

Influence trust through digitalisation

Digitalisation plays an important role when it comes to trust. The growth of digitalisation may create a barrier between taxpayers and the Tax Administrations. Therefore, when developing digital solutions it is important to consider a trust based approach. This could create a positive experience for the taxpayer, minimise burdens, provide the relevant assurance that taxpayers seek and this will contribute to building trust which will positively influence voluntary tax compliance.

Let the taxpayers perspectives influence digitalisation

The taxpayers' perspective should always be considered when designing new or enhancing existing digital services. For example, many taxpayers need assurance that they have used the online services correctly and that their transaction has been submitted successfully. This can be achieved by designing-in an acknowledgement/notification service that provides the necessary confirmation to the taxpayer that their submission has been received and is being processed. Taxpayers need clarity and certainty and this will reduce any follow-up contacts from taxpayers seeking confirmation that their submission was received. If the systems are created in such a way that they are easy to use and make it easy to comply, this will instil confidence in taxpayers and will positive influence their compliance behaviour.

Use digitalisation to reduce the distance between taxpayer and Tax Administration and encourage trust

Although digital services assist taxpayers to comply with their obligations, they can also be seen as being 'impersonal'. Notwithstanding this, digital services allowed 'business as usual' to continue, to a significant extent, during the COVID-19 pandemic and this meant that the existing relationships between taxpayers and Tax Administrations continued. On foot of this, digital services may become the preferred method for taxpayers, putting pressure on Tax Administrations to ensure that people who are unable to use digital services are not left behind.

Protect personal or sensitive information

To build trust with taxpayers, it is essential that their information, either provided directly by the taxpayer or obtained from a third party, is used only as provided for by law. In most jurisdictions, the confidentiality of the taxpayer data is grounded in law.

Each Tax Administration must have proper processes and procedures in place to ensure that data breaches do not occur. Transparency is important so that taxpayers will trust the systems in place to protect their data. From a taxpayer's perspective, one way of doing this could be to have access to a personal tax portal that contains all the information the Tax Administration holds on you.

In this digital age, Tax Administrations must have robust methods of authentication in place to confirm the digital identity of the taxpayer accessing their online records. These methods should be secure but cannot be overly complex. The methods implemented by Tax

Administrations to date, include advanced electronic signature, secure verification codes and even block chain technology.

Use Big Data with care

Big Data provides Tax Administrations with opportunities to develop new and customised services for taxpayers. It also supports Tax Administrations to create tools to address tax risks and improve other activities such as debt collection. The main challenge for Tax Administrations is how to leverage Big Data into information to enhance compliance, improve services and reduce costs.

It should be clear to the taxpayer that data received by the Tax Administrations is used to verify non-compliance with the law, but also to help Tax Administrations to make it easier for taxpayers to comply. In most countries, the available data is used to fill prepopulated tax returns and the amount of data prefilled will increase as more information is made available to the Tax Administration. This reduces the time spent completing tax returns and assists the taxpayer to make a complete and correct return.

There are some concerns that the use of Big Data might lead to taxpayers feeling that they are under surveillance. In a system where voluntary compliance prevails and the information provided to Tax Administrations is supposedly correct, then there should be no need to gather and verify the relevant supporting documentation, even if this was possible to do.

Create integrated solutions

Integrated solutions are important to ensure the secure exchange of data. Software developers are a key player when it comes to creating digital solutions that are integrated with business systems. They can help integrate the needs of the Tax Administrations with business systems software, thus making the transfer of data seamless and secure while at the same time ensuring compliance with tax obligations. It is crucial to engage with trustworthy external partners in the design of new applications or business systems software to get buy-in from taxpayers.

Country Examples

SLOVAK REPUBLIC:

The Slovak Republic has introduced Soft Warning, a new tool to promote voluntary compliance by contacting Taxpayers with electronics notifications, creating an alert system for business to fulfil legal obligations and nudging behaviour by suggesting improvements that taxpayers can implement.

Soft – warning (SoWa) - it is electronic notification

- Alerts for businesses to fulfil legal obligations
- Notification message sent to taxpayer inbox on the Portal – 1st SoWa was sent in November 2018
- Informal tool - service oriented

Information included in SoWa:

- What, when, how to do (written in easy language for non-professionals)
- Contact in the case of any questions (call centre or tax administrator)
- In notification message includes a link to a document in a pdf format with all information
- Currently we are able to send the same announcement to all taxpayers or to selected group of taxpayers; it means, that we can create group of taxpayers according to the report in our information system e.g. 'we identified arrears on your tax account', we are not able to send separate detailed information 'we identified VAT arrear €900'...

Soft warning – tax arrears

- Sent monthly after end of month

Achievement

- More active monitoring of taxpayers account from taxpayers
- Improvement of communication tax office – taxpayer

Decrease number:

- Tax debtors (4%)
- Written 'hard warnings'

We compare only number of tax debtors after month-end-closing with number of generated hard warnings later on (monthly). List of debtor changes every month and more sophisticated methodology is needed to calculate the financial impact.

Soft warning – next steps

- To incorporate insight from behavioural science
- Small - zero-cost changes of the existing communications
- Creating behaviourally informed Soft Warnings
- Creating behaviourally informed Hard Warnings
- Using rigorous methods for evaluation - randomised controlled trials (RCTs)

GREECE:

MyData, my Business Support and MyTAXISnet are three applications introduced by the Greek Tax Administration for taxpayers. MyData (My Digital Accounting and Tax Application) platform allows taxpayers to keep electronic books in an effort to make all business transactions more transparent, thereby reducing tax evasion. MyBusiness Support supports all businesses economically hit by the COVID-19 pandemic and helps them claim compensation. MyTAXISnet, is the personalized platform for every taxpayer where they view their personal tax data and obligations along with a tax calendar. Apart from that, they can access most public services through myTAXISnet.

The Greek Tax Administration also assists public and private employees by pre-completing their Income Tax Return.

All the above functions have been developed mainly in-house (IAPR employs people with a high standard of IT skills) with the assistance of a private IT company that cooperated with IAPR in the developing of its main applications. MyData promotes transparency, MyBusinessSupport is closely related to the measures taken to facilitate citizens facing major difficulties, while MyTaxisNet treats each and every taxpayer as a unique personality. IAPR official site uses statistical cookies measuring the unique visitors so that we know if these platforms have been proven useful and, indeed, they have. The public has been informed of them through banners on the IAPR site, press releases and relative articles in newspapers and commercial or business sites of great acceptance.

SPAIN:

VIRTUAL ASSISTANT TOOL



Spain VAT AI
Chatbot slide.pptx

Spain has developed a Virtual Assistant tool for VAT based on artificial intelligence with the purpose of providing quality information that facilitates the understanding of complex regulations.

The system provides information about registration and rectification of invoices, obligations related to foreign trade, chargeability, taxable amount, tax rate, exemptions and deductions on real estate transactions, by using a chatbot where both taxpayers and tax officers can ask questions using normal language. The Virtual Assistant helps the taxpayer to complete their question(s) with the necessary information to obtain the required answer. They just need to follow the conversation with him/her to get a homogeneous response, which is offered including links to other pages with related information, regulations and information banners. In addition, a copy of the conversation can be saved.

This tool provides advantages such as 24/7 instant information and an immediate response, less administrative burden, interactive information and greater legal certainty.

IRELAND:

Engagement/Digitalisation

Revenue, the Irish Tax and Customs administration, continues to invest resources in ensuring that customers have a positive experience when they contact Revenue. Two key elements of this are:

- The customer service standards and
- The complaints procedures for when the service does not match customer's expectations.

Revenue's customer service standards set out the standard of service customers can expect including timeframes within which their correspondence and telephone calls will be dealt with. These are clearly set out on their website where it explicitly states that the aim is to make it easy for customers to do business with them, that they will endeavour to provide the service the customer needs and that we will do it quickly and without fuss.

The customer service commitments and standards also recognise changing customer expectations and in line with the Irish Government's Public Service Reform Plan, Revenue continues to invest in digital capability towards providing a 24 hours service, 7 days per week. 'Revenue Online Service' (ROS) is designed with business customers in mind while the 'myAccount' service is a single access point to a wide range of online services for individuals, principally employees and customers in receipt of pensions. Both services offer a secure facility, 'MyEnquiries', to submit written enquiries.

These services are backed with a commitment to;

- prioritise online channel over other channels
- provide online services that are easy to use, secure, quick and reliable
- notify customers where possible, if a transaction has been selected for further checking
- provide a ROS helpdesk service to assist customers in using online services
- provide help and assistance to customers when they are switching to online services
- continually review the information on the website to ensure that it is up-to-date and written in plain language to make it easy to understand.

For the most part, issues and complaints raised by customers are resolved in the normal course of business by dealing directly with the front-line Revenue officer or that officer's supervisor. Notwithstanding this, Revenue recognises that it is not always possible to resolve all issues in this way. To build and maintain trust in the relationship between Revenue and their customers, a complaints procedure is in place that is accessible, transparent and fair. Customers also have recourse to a range of external independent bodies depending on the subject matter of the complaint.

Research

Challenges and opportunities of trust-enhancing digital services – ideas and evidence from research

Taxpayers' trust in Tax Administrations are both challenged and potentially strengthened through digitalisation

The transformation of public service provision into citizen self-service creates both new opportunities and challenges for public administration in general. This is no less true for tax authorities in particular. In recent years, public administration research has begun exploring how digital services provision raises new types of concerns for public sector agencies (see, e.g., **Prins, Raab & Keymolen 2012**), though systematic empirical evidence on the comparative merits of various digital solutions is at this point still scarce.

- While new technologies such as data mining, machine learning, sensor technology, and service automation may lead to benefits through further digitalizing service provision and furthering the democratic potential of digital government, the very same technologies could also be used by authorities to restrict, control, and conduct surveillance of citizens (Lindgren et al. 2019).
- Tax authorities also need to be aware that providing digital services to citizens can support but not fully replace the need for in-person communication – a fact made even more salient by the covid-19 pandemic (Alm et al. 2020). At the same time, digital services and capabilities are essential for any tax authority in a globalized world, and the constantly increasing importance of digitalisation for public administration in general and tax authorities in particular show no signs of stopping in the near future.
- Furthermore, the productive potential is undeniable – not only from a taxpayer perspective, but also seen from the tax authority: In a recent Deloitte survey of 1200 government officials from more than 70 countries, 78 percent of respondents indicated that digital capabilities enables their employees to be more responsive to citizens' needs and also foster trust in government and public services (Jeppesen et al. 2020).

Digital services can increase trust, but scepticism and privacy concerns remains a factor for many citizens

Gracia & Ariño (2015) study the extent to which e-government initiatives affect trust in public administration via a web survey of 448 citizens who used public e-services in Spain. They find that the perceived quality of public e-services indeed does have a positive effect on trust in the public administration. However, the study also shows that communication campaigns (i.e., to promote the benefits and use of e-government) only influence trust in the public administration for citizens with a favourable attitude towards e-government.

To affect trust in public administration, e-government initiatives must themselves be trustworthy. **Janssen et al (2018)** conducts a review of research on the subject within the public administration and information systems literatures in order to identify relevant variables influencing – and depending on – the trustworthiness of digital government. They find that among 19 relevant variables identified, a great majority are drivers of digital trustworthiness, many of which arguably need careful attention by tax authorities in designing digital solutions and services: integrity, trust in government, trust in technology, transparency, responsiveness,

competence, accountability, privacy concerns, perceived security, perceived risk, system quality, service quality, satisfaction, perceived ability to use, perceived prior knowledge, and disposition to trust. Here, too, factors like privacy concerns, security and risk are part of the mix along with other relevant aspects related to the potential benefits of e-services.

Trustworthiness of e-services are important, but so is the citizen's digital skills

Schneider et al. (2020) conducts a controlled experiment with 161 participants of how two types of nudging – default options and popularity signals – affects users' adoption of electronic identification (eID). They find that both nudges increase eID adoption, but it turns out that default options are a double-edged sword since they simultaneously fuel privacy concerns towards the government. This negative effect attenuates the desired effect of setting the default option to “yes” on eID adoption. However, the study also shows that this challenge can be mitigated by adding social proof cues, i.e. information about other users' take-up of the eID.

Rodriguez-Hevia, Navio-Marco, Ruiz-Gomez (2020) examine which factors influence European citizens in their adoption of e-government services performing regression analysis on a simple random sample of 15434 respondents taken from a 2016 *EU survey on ITC usage in households and by individuals*. They find that especially digital skills are an increasingly influential factor, previous experience with simple e-government activities (e.g., obtaining information) being the most important aspect thereof. Based on their results, the authors conclude that instead of an *access* divide among citizens of the EU, a *skills* divide now seems more and more relevant in terms of e-government services adoption and use across the EU. Thus, e-service quality – and the responsibility of tax authorities and other public agencies in ensuring this through efficient and transparent solutions – is arguably more important than ever.

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