

NEWSLETTER

2021 December-2022 February

01.03.2022

Dear Readers,

For the first time as Executive Secretary of IOTA, I would like to share with you what have been achieved in the last quarter of 2021 and what are the Secretariat's perspectives for the 2022 year.

The first quarter of 2022 is still ongoing digitally, but I like to think that this year will be back to normality enabling IOTA to be more agile to meet the membership demands.

With 9 events and over 1100 registered participants, the last quarter of 2021 was very fruitful and productive. Two regional joint events on the sensitive BEPS issues have been widely attended. With an average level of 95% of event satisfaction from the members, IOTA proved that its events met the members demands and raised deep interest.

We should be back to normality in 2022 and move forward to achieve new level of agility and resilience for a more sustainable and secured development of the organisation. In 2022, IOTA will organise in total 20 activities and 5 projects in a more agile way with the development of possible new formats to facilitate practical collaboration and knowledge sharing among the IOTA members. With its pilot hybrid event – *29th Forum of IOTA Principal Contact Persons* in April, IOTA will become acquainted with this new format. Furthermore, the use of our studio will enable the organisation to be more visible and produce digital events inhouse. I am also pleased to announce a major event – *Annual International Conference* which will be hosted this autumn by Greece with a topic reflecting the main challenges the tax administrations have to face in this post pandemic period.

The main challenge for IOTA is to develop its activities in a sustainable and secured environment. The preparation of the new Strategy 2023–2027 and the outputs of the financial framework working group to ensure financial sustainability should make IOTA succeed in staying a leading organisation in the everchanging and challenging economic environment.

Finally, the Technical Activities working group is aiming to come up with the proposals of how IOTA should evolve or transform its core business, its technical activities, in line with the vision and objectives of the new Strategy. Namely, it will also provide recommendations on how to develop existing IOTA events and activities that are subject to further development in new formats, which could be adopted by IOTA during the new Strategy period.

I wish you a good reading of this first Newsletter of the year 2022.

Best regards,

Alix Perrignon de Troyes

Executive Secretary of IOTA



UPDATES ON THE IOTA SECRETARIAT

06.01.2022

New Manager of Finance and Business Administration on board

IOTA Secretariat is happy to announce one new member on board. Mr. László Muzslay has joined the IOTA Secretariat as Finance and Business Administration manager.

Mr. László Muzslay has joined IOTA Secretariat on 3rd January 2022 as the Finance and Business Administration manager. He has a 25 years' experience in finance and business administration in multinational and private companies. In the last 3 years he was working as Finance and General Manager in a leading Danish R&D Company. He has a solid practice in financial reporting, controlling, tax and payroll activities. He also has experience in business administration, facility and office management. He is very motivated to work for IOTA as it is the first time in his career at a non-profit organization. Laszlo will report to the Executive Secretary of IOTA.

We congratulate Laszlo to his new position and wish him good luck and success.”



28.02.2021

New Communication and Publication Specialist joins IOTA Secretariat

From 14th February 2022, Erika Szabo joined the IOTA Secretariat as a Communication and Publication Specialist.

Erika has been dedicated to communication and journalism for over a decade. At the early stage of her career, she worked as a Newscaster at a local radio station and then switched to work as a Communication Specialist managing the communication of international pharmaceutical companies. She began to take

a deeper interest in business, economy, and international issues a few years ago when she took on a business reporter/editorial job at the most prevalent economic radio station in Budapest, Hungary that highlighted these matters.

In 2018, she brought her experience to China Media Group in Beijing where she stated to work as a Foreign Expert giving professional support to the Hungarian Editorial Office. The three and a half years spent at this media organisation provided her with a great opportunity to become acquainted with the Chinese economy, business culture and daily life.

To this day, she particularly follows those key international events that have a significant role in shaping business communication and relations between Europe and Asia, across the East and West. She graduated as a Communication Expert, Journalist and two years ago she also successfully completed a course on Business, International Relations and Political Economy at The London School of Economics and Political Science as well as she attended a Young Professional Development Programme which was designed by the British Chamber of Commerce in China.

Erika is highly experienced in working in an international environment, dealing with the separate needs of partners coming from different countries. She is enthusiastic about managing networks, developing joint communication campaigns and strategies. She has a strong experience in organising, participating and moderating events and dealing with the media.

She is excited to learn about IOTA and to become a member of the Secretariat team, hoping that the ideas and concepts she will introduce will contribute to the success of the organisation.

Latest Job Vacancies at IOTA

IOTA is seeking to fill the following two seconded posts:

International Tax Expert

We are looking for an experienced digital service expert from IOTA member tax administration with strong commitment to delivering a high-quality service and the potential to bring a significant contribution to the expansion of the operations of the Organisation. The successful applicant will be responsible for ensuring effective delivery of the IOTA technical activities, including training events, workshops, forums, multinational projects concerning the digitalisation of services and digital transformation strategies, procedures, manuals to the operations and functions of tax administration's e-services.

Web Portal Development Expert

The expert will provide technical support and advice to the IOTA Secretariat on the development of the Organisation's new web portal. The successful applicant will be contracted to IOTA in order to support the IOTA Secretariat in the process of web portal tendering and decision making, as a web development expert, on a range of web technologies related questions/issues and ensuring the effective delivery of the web portal development project of the Organisation.

IOTA NEWS

28.01.2022

2022 REGIONAL CONSULTATION ON BEPS FOR EURASIA

On 26 January 2022, IOTA and OECD virtually co-hosted a Regional Consultation on BEPS for Eurasia addressing the tax challenges of digitalisation which provided updates on the progress made on the development of the measures under Pillar One and Two, as well as on the capacity-building and bespoke technical assistance programmes available to support the implementation of these measures.

This Regional Consultation has brought together **167 delegates** from a total number of **35 jurisdictions**.

At the **Session concerning Pillar One**, the OECD Secretariat provided an update on progress made on the negotiation of the text of a Multilateral Convention (MLC) through which jurisdictions will implement Amount A and on its Explanatory Statement, as well as on the design of the Model Rules (MR) for jurisdictions to implement domestically, if needed, to give effect to the MLC. The OECD Secretariat also provided an update on the work related to Amount B, which aims at simplifying the application of existing transfer pricing rules to baseline



marketing and distribution activities, taking into account the needs of low-capacity countries.

This was followed by **the session covering the latest information on Pillar Two**. In this session, the OECD Secretariat provided an update on progress made on the development of the Model GloBE Rules, as well as its commentary, for the implementation of the global corporate minimum tax rate of 15% on a jurisdictional basis by means of an Income Inclusion Rule and an Undertaxed Payments Rule. The session also covered the Subject to Tax Rule model treaty provision, a treaty-based rule that restores some source taxation rights, where these have been limited under a tax treaty and the income is subject to a low rate of tax in the treaty partner jurisdiction.

The last session of the meeting was devoted to the update on capacity-building programmes. The Detailed Implementation Plan agreed in conjunction with the Statement on a two-pillar solution to addressing the tax challenges arising from the digitalisation of the economy promises “bespoke technical assistance to support developing countries in all aspects of implementation”. This session provided participants with an overview of the plans for capacity-building support including multilateral training, new knowledge resources, bilateral support and the roll-out of induction programmes focussed on the implementation of Pillar One and Pillar Two.

The meeting was co-chaired by Mr. Eugenijus Soldatkovas of the IOTA Secretariat and Mr. Andrew Auerbach of the OECD Secretariat.



15.12.2021

EXCLUSIVE INTERVIEW WITH MARC BUGNON, PRESIDENT OF IOTA

Marc, you wanted to come to Budapest, but the COVID-19 situation made that impossible. What was the planned purpose of your visit?

Since the last digital IOTA General Assembly in summer 2021, and since the new Executive Secretary took up her position on 1 September, it has unfortunately not been possible for me to come to Budapest due to the COVID-19 situation. It is important for me to officially meet the new Executive Secretary, Alix Perrignon de Troyes, in person, and to get to know all the members of the IOTA Secretariat. I believe personal contact is necessary, as we work together. I hope that this will be possible again very soon.

Can you briefly introduce yourself?

I come from the French-speaking part of Switzerland. I am married and we have two grown-up children. I studied law at the University of Fribourg, and for more than 21 years I have been working for the Federal Tax Administration in different functions. In my free time, I enjoy hiking in the mountains and skiing in winter. I also enjoy discovering new places and meeting new people.

What is your job at the Federal Tax Administration?

Since 2014, I have been the Head of the Main Division for Direct Federal Tax, Anticipatory Tax, Stamp Duty and the International Exchange of Information (DAS). I am also the Deputy Director of the Federal Tax Administration. My unit has nearly 400 employees, who speak different languages and have different professional backgrounds.

How did you get into taxes?

After my law studies, I started as a clerk in the cantonal social security court and then switched to the tax court. The topic was new for me, but I was immediately hooked and I developed a great interest in the subject. After 5 years, I switched to the Federal Tax Administration. I have now been working in the tax field for 26 years.

What do you like about your work?

My work is very diverse. Every day, you are confronted with new issues to be solved and decisions to be taken. The world of tax is constantly evolving. That is what makes it so interesting. I also like the exchange with other colleagues and other tax administrations.

And what are the challenges in your daily business?

Balancing my job as head of the DAS Main Division with maintaining my expertise. My day alternates between technical discussions and management issues in different languages. Another challenge is to consistently involve all stakeholders and interested people in discussions and decisions.

How did you get in touch with IOTA?

As I work for the Federal Tax Administration, I have attended various international tax meetings and congresses, and have represented the Federal Tax Administration in several IOTA workshops. I have also participated in several General Assemblies. I had the pleasure of organising the Technical Sessions for the IOTA General Assembly in 2013 in Bern. Since 2015, I have been responsible for all IOTA-related issues within our administration.

What is the most important thing you have learned in the Federal Tax Administration that you can contribute to IOTA?

I have extensive leadership and management experience with people from different professional backgrounds and with different languages. My knowledge of how a tax administration works, for example as regards processes and staff management, is certainly an asset for the Presidency.

Why did the Federal Tax Administration apply for the IOTA Presidency?

Switzerland has actively supported the work of IOTA for a long time. Every year, we participate in many workshops and we usually host one event in Switzerland. In 2019, Switzerland once again joined the Executive Council because it was important for us to guide the work and decisions of the Organisation and thereby contribute to IOTA's success. After two years on the Executive Council, we were ready and highly motivated to take on the challenge of the Presidency.

What are your priorities during your term as President?

We have three priorities.

Firstly, to prepare IOTA for the time after COVID-19 and to find a new normal. There will certainly be new trends that will be reflected in the Work Programme and we need to be ready to adapt quickly to the changes.

Secondly, to discuss the organisation of the IOTA Secretariat with the new Executive Secretary, including human resources and staff development, to ensure good motivation and a pleasant working environment, in particular.

Lastly, to focus on better promotion of IOTA to the membership in order to increase participation by the DGs, but also to get disconnected members back on board. To achieve this, it is important to have good and interesting onsite high-level events such as the General Assembly and the Annual Conference. Switzerland looks forward to doing this successfully, and we hope to welcome you all next year in Zurich.

What are the issues for IOTA in the next few years?

We have to draw up the new IOTA Strategy for 2023 to 2027. IOTA is also working on a Code of Conduct. Both documents will be presented and hopefully adopted at the next General Assembly. The timeline for both projects is quite short and the work will be intense. In addition, once adopted, they need to be implemented.

Why is IOTA important now and in the future, in your view?

The world is evolving at a rapid pace and this brings many challenges for tax administrations. IOTA can play a crucial role by helping its members to help each other and by sharing experiences and best practices, thereby identifying the best and most appropriate solutions that will help our tax administrations to be always at the forefront.

I am convinced that IOTA will continue to pursue its work successfully in the future, with the contribution of all its members.

IOTA MEMBER NEWS

18.02.2022

THE SPANISH TAX AGENCY TAKES A FURTHER STEP IN PROMOTING COOPERATIVE COMPLIANCE

Establishment of the SMEs Forum and Self-Employed Entrepreneurs Forum

On 16th February 2022, based on the principles of transparency and mutual trust, two new fora have been established in order to enhance the cooperative relationships with SMEs and Self-Employed Entrepreneurs. The formal Fora constitution act was attended by Mr. Héctor Izquierdo, Secretary of State for Finance, and Mr. Jesús Gascón, Director General of the Tax Agency, as well as the main associations of SMEs and Self-Employed Entrepreneurs.



These Fora complement the existing ones (Large Taxpayers' Forum, founded in 2009, and Tax Intermediaries' Forum, which has been in operation since 2011) and their primary objective is to improve the application of the tax system by reducing administrative burdens, providing information on the newest facilities and services offered by the Tax Agency and promoting the use of electronic administration. In addition, a collaborative approach in the prevention and fight against tax fraud will be followed.

On each Forum, two working groups will be created: one is dedicated to the digitalisation and a second is devoted to drafting a code of good tax practices.

Digitalisation Working Group

In this group, the Tax Agency and representatives of the SMEs and Self-Employed Entrepreneurs associations will work together to modernise the administrative management of these business segments in order to simplify the compliance with tax liabilities. One of the measures to implement will be the establishment of secure invoicing systems that contribute to tackle the fraud generated by the electronic sales suppression software.

Code of Good Tax Practices

As in the case of Large Taxpayers and Intermediaries, for whom Codes of Tax Practices were produced in 2010 and 2019 respectively, this working group will aim at drafting a document that allows to express the engagement of SMEs, Self-Employed Entrepreneurs and the Tax Administration with voluntary compliance in an atmosphere of reinforced legal certainty, transparency and trust.

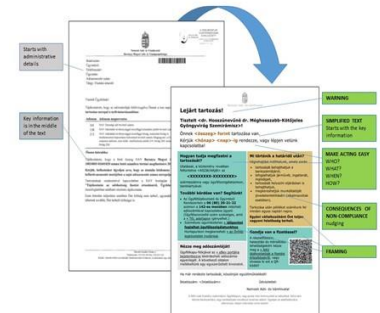
Once the Codes are approved, the associations representing both collectives would sign them and SMEs and Self-Employed Entrepreneurs would embrace them individually on a voluntary basis.

With the creation of these two new Fora, all segments of the business community will benefit from the cooperative compliance approach in a tailored manner.

18.01.2022

BEHAVIOURAL INTERVENTIONS IN PAYMENT NOTIFICATIONS

Fundamentally, the field of behavioural insights is focused on understanding human decisions and behaviours, then leveraging those insights to design practical policies and interventions. Regarding tax administration, it can be beneficially applied to a wide range of areas, from taxpayer services and enforcement to internal topics such as employee engagement and productivity. Promoting and encouraging taxpayers' voluntary tax compliance is key to efficient tax administration. To improve effectiveness, tax administrations need to identify the need, determine the right message, and deliver the message at the right time. Pilot projects were running in Hungary in 2019 by the Ministry of Finance and the National Tax and Customs Administration (NTCA) aimed to increase this behavioural influence. The set-up of these trials and their results were published.



Among other things, new types of payment notifications were tested taking into account the best international practices and the specificities of the Hungarian tax system. It was examined how to increase the volume of voluntary payments by modifying the content or form of payment notifications. We conducted a trial, where the treatment was solely a simplification of the reminder letter sent to taxpayers with overdue tax debt. At the time of sending out the notifications, those individual entrepreneurs were involved who had a tax debt of between HUF 10 thousand and HUF 1 million. This meant a total of 21.000 taxpayers. One half of the randomly selected taxpayers received the traditional payment notice while the other half received the newly compiled one.

When designing the new letters, the main guiding principle was to prioritise the tasks of the taxpayers. Greater emphasis was placed on clear wording and using personalised content. Detailed legal references were removed with further information made available through direct links instead. The links used in the letters make it easy for taxpayers to find the booklets of the NTCA with detailed information. The form was also redesigned, and NTCA followed the principles of behavioural science (including the EAST model) to create clear and easy to follow instructions that were also clear about the consequences of non-compliance. Additionally, NTCA used colour highlighted text boxes for the layout. The following principles were considered:

- The main part on top should contain the key elements of the letter (make it easy - East), indicating:
 - Who (personalization)
 - What (amount to pay)
 - When (specified deadline)
 - How (structured communication)
- The previous experiments showed that it is important to include a specific (close) payment deadline after the due date instead of the term 'immediately' – the new deadline will serve as an anchor (anchoring effect) to fulfill the action demanded. (east)
- Personalization raises engagement; Dear <name + surname> (Personalisation)

- Information needs to be well structured and simplified: simplifying communication substantially increases compliance, raising awareness (main elements: amount – deadline – account number – reference number to use) (make it easy - East)
- Colors add to the attractiveness of the letter and increase the impact.

During the planning of the project we created a unified image by dividing it into information boxes. These indicate what the taxpayer should do, where he can get help, and what sanctions he may face, if he fails to comply with the payment. During the project we applied various behavioural insights elements, principles, which are mainly reflected in these boxes, such as clear and easy- to-follow instruction, drawing the taxpayers' attention to the consequences, etc.

The personalized part of the letter covered also in these boxes. Accordingly, the content and the structure of the information boxes depend on the particular letter, but as a general rule we followed these considerations when dividing the information:

- To-do box: clear steps with precise instructions
- Help box: The most accurate information on how the taxpayer can ask for help in case of payment difficulties or any other related subject.
- Nudge box: The contents vary depending on the nature of the message. It may include an advantage (avoiding losses), sanction (interest calculated on late payment), positive or negative consequences for the taxpayer, but it may include a brief explanation as well. If it is very short, it can even be combined with the to-do box.

The new-type notification increased the payment ratio by 1.4% on average, but the increase was even higher, 2.9%, for those with a debt of at least HUF 100 thousand. The results of the project proved that by making NTCA communication clearer, the payment of arrears, compliance with tax payment deadlines and voluntary compliance can be encouraged in a very cost-effective manner, the use of well-chosen nudges does lead to a significant increase in the number of overdue payments settled. Recovering small tax claims through enforcement means would be a significant cost to NTCA. Therefore, proper communication with the taxpayers may be particularly important in these cases. Communications with taxpayers provide an opportunity to nudge actions and simple changes to communications can increase not only the voluntary tax compliance of taxpayers, but also the good reputation of the tax administration. The experiences highlighted that it is worth to apply behavioural insights in a more permanent way in the future. NTCA is now looking to incorporate the learnings in the general process and also into the cross-border tax recovery by using bilingual payment notifications. I'm convinced that behavioural insights can make a significant qualitative difference in the work of tax administrations and transform our interactions with taxpayers, leading to increased compliance.

Katalin Kanizsai Dr.
Chief expert
National Tax and Customs Administration
Central Management
Insolvency and Enforcement Department

LATEST PUBLICATIONS

05.01.2022

PUBLICATION OF IOTA REPORT ON EFFECTIVE TREATMENT OF TAX RULINGS SUBJECT TO THE EXCHANGE BETWEEN TAX ADMINISTRATIONS – A REVIEW OF PROGRESS

On 16th December 2021, IOTA published on its website its latest report 'Effective Treatment of Tax Rulings Subject to the Exchange Between Tax Administrations – A Review of Progress'. The report was prepared by Subgroup 1 of the IOTA Forum on Implementation of Measures to Counter Base Erosion and Profit Shifting (BEPS) and is a follow-up to their previous report published in December 2019, 'Effective Treatment of Tax Rulings Subject to the Exchange between Tax Administrations'.

Following the publication of the first report, Subgroup 1 were commissioned in June 2020 to produce a second report on tax rulings. This second report looks at improvements made since the first report as well as gathering more information on the appropriate and effective use of tax ruling information received. In November 2020, a new survey was distributed to IOTA members and member countries were asked to comment on their experiences of exchange of tax rulings.

The 2021 report considers what progress has been made by members on the exchange of tax rulings and, using information provided by 22 IOTA members in response to the survey, provides suggestions to improve the quality, consistency and content of the tax rulings summaries exchanged and ensure the appropriate and effective use of tax ruling information received.

The report covers the following areas:

- Status and development of the exchange of tax rulings
- Structure and organisation of the work for tax rulings received
- Use of tax rulings information
- Follow-up requests
- Outcome of the exchange on tax rulings.

IOTA would like to thank all members that contributed to the production of this report, but in particular, the members of Subgroup 1 (Finland, Germany, Hungary, Italy, Sweden and the United Kingdom).

If you would like to know more about this report and the work of Subgroup 1 or BEPS itself, please contact the IOTA Secretariat via email Secretariat@iota-tax.org.

IOTA members can access the Report on the secured IOTA website.



UPCOMING ACTIVITIES

3rd March 2022, Digital

Planning Meeting for the IOTA Forum on Combating VAT Fraud

The purpose of this meeting is to reactivate the network of the members of IOTA Forum on Combating VAT Fraud and to discuss the needs and activities to be carried out during the year 2022.

The meeting will explore:

- the demands for any collaborative initiative / Project among the IOTA members
- identify topics and formats for the next meeting of the IOTA Forum on Combating VAT Fraud

23rd – 24th March 2022, Digital

Workshop on Latest Developments and Best Practices in the Use of E-commerce Monitoring and Investigation Tools

Please note the event will be a follow up to the IOTA workshop “Tools for monitoring e-commerce” held in Budapest on 13-15 November 2018.

The two-day digital workshop will provide IOTA member tax administrations with an opportunity to learn about newest IT tools (both paid and free e-commerce monitoring tools)

- for structuring data/preparing data for analysis (preliminary analysis)
- presenting results and evolutions as dashboards/datamining/web-scraping/social network analysis

It will also offer the insights into best practices of IOTA members with advanced experience in applying data analytics to identify the risks of tax fraud and evasion that occur in online transactions.

At the same time, each IOTA member tax administrations will have the opportunity to present and share experience on concrete and practical approaches and IT demonstrations in the use of techniques and modern tools for big data processing.

29-30 June 2022

26th IOTA General Assembly

During 29th and 30th June 2022, the IOTA General Assembly will be held in Zürich under the Swiss Presidency. This year the technical session will follow the theme **”Compliance and Trust: affecting tax behaviour while redefining the relationship between taxpayers and tax administrations”** and the GA will address:

- Taxpayer psychology and behaviour: taxpayers’ perspectives and attitudes to paying taxes, tools available to build tax ethics and tax morale, the importance of communication in trust-building.
- Embedding trust in the overall strategy of a tax administration: staff engagement in redefining the relationship between taxpayers and tax authorities.
- Extensive use of digital platforms and tools to reduce the taxpayers’ administrative burden, enhance trust and foster compliance.

Cooperation between governmental bodies: use of a single digital identification, protection of personal and sensitive business data, legal opportunities and boundaries of sharing taxpayer information across the government sector