



## BRICS TAX WORKSTREAM REPORTS 8 AND 9 NOVEMBER 2023

### SECTION A: Draft BRICS Tax Experts Report 8 November 2023, Cape Town

The BRICS Tax experts met in Cape Town on 8 November 2023 with the objectives of focusing on technical discussions around the theme “Building the smart modern tax authority through leveraging people, data and technology”. The discussions were interactive, and included the following topics contributing to Building the Smart Modern Tax Authority:

1. Developing a high performing, diverse, agile and engaged workforce;
2. Increasing the use of data to improve integrity, derive insight & improve outcomes; and
3. Modernizing systems to provide digital and streamlined services.

#### **1. People: Developing a high performing, diverse, agile and engaged workforce**

The discussions focused on what BRICS members are doing to shape the tax professionals of the future and reflected on areas of ensuring that BRICS tax authorities employees:

- Being considered as an Employer of Choice.
- Remaining engaged to deliver the best taxpayer experience characterised by professionalism and actions that are beyond reproach.
- Breaking down silos and collaborate to leverage their combined strengths.
- Ability to respond to future demands of the work environment and changing needs of taxpayers and traders with ease.

As an authority, what steps have been taken to ensure that tasks have evolved from being administrative to being more analytical and service oriented; and invest in employees appropriately and provide them with the right tools for the job.

#### **1.1 South Africa**

SARS is developing a high performing, diverse, agile & engaged workforce where SARS employees consider SARS to be an Employer of Choice and are engaged to deliver the best taxpayer and trader experience characterised by professionalism and actions that are beyond reproach. Their tasks have become less administrative, more analytical and service oriented with employees easily collaborating to leverage their combined strengths.

SARS invest in employees appropriately and provide them with the right tools for the job and strives to have employees that are able to respond to future demands of the work environment and changing needs of taxpayers and traders with ease.

Striving to achieve a nurturing, enabling and inclusive culture by setting a clear standard for acceptable leadership through the SARS Leadership Model (Holistic leadership model (how managers are expected to behave) and an employee engagement model (the employee rights charter / what employees expect from managers)), Women in Leadership and the SARS Junior Board. Embedding an environment of positive employee engagement through the Employee



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Rights Charter, the Employee Value Proposition, SA Employment Equity Legislative framework, and foster an inclusive culture with special consideration for Gender Sensitivity and Employees with Disabilities. Developing a framework for an execution bias through Objectives and Key Results (OKR), Evidence based decision making and 10X Performance - Fanatical Discipline, Productive Paranoia, Empirical Creativity.

Defining the tax professional of the future: THE POWER OF “AND” illustrated by Taxpayer AND Trader Centricity; Works across multiple-disciplines AND products; Provides integrated service across all engagement channels; Uses data driven insights to inform most optimal intervention; Proficient at entity level integrated audits and investigations; Recognized as an expert in their field; Ethical, driven by the Higher Purpose; Digitally proficient and Self-driven.

South Africa has taken the following steps to shape the tax professionals of the future:

- Employee Value Proposition (EVP) and Employee Rights Charter ensure that our employees consider SARS’ authority as an Employer of Choice.
- Employee Engagement model ensure that employees remain engaged to deliver the best taxpayer experience characterised by professionalism and actions that are beyond reproach.
- Communities of practice, Forums and cross-functional work-streams break down silos and collaborate to leverage employees combined strengths. Enterprise Committee focused on people matters; this committee facilitates conversations and strategies on how the role of people will evolve in response to greater automation and AI based augmentation of human effort; as well as on how we improve the level of integrity and professionalism within our employees and managers.
- People capability and 5 levels career management framework ensures that employees are able to respond to future demands of the work environment and changing needs of taxpayers and traders with ease through appropriate investment in employees to provide them with the right tools for the job. Customised development programmes furthermore ensure that tasks have evolved from being administrative to being more analytical and service oriented through a culture of continuous professional development.

### 1.2 Brazil:

The Special Secretariat of the Federal Revenue of Brazil’s objectives are defined in its Operational Strategy as “increasing taxpayer satisfaction with the Federal Revenue of Brazil” and “promoting tax and customs compliance”. The organization’s vision of the future is “To be recognized as essential to the country’s progress, engaged in innovation, promoting tax and customs compliance and offering excellent services to society” and in accordance with this vision, the organization is positioning itself as a public service provider of excellence.



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For purposes of the BRICS Tax meetings, the Federal Revenue of Brazil delegates shared the advantages of working in the Brazilian tax administration, the legal limitations they face for implementing some people policies, and the initiatives that promote quality of life at work. The Federal Revenue of Brazil has a very strict selection process for its future employees and provides attractive salaries. Inclusive policies have been implemented with actions focused on gender and diversity with the actions provided by a permanent Commission (“Comissão da Mulher, da Equidade, da Diversidade e da Inclusão – CMEDI”). The Brazilian tax administration has been proactive in transforming task structures into more analytical and service oriented, recognizing the value of employees’ strategic contribution.

### 1.3 Russia:

The Federal Tax Service of Russia (FTS of Russia) indicated that *it sees its employees as internal clients and shared how they work with people at the FTS based on data.*

Data-driven technological transformation enables the FTS of Russia to discover the real concerns of taxpayers and provide them effective services, which make interaction with the FTS of Russia seamless and invisible. However, focusing on the taxpayers’ needs only takes the risk of abandoning the internal client – people who design, implement, develop, and maintain all innovative technologies.

To implement the same strategy internally as externally the FTS of Russia follows a simple logic: employees are unlikely to care for the clients unless they are sufficiently taken care of by their company. In treating the employees as clients, the FTS of Russia conducted research that helped creating a portrait of FTS employees through acknowledging their aspirations and values.

Based on the data received from the employees, the FTS of Russia elaborated the portfolio of internal events which allows each employee, regardless of age, experience, position, or location, be involved in a project. At such events, employees’ problems and tasks are analyzed and solved. Each event is measured in Net Promotor Score (NPS), and the results are usually high. Likewise, the approach to employee training has been changed. The results can be traced in changes of corporate culture – the number of highly engaged employees has risen by more than 20% in 2023.

The FTS of Russia is investing a lot in developing a high professional, agile and engaged workforce, committed to deliver the best services to the taxpayers and contribute to the success of the tax authority.



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### 1.4 India:

India has recognized the importance of properly utilizing three crucial resources namely people, data and technology to build smart modern tax authority. They have taken well planned steps to make the best use of these.

Manpower is pivotal for implementation of taxation law. It is good manpower which alone can properly deploy any technology, data, or any other resources. To select the best people for tax workforce, all the workforce is selected through broad based, competitive, national level examination conducted by dedicated institutions namely Union Public Service Commission and Staff Selection Commission. These institutions conduct exams every year and select the workforce.

Regular capacity building of workforce is essential to develop and maintain professional excellence of the workforce. Capacity building is required at the time of induction, promotions and at regular intervals. They have taken a number of initiatives in the form of dedicated institutions for capacity building, such as Mission Karmayogi, an online training platform for all Government servants and citizens, sharing best practices etc.

### 1.5 China:

The State Taxation Administration (STA) of China leverages performance management, digital HR management and other means to set up a good orientation for selecting and appointing talented people and enhance the internal driving force of employees to improve themselves. STA has also implemented the strategy of "Talent for Taxation", strengthening resource investment in capacity building with a focus on the staff of grass-roots level, in order to strengthen the cultivation of staff and quality enhancement. Efforts are also made to strengthen the sense of mission and responsibility of staff and enhance the cohesion force of the organisation, which are important to make SAT the first choice of employees for their careers.

STA has taken various measures to advance quality enhancement and talent cultivation projects, innovatively created online learning and training platforms, recruited professionals through multiple channels, and carried out practical exercises in different forms, to promote the growth of well-qualified tax talents and the continuous enhancement of the leaderships, which has contributed to the high-quality development of tax administration.

## 2. **Data: Increase the use of data to improve integrity, derive insight & improve outcomes**



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The discussions focused on what BRICS Tax Authorities are doing to increase the use of data to improve integrity, derive insight & improve outcomes and reflected on areas of what steps tax authorities have taken to:

- increase access to third party data?
- expand and increase the use of data, data analytics and artificial intelligence within authorities?
- apply the data to:
  - better understand the compliance behaviour of taxpayers?
  - provide clarity and certainty to taxpayers?
  - provide simple, easy, and seamless service to taxpayers that that fosters increased compliance?
  - detect risks, trends, and instances of non-compliance faster?
- incorporate the data into a comprehensive system of knowledge management?
- share data amongst national agencies and with other Tax Authorities? What are the challenges and opportunities in this regard?

### 2.1 South Africa

The use of data is strategically linked to the SARS legislative mandate and the increase and expansion of the use of Data within a comprehensive knowledge management framework to ensure integrity, drive insight and improve outcomes are visible.

- SARS seeks to govern data in a legislation aligned manner e.g. POPIA (Protection of Personal Information Act) & GDPR (General Data Protection Regulation)
- Internal data receipt and sharing control protocols
- Inter-agency cooperation & technology-enabled information exchange

#### Data sources

- SARS receives around 148 million records from various sources including employers (18m), banks (116m), medical aid (4m), insurance firms (2.1m), etc.
- Besides local information SARS receives information from other jurisdictions e.g. common reporting standards, country-by-country reporting (this involves exchanges with more than 100 jurisdictions).

#### Uses of data

- Various sources of data are used to primarily make it easy and seamless to meet tax obligations.
- The secondary use of data is to detect and react to instances of non-compliance.



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Auto assessments and risk case management has made it easy and seamless to comply.

### Data-driven Compliance Risk Detection

Use of Data: VAT Management, for 2022/23 SARS received 4.3 MILLION VAT returns, processed as follows:

- 4.3 million processed through automated tax processor & risk engine (data & ML algorithms)
- 3.88 million resolved through automation - no further intervention.
- Only 451 000 (10%) cases selected by our risk engine for further verification
- In other words: 9/10 returns processed without any intervention; 1/10 returns selected for verification, of which 75% had been completed within 21 working days; and more than half of the cases selected by our risk engine comes from habitual non-compliant taxpayers
- Total revenue yield from our VAT risk management totals R41.2 billion
- Secured 54 successful criminal prosecutions for VAT contraventions
- Enforced Revenue Activities –Integrating Data & Human Effort
- A Combination of Machine And Human Effort Is
- Yielding 13.3% of the Total Revenue Collected
- Whilst voluntary compliance is our strategic intent, along the way enforced compliance is key to driving change in taxpayer behaviour.
- Of the R1.687 Trn, R231.8 billion (13%) was through enforced compliance activities that involved the use of data as well as human effort.
- The cited models early though not fully embracing deep learning, were key in ensuring the maximisation of enforced compliance activities.
- SARS seeks to enhance its models on an ongoing basis by partnering with others.

## 2.2 Brazil

In relation to the use of tax administration and third party data, Federal Revenue of Brazil shared the initiatives seeking to transform the tax administration data into the premier taxpayer registry, moving the compliance strategy from detection and punishment to delivery of effective services to taxpayers who comply with their tax obligations. In this sense, “Minha



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Receita” Project developed a product for providing taxpayer with information on its sector and its company position, comparing revenues, profits, expenses.

Concerning the use of third-party data, “Sinter” is a tool that integrates registry, geospatial, environmental, fiscal and legal data of urban and rural properties provided by public bodies and notary offices. This information can support not only tax, but also infrastructure, land, health and education policies for states and municipalities. It also provides citizens with free access to digital rural and urban maps.

Concerning the detection of risks, trends and instances of non-compliance, the Brazilian Revenue Authority can mention the use of a home developed system to monitor large taxpayers. “Monitora” provides a broad view of the economic sectors and taxpayers in this niche, with indicators, financial declarations, regulators’ information among others. The communication with the taxpayer is facilitated with the objective of promoting self-regulation opportunities.

### 2.3 Russia

The experience of the FTS of Russia on the use of big data in tax administration includes the rollout of digital transformation that has been done quickly with a digital platform, which centralized data across the country and linked each tax office in Russia to this data. Currently this database is not limited to financial and tax data. It also includes civil registry, data on registration of property, bank accounts and many other things.

As a result, the FTS of Russia took on a new role as a reliable data provider for whole of government decision-making and delivery of targeted economic support when needed. Another driver for the centralized digital platform was the understanding that the grey economy and tax fraud could potentially be tackled more effectively by using digital analytical tools providing the whole-of-economy picture (rather than focused on taxpayer or transaction).

In 2013, the FTS of Russia began to transform VAT administration in Russia. This implies investing in both regulation (like establishing electronic filing) and capability (software and data management) to get access to better quality data and have more analytical powers.

The first step in 2014 was amending legislation to require full mandatory e-filing of VAT returns and sale and purchase ledgers. That includes all transactions in the economy arriving to the FTS of Russia in a digital form.

In 2015 the FTS of Russia launched an automated VAT cross matching system. This system allows matching sale and purchase transactions made between taxpayer and his counterparties based on the data in electronic VAT returns. As a result, the FTS of Russia



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controls the whole VAT cycle starting from importing or production of goods and ending up with retail sales of above goods. This made a great change in the approach to VAT compliance.

The technology also led to changes in the way of conducting VAT audit. It includes an analytical processing system that automatically creates and submits electronic notification on VAT gap to the taxpayers. These notifications are made in computer readable format and could be downloaded by the taxpayers in their ERP system (Enterprise resource planning). The taxpayer could respond to the tax authority in a digital format, which is processed automatically without involvement of the tax officer.

This is the first stage of desk audit when the taxpayer can dismiss the gap without any negative consequences for him. In case there would be no adjustments from the taxpayer's side the tax officer proceeds with outstanding gap during tax audit. The system helps the FTS of Russia with precise calculations of VAT gaps in automatic mode.

As a result, the FTS of Russia re-considered KPI (Key Performance Indicators) for its personnel in order to change their mindset. Now it relies on the level of VAT gap: the lesser the gap – the better the result achieved by the tax officer. The main purpose is to facilitate the clean environment for taxpayers and tax authorities. As a result, the VAT gap fell from 8% in 2015 to 0.8% as for now. Another positive effect is that the amount of time to get a VAT refund has been reduced. The FTS of Russia makes a refund in 1 month for bona-fide taxpayers and brings cash back to economy. Currently, more than 80% of VAT is refunded in one month.

The risk-based analytical system helps to improve tax compliance and tax revenue resilience and proved to be effective investment. Based on this solution, the FTS of Russia is currently considering pre-populated filing system for VAT returns, which – besides big data solutions – requires simplification of VAT rules.

Online cash registers system also constitutes the e-invoicing system in Russia in relation to B2C transactions (whereas previous solution was focused on B2B transactions). Online cash registers system enables real-time online data transmission. More than 95% of all fiscal receipts are transmitted to the tax authorities within 2 seconds. Literally the FTS of Russia can see every transaction at any point of sale through the country by drilling down to specific point of sales (for example, shop or restaurant) on the digital map.

This system has certain advantages not only from the compliance point of view but also brings significant opportunities for all stakeholders – businesses, customers, and government. After implementation of the system the number of the cash registers has increased by three times. Currently 3.6 million cash registers throughout the country continuously transmit information about goods and services provided. Implementation of the system leads to 37% increase in VAT paid on retail sales.





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The Online cash register system provides great opportunities for advanced analytics. All cash receipts are subject to cluster analysis with view to correct recognition of types of goods sold, an average price and volume of consumption. For instance, retail statistics is divided by type of activity: pharmacies, retail, and so on, as well as by type of taxation applied by the retailer. The FTS of Russia can also see top enterprises by sales.

During COVID-19 with the help of data aggregated within this project, the Russian Government was able to instantly react to cases when there was a significant increase of price on crucial types of goods in some regions of the country. This provides insights on the implementation of the whole-of-government data delivery platform. It grants access to more than 217 data sets and 12 services. They concern all types of taxpayers and tax regimes, cash registers data, SMEs, State Address Register. They also include services with an open Application Programming interface, like getting extracts from the Unified State Register of Legal Entities, debt information, etc.

The Data Delivery Platform also hosts data on tax revenue forecasts for regional budgets; tax deductions to be provided by the regional budgets; and accruals by type of income.

These are the examples of how big data is processed by the FTS of Russia, enabling to combine enforcement activities and analytics, which is the core to the smart modern tax authority.

### **2.4 India**

In India, they have also put an elaborate system in place to ensure effective data capturing on real time basis from multiple sources in non-intrusive way. For this there are strong collaboration with various organizations in the government and other sources such as banks etc. This data is analysed deploying specialized tools of data analytics and effective risk management for identification of patterns, detection of evasion, fraud and financial crimes.

### **2.5 China**

In recent years, STA has built a unified and standardised big data platform based on cloud computing technology, which aggregates the massive information of taxpayers in all aspects of tax collection and administration. An integrated tax profile was created for each taxpayer, to realise comprehensive collection, unified storage, effective management, in-depth mining, and innovative application of data resources.

With the huge amount of data from various parties, STA has deepened the application of data analytics, provided taxpayers with intelligent and personalised services which can help them comply with tax laws, and provided policymakers with economic development and judgement



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references as well as decision-making support. Practice has proved that China's smart tax has achieved a win-win effect for all parties, making paying tax more convenient, tax administration more efficient, decision-making more scientific.

### 3 Technology: Modernizing systems to provide digital and streamlined services

The discussions focused on what BRICS members are doing to modernize their systems to provide digital and streamlined services and reflected on areas of what steps tax authorities have taken to:

- ensure that its digital platforms provide reliable and secure services to all constituencies to enable taxpayers to meet their obligations simply, easily and where appropriate seamlessly, anywhere?
- ensure that its employees are enabled to deliver world-class and best-in class taxpayer experience and to ensure performance excellence?
- ensure that its stakeholders, which is provided with access to reports and analysis that enable them to hold tax authorities accountable?
- implemented interagency tech platforms with a view to joined up government or whole-of-government approach?

#### 3.1 South Africa

SARS aims at making it easy for taxpayers to comply, through modernising systems to enable digital platforms and streamlined services.

Strategic objectives can be seen as “user”/taxpayer experience through the following:

- Modernized systems: Moving beyond simply developing “n” number of digital transactions, towards a systemic “always on” modernized eco-system.
- Tax & Customs Convergence: Greater convergence between Tax & Customs development for the administration core value chain, with the smart applications relevant to a specific experience.
- Clarity on the experience we wish to create for taxpayers, traders, or other users/stakeholders.
- External User Experience: Externally, a user experience that is seamless, intuitive as well as customised and self-administered



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- SARS Operating Model: Internally, an operating model that is data driven, technology enabled and human effort augmented by machine learning algorithms and artificial intelligence.

SARS Digital Channels: Multiple channels available to service different segments with 89.4% uptake of all taxpayers, intermediaries and traders.

Digital Platform Innovation resulting in over 10 million previous branch office taxpayer interactions migrated to self-service digital channels.

Digital Platform Strategic Asset with Online Digital Services a Key Enabler of SARS Strategy, Operations and Successes.

Technology Assets leverage data as illustrated through Auto-assessments: data-based, platform enabled.

Future-fit digital platforms and capabilities include Culture of innovation; E-Invoicing; Case management/service workflow modernization; Single view of taxpayer and Digital ID.

### 3.2 Brazil

Technological and procedural solutions aimed at providing services to the Brazilian population, taking into consideration their social inequalities were presented. In this sense, “PAV – Ponto de Atendimento Virtual” is a project of the Federal Revenue of Brazil with municipalities for providing simple tax services (registration, rural tax information, tax return information, etc.) to the citizens of small locations without tax offices.

### 3.3 Russia

FTS of Russia invests a lot in digitalization of the taxpayers’ services:

- More than 70 online services are currently available at the FTS web-site;
- 74% of taxpayers requests are processed online;
- 97 % of tax returns are submitted in electronic form;
- Taxpayers can register legal entity with the tax authority online.

FTS of Russia is actively developing Application Programming Interfaces and trying to integrate digital services into taxpayers’ natural systems such as the Whole-of-government Public Services Portal, banks applications and digital platforms. In designing taxpayers’ services, the FTS of Russia follows the client-centric approach and actively obtains feedback from taxpayers through various communication channels.



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Traditionally starting at a micro business in Russia involved several procedures requiring special knowledge about starting business, tax and accounting requirements. This meant it might be more burdensome than conducting business itself. With more and more people involved in the gig economy, this issue has become crucial. The FTS of Russia decided to approach this category of taxpayers differently. The objectives were to establish a simple and convenient tax regime for self-employed, where taxation processes are embedded within taxpayers' natural systems. A series of conducted surveys allowed to get more insights into the requirements of the target group of taxpayers, i.e., self-employed individuals. The survey demonstrated that taxpayers do not want to make personal visits to tax offices, submit tax returns, or spend time on administrative requirements. Based on the outcomes, the FTS of Russia outlined the scope of the project as a technology-based solution with the goal of easy registration and seamless compliance that was launched in 2019.

The goal of digital tax regime for self-employed was to allow tax administration to have a remote interaction with the taxpayers and means that individuals can run a business from anywhere, at any time with minimum effort. The digital tax regime for the self-employed is based on the software developed by the FTS of Russia– Mobile application titled My Tax – and includes the following features:

A key innovation of the project is an open Application Programming Interface solution developed by the FTS of Russia, enabling integration of the tax regime features with the digital marketplace platforms and banks. Taxpayers could apply the tax regime with the software products that are already familiar to them – through which they carry out transactions (digital platforms) or hold accounts for their business (banks). Currently, 99 companies (Yandex Taxi, Sberbank of Russia, etc.) are connected to API, and almost 50% of the self-employed apply digital tax regime with standalone software products. Second, it takes 1 or 2 minutes to register as a self-employed with the tax authorities. It is as easy as getting a social media account. This is facilitated by the My Tax mobile Application. No individual entrepreneur status is needed. The My Tax Mobile Application can generate legally valid income statements for the third parties (for instance, banks and visa centers). Third, it provides for preferential and simple tax rules for the self-employed. The tax base equals to the total amount of the sales revenue. No pension insurance contributions are required to be made. Finally, no reporting and no online cash registers needed. The receipts are generated and sent to the customers directly through the My Tax Mobile Application. Paying taxes with all accounting and calculations is done in the background by the Application as well.

The results of the project showed the growing demand for the digital tax regime: the number of taxpayers registered as the self-employed people is almost 9 million and 50% of the self-employed have never declared income before. Constantly growing number of the self-



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employed has encouraged the FTS of Russia to broaden its scope with Small and Medium Enterprises' (SMEs).

Implementation of the Automated Simplified Tax Regime for SMEs was inspired by the success story of digital tax regime for the self-employed as well as significant results of the online cash register system in Russia. OCR system gives a capability to provide seamless taxation as soon as every transaction is automatically booked in the FTS of Russia system.

These two solutions enabled the FTS of Russia to establish the simplified tax regime for SMEs with less than 5 employees and annual income which does not exceed 650 US dollars. The purpose of the regime is to allow SMEs to devote as much of their time to business as possible, while a major part of tax administration is to be carried out by the FTS of Russia.

The regime stipulates re-use of the OCR system data for the assessment of taxes and cooperation with banks as the source of transactional data. Similarly to the Digital Tax Regime for the Self-employed, open API developed by the FTS of Russia enables integration with digital banking products. This allows banks to facilitate end-to-end customer experience for SMEs with tax compliance. Also, the banks have started to work as the "agent" for both taxpayers and the FTS of Russia, which include mapping bank transactions for tax assessment as well as acting as the agent, withholding personal income tax on salary payments to SMEs' employees. Currently, more than 10 banks are authorized to partner with the FTS of Russia under the new regime.

The regime also stipulates simple tax rules. Tax rate depends on the chosen option – gross income is taxed at 8% rate, whereas net income is taxed at 20% rate. VAT is not applied. Social security contributions are replaced with the income tax charges.

The FTS of Russia started piloting the Automated Simplified Tax Regime since the 1 July 2022 in 4 Russian regions including Moscow. Today, more than 10,000 taxpayers have joined the tax regime.

Based on the gained experience, key principles of digital tax regimes can be outlined:

- Taxpayers are positively perceiving new tax regime where it is integrated into the taxpayers' natural system.
- Obtaining feedback from the taxpayers is crucial for successful establishment and enhancement of the regime.
- Taxation should be simple; this facilitates transparency and fairness for the taxpayers; and
- Tax authority has to invest in automation of tax assessment and payments so that the taxpayers will not have to do it by themselves.

### 3.4 India



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Taxpayer centric approach drives all of India's actions with elaborate systems for education of taxpayers, nudging taxpayers for voluntary tax compliance, responsive grievance redressal mechanism etc.

India has also embraced state of the art technology in a big way. There are digital platforms for all aspects of tax ecosystem (Tax filing, tax payment, refunds, assessments, appeals, audit etc.) All repetitive tasks such as processing of tax returns, prefilled tax returns etc. have been automated. Assessment, appeals have been made faceless leveraging technology in a big way.

### 3.5 China

Digital identity is the cornerstone of digitisation and is listed as the first building block in Tax Administration 3.0. STA has taken the creation of digital identities as the basis for the digital transformation of China's tax system. Drawn on best practices from advanced tax administrations, STA has provided all taxpayers with secure and unique digital identities, which can achieve seamless cross-system interaction and behaviour traceability.

Taking fully digitalised electronic invoices as a breakthrough, STA has built a Natural Systems ecological platform with "tax rules embedded into taxpayers' natural systems, and direct data connections between tax administrations and taxpayers", which has reduced the compliance cost of taxpayers and promoted automatic tax compliance. Increasingly more safe and reliable digital tax services are provided through the E-tax office and other digital channels, such as accurate policy delivery, pre-filling of declaration forms, and intelligent tax handling, so that taxpayers can enjoy a seamless and convenient experience of paying tax.



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### **SECTION B: Draft BRICS Heads of Tax Authorities Report 9 November 2023 Cape Town**

The Heads of BRICS Tax Authorities had a leadership conversation reflecting upon Building a SMART Modern Tax Authority with the objective of concluding:

- Feedback on the 2023 work programme
- Consolidate insights from Day 1
- Identify areas of collaboration
- Establishing a BRICS Tax Governance Framework to achieve a greater bias for action.

#### **1. Develop a High Performing, Diverse, Agile, Engaged and Evolved workforce (STREAM 1: PEOPLE)**

##### **1.1 PEOPLE: CHALLENGES**

- a) Ageing workforce and loss of institutional knowledge
- b) Attracting and retaining employees
- c) Recruitment and funding constraints
- d) Balancing the new ways of working
- e) Developing Tax Professional of the Future

##### **1.2 PEOPLE: OPPORTUNITIES**

###### **1.2.1 Augmenting our human capabilities with:**

- a. Insights from data
- b. Innovative technologies.

###### **1.2.2 Continuous learning and development:**

- a. Career progression
- b. Tax Professional of the Future
- c. Professionalisation of Tax Administration

###### **1.2.3 Embedding holistic Employee Offering or Employee Value Propositions (EVP)**

##### **1.3 PEOPLE: AREAS OF COLLABORATION**

###### **1.3.1 Training centres (China and Russia), exchange programmes and development of course materials to accelerate learning and development amongst administrations in specific areas of focus:**

- a) High wealth individuals



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- b) Large and International Business
- c) Behavioural and leadership themes
- d) Nb. Taking into consideration differences in domestic tax laws

1.3.2 Continue working groups: Women, Youth and Case Studies

## **2 Increase and expand the use of Data to ensure integrity, drive insight and improve outcomes (STREAM 2: DATA)**

### **2.1 DATA: CHALLENGES**

2.1.1 Integrated register

2.1.2 Analytics and AI:

- a) Various stages of adoption
- b) From rule based/ expert learning systems to deep learning neural networks

2.1.3 Whole of government approach:

- a) Sourcing and use of data within government
- b) However, the enactment of this has proven to be a challenge as government agencies often are not aware of what data tax administrations maintain.

### **2.2 DATA: OPPORTUNITIES**

2.2.1 Expansion of data:

- a) For the utilisation in pre-populating returns
- b) Disintermediation the need of tax returns

2.2.2 Central and integrated repository:

- a) To host data from various sources
- b) Interfaces with the taxpayer profiling systems

2.2.3 Expanding the use of data:

- a) Improve taxpayer experience
- b) Automatic exchange of information
- c) Curb refund fraud and impermissible deductions
- d) Increase revenue collections and levels compliance
- e) Beneficial in the area of VAT modernisation - e-invoicing





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### 2.3 DATA: AREAS OF COLLABORATION

- a) Understanding data required its usefulness and accuracy
- b) Methods to accelerate the use of existing data sets (B2B, B2C, B2G) and have an integrated “data” view of the taxpayer
- c) The use of data to segment taxpayers for ease of service and risks management
- d) Reduce the burden on taxpayers by interfacing better with 3rd party service providers such as Banks/ Employers, etc
- e) Improving the quality of the data submitted by 3rd party entities such as Employers and other Data sources
- f) Organising document flows for corporates
- g) Leveraging: E-invoicing, greater use of Exchange of Information incl. CRS
- h) Changing the language and artefacts to be more future oriented

### 3. Modernize our systems to provide Digital and Streamlined online services (STREAM 3: TECHNOLOGY)

#### 3.1 TECHNOLOGY: CHALLENGES

- a) Single Digital ID
- b) Single Taxpayer Account
- c) Inefficient Taxpayer interactions
- d) Taxpayer apathy to technology solutions and preference for human interaction
- e) VAT Modernisation with a supply chain orientation.
- f) Expanding data exchange protocols between BRICS Members

#### 3.2 TECHNOLOGY: OPPORTUNITIES

##### 3.2.1 Adoption of ecosystem approach

##### 3.2.2 Taxpayer centric solutions:

- a) Understanding the taxpayer perspective
- b) Making tax compliance easy



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- c) Digital channels supporting market segmentation.

### 3.2.2 Interconnectedness into Taxpayer Natural Systems

### 3.2.3 Leveraging enabling technologies:

- a. Processing and interacting with data (AI/ML)
- b. Automating processes and procedures (Robotics)

## 3.3 TECHNOLOGY: AREAS OF COLLABORATION

### 3.3.1 Modernise towards an eco-system that meets the needs of all people

### 3.3.2 Deepen technical cooperation amongst BRICS Members:

- a) Capacity building focused on Modernisation and Technology development, as well as use of big data analytics, AI, machine learning in tax authorities
- b) Sharing best practices and initiatives (Case Studies)
- c) Developing BRICS e-library knowledge sharing platform

### 3.3.3 Embedding tax systems into national systems

### 3.3.4 Advocacy for advancing the concept: Digital Tax Administration, Digital Economy and Digital Government

## 4. BRICS HEADS OF TAX AUTHORITIES MEETING 2023: CONCLUSIONS

### 4.1 BRICS HEADS OF TAX AUTHORITIES FORUM GOVERNANCE FRAMEWORK *“Achieving continuity and a greater bias for execution...”*

- a. Broad support by Members
- b. Opportunity for feedback within a month (8 DECEMBER 2023)
- c. Where necessary, subject to approval by relevant authorities

### 4.2 Case Studies:

- a) All outstanding inputs to be submitted within a week
- b) Conclusion and publication of Case Studies by end of 2023

### 4.3 Request Members to send all outstanding presentations and country summaries for consolidation into the BRICS Tax meeting report by next week

South Africa undertakes to send final meeting report with attachments for comment by 8 December 2023

### 4.4 South Africa will share the consolidated work plan arising from this meeting and invite member countries where they want to lead and/or contribute.