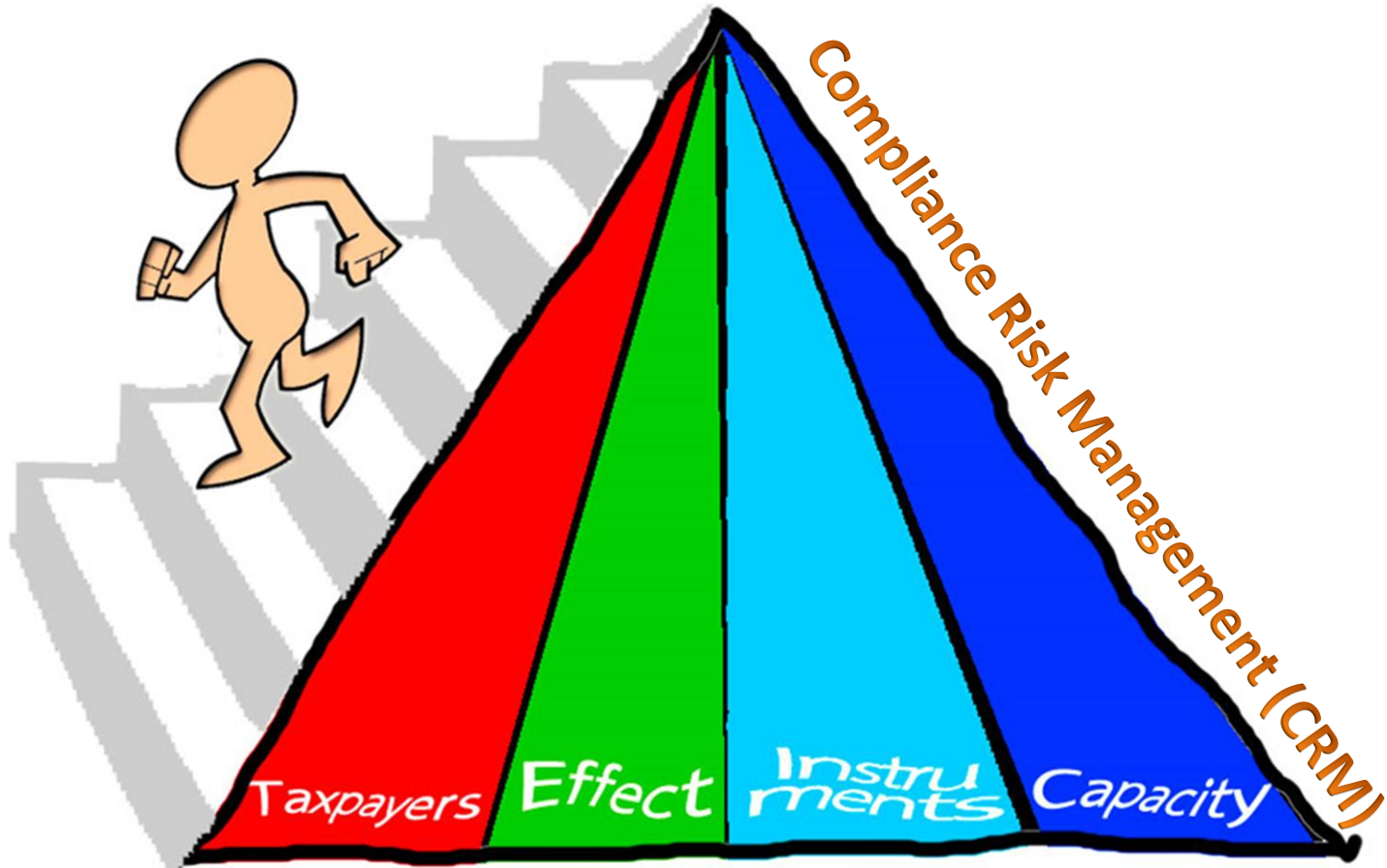


The Ninth IMF-Japan High-Level Tax Conference for Asian Countries

# Compliance Risk Management

## in the Revenue Department of Thailand

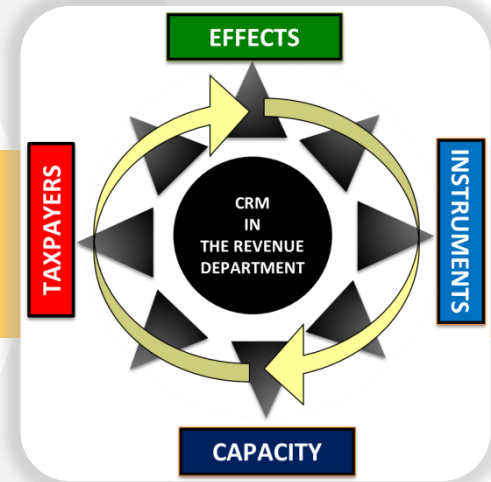


Ms. Patricia Mongkhonvanit  
Deputy Director-General (Policy and International)  
The Revenue Department of Thailand

# Agenda



**Overview of the Revenue Department of Thailand**



**Tax Administration and Compliance Risk Management**

# Agenda

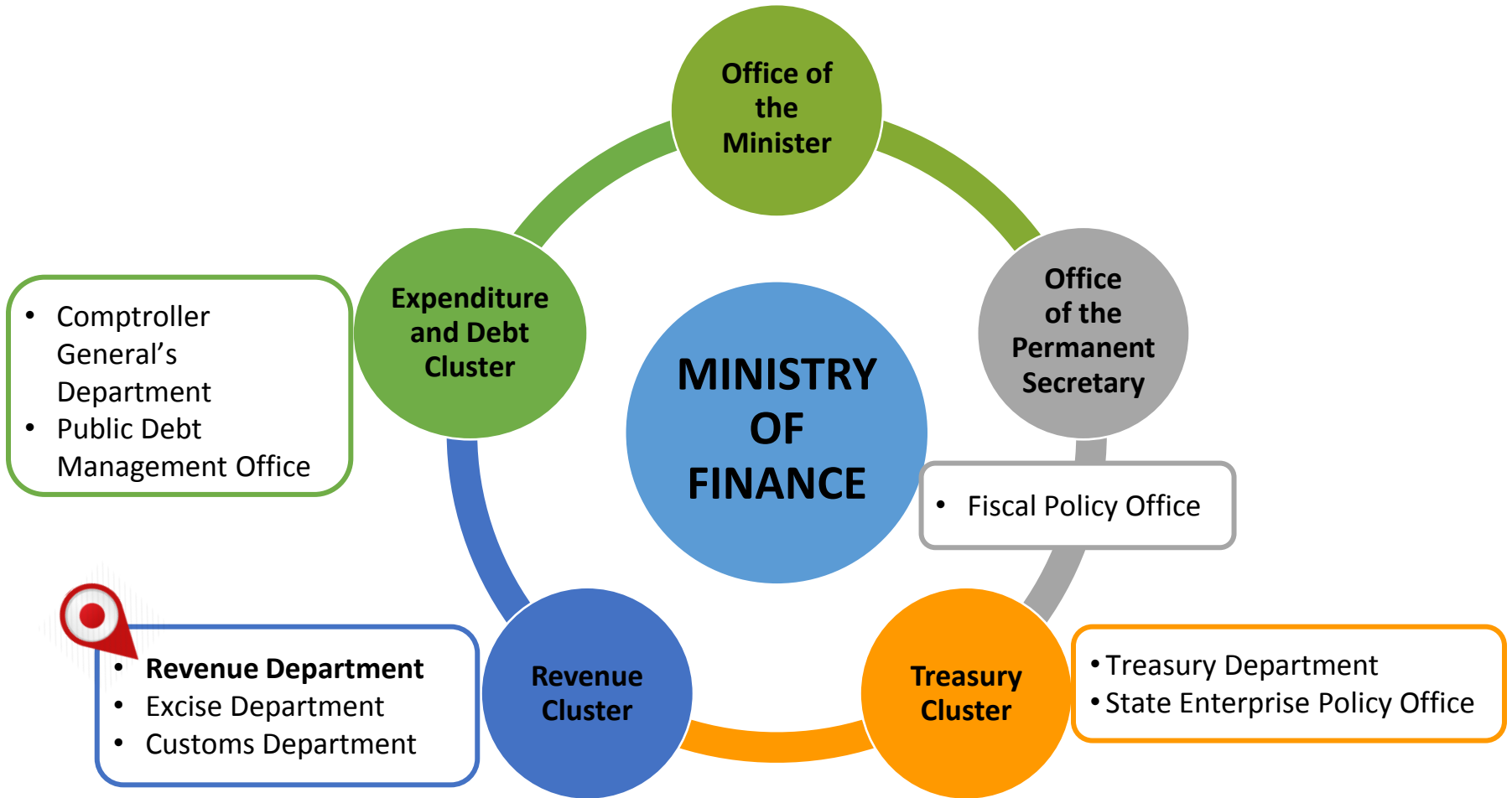
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## Overview of the Revenue Department of Thailand

April 2018

# Ministry of Finance

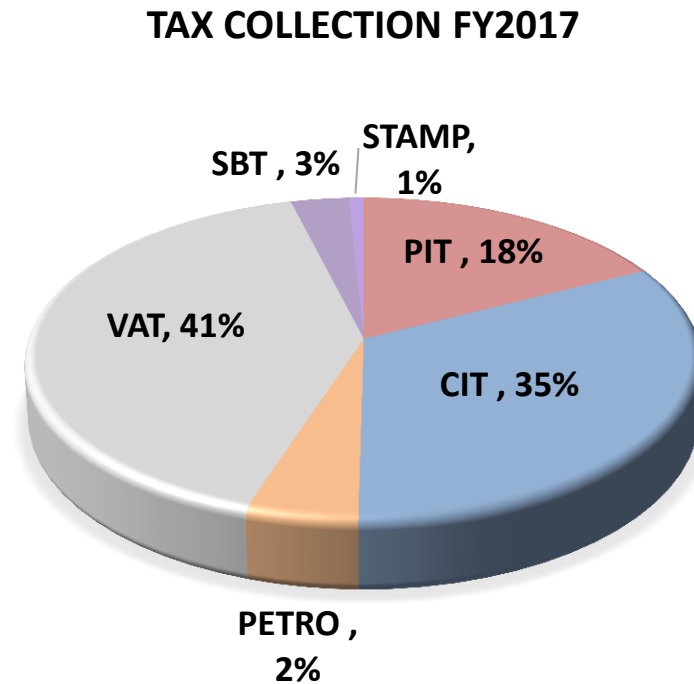
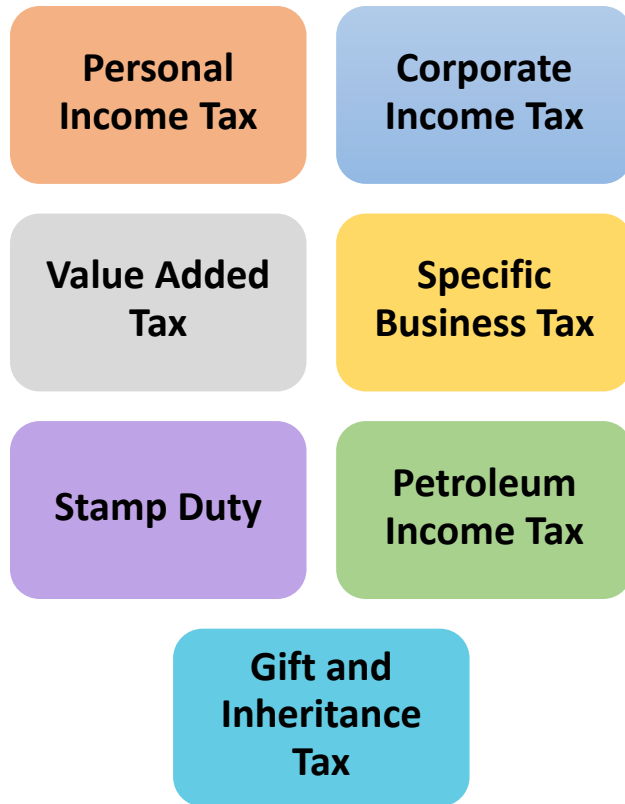


# The Revenue Department

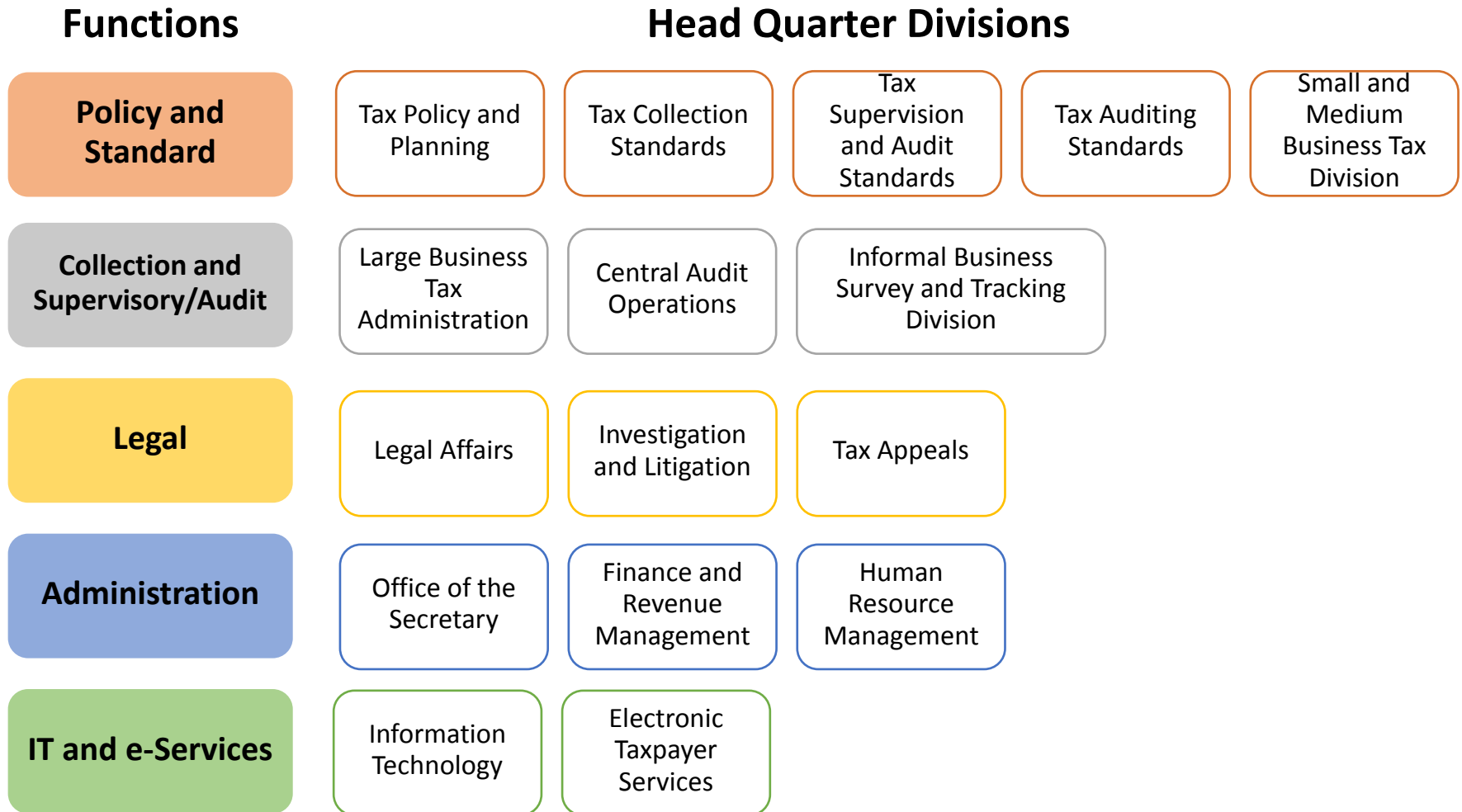


# Tax Types and Collection

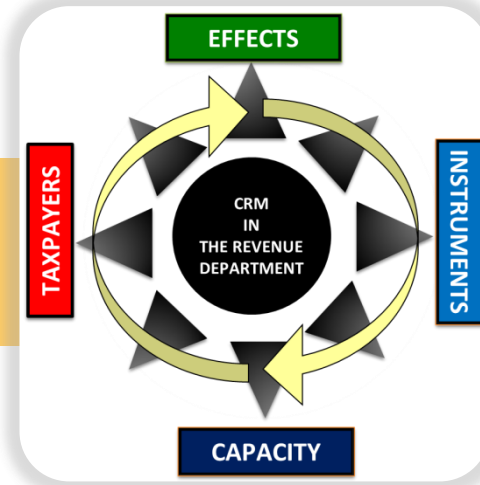
## Types of Tax Collected



# Function-based Organisation



# 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**

**EFFECTS**

**CHALLENGES  
IN TAX  
COMPLIANCE**

**INSTRUMENTS**

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

**CAPACITY**

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

# Compliance Risk Management

## *Compliance Risk Management (CRM)*

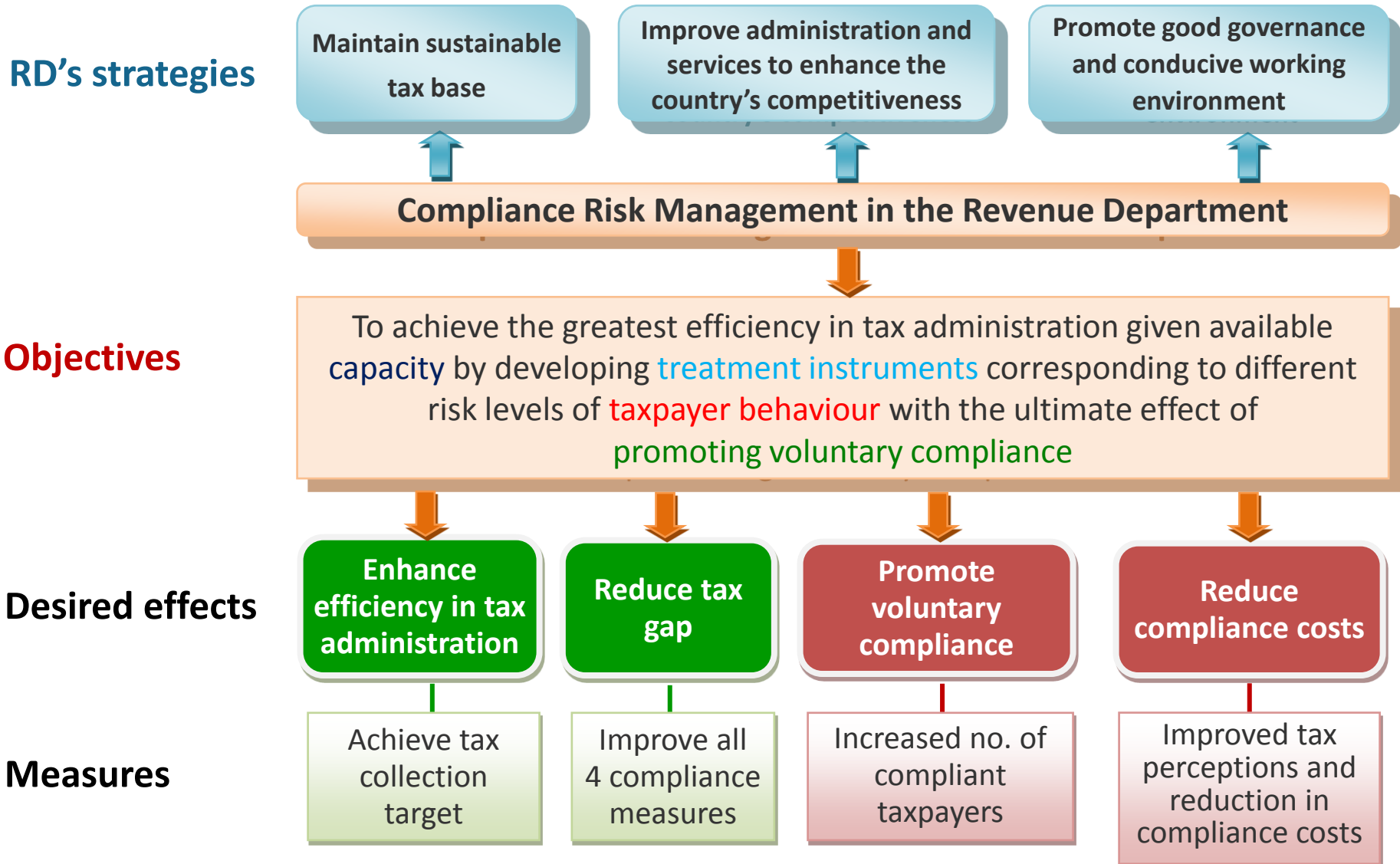
*“A systematic process in which a tax administration makes deliberate choices on which **treatment instruments** could be used to effectively **stimulate compliance and prevent non-compliance**, based on the knowledge of all **taxpayers (behaviour)** and related to the **available capacity** (European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



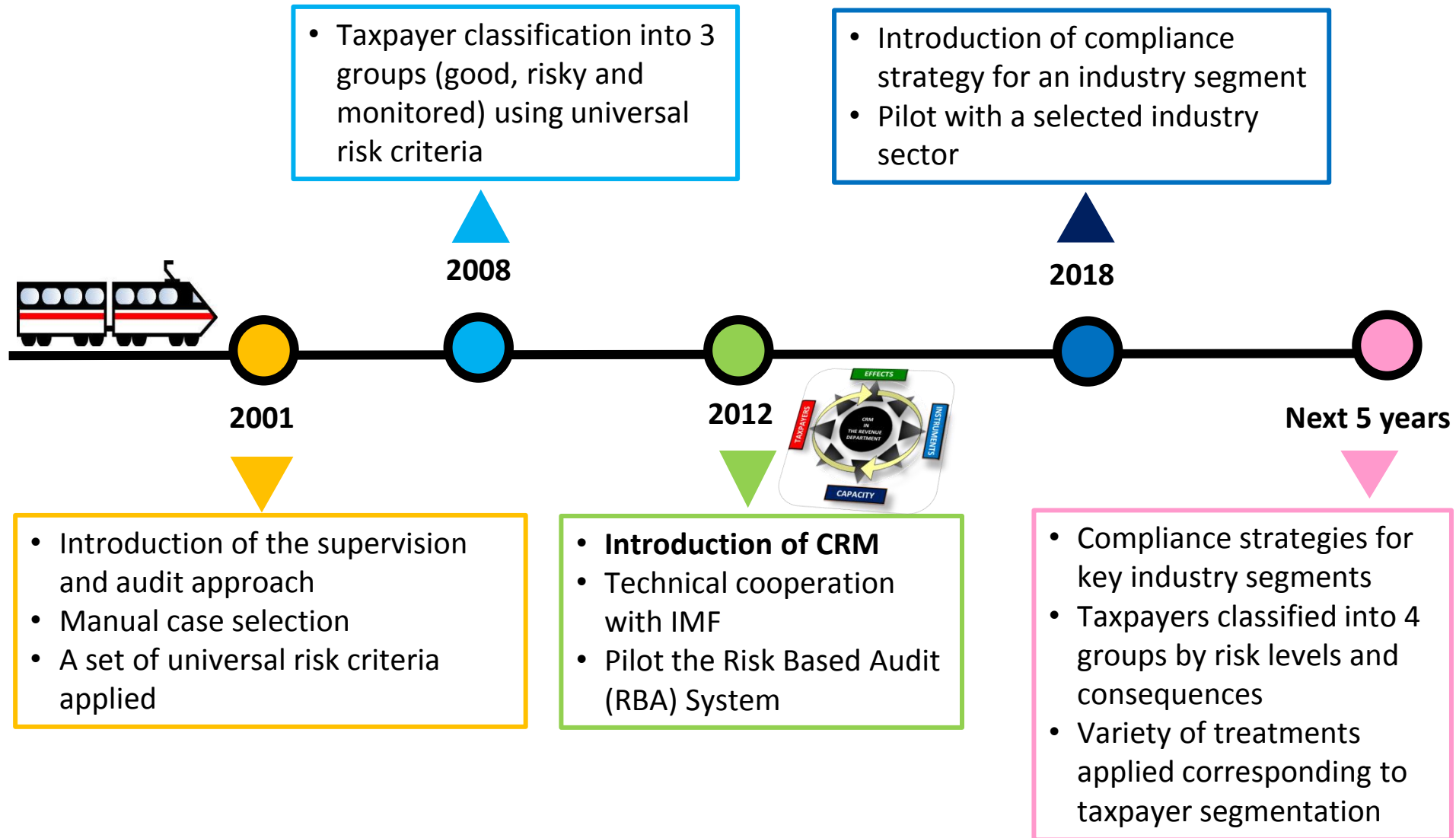
**Compliance Risk Management  
In the Revenue Department**



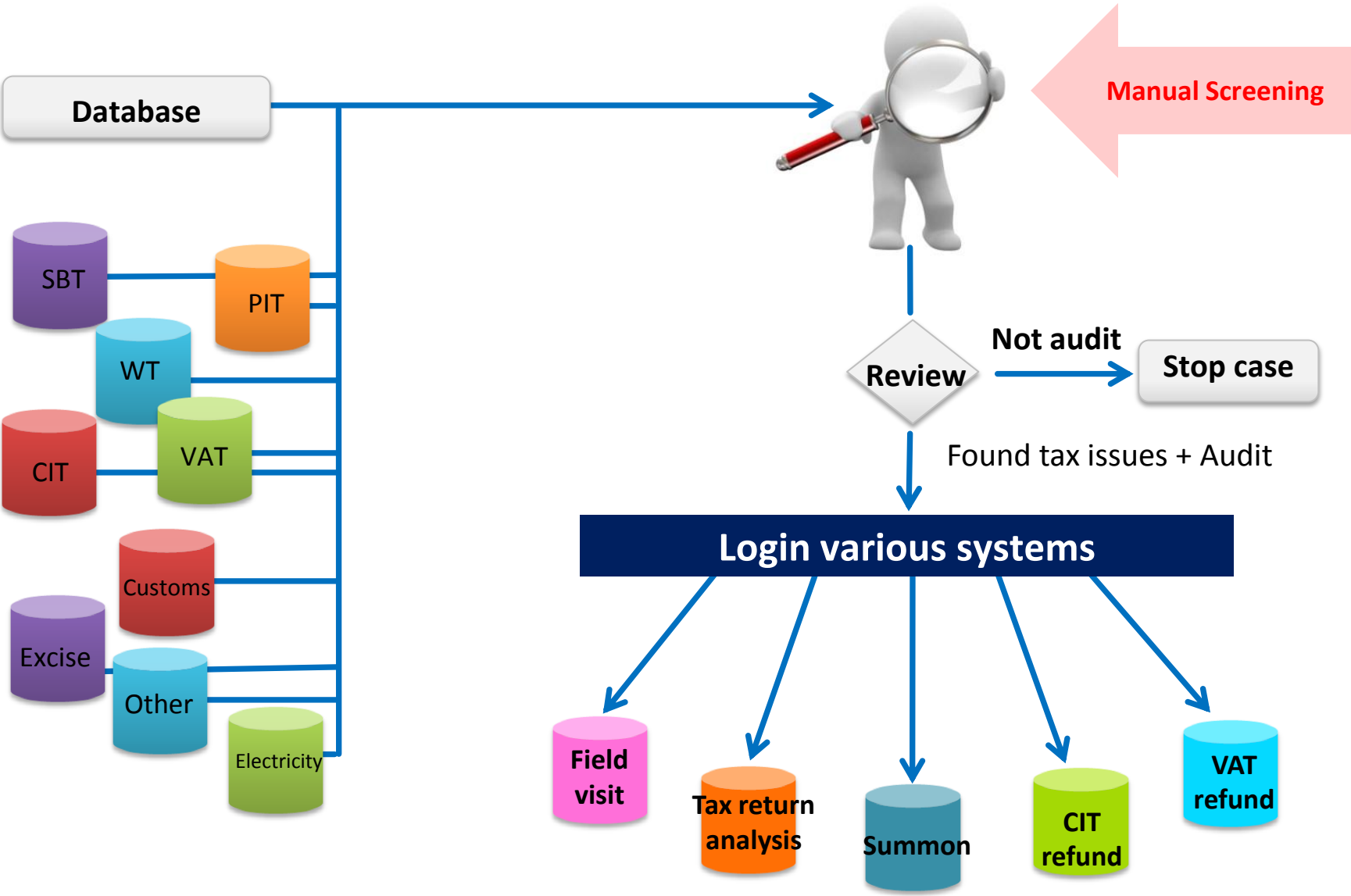
# CRM in the Revenue Department



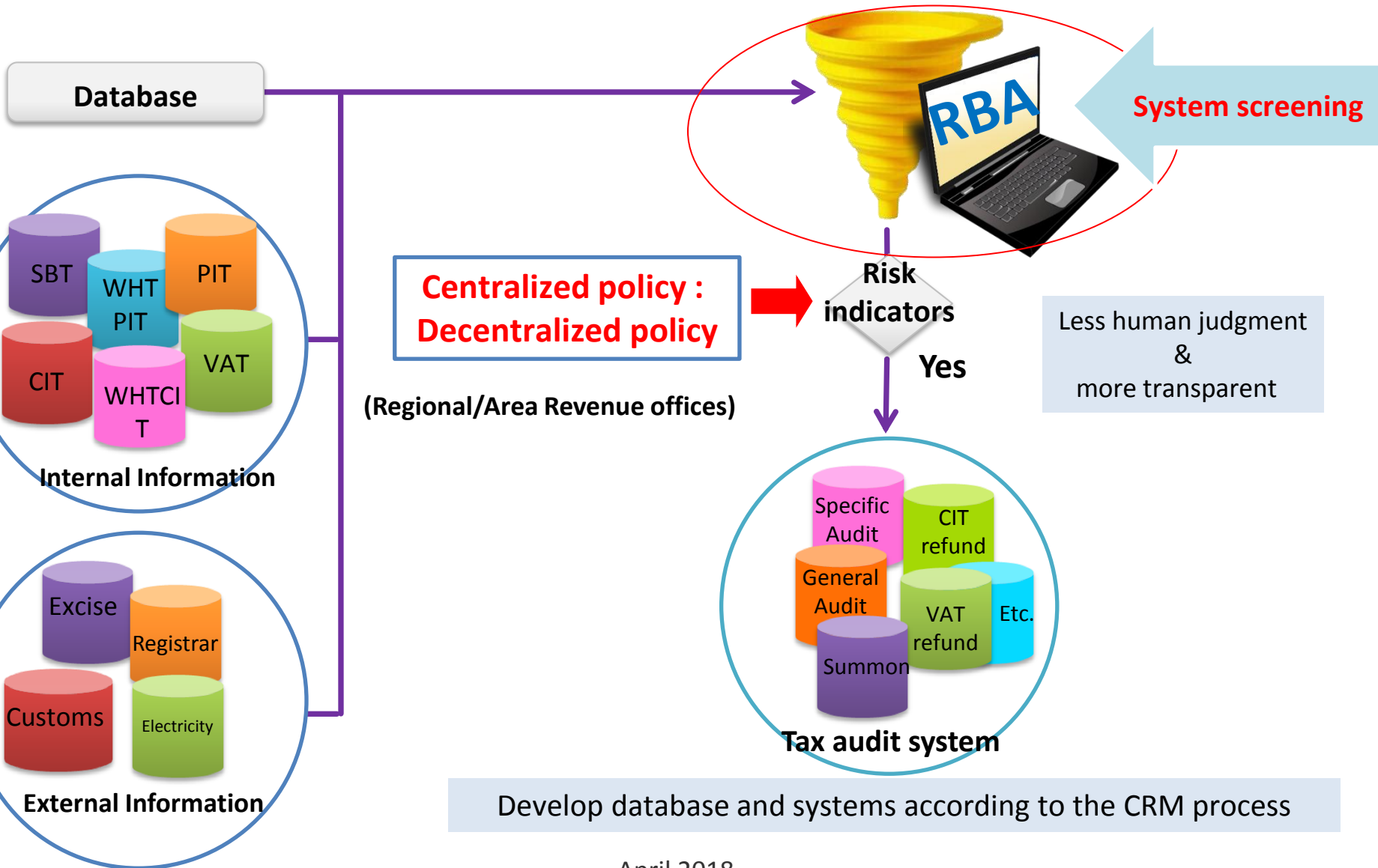
# CRM Journey



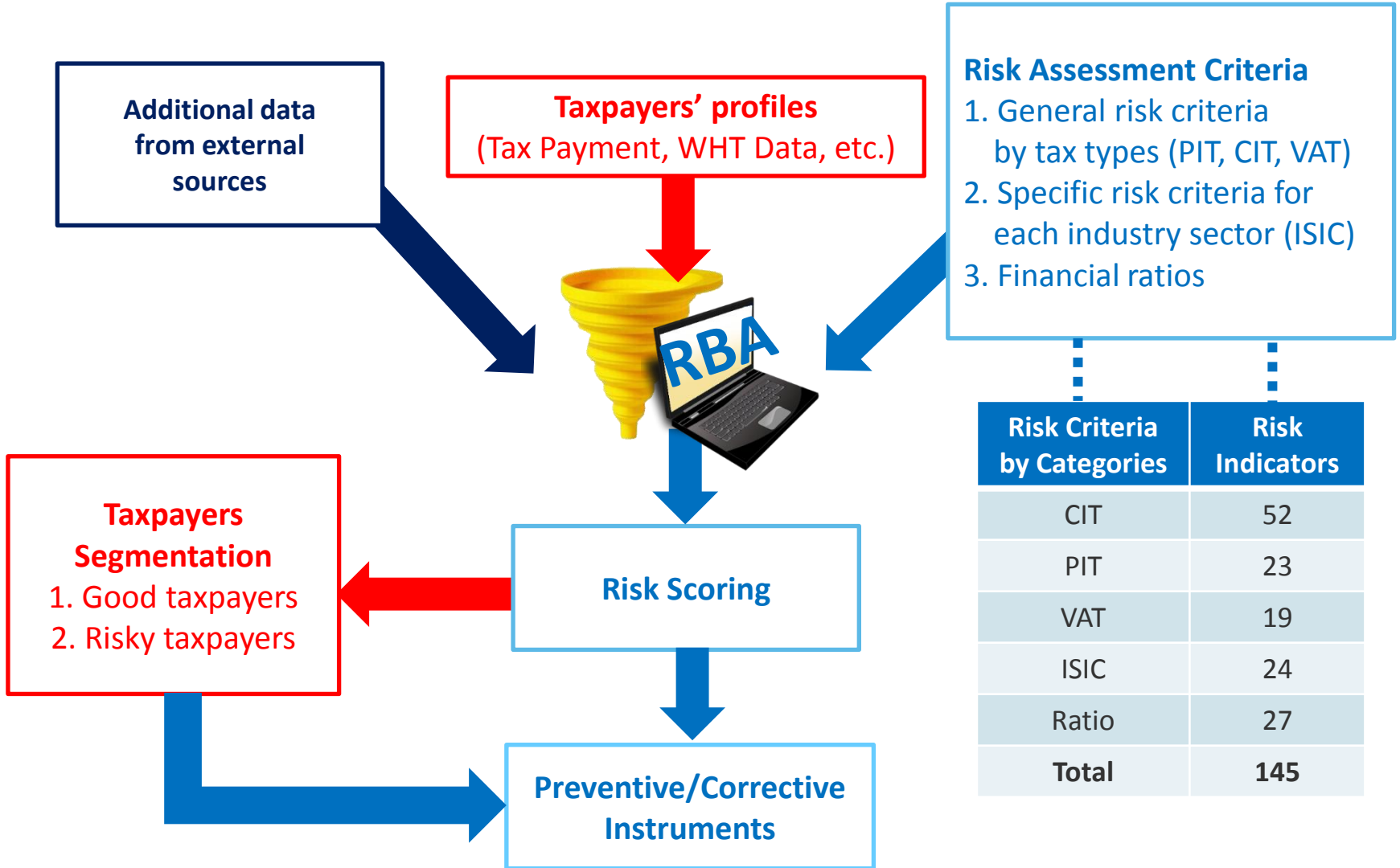
# Supervision and Audit Approach (2001-2011)



# Risk Based Audit System (est.2012)



# Risk Based Audit System (con't)



# Lesson Learnt : From RBA to Compliance Strategy



## Effects

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

## Taxpayers

- 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

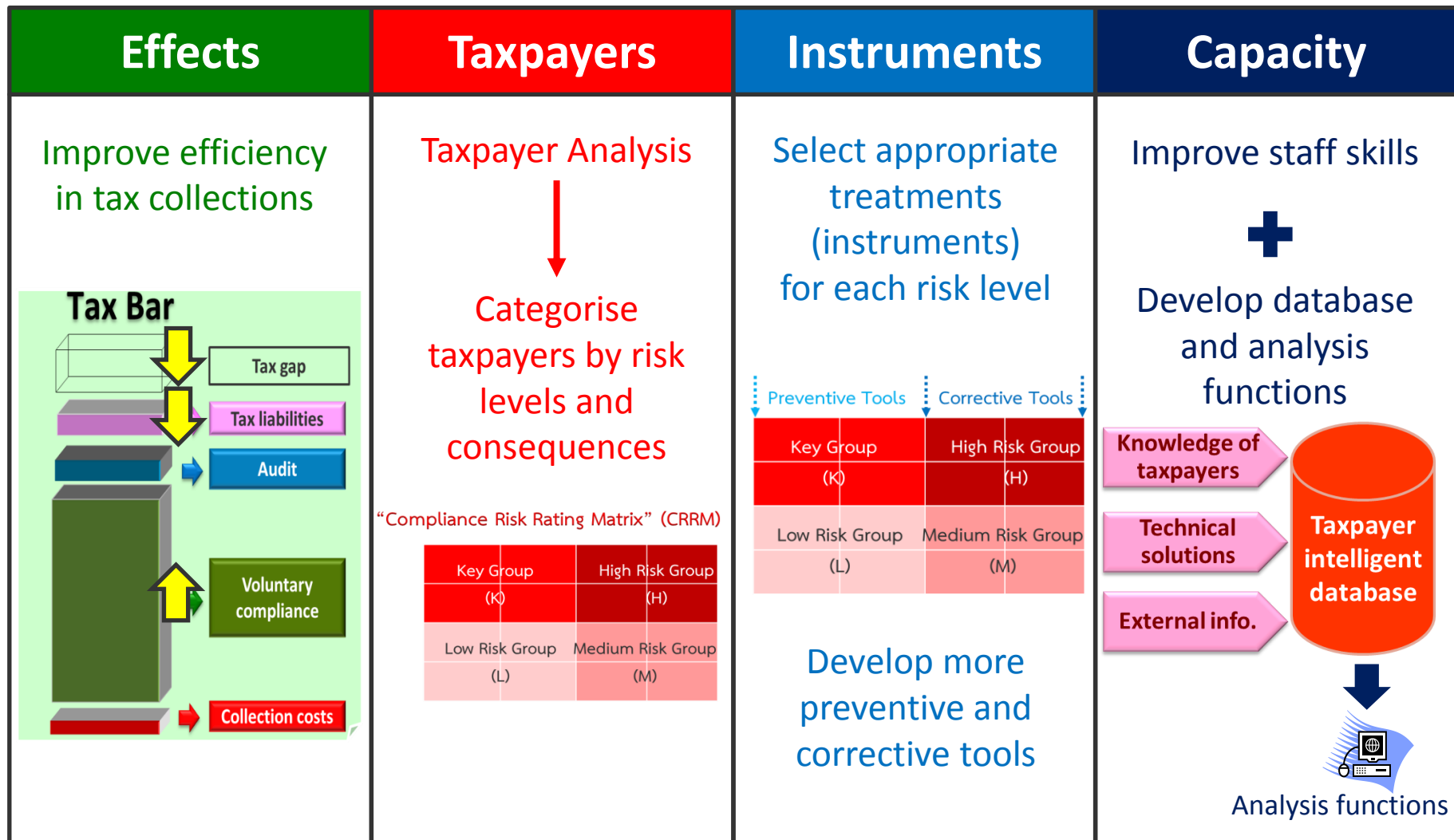
- No. of cases/officer keep increasing
- Handling big data and analysis

## Compliance Strategy

Compliance Strategy for Business Size		
Industry Sector: _____ For Fiscal Year: _____		
1. Strategic Overview	3. Assessment Strategy	4. Tailored System Management
2.1 Industry Specific Risk	3.1 Assessment of Compliance Instruments	4.1 Industry Challenge
2.2 General Risk	3.2 Low Risk Taxpayers	4.2 New Challenge for year
2.3 Emerging Risk	3.3 Medium- High Risk Taxpayers	4.3 Workload/Target
	3.4 Capacity Enhancement	4.4 Strategy
	3.5 System, Process, Budget, etc.	4.5 Compliance Measures
		4.6 Compliance Indicators



# Enhancement of CRM 4 Components



# Compliance Strategy : Industry-based

## Compliance Strategy Template



Australian Government  
Australian Taxation Office

### Compliance Strategy

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

#### 1. Strategy Overview

#### 2. Key Risk

##### 2.1 Industry

.....

##### 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

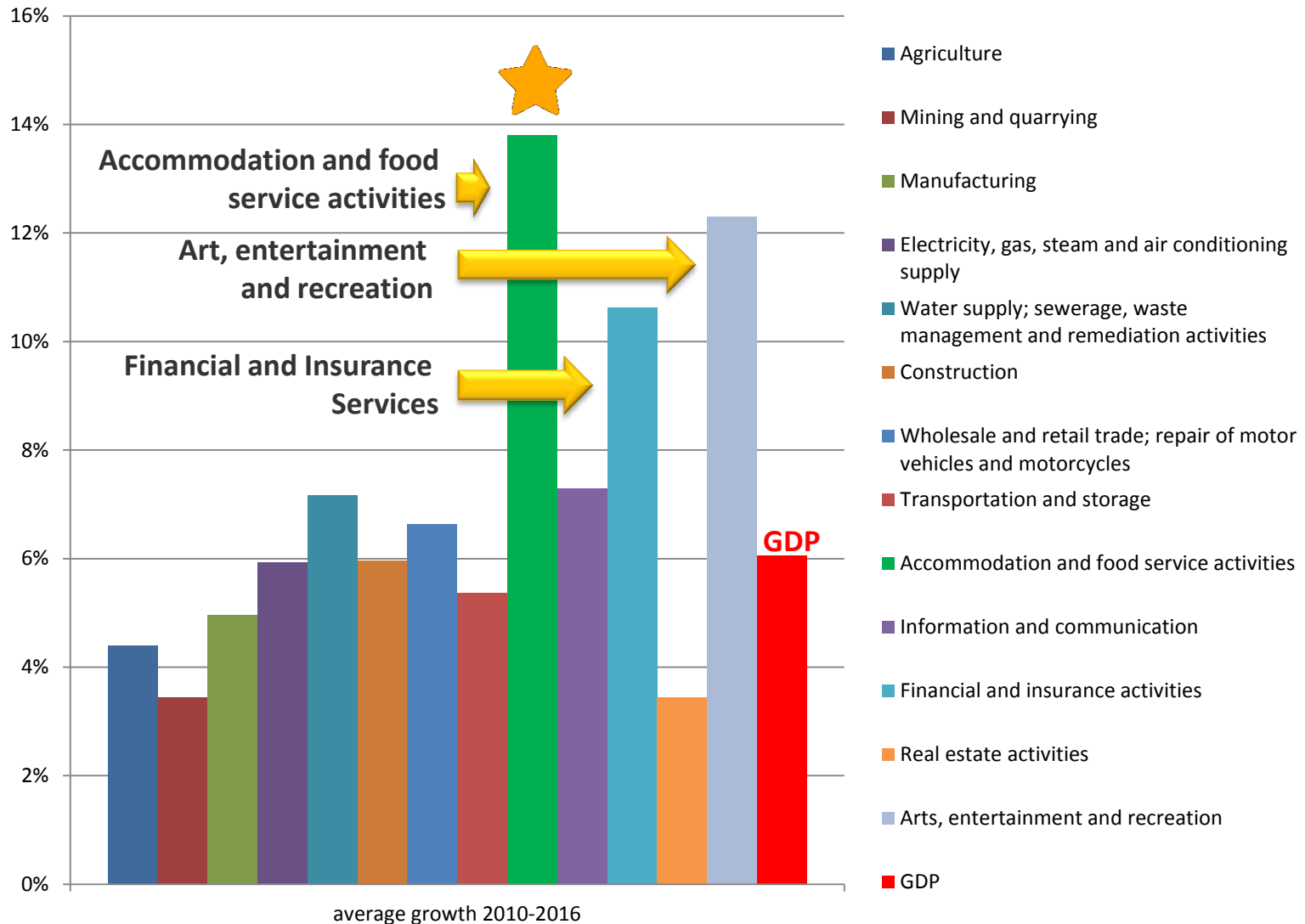
Supervision    XX

Audit        XX

#### 6. Compliance Measures

Compliance Measures

# Compliance Strategy : Industry Selection



# Compliance Strategy : Example

Compliance Strategy : Industry Sector Accommodation Business Size Large for Fiscal Year 2018

## 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.

### 4.2 Tax Collections Last Year

Sub-sections	Revenue	Assets	CIT	VAT
551001	XX	XX	XX	XX
551002	XX	XX	XX	XX
551004	XX	XX	XX	XX
551090	XX	XX	XX	XX

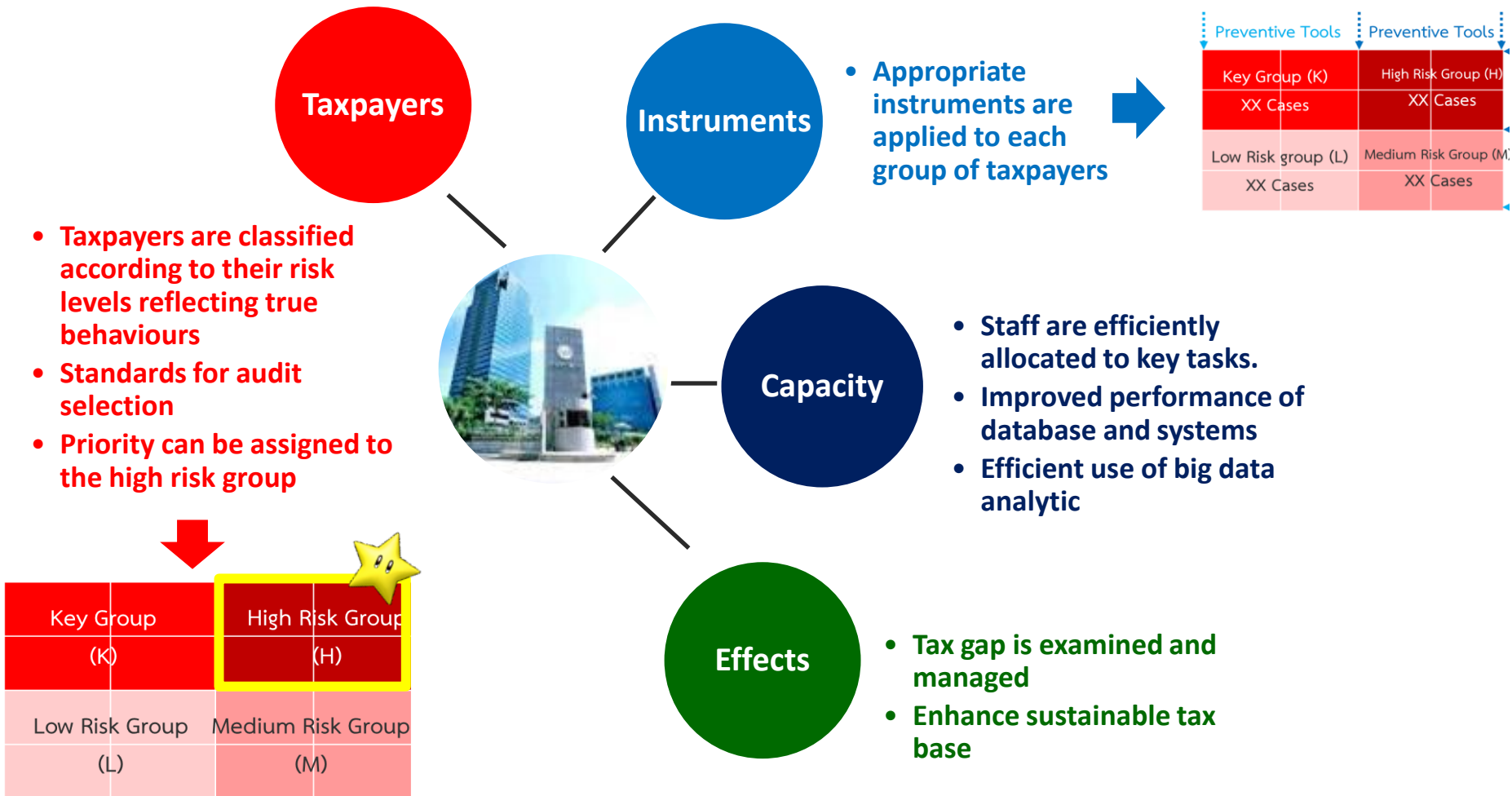
### 4.3 Target Workflows (Cases)

CCRM – H6100				Instruments	Year X0	Year X1	Completed
Key Group	Higher Risk	25 Cases	250 Cases	Supervision	525	25	
Low Risk	Medium Risk	100 Cases	150 Cases	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



Taxpayers

Instruments

Capacity

Effects

*“Be the change you want  
to see in the World”*

*- Gandhi*