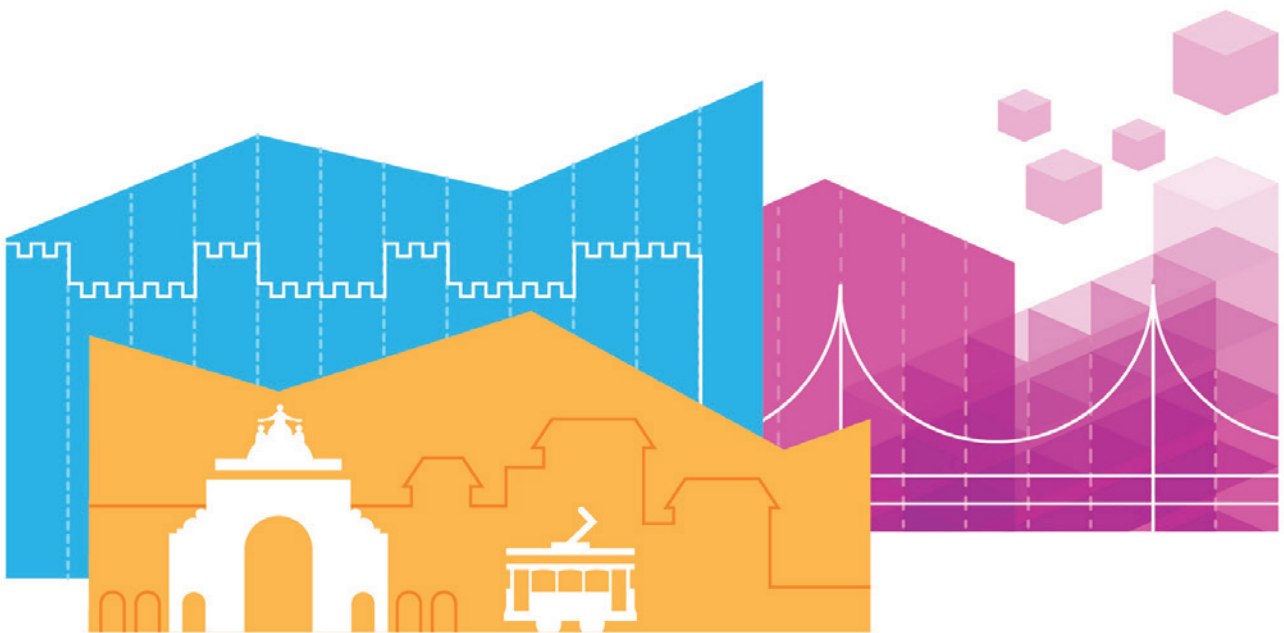


LISBON TAX SUMMIT

# TAX ADMINISTRATIONS AND THE CHALLENGES OF THE DIGITAL WORLD

24 - 26 October 2018 Lisbon, Portugal

## SUMMARY REPORT



CIAT | IOTA  
TAX SUMMIT | PORTUGAL'18

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## Introduction

The first ever joint event of CIAT, the Inter-American Center of Tax Administrations and IOTA, the Intra-European Organisation of Tax Administrations brought together over 300 participants from 80 countries around the world to discuss the challenges and opportunities tax administrations are facing in the digital era. During this global tax summit hosted by the Tax and Customs Authority of Portugal, Commissioners from tax administrations, senior tax officials, representatives from regional and international organisations, businesses sector, academia and civil society exchanged views on latest trends and solutions in the field of tax digitalization.

This report contains the summary of the presentations and debates of each of the 17 sessions featured in the agenda of the 3 - day long Lisbon Tax Summit.

## DAY 1 - FAIR AND EFFECTIVE TAXATION ACROSS THE DIGITAL ECONOMY

### SESSION 1 - INAUGURAL SESSION

The Summit started with introductory speeches from **HELENA BORGES**, the Director-General of the Portuguese Tax and Customs Authority and the Executive Secretaries of CIAT and IOTA, respectively **MARCIO VERDI** and **MIGUEL SILVA PINTO**.



The speakers mentioned the relevance of the event, the wide scope of participation (over 300 delegates, coming from more than 80 different countries, covering the Americas, Europe, Africa and Asia), thus allowing a broad exchange of experience, knowledge and best practices among tax administrations, international organisations, businesses and learning and investigation institutions.

It was also emphasized the innovative nature of the event, whereby two regional tax organisations joined efforts and resources to address together an issue of common interest – the impact of digitalization in the various activities of tax administration – giving an important boost to international cooperation in tax matters.



**MARIO CENTENO**, the Portuguese Minister of Finance offered an opening speech, referring to the challenges of the digital economy, which require coordinated actions and a global approach. New business models and globalization demand fair and effective tax systems and solutions in this respect are being proposed at OECD – with the BEPS measures – and European Commission – with the Digital Tax proposal and the VAT package. He said that other challenges needing to be addressed in this environment are the impact on taxation of the blockchain technology and

crypto-currencies as well as the transformation and modernization of tax administrations and the improvement in their relationship with the taxpayers.

## SESSION 2 – KEY NOTES: FAIR AND EFFECTIVE TAXATION ACROSS THE DIGITAL ECONOMY

“Fair taxation of the digital economy” by **MARIA TERESA FABREGAS**, Director of Indirect Taxation and Tax Administration, DG TAXUD, European Commission



**MARIA TERESA FABREGAS**

The speaker started by stating that today's international corporate tax rules are not fit for the realities of the modern global economy and do not capture business models that create profit from digital services in a country without being physically present. Current tax rules also fail to recognise the new ways in which profits are created in the digital world, in particular the role that users play in generating value for digital companies. As a result, there is a disconnect – or “mismatch” - between where value is created and where taxes are paid.

On 21 March 2018, the European Commission proposed new legislative rules to ensure that digital business activities are taxed in a fair and growth-friendly way in the EU. The legislative proposals have been submitted to the Council for adoption and to the European Parliament for consultation.

The first initiative aims to reform corporate tax rules so that profits are reported and taxed

where businesses have significant interaction with users through digital channels. This forms the European Commission's preferred long-term comprehensive solution.

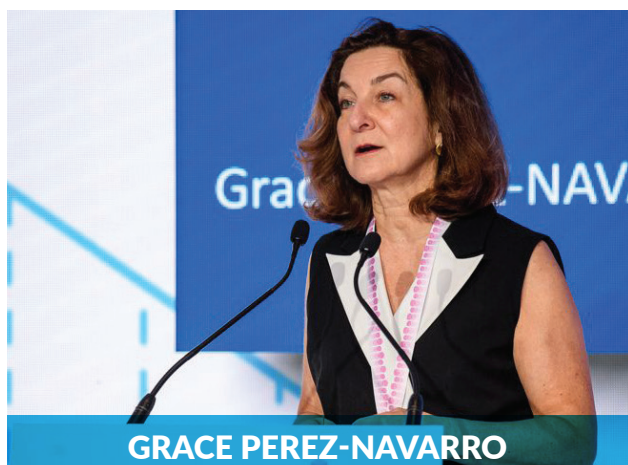
The comprehensive solution will include changing the taxable nexus to account for the absence of physical presence. The key concept is the allocation of profits to a “significant digital presence” which better reflects how companies can create value online: for example, depending on where the user is based at the time of consumption. It is not a new tax, but is meant to work within the existing corporate tax system.

The second proposal responds to calls from several EU Member States for an interim tax on certain revenues from digital activities that currently escape tax altogether in the EU. Since agreeing on a comprehensive global solution is time consuming and complex, there is a risk of erosion of tax bases in the meantime. The European Commission has, therefore, proposed a harmonised interim solution: a new Digital Services Tax (DST). This indirect tax would also help to avoid unilateral measures to tax digital activities in certain EU Member States which could lead to a fragmentation of the Single Market and a “patchwork” of 28 national interim solutions.

The DST will only apply to revenues created from activities where users play a major role in value creation and which are the hardest to capture with current tax rules, such as revenues created from (i) selling online advertising space, (ii) digital intermediary activities, and (iii) the sale of data. The proposed tax rate is 3% of gross revenues, which are a proxy for value creation. The DST is compliant with OECD initiatives and has inbuilt mechanisms to alleviate the possibility of double taxation. It will apply only as an interim measure until the comprehensive solution has been implemented.

The EU will continue to actively contribute to the global discussions on digital taxation within the G20/OECD, and push for ambitious international solutions.





GRACE PEREZ-NAVARRO

“Tax challenges arising from digitalization” by **GRACE PEREZ-NAVARRO**, Deputy Director of Centre for Tax Policy and Administration, OECD

The speaker started by looking at how digitalisation has significantly changed the way companies do business, facilitating the emergence of new business models and modernising key business functions. The ability of multinationals to exploit weaknesses in the current international tax rules to artificially shift profits away from the locations where real economic activities occur and value is created in places with no or low taxation triggered the launching of the Base Erosion and Profit Shifting (BEPS) Project in 2013, which 119 countries and jurisdictions have committed to implement through their participation in the Inclusive Framework on BEPS.

In order to address the risks of specific tax avoidance behaviors caused by the rapid progress of digitalization, the OECD’s Committee on Fiscal Affairs established the Task Force on the Digital Economy. A report on BEPS Action 1, Addressing the Tax Challenges of the Digital Economy was produced by the Task Force in 2015, identifying a number of potential options in the area of direct taxation such as a new nexus rule based on a “significant economic presence”, a withholding tax on certain types of digital transactions and an equalisation levy. In relation to Value Added Tax/ Goods and Services Tax (VAT/GST) in view of the growing volume of goods and services purchased online by private consumers from foreign suppliers, the

report recommended that countries implement the OECD’s International VAT/GST Guidelines, in particular the destination principle.

In the future, more work needs to be done to find common ground. Despite temporary measures taken by some countries, members of the Inclusive Framework agreed to undertake a coherent and concurrent review of the “nexus” and “profit allocation” rules. Besides, several proposals have been put forward in the last meeting of the Task Force, such as the concept of user contribution and measures that would ensure minimum levels of effective taxation. These proposals are currently being further analysed and developed from a technical perspective. Other issues that the OECD is currently examining are the growth of the gig and sharing economy, blockchain technology applications, such as crypt-assets and the growing use of platforms. The OECD will deliver an update on this work in 2019.

### SESSION 3 – HOW TO TAX DIGITAL BUSINESS – COUNTRIES EXPERIENCES



This session addressed the experience of the participating countries in taxing digital businesses.

**DEEPAK TIWARI**, Director of Central Board of Direct Taxes at the Revenue Service of India explained that through the Finance Act, India introduced in its domestic tax law the concept of “equalisation levy” (EL) with effect from 1st June 2016 and “significant economic presence (SEP)” as additional safeguards against BEPS.

The Levy is applied to payment for online advt. / provision of digital space. The tax collected over the period 2016-2018 is in the range of 10 Billion INR. Besides, an annual EL statement needs to be filed every year by the 30th June.



**AUDRAN LE BARON**, Head of the Management Directorate at the General Directorate of Public Finances (DGFIP) spoke about the strategies launched in France to tax digital economy. France introduced tax on rental of video cassettes and DVDs already in 1983. The tax was widened in 2017 to cover “free” video services supported by ads delivered across borders, the so called “Netflix” tax. It includes video given “for free” by web sites such as YouTube. There are however a few problems related with the application of the tax, because the taxable persons are not based in France. It is also difficult to identify the services used in France by the operators and to control the tax base. Recently the French Parliament passed a law obliging sharing economy platforms to provide information on their users, under a threshold of 1000 Euro, starting in 2020. For platforms like eBay, a threshold of 20 transactions on second-hand sale was set. The data collected will be used to implement tax controls.

**KATRIN WESTLING PALM**, the Director-General of the Swedish Tax Agency addressed the new opportunities and new challenges offered by digitalization. Since the rules in place are difficult to apply, the Swedish tax administration put the focus on simplifying processes, for instance by prefilling tax returns and striving for the neutrality of the

tax system. Since data is not being received from sharing economy platforms, it is crucial to involve the latter in the search for solutions. Many meetings have taken place between the Swedish administration and international platforms, which allowed some development. It is important to agree on the principles since new rules in this field tend to rapidly become obsolete. International cooperation in collecting and distributing revenue could be a possible solution to explore.

The last speaker was **JOSÉ ROBERTO RODRIGUES AFONSO**, from the Brazilian Getulio Vargas Foundation. He spoke about the difficulty to adapt an old and outdated tax system to new economic and business models. Industries providing similar goods but through different formats (like books and newspapers) are taxed differently. The shift from manufacturing goods to supplying services is not followed by a proportional increase in tax revenue. In the gig economy, the service providers work under different terms than employees and are not paying personal income tax or social security contributions. Taxes need to be reinvented!

**JUAN TORO**, Assistant Director in the Fiscal Affairs Department (FAD) of the IMF, this Session moderator, stressed that the real problem is that the tax base is becoming fluid.

Concerning the relation between tax administrations and digital platforms, it was recognised that an international dialogue to try to achieve standardized solutions is needed. This could be facilitated at European level.







## SESSION 4 PANEL: Tax Transparency in the Digital Era

This session focused on the approaches and experiences with tax transparency of four countries. The moderator, **GEORG GEBERTH** from the Business Industry Advisory Committee (BIAC) to the OECD started by confirming that businesses embrace tax transparency – to the extent that it is reasonable and certain “red lines” are not crossed:

- **Proportionality:** Every measure should be reasonable in terms of the balance of the burden on the company and the value for the tax administration.
- **Confidentiality:** The information should not be made available to others.
- **Public CbC Reporting:** Tax data are not meant for the broader public, but for tax administrations only.
- **Tax whistle-blower protection:** They should be protected, but they should not be allowed to make company information public when they work on a suspicion.

**DAVID ALEXIS HIDALGO**, Director General in the Ministry of Economy and Finance of Panama gave an overview of the 2-phase FATCA implementation process in his country, which was challenging, not least because of time constraints and cultural and language barriers. The development of a technology platform was particularly difficult despite the assistance of other tax administrations. He underlined, however, that the implementation

of FATCA also provided opportunities, for example (i) fighting tax evasion, (ii) increasing the impact of risk perception, (iii) exploiting how the information transmitted should be used, and (iv) improving the image of Panama in regard of international tax transparency.

**ERNST CZAKERT**, Head of Division in the German Federal Ministry of Finance reported that in Germany, CbC information was first exchanged at the end of June 2018, and in the meantime, Germany received CbC datasets from over 50 countries. The main challenge for the German tax administration is now to use these data in a proper way, in particular to identify high level transfer pricing risks and other BEPS related risks. In Germany, CbC information is used on the Federal level by the Federal Central Office of Finance and on the level of the 16 “Länder”, using the existing risk assessment tools. The use of digital tools simplifies the exchange, the analysis and the use of data and permits using new analytical methods, such as statistical analyses to identify tax risks.

**FRANCESCA VITALE**, Head of the International Sector at the Italian Revenue Agency stated that the IT developments of the last years allowed for enhanced and continuous cooperation, including the automatic exchange of information. But tax administrations are now faced with new challenges, such as using all the information effectively and automatized processing of such data is essential to this purpose. However, she cautioned that complex tax avoidance schemes detected through automatic exchange



of information may be better counteracted by using more “traditional” tools, e.g. exchange of information on request or multilateral tax audits. Combining cooperation tools is a possible way forward to maximise the effective use of the information exchanged thanks to the agreements currently in force. Possible next steps could be using AEOI in a standardized way for sharing information on the sharing and gig economy. AEOI can facilitate tax cooperation and CbC Reporting is feeding into compliance programs.

**MARC BUGNON**, Deputy Director in the Swiss Federal Tax Administration gave an overview of the legislative procedure and the milestones of the AEOI project and underlined the importance of close cooperation between the Federal Tax Administration (FTA) and the Financial Institutions. The FTA portal for registering reporting Financial Institutions and receiving AEOI data went live in 2017. After several tests with partner jurisdictions, information was successfully exchanged in September 2018 for the first time. In Switzerland, the registration procedure and the data transmission are largely automated, with several channels for data transmission: (i) XML upload on the FTA portal “SuisseTax” (eGovernment), (ii) online, (iii) via webservice (M2M communication). Over 7.000 Financial Institutions have registered for AEOI and approximately 2 mio. Account Reports were transferred to 36 partner jurisdictions so far. The Swiss FTA has issued a 200-page guide in three languages for companies that report through CRS. CRS data Can transmit with XML-upload, online form or M2M (web service). Challenges faced by the Swiss tax administration include in particular the classification of entities into the different categories (FI, Active/Passive NFE) provided by the standard, and technical questions with respect to the XML schema.

## **SESSION 5 - ROUND TABLE: DIGITAL TAXATION. IMPLICATIONS, CONCERNS ON THE POLICY AND ADMINISTRATION SIDES**

During the round table on digital taxation, particularly on the implications and concerns that tax administrations are facing in terms



**EDUARD MÜLLER (LEFT) AND JESÚS GASCÓN**

of policy and administration point of view, the moderator **REX ARENSEN** (Forum on Tax Administration, Centre for Tax Policy and Administration, OECD) focused the discussion around three main aspects: 1. exploring and understanding the issue; 2. main challenges and current enforcement strategies; 3. future developments.

The speakers (**EDUARD MÜLLER**, Director-General, Federal Ministry of Finance of Austria, **KATRIN WESTLING-PALM**, Director-General, Swedish Tax Agency and **JESÚS GASCÓN**, Director-General, Spanish Tax Agency) offered their views on each aspect of the round table.

**Part 1:** all the speakers recognized the tax compliance problem that the digital economy is causing to each tax administration. The policy and administration aspects of this challenge are enormous given that also the tradition business is more and more digitalized. Tax administration needs to turn digital to meet the challenge, implementing a holistic approach referring to direct and indirect taxation as well as social contribution.



**KATRIN WESTLING-PALM AND REX ARENSEN**



**Part 2:** the moderator asked the speakers to characterize the current situation (e.g. 'business as usual', 'an uphill battle', 'to try to empty the ocean with a thimble', 'mission impossible'). A positive approach was expressed by the speakers. However, the new scenario requires to improve the essential task of selecting and using IT data as well as enhancing international cooperation. Tax administrations could not reply to the international digital challenge utilizing unilateral and domestic measures.

**Part 3:** looking at the future, the speakers believe that, after a confrontational beginning, the digital platforms can become opportunities and partners for tax administrations. The compliance and reputational issues of those new digital operators, linked to their need of legal certainty would induce a closer cooperation with the tax administrations.

## SESSION 6 - TREATMENT OF CRYPTOCURRENCIES AND INITIAL COIN OFFERINGS

The sixth session was kicked off by **FRANTIŠEK IMRECZE**, former President of IOTA, who quoted the opening speech of the Vice-President of the European Commission, Maroš Šefčovič delivered at the recent BLOCKWALKS conference in Bratislava stating that the public world and the blockchain world will be more and more interlinked in the very near future. The first real global use of the blockchain technology is cryptocurrencies and tokenization of value and assets.



FRANTIŠEK IMRECZE



A first element discussed at the panel was whether the growing use of blockchain technology can exceed its limits due to a high demand of computing power and energy consumption. Considering that in the near future transactions in cryptocurrency will closely reach the value and volume of transactions in fiat currencies, it might make the blockchain very slow.

According to one of the panelists - **ANTONIO ROMANO**, Officer from Guardia di Finanza (Italy), the issue of computing power and energy consumption was very much interlinked with the applications that are using the blockchain technology as some of those applications can adjust themselves in order to validate more rapidly the transaction. On the other hand, the storage capabilities of the electronic devices and the speed of internet to sustain the complex networks created by blockchain technology should be considered as well.

**ELIRAN REUBEN LEVY**, Strategy Consultant from Startup-Nation (Israel) pointed out that regulation and taxation can actually give a boost to crypto/blockchain industry. When investors start moving from Nasdaq Stock Market into the blockchain acknowledging the regulations and taxation regimes, they will get the green light and will start operate and make profits using the blockchain. Thus, the panel agreed that regulation of crypto/blockchain market could become one of the amplifiers of cryptocurrency transactions substantiating its level and volumes.

**JEFFREY OWENS**, Director of the Global Tax Policy Center at the Institute for Austrian and International Tax Law (Vienna University of Economics and Business) added that blockchain and cryptocurrency traders welcome government regulations and gave an example of US where interest groups are lobbying for regulatory framework of cryptocurrency trading activities. He also highlighted the so called “wild west” syndrome and value fluctuations of cryptocurrency.

The discussion then turned to the question of how to characterize cryptocurrencies. It was highlighted that, there is no consensus regarding this matter because some countries treat cryptocurrency as a foreign currency and others consider it as capital gains or assets that are subject to income tax, profit tax or wealth tax. This kind of diversity and lack of uniformity might lead to a new form of competition among the countries and the creation of the so called “crypto islands”. All panelists agreed that cryptocurrency should be treated as a currency.

Some panelists noted that blockchain might be used for malicious purposes and raised the privacy/anonymity/fungibility issues. The establishment of a common regulatory framework for blockchain and cryptocurrency exchanges could among other issues also stipulate customer due diligence (also known as KYC) to monitor transactions and report suspicious cryptocurrency transactions.

The next debated question was the element of trust in blockchain technology, particularly with regard to the value of cryptocurrency in a less regulated market which could be influenced by many different factors. When it comes to the investments and transactions, the trust to the value of cryptocurrency becomes a key factor. Trust remains to be a basic foundation of the blockchain and the blockchain industry.

The combination of blockchain technology with big data and advanced analytics offer enormous opportunities for tax administrations to enhance compliance enforcement operations

at the national level (tax payment processing, land and population cadasters, etc.) as well as at the international level (AEOI, country-by-country reporting, beneficial ownership, etc.).

Finally, panelists debated whether and why Bitcoin or other cryptocurrency can be a solution for higher financial stability for countries with vulnerable currency. The cryptocurrency market has become more mature.

The development of internet technology substantiated the growth of digital trade over the last decade. In the same perspective the future of blockchain technology is going to be largely built by new business models and new blockchain startups reaching ICOs. Furthermore, banking sector and insurance companies have started gradually endorsing the blockchain technology as their core business operations system. So, the blockchain technology is slowly becoming a mainstream, and public service institutions, including tax administrations, are expected to get it onboard at early stage and before this technology develops itself in the way that doesn't work for them.

## DAY 2: MAKING TAX ADMINISTRATION DIGITAL

### SESSION 7 KEYNOTE: MAKING TAX ADMINISTRATION DIGITAL

**HANS-CHRISTIAN HOLTE**, Director General of the Norwegian Tax Administration and Chair of OECD/Forum of Tax Administrations in the keynote speech stated that digitalisation is



not something you can buy in a grocery shop or purchase from IT companies or external consultants. He said that it is a hard and complex work with a strong holistic focus on stakeholders' demands and the organization's needs combined with a strategic approach to which measures will be the best payback and bring results for the future. He underlined that digitalisation must be integrated in the business strategy.

In addition, digitalisation has until now mainly focused on personal taxpayers. However, the most complex processes in taxation are performed by the businesses, and these processes are the source of most of the errors and lack of compliance. Correct and effective reporting from businesses based on digital interaction will ensure better compliance and efficiency.

The speaker called the attention for the fact that the paradigm shift for tax administrations is happening right now. It has significant implications at both national and international levels. There is different speed at which different tax administrations are moving through this shift, but what can be generally acknowledged and what we can already see in some of the most advanced tax administrations, is that many tax administrations are already becoming true digital.



**HANS D'HONDT**, President of the Belgian Public Service Finance and the President of IOTA provided comments to the keynote speech. He stressed that information technology

is deeply embedded in the activity of the tax administration and gave several practical examples about tools in use in his home tax administration, such as the usage of social networks to predict fraudulent insolvencies, machine learning to interpret data, chat boxes to improve assessments and an on-line portal ("My Minfin"), whereby tax returns can be filed, assessments can be notified and information on real-estate can be found. Hans D'Hondt mentioned that tax administrations although not being responsible for tax legislation can contribute to make its application simpler and more effective such as using data for targeting and selecting risks and threats to the revenue. He finished by emphasizing that digitalization is key for a tax administration to accomplish its mission.

**MICHAEL SNAAUW**, CIAT President, presented Canada Revenue Agency (CRA) achievements in the field of Digital Services delivered to taxpayers (Auto-fill, My-CRA, File My Return, My Ben App, etc.) and the new developments in this area (DAISI, ReFILE, CRA BizApp, etc.) in his comments

## SESSION 8 PANEL: GETTING CLOSER TO THE FACTS. REAL-TIME CONTROLS FOR TAX ADMINISTRATION PURPOSES



This session focused on four different country digitalization experiences to improve taxpayers' services, supply chain and sales control, and the use of AEOI data and was moderated by **SANTIAGO DÍAZ DE SARRALDE** from CIAT.





**DEBORAH PALACHECK** from Internal Revenue Service of United States exposed how helping taxpayers comply with their tax obligations is part of the Internal Revenue Service (IRS) mission. The most recent IRS Strategic Plan focuses on six goals, including improved access to tax services such as return filing, tax payments, and checking the status of refunds; pre-filing cooperation through the Compliance Assurance Program; real-time flexibility in handling transactions in the new IRS Large Business and International Division's Campaign program; earlier access to correct information; and improved outreach in a multi-channel environment. At the same time, cybersecurity and data protection for taxpayer records remain areas of importance to the IRS.

**MAKSIM SOLOVYEV** from the Federal Tax Service of Russia (FTS) explained that Russia is currently completing the cash register reform which started a few years ago. Today over 2 million points of sale are transferring millions of cash receipts to the FTS, boosting VAT compliance and hindering unfair competition. The system has brought clear benefits for retailers, consumers and the government. A key element of the online cash register system in Russia is the data analytics. The FTS has basically received access to a live snapshot of the economy with detailed consumption statistics. If combined with other data flows, such as goods tagging system data and electronic VAT returns, it can synergistically create a comprehensive picture of goods and cash flows in the country.

**RUI MIGUEL CANDEIAS CANHA** from the Portuguese Tax and Customs Authority stated

that the 2014 OECD publication of the Common Reporting Standard (CRS) led to the automatic exchange of tax information provided by financial institutions in all legal systems involved. The Portuguese Tax and Customs Authority has been undertaking an enormous effort in the strategic development of specific procedures for the processing of data on the automatic exchange of tax information. This new reality represents an unprecedented milestone in the (re)definition of the financial system and international taxation. This is a turning point that breaks with the paradigm of data privacy held by banks and tax authorities get hold of privileged information that will play a very relevant role in the fight against fraud and tax evasion.

**MARCELO COSTA** from the General Tax Directorate of the Federal Administration of Public Revenues (AFIP) of Argentina explained AFIP's strategy of specialized tax auditing, a response to the need for systematic controls and for temporal proximity with the economic transactions. Specialized tax auditing is based on traceability as a multidimensional concept that implies: the identification of players; the study of the productive and commercial dynamics along the chain; the application of registration documents; and the possibility of crosschecking the information contained in the invoices with the real physical quantities. The value chain of the beef and pork production sector in Argentina provided a case study for the application of this strategy.

## **SESSION 9 - PUBLIC SERVICE DELIVERY**

Moderated by **EUGENIJUS SOLDATKOVAS**, Manager of IOTA Work Programme at the IOTA Secretariat, this session covered examples of the new technologies in customised tax services of Brazil, Mexico, Finland and Ireland, changing the relation between tax administrations and taxpayers, allowing cost-savings for both parties and modernising and simplifying tax compliance. It also demonstrated change of dynamics between tax administrations and taxpayers through innovative tools and services.



The first presentation was delivered by **ALTEMIR LINHARES DE MELO**, Advisor to the Commissioner, Department of Federal Revenue of Brazil, highlighting the opportunities offered by “ESocial” to simplify the collection of employment related data through an integrated single digital platform - Public Digital Registration System (SPED). Since 2007, Brazil has been implementing 6 modules of SPED with fingerprints already being deployed. “ESocial” is deploying the 7th and last module. It is a new data collection system that replaces 15 accessory obligations currently required by employers. “ESocial” gathers and integrates into a single digital platform all records of labour contracts and remunerations of the social security events and the calculation of taxes affecting the labour relations.

The presentation by **LUIS FERNANDO CADENA BARRERA**, Chief Information Officer from the Mexican Tax and Customs Authority illustrated the approaches the Mexican tax administration uses to gather, process and analyze Big data. At a time where ever rising amounts of data are collected and processed using digital means, Mexico has launched 2 innovative products. The first project is a mass audit process called Working Papers, capable of real-time auditing for all companies in Mexico. The second is the Economic Data Service, which seeks to provide a public value for the data (anonymized), with the objective of measuring in real-time the performance of the economy.

**EIRA KARPPINEN**, International Director of the Finnish Tax Administration (Vero) shared the success stories of implementing several concrete measures helping start-ups to succeed. Finnish

start-up companies planning to expand their business to other countries would normally encounter a number of challenges with their international operations, and special expertise would be required for recognizing and resolving these tax issues. Therefore, Vero established a Tax Advisory Group specializing in problems of start-ups which have been expanding their business abroad. Vero has also launched a webchat “WeChat” as a service channel and published a Tax Handbook for start-ups and international investors. The feedback from the aforementioned services has been extremely good.

The final speaker of this session was **JOE HOWLEY**, Collector-General from the Irish Revenue. He presented eTax Clearance and Digital/Real-time Payroll systems. Ireland operates a Tax Clearance system whereby taxpayers must be able to prove tax compliance before they can be awarded public sector contracts or before they can take out a licence to trade in certain sectors. The Irish Revenue introduced the new electronic Tax Clearance system which replaced paper-based processes. It provides customers with online tax clearance based on real-time payment/returns information and it provides third parties with a real-time response prior to issuing payments, contracts, licences or grants. The speaker also touched on “Pay As You Earn” (PAYE) Modernisation programme, which is currently underway to transform the way employers interact with the tax administration. The new real-time reporting regime will reduce the administrative burden placed on employers in Ireland and ensure that the correct amounts of Income Tax, Social Insurance etc. are deducted each time employees are being paid.



## SESSION 10: HUMAN RESOURCES & COMPETENCE BUILDING

The Panel was moderated by **JOÃO DA SILVA MIGUEL**, from Angola's General Tax Administration (AGT). It focused on how to recruit new officials, competing with the market and how to keep these young servants engaged in the administration and the public sector. Also, the benefits and risks of staff stability in the long term were discussed in this session.

The presentation of **DIKE SIALINO-KEEN**, National Program Manager for recruitment at the Netherlands Tax and Customs Administration (NTCA) addressed recruitment strategy at the NTCA, emphasizing the main challenges in recruiting young ambitious talent in a highly competitive market. Finally, the value proposition of the tax administration as an employer was discussed. NTCA faces a huge challenge. Due to rapid aging of the workforce, many colleagues are about to leave the NTCA soon, requiring the recruitment of thousands of new colleagues in the foreseeable future. At the same time the world we live in is changing at a rapid pace. Individuals and organizations digitalization transformation is quickly forcing tax administrations to rethink their own business processes.



**DIKE SIALINO-KEEN**

**JOHN BARRON**, Chief information officer (CIO) in the Irish Office of the Revenue Commissioners explored the options for transforming officers into data scientists by looking at the meaning of Data Science and the various differences between Data Analytics

and business Intelligence. Data Science is a relatively new discipline and operates at a very specialized and niche level, exploring data to gain its insights. These insights may generate useful workloads for tax officials, thereby improving the effectiveness of the tax authority. But Data Science is not simple, and, in the panelist opinion, tax officials are best placed to provide input and feedback as well as working with the outputs of this work.



**ALEJANDRO JUÁREZ**

During his speech, **ALEJANDRO JUÁREZ** the CIAT Director for Training and Human Talent Development shared a series of reflections related to the socio-demographic characteristics of employees working for the tax administrations participating in ISORA (International Survey on Revenue Administrations) -almost two million in more than 120 countries. Schooling, age and requirements of new human capital competencies are some of the factors that are creating new trends to increase professional skills, but it is also a challenge to improve performance in contexts of high job stability. He said that we face the need to reinvent ourselves and create new ways to attract, retain and develop human talent in an increasingly demanding and diverse environment, even when the main goal remains the same: to contribute to the strengthening of the public revenues.





## SESSION 11 - ROUND TABLE: TAX AND CUSTOMS DIGITAL ADMINISTRATIONS

During the round table on Tax and Customs Digital Administrations, the moderator, **KUNIO MIKURIYA** (Secretary General of the World Customs Organisation - WCO) opened the debate asking all speakers what the main challenges were that tax and customs administrations have to face in order to keep pace with the digital economic environment. The speakers were: **JØRGEN WISSING JENSEN**, Director at Danish Tax Agency, **PRAMOD CHANDRA GYANDEO MODY**, Member of the Central Board of Direct Taxes, Ministry of Finance of India, **PAULO RICARDO DE SOUZA CARDOSO**, Deputy Commissioner of the Federal Tax Agency of Brazil and **ANA PAULA RAPOSO**, Deputy Director-General at the Portuguese Tax and Customs Authority.



**KUNIO MIKURIYA**

They offered their views highlighting the lack of data (domestic and international data regarding the global digital operators), impact of the digital economy in human resources and top management and internal as well as external challenges to which administrations

have to cope with.

The Danish and Indian speakers described the new projects that their tax administrations are developing in order to continue operating effectively in the digital economic environment. The former talked about new digital tools to handle data from digital platforms while the latter mentioned an internal system to collect financial information.

The Brazilian and Portuguese speakers were asked for their opinions on the future shape of customs administrations, taking into consideration that out of the 182 WCO members, 30% of the customs administrations are merged with taxes, 32% are customs agencies, 30% department of Ministry of Finance and 2% are border protection agencies. The speakers agreed on the fact that, regardless of the organisational structure between customs and taxation, a combined and integrated approach of those administrations in processing data and exchange of information is crucial to cope with the digital economic environment. Particularly in a digital business context that is going to be completely automated and paperless.

In conclusion, the round table suggested some final considerations regarding the opportunity that those new technologies can offer to tax and customs administrations in the field of gathering information. At the same time, the impact on human resources and cooperation between both administrations can represent the main future challenges in order to safeguard revenues as well as protecting borders from external threats to domestic safety and security.



## SESSION 12: ADVANCED ANALYTICS FOR COMPLIANCE CONTROL

This session was moderated by **ØYVIND STRØMME**, Director of Regional Management at the Directorate of Taxes from Norway.



The first speaker was **JESUS GASCON**, the Spanish Tax Agency Director-General. He gave two examples of the use of technology to improve tax control in Spain: big data tools and information taken from the Internet. Big data allows to have the whole picture of a taxpayer network, including shareholders, customers, suppliers, assets, etc. It makes possible to carry out an analysis in 45 minutes. Social networks are used to detect inconsistencies between what is declared in tax returns and reality. Open source data is used to track assets. It is however important to realise that this Information is not 100% accurate.

**HANS D'HONDT**, the Commissioner of the Belgian tax administration gave an overview of how Belgium uses advanced analytics to predict debt non-payment risks. He described

different electronic tools that were developed for a period of 15 years. Tools in use such as IRIS, which allows predicting debt payment behaviour through phone calls, DELPHI, which includes five categories of insolvency risks and ARANEO, a social network analytical instrument, increase the efficiency of the Belgian tax administration by better determining priorities and allowing a timely intervention before a bankruptcy as well as avoiding extra costs. Challenges requiring attention nowadays are GDPR and privacy issues, HR (data analysts are very hard to find) and lengthy legislative changes and administrative procedures.

**HAHNEMANN ORTIZ**, a computer scientist at the United States Internal Revenue Service (IRS) explained how an office of Data Science (DS) was established in the IRS in 2017. DS is defined as a discipline resulting from big data and combining methods from computer science, statistics and business to create a useful data product. The team includes eight data scientists and develops activities in several fields (FATCA, CbC, OECD). An important part of the work is cleaning up and selecting the data collected (data is more like a garbage dump than a beautiful lake). The work process includes an analysis stage with the subject matter expert (lab stage) and in a second phase the data product is deployed into production (the factory stage).

**JANEK LEIS**, the Head of the Intelligence department of the Estonian Tax and Customs Board (ETCB) closed this session with a provocative subject title for his presentation "Machine learning: recipe for failure". He said that Estonia has one of the lowest costs of collection rates and tax gaps in the world thanks to advanced analytics. Instead of success stories he focused on the Machine Learning (ML) failures, mainly caused by the misuse or lack of usage given to the information received. In order to take the most out of ML he recommended to have a valid business problem to solve, dispose of the dedicated and right resources and be in the possession of high-quality data.

The conclusion that came after the presentations and debate held in this session was that making an administration digital is not a quick fix. It takes time to develop and refine models.

## DAY 3: VISION OF THE FUTURE: CHALLENGES AND OPPORTUNITIES OF TAX DIGITIZATION

### SESSION 13 KEYNOTE: VISION OF THE FUTURE: CHALLENGES AND OPPORTUNITIES OF TAX DIGITIZATION

The Keynote of day 3 was presented by **RAUL ZAMBRANO**, the CIAT Technical Assistance Director. The speaker said that both aspects have been already discussed the previous two days, recognizing that most tax administrations share a common standpoint. The keynote had mainly three parts. The first part dealt with identified challenges for the future coming from the increasing digitalization of the economy, focusing in some aspects that according to the speaker were not mentioned the days before, in particular issues related with the treatment of crypto assets and ICOs oriented to the selling of tokens of goods and services to be redeemed in the future that could be subjected to VAT immediately; the increasing phenomena of direct peer to peer operations that beside issues of taxation raises questions on the diminishing capacity of tax administrations to get information from third parties; the specific difficulties of dealing with huge amounts of information arriving to the tax administration in quasi real time making data quality a significant concern due to the

practical inability to correct those numbers. Mr. Zambrano presented a sample summary of options to deal with taxation for current cross border electronic commerce that was published at the CIAT site on the Internet.

In terms of opportunities, the speaker keynote covered aspects related to the use of an exponentially growing set of information. A CIAT document regarding the network of tax agreements was mentioned as an example of the use of Big Data techniques that should help tax administrations to visualize scenarios, allowing tax officials to make decisions. The use of artificial intelligence was identified as another aspect that would support both taxpayer services, via virtual assistants interacting directly with taxpayers, and control, identifying and forecasting potential non-compliant situations. As a trend, the keynote signaled that real time information will be increasingly available for tax administrations, either by being part of the transaction through the use of electronic documents or through the incorporation of IoT devices, or even via immediate information reporting.

Finally, the last part of the keynote presented an invitation to tax administrations to create an Ethereum based private blockchain, where each administration would have a node, that could be used to exchange real time information without the need of a centralized operator, still being able to guarantee that data is secured and could only be accessed by the intended tax administrations. The proposal identified electronic invoices for exports of goods and services as the first element that could benefit from this initiative where each invoice would be implemented as a smart contract (the sample Solidity code was shown) with the immediate option to inherit from that definition to identify operations with related parties. The concept could be extended to other type of transactions like payment of royalties or inter-company loans.







## SESSION 14 PANEL: NEW TECHNOLOGIES TO ENHANCE TAX COMPLIANCE AND COLLECTION

The Panel was moderated by **VINICIUS PIMENTEL DE FREITAS**, Head of the International Electronic Coordination at CIAT.

The topic of this session invited attendants to reflect and learn about experiences and trends on the continuous need to ensure improvements in tax compliance of taxpayers and in the results of tax collection, based on the use and benefit of new technologies.

**MICHAEL SNAAUW**, Deputy Commissioner of the Canadian Revenue Agency (CRA) presented his organisation strategy and how their collections continuum ranges from automated strategies using a service-oriented approach at the outset to more enforcement-oriented strategies at the end. Throughout the continuum, the CRA employs measurement criteria to evaluate and adjust as necessary. Additionally, the Agency employs Secure File Transfer Protocol (sFTP) and a standardized process for the development and implementation of data mining known as CRISP DM (Cross Industry Standard Process for Data Mining), which is an iterative process (e.g. continuous improvement). The Agency continues to research and implement new technologies into our processes in order to better address tax collections and compliance issues with its citizens.

**FERNANDO BARRAZA**, the Commissioner of the Chilean tax administration explained the Electronic Invoice implementation in his country,

pre-filing VAT returns and lessons learned. Tax administration in Chile focuses on improving customer experience embodying taxpayers from the design of the “taxation journey” all along the taxpayer life-cycle. Technological innovations include prepopulated personal income tax and VAT tax returns, electronic purchase and sales ledger, e-invoicing and electronic factoring among others.

**MAX HACON**, Deputy Director, Compliance for the Future programme at HMRC of United Kingdom spoke about the HMRC “Promote, Prevent, Respond” approach to compliance activity. HMRC looks to promote good behavior and accurate returns from customers, making it easy for them to get it right first time, preventing error and inaccuracies, preserving additional responses where concerns raise regarding the completeness or accuracy of a customer’s tax position. In all three of these areas, the development and exploitation of new technology offers an opportunity to maximize effectiveness as a tax authority in collecting the right tax at the right time. Additionally, it can enhance the customer experience of dealing with HMRC.

**ANA MASCARENHAS**, Head of Planning and Coordination of Tax Audits in the Portuguese Tax and Customs Authority explained the multiple advantages of the Standard Audit File for Tax Purposes developed in Portugal in terms of cost reduction for taxpayers and tax administrations, increased efficiency and additional uses. SAF-T can be considered a new paradigm linking information, knowledge and creativity and a pillar for all other developments (Invoice Software Certification, e-Invoice, e-Circulation, automatic PIT, Common Simplified Report, Quality Mark -SVAT-, etc.).

**ALBERTO BARREIX**, from the Inter-american Development Bank (IDB) referred to how electronic invoicing (EI) is one of the Latin America’s contributions to international taxation in support of the fight against evasion, global efforts towards tax transparency and the public-sector digitization. Initially conceived as an instrument of documentary control over the

invoicing process, to avert both the omission of sales and the inclusion of false purchases, EI will change the relationship between the taxpayer, the private sector in general, and the public sector. EI makes it possible to offer additional services to taxpayers and thereby to depart a little from traditional thinking about control. Examples include factoring, disclosure of the prices of certain mass consumer goods and the clarity of competition in different markets.

## SESSION 15 – TAX DIGITALISATION: VIEWS AND PERSPECTIVES OF THE BUSINESS COMMUNITY



The Panel focused on how the business community perceives the on-going changes in the digital economy and its impact on tax administrations processes and structures.

**MIGUEL SILVA PINTO**, IOTA's Executive Secretary moderated the panel mentioning the important role that business representatives have in IOTA open events, also contributing strongly to the organization publications. IOTA considers the private sector as an important partner in the transformation process that tax administrations are going through.

The first speaker was **JOAO FREIRE DE ANDRADE**, the Head of Big Start Ventures a company that invests across Europe in startups innovating in Fintech, Insurtech and Cybersecurity. He gave examples how Fintech (Finance Technology) is influencing alternative financing across different regions and economic sectors. He said that Fintech can help tax administrations in three sectors (payments, authentication and risk profiling). He also mentioned the need for regulation of the Fintech sector.

**ERICA CHAVEZ CASTILLO**, Microsoft Public Sector Lead for Latin America spoke about artificial intelligence (AI) and building smart digital taxes. She exemplified how AI is supporting the digital transformation of tax administrations in several countries, like Chile and the need to consider the impact of digitalization in the labour market of the future (65% of current students will have jobs not yet invented). The speaker said that the changes digitalization is bringing require from tax administrations new and innovative cooperation formulas, open mindsets and the right partnerships.

**JB HILLMAN**, the Director of Global Development for Vertex, Inc. gave a speech on the global multi-national taxpayer perspective. He echoed the concerns his corporate clients are facing within the changing compliance landscape, such as rising costs, inconsistency in the approaches by different jurisdictions and the lack of communication and trust between taxpayers and tax administrations. In his view the solution for the present challenges rely on the integration of processes and systems, establishment of a road-map for compliance and cooperative compliance models.

**GABRIEL BELLENGER**, the global managing director and consulting lead for Accenture's Revenue Industry presented the age of Ultron and the importance of Customer Centricity. He explained how big corporations establish strategies to provide customized services to their clients by knowing and addressing their specific needs. He talked about the need to prepare tax administrations for upcoming changes in their human resources, such as early retirements and leadership gaps.

The last speaker was **CHRISTIAAN VAN DER VALK**, acting Vice-President Strategy for Sovos Compliance a leading company in e-invoicing and e-archiving compliance. He gave the business views on continuous tax controls. He said that companies are concerned about how continuous controls are being implemented differently across jurisdictions and he advocates for the development of electronic invoicing,

which was already implemented in Latin America 10 years ago. Business expects tax systems to ensure legal certainty and a level playing field and tax authorities to be reliable and trustable. There is only one option for the future: working together for developing good practices and containing risks.

## SESSION 16 ROUND TABLE: TAX ADMINISTRATION IN 10 - 15 YEARS, HOW ARE WE COPING WITH THE PACE OF CHANGE



The session was moderated by **HELENA BORGES**, the Director-General of the Portuguese Tax and Customs Authority. She asked the speakers how they see their tax administrations in 20 years.

**GEORGIOS PITSILIS**, the Governor of the Greek Independent Authority for Public Revenue (IAPR) responded, saying that pressure will be put on tax authorities to make available more efficient and secure systems. The next steps in the modernization of the tax revenue administration in Greece will lead towards electronic filing, electronic invoicing and auditing and recruiting skilled resources.

**FERNANDO BARRAZA**, the Commissioner of the Chilean tax administration remarked that it is crucial to ensure an environment whereby voluntary compliance is generalized through the improvement of taxpayers' services and automatic tax returns aiming at simplifying tax obligations.

**ALVARO ROMANO**, Deputy Director-General of the tax administration of Uruguay commented that tax administrations will continue their

transformation reflecting the evolution of the economy, reducing physical infrastructure, expanding international links (¿a global registry and tax id?) and reformulating Human Resources policies to adapt to the new technological and business environment.

**MIKAYIL JABBAROV**, the Minister of Taxes of Azerbaijan mentioned the fast pace of change and the need to adapt to the new economy and the growing use of new technologies. The role of the authorities is also evolving. Taxpayers should be considered as customers!

All speakers agreed on the inevitability of technological continuous update, while adapting the pace of change to country specific needs -overcoming past shortcomings, as **EDGAR MORALES** from de Dominican Republic Tax Administration pointed out while describing its country experience- and transforming the massive new information availability into useful knowledge through data analysis.

The moderator emphasized the role of a strong partnership with citizens will have in the transformation of tax administrations in order to succeed in their mission to improve people's life and support their country's development and growth. Events such as this Summit, organized together by IOTA and CIAT are crucial to continue the learning and exchanging experiences in the tax field so the future of taxation can be duly prepared.

## SESSION 17 - ROUND TABLE: INTERNATIONAL COOPERATION OF REGIONAL TAX ORGANISATIONS





This round table was moderated by **DEBBIE LOCK**, Programme Manager in the International Coordination and Capacity Building Team of HMRC and included as panelists **MARCIO VERDI**, the Executive Secretary of CIAT, **MIGUEL SILVA PINTO** IOTA's Executive Secretary and **SARAH ADELBERGER**, Advisor for ITC – the International Tax Compact and Head of the Secretariat of the NTO – Network of Tax Administrations.

The session focused on the developments concerning the NTO, a platform of nine regional and international organizations of revenue administrations that was founded in May 2018 in Ottawa.

The moderator started by explaining the nature and objectives of the NTO, a new organization aiming at improving tax administrations through peer learning and knowledge exchanges. The members of the NTO are, besides CIAT and IOTA, ATAF, ATAIC, CATA, COTA, CREDAF, PITAA and WATAF.

**MARCIO VERDI** spoke in his capacity of the President of the NTO. He briefed the audience on the results of the first meeting of the NTO Council, held on the 22 October 2018 in Lisbon. The Council approved the Action Plan of the

NTO for 2018/2019, discussed potential NTO products to be offered to the officials of the respective members, such as the establishment of an NTO Ethics Committee, e-learning courses and publications. He then invited General Commander Giorgio Toschi of the Guardia di Finanza to announce the hosting of the first NTO technical Conference in Rome in 2020.

**MIGUEL SILVA PINTO** was very enthusiastic about the future role of the NTO in the tax international framework. He believes that by having nine different organisations setting common goals, synergies and close cooperation can be stimulated and human and financial resources will be maximized. He said that IOTA is willing to participate actively in joint initiatives and share its products with the other partners.

Finally, **SARAH ADELBERGER** described how the NTO Secretariat is being managed and which mechanisms are being used to coordinate inputs and contributions from the different NTO members, representing different jurisdictions and regions in the world.