Nexus Between Compliance Risk Management (CRM) and Tax Gap

Presented by:
James Kerkulah
Deputy Director General for Audit Services
Internal Audit Agency of Liberia

TABLE OF CONTENTS

WEST AFRICAN TAX ADMINISTRATION FORUM | FORUM DES ADMINISTRATIONS FISCALES OUEST AFRICAINES

Overview and Objective

WATAF FAFOA

WEST AFRICAN TAX ADMINISTRATION FORUM | FORUM DES ADMINISTRATIONS FISCALES OUEST AFRICAINES

DRM as the vehicle that delivers sustainable development in Africa

CRM as the engine that moves the

Tax gap as the fuel that keeps the vehile moving

The goal of this presentation is to:

- ❑ **Show the link between CRM and tax gap**
- ❑ **How this assists tax authorities to collect tax revenues.**

Definition and Goals of CRM

WEST AFRICAN TAX ADMINISTRATION FORUM | FORUM DES ADMINISTRATIONS FISCALES OUEST AFRICAINES

Definition of CRM

CRM is a systematic process of understanding and responding to external and internal factors that influence compliance with existing tax legislations.

Goals of CRM

- Improve voluntary compliance
- Equal treatment of taxpayers
- Reduce the tax gap
- Rational basis for resource allocation
- Achieve optimum tax collection

CRM Framework

Definition and Goals of Tax Gap Estimation

WEST AFRICAN TAX ADMINISTRATION FORUM | FORUM DES ADMINISTRATIONS FISCALES OUEST AFRICAINES

Definition of Tax Gap

A tax gap is the difference between the potential taxes that are due based on existing tax laws and the taxes that are collected in a year based on compliance obligations

Goals of Tax Gap Estimation

- ❑ Quantify compliance gap
- ❑ Identify high risk taxpayers
- ❑ Measure performance of tax authority
- ❑ Provide areas to focus attention
- ❑ Rational basis for resource allocation

Nexus between CRM and Tax Gap

Tax gap estimation is the first step in CRM program.

- ❑ Provides contextual understanding of compliance gap.
- ❑ Quantifies compliance risks.
- ❑ Identifies areas tax authority focuses attention.

References

- **Compliance Risk Management Framework and Toolkit for West African Tax Authorities, West African Tax Administration Forum (2022)**
- **Compliance Risk Management for Tax Administration, International Monetary Fund (18th March 2022)**
- **Managing and Improving Compliance Risk, OCED (14th September 2017)**
- **Handbook of Compliance Risk Management for Tax Administration, Inter-American Center of Tax Administrations, (2022)**

Many Thanks for Your Attention