

WORKING GROUP DISCUSSION

TOPIC 1

Enhancing convenience for taxpayers and efficiency in administration by utilizing information technology

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Working Group Final Report

1. Introduction

- 1.1 The primary function of a tax administration is to assess, collect and enforce the payment of taxes so as to provide a stable source of revenue for the community. Members are facing a world of rapid developing information technology (IT) and increasing demands and expectations from their customers - the taxpayers and the general public. Members realize that the provision of a wide spectrum of electronic tax services through Internet and other media is vital towards adapting to globalization and internationalization of tax administrations. As a matter of fact, over the years, IT has been continuously employed to improve tax administration efficiency and customer services.
- 1.2 Members have a common vision to provide customers with quality information as well as transactional services. They achieve this by making it easy for customers to fulfill their obligations and get their entitlements through simple, easily accessed and clearly presented information and the use of straight forward self-service systems.

2. History of Use of IT

- 2.1 The use of IT by Members traced back to the 1960s. Mainframe computers were started to be installed. Phase by phase computerization then followed. There came the use of centralized mainframe system, integrated database system, and different kinds of information systems. The web-based information system is largely adopted by Members in the 2000s.

- 2.2 Apart from hardware investment, Members developed their own integrated tax management systems during the 1990s. There were systems implemented for functions such as online assessment, tax collection or payment, self-assessment, digital imaging for documents and workflow or work distribution management. Members took much caution to enhance and modernize their operation systems from time to time.
- 2.3 After 2000, computer networks were built up and web-connected workstations were widely used by tax staff to perform their daily duties. Web based self help services were provided to taxpayers, tax agents, and the general public. Not only tax offices throughout jurisdictions were connected, but also the link between taxpayers and tax administrators has not been so close and easy before.
- 2.4 To promote better interaction with taxpayers, computer telephony integration and IT packages such as Avaya and Siebel were employed by Members.
- 2.5 Members recognize that the use of IT can enhance convenience, effectiveness and efficiency for taxpayers and tax administrators, and also environmental protection.

3. Current Status of the Operation of the Electronic Filing System

- 3.1 E-filing is common among Members. It was introduced by Members in late-1990s and in 2000s. Members are currently at different stages of implementation. The general e-filing rate varied, ranging from 10% to 95%. For some categories of returns, the filing rates reached levels

higher than 80%, or even more than 90%. The more common e-filing rates were in the range of 50% to 60%. Nevertheless, experience of Members revealed increasing trend of e-filing rate after implementation of the service.

- 3.2 A wide range of electronic filing systems is in operation, which include e-filing for individuals and companies, tax agent e-filing, and stamp assessment and payment system.
- 3.3 The system may allow filings and tax payments to be made online. Taxpayers can complete the required filing procedures for all kinds of taxes, make payments for all tax items, and complete various requests and notification procedures via the Internet.
- 3.4 Under the “No Filing Service” operated by Member. Information required in tax returns (e.g. salaries, donations, dividends) is obtained and pre-filled in the tax returns for the taxpayers. If the taxpayers have no amendments to their income information, claims for donations and other reliefs etc, they do not need to log into the system to file their returns. They will receive the notices of assessment after the tax filing due date.
- 3.5 Pre-filing service is used to assist taxpayers and their agents to lodge their tax returns more easily. Information which is sourced from third party providers, other government agencies, banks, share registries, fund managers, employers or from other data already held by the tax administrator is made available to the taxpayers or tax agents who would file returns electronically.
- 3.6 For businesses to provide their accounts for e-filing purposes, taxpayers or tax agents may use commercialized tax administrative accounting program and convert the files by using the conversion program provided

by the tax administration, and then transfer them to the e-filing system to complete the process. A trend of development is to integrate accounting software with tax and other reporting requirements. So the businesses can link their software directly with the system of the tax administration in finalizing their accounts. Some Members do not require taxpayers to submit their accounts when filing returns. Suitable case will be selected for tax audit.

- 3.7 Members have been promoting e-filing. The general direction is simplification of e-filing webpage layout and operation steps. Incentives attracting taxpayers to use e-filing, like lucky draw, extended time for submission and tax reduction, have been employed.
- 3.8 Members share the view that e-filing can save a lot of time and money for taxpayers, enterprises and tax administrators. At the same time, tax administrators also enjoy great convenience and improvement in efficiency in terms of tax data input, storage, management and analysis.

4. Promotion of Electronic Payment including e-payment

- 4.1 Compared with traditional ways of payment of tax like paying over the counter or by mail using cash or cheque, electronic payment is a convenient, safe, fast, and environmentally friendly payment method. Over the years, Members have been actively promoting electronic tax payments. The types of e-payments include:

- Tax payment via Internet banking (including credit card payments)
- Direct Internet transfer payment
- Payment via ATM or self-help kiosk machines
- Payment by telephone
- Credit card or debit card payment

- Cash card (cards with stored cash value) payment
- Tax smart card
- Designated bank account transfer

4.2 Members have been putting efforts in enhancing taxpayer convenience by expanding e-payment channels. Some of the examples are:

- Establishment or expansion of bank network which enables payment of tax by electronic methods and expansion of channels of credit card payments
- Credit card payment option offered to taxpayers
- Introduction of direct payment system where tax can be paid via transfer payment from the savings account stipulated in the advanced notification made by the taxpayer
- Taxpayers are referred to online banking through tax administration's website and they are given the opportunity to pay by credit or debit card
- Taxpayers execute authorization for tax administration to request recurring direct debit from their bank accounts to effect tax payment by 12 monthly interest-free instalments
- Implementation of mobile payment by means of mobile phone and short message service (SMS)

4.3 Direct credit card payments are hindered in some cases because of high credit card charges imposed by credit card merchants or companies.

4.4 Members launched promotional campaigns to encourage use of electronic payment methods. Promotional means included lucky draw, welcome gifts, waiver of late filing or payment penalties, and simplification of the registration process for taxpayers.

4.5 One Member recorded a high e-payment rate of 92.5% by transaction

volume for the year 2009. Some Members recoded e-payment rates of over 50% by payment numbers.

- 4.6 Members care about refunds to taxpayers as well. Under the current practice of some Members, refund will be triggered automatically when taxpayers' payment of taxes is in excess, without the need for taxpayers to submit any claim for refund. Excess payment can even be transferred to other tax types, before the overall excess payment is refunded to taxpayers. Besides, tax refund made by electronic means is being promoted.

5. Utilization of the Website

- 5.1 Members launched their homepages in the 1990s and 2000s. Most of the websites included an e-tax portal to integrate diversified services for various users including individual taxpayers, unincorporated business, corporate taxpayers, employers, tax agents and visitors.
- 5.2 Information services are provided through the websites. Tax information, tax laws and regulations, guidelines, statistical data, press releases are the common information provided. Besides, transactional services are also provided. These include online application, registration, enquiries, updating of information, retrieval of information, authorization, e-filing, submission of data and payment services.
- 5.3 Members have put much effort to make their websites user-friendly. The design is to be taxpayer-centric. Some have undergone a number of major changes in terms of design and features. Enhancement is an ever-going job. One of the objectives is to have a better integration between information and transactions and to enable taxpayers to receive the information and services they need.

- 5.4 Much emphasis is placed on channels of communication with taxpayers. They will include taxpayer surveys and taxpayer feedback panel to encourage taxpayers and tax agents to express opinions and make suggestions. Tax education offered to children and students is also included.
- 5.5 Members have developed e-Tax portals for different groups of users. They are integrated platforms for providing secure, fast, useful and convenient tax services to facilitate different users. Personally tailored one-stop services from filing to counseling are available. The portals are also transaction centres where the public can conveniently conduct business with tax administrations through the Internet, and access e-services and tax information anytime and anywhere. Specific services provided include e-filing, e-tax notice, e-registration, e-update, e-payment, and checking filing and payment history.
- 5.6 Some Members would adopt a single key to access government online services which embrace taxation services. There is a straightforward registration process and an online client account management facility. It can save the user's trouble to have multiple user IDs and passwords.
- 5.7 The utilization rates of the websites and portal services are reported to be increasing year by year. They are mostly welcome by users. Some Members even got award-winning websites.
- 5.8 Provision of services through extended platforms, like the mobile platform, has been explored and is actually in use. Twitter has been put into use as an alternative communication platform to reach out to more taxpayers. Email and SMS notification services are also provided to remind taxpayers about their tax obligations, while taxpayers have an option to receive such notification or not.

- 5.9 The web based system can also be used for promoting compliance. A Cash Receipt System is operated to keep track of cash transactions of businesses. The transaction records are at real time transmitted to the tax administration which can have check and control over the cash transactions for tax compliance purposes. Besides, an electronic tax invoice system was operated to facilitate VAT compliance.

6. Future Issues

- 6.1 With the rapid evolvement of technology, tax administrators will face challenges in terms of hardware management skills, software programming skills and technical skills. Some Members may find difficulties in sourcing local technical expertise. They will place much emphasis on training of staff in the area of IT.
- 6.2 In the light of the current trend of doing transactions online via Internet, more electronic services have to be developed. Members will place e-Tax, the taxpayer's portal, at the core of future tax applications and encourage its use and popularity. Measures are being taken to simplify the use of e-Tax, including e-filing, and incorporate more functions. E-Tax application has to be expanded to cover different kinds of taxes and for use by more layers of taxpayers. Provision of new and enhanced services is expected from taxpayers. Electronic taxation services should be modified continuously in accordance with users' response and with the emergence of more advanced IT.
- 6.3 There is a demand for general use of public personal authentication services, i.e. a common means of authentication employed throughout e-government.
- 6.4 Concern is raised that due to advancement of IT, tax evaders are getting

more sophisticated. Enforcement and compliance related issues will become increasingly complex. On the other hand, utilization of IT develops tool and applications to aid tax administrators to identify those evasion cases and enforce compliance more effectively and efficiently.

- 6.5 Another concern is the increasing cost of IT development. Members may have to find ways to cut down IT development cost.
- 6.6 Members would like to make use of newly developed network functions and services such as Facebook and Twitter for their messages to reach as wide a taxpayer base as possible. These can be used as additional communication channels interacting with taxpayers, especially those young generation taxpayers.
- 6.7 Tax information security is always an important issue. Tax administrators are obliged to protect taxpayers' information. Tax administrations should step up security mechanism, observe and update information security law and security management rules, and increase information security awareness and skills of tax administrators. Information security means such as identity verification, code signing, access control and firewall should be used appropriately to improve security management of network, system and data as well as the ability to protect information security.

7. Conclusion

- 7.1 The last two decades saw the world's rapid development in IT. Tax administration grasped the chance to utilize advanced technologies in all areas of tax management to improve work efficiency and taxpayer convenience. Tax information is managed by integrated systems. There is increased transparency in tax administration. Tax compliance

is encouraged. Highly advanced analysis systems are established to improve the effectiveness of tax audits. Electronic tax services like tax filing, taxpayer's portal, communication, registration, application and payment are extensively used via the Internet. Costs are substantially reduced and all parties are benefited in terms of time-saving, improved efficiency, reduced paper usage and bettered environmental protection.

- 7.2 The utilization of IT has proved to be a considerable success. With the continued evolvement of IT, Members will strive to make optimal exploitation of IT to bring about even higher efficiency in tax administration and further enhance convenience for taxpayers.