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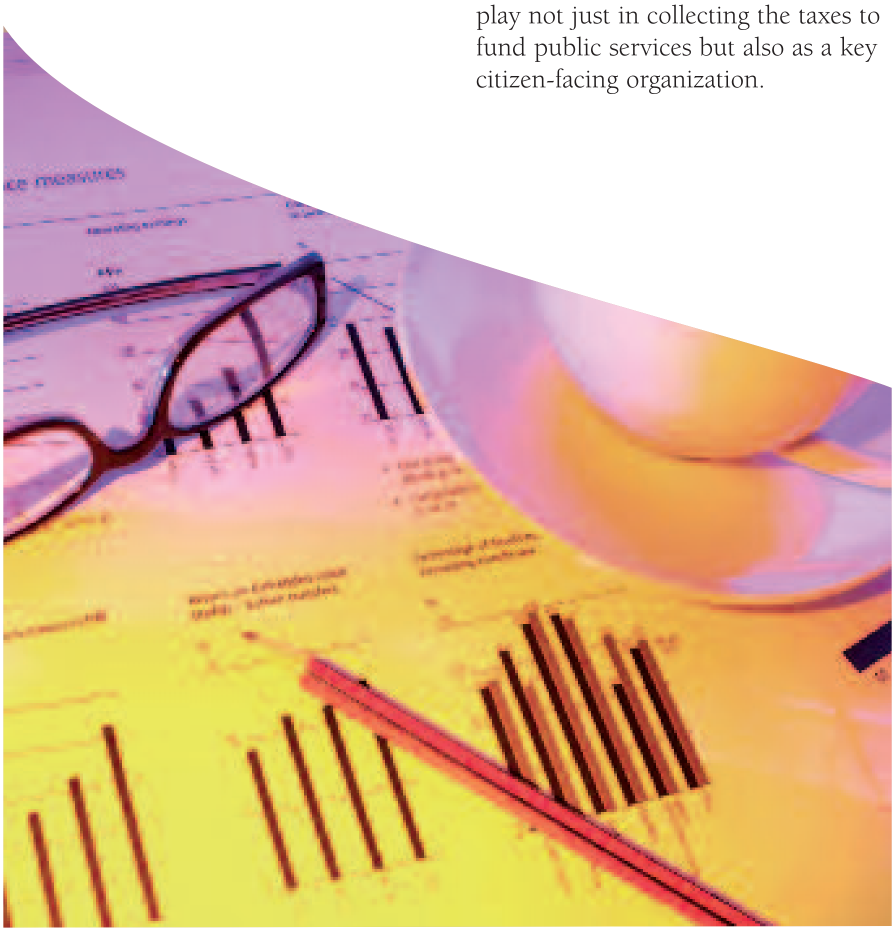
Tax & Revenue Management – Reducing the Tax Gap

Introduction & Context

Tax agencies are agents of change within the public sector, responding to citizen-focused government pressures that stem from a combination of constituent-led demand, compliance pressures and political mandates. Throughout the world, governments are being challenged by citizens to deliver better, less costly and more customer-focused services. This requires different channels for delivering services to the citizen, fundamental changes to government culture and employee behavior and a new consideration of the channels through which services are delivered.

Within this changing environment, tax agencies, as the 'de facto' banker of government, have a central role to play not just in collecting the taxes to fund public services but also as a key citizen-facing organization.



Consider these facts:

- Taxes (income, sales, property, fuel, estate, etc.) are typically the single highest component of government revenues.
- Revenue-generating, citizen-facing agencies like tax agencies all have technology modernization strategies.
- Between 2000 and 2004 the UK's 'Corporation Tax Gap' (the difference between the expected rates of tax that UK companies should pay and what they actually paid) saw the top 50 UK companies paying around 30 billion euros less tax on their profits than expected rates would suggest appropriate.
- The tax gap according to USA's Internal Revenue Service (IRS) is estimated to be over 250bn euros.

This is serious money. So finding solutions that enhance citizen services while improving the collection of taxes has high urgency amongst tax agencies.

In this paper we will explore the general trends and put forward the shared view of Capgemini and SAP on a solution to improve tax and revenue management and help tax agencies increase revenues and taxpayer compliance. We aim to help you to 'mind the gap' whether you're looking at it from the perspective of a solid business case or as it fits in with societal developments and the new positioning of the tax department.

What are the compelling pressures tax agencies face today?

Governments – particularly those in Europe and North America – are faced with a dilemma. Better services to the citizen cost money, but the citizen is no longer willing to pay more taxes to pay for these services. In addition, as economies globalize, businesses are taking corporate tax rates into consideration in their investment appraisals – in effect, governments have to use corporate tax rates as a means to compete with one another and so make their country an attractive investment proposition. So the revenue streams open to government have become tighter – tax rates cannot be increased, the taxpaying population is decreasing and within the EU the opportunities to borrow are now more restricted.

But it is possible to turn this challenge around and see the opportunity to transform the way that governments deliver services. If the source of income is more restricted, then governments have to reduce costs and increase efficiencies. Typically staff costs form a high percentage of government service expenditures, so there is an opportunity to seize this and use it to a government's advantage by:

- investing in new, less expensive ways to deliver frontline services to the citizen,
- looking at how they can create more effective back office, public administrative functions for less cost,
- looking to where others can provide services at a lower cost,
- embracing flexible and adaptive technology.

Most countries are investing in modernization programs, for example the *"Modernisation de l'Etat"* in France, the *"12 Golden Projects"* of the Chinese Central Government, the *"Transformational Government"* Agenda in the UK, and the *"President's Management Agenda"* in the US. These agendas have much in common. They are predicated on reducing cost, investing in new technologies and changing the way in which frontline and back office services are delivered.

New technologies have also fundamentally changed the way in which services, whether they are in the private or public sector, are delivered. This has seen the channels of delivery moving away from traditional face-to-face contact to call centers and the Internet. Technology has created flexibility in how and where services are delivered while offering new ways to take out cost.

Four Challenges Facing Tax Agencies

Tax agencies cannot escape these public sector challenges. A simple way to look at this from the perspective of a tax agency is shown in the table below. There is a dilemma: reduce the tax gap *while* improving efficiency *and* being citizen friendly *and at the same time* going through a new strategic positioning *while the budget decreases.*

Compliance	Cost Efficiency	Citizen-focus
How to reduce the tax gap by: • making it as easy as possible to comply, • having the means to effectively tackle non-compliance.	How to deliver the same level of service for less money, delivering genuine efficiency gains not simply cost reductions.	How to harness new technologies to: • deliver services to the citizen, when they want them and how they want them, • make it easier for the citizen and businesses to comply with their tax obligations.

Change
These 3 challenges are underpinned by the transformational challenge: • Why have a tax agency in the 21st Century? • What business is a tax agency in and what is its new business focus? • What organizational structure is required? • What culture and behaviors are now expected from staff? • Does the tax agency have all the skills, capabilities and the capacity to step up to the transformational challenge? • Can the tax agency bring about change?

These business challenges are not uncommon among most major tax agencies where non-compliance, cost efficiency and changing services to meet citizen demands are the norm. This is because of the importance of the tax agency as the government's banker and because taxation provides the bulk of the income to enable a government to function.

Tax agencies have a responsibility to reduce the gap between what ought to be paid and what is collected as taxes. With compliance for example, tax agencies must bring in the right amount of tax and therefore undertake compliance activities because some parts of the taxpaying community are non-compliant (the so-called tax gap between what tax should be collected and what is actually collected). This can be caused by lack of insight, error-prone filing and negligence, lack of follow-up or even intentional fraudulent actions.

Globalization increases the challenges of tackling non-compliance and impacts the income a country receives through taxation. Essentially, as more economic activity globalizes the easier it becomes to move money around and to therefore avoid taxes. And in rapidly expanding economies, such as China, there is the added challenge of an entrepreneurial high income section of society which, when combined with a still largely cash-based economy, means tax avoidance is much more likely. As an example of the impact of globalization look at the EU where new regulation will allow a transporting firm to file an import where it likes – some countries will see a large drop in revenues (levying import duties and VAT might go elsewhere).

As a result, agencies everywhere are thinking about their position. New technical ways arise to collect taxes at the source, which for instance means that filing afterwards is a formal obligation only. All traditional values are turned upside down. Agencies face the questions of how to organize, what responsibility they have, and how to keep control of the new decentralized data collection structures. Creating bespoke solutions is out of the question: this takes too long and the flexibility that is needed cannot be designed for – this is industrial knowledge that is not readily available. Agencies need insight to change and make that leap. They must choose the integrator who provides the necessary skills, capabilities and the capacity to step up to the transformational change.

Illustration 1: Discrete Steps of Tax Lifecycle

The Components of Tax & Revenue Management

Within the tax administration lifecycle, we see the business process of managing tax assessment, collection and enforcement as having nine broad elements – see Illustration 1.

But what Illustration 1 does not take into account is the complexity of tax and revenue management. Capgemini and SAP have found that, typically, the government tax and revenue management lifecycle has many problems, including:

- Single revenue type limitations with multiple systems, processes and personnel for different taxes causing redundant data capture and adding to complexity. Most governments have dozens of tax and revenue types, from sales, fuel, tourist development and rental car surcharges to convention development tax and documentary stamps on deeds. And as tax becomes more and more an instrument of government policy in the areas of environmental protection and social wellbeing, the challenge is to quickly add new tax and revenue types to the tax system.

- **Limited view of the taxpayer** with little or no single view of the taxpayer or the taxpayer's total obligation, resulting in lost revenue and in some cases low compliance. Tax agencies typically have different employees and systems to handle each tax type, with no single point of visibility into a taxpayer's overall record. This leads to poorer customer service, a lack of 'single view of the citizen', customer data stored in multiple locations with no easy detection of under and over-payments, and corresponding problem resolution becoming difficult.

- **Lower compliance**, because risk assessment is more difficult due to a limited visibility into taxpayers' total obligations and status. In some tax agencies this leads to poor targeting of audit activities.

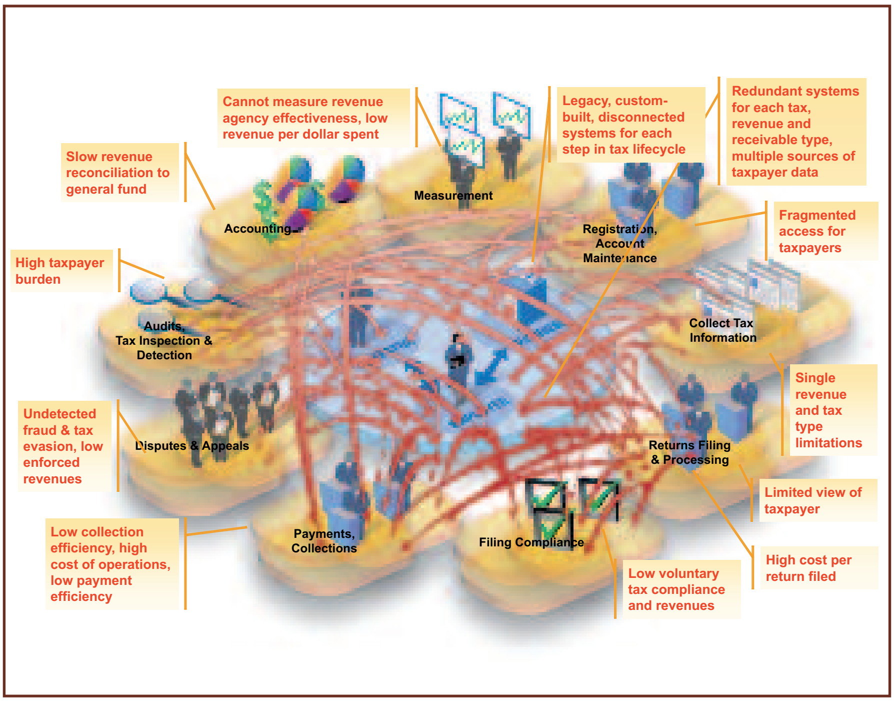
- **Low collection efficiency** due to the higher cost of operations. Typically, we see a high ratio of cost relative to revenue collection. Many tax agencies now not only collect money, but they make payments to businesses and citizens alike in the form of refunds, grants and subsidies. This process can often be as inefficient as the collection process.

- **Difficulty in measuring effectiveness**, because with no consolidated view of performance across various processes, transactions, steps, interactions and data, it is difficult to have robust performance indicators that can demonstrate real and genuine high quality business performance.

These problems are exacerbated by the existing technological environment where most tax agencies have large-scale legacy systems and have not been able to standardize those systems. Most environments are a combination of in-house developed, custom-built, isolated islands of automation. In many cases, the multiple systems supporting multiple revenue types further increase the IT complexity. Why are custom, 'one-off' systems so problematic? When we examine the way custom-built integration has evolved, the complexity inherent in custom-built integration slows progress and increases costs. At system level, the logic needed between applications is 'hard-wired' into these applications to mimic a business process. However, once the business process requires some changes, these hard-wired systems now become prohibitively expensive, as intense programming work is required to change the process.

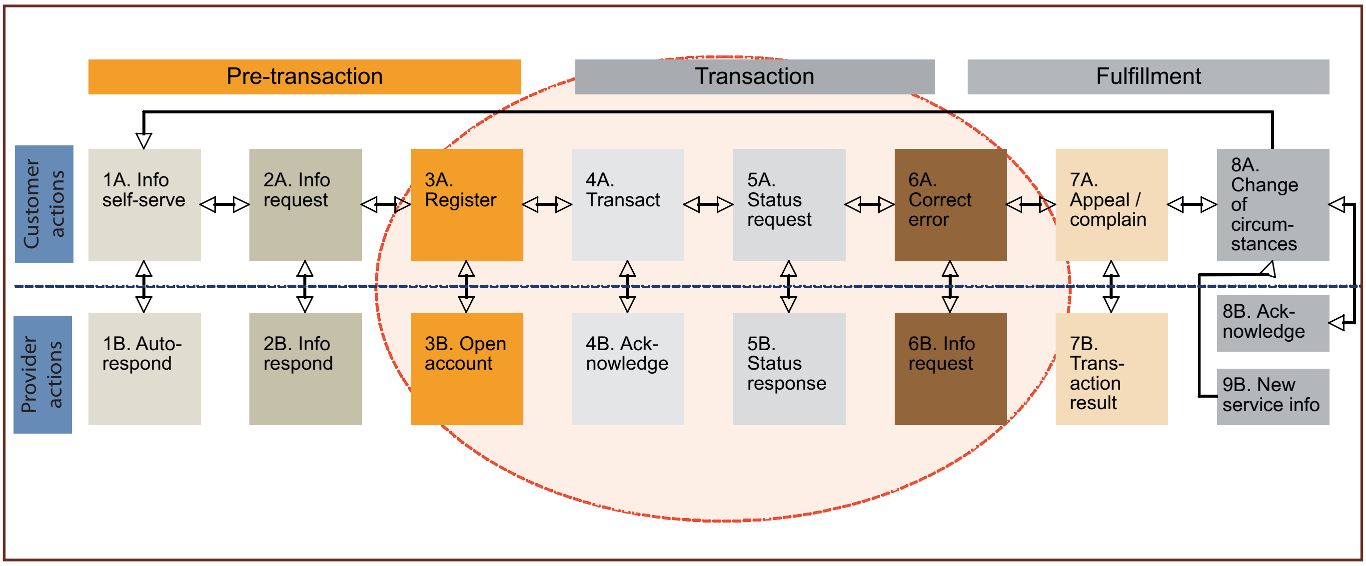
So when you bring all of these factors together the reality is that tax agencies are faced with an environment which is more like Illustration 2 than the ideal of Illustration 1. The ultimate pain of such a disjointed environment is uncaptured revenue and low taxpayer compliance rates. The challenge is how to change this environment.

Illustration 2: Pain Points for Tax Agencies



Adding Complexity to this Environment: Financial Transactions in the Public Sector

Illustration 3: An example of a transactional process



In our view, the complexity is not going away. Take for example the financial transactional functions of tax agencies shown in Illustration 3. In his paper *"A Quiet Revolution: Government's Transactional Services"*(1), Graham Walker set out a simple generic mapping of the transactional process.

Financial transactions can be readily mapped on to this process and typically take place in the public sector for three main reasons:

- **Where the citizen fulfils financial obligations to the state** – for example, the payment of income taxes, municipality taxes, sales taxes, excise duties, road taxes, fines & penalties, health & social insurances.

- **Where the state fulfils financial obligations to the citizen** – for example, payments of social security benefits, unemployment benefits, agricultural payments and pensions.

- **Where the state acts as a service provider** (in some instances a monopoly service provider) and the citizen purchases products or services from the state – for example passports, visas, discounted municipal travel passes and student loans and grants.

In tax agencies these are typically the debt management, banking and enforcement functions. But these core financial transactional services cut across the whole of the public sector and there is an emerging trend to blend some of them. In the Netherlands and the United Kingdom, the tax agency is now also the provider of social security benefits to those in work. In Denmark, the tax agency is responsible for vehicle registration and associated road taxes. In the United Kingdom, the Education Department sets the policy on student loans, a student loan company manages the process and provides the loans, but it is the tax agency which acts as the loan recovery service. The Canadian Government has gone a step further, aggregating all government services that entail customer contact into a single department, *Service Canada*, which is, by implication, responsible for all accompanying financial transactions.

(1) *A Quiet Revolution: Government's Transactional Services*, Graham Walker at the UK's Institute of Public Policy Research

Table 1: Typical financial business processes and where they occur in the public sector

Financial Process	Tax	Social Security	Student Funding	Municipal & Regional Govt
Receivable & Payables Management	✓	✓		✓
Financial Accounting	✓	✓	✓	✓
Collection, Debt Management & Enforcement	✓	✓	✓	✓
Online Financial Services	✓	✓		✓
Financial Risk Management	✓	✓		✓
Loan Management			✓	
Inter-Bank Clearing	✓	✓		✓
Business Intelligence	✓	✓		✓
Records Management	✓	✓	✓	✓

So when we look across the public sector, we have found that there are significant overlaps in the functions responsible for these financial transactional processes (Table 1).

At a global level, the public sector is faced with real pressures to become more cost efficient, but this can only be achieved by innovative thinking in what are generally seen as these more mundane areas of the public sector. The barriers between the layers of government and between agencies have to be broken down. So there has to be a move away from problem solving based on individual agencies, towards a pan-governmental approach (both centrally and locally) to meet these challenges.

We believe that there is a need for a fresh look at how financial transactional services are managed.

Public sector agencies with financial transactional services need to look at the underlying processes and consider if they are still fit for purpose. If they are still highly manual processes, is this sustainable? If processes are going to move towards automation, then they should be re-engineered first, to avoid inefficiency creeping into the changed process and thereby reinforcing higher cost. Technology will be a critical enabler and so solution sets will depend on Service Oriented Architecture (SOA) as well as on 'out of the box' or 'commercial off-the-shelf' (COTS) solutions that enable public sector agencies to introduce standardized processes with cheaper standardized products. But for this to succeed, it requires the IT market and vendors of standardized packages to provide solutions that are stable and scalable to ensure they have the confidence of public sector agencies.

A Tax & Revenue Management Solution to Reduce the Tax Gap

The SAP Tax and Revenue Management for Public Sector package is a holistic tax and revenue administration solution that provides a single view of the taxpayer and supports multiple revenue types, helping tax agencies increase collections and maximize compliance. It is configurable, upgradeable, standardized, commercial off-the-shelf software that supports the tax and revenue management life cycle at lower risk and cost than custom-developed solutions.

In the United States, COTS means the same thing as “standardization” as used in other parts of the world, and is an acronym commonly used in the public sector. Both COTS and standardization refer to things one can buy (for sale) from a provider that are pre-integrated and available for deployment. These deliver more available functionality, while lowering the risk of both initial and ongoing costs of custom-developed solutions.

What are the problems associated with non-standardized systems?

- Many existing tax agency IT environments are comprised of stand-alone, custom-built, and/or legacy systems that are literally isolated islands of automation, each supported by separate staff for each tax and revenue type. This fosters fraud and reduces compliant tax payments because there’s no visibility into taxpayers’ overall tax and payment status.

- High maintenance costs to update, integrate and adapt these systems with ever-changing technology advancements, or to change business processes mandated by legislative action or constituent demands

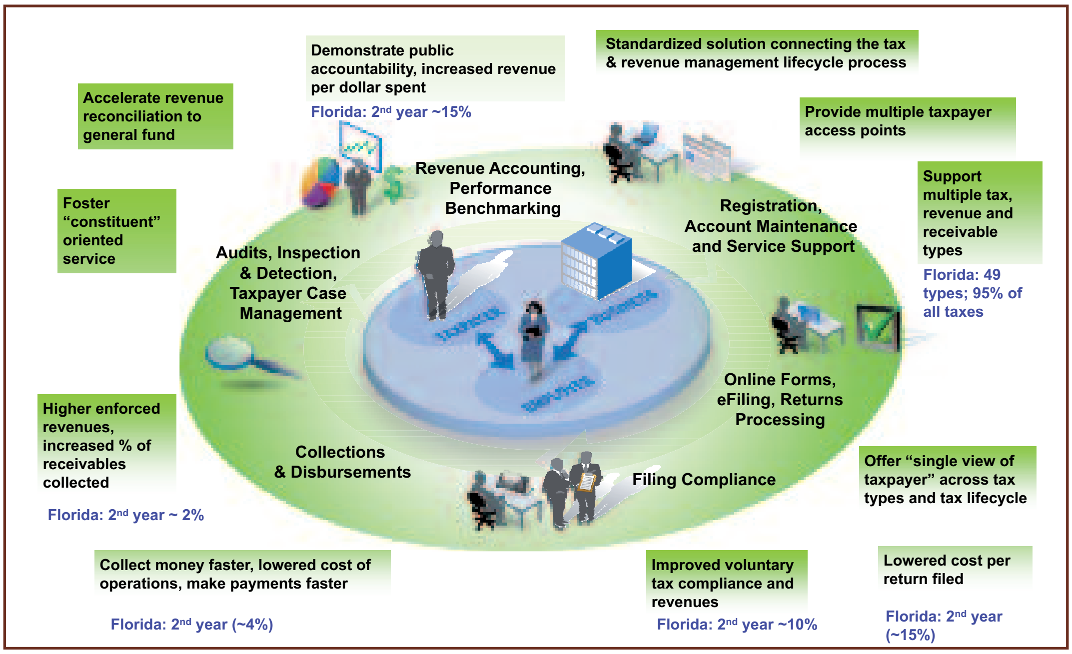
- Poor customer services for taxpayers, who must communicate with separate offices for each tax type or fee and have to cross organizational boundaries to solve problems.

Note that these problems are not isolated to the CIO, but impact the entire organization, including the executives, management and staff within a tax agency. So given the severity of these problems, and the magnitude of the tax gap, how does a standardized solution address these pains and problems?

Illustration 4 below represents a view of how the SAP Tax and Revenue Management solution supports the key business processes across the tax and administration lifecycle. Note that the complexity, inefficiency and redundancy of Illustration 2 are gone. This graphic represents the same tax and revenue lifecycle but with the improvements and benefits delivered by SAP to tax agencies.

Each of the green boxes represents a capability and benefit that SAP delivers to the tax agency, associated with the pains and problems from Illustration 2.

Illustration 4: Benefits of the SAP Tax & Revenue Management Solution



An example, in the case of the Florida Department of Revenue (FDOR), USA, increased voluntary compliance revenues by ~ 10% within the second year of implementing SAP. Making it easier to pay and allowing multiple payment methods and supporting single/multiple payments on sum of all obligations, contributes to accurate and timely billing. This lowers the cost per dollar collected through accurate, timely and automated billing and collection processes.

The FDOR also lowered operating costs by ~ 3% by the second year of implementing SAP.

The FDOR uses SAP to support over 49 different tax types, representing 95% of all Florida State taxes.

First, SAP provides multiple taxpayer access points that help speed up, simplify and reduce barriers to taxpayer interaction by integrating communication channels and providing 'one-stop' registration and account maintenance capabilities. Some examples include contact via a taxpayer portal, telephone, email, face-to-face and fax. This integrated online registration process ensures that complete and up-to-date taxpayer information is included in the automated follow-up processes such as taxpayer validation and back office processes like fee collection.

Secondly, SAP TRM supports many tax, revenue and receivable types across the tax and revenue lifecycle, such as taxes, permits, licenses, tolls, duties, etc. This is particularly important as tax agencies consider providing revenue collection services within and across the government organization. SAP's single, unified, integrated solution can flexibly adapt to changing tax rules and laws and can easily add new tax types and tax schemes.

Thirdly, a single view of the taxpayer shows the taxpayer's total obligation, both to the taxpayer and the government agency, regardless of communication channel or tax type. This helps to capture additional revenues and improve voluntary compliance.

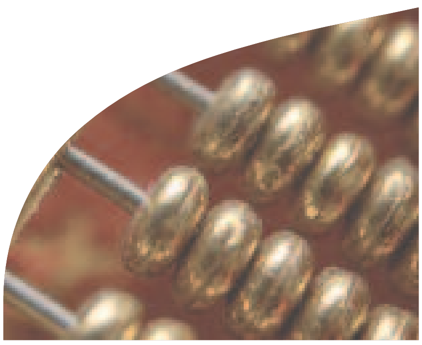
Fourth, multi-channel filing and eFiling lower costs per dollar collected and reduce processing costs via on-line filing and taxpayer self-service access capabilities, along with linked image retrieval so taxpayers and employees can quickly access documents. eFiling and online payments provide pre-populated fields, real time calculation and validation of return data; while the self-service portal allows 24/7 management of taxpayer accounts and lowers administrative and paper processing costs.

Fifth, voluntary compliance is improved by streamlining processes through a one-stop collection screen detailing taxpayer obligations, status, case documents, payment history, etc. In public sector value terms, increasing or maximizing voluntary compliance means maximizing the ratio of taxpayers who complete their tax returns in compliance with the law, file and then pay the full amount on time. This capability increases voluntary compliance by simply ensuring that people are aware of what they owe.

Sixth, with integrated taxpayer case management, tax agencies can achieve higher enforced revenues and increased "percent of receivables collected", while reducing tax revenue leakage and maximizing tax recoveries. Tax agencies can accurately select cases for audit and quickly determine treatment streams for collection. Agencies can manage, track and report on the activities, appeals, ruling and results of investigations to ensure enforcement and compliance. Money not collected within 90 days is much more difficult to collect, but by using Business Intelligence to focus on efficient collection methods, and deciding when to pass receivables to collection agencies, tax departments increase the chance of collection success. A single view of receivables allows the taxpayer's agent to more efficiently assess and act on doubtful accounts across tax regimes. Integrated call center capabilities improve efficiency and effectiveness through this consolidated view of receivables.

Seventh, by providing the taxpayer with a single point of contact, governments foster improved constituent-oriented services. Tax agencies can quickly post payments and returns to taxpayer accounts, and generate refunds on a timely basis. Multi-channel enablement and knowledge management ensure enquiries that are answered consistently and on the first contact. Activity management ensures that enquiries levels are met and builds a complete taxpayer history. Outbound campaigns allow proactive education of taxpayers to improve voluntary compliance, and segmentation ensures the targeting of only relevant taxpayers.

Eighth, integrated financial management accelerates revenue reconciliation to the general ledger, and lowers the time for financial reconciliation and closing, while speeding up revenue distribution to support government programs and services.



Finally, built-in business intelligence helps demonstrate public accountability and operational transparency. Tax agencies can track and measure against specific KPIs and performance metrics, such as increased revenue per dollar spent, score against internal service standards (such as first-call response, process x% of returns by deadline, etc.), 'cost per dollar collected', or 'number of taxpayer cases closed', 'cost per return filed', '% of electronic filing', 'dollars collected per revenue agent', 'tax cases closed per revenue agent per month', 'average days to issue refund', '% of returns filed electronically'.

SAP provides a standardized tax and revenue management solution that unifies and automates the entire tax lifecycle, from registration through remittance processing and audits to revenue posting and distribution. This avoids the cost and inefficiency of multiple, redundant, custom-built, legacy and/or stand-alone systems. Each step along the tax and revenue management lifecycle is linked and integrated to the other, resulting in unified data stores, complete taxpayer records, and efficient services. SAP's COTS solution delivers more available functionality than custom-built systems, while lowering the risk and cost of custom-developed solutions. Such solutions help tax agencies remain current with new technology, provide standardization across the enterprise, and avoid the high costs of custom-built solutions, while supporting adaptable configuration to changing business rules and ever-changing tax policy.

The SAP solution also helps synchronize multiple sources of taxpayer data, whether it's captured in the federal or central government tax departments or even in social service departments. For example, either constituents have a job (tracked by the tax agency) or they depend on support from the Government (Department of Health and Human Services). Or other agencies from both the federal and state or local level depend on these databases. SAP's Master Data Management (MDM) capabilities help keep taxpayer data in synch, to maintain a 'single version of the truth' and ensure master data consistency across disparate systems. Each agency needing to access taxpayer data, whether it is the local tax, social services, housing agency etc, can do so. This fosters inter-departmental processes to maximize government efficiency.

The ultimate value of the SAP Tax and Revenue Management solution is that it helps tax agencies increase revenues and taxpayer compliance. This promise is built upon the capabilities and benefits identified in the preceding pages.

From a business perspective, there is a fit between the wide offering and experience of SAP for tax agencies and the experience of Capgemini to implement the solution and manage the change process to a 21st century agency.

The Concept behind SAP Tax and Revenue Management

- Tax Rules are shared between mass handling processes and the manual handling process so, there is no confusion about which rule is valid.
- Tax Objects are shared between tax types so, there are no redundancies in data.
- Changes in circumstances can be automatically evaluated for their impact on current or even old taxes. These events can trigger handling in more than one tax type.
- Tax payers have the possibility to use on-line and interactive electronic forms to file their taxes so the burden of complying with tax ruling is reduced.
- Forms are personalized and pre-filled to be client-friendly and reduce filing errors.

The standardized Tax and Revenue solution from SAP has been designed with a specific approach in mind: to allow flexibility to better follow taxation demands as they arise. The benefits that come from a unified taxation platform are based on the capability to make the framework behave in the way that fits the tax regime and future plans.

To be able to do this, processes must make use of common services and standard transactions. It also points in another direction. Governance takes a central position in the design. SAP TRM can easily be configured to adapt to changing business rules and ever-changing tax policy. It allows a short implementation time for new tax rules —months not years. This leads to a lower Total Cost of Ownership. A lot of skills are needed to create the structure of the framework so that it fits in with the tax agencies' national legislation, know-how and working practices.

The core component of TRM is based upon business rules in a structure that has been developed specifically for executing taxation and handling subsidies. The rules can be changed simply and re-used.

- Rules are used to check and validate data on a filed tax form or on a submitted application form.
- Rules are used to perform complex calculations that reflect specific legislative circumstances or legal precedents.
- Rules can filter out cases for exception handling. In cases where the filing does not fit the basic rules, a case will be made and the case will be handed over to an expert.
- Rules determine how the accounting postings take place, and incorporate automatic handling of changes when events occur in the life of a citizen or company. All changes and corrections are booked and are always linked back to the original postings.

The way SAP uses rules in the TRM business component offers a high degree of flexibility in taxation. TRM is an open platform that can be adapted and adopted to levy any type of tax or even for providing subsidies. By being able to manage the transient models and ever-changing parameters of a tax regime, TRM can closely track the political decision-making cycle on regulations and taxation rules. In this way, SAP TRM is a multi-purpose tax framework that can accommodate parallel sets of configurations within a common process. Managing these rules is a new business function for the agency.

One key to the transformation of the agency is the development of the new business function with the associated processes to manage the new wealth of frameworks. The variable components (transient) that directly identify how a tax is levied or a benefit is provided, is bound to change endlessly—the responsiveness to new regulation, creating new handling, exceptions, terms and conditions are crucial. These must be developed in its own environment, in what we like to call the policy cycle time. The agency in this way can easily change states: SAP TRM is a component of the new system's structure designed to deliver a highly scalable handling while still allowing a fast turn-around to change a regime or implement new taxation. Taxation excellence builds on the capability to effectively manage this *governance of tax business rules* in line with the policy development cycle.

Illustration 5: The SAP Tax and Revenue Management Solution

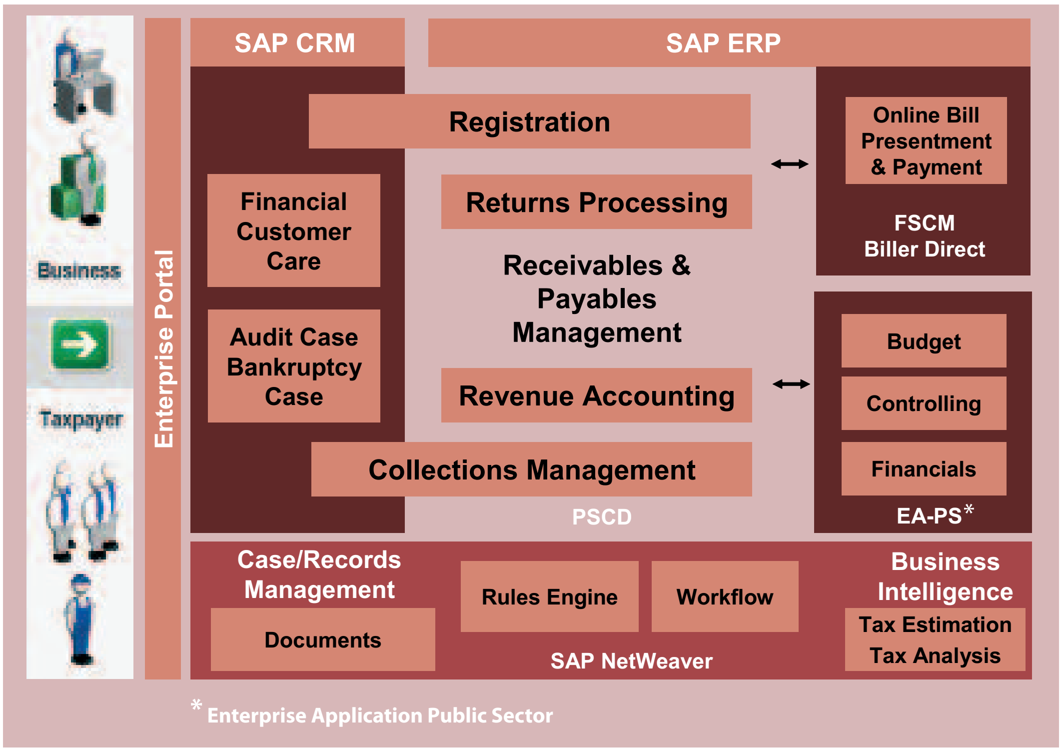


Illustration 5 above shows an overview of the SAP Tax and Revenue Management solution with its key components. The basic solution comes with a wealth of components: customer interaction solutions to provide access to citizens or businesses. The office worker makes use of the existing frameworks for financial customer care and case management of Customer Relations Management (SAP CRM). The Public Services Collection and Disbursements (SAP PSCD) component is used for high volume handling of all payment obligations. Common functions are available for filing the tax documents, managing the taxation rules, setting up and managing the workflows.

TRM is based on Public Sector Collections and Disbursements. It makes use of the common industry capabilities that are in widespread use in the insurance and banking sector and on the utilities and telecom market. PSCD is a world standard and proven in high volume environments in the primary process. Scenarios cater to the needs of specific groups of constituents or enterprises. Back-office handling can be unified into a core competence across tax regimes. It is optimized for fast handling of large volumes of data. SAP CRM has been created to map the large array of relationships between customers. It can easily capture the types of relationships between taxpayers and their tax obligations and handle the historical situations of developing events in the lifecycle of a taxpayer – or his/her relevant environment – related to a tax obligation.

The SAP business platform can be extended with external applications designed to deliver specific functionality and style of execution or can be used to leverage the embedded know-how. These solutions contain domain knowledge and have configurable parameters that allow tailoring to a specific product, service and regulatory domain. These best-in-class components bring specific know-how to the table. Capgemini has close relationships with SAP solution partners and has integrated many external applications in SAP environments.

Implementing a new solution is not a one-off project in a greenfield situation. There is a need to integrate many existing systems in a larger, unified environment. Capgemini has the industrial knowledge and leading-edge capabilities in developing service architectures around SAP in the public sector and in many industry deployments. Capgemini provides the insight from global projects, the necessary skills as a leader in SAP integration, the capabilities and the capacity to manage the change needed to allow tax agencies to stand up to the transformational challenge.

Conclusion: Collaboration and Working Together

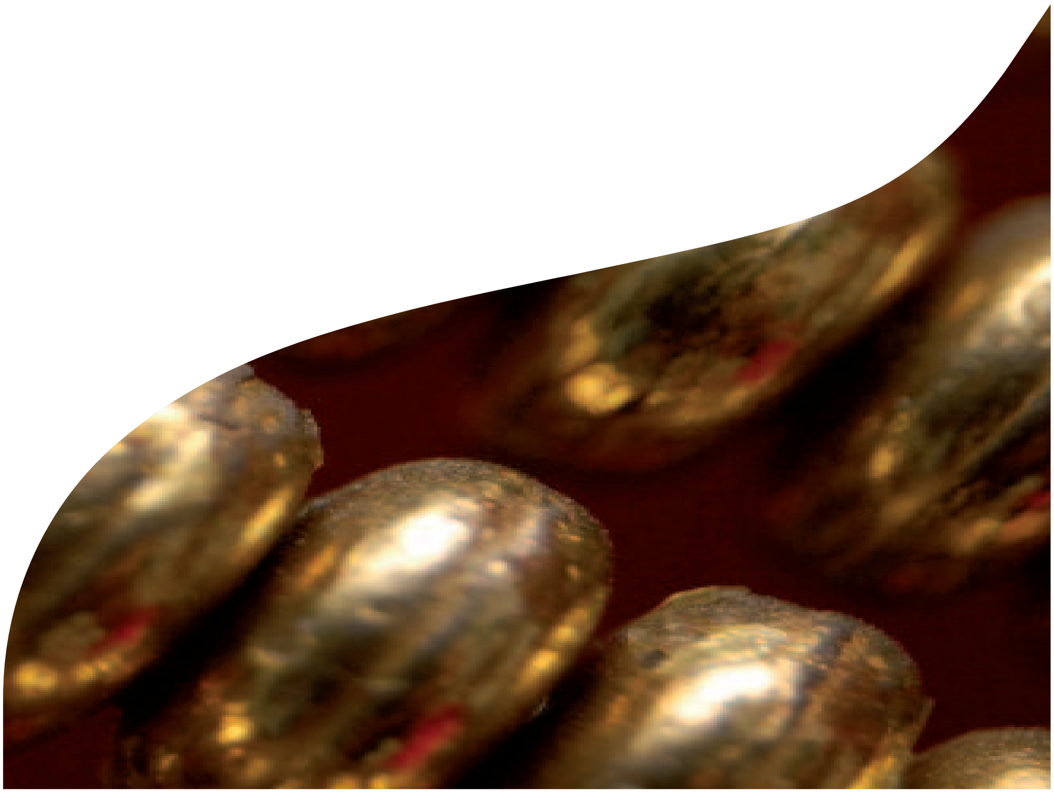
In this paper Capgemini and SAP have discussed the complex challenges facing tax agencies around the world. This complexity is driven by:

- globalization,
- citizen demands for better service and easier access,
- the compliance challenge of reducing the tax gap,
- the complexity of technological change,

Government agencies are under tremendous pressure to provide responsive services to constituents, while financial support for these services is limited or diminishing.

Governments are understandably reluctant to increase taxes and duties. The need to support legislation, policies, and spending requirements in such areas as education and healthcare, drives these agencies to capture all appropriate revenues due to the government and to increase compliance.

SAP and Capgemini are working collaboratively to help tax agencies face and overcome these challenges. Together, our industry expertise, comprehensive solutions and proven results will ensure that your tax agency is able to achieve one core mission: to increase revenues and improve taxpayer compliance. This mission is to increase revenues and improve taxpayer compliance, thus making the transition to a 21st century government agency.



Appendix

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About SAP & the Industry Value Network

The Industry Value Network group for public sector brings together leading-edge independent software vendors, technology vendors, system integrators, SAP, and customers to focus on key priority business needs and opportunities within the public sector industry.

The group drives strong collaboration among members to accelerate co-innovation on SAP's common platform and to provide integrated, multivendor solutions and services that support key end-to-end public sector business processes for our customers. This enables our customers to maximize their public value through increased interoperability, reduced total cost of ownership, and improved transparency.

With a focus on the business process of tax and revenue management, members of the Industry Value Network group for public sector – customers, partners, and SAP – are collaborating to deliver innovative solutions and new, extended integration scenarios that help governments maximize taxpayer compliance and increase revenue collection.

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