MODERN GOVERNMENT
Tax Systems for an Increasingly Connected & Dynamic Digital World

Tax agencies worldwide are investing in digital solutions and co-innovating with external partners to find new ways to improve citizen interaction, transparency and tax compliance. Through transformed processes and innovative technology, tax agencies can directly drive greater economic growth.
Sharing our wealth of experience in tax, digital and analytics as core levers of successful digital transformation.
TRANSFORMING DIGITALLY FOR BETTER TAX COMPLIANCE

Like all government agencies, tax authorities are investing in digital transformation. This is ensuring that they are aligned with the digital development of the citizens and businesses they serve. It will help them meet demands for enhanced and integrated public services built on eGovernment, leveraging the full range of channels now used by citizens.

BETTER TAX PAYER ENGAGEMENT, BETTER ECONOMIC GROWTH

Why is this important? The World Bank recently stated that “efficient and equitable tax systems are essential for state building and accountability, economic growth and poverty reduction.” Thus the better a government is able to engage with taxpayers via any channel and ensure compliance, the stronger its’ economy will be, both in fast growing and developed economies.

THE NEW CITIZEN EXPECTATIONS

But while effective tax administration has many clear benefits, achieving a high level of tax compliance demands new approaches to service delivery and a single view of the customer across all tax types and activity. Tax agencies must rise to the challenge of new social norms, the digital agenda and the opportunities of Big Data. Modern citizens and corporate organizations want to interact with government on their own terms and in their own time, while a mobile workforce makes offline and remote working a critical business enabler.

THE TAX AGENCY CHALLENGES

However, there are significant challenges faced specifically by tax agencies when driving towards digital transformation. These include:

- Constraints in public policy and legislation
- The levels of citizen education and skills, and gaps in the authority’s own capabilities
- Assuring the security of information to maintain public trust. This includes key elements such as identity management and cyber security issues
- Managing the large scale of operation involved. Tax administrations process large volumes of transactions, information and interactions on a daily basis. Yet agencies must be able to deliver scalability and agility.

THE NEW TAX AGENCY ESSENTIALS

To respond to these challenges, a tax agency needs a robust and secure Digital Platform as the technical foundation for truly agile digital delivery. Such a Digital Platform should also allow a business to create innovative digital services using the technology and supplier of their choice, for example through a service-enabled reference architecture and open standards-based technology accelerators.

Tax agencies will also need to put in place new ways of working, such as those relating to data governance and master data management for data quality.

This quality will be important as the value of data grows in tune with an increase in the use of analytics for identifying and stopping fraudsters and tax evaders. Some tax agencies are already using social analytics and Big Data, transforming multiple social media information sources into customer insight. This will help to plug the tax gap, which is particularly important for those countries struggling with fiscal deficit or budget cuts.

ADAPTING THE LEGACY

This tax agency digital journey and transformation also puts significant pressure on legacy IT environments. Typically, these environments are highly complex. Often, a history of tax policy changes, legislative complexity, organizational restructuring and the past urgencies of meeting legislative imperatives mean that the tax agency IT infrastructure and application landscape is now more complex than necessary, often with excess capacity and elevated costs relative to requirements. Yet, many agencies find it difficult to remove cost and complexity from their IT infrastructures. Obstacles such as the complexity of the IT infrastructure itself and the resulting risk of change on the core tax collection capabilities, funding constraints and the inability to define a convincing business case can be simply too challenging.

Both the Digital Agenda and legacy transformation are areas of tax administration in which Capgemini excels. We have an impressive track record of supporting the tax transformations that are building strong economies worldwide. We recognize that linking tax and customs systems to provide an end-to-end view of a country’s income, from both trade and taxation, can create transparency and bring greater control over a country’s budgeting and economic planning.
The Transformed Tax Agency of Tomorrow

Tax agencies around the world are picking up the pace of their digital transformations. Tomorrow’s tax agency will operate in a very different world; absorbing the huge impact of digital on their Business Intelligence, assessing the potential impact of disruptive digital technologies and realizing the exciting new tools with which to tackle fraudsters, tax evaders, and error.
**SHARING THE LEARNINGS**

Our experience living and breathing the transformation journeys of tax agencies across the world gives us the insight and expertise to smooth and speed up the development cycle for tax organizations at an early stage of this journey. From shaping the digital transformation journey, rolling out enabling IT to supporting cultural change, we are experts in the processes and digitization of tax.

We partner with global technology companies, such as SAP, SAS, Oracle and IBM®, integrating their systems and solutions with our clients’ IT landscapes. As governments seek to increase the tax yield, we draw on our pioneering experience of digitally-enabled predictive analytics and real-time transaction monitoring to reduce fraud and increase compliance.

By integrating systems and managing data we have helped governments understand their consolidated income bases, taxpayer communities and patterns of data across these for more efficient tax administration – learnings which we apply to significantly enhance other tax agency journeys.

**DELIVERING THE DIGITAL AGENDA**

Digital technologies, techniques and approaches are recognized in private sector organizations as being key to creating and maintaining successful business, now and in the future. Many of the market dynamics and factors underpinning this are equally, if not more applicable, to the public sector and to tax agencies.

Capgemini’s work with the Massachusetts Institute of Technology, USA (MIT) has identified that those organizations who fully embrace digital transformation in a repeatable and sustainable manner (the “Digerati”) are much more likely to both remain in business and sustain growth as they have a strong focus on the following key areas:

- A changing public demographic who is increasingly “connected”, and whose preferred mode of interaction is via digital channels
- Improved efficiency and lower “cost to serve” enabled through improved compliance, streamlined processes, digital technologies and automation
- Ability for proactive rather than reactive customer engagement, anticipating needs and preferences, through analytics and a holistic view of the customer

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**Driving Value From Digital Transformation**

**DIGITAL INTENSITY**
Degree of technology-enabled initiatives in customer engagement and/or internal operations

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<th>FASHIONISTAS</th>
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<td>Have experimented with many applications but not in a way that allows them to exploit the synergies between them</td>
<td>Combine a transformative vision, careful governance and engagement, with sufficient investment in new coordinated digital opportunities</td>
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<th>BEGINNERS</th>
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<td>Do very little with advanced digital capabilities</td>
<td>Favor prudence over innovation, have focused on clear vision, governance and culture change to support moderate Digital Development</td>
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**TRANSFORMATION MANAGEMENT INTENSITY**
Leadership capabilities including: Vision, Governance, Engagement, IT and Business Relationships
“Our long-term partnerships with tax authorities across the world give us a breadth and depth of experience that can help government agencies on their digital transformation journeys, with significantly enhanced operational efficiency. By sharing our learnings we help authorities avoid the pitfalls of major change, thus speeding up and reducing the risk of transformations. The analytics capabilities embedded in our solutions enable tax authorities to exploit information. They can deliver more transparent and reliable data on which to drive a better citizen experience through digital transformation.”

Craig Mill
Global Head of Tax & Welfare
Capgemini
The efficiency and usability of mobile applications to streamline process for both employees and consumers. Ability to monitor trends and react quickly through social media monitoring, agile development approaches and analytics.

APPLYING THE DIGITAL PRINCIPLES TO THE TAX AGENCY

The digital drivers of successful private companies clearly align across the tax agency’s focus areas.

- A tax agency must serve all across its economy in a fair and equal way, making it as easy as possible for citizens and businesses to understand their liabilities and pay their taxes, using appropriate channels. As a tax agency is in a monopoly position, with its customers obliged to pay tax, the agency must consider itself the servant of all taxpayers and respond to all the requirements of this broad customer base equally and fairly. This deepens the digital challenge.
- Tax agencies are often targets for organized fraud or tax evasion activities, and authorities need to prevent leakage in addition to driving compliance.
- Austerity measures and shrinking government budgets are forcing agencies to do more with less each year, taking every opportunity to use lower cost ‘digital by default’ channels and greater automation.
- Tax agencies are important instruments of government in their own right:
  - They provide invaluable data and insight into citizen and business behavior, economic activity and social development so that the levers of productivity, competitiveness and growth can be better understood.
  - They provide government with an opportunity to demonstrate a commitment to openness and transparency, making for better governance through greater citizen participation and commitment.

There are also a number of challenges for any approach to digital transformation in tax agencies.

- Constraints in public policy and legislation, levels of citizen education and skills and gaps in the agency’s own capabilities must be taken into account.
- Tax agencies were generally early adopters of IT and operate complex legacy systems and processes which embody many years of legislative complexity. Change and impact on these systems and processes must be managed through the transformation.
- Security of information and maintaining the public trust is vital to successful operation.
- Identity management, protection of information and legislation must also be taken into account when defining the transformation agenda.
- Scale of operation must also be considered. Tax administrations generally process large volumes of transactions, information and interactions. Any solutions and technologies adopted must be designed to allow for both scalability and agility.

THE TAX AGENCY BIG DATA SOLUTION

Big Data has an important role to play in the digital tax agency. The ability to use it to help predict potential tax evasion and fraud is already proving its worth for agencies. Fraudulent activity places a huge strain on the public purse at a time when budgets are stretched. This situation can be transformed by predictive analytics.

Better use of information through digital means is enabling tax agencies to build a picture of each individual taxpayer. Predictive analytics allows an agency to make informed decisions using data gathered from across government departments and multiple communications and social media channels – Big Data. With the ability to predict likely fraudsters based on spotting mismatches between a taxpayer’s economic and social (lifestyle) activity and his reported taxable income, agencies can take action – fast.

In the digital tax agency, new approaches to managing risk include customer facing (upstream) risking, using deterministic and predictive models at key moments of taxpayer activity, such as filing a tax return. By using predictive analytics to recalculate a customer’s risk profile, the tax agency can prompt potential late or non-paying taxpayers to pay or reconsider their actions with personalized messages in real time.

The ability to risk assess customer transactions using analytics is a powerful tool. It is one with which Capgemini has helped achieve impressive results. Connect, the strategic risking solution which HMRC use in compliance work to uncover hidden relationships across over a billion data items, has increased yield by £3 billion to-date. Capgemini has also developed the Trouvé solution, powered by SAS’s industry leading fraud framework and customer intelligence software, to help other agencies achieve similar success.
KEY GOVERNMENT AGENCY DELIVERIES

**France**

Pôle Emploi  
*Working together since 1999*  
IT strategy, IT projects and application management. Capgemini has worked with ANPE and Undic, the two predecessors of the French welfare and employment agency, since the 1990s.

CNAMTS – Caisse Nationale de l’Assurance Maladie des Travailleurs Salariés  
*Working together since 2008*  
Enterprise content management system management with interface to business applications.

Enabling Health insurance agencies to exchange a large amount of information with patients, health professionals and employers.

**UK**

HM Revenue and Customs  
*Working together since 2004*  
The majority of HMRC’s IT is outsourced to Capgemini and an ecosystem of partners. The technology is fundamental to HMRC’s work collecting more than £500 billion a year in tax and duties.

Department of Work and Pensions  
*Working together since 2004*  
Engagement ranging from technology to strategy consulting.

National Health Service  
*Working together since 2003*  
Niche outsourcing, operational and technical support.

States of Jersey Social Security Department – Bailiwick of Jersey  
*Working together since 2005*  
A long-term relationship with the Social Security Department of the States of Jersey, part of the Channel Islands, assisting the IT function.

**US**

SCUBI  
*Working together since 2013*  
Engaged with a Southeast Consortium (Georgia Department of Labor, North Carolina Division of Employment Security, South Carolina Department of Employment and Workforce) in the renewal of their Unemployment Insurance Platform via our AcUiity solution for modernization of IT systems.

Nevada UI  
*Working together since 2010*  
Working with the government of the State of Nevada in the development and maintenance of its Unemployment Insurance Platform.

Massachusetts Department of Revenue (MA DOR)  
*Working together since 2011*  
Working with MA DOR in the MASSTAX2 project, implementing a new integrated tax system. We provide Independent Verification and Validation services.

Pennsylvania Department of Revenue (PA DoR)  
*Working together since 2011*  
Providing testing services as well as Independent Verification and Validation for a legacy replacement project, aimed at implementing a new SAP TRM system for PA DOR.

**Latin America - Brazil**

SEFAZ Minas Gerais  
*Secretaria de Estado de Fazenda de Minas Gerais*  
*Working together since 2002*  
Working with one of the largest states in Brazil, providing application management, apps, BI, mobile, testing, architecture and infrastructure to the state tax agency.

SEFAZ São Paulo (Secretaria da Fazenda – Governo do Estado de São Paulo)  
*Working together since 2010*  
Developing several intranet and internet apps and redesigning the architecture for the São Paulo tax agency.

SEFAZ-BA (Secretaria da Fazenda do Estado da Bahia)  
*Working together since 1995*  
Developed online services for Citizens Portal and integrated tax administration system. Also developed and maintained tax and financial systems.
India
Maharashtra State Sales Tax Department
Working together since 2011
Engaged with the regional sales tax administration on a comprehensive business intelligence platform implementation that integrates data from over 40 departments.

ZIVIT (Zentrum für Informationsverarbeitung und Informationstechnik)
Working together since 2009
Providing various IT services.

Germany
Bundesagentur für Arbeit (Federal Employment Agency)
Working together since 2005
Significant assignment developing the ALLEGRO software for unemployment benefits distribution.

Bayerisches Landesamt für Steuern
Working together since 2009
Project management and strategy consulting, such as advice on anti-fraud capabilities.

The Netherlands
UWV (Uitvoeringsinstituut Werknemersverzekeringen)
Working together since 2009
Application Maintenance and advanced customer contact.

Belastingdienst
Working together since 2007
Building an allowance collections, qualifications and disbursement system driving IT and business change.

DG TAXUD – European Union
Working together since 2013
Major project comprising quality assurance, quality control, and project management of IT activities.

Slovakia
Ministerstvo Financií
Working together since 2009
Working with the Ministry of Finance of the Slovak Republic to improve effectiveness in IT and non-IT related services. The Ministry is responsible for effectiveness of the tax collection system.

Norway
NAV (Arbeids- og velferdsetaten)
Working together since 2007
Developed the pension system based on a service-oriented architecture for the Norwegian welfare agency. Also collaborating on large case handling systems solutions.

Bayerisches Landesamt für Steuern
Working together since 2009
Project management and strategy consulting, such as advice on anti-fraud capabilities.

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A PARTNERSHIP APPROACH TO INNOVATION

We recognize that innovating to improve operational efficiency and deliver an enhanced level of citizen-centric service cannot be accomplished in a vacuum. Developing new digital capability and adopting game-changing solutions is at its most successful when achieved through collaboration. That’s why Capgemini proposes a unique co-innovation approach to digital transformation for today’s tax agencies.

We work with a wide range of technology companies, including IBM®, Oracle, SAP and SAS. Our objective approach to vendor selection ensures that we partner with the most appropriate technology vendor for each client’s individual need.

HOW WE INNOVATE

We have developed an Innovation Lab model and operate more than thirty Innovation Labs globally. This model gives you an eco-system of partners, agencies, technology leaders and academic institutions that we have been building for decades. We put our clients at the heart of this ecosystem so that they can rapidly get to fresh answers from having exactly the right people in the room. We also connect with the smartest of the emerging tech start-ups in our exclusive partner Iterate Studio which gives us – and our clients – access to very specific technology.

Whether we are holding “rapid ideation” or “hackathon co-creation sessions,” or using crowd sourcing and rapid prototyping, our Innovation Lab model gets results fast. That’s because it is founded on our Accelerated Solutions Environment (ASE). This is our renowned environment and facilitation capability developed over 20 years. It enables groups to solve complex business problems and share valuable data. It uses a blend of the right people, process and content in a world class environment, offsite or in a custom built client site hub, to collaboratively and rapidly solve problems, develop new products and services, and drive innovation.
Work with us
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About Capgemini
With almost 145,000 people in over 40 countries, Capgemini is one of the world’s foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.573 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at www.capgemini.com

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