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Session 3: Compliance Risk Management (CRM) for Domestic Revenue Mobilization

ADB GOVERNANCE
FORUM

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Why CRM matters

Role of Tax Administration

- Collect revenues using legislative authorities to deliver on government objectives
- protect tax base by promoting and ensuring compliance with the country's tax laws

What is CRM

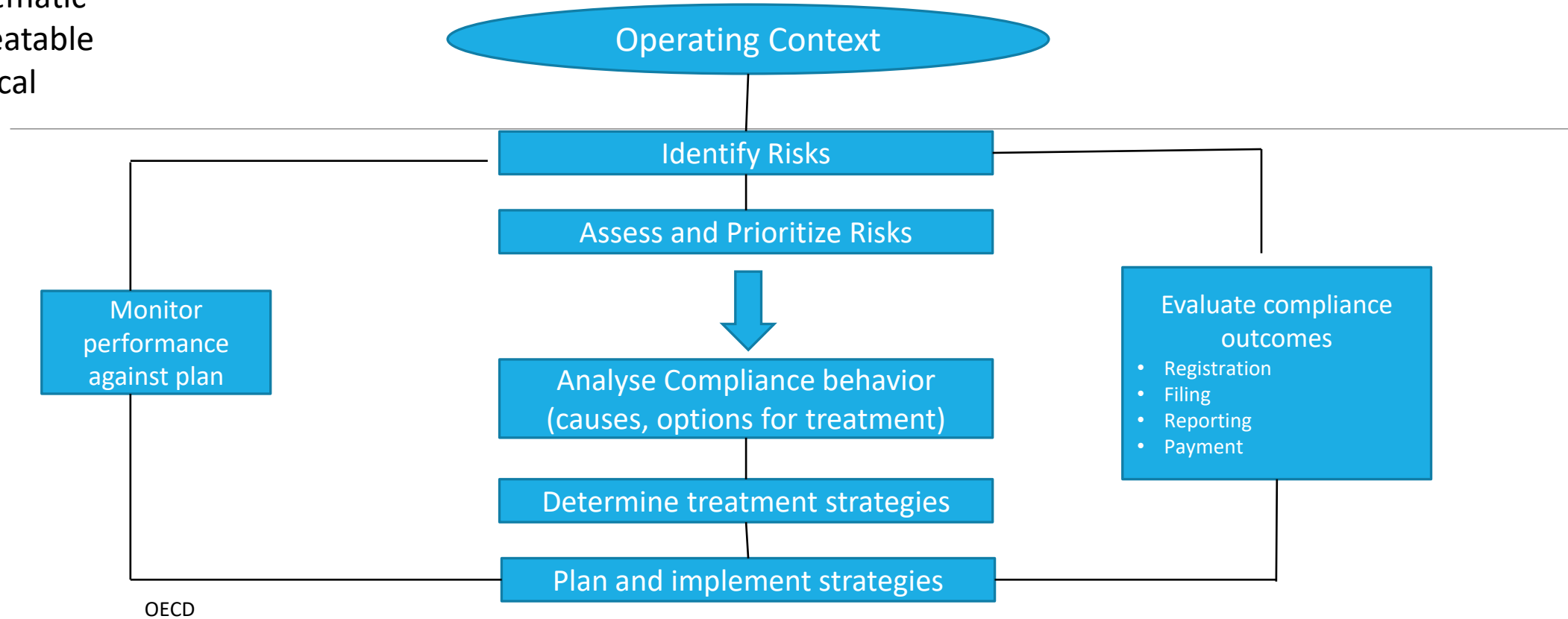
- A systematic, repeatable process used to identify, manage and mitigate compliance risks across the tax system
- means of driving optimal revenue collection by identifying and addressing highest priority risks to the tax base

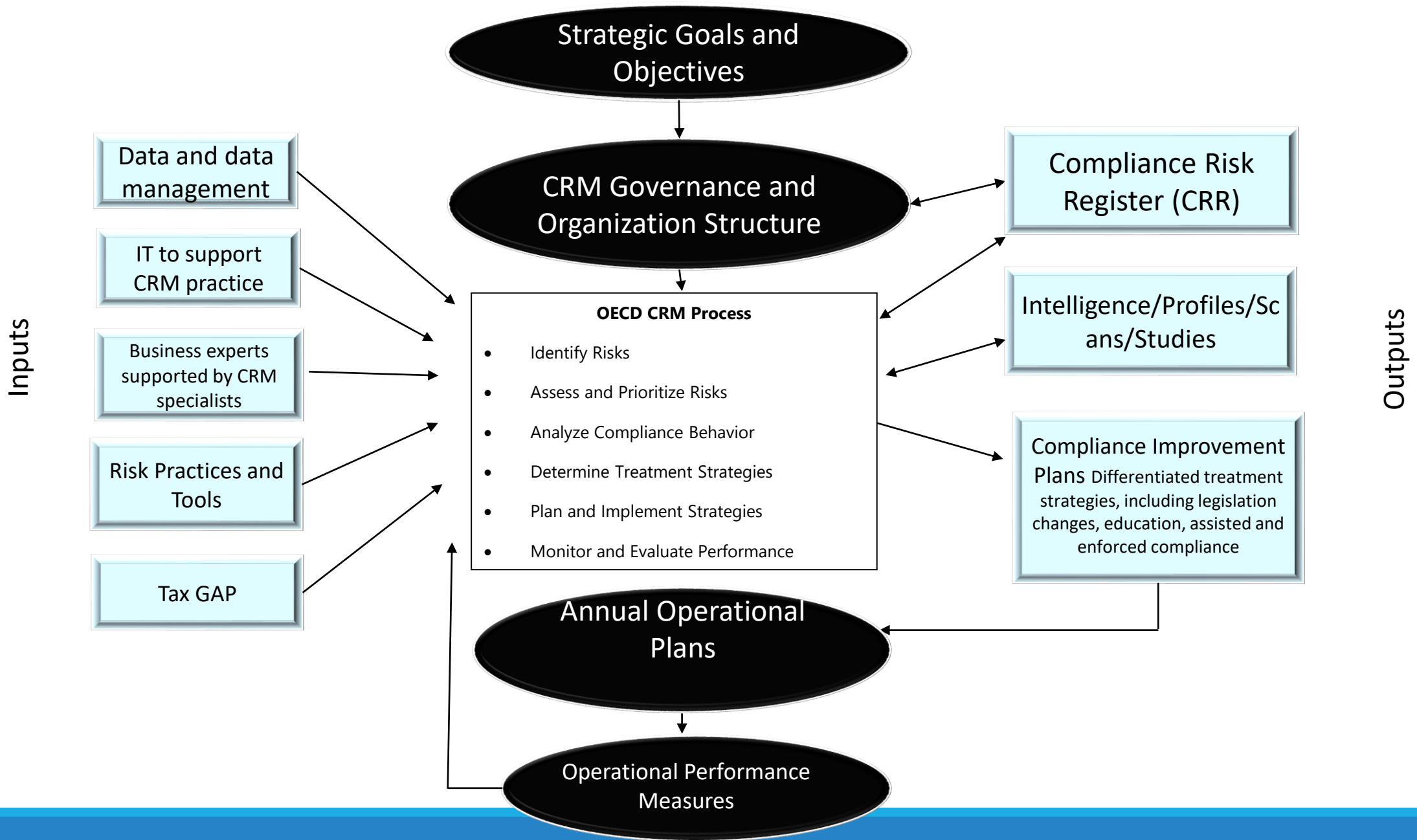
Benefits

- Allows the tax administration to use their limited resources effectively as better intelligence supports good decision-making
- Optimizes revenue collection when implemented well
- Takes a differentiated approach to promoting voluntary compliance which:
 - is more cost effective for the tax administration, compared to enforced compliance
 - maintains community confidence in the tax system

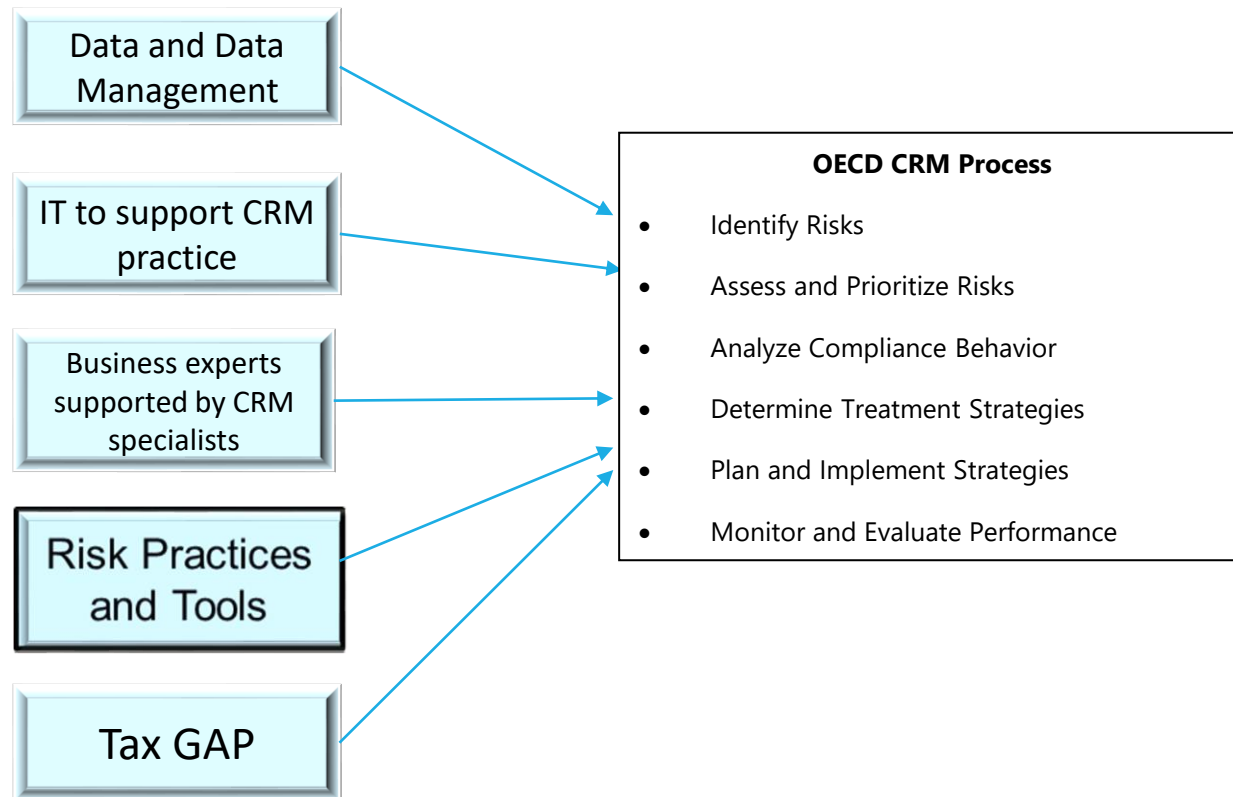
The CRM Process

Systematic
Repeatable
Cyclical





Inputs to CRM Process



Data is key, use what data you have then look to systematically build data, including from third parties

Ability to match various sources of data crucial - common taxpayer identification number, data standards

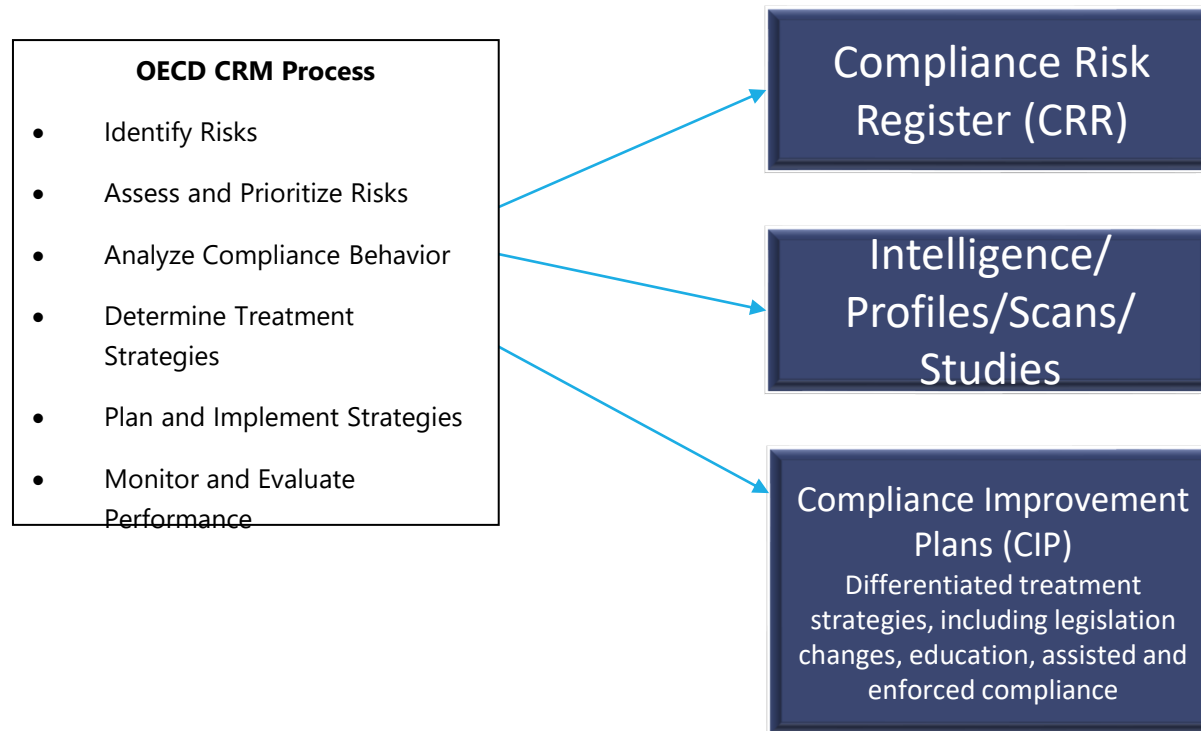
IT as an enabler of digital transformation

Skilled staff to conduct analytics and combine with business intelligence on program-specific risks

CRM methodologies and tools

Tax GAP analysis can pinpoint the magnitude of the risks and what sectors contribute to the GAP

Outputs from CRM Process

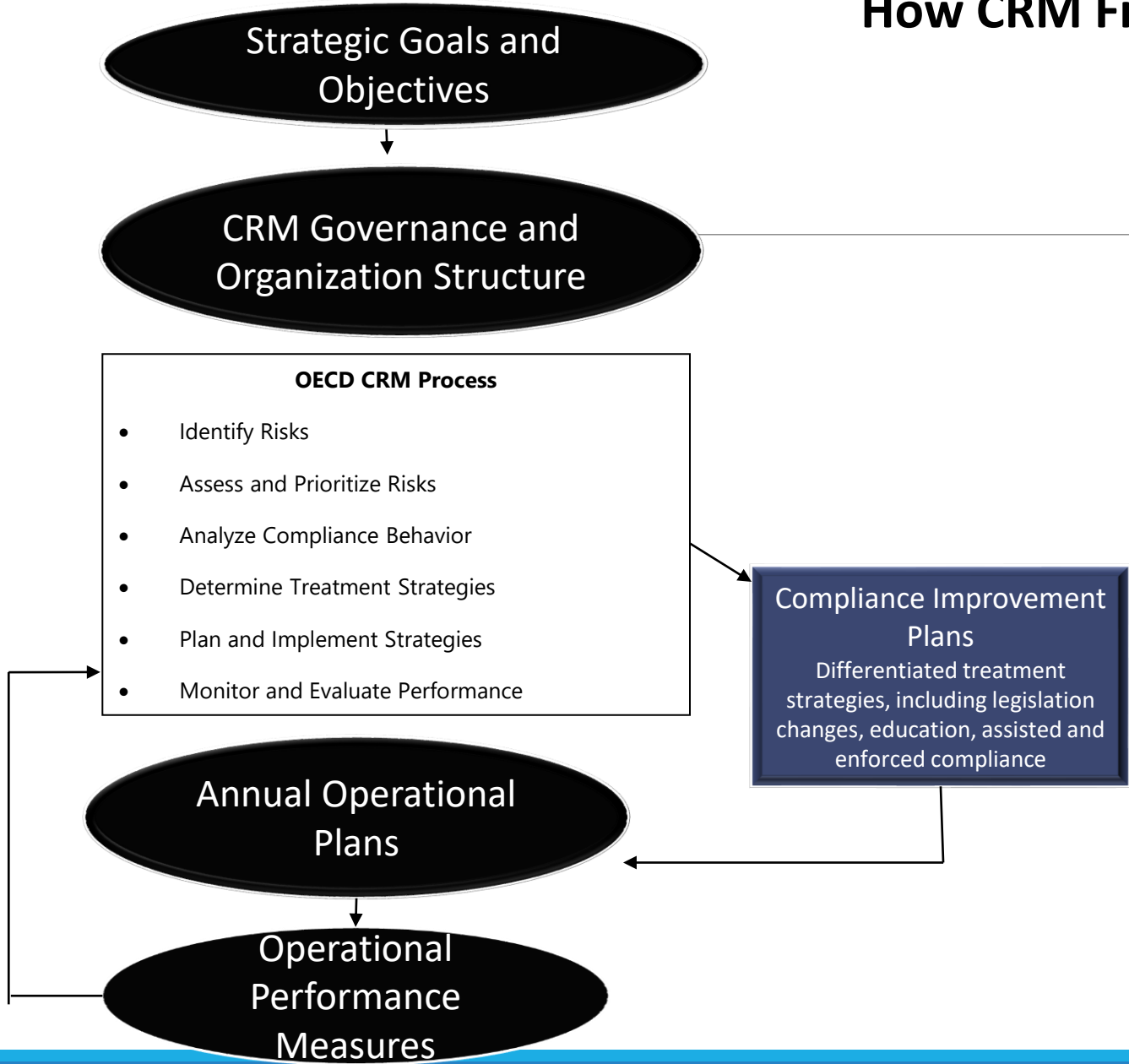


A CRR allows management to monitor and assess the most important risks and adjust quickly to emerging risks

Intelligence can help build capacity of all staff regarding risks in particular industries and how to address the key risks

A CIP for a particular segment or industry should include risks and treatment strategies related to registration, on-time filing, correct reporting and on-time payment

How CRM Fits into the Big Picture



The administration’s goals and objectives drive all activities

Governance around identifying and prioritizing risks is essential – executive oversight, a collaborative approach between CRM and other HQ functions/programs (large, HNWI, medium, small) who are the risk owners

The results of the CRM work drives the operational workplans (education, assisted compliance, enforced compliance) and resource allocation

Evaluation of results help tailor future CRM work and drive future strategies around non-compliance

Global Developments in CRM



CRM is increasingly important as a driving force for revenue mobilization



Increased data availability and IT capability allows automation of compliance checks



Managing compliance through segmentation (large taxpayer, high net wealth as examples) is becoming standard practice



Centralizing CRM in a dedicated organizational unit



Workforce shift to more knowledge-based workers to analyze and interpret patterns and trends across data sets, with specialist workers conducting data analytics and other analysis to support CRM

Challenges and Opportunities post COVID

Opportunity to advance the digitalization agenda

Need to take an even more tailored approach to compliance management

- Some industries thrived during the pandemic – continued compliance is expected, use existing authorities to promote and enforce compliance
- Industries that suffered require careful management to recognize the negative impact on these businesses – flexibility is key

Ensure CRM is properly resourced with the required authority to influence organizational approaches

Restoring short-term revenue collection to pre-pandemic levels, combined with institution building to build long term sustainable revenue flows is the goal

Implementation Considerations

The key is to get started

- Even with limited infrastructure and data, some analysis can be done
- Test a risk hypothesis through pilot projects, and adjust based on results

Build capacity as you go

- Strengthen approaches around People, Systems, Legislative Framework, Tools and Data

CRM touches every part of the organization

- Clarity on organizational roles and responsibilities along with collaboration across the organizational units will bring the strongest results
- A CRM committee provides organizational focus and executive leadership to guide the effort

Thank you!