

# Digital Transformation of Tax Administrations in the EU

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*Change of paradigm in what concerns the  
relationship between the taxpayer and the tax  
authorities*

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I will connect my presentation with the Pasquale and Joel presentation somehow and also I will think I will try to answer the question somehow of Martha Agnieszka because.

To talk about digitalization and somehow we have to go to the.

To the traditional idea of administration, tax administration task and we. I think that is necessary to depart from the basic from the basic of.

What?

Is the main tension between tax administration and taxpayer taxpayer at the end.

I mean that well, taxes, the the main thing about taxes that are levied from every taxpayer, regardless of their readiness, readiness to contribute to the public public expenditure. Therefore, public administration interfere with private property, personal autonomy. Therefore, there's always this tension as Pasquali said, between collective rights and fundamental rights.

But presently this is the the the main thing about, uh, the digitalization is, *is this tension between these collective rights and fundamental rights now?*

Face new.

All issues because at the end.

Is the same the role of the state has not changed the role of the state is to collect taxes with the aim to fulfill their purpose.

And the fact is that some taxes are difficult to collect. This is generally generally the case precisely when.

When the taxpayer

is in the possession of the information that the tax administration needs to collect to collect the right amount of taxes at the.

Right moment this is the classic formula that means.

From a game theory perspective that the relationship between the taxpayer, taxpayer and the tax administration is governed by asymmetric, asymmetric and incomplete information.

This is the main issue between in the relation between tax administration.

And a taxpayer.

*The more data.*

A tax administration has and can process. The more likely is to minimize information asymmetries and complete tax collection.

Therefore, data plays a crucial role in the transformation of tax administration.

With all these digitation digitalization tools, what?

Administration have done the tax administration has done is to add it a new.

Pool of tools to the classical ones to obtain information.

We are not talking only about returns on report. We are not talking only about tax withholding obligations we now have.

Assystem which not depends only if the parties or third parties to obtain this data and not only to obtain this data but also to transform this data into information.

These tools allow. Information of of tax significance to become.

Information, For administration.

And also allows tax administration to process this information. Therefore what we face now is a pool of tools which.

And optimize the process of compliance with tax obligation and the fight against tax fraud. Improve information, and.

Has the potential to improve the taxpayer taxpayer assistance that's.

Precisely is the key of this conclusion of the conclusion of this paper is which kind of model are implementing the administration with the digital tools next

We are all you've seen.

These new technologies to.

But Soldate only a reactive model based on data collection and treatment treatment with tax relevance to detect frank fraud and only to detect fraud or.

### **We are implementing a proactive model.**

Under which we are using technologies to avoid fraud and to facilitate borrowing voluntary compliance in both models. Obviously the efficiency and effectivity effectiveness of the tax system would be strange.

And therefore increase the revenue collection and reduce the tax evasion on an advance and obviously.

We cannot speak in absolute terms. We are not, we cannot.

Speak only about an absolute reactive model or an absolute proactive model. We have to find an. Equilibrium between the two models, but what we have seen is that maybe we are using these technologies only.

### **Consolidate.**

The traditional dissuasive strategies for of tax administration. It's like and we are doing that without taking into account.

The impact of this reactive intervention. This new tools to obtain information information to process information and the legal system in the current state status in the.

In that of course, in the rights and guarantees of the of the taxpayers, it's. It's like I don't. I don't know if you remember this film Jurassic Park when they they, the doctor, Yan Marcom character in the film say that, well, your scientists were so preoccupied with whether they could that.

That they, whether they could that they didn't stop to think if they should. Sometimes I think that we we we are saying all these technologies, all these digital tools and tax administration have these digital tools and and they they see that they work that they obtain data that well it's.

Sometimes they don't stop and think.

Whether if if they they really have a a cover on their current law and current rights and warranties. So we are really worried that we are consolidating this reactive model which have, as Pasquale said, clear.

In impact, which **can generate conflict with taxpayer rights and guarantees**. And maybe we are forgotten the.

The the use of this technology to advance to a proactive model which at the end will facilitate tax compliance with less conflict and will reduce conflict between taxpayer and tax administration.

What when?

As I said, with with a reactive model, we are what we are doing is to correct information asymmetries, but.

The problem.Is that?

**With the reactive model, we are only correcting information asymmetries in favor of the administration, not the task failure.**

With the reactive model.

We only detect damage when it has occurred, with no prevented, so we can only react.

We can only react a posteriori a posteriori case by case incident by accidents. Failure for failure.

With under this model, technologies will only serve to automate activities that focus on failures rather than in opportunities for intervention.

We think that with this digitalization tools with this.

They have new technologies we can advance also to a proactive model and.

Of course, the productive model doesn't mean that it would not have impact in some rights.

Or warranties because a proactive model can also interfere in in can have impacts in data protection or other legal statutes or warranties, but.

Advancing a proactive model, which means that well.

We will count with administration more focus in personalization, more focus in productivity, which means that the tax administration is going to try to know the needs of the taxpayer and in anticipation, is moving using these technologies to move more and more. And in a client perspective, relation between taxpayer and tax administration.

As I just thought, I know that it's impossible to to defend an absolute proactive model. I am not.

Defending that, I understand it that together with the reactive model, we should advance in this proactive model use.

**New technologies to prevent tax fraud.**

Use new technologies to define new ways of communicating obligation and rights to the taxpayer in a way that facilitates the understandable understanding and accessibility and in this.

Contest we are exploring.

Some very interesting areas which can be included and implemented which can include in tax studies in tax law studies and that can be implemented through a digital tools we are exploring. We have explored about responsive regulation, behavioral insights.

Principles of human centered design.

**Big legal design and legal visualization techniques that all could be included in a.Administration and that's some digital tax administration, which is more personalized, proactive.**

Omni channel which is of course data driving, but. Which provide.

**A comprehensive and a real assistant In taxpayer.**

So. The Technologies, the digital transformation of tax administration will allow the implementation of two models of digital tax administration, reactive model proactive model main reason that we have detected that this technology tools are limited only to correct information asymmetries exclusively in favor of tax administration.

And they're used only to detect damage, not to prevent it.

The threats of this of the use of these tools.

Is. Especially with their active model that well.

We can face new sorts of conflicts between taxpayer and tax administration.

A potential prevalence of technological criteria over legal ones can lead to a serious violation of the rights and warranties of the taxpayer, and we also.

**Seeing that the automated automatization and data collection and processing systems using these digital tools will come into tension with fundamental rights.**

And,

Principles or.

Obligation of the administration, such as the obligation to state reasons. This topics will be developing in in subsequent presentations, especially specifically tomorrow, and we will want to.

To draw a few lines today but.

We also see opportunities we see risk. **We see threats, threats, but we also see opportunities and we think that digital transformation has the potential.**

To allow an advance through advance towards models of voluntary and comparative compliance.

Thank you very much. I will finish with that now. And if if the rest of the panel is here, we will answer some some of your of your questions. Thank you. Thank you very much for yoBur attention.

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