

# Digital Transformation of Revenue Administrations

How can WE in the wider *tax ecosystem* support objectives of lowering costs, enhancing compliance and reducing tax burden – thereby helping to promote growth and investment?

1. Tax Administration 2.0
2. Tax Administration 3.0
3. Introducing the Change
  - Taxpayer Engagement
  - Organizational Change
4. Technology Enablers and New Business Approaches

# Taxpayer Engagement

## Introduction

- Tax authorities need audience consultation/engagement *ahead* of deciding digitization options (and any other major initiative requiring adoption by taxpayers).
- By doing so, authorities can be more confident (and indeed justify to their most senior management and political masters) that they have identified options that will be taken up by taxpayers - it's creating an evidence base.
- In a sense, doing things *with* audiences rather than solely trying to *impose your will* upon them.
- A tax authority is not the only part of the tax system. Taxpayers are key.

# Taxpayer Engagement

## What is taxpayer engagement?

- Context: there are only a few levers for improving compliance. Historically tax authorities have relied heavily on audit and of course it will continue to be important.
- However, approaches that make it easier and cheaper for taxpayers to meet their tax obligations are crucial. These approaches have the potential to influence far more taxpayers than audits alone and are in turn a more efficient use of your resources.
- You can only know what taxpayers will value and adopt in numbers if you engage them on that same question...

Taxpayer engagement could be defined as listening to the taxpaying community, understanding what works for them and what does not and acting on opportunities to improve the system

- We shall explore with two elements of taxpayer engagement that work hand in hand: **stakeholder management and co-design.**

# Taxpayer Engagement

## *What is taxpayer engagement?*

- **Stakeholder management**  
The process of maintaining good relationships with the people who have most impact on your work. Communicating with each one in the right way can play a vital part in keeping them "on board."
- **Co-design**  
Co-design is a process in which you engage taxpayers as equal collaborators in designing solutions.

# Taxpayer Engagement

## Why taxpayer engagement is essential

- *Tax Administration 3.0* increases the emphasis on tax authorities to effectively partner with others to achieve compliance outcomes. It is also an important element of Tax Administration 2.0...
- True taxpayer engagement will make your solutions and investments more effective and *improve compliance*. Therefore, it is not about being nice or soft! If taxpayers better understand the tax authority and feel you are listening and acting on concerns and opportunities, you will surely gain respect and empathy.
- While not the motivation, a secondary level benefit could be to generate a good story for you to leverage with other taxpayer groups and influential players: 'we are listening and acting'.

# Taxpayer Engagement

## *How: practical ways you can engage taxpayers*

- Most initiatives in the digitization space need technology, people, time and money. Some will take some years to make a reality.
- The good news is that taxpayer engagement is not reliant on those things, nor does it have to be off in the distance.
- Rather, it is more reliant on a mindset, an organizational preparedness and commitment to the philosophy of partnering with others.
- Another attraction is that taxpayer engagement is scalable: you can start small and grow it. You really do have strong control of what you do, with whom and when.

# Taxpayer Engagement

## *How: stakeholder management*

- I'm considering a stakeholder to be a person or group that represents many taxpayers with a shared interest.
- As an example, pick an industry that matters in your economy and assume you have a new initiative you want to get feedback about. It could be any topic.
- Ask yourself who are the key stakeholders in that industry, and why they are key (they are not all equal). Your judgment might be based on a combination of their size, the revenue they generate, their public profile, their affiliations.

# Taxpayer Engagement

## How: stakeholder management quadrant

- Use this template to map with colleagues the influence of stakeholders in this industry.





# Taxpayer Engagement

## *How: stakeholder management quadrant*

- Perhaps in the top right quadrant you will identify a mix of a few industry associations or peak bodies; some large businesses; a tax professional association; and possibly a few other government agencies.
- In the space of two hours, you could have a draft assessment?
- A more detailed exercise is to work through how you would engage and communicate with stakeholders across ALL four quadrants.

# Taxpayer Engagement

## *How: stakeholder management quadrant*

- High power, high interest: these are stakeholders you must fully engage with and make the greatest efforts to satisfy.
- High power, low interest: put enough work in with these stakeholders to keep them satisfied, but not so much that they become bored with your message.
- Low power, high interest: keep these stakeholders informed and talk to them to ensure that no major issues are arising.
- Low power, low interest: monitor these groups or people and communicate only occasionally.

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## *How: stakeholder management - peak bodies*

- Peak bodies matter because they represent and influence members' thinking and attitudes. Also, they will naturally lobby politicians...
- Also, by engaging peak bodies they can develop an understanding of the challenges you have to manage. And you can understand theirs. Mutual understanding should be a good thing?
- Ideally, those peak bodies will ultimately become promoters of your initiative. Consider that peak bodies can reach their members through methods that you can't like their own social media presence.

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## *How: stakeholder management - peak bodies*

- A meeting with just one peak body from your chosen industry could be a good, low risk start?
- Consider sharing with them your thinking, ideas and concerns and understand that part of the deal needs to be hearing the same from them.
- There must be benefits for both of you.
- A good outcome would be that your peak body meeting leads to the creation of a broader industry group which meets regularly.
- Your meeting(s) should be really well organized to show that you're serious about this opportunity. Your reputation matters.

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## *How: stakeholder management*

- Think good, simple, important governance:
  - a secretariat
  - meeting agendas, minutes and action items
  - follow up, and holding people to their action items
  - scheduling the next meeting
  - making it all repeatable and trackable.
- Consider contacting a few members in between meetings to see what their thinking is: *build* the relationship.



# Taxpayer Engagement

## How: stakeholder management summarized

- Ignoring stakeholders could be costly. They may:
  - *complain* to powerful people
  - *resist* making the change
  - *accidentally fail* to make the change correctly
  - *discourage* others from making the change.
- You are aiming to *influence* the *influencers*. Another view is:  
*can you afford to ignore these influencers... and why would you?*
- You might just be amazed at some of the unexpected opportunities that develop from the experience.  
And remember, almost no cost and technology to make it happen.



# Taxpayer Engagement

## How: let's look at co-design

- Co-design is where you take your messages or products and test them with the people who have to use them - the taxpayer.
- Perhaps your stakeholder management process has determined the *need* for the product, but now you have to *develop* the thing itself?
- Co-design usually raises issues that you didn't anticipate: that's why it's important to do it – you will build a better service or product.
- It also helps justify your decisions to outside scrutiny.
- Co-design can be inexpensive and a great return on your effort. Ideally, employ a professional researcher to conduct a co-design session but if the money is unavailable, you can learn to do it in-house.

# Taxpayer Engagement

## How: exploring co-design

- It is valuable for developers of a product or service to *observe* co-design sessions, perhaps via video. They should not be the ones running the session - they are too close to the topic.
- You'll need a prototype to test but it can be quite basic to start with.
- You can rent meeting rooms somewhere convenient to your audience and a recruitment company can find participants from your target audience. Or, maybe a peak body you are engaging with will gain participants for you from their membership? As an incentive, it is reasonable and common to pay participants a fair fee for their time.
- Part of the good news is that only need quite small numbers of people.



# Taxpayer Engagement

## *How: co-design numbers*

The ATO's co-design centre explained numbers for co-design this way:

*When conducting user research they need to get out into the community and ask lots of questions. Getting out into the community means they can better understand the environment people use their services in. To understand what the issues are - you usually find trends after talking to about 20 people.*

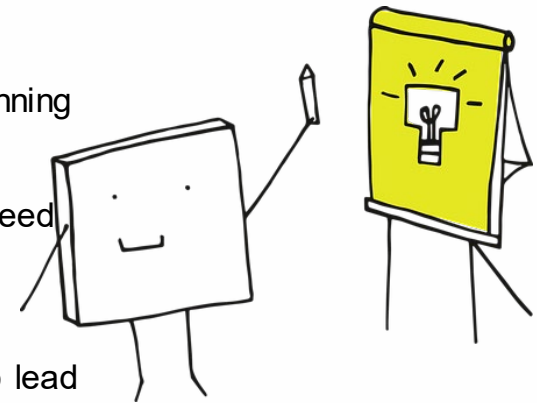
*For usability testing activities, we have a scenario and a prototype and we test if people can work their way through a typical task. For that sort of activity - no more than 10 is usually needed to find 80% of the usability issues. After about 10 people its diminishing returns on investment.*

# Clear Goals and Managing the Change

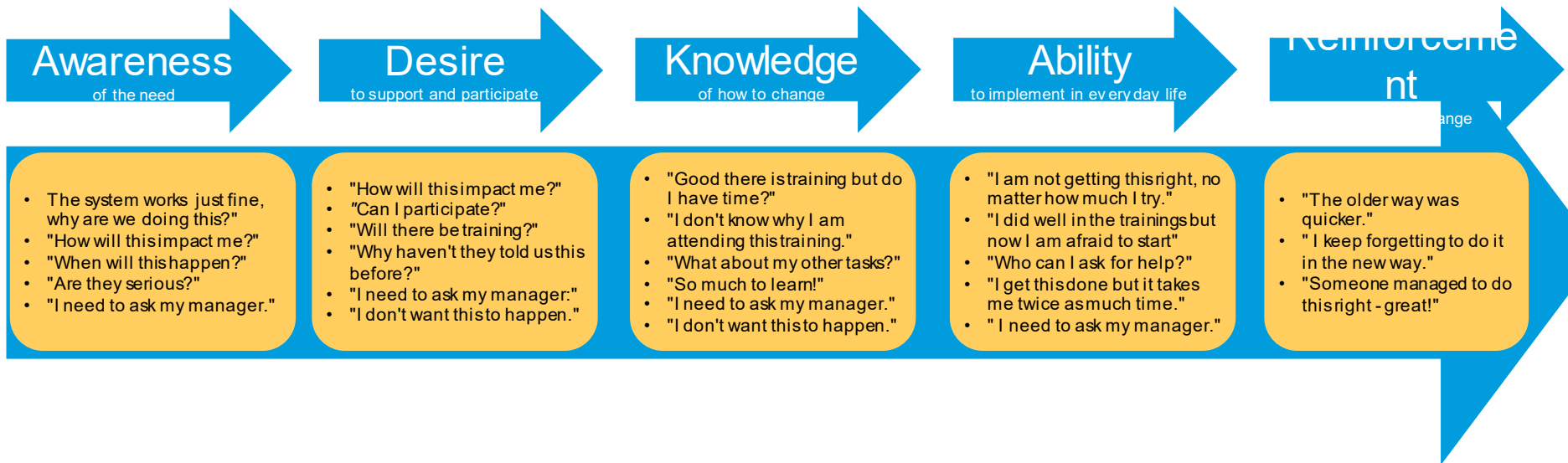
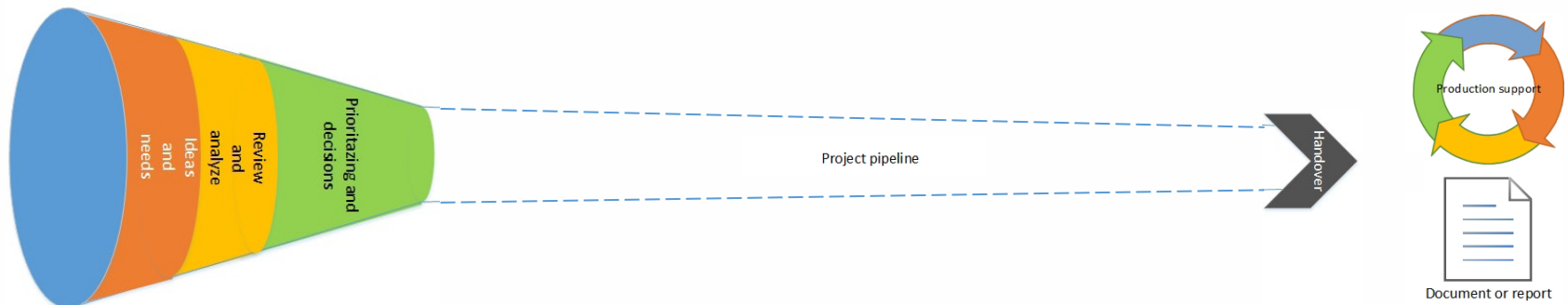
- Vision: shared understanding of the drivers for transformational change is critical to ensure staff and stakeholders understand the overall transformation vision and end point
- Strategy: transformation is as much about the journey as the destination
  - To optimize the potential of digital transformation, tax administrations must clearly understand the path they need to follow to get from where they are now to where they want to end up
  - Setting out how digital technology will be used to achieve corporate outcomes and give direction to new initiatives, projects and procurements, including how they can contribute in achieving the desired benefits, what is their priority and appropriate sequencing
- Even the best technology will not produce useful results unless there are real incentives to utilise it properly
  - Taxpayer as a customer - tax administration's digital transformations are still often based on administrations' own requirements and processes, rather than being driven by the needs of the taxpayers
  - Digital technology projects are never just about implementing a new technical system, but along with the new system there are changes to the way people think and work. Adoption of new ways of working usually takes longer and costs more than expected.
- Insufficient change management is one of the biggest reasons why so many digital technology projects fail or produce lower benefits than expected
  - Key determinant of how fast success can be achieved with digital initiatives is the change readiness of the organization

# Change Management Success Factors

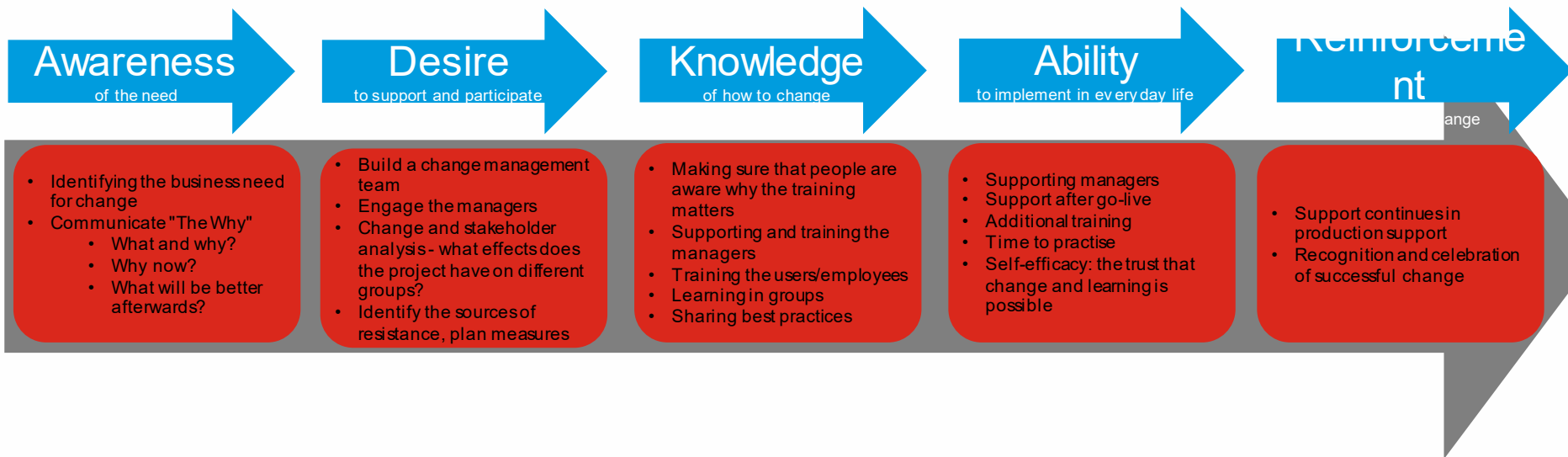
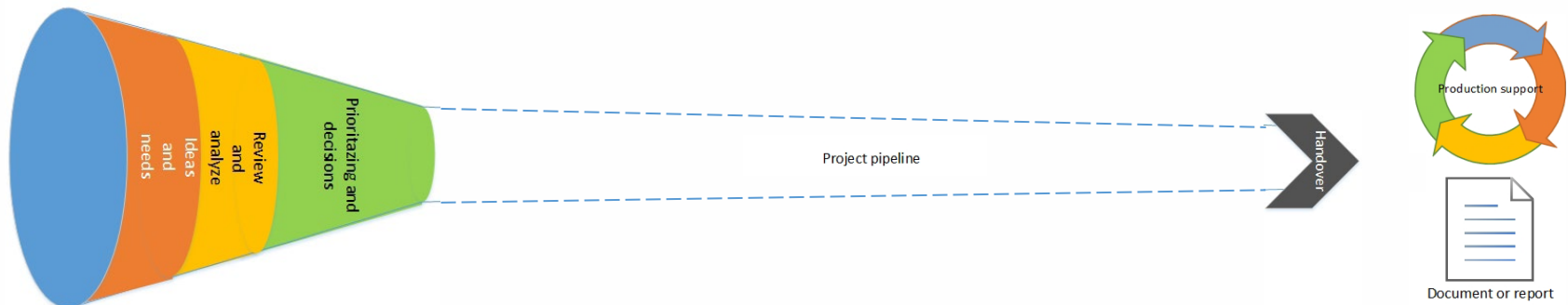
- Clear goals - storytelling
- Leadership commitment
- Change management as an integral element of project preparation, planning and implementation
- Management sponsorship and commitment - support to help them succeed
- Proactive engagement - opportunities to participate
- Active communication - utilising modern technology and social media to lead transformation conversations
- Training and support on the new ways of working - confidence in the system and incentives to use it
- Adaptiveness - documenting the success stories and failures during the journey, and learning from them



# Integrating human aspect into a project: individual level



# Integrating human aspect into a project: project team level



# Integrating human aspect into a project: leadership level

