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# Tax Collection in the Information Age: A Case for a Unified Tax Collection at Source System

February 23, 2022

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Tax Collection in the Information Age: A Case for a Unified Tax Collection at Source System The United States Government loses trillions of dollars in revenue every year due to a failure in collecting commercial and income taxes. Some of the reasons for loss in tax revenue includes unjustified income tax avoidance & evasion, commercial tax evasion, money laundering and failure in reporting. Besides, the current framework in-place for tax collection have started adopting technology but is still operating on the archaic design. Stepping into the Fourth Industrial Revolution, the access and flow of information has increased on all levels. As a result, all datapoints are being gathered at the granular level. This also includes financial data from daily financial activity and trace the movement of funds from each datapoint. Therefore, to replace the outdated tax collection system where the

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loss of tax revenue is too big to lose, a new tax collection approach must be adopted.

Hence, the proposal would be to introduce the framework of Tax Collection at Source. According to this new systemic framework, any commercial transactions will be monitored, and based on the sale category and classification, the centralized tax deduction system will deduct the seller's and buyer's tax from both parties engaged in the commercial transaction. The transaction will be intermediated through the government's unified payments blockchain infrastructure. When the transaction goes through the unified payments infrastructure the computing will happen and the deduction for tax collection take place. Within a fraction of seconds, the funds will directly get deposited to the tax collection agency's bank account. According to the nature of the financial activity, the computations will gauge the tax percentage and then drive the final deductible tax amount. All states, federal, commercial, and additional taxes will be calibrated as per the parameters of the tax deduction algorithm. Taxes being deducted at source, will increase the transparency, and maintain a digital trail of all financial records.

We all know that the tax filing season is another tedious activity for both stakeholders, the government as well as the tax filing entity. Understanding that it is extremely cost and time intensive to audit by deploying countless man-hours for resolving disputes that fundamentally arises due to communication errors, misunderstandings, and misrepresentations. But most primarily, tax evasion can be prevented by adopting the tax collection at source system. The system while receiving income will compute the previously received income by looking at the historical income data and apply the adjusted income tax percentage for the final derived income tax amount. The entity would be taxed at the adjusted tax rate at every income classified transaction. It would eliminate the discrepancies of unfair tax rates and tax collection. This will result in having a no tax filing season as all the credits and deductions will be systematically applied, adjusted, and accounted for, throughout the tax year. This format will eliminate all cases of genuine human tax filing error and failure in the collection of income taxes.

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The requirements for the user entity's identity verification and validation would take place with their national unique identity number (SSN, EIN), unique phone number, smart device and bank account information. In addition to validate all sending and receiving of funds, the system will request for a one-time password which will only be received on the smart device of the recipient of funds for every transaction. The algorithm will flag the transaction if it detects identity fraud and will not authorize the transaction. Implementation of the new tax collection infrastructure will reflect new money being reflected into the system that previously had never been reflected. The changes will be tangible, quantifiable, and measurable.

The detection of financial crimes and frauds will become easy, resulting in being able to effectively manage such unwanted situations. This approach will make the loss of revenue damage a little less on the pockets and serve an influx of previously unaccounted wealth. Some of the other pros include increase in transparency, governing entity's operational efficiency and accountability, reduced labor costs and control over the issues of corruption. Lastly, the tax collection at source system will drastically increase the government's earnings and income from taxes resulting in a much larger annual budget which can be channelized towards the future national growth projects.

*The views represented herein are those of the author and do not necessarily reflect the views of the LMU Global Policy Institute.*

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