Public Sector Future WWPS Podcast

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Host: Olivia Neal

Guest: Dennis Post and Dennis Weber

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**Professor Dennis Weber**

**University of Amsterdam, Founder of the Amsterdam Center of Tax Law of the UvA, Founder of the CPT project (Cashless, Platform Based and Technology Driven Society)**

**Dennis Post, PhD**

**EY, Partner Global Blockchain Tax Leader, Blockchain and Web3 Researcher of the CPT Project**

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(Music.)

**OLIVIA NEAL:** Hello and welcome to Public Sector Future. This is a show for anyone who cares about using digital approaches in the public sector to deliver better outcomes. I’m your host, Olivia Neal, and together we explore stories from around the world, where public servants have been successful at delivering change

This month, through our Public Sector Center of Expertise, we're exploring the power of technology and cloud adoption to open new opportunities for digital transformation. Today, I'm joined by Professor Dennis Weber, who is the founder of the Amsterdam Center of Tax Law at the University of Amsterdam, and by Dr. Dennis Post, who is a Partner at EY, and a Global Blockchain Tax Leader.

We're going to be discussing research which they've been leading, through the CPT project which Dennis Weber founded - this project looks at the impacts of an emerging Cashless, Platform Based and Technology driven society, and what this means for tax organisations around the world. Let's get started.

**OLIVIA NEAL:** Well, Dennis, and Dennis, thank you so much for joining us. It’s great to have you both here to learn more about the important work that you’re doing.

Dennis Weber, I’ll start with you, if that’s okay. Could you give us some context and tell us about what the CPT project is? Why have you founded this? And why is this such an area of interest for you?

**DENNIS WEBER:** Yeah, some years ago, something like two years ago, we – I realized that the world is getting more cashless. That’s the C of CPT project. We see more platforms. We do more online. We’re buying stuff on platforms. And technology is becoming more and more important, also for taxation. So that’s why we started the CPT, a cashless platform technology, and the influence of that on taxation.

And I thought that that moment that universities saw is really the classic, you know, because when we teach, when we study, we – we always take the current law into account, but I think it’s also really important that we look to the future. And that’s why we started this project.

**OLIVIA NEAL:** And why do you think that this is particularly relevant now? Have you seen changes, for example, during the pandemic, which have raised the prominence of cashless transactions and platform-based approaches and the importance of technology?

**DENNIS WEBER:** Now, the interesting thing is that we were working on this project to establish it before the pandemic, and – but also during it, you know. Everything got more cashless. More people were buying, of course, everything online. And – and also technology, we saw – we saw also with the blockchain and cryptocurrencies becoming more and more important. Okay, sometimes there is a crash, but you know, it’s – it’s – there is something going on there.

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We see more a world that is driven by cashless, platform and technology developments, and we also see that the legislation is – is lacking. And so, we really have to think about it also outside of the scope of – of taxation about legislation in this – in that regard.

**OLIVIA NEAL:** And within this project, there’s a number of different areas of research focus, I think. Could you share some examples of the types of research that are underway? This is a very broad set of topic areas, and what are some of the – the areas that you’re focusing on?

**DENNIS WEBER:** Yeah, so we are focusing on specific issues. One of the– issues is platform reporting, because we see that there’s legislation coming next year, that platform has to report several tax information from the taxpayers.

Okay, another one is the fact that workers are getting more and more dependent on platforms. Cryptocurrencies, and crypto assets are really important. What are the consequences for taxation?

Another thing are the question if you can use blockchain and for tax administration. And Explainable AI. The tax authorities are using AI to detect fraud.

**OLIVIA NEAL:** And Dennis Post, from your role, why is this project of interest to you? How does this fit into your – your scope of work?

**DENNIS POST:** Yeah, thank you for that. Olivia. So basically, for all the reasons that Dennis just explained, but I guess, you know, throughout my career at – at EY, it’s always been a combination of, let’s say, professional practice, and scientific research, always trying to find that combination.

You know, I did my PhD during my professional career. I was always actually at the interplay of scientific research and – and practice to really – really to get the best of both worlds.

And I was actually, you know, being in my blockchain role at EY, really looking for what are universities doing at on this topic specifically, and then specifically obviously, also focusing on tax.

And I did some research, and I actually came to the conclusion that there’s not really – well, actually up to a few years ago, there wasn’t any university across the globe that was actually focusing on this.

And then all of a sudden, I see Dennis coming out with the CPT project, and I was like, you know, this – this could not be any better, right, you know, the best university in the world, University of Amsterdam, so close to my house, and – and focusing on the topic that I’m so passionate about.

And also, I have to say, because, you know, the – all the research topics that Dennis just mentioned, they have the potential international outreach, right? It’s not just focusing on the Netherlands or anything else. It’s – it’s – you know, these topics are relevant across the globe. And so this is where I, you know, I became very, very passionate about the research project.

**OLIVIA NEAL:** Well, it sounds very serendipitous there, the university and the academics focusing on this happen to be in the same country. And so you mentioned there that you have a particular focus on blockchain. Could you tell us a little bit about why you believe this is such a relevant topic for tax agencies?

**DENNIS POST:** My original focus was really around, how can we actually – so what is, let’s say the potential for blockchain to actually create more robust tax systems, and – and what are, let’s say, some of the impediments and opportunities and challenges around that.

So started focusing on that together with – with other researcher Claudio Cipollini, really starting to think, okay, we – we clearly see, you know, some of the opportunities in relation to blockchain. And at the same time, we see challenges that both tax administrations, as well as tax functions with multinational companies are facing, so you know, paper processes, manual reconciliations, fraud and wrongful use of data, increasing use of data, obviously.

And if you think of all, let’s say, the potential benefits of blockchain being, you know, transparency, immutable data potentially, and there are clearly also pitfalls there, and which I can talk about as well. But so I thought there was really a clear need to, you know, is there a framework that we can actually develop from a scientific perspective? What are, let’s say, the fundamental elements to actually develop such a system to really create more robust tax systems?

So, on the one hand, focusing on the opportunity, and at the same time, also focusing on the challenges, what are the challenges from a legislative perspective? You know, as Dennis mentioned, we see – we clearly see that the legislative process is typically lagging with technology. So you may need to think about what it – you know, how does the legislative need to change ultimately to make this happen. So, really great upside opportunity, and at the same time, we’re – we’re clearly not there yet.

**OLIVIA NEAL:** And what stage is your research at now? How far through this investigation and exploratory work are you?

**DENNIS POST:** We’ve actually started at a really fundamental level. So really, you know, our first publication was really around the fundamental elements of a blockchain-based tax system. That article was published recently in the *World Tax Journal*. We’re now actually working on a follow-up paper, which – which actually is more a deep dive of following that first article.

But at the same time, you know, our focus was initially really on blockchain-based tax systems. But obviously, we’ve seen so much happening over the last year around, let’s say, Web3 related topics, like, you know, the development of crypto, DeFi, NFTs, metaverse. So we also started focusing on that. So there are, let’s say some side projects as part of our overall research umbrella on blockchain that we’re also, well, taking into account simply because there so current right now and because we see so much happening in this space,

**OLIVIA NEAL:** And Dennis Weber, in terms of either this research on blockchain or the research that is being generated more broadly through the CPT project, how are you finding the response to this work? Are you finding that governments are involving themselves with this, are interested in the outputs, are engaging with those?

**DENNIS WEBER:** Yeah, one of the research that we do is around Explainable AI, because you see that governments are using more and more AI tools to detect fraud. But of course, they have to balance there also the taxpayer rights, so it cannot be discrimination, and you also have to explain why you think there is fraud.

We are organizing a conference in March, and we see that we have – we ask also a lot of governments to join. And now for instance, we also – we work really close with the Buenos Aires Tax Administration, also with them to – to develop a system that is also explainable, and that you can really use it in practice to detect fraud. And we also see in that conference that tax administrators from Poland, Italy, Estonia, Germany, they all come to talk, all come together, and you got to discuss that – that issue.

Yeah, so when we – when we did that invitation, we saw that a lot of governments were really interested in it.

So yeah, AI tools can be really useful in practice, but it’s also very dangerous. And that’s actually what we’re trying to do in that – in that part of the project. We – we discussed with governments, with academics, but also with tech companies like Microsoft, they’re also part of that conference, what is a good AI tool, but how can you balance that with – with taxpayer rights.

And then at the end, we will – we will publish a paper in which we will try to come with Explainable AI guidelines for taxations that – that everybody can follow, especially governments, but also, of course, the – the companies who actually are building those rules. But what we see there is that governments are sometimes on their own, and the tech world is really strong in that respect –respect. So we see that they work together on those issues.

So, yeah, that’s one of the projects that we really see that the governments are responding.

**OLIVIA NEAL:** Dennis Post, on your side, on the blockchain side, from the research that you’ve been doing, are there examples of governments who are already looking at uses of this technology, who are putting these into practice? Or is this something which is a little bit further out that people are starting to get their heads around and get interested in?

**DENNIS POST:** We definitely see quite some governments across the globe that are experimenting with this. And obviously, Estonia always pops up as one of the countries because they’re so digitalized in general. But also, I think, in the EU, we see some countries there, UK being actually very active in this space. But also, I would say more the emerging countries that are looking into blockchain, simply because they don’t necessarily deal with these legacy systems, so they can really, you know, leapfrog this technology and use it for to actually get, well, more benefits faster.

I also have to say that ideally, I would like to see governments to do a little bit more in this space. But I think they’re – sometimes they’re actually looking at industry, at private parties, and also, you know, looking at academics, what are, let’s say, some of the challenges that we need to be thinking about.

So I think this is ultimately where I think the opportunity also lies, and in blockchain we always say, you know, blockchain is a team sport. So I think we need to have, you know, public sector, private sector, but also academia really come together and also work together to make this happen.

**OLIVIA NEAL:** When you talked earlier about the research, you talked about some of the benefits, and of course, people can find and read the paper to learn more. You also touched on some of the potential pitfalls of this approach. And I wonder if there’s anything that you would want to share for governments who maybe are interested in looking into this more, things to bear in mind from the beginning? Is there any advice you’d give to people who are thinking, where do I start on this journey?

**DENNIS POST:** Yeah, absolutely. And in fact, this is also one of the things that we were struggling with, because, obviously, when you look at the upside potential of blockchain and focusing on some of the typical challenges in the tax world, you know, the first reaction – well, at least from our side was, you know, this has so much opportunity all over it, right.

And then if you – if you dig a little bit deeper, you really need to be thinking about, well, you know, maybe blockchain is not the – the solution for all problems that we’re trying to solve in the world of tax, and maybe there are better solutions that actually solve for the same.

So what we started actually doing also in our article is say, okay, what are some of the critical questions you need to assess as a government, but also from private sector, to really understand whether there’s a use case, there’s a valid use case for blockchain. So that’s one. So we actually addressed a couple of questions in our paper to actually tick the boxes to come up, well, is – is blockchain a potential solution to actually solve this?

And then, of course, what you then need to do is also build that business case around it, and that business case is, you know, what is the potential return on investment that I can actually get, both from a governance perspective in terms of, you know, maybe create more revenues or have faster tax audits, but also from a taxpayers perspective to have, you know, faster certainty on your tax consequences of certain transactions. So you really have to get very granular in trying to identify that business case.

And then obviously, as part of that, there’s the legislative framework, and you need to be thinking about how could that ultimately play out? What is the legislative framework that you actually need for this?

So all in all, I think so many critical elements coming together, and you know, I would just encourage, you know, governments to really look into these questions and start addressing them and really build that use case before they start actually building the technology. Because we’ve also seen quite some examples where we say, okay, blockchain is a great fit, but by – and then at the end of the day, it turned out, you know, that the projects fail, simply because the business case was not valid enough.

**OLIVIA NEAL:** And maybe Dennis Weber, turning to you, I think what Dennis Post outlined there was the importance of understanding the use case and the business case, before deciding on the technology, or helping you to understand what the appropriate technology is.

And when we think about what governments have got to do in order to take advantage of all different types of new technology, whether those be blockchain or AI or other tools, there’s a number of different areas of preparation. They’ve got to think about the skills that the people in their organization have, the understanding of what their needs are, the legislation, the policy.

But is there anything in particular, thinking about your work, that you would recommend that tax agencies start doing now to make sure that they are prepared for the future, that they are prepared to take advantage of the opportunities that they will have going forward?

**DENNIS WEBER:** It’s actually the same that Dennis Post already told us with in regard to blockchain. Because what we – what we noticed that the first articles on blockchain in taxation, they were very positive about using blockchain in – in the tax rules, without really coming with examples why you could use it and compare it with other possibilities to use it. I think that’s very important. It’s new technology, and you really have to understand it.

So that’s why we – when we started, it’s also in the blockchain part is, you know, let’s first take step back and first of all, try to understand the technology as such. Because at the end, you know, we are lawyers; we are not technology specialists.

So I think the really important issue is that you put lawyers and technology specialists, data scientists and so on, because you have a lot of different specialists in that field, put them together in one room, or trying to put them together as much as possible in one room, and let them talk to each other.

Because we – we also have a little bit of a different – yeah, we think that we understand each other, but because sometimes the – you know, the same kind of words have a different meaning for lawyers and for technology specialists.

So you really have to bring them together so that also the lawyers understand the technology world and the other way around. And only if you do that, then you can come to the conclusion if it is – if you can really use it in practice or not. And I think that is one of the main takeaways that – that we are – that we got, we found very fast already.

And do not hide the technology as such, because – but you know, first try to put it into practice, maybe not in the real practice, but try to create it, and also think if you maybe cannot use it in another way, they have solved the problem in another way. That is one of the advices that I can give to tax agencies, hire more technology specialists, not only lawyers, and then create also the regulatory framework.

**DENNIS WEBER:** I think if we look at, let’s say, the future of where tax professionals and where, you know, governments need to be thinking about in terms of the knowledge, it’s a bit of a hybrid animal, if you will, because you really need to understand how technology plays out, in order to understand the tax consequences. And also, I guess, vice versa, you really need to understand, you know, the problems that you’re trying to solve, and at the same time, how we can actually use and facilitate the technologies.

So that really requires for, you know, tax professionals of the future, to really, you know, as Dennis mentioned, to collaborate with these technologies, but also at the same time, understand both the technology, as well as, you know, the tax consequences surrounding it. And I think that’s – that doesn’t make life easier, but it does make life more interesting.

**OLIVIA NEAL:** And if people are interested in learning more, in understanding more about the findings of the research and learning what are the things you’re going to be focusing on in the future, where can they go to find out more?

**DENNIS WEBER:** They can go to the website of the Amsterdam Center for Tax Law, the University of Amsterdam. There’s a tab, CPT. If you go to the tab, then you will find everything. And you can also like our LinkedIn page and be a member.

**OLIVIA NEAL:** That’s great. And we will include the links to all of those things with this podcast. So if you’re listening to this and want to go find them, make sure you check out our show page for all of that information.

Thank you both for coming. Thank you for doing this with us.

**DENNIS WEBER:** Thank you for having us.

**DENNIS POST:** Thank you very much.

(Music.)

**OLIVIA NEAL:** Thank you to Professor Dennis Weber, and Dr. Dennis Post for joining us today on Public Sector Future. If you're interested in more episodes on digital transformation and tax operations, check out our episode with Mick Connolley, of His Majesty's Revenue and Customs in the UK. Visit us at wwps.microsoft.com. Please do reach out send us your questions and your feedback. You can find me on Twitter @LivNeal or on LinkedIn, or you can email us at [ask-ps@microsoft.com](mailto:ask-ps@microsoft.com). Thank you and see you next time.

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