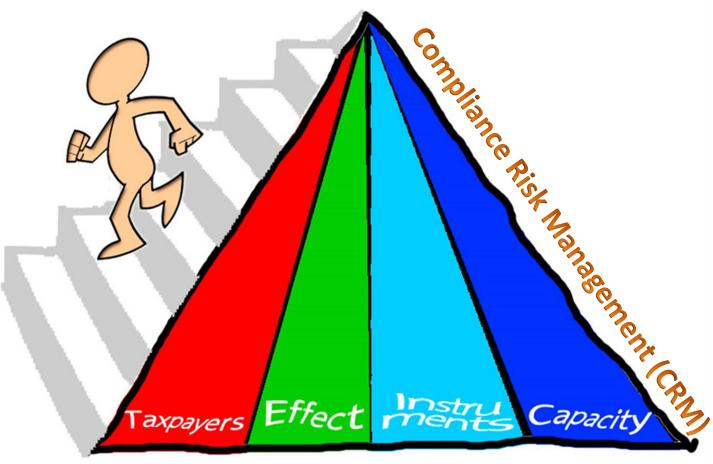


# The Ninth IMF-Japan High-Level Tax Conference for Asian Countries Compliance Risk Management in the Revenue Department of Thailand



Ms. Patricia Mongkhonvanit

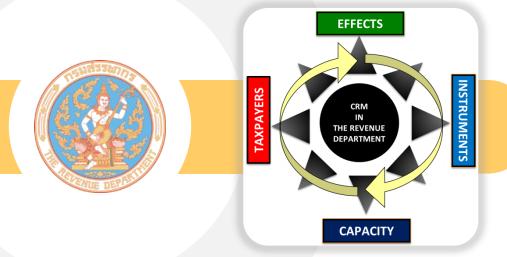
Deputy Director-General (Policy and International)

The Revenue Department of Thailand

### **Agenda**







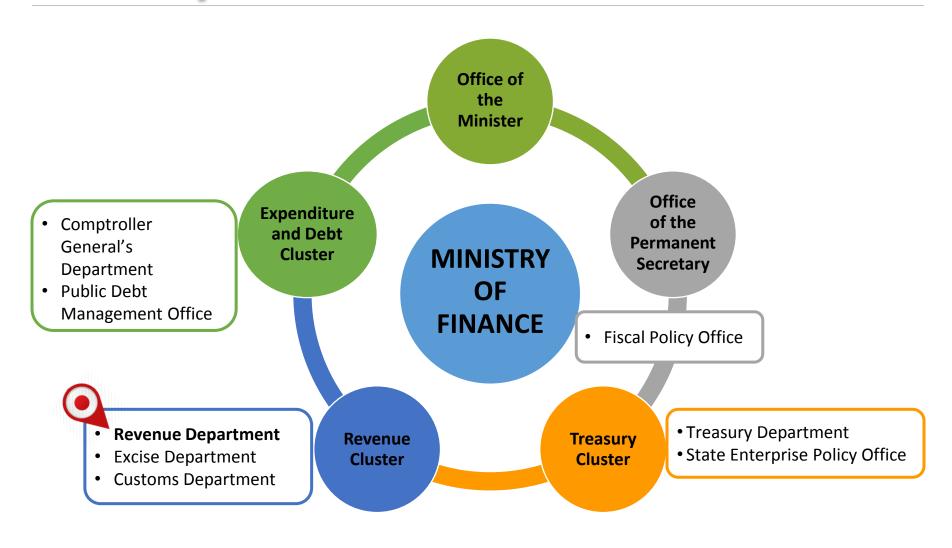
Tax Administration and Compliance Risk Management

### **Agenda**



Overview of the Revenue Department of Thailand

### **Ministry of Finance**



### The Revenue Department



### **Tax Types and Collection**

#### **Types of Tax Collected**

Personal Income Tax

**Corporate Income Tax** 

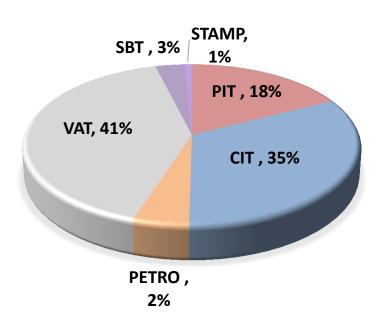
Value Added Tax Specific Business Tax

**Stamp Duty** 

Petroleum Income Tax

Gift and Inheritance Tax

#### **TAX COLLECTION FY2017**



April 2018

6

### **Function-based Organisation**

#### **Functions**

#### **Head Quarter Divisions**

Policy and Standard

Tax Policy and Planning

Tax Collection Standards

Tax Supervision and Audit Standards

Tax Auditing Standards

Small and Medium Business Tax Division

Collection and Supervisory/Audit

Large Business Tax Administration

Central Audit Operations Informal Business Survey and Tracking Division

Legal

**Legal Affairs** 

Investigation and Litigation

Tax Appeals

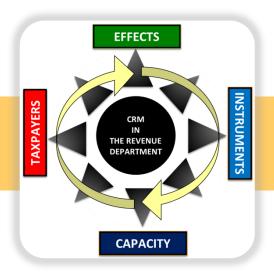
**Administration** 

Office of the Secretary Finance and Revenue Management Human Resource Management

**IT and e-Services** 

Information Technology Electronic Taxpayer Services

### **Agenda**



Tax Administration and Compliance Risk Management

### **Challenges in Tax Compliance**

 Pressure to increase tax incentives and decrease tax rates while the revenue target keeps increasing

Tax gap

- High compliance cost
- Negative tax perceptions
- Tax avoidance
- Low compliance rate

**TAXPAYERS** 



INSTRUMENTS

- Balance between taxpayer services and enforcement instruments
- Limited choices of instruments

CAPACITY

**EFFECTS** 

- Limited capacity
   (HR, operational budget)
- Stressful working environment
- Data management

### **Compliance Risk Management**

### Compliance Risk Management (CRM)

"A systematic process in which a tax administration makes deliberate choices on which treatment instruments could be used to effectively stimulate compliance and prevent non-compliance, based on the knowledge of all taxpayers (behaviour) and related to the available capacity (European Union, 2010)".



## Compliance Risk Management In the Revenue Department



### **CRM** in the Revenue Department



Maintain sustainable tax base

Improve administration and services to enhance the country's competitiveness

Promote good governance and conducive working environment



**Compliance Risk Management in the Revenue Department** 



To achieve the greatest efficiency in tax administration given available capacity by developing treatment instruments corresponding to different risk levels of taxpayer behaviour with the ultimate effect of promoting voluntary compliance

#### **Desired effects**

**Measures** 

Enhance efficiency in tax administration

Achieve tax collection target

Reduce tax gap

Improve all 4 compliance measures

Promote voluntary compliance

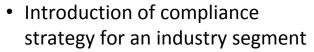
Increased no. of compliant taxpayers

Reduce costs

Improved tax perceptions and reduction in compliance costs

### **CRM Journey**

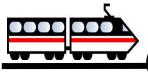
 Taxpayer classification into 3 groups (good, risky and monitored) using universal risk criteria



Pilot with a selected industry sector



2018





2001



2008





2012







12



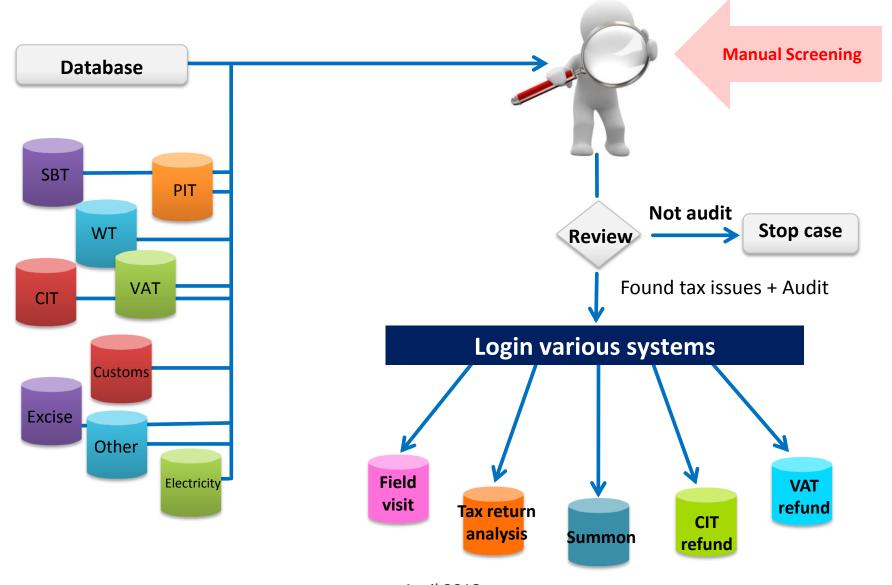
- Introduction of the supervision and audit approach
- Manual case selection
- A set of universal risk criteria applied



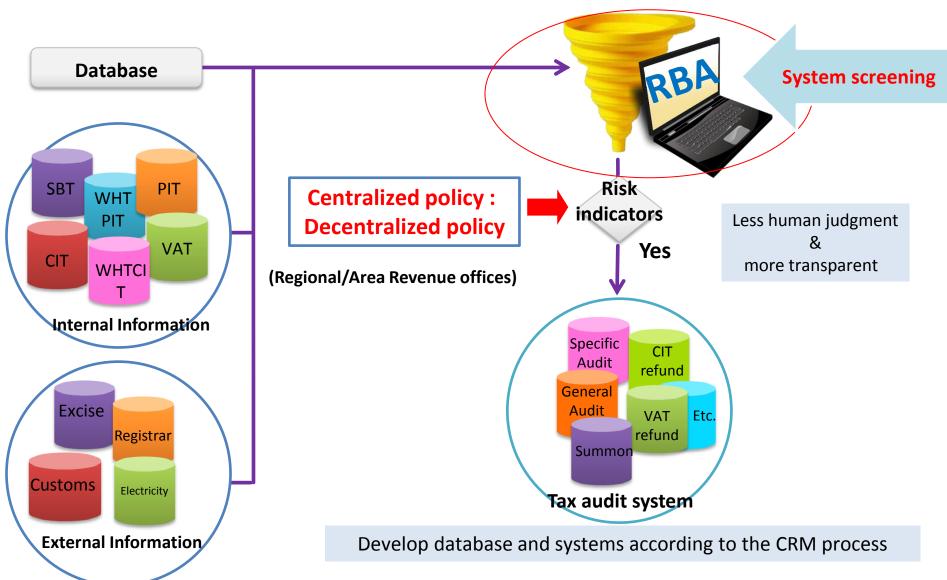
- Technical cooperation with IMF
- Pilot the Risk Based Audit (RBA) System

- Compliance strategies for key industry segments
- Taxpayers classified into 4 groups by risk levels and consequences
- Variety of treatments applied corresponding to taxpayer segmentation

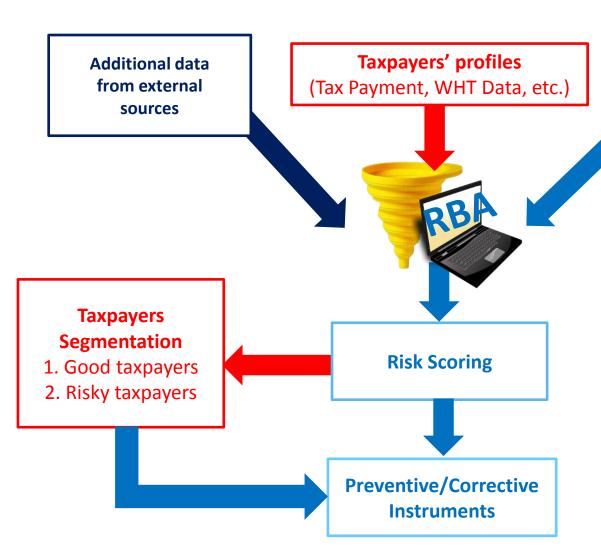
### Supervision and Audit Approach (2001-2011)



### Risk Based Audit System (est.2012)



### Risk Based Audit System (con't)



#### **Risk Assessment Criteria**

- 1. General risk criteria by tax types (PIT, CIT, VAT)
- 2. Specific risk criteria for each industry sector (ISIC)
- 3. Financial ratios

	•
Risk Criteria by Categories	Risk Indicators
CIT	52
PIT	23
VAT	19
ISIC	24
Ratio	27
Total	145

### **Lesson Learnt: From RBA to Compliance Strategy**

#### **Effects**

- Persistent tax gaps in many industry sectors
- More challenging to achieve revenue target



- Segmentation into 2 groups are too broad to reflect risk levels and consequences
- Industry-specific risk factors are essential





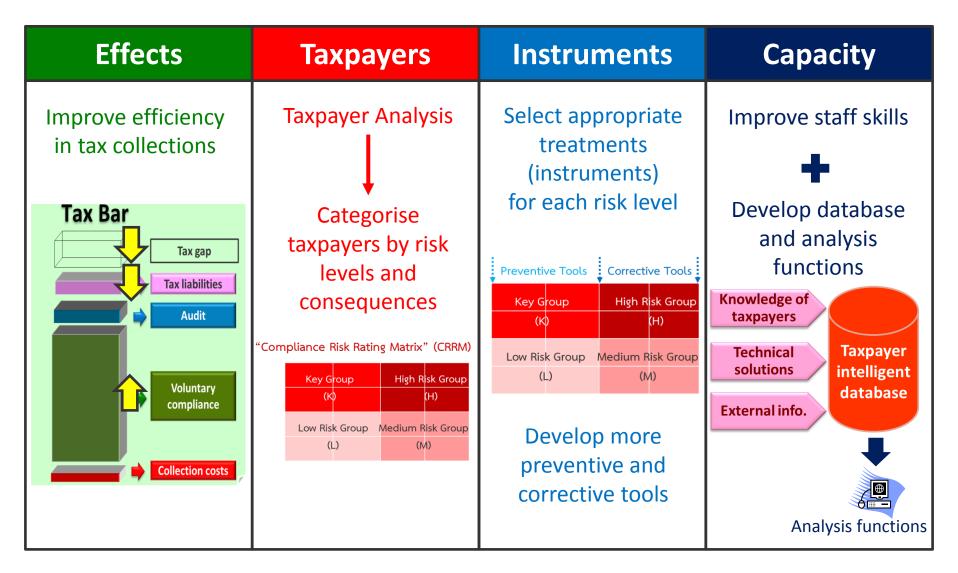
#### **Instruments**

- Proper treatments can't be assigned according to risk profile
- Limited number of instruments

**Capacity** 

- No. of cases/officer keep increasing
- Handling big data and analysis

### **Enhancement of CRM 4 Components**



### **Compliance Strategy: Industry-based**

### Compliance Strategy Template



#### **Compliance Strategy**

Industry Sector \_\_\_\_\_ Business Size \_\_\_\_\_ Fiscal Year\_\_\_\_\_

#### 1. Strategy Overview

2. Key Risk
2.1 Industry
2.2 General
2.2 General
2.3 Emerging

#### 3. Instrument Strategies

**Preventive tools/Corrective tools** 

**Key / Low Risk Taxpayers** 

Medium Risk / High Risk Taxpayer

#### **5. Capacity Enchantments**

System, Staff, Budget etc.

#### 4. Industry Segment Management

- **4.1 Industry Overview**
- 4.2 Tax Return .......
- 4.3 Workflows (Target)
- 4.4 Compliance Risk Rating Matrix (CRRM)

Advice XX

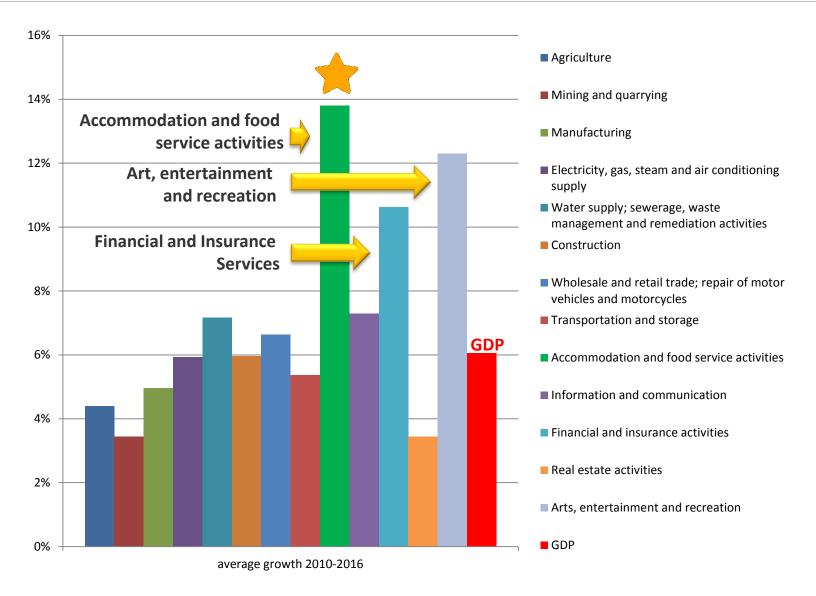
Supervision XX

Audit XX

#### **6. Compliance Measures**

**Compliance Measures** 

### **Compliance Strategy: Industry Selection**



### **Compliance Strategy: Example**

Compliance Strategy: Industry Sector <u>Accommodation</u> Business Size <u>Large</u> for Fiscal Year <u>2018</u>

1. Strategic Overview

Emphasise compliance domain 3 - reporting of complete and accurate information, and increase in the number of taxpayers in lower risk groups. Full audit is applied to a high risk group while only high risk issues are focused for a medium risk group. Key industry risks should be highlighted, such as foreign ownership, business expansion, and investment in fixed assets. For a low risk group, concentrate on imparting knowledge of specific tax laws applicable to the business. For a key group, deliver best services along with supervision without further audits.

#### 2. Risk Analysis

#### **2.1 Industry Specific Risk**

- Foreign ownership causes risk from the country where shares are held and from transfer pricing
- Expansion of business by increasing the number of rooms at existing locations

#### 2.2 General Risk

- Investment in fixed assets and renovations
- Fluctuations in exchange rates

#### 2.3 Emerging Risk

- Political instability
- Functional currencies (Accounting/Taxation)

#### 3. Instrument Strategy

#### **Instrument Objectives**

- Move taxpayer risk position to lower risk groups in CRRM
- Enhance voluntary tax compliance

#### **Instruments for Key Group (K)**

 Supervision/Consultation/APA/ No Audit

#### Instruments for Low Risk Group (L)

Seminars on general and specific tax issues

#### **Instruments for High Risk Group (H)**

 Field and operational audits, summon issuance

#### Instruments for Medium Risk Group (M)

· Audit only high risk issues

#### 5. Capacity Enhancement

- Enhance auditors' skills in internal control assessment
- Train auditors on laws relating to accommodation sector

#### 4. Industry Segment Management

#### **4.1 Industry Overview**

- New operators enter the business relatively easily.
- Local consumption demand has decreased except in Bangkok.
- Sensitive to political stability and exchange rate.

#### **CCRM - H**6100

Key	Group	Highe	er Risk
25 <b>C</b>	ases	250 (	Cases
Low	Risk	Mediu	ım Risk
100 (	Cases	150	Cases

#### 4.2 Tax Collections Last Year

Sub- sections	Reve nue	Assets	CIT	VAT
551001	XX	XX	XX	XX
551002	XX	XX	XX	XX
551004	XX	XX	XX	XX
551090	XX	XX	XX	XX

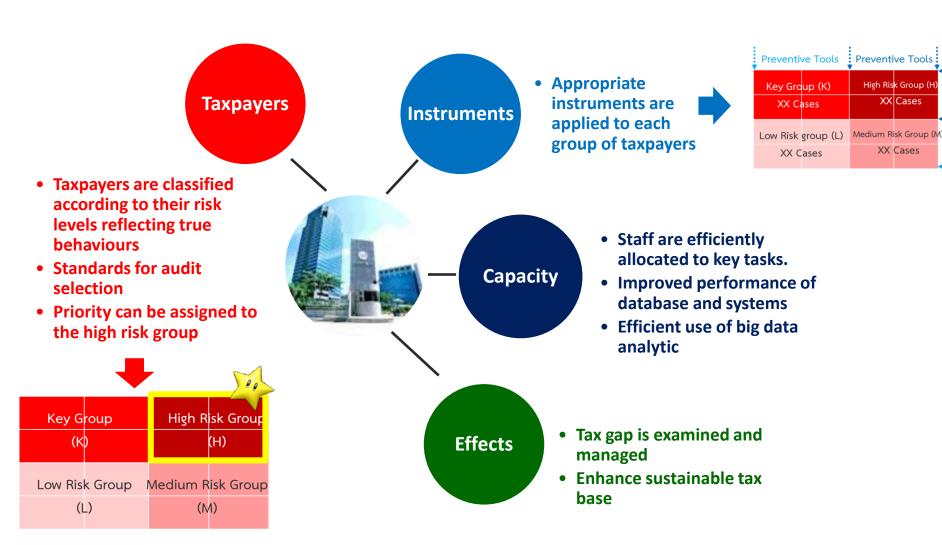
#### 4.3 Target Workflows (Cases)

Instruments	<b>Year</b> xo	Year <sup>X1</sup>	Completed
Supervision	525	25	
Seminars	200	100	
Audit	50	250	
Audit risk issues	-	150	

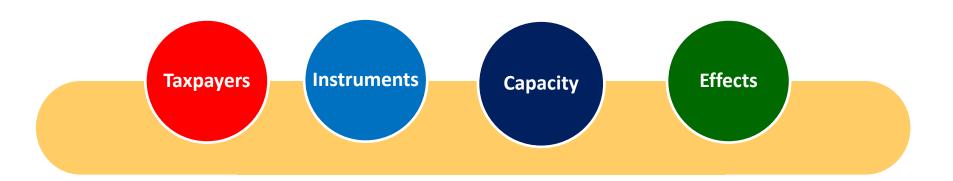
#### 6. Compliance Measures

- Emphasise domain 3: reporting of complete and accurate information
   Indicators: 1. Tax paid for additional filing after deadlines less than 25%
  - 2. Accurate tax declaration of 50% based on random sample audits
  - 3. No. of taxpayers in lower risk groups increases by 5 percent

### **Ultimate Compliance Outcomes**



### **THANK YOU**



"Be the change you want to see in the World" - Gandhi