

Executive Program in Tax and Digital Transformation:

Jump-starting Your Digital Transformation Journey

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Assembling all the Inputs to Start your Digital Tax Administration Transformation

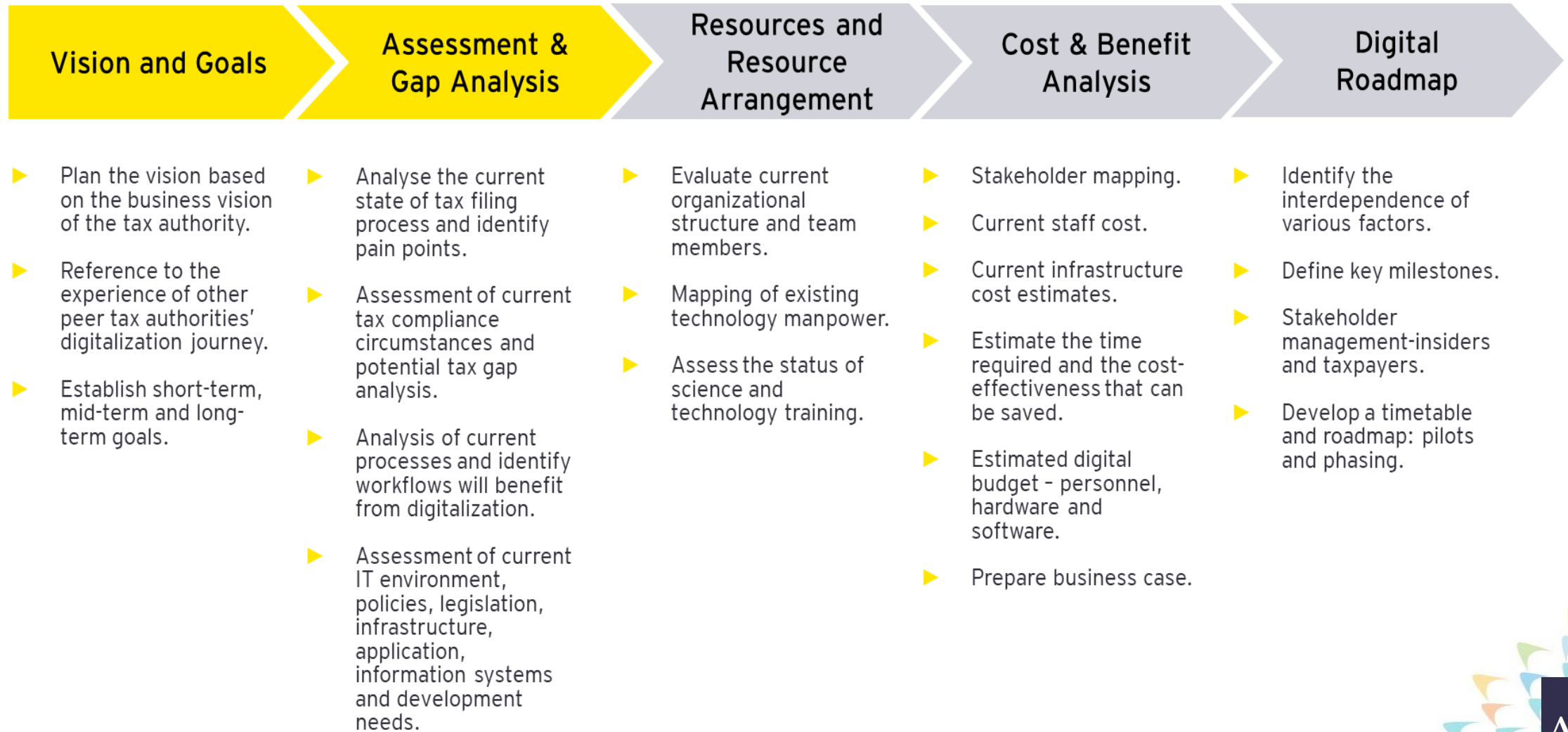
Today's focus is on assembling the inputs you need to plan and launch a digital transformation of the tax administration journey:

1. Setting a **vision** for what tax administration is going to look like
2. An overview of **baselines**: where are you when you start your journey?
3. **Necessary inputs**: Systems/processes, institutional features/admin features to get the process done
4. **Digital Roadmapping**: Putting it all together





The Journey from Planning to Implementation





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What is the Vision of the Tax Administration of the Future?

- **General:** what would the tax administration see as the future?
 - What do you need to know to craft this vision? (for example, how does the digital tax administration vision fit into the general government/economy vision?)
- **Specific vision:** What would the tax administration like to be able to do in the future that it either cannot do now or wants to change?
 - For example: e-invoicing, automated risk assessment? Predictive behavior modeling?
 - What sorts of technology would it like to use?
 - What other inputs do you need to have to craft the specifics of the vision?



Suggested Framework to Set The Vision: General Vision

- **Be familiar** with government strategy particularly, for example:
 - Digitization of the economy
 - Vision for the government of the future
 - Strategic evolution of the economy
 - Tax administration development
 - Investment into the economy
- **Determine** how tax administration transformation reflects over all strategy
- **Sketch** the general parameters of tax administration:
 - Is it a data-streaming based system replacing all tax payer functions?
 - Is it an integrated system with other parts of government?
 - What is the role of taxpayer service?





Suggested Framework to Set The Vision: Specific Vision

- **Determine how automatic** the system will be:
 - **Fully Automatic:** Taxpayer data streams into an integrated system with data fabric, filters, risk scores, and stores securely
 - **Semi automatic:** Data streams inbound but requires human intervention or manual movement of data at different steps
 - **Partially automatic:** Data streams requires human intervention for all processes,
 - **Separated processes:** Taxpayer data inputs are a mixture of electronic (e-filing, e-invoicing) but needs to be managed manually
 - **Manual inputs:** Data inputted manually, processes managed individually
- **Sketch and map the system architecture** and flow (based on the above)
- **Determine the role of the taxpayer** (as data source or individual filer)





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Understanding the Baseline

Understanding the baseline to figure out how to get to the future.

What inputs do you need? What areas?

1. Legal framework
2. Procedural framework/understanding
3. Data
4. Technology
5. Human capital/skills development
6. Change management processes, procurement etc.





Baseline Inputs

Inputs into the baseline come from a variety of sources, including:

- Statistical publications (background statistics)
- Laws, implementing regulations, circulars, guidance notes
- Process maps (procedures)
- Technology specification documents
- HR documents (although a skills inventory may be needed)
- Internal procedures manuals (change management, procurement, national governance guidelines, etc.)





A Framework for Setting the Baseline

- **Collect data, information, process maps** for each of the 6 areas
- **Conduct a self-assessment** of your baseline state
- **Create a complete picture** of the 6 areas and document from where you are starting in each domain
 - Include a technology team to understand what technology can be used in the future, what pieces are adaptable, and what will need to be replaced.
 - Include an HR specialist to review the skill sets in place
- **Use the baseline** as the anchor for the digital roadmap and change management process





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Necessary Inputs for the Transformation Process

- Systems/processes, institutional features/admin features to get the process done:
 1. Budgeting
 2. Staffing plan
 3. Change management Systems changes
 4. Data collection
 5. Political support
 6. Buy-in from staff
- Setting up a **monitoring and evaluation system** for the transformation and for determining what success looks like
- **Risk:** identifying, evaluating, and mitigating risks





Necessary Inputs: How to Do it

- **Collect documents** such as budget plans for the DTA, staffing plans (if they exist yet), etc.
- **Familiarize** yourself with other large, IT-based change programs and learn good practices and pitfalls
- **Conduct** a series of stakeholder meetings, including within the tax administration, wider government, policy makers (deciders) private sector groups, to:
 - Understand issues, risks, concerns
 - Build political and other stakeholder support
- **Create a risk mitigation plan** addressing the above issues
- **Create a monitoring and evaluation system** which
 - Measures progress in the transformation process (time to completion, meeting milestones, budget outlay, etc.)
 - Create results framework for what you expect the outcome of a new system can generate (measures such as time to process taxpayer portfolio, increase in revenue generated, number of taxpayers served by taxpayer service, satisfied taxpayers, etc.)





Necessary Inputs: Framework

- Using the list of 6 areas and feel free to add write a list of questions, for example:
 - **Budget:** what is the overall budget envelope? Over how many years? Is it allocated in one tranche or does it need to be renewed every year
 - **Staffing:** How do the possible skills need and staffing match the HR staffing plan both for the DTA process and running a new system
- Sketch a plan for each of the 6 areas



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Digital Roadmap

The Digital Roadmap is the bridge between planning and implementation.

It involves:

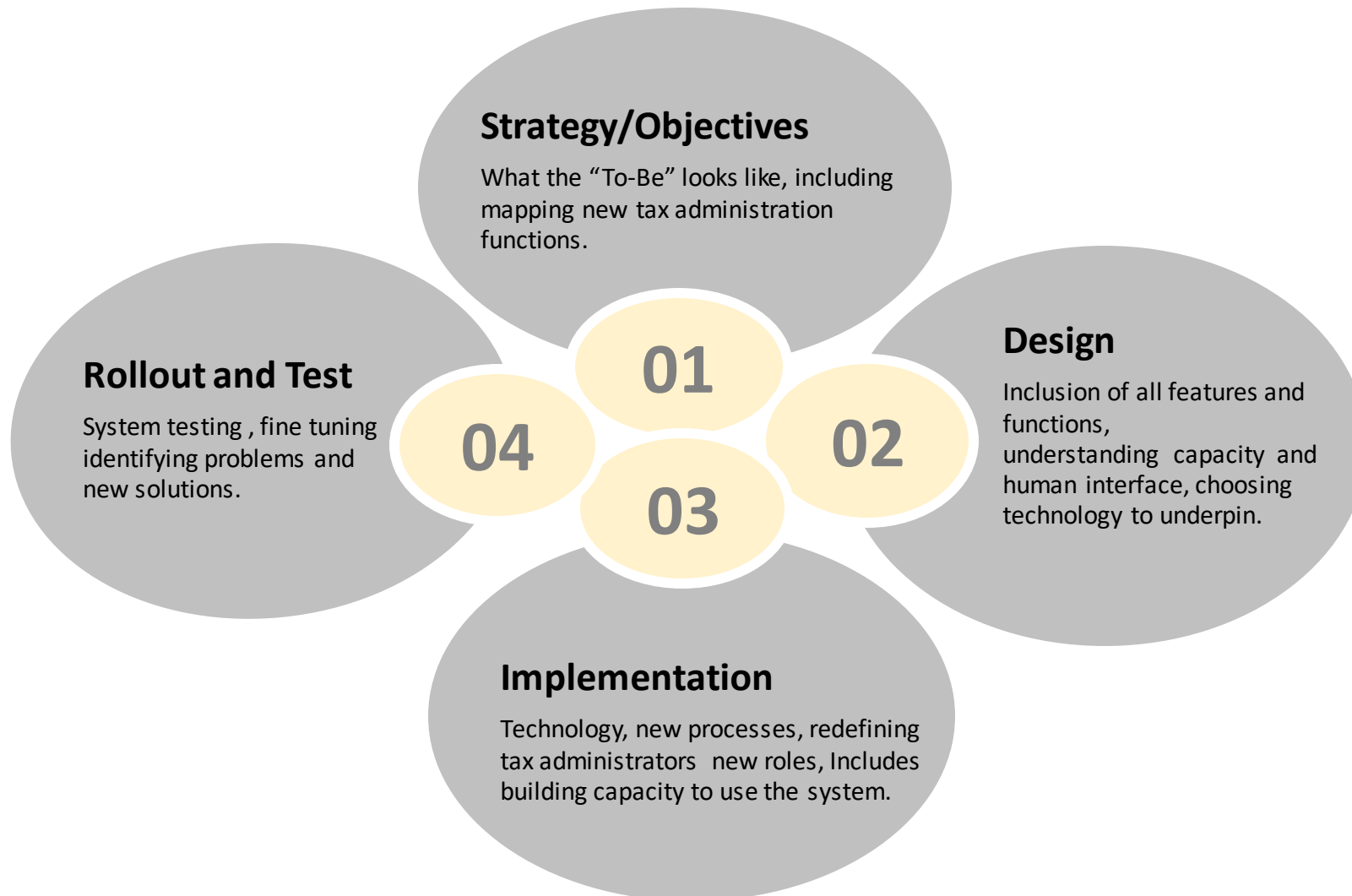
- Taking the baseline (A) and the specific vision (B) and determining how to get from A to B including:
 - Developing a change management plan and step-by-step implementation in the 6 areas listed under the baseline
 - Developing a timetable for implementation, determining if it will be phased and how
 - Developing a yearly budget
 - Developing a procurement plan
 - Carrying out the monitoring and evaluation framework
- Testing each output to ensure it is fit for purpose and is functioning as envisaged
- Revising and revisiting outputs and functions which are not operating as envisaged.





A Digital Transformation Roadmap Plays a Key Role

A Digital Transformation Roadmap is a blueprint for transformation, and looks like:





Digital Roadmap Inputs

- Baseline self-assessment
- Specific vision outputs
- Change management program
- Monitoring and evaluation program
- Input test data sets using historical data
- Creation of “robustness tests” for each of the new processes





Digital Roadmap Framework

- **Develop a concrete, step-by-step** plan to move from baseline to specific vision
- **Communicate the plan** to stakeholders before beginning
- **Create a set of milestones** and checkpoints along the way to measure progress and readjust if necessary.
- **Add a staffing/capacity building plan** to be in operation along side the process and technological changes.
- **Continue to hold stakeholder meetings** and report milestones





ADB Tools and Materials to Support your Digital Transformation

It aims to support DMCs to plan and launch a digital transformation of tax administration



ISSUES FRAMING PAPER
GUIDANCE NOTE



SELF ASSESSMENT TOOL
GUIDANCE NOTE



DIGITAL ROADMAP





Overview of ADB's Framing Paper for DMCs

The [report](#) and [blog](#) highlight key elements of the digital transformation process, including:

- ❖ An overview of **baselines**: how tax administrations look today
- ❖ **Possible endpoints**: options for digital transformation and what phased approaches could look like
- ❖ **Risks** associated with a transformation journey and how to mitigate them
- ❖ Measuring the **impact** of transformation
- ❖ Specific issues found in **developing countries**
- ❖ An approach to **Road-mapping** the journey



ASIAN DEVELOPMENT BANK



Digitizing Asia's Tax Agencies



By Nitesh Chandra, ADB Fellow

ADB Research





Questions? Comments?

