



# Public Finance vertical Messaging & Positioning Framework

Jan 2024

FORUM ON TAX ADMINISTRATION

## Tax Administration 3.0: The Digital Transformation of Tax Administration



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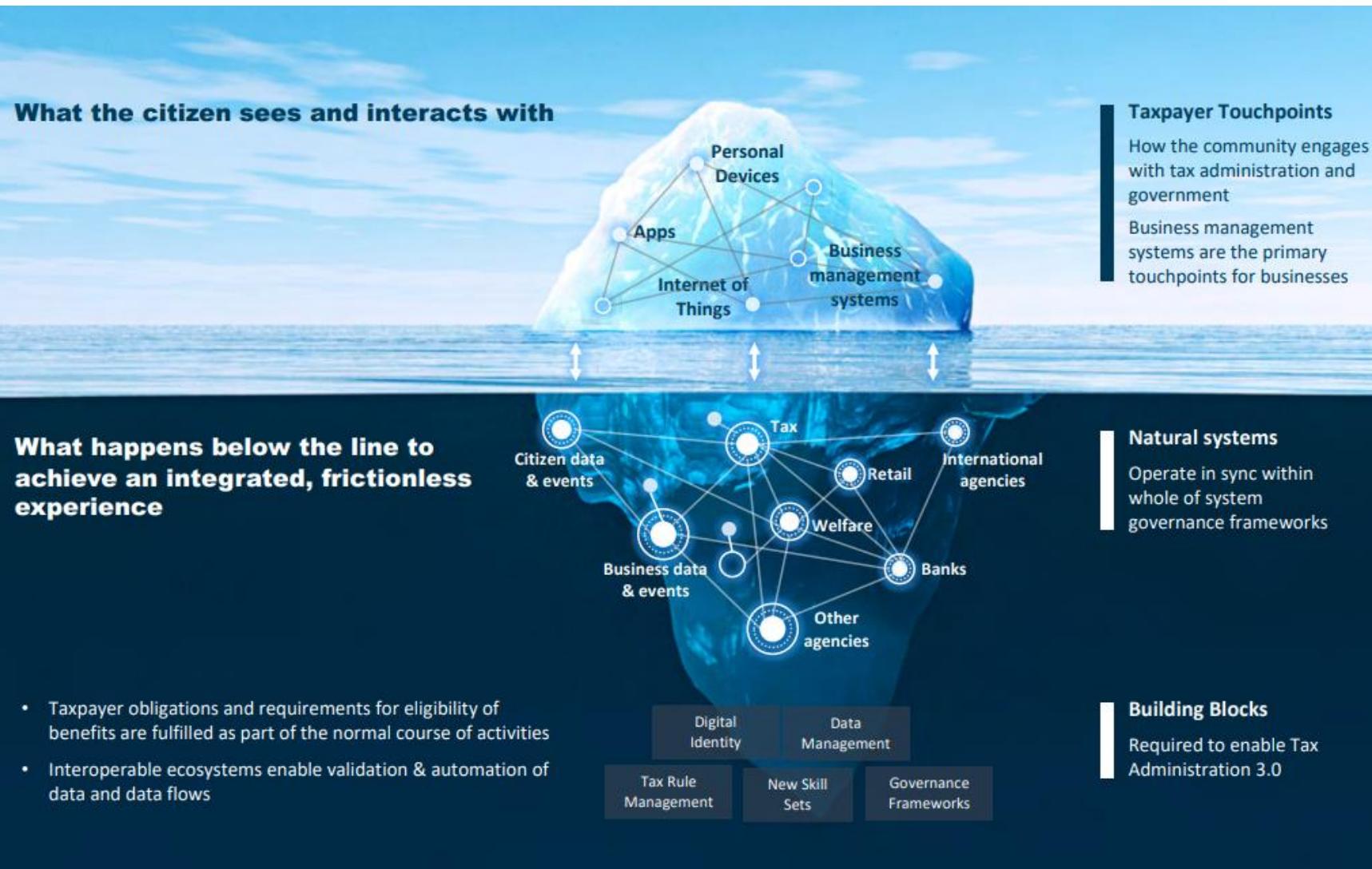
# Towards Tax Administration 3.0



- Forms driven (electronic & paper)
- Periodic, historical, aggregated data
- Manual, slow & costly
- Retrospective risk treatment
- Disconnected ecosystems

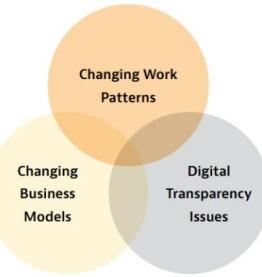
- Data driven
- Event based, detailed & real-time data
- Enables validation & automation
- Enables assured data
- Interoperable ecosystems
- Enables international co-operation

# Vision - Tax Administration 3.0

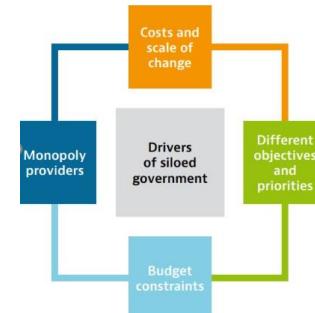


## Macro Trends

Accessing and using information



Changing societal expectations about joined-up government processes



Privacy, security and transparency concerns

# Tech trends impacting taxation from OECDs view

## Faster and cheaper

- ICT products have become much cheaper
- ICT products more powerful
- Infrastructure capacity is increasing
- Digital content is increasing
- Mobile connectivity improves steady due to 5G rollouts

## Global data infrastructure

- Capacity for data transmission is increasing including developing economies.
- Cross-border data flows enable businesses to effectively co-ordinate their supply, production, sales, after-sales, and research and development processes in global markets.

## Data at the center

- Volume of data continues to rise, but its overall value remains unknown
- Data ownership is concentrating
- Growing importance of data analytics thru ubiquitously networked end-user devices and the Internet of Things (IoT) –
  - -> Value and growth of data center

## Cloud and software

- Cloud services enable business and individuals to access on-demand IT services over a network

## Transforming production

- Robots, including service robots, are transforming manufacturing.
- Advances in fields such as Big data, 3D printing, machine-to-machine communication, and robots are transforming production.

## Transforming the world of work

- Remote work trend
- Adoption is resulting in more time being spent on learning new tools and acquiring new skills.
- The introduction of digital tools in the workplace entails learning and adaptation and also affects workers' tasks and work organization

## Mind the gap

- Internet saturation for the younger generation, older generations to catch up to the internet.
- Digital economy is characterized by connectivity between users and devices, as well as the **convergence** of formerly distinct parts of **communication ecosystems** such as fixed and wireless networks or voice and data

## Always-on lifestyle

- A quarter of younger generation spent their day online, with instant messaging and social media enabling an "always-on lifestyle".
- Improvements in mobile technologies have made online access possible for people who were previously unable to afford fixed broadband connection. or found it difficult to use computers. Mobile connectivity contributes to always-on behavior

# Technological Trends from ADB view

## Capturing big data

Tax authorities are able to quickly **verify trends and anomalies** and respond to discrepancies between forecasted returns and actuals.

Effective **risk-based audit selection**, individual and sector-based taxpayer profiling, enhanced outlier-based detection, and improved workflow analysis to identify opportunities for efficiency gains.

## Data analytics

- tax administration to derive a greater value from big datasets, identify existing or future issues and mitigate them quickly
- Implementing data-intelligent technology can help tax auditors with **predictive modeling** for investigating errors and fraud or predictive analytics for risk evaluation (e.g., on VAT refund claims for nonresidents).
- See benefits in talk tracks

## Digital identity

- It enables a secure, single interface for all government transactions. On the government side, **creating a single identifier for a person across all government entities** facilitates functions ranging from advanced profiling, risk functions, to audit techniques and could link a taxpayer in good standing to government services.
- The use of digital identity also enhances the overall taxpayer's experience when using tax authorities' digital services.

## Data processing tools

- Processing tools enable information stored in different formats to be integrated and standardized in a consistent format for further use.
- For example, data derived from taxpayer reported data, typically captured through documents in XML or JSON formats, can be integrated with the transactional processes of **voluntary compliance in a pre-filled tax form**.

## Cloud computing

- Cloud platforms enable tax administrations to collect huge volumes of data in different formats over multiple channels and electronic capture processes.
- can strengthen tax administration capabilities in multiple functions simultaneously by allowing all users of a system access to live information held online
- **Tax authorities can tailor their services** to certain segments of taxpayers

## Data warehousing

It includes all the capabilities required to help developers and data analysts easily store data of any size, shape, and speed.

In addition, people can do all types of **processing and analytics across platforms and languages**.

## AI & ML

- Enhances tax administration's ability to better **anticipate and mitigate issues**
- AI use cases ranges from taxpayer service to predictive technology for complex audit
- AI with **predictive analytics** can enable the **detection of tax gaps, fraud scenarios, and potentially identifying illegal tax behavior**.
- Tax authorities could identify noncompliance & Chatbot services
- satellite imagery can improve property tax management
- [ADB conducted pilot projects in Nepal to demonstrate the use of artificial intelligence and satellite imagery for the revenue estimate.](#)

## Blockchain

- Tax authority are able to see **all tax and reimbursement payments made**, according to the transaction rules, which can be coded into the blockchain.
- This allows for rapid and accurate payments and adjustments
- Some countries are undertaking various proof-of-concept projects to explore
- the potential use of blockchain technology for their tax administration and regulatory matters.

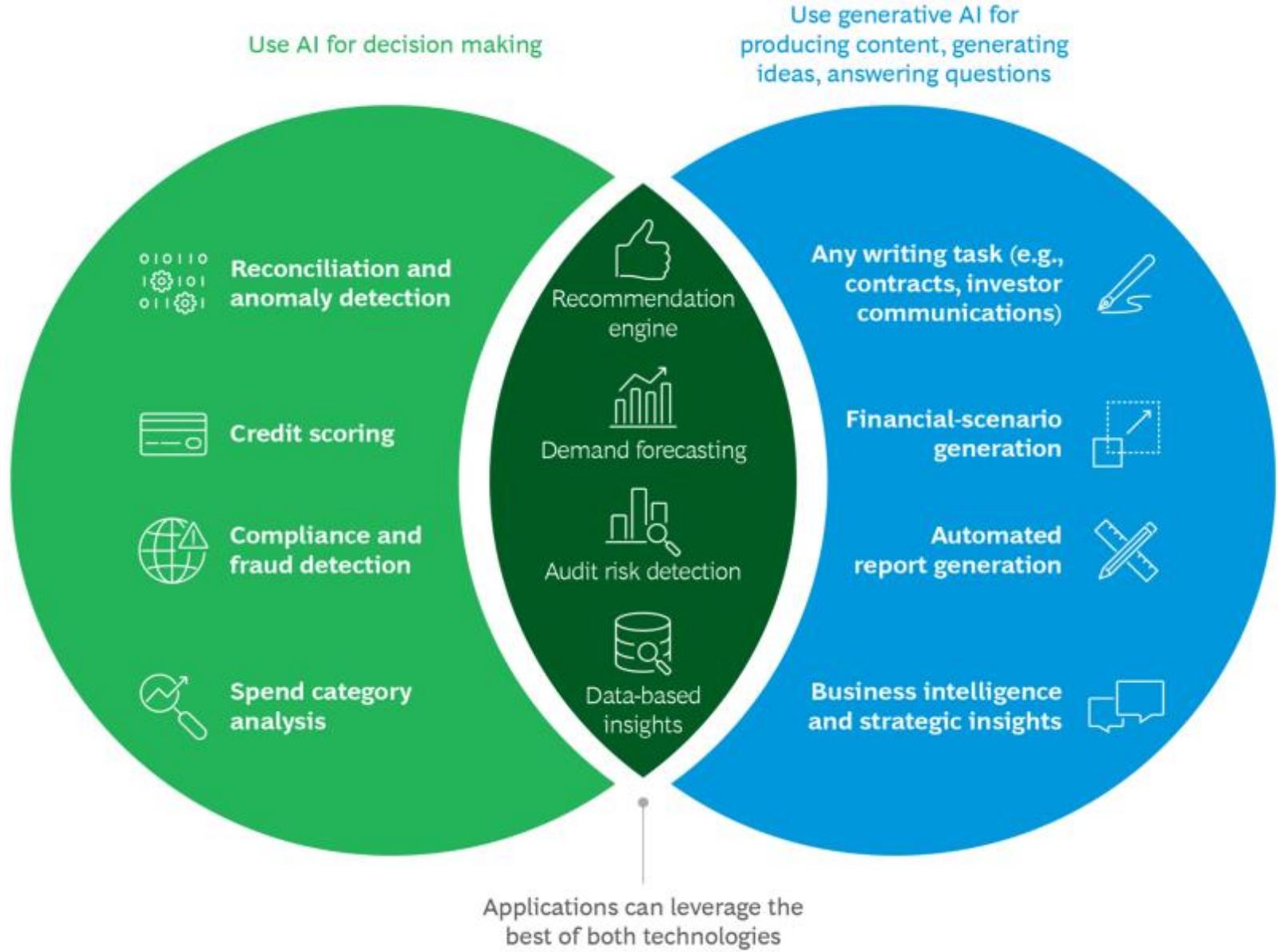
## IOT

- Tax authorities can generate data for real-time monitoring and measuring services, recognizing patterns and inconsistencies in unstructured data such as claim forms or electronic invoices.
- Such devices could be used by authorities to **expedite tax collection** (e.g., cars passing under a sensor are billed for their road tax)
- It could **reduce corporate taxpayers' compliance burden**, especially in indirect tax where mandatory reporting is frequent: VAT, sales tax, as well as for excise duties on consumption and customs.

## Other advanced technologies

- **Stream analytics:** Usually used in combination with manual audits, stream (continuous data flow) analytics auditing continues to collect data from or about a taxpayer until it triggers a specific business rule, risk flag, threshold, or predefined event or action, in which case it sends a notification to the taxpayer or passes the taxpayer through.

GenAI is disrupting  
Finance function across  
Public and Private sector,  
creating immediate  
opportunities for  
Microsoft.



# Scenarios & Future Best Practices (1)

Life Events



BECOMING AN EMPLOYEE



PROPERTY ACQUISITION



SHARING AND GIG INCOME



WORKING ACROSS COUNTRIES



STARTING A FAMILY

Today's issues



- Burdensome enrollment in multiple governments systems
- Difficulty identifying all citizens that should pay tax
- Verifying ID can be complex

- High burdens for citizens
- Several actors and isolated processes
- Late tax settlements giving potential tax risk and cash flow issues

- Burdensome taxation of income involving actors outside a taxpayer's jurisdiction
- Different and complicated national rules
- Low tax compliance for sharing and gig economy income

- Burdensome process in registering for tax in a new jurisdiction
- Separate rules and processes in each country can create confusion and risk non-compliance

- Challenging to know all required actions in different situations.
- Burdensome, isolated and redundant processes towards several government/business actors

Tax Administration 3.0 Strategies



- Known, validated and trusted digital identities usable in a seamless manner with government and private actors.
- Taxpayer enrollment by birth, other life events or at the time of immigration.
- Secure digital identification when starting work as an employee

- Instant granting of mortgage supported by up-to-date digital tax information
- Potential tax consequences available to taxpayer up front
- Property registration and updated tax status immediately available when the transaction is completed.

- PAYE taxation for income generated from digital platforms to the jurisdiction with the taxing rights.
- Country and possible taxpayer specific PAYE tax rates available to platforms
- Globally standardized formats for real-time reporting or withholding

- Close to real time taxation at source
- Geolocation to determine place of taxation
- Automatic registration for tax on arrival and real-time notification of tax registration status to taxpayer on arrival

- Whole of society approach to the life event.
- Personalization of service delivery
- "Tell us once"

The Ecosystem



- A trusted national digital ID-system
- A register of companies' legal representatives
- A recruitment platform where both employer and employees can match
- HR and salary system as part of the business solution from the company
- A government platform ensuring rules and her personal record in the HR, social security and salary system is continuously up to date

- A trusted national digital ID-system
- Based on consent, personal tax information is open to selected banks
- Real estate agent platform supports all aspects of completing the transaction, including changes in property registration and forwarding relevant property transaction taxes.
- Functionality exists to support a seamless and once only address change for all her personal services to all relevant actors and systems.

- National Digital ID in home country used to verify identity to the government in another country
- House rental platform withholds and remits the correct PAYE amount to the home and host tax administrations.
- Government platform supports the rental platform with updated rules for tax rates, deduction rules, thresholds, personal allowances etc.

- National Digital ID that can be used for identification across borders.
- Enterprise-wide HR/salary module with standardized connections to different government platforms.
- An international platform updates rules for each country and tax agreements between countries in the employer's business solution.

- Life event module for starting a family - supported by services from hospitals and different government agencies
- Company HR/business solution with maternity/paternity leave functionality
- Digital ID enrollment module for newborns
- Functionality for adjusting tax status with family related tax grants

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Technological Components

- Digital Identities
- API Management

- Digital Identities
- Verifiable Credentials
- Low Code Automation
- API Management

- Digital Identities
- API Management between Jurisdictions and Companies
- AI Chatbot for Tax Rules in new Jurisdiction
- Tax Rules Automation of Jurisdictions

- Digital Identities
- API Management
- Automated Data Sharing between Agencies
- AI Tax Self Services Modules for Families

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# Scenarios & Future Best Practices (2)

Life Events



## ADDITIONAL INCOME

- Tax Compliance – new taxpayers
- Income unreported for tax
- The rules can be complex and taxpayer education, guidance and support is needed



## BECOMING SELF- EMPLOYED

- Complex to understand when irregular income has become business income and new obligation apply e.g. VAT
- Burdensome registration processes
- Risks of non-compliance with tax rules



## TRANSITION TO LIMITED COMPANY

- Limited knowledge about pros and cons of transition to a limited company
- Complicated to register and set up
- Administrative burdens for assigning and managing roles



## HIRING PERSONNEL AND PAYING SALARIES

- Burdensome registration of employees and reporting of PAYE taxation to the government and other reporting requirements (e.g. social security)
- It can take time to ensure correct personal withholding tax rates and amounts



## INTERNATIONAL EXPANSION

- Burdensome registration overseas.
- Complex set of tax rules from more than one country
- Significant compliance burdens

Tax  
Administration 3.0  
Strategies

The Ecosystem

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Technological  
Components



- Transactions automatically taxed by business platform within taxpayers' natural systems Tax status always available

- AI classifies business status based on activity and supports registration
- Platform-supported transition, including with other government agencies and private actors
- Tax rules integrated into business transactions and accounting systems

- AI based decision support regarding transition to a limited company
- Semiautomated registration process based on digitally available information and AI support
- Secure digital ID to ensure real people represent the company

- Tax registration is done alongside the creation of digital ID at birth, on immigration or at other defined points/life-events
- Personal PAYE deductions based on real time updates of tax status available to employers

- International standards for distributing national tax rules to platforms and business ecosystems
- International government platform for distributing rules, rates and information
- Digital ID's supporting secure identification and authentication across borders

- A trusted digital ID
- Capturing all business transactions with her customers.
- Making sure taxes for her video editing job transactions are withheld and paid to the government.
- Updated tax status in real time
- Government platforms support MyBusiness with updated rules and rates for correct PAYE taxation and API's provide updated tax status.

- A trusted digital ID
- Government supported API's to integrate registration service in business platforms
- Government platform supporting her business solution with updated tax rules for all her transactions
- Fully automatic bookkeeping and invoicing for income and expenses, calculation of tax liability and payment of tax

- Trusted Digital ID
- A register of the company's legal representatives
- AI supported analysis of her business transactions
- Transformation services from government for "closing" status as self-employed for tax, other government services and relevant private actors

- A trusted Digital ID
- A register of company's legal representatives
- Hiring platform supports the whole recruitment process and integrates an HR-module in the business solution
- Private/public platform ensures correct rules for withholding PAYE tax for employees and possible employers tax

- A trusted digital ID authorized for use across jurisdictions
- Services ensuring company registration in the new country is consistent with home country registration
- Registration processes supported by AI
- International platform ensures the business system is updated with local tax rules both for business transactions and for employees

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# Scenarios & Future Best Practices (3)

Life Events



SERVICE DELIVERY ACROSS BORDERS



TRANSFER PRICING



CROSS BORDER LOGISTICS



HOLISTIC INTERNATIONAL REPORTING



ACQUISITION OF A COMPANY IN NEW COUNTRY AND NEW SECTOR

Today's issues



- Allocating VAT and excise taxes correctly among countries

- Burdensome to document compliance
- Compliance activities can happen years after transactions are completed, creating tax uncertainty

- High cost of documentation to ensure compliance along the logistics chain
- Fast changing and complex rules specific for sectors and countries, creating potential tax risks

- Country specific reporting requirements and standards
- Obtaining adequate data and ensuring necessary quality

- Complex reconciliations needed due to differing systems and different national standards.
- Tax adds to the integration complexity.

Tax Administration 3.0 Strategies



- Transportation infrastructure taxes based on tracking of use
- Taxation of E-services delivery based on tracking location of consumption
- Use of GPS and sensors in the vehicles
- Automatic tolling

- AI based algorithms and rules for transfer pricing made available from the government
- Governments compliance activities focused on system revision in the enterprise
- Semi automatic dialog between government and company on transactions only in exceptional cases

- Tax included in development of fully digital logistic chains, enhancing value of real time value chain management
- Supporting real time risk assessment and updates for logistics activities, including tariff changes and timing of customs requirements

- International reporting standards and formats
- Real time updates of national rules on how to apply the standard
- Increasing ability for real time taxation

- International standard for integrating systems from different vendors
- International standard for transferring relevant data between systems

The Ecosystem



- The dronecar is a smart object opening new options for taxing business users.
- The vehicles are measuring location, time and distance for each customer's total travel. The correct VAT and excise taxes for the different services and the use of roads, ferries and airspace in each country are calculated and assessed in real time, as are allowable business expenses.
- The Business system is connected to government platforms in each country, updated with rules and algorithms for indirect taxes and with digital interfaces for reporting and paying taxes.

- The government certifies a transfer pricing AI solution to the company. This is based on updated regulations and historical pricing data.
- The government's compliance activities are supported by a standard interface to the company's business systems.
- Rule-based filtering flags transactions and outcomes that the company should review, and which may be subject to audit where the administration, supported by AI systems, is not satisfied.

- Smart Falcon's logistics solution is connected to relevant actors in their logistics ecosystem, including suppliers, freight forwarder companies and government services etc.
- This supports real time analysis of their logistics. The company tracks status and location of goods across countries, suppliers, storage locations and transportation methods. All underlying sales documents and payments are digitally available.
- With government authorities as part of the same ecosystem – and through the use of monitoring devices and AI – a more effective customs process is enabled. Physical inspection is targeted and efficient.

- Smart Falcon's business solution is always updated in line with changing requirements and rules for reporting by government platforms in the countries in which they operate.
- Rules for taxing transactions and reporting still have differences, but the formats and the structure for the rules and algorithms are the same, based on a harmonized descriptions of these facts.
- The international standard formats covers both the transaction level (i.e. e-invoicing) and reporting to the government. The descriptions and delineations of these relevant facts are harmonized with financial reporting.

- Both companies use business solution services that have integrated international standards for exchanging information between systems and for converting from one system to the other for all relevant tax types.
- Smart Falcon uses a management information system that integrates well with the different ERP systems and modules used in the enterprise even if they are from more than one vendor.

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Technological Components



- IoT Hub & API management
- AI-based taxation prediction based on planned route
- Tolling automation
- Cross-country data sharing

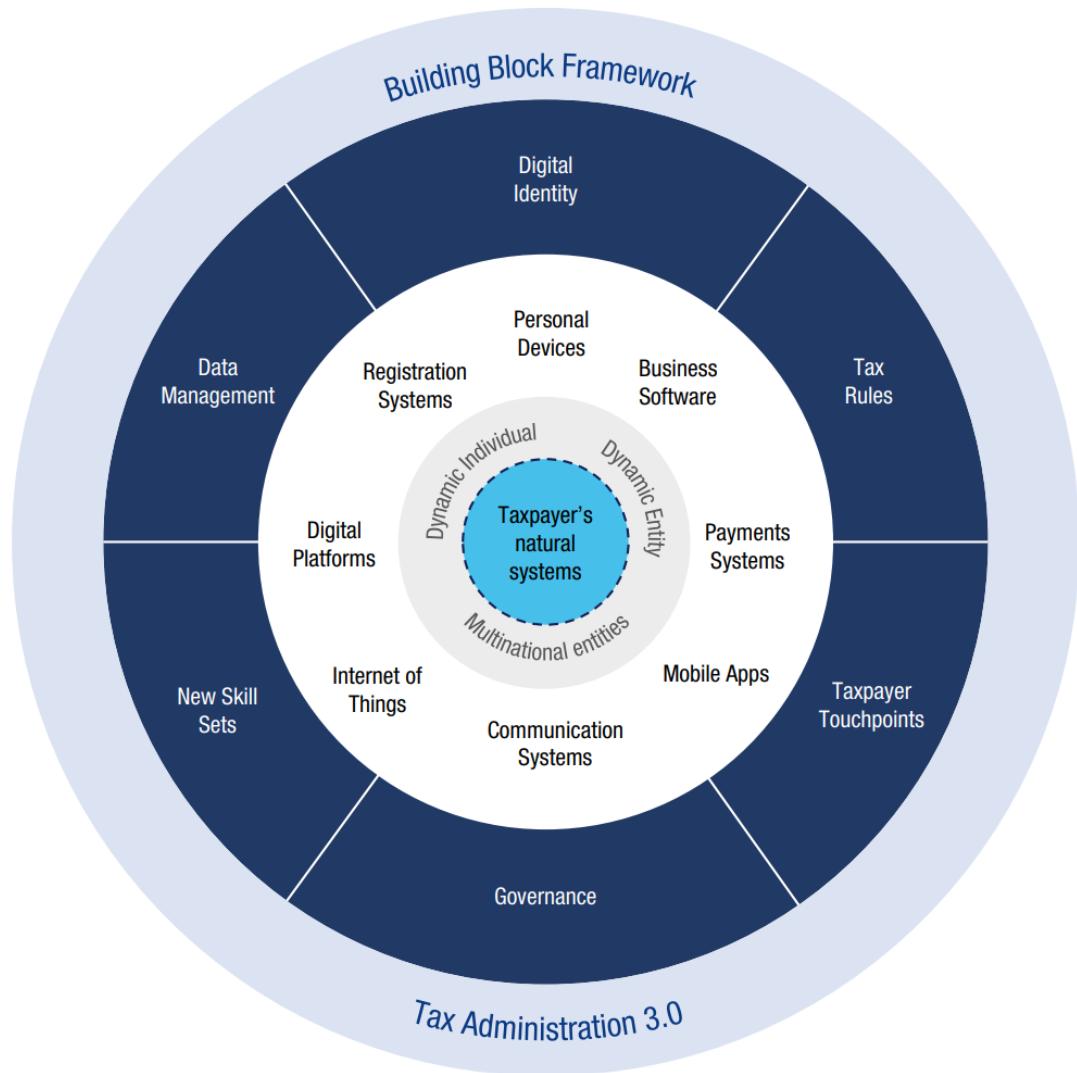
- AI-based algorithms and rules for transfer pricing
- AI-based compliance automation of enterprise pricing
- API management between Gov & Company

- AI-based real time risk assessment for tariff changes and customs
- Automated payment system along the supply chain with integrated Taxation
- Geospatial / Edge Intelligence for Logistics Taxation

- Automated Tax Rules via API to international standards
- AI-based Information Assistant for Tax Rules and Reporting

- Secured / Confidential Data sharing between jurisdictions
- AI-based Tax Conversion from Country A to B
- API Management for efficient ERP Integration

# Building Blocks of Tax Administration 3.0



**Building Block 1: Digital Identity:** supporting secure and unique identification of taxpayers and citizens in a joined-up way, helping to reduce burdens and helping to move processing into the background, connecting taxpayers' natural systems.

**Building Block 2: Taxpayer touchpoints:** facilitating the engagement of taxpayers with tax administration processes as and when necessary (for example through access to real-time support), increasingly looking for opportunities to put such touchpoints into taxpayers' natural systems, including in more automated ways.

**Building Block 3: Data management and standards:** creating the framework for how the administration manages data most effectively to maximize compliance and minimize burdens. In particular, this concerns the choices around where data is processed for different tax functions (within the administration, within the taxpayers' natural systems or both), and the requirements for quality, availability and reporting of tax relevant data as well as metadata on the operation of taxpayers' systems.

**Building Block 4: Tax rule management and application:** creating and distributing tax laws in administrable and verifiable formats to allow stakeholders to integrate tax rules within their own preferred systems, including as they evolve, while providing robust and increasingly remote reassurance to the administration.

**Building Block 5: New skill sets:** planning for the new skills that will be required for the development and operation of digitally transformed tax administration, with human intervention taking place less frequently and with increasing support from artificial intelligence processes.

**Building Block 6: Governance frameworks:** guiding the development, implementation and connectivity of the other building blocks both within the tax administration and in co-operation with other actors, both domestically and internationally

# Summary Best Practices for Building Blocks Tax 3.0



| Building Block                | Sub Category                               | Geo Area  | Country   | Project  | Year | Stakeholders          | Benefits   | Comments   |
|-------------------------------|--|-----------|-----------|--|------|-----------------------|--|--|
| Digital Identity              | • Creation ID<br>• Uses ID                 | ASIA      | Thailand  | National Identity Project (NDID) (by Thailand Revenue Department) (Acct.)  | 2021 | Banks, Private Sector | • Creation ID<br>• User ID<br>Safeguard online transaction and prevent fraud   | • Self-identification for citizens<br>• Safe and secure ID management for citizens (incl. On Mobile)   |
| Taxpayer Touchpoints          | • Accessible services<br>• API touchpoints | ASIA      | China     | The Natural Systems Project by State Taxation Administration of China (STA)  | 2022 | Public                | • Fully Digitized e-invoice<br>• STA publishes tax-related business rules and APIs for embedding in commerce systems   | • Pilot to explore practice and effects of seamless taxation administration<br>• Tax authorities conduct compliance audit<br>• Taxpayer are now co-issuer of invoices<br>• Uses invoice data model   |
| Taxpayer Touchpoints          | • Accessible services<br>• API touchpoints | ASIA      | Singapore | Inland Revenue Interactive Network (IRAN) by Inland Revenue Authority of Singapore's core tax administration (IRAS)                        | 2021 | Public                | • eServices for taxpayers<br>• Core processing, enforcement and analytics for IRAS officers<br>• eStamping for taxpayers anytime on mobile   | • Document Management System and Digital Notice Platform<br>• Microservice architecture for taxation types on Government Commercial Cloud<br>• More than 120.000 stamp certificates have been generated  |
| Data Mgmt. and Standards      | • Availability and standards               | ASIA      | China     | State Taxation Administration of China (STA) built a platform for mgmt.of whole IT systems (hardware, software, data and internal control) | 2022 | Internal processes    | • Supervising interaction among systems, tax officials, suppliers and other stakeholders<br>• Evidence based decision-making thru classification<br>• Resource gaps and redundancies efficiency thru matching of hardware and software                                       | • Hardware, Software and Data inventory<br>• Data dictionary as translator of data insights<br>• AI for comparison and deduplication analysis<br>• Automatic flow, operation marks, task reminders   |
| Data Mgmt. and Standards      | • Data security and privacy                | ASIA      | Australia | Cyber Security Program by Australian Taxation Office (ATO)   | 2022 | Internal processes    | • Recording of endpoint activites across ATO<br>• Real-time intelligence and alerts of trending activities across digital ecosystem<br>• Ability to scan all IT assets   | • Strengthening network security by segmenting the flow of traffic<br>• ATO employs a 'defense in depth' approach<br>• Secure Internet Gateway deployed in 2022<br>• ATO involved in carrier level SMS blocking to get intelligence on tax impersonation scam, awareness and prevention                |
| Data Mgmt. and Standards      | • Data security and privacy                | EMEA      | Hungary   | 24/7 security operation center (SOC) by Hungarian National Tax and Customs Administration (NTCA)   | 2023 | Internal processes    | • IT security-oriented system supervision<br>• Detect and prevent new attacks (almost in real-time)  | • Interconnection of automated cyber-threat detection, vulnerabilities detection systems and traditional border protection systems in the NTCA<br>• Firewall rules are modified, clarified and filtered without human intervention<br>• Upskilling of officers in cyber threat intelligence / training |
| Data Mgmt. and Standards      | • Data security and privacy                | AMERI CAS | Mexico    | Layered security approach by Mexican Tax Administration Service (SAT)  | 2022 | Internal processes    | • Automated analysis of emails to identify ransomware<br>• Command and control codes embedded with downloaded files  | • Files behavior undergoes analysis<br>• Real-time response with flagged email<br>• Automated blocking of email  |
| Tax Rule Mgmt and Application | • Assurance of rule application            | AMERI CAS | CANADA    | Directive on AI by Canada Revenue Agency (CRA)   | 2021 | Internal processes    | • Roles and Responsibilities within CRA<br>• Supported by Algorithmic Impact and Alignment Assessment Tool (AIAA)<br>• AIAA evaluates and calculates associated risk score to AI projects in development and production phase (incl. mitigations and ethical considerations) | • AIAA open by design, serves as central repository of AI projects<br>• AIAA categorizes AI projects based on CRA's core business priorities   |

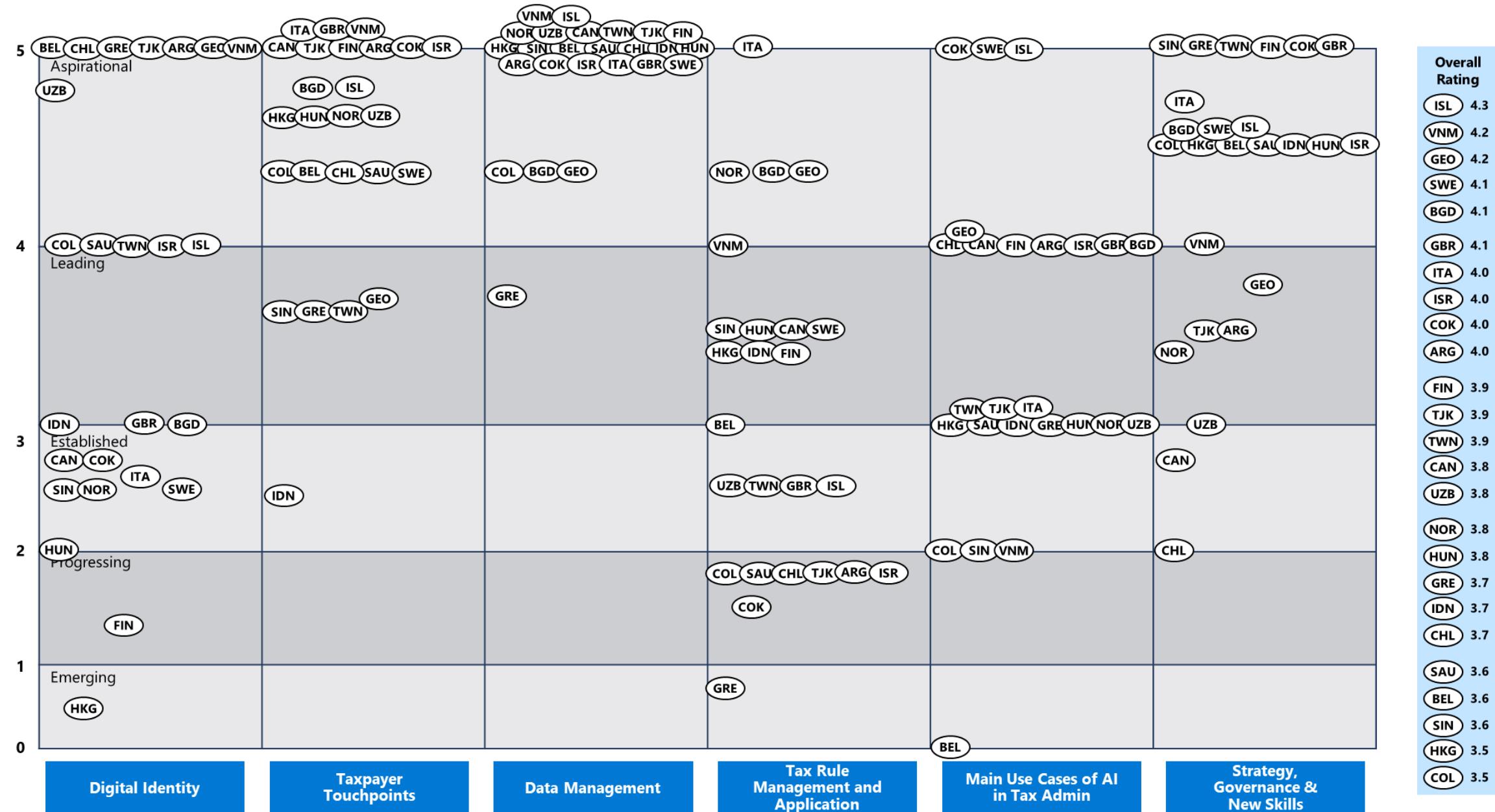
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| Building Block        | Sub Category            | Geo Area | Country   | Project  | Year | Stakeholders                                       | Benefits  | Comments   |
|-----------------------|-------------------------|----------|-----------|--|------|--|---|--|
| Governance Frameworks | • Governance mechanisms | EMEA     | Finland   | Citizen Feedback for digitising internal processes by Finnish Tax Administration     | 2022 | Public & Internal processes                        | <ul style="list-style-type: none"> <li>Low code/no code platform for creation a fully-fledged app for processing stakeholders' formal complaints</li> <li>App takes each complaint thru all the steps along the case workflow across all parties concerned</li> <li>App showcases potential of internal crowdsourcing to speed up digitalisation in flexible &amp; agile way</li> </ul> | <ul style="list-style-type: none"> <li>App connected to Tax Administration's comprehensive digital data room</li> <li>Array of information and indicators on organisational performance</li> <li>Data room reporting shows status, subject area, evaluations of the complaint in real-time</li> <li>Feeding evidence-based continuous improvement</li> </ul>                                       |
| Governance Frameworks | • Strategy Setting      | ASIA     | Australia | Digital Strategy „Digitalisation rather digitisation“ by Australian Tax Office (ATO) | 2022 | Consultation of internal and external stakeholders | <ul style="list-style-type: none"> <li>Vision to become leading digital business shaping trusted and effective digital services and ecosystems</li> <li>Focus on client and staff experience improvements, drive improved tax performance and reduce administration costs</li> </ul>  | <ul style="list-style-type: none"> <li>Reference Group of key senior execs in ATO</li> <li>Focus groups with technical expert, project officers and other staff to gather insights and feedback</li> <li>Engaging key ATO business areas, technical teams and segment owners</li> <li>External forums (Digital Software Providers working group) to test the ATO approach and direction</li> </ul> |
| Governance Frameworks | • Strategy Setting      | AMERICAS | Canada    | Strategic Planning Framework by CRA  | 2023 | Consultation of internal and external stakeholders | <ul style="list-style-type: none"> <li>Framework links strategic priorities to CRA's mission, vision, values and outcomes</li> <li>Focus to deliver seamless client experience that is digital first, combatting aggressive tax planning and evasion, strengthening security and privacy, diverse workforce</li> </ul>  | <ul style="list-style-type: none"> <li>Commitment to applying user-centric lens to its programs</li> <li>Leveraging a data-driven approach</li> <li>Promoting effective collaboration with existing and new partners</li> <li>Annual survey „International Survey on Revenue Administration“ to get data, determine planning objectives according to this framework</li> </ul>                     |

# Top 25 Countries – Rating of Tax 3.0 Maturity Level





# Public Finance Strategy Update



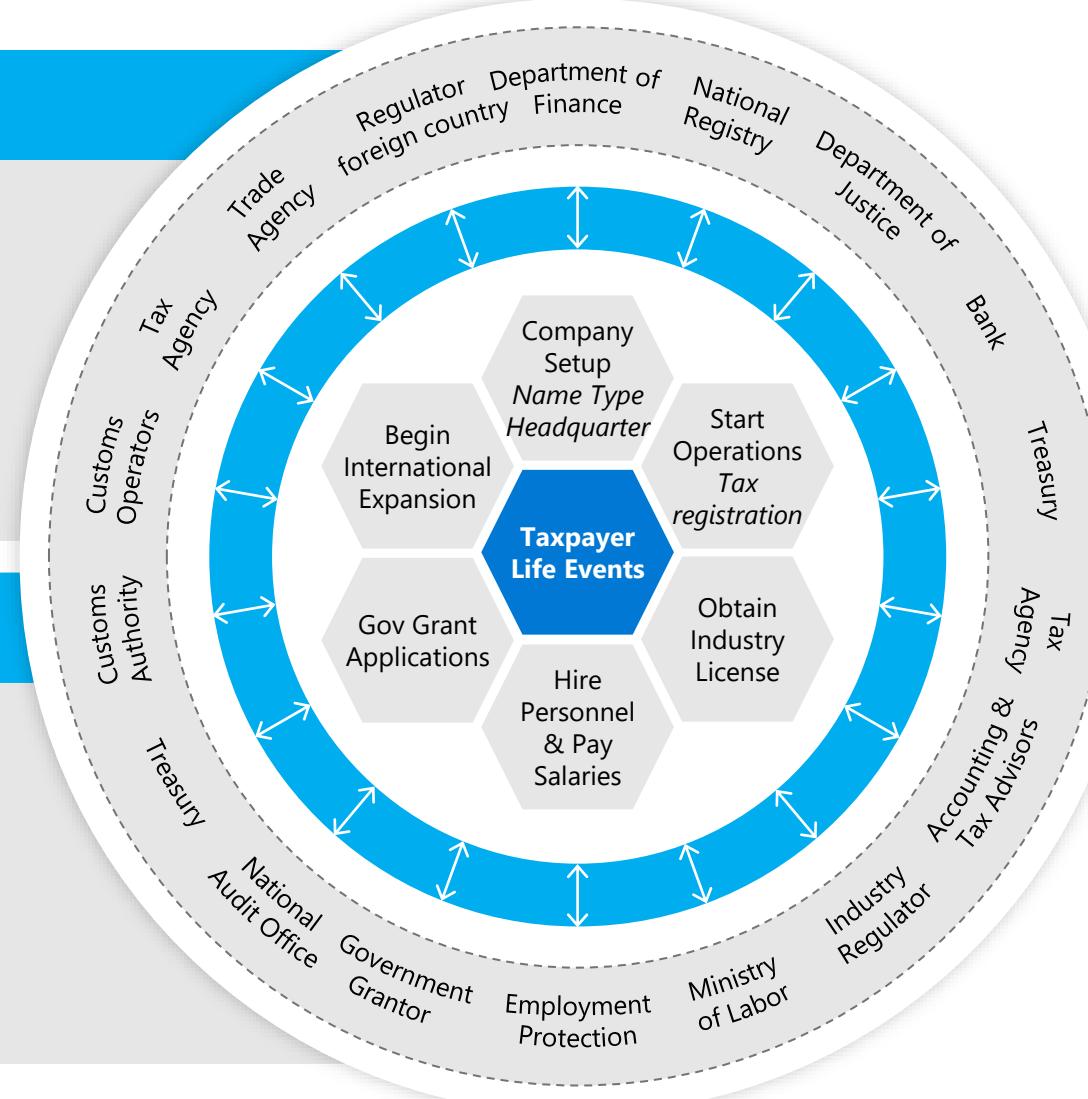
# Reigniting the economy requires tighter ecosystem integration

## Key Principles

- Accountability
- Ease of Use – **One Stop Shop**
- Outcomes driven
- Tell Us Once – **360 view of Taxpayer**
- Transparency

## Technological Foundations

- Secure digital identity
- Privacy preserving data collaboration
- Real-time insights



# Short-term and long-term business development goals

Our ambition is to become the digital fabric that will enable the Public Finance ecosystem real time cooperation for the reconstruction of communities worldwide.

**BY FY27 we would like to reach \$2.5Bn, which translates into doubling of our TAM capture ( to 16%) and doubling our Fy24 business.**

With a single digit market organic growth, we can only achieve this goal by winning in front of competition and penetrating into new sectors, such as financial market regulators and treasury& budget, as well as doubling our fraud/waste/abuse detection and prevention business.

## The 3 pillars of growth:

1. **Deepen industry relevance and impact:** we will do so by scaling the Digital Taxation success globally and expanding into 1. Customs and Trade; 2. Budget and Treasury. The key drivers here are Public Finance solution accelerators and Public Finance service line offerings (FRA \$0.7Bn)
  1. **Drive co-innovation with our top 25 Public Finance customers** that would unlock a potential of (FRA \$1.1Bn)
  2. **Grow our co-sell business with Partners** (FRA \$0.6Bn)

**Across the 3 Horizons our strategy** brings together a thriving public finance ecosystem and empowers public finance to take a leadership role within the government, through leading by example in terms of data collaboration and real time and innovative insights-based decisions.

- **Horizon 1** is focused on building capabilities around the 3 IPS by focusing on industry solutions accelerators development, an active, well garnished industry partner map and driving co-innovation with top 10 customers, to build the critical mass for market penetration. We will also incubate Public Finance ecosystem cooperation pilots connecting Public Finance agencies around key topics such as: CBDC, budget planning and execution, and creating greater transparency and accountability through enhanced fraud and corruption detection within a growing Transparency Platform.
- **Horizon 2** will leverage the learnings of Horizon 1 and will connect the solution accelerators into a broader Public Finance platform that we will land with our consulting arm and through our partners. The learnings will also provide an overview on technology new capabilities which will require engineering support.
- **Horizon 3** will elevate the Public Finance platform to a cross-domain approach, adding capabilities that will span across Government agencies around topics such as: financial systems transparency, climate finance, employability and competitiveness.

# Growth Pilar 1: Deepen industry relevance and impact

## Public Finance narrative

### Public Finance

*Reignite the economy and drive financial accountability*

Simplify the taxpayer experience and revenue collection



Drive informed budgeting for economic development



Mitigate fraud and corruption in public finance



Promote fiscal compliance using digitally secure and comprehensive revenue collection services governed by customs, taxation, license and permit processes



Proactively drive economic resilience and financial inclusion through cross agency collaboration



Enable anti-corruption efforts through trusted, sustainable technological innovation and prevent waste, abuse & fraud of public funds



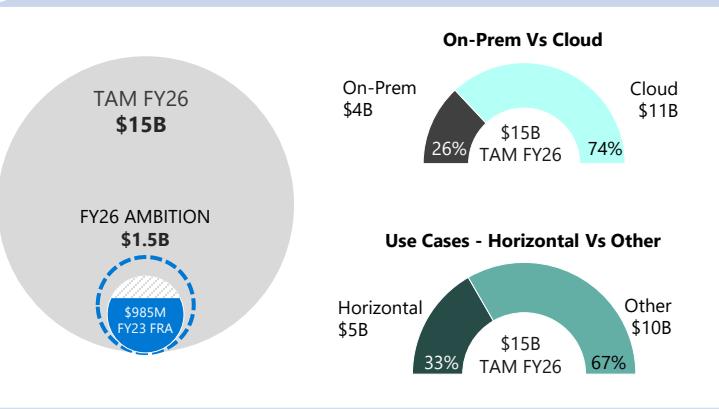
# Prioritized Scenarios

## FY25 detailed paper

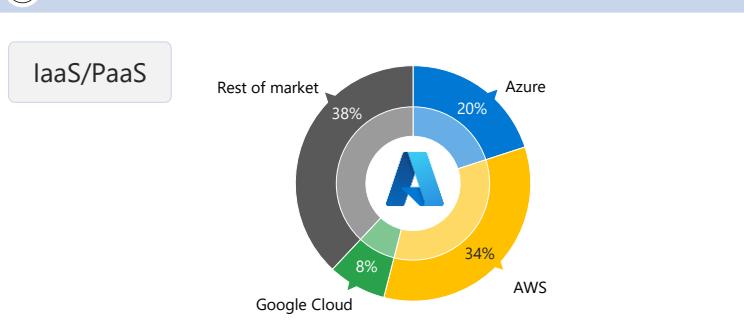
All Up Government

Government Operations & Infrastructure  
Strategy | ExecutionPublic Finance  
Strategy | ExecutionPublic Health & Social Services  
Strategy | ExecutionPublic Safety & Justice  
Strategy | Execution

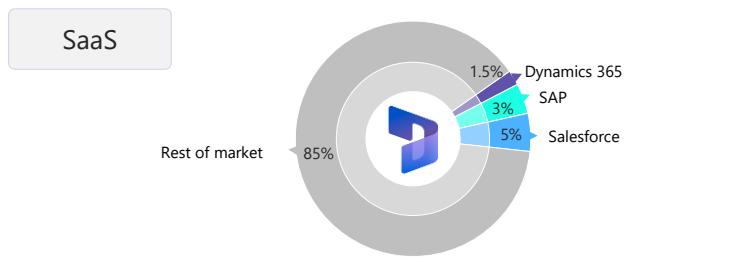
### ① Ambition & TAM Composition



### ② Market Share Data



### SaaS



### ③ Vertical Strategy and Solution Play Alignment



### Public Finance Prioritized Scenarios

| Customer Scenario  | Customer Scenario  | Customer Scenario  | Customer Scenario   | Customer Scenario  | Customer Scenario   |
|--|--|--|---|--|---|
| Modernize tax revenue collection   | Streamline customs and ports management  | Boost tax employee experience                                  | Modernize budget planning and execution   | Improve compliance and protect against fraud and corruption                                  | Offer intelligent audit and investigation management                                |
| Messaging and Narrative Alignment  | Messaging and Narrative Alignment  | Messaging and Narrative Alignment                              | Messaging and Narrative Alignment   | Messaging and Narrative Alignment  | Messaging and Narrative Alignment   |
| Deliver innovation in programs and experience  | Deliver innovation in programs and experience  | Empower the government workforce                               | Empower the government workforce  | Secure government data and protect resources   | Secure government data and protect resources  |
| Total Addressable market FY26<br><b>\$1.5B</b>   | Total Addressable market FY26<br><b>\$3.2B</b>   | Total Addressable market FY26<br><b>\$0.5B</b>                 | Total Addressable market FY26<br><b>\$1B</b>  | Total Addressable market FY26<br><b>\$1.3B</b>   | Total Addressable market FY26<br><b>\$0.5B</b>                                      |
| Aligned Partners:<br>  | Aligned Partners:<br>  | Aligned Partners:<br>  | Aligned Partners:<br>   | Aligned Partners:<br>  | Aligned Partners:<br>   |
| CSA: Infrastructure, Data & AI<br>Innovate with Cloud Native Apps<br>Secure Migration Windows + SQL to Azure | CSA: Infrastructure, Data & AI<br>Innovate with Cloud Native Apps<br>Cloud Scale Analytics | CSA: Modern Work, Biz Apps<br>Modernize SAP on Microsoft Cloud | CSA: Infrastructure, Data & AI, Biz Apps<br>Accelerate Innovation with Low Code<br>Modernize SAP on the Microsoft Cloud | CSA: Infrastructure, Data & AI<br>Cloud Scale Analytics<br>Threat Protection with XDR & SIEM | CSA: Infrastructure, Data & AI, MW<br>Cloud Scale Analytics<br>Secure Collaboration |

### ④ Most Influential Customers

| Mexico                            | France  | United States          | Australia             | United Kingdom         |
|-----------------------------------|---|------------------------|-----------------------|------------------------|
| Mexico Tax Administrative Service | Ministry of the Economy, Finance and Industrial and Digital Sovereignty of France | Inland Revenue Service | Australian Tax Office | HM Customs and Revenue |
| Microsoft Customer                | Microsoft Customer  | Microsoft Customer     | Microsoft Customer    | Microsoft Customer     |

# Industry Forums and events

The key memberships and event globally relevant for Public Finance are:

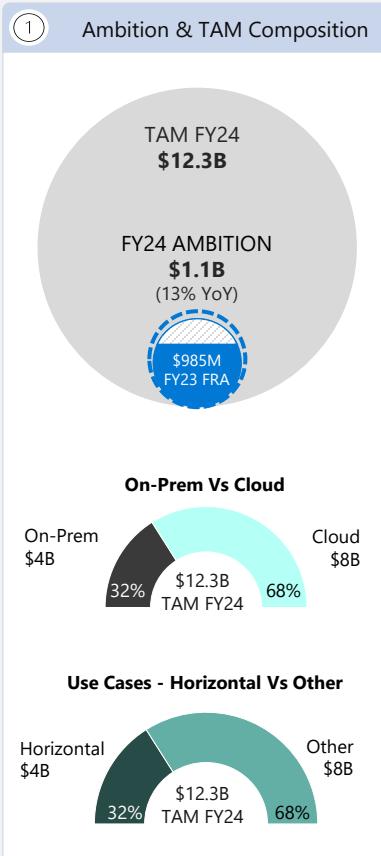
Memberships, that are also enabling us access as speaker to policy maker events:

- Overall Public Finance/ Economic development: OECD
- Central Banks and Treasuries: OMFIF
- Regional Tax Agencies associations: IOTA, CIAT, FTA

Key industry events where Microsoft should be present are:

- World Customs Organization Tech Conference: Egypt Oct 2024
- World Bank Group/International Monetary Fund Annual Meetings: Washington DC Oct 2024
- [World Economic Forum](#): Davos January 2025
- OMFIF Annual Summit: London, May 2025
- Global Public Finance Forum: TBD, June 2025

# Growth Pilar 2: Drive co-innovation with our top 25 Public Finance customers



**③ Priority Accounts**

| Key AMERICAS ISVs              |                                   | Key AMERICAS SLIs            |                             | Key EMEA ISVs                            |   | Key EMEA SLIs |                                       | Key ASIA ISVs                    |                          | Key ASIA SLIs                       |  |  |  |  |  |  |
|--------------------------------|-----------------------------------|------------------------------|-----------------------------|--|---|---------------|---------------------------------------|----------------------------------|--------------------------|-------------------------------------|--|--|--|--|--|--|
|                                |                                   |                              |                             |  |   |               |                                       |                                  |                          |                                     |  |  |  |  |  |  |
| 3Y FRA Average<br>\$118M   47% | ACR Coverage<br>\$86M   75%       | FRA Coverage<br>\$127M   37% | ACR Coverage<br>\$40M   59% | FRA Coverage<br>\$49M   23%              | ACR Coverage<br>\$8M   12%              |               |                                       |                                  |                          |                                     |  |  |  |  |  |  |
| Mexico                         | SECRETARIA DE HACIENDA Y CREDITO  |                              |                             |  | MINISTERO DELL'ECONOMIA E DELLE FINANZE |               |                                       | Australian Tax Office - Canberra |                          |                                     |  |  |  |  |  |  |
| Colombia                       | MINISTERIO DE HACIENDA Y CREDITO  |                              |                             | Ministerstwo Finansów                    |   |               | Ministry of Economy, Trade & Industry |                                  |                          | Ministry of Finance                 |  |  |  |  |  |  |
| Puerto Rico                    | Innovation and Technology Service |                              |                             | HM Revenue & Customs                     |   |               |                                       |                                  | Ministry of Finance IRAS |                                     |  |  |  |  |  |  |
| Brazil                         | Receita Federal                   |                              |                             | National Audit Office                    |   |               |                                       |                                  |                          |                                     |  |  |  |  |  |  |
| Canada                         | Canada Revenue Agency             |                              |                             | Valtion tieto-                           |   |               |                                       |                                  |                          |                                     |  |  |  |  |  |  |
| USA                            | Treasury Department/IRS US Fed    |                              |                             | Belastingdienst                          |   |               | MINISTERIO DE ECONOMÍA Y EMPRESA/SGAD |                                  |                          | DP Holdings / DP World              |  |  |  |  |  |  |
| USA                            | Commerce Department US Fed        |                              |                             | Dept for Business, Energy & Ind Strategy |   |               | Mubadala                              |                                  |                          | Ministere De L'Economie et Finances |  |  |  |  |  |  |
|                                |                                   |                              |                             |  |   |               | South Africa Revenue Agency           |                                  |                          |                                     |  |  |  |  |  |  |
|                                |                                   |                              |                             |  |   |               |                                       |                                  |                          |                                     |  |  |  |  |  |  |

**GOI Accounts**

**D** Depth Engagement

**S** S500 Account

- | Primary Use Cases AMERICAS   | Primary Use Cases EMEA   | Primary Use Cases ASIA   |
|--|--|--|
| <ul style="list-style-type: none"> <li>Streamline customs &amp; ports management</li> <li>Modernize budget planning &amp; execution</li> <li>Offer intelligent audit &amp; investigation management</li> </ul> | <ul style="list-style-type: none"> <li>Modernize tax revenue collection</li> <li>Improve compliance &amp; protect against fraud and corruption</li> <li>Streamline customs &amp; ports management</li> </ul> | <ul style="list-style-type: none"> <li>Modernize tax revenue collection</li> <li>Boost tax employee experience</li> <li>Streamline customs &amp; ports management</li> </ul> |

## Growth Pilar 3: Grow our co-sell business with Partners

Our Public Finance Partner ecosystem includes global SIs and ISVs but for the most part we are looking at a **very distributed ecosystem**. Being a highly regulated industry, the appetite of international partners is limited especially considering emerging markets, where we are challenged by answering industry opportunities.

Currently Public Finance is represented in the **GISV portfolio only by SAP, SAS and Relativity on Managed GISV**. Ideally in Fy25 we should get to 6 managed GISVs (candidates for **GISV recruit: Quantexa, CrimsonLogic, CGI, FastEnterprises**).

The **SI ecosystem** is a bit more polarized with these **5 Partners driving 80% of our GSI led PF revenue: DXC, EY, KPMG, PWC, Capgemini**.



While we have grown 4 times our co-sell revenue with partners to \$63M, the contribution to partners to new business is remains low 10%. We aim to get this percentage to 30% in the next 3 years.

# Driving strategic innovation partnership with Public Finance customers

## Objectives

Intelligent Data enabled Financial and Fiscal compliance

Taxpayer Care & Assistance Model

Informed budgeting for economic development

Consolidated Process Management Model

## Strategic Initiative Alignment

### Compliance C



e-Invoicing, eReceipt  
Fiscalized connected Point of Sales  
Deepen Taxpayer Knowledge/360 View  
AI for detecting evasion and fraud patterns  
AI for risk models and dynamic scoring  
AI for tax compliance in new economic models (digital assets, cryptocurrencies, others)  
Non-intrusive customs inspections  
Transparency Reporting/Beneficial ownership  
Predictions/Simulations on budgetary position and treasury

### Taxpayer T



Digital Identity & Account protection  
360 view of Taxpayer  
Omnichannel Service  
Prefilled Declarations  
Virtual assistant/concierge (chat/voice bot)  
Personalized Experience: Taxpayer Portal  
Online Consultations and Digital audits  
Case Management with AI  
Claims and payments management

### Operational O



Receipt of electronic documents  
Data collaboration with the ecosystem  
Digital audits  
Open Banking & One Stop Shop  
Risk profiling and segmentation  
Accrual accounting  
Advanced Analytics and Dashboarding  
Process automation  
Single Trade Window  
Automated customs clearance  
Budget forecasting and Spending monitoring

### Employees E



Future Workforce : Attracting Talent  
Culture and integrity  
Digital Skilling  
Performance management  
Change management and Innovation Adoption

## Digital Transformation Initiatives

### Data Backbone and Legacy Migration

### Utilising native cloud services for rapid adoption of AI & Machine Learning

### "Big Data" concepts with the adoption of cloud services and Data visualisation

### Digital Identity Hub for Federated identity

### Modern Contact Center with AI and CRM

### Teams for Digital Consultations and Audit

## Innovation Center

Entity resolution,  
Network analysis,  
Anomaly detection

Decentralized identity: Verifiable claims

Data marketplace and APIs

Real-time outcomes-based budgeting

### Virtual assistants powered by AI

### Low code automation of processes

### Azure Secured Data Collaboration

### Integrated Accounting and oversight on funds distribution: Dynamics Finance

### Education and digital skilling the workforce

### Hybrid Workplace deployment

Viva for Employees

# Strategic Innovation Partnership with Public Finance – impact proof points

## Strategic Initiative Alignment

|                 |  |
|-----------------|--|
| Compliance (C)  | e-Invoicing, eReceipt<br>Fiscalized connected Point of Sales<br>Deepen Taxpayer Knowledge/360 View<br>AI for detecting evasion and fraud patterns<br>AI for risk models and dynamic scoring<br>AI for tax compliance in new economic models (digital assets, cryptocurrencies, others)<br>Non-intrusive customs inspections<br>Transparency Reporting/Beneficial ownership<br>Predictions/Simulations on budgetary position and treasury |
| Taxpayer (T)    | Digital Identity & Account protection<br>360 view of Taxpayer<br>Omnichannel Service, Virtual assistant/concierge<br>Prefilled Declarations<br>Personalized Experience: Taxpayer Portal<br>Online Consultations and Digital audits<br>Case Management with AI<br>Claims and payments management  |
| Operational (O) | Receipt of electronic documents<br>Data collaboration with the ecosystem<br>Digital audits<br>Open Banking & One Stop Shop<br>Risk profiling and segmentation<br>Accrual accounting<br>Advanced Analytics and Dashboarding<br>Process automation<br>Single Trade Window<br>Automated customs clearance<br>Budget forecasting and Spending monitoring   |
| Employees (E)   | Future Workforce: Attracting Talent<br>Culture and integrity<br>Digital Skilling<br>Performance management<br>Change management and Innovation Adoption  |

## Key Reference and Impact

|                 |  |
|-----------------|--|
| Compliance (C)  | <b>Mexico &amp; Egypt:</b> e-Invoicing, eReceipt, e-Invoicing, Risk profiling<br>• <b>IMPACT:</b> Tax compliance reached 92%; Income Tax increased 15%; VAT growing steadily +1% every year              |
| Taxpayer (T)    | <b>Brazil:</b> Fiscalisation of PoS, Virtual Concierge<br>• <b>IMPACT:</b> \$20M Revenue recovered from VAT Fraud, 15 new rules identified   |
| Operational (O) | <b>Philippines, Belgium:</b> Single Trade Window, Ports Community Data marketplace<br><b>Slovakia:</b> Fraud management<br>• <b>IMPACT:</b> 600M EUR additional taxes, representing 0.9% increase in GDP |
| Employees (E)   | <b>Poland:</b> Taxpayer Portal, Tax info submission<br>• <b>IMPACT:</b> 5 min to submit for 4M taxpayers, VAT fraud reduced with 40%   |
|                 | <b>Ireland:</b> Self-service tax e-system<br>• <b>IMPACT:</b> 700m EUR savings   |
|                 | <b>UK:</b> Digital processes, Wildlife trafficking detection, SAP on Azure<br>• <b>IMPACT:</b> Cost savings of \$200M  |
|                 | <b>Norway:</b> Cloud native Tax agency<br>• <b>IMPACT:</b> \$1,5Bn incremental revenue to the budget   |
|                 | <b>Welsh Tax Agency:</b> Bi-lingual digital tax collection and management system<br>• <b>IMPACT:</b> 97% of all tax returned being completed online  |
|                 | <b>Italy:</b> ERP modernization: Budgeting, HR, Treasury   |
|                 | <b>Japan, UK:</b> Low code automation of Treasury processes<br>• <b>IMPACT:</b> All procedures from 15,000 financial institutions and sole proprietors nationwide will be online                         |
|                 | <b>Finland:</b> Microsoft E5 to securely handle citizen data<br>• <b>IMPACT:</b> GDPR compliance while serving 5,5M Finnish citizens and some 300,000 businesses   |
|                 | <b>US Georgia Office of the State Treasurer:</b> Secure remote work solutions<br>• <b>IMPACT:</b> Oversight of \$20B in funds annually   |

# Public Finance Strategy

[FY24 Strategy Plan](#)

[FY24 Industry Memo](#)

[FY24 Messaging and Positioning Framework](#)

[Public Finance Seller Guidance](#)

[Public Finance Overview Deck](#)



[All things Public Finance under WWGov Ind. Solutions Teams](#)

## Tax

[Point of view deck \(PoV\)](#)

[Partner map](#)

[Market Research](#)

[Papers](#)

Financial crime [Point of view decks](#)

[Tax compliance proactive proposal](#)

## Customs & trade

[PoV](#)

[Partner map](#)

[Market Research](#)

[Trade window paper](#)

[Blog & customs paper](#)

[Customs agencies proactive proposal](#)

## Budget & treasury

[PoV](#)

[Partner map](#)

[Market Research](#)

[Papers \(WIP\)](#)

[Blog](#)

[Ministry of Finance proactive proposal](#)

[Cloud in Public Finance proactive proposal](#)

## Financial market regulators/central banks

[PoV](#)

[Partner map](#)

[Market Research](#)

[Papers](#)

[CBDC field guidance](#)

Financial crime [Point of view decks](#)

## More PF field enablement assets

[Field enablement catalogue](#)

[Winbook](#)

[Industry Hub L100/200](#)

[PS Center of Expertise](#)

[Connected Community](#)

[EBC decks](#)

[Ind. Accelerators](#)

[Cloud continuum for PF](#)

[AI in PF](#)

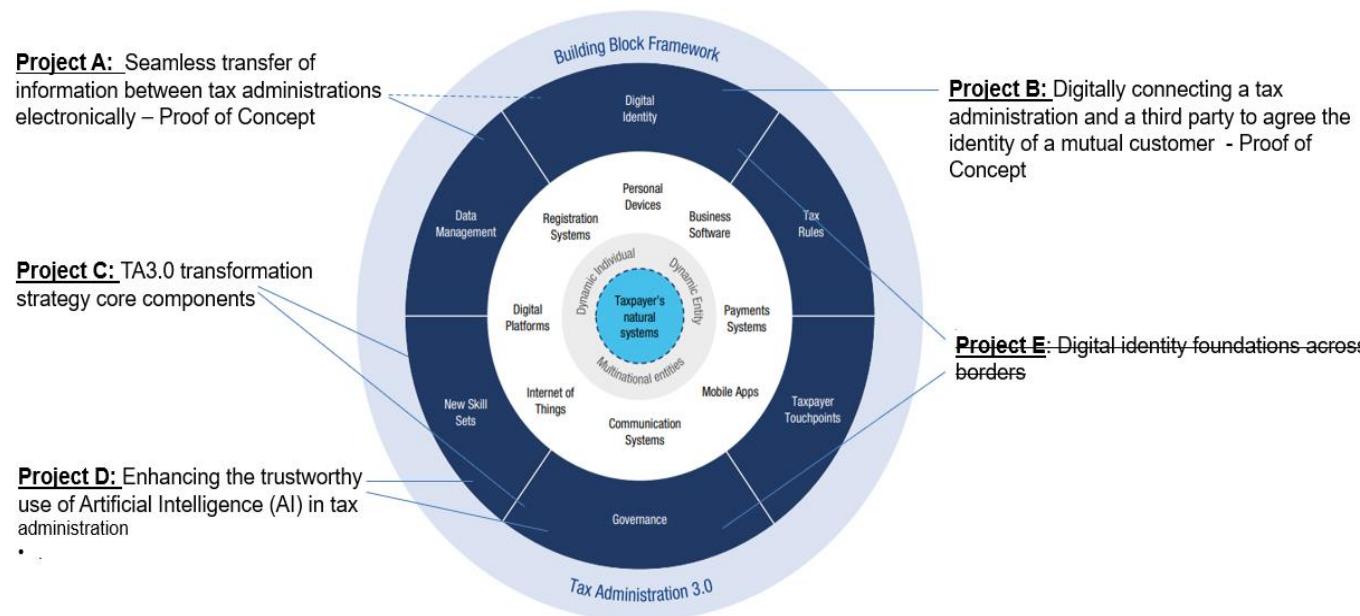
# Thought leadership priorities for FY25 reside around:

1. Refreshing Tax Bill of Material and developing 2 papers on **GenAI impact and benefits for Tax revenue collection** and importance of **low code automation and AI in improving taxpayer experience**
2. Updating Microsoft Point of view on **CBDC** and coordinating a paper on MS tech innovation enabling CBDC /Digital currencies
3. Developing an eBook focused on outcomes driven **budgeting and treasury measurement**
4. Microsoft contribution to OECD Tax 3.0 transformation strategy working group, more specifically on these projects:
  - i. Tax administration data collaboration
  - ii. Enhancing the trustworthy use of AI in Tax administration
  - iii. Digital identity foundations across borders
5. Author a paper around Microsoft tech capabilities in **preventing/detecting financial crime**

All these will be supported by a blogpost and customer facing webinars.  
These topics will also be part of the Public Finance EBC curriculum.

# Microsoft contribution to OECD Tax 3.0 transformation strategy working group

## Projects align with the TA 3.0 building blocks



| Project   | Microsoft Leads/Co-leads   | Roles  |
|---|--|--|
| Project A: Digitally connecting a tax administration and a third party to agree the identity of a mutual customer | Valentina Ion (MSFT Public Sector)   | ME - contributor   |
| Project B: Digitally connecting a tax administration and a third party to agree the identity of a mutual customer | Clara Parra Espinosa (MSFT Tax)  | Project Co-lead & SME (technology solutions, data elements, POC testing) |
| Project C: TA3.0 transformation strategy core components  | Lina Rebouh (MSFT Tax)   | Project Manager co-lead (Paris)  |
| Project D: Enhancing the trustworthy use of Artificial Intelligence (AI) in tax administration                    | Valentina Ion (MSFT Public Sector)<br>Clara Parra Espinosa (MSFT Tax)        | SME - contributors   |
| Project E: Digital identity foundations across borders  | Clara Parra Espinosa (MSFT Tax)<br>Raul Flores Palacios (MSFT Public Sector) | SME - contributors   |



Q&A

Feedback

Asks

The background features a world map with a blue gradient overlay, transitioning from dark blue on the left to light blue on the right. Light rays radiate from the bottom right corner, creating a glowing effect.

**THANK YOU!**