Preparing a digital transformation strategy for the Office of the Revenue Commissioners in Ireland

Deliverable 5 - Final Report

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1. Introduction

1.1 Introduction

Ireland requested in October 2020 support from the European Commission regarding the revenue authority's digital transformation. With this project, DG REFORM agreed to provide technical support to the Office of the Revenue Commissioners [hereafter: "Revenue"] with the aim of preparing a digital transformation strategy that would lift the Irish authority's degree of digitalisation to the next level.

The projects comprises of five deliverables:
- Deliverable 1: Inception Report;
- Deliverable 2: Feasibility Analysis of Digitalisation Possibilities;
- Deliverable 3: Digital Transformation Strategy & Action Plan;
- Deliverable 4: Change Management Plan;
- Deliverable 5: Final Report.

This final report provides an executive summary of the project, reflecting the main activities undertaken over the period of 14 months (May 2021 – July 2022), in particular those regarding key deliverables 2, 3 and 4.

1.2 Glossary

1.2.1 Project naming conventions

- **Deliverable** – One of five reports to be produced throughout the duration of the digital transformation strategy project.
- **Digital** – Refers to digital technologies such as electronic tools, systems, devices, and resources which generate, store, or process data.
- **Digitalisation** – Use of digital technologies to improve business processes and operations.
- **Digitisation** – Conversion of analogue data or information to that in a digital format. Often confused with digitalisation.
- **Initiative** – A grouping of projects which declare a strategic direction for the organisation. Expected to be multi-year, and multi-phased. Up to 8 initiatives are to be selected as part of the digital transformation strategy project.
- **Project** – A component of an initiative. Initiatives will typically contain several related projects.
- **Task** – A series of activities to be undertaken that will guide the production of a deliverable.
- **Transformation** – The creation of new business processes and systems through the application of emerging technologies.

1.2.2 Revenue/tax industry and other ICT-related definitions

- **Biometrics** – The application of a person's unique physical characteristics as a form of identification or access control for a given service.
- **Compliance-by-design** – Supporting customers in meeting obligations by embedding regulatory requirements into manual and digital tasks and processes. By so doing, it is easy to be compliant and hard to be non-compliant.
- **e-Invoicing** – Electronic invoicing, the digital exchange of invoice data in structured format using a recognised e-Invoicing standard such as PEPPOL.
- **Fintech** – Financial Technology, refers to a newer generation of financial products and organisations that use emerging technologies to improve financial services and payment facilitation.
- **ISO20022** – An emerging global and open standard for payments messaging, providing a common language and model for payments data.

- **Natural Taxation** – Embedding taxation processes within taxpayers' own systems and their ecosystem.
- **Taxpayers' Natural Systems** – Often termed ecosystems, are the set of interconnected elements through which taxpayers engage with their customers, other businesses, third parties as well as their own accounting, software, and technology solutions.
- **Open Banking** – A banking practice that provides third-party financial service providers open access to consumer banking, transaction, and other financial data with APIs.
- **PEPPOL** – Stands for Pan-European Public Procurement On Line. An international e-invoicing network that allows the secure sending of e-invoices to companies and governments worldwide.
- **PREM** – Internal Revenue term for Employer withholding taxes (PAYE/PRSI)
- **Retail Taxpayer** – An SME type business, or an individual taxpayer
- **Real-time taxation** – Taxation which is paid to the tax agency when the taxable event occurs, making use of various payment and ecosystem integrations.
- **Split Payments** –The capture and splitting of a single payment related to a business transaction between the maker of the payment (payer), recipient (payee), and tax agency. The payment is a single transaction without the need for the payer or payee to make a separate payment to the tax agency, facilitated through financial services/payment service provider ecosystem cooperation.
- **Tax Administration 3.0** – A publication by OECD in November 2020 which describes a future vision where taxation occurs as a natural part of business processes, where it is moved closer in time to when the taxable event occurs.
- **Taxable Event** – Any business transaction or an event in taxpayer's life that creates a tax liability or tax credit.
- **Wholesale taxpayer** – A large corporate entity or a tax agency.

2. Overall vision and key digitalisation principles

2.1 Ireland, EU, and International Background Context

From an Irish perspective, there has been a significant rise in non-EU trade due to the exit of the United Kingdom from the European Union. A reasonable proportion of Ireland's trade goes between Ireland and Great Britain, with a rising proportion going through Northern Ireland. A response to Brexit is included as part of Revenue's Statement of Strategy; however, this could be further addressed to some extent through further digitalisation of processes.

From a European perspective, a prevailing trend is the adoption of transaction-based reporting and e-invoicing, and its related technologies and various initiatives relating to the modernisation of the VAT tax head. The European Commission's DG TAXUD is currently seeking stakeholder input on the degree to which VAT rules are sufficiently modernised to account for increased digitalisation, particularly in the areas of (i) Digital reporting requirements, including e-invoicing; (ii) VAT treatment of the platform economy; and (iii) Single VAT registration in the EU. This is an ongoing endeavour.

Similarly, there are several developments in the Corporate Tax domain spearheaded by the OECD. In their paper "Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy", OECD have set out their views on addressing taxation in a modern digital economy. Pillar 1 aims to shift tax on large digital service providers into the countries in which their sales take place, with Pillar 2 seeking to establish a minimum global tax rate.

The OECD's Tax Administration 3.0 report, which heavily informs the Feasibility Analysis of Digitalisation Possibilities report (Deliverable 2), continues to represent an aspirational objective for Revenue. Revenue will therefore need to embed natural taxation and compliance-by-design through digital technology.

In addition, Revenue are currently exploring the modernisation of the VAT taxhead internally. This is an ongoing process involving multiple workstreams, and it is not intended for the digital transformation strategy and action plan (Deliverable 3) to overlap with Revenue's own efforts. It is also anticipated that a modernisation of Revenue's technological infrastructure is planned in the medium-term. These efforts will enable Revenue to handle data at a greater scale and will equip the organisation for some of the initiatives proposed as part of this strategy. The overall vision provided by this strategy developed in this project is complementary and supports Revenue's VAT modernisation and technical modernisation initiatives.

2.2 Aims and objectives of transformation strategy

The objective of the digital transformation strategy is to prepare Revenue for the next generation of taxation administration. The OECD Tax Administration 3.0 report highlights the key characteristics of the next generation of tax systems. These systems will better embed taxation within the natural systems of taxpayers so that tax processes are integrated into their daily lives and businesses. Consequently, solutions which promote compliance-by-design will emerge. This can reduce some of the existing friction between a taxpayer and the tax process overall. To some extent, this allows for some aspects of taxation to be put to the background. Similarly, the continued digitalisation of the society affords opportunities to create new efficiencies and system enhancements to enable better taxpayer engagement. Deliverable 2 also sets out how the future of tax administration is one where there can be increased interoperability of systems in the public and private domains, enabling the seamless sharing of data between tax agencies, ecosystem partners, and the Government.
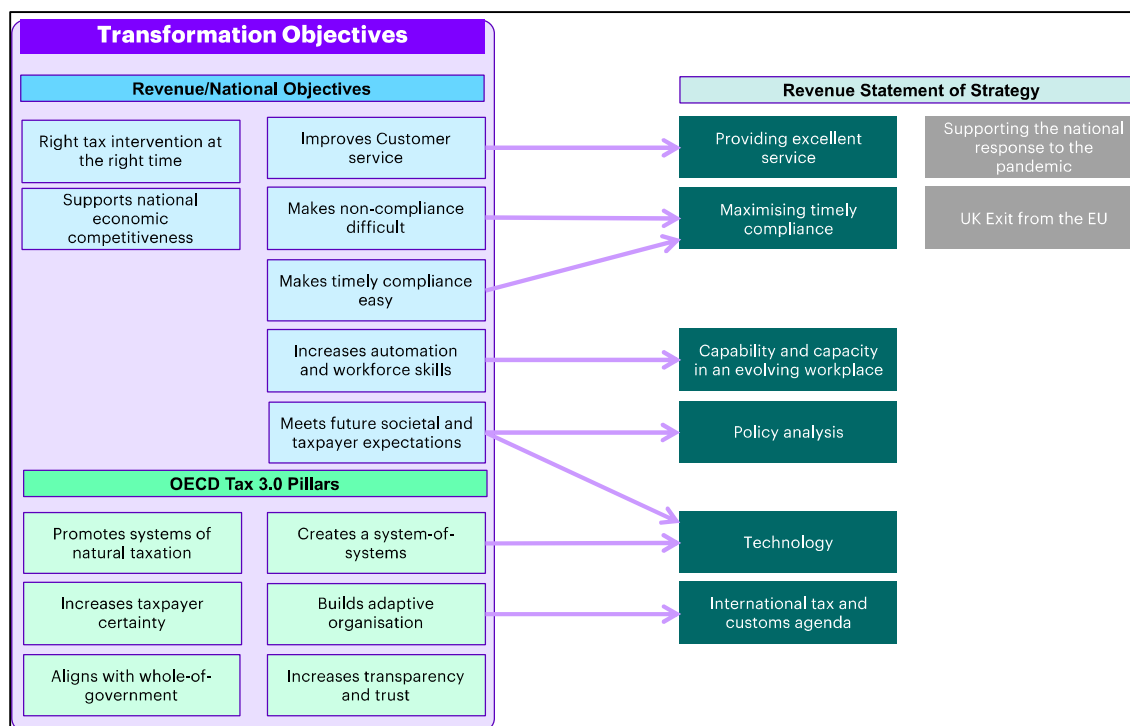
Revenue's goals remain to make it easy for taxpayers to comply, and harder for taxpayers not to comply. The strategy outlines the characteristics of future tax administration, and the initiatives Revenue may undertake to deliver tax administration of the future.

The strategy seeks to meet objectives aligned to the organisation, government, and national agenda by adhering to relevant strategic documents which were reviewed as part of the first deliverable, specifically the Civil Service Renewal 2030 strategy, Revenue's Statement of Strategy 2021-2023, OECD Tax Administration 3.0, and Revenue's ICT Strategy. Some additional relevant documentation was reviewed as part of this deliverable, notably, a recent publication from the Directorate-General for Internal Policies titled "Exploring the opportunities and challenges of new technologies for EU tax administration and policy". This document describes six levels of maturity of tax administrations, from basic digitisation to full scale digital transformation. This transformation seeks to focus on Level 5 in the below diagram.

Level 1	Level 2	Paradigm Shift	Level 3	Level 4	Transformational	Level 5	Level 6
e-File	e-Accounting		e-Match	e-Audit		e-Assess	e-Government
Use of standardised electronic form for filing tax returns required or optional; other income data (e.g., payroll and financial) filed electronically and matched annually	Submit accounting or other source data to support filings (e.g., invoices and trial balances) in a defined electronic format to a defined timetable; frequent additions and changes at this level		Submit additional accounting and source data; government accesses additional data (bank statements) and begins to match data across tax types, and potentially across taxpayers and jurisdictions , in real time	Level-2 data analysed by government entities and crosschecked to filings in real time to map the geographic economic ecosystem; taxpayers receiving electronic audit assessments with limited time to respond		Government entities using submitted data to assess tax without the need for tax forms; taxpayers allowed a limited time to audit government - calculated tax	All government interaction with citizens and enterprises digitalised; seamless international digital exchange of information between law enforcement and tax authorities in different countries

The objectives that were identified as being most applicable to the digital transformation strategy are applying the right tax interventions at the right time, improving customer service, supporting national economic competitiveness, increasing automation and workforce skills, making timely compliance easier, and making it difficult for customers to not comply. Revenue operates in an environment where the expectation of taxpayers and businesses are constantly evolving. It is essential that tax agencies remain modern and relevant in the way they operate. A further objective of the digital transformation strategy is to ensure the systems and processes of Revenue will meet future expectations of taxpayers and businesses.

Aligned to these transformation objectives are those set out by the OECD in their Tax Administration 3.0 report, where the future of tax administration is described. The pillars of Tax 3.0 as described in this report are promoting systems of natural taxation, increasing certainty for the taxpayer, alignment with whole-of-government initiatives, increasing transparency and trust, creating a system-of-systems, and building adaptive organisations. These pillars are described in more detail the next section.

Transformation Objectives

Revenue/National Objectives	
Right tax intervention at the right time	Improves Customer service
Supports national economic competitiveness	Makes non-compliance difficult
	Makes timely compliance easy
	Increases automation and workforce skills
	Meets future societal and taxpayer expectations

OECD Tax 3.0 Pillars	
Promotes systems of natural taxation	Creates a system-of-systems
Increases taxpayer certainty	Builds adaptive organisation
Aligns with whole-of-government	Increases transparency and trust

Revenue Statement of Strategy

- Providing excellent service
- Maximising timely compliance
- Capability and capacity in an evolving workplace
- Policy analysis
- Technology
- International tax and customs agenda
- Supporting the national response to the pandemic
- UK Exit from the EU

The strategy is set in the context of an ever-changing business and technology environment. The strategy outlines a series of initiatives to achieve the goal of making it easier for taxpayers to comply and harder for them not to comply. The initiatives identified in this report are informed by Revenue's Statement of Strategy and by the digital transformation strategy objectives (both Revenue/National objectives and OECD Tax 3.0 pillars), as outlined above.

2.3 Tax Administration 3.0

OECD's publication, Tax Administration 3.0: The Digital Transformation of Tax Administration, forms the basis for Revenue's digital transformation strategy. This OECD report was produced through consultation with eight leading tax agencies over two years (published in November 2020) and is a critical document to inform Revenue's strategy.

The report describes a future vision where taxation occurs as a natural part of business processes, and where it is moved closer in time to when the taxable event occurs. Six pillars are used to describe this future vision. The Revenue and project teams used these pillars to directly inform the strategy, and liberal references to them are included throughout this report.

- **Embedded within taxpayer natural systems**
  - o Adapting taxation processes to fit in with taxpayers' natural systems will facilitate compliance by design and "tax just happening".
- **Part of a resilient "system of systems"**
  - o Many digital platforms will also become "agents" of tax administration carrying out tax administration processes within their systems. Public and private actors join-up in collaborative governance models.
- **Real-time tax certainty provider**
  - o In order to stay synchronized with daily life and business transactions and events, tax administration processes will be increasingly real-time or close to real-time.
- **Transparent and trustworthy**

- o Citizens and businesses can check the origin and accuracy of the data used and can grant or deny access to personal data sources not required for tax purposes.
- **An integrated part of whole of government**
  - o Taxation is increasingly joined-up with other government services and functions, as well those of private actors, Payments, benefits and refunds are matched and balanced from a citizen and business perspective.
- **A human touch and high-tech adaptive organisation**
  - o The key success factor is the intertwining of human staff and skills with advanced analytics and decision-supporting tools such as AI.

2.4 North Star Vision

The project team and Revenue team agreed on a vision which will guide the shaping of the to-be journeys for the identified initiatives. The Feasibility Analysis of Digitalisation Possibilities report (Deliverable 2) describes that the objective of the digital transformation strategy is to prepare Revenue for the next generation of tax administration. Further digitalisation of tax administration is described in OECD's November 2020 publication "Tax Administration 3.0: The Digital Transformation of Tax Administration". This report describes a future vision of taxation occurring in real-time, or closer to the taxable event, and as part of natural processes and systems. This formed the basis of the project's analysis of digital transformation possibilities.

Informed by the insights gathered during Deliverable 2 and by Tax Administration 3.0, it was agreed that Revenue will seek to reshape processing for major taxes by embedding tax calculation and payment into taxable events, making tax a simpler more natural part of transactions, and improving tax compliance.

The North Star Vision can be described in two parts: **Built-in Compliance** and **Collaboration**. Beneath these two pillars are a set of four principles, which primarily emerged from the project team's conversations with Revenue stakeholders and taxpayers during Deliverable 2, as well as through leaning on prevailing trends in other jurisdictions. These principles, described in detail below, are also reflected in OECD's Tax 3.0, which seeks to combat non-compliance, through applying more natural mechanisms to capturing tax in real-time. To get to this space where tax can occur in real-time, Revenue would need to further develop their partnerships with ecosystem partners, both with government entities and with other organisations and individuals (banks, intermediaries, software companies, etc.).

Built-in Compliance		Collaboration	
Seamless Taxation Increased automation and the evolution of real-time payments embeds taxation within transactions. "Natural Taxation" as this sometimes referred to will be adopted by Revenue makes compliance easy and makes it had not to comply. It increases the automation of tax and the economy.	**Real-time risk management** Real-time risk management is enabled by natural taxation. Revenue will include the real-time risk assessment and respond appropriately to compliance risk as part of the natural taxation process.	**Expanded partnership** Natural Taxation relies on an extensive ecosystem with connected businesses and software companies to engage in real-time with Revenue. The ecosystem assures the accuracy of taxation, real-time remission of tax payments and supports where appropriate automated refunds/payments	**Continued digital government leadership** Revenue recognises the importance of an integrated approach to digital government. It will lead and work collaboratively to create a government digital infrastructure that supports real-time taxation. Such capabilities includes shared digital identities, integrated transactions where multiple government entities are concerned, shared digital infrastructure, shared ecosystem engagement and digital policy initiatives focussed on national competitiveness and security

The digital transformation strategy will prepare Revenue to respond to the next generation of digitalisation in the economy. Tax Administration 3.0 describes a vision where taxation occurs as part of the natural process, concurrent with the taxable event. The North Star Vision reflects this vision, and the transformation strategy seeks to move many systems and processes into a Tax 3.0 world.
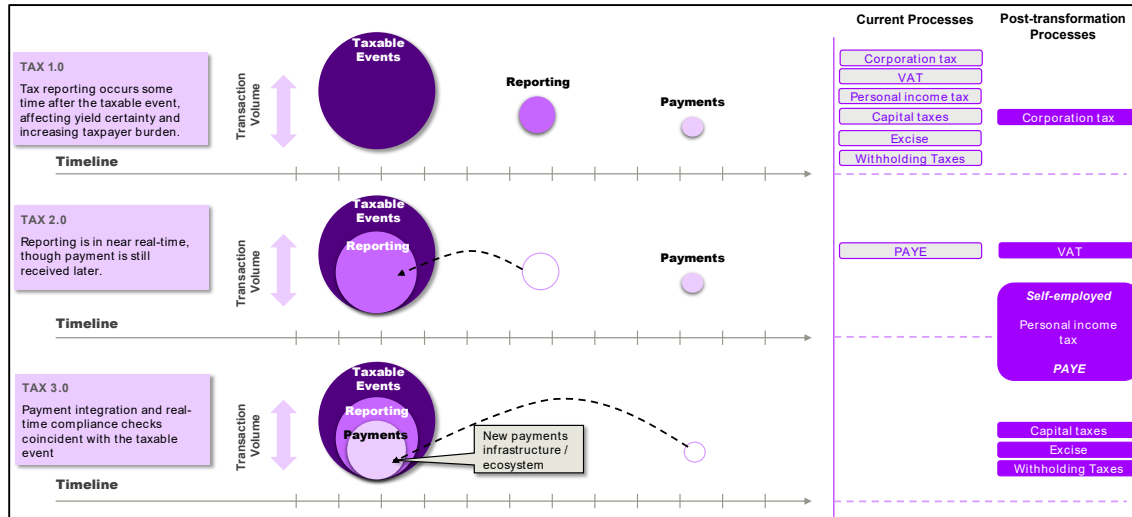
The move to Tax 3.0 will result in changes to existing processes across several tax heads. Some tax processing is still very much in a Tax 1.0 world, where tax reporting and payment takes place long after the taxable event occurs. The move to real-time payments and the expanded range of ecosystem partners will enable a shift from 1.0 to 3.0 for taxes like Capital Taxes and Withholding. Similarly, there are opportunities in the excise domain to enable this movement to real-time compliance checks and payment integration with the taxable event. With respect to Personal Income Tax, it is accepted that not all processes will move to Tax 3.0 as part of this transformation, as the complex affairs of some taxpayers will necessitate post-event returns and, in some cases, post-event payments or refunds. The diagram above reflects how Personal Income Tax will be a real-time Tax 3.0 experience for PAYE taxpayers and those with less complex affairs. With respect to the shift to natural systems of taxation, Corporation Tax is a notable exception. Owing to the nature of this tax head and the ecosystem partners that would be required to enable a shift to real-time tax, it was decided that this tax head would not be addressed as part of this transformation.

2.5 Digitalisation Initiatives

The review and approval process for the Deliverable 2 report included an initiative selection activity that was performed by Revenue. The initiatives selected by Revenue's Management Board are:

1. Capital Taxes Modernisation
2. Automated Compliance
3. Automated taxpayer engagement
4. Personal Income Tax Consolidation
5. Withholding Expansion and Split Payments
6. Digital tracking for Excise
7. Payment Ecosystem Development

These seven initiatives represent the elements of Revenue's Digital Transformation Strategy to be assessed as part of this project and are described in more detail in this document as well as in Deliverables 2 and 3.

2.6 Implications of Strategy

Aligned to OECD's Tax Administration 3.0 vision, Revenue will need to embed natural taxation and compliance-by-design through digital technology. Revenue will seek to reshape the taxation process for major taxes by embedding taxation into the taxable event to support their taxation objectives namely making timely compliance easy, non-compliance more difficult, applying the right tax intervention at the right time, improving customer service, supporting national economic competitiveness, and increasing automation and workforce skills.

The key enablers for this strategic shift are two-fold. An expanded, real-time use of ecosystem partners and partnerships to enable compliance-by-design initiatives; and infrastructure to support a broader range of payment mechanisms including split payments to support the payment of tax at the time of the taxable event.

The shift to tax 3.0 will have several implications for Revenue, its ecosystem partners, and taxpayers. Most of all, there will be an increase in the volume of transactions where tax is collected as taxation will occur on a broadly real-time basis. Tax will be collected when the event occurs, or as close to the event as possible. In doing so, non-compliance will become much more difficult, and compliance easier for most taxpayers. Future interactions with taxpayers will be informed by more detailed data, more up to date data and a richer set of data sources. Due to the real-time nature of taxation, fewer taxpayers will be required to submit a return, resulting in greater certainty of the tax yield for Revenue and reduced overall burden for the taxpayer. Similarly, the type of engagement with ecosystem partners will be radically different. Partners within the financial services domain will be highly engaged with Revenue, and agents and intermediaries will have key roles in automating transactions.

All of this will result in cultural changes for Revenue. The nature of work will change, becoming more complex. Taxpayer interactions through support channels will become more personalised and targeted, and compliance will broadly shift to automated, real-time processing, with the role of post-event checks being reduced but being similarly targeted in nature as they will be informed by data supporting the identification of relevant cases for investigation. Increased complexity and the removal of the routine can result in improved morale within the organisation.

3. Feasibility Analysis

3.1 Approach to Feasibility Assessment

Activities completed to produce the feasibility report (Deliverable 2) comprised of various research and discovery initiatives, including a series of interviews with internal stakeholders, external qualitative research conducted through interviews with taxpayers, and the identification of relevant national and global trends.

The work completed during this phase allowed the team to assess the identified digitalisation needs and possibilities, analyse a series of identified initiatives in detail, and describe relevant digitalisation initiatives and. The project team and Revenue used the insights captured through research activities to make a series of choices relating to Revenue's desired transformation trajectory.

DISCOVERY ACTIVITIES SUMMARY

8	17	17
Assistant Secretary interviews completed	**Taxpayer and Tax Software Provider interviews completed**	**Global industry trends analysed**

52 unique opportunities
20 challenges and enabling factors

170 items of feedback
106 factors indicating service expectations
25 factors indicating scepticism of digital opportunities
39 unique opportunities

30 industry trends shortlisted for inclusion

Informed by investigations into prevailing trends in the tax industry, insights derived from conversations with internal Revenue stakeholders, and interviews with taxpayers across multiple tax-paying cohorts, the project team was able to identify a variety of concepts which could eventually form part of a digital transformation strategy reflective of vision set out by OECD in their Tax Administration 3.0 report.

All concepts that emerged from our research were examined. Those concepts which met the criteria of being closely aligned to prevailing industry trends, being of particular interest or relevance to taxpayers, or being of importance and significance to internal stakeholders were highlighted and examined in detail. Concepts which did not appear in our trends, which were frequently received poorly by taxpayers, or which were seldom discussed in our internal stakeholder interviews were discarded. Concepts with a high degree of relevance to the previously identified trends were examined in some more detail, and external examples of similar implementations of these concepts were consulted where available. This enabled the project team to examine and understand the underlying potential applications of these concepts within the Irish Revenue context. Over sixty individual concepts that had potential for inclusion in Revenue's digital transformation strategy emerged from this initial analysis.

All concepts which were being discussed at this point were examined against the six pillars in OECD's Tax Administration 3.0 report. The intent was to ensure that the identified concepts were sufficiently transformative and reflective of the future of tax administration. The concepts were eventually combined and distilled down to a series of initiatives. From this shortlist of initiatives, seven were selected by Revenue for further investigation

as part of Deliverable 3 (selected initiatives highlighted in **bold**, initiatives that were removed from consideration early in the prioritisation process in *italics*).

- **Payment-within-transaction Capital Taxes**
- **Personal Income Tax Consolidation**
- **Withholding Expansion and Split Payments**
- **Digital Tracing for Excise**
- **Payment Ecosystem Development**
- **Automated Compliance**
- **Automated Taxpayer Engagement**
- Continuous Transaction Control for VAT
- Technical Modernisation
- People Infrastructure
- *Digital Cross-Government*
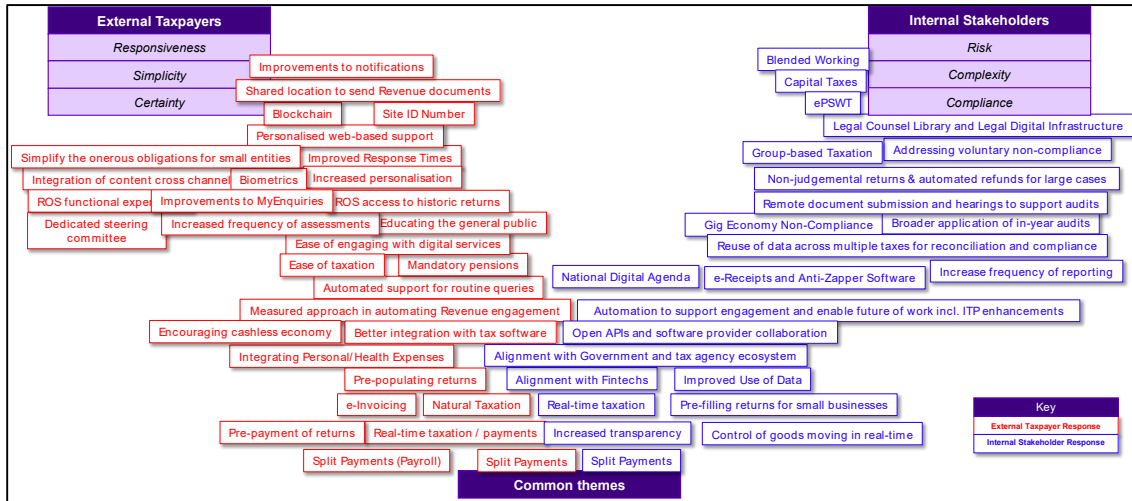- *Corporation Tax Modernisation*

3.2 Analysis of Initiatives

An initial prioritisation exercise was carried out on these initiatives, as was an analysis to understand the degree to which each initiative aligned to the transformation objectives. It was identified that many of the initiatives mapped closely with the transformation objectives. These objectives are reflective of Revenue's own transformation expectations, and of OECD's six pillars of tax administration 3.0. Some initiatives have greater coverage across the objectives than others, as shown below:

Initiative									
Payment-within-transaction Capital Taxes	Makes timely compliance easy	Makes non-compliance difficult	Increases automation and workforce skills	Supports national economic competitiveness	Meets future societal and taxpayer expectations	Promotes systems of natural taxation	Increases taxpayer certainty	Creates a system-of-systems	Aligns with whole-of-government
Personal Income Tax Consolidation	Makes timely compliance easy	Increases automation and workforce skills	Meets future societal and taxpayer expectations	Promotes systems of natural taxation	Increases taxpayer certainty	Aligns with whole-of-government	Increases transparency and trust	Builds adaptive organisation	Creates a system-of-systems
Withholding Expansion and Split Payments	Increases automation and workforce skills	Makes timely compliance easy	Makes non-compliance difficult	Meets future societal and taxpayer expectations	Promotes systems of natural taxation	Increases transparency and trust	Creates a system-of-systems	Builds adaptive organisation	Aligns with whole-of-government
Continuous Transaction Control for VAT	Makes non-compliance difficult	Supports national economic competitiveness	Improves Customer service	Increases automation and workforce skills	Creates a system-of-systems	Builds adaptive organisation			
Digital tracking for Excise	Makes timely compliance easy	Makes non-compliance difficult	Right tax intervention at the right time	Supports national economic competitiveness	Meets future societal and taxpayer expectations	Increases transparency and trust	Creates a system-of-systems		
Payment Ecosystem Development	Improves Customer service	Supports national economic competitiveness	Meets future societal and taxpayer expectations	Promotes systems of natural taxation	Aligns with whole-of-government	Creates a system-of-systems	Increases transparency and trust		
Technical Modernisation	Builds adaptive organisation								
Automated Compliance	Improves Customer service	Increases automation and workforce skills	Makes non-compliance difficult	Meets future societal and taxpayer expectations	Increases transparency and trust	Builds adaptive organisation	Increases taxpayer certainty		
Automated Taxpayer Engagement	Improves Customer service	Increases automation and workforce skills	Meets future societal and taxpayer expectations	Increases transparency and trust	Aligns with whole-of-government	Increases taxpayer certainty			
People Infrastructure	Builds adaptive organisation								

Legend:
- Revenue/National Objectives
- OECD Tax 3.0 Pillar

A series of analyses were also conducted on the alignment of initiatives to taxpayer and Revenue stakeholder feedback. It was identified that the initiatives are reflective of the outputs of the external taxpayer and internal stakeholder interviews. Diverse themes were discussed in the conversations with taxpayers and stakeholders, but there was a good degree of commonality as well. Illustrated in the next diagram are a series of themes and concepts that emerged from these conversations.

External Taxpayers
- *Responsiveness*
- *Simplicity*
- *Certainty*

Internal Stakeholders
- *Risk*
- *Complexity*
- *Compliance*

Improvements to notifications

Shared location to send Revenue documents

Blockchain · Site ID Number

Personalised web-based support

Simplify the onerous obligations for small entities · Improved Response Times

Integration of content cross channel · Biometrics · Increased personalisation

ROS functional exper · Improvements to MyEnquiries · ROS access to historic returns

Dedicated steering committee · Increased frequency of assessments · Educating the general public

Ease of engaging with digital services

Ease of taxation · Mandatory pensions

Automated support for routine queries

Measured approach in automating Revenue engagement

Encouraging cashless economy · Better integration with tax software

Integrating Personal/Health Expenses

Pre-populating returns

e-Invoicing · Natural Taxation · Real-time taxation

Pre-payment of returns · Real-time taxation / payments · Increased transparency

Split Payments (Payroll) · Split Payments · Split Payments

Common themes

Blended Working · Capital Taxes · ePSWT

Legal Counsel Library and Legal Digital Infrastructure

Group-based Taxation · Addressing voluntary non-compliance

Non-judgemental returns & automated refunds for large cases

Remote document submission and hearings to support audits

Gig Economy Non-Compliance · Broader application of in-year audits

Reuse of data across multiple taxes for reconciliation and compliance

National Digital Agenda · e-Receipts and Anti-Zapper Software · Increase frequency of reporting

Automation to support engagement and enable future of work incl. ITP enhancements

Open APIs and software provider collaboration

Alignment with Government and tax agency ecosystem

Alignment with Fintechs · Improved Use of Data

Pre-filling returns for small businesses

Control of goods moving in real-time

Key
- External Taxpayer Response
- Internal Stakeholder Response

The concepts which emerged from these discussions were also mapped back to the ten initiatives which were eventually loosely ranked and prioritised. This mapping is illustrated below:

Initiative	External Taxpayer Themes		Common Themes			Internal Stakeholder Themes	
Payment-within-transaction Capital Taxes	Ease of taxation		Real-time taxation	Split Payments		Capital Taxes	
Personal Income Tax Consolidation	Ease of taxation		Real-time taxation	Integrating Personal/Health Expenses	Pre-filling returns		
Withholding Expansion and Split Payments	Ease of taxation	Encouraging cashless economy	Real-time taxation	Split Payments	Pre-payment of returns	Gig Economy Non-Compliance	ePSWT
Continuous Transaction Control for VAT			Real-time taxation	E-invoicing		e-Receipts	Non-judgemental returns & automated refunds for large cases
Digital tracking for Excise						Control of goods moving in real-time	
Payment Ecosystem Development						Alignment with Fintechs	
Technical Modernisation			Open APIs and software provider collaboration			Automation to support engagement	Remote document submission and hearings to support audits
Automated Compliance			Broader application of in-year audits			Reuse of data across multiple taxes for reconciliation & compliance	Legal Counsel Library and Legal Digital Infrastructure
Automated Taxpayer Engagement	Automated support for routine queries	Ease of engaging with digital services	Increased personalisation				
People Infrastructure	Personalised web-based support	Improved Response Times	Biometrics	Integration of content cross channel		Blended Working	Automation to enable future of work

Taxpayers' expectations can be summarised as wanting greater certainty, improved responsiveness, and increased simplicity in their engagements with the tax process. As such, a key focus for the horizontal, product-based initiatives is the introduction of natural systems of taxation. Similarly, many of the concepts which emerged in our discussions with taxpayers related to improving the engagement process. Consequently, many of the projects in the Automated Taxpayer Engagement initiative closely align with taxpayer desires.

Themes that emerged from stakeholder interviews were much more diverse. The concepts that emerged here reflected the varied background of the assistant secretaries that were interviewed and were related to both vertical and horizontal initiatives. That said, several concepts were frequently mentioned, notably addressing Capital Taxation, financial services ecosystem alignment, non-judgemental returns, and a strong emphasis on re-thinking the approach to compliance. These concepts are reflected throughout the list of ten initiatives.

Concepts that were common between both taxpayers and stakeholders were real-time taxation, mechanisms to facilitated ease of taxation (like split payments, pre-filling returns, and pre-payment of returns), as well as new approaches to collections, compliance, and increased collaboration.

3.3 Selection of Initiatives

Following the analysis completed during Deliverable 2, the Revenue team was equipped to make an informed selection of seven initiatives for further investigation. The final list of selected initiatives is shown below, and each initiative is described in detail in chapter 4 of this report:

- Payment-within-transaction Capital Taxes
- Personal Income Tax Consolidation
- Withholding Expansion and Split Payments
- Digital Tracing for Excise
- Payment Ecosystem Development
- Automated Compliance
- Automated Taxpayer Engagement

4. Selected digitalisation initiatives

4.1 Capital Taxes Modernisation

1. **Opportunity**

   Revenue relies on customers to self-declare capital tax situations. Customers may be unaware of their obligations. Compliant customers and their advisors need to complete multiple forms to fulfil the obligations for different taxes. Revenue can potentially redesign capital tax events to capture the tax in real time. Calculation and remittance of capital taxes could happen when transaction occurs. Burden would be reduced for the customer.

2. **Description**

   Increased capital tax compliance through modernisation of CGT, CAT and Stamp Duty. Capital taxes for individual taxpayers will in general be reported and paid in real-time. Property transfers, investment gains and losses, inheritances, gifts etc. are subject to real-time reporting and payment. Business taxpayers' capital taxes are also subject to reporting and payment in real-time. Agents will require software to support real-time connection, reporting and payment to Revenue as part of conducting the transaction. Their digital ecosystems will connect in real-time with Revenue to report, receive tax instruction and to make payments to Revenue. Agents will report and pay in real-time on behalf of the taxpayers and confirming the nature of capital tax transactions to Revenue. Agents will typically act as intermediaries in transmitting payments and as such they will be responsible for remitting the appropriate tax. Creation of an ecosystem to connect Revenue more strongly with these agents (PRA, legal and accounting partners) in a digital manner, to support the real-time payment of capital taxes when the capital tax event arises. Integrate the processing of CGT, CAT and Stamp Duty so that the burden on the taxpayer is minimised, and Revenue have full visibility of the impact of a transaction across all capital taxes.

4.2 Automated Compliance

1. **Opportunity**

   Digitalisation provide an opportunity to re-focus compliance on real-time risk control, and to reimagine how post-event control is undertaken. Today's compliance processes are focused on post-event compliance interventions and collection capabilities. Changing the compliance focus to manage risks in real time coincident with the transaction creates the need to engage in real-time with the taxpayer to mitigate the risk. Revenue have already made strides in this direction including the processes for near real-time risk assessment for VAT and PAYE refunds. Traditional compliance processes have the potential to using digital tools and a broader platform of data. Online collaboration tools with taxpayers can expedite the audit process, increase the number of audits Revenue can perform overall, and reduce the burden for the taxpayer.

2. **Description**

   This initiative has two components. One addressing the management of risk at the time of the event, and the other addressing post-event compliance management. Real-time risk management will involve real-time interaction with the taxpayer and their ecosystem to mitigate a risk. The nature of the engagement may vary by tax. The ecosystem will vary across the taxes. The ecosystem includes software suppliers, tax advisors, legal advisors, employers, banks, and potentially payment service

providers. Participation in the ecosystem will involve sharing data with Revenue and is likely to require some form of licensing or testing of software which connects to Revenue. However, the processes to define and manage risk, and to connect with taxpayers and their ecosystems, will have many commonalities across the taxes and ecosystems. The expansion of Revenue's Digital tools to manage and control audits and collection activity will enable taxpayers and Revenue to share data and insights more quickly and easily to providing a pool of electronic evidence where necessary. These tools may be expanded to the prosecutions and investigations domain with other government bodies where appropriate.

4.3 Automated Taxpayer Engagement

1. **Opportunity**

   Digitalisation should simplify and reduce customer's interactions with Revenue overall. However, engagement will still be required, and the opportunity exists to automate and personalise many aspects of engagement particularly where taxpayers have enquiries, clarifications, and need support. This opportunity builds on both the breadth of tools and channels now available and the data now available to personalise the transaction. Ultimately, automating engagement reduces the taxpayer burden and increases Revenue's resources for supporting compliance activity.

2. **Description**

   Customer service technology is evolving rapidly incorporating features offered by taxpayer's platforms such as laptops and mobile phones, drawing on taxpayer's ecosystem to personalise experiences and incorporating artificial intelligence such as natural language processing and video analytics to make interfaces more natural. Revenue will need to adopt the new technologies to address specific engagement requirements across the different taxes. Some of the requirements are better addressed by "retail" type experiences, others are best addressed by "wholesale" type engagement. The initiative will build capabilities which can be deployed across multiple different taxes to support and automate engagement. This includes automated routing of interactions from many channels, the potential adoption of biometrics, and the support of chatbots/voice-bots where appropriate.

4.4 Digital Tracing for Excise

1. **Opportunity**

   Digitalisation provides an opportunity to redefine how Revenue connects with the supply chain for excisable products to reduce the supply of counterfeit goods and improve the provenance of such product in Ireland. The opportunity includes exploring the potential of IOT technologies to assist in the administration of fuel related excise. The use of real-time technology as an alternative solution to address the provenance of tobacco. Proliferation of digital payments provides an opportunity to re-examine the use of bonded warehouses for the control of excise on alcohol.

2. **Description**

   This initiative will modernise the supply chain controls for tobacco, fuel, and alcohol, introducing real-time reporting and payments founded on the use of appropriate track and trace technologies. It would include working closely with the ecosystem of suppliers both within the state and those suppliers exporting to Ireland. It would also potentially include the provision of a capability for consumers of alcohol and tobacco to assure the provenance of goods in real-time.

4.5 Personal Income Tax Consolidation

1. **Opportunity**

    The opportunity exists to remove the obligation for many personal customers to file PAYE/Income Tax returns or make tax relief claims online. This opportunity would also result in reduced customer contacts with Revenue. Personal income tax compliance will be improved by digitally capturing more sources of income and credits/expenses and automatically calculating the tax/claim due. While some taxpayers will still need to complete or confirm a tax return, this return will be pre-filled with more accurate data. The capture of this data in and tax implication in real-time means Revenue may present a complete and up to date picture of a taxpayers position at all times, reducing the number of obligatory return filers and increasing the number who can simply affirm Revenue's calculations. There is also an opportunity to support those who struggle to claim tax credits by automatically giving their tax credits to them, which improve the accuracy of the personal tax system. There is an opportunity to smooth the payments profile for self-employed taxpayers to help them manage their tax affairs better.

2. **Description**

    This initiative changes the obligation to file a tax return for many taxpayers by capturing tax and tax credit claims automatically during the tax year and offering an end of year statement to the taxpayer confirming how they have met their tax obligations throughout the year. Taxpayers who have obligations which fall outside the domain of captured data must still complete a return adjusting the pre-filled statement. Revenue may ask taxpayers to confirm the accuracy of the statement depending on the compliance risk. This initiative will simplify and further pre-populate the form for those needing to fill out an income tax form. The initiative will involve building an ecosystem with providers of income and relevant expenses so that the income and expenses are appropriately credited to a taxpayer's account during the tax year in real time. It may also involve building out an ecosystem with financial service providers to enable customers better manage tax affairs through the year. It is intended that the consolidation of the personal tax system will disengage a wider number of taxpayers from needing to actively engage with the tax system. It will simplify the interactions for the remainder so that more interactions can be dealt with automatically. However taxpayers will receive a annual statement of their affairs and will be obliged to correct inaccuracies in such a statement. Numbers of refunds will reduce as tax expenses will be credited in year automatically, extending the coverage of tax credits to taxpayers who for whatever reason choose not to engage with Revenue to claim a tax credit. Overall compliance is expected to rise as various informal incomes are included in the automated tax withholding system.

4.6 Withholding Expansion and Split Payments

1. **Opportunity**

    The broader and more accurate real-time application of withholding can improve overall tax compliance for several existing taxes and new potential areas for taxation, including PREM, ePSWT, DWT, and Relevant Contracts Tax (including potential new areas of taxation such as digital platform income for personal taxpayers and a broader definition of relevant contracts). Withholding tax payment today is not typically made when the withholding event happens creating compliance risk. Compliance risk can reduce overall by accurately calculating and collecting tax naturally as part of withholding transaction.

2. **Description**

    Build on the model provided by PMOD to calculate taxation in real-time, expand the PMOD model to include the payment of withholding tax at the time of the event, take advantage of new payment standards, most notably ISO 20022 to split the payment and capture the event in one payment

transaction simplifying the audit and control of these taxes. Provide appropriate transparency to taxpayers to see their tax position in real-time.

4.7 Payment Ecosystem

1. Opportunity

Financial ecosystems provide the opportunity to better support taxpayers reducing their burden and to increase their compliance. Financial services are evolving with the role of payment providers and banks changing. The adoption of split payments for taxation is an opportunity to ensure compliance by design. Similarly, the potential introduction of central bank-backed digital currencies may represent an additional opportunity to ensure compliance-by-design.

2. Description

This initiative includes the integration with banks and payment service providers to support taxpayers in making payments, potentially connecting with Revenue using shared identities, managing tax obligations, and undertaking collections activity directly online. This initiative also includes laying the foundation for the application of split payments for taxation in terms of the agreement of standards, the identification of appropriate platforms to split payments, and the legal framework to support the collection of tax through split payments. It will also involve the creation of proof-of-concept pilots to prove how split payments might be applied, and the support of the split payment components of the product-based initiatives. This initiative also includes the targeting of opportunities provided by the evolution of the central bank-backed digital currency.

3. Additional factors for consideration

Initially, Revenue should and align their approach for:

- Establishing new collaborative and working relationships with financial institutions, payment service providers, and other intermediaries in the payment domain, and
- Taking advantage of the opportunities presented by ISO20022.

The application of ISO20022 and the development of Revenue's ecosystem of financial partners are crucial to enabling several initiatives described throughout this report.

Revenue should also explore the emerging developments described above and understand how they might enhance Revenue capabilities or require Revenue to develop new capabilities, specifically Request to Pay, Confirmation of Payee, Open Banking, and the use of Digital Assets.

ISO20022 and the creation and management of new relationships with partners in the payment domain are horizontal initiatives and largely act as an enabler for other initiatives. Therefore, they should be developed in tandem with a vertical initiative, not independently.

5. Action Plan

5.1 Sequencing

The roadmap plan is divided into three phases:

- **Phase 1 – Pilot**
  - A pilot phase during which a focus will be on ecosystem expansion in the payments domain, which will enable later tax modernisation initiatives. Related to this expansion will be the introduction of Split Payments, and the linkage of a tax modernisation initiative (e.g., Withholding) with a pilot Split Payment initiative. The primary purpose of the pilot will therefore be a proof of concept set out by the Withholding modernisation initiative, as well as introducing and progressing the various legislative changes that will enable` subsequent phases of the transformation. The pilot initiatives will also be enabled by improved and easier digital authentication.
  - It is expected that the key activities in this phase will take approximately 18 to 24 months.

- **Phase 2 – Modernisation by Tax**
  - The second phase establishes the foundations and builds out the four tax modernisation initiatives (five, including the VAT Modernisation initiative). This involves the further expansion of Revenue's ecosystem and the roll-out of initiatives across Withholding, Personal Income Tax, Capital Taxes, and Excise that will enable real-time or near-real-time taxation. Alongside this, there will be efforts to improve and further automate elements of taxpayer engagement – in part through making use of the additional data that will be afforded through tax modernisation.
  - It is expected that the key activities in this phase will take approximately 4 to 6 years.

- **Phase 3 - Consolidation**
  - The focus for phase three shifts to compliance, and the introduction of mechanisms that will automate compliance processing particularly focussed on real-time compliance management of natural tax transactions. Alongside this, it is likely that some outstanding activities relating to tax modernisation from phase 2 will need to be completed. These outstanding tasks would therefore be completed during phase 3.
  - It is expected that the key activities in this phase will take approximately 2 to 3 years.

5.2 Roadmap visualisation

Ordering is indicative and subject to Revenue business priorities

	Phase 1 Pilot (18-24 Months)	Phase 2 Modernisation by Tax (4-6 Years)	Phase 3 Consolidation (2-3 Years)
	• Development of payment ecosystem • Withholding pilot • Preparation of legislative changes • Digital identity management	• Expanded withholding ecosystem • Development of other tax ecosystems • Expanded taxpayer engagement • Digital Modernisation by taxhead	• Resolution and completion ecosystem, legislative, and technical dependencies which are outstanding after phase 2 • Focus shifts to improved compliance • Compliance is refactored to real-time

Payments Transformation

Payment Ecosystem Development
- Influence Standards
- Split Payment pilot
- Split Payments and Instant Payments

Tax Modernisation

Individual Withholding And Split Payments
- Withholding Collection Ecosystem
- Split Payments for Withholding
- Consolidation and completion

Personal Income Tax Consolidation
- Expanded Pre-filling
- Personal Income Tax Consolidation
- Consolidation and completion

Capital Taxes Modernisation
- Capital Taxes Collection Ecosystem
- Split Payments for Capital Taxes
- Consolidation and completion

Digital Tracing for Excise
- Digital Tracing for Fuel Distribution
- Digital Tracing for Alcohol/ Tobacco
- Consolidation and completion

VAT Modernisation
- VAT Modernisation

Engagement Transformation

Automated Compliance
- API-driven interaction
- Auto compliance for post-event checks
- Auto compliance for Real-Time processing
- Verification of Trusted Auditors
- Automated Compliance for Pillar 1 and 2 Corp. Taxes

Automated Taxpayer Engagement
- Easier & Stronger Digital Authentication
- Proactive compliance nudges
- Dynamic content optimisation
- Natural Language Processing
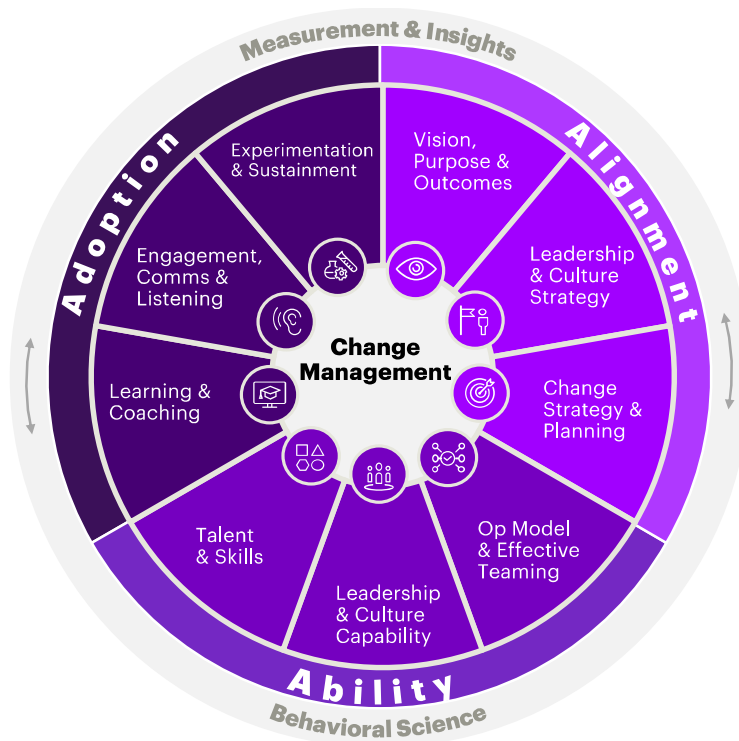
6. Change Management Plan

This report outlines a proposed structure for governing and managing change for the duration of the transformation. It describes two frameworks that Revenue would need to adhere to so as to ensure successful change implementation: one at a programme level, and one at an initiative level. These frameworks, along with the governance approach, would be used as starting points for Revenue as it establishes it's change programme.

6.1 Change Management Framework

Change Management means more than just training, it means ensuring ability, readiness, and adoption by:

- Supporting leaders to help the organisation navigate their Change Journey, through leadership engagement and culture change

- Engaging stakeholders at the right time, through the right channel and delivered by the right person, through effective engagement and communication

- Training stakeholders to ensure they are appropriately upskilled to adopt and embed change, through business readiness and learning

- Reinforcing the change to ensure it is sustained in the long term, through an effective sustainment approach.

The proposed Change Management Framework reflects this. It is human-centred, starting with the end-user in mind, be that employees or Revenue's ecosystem partners, and focuses on identifying, understanding, articulating, and enhancing the user experience by delivering activities across 3 phases – *Alignment, Ability* and *Adoption,* outlined below. The approach is grounded in measurement, insights, and behavioural science to deliver change that is value-led, fast, personal, and connected.

1. **Phase 1 – Alignment**

   Alignment across the programme and leadership team is critical to implementing effective Change Management, by enabling leaders at all levels to become catalysts for the change, supporting enterprise transformation that is anchored to the shared ambitions and north star of Revenue's Digital Strategy. This phase in the proposed framework will achieve:

   o A shared understanding of this new vision, purpose, direction, and brand amongst Revenue's leadership.

   o A detailed leadership and culture strategy, equipping leaders to drive the culture change required to enable successful transformation.

   o A detailed change strategy and approach, that articulates programme and initiative level activities required to achieve Revenue's Digital Strategy vision.

   o This phase is the foundation on which effective Change Management is delivered and will remain a focus throughout the programme's delivery to ensure alignment is maintained.

2. **Phase 2 – Ability**

   Through the *Ability* phase we will reimagine the structure, talent, skills, and behaviours needed across the enterprise to enable the transformation. This phase in the proposed framework will:

   o Develop the desired culture and values of the future organisation, and equip leaders with the skills required to deliver this cultural transformation

   o Identify the behavioural change journeys required by those who are impacted by the programme and develop a corresponding Learning Approach to ensure they have the skills to adopt and embed change.

   o Capture a prioritised list of future roles and skills taxonomy, role architecture and career pathways for staff who are impacted by the programme.

3. **Phase 3 – Adoption**

   Adoption is ultimately how the success of the Digital Transformation Programme will be measured. Through this phase we will activate the mindsets, behaviours, skills, and ways of working amongst staff to ensure change is sustained in the long term. This phase will achieve:

   o Engaged and informed stakeholders, through the delivery of innovative and impactful engagement and communication.

   o Skilled stakeholders who are prepared to adopt and embed change, through the delivery of our learning approach.

6.2 Change Management Delivery Approach

The objectives of Change Management at a programme and initiative level are different, as detailed below.

The objectives of Change Management at a programme level are:

   o Co-define and agree the programme's vision, purpose, direction, and brand with Revenue's Leadership Team.

   o Ensure stakeholder alignment on the programme's vision, purpose, direction throughout the implementation

   o Define the cultural transformation required to enable the successful implementation of Revenue's Digital Strategy.

   o Equip leaders with the skills/material to deliver this cultural transformation.

   o Develop an understanding of the programme's impact on staff, through holistic end-user change journeys.

   o Develop programme change toolkits to ensure quality and consistency across each initiative.

   o Provide Change Management oversight across the programme, ensuring alignment, capturing progress, and identifying opportunities to deliver change activities in parallel.

The objectives of Change Management at an initiative level are:

   o Equip leaders and line managers with the material and skills required to support stakeholders to adopt and embed change.

   o Ensure the culture change and behaviours required to successfully implement the initiative are identified, adopted, and embedded.

   o Ensure all stakeholders understand the change, why it's needed, how it aligns with the programme vision and its impact on them.

   o Equip impacted stakeholders with the skills required to adopt the change.

   o Capture measurement & insights to ensure change activities provide the appropriate support.

   o Share any insights with the programme transformation office to ensure alignment across the programme.

   o Ensure the change associated with that initiative is sustained in the long term.

As a result, the proposed Initiative Change Management Approach is slightly different to the above Programme Change Management Approach. While still based on the proposed Change Management framework, the proposed Initiative Change Management Approach is designed to meet a more specific need.

The diagram below displays an overview of the approach, which is experience led and uses personas to create an integrated and holistic change journey with several deliverables associated with each step. This approach aligns with Change Management best practice, specifically the PROSCI (ADKAR) Methodology, and will need to be tailored to meet each initiative's specific needs.
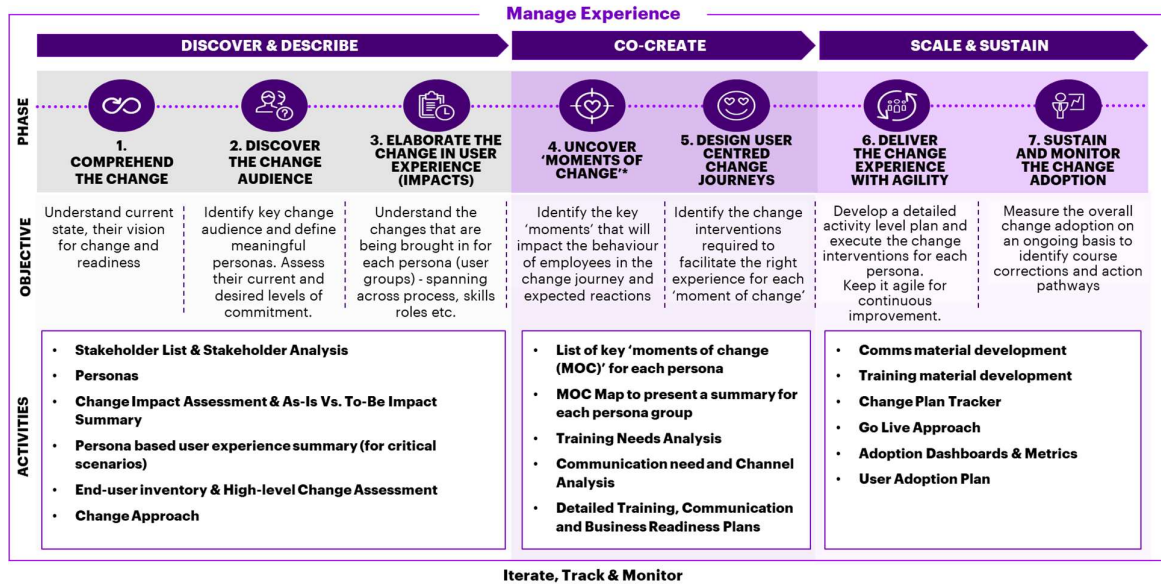
Agile principles underpin both Change Management Approaches. Change Management is designed to support staff to adopt and embed change. However, the support that staff require at different times, and across different locations, changes over time. We adopt agile principles, to support integration and alignment at a team, programme, and leadership level. These principles help to provide transparency, flexibility, and reactivity to ensure staff receive the appropriate support on an ongoing basis.

6.3 Relationship between strategic initiatives and change focus areas

The role of agents and tax intermediaries will grow because of the **Payment-within-transaction Capital Taxes** initiative. It will therefore be important to manage this augmentation of expectation and responsibility on third parties effectively. Of great importance is the need to focus on change adoption (learning, engagement, change sustainment) with respect to this initiative. The expansion in ecosystem partnerships will also result in change for Revenue. Consequently, there is a need for leadership and Revenue leadership buy-in.

The same is true for the other vertical, tax modernisation initiatives. The two overarching principles for the Digital Transformation Strategy are built-in compliance and collaboration through expanded partnerships. Therefore, the change strategy for **Withholding Expansion and Split Payments**, **Personal Income Tax Consolidation**, and **Digital Tracing for Excise**, should focus again on ensuring that there is effective leadership buy-in to enable the shift in compliance processes and on ensuring that effective mechanisms to ensure widespread adoption of the transformative initiatives are put in place.

As described in Deliverable 3, the intent of the horizontal initiatives overlaps slightly with that of the tax modernisation initiatives. However, there will be a need to focus on leadership alignment and an ability for change champions to ensure buy-in to the transformation for the **Automated Taxpayer Engagement** and **Automated Compliance** initiatives. Moreover, these two initiatives will have impacts on Revenue staff, both from a contact centre and an auditory perspective. Focus needs to be given to effective communication of change, learning, engagement, and change sustainment.

7. Results Achieved and Next Steps

The projects comprises of five deliverables:
- Deliverable 1: Inception Report;
- Deliverable 2: Feasibility Analysis of Digitalisation Possibilities;
- Deliverable 3: Digital Transformation Strategy & Action Plan;
- Deliverable 4: Change Management Plan;
- Deliverable 5: Final Report.

A key feature in this project for Irish Revenue was the identification of seven new digitalisation initiatives. These initiatives were based on several interviews with taxpayers of varying types. The taxpayer interviews allowed Revenue and the project team to tailor the initiatives to meet taxpayer needs and expectations. These were qualified through interviews with key Revenue stakeholders (assistant secretaries) to ensure appropriate business alignment. Similarly, external trends in the revenue and financial services domains were explored. This analysis comprised Deliverable 2.

The customer and Revenue impacts of these initiatives were explored in detail as part of Deliverable 3. Also included in this was an action plan which defined the delivery sequence and cadence of the initiatives. Deliverable 4 introduced an approach for managing the change impact and how it would be applied to Revenue's seven initiatives.

One element of Deliverable 4 described a governing structure to help manage the change transformation and mechanisms to secure buy-in among the leadership group. This is a key step in ensuring that the transformation gets the best possible start. In addition, the first phase in the action plan (shown in section 4.2 of this document) describes how elements of the Payment Ecosystem Development initiative should be the first ones to be addressed. Therefore, as a next step, Revenue can begin to explore pathways and approaches towards developing its ecosystem of third party payment and Fintech partners.

8. Summary Fiche

REVENUE ADMINISTRATION'S DIGITAL TRANSFORMATION STRATEGY
Project title for communication to a wide audience
Preparing a digital transformation strategy for the Irish revenue authority.
Summary
With this project, DG REFORM provided technical support to the Office of the Revenue Commissioners in Ireland with the aim of preparing a digital transformation strategy that would help lift the authority's degree of digitalisation to the next level.
Context
Technological developments and the increasing digitalisation of society and economy affect revenue authorities across the world as taxpayers' expectations change and new business models emerge. These trends necessitate revenue authorities to adapt to a changing context by embracing the ever-evolving opportunities presented by digitalisation and by seeking to respond positively to the attendant threats. The development of a strategic vision is therefore a prerequisite for shaping the authority's future while maintaining its leading position as a tax and customs administration. The project is linked to the Commission's digital and tax agendas.
Support delivered
At the end of the 14-month project, the authority has at its disposal: • A feasibility analysis of digitalisation possibilities in Irish Revenue's operations and organisation; • A strategy and action plan on the digital transformation of Irish Revenue in the medium term; • A change management plan to assist the deployment of the strategy and action plan. The project is funded by the European Union via the Technical Support Instrument and implemented by the AARC Consortium and its subcontractor Accenture in cooperation with DG REFORM.
Results achieved
The technical support aided Irish Revenue in setting out a path for its further digitalisation. Through the identification of seven new digitalisation initiatives in the newly developed strategy and action plan on digital transformation, the Irish revenue authority can take the next steps in achieving its strategic vision of building in greater levels of compliance through seamless taxation and real-time risk management, as well as ensuring greater collaboration with a broader ecosystem of partners. These initiatives are underpinned by taxpayer expectations, Revenue business objectives, and relevant external industry trends.
 This project is funded by the European Union via the Technical Support Instrument and implemented by the European Commission.

Project Context and Objectives

Project Context

Specific Objective

Results

Technological developments and the increasing digitalisation of society and economy affect revenue authorities across the world as taxpayers' expectations change and new business models emerge.

These trends necessitate revenue authorities to adapt to a changing context by embracing the ever-evolving opportunities presented by digitalisation and by seeking to respond positively to the attendant threats.

Irish Revenue requested DG REFORM's technical support to prepare this digital transformation strategy that would lift the revenue authority's degree of digitalisation to the next level.

This objective was to be achieved through adherence to several principles:

- Collaboration and engagement with stakeholders
- Consideration of the impact to the taxpayer
- Alignment to Revenue's goals, strategy, and priorities
- Identification of practical and implementable solutions

This project identified seven digitalisation initiatives that Revenue would need to take forward to achieve its vision of building in greater levels of compliance through seamless taxation and real-time risk management, as well as ensuring greater collaboration with a broader ecosystem of partners.

These initiatives are underpinned by taxpayer expectations, Revenue business objectives, and relevant external industry trends.

Project Journey

INCEPTION REPORT (1)

CONSULT RELEVANT STRATEGIC DOCUMENTS

DEFINE STRATEGIC OUTCOMES
- Optimise compliance and collections
- Minimising customer burden
- Maximising stakeholder responsiveness
- Cost effectiveness
- Optimising capabilities

ALIGN ON TRANSFORMATION OBJECTIVES
- Applying the right tax interventions at the right time
- Improving customer service
- Supporting national economic competitiveness
- Increasing automation and workforce skills
- Making timely compliance easier
- Making it difficult for customers to not comply

Revenue objectives were also mapped to OECD Tax 3.0 Pillars

FEASIBILITY ANALYSIS (2)

OPPORTUNITY DISCOVERY
1. Assessment of emerging national and international trends
2. Taxpayer interviews (17)
3. Stakeholder interviews (8)
4. Alignment on strategic direction

INITIATIVE PRIORITISATION
Assessment of initiatives against agreed criteria

DEFINITION OF INITIATIVES
1. Capital Taxes Modernisation
2. Automated Compliance
3. Automated taxpayer engagement
4. Personal Income Tax Consolidation
5. Withholding Expansion and Split Payments
6. Digital tracking for Excise
7. Payment Ecosystem Development

STRATEGY AND ACTION PLAN (3)

NORTH STAR VISION
Comprised of two parts: Built-in Compliance and Collaboration, with four principles underpinning these:
- Seamless Taxation
- Real-time Risk Management
- Expanded Partnerships
- Continued Digital Government Leadership

INITIATIVE ANALYSIS
Creation of Customer Journeys and high-level Cost-Benefit Analysis

EXPLORE CHANGE MANAGEMENT FACTORS
- Leadership and culture
- Engagement and communication
- Coaching
- Managing resistance

DEFINE CHANGE MANAGEMENT APPROACH
- Definition of change governance structure
- Change management framework (at programme level)
- Change management framework (at initiative level)

CHANGE MGMT PLAN (4)

TRANSFORMATION ROADMAP
Overall strategy will need to be implemented gradually, with elements of each initiative being developed and introduced over time

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Digitalisation Initiatives

PAYMENT-WITHIN-TRANSACTION CAPITAL TAXES

Increased capital tax compliance through modernisation of CGT, CAT and Stamp Duty. Capital taxes for individual taxpayers will in general be reported and paid in real-time.

AUTOMATED COMPLIANCE

Real-time risk management will involve real-time interaction with the taxpayer and their ecosystem (e.g., software suppliers, tax advisors, legal advisors, employers, banks) to mitigate a risk.

AUTOMATED TAXPAYER ENGAGEMENT

Building capabilities to be deployed across multiple different taxes to support and automate engagement (incl. automated routing of contacts, the support of chatbots/voice-bots, digital security challenges).

PERSONAL INCOME TAX CONSOLIDATION

Changes to the obligation to file a return for many taxpayers by capturing tax and tax credit claims in real-time and offering an end of year statement confirming how they have met their tax obligations.

WITHHOLDING EXPANSION AND SPLIT PAYMENTS

Builds on the model provided by PMOD to calculate taxation in real-time, expands the PMOD model to include the payment of withholding tax at the time of the event, and applying new payment standards.

DIGITAL TRACING FOR EXCISE

Modernisation of the supply chain controls for tobacco, fuel, and alcohol, introducing real-time reporting and payments founded on the use of appropriate track and trace technologies.

PAYMENT ECOSYSTEM DEVELOPMENT

Integration with banks and payment service providers to support taxpayers making payments. Includes infrastructure laying the foundation for split payments (ISO20022).