

## **BOOK REVIEW: IOTA (2017). DISRUPTIVE BUSINESS MODELS: CHALLENGES AND OPPORTUNITIES FOR TAX ADMINISTRATION<sup>1</sup>**

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This book takes a holistic approach towards an understanding of the complex realities that faces tax administrations in the age of disruptive business technologies. Through a collection of fifteen reports comprising of ten tax administrations, two supranational institutions and three multinational tax consultancies, comprising work from Europe, china and the Americas, the reader can gain a thorough insight into the opportunities and risks that exist from a multi-stakeholder perspective.

As indicated in the foreword, the book is divided into four sections; the first section highlights the work of tax administrations in adapting to the world of information technology through the provision of better services and to tackle disruptive business models, the second section focuses on the sharing economy and the approaches taken to ensure that they are properly taxed, the third section discusses the importance of block chain technology in the improvement of public services and transforming tax administration activities, the final section discusses the necessity for an appropriately skilled workforce in responding to this new digital transformations and the need for human development programs suited to such endeavours.

In the first section, the tax administrations of Finland, Georgia and Ireland discusses some of the work they have done in IT development such as pre-populated tax returns, some disruptive technologies they are working on including block chains and electronic fiscal devices, the challenges of an ageing and less-skilled workforce, dealing with the sharing economy and the need for more international co-operation. This section can be seen to be a precursor giving a little discussion to a wide range of issues discussed in more depth further along in the book.

Digging into the sharing economy in the second section, the tax administrations of Italy, Belgium, the United Kingdom and Vertex Consulting gives a comprehensive overview of what the sharing economy is, the alternative names and the different types. They highlight some of the work that has been done to rein in the sharing economy into the tax net such as legislations, Co-operation between tax authorities and platform owners and scraping. Other issues noted were the need for tax administrations to have appropriate business architecture for technological adaption and the need for more inter-country co-operation.

The European Commission, Accenture, Netherlands and PWC, in the third section provide a detailed discussion of a particularly notable and much talked about disruptive technology, Block chain. On average, there seems to be much appreciation of what the technology can do for tax administration but its actual use seems to be quite low. Only, the Netherlands has a pilot program ongoing, the rest are far more cautious about championing the cause of block chains.

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<sup>1</sup> Available online from <https://www.iota-tax.org/news/iotas-latest-publication-disruptive-business-models-challenges-and-opportunities-tax>

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They highlight the need for better understanding and more collaboration with external partners which includes countries and organisations.

In this new age of disruptive technology, the final section highlights a key resource that tax administrations need to meet these opportunities and challenges, a skilful workforce. Austria, China, the Inter-American Centre for Tax Administration and Estonia highlights the work they are doing to provide a skilful workforce to match these new digital transformations. All except Estonia have launched several programs to provide a new generation of tax experts skilful in the digital economy. Perhaps not surprising, given the status of Estonia as a 'D5' country and the world first provider of e-services, the author gives an impressive rendition of the digital eco-system that has made the country a world leader, it's no wonder that they have pay packages to match those of the market, a challenge for other tax administrations.

Throughout this book, two identifiable patterns can be found. First, the emphasis on voluntary compliance; where possible, tax administrations would like to avoid a combative approach to tax compliance and this can be noticed in this book. There is a lot of focus on trying to make tax compliance easier and to ensure ease of collecting taxes in the sharing economy, there is little talk of penalties or developing disruptive technologies to catch tax evaders. Second, the need for international co-operation which is perhaps not too surprising given that the book is a result of a conference of the Intra-European Organisation of Tax Administrations. Nevertheless, it does show that tax administrations recognise that this is a complex challenge that cannot be solved on their own but require multi-lateral cooperation.

Upon review of this book, two issues do come to light. The first is the lack of perspective on developing countries, Vertex and the Inter-American Centre for Tax Administration do make little side notes to acknowledge the lack of technological competency of the developing world but there is no concrete input from any developing country on how they intend to address their technological deficit. Second and perhaps most stark is the difference between the perceptions of country tax administration and non-country tax administration (the European commission is included in the latter category) on disruptive technologies. While the former sees disruptive technology in a very positive light, the latter takes an almost pessimistic approach to it. It is therefore imperative that country tax administrations manage their expectations of disruptive technologies because as the author from the European commission puts it, there is little room for 'trial and error' where tax payers' funds and a country's economy are involved.