



# VIETNAM

## TECHNICAL ASSISTANCE REPORT—TAXPAYER COMPLIANCE RISK MANAGEMENT – TOURISM COMPLIANCE IMPROVEMENT PLAN

June 2023

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# TECHNICAL ASSISTANCE REPORT

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Taxpayer Compliance Risk Management –  
Tourism Compliance Improvement Plan

**May 2023**

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**Taxpayer Compliance Risk Management**  
**– Tourism Compliance Improvement**  
**Plan**

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**Technical Assistance Report**

**May 2023**

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## I. BACKGROUND

**1. This is a summary report concerning an in-country capacity development (CD) activity by Mr. Andy Ditchfield and Mr. Steve Howlin (IMF Fiscal Affairs Department (FAD) Short Term Experts (STX)) to the General Department of Taxation (GDT) of Vietnam during the period February 14 to 22, 2023.** The purpose of this CD was to consolidate and build on the compliance risk management (CRM) remote training delivered in September and November 2022 by further practically applying CRM principles to the tourism sector to finalize a tourism sector compliance improvement plan (CIP). This sectoral CIP is a pilot that will give GDT the experience and confidence to extend contemporary CRM practices to other sectors and other specific compliance risks.

**2. This CD activity focused on more in-depth practical analysis of risks in the tourism sector, assessing and ranking risk, understanding behavior, developing strategies, recording this in a CIP and planning for implementation.** This process is designed to satisfy the specific tasks of the assignment which include:

- Building on previous FAD recommendations<sup>1</sup> and earlier experts visits in September and November 2022, assisting the GDT in further developing the compliance improvement framework, and finalize a CIP for the tourism sector.
- Providing international good practices on CRM using IMF technical notes (particularly “Revenue Administration - Compliance Risk Management Framework to Drive Revenue Performance”; “Compliance Risk Management for Tax Administration leaders”, and “Compliance Risk Management: Developing Compliance Improvement Plans”, the revenue portal and experiences from other tax jurisdictions).
- Identifying other areas for follow-up CD support.

## II. RECENT DEVELOPMENTS

**3. The Vietnam Tax System Reform Strategy (TSRS) for 2021-2030 requires a risk-based approach.** The TSRS has been approved by the Prime Minister. The requirement for Vietnam tax authorities to adopt a risk-based approach is noted as a fundamental approach to ensure adequate capacity of tax authorities in administering domestic and international taxes.

**4. The Risk Management Board is currently a temporary board within the GDT structure and does not have the status of a department.** Its authority is derived from circular 31, which describes its function and responsibilities. Typically, in most jurisdictions, a RMB is a permanent department reporting to a RMSC made up of representatives of relevant departments.

**5. Currently the RMB reports to a single Deputy Director General,** rather than a Risk Management Steering Committee (RMSC). Under international practice the RMB would typically

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<sup>1</sup>IMF report: Enhancing Compliance Risk Management in Tax Administration, Brondolo et. al, 2021

report to a RMSC with members from all relevant departments, including RMB, representatives of Provincial Tax Offices, educations and communications, filing, registration and debt management. An RMSC should be established before the Tourism CIP is implemented. Appendix I provides a description of the roles and responsibilities of the RMSC.

**6. The RMB has a good understanding of CRM principles.** The RMB has fully embraced the key principle of using contemporary CRM practices to improve compliance behavior across all pillars of compliance (registration, filing, correct reporting and payment) by using a blend of educate, facilitate and enforcement treatments.

**7. A significant challenge is to disseminate CRM principles beyond RMB and practically demonstrate the benefits.** Understanding of the risk-based compliance management approach outside of RMB is low. Current risk management strategies supported outside the RMB appear to be focused on audit activity and direct audit results, such as hit rate and value of adjustments. International experience shows that audit alone cannot shift the underlying non-compliant behavior among those audited and the general taxpayer population. Contemporary compliance risk management requires that the behavior underlying non-compliance needs to be directly addressed through targeted and organized programs of education, facilitation (making it easier for taxpayers to comply) and enforcement (audit).

**8. There are compelling reasons for selecting the tourism sector as a pilot to demonstrate the CRM approach.** Tourism is significant to the Vietnamese economy (8 percent of GDP in 2018), with 15 million foreign visits and 80 million domestic visits. Foreign visitors are effectively an export, gaining foreign currency and improving the balance of trade. Moreover, since tourism services are delivered in Vietnam the tax due should be collected in Vietnam, without leakage to domestic or foreign business owners.

**9. The tourism project should focus on the 5 main tourism provinces.** While the tourism sector is diverse, it is generally confined to a few specific provinces. The project will be focused on these provinces thus enabling the pilot project to be more easily managed and improvements in compliance to be demonstrated and compared against other provinces and sectors.

## III. SUMMARY OF THE SUPPORT PROVIDED

### Introduction

**10. Nine workshops were held between February 14 to 22, 2023.** The workshop material used and provided to GDT is described in section VI below. In depth instruction, discussion and exercises were used to practically apply the CRM process to the risks in the tourism sector. The sequential CRM steps are described in paragraphs A to F below.

### A. Understanding and improving the data collected

**11. The RMB encountered difficulties in obtaining relevant, accurate and complete data for the tourism sector.** A comprehensive data request was provided to GDT prior to the assignment.

RMB does not have direct access to the data held by the IT department. A data request has to be made to the IT department and therefore RMB has to compete with departments that may have priority. Although GDT was unable to transmit the data to the IMF team, part of the requested data was displayed to the experts during workshops. Improvements to the data were made by RMB after each examination.

**12. A separate duplicate database for use by RMB is planned for early 2024.** This will give RMB direct access and freedom to manipulate the data without compromising the integrity of the raw data. The separate data will need to be updated regularly to ensure that it remains synchronized with the raw data. Until the database is made available, the IT department and RMB will need to work closely to identify and meet RMB data needs, particularly in relation to the tourism project.

**13. Close attention needs to be paid to the integrity of the data.** Close examination of the data indicated flaws. In some instances, the data was not credible. For example, subsectors were missing, and some business activities were not relevant to tourism. The data should be closely scrutinized to ensure it is credible, relevant to the tourism industry, complete and accurate.

**14. Limitations in the standard industrial classification codes and taxpayer return data make it difficult to isolate the tourism industry in the data.** The GDT uses the Vietnam standard industrial code (VSIC) to identify the business activity of each taxpayer. Tourism is not specifically designated in the code. However, the subsectors that tourists are likely to use are designated. With care, the subsectors that relate to tourism can be identified. The VSIC code is complex for most taxpayers and in practice there are many mistakes made by taxpayers when describing their business. Taxpayer returns in each subsector (for example, restaurants) is a mixture of local consumers, domestic tourists and foreign tourists. Identifying tourists separately from other consumers in the data is not possible.

**15. The five provinces which dominate the tourism industry were selected for data analysis to reduce the distortions created by the industrial classification codes and return data.** In the five provinces, the business activity in the relevant subsectors is predominantly foreign and domestic tourism, thus limiting the distortion caused by the inclusion of local customers. It was agreed that the data would be filtered as follows:

- Five provinces
- Subsector (restaurants, hotels, retail, transport, entertainment, and tour operators)
- Market segment (Large, medium, small)
- Year

**16. Initial analysis of the most up to date VAT data for the five provinces indicated that the profit margin declared in the subsectors was lower than could be reasonably expected.** For example, in relation to retail the ratio of net VAT (output VAT minus input VAT) as a proportion of output VAT was just 1.64 percent over the three years 2018 to 2020. A realistic retail profit margin

would be much higher than indicated by the achieved net VAT: output VAT ratio.<sup>2</sup> In some years the input VAT was greater than output VAT in the medium market segment.

**17. The data seen was limited to VAT returns and hence the correct reporting pillar of compliance.** Further work needs to be done to obtain data in relation to other taxes, like profits tax and wages tax. In addition, data needs to be obtained to assess risks in relation to the other pillars of compliance, such as registration, filing and payment. Document V3.1 (Vietnam Tourism Risk Assessment – Research and data gathering template, November 2022) provides a guide on the type of data that should be collected and analyzed.

**18. Fiscalization data should be used to identify risk.** Fiscalization data comprises fiscal cash register data and e-invoice data. Both sources represent a rich source of granular transaction information that can be analyzed to identify potential risks, including underdeclared sales and overclaimed purchase (errors in purchases as well as false invoices). Fiscalization data when combined with summary return data will be a valuable tool in delivering the tourism compliance improvement plan and is valuable in identifying VAT refund fraud risks.

**19. Further guidance was provided on the relevant ratios that should be applied to the data.** A revised version 2 of document V3.1 containing the relevant ratios was provided during the assistance.

## **B. Rating and ranking risks in tourism subsectors**

**20. A workshop and exercise were held to segment the tourism industry by the many perspectives of risk.** The perspectives considered included geographic location, subsectors (for example, hotels), pillars of compliance (registration, filing, correct reporting and payment), market segment (large, medium, small) and other relevant features (for example, on-line sales).

**21. The workshop also identified the most relevant risk perspectives and identified the perspectives with highest risk.** For example, high risks were identified in filing and correct reporting (underdeclared sales and overclaimed purchases) for small and medium hotels. Large market hotels were also ranked as high risk due to transfer pricing opportunities. RMB should establish risk consequence and likelihood criteria that are used consistently in rating risks.

**22. This risk ranking needs to be confirmed by the data and consultation within GDT.** This will include data from taxpayer returns, audit findings and third-party data where available. It is particularly important to consult with the provincial and district tax administrations. They will have hands on knowledge of the sector, and they need to be part of the CRM process so that they gain ownership of the risks identified and are more willing to act on the risk during audits.

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<sup>2</sup> As a rough comparison, Australian published benchmarks indicate a conservative expected ratio of between 15 to 25 percent.



23. **These initial conclusions are not “set in stone”.** The workshop exercise should be repeated by RMB when the data as requested by the IMF in document V3.1 is available. It is expected that the conclusions will change as more data and opinion within GDT is gathered. The conclusions will also change as experience is gained during the tourism project.

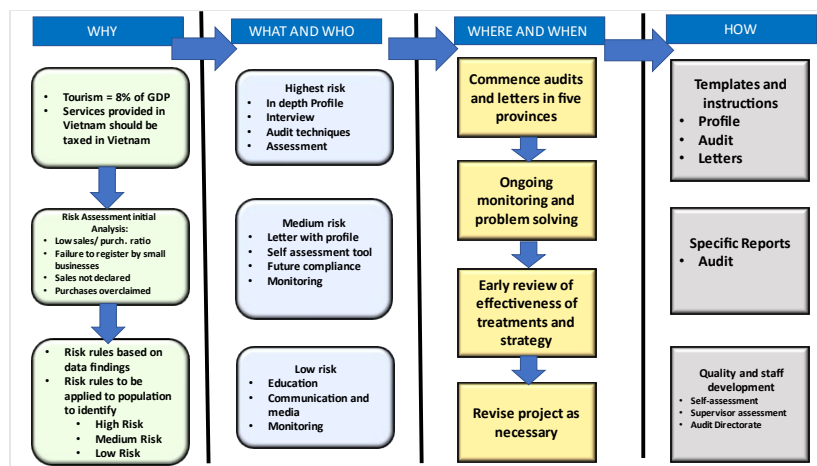
### C. Analyzing taxpayer behavior and developing a blend of treatments

24. **Two workshops and an exercise were held to analyze the behavior underlying the highest risks.** A number of motivations were identified, including greed, social acceptance of non-compliance, concerns how tax revenue is spent, benefits of taxation not recognized, burden of regulations, geographic remoteness and little fear of detection or effective action by GDT if detected.

25. **The workshops also identified a range of treatments, including educate, facilitate and enforce strategies.** The workshops identified the need to address GDT perception in terms of shifting the GDT mindset from focusing on audit and audit results alone to a more balanced approach that includes education and facilitation. In addition, the effectiveness of the strategy should not be measured by audit results alone. The aim of this pilot project is for a sustained improvement in all pillars of compliance, not just correct reporting. The improvement in compliance should be seen as a measure of success of the RMB, auditors and others involved in the project.

26. **The strategy is to apply treatments that are graduated according to risk.** Figure 1 below illustrates: 1) the highest risk taxpayers will be audited, 2) medium risk taxpayers will be sent a letter indicating their poor tax performance and seeking improvement in the future, and 3) low risk taxpayers will receive education and media communications.

**Figure 1. Illustration of treatment strategies**



27. **Case selection criteria should be reviewed to align with the focus on regional areas of tourism.** The criteria used for identifying cases for compliance activity should be reviewed in the light of the use of both facilitative and enforcement approaches and to also review the existing regional criteria influence, given the strategies will focus on specific regions with high tourist traffic.

## D. Developing a tourism CIP

**28. A CIP was prepared based on the conclusions reached in the workshops.** Appendix II provides a one-page overview of the CIP.<sup>3</sup> This one-page document should be used for discussion to engage the many parts of the GDT (particularly auditors) that will be involved in the tourism CIP. Appendix II also provides the background documentation to the one-page CIP. This part of the document needs to be expanded, with more detail as indicated in the document.

## E. Planning the implementation of the CIP

**29. Two workshops were held to discuss what needs to be in place for a successful implementation of the tourism project, including measuring success.** The topics discussed included capacity development, communications and messaging, providing services to taxpayers, audit capability and quality assurance, workflows, monitoring and measuring success. GDT should prepare a detailed implementation action plan that ensures all aspects of the CIP are planned to be covered.

## F. Focusing on the next high-risk sector, e-commerce issues

**30. A workshop was held to discuss the approach to identifying risks in the e-commerce sector.** The workshop covered understanding the scope of e-commerce, segmenting the issues (for example, segmenting into domestic, international, goods, services), supply chain participants, points of intervention and potential treatments.

**31. RMB should analyze the e-commerce issues using the same CRM process that has been applied to tourism.** RMB should systematically work through the detailed PowerPoint slides and documents provided during this assistance. The slides have been designed so that the CRM process contained within them can be applied to any risk.

# IV. RECOMMENDATIONS AND FURTHER ASSISTANCE

**32. The following recommendations are made:**

- **Establish a Risk Management Steering Committee (RMSC).** A high-level RMSC should be established to review, approve, and oversee the CIP and other key risk documents and outcomes that support the CIP. This will demonstrate appropriate governance and assist with enhanced

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<sup>3</sup> Based on one page CIP contained in IMF technical note, Compliance Risk Management: Developing compliance improvement plans. 2022

integration and coordination among core GDT functions that together determine compliance outcomes.

- **Improve data quality.** RMB, the IT department and departments responsible for registration, filing and payment should work closely together to clearly define and agree data requirements for risk management purposes and ensure accurate, complete and relevant data is obtained by RMB to support risk assessments, rankings and the CIP.
- **Improve RMB access to data.** Whilst RMB will have access to data in 2024, it is critical in the meantime for RMB to have timely access to relevant data to finalize the CIP for the tourism sector and to optimize the effectiveness of risk treatments. Further, RMB should work closely with the IT department and other relevant departments to ensure that from 2024 RMB has access to all relevant data across all four pillars of the compliance obligations and including, for example, e-invoices, fiscalization data and any third-party data.
- **RMB should engage with provincial tax administrations.** Provincial tax administrations will be critical to the efficient delivery of the CIP. RMB should establish robust and effective relationships with provincial tax administrations to enable them to better understand the benefits of the CRM process and to participate in the key steps for developing CIPs., including the CIP for the tourism sector.
- **Finalize the tourism CIP documentation and plans,** RMB should finalize the relevant risk documentation, including the risk assessments, ratings and treatments plans that contribute to the CIP. This should include the analysis of accurate and complete data. The notes to the draft Compliance Improvement Plan at Appendix II will assist.

### **33. Further assistance by FAD could include:**

- Before implementing the CIP, engage with FAD to review and make recommendations on CIP implementation plans
- Tourism CIP presentations to selected provincial administrations (Hanoi, Da Nang, Ho Chi Minh City). This would emphasize the benefits of the risk-based approach expressed in the CIP.
- Tourism project audit instructions (hotels, restaurants, retail)
- Develop tourism project letters that would be sent to medium risk taxpayers
- Audit quality assurance process
- Review of risk criteria used in audit case selection

## V. RECOMMENDED KEY ACTIONS

Objectives	Key Actions	Timelines
Access data and critically assess the data	Access data as per V3.1 data request Use the data to confirm/deny initial risk ranking conclusions made during Feb workshops	May 2023
Complete Draft CIP for tourism sector	Closely follow guidance to complete the CIP as provided in the draft CIP, document V15.0	May 2023
Develop Tourism CIP implementation action plan	Develop a detailed action plan, in consultation with the departments that will deliver the activities and set timeframes, expectations and a monitoring and reporting mechanism	May 2023

## VI. MATERIALS PROVIDED

**34. The following is a list of workshop materials and other documents provided during the CD activity:**

#	Document number, aim and description (Translated into Vietnamese unless stated otherwise)	Workshop (W) Document (D)
V3.1	Vietnam Tourism Risk Assessment – Research and data gathering template (updated 19 February 2023) (English update)	W
V6.0	CRM (Tourism sector). Overview February 2023 assistance	W
V7.0	Understanding and analysing the data gathered by GDT	W
V8.0	Segmenting the population, risk rating and ranking	W
V8.1	Exercise - Rating and ranking tourism sub sectors	D
V8.2	Risk register content	D
V9.0	Supply chain analysis, participants and stakeholders	W
V10.0	Understanding the behaviours that drive non-compliance	W
V10.1	Summary and explanation of factors influencing compliance behaviour	D
V10.2	Exercise - risk, behaviours, treatments - tourism sector	D
V11.0	Strategy development to educate, facilitate and enforce compliance	W
V12.0	Implementing strategies - timeline, capability, communications and workflow planning	W
V13.0	Measuring efficiency and effectiveness	W
V14.0	Focus on e-commerce as the next priority risk	W
V15.0	Draft Compliance Improvement Plan v3	D

## Appendix I. Role of the Risk Management Steering Committee

A Risk Management Steering Committee (RMSC) is typically lead by the head of the tax administration and leading senior managers. Its role is to provide strategic insight, approval, support and governance in relation to the identification and mitigation of compliance risks using contemporary Compliance Risk Management (CRM) processes.

Effective identification and mitigation of risk requires the whole of the tax administration to work together, with each part providing its knowledge, experience and practical actions in dealing with compliance risks. The senior leaders in the RMSC should represent the many functions of the tax administration and are critical to the effectiveness of the CRM process.

The RMSC should consist of senior officials from a broad range of areas within GDT, including:

- Director General as chair of the committee
- Deputy Directors
- Risk Management Board leader
- Leaders of pillars of compliance functional areas (registration, filing, payment)
- Heads of audit, including a provincial audit representative and head of Large Taxpayers Office
- Heads of small and medium taxpayer segments
- Education and customer services/support
- Communications and marketing
- Law interpretation
- Internal Inspection (Objections)
- External representatives from Ministry of Finance and Customs
- Others may be added as needed

It is the role of the Risk Management Board (RMB) staff to identify risks, develop treatment strategies, and make recommendations to the RMSC. It is the role of the RMSC to add value to that work by applying its collective experience to improve and approve the RMB recommendations.

The specific practical responsibilities of the RMSC are:

- Providing intelligence on known and emerging risks
- Reviewing and approving risks identified and risk rankings recommended by RMB
- Reviewing, improving and approving risk assessments by providing strategic insight and practical experience of risks
- Reviewing and approving treatment plans by providing strategic insight, operational experience and support for plans
- Approving compliance improvement plans

- Approving allocation of resources to implement treatment plans
- Approving capability improvements to ensure effective delivery of the plans
- Reviewing and approving compliance improvement effectiveness measures
- Monitoring and reviewing performance against plans
- Reviewing the effectiveness of risk treatment strategies
- Adjusting treatment strategies to improve effectiveness

## Appendix II. Tourism Compliance Improvement Plan – Summary One-Page

### Vietnam Draft Compliance Improvement Plan – Tourism Sector

<b>1. PLAN OVERVIEW</b>	The aim of the tourism pilot project is to make a sustainable improvement in compliance in this significant and non-compliant sector by practically applying contemporary compliance risk management principles. The tourism pilot will focus on the highest risk aspects of tourism and will be data driven, using a whole of GDT approach (audit, education, services) to treat the risks.	
<b>2. SEGMENT PROFILE</b>	<b>3. RISK ASSESSMENT</b>	<b>4. RISK TREATMENT</b>
<p><b>Definition</b> Businesses operating in Tourism across all segments, which contributes 2% of GDP (2021) but likely to increase to pre-COVID levels of 8/9%. Tourism is located in 5 main geographic provinces.</p> <p><b>Revenue</b> Net tax revenue (CIT/VAT/PIT) from this segment is xx billion.</p> <p><b>Number of taxpayers</b> There are xxxx businesses in this sector, mostly small and medium businesses.</p> <p><b>Tax returns</b> Total filing obligations for all taxpayers is xxx for annual and yyyy for quarterly/monthly</p>	<p><b>Registration risk - HIGH</b>  This is mainly in the small and micro segment across all subsectors and includes household businesses in restaurants and hotels and street vendors</p> <p><b>Filing risk - HIGH</b>  Failure to file is evident across all subsectors, particularly in accommodation.</p> <p><b>Reporting risk - HIGH</b>  The risk exists across all subsectors with underreporting of sales (mainly in cash transactions) and inflation of expenses such as depreciation and servicing. In the large taxpayer sub-sector transfer pricing is a key risk. Greed, social norms and no fear of being caught are typical behaviors, especially in the medium and small segments.</p> <p><b>Payment risk – NOT RATED</b></p>	<p>Treatments will focus on five geographic provinces where tourists predominantly visit.</p> <p><b>Facilitative approaches:</b></p> <ul style="list-style-type: none"> <li>• Broad one to many communications in the subsectors focussing on education, social impact and consequences of being identified and acted upon.</li> <li>• Targeted communications to medium risk taxpayers/businesses requiring improvement in tax obligations such as correct tax reporting performance</li> <li>• Prompting messages to taxpayers and follow up contact (telephone calls/interviews etc)</li> </ul> <p><b>Enforcement approaches:</b></p> <ul style="list-style-type: none"> <li>• Interviews, audits and examinations for highest risk taxpayers (particularly those that have not responded to targeted messaging)</li> <li>• Outbound calls for non-filing</li> <li>• Penalties and prosecutions for continued non-compliance and those that deliberately and repeatedly ignore obligations.</li> </ul>

<p><b>Key subsectors</b> Transport, accommodation, restaurants and cafes, tour operators, retail and entertainment</p> <p><b>Important intermediaries</b> Travel agents, customs.</p>	<p><i>These risks and their ratings were identified in workshops as the highest risks. Other risks will exist but by default are considered to have lower risk ratings</i></p>																										
<p><b>7. CAPABILITY DEVELOPMENT</b></p>	<p><b>6. EVALUATION OF COMPLIANCE STRATEGY</b></p>	<p><b>5. WORKFLOW AND MONITORING</b></p>																									
<p>Enhance accuracy and completeness of data and accessibility by the RMB</p> <p>Develop capability of staff in delivering facilitative treatment options.</p> <p>Improve audit capability</p> <p>Develop risk management capability in provinces and districts</p>	<p>Revenue – adjustments disclosed or assessed Revenue effect – revenue change compared to control group over time Registration – number and % increase in registrations Reporting – increased revenue/reduction in tax gap Payment - % reduction in arrears Stakeholder perceptions – qualitative analysis</p>	<table border="1"> <thead> <tr> <th data-bbox="1274 544 1551 651">Treatments</th> <th colspan="2" data-bbox="1560 544 1894 613">Planned and actual numbers</th> </tr> <tr> <td></td> <th data-bbox="1560 613 1724 651">Planned</th> <th data-bbox="1724 613 1894 651">Actual</th> </tr> </thead> <tbody> <tr> <td data-bbox="1274 651 1551 727">One to many communications</td> <td data-bbox="1560 651 1724 727">50</td> <td data-bbox="1724 651 1894 727"></td> </tr> <tr> <td data-bbox="1274 727 1551 803">One to one communications</td> <td data-bbox="1560 727 1724 803">5000</td> <td data-bbox="1724 727 1894 803"></td> </tr> <tr> <td data-bbox="1274 803 1551 846">Prompting messages</td> <td data-bbox="1560 803 1724 846">2000</td> <td data-bbox="1724 803 1894 846"></td> </tr> <tr> <td data-bbox="1274 846 1551 888">Audits/examinations</td> <td data-bbox="1560 846 1724 888">250</td> <td data-bbox="1724 846 1894 888"></td> </tr> <tr> <td data-bbox="1274 888 1551 964">Telephone calls/interviews</td> <td data-bbox="1560 888 1724 964">500</td> <td data-bbox="1724 888 1894 964"></td> </tr> <tr> <td data-bbox="1274 964 1551 985">Penalties/prosecutions</td> <td data-bbox="1560 964 1724 985">50</td> <td data-bbox="1724 964 1894 985"></td> </tr> </tbody> </table>	Treatments	Planned and actual numbers			Planned	Actual	One to many communications	50		One to one communications	5000		Prompting messages	2000		Audits/examinations	250		Telephone calls/interviews	500		Penalties/prosecutions	50		
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## 1. Plan overview

**1. This section is to establish and align the CIP to the context of the overall GDT strategic objective and intent. Segment Profile.**

**2. This notes general high-level information and data on the population to which the CIP relates, being the tourism taxpayer population.** This provides a view of the size of the population, the relative proportion of the sector’s contribution to the economy and tax revenue and the relevant subsectors in which compliance improvement is planned. Some of the information will require completion as the data was not readily available at the time this draft was prepared.



## 2. Risk assessment

**3. This provides a high-level analysis of the risks and the relative rankings across each of the four pillars of tax obligations.** It will enable the reader to identify the highest risk issues easily and quickly for which treatment strategies need to be applied. In this example, the highest risks were identified through a workshop with GDT Risk Management Board staff as data was not readily available to assess all risks. It is assumed for the purpose of this plan that all other risks are rated moderate or low.

**4. All risks should be identified, assessed, and rated using refined data and then included in the CIP.** GDT should also establish a risk matrix with relevant consequence and likelihood criteria that are used to consistently assess and rate each risk.

## 3. Risk treatment

**5. The treatment strategies outline the overall approach to treating the risks based on the analysis of taxpayer behaviors, motives, and opportunity.** Strategies are typically categorized into facilitative and enforcement. Where taxpayer behavior is one of ignorance or lack of understanding but general willingness to comply, the facilitative approaches are generally expected to achieve compliance. Where taxpayers are not willing to comply, it is most likely enforcement approaches will be required. Typically, the strategies deployed across defined populations will be a combination of facilitative and enforcement approaches as the taxpayer individual behaviors are difficult to identify in a large population. When this approach is taken, taxpayers that do not respond to facilitative approaches are more likely to have a behavior of not willing to comply and it is then necessary to escalate to enforcement. However, international experience has shown that many will respond to facilitative approaches and sustainable compliance improvement is achieved.

## 4. Workflow plan and monitoring

**6. This information provides a very high-level summary of the types of individual activities that will be undertaken and the timeframes in which they will be done.** This should be supported by a detailed plan setting out the numbers of activities (e.g., targeted communications, telephone calls, audits) to be undertaken each month, with expected outcomes. Completed activities and outcomes are reported in this workplan to monitor progress against the plan. This enables GDT to measure the efficiency of delivering on the plan.

**7. The implementation and management of the workflow plan would require the appointment of project manager and the delivery of the plan monitored by a CIP Steering Committee.**

## 5. Evaluation of compliance strategy

**8. The CIP would set out in summary what methods will be used to measure the effectiveness of the compliance strategy. This would include the:**

- direct measures, such as additional registrations, lodgments and payments secured and revenue from activities such as communication messages, prompts and other targeted facilitation measures and additional tax from enforcement activities such as audits and investigations
- measures of the broader impact across the population such as general increases in registrations, filings, payment, and revenue increases for the whole population.

**9. It is important when measuring the broader impact to have a suite of measures as no single measure is likely to be sufficient to identify if the strategy applied was in fact the cause of the change.** It may be useful to not apply the treatment strategy to one of the regions with high tourism, as a control mechanism, which will enable GDT to compare to those regions where the strategy was deployed.

## 6. Capability development

**10. Having the necessary capability to deliver the strategy is fundamental to its success and therefore the CIP should identify where capability development is needed. In the case of this CIP, it has been noted that there are some fundamental capability needs being:**

- access to accurate, complete, and relevant data across all four pillars of tax obligations and by sub-sector
- skills and resources to deliver the facilitative strategies
- improved audit capability to further understand and address specific risks at the taxpayer level
- improved understanding of CRM and its benefits across the GDT provincial and district offices