A Checklist of Requirements for Integrated Tax Administration Applications

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An integrated tax administration system should provide the ability to analyze and respond efficiently to changing conditions and taxpayer expectations. Does yours?

This guide addresses ways government executives and managers in charge of operating tax administration organizations can identify and maximize the potential of a packaged, vendor-supported integrated tax administration system.

It details the operational characteristics of systems that will result in improved organizational performance.

It also explains ways an integrated tax system can result in higher taxpayer and employee satisfaction, fair and cost-effective service, greater visibility into compliance issues and issue management, and easy accommodation of tax policy and legal change.
A Checklist of Requirements for Integrated Tax Administration Applications

INTRODUCTION
Integrated tax administration applications underpin the ability of governments to administer the tax policies and laws of their jurisdictions in an efficient, fair and transparent manner. This paper provides a checklist of criteria helpful in matching a vendor-supported, packaged system to the performance and operational requirements of the agencies charged with administering taxes. It also discusses ways that these integrated tax administration systems can anticipate changes likely to be required in the future.

OPERATIONAL CRITERIA FOR EXCELLENCE IN TAX ADMINISTRATION
Make sure the integrated tax administration application system you choose:

- **Makes routine changes quickly.** The faster the change, the better able you are to synchronize tax policy changes, tax forms, penalty and interest rates, compliance tolerances and other processing variables with taxpayer service requirements. Ideally, administrative personnel should be able to undertake most routine changes, without the help of programmers. Systems that hold business rules and values in “soft tables” based on entity relationship diagramming are especially valuable in freeing you from dependence on technical staff.

- **Facilitates the development of new taxpayer services** and products—web self-service, tailored compliance workflows, automated tax payment agreements, third party affinity programs, and other innovations greatly improve the service and performance profile of the tax agency.

- **Implements industry best practices.** Your system’s business processes and screen flow should reflect and support the tasks your staff must perform.
• **Is regularly upgraded by its vendor.** This significantly reduces the time and resources needed for internal system development and delivers new functional capabilities and changes at lower cost. Additionally, when the package comes from a global vendor, your system upgrades will enable you to incorporate best practices developed and proven by other tax agencies around the world.

• **Adapts swiftly to new business strategies and regulatory mandates.** Your system should help you offer a greater variety of products and services and get them quickly to taxpayers and other partners using a variety of communication channels—call centers, telephone, internet, email, etc.

• **Protects taxpayer security and privacy.** Your system will have to provide multiple levels of application security and privacy measures to protect taxpayer information and promote greater compliance.

• **Is built on proven Service Oriented Architecture design principles.** SOA designs provide industry standard mechanisms for real-time and batch oriented integration capabilities for optimized business process integration, both internally within the agency and externally with taxpayers and other third party partners.

• **Ensures system integrity.** You’ll want to isolate communications and data exchanges and ensure full audit trails.

• **Reduces errors and increases efficiency in data storage and retrieval.** Highly normalized database structures, for instance, minimize the need to record the same data more than once.

• **Posts changes immediately** to the system via online transaction processing, and with the proper audit trails.

• **Accommodates fast and easy upgrades** through broad use of industry standards and straightforward add-on packages easily implemented over a few hours or days.

• **Interfaces** readily with enterprise-wide applications in batch, on-line, and data level modes.

• **Minimizes training** time through use of common interfaces like web-based browsers, on-line and in-person training programs, full documentation, and on-line help.

• **Ensures complete tracking and resolution of taxpayer requests** for service through devices like automatic generation of to-do lists, flagging of tasks not accomplished by user-established dates, monitored workflow cases, etc.
• **Reduces transaction time and errors** through scripts and through screens customized to specific languages, currencies, address formats, etc.

• **Ensures consistent service** through dashboards and “assistant” tools that steer agency staff through specific tasks and check to make sure no steps are omitted.

• **Improves management control and decision-making** through integrated data views of taxpayer information, executive dashboards, and tools that provide right-out-of-the-box business intelligence.

• **Permits multiple implementation approaches.** You should be able to transition smoothly from your current IT infrastructure and business processes into your target state by incremental deployments of new application capabilities.

• **Increases hardware efficiency** through automatic archiving and purging.

**BUSINESS CRITERIA FOR EXCELLENCE IN INTEGRATED TAX ADMINISTRATION**

An integrated tax administration system should facilitate a wide variety of improvements in all units that deal with taxpayers and their accounts. Below are a variety of achievable results.

**Higher Taxpayer Service and Compliance**

• **Process taxpayer assessments efficiently and generate accurate and controlled refunds efficiently.** Whether working in a taxpayer self-assessed model or in an agency assessment model, the system provides the tools to configure processing rules quickly and efficiently. Improved processing performance allows for more accurate and controlled refund information to generate the right refunds in the most optimal timeframe for the agency. The system also provides efficient business rule plug-in spots for analysis and processing of refund and credit offsets across tax types for a given taxpayer.

• **Provide a wider variety of secure and efficient web self-service applications.** Taxpayer and third party web self-service provides taxpayers greater flexibility and ability to understand and comply with their tax obligations, while allowing tax agencies to focus their resources on improving taxpayer service overall.
• **Respond to taxpayer inquiries with complete and accurate answers.** Full access to current and historic taxpayer information across all of their tax obligations lets service reps respond to a far higher percentage of queries during the initial call, reducing callbacks and increasing taxpayer satisfaction.

• **Assure taxpayer information security and privacy.** Assured taxpayer information security and privacy promotes higher levels of web-based interactions and greater trust between the taxpayer population and the tax agency.

• **Solve taxpayer problems.** Business assistant tools can boost taxpayer service reps’ performance by prompting them to ask questions, assure disclosure requirements are met, identify taxpayer issues, and search for proper issue resolution against agency knowledge bases. Such tools can help taxpayer service representatives to guide tax law inquiries, for instance, to the correct source for interpretation and application.

• **Respond to the needs of a multi-cultural, multi-language taxpayer base.** Your new system should permit you to place notes on bills in an unlimited number of languages, record the language of all persons connected with an account, and present taxpayer service screens in multiple languages. Results include improved taxpayer understanding and compliance.

• **Increase payment options.** Taxpayers increasingly need timesaving options like consolidated statement of account and tax bill delivery, electronic bill presentment and payment, installment agreements, and other allowable payment arrangements to optimize revenue collections.

• **Provide capabilities across a wide range of tax types and taxpayers.** A new system should offer:
  
  o **Flexible assessment modules capable of accurate determination of tax, penalties and interest across any type of defined tax basis and taxpayer types.** These address the needs of self-assessed and agency assessed taxes.

  o **Taxpayer compliance tools**—including obligation and case management—that help tax agency personnel provide up-to-date and consistent responses to taxpayer inquiries.

  o **Consolidated billing options** that, for instance, bill a corporate taxpayer for assessments at the headquarters
Changing tax law regimes require flexible software applications that readily adapt to new business processes and new rules.

Cost-Effective Enforcement and Taxpayer Service

- **Assess and manage compliance risk in real-time.** The system should provide tools to detect fraud and other compliance risk conditions during normal business processing cycles. For example, identification of refund fraud during account settlement greatly improves the financial stability of the agency.

- **Support operational transparency and business process improvement feedback loops.** Business processes within the agency require the right level of measurement and monitoring to ensure that taxpayer services are being provided at the right levels, and to provide operational reporting statistics to tax agency oversight bodies. The system should also provide a direct means to capture and analyze business process performance results in a manner that informs process improvement efforts in the agency.

- **Feed decision support, analytical and business intelligence data marts with timely and comprehensive data flows.** The system should be able to extract and supply operational data feeds into the agency decision support systems in a timely and efficient manner.

- **Integrate taxpayer account financial events directly with agency revenue accounting requirements.** Every financial event that the tax agency records for a taxpayer has a direct and near real-time reflection in the agencies own revenue accounting ledgers. This ensures that the agency has the ability to provide required revenue accounting and distribution reports to oversight bodies.

- **Incorporate efficient business to government (B2G) and government to government (G2G) integration capabilities.** SOA-based integrations between the tax agency and registered third parties and other government agencies are used to streamline the flow of information across organizational boundaries to improve process cycle times, quality and overall service to the taxpayer population.

- **Support third party interactions including private debt collections.** Secure, SOA-based integrations provide the tax agency outsourcing options for various compliance functions as allowed by the jurisdiction, including third party collections.

- **Support field audit and collection activities.** An integrated tax administration application provides direct support for field audit and collections. Agency defined taxpayer characteristics are
integrated into the taxpayer database, and are used to classify, assign, and monitor compliance cases based on any number of agency specific classification designs.

- **Improve collections.** Systems should track taxpayers individually and taxpayer relationships through different taxpayer lifecycle changes, including:
  - For individual taxpayers: marriage, employment, changes in power of attorney, bankruptcy, divorce, death and so on.
  - For business taxpayers: business initiation, premise change, incorporation, subsidiary development, bankruptcy, and so on.
  - They should identify payment patterns that suggest problems and monitor compliance with payment agreements. These functions significantly improve collections, ensuring greater equity across the taxpayer base.

- **Handle deposits equitably.** A good system should monitor registration deposits and bonds against payment records, suggest increases or decreases in the amount of the deposit needed for fiscal prudence, and automatically generate refunds when taxpayers meet appropriate conditions.

- **Ensure employee accountability.** Audit trails, to-do lists, managerial review routines, and similar tools can ensure that employees deliver the service to which all taxpayer are entitled, and that taxpayer rights are being respected.

- **Meet government performance standards.** A good system should easily accommodate performance management programs. The system should track service levels and process fulfillment for every major tax administration process. It should automatically produce reports that help managers and agency auditors to track the agencies ability to meet performance commitments.

**Technical Fit**

- **Support industry standards.** Incorporation of industry standard application patterns ease maintainability and extensibility
  - Java (J2EE) application server
  - XML based data interchange
  - SOAP and WSDL based web services
• **Provide multi-threaded batch processing options.** Multi-threaded batch processing modules improve the processing cycle times for major tax administrative functions, and allow for scalable distribution of processing logic across an array of CPUs.

• **Provide a scalable application infrastructure.** The application should be scalable horizontally (across multiple servers) and vertically (within a single server). Meeting scalability requirements becomes especially important as you begin to expose core tax administration data and functions to web self-service applications for taxpayers and third party partners.

• **Offer a rich client interface.** The tax agency employee user interface should provide a rich set of user interface capabilities to enhance productivity and satisfaction. Integration with standard desktop tools (including spreadsheets and word processing) enhances productivity.

• **Offer LDAP integration.** The integrated tax administration application should integrate directly with your existing identity management strategy and solutions.

• **Support for multiple server and database platforms.** You'll want to maintain architecture flexibility around your choice of operating system, application server and database platform.

• **Provide enterprise license options to cover the integration of as many tax types as required.** The solution should allow you to integrate tax types into a single application framework with one enterprise license, so that you’re agency does not continually have to pay licensing fees on a tax type basis.

**Accommodate Constant Change**

Be sure your integrated tax administration system can:

• **Accommodate robust change management discipline.** Changing business rules are a fact of life for most tax administration agencies. Make sure your integrated tax administration system incorporates change management features to manage site configuration updates and product updates in a controlled manner.

• **Adapt to rapid operational changes.** In some regions, deregulation has been rapidly followed by partial or full “re-regulation.” And new regulations can differ widely from the old ones. Your integrated tax administration system should readily handle unique jurisdictional demands and implement rapidly the ever-changing business processes that support them.
• **Provide robust workload management capabilities.** The system should provide robust capabilities to manage and monitor business processes in the organization, and to adjust the routing and assignment of work items to staff based on availability and skills.

• **Help identify and inform taxpayers** by permitting you to maintain and mine a wide variety of information on taxpayer and third party product and service preferences.

• **Deliver new products and services rapidly.** Quick, effective, and accurate performance measurement of new products and services allows taxpayers and other agency partners to respond to changing legal and regulatory requirements.
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