers is therefore critical, and tax administrations are investing in detailed research to get greater insight into these groups. Through this research, specific programmes to support these groups can be designed that meet the needs of both the tax administration and the SME.

Box 4.3. Reaching the digitally excluded

In ***Hungary***, several years ago, the National Tax and Customs Administration of Hungary (NTCA) introduced the idea that during the peak tax season, taxpayer service staff should be present in busy shopping centres and hypermarkets. This outreach makes the NTCA more accessible to taxpayers, and is helping the NTCA be seen as flexible and helpful. The outreach is also covered on NTCA's social media channels and on NTCA News.

Source: Hungary (2022).

Programme development

One-to-one support programmes are resource intensive, and building the business case for this type of intervention can be challenging. Using the targeting techniques outlined earlier can help improve the immediate cost effectiveness, but it is important though that metrics are embedded into the programmes so the longer-term impact can be tracked. These performance indicators might include:

- Engagement rates with key audiences such as start-ups, or high-risk SMEs
- Timeliness of payment
- Error rates in filing
- Debt levels
- Compliance rates
- Taxpayer satisfaction surveys

By analysing these performance indicators, not only can weak points in programmes be identified and corresponding improvements made, but also the longer-term benefits can be quantified. Furthermore, as the support programmes involve direct discussions with taxpayers, this can provide a rich source of insight into taxpayer attitudes and behaviours. By routinely capturing this insight, tax administrations can improve the cost effectiveness of other support programmes.

This information also helps uncover opportunities for migrating taxpayers away from the high impact one-to-one support discussed in this chapter, to the one-to-many channels highlighted elsewhere in the report. Examples of this might involve:

- The development of higher quality chatbots that can use Artificial Intelligence to handle more complex interactions with taxpayers
- Improvement to guidance that can help clarify the common causes of errors or non-compliance
- Interactive guidance that can increase confidence in tax knowledge through use of videos and other digital tools to help SMEs understand tax
- Redesigning filing processes so that they fit more closely with taxpayer behaviours. This can often involve behavioural science techniques and nudges to help guide taxpayers more effectively through the filing processes.

Through this approach, the one-to-one support programmes can contribute to the wider goals of the tax administration and bring benefits to the wider SME group, which in turn can

- help foster a culture of compliance amongst SMEs;
- bring greater tax certainty to SMEs;
- tackle common causes of the tax gap, such as errors, freeing up tax administration resources; and
- reduce administrative burdens for SMEs, freeing up resources for entrepreneurship.

Box 4.4. Examples of programme improvements

In ***Australia***, Alex is the persona and face of the virtual tax assistant service of the Australian Tax Office (ATO); it was launched in February 2016. Alex understands conversational language, and the service allows taxpayers to ask tax-related questions via the website as if they were talking to a person. Since the launch, Alex has performed consistently in her core role of answering high volume general tax and superannuation related enquiries. Alex can be accessed by computer or smartphone. A conversation with Alex can be started by clicking on one of the most commonly asked topics, or by simply typing a question into the text box.

During 2020, the pandemic and the related Australian government stimulus measures saw client enquiry volumes skyrocket. This provided Australia with the opportunity to improve Alex's capabilities. Alex's entire knowledge base was revised, and new content added. In addition, Alex's comprehension ability was significantly uplifted, and Alex's performance metrics were also refined to improve her reporting capabilities.

Alex's metric for "Final Answer - Provided" for this period is averaging around 94%. This means that Alex was able to provide a final business answer to the client's enquiry. Considerations for the future of Alex include the use of emerging technologies to provide clients with a more immersive and responsive experience.

Source: Australia (2022).

5 Sweden: The whole of government approach

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Background

This case study covers a broader issue with scope reaching beyond that of the Swedish Tax Agency (Skatteverket). It represents a successful cooperation between the Swedish Tax Agency with other Governmental agencies. The main subject matter of this case study is commercial policy and streamlining of public authorities for the purpose of simplifying procedures and providing better access to official information and service for businesses. The political core objectives for these policies are economic growth, burden reduction and creation of a better entrepreneurial climate.

This case study is about the cooperation in Sweden regarding government services for business ("Myndighetssamarbetet starta och driva företag") which addresses the questions and challenges one might face when starting and running a company. The case study also describes the first steps in the Tax Agency's journey from acting as a hub to being a part of an ecosystem.

The cooperating agencies provide several products and channels where they bring together information and services in order to make it easier to run a business. The foremost context for those services is its users, the SMEs. The services are developed for them, and it is their needs that the services aim to fulfil, regardless of which agency is responsible. The information and services are presented in phases that many entrepreneurs go through: considering, starting, running, developing and closing down.

Implementation process

Cooperation between authorities has been progressing for a number of years, but it was in 2005 that a lot of ongoing and new projects merged into a cooperation-organisation that the authorities call "cooperation government services for business" ("Myndighetssamarbetet starta och driva företag"). Today there are a number of authorities involved at different levels, which will be detailed further in the case study. The main reason for merging was to provide SMEs with one coherent interface to Government. Another reason for merging was that much of the work was being duplicated for the same target group (businesses) with different projects and by different agencies. The merger allowed for a more efficient administration.

The products and initiatives that have evolved over the years are:

Digital site for information and services, the so called ”Verksamt”

The digital site for information and services, ”Verksamt,” (https://www.verksamt.se/) was launched in 2009 and it was from that project that the phases (considering, starting, running, developing and closing down) emerged. The Verksamt contains information from many authorities but in the beginning, it mainly contained information from, and was administrated by, the Swedish Agency for Economic and Regional Growth (Tillväxtverket), the Swedish Companies Registration Office (Bolagsverket) and The Swedish Tax Agency (Skatteverket). There is also the option to access e-services such as registering your business at the Swedish Companies Registration Office and registering for tax/VAT/employer at The Swedish Tax Agency. In addition to information and e-services, there are also checklists that are useful when starting a business.

Built in checks

An entrepreneur is encouraged to start their journey by compiling a business plan on our website. In order to do so the agencies provide support with different tools such as checklists, industry guides and simulation tools (i.e. calculation help). Some formal controls are also included in order to make it right from the start. The information from the business plan is not submitted to any agency, but the entrepreneur can choose to reuse the information when registering at the Company’s Registration office and at the Tax Agency. In both those registration processes there are built in checks to help the entrepreneur before submitting the information. Later in the company’s life cycle the information is presented based on different life events such as becoming an employer or starting cross border transactions. You could for instance get help in calculating the total cost of hiring an additional employee.

Brochure

The agencies have merged their brochures targeting the starting a business phase in one brochure. This gives the SMEs a broader and more coherent understanding of their obligations when starting a business. As the digital channel has been growing, the need for a brochure has declined, but it is still popular at information meetings and at various service points.

Information meetings for starting your business - the so called ”Starta företag dagar”

The agencies have merged their physical information meetings into a whole-day information meeting for those who are in the process of considering/starting a business. The Tax Agency contributes with a session about taxes, registration, reporting and payment. Approximately 30 information meetings have taken place in the three biggest cities in Sweden. To increase the number of information meetings, and to reach outside the major cities, webinar meetings were introduced.

In addition to the above examples of products, there is also a long list of initiatives that either started with cooperation or where cooperation was used as an incubator for other initiatives.

Challenges faced during the implementation

This collaboration has always been voluntary and characterized by a bottom-up approach. An effect of this is “soft steering”; i.e. no agency can tell another what to do or how to contribute. Sometimes people have perceived this as very frustrating and time-consuming (long discussions to agree on what to do, how and when, not to mention financing). On the other hand, once an agreement is reached, there is a solid foundation for implementation as the issues are well ingrained within the organisations.

Over the years, there have been many challenges in the quest of fruitful and trusted cooperation between agencies. The toughest challenges are usually the steering (i.e. what should be developed) and the financing (i.e. who should pay). A method for solving this is to implement levels of involvement in the cooperation.

Of course, there have also been challenges in other aspects of the collaboration, including interoperability, organisational, legal, semantic, and technical.

For instance, there are different legal environments regarding the privacy of the information. Most information about a company is public at the Companies registration office, while almost no information is considered public at the Tax Agency. This has resulted in some educational challenges explaining why one can access some information but not all at the website.

There were also semantic (and perhaps perspective) challenges as some agencies talked about “Starting a business” while others talked about “Register at an agency”.

It has taken some time and effort to try to resolve these challenges. In a sense, it has not been fully resolved, so the solution is to accept the differences and let the agencies be involved on various levels. Today cooperation consists of several authorities that are involved with different resources and different commitments and responsibilities.

Figure 5.1. Different agency roles

Source: Swedish Tax Agency (2021).

An important lesson learnt is the need for flexibility; different agencies have various incentives and pre-requisites for participating. They might also have a varying willingness to cooperate. One size does not fit all and this is important to acknowledge in order to facilitate fruitful and trusted cooperation between the agencies.

Outcomes and next steps

Outcomes

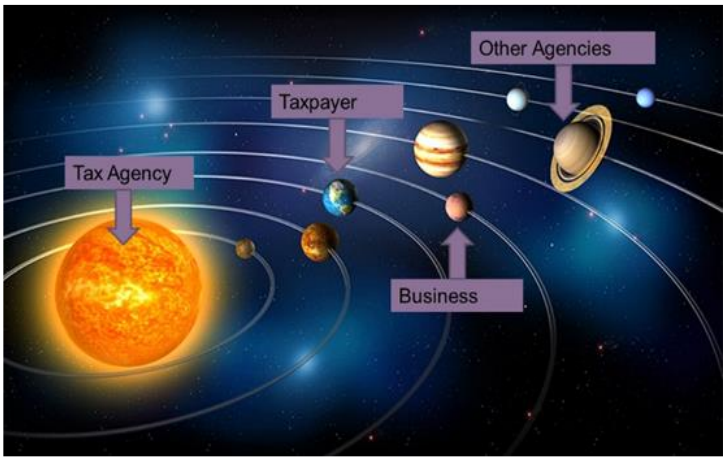
Through the years, the products have evolved, especially digital channels. For instance, the number of users of Verksamt increased by 7 percent from 2018 to 2019.

Apart from statistics, there has been continuing evaluations and follow-ups regarding Verksamt in particular. For example, Verksamt was awarded the Web Service Award in 2017 as best site for social communication.

Next steps

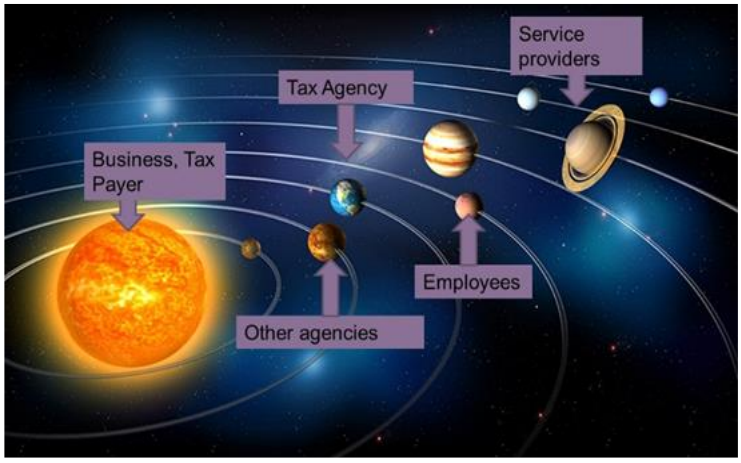
As mentioned above, one of the reasons for starting the collaboration was to provide a coherent front from the agencies towards SMEs. Although it was a good intention and the solutions have served us well, we now realise that we need to take a different view on how to interact with businesses. In the future, the development will focus more on digital interactions. Even though Verksamt, as an important digital channel for the companies, is doing well, there is pressure for new strategies and reimagining the place of the tax administration compared to taxpayers by moving from an tax administration-centric view to a taxpayer-centric view.

Figure 5.2. Tax administration-centric tax administration



Source: Swedish Tax Agency (2021).

Figure 5.3. Customer-centric tax administration

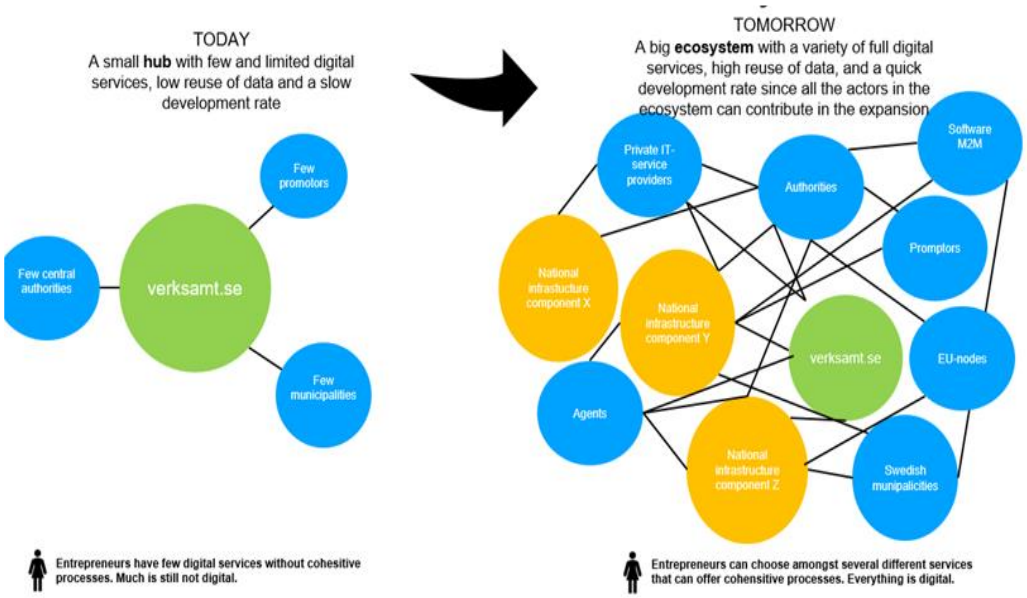


Source: Swedish Tax Agency (2021).

In the new universe, everything revolves around the businesses. The focal point should be them, their needs, and their everyday requirements for doing business smoothly. This means the Tax Agency as well as other agencies must share their information, so that service providers (ERP-systems etc.), with closer connection to the customer can build services based on this information. The focus should be that the services for SMEs are to be developed in the customer's environment, where the SMEs' information can be found. From that point of view, we must develop services that clearly lay out the tax rules, provide increased information and integrate reporting. Both open data and 'private' data must be delivered to the SME.

In the future, all the agencies and Verksamt must be part of an ecosystem instead of just a hub as illustrated in Figure 5.4.

Figure 5.4. Transformation from a hub to an ecosystem



Source: Swedish Tax Agency (2021).

In the last two years projects have started to further this strategy. This has led to an insightful discussion of value propositions having taken place between the agencies. Together as agencies, businesses, and service providers, we need to identify use cases and start working on them. We are now at the beginning of strengthening the cooperation with the market and service providers. It is very clear that we must work closer with those who develop services for the SME (i.e. ERP-system providers). This should be done in a way that “secure chains” will be developed. New roles of risk management need to be defined.

Our main strategy for interacting with SMEs in the future is to create uninterrupted chains from transaction to tax payment, and thus ensuring compliance. To do so we need to give companies access to information and tax rules via, for example, APIs. Basically, we need to integrate tax rules in the SME’s ecosystem, particularly in accounting systems.

Therefore, there are three different purposes for the interactions with the SMEs:

- Laying out the tax rules
- Providing information
- Automated reporting

We are working on an analysis with the aim to answer how we shall integrate tax rules into the SME ecosystem.

The key to success is ensuring that all stakeholders who have requirements on SMEs, (i.e. legal demands on bookkeeping, customs) also integrate their rules.

6 Finland: Guidance model for newly started businesses

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Background

This case study will provide an overview of the Finnish Tax Administration's Guidance Model to improve the level of service provided to newly started businesses. When a new business is starting its operations, it rarely knows how to handle its tax matters right from the beginning. Not knowing how to handle tax matters can relate to risks related to tax compliance and cost and to attitudes.

Figure 6.1. Risk types identified concerning new businesses

Risk type	Description
Compliance and cost risk	A new business is not able to take care of their tax matters correctly or promptly. A new business has difficulties in keeping tax payments in mind when allocating their assets.
Attitude risk	A new business is not interested in tax matters or does not think about them until necessary.

Source: Finnish Tax Administration (2021).

To confront these risks, the Finnish Tax Administration commenced a project in 2015 for newly started businesses. The purpose of the project was to implement an operating model that would ensure that new businesses could properly handle their tax obligations from the start. The project developed a Guidance Model for Newly Started Businesses, which primary focuses on proactive guidance. All proactive guidance through various channels, for example guidance calls to a business customer made by a tax officer or videos, aims to help the new business to handle all their tax matters correctly and on time. Proactive guidance measures ensure that taxpayers (i.e., customers) know their obligations and act accordingly.

The Guidance Model for Newly Started Businesses is connected to several indicators that reveal the effectiveness of the Model in terms of tax compliance as well as other indicators that help to steer and measure the performance of the Model itself. As the Model has been in force since 2016, it has already provided us with several years' worth of data. The results indicate that the Model has improved the tax compliance rate among customers who have received more guidance compared to control customers who have not received, for example, a guidance call when starting their business operations. In addition to the compliance indicators, the overall satisfaction amongst the customers who have received more guidance has been very high according to surveys conducted.

Implementation process

The scope of customers related to the Guidance Model includes new limited liability companies and cooperatives, which, at the start-up stage, register to at least one of the Tax Administration's registers: preliminary tax withholding register (i.e., a register where the payer does not need to withhold taxes); VAT register or, employer register. A company is considered new and is included in the model if none of the responsible persons have a background in another company or cooperative, or the responsible person has not been an entrepreneur in the last three years. Responsible person means the CEO, the Chairman of the Board, or the ordinary members of the Board.

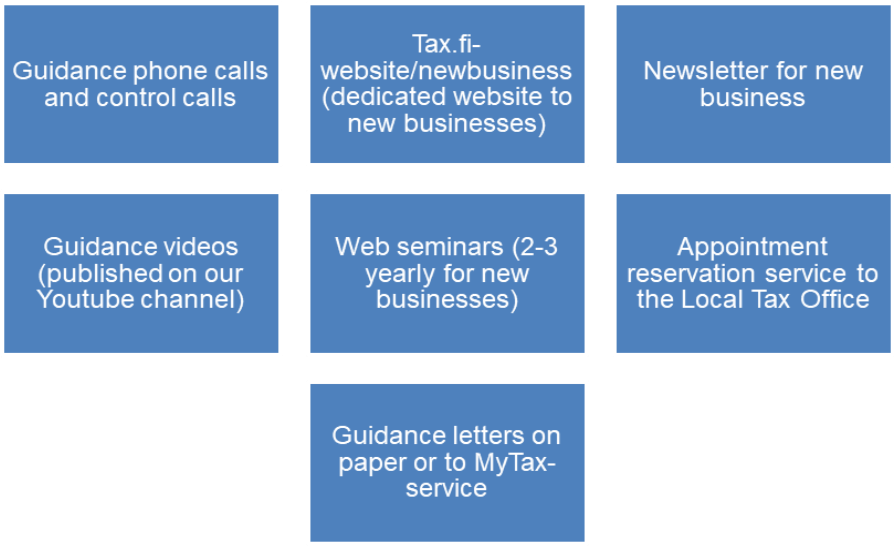
The Guidance Model does not include foreign corporate customers or customers within the Large Taxpayers' Office. Similarly, businesses that are identified as having special control needs, such as nominees or shell companies, are also excluded.

The new limited liability company or cooperative becomes the customer of the Guidance Model during the registration phase and is guided according to the Model until the income taxation of its first fiscal year is finalized. The number of customers falling under the scope of the Model was 2,605 during the year 2018 and 3,896 during the year 2019.

The Guidance model

The focus of the Guidance model for newly started businesses is as indicated above proactive guidance, which ensures that taxpayers know their obligations and act appropriately. According to the Model, newly started businesses are guided through several channels.

Figure 6.2. Channels in the guidance model

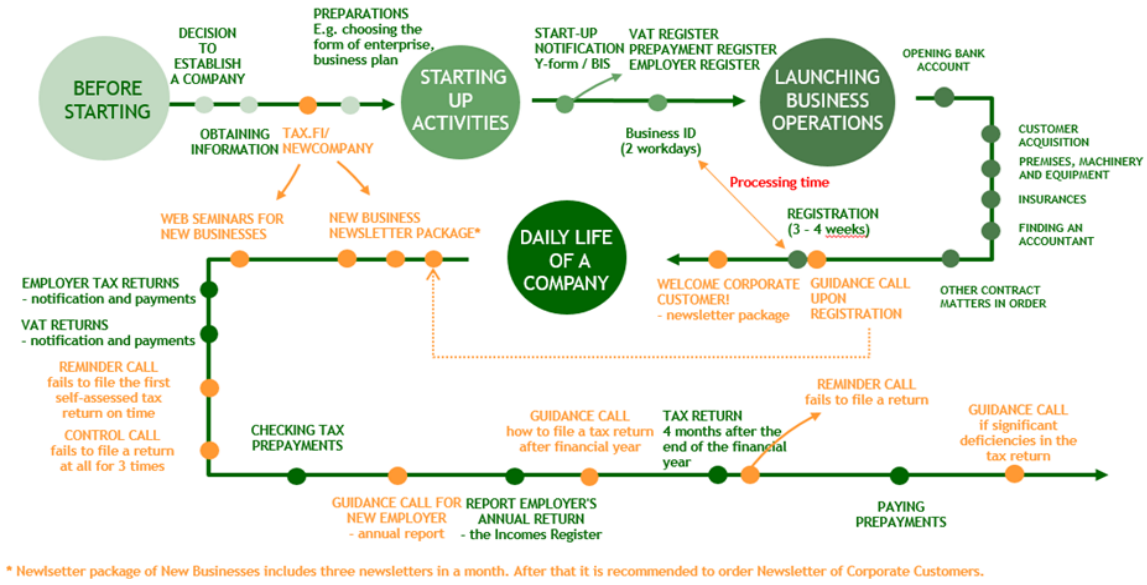


Source: Finnish Tax Administration (2021).

One of the most important early engagement tools in the Model are the guidance calls. The purpose of the guidance call is to support the new business in tax matters, to prevent negligence and to guide customers towards better voluntary compliance. The call ensures that the customer is aware of their reporting and payment obligations and knows how to handle their tax matters or has the necessary expertise according to their needs. If necessary, the company receives early-stage guidance on where to find additional information. The tax officer makes the phone call during the registration phase and ensures that the customer knows where to find additional information or which service line to reach in the future if needed. Furthermore, the aim of the call is also to create a relationship with the customer right from the beginning and get the customer to realize that the Tax Administration is there to help them in any situation. In addition to the guidance call, the company will also get a reminder call if it fails to file its first VAT or employer tax return on time and a control call if it fails to file a return at all for three consecutive periods.

In addition to activities done by the tax officer, the Model includes both automated and manual procedures. The activities done as part of the Guidance Model are always connected to various points in the customer's path from starting up a company to giving its first returns to the Tax administration. The different activities are described more precisely in the service path.

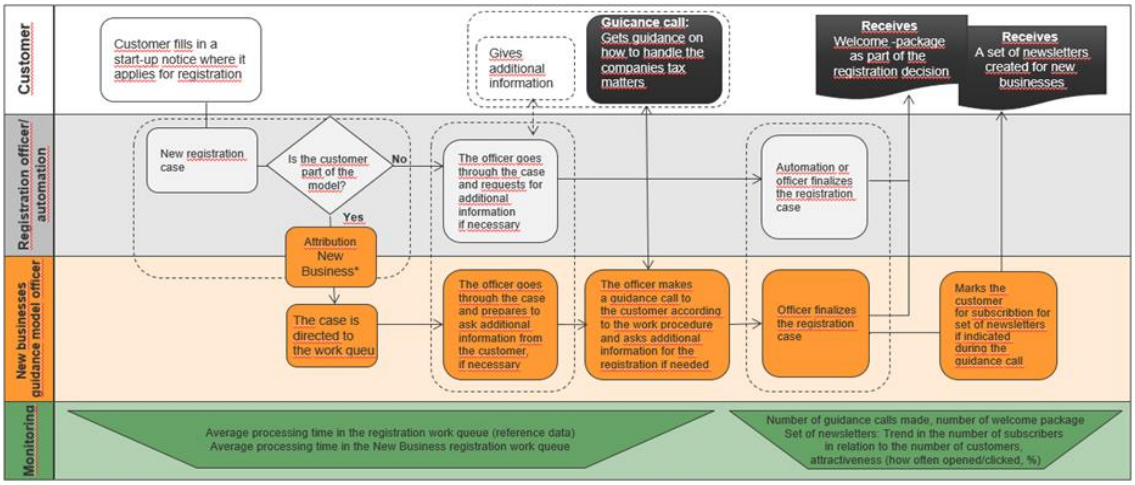
Figure 6.3. Service path of a new business customer and the guidance model action points



Source: Finnish Tax Administration (2021).

An example of how the process of a newly started business registration differs from normal registration is described in Figure 6.4. In this diagram we can see that the determination of whether the company is new or not indicates which proactive measures are taken upon registration. The process chart also shows that the resources necessary to guide the customer right from the start does not require extensive additional input, and that the extra work done in the beginning reduces work efforts in the future, relating to, for example, non or late filing.

Figure 6.4. The process for a newly registered business with a guidance call and guidance letter



Source: Finnish Tax Administration (2021).

The Guidance Model for newly started businesses is steered through a guidance plan that is updated yearly. The plan has more detailed descriptions on the activities done yearly on various channels, and it includes elements like the timetable and the topics of seminars held at different Tax Administration premises or web seminars held during a particular year. Although the guidance plan itself is only for internal use, it helps to create a more detailed annual level programme, and its aim is to help to carry out the activities determined in the Guidance Model itself.

Monitoring

To ensure that the Model steers the new businesses accordingly, the number of actions and the effectiveness of the Model is monitored regularly. The indicators are derived from three of the key elements that measure tax compliance:

1. Does the customer file their returns on time?
2. Are the tax liabilities reported correctly?
3. Does the customer pay taxes on time?

To be able to receive accurate and on-time information, most of the monitoring is automated, and the information is retrieved automatically from the Finnish Tax Administrations internal system.

The key performance indicators connected to the Model are outlined below.

1. a. Operational indicators

i. Number of taxpayers processed in the Ltd registration work queue (reference data)

ii. Number of taxpayers processed in the New Ltd registration work queue

iii. Average processing time in the Ltd registration work queue (reference data)

iv. Average processing time in the New Ltd registration work queue

v. Number of guidance calls made

vi. of guidance calls not done (the customer could not be reached)

vii. Number of enterprises processed in the New Ltd registration work queue when no guidance call task has been generated (for example, because the taxpayer has an accountant Number or was transferred to another work queue)

viii. Number of reminder calls made (1st return on VAT and employer tax return is missing)

ix. Number of control calls made (repeated inaccuracies in filing)

1. b. Impact indicators (guided vs. not reached)

i. First VAT return filed late

ii. Repeated inaccuracies in filing

iii. VAT returns filed late

iv. Employer tax returns filed late

v. VAT estimates generated

vi. Employer estimates generated

vii. The taxpayer has tax debt'

viii. The taxpayer has phoned to the Tax Administration

ix. Impact of guidance calls on timely filing of the 1st income tax return

1. c. **Performance target indicator: how many % of the taxpayers phoned filed a VAT return on time**

2. **Taxpayer contact reports:** number and subject of contacts

3. **Set of newsletters**: Trend in the number of subscribers in relation to the number of customers, attractiveness (how often opened/clicked, %)

4. Number of visitors on **tax.fi/newbusiness**

5. Number of **web seminar** participants, number of viewers for recorded web seminars

6. Number of viewers for **guidance videos**

Challenges faced

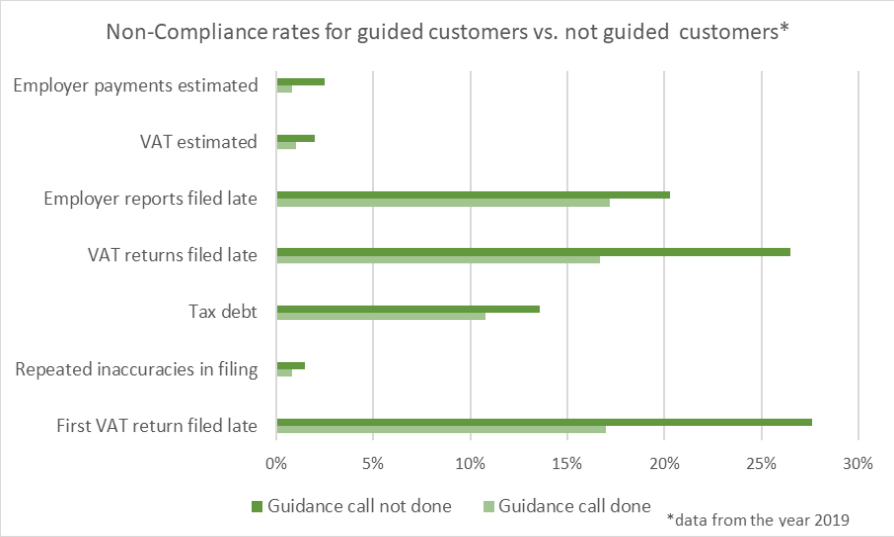
The challenges faced during the implementation of the Model have been limited because the Model itself is in line with the Finnish Tax Administration's strategy. The Tax Administration's strategy specifically supports the development of the Model by being customer-oriented and focusing on providing proactive guidance to customers. Although minor, the main challenges concerning the Model are:

- Have we identified all the customers that should be within the scope of the Guidance Model? Even though the scope has been defined since the beginning, it is difficult to measure whether all the relevant customers are included?
- A lack of resources has led to guidance calls only being made to limited liability companies, not to small entrepreneurs or partnerships who are a much larger population currently outside of scope.
- The timing of the guidance call – some of the customers could be more easily reached if the guidance call timing could be agreed to in advance.
- The Finnish Tax Administration's administrative policies and security restrictions have influenced the channels through which the customers are contacted. The policy does not enable contact through email or through messaging platforms, i.e., the tools available for the use of the Model are limited.

Outcomes

According to our findings, the results of the Model have been very encouraging, and most of the indicators point out that the customer do benefit from the Model. The customers who have received guidance calls upon registration have better compliance rates for filing their returns and less tax debt.

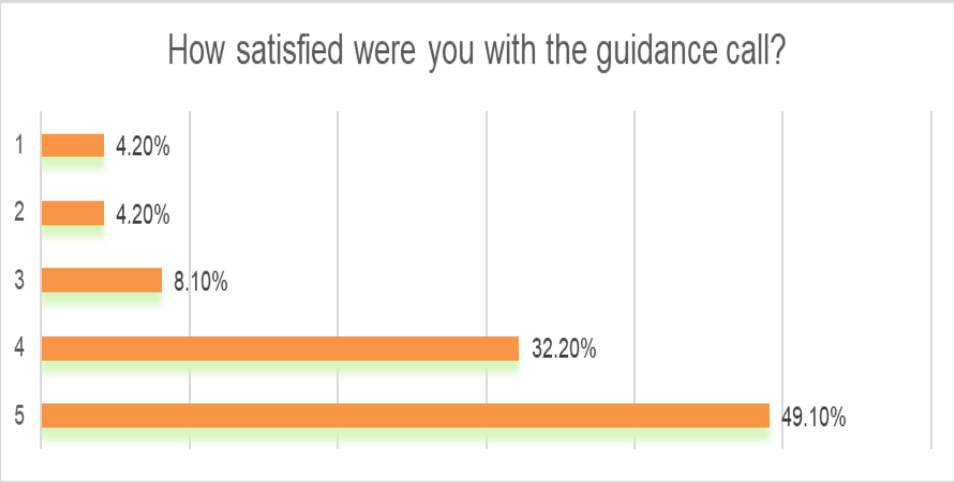
Figure 6.5. Comparison of non-compliance rates



Source: Finnish Tax Administration (2021).

In addition to better compliance, according to a customer survey done during 2019, the average satisfaction rating for guidance and control calls was 4.2 on a scale of 1 to 5, with 5 being completely satisfied with the service and 1 not at all satisfied.

Figure 6.6. Satisfaction rate for guidance calls



Note: 5 in completely satisfied; 1 is not satisfied at all.
Source: Finnish Tax Administration (2021).

According to our statistics, other proactive guidance materials targeting newly started businesses such as web seminars, guidance videos and the newsletters have had a good response. The newsletter created for new businesses has more than 10,000 subscribers, yearly number of visitors on the new businesses tax.fi-website is more than 100,000, web seminars aimed at newly started business have had more than 1,000 attendees each, and the guidance videos have a viewer rate of 2,000-15,000 depending on the subject.

Next steps

As the monitoring has showed the Model to be an effective way to steer customer compliance and ease the burden for newly started business, the aim is to expand the scope of the Model so that new entrepreneurs as well as partnerships would receive guidance and control calls. The Model, with its primary focus on proactive guidance, could also be beneficial to other segments in which the Tax Administration has identified compliance issues.

For now, the focus of the Model has been in making it easier for the customer to handle their administrative burden, but the Model could also be broadened to other control methods as well. For instance, detecting tax fraud in VAT would be most beneficial if done as early as possible – when the company itself is relatively new. Thus, the Model could be expanded so that it would include the customer's overall picture, with emphasis on control methods alongside the proactive guidance actions.

The Model has already done a lot to improve cooperation with external stakeholders. For example, a Finnish food-delivery platform created guidance for its light-entrepreneurs, and the Finnish Tax Administration provided support in its development. The Finnish Tax Administration is planning on having close cooperation with Finnish Enterprise Agencies[3] as well as supporting one of the biggest light-entrepreneur providers. Finnish Enterprise Agencies represent a nationwide network of business advisors and experts that promotes entrepreneurial growth in Finland. The Finnish Tax Administration has also launched a new service that provides guidance aimed at international start-up businesses. One such example is start-up support provided yearly at the Finnish start-up convention, Slush. One of the objectives is to have even more one-on-one cooperation with stakeholders in the future.

[3] The Finnish Enterprise Agencies is a nationwide network of qualified business advisors and experts. Their purpose is to promote entrepreneurial growth in Finland by providing assistance for aspiring and existing entrepreneurs – completely free of charge. The Enterprise Agencies has helped to establish more than 140,000 new enterprises. For further information please visit https://uusyrityskeskus.fi/in-english.

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OECD Forum on Tax Administration

Communication and Engagement with SMEs

SUPPORTING SMES TO GET TAX RIGHT

This report examines effective communication strategies that tax administrations can use to assist small and medium-sized enterprises (SMEs) in fulfilling their tax obligations. It analyses the various tools and channels available to tax administrations and their respective roles. The report draws on examples from the OECD Forum on Tax Administration members and includes two detailed case studies. The report was drafted by officials from the United Kingdom's HM Revenue and Customs, with support from the OECD Forum on Tax Administration's Community of Interest on SMEs.