



IBM Global Business Services

Modernisation of National Tax Systems

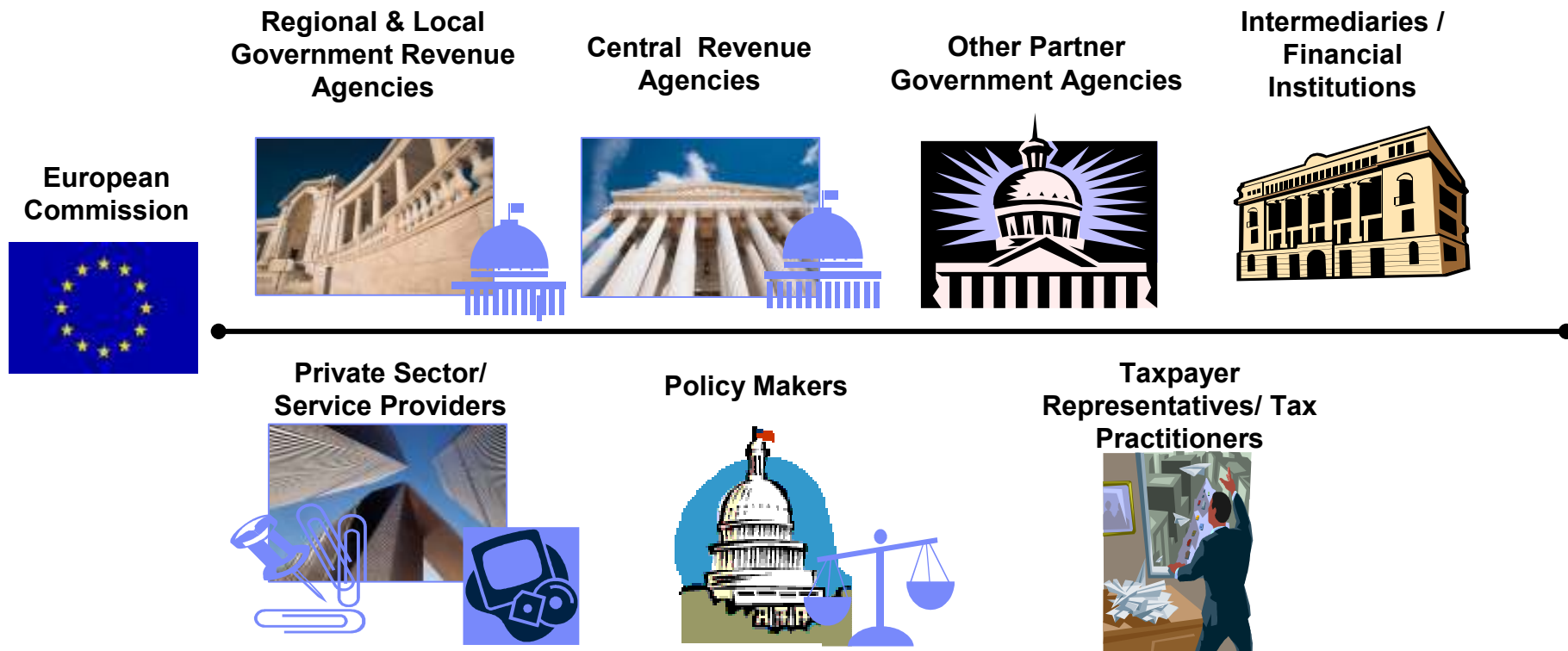
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November 2008

Agenda

- 1 The Tax 'Industry'
- 2 The Future of our Clients
- 3 The IBM Solution Framework
- 4 The IBM Partner Eco-System
- 5 The IBM Success Stories
- 6 The Team

Collaboration in a complex network of players with fragmented responsibilities in the tax game is key.



The need for change for Tax Agencies is caused by 4 main external drivers.

Drivers of Change

Evolution of the tax administration role

- Overseeing the administration of the tax laws – not processing all tax activities
- Defining standards for tax administration and guidance to tax payers and preparers
- Ensuring compliance/quality (e.g. process reviews)
- Ensuring a fair and equitable tax/revcoll administration

Dynamic taxpayer base with diverse needs

- Increasingly well-informed citizens and businesses
- Demands for more efficient and accountable government
- Increased comfort with on line experiences
- More diverse, transient revenue/taxpayer base
- Variability of the revenue/tax base
- Increasing stakeholder demand for value-added services (in step with private sector)

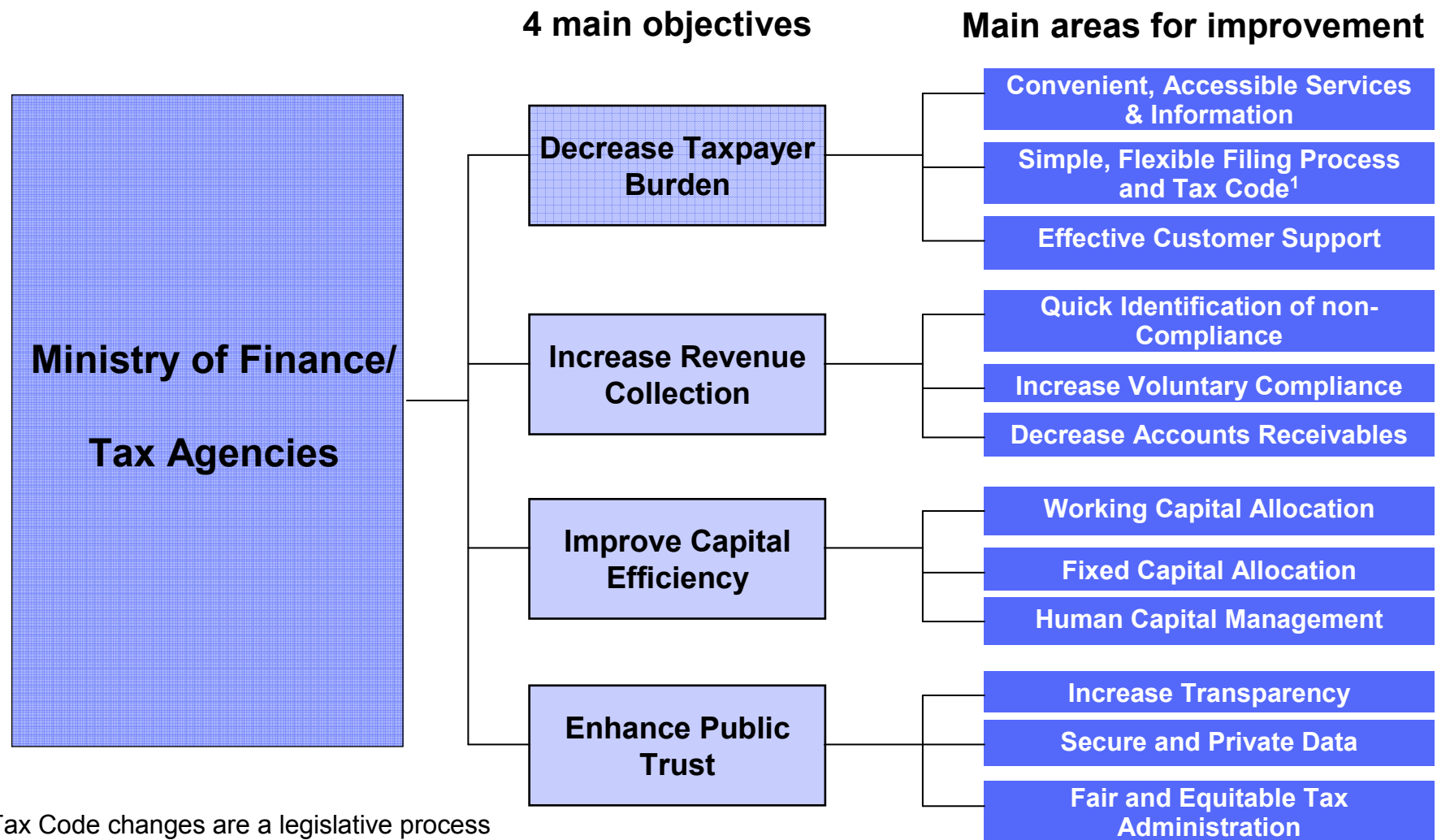
Unrelenting financial and political pressures

- Worldwide economic pressure on cheaper government services
- Frequently changing political goals / tax processes
- Laws cause competing objectives
- Increasing cost of compliance
- Increasing demands to reduce revenue gap
- EU regulations
- Avoid bad media publicity

Pressing privacy and security concerns

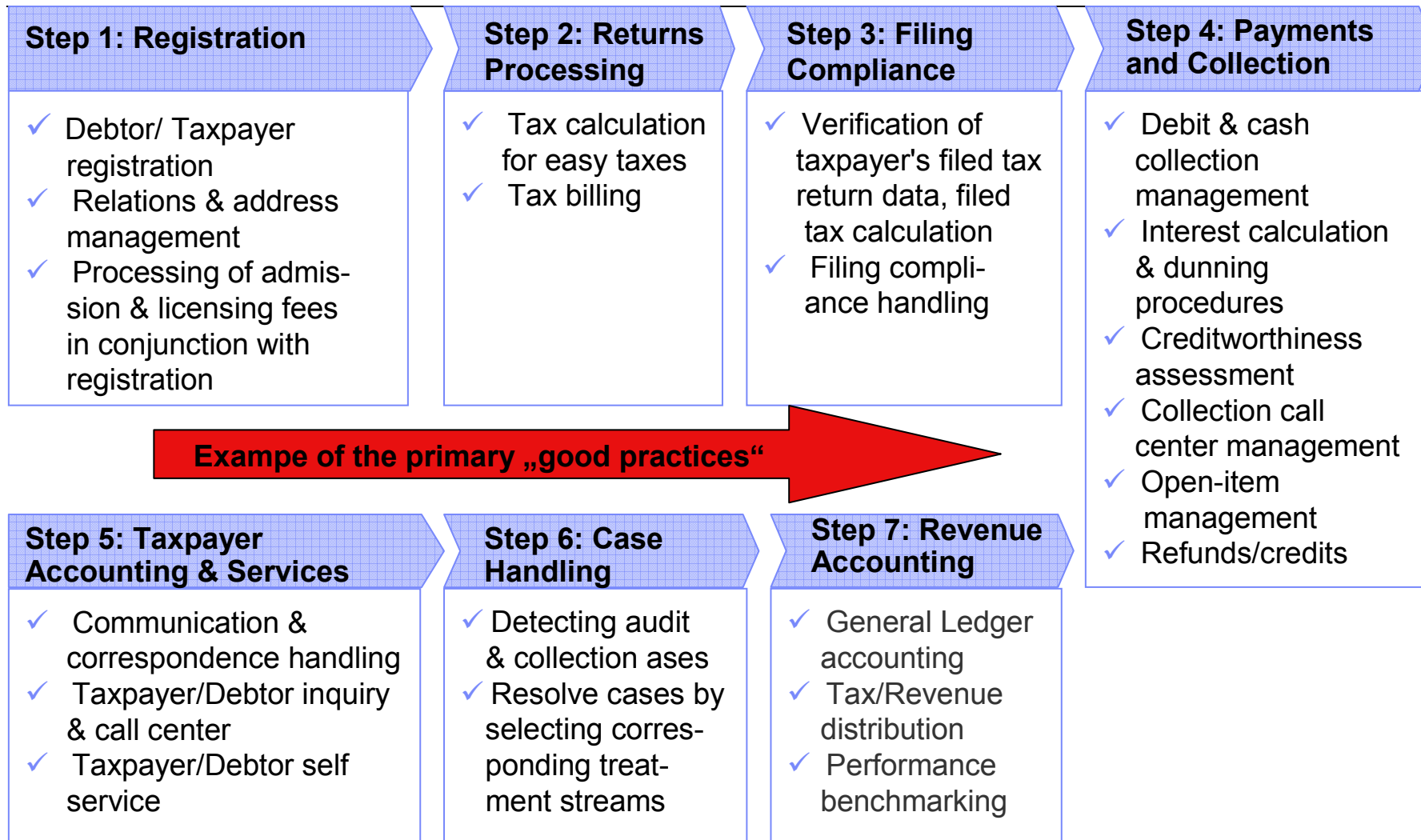
- Protecting citizens and their information requires global collaboration
- Increased risk from fraud and other external threats
- Information sharing requirements expanding rapidly
- Increased risks of compromising privacy and security
- Data protection guidelines become rapidly outdated

Tax Agencies have to focus on simplifying the business, increasing revenue collection, strengthen efficiency and building trust.



¹ Tax Code changes are a legislative process

Simplifying the business and strengthen the efficiency has to reflected by the design of the core tax pocesses.



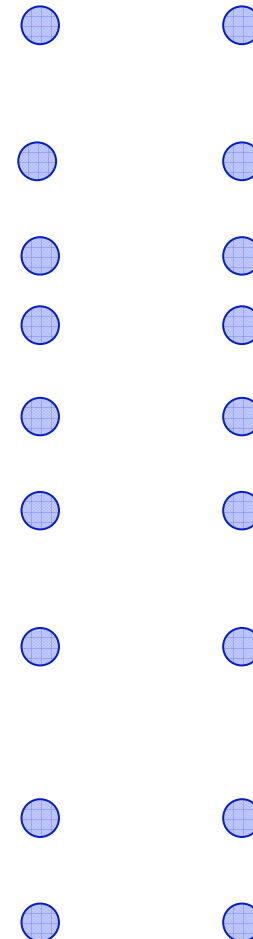
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Fit for the future ? Find out, whether you are ready ...



- The taxpayer is allowed to spend all his energy and time to build is own economic activity with minimal thought of or interaction with their tax agencies
- The revenue collecting/tax agency proactively sends the complete pre-filled tax form for approval
- Policy changes are implemented in a “few clicks”
- The revenue collecting/tax agency delivers an integrated one stop service
- The tax agency is not the heart of tax collection, but the heart is the network of tax agencies and other revenue collecting bodies
- The tax agency has a complete view of their citizens/businesses data, anywhere and anytime taking into account the privacy and security regulations
- When the tax agency has a good forecasting of the incoming revenue of the coming year, by any requested segment (ex farmers); When there is a common, global infrastructure in place which offers access to anyone to any agency
- Collaborative and cooperative information sharing across the value chain
- The tax agency informs the citizen/businesses proactively of being non-compliant in one or more areas



A facilitated evolution transfers Tax Agencies into the model of the future: “Collaborative Public Revenue Stewardship”.

The Tax Agency of the future is

- a **collaborative enterprise**
- focused on **compliance facilitation and compliance monitoring**
- working with a **value-added network of partners**
- to support the **full life cycle of tax policy development and the taxpayer**
- and related tax administration activities.

Responsive

Able to **sense and respond rapidly** to unpredictable events and based on a holistic view of the dynamic needs of its stakeholders and the demands of the taxpaying public

Focused

Concentrated on **core** and differentiating roles and processes, and using tightly integrated strategic partners to manage selected non-core activities

Variable

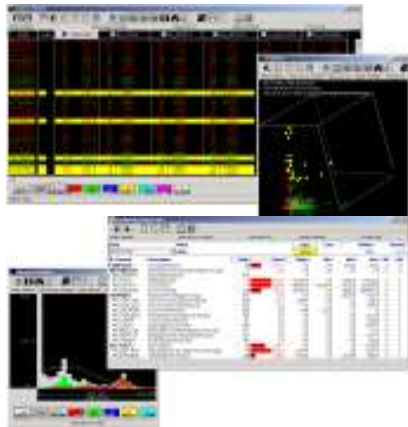
Able to **flexibly** adapt cost structures and business processes, in order to reduce risk, raise productivity of people and assets, and predict and control costs

Resilient

Prepared for changes and threats – technological, economic, or political – enabling business continuity with consistent availability, security and privacy, even during surges in activity

IBM is a thought leader in transforming Tax Agencies.

Mastering Tax Data



Risk management for Tax - TACS

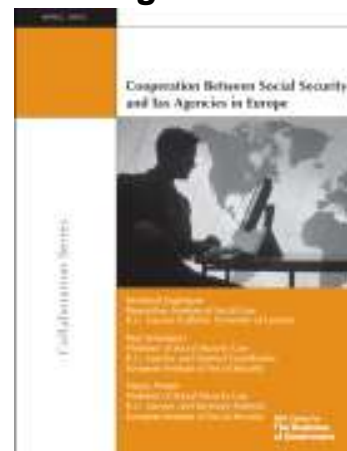
SOA for Tax White Paper



Tax & Revenue wiki



Tax & Social: government's cashier



Global community with SME's



Global Government Tax and Revenue Community of Practice



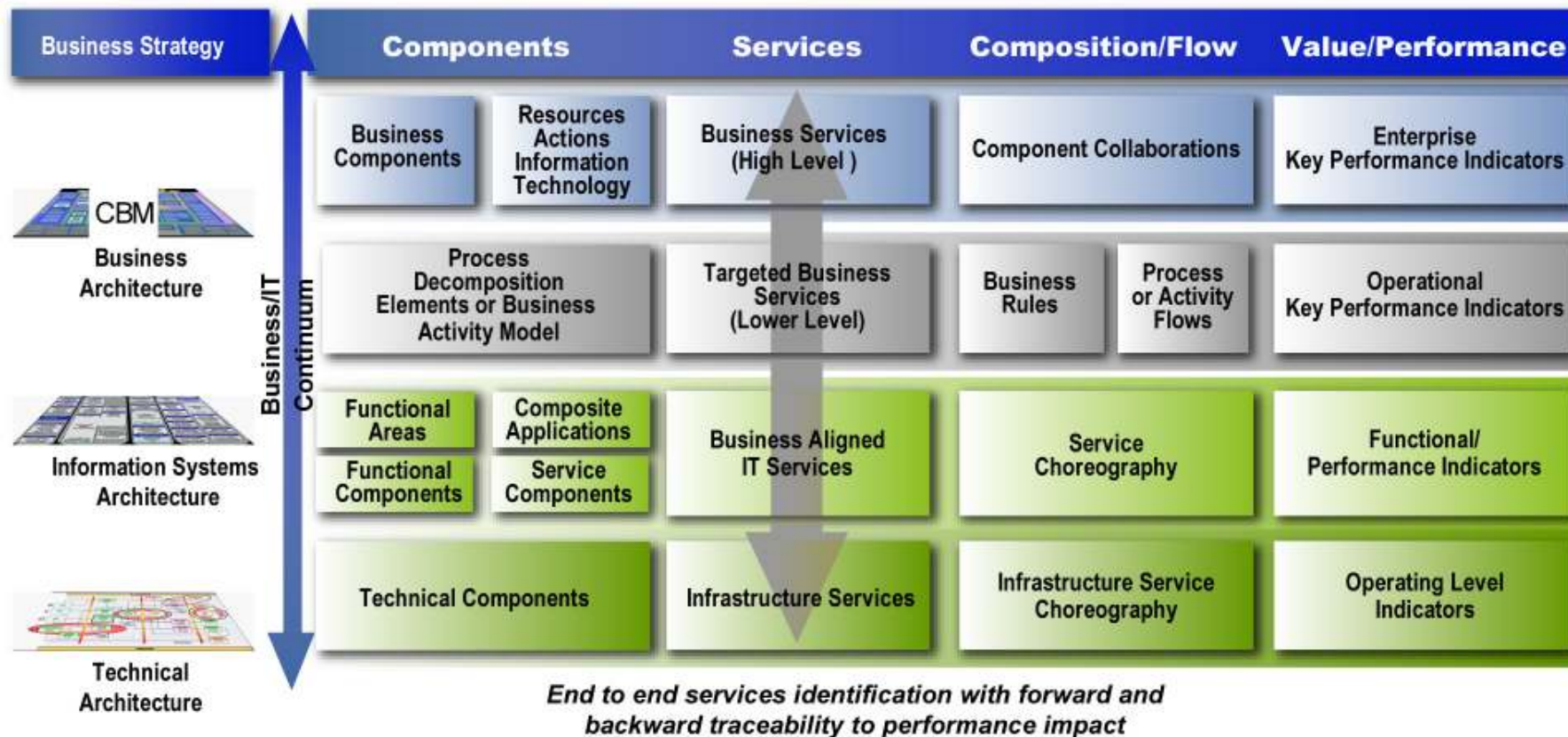
- 1 The Industry – Our clients
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- 3 The IBM Solution Framework**
 - **Logical Overview**
 - **Software Components**
 - **Infrastructure Requirements**
- 4 The IBM Partner Eco-System
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Detailed blueprints for Tax Agency „Service Oriented Enterprise“

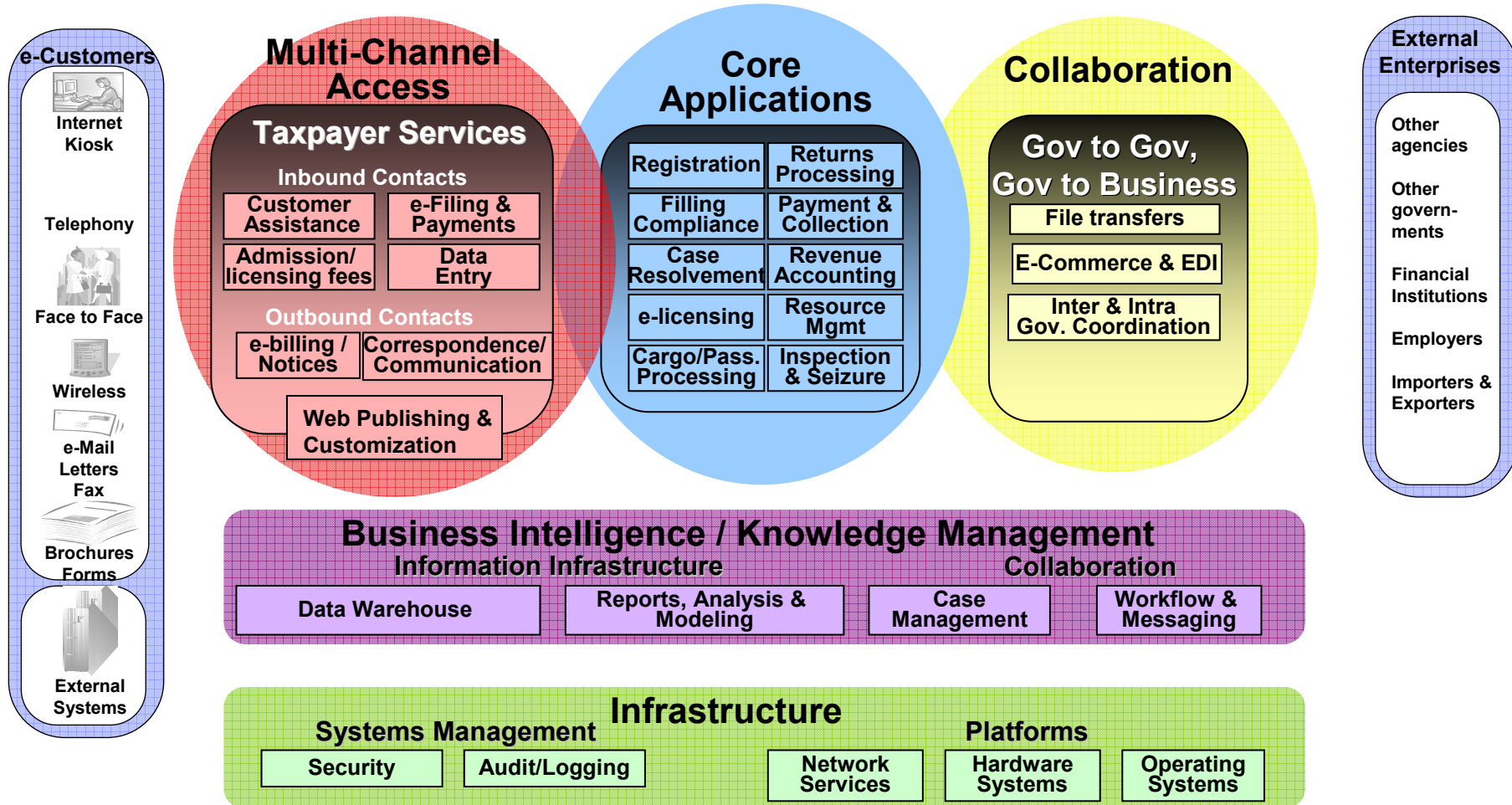
	Tax Marketplace	Taxation Product Development	Industry Partner Management	Taxpayer Identification	Account Servicing	Tax Processing	Enforcement	Business Services
Plan	Market Segmentation	Tax Law Interpretation	Industry Partner Strategy	Discovery Campaign Planning	Taxpayer Relationship Planning	Submission Processing Planning	Audit and Compliance Planning	Revenue Planning
	Policy Analysis	Business Rules Development			Taxpayer Modeling		Collections Enforcement Planning	Budget and Capital Planning
	Brand Strategy Planning	Product Planning			Advisory Services Planning			Workforce Planning
								Policies & Proc.
								Strategic Planning (added)
Control	Market Tracking	Product Administration	Industry Alliance Assessment	Campaign Administration	Servicing Oversight	Submission Processing Checking	Tax Account Monitoring	HR Resource Monitoring
	Brand Awareness	Product Usage and Tracking	Contractor Performance Monitoring			Submissions quality and compliance tracking	Audit Selection and Control	Performance Management
	Economic Pulse		Taxpayer Agent Performance Monitoring				Collections Tracking and Control	Compliance Checking
Execute	Product Ideation	Product Design	Outreach and Education	External Campaign Execution	Registration Processing	Submissions Intake and Capture	Audit Conduct	HR Resource Management
	Market Research	Product Production Setup Specification	Partner Relationship Management	Internal Matching and Policing	Contact Management and Correspondence	Submissions Detection and Exception Handling	Collections Processing	Revenue Accounting and Forecasting
	Financial Modeling	Product Specification	Loyalty Programs	Prospect List Maintenance	Account Services	Settlement	Criminal Investigation	Union and Employee Relations
	Marketing and Advertising		QA/Audit		Advisory Services	Financial Reconciliation	Prosecution and Tax Legal Services	Technical Reference and Knowledge Support
	Tax Policy and Standards					Tax Noticing		Accounting / GL
						Refund Processing	Case Management	Records Management

IBM uses a structured model “Service Oriented Enterprise” as a design starting point for its Tax Solution Framework.

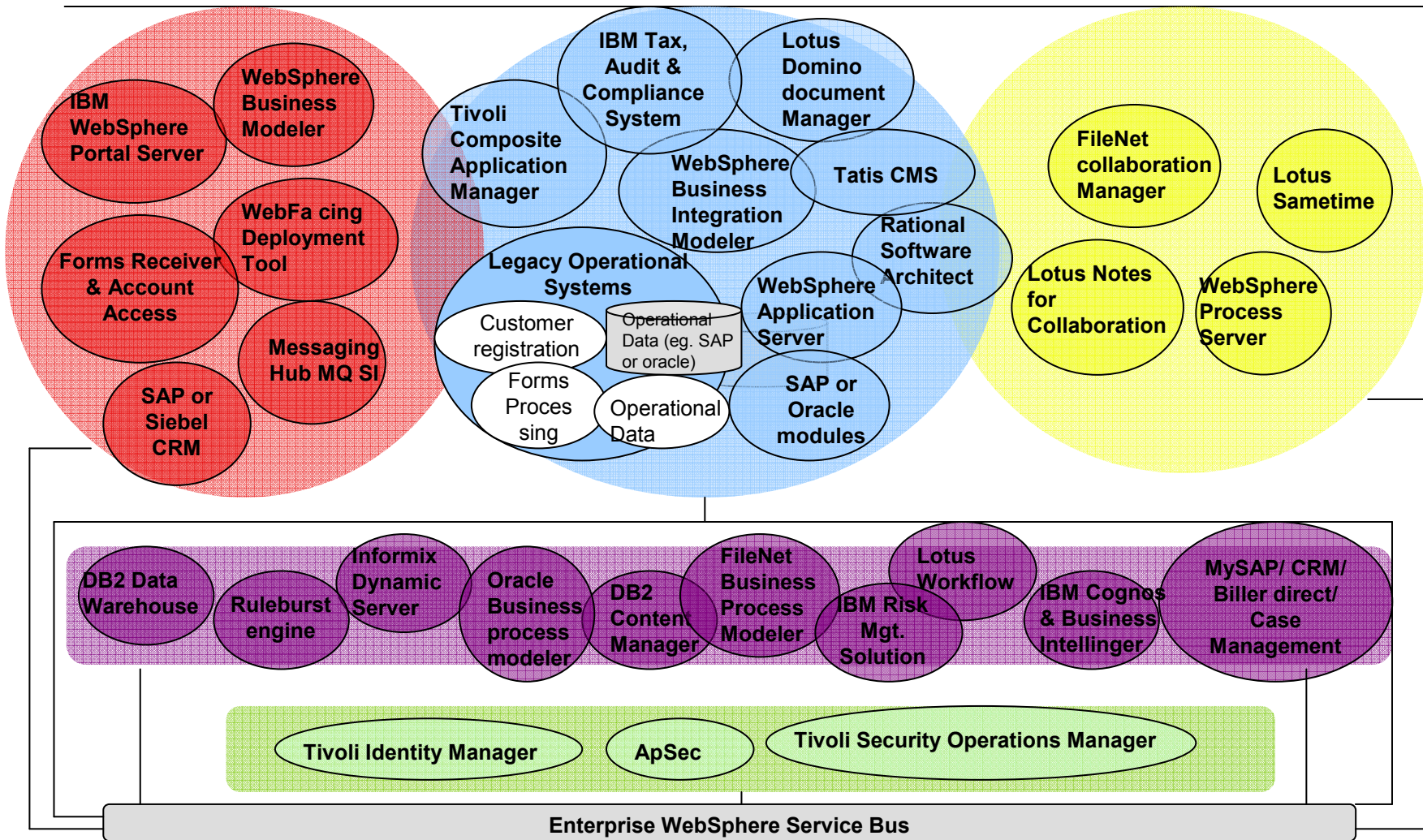
Service Oriented Enterprise (SOE) – From strategy to services and IT implementation



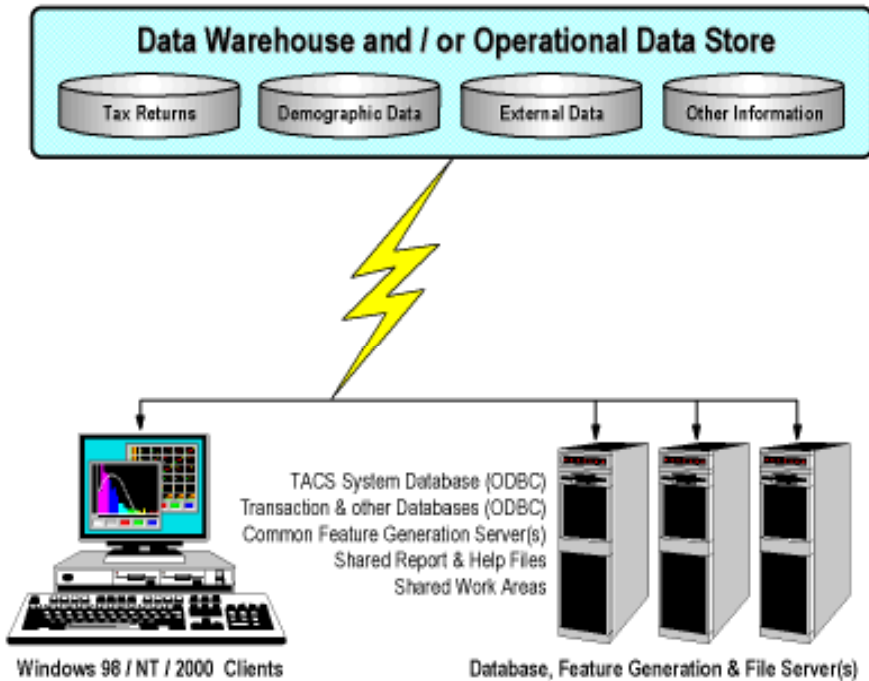
The IBM Tax Solution Framework consists of 5 logical components reflecting the “good practices” blueprints.



The software components can be realized through existing and exchangeable standard software products.



Example: The IBM Tax Audit and Compliance System has been built on the success of the IBM Entity Profiling Management System (1/2)

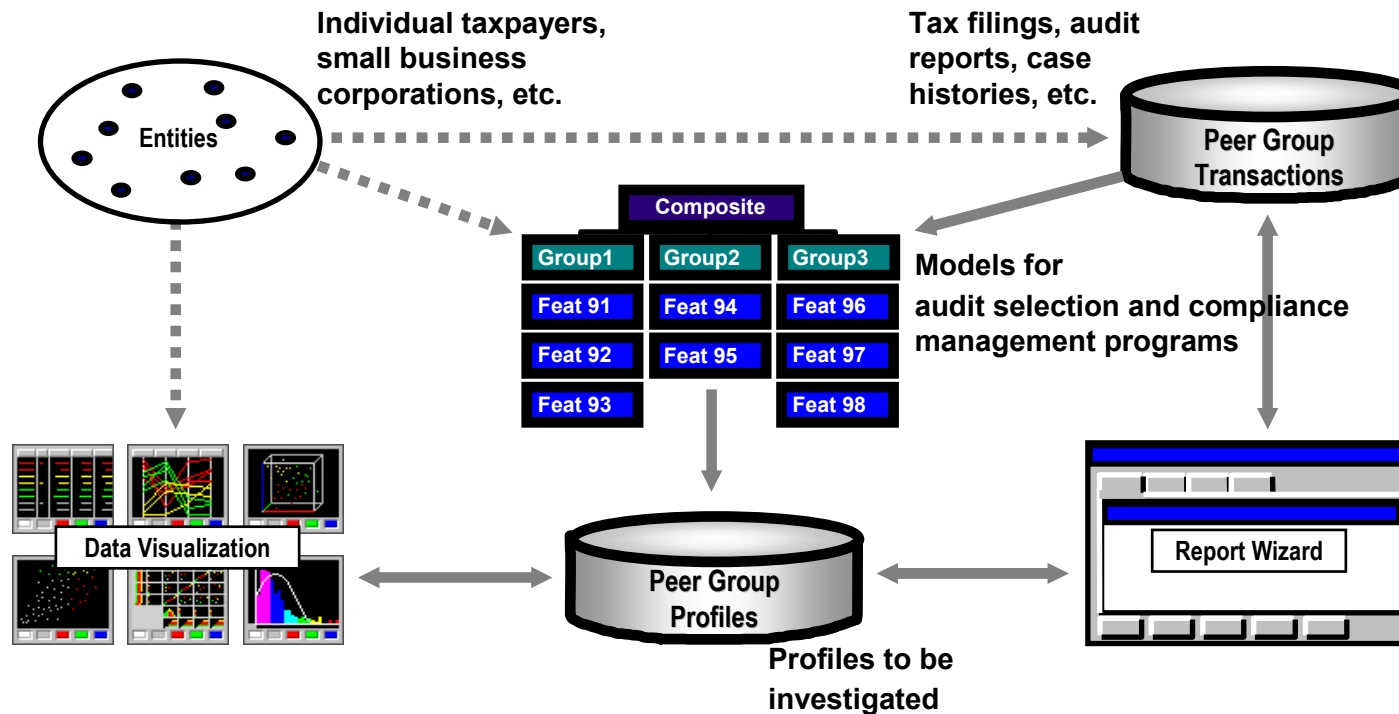


The screenshots display various data analysis tools:

- A main window with a grid of data points and a 3D scatter plot on the right.
- A table window titled "Financials Report List" showing columns for Entity, Name, Risk, Score, Value, Min, Max, and Count.
- A chart window showing a bar and line graph.

Entity	Name	Risk	Score	Value	Min	Max	Count
COMPASS	Corporate Office	9	51.1	0.0	0.0	125.88	194.2
INFORMATION	Information & Operated Features Group	0	0.0	0.0	0.0	0.0	0
EXP_TOTL	Total Expenses	-	196.0	57000.0	-0.8	4760.0	1762.80
EXP_PROFIT	Expense Profit	-	196.0	85000.0	-8071.8	11819.0	35248.0
EXP_PROFIT	Expense Profit	140	581.9	89190.0	0.0	12008.0	428419.0
EXP_PROFIT	Expense Profit	821	4.6	0.0	-0.8	86.819	716.41
EXP_PROFIT	Expense Profit	3294	27.1	1.987	0.0	9.9	686.0
EXP_PROFIT	Expense Profit	916	0.0	0.0	0.0	0.0	1076.0
EXP_PROFIT	Expense Profit	880	0.0	8.99	-16.18	1.8	7.0
EXP_PROFIT	Expense Profit	182	0.0	0.0	0.0	0.0	20395.0
EXP_PROFIT	Expense Profit	81	0.0	0.0	0.0	0.0	83284.0
EXP_PROFIT	Expense Profit	865	0.0	0.0	0.0	0.0	80781.0
EXP_PROFIT	Expense Profit	211	0.0	0.0	0.0	0.0	57.5
EXP_PROFIT	Expense Profit	188	0.0	0.0	0.0	0.0	787.14
EXP_PROFIT	Expense Profit	194	0.0	0.0	0.0	0.0	280.0
EXP_PROFIT	Expense Profit	31	128.1	0.0	0.0	1.8	814.95
EXP_PROFIT	Expense Profit	10	100.0	218.88	0.0	0.0	828.22
EXP_PROFIT	Expense Profit	26	206.0	81.544	0.0	25.188	1586.1

Example: The IBM Tax Audit and Compliance System (TACS) leverages proven BI technology and techniques (2/2)



- System uses data extracted from operational data stores
- Audit specialists define peer groups and behavior models
- Algorithmic data mining computes values and risk scores are assigned using statistical methods
- Data visualization and customized reporting is used for analysis of profile information

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The IBM Eco-System of best-of-breed partner

- SAP
- Oracle
- Ilog/Hayley

.... and others

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Success Story I: The Netherlands Belastingdienst

▪ **Client Challenge:**

The Netherlands Belastingdienst needed to modernize their revenue management (tax and customs) systems at lower cost and risk, and with greater flexibility for integrating best practices components

▪ **Solution:**

Tax e-Services SOA Framework Solution

▪ **Results:**

IBM's solution provided the framework for a single view of required business processes, flexible integration mechanisms, reusable and substitutable components, customer self service choices and enhanced privacy and security

▪ **Team:**

IBM's Global Government Marketing, Global e-Services Center of Integration, Global R&FM Team and the Netherlands BCS and S&D Teams have completed a referenceable proof of concept contract and are in the process of establishing a long term, strategic partnership

Success Story II : Denmark Tax Office – Full SAP solution

▪Client Challenge:

Denmark Told Skatt had its tax IT centre outsourced for 10 years and were unhappy. The tax systems had been kept as they were for these 10 years, without serious innovation. But all knowledge had disappeared to the outsourcing company. Told Skatt asked IBM to help them conceive a way to get back control: IBM advised to start a new framework contract with three major players, and focus ToldSkatt knowledge rebuilding on the new to construct IT Soa architecture. IBM focused on SAP implementation of the core tax functionality.

▪Solution:

SAP implementation of TAX proceses (TRM)

▪Results:

IBM is implementing the core tax functionalities that will be realised with SAP TRM. One of the specific benefits is a 'single view' of each tax payer. **Single view**

▪Team:

GBS/S&D/National Tax Practice/CRM Practices and Global R&FM Team collaborated on this highly referenceable implementation

Success Story III: Czech Republic

- **Client Challenge:**
Czech republic needed to rewrite their tax applications.
- **Solution:**
Bespoke software, developed in close cooperation with the client.
- **Results:**
Step by step development of new tax applications, enabling the Czech tax agency to keep improving their processes. This step by step approach enabled a controlled change process, combined with flexibility to adapt to changes, such as the membership of EU.
- **Team:**
The Czech tax agency worked closely together with IBM, in order to develop the appropriate solutions for the required business processes.

Success Story V: New York State Dept. Of Revenue

▪ **Client Challenge:**

New York State Department of Revenue needed to determine fraudulent taxpayer activity and enhance traditional audit and collection selection techniques to help their agency develop better methods of targeting audit candidates and improving revenue collection rates. Used IBM technique: Entity profiling/peer group analysis

▪ **Solution:**

Tax Audit and Selection Management (FAMS)

▪ **Results:**

New York State has one of the most sophisticated audit selection programs in the nation. IBM's Audit and Selection Management solution helped the Department of Revenue realize significant additional value through more effective selection of audit candidates, better utilization of auditors and **improved revenue collection**

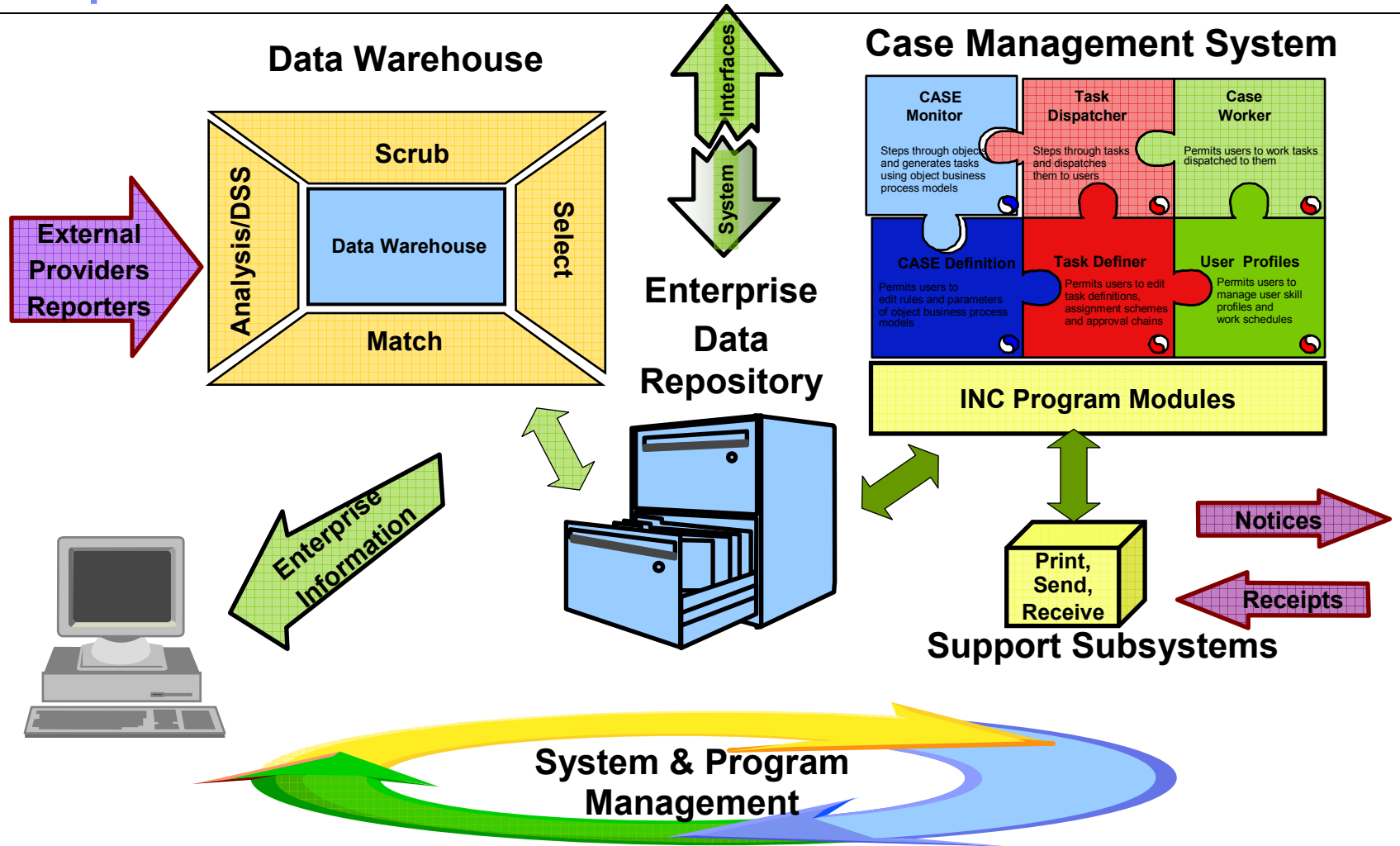
▪ **Team:**

BCS/S&D/National Tax Practice/CRM Practices and Global R&FM Team collaborated on this highly referenceable implementation

Success Story IV: California's Franchise Tax Board

- **Client Challenge:**
California's Franchise Tax Board needed to rewrite their tax nonfiler identification, case management and decision support systems with a focus on improved customer service.
- **Solution:**
Nonfiler Compliance Solution (Fair Isaac Blaise ISV)
- **Results:**
The implementation of this solution enabled the FTB to minimize erroneous notification, improve the effectiveness of customer correspondence, enhance internal productivity and employee satisfaction while enabling taxpayer self-service through e-business capabilities
- **Team:**
The FTB, IBM's California IGS and S&D Teams, BI and CRM Practices, National Tax Practice and Global R&FM Team worked together on this system which is now in production. The Federation of Tax Administrators selected this project for the 2001 National Compliance Award




Example: California Franchise Tax Board - Integrated Non filer Compliance Solution



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**If you have questions or need additional Informations,
please don't hesitate to contact one of the specialists at any time**

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THANK YOU !
Vielen Dank ●