



TAX AUDIT CHALLENGES DURING THE **COVID-19** CRISIS

**Ksenija Cipek,
Dame of Honour**

**International Tax Expert, Lawmaker,
Project Leader, Lecturer at University
of Law**

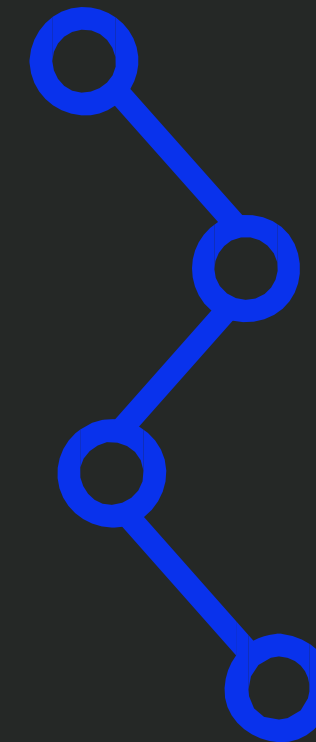
Professor Dr Manuel Pereira

**President of the Governing Board
EUCED – European Network for
Economic Cooperation and
Development**



CHALLENGES FOR THE TAX ADMINISTRATION IN DIGITAL EVOLUTION

- New business models (sharing, collaborative, gig economy...)
- Increased use of cryptocurrencies
- Paradigm shift between legislation and technology
- The need to increase online services for taxpayers
- More sophisticated, speedy and cross-border tax frauds
- Reduction of the timeframe regarding the exchange of information between countries
- Increase of quantity of the data and collecting the data in real time
- Security, quality and transparency of data
- Digitization and development of new technologies
- **COVID-19**



TAX AUDIT IN GENERAL

- Primarily role to stop, even better, prevent tax frauds and collect “hidden” amount of taxes.
- Repressive and most expensive instrument of tax administration should be focused on high risky taxpayers!
- Acts in accordance with prescribed procedures.
- Uniform approaches to taxpayers should be provided.
- Others.



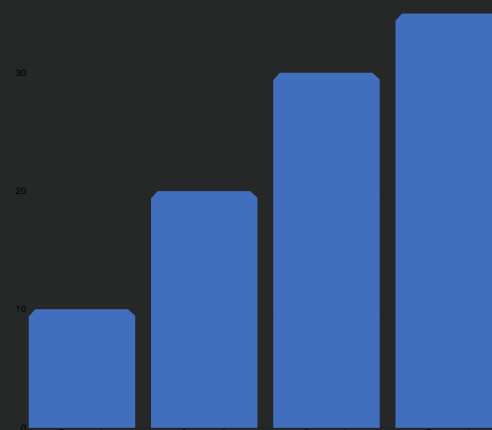
TOOLS IN THE DIGITAL ERA

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- Compliance Risk Management System
 - Predictive and Prescriptive Advance Analytics
 - Timely exchange of information on national and international level
 - Quality data available
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TAX AUDIT CHALLENGES DURING THE COVID-19 CRISIS

- Protecting the health of tax auditors and supervised taxpayers.
- The need for tax audit and who to control primarily.
- How to carry out all tax audit procedures, prescribed by law, in a health hazard situation?
- Others



POSSIBILITIES

- The tax administration must ensure the highest level of health protection for tax auditors in accordance with the recommendations of the competent health institutions and government guidelines.
- The tax administration must provide education for the behavior of tax auditors in unfamiliar health hazards.
- In selecting tax auditors for external audit, the tax administration must respect all the criteria imposed by the government and health institutions.



POSSIBILITIES (cont.)

•As a rule, high-risk taxpayers are selected based on the results of the CRM System. The CRM System can also assist in the selection of tax audit measures, so that in addition to external (direct contact with the taxpayer) audit can be performed as indirect audit or e-audit (using available data from the tax administration's data warehouse and other available data) ... In this case, the particular importance of data quality in the data warehouse and the **timely** exchange of data comes to the fore.



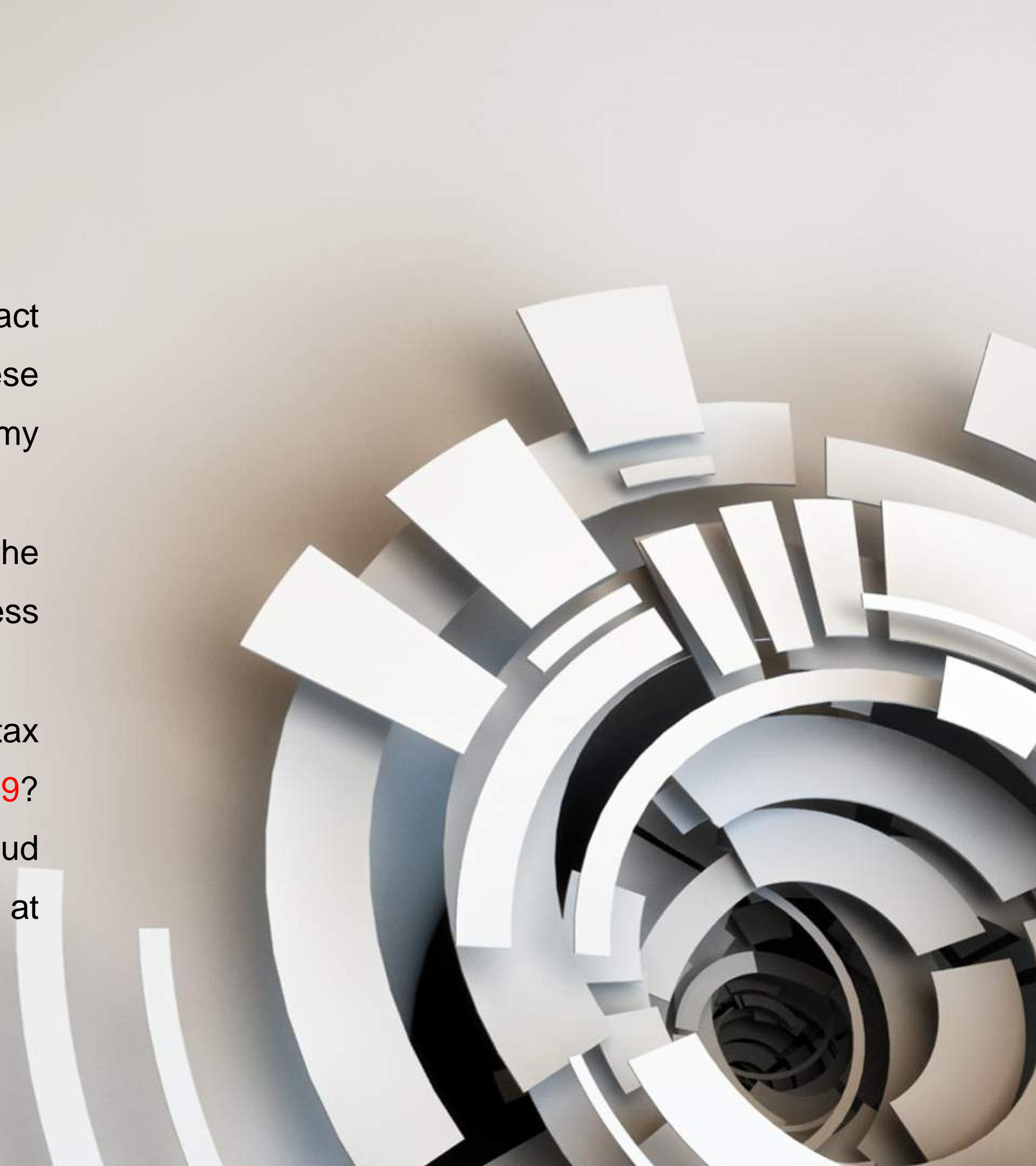
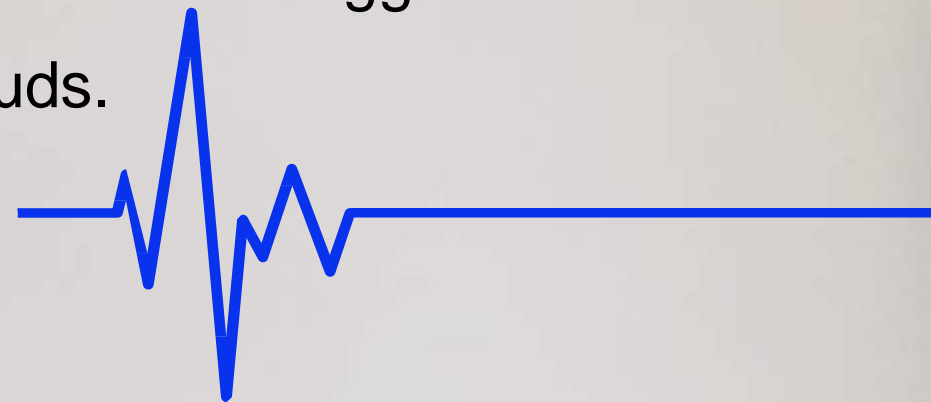
POSSIBILITIES (cont.)

- Communication with the taxpayer must be done as much as possible online (by phone, e-mail correspondence, video links).
- The submission of documentation by the taxpayer, official tax audit acts such as supervisory notices, minutes, rulings ... should be made available and legally valid electronically. If the aforementioned options are not legally possible, an urgent amendment to the regulations should be undertaken as soon as possible.



THE NECESSITY OF TAX AUDIT

- A global pandemic, like Covid-19 disease, has a direct impact on significantly reduced taxpayer business activities. In these moments, states take different measures to help the economy and taxpayers more easily overcome the crisis.
- Tax audit, as a repressive instrument, should not hinder the measures taken by governments to help retain business activity and the economy of the country as a whole.
- The question arises: should tax administrations perform tax audits at all in the circumstances of a pandemic as Covid-19? The answer can be found in everyday information about fraud attempts. Specifically, crises also trigger increased attempts at frauds, including tax frauds.



WHO TO CHOOSE FOR TAX AUDIT?

- The most risky taxpayers who can cause significant damage to budgets and which subsequently cannot be (or very difficult) controlled.
 - Other risky taxpayers, who can be audited indirectly, without direct contact with them (in person).
 - When selecting taxpayers to audit, it is necessary to have quality communication at all levels, so as not to jeopardize government measures aimed at helping the economy.
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WHAT CAN WE LEARN FROM THE **COVID-19** CRISIS?

The strategic goals and tools that will enable optimization of tax audit and its functioning in times of unforeseen circumstances are:

Prevention vs repression

- Increasing tax compliance: encouraging legal measures to increase compliance as a simplification of the legislation, horizontal monitoring, APA, binding rulings....
- Continuous education of the tax administration officials, auditors and management
- Quality CRM System and DWH
- Continuously develop and use advanced analytics
- Analysing, testing, piloting the projects for using benefits of the new technologies as a blockchain technology and DLT, including AI, machine learning... New technologies, machine learning and AI... can directly influence the more efficient tax audit and the entire tax administration. Developing tax audit tools based on these technologies should be started immediately.
- Timely exchange of data on national and international level.
- Others.

Hoping that this crisis will end soon!