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**COMPLIANCE RISK MANAGEMENT IN  
NATIONAL REVENUE AGENCY**



# Contents

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- Risk Management Strategy – aims, model, process
  
- How we do it
  - Example(1) – Fuels
  - Example(2) – “Envelope wages”



# Risk Management Strategy - objectives

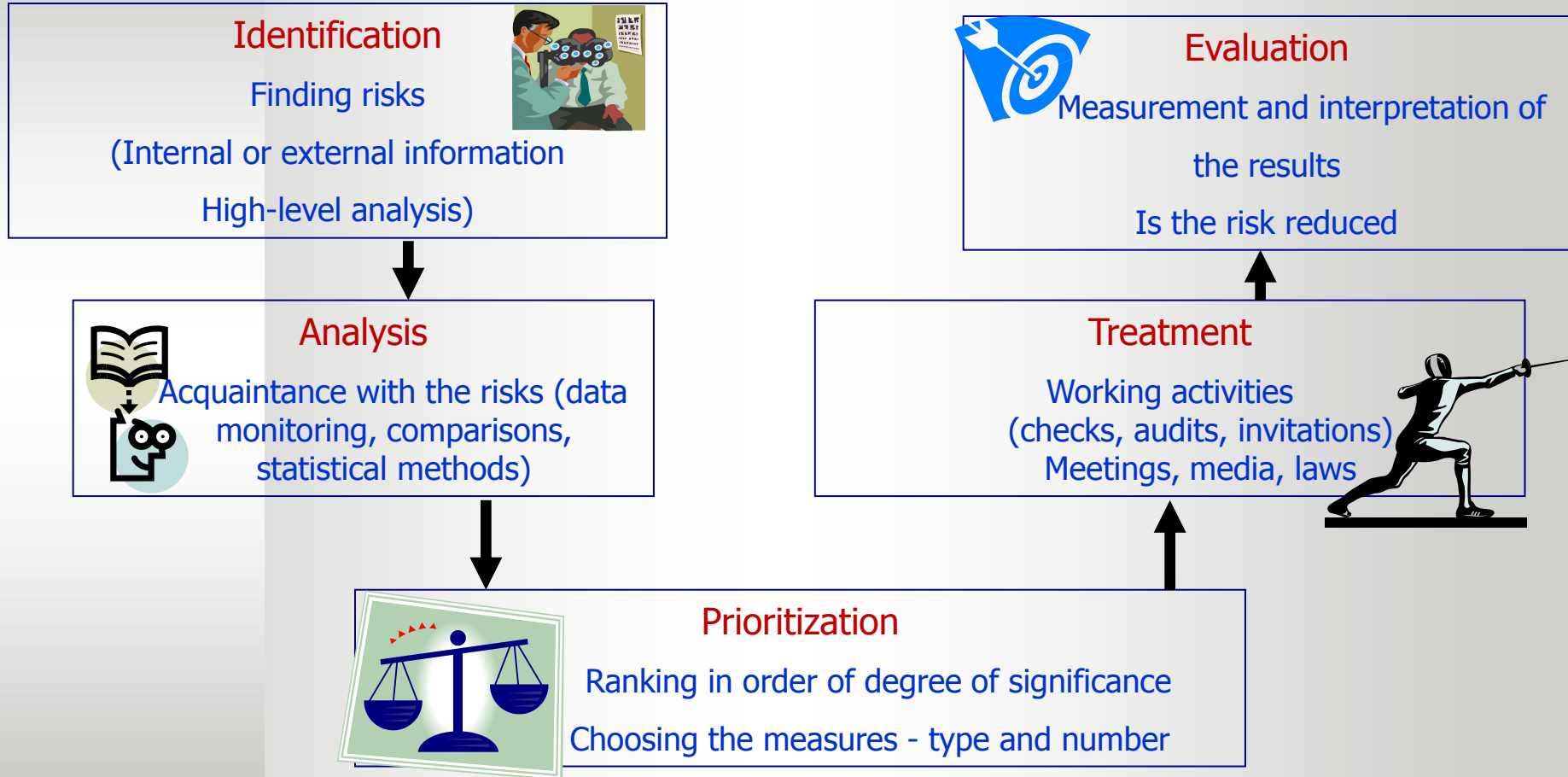
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- What are the main risks?
- What are the most risky sectors?
- What are the riskiest revenues?
- Who are the most risky taxpayers?
- Why do they do it?
- How much money is it about?
- Are effective measures that we have implemented?

**=> In what areas should we focus our efforts (resources)?**



# Risk Management Strategy - model





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# Example 1: Fuels





# Example 1 – fuels (1):

- ❑ **High-level analysis** – Fuel traders do not report and do not declare their income in full



- ❑ **External studies** – organizations and researchers external to the NRA - the risk could be great and worth to investigate

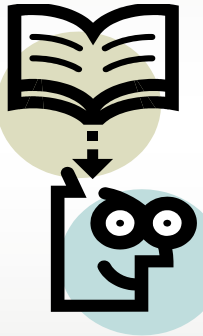


# Example 1 – fuels (2):

## □ Main characteristics 2009

- gap – BGN 224 MM
- number of risky persons – 664
- probability - 24%
- undeclared turnover - 28 %

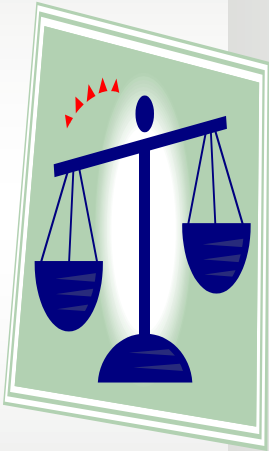
Confirmation by interested





# Example 1 – fuels (3):

Prioritisation



- ❑ The risk ranks first in importance in 2011 and in 2012
  
- ❑ Selection of measures
  - pilot project – control
  - distant connection



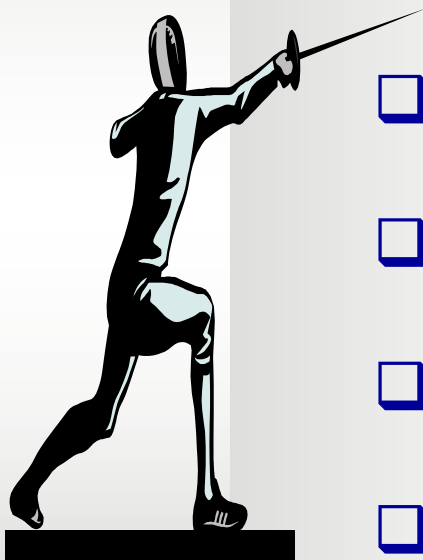


# Example 1 – fuels (4):

2011 – 2013

- audits
- checks
- observations
- distant connection
- level measuring systems

Treatment

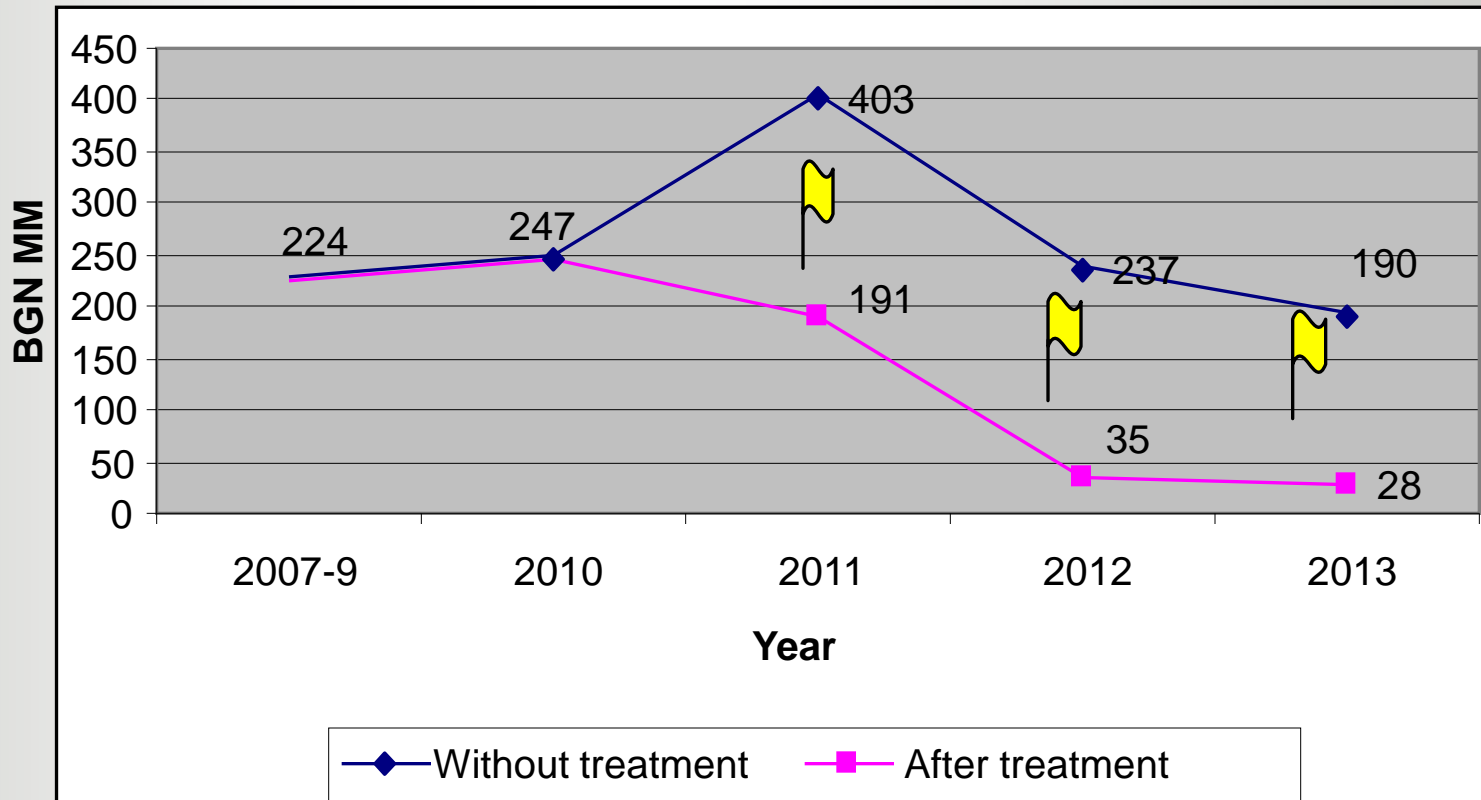




# Example 1 – fuels (5):

Evaluation

Gap after treatment of the risk  
and if treatment measures have not been applied

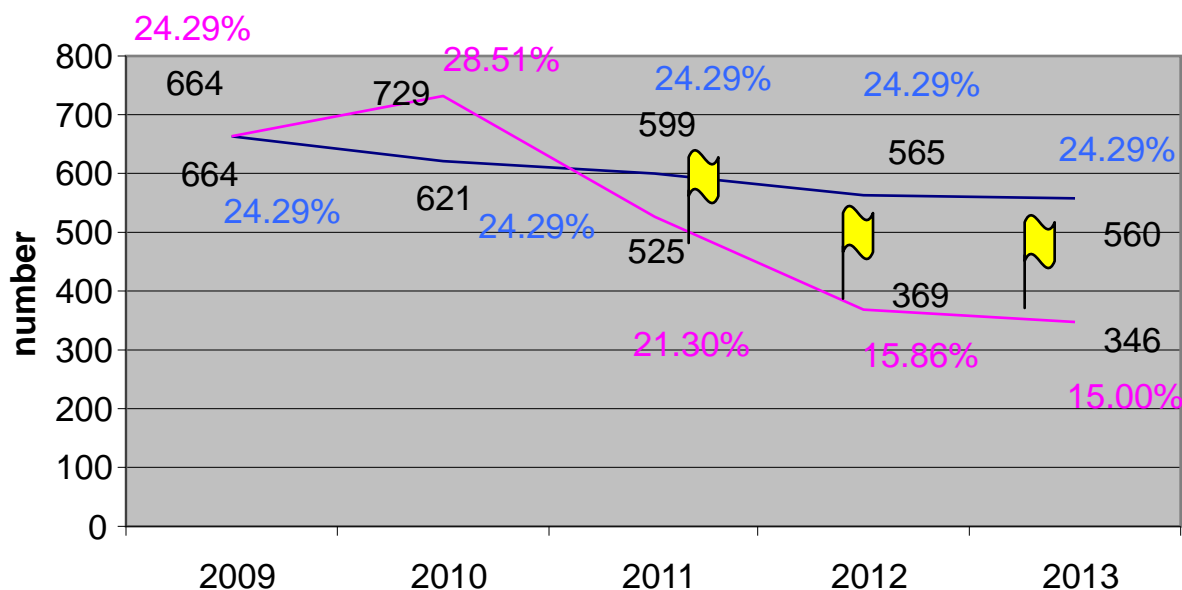




# Example 1 – fuels (6):

Evaluation

## Effect of treatment measures on the number of risky fuel traders



- ◆ Number of risky fuel traders if the treatment has not been applied
- Number of risky fuel traders after the treatment



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# Example 1 – fuels (7):

Evaluation



Gap reduction – from BGN 224 to 28MM

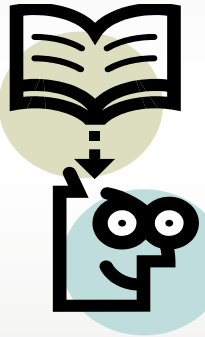
Reduction of risky traders – 48 %



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# Example 2: Envelope wages





## Example 2 – wages (1):

- ❑ 2 main ways of underdeclaring:
  - Less working hours
  - Less money
- ❑ Main characteristics 2010
  - Gap – BGN 441 MM
  - Number of risky employers – 35 K
  - Risky sectors – trade, construction, restaurants, tourism, transport



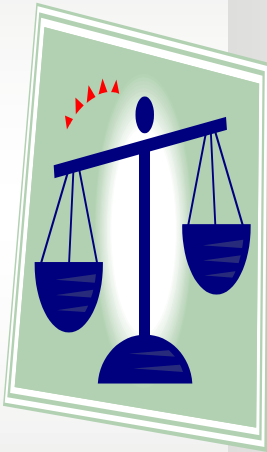
## Example 2 – wages (2):

□ The risk ranks second in importance in 2012 and first in 2013

□ Selection of measures

- Control
- Internet access to client account

Prioritisation





# Example 2 – wages (3):

## Treatment 2012 – 2014

- ❑ Audits and checks – employers
- ❑ Interviews and checks – (ex) employees
- ❑ Internet access to client account
- ❑ Letters to employers and employees

Treatment



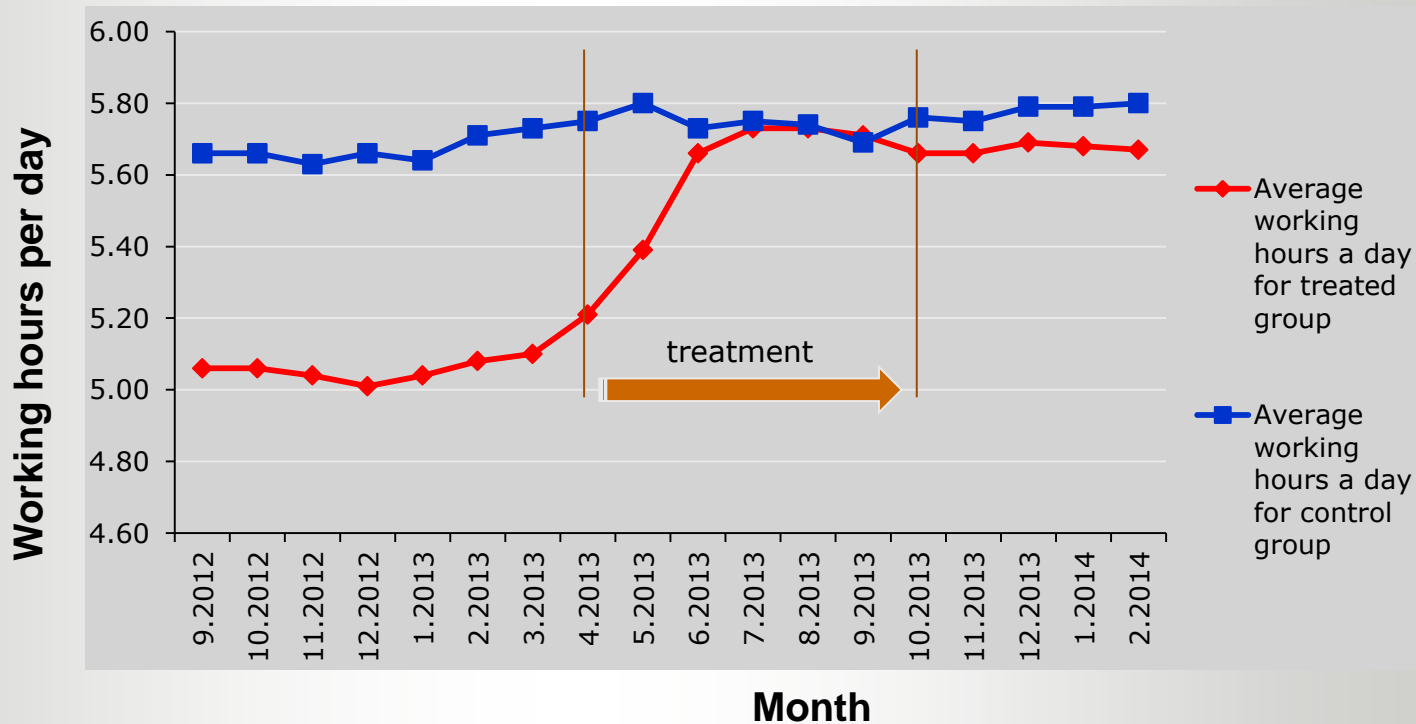




# Example 2 – wages (4):

Evaluation

**Control measures 2013 treated group from restaurant business**  
(method difference in differences)

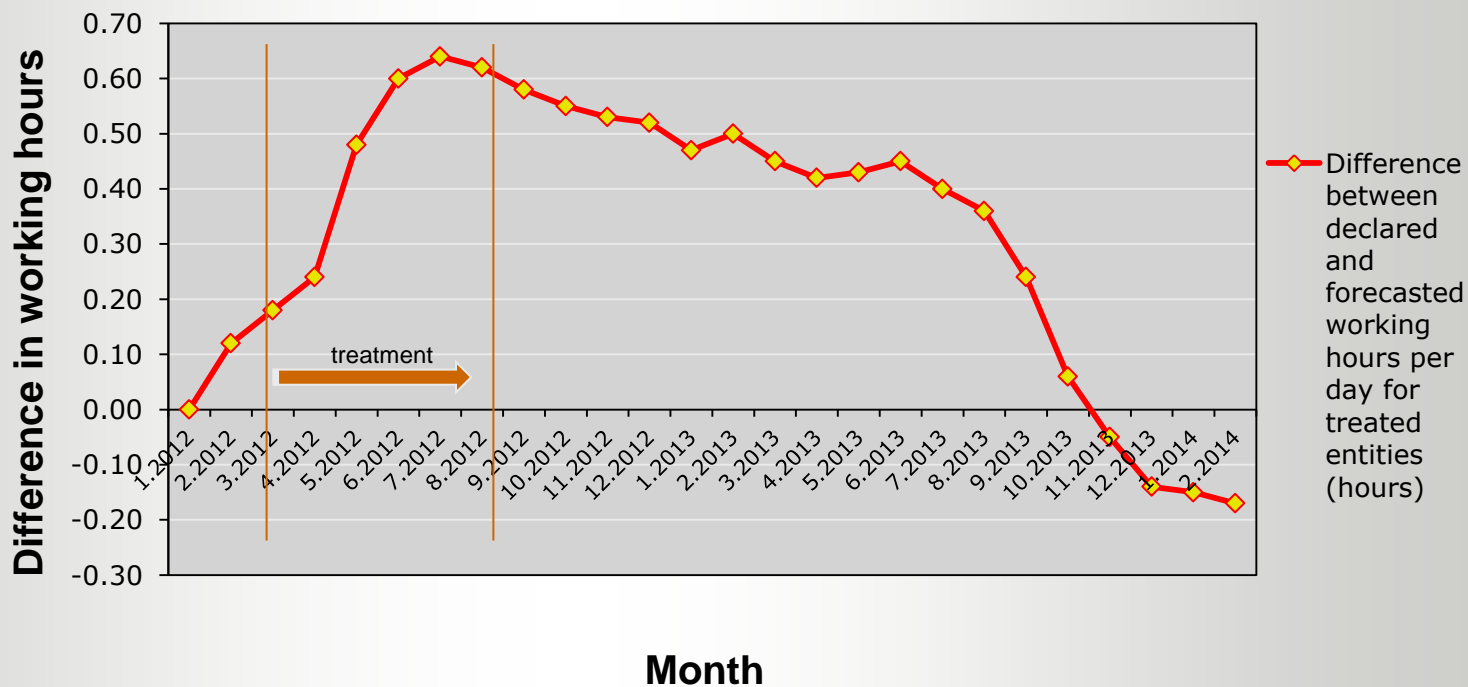




# Example 2 – wages (5):

Evaluation

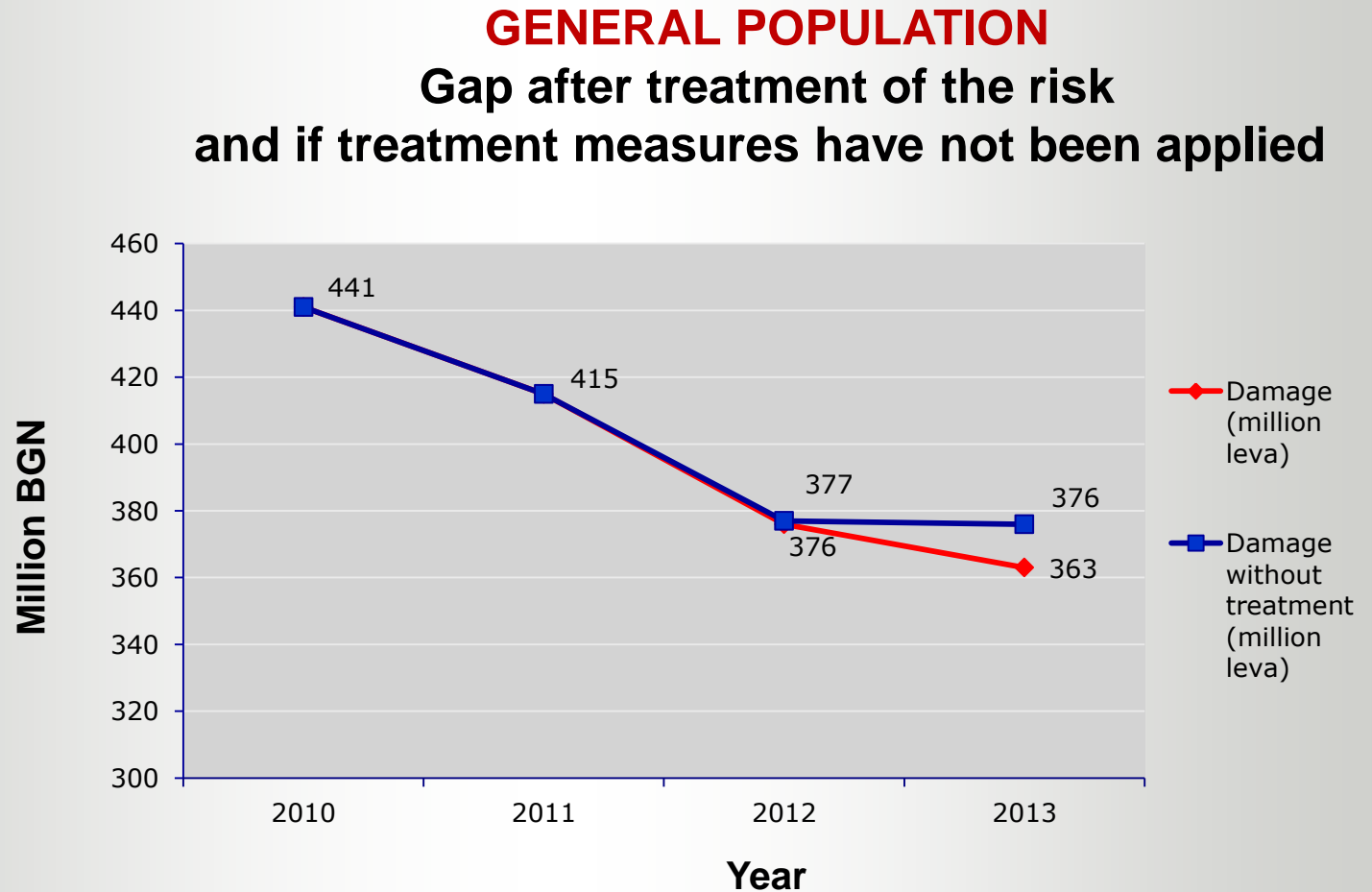
**Control measures 2012 treated group**  
(method interrupted time series)





# Example 2 – wages (6):

Evaluation



## Example 2 – wages (7):

Evaluation



Reducing of gap 2013 – only 13 million (3%)  
Supposed gap increasing 2014 – (low changes –  
tax refund for minimal salary)  $\approx$  +32 million leva



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# Any questions?

