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DIGITIZATION - the Effect on Human Resources in Tax Administration

In November this year, I presented on this topic at the 38th Commonwealth Association of Tax Administrators (CATA) conference held in Accra, Ghana. CATA has forty-six members and yearly members gather for the annual conference to share ideas and discuss current tax administration issues and challenges. The theme of the conference was ‘Leveraging Technology to enhance Revenue Administration’. This year, Sierra Leone was chosen to present, which was positive as we had only started participating at CATA conferences in 2015 after a long hiatus. I was chosen by the National Revenue Authority (NRA) to present on the topic and my first thought was although I wasn’t a Human Resource expert, my time at top management had given me a front row seat as to how digitization and computerization had impacted the way we employees carry out our duties.

I immediately knew that I had to prepare properly for the presentation because it was an international audience, and I wanted to make a good impression as I was representing my country and myself professionally. I was also excited to be doing this presentation because I am a ‘techie’, always subscribing to technology news on various platforms such as [Flipboard](#) and Apple news; and over time I have been pushing to management and staff the advantages digitization brings to tax administration.

In preparing, I started to use one of the tools of digitization, the internet, googling my way through many articles and papers I found on the web, relating mainly to digitization and its effect on human resources, excluding tax administration.

Of the many articles and papers I read, one stood out to me - *The New Digital World of Work: How HR Will Change in 2016* written by John Bersin (Founder and Principal at Bersin by Deloitte) in Forbes. It included the critical issues relating to the effect digitization has on human resources. In setting a good base for my presentation, I kept this quote from John Bersin, in mind - “*the new digital life (and workplace) is forcing us to rethink HR from top to bottom: how we design programs, the tools we use, and how we roll out and communicate solutions*”. I decided that my presentation would be a mix of our digitization journey at the NRA and how I felt digitization will impact human resources in tax administration.

Tax administration has seen massive changes since I started working fourteen years ago at my country’s tax office. When I started at the Income Tax Department in 2003, we didn’t use computers and taxpayers’ documentations were kept in bulky files. Back then, ALL our processes were manual and we would have multiple file numbers for a taxpayer.

Fast forward to 2017, we have gone through various reform programs including the implementation of Goods and Services Tax (GST) with the first computerized system (VAT Information Processing System); implementation of ASYCUDA ++ and Domestic Tax Information System (DTIS) which computerized customs and income tax procedures respectively. These three main computerized systems we use to administer our major taxes, are far from what leading tax administrations use, but has allowed us to start the digitization journey cautiously. This has reaped benefits over time, mainly reducing administrative and compliance costs for NRA and taxpayers. Digitization has changed the way we work in terms of processes, making it easier to administer the taxes and more importantly providing better services for our customers (taxpayers) and as a result tax compliance has improved.

In other countries, the digitization process in tax administration is at an advanced level. Tax declarations and payments are made online; taxpayer portals are more common, allowing taxpayers to interact with the tax authorities through an online tax account; e-invoicing allows taxpayers to invoice their customers through a centralized government system; and data science and analytics are integral parts of compliance work to name a few. Tax administrations continue to take advantage of the advancement in technology. At the CATA conference we listened to a presentation from India which included their plans to implement an Integrated Data Warehousing and Analytical Platform named Project Insight which strengthens non-intrusive data driven approach; and facilitates data exchange, artificial intelligence, predictive modelling, social media data and matching spending patterns with returned income. The implementation of a system such as Project Insight in India takes it to the next level.

It is also important that tax administrations take into consideration that the workforce is changing. The new generation of workers are mainly millennials (loosely defined as born after 1982 and before 1996) who have greater expectations of the workplace and are more technologically inclined. Debra Donston-Miller in her piece ***Workplace 2020: What you need to know now*** published in Forbes in 2016 wrote that *“Millennials may be the most studied generation in history. Research shows they put an emphasis on corporate social responsibility, have a great reverence for the environment, place higher worth on acquiring experiences than material things, and are adept at building communities around shared interests”*. In 2014, the Brookings Institute in a research stated that it is estimated that by 2025 millennials will make up as much as 75% of the workforce. At Sierra Leone’s National Revenue Authority, 100% of the 40+ new recruits in the past two years have been millennials; and I believe the percentage of millennial recruits in tax administrations worldwide have followed this trend. Additionally, diversity continues to grow as more and more women enter the taxation profession in the private and public sectors. This new wave of workers expect technology in the workplace to enhance their work and this is putting pressure on tax administrations to change the way they operate.

As tax authorities continue to implement new computerized systems and digitize their processes, rudimentary administrative roles reduce across the organization. For example, when return filing goes online, officers are not required to face vet, lodge and enter the return into the system - three separate steps. The critical question when this happens is “What do you do with those job roles?”. What most tax administrations have done is to

train officers that undertook these administrative roles into more technical and analytical roles such as audit and data analytics. Roles are also being affected by artificial intelligence as machines do more of the work. This is a challenge tax administrations have to plan better for to ensure continuous improvement.

When it comes to the effect of digitization on tax administrations, in my presentation, I stressed that what is key for tax administrations is that they continue to technologically improve to ensure service delivery levels are high on one hand and increase compliance in terms of registration, returns filing, payments and accurate reporting. This is critical for tax administrations and as Alan Deutschman popularly stated, 'change or die'. These are the main factors I discussed relating to this issue:

1. **Automation and analytics** - technological advances have allowed tax administrations to improve their systems for the administration of domestic taxes and customs. The amount of data, including third party data, available on taxpayer activities continues to increase and this has allowed tax administrations to analyse tons of data to improve compliance.
2. **Online portals** - more and more taxpayers now file their returns and pay online through online portals that are personal to the taxpayer. This also allows the system to automatically send prompt notifications relating to the tax account to the taxpayer.
3. **Types of skills required** - in an Ernst and Young paper - *Talent and Tax*, it was stated that "*the development of real-time tax dashboards and visualization techniques using data analytics offers game-changing opportunities for tax professionals to add value in new ways. This is giving rise to a new role in the tax department - a tax technologist*". This has led to tax administrations now recruiting employees that have data science and analytics skills.
4. **Monitoring human resources** - workers are now more flexible in the way they undertake their work. However, because most processes are now automated, this has allowed tax administrations to monitor work undertaken by staff more effectively as the system audit records the amount of work done by each officer.
5. **Information flow and automated prompting** - digitization has allowed better flow of information internally and also externally to taxpayers.

When it comes to managing the digital change process, tax administrations have to ensure that they are properly prepared and execute change effectively. These are the main factors that should be taken into consideration:

1. **Strategic Direction** - digital change should be rooted in the strategic and operational plans of the organisation.
2. **Messaging across the organisation** - from board level to operational staff, everyone should understand the change process. This promotes buy-in across board.
3. **Customer requirements** - taxpayers are our customers and it is important that they are catered for by knowing what they want. It is important that tax administrations involve taxpayers in the change process by consulting them and also undertaking surveys.

4. **Employee participation** - it is important that staff take the lead in the digital change process. Change ‘champions’ should be identified and allowed to take the lead.
5. **Monitoring performance** - performance over time should be monitored to ensure that marginal gains are made. This ensures that projects are on track and all are kept motivated by the little improvements.
6. **Capacity building** - this I will deal with in more detail later on but it is critical that staff are prepared for the change process by them acquiring new skills.

Williams Byrnes - a Professor of Law and Associate Dean at Texas A & M University stated that “*you don’t want to have people who are living in the ‘Stone Age’ (pre-2015) trying to work in the 2016-onward world*”. Therefore, tax administrations have to take concrete steps to improve the skills of their employees and build a professional workforce ready for the digitized world.

- Capacity building should be aligned to the strategic direction of the organization.
- Staff competency analysis should be undertaken regularly to know the skills of employees so as to cater for them better.
- Culture change initiatives such as training workshops and retreats should be organized. Management guru Peter Drucker stated that “*culture eats strategy for breakfast*”, therefore if the culture of an organization is not receptive to change then investment in digitization will not reap the benefits envisaged.
- The tax environment continues to change rapidly because of digitization, therefore, liaising with universities to change tax education is important. In Sierra Leone, we are currently liaising with one of the universities to introduce tax courses to their curriculum.
- A mix of local and international training is important. International training offers tax officers the necessary exposure and motivation required for change initiatives.
- Peer-to-peer collaboration with other tax administrations especially those in the same region is important. It allows tax administrations to understand common issues and see how they were dealt with in other jurisdictions.
- Leadership training is vital for change champions. I have noticed in my years in tax administration that leaders are necessary at all levels to effect change and move the process forward.
- Practical on the job training is vital to the development of skills in tax administration. At Her Majesty Revenue & Customs (HMRC), the Head of the Graduate Tax Training Programme, Toni Bovill, in a talk to participants at a leadership training delivered by HMRC and CATA in August this year which I was part of, stated that they are changing their Graduate Programme to skew more to practical on the job training.
- The future of education is through Massive Open Online Courses (MOOCs). With 58 Million students, 700+ universities and 6,850 courses offered through MOOCs, its growth has been exploding in recent years. Platforms such as Coursera and edX have 23 million and 10 million users respectively. I have personally taken many courses through these two platforms - a few on Data Science. Since MOOCs allows flexibility in learning, tax administrations should encourage employees to take courses through them to improve their skills.

Digitization will continue to reach new levels of complexity and these are some of the many areas tax administrations can focus on relating to the human resource element:

1. **Talent management** - finding skilled employees and holding on to them requires a strategic approach to talent that is nothing short of radical.
2. **Data Analytics and Automation** - the vast amount of data available will allow data analytics and artificial intelligence to grow in tax administrations.
3. **Flexible work schedules** - technology allows employees to work flexible hours and digitization enables monitoring them.
4. **Transforming tax education** - producing practice-ready staff equipped to deal with today's complex tax challenges.

Technology will continue to break boundaries and this is highlighted in Klaus Schwab's (Founder and Executive Chairman of the World Economic Forum) Fourth Industrial Revolution book where he states that "this fourth industrial revolution is characterized by a range of new technologies that are fusing the physical, digital and biological worlds, impacting all disciplines, economies and industries, and even challenging ideas about what it means to be human". He also calls on leaders and citizens to "together shape a future that works for all by putting people first, empowering them and constantly reminding ourselves that all of these new technologies are first and foremost tools made by people for people".

This brings us to two critical questions posed to the audience by Varsha Singh of OECD at the CATA Conference last week in the first session on this topic:

1. How would technology influence human resources in the future? and
2. What would the tax inspector in the 21st century look like?

My view is that I can draw my answer from the two quotes I mentioned from Klaus Schwab and state that firstly I do not believe that technology can replace humans in the work we do in tax administration, but technology will augment our work and amplify our skills as technology is made for us humans.

References:

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