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## UNIFIED DATA

### Big Data: The Tax Collector's New Friend



John Edwards, Technology Journalist & Author  
3/5/2013  
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Big data is giving tax collectors around the world a powerful new tool to ensure that people pay all the money they owe.

In the US, for example, the Internal Revenue Service has long used relatively crude analytical tools to match the Social Security numbers and addresses on filers' tax returns against the information printed on W2, 1099, and other income reporting documents filed by employers, financial institutions, and others. If a taxpayer reports less income than what the reporting documents show, the IRS will send a letter reporting the discrepancy and demanding either an explanation or full payment.



With more filers and payers now submitting returns and reporting documents electronically, such data matching has become much faster and easier. This helps the IRS catch many tax evaders who might have gone undetected in previous years, when cumbersome and time-consuming **optical character recognition** technology was required to read the information printed on paper documents.

#### Tax collection Italian style

Italy is taking taxpayer analytics to a new level this year by leveraging the power of big data to discover individuals who are failing to report all they earn. This is a major development in a nation where tax evasion and avoidance is almost as popular an activity as football.

Compared with their US counterparts, Italian tax collectors have much more access to data that shows how people spend their money. All Italian adults are assigned a unique tax ID number that must be supplied when conducting a variety of transactions -- involving everything from mortgages to utility services to insurance policies. The **Agenzia delle Entrate** will use this data to find people who are living lifestyles that appear to exceed their stated incomes. To improve its accuracy rate, the agency will utilize national statistical data and custom analytics to estimate spending for each taxpayer.

Italian tax collectors have also divided the country into five geographical areas to reflect regional differences in cost of living and income. The agency says it can calculate typical budgets for 11 different family types, ranging from a single man or woman younger than 35 to a couple 65 or older.

#### Ominous future

Given current trends, it's not difficult to envision a future in which tax authorities worldwide begin scrutinizing an almost endless array of structured and unstructured data for clues about undeclared income or inflated/nonqualified deductions. Information collected from purchase receipts, credit card statements, vehicle transponders, social media posts, property photos, and an array of other sources could make it very difficult for taxpayers to slip anything past the taxman in the years ahead.

As George Harrison, the late Beatles guitarist, wrote in the song "Taxman": "Now my advice for those

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who die/Declare the pennies on your eyes."

Yeah, yeah, yeah.

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— John Edwards, *Technology Journalist*

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WaqasAltaf, User Rank: Exabyte Executive  
3/24/2013 | 11:06:47 AM

**Re: What for?**  
@ Susan

Thanks for the detailed info. I am very interested in taxation issues because I am a tax consultant myself. Apparently, the controls that Finnish government has put in place are good for monitoring taxpayers but would be very frustrating for the public. It is impressive to see that people there are responsible when it comes to complying with tax laws.

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Susan Fournané, User Rank: Blogger  
3/24/2013 | 5:05:22 AM

**Re: What for?**  
Waqas,

That's why I said the tax system is not the same in all the countries, and the tax laws are governed by the different governments and law systems also. The tax system in Finland is complex. There is an estimate tax that you present to the tax office at the beginning of the year.

Companies can choose to send income and tax declarations every month, every three months, six months, or annually, depending of accounting convenience. Frelance tax cards work different, too.

There are different options, but continuous tax declaration in some cases. However, this is not imposed, but agreed with the tax payers, that's why the options. All this can also be done online without the need of going to the actual tax office, which saves time.

People in Finland are very responsible with the tax issues, as education, healthcare, unemployment and student benefits, child care, and other things that make the society work depend on it.

-Susan

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WaqasAltaf, User Rank: Exabyte Executive  
3/24/2013 | 3:16:26 AM

**Re: What for?**  
*An estimate is what the tax office asks here at the beginning of the year, as obviously, the amount can fluctuate at some point within the twelve months.*

Susan, thanks for bringing that to my knowledge. I really find it strange that estimate at the beginning of the year is required from taxpayes. An actual income and wealth declaration at the end of the year should suffice.

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Susan Fournané, User Rank: Blogger  
3/23/2013 | 11:28:42 AM

**Re: What for?**  
Waqas,

An estimate is what the tax office asks here at the beginning of the year, as obviously, the amount can fluctuate at some point within the twelve months.

That estimate is adjusted later on, and as result you get a tax refund or you have to pay the difference if the earnings were more than the estimate.

The tax system is not the same in every country.

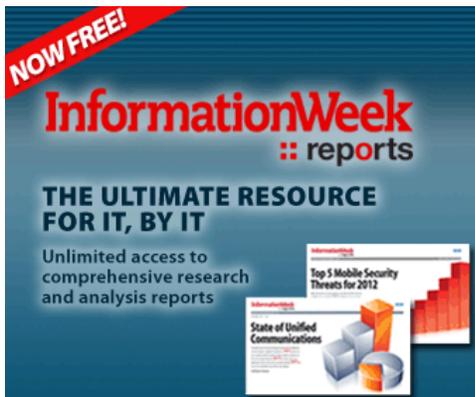
-Susan

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WaqasAltaf, User Rank: Exabyte Executive  
3/23/2013 | 11:12:32 AM

**Re: What for?**  
@ Susan

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Tax authorities, by law, have the right to require any information about anyone from the person directly or from people dealing with that person. These laws are same in every country. In case you don't comply with their requirement, you are eligible for fines. That's the legal aspect.

Tax authorities don't suggest anyone the way to spend the money. They don't have a concern even if you spend all your money in legal gambling. All they want you to give is complete information so that they can calculate the amount spent by you. An estimate will not help them in their task as an estimate means that the person disclosing the information has a chance to be bias.

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Susan Fourtané, User Rank: Blogger  
3/23/2013 | 10:44:51 AM

**Re: What for?**  
netcrawl,

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The way it works in Finland is that you tell the tax office the estimate for the year, and based on that they tax you. The tax system is quite complicated, and there are many different types of taxes.

So, they know how much you earn per year because they need to know how much they have to tax you. But no one asks you how you spend your money if you are registered as a freelancer or private person. It's a different story with companies, but this for for issues of tax return, etc.

-Susan

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netcrawl, User Rank: Petabyte Pathfinder  
3/23/2013 | 9:14:26 AM

**Re: What for?**

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yes @Susan its a total invasion of privacy, tax collectors doesn't have the right to know how do you spend your money, they job is to make an estimate or precise computation of our income and then tax us. That's it no string attached.

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netcrawl, User Rank: Petabyte Pathfinder  
3/23/2013 | 8:32:51 AM

**Re: What for?**

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@Susan I agree with you, its right! part's of tax collectors jobs is to have an estimate of people's income, not to know what exactly or how do I spend my money! Its a private thing. I'm sure they're trained enough to make an estimate of my income- that's all.

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Susan Fourtané, User Rank: Blogger  
3/23/2013 | 8:04:44 AM

**Re: What for?**  
Waqas,

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The tax officials do have the estimate or precise amount of people's income. That's enough.

Knowing how people spend their money is not their business, and I would never agree on giving such information to anyone.

No one has any right on telling me how I should spend my money. This is simply ridiculous.

*"Also, if you are spending your money in a legal way, there shouldn't be any concerns if the government has a track of your expenditures."*

That really surprises me. It's not a matter of spending the money legally or not. I don't do anything illegal, and yet I would never agree on giving such information to anyone. As I said, it's no one's business.

And again, there is no logical reason for that. Not at all. Give me one logical reason, and I will think about it. Without logic, don't ask me to change my mind or my thinking.

-Susan

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Susan Fourtané, User Rank: Blogger  
3/23/2013 | 7:55:10 AM

**Re: What for?**



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netcrawl,

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I see no point. I can't imagine who could like such a thing either. It's a total invasion to someone's privacy, and has no reason to be justified.

-Susan

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