



SUGGESTED APPROACHES TO COMPLIANCE RISK MANAGEMENT IN TAX ADMINISTRATIONS

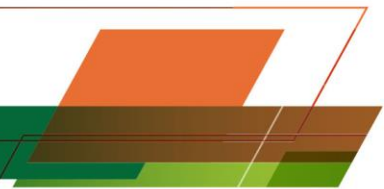
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Highlights of CRM



- Why do we need CRM?
- What is CRM?
- What are the elements of a good CRM?
- How does it work?
- What are the benefits of using CRM?



The need for CRM in tax administration



- Complex tax laws
- Various tax regimes
- Complex financial systems
- Base Erosion and Profit Shifting
- Digital economy
- High volumes of taxpayer transactions
- Low staff to taxpayer ratio
- Ever increasing revenue targets
- Low tax morale



- Volatile environment
- Uncertainty
- Complexity
- Ambiguity



How do we
make sense of
it all?



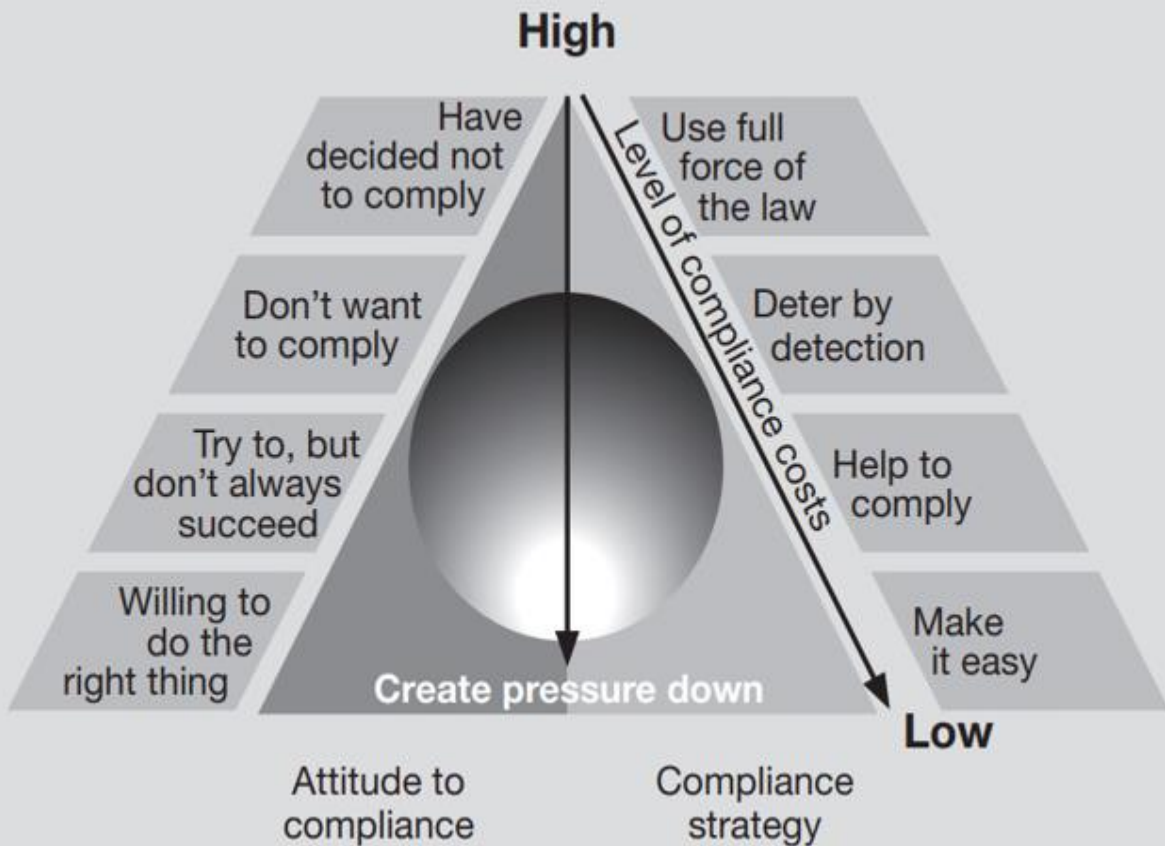
What is Compliance Risk Management?

Taxpayer compliance risk management (CRM) refers to the application of logical systematic methods for communicating and consulting about risk; establishing the context for identifying, analyzing, evaluating, treating risk associated with compliance; monitoring and reviewing those risks; as well as reporting and recording the results appropriately within the tax administration

Simplified definition

Taxpayer compliance risk management (CRM) refers to the application of logical systematic methods to the process of assessing, evaluating, and treating risk associated with taxpayer compliance behavior

Why do we need to manage compliance?



To empower the tax administration with a structured way of creating and maintaining that downward pressure



Elements of CRM



**Legal
Framework**

CRM Framework

**Human Resources
– risk analysts, tax
specialists**

**Data harvesting
systems e.g
ITAS**

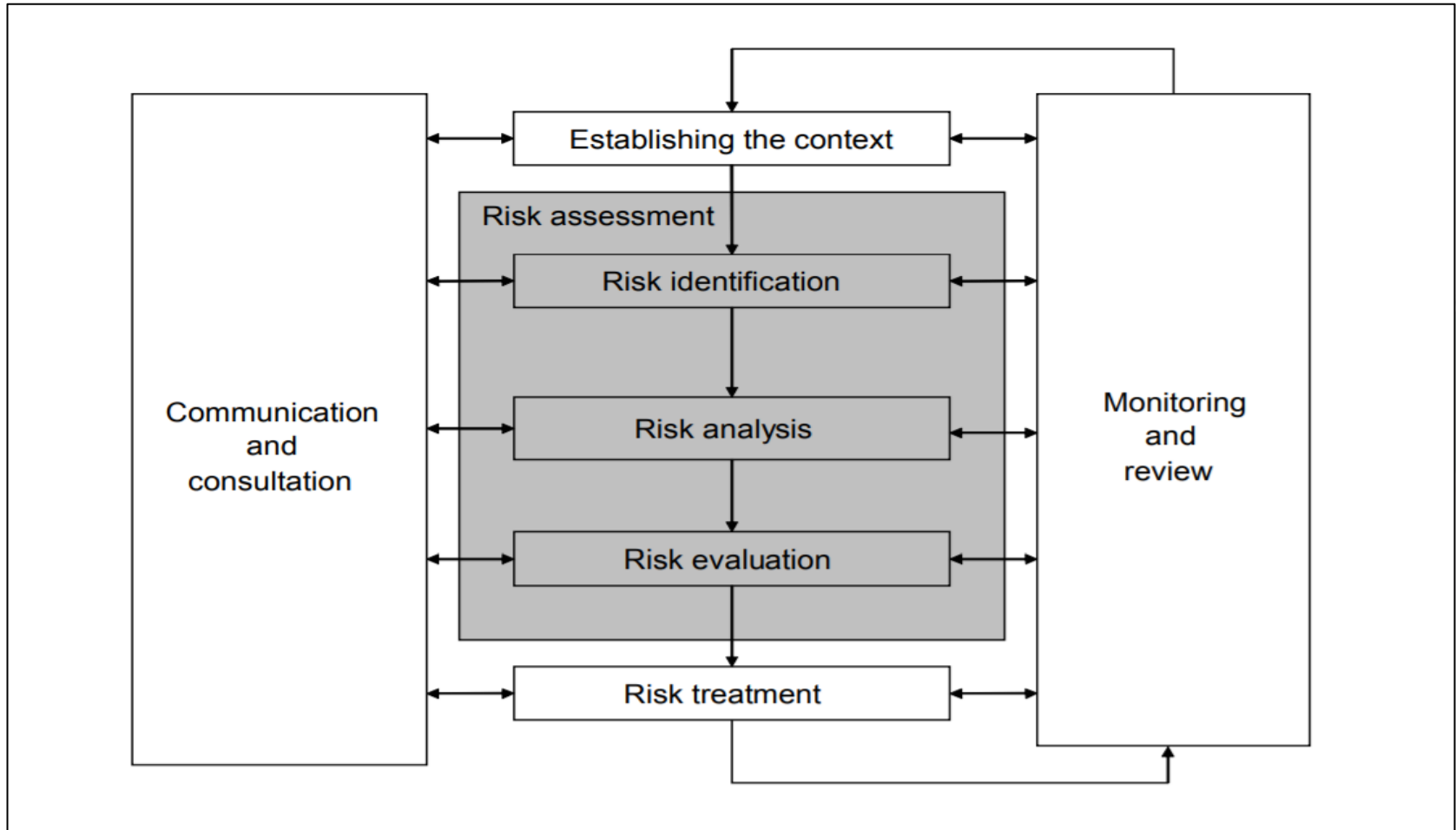
**Data storage
systems**

**Robust tax
administration
procedures**

*Machine Learning,
Artificial
Intelligence?*



The CRM process



(IEC - International Electrotechnical Commission, 2009)



Benefits of using CRM



It is a requirement of the TADAT



POA2 Undertakes intelligence gathering and research to identify compliance risks in respect of the main tax obligations

Uses a structured process to assess, rank, and quantify taxpayer compliance risks

Mitigates assessed risks through a compliance improvement plan

Monitors and evaluates the impact of the compliance risk mitigation strategies

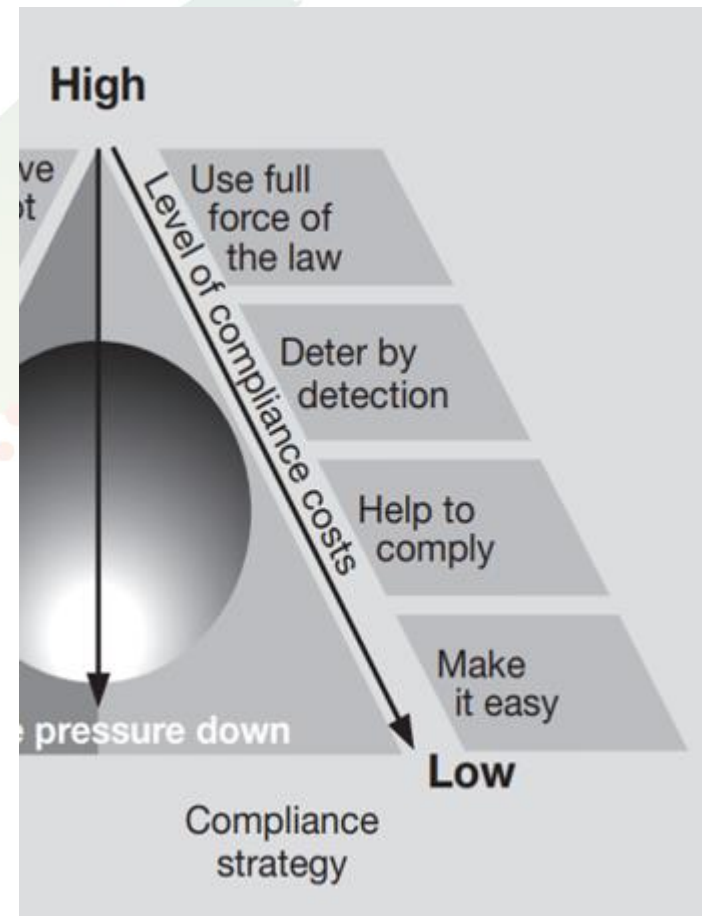
Identifies, assesses and mitigates institutional risks



CRM Allows for varied solutions



As opposed to a one size fits all approach, CRM recognizes that there are different reasons for taxpayer non-compliance and allows the tax administration to have different, varied responses for each category of non-compliance so as to be more effective





It is based on good practice



- ✓ It delivers a structured approach to managing compliance risk based on ISO31000:2018
- ✓ It is auditable; because it is a structured process, everything is documented and can be referred to or double checked even at a later date

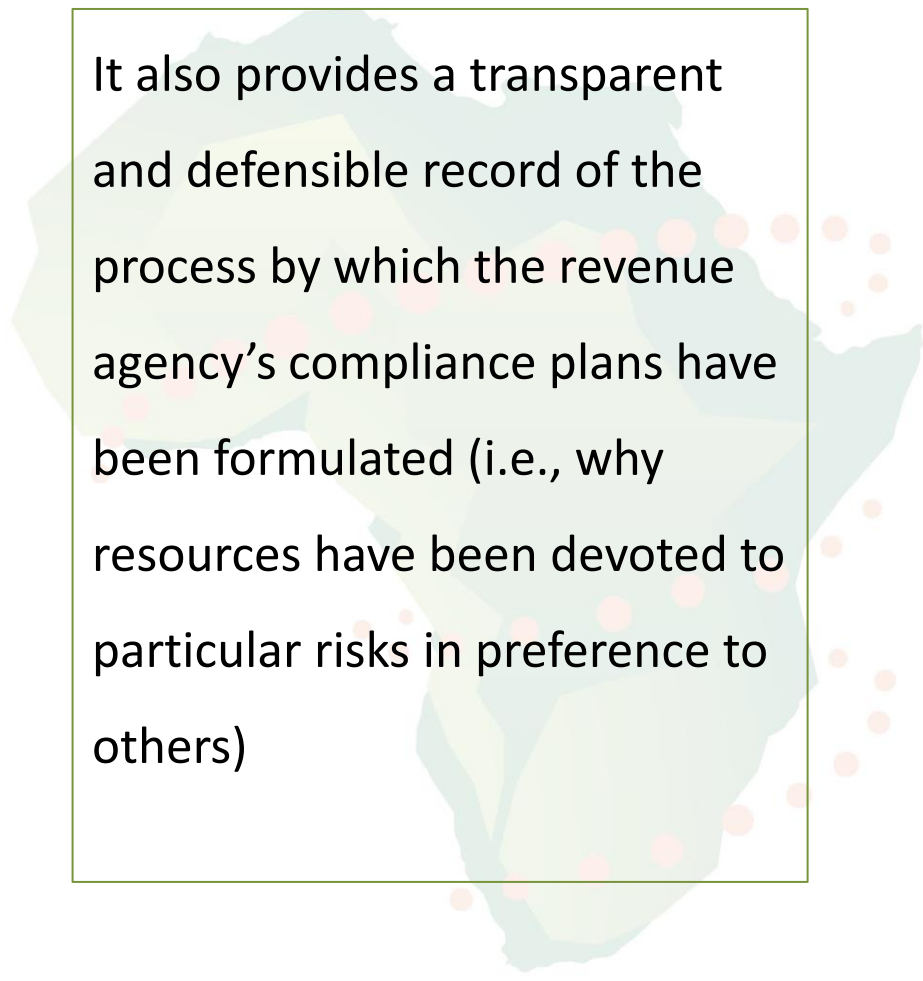




Greater control of the compliance narrative in the tax administration



- ✓ Improved understanding of the drivers of non-compliance
- ✓ Ability to develop and deploy appropriate responses



It also provides a transparent and defensible record of the process by which the revenue agency's compliance plans have been formulated (i.e., why resources have been devoted to particular risks in preference to others)



Improved efficiency



The use of CRM on a cyclical basis allows a revenue agency to systematize its compliance risk identification, risk prioritization, and compliance strategy planning and delivery in a way that ensures a focus on the most significant issues and makes best use of available resources across competing functional departments

- ✓ We are able to achieve more with less
- ✓ Gives us the ability to redirect resources where they are needed the most



Obrigado!