ADAPTING EUROPEAN REVENUE AGENCIES

Five axes of change for the challenges of tomorrow
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How will Europe’s revenue agencies meet the challenges they face? They are charged with providing public services more efficiently, closing the tax gap, improving compliance and meeting their customer base’s expectations of sophisticated digital services. And all of this demands complex organisational change – which must be managed. Yet, at the same time, resources are scarce: according to OECD research, six in 10 revenue agencies have already seen their headcounts shrink.

The answer lies in greater uptake of emerging technologies such as advanced analytics, machine learning, natural language generation and intelligent process automation. Public service organisations increasingly understand this: a recent Accenture study found that 51 percent of such agencies piloting these technologies had already noted positive gains, while 80 percent believed the technologies would improve their employees’ job satisfaction levels.

However, while good work is already going on, there is plenty of scope for further improvement. For example, one recent OECD report found that while most leading revenue agencies are now using advanced analytics applications in some areas of work – notably audit case selection – only a handful have begun exploring the possibilities in fields such as taxpayer service.
How will Europe’s revenue agencies overcome barriers – legacy systems, skills shortages and, in some cases, a lack of understanding of the potential among senior leaders – and reap the benefits of emerging technologies? Accenture believes revenue agencies must now pursue five distinct axes of change.
Embrace customer engagement

Commercial organisations that understand the desire of consumers to engage with them across multiple channels, with seamless processes embedded into every type of interaction are the inspiration for future taxpayer engagement models for leading Revenue agencies. Their customer engagement connects the organisation with its customers in a variety of interlinked ways and gives their service agents full power to respond appropriately to digital requests.

This sort of flexibility isn’t straightforward for revenue agencies to achieve, given the complexity of the environment in which they operate. But agencies are moving towards a more cooperative model in the business world. For example, businesses have traditionally filed their tax returns at the end of the tax year and then responded to any following queries from the agency – often long after the transaction in question was completed. Today, the shift is towards reporting transactions as they happen, so that interactions with revenue agencies take place simultaneously.

The shift to immediate interaction is in keeping with the broader experience of business. For example, the EU payment services directive marks the advent of open banking, where banks are mandated to enable other organisations – including revenue agencies – interact with their customers’ accounts directly through tools such as APIs that enable external access to data. This shift to real-time payment offers Revenue authorities the potential to enhance immediacy, transparency and certainty around the taxation aspects of a transaction. Tax reforms such as the OECD/G20 BEPS Project are part of a broader move towards transparency.

The impact on revenue agencies as they form part in this connected world of customer engagement will be profound. Until now, at most agencies, different functions have operated in silos, interacting with taxpayers separately and in isolation. Now, they must come together: customer service and compliance will need to operate as one in connecting with the future digital business ecosystem.

At the same time, as more information than ever flows into agencies on a continuous basis, rather than in concentrated returns at the end of the tax year, agencies will need to harness the power of this data. Artificial intelligence tools have enormous potential here.
Revenue agencies using technologies such as analytics, machine learning and artificial intelligence can generate crucial insight from the data flowing into their organisations. Those which simply implement technologies alongside their existing processes, however, are likely to be underwhelmed by the impact. Even agencies that move to data-driven processes (processes that change according to the information received) will not realise the full potential of these new tools.

Instead, these agencies must empower their workforces to address the insights generated by the data, and to change the way they work accordingly. Greater automation will be part of that process, but this is not to suggest that the workforce should somehow seek to out-robot the robots; rather, people must be given the freedom to tweak the tools in order to optimise the results. For agencies that want to take advantage of the insight generated by their data, this will be a crucial shift of mindset.

**Move to connected compliance**

Connected compliance represents the key to building a more engaged and cooperative relationship between the agency and its customers. Without it, compliance represents a roadblock.

Revenue agencies have traditionally depended on periodic reporting for compliance, with customers filing returns on set dates. The natural next step in the move towards cooperative working is transactional reporting, with customers returning their data as and when it is generated; however, this increases the burden on the agency, with the need for reconciliation work spiking higher as more data comes in over time. Connected compliance addresses this issue by allowing agencies to reach out for data as and when they want to check it.

This will require real-time connections between the machines of the agency and those of its customers. Taxpayers will no longer “tell” agencies about their affairs; they will make their information available to be checked when the agency feels the need to do so. The agency knows that when it looks for the data, it will be there and that it will be accurate.

Connected compliance will be powered by emerging technologies such as blockchain and distributed ledger tools. The ability to check usable truths on blockchain is set to play a vital role in machine-to-machine communication in compliance.
Revenue agencies will need to think about change differently. In the past, change management projects have involved long-term scoping and implementation workflows. Now, agencies need much greater agility in order to cope with continuous change.

An agile model of change means that the agency fixes cost, quality and time and then sets out to see what can be achieved within that period – usually a much shorter timeframe than in the past. At the end of the period, it assesses what has been achieved and moves on again.

What seems like a subtle shift actually has profound effects. The agency finds itself able to make incremental changes on a continual basis. It moves from operating in organisational silos to thinking in terms of value chains; from projects designed around traditional lifecycles of design, implementation, testing and so on, to a series of short implementations that follow on from one another; and from workflows that may run for many years to change programmes that take place over two or three months.

This way of working also smooths out the process of resource planning. Where the agency’s different functions previously had to cope with peaks and troughs in the need for resources, as projects ebbed and flowed, capacity is now allocated continuously.

There are already good examples of revenue agencies that have embraced continuous change. In Australia, for example, a project to deliver personalised digital services enabled the tax office team to make changes throughout the delivery phase in order to incorporate user feedback without increasing cost or risk.4
The final piece of the jigsaw is a newly empowered workforce, with staff who are prepared to be open, innovative and experimental – and are allowed to be so. This is a cultural shift with which some people may struggle, as structures become more fluid and tools such as automation and emerging technologies feel like potential threats.

Nevertheless, many revenue agency workers will relish these new ways of working, as their roles evolve from less fulfilling mechanical work to incorporate more challenging tasks. They will develop new skills based on insights rather than outputs and will experience a profound cultural shift towards greater responsiveness and collaboration.

Such changes won’t happen overnight, and agencies will need to support their workers as their roles change. But employees prepared to embrace this new way of working will flourish as their employers evolve to meet the challenges of tomorrow.
There will be no “big bang” moment as Europe’s revenue agencies prepare for the challenges of tomorrow. But evolutionary change, undertaken in small steps, can deliver impressive results. In the U.K., for example, HM Revenue & Customs\textsuperscript{5} launched its multi-channel digital tax platform after an extended period of steady digitalisation – within six months, it had introduced 28 new digital services, brought 4.4 million new business and personal customers on to its systems, and saved £8 million in operating costs.

In order to capture such benefits and meet head-on the challenges they face, revenue agencies need to rethink the way they operate and organise themselves. This is not a case of pursuing one thing over another: people, processes and powerful new technology will all drive transformation forward.
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