

# 2010 International Tax Forum

Efficient, high tax yielding and customer centric

Debt collection

Tax gap

Change

Future

Efficiency

Standardized system



Delegates at the fifth Capgemini International Tax Agency Forum, held in Les Fontaines, France on 17th and 18th July, came together to share ideas around current tax agency challenges. The key discussion points during the two-day event were:

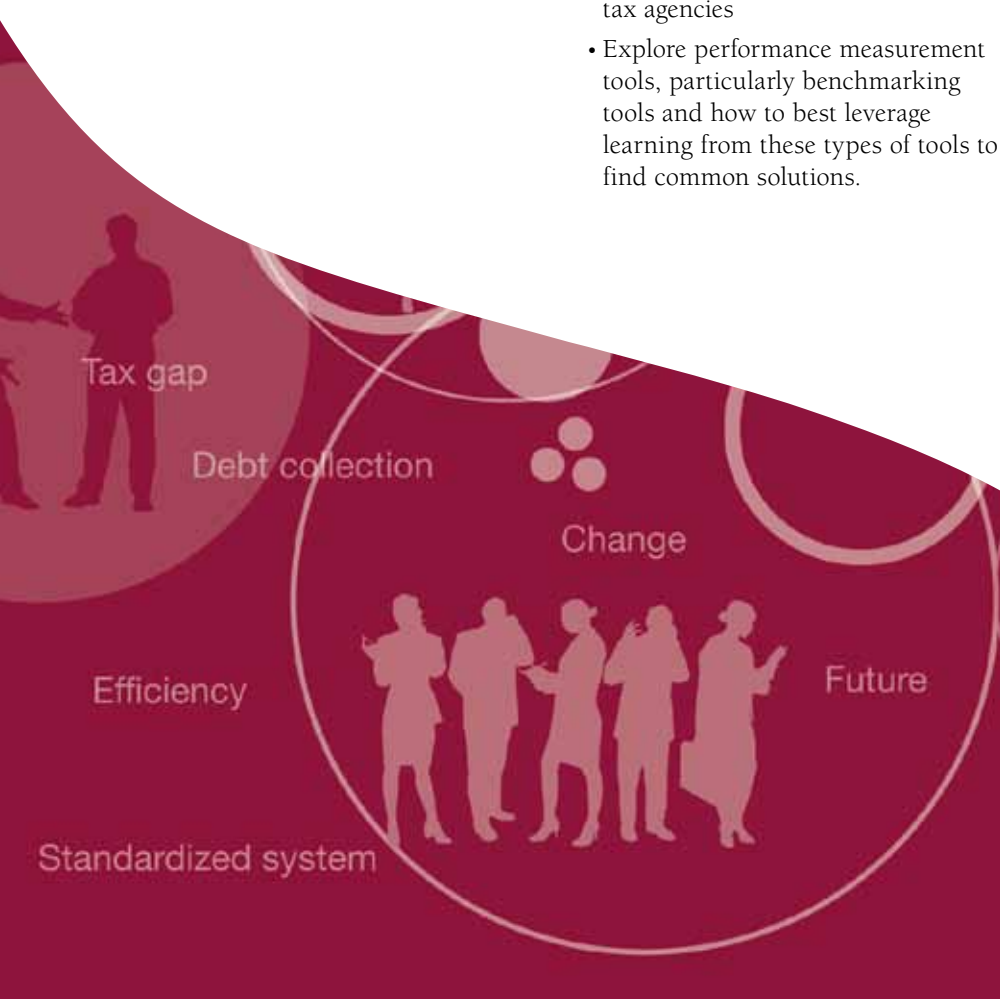
- Explore what the tax agency of the future looks like
- Share experiences on the most immediate business challenges faced by tax agencies
- Explore issues such as measuring performance against business objectives, performance improvement especially to frontline work, reducing the cost of running tax agencies
- Explore performance measurement tools, particularly benchmarking tools and how to best leverage learning from these types of tools to find common solutions.

### **Tax agency of the future**

This highly collaborative process began with an exploration of the tax agency of the future. Capgemini's Andrew Lennox set the scene with a quick review of some earlier Capgemini work looking at the department of the future, not specifically a tax agency. With public service outcomes at the heart of the process, he described the drivers for improving and changing a public sector department as:

- first engage with the citizens to see how they think we can better achieve outcomes
- tailor services to different segments of citizens
- apply Lean processes or drive better performance and drive down sickness and absence.

Andrew conceded that sometimes it might be better to start again by fundamentally re-engineering and questioning the role of government. Should they deliver it or should they look to third parties in the private sector? Could government do everything to deliver the outcomes? Were the right laws and powers in place to affect necessary change? Politicians needed to make the case for change to the public and if it was unacceptable to the citizenry it might be impossible to deliver.



From a tax agency perspective, tax gap analysis would play an important part in evolving the future agency. Risk would have to be segmented and tailored using debt interventions. By looking at this challenge from end to end across the tax value system, agencies might reduce errors so that it became harder for people to avoid paying their taxes by using something like tax filing. Other questions that needed to be debated were around access: should everyone use e-channels or should we be using face-to-face or phone contact – and how would the public accept the challenge of change?

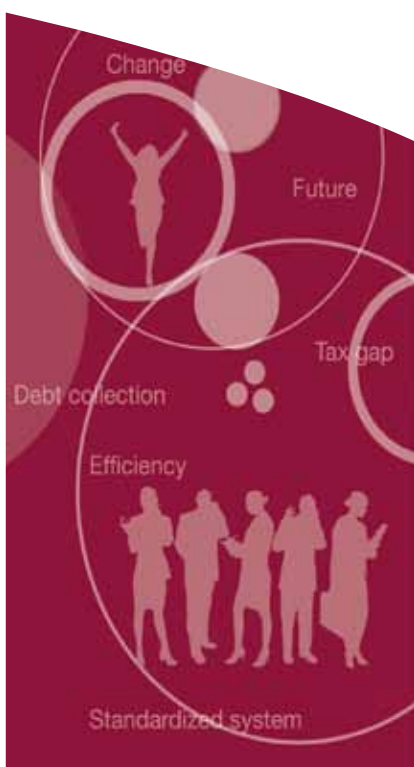
### ... and a matter of prevention

Following this introduction to the future tax agency, participants agreed that prevention would be part of the tax gap cure, perhaps through incentives, proactive marketing or new regulations. Delegates then worked in three teams to consider what a tax agency might look like in 2015 (just five years' time) having successfully implemented a radical change in the way agency operated, based on a focused strategy of **tax gap**, **cost efficiency** or **customer centricity** – each team took a different focus area.

### Reducing the tax gap

This focus group broke down taxpayers by individual, business, high net individuals and 'the rest', with a heavy focus on 'the rest'. Low risk taxpayers were ignored in favour of high risk. Key findings were:

- Preventing tax crime demands front-line process that gives the taxpayer certainty that submissions will be processed.
- Process standardisation is required, along with key technologies and understanding, softer skills and a client-based view.
- Business intelligent technology and an understanding of the future will help. For example, social networking is something every 25 year old knows about. Tax agencies are operating years behind because they are based on the knowledge of 40 year olds.
- An obsession with policy is very important, along with a level of checking of everything using a risk based approach. To reduce the tax gap agencies must be selective in terms of who they target.
- Blockers to modern communications will need to be addressed. 'No touch' will require a change in the law so that signatures are no longer required.



### **Cost efficiency**

It is all about how to reduce cost. That was the consensus of this focus group, which looked at a number of ways in which cost reduction could be achieved.

- Make it easy; don't involve the taxpayer (Pre-population).
- Get it right first time to remove the time and cost of returning forms to the taxpayer for further input.
- Achieving this requires heavy automation with built-in prevention up front and a shift in resource.
- Self service with greater use of customer eFiling cuts out face-to-face and call centre contact.
- A specialist Customer Focus team would still be needed if the business was heavily automated, as would a process for large and small businesses.
- Specialist audit teams would be needed for small and large businesses as would segmentation by customer and risk.
- We need to create a customer view for individuals and businesses so that over time we will be able to use 'legacy' customer data.
- Policy should be simplified. The core of this will be tax administration, policy, confirmation of assessment and audit. Everything else could be done by other people.
- Sub contractors could manage automated processes for collecting in non core areas and functions.
- We need to look at how we accelerate internal processes around companies into large, medium and small enterprises so that processes can be streamlined and done electronically.

- This raises the question of what will happen with the labour. Automation will reduce the amount of manpower required – and with a large number of people due to retire, perhaps now is the time to start this process.

### **Customer Centricity**

This focus group felt that customer centricity was all about a strategy based on segmentation – and the delivery of eServices will be the 'key' policy change requirement.

- Make sure that self service is in use by category, function, e-maturity, willingness and ability.
- Ensure open sharing of data.
- Education and prevention are key. We should be more focused on risk and compliance for better yield.
- To deliver the same services but via new channels, we need to remove voice and face-to-face contact in favour of eSystems.
- As with the Tax Gap issue, prevention and standardisation are important.
- More standardised processes and IT are required but financial restrictions mean we won't have achieved 70% standardised in five years' time.
- What is key is that this is driven by the core business. We must explain to the core business why our service is unique and how we can make it happen in house, including the policy legislation.
- We can manage the risk and we can challenge ourselves. In order to do this, we must invest in analytics.

### Common themes

Participants at the Tax Forum identified a number of common themes. These included the prevailing belief that eServices would define future tax agencies, along with a need to be more competitive and re-focus on the client and a move to outsourcing.

### Other constant themes included:

- *Investment in upfront systems and processes:* rather than checking and correcting after the event, as much as possible should be provided to the taxpayer in advance. Prevention is more cost effective and efficient than correction.
- *Risk assessment:* the correct investment in analytics can ensure that services and channels are designed better and faster. This will also reduce the cost of compliance for every Pound, Euro and Dollar.
- *Automation and use of eServices:* the use of sub-contractors should be co-ordinated to shift the focus towards citizens and large corporations.
- *Move from system-orientated to process-oriented:* putting the taxpayer on both sides of the process will mean a totally different architecture for the service.

### Moving forward – but not there yet

So, with a clear understanding of what it would take to transform today's tax agency into the customer centric, cost efficient agency of tomorrow – one in which the tax gap is significantly reduced – just how close to this ideal state are most tax agencies today?

Not very close, it seems. Although some of the participating agencies had begun their transformation journeys, others felt that a number of barriers stood in the way, not least politics. As one delegate said: "We are moving away from where we are. The biggest problem is the Ministry. You need to get a reduction in the deficit fast."

Politics was cited by another participant: "Until we get a complete shift in working, we are not going to be there because we always under react. Politics puts pressure on so we don't have time to step back. We do not have that flexibility."



### **Benchmarking – improving organisational performance**

Sylve Nordhausen, Managing Consultant for Public & Health at Capgemini, spoke about the roles of benchmarking and (bench)learning in improving tax agency performance. He used the European Commission-sponsored EU eGovernment Benchmark looking at the extent to which information and communications technologies (ICT) are being used to transform the public sector as context.

The EU eGovernment Benchmark measures the delivery of 20 basic services, 12 to the citizen and eight to businesses. Metrics include full online availability, sophistication of the services provided and the availability of electronic procurement. Interestingly, the top performers in terms of online sophistication were Malta, Portugal, Sweden, Austria, Slovenia and Estonia.

#### **Benchmarking allows you to:**

- Know where you stand
- Recognise the good examples
- Adopt/learn from the best practices available.

### **How do participants use the benchmark results?**

Unsurprisingly, 100% of participating bodies are interested in the results and keen to check they are correct. Some 60% take this interest a step further by making use of the conclusions to adapt policy, legislation etc to a certain extent. A smaller number, just 20%, say that they are extremely interested in improving the services and are active in adopting best practices.

### **From benchmarking to (bench)learning**

Organizations can actively use the benchmark results to identify areas for improvement and learning. Benchlearning aims to understand the success factors and barriers behind processes through an analysis of the eService set-up and delivery processes. It is a voluntary, bottom up and learning oriented approach as opposed to the more fact-based and quantitative benchmarking approach.

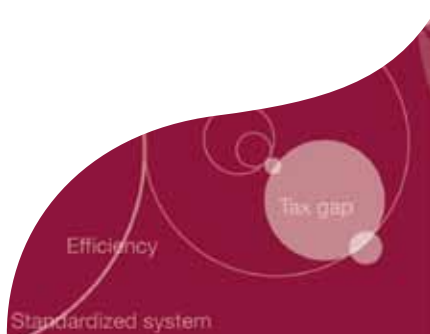
### In order to move ahead, what priorities should be set?

- “Collect debt fast. This is the most important driver. In one year, companies need to be fighting to detect debt holes and close them fast.”
- “First, we need to be better, faster, and we must understand and translate demand. We need to be faster and more efficient in striving for a standardized system. We need to move to outsourcing.”
- “We need to change the culture at a political level in order to achieve. We can address things. If you don’t have the willingness to make change, then we won’t.”
- “We also need to be able to deliver and work very much with IT systems. We have been working with them for 40 years but we do not do a lot of investment. We need to in order to deliver infrastructure and deliver eServices to the customer and clients in the future. The Minister of Finance could easily prioritize this when discussing next year’s budget, so we should run a campaign. It is a challenge. At the top level is the tax gap and knowing how to deal with that. We also need to address immigrants and train them into the culture of paying tax.”

- “While there is consensus around taking the customer out of the equation, an alternative approach might be that the taxpayer doesn’t do a return. Can you take people out of the tax system and start re-channelling in business? This is a major strategy area that is worth exploring.”

### In summary

The world really has to change. We’ve been listening to the same music for the last four to five years, but now we need to change. Ian Petty said: “In 20 years of working with tax agencies, this is the first time ever when organizations have no choice but to change. In the past, we have managed to avoid the issue. We must change our mindset in order to move on to the next stage of our journey to becoming the efficient tax agency of the future.”





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## Participants

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