

# The revenue agency of the future

# Seven keys to digital transformation

**K**NOWLEDGE ECONOMY. SHARING economy.  
Gig economy. Cryptocurrency exchanges.  
Virtual transactions.

These aren't just buzzwords—they are modern-day realities that the world's revenue and tax agencies face. In a world of accelerating digital and economic disruption, many revenue agencies recognize that yesterday's taxation models—and the systems that support them—can no longer keep pace with the technology revolution reshaping our world.

While many revenue agency leaders understand the importance of taking digital transformation seriously, few have cracked the code to unlock a long-term, “future-proof” model for mission success. Random acts of digital adaptation won't help. Revenue agencies must shift from *doing digital* to *being digital*.

So what can revenue agencies do to successfully keep pace with rapid technological change and evolving citizen expectations? Seven keys can guide their journey to digital transformation: three internal shifts, three external shifts, and one strategic “mindset” shift.

## 1. Get digital to the core

Revenue agencies can start by making internal fixes, including transforming the core functions of tax administration.

Many tax agencies have taken a piecemeal approach to digital-based operations, building stand-alone digital products atop legacy foundations, which has challenges related to cost, ease of use, and incompatibility with emerging technologies.<sup>1</sup> Building a truly digital core will require a multipronged approach that can include automating tax submission review workflows and

adopting modular, flexible approaches to systems architecture to respond to changing policy mandates.

## 2. Unlock the power of data

Digital economic transactions—salaries, sales, natural language, and much more—give what revenue leaders want: data. The bad part? They generate plenty of it. While it is imperative that revenue agencies make sense of these vast amounts of data, many of them are unequipped to make the best use of it—especially when data is trapped in silos and legacy systems.

A foundation of digital transformation is getting the data right. Revenue agency leaders can then unlock the power of new types of data while protecting the privacy of constituents and serving the public good.

## 3. Reimagine the workforce

People are an organization's biggest strength. However, sourcing the right talent with the ability to work with complex data, manage digital platforms, and lead effective teams is becoming increasingly difficult.

Revenue agencies need to reconsider how competitive their value proposition is to prospective and current employees and reimagine every aspect of talent management, including recruitment, hiring, skills development, advancement, and career transitions. They may also need to tap into human resources from outside the traditional employee base, including gig workers, crowdsourced solutions, creative partnerships with other players in the tax ecosystem, and digital labor, which can actually extend the capabilities of human workers.

## 4. Elevate the tax experience

Taxation may never become citizens' favorite interaction with government. The easier that experience is made for them—whether through reduction in manual calculations, better access to information, or user-friendly design interfaces—the greater their tax compliance.

The clearest path toward elevating the tax experience is by meeting citizens where they are: on their mobile phones, in their email inboxes, or via smart home devices. However, implementing these changes will require serious digital capabilities—the kind that can only be built through deliberate investment.

## 5. Tax new stuff fast

Revenue agencies are being asked to hit a fast-moving target, guided by laws and regulations that were not designed with this digital reality in mind. What is the right way to tax a never-before-seen business model?

One way could be to approach taxation with the same focus on dynamic agility that drives software development and systems engineering, addressing emerging patterns of risk by implementing systemic, responsive cultures and operating models. Revenue agencies must enhance their ability to understand, track, and “tax new stuff” both quickly and correctly. This stuff ranges from jewelry sales via Instagram, to apartment rentals via Airbnb, to various forms of short-term “gig work” delivered via virtual global platforms.

## 6. Embrace the end-to-end tax community

Not only do revenue authorities deal with citizens, government agencies, private corporations, and other members of civil society, they also coordinate with revenue agencies of different jurisdictions, locally, regionally, and globally. Therefore, they need to understand how to best be a part of this ecosystem.

Steps that they can take in this direction include mapping the economic processes driven by members of the end-to-end tax community and partnering with private industry, government agencies, and international organizations.

## 7. Balance competing priorities

Revenue leaders often find themselves walking a tightrope of paradoxes. They are asked to increase data accessibility while ensuring data security, drive innovation while minimizing risk, and become fully digital while retaining a human touch.

Revenue agencies can respond to these paradoxes by shifting from an “either/or” mindset to a “yes, and” mindset. One way to do this is by viewing technology as an enabler instead of a blocker.

To know more about how revenue leaders can unlock successful digital transformation, read the full report *Building the digital revenue agency of the future: Seven keys to transformation*.

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1. Joe Mariani et al., *Cloud as innovation driver: The foundation for employing emerging technologies in government*, Deloitte Insights, June 24, 2019.

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