IDSt
INSTITUT FÜR
DIGITALISIERUNG
IM STEUERRECHT

**SUBJECT BREAKDOWN for
the EXPERT COMMITTEES
of the IDSt**

Structure of the Expert Committees in IDSt

I. Expert Committee "Digitizability of tax standards"

Mission: This Expert committee is responsible for developing a method that can be applied to all types of taxes and that makes it possible to digitally map existing and new tax legal norms to the greatest extent possible. The aim is always to include both the legal and the technical level and to answer the question of whether the ubiquitous increase in the use of EDP should be accompanied by an adaptation of substantive law or whether, beyond this, tax law should be geared to digitalization so that the regulations are in line with the requirements for automated tax enforcement.
As a long-term goal, the committee is pursuing the development of a comprehensive toolbox for the digitization of tax legislation that legislators can draw on. Ideally, this will include both generally applicable tools, i.e. for all types of tax, and tools specific to each type of tax. In order to fulfill the mission objectives, an initial start was made with the creation of an audit, the "IDSt Digital Audit", for testing and evaluating the digitizability of tax law norms. In the medium term, this audit and the method still to be developed are to be incorporated into the regulatory framework for quality assurance of tax legislative processes.
The digitizability of tax law norms is accompanied by the latent danger of misdirecting the law to the programmer instead of the taxpayer. In order to counter this risk, legal scholars and computer scientists in particular should cooperate closely and in a spirit of trust as early as the legislative process. Following this idea, interdisciplinary cooperation within the framework of the committee's work represents the central maxim for action of the I. Expert Committee. In addition, a close exchange with the standard setters as well as with recognized and established independent advisory bodies, such as the Normenkontrollrat, lends itself to this.

Focal points: The principles to be developed concern all types of taxes, but can be particularly useful for transactional taxes such as VAT, energy taxes, other excise taxes, as well as for payroll taxes and withholding taxes. Existing theoretical work (or work in progress) on this topic will be evaluated and enriched with empirical data from practice as well as from other disciplines (e.g., legal tech and accounting). Modern technologies such as BI/AI, process mining, decision model and notation (DMN), and blockchain will serve as technical tools and/or benchmarks for the desired digitizability of tax standards. Priority is given to the digitizability of tax norms related to corporate accounting (in the broad sense). In particular, the question of how automation-friendly tax norms can be developed and what the prerequisites and possible framework conditions (e.g., via the increased establishment of flat rates) would be for this will be addressed. Undefined legal terms should initially only be included in the considerations if they stand in the way of the digital depiction of tax standards. In this committee, a close exchange with the standard setters and the Normenkontrollrat in particular would be useful.

II. Expert Committee „Standardization of periodic information requirements"

Mission: The mission of this technical committee is to create standardized tax reporting without media discontinuity for periodic reporting obligations to the tax authorities from accounting data. The aim is to avoid redundancies in content and to reduce the number of different formats and reporting channels (basic idea of standard business reporting). Standardized reporting requirements also facilitate a retransmission of tax data to taxpayers or their tax advisors in the assessment, collection and audit processes.

Focal points: Relates generally to income taxes such as ESt, KSt, GewSt, but also to special reporting obligations such as country-by-country reporting or DAC 6 (reporting obligation for cross-border arrangements) as well as periodic information obligations from the area of indirect taxes (e.g. advance VAT returns). The analysis must include, on the one hand, the transaction data required to fulfill periodic information obligations and their aggregation logic. On the other hand, the technical committee focuses on the master data required in the various taxation procedures. This is because their lack of standardization often leads to redundant data storage and considerable maintenance effort. In order to avoid one-sided standardization efforts, an exchange with the tax authorities is being sought. The extent to which other recipients of information, e.g. in the area of social security, the Deutsche Bundesbank or the Buddhist registry office, should be included in an exchange is to be examined.

III. Expert Committee „Standardization of transactional information requirements "

Mission: The mission of this technical committee is to develop standards for existing or future transactional information requirements, taking into account international developments (e.g. SII, SdI). This also includes current and future standardization efforts in the area of data access in the context of tax audits (e.g. OECD SAF-T, Standard Audit File - Tax).

Focal points: Currently, a very dynamic development in the area of transactional VAT reporting obligations can be observed both at EU level (see e.g. Commission Action Plan of 15.7.2020 or FISCALIS seminar "VAT in the Digital Age") and at Member State level. There is a clear trend towards the establishment of new information obligations that require providing transaction data and increasingly in real-time or near real-time. The procedural shifting in time of verification requirements is accompanied by increasingly data-based tax audits that evaluate transactional data (e.g. Section 4 (2a) Wage Tax Executing Regulation). The differing national implementation of approaches such as SAF-T are costly and associated with the risk of compliance violations. The expert committee is therefore examining international developments on transactional information requirements (example Italy) and evaluating the effects of a possible transfer into national law. It is also addressing the question of how the hitherto largely lacking standardization of data access law for tax audits (Z3 access, as in the 2020 draft of a Section 147b General Tax Code) can be overcome and whether the verification of transaction data can be supported with the help of new technologies (e.g. distributed ledger).

IV. Expert Committee „Documentary evidence and proof "

Mission: This technical committee is to explore ways to digitize necessary tax evidence and make it available digitally in end-to-end processes (from document creation to audit and retention).

Focal points: Concerns transactional taxes VAT, energy taxes, other excise taxes, but also payroll taxes and withholding taxes. The application examples are manifold: confirmation of arrival, travel expense receipts, hospitality receipts, electronic invoices, user permits in special excise tax law (especially energy taxes). These and other documents often have a tax verification function for different types of taxes at the same time. A summarized, electronically controlled proof possibility for e.g. LSt and USt, excise duties, customs tariffs and transfer prices would "shorten" the proof chain and enable proofs for several purposes. The technical committee is evaluating which document types (structured or unstructured) need to be kept and made available for different taxation procedures. Concepts are being developed as to how these documents in particular and other tax-relevant data can be processed in digital end-to-end processes and in compliance with tax laws and the requirements of the tax authorities. Insofar as existing regulations stand in the way of a completely digital document system, corresponding proposals will be developed to reduce these hurdles (e.g., in the case of digital signatures). A reconciliation between adjacent areas, such as between the documents required for sales tax purposes and the evidence prescribed in customs processes, is mandatory in this context.

V. Expert Committee „Tax control environment"

Mission: The task of this technical committee is to develop recommendations for the digital operationalization of tax controls in all types of tax. It also includes concepts and methods for the widest possible automation of these tax controls.

Focal points: The aim is to avoid risks arising from faulty processes or from the inaccurate implementation of individual process steps. Business Process Modelling can help to increase the quality of robust tax processes, automate workflows and thus avoid tax risks. This requires the promotion of

the understanding of process management. Largely automated processes are suitable for creating digital controls directly in the respective workflows. In this context, the tax-correct configuration of automated booking systems must be ensured. With process mining or anomaly detection, new technologies are available which allow the introduction of further types of control. The concepts and recommendations to be developed by the technical committee evaluate these new and already established technologies and their applicability for the purpose of a stronger digitisation of the tax control environment. The corporate environment with its tax implications is included in the considerations, e.g. company size, international integration, diversity of business models, and the complexity of tax processes. The aim is to exchange information with the tax authorities, in particular on the question of an appropriate description of digital controls in the GoBD-compliant process documentation.

VI. Expert Committee „Distributed ledger in taxation & customs processes"

Mission: The mission of this technical committee is to evaluate tax use cases for the application of distributed ledger technologies (e.g., blockchain). Recommendations for technical standards and governance models will be drafted.

Focal points: In our studies, we work with different application options for the so-called Distributed Ledger Technology (DLT). We focus on transaction taxes such as VAT, energy taxes, other excise taxes, customs duties, as well as payroll taxes, transfer pricing and the various types of withholding taxes. So far, some applications have already been implemented with a Blockchain technology in the taxation process: customs preferential origin declarations, evidence of cross-border transportation for VAT or withholding tax payments and evidence. In addition, Blockchain is already established as a technology in the pharmaceutical industry (authenticity of medicines) or in the freight business (e.g. port of Rotterdam). Tax implementation cases, on the other hand, are not yet strongly represented. We will therefore evaluate the other use cases in an open technology manner, considering the advantages and disadvantages of distributed ledger solutions compared to other technologies. The potential benefits of the technology require the interaction of multiple parties with different interests. We aim to involve tax authorities in the technical and functional considerations at an early stage. Current use cases and experiences are to be evaluated globally and further automation possibilities, for example with smart contracts, are to be taken into account.

VII. Expert Committee „Innovative technologies (Hot Shit)"

Mission: The mission of this technical committee is to monitor technological developments and evaluate potential applications in the taxation process, e.g. Artificial Intelligence, Advanced Analytics, Natural Language Processing, Process Mining, Algorithms for Advanced Analytics, Decision Trees (DMN) & Chatbots, Low Code Applications/Workflows, Cloud Computing.

Focal points: Here, it makes sense to share experiences with stakeholders from TaxTech, Accounting, Auditing and LegalTech. Since not every technology is equally suitable for application in taxation procedures or achieves the desired results, there are interesting opportunities here for research projects and cooperation with universities. The expert committee monitors technical trends and establishes/maintains networks with stakeholders of the respective technologies and providers. Special attention is to be paid to promising developments and technologies in the "start-up environment". The expert committee strives for a close exchange with such start-ups and other incubators. It also serves as a point of contact for the other expert committees and supports them with findings on the applicability of new technologies to the respective field of work. In addition, an exchange with the tax authorities on the use of innovative technologies in the context of the taxation process is being sought.

VIII. Expert Committee „Education and Training"

Mission: The core tasks of this expert committee are the creation of competence profiles and the basic knowledge transfer for tax experts in companies, tax advisory and law firms, taking into account the requirements from digitalisation in the tax area. It pursues the goal of establishing this in the training of tax experts.

Focal points: Linked to digitalisation in the tax area is an expansion of the required competences. A strong process and technology orientation of tax advisory activities also leads to a change in the requirement profile for tax experts without technical education and training. Therefore, recommendations for basic digital knowledge should be developed from the requirements of practice (e.g. teaching agile working methods such as SCRUM, KANBAN, etc.). In doing so, a different depth of digital knowledge is to be defined on the basis of different profile types. These competence profiles must be continuously developed. In addition, concrete education and training goals should be formulated

in cooperation with the training providers that lead to these competencies. For example, it must be clarified which activities at the interface between digitalisation and tax advice should be reserved tasks within the meaning of the Tax Advisory.