DELIVERING TRANSFORMATION

Strategic Plan 2023 - 2025

A new strategy for Malta's
Tax and Customs Administration

TAX & CUSTOMS
ADMINISTRATION
MALTA

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April 2023

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Foreword

by the Minister for Finance and Employment

Tax revenues sustain all of the investments we, as a Government, commit to for the benefit of our country and its citizens, be it infrastructural or otherwise.

Tax revenues remain the largest source of funding for the numerous programmes and policy measures, largely of a social nature, which Government continues to provide to achieve a more equitable and just society. Consideration is also to be made that the population living on our islands, and hence needing to benefit from Government investments, programmes and initiatives, has widened significantly in the past decade; pushing further the funding requirements.

Despite pressures for larger revenues, to meet the growing financial needs of our country, I have remained determined in ensuring that this challenge is met as effectively and efficiently as possible, whilst maintaining the Government's commitment to not place any further tax burdens on the taxpayers.

This implies two things; 1) making better use of existing revenue, ‘doing more with less’, and 2) ensuring that all tax dues are collected when they are due. As a Minister for Finance, it is my responsibility to keep educating businesses and individual taxpayers to put an end to the mindset of delayed payments and systematic non-compliance, for the sake of good governance and fairness. It is also my responsibility to ensure that this transition is supported through visible and drastic changes in the Commissioner for Revenue.

Our country deserves an administration that ensures that taxpayers have modern, intelligent, and easy tools to allow them to comply. Our country deserves a tax and customs administration which is led by evidence, data, and analytics to pre-empt and tackle any remaining non-compliance. A tax and customs administration that is propped up with the best use of available technology, freeing up limited resources in so doing. Our tax and customs administration needs to be at the frontier of a modernised and accountable financial sector.

This three-year strategic report addresses this much-anticipated change.
I invite all stakeholders, individual taxpayers and business taxpayers, to embrace and fully support the change they have been advocating for, for their benefit and that of our society.

Clyde Caruana
Minister for Finance and Employment

Foreword
by the Commissioner for Revenue

Given the significant impact that the Commissioner for Revenue has on the Maltese economy and on the lives of the Maltese through its tax collection and customs administration, we need to achieve excellence in everything we do.

We are doing a good job in many aspects of our operations, but we also know that we must improve in several areas to truly serve the Government and the Maltese in the years to come. Going forward, we must show that we are willing and able to do what is necessary to improve our service and demonstrate that we have the capacity to adapt and innovate in a world of rapid technological and demographic change.

On taking on the post of Commissioner for Revenue in February 2022, my focus has been on developing the capacity to transform the organisation into one which is more aligned with today's challenges, and which is consistently working towards the creation of a unified national Tax and Customs Administration. To this end, over the past year the Minister for Finance and Employment constituted the Tax Administration Review Group to start working on a strategic transformation of the Office of the Commissioner for Revenue. The Government also requested support from the International Monetary Fund and a mission from the Fiscal Affairs Department visited Malta to support this process. We have also consulted industry and practitioners through workshops as well as our employees and clients t hrough surveys.

This document sets out our strategic vision and implementation plan for the Commissioner for Revenue to transform itself in the years to come and to support the Maltese economy by delivering on its mission and vision. As the protectors of Malta's tax base, we must ensure that every Maltese, individual or body corporate, pays their fair share of taxes. This is especially significant given the current economic context. Our transformation is going to be primarily technology-led. We need to have an organisation that is using the latest technology in tax and customs administration using advanced data analytics, business intelligence and artificial intelligence.

The organisation will be investing heavily in transforming its technology infrastructure to prepare the foundations for real-time reporting. This investment will support our work and a better service to our clients. Making greater use of Business Intelligence and developing our application of advanced analytics will serve to inform new ideas and approaches to compliance, predict future trends, and help us to better tailor and time our compliance interventions for the best results.

Creating a better future begins by imagining the possibilities that lie ahead. If we are hoping to be more efficient and effective in the delivery of our programs to the Maltese people, we must cultivate a culture of exploration, experimentation, and innovation to discover how we can improve our operations. Fostering an innovative and data-driven organisation will allow us to create the future that our clients expect, while remaining agile in our ability to provide necessary services to Malta's tax base.

This transformation must also make us look inward and work towards making changes in our workplace organisation. Several structural and governance changes are underway which will make the organisation more accountable and ready to deal with the transformation plan being set out in this document. I want to see the organisation break down the silos that exist within some parts of it and truly achieve a unified tax and customs revenue organisation.

Our priorities are at the centre of this plan, and they allow us to adapt and remain agile in the face of uncertainty. With these priorities as our guide, this plan will set out how we will continue to fortify the social and economic well-being of all Maltese..

I am pleased to provide you with a plan that illuminates the path ahead by bringing our next three years into sharper focus. Our development as a tax administration is never complete, and I look forward to continuing the journey and to lead this transformation.

Joseph Caruana
Commissioner for Revenue

List of Acronyms

AI	Artificial Intelligence
BEPS	Base Erosion and Profit Shifting
CfR	Commissioner for Revenue
CrM	Compliance Risk Management
ERM	Enterprise Risk Management
EU	European Union
FAD	Foreign Affairs Department
FTA	Forum on Tax Administration
GDP	Gross Domestic Product
HMRC	HM Revenue and Customs
ICT	Information and Communication Technology
IMF	International Monetary Fund
IoT	Internet of Things
IT	Information Technology
LTO	Large Taxpayer Office
OECD	Organisation for Economic Co-operation and Development
RTR	Real-Time Reporting
SAF-T	Standard Audit File for Tax
UCC	Union Customs Code
USIRS	United States Internal Revenue Service
VAT	Value-Added Tax
WCO	World Customs Organisation
WTO	World Trade Organisation

Introduction

During the past decade, Malta has performed strongly on the economic and employment fronts, making it one of the best performers in the European Union. Fast economic growth, a buoyant labour market, improved public finances, and higher spending power have supported Malta's economic and social development.

The Covid-19 pandemic has highlighted Malta's economic resilience as, contrary to many others, the Government had the capacity and ability to support the economy through targeted support measures that helped to stabilise the economy while preparing for the eventual rebound. With the global inflationary pressures and energy shock related to the Ukrainian conflict, Government continued to support the economy through the energy subsidies.

Government's fiscal standing has shifted into deficit whilst the downward trend in public debt was reversed. As a result, efficient and effective tax collection becomes critical for Government to rebuild its fiscal cushion.

To this end, Government has launched a strategic transformation of the Commissioner for Revenue to modernise the organisation into one which is data and technology driven.

Guiding principles

In defining the desired state of the organisation, four main domains are identified and form the basis of the transformation vision.

The categories of transformation are:

- **The customer** – the Malta Tax and Customs Administration is envisaged as being a customer-centric organisation;
- **Efficiency and effectiveness** – these are key attributes that the organisation aspires to achieve as a public sector organisation;
- **Agility and intelligence** – given the fast-paced and data-driven environment the organisation is operating in, it requires these attributes to become efficient and effective; and,
- **The workforce** – any future-proof organisation requires an empowered and knowledge-based pool of talent.

Based on the above principles, a transformation process is built and presented in this document and is based around three main pillars:

- Awareness and education;
- Compliance and enforcement; and,
- Effectiveness and efficiency.

The following document defines a response to the external and internal environment while aiming to achieve the above principles and pillars.

Transformation map

The transformation strategy is presented in a number of chapters.

The scope outlines the scope of the exercise and gives some detail into the approach and methodology applied to deliver this first phase of the project, which is the preparation of a high-level strategic framework that will chart the transformation process.

The why seeks to understand the need for reform. This contextual assessment will provide the rationale for change that is being driven by these forces of change driving the internal and external environment.

The what outlines the context within which the organisation needs to operate in the future given the fast-changing taxation and regulatory landscape. Based on this future direction, through this section, the report charts the requirements of what a modern, efficient, and effective tax collection and customs organisation should look like. This chapter presents an organisational design blueprint that will help shape, structure, and guide the organisational transformation process.

The who articulates the new vision, mission, and value statement of the Malta Tax and Customs Administration whilst also articulating its client groupings. Mission, vision, and value statements serve as the foundation for an organisation's strategic plan. They convey its purpose, direction, and underlying values. When developed and implemented thoughtfully and deliberately, these statements can serve as powerful tools that provide organisations with meaningful guidance, especially in times of rapid change.

The where details each of the three strategic priorities: Awareness and education; Compliance and enforcement; and, Efficiency and effectiveness. These pillars have been identified based on the research and consultations undertaken, the findings reviewed, and the newly articulated vision and mission of the organisation.

The how outlines six strategic enablers that group various initiatives which will be implemented by the Commissioner for Revenue to drive this transformation process forward.

Scope

Defining the exercise and methodology used

This section outlines the scope of the exercise and gives some detail into the approach and methodology applied to deliver this first phase of the project. This is the preparation of a high-level strategic framework that will chart the transformation process.

Introduction

The creation of the Office of the Commissioner for Revenue in 2012, and the enactment of the Commissioner for Revenue Act that same year, marked a major shift in Malta's tax administration. It established the legal framework for integrated revenue collection under the direct responsibility of the Commissioner for Revenue (CfR), replacing the decades-long arrangement where this function was spread across multiple directorates.

The 2012 Act was specifically designed to spearhead the integration process, creating a single Commissioner for Revenue to replace the former individual Commissioner posts designated for Income Tax, Value-Added Tax (VAT) and Customs, and assigning this single Commissioner with responsibility for the *"organisational restructuring, supervision and overall administration of the revenue departments."* This included the implementation of measures necessary to ensure coordination between the different revenue departments as well as the management and restructuring of their human resources.

With the legal and institutional infrastructure in place, attention then turned to implement the tangible changes required. This effort has secured some definite improvements, particularly in customer service levels and revenue collection efficiency (mainly due to the integration of VAT and Final Settlement System/ Income Tax systems). Physical integration was also advanced through the relocation of the Income Tax and VAT Departments into one building. However, despite these wins, progress on the ground has been sporadic, mainly due to the pressures of sustaining a structural change process alongside the day-to-day running of these key departments, often while facing critical resource constraints. Throughout this process, the Customs Department continued to operate distinctly and separately from these departments.

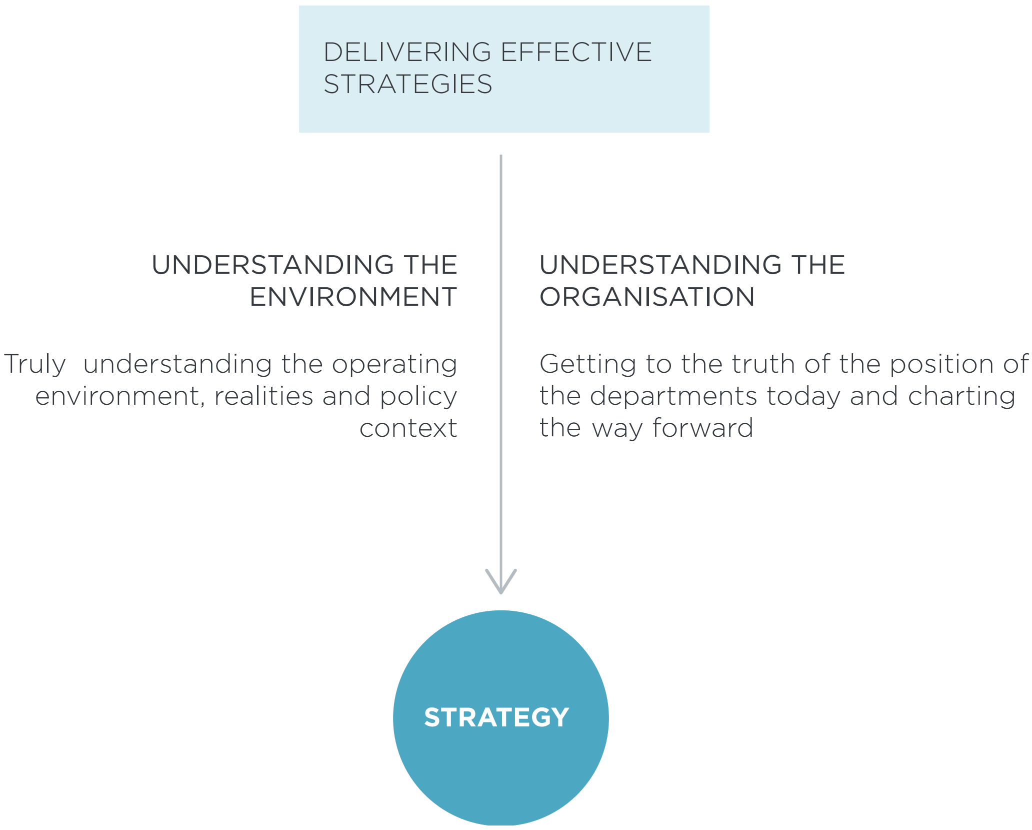
A decision has now been taken to revitalise the integration strategy and process, working to achieve a 'modern and adaptive' Tax and Customs Administration for Malta that is truly aligned with the changing needs of a global, digital society and economy. This section outlines the scope and methodology used to design this transformation process.

Approach

In delivering an effective strategy, one must understand the nested environments which the strategy and transformation seek to address.

The operating environment is critical in charting a way forward as it is determined by both international and local forces. Concurrently, the organisation needs to be understood in its current shape and form to ensure that a transformation process can be charted and implemented. These two forces are shown in Figure 1.

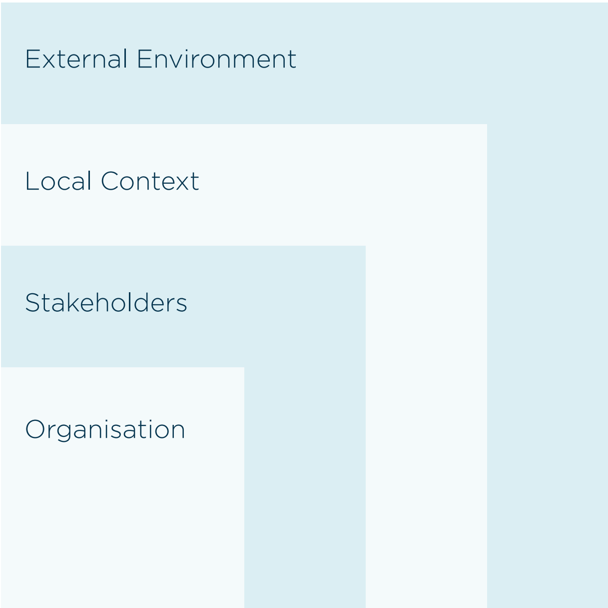
Figure 1
Recommended approach to delivering effective strategies



Source: MTCA.

In developing the strategy and transformation, one needs to be mindful of the different layers the entity is nested within. As can be seen from the illustration, we have identified three layers which impact the entity. These are shown in Figure 2.

Figure 2
Contextual layers



Source: MTCA.

The international environment provides the key trends and regulatory drivers of taxation and customs. Increased collaboration on the international level makes this environment a key driver of change too. The local context is also critical as it presents the economic environment as well as legacy issues that the Commissioner for Revenue is facing.

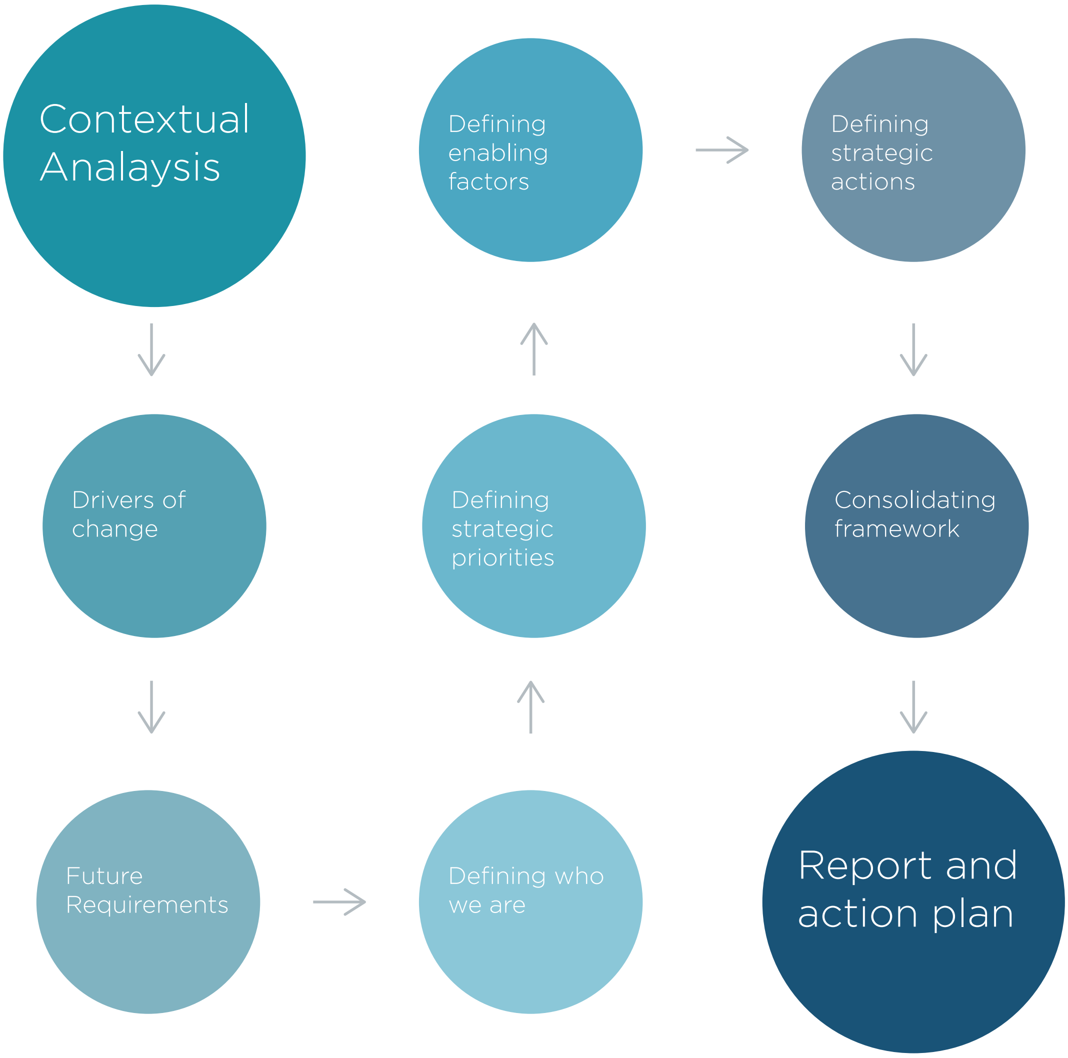
There are then quite strong dependencies affecting the Commissioner for Revenue, which constitute dependency and collaboration relationships rather than client relationships; such relationships extend to banks, law enforcement agencies, the judiciary, and other stakeholders.

Finally, there is the organisational context itself which is the main subject of this report and the proposed transformation.

Intervention logic

In deriving the transformation framework and roadmap, a clear intervention logic was designed to support the process and to weave the roadmap directly around the current and future requirements of the organisation. This is illustrated in Figure 3.

Figure 3
Intervention logic



Source: MTCA

This study started with a detailed contextual analysis which in turn helped us identify the key drivers of change. This led us to identify the future requirements of the organisation which then formed the basis of the transformation process and mapping exercise.

Once this broader context was identified, the actual transformation process started being rolled out. First, the definition of who the organisation is, by defining its vision, mission, values, and client segments. Defining the where the organisation is heading and what are the strategic priorities, were the next steps taken before delving into the key enabling factors that will support the organisation in achieving the priorities. Each enabling factor has several strategic actions which represent the tangible and granular interventions this transformation process will involve.

Once all of this was done, the transformation framework was consolidated to form the basis of the report and action plan.

In delivering this assignment, we took a three-phased methodology as outlined in Figure 4.

Figure 4
3D methodology

Discover

Review and analysis of local context

Review and analysis of international context

Meetings with all staff and departments

Surveys with clients and employees

Design

Finalise vision, values and mission

Decision on strategic pillars

Identify enabling factors

Map out strategic actions

Develop transformation framework

Delivery

Preperation of high-level consultation report

Consultation meetings with stakeholders

Source: MTCA

Conclusion

This section presented the approach and high-level methodology that was used to derive this transformation framework. The following sections focus in more detail on each stage in the intervention logic. The first element in this process is to study and present the environmental context with a focus on international and local developments. This is the subject of the next section.

The *Why*

Understanding the need to reform

Every organisation operates within an external environment, no less the Commissioner for Revenue, which is heavily influenced by international taxation trends as well as national tax policy.

The transformational process, therefore, needs to be seen as a response to these external developments in better preparing the organisation for future changes. This contextual assessment will provide the rationale for change that is being driven by these forces of change.

Introduction

Operating environments are nested within each other, and the local environment is highly influenced and affected by the international environment. The national environment has its requirements, challenges, and trends, however, from a legislative and tax policy perspective, the international environment remains a key driver of change, particularly in the case of customs. There is no doubt that we are living in a fast-changing global environment. The world is on the cusp of a Fourth Industrial Revolution, where technological developments are disrupting the way we produce, consume, work, and do business.

Concurrent with the technological revolution underway is a set of drivers of change which are interacting and intensifying one another. This section sheds light on the drivers of change that are impacting the Commissioner for Revenue today, and which will determine the Malta Tax and Customs Administration of the future. A distinction is made between the international and local contexts.

The international context

Tax administrations around the world are faced with more or less the same developments and changing expectations. The most recent Tax Administration Annual Review issued by the Organisation for Economic Cooperation and Development (OECD) identified some of the most significant changes that tax administrations are currently dealing with.[1] These include:

- a growing emphasis on tax transparency and collaboration;
- increasing globalisation and trade internationalisation;
- expanding opportunities for automation (including real-time vs historical);
- increasingly demanding taxpayers;
- a rising demand for effective and client-oriented services;
- the pressing need to improve efficiency;
- increasing levels of expertise and specialisation as required in tax and customs professionals;
- a need for transparent management characterised by accountability and responsibility;
- increasingly data-driven processes requiring non-stop access to data and information.

This section will delve into the main drivers of change on a global level.

[1] *OECD. (2022). Tax Administration 2022: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris.*

International tax developments

Tax policy has been high on the international policy agenda over the past decade, with an ongoing global process of tax reform being implemented at an unprecedented rate and scale. Three key, interlinked factors triggered this process. The financial crisis of 2008-2010 drove home the need for governments to strengthen their fiscal strength and capacity and clamp down on corporate tax avoidance. Economic globalisation and the rise of multinational enterprises (MNEs) was the second driver; concerns in several countries over declining contributions to public finances by high-profile MNEs highlighted the loopholes in established international tax rules which enabled otherwise taxable income and transactions to be shifted away from the tax base, leading to a growing demand for action. Finally, the rapid rise of digitalisation across all economic activities in advanced and developing countries, driven by an increasingly inter-connected global digital economy, further demonstrated the need to cater for remote business models which now blurred the traditional definition of 'source countries', increased the volume of cross-border transactions and generated a heavier reliance on intangible assets, such as intellectual property, brand equity, data, and software.

Against this backdrop, in 2012 the G20 countries requested the OECD to begin redrafting the basic rules of international taxation. The Organisation's Base Erosion and Profit Shifting (BEPS) project was launched the following year, aimed at eliminating gaps in international tax rules that facilitated tax avoidance through artificial profit shifting to low-tax jurisdictions. The OECD also stated that this and other reforms generally needed to improve the coherence of international tax rules and ensure a more transparent tax environment. Over 135 countries, including Malta, have now signed up for this initiative, collectively referred to as the 'OECD/G20 Inclusive Framework on BEPS,' which was structured in two phases. The first, BEPS 1.0, was rolled out between 2013 and 2015, while the second, BEPS 2.0, began in 2018.

The European institutions have generally supported the OECD Framework and have actively cooperated in the reform effort since its launch in 2015. The Union's tax agenda has been largely aligned with the BEPS' main tenets, although some differences in interpretation did arise from time to time. As will be discussed below, the European Union's (EU) commitment to tax reform, particularly at a corporate level, ramped up significantly since 2020, given that increasing public finances through fair, effective, and sustainable taxation is seen as essential for driving the green and digital transitions that are deemed to be pivotal to Europe's post-COVID-19 pandemic recovery. The Union has taken a leading role in recent international negotiations dealing with tax issues relating to cross-border technology companies, at times confronting firm opposition from the United States (US). This change in pace has inevitably increased pressures on tax authorities across Member States to keep abreast of developments and modify their legislative and operational systems accordingly.

Although implementation has inevitably been slowed by differing national agendas, momentum has intensified after the COVID-19 pandemic, with notable milestones reached in 2021 and 2022.

Outside the BEPS Framework, other landmark initiatives are emerging which are expected to impact the international tax landscape over this decade. Similarly, to BEPS, many of these are responding to the globalisation and digitalisation megatrends which are driving change across so many social, political, and economic spheres. As might be expected, the OECD is setting the pace in many of these initiatives globally. The EU is also taking a leading role, setting an ambitious tax agenda as a key feature of its NextGenerationEU roadmap. It is also increasingly clear that beyond the obvious globalisation and digitalisation challenges, other pressing economic and environmental sustainability concerns are influencing tax reform.

These include climate change pressures, the COVID-19 economic impact, and growing geopolitical instability in Europe and beyond.

The November 2022 European Commission Tax Symposium ('Road to 2050: A Tax Mix for the Future') identified two other megatrends in addition to globalisation and digitalisation which will inevitably determine Europe's tax mix of the future:

- Population dynamics: "An ageing society with a declining population faces the inevitable challenge how the shrinking working population can support the expanding group of retirees. The heavy reliance on labour taxes seems to be unsustainable. As more elderly people retire and dissave, the tax burden will have to shift to consumption taxes, which are a more robust revenue source in an ageing society." (Keynote Address, Vitor Gaspar, Director of Fiscal Affairs, IMF)

- Global public goods: "Not only do climate externalities call for carbon tax to reflect the social cost of GHG emissions; corrective taxes can possibly be used for other environmental problems (waste, biodiversity), and other global public goods such as health (pandemics) or externalities in the financial sector (crypto assets)." (Keynote Address, Vitor Gaspar, Director of Fiscal Affairs, IMF)

In parallel with the BEPS framework, three main international tax developments will impact the Commissioner for Revenue and other tax and customs administrations around the world.

These are presented in more detail below.

Tax Administration 3.0: The Digital Transformation of Tax Administration

In 2020, the OECD's Forum on Tax Administration (FTA) issued a discussion paper setting out a vision for the digital transformation of tax administration.[2] It emphasised that this process represented a paradigm shift, tracing the journey from the paper-based 'Tax Administration 1.0' with its traditional functions, through the shift to e-administration under 'Tax Administration 2.0', where most of the functions are digitised for increased speed and efficiency but where the fundamental processes remain the same, to a third and digitally transformed system. This system, Tax 3.0, makes full use of integrated digital and data analytic tools and allows for seamless interconnection between all stakeholders in the tax ecosystem. This is illustrated in Figure 5.

Figure 5
The Evolution of Tax Administration

Tax 1.0	Tax 2.0	Tax 3.0
Paper-based and siloed processes	Taxpayers became customers	Taxpayers' natural systems at the centre
Tax-administration centred view on how the tax system should operate	Increasingly taxpayer centred view has been adopted	Tax administration and other parts of government adopt processes to work seamlessly with those systems
	Tech and increases in digital data have enabled growth of e-administration	Tax administration becomes more resilient and agile
	Increased portfolio of e-services	
	Improved connectivity between tax administration and other areas of government	
	Better targeting of resources	

Source: OECD. 2020. Forum on Tax Administration.

[2] *OECD. (2020). Tax Administration 3.0: The Digital Transformation of Tax Administration. Forum on Tax Administration, OECD Publishing, Paris.*

Within the OECD's conceptual framework, most tax administrations, including in advanced economies, are at different stages of Tax Administration 2.0. Many key functions and processes are being gradually digitised, digitalised, and/or automated, largely in response to two pressures, the first internal, and the second external:

- A rising demand for efficiency gains in revenue collection to boost public finances; and,
- An increasingly tech-savvy taxpayer base expecting faster, ICT-based services.

Against this global backdrop, the FTA acknowledges that at country-level, tax authorities may face different realities and priorities and may be at varying stages of the digitalisation journey. Their intention in launching the Tax 3.0 concept was therefore to provide some coherence and consistency across these national efforts in administrative reform, providing an overarching framework based on common elements and identifying a clear set of shared goals.

Tax Administration 3.0 identifies six core building blocks for digital transformation as defined in Table 1.

Table 1
Building blocks of Tax Administration 3.0

Block	Definition
Digital identity	Enabling the secure and unique identification of taxpayers allows administration processes (communication, tax return filing, incorporation of other data sources, self-service options etc.) to be matched to individual taxpayers. Under 3.0, this is a prerequisite for the interoperability/joining up of systems to create seamless/frictionless administration.
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..
Data management and standards	Creating the framework for how the administration manages data most effectively to maximise compliance and minimise 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.
Tax rule management and application	Creating and distributing tax laws in administrable and verifiable formats to allow stakeholders to integrate tax rules within their preferred systems, including as they evolve, while providing robust and increasingly remote reassurance to the administration.
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.
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.

Two core messages are pertinent to this transformation exercise, and these are presented below:

- Taxpayers operate within 'natural systems,' defined by the FTA as 'the different systems that taxpayers use to run their businesses, undertake transactions and communicate.' Tax administration 3.0 has the potential to move the taxation process closer to these interconnected systems, building compliance and reducing the taxpayer burden. This is also tied to the concept of 'frictionless' and 'seamless' taxation. The document states: "As these opportunities increase, it may be possible to make significant inroads into the structural limitations of current tax administration which can lead to persistent tax gaps, large amounts of uncollected tax debt and continuing, and in some areas growing compliance burdens."

- While Tax Administration 3.0 represents a paradigm shift in how tax is administered, according to the FTA the change process is expected to be incremental. This is partly due to likely resource limitations – particularly since implementation cannot detract from dealing with the day-to-day business of collecting public revenues - and partly because it requires close co-operation with other parts of government, the private sector, and international partners.

Europe's plan for fair and simple taxation

As the economic impacts of the COVID-19 pandemic emerged, the European Commission highlighted the importance for Member States to have secure tax revenues to boost effective aid for people and businesses in need. To achieve this, the Commission maintained, having "fair, efficient and sustainable taxation is key."[3]

In line with this statement, the Commission issued a new Tax Package in July 2020 aimed at reinforcing the capacity of national tax authorities to fight tax abuse, adapt to the evolving economic conditions, and ease the administrative burdens for citizens and companies. This Package starts from the premise of 'securing prosperity through fair taxation' and defines three specific but complementary initiatives to work towards this aim.

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[3] *European Commission. (2020). An Action Plan for Fair and Simple Taxation Supporting the Recovery Strategy. COM(2020) 312 final.*

1. Tax Action Plan for Fair and Simple Taxation Supporting the Recovery

   A set of 25 initiatives to be implemented by 2024 to make taxation fairer, simpler, and more adapted to modern technologies. The Tax Action Plan sets out measures to:

   - Reduce tax obstacles and unnecessary administrative burdens for businesses in the Single Market. Tax simplification will improve the business environment, enhance business competitiveness, and contribute to economic growth.

   - Help Member States enforce existing tax rules and improve tax compliance, ensuring they can secure reliable tax revenues.

   - Help tax authorities better exploit existing data and share new data more efficiently, in a way which will improve the enforcement of tax rules and help combat tax fraud and evasion more effectively.

   - Promote taxpayers' rights, by increasing their awareness of their rights under EU law, simplifying their obligations and facilitating their compliance.

2. Revision of the Directive on administrative cooperation (DAC7)

   The Commission has proposed amending DAC7 to extend the EU tax transparency rules to digital platforms. Member States will automatically exchange information on income generated by sellers on digital platforms. This will allow national authorities to identify situations where tax should be paid and reduce the administrative burden placed on platforms which have to deal with different national reporting requirements.

3. Communication on Tax Good Governance in the EU and beyond

   The Communication on Tax Good Governance aims to further strengthen how the EU can promote transparency and fair taxation. This includes a reform of the Code of Conduct and improvements to the EU list of non-cooperative jurisdictions. The Communication also outlines the EU's approach to assisting developing countries in the area of taxation, in line with the 2030 Sustainable Development agenda.

The future of the Customs Union

Fifty years on from the creation of the Customs Union, the European Commission in collaboration with the EU Policy Lab issued a report entitled 'The Future of Customs in the EU 2040: A Foresight Project for EU Policy'.[4]

This report highlights the increased speed and complexity of the customs landscape and lays out the key changes required for adaptation, reinforcing the main goals of the original Union, i.e., protecting the Single Market and European citizens. It identifies the key challenges facing the global and European customs ecosystem, including the fast-evolving international trade landscape, environmental pressures, and digitalisation, before articulating a vision of a future-proof EU Customs that "fully protects society, the environment, and the EU economy." Recommendations factor in four possible scenarios to ensure achievable goals:

- Customs for Society serves a peaceful world with dynamic EU economic development.
- A Protected Union operates in a conflicted world with dynamic EU economic development.
- Customs Under Strain functions in a conflicted world with slow EU economic development
- A No-Stop Shop confronts a stalling EU economic development yet a peaceful world.

[4] *Ghiran, A., Hakami, A., Bontoux, L. and Scapolo, F., (2020). The Future of Customs in the EU 2040, EUR 30463 EN, Publications Office of the European Union, Luxembourg.*

The overarching vision is built around the following insights and recommendations:

- Addressing the governance challenge by creating a joint governance structure to manage EU Customs, referred to as the 'Act as One, Seen as One' goal: This proposes replacing the current fragmentation and unequal distribution of resources stemming from having different national tax authorities with the administrative efficiency enabled by having a centralised, joint governance structure to operationally manage the Customs Union.

- Leveraging tech advancements and making the most effective use of customs data: This looks towards enhanced harmonisation of national customs' IT systems paving the way for achieving the full benefits of tech, such as AI, IoT and 3-D printing, to achieve high levels of data collection, use and exchange.

- Taking business support and trade facilitation to the next level: this sets key goals for achieving this objective, including the creation of a fully integrated IT Customs system, Smart Border Crossing, common EU Sanctions system, and the implementation of the Single Window as well as the development of the next level Single Window.

- Ensuring the right skills and competencies for EU Customs' future: This determines that the rapidly changing legal, trade and tech environment requires 'constant learning' from customs staff; investment will be allocated to reskilling and upskilling as well as attracting talent; opportunities for harmonising education and training to provide consistency should be provided.

- Driving reforms at the international level through a strong, united European position: By strengthening and centralising its governance structures the European Union could play a larger role in driving international reforms in the trade and customs areas, allowing EU Customs to "speak with one voice and have a strong influence within international organisations (such as WCO, WTO, OECD)."

'Europe 2040' is the overarching strategic framework for customs-related interventions at the EU level. It has fed into the Commission's 2020 Customs Action Plan, which is intended as a first step towards achieving the 2040 vision, as well as the implementation plan for the Union Customs Code (UCC).

One can identify several other external drivers of change which are listed in Table 2.

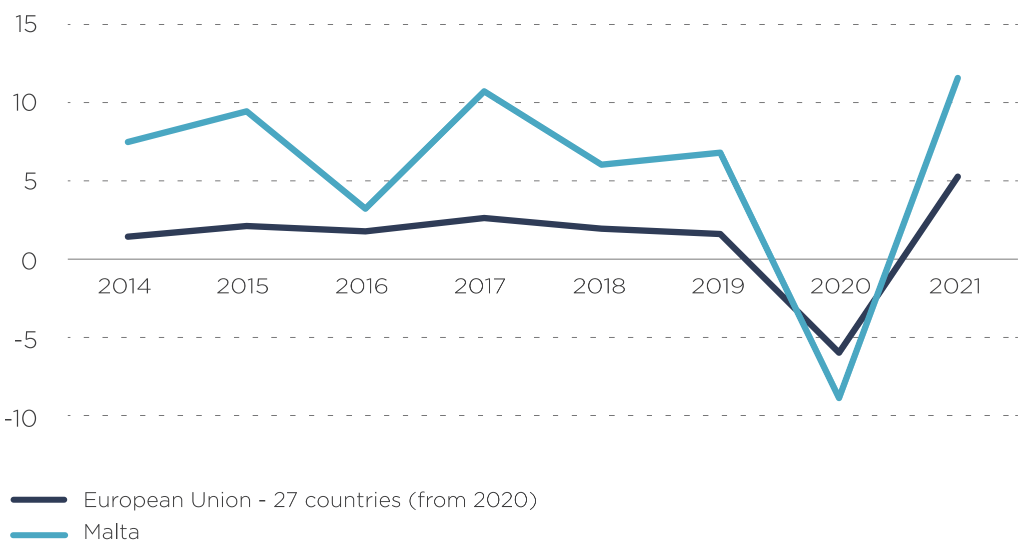
Table 2
External drivers of change

Driver of change	Definition
Evolution of economic systems	The persistent trend toward globalisation entails a significant increase in the magnitude and complexity of investments and international commercial and service transactions. The effects of increasing globalisation on the economy, are already apparent. The difficulty in controlling transfer prices is widely known. Unless an organisation is established at world level to provide guidelines on how to address these and other problems resulting from the globalisation of the economy, the future of taxation of corporate income looks fairly uncertain. New opportunities for electronic commerce will force tax administrations to grapple with the question of what should be taxed and where the burden of taxation will be placed.
Technology	The rapidly increasing pace of technological change will have a significant impact - positive and negative, direct and indirect - on tax administrations. Information technology, which includes telecommunications and computerised systems, looks set to increase productivity substantially, with savings in time as well as money, while at the same time affording customers a better service. On the other hand, the human element is affected by technological changes in different ways, by making jobs more important for some, while posing a threat to others.
Greater interdependence between tax policy, legislation, and administration	There is a trend in tax administrations toward tax simplification to improve compliance and reduce costs. To simplify the tax system, many countries are making use of systems for presumptive assessment of taxes, while others resort to the introduction of new taxes on consumption or the reduction of direct and indirect tax rates for individuals and small businesses. In addition to simplification through changes in tax legislation and policy, simplification is being achieved at the administrative level through forms that are easy to read and understand, by reducing the number of forms, and by introducing simpler internal rules, regulations, and procedures. In this sense, there is a need for coordination between the people who take part in formulating and elaborating tax policy and legislation, and the people in charge of the tax administration process itself.
Need for professional talent	The progressive and rapid increase in the magnitude and complexity of economic relationships (particularly at the international level) as well as the changes in technology and its increasing sophistication are some of the factors that make it necessary to seek highly professional officials for those administrations.
Anti-Money Laundering/ Countering the Financing of Terrorism	The global fight against money laundering and the financing of terrorism has also brought in a new set of responsibilities for tax authorities. It is essential to provide rules and regulations that will grant tax administrations sufficient competencies to carry out their responsibilities of verification

The local context

Over the past decade, Malta registered strong economic performance as shown by robust growth and a buoyant labour market. As a result, Malta entered the pandemic crisis on a relatively firm economic footing. Malta's economy boomed in the years before the pandemic, with GDP growth averaging 6.7 percent in 2014–2019, significantly higher than the EU average of 2 percent (see Chart 1). The Government pursued a pro-growth strategy, including labour market and power sector reforms and digitalisation. The service sector, in particular information and communications technology (ICT), professional and scientific activities, and remote gaming, thrived as key growth engines. Tourism also registered new records. The combination of all these factors allowed Malta's per capita income to grow faster than the EU average.

Chart 1
Real GDP growth rates (%)

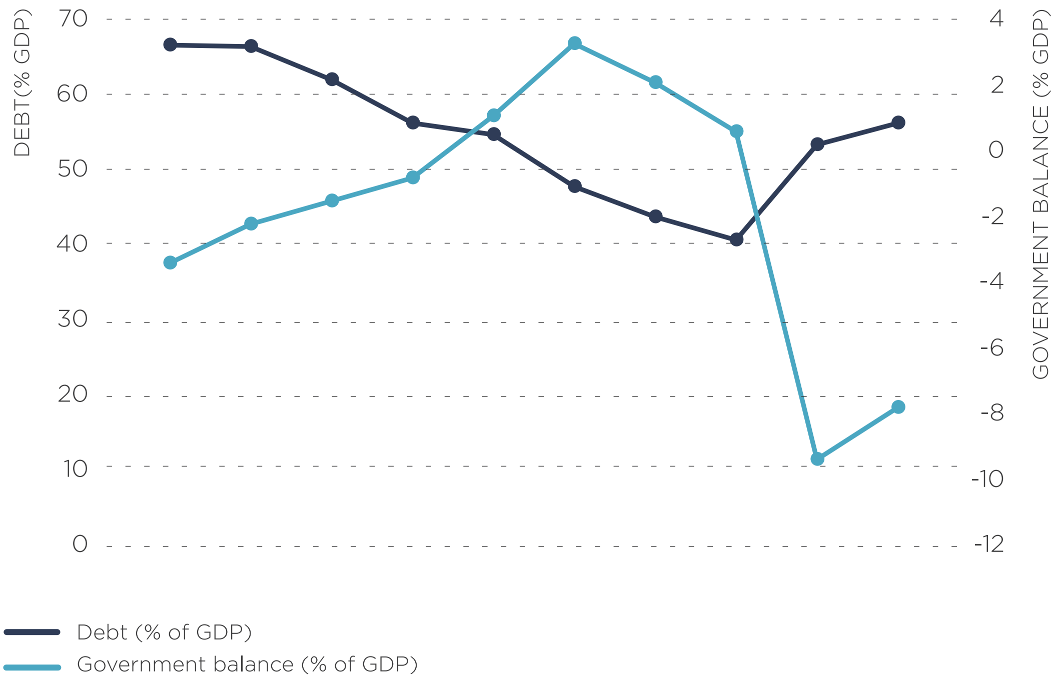


Source: Eurostat

Despite a deeper dip in GDP during the recession, Malta's economy rebounded much faster than the European average on account of significant support by the Maltese Government. The Government's fiscal response to mitigate the fallout from the COVID-19 crisis was swift and decisive. Sizeable fiscal measures were announced in March 2020 to support firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Additional measures were subsequently announced in June and October 2020 to lower business costs and stimulate domestic demand.

Altogether, COVID-19-related measures amounted to 5.1 percent of GDP in 2020, more than half of which was spent on the wage supplement scheme. As a result, the fiscal buffers that were built throughout the pre-pandemic period were reinvested into the economy, with the Government balance swinging to the deficit and the downward trend in public debt reversed as shown in Chart 2.

Chart 2
Public finance



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt (% of GDP)	66.6	66.4	62.1	56.2	54.7	47.8	43.7	40.7	53.3	56.3
Government balance (% of GDP)	-3.4	-2.2	-1.5	-0.8	1.1	3.3	2.1	0.6	-9.4	-7.8

Source: Eurostat.

Throughout the period under review, tax revenues supported fiscal consolidation efforts however were impacted by the pandemic due to subdued activity and the introduction of a tax deferral scheme. Table 3 presents a breakdown of tax revenues from 2018 to 2021.

Table 3
Structure of tax revenues

€000

	2018	2019	2020	2021
Indirect Taxes	**1,593,846**	**1,638,496**	**1,418,309**	**1,608,593**
VAT	919,663	934,319	849,405	1,000,703
Import Duties	13,633	18,236	15,134	21,879
Taxes on Products (incl. excise duties)	605,284	615,837	481,505	499,152
Other Taxes on Production	55,265	70,104	72,266	86,860
Direct Taxes	**1,671,106**	**1,853,096**	**1,707,419**	**2,057,060**
Personal Income Tax	898,797	985,797	1,018,914	1,203,939
Corporate Income Tax	689,794	772,762	600,314	757,119
Other Income Tax	4,307	5,334	4,009	5,672
Other Current Taxes	57,508	63,093	61,564	60,989
Capital Taxes	20,699	26,110	22,618	29,340
Social Contributions	**764,777**	**800,078**	**838,172**	**914,782**
Employers'	305,589	324,350	338,237	380,703
Employees'	303,779	322,279	336,004	377,114
Self- and Non-Employed	49,928	51,981	61,951	52,799
Imputed Social Contributions	105,481	101,469	101,980	104,167
Total Tax Revenues	**4,029,729**	**4,291,670**	**3,963,900**	**4,580,436**

Source: National Statistics Office

With a tax-to-GDP ratio of 32 percent, Malta had a strong revenue performance in 2021 that reflects the sharp rebound in economic activity after the pandemic. Malta's tax burden ratio (tax-to-GDP) has hovered around 10 percentage points lower than the EU average as shown in Table 4. There was good growth in personal income taxes while VAT and excise performance, compared to GDP, is flat.

Table 4
Structure of tax burden

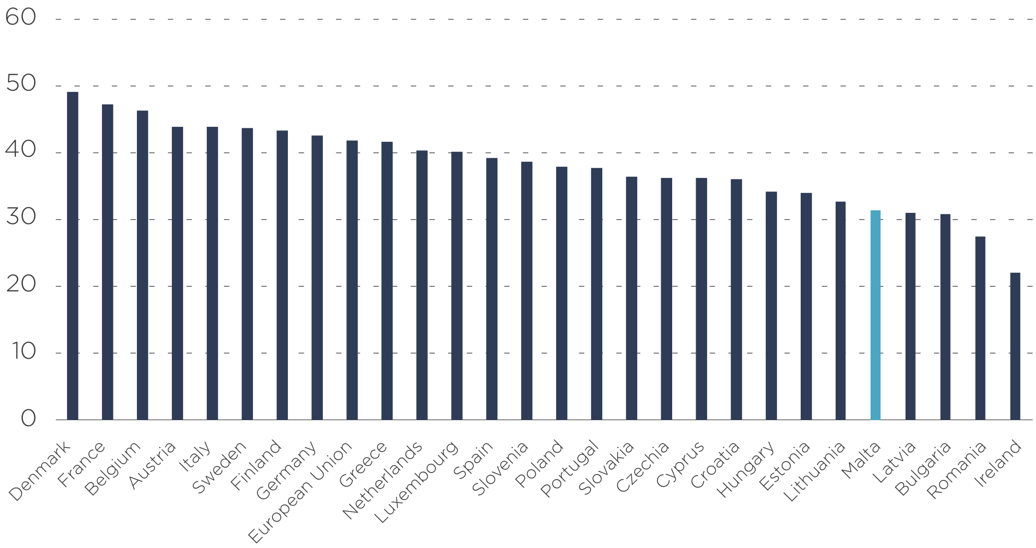
per cent

	2018	2019	2020	2021
Indirect Taxes	**12.3**	**11.7**	**10.8**	**11.0**
VAT	7.1	6.7	6.5	6.8
Import Duties	0.1	0.1	0.1	0.1
Taxes on Products (incl. excise duties)	4.7	4.4	3.7	3.4
Other Taxes on Production	0.4	0.5	0.6	0.6
Direct Taxes	**12.9**	**13.2**	**13.1**	**14.0**
Personal Income Tax	6.9	7.0	7.8	8.2
Corporate Income Tax	5.3	5.5	4.6	5.2
Other Income Tax	0.0	0.0	0.0	0.0
Other Current Taxes	0.4	0.4	0.5	0.4
Capital Taxes	0.2	0.2	0.2	0.2
Social Contributions	**5.9**	**5.7**	**6.4**	**6.2**
Employers’	2.4	2.3	2.6	2.6
Employees’	2.3	2.3	2.6	2.6
Self- and Non-Employed	0.4	0.4	0.5	0.4
Imputed Social Contributions	0.8	0.7	0.8	0.7
Overall tax burden	**31.1**	**30.6**	**30.3**	**31.2**
Overall tax burden (EU)	**41.1**	**41.0**	**41.1**	**41.7**

Source: National Statistics Office, Eurostat.

On a European level, Malta remains one of the countries with the lowest tax burden as shown in Chart 3.

Chart 3
Tax burden in the EU
Tax Revenue-to-GDP, 2021 (%)



Source: Eurostat.

Added to this, Malta has a significant tax gap and percentage of arrears. The latest European Semester report (May 2022) refers to Malta's significantly higher levels of outstanding tax arrears compared to the EU-27 average, calculating these to be fourfold higher than the EU average. It also reports that the VAT gap (an indicator of the effectiveness of VAT enforcement and compliance) has increased in Malta to 23.5 percent, significantly above the EU-wide gap of 10.5 percent.

In this context, since raising or creating new taxes is difficult in the current environment, the Government's top priorities are further improving tax compliance and collection and increasing expenditure efficiency to safeguard the trend towards fiscal consolidation.

In 2012, all revenue-generating departments within the Ministry for Finance and Employment were integrated under the responsibility of the Commissioner for Revenue following the enactment of the Commissioner for Revenue Act (Cap. 517).

This consolidation of the Government's primary revenue collection processes within one overarching organisation aimed to increase efficiency and strengthen Malta's fiscal capacity, fairly and effectively maximising the funds generated for public services while ensuring a more seamless interface with taxpayers (household and corporate).

This 2012 Act resulted in the Office of the Commissioner for Revenue assuming responsibility for the following three key revenue-generating roles:

- Tax administration and collection, operating under three primary laws:
    - The Income Tax Act (Cap. 123);
    - The Value-Added Tax Act (Cap. 406);
    - The Duty on Documents and Transfers Act (Cap. 364).
- The collection of social security contributions.
- The collection of taxes and duties associated with the import and export of goods through the Customs Department.

This integration also meant that different revenue-generating departments which formerly worked independently in terms of leadership, policies, processes, and procedures, now moved towards alignment within one single entity.

These revenue departments are those responsible for VAT, Income Tax, and Customs, each of which is a large and complex organisation. To date, Customs retains a separate Budget Vote to the Commissioner for Revenue.

On this basis, the Commissioner for Revenue has overall responsibility for the collection of the revenue streams outlined in Table 5.

Table 5
Taxes collected in Malta

Direct Taxes	Indirect Taxes	Social Security Contirbutions
Personal Income Tax	VAT	Employers’ SSC
Corporate income tax	Import duties	Employees’ SSC
Capital Taxes	Taxes on products	Self/Non-employed SSC
Other income/current taxes		Imputed SSC

Conclusion

This section presented both the international and local context. The international tax environment continues to go through ongoing change and debate. The global economic environment remains fragile and countries, including Malta, need to rebuild fiscal buffers following the significant intervention in the economy to support livelihoods throughout the pandemic and beyond. This fragile environment requires national tax agencies to enhance their efficiency and the effectiveness of voluntary compliance to protect their national tax base and support the livelihoods of their taxpayers.

The *What*

Developing an organisational design blueprint and change framework

The previous section provided an overview of the international and local environmental contexts of taxation together with the expected changes over the years to come.

This analysis outlines the context within which the organisation needs to operate in the future, given the fast-changing taxation and regulatory landscape. Based on the future direction, through this section, the report charts the requirements of what a modern, efficient, and effective tax collection and customs organisation - a Malta Tax and Customs Administration - should look like. This chapter presents an organisational design blueprint that will help shape, structure, and guide the organisational transformation process.

Introduction

Organisational transformation requires the design and development of a blueprint that allows for the development of the future state of the organisation, the end goal of the transformation. In addition, a transformation exercise requires the creation of a holistic framework that will serve as a guide towards a structured change management process. This chapter outlines the desired state of the organisation and identifies six key drivers of change that must be addressed if the organisation is to be future-proof and able to operate in the future regulatory context. It then articulates a set of organisational design principles across several dimensions that will allow the new organisation to achieve the target state and harness the drivers of change

This will in turn lead to the identification of the ten transformational goals which will form the basis of a holistic transformational framework that will be presented at the end of this section, and which will serve as the foundation of the change process. The structure and logic of this chapter are presented in Figure 6.

Figure 6
Process of developing the transformation framework

Source: MTCA

Defining a desired state

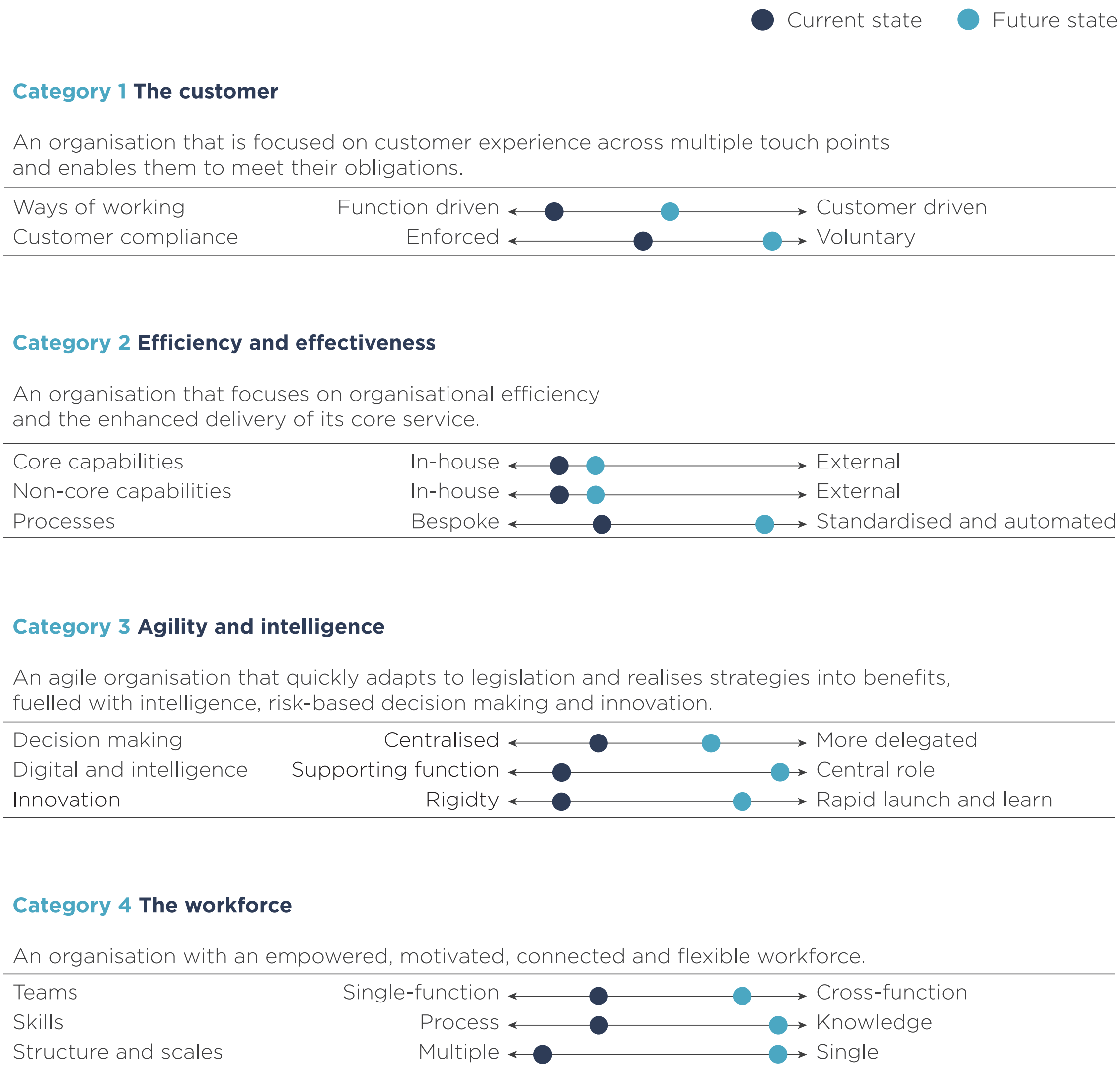
In defining the desired state of the organisation, four main domains are identified. The domains will be used to assess the current state and to chart future aspirations. The categories of transformation are:

- The customer – a future Malta Tax and Customs Administration is envisaged as a customer-centric organisation;
- Efficiency and effectiveness – these are key attributes that the organisation aspires to achieve as a public sector organisation;
- Agility and intelligence – given the fast-paced and data-driven environment the organisation is operating in, it requires these attributes to become efficient and effective; and,
- The workforce – any future-proof organisation requires an empowered and knowledge-based pool of talent.

For each of the above categories of transformation, the document defines the organisation's future aspirations based on the characteristics required to operate in a fast-changing regulatory environment while meeting the local imperative of having an effective and efficient revenue collection organisation. In addition, on the basis, of detailed research and consultation with main stakeholders including management, employees, customers and professional stakeholders, an assessment of the current state of the organisation is outlined.

The divergence between the current and future states indicates the magnitude of the transformation required to achieve the target state. This analysis is presented as a set of continuums as illustrated in Figure 7.

Figure 7
Future state organisation blueprint



Source: MTCA

This assessment not only sheds light on the current situation but more importantly provides the basis of how the organisation needs to be designed and the magnitude of the intervention required. In addition, such an assessment is important as it makes the organisation fully aware of the drivers of change emanating from the environmental context in which it operates.

Drivers of change

From the contextual analysis, one can identify various environmental drivers of change which require the Commissioner for Revenue to transform and future-proof itself. The regulatory landscape is becoming more complex, integrated, and fast-paced. To embrace this, the organisation needs to change from within and several factors can be highlighted as being the drivers of such changes. These are listed in Figure 8.

Figure 8
Drivers of change

- Pro-active and customer centric organisation
- Data and intelligence-led organisation
- Local and foreign alliances and collaborations across different departments
- Organisational and policy agility through innovation and change
- Motivated workforce with high retention rates
- Focused on achieving voluntary compliance whilst having a strong enforcement culture

Source: MTCA

These requirements necessitate a tailor-made transformation process which seeks to address these dimensions by building the right capacity and capability for the organisation.

We understand that this knowledge allows us to chart renewed vision, mission, and value statements for the organisation whilst anchoring its client-centric approach around a few strategic priorities.

Design principles and objectives

In setting out a transformation roadmap for the organisation which will encompass both the tax and customs functions, several design principles and objectives were identified across the following four categories:

- customer experience;
- organisation efficiency and effectiveness;
- agility, innovation, and intelligence; and
- workforce.

One of the main pillars of the transformation is to make the organisation more customer-centric and thus enhance the **consumer experience**, with a focus on increasing voluntary compliance. To facilitate this, the organisation needs to be designed as a customer-centric one, with a focus on the client experience throughout the lifecycle of interaction with the organisation. Here the focus is on multiple channels of service delivery and customer service to facilitate voluntary compliance.

Organisational **efficiency and effectiveness** are critical especially for a tax and customs revenue collection administration. Here, the focus needs to be on embracing digital technology and transformation and ensuring that the organisation can measure its performance. With the proliferation of digital tools, it is important that the organisation can effectively leverage third-party expertise to ensure that it is not constrained by the lack of internal resources and specialisations required.

Moving forward, **agility, innovation and intelligence** will be hallmarks of a transformed organisation. The fast-changing regulatory landscape requires a tax and customs administration to be agile and to leverage intelligence from the data generated. Here the governance and organisational design will be critical in facilitating such activities together with the processes and tools available to the organisation to truly leverage intelligence from data. Collaboration will be key, especially across the different functions and branches and getting the governance structure right will be pivotal.

Finally, the **workforce** will continue to play a key role in ensuring that the organisational transformation is a success. Here, having the right skillset will be a fundamental element for the effective and efficient organisation the Administration aspires to be. In addition, a motivated and empowered workforce requires having the right reward arrangements in place and here the current workforce structure needs to be retained and simplified. Finally, performance management will play a key role in ensuring that the workforce can meet business needs.

For each of the above categories, several organisational design principles were identified which will guide the transformation framework. The principles are listed in Table 6.

Following this identification, the process focused on making several decisions from an organisational design perspective which consolidate the direction to be taken towards the organisation's future state. These decisions are presented in the next section.

Table 6
Organisation design principles and objectives

The customer	Structures and ways of working will be designed to enable, manage, and champion the customer experience of the future that will facilitate customer compliance from the start
	Organisation will be structured to keep pace with evolving channels, technologies, and shifting customer needs (including customer lifecycle services)
	Customer-facing (external and internal) parts of the organisation will be enabled by more customer-centric ways of working with customer metrics used as measures of performance.
	Services will be accessible through multiple channels and methods, including digital, mobile workforce, and collaboration with other government agencies.
Efficiency and effectiveness	Structures will be configured to enable non-core capabilities to leverage third party innovation and expertise.
	Core capabilities that direct overall design and integration of the ecosystem will be retained in-house.
	Continuous improvement will be embedded in the way the administration works, consistently increasing the effectiveness and efficiency of all services delivered.
Agility and intelligence	Policy agility will be enabled by an agile structure, adaptable technology, process flexibility, and skilled decision making.
	Structures and organisational processes will improve information sharing and enhance relationships with government
	Effective decision making will be brought about through clear decision accountabilities and streamlined governance processes that focus on outcomes.
	Risk-based decision making will be enabled through readily available information, analysis, and value-based frameworks.
	Innovation will be enabled by removing structural barriers and through collaborative work practices.
The workforce	Individual jobs will be designed for meaningful work, motivated by congruent reward and support arrangements that deliver a strong employee value proposition.
	Individual performance measures will have a direct line of sight to the organisational performance
	Multi-disciplinary, problem-solving, and knowledge-based teams that are flexible and adaptive to meet business needs will be fostered.
	Formal and informal mechanisms will be established to connect the organisation internally and externally, creating an environment that fosters collaboration and thought leadership.
	Span of control and layers of management will be optimised and adaptable to promote the speed and accuracy of decision making.

Organisational design decisions

Following this analysis, one can outline the key organisational attributes of a future Malta Tax and Customs Administration that can embrace the changes that are occurring and are expected to continue happening in the future. To rise to the challenges ahead, the organisation needs to transform itself and be able to collect revenues efficiently and effectively in a customer-centric manner, focusing on voluntary compliance. To do so, it needs to equip itself with the right workforce, tools, and technologies to be an intelligence and data-led organisation.

To achieve this, the organisation the current Commissioner for Revenue aspires to become can be encapsulated in ten blueprints that will embody its future state and which will guide the whole transformation process, initiatives, and recommendations. These are defined in Table 7. These ten blueprints cover all the taxation and customs remits of the Administration.

Table 7
Organisational design decisions

1.	We will increasingly provide proactive customer assistance that is relevant to the customer lifecycle. We will be better at influencing customer compliance behaviour through rapid problem solving, greater use of analytics and technology, and more empowered staff.
2.	We will adopt a customer centric organisation model and establish clearer accountabilities to manage customers. We will integrate end-to-end services and have more focused delivery to influence customer compliance.
3.	We will consolidate information across the organisation and embed insight in the business. We will drive the sharing of information and use of intelligence to support effective decision making to meet organisational accountabilities.
4.	We will direct and design the revenue system and leverage delivery of processes to improve organisational effectiveness and efficiency. We will drive value to government while protecting the integrity of the system.
5.	We will consolidate and streamline the delivery of business services to increase the value to the organisation, our customers, and the government.
6.	We will manage strategic and advisory services more holistically to better direct the organisational strategy and steer the organisation towards achieving future readiness.
7.	We will elevate organisation and policy agility through integrated design and implementation of policy, change and innovation. We will better collaborate with stakeholders, to increase our ability to respond to environmental changes and quickly realise value.
8.	We will build stronger alliance and partnership management capability to support the fostering of relationships with private, intra/inter government and non-government sectors. We will achieve greater value of services through our partnerships.
9.	Our future workforce will shift to become more knowledge based. Our people will focus more on problem solving and less on transactional processes. We will be a smaller future organisation with higher skills.
10.	We will motivate and enable the future workforce through enhanced workforce management. We will modernise our performance management, have more relevant employee value, renew our organisation culture, and ensure inspiring leadership.

Following the decisions that are expressed in Table 7, the next step is to develop and map out a transformation framework that will guide the Commissioner for Revenue and its employees to change the organisation and to develop it into a future-ready Malta Tax and Customs Administration.

The transformation framework

After having reviewed the research undertaken and analysed its findings within the organisation's internal and external environmental context, a transformation framework has been mapped out to chart a holistic approach towards this process.

The framework is based on a few dimensions which are critical in developing the structure required to deliver such a transformation process. The framework aims present a holistic structure of the transformation which will serve as an anchor during the said process. The dimensions on which the transformation is based are presented in Table 8.

Table 8
Transformation framework dimensions

Dimension	Definition
Vision	What the organisation hopes to achieve or become in the future.
Mission	Communicates the purpose of the organisation.
Values	Reflect the organisation's core principles and ethics.
Clients	In building a customer-centric organisation, one needs to define its client groups.
Strategic priorities	Any organisation needs to set main priorities on which it will anchor its work and focus.
Enablers	Organisational elements that are needed to deliver on the priorities are grouped together in a number of strategic actions.

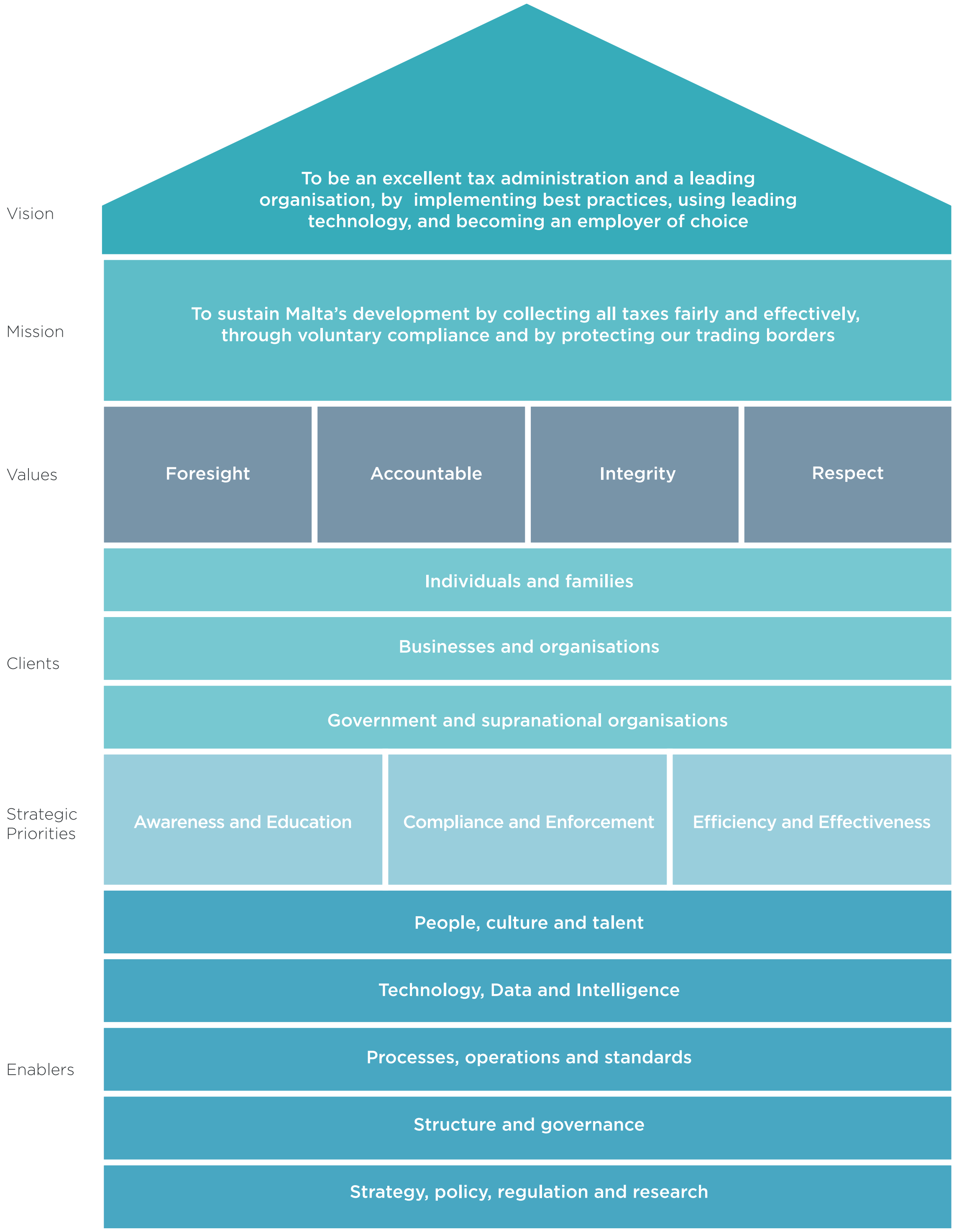
Source: MTCA

From the research and analysis carried out, the Commissioner of Revenue is ready to embark on a transformation process which will see it focus on developing its identity, refocusing itself as a client-centric organisation as well as charting the strategic priorities and enablers to achieve the stated goals.

Based on the above, the framework the Commissioner for Revenue is adopting is presented in Figure 9. The organisation is renewing its vision and mission whilst articulating the values that will guide its work. As a client-centric organisation, it identifies its customers as three distinct groups which require specific approaches and skill sets. In addition, the transformation framework also highlights three specific strategic priorities with five enablers.

The following sections will delve into each element in greater detail and will present the initiatives that will be implemented under each enabler identified.

Figure 9
The Commissioner for Revenue transformation framework



Source: MTCA

The *Who*

Defining an organisational identity

Mission, vision, and values statements serve as the foundation for an organisation's strategic plan. They convey the purpose, direction, and underlying values of the organisation.

When developed and implemented thoughtfully and deliberately, these statements can serve as powerful tools that provide organisations with meaningful guidance, especially in times of rapid change.

This section articulates the new vision, mission, and value statement of the Commissioner for Revenue as it transitions to a future Malta Tax and Customs Administration, whilst also articulating its client groupings.

Introduction

Robust strategic planning is vital for a successful transformation, starting with strong mission, vision, and values statements that effectively define an organisation's identity and the principles and objectives that will drive change forward. On this basis they provide a reference point for internal and external stakeholders, supporting better understanding and communication throughout the change process. This section will therefore propose vision, mission, and values statements for the Commissioner for Revenue which will work together to capture and convey a holistic identity for the organisation, while reflecting its transformational goals and aspirations.

The section will then conclude with a high-level snapshot of the Commissioner for Revenue's three key client groups, since each is expected to have different expectations of, and engagements with, the Malta Tax and Customs Administration. This provides a broad framework for subsequent discussions on client segmentation, where the client base is broken down into sub-populations or segments with similar characteristics or features. In a tax and customs administration context, this differentiation improves the organisation's understanding of customer behaviours and demands. This not only informs customer service strategies but is also indispensable in identifying and assessing compliance risks and their effective response.

Vision

The vision statement describes the future of the organisation. It reveals what the entity aspires to be or hopes to achieve in the long term. The vision statement is inspirational and motivational but also provides direction, mapping out where the organisation is headed. In this regard, it serves as a guide for choosing current and future courses of action.

An effective vision statement should be concise, unambiguous, futuristic, realistic, aspirational, and inspirational. It should not be generic but rather focus on outcomes specific to the organisation.

When writing a vision statement, the following questions are usually considered to guide the process: where are we going moving forward? what do we want to achieve in the future?

The importance of setting a vision for tax and customs administrations in was highlighted by McKinsey in a recent study of future trends in revenue collection: "How can tax authorities position themselves for success over the next several decades, even as they are working tirelessly to address today's challenges? It starts by having a vision for what the future could look like and how tax authorities could thrive within it."[5]

[5] *Mckinsey and Co. (2021). Reimagining tax authorities for the future.*

This vision must therefore indicate the Commissioner for Revenue's transformation objectives, leading with a commitment to strive towards excellence. It also needs to be in line with current international tax transformation trends in terms of the key enablers selected for implementing change. In its latest recommendations on tax transformation (Tax Administration 3.0), the OECD's Forum for Tax Administration (FTA) identifies the following factors as key to securing 'digital transformation maturity':

- The integration of sound, proactive, and consistent practices to maximise compliance and collection, promoting transparency and trust.
- The targeted adoption of the right technologies.
- The provision of quality professional skills to form the backbone of the organisation, since the FTA stresses that a focus on digitalisation without a similar focus on human resources will not achieve the desired results: "The key success factor is the intertwining of human staff and skills with advanced analytics and decision-supporting tools such as AI. This combination will support taxpayer compliance in the reducing number of areas where compliance choices remain. It will also detect anomalies, leakages, and flaws in the tax system. The agility of people, processes and systems assures that the tax administration can stay aligned with societal and economical change as well as respond to changes in circumstances, including crises."[6]

Taking a similar line, in its 2021 report on the future of tax authorities referenced above, McKinsey highlighted two key elements that were integral to the future of tax administration, both of which also apply to customs. The first is the integration of technology into every aspect of tax and customs operations; this not only improves compliance and the quality of decision-making but also enables more customer-centric processes, building better client relationships. However, this leads to the second element, which is the importance of the right human resources to drive this integration. The benefits of innovative tech and new operational models will not materialise without the right skills in place to apply them and, for this reason, tax authorities will need the right people strategies to attract and retain the right talent. In this context, the report states that such strategies could be based on a revamped image of careers in tax and customs administration, where this will be presented as a cutting-edge environment with opportunities for growth, and one which contributes to national security and the common good.

Other recent publications reviewed in preparation for this proposal indicate a broad consensus on a strategic vision for tax authorities undergoing transformation. These include reports by EY Global[7] as well as Deloitte[8]. The Deloitte report in particular centres its vision around striking a balance between digitalisation ('going digital to the core') and building the right talent.

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[6] *OECD. (2020). Tax Administration 3.0: The Digital Transformation of Tax Administration*
[7] *EY Global. (2017). The tax authority of the future: How tax authorities are using analytics to deliver new levels of value.*
[8] *Deloitte Global. (2020). The revenue agency of the future: Seven keys to digital transformation.*

We also believe that the Commissioner for Revenue's vision statement should also reference the organisation's non-fiscal role, perhaps referring to the vital importance of revenue collection in terms of the public good. A brief review of vision statements adopted by other jurisdictions (e.g., New Zealand, Ireland, and Canada) indicates that this aspect is often highlighted in the vision statements of other jurisdictions.

On this basis, the following vision statement is being adopted by the Commissioner for Revenue:

"To be an excellent and trusted tax and customs administration that collects revenue fairly and efficiently by implementing best practices, using leading technology, and becoming an employer of choice, in order to protect Malta's borders and contribute to its economic and social well-being."

Mission

The mission statement defines an organisation's purpose or reason for being. It guides the day-to-day operations of the organisation, communicates to external stakeholders the core solutions the entity provides in society, and motivates employees toward a common near-to-medium-term goal. In short, the mission statement paints a picture of who the organisation is and what it does. A good mission statement should only focus on what is most important to the organisation. It should be brief, clear, informative, simple, and direct and it should emphasize outcomes and the people the organisation is serving.

When writing a mission statement, the following questions are usually considered:

- What do we do today?
- Who do we serve?
- What are we trying to accomplish?
- What impact do we want to achieve?

On its website that the Commissioner for Revenue currently has, there is the following mission statement: "to collect, in a timely and efficient manner, the fair amount of taxes, to ensure that funds are available for Malta's public services."

While this statement is indeed an accurate description of the Commissioner for Revenue's core role, it may come across as somewhat passive, and more aligned with the traditional enforcement role of tax authorities.

Whilst retaining the reference to effective revenue collection, as well as the Commissioner for Revenue's vital contribution to public finances, a new mission statement needs to take a more client-centric approach by bringing in the element of 'voluntary compliance.' This is a shift away from the 'enforcement' focus and reflects the future Malta Tax and Customs Administration's commitment to building trust and improving communication between its' departments and taxpayers.

Following the merging of the different departments, the Commissioner for Revenue's new mission statement should also highlight the unique contribution made by the Customs Department in terms of protecting society, the environment, and the economy. This is in line with current thinking at the EU level, where the Commission is promoting the non-fiscal role of customs entities that goes beyond that of collecting customs duties and indirect taxes at import. In fact, in its 'Customs 2040' vision document, the European Commission highlights the importance of customs controls in safeguarding national safety and security, public health and the environment, as well as the indispensable support provided by customs authorities to enforcement agencies. The globalisation of trade, as well as that of organised crime and terrorism, has also resulted in a vastly changed and far more complex landscape within which national customs authorities must operate to safeguard national security and the public at large.

The IMF also highlighted the vital role carried out by the Customs Department in border control and real-time trade facilitation in its December 2022 Technical Report (para. 73).

On this basis, the following new mission statement is proposed for the Commissioner for Revenue:

"To sustain national development by collecting all taxes fairly and efficiently through voluntary compliance, while ensuring that customs controls are effectively applied to protect Malta's citizens, economy, and environment."

Values

Values are essential components of organisational culture, serving to consistently guide and inform decisions and behaviour. Given their role, it is essential for public tax and customs administrations to secure public trust and confidence. Adopting, applying, and communicating the appropriate values externally can support this process. Similarly, these same values guide employees to promote a positive code of behaviour across the organisation.

Four emphatic values are recommended which together act as an acronym for the word 'fair.' This captures the concept of 'fair taxation' as a fundamental value of modern tax policy. A definition of each of the chosen values is given in Table 9.

Table 9
Value statement of the Commissioner for Revenue

In exercising its duties the tax and customs administration will always act with fairness towards our clients

FORESIGHT	**A**CCOUNTABLE	**I**NTEGRITY	**R**ESPECT
The tax and customs administration will develop the expertise needed to ensure that it will always have the foresight to embrace change before change forces it to change	As an entity collecting tax and customs revenue, the tax and customs administration will uphold the highest values of accountability towards its clients and the government	The nature of our work requires us to employ professionals with a high level of integrity which is displayed in the exercise of our functions as an organisation	The tax and customs administration constantly works with different people and collaborates with a number of entities and departments, local and foreign. In its work and collaborations the administration will seek to always show respect

Clients

As the Commissioner for Revenue transitions into a more customer-centric organisation, it is essential to work towards a better understanding of the different groups that make up its client base. This is particularly important for a tax and customs administration, relative to other public functions since it is a branch of government that routinely deals with the largest share of the individual and business population.

As with most other tax and customs administrations, the Commissioner for Revenue has three main client groups as defined in Table 10.

Table 10
Client segments of Commissioner for Revenue

INDIVIDUALS AND FAMILIES	BUSINESSES AND ORGANISATIONS	GOVERNMENT AND SUPRANATIONAL ORGANISATIONS
Individual workers and households are a significant client cohort for the organisation which will have specific requirements and concerns. This is a large segment which has key sub-segments which may differ in terms of age (e.g. youths, families and pensioners) and employment status, or which may be engaging with the tax authorities due to a life event, such as education, property purchase or retirement.	A main component of taxation revenue is derived from businesses and organisations and this cohort is usually also occupied by professional tax advisors that support the businesses. This includes the trading community with respect to customs. As a result, the organisation needs a specialised customer service that is focused solely on this cohort given particular tax systems and scenarions.	The Malta Tax and Customs Administration ultimately collects revenue and protects the trading borders on behalf of Government. This makes Government the main client of the Administration. However in an age of increased international collaboration, the organisation also has supranational obligations and therefore needs to see this insitutional set-up as another client grouping.

The organisation already has some specific units in place that are geared to service particular taxpayer groups based on the form of taxation concerned – VAT is a clear example – however more can be done to segment these groups further and channel services and communications accordingly. This will support a transition from an approach based on specific taxation transactions by type, to a more holistic service provision based on a client segment's particular needs, integrating any transactions falling within the different forms of taxation which may apply to that segment.

This is increasingly important as economic activities become more diverse and complex, and society evolves. Malta is no exception to this, with the rapid economic restructuring that has recently been the norm, not least the acceleration of the digital economy and the pronounced shift to the tertiary sector. Socio-demographic changes are also having an impact, such as an ageing population, the rise of single-parent families and one-person households, and an increasingly multicultural population.

User segmentation has been increasingly promoted by the IMF and the OECD as a critical contributor to boosting customer-centricity and strengthening compliance strategies. In a 2007 guidance note, the Forum for Tax Administration within the OECD stated that user segmentation "enables differentiation by grouping users with common needs, attitudes and behaviour to maximise benefits for users and the organisation and increase value to users." In this recommendation, the OECD goes on to define a 'good' segmentation approach as having the following characteristics:

- It will categorise customers into mutually exclusive and statistically valid groupings.
- Within each grouping, customers are likely to have similar responses to revenue body services and treatments.
- Between different groupings, customers will have significantly different needs and responses to our services and treatments.

In line with this policy trend, user segmentation has been identified as a key action in the Commissioner for Revenue's transformation strategy, mainly as a compliance-boosting measure but also to improve services and customer engagement.

Conclusion

Articulating a renewed identity for the Commissioner for Revenue as it transitions to the future Malta Tax and Customs Administration is an important first step in the transformation process. This identity reflects the organisation's purpose, ambition, and ethics as a foundation for all the other transformational elements that will be explained in subsequent sections. The next section presents the strategic priorities that underpin the transformation process.

The *Where*

Defining the strategic priorities of our transformation

The proposed transformation framework is structured around three key strategic pillars built around the acronym ACE – Awareness and education; Compliance and enforcement; and Efficiency and effectiveness.

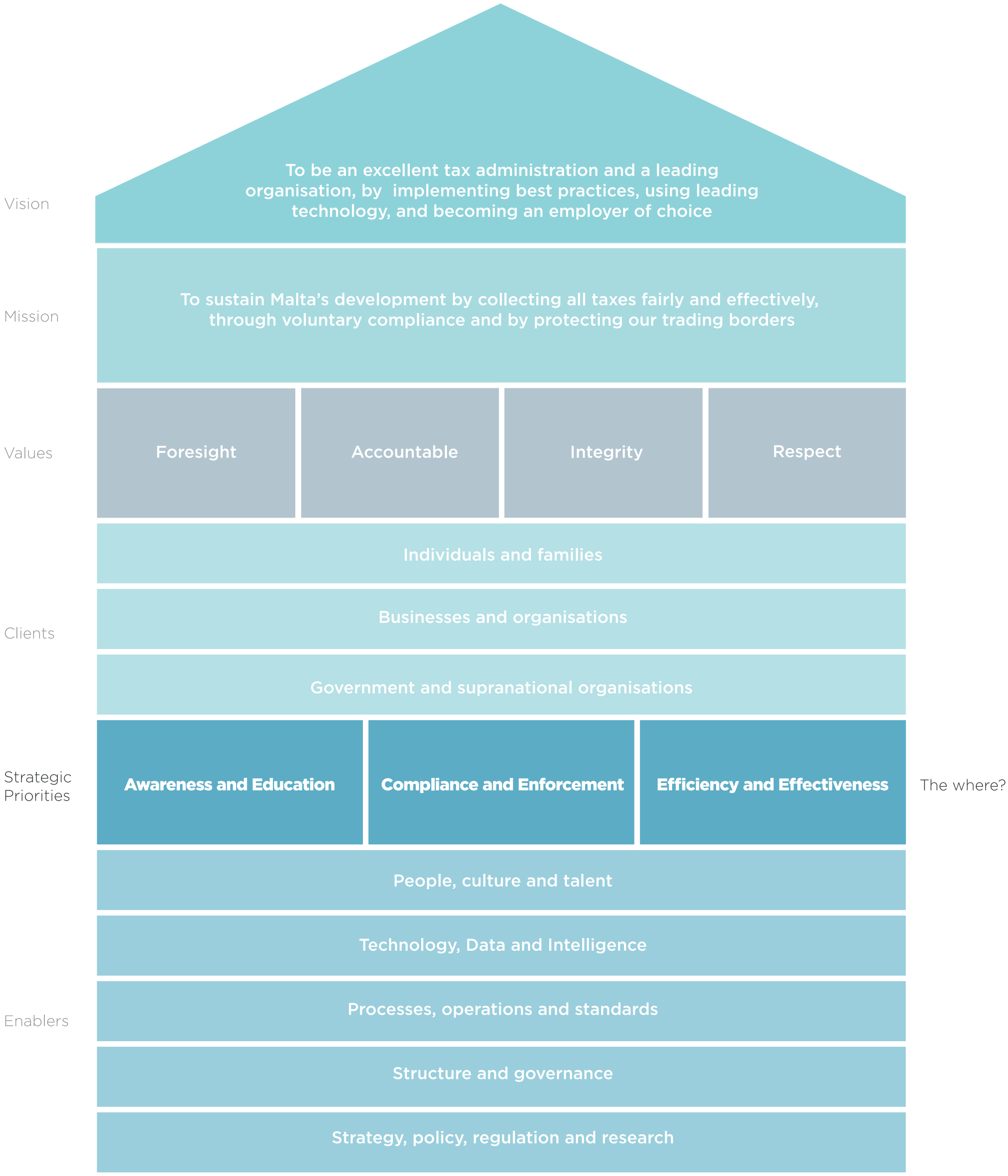
These pillars have been identified based on the research and consultations undertaken, the findings reviewed, and the newly articulated vision and mission of the organisation. This section will detail each strategic priority before moving on to the following section which will present the specific initiatives that will be undertaken to achieve the transformation.

Introduction

After having identified and articulated the Commissioner for Revenue's identity as an organisation by looking at its vision, mission, values, and client groups, this section will analyse where the organisation is heading, and how it is going to achieve the envisaged ambitious transformation into the Malta Tax and Customs Administration.

This section looks at these aspects, as illustrated on the next page in Figure 10.

Figure 10
The ‘where’ as part of the transformation framework



Source: MTCA

Strategic priorities are part of the core culture of the organisation. They are additional values to focus on how to achieve our vision and mission. This section will dissect the strategic priorities and focus on each of the three chosen priorities which will guide our work in the years to come.

Awareness and education

Taxpayer education is a means to building tax culture, compliance, and citizenship. It is not only about encouraging people to pay taxes but also about explaining taxation and its place in society. Citizens, whether taxpayers or not, benefit from understanding the effects of paying or not paying taxes, both on their daily life and on that of their country. They also benefit from practical knowledge or assistance, for instance on how to fill out their tax returns. By increasing tax literacy and tax morale, taxpayer education also results in taxpayers being more likely to help tax administrations fight tax evasion and tax fraud.

In current research[9], taxpayer education is often presented together with deterrence and tax morale as the three components of tax compliance:

- Tax deterrence is linked to penalties and other risks for those who do not comply with their obligations.
- Tax morale is generally defined as "the intrinsic motivation to pay taxes".[10]
- Taxpayer education is often seen as a sharing of knowledge regarding the tax system with taxpayers.

Taxpayer education is a long-term strategy which aims to build a culture of voluntary compliance, an aim that cannot be achieved in the short term. While some aspects of taxpayer education may show short-term impacts, the ultimate objective is almost always to establish long-term behaviours. Taxpayer education initiatives should therefore not be seen as one-off, short-term measures, but rather as part of a continuing effort by the public authorities to positively influence taxpayers' perceptions. At its fullest extent, a comprehensive taxpayer education strategy should be aimed both at current taxpayers –companies and individuals, to fill the knowledge and information gaps they may have on tax – and at future taxpayers, to create favourable conditions by helping them understand that tax is the basis of a cohesive society.

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[9] *Mascagni, G. and F. Santoro. (2018). What is the Role of Taxpayer Education in Africa?. ICTD African Tax Administration Paper, No. 1, International Centre for Tax and Development, Brighton.*

[10] *OECD (2019), Tax Morale: What Drives People and Businesses to Pay Tax?, OECD Publishing, Paris*

While there is no single definition of taxpayer education, it is a means of empowering taxpayers, giving them knowledge and tools to be able to better understand the tax system, increase their tax morale and finally, increase tax compliance. Nevertheless, it is not a magical tool; initiatives need to be carefully designed to achieve these goals.

In a survey and report published by OECD (2021)[11], taxpayer education includes initiatives aimed at building a culture of tax compliance by:

- teaching taxpayers, providing in-depth tuition, building new knowledge and skills;
- using communication tools to raise awareness in taxpayers of the different aspects of tax, including obligations, deadlines, taxpayer rights and how taxes are spent; and
- providing taxpayers with practical assistance in tax compliance.

The Malta Tax and Customs Administration as a knowledge leader

Awareness and education should also extend to specialised audiences within the Maltese tax and customs ecosystem. These may include individual tax practitioners and other professionals in the private sector, advisory firms, as well as business and employer organisations. In this space, the Commissioner for Revenue can build its role as a knowledge leader on all matters related to taxation, duties, excise, and border control.

This role would involve, at a minimum, the development and communication of structured tax and customs information and guidelines for key stakeholders in the field. In addition to online or print dissemination, such information could be delivered interactively – through regular events such as seminars or conferences - to promote engagement and dialogue. If this knowledge leadership role is sustained and consistent, as opposed to one characterised by sporadic events or communications, a potential outcome is increased clarity and understanding of tax and customs policies and procedures at a practitioner and business level across the private sector, as well as enhanced collaboration between these stakeholders and the Administration.

Beyond this knowledge leadership, there is also scope for the Commissioner for Revenue to develop a specialised training role through tax and customs-related courses and programmes. This role could take the form of a Tax and Customs Academy offering accredited training at different levels. This strategy would directly support the Administration's drive to improve specialised skills in this area and potentially boost its recruitment efforts in the medium-to-long term.

[11] *OECD (2021), Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education, Second edition, OECD Publishing, Paris*

Teaching tax initiatives

Teaching tax initiatives are designed to create in-depth engagement with the participants and generally involve interactive dialogue between the participants and those delivering the programme. Teaching tax initiatives seek to communicate complex messages and promote deep thinking among the participants. These messages may vary, from the role of tax in citizenship to more technical aspects of the design and functioning of specific taxes, but they all require an approach that provides the time and space for participants to think, respond and ask questions.

The Commissioner for Revenue will be looking at ways to enhance the teaching of tax to the general population. The professional sector that is well-versed in taxation and mandatory continuous professional education for accountants and lawyers is contributing to improved knowledge in this area. However, we need to focus more on the non-professional cohorts by looking at ways to work hand in hand with educational stakeholders to start infusing the concept of tax morale and integrity within the broader educational framework.

Communicating tax initiatives

Communicating tax initiatives are focused on raising awareness among taxpayers regarding different aspects of the tax system. This can include awareness of rights and obligations or changes in the tax system or may address issues facing specific groups of taxpayers or promote improvements in the perception of the tax system and administration.

The Commissioner for Revenue already engages in various communication campaigns, especially aimed towards the submission of tax returns. The Office will embark on an internal exercise to determine the effectiveness of such campaigns and to tweak them as necessary whilst it will continue to invest in building its brand and identity as well as its public relations arm to enhance its communication with the taxpayer and public.

Practical assistance initiatives

Practical assistance initiatives provide direct assistance to taxpayers in fulfilling their compliance obligations. Tax can be complex, especially for those unfamiliar with the compliance processes. Practical assistance initiatives can be integrated into the development of new tools and services. While new, generally digital tools and services are designed to make compliance easier, some taxpayers need support to encourage them to move to new tools. Practical assistance programmes can help in such transitions.

The Commissioner for Revenue already provides direct assistance and customer care, however our transition to a more client-centric organisation will support our focus on supporting the public through practical assistance. The integration of new digital tools as part of a broader digital transformation will also support this critical element in tax awareness and education.

Taxpayer education initiatives can play a vital role in contributing to improved tax morale and voluntary compliance, and this contribution can be maximised by careful planning and design. To this end, the Commissioner for Revenue will embrace tax awareness and education as a strategic priority going forward.

Our thinking is motivated by several benefits which we believe tax awareness and education can confer on society. The more taxpayers pay their fair share of taxes, the more resources are available to develop the country, build infrastructure and offer services to them. These resources improve taxpayer's daily life and that of their children. The question for taxpayers is no longer whether they have to pay taxes or not, but rather what they pay taxes for.

Moreover, taxpayer education also benefits taxpayers more directly. Tax literacy can help people save money. They may learn, for example, about tax provisions that will legitimately lower their tax bills, how to avoid filing late or other pitfalls that might cause them to incur fines or penalties. Knowing these benefits exist, provides people with an incentive to engage in taxpayer education. It can also increase tax compliance in the long term by increasing tax morale.

Taxpayer education leads to increased tax compliance. The aim is for citizens to understand how the tax system works and benefits society, thus developing a culture of voluntary compliance. In addition, taxpayers must also be continuously and clearly informed of their rights and obligations, of approaching deadlines, and of legislative developments to be able to act accordingly. This is already done through information campaigns and awareness-raising activities of the tax administration, such as television and radio broadcasts, publications on taxation or outreach campaigns. Finally, assisting taxpayers in completing their tax returns and encouraging them to use the online services available to them can make their lives easier, save them time, and thus improve their compliance.

The second strategic priority the Commissioner for Revenue will be adopting is compliance and enforcement.

Compliance and enforcement

An efficient and effective tax collection is a prerequisite for financing and supporting our economy. It is of particular importance at the current juncture, where fiscal health will be critical due to the various challenges the global and local economies faced, namely the pandemic and the ensuing energy crisis. Tax avoidance and evasion undermine the revenue-raising and redistributive objectives of the tax system while providing offenders with an uncompetitive advantage over citizens who pay their taxes in full and on time. Tax evasion also leads to redistribution from those who do respect the rules to those who do not. It is therefore of prime importance to enhance tax compliance and to strengthen the enforcement arm of a revenue agency when a compliance gap exists.

Tax compliance can be defined as a "...taxpayer's willingness to comply with tax laws, declare the correct income, claim the correct deductions, relief and rebates and pay all taxes on time."[12]

Put in a general way, a compliance gap, which is defined as the gap between the taxes collected and the theoretical tax due, can result from the following factors:

- Lack of knowledge of tax obligations by individuals and businesses;
- Difficulty to understand the tax code and high costs of declaring income;
- Unwillingness to declare income;
- Unwillingness to pay taxes or pay taxes on time; and
- Ability to cheat/underreport.

The goal for revenue authorities is to collect the full amount of taxes and duties payable in accordance with the law. From a compliance perspective, tax authorities should aim at reducing the tax gap while at the same time having low costs of collecting taxes for the government and paying taxes for taxpayers. To achieve these objectives, governments may rely on a variety of tax administration policies.

Tax administration policy can be defined as a set of measures, procedures, and tools, which a tax authority uses to collect the full amount of taxes payable in accordance with the law in the most effective way and at the lowest administrative costs. This covers policies to facilitate and stimulate voluntary compliance, prevent and deter evasion, detect and combat tax fraud, to enforce compliance, as well as to effectively collect the taxes due. These policies are interlinked: facilitating voluntary compliance decreases the need for enforcement, while an effective enforcement policy will contribute to more voluntary compliance. In general, policies aiming at enhancing voluntary compliance, for example through the provision of high-quality taxpayer services, will result in greater trade facilitation, while enforcement policies will entail a further increase in administrative burdens on businesses. However, a tax administration policy needs to include both, and the challenge is to find a proper balance between the two elements.

Compliance relates not only to filing tax returns but to a much wider range of processes, many of which take place outside the view and control of a revenue body. Taking a 'Right from the Start' approach means shifting focus from the tax return as an end-product in itself, to the environment and processes that lead to the submission of the tax return. Instead of trying to find errors after they have occurred, the purpose is to prevent compliance errors from occurring in the first place.

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[12] *Palil, M. R. and A.F. Mustapha (2011), The Evolution and Concept of Tax Compliance in Asia and Europe, Australian Journal of Basic and Applied Sciences, Vol. 5 (11), pp. 557-563.*

In this view, the tax return is the end of the process, not the beginning. This is one of the main priorities of this strategic transformation being undertaken by the Commissioner for Revenue.

Going forward, the Commissioner for Revenue would like to take a compliance approach based on the principle that the revenue body has a role to play in creating an environment that promotes compliance. Investment in such an environment will generate payback in terms of voluntary compliance and correct tax returns. The approach differs from the traditional enforcement approaches adopted by public sector regulatory bodies, including revenue bodies, and is best described as follows: "[Traditional enforcement approaches] … wait until the damage has been done and then react, case by case, incident by incident, failure by failure. Enforcement agencies accept the work in the form in which it arrives, and, therefore, have tended to organize their activities around failures rather than around opportunities for interventions" (Sparrow, 1994)[13].

This compliance approach that the Commissioner for Revenue would like to adopt going forward is based on four key dimensions:

- acting in real time and up-front, so that problems are prevented or addressed when they occur;
- focusing on end-to-end processes, ensuring that these are data-driven and incorporate the targeted use of data analytics;
- making it easy to comply; and,
- actively involving and engaging taxpayers and other stakeholders.

The four identified dimensions should not be considered in isolation. Taken together, they provide a practical way of conveying the multi-faceted nature of the approach. They are interlinked; addressing compliance in real-time and up-front means focusing on taxpayer processes end-to-end, making it easier to comply. This is achieved successfully by involving and engaging taxpayers. Several related activities for each dimension are presented in Box 1 and will inform the enabling factors and initiatives that will be presented in the next chapter.

[13] *Sparrow, MW.(1994). Imposing Duties: Government's Changing Approach to Compliance. Westport CT: Praeger Publishers.*

Box 1

Four dimensions and related activities in the right from the start compliance approach

1. **Acting in real time and up-front, so that problems are prevented or addressed when they occur:**

    - Directing attention to the prefilling stage and proactively target high risk areas and segments; and
    - Identifying and exploring key events in the life cycle of businesses to influence taxpayers.

2. **Focusing on end-to-end processes:**

    - Adapting or simplifying legislation;
    - Addressing tax requirements as part of all legal obligations for business on a whole-for-government basis; and
    - Introducing or extending obligations or requirements for book-keeping and accounts to prevent error and diminish failure.

3. **Making it easy to comply:**

    - Revisiting internal processes, procedures, systems, interfaces to make it easy to comply and/or prevent errors;
    - Developing and expanding online facilities and interactive online tools for filing; and
    - Providing support throughout the life cycle through education, awareness, and guidance.

4. **Actively involving and engaging taxpayers and other stakeholders:**

    - Co-operating and co-designing with stakeholders to improve procedures, systems, interfaces, and processes;
    - Identifying and exploring opportunities for influencing taxpayers through third parties;
    - Building customer understanding by engaging in dialogue with stakeholders; and
    - Building customer understanding through research.

Source: Adapted from OECD (2012)[14]

[14] *OECD (2012), Right from the Start: Influencing the Compliance Environment for Small and Medium Enterprises, OECD Publishing, Paris*

There is an increasing global trend of taxation authorities seeking to collect information from businesses' enterprise resource planning solutions and other internal core systems in real time by electronic means. There is a fundamental shift in how data is being collected and exchanged – we are moving away from information being 'pushed' to taxation authorities towards a position where it is being 'pulled' by them. Several European jurisdictions, such as the UK, Spain, Italy, Hungary, and Poland, have already introduced digital regimes which affect VAT reporting. The move towards real-time tax is usually categorised between three main groups: real-time reporting ('RTR'), electronic invoicing, and Standard Audit File for Tax ('SAF-T'). Box 2 gives a high-level description of each of these categories.

Box 2
Real-time tax approaches

Standard Audit File for Tax ('SAF-T')

SAF-T is a mechanism which was developed by the Organisation for Economic Co-operation and Development ('OECD'). It is a format which enables the transfer of data from organisations to tax authorities in an electronic format. SAF-T is designed to enable tax authorities to conduct more efficient and effective tax inspections.

Despite what is implied by its name, jurisdictions which have implemented SAF-T have done so in a non-standardised manner i.e., there is no international standard list of data elements for SAF-T being adhered to. As a result, tax authorities in various jurisdictions have adopted their own versions of SAF-T.

Real-time reporting ('RTR')

This grouping is used where there is an exchange of data and/or visibility of information by tax authorities in either real-time or close to real-time.

Electronic invoicing

Firstly, in relation to this grouping, it is important to distinguish between the 'normal' VAT rules governing the issuance of VAT invoices in electronic format, as permitted under Council Directive 2006/112/EC, and what we mean by an electronic invoicing regime in the context of this box. With the latter, while the approach differs between countries which have adopted this type of regime, taxpayers are normally required to submit transaction details and / or invoices either in real-time or soon after the event. In some jurisdictions, businesses cannot complete a transaction with a customer until a document number has been received in real-time from the tax authorities. This type of system is also seen as constituting a form of real-time reporting.

It is of critical importance that a transforming Commissioner for Revenue embraces real-time reporting. However, it is agreed that the Administration will start the process of embracing the move towards real-time reporting as this will support the element of voluntary compliance whilst supporting the Administration on its data analysis and enforcement functions.

However, voluntary compliance and the right-to-start approach will not take place automatically. The Commissioner for Revenue and the Government need to have the tools to confront non-compliance. Having a strong enforcement arm is also part of this strategic priority and this means having an efficient and effective justice system.

For an effectively functioning tax administration, it is essential to have a credible procedural justice system in place. The main objective of such a functioning legal system – as the last step of the compliance management process system – is to build trust in the tax system and encourage voluntary compliance.

In this vein, most European states have set up specialised National Tax Courts for adjudicating disputes over direct and indirect taxes. This helps ensure that tax disputes are dealt with by highly qualified professionals. Moreover, tax courts give an independent and objective ruling on tax disputes. They need to be sufficiently staffed and have proper IT systems in place to avoid unnecessary backlogs that hamper the enforcement of tax debts and reduce the credibility of the whole tax system in the citizens' eyes.

Finally, it is important to ensure that court decisions are effectively enforced. As far as possible, automated systems should be used to collect those tax debts once a final court decision has been taken against which no further appeal is possible. Moreover, to ensure payment, the tax authorities should be allowed to ask for sufficient collateral from taxpayers that go to court.

For a tax system to close its compliance gap, a tax and customs administration needs to be efficient and effective. This is the next strategic priority that the Commissioner for Revenue will be adopting in its transformation strategy.

Efficiency and effectiveness

Maximising tax revenues and raising voluntary compliance rates depends to a large extent on deploying a clear, efficient, and effective tax administration system.

In a drive to achieve organisational efficiency and effectiveness, the Commissioner for Revenue will focus its attention on four main areas which in turn will inform the cross-cutting enablers and initiatives in this regard:

- performance-orientation: the focus here is the adoption of a result-oriented approach to the five components of management: planning, budgeting, implementation, monitoring and evaluation;
- organisational aspects: by instilling a governance and managerial reform with a new organisational structure and performance management system focused on project implementation;
- human resource management: having the right people with the right skills and competitive remuneration packages will be central for the Commissioner for Revenue to attract the required talent in new areas of focus such as data and analytics; and
- digital transformation: embracing digital tools for facilitating the collection and using data-led intelligence will be pivotal going forward.

The approach to enhance internal efficiency and effectiveness will be to transform into a results-based management approach which would comprise the following functions:

- Results-based planning involves rigorous analysis of intended results cascaded down from macro-level impacts, such as increased employment, to specific sector outcomes, such as increased literacy. These results must be clearly defined within a budget envelope, with indicators and targets, and with relevant monitoring and evaluation frameworks.
- Results-based budgeting ensures that the budget is formulated to deliver the results specified in planning. Results-based budgeting systems ideally produce multi-year budgets to align with the planning time horizon.
- Results-based implementation means that the people, policies, and processes are effective, efficient, and economic in delivering the intended activities and services.
- Results-based monitoring means that specific parties are responsible for checking performance against the indicators specified in planning, using defined methodologies for data processing, analysis, and reporting.
- Results-based evaluation involves specific parties and stakeholders in assessing the achievement of the targets set in planning, using defined methodologies.

The Commissioner for Revenue believes in a push for increased efficiency and effectiveness of tax collection, namely through:

- Internal restructuring;
- Achieving immediate improvement in customer service – training staff for improved business acumen;
- Investing in project management; and
- Investing in internal and external communication.

Effective business process reengineering will be key in this effort, which will then be integrated with the Commissioner for Revenue's digital transformation. Designing the right organisational structure with the required dedicated functions and staffing levels will also reinforce increased efficiency and effectiveness.

Prioritising these outcomes is strongly in line with the latest guidance issued by the IMF, which uses empirical evidence on the association between tax collections and tax administrations from various countries to demonstrate how tax performance is "positively and strongly associated with the operational strength of tax administrations." (Chang et al., 2020)[15]

Conclusion

This section presented the three strategic priorities that are at the heart of the transformation framework that the Commissioner for Revenue will be adopting to drive its reform process. The priorities are designed to support the Office in achieving its vision and mission. These cross-cutting priorities - Awareness and education, Compliance and enforcement, and, Efficiency and effectiveness - are the enablers that will group all the actions and initiatives that will be implemented as part of the transformation process. These actions and initiatives are presented in the following section.

[15] *Chang ES, Gavin G, Gueorguiev and J Honda. (2020). Raising Tax Revenue: How to Get More for Tax Administrations. Working Paper WP/20/142, IMF.*

The *How*

Enabling and making the transformation happen

With the overarching priorities being awareness and education, compliance and enforcement, and efficiency and effectiveness, six strategic enablers have been identified and are presented in this section.

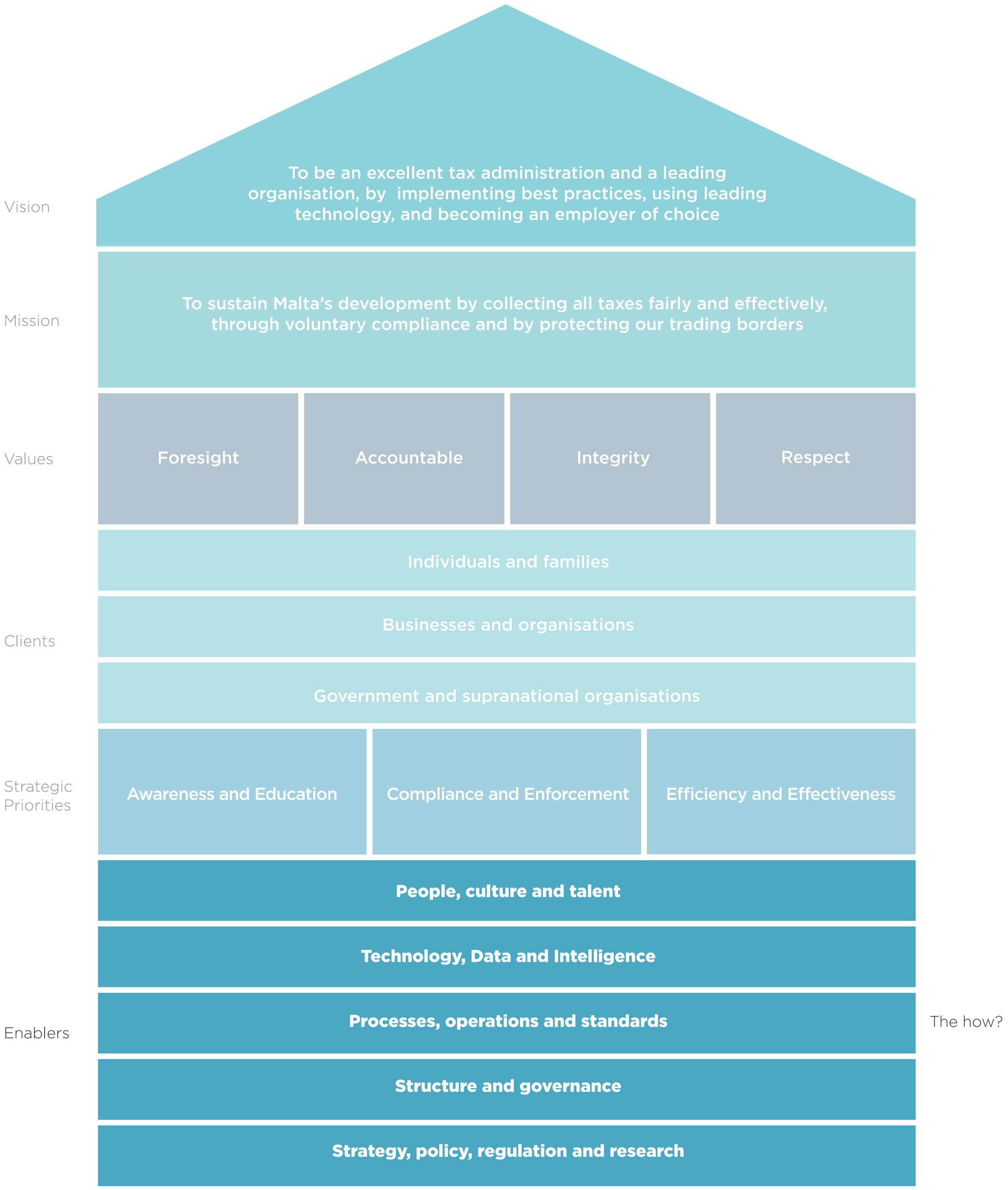
These enablers represent horizontal elements which group the initiatives that the Commissioner for Revenue will implement to drive this transformation process forward. High-level actions and initiatives are in turn specified for each of these enablers. Clustering actions in this methodical manner provides clarity and focus to allow for better implementation planning.

Introduction

The final stage in building the transformation framework is to articulate the enabling factors that will group the various cross-cutting initiatives that will be implemented in the years to come.

As shown on the next page in Figure 11, six enabling factors have been identified.

Figure 11
The 'how' as part of the transformation framework



Source: MTCA

This section will present the six enabling factors that have been identified and the initiatives that will be undertaken under each factor will be articulated. These initiatives represent the concrete actions that the Commissioner for Revenue will be taking in the coming months to transform its operations and the whole of the organisation to make it a resilient and future-proof Malta Tax and Customs Administration. For reporting purposes, an initiative dashboard will be presented that will give the detail of each set of actions undertaken by the Commissioner for Revenue.

People, culture and talent

In today's talent-driven economy, human capital is the most potent source of value creation for any organisation. More importantly, organisational culture is a key factor in attracting high-performing talent and is a central driver of strategy execution.

The Commissioner for Revenue is currently part of the Public Service structure which in turn might present several challenges considering the way the Commissioner for Revenue needs to evolve into the envisaged Malta Tax and Customs Administration. This is primarily due to constraints in remuneration packages, the ability to attract key talent and specialisations, and a recruitment process that limits the agility of the organisation.

Moving forward, several key areas need to be streamlined and improved for the transformation to truly materialise and for the organisation to be an employer of choice. Attracting key talent will be a key ingredient for achieving the efficiency and effectiveness levels the Commissioner for Revenue aspires to. The ability to achieve this also depends on needed structure and governance changes that need to be implemented within the Commissioner for Revenue, as this will allow more flexibility and agility in recruitment, remuneration and progression.

Within this enabler, three key dimensions were identified: leadership, human resource management and becoming an employer of choice.

Critical revenue-related reforms, such as establishing a Large Taxpayer Office, will depend on right-fit staff allocation. Additionally, given that the key senior management grades are common to both the Tax and Customs Departments, this may provide the Commissioner for Revenue's leadership with sufficient flexibility to carry out the necessary organisation-wide reforms, including within the Customs Department directly.

A further point of alignment relates to capacity building through targeted training or reskilling of existing resources as well as through effective recruitment.

Technology, data and intelligence

Tax administration reform through digital transformation is a key component to improving tax administration capacity, efficiency, and speed to handle the big data flows (in diverse formats) and complex taxpayer activities that are currently in effect today, with the expectation that the scope and frequencies will continue to increase. At the same time, digital transformation applied to tax administrations is an ever-evolving series of enhancements.

The OECD Forum on Tax Administration (FTA) conceptualised a tax administration's digital transformation journey by sketching the starting point, in-between stages, and aspirational endpoint as follows:

- "Tax Administration 1.0" a paper-based tax administration with traditional functions;
- "Tax Administration 2.0" an e-administration, where most of the functions are digitised, although the fundamental processes are the same (but faster and more efficient); and
- "Tax Administration 3.0" represents a paradigm shift, where the taxpayer and tax administration systems are interconnected, where compliance is automatic and seamless, and where traditional decision functions are done by technology."

The endpoint, as envisaged today, is a completely digitised, automated tax administration which is driven by data automatically streamed from the taxpayer, captured, cleaned, filtered, matched, and warehoused for assessing risk, audit, dispute, and other processes.

The Commissioner for Revenue needs improvements in its information systems, such as e-filing, which have translated into better taxpayer services. There are also critical deficiencies in the Commissioner for Revenue's core systems which limit its capacity to effectively support core tax administration functions, such as audit and enforcement. Current systems may be inadequate as a platform for ongoing system integration, are outdated and need to be replaced by a modern and integrated tax administration system. Seamless convergence, as well as the capacity to capture, process, and analyse high volumes of data from different sources, are defining characteristics of tax administration 3.0. Specifically, it needs the capability to process the big data flows it handles to feed the data analytics capacity it also needs to be built. It sees itself as becoming a data-driven and intelligence-led revenue administration, meaning that it requires systems and processes to capture, clean, filter, analyse and securely store the data. In addition, digital channels of service delivery need to be enhanced to offer an expanded taxpayer service online. This will also enhance voluntary compliance.

This action is a key initial step that will decide the Commissioner for Revenue's digital strategy in the long term. The assessment should therefore review the current IT modernisation roadmap at the outset, with the appropriate investment decisions then taken accordingly, since this will determine the digital transformation plan going forward. Although the current roadmap will deliver incremental improvements, including a more service-oriented architecture which will also enable better integration, it falls short of the full functional capability that will ultimately be required.

The main gaps are a lack of the necessary business process re-engineering as well as inadequate support to the audit and arrears management business functions. While the current roadmap is quite rightly prioritising front-facing taxpayer services improvements, the core functional capabilities must also be given due weight and reprioritised as necessary. A departure from the current more piecemeal approach captured in the roadmap, towards a new and integrated tax administration system (ITAS) which will enable a tax administration "which is digital by design". This should be built on the following key principals of a modern tax administration model:

- Taxpayer centricity
- Paperless integrated processes
- Multi-channel service delivery
- Real-time transactional processing
- Data driven decision making
- Risk-based compliance management.

An additional key aspect of this assessment is the integration of Custom's functions and operations within the overall IT strategy. Although the Customs Department shares several similar processes with the tax departments, such as compliance, risk management and arrears collection, some notable differences are evident, and these must be factored into the digital strategy mapped out for the future Malta Tax and Customs Administration. The Customs Department has a border control and trade facilitation role beyond its revenue collection function and therefore many of its core business processes falling under the Customs Department cannot easily be merged with tax operations. However, it should be noted that despite these differences the assessment falling under this action should be an integrated organisational review catering to all the tax and customs functions within the Commissioner for Revenue.

Expanding on the above point referring to the specific ICT needs of the Customs Department vis a vis the Tax Departments, it should be emphasised that one single support unit will be required. This also applies to the specialist skills that will be required.

A further important point is the need to reduce the current dependency on the Malta Information Technology Agency (MITA) by ensuring that the internal IT Department includes resources with the right skills profile to act as effective 'business owners' in the Commissioner for Revenue's digital planning and decision-making. These resources will be in a position to understand and communicate the Commissioner for Revenue's business needs as they relate to digital strategy.

Segmentation is central to effective, risk-based compliance management, both in the case of voluntary and enforced compliance. This is therefore critical for maximising revenue collection.

Processes, operations, and standards

Processes and operations are central themes in achieving operational efficiency and effectiveness in any organisation. The Commissioner for Revenue is characterised by a high number of processes and as the organisation restructures and assumes more responsibility, the processes are only set to increase in volume and complexity.

As part of the broader transformation process underway, an analysis and inventory of the processes currently in force in the various Directorates was carried out. From this initial and high-level assessment, 400 processes were identified. Several opportunities have been identified in benefitting from process simplification and automation for a large number of processes within the Operations Directorate. For the 74 listed processes, this has amounted to 46 and 38 opportunities for simplification and automation, respectively.

Through further centralisation of similar processes across different units and streamlined through automation, the Directorate may achieve further economies of scale, benefitting from technology investment, ultimately leading to more efficient/ streamlined collection processes, utilising human resources in more v alue-added services.

The efficiency increase that may be introduced through automation measures shall alleviate human resources from repetitive manual tasks. It is suggested that the Commissioner for Revenue acts on the opportunity to reduce significantly manual target selection, replacing it with automated processes (including communications) based on well-defined (simplified and transparent) criteria, whilst ensuring that the processes cannot be influenced through human intervention from time to time.

The interventions identified in this enabling factor are broad and cross-cutting across a number of Directorates. The main initiatives and the specific sub-actions for each are presented below.

A permanent risk management function responsible for risks across the different tax types, including Income Tax, VAT, and Excise (except for large taxpayers) shall also be developed. This function would work based on an annual operational plan and an active risk register would be central to its activities. Adopting a standardised approach to identifying, quantifying, and prioritising risks based on the compliance risk management (CRM) framework developed by the International Monetary Fund and described in a 2022 IMF Technical Note[16]. Given the Commissioner for Revenue's current challenges, prioritising compliance improvement for the large taxpayer segment and the shadow economy is recommended.

Stakeholder participation is a key responsibility of the Commissioner for Revenue's leadership. These stakeholders may be defined as any individual, enterprise or organisation that may "affect or be affected by the tax administration's actions, processes, and policies" including accountants, industry representatives, and business organisations in this regard. Direct engagement through initiatives such as working groups as an effective engagement strategy, is recommended.

Structure and governance

In recent years, organisation structures have become increasingly important in both the private and public sectors. Concerns have been raised related to accountability, responsibility, and transparency within organisations—for example, what are their legal authorities and powers, what oversight mechanisms exist, what kind of flexibilities are available to address modern management problems. Governments are seeking ways to improve operational results while increasing transparency and accountability within their departments and agencies. The organisation structure of the tax administration is a key component in these efforts.

The organisation structure of tax organizations has evolved considerably over time. From organisation structures based on type of tax, to those based on function (the subject of this note) to those based on the type of taxpayer (small, medium, or large), economies of different sizes and at different stages of development have attempted different kinds of organisational reform. Many tax administration organisations are a combination of these structural categories.

An effective organisation is the basic platform from which all other procedural reforms are launched and maintained. Without the right organisation structure in place, revenue administrations cannot operate effectively, and their revenue collection efforts will be sub-optimal. Where function-based organizations have not been implemented, the extensive procedural and operational reforms needed to support modernisation would likely be ineffective.

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[16] *International Monetary Fund. (2022). Revenue Administration: Compliance Risk Management Overarching Framework to Drive Revenue. Technical Note, 2022/005.*

A function-based organisation is structured and based on the type of work performed, rather than the type of business or product or the type of customer. This model is based on the theory that in grouping similar activities that require similar skills or specialities, real gains are achieved through an increased depth of knowledge in core areas of business expertise. Several common tax administration activities emerge in a function-based model:

- taxpayer services and education—strategies, materials and channels for delivery of education and services targeted at specific taxpayer segments;
- returns processing and payment—timely processing of all tax payments and returns, electronic commerce, and all related accounting systems;
- audit and verifications—national audit strategy, procedures for all types of audit, including single issues audits, audit standards, coverage rates, etc.;
- collections enforcement—collection procedures and legal issues; and
- tax operations policy—appeals, rulings and operational policy for all tax types, legislative review, international activities, and double taxation agreements; and,
- other residual issues.

Through the merger of the different tax units and this transformation strategy, the Commissioner for Revenue is transitioning into more of a function-based organisation. In addition to the structural design of an organisation, its governance arrangement is also important.

Like all government bodies, revenue bodies are ultimately accountable to the citizens they serve. The framework within which this accountability operates varies between countries and is a result of many factors, including the institutional arrangements and government structures in place. This is another area that the transformation strategy will be looking into. The identification of the governance mechanisms in place to ensure this accountability is a key initiative. Box 3 focuses on examples of the oversight mechanisms in place in selected revenue bodies.

Box 3

Governance arrangements in selected revenue bodies

Sweden: As part of broader public sector reforms, from January 2008 the Swedish Tax Agency became an agency managed by a Director-General, who alone is responsible to the Government for the activities of the Agency. By the side of the Director-General, there is now an Advisory Council that may have up to 12 members. The task of the Council is to exercise public control and give advice to the Director- General. The Council has no decision-making responsibilities. The members of the Council are appointed by the Government for a period of three years.

Finnish Tax Administration: An Advisory Board to the National Board of Taxes was established by Government Ordinance in 2002 and commenced in 2003. It is comprised of a senior official of the Ministry of Finance, the Director-General of Tax Administration, and 6 members from local government, union, taxpayer, and commerce bodies. The role of the Board is to provide guidance/advice on strategic planning, tax administration priorities and operational guidelines.

The Board of HM Revenue and Customs (HMRC) (United Kingdom): Legislation for the creation of the new HMRC Department in 2005 included provision for the creation of a Board, to be comprised of members of the HMRC Internal Executive Committee and (four) non-executive (external) board members. Although the fundamental governance structures remain unchanged since 2005, there have been considerable developments in 2008. These changes include the creation of three new roles at the top of the department; a Chairperson; Chief Executive Officer and a Permanent Secretary for Tax. The Chairman now leads the Board of HMRC. The role of the Board is to provide strategic leadership, approve business plans, monitor performance and ensure the highest standards of corporate governance. The Chief Executive Officer is responsible for delivering performance in order to achieve its strategic objectives. The department's executive decision-making body remains the Executive Committee supported by permanent and ad-hoc sub committees and with oversight provided by the Board.

United States Internal Revenue Service (IRS): A nine-member IRS Oversight Board was created by Congress under the IRS Restructuring and Reform Act of 1998. The Board's responsibility is to oversee the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws. The Board was created to provide long-term focus and specific expertise in guiding the IRS so it may best serve the public and meet the needs of taxpayers.

The structure and governance of an organisation are key to delivering successful results and outcomes. This is even more so in an organisational transformation process like the one currently underway within the Commissioner for Revenue. Over time, this Office grew to include new roles, functions, and responsibilities.

The merging of the different revenue units was not accompanied by a renewed organisational structure and governance set-up. An initial priority will therefore be to review and refine the current organisational and governance structure to align both more effectively with the Commissioner for Revenue's transformation objectives.

Over the last decade or so, the organisational structure of many revenue bodies has been the subject of major reform aimed at improving operational efficiency and effectiveness and the delivery of services to taxpayers. It is envisaged that the Commissioner for Revenue will transition into a semi-autonomous agency that will be focused on revenue collection, compliance and enforcement. This is a more long-term idea that is currently being considered. This thinking reflects developments in other jurisdictions that have hived off the Commissioner for Revenue into a separate agency tasked with revenue collection, compliance, and enforcement.

Acknowledging the challenges of designing a structure that effectively merges tax and customs, the following core principles should be applied:

- Maximise the potential of digital services to achieve client-centric outcomes.
- Adhere to good practice in tax administration which promotes a function-based organisation structure, with segmentation for large taxpayers.
- Leverage any opportunities arising from the tax/customs merger for efficiencies in common services, particularly for non-core work and support functions.
- Design a structure that will streamline services to avoid duplication and/or overlap and to further ensure consistency of outcomes.

The following considerations related to the Board of Governors:

- The Board should have no role in the determination or review of the operational affairs of any taxpayer.
- The Board should not have access to specific taxpayer information and should deal only with anonymised data to prevent taxpayer identification.
- The Board may delegate functions to the Chairman, a Sub-Committee of its membership or to the Commissioner for Revenue.
- A minimum number of meetings should be specified.

Based on taxpayer segmentation, a specific unit within the administration is set up to cater specifically for large taxpayers. This unit will be tasked with dealing with the largest fifty taxpayers due to the complexity involved.

As previously mentioned, effective centralised project management is a critical success factor for achieving the Commissioner for Revenue's reform objectives.

Strategy, policy, regulation and research

The core activities of a tax administration are centred around the enforcement of tax legislation and regulations. Against the background of a society that is changing rapidly and that makes new demands of government services, tax administrations must develop a contemporary vision. Rapid economic developments and ever-higher expectations on the part of taxpayers make it necessary for a tax administration to redefine its strategic course.

Several economic, political, technological, and social factors can be identified that will profoundly affect tax administrations in the coming years. These include the increasing globalisation of the economy, a considerable increase in the provision of 'dematerialised' goods and services, and clear trends toward the decentralisation of government activities.

There is a trend in the tax administrations toward tax simplification to improve compliance and reduce costs. In addition to simplification through changes in tax legislation and policy, simplification is being achieved at the administrative level through forms that are easy to read and understand, by reducing the number of forms and by introducing simpler internal rules, regulations, and procedures, as well as through digital transformation.

To this end, and given the evolving external environment, a number of initiatives are being put forward under this strategic enabler. These are described in the tables below.

It should be noted that in its December 2022 Technical report, the IMF assigned high-level strategic oversight to the Board of Governance acting within the overarching direction set by the responsible Minister. The development of the necessary strategic planning within this set direction is the responsibility of the Commissioner for Revenue and, according to the IMF's recommendation, is to be a core role of the central coordinating function (referred to in the Technical Report as the 'headquarters').

It should be noted that in its December 2022 Technical Report, the IMF argued that there is an "urgent need" to reform the legal procedural framework by consolidating and simplifying approaches across the different revenue laws. In this context, it proposed the development of a new Tax Procedures Code. The importance of active stakeholder participation in this process was also highlighted (see above).

Conclusion

The above chapter has presented a comprehensive overview of the holistic transformation initiatives that will be implemented in the coming months to achieve a modernised Malta Tax and Customs Administration.

As one can appreciate, the transformation is holistic, wide-ranging, and structural in nature. This transformation cannot and should not happen overnight. The Commissioner for Revenue recognises that any change of this potential scale will raise important questions and public concerns, and that reform must proceed steadily, incrementally, and, wherever possible, with the support and engagement of stakeholders. The overall goals will be to deliver this reform within the defined frames of time and cost, and to ensure that the reforms realise the benefits they promise.

Conclusion

To be successful, tax and customs agencies need to be as nimble, adaptive, and digitally savvy as the economies they tax.

The responsibility of sustaining the country and enabling the public sector to provide health services, education, infrastructure investment and much more cannot be discounted.

The rate of technological change is accelerating, creating a rapidly shifting economic landscape. In this world of increasing digital and economic disruption, revenue and tax agencies are realising that to remain relevant, efficient, and effective, especially in collecting dues, such agencies need to transform themselves. Transforming the core functions of tax and customs administration, calculating tax liabilities, collecting revenues, enforcing, and protecting national borders and enforcing compliance, will require agencies to adopt a digital-first mindset, rethink how they capture and manage data, and reimagine their workforces.

The Maltese Government has recognised the importance and the requirement for Malta's Commissioner for Revenue to start this transformation journey.

This document sets out the vision and roadmap for a holistic transformation of Malta's Tax and Customs Administration to future-proof it and to give it the right tools, capacity, and capability to deliver on its mission of supporting Malta's economic and social development. Without effective tax collection, compliance, and enforcement, the Government will not be able to deliver essential services.

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