



FORUM ON TAX ADMINISTRATION: COMPLIANCE SUB-GROUP

Companion Note

Managing and Improving Compliance: Recent Developments in Compliance Risk Treatment

A Catalogue of Revenue Body Initiatives

31 January 2009

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ABOUT THIS DOCUMENT

Purpose

This note is published in conjunction with the information note - *Managing and Improving Compliance: Recent Developments in Risk Treatment* and provides a catalogue of more innovative or unusual risk treatment approaches developed and applied by revenue bodies to address non-compliance in the small and medium enterprise (SME) sector.

This catalogue should be read in conjunction with the information note which provides practical observations of these recent revenue body experiences, particularly in relation to reporting non-compliance and recent progress in evaluating the outcomes of individual treatment approaches.

It has been prepared following extensive research by the Secretariat and with the assistance of revenue bodies participating in the Forum on Tax Administration's (FTA) Compliance Sub-group.

Background to the Forum on Tax Administration

Since its establishment in July 2002, the Forum on Tax Administration (FTA), a subsidiary body of the OECD's Committee on Fiscal Affairs (CFA), has operated with the broadly stated mandate

..... to develop effective responses to current administrative issues in a collaborative way, and engage in exploratory dialogue on the strategic issues that may emerge in the medium to long term.....

To carry out this mandate, the FTA's work is directly supported by two specialist Sub-groups—Compliance and Taxpayer Services—that each carry out a program of work agreed by member countries. The Compliance Sub-group exists to provide a forum for members to:

- periodically monitor and report on trends in compliance approaches, strategies and activities;
- consider and compare member compliance objectives, the strategies to achieve those objectives and the underlying behavioural compliance models and assumptions being used;
- consider and compare member compliance structures, systems and management, and staff skills and training; and
- develop and maintain papers describing good country practices as well as develop discussion papers on emerging trends and innovative approaches.

Caveats

National revenue bodies face a varied environment within which they administer their taxation system and jurisdictions differ in respect of their policy and legislative environment and their administrative practice and culture. Similarly, a standard approach to tax administration may be neither practical nor desirable in a particular instance.

The documents forming the OECD tax guidance series need to be interpreted with this in mind. Care should always be taken when considering a country's practices to fully appreciate the complex factors that have shaped a particular approach.

Acknowledgments

The contribution by national revenue bodies in Australia, Austria, Belgium, Canada, Chile, Denmark, Ireland, Korea, Japan, Mexico, New Zealand, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America to this document and the accompanying catalogue of risk treatment examples is both acknowledged and greatly appreciated, as is the support and guidance of the OECD Secretariat.

Inquiries and further information

Inquiries concerning any matters raised in this information note should be directed to Richard Highfield (CTPA Tax Administration and Consumption Taxes Division) at e-mail (Richard.highfield@oecd.org).

I. RISK TREATMENT EXAMPLES - OVERVIEW

- 1 The templates contained in this section have been provided by countries to assist in the development of more elaborative guidance on risk treatment and evaluation strategies in relation to Small and Medium Enterprises (SMEs). They represent practical examples of more innovative or unusual risk treatment strategies that have been deployed by revenue bodies to deal with major compliance risks, primarily those intended to target non-reporting non-compliance within this broad population group.
- 2 As outlined within the information note, it was accepted that what constitutes an “innovative or unusual” risk treatment approach may vary from country to country but, in the task group’s view, would likely entail a combination of a number of the following sorts of activities:
 - New legislated information reporting requirements;
 - New sources of information obtained under normal information gathering powers;
 - Enhanced taxpayer education efforts;
 - New or expanded use of media/publicity;
 - New applications of technology;
 - Updated or enhanced voluntary disclosure policies (incl. amnesty-type arrangements);
 - New forms of taxpayer interventions (e.g. letters, record-keeping reviews);
 - Revised risk assessment procedures;
 - Leverage based activities through stakeholder bodies (e.g. tax professionals, industry bodies); and
 - Use of incentives or changes to sanctions.

Approach

- 3 To assist gathering of the requisite information, a template questionnaire was prepared and following pre-testing and agreement among task group countries, was issued to all revenue bodies (along with a practical example) that participate in the activities of the Compliance Subgroup in early November 2007 with responses sought early in 2008. Countries were asked to contribute at least one innovative or unusual response and were given scope to determine what constitutes ‘innovative’ as this would be based on members’ own prior experiences in this field and within their administrations’ operational context. Where able, revenue bodies were encouraged to provide multiple examples.
- 4 The research template sought background information that gave rise to the development of the risk treatment as well as an outline of the:
 - Objectives or desired outcomes
 - Target groups for the risk treatment
 - Key elements of the risk treatment
 - The approach to measurement and evaluation
 - Observed impacts and where able, over what time periods
 - Lessons learned either in development, implementation or operation.

- 5 Revenue bodies were also asked to indicate the primary focus of the risk treatment against one of the 4 risk domains: 1) registration; 2) filing; 3) reporting; and 4) payment, and to indicate where the risk treatment may also have secondary influences on other compliance risks. This approach would enable further analysis of responses by targeted risk area.
- 6 The templates were initially catalogued and grouped by compliance risk area (Appendix 1) and then analysed for component detail (Appendix 2) to allow common themes, points of difference and other observations to be drawn. No alterations were made to the risk areas indicated by countries.
- 7 This supporting information note has been structured to present findings and observations drawn from these examples around the four individual risk areas noted above.

Boundaries to approach

- 8 The risk treatment examples presented in this catalogue are not intended to be a comprehensive collection of all risk treatment strategies that may be employed by revenue bodies, such an approach would place a significant imposition on revenue bodies and would require both a highly structured research approach and significant analytical resource.
- 9 Rather, the examples provide a point in time snapshot of recent developments and innovations that reflect application of the compliance risk management approach - as presented and discussed in the previously released 2004 Guidance Note *Compliance Risk Management: Managing and Improving Tax Compliance* - to specific existing or emerging compliance risks.
- 10 Similarly, the research approach did not seek to obtain detailed measurement or evaluation methodologies from countries (this being the scope of the parallel work occurring in this area during the period of the research). Instead it sought insight to practical examples that had been adopted or were considered in the measurement of specific risk treatments.

II. RISK TREATMENT INITIATIVES – SUMMARY TABLES AND EXAMPLES

Risk treatment tables

- 11 The tables which follow this section, present the risk treatment examples by:
- Table 1: All risk treatments by country in alphabetical order (a-z)
 - Table 2: Risk treatments primarily targeting registration compliance
 - Table 3: Risk treatments primarily targeting filing compliance
 - Table 4: Risk treatments primarily targeting accurate reporting compliance
 - Table 5: Risk treatments primarily targeting payment compliance.
- 12 The individual risk treatment examples, ordered by submitting member country (A-Z) follow the tables.

Risk treatment classification and strategy sets

- 13 The tables also reflect the analysis of the component features of the risk treatments as described by the revenue bodies. This analysis, based on the strategic intent of the risk treatments, suggests that reasonably definable and discreet groups of risk treatments exist. While many risk treatment examples were multi-faceted, each treatment was found to have a dominant intent. These strategy sets are:

- 1. Legislative, policy or revenue body process change treatments**
This set of treatments encompasses activities involving changes to existing tax laws, tax authority policies and practice statements or the introduction of new laws, policies or practices. It can also include changes to registration or payment obligations and prescribed forms.
- 2. Interactive assistance and decision support treatments**
This set of treatments encompasses activities involving new technology based customer self-service tools and will commonly include initiatives such as downloadable software developed by revenue bodies, enhanced internet or other online services including electronic filing, online help and account access and maintenance.
- 3. Education based treatments**
This set of treatments encompasses targeted education programmes primarily aimed at selected customer groups and/or the development and distribution of specific educational booklets and guides. These initiatives will commonly be delivered via a range of advisory services, seminars and presentations, information publications or other media.
- 4. Encouragement and support based treatments**
This set of treatments encompasses primary front-line contact and enquiry services and may commonly include public counters and service bureaus, contact centres, help lines and technical services. These strategies may also include reviews of books and records where these focus on assisting taxpayers.
- 5. Co-operative arrangement treatments**
This set of treatments encompasses formal engagement and structured relationships with 3rd parties including industry representative groups, banks or other financial institutes, tax agents and other government agencies. It may

include the development of protocols, heads of agreement, memoranda of understanding, partnering for product development or co-ordinated services with other government organisations, e.g. customs, police, or educational ministries and institutes.

6. Pre-obligation contact treatments

This set of treatments encompasses those activities involving pro-active contact with taxpayers prior to the filing of a tax return or declaration or payment and will commonly include contacts by telephone, letter, visit, text or e-mail.

7. Reporting and withholding treatments

This set of treatments encompasses reporting requirements and withholding tax regulations. Initiatives within this set are most likely to include minimum reporting or disclosure requirements, together with 3rd party withholding tax deductions and payments and may also include treatments that seek to simply or reduce these.

8. Intelligence gathering, enforcement, sanctions and penalty treatments

This set of treatments encompass those activities that result in changes to the level, focus or form of traditional intelligence, audit or collection processes or methods, together with activities resulting in new or changed powers of enquiry, penalty provisions, voluntary disclosure provisions, suspensions, revocations or de-registrations. Further this treatment set may include enhanced data set exchange provisions with other agencies or 3rd parties to allow matching with information held by the revenue body, and may also include development of compliance incentives eg, certifications, amnesties, exemptions, discounts, grants or subsidies.

14 Within the tables the primary and secondary features are denoted as follows:

- ◆ indicates the primary feature or component of the risk treatment
- ◆ indicates secondary features of the risk treatment.

Table 1: Risk treatment initiatives – all countries (a-z)

Risk Treatment Initiatives: All Countries - Small & Medium Enterprises

◆ Primary Compliance Risk Targeted ◆ Primary Feature ◆ Secondary Features

Country	Response Title
1	Australia Aggressive Tax Planning Promoter Penalties, Risk Identification and Assessment
2	Australia Compliance of Wealthy Individuals Booklet
3	Australia GST Free Supplies - Data Project
4	Australia Legislated Information Reporting Requirements - Dynamic Forms for High Risk Taxpayers
5	Australia Micro Enterprises and Individuals - Business Self Evaluation Tool
6	Australia Micro Enterprises and Individuals - Capital Gains Tax: Pre-Lodgment Awareness Letters
7	Australia Micro Enterprises and Individuals - Capital Gains Tax: Property Investor Pathway
8	Australia Micro Enterprises and Individuals - Employer Obligations Longitudinal Monitoring & Revisit Programme
9	Australia Micro Enterprises and Individuals - Personal Electronic Tax Calculator
10	Australia Micro Enterprises and Individuals - Profiling Tool
11	Australia Micro Enterprises and Individuals - Record Keeping Strategy
12	Australia Micro Enterprises and Individuals - Using Incentives to optimise vol compliance in Franchise Industry
13	Australia Publication of Taxpayer Alerts
14	Australia Schedule 25a (international tax disclosures) – Interactive Product
15	Australia Small Business Assistance Programme
16	Australia SMS - Short Message System as Outbound Communication
17	Austria Implementation of Standard Audit Files
18	Austria Tax Compliance Education at Schools
19	Belgium Protocol of Co-operation against Tax Evasion – Hotels, Restaurants & Cafes
20	Canada Application & Publication of Charities Suspensions, Revocations and penalties
21	Canada Audit and Education Programme for MUSH Sector
22	Canada Books & Records Keeping Programme & Reviews
23	Canada CRA Compliance Communications Strategy
24	Canada CRA Tax Alerts & News Canada Articles
25	Canada Canadian Business Software Stds
26	Canada Cash Economy Outreach Activities
27	Canada Charities Partnership & Outreach Programme
28	Canada Citizenship & Canada's Tax System Learning Unit
29	Canada Compliance Research Laboratory
30	Canada Contract Payment Reporting System

Risk Area			
Failure to Register	Failure to File	Failure to Accurately Report	Failure to Pay
	3	◆	2
	2	◆	
◆		2	
	3	◆	2
4	3	◆	2
	2	◆	3
	3	◆	2
	2	◆	
	◆	3	2
		◆	2
4	2	◆	3
4	2	◆	3
		◆	
◆		2	
4	2	◆	3
	◆	3	2
4	2	◆	3
◆		2	3
	2	◆	
2	3	◆	4
		◆	
2	3	◆	4
4	3	◆	2
		◆	
◆	2	3	4
	2	◆	3
	2	◆	3
		◆	
2	3	◆	4

Strategy Components										
Legislative, Policy or Process Changes, New Data Sources	Education Based Strategies	Encouragement & Incentive Strategies	Reporting or Withholding Strategies	Co-operative Arrangement Strategies	Pre-Filing Obligation Strategies	Enforcement, Penalties or Sanctions	Interactive Assistance & Decision Support Strategies	Media Campaigns or Targeted Releases		
◆						◆			◆	
◆	◆	◆					◆			
◆				◆		◆				
	◆		◆			◆	◆			
	◆						◆			
						◆				
						◆				
						◆				
	◆	◆		◆		◆	◆			◆
◆			◆				◆			
	◆	◆		◆		◆	◆			◆
			◆				◆			
						◆				
	◆			◆		◆				◆
◆	◆		◆	◆		◆	◆			◆
◆	◆			◆		◆				◆
◆						◆				
◆			◆		◆	◆				

Table 2: Risk treatment initiatives – registration compliance

	Country	Response Title	Risk Area				Strategy Components										
			Failure to Register	Failure to File	Failure to Accurately Report	Failure to Pay	Legislative, Policy or Process Changes, New Data Sources	Education Based Strategies	Encouragement & Incentive Strategies	Reporting or Withholding Strategies	Co-operative Arrangement Strategies	Pre-Filing Obligation Strategies	Enforcement, Penalties or Sanctions	Interactive Assistance & Decision Support Strategies	Media Campaigns or Targeted Releases		
3	Australia	GST Free Supplies - Data Project	◆		2		◆			◆							
14	Australia	Schedule 25a (international tax disclosures) – Interactive Product	◆		2		◆										
19	Belgium	Protocol of Co-operation against Tax Evasion – Hotels, Restaurants & Cafes	◆		2	3				◆							
26	Canada	Cash Economy Outreach Activities	◆	2	3	4		◆									◆
33	Canada	Get It In Writing - Customer Awareness Campaign	◆		2			◆									
35	Canada	GST/Harmonised Sales Tax - Enhanced Registration Review (GERR)	◆	2	3	4		◆									◆
36	Canada	High Risk Analysis Teams (HRAT)	◆	2	4	3											
38	Canada	Integrated Enforcement Teams (IETs)	◆	2	3	4											
39	Canada	Learning about Taxes	◆	3	2	4											
40	Canada	My Business Account	◆	2	3	4											
41	Canada	Outreach Framework & NOCC	◆		2												
47	Chile	Simplified Accounting System for Micro, Small, Medium Businesses	◆	3	2												
48	Chile	Tax Education Portal for Children	◆		2												
50	Chile	VAT Annual Control	◆	2	3	4											
51	Chile	Working closely with Small Enterprise Associations	◆	2	4	3											
58	Mexico	New Model for Periodic Payment & Return Reporting Obligations	◆	2	3												
65	Norway	Co-operation with Junior Achievement-Young Enterprise Norway & Students	◆	2	3	4											
66	Norway	Service Centre for Foreign Workers	◆	2													
70	Republic of Korea	Getting In Tune With Your Taxes Campaign	◆		2												
78	Sweden	Cash Economy - Short Visit Programme to Restaurants and Hairdressers	◆		2	3											
81	The Netherlands	Horizontal Monitoring Programme - Newspaper & Leaflet Distributors	◆	2	3												
86	United Kingdom	Hotline & Helpline	◆	4	2	3											

Table 3: Risk treatment initiatives – filing compliance

Risk Treatment Initiatives Primarily Targeted at Filing Compliance

◆ Primary Compliance Risk Targeted ◆ Primary Feature ◆ Secondary Features

Country	Response Title
9 Australia	Micro Enterprises and Individuals - Personal Electronic Tax Calculator
16 Australia	SMS - Short Message System as Outbound Communication
17 Austria	Implementation of Standard Audit Files
91 USA	Importer Non-File Identification & Measurement

Risk Area			
Failure to Register	Failure to File	Failure to Accurately Report	Failure to Pay
	◆	3	2
	◆		2
	◆	3	2
	◆	2	3

Strategy Components								
Legislative, Policy or Process Changes, New Data Sources	Education Based Strategies	Encouragement & Incentive Strategies	Reporting or Withholding Strategies	Co-operative Arrangement Strategies	Pre-Filing Obligation Strategies	Enforcement, Penalties or Sanctions	Interactive Assistance & Decision Support Strategies	Media Campaigns or Targeted Releases
					◆		◆	
					◆	◆		
			◆				◆	
◆				◆	◆	◆		

Risk Treatment Initiatives Primarily Targeted at Reporting Accuracy

◆ Primary Compliance Risk Targeted ◆ Primary Feature ♦ Secondary Features

Country	Response Title
52	Denmark Intelligent e-Service
53	Ireland Electronic Screening and Risk Ranking of Other Non-Declared Income
54	Ireland National Construction Project
56	Mexico Income Tax return for Individuals – Preventative Education
60	NZ Cash Economy - Industry Partnerships
61	NZ Internet Search Tool - Info logistics
62	NZ Memorandum of Understanding NZ Bankers Association - 3rd Party Information Requests
63	NZ National Property Compliance Programme
64	NZ Publication of Revenue (Taxpayer) Alerts
67	Republic of Korea Business Purpose Bank Accounts
68	Republic of Korea Cash Receipt System
73	Singapore Programmes for New and Existing GST Traders
75	Spain Car registration Tax - Inter-Agency Co-ordination with Traffic Administration
76	Spain Segmentation – Construction & Real Estate
77	Spain Word Searches
79	Sweden Undeclared Income - Private Sales of Antiquities via Auction Houses
80	Switzerland VAT Reconciliation – using electronic 'e-Dec'
82	The Netherlands Horizontal Monitoring Protocol - Small & Medium Accounting Firms
83	Turkey Corporate Tax, Income Tax, VAT – Enhanced Reporting Obligations
84	United Kingdom Disclosure Tax Avoidance Schemes
85	United Kingdom Evaluation Study of Random Enquiry Programme
87	United Kingdom Offshore Disclosure Arrangements
88	United Kingdom Sharing Workflow Processes - Tax Agents
89	United Kingdom Web Robot
90	USA Disguised & Hidden Ownership of Income
92	USA Internet Income Probes

Risk Area			
Failure to Register	Failure to File	Failure to Accurately Report	Failure to Pay
	2	◆	
	2	◆	3
2	4	◆	3
	3	◆	2
2	3	◆	4
2		◆	
		◆	2
2	3	◆	4
		◆	
		◆	
2	4	◆	3
	2	◆	3
3	4	◆	2
2	4	◆	3
2	4	◆	3
		◆	2
2	3	◆	4
2	4	◆	3
		◆	
		◆	
		◆	
		◆	
2		◆	
	3	◆	2
		◆	2

Strategy Components								
Legislative, Policy or Process Changes, New Data Sources	Education Based Strategies	Encouragement & Incentive Strategies	Reporting or Withholding Strategies	Co-operative Arrangement Strategies	Pre-Filing Obligation Strategies	Enforcement, Penalties or Sanctions	Interactive Assistance & Decision Support Strategies	Media Campaigns or Targeted Releases
◆					◆		◆	
◆			◆	◆		◆	◆	◆
	◆			◆	◆		◆	◆
◆						◆		
◆	◆			◆				◆
◆	◆		◆			◆		
◆	◆	◆	◆					
◆	◆			◆		◆	◆	
◆					◆			
◆			◆	◆		◆		
◆			◆			◆		
◆				◆	◆			
◆						◆		◆
◆						◆		
◆				◆	◆			
◆						◆		
◆						◆		◆

Table 5: Risk treatment initiatives – payment compliance

Risk Treatment Initiatives Primarily Targeted at Payment Compliance

◆ Primary Compliance Risk Targeted ◆ Primary Feature ◆ Secondary Features

Country	Response Title
55 Mexico	Comprehensive Programme against Tax Evasion (PICE)
57 Mexico	Informative Return of 3 rd Party Transactions - VAT
59 Mexico	Risk Model for Tax Refunds
69 Republic of Korea	Disclosure of the List of Taxpayers with Large Tax Debts
71 Singapore	Charge on Government Special Payouts where Default on Income Tax
72 Singapore	Employer Deduction Schedule – Deduct Employee Tax Debt from Salary & Wages
74 Singapore	Use of 3rd Party Data to Identify GST Liabilities on Property Sales

Risk Area			
Failure to Register	Failure to File	Failure to Accurately Report	Failure to Pay
4	3	2	◆
4	3	2	◆
3		2	◆
4	3	2	◆
			◆
			◆
	3	2	◆

Strategy Components								
Legislative, Policy or Process Changes, New Data Sources	Education Based Strategies	Encouragement & Incentive Strategies	Reporting or Withholding Strategies	Co-operative Arrangement Strategies	Pre-Filing Obligation Strategies	Enforcement, Penalties or Sanctions	Interactive Assistance & Decision Support Strategies	Media Campaigns or Targeted Releases
•						◆		
•			◆		•	•		
•	•		◆			•		
•						◆		•
•				•		◆		•
•	•				•	◆		•

Australia: Aggressive tax planning (ATP), promoter penalties, revised risk identification & assessment procedures.

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Aggressive Tax Planning (ATP), Promoter Penalties Revised Risk Identification & Assessment Procedures.
2. Background to the risk treatment	<p>The use of complex tax structures and tax havens to promote tax exploitation schemes is on the increase. A recent study found that 67 countries and jurisdictions listed by the International Monetary Fund (IMF) offer some form of offshore finance facility (Errico & Musalem, 1999). In 1998, a British Parliamentary report estimated that over US\$6 trillion was kept offshore (Edwards, 1998). This figure is reportedly still growing (Hampton & Christensen, 2002).</p> <p>The past decade in particular has seen an increasing political emphasis on Australians investing more of their income in superannuation, as well as other long-term investments, as a way of securing personal financial security in the future. With the ever increasing message to taxpayers being 'invest for your future', there is little wonder that tax planning is now starting to become attractive to middle income earners.</p> <p>In an effort to mitigate the risks posed by the promoters of tax exploitation schemes, the Australian Government introduced a new civil penalty regime (promoter penalty laws) with effect from 6 April 2006. These laws are designed to deter the promotion of tax avoidance and evasion schemes by placing promoters of unsustainable schemes at risk of a significant monetary penalty when they expose their clients to scheme penalties.</p> <p>The promoter penalty laws provide the Tax Office with new tools to deter and treat the promotion of aggressive arrangements. These new tools include Enforceable Voluntary Undertakings (EVUs), Federal Court imposed injunction or pecuniary penalty.</p> <p>The Promoter Penalty regime is managed and administered by the Aggressive Tax Planning (ATP) business line in the Tax Office.</p> <p>There are four main aspects to ATP's business strategy:</p> <ol style="list-style-type: none"> 1. Early Detection; 2. Early Warning; 3. Fair Treatment; and
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	

	<p>4. Firm Action.</p> <p>The promotion of ATP schemes is a highly dynamic area where many schemes and several promoters can be active at any one time and they can quickly move on to new ATP schemes. Therefore it was crucial to have early detection and compliance activities to counter existing schemes and discourage the proliferation of new and emerging schemes.</p> <p>Delays in treatment may lead to the following adverse consequences:</p> <ul style="list-style-type: none"> • lack of early warning provided to the public about these schemes; • slowness in establishing the Tax Office positions in relation to these schemes; and • large numbers of participants in ATP schemes and hence increased workload in dealing with the large numbers of participants. <p>In an effort to mitigate the risks posed by the promoters of tax exploitation schemes, the ATP Business Line has developed a risk review framework and work procedures hereafter called the ATP Breakthrough Strategy. The aim of the ATP Breakthrough Strategy is to provide more robust actionable intelligence, technical & compliance capabilities that contribute to ATP's overall purpose of "no outbreaks".</p>
<p>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</p>	<p>The ATP Breakthrough Strategy has been designed and integrated into the broader Tax Office approach to risk identification, assessment and treatment, and therefore is used as the foundation for how ATP undertakes its risk assessment and treatment activities.</p>
<p>3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)</p>	<p>The objective of the risk treatment is to design, develop and implement a breakthrough strategy for ATP. In particular, develop a robust methodology (and underpinning set of principles) that ATP staff can use to quickly and efficiently work through intelligence that is either too difficult for traditional approaches to deal with, or one that provides a reliable framework for testing the accuracy of the initial conclusions drawn from the intelligence material.</p> <p>A key aspect of the project intent was to develop a clear decision tree which allowed ATP staff to distinguish between <i>real reasons</i> and <i>good reasons</i> when advocating a course of action to the Federal Court.</p>
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The target group encompasses all sections of the market from Individual to Large Market participants, however, the specific strategies and procedures will vary somewhat depending on the facts and circumstances of the promoters and participants.</p> <p>There is a clear business need to develop a breakthrough strategy that focuses on tax promoters who are starting to engage purposefully in tax avoidance schemes. The ATP Business Line needed to develop a clear strategy that</p>

	<p>reacts to, harnesses and actions incoming intelligence in a timely manner. A strategy that concentrates on taking prompt action in relation to tax promoters who are purposefully involved in artificial tax avoidance schemes.</p> <p>This approach of early intervention would see tax promoters with a legitimate excuse or with a mistaken interpretation of the law viewing ATP's responsiveness in a positive manner and as a result, the gesture may act to bring this otherwise honest group of tax promoters back into the tax system voluntarily.</p>	
<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>2</p>	<p>Failure to pay</p>
	<p>3</p>	<p>Failure to file on time</p>
		<p>Failure to register</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>The Breakthrough Strategy (at the highest level) utilises a methodology matrix which outlines the main processes of:</p> <ol style="list-style-type: none"> 1. Promoter Identification; 2. Promoter Development; 3. Promoter Risk Review; and 4. Promoter Civil Investigations. <p>The above processes are underpinned (and defined) by the necessary "Burden of Proof" which is outlined below:</p> <ol style="list-style-type: none"> 1. Initial Suspicion – Promoter Identification; 2. Reasonable Suspicion – Promoter Development; 3. Reasonable Belief – Promoter Risk Review; and 4. Balance of Probabilities – Civil Investigations. <p>The methodology is designed to test incoming intelligence against the various "elements" of a potential contravention of the Promoter Penalty laws. These elements are broken down and explained in the SPECT model.</p> <p>The categories of the SPECT model are as follows:</p> <ul style="list-style-type: none"> • Scheme; • Promotion; • Entities; • Consideration; and 	

	<ul style="list-style-type: none"> • Taxpayer Participation. <p>All the stages of the Breakthrough Strategy have been designed with rigorous governance and assurance stage gates which further support the integrity of ATP risk detection and treatment activities. However, these governance and assurance steps are scaleable (dependent upon the nature and extent of each matter being examined) to ensure the process is flexible enough to cope with the different types of referrals being received. ATP is conscious that slow action, or inaction, on the management of the promoter referral list undermines the Tax office's ability to identify and address risks in a comprehensive and integrated way, taking account of the interrelationships between the parties concerned.</p> <p>A good example of how the new risk treatment activities are being implemented is the ATP Risk Review program. The new ATP work processes relating to completion of Risk Reviews, including clear criteria (with examples) of types of promoter activity that would constitute initial or reasonable suspicion, has resulted in earlier identification and treatment of emerging risks related to the promotion of Tax Exploitation Schemes.</p> <p>The success of the ATP Risk Review stage to date, as part on the ATP Breakthrough Strategy, highlights the benefits being generated through real-time risk identification work.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The following elements can be measured and compared to evaluate the impact of the risk treatment strategy:</p> <ul style="list-style-type: none"> • the number of visits to promoters per year; • the number of new schemes for which we are seeking information per year; • the number of early warning products per year; • the amount of time taken after publication of the early warning product for the ATO view to be established; • The number of requests for advice from taxpayers concerning their exposure to the new laws; and • Intelligence concerning the extent of behavioural and compliance changes in the marketplace and the effect that has on promoters and participants.
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The ATP Breakthrough Strategy commenced operation in October 2007. As of January 2008, the identification and prioritisation of potential promoters as significantly increased.</p> <p>In addition, there has been a marked increase in the number and frequency of interactions with promoters as a consequence of the ATP Breakthrough Strategy (correspondence, telephony and one day visit treatment plan).</p>
<p>9. Provide any comments, positive or negative, that</p>	<p>The ATP Breakthrough Strategy results are extremely encouraging and positive responses have been received</p>

<p>reflect on the results achieved to date with this risk treatment strategy.</p>	<p>from both internal and external sources to the Tax Office concerning the real-time responsiveness to emerging risks.</p> <p>The ATP Breakthrough Strategy has facilitated more efficient and effective use of ATP resources whilst achieving maximum impact through systematic, targeted Intelligence and risk treatment activities.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The ATP Breakthrough Strategy has resulted in several new concepts being tested in the ATP work environment. Key concepts such as the application of “burdens of proof” and “levels of proof” to the collected intelligence, in concert with real world examples to help guide decision making. This has resulted in ATP staff being more confident in undertaking ATP Risk Reviews and recommending treatment activities where appropriate.</p> <p>The concept of “fit for purpose” is another concept which has been widely adopted by ATP staff and stems from the approach taken in the ATP Breakthrough Strategy. That is, the idea of obtaining the appropriate type and amount of intelligence required to meet the relevant burden of proof. This approach has resulted in the rapid identification and treatment of emerging risks, and has ensured those matters which require escalation to a more detailed Risk Review and/or Civil Investigation stage happen in a timely manner.</p> <p>This new approach is continually being refined to improve the real world examples that cover the application of the methodology in the real world environment covering common problems encountered following feedback received from contact with promoters.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Compliance of wealthy individuals booklet

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Compliance of Wealthy Individuals Booklet	
2. Background to the risk treatment	<p>Most wealthy individuals are not tax law sophisticates. The booklet has been designed to allow wealthy individuals to undertake some governance in respect of their tax affairs. It highlights what attracts our attention and also provides a series of questions a wealthy individual can ask their advisor to ensure their tax affairs are on a good footing.</p> <p>Advisors of wealthy individuals are provided with in depth descriptions of the risk assessment and audit practices to contribute to the openness and transparency of the tax system.</p> <p>The booklet also describes the outcomes achieved by the audit program of wealthy individuals over its eleven year history which contribute to community confidence more generally.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>The actual production of a booklet is a one off event. However, associated with this initiative is the development of a website for wealthy individuals and their advisors which will provide regular updates to the booklet.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The objectives are as follows:-</p> <ul style="list-style-type: none"> • Improving compliance of the wealthy • Establishing and maintaining high standards of governance and propriety in their tax affairs. • Openness and transparency of process to improve voluntary compliance • Maintaining the integrity of the tax system 	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Wealthy individuals. The Australian Taxation Office defines a wealthy individual to be a resident individual who together with associates effectively control \$30 million in net wealth. Given this definition the ATO has currently identified approximately 1,250 wealthy individuals. (Entities controlled by these individuals are also reviewed)</p>	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim

	entitlements
	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>The key elements are:</p> <ul style="list-style-type: none"> • The production of a booklet • The establishment of consultancy arrangements with prominent advisors of wealthy individuals • The establishment of a website • A strategy for engaging wealthy individuals in monitoring their tax affairs and ensuring the quality of advice they are given. (this includes a letter from the Commissioner and a pamphlet outlining key governance questions)
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	Effectiveness measures are in the process of being developed. This will include a measure reviewing voluntary compliance.
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	<p>Advisors have welcomed the initiative and provided positive feedback on the booklet. They were also consulted and helped co-design the process for engaging wealthy individuals.</p> <p>The success of the project will be reviewed via the consultancy arrangements now established with advisors. Review of the impact of voluntary compliance will be on-going.</p> <p>Feedback from advisors will be on-going. This will contribute to improvement in processes and a better working relationship with those in the accounting and legal professions.</p> <p>Improved work processes will lead to increased interaction with advisors and more points where a potential tax risk might be alleviated.</p>
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	Refer 8 above.
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	Consultancy, collaboration and co-design with advisors has been fruitful. It is anticipated that on the launch of the booklet there will little public criticism of the initiative.

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: GST-Free supplies, data project

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	GST-Free Supplies, Data Project	
2. Background to the risk treatment	<p>Australian Customs Service (ACS) holds information on GST-free supplies. This has not previously been used / available as a source of information.</p> <p>The analysis of the GST-free data from ACS in comparison with the information from ACS should enable us to determine:</p> <ol style="list-style-type: none"> 1. Transfer Pricing: whether entities have completed their income tax return schedule for their related party dealings and if there is any non compliance with transfer pricing provisions. 2. Income reporting: whether the income from GST-free export has been adequately reported in their income tax returns for the relevant years. 	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>Currently, this is a pilot to use an external database to determine the level of risk. It is expected that this will become an active compliance review pilot and than become a business as usual approach if the effectiveness of the data is determined and the risks confirmed</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>Our primary objective is to determine the level of risk posed by the clients who are making GST-free exports.</p> <p>Where future active compliance for these clients is conducted we expect an increase in the lodgement of income tax returns and/or an increase in taxable income for these clients. We also expect that an increase in the number of permanent establishments lodging tax returns would also result in increased transfer pricing reporting.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Clients lodging income tax returns in Australia being cross checked with clients claiming GST – free exports with the ACS.</p>	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register - (Lodge)
		Failure to file on time

What we would like to learn	Your response	
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>Data collection (internal and external) and comparative analysis to determine the extent of risk and level of discrepancy.</p> <p>Collaboration with Australian Customs Service, a separate Government entity.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>If there is an increase in income reporting via specific income tax return labels.</p> <p>If there is an increase in lodgement of returns</p>	
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Will be decided following completion of the project but would expect a trend of increase in income reporting.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Positive:</p> <p>The opportunity to test the use of external data for international transactions is seen as an attractive and innovative alternative to past reliance on in-house data.</p> <p>Negative:</p> <p>Customs database lacks Tax Identification Number (TIN) for clients to be matched with in-house data. There is no 100% confidence match of clients.</p>	
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Not yet assessed.</p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Legislated information reporting requirements / dynamic (expanded) tax return form for high risk taxpayers

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Legislated information reporting requirements / Dynamic (Expanded) Tax Return Form for High Risk Taxpayers
2. Background to the risk treatment	<p>High Wealth Individuals, Closely Held Private Groups or other high risk taxpayers represent client groups for which the ATO has specific interests in respect of the risk they might pose to the revenue.</p> <p>Through our ordinary tax return data, there is a lack of good information about some of the activities associated with these client groups generally.</p> <p>Improved information about risks will enhance audit case selection processes and provide a more targeted approach to active compliance.</p> <p>We can obtain this additional information by using existing legislative provisions for lodgement or the provision of additional information in a format required by the Commissioner.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>A requirement to lodge an expanded return form for high wealth individuals (selected as high risk) has been in place for 10 years. This has been a 'one-size-fits-all' approach across a full suite of risk topics and questions.</p> <p>The process has improved compliance but the form has become an onerous task to complete.</p> <p>Based on this, we are seeking to integrate this experience into an improved product within a business as usual approach that has office wide potential rather than remain limited to high wealth individuals as is currently the situation.</p>
4. Who is the target group of taxpayers for this risk treatment strategy? How	<p>Any identified high risk taxpayer.</p> <p>Generally it will apply to:</p> <ul style="list-style-type: none"> • High Wealth Individuals (>\$30M net assets) – 1,200

<p>large is the group?</p>	<p>HWI's with 20,000 entities.</p> <ul style="list-style-type: none"> Closely Held Private Groups – (\$2M>\$250M turnover) – 33,000 groups with 67,000 entities <p>It is scalable to any taxpayer population.</p>	
<p>5. Main risk types being treated (<i>indicate in order of priority</i>)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
		<p>Failure to register</p>
	<p>3</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>2</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)</p>	<ol style="list-style-type: none"> Data matching and risk assessment process identify high risk taxpayers within the taxpayer population. High risk taxpayers are advised of a requirement to provide additional information at or post lodgement. Additional information requested is tailored to seek information about the specific identified or perceived risks. Additional information improves risk assessment and audit case selection processes. Audit activity is managed as a result of a more focused approach. 	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>It is envisaged that the Risk Management Team will analyse and measure the:</p> <ul style="list-style-type: none"> effectiveness of taxpayer identification, timely lodgement of the information requested number of audit cases commenced as a result of additional information revenue improvements from audits parts of income tax returns that represent the highest risk 	
<p>8. Describe any observed impacts of the risk treatment strategy (<i>please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.</i>)</p>	<p>The current strategy has reduced the use of the 'one-size-fits-all' attached schedules approach due to taxpayer cost of compliance and a non-automated electronic response to data capture and use is in place.</p> <p>The current process is being maintained until an improved electronic solution is available for 2009. At this time additional application of the product will be decided and implemented to address wider risks across different taxpayer populations.</p> <p>Impacts on the risk treatment strategy will not commence until 2009 and can be measured there-after.</p>	
<p>9. Provide any comments,</p>	<p>The current product is being maintained across a very low number of taxpayers due to its un-popular user reaction and</p>	

<p>positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>a 'one-size-fits-all' approach to taxpayers.</p> <p>A tailored approach of selecting specific identified risks for which information is required will improve cost of compliance for taxpayers and provide a more targeted and measurable approach to risk assessment.</p> <p>Electronic solutions to information gathering and flow to individual cases and overall systemic risk assessment of populations will be enhanced.</p> <p>Our ability to electronically accept taxpayer documents viewable within our case managements systems will be a considerable improvement over current processes.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>A build and design project is at the stage of development and lessons from the current product have been taken into consideration to the improved product.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - business self evaluation tool

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals: Business self evaluation tool	
2. Background to the risk treatment	The concept of a self evaluation tool for small business came from the development of industry based tax best practice guides. These guides and the self evaluation concept were developed as a result of recommendation from the Cash Economy Task Force's ¹ 2003 report. Initial feedback from users in the building and construction industry of a paper based product was positive. This view was supported by other industry forums.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	The concept of a self evaluation tool for small business came from the development of industry based tax best practice guides. These guides and the self evaluation concept were developed as a result of recommendation from the Cash Economy Task Force's ¹ 2003 report. Initial feedback from users in the building and construction industry of a paper based product was positive. This view was supported by other industry forums.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	A prototype has been developed and received some positive and constructive feedback from small businesses representatives The Business self evaluation tool is currently being developed and is intended to be completed and available to small business before 1 July 2009.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The objective of the product is to raise small business awareness of their business practices and tax compliance level and to provide a sense of assurance to those with good practices that they are meeting their tax obligations and are considered a low compliance risk. For those businesses that are off the 'right track', either through a lack of understanding of their tax obligations or otherwise, the aim is to encourage and provide information that will assist them to take the necessary steps to get back on track.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The primary target group is all small businesses with less than AUD\$2 million turnover.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	4	Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment	The intent of this project is to design a tool that will assist small businesses self evaluate their business	

¹ The Cash Economy Task Force was first established by the Commissioner of Taxation in November 1996 to examine compliance issues and to develop responses to address the cash economy.

<p>strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>practices and ability to meet their tax obligations.</p> <p>The tool will:</p> <ul style="list-style-type: none"> • provide information on characteristics and practices which are common in the operation of a successful business, • identify areas of their business where better practices can be implemented, • identify areas where they can improve their ability to meet their taxation obligations, • provide a report and measure (score) how their current practices compare against recommended practices • provide information on how to improve their business and tax practices, and • detail potential consequences of not following recommended practices and not complying with their tax obligations <p>If a business implements the recommendations of the report and improves their business practices, they will have improved their ability to meet their tax obligations. This will increase their level of voluntary compliance.</p> <p>For those businesses that meet all recommended practices, the report will provide them with a level of assurance and certainty that they have adequate business processes in place. Also, it will provide confidence that they will be considered a low compliance risk by the Australian Taxation Office and therefore less likely to be selected for compliance action.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>One of the main measures will be the take-up rate of the product, supplemented by surveys and actual field intelligence on the impacts the tool has in influencing compliance behaviour.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The tool is still at its development stage and therefore unable to comment on any observed impacts. Nevertheless there were strong supports from consultation with industry representatives.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>While the concept for this tool is supported, there is conjecture about whether the focus of the tool was on compliance and therefore the name may need to change. Also, if the tool is about general business 'best practices' then perhaps the tool should be developed / promoted by the Office of Small Business² rather than the Australian Taxation Office.</p>

² The Office of Small Business is a Federal Agency which serves as a focal point for the development and

<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Whilst taxpayers are comfortable with accessing the Australian Taxation Office website and downloading useful information and tools, user testing of other electronic products suggests that majority of taxpayers still have concerns interacting with the Australian Taxation Office online in a real time basis. Electronic tool such as this will be more acceptable if it is a downloadable product rather than an online interactive tool.</p> <p>However there is also suggestion that if it is a compliance tool, the results should be channelled back to the Office. This conflict will be further explored during consultation and user testing of the product.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - Capital Gains Tax: pre-lodgement awareness letters

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Capital Gains Tax: Pre Lodgement (return filing) Awareness Letters	
2. Background to the risk treatment	<p>Property ownership continues to increase, particularly with investors who may not have a sophisticated understanding of Capital Gains Tax. External data obtained from the Offices of State Revenue indicates increases in both acquisition and disposal of property and the non disclosure or under reporting in tax returns.</p> <p>Additional funding was provided to improve compliance in the individual market relating to Capital Gains Tax compliance. This funding would enable an increase of audit activities as well as collect additional revenue.</p> <p>The strategy included a commitment to increase coverage and awareness of capital gains tax by utilising a mix of Pre Lodgement Awareness Letters, Education Letters and Audits.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>The strategy was developed to tailor a response aimed at increasing awareness of capital gains tax. The use of Pre Lodgement Awareness letters has become part of the business as usual approach adopted to meet this requirement.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The aim of the pre-lodgement strategy is to improve voluntary compliance by prompting the taxpayer to return any capital gain in their tax return.</p> <p>The letter seeks to advise taxpayers of their possible capital gains tax obligations arising from the disposal of property before they lodge their return.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Information has been made available from property data received from the Offices of State Revenue. This data is also used to select cases for audit or risk reviews.</p> <p>For the 2007/2008 financial year, the target group of 6,000 had:</p> <ul style="list-style-type: none"> • sold property during the 2006 financial year and • met the pre-set dollar value potential capital gain. 	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or

		claim entitlements
	3	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Data matching: Third party investment property sales were name matched to Tax Office data.</p> <p>Pre issue letters:</p> <ul style="list-style-type: none"> educational letters are sent to new real property investors to raise awareness of their capital gains tax and rental obligations. These letters include marketing and education brochures designed to build an understanding of their capital gains tax and rental obligations, and pre-lodgement advisory letters are sent to remind taxpayers they may have a capital gains tax liability when disposing of property. <p>The Pre-Lodgement Letters are sent to the taxpayers' residential address. A letter is also sent to the registered tax agent along with a list of their affected clients and a copy of the letter sent directly to the taxpayer.</p> <p>This strategy has been published in the current and prior two years compliance program.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A control group has been established and lodgements for the targeted taxpayer group and control group have been monitored.</p> <p>During the latter part of the 2007/2008 financial year we will undertake a process of checking to ensure that taxpayers have, in fact, correctly returned a capital gain. A sample will be drawn from the targeted population and referred for audit. The results of these interventions will be used to develop future strategies.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>For 2006/2007, 71% of taxpayers who received a pre-lodgement letter declared a capital gain as opposed to 46% who did not. Outstanding returns are 6% higher for those taxpayers who did not receive a letter.</p> <p>This resulted in an estimated \$6.8 million in additional revenue from the 5,200 targeted individuals.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>A full evaluation of this project will be undertaken in 2008. However, it is estimated that the pre-lodgement advisory letters in part contributed to an increase in the number of taxpayers who declared a capital gain in the 2005/2006 financial year. (18% higher than the previous year.)</p>	
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>This strategy could be extended to non individual taxpayers and other third party data, once the data matching capability exists.</p> <p>The letter has been refined over time to include additional educational content covering the common problems encountered following feedback received from taxpayers and our staff.</p> <p>We have moved to a combined rental/capital gains education letter approach in the 2007/2008 financial year recognising the importance of bringing together timely information regarding these related obligations to our</p>	

	<p>identified “new to rental” taxpayers.</p> <p>Our tax agents report they appreciate obtaining a list of all affected clients rather than a separate letter per client.</p> <p>We need to improve the recording and capture of incoming calls by our call centres. At present we do not record the identity of callers who received a pre lodgement letter and have subsequently sought advice from our call centres. This would enable more effective monitoring of the project.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - Capital Gains Tax: property investors taxpayer user pathway

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals: Capital gains tax: Property investors taxpayer user pathway
2. Background to the risk treatment	<p>Property ownership continues to increase, particularly with investors who may not have a sophisticated understanding of Capital Gains Tax (CGT). Early research in 2004 established a baseline measure of taxpayer awareness of Capital Gains Tax at a low 10%. Additional funding was provided to improve compliance in the investor market relating to Capital Gains Tax compliance. The funding enabled an increase of audit activities as well as the collection of additional revenue.</p> <p>A strategy was developed to raise the awareness and understanding of Capital Gains Tax for property investors by disseminating information through key property intermediaries. To identify which intermediaries would provide the greatest leverage opportunities, a user pathway was developed for property investors.</p> <p>A taxpayer user pathway is a representation of the taxpayers' experiences and potential interactions (i.e. touch points) with government departments and service providers. The property investors user pathway describes the needs of taxpayers throughout their investment interactions and identifies possible opportunities for the Australian Taxation Office to engage intermediaries at key stages of the investment lifecycle:</p> <ol style="list-style-type: none"> 1. Thinking of investing 2. Research 3. Decide to invest 4. Acquiring property 5. Holding property 6. Thinking of disposing of the property 7. Research 8. Decide to dispose of the property 9. Disposal <p>As a result of developing a property investors' user pathway, relationships were developed and nurtured with the Real Estate Institutes of each state and territory; the Defence Housing Authority and the Financial Planners Association, and development of 26 products – all tested with taxpayers.</p>
<i>2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	

<p>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</p>	<p>The strategy was developed to tailor an integrated Australian Taxation Office response aimed at increasing awareness of Capital Gains Tax that would influence compliance behaviour.</p> <p>The use of taxpayer user pathways has now become part of the business as usual approach and is an integral first step adopted in the development of marketing and communication strategies.</p>	
<p>3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)</p>	<p>The intent is to reach taxpayers with Capital Gains Tax obligations through identified intermediaries at the point in time closest to acquisition. Focus is on providing taxpayers with the right information at the right time through intermediaries to ensure taxpayers have easy access to information aiding them to accurately self assess their tax obligations.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>Taxpayers, who currently own, recently disposed of (last 2 years) or are intending to purchase an investment property.</p> <p>Over 1.3 million taxpayers (2005-06 data)</p>	
<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
		<p>Failure to register</p>
	<p>3</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>2</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>The process allowed us to develop targeted products relevant to the significant stages of the lifecycle, highlighted the gaps and shortcomings in the products, tools and services. This enabled the development of a comprehensive product suite. Previously the Australian Taxation Office approach has been to develop independent generic products from an internal perspective. This has resulted in unintended consequences; some tensions and contradictions between processes and policy objectives; and an array of products and services that may or may not be reaching their intended audiences with a consistent message.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Simple quantitative metrics to evaluate the relationships included the number of Australian Taxation Office products ordered by the intermediary members to pass on to taxpayers.</p> <p>The number of alternate requests from intermediaries for information.</p> <p>External research canvassing taxpayers about their awareness of Capital Gains Tax and where they received their tax information from.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what</p>	<ul style="list-style-type: none"> 31% increase in number of taxpayers declaring Capital Gains Tax and additional revenue attributed to marketing and education activity of \$262 million. 	

<p><i>frequency) you are measuring the impacts of the strategy.)</i></p>	<ul style="list-style-type: none"> • Development of an additional 26 electronic and paper products that were co-designed and user tested with the taxpayer. • 630% increased usage of existing core publications represented by unprecedented uptake of new products. • 35% increase in awareness levels of Australian Taxation Office products and services • 64% increase in web-hits to the top 10 Capital Gains Tax-related pages • 27% reduction in Private Binding Ruling³ requests for main residence exemption • Delivery of 69 property seminars to 1,978 real estate agents • 90% of taxpayers would recommend Australian Taxation Office products to family and friends thereby providing endorsement and satisfaction of the products
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>It has highlighted the importance and value adds to developing an effective marketing and education strategy to a project.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>When engaging with an intermediary, an investment of time and assistance must be provided to ensure the relationship is maintained and nurtured. We must look at what value we can add to the intermediary core business and We must be prepared for a long-term relationship.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

³ Taxpayer requests for opinions from the Australian Taxation Office on the application of tax laws to their personal circumstances

Australia: Micro enterprises and individuals - employer obligations longitudinal monitoring and revisit strategy

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals - Employer obligations longitudinal monitoring and revisit strategy	
2. Background to the risk treatment	We conduct audits of taxpayers who fail to report employer obligations (pay as you go withholding from salary and wages and payment of mandatory superannuation). This strategy was developed to explore how effective these audits are in generating sustained improvements in reporting compliance, and where taxpayers do not improve, explore reasons and collect information to help in designing more effective audit processes or other interventions that will deliver better longer term outcomes.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The strategy was implemented as a pilot project. However, due to its success it has become a standard business approach. Longitudinal monitoring has operated over a three year period and revisiting lapsed compliers operated for six months in the pilot phase before being implemented into ongoing practices.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Evaluate the effectiveness of single short visit audits in generating sustained improvements in compliance and understand the reasons and drivers behind the behaviour of taxpayers who either continue not to comply after an audit or who relapse within a short time.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The longitudinal monitoring is of all taxpayers visited by employer obligations audit since October 2004. Currently this is about 9000 taxpayers. The revisit audits are targeted at taxpayers from within this group who show subsequent non compliance with their reporting obligations. This group is about 1500. The pilot project revisited approximately 150.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	n/a	Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	n/a	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please</i>	All taxpayers, who are subject to an employer obligations audit, have their details entered into a data base that also contains information on their original compliance problems.	

<p><i>elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Data is added to the data base on their continuing behaviour in reporting their obligations. A control group of matched taxpayers who were not audited is also monitored for comparison and to eliminate movements in compliance which may occur across the board. Taxpayers who show subsequent non-reporting are selected for a revisit (repeat audit). Data is captured about why the taxpayer has not improved their compliance despite being audited.</p> <p>Since implementation as business as usual, all audited taxpayers are being warned that their subsequent compliance is being monitored closely and that they will be revisited if they fail to report their obligations. Strategies are in place to respond to continued non-compliance. These range from referral to help and assistance programs where the taxpayer is in need to stronger compliance responses where no effort is being made to comply.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Longitudinal monitoring measures the effectiveness of the original audit in generating sustained compliance with reporting obligations. The effectiveness of subsequent interventions are also measured through ongoing monitoring. Cost benefit can be calculated from standard data captured about the time and costs of conducting field visits.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Longitudinal monitoring established that the original audit was effective in generating longer term compliance in about 85% of cases. However for those who did not improve, the revisit strategy showed that many had poor attitudes to compliance and had made no effort to improve. Many were surprised to be re-contacted so soon. The project discovered a common belief that audits were an infrequent event and that once audited it would be years before another contact was likely. Since implementing as business as usual, not enough time has elapsed to be able to measure the effectiveness of a subsequent contact.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The median amount of revenue per case from revisit audits was less than for first visit cases, because the non-compliance usually had not been as longstanding as in the original audit. However, the case time was reduced because recent contact with the taxpayer meant that profiling details were likely to still be valid and there were less reporting periods for the auditor to review.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>The strategy clearly showed that for some taxpayers a single contact is insufficient motivation to make them change their compliance behaviours. Some businesses were in difficulty and a prompt re-contact prevented the unreported amounts from escalating. It also showed that we need to differentiate responses for taxpayers who choose not to comply and for those who would do so but for various difficulties – such as economic or personal adverse events. It also showed that it is very difficult to distinguish between these two groups on the basis of information routinely collected through tax administration.</p> <p>The best identified indication so far is an assessment by the auditor at the time of the original audit on the likely longer term outcomes for the particular taxpayer. The experience and competency of the auditor have a huge</p>

	impact on the value of such an assessment. We are monitoring this and further researching into how we can better differentiate and respond appropriately to our taxpayers' compliance stance.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - personalised electronic tax calendar

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals - Personalised Electronic Tax Calendar	
2. Background to the risk treatment	<p>The concept of a tax calendar which would assist small businesses meet their tax obligations originated out of discussions with association representatives at various Industry Partnership Meetings. Draft paper based versions of a generic calendar of tax obligations were presented at the Industry Partnership Meetings and user tested at workshops with association members. The paper calendar versions were well received at the workshops and association members assisted in refining the format and presentation of the information.</p> <p>Possibility of extending the concept to a personalised electronic calendar for small business was investigated and feasibility study conducted. Rather than showing generic obligations the calendar would be personalised to capture and remind small businesses of their individual tax obligations and due dates.</p> <p>The electronic tax obligations calendar will assist small businesses in managing their timely lodgement and payment of their tax and superannuation obligations.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>The Personalised electronic tax calendar (e-Calendar) is currently being built and is intended to be completed and available to small business before 1 July 2008.</p> <p>Prototypes have been developed and user tested with positive feedback from small businesses.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The intention of the e-Calendar is to:</p> <ul style="list-style-type: none"> • encourage and support voluntary compliance, • reduce compliance costs, and • increase certainty <p>by equipping small businesses with a tool which will actively remind them of their taxation and superannuation obligations.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group is all small businesses with less than AUD\$2 million turnover.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type

		Failure to register
	1	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Most small businesses are generally aware of their business tax obligations. However, they are usually unable to recall the due dates of their obligations. Also work pressures often result in them forgetting these obligations. For most small businesses they remedy this by having a diarised record and contacting their tax agent.</p> <p>The Personalised Electronic Tax Calendar generates the due dates of obligations tailored to the business for a whole financial year. The calendar will:</p> <ul style="list-style-type: none"> • improve their ability to plan and meet these obligations, • reduce their need to (repeatedly) contact their tax agent, • reduce the possibility of being penalised for not meeting obligations, and • give them a sense of assurance that they know what is required to meet their obligation. <p>How the e-Calendar is intended to work:</p> <ul style="list-style-type: none"> • a small business owner answers a few questions that are used to complete a profile of their business, • based on this profile a “personalised” calendar is created which includes due dates for the business’s tax obligations, • the profile is saved and can be updated if there are any changes in the business structure, and • more than one profile can be saved to create additional calendars if more than one business is operating <p>The output of the e-Calendar includes:</p> <ul style="list-style-type: none"> • the creation of a calendar that can be displayed as a ‘yearly planner’ , • a calendar that can be printed, • the calendar due dates can be automatically uploaded to Microsoft Outlook calendar, and • Microsoft Outlook reminders of due dates that can be set to meet the business needs <p>If a business does not use Microsoft Outlook then reminders of obligations will be delivered by the e-Calendar using the computers internal clock.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment</p>	<p>Unfortunately for this type of product it is difficult to identify product users and control groups to perform a more</p>	

<p>strategy, including details of specific measures/ indicators used</p>	<p>analytical evaluation. Historically, there is resistance for users to identify themselves when downloading or obtaining a copy of an electronic tool.</p> <p>However the number of downloads and request for the e-Calendar will be used as a general indicator of its usefulness. We also have agreement with an industry association for them to survey their members and gauge whether the e-Calendar meets the desired outcomes.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The tool is currently being built. However, if responses from user testing and consultation are any guide, it is expected that the take up rate for such a tool will be high.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>There has been strong support from small business representatives for the e-Calendar. Initial user testing with small businesses indicated a 100% support for this product.</p> <p>It is interesting to note that some larger turnover small business did not think such a tool will be of any use to them prior to their testing of the product. However, all of them stated after having tested the product that they would use it when it became available.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Whilst taxpayers are comfortable with accessing the Australian Taxation Office website and downloading useful information and tools, user testing confirms that majority of taxpayers still have concerns interacting with the Australian Taxation Office online in a real time basis. Electronic tool such as the e-Calendar will be more acceptable if it is a downloadable product rather than an online interactive tool.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - profiling tool

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals - Profiling Tool	
2. Background to the risk treatment	<p>The development of this application arose from trying to address an internal tax administration risk around ineffective and inefficient profiling of taxpayers. It was observed that the complex detail available from internal systems tended to hinder the development, by an auditor, of a simple 'big picture' view of a taxpayer. Auditors used their own experience and knowledge to develop a profile of a taxpayer which they then used to compare against information received concerning a risk.</p> <p>The taxpayer profiling tool, which would also use external data, creates a 'big picture' more efficiently and would not rely solely on the level of an auditor's experience. It allows for a more consistent and complete taxpayer profile, and allows the auditor to more efficiently test information on risks and issues against a more comprehensive taxpayer profile.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>At this stage the Profiling Tool has been used on 2 projects that required profiling of a large number (400 and 141) of pre-selected cases. This profiling is being used to identify those cases that warrant further testing than can be obtained from an internal review of taxpayer data. Wider trials and evaluation will occur in the coming year.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The primary objective was to create internal benefits by enhancing the efficiency and effectiveness of the taxpayer profiling process.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>This tool was primarily developed to assist in the profiling of individuals and small businesses (those with an annual turnover less than \$AUD2 million). It may also have application in the lower Small and Medium Enterprises market (annual turnover less than \$AUD10 million).</p>	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
	1	Internal tax administration risk

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>The Profiling Tool -</p> <ul style="list-style-type: none"> • Presents a single page view representing the “big picture” view of a taxpayer thereby providing the frame of reference for further analysis. • This view is a simple, yet useful view rather than an exhaustive but cluttered view, of the data pertaining to a taxpayer. • Is very flexible allowing incorporation of specific test or project specific data into view. • Incorporates a variety of graphs and enunciator lights driven by testing algorithms to distil and signpost significant characteristics of the taxpayer. • Provides smart hyperlinks to internal and external detail views e.g. map and satellite views of property, telephone directories, internal data etc. • Facilitates the display of time and relationship dimensions pertaining to the taxpayer. Allows rapid switching between views of related entities and cumulative views of all related entities. • Allows simple, immediate collection of comments, conclusions and tests which, when combined with elements of the profiling view, and incorporated project data, automatically generates reports for concluding or progressing taxpayer examination.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Direct observation of time taken, and results obtained, using existing profiling approaches versus the Profiling Tool provide quantitative evaluation data; coupled with feedback from users to supplement the evaluation framework.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Early usage of the Profiling Tool indicates significant reduction in hours required for profiling taxpayers as well as considerable improvement in the auditor’s understanding of the taxpayer.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>At this stage it is very early in the development of this Profiling Tool. Diverse areas from within the Australian Taxation Office, who have observed the functionality of the Profiling Tool, have recognised its flexibility and readily identified possible application within their areas.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - record keeping strategy

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals - Record Keeping Risk Treatment Strategy
2. Background to the risk treatment	<p>Record keeping is a recognised compliance risk, particularly in small business. The record keeping strategy was designed as an integrated strategy that incorporates help and education as well as enforcement activities. It adopts a graduated approach to enforcement to encourage a change in compliance behaviour.</p> <p>The primary focus of the strategy is to influence record keeping behaviour through help and support products. Emphasis is also put on helping new business.</p> <p>From a compliance perspective, record keeping assessment is included as a component in field activities that involve transaction analysis. An electronic Record Keeping Assessment Tool (RKAT) is used for the assessment and taxpayers are provided with a copy of the assessment report. Where record keeping practices are deficient, advice for improvement will be provided, including advice on Australian Taxation Office record keeping products such as the free electronic record keeping software (e-Record) and the Record Keeping Evaluation Tool (RKET).</p> <p>The Record Keeping Evaluation Tool complements the Record Keeping Assessment Tool in that they are basically the same except the Record Keeping Evaluation Tool is a self evaluation tool available to the public and can be tailored to the particular business. It provides a list of the records that the business should keep and a report that indicates how well the business is keeping its records. If appropriate the report will include suggestions for improvement.</p> <p>Therefore taxpayers have essentially the same tool to evaluate their record keeping practice as the Australian Taxation Office and they will know what improvements they will need to make in order to satisfy the requirements.</p> <p>The record keeping strategy also includes a revisit program for those taxpayers who 'fail' the initial record keeping assessment. Taxpayers are advised of this revisit program and the penalty regime under the new tax system that may apply to those who choose not to take corrective action after being given advice and opportunity to do so. Penalty will only be imposed if there is no genuine attempt to improve deficient record keeping practices.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	

<p>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</p>	<p>The treatment of the record keeping risk has been integrated as a business as usual approach and it has been reviewed and refined.</p>	
<p>3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)</p>	<p>The objectives of the record keeping strategy is to improve small businesses record keeping by:</p> <ul style="list-style-type: none"> • providing appropriate help and support • influencing record keeping practices and providing certainty through the self evaluation tool • revisiting selected high risk taxpayers to ensure that assistance has been adequate and advice implemented • considering and applying graduated record keeping penalties when there has been little or no genuine attempt to improve record keeping practices. 	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The primary target group is small businesses with less than AUD\$2 million turnover. Particularly those operate in the cash economy.</p>	
<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>4</p>	<p>Failure to register</p>
	<p>2</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>3</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>The key elements of the risk treatment strategy include:</p> <ul style="list-style-type: none"> • <i>Taxpayer education</i> – primarily focused on the new to business population. It includes outbound education phone calls, and promotion of record keeping products such as the Record Keeping Evaluation Tool, various publications such as booklets and fact sheets (some tailored to specific industries), free e-Record software, assistance visits and record keeping seminars. • <i>Record keeping reviews (Phase 1)</i> – primarily undertaken in conjunction with other field activities, using the Record Keeping Assessment Tool (RKAT). • <i>Record keeping revisit (Phase 2)</i> – based on certain criteria, taxpayers who have had an initial record keeping review (Phase 1) and identified as having poor record keeping practices are selected for a revisit • <i>Penalty imposition and prosecution</i> – penalties are considered where a taxpayer who failed an initial record keeping assessment is selected for a further review and it is found that their record keeping practices remain unsatisfactory and there 	

	<p>is little or no genuine attempt to change the deficient record keeping behaviour. Continued neglect of record keeping obligations may lead to prosecution.</p> <ul style="list-style-type: none"> Penalties are applied using a graduated approach depending on the level of effort made by the taxpayer in improving record keeping. There is an internal guideline to ensure consistency for the application / imposition of penalties.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Take up rates of record keeping products and attendance at record keeping seminars and workshops are indicators of the success of the taxpayer education efforts. Surveys about improvements in taxpayer knowledge of their record keeping obligations are also conducted after their attendance to seminars.</p> <p>Statistics on the number and results of initial Record Keeping reviews conducted using the Record Keeping Assessment Tool (Phase 1) and the number and results of follow up reviews conducted (Phase 2) are maintained to evaluate if there is any change in behaviour between the visits. Statistics on the number of cases where penalties are applied for failure to keep or retain records are also maintained.</p> <p>The whole strategy and results are periodically reviewed and refined to ensure the objectives are being met.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The overall failure rate on initial Record Keeping Assessment (Phase 1) has been 25% - 30% and the overall improvement rate on revisits (Phase 2) has been 80% - 90%. This is indicative that the strategy has had some impact on improving record keeping practices.</p> <p>It has been observed that taxpayers who fail a revisit and become liable to consideration of a record keeping penalty usually have a very poor initial Record Keeping Assessment score (less than 40%).</p> <p>The above results are based on analysis of the strategy over a period of two financial years.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It has been put forward that cases considered high risk based on analysis of initial Record Keeping Assessment score, could be selected for secondary audit action, and the revisit Record Keeping Assessment can be completed ancillary to that audit activity. If no improvement to record keeping has occurred, then a record keeping penalty could be imposed in addition to other outcomes from the audit.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Micro enterprises and individuals - using incentives to optimise voluntary compliance and encourage self regulation in the franchise industry

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Micro Enterprises and Individuals - Using incentives to optimise voluntary compliance and encourage self regulation in the franchise industry
2. Background to the risk treatment	<p>The concept of using incentives to encourage industry self regulation and to reduce costs of compliance originated from the Cash Economy Task Force's⁴ 2003 report <i>The Cash Economy under the New Tax System</i>. The regular reporting of business trading information for royalty purposes was the characteristic which made franchise arrangement appropriate for such a program especially in the retail sector where income and expenses can be closely monitored by the franchisor.</p> <p>This is a pilot project which is being expanded for additional learning and possible progressive roll-out to all eligible franchise groups.</p> <p>The initial pilot commenced during the 2006 financial year.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The incentives program will potentially be offered to all eligible franchise groups that have the business assurance processes in place that indicate a high degree of integrity in their records and business practices. The intended outcome is that the program will lead to an increased level of industry self regulation and a reduction in costs of compliance.</p> <p>Benefits</p> <p><u>Financial</u></p> <ul style="list-style-type: none"> • It is anticipated that successful introduction of incentives and rewards will have a positive impact on compliance within the franchise sector, and • reduce compliance costs and ease the overall compliance burden. <p><u>Non-financial</u></p> <p>Expectations are that the incentives program will, for both franchisors and franchisees:</p> <ul style="list-style-type: none"> • encourage good business practices and industry self regulation, and

⁴ The Cash Economy Task Force was first established by the Commissioner of Taxation in November 1996 to examine compliance issues and to develop responses to address the cash economy.

	<ul style="list-style-type: none"> provide certainty regarding meeting tax obligations 	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The incentives program is intended to be offered to eligible franchise groups who have the business assurance processes in place that indicate a high degree of integrity in their records and business practices.</p> <p>For the 2007-08 financial year there are approximately 67,500 franchise businesses employing 700,000 people. Whilst it is not expected that all these franchise businesses will be eligible, it is anticipated that the majority of retail franchises will be able to participate in the program.</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	4	Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>An initial pilot of this concept was conducted with a national franchise group. The regular reporting of sales data for royalty purposes in franchisee / franchisor arrangements was considered suitable for such a program. The proposal was developed with a view of achieving a positive outcome for all participating parties:</p> <ul style="list-style-type: none"> the Australian Taxation Office receives assurance that the franchise is self regulating in that franchisees observe all the record keeping and reporting obligations and the franchise group undertakes to conduct assurance reviews to ensure integrity of the records and reports, franchisee businesses receive the administrative concessions (incentives), and the franchisor is portrayed as supporting their franchisees and is seen as a good corporate citizen who benefits from improved market image and standing. <p>In order to receive the administrative concessions franchisee businesses will be required to meet their existing reporting obligations to their <i>eligible</i>⁵ franchisor and their normal tax lodgement and payment obligations.</p> <p>Any arrangement will incorporate undertakings that:</p> <ul style="list-style-type: none"> the franchisor will: <ul style="list-style-type: none"> meet all their tax obligations, have an enforceable franchise agreement that supports self regulation have satisfactory assurance processes in 	

⁵ Franchise groups will need to demonstrate the necessary level of internal controls and assurance processes to be considered eligible for the incentives program.

	<p>place with their franchisees which they will scrutinise and enforce</p> <ul style="list-style-type: none"> - keep internal reports of franchisees for the statutory required period, and - report quarterly to the Australian Taxation Office those franchisees that are meeting all their obligations. <ul style="list-style-type: none"> • in return, the Australian Taxation Office will grant the following concessions to eligible franchisees: <ul style="list-style-type: none"> - reduced income tax and Goods and Services Tax (GST) record keeping requirements, - less likelihood of being chosen for compliance activity, and - concessional penalty treatment.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>To evaluate the effectiveness of the incentives program pilot, the following methodology was followed:</p> <ul style="list-style-type: none"> • Selection of a stratified control group. The stratification applied was to match the distribution of entities in the same industry, turnover ranges and regions as the pilot franchisees. • Lodgement and debt levels for eligible franchisees and the control group were captured. • The trend of the average mean net profit ratio for both populations over the December 2006, March 2007 and June 2007 quarters was captured. • Comparison of lodgement, debt and net profit ratio between the eligible pilot franchisees and control group. • Comparison was also made with another franchise group in the same industry with comparable attributes.
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>From a tax administration perspective an aim of this incentives program was to improve industry self regulation and the level of tax compliance of the eligible franchisees. By offering tax concessions the incentive is there for the franchisees to ensure they keep up to date with their lodgement and payment obligations. The analysis of the level of compliance by the eligible pilot entities for the two year period shows a strong improvement. For the period prior to the start of the pilot, pilot entities had a 72% level of compliance compared to 86% at the end of the pilot.</p> <p>In addition, the average debt level for eligible pilot franchisees has steadily improved over the period of the pilot, reducing from an average of \$3682 in June 2005 to an average of \$1840 in June 2007. This compares favourably to the average debt level of \$4409 and \$8590 in June 2007 for the control group and comparable franchise sample respectively.</p> <p>Additionally, based on our observations of a sample of</p>

	<p>entities from a comparable franchise, inference can be made that the compliance behaviour of eligible pilot entities over the two year period of this pilot has improved beyond that can be expected solely due to being a member of a franchise.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>An analysis of the pilot with franchise group has demonstrated that an incentives program can improve voluntary compliance and promote good governance and sound business practices.</p> <p>Feedback from the franchisees during the pilot indicated that the reduced likelihood of compliance action is a significant and tangible benefit to them. The increased certainty that they were meeting their tax obligations directly reduced the 'psychological' cost of compliance arising from the worry of being subject to a review or audit.</p> <p>The pilot franchise group's General Manager is very supportive and wishes to continue the incentives program.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Franchisors are not always aware of whether their franchisees are meeting their tax obligations.</p> <p>The franchisor acknowledged that franchisees who meet their tax obligations will have a direct impact on their continual success, and therefore they are very supportive of incorporating tax obligations as one of their assurance criteria.</p> <p>Franchisees failure to comply with tax obligations can reflect poorly on a franchise operation and image. This is also key to ensuring that the tax obligations are included in any incentives arrangement with a franchisor.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Publication of taxpayer alerts

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Publication of Taxpayer Alerts
2. Background to the risk treatment	<p>The Taxpayer Alert initiative began on 20 December 2001 to provide an early warning to taxpayers and their advisers of significant new and emerging tax planning issues or arrangements that the Australian Taxation Office (ATO) has under risk assessment.</p> <p>A Taxpayer Alert contains a title and brief general description of the arrangement in question and also highlights the features which the ATO considers give rise to taxation issues. Once an Alert is issued, the ATO must then finalise its view on the Alert through issuing a Taxation Ruling or Determination, which sets out the ATO's final view on the arrangement.</p> <p>This initiative was in response to broader community concerns that the ATO had allowed the proliferation of tax effective schemes by its inaction, in not signalling its concerns in a timely manner.</p> <p>The ATO has also run an end of financial year communication strategy and has published an investment checklist and investor warnings on its website as additional strategies to provide early warning to taxpayers about becoming involved in tax driven arrangements.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>Taxpayer Alerts have been integrated as a business as usual approach. Whenever an aggressive tax planning arrangement is identified by ATO staff, it is mandatory to consider whether a Taxpayer Alert should be published. Since 2001, the ATO has issued a total of forty two Taxpayer Alerts, which are all available on its website.</p>
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The objective is to promote voluntary compliance by taxpayers.</p> <p>In publishing a Taxpayer Alert, the ATO seeks to assist taxpayers who have entered into an arrangement, or who may be considering entering into an arrangement, to make informed decisions about their tax affairs. Those taxpayers can seek a formal determination of the ATO view in respect of their particular circumstances through a private ruling. They may also seek independent advice from tax professionals not associated with the arrangement or speak with the contact officer named in the Taxpayer Alert.</p> <p>The ATO is also aiming to be perceived as an open and transparent tax administration. The publication of taxpayer alerts helps to foster this perception.</p>
4. Who is the target group of taxpayers for this risk treatment strategy? How	<p>The target group of taxpayers varies according to the type of arrangement under examination, whether it is a widely marketed arrangement or one tailored to the circumstances</p>

large is the group?	of a particular taxpayer or group of taxpayers.	
5. Main risk types being treated (<i>indicate in order of priority</i>)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)	<ol style="list-style-type: none"> 1. A potential, new or emerging aggressive tax planning issue that might constitute a Taxpayer Alert is identified by ATO auditors/intelligence and escalated to the area that co-ordinates Taxpayer Alerts 2. Initial research/scan undertaken to establish the extent of the promotion of the arrangement 3. Arrangement articulated in an internal alert and submission made for approval to progress Taxpayer Alert 4. Prepare Taxpayer Alert and associated documents including technical review of arrangement and mitigation strategy to address the tax risk associated with the arrangement 5. Obtain Deputy Commissioner (Aggressive Tax Planning) approval to proceed 6. Commissioner provides approval to publish Taxpayer Alert and an accompanying Media Release 7. Issue Taxpayer Alert 8. Implement mitigation strategy which may involve publication of final ATO view on arrangement, targeted compliance activity against the promoter and all the participants, legislative change and possible application of promoter penalties 	
	7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	
8. Describe any observed impacts of the risk treatment strategy (<i>please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.</i>)	It is difficult to measure the deterrent effect of Taxpayer Alerts as taxpayers' behaviour may be influenced by a wide variety of factors besides an Alert (for example personal circumstances or advice from other sources, even other ATO sources). This makes it difficult to directly attribute a taxpayer not participating in an arrangement to a Taxpayer Alert.	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	Taxpayer Alerts have been acknowledged by the taxpaying community as a helpful tool in communicating the ATO's view on potential aggressive tax planning arrangements. Anecdotal evidence would suggest that Taxpayer Alerts do have a deterrent affect on taxpayers entering into	

	<p>aggressive tax planning arrangements and thus does promote voluntary compliance.</p> <p>However, the administrative steps involved in publishing an alert can hamper timely publication of the alert. The ATO is currently working on streamlining the process.</p> <p>There is a need to ensure that the ATO view on matters raised in Taxpayer Alerts is finalised and published in a timely manner and that the implementation of the mitigation strategy post publication of the Taxpayer Alert is actively managed.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Timely and early intelligence is required. A more streamlined Taxpayer Alert process is also necessary, so we can produce the Alerts more quickly. There is a need to have a centralised area which is given the responsibility of co-ordinating and producing Alerts.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Schedule 25A interactive product

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Schedule 25A Interactive Product	
2. Background to the risk treatment	Risk assessments has identified failure to lodge Schedule 25A required to be lodged for those entities with international related party dealings and/or offshore investments subject to attributable income regime as a continual concern.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	Work undertaken over the last few years has shown that one of the reasons for the non lodgement was due to a lack of capability in understanding the provisions and the schedule reporting obligations. This was especially true for the lower market entities and the lower tier intermediaries.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	This project is a pilot which is expected to be completed this year – currently involving ongoing consultation and collaboration with external intermediaries around the design of the system	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	To improve the inclusion of schedule 25A in income tax returns where required and to improve the quality and accuracy of the information reported.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	All entities with an obligation to lodge a schedule 25A.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register
		Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-	Use of IT to design a system or interactive product that will advise clients if they have an obligation to lodge and, if so, which labels they needed to complete and where they could obtain further support on how to complete. The product will be available on our website Marketing and education to advise clients of its availability and use	

<i>ordination arrangements.</i>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>Improvements in lodgement of the Schedule 25A and in the quality of the data received, which affects future risk strategy and case compliance action.</p> <p>Improved understanding and capability both internally and externally as to the reporting requirements.</p>
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	<p>Our ongoing change program has resulted in difficulties in getting IT support which has delayed the development of the product.</p>
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	<p>Positive</p> <p>Presentation to the S&ME Tax Agent Forum where the intermediaries advised of their support for such a product</p> <p>The results of initial consultation as to the design of the product has also been favourable</p>
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	<p>The product is in development.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: Small business assistance programme

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Small Business Assistance Programme	
2. Background to the risk treatment	Analysis and research has consistently indicated that those entering business for the first time, or facing a significant change in their business (such as taking on employees for the first time) are at greater risk of non-compliance with a range of taxation obligations.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	Additional funding from Government was granted to significantly increase assistance and education to new businesses. Additional to the direct funding, the Australian Taxation Office (Tax Office) commenced a project to develop an integrated, practically focussed and effective program of assistance to small business (new or existing). The Program is targeted primarily at micro business (defined as a turnover of up to A\$2 million), however larger businesses are not excluded.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The Program commenced development in June 2007. While the Program itself is to be integrated into business as usual, initially it consists of a range of pilot activities as well as expanded business as usual activities. The pilots have varying lifespans of up to 12 months.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	The intent of the Program is to develop and implement a targeted and practical assistance program for the small business market that improves their capability to manage their taxation affairs and access entitlements, while optimising voluntary compliance and building community confidence.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The Program is targeted primarily at micro business (defined as a turnover of up to A\$2 million), however larger businesses are not excluded. The micro business market in Australia consists of approximately 2.4 million businesses.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	4	Failure to register
	2	Failure to lodge on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements)	The Small Business Assistance Program consists of a number of broad strategies to ensure small businesses have the capability to meet their obligations or claim their entitlements, voluntarily comply and thereby maintain	

<p><i>of the risk treatment strategy (see explanation at 1), including the need for any special co-ordination arrangements.</i></p>	<p>community confidence. These broad strategies are:</p> <p>Outbound education calls made at key lifecycle stages of a business, or other key triggers, including:</p> <ul style="list-style-type: none"> • Initial registration (particularly targeting those genuinely new to business and self preparing Activity Statements) • Registration as an employer • Late lodgement of an Activity Statement • Late payment of a GST debt <p>Availability of one to one assistance visits by Tax Office field staff. These visits are generally at the client's request (but may be promoted to them in a targeted way) and are purely educational in nature. They are subject to a "Commissioner's Guarantee" which stipulates that the Tax Office will not take any action as a result of the visit unless requested by the client to do so.</p> <p>Visits cover a wide range of tax topics including:</p> <ul style="list-style-type: none"> • Installation and use of Tax Office electronic products such as our record keeping system e-record and online services such as the Business Portal (also reduces error rates) • Registration for the various taxes we administer • Record keeping • Employer obligations and reporting • Superannuation • Income and deductions • Online lodgement • Managing tax debts <p>A comprehensive program of seminars and workshops addressing such issues as:</p> <ul style="list-style-type: none"> • Tax basics • Record keeping • Employer obligations • Specific tax issues for particular industries • Other tailored topics upon request <p>In addition to these practical active assistance channels significant work is also underway to:</p> <ul style="list-style-type: none"> • Review, organise and consolidate publications • Improve both the content and navigation of business related web pages • Develop innovative electronic products to support compliance such as the use of DVD and video streaming to provide education and assistance • Build relationships with key intermediaries, both to
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	<p>consult/collaborate/co-design and to explore delivery of assistance</p> <ul style="list-style-type: none"> • Expand the services provided from our face to face static locations (shop fronts) • Develop a comprehensive communication strategy for the market segment • Develop a long term sustainable design for the Program. <p>The Small Business Assistance Program operates across the organisational units of the Tax Office and across all revenue products, requiring improved coordination and project management.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Evaluation and measures of effectiveness will be oriented around changes in client behaviour and improvements across the four pillars (register, lodge, report and pay), as well as improvements in community confidence.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Not yet available.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Not yet available</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Not yet available</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Australia: SMS short message system as an outbound communication channel

Part 1

Country	Australia
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Short Message System (SMS) as an outbound communication channel.
2. Background to the risk treatment	SMS was identified as an outbound communication channel that could add value and be used as a proactive compliance strategy, through the use of generic or targeted messages to clients.
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	The tax office piloted the treatment strategy in April 2006 to improve the lodgement compliance of habitual late lodgers and new registrants. The strategy was then rolled out to a larger group by the Tax Practitioner and Lodgement Strategy (TPALS) line as a regular part of our lodgement program, in October 2006.
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual (BAU) approach? If a pilot, over what period did it operate?	<p>A pilot was undertaken in April 2006. The target was habitual late lodgers and new registrants. The SMS message sent was:</p> <p><i>A reminder from the Australian Tax Office! Quarter 3 BAS due 28th April. Questions? Please call 13 28 66.</i></p> <p>A further SMS strategy was rolled out by the TPALS in October 2006. Three different messages were sent to three different client groups:</p> <p>Group 1: Self Preparer clients who had lodged their 2004-05 income tax returns (ITR) more than 5 days past the due date, this message promoted the use of e-tax. The message read:</p> <ul style="list-style-type: none"> ▪ <i>A reminder from the Australian Taxation Office! Income Tax Returns due 31 Oct. Use e-tax, it's free and most refunds issue within 14 days. Go to ato.gov.au</i> <p>Group 2: Self Preparer clients who lodged their 2004-05 ITR more than 5 days past the due date and also were annual GST reporters. The message read:</p> <ul style="list-style-type: none"> ▪ <i>A reminder from the Australian Taxation Office! Income Tax Returns and annual GST returns due 31 October. Questions? Please call 13 28 66</i> <p>Group 3: Self Preparer clients who had lodged their Q4 activity statements more than 5 days past the due date or had not lodged their Q4. The message read:</p> <ul style="list-style-type: none"> ▪ <i>A reminder from the Australian Taxation Office! Quarter 1 activity statements due 30 Oct. Questions? Please call 13 28 66</i>

	<p>A follow-up message was issued on 22 November 2006 to entities in this group who did not lodge after receiving the reminder in October. The SMS message sent was:</p> <ul style="list-style-type: none"> ▪ The Australian Taxation Office advises Q1 activity statements were due 30 Oct. Failure to Lodge penalties may apply. Questions? Please call 13 28 66 											
<p>3. Objectives of the risk treatment (<i>what were the intended outcomes sought from the risk treatment?</i>)</p>	<p>In both SMS exercises, the objectives of the exercise were:</p> <ol style="list-style-type: none"> 1. To improve on-time lodgement compliance and; 2. To positively influence subsequent lodgement compliance. <p>The messages sent were generic in content, thus adhering to privacy and secrecy legislation.</p>											
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The target group for the (April 2006) pilot was clients who habitually lodged their required documents late and new registrants. There were 1892 clients involved in the pilot.</p> <p>The target group for the October 2006 SMS messages consisted of self preparer individual or partnership clients only who lodged late, and excluded all tax agent clients and other entity types such as companies, trusts etc. There were 18017 clients involved in the October SMS group. A description of the three groups is provided above.</p>											
<p>5. Main risk types being treated (<i>indicate in order of priority</i>)</p>	<table border="1"> <thead> <tr> <th data-bbox="635 1077 810 1182">Rank priority for treatment</th> <th data-bbox="810 1077 1369 1182">Risk type</th> </tr> </thead> <tbody> <tr> <td data-bbox="635 1182 810 1234"></td> <td data-bbox="810 1182 1369 1234">Failure to register</td> </tr> <tr> <td data-bbox="635 1234 810 1285">1</td> <td data-bbox="810 1234 1369 1285">Failure to file on time</td> </tr> <tr> <td data-bbox="635 1285 810 1377"></td> <td data-bbox="810 1285 1369 1377">Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</td> </tr> <tr> <td data-bbox="635 1377 810 1420">2</td> <td data-bbox="810 1377 1369 1420">Failure to pay</td> </tr> </tbody> </table>	Rank priority for treatment	Risk type		Failure to register	1	Failure to file on time		Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements	2	Failure to pay	
Rank priority for treatment	Risk type											
	Failure to register											
1	Failure to file on time											
	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements											
2	Failure to pay											
<p>6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)</p>	<p>The key elements or considerations that were taken into account, for both the pilot and subsequent October 2006 SMS exercise were:</p> <ul style="list-style-type: none"> • SMS is a tool that can be used to educate or remind clients of their lodgement obligations. It was used as a pro-active strategy to improve lodgement compliance of upcoming due documents. The use of a follow up SMS message after the due date (which was piloted in the October 2006 exercise) is moving towards compliance action. • The tax office sought information from other Australian government organisations (Department of Employment and Workplace Relations & Centrelink) which had already incorporated the use of the technology as part of their outbound communication strategy. • The SMS technology has become socially 											

	<p>acceptable by the general community with trends showing that, in some cases, it is a preferred method of communication – especially for those in the younger age bracket.</p> <ul style="list-style-type: none"> • A 160 character limit applies to all SMS messages. An auto response SMS was integrated for any client responses to the tax office SMS. Very few SMS responses were received by the tax office. • The Spam Act 2003 requires that all messages must clearly identify the sender of the message, and include accurate information about how they can contact the sender. Both the original message and the response message provided a valid reply telephone number that the client could contact the tax office. • Scripting was provided to our call centre to assist them to deal professionally with any responses to the SMS message. As a result of the potential reverse work flow, telephony clearance was also obtained. Results from the previous exercises have found that the reverse workflow as a result of the SMS messages is minimal. • A key risk identified in the use of SMS messages was the issue of privacy. To overcome potential breaches of privacy, only generic messages were sent. This resulted in another risk - the clients' perception of receiving Spam from the tax office. • Technical and design clearances were obtained on the wording of the messages ensuring they were legally correct and generic in content; thereby ensuring any breaches to privacy and secrecy were avoided. • The quality of data was imperative in the sending of SMS messages – in both criteria for client selection as well as the mobile number itself - to ensure the correct audience was targeted. • The use of Analytics models and data matching was undertaken to select the most appropriate population for the innovation. • Different time zones in different states, lead times between the message being issued and the due date of the obligations, and the storage of a message if the client's phone is turned off were all factors that were considered when determining the best time to send the SMS message. It was considered better business practice to send messages between 8am and 6pm local time. Results from the client survey conducted as part of the pilot indicate that the majority of clients thought the best time for receiving a reminder was between one and two weeks prior to lodgement of the due date. If a client has their phone turned off, they can still receive the message up to 10 days after the send date. • SMS is not deemed as 'received mail', and as such
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	<p>cannot be used as a legal message. However, notes were added to the clients' accounts to show that a SMS was sent and what it was about.</p> <ul style="list-style-type: none"> Costs of using the SMS messaging tool was already included as part of our contract with our communication provider, and the project team costs were met by the business line. The only additional cost to this exercise was the employment of an external provider to undertake a community survey; which was a once-off cost.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Evaluation of the impact on lodgement compliance was done using internal data. The history of lodgement compliance was compared to the on time lodgement after the SMS message was sent, as well as against control groups that did not receive a SMS message.</p> <p>In addition to this, an external provider was employed to undertake a survey on a sample of the pilot population to obtain their views on the communication channel, as well as other issues.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>A client satisfaction survey (conducted by an external provider) found that:</p> <ul style="list-style-type: none"> The SMS message was sent to the right person. More than half recall receiving the SMS from the tax office. At least two thirds thought that the SMS message was useful as well as acceptable. The SMS message had a positive influence on compliance behaviour. <p>56% of clients in the pilot lodged their quarter 3 Business Activity Statement (BAS) by the due date. 750 of these lodged their quarter 3 BAS closer to the due date than their Q2 BAS.</p> <p>Key findings from the October 2006 exercise are:</p> <ul style="list-style-type: none"> Group 1: 92% lodged their 2005-06 ITR closer to the due date than the previous year. 25% of lodgements received from the target group were lodged via e-tax (compared to 12% in the control group). Group 2: 53% lodged closer to the due date than the previous year, and 15% lodged the annual GST return (GSTA) closer to the due date than the previous year. Group 3: 90% lodged closer to the due date than the Q4 2005-06 (compared to the control group 74%). 58% who lodged after receiving a follow up message lodged closer to the due date than in the previous quarter.
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this</p>	<p>SMS messages are becoming commonplace in the community. Using these as a means of communication is accepted by the community.</p> <p>The cost for SMS messages was negligible as it had</p>

<p>risk treatment strategy.</p>	<p>already been integrated as part of the organisations communication contract. Additionally, the actual cost for SMS message is at least 50 cents cheaper per message than mail.</p> <p>The results show an improvement in compliance behaviour when comparing lodgement compliance of the target and control groups. The results demonstrate that the SMS messaging as an outbound communication channel has the potential to positively influence client behaviour.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The pilot demonstrated that the use of new communication technology is generally accepted by the community. As a result other forms of technological communication tools should also be explored that make it 'easier, cheaper and more personalised' and add value to the client experience.</p> <p>The use of SMS as a corporate outbound communication product is being explored further as it has been identified that it can be used for other purposes such as marketing.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Austria: Implementation of the standard audit file - tax

Part 1

Country	Austria
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Implementation of the Standard Audit File - Tax	
2. Background to the risk treatment	The OECD Standard Audit File - Tax will be implemented in Austria via compliance strategy. Every company, who voluntarily transmits the Standard Audit File - Tax annually via the Finanz Online-System in Austria (a system where taxpayers are able to transfer their tax returns electronically) increases its level of compliance.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The Standard Audit File - Tax will be integrated as a business as usual approach. The level of compliance will be evaluated every year, so the company has to transmit the SAF-T annually to stay compliant.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The intention of the implementation of the Standard Audit File - Tax is to divide the taxpayers into a compliant and non-compliant group. For compliant tax-payers the level of service management will be enhanced and tax-increasing measurements will be concentrated on the non-compliant taxpayers.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Basically every taxpayer, who runs a business, has the possibility to submit the Standard Audit File-Tax and to be compliant. The volume of the target group will be approximately 2 millions.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
	1	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<ol style="list-style-type: none"> 1. Standard Audit File in accordance to the OECD-standard 2. Voluntary annually transmission 3. Implementation of Compliance-System 	

<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>After the transmission of the Standard Audit File - Tax from the taxpayer there will be a standard-examination of the data. If the check is positive - the level of compliance of this taxpayer increases.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The taxpayer has to transmit the Standard Audit File - Tax annually - therefore the level of compliance will also be evaluated annually.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Implementation is not finished yet.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Implementation is not finished yet.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Austria: Tax compliance education at local schools by tax officials

Part 1

Country	Austria
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Tax Compliance Education at local schools by tax officials	
2. Background to the risk treatment	Young people on the one hand can represent a high risk group (poor knowledge, less risk aversion) and on the other hand there might be scope of educating them towards compliant behaviour.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	<p>We think that compliance behaviour can be influenced better when people are still young and still do not have fixed opinions and fixed behaviours. Therefore we chose teenagers as a target group for education of taxpayers with a strong focus on tax and customs compliance.</p> <p>Furthermore several scientific empirical analyses showed that young people are less compliant than the older.</p> <p><i>See for example Alm, J./Jackson, B. and McKee, M. (2006): Audit Information Dissemination, Taxpayer Communication, and Compliance Behavior, Working Paper 06-44, Andrew Young School of Policy Studies Research Paper Series.</i></p>	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The school visits have been conducted by several tax offices across Austria individually. In the moment we are setting up a professional design for these events which will then be used by all tax offices. Through the Management by Objectives process every tax office will then get a certain number of visits as an objective.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	The outcomes we expect are manifold. On the one hand we are trying to enhance tax moral of young people by explaining the necessity and function of taxes (always focussing on issues relevant to young people like for example education expenses.). On the other hand we are informing about the responsibilities and how to comply with these, also informing about the ways to file and submit tax returns to build the knowledge needed to be compliant.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Teenagers aged 15-18.</p> <p>About 400,000 persons (~4.8% of total population)</p>	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	4	Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>1. PowerPoint presentation answering:</p> <ul style="list-style-type: none"> • What are taxes good for • What is tax revenue spent for • What are my responsibilities in connection to taxes • Where do I have to go to get information or to submit my return • How to use FinanzOnline (electronic filing system) <p>2. Visitation of a tax office</p> <p>3. Handouts designed for young people including the above listed topics</p> <p>4. Giveaways</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Survey on several topics including attitude towards taxes. Comparing different groups (file questionnaire before presentation, filing questionnaire after presentation, filing without getting a presentation).</p> <p>The differences between these groups give an impression of the impact of this treatment.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>No evaluation available at this time</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Belgium: Protocol of cooperation relating to the fight against tax evasion in the hotels, restaurants and cafes sector

Part 1

Country	Belgium
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Protocol of cooperation relating to the fight against tax evasion in the sector of hotels, restaurants and cafes.
2. Background to the risk treatment	<p>a) <u>Background of the protocol</u></p> <p>The tax administration has the intention to conclude partnerships with professional associations of different sectors.</p> <p>To this end, protocols of cooperation will be established with various professional associations.</p> <p>b) <u>The protocol of cooperation with the sector of hotels, restaurants and cafes protocol</u></p> <p>The protocol signed between the tax administration and the professional associations of the sector (see point 1) results from their common goodwill to cooperate in the fight against tax evasion in the sector. Indeed, in this sector there is a substantial unlawful competition by unscrupulous operators and a multiplication of bankruptcies.</p> <p>Because of the number of operators active in this sector, specific audits carried out by the tax administration can appear unjust and create an awkward situation. Such an approach is not of interest to the state because the taxation is not efficient, nor for the image of the sector.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The protocol of cooperation is concluded for a period of three years. It is implicitly renewed for successive periods of three years, unless it is cancelled by one of the parties.
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The protocol has the following objectives:</p> <ul style="list-style-type: none"> • To promote and develop the cooperation between the sector and the administration in the framework of the fight against the tax evasion in the sector. • To create stable and foreseeable rules which will be generally applicable in the sector. • To inform all operators clearly preventively of the rules established by this protocol and of the limitations it imposes. <p>The outcome sought is a better distribution of paying taxes among all operators.</p>

<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>All operators active in this sector are targeted: notably the producers, suppliers and managers.</p>	
<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
		<p>Failure to register</p>
		<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>2</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>This protocol provides a framework and elements for the implementation of a model of minimum audit norms.</p> <p>The model is based on the minimal number of workers necessary for a normal performance of the activities of the hotel, restaurant or cafe. The number of workers is determined by means of the importance of the exploitation.</p> <p>The estimated number of workers allows reconstituting a minimum turnover below which the exploitation cannot be considered as profitable.</p> <p>If the turnover declared for tax purposes by the exploitation is below the threshold laid down in accordance with the model of the audit norms, there is a presumption of tax fraud and an audit is necessary.</p> <p>A delay is granted to operators of the sector so that they can be informed by their representatives about the rules implemented by this protocol.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A structure of coordination regrouping tax officials and representatives of professional associations of the sector is charged with the follow up of the implementation of the protocol.</p> <p>The tax officials and the representatives of professional associations, members of the coordinating body, meet each other at least two times a year and at least once every six months.</p> <p>An evaluation report relating to the efficiency of the protocol shall be made at the latest five months before the expiry of the delay of three years which corresponds to the time during which the protocol will be applied. In case of positive evaluation, the protocol will be renewed for a new period of three years.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The implementation of the protocol has not yet been started, since the audit standards yet to be finalized. These new standards will first be applied to a test sector, namely the sector of restaurants.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results</p>	<p>Since the model with minimum audit standards is not yet implemented, it is currently not possible to even make a preliminary assessment of the effects of the protocol.</p>	

<p>achieved to date with this risk treatment strategy.</p>	<p>The impact of the protocol will for the first time be examined in 2008.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<ol style="list-style-type: none"> 1. The diversity of the existing activities in the sector of the restaurants, chosen as test sector, has already revealed the necessity to refine the general model of minimum audit norms by means of more precise criteria adapted to each category of restaurants. 2. In order to ensure a maximum efficiency, the social sector (social security) should be involved in the protocol. <p>Therefore the social sector will also be associated with the implementation of the protocol.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Application and publication of charities suspensions, revocations and penalties/sanctions

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Application and Publication of Charities suspensions, revocations and penalties/sanctions
2. Background to the risk treatment	The CRA has developed the Charities Regulatory Reform Initiative in an effort to improve the regulatory framework

<p>2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i></p>	<p>for charities, enhance voluntary compliance, and increase public and voluntary sector confidence in the regulation of charities.</p> <p>The Charities Regulatory Reform Initiative is being implemented through reforms in five key areas one of which is monitoring of charities, which includes a sanctions regime. Deregistration or revocation used to be our main primary penalty and few charities lost their registration for serious or continued non-compliance. The list of recently revoked charities is now available on our website. Intermediate sanctions were introduced to encourage charities to comply with the legal requirements.</p> <p>Revocation must remain as a last-resort sanction when all other compliance actions have been unsuccessful, or when the non-compliance is of a particularly serious nature and not capable of remediation. Also involved in the compliance behaviour is the perception that the penalties are legitimate, and that they are administered fairly, swiftly and impartially. To deter non-compliance, people need to know there is a high probability that non-compliance will be detected and that adverse consequences will follow promptly.</p> <p>Under the Act, the information contained in the public portion of a registered charity's information return is available to the public. The CRA can also provide to any person the following information relating to a charity that at any time was a registered charity:</p> <p>A list of currently registered charities, a list of newly registered charities and a list of recently revoked charities are available to the public on the CRA Charities Directorate Web site.</p> <p>If the registration of a charity has been revoked or annulled, a copy of the entirety of or any part of any letter sent by or on behalf of the Minister to the charity relating to the grounds for the revocation or annulment.</p> <p>A copy of the entirety of or any part of any letter or notice by the Minister to the charity relating to <u>a suspension or an assessment of tax or penalty</u> (other than the amount of a revocation tax);</p> <p>Most of this information is now available on the Charities' website and the balance of the information will be available shortly.</p>
<p>2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i></p>	<p>Approach has been integrated as a business as usual and our first suspension was completed this fiscal 07-08. We are also currently working on our first penalties and injunctions.</p>

<p>3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i></p>	<p>The purpose of a sanctions regime is to obtain compliance with the law. Charities vary enormously in their degree of sophistication, their asset base, sources of financing, field of activity and how they administer themselves. Deregistration or revocation as a sole penalty was too severe for most types of non-compliance. Compliance programs include measures that offer encouragement and support. We wanted to emphasize the need for the regulatory authority to work with charities to inform them of the law and to focus on remediation using a graduated approach to compliance.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The target group are all Canadian registered charities (approx. 82,000)</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
		<p>Failure to register</p>
	<p>2</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
		<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Suspensions and penalties/sanctions are applicable for taxation years starting after 2004. We are therefore only now beginning to apply them. Policy and guidelines were developed for their application. Summary policies as well as donor alerts were added to our website. Our website was also enhanced to be able to publish lists of suspended charities as well as the background information. A news release on our first suspension was also prepared and published in Charities' website as well as the Government of Canada website. Our road shows and other outreach activities include presentations on these topics.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>We monitor access to our website. We monitor media coverage. We will be monitoring audit results and percentage of application to overall audits. We will be monitoring the number of organizations involved with tax shelters and/or false receipting. We will continue to have consultations with external stakeholders and the charitable sector.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Being at an early suspensions and penalty application stage our only observations are:</p> <ul style="list-style-type: none"> • Increased media coverage • Small decrease in organizations involved with tax shelters 	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Great media coverage entitled "Charity rules beefed up; Abuses prompt federal regulator to act at last with suspensions, shutdowns, fundraising reforms"</p>	

10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	Not at this time.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Audit and Educational strategy for the MUSH (Municipalities, Universities and Colleges, Schools, and Hospitals) Sector

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Audit and Educational strategy for the MUSH (Municipalities, Universities and Colleges, Schools, and Hospitals) Sector
2. Background to the risk treatment	A project was conducted to identify areas of risk and measure the level of compliance in the MUSH sector. The project was initiated and conducted in 2003 and consisted of 40 comprehensive audits of randomly selected entities in this sector.
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	The project identified material Goods and Services Tax/Harmonized Sales Tax (GST/HST) non-compliance (over \$10M) stemming from a lack of technical knowledge, inadequate internal controls applicable to tax transactions, and low profile accorded to the GST/HST as a business management issue. A significant conclusion drawn from the project was that compliance could be enhanced and the number of existing errors could be avoided through the provision of tax related education to this sector. Delivering educational sessions was considered a key element in promoting compliance in this sector.
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The initial pilot project was conducted in 2003, and the subsequent MUSH Education Program was conducted over 15 months in 2006 and in 2007.
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	After the issues were identified during the audit phase of the project, the primary objective of the education program was to enhance and promote voluntary compliance within the MUSH sector while recognizing its important mandate and unique circumstances. The education sessions were designed to encourage the MUSH sector to develop a better understanding of its obligations and entitlements under the Excise Tax Act (ETA) and directly identified and addressed compliance issues uncovered in the audit phase.
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	MUSH sector is comprised of the following: <ul style="list-style-type: none"> • Municipalities (9,058) • Universities (188) • Colleges (329) • Schools (489 school authorities encompassing 14,500 schools) • Hospitals (378)

5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	4	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>The education program was conducted in partnership and coordinated with the Specialty Audit Section, Industry Sector Specialist Services (ISS), Excise and GST/HST Rulings Directorate within the Legislative Policy and Regulatory Affairs Branch and the Trust Accounts Division within the Taxpayer Services and Debt Management Branch.</p> <p>The Specialty Audit Section of the Compliance Programs Branch was responsible for the “Common Compliance Issues” portion of the education sessions (with assistance from ISS), while the GST/HST Rulings Directorate was responsible for the legislative portion of the presentations, and the Trust Accounts Division delivered the Taxable Benefits portion of the sessions.</p> <p>Also, a Better Practice Guide and a GST/HST Administrative Checklist were developed to assist the sector to review and strengthen internal controls over tax processes. These documents were developed after receiving permission from the Australian Tax Authority to adapt its document titled “GOODS AND SERVICES TAX (GST) ADMINISTRATION”. The Better Practice Guide and GST/HST Administrative Checklist are available on the CRA website.</p>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>Each participant was asked to voluntarily complete an anonymous and confidential questionnaire to assist us in evaluating the success of the program. In addition to evaluation questionnaires, we also used feedback from personnel involved in implementing the program. We will monitor future trends in audit results and a repeat of the pilot project may be undertaken in a few years to ascertain if compliance has increased within the sector.</p> <p>The education sessions were very well attended and received. The results of the evaluation questionnaires and other anecdotal evidence supports the objective of providing the MUSH sector with a better understanding of its obligations and entitlements, under the Excise Tax Act, and promoting voluntary compliance.</p>	

<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>The education program recently ended and the impacts of the program will become evident as time passes. The education program was well received and we are confident that the participants will put into practice what they have learned, thereby reducing non-compliance.</p> <p>Of the participants who completed the questionnaire, 86% responded that they were provided with ideas for corrective actions. Furthermore, 82% think corrective actions will be implemented. The corrective actions range from charging GST/HST on taxable supplies previously treated as exempt to improving tax accounting systems. The positive response to this question by the MUSH sector participants further supports the benefits of the education program. Some of the respondents also indicated that the sessions provided them confirmation that they were accounting for the tax correctly.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>On a positive note, the education program was well received. It is anticipated that compliance within the sector will increase.</p> <p>Due to staff turnover in the MUSH sector, it is expected that the education program will need to be repeated on a regular basis.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The legislation related to this sector is complex. To ensure that these entities comply in the future, publications in the form of newsletters or brochures may be sent to these entities regularly, so that the sector can keep informed and can comply with legislative requirements.</p>

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Record Keeping Initiative (RKI) (Formerly known as Books and Records Review Program (BRRP))

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Record Keeping Initiative (RKI) (Formerly known as Books and Records Review Program (BRRP))	
2. Background to the risk treatment	<p>The Books and Records Review Program (BRRP) was started in 2000, and focused mainly on construction, restaurant and food services, and retail store businesses. These industries are marked by many cash transactions, which is an inherent part of the underground economy. Since records are more commonly in electronic format, the initiative was renamed in the fiscal year 05/06 to the “Record Keeping Initiative (RKI)”. RKI includes both books and records reviews and electronic record evaluations.</p> <p>RKI involves limited reviews of business’ books and records by Canada Revenue Agency (CRA) auditors to ensure compliance with both the Income Tax Act and the Excise Tax Act.</p> <p>In comparison to audits, the review of book and records require less time and resources. Furthermore, they are less adversarial and intrusive to the client.</p> <p>By providing taxpayers with the information necessary to maintain proper books and records, they are more likely to comply with their tax obligations. RKI has a positive effect on compliance and significantly raises the visibility of the Agency.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?		
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The objectives of the RKI are to:</p> <ol style="list-style-type: none"> 1) increase Agency visibility and; 2) bring about behavioural change leading to longer-term tax compliance by addressing one of the root causes of non-compliance – poor books and records. 	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Self-employed individuals required to comply with the Income Tax Act, the Excise Tax Act, or both.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type

		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>RKI is a compliance instrument, which is more of an assisted compliance activity along the compliance continuum as opposed to an enforcement activity.</p> <p>A books and records review is a limited review, not an audit. The auditor does not raise an assessment as a result of a review. The guideline for completion of books and records review is for a file to take one day, or 7.5 hours.</p> <p>Generally the books and records reviews have been completed across the regions of Canada in proportion to the percentage of self-employed persons located in each region.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>An evaluation of this BRRP was conducted in 2004.</p> <p>An evaluation framework was developed to better measure the longer-term results of the books and records reviews on compliance taking into consideration the suggested compliance indicators.</p> <p>This framework includes:</p> <ul style="list-style-type: none"> • a statistical analysis of the program across the country; observations and analysis from auditor focus groups conducted in several tax service offices (TSOs); • compliance indicators and benchmarks meant to proxy the compliance effect of the program; • recommendations for improving the program in meeting its goals; and • better practices based on themes heard at the various focus groups. <p>Focus groups were held in four TSOs – Ottawa, Hamilton, Vancouver, and Burnaby-Fraser– involving auditors who have experience in conducting books and records reviews. A ten-minute presentation was given to the participants to explain the process and how the focus groups fit into the overall evaluation framework. Ten questions were then posed in turn that served to lead the discussions. The participants were encouraged to freely express their thoughts and opinions, and the two facilitators were there to keep the proceedings on topic. The focus groups lasted about 3 hours each.</p> <p>We met with and received comments/suggestions from representatives of the Audit and Evaluation Branch as well as the Compliance Research and Business Management Directorate, and the Statistics Division, Finance and Administration Branch. Their input was important in developing our methodology and in constructing our recommendations.</p>	

	<p>The compliance indicators chosen to evaluate the effectiveness of the program include:</p> <p>T1 indicator – Tax at Risk</p> <p>This indicator is meant to track the difference between the compliance risk of clients that have undergone a books and records review, versus the risk from clients from the overall T1 self-employed population.</p> <p>T1 Indicator – Positive vs. Negative Net Income from Self-Employment Ratio (based on counts)</p> <p>This indicator compares the ratio of positive net income reporting from T1 self-employed clients that have undergone a books and records review versus the general T1 self-employment population.</p> <p>T1 Indicator - Positive vs. Negative Net Income from Self-Employment Ratio (based on dollar amounts)</p> <p>A related indicator looks at average net income of T1 self-employed clients that have undergone a books and records review versus the self-employed population.</p> <p>We have developed compliance indicators for corporate clients similar to the indicators for T1 clients.</p> <p>T2 Indicator – Tax at Risk</p> <p>T2 Indicator – Positive vs. Negative Net Income Ratio (based on counts)</p> <p>T2 Indicator - Positive vs. Negative Net Income Ratio (based on dollar amounts)</p> <p>Future compliance indicators include:</p> <ul style="list-style-type: none">• GST/HST Net Tax• Subsequent Audit <p>We have used these indicators to measure the success of the Record Keeping Initiative to-date, but we will need to track the indicators for several years before we reach a significant level of confidence.</p> <p>Overall, based on our focus groups and indicators that we developed, the RKI is a positive compliance instrument, and an effective alternative to audit for encouraging compliance.</p> <p>Across Canada, about 23.3% of taxpayers reviewed were found to have inadequate books and records, requiring the client to sign a letter of undertaking to implement the</p>
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	<p>suggestions put forth by the auditor to bring the records up to proper standards.</p> <p>It was interesting to note that the percentage of taxpayers with initially inadequate books and records varied dramatically across the country. Further research was required to determine if this stems from a fundamental difference in the knowledge base of businesses in these regions, or if it results from a difference in approach and application of standards by the auditors in the different regions.</p> <p>There are significant cost savings in using a books and records review as a compliance instrument compared to an audit. For example, in 2002-2003 an average of 46.9 hours were used for 12,378 small and medium business audits where there was low or no audit change. This represents 38% of all audit files (23% of all audit hours) in the SME program. If a books and records review had been conducted rather than an audit, a greater or more positive impact on visibility at a lower cost would have been achieved.</p> <p>The program results from the evaluation framework should be updated, preferably each fiscal year, to monitor the success of the program and to assist in making program resource allocation decisions.</p> <p>The evaluation framework also provides for a future compliance study using an audit sample, statistically selected, of the clients that have undergone a books and records review to measure the levels of compliance and determine whether the books and records review was successful in improving compliance. This could be evaluated through the Core Audit Program or as a separate study.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The evidence from the focus groups suggests that the Record Keeping Initiative is having the positive impact that was envisioned – that it is increasing Agency visibility and promoting long-term tax compliance.</p> <p>The evidence from the compliance indicators is also mostly positive, but we will need to see this evidence over time to give us more conviction.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The statistics show a wide discrepancy in the number of files being acceptable on first review across the country. This could be owing to a number of factors, including different standards by industry, or because of differences in levels of experience across the different TSOs. Any differences in adjudicating the adequateness of books and records could be lessened with national standard of guidelines for minimum requirements for books and records.</p> <p>As the program moves along, more emphasis should be placed on new registrants. Although new registrants were the intended client base for the program, this has not always been adhered to.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the</p>	<p>There is the need for some type of checklist or questionnaire to be utilized to establish national guidelines and consistency as to what comprises a proper set of</p>

<p><i>approach taken; if you were to do it again what might you do differently?)</i></p>	<p>books and records –perhaps created on an industry basis to reflect specific industry practices.</p> <p>The standards for books and records reviews also have to be more clearly established for the auditors in the Audit Manual.</p> <p>Information gathered from a books and records review should be entered as part of the risk assessment system (i.e. risk issue in COMPASS). For example, a taxpayer who has inadequate books and records would have a higher risk rating than a client with acceptable books and records.</p> <p>There should be formal procedures to flag those taxpayers that the auditor deems to be at high risk of not complying with their tax obligations. The auditor could apply this follow-up code whether the books and records were considered satisfactory or not. These taxpayers could then be systematically selected for audit at a future date.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Canada Revenue Agency's compliance communication strategy

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Canada Revenue Agency's Compliance Communications Strategy
2. Background to the risk treatment	<p>Given the proper tools, education and assistance, most Canadian taxpayers will comply with tax legislation. However, Canadians have become increasingly concerned about the underground economy, non filers, aggressive tax planning, tax evasion, and the abusive use of tax havens. Canadians are concerned that some may be paying taxes while others are not. Our Agency's continuing success depends on its ability to sustain and enhance the effectiveness of its core business, including addressing non-compliance.</p> <p>Compliant Canadians – individuals, businesses, and clients alike – want to see evidence of a fair and equitable tax administration. They want to see the action taken against those taxpayers who are not compliant, and the results of that action.</p> <p>Compliance with tax legislation is influenced by a variety of factors including:</p> <ul style="list-style-type: none"> • the presence or absence of opportunity to non-comply; • the quality of tax advice; • awareness of obligations and the consequences of non-compliance; • financial factors ranging from the general state of the economy, a downturn in a given industry sector, and at a personal level, an individual's financial circumstances; • financial controls and the prevalence of cash transactions in an industry sector; • the complexity of business or tax arrangements; and • the morals, values and ethical standards of taxpayers <p>The Canada Revenue Agency (CRA) strives to communicate compliance program activities and results to the public through an open and transparent tax administration by helping Canadians understand what the CRA does about non-compliance and why ; and by providing taxpayers with the information they need to understand the risks and consequences of non-compliance.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	

<p>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</p>	<p>Using communications as a compliance tool is an approach that is being adopted in virtually all aspects of our overall Compliance Strategy. This includes programs and activities and sub strategies targeted to specific groups, including, for example, the strategies associated with the Agency's four key compliance risk areas identified in our 2004 compliance review exercise. Each program branch and region in the CRA has opportunities to consider communications as a compliance tool in developing strategies to address non-compliance.</p>
<p>3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)</p>	<p>It is clear that communications has a large role to play in tax compliance. Public opinion research confirms that the more the public is aware about CRA compliance activities and outcomes and the consequences of non-compliance, the more likely they may be to comply.</p>
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>This affects all taxpayer segments, for all taxes and benefit programs that are administered by the CRA, as well as other key stakeholders and clients. These include, for example:</p> <ul style="list-style-type: none"> • Individuals • tax filers • Compliant taxpayers • Taxpayers prone to non-compliance • Non-compliant taxpayers • High-wealth taxpayers • Future and new tax filers • Non-Residents <p>Businesses</p> <ul style="list-style-type: none"> • Small and medium-size enterprises • Construction industry • Hospitality industry • Fishing Industry • Associations <p>Intermediaries</p> <ul style="list-style-type: none"> • Tax practitioners • Tax advisors <p>Media</p>

	<ul style="list-style-type: none"> • Regional • National • International • Specialized media <p>Other</p> <ul style="list-style-type: none"> • Parliamentarians • Client Governments / Departments 	
<p>5. Main risk types being treated (<i>indicate in order of priority</i>)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>2</p>	<p>Failure to register</p>
	<p>3</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
<p>6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)</p>	<p>Key elements to the Strategy:</p> <ul style="list-style-type: none"> • Understand the public’s concerns about compliance issues and risks to the tax base and on this basis determine how best to communicate our compliance messaging to different members of the target audience. • Actively communicate our compliance activities, their results, and how they contribute to protecting Canada’s tax base. • Proactively look for opportunities to communicate CRA concerns and views on existing and emerging compliance issues. <p>By means of public opinion research, the CRA is coming to better understand taxpayer attitudes about messaging used in compliance communications and is identifying the information about the CRA’s results that Canadians are interested in knowing and is exploring the most effective ways to communicate these results.</p> <p>Through media analysis, the CRA is also working to enhance the interest of Canada’s media in tax compliance issues, and to use them more strategically in delivering compliance messages.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>An evaluation framework is in the process of being finalized that will determine the effectiveness of the strategy and its impacts on compliance perception and behaviour. The CRA will measure the impact of the communications activities on a number of fronts through both qualitative and volumetric analysis by monitoring the environment and future public opinion research on:</p>	

	<ul style="list-style-type: none"> • awareness of the CRA’s compliance efforts; • number of Canadians who are aware of consequences of tax evasion, participating in the underground, international tax schemes and aggressive tax planning; • level of confidence in the way that the CRA applies the tax laws; • awareness of activities the CRA undertakes to encourage voluntary compliance; and • number of Canadians who report tax cheating to the CRA. <p>Other communications performance measurement tools could include:</p> <ul style="list-style-type: none"> • analysis of the number of print articles and media references on the CRA’s compliance efforts; • number and nature of media reports as they relate to the confidence in the tax laws being applied fairly; • uptake of CRA or partner information materials at various events and other relevant sites; • analysis of CRA Web site hits; • type and amount of products developed, posted on the Web site, distributed, etc.; and • the degree to which the CRA and its partners collaborate on tax-related initiatives.
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>There are a number of specific initiatives that have already been undertaken or that are currently underway in this regard, and the CRA has combined efforts to identify communications opportunities and to deliver products that the public and media will find useful.</p> <p>Since starting to implement the strategy, the CRA has seen positive results from the proactive communications approach it has adopted. An example of these successes includes the Project Colisée case in Quebec (a multi-jurisdictional response to organized crime) in which the CRA was perceived by the media as an Agency that takes tax abuse very seriously. This generated sustained media coverage over a two-week period, which, in today’s media environment, is very successful.</p> <p>Another example of the success that the CRA has witnessed through proactive communications are the Tax Alerts issued to warn Canadians about various tax-related issues, such as participating in the underground economy, the pitfalls of participating in Tax Shelter Gifting Arrangement schemes, or to beware of unsolicited emails and phone calls that claim to be from the CRA..</p> <p>Two of the CRA’s Alerts were ranked by Canada Newswires’ top ten accessed files, which, in a Government of Canada media environment, is a remarkable accomplishment.</p>

<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>There are many other opportunities to communicate with Canadians and this communications strategy identifies key activities that could occur over a sustained period of time.</p> <p>Recognizing that target audiences come with a variety of attitudes, preconceived views, and motives, special attention will be given to selecting the most appropriate messages for the type of activities and audiences we want to reach on a given subject.</p> <p>While confidentiality provisions of the Acts the Agency administers must always be respected, there are opportunities to be more proactive in our messaging.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>As the objectives are long-term, it will be necessary to have a sustained multi-year approach that will require proactive, national and regional communications. The approach will evolve based on continual monitoring of the results of public opinion research and public environment analysis. It will be consistent and integrated with CRA outreach activities, respect the integrity of the Official Languages Act, and emphasize collaboration and sharing of information among an array of stakeholders who share common goals and objectives.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Canada Revenue Agency's Tax Alerts and News Canada articles

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Canada Revenue Agency's Tax Alerts and News Canada articles
2. Background to the risk treatment	The Canada Revenue Agency (CRA) strives to communicate compliance program activities and results to the public, given that it: <ul style="list-style-type: none"> • contributes to an open and transparent tax administration by helping Canadians understand what the CRA does about non-compliance and why; and • provides taxpayers with the information they need to understand the risks and consequences of non-compliance.
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	Using communications as a compliance tool is an approach that is being adopted in virtually all aspects of our overall Compliance Strategy. As part of this Strategy, the CRA is taking advantage of its Web site to strategically release Tax Alerts on compliance issues that are of current concern. The Tax Alerts can be accessed from the Web site's home page. The media regularly draws from Tax Alerts to create news stories, which increases their coverage and effectiveness. Also, since 2006 we have been submitting articles to News Canada's spring and fall editions. News Canada is a subscription news service that serves as a source of articles for a wide variety of Canadian publications and Internet sites.
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	It is clear that communications has a large role to play in tax compliance. Tax Alerts serve to warn taxpayers about significant and emerging issues that expose them to fiscal risk because they are unacceptable to the CRA. They are designed to help taxpayers recognize unacceptable arrangements that they may be tempted to use to avoid tax, and to make them aware of the consequences of participating in such arrangements. News Canada articles may also inform Canadians about issues that expose them to fiscal risk, but also serve to provide general information about the importance of tax compliance, how to comply, and the consequences of not complying.
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Tax Alerts and News Canada articles may cover any tax or benefit program that is administered by the CRA, so the target groups vary. Many Alerts and articles are intended for the general public.

5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	4	Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.	<p>The use of Tax Alerts and News Canada articles are part of the CRA's Compliance Communications Strategy.</p> <p>By means of public opinion research, the CRA is coming to better understand taxpayer attitudes about messaging used in compliance communications, to identify the information about the CRA's results that Canadians are interested in knowing about, and delivering it in ways that reach the intended audience.</p>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>An evaluation framework is in the process of being finalized that will determine the effectiveness of the CRA's Communication Strategy and its impacts on compliance perception and behaviour.</p> <p>The CRA currently monitors the media for coverage of CRA-related information, including subjects covered in Tax Alerts. The Alerts are often reproduced almost verbatim in Canadian newspapers.</p> <p>News Canada reports to the CRA on the pickup of its articles by publications and on the Internet. , i.e. the article's "reach".</p>	
8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)	<p>Coverage of Tax Alert topics by Canadian newspapers has been very satisfactory.</p> <p>News Canada reports guarantee that our articles will be seen by over 2,000,000 people, and their reports indicate that this number is always greatly exceeded.</p>	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	<p>Two of the CRA's most recent Alerts were ranked Canada Newswires' top ten accessed files, which, in a Government of Canada media environment, is a remarkable accomplishment.</p>	
10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)	<p>The CRA continues to use Tax Alerts as a means to warn taxpayers about significant or emerging compliance risks, and their consequences. It is important to recognize the importance of appropriate timing for issuing certain Alerts such that they have the greatest impact and pickup. Others need to be issued as soon as we are aware of the problem (e.g. email scams). In terms of content, there is interest in "stats and facts" (for example, the number of taxpayers affected, if appropriate). As well, recent quantitative public opinion research indicates that Tax Alerts reach a wider audience where plainer language is used. The research also indicates that care must be taken when quoting figures, as the public's perception of such</p>	

	figures may not always match the CRA's. For example, penalties may be perceived as being rather light if it is not clear that the taxes originally owed, plus interest, must also be paid.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Canadian Business Software Standards

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	<p>Canadian Business Software Standards</p> <p>1) Canadian Standard Export File – Accounting</p> <p>2) Canadian Standard Export File - ePOS</p>
2. Background to the risk treatment	<p>Canada is a member of the Organisation for Economic Co-operation and Development (OECD) and actively subscribes to the OECD recommendation that “Compliance costs for taxpayers and administrative costs for the tax authorities should be minimized as far as possible.” Accordingly the CRA is seeking to implement the Canadian Standard Export File (CSEF) based on the guiding principles used by the OECD in promoting a standard audit file among European member nations.</p> <p>At this time there is no mechanism, legal or otherwise, that compels software developers to create accounting or electronic point of sales (ePOS) applications that allow their clients to easily comply with Canadian taxation authorities. While it is in the best marketing interests of the developers to create fully integrated applications they may collect and present data quite differently in order to gain a marketing advantage. This has lead to two major issues for tax authorities.</p> <p>First, data acquired from taxpayers using different software packages is often not consistent in file and field structure, retention periods, archiving procedures, file formats, export functions, etc. This resulted in demonstrable added costs in terms of time and economic loss to a taxpayer when it responded to a request to produce its electronic files for a legislative or regulatory authority. All parties are interested in reducing these costs.</p> <p>Second, there is a threat to the tax base of the government because electronic audit controls are not hard-coded into the application in most cases. This permits most taxpayers to edit or delete original data if they are so inclined. In some cases the ability to edit data has actually been used as a marketing tool by software developers. There has been resistance by individual software developers to an “audit trail on” by default scenario that we hope to overcome as we continue to partner with them in projects such as the CSEF.</p>
<i>2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
<i>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	

	albeit on a voluntary basis.	
<p>3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i></p>	<p>The primary objectives are:</p> <ul style="list-style-type: none"> • Benefits to businesses through improved record keeping and a simplified method for the efficient exchange of accounting data between business owners, accountants, financial institutions, tax administrations and other government or non-government organizations and entities. • Inclusion of a CSEF in common software packages will allow the creation of a file that may be easily transferred between different types of software without requiring costly and time-consuming data conversion. This represents time and cost savings for businesses, accountants and tax auditors. • Software that includes the CSEF will produce information in a format that can be archived, independently of the business accounting or ePOS system. Being able to archive the CSEF independently from the system also offers some flexibility for the business to retain data to meet their record keeping requirements. <p>The secondary objectives are:</p> <ul style="list-style-type: none"> • The creation of additional CSEF schema applicable to other key electronic files created by accounting and other systems such as inventory or payroll. • Standards could be developed to have software developers include in their products a set of automated tests that would allow business owners to evaluate their financial records and identify and correct potential compliance problems in a proactive manner. In addition, standards could be developed relating to basic internal control features and enhanced audit trails that is active by default from the time of the installation of the software. 	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	Taxpayers within SME that use accounting and/or ePOS software packages to record and report their business activities.	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	1	Failure to retain all electronic records
	2	Failure to create electronic audit trails
	3	Failure to create accessible, usable data archives
	4	Failure to retain legacy systems
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy)</i></p>	<p>Element 1: Define the reporting requirements of public and private sector stakeholders and determine the data elements needed to be included in the CSEF files that will satisfy the minimum needs of all participants.</p> <p>Element 2: Define the file schema and format of the CSEF</p>	

<p><i>(see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>files in accordance with the stated requirements of the public and private sector stakeholders.</p> <p>Element 3: Contract for focus group testing to measure the impact of the initial design and test the acceptance of the key messages to be included in publicizing the implementation of the CSEF files in the public domain.</p> <p>Element 4: Adjust the key messages and their presentation as required in response to the feedback from the focus groups in order to maximize the public buy-in to the new CSEF files and the methodology supporting them.</p> <p>Element 5: Create a dataset against which accounting and ePOS software developers can test their products in order that they may self-certify that a client, installing and using their applications properly, will fully comply with the Canadian tax legislation.</p> <p>Element 6: Establish a website where software developers may post details about their applications once they are able to affirm that they have tested their applications appropriately and are able to confirm a user can comply with Canadian tax legislation.</p> <p>Element 7: Establish a procedure to either randomly test applications posted by the developers or gather feedback from Electronic Commerce Audit Specialists/auditors as to their findings in the field and remove those applications from the website that are found not to meet the required standards.</p> <p>Element 8: Identify potential further enhancements to the Canadian Business Software Standards and establish working group to develop them.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The initiative is still in its formative stages and evaluating its impact will likely evolve as it moves through the development phase to completion. Tentatively, assessing the impact may take place at two levels over time.</p> <p>Communication:</p> <ul style="list-style-type: none"> • Perusal of the feedback from the accounting and business groups will determine if the key messages are persuasive or must be amended in order to convince the target groups to voluntarily buy in to the initiative. • Assessing the feedback from ECCD staff as they discuss the initiative with individual stakeholders or representative association during the performance of their duties. • Monitoring industry response in public forums, i.e. trade publications, trade shows, newspaper articles, radio, TV, etc. • Visitors to the website could be asked to leave basic feedback as to their reasons for their visit to the website and whether their needs were met. <p>Quantitative Questions:</p> <ul style="list-style-type: none"> • Is the number of private sector participants increasing, decreasing or stable and determine the reasons for the findings. • Is the website where developers can post self-

	<p>certified applications being used by developers.</p> <ul style="list-style-type: none"> • Does the website counter indicate a high level of interest by taxpayers considering the acquisition software applications with a greater level of compliance with taxation authorities. • Does the sales and marketing analysis of participating software developers indicate that self-certification and the standard audit file have impacted sales, either positively or negatively.
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Not applicable at this time.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Not applicable at this time.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Not applicable at this time.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Cash economy - outreach activities

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Identification Of CRA Efforts To Address The Cash Economy Through Outreach Activities.
2. Background to the risk treatment	The CRA seeks to increase visibility/awareness of efforts to address the cash economy by conducting outreach activities and to provide an opportunity to educate and assist taxpayers and respond to their questions.
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	Interaction with the taxpayer is accomplished via 4 separate and distinct methods of outreach: <ul style="list-style-type: none"> • Community Visits / Wharf Visits • Home Shows / Trade Shows • Public Speaking Engagements • Individual Outreach Visits
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The approach is part of CRA's regular programs and operations.
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>Community Visits / Wharf Visits</p> <p>These visits are made to answer questions, give out information, raise awareness about CRA services, and discuss any tax-related issues and concerns that business owners / fishers, fish buyers and fish plant owners might have. The emphasis is on education and service.</p> <p>Home Shows / Trade Shows</p> <p>CPB resources attend local home show/trade shows to promote CRA programs and services in general, often with particular emphasis on the Underground Economy (UE). Home shows provide an opportunity to discuss underground economy issues directly with consumers.</p> <p>Public Speaking Engagements</p> <p>Audit resources in local CRA offices attend various functions by invitation to speak about CRA audit programs and initiatives, including the issue of the Underground Economy. These focus for the most part on the construction, hospitality, and other identified high-risk sectors.</p> <p>Individual Outreach Visits</p> <p>Audit teams in local offices provide outreach services at the local level. An individual outreach visit is pre-arranged and provides the individual taxpayer a service essentially similar to community visits; that is, it is a visit that provides the taxpayer the opportunity to pose specific tax questions and</p>

	<p>obtain information about their specific business, discuss any tax-related issues and concerns and improve their awareness and understanding of CRA services.</p> <p>This type of visit may target (for example) a certain category of taxpayers such as new registrants, or a certain economic sector such as construction or taxi drivers.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Individuals not familiar with the Canadian income tax system and those that need more information to fully comply with their obligations. This can include non-residents, newly immigrated residents, as well as younger Canadians as well as established members of the business community with specific concerns or challenges relating to their tax obligations.</p>	
5. Main risk types being treated (<i>indicate in order of priority</i>)	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	4	Failure to pay
6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)	<p>1. Outreach communications strategy</p> <p>2. Guidelines for conducting and reporting various outreach activities</p> <p>These actions are a very efficient method of meeting large numbers of taxpayers, providing the opportunity to raise the Agency's profile and image, while at the same time informing and assisting the taxpayers and seeking their input as to how we should approach the issue, particularly where underground economy transactions are occurring.</p>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>During fiscal 07-08 information on all outreach activities will be gathered in a national database and will be the basis for reports to evaluate program efficacy. The National Outreach Coordinating Committee (NOCC) will be looking at the information gathered which will assist them and the National Outreach team in the establishment of performance expectations (quantitative and qualitative) and indicators for each initiative. Feedback from those who provide the service will be requested as well as from those who receive the service.</p>	
8. Describe any observed impacts of the risk treatment strategy (<i>please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.</i>)	<p>Not measured at this time</p>	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	<p>Feedback continues to be positive.</p>	

10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Charities partnership and outreach program

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Charities Partnership and Outreach Program
2. Background to the risk treatment	<p>Launched in 2005, the Charities Partnership and Outreach Program is designed to provide time-limited funding to registered charities and non-profit organizations in Canada to develop and deliver innovative education and training on compliance to registered charities.</p> <p>The Program is designed to assist the charitable sector in educating itself about regulatory obligations under the <i>Income Tax Act</i> in an effort to promote voluntary compliance. The CRA believes that a charitable sector that is inadequately educated on the requirements of being a registered charity and inadequately informed of new developments relating to their obligations results in costly inefficiencies and unnecessarily high levels on non-compliance with regulatory obligations.</p> <p>In order to be considered for funding, projects must be linked to at least one of the program's objectives (listed below) and to one of the funding priorities for the fiscal year under review to be considered for funding.⁶</p> <p>Funding is limited to \$500,000 per project, per year (April 1 to March 31), with multi-year projects being limited to a maximum of three years. Funding is limited, and not all eligible projects may be funded.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>As this is a Contribution Program, initial funding from the Treasury Board Secretariat was provided for five years. There is a requirement for a formative and a summative evaluation before the terms and conditions of the Program may be extended. .</p>
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The overall objective of the program is to increase compliance by the charitable sector with relevant parts of the <i>Income Tax Act</i>. The main objectives of the program are to:</p> <ul style="list-style-type: none"> • raise awareness among the charitable sector of regulatory obligations under the <i>Income Tax Act</i>; • increase the capacity of the charitable sector in meeting regulatory compliance requirements in a sustainable fashion; and

⁶ Funding priorities are identified on an annual basis.

	<ul style="list-style-type: none"> improve the capacity of the sector to develop and deliver sustainable compliance-based education programs. <p>The final outcomes of the Program are:</p> <ul style="list-style-type: none"> sector assumes greater shared responsibility for training/education of the sector; and protection of the portion of Canada's tax base is protected.pertaining to charitable tax credits and deductions. 	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>This is a funding program designed to support compliance-related education and training projects provided by and for the 83,000 registered charities in Canada. To be eligible for funding, an organization must be:</p> <p>a registered charity as defined by the <i>Income Tax Act</i>; or</p> <p>a non-profit organization in Canada serving the charitable sector.</p>	
<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	2	Failure to file on time
	1	Failure to provide complete or accurate information on the annual return.
	3	Failure to remain compliant (as a registered charity) with the requirements of the <i>Income Tax Act</i>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>Funding submissions are accepted through calls for proposals only. A funding guide is available for organizations interested in applying for project funding under the Charities Partnership and Outreach Program. It contains the eligibility criteria for funding, information about the application process, an application form, a glossary of terms, and an application checklist.</p> <p>Strategies used to date:</p> <ul style="list-style-type: none"> the CRA undertakes the following steps in order to ensure that the submissions for funding meet the objectives: review of the submission by the sector, other government departments and CRA, including assessing the capacity of the organization to delivery on the Agreement and the standing of the organization within the sector in order to select submissions to fund. review by CRA of all technical material being prepared by funding recipient for dissemination to charities, final sign off on technical material to be used by the funding recipient in training, 	

	<ul style="list-style-type: none"> • monitoring of the funding recipients, • attending meetings with funding recipients, and • attending and monitoring training sessions and workshops provided by the funding recipients. <p>Funding priorities are identified on an annual basis and can be found on the CRA web site..</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The Charities Directorate has developed a Results Based Management and Accountability Framework (RMAF) for the Charities Partnership and Outreach Program. The RMAF identifies the final outcomes of the Program:</p> <ul style="list-style-type: none"> • sector assumes shared responsibility for training/education of the sector; and • protection of the portion of Canada’s tax base pertaining to charitable tax credits and deductions. <p>These final outcomes are achieved through the accomplishment of immediate and intermediate outcomes. The immediate outcomes of the Program are:</p> <ul style="list-style-type: none"> • enhanced ability of the Program to address compliance issues; • more appropriate applications; • improved information/training/education about regulatory compliance; • increased engagement of, and input from, the sector in regulatory compliance training/education; • increased sector awareness of the Program; and • increased sector awareness and use of Program results information. <p>Successful accomplishment of these immediate outcomes will support achievement of the four intermediate outcomes:</p> <ul style="list-style-type: none"> • increased knowledge of regulatory requirements within the sector; • improved programming and regulation of the sector; • increased capacity for training/education within the sector; and • increased voluntary compliance with regulations
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>This is still a very new program. At this time only 6 agreements have been signed.</p> <p>The output being delivered by the funding recipients are reviewed and monitored on an on-going basis.</p> <p>As part of the Contribution Agreements, the recipients will be carrying out a formal evaluation of their initiative within</p>

	<p>six months following the termination of the funding period.</p> <p>An evaluation questionnaire will be developed and sent to participating charities (through the recipients).</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The Charities Directorate also carries out a number of other outreach and education initiatives. It will be difficult to assess whether heightened compliance is as a result of the Contribution Program or CRA's outreach activities.</p> <p>It is too early in the Program development to be able to fully assess the results.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Too early to comment.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Citizenship & Canada's tax system learning unit

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Responsible Citizenship & Canada's Tax System Learning Unit
2. Background to the risk treatment	<p>In 1999, the Canada Revenue Agency (CRA) and the Provincial and Territorial departments of Revenue formed the Federal/Provincial/Territorial Underground Economy Working Group (FPTUEWG) to address issues of concern with regards to the underground economy and to share best practices in the identification of non-compliance.</p> <p>In June to August 2000, members of the FPTUEWG's Education Committee entered into dialogue with the education departments within the provinces of Ontario, Alberta and New Brunswick, to review relevant courses in their secondary school curricula. It became apparent that an understanding of the taxation system and how it affects our quality of life as Canadians and as responsible citizens was not being addressed. As a result, the Education Committee developed a project plan outlining the scope, objectives and timelines to develop and pilot a learning unit which would provide students with basic information about how the taxation system works and how it affects us as citizens in the context of civics, citizenship or life management.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The objectives of this project were to:</p> <ul style="list-style-type: none"> • develop a coordinated approach, at the provincial/national level, to bring a balanced perspective towards taxation through civics education in junior and senior high schools. This objective was to be achieved through collaboration and partnering with provincial ministries of education/learning in New Brunswick, Ontario and Alberta, the CRA and respective provincial ministries of finance/revenue; and • develop, pilot and evaluate an instruction unit for teaching and learning to support civics and social studies courses for learning in grades 9 to 11. <p>The learning unit outcomes related to this initiative consider the developmental stages of the learner, and align this with the existing curriculum and learning outcomes that support active and responsible citizenship and the skills of lifelong</p>

	<p>learning.</p> <p>These objective were met during the implementation phase of the initial project, extending from 2003-2004 through 2005-2006, during which time the curriculum was delivered to 10, 368 students by 393 teachers in 251 schools across Canada.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>High school students across Canada.</p>	
<p>5. Main risk types being treated (<i>indicate in order of priority</i>)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
		<p>Failure to register</p>
	<p>2</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information)</p>
	<p>3</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)</p>	<p>The original project plan consisted of five phases:</p> <ol style="list-style-type: none"> 1. Development of an instructional unit 2. Development of an array of resource materials, student survey and professional development sessions for the teachers participating in the pilot. 3. Pilot implementation 4. Evaluation 5. Business case for national implementation. <p>Beginning in September 2001, members of the Education Committee held meetings with curriculum professionals and teacher/writers from the Ministries of Education within the three participating provinces to gain an understanding of curriculum development; to develop learning outcomes/expectations for an educational unit and to conduct a review of current curriculum for potential matching with the educational unit's outcomes/expectations.</p> <p>A learning unit was then developed, recognizing and incorporating Canada's diversity in all aspects of the resource. The learning unit was structured to be "Monday Morning Ready" and organized to meet a wide range of teaching and learning preferences.</p> <p>During the 2003/2004 school year, the FPTUEWG held professional development sessions to pilot the learning unit with teachers in Alberta, British Columbia, New Brunswick and Ontario. These sessions provided the teachers with background information on this project, as well as the technical support required to introduce the learning unit successfully to their students. The sessions also provided an opportunity to inform the teachers of other Provincial and Federal products and services and answer any tax related questions.</p> <p>The FPTUEWG revised the learning unit based on the teachers' feedback and from September 2004 to June 2006</p>	

	<p>the implementation was expanded in the original four provinces and to teachers in Manitoba, Nova Scotia and Newfoundland and Labrador.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Based on the preliminary feedback we have received so far, this project has been a success.</p> <p>From a measurement perspective the challenge is to determine what quantitative and qualitative information can be collected that would indicate whether the project was successful and has the potential to be implemented nationally, or conversely did not add sufficient value to our education systems or was not considered appropriate or useful. The following information was collected:</p> <ul style="list-style-type: none"> • all Provincial school boards were contacted and engaged in the pilot provinces <ul style="list-style-type: none"> ▪ # Provinces involved in the project ▪ # Boards contacted ▪ # Boards engaged in project ▪ # Schools engaged in project ▪ # Schools that will continue to deliver the resource in the future • a Learning Unit Resource and a website were developed and made available to teachers <ul style="list-style-type: none"> ▪ # Binders printed and distributed (since national roll-out the course is totally on-line) ▪ # Hits per year on the website • feedback from schools and teachers is used to ensure that teachers and students continue to find the resource appropriate and useful
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Based on informal feedback received from teachers, the course is a good educational tool and the content is well received by students.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The Responsible Citizenship and Canada's Tax System learning unit has tremendous potential as a teachers resource to teach students about taxation concepts and responsible citizenship. While some provincial school boards have taken steps to start using the learning unit in specific courses, others are still trying to figure out how to accommodate the learning unit in their curriculum within the constraints of teacher's time, student workload and course availability.</p> <p>Since the integration of the learning unit in the school curriculum is not mandatory but optional, there is a tendency among some of the boards to give more importance to their constraints than the need to educate students about the role of taxation in responsible citizenship. We are considering formally requesting the support of the Provincial Ministers of Education to</p>

	<p>implement the content of the learning unit within the current secondary school curricula.</p> <p>Note that the FPTUEWG's Education Committee was nominated and received the 2003 CRA Award of Excellence in the Partnership category for the development of the Responsible Citizenship and Canada Tax System Learning Unit.</p> <p>In August 2005, the learning unit, in both official languages, was provided to Curriculum Services Canada (CSC) for review and validation. The CSC has given the learning unit an excellent review and has posted the learning unit on their website as a recommended resource to support curriculum topics related to Business, Civics, Mathematics, Accounting, Law and Economics courses, for Grades 9 to 12 across Canada.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>In some provinces, the Minister of Education (MoE) only prescribes the outcomes for the secondary school curriculum, but does not prescribe or fund associated resource material needed to meet these outcomes. Therefore, due to teacher and student constraints not all school boards/schools will implement this program, unless an agreement can be obtained with the MoE to incorporate the content of the learning unit into compulsory curricula, there cannot be any expectation that there will be broad exposure to the learning unit content by graduating high school students.</p> <p>A post review of teachers who participated in the pilot revealed a high number of subject teacher turnover. Consequently, without continued intensive promotion of the learning unit, even the current limited coverage of graduating students will rapidly decline.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Compliance research laboratory

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Compliance Research Laboratory	
2. Background to the risk treatment	The Compliance Research Lab was developed in response to a business need for more comprehensive identification and assessment of tax revenue risks.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	This standalone environment supports the analysis of large volumes of data across multiple business lines and the development of risk models for subsequent deployment in workload production environments. Innovative data mining and analysis software is tested and applied in order to develop methods for automated risk detection and analysis, and return scoring and selection models.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The Compliance Lab is an essential component of the compliance risk assessment technological infrastructure.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The objectives of the Compliance Lab are to facilitate: <ul style="list-style-type: none"> • Centralized, integrated compliance research and risk assessment capability. • Flexible analytic capability that can respond to the dynamic information and data requirements of the compliance research and risk assessment program. • Timely access to multiple data sources. 	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	This affects all taxpayer segments for all tax and benefit programs administered by the CRA. These include the following major business lines: <ul style="list-style-type: none"> • Individual tax filers (T1) • Business (T2) • International • Trusts • Charities • GST / HST • Provincial Partnerships 	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type

	N/A	Failure to register
	N/A	Failure to file on time
	N/A	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	N/A	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>		<ol style="list-style-type: none"> 1. To link taxpayer information across data repositories for different line of business 2. To facilitate advanced data mining techniques to identify risk 3. To support sophisticated compliance research in response to identified business pressures (such as increased business structure complexity) and the development of newer types of data relationships to address compliance priorities related to aggressive tax planning 4. To meet an increased demand for the timely deployment of research
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used		An evaluation of the impact of the risk treatment strategy is undertaken at the program level. The CRA continues to perform studies on the effectiveness of risk assessment systems by comparing the audit results to the estimated tax-at-risk in our risk assessment systems.
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>		The Compliance Lab is critical for audit workload selection and is used extensively for the development and deployment of risk profiles to production environments. The Lab has also been used to support national integrated risk assessment initiatives (such as the Aggressive International Tax Planning Initiative) and components of the Non-Filer/Non-Registrant program.
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.		N/A
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>		The CRA's compliance research and risk assessment needs continually evolve in response to new areas of compliance risk. The operating context is characterized by an increased demand for more comprehensive identification and assessment of tax compliance risk. Information requirements are characterized by their high degree of volatility, with much of the information in the Lab being refreshed on a quarterly basis. As such, both data and information management practices are of considerable importance.

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Contract payment reporting system (CPRS)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Contract Payment Reporting System (CPRS)
2. Background to the risk treatment	<p>The Contract Payment Reporting System (CPRS), an initiative of the Canada Revenue Agency (CRA) to address activity in the underground economy in the construction and home renovation sectors by promoting voluntary compliance and providing a basis for strengthening the administration's enforcement programs.</p> <p>As a result of continuing concerns about high levels of non-compliance in the construction industry, and consequent loss of tax revenue, the CPRS was introduced in 1995 on a voluntary participation basis. The 10% voluntary participation level was considered too low to be effective, resulting in the introduction of mandatory reporting in the February 1998 federal budget.</p> <p>This mandatory CPRS reporting requirement was implemented on January 1, 1999.</p> <p>In the February 1998 federal budget, the government also announced the introduction of a related initiative, a payment reporting system whereby contract payments made by federal departments, agencies, and crown corporations for services rendered are also required to be reported to CRA.</p> <p>The CPRS is one of a number of activities developed by the Canada Revenue Agency (CRA) in its multi-dimensional approach to support taxpayers in meeting their tax obligations and to deter taxpayers from participating in the underground economy.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The objective of CPRS is to assist the tax administration in addressing activity in the underground economy in the construction and home renovation sectors by promoting voluntary compliance and providing a basis for strengthening the administration's enforcement programs.</p> <p>Under CPRS, individuals, partnerships, and corporations whose primary activity is construction, are required to report annually their payments to sub-contractors for construction services to the CRA. The information received is matched against data maintained by CRA to identify those who have not filed tax returns or have under-reported their income. The biggest expected benefit of the program was an increase in the level of</p>

	voluntary compliance in the industry. It was also envisaged, however, that the integration of third-party information into CRA's risk assessment systems would enable the CRA to better target non-compliance and initiate appropriate enforcement actions.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The construction industry stands out as one of Canada's major industries. According to June 2004 Statistics Canada information, there are approximately 266,000 construction businesses in Canada with revenues in the vicinity of \$135 billion. According to the Construction Sector Council, the industry has more than 20,000 general contractors and 108,000 trade contractors, and one in seventeen Canadian workers earns a living in the construction sector. The size of the average construction firm is quite small, however, with 95% of the firms having fewer than 10 employees.	
5. Main risk types being treated (<i>indicate in order of priority</i>)	Rank priority for treatment	Risk type
	2	Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
4	Failure to pay	
6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)		
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	The most significant benefit of CPRS was expected to be its impact on voluntary compliance. This impact has not yet been measured and effort is required to determine levels of voluntary compliance and the impact of CPRS on taxpayer behaviour.	
8. Describe any observed impacts of the risk treatment strategy (<i>please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.</i>)	<p>From the period from April 1, 2001 to September 30, 2007, CPRS has contributed to the following compliance outcomes:</p> <p>Non-filer/Non-registrant actions:</p> <ul style="list-style-type: none"> • an additional 182,148 income tax returns filed; • an additional \$1.236 billion of income tax assessed; and • an additional 4,228 GST/HST registrants. <p>Audit actions:</p> <ul style="list-style-type: none"> • 18,897 audit completed; • \$259 million of unreported income was found; and • \$65 million in additional income tax was reassessed. 	
9. Provide any comments, positive or negative, that reflect on the results	CPRS is useful in addressing underground economy activity where recorded transactions and audit trails exist in the contractors' books and records. There is general agreement	

<p>achieved to date with this risk treatment strategy.</p>	<p>within the industry and the Agency, however, that it is not effective in that segment of the underground economy where transactions are purposefully hidden by both the contractor and sub-contractor to circumvent tax laws and other legal obligations (commonly known as the 'cash' economy). This segment is addressed by other elements of the Agency's underground economy strategy.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Notwithstanding the positive results that have been achieved to date, changes to the design and administration of the program would improve its overall effectiveness.</p> <p>Design concessions were made to minimize the administrative burden on the industry, in order to gain the support of the industry for this initiative. In fact, these concessions adversely impacted the administration and effectiveness of the program. Optional filing periods make it more difficult and less efficient for the Agency to identify non-compliant behaviour with respect to the filing of tax returns and the reporting of income. The provision of information slips to taxpayers is a key feature of third-party reporting systems designed to promote voluntary compliance. This requirement is missing from CPRS and is likely detracting from the strength of the program in this area. The exclusion from the program of the retail home renovation sector within the industry, which has grown significantly since the introduction of CPRS, is creating perceptions of inequity within the industry and is potentially resulting in significant tax leakage. Finally, the industry's lack of knowledge of the results of the program detracts from their support for the program and is a disincentive to their voluntary compliance with CPRS requirements.</p> <p>Administratively, the program was implemented with limited automated support resulting in process inefficiencies. For example, performance measurement and compliance research supporting the program remain underdeveloped. These are required to ensure that CPRS results are monitored and that administration of the program is modified as required. The Agency does not yet have a program in place to verify the accuracy of the CPRS information returns that have been filed and as a result there is no assurance that contractors are fully and accurately reporting payments made to sub-contractors. As well, the Agency has not adequately employed the penalty provisions with respect to the timely filing of CPRS returns, which is serving as a disincentive for contractors to file returns on time or at all.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Electronic Sales Analysis (ESA)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Electronic Sales Analysis (ESA)	
2. Background to the risk treatment	<p>Electronic Suppression of Sales (ESS) occurs when taxpayers wilfully and selectively delete electronic transactions from their business systems databases (Point of Sales (POS), accounting systems), resulting in under reported revenues and evasion of income and value added taxes.</p> <p>As part of the Electronic Records Evaluation initiative (ERE) and normal audit activities, to date CRA Electronic Commerce Audit Specialists (ECAS) have uncovered twenty five cases of ESS.</p> <p>These twenty five cases provide reasons to believe that ESS may be occurring throughout Canada. Based on these findings CRA is taking a strategic approach to determine the extent of ESS in Canada and deter its use through responsible enforcement, education and legislative changes.</p>	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>Further to the initial findings CRA initiated a two year ESA pilot project relating to ESS within the hospitality sector, with the exception of the Québec Region who is looking into the Grocery Store sector.</p> <p>Once the results are known they will be analysed and a decision as to any future of ESA initiative(s) will be made accordingly.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The objective of this initiative is to determine the extent of ESS within the hospitality sector and to determine whether ESS also extends to the Grocery Store sector. This will be achieved through responsible enforcement actions, education, publicity, by encouraging voluntary disclosures and use of fairness provisions to minimize the risk of revenue loss.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The tax revenues being compromised through ESS are primarily in the restaurant sector, where a non-level playing field is being created. The restaurant sector is very competitive with most businesses only operating for a relatively short time when compared to other types of industries.</p> <p>Initially CRA's efforts will be concentrated on businesses within the restaurant industry, however eventually the focus will be on all types of businesses using an electronic point of sales system.</p>	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type

	4	Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>A four-phase strategy is being used to address this compliance issue:</p> <ol style="list-style-type: none"> 1. Determination of the magnitude and pervasiveness of ESS. 2. Preparation of profiles, job aides and awareness sessions targeted at ECAS and auditors. Specific information and instructions (workshop) have been prepared for the ECAS in TSOs to enable them to quickly identify possible 'tell tale' signs left in the database tables by the features of the ESS software 3. Development (in progress) of a comprehensive POS training module for ECAS. 4. Establishment of a team of trained and dedicated ECAS to look into the issue of ESS. 	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>The first step is to identify restaurants using POS systems for possible review. CRA will develop processes in order for copies of restaurant bills/checks submitted by taxpayers claiming entertainment expenses are provided to the ECAS for review. In many cases, the POS system being used can be identified from the print characteristics on restaurant checks, thus the name of the restaurant becomes available for workload selection.</p> <p>Set specific parameters in our data capture systems, which will provide the proper information to allow for decision making to improve taxpayer's compliance through legislative changes and/or incorporate new audit steps in our workload and/or by others means that best suit Government needs.</p>	
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	<p>To date twenty five cases of ESS have been uncovered, with a total in excess of \$23 million of potential estimated suppressed sales over an average period of 3 tax years.</p> <p>On December 10th, 2008, after a lengthy countrywide investigation into the sale of ESS software, the CRA announced it had charged five individuals linked to four Vancouver-area sushi restaurants with tax evasion. On the same day, the CRA issued a Tax Alert; "Businesses warned against using tax cheating software".</p>	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	<p>There are hundreds of POS systems in use in Canada, which are marketed both by Canadian and foreign software companies. These systems vary widely in price, complexity and functionality, from enterprise-wide systems to stand alone systems. The suppression programs are highly sophisticated with many software upgrades within the same POS system. We need to develop expertise in POS</p>	

	<p>software and suppression programs in order to adequately address this area of flagrant non-compliance.</p> <p>Due to complex nature of the data extracted from various POS systems, and the fact that this type of analysis is not normally done in the course of a normal audit, the data analysis requires the involvement of an ECAS. Specific audit techniques were developed and others will be developed over time.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Any significant existence of ESS in Canada can translate into large unacceptable tax losses. The potential tax loss to Canadians associated with ESS has not yet been studied by CRA, however relying on the experience and the studies performed by Revenue Québec, it would appear that any presence of ESS throughout Canada can translate into hundreds of millions of dollars of tax losses for both the Federal and Provincial Governments.</p> <p>Consideration is being given to forming working groups (partnerships) with interested provinces.</p>

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Enhancement of the COMPASS (Compliance, Measurement, Profiling and Assessment System)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Enhancement of the COMPASS (Compliance, Measurement, Profiling and Assessment System)	
2. Background to the risk treatment	CPB has implemented numerous enhancements to the COMPASS workload selection system. These enhancements include:	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	<p>The addition of the International Tax and Corporate Tax (T2) business line information and risk issues into the system</p> <p>The implementation of the 5 Star Initiative which added new risk assessed fields for high-risk workload selection for aggressive tax planning, underground economy, and GST/HST fraud.</p> <p>Conversion of the application to a web-based platform for increased coverage and usage by CRA users.</p> <p>Increasing the use of the system to user outside of CPB such as the Taxpayer Services and Debt Management Branch (non-filer, trust accounts, etc.)</p>	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The risk treatments (enhancements) have been permanently integrated into COMPASS.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	The main goal of the enhancements was to further improve a dependable, consistent and accurate national decision support solution for workload development and to enhance our ability to carry out sophisticated analysis by accessing a shared source of integrated data.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>This affects all taxpayer segments, for all taxes and benefit programs that are administered by the CRA, as well as other key stakeholders and clients. These include the following major tax business lines:</p> <ul style="list-style-type: none"> • Individual tax filers – T1 • Business – T2 • International • GST/HST 	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	2	Failure to register
	N/A	Failure to file on time

	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.		<p>The addition of the International Tax and Corporate Tax (T2) information and risk issues into the COMPASS system for detailed analysis across the tax business lines for workload selection.</p> <p>The implementation of the 5 Star Initiative which added new risk assessed fields for high-risk workload selection for aggressive tax planning, underground economy, and GST/HST fraud. These changes expanded the amount of integrated data provided to the user for analytical capabilities.</p> <p>Conversion of the application to a web-based platform for increased coverage and usage by CRA users. This has streamlined licence administration (no more local computer installs) and allowed for technical changes to be made instantaneously to the application. The result has been an increase in the number of users with a decrease in resources and time required for administration.</p> <p>Increasing the use of the COMPASS system to CRA users outside of Compliance Programs Branch such as the Taxpayer Services and Debt Management Branch (non-filer, trust accounts, etc.). The CPB took a position of leadership within the CRA. We are allowing other branches to access COMPASS when their programs require identification and assessment of tax compliance risk.</p>
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used		Currently, the Compliance System Redesign project working with other CPB program areas are evaluating the impact of these enhancements and the future role the COMPASS system will have with integrated risk assessment and workload selection.
8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)		Currently, the Compliance System Redesign project working with other CPB program areas are evaluating the impact of these enhancements and the future role the COMPASS system will have with integrated risk assessment and workload selection.
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.		Currently, the Compliance System Redesign project working with other CPB program areas are evaluating the impact of these enhancements and the future role the COMPASS system will have with integrated risk assessment and workload selection.
10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)		Currently, the Compliance System Redesign project working with other CPB program areas are evaluating the impact of these enhancements and the future role the COMPASS system will have with integrated risk assessment and workload selection.

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Gifting tax shelters - audit, educational and legislative response

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Audit , Educational and Legislative Response to Gifting Tax Shelters
2. Background to the risk treatment	<p>Taxpayers making a gift to a registered charity receive a tax credit equal to about 45% of the donation; this was changed from a deduction from income so everyone receives basically the same tax benefit. Also, the maximum for donations was raised from 20% to 75% of income.</p> <p>Promoters started devising gifting schemes that would provide a \$100 receipt for an out of pocket cost of about \$30, thereby giving a participant a return of about \$45 on a \$30 payment. Various types of schemes were devised.</p> <p>CRA problems were to:</p> <ul style="list-style-type: none"> • identify the schemes and participants • conduct an audit of the participants, and • reassess within the 3 year time limit.
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The CRA response is ongoing.
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The objectives were to:</p> <ul style="list-style-type: none"> • audit and reassess the participants for donation claims that were not valid, • prevent future participation with published warnings, • penalize the promoters where applicable, and • revoke the registration of the charities involved.
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<ol style="list-style-type: none"> 1. All taxpayers that may owe taxes. Because the donation provides a tax credit at the highest rate, as opposed to a deduction from income, everyone receives the same tax benefit. A middle or low income taxpayer can participate and eliminate his or her entire tax liability. Many participants are from these income categories. 2. Promoters. There is a third party civil penalty that can be applied to promoters making false statements and criminal charges may apply. 3. Registered charities. The main penalty is revocation of their registered status but this does not negate the donation receipts previously issued. There are also

	third party penalties that may apply.	
5. Main risk types being treated (<i>indicate in order of priority</i>)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)	<ol style="list-style-type: none"> 1. Identify the schemes: <ul style="list-style-type: none"> • Tax shelter provisions (see Legislation below) allow for earlier identification of schemes and participants. 2. Audit the schemes: <ul style="list-style-type: none"> • Because of the number of participants (26,000 to 33,000) a high degree of co-ordination is needed. A lead auditor in one office audits the scheme and promoter, and donor audit teams are set up in various other offices across the country. The donor auditors follow the directions of the lead auditor and HQ co-ordinates their activities. 3. ACCESS file system used for each audit: <ul style="list-style-type: none"> • The large number of participants necessitated a system that would allow for better control of the audit of everyone and reduce the cost per audit. An ACCESS file was developed. All donors are recorded in this file plus all related information about the donations claimed. Copies of the file are kept in the lead office, HQ and the donor auditor offices. All auditors have access to it and they record their audit activity in the file. HQ monitors and periodically updates the master file. Letters, such as a proposal letter developed by the lead auditor, can be loaded in the file and the donor auditors simply do a mail merge to send to the taxpayers they are auditing. At the end of the audit all information is maintained in this file. 4. Legislation: <ul style="list-style-type: none"> • To assist in identifying these schemes, the definition of “tax shelter” was amended to include these gifting arrangements. This is for administrative purposes and it reduces the time needed to find the scheme and the participants. • Finance released draft legislation that was intended to remove the tax benefit of these schemes. This legislation still has not been passed. We are unaware whether or not this legislation will be re-introduced by Parliament. • CRA has always had the authority to revoke the registered status of a charity but this can be time 	

	<p>consuming and is done after the receipts were issued.</p> <ul style="list-style-type: none"> • Finance introduced new legislation that allows CRA to suspend the receipt issuing privileges of a charity with one week's notice if the charity does not provide CRA with its records. This has been successfully used and upheld in court. <p>5. Publications:</p> <ul style="list-style-type: none"> • Taxpayer Alerts warning taxpayers against participating in these schemes have been published over the last few years. To provide better publicity we try and get journalists to write an article on the Alerts; we were interviewed by a major newspaper in 2007 for such an article. Also, each year, various journalists comment on our Alerts. <p>6. Our audit contact procedures now include sending a copy of our most recent Alert with the initial letters sent to participants.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The evaluation of the overall strategy will be the elimination of future sales of these schemes.</p> <p>In addition, evaluation will be based on penalties to the promoter and the revocation of the charities involved.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Participation in these schemes has increased over the last few years with 48,000 taxpayers involved and \$1.3 Billion in donations claimed in 2006 alone. It is difficult to say what it would have been without our strategy.</p> <p>The tax shelter identification system has been effective in quickly providing CRA with the participation numbers. This allows for audit planning to be developed much more quickly than otherwise. It also allows us to provide information much more quickly to the Department of Finance.</p> <p>The audit procedures and ACCESS file system has been very successful. The time to do a donor audit has been reduced from 10 hours or more to less than 4 hours and the audit is more consistent and of a better quality.</p> <p>The Alerts have received favourable coverage in the press but it is difficult to tell what effect they had on the taxpayers. Promoters are still telling taxpayers that they will win in court.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Sales declined for the 2007 year, and we believe that the sales will also decline for 2008, although the 2008 results have not yet been reported. Our audit activity is becoming more current and appears to be having a deterrent effect on taxpayers.</p> <p>Action against the promoters has not progressed as quickly as against the participants and that may have resulted in them continuing to sell.</p>
<p>10. Lessons learned. (Are</p>	<p>Quicker audit action against the participants would likely be</p>

<i>there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	the best deterrent against repeat participation. When they are reassessed 3 years after the year of donation, they may have participated in all subsequent years under the belief that the scheme was successful.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Get It In Writing! consumer awareness campaign

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	<i>Get It In Writing!</i> Consumer Awareness Campaign
2. Background to the risk treatment	<p>The <i>Get it in Writing!</i> initiative is a national consumer awareness campaign that was carried out by the Canadian Home Builders' Association (CHBA) in partnership with the Canada Revenue Agency . The campaign was facilitated in the Province of Quebec by the Association provinciale des constructeurs d'habitations du Québec.</p> <p>This <i>Get it in Writing!</i> campaign operated through the period 2003 to 2005.</p> <p>We have evaluated the results of this initiative and feel that there is need for an ongoing consumer awareness campaign as it relates to construction. Generally, consumer behaviour changes occur after approximately three years of an effective social marketing campaign.</p> <p>CRA is now preparing to execute during 2009-2010 a targeted national multi-media campaign.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The goal of the campaign was to combat underground economic activity within the residential construction industry. This was accomplished by alerting consumers to the risks involved in dealing with underground contractors, and the importance of insisting on a written contract and receipts, which underground contractors will generally not provide.</p> <p>The message is that, without a contract, consumers leave themselves open to potential financial risks such as: loss of deposits where contractors fail to deliver or complete the contracted work; additional and unplanned expenses where a second or more contractors must be hired to complete the job; and liability for all injuries.</p> <p>The short-term goal of the campaign was to:</p> <ol style="list-style-type: none"> 1. create awareness on the part of the public of the need to get a contract; and 2. the long-term goal is to change consumer behaviour when hiring a contractor to do work on their home.
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	All taxpayers who potentially contract for construction services.

5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register
		Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information)
		Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.	<p>Our new targeted national multi-media campaign includes three elements:</p> <ul style="list-style-type: none"> • baseline research data • media strategy • final measurement survey <p>The CRA is negotiating the possibility of working with a new federal government partner, which would secure the participation of the CHBA and the Association provinciale des constructeurs d'habitations du Québec in the Province of Quebec.</p>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>The proposed targeted national multi-media campaign would include:</p> <ul style="list-style-type: none"> • Mass media advertising in three test cities • On-line advertising to reach national audience • Execute grass-roots efforts through local HBAs • Conduct national and regional media relations campaign with focus on three test cities • Establishing an awareness benchmark in test cities prior to campaign launch • Measuring effectiveness of campaign in all major markets: awareness, engagement and conversion <p>The targeted and focused campaign would be conducted starting in the spring of 2009.</p>	
8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)	N/A – the new campaign has not yet been launched.	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	N/A – the new campaign has not yet been launched.	
10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)	N/A – the new campaign has not yet been launched.	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Goods and Services Tax /Harmonized Sales Tax (GST/HST) - enhanced registration review (GERR)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Goods and Services Tax /Harmonized Sales Tax (GST/HST) Enhanced Registration Review (GERR)
2. Background to the risk treatment	<p>Goods and services tax/harmonized sales tax (GST/HST) is a tax that applies on most supplies of goods and services made or imported into Canada. The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as GST. Almost everyone has to pay GST/HST on purchases of taxable supplies of goods and services.</p> <p>If engaged in commercial activity and meet certain criteria a business is required to register a GST/HST account. Under certain circumstances a business may register an account voluntarily.</p> <p>A GST/HST registrant is required to charge and collect GST/HST taxable supplies and file regular GST/HST returns to report the tax.</p> <p>On a GST/HST return, registrants deduct the GST/HST they paid or owe from the GST/HST charged to customers. If the total amount of tax charged on the sale of goods and services is less than the amount of GST/HST paid or owed (to produce the goods or services), a refund is claimed. Otherwise, the registrant must remit the excess to the CRA with the return.</p> <p>Fighting GST/HST fraud is one of the Agency's top priorities. The GERR program recognises the need to assess the probability that a legitimate business entity exists, and to stop the issuance of overstated or fraudulent GST/HST refunds.</p> <p>Verifying the existence and contact particulars of new registrants at the time of registration is an effective tool in the fight against GST/HST refund fraud. The accuracy of account information is key for client contact and compliance actions.</p> <p>The GERR program was developed as a proactive approach to aid in reducing cases of fraudulent registrations by verifying the existence and contact particulars of all new GST/HST registrants, and then matching them against client profiles deemed to pose a risk to Crown Revenue through fraudulent refund claims. High-risk registrations are forwarded to Compliance Programs Branch for a more in depth review.</p>
<i>2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	

<p>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</p>	<p>The GERR program is integrated into the Business Number (registration) system. All new GST/HST registrants are transferred by the Business Number system to one of two GERR review teams. The GERR teams in Winnipeg, Manitoba and St. John's Newfoundland and Labrador are responsible for this review.</p>	
<p>3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)</p>	<p>The objective is to streamline the risk screening of newly registered GST/HST registrants thereby reducing the screening process for Compliance Programs Branch. This allows the reallocation of resources formerly used to perform this activity to other compliance actions.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The GERR program targets all new GST/HST registrants. Every tax entity earning business income that registers for a GST/HST account is subjected to a GERR review. The CRA registers approximately 360,000 new GST/HST registrants each year.</p>	
<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Registration Risk type</p>
	<p>1</p>	<p>Duplicate accounts</p>
	<p>2</p>	<p>Fraudulent entity</p>
	<p>3</p>	<p>Potential refund risk</p>
	<p>4</p>	<p>SIN fraud</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>There are four elements to the Strategy:</p> <p>Element 1: Verifying the integrity of Business Number tombstone information provided by the GST/HST registrants at time of registration such as the business name, addresses (physical and mailing), business activity, and contact information. Verifying spelling of names and addresses.</p> <p>Element 2: Capturing missing information from new GST/HST registrants through client contact and other Agency tools, respecting the Privacy Act and client confidentiality in order to improve database integrity and to educate clients about the information they are required to provide when registering a GST/HST account.</p> <p>Element 3: Identifying GST/HST registrants that meet the risk selection criteria and refer the accounts to Compliance Programs Branch for further review.</p> <p>Element 4: Aid in identifying new trends in potential risk criteria.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Under the auspices of the Compliance Programs Branch an evaluation method to determine the effectiveness of the GERR program and its impacts on compliance is in the process of being developed.</p> <p>For the 2006/2007 fiscal year the GERR program reviewed 236,484 recently registered GST/HST accounts for data integrity and referred 35,010 to Compliance Programs Branch for an in-depth review for potential fraud. Results of</p>	

	<p>the Compliance Program Branch review have not been provided.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Capturing missing information from new GST/HST registrants through client contact and other Agency tools has improved the Business Number system data integrity for compliance purposes.</p> <p>Having accurate information in the Business Number system gives clients confidence when obtaining Business Numbers or program accounts</p> <p>Compliance Programs Branch has acknowledged that having GERR identify and refer client accounts meeting their risk selection criteria has enabled them to reallocate resources away from this type of screening towards more intense compliance workloads</p> <p>Providing the early identification and referral of issues such as duplicate Business Numbers and T1 non-filers to the attention of the appropriate sections for their scrutiny</p> <p>Earlier detection of fraud issues by Compliance Programs Branch such as Multi Celled Fraud.</p> <p>Observations are noted annually.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Accurate information in the BN system aids internal users in their analysis and detection of problem accounts.</p> <p>GERR has worked diligently to identify accounts of concern to Compliance Programs Branch but until Compliance Programs Branch can track a referral from inception to resolution we have no way to measure the success of our referrals or evaluate our program.</p> <p>When GERR reviews the registration of an individual taxpayer and discovers a failure to file Individual income tax returns a referral is made to the Non-filer/Non Registrant (NF/NR) program for further investigation.</p> <p>Recently NF/NR has developed a method to provide statistics of monetary recoveries generated as a result of GERR referrals making it possible for them to determine the revenue recovery resulting from the referrals.</p> <p>From April 01, 2008 to October 03, 2008 GERR referrals were tracked by the Non-Filer/Non-Registrant program and shown to generated 3760 individual income tax returns with a revenue recovery of \$5,596,543.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>The GERR concept of registration review could be applicable to other CRA Business lines such as:</p> <ul style="list-style-type: none"> • Corporate Accounts • Payroll Accounts • Customs Accounts <p>The GERR style review would be more efficient than the current post registration review to collect missing information that is conducted 45 days after the account is opened with taxpayer contact by mail.</p>

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: High risk analysis teams (HRAT) program redesign

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	High Risk Analysis Teams (HRAT) program redesign
2. Background to the risk treatment	<p>Millions of Goods and Services Tax / Harmonized Sales Tax (GST/HST) transactions take place daily. An important element of a value-added tax like the GST/HST is the provision for input tax credits (ITCs) that allow businesses to claim a refund for the amount of GST/HST they pay. While any tax carries a risk of fraud, it is internationally recognized that this direct payout feature of ITC presents an even higher risk. In the 2005-2006 tax year, registrants numbering 2.5 million filed 6.8 million returns, 2 million of which were refund or credit returns. Please note that all amounts exclude Quebec registrants since the GST is administered by Revenue Québec on the Canada Revenue Agency's (CRA) behalf.</p> <p>In 2004, the CRA completed a comprehensive assessment of the risks facing tax administration in Canada. As a result of this Compliance Review, four key compliance risk areas were identified as priorities, one of which is GST/HST fraud.</p> <p>Our GST/HST fraud strategy focuses on:</p> <ul style="list-style-type: none"> • Strengthening Agency-wide capacity to horizontally manage GST/HST fraud; • Enhancing enforcement activities through efficient and effective targeting of compliance work towards high-risk cases; • Improving our ability to identify high-risk registrants and refund claims before refunds are issued; and • Broadening our engagement with stakeholders to combat GST/HST fraud. <p>Within the GST High Risk Compliance Strategy Division (HRCSD), the strategy is implemented through the redesign of the High Risk Analysis Team (HRAT) and Audit Registration Review Officers (ARRO) programs through improvements to equipment, provision of modern technological tools, timely access to better data.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>The objective of this program redesign is to furnish the HRAT teams with a modern infrastructure equipped with better data and tools. HRCSD is working with the Compliance Systems Redesign Division (CSR) on two distinct projects to achieve this goal.</p> <p>The first project consists of the migration from an archaic stand-alone set-up with limited flexibility and support to a modern networked system on the common Agency platform. The first phase of the implementation will be in third quarter 2008/2009.</p>

	<p>The second project consists of a procurement process to identify a commercially available off-the-shelf software package (COTS) with visual analytical and case management capabilities. The primary stakeholders have been expanded to include Enforcement and Disclosures (EDD), Charities Directorate, and Integrated Revenue Collections (IRC), as we believe they can also benefit from this software. The request for proposal (RFP) will be published in the first quarter 2008/2009.</p>	
<p>3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i></p>	<p>As combating GST/HST fraud is a priority of the Agency, a great emphasis has been placed on our ability to effectively and efficiently address this issue. This HRAT redesign will provide the program with the capacity to determine if efforts are being concentrated in the proper areas as well as if all issues are being properly addressed. This will be accomplished by providing the program area with the appropriate information and tools to better focus its activities and better plan for future objectives and strategies.</p> <p>The new infrastructure and tools resulting from the project will provide one central area access, better tools and quality data in a timely manner. For the HRAT analysts, this will enable them to:</p> <ul style="list-style-type: none"> • Leverage the intelligence information gathered, produce efficiencies in the conduct and management of compliance activities, and improve their risk assessment capabilities; • Improve their ability to analyze the efficiency and report on the work being done; • Improve on the timeliness, efficiency and quality of analysis functions and results by providing a tested and well structured environment; • Improve their productivity by eliminating tasks which do not fall under their job functions such as the gathering and preparation of data; • Improve their productivity by automating certain functions. Pre-tested and built-in analytical and reporting features will be provided for this purpose; • Improve their ability to address privacy and information management policies and guidelines. 	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>Any person willing and capable of committing GST/HST fraud.</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>1</p>	<p>Failure to register (Non-Registration)</p>
	<p>2</p>	<p>Failure to file on time (Non-Filing)</p>
	<p>4</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements (False filing)</p>
	<p>3</p>	<p>Failure to pay (Non-remittance)</p>

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Project Charters and Plans</p> <ul style="list-style-type: none"> Establish the purpose of the initiatives, constraints, assumptions, deliverables and sign-off. <p>Establishing requirements</p> <ul style="list-style-type: none"> Conditions which need to be met in order to satisfy the objectives of the projects <p>Request for Information and Proposals (RFI & RFP)</p> <ul style="list-style-type: none"> Procurement documents to solicit vendors and suppliers to bid on the procurement. <p>Implementation of Infrastructure Plan</p> <ul style="list-style-type: none"> Development and implementation of the new repository and data identified as required. <p>Selection and Implementation of new software</p> <ul style="list-style-type: none"> Evaluation and selection phase of the procurement process. Implementation into the new infrastructure of the successful bidder.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>An evaluation framework has not yet been finalized which would determine the effectiveness of the strategy and its impacts on our effectiveness and efficiency in detecting non-compliance. This redesign is seen as a necessity and a normal step to modernizing a program strongly driven by technology and data analysis. The current infrastructure does not lend itself to any future development or progression.</p> <p>Within this new infrastructure there will exist new tools to help the program to measure its results in as many areas as the data allows.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>N/A</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The employees who are to originally benefit from the new infrastructure, tools and data have provided valuable input, assistance and time to the initiative as they are encouraged that their needs are being addressed.</p> <p>Other stakeholders have approached the project team in regards to the procurement process establishing that there is a great need amongst all programs and areas for better and more specialized tools to address non-compliance.</p> <p>A global view is being taken in regards to the new infrastructure that should address the needs of many other stakeholders in regards to a more modern and efficient work environment.</p>
<p>10. Lessons learned. <i>(Are</i></p>	<p>For initiatives that involve new technology and data,</p>

<i>there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	requirements are better served with a global horizontal approach. However, having taken this approach on all aspects of our initiatives, one has to expect longer timelines.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Informant leads program

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Canada Revenue Agency's Strategy to streamline the Informant Leads Program and better utilize the information received as a result.
2. Background to the risk treatment	<p>The Enforcement and Disclosures Directorate (EDD) is responsible for administering the Infomant Leads Program (ILP) within the Canada Revenue Agency (CRA). The mandate of the Informant Leads Program is to co-ordinate all leads that the CRA receives from informants, to determine if there is an element of non-compliance with tax legislation, and to ensure that appropriate enforcement action is taken. The Informant Leads that flow through the Informant Leads Program chiefly come from concerned citizens who suspect that someone is not complying with the acts administered by the CRA. An Informant Lead is information in any form that identifies potential non-compliance activities. Informant information is only information and it must be verified.</p> <p>After conducting a successful pilot project where informant leads received for the Ontario Region were centrally processed, the Agency agreed to regionalize the program in the remaining four regions.</p> <p>Through this regionalization initiative, the CRA will be in a better position to maximize the use of important Informant Lead information by improving the analysis on the lead information, obtaining intelligence trends, issues etc. on a National basis and also to determine better strategies for addressing non-compliance issues that are identified in informant leads. Additionally, the regionalization provides better accessibility for the public to submit a lead to the Agency.</p> <p>Currently, there are more informant leads than there is audit capacity to address the suspected non-compliance. The number of leads received, over the periods under review, have been increasing steadily and with the future creation of a Web-Based Leads capacity in addition to the existing 1-800 numbers, it is expected that the number of leads received will continue to rise in the upcoming years. Therefore it is necessary to develop other means to address the non-compliance issues in a cost-effective manner.</p> <p>Taking appropriate actions encourages compliance and discourages future non-compliance. Addressing non-compliance in a manner that promotes voluntary compliance enhances public visibility and supports a credible CRA presence.</p>
<i>2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	

<p>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</p>	<p>A pilot in the Ontario Region was undertaken over the fiscal years 2004-2005 and 2005-2006 and the resulting treatment of leads was greatly improved. The outcome of this pilot led to the regionalization of the program in each of the five regions. The next step to this initiative is to design and implement efficient and effective responses that can address the potential non-compliance and tax at risk that cannot be addressed by audit.</p>											
<p>3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)</p>	<p>The objective of the risk treatment is to reduce non-compliance in the most cost-effective manner.</p>											
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The targeted taxpayers are the ones where once the lead is evaluated, there is an indication that they are non-complaint and:</p> <ul style="list-style-type: none"> • although there is federal tax at risk, the lead does not meet the pre-established audit screening criteria; or • although the lead is accepted by meeting the pre-established screening criteria it is however not actioned due, for instance, to a lack of resources (financial and/or human). 											
<p>5. Main risk types being treated (indicate in order of priority)</p>	<table border="1"> <thead> <tr> <th data-bbox="643 965 810 1066">Rank priority for treatment</th> <th data-bbox="818 965 1378 1066">Risk type</th> </tr> </thead> <tbody> <tr> <td data-bbox="643 1072 810 1111">2</td> <td data-bbox="818 1072 1378 1111">Failure to register (GST/HST Returns)</td> </tr> <tr> <td data-bbox="643 1117 810 1155">2</td> <td data-bbox="818 1117 1378 1155">Failure to file on time (any type of tax returns)</td> </tr> <tr> <td data-bbox="643 1162 810 1263">1</td> <td data-bbox="818 1162 1378 1263">Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</td> </tr> <tr> <td data-bbox="643 1270 810 1301"></td> <td data-bbox="818 1270 1378 1301"></td> </tr> </tbody> </table>	Rank priority for treatment	Risk type	2	Failure to register (GST/HST Returns)	2	Failure to file on time (any type of tax returns)	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements			
Rank priority for treatment	Risk type											
2	Failure to register (GST/HST Returns)											
2	Failure to file on time (any type of tax returns)											
1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements											
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>EDD has begun preliminary discussions with various partners within CRA to develop an agency-wide strategy to address the current gap in responding to informant leads. The strategy aims to minimize non-compliance in the future while maximizing limited resources.</p> <p>One of the current proposals is that a Risk/Action Score be assigned to each informant lead where there is the potential for tax at risk. The preliminary approach would be to risk score each validated tax file in 2 categories:</p> <ol style="list-style-type: none"> 1. Taxpayer/registrant likely to comply when contacted by letter inquiring specifically about the area of suspected non-compliance; and 2. Taxpayer/registrant likely to comply when contact in the form of a books and records review is made at their place of business. <p>Once a risk score is assigned to the lead, this score can be entered into the CRA's Audit Information Management System and allow for data lists of leads for each Risk/Action Score.</p>											

	<p>The Agency would then look to take further action, through the following proposed graduated approach.</p> <ol style="list-style-type: none"> 1. For risk score 1 files, the proposed approach would be to issue one of several types of letters. The letters would vary from an information letter to a letter explaining that the Agency has knowledge that they may be in receipt of income with income tax or GST/HST implications. The letter would request that the taxpayer/registrant self-assess and provide CRA with the information required. It is proposed that some letters may offer the option for a voluntary disclosure, or 2. No decision has been made on a future approach to risk score 2, files as this would need to be further examined within the Agency. <p>In either of the two methods of review suggested above, a tracking system of the leads would be maintained in order to gather statistical results and measure the progress.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A framework is still being developed and will need to be finalized with other internal partners. The CRA will measure the impact of types of risk treatment activities (type of letter up to and including a books and records review) through both qualitative and volumetric analysis.</p> <p>The Informant Leads Program is looking at conducting a pilot project, along with the voluntary disclosures program, in one Region during the 2009 / 2010 year to determine the impact of writing letters on risk score 1 files.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The impacts still need to be determined including running some targeted pilot projects. However, several initiatives are being considered to measure the impact of the strategy. Analysis of data, including the increase in compliance, voluntary disclosures and the number of recurring calls would be examined. Also future participation in Public Environment Surveys and increased media publications are being contemplated in order to measure taxpayer satisfaction.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>There are many opportunities to address the gap in responses to non-compliance. The regionalisation of the leads centre in Ontario has demonstrated positive results in improving the intake, evaluation and referral of higher quality informant leads to audit. However, a number of leads still need to be addressed through other innovative methods. This strategy identifies a graduated approach that would occur over a period of time and would be commensurate to the seriousness of the non-compliance identified through risk scoring.</p> <p>Recognizing that target audiences come with a variety of attitudes, beliefs, and motives, special attention will be given to selecting the most appropriate method to achieve a higher rate of compliance.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do</p>	<p>It is anticipated that the proposed pilot project on risk score 1 files will be undertaken in one region in 2009-2010. to determine the impact of writing letters explaining that the Agency has knowledge that they may be in receipt of income with income tax or GST/HST implications. The</p>

<i>differently?)</i>	letter would request that the taxpayer/registrant self-assess and provide CRA with the information required. It is also anticipated that in the 2009-2010 year a proposal for a pilot will be developed for the risk score 2 files. It is estimated, based on previous experience, that compliance will definitely increase when using various methods, including awareness letters, books and records review and finally audits when applied to the appropriate type of non-complier.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Integrated enforcement teams (IETs)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Integrated Enforcement Teams (IETs)	
2. Background to the risk treatment	The Integrated Enforcement Teams (IETs) are designed to address high-risk non-compliers in the Underground Economy through cross-functional teams. Teams consist of at least one employee from each of the participating areas:	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	<ul style="list-style-type: none"> • Non Filer/Non Registrant (NF/NR); • Examination & Taxable Benefits (ETB); • Accounts Receivable (AR); and • Audit. 	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>There are seven Tax Services Offices that are piloting this integrated approach: Nova Scotia, Eastern Quebec, Montérégie Rive-Sud, Toronto North, Windsor, Saskatoon, and Vancouver Island.</p> <p>Different approaches have been adopted by each pilot site and include fully integrated, virtual and workload development teams.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The objectives of the IETs are:</p> <ul style="list-style-type: none"> • to identify individuals and/or businesses who continually circumvent the CRA legislative reporting requirements; and • to collaboratively address, in a timely manner, the CRA enforcement activities from identification to resolution of a case/file. 	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The IETs are designed to address high risk non compliers in the Underground Economy.</p> <p>Specifically, IETs focus on areas such as construction and home renovations (excluding CPRS workload); auto repairs; landscaping and snow removal; janitorial services; mobile food services; appliance repairs; coin laundry services; parking lots; hunting/fishing camps; and real estate property managers in addition to current sectors/projects. This population represents a significant portion of taxpayers.</p> <p>Another area for potential workload development may be information gathered through trust examination.</p>	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements

	4	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>Each IET is responsible for developing its own workload directed towards the high-risk groups not ordinarily captured through any other regular workload and includes:</p> <ul style="list-style-type: none"> • Taxpayer/Registrants who conduct business outside the CRA systems; • Taxpayer/Registrants who under-report their income; • Employers who purposely misclassify employee/employer relationships; and • Sectors where the cash economy is prevalent including business to consumer transactions. <p>Each IET ensures that sectors/projects being addressed are properly risk assessed across all functional lines based on the IET objectives.</p> <p>Using a team approach, case/files are worked from initial identification (registration) to resolution (audit and collection).</p> <p>IETs ensure that all returns for all associated revenue types (i.e., GST/HST, Income Tax and Source Deductions) have been filed and assessed and, where applicable/appropriate, refunds are to be held/intercepted.</p> <p>IETs are encouraged to use unnamed persons' requirements to address the underground economy.</p> <p>The IET team leader should work closely with their local Compliance Committee in order to provide progress results and exchange ideas.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A reporting template was distributed to the IETs December 31, 2006. This template has been used to report on (list aspects on which information is collected) and this information has been (stored? shared? used? how?).</p> <p>HQ has conducted regular conference calls with the IET team leaders in order to receive progress updates, share best practices, and to assist each other in overcoming any administrative and operational hurdles identified by the IETs.</p> <p>This information is now being used to assess the compliance impacts brought about by this approach. We expect that this evaluation will be completed sometime in 2009 with further consideration to follow re: possible integration into regular program design.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Not at this time</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>One of the major benefits of working as part of the IET is the cross-functional learning that results in a better understanding of how each program area operates within their respective workload functions.</p>	

10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	Not at this time
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Learning about taxes

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Learning About Taxes
2. Background to the risk treatment	The CRA seeks to help individuals to understand the tax system and how it works as well as to better understand their roles and responsibilities within the system.
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	<p>For this purpose, the CRA has developed an online course to help individuals to understand the fundamentals of the Canadian tax system and to show them how to file a basic tax return.</p> <p>Through this course, individuals are introduced to:</p> <ul style="list-style-type: none"> • Canada's tax system, its history, and how it works; • why individuals pay taxes, and how those taxes are spent; • the reasons for which an individual needs to complete a tax return; • the tools an individual can use for help with questions about their return, about the taxes they owe, or other related matters; and • the components of a basic tax return and how to complete it. <p>It also provides direction on how to get further help with a tax return or ask more detailed questions.</p> <p>The course is free, and takes about one to two hours to complete.</p>
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>This is an established approach that uses the internet to educate and inform individuals of their tax compliance obligations.</p> <p>This format allows the material to be updated quickly and easily to reflect changes in legislation, interpretation and/or administration.</p>
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>This course is designed to address the needs of individuals not familiar with the Canadian income tax system and often will be filing a tax return for the first time.</p> <p>A basic knowledge and understanding of Canada's tax system allows these individuals to deal effectively with their tax obligations. They will be better able to comply with the law and, at the same time, be sure that they get all the benefits to which they are entitled.</p> <p>This helps them to feel more positive about the tax system and their role (responsibilities) in it, thereby facilitating their voluntary compliance.</p>
4. Who is the target group of	Individuals not familiar with the Canadian income tax

<p>taxpayers for this risk treatment strategy? How large is the group?</p>	<p>system and those that need more information to fully comply with their obligations. This can include non-residents, newly immigrated residents, as well as younger Canadians.</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>1</p>	<p>Failure to register</p>
	<p>3</p>	<p>Failure to file on time</p>
	<p>2</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
<p>4</p>	<p>Failure to pay</p>	
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>The course is available to anyone who accesses the site, free of charge. The website is linked by organizations and associations that serve and/or represent the intended target groups (e.g. schools, provinces, community associations, etc.) thereby further promoting and facilitating usage.</p> <p>Reference material includes :</p> <ul style="list-style-type: none"> • information on how to contact the CRA for help with tax questions; • an index of links to reference information on tax-related issues; and • a glossary of course-related terms. 	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Measure the number of times page is accessed.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Individual tax compliance remains at strong levels due to CRA's balanced approach and education, for which this strategy plays an important part.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Feedback as to the usefulness of this course is always very positive.</p>	
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>		

Canada: 'My Business Account' e-Service

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	"My Business Account"
2. Background to the risk treatment	<p>I In a self assessment system there are risks associated with voluntary registration, timely filing of returns, accuracy of information provided and payment of amounts owed.</p> <p>The My Business Account portal was added to the Canada Revenue Agency (CRA) suite of e-services in September 2006 giving business and its representatives secure and managed access to information about the business and to services that facilitate voluntary compliance. The CRA e-services network combines an existing secure Government of Canada network with enhanced authentication and authorization processes based on the information the user/business has shared with the CRA. The CRA network incorporates specialized risk mitigation tools that help in identifying attempted misuse of any CRA e-services including My Business Account.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	<p>The development of My Business Account reflects a belief that businesses are more likely to meet their compliance responsibilities if they are provided with access to convenient, easy to use and secure services. As a web based application, My Business Account addresses the evolution of traditional service channels to an increasingly electronic format.</p> <p>My Business Account provides an ideal platform for businesses to provide electronic information that supports their taxable business activities and to aid in the identification of underground economic activity, for example in the area of GST/HST taxable services.</p> <p>The use of authentication processes to manage user identity and business managed authorization access ensures that the identity of the user and the transactions they undertook are recorded as part of a user audit trail. This form of user identification and control is considered to be superior to Web Access Code (WAC) formats currently in use to facilitate the filing of returns and other information.</p> <ul style="list-style-type: none"> The services offered through My Business Account reflect a consultative approach that has included ongoing client focus testing, analysis of historical CRA processing and client services trends and stakeholder consultations. Currently, business users can use the service to get information about business activities, compliance requirements, file information returns, interact with CRA staff and complete various self service activities. The CRA e-services continue to evolve, offering new

	services and enhanced protection through regular system releases.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	My Business Account expands on existing secure e-services offered by the Agency to accommodate the needs of business users. It is a key component of the on-line access strategy of the Agency and the Canadian government.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	By facilitating access to detailed tax account information and providing on-line functionality, businesses are facilitated to voluntarily comply with their tax obligations. The addition of identity, authorization and access management combined with additional security measures discourage fraudulent activities.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	All Canadian businesses.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	4	Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.	I The risk treatment strategy incorporates the use of enhanced technologies both to facilitate on line self service, validation and to support the collection and security of the information accessed/received. To take advantage of specialization offered through centres of expertise, CRA has collaborated internally and externally with other departments/Agencies having specialized knowledge and service platforms.	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	Not at this time	
8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)	Not at this time	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this	Resource constraints that delayed the implementation of some important services have negatively impacted adoption rates. Resolution of these constraints combined with a targeted	

risk treatment strategy.	marketing campaign will serve to increase capacity to handle higher risk/higher volume functions and positively impact user adoption rates. The more users that are using the portal, the greater the impact on risk.
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	User adoption rates would have benefited from a more compact implementation schedule.

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Outreach framework and the national outreach co-ordinating committee (NOCC)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	The CRA Outreach Framework and the National Outreach Coordinating Committee (NOCC)
2. Background to the risk treatment	<p>The CRA views outreach as a dynamic and strategic interaction with target audiences to:</p> <ul style="list-style-type: none"> • Increase awareness and encourage voluntary compliance; • Educate, inform, and promote CRA programs and services; • Promote CRA as a leading-edge organization. <p>Outreach is identified as a priority in the Corporate Business Plan.</p> <p>In 2004, a review of the Canada Revenue Agency's (CRA's) outreach activities and tools was undertaken as a first step in setting the stage to establish an Outreach Framework. Key individuals within CRA were contacted to participate in a questionnaire and/or an interview. The results of this review were compiled in a report entitled "Outreach Summary Analysis and Strategic Considerations".</p> <p>The review identified significant outreach challenges, issues and opportunities, including the primary tools and resources needed to implement those activities. It underlined the importance of a coordinated outreach approach that would provide clarity and consistency across the Agency and across the country and would be relevant to both the CRA outreach staff and to the publics they serve.</p> <p>A January 2005 National Outreach Workshop was also held in Ottawa to obtain additional input into the development of a CRA national Outreach Framework.</p> <p>Overall, the consultations revealed that outreach activities are critical and supportive elements that help the Agency achieve its mission. The Corporate Business Plan lists the enhancement of outreach programs as one of its priorities.</p> <p>The consultation process concluded that, as a first step, the CRA must define a national approach and structure – an Outreach Framework for coordinating and undertaking outreach activities.</p>
2a Description of the background to the specific risk treatment (e. g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>The Outreach Framework for the CRA effectively supports outreach and aligns itself with the priorities of the Corporate Business Plan.</p> <p>The co-ordination of outreach in the CRA is accomplished through the National Outreach Coordinating Committee (NOCC). The NOCC will strengthen and enhance outreach</p>

	<p>expertise and knowledge across the CRA by:</p> <ul style="list-style-type: none"> • facilitating the exchange of information and best practices; • developing and promoting a consistent and integrated approach; and • identifying and recommending initiatives aligned with CRA priorities. 	
<p>3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i></p>	<p>The CRA Outreach Framework fosters and facilitates coordination and information sharing of and support for CRA's outreach activities, priorities and programs. It promotes a coordinated and consistent message, image and brand to its various publics while defining the tools required for feedback and analysis of outreach activities. The Framework is not a strategic document, nor is it a planning document. It is a process document. It outlines how the CRA brings consistency to the outreach activities.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>CRA's outreach programs are designed for the broad taxpayer and benefit recipient populations that are defined for each specific approach on the relevant criteria and information/education objectives.</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>1</p>	<p>Failure to register</p>
		<p>Failure to file on time</p>
	<p>2</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
		<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>CRA Outreach Framework consists of seven key elements:</p> <ul style="list-style-type: none"> • An outreach definition; • Outreach roles and responsibilities within the Agency; • Outreach coordination mechanisms; • Reporting mechanisms and evaluation methodology; • Inventory of tools, • Standards and guidelines; and • Training. <p>In 2005, the National Outreach Coordinating Committee (NOCC) was created to strengthen and enhance outreach expertise and knowledge across the CRA. It is comprised of a designated representative from each branch and region that undertakes outreach activities.</p> <p>NOCC's mandate is to:</p> <ul style="list-style-type: none"> • Facilitate the exchange of information and best practices; • Develop and promote a consistent and integrated outreach approach; • Identify and recommend outreach initiatives aligned with CRA's priorities; and • Develop an evaluation methodology and a consistent reporting mechanism. <p>In order to meet the mandate of the NOCC, each member</p>	

	<p>will:</p> <ul style="list-style-type: none"> • act as communication conduit on their region/branch key outreach priorities and activities; • promote the coordinated outreach approach in their region/branch; • provide regular updates to the NOCC on their region or branch outreach activities and priorities; • consult within their region or branch on the work of the NOCC; • disseminate information about NOCC to their region or branch, as appropriate; • review and comment on draft documents; and • undertake key actions identified by the NOCC, as necessary. <p>The CRA Outreach web page on the CRA Intranet provides considerable information about and the means to coordinate a large number of activities, based on province and municipality as well as by type of event and intended audience.</p> <p>The site is an all-inclusive resource centre for Agency employees who are responsible for outreach activities. It provides outreach tools and tips such as up-to-date audience-specific presentations on a variety of topics, tools to assist in the delivery of outreach activities as well as in reporting and evaluating events, a calendar of upcoming events, and links to outreach activities in other Branches and Program areas within the Agency.</p> <p>The inventory of key tools and products assist staff in carrying out outreach activities on behalf of the CRA. The purpose of the inventory is to eliminate duplication, to build on best practices, and to make these items available for sharing across the Agency.</p> <p>The training component includes two parts: a training syllabus and a possible national outreach conference. The training syllabus offers a suite of courses and training products to support outreach activities. The outreach conference which is still very much in the planning stages would facilitate training in techniques and practices, sharing of best practices and guiding the evolution of outreach in the CRA.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A reporting tool and database have been developed to evaluate and support outreach activities. The reporting tool allows individuals to enter pre- and post-event information for each outreach activity. Once entered in the database, the information can then be extracted to produce a variety of specific statistical reports (e. g., local, regional or national; monthly, quarterly, or F/Y).</p> <p>The development of reporting mechanisms and evaluation methodology supports timely information gathering and sharing among outreach participants. Effective, structured planning and reporting results in tactical and consistent strategic and resource planning. In turn, they ensure the implementation and maximum impact of CRA's outreach activities/initiatives.</p>

	<p>The evaluation of the outreach program is a sure way to improve outreach activities, to determine the success of work accomplished, and to report upwards. The information gathered deals not only with volumetrics but also with the CRA's success in being pertinent and reaching the appropriate audiences.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Still not identified at this time.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Still not identified at this time.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	

(1. A risk treatment strategy can include multiple elements e. g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Partnership strategy

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Partnership Strategy
2. Background to the risk treatment	<p>Partnerships (both limited and general) have been recognized as vehicles for abusive tax planning schemes, including tax shelter and other aggressive tax avoidance arrangements. Consequently, partnerships were identified as a workload for tax avoidance. In recent years, large corporations have converted their operations into partnership and trust structures, or a combination of both. As a result, these operations were not being identified in our normal workload selection processes for large case files.</p> <p>Although Partnership Information Returns (PIR) were being filed, it was not until 2002 that limited information was captured electronically. In 2005, a partnership pilot project (PPP) was initiated and 40 audits were selected and assigned to four tax services offices.</p> <p>For the initial project, we limited the file selection to those partnerships that have less than 25 members. This reduced the complexity related to follow-up assessing requirements. As well, the pilot was limited to relatively simple partnership structures, providing for the exclusion of the more aggressive returns composed of trusts, corporations and other partnerships.</p> <p>Even with this limited scope of the file selection and issues related to PIR data quality, the results have been very encouraging.</p> <p>Additional funding was provided to improve the capture of PIR data in an electronic format.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The strategy was developed to obtain an understanding of the issues – technical, operational and behavioural –that could be encountered when dealing with partnerships.</p> <p>The objective of the PPP was to evaluate the audit potential related to partnerships and to identify issues that could impact on a partnership strategy.</p>
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group comprised partnerships with less than 25 members and that were located in the jurisdiction of the four TSOs selected.

<p>5. Main risk types being treated (indicate in order of priority)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.)</p>		<p>Files were selected based on risk in specific areas (at-risk-amounts, losses, etc.); however, once the files were screened for audit, the audit was comprehensive and covered all areas including income and expenses.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>		<p>The results of the PPP assisted in developing a model for organizing, resourcing and undertaking partnership audits that would form the basis for future program initiatives. Results of the PPP have also been helpful in developing expertise in this complex area, identifying potential compliance risks, as well as enabling us to provide input with respect to the implementation of data capture and risk assessment systems.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>		<p>Adjustments varied from no-change (50%) to over \$7,500 per audit hour. Most of the files had adjustments ranging from \$400 to \$500 per audit hour. The total adjustments for all audits came to just under \$6 million. Two files with revenues above \$15 million provided half of the adjustments (\$3.6 million).</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>		<p>Highly competent auditors that specialize in partnerships are required to carry out the work. The partnership rules are highly complex and, as such, junior auditors would not be recommended.</p> <p>Current assessing procedures are inadequate to deal with large partnerships. A large-volume reassessment group has been identified as an operating requirement to deal with the processing of the partnerships workload.</p> <p>The PIR in itself was inadequate for proper risk assessment. The PIR was reworked in 2006 to mirror, to a large extent, the T2 Corporate tax Return. The results will be reviewed in 2008 to determine risk assessment guidelines.</p> <p>Despite the poor data quality, the assistance of knowledgeable auditors to screen the files for audit ensured the overall good results.</p> <p>The organisational structures containing partnerships and trusts will impact on our approach. In essence, these flow-through entities (FTE) are often used in aggressive tax planning. In the long term, will have to combine partnerships and trusts as a "Structural Sector". It is evident that any compliance strategy used will have to</p>

	<p>consider other approaches such as:</p> <ul style="list-style-type: none"> • Co-operative arrangement with 3rd parties for forms and dissemination of information • Enforcement, penalties or sanctions to promote timely filing by filers and proper reporting by partners • Legislative, Policy or Process Changes, New Data Sources to get a better understanding of the population • Education Based Strategies to inform users of their responsibilities in what are complex tax issues • Reporting Strategies to simplify the process for smaller filers
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>A matching project using the partnership slips should have been performed simultaneously with the PPP to evaluate the extent of non-compliance amongst the partners.</p> <p>More coordination with Small and Large Business could have presented a better picture to formulate a strategy. For example, selecting a few partnerships with a large number of partners would have provided us with:</p> <ul style="list-style-type: none"> • partnerships in higher revenue ranges and complexities; • more insight on the difficulties that would be encountered in large volume adjustments (LVA); and • a base to create procedures to deal with LVA.

(1. A risk treatment strategy can include multiple elements e. g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: SR&ED account executive service (AE)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	SR&ED Account Executive Service (AE)	
2. Background to the risk treatment	The SR&ED Program is an incentive program, which provides tax credits to individuals and corporations that perform Scientific Research and/or Experimental Development work in Canada.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	The AE Service is designed to provide all businesses with one-stop access to information. The account executive will help claimants understand the SR&ED program, the requirements for eligibility of work, the rules for determining qualified expenditures, ways to support the claim, and the review process. Having an account executive will also help to provide continuity and consistency of service from year to year.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The AE program has been fully integrated into the SR&ED Program.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The Account Executive Service represents a proactive approach to risk management. By providing on-going support, the risk of non-compliance is reduced and managed. The Account Executive Service not only discourages non-compliance. it also encourages compliance through on-going education and support.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The primary targets for this service are large corporations with significant investments in R&D. There were 1238 registered AE clients in fiscal 2006-2007.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	N/A	Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	N/A	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see</i>	By providing both education and support to claimants on an on-going basis through the AE program, the risk of non-compliance can be managed.	

<p><i>explanation at /1), including the need for any special co-ordination arrangements.</i></p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The number AE clients are reported on a monthly basis in SR&ED operational reports.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>In 2005, the impact of the AE service was reviewed. Both the number of claimants who filed claims subsequent to enrolling in the AE program and the level of compliance for those claims were found to be significantly higher.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The AE program is an effective risk management tool for large clients with well-established R&D programs.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>It is essential to take a pro-active approach to risk management in a tax incentive program such as SR&ED.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: SR&ED - pre claim project review (PCPR)

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	SR&ED Pre Claim Project Review (PCPR)	
2. Background to the risk treatment	The SR&ED Program is an incentive program, which provides tax credits to individuals and corporations that perform Scientific Research and/or Experimental Development work in Canada.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Under the PCPR program, potential claimants submit details of SR&ED work to the Agency prior to submitting the actual claim. The Agency will review the work/project and issue a non-binding opinion as to whether the project meets the definition of SR&ED per the Income Tax Act. Once the work has been completed the claimant will submit a claim and if there are no changes from the work addressed in the PCPR, the claim will normally be accepted as filed based on the results of the PCPR.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The PCPR program has been fully integrated into the SR&ED Program.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	This is a pro-active approach to risk management. By providing an opinion before the claim is submitted and, in many cases before the project is even started, the risk of non-compliance is reduced and managed.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	While all SR&ED claimants can use this service, it is first time claimants that are the focus of the PCPR service. The total number of PCPRs completed in fiscal 2006-2007 was 580.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	N/A	Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	N/A	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>The PCPR service involves a detailed review of projects at the planning stage to arrive at an opinion as to whether or not they qualify. The PCPR service also provides education and assistance to claimants with respect to the determination of qualifying SR&ED work.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The number of PCPRs completed is reported on a monthly basis in SR&ED operational reports.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>In 2005, the impact of the PCPR service was reviewed. Both the number of claimants who filed claims subsequent to requesting a PCPR and the level of compliance for those claims were found to be significantly higher.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>PCPRs are found to be effective with claimants that are relatively new to the SR&ED program. By providing both support and education, especially to relatively new claimants, risk is managed by discouraging non-compliance and encouraging compliance.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>We have learned that a proactive approach to risk management that includes client education as well as an understanding of the clients' business environments, gained through working directly with clients, work well in a tax incentive program such as SR&ED.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: SR&ED process review

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	SR&ED Process Review	
2. Background to the risk treatment	The SR&ED Program is an incentive program, which provides tax credits to individuals and corporations that perform Scientific Research and/or Experimental Development work in Canada.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Under the Process Review program SR&ED technical and financial staff assess the claimant's internal controls and provide recommendations in order to ensure compliance. Risk is managed through a real-time review of a claimant's control systems prior to the end of their fiscal year and the filing of their claim.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	A pilot was undertaken over a two-year period. The Process Review Program is now fully integrated into the SR&ED Program.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	This is a pro-active real time approach to risk management. The risk of non-compliance is addressed at the source in real time before claims are filed.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group for the Process Review Program are clients with significant investments in SR&ED. These are normally large corporations.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	N/A	Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	N/A	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	Address non-compliance issues at the source through an assessment of the client's internal controls and the clients' knowledge of the requirements of the SR&ED Program.	

<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>When the claim is submitted, it undergoes a preliminary review to ensure that there are no material deviations from what the claimant was expected to submit as determined during the Process Review. If there are any material deviations, they are discussed with the claimant.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>This review process has been successfully piloted in 2002 to 2005. The results of the evaluation were very positive. Process Review Guidelines were finalized and issued in 2007-2008.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>This program requires a considerable investment of time (from both parties) during the initial review, usually in year one of a Process Review. However, once the claimant's internal controls have been reviewed and accepted, future review time is greatly reduced.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Real time Process Reviews can be an effective risk management tool. While Process Review requires an investment of both time and funds by both the CRA and the claimant, both agree that the gains in long term cost efficiencies and more timely completion of reviews warrant the Process Review approach.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Canada: Trust pilot project

Part 1

Country	Canada
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Trust Pilot Project	
2. Background to the risk treatment	<p>The trust sector has evolved significantly in a short period of time and the increasing use of trusts in complex and novel arrangements over the last few years has created a compliance gap that must be addressed. Traditionally, trusts were used mainly for estate planning until the assets of the estate were distributed. Today, complex organizational structures created by tax planners characterize the T3 trusts files, in particular Income Trusts, which at times result in unintended tax consequences.</p>	
<i>2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
<i>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>The trust pilot project was implemented in April 2005 and the audit phase was ended in March 2008. Analysis and reporting phase is to be completed by March 2009.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The project goal was to identify risks, resources, opportunities and initiatives, which will enable CRA to assess the scope of the domestic trust problem, plan further initiatives and justify any additional long-term resources required to support the primary objective in developing a comprehensive compliance strategy for trusts residence in Canada.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The target group includes testamentary and inter vivos trusts resident in Canada.</p>	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Ten offices were selected to participate in the project, as they were responsible for the highest filing population for T3 Trust Income Tax and Information Returns. Audits of selected high-risk files are conducted throughout the 3-year duration of the pilot project.</p> <p>Trust files were selected based on amounts reported on the following T3 Income Tax and Information Return line items:</p> <ul style="list-style-type: none"> • Allowable Business Investment Loss • Carrying Charges • Date of Departure • Deemed Realization • Subsection 164(6) election • Gains on Real Estate • Gains on Small Business Shares • 21-year Rule • Management and Accounting Fees • Other Deductions • Trustee Fees. <p>Once the trust files were selected, T3 returns were reviewed together with any related parties to ensure compliance.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Information obtained through the project audits was gathered for analysis and the development of a model for organizing, resourcing, and undertaking domestic trust audits. The overall model will include audit time standards by auditor level, file complexity rating by auditor level, audit issue identification and, ultimately, the development of an audit risk assessment model.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Impacts will be measured after the comprehensive compliance strategy is developed based on information collected from the project.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>A full evaluation of this project is currently being undertaken after completing the audit phase.. However, it is estimated that the project has enhanced the visibility of the trust issues across the CRA and has facilitated the growth of expertise in conducting audits where trusts are being used in tax planning.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The project is merely an early step in our efforts toward ensuring compliance in the domestic trust sector. It is perceived as a good start in understanding the overall issues in this evolving industry. Future strategies may be required to target particular types of trusts.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Chile: Simplified accounting system for micro, small and medium enterprises

Country	Chile
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Simplified Accounting System for micro, small and medium enterprises (hereinafter referred to as SMEs)	
2. Background to the risk treatment	SMEs need simple accounting and tax systems, which allow them to fulfil their tax liabilities in an easy, timely and cost reduced way.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Additionally, SMEs do not need the same ledgers as large companies.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The Simplified Accounting System started in March 2007, as an alternative regime, available to all taxpayers who meet the requirements. The regime is incorporated in the Tax law and has an indefinite character. The regime is not compulsory, taxpayers who chose to apply it, have the possibility to return to the general regime.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The objective of the Simplified Accounting System is to facilitate tax compliance and income tax assessment of the target taxpayer group, through a simplified way of income tax determination.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Individual enterprises, not including corporations, with sales less than US\$ 180,000 per annum. In the case of taxpayers which start business, they must have an initial capital inferior to US\$ 360,000. The number of taxpayers that will meet the requirements to use the Simplified Accounting System is 200,000.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	1	Failure to register
	3	Failure to file on time
		Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	One of the main features of the Simplified Accounting System is the simplified way in which taxpayers can assess their income. The system is based on a cash system. Taxpayers only have to register their incomings and outgoings. Investment and stock payments can be deducted immediately. The Simplified System eliminates some tax obligations, such as keeping accounting books, preparing balances, applying monetary adjustments, applying depreciation, take inventory, and the preparing of	

	<p>FUT (Tax Profits Funds) records. Another feature of the Simplified Accounting System is the provisional monthly payment of 0.25% of the gross monthly sales. This would reduce the financial costs of those taxpayers who pay Provisional Monthly Payments for the First Category Tax (business profits tax) valued at 17% and then request the reimbursement from the state, given that their personal tax rate is generally lower.</p> <p>Moreover a web application for the Simplified Accounting System is developed, which allows the taxpayers to keep their accounting records and determine their taxable income online.</p> <p>It is located in the SII MIPYME Tax Portal, so taxpayers have the opportunity to issue and receive electronic tax documents.</p> <p>Another feature of the Simplified Accounting System is the use of pre-filled tax returns for the taxpayers using the web application.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<ol style="list-style-type: none"> 1. Number of taxpayers registered in the Simplified Accounting System. 2. Number of taxpayers using the web application of the Simplified Accounting System. 3. Tax paid per taxpayer before and after the registration in the Simplified Accounting System.
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Between March 2007 and December 2007, 7,600 taxpayers have registered in the Simplified Accounting System; 3,000 of them are using the Web application in the SII MIPYME Tax Portal.</p> <p>The measurement of the tax collected under this special tax regime, can first be done after April, when the income tax has to be paid.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The web application at the MIPYME Tax Portal is still in an initial stage. Taxpayers have to get used to it. It is estimated that the amount of registered taxpayers will increase in the future; moreover it is important to promote the possibility of the Web application.</p> <p>Assessment results are not yet available.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It is necessary that accountants have a better understanding of the web application associated to this Simplified Accounting System. As they will act as a link between the SII and taxpayers.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Chile: Tax education portal for children

Part 1

Country	Chile
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Tax Education Portal for Children: www.siieduca.cl	
2. Background to the risk treatment	It is aimed to support citizenship formation, so that, in the future, the country will have more responsible and informed people, specifically on tax issues.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	Education is regarded an efficient way for rising conscious citizenship and tax awareness, due to its influence on civic values, formation of attitudes, knowledge transmission and promotion of desirable behavior for individual and social quality life improvement.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>This project is designed to be developed in 4 steps, according to the Chilean school education levels.</p> <p>There are 2 steps considered for elementary school, applying to different target groups, because elementary school is the largest educational period.</p> <p>The project starts with children of 6 years, because children at this age are in a cognitive period, they are more willing to learn and understand social and citizenship issues.</p> <ul style="list-style-type: none"> • Elementary school: First level (developed step) • Elementary school: Second level (step in process) • Secondary school (pending step) • Technician school: (pending step) 	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	Increase tax awareness, promoting voluntary compliance of tax liabilities through education.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group is students of elementary, secondary and technical education. This includes students/children from 6 to 18 years old.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	Failure to pay	

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>To carry out this tax education strategy, the next elements and tasks were developed:</p> <ul style="list-style-type: none"> • Tax Education Portal on Internet, directed to children, teachers and families. • Diffusion in schools through plays and lectures • Teachers training (very important agents in the Chilean education system). • Collaboration agreements with educational entities (ministries, governmental organizations)
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The educational strategy impact is difficult to measure. It will be visible in long-term tax compliance conducts (roughly 20 years).</p> <p>Strategy measurements are aimed to know the rate of children which know the products of this educational project, and their surfing behavior on the Educational Tax Portal</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>It is not yet possible to measure the impact of the education program.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>To generate actions which allow civic education is a work that needs support of many agents. It is a combination of formal and informal education and promotion activities.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>This kind of strategies shall be considered a government policy, including the partnership of Ministry of Finance and Ministry of Education, due to the big amount of financial resources that is necessary to finance this kind of long-term projects.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Chile: VAT - annual control

Part 1

Country	Chile
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	VAT Annual Control	
2. Background to the risk treatment	<p>The risk treatment strategy mentioned above was triggered by the high tax evasion rate observed at the end of the 90's (nearly 25%).</p>	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>2004: This year a pilot plan was carried out. The main objective was to verify, from a process standpoint, the effectiveness of massive control actions. Thus, 5.000 taxpayers were notified (out of 800.000). These were subject to basic VAT cross-checks.</p> <p>2005: Based on the experience drawn from the previous year, some improvements in IT processes and information treatment were introduced. This time 15.000 taxpayers were notified.</p> <p>2006: This stage, still in progress, was intended to increase tax controls. It is estimated that 30.000 taxpayers will be notified.</p> <p>2007: This process should begin in April 2008. The structural change proposed for this year is to integrate VAT controls with Annual Income Tax controls.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>Reduce VAT evasion based on voluntary compliance. However, voluntary compliance needs to be reinforced, in the sense of making clear to taxpayers the costs of non-compliance. This has been done by implementing massive and structured controls launched on a regular basis.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>VAT taxpayers; mainly small firms, secondary medium-sized firms.</p>	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements

	4	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>Key elements have been:</p> <ul style="list-style-type: none"> To gather high-quality tax information through electronic means. To limit information requirements to be met by taxpayers (for instance: only taxpayers with annual income sales above US\$ 500,000 must fill the Form⁷ 3323; i.e. 7,000 taxpayers plus 5,000 electronic invoicers; out of 800,000). It has also been crucial to count with technological applications for massive audit processes, as well as applications to inform taxpayers about the differences detected, given that both processes involve a large amount of transactions. 	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>The strategy is mainly assessed by calculating the amount of tax paid before and after the plan is executed. Furthermore, it is evaluated the impact of corrections/amendments introduced by taxpayers to their Income Tax returns; many of which do not imply an increase in the amount of tax paid, but allowing to improve the quality of tax records.</p>	
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	<p>It is estimated that taxpayers are quite aware of the risk (cost) of non-compliance, but this has not been measured yet.</p> <p>Approximately 186 tax frauds were detected as result of the line up of monthly (VAT) and Annual (income tax) controls.</p>	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	<p>The importance of lining up monthly and annual tax controls.</p> <p>The importance of considering quality aspects (such as the quality of attention to taxpayers) in the formulation of audit plans.</p>	
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	<p>Integral and unified attention to taxpayers (for example, currently they are attended per type of tax, but they could be attended on their tax matters on a global basis).</p> <p>Some new tax fraud schemes detected, call for a structured audit processes, in particular due to the high client/provider relationship observed in many irregular situations.</p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

⁷ Form 3323: “Sworn statement: Biannual summary of VAT on Sales and Purchasing”

Chile: VAT - tax portal of electronic invoicing

Part 1

Country	Chile
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	MIPYME⁸ Tax Portal of Electronic Invoicing	
2. Background to the risk treatment	Since April 2003, the use of electronic invoicing for VAT purposes is allowed for all taxpayers. For those entrepreneurs with fewer resources, who are not able to develop or buy electronic invoicing software, the SII made available a free application of e-invoicing, which is developed by them and the Union Associations of MIPYME (it received the support of the Inter American Development Bank).	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	The Electronic Invoicing, developed under the Electronic Invoicing Law, is oriented to improve the auditing instruments, making easier the taxpayers VAT compliance.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The MIPYME Tax Portal of Electronic Invoicing was launched in August 2005. The approach of the system is to form an integrated part of the tax system.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	- To improve auditing tools which the SII uses to audit the SME taxpayers. - To facilitate the issue and administration of tax documents which backup the commercial transactions of SME taxpayers.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	First category taxpayers (who pay income tax for business income) with sales less or equal to US\$1,000,000. The target group of MIPYME Tax Portal of Electronic Invoicing consists of 475,000 taxpayers. However, actually only 1% of this group is using the system.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	Failure to pay	
6. Description of the key elements of the risk treatment strategy (please	The Electronic Invoicing System has two important features. First it implies that taxpayers keep their VAT accounting online, so that the SII can access and control	

⁸ Micro, Small and Medium Enterprises

<p><i>elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>the VAT transactions easily. The SII will use the electronic documentation to control the amounts declared on the monthly VAT returns. The electronic invoicing system does not include the assessment of VAT as it is only a registration system of the VAT transaction made by the taxpayers.</p> <p>Second, the system implies time and cost saving for taxpayers, because they have the possibility to use a free online application where they can archive simply their VAT transactions, this prevents lost of important tax documents.</p> <p>To make that taxpayers will use the system, special free trainings are given by the SII.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>An evaluation will be made of the number of taxpayers using the invoicing system.</p> <p>The SII gets monthly statistics about the number of taxpayers registered on the MIPYME Electronic Invoicing, as well as the quantity of tax documents they issued.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The number of taxpayers, registered on the system, has risen. In 2007, its growth rate was 200%.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Pros:</p> <ul style="list-style-type: none"> • The dates registered in the Electronic Invoicing can be transferred easily to the Simplified Accounting System, which operates in the same MIPYME Portal. This implies a positive influence of the use of both systems. • Although the rate of taxpayers using the MIPYME Electronic Invoicing is small (1%), compared to the potential universe of users, this proportion will increase as new generations of taxpayers get familiarized with the use of computers on business transactions. <p>Cons:</p> <ul style="list-style-type: none"> • The MIPYME Electronic Invoicing application available at the SII web site, is a basic one, it does not include functions available in other commercial electronic invoicing applications. At the moment, the SII evaluates the characteristics of commercial transaction made by the potential users, and analyzes improvements that can be made in the portal.
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>The Electronic Invoice penetration among taxpayers mainly depends on:</p> <ul style="list-style-type: none"> • the age of the persons in charge of implementing the e-invoice, • in general, taxpayers just starting a business use the electronic invoicing system, while other taxpayers continue using the old system

	<ul style="list-style-type: none">• the business or activity developed by the taxpayer. <p>The efforts of releasing the MIPYME Tax Portal of Electronic Invoicing must be directed to new generations of accountants and taxpayers to adopt this system.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Chile: Working closely with small enterprise associations

Part 1

Country	Chile
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Working closely with Small Enterprise Associations	
2. Background to the risk treatment	<p>There are some sectors of economy that are of high risk level. They are formed by lots of small businesses and it is very hard to control them in a very selective way, because of the high cost.</p> <p>One issue is that many small businesses are not easily located because of invalid addresses provided to the Tax Administration or they do not answer to requirements.</p> <p>It is stated by the associations representing the respective businesses that the reason of non compliance is the poor knowledge owners of these business have of tax laws.</p> <p>The strategy developed is directed at establishing closer and better relations between the Tax Authority and the small enterprises in specific sectors, such as transport. The close relations result in education of the taxpayers and the SII receives relevant information from the taxpayers about the specific sector.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>The strategy was born as permanent work of the Tax Administration with the tax payers, which allows understand better their tax problems.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>The idea behind this strategy is to reduce non compliance mistakes in declaration forms by reducing the ignorance of the taxpayers on their duties.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The target group of taxpayers for this treatment strategy are different small businesses groups. The most important is transportation both passengers and goods transportation. There are about 40,000 taxpayers in goods transportation, and 10,000 taxpayers in passengers transportation.</p>	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	4	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key	<p>First of all, to make contact with the Directory of the</p>	

<p>elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>Enterprises Association.</p> <p>Second, to listen carefully the state of the art in the business sector of economy that is represented by the Directory, specially the problems that are affecting them (Economical, Tax Structure, Tax franchising). Some answers have to be given, in an appropriate way, just for settle the real needs of the economy sector.</p> <p>After that, the team that is in charge of the strategy has to give the frame for a long term co-operation. This includes a general design of:</p> <ul style="list-style-type: none"> • Some presentations along the year, in different cities, including specific themes and a base of tax duties. • The exchange of economical information about the sector. • The publishing tax issues in the specific sector magazine. • Other issues. <p>All the agreements are written down in a formal document.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<ol style="list-style-type: none"> 1. The numbers problems solved during the year. 2. The number of presentations given during the year. 3. The number of taxpayers that have assisted to the presentations. 4. The quality and the quantity of the tax assessments made by the taxpayers of the sector.
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>There were 5 presentations given in 2007, 3 in 2006 and 1 in 2005.</p> <p>An example of the results of the strategy is that an increase in the tax compliance of these taxpayers was noted after the given presentations.</p> <p>Moreover, it is noted that in the selection process for the audit, the number of potential cases of non compliance has decreased significantly.</p>
<p>9. Provide any comments, positive or negative, that reflects on the results achieved to date with this risk treatment strategy.</p>	<p>This strategy has become an excellent example of how tax administration could assist sectors of economy on the way of improving its compliance level.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It is very important to control very closely the results of this kind of strategy, specially looking to the taxpayer's compliance (monitoring).</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Denmark: Intelligent E-Service – interactive dialogue during online returns filing

Part 1

Country	Denmark
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Intelligent E-Service – Interactive dialogue during online returns filing.	
2. Background to the risk treatment	The Danish tax system is based on registration, source deduction and third party reporting.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	<p>Third parties such as employers, banks, insurance companies, foundations, trade unions and public institutions report on wages, earnings, benefits, grants, savings, debts and deductible expenses.</p> <p>This information is made available to tax-payers on the so-called “Tax Folder” on the internet and when relevant used to generate the pre-printed return.</p> <p>Tax-payers are requested to either tacitly accept the pre-printed return or make corrections and/or add complimentary data.</p> <p>This is increasingly done online through an electronic interface.</p> <p>Alterations are associated with risk and therefore require labour-intensive efforts on our part to ensure correct assessments.</p>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The “Intelligent E-Service” solution is constructed on top of an existing electronic interface. It was implemented full scale for the tax year 2006 and is gradually being further refined.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The solution aims to reduce risks associated with online alterations of the pre-printed return. This will in turn free resources to address other risk areas.	
4. Who is the target group? How large is the group?	All individuals (including self-employed individuals) in the Danish tax base – amounting to approximately 4.7 million tax-payers.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
	2	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key	Tax-payers making an online alteration to the pre-printed	

<p>elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>return are alerted by a pop-up window if their alterations contrast with third party data.</p> <p>The individual in question is alerted of the problem and if relevant reminded of data in the Tax Folder or offered links to legislation.</p> <p>Individuals wishing to maintain their claim are offered the possibility of providing an explanation that will be looked at in the event of an assessment.</p> <p>The solution is being further developed based on experience from the first year.</p> <p>For the tax year 2007 it will also contrast alterations with last tax assessment and advance registration.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>We are currently evaluating our experience from the first year.</p> <p>We are at the same time trying to determine whether the explanations and comments provided by the tax-payers can be used to identify risk areas or potential improvements to the pre-printed return or the electronic interface.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>More than one million individuals (including 209.000 self-employed individuals) used the internet to file their tax returns for the year 2006.</p> <p>The solution alerted 18% of these that they were about to make changes conflicting with data on the pre-printed return. 15% of these withdrew their claim, while 54% of those who maintained their claim provided an explanation or wrote a comment.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>We are currently evaluating our experience from the first year.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>We are currently evaluating our experience from the first year.</p>

Ireland: Electronic screening and risk ranking of employees for evidence of other undeclared sources of income

Part 1

Country	Ireland
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Electronic screening and risk ranking of employees for evidence of other undeclared sources of income	
2. Background to the risk treatment	It is evident that there has been significant wealth accumulation among some taxpayers whose income tax is deducted and paid over by their employers. This may be to do with property transactions or grey economy activity and is evidenced by lifestyle, asset accumulation, savings, access to large borrowings, etc.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The approach is in the planning phase.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Identification of undeclared sources of income among taxpayers whose income tax is deducted and paid over by their employers.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	As described. Approximately 2.2m cases for screening but the objective is to risk rate them and identify the most seriously risky cases	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	3	Failure to register
	4	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>It is intended using Eskort software to analyse information in relation to vehicle ownership, property transactions, savings, third party information etc. and compare it with levels of income earned by employees as returned by their employers.</p> <p>This will identify additional sources of income</p> <p>Cases will be ranked based on the potential loss of revenue and the scale of the evasion.</p>	

	A scaled intervention programme will be instituted to recover significant liabilities.
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	It is envisaged that year on year the risk analysis can be compared to evaluate increasing or decreasing levels of compliance, but given the sector targeted it is anticipated that high level publicity linked to the campaign will significantly improve compliance.
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Ireland: National construction project

Part 1

Country	Ireland
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	National Construction Sector Project
2. Background to the risk treatment	<p>The importance of the construction sector to the National economy in Ireland is very significant. Statistics from the Construction Industry Federation show that the industry is a €36.5 billion one, accounting for 24% of Gross National Product in 2006. This compares with €17.6bn in 2000 and is a 10.3% volume increase over 2005. There are in excess of 280,000 people engaged in the sector, an 11.2% increase in the year. Construction now accounts for 12.6% of total employment in Ireland.</p> <p>A cash-based, highly mobile, very competitive and labour intensive sector poses significant challenges and concerns for Revenue. Relevant Contracts Tax (RCT) is a withholding tax that was introduced in 1970 to manage tax compliance within the construction industry. It should be a revenue neutral tax.</p> <p>Following the completion of a Risk Evaluation Report on the design and administration of Relevant Contracts Tax (RCT) in 2005 and concerns raised by the Comptroller & Auditor General, Revenue decided to have a concerted, nationwide focus on taxation, compliance and customer service issues in the construction sector. An action plan was agreed and a national Steering Group was appointed to oversee implementation in January 2006. Emphasising the importance of this work, Revenue committed 25% of the national audit and compliance resource to the project for 2006.</p> <p>Revenue has always maintained a significant presence in monitoring activities in the construction sector. However, because we may not have been as co-ordinated in reporting the results of these activities, the impression may have been formed that we were in some way neglecting the sector. Dealing with the sector on a national basis and co-ordinating the reporting of the compliance activities aimed to address these concerns.</p> <p>With the introduction of RCT into our integrated taxation IT systems in 2003, the poor compliance of the sector with their RCT obligations became apparent. The IT system allowed us to tackle it in a more focussed and automated way. However, compliance was still well behind the other taxes e.g. VAT.</p> <p>Developers, contractors and operators in the sector operate on a national basis, if not on an international basis. In the past most operators in the sector were confined to an area</p>

<p>2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i></p>	<p>within a radius of their home or centre of activities. This is no longer the case. The workforce is now highly mobile and this mobility has caused problems in ensuring that all of the activities of an operator in the sector are properly compliant from a Revenue perspective.</p> <p>The introduction of a risk analysis tool in 2006 on a pilot basis highlighted that construction cases featured predominantly in the top 30% of risk.</p> <p>There are a significant number of non-nationals now engaged in the sector including thousands from the Accession States. This is a relatively new development and has raised particular customer service and compliance issues from a Revenue perspective. These issues are common to each of the Revenue geographic regions and thus a national approach was considered best.</p>	
<p>2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i></p>	<p>The project was intended to run as a national one for 2006 with 25% of the compliance resource engaged on it. At the end of 2006 it was agreed that it should continue until May 2007 with a conference in September to review it. At that point it was obvious that there was still more work to be done. It was recommended that it should continue into 2008 as a national project but that Districts & Regions would assign resources based on the individual risk scores for their areas, subject to a minimum resource of 15%. The recommendation was accepted. The target is to integrate it more fully into the risk focussed annual business plans for Districts.</p>	
<p>3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i></p>	<p>Improve taxpayers understanding of their compliance obligations through an information and awareness programme</p> <p>Revenue to have a better understanding of the risks in the sector giving rise to under-declarations</p> <p>Increase in compliance rates for filing and paying.</p> <p>Improved compliance with the RCT Regulations</p> <p>Send out a clear message to all elements of the sector (trade, accountants, unions etc) that Revenue will not tolerate non – compliance.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The construction sector has 46,000 self employed Principals and 116,000 Sub Contractors. [There is an overlap between the two categories.] There are 282,000 employees. These figures do not include the professionals engaged in the sector.</p> <p>[The overall self assessed taxpayer base is in 2006 was 683,000.]</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>2</p>	<p>Failure to register</p>
	<p>4</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>

	3	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>The project was dealt with under three primary headings:</p> <ol style="list-style-type: none"> 1. Legislation: which included changes to Finance Acts 2006, 2007 and currently 2008 to introduce new controls and put other items beyond doubt 2. Information Technology: this ranged from data capture and interrogation of detailed line items for every principal and sub contractor never previously captured, to the introduction of sector specific risk identification rules for the national risk analysis system and a “risky” contractor marker. 3. Administrative Issues: these varied from structural to customer service and compliance initiatives and included: <ul style="list-style-type: none"> • The commitment to assign 25% of the national compliance resource to the project • A number of changes to the administrative structure and the creation of some national Units; • a major taxpayer and tax agent awareness campaign using Open Forums, magazine articles, media interviews, mail shots, dedicated web site page and regular email updates to the trade and accountancy representative bodies • Regular consultation with the trade representative body – Construction Industry Federation (CIF). • For staff internally, the dedicated page for those who “work in RCT” was re-vamped with relevant and up to date information and instructions. • The introduction of a criminal prosecution programme for non filing of the annual RCT35 Return. • Clarity of policy in relation to the penalty for non compliance with elements of the RCT Regulations. • The introduction of a monthly statistics template to account for all Revenue compliance activity in the Sector. • The escalation of a campaign to monitor the potential abuse of self employed status in the sector. • Working with the Social Partners and the other Government Agencies to ensure compliance with employer obligations (including legislating for extended information sharing rights between the govt. agencies) . • Setting up a Steering Committee at Senior Management level with direct responsibility for the project – reps from all operational and 	

	<p>central policy & legislative areas</p> <ul style="list-style-type: none"> • Assigning a senior manager with overall responsibility for construction in each operational region and large cases division <p>Some of the key risks tackled were:</p> <ul style="list-style-type: none"> • Low rate of VAT registrations: This involved an information campaign on the need for VAT registration; cross checking the various tax head registrations and following up on new registrations. • Under declaration of taxes identified from a focussed audit programme (with 25% of the national resource), with a steady build up of expertise, of which VAT was found to be accountable for 55% of the yield. • Hidden economy workers in the sectors and incorrect employment status pursued through site visits; cross matching information with other govt. agencies; cross analysis of the taxpayer information from the employer and principal contractor files • Abuse of the RCT withholding tax system: a central dedicated C2 (tax clearance authorisation for construction) monitoring group was set up to identify and monitor “dodgy” principals and a monetary limit on the value of contracts that could be paid gross was confirmed by legislation and closely monitored. • Non compliance by non residents working in the sector: A central national non resident unit was established to deal with all non resident cases for construction. This also facilitated an improved liaison structure with HMRC. • Pursuit of other aspects of non compliance identifiable during a highly visible campaign of site visits which included other govt. agencies where appropriate e.g. vehicle registration verification, diesel sampling, personal identity verification of workers, checks of actual volume of activity on site (no. of units built) etc.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A national Steering Committee was appointed to oversee the project and met monthly. This was chaired by Operations Policy and Evaluation Division.</p> <p>Each Principal Officer was responsible for all Construction related activities in their Region/Division i.e. across all their tax districts and for all taxheads</p> <p>Within each Region sub groups were established to oversee progress</p> <p>A national reporting template was introduced with monthly reports. This was the first time detailed statistics were kept for a sector.</p> <p>The primary focus in the statistics was: audit volume and yield by taxhead; assurance check volumes and yield,</p>

	<p>returns compliance activity in pursuit of non filers; C2 monitoring for refusals and withdrawals; numbers of new taxhead registrations entered and results from site visits concerning hidden economy workers identified, incorrect classification of workers on site.</p>												
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Revenue assigned this project as a key corporate priority and made sure that it received a high profile both internally and externally. The result has been an overall improved understanding of the requirements and obligations and a general uplift in compliance.</p> <p>The industry responded very positively through its representative body the CIF. They endorsed the project and ran a whole series of Revenue articles in their magazine.</p> <p>In 2006 28% of audit activity was construction related representing 18% of the yield. The comparative figures in 2007 are 26% of audits and 19% of the yield. Figures illustrate that construction is no more non compliant than other sectors but the yield suggests further monitoring is required.</p> <p>The compliance filing rates for RCT have increased significantly over the period both as regards returns and payment compliance. (a) The filing rate for the annual return Form RCT35 has risen from 52% by due date in 2005 to 61% currently. Six months after the deadline the rate has gone from 77% in 2005 to 86% in 2007. (b) As regards the monthly return which is the payment, the rates have increased for all sized cases from 2005 with the biggest improvement being for the large cases. The comparatives are:</p> <table border="1" data-bbox="639 1189 1129 1361"> <thead> <tr> <th></th> <th>2005</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>Big Cases</td> <td>72%</td> <td>80%</td> </tr> <tr> <td>Medium Cases</td> <td>77%</td> <td>83%</td> </tr> <tr> <td>Small Cases</td> <td>73%</td> <td>76%</td> </tr> </tbody> </table> <p>The number of hits on the dedicated web page which was developed in May 2006 went from an average of 13,500 per month in 2006 to 20,500 in 2007. These illustrate the value of co-ordinating all the material and using it as a form of bulletin board for new events.</p> <p>Over the course of the project the Trade Union representatives acknowledged the positive impact from the site visits in dealing with the employment status issue and have worked in partnership with Revenue and the other govt. agencies et al. to develop a new approach to dealing with this from 2008.</p> <p>Since 2005 there was criticism by opposition parties in parliament as regards Revenue's handling of the sector. By the end of 2007 there has been many very positive statements made within Government and elsewhere regarding Revenue's overall approach to dealing with the sector.</p>		2005	2007	Big Cases	72%	80%	Medium Cases	77%	83%	Small Cases	73%	76%
	2005	2007											
Big Cases	72%	80%											
Medium Cases	77%	83%											
Small Cases	73%	76%											
<p>9. Provide any comments, positive or negative, that reflect on the results</p>	<p>Statistics show that the sector remains a high risk one and Revenue will need to continue pursuing the risk</p>												

<p>achieved to date with this risk treatment strategy.</p>	<p>Compliance rates for paying and filing are both much lower than the other taxes and continue to need more attention.</p> <p>While the high audit VAT yield is expected in this sector, there are some concerns that it is also the tax the officers are most experienced dealing with. Expanding the audits across more taxes, where appropriate, needs to be monitored by managers.</p> <p>The low figures for re-classification of workers illustrates that (a) the situation was never as bad as the unions were contending and (b) the high profile of the project encouraged many to regularise their position.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The project was announced and operational within a month. But it took a good while to get going.</p> <p>Senior management buy in was essential to assign the 25% resources to the project and to the central teams. The central teams were slow in being convened. This could be improved in future projects.</p> <p>Getting support and co-operation from the outset from the trade representative body was a big advantage</p> <p>Giving regular updates to and having good statistics on the project for management, trade and accountancy bodies, kept the project a priority in their minds. They were also necessary for accounting on progress to government.</p> <p>Site visits and their high visibility were very good but they were very expensive in terms of the resources, as we had to use experienced auditors. We are currently in the process of appointing less skilled officers to this task for the future.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Mexico: Comprehensive program against tax evasion (PICE)

Part 1

Country	Mexico
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy (Mexico)	Comprehensive Program Against Tax Evasion (PICE).
2. Background to the risk treatment	<p>This program seeks (or aims) to determine, in a comprehensive context, the factors, behaviors and risk levels of taxpayers in every stage of the tax cycle.</p> <p>At an early stage, there were independent risk models working in different functional areas at the Servicio de Administración Tributaria (SAT), the Mexican tax administration, PICE seeks to:</p> <ul style="list-style-type: none"> • Merge all this risk models in a single risk assessment system, allowing a thorough risk analysis. • Generate valuable knowledge, by gathering all the risk expertise across the organization, in order to improve the prediction power of the risk models. • Standardize information, allowing the construction of time series, useful in generating risk indicators. <p>PICE embodies a 360° vision of the risk level associated to the taxpayer's behavior during the whole tax cycle.</p> <p>This program has developed risk assessment using indicators, arising from statistical analysis of taxpayer's information and from experts' experience.</p>
<i>2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
<i>2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>To develop tools and information systems useful in establishing and defining strategies, in order to:</p> <ul style="list-style-type: none"> • Increase effectiveness of the tax administration duties. • Optimize available resources. • Increase risk perception among non-compliant taxpayers.
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The program targets all registered businesses and individuals, excluding employees and small vendors. So far, the program has produced risk assessment for more than 2 million taxpayers (about 600 thousand businesses and 1.4 million individuals). Though, these figures are likely to increase in the near future, given the actual number of taxpayers enrolled on SAT's databases.</p>

5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
<p>PICE is broadly based on the OECD approach for Risk Management.</p>	4	Failure to register
	3	Failure to file
	2	Failure to report tax liabilities
	1	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>New information sources, as PICE is currently composed of 6 risk models, developed by different functional areas of SAT, (Domestic taxes; Certified Public Accountants; Invoices; Refunds; Foreign Trade; and Tax Credit Collection). It is expected to include 5 additional risk models in 2008, dealing with other stages of the Tax Administration Cycle.</p> <p>Use of enhanced technology, since newly generated data has to be shared, updated and made available for users nationwide.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Users will start implementing the results from the model in 2008, and will evaluate outcomes to generate relevant feedback, based on the ability of the program to improve their operation.</p> <p>Indicators will be defined s soon as we receive feedback from the model's users.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>The impact will be measured on a semester basis.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>No Comments</p>	
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Usually, it is difficult to merge models. So, difficulties arose when it was time to define weights for each model on the overall risk assessment model. To coup this situation, a survey was launched and the final weights were defined as the average resulting from the opinions of the experts surveyed.</p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Mexico: Income Tax return for individual taxpayers, preventive education.

Part 1

Country	Mexico
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Income tax return for Individual Taxpayers: preventive education.	
2. Background to the risk treatment	To increase the voluntary and on time compliance is one of the main strategic goals of the Servicio de Administración Tributaria (SAT), the Mexican Tax Administration.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	The information provided by third parties is of extreme importance to ensure the quality of pre-filled tax returns, as well as an important input for the tax refunds process and audit activities. Since many of the third party information is generated by economic activities developed by individual taxpayers, it was decided that SAT must target an education program on them, in order to mitigate the risk of lack of information, or of poor quality, due to non-compliance on this taxpayer's segment. Given that many individual taxpayers are employees, the strategy includes collaboration with corporate taxpayers, aiming to expand their corporate social responsibility to tax compliance.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The strategy is a business as usual approach and is performed on an annual basis, 6 months before the deadline for on time tax return filing is met.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	To increase voluntary, on time and correct compliance of Individual Taxpayers (including wage-earners) who represent an important source of third party information, a key input to risk analysis in tax refunds and audits processes.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Corporate Taxpayers: 1,500 Individual Taxpayers: 8 millions	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment	The strategy is based upon three elements namely: 1) collaboration programs with key agents of the financial and	

<p>strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements).</p>	<p>insurance sectors; 2) expanding corporate social responsibility of corporate taxpayers and large employers in developing a culture of voluntary, on time and correct compliance; and 3) specific training courses on tax issues.</p> <ol style="list-style-type: none"> 1. Collaboration program with the financial sector (banks): The goal of this program is to reach more Individual Taxpayers across the country. The basic features of the program are: <ul style="list-style-type: none"> • Commitment of the banks to deliver statements on interests earned by financial activities to their clients on time. This is important, since this information is needed to complete their tax returns. • Compliance advertising in: <ul style="list-style-type: none"> - Account statements. - Bank's internet web page • Distribution across the country of software to help Individual Taxpayers in filing their annual income tax return. 2. Letters to Corporate Taxpayers: <ul style="list-style-type: none"> • To expand corporate social responsibility of corporate taxpayers and large employers in developing a culture of voluntary, on time and correct compliance, by promoting this principles among their employees (wage-earners) and other Individual Taxpayers who supply goods and services to them. • Aside from promoting co-responsibility on the tax compliance of their employees, the letter informs employers the overall compliance index of their employees for past fiscal years, so they can compare their performance on complying with tax obligations. 3. Advanced training courses: its purpose is to improve correct and on time compliance of Individual Taxpayers, so the quality of third party information they provide is guaranteed. <ul style="list-style-type: none"> • An invitation to attend these courses is issued, via letter or e-mail. • Target groups: Corporate Taxpayers, including federal and state government offices and the legislative sector, i.e.: Deputies and Senators. • The course includes educational issues on several relevant tax topics. • The program's scope is nationwide.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The key indicator to measure the impact of the strategy is the index of compliance (end-to-end process):</p> <ul style="list-style-type: none"> • Third parties • Annual income tax return: Individual Taxpayers.
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what</p>	<p>The impact is measured on an annual basis. As an example, actual information of Compliance in the federal government (wage-earnings) is presented:</p> <ul style="list-style-type: none"> • Index of fiscal compliance for the year 2005: 56%

<p><i>frequency) you are measuring the impacts of the strategy.)</i></p>	<ul style="list-style-type: none"> • Index of fiscal compliance for the year 2006: 67% <p>The above data shows an improvement on the indicator; nevertheless the level of compliance is still low.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The complexity of the legal framework continues as an obstacle to voluntary and on time compliance, and affects the risk perception of taxpayers.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The challenge is to find new formulas to improve the strategy and its scope, to increase the voluntary and on time compliance.</p> <p>The big challenge of simplifying compliance and not loosening control remains.</p> <p>The strategy must spread and promote a great risk perception among non-compliers.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Mexico: Informative return (form) of 3rd party transactions

Part 1

Country	Mexico
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Informative Return (Form) of Third Party Transactions, “Declaración Informativa de Operaciones con Terceros (DIOT)”.
2. Background to the risk treatment	<p>According to Value Added Tax Law, filing DIOT is a tax obligation consisting on informing SAT economic transactions between the taxpayer and it's suppliers on a monthly basis.</p> <p>Through analyzing “Form 42, Informative Return of Clients and Suppliers”, SAT has detected taxpayers who omit or underreport earnings. Taxpayers must inform annually their 50 main suppliers and clients, whose cumulative transactions were above the \$50,000 pesos threshold (about 5000 USD). Some implications of this informative return are:</p> <ul style="list-style-type: none"> • There is no formal surveillance of the tax status of the taxpayers involved on the economic transactions being reported. • Information reported was related to nominal income, not cash flows. • Tax audits took place one or two years after the taxpayers had filed the informative return, favoring non-compliant behavior. <p>Given this, DIOT's main goal is to obtain third party information promptly and on a cash flow basis, allowing increasing risk perception among taxpayers and verification activities coverage.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>Though DIOT filing is a tax obligation, currently the risk treatment is at an early stage. As an outcome of a data matching process over 6100 taxpayers were selected for various forms of audit.</p> <p>Also, more than 100,000 letters were sent to informers about the invalid status of their suppliers, which makes their tax deduction invalid. In addition, during June 2008, more than 18,000 letters are planned to be sent to taxpayers to inform them about the invalid status of their suppliers on the fiscal year 2007.</p> <p>Is expected that DIOT use on audit activities will be the business as usual approach in the near future.</p>
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The implementation of DIOT on audit activities seeks to generate effective programs to deter tax evasion, avoidance and fraud, through promptly and accurate information, making possible a strict surveillance of the taxpayers' obligations.
4. Who is the target group of	The program targets all businesses and individuals,

<p>taxpayers for this risk treatment strategy? How large is the group?</p>	<p>excluding employees and small vendors.</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>4</p>	<p>Failure to register</p>
	<p>3</p>	<p>Failure to file on time</p>
	<p>2</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>1</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Taxpayers assistance and compliance promotion:</p> <ul style="list-style-type: none"> • Assistance on DIOT filling, favouring spontaneous and thorough compliance of the taxpayers with this monthly reporting obligation. • Surveillance of the tax status of the reporting taxpayers and the third parties they are disclosing. <p>Design of information matching formulae to identify non-compliant taxpayers as well as discrepancies, allowing:</p> <ul style="list-style-type: none"> • Tax examinations based on risk analysis. • Determine non payments of Income and Value Added taxes and Income Tax. <p>IT solution:</p> <ul style="list-style-type: none"> • Develop an online tool to perform the predefined information matching formulae automatically, so local offices can launch tax examinations promptly. 	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Annual evaluation of the examination activities through the following indicators:</p> <ul style="list-style-type: none"> • Examination effectiveness = (Examinations with additional tax recommendation/Examinations performed)*100. Objective: examination effectiveness > 80%. • Benefit-cost ratio of examinations = (Additional tax collected of examination activities/Examinations costs). 	
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Risk perception has been introduced into taxpayers, given that the information is used promptly, either to identify Non-registered taxpayers, taxpayers whose activity has been suspended, and tax discrepancies.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The lack of precise information related to previous periods taxpayers' VAT favorable balance has led audits with a no change result. Since this information is contained on DIOT, the lack of information will be solved as time goes by and enough data is gathered.</p> <p>Since their deduction claims would not proceed if they report suppliers with an invalid status, an important response from informers has been achieved. Their main</p>	

	concern deals with what shall they do if a supplier has an invalid status on the Tax Administration's databases.
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	Given that there were some claims about the burden of DIOT on taxpayers, the Tax Administration has reacted promptly to let taxpayers know of the usefulness of such information. Our goal is to let them know that, with their compliance with this obligation, the Tax Administration is more effective in identifying tax evasion.

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Mexico: New model for periodical payment and reporting obligations

Part 1

Country	Mexico
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	New model for tax obligations registration (periodical payment and reporting obligations)	
2. Background to the risk treatment	Factors affecting non compliance:	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	<ol style="list-style-type: none"> 1. A complex tax law, inhibiting full knowledge of tax obligations among taxpayers. 2. Taxpayers must know and understand tax law, in order to correctly file the tax obligations registration form. 3. There was no link between tax obligations and economic activities developed by taxpayers. 	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The model for the registration of tax obligations is integrated as a business as usual approach, aiming to simplify and give certainty to the taxpayer regarding his, or her, registered tax obligations.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>To simplify the tax obligations registration process.</p> <p>To update the taxpayers' obligations database, being a crucial input for the verification and enforcement of compliance processes.</p> <p>To guarantee, among taxpayers, complete knowledge of tax obligations, their periodicity and deadlines, in order to achieve compliance.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Newly registered taxpayers, as well as taxpayers filing tax obligations update forms or those ending a suspension of activities period.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination)</i>	<ol style="list-style-type: none"> 1. Developing a new tax obligations matrix. 2. Elaboration of a questionnaire to help taxpayers identify and assign his or her tax obligations. 3. Adopting a new and updated catalog for classifying economic activities: North American Industry 	

<p>arrangements.</p>	<p>Classification System (NAICS).</p> <p>4. Match economic activities with tax obligations and regimes.</p> <p>5. Use of a business rules engine for the obligations questionnaire, in order to respond quickly to legal changes.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Impacts are measured through a survey, comparing the results with those obtained in previous surveys. The key element of evaluation is the percentage of taxpayers who perceive a better service in the registration and update of the taxpayers database processes.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The percentage of taxpayers who file registration and obligations update forms by themselves (without any help of accountants or tax professionals) raised from 31.4% to 72.34% from May 2005 through 2007.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Positive: Promoting, among the taxpayers, knowledge of their tax obligations.</p> <p>Negative: Complexity of an IT solution, based on once independent multiple ITs.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>A false perception that the IT solution will solve all the tax obligation assignation process, lessening the participation of the personnel and its importance on the orientation and correct classification of the economic activities for obligation assignation purposes.</p> <p>There were no contingency plans.</p> <p>Knowledge of the model was concentrated on few persons.</p> <p>A lot of simultaneous changes were in effect (organization, processes, rulings, IT, etc).</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Mexico: Risk model for tax refunds

Part 1

Country	Mexico
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Risk model for tax refunds: Key variables implemented to evaluate the feasibility of a tax refund.	
2. Background to the risk treatment	<p>In recent years (2001-2007), the quantity of tax returns claiming a refund, as well as the monetary value of the refunds requested has observed a steady growth. In addition, based on data analysis, fraud attempt was detected.</p> <p>Another potential risk was tax exemptions and how taxpayers applied them in their benefit.</p> <p>As a result, opportunity areas arose and solutions were proposed, being the most outstanding:</p> <ul style="list-style-type: none"> • To provide Regional Tax Revenue Administrations the right tools, procedures and training. • Extend the scopes in legislation. • Develop a risk model, based on statistical and business analysis, resulting on key variable ratios. • Improve Information & Technology (IT) resources available, gathering information and data from all data bases available, in order to perform data mining. • Request IT to implement automated cross-data information 	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>The strategy has been integrated as a business as usual approaches, and was implemented right after non-compliance and fraudulent tax refund attempts were detected. At first, basic guidance was provided throughout Regional Tax Administrations as awareness when such circumstances arose.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The main goal of this strategy is to pay 100% of the feasible tax refund applications in a short time period and detect and reject the non-feasible ones.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Non-compliant Value Added taxpayers are targeted. Nevertheless, the whole supply chain is linked by analysing detailed reports.</p> <p>Nearly 50,000 applications are evaluated every year.</p>	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	3	Failure to register
		Failure to file
	2	Failure to report tax liabilities
	1	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Major changes were proposed to legislation and these were passed by Congress in 2006. Nevertheless, such changes took effect in 2007.</p> <p>Operating manuals were developed and delivered nationwide to all Tax Administration offices.</p> <p>Training programs were implemented, highlighting real case applications.</p> <p>Electronic signature is required for refunds above \$10,000 pesos (approx \$1,000 USD).</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The effectiveness is evaluated by the ratio of tax refund applications denied over the total risky applications detected. Moreover, total monetary value of non-paid refunds and refund applications denied are used as indicators too.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>In 2006, 482 tax refund applications were denied and the economic benefit reached over \$40 millions USD.</p> <p>As October of 2007, 235 tax refund applications have been denied, implying \$7.8 millions of USD.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The program is permanent and is under revision by the Tax Administration Intelligence Unit in order to improve it.</p> <p>In general, the program has brought real benefits regarding fraud detection, discouraging risky taxpayers from claiming an illegal refund and saving monetary resources, via the rejection of refunds that otherwise could have been incorrectly paid.</p> <p>It is important to point out that there is still a lack of key information and that reengineering tax forms is a must in order to gather all elements to enable increased identification of risky behaviour.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Although there was strong evidence indicating that legislative changes were mandatory, while mapping the whole process, an immediate benefit was obtained by implementing basic risk concepts and training Tax Administration officers on their use.</p>

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

New Zealand: Cash economy - industry partnerships

Part 1

Country	New Zealand
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Cash Economy – Industry Partnerships
2. Background to the risk treatment	<p>This risk treatment developed from a need to have greater focus in industry sectors where there is a high volume of cash based transactions, many of which are not reported as income.</p> <p>Analysis using industry sector codes (Source: NZ Statistics Dept) indicated a higher incidence of overdue returns, overdue debt and audit discrepancies. Anecdotal comments also indicated a greater number of persons and businesses operating in these sectors were also non-registered and falling outside of the tax system.</p> <p>Rather than continue to use a predominately audit based approach, the Compliance Model was used as a guide. The initial focus was on developing relationships with key bodies within industry sectors and subsequently promoting contacts with individual operators.</p> <p>An initial dedicated project was established with strong senior management support to develop the strategy framework, identify and select initial target industries and initiate relationships with key bodies (eg, Master Trade Associations) within these.</p> <p>Across most IR locations, dedicated teams were brought together from various business lines to focus on the industry partnership arrangements covering, information servicing, registration, advisory, collection and subsequently investigation.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>Several key outcomes were targeted:</p> <ul style="list-style-type: none"> • Increase in registrations those who had previously operated outside of the tax system • Increased awareness and understanding of tax obligations • Increased willingness to contact IR earlier where difficulties may be experienced • Reduction in overdue returns and debt • Leveraged responsibility for self-management of tax obligations within these industries • Increased community awareness of IR actively applying the Compliance Model through a range of approaches including targeting tax evasion.
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The target groups were predominately trade or other industries with a high prevalence of cash activity including:</p> <ul style="list-style-type: none"> • Crash Repairers • Hairdressers

	<ul style="list-style-type: none"> • Construction and building trades, eg Plumbing & Gas Fitters, Builders, Electricians. • Café's and Restaurants. <p>An initial 8 industries were selected, subsequently expanding to 14 industries over a 4 year period.</p> <p>Industry groups varied in size, most in the range of 5,000 – 10,000 operators nationally.</p>	
<p>5. Main risk types being treated (<i>indicate in order of priority</i>)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	1	Failure to register
	3	Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	4	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)</p>	<p>The approach adopted used an initial education and awareness phase through which IR developed a range of information products that were distributed through industry organisations, advisory seminars, individual advisory visits, targeted articles that were placed within industry magazine and newsletters, supported by promotions through other media. This phase highlighted registration obligations and the impacts of cash activities on practices and legitimate operators within the industry.</p> <p>The second phase focused on collection of overdue returns and debts, promoting the ability to make instalment arrangements for payment.</p> <p>The final phase saw a focus on targeted selection of highest risk candidates (based on a series of indicators) for audit using investigators skilled in evasion type activities.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Outcomes from each phase were measured involving a mix of quantitative measures, eg new registrations, returns/tax collected, new tax assessed from audit, together with qualitative measures from feedback and follow surveys.</p> <p>External expertise was contracted in to assist in identifying and undertaking comparative analysis with other non-partnership industry sectors using a range of IR and external data and indicators.</p>	
<p>8. Describe any observed impacts of the risk treatment strategy (<i>please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.</i>)</p>	<p>Outcomes included:</p> <ul style="list-style-type: none"> • Increased registrations • Reductions in overdue returns and debt • Increases in overdue debt placed under instalment arrangement • Positive feedback from industry members and individuals on approachability and service <p>Investigation results showed a slight reduction in new tax liabilities.</p>	
<p>9. Provide any comments, positive or negative, that reflect on the results</p>	<p>External feedback was strongly positive of the strategy and the deliberate initial education and awareness phase.</p>	

<p>achieved to date with this risk treatment strategy.</p>	<p>The creation of multi discipline teams was positively received by IR staff and requests to work in these teams were high.</p> <p>The approach provided clear and practical examples of the use of the Compliance Model and changes in compliance behaviours.</p> <p>Promoted increased collaboration across different business lines.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The rapid increase in industries where relationships were established subsequently placed pressure on meeting demand for education and assistance services.</p> <p>The cost to produce industry specific information guides needs to be considered, although much information is generic, these still require customisation to the respective target groups in order to provide targeted information particular to specific industry groups.</p> <p>This type of strategy requires a sustained approach over an extended period to ensure that activities can progress through the full educate, assist and, where necessary, enforce components of the compliance management framework and to enable full and comparable measurement to be made.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

New Zealand: Internet search tool - Infologistics

Part 1

Country	New Zealand
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Use of Internet Search tool to identify e-commerce activities and und disclosed income	
2. Background to the risk treatment	Over recent years New Zealand Inland Revenue has made a number of advancements in the use of computer assisted technologies to identify e-commerce business activities and sources of undisclosed income.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	The use of the internet by business operators is now common place with some businesses having a higher e-commerce activity than from a physical business location. Therefore the need to determine if a business has e-commerce activities is becoming increasingly important. Investigation methods have now been updated to include a check for sources of internet trading. To assist this, internet search tool, used under a confidential and secure environment 'infologistics' is used to business internet sites for trading activities.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The use of the 'infologistics' tool has been in place for the past 4 years, although initial deployment was to selected groups and locations. With measurement of the use of the tool across these groups demonstrating tangible benefits, and further enhancements to the search capability of the tool by the provider, it has now been widely deployed to investigators.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Increased investigative capability to identify alternate sources of income through internet trading. Promotion that Inland Revenue is using up-to-date methods and technologies during investigations to identify such activities as a means of encouraging greater self management and accurate reporting.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Those business operators and individuals who are registered and who use the internet for e-commerce activities. Those business operators and individuals who may not be registered and are carrying on e-commerce business activities via the internet.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements

	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.)</p>	<p>The use of enhanced investigative tools such as 'infologistics' is increasing the ability to target cash economy activities.</p> <p>This particular tool has the capability to search various combinations of data, eg phone numbers (in various forms), names, postal addresses, e-mail addresses, bank accounts and domain names. Successive searches can be modified and saved.</p> <p>The tool is provided under a licence agreement, which includes provision of periodic upgrades to the search tool, training and support.</p> <p>The tool is used as a part of the risk analysis processes both before and during an investigation.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Measurements in relation to additional revenues identified through direct use of the tool have not yet been fully established. Initial indicators reported increased success rates in identification of traders outside the system where significant e-commerce activities have been identified. In a number of cases, standard investigative techniques may have been less likely to have detected these and the time taken to do so would have been significantly greater.</p> <p>While it is difficult to accurately attribute the value of additional revenue gained through use of this tool, periodic comparative analysis, eg the number of cases found to include fraudulent activities identified by the tool versus cases where the tool was not used are being considered.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Use of the tool has assisted in the identification of customers who have used multiple trading names and aliases in order to avoid detection.</p> <p>Feedback by users continues to indicate the tool is providing a much greater level of information about the holistic operation of businesses who are engaged in e-commerce activities.</p> <p>Users also indicate the tool is easy to use and time efficient.</p> <p>As wider deployment of this tool continues, identification of increased fraud cases, strike rates and materiality of new tax to pay is expected to increase.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>The deployment of any new software tools creates in immediate pressure on system training and support staff meaning deployments need to be carefully planned.</p> <p>It is equally important that training on the correct search methods is provided early to maximise use of the tool.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

New Zealand: Memorandum of understanding NZ Bankers Association - 3rd party information requests

Part 1

Country	New Zealand
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Memorandum of Understanding with NZ Bankers Association to streamline requests for 3rd party information	
2. Background to the risk treatment	This initiative focused on improving the processes used to obtain 3 rd party information from New Zealand based banks under Inland Revenue's formal information request powers.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	It stemmed from a desire to seek agreed response timeframes for information requests issued, commonly for financial information together with the action of formal notices to deduct and pay to the Commissioner moneys held by customers who may be in default. It also sought to reduce the compliance costs for banks in responding to these requests and ensure that agreed protocols and processes were consistently applied.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	New processes have been implemented as business as usual approach with effect from 1 February 2008.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Improved understanding and awareness of the respective roles of IR and banks and reasons for information requests. Consistent application of agreed processes and protocols. Enhanced relationships between IR and the range of NZ Banks. Compliance cost reductions for Banks in being able to plan for and meet these requests.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	NZ based banks where members of the NZ Bankers Association.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk	The MOU provides for an agreed process for how requests for information (or deduction) shall be submitted together	

<p>treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>with agreed response times based on tiered priority ratings.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Measurement of requests can be recorded via new LoLA on-line correspondence system (which contains the formal Information Requests) and number of letters issued.</p> <p>Number of request submitted at higher priority levels through common issue/receipt points both within IR and the Banks.</p> <p>Education campaign across collection and investigation areas to ensure the protocols and agreed processes are followed by IR staff.</p> <p>Delegated approvers for considering requests at higher priority levels.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Not available at this time</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Not available at this time</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

New Zealand: National property compliance project

Part 1

Country	New Zealand
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Property Compliance Project	
2. Background to the risk treatment	<p>Under current NZ Tax law, income tax may apply to profits made on property sales in a range of circumstances including:</p> <ul style="list-style-type: none"> • When land was bought with the intent to re-sell • When land has been developed or subdivided • When the seller is a dealer in land or a builder, or is associated with a builder, dealer or developer. <p>Early in 2003 it became clear that under-reporting of Income Tax and GST which should have been derived from property sales was significant enough to be treated as a national risk.</p> <p>The 2007 Budget included increased funding for Inland Revenue to strengthen auditing of property transactions to ensure people pay their fair share of tax.</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>An audit presence in the property market has been ongoing over several years. The growth in this market and the increased number of property developers and investors has required additional focus at a national level.</p> <p>A core national project team has been established to provide overall guidance to the range of education, service and audit approaches being developed and adopted against an initial 3 year time frame.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<p>Our broad outcomes are to:</p> <ul style="list-style-type: none"> • Build customer awareness of tax obligations on property transactions • Provide clear guidance to customers in determining whether property profits are taxable • Encourage voluntary compliance • Support tax agents, professional advisers and other influencers to encourage customers to comply with their obligations • Take effective targeted enforcement action against those who may choose to ignore their registration and reporting obligations. 	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Those involved in the property market including builders, developers, dealers and investors.	
5. Main risk types being treated (indicate in order of	Rank priority for	Risk type

<p>priority)</p>	<p>treatment</p>	
	<p>2</p>	<p>Failure to register</p>
	<p>3</p>	<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>4</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>There are three key phases for this programme of work over a three year period. The first is an <i>analysis</i> phase followed by a <i>planning</i> phase, both of which are expected to be completed in year one. The third phase, the <i>operational</i> phase, will get underway in years two and three.</p> <p>Year one</p> <ul style="list-style-type: none"> • Establish a detailed plan, and select and prioritise work established by Risk and Intelligence (R&I). • Acquire and analyse data from existing and emerging data sets, which we have not had access to previously. • Establish a robust and visible customer education programme to support customers in fulfilling their obligations. • Extend the existing Investigations work effort. • Develop a better understanding, via Insight, of customers and their information needs, their support requirements as well as identifying any specific barriers stopping people from fully reporting their obligations of their own accord. • Develop an overall Communications Strategy. • Consider and evolve our reporting processes. • Formalise our Governance structure. • Consider our responses in conjunction with LTS to Phoenix activity, Revenue versus Capital and the evidence required to prove 'intention'. <p>Year two</p> <ul style="list-style-type: none"> • Results start to flow from leverage activities and investigations cases that have been commenced in year one. • Ongoing analysis of trends and issues from the feedback derived from leverage activities and investigations cases. • Create and issue more customer education material. • Look at whether law changes may further improve compliance. • Consider what cases warrant legal action, i.e. in response to cases that show deliberate evasion. 	

	<p>Year three</p> <ul style="list-style-type: none"> • Consider expanding leverage activity. • Analyse the impacts of the previous 18 months and determine what we still need to do prior to integration into business as usual. <p>Streams of work within the property compliance programme consist of:</p> <ol style="list-style-type: none"> 1. Customer Information <ul style="list-style-type: none"> • Identify the data we have and the data we need to have. This work stream is responsible for determining how and when we will obtain access to the data we have identified we need, and for the analysis of existing and new data. Analysis will be quantitative and qualitative. Privacy issues must be appropriately considered. 2. Legal <ul style="list-style-type: none"> • This work stream needs to confirm the critical points of law to enable educative material to be produced for both internal and external audiences, and to avoid unnecessary technical disputes. Potential law changes will be jointly considered. 3. Leverage <ul style="list-style-type: none"> • Identify and establish relationships with intermediaries, other government agencies etc. Tailor communications activity to identified target groups. 4. Communications <ul style="list-style-type: none"> • Identify and deliver internal and external communications activity, carry out media work and develop educative material/ presentations. • The outcomes of the customer information and legal streams will inform both the leverage and communications streams of work. <p>The overall intention of the programme is to change customer behaviour, i.e. to increase compliance in the property area specifically.</p> <p>The external communications principles we are working to are:</p> <ul style="list-style-type: none"> • We will educate and inform before we enforce • We will speak to customers in language they understand • Our communications will be part of a coordinated effort, i.e. backed up with action • We will focus on the areas of greatest risk. <p>The following communications vehicles have been identified to deliver high-level messages to external</p>
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	<p>audiences:</p> <ul style="list-style-type: none"> • IR website • Presentations/speeches from CIR & deputy commissioners • Media responses (reactive) • Business is Booming (2007 series) • Stakeholder/partnership channels via Customer Insight • Customer Insight Advisory staff • Generic customer brochure • Publicity around successful prosecutions as deterrence and education
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A range of indicators are being considered including traditional quantitative measures for registration, returns and debt. Measures will be across Income Tax and GST.</p> <p>The new eCase system used by Audit utilises dedicated project codes to record audit results within different groups targeted as well as provide additional information on new or emerging risks in this sector.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>In the past three years we have identified an average of just over \$100 million a year in extra taxes from property transactions. In 2006 alone \$113.4 million of extra taxes were assessed, comprising 23.8% of our total dollar discrepancies. Significant resources have been committed to this area of risk, with 24% of our SME Investigations resource (114 FTE's) dedicated to property cases in 2006.</p> <p>Over the last 12 months, investor interest in property has continued to escalate. Given the continued level of activity in the property market, and Inland Revenue's historical experience in identifying under-reporting of tax from property transactions, the focus on property is continuing.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Not available at this time</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Not available at this time</p>

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

New Zealand: Publication of revenue (taxpayer) alerts

Part 1

Country	New Zealand
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Publication of Revenue (Taxpayer) Alerts
2. Background to the risk treatment	<p>The Revenue (Taxpayer) Alert initiative began in 2006 to provide an early warning to taxpayers and their advisers of significant new and emerging tax planning issues or practices that the NZ Inland Revenue (IR) has under risk assessment.</p> <p>The approach is based on similar early warning and publication mechanisms to taxpayers in use by a number of other revenue authorities, including Australia, Canada and the United States.</p> <p>A Revenue Alert contains a title and brief general description of the tax practice under question and also highlights the features which IR considers give rise to taxation issues. There is no requirement for the IR to issue a final ruling on the issue as the nature of the practice may apply to a range of different taxpayers and may not necessarily be a single structured scheme or arrangement.</p> <p>This initiative was in response to the rise and promotion of questionable tax planning practices (including aggressive tax planning arrangements) and the need to provide earlier and more timely notification to taxpayers and their advisers of the Commissioners concerns.</p> <p>The approach also aligned with New Zealand's' Compliance & Penalties regime which provides for a tiered structure of penalties based on reasonable expectations of knowledge (held by the taxpayer) and behavioural intent.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	

	<p>Revenue Alerts are published on IR's Internet site, with internal communications ensuring that contact centres have supporting information to respond to contacts generated through the release of the Alert.</p> <p>An advanced copy of the Alert is provided to the NZ Institute of Chartered Accountants as part of IR's relationship protocols with this body.</p>	
<p>3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i></p>	<p>The objective is to promote voluntary compliance by taxpayers.</p> <p>Revenue Alerts are intended to inform taxpayers who have entered into an arrangement (or other aggressive tax planning practice), or who may be considering doing so, to make informed decisions about their tax affairs.</p> <p>Taxpayers can seek clarification of their particular circumstances through a formal ruling.</p> <p>They may also seek independent advice from tax professionals not associated with the arrangement or speak with the contact officer named in the Revenue Alert.</p> <p>The approach is aligned to IR's commitment to be regarded as open and responsive tax administration and to seen to take positive and expedient action. The Revenue Alert products are a tool to help foster this perception.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The target group of taxpayers varies according to the type of arrangement under examination, whether it is a widely marketed arrangement or one tailored to the circumstances of a particular taxpayer or group of taxpayers.</p>	
<p>5. Main risk types being treated <i>(indicate in order of priority)</i></p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
		<p>Failure to register</p>
		<p>Failure to file on time</p>
	<p>1</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
		<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<ol style="list-style-type: none"> 1. Identification of known, potential or emerging issues that may be appropriate for a Revenue Alert are identified (source can be several business areas). 2. Legal Technical Services (Central Unit) receives and assesses need for Revenue Alert. 3. Research, analysis and a briefing paper is prepared to support use of the Revenue Alert channel. 4. Draft Revenue Alert is prepared and issued for consultation across other stakeholder groups. 5. Revenue Alert is finalised, supporting release material, release plan and response plan are developed in conjunction with Corporate Communications. 6. Senior manager approval is sought to release. 7. Where appropriate advanced consultation occurs with key external stakeholders, NZ Institute of Chartered 	

	<p>Accountants.</p> <p>8. Revenue Alert issued, Media Release, internal communication of release(s).</p> <p>9. Response strategy is deployed to manage contacts.</p> <p>10. Targeted follow up risk review and investigation programme is enabled where appropriate.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The overall strategy in measuring success of Revenue Alerts is to measure the impact of specific alerts across target customer groups.</p> <p>Quantitative measures are difficult to use in gauging the effect of this strategy, however some measures include:</p> <ul style="list-style-type: none"> • Awareness of the alert • Media take up of the release and the extent of subsequent follow up articles • Enquiry contacts that stem from the alert • Internet site hits • Voluntary disclosures that may be attributable to the release of an alert • Decrease in activity targeted by a particular alert. <p>Most measurement is based on observations, feedback from agents, taxpayers, number of taxpayers seeking review of their affairs as a direct result of a Revenue Alert.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Media, public and tax agent reaction to the initial Revenue Alerts has been largely favourable, both in the proactive nature of the alert and providing clear guidance on the Commissioner's view of tax compliance behaviours and issues covered by an alert.</p> <p>Identification, research and quantification of the Tax Administration's view of aggressive tax behaviours is time intensive and can span longer periods of time.</p> <p>There is a tension that exists in the Tax Administration requiring sufficient hard data and evaluation to establish a clear need for a Revenue Alert while balancing that the earlier such warnings are used, the increased likelihood the alerts will act as a deterrent for taxpayers considering risky tax planning behaviours.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Although the Revenue Alert initiative in New Zealand is relatively new, feedback has been positive and the approach has been supported by NZICA.</p> <p>Early feedback, albeit anecdotal suggests that Revenue Alerts will have a deterrent affect on taxpayers seeking to adopt aggressive tax planning practices. This feedback also indicates a positive reaction to the proactive nature of Revenue Alerts.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It is important that a supporting investigative programme is also in place.</p> <p>There is a natural time lag before publication of a Revenue Alert during which the CIR has identified and formed a view of the nature of the arrangement, scheme or practice.</p>

	<p>Therefore Revenue Alerts, while proactive, will commonly still be after the taxpayer has taken a tax position in a preceding or current year. Accepting this lag, the deterrent effect is focused on reducing ongoing involvement or other taxpayers entering into new schemes or aggressive practices.</p> <p>Proactive identification of potential Revenue Alerts is a collective responsibility, and ensuring this is understood across business areas is important.</p> <p>The consultation and publication process can be time intensive and needs to operate efficiently to ensure early publication.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Norway: Cooperation with Junior Achievement-Young Enterprise (JA-YE) Norway and working with students.

Part 1

Country	Norway
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Cooperation with Junior Achievement-Young Enterprise (JA-YE) Norway and working with students.	
2. Background to the risk treatment	Surveys the last years have shown that young people are more willing to participate in the underground economy than other groups in society. Research has discovered that up to 45 % are non-compliant in the age group 16-25.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The Norwegian tax administration has for several years been working with the schools to influence the civic education of young people. This particular project was launched in 2006 and is planned to continue for another two-three years.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The goal for this project the first years was to reach 60 % of all students in the second class at upper secondary school (16-19 years of age). This goal was reached in 2007 and signifies that about 33 000 students have met people from the tax administration explaining to students both tax rules and regulations as well as the consequences for society of not paying your fair share of taxes. This year the information campaign's objective is to reach 70 % of the students.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group of this strategy is students between the age of 16 and 19 years old, around 45000 individuals altogether.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	4	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy)</i>	The Norwegian Tax Authorities have for several years been working towards the schools to influence the education of young people. It has developed educational material and offered guidance. However, it seemed not so easy to get into the schools and actually reach young	

<p>(see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>people. We had to take new actions within this field in 2005. Motivated from the cooperation with the JA-YE Norway organisation, we decided to develop new educational material for use in the schools. We wanted to develop the best material ever and strengthen our efforts to really reach young people with our message.</p> <p>A special project was initiated providing new educational material based on a fundamental idea: provide knowledge to the students and let them make their own choices on that basis.</p> <p>About 70 employees from the Tax Authorities were trained for this programme. Their task was to convey the message to the students in the best possible way</p> <p>In addition to the efforts directed towards the schools, there has been a lot of additional work going on, such as development of information material and channels to spread the information material. Information at different youth events, work expositions and joint actions with other authorities, e.g. common presence at seasonal job sites has been a part of the strategy.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>As any other preventive strategy, this strategy must work for some time before it becomes meaningful to measure its impact on compliance. Assessment of the effectiveness of the strategy must therefore still wait sometime and will probably not take place before 2009.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Based on the thinking that accurate, understandable information will improve compliance the following results indicates possible compliance effects of the strategy:</p> <ul style="list-style-type: none"> • The number of visitors on the projects web site has increased from 26000 in 2006 to 36000 in 2007 • The amount of questions to the response service provided by the project's web site has increased in 2007. • Positive comments in the media as well as positive feed-back from the schools have been received.
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Nothing to report yet (see comments under 8).</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It is believed that the most important lesson learned is that by taking young people seriously, many good discussions are initiated when people from the tax administration are visiting the schools. In addition, the systematic contact with the schools fosters closer relationships between school/society and the revenue body. This deepened relationship will hopefully generate future goodwill for the revenue collecting function.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Norway: Service centre for foreign workers (SFW)

Part 1

Country	Norway
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Service Centre for Foreign Workers (SFW)
2. Background to the risk treatment	<p>From 2004 onwards the foreign workforce in Norway has increased dramatically. By the end of 2003 there were app 19 000 valid work or residence permits; by the end of 2007 there were app 81 000. App 29 000 of these permits were for citizens from the new Member States of the European Union, and Poland counts for a majority of these.</p> <p>In addition there are large groups that do not require work or residence permits. The majority of these are Nordic citizens that do not need such permits, or people working on a short term basis with a foreign employer.</p> <p>The total number of foreigners working in Norway is uncertain.</p> <p>A rather high number of the foreigners with a valid work or residence permit that actually are or have been working in Norway have not been registered with the Tax Authorities. The exact number is, likewise, uncertain.</p> <p>At the same time information on legal requirements is not easily available for this group, due to the complex organisation of the relevant law enforcing bodies and language problems; hence compliance for them is difficult.</p> <p>Most foreigners from a non Nordic country are obliged to have a permit from the immigration authorities in addition to reporting to the tax authority.</p>
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The risk treatment – SFW – has been in operation since 15 th October 2007, and will be in a pilot phase until the end of 2008. Thereafter, the Service Centre is planned to be permanent; however some amendments will be made after the experiences from the pilot phase (see comments at 10).
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	<ul style="list-style-type: none"> • Make it easier for foreigner workers to obtain the necessary permits and registrations in one physical location. • Be able to assist foreign workers in a language they master. • Integrate case flow covering the immigration authorities and the tax authority. • Process standard applications from foreign workers in a dedicated fast track process, where all permits and registrations should be set within five working days. • Thereby; increasing the compliance with the requirements, especially in <i>permits</i> and <i>registration</i>,

	<ul style="list-style-type: none"> • Thereby; increasing the accurateness of addresses on tax subjects held by the tax authorities 										
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Foreign workers, more specifically;</p> <ul style="list-style-type: none"> • Citizens from EFTA and EU states • Other citizens coming to Norway under the present scheme for qualified workforce • Family Members of both categories. 										
5. Main risk types being treated (<i>indicate in order of priority</i>)	<table border="1"> <thead> <tr> <th>Rank priority for treatment</th> <th>Risk type</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Failure to register</td> </tr> <tr> <td>2</td> <td>Failure to file on time</td> </tr> <tr> <td></td> <td>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</td> </tr> <tr> <td></td> <td>Failure to pay</td> </tr> </tbody> </table>	Rank priority for treatment	Risk type	1	Failure to register	2	Failure to file on time		Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements		Failure to pay
	Rank priority for treatment	Risk type									
	1	Failure to register									
	2	Failure to file on time									
	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements										
	Failure to pay										
6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)	<ol style="list-style-type: none"> 1. Cooperation with other public bodies; The Labour Inspection Authority, the Police, the Tax Administration and the Directorate of Immigration 2. Making public authorities easier available to the target group, by establishing one common physical presence for mentioned public bodies 3. Handling all permits and registrations in a coordinated matter, i.e. making the foreigner register with the Tax Administration at the same time as he or she files for a work or residence permit, at the same premises. 4. Handling all applications and registrations within five working days. 5. Rely on the use of service personnel with language qualifications in order to make the communication with the foreigners more efficient; and with a higher certainty that the information is understood. 										
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>Quantitative evaluation is difficult for this group. We will have some indications, especially from building site controls, but other measures might influence on the degree of compliance.</p> <p>The major evaluation will be on the number of users that appears at SFW, the number of applications filed and the number of tax payers registered.</p> <p>Some qualitative aspects might also be of relevance.</p> <p>As this also is defined as a service measurement, the case handling time is an important indicator.</p>										
8. Describe any observed impacts of the risk treatment strategy (<i>please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.</i>)	<p>The relative number of foreigners applying for a work or residence permit seems to have increased. We do not have qualitative data in this respect; this is based on feed back from users and observations from the Labour Inspection Authority.</p>										
9. Provide any comments, positive or negative, that	<p>An evaluation will be undertaken during the first half of</p>										

<p>reflect on the results achieved to date with this risk treatment strategy.</p>	<p>2008.</p> <p>From 15th October till the end of 2007 app 8 000 users had visited the Service Centre; 1 300 applications for residence or work permits and 2 000 applications for tax deduction cards were processed. The vast majority of the applications came from citizens from EFTA and EU. 49% of all applications with the immigration authorities were from Polish citizens.</p> <p>The impression to date is that the establishment of SFW has been successful, in respect of the <i>service element</i>. Cases are processed within five working days and the feed back from users are very positive. Especially the use of polish speaking service personnel is highly appreciated.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The time from decision to establishing the SFW was five months; that was used for obtaining the premises and setting it up; hence a simple solution was chosen. A project for further development is to be set up over the next month. A number of issues will be assessed then. We will, briefly, mention some:</p> <ul style="list-style-type: none"> • Professional secrecy; there are some statutory limitations on interchange of information that should be assessed; partly for a more practical day to day management of the information, and partly for control purposes • Stronger integration between the different bodies; in the pilot period there has not been major amendments to the traditional ways of handling these cases, with the exception of the establishment of a fast track. Different alternatives must be assessed. • Inclusion of other bodies; there are some public bodies that could be included, mainly from a service perspective, e.g. the welfare authority.

A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Republic of Korea: Business purpose bank accounts

Part 1

Country	Republic of Korea
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Business purpose bank accounts	
2. Background to the risk treatment	This regulation requires all private enterprises to keep a separate set of bank accounts exclusively for business purposes. Prior to the implementation of this risk treatment strategy, private businesses made bank transactions for both personal and business purposes from the same bank account. Due to the lack of clarity in distinguishing business use from personal use, there was a higher risk of non-compliance by people running their own businesses.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	This risk treatment has been integrated as a business as usual approach. The new bank account regulation applies to all private enterprises that are subject to double-entry bookkeeping. Beginning January 1, 2007, businesses offering professional services (e.g., services in medicine, law, accounting, etc.) have also been made subject to the new regulation.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The main objective is to enhance transparency in the accounting practices of private enterprises by separating personal transactions from business transactions. A broader objective is to promote taxpayer compliance.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The separate bank account rule targets 734,000 taxpayers consisting of (1) all private enterprises that are subject to double-entry bookkeeping and (2) effective as of January 1, 2007, all private enterprises providing professional services.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any</i>	<p>The business-purpose bank account rule is a regulatory measure enforced on applicable taxpayers.</p> <p>1. Enforcement of rule:</p> <p>All taxpayers subject to the rule (as described under question 4 of the template) are mandated to settle all business-related financial transactions using the</p>	

<p><i>special co-ordination arrangements.</i></p>	<p>business-purpose bank account, including when making/receiving payments for labour and rent.</p> <p>2. Penalty for failure to comply:</p> <p>Failure to either open a business-purpose bank account or use one is subject to a penalty of 0.5% of the amount that would have been received or sent using the business-purpose bank account. The penalty applies to transactions occurring on and after January 1, 2008.</p> <p>Failure to open and/or register a business-purpose bank account within three (3) months of the commencement of a taxable period (i.e., from the date of official business registration) is subject to a penalty of 5/1000 of gross income attributable to each of the taxable period concerned. The penalty applies to transactions occurring on and after January 1, 2008.</p> <p>Businesses failing to comply will lose their eligibility for various tax benefits granted to SME's, including tax reductions for start-ups and special tax reductions for SME's.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Indirect measures are employed in evaluating the effect of the business-purpose bank account rule, such as:</p> <ul style="list-style-type: none"> • The growth, in percentage terms, in income declared by taxpayers subject to the new rule • The growth in transactions, in terms of dollar volume, made using the business-purpose bank account, and their percentage of total transactions
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>It is still too early to assess the impact. The new rule was implemented in the beginning of 2007, and 2007 income tax returns are not due until the final day of May of 2008. The first set of quantifiable results, such as an upward change to the voluntarily declared income, should be obtained once all returns are filed in May of this year.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>To date, out of a total of 734,000 private enterprises subject to the new rule, 442,000 (60.2%) have opened a business-purpose bank account.</p> <p>Although it is still too early for the NTS to produce specific numbers to substantiate any expected results, the business-purpose bank account rule is expected to enhance transparency in financial transactions and provide an effective means to expose the taxable income of private enterprises and providers of professional services.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It has been a long practice of private enterprises to use a single bank account for both business and personal purposes. Therefore, there is a need for more promotional activities in order to make the new regulation known and deliver the rationale of the regulation to trade associations and tax intermediaries, particularly as failure to comply on and after January 1, 2008 will be subject to penalties.</p> <p>Consideration will also be made to gradually extend the application of the bank account rule to all businesses.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Republic of Korea: Cash receipt system

Part 1

Country	Republic of Korea
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Cash Receipt System	
2. Background to the risk treatment	Cash transactions are not only difficult to trace, but also highly susceptible to understatement on tax returns.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Even tax audits too often fail to uncover the cash portion of income, ultimately hurting the integrity of and public trust in the tax system.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The Cash Receipt System was first implemented in January 2005 and has been integrated into the usual course of business.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The aim of the Cash Receipt System is to ensure that cash income, particularly that of the self-employed, are exposed and come out from under the often clandestine cash economy.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	There are largely two target groups: <ul style="list-style-type: none"> ▪ Self-employed businesses that are cash intensive ▪ Consumers purchasing goods and services with cash. 	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
	4	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>The key elements are:</p> <ol style="list-style-type: none"> 1. Computer-based capture of cash transactions: All transactions for which a Cash Receipt has been issued are automatically captured and notified to the NTS in real time. Taxpayers can also log onto the Cash Receipt website (www.taxesave.go.kr) to view the record of their cash purchases (e.g., date and value of transaction). 2. Incentives for consumers asking for cash receipt 	

	<p>issuance:</p> <p>Tax credits are given to consumers at an amount proportional, but with an upper ceiling, to the cash volume spent for which a Cash Receipt had been asked to be issued. This is to encourage consumers' use of the Cash Receipts.</p> <p>Incentives are provided to businesses (i.e., the issuers of Cash Receipts) as well. Copies of issued Cash Receipts are accepted as substantiation for claiming expense deductions.</p> <p>Another incentive is the Cash Receipt Lottery. Issuers and issuees of Cash Receipts are automatically entered into a lottery, which rewards up to USD10,000 every month to winners.</p> <p>3. Mandatory issuance of Cash Receipts:</p> <p>Taxpayers in professional services (e.g., lawyers, doctors) at high risk of under-reporting and medical facilities are mandated to become Registered Issuers of Cash Receipts irrespective of the size of income. The rest of the consumer-facing businesses are mandated to register as a Cash Receipt issuer if their immediately preceding year's revenue is USD24,000 or higher.</p> <p>4. Deductibility of cash transactions with a merchant not registered as a Cash Receipt issuer:</p> <p>Previously, consumers that have failed to ask for a Cash Receipt at the time of the transaction could still claim an income deduction by applying for the deduction at the tax office, provided that the store at which the transaction was made is a registered issuer of Cash Receipts. However, effective February 22, 2008, taxpayers are allowed an income deduction even for transactions with a non-issuer of Cash Receipts as long as an application for a deduction is made with the local tax office or through the NTS website within 15 days of the transaction.</p> <p>5. Rewards for reporting failure to issue Cash Receipts:</p> <p>Beginning July 2007, consumers are given a reward of USD50 (for up to USD2,000 per person per year) for reporting within 15 days of the transaction stores that have either refused to issue a Cash Receipt or have made price discount offers in exchange for not issuing a Cash Receipt. Owners of stores thus reported are subject to a penalty.</p> <p>6. Promotional activities:</p> <p>In June 2007, the NTS held a Cash Receipt UCC (user created contents) contest for college students with the goal of developing college students' interest in Cash Receipts. A total of 154 students entered 87 UCC creations.</p> <p>Over 5,000 tax officials, including the NTS Commissioner and two NTS spokespersons held street campaigns, distributing over 620,000 handouts.</p> <p>Handouts for reading by parents (given to students at schools) and SMS messages were sent to a total of</p>
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	<p>1.37 million people.</p> <p>7. Cash Receipt cards:</p> <p>Cash Receipt cards used for identification are issued free of charge.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The effect of the Cash Receipt System is measured through:</p> <ul style="list-style-type: none"> • Periodical analysis of the increase/decrease in the volume and number of Cash Receipt issuances • Indirect measures, such as the increase/decrease in the voluntary payment of income tax and number of income tax return filers.
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>In 2007, the total dollar volume of Cash Receipts issued grew by 63% from 2006 to USD50 billion, and the total number of issuances increased by 103% to approximately 1.5 billion. The growth is mainly attributed to a 120% year-on-year increase in Cash Receipts issued for purchases of USD30 or less.</p> <p>As of the end of 2007, there were 1.71 million registered Cash Receipt issuers, or 22% more than the previous year. The number of registered members of the Cash Receipt website was 11.14 million, a 19.3% increase from the year before.</p> <p>Also in 2007, voluntarily paid income taxes were USD2.98 billion, which is 30.4% more than 2006's USD2.29 billion. The number of voluntary income tax return filers grew 22.8% over the same period, from 2.755 million in 2006 to 3.408 million in 2007.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The Cash Receipt System has been effective in exposing small-amount cash transactions of the self-employed, thereby bringing more transparency in the cash economy and more equity in the tax burden between wage & salary earners and self-employed persons.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Future implementation of the Cash Receipt System will require:</p> <ul style="list-style-type: none"> • Special focus on occupational groups with a low rate of Cash Receipt issuance, such as accountants and lawyers. • Tighter supervision of business owners refusing issuance or demanding extra fees for issuance. • Measures for fundamentally preventing store owners from cancelling an already issued Cash Receipt without the consumer's knowledge or consent. • Added emphasis on promotional activities to help taxpayers understand that collecting Cash Receipts is a useful way of saving taxes.

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Republic of Korea: Disclosure of the list of taxpayers with large debts

Part 1

Country	Republic of Korea
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Disclosure of the list of taxpayers with large tax debts	
2. Background to the risk treatment	There are instances where taxpayers constantly run large amounts of tax debts even when they can afford to pay, for instance, with other property or assets which are usually kept hidden from the tax agency.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Their ethical lapse creates a problem for the vast majority of taxpayers who are honest; people paying their rightful due often feel deprived and begin to question the integrity of the tax system.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	It is an on-going practice. Every year since 2004, the NTS has been disclosing the list of the names of taxpayers who frequently run large tax debts.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	This strategy is aimed at urging those on the list to pay their outstanding debt.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	This risk treatment strategy targets those with a tax debt of at least USD1 million that have been outstanding for at least 2 years. The names to be disclosed are selected by the Committee for the Review of Disclosure of National Tax Information.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	4	Failure to register
	3	Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	1	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>Committee for the Review of Disclosure of National Tax Information: This 11 member committee consisting of NTS and independent members reviews and scrutinizes the list before selecting the taxpayers to be disclosed.</p> <p>Taxpayers selected for disclosure are first notified of the fact six months in advance of the actual date of the disclosure. They are given a chance to either make cash payment of their debts or supply an acceptable reason for the late payment. Based on the follow-up action of the</p>	

	<p>taxpayer (e.g., reasons for the delayed payment, or payment of at least 30% of the debt), the committee finalizes the list.</p> <p>What information is disclosed: The list discloses the taxpayer's name (or the name of the business), age, occupation, address, type of tax, payment due date, and a brief description of the debt.</p> <p>Informant-reporting of hidden assets: Informants may report of a tax debtor's hidden assets over the internet (www.nts.go.kr) or in writing. Written reports can be mailed, faxed, or handed over in person at the local tax office having jurisdiction over the place of home or business of the taxpayer alleged to be concealing the said assets. However, in order to prevent false reporting made out of malice, all informants must properly identify themselves and provide substantiation that can prove the allegation.</p> <p>Monetary rewards awarded to informants: When a piece of information an informant had provided has contributed to the collection of a certain taxpayer's outstanding tax debt, the person that had provided the information (on the tax delinquent's hidden assets) is given a reward of 2-5% of the tax debt collected, for up to USD100,000.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>To assess the effectiveness of the list, the NTS monitors how many taxpayers have paid up since being on the list.</p> <p>The NTS also keeps track of the increase or decrease in the number of taxpayers owing high-amount tax debts.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Prior to the first list disclosure, a survey was conducted in October 2003 by an independent public opinion research centre which showed that 90.3% of respondents have approved of the disclosure initiative.</p> <p>During the October 04 -June 06 period, 188 reports of hidden assets were made by informants, leading to an additional collection of USD40.5 million worth of various assets, including USD4.4 million in cash payments.</p> <p>Since the list was first disclosed in 2004, a total of 735 taxpayers on the list paid a combinedUSD172.9 million of outstanding debt (as of September 2007).</p> <p>As being on the list hurts the reputation of the business, the list proved to be effective in deterring future debts. Each year, there are less people making the tax debtor list. (1,101 new names in 2004, 1,160 in 2005, 704 in 2006, and 661 in 2007.)</p> <p>In the most recent year of 2007, a total of 3,046 names of tax delinquents frequently owing large amounts in taxes were disclosed.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>A positive outcome of this disclosure exercise was that it helped spread the notion among taxpayers that failure to pay taxes is not only wrong, but can be a social disgrace.</p> <p>With over USD172.9 million in taxes collected since the first list disclosure in 2004, this treatment strategy is proving to be an effective tool in improving voluntary compliance.</p>
<p>10. Lessons learned. (Are</p>	<p>In future disclosures, more effort needs to be made in</p>

<p><i>there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>making the rules of the disclosure more objective and grounded in a more concrete set of criteria.</p> <p>Actions post to the disclosure must be strengthened, for example, by tracing the delinquent taxpayer's financial records and uncovering any concealed assets, in light of the fact that one of the goals of this treatment strategy is to help taxpayers realize that tax debts can and will be collected.</p> <p>The monetary rewards that are given to informants and how and where to report of the concealed assets of a delinquent taxpayer must also be made known to the wider public.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Republic of Korea: Getting in Tune with Your Taxes Campaign

Part 1

Country	Republic of Korea
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	“Getting in Tune with Your Taxes” Campaign	
2. Background to the risk treatment	Action was required to address the general perception of taxes as something unpleasant and complicated and to set straight the widespread misunderstanding on taxes.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	<p>Negative perceptions on taxes peaked in 2005 when Korea introduced a new type of tax levied on holdings of real estate, such as land and structure (“Comprehensive Real Estate Holding Tax”). This was compounded by the media’s branding of the new tax as a “tax bomb” and reporting of misinformed facts.</p> <p>Administering the Comprehensive Real Estate Holding Tax was at risk of becoming a challenge to the NTS, particularly should taxpayers continuously be provided with incorrect information on the property tax.</p> <p>The NTS embarked on a tax awareness campaign to help taxpayers develop a correct and a more positive understanding on taxes, with the objective of preventing the occurrence of problems purely of a perceptual nature that could potentially interfere with the administration of the new property tax.</p>	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The “Getting in Tune with Your Taxes” campaign takes a long-term, on-going approach to gradually turning around public misconceptions on taxes, given that thoughts and perceptions develop and disappear over a long period of time.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	There is a very broad objective to this awareness campaign. The intent is to create a culture of compliance, mainly by setting the tax facts straight and helping taxpayers to develop a wholesome perspective on taxes.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group is the general public. Particular focus is placed on opinion leaders in various social sectors, tax intermediaries, taxpayer groups, and prospective taxpayers (i.e., students).	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register
		Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>The awareness campaign is heavily dependent on the use of media and publicity. Some of the major activities to date are:</p> <ol style="list-style-type: none"> 1. Publication of tax guidance booklets <ul style="list-style-type: none"> • “<i>Truths and Myths on Taxes</i>”: Published in 2007, this was the NTS’s first publication dealing with current tax issues that draw national or media attention. • “<i>An Exciting Journey of Taxes</i>”: An animation booklet made to teach students to take more interest in taxes and help them formulate a correct understanding of taxes. 2. Targeted promotional activities <ul style="list-style-type: none"> • 3,764 visits to taxpayer groups and civic groups to give accurate information on taxes • 1,437 visits to Catholic and Buddhist groups to promote a better understanding of taxes 3. Tax classes for students <ul style="list-style-type: none"> • Tax classes are offered throughout the year to students in elementary, jr. high and high schools. 4. Literary contest for essays and poetries <ul style="list-style-type: none"> • The NTS holds an annual literary contest for students. Students are invited to submit writings on the importance of paying taxes. Winners are given rewards and have their work displayed around the nation.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The effectiveness of the campaign is measured by analysing changes in taxpayer perception and improvements in taxpayer trust in the NTS administration of taxes.</p> <p>Surveys are conducted by independent research bodies or newspapers through their own research teams.</p> <p>The effectiveness of the various booklets on taxes is measured by the increase or decrease in the number of copies sold.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Some of the more quantifiable results the NTS has achieved to date are:</p> <ul style="list-style-type: none"> • Perhaps the most dramatic indicator of success is the voluntary filing rate of the new property holding tax returns; 98.2% in 2006, and 99% in 2007. • A March 2007 survey, showing a high level of trust among taxpayers in the nation’s tax administration. • A January 2007 public opinion poll (conducted by Hyundai Research) indicating an approval rating of 91.9% on the awareness campaign and the NTS

	<p>drive to promote a better and correct understanding on taxes.</p> <ul style="list-style-type: none"> Over 150,000 copies of “<i>Truths and Myths on Taxes</i>” sold over a period of 18 months, being the first government publication to make the bestseller list at major bookstores (a 9 consecutive week-bestseller at one bookstore). <p>*Surveys are conducted at least once every year.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The tax awareness campaign was a new initiative, and the NTS was very well aware that the results will not always be tangible on account of the campaign being an attempt to influence people’s mindset. However, its implication can be enormous in that it could prove to be a fundamental way of enhancing compliance.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Efforts are made to devise a time and cost effective way of enhancing public perception on taxes.</p> <p>Another area that requires more attention in future campaigns is in the collection of taxpayer feedback, as taxpayer complaints and thoughts should most ideally form the basis for future policies and guide the NTS in identifying practices in tax administration that need improvement.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Singapore: Charge on government special payouts for those who default in payment of income tax

Part 1

Country	Singapore
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Charge on government special payouts for those who default in payment of income tax.	
2. Background to the risk treatment	Government cash payout is one form of wealth distribution to her citizens usually in good years. It is a source of revenue for native taxpayers. This source of revenue is targeted for tax recovery only as a last resort measure. This happens when the taxpayers failed to make full payment for income tax after all other recovery actions has been applied. This is usually after penalty and 3 rd party agent have been appointed as collecting agent.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>This risk treatment has been integrated in IRAS enforcement business cycle with the 1st Government cash payout in 2003 through to 2007. Payouts are as follows:</p> <ul style="list-style-type: none"> • New Singapore Share (NSS) from March 2002 for 5 years up to March 2006 • Economic Restructuring Share (ERS) from March 2003 for 5 years to March 2008-12-05 Progress Package from 1 March 2006 with last payout in January 2007 • GST offset package from 1 July 2007 to 2010. 	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The intended outcome sought from this treatment is to reduce tax arrears owed by individual tax defaulters who is in receipt of such Government cash payout. This recovery action also carry deterrent effect for defaulters to comply with payment arrangement committed.</p> <p>As the term and date of such government payout is made public, tax recovery is certain by appointing the paying authority as collecting agent.</p>	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Citizen of Singapore who owes income tax is the targeted group.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
		Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	1	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Tax recovery from 3rd party payout is part of the enforcement mechanism provided in the Act. This is carried out for delinquent taxpayer who either has not responded to any our recovery actions or has defaulted in prior commitment to pay.</p> <p>Customer service officers attending to response from taxpayers were trained and given clear guideline on how to handle the various situations arising from this tax recovery program. Release criteria and mechanism were put in place for deserving cases.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Success of tax recovery is monitored from monthly collection received.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Reduction in arrears is noted from the collection received from the paying agent as mentioned in item 7 above.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Tax recovery from this source of payout is certain as the terms and date of payout is made public well before the actual payout date. With past year experience for tax recovery from payout and from publicity in the media, a number of taxpayers who came forward to pre-empt this enforcement action agreed to go on GIRO payment scheme.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>This form of tax recovery requires system support in order to target the large no. of taxpayers involved. Government payouts are normally only made known through the yearly Budget Speech in Feb/Mar each year and payout is sometime just a few months away. Appropriate resource planning to cater for system updates and changes is necessary in order to deliver the necessary system support on time.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Singapore: Employer deduction schedules to deduct overdue tax liabilities from employees

Part 1

Country	Singapore
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Issue Employer Deduction Schedule (EDS) – To direct employers to deduct outstanding taxes from employee’s monthly salary.	
2. Background to the risk treatment	Salaried taxpayers are one of the main groups in the whole of debt management case base.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	In recognising that tax recovery from employee’s salary is an effective recovery channel, we are to ensure that the information on employment is always up-to-date.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	EDS has been integrated as part of our tax recovery process. We had also done a one-time exercise that EDS was issued to the largest employers with the most number of employees owing taxes.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The aim is to take effective action against this group of taxpayers and improve their compliance. Employers are looped in to educate taxpayers since employer is directed to deduct the employee’s salary.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	All salaried taxpayers who have outstanding taxes.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Rank priority for treatment
		Failure to register
		Failure to file on time
		Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	1	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	Errant employees and their employers are identified through matching of third party information. 3 rd party information ie employers’ information is key to the execution of this treatment.	

<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A group of officers is testing and monitoring the process to ensure that EDS is ready for full implementation as part of the system recovery process. We will monitor and evaluate the result from the monthly arrears report and status of employee's cases, which will show the effectiveness of this action.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>From the control run of EDS on selected cases, the response from the taxpayers and employers indicated that EDS is an effective recovery tool as we recovered about \$100,000 in a month.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Information on employer-employee relationship is a critical factor to make this action a success.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Singapore: Programmes for new and existing GST traders

Part 1

Country	Singapore
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	<p>Programmes for newly registered GST traders</p> <ul style="list-style-type: none"> • GST Assistance Scheme - Accounting software grants • Collaboration with Accounting Software Providers • Compulsory GST education for voluntary registrants (annual turnover < S\$1m) • Risk assessment of all new traders <p>Programmes for existing GST traders</p> <ul style="list-style-type: none"> • Different reviews and audit treatment based on risk profiles • Compulsory GST Education For Taxpayers With Errors in GST Returns
2. Background to the risk treatment	We believe that most taxpayers want to voluntarily comply. Hence, we put in place initiatives to facilitate their compliance.
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	<p>The management of risks at the point of registration is key to preventing downstream compliance risks during the life cycle of the GST person. Hence, a number of strategies are targeted at new registrants.</p> <p>As resources are not unlimited, we adopt a risk-based approach in our audit programmes for GST traders based on their risk profiles.</p> <p>Errors in taxpayers' GST returns indicate unfamiliarity with GST rules. Hence, we require them to attend GST classes conducted by us.</p>
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	These programmes have been integrated as a business as usual approach.
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>The intended outcomes were:</p> <ul style="list-style-type: none"> • Help taxpayers understand GST rules to facilitate their voluntary compliance; • Encourage/increase usage of accounting software to minimise accounting/reporting errors and to facilitate our audit process; • Obtain risk profiles of taxpayers so that appropriate

	audit programmes can be developed in accordance with their risk profile.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>The compulsory GST education and accounting software strategies are targeted at the smaller businesses.</p> <p>For this group, GST compliance ranks low on the priority list as resources are channelled to meet business demands. They have weak accounting controls and staff not trained in GST.</p> <p>The other strategies (risk assessment, GST education for errant taxpayers) apply to all taxpayers.</p>	
5. Main risk types being treated (<i>indicate in order of priority</i>)	Rank priority for treatment	Rank priority for treatment
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)	<p>1) GST Assistance Scheme – Accounting software grants</p> <ul style="list-style-type: none"> Each voluntary registrant can get a grant of up to S\$5,000 to pay for accounting software and related costs (e.g. software training). <p>2) Collaboration with Accounting Software providers</p> <ul style="list-style-type: none"> Relying on accounting software for GST tracking and reporting is more reliable than manual methods. We have an on-going arrangement where 3 fairly established software vendors⁹ will be present at our GST classes to showcase their accounting software. It is a win-win arrangement as it provides the vendors opportunities to tap on the new registrant market and helps us heighten traders’ awareness on the benefits of using such accounting software in the course of their businesses. <p>3) Compulsory GST Classes</p> <ul style="list-style-type: none"> It is compulsory for voluntary GST registrants to attend the GST class. Voluntary registrants have a higher likelihood of getting GST compliance wrong; we want to start their education early so that they get it correct from the start. <p>4) Risk assessment of all new traders (First tier of risk assessment)</p>	

⁹ APAC, MYOB & Quickbooks

	<p>At the point of registration</p> <ul style="list-style-type: none"> • All new applicants for GST registration are required to complete a questionnaire attached to the application form for us to assess their inherent risks. • A high or low inherent risk rating is then assigned to the trader. This will form the basis for the formulation of appropriate compliance programmes for them. <p>5) Different reviews and audit treatments based on risk profiles</p> <p>The risk assessment of traders results in a risk rating which will determine our audit priorities and strategies. It provides us with a basis to:</p> <ul style="list-style-type: none"> • Identify more risky traders and assess the level of intervention that is required. E.g. traders with high risk rating will be subjected to high risk industry compliance programme while those with lower risk rating will come under the low risk industry compliance programme. • Assist auditors in better case selection using risk profiles by aligning with the unique risks affecting each industry. <p>6) Compulsory GST Education For Taxpayers With Errors in GST Returns</p> <ul style="list-style-type: none"> • This is targeted at all GST registered traders who have made mistakes in their GST returns and have been compounded for the mistakes. We will highlight the mistakes to the management of the business and require them to attend a compulsory GST class within the next 6 months. • Such classes are aimed at re-training these traders and equipping them with sufficient GST knowledge to ensure that GST returns are correctly filed and mistakes are not repeated.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Currently, the above strategies are at various stages of implementation and their effectiveness are generally measured based on traders' responses and feedback.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Those who have gone through the compulsory education indicate an enhanced understanding of GST principles and obligations.</p> <p>The risk assessments allow us to better customise our audit and compliance programmes based on the risk profiles of traders. Audit resources are better utilised.</p>
<p>9. Provide any comments,</p>	<p>While traders who have gone through the GST classes give</p>

<p>positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>positive feedback on the initiative, there are some who do not like the idea of it being compulsory.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>As the risk assessment strategy is fairly new, the questions in the risk assessment questionnaire have to be constantly fine-tuned so that the risk ratings can be more accurate.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Singapore: Use of external data to identify GST liabilities on property sales

Part 1

Country	Singapore
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	To tap on properties sale transactions information to recover outstanding tax and reduce revenue loss from GST traders who did not account for GST on the sale of non-residential properties	
2. Background to the risk treatment	When taxpayers sell their properties, a legal requisition is often made to IRAS. This allows us to verify if there are outstanding tax issues that may arise from the seller or the property.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Also, GST registered traders sometimes fail to charge and account GST on the sale or lease of their non-residential properties due to ignorance of the GST Law. Sales of properties are high-value transactions and we run the risk of significant tax loss in the event of non-compliance. Often, by the time such non-compliance is uncovered, these traders no longer have the means to pay even though recovery actions are taken.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	Pilot run in mid 2006, integrated as a business as usual approach since then.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	To recover outstanding taxes at the point of sale of properties. To prevent the outstanding GST becoming bad debts, a project team was formed to look into the issues and to propose actions to prevent revenue loss from the sale of non-residential properties by GST registered traders.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	GST taxpayers who owned properties. This constitutes about 10% of the GST tax based.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
	3	Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	1	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements)</i>	Select potential high risk cases for appointment of agent. <ul style="list-style-type: none"> Identify potentially high risk traders, i.e. who failed to submit 2 or more GST returns and own at least one non-residential property and continuously 	

<p><i>of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>submitting nil return for the pass 2 years.</p> <ul style="list-style-type: none"> Once we receive information on the sale of these properties, appoint Lawyer as agent under s79 of GST Act to recover GST due on the property from the trader's lawyer. <p>Education.</p> <ul style="list-style-type: none"> For Property owners - Issue letter to GST registered traders owning non-residential property. It aims to highlight to the owners of the requirement to charge and account GST on the sale and lease of non-residential properties. Conveyance lawyers - Besides the issuance of letters to traders, we also collaborate with key intermediaries involved in the facilitation of property transactions, in this case, the conveyance lawyers. These professionals handle the legal aspects of any sale or transfer of properties including the settlement of payment. We leverage on their professional role to bring to the attention of GST registered persons who are in the midst of selling their non-residential properties that they are liable to account for the GST and payable to IRAS. Lawyers acting for the buyers could likewise advise their clients or counterparts on this requirement.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>1st Prong – Pre-emptive approach</p> <p>Profiling our traders¹⁰ would assist us to identify traders who may have a higher risk of defaulting. Placing a procedure to detect potential sales of non-residential properties by such traders would increase our chances of tax recovery. Enforcement efforts could then be tailored for this group to minimise the loss in revenue due to non-accounting of GST on sale of non-residential properties. Ultimately this approach would translate into lower cost per tax dollar collected and increase staff satisfaction by boosting their efficiency.</p> <p>2nd prong - Proactive approach</p> <p>Taxpayer education plays an important role in ensuring voluntary compliance by our traders. Issuance of mass letters would help us to reach our targeted group of property owners on a faster and larger scale than if we were to rely on them to source for the information on their own or through education on a case-by-case basis. This would enhance the taxpayer's knowledge of his GST obligations thereby increasing his level of compliance and reducing compliance costs for him.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>1. Time-saving</p> <p><i>With the targeted selection criteria, enforcement officers are able to take prompt recovery actions against the delinquent traders. The one time mass letters would help us to reach out to a large population of traders within a short time. Officers could then channel their time to other productive areas by</i></p>

¹⁰ Based on a set of predetermined criteria. To be adjusted accordingly where necessary.

	<p><i>reducing time spent on dealing with traders' and lawyers' queries separately.</i></p> <p>2. Increase Awareness and Compliance Most of the time, traders or lawyers fail to declare the GST when non-residential properties are sold. They usually claim ignorance. With the publicity letters, traders and lawyers will be informed and made aware of their obligations to account for the GST and thus improve their compliance.</p> <p>3. Reduce the risk of Non-Recovery By appointing agent under Section 79 of GST Act to recover the GST due on the property, IRAS would be able to recover/ collect the GST that may become due from the sale of non-residential property. Based on the data collected during the pilot run, the success rate is 28.57%. Average amount recovered per case was \$41,250.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Currently the process of identifying such cases are still manually carried out, will automate the matching process in later part of 2008.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Spain: Car Registration Tax - inter agency co-operation on car importations

Part 1

Country	Spain
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Co-ordination with Traffic Administration in order to avoid that cars brought into Spain in an Intra-community Fraud Scheme, get their definitive Spanish car licence plate.	
2. Background to the risk treatment	VAT Intra-community fraud is one of the most important problems faced by European Tax Administrations nowadays.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	One of the schemes of this fraud has to be with the car market. This fraud consists of getting cars into Spain, with their licence plate, without paying the VAT and the special tax for licensing a car in Spain. This fraud has been possible for the lack of coordination between Tax Administration and Traffic Administration.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	This approach to the problem is now a standard procedure applied to any new application of registering a new car in Spain before the Traffic Administration.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The objective of this risk treatment is to avoid the cases of unpaid Car Licence Tax and to detect possible cases of taxpayers that will probably not pay VAT on the car.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Anyone who tries to get a new car licence.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	3	Failure to register
	4	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-</i>	The key element of this strategy is the coordination between Traffic Administration and Tax Administration. When a person tries to get a new car licensed, he has to pay previously the car registration tax through internet services. The Traffic Administration verifies if the tax has been paid.	

<p><i>ordination arrangements.</i></p>	<p>In the process of verification, Tax Administration can stop the getting of the licence if the information on this taxpayer shows that he is involved in an Intra-community Fraud Scheme.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>This measure is part of the overall strategy directed to fight against Intra-community Fraud and increase coordination with other Administrations.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>This strategy has produced an increase in the reporting of the tax car registration tax.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>This measure provides a bigger control on new car registrations, and the payment of the registration tax. However, it does not resolve the problem of paying the VAT.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>It is important to increase the collaboration and coordination between different Administrations, especially when an operation produces administrative effects in both of them.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Spain: Segmentation of businesses within the construction and real estate sectors for audit case selection

Part 1

Country	Spain
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Segmentation of companies related to building construction and real estate sector with an audit case selection purpose	
2. Background to the risk treatment	<p>Usually, the case selection process does not have into account that, inside an economic sector, there are companies working with very different profiles in terms of size of business, number of buildings under construction, juridical regime, tax regime, property organization, self-construction or outsourcing, etc.</p> <p>This uniform process may difficult the detection of non-compliance taxpayers in certain niches, with specific characteristics.</p> <p>This approach to the audit case selection process has not usually been used, due to the technical difficulties to segment companies already segmented (companies working in a specific sector).</p>	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)		
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?		
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	The objective of this risk treatment is to achieve a much more precise process of selection for auditing.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The group involved is all taxpayers related with the process of building construction.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	2	Failure to register
	4	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-	<p>The key element of this strategy is the computerised analysis of the population related, and the processing of the information, to provide a range of potential audit cases.</p> <p>This work must be completed with the field work by the selection teams, working on every potential case to decide the most appropriate taxpayers for the final selection.</p>	

<i>ordination arrangements.</i>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	These measures will be implemented in 2008. The impact of the success will be measured comparing the results of the selected audits, with the results of audits using more traditional selection processes.
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	The impact of this strategy has two main moments to be measured. First of all, two or three months after the massive process of the information, in order to evaluate the number of cases selected by the selection teams after the previous field work. Second, the final measurement of tax income increase has to be measured, necessarily, once the audit is finished (usually 12 months after the beginning).
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	It is in process of implementation.
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	It is in process of implementation.

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Spain: Word search software tools to interrogate public record information

Part 1

Country	Spain
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Detection of specific operations from public sources (mainly official gazettes) through the use of “word searchers” computer programmes.	
2. Background to the risk treatment	There are many operations (constitution or restructuring of companies, changes in property, etc) which have to be published in certain official gazettes to produce their legal effects.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	Most of the times there is not a formal obligation to report these operations or changes to the Tax Administration. Other times, this obligation exists but it is not fulfilled. Obviously, this official gazettes are public but there is no possibility of a massive exploitation of the information.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	This approach has not been used till now due to the development of technology.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The objective of this risk treatment is to detect those cases of corporate operations (for example, mergers and acquisitions) that are not reported to the Tax Administration.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	It can be used for any group of taxpayers, as far as they are involved in these operations.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
	4	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination)</i>	The key element of this strategy is the computerised detection of certain operations previously unknown by the Tax Administration. This information has to be analysed and compared with the information directly reported to the Tax Administration, in order to detect possible non-compliance (for example, mergers which are not tax exempted because do not have the requisites needed for that, and that have not paid the	

arrangements.	income tax for this operations)
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	This measure is part of the overall strategy directed to optimise the use of the information actually available for the Tax Administration, through massive computerized analysis.
8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)	The impact of this strategy has two main moments to be measured. First of all, two or three months after the massive process of the information, in order to evaluate the number of cases selected by the selection teams after the previous field work. Second, the final measurement of tax income increase has to be measured, necessarily, once the audit is finished (usually 12 months after the beginning).
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	It is currently in the process of evaluation.
10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)	It is currently in the process of evaluation.

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Sweden: Cash economy - short visit programme at restaurants and hairdressers

Part 1

Country	Sweden
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Cash Economy - Short Visit Programme at Restaurants and Hairdressers.	
2. Background to the risk treatment	A large risk area in Sweden is undeclared incomes due to illicit work. And in some lines of businesses it is more common. Restaurants and hairdressers are one of those.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	In Sweden, the employer declares and pays the tax and social contributions for the employees each month. However, the information about which employee the withheld tax and paid social contribution concern is reported in January the year after the income year. As a consequence, it was not possible for the Tax Agency to conduct any control activities in order to see that declared amounts for each employee was correct until the statement was sent in January. New legislation made it mandatory for employers to have an up to date list of all the people who work for the employer (work force ledger).	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	It was actually the new legislation that gave the Swedish Tax Agency the possibility to do short visits without notice in advance in order to inspect the lists described above.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	We wanted to increase compliance level in restaurants and hairdressers.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	All restaurants and hairdressers. We planned to do visits to 80% of these which was about 30,000 visits.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	1	Failure to register
		Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all</i>	A large number of visits was conducted (30 500 visits), but compared to more ordinary control activities like audits, these visits didn't take so long time to conduct. The activity was to inspect that the employers had the lists and	

<p><i>features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>that the people working there was on that list.</p> <p>The essence of this is that it was not the depth of the control activity that had the positive effect described at 8 below. It was rather that we conducted the control activity and those restaurants and hairdressers heard a lot about it that had the effect.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>From our computer register we compared the amounts declared January to October 2006 with the same period 2007. We could see that these had increased with 14.5 % which is about 8 % more than what could be expected if we looked at the overall economic growth in these lines of businesses. We could also see that more businesses was registered as employers.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>When we calculate how the increased affect illicit work we estimate that the increase correspond to about 4 000 full time jobs transferred to jobs were the employers now withholds tax and pays social contributions for.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Many short visits may have greater impact when it comes to the overall compliance level.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Sweden: Undeclared income – pre-filing contact private persons selling antiquities at auction houses

Part 1

Country	Sweden
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Undeclared income – private persons selling antiquities at auction houses. A letter sent in advance to target group	
2. Background to the risk treatment	We knew that this was an area with possible undeclared incomes and we also knew that this area had not been target for extensive control or information activities for a long time.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>It was not really a pilot, but it was conducted with a more active use of targeted information than we usually do. In the information letter, which was sent out to the target group before they should file their tax return forms, we didn't mention anything about control activities. It was just a letter were we wrote that we got information about that the taxpayer had sold antiquities at an auction house and a description of how the taxpayer should do to declare these kinds of transactions.</p> <p>The enclosure which is to be used to declare these kinds of incomes was also sent to the taxpayer. In the letter we used a kind of "campaign" telephone number so those who had question about the letter could contact persons who knew this area without being connected to different people before reaching the right one to talk to.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	We wanted taxpayers to be more compliant and we also wanted the taxpayers to think that we did the effort in a professional way were we gave them a chance to do things right from the start.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Private persons who have sold antiquities.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at 1), including the need for any special co-ordination arrangements.</i></p>	<p>An early letter sent to the target group informing them how to comply. Se /2b above</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>From our computer register we looked at the taxpayers who declared incomes from selling antiquities before the treatment and then we looked after the treatment.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>From our evaluation we could see that the number of taxpayers who declared the income increased by 28 percent when we compared the figures before and after the treatment. Our conclusion is that most of the result depended on the information we sent to the taxpayers.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>A positive comment is that we sometimes underestimate the impact of early targeted information activities and that it is a very cost efficient way to give taxpayers a possibility to comply. In areas, like this one, we have a combination of taxpayers who make intentional and unintentional errors. The point with this kind of treatment is that everybody in the target group is given a fair chance to do things right from the start; it's not possible to say that they didn't know that these transactions should be declared.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>We should use it more often and we are planning to do so. We are planning to do so in an activity concerning young people who earn money by so-called affiliate-programs on their web-sites.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Switzerland: Use of “e-dec” interrogation software to identify irregularities in VAT declarations

Part 1

Country	Switzerland
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Imports and exports of goods: Use of “e-dec” Interrogation Software to identify Irregularities in VAT Declarations	
2. Background to the risk treatment	Imports and exports of goods are a remarkable part of the Swiss economy.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	<p>Since 2006 the import and export declarations are registered electronically by the Swiss customs while before this date, everything went on paper. At the beginning of 2007 the division of VAT received a direct link to these electronic declarations through a programme named “e-dec”.</p> <p>In the VAT declarations there is only one line to declare the monetary value of the exports while there is no possibility to see what goods are exported and to which amount. To find these figures, an audit at the taxpayer’s has to be done. As for the imports, there is no hint at all in the VAT declarations whether a taxpayer imports goods or not.</p> <p>Information about imports and exports help to define the risk of a single taxpayer or a branch and also help to foresee, whether there might be problems during a future audit at a taxpayer’s.</p>	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	<p>At the moment the electronic interrogation is still a pilot, but is planned to be a permanent approach which will be integrated in the business as usual.</p> <p>However it is still at its beginnings as the data electronically available from customs authority is of two years at the actual moment, while a VAT audit spreads over five years.</p>	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	To have a better control on imports and exports in the field of VAT and therefore to aim to specific taxpayers for audit or to get in contact for clarification on certain deals.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Taxpayers who do imports and/or exports of goods. This data is used to select taxpayers for audit or risk reviews.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	2	Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim

		entitlements
	4	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>Data matching:</p> <ul style="list-style-type: none"> • Amount of exports declared at customs compared with the export amount in the VAT declaration. • Nature of exported goods compared to the usual business of the company. <p>Also the movement in general of imports and exports might reveal a certain irregularity.</p>	
7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used	<p>It is still early to evaluate the procedure. Only about 20 persons have the permission to interrogate the system; all the others have to contact one of these ten selected persons to get the information. Actually the requests for such an interrogation do rarely arrive as e.g. the auditors are not yet used to being able to get the information about imports and exports of a taxpayer directly in the office without having to audit the taxpayer.</p>	
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	<p>The pilot will be evaluated after one year.</p>	
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	<p>Positive is the fact that it is now possible for a single case to know in advance how the situation of exports and imports is registered by the customs before contacting the taxpayer, or to be able to check the imported and exported goods by a taxpayer already in the office.</p> <p>For the future the aim should be to use this system not only for single case risk identification, but also to identify a larger risk group of taxpayers. For the beginning – being a pilot – the single case identification is still okay, but at longer terms “e-dec” should be used to find larger groups of potential fraudsters.</p>	
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	<p>As it is still in its pilot phase, there are not yet lessons learned.</p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

The Netherlands: Horizontal monitoring programme newspaper and leaflet distributors

Part 1

Country	The Netherlands
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Horizontal Monitoring Newspaper and Leaflet Distributors	
2. Background to the risk treatment	Horizontal monitoring means that we share the responsibilities for a proper tax assessment with the corporate taxpayer. That means that the taxpayer has to be transparent about issues that come across. For the tax administration it means giving certainty in advance and being transparent as well.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	<p>Certain fiscal issues (artificial employment/wage taxes) were relevant for all distribution companies. In the past we had to deal with additional taxes, difficult audits etc for each taxpayer individually.</p> <p>Due to the horizontal monitoring agreements (compliance agreements) we have solved those issues in advance with the industry organisation for newspaper and leaflet distributors.</p> <p>Based on those agreements tax advisors and accountants have a better understanding of the tax regulations involved (tax assurance).</p>	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	Pilot, year by year evaluation. Overall, it is a part of the Dutch Horizontal Monitoring Programme.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	A correct interpretation of the tax legislation to prevent any legal disputes. Less audit capacity due to the closed agreements and supervision by audits based on those agreements.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Leaflet distributors: 100.000 Distribution businesses: 80	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
	1	Failure to register
	2	Failure to file on time
	3	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements)	Outsourcing, tax assurance by chartered accountants of these businesses.	

<p><i>of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A random sample will be drawn from the distribution companies. We will check the auditors' report and focus on how these businesses have dealt with the described fiscal issues.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Not possible yet.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Positive comments:</p> <ul style="list-style-type: none"> • The fact we are working with the businesses, instead off more or less working apart. • 'Trust' is becoming the important issue in the relationship between businesses and the government. • It's not like 'cops and robbers'.
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Horizontal monitoring is promising, but it will be a long journey.</p> <p>Be aware that the tax regulations can change while you are negotiating the benefits of an agreement so the industry organization can feel offended by that. Therefore keep in close contact with the legislators.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

The Netherlands: Horizontal monitoring protocol with the professional organisation for small and medium accountant firms

Part 1

Country	The Netherlands
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Horizontal Monitoring regarding the professional organisation for small and medium accountant firms	
2. Background to the risk treatment	Horizontal monitoring means that we share the responsibilities for a proper tax assessment with the corporate taxpayer. That means that the taxpayer has to be transparent about issues that come across. For the tax administration it means giving certainty in advance.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	Because of the large number of SMEs in the Netherlands we can not close agreements on an individual basis. Therefore we focus on trade and industry organisations and also on the group of officially recognized accountants (chartered accountants, certified public accountants). Based on agreements tax consultants and accountants are able to give more certainty to their clients and the Netherlands Tax and Customs Administration (tax assurance).	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	Making arrangements with the professional organisation for small and medium accountant firms is a pilot. However this is part of the Dutch Horizontal Monitoring Programme. The idea is that 25% of the SMEs is involved in horizontal monitoring in 2010.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	By sharing experience with the accountant firms that have SMEs as clients, the accountant firm has a better understanding of the requirements of the NTCA. As a result of this the tax return of their client - where they are responsible for - and their accounts will be of a higher standard. The Tax administration can limit itself to (meta) supervision by audits based on those agreements.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	SMEs in our country: about 1,2 million business clients	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at 1), including the need for any special co-ordination arrangements.</i></p>	<p>The basic idea is that most businesses (not all!) are actually willing to pay their taxes. Not too much, but their fair share. So horizontal monitoring requires a different attitude, behaviour in which we say "let us focus on your business. These are the points that need attention. How do we solve them <i>together?</i>"</p> <p>The population is divided in two groups: with agreement and without agreement and they will be approached differently.</p> <p>Agreements will be published.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>We perform audits as a random sample in order to get a picture of the overall quality of tax returns.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Not possible yet.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Positive comments:</p> <p>The fact we are working with the businesses, instead of more or less working apart.</p> <p>'Trust' is becoming the important issue in the relationship between businesses and the government.</p> <p>It's not like 'cops and robbers'.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Horizontal monitoring is promising but it will be a long journey. It requires a different attitude, also from the Tax Administration. Therefore, it is very important to train your own staff so they will have the necessary social skills.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

Turkey: Corporate Tax/Income Tax and VAT – enhanced reporting obligations

Part 1

Country	Turkey
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Corporate Tax/Income Tax and VAT - Obligation for submitting supplementary forms, revealing purchases (Ba) and sales (Bs) over a threshold, within a taxation period.	
2. Background to the risk treatment	Taxpayers are obliged to submit Ba form for purchases and Bs form for sales. The aim was monitoring movements of goods, by developing a cross-check mechanism. Thus, defining under-assessed tax base, inflated purchases or costs and undeclared sales and purchases.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The treatment strategy is applied for all taxpayers through the country since 2004 taxation year. The strategy targeted taxpayers satisfying the criteria set by additional legislation. Criteria are defined to capture large taxpayers' transactions.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Detecting under-assessed corporate tax/income tax or VAT and unregistered taxpayers.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The information on a purchase form (Ba) of a taxpayer is checked across information on sales form (Bs) of the corresponding taxpayer. Cross check is executed on Tax Identification Number basis for amounts of goods and services. The number of taxpayer which found to have inconsistencies is approximately 14,000 for taxation period 2004. 10,000 of those are initially targeted for audit.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
	4	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the</i>	Data matching: Ba forms are checked across corresponding Bs forms or vice versa, on basis of tax identification number for lines of amounts of goods and services. Taxpayers are assigned as risky and to be audited when there are inconsistencies.	

<p><i>need for any special co-ordination arrangements.</i></p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The aim with the strategy was detecting false and fictitious documents and taxpayers who are involved in tax fraud and criminal activities. The indicator of the success was the conclusion of audit reports and the amount of taxes under-assessed. We observed that the implementation of this treatment strategy positively influenced taxpayers' compliance behaviour.</p> <p>Footnote: Upon evaluating the overall outcomes of the treatment strategy mentioned above, Presidency of Tax Administration considers to maintain the procedure for monthly periods in 2008, which was implemented for yearly periods up-to-date. The incentive behind this initiation was submission of VAT returns on monthly basis, thus we will provide a simultaneous cross check mechanism supported with information on VAT returns.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Some 85% of concluded audits have resulted in extra tax.</p> <p>Some 7% of total cases taxpayers are identified to have involved tax fraud</p> <p>Some 8% are identified to have involved in criminal activities.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Since the treatment strategy for 2004 proved to have been successful in identifying under-assessed taxes, the procedure is maintained and developed in following years.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

United Kingdom: Disclosure of tax avoidance (ATP) schemes

Part 1

Country	United Kingdom
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Disclosure of Tax Avoidance Schemes	
2. Background to the risk treatment	<p>In the UK the tax loss from avoidance is estimated to run into several billions of pounds. This directly affects the delivery of public services and long-term economic growth. Avoidance distorts markets, is economically unproductive and breaks the link between economic productivity and reward.</p> <p>The three main problems that foster avoidance are:</p> <ul style="list-style-type: none"> • Lack of timely information about schemes and who uses them • Too many loopholes in the law creating opportunities for avoidance • No downsides for failed avoidance <p>Disclosure targets the first of these three problems.</p> <p>Prior to the introduction of the disclosure regime in 2004, HMRC's response to avoidance was dependent upon anecdotal information and analysis of tax returns often filed long after the scheme had been implemented. This meant that HMRC was always playing catch-up.</p>	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>The Disclosure Regime has formed part of the business as usual approach that HMRC has adopted towards the use of avoidance schemes.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>Disclosure is the main, but not the only, tool used in the UK for tackling the problem of lack of timely information about avoidance schemes.</p> <p>Our policy objectives are to:</p> <ul style="list-style-type: none"> • Get early information about avoidance schemes and how they work, informing our risk assessment and legislative responses; • Get information about who has used a scheme, informing our compliance work e.g. enquiries into returns, assessment and litigation; • Deter the update of avoidance schemes. 	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	<p>Promoters of avoidance schemes (usually tax advisers, accountants, lawyers, banks and security houses)</p> <p>Users of tax avoidance schemes</p>	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type

	n/a	Failure to register
	n/a	Failure to file on time
	n/a	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	n/a	Failure to pay
Note to 5. above	This strategy targets tax avoidance. Avoidance seeks to exploit loopholes in the law to achieve a tax treatment that meets the strict letter of the law, but subverts the lawmaker's intended purpose. The risk is that the authorities do not find out the detail of avoidance schemes in sufficient time to close them down before revenue is lost.	
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.	<p>Coverage</p> <p>There are two regimes:</p> <ol style="list-style-type: none"> 1. "The main regime" which covers income tax, corporation tax, capital gains tax, stamp duty land tax on commercial property, and national insurance contributions (NICs) 2. Value Added Tax (VAT) <p>The "main regime"</p> <ul style="list-style-type: none"> • The promoter (or user in certain circumstances) is required to provide information to HMRC (disclose) about schemes which satisfy certain descriptions (hallmarks) and which might be expected to provide a tax advantage to any person as a main benefit. That information is normally required within 5 days of making the scheme available for implementation. • Schemes that promoters are required to disclose need to satisfy a number of tests. The basic steps are: <ul style="list-style-type: none"> - Are there arrangements (i.e. a scheme) or proposals for arrangements? - If so, might that scheme be expected to obtain a tax advantage? - If so, would the obtaining of that tax advantage be expected to be one of the main benefits of using the scheme? - And finally, does the scheme fall within a number of descriptions (hallmarks). • The generic hallmarks to target new and innovative schemes <ul style="list-style-type: none"> - Confidentiality from other promoters/HMRC - Premium fee or off market terms • Other hallmarks target known risk areas (e.g. standardised tax products, leasing, loss schemes). • A promoter is only required to disclose a scheme once. No further disclosure is required provided 	

	<p>the scheme remains “substantially the same”.</p> <ul style="list-style-type: none"> • Disclosure requires a description of the scheme, the law relied upon, sufficient enough to show how it works. No information about clients is required. • HMRC may then issue a Scheme Reference Number (SRN) to the promoter. • The promoter passes the SRN onto his client. • The client includes the SRN on a tax return affected by the use of the scheme. • There are information powers and penalties for failure to comply. <p><u>The VAT Regime</u></p> <ul style="list-style-type: none"> • This regime targets users of avoidance schemes rather than promoters. EC law prevented us placing disclosure obligations on promoters. • There are two types of scheme; “listed schemes” and “hallmarked schemes”. • Listed schemes (numbered 1-10) are descriptions of known avoidance schemes which HMRC is challenging. • Hallmarks are features commonly associated with avoidance and target new and innovative schemes. There are 3 generic and 8 specific hallmarks. • Users are required to disclose the allocated number for listed schemes. For hallmarked schemes it is the description of the scheme, including the law relied upon, sufficient enough to show how it works (e.g. how the expected tax advantage is obtained). • Information is required within 30 days of the due date of a return or claim affected. • Turnover thresholds apply. • There are information powers and penalties for failure to comply.
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A programme has been designed that will over time measure the Disclosure regime by reference to 4 broad criteria:</p> <ul style="list-style-type: none"> • Operational – number and quality of disclosures received, evidence that promoters and users understand and are complying with the regime; • Impact on legislation, compliance and HMRCs own organisation • Deterrent effect • Compliance Costs incurred by promoters and users <p>Currently we are developing measures for each of these criteria. In particular we are trying to develop a methodology for measuring the “counterfactual” i.e. what would have happened if Disclosure did not exist.</p>

<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The disclosure regime was introduced in August 2004.</p> <p><u>Informing Legislation</u></p> <p>Informed 23 annual Finance Act measures in 2005, 2006 and 2007 Finance Acts</p> <p>In particular, shut down schemes seeking to avoid £500m income tax and national insurance contributions on annual employee bonuses.</p> <p><u>Detecting Failed Avoidance</u></p> <p>Total number of disclosures to Sept 2007</p> <table border="0"> <tr> <td>Direct Tax & NIC</td> <td>867</td> </tr> <tr> <td>SDLT</td> <td>702</td> </tr> <tr> <td>VAT</td> <td>904</td> </tr> </table> <p>Number with legal fix</p> <table border="0"> <tr> <td>Direct Tax</td> <td>463</td> </tr> <tr> <td>SDLT</td> <td>182</td> </tr> </table> <p><u>Deterrence</u></p> <ul style="list-style-type: none"> • Anecdotal evidence that disclosures have had a deterrent effect. • Businesses increasingly reluctant to use aggressive avoidance schemes and some types of scheme are much reduced • Other factors – corporate responsibility issues; Government/HMRC stance on aggressive avoidance <p><u>Compliance</u></p> <ul style="list-style-type: none"> • Early days for main regime as HMRC still enquiring into first year of tax returns affected. • HMRC using project management to co-ordinate enquiries into users. • VAT - 2/3 of new disclosures are from previously unidentified users. 	Direct Tax & NIC	867	SDLT	702	VAT	904	Direct Tax	463	SDLT	182
Direct Tax & NIC	867										
SDLT	702										
VAT	904										
Direct Tax	463										
SDLT	182										
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>It is relatively early in the evaluation process. However, initial findings are that Disclosure has broadly achieved its objectives. We have identified some weaknesses that we are working up solutions to.</p>										
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Three key lessons are:</p> <ol style="list-style-type: none"> 1. It is vital to get the descriptions of the schemes (hallmarks) right. There is a very fine line between getting disclosure of too much and too little; 2. Consultation is vital to get the descriptions right; and 3. Sufficient information powers and penalties are necessary to deal with the minority of promoters who are non-compliant 										

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

United Kingdom: Evaluation of the preventive effects of HMRC random enquiries (direct tax)

Part 1

Country	United Kingdom
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Evaluation of the Preventive Effects of HMRC Random Enquiries (Direct Tax)	
2. Background to the risk treatment	Given resource constraints and potential changes in resource allocation across compliance activity undertaken by HMRC, it is important that we understand the full effect of enquiries on compliance behaviour.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	To do this econometric analysis was undertaken to examine whether there was evidence of a preventive effect following a random enquiry and if so how large it was and how long it lasted for. Econometric analysis of the effect of an enquiry undertaken in 2000 and 2001 on future tax liability was undertaken for individuals, small and medium sized businesses.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The initial analysis was a one off event but further analysis in this area is planned.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	Econometric analysis was undertaken to provide evidence and enhance our understanding of the existence and magnitude of the preventive effect of HMRC random enquiries. This work is necessary to inform resource allocation modelling and enable us to analyse the effect of changes in resource allocation across HMRC.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	There were three groups involved: <ol style="list-style-type: none"> 1. Individual non-complex taxpayers 2. Small sized businesses (annual turnover < 15,000 pounds) 3. Medium sized businesses (annual turnover between 15,000 and 250, 000 pounds) 	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key elements of the risk treatment	The Econometric analysis was undertaken on Random	

<p>strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</p>	<p>Enquiries of Self Assessment Taxpayers in 2000 and 2001.</p> <p>The methodology used was the 'differences in differences' technique which enables us to isolate the impact of the enquiry. This involved identifying a suitable treatment group (those subject to a random enquiry in 2000) and comparing the changes in tax declared over a period of time (three years prior to and following the enquiry) with the changes observed in a suitable control group (those not selected for an enquiry). To ensure that the effects of a previous enquiry were not picked up, taxpayers who had been selected for an enquiry in the three years prior to 2000 were excluded from the analysis. This allowed post-enquiry liability to be more readily attributed to audit and non audit factors. This analysis was extended (using enquiries carried out in 2000 and 2001) to examine the effects on declared tax liability once the enquiry had closed and the outcome was known to taxpayers.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>This is not a strategy in itself. This is an evaluation technique to measure the effects of existing interventions. A more detailed paper describing the evaluation technique is available.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The initial analysis indicated that there was a statistically significant positive preventive effect for small and medium sized businesses found to be non-compliant. Results for non-complex individuals were not considered to be statistically significant which may be due to the nature/limitations of the data.</p> <p>Further analysis was undertaken using data on random enquiries carried out in 2000 and 2001 to evaluate the impact of the enquiry on taxpayers in the year after the enquiry had closed when the taxpayer had full information about the outcome of the enquiry. This analysis provided strong evidence of positive preventive effects in the first year after the closure of the enquiry for medium sized businesses and for small businesses.</p> <p>Results for non-compliant non-complex individual taxpayers were not found to be statistically significantly different from zero and analysis of the effects two years after the closure of the enquiry provided mixed results with statistically significant results only found to hold for non-compliant medium sized businesses. However these latter results may arise as a result of the nature and limitations of the dataset used.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Further analysis is planned to validate the results found to date. Also this work has indicated that there is a negative preventive effect (declared tax fell in the years following the enquiry) for taxpayers who were subject to an enquiry and found to be compliant. Further analysis is planned to examine this finding to understand how and why this might arise.</p> <p>This further analysis is expected to enhance our understanding of the impact of random enquiries on taxpayer behaviour across the compliance spectrum.</p>

10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	Analysis in this area is ongoing.
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

United Kingdom: Hotline & helpline

Part 1

Country	United Kingdom
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Part 2

What we would like to learn	Your response
1. Name/title of risk treatment strategy	Hotline & Helpline
2. Background to the risk treatment	<p>The Hidden Economy is usually taken to mean any undeclared economic activity. HM Revenue & Customs' work in tackling the hidden economy covers four groups:</p> <ul style="list-style-type: none"> • businesses that should be registered to pay tax, such as VAT, but are not; • individuals who work in the hidden economy and pay no tax at all on their earnings (ghosts); • individuals who pay tax on some earnings but fail to declare other additional sources of income (moonlighters); and, • employers who may facilitate ghosts and moonlighters, and also evade employers National Insurance contributions. <p>In recent years the Department has sought to estimate the amount of tax lost from the hidden economy but, in common with other tax authorities, it is difficult to produce robust figures.</p> <p>It was clear that the Hidden Economy should be tackled in a more effective way. Additional funding was provided to redress this by:</p> <ul style="list-style-type: none"> • education - publicising a Helpline to make it as easy as possible for taxpayers to register as self-employed; • introducing a Hotline for detecting individuals and businesses in the hidden economy. <p>A National Helpline publicity campaign commenced in June 2005 and was complemented by the introduction of the Tax Evasion Hotline in November 2005.</p>
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>As a Treasury funded (Spend to Save) initiative there is an expectation that there is an appropriate return for the investment over the 3 year period. Due to the success of this initiative it is anticipated that the work will move to "Business As Usual" by 2008.</p>
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	<p>Our aim is to get as many people as possible to comply voluntarily. And to do that we need to ensure that they clearly understand their obligations and the help available to them. For example, all people who become self-employed need to register as such within three months of the change of their status. Our interviews with those in the hidden economy show that they would consider moving into the formal economy if they knew more about the advantages of</p>

	<p>doing so. A national publicity campaign will educate and inform the public about their obligations.</p> <p>To the extent that people may choose to remain non-compliant our aim was to develop a cost effective mechanism in the form of a Hotline to identify those working in the Hidden Economy, collect arrears of tax and National Insurance and encouraging future compliance.</p>	
<p>4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?</p>	<p>The target group is potentially over 2 million Ghosts and Moonlighters operating in the Hidden Economy.</p>	
<p>5. Main risk types being treated (<i>indicate in order of priority</i>)</p>	<p>Rank priority for treatment</p>	<p>Risk type</p>
	<p>1</p>	<p>Failure to register</p>
	<p>4</p>	<p>Failure to file on time</p>
	<p>2</p>	<p>Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements</p>
	<p>3</p>	<p>Failure to pay</p>
<p>6. Description of the key elements of the risk treatment strategy (<i>please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>)</p>	<p>The Helpline advertising campaign raised awareness amongst the self employed to register for tax through the Helpline for the Newly Self Employed. The campaign ran from June 2005 to December 2005 with the main message "It is a simple process to register and we are there to help, ring our Helpline". The campaign utilised National Press and Radio in addition to other media sources such as internet advertising, sandwich bags and ballpoint pens.</p> <p>The Hotline used a combination of TV, press and radio campaigns in March 2006 to launch the service and encourage members of the public to telephone the hotline with their suspicions on self-employed people operating in the hidden economy. A more limited internet and radio campaign was launched in February 2007 concentrating on employers not paying over tax deducted from salary, or paying below the national minimum wage. In addition to the required freephone number and call operators, the work included the need for a dedicated team to risk assess the cases and front line investigators.</p>	
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>For both the Helpline and Hotline a benchmark stage of research prior to any advertising and post-campaign evaluation was utilised to comprehensively evaluate effectiveness. As an example, research consisted of interviews with the general public and the Self-employed. This included 306 interviews with self-employed adults, aged 16-65, and 297 interviews with non self-employed adults (aged 16+) in all social classes.</p> <p>For the Helpline analytical evaluation, a statistical model was developed utilising call volume time series which incorporates seasonal effects (statistically significant variables for winter and summer) and a general trend over time.</p> <p>As the Hotline was newly introduced, there were no comparable time series, evaluation therefore focuses on</p>	

<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>yield.</p> <p>Analysis from the first Helpline campaign estimates an additional 5,000 individuals called the Helpline to register leading to the collection of £23 million in tax from these individuals over three years based on typical late registration cases. A further 3,270 individuals called the Helpline to request the 'Thinking of working for yourself?' guide and if these individuals register the Department would collect an estimated £15 million in tax over three years. Early indications are that subsequent Helpline campaigns have not had as significant an impact, however, further in depth analysis is required to substantiate this.</p> <p>The Department received 124,000 calls to the Hotline in 2006-07. The number of calls has averaged 5,000 a month since then. Of the 63,900 calls where further action was possible, 8,400 individuals have been dealt with by offering education and support and 19,800 have been selected for investigation. The Department is awaiting receipt of tax returns from 9,800 cases as no tax is yet due. No decision has been made on the remaining 25,900 cases. Of the 19,800 selected for investigation, 3,700 cases have been opened of which almost 1,800 have been completed. Only one Television Hotline campaign has been run, however, there is a clear and significant direct link between hotline media advertising and the volume of hotline referrals.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Despite the fact that this initiative was a challenging and untested mechanism for tackling the Hidden Economy in the UK, the two phased advertising campaign is showing signs of promising results.</p> <p>The initial Helpline element has proved to be particularly fruitful in terms of additional registrations, however customer analysis has shown that the registration campaigns may not have been as successful were it not for the "threat" of a Hotline facility. Indeed call volumes confirm that there is a considerable appetite from the general public to tell us of those people suspected of not paying their fair share of taxes. Recent advertising focusing on identified risks (landlords, e-traders and employers) has demonstrated an upsurge in the number of registrations and Hotline referrals from these risks.</p> <p>The high volume of Hotline cases and the considerable time consuming risk assessment process that this entails is a cause for concern, and almost half of the calls received in 2006-07 lacked relevant information or were rejected following risk assessment. Feedback suggests that high quality cases account for only 6% of telephone referrals and approximately 32% of emails / written correspondence.</p> <p>Most of the completed cases have been for ghosts and moonlighters whereas there have been relatively few investigations of small businesses and employer compliance which would bring in a higher average yield.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do</p>	<p>To deal with the high volume of Hotline cases received we have had to:</p> <ul style="list-style-type: none"> • vary our traditional intervention approach, particularly by the use of targeted educational, enabling and leverage letters;

<p><i>differently?)</i></p>	<ul style="list-style-type: none">• utilise an electronic automated risk based assessment process. <p>In addition Tax Evasion calls are now being handled alongside the National Fraud Benefit Hotline calls in a joined up exercise, to improve efficiency in Government.</p> <p>It is essential in terms of reviewing the impact of the various campaigns that sufficient data is gathered to enable comprehensive analysis as call volume figures alone do not provide sufficient data for a full evaluation.</p>
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(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

United Kingdom: Offshore disclosure arrangements (ODA)

Part 1

Country	United Kingdom
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Offshore Disclosure Arrangements (ODA)	
2. Background to the risk treatment	The arrangements were designed to encourage UK-based offshore account holders with unpaid taxes to come forward and put their tax affairs in order.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	The evidence of non-compliance involving offshore accounts, used to develop and implement ODA, came from a number of sources. These included findings from previous compliance activity focused on offshore account holders, analysis of external data on UK deposits offshore, internal data on declarations made through Self-Assessment returns, and information on individual account holders from banks (see question 6 below). In addition, the design of ODA was informed by an incentive scheme run by the Irish Revenue Commission in 2005.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	The Offshore Disclosure Arrangements (ODA) were a one off event, or campaign, seen as a cost-effective approach to dealing with a large volume of third party information.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The aims of the initiative were twofold. In the immediate term, HMRC sought to recover tax lost additional to business as usual by encouraging offshore account holders to come forward and pay any outstanding tax owed. The longer term goal of the initiative was to bring non-compliant individuals into the system and alter public perceptions on the risks vs. rewards regarding the use of offshore accounts. While the scheme used advantageous terms to encourage participation the arrangements were not an amnesty as tax, interest and a 10% reduced flat rate penalty were all payable.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The initiative was directed at offshore account holders from the group of banks on whom HMRC had offshore account information but was open to all (see question 6 below)	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or

	claim entitlements
	Failure to pay
<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Following a landmark ruling in 2006, HMRC was able to use its powers to obtain third party information on UK-based offshore account holders from a number of retail banks. These banks then notified their customers in a letter that they had been required by law to pass the customers' information to HM Revenue & Customs and informing them of the Offshore Disclosure Arrangements (ODA).</p> <p>The Offshore Disclosure Arrangements were launched on 17 April 2007. Investors had until 22 June 2007 to notify HMRC of their intention to disclose and pay any outstanding tax via the Internet or in writing. Only those who registered by this date would be eligible for the terms of the arrangements, whereby tax, interest and a 10% penalty were all payable.</p> <p>HMRC sent out a mailshot in June 2007 to the banks' customers, on whom they had information, reminding them of the notification deadline and emphasising that they were under no obligation to disclose following their registration, should they subsequently discover that they had no tax to pay.</p> <p>Those investors who notified their intention to disclose then had until 26 November 2007 to fully disclose and pay any outstanding taxes, interest and penalties owed.</p> <p>A second mailshot was sent out in September 2007 as a reminder to those who had notified but not yet come forward to disclose of the impending deadline, as well as a final reminder mailshot in early November 2007.</p> <p>In some complex cases, extensions were granted to enable investors to get their affairs in order as well as to those who needed time to pay.</p> <p>Those who have disclosed are being credibility checked and will receive responses by April either accepting their disclosures or requiring further information.</p> <p>Those customers who did not notify or disclose are being risk-assessed and will be dealt with accordingly. Low risk cases will be dealt with using a new and innovative lighter touch industrialised approach, with high risk cases going to 1:1 enquiry. HMRC may seek penalties of up to 100% and in the most serious cases pursue criminal prosecutions.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Initially, the evaluation will focus on the more direct effects of the ODA. For example, yield collected, profile of individuals who disclose and the extent to which disclosures are from known (e.g. individuals who we can identify through data provided by the major retail banks) versus unknown populations. We also intend to:</p> <ul style="list-style-type: none"> • undertake qualitative research on the behavioural response to ODA; • undertake evaluation of process elements of ODA; • monitor follow-up compliance activity on offshore account holders; • longer term consider the effect of ODA on future

	receipts and on savings behaviour.
8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i>	<p>Around 62,000 investors notified HMRC of their intention to disclose, with around 45,000 coming forward to disclose and pay in November.</p> <p>The expected final yield from the initiative is over £400m with individual yields showing a wide spread. The largest disclosure was valued at around £3m. The cost of the project was around £6m.</p>
9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.	A full evaluation of the strategy will be carried out in 2008. HMRC is extremely pleased with the success of the initiative, which smoothly and effectively delivered very high yield at low cost.
10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i>	Notifiers should be required to make a disclosure – either a nil disclosure (i.e. nothing to declare) or a value disclosure, thus reducing the HMRC administrative burden in determining why individuals have registered but not disclosed and consequently how they should be treated as well as any anxiety or irritation to customers resulting from reminder correspondence

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

United Kingdom: Sharing workflow processes with tax agents

Part 1

Country	United Kingdom
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Sharing workflow processes	
2. Background to the risk treatment	The majority of Small and medium sized businesses (SMEs) in the UK make use of a tax agent for some or all of their tax affairs. The processes tax agents carry out before submitting returns to assure completeness and accuracy can have a key impact on the risk a particular return presents, yet these processes are largely not visible to revenue bodies.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	By understanding tax agent's processes better we can help them in reducing errors and enable us to better understand risk.	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	As a one off exercise we worked with a small sample of tax agents to better understand the pre return processes that are used to reduce the risk of error when preparing accounts and returns. This exercise ran over a period of three months.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The aim of the exercise was to explore how a better understanding of agent processes might be used to improve how revenue bodies work with tax agents.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group for this strategy is UK tax agents that act for SMEs. It is estimated that the size of this population is around 65,000 firms.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
		Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	An analysis of historical tax enquiry data was carried out to identify areas of key tax risk to provide the focus for this work. This was supplemented by a detailed analysis of a sample of tax enquiry case files where these particular risks where prevalent. This information was used to concentrate discussions with the sample of tax agents to the areas of their processes most relevant to mitigating the risk of tax error.	

	<p>Tax agents involved in the exercise were all volunteers. The sample contained firms of varying sizes, geographical spread and a cross representation of firms belonging to different accountancy and tax professional bodies. A day was spent with each agent to understand their processes in the areas of key tax risk identified.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>The results of this exercise will be used to inform the development of improved ways of working with tax agents.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>It is too early to evaluate the results of this exercise. However anecdotal evidence from tax agents involved suggest that they welcome the approach and the opportunity it presents for a better working relationship with revenue bodies.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>N/A</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>The exercise has provided a valuable insight into the tax agent marketplace, the commercial pressures within that market and the tripartite relationship between revenue bodies, tax agents and their clients. These observations were in addition to the improved understanding of agent processes which was the principal aim of the exercise.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

United Kingdom: Web robot internet search & monitoring tool

Part 1

Country	United Kingdom
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Web Robot	
2. Background to the risk treatment	Web Robot is an internet search and monitoring facility for HMRC.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>	<p>Experience demonstrated that manual searching of the Internet to identify businesses operating in a particular sector or offering specific goods or services was resource intensive. Risk Teams had established that the Internet contained a lot of valuable information for tax administration. The challenge was how to collect it efficiently.</p> <p>We were already aware of tools being developed by other tax administrations and the availability of other tools that could be applied effectively to assist in this activity.</p>	
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	<p>Web Robot was introduced as a pilot to demonstrate that there was a need for the service and that the technology could deliver as promised.</p> <p>After 2½ years the facility became a business as usual service within HMRC. The delay allowed our core software tool to mature and for us to develop efficient processes to deliver the information required by our colleagues efficiently and effectively. As the core tools are now mature, an equivalent facility could be introduced in a much shorter period.</p>	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Our objective was to collect information from the Internet efficiently and effectively. This enables our colleagues requesting this information to devote their limited resources to analysis and extracting value rather than data collection.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	We see this facility as having potential application across the whole HMRC business – potentially a large percentage of our taxpayers. But we have to date applied our tools to identify taxpayers operating within a specific sector or offering specific products and services of interest to us, for instance, eBay traders.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
	2	Failure to register
	n/a	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	n/a	Failure to pay

<p>6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i></p>	<p>Web Robot offer two core services:</p> <ol style="list-style-type: none"> 1. Profiling, searching for, and finding websites of interest; and 2. Collecting information published on an online directory (or portal). <p>We are also able to extract significant information from a website and present it in a structured format for analysis offline.</p> <p>The Xenon software originally developed by Belastingdienst (the Dutch Tax & Customs Administration) enables us to build a profile of web pages that interest us and search the Internet identifying websites that match the profile. We can then identify and extract contact information (names, addresses, post codes, etc.) from those sites.</p> <p>We use a number of tools to collect information from online directories and present it in a structured format. Some of these are commercial products, some have been developed by other tax administrations, and some developed by ourselves.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>A Risk project on e-commerce that reported in April 2007 included an objective to consider how best to use the Web Robot facility and, specifically, assess how effective the Web Robot was in identifying targets by comparison to those obtained manually.</p> <p>They concluded that “Web Robot profiled and successfully produced a higher target population in a significantly shorter timescale.”</p> <p>Their recommendations included that “Web Robot ... represent substantial assets to HMRC in monitoring the activity in this area. Their expertise and effectiveness is significant and it is essential that the profile is raised throughout the <business> and they are involved at all stages of the projects where the web robot or other available specialist software is to be utilised.”</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>We identified around 6,000 eBay traders. During the year to 31/03/2007, a sample of 300 of the eBay traders identified by Web Robot were risk assessed of which 130 were referred for intervention. The 100 interventions concluded by 31/03/2007 identified £302,000 additional VAT revenue and resulted in 8 new VAT registrations. If we were to investigate the full population we would estimate that there would be 990 existing VAT registrations leading to revenue of between £454,000 and £2.8m, and 70 new VAT registrations leading to revenue of £1.8m. Direct tax benefits have yet to be calculated.</p> <p>Other projects supported in the year to 31/03/2007 estimate the anticipated yield at £35m VAT and £45.4m direct taxes.</p> <p>HMRC mounted a press campaign in February 2007 encouraging taxpayers trading on e-marketplaces such as eBay to check that they were correctly declaring taxable income. The UK media identified a reference to Xenon and Web Robot on a US website and linked it to the campaign, resulting in references to Web Robot on national BBC radio and a broad cross section of national newspapers.</p>

	<p>Awareness that HMRC was active in this area is believed to have assisted in encouraging voluntary compliance.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Web Robot merely provides an efficient means of identifying high risk taxpayers for intervention. The value within those references can only be realised through effective intervention.</p> <p>Whilst experience suggests that investigation of taxpayers engaged in pure e-commerce activity can be undertaken and brought to a successful conclusion in a relatively short period, investigation of traditional businesses identified by Web Robot are subject to the usual frustrations and can be resource intensive.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>It is essential that staff are committed full time to this activity. Familiarity with the tools and the environment is critical if they are to be used effectively. A centralised facility enables team members to learn from one-another and develop together.</p> <p>The necessary constraints that central IT management place on workstations connected to the departmental infrastructure is incompatible with the needs of this work. It is therefore essential that independent workstations with direct access to the Internet are provided for this work. It is reasonable to expect that staff with the skills and aptitude for this work would already have the necessary skills to manage such a facility.</p> <p>Collecting information from the Internet is not the goal. It is essential that processes are introduced that take that information and through appropriate interventions, realise the value within it.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

USA: Disguised and hidden ownership of income

Part 1

Country	United States of America
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Disguised and Hidden Ownership of Income	
2. Background to the risk treatment	Individuals disguise and hide ownership of income by using nominee foreign and domestic entities including corporations, trusts, and partnerships.	
2a Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)	Taxpayers are establishing International Business Companies, foreign trusts, foreign partnerships, and limited liability companies in foreign and domestic tax secrecy jurisdictions as a means to divert unreported income for tax avoidance/evasion purposes. The sources of untaxed funds are generally from closely held businesses, gain from the sale of capital assets, and unreported investment income. Examinations of individuals and financial institutions have led to the discovery of this tax avoidance/evasion technique.	
2b. Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?	The strategy has been incorporated into regular examination techniques and is being expanded as additional sources of information about taxpayer involvement in the abusive schemes are developed.	
3. Objectives of the risk treatment (what were the intended outcomes sought from the risk treatment?)	The objective is to reduce and ultimately eliminate the use of foreign and domestic nominee entities as a method of avoiding/evading U.S. taxation.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	The target group is taxpayers attempting to use nominee entities to avoid/evade taxation. The population of this group cannot be reasonably quantified at this time.	
5. Main risk types being treated (indicate in order of priority)	Rank priority for treatment	Risk type
		Failure to register
	3	Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy (please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the	<p>Identification of individuals involved in disguising and hiding ownership of income has been obtained from a variety of sources. These sources include credit card processors, securities brokers, banks, and domestic resident agents.</p> <p>Based on the source of information, it has been necessary to use "John Doe" summonses, dual-purpose audits, and</p>	

<p><i>need for any special co-ordination arrangements.</i></p>	<p>examinations of financial institutions to obtain documentation leading to individuals that are disguising and hiding ownership of income to avoid/evade taxation. Promoter investigations are conducted on persons that facilitate and/or assist with the tax avoidance/evasion strategy. There are two principal goals in initiating promoter examinations. One is to discontinue the tax avoidance/evasion operations. The other is to discover other noncompliant taxpayers.</p> <p>As non-compliant taxpayers are discovered, audits are generally conducted on these individuals and, if appropriate, expedited settlement methods may be used to conclude compliance activities. In certain circumstances, publicity of law enforcement actions against prominent noncompliant taxpayers has reduced the use of the avoidance scheme.</p> <p>Key elements of the risk treatment strategy are (1) methodologies for discovering taxpayers using the abusive tax scheme and (2) efforts to curtail the continued use of the abusive scheme through publicity, legislative and regulatory changes.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>Evaluation on the impact of the risk treatment strategy has been based principally on analysis of statistics related to the audit of individual taxpayers.</p> <p>Detailed statistics are gathered on the business results of completed audits. These statistics include data on the amount of tax, penalty, and interest assessed and collected; Data is also capture on the hour accumulated on completing these examinations and the results of criminal law enforcement actions against taxpayers.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>The impact of the risk treatment strategy is continuing to be evaluated as the strategy expands to additional sources such as financial institutions and governmental bodies. Statistics are gathered and evaluated on a monthly basis. The strategy has been successful in generating both civil and criminal fraud investigations. One offshore financial institution has discontinued operations because of our compliance activities.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Auditing and discovering taxpayers associated with schemes involving disguised and hidden asset account activities requires time, effort, and training. Nevertheless, these audits result in a disproportionate number of civil and criminal fraud investigations and penalties. Therefore the continuing use of the risk treatment strategy, while requiring resources and a commitment to the approach, directly addresses the underlying concern of the compliance tax gap.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>Taxpayers that are disguising or hiding unreported income are often doing so by gaps or loopholes in tax laws. One of the key activities that should be initiated early in the risk treatment strategy is to encourage legal and regulatory actions to either prevent the noncompliant activity or to make detection of noncompliant taxpayers easier.</p>

USA: Importer non-filer compliance project

Part 1

Country	United States of America
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Importer Non-filer Compliance Initiative Project	
2. Background to the risk treatment	A congressionally mandated study revealed a large number of importers (taken from Customs data) without Taxpayer Identification Numbers. An approach was developed to further explore the possibility of identifying non-compliant businesses (those with a Permanent Establishment in the U.S.A. but failing to file).	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	This is a Compliance Initiative Project commenced in the summer of 2007 with a completion date of December 2008; therefore, it is a pilot and data are continuing to be collected and analysed.	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	The objective is to determine if Customs data combined with Internet research can identify non-filers earning effectively connected income in the U.S.A. through permanent establishments. Success would be measured by increased filing and tax collections – reducing a component of the Tax Gap.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	Foreign companies conducting business in the U.S.A. through a permanent establishment and not filing a U.S.A. tax return to report income and pay the appropriate amount of tax. The initial sample was takes from 200 importers with over \$50 million of imported goods.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
	1	Failure to file on time
	2	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	3	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	<p>Initial step was to sort list of all imports in 2004 by importer and stratify list by total value of imported goods.</p> <p>Developed a letter and questionnaire to mail to foreign companies that if properly responded would identify risk of non-filed or protective filed 1120F returns that had PE.</p> <p>Conduct follow-up contact with foreign company, visit U.S. presence, interview third parties to gather facts for PE</p>	

	<p>determination.</p> <p>If non-cooperation, perform field examination and solicit information through exchange agreements to prepare substitute for returns.</p>
<p>7. Describe the overall strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>After the project is completed at the end of 2008, the results will be measured in terms of voluntary filings and tax assessments, and potential implementation of best practices identified during the project.</p>
<p>8. Describe any observed impacts of the risk treatment strategy (please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</p>	<p>Too early to report many observed impacts, but the responses in box 9 below provide some early insight.</p> <p>The years being considered for the potential non- filing is 2004 through 2006.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>The identification of the best candidates to contact is laborious and imprecise. Identifying the name used for the entity filing in the U.S.A. is frequently challenging.</p> <p>It was difficult getting the foreign taxpayers to respond to the initial mailing. This was eventually overcome by direct phone contact and repeated follow-up.</p> <p>Information posted on the Internet is not always accurate, some companies that claimed to have sales offices in the U.S. A. stated it was simply a marketing ploy.</p> <p>Some taxpayers are setting up a structure to avoid a PE suggesting the problem is better handled as a transfer pricing issue.</p> <p>On the positive side, we have secured one voluntary filing and some cases with good potential, but they are not yet fully developed.</p>
<p>10. Lessons learned. (Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</p>	<p>It is premature to respond at this point, but the final reporting on the report will surely suggest adjustments to our identification, contact and enforcement activities.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)

USA: Internet income probes

Part 1

Country	United States
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Part 2

What we would like to learn	Your response	
1. Name/title of risk treatment strategy	Internet Income Probes	
2. Background to the risk treatment	Audit techniques were updated to reflect changes in the way American taxpayers do business. In every business examination of a Small Business taxpayer, examiners are required to ask about Internet use and consider e-commerce activities. Part of considering e-commerce activities includes a quick Internet search on the taxpayers name to determine if the taxpayer has information posted on the Internet. If the taxpayer has a website, guidance has been provided on reviewing the website for income generating activities.	
2a <i>Description of the background to the specific risk treatment (e.g. why the treatment was developed, what evidence existed of the non-compliance being targeted?)</i>		
2b. <i>Was the risk treatment a pilot, a one off event, or has the approach been integrated as a business as usual approach? If a pilot, over what period did it operate?</i>	Treatment has been incorporated into Internal Revenue Manual section 4.10.4.3.6	
3. Objectives of the risk treatment <i>(what were the intended outcomes sought from the risk treatment?)</i>	Educate workforce to consider impact of Internet use and e-commerce activities when examining income. Educate workforce on review of taxpayer websites. Educated workforce will be better equipped to find unreported income.	
4. Who is the target group of taxpayers for this risk treatment strategy? How large is the group?	All Small Business Taxpayers.	
5. Main risk types being treated <i>(indicate in order of priority)</i>	Rank priority for treatment	Risk type
		Failure to register
		Failure to file on time
	1	Failure to correctly report liabilities (or provide complete or accurate information) or claim entitlements
	2	Failure to pay
6. Description of the key elements of the risk treatment strategy <i>(please elaborate all features/elements of the risk treatment strategy (see explanation at /1), including the need for any special co-ordination arrangements.</i>	The tax gap is the amount of noncompliance comprised of underreporting, underpayment and non-filing. The vast majority of the "Tax Gap" is attributable to underreporting and individual tax returns comprise the largest segment of noncompliance.	
7. Describe the overall	Implementation is in the initial stages. The first step was to	

<p>strategy for evaluating the impact of the risk treatment strategy, including details of specific measures/ indicators used</p>	<p>provide training and update the IRM. Second, incorporate changes made to the IRM into quality measurement system. Implementation into quality measurement system is scheduled to begin in January 2008. Other measures include fraud referrals made and results based on closed case data for examined cases.</p>
<p>8. Describe any observed impacts of the risk treatment strategy <i>(please also indicate over what time period (or at what frequency) you are measuring the impacts of the strategy.)</i></p>	<p>Use of recommended Internet Audit Techniques has resulted in identification of substantial omissions of taxable income, however these results have not been captured on a statistical basis nor do current measurement systems differentiate whether omitted income was identified directly from Internet Income Probe techniques or some other form of income probe.</p>
<p>9. Provide any comments, positive or negative, that reflect on the results achieved to date with this risk treatment strategy.</p>	<p>Use of recommended Internet Audit Techniques has resulted in identification of substantial omissions of taxable income, however these results have not been captured on a statistical basis nor do current measurement systems differentiate whether omitted income was identified directly from Internet Income Probe techniques or some other form of income probe.</p>
<p>10. Lessons learned. <i>(Are there any key lessons or observations learned from the approach taken; if you were to do it again what might you do differently?)</i></p>	<p>Internet Income Probe techniques are quite useful in augmenting collection activity and enhancing the ability of auditors to identify some forms of unreported income.</p>

(1. A risk treatment strategy can include multiple elements e.g. legislation; help/education initiatives; additional services; new information sources; use of media and /or enhanced technology; new forms of verification/ enforcement; and collaboration with other agencies.)