FORUM ON TAX ADMINISTRATION

Successful Tax Debt Management: Measuring Maturity and Supporting Change

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Successful Tax Debt Management

Measuring Maturity and Supporting Change

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Preface

The size and growth of unpaid tax debt is a key concern for many tax administrations. In many jurisdictions, tax debt continues to grow despite the introduction of more successful debt collection strategies. Facing this challenge, tax administrations need to seek even more innovative, coordinated, cost-effective and strategic ways to prevent debt from arising in the first place and to deal with the collection of tax arrears.

As this is a common challenge for tax administrations which are members of the OECD Forum on Tax Administration (FTA), it is important to pool knowledge and experiences and to learn from one another. Both the sense of urgency and constrained resources strengthen the need for working together.

This report on Successful Tax Debt Management: Measuring Maturity and Supporting Change, provides tax administrations with a valuable resource to assist them with assessing, improving and enhancing their strategic approaches. The report provides a set of strategic principles of successful tax debt management which form the cornerstones of efficient and effective tax debt management. The compendium of successful tax debt practices contained within the report shows how these have informed and led successful practices that have been implemented by member countries.

In order to advance, it is important for tax administrations to assess their current states. The Tax Debt Management Maturity Model outlined in the report provides a tool to help tax administrations identify areas for improvement. Throughout this project, we have found that while we may use different terminology, have differing systems, structures and legal frameworks, we share the same core goals of reducing and containing the tax debt by working to prevent debt arising and enhancing recoveries. We have much to gain by sharing our experiences and leveraging the wider FTA Tax Debt Management Network.

We hope that this report will inspire and motivate tax administrations to reflect on whether their tax debt management strategies could be improved and, if so, to benefit from the successful experiences of other countries.

We would like to thank the FTA Secretariat for their support and guidance with this project and the Spanish Tax Agency for hosting the FTA Debt Collection Workshop in Madrid, Spain. The Workshop was an invaluable opportunity for tax administrations to meet, share experiences and work collaboratively on tax debt management issues.

Finally, we would like to thank the teams in Belgium and Canada that led the work and the FTA members who contributed their time and expertise to produce this report.

Tom Boelaert	Bob Hamilton
Administrator-General	Commissioner
Belgian Debt Management Agency	Canada Revenue Agency
Belgium	Canada

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Abbreviations and acronyms

ACAT	Arrears Case Analysis Tool
ADAD	Automated Dialling Announcing Device
AI	Artificial Intelligence
AUD	Australian Dollar (currency)
ATAR	Asset Based Tax Debt Collection System (Hungarian acronym)
ATM	Automated Teller Machine
ATO	Australian Tax Office
ATS	Automated Reminder System
BAS	Business Activity Statement
BI	Behavioural Insights
CAD	Canadian Dollar (currency)
CGSRtM	Cross-Government Initiative to provide a Single Route to Market (private sector) for Debt recovery
CIT	Corporate Income Tax
COTS	Commercial-off-the-shelf
CRA	Canada Revenue Agency
DCMM	Debt Management Call Centre
DCoD	Dynamic Coding-Out of Debt
DEA	Direct Earnings Attachement
DM	Dynamic Monitoring
DM	Debt Management
DRD	Direct Recovery of Debt
DRM	Debt Relationship Management
DWP	Department for Work and Pensions (United Kingdom)
EBT	Banking Secrecy System (Hungarian acronym)
EKAER	Electronic Public Road Trade Control System (Hungarian acronym)
EKOP	Electronic Administration Operational Programme (Hungarian acronym)
EMT	Executive Management Team
EUR	Euro (currency)
FTA	Finnish Tax Administration

FTA	Forum on Tax Administration
GBP	Great Britain Pound (currency)
HMRC	Her Majesty's Revenue and Customs (United Kingdom)
HR	Human Resource
HUF	Hungarian Forint (currency)
IA	Insolvency Analytics Tool
IMF	International Monetary Fund
IR	Inland Revenue (New Zealand)
IRAS	Inland Revenue Authority of Singapore
IT	Information Technology
ITCO	International Tax Collection Office (Norway)
IRS	Internal Revenue Service (United States)
IVR	Interactive Voice Response
NAV	Norwegian Labour and Welfare Administration
NBA	Next Best Action
NCA	National Collection Agency (Norway)
NOA	National Audit Office (United Kingdom)
NOK	Norwegian Krone (currency)
NTA	Norwegian Tax Administration
NTCA	Netherlands Tax and Customs Administration
NTCA	National Tax and Customs Administration of Hungary
NVCC	National Verification and Collections Centres
NZD	New Zealand Dollar (currency)
OAG	Office of the Auditor General (Canada)
OECD	Organisation for Economic Co-operation and Development
PAC	Payment Arrangement Calculator
PAYE	Pay-As-You-Earn
PCA	Private Collection Agency
PERES	Debt Payment Arrangement (Portuguese acronym)
PFA	Purposeful First Action
PIT	Personal Income Tax
RPA	Robotic Process Automation
SARS	South African Revenue Services
SB/SE	Small Business/Self Employed

SMS	Short Message Service
SSTTP	Self-Serve Time to Pay
TAS	Tax Administration Series
TTP	Time to Pay
VAT	Value Added Tax
VTR	Value to Revenue

Executive summary

The amount of outstanding tax debt as reported in the 2017 Tax Administration Series (OECD, 2017[2]) has remained fairly static since the OECD report Working Smarter in Tax Debt Management was published in 2014 (OECD, 2014[1]) and remains above the levels seen prior to the global financial crisis. (Tax debt here means the total amount of tax that is overdue for payment at the end of the fiscal year and includes any interest and penalties.)

Looked at on the basis of collectible tax debt rather than total tax debt (which covers both collectible and uncollectible debt), around EUR 800 billion was reported as outstanding across Forum on Tax Administration (FTA) members in TAS 2017. Put into context, a 10% reduction in that figure would be more than the reported cost of tax administration across the whole FTA.

On the basis of the size of outstanding tax debt and the large variation in debt levels across FTA members, it was agreed at the FTA Plenary in Oslo in 2017 to produce a further report on successful tax debt management. This builds on the 2014 report, the recommendations of which remain valid.

The aim of this new report is to provide further insights into the elements of a successful tax debt management strategy, supplemented by examples of recent initiatives by tax administrations. In addition, given the variance in performance in this area between FTA members, it was decided to develop a maturity model that would allow tax administrations to self-assess their current level of maturity in tax debt management. The intention is that this will allow tax administrations to consider whether, based on their individual circumstances, they felt they were at the right place or whether they would benefit from taking additional or different approaches in the tax debt management strategy and functions. This model has been developed taking into account the new initiative for facilitating Peer-to-Peer Advice between FTA members which is currently being piloted in the area of tax debt management.

The report is in three parts:

- **Part I sets out four strategic principles**: these are principles that tax administrations may wish to consider when setting their strategy for tax debt management. These principles focus on the timing of interventions in the tax debt cycle, from consideration of measures to prevent tax debt arising in the first place, to early and continuous engagement with taxpayers before enforcement measures, to effective and proportionate enforcement and realistic write-off strategies. The underlying premise for these principles is that focusing on tackling debt early, and ideally before it has arisen, is the best means to minimise outstanding tax debt.

- **Part II contains an overview of the new Tax Debt Management Maturity Model:** this part also contains the more detailed section of the maturity model covering Strategy and Strategic Principles. The whole model, including the draft elements showcased in this report, continues to be developed through further piloting by tax administrations and will be made available in final form later in 2019. The model is not intended to be judgemental, but rather a tool to assist tax

administrations in their wider deliberations, including by allowing them to assess themselves against their peers on an anonymous basis.

- **Part III contains a compendium of recent and successful tax debt management initiatives**: these examples have been provided by FTA member countries participating in the project. They are arranged, as far as possible, in a way that reflects where they fall in the tax debt management cycle as set out in the strategic principles. The intention of this part is to provide "food for thought" to tax administrations as to options for enhancing aspects of tax debt management. The intention is to keep this a live document. It is hoped that the sharing of knowledge in tax debt management practices, in particular through the FTA's Tax Debt Management Network, may help in reducing the current variances seen in the performance of different tax administrations. Of course it is the case that many variations in the levels of tax debt, including across time in an individual country, are heavily linked to the economic cycle and other factors.

This project has been sponsored by the Belgian Tax Administration and the Canada Revenue Agency. The work has benefited from the participation of FTA members from Australia, Belgium, Canada, Denmark, Finland, France, Greece, Hungary, India, Ireland, Italy, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain and the United Kingdom. It also reflects the discussions, ideas and presentations from a workshop hosted by the Spanish Tax Agency in Madrid as well as discussions within the FTA Tax Debt Management Network.

Caveat

Tax administrations operate in varied environments, and the way in which they each administer their taxation system differs in respect to their policy and legislative environment and their administrative practice and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance. Therefore, this report and the observations it makes need to be interpreted with this in mind. Care should be taken when considering a country's practices to fully appreciate the complex factors that have shaped a particular approach. Similarly, regard needs to be had to the distinct challenges and priorities each administration is managing.

Part I. The principles of successful tax debt management

This part describes four key principles which tax administrations may want to consider in setting their tax debt management strategy. These principles follow the tax debt management cycle and are aimed at guiding tax administrations towards focusing on early interventions, including before debt arises, to minimise outstanding tax debt at year end. These principles are also reflected in the maturity model in Part II and the arrangement of the examples of successful practice in Part III.

1. **Introduction**

1.   A successful tax debt management strategy should ideally be based on a set of key strategic principles which lead and inform the activities undertaken in order both to minimise the amount of tax debt arising and to maximise recoveries. These principles will be most effective if they can be applied across the tax organisation, including IT processes, workforce planning, public communication, and ideally more widely across government.

2.   A more complete overview of the wider set of functions critical to successful tax debt management and their interdependence can be found in the draft Tax Debt Management Maturity Model in Part II. This part will focus briefly on four key strategic principles which tax administrations may wish to reflect in their debt management strategy. The four principles align with the four main phases of tax collection:

- Engagement with taxpayers before the due date

- Maximising collection after the due date but before the use of enforcement powers

- The effective and timely use of enforcement powers

- Realistic debt recovery: recognising debt which is not economical to recover as well as write-off policy.

Figure 1.1. Strategic principles for a successful tax debt management strategy
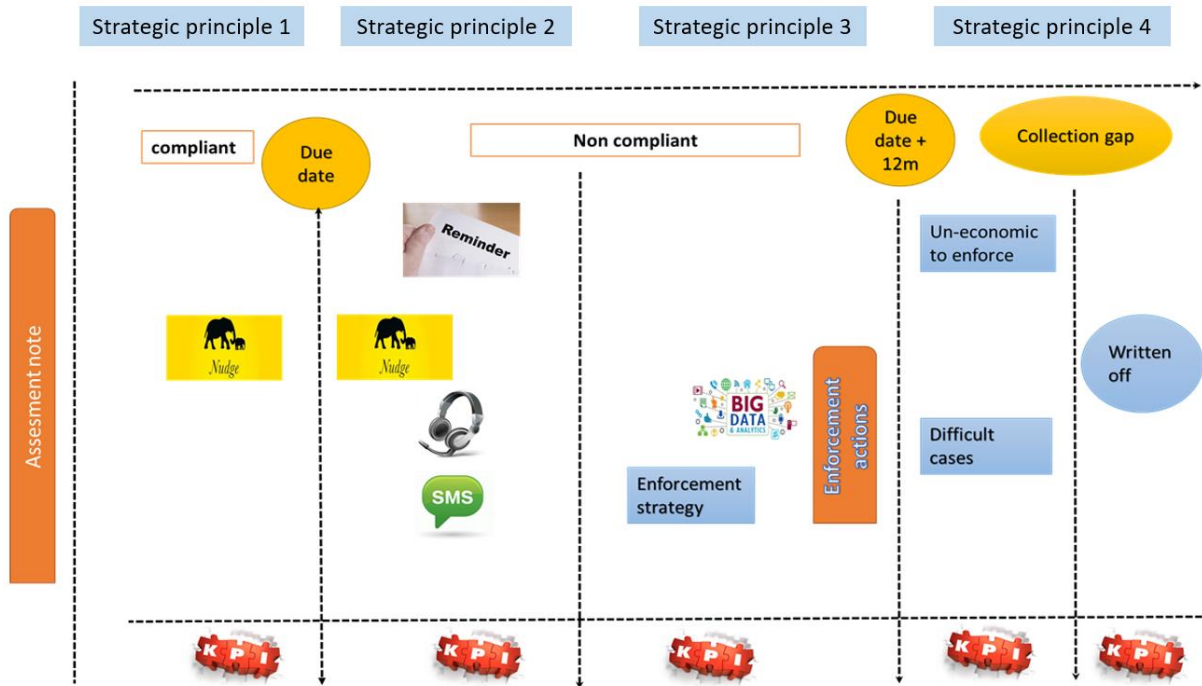
Source: Belgium – Belgian Debt Management Agency (2019).

2. **Strategic Principles**

2.1. Strategic Principle 1: Engage with taxpayers before the due date

3.   In order to increase timely and accurate tax payments, tax administrations will wish to engage with taxpayers before the payment due date elapses and, where appropriate, assist them in understanding and meeting their payment obligations.

4.   A basic prerequisite is that tax administrations should ensure that taxpayers are in possession of all the necessary information in order to meet their payment obligations. This can be done automatically after self-assessment, or using an assessment notice after validation of the tax return or audit. Tax administrations may also wish to provide taxpayers with easy to use tools to ease the payment process, including through e-services and personal accounts, taking into account the characteristics of the various taxpayer segments.

5.   This is also the period during which tax administrations should consider using an appropriate set of communication tools and channels to remind taxpayers of payment deadlines (e.g. letters, e-portals, SMS messages and other media). This communication can range from generic messages at one end, which do not take into account the divergence in behavioural characteristics of taxpayers, to tailor-made reminders at the other end. Choices should, of course, be determined on the basis of evidence of impact and in some situations generic approaches may be the most cost-effective method for a particular tax administration.

6.   However, as the available technology tools, including enhanced analytical abilities, continue to improve, in most cases the segmenting of taxpayers by characteristics (for example the type of taxpayer, level and characteristics of debt) is likely to enhance the effectiveness of engagement. Based on segmentation, which at the extreme will be a segment of one (i.e. the individual taxpayer), communication can increasingly be both personalised and automated, taking into account taxpayer feedback and behavioural insights. This can also include greater use of proactive engagement with individual taxpayers at more risk of falling into debt.

7.   The legal framework can also support these early engagement activities of tax administrations, for example by promoting withholding of taxes at source, advance payment regimes and greater use of compliance-by-design processes. It is likely that fewer problems will arise the closer the payment of the tax is to the taxable event and the more automatic the collection of tax is, for example in pay-as-you-earn processes for salaried employees. While changes to the legal framework are usually the responsibility of Finance Ministries, more mature tax administrations are likely to play an increasing role in providing evidence and analysis to inform policy changes, including through co-design of policy.

8.   Without having withholding taxes and advance payment regimes in place, incentives can still be provided to promote early payments, whilst late payment interest and penalties may serve as an important deterrent.

9.   Some examples of successful practices are:

- In the *United Kingdom*, HM Revenue & Customs (HRMC) enhanced its capacity to collect debt through adjustments to the Pay-As-You-Earn system (PAYE). Where tax due on different sources of income is not paid or there are payment difficulties, HMRC is able to change an individual's PAYE code going forward. This means that repayments are automatically deducted from earnings for the future year using a sliding scale of coding limits for individuals with annual earnings above GBP 30 000. Debtors also have the option to pay their debt in full to avoid the change of the PAYE code. Furthermore, the recently introduced "Dynamic Coding-Out" will use new technology to recover additional debts and modernize the existing coding-out process. This will allow in-year changes to the PAYE code, making it possible for overdue debts to begin to be collected during the current fiscal year, rather than waiting until the next one.

- In *Italy*, the Equiclick mobile app made it easier for debtors to pay their debt through a responsive website. This initiative has made it significantly easier to make online payments. In 2017, Italy also introduced the Equipay Automated Teller Machine (ATM) System. This tool allows debtors to verify their tax balance and make a payment directly at an ATM. This payment option may be more convenient for those who may have more limited internet access.

2.2. Strategic Principle 2: Maximise collection before enforcement measures

10. In order to foster long-term compliance and to prevent more costly interventions, it is important to maximise the collection of debt not paid by the statutory due date before potentially expensive enforcement measures are taken. This means that a tax administration should stay closely in touch with non-compliant taxpayers to encourage and influence them to pay as early as possible following the due date. The experience of a number of tax administrations is that the longer tax debt remains outstanding, the less likely it is to be recovered.

Figure 2.1. Rate of debt recovery over time
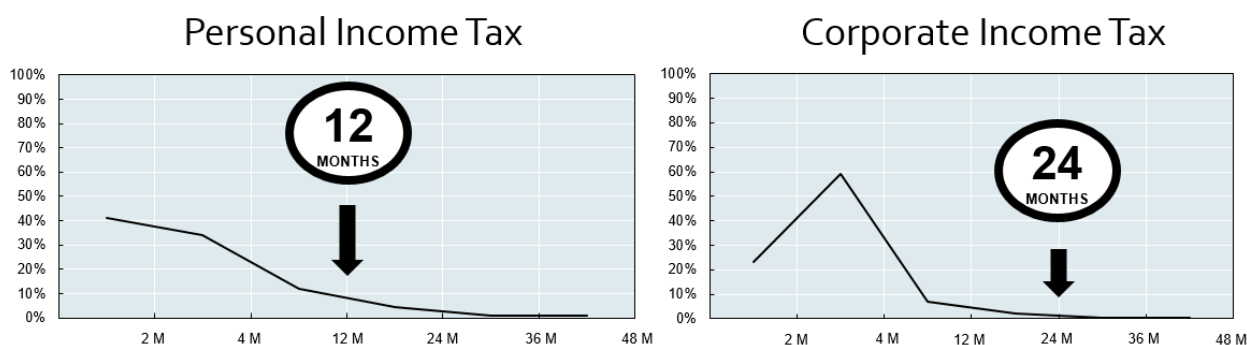
Source: Belgium – Belgian Debt Management Agency (2019).

11. In particular, tax administrations should identify as best as possible those who are unable to pay at a particular moment in time but who are nevertheless willing to do so. It is important to strike a balance between collecting the amounts due in full and assisting taxpayers to avoid hardship, especially individuals, for example through the use of payment plans. This will help in maintaining a compliant attitude over time and may have implications for the tax administration's public reputation. (Conversely the impact on

reputation of appearing to be too lenient on the speed of recovery of tax debt needs to be taken into account.)

12.   It is important to identify and use the most effective channels to send reminders before turning to enforcement measures. These may be multichannel, including in individual cases, for example through postal communication, secure electronic mail, text messages or telephone calls. As well as reminding taxpayers of their obligations, such communication should also invite the taxpayer to contact the administration to find a solution for temporary problems and, ideally, act to reinforce social norms. Taking into account taxpayer segments and risk categories and directly addressing the taxpayer is likely to lead to better results, including faster clarity about appropriate options such as when to move quickly to enforcement actions, including precautionary measures.

13.   As tax administrations mature, communication can be enhanced through greater use of data analytics and behavioural insights. Data analytics can predict which channel is likely to yield the best result for a particular set of circumstances, including whether in the light of the characteristics of the taxpayer (for example a previous history of non-payment) it is better to move straight to enforcement. The use of behavioural insights' based nudge techniques to shape the most effective message can also be expected to contribute to increased collection, as has been demonstrated in the case of pilots run by a number of administrations.

14.   For efficiency reasons, it can be beneficial for reminder procedures to be as automated as possible, regardless of whether they are in the form of generic or personalised reminders. This will free up more time for more resource intensive telephone contacts or visits in appropriate circumstances. The results of the reminder efforts should allow management to evaluate the effectiveness of the various actions and projects in order to adapt the use of reminders accordingly.

15.   Some examples of successful practices are:

- In *New Zealand,* Inland Revenue was able to influence customer behaviour around debt by using behavioural insights to tailor a range of interventions based on customer needs and history. Interventions included targeted reminder letters, texts, online advertising, social media like Twitter and Facebook, and direct calling campaigns with much greater coverage than before.

- In *Belgium*, the Iris datamining tool supports the Debt Relationship Management Team. The model predicts if a person or a company will pay their debt (Value Added Tax or withholding tax) within 14 days after receiving a phone call from the outbound call centre. This allows early consideration of appropriate next steps, including the possible use of precautionary and other enforcement measures.

2.3. Strategic Principle 3: Effective use of enforcement tools

16.   The third principle concerns the availability and the effective use of enforcement tools. Legislation should provide tax administrations with effective debt recovery powers. Tax administrations may wish to review the scope of their powers, and the use made of them, compared to other tax administrations. While not possible in all jurisdictions, it can be helpful if some powers can be applied by the administration without prior judicial approval.

Figure 2.2. Powers to assist enforcement of debt, 2015
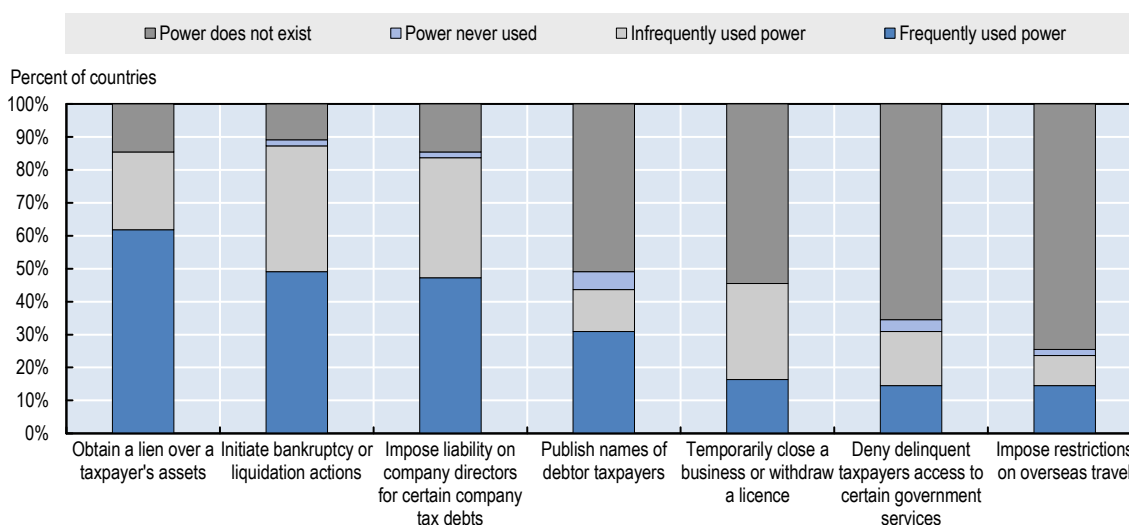
Source: OECD (2017), Tax Administration 2017: Comparative Information on OECD and Other Advanced and Emerging Economies, https://doi.org/10.1787/tax_admin-2017-en, Figure 6.20.

17.   For many tax administrations there will be a set process towards enforcement through various forms of reminders, to warning communications and to enforcement actions, including possible precautionary measures. The use of advanced analytics can help to ensure that tax debt collection powers – including the sequencing of actions - match individual circumstances and are as effective as possible while also being proportionate. This selection can, for example, take into account the solvency and liquidity of a debtor or patterns in the debtors' past payment behaviour. This should help the tax administration to actively manage the debts based on value, age and assessments as to collectability. Special attention should be given to new debts or new debtors and to options for early agreement of payment plans. Furthermore, tax debt collection as regards fraud cases will usually need to be strictly implemented for broader deterrence purposes and to support positive attitudes towards voluntary compliance.

18.   As far as possible, tax administrations may wish to make use of automated processes in more routine cases, although in that case there should be a clear policy about the circumstances to be regarded as routine. This should be carefully analysed, monitored and evaluated at senior management level. Automated offsetting of refunds with unpaid tax debts is potentially a cost-effective automated collection mechanism. Such a mechanism should ideally operate on an ongoing basis until the debt is paid. Consideration could be given to joining-up with other parts of government, for example to offset certain government payments (for example contractual payments or some benefits) as well as to offset tax refunds where the debts are to other parts of government. This would, of course, normally require legislation and would need to be carefully controlled to avoid hardship cases.

19.   For debts that cannot be recovered in a fully automated way, a good practice is to use a case management system to allocate cases, based on experience, to enforcement units or experienced individual staff. The enforcement units should ideally be composed of dedicated specialists in all enforcement techniques.

20.   For specific categories of debtors, different or additional enforcement measures may be needed, taking account of the specificity of the situation:

- In cases where a debtor has left the jurisdiction, or has moved assets offshore, international agreements will need to be in place to ensure that the debt can be recovered across borders.

- Once a formal insolvency procedure has been opened, chances for recovery usually decrease dramatically. The power of the tax administration is often limited at that point to submitting its claims to the insolvency practitioner. However, if the administration notices that a taxable person is insolvent, it may be able to launch the insolvency procedure itself.

- In case of contestation or other litigation procedures, the tax administration will wish to make sure that the starting of a legal process cannot be misused to avoid payment of debts, including by the hiding or sale of assets. In this situation, appropriate precautionary measures should be considered to protect the interests of the government.

Some examples of successful practices in this area are:

- *Spain* implemented the Neutral Point, an IT tool used for the seizure or offset of public administration payments. Using this tool, public administrations can check if a debtor is entitled to a refund or any kind of payment from another public administration. If an amount to be paid is identified, it can then be seized or offset against the outstanding debt. The Neutral Point encourages the use of electronic invoices, which create an accounting registry for the public sector.

- In *Luxembourg*, the tax administration can hold the manager of a company owing direct tax debts personally responsible for those debts. In order to invoke personal responsibility in this way, the tax administration has to prove that the tax debt has not been paid because of serious misconduct by the manager. *Latvia* and *Lithuania* also have strengthened the responsibility and liability of company board members in a similar way.

2.4. Strategic Principle 4: Realistic debt recovery: recognising debt which is not economical to recover as well as write-off policy

21.   There will always be sums that will never be paid nor recovered, either due to their being declared irrecoverable by a court (e.g. following bankruptcy), because they are uneconomic to pursue, or following confirmation that there are no available recovery possibilities left.

22.   Legal provisions and administrative guidance should be in place regulating under which circumstances, how and by whom, debts can be written down (in accounting terms), written-off or will no longer be subject to active measures (unless or until new information becomes available).

23.   It may be efficient to write-off automatically small amounts of debt subject to specified criteria (for example about age of the debt and the extent of previous recovery actions) as well as debts for which the statutory limitation period has elapsed. For larger amounts that have not yet reached statutory limitation, validation by authorised staff (which may in some cases be senior management) is likely to be needed for write-off decisions.

24.   In other cases, the tax administration can, based on cost-benefit analysis, decide to temporarily halt the collection and recovery of unpaid debts without writing them off. In this case, whilst there is no longer an active recovery process taking place, the recovery could be reactivated if the debtor would accrue additional debts or return to better fortune.

Part II. The tax debt management maturity model

This part contains an overview of the new tax debt management maturity model together with the more detailed model for the theme of strategy and strategic principles. The model is not intended to be used by tax administrations in this form and is still subject to further development through piloting and ongoing discussions. The final model is expected to be made available later in 2019 covering all of the elements as set out in the overview. The maturity model is designed to allow tax administrations to self-assess and, if they wish, to compare themselves with their peers on an anonymous basis. The maturity model is not judgemental in that it does not seek to set out which level is to be preferred since this depends on the context and the priorities of individual tax administrations. Rather, the intention is to help tax administrations understand their current level of maturity, including in relation to their peers, and to help inform discussions about possible future developments.

3. Explanation and uses of maturity models

25.   Maturity models are a tool which, combined with other inputs such as the IMF's Tax Administration Diagnostic Assessment Tool[1], can help to assess the relative maturity of a tax administration against meaningful and clear criteria and in an objective manner. The Forum on Tax Administration (FTA) has already developed a maturity model which has been used to assess digital maturity in the two areas of natural systems/portals and big data. The digital maturity model was introduced in the OECD report *Technologies for Better Tax Administration* (OECD, 2016[3]).

26.   The tax debt management maturity model was developed by an advisory group of tax administrations from Belgium, Canada, Hungary, Norway, Spain and Singapore. It also benefited from discussions with the members of the FTA Tax Debt Management Network.

27.   The intention of the draft tax debt management maturity model is:

- To allow tax administrations to self-assess through internal discussions as to where they see themselves as regards maturity in tax debt management. There is no judgement as to what is the optimal level of maturity (as defined by the model) for a particular tax administration. This will depend on their own circumstances, wider objectives and priorities.

- The model can provide debt management staff, as well as senior leadership of the tax administration, with a good oversight of the level of maturity based on input from stakeholders across the organisation. This can help in deciding broader tax administration strategy and identifying areas for further improvement, including where that needs to be supported by the actions of other parts of the tax administration.   A number of administrations have reported that cross-organisational conversations when self-assessing can itself prove useful in joining-up different areas of business, helping people to see the scope for synergies and for mutual support.

- To allow tax administrations to compare where they sit compared to their peers. The results of the model will be sent to the Secretariat. A "heat map" will then be produced showing where different administrations are, on an anonymous basis. An administration will, of course, know its own level, so can compare itself to other tax administrations. It is also possible for tax administrations to reach out, through the Secretariat, to other tax administrations at different levels of maturity for peer-to-peer learning purposes.

3.1. Maturity levels

28.   The model sets out five levels of maturity. These are:

1. **Emerging**: this level is intended to represent tax administrations which have already developed to a certain extent but which, at least in the area of tax debt management, have significant further progress they could make.

2. **Progressing**: this level is intended to represent tax administrations which have undertaken, or are undertaking reforms in the tax debt management area as part of progressing to the status of advanced tax administrations.

3. **Established**: this level is intended to represent where most advanced tax administrations, such as FTA members, might be expected cluster.

4. **Leading**: this level is intended to represent the cutting edge of what is generally possible at the present time.

5. **Aspirational**: the intention of this level is to look forward at what might be possible in the medium term as the use of new technology tools develops and to help to inform medium-term strategies. Few tax administrations are expected to be at this level currently.

3.2. Overall themes

29.   The model is split into six themes covering:

- strategy and strategic principles

- governance and performance management

- workforce: skills, engagement and culture

- collaboration and sharing of information

- transparency, integrity and public trust

- financial and IT capability.

30.   A number of these areas are not specific to tax debt management, but the intention of the model is to allow these thematic areas to be measured in regard to the tax debt management function (and other functions as the maturity models are rolled-out more widely). For example, while there may be tax administration-wide expectations on financial and IT capability or public trust, the maturity of different tax administration functions in these areas might be different. These themes are further divided into sub-themes to avoid too many areas being looked at in a compressed manner which risks giving a confusing picture of maturity.

3.3. Summary descriptors of maturity

31.   The model contains a set of descriptors for each maturity level by sub-theme. These descriptors are necessarily in summary form. Looked at by themselves the descriptors may not lead to a considered understanding of why a tax administration is at a particular level of maturity and may be ambiguous to a greater or lesser extent. Nor would such a summary provide much guidance as to how to move between maturity levels. The descriptors do, though, form an important part of the overall "sense check" of what is meant by a particular level of maturity and what distinguishes it from other levels.

3.4. Indicative attributes for guidance

32.   To assist in the understanding of what a given level of maturity means, a set of indicative attributes is also contained under each maturity level. As shown by the term itself, these are indicative and not determinative.

33.   Not all of the indicative attributes under a particular maturity level will be present in a particular tax administration. A tax administration may well not fit the full description of a particular attribute. There is no one-size-fits-all that can work.

34.   The intention of the attributes is therefore intended to help guide discussions rather than determine them. In using the model, tax administrations are asked to consider in their discussions the best fit for them, taking account of both the descriptors and indicators. For example, a tax administration may find it best fits a range of attributes in different maturity levels. A tax administration will then need to determine, based on its discussions of the weight it attaches to particular indicators, as to which overall maturity level it best fits. Hopefully, the information that it may not fit all of the indicators may also provide food for thought about possible areas it may wish to consider further.

35.   In some cases the indicative indicators may be additive across the maturity model and this should hopefully be clear from the context. They will not, though, generally be repeated across maturity levels in order to avoid repetition. They will often not be additive – for example where paper is replaced by digital processes. In general the indicative indicators are intended to reflect what might be expected, in general form, to be in place at a particular maturity level.

3.5. Further development of the maturity model

36.   While the next section contains an overview of the whole of the draft maturity model, this report only sets out the indicative attributes for the theme and sub-themes of "strategy and strategic principles". This is by way of illustration only. The intention is to further refine the maturity model and to test its usefulness through a wider pilot among willing tax administrations. The aim of the pilot is to help ensure that the model:

- covers all the appropriate areas relevant to tax debt management maturity

- reflects discrete jumps between the different maturity levels that are recognised by most tax administrations

- contains sufficient detail to be able to identify overall maturity in a subtheme and to provide a useful road-map between different maturity levels

- is understandable and user-friendly.

4. Overview of the maturity model

Category	Heading	Emerging	Progressing	Established	Leading	Aspirational
1. Strategy and strategic principles	1.1. Setting debt management strategy	High-level annual objectives are set by the senior responsible official with some limited engagement with other staff.	The senior responsible official consults the senior debt management team on setting high-level strategic priorities covering a multi-year period.	Debt management strategy is developed in a coordinated process across debt management units/functions with the involvement of some other tax administration functions.	Debt management strategy is developed in coordination with all related tax administration functions and aligns with the strategies developed by other parts of tax administration.	Debt management strategy is a fully integrated part of the wider tax administration strategy which is dynamic in nature.
1. Strategy and strategic principles	1.2. Engagement with taxpayers before the due date	There is basic generic engagement with taxpayers with limited segmentation of approach between business and individual taxpayers.	Measures are in place to enable easier self-service by the taxpayer and some more tailored engagement is supported.	A set of communication measures is in place for greater targeting of interactions with different taxpayer segments to maximise payment by the due date.	There is a multifaceted engagement strategy with increasing proactive engagement with individual taxpayers at higher risk of falling into debt.	There is sophisticated and personalised engagement with taxpayers supported by advanced technology tools.
1. Strategy and strategic principles	1.3. Maximise collection before enforcement measures	The steps taken before enforcement are mainly standardised, although some discretion is exercised based on the experience of individual officers.	A staged approach is in place with some degree of personal engagement.	A staged approach is generally taken with standardised or personalised engagement based on broad risk categorisation.	A more tailored engagement approach is taken to a wide range of taxpayer segments and risk categories supported by data analytics and increased use of automation where possible.	Advanced technology tools are used in the selection of approaches for individual debtors.
1. Strategy and strategic principles	1.4. The availability and use of enforcement tools	A limited range of enforcement powers is used in practice and governance is somewhat ad hoc.	There is a clear and well-understood process in place for the sequential use of powers	There is senior oversight of the proportionate use of enforcement measures with a greater focus on	A strategy is in place to increase the number of automated actions in the enforcement	Enforcement powers are considered in the context of optimal overall compliance strategy with the

Category	Heading	Emerging	Progressing	Established	Leading	Aspirational
			focussed on revenue recovery.	the circumstances of individual taxpayers.	procedure while taking account of hardship cases.	choice of powers increasingly matched to individual circumstances.
1. Strategy and strategic principles	1.5 Dealing with debt which is not likely to be recovered.	Largely discretionary assessments are made as to whether debt should no longer be pursued. Write-off is generally only after the statute of limitations has passed.	Assessments on whether debt is uneconomic to pursue are made on the basis of guidance covering a range of factors. A policy is in place for the different circumstances in which debt can be written-off.	Assessments on whether debt is uneconomic to pursue are made with the assistance of semi-automated tools which take account of a range of criteria. A write-off policy is informed by the use of data analytics.	Automated assessments of whether debt is uneconomic to pursue are routinely used to help inform decisions in individual cases. Write-offs are increasingly done automatically	Automated recommendations for decisions on whether to pursue or write-off debt increasingly use advanced techniques and technology tools.
2. Results and performance management	2.1. The setting and governance of delivery plans	Individual offices or functions are largely autonomous as regards delivery of objectives. There is limited coordination and the senior responsible official takes a limited range of decisions.	The senior responsible official agrees annual delivery plans with senior tax debt management colleagues and there are occasional collaborative discussions on delivery of the tax debt management strategy.	The senior debt management team takes collective responsibility for ongoing delivery of the tax debt management strategy. All tax debt management staff have clear responsibilities and objectives.	The tax debt management governance structure involves a wide range of staff in delivery of the tax debt management strategy as well as in identifying improvements to effective tax debt management.	The tax debt management governance structure is fully integrated into wider tax administration governance there is consultation with external stakeholders.
2. Results and performance management	2.2. Performance management	A set of high-level performance indicators are used to measure overall performance across debt management annually and on an ad hoc basis.	A wide range of performance indicators are reported to management on a regular basis allowing a clear view of evolving changes in tax debt management performance.	A comprehensive set of performance indicators supports deeper analysis of different aspects of debt management performance.	Other relevant tax administration performance indicators and information sources are built into tax debt management performance measurement and real-time interrogation is supported.	A wide range of tax administration data relevant to tax debt management is collected, allowing for a dynamic set of performance indicators supporting proactive management.
3. Workforce: skills, engagement and culture	3.1. Skilled and knowledgeable staff	Some basic training opportunities are in place although there is significant reliance on self-learning and exploration for	There is a broad training programme covering a set of basic as well as some more advanced skills and staff are encouraged to	An established partnership is in place between staff, management and HR which allows for greater tailoring of training	A broad-ranging set of policies and a robust organizational structure is in place to motivate staff to enhance skills and knowledge	A strategic and multifaceted framework is in place for continuous skills and knowledge development including as regards

Category	Heading	Emerging	Progressing	Established	Leading	Aspirational
		the development of advanced skills.	undertake training development opportunities.	options to match job requirements and skills.	on a proactive basis across tax debt management.	technological advances.
3. Workforce: skills, engagement and culture	3.2. Motivation and engagement	The organisation promotes staff motivation and engagement at a high-level but supporting actions are limited and outcomes are often inconsistent with the high-level goals.	Concrete supportive actions to promote motivation and engagement take place mostly at the team level resulting in some areas in a feeling of working in silos.	Some actions to support motivation and engagement are also taken at the divisional level as well as the team level and there is cooperative working culture across tax debt management.	A highly supportive work environment is in place within tax debt management at all levels with most staff feeling individually and collectively committed to improving tax debt management.	Motivation and engagement are proactively driven across the tax administration and tax debt management staff feel committed to the wider organisation and public service.
4. Governance and collaboration	4.1. The management and sharing of information	Some information is shared on a regular basis within tax debt management although often in paper form. Information sharing more widely is largely on request. Data protection requirements are not properly observed by a number of staff.	Most information is directly accessible within tax debt management. Some information is shared more widely. Training and recording requirements for data protection are in place but there are some weaknesses in oversight.	Most tax debt management information is visible in a common information management system. Information is increasingly shared more widely. Robust data protection requirements are in place with some weak spots.	Wider tax administration data is increasingly integrated into the tax debt management system. There is continuous monitoring for data protection breaches.	A multifaceted data sharing model is utilized amongst multiple stakeholders, incorporating wide use of advanced technology tools including in data protection processes. Data protection compliance is increasingly designed into systems.
4. Governance and collaboration	4.2. Collaboration	There is limited internal and external collaboration and much of that is either ad hoc or habitual without clear objectives. There are some weaknesses in governance.	There is regular internal and external collaboration, mainly by senior tax debt management, with a small set of internal and external stakeholders. Much of this is of an informal nature.	There is regular internal and external collaboration at multiple levels to deliver expected, although often intangible, benefits to tax debt management.	There is wide ranging internal and external collaboration in place with clear objectives to improve tax debt management outcomes. Informal collaboration is actively encouraged.	A strategy for internal and external collaboration is in place to improve outcomes across the tax administration, supported by a governance structure and strong collaborative culture.
5. Transparency, integrity and public trust	5.1. Integrity and prevention of infringements	General guidance is provided on the importance of integrity. Some general	Personal integrity is communicated to staff as a core requirement. Infringements	Integrity is actively emphasised as a core requirement and supported by	The integrity of tax debt management is seen by all staff as their responsibility. A	Staff at all levels actively support a strong culture of integrity across the tax administration

Category	Heading	Emerging	Progressing	Established	Leading	Aspirational
		measures are in place to prevent and detect infringements although they may not be very effective.	are generally passively detected and major weaknesses often identified and addressed after the event..	mandatory training and guidance. Effective auditing, reporting and oversight is in place and infringements are increasingly actively detected.	highly transparent and supportive culture is in place, focussed on reinforcing integrity and the prevention and detection of infringements.	and robust processes are in place to proactively assess and prevent opportunities for infringements.
5. Transparency, integrity and public trust	5.2. Public trust	Public trust is considered important by senior management but the level and impacts are not well measured and major incidents are managed reactively.	Maintaining public trust is a core objective of tax debt management and policies and processes are designed to protect and repair public trust.	The importance of maintaining and enhancing public trust is emphasised by management at all levels, with major risks identified and some contingency planning in place.	Public trust is increasingly managed proactively with wide ranging contingency plans and through collaboration with other stakeholders.	Public trust is proactively monitored and managed across the tax administration, with increasing use of advanced technology.
6. Financial and IT capacity	6.1. Financial management	Budget planning is relatively unsophisticated and financial management information gaps make it difficult to respond to unforeseen events.	Budgets are set based on a good understanding of past outcomes and recognition of possible risks although there is a limited ability to make adjustments in year.	Budgets are set through a robust process against objectives, including identification of the main risks, and it is possible to reallocate resources within year to meet objectives.	Financial drivers and risks are well understood and the senior tax debt management team has the flexibility and information to adjust budgets rapidly in order to improve outcomes.	Resources are allocated efficiently across the tax administration as a whole and can be changed quickly to improve outcomes on the basis of real-time information.
6. Financial and IT capacity	6.2. IT capability	Senior tax debt management is generally reactive to the introduction of IT tools in the wider tax administration and does not take a proactive position on how to enhance tax debt management through better IT capability.	The senior tax debt management team is aware of the efficiency advantages of the more effective use of IT tools and explores initiatives as to how to use existing tools better.	The senior tax debt management team periodically examines how enhanced IT tools can achieve better tax debt outcomes for the tax administration and taxpayer.	The senior tax debt management team, together with other parts of the tax administration, takes a holistic view of how tax administration IT tools can improve outcomes and develops a medium term strategy.	A data-driven and taxpayer thinking culture exists across the tax administration which seeks to integrate with taxpayers' natural systems to maximise compliance and minimise burdens.

5. Full Model for the Strategy and Strategic Principles Theme

5.1. Strategy and Strategic Principles

Setting debt management strategy

This section looks at the components of strategic planning for debt management. It covers how debt management strategy is developed, expected elements of its content and how it is communicated. In general only some headline elements of a stand-alone tax debt management strategic plan would be expected to be incorporated into the wider published tax administration strategy.

The different maturity levels represent an increasing depth of involvement of staff in the development of the strategy, increasing alignment and integration with the strategies of other parts of the tax administration and greater ownership of the strategy by staff at levels of staff.

Stand-alone		Coordinated		Integrated

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Descriptor **Indicative Attributes**	**High-level annual objectives are set by the senior responsible official with some limited engagement with other staff.**	**The senior responsible official consults the senior debt management team on setting high-level strategic priorities covering a multi-year period.**	**Debt management strategy is developed in a coordinated process across debt management units/functions with the involvement of some other tax administration functions.**	**Debt management strategy is developed in coordination with all related tax administration functions and aligns with the strategies developed by other parts of tax administration.**	**Debt management strategy is a fully integrated part of the wider tax administration strategy which is dynamic in nature.**
Process ***Note: EMT is an acronym for Executive Management Team of the tax administration. In some administrations this will be the Board.***	The senior responsible official sets debt management objectives on an annual basis. There is senior management input from within the tax debt function on the objectives, but no formal engagement with other debt management staff.	The senior responsible official agrees a multi-year debt management strategic plan. There is full consultation with senior debt management staff and input sought from the relevant business units within the tax debt management function.	Development of the debt management strategic plan is led by senior debt management officials. There is an inclusive process involving active input from all tax debt management teams. Input is sought at later stages from other areas of the tax administration.	Development of the debt management strategic plan is led by a dedicated team of debt management and other selected tax administration managers. A wide range of staff in the functions represented in the dedicated team are consulted through a structured process.	The tax administration-wide strategic plan is drawn-up in a collaborative process between tax administration functions. Staff throughout the administration are engaged in development of the strategic plan through a structured process. Input is sought from tax policy makers and

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
					representatives (e.g. tax advisors, small business organisations).
	Objectives are signed-off by the EMT/Board with limited discussion	The debt management strategic plan is fully discussed and approved by the EMT/Board.	The debt management strategic plan is approved by the EMT/Board following discussions which take into account wider links within the tax administration.	The debt management strategic plan is aligned with those produced by other tax administration functions, sharing some common objectives. This is validated by the EMT/Board.	The strategic planning process is supported by predictive analytics to forecast different scenarios that should be taken into account. The process for development of the integrated tax administration wide strategic plan is overseen at EMT/Board level.
Content	There are a relatively small number of annual objectives focusing on high-level debt outcomes (such as changes in the level of debt and numbers of debtors). Objectives are largely based off the previous year's outcomes and represent incremental improvements. Typically changes to the previous year's objectives will be to comply with new legal amendments. There may also be identification of priority areas for improving performance.	The multi-year strategic debt management plan will include a set of high-level improvements sought over time both in high-level outcomes and in planned major improvements in tax debt management processes (together with major milestones).	The strategic debt management plan will also include more detail on outcomes sought in a range of tax debt management functions, such as performance management, workforce, budget, use of data and IT. The plan is set with enough detail that it clearly steers and can be readily mapped against delivery plans.	The strategic plan will set out how tax debt management outcomes will be enhanced over time through improvements in preventing tax debt arising as well as recovery of tax debt through greater coordination across the tax administration.	The administration wide strategic plan will set out the reform pathway of the organisation as a whole covering all aspects of tax administration in an integrated manner. The strategic plan can be adjusted in the light of experience or changed circumstances.

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Communication	The high-level objectives are communicated to tax debt management staff but it is difficult to map the objectives against their individual objectives.	The debt management strategic plan is explained to debt management staff by managers and reflected in individual objectives at a high-level.	The debt management strategic plan is discussed within debt management teams and progress regularly reviewed.	Debt management staff feel ownership of the strategic plan and understand their individual role in its delivery and improvement. The strategy is actively communicated to and discussed with staff in related areas of the tax administration to encourage joined-up working.	All administration officials are involved in a structured consultative process on development of the tax administration wide strategic plan and understand their individual roles in supporting its delivery and improvement.

Engagement with taxpayers before the due date

This section looks at engagement with taxpayers before the due date. It considers how tax administrations can act through both general communication as well as more personalised engagement with taxpayers with the aim of minimising debt arising in the first place. The different maturity levels represent an increasingly sophisticated understanding of the most cost-effective communication channels, greater segmentation of at-risk taxpayers and greater choice of payment options.

Generic   Targeted   Personalised ⟶

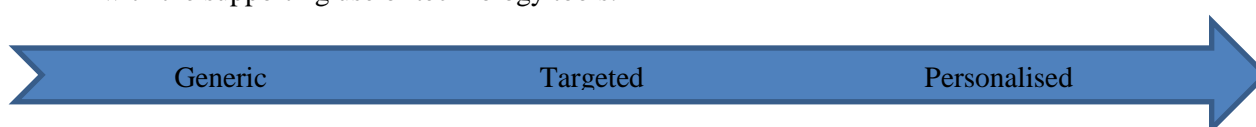| Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Descriptor **Indicative Attributes**	**There is basic generic engagement with taxpayers with limited segmentation of approach between business and individual taxpayers.**	**Measures are in place to enable easier self-service by the taxpayer and some more tailored engagement is supported.**	**A set of communication measures is in place for greater targeting of interactions with different taxpayer segments to maximise payment by the due date.**	**There is a multifaceted engagement strategy with increasing proactive engagement with individual taxpayers at higher risk of falling into debt.**	**There is sophisticated and personalised engagement with taxpayers supported by advanced technology tools.**
Communication Channels	General information on payment obligations and deadlines is available through different means (e.g. leaflets, media publicity, websites) and taxpayers can receive further information on	The administration website contains information on payment due dates and on payment possibilities including application processes. The information can be hard to find.	Taxpayers have access to a well-structured website, tailored for different circumstances and easily navigable. The website will contain detailed guidance and clear contact information.	The administration provides mobile and web Apps where taxpayers can view their individual tax accounts and through which they can communicate with the tax administration. Web chat options are increasing available	Advanced analytics and behavioural insights are increasingly used to to identify the most appropriate channel for communication at both the general level and an individual taxpayer level (including timing, content, frequency etc). Virtual assistance

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
	request (generally phone, or letter).				using artificial intelligence is increasingly available.
	Annual campaigns are run to encourage on-time filing and payments.	Regular campaigns are run to improve taxpayer education and motivation to pay on time and to reinforce social norms.	The administration uses a range of communication channels (general and personal) to inform taxpayers of payment duties, deadlines and payment possibilities.	The administration works with a range of stakeholders, such as taxpayer associations or tax intermediaries, to communicate on tax debt management issues.	For most taxpayers, online communication is the only way available for the majority of their contacts with the tax administrations.
	Taxpayers are provided with assessment notices which set out payment due dates and payment possibilities.	Individual taxpayers are increasingly reminded in a standard format of relevant payment deadlines, payment opportunities and penalties.	Increasing use is made of electronic reminders where the administration has appropriate contact details. There is some measurement of the effectiveness of reminders and for experimenting with different ways of approaching taxpayers.	Taxpayer surveys, data analytics and behavioural insights experiments are increasingly used to measure the impact and cost effectiveness of different forms of communication and adjustments made as a result.	Efforts are put in to obtain and update electronic communication channels for as many taxpayers as possible and to record preferred communication channels.
Segmentation (of debt and debtors)	There is some segmentation between individual and business taxpayers in considering different ways to communicate.	Taxpayer segmentation is done by category of taxpayer to inform the format, timing and content of communication.	In addition to segmentation by category of taxpayer, individual taxpayers whose previous history suggests they present a higher risk of not paying on time are increasingly identified and recorded.	Data analytics are routinely used to identify individual taxpayers most at risk of not paying on time. This will include a wide range of risk factors (for example past history, business segment, age, other government debts etc.).	Predictive modelling, using a wide set of third party data (including from other government departments), is used to assess risks for all taxpayers and to identify cost-effective interventions
	Where risks of likely non-payment by large taxpayers have been identified through audits or public information, there is usually direct contact with the taxpayer.	There is increasing use of tailored engagement through personalised communication with specific groups of taxpayers, in particular high-income taxpayers and large businesses.	Personalised reminders are increasingly sent to higher risk taxpayers through a variety of channels (including letters, electronic communication, outbound calls and visits). Officers' judgement is informed by guidance on the use of channels.	There is some early use of behavioural insights to inform the most effective channels and messaging.	Personalised and real-time communication channels are increasingly built into taxpayers natural systems, making use of behavioural insights where appropriate.

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Payments	Payment methods are generally limited to post or in-person payments at the tax office, collecting agents or bank offices.	Electronic payment methods are generally available, either direct or through intermediaries	The administration's systems and processes are designed to facilitate electronic payments and measures are taken to promote the uptake of electronic payment methods as far as possible.	Payment channels are kept aligned as far as possible with those used by on-line businesses, with a set of cost-effective options provided for those without online access.	Payment methods are increasingly built into taxpayers' natural systems, including facilitating real-time payments where allowed by law.
Precautionary measures (or measures of conservancy) include such things as the seizing or freezing of assets or liens on property.	Precautionary measures may be authorised on an exceptional basis where it becomes known that there is a high risk of non-payment.	Based on their experience with certain taxpayers, managers may authorise precautionary measures in defined circumstances (e.g. using credits to offset debts).	Individual officers are provided with guidance and rules in regard to the application of a range of precautionary measures in specified circumstances, with notification to managers in more complex or difficult cases.	Data analytics is used to identify higher-risk taxpayers and to inform individual decisions on precautionary measures.	Predictive modelling and artificial intelligence is increasingly used to inform situations where precautionary measures should be taken.

Maximising collection before enforcement measures are taken

This section looks at how tax administrations engage with taxpayers after a tax debt has arisen and before the use of enforcement tools. The aim is to maximise voluntary payment of debt, including where appropriate through the agreement of payment plans, as quickly as possible.

The different maturity levels represent increasingly sophisticated engagement plans based on more precise segmentation of taxpayers and more automation of routine processes along with the supporting use of technology tools.

Generic   Targeted   Personalised

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Descriptor / **Indicative Attributes**	**The steps taken before enforcement are mainly standardised, although some discretion is exercised based on the experience of individual officers.**	**A staged approach is in place with some degree of personal engagement.**	**A staged approach is generally taken with standardised or personalised engagement based on broad risk categorisation.**	**A more tailored engagement approach is taken to a wide range of taxpayer segments and risk categories supported by data analytics and increased use of automation where possible.**	**Advanced technology tools are used in the selection of approaches for individual debtors.**
Segmentation	There is segmentation according to debt	There is segmentation according to debt	Debtors are segmented into broad low risk and	Data analytics are routinely used to distinguish between	Predictive modelling and artificial intelligence is

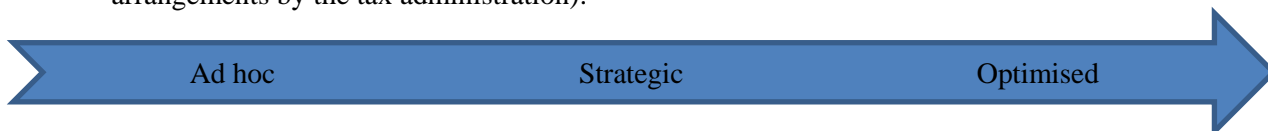| Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
	levels over certain thresholds.	levels and taxpayer type (individual, small and large business).	high-risk categories as to the likelihood that they will pay, largely based on previous taxpayer history and generic factors such as business sector. There is further segmentation by level of debt.	low and high risk taxpayers based on a wide range of risk factors (for example past history, type of taxpayer, known assets, business segment, other government debts etc).	increasingly used to produce action plans for engagement and escalation in respect of individual taxpayers.
Engagement	Debtors are reminded of unpaid debt using a generic format and a standardised communication channel or channels (usually via letters).	Reminder communication is increasingly adapted for different taxpayer segments at a high-level (individual, self-employed, small business, large business etc.).	Reminder communication will increasingly incorporate personal elements based on the risk category and other known characteristics (for example age, employment status etc.).	Data analytics are used to segment debtors further and to identify structured engagement plans using appropriate communication channels, degree of personalisation, content and frequency of communications for similar segments. There may be some pilot use of behavioural insights.	Individual engagement plans may be very different – for example plans for some individuals may recommend immediate calls to the taxpayer while for others there might be a fully automated process for escalation, possibly even including decisions on enforcement.
	There are some outbound calls to those with higher levels of debt with conversations based on the experience of individual officers.	There are routine scripted outbound calls with most debtors with high-value debt and taxpayers with higher levels of debt, complex arrangements or in hardship may be visited.	Set procedures are in place for when personal contact should be made and in what form depending on responses to reminders and the level of debt. The content of calls will be increasingly tailored according to the type of taxpayer.	Outbound calls are increasingly tailored to the personal circumstances of the individual taxpayer (for example for age, previous history of debt etc.).	There will be increasing use of behavioural insights in engagement plans. Parameters can be adjusted quickly for example if too many cases are causing hardship or if they are inappropriate in wider economic on environmental circumstances.
	Debtors can contact the administration by phone to address general issues relating to the debt. However, specific questions about assessments, payment plans or other personal matters can usually only be addressed in person at the competent office or by written communication.	Debtors, with appropriate authentication, are able to contact the administration with specific questions on the phone although payment arrangements can only generally be arranged through written communication.	Debtors are able to contact the administration through the website including being able to make online applications for payment arrangements.	Debtors can choose from a range of options, including mobile applications, with respect to managing their debt and requesting payment arrangements.	Personalised and real-time communication channels are increasingly built into taxpayers natural systems with increasing use of virtual chat using artificial intelligence.

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Escalation	In general escalation to enforcement follows after a certain date with limited exceptions.	There is a set escalation approach (for example the number of communications and the content of sequential communication before moving to enforcement). There is some discretion for exceptional cases.	Set escalation steps are in place although these are often varied depending on taxpayer responses and actions. A policy is in place for rapid escalation or suspension of procedures in certain circumstances (for example classes of hardship or previous history).	Appropriate escalation steps are informed by the use of data analytics for taxpayer segments. Recommendations are made to officers which are reviewed against individual circumstances.	Escalation steps are contained in the individual engagement plans although there is discretion to override in exceptional cases. There is increasing use of predictive modelling.
Offsetting	Some checks are made as to whether taxpayers have an outstanding receivable from the administration and manual offsetting is applied in some pre-defined situations.	Manual checks are routinely made as to whether taxpayers have an outstanding receivable from the administration and manual offsetting applied in some pre-defined situations.	The identification of offsetting opportunities is largely automated and manual offsetting applied in most cases apart from where there are exceptional circumstances.	Where possible, offsetting is largely automated within the tax administration. Where allowed by law, the tax administration cooperates with some other government agencies (which may include foreign tax administrations) as regards manual offsetting between agencies.	Offsetting is fully automated within the tax administration. Where possible, whole of government cooperation allows for automatic government-wide offsetting in prescribed circumstances.
Payment plans	Payment plans can be granted in limited circumstances where officials judge that this is necessary to maximise debt collection.	Payment plans are routinely offered in a pre-defined range of circumstances subject to set thresholds on amounts and duration.	Payment plans can be agreed routinely by individual officers with a degree of flexibility for set categories of debt. Where payment plans are requested outside of these categories, they will be subject to approval and some background checks, for example matching of data held by the tax administration.	Automated processes are increasingly used to automatically grant payment plans for low risk debtors subject to criteria based on analytics. For higher risk tax payers, analytics are used to support officers considering debtors' requests for payment plans.	Where payment arrangements cannot be granted automatically, predictive modelling and artificial intelligence is increasingly used to make recommendations. Individual payment plans include automatic next steps in case of non-compliance, determined through the use of advanced analytics..

The effective use of enforcement tools

This section covers the strategy behind the effective use of enforcement tools for tax debt collection, the process and governance for the selection of tools and the monitoring and evaluation of their usage. The different maturity levels represent a move from non-

discretionary enforcement decisions to a more strategic approach with increasing use of technology tools to inform the use of enforcement powers in individual cases.

Note: Outsourcing of enforcement is not included as a separate sub-theme of the effective use of enforcement tools. Where activities are outsourced, then the same sub-themes should be applied to those activities (as monitored and enforced as part of contractual arrangements by the tax administration).

| | Ad hoc | Strategic | Optimised | |

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Descriptor **Indicative Attributes**	**A limited range of enforcement powers is used in practice and governance is somewhat ad hoc.**	**There is a clear and well-understood process in place for the sequential use of powers focussed on revenue recovery.**	**There is senior oversight of the proportionate use of enforcement measures with a greater focus on the circumstances of individual taxpayers.**	**A strategy is in place to increase the number of automated actions in the enforcement procedure while taking account of hardship cases.**	**Enforcement powers are considered in the context of optimal overall compliance strategy with the choice of powers increasingly matched to individual circumstances.**
Choice of enforcement tools	The administration uses a limited set of enforcement tools with the main focus being application of penalties and seizure of assets.	Enforcement choices follow a set escalation procedure for most debt over relevant thresholds. This usually goes from offsets, to automatic and discretionary penalties, precautionary measures, levies and liens to seizure.	While low-level penalties will generally be automatic, other enforcement procedures are used more flexibly, depending on the circumstances of the taxpayer.	An EMT/Board approved strategy is in place for increasing the use of automated enforcement powers by effective identification of hardship cases (or other exceptional circumstances)	Advanced analytics and behavioural insights are used to support the implementation of the overall compliance strategy in its application to individual debt cases (balancing collection, deterrence, public trust etc.)
	Decisions on which tools to use generally follow a set pattern with limited consideration of what might be most effective given the position of the taxpayer.	Decision makers have a detailed view of prior engagement with the taxpayer and are supported by detailed guidance. Decisions are taken following an assessment of the position of the individual taxpayer and the collectability of the debt.	The enforcement process is increasingly automated for cases which fall within set parameters (for example a previous history of delinquency, non-response, dispute etc.).	There is wide use of analytics to differentiate the circumstances of individual debtors to allow the identification of debtors where automated measures should not be applied.	Predictive modelling and artificial intelligence is increasingly used to determine the selection of enforcement tools taking account of actions which may be being undertaken by other public agencies.
	Officers are provided with some guidance and	A systematic knowledge transfer of experience with	Training includes team reviews of cases, quality	There is increasing structured feedback from enforcement	There is widespread use of behavioural insights to help avoid

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
	training on how to use the tools although most learning is on the job.	different tools is in place.	assurance and mutual learning. There will be some degree of exchange of experiences with other agencies (domestic and international).	cases to inform aspects of earlier pre-enforcement interventions.	the use or progression of enforcement measures.
	Senior management will consider sensitive cases where referred to them (which may be inconsistent).	Categories of case which should be escalated to senior management are set out but governance processes may have some identified weaknesses (such as lack of full recording of reasons for decisions, lack of use of precedents).	As well as management escalation of sensitive cases, the proportionate use of enforcement powers is regularly discussed at the senior level and guidance given to inform enforcement choices.	Risk assessment and contingency plans are in place for reviewing the use of enforcement tools in the case of economic shocks (including for particular sectors) and natural disasters etc.	Public policy goals informing decision making are adjusted on a dynamic basis in the light of actual or predicted shocks and events. (For example, the suspension of payment plans for employees of failed firms, farmers in drought situations etc.)
Monitoring and evaluation	Statistics are kept on the use of tools but there are no robust mechanisms to ensure consistency in decision taking across offices or time.	A monitoring system is in place to measure the use and cost-effectiveness of available tools.	Analysis is done as to the effectiveness of different enforcement pathways in the light of experience with individual cases and informs guidance.	There are periodic reviews of the use of enforcement powers in meeting the stated strategy, including input from taxpayers and representative bodies.	Experience with the use of enforcement tools is integrated into the evaluation of wider compliance strategies, including how to minimise their use over time through alternative forms of collection and compliance by design.
	Staff will have informed views on what additional tools may be useful but limited benchmarking or analysis is carried out.	The outcome of the monitoring is used to inform changes to guidance on the use of existing powers and to provide evidence when requested by policy makers.	There are periodic internal reviews as to what difference new powers or greater use of existing powers would make to inform interactions with policy makers on possible new powers.	There is periodic benchmarking of what is done elsewhere in government, the private sector and in some other tax administrations. Gaps are analysed and appropriate recommendations made.	
International recovery	International recovery assistance is used in an ad hoc way on some high-profile cases where there is a legal instrument in place, but very infrequently.	International recovery assistance is undertaken in high-value cases but on an ad hoc basis rather than through a dedicated office.	International recovery is undertaken systematically in high-value cases through a dedicated office.	A strategy is in place for the effective use of international recovery assistance alongside direct outreach to debtors where appropriate and cost-effective,	A proactive approach is taken to negotiating international recovery agreements with other states as part of wider international engagement.

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
				supported by analytic tools.	

Dealing with debt which is not likely to be recovered

This section covers decision making on debt recoverability and the recording and follow-up of debt judged as non-recoverable in the enforcement procedure. Maturity in this area is characterised as a move from more ad hoc processes and actions based more on experience than analysis, to more rules-based processes, to greater automation of decisions and processes based on a wide range of data sources and analytics.

Note: When the model refers to writing-off, it is the use of writing-off as a management tool to record the likely amount of recoverable debt that is meant. (For example, a percentage of debt over a certain age may be written-off to produce a realistic figure for "collectable debt" even if is still technically possible to collect.)

Ad hoc   Rules-based   Automated

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Descriptor Indicative Attributes	Largely discretionary assessments are made as to whether debt should no longer be pursued. Write-off is generally only after the statute of limitations has passed.	Assessments on whether debt is uneconomic to pursue are made on the basis of guidance covering a range of factors. A policy is in place for the different circumstances in which debt can be written-off.	Assessments on whether debt is uneconomic to pursue are made with the assistance of semi-automated tools which take account of a range of criteria. A write-off policy is informed by the use of data analytics.	Automated assessments of whether debt is uneconomic to pursue are routinely used to help inform decisions in individual cases. Write-offs are increasingly done automatically	Automated recommendations for decisions on whether to pursue or write-off debt increasingly use advanced techniques and technology tools.
Decision making on debt recoverability	Guidance on when debt should no longer actively be pursued is generally vague and high-level.	Guidance is in place for determining whether debt should be actively pursued based on size and age of the debt, previous efforts and traceability of the individuals concerned.	The recoverability of debt is assessed at set points using semi-automated analysis tools (based on data analytics) which take account of previous actions as well as a range of criteria on the debt and debtor and opportunity costs.	Analysis on whether debt is recoverable is largely automated and takes a wide range of variables into account (for example impacts public trust, deterrent effects, behavioural effects etc.).	Predictive modelling and artificial intelligence is increasingly used to conduct analysis using available internal and third party data and to make recommendations as to recoverability as well as additional actions to explore

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
	Data on assets and traceability generally comes only from information held by the tax administration, including that resulting from investigations and audits.	A number of external public data sources are manually searched in higher-value cases, for example property registers.	A wide range of public sources are used on a semi-automated basis to trace the taxpayer and to establish an overall picture of available assets where debt is over a certain value.	A wide range of data sources, including non-public (eg other government data) are searched automatically to build up a picture of the debtor and assets, including connected persons.	In addition to a wide range of data sources, advanced analytics is increasingly used to recommend areas for further manual searches based on the profile of the individual debtor (for example the possibility of the debtor having moved offshore).
	Decisions are largely based on the experience of case officers and informed by rules of thumb (for example the age of debt, lack of address of the debtor etc) rather than on the basis of wider analysis.	Decision making generally follows the guidance although where there is uncertainty reference is made to senior management and guidance updated as appropriate.	While generally decisions are delegated to case officers, where debt is above specified debt limits, or falls within pre-defined categories (such as high-profile, individuals, potential hardship), cases are referred to appropriate management levels.	Automated recommendations are confirmed by case officers (subject to delegated limits) who can take into account other factors in decision making subject to informing senior management.	Decisions are increasingly taken by case officers on the basis of predictive modelling and artificial intelligence, and senior management is informed of decisions not to follow the recommendations made by the advanced analytic processes.
	Decisions on high-value debts and high-profile debtors are referred to senior management.	Decisions are generally subject to confirmation by senior management.	There is regular discussion of selected cases with senior management and feedback given to individuals and teams with any appropriate changes made to decision making tools.	Senior management regularly reviews the overall picture and trends as well as a selection of cases to ensure that the decision-making model is working appropriately.	Validation of recommendations is carried out in specified cases and random checking done to ensure that the system performs as expected.
				There is some cooperation with other government agencies on coordinated non-pursuance of debt and/or write-offs in cases of hardship.	Decisions are automatically communicated to other government agencies.

Maturity levels	Emerging	Progressing	Established	Leading	Aspirational
Recording and follow-up	Debt judged uneconomic to pursue may not be recorded as such leading to uncertainty about future actions.	Decisions to classify debt as uneconomic to pursue are recorded along with a general explanation. A reactive system is in place for restarting recovery should new information become available.	Where debt is classified as uneconomic to pursue detailed reasons are noted and statistics reported regularly to management for review. Periodic reviews are undertaken of such debt over a certain value.	Systems are in place to review debt classified as uneconomic automatically against a range of data sources to inform decisions about whether to reactivate.	There is continuous monitoring of outstanding debt against a wide range of internal and external data sources with automatic updating of the status of the debt and possible recovery actions.
	Debts are generally only written-off for recording purposes after the statute of limitations has passed.	A policy is in place for writing-off debt based largely on the age of debt and whether the debtor is untraceable.	The policy for writing-off of debt is informed by data analysis of the probability of recovering debt based on a variety of factors including the age and type of debt and general taxpayer characteristics.	Debt write-offs are increasingly done automatically, subject to manual confirmation in cases over a certain threshold. The parameters for write-off are reviewed periodically and can be adjusted.	Debt write-offs are adjusted on a continuous basis taking into account the automatic reactivation of debt on the basis of new information.

Part III. Compendium of successful tax debt management practices

This part contains a compendium of successful practices in tax debt management undertaken by tax administrations. The examples of successful practices align (as far as practicable) with the key principles of successful tax debt management as identified in Part I. These examples are intended to stimulate thinking in tax administrations, although they may not be directly relevant or transferable depending on the differing context and priorities in different tax administrations.

6. Background to the compendium

37.   Tax administrations continually face challenges in addressing growing tax debts and handling more complex collections cases. The amount of unpaid tax debts stand at EUR 1.8 trillion, of which EUR 800 billion is considered as collectible. (OECD, 2017[2]) In response to these challenges, tax administrations have implemented new, innovative and multi-faceted practices to help minimize new tax debt and to maximize recoveries.

38.   This Part contains a compendium of such practices drawn from a number of FTA members: Australia, Belgium, Canada, Denmark, Finland, Greece, Hungary, India, Ireland, Italy, Latvia, Lithuania, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, South Africa, United Kingdom and United States.

39.   The compendium is meant to be a resource for FTA members to explore new possibilities and to benefit from the experiences of other tax administrations. For ease of reference, the successful tax debt management practices are summarised and grouped into the following relevant categories:

- Technology – new system
- Technology – improvement of existing system
- Organisational changes and Outsourcing
- Data analytics
- E-services and contemporary digital channels
- Payment and debt strategies
- Collection enforcement tools
- Behavioural insights in communication and nudging.

40.   Each example also contains a reference, where applicable, to which of the strategic principles identified in Part I most closely fits with the purpose of the initiative. As indicated in Part I, the four key strategic principles of successful tax debt management are:

1. engage with taxpayers before the due date;
2. maximising collection before enforcement measures;
3. effective use of enforcement tools; and
4. realistic debt recovery: recognising debt which is not economical to recover as well as write-off policy.

7. **Technology – new system**

41.   For many tax administrations, technology offers a means to more effectively and efficiently manage their debt management operations. In an age of quick flowing information and technological changes, it is vital for tax administrations to evaluate their information technology (IT) infrastructure to determine if it meets their current and future needs. It is important for tax administrations to automate existing collection and verification processes as it can result in large cost savings and better services for taxpayers.

42.   Legacy IT systems are limited in their capacity to manage debt cases and to gather data. In many instances, they cannot provide integrated collection of different tax types. Tax administrations are using technology to give tax debt collectors quicker and easier access to debtor information. This enhances their ability to take timely and effective collection actions.

43.   Planning and implementing new IT systems or tools allow tax administrations to:

* facilitate changes to the organizational structure;

* improve existing processes;

* automate collection related processes;

* enable new access to asset databases;

* provide real time information about debtors and their assets;

* improve case management and measuring outcomes; and

* gather data to support analytical tools used for risk management, studying debtor behaviour, workload segmentation and collection strategies.

7.1. Finland

Principle #2

44.   The Finnish Tax Administration (FTA) implemented a new Commercial-off-the-shelf (COTS) solution. The goal is to renew IT systems so that all tax and collection information is on one IT platform. Phased implementation commenced in 2016 and will continue to 2019. The COTS solution improves case selection rules based on risk analysis. Using predicted payment and other behavioural probabilities, it directs cases to the appropriate recovery phase and working group. It segments debtors based on their payment, tax returns history and several other risk criteria.

45.   Legislative amendments were required in every implementation phase. Finland plans to continue synchronizing the collection programs and also develop working methods. The COTS solution will improve modelling as it will have better reporting on the effect of different collection actions. In addition, it also has a capability to increase the automation of routine collection tasks such as letters.

7.2. Greece

Principle #2

46.   In 2016, Greece implemented an **Automated Reminder System** (ATS) as part of a wider collection strategy to reduce uncollected tax debt and administrative costs. This tool locates new debts and sends email reminders to debtors. It also channels debt cases to the Compliance and Recovery Directorate for risk assessment and to the call centre for action. From 2018, a new case management tool has also been implemented to assign debt cases to collection officers and to help monitor enforcement actions and outcomes. ATS reduced the uncollected tax debt and provided cost savings.

Principle #3

47.   In addition, Greece implemented **electronic garnishment** (e-garnishment) in 2014. The aims of this tool were to speed up the collection enforcement process and reduce administrative costs. The process consists of an interconnection with the banking system which sends the garnishments electronically to the bank rather than using bailiffs. Electronic access to the Bank Accounts Registry System allows single searches of bank accounts of debts and deposits. The system generates an electronic ID for the seized amounts enabling faster settlement against the debt. E-garnishments required legislative amendments and changes to the IT system. Its implementation has simplified the procedure of seizing funds from debtors' bank accounts. Greece plans to expand e-garnishments to other third parties.

7.3. Hungary

Principle #3

48.   In 2015, the Hungarian Tax and Customs Administration (NTCA) introduced the **Asset Based Tax Debt Collection System** (ATAR). This filter system pulls information from several data warehouses (data on income, assets, tax returns, tax accounts, electronic cash registers, etc.,) which are converted into the NTCA warehouse. The system enables segmentation by debt types and debtors. It allows better targeting and identification of assets against which debt can be recovered.   It provides more comprehensive support for IT, risk analysis and decision making capabilities for the tax debt management and enforcement processes. The IT support assisted in designing the enforcement process as regards real estate property and on-site procedures. ATAR received 38 300 asset queries in 2017. In the near future, ATAR will expand and provide asset information every time enforcement proceedings are initiated against debtors for tax arrears.

Principles #2 & #3

49.   In addition, Hungary implemented the **Electronic Public Road Trade Control System** (EKAER). This system aims to strengthen the position of the compliant market players and to eliminate abuses and target tax evasion by the NTCA. By means of this system, the real path of the goods becomes traceable since all transport related data (name of goods, quantity, addressee, details of sender, licence plate number of the transport vehicle, etc.) has to be recorded in a central electronic system before starting transportation. The recipient/consignee of the product has to report the intra-Community acquisition and the acquisition for other purposes. The seller/consigner has to report the intra-Community supplies and export for other purposes, or has to report the first domestic taxable transaction

if it is not meant for the end-user. The system has helped in the identification of attachable assets.

7.4. Ireland

Principle #3

50.   In January 2013, Ireland introduced the **Arrears Case Analysis Tool** (ACAT). This tools seeks to facilitate data mining and examine large sets of debt data. The ACAT dashboard:

- Provides an up-to-date view of outstanding debt;

- links to an ad-hoc screen view that allows the tax administration business users to drill into and investigate the results; and

- prioritises debt cases, and allow automatic transfers to a case working system.

51.   Since the introduction of ACAT, the debt available for collection is down by 27%. However, other economic factors as well as strategic and policy changes and campaign based activities have also contributed to this positive result.

Principle #3

52.   In July 2015, Ireland implemented the **Compliance Dashboard**. This tool uses the same technology as the ACAT. This tool also eliminated reliance of the manual creation of reports with an automated reporting and data integration solution. Compliance rates have remained consistently strong since its introduction. The Compliance dashboard:

- provides an up to date view of tax compliance rates across a range of taxes;

- allows for corporate reporting; and

- allows business users to manipulate data and investigate the results.

Principle #3

53.   Ireland also plans to release the **Debt Management System** in 2019. This new system will automate debt collection activities and will capture end-to-end debt management activity from initial profiling through significant compliance and enforcement changes. It also has provisions for online tax statements of account and enhanced online customer services. In particular, the Debt Management system will:

- provide richer information and functions;

- expand the range of taxes managed; and

- move core system processes from legacy applications into the new technology stack.

54.   Some challenges have been encountered in relation to segmenting the case base in the development of this system. As a result a Value to Revenue (VTR) will be assigned to every case and used as a basis for assigning case ownership to Revenue Debt Management Units.

7.5. Lithuania

Principles #3 & #4

55.   A new **Monetary Fund's Limitation System** was launched in 2015 that enables actions to be taken through a central system. This gives all creditors, public institutions, companies as well as individuals an equal opportunity to recover their debts. The system, which involves all collectors (e.g. the State Tax Inspectorate, State Social Insurance Fund Board, Customs and bailiffs), receives all information about a debtors' bank accounts. It can then issue instructions to the credit institutions on restrictions, write-offs and distribution of funds all creditors. The debt recovery process has accelerated and become more efficient after the introduction of this system, in particular by simplifying the automated recovery of bank accounts, as the balance of all banks accounts is obtained.

7.6. Netherlands

Principle #3

56.   In 2013-2014, Netherlands implemented the **Dynamic Monitoring** (DM) and **Debtor Insight** tools. Together these tools automatically, and in almost real time, check the income and assets of debtors, the available collection measures and outstanding debt. As soon as a match appears, the collector will be advised of the most efficient and effective collection and recovery measure with the minimum negative consequences for the taxpayer. The use of these tools also allows the Tax Administration to prioritize the work. Currently DM is in a stage of further development in order to strengthen supervision and to collect and recover at an earlier stage and in the most efficient way.

7.7. Portugal

Principle #3

57.   Portugal implemented the **Management Tool** in 2016. Its goal is to develop data analytics capabilities in debt collection and recovery. This tool combines the overall vision of the debt portfolio with the debtor's economic information to provide a full view of the debtor profile. The information is loaded from sources such as:

- tax and financial statements reported by the debtor;
- tax administration inspectors; and
- other official foreign and domestic sources.

58.   This tool also provides advanced analytics capabilities to suggest process automation and improvements. The senior management team also benefits from this tool as it can define specific targets and strategies to increase debt collection and recovery. The tool also allows for benchmarking between collections units and enables the tax administration to fix an annual debt collection goal. Since this tool was created, the annual debt collection goal has been attained and exceeded every year.

59.   Portugal used this tool to create or improve the following automatic procedures:

- enforcement cases;
- new form for write off summons purposes in the Official Tax Site; and

- new link with the Portugal National Bank in order to seize bank accounts.

7.8. Spain

Principle #3

60.   In December 2013, Spain implemented the **Neutral Point** which is an IT tool used for the seizure or offset of public administration payments. Using this tool, public administrations can check if a debtor is entitled to a refund or any kind of payment from another public administration. If an amount to be paid is identified, it can then be seized or offset to the debt outstanding. The Neutral Point also encourages the use of electronic invoices which has the benefit of creating an accounting registry for the public sector. This tool is used by the Spanish Tax Agency, the General Secretary of the Treasury and Financial Policy and some local entities. The use of Neutral Point is expected to increase as soon as legislative changes make its use compulsory for local and national administrations.

8. **Technology – improvement of existing system**

61.   Investments in new technology can be costly endeavours. However, in some cases, existing IT systems may only require improvements or enhancements to address a tax administration's specific or future needs. This can also help in the efficient allocation of resources allowing tax administrations to devote more resources to higher complexity debt cases. This section provides the details of improvements made by tax administrations to their existing IT systems. For the most part, the rationale for the improvements was to:

- change to real-time information function vs. year-end only function;

- expand access to banking or asset databases;

- increase success of automated collection processes; and

- automate additional collection processes

8.1. Hungary

Principle #3

62.   Hungary expanded the **Banking Secrecy System** (EBT) by including more banks and financial institutions in the disclosure of data. Information requests to this system can help locate the bank accounts and securities holdings of debtors. In 2017, Hungary made more than 14 million information requests. The EBT resulted in a debt recovery of more than HUF 15 billion in 2017.

Principle #2

63.   Hungary also improved its **Control and Enforcement System**. The enhancements include new monitoring, analysis and increased account management capabilities. The system and procedural changes have improved the amounts recovered through voluntary means and from on-site enforcement measures. Concurrently with the system improvements, Hungary also began asking for voluntary compliance from debtors prior to initiating enforcement collection actions. These changes are part of the Electronic Administration Operational Programme's (EKOP) comprehensive goal to improve the performance of the public administration. The aim of EKOP is to:

- increase voluntary compliance and payment;

- increase the number of successful on-site enforcement measures and seizure of movable properties and sales; and

- provide full IT support for real estate enforcement.

8.2. Norway

Principle #1

64.   The Norwegian Tax Administration (NTA) will implement advanced tax withholding and use the information from the **A-ordning System** in 2019. All parties who

pay salaries, pensions and benefits report this information to the Norwegian government. This information is collected in the A-ordning system. The NTA, the Norwegian Labour and Welfare Administration (NAV) and Statistics Norway access A-ordning to obtain taxpayer salary and employment information.

65.   Currently, income recipients receive an annual overview of reported information from their employer under the new system. Employees can check their income information reported on an ongoing basis. They can also apply to change their tax card (level of tax deduction). To update their tax card, taxpayers need to report changes to their life situation, immediately.

66.   NTA plans to use information from A-ordning on income throughout the year to obtain more precise advance payments. System development is still required for NTA's future plan to enhance the use of the A-ordning information. Also, NTA needs to determine if the taxpayer's tax card should be updated automatically or if the debtor should be notified to apply for the tax card change. Providing the updated A-ordning information to taxpayers is expected to result in timely adjustments to their tax cards and prevent a tax debt.

8.3. Slovenia

Principle #3

67.   To optimize their operations and human resources, the Financial Administration of the Republic of Slovenia established an **Automatic Electronic Data Exchange** with various institutions such as banks and management companies. In addition to information on assets that are important for recovery (motor vehicle base, marine and river vessel base, aircraft base, real estate base, securities registry), the electronic data exchange also contains connections to other databases that provide data for deciding payment benefits (for example payment by instalment, deferrals).

68.   Two systems are currently implemented, and are used for communication with banks (accounts, funds, deposits) and KDD - Central Securities Clearing Corporation (securities registry). Both are independent and require individual monitoring. Also, a link to the Public Payments Administration of the Republic of Slovenia was established, which manages the database on e-invoices issued to users. First data exchanges have shown that debtor receivable information can be easily found.

69.   Every night the system automatically acquires data from the providers for each debtor through the interface, and checks the state of the property. If the hits are positive, the asset profile creates a list of the debtor's assets. The list is the source of data for considering enforcement measures. At the next processing, the system checks the state of the assets and, depending on its existence, the type of enforcement measure is chosen to collect the debt. A Recovery officer may choose between actions, or use all of them, taking into account the principles of tax enforcement. Since the Recovery officer already has all the information about the debtor's assets prior to decisions on next steps, it is easier to take informed decisions about the optimal type of enforcement procedure in an individual case. Targeted enforcement reduces damage to the debtor, since the means of enforcement are no longer chosen randomly or from some obsolete sample.

8.4. Spain

Principle #3

70.   Spain has used the **Automated Attachment Procedure** since 2015. This has recently been enhanced in order to focus resources on the most complex files. Taking into account the amount of debt and the complexity of the file, the system classifies debtors into five categories. This segmentation determines the collection approach of the debtors' pending debts. The Automated Attachment Procedure has improved resource efficiency and helped in dealing with higher complexity files.

71.   The degree of automated actions depends on whether the unpaid amount after the voluntary payment period is under or over EUR 50 000.

- Debts less or equal to EUR 50 000: IT tools automatically issue orders for attachment, and moves the debtors through different type of seizures (e.g. bank accounts and salaries) according to the specifications established by the Tax Collection Department. Non-automated actions are also executed (seizures of real estate and investment funds).

- Debts over EUR 50 000: In addition to the automatic orders of attachment, Spain also manages the debtors individually.

9. Organisational changes and outsourcing

72.   Organisational change might be another powerful way for tax administrations to move their activities forward. It may modify the mandate, role, structure, reporting relationship or responsibilities. These changes range from centralisation of the tax debt collection offices to shifting employees to a different workload or creating a specialized team. While legacy systems can pose a challenge, organisational changes can bring about process improvements and digitalisation. Regardless of the type or size of the change, tax administrations which have gone through organisational changes have reported increased efficiency and effectiveness as a result.

73.   One country which responded to the survey is attempting something completely different with a government wide initiative on tendering Private Collection Agency (PCA) contracts. The goal of this initiative is to benefit from economies of scale. This could represent large savings for both the tax administration and other government departments.

9.1. Canada

Other

74.   In 2016, the Canada Revenue Agency (CRA) implemented the **Service Renewal Initiative**. It is one of the largest transformations in the structure and delivery of collections activities in CRA's history. The goal of Service Renewal is to change how CRA operates in order to improve service to Canadians, modernize the collections and verification capacity, optimize the workforce and ensure presence in all regions. Service Renewal was put in place by transitioning CRA's nine processing centres across Canada into seven specialized sites. Four sites remained processing centres and three sites became National Verification and Collections Centres (NVCC). By concentrating the workload and staff into the three NVCC sites, higher volume, lower-risk and less complex files are expected to be resolved more efficiently and effectively. Thus, helping to address the growing tax debt. (An assessment of the effectiveness of the initiative cannot be done until the transition of the workload and staff to the new structure has been completed.)

9.2. Hungary

Principle #3

75.   Hungary reorganized its tax enforcement department by moving close to 30% of its staff to carry out on-site procedures. These procedures help to locate debtor's assets that are not recorded. They are necessary to complete the tax debtor's asset investigation and to establish the estimated value of the assets. The assets seized can either be sold by public or by electronic auction depending on the size or type of asset. IT systems were developed to support the increased number of on-site procedures. Electronic Cash Registers also provide useful data for the procedures. They also indicate the businesses in the area, their cash-flow and the debtor's business activity turnover. Productivity has doubled since 2015 productivity with 48 000 procedures processed in 2017.

9.3. Italy

Other

76.   In July 2017, the Government of Italy established the **Agenzia delle Entrate – Ricossione (Revenue Agency-Collections)**. This merged three tax branches into one national collection organization. The goal was to increase efficiency, strengthen coordination in tax administration, and eliminate procedural burdens and duplication of activities. Italy enacted legislative amendments to allow the Revenue Agency access to all the databases needed for its collection activities.

77.   There has been an increase in the collected amounts since the initiative was implemented. However, it is premature to attribute the increase only to the organizational change since a payment arrangement campaign was launched in the same period. (The payment arrangement campaign allowed tax debtors to forego payment of penalties and interest.) Once the payment arrangement campaign is completed in 2018, Italy will be in a better position to determine whether the increase in collections was due to the establishment of the Revenue Agency – Collections.

9.4. Netherlands

Other

78.   Between 2016 to 2018, the Netherlands Tax and Customs Administration (NTCA) reformed the organisation of recovery functions, moving to a segmented approach with responsibility for individuals, SMEs and large businesses given to the appropriate units. The main objectives for centralization was to decrease manual processes, increase the scale of automation and reduce staff. For individuals, debt management and recovery became the responsibility of a new Central Automated Process unit (CAP). A sub-division of CAP was created to streamline countrywide recovery, centralising work previously done in local offices into three locations. The organisational changes included:

- changing the governance structure for the tax debt management process, bringing the (semi) automated recovery under a single director;

- having more centralised governance and work-flow optimization per segment; and

- adding a senior debt management chain-director who is responsible for harmonisation and collaboration of the different directors responsible for recovery.

79.   Legacy IT systems added to the challenges of the centralisation process. Automation of legacy systems remains a challenge. NTCA used case management software combined with several data analytics products to improve the legacy IT. Centralisation reduced staffing needs and increased control over the tax collection and recovery functions. Having one director for tax debt management processes created greater ownership and improved collaboration between different business units of the tax administration who are responsible for different areas of tax debt collection. The organisation is a matrix organisation. NTCA is considering a further centralisation of business tax collection.

9.5. New Zealand

Other

80.   On 12 February 2018, Inland Revenue (IR) moved to a new structure based on five taxpayer segments (Individuals, Families, Micro Businesses, Small to Medium Businesses and Significant Enterprises). The intention with adopting a taxpayer segment based structure is to facilitate a customer centric focus, moving away from working in functions and focusing on providing the public with more "end-to-end" services. This will further facilitate IR's aim to add to its growing knowledge base as regards behavioural insights.

9.6. Norway

Other

81.   To support the strategic framework set for 2015-2025, the Ministry of Finance of Norway approved the regorganisation of the Norway Tax Administration (NTA) in January 2019. The new organisation will strongly focus on specialized environments, automation and digitalisation. Currently NTA collects tax, state, excise, import and Value Added Tax (VAT) debts. It is also responsible for the Norwegian National Collection Agency (NCA) which collects 188 different claim types for 35 government administrations. With so many different debt types, this administration needed to modernise IT systems to enhance debt collection and recovery processes. The NTA initially focused on the collaboration between the Norwegian Labour and Welfare Administration (NAV) and the NCA.

82.   This collaboration increased the efficiency of the debt collection processes. For example, the NTA automated the documentation of exemption from social security fees previously sent by mail between offices. NAV collection operations were transferred to the NTA in 2018. Norway will continue the development of robotic processed automation (RPA), artificial intelligence (AI) and enhancements in the automated performance management system. This will be aligned with the new organization's requirements.

Other

83.   The **Needs Analysis of the Future Tax Collection** process is part of the NTA's overall strategy to modernize collection management. The first phase of the Needs Analysis identified initial needs and opportunities for prioritization. The areas which presented opportunities for improvement were: collection processes, legal frameworks and IT. Issues identified for improvement within those areas included:

- enhancing cross checking debtor features across several debt systems;
- increasing automation;
- integrating systems, business processes and collection measures;
- extending access to third party information (e.g. bank); and
- moving to greater use of real-time information.

84.   Phase two was initiated in February 2018 and will include a cost/benefit analysis and an assessment of the areas identified in Phase one. In addition, Phase two will further develop business goals, capabilities, outline measures and a short and long-term roadmap. Also, quantitative and qualitative criteria will be established to measure success.

9.7. Spain

Principle #3

85.   The Spanish Tax Agency's efforts in the field of analysis and data science allowed it to identify tax debtors' behaviour patterns. This introduced tailored techniques to set-up collection strategies and select debtors based on risk profiles. To support the introduction of these techniques, in 2017, Spain created a new unit called the Selection and Risk Analysis Team in the Tax Collection Department. In addition, specialised teams were created in regional offices to tackle fraud. The Selection and Risk Analysis Team is tackling fraud and enhancing debt recovery by:

- defining the risk indicators to detect asset stripping and organizational structures that place assets out of creditors reach (e.g. transfers of assets to related parties);

- using advanced IT Tools (Big Data) to analyse and detect relationships amongst fraudsters;

- selecting debtors based on the above elements; and

- developing collection strategies that categorize debtors who consistently do not comply by their level and kind of risk.

86.   This team has carried out a campaign in 2018 based on a previous selection of debtors. In 2019, some tax collection objectives will partially be established based on its selections.

9.8. United Kingdom

Principle #3

87.   In 2015, the United Kingdom implemented the **Cross-Government Initiative to provide a Single Route to Market (private sector) for Debt recovery (CGSRtM)**. This will run until 2020. This initiative was a response to the National Audit Office (NAO) 2014 report on "Managing Debt owed to Central Government". This report found a lack of integrated approach to managing debt across government. It also recommended that the departments have an integrated and coherent approach to engaging with the private sector and improve the government's buying power for both small and larger departments.

88.   In using private section debt collection agencies (or debt recovery, the United Kingdom needed to ensure that:

- Debt collection agencies operate with the same standards when dealing with debtors; and

- pricing model used in this initiative provides value for the money.

89.   HMRC historically used debt collection agencies to add capacity in debt collection. The CGSRtM enables public bodies with smaller debt books to also benefit from the market power of larger departments. This led to reduced costs; while also increasing debt collection revenues by providing deeper and wider access to private debt collection services for the Government. The United Kingdom will do a post-implementation analysis to evaluate the effectiveness of this initiative in 2020.

Principle #3

90.   In October 2018, to enhance debt collection, the United Kingdom will transfer debt between Government Departments. This initiative transfers a segment of HMRC' Tax Credits debt to the Department for Work and Pensions (DWP, the United Kingdom's welfare benefits department) for recovery. (This is Phase one of HMRC's longer term strategic objective for this debt portfolio which includes further transfers between departments.) This enables the DWP to utilize their collection tools for HMRC debts and render them economical to collect. One of these tools is the Direct Earnings Attachment (DEA) which is an automated recovery via the employer. (The DWP has the power to recover a debt directly from an individual's income without the need for a court order via a DEA. HMRC would have required a legislative amendment to have this power.)

91.   However, as this is the first time debt recovery has been moved, it is a significant change for debtors. Therefore, the United Kingdom used behavioural insights to design the debtor journey and tailor future communications with those impacted by this initiative. This initiative required:

- legislative amendments;

- IT functionality development;

- cross departmental agreements; and

- additional IT funding.

10. **Data analytics (to segment workload)**

92.   Data analytics refers to qualitative and quantitative techniques and processes used to enhance productivity and business gain. Data is extracted and categorized to identify and analyse behavioural data.

93.   Tax administrations use analytical systems and techniques to streamline operational processes and improve compliance. These practices are mostly based on information gathered from a debtor's past behaviour through the chain of collection and recovery processes. They help predict the most effective collection strategy to resolve the account, for example by offering taxpayers an automated payment plan if they meet certain predefined criteria or via timely actions in cases where insolvency is predicted.

94.   Some tax administrations have semi-automated models or systems and others have fully automated ones. These systems improve collection results and reduce collection practices discrepancies affecting similar groups. As an additional benefit, data analytic models are also helpful in improving overall public services.

10.1. Belgium

Principle #2

95.   Belgium has four predictive models that resulted in reducing the tax debt: **the Iris, Pegasus, Delphi and Hermes models.**

- The Iris model was implemented in 2015 to help risk manage VAT and withholding tax debts, focusing on the payment and improve the collection processes. Iris predicts if a person or a company will pay their debt within 14 days after receiving a phone call from the Debt Relationship Management (DRM) unit. The DRM prioritizes work based on the information provided by the model. The assessment criteria for the model is the monitoring of the paid amount after a phone call in comparison with the paid amount without a phone call. In the future, a new Iris VAT model will start earlier in the collection process to avoid penalties for companies and the self-employed. Challenges encountered in the introduction of the Iris model were the lack of access to certain data and the requirement for new privacy procedures.

- The Pegasus model, introduced in 2015, is used after the application of the Iris model. If debtors do not pay their debts after a phone call, Pegasus will predict if they will pay after sending a bailiff. This model exists in three versions and applies to VAT, wage withholding and personal tax debtors. The Pegasus scoring is periodically loaded in a recovery operational application with two main symbols; P and crossed-out P. When there is the symbol P next to a debt in the operational application, the recovery teams know they must send the debtor's file to the bailiff. On the other hand, when there is a crossed-out P symbol, they must take other recovery actions to claim the money. This model's development encountered similar challenges as to the ones faced by the Iris model. The assessment criteria for the Pegasus model will be through monitoring of amount of debt collected: with the symbol P after the intervention of the bailiff; without the P symbol after the

intervention of the bailiff; and with a crossed-out P after the intervention of the bailiff.

- The Delphi model was implemented in 2012. Its objective is to predict the solvency rate for companies, the self-employed and individuals. To simplify the work in the operational units, Belgium limited the number of classes to five colours, with red for very high risk of insolvency and green for very low risk of insolvency. (Like the other models, Delphi also faced challenges related to data but there are plans to improve it by adding new indicators based on external social debts.) The assessment criteria for the Delphi model is the monitoring of the correct prediction percentage in comparison with the real situation of the scored taxpayers.

- The Hermes model was introduced in 2012. It uses the high-risk non-compliant accounts identified in the Delphi model. This is a payment prediction model which predicts if a person or company will pay their debt within one year. This helps to guide appropriate early interventions.

10.2. Canada

Principle #2

96.   Canada uses data mining models to determine the risk score and predict possible collections actions for each account instead of applying the same collections measure to all debtors. If the debt is not resolved, the account is sent to collections and this could result in more severe legal actions. Presently, these models are used to delay collection actions and segregate debtors who traditionally:

- pay late[2] – give them the time required to voluntarily comply; or

- respond to letters or phone calls – give them time to respond.

10.3. Greece

Principle #2

97.   Greece implemented the **Risk Analysis System** at the beginning of 2016. This initiative aims to assist collection officers in dealing with the most important debt cases first. The Risk Analysis System prioritizes debts cases using debt and debtor real time data. e.g. debtor income, assets and registry. Precise measurement tools will be available upon the implementation of a new case management tool that will be used to assign debt cases to collection officers. The tool reports the enforcement measures imposed for cases that are prioritised in the previous month and the productivity rate for each recovery. The new case management tool is already in place and runs as a pilot therefore more detailed and in-depth reports will be available in the future.

10.4. Norway

Principle #2

98.   The Norwegian Tax Administration (NTA) has a semi-automated tax revenue accounting system called SOFIE. This system administers the accounting of tax revenues, distributes information and handles payments from taxpayers. It also has a functionality called **Debtor Adjusted Enforced Tax Collection**, which is a tax collection model that

predicts an individual's probability of paying unpaid taxes. The probabilities are estimated on a set of objective criteria, and a score between 0 and 100 is calculated. Debtors within the same score intervals are given the same set of enforcement measures. The model allows the NTA to segment the tax debt portfolio, prioritize within it, and to choose the right measures at the right time.

99.   Debtor Adjusted Collection:

- uses compliance behaviour of tax debtors

- is a customized collection scoring system which uses a strategy based on automated collection and recovery scores

100.   The use of the Debtor Adjusted Enforced Tax Collection model improved the tax collections process and results. It also has reduced differences in practice within the same segment, and has improved overall service. Resource efficiency and performance monitoring of tax collection has also improved. The NTA will continue to use this model and plans to develop a model for debtor adjusted collection of Value Added Tax.

Principle #1

101.   Registered businesses which do not voluntarily submit or miss their VAT deadline pose a challenge to the NTA. The NTA spends resources reminding businesses to submit the VAT-return. (When a firm does not submit its return, the NTA estimates the amount of VAT owed.) The NTA has developed a statistical model that estimates the probability of a firm submitting their VAT return by the due date. It then segments the businesses based on that probability. This enabled the NTA to prioritize firms with higher risk of non-compliance, also allowing for an early collection process for this group of taxpayers, while preventing cases likely to self-resolve from flowing to collection officer inventories.

102.   The tax administration continues to develop, test, monitor and evaluate the model to maintain its effectiveness.

Other

103.   The NTA is responsible for debtors that are handled in six different business systems. The data from most of these business systems are not loaded in the data warehouse and therefore not available for analysis. A feasibility study was conducted to determine if it was possible to get access to and connect data from the different business systems. The aim was to obtain an overview of the extent to which the same debtors appeared in several systems, differentiated between debtors who are private persons and companies. The study included debtors with unresolved debts sometime during the year 2015. The study found that more than more than 50% of companies and from 14% to 31% of individuals (depending on debt types) had debts in more than one system. The facts gathered from the study are useful in furthering Norway's Needs Analysis of the Future Tax Collection initiative (described in chapter "Organisational changes and outsourcing").

10.5. United Kingdom

Principle #2

104.   Since 2017, the United Kingdom uses the **Insolvency Analytics Tool** (IA) to segment specific populations within the overall debtor pool. The IA specifically predicts

debtors who are the most and least likely to deteriorate into insolvency. High risk cases are accelerated to the end of the debt management process, so that:

- those who cannot pay are assessed earlier before racking up significant amounts of debt which may become a write off;

- by intervening earlier on high value cases, businesses are able to correct themselves over the medium term, such that HMRC receives additional tax revenue.

105.   The use of analytics enabled HMRC to improve its understanding of a number of characteristics about the debtors. This resulted in enhanced tailored approaches and accelerated collection process of high-risk cases. The project also used similar analytic models to identify extremely low risk debtors who could be offered instalment arrangements to meet their liabilities. The limitations of the existing IT programs drove the need to present this information in a new application. This required additional funding to bring external expertise to develop new models and to train employees.

106.   This initiative led to additional recoveries of around GBP 17 million and reduced the number insolvency write-offs. Since its introduction in 2017, have been generated to the exchequer. The success of this project has led HMRC to look for other opportunities to tailor interventions for particular taxpayer segments.

11. **E-services and contemporary digital channels**

107.   There is a significant increase in digital expectations among taxpayers. As digital services evolve, it is important that tax administrations continue to make it easier for debtors who want to comply, by satisfying the increasing demand for online services.

108.   Tax administrations increasingly offer different electronic services (e-services) and contemporary digital channels that are easy, fast and secure. These practices range from digital tools and services permitting payment arrangements, certified e-mail notification, electronic publishing of auctions and a range of online payment options.

11.1. Australia

Principle #2

109.   In 2016, the Australian Taxation Office (ATO) expanded its contemporary digital tools and e-services to make it easier for debtors to pay on time and manage their tax debt. This was done by:

- increasing the amount eligible for a payment plan through automated phone service from AUD 25 000 to AUD 100 000 (all taxpayers, including tax agents on taxpayers' behalf); and

- improving services for individuals and sole traders to set up payment plans for amounts up to AUD 100 000 online. This was available for both income tax and activity statement tax debts (including Goods and Services tax and Pay as You Go).

110.   In 2016, the ATO also introduced MyTax for lodgement of Income Tax Returns for Individuals (replacing e-Tax). This enabled an increased population to access services through linkage to ATO Online services (previously Individuals Portal).

111.   In 2015-2016, the amount of online payment plans more than doubled. This increased efficiency and reduced processing costs.

112.   In 2017, the ATO further improved its digital services through:

- increasing visibility of accounts online to include the majority of accounts;

- extending the payment plan service to include further account types (Fringe Benefits Tax, Superannuation Guarantee Charge and Superannuation Guarantee Director Penalty); and

- improving immediate visibility of account balances through 'For Action' display, which lists accounts with balances and displays an indicator if part of the account is overdue or there is an active payment plan.

113.   Since 2017, the ATO has been piloting the expansion of online services for Tax Agents and Business Activity Statement (BAS) Agents (through introduction of ATO Online for Agents). These services will enable Tax and BAS Agents to access existing services (currently available to individuals and sole traders), including payment plans. People with outstanding debts are more willing to make a payment arrangement with the ATO when they can do so online or via automated phone service. The ATO is further

refining its approach to payment plans including whether to consider other information such as a debtor's turnover and their past behaviour.

11.2. Canada

Principle #2

114.   The Canada Revenue Agency (CRA) implemented the **Payment Arrangement Calculator** (PAC) in June 2017, providing the foundation for a self-service payment arrangement tool for debtors to manage debt obligations to the CRA. To use the PAC, debtors select and input variables such as the number of payments, payment dollar values, length of arrangement etc. Based on the variables entered, this on-line tool calculates and displays the potential payment arrangement. This arrangement must be approved by a collection officer.

Principle #2

115.   Additionally, the CRA offers Smartlinks on its website also known as Click-to-Talk. This service makes it easier for taxpayers to communicate with the CRA. When taxpayers click a Smartlink, they are linked to a form requiring them to input their telephone number, timeframe for contact and preferred official language. Once the form is submitted, the Interactive Voice Response (IVR) System then contacts the taxpayer within the specified time frame and links them with an agent from the Debt Management Call Centre. This increases the confidence of taxpayers that they are dealing with a CRA collections officer. It may also help taxpayers identify potentially fraudulent calls.

11.3. Finland

Principle #1

116.   Finland implemented the **MyTax** e-service in 2016 with the purpose of improving a debtor's ability to complete tax related tasks online 24/7. This online initiative allows the debtor to: file income tax returns, request or change prepayments, order statements of tax debts, request payment arrangements and make payments. Finland's main challenge was to engage debtors to use e-services. The tax administration continues to promote the MyTax e-service and plans to expand it to include all tax types and debtors.

Finland observed the following results related this initiative:

- an increase in the percentage of automated payment arrangements;
- an increase in the number of users and daily online activities;
- improved efficiency in officer resources allocation; and
- a reduction in the number of face to face debtor services.

11.4. Greece

Principle #3

117.   In 2014, Greece implemented the **Electronic Publishing of Auctions** by the Tax Administration. This practice is still expanding and by making the information known more widely, including details of the property being auction, it increases the likelihood of a

successful auction. Greece required legislative amendments and IT systems' modifications for this initiative. The new practice, combined with the implementation of electronic auctions, contributed to the further reduction of the amount of uncollected tax debt and the realization of some cost savings..

11.5. Hungary

Principle #2

118.   The National Tax and Customs Administration of Hungary (NTCA) uses digital payment orders for debtors with tax arrears. These payment orders also inform the debtor of the amount of their tax debt before taking coercive measures. The recovery of the tax debt is carried out if the payment is not received. The NTCA quadrupled the number of payment orders in the first five months of 2017 (170 000) compared to the same period in 2015. The total number of payment orders issued has been steadily growing, reaching 276 074 in the first half of 2018.

Principle #2

119.   In 2016, the NTCA introduced the **Electronic Payment Facility** for businesses. This was recently extended it to individuals. Debtors filling electronically are required to file requests for a payment facility in electronic form. The introduction of automatic payment facilities has resulted in further simplification of the collection process. Debtors can request a payment plan that incorporates the automatic payment of their debts over time. These procedures are very effective in collecting small amounts of debts, while freeing up the enforcement staff to pursue riskier accounts. The initiative was extended to individuals. For individuals it now permits automatic payment instalments once a year if the debts do not exceed HUF 500 000. The NTCA experienced positive compliance results since the implementation of this initiative. In 2017, the NTCA received 1 330 business' debt requests (HUF 1 959 000 000) and 27 791 individual's requests (HUF 5 183 000 000). Data collected shows that many debtors who were unwilling to disclose information about their financial or social circumstances chose this option. NTCA plans further expansion of the payment facilities.

11.6. Italy

Principle #1

120.   Since June 2016, Italy uses **Certified E-mail Notification** with all debtors. In compliance with the Code of Digital Administration rules, this initiative aims to decrease the use of printed documents and accelerate the notification process. Compared to traditional channels such as postal services, electronic notification is quicker and less costly. Italy required legislative amendments to implement this initiative. One of the lessons from the project was the importance of engaging both design and program experts when planning the project.

Principle #1

121.   To make it easier for debtors to voluntarily comply, in 2016, Italy introduced a responsive website and the **Equiclick mobile app**. This can handle transactions such as online and instalment payments. Italy has also introduced the **Equipay ATM System** in April 2017. This tool allows debtors to verify their tax balance and make a payment directly

at an automated teller machine (ATM). The intent was to make it easier for debtors to comply voluntarily by expanding the channels through which they can pay their tax debt. Italy required agreements and conventions with the banks to implement the ATM payment channels. (Future plans are to expand this initiative to include the Postal Services ATM network.) The tax administration is measuring the system effectiveness with the number of registered transactions on the ATM network. The number of registered transactions were:

- April-December 2017 – 2 995 transactions
- June-January 2018 – 1 890 transactions

11.7. Portugal

Principle #1

122.   Portugal has an initiative called Unique Electronic Address. The legislation for this initiative was approved in August 2017. However, the related implementing regulation is still pending. This service is optional for citizens and companies. Adopters of the service will receive tax assessment notices by email. They will be aware immediately of how much they are entitled to receive or need to pay. It will also provide information on how to pay. This new system will be more immediate compared to the existing electronic notification system which only provides a link to the notifications. The management of the electronic correspondence will come from an IT platform, which is not yet operational. Since adoption of this service is optional, steps will be needed to encourage debtors to voluntarily sign-up to the new process. However, this initiative is expected to:

- reduce expenditures connected with printing and sending notifications by post;
- reduce time lost between sending and receiving the notification; and
- improve safety assurance.

11.8. Singapore

Principle #2

123.   In 2016, Inland Revenue Authority of Singapore (IRAS) implemented an e-service to channel debtors to self-help options and reduce assisted contacts. E-service allows debtors to file their appeal for a penalty waiver, file extensions or receive an immediate reply on the outcome of their appeal (for more straightforward cases). The system was built with stringent checks and validation rules to ensure the appeal outcome is in line with the officers' guidelines. The criteria for penalty waivers were made clear to discourage frivolous appeals and to prevent an increase number of appeals. Also, future compliance with filing and payment requirements were pre-conditions for waiving late penalties.

124.   At the end of the first year of implementation, 16% of all requests were received and processed via the e-service system. IRAS intends to provide an e-service that will allow a debtor to request an instalment payment plan for their tax debt in 2019. The aim is to reduce the need for debtors to contact the tax administration to negotiate payment arrangements. Currently, debtors have to contact the tax administration to update their existing instalment plan or to negotiate a payment arrangement.

125.   This e-service will enable debtors to file their requests with relevant supporting documents electronically. The system will automatically process and give instant replies to

most requests. The success of this initiative will be measured by the adoption rate of the e-services.

11.9. Slovenia

Principle #1

126.   The Tax Procedure Act in January 2016 introduced **electronic delivery (e-delivery) of tax documents** to taxpayers. Starting in November 2016, the Financial Administration of the Republic of Slovenia sends electronic notifications of tax enforcement. Electronic delivery is mandatory for corporations, sole proprietors and self-employed individuals. However, other taxpayers can voluntarily register for e-delivery.

127.   After the Financial Administration prepares a document for e-delivery, it is uploaded to the taxpayer's portal (eDavki). In the meantime, the eDavki portal automatically sends an email notification to the taxpayer that a new document is in their eDavki account. In cases of personal electronic service, the person liable must first electronically sign the proof of service before being allowed to take the document. If the person liable does not sign the e-delivery confirmation within 15 days from the uploading of the document, the document is considered to have been delivered on the date of expiry of this deadline.

128.   Before issuing an enforcement decision, Slovenia usually sends a reminder notice to tax debtors of the outstanding debt. A reminder notice is sent to those tax debtors who are not the subject of on-going enforced recovery procedures. This practice has brought very positive results. Not only is it a low – cost approach to recovery, it has also been very well accepted by tax debtors. In many cases, the debt is settled after the debtor receives the reminder notice.

11.10. United Kingdom

Principle #2

129.   At Budget 2014, the United Kingdom announced the **Self-Serve Time to Pay** (SSTTP) measure. The intent was to reduce low value contact by offering debtors an efficient way to access HMRC's SSTTP. This measure assists with transferring debt management resources to higher risk accounts.

130.   Research indicated some debtors are fearful of contacting HMRC to discuss their tax affairs when they are in financial difficulty. An automatic service offering a short time to pay (TPP) arrangement answers these debtors' needs. This initiative encourages them to bring their debt up to date. SSTTP online service allows debtors to self-arrange a one-off time to pay arrangement, and to set up direct debit payments. The service is designed for low risk self-assessment debtors with low value debts. These debtors must meet strict eligibility criteria to access the service.

131.   The key challenge when HMRC introduced the online TTP service was designing a system which met the legal obligations imposed upon HMRC on payment arrangements; and ensured consistency with usual business process. These objectives are essentially possible with the data analytics used to risk assess individual debtors.

132.   Since the implementation of this initiative, The United Kingdom processed 938 TTP arrangements with a total value of GBP 1 922 658. The average payment arrangement lasts for eight months with an average value of GBP 2049.74. The data indicates the service

provided support to the HMRC contact helplines particularly over peak periods. This demonstrates that a wider use of the service would further support HRMC and, provide a low cost and efficient way to assist low risk debtors. Plans are in place to explore the feasibility of rolling this service out to other taxes. The focus will remain firmly on observing legal requirements and providing a fair and consistent system which delivers value to the debtor.

12. **Payment and debt strategies**

133.   Tax administrations found that reforms to their payment and debt strategies can improve service to the public, increase debt collection and lead to efficiency savings for the administration and taxpayers.

134.   Tax debtors contacted earlier in the collection continuum are more likely to resolve their debts. Tax administrations that implemented reminders for debtors to pay their tax instalments wanted to:

- educate the public on their payment obligations;

- help reduce the amount of taxes owing upon assessment; and

- assist the non-compliant population to become compliant.

135.   In addition, some tax administrations now accept payment plans as this allows flexibility to debtors who are willing to pay their debt. Payment arrangements meeting specific criteria encourages debtors to pay voluntarily. This allows tax administrations to shift more resources to more complex cases.

12.1. Australia

Principle #1

136.   The Australian Taxation Office (ATO) is developing a **Next Best Action** (NBA) framework, which includes system changes to enable a shift to near-real time processing. The NBA will use data and analytics to provide a holistic understanding of clients, and behaviours and events in their tax and superannuation lifecycles.

137.   **Payment and Receivables Management** (PRM) is the first business candidate to implement the NBA framework. PRM incorporates five streams to predict a debt, take purposeful action for new liabilities, use differentiated payment plans, apply outcome analytics and assess business health. These streams will help drive non-linear analytic treatment pathways to improve payments on time, address outstanding liabilities, enhance a client's experience with the ATO, and promote a fairer tax and superannuation system.

138.   Under PRM, automated low touch interactions will help keep clients on track with their payment obligations. Where people may be unlikely to respond to such interactions or have behavioural or financial capacity issues, analytics will then assess the likely effectiveness of firmer and stronger actions, and provide recommendations and supporting data/insights to aid effective decision making.

12.2. Belgium

Principles #1 & #2

139.   In 2015, Belgium implemented the **Debt Relationship Management Unit** (DRM). This is the General Administration of Collection and Debt Recovery outbound call centre. This initiative supports the Belgian Tax Administration strategic plan's objectives to:

- increase efficiency - the extent to which goals are achieved;
- Improve efficiency - the utilization and productivity of available resources; and
- raise the level of service.

140.   The DRM unit aims to:

- make contact (mainly outbound calls) with debtors after they received details of the debt on the first payment or formal notice;
- obtain immediate payment in full on debts, in order for the debtors to avoid additional charges (interests, fees, and costs);
- analyse and customize communication with debtors to influence their behaviour; and
- manage outbound calls based on risk, using the Iris data mining model described earlier.

141.   By targeting debtors who are likely to pay after a call, Belgium concluded that the outbound call centre returns results are as shown in Table 12.1.

Table 12.1. Outbound call centre returns

	2015	2016	2017
Paid wage withholding tax (EUR)	16 313 685	23 048 383	14 341 003
Paid VAT (EUR)	15 750 589	13 273 265	16 518 627

Source: Belgium - General Administration of Collection and Debt Recovery (2018).

142.   By monitoring the payments after 6 months, Belgium noticed the percentage paid on the total amount is similar in both categories. The number of debts paid in full, though, is higher in the group of debtors who received calls. Belgium is considering, developing new data mining models and to expand the strategy to other taxes types. There is also a focus on extending the list of mobile numbers or e-mail addresses of Belgian citizens would be important.

12.3. Canada

Principle #2

143.   From March 2015 to March 2017, the Canada Revenue Agency (CRA) worked on the **Enhancing Collections Strategies Initiative**. This initiative was in response to the 2013 status report on Collecting Tax Debts from the Office of the Auditor General (OAG). This report also supported CRA's key priority – Managing the Tax Debt. The CRA allocated funding to enhance automated collection programs strategies, thus contributing

to the goal of managing tax debt growth, increasing dollars collected, and improving overall compliance.

144.   To maximize the efficiency of the automated collection tools, the CRA included enhancements to the development of data mining models for individuals and the self-employed. These models incorporate data (except for certain personal data) from CRA's; accounting, assessing, and automated collections. This initiative leveraged business intelligence to determine:

- the appropriate allowable time for an account to self-resolve;

- which accounts will not respond to a collection letter or a phone call;

- which accounts could have their debt offset by a subsequent credit return; and

- which accounts could be deferred without a risk for loss of revenue.

145.   As part of the initiative, the CRA amended the Debt Management Call Centre (DMCC) payment arrangement parameters and maximum dollar thresholds. This maximized the resolutions of accounts at the DMCC (the least costly intervention) and prevented them from flowing into collections contact officers' inventories (a more costly intervention).

Principle #1

146.   As part of its collection strategies, the CRA launched the ongoing **Automated Dialling Announcing Device** (ADAD) Instalment Campaign Reminder in 2013. This initiative addressed two goals of the CRA:

- increase the automation of collection processes and strategies; and

- be proactive to encourage compliance.

147.   Each year, one third of instalment remitters consistently fail to meet their payment obligations. The campaign intended to remind instalment remitters of the instalment payment due date in order to reduce their exposure of having taxes unpaid upon assessment. The ADAD instalment reminder campaign delivers pre-recorded messages by telephone using voice broadcasting to thousands of taxpayers in a very short period. (The ADAD instalment campaigns are conducted twice a year.)

148.   Accounts that received an automated message were more compliant than those who did not receive the message. As of December 2016, ADAD campaign accounts had an average of 4.5% collected compared to 3.5% for the control group.

12.4. Denmark

Other

149.   Based on promising results from a pilot project Debt Collection, the tax administration is adopting and implementing a new approach in managing conflicts with citizens: "Styrket Borgerkontakt" ("Strengthened Contact With Citizens"). This approach is about coping differently with (potential) conflicts than traditional governmental dispute settlement. Caseworkers enter into a dialogue with debtors, listening and being attentive. Using mediation methodology, they seek to collaborate with debtors in a way that creates a trustful atmosphere.

150.   Adopting this approach, and using the methodology, reduces costs, while leaving debtors behind with a good "customer experience" and more willing to pay off their debts. One specific example from the pilot project where employees were trained in the methodology, resulted in:

- fewer liens being put in place (the proportion of cases resulting in non-telephone contact decreased from 62% to 22%);

- improved debtor satisfaction (increase from 2.1 to 4.0 on a scale from 1 - 5); and

- a decrease in turnaround time (from 76 days to 52 days).

12.5. Hungary

Principle #3

151.   Hungary created an **Enforcement Hotline**. This supports on-site procedures 24 hours a day for enforcement activities, EKAER-controls, customs seizures and helps in tracking and protecting colleagues. Immediate debt audits can be carried out based on hotline information and appropriate measures can be taken on the spot. Emphasis is placed on the investigation, seizure and selling of movable properties of debtors.

152.   Hungary also introduced the **Payment Benefits Initiative** which provides continuous and predictable revenue by instalments, without the involvement of the enforcement staff. Since January 2018, automatic payment by instalments are offered to entrepreneurs, private persons and reliable taxpayers. As taxpayers can pay by instalments, this reduces remission obligations when the tax debt cannot be recovered or the payment would risk the operation or livelihood of the taxpayer.

12.6. Italy

Principle #2

153.   In November 2016, Italy implemented the **SMS – Se Mi Scordo initiative**. This initiative was to make it easier for debtors to comply voluntarily. This alert service through SMS warns debtors when:

- half of the maximum number of instalments is not paid which could cause default of the instalment plan;

- when an instalment is missing which cancels the instalment plan; and

- the forthcoming arrival of a tax record, for which the notification is ongoing.

12.7. Portugal

Principle #2

154.   In 2016, Portugal implemented the **Debt Payment Arrangement ("PERES")** to allow voluntary debt settlement with remission of costs and interest. In order to join the program, the taxpayer can fill out an application online that allows simulations of monthly payments. The debtor can choose to pay the debt in full or make payment arrangements of up to 150 months. PERES allows debtors to immediately settle debt or defer payment according to their economic capacity. PERES grants the debtor a non-debtor status profile as long as the approved payment plan is being fulfilled.

Principle #1

155.   In February 2018, Portugal also implemented the **Direct Debit Payment** to avoid non-compliance and make it easier for voluntary payment of periodic taxes. The tax administration detected that non-compliance for period taxes, which are due monthly or yearly (e.g. property, vehicle taxes or payments by instalments) was sometimes a result of debtors' forgetfulness rather than lack of means to pay.

156.   A single direct debit order by the debtor enables direct contact and payments between the Tax Administration and the debtor's financial institution. This is done by accessing the Portuguese Tax Administration's Portal, registering the IBAN and giving consent to the debit. The debtor sets the maximum payment amount, and the authorization end date. Debtors may modify or cancel this at any time. Although the mechanism was meant for periodic payments, it can also be used for a single payment.

12.8. South Africa

Principle #3

157.   On April 1st 2018, South Africa introduced the **New Debt Management Strategy**. This new initiative is part of the South African Revenue Services (SARS) strategic review to increase compliance and optimize collections enforcement actions. Two new teams now focus on cash collection. The first one focuses on new debts with a shortened collection process while the second one focuses on existing debts by applying effective enforcement measures. These measures commence with civil judgments. The new strategy differentiates treatment for taxpayers who remain non-compliant. Thus more stringent enforcement measures are applied to the existing debt category. A summary of the strategy involves the introduction of the 'PARE" model:

- **PREVENT (P)**: Manage debt and outstanding collections returns via automated engagements, prior to them becoming due;

- **ASSIST (A)**: Assist taxpayers and traders via inbound and outbound calls to settle their debt (prior to the interest effective date) and submit their outstanding returns;

- **RECOVER (R)**: Recover debt and outstanding returns from non-compliant taxpayers and traders;

- **ENFORCE (E)**: Institute legal action to address taxpayer and trader non-compliance.

158.   This new strategy allowed a better organization and management of debt by segment (i.e. Large Business, High Net worth Individuals, SMEs, etc.) and improvement of Debt Management staff efficiency and effectiveness.

12.9. Spain

Principle #3

159.   In 2016, Spain enacted changes to its tax laws related to payment by instalments. The aim of the changes was to tighten the criteria for granting payment arrangements. The new regulations give shorter payment periods. In addition, the regulation also focuses on the assets and rights required as a guarantee. Depending on the quality and the security offered by these assets or rights, the delay to pay could be shorter or longer. The number

of requests for payments by instalment has decreased significantly as a result of these changes.

12.10. United States

Other

160.   The United States Internal Revenue Service (IRS) has intensified efforts to enhance voluntary compliance by focusing on approaches to tax administration that are more proactive, accessible and interactive. These efforts are known collectively as the **IRS "Future State."** The Future State vision focuses on an improved taxpayer experience throughout the tax lifecycle, efficient IRS operations and an improved employee experience.

161.   Six themes have been established that characterize the Future State of the IRS:

1. Facilitate voluntary compliance by empowering taxpayers with secure innovative tools and support;

2. Understand non-compliant taxpayer behaviour and develop approaches to deter and change it;

3. Leverage and collaborate with external stakeholders;

4. Cultivate a well-equipped, diverse, skilled and flexible workforce;

5. Select highest value work using data analytics and a robust feedback loop; and

6. Drive more agility, efficiency and effectiveness in IRS operations.

162.   IRS Collections is operated out of the Small Business/Self Employed Division (SB/SE). Collection strategies are aligned with the IRS Future State Themes and SB/SE compliance objectives.

13. **Collection enforcement**

163.   Tax administrations derive their collection enforcement powers from their countries' tax laws. Powers that were effective in the past may not have evolved at the same pace as the tax debt management landscape. Thus, some tax administrations pursued new collection powers or tools to increase their tax debt collection, including through changes to legislation.

164.   Consulting with external stakeholders was a key element to develop the policies, procedures and criteria for these new powers, with outreach campaigns to understand and alleviate external stakeholder concerns. The new collection enforcement powers or tools implemented show promising results with increased amounts collected and improved efficiency. As an added benefit, they also promote greater civic tax conscience.

13.1. Australia

Principle #3

165.   In December 2016, the Government announced that disengaged businesses with tax debts may be reported to credit reporting bureaus if they met certain criterion. This measure is still waiting for legislation to be passed through Parliament and has not yet been implemented. The current criteria expected are that the business must have a tax debt balance greater than AUD 100 000 for at least 90 days, and no active payment plan or dispute with the ATO. This initiative has several strategic outcomes such as reducing unfair financial advantage, increasing debtors' engagement and assisting the business community to make more informed decisions about credit worthiness of their commercial partners. This will also improve community confidence and the effectiveness of differentiated treatment.

13.2. Latvia

Principle #3

166.   Since amendments to the law "On Taxes and Fees" entered into force on 1 January 2015, the tax administration has had the right to impose the liability of the legal person's late tax payment on the board members of legal persons, if the following criteria are met:

- the late tax payments amount exceeds the total amount of 50 times the minimum monthly wages specified in Latvia;

- the legal person has been notified of the decision on the recovery of late tax payments;

- after the late tax payments has occurred, the legal person has transferred assets to a person who is related to a member of the Board and who would be considered to be an interested party under the provisions of insolvency law;

- a statement regarding impossibility of recovery has been drawn; and

- the legal person has not complied with its obligations laid down in the Insolvency Law to submit the application on insolvency process of legal person.

167.   From 2014 to 2015, this initiative helped to improve taxpayers' compliance, with approximately a 31% decrease in number of new debtors and a 19% increase in payment and instalment plans set up by taxpayers.

13.3. Spain

Principle #2

168.   Legislation enacted in 2015 allowed Spain to publish electronically a list of their large tax debtors. The general aim is to fight against tax fraud while promoting a greater civic tax conscience. While the list is public, the debtor information is limited to:

- the name, surname (or corporate code if it is a legal entity),ID card; and

- global amount of outstanding debts from the National Tax and Custom system if that amount is over EUR 1 000 000.

169.   Spain's General Tax Law was modified as the publication of the list was an exception to the Spanish Tax Administration´s obligation for tax data secrecy. Spain has so far (December 2018) disclosed four lists of large debtors.

Principle #3

170.   Following the General Tax law modification in 2015, Spain also implemented new administrative procedures related to tax offences. Prior to the legislative change, Spain had to suspend administrative procedures such as collection activities until the courts decided on the tax offence. This is no longer the case (although there are some exceptions). The ability to take action in these cases is expected to increase the amount of debt collected and reduce recovery time.

13.4. United Kingdom

Principle #3

171.   In 2014, the United Kingdom announced the Direct Recovery of Debt (DRD) which became operational in 2016. After an internal review of its enforcement powers and discussions with other tax administrations, HM Revenue & Customs (HMRC) identified a gap in its legislative powers. Namely to forcibly recover cash assets from debtors. The DRD extended HMRC's seizure power to seize cash deposits (subject to a number of safeguards). For the most recent year (2017/18), the new power is estimated to have achieved benefits of GBP 75 million. Experience has shown that this measure is rarely used as its existence has encouraged debtors to engage with HMRC.

Principle #1

172.   In 2009, the United Kingdom introduced the Finance Act 2009 which enabled the HRMC to collect debts up to GBP 3 000 from a debtor's income. This means that HMRC is able to change an individual's tax-code and automatically deduct repayments from their earnings. Coding-Out is a particularly cost efficient way to recover low value debts. The debtors have the option to pay their debt in full to avoid the tax code. This method prompts for payments and reduces the need to code out.

173.   In 2014 HRMC enhanced its capacity to collect debt through Pay As You Earn (PAYE). This system introduced a sliding scale of coding limits for individuals with annual earnings above GBP 30 000 to further maximize the collectable amount. Furthermore, **Dynamic Coding-Out of Debt** (DCoD) was introduced at Autumn Budget 2017. DCoD will use new technology to recover additional debts and modernize the existing coding-out process. This will allow HMRC to begin collecting overdue debts during a tax year, rather than waiting until the next fiscal year. The United Kingdom continues to send debtors advance notice explaining why their tax code is going to change. To avoid putting debtors in financial difficulty or hardship, HMRC implemented rules which limit the amount of income that can be deducted (GIS).

174.   Using the Coding-Out in this way has resulted in the recovery around GBP 120 million each year from debtors who have failed to settle their tax debt or engage with HMRC. The forecasted benefits of DCoD are estimated to be GBP 125 million for each year of the period 2018/19 – 2022/23.

13.5. United States

Principle #3

175.   In December 2015, Section 32101 of the **Fixing America's Surface Transportation Act** (FAST Act) was signed into law and, generally, prohibits the Department of State, which oversees the administration of passports, from issuing or renewing a passport to a taxpayer with a seriously delinquent tax debt. A seriously delinquent tax debt is an individual federal tax liability of greater than USD 50 000, and for which a Notice of Federal Tax Lien has been filed (and the taxpayer's right to an Appeals hearing has been exhausted or lapsed) or a levy has been issued.

176.   The FAST Act requires the Internal Revenue Service to notify the Department of State of taxpayers who have a seriously delinquent tax debt. The Department of State will allow certified applicants up to 90 days to resolve their seriously delinquent tax liability prior to denial of their passport application or revocation of the passport. This provision aims to encourage taxpayers to pay their seriously delinquent tax debts. The IRS began sending certifications of unpaid tax debt to the State Department in February 2018.

14. **Behavioural insights in communication and nudging**

177.   Tax administrations are increasingly using Behavioural insights (BI) to better understand the debtors' behaviour and decision-making process. BI in tax debt is presently mostly focused on communication, either by tailored approaches or through wider nudge campaigns. (Nudge campaigns can change how choices are presented without limiting the debtors' options or changing their economic incentives.)

178.   Tax administrations send messages to non-compliant taxpayers to warn them of the consequences of non-response and non-payment. The content of the messages are tailored based on the taxpayers' compliance records. The intent is to motivate them to pay their taxes on time, capture their attention and indicate the urgency of dealing with their debts.

14.1. Australia

Principle #1

179.   Australia has a dedicated Behavioural Insights (BI) Unit that works to embed the use of BI across the ATO. They have implemented a number of BI practices in their communication and nudging strategies. The ATO initiated Short Message Service (SMS) campaigns in July 2014 and continues to utilise SMS in payment and lodgement strategies. The original initiative was designed to prompt on-time payment or re-engagement. The SMS campaigns were designed to be light touch and low cost interactions. The SMS campaigns sought to encourage different behaviours depending on the population. These included prompting:

- payment from debtors with an upcoming liability or an overdue debt;
- engagement from debtors who defaulted on their payment plan; and
- the use of online ATO self-help services.

180.   The following behavioural insights principles were applied in the SMS messages across all the campaigns:

- Personalisation
- Timeliness
- Rewarding desired behaviours
- Active language
- Simplification

181.   The ATO modified some systems to incorporate this approach.

182.   The campaign results were positive with a considerable amount of debt collected as demonstrated in Table 14.1.

Table 14.1. Outcomes of the Short Message Service (SMS) Campaigns

	2014-2015	2015-2016	2016-2017	2017-2018
SMS issued	247 000	540 000	560 000	850 000
Total liabilities collected (AUD)	834 million	949 million	800 million	1.6 billion

Source: Australia – Australian Tax Office (2018).

183.   The ATO received a small number of complaints regarding the SMS being sent to an incorrect phone number, however these complaints were less than 0.01%. Usually these occurred where the client provided their partner's mobile telephone number. The ATO BI team reviewed the messages to ensure they achieved the desired effect of increasing the likelihood of a payment.   The ATO has expanded its SMS for promotional and informational purposes such as reminders for documents, meetings and payment due dates and continues to look for further opportunities.

Principle #2

184.   In 2013-2014, the ATO conducted the **Debt Coloured Letters Pilot.** This pilot was initiated to encourage debtors to pay their overdue tax debts. The wording, layout and design of the letters were updated to capture the debtor's attention. To indicate a degree of urgency the letters progressed from blue for payment demand, to orange for firmer action warning and red for notice of legal actions.

185.   The following behavioural insight principles were included in the coloured letters:

- Highlighting key messages (clear language, colours, headings and banners)
- Personalisation
- Social norms
- Reciprocity
- Rewarding desired behaviour
- Appealing to the recipient's status
- Noting the ATO's authority
- Making it easy (Call- out boxes, offering support if unable to pay).

186.   The new letters were rolled out in 2014-2015 and within 30 days of being sent, they resulted in an increase of 6.5% of recipients paying the debt in full and 6% making partial payments on their debts. The ATO has expanded this approach to a wide range of activities and interventions. This includes client engagement activities such as refund integrity letters, non-lodgers and tax evasion.

14.2. Belgium

Principle #1

187.   In 2015, Belgium started to work on BI in order to raise tax compliance. After having successfully finalised some BI projects the Belgian Fiscal Administration is able to provide evidence from large-scale field experiments on Reminder Letters. The Belgian Tax Administration in collaboration with an external team of academics launched the three following experiments incorporating behavioural insights:

- Different behaviourally informed interventions on the Personal Income Tax reminder letter (payment compliance on late payers). This ran from December 2015 to September 2016. The result was a significant increase in tax compliance due to the interventions.

- Follow-up to the first experiment on the same target group. New trial was used to look for duplication of earlier results- fine-tuned the reminder letters to optimise the payment behaviour of late Personal Income Tax payers (payment compliance on late payers) and tested for long-term effects. This ran from November 2016 to September 2017. This replicated the results of the first experiment and proved that fine-tuning the reminder letters was worthwhile. A major result was that some of the nudge effects persisted over time.

- Targeting taxpayers before payment due date. New interventions on the Notice of Assessment were then tested to nudge taxpayers to pay their taxes before the due date (payment compliance on all taxpayers). This ran from November 2017 to June 2018. The results showed that also in this context behavioural insights can help taxpayers to bring their payment forward. Simplification of the tax letter proved to be the key.

188.   The experiments conducted so far resulted in an estimated net benefit of about EUR 4 million per fiscal year. On average, the interventions resulted in an 18.2% rise in paid amounts, 17.4% rise in the number of tax liabilities with a payment and a 16.8% rise in the number of tax liabilities with a full payment. As a result, the Belgian Tax Administration has set up a Behavioural Unit to integrate behavioural studies and experiments into its collection and recovery processes. An academic paper reporting on this project and the results of interventions on tax compliance is underway. Publication is anticipated in late 2019.

14.3. Canada

Principle #2

189.   The Canada Revenue Agency (CRA) conducted the Nudging Pilots: Influencing Taxpayer Payment Behaviour Phase I and II:

- **Phase I** was conducted in 2014 and tested the effectiveness of using nudge messaging in letters to taxpayers who owe between CAD 100 and CAD 975 to increase payment compliance.

- **Phase II** was conducted in 2015 and tested nudge messaging on letters to taxpayers who owe between CAD 1 000 and CAD 2 500.

190.   The nudging pilot response rates are demonstrated in Table 14.2.

Table 14.2. Nudging Pilots Response Rates - Phase I and II

Group	Response rate[1]	
	Phase I (CAD 100 – CAD 975)	Phase II (CAD 1 000 – CAD 2 500)
Standard Letter	28%	47%[2]
Positive Nudge Letter	28%	49%
Negative Nudge Letter	29%	45%
No Letter[2]	17%	N/A

Notes: [1]The response rate is the percentage of taxpayers who paid or made payment arrangements. [2]Control Group.
Source: Canada – Canada Revenue Agency (2018).

191.   Statistical inferences made from the test results indicated that the total expected collections from new debtors owing between CAD 100 and CAD 975 may be increased by around CAD 1 million per tax year if nudge letters were sent, compared to no letter. Both pilots revealed that sending letters improved compliance regardless of the type of letter sent.

Principle #2

192.   In June 2017, the CRA conducted the Nudging Pilot: Letter Nudge Experiment on GST debtors **Phase III**. This Phase tested the effectiveness of using nudge messaging in letters to business entities who owe between CAD 800 and CAD 2 500.

193.   The nudging pilot response rate is demonstrated in Table 14.3.

Table 14.3. Nudging Pilots Response Rate - Phase III

Group	Response rate[1]
	Phase III (CAD 800 – CAD 2 500)
Positive Nudge Letter	34%
Negative Nudge Letter	38%
Standard Letter[2]	22%

Note: [1]The response rate is the percentage of taxpayers who paid or made payment arrangements. [2]Control Group.
Source: Canada – Canada Revenue Agency (2018).

194.   The differences between the nudge letter groups and the control group were statistically significant. Applying nudge messaging to the full collections target population represented in the pilot could potentially bring an additional CAD 8.5 million to CAD 22.1 million in the case of the "negative" nudge message. Based on the results of the three experiment phases, nudging effects may differ based on revenue line, amount owed and the targeted entity.

14.4. Finland

Principle #1

195.   Since 2017, the Finnish Tax Administration (FTA) has conducted a nudging project. The project evaluates how nudges using payment reminder letters that incorporate behavioural science could affect taxpayer compliance.

196.   The project sends reminder letters to two groups when the total tax due is over EUR 170. The first group is the control group to which the FTA sends the standard payment letter. In the second treatment group, the debtors are sent a slightly modified standard letter in which the FTA added short sentences with the intent to motivate the debtors to pay on time. The FTA will evaluate the project against with the following criteria:

- number of days the tax debt is not paid in full after sending the reminder letter;

- share of tax debt paid;

- customers paying tax debt in full after sending the reminder letter;

- amount of payment plans made to tax debt before due date and before enforcement; and

- amount of tax debt paid (in euros)

14.5. India

Principle #2

197.   Since 2014, India implemented an initiative called **Name and Shame**. This initiative consists of publishing the names of debtors on government websites and in newspapers. As this may cause reputational damage, this encourages debtors to pay in order to be removed from the list. The information about the whereabouts and assets of the untraceable debtor is often received from the public. There is a scheme for granting reward for information provided to make it more effective. A study to assess the impact of the "Name and Shame" list on voluntary compliance is underway.

14.6. Ireland

Principle #1

198.   Since January 2016, Ireland has incorporated Behavioural Insights into their debt management activities. This approach was taken to tackle high volumes of low value debt cases. The Debt Management Units tasked with working high volume, low value cases experimented with a range of treatments for Value Added Tax (VAT) compliance. These included phone calls, soft letters, and a standard approach. The Research and Analytics Branch worked with the Debt Management teams to assess the impact of compliance interventions.

199.   From cases late filing their VAT returns:1 852 were randomly were sent a 'soft' letter reminding them of their obligations to file; and 2 481 were randomly were sent a letter setting out the estimate of tax owed. After three months: 54% of taxpayers who received the soft letter had filed their returns compared to 65% of taxpayers who received the second letters. All VAT late filers now receive the second letter.

14.7. New Zealand

Principle #2

200.   New Zealand has adopted the vision of having a customer-centric and intelligence-led set of interventions, based on behavioural insights. The desired outcome is to have "More people filing and paying on time, with fast, engaging interventions for those who

don't comply". The vision was developed through extensive consultation with staff and reflected their understanding of customers. Key elements created a clear line of sight between the future vision, and operational activity. Frontline knowledge was used to improve service design and commitment through personal involvement and ownership.

201. The Insights approach has four interconnected phases: Prevent; assist; recover and enforce. This is supported by clear frameworks and processes. A "Services Thinking Framework" clarified for how to use customer segmentation, behavioural insights and data models consistently. "Outside In" thinking was encouraged and customized approaches to motivate the public as well as giving staff the flexibility to explore what works best (within the model). Operational frameworks gave a high degree of transparency, accountability and ownership.

202. A key focus for Inland Revenue (IR) was to improve its understanding of customer behaviour and to develop the most effective approaches to facilitate compliance. To achieve these goals, IR:

- worked more closely with customers to understand their needs and behaviours over key events in their lifecycle;

- developed stronger connections to data modelling and intelligence to segment customers and adapt approaches; and

- trialled various new approaches to better understand what motivates customers and make smart use of data analytics.

203. Behavioural-based interventions included targeted reminder letters, texts, online advertising, social media like twitter and Facebook, and direct calling campaigns. As of 30 June 2017, the size of the overdue debt book, excluding overdue debt from student loans and child support, was NZD 3 billion. This is a 36.1% decrease from the previous year and is the third consecutive year of reduction (see Table 14.4).

Table 14.4. Overdue Tax Debt as of June (in NZD million)

Debt Type	2013	2014	2015	2016	2017	Change since 2016 (%)
Working for Families Tax Credits	371.8	406.6	334.8	224.6	193.4	(13.9%)
Goods and services tax (GST)	1 873.9	1 775.5	1 527.5	1 396.5	825.6	(39.7%)
Income tax	2 365.7	2 519.6	2 653.0	2 562.4	1 556.1	(39.3%)
KiwiSaver	22.5	33.3	29.4	24.9	26.5	6.4%
Other tax	121.6	121.8	115.9	69.7	80.0	17.4%
Pay-as-you-earn (PAYE)	586.8	613.9	492.4	428.9	309.7	(27.8%)
Total	**5 342.3**	**5 470.7**	**5 153.1**	**4 680.0**	**2 991.3**	**(36.1%)**

Source: New Zealand – Inland Revenue (2018

204. In the 2010-11 financial year, the Government gave extra funding to assess and collect tax associated with the then 1.4 million outstanding returns. Outstanding returns are now down to 654 357. Over the last five years, NZD 1.466 billion was collected in extra cash and NZD 502.8 million was generated in assessments from unfiled returns.

14.8. Norway

Principle #2

205.   Since 2016, Norway has a customized communication strategy based on behavioural insights (nudging) towards non-resident or foreign taxpayers and debtors. This initiative started because this minority group tends to fall through the cracks as approximately 50% of this segment changes yearly and therefore need special service and follow-up. The Norwegian Tax Administration (NTA) must determine when and who is liable for paying taxes and then make it easy for them to comply. (The functionality in Norway's accounting system for customized collection scoring, "Debtor Adjusted Collection" is not available for this debtor segment.)

206.   The communication strategy has an overview of existing communication measures, both manual and automated, in order to identify deviations from the norm. The focus is to improve communications, compliance and collections towards this group.   The International Tax Collection Office (ITCO) conducted research and risk analysis to learn and determine the most effective direct approaches and measures for non-residents/foreign taxpayers/debtors. As a result, guides and videos were produced in several languages for foreign taxpayers new to Norway. This initiative helped them understand the system, prevents mistakes and made it easier to comply early on.

207.   ITCO also executed a small nudging trial using an outbound phone campaign through cold-calling from January to March 2017. 4 589 non-resident or foreign taxpayers were contacted for whom the NTA had phone numbers in the system. (Unfortunately, a large percentage of non-resident/foreign debtors' contact information is outdated as the majority are not registered electronic users.)

208.   From the trial, ITCO learned that non-resident/foreign debtors generally respond positively and politely, and paid their debt. Many had misunderstood the payment notice and the tax system. The payment amount increased by 10-30% after the second phone call. The group used in the trial paid NOK 1.2 million more than the control group (not called). The use of proactive cold calling also decreased the number of angry telephone calls received from this group. Additionally, ITCO planned several targeted, large scale text message campaigns towards electronic users in order to:

- clear up common misunderstandings;

- let foreign debtors know they are not forgotten ; and

- offer improved e-service to this tax debtor segment.

209.   This holistic communicational strategy has improved since 2016 and increased the total collection results by 6 % in one year (income and wealth tax for individuals).

14.9. Portugal

Principle #1

210.   In 2014, Portugal implemented an initiative called **Proactive Electronic Reminders**. This initiative consists of sending electronic (SMS or email) reminders to taxpayers before the payment due date or before taking coercive measures. The aim of this initiative is to lead a tax debtor to pay at an earlier stage of the debt cycle, thus, avoiding enforcement proceedings. Portugal's main challenge was to obtain mobile phone numbers

and email address information. Ten percent of the targeted taxpayers paid their debts before the due date after receiving the electronic reminders. In the coercive measures group, 7% paid after receiving the message about potential action by the Tax Administration.

14.10. Singapore

Principle #2

211.   In 2016, Inland Revenue Authority of Singapore (IRAS) implemented the initiative called **Use of Behaviour Insights (BI) in Demand for Individual Income Tax**. By incorporating BI elements into the Demand Notes, debtors are informed that a late penalty was imposed and nudged to pay the outstanding tax. The notice content was based on the debtors' compliance record. "Errant" debtors, who had a previous history of payment problems, received a firm deterrent message that warned them of the consequences of not paying their overdue tax. First time late debtors were offered automatic penalty waivers if they paid their overdue tax immediately.

212.   Results showed about 2% to 4% increase in payment and instalment plans set up by debtors who received Demand Notes with BI elements compared to the control group. There were improvements across different debtor segments with the largest improvements among the "ignorant" and "negligent" groups. Since then, BI elements have been incorporated into the bulk filing and payment enforcement notices and the property tax bill.

Principle #1

213.   In 2014, IRAS started sending reminders through SMS before the payment due date reminder for Individual Income Tax and Property Tax accounts to achieve higher voluntary compliance rate. The SMS contained a clear "call-to-action" message stating how much was owed, by when and how to pay. The identification number of the taxpayer was masked in the SMS to ensure confidentiality.

214.   The randomised control trial showed that 13% more taxpayers in the group who received the SMS settled their tax in full or made arrangements to pay compared to the group which did not receive an SMS. Also, the trial found that a reminder with a clear call-to-action that identifies the taxpayer (by masked ID) was more effective than a generic one. Since then, SMS reminders have been sent for other tax types including reminders to directors to file their corporate tax returns.

Principle #2

215.   In 2014, IRAS also implemented the ongoing initiative of making proactive calls to delinquent debtors. The aim is to resolve debt management cases at an earlier stage. Debtors often tend to ignore letters but are more responsive to other modes of contact. Calls to debtors encourage them to resolve their overdue tax before they become a Debt Management (DM) case. IRAS created a predictive model to identify debtors who are unlikely to respond to Demand Notes. These predictive models are "re-trained" yearly to ensure accuracy.

216.   In a randomised control trial, over 2 000 debtors were contacted against a control group. The trial found that proactive calls reduced the number of DM cases by half. Only 32% of debtors contacted in the trial had a DM case thereafter versus 69% in the control group. IRAS is exploring the use of SMS with call-to-action messages to replace outbound calls. In 2019, a similar predictive model will be applied to non-resident and foreign taxpayers segment and an SMS or email reminder sent as recommended by the model.

Notes

[1] www.tadat.org/overview/overview.html

[2] For example, one of the data mining models will predict with an 80% accuracy rate if a debtor has the ability to pay. Using this scoring limits the risk of delayed collection actions.

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Successful Tax Debt Management: Measuring Maturity and Supporting Change

The size and growth of unpaid tax debt is a key concern for many tax administrations. In many jurisdictions, the tax debt continues to grow despite the introduction of more successful collection strategies. Facing this challenge, tax administrations need to seek even mWore innovative, co-ordinated, cost-effective and strategic ways to both prevent debt from arising and deal with the collection of tax arrears. The aim of this OECD report is to provide further insights into the elements of a successful tax debt management strategy, supplemented by examples of recent initiatives by tax administrations. In addition, the report includes a maturity model that allows tax administrations to self-assess their maturity in tax debt management. The intention is that this will allow tax administrations to consider whether, based on their individual circumstances, they are content that they are in the right place given current circumstances or whether there would benefit from taking additional measures.

www.oecd.org/tax/forum-on-tax-administration/