

eTax Clearance (eTC)

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Organisation: Revenue (Irish Tax and Customs)

Country: Ireland

Level of government: Central government

Sector: General public services

Type: Digital

Launched in: 2015

Overall development time: 11 month(s)

Link to the innovation's website

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Description

The tax clearance scheme ensures that those who have a permit to conduct certain activities in the State or those in receipt of contracts, etc. from the State, are in compliance with their tax obligations.

eTC replaced a paper-based model whereby businesses customers could apply for a tax clearance certificate online, however the result was paper output. If cleared, the paper tax clearance certificate was valid for one year even if the customer became non-compliant in the meantime. Paper certificates could potentially be manipulated fraudulently.

The new system provides taxpayers with online tax clearance based on real-time tax return and payment information. Unlike the previous system, Revenue can withdraw tax clearance if a customer becomes non-compliant and online certificates cannot be easily manipulated.

Where a customer does not qualify for tax clearance, the system confirms the action required by the customer.

Taxpayers no longer need to provide a paper certificate to confirm tax clearance to a third party. Tax clearance can now be verified by simply supplying the 'Tax Clearance Access Number' and tax reference number to the Government body.

eTC facilitates third parties rapidly verifying multiple tax clearance checks in real-time through bulk processing and automatic data feeds.

Why the innovation was developed

- To replace the previous paper-based system with a more efficient, simpler, online tax clearance application and verification processes.
 - To provide a real-time view of the status of the customer's tax clearance position.
 - To facilitate the achievement of compliance targets and reduction of debt (through the capacity to withdraw 'clearance' if non-compliance emerges).
 - To eliminate the use of paper application forms and help establish electronic channels as the norm.
 - To significantly reduce the cost and volume of posted correspondence.
 - To facilitate the redeployment of processing staff to higher-value work.
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Objectives

Improve efficiency, Improve service quality

Main beneficiaries

Businesses

- This new online service benefits business customers and their agents, as well as Public Service Bodies (approximately 850,000 customers).
 - Public Service Bodies (approximately 400) now have a much simpler and efficient process which has been integrated with their accounting software.
 - It also results in significant savings to Revenue with regard to resourcing efficiencies and has the potential to benefit 2.1m Pay As You Earn (PAYE) customers where a tax clearance certificate is required.
 - To date, over 160,000 applications have been received through the new system, with 91% of applications processed automatically.
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Existing similar practices

electronic Relevant Contract Tax (eRCT) System

In my own organisation

Revenue

The electronic Relevant Contract Tax (eRCT) system was launched by Revenue in 2012 and has a number of similar concepts to eTC.

The eRCT system evaluates subcontractors and applies a tax deduction rate based on the level of compliance of the subcontractor.

Similarly eTC evaluates an applicant and either provides a certificate of tax clearance or provides reasons why a certificate is not being issued.

The difference between the two systems is that eRCT has a 3-tier structure of compliance i.e. 0% deduction if compliant; 20% deduction if substantially compliant and 35% deduction for non-compliant. Whereas eTC has two tiers i.e. the granting of a tax clearance certificate if compliant and refusal if non-compliant.

Results

Results not available yet

- Comprehensive results are not yet available. A benefits realisation review will be conducted at a later date. However, the following preliminary results give a flavour of the success of the project:
- Customer service standards have increased from 88% of applications being processed within 5 working days to 96% (with 91% of applications processed automatically - typically within 10 seconds).
- Reduced cost of stationery, print and postage of tax clearance letters. While results are not yet available, estimated savings of €140,000 per annum are expected.
- Reduced staff time processing tax clearance applications. It is anticipated that this will allow for the redeployment of approximately 15 staff members to higher value work once the new system has bedded down.
- Anecdotal feedback from customers points to a more efficient, effective and simpler tax clearance process.

Development

Design

Internal customer service and compliance staff had requested the development of an electronic tax clearance system. The innovation itself was developed by internal business and Information and Communication Technology (ICT) stakeholders working in collaboration.

The project team consisted of stakeholders from the following fields:

- Revenue Legislation Services (legislation stakeholders),
- Planning Division (business stakeholders),
- ICT (responsible for Revenue's digital services),
- Collector General's Division (responsible for the collection of tax).

All internal stakeholders were engaged and collaborated on delivery of the project from the initial inception through to the launch of the service which enabled refinement throughout the process to ensure its success.

Testing

- User Experience (UX) testing involving internal business users and test stakeholders was undertaken to ensure the effectiveness of the design.
 - Access to a test environment was provided to internal stakeholders prior to the release date which provided insight into potential issues customers may face on release.
 - The system was released in advance of the requirement for mandatory use. This afforded internal and external stakeholders the time to gain familiarity with the system before they were required to use it.
 - An additional test environment was created and is maintained for Public Sector Bodies and their third party software providers so they can test Revenue's automatic verification system.
 - Normal business process, systems and development testing were also carried out internally.
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Implementation

Tools used:

- A comprehensive change management plan was developed to meet the needs of three key stakeholders:
 - For Revenue staff, this involved early and regular communications; publication of detailed manuals/guidelines; comprehensive training including access to the new system in test environment; and provision of a helpdesk service for staff.
 - For Public Sector Bodies (PSBs), this involved regular communications explaining the proposed changes; provision of a helpdesk service for PSBs and a technical helpdesk for PSBs and their third party software providers; a letter from Revenue Chairman to all Heads of Government Departments explaining the new system; and the provision of a test environment for third party software providers to test their software prior to implementing changes in the PSB software.
 - For Tax Clearance Applicants, this involved regular comprehensive communications including detailed guidance material published on our website; streamlining of applicants into four separate tranches rather than one 'big bang' approach; direct written correspondence with all paper tax clearance holders prior to expiration to inform them directly about the new system; provision of a paper application process in exceptional circumstances; and provision of a helpdesk service.
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Diffusion

- Revenue has shared the approach taken with other government departments via customer service networks and public sector innovation conferences.
 - Internally, lessons learned from this project have been disseminated amongst ICT and business stakeholders. Where appropriate, they are incorporated into the planning and design of new IT developments.
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Challenges and solutions

- The legislation providing for eTC required the new system to go live from 1 January 2016 i.e. during the holiday period and at a time when significant numbers of tax clearance certificates were due for renewal. To overcome these challenges, the new system was released in advance of the go-live date.
- Due to the significance of the change system and the potential detrimental impact on businesses encountering difficulties with the new system, the ability to issue a temporary paper tax clearance certificate was retained for exceptional circumstances.
- Transitional measures were put in place depending on the date of expiry of the paper Tax Clearance Certificate. This helped overcome any potential systems, customer service and communications challenges associated with a 'big bang' approach to the new mandatory system.

Partnerships

All public sector bodies required to use tax clearance scheme.

Other Public Sector

Public sector bodies (key stakeholders in the tax clearance process) were consulted throughout the process to ensure the new service would be efficient, effective and fit with their IT requirements.

Consultation with public sector bodies resulted in the development of two options for bulk verification of tax clearance:

- A web service available on the Government Networks, and
 - An upload/download option available in ROS (Revenue Online Service).
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Lessons Learned

Lessons Learned

- User Experience (UX) testing is beneficial for all IT developments with public facing pages and helps deliver a user-friendly, successful project outcome.
 - Effective, responsive inter-team communication, particularly between test, development and business teams, is vital.
 - Providing access to a test environment prior to the release date helps staff with the familiarisation process and also identifies any potential customer issues in advance of the release date.
 - The provision for a transition period instead of a 'big bang' approach works well when moving from a paper-based to a mandatory online system.
 - The ability to collate live performance results from the system on a daily basis assisted in the early identification and rectification of any potential issues.
 - Early communication with third-party software providers is vital where external stakeholder software changes are required.
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Conditions for success

- Strong internal leadership and effective collaboration between all relevant internal stakeholders.
 - Skills, expertise and commitment of those involved in the development (legislation, ICT and business teams).
 - Effective communication and collaboration with public service bodies.
 - Comprehensive change management and transition plan involving all key stakeholders.
 - Effective governance procedures at all stages of the development and implementation process.
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