



BMF

**FEDERAL MINISTRY
OF FINANCE**



Capgemini

CONSULTING. TECHNOLOGY. OUTSOURCING

Josef Makolm

E-Taxation

An International Comparison of Best Practice Solutions

Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

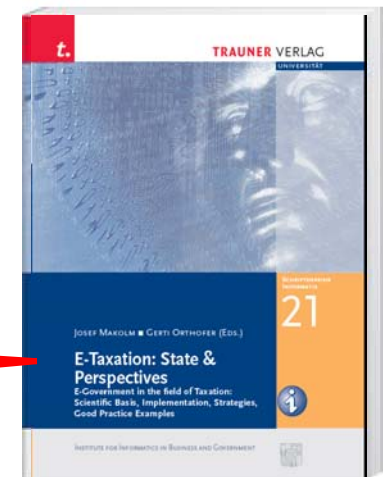
E-Taxation : Levers to Drive e-Take-Up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

E-Taxation : FinanzOnline Take-Up

Most of the facts in this presentation cited from Ian Pretty, Driving E-Take-Up; the refernces to the sources can also be found there.



Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

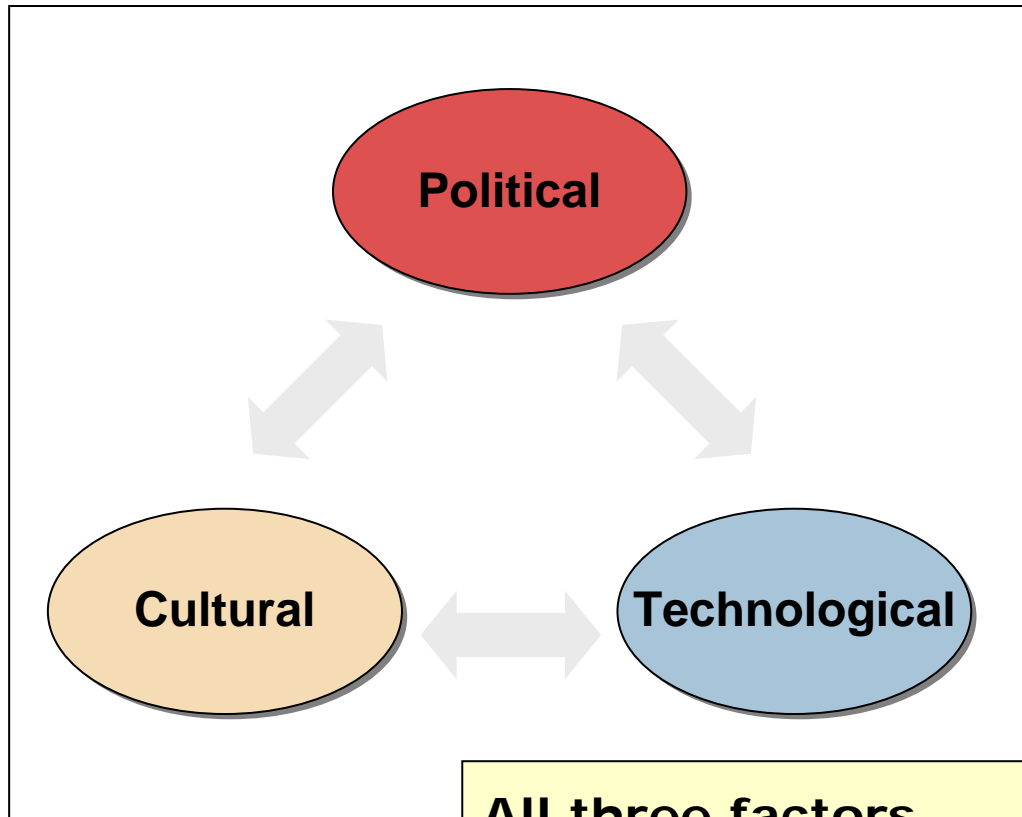
E-Taxation : Levers to Drive e-Take-Up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

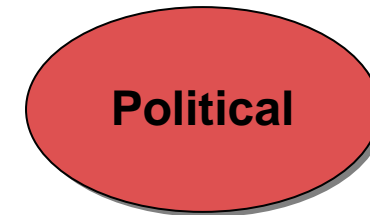
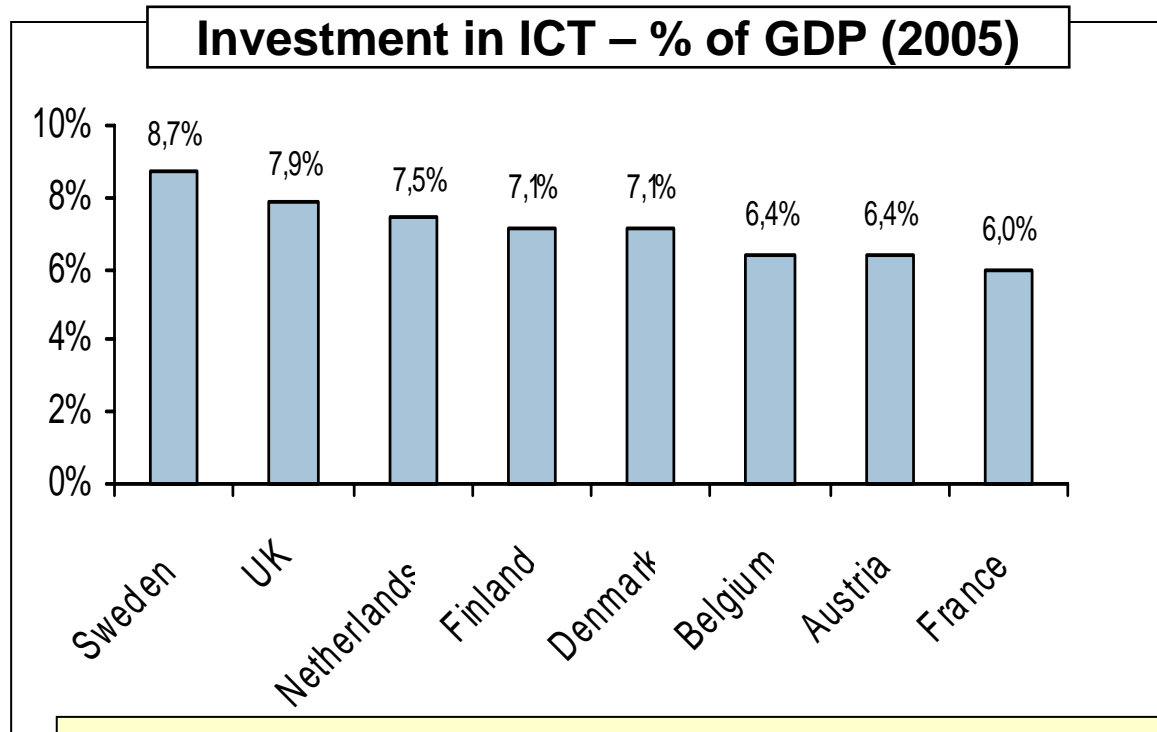
E-Taxation : FinanzOnline Take-Up

Driving Factors of e-Take-up



**All three factors
have to be in place concurrently
in order for a country
to experience
high levels of e-take-up of government services**

Politics: Government Expenditure on ICT

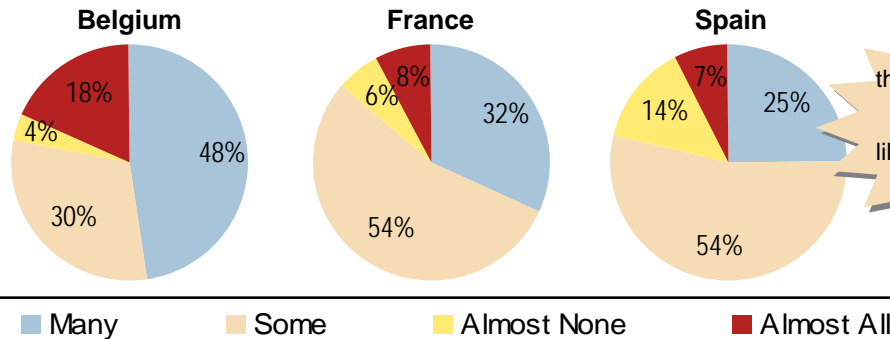


In order to provide a service that is accepted and used by businesses and citizens, governments must understand their needs and develop a solution based on those needs.

Culture – Key Attributes

Attitudes towards Tax Authority

“According to you, how many of your compatriots cheat on tax if given the chance?”



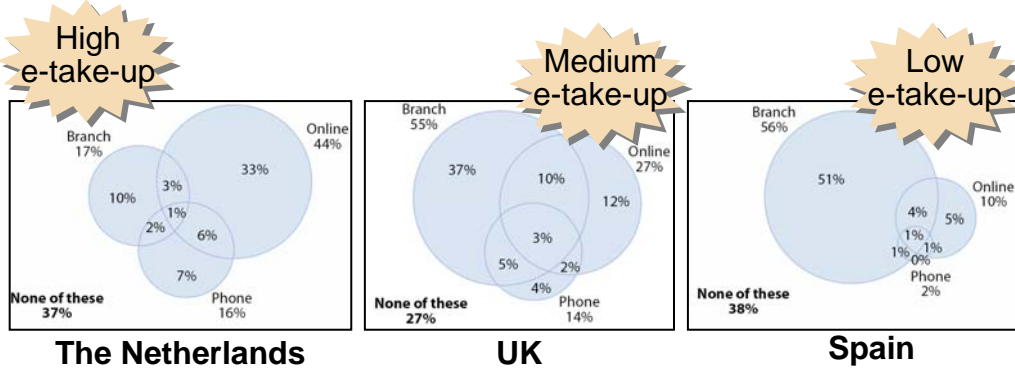
Countries that do not cheat on taxes if given the chance are more likely to be willing to adopt an e-tax service

Cultural

Willingness to use Online Services

Usage of online banking services is a good proxy for the culture's attitude towards e-transactions

“Do you use the following banking channels at least monthly?”



In Spain the attitude towards the tax authorities is comparatively positive, but e-take-up is still low ...

Technology– Key Attributes

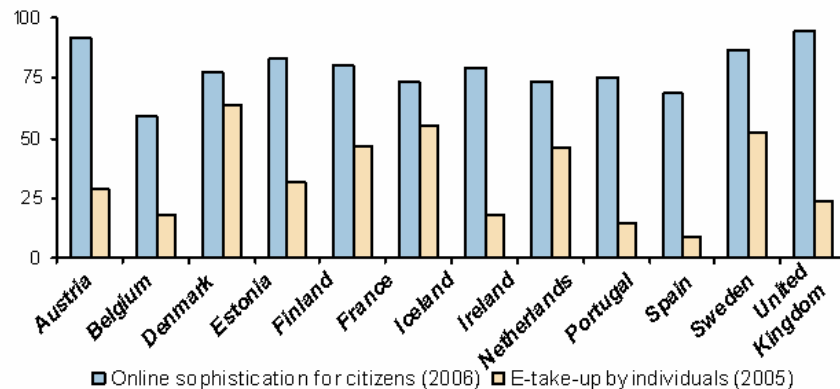


FEDERAL MINISTRY OF FINANCE

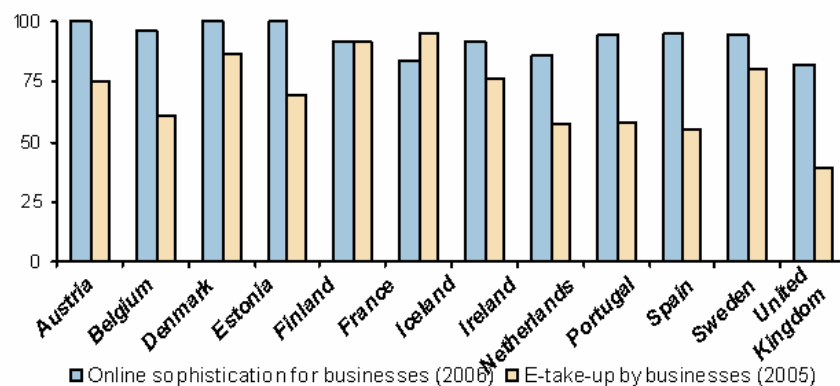


Comparison between Online Sophistication and e-take-up^{a,b}

Level of sophistication and % of e-take-up for individuals



Level of sophistication and % of e-take-up for businesses



Commentary

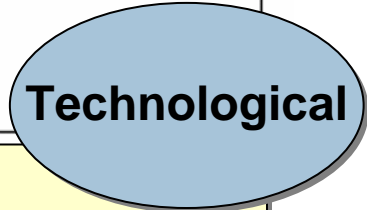
- Sophisticated online public services **do not guarantee a high e-up-take** for either individuals or businesses

Individuals

- Iceland and Sweden have been successful countries in terms of eGovernment usage by individuals achieving e-take-up rates **above 50%**
- The UK and Austria have sophisticated online public services for individuals, but have **not managed to achieve e-take-up rates above 30%**

Businesses

- Finland, Denmark, and Sweden are the most successful countries in terms of getting business to use their eGovernment services and **more than 80% of business interact with their online services**
- **The UK** again stands out as a country with relatively high sophistication of online public services aimed at businesses but with a **low e-take-up of only 39%^b**



High online sophistication is not sufficient to drive e-take-up. The challenge for governments is to create an environment that actively encourages citizens and businesses to use eGovernment services.

Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

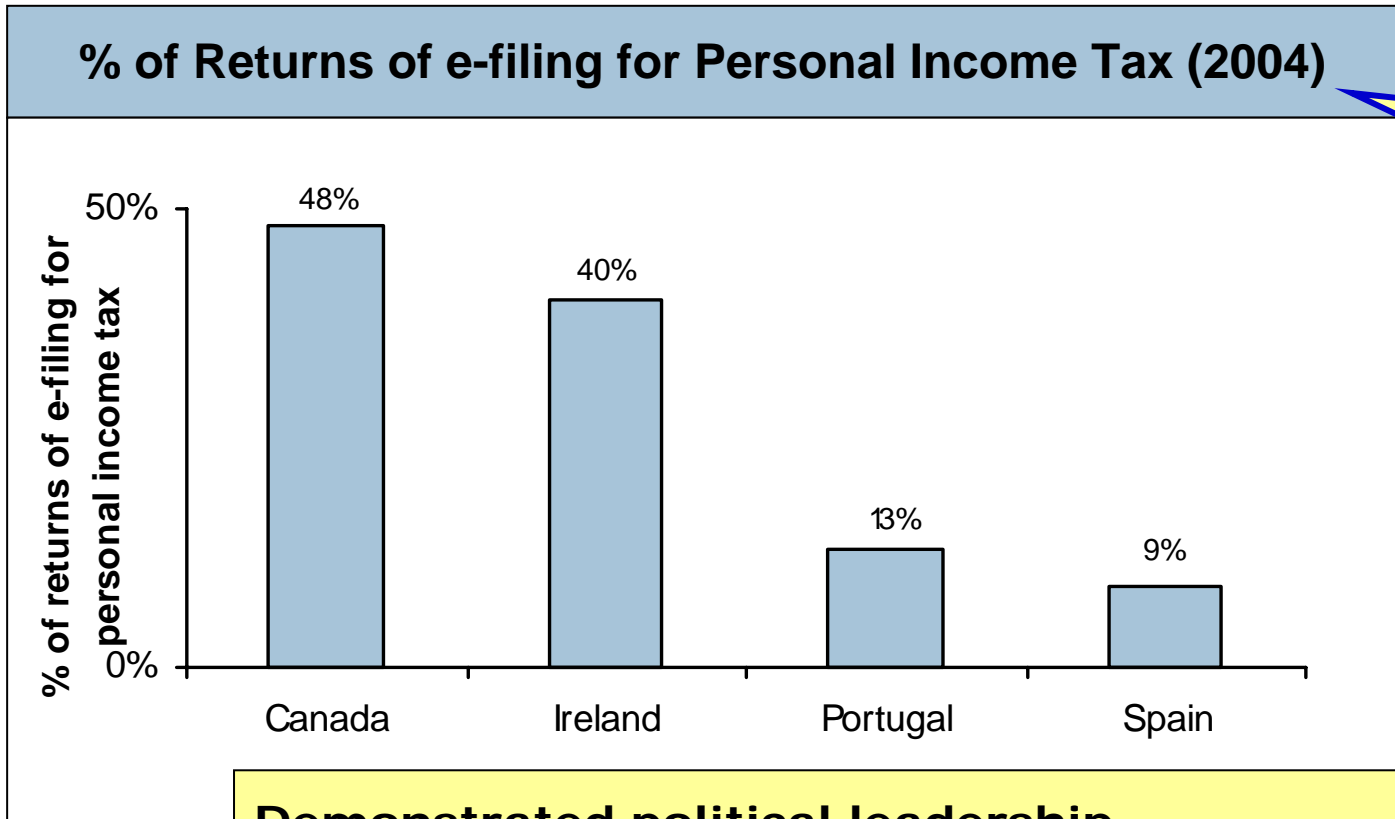
E-Taxation : Levers to Drive e-Take-Up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

E-Taxation : FinanzOnline Take-Up

Political Will – Canada

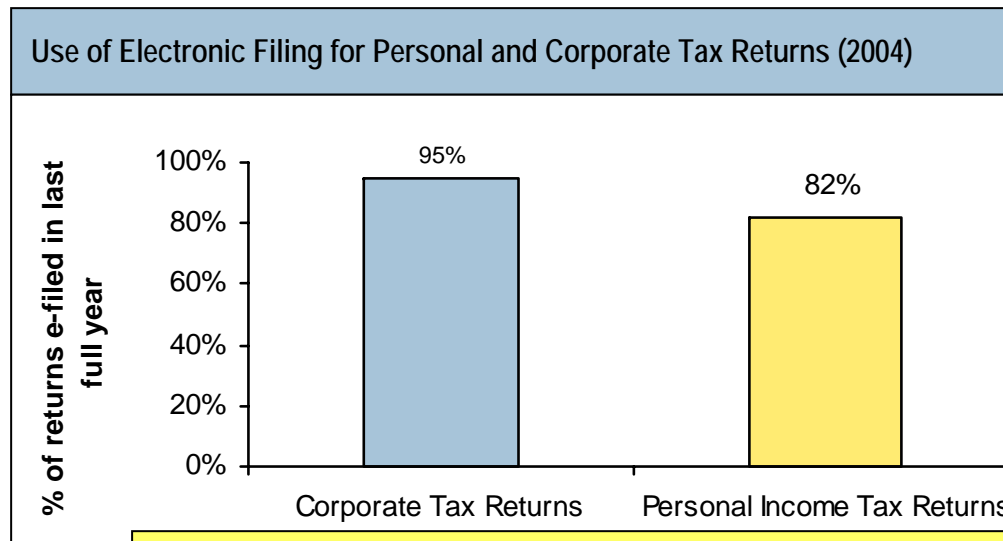
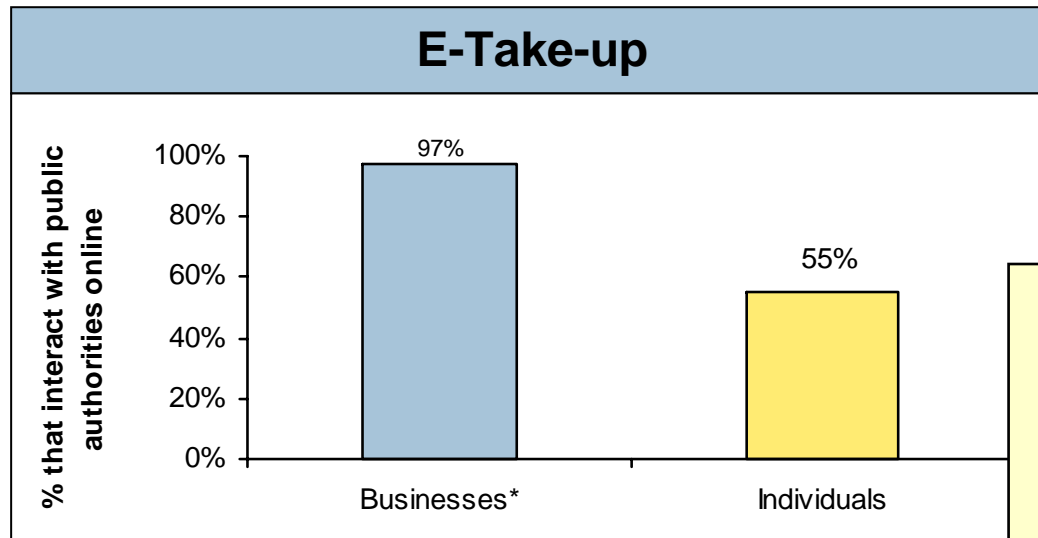


started 2002

Political

Demonstrated political leadership, active stakeholder management and technological development have enabled Canada to be a prominent actor in e-tax services.

Behaviours and Attitudes - Iceland



Cultural

- Iceland is the country with the highest level of e-take-up
 - for businesses (97%)
 - individuals (55%)
- Iceland has adopted well to electronic filing of tax (2004)
 - 95% of corporate tax returns
 - 82% of personal tax returns
- Iceland's the tax professionals file electronically: 99%

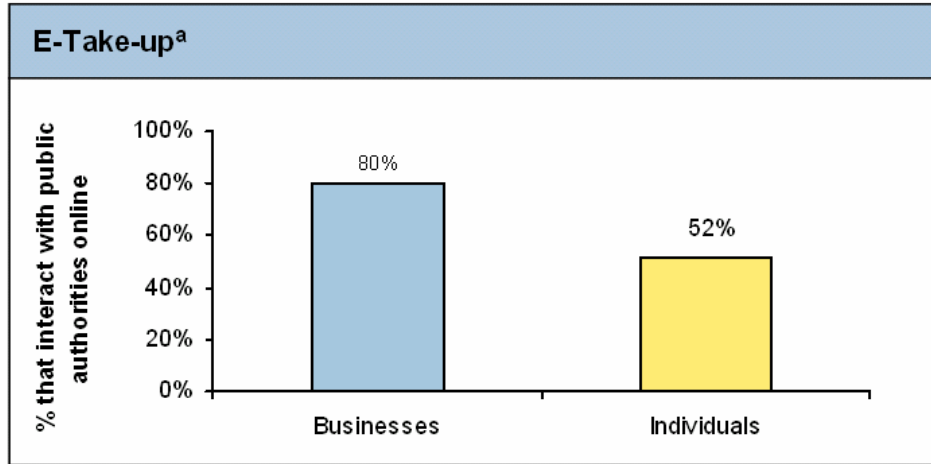
Iceland has made use of marketing techniques, for example telephone campaigns, but found that **extending deadlines was the single most effective incentive.**

Technology - Sweden

Technological

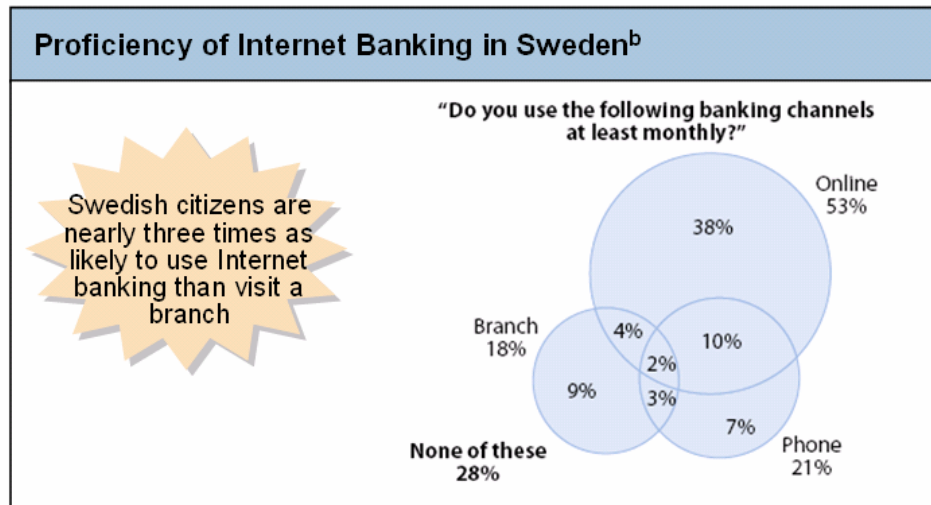


FEDERAL MINISTRY OF FINANCE



Commentary

- E-take-up is high both for businesses (80%) and individuals (52%) in Sweden^a
 - A significant reason for the high levels is the **sophistication of the technology**
 - Sweden has a well functioning online banking system
 - Online banking is now the most common form of banking in Sweden with 53% of the population using online banking
- The Swedish Tax authorities have taken advantage of the sophisticated ID management system named **BankID** that has been developed by the banks
 - BankID is an IT infrastructure that makes use of electronic identification and verification through electronic signatures^b
 - The system provides individuals with a **means of verifying their identity** when dealing with governments and banks online^c
- In Sweden, citizens receive a **pre-filled and pre-calculated version of their tax returns**
 - In addition, **straight-through-processing** has been improved as the Swedish Tax authorities can securely refund taxes directly to the users account
 - Without BankID the government would not be able to electronically verify the user^c



Sweden has driven e-take-up by working closely with online banks to provide a sophisticated identity management technology.

Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

E-Taxation : Levers to Drive e-Take-Up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

E-Taxation : FinanzOnline Take-Up

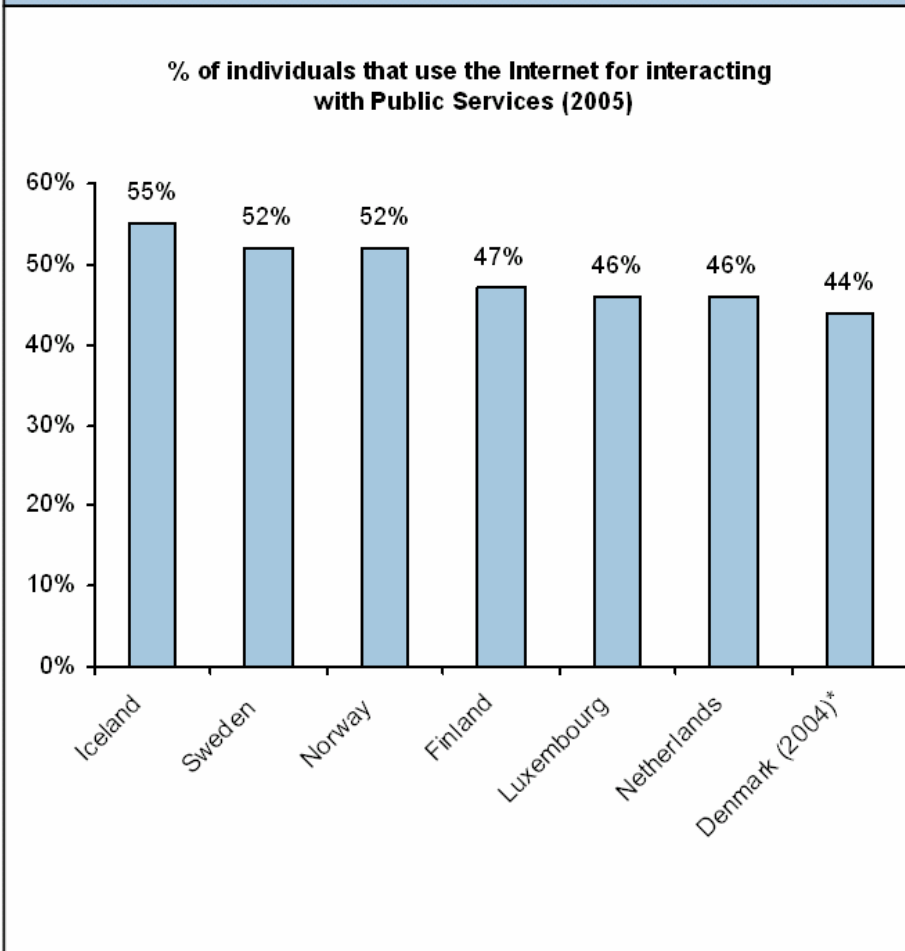
Pre-filled Tax Returns



FEDERAL MINISTRY OF FINANCE



E-take-up rates in 2005 by Country^a



Commentary

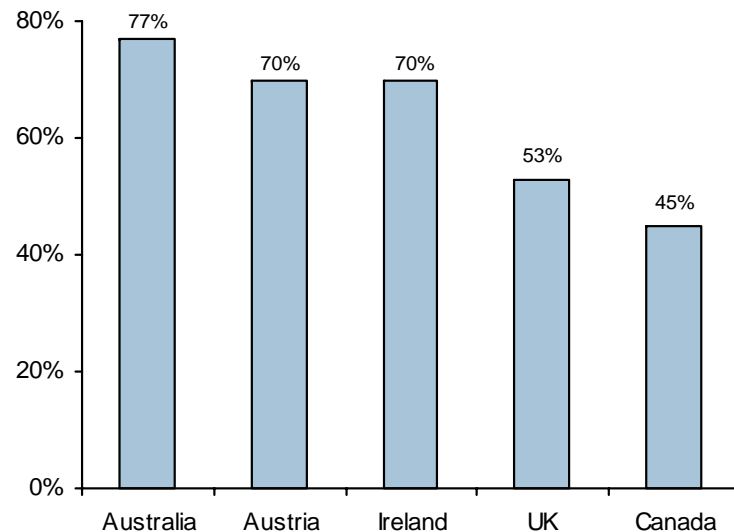
- The Nordic countries experience the highest rates in individuals e-take-up with more than 40% of individuals interacting with online public services
- The high level of uptake is partly because of their ability and commitment to incentivise the public
 - A majority of the Nordic countries have made use of a pre-filled in tax form
- The Danish system called the “No Touch Strategy” involves **direct electronic reporting of 97% of citizens tax related data** collected by employees, banks and mortgage institutions, trade unions and the social benefits service
 - All of the data is reported to the Central Customs and Tax Administration
 - Citizens are able to view their tax details at any time and can make corrections online or via telephone
 - The Danish system has abandoned paper records as the full tax history is available online through secure internet access^b
- In Sweden **all the tax declarations** that are made online are returned electronically by the Swedish Tax authorities
 - The user verifies their ID through the online certification process and can then print out a paper copy for filing

The Nordic countries have **high e-take-up rates** which has partly been **driven by their use of pre-filled tax forms.**

Targeting the Tax Professionals

The Importance of Tax Professionals by Country

% of personal income tax prepared with the assistance of a tax professionals (2004)

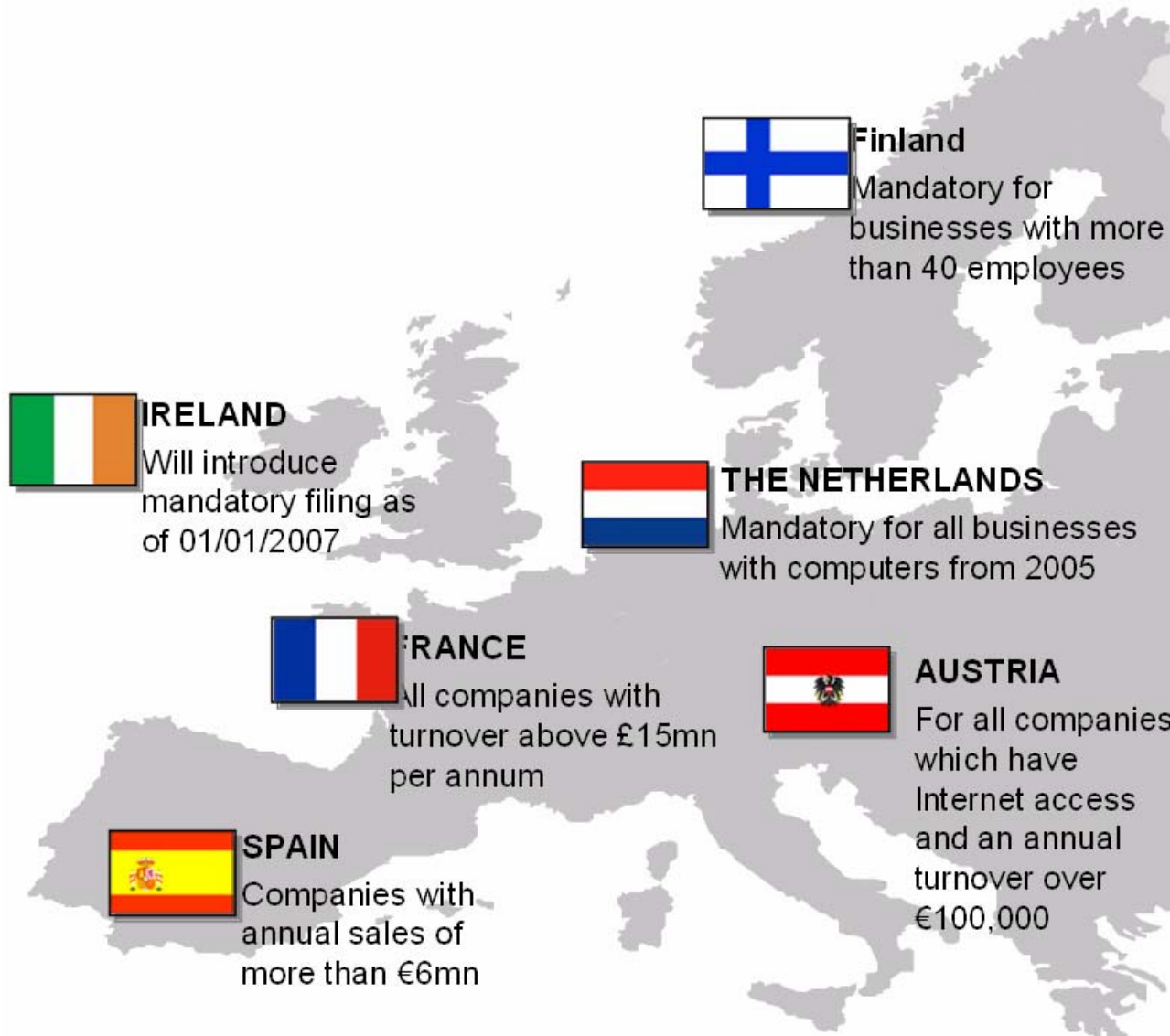


- **Tax professionals represent a key stakeholder**
- Politically it is less risky to enforce compliance measures on tax professionals than on companies and individuals
- **Effectively targeting tax professionals can substantially drive take-up of e-filing**
 - e.g. in countries with heavy reliance on tax professionals such as Australia, Austria, Ireland, UK and Canada
 - **Australia has a corporate tax e-filing return of 90%**

Mandatory e-filing of Corporate Tax



FEDERAL MINISTRY
OF FINANCE



- Countries with mandatory e-filing of corporate tax returns have mainly targeted large and medium sized companies
- There are questions however as to how well the countries can enforce the law
- The only European country with mandatory e-filing for individuals is Italy
- Three out of four countries with e-filing return rates of above 80% have not made use of compulsion for either business or individuals.

Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-up

E-Taxation : Best Practice Examples

E-Taxation : Levers to Drive e-Take-up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

E-Taxation : FinanzOnline Take-up

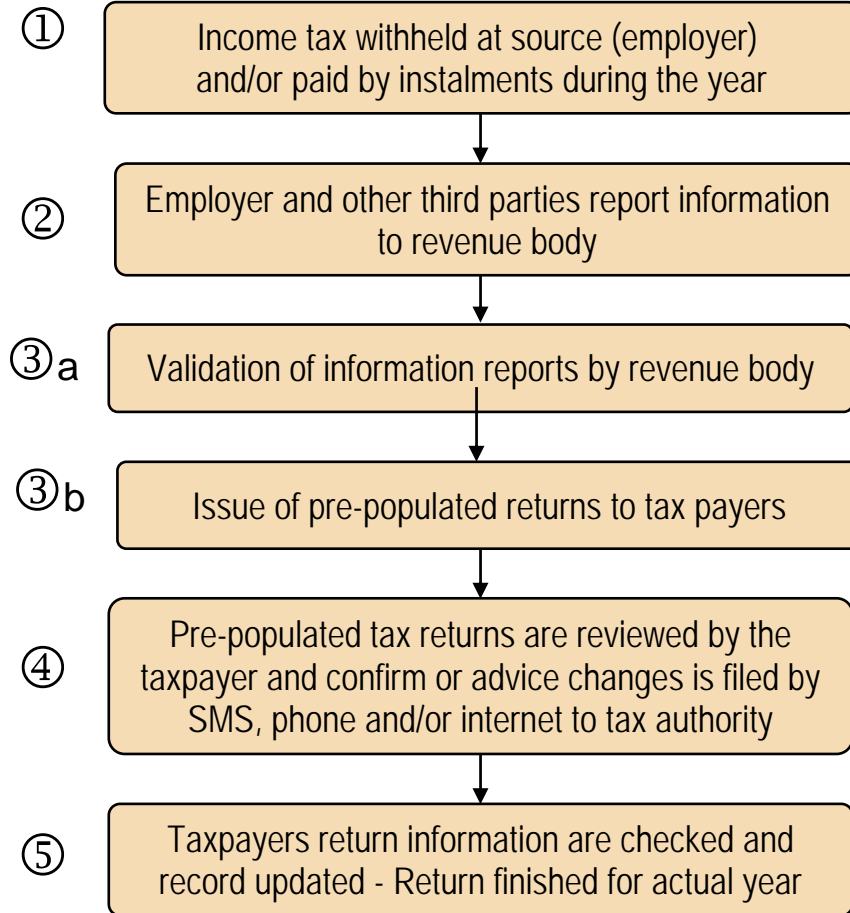
Denmark: Personal Income Tax filing process and pre-population



FEDERAL MINISTRY OF FINANCE



Pre-populated e-filing process



- nordic countries – since years Denmark, Estonia, Finland, Iceland, Norway
- Chile and Spain – actual
- Austria – forthcoming project
- income data supplied by third parties
 - employers, social security, banks and insurance companies
 - wages, bonuses, severance packages, employee fringe benefits, interest, dividends, pensions, insurance payments
 - deductions (e.g. childcare)
 - sales and purchases of capital assets

Denmark,
the originator of pre-populated forms,
reported a non-adjustment rate of 78%

Swedish best practice: e-identification and pre-population



FEDERAL MINISTRY
OF FINANCE



- e-filing of tax since 2002
- 2005 : 2.1 million tax declarations via the internet, SMS or via telephone
- **Electronic identification enables e-filing**
 - 900,000 people used a personal ID code given to them by the authorities
 - 420,000 people used Bank ID
 - 2005: 52% of the population used e-filing
 - target: 70% by 2009
 - E-identification enables third parties to verify users and issue the confidential information supplied on the pre-populated tax return

Aggregate data:

- All income categories
- All deduction categories
- All capital income
- Wealth items
- Foreign life assurance
- Real property

Individual reported items:

- Wage income & payers
- Pension income & payers
- Interest & payers
- Dividends & payers
- Capital income & source
- Tax withheld at source for each item
- Pension contributions

The use of a sophisticated ID management ensures that people feel confident and secure online

Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

E-Taxation : Levers to Drive e-Take-Up

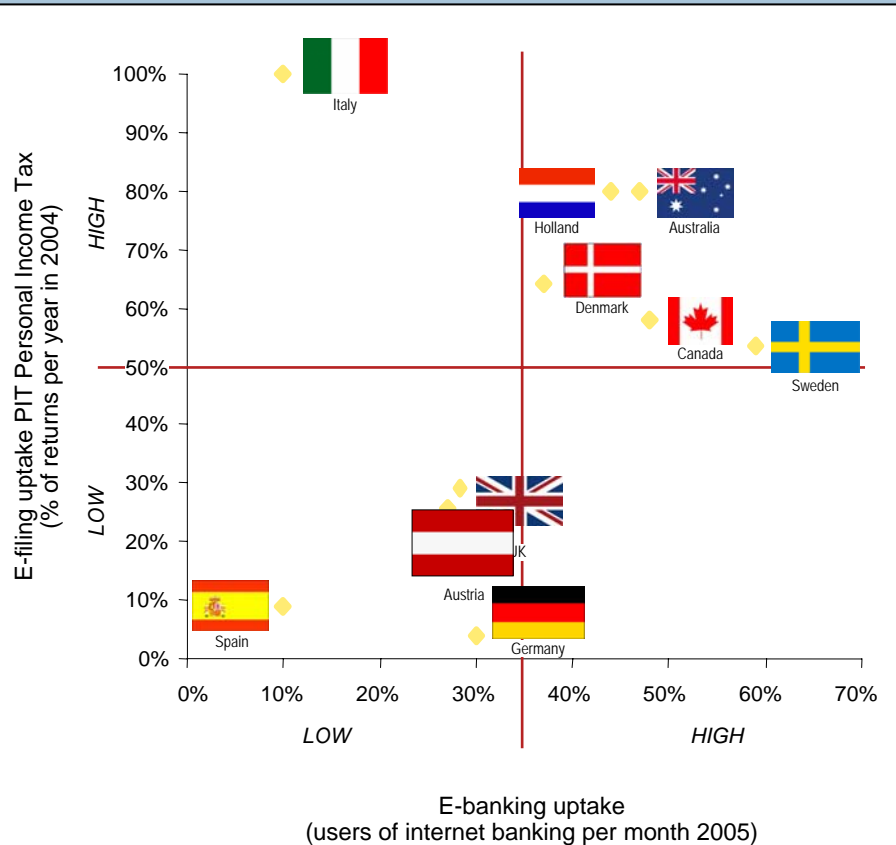
E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

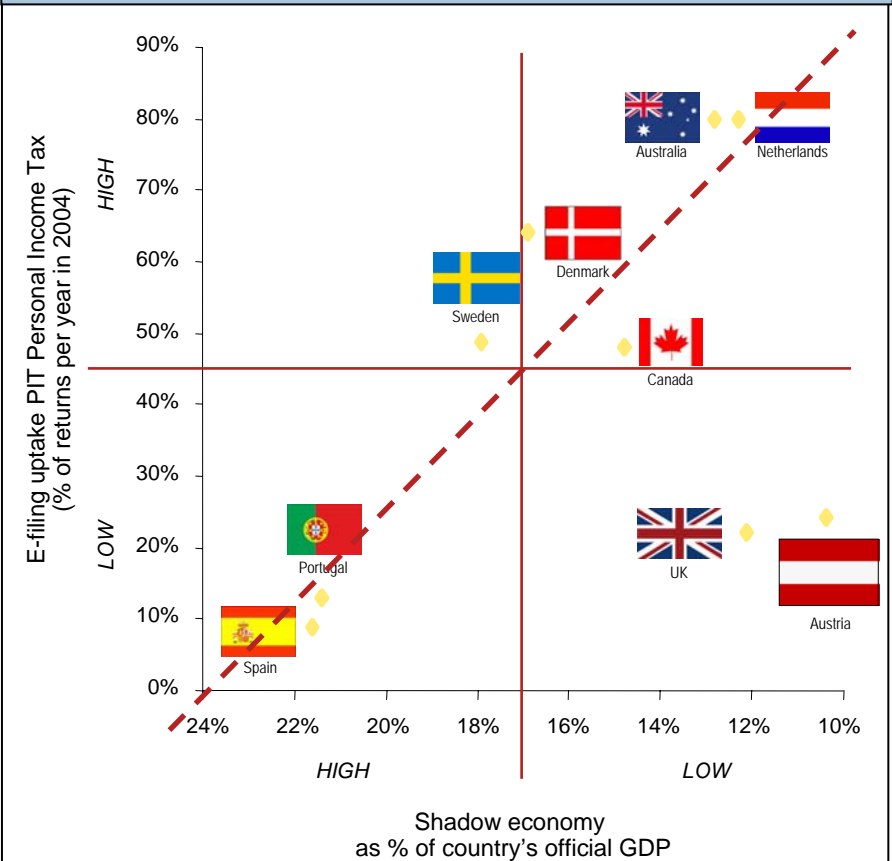
E-Taxation : FinanzOnline Take-Up

e-Filing Personal Income Tax

E-banking compared to e-filing – how does Austria compare



Personal Income Tax e-filing uptake compared to level of shadow economy in 2004 – how does Austria compare



Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

E-Taxation : Levers to Drive e-Take-Up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

E-Taxation : FinanzOnline Take-Up

Take-Up E-Taxation / *FinanzOnline*



BMF

FEDERAL MINISTRY
OF FINANCE



CONSULTING. TECHNOLOGY. OUTSOURCING

9.000 Tax Inspectors

1.160.000 External Users

970.000 Citizens

180.000 Businesses

7.000 Tax Advisers

3.000 Notaries and Lawyers

2.500 Municipalities

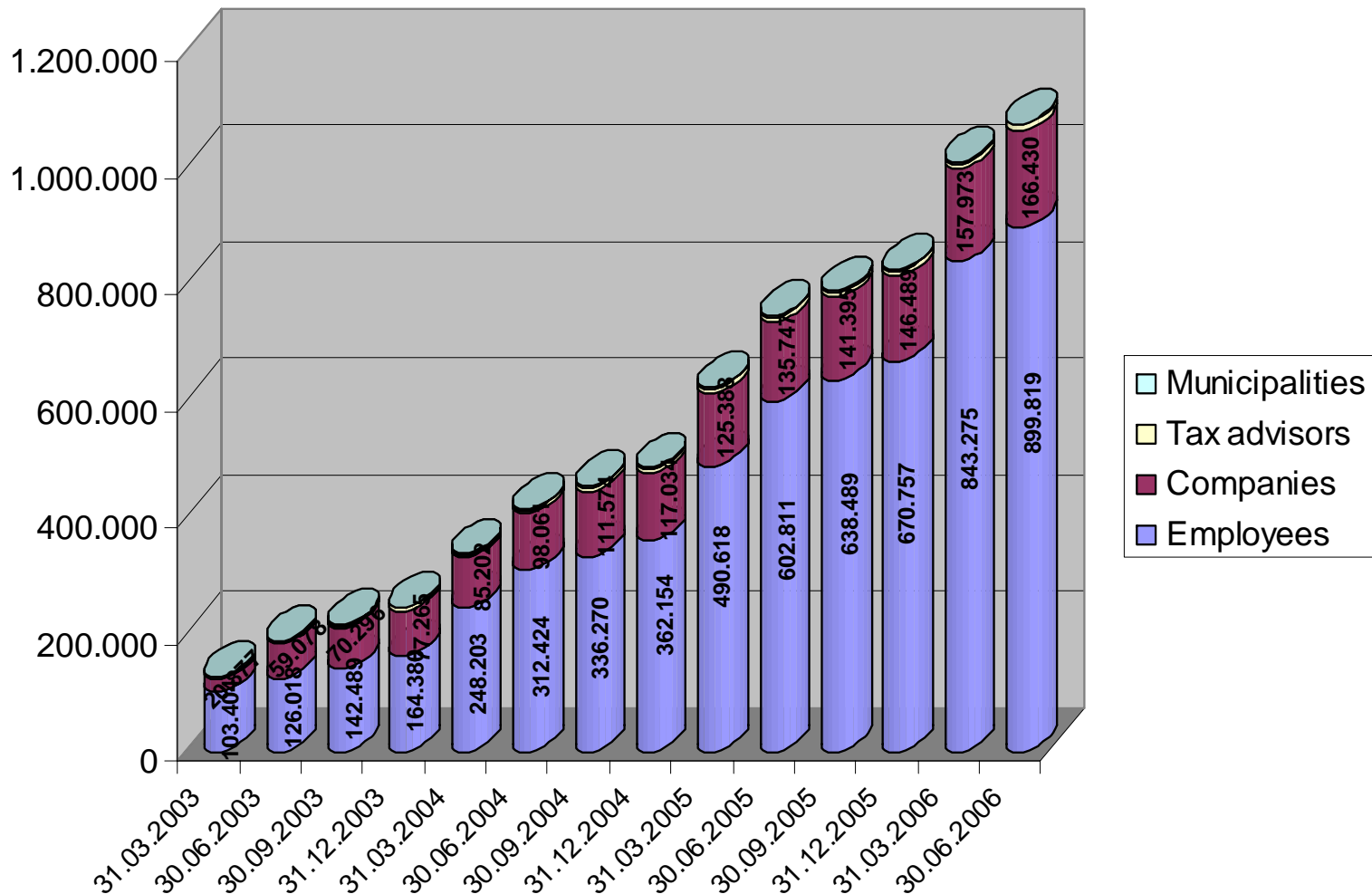
750 Banks

**indirect users
via intermediaries
> 1.000.000**

Take-Up *FinanzOnline* (1)

(as per: 30.06.2006)

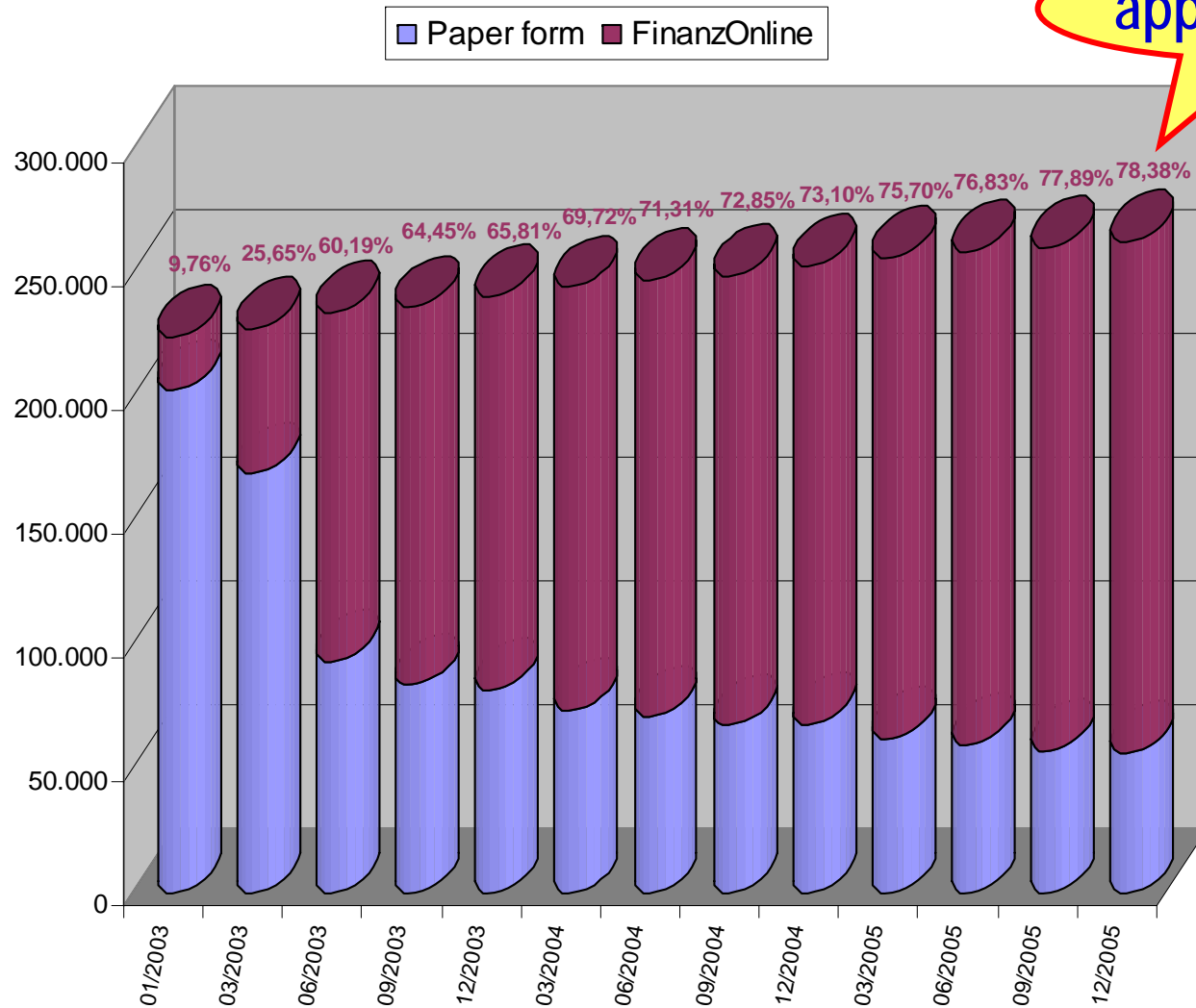
FinanzOnline Participants



Take-Up *FinanzOnline* (2)

(as per: 31.12.2005)

Monthly preliminary VAT return via FinanzOnline



approx 80%

Take-Up *FinanzOnline* (3)

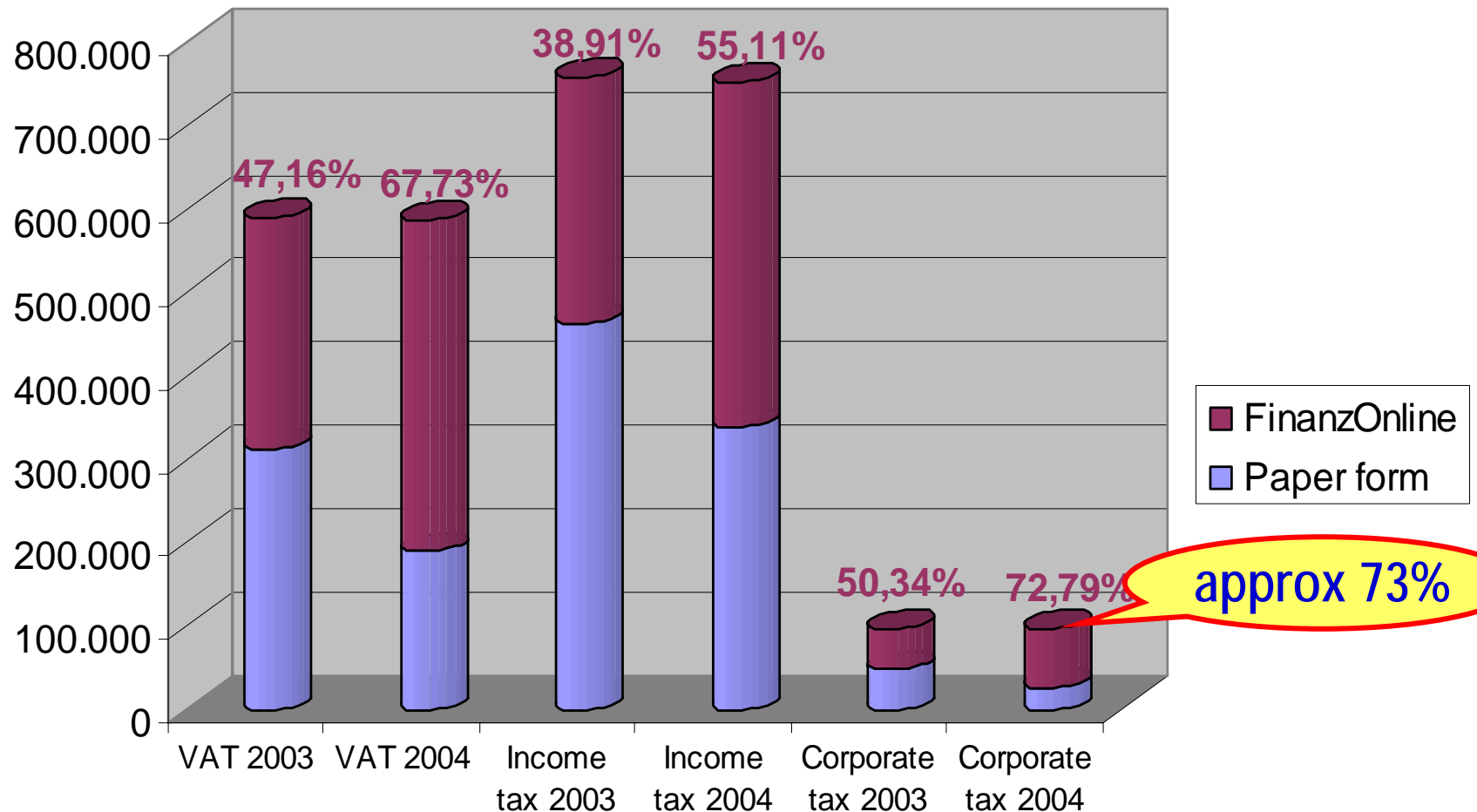
(as per: 30.6.2006)



FEDERAL MINISTRY OF FINANCE



Company tax returns via FinanzOnline

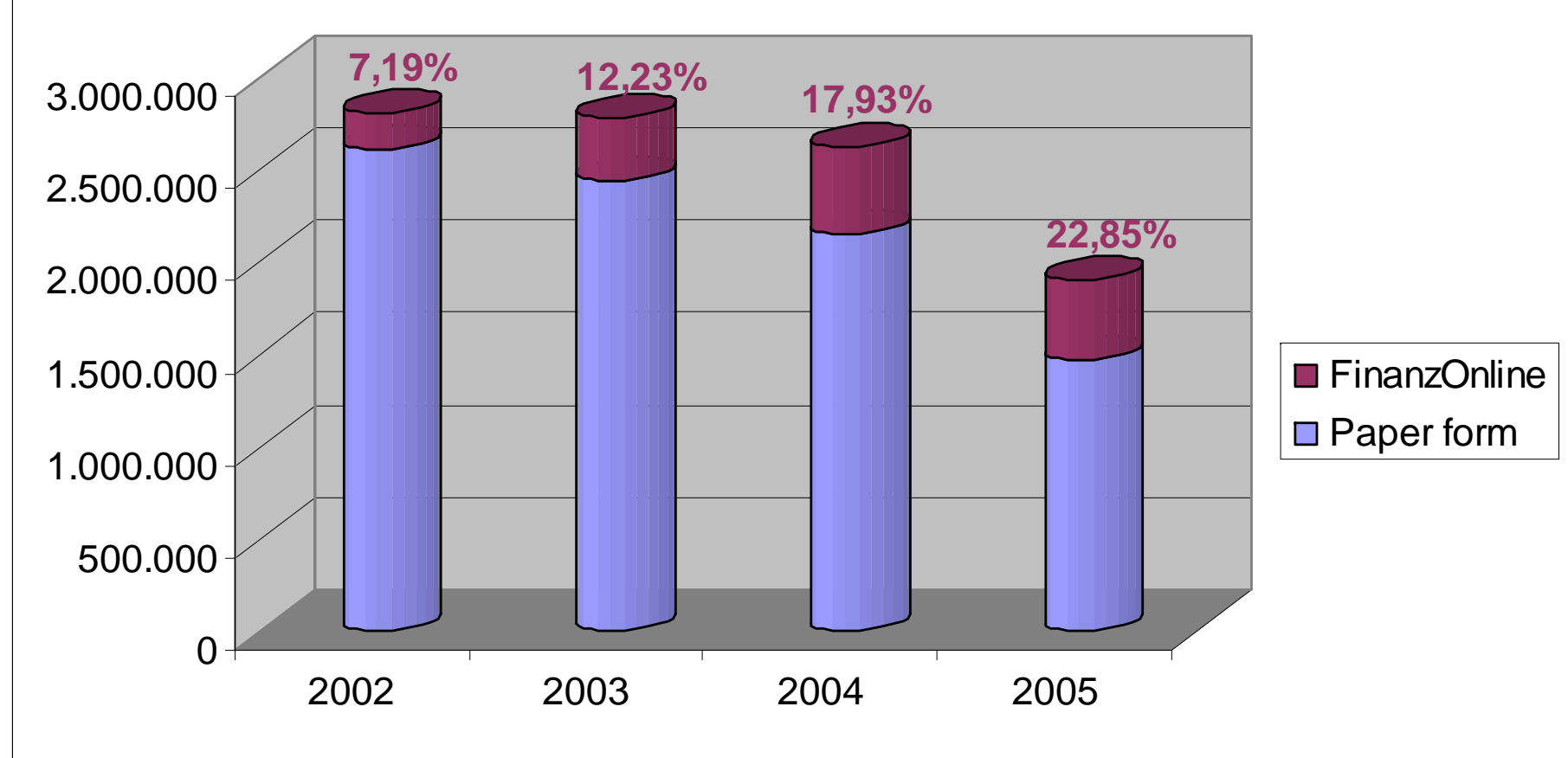


approx 73%

Take-Up *FinanzOnline* (4)

(as per: 30.6.2006)

Employee Income Tax return via FinanzOnline



Agenda



FEDERAL MINISTRY
OF FINANCE



E-Taxation : Driving Factors of e-Take-Up

E-Taxation : Best Practice Examples

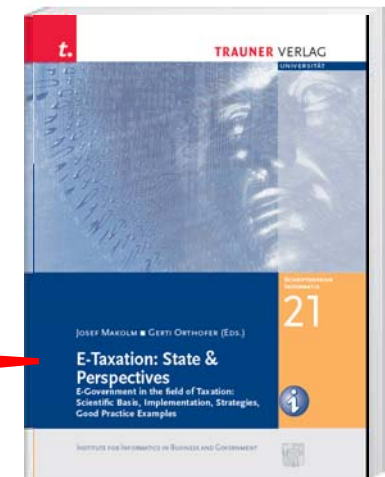
E-Taxation : Levers to Drive e-Take-Up

E-Taxation : Pre-Populated Tax Returns

E-Taxation : International Comparison

E-Taxation : FinanzOnline Take-Up

2007 04 11-13
eee|GovDays
Prague



Most of the facts in this presentation cited from Ian Pretty, Driving E-Take-Up; the refernces to the sources can also be found there.



BMF

FEDERAL MINISTRY
OF FINANCE



Capgemini

CONSULTING. TECHNOLOGY. OUTSOURCING

Thank you for your Attention

Josef Makolm

E-Taxation

An International Comparison of Best Practice Solutions