

Revenue Management 2014/15 Compliance Plan



Revenue Management Division
Ministry of Finance & Economic Management
Cook Islands 2014/15

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1. Introduction

The importance of our role in collecting revenue for government necessitates that we focus our compliance efforts in a more structured way. The assessment, audit, and collections processes have been examined, which has led us towards taking a more proactive approach, and to work together using effective strategies towards compliance.

The Tax team has identified components required to achieve greater compliance by our taxpayers, and this plan sets out these components and areas of focus. Resources will be

allocated to the greatest areas of risk, including developing our people and our skills.

This plan is intended to evolve over time. We will be reviewing and updating it semi-annually.

We will continue to work towards having strategies and structures in place to create an environment that encourages voluntary compliance, whilst at the same time detecting and penalising non-compliance.

2. Compliance Framework

This is the first time that the Revenue Management Division has introduced a compliance plan. Therefore a brief overview of the intended framework is provided as background information.

“The primary goal of a revenue authority is collect the taxes and duties payable in accordance with the law and to do this in such manner that will sustain confidence in the tax system and its administration. The actions of taxpayers — whether due to ignorance, carelessness, recklessness, or deliberate evasion — as well as weaknesses in a tax administration mean that instances of failure to comply with the law are inevitable. Therefore, tax administration should have in place strategies and structures to ensure that non-compliance with tax law is kept to a minimum”.

Compliance in the context of tax administrations refers to *the extent to which taxpayers fulfil their tax obligations*. OECD Guidance Note Compliance Risk Management: Managing and Improving Tax Compliance.” (OECD, 2004).

Compliance -Taxpayer Obligations

1. **Registration** in the tax system;
2. **Filing** in a timely manner or lodgement of taxation information;
3. **Reporting** of all income with complete and accurate information; and
4. **Payment** of tax on time.

We are striving towards high compliance levels, and to encourage compliance we will work with taxpayers to fulfil their tax obligations by doing our part.

Refer to Our Charter on how we will work with taxpayers (Appendix i).

We will be competent, fair, helpful and reasonable in undertaking our role of administering tax laws, whilst providing and promoting education and services on taxpayer obligations – the service of ‘making it easy’.

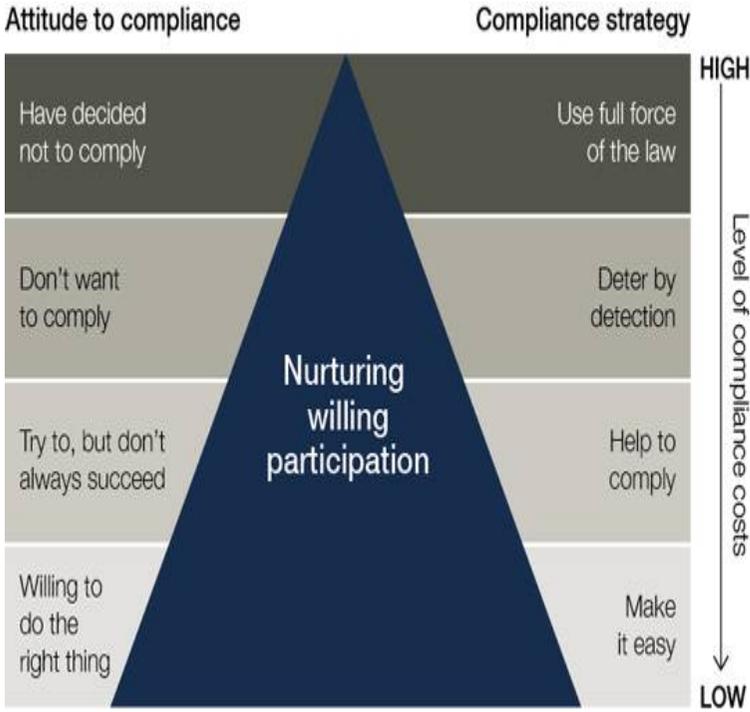
Compliance Model

These four obligations identify the compliance risks, and our compliance plan identifies our response and prioritises for these compliance risks. We have taken a risk management approach to identifying and managing our compliance risks.

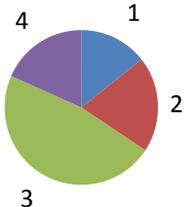
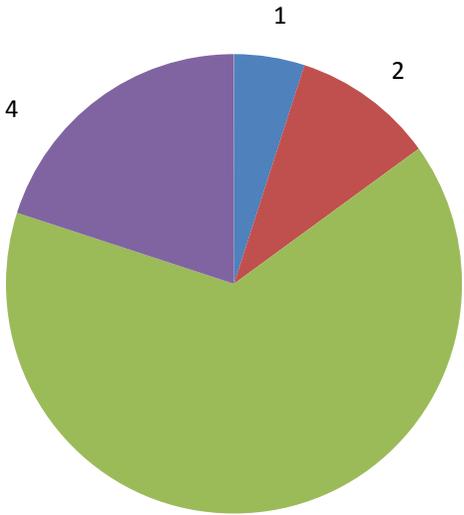
Diagram A1 refers to the compliance model researched by Australian academic Dr Valerie Braithwaite who suggests that taxpayers adopt attitudes shown in the following framework. This highlights two compliant and two non compliant values with the appropriate administering strategies.

Part of RMD’s strategy going forward is to help ‘make it easy’ for the taxpayer. Our focus will begin at the bottom of the pyramid.

Diagram A1



3. Compliance Risks

Compliance Risks			Where the team will allocate it's time in 2014/15																
<p>In the coming year RMD intends allocating its resources across its risks as shown in Diagram A2. Our future desired allocation (in 3-5 years) is also shown.</p>			<p>Desired Future</p> 																
<table border="1"> <thead> <tr> <th></th> <th>Obligation</th> <th>Compliance Risk</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Registration</td> <td>Taxpayers fail to register with RMD when they are supposed to.</td> </tr> <tr> <td>2</td> <td>Filing</td> <td>Taxpayers don't file returns or other information required on time.</td> </tr> <tr> <td>3</td> <td>Reporting</td> <td>Taxpayers file false or incorrect returns.</td> </tr> <tr> <td>4</td> <td>Payment</td> <td>Taxpayers do not pay the correct amount of tax on time.</td> </tr> </tbody> </table>				Obligation	Compliance Risk	1	Registration	Taxpayers fail to register with RMD when they are supposed to.	2	Filing	Taxpayers don't file returns or other information required on time.	3	Reporting	Taxpayers file false or incorrect returns.	4	Payment	Taxpayers do not pay the correct amount of tax on time.	<p>2014 / 2015</p> 	
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4. Compliance Work

<p>Compliance Work</p> <p>This section outlines what RMD will be doing to address each of the 4 areas of compliance risk.</p> <p>To effectively enforce these risks staff skills need to match the given task.</p>	Compliance Obligation		Compliance Risks	What will the RMD team do? Our strategies
	1	Registration	Registration risk <i>taxpayers fail to register with RMD when they are supposed to</i>	<ul style="list-style-type: none"> Establish closer links with BTIB and Ministry of Justice Ensuring all employees have RMD numbers (payroll) Use local knowledge and information to target those taxpayers outside the system. Focus to be on accommodators, market vendors, NZ superannuitants, lessors, and PAYE misappropriation Education awareness by way of workshops, TV, updating website, etc - all designed to make doing business with RMD easier
	2	Filing	Filing risk <i>taxpayers don't file returns or other information required on time</i>	<ul style="list-style-type: none"> Adopt a more robust and systematic approach by: <ul style="list-style-type: none"> Identify outstanding returns Cleansing the database Prioritising follow up action Using the full force of the law where appropriate, including prosecution Monthly reporting Proactive action through taxpayer contact and Advisory Officer within the community
	3	Reporting	Reporting risk <i>taxpayers file false or incorrect returns</i>	<ul style="list-style-type: none"> Use a risk based approach to improve audit case selection Use projects to target risk areas Use the law where appropriate Prosecution action where warranted Improve income matching and apply knowledge of tax staff to assist case selection. Encourage further taxpayer education Focus on tourism accommodators, evasion and avoidance
	4	Payment	Payment risk <i>taxpayers do not pay the correct amount of tax on time</i>	<ul style="list-style-type: none"> Adopt a robust and more systematic approach by: <ul style="list-style-type: none"> Identifying outstanding debt early Prioritise follow up action with hierarchy of PAYE, VAT and Income Tax Use the law where appropriate Monthly reporting More timely intervention by promoting obligations Increase debt collection resource with dedicated officers to work with these taxpayers establishing repayment schedules

5. Targets

Targets		What do we hope to achieve – what are our targets?			
		Compliance Risk	Target Outcomes	Target Outputs	
The targets set for 2014/15 will address our performance in terms of outcomes and outputs				<i>In line with our strategies on what we will do, and in line with Diagram A2, our resource allocation of time will be allocated as follows:</i>	
	Linked to:	1	Registration Risk	Increase registrations	<ul style="list-style-type: none"> • Complete approximately 500 hours on this risk • Undertake approximately 50 registration/VAT vendor checks
		2	Filing Risk	Decrease outstanding returns	<ul style="list-style-type: none"> • We will complete approximately 1,000 hours on this risk <ul style="list-style-type: none"> • Reduce outstanding returns by 10%
		3	Reporting Risk	Improve reporting compliance	<ul style="list-style-type: none"> • We will complete approximately 7,500 hours on this risk, including 1,000 hours on the accommodators' project. • Undertake approximately 100 audits, including evasion and avoidance audits.
		4	Payment Risk	Decrease outstanding taxes	<ul style="list-style-type: none"> • We will complete approximately 2,000 hours on this risk, including PAYE prosecutions. <ul style="list-style-type: none"> • Reduce debt >12 months by 5% • Reduce debt <12 months by 5%

Diagram A3

What are your rights and obligations as a taxpayer?

<u>OUR CHARTER</u>
Revenue Management collects money to pay for public services. We work within the Revenue Acts and other relevant laws to help people meet their obligations.
How we will work with you
We will be prompt, courteous and professional. The person you are dealing with will give you their name. We will follow through on what we say we will do. We will strive to continually improve our service. We acknowledge your individual needs and will tailor assistance accordingly.
Reliable advice and information
We will provide you with reliable and correct advice and information about your tax obligations. We will assist you to get in touch with the right people for your needs. We will be well-trained and competent. We will keep looking for new and improved ways to give you advice and information.
Confidentiality and privacy
We respect your privacy and treat all information about you as private and confidential. Information you provide will be kept secure and will be used or disclosed only as required by law.
Consistency and equity
We will apply the law fairly and consistently so everyone pays the right amount. We will be firm with those who try to avoid their obligations and effective in bringing them to account. We will take your particular circumstances into account as far as the law allows us to.
Your rights and obligations
You can question the information, advice and service we give you. We will inform you about options available for resolving disagreements, and we will work with you to try and reach an outcome quickly and simply. If you are in business it is your obligation to comply with audits from time to time. If you owe tax we expect prompt and full payment. If you cannot fully pay your tax on time we expect you to contact us so that a mutually acceptable arrangement for payment can be reached. For this Charter to work effectively, we rely on each taxpayer to provide all the relevant information when dealing with Revenue Management. Signed by: Andrew Haigh Treasurer of Revenue Management