

Rapidly Optimizing Tax Revenue Management and Performance



Today's intensifying tax agency challenges mandate a fresh approach to managing tax compliance and fraud information.

Highlights

- **Automate the identity and relationship resolution process to provide increased public value by increasing the opportunity to raise revenue and reduce costs**
- **Achieve greater value by focusing on: maximizing compliance, collections, responsiveness to taxpayers, minimize the tax burden on taxpayers and improve cost effectiveness**
- **Implement a taxpayer identity disambiguation process across registration, filing, collections, payments and audit functions**
- **Build on existing investments to optimize investment in skills and infrastructure**
- **Protect tax payer privacy while sharing information**
- **Use proven IBM technologies and techniques to implement**

Strategic issues

Today's tax agencies typically lose 15 percent or more of total revenues to non-compliance and tax evasion and other types of non-compliance –known as the 'tax gap'. The challenge is to focus on revenue performance and compliance delivering public value through aligned, actionable goals and objectives. Public value has multiple dimensions and is created at all levels driven by 'on demand' attributes.

- Political return at the cabinet/ department/agency level and being responsive towards voters
- Economic effects of cabinet/ department/agency priorities and being responsive towards and with other agencies
- Value for money and achieving operational excellence of core tax/revenue agency activities

Creating public value

Today, government cabinets/department/agency's measurements of public agencies are increasingly results-based. Increasingly, cabinets are communicating measurable objectives to revenue agencies and results to voters and society at large, and officials will no doubt be held accountable for reaching the goals they set. Government officials must begin to think in terms of creating 'public value'. Devel-

oping a good understanding of public value and performance management will become a top priority as government agencies seek to satisfy the competing requirements of all external stakeholders.

Tax agencies must work to reduce costs and improve efficiency and effectiveness. In essence, leaders report that they are consistently being asked to do more with less.

Delivering results

Nearly every government agency has undertaken some kind of performance management program in the past, but as the environment of the public sector quickly changes, these efforts have become less effective. A new approach to performance management can help tax/ revenue agencies officials address their concerns and make improvements they seek by:

- Improving decision-making and accountability
- Increasing organizational transparency and trust
- Capturing deeper insights into the daily operations and profound analysis around improvements, which can be used to assist policy makers in developing new or better processes
- Optimizing resources by tracking the organizations performance to help management put the right people in the right place at the right time, and to bridge the skills gap by additional training and education, or by attracting the right people.

Measuring success

The first step in creating effective performance management is finding out what external stakeholder really want. Once stakeholder requirements are fully understood, tax and revenue agencies will need to translate stakeholder needs and desires for economic and social impact into internal performance measurements. The effectiveness of these measurements relies on the ability of government officials to communicate with and create visibility and transparency of joint goals with all stakeholders.

The three levels of stakeholders are: cabinet, cross-agency and the individual agency. The public value is defined by how well the agency takes into account the requirements of its stakeholders at each level, and cannot be isolated within any level.

Processes that are owned and measured by an individual agency often flow through external agencies as well. This can make managing and measuring the outcomes of these processes an extremely complex exercise –even though it is often the outcome of these processes by which the agency itself is measured.

First understand, then act

Designing a scorecard to fit the unique environment of a government agency is only the first step toward delivering greater public value. Measuring and managing for citizen and political return requires that government agencies incorporate the public value scorecard

into their day-to-day management processes. Once key stakeholder requirements at all levels are well defined and a balanced scorecard is developed, key performance indicators (KPIs) should be cascaded down consistently to the correct organizational levels to create true accountability in every area of the tax and revenue agency. Performance indicators should span senior management to the operational levels, link closely to overall goals and should reflect the specific issues, concerns and pain points of each organizations level.

But making sure that performance is measure at every level will not, in and of itself, increase the effectiveness of the tax and revenue agency. To truly improve the effectiveness – and meet the challenge of continually doing more with less – government operational improvements based on in-depth analysis. Tax agencies must adopt an iterative process of capturing, reanalyzing and acting on performance measurements to improve service to stakeholder and increase public value.

Tax leaders can use insights from performance measurements to defend their agencies in the face of changing political priorities. If they know what is working, how much things cost and have a constantly refined working understanding of how to improve performance, they will be better insulated when assessments of their success (and eligibility for funding) are made.

Fusing people, skills and technologies

Lastly, tax leaders acknowledge and cite human resources as posing the greatest challenge to managing performance and creating public value. Regardless of how well performance is measured, better government will require the right skills and tools to accomplish the work that needs to be done. Implementation is about fusing people, skills and technologies in an incremental way, and executive level sponsorship is mandatory for success. Tax organizations should only measure what they will act upon, as these measures will allow for an individual or group to see what their contribution is in the total picture

Why Now?

Today's intensifying tax agency challenges mandate a fresh approach to managing tax compliance and fraud information.

- Multiplication of fraud types, frequency, complexity and interconnectedness of people and organizations
- Fraud is increasingly asymmetrical
- Explosion in complexity of fraud identification
- Frequency of transaction/interactions
- Transparency is clouding
- Regulatory pressures are increasing
- Intensifying budget and tax revenue pressures
- Customer centric approach

Current Approaches have become obsolete.

- SSN and/or EIN are no longer reliable as the sole means of identification and linkage to other taxpayers
- Information is compartmentalized – lack of full integration is obscuring visibility
- Query state limits ability to address complexity of fraud - you need to know the right question to ask
- Untimely – fraud identified ex-post facto.
- Inaccurate – broad scale false positives and false negatives
- Out of context – lack of decision support/guidance once fraud is identified

Disambiguating Taxpayer Identities

IBM's Tax Compliance Intelligence can positively affect a revenue / tax agencies desired outcomes by recognizing and resolving names and identities of taxpayers whose personal identifiable information has either changed through naturally occurring events eg. marriages, divorces and/or through intentional means such as the creation of multiple identities or associations with non-obvious fraudulent networks .

We can aid in maximizing taxpayer compliance by:

- More accurately recognize non-compliers, low and high risk taxpayers
- Automate name recognition, resolution of taxpayer identities and obvious and non-obvious relationships

We can aid in maximizing collections by:

- More accurately prioritize collections based on the historic and current risk associated with an individual taxpayer
- Automating and providing a full attribution of personally identifiable information about the taxpayer

We can aid in minimizing the burden on the taxpayer by:

- Developing individualized taxpayer assistance, compliance programs and messages
- Automating equip tax agency/client relationship management by obtaining deep insight about individual taxpayers, their social networks

We can aid in maximizing the responsiveness to stakeholders by:

- Improving the speed, quality and accuracy of service of interactions with taxpayers by recognizing their names, their identities and their social network all while protecting their privacy
- Automating tax agency/client relationship management function by resolving identities, relationships and anonymizing personal information

We can aid in improving cost effectiveness by:

- Improving tax/revenue department performance and effectiveness by using fact based taxpayer identity and relationship information for deep insight into who you are dealing with

- Automating the real time alerting and insight into identities and/or providing enterprise discovery and insight tool

Keeping score

A responsive tax agency can manage more effectively with fact-based decision and information tools. IBM's Tax Compliance Intelligence provides a comprehensive identity disambiguation solution that can span and be an integral part of your :

- Relationship management
- Enterprise risk management
- Government intra- and intergovernmental agency collaborations
- Marketing services
- Shared services

Privacy Protection

Information about tax payers is needed to successfully follow up on leads and process cases by the tax agency. The Information is usually provided by a tax payer themselves and does not itself represent privacy issue. Difficulty arises if elements of information are combined in ways that reveal more about a person's private life than intended. Different countries take different approaches to privacy. Many countries have legislated privacy into their tax systems. Sometimes privacy protections are an inhibitor to good tax compliance and service. Tax payers may be willing to allow privacy information to be shared if asked and to their benefit if they provide consent.

IBM Tax Compliance Intelligence provides tax agencies:

- Ability to share identity and relationship information with third

parties without disclosing the identity of the person to whom the information relates

- Support tax agency services delivery model oriented around integrated service and tax payer consent and choice

Proven Methods, Tools and Techniques

IBM has invested significant resources in Tax Compliance Intelligence to bring together a range of tools and techniques all specifically designed to enhance the implementation of integrated tax case and risk management solutions for tax agencies.

A solid foundation: World class technologies from IBM

IBM is one of the largest providers of solutions to government agencies around the world. The IBM Tax Compliance Intelligence is built upon:

- IBM Global Name Recognition: recognizes names across multiple cultural variations
- IBM Identity Resolution: identities 'who is who'
- IBM Relationship Resolution: identifies 'who knows who' by detecting relationships across multiple degrees of separation
- IBM Anonymous Resolution: allows multiple organizations to share identity and relationship data anonymously that never exposes the identity of an individual

For more information

To learn more about these solutions, please visit: ibm.com/db2/eas or contact your IBM sales representative.



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