

DIGITAL EVOLUTION IMPACT ON TAX SYSTEM

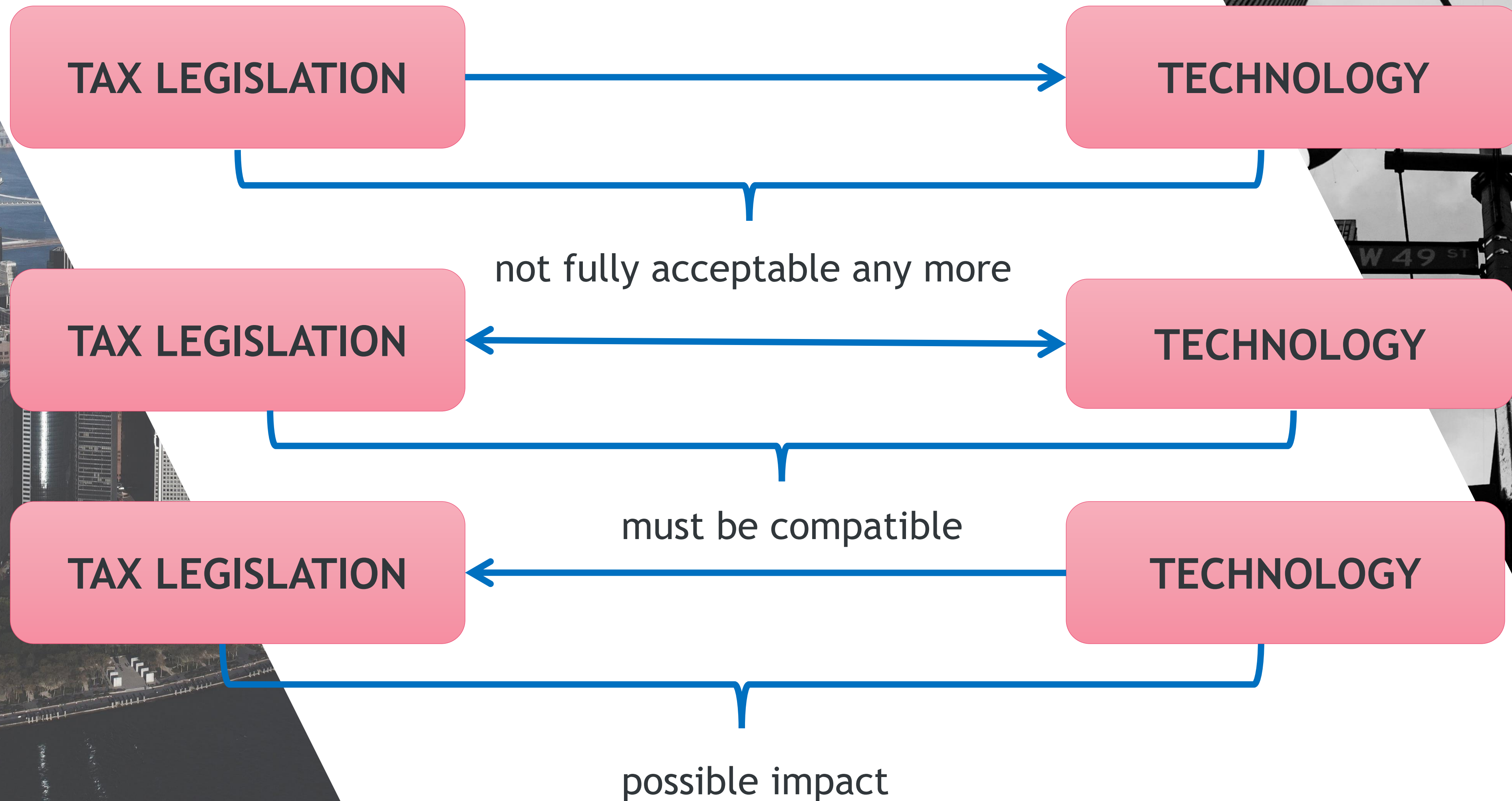
Ksenija Cipek, Ministry Of Finance, Tax Administration, Croatia



Tax Transformation Summit, London, 20-21 November, 2018.

Legislation and Technology

The paradigm is changing



Collection of data - principles

- Data Warehouse - Tax Administration
- Data must be collected for a specific purpose
- Obligation to exchange data between state institutions

Source of data
e.g. Taxpayers, audit, third parties, other State institutions, etc.

TAX ADMINISTRATION DWH

Results of collecting data:
e.g. RMS, pre-filing, automatic VAT return, etc.

USUAL APPROACH

ONLY AS NECESSARY
OR REQUIRED BY LAW

OTHER STATE INSTITUTIONS

TAX ADMINISTRATION

TAXPAYER

- Prevention vs. Repression: Prevention as a goal.
- Strategic goal: Increase compliance!
- New methods for increasing compliance:
 - Horizontal monitoring
 - APAs (Advance Pricing Agreements)
 - Binding rulings
 - Rewarding “good” (*i.e.*, compliant) taxpayers
 - Continuing education for employees and management of tax administrations (seminars, e-learning, etc.)
 - Other measures

Behaviour of Taxpayers and Compliance

Compliance Risk Management System (CRMS)

WHAT:

RMS system scores behaviour of taxpayers

HOW:

Identifies gradations of risky behavior

WHY:

Enables mass-based detection of types of risky behavior, increases taxpayers' trust in tax administration, increases compliance with tax laws, establishes uniform procedures, focuses on risky taxpayers.

**CRMS IN
CROATIA**

CRMS

- Implemented and defined all tax areas (VAT, social contributions, CIT, PIT, Fiscalisation, Real estate transfer tax, tax on winnings from games of chance and fee for organising games of chance, local taxes, tax collection)
- Follow: GAS - Geeral Audit System: use results of RMS, follow every audit, uniform output documentation
- GAS results - input in data warehouse



Identified and implemented



Sources from IT System of Tax
Administration and external
sources



Composite risk models



Activities measures

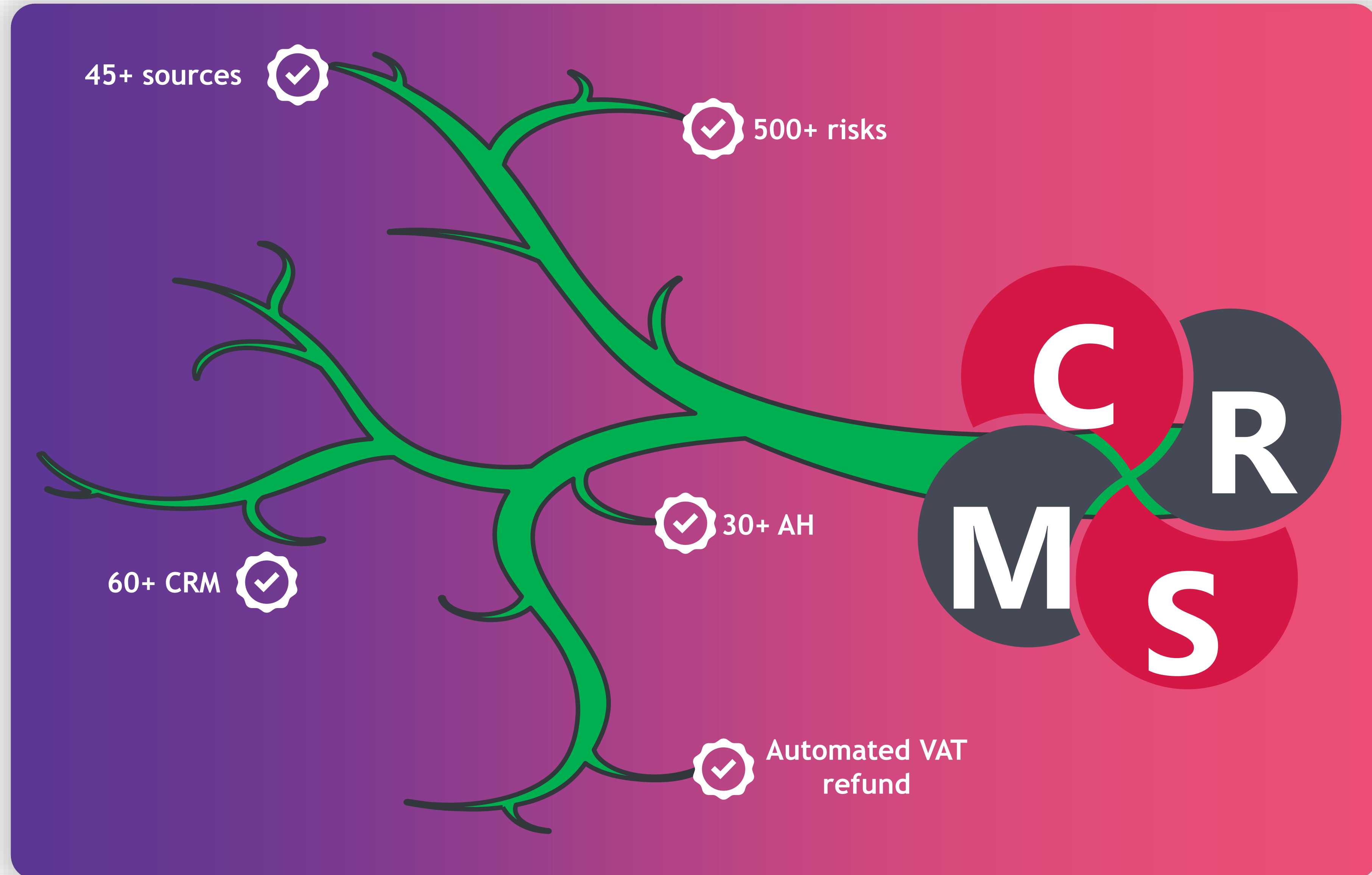


CRMS project facts



Automated VAT refund by
deadline according to VAT law

CRMS Scope



Benefits of CRMS

Classification

01

Classification of taxpayers in predefined risk categories based on their behaviour

Recognition

02

Recognising the taxpayers who have preference to risk - through a process for developing predictive analysis

Automated

03

Automated process of VAT refund

Optimisation

04

Optimisation of audit capacity to the most risky taxpayers

Focus

05

Focus on monitoring of specific risky areas

Transparency

06

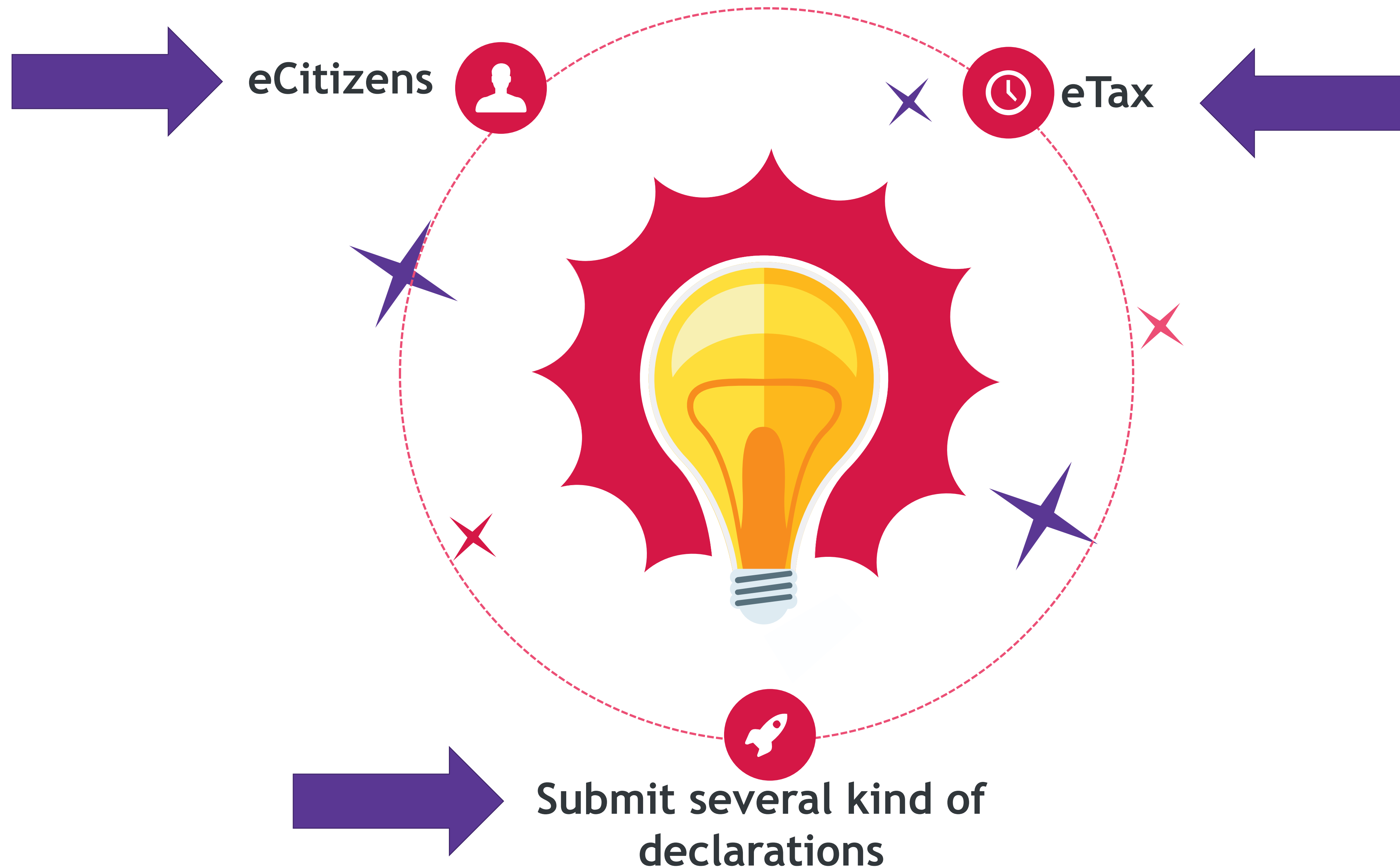
Transparency of selection of taxpayers for external audit

Reducing Risk

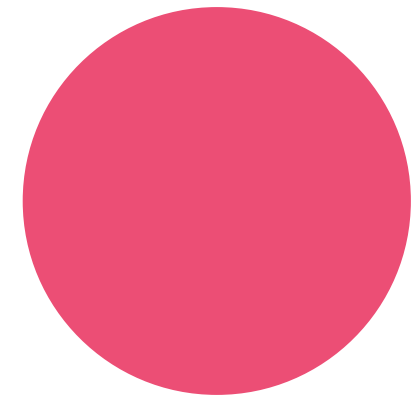
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Reducing internal risk

Online Services for Taxpayers

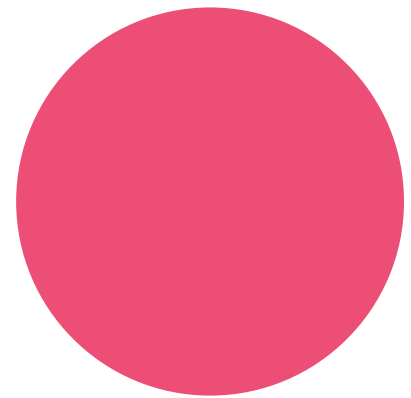


Potential for Using Blockchain Technology



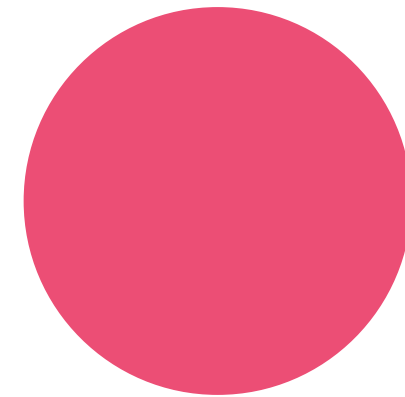
Storing data

on certain transaction (e.g., taxpayers, register of landowners, other property etc.)

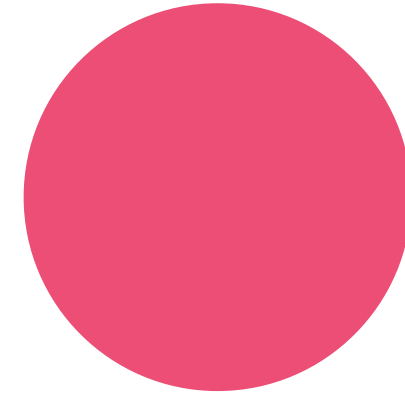


Secure method

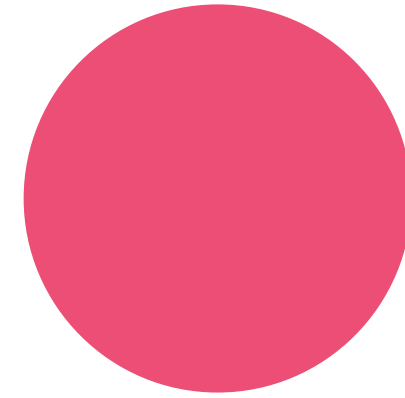
for registering taxpayers and verifying the authenticity of taxpayers



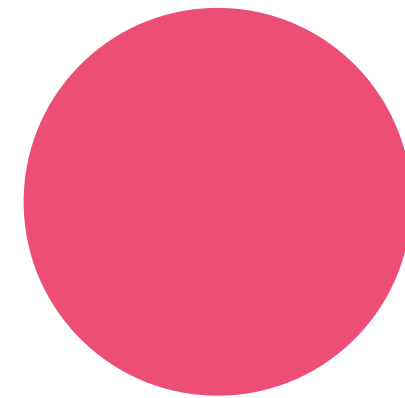
Increase compliance



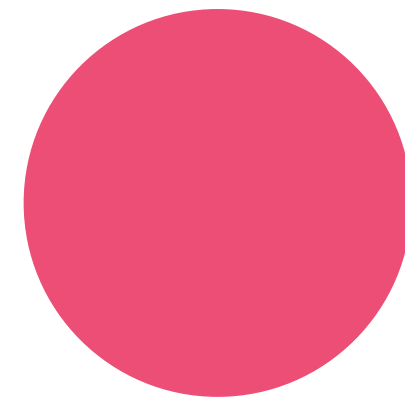
VAT transactions



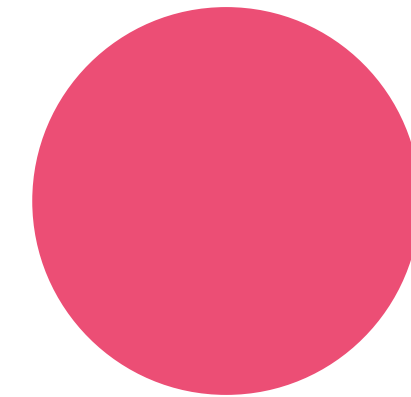
Employment tax



Transfer pricing



Decreasing tax fraud (especially VAT fraud)



Other

AI and Robot TAX

Should we prepare for next steps?



Definition of robot?

01



Intelligent robot in the future?

02



Would robot have civil law personality in the future?

03



Questions of taxation: whether and how taxed?

04



Thank you for your attention.

Questions?