



Digitalisation and Platform Economy – Possibilities and Threats to Taxation

Markku Heikura, Finnish Tax Administration

Twitter @HeikuraMarkku

This is The Finnish Tax Administration - Vero



Vero collects about 98 % of all taxes and tax-like charges in Finland.



Tax Gap in Finland is very low.



Voluntary compliance in Finland is very high:
79 % of the taxpayers are happy to pay taxes service

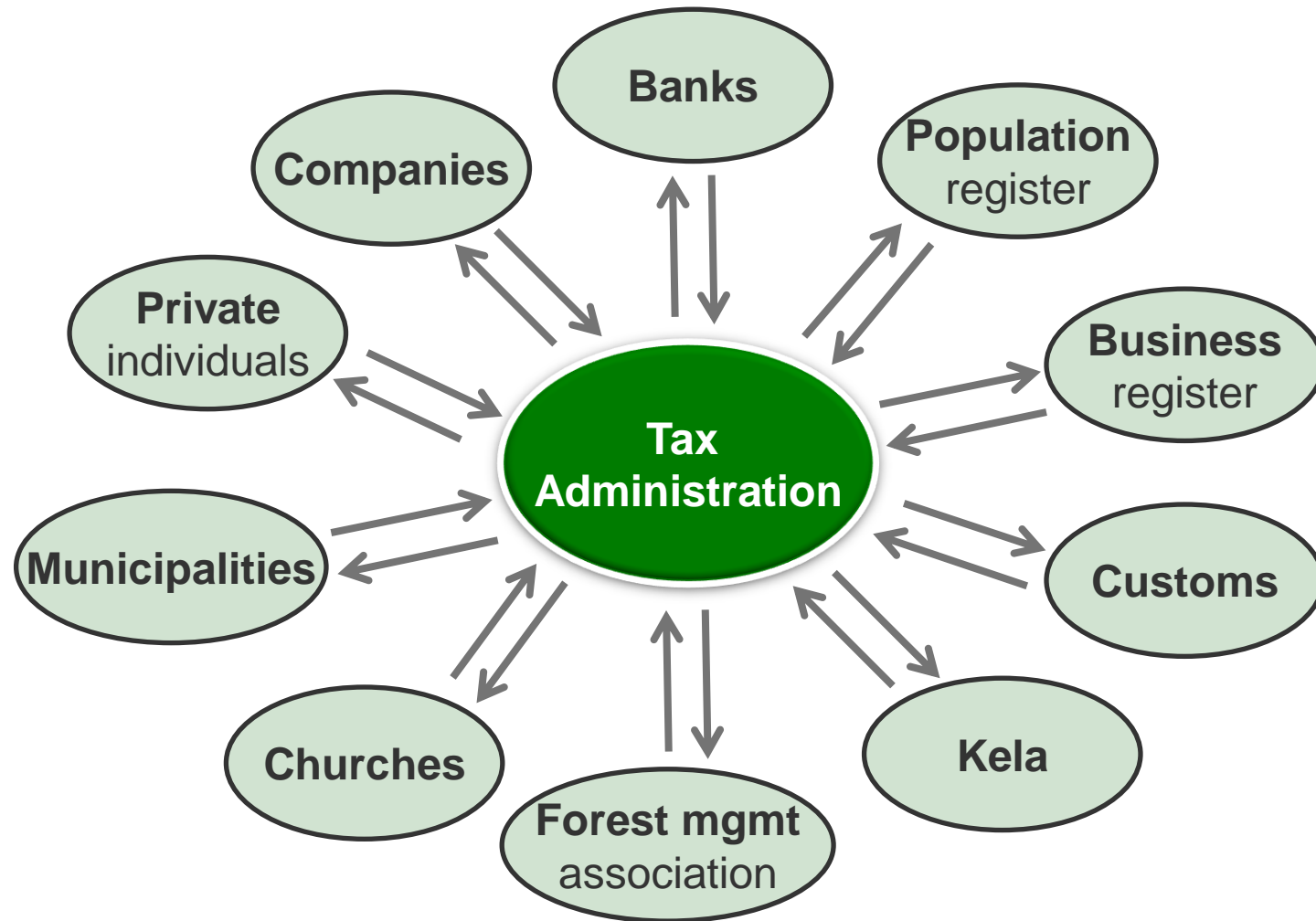


Nearly everything can be filed online, work is based on estimated tax risks, nationwide work queues can be handled anywhere.

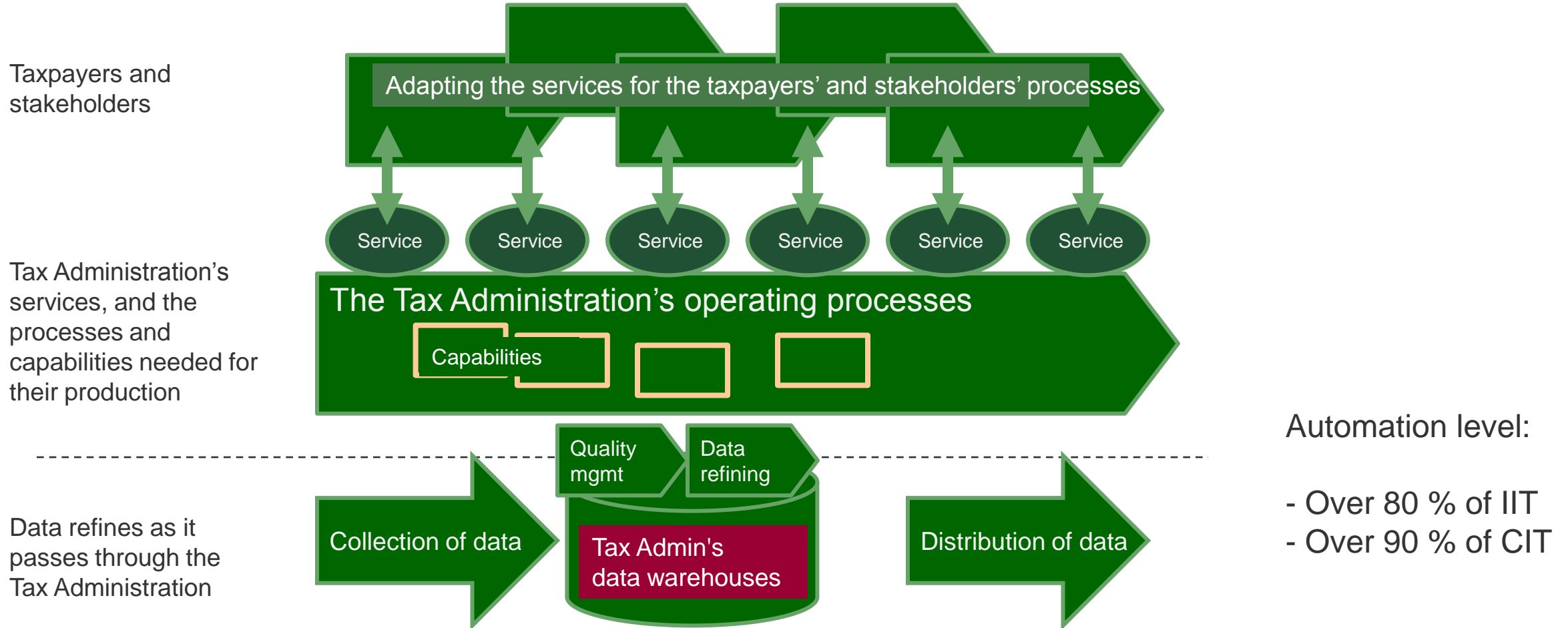


Vero is currently replacing old tax-specific applications with one commercial off-the-shelf tax software solution. Also all our online services are replaced with MyTax, also COTS solution by the same provider

The efficiency of tax assessment is based on extensive information integration (ecosystem)



The services and basic activities of The Tax Administration



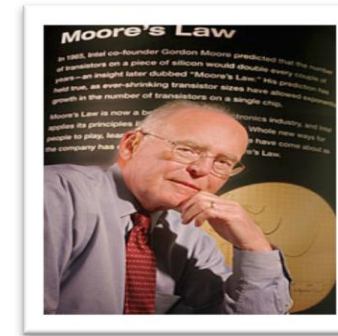
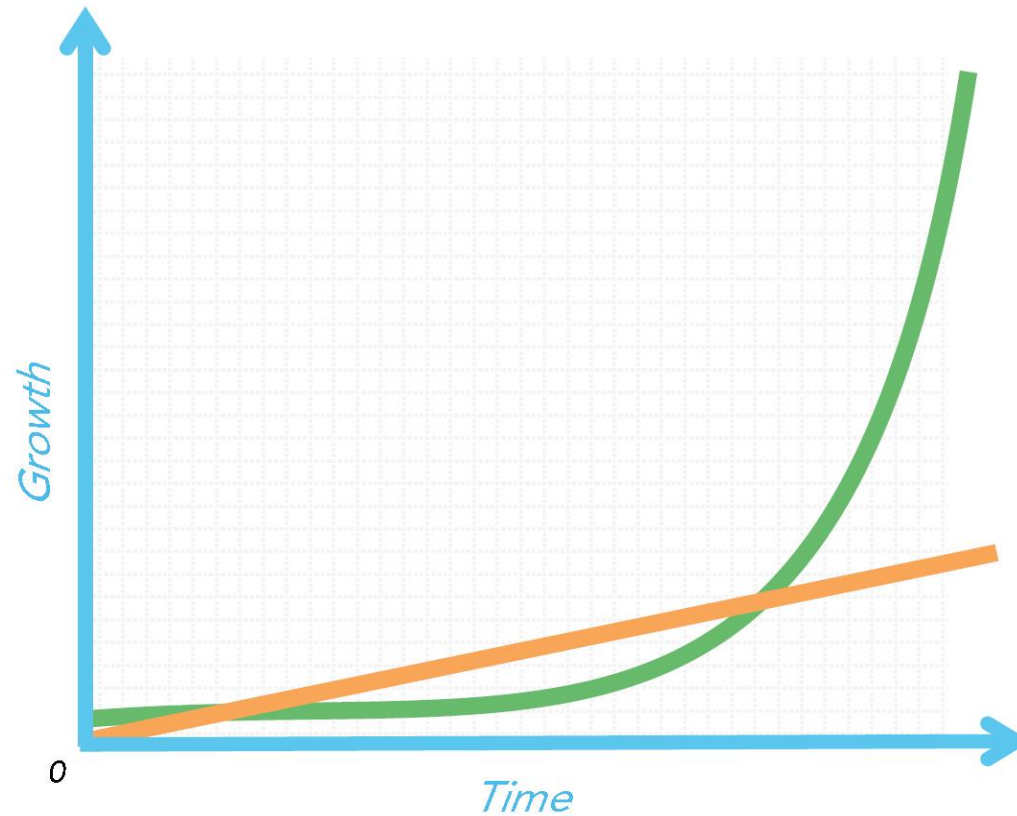
Digital platforms

Digitality poses a challenge for the Tax Administration



Source: Gartner

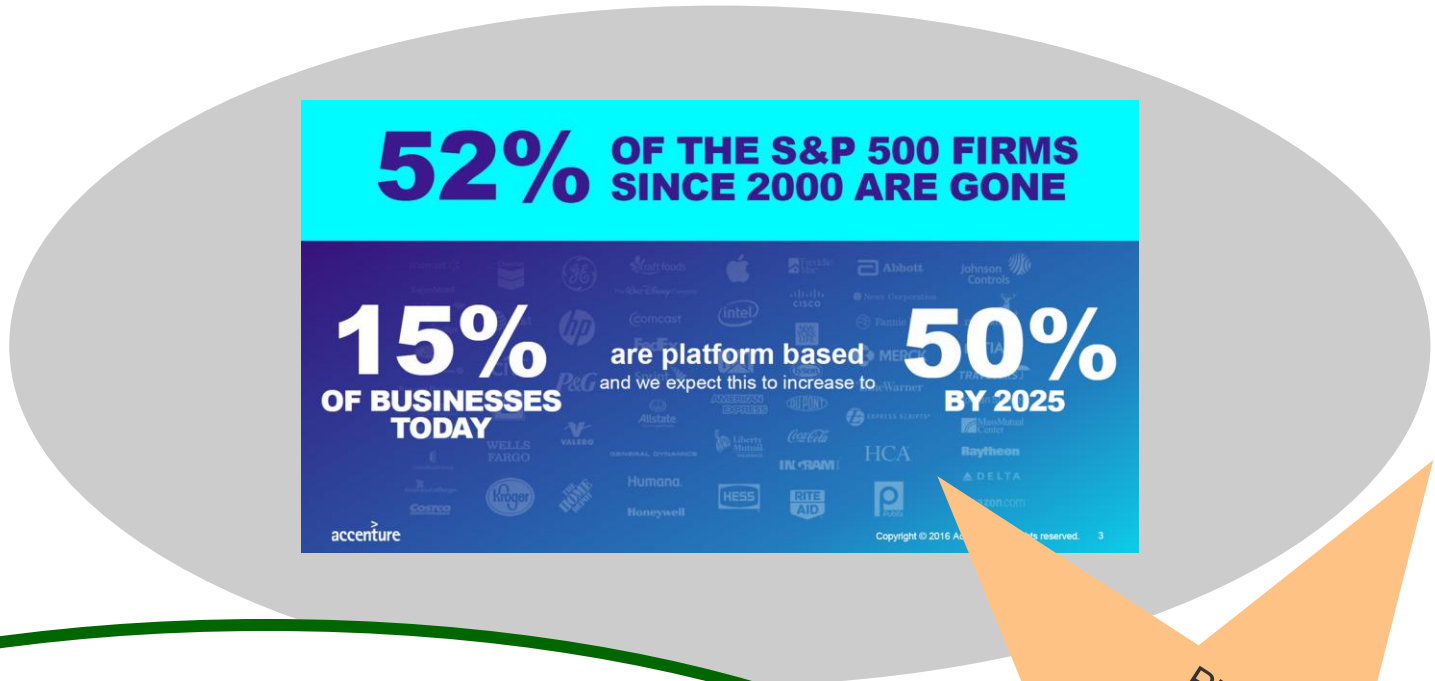
Future outcomes cannot be linearly predicted from past performance



The development of technology is based on Moore's law



Global



Platform & Sharing Economy will be part of everyday life

Different platform economy models

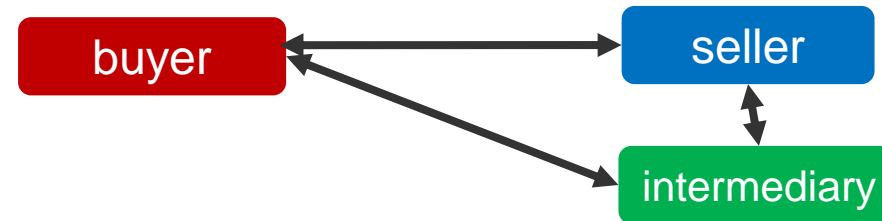
1-level

- traditional seller/buyer model



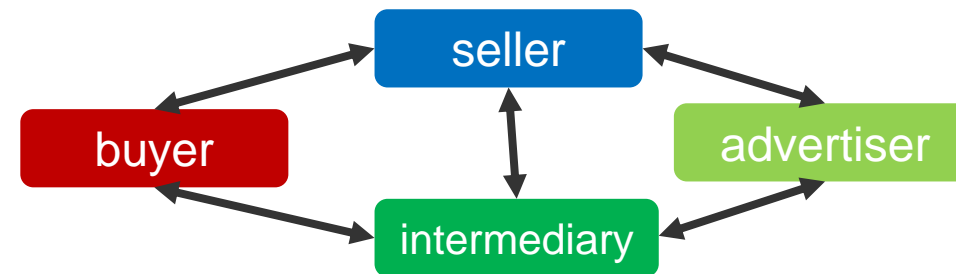
2-level platform

- An intermediary connects the seller and buyer
- Uber, Airbnb, eBay



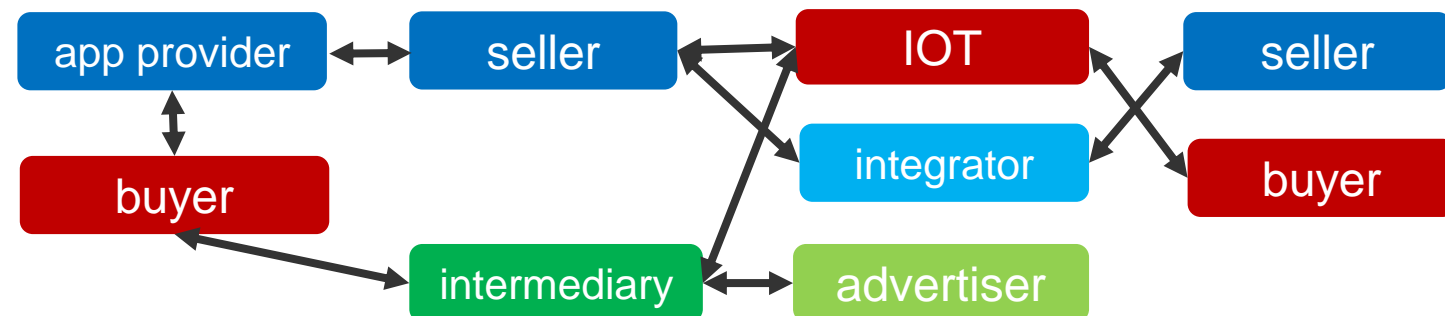
3-level platform

- An intermediary creates a platform where the seller's services can be bought. In addition, a third party may be providing services, such as advertisements, reservations, payment services
- Facebook, eBay



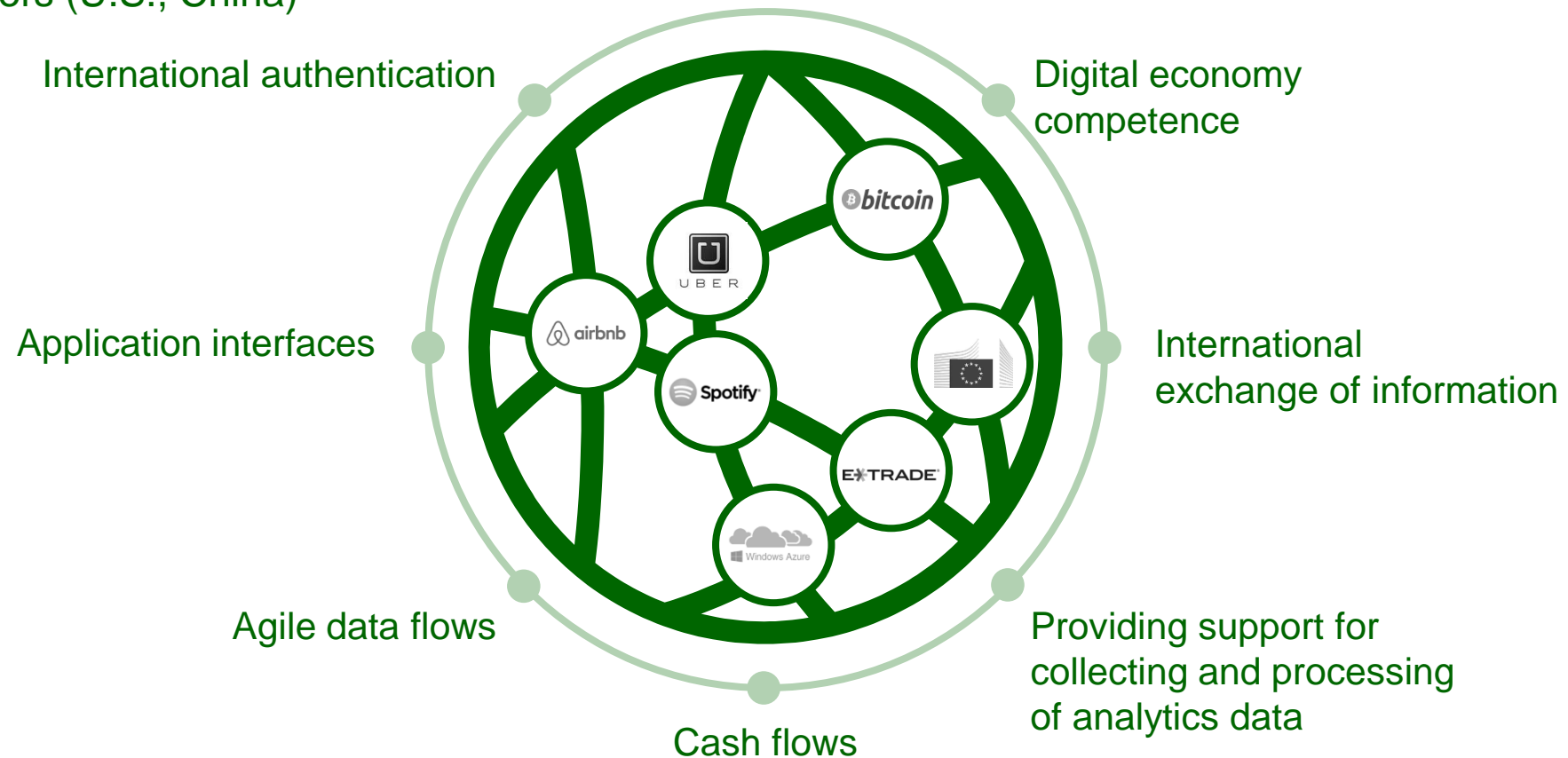
N-level platform

- the seller, buyer, supplier, etc. form a network where services are sold and provided
- Amazon, Alibaba



How can we ensure the right information and the right degree of automation?

The information needed to perform tax assessment will soon be located in international cloud services provided by platform providers (U.S., China)



Challenges opportunities and solutions for digital era



- Safeguarding the taxation base in the digital world
 - In digital economy is characteristic and common that data is centralised to few international platforms
 - At the same time e-commerce income earnings from service and good sales are dispersed
 - Virtual currencies, operating outside traditional structures

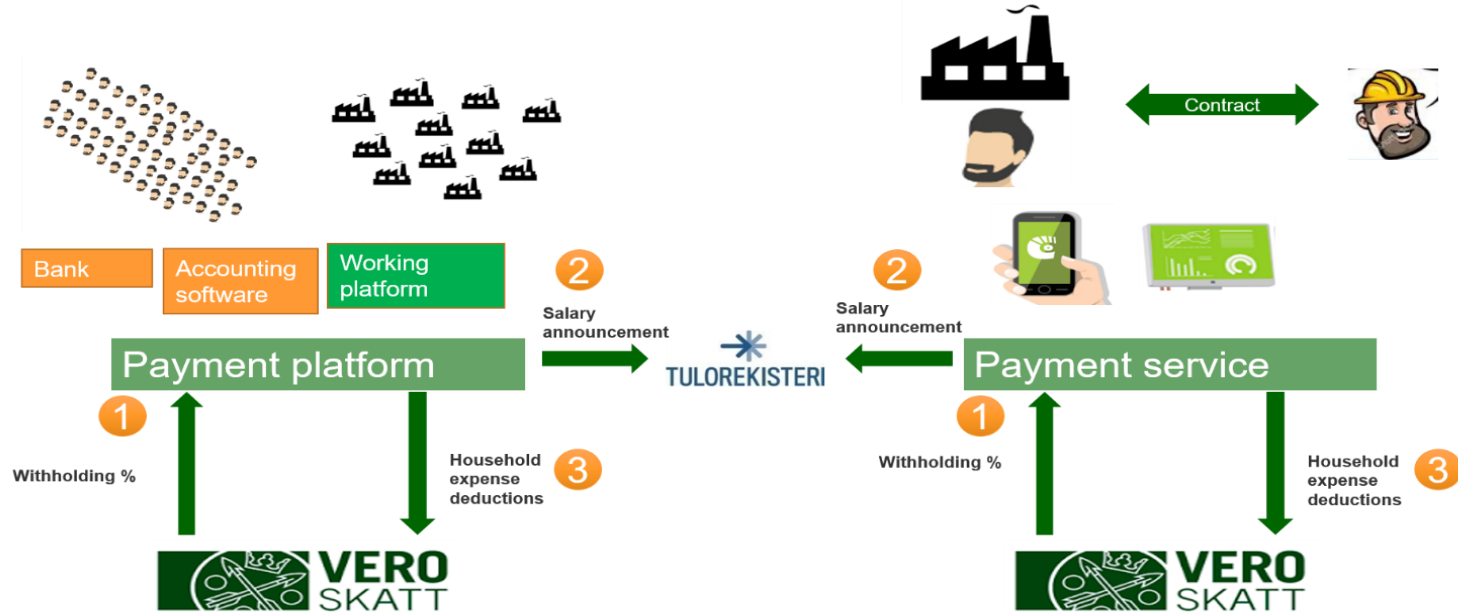
- Tax administrations need all tax relevant data from digital actors to perform effective tax control e.g. Payment Service Providers data (Commission impact assessment phase pending)

- It should be permitted to request and collect data from data holders without the need of identifying specific actors (mass level data)

- Taxation ecosystem
 - Enabling the production of external services
 - Cooperation with global and local platforms

The Finnish Tax Administration may use even more third-party information in future. New interfaces give us access to useful tax data.

Case: Salary payments



3.4.2018

Mika Halonen

Other examples: banks, real estate agents, rental platform IT systems

We need to cooperate and collaborate

- Tax Administrations should advance the updating of the rules of international exchange of information to meet the requirements of digital era
 - Finland as the chair of EU Eurofisc working field on Control of E-Commerce has strived to enhance the development of more effective exchange of information
- Blockchain technology with smart contracts could enable real-time taxation based on transactions - taxes would be paid automatically at the right time to the right place without the taxpayer doing anything.
 - similar technology could be used in the exchange of information between different tax administrations
- Big data analytics can be used to better understand taxpayers and improve operational performance.
 - challenge: huge volume of data to analyse
 - International joint efforts needed for finding the best tools and sharing the information on the best practices.



For You.

