TEST-SESSION

eTaxation and the Reduction of the Administrative Burden – the Role of Intermediairy Parties

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eTaxation is used both as a way to improve the quality of service delivery as well as a strategy to reduce the administrative burden for businesses. Although many business-to-government systems are currently being implemented, the adoption of electronic data interchange systems in a governmental context has not yet been studied. Without understanding the effectiveness of legislation related to the reduction of administrative costs and the role of private intermediary parties involved in the exchange processes between governments and businesses we can hardly expect that these developments help the governments to achieve their aims to reduce the administrative burden. In this chapter we present a conceptual model of adoption factors that influence adoption decisions of SME companies in this context. In a representative survey we investigated the perception toward edi-like communications channels with government and found some factors that seem to be relevant for motivating the implementation of eGovernment. In a specific case study of the Dutch eTaxation approach we illustrate practical consequences of the legislative measures and the relation with the reduction of the administrative burden.

1 Electronic Data Interchange and the Reduction of Administrative Costs

In recent years many initiatives in different European countries have been started aiming at the implementation of electronic data interchange with governmental organisations. These electronic communication channels support the delivery of frequent, relatively voluminous data streams by businesses. This in contrast to the many web and electronic forms based incidental transactions. Most of the supported data streams relate to so called information obligations, defined in Administrative Law. These data are vital to the functioning of governmental and societal processes. Tax filing, custom declarations, social security and employee information and statistics e.g. are the basis for policy making and the transfer of income and capital among citizens in a social constitutional state [19]. The top-10 of most voluminous business-to-government data streams in the Netherlands sum up to approximately 350 million messages a year. In this top-10, two data streams are tax related: the VAT and salary tax.

On the other hand timely and accurate data delivery for most businesses can be a major setback. The investments for development and management of specific information systems make especially small and medium sized companies suffer under an administrative burden. In most Western European countries the administrative costs are estimated approximately 3% of the GNP which means that e.g. in the Netherlands the total of these administrative costs in 2004 was 17 billion euros. Approximately 4 billion euros is caused by only three tax-related data streams. These costs hamper economic growth and employment [3].

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Many countries develop their own solutions in establishing effective and efficient electronic eTax-related business-to-government interfaces. The United Kingdom e.g. introduced its UK Gateway driven by interoperability standards. In Portugal businesses are legally obliged to send their tax file in a digital web-based manner. The Finnish TYVI concept assigned the collection and distribution of business data to private brokers from which governmental organisations 'buy' specific data instead of collecting these themselves. The Irish Revenue On-Line Service system and the Polish Complex Computer System for the Social Insurance Institute were e-Europe Award winners [8]. And last year the Dutch tax administration legally enforced the tax filing by businesses in an electronic manner, being the first in Europe to support application-to-application tax filing. On the supra-national level the UN encourages the establishment of "single windows to enhance the efficient exchange of information between trade and government" [23]. And the EU Commission is preparing a directive on services in the internal market regarding the establishment of "single points of contact" where business can complete their administrative procedures by electronic means [10].

Whereas governmental organisations invest in these edi-like solutions and link them to administrative cost reduction programmes, the adoption rate and usage by businesses is unfortunately rather unpredictable. The Dutch Statistics Department and the Tax Administration e.g. have experienced rather poor adoption rates of their proprietary electronic filing applications (the EDItax application was at the end in 2004 used by less then 5% of the focus group). Adoption rates of customs and agricultural import and export related systems are nevertheless rather high (with 95% electronic delivery rates of customs declarations). After years of following a seduction policy both governmental organisations have recently chosen to enforce by law data delivery by business in an electronic manner.

Research on the adoption of electronic data interchange systems has lead to the identification of factors that influence adoption of this new technology (see e.g. [6], [13]). Most of this research however has been conducted in the business-to-business domain, taking little notice of the "hierarchical" characteristics typical for the inter-organisational relationship between government and businesses. The adoption of these systems in the business-to-government relation received little attention thus far. Furthermore little empirical or even theoretical work has been done with respect to the role of the intermediary (private) organisations although these intermediates play an important role in the eTaxation domain. In every day practice a lot of intermediary private parties such as tax advisors, accountancy firms and trading companies handle contacts (including data reporting) with the tax department on behalf of their business clients. The importance of these intermediaries is also stressed by the previously mentioned award winners in which case attention is paid to the position of "agents", "service providers" and "intermediaries".

In this chapter we examine the factors and strategies that influence the adoption of governmental eTaxation applications by small and medium scale business, specifically in the context of these businesses information obligations. In the next paragraphs we present successively the theoretical background of our research and our conceptual model. We will present results of the application of the conceptual model in two empirical settings: a large scale survey on electronic services in general and a specific case study regarding the Dutch eTaxation approach.

2 Theory

The research on the information obligation costs more or less starts with Adam Smith's Wealth of the Nation [20] where he states "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state". For a long period of time research is dominated by a rather

financial management accounting focus [1]. More recently a governmental management and policy making focus arises [19] in which legislation and the function of information obligations in a social constitutional state is addressed. As a third, more general branch, related to this research domain, we see the research on business process management and the cybernetics theory. Fundamental changes in the information logistics can have great (second order) effects on the efficiency and effectiveness of the organisations involved [5]. The way this information logistics chain is organised determines the effect on cost and performance of the process. Intermediary parties often function as directors of these chains. Within these chains the full benefits from data interchange can only be realized when systems are integrated (Premkumar, 1994). Especially small companies find it hard to derive full benefits from using data interchange systems. Integration and full implementation within their business processes is hardly being effected [6].

A vast volume of research regarding data interchange systems exists. This topic has been studied from various perspectives: a technical innovation perspective on the means of transporting messages, e.g. the Internet [2], a standardization perspective, e.g. on EDIFACT and XML standards and an inter-organisational system perspective [13]. Henriksen shows in her classification of research themes, that the business value perspective of electronic data interchange is one of the dominating themes. Business value especially operational performance and strategic performance were the main perspectives in twenty articles in the 1991 to 2000 top-five journals on Management Information Systems (MIS). With Henriksen we choose a technological-indifferent approach to the subject of electronic data interchange [13]. We therefore in this study do not differentiate between the traditional peer-to-peer edi solutions and web-based solutions. In our practice we experience more or less the same adoption problems with both generations of systems.

A substantial amount of edi adoption research relates in some way to Roger's diffusion and adoption theory. Given the specific characteristics of these data interchange systems, researchers have build extended models to analyse the specific dimensions of these inter organisational systems. These models contain, next to the (technological) characteristics of the innovation itself, variables on the organisational level and on the environmental level [6], [11], [13], [22], [24].

Next to the diffusion and adoption of innovations theory [15], the transaction cost economics theory serves as theoretical basis in the analysis of electronic data exchange. The concept of markets and electronic markets [16] might help us to understand intermediation and disintermediation processes. The concept of hierarchies and electronic hierarchies is applicable to inter-organisational systems in general and to interchange systems in the governmental context specifically. The focus within hierarchies is on internal efficiencies (e.g. reduction of management, production and administrative costs) rather than on the relationships between partners [9]. Governmental organisations have a natural tendency to put internal efficiency benefits first when developing data exchange systems [3]. Next to that these governmental organisations have the power to persuade or enforce adoption via e.g. licensing or legislation. Involuntary adoption and use may occur when mandated by the government [9], [12]. Confronted with pressure or legal regulation regarding the adoption of an electronic data exchange system, next to adoption and non-adoption there is a third possible decision: the outsourcing of electronic contact via a service provider or intermediary. We have not found any research on outsourcing as an adoption strategy. In the next paragraph we present our conceptual model with a first hypothesis founded in the above depicted theoretical context.

3 Conceptual Model of Adoption Strategies

Based on the theoretical literature reviewed and presented in the paragraph above we present here a conceptual model to guide our research on adoption factors in the business-to-government context. The overall model consists out of two sets of variables: adoption strategies and adoption factors (see figure 1). In the next subparagraphs we address separately the two sets of variables used. The adoption decision is the central element in the model. The adoption strategies *result* from the three possible outcomes of the adoption decision: adoption, non-adoption or outsourcing. We use the three main categories of adoption factors used in recent adoption research on electronic data interchange: the innovation-specific (technological), organisational and environmental characteristics. The adoption factors *influence* the adoption decision. Founded in the above presented theoretical background we formulate the following general hypothesis underlying the model:

Business adoption of electronic data exchange systems with government is influenced by specific innovation-specific, organisational and environmental factors (see below). The outsourcing of this exchange is a relevant adoption strategy to many businesses. Organisational size and governmental pressure are important factors influencing that decision.

This hypothesis is based on the following arguments: small businesses are less able to gain operational performance (cost, quality) benefits in an electronic hierarchical relation with government, professional (intermediary) organisations can more easily integrate with government and benefit from the so called electronic integration effect [16]; these organisations can then market more and cheaper data exchange services based on their electronic linkage with governmental organisations. Especially when governmental (legal) pressure rises, smaller companies will outsource this data exchange relationship; since non-adoption in that case is no longer an option.

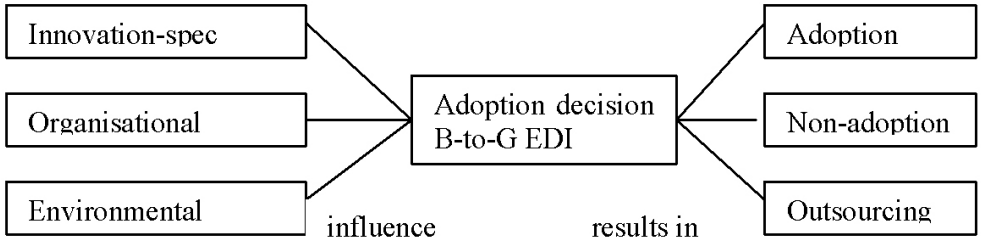

Figure 1: The conceptual model of adoption strategies

3.1 Adoption Strategies

Important phases in the adoption decision making process are knowledge gathering, persuasion, decision making, implementation and use of the innovation. A crucial moment in that process is the decision to adopt or reject (non-adopt) the innovation. In this study we distinguish three adoption strategies: adoption, non-adoption and outsourcing. *Adoption* is the result of a singular organisation's decision "to make full use of an innovation at the best course of action available [15]". Adoption is thus a mental or financial commitment towards the innovation or a physical acquisition of the artefact [13]. Chwelos uses the term "intend to adopt" to stress the fact that it concerns exclusively the initiation phase and not the implementation phase. The possibility or intention of further integration and use within the organisation distinguishes adoption from the other two strategies: non-adoption and outsourcing. *Non-adoption* is a rejection and reflects the decision not to adopt the innovation. *Outsourcing* is the third adoption strategy. This strategy

can be seen as a type of non-adoption decision: the organisation has no intention of using (and possibly integrating) the innovation.

The three strategies differ also in their channels used for data delivery to government. *Adoption* leads to electronic delivery of messages by the individual business. *Non-adoption* in most cases leads to continuation of paper delivery by the business organisation (contraire to the governments objective). *Outsourcing* means electronic delivery by the intermediary party.

3.2 Adoption Factors

Rogers [15] presents two sets of explaining variables that determine adoption: the characteristics of the adopter and the characteristics of the innovation. The adopter characteristics describe the individual-level adoption and therefore are less applicable in the context of organisational adoption. The five characteristics of an innovation are: relative advantage, compatibility, complexity, trialability and observability. In their meta-analysis Tornatzky and Klein concluded that these five characteristics have consistently been found significant [21].

Many studies point however at variables which go beyond Rogers characteristics [13], as for example: organisational readiness, external pressure [6], competitive pressure, organisation size and innovativeness [11], top management leadership and organisational size [22]. These researchers al use a three layered innovation-organisation-environment model. In one way or the other Rogers variables relative advantage, compatibility and complexity are in those cases part of the *innovation-specific* level. Factors at the *organisational* level relate to the organisation itself. The factors address aspects as human resources, management, IT sophistication, financial resources and the organisation structure and size. Iacovou defines e.g. organisational readiness in terms of financial and technical resources [14]. From an empirical test of the underlying model readiness emerged as important factor in terms of impact on intent to adopt [6]. IT sophistication (technical resources) was a significant factor as well. Frambach basing his factors on a selection of studies presents the factors organisation structure, innovativeness and size [11]. Organisational size is mentioned as hindering to the adoption. Hart [12] points to the resistance of small companies to adopt because of high implementation costs and lack of integration. Other factors mentioned are informal communication, quality of human resources and the amount of internal slack [22]. The same study points to external pressure as a factor at the *environmental level*. A major reason for small companies to adopt edi systems is external pressure. Other factors used are competitive pressure and the industry life cycle [6], [11], [22].

The model designed has been applied in two empirical studies. The next two paragraphs present the results of these studies.

4 Perception towards Electronic Data Interchange with Government

This paragraph presents the results of a large scale survey of individual Dutch businesses. The general objective of the study was to determine the general perception towards governmental e-services and to focus specifically on electronic data interchange, reduction of the administrative burden and outsourcing specifically. Figure 2 illustrates that the survey in terms of the conceptual model focuses mainly on the relations between innovation-specific and organisational adoption factors and the outsourcing strategy. A more elaborated statistical analysis of the results is presented in [4].

The perceived attitude in relation to the use of electronic data interchange with the government was measured in terms of *innovation specific factors* relative advantage (cost savings, reduction

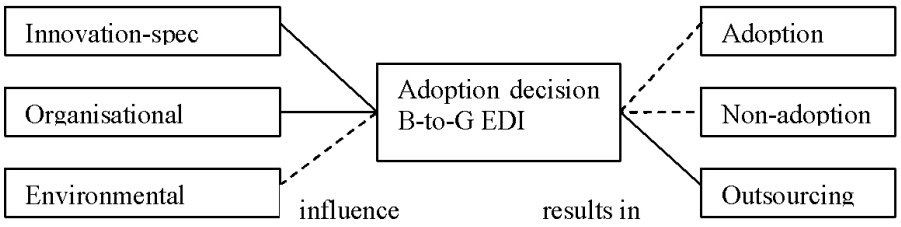

Figure 2: The survey focus mapped on the conceptual model of adoption strategies

of error-rates, enhanced productivity, reduction of (cost of) outsourcing) and complexity. Due to practical constraints in the design of the survey we could use two *organisational factors*. Organisational size was measured in terms of the number of personnel working 15 hours per week or more and organisational IT experience was measured in terms of use of (specific) e-government services during the last 12 months. The adoption strategy *outsourcing* was measured in terms of the number of organisations that outsourced the handling of government services to a third party and in terms of the impact of the introduction of e-services on their outsource decision.

The data for this study were collected from a large scale survey of 503 small and medium sized businesses. The response is based on a representative sample of small and medium scale business in the Netherlands; 90 percent of the companies has 50 employees or less Intermediary parties were excluded from the survey [7].

Almost 40% of the businesses (n=190) has made use of electronic e-services the year prior to the survey. These services cover the broad range from information retrieval, communication and transaction. Table 1 shows that e-taxation services were by far the most popular and were used by nearly 55% of these businesses.

Tax Administration	55%
Ministries	23%
Chamber of Commerce	19%
Governmental service organisations (e.g.. social security)	17%
Municipalities	16%
Statistics department	6%
Customs	3%
Others	18%

Table 1: e-services used from governmental agencies (max three options per respondent, n=190), source: [7]

The general perception of businesses regarding the possible channels for electronic data delivery is presented in table 2 (the question was answered by those businesses who had expressed a need for e-government services, n=120). We related this general outcome to the organisational adoption factors.

There is a weak relation between "outsourcing" and *organisational* size: small businesses have more tendency to outsource than larger ones. With respect to the *organisational* IT *experience* there is a significant (weak) positive relation with "EDI, business sends"; businesses which prefer EDI as the electronic channel to the government have relatively more experience with governmental e-services than the others (the above presented e-taxation services was used as a control variable).

The Internet (web sites, e-mail)	61%
Electronic data interchange with governmental organisation (business sends)	23%
Electronic data interchange with governmental organisation (government fetches)	3%
Outsourcing to an intermediary party	8%
Non of the above options	2%
Doesn't know	3%

Table 2: Preference electronic data interchange channels with government, source: [7]

Possible effects of electronic data interchange systems with government in term of the innovation-specific adoption factors have been formulated into five theses. Table 3 shows in percentages the perception of the respondents (n=503) towards these effects.

The results show a relatively positive attitude towards electronic data interchange with the government in terms of the innovation-specific adoption factors: 40 to 45 percent agrees with positive effects on the operational performance, 49% doesn't perceive complexity as an obstacle and 44% of the respondents perceives possibilities to reduce (cost of) outsourcing. A rather large group, approximately one third of the respondents, has a rather negative attitude towards the data interchange systems in this context.

Adoption factor / perception	Totally agree	Mostly agree	Not agree, not disagree	Mostly disagree	Totally disagree	Don't know, no meaning
Reduction of error-rates	11	29	20	16	16	8
Cost savings	12	31	15	18	15	9
Complexity	15	17	12	25	24	7
Enhanced productivity	14	31	16	13	19	7
Reduction of outsourcing	14	31	16	13	19	7

Table 3: Perceived effects of electronic data interchange systems with government, in terms of the innovation-specific adoption factors (in %)

Based on these results we investigated the relationships between the perceived effects (innovation specific factors) and *organisational size* and *organisational IT experience*. Large businesses do agree more with the fact that electronic data interchange offers possibilities of cost savings, small businesses do agree less. Small businesses do agree more with the fact that complexity hinders them to implement electronic data interchange, large businesses do agree less. The less IT experience the business has, the more it agrees; and visa versa. Large business do agree more with the fact that electronic data interchange offers possibilities of enhanced productivity, small businesses do agree less.

The introduction of governmental e-services, e.g. electronic data interchange, could have effect on the outsourcing decision. We measured how many business outsourced the handling of governmental services and what effect the introduction of governmental e-services would have on that outsourcing decision, see table 4.

Leads to more outsourcing	14%
Leads to less outsourcing	13%
No change in outsourcing decision	73%

Table 4: Impact of introduction of governmental e-services on outsourcing decision (n=503)

Businesses which already outsourced have a greater tendency to outsource even more than

businesses which did not outsource yet. Those organisations which indicate "more outsourcing" have the tendency to perceive higher administrative costs than other organisations.

5 Impact of the Legal Obligation of Electronic Tax Filing

As stated in the introduction two of the 10 most voluminous B-to-G two data streams in the Netherlands are tax related: the VAT and salary tax. When we add the business profit tax, these three tax types sum up to an administrative burden for businesses of approximately 4 billion euros a year (figures ultimo 2002). From the beginning of the 1990's the Dutch Tax Administration stimulates the electronic delivery of tax files by businesses. Starting in 2005 however this electronic data delivery was obliged by law for the above mentioned three types of business tax. This electronic tax filing was not only supported by web forms but also via commercial electronic data interchange applications. Making the Dutch Tax Administration the first in Europe to open this channel for massive tax filing.

This shift in policy towards e-services is used as the basis for a case study founded by the in this chapter described conceptual model. The case study had a longitudinal character investigating ten years of adoption policy and application development with respect to electronic data interchange. As figure 3 indicates, in particular the impact of the legal obligation as an *environmental factor* on the adoption strategies has been investigated. In this specific case the factor "external pressure" is specified into "governmental pressure".

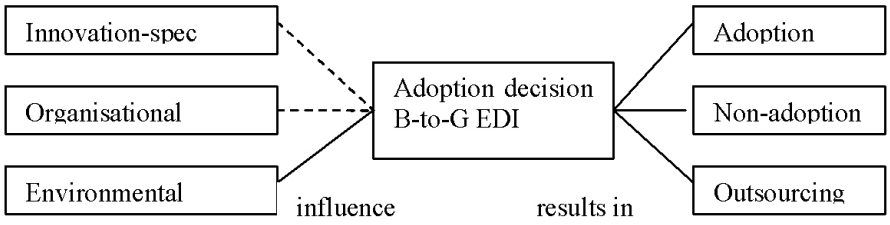

Figure 3: The case study focus mapped on the conceptual model of adoption strategies

This extreme form of governmental pressure, legal obligation, forces business to make an adoption decision:

- *Adoption* of an edi-like application, often integrated into existing business software
- Using an electronic form available at the Tax Administrations website, implicating the *non-adoption* of an edi-like solution
- *Outsourcing* the tax filing to a intermediary party (40

The case study was mainly based on desk research of qualitative policy documents and large scale (n>1.000) quantitative surveys that measured the attitude and knowledge of businesses prior to the introduction date of the obligation. Special interest was paid to the relation with the theme of the reduction of administrative costs for businesses.

Till 2004 the Dutch Tax Administration introduced and investigated several applications to support electronic tax filing. Most effort has been put into development and stimulation of edi-like applications to support intermediary financial parties. The adoption rates amongst these parties were low. After 10 years of supporting the EDItax application e.g. circa 2% of the amount of tax files was send via this system. We see three factors explaining this situation. First, figures indicate that in particular small businesses did not adopt the systems. Smaller (intermediary)

companies often find these solutions complex. This relates to a second organisation specific factor, the IT-experience of the organisations. Ten years ago not more then 10% of the intermediaries was assessed as "edi-ready" and again at the beginning of this millennium these organisations still worked with rather outdated infrastructure. As a result these organisations were hardly able to gain efficiency benefits via integration of applications. The overall possible efficiency gain for businesses, the third factor, was rather poor. As depicted in the theoretical background large, hierarchical, governmental organisations have the tendency to put internal benefits first when developing data exchange systems. As part of the new electronic profit tax filing system e.g. a new data structure was introduced. This in contrast to the paper system in which businesses could send an (unstructured) annual report. The Tax Administration expected a more efficient data gathering process and a better risk analysis, businesses experienced less flexibility and a more complex process. Calculations in this case at the end of the 1990's show that the pure electronification of the tax filing reduces the administrative costs for businesses with 2 a 3%. At the moment the Dutch government aims at a reduction of 50 million euros a year caused by the electronic tax filing.

Low adoption rates of this new system was one of the reasons behind the legal obligation of the tax filing by businesses. Other arguments were large governmental efficiency cuts and the fact that the EU was working on the legal obligation of the VAT on e-services. For this service an internet-based pilot system already had been developed. The architecture behind that solution was the basis for further developments. Starting in 2004, a successful introduction was prepared and executed. At this moment millions of tax files per year of nearly all Dutch business now are delivered in an electronic manner. Next to electronic forms accessible via the Tax Administrations website, many commercial software systems support electronic tax filing.

As stated before businesses were forced to make a choice on how to file their tax in an electronic manner. This has had consequences in terms of the *adoption strategies* (see figure 3). First figures from 2005 (VAT and profit tax) and 2006 (wage tax) depict the following tendencies. The figures are derived from several large scale surveys and represent the individual business' perspective [17], [18].

Adoption strategies	VAT (n=1256)	Profit tax (n=1256)	Wage tax (n=1007)
Electronic data interchange (by means of a software system)	11%	6%	17%
Electronic form	38%	13%	7%
Outsourcing	36%	61%	76%
Does not know / other	15%	20%	–

Table 5: Adoption strategies chosen at the start of the legal obligation, based on [17], [18].

The figures on outsourcing will be discussed in one of the paragraphs below; probably caused by the high percentage "does not know" these figures in the table are low in relation to the actual figures.

Especially the VAT and profit tax show rather poor *adoption rates* for electronic data interchange systems. In both cases electronic forms are used more often. It looks like that in case of a simple tax file one prefers to use an *electronic form* (VAT) whereas in more complex cases (profit tax) one chooses to outsource. In case of the wage tax a software system is more often used (for means of electronic data interchange). This might be explained by the fact that those business which do not outsource this salary tax administration use a professional salary software system

that supports electronic data interchange options. In fact wage tax and the VAT can much easier be extracted (automatically) from a salary administration and business administration than a profit tax. The profit tax at the moment still needs human advise and (re)calculation activities.

Much more than expected VAT and profit tax files were delivered via electronic forms in stead of electronic data interchange applications. An explanation that is confirmed is that many intermediary parties use the electronic forms option that was originally designated for individual businesses. Looking at history (see above) this *non-adoption* of electronic data interchange by intermediary parties is not surprising.

Actual outsourcing percentages:	June 2004	October 2004	January 2005
VAT	40%	42%	48%
Profit tax (small companies)	82%	81%	81%
Profit tax (large companies)	86%	78%	85%
Wage tax	59%	59%	61%

Table 6: Development of the actual outsouring percentage per tax type, based on (Motivation, 2005)

As stated earlier outsourcing is a third option to many businesses. Table 6 presents the development in time of the actual outsourcing situation per tax type of businesses in the period towards the moment of legal obligation ($250 < n < 1250$). Regarding the VAT and wage tax there is a statistical significant growth of the actual outsourcing.

This growth of outsourcing is confirmed by analysis of the situation regarding the wage tax and the salary administration in 2006 (electronic filing of the wage tax was obligated per 1st January 2006). Before 2006 49% of the employers outsourced their total salary administration; after the legal obligation 73% of them outsourced the total salary administration. Employers that did not outsource before 2006 as well as employers that (partially) outsource before 2006 have outsourced more after January 1st 2006. Those who outsourced more indicated that the tax filing now took too much time (31%) and became too complex (15%). We have to take into account however that the situation with respect to the wage tax is much more complex than with respect to the VAT and profit tax. The obligated electronification of the wage tax was combined with new legislation in the social security domain, governmental process redesign and the harmonisation of legal definitions.

6 Discussion

The adoption of electronic data interchange with government is still a rather unpredictable process that also influences the implementation of eTaxation innovations. Based on the above presented analysis and results n this paragraph we discuss three major consequences related to the theme of eTaxation: the reduction of the administrative burden, the digital division and the role of intermediary parties.

Reducing administrative costs for businesses by means of electronic data interchange is a harsh effort. First calculations show a reduction potential of not more than 3% of the administrative costs. Theoretically there are certainly arguments that point towards reduction possibilities. Especially the integration of applications and the automated construction and delivery of tax files promise substantial reductions. However pragmatic adoption decisions of businesses and their intermediaries the past few years lead to non-integration solutions: electronic forms via

websites or even outsourcing. The legal obligation does not change this process. Whereas on the short term reduction rates are somewhat disappointing for the long term we see possibilities for sure. One of the developments in the Netherlands at the moment is the construction of a national XBRL taxonomy of financial data. Developments like these may or may not result in a substantial reduction of administrative costs, but that will depend on different factors that determine the actual adoption.

Our research addresses a growth in the outsourcing of data exchange processes with government. Especially businesses that already outsource have a greater tendency to outsource more. Not surprisingly these are often small companies. To these companies the initial high investments required in order to being able to use these e-services seems to be a large and expensive hurdle (and are hardly compensated by reduced administrative costs). On the other hand, several quantitative studies used in the case study as well as the results of our large scale survey [7] point to the fact that businesses which use governmental e-services have a rather positive perception and intend to use more governmental e-services. Both groups of businesses seem to move in an opposite direction causing a growing *digital gap*. This digital division is often labelled negatively. In our opinion the existence of a competitive market of e-government services can reduce related risks.

In our opinion more attention should be given to *the role of intermediary parties* in these e-government services processes. These professionals in data logistics are more than individual (smaller) businesses able to gain advantage of the so called electronic integration effect with the electronic government. These intermediaries form a channel through which individual businesses can by reached in an electronic manner. The real challenge in that case for governmental organisations and individual companies is how to transfer the efficiency benefits gained by intermediaries into financial benefits (cost reduction) for individual small companies. Competition between intermediates might help here. Two examples from the Dutch eTaxation domain illustrate this market mechanism regarding eGovernment services. First of all we see the development of a totally new market of B-to-G tax filing related electronic data interchange services offered by private application service providers (ASP's). These ASP's offer data transportation, data security and data management services to intermediaries and individual organisations, competing on quality and price. Secondly, large accountancy firms at the moment offer their individual business clients a substantial reduction on their bills related to electronic filing of annual accounts and profit tax (trying to meet the 25% reduction objective of the administrative burden formulated by the Dutch government). Following this strategy intermediary parties can become helpful partners in the implementation of qualitative and cost effective eGovernment services.

A successful introduction of eTaxation services asks for the right balance of governmental efficiency benefits, intermediary services, and the reduction of the administrative burden of individual businesses. This chapter presented a first analysis of the factors influencing related adoption strategies.

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