Improving Tax Compliance in Singapore

Inland Revenue Authority of Singapore

7 Apr 2015

The Sixth IMF-Japan High Level Tax Conference

IRAS Mission

- Acts as agent of Government in administering, assessing, collecting and enforcing payment of taxes

- Advises Government and represent Singapore internationally on matters relating to taxation

IRAS Approach to Managing Tax Compliance

- To partner the community in nation building and inclusive growth

- Voluntary compliance is key to fair and sustainable tax system

- IRAS aims to create a conducive environment for taxpayers to comply with tax obligations

- Enforcement actions to deter non-compliant behaviour

Compliance – Whose Role?

- Taxpayers
- Employers
- Tax Intermediaries
- Wider Community
- Trade & Professional Bodies
- Government Agencies
- IRAS

Everyone has a role to play to ensure tax compliance

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IRAS Strategic Compliance Framework

OUR VISION
The leading revenue authority in the world
A partner of the community in nation-building and inclusive growth
A dynamic team of competent and committed people

OUR CORPORATE GOAL (COMPLIANCE)
Maximise voluntary compliance

OUR BELIEF
Taxpayers are generally compliant

STRATEGIC PILLARS

Simple Tax System	Informed Taxpayers	Credible IRAS	Engaged Community

STRATEGIC OUTCOME
Enhanced voluntary compliance

Strategic Approach

Simple Tax System

-Make it easy for taxpayers to comply

-Continuous review of rules and procedures

-Influence policies and tax laws where possible to minimise compliance costs

Informed Taxpayers

-Educate taxpayers on how to comply with tax obligations

-Proactively provides education and timely information through various channels

4 Strategic Pillars

Credible Tax Administration

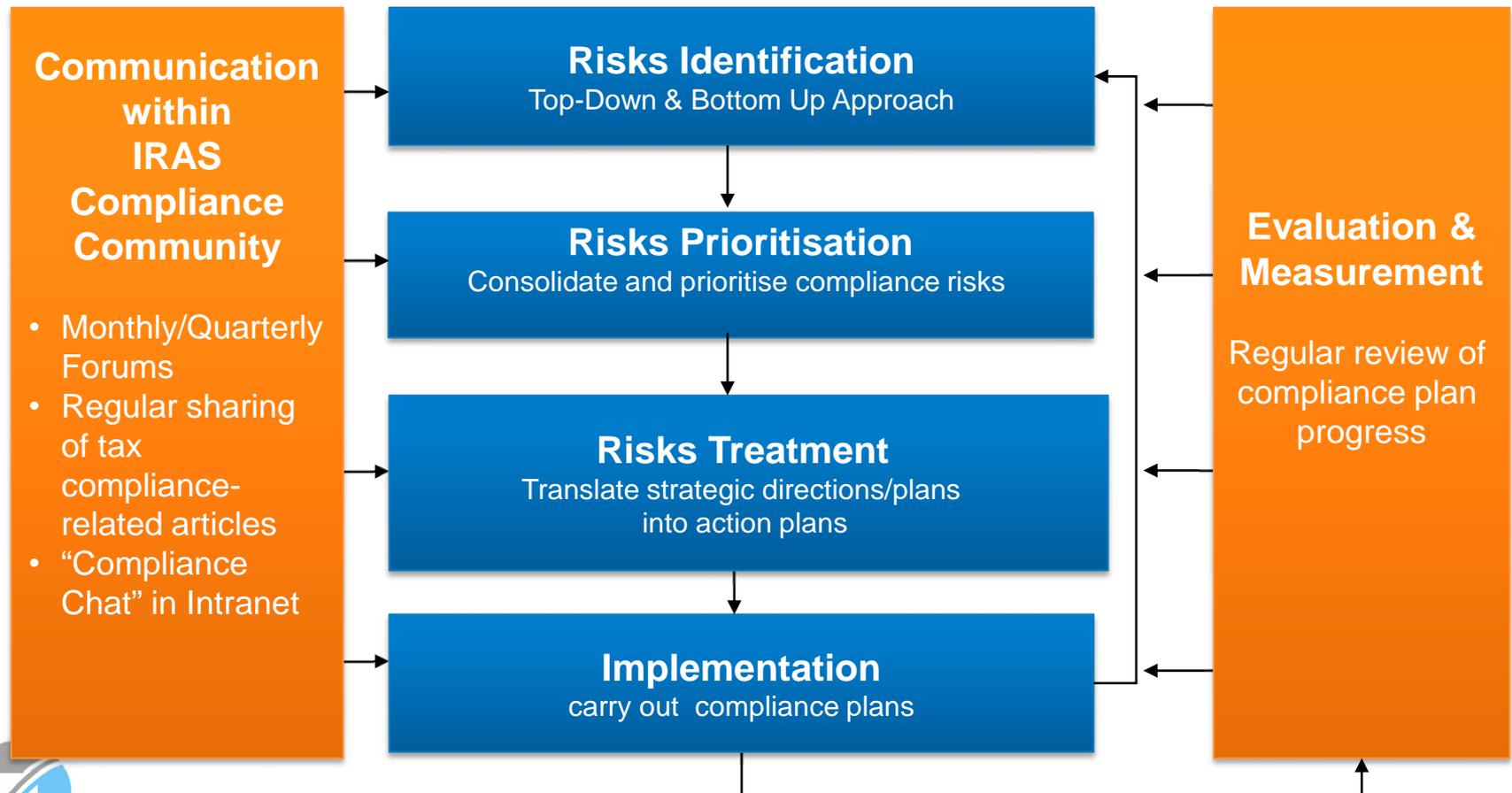Swiftly identifies and acts against non-compliance

Engaged Community

-Work with community to improve overall compliance

-IRAS is committed to building a community that shares the belief in taxpaying

Compliance Risk Management Process

- Move away from identifying risks based on gut-feel and experience

- Evidence-based and systematic risk identification approach

- Coordinate initiatives/programmes based on taxpayer compliance behaviour /profile

- Monitor and measure outcome and effectiveness of programs

Compliance Risk Management Process

Communication within IRAS Compliance Community

- Monthly/Quarterly Forums
- Regular sharing of tax compliance-related articles
- "Compliance Chat" in Intranet

Risks Identification
Top-Down & Bottom Up Approach

Risks Prioritisation
Consolidate and prioritise compliance risks

Risks Treatment
Translate strategic directions/plans into action plans

Implementation
carry out compliance plans

Evaluation & Measurement

Regular review of compliance plan progress

Compliance Risk Management

- Involves the identification of non-compliance risks at different stages of the lifecycle
- Implementation of policies to address such risks

Compliance Risk Management initiatives/programs

Tax filing : Late or non-filing

✓ Seminars/introductory package to new companies

✓ Simplified corporate tax return for small companies (3 page return vs 7 page return for other companies)

✓ Differentiated penalty rates for persistent non-filers IRAS

Informed taxpayers

Simple Tax System

Credible IRAS

Compliance Risk Management initiatives/programs

Tax Reporting : Inaccuracy or omission

Encourage disclosure and transparency

Engaged Community

✓Voluntary Disclosure Program

■ Timely disclosure in exchange for reduced penalties

  ❑Complete and self-initiated

  ❑Cooperate fully with IRAS to correct error

✓ Assisted Self Help Kit for GST

■ Self-help tool for SMEs to

  ❑Self-review their GST submissions

  ❑Discover and disclose their GST errors early

Compliance Risk Management initiatives/programs

Tax Reporting : Inaccuracy or omission

- Best practices in 4 dimensions to improve GST compliance

People	Record-Keeping	Systems	Internal Controls

- Co-designed with taxpayers and tax intermediaries
  - Ensure that ASK is useful and tailored to their needs

Compliance Risk Management initiatives/programs

Tax Filing: Inaccuracy or omission or aggressive tax planning

Engaged Community

Towards cooperative compliance

✓Enhanced Taxpayer Relationship Programme for Large Taxpayers

■ Establish open and transparent relationships with our largest corporate taxpayers

■ Regular discussions and real-time consultations

■ Resolve tax issues early
  ✓Provide greater clarity and certainty to taxpayers
  ✓Prevent downstream difficulties in tax assessments

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Compliance Risk Management initiatives/programs

Tax Filing: Inaccuracy / omission / aggressive tax planning

Credible IRAS

Ensure accuracy of taxpayers' declaration

✓ Strategic audit based on risk profiling

■ uses a risk-based approach to select corporate returns for review annually

■ Move from rule based selection to analytics predictive model to select high risk cases

■ Lower number of returns reviewed with about the same amount of tax recovery

Compliance Risk Management initiatives/programs

1. Identify target & base

2. Add information on taxpayer & benchmark

3. Modeling process
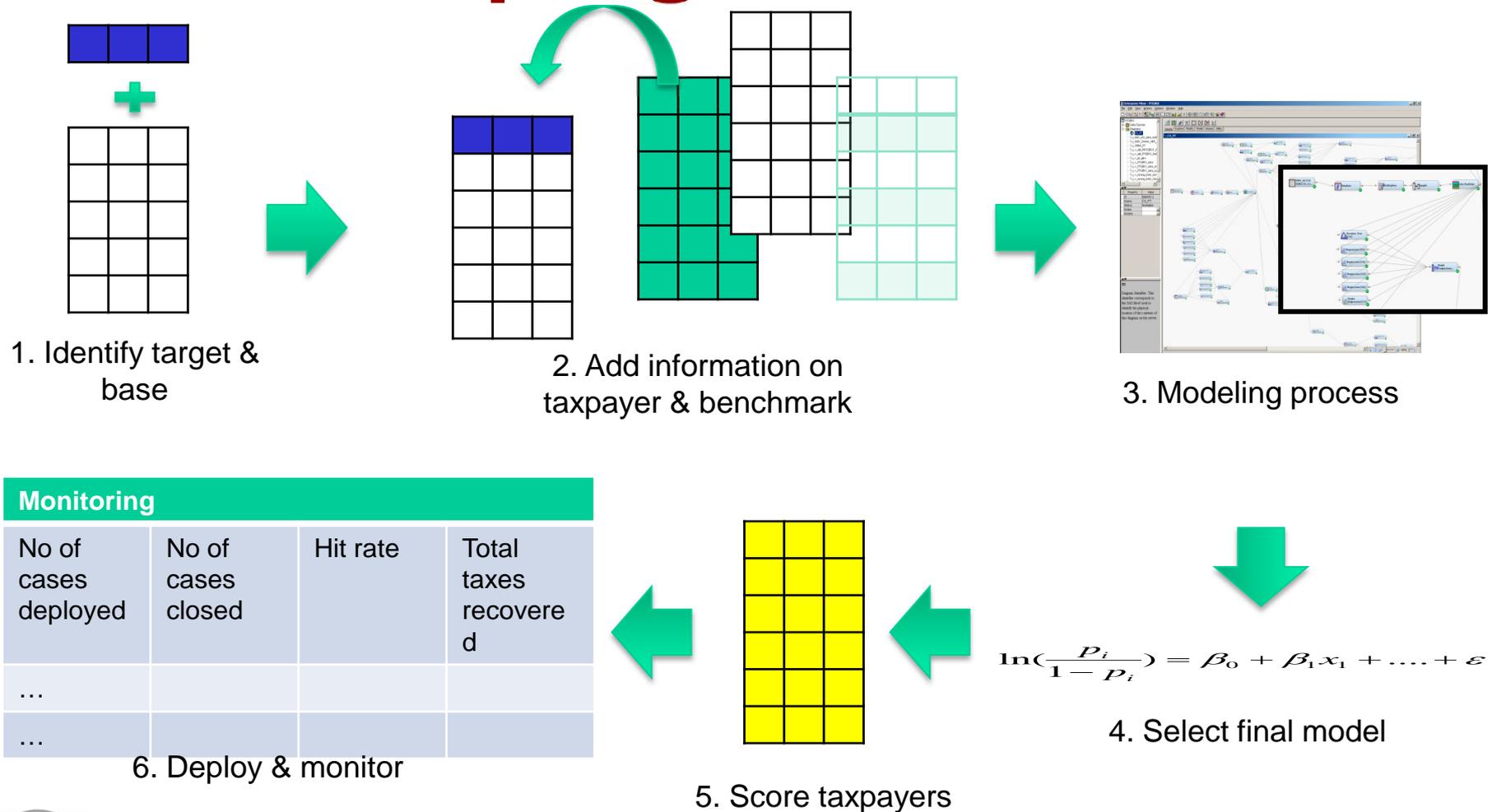
Monitoring			
No of cases deployed	No of cases closed	Hit rate	Total taxes recovered
…			
…			

6. Deploy & monitor

5. Score taxpayers

$$\ln\left(\frac{p_i}{1-p_i}\right) = \beta_0 + \beta_1 x_1 + \ldots + \varepsilon$$

4. Select final model

Conclusion

- Competitive tax environment

- Continued focus on taxpayer services

- Pre-empt non-compliance

- Build up new capabilities

Thank You