

Revenue Administration: Taxpayer Audit— Development of Effective Plans

Edmund Biber

Fiscal Affairs Department

INTERNATIONAL MONETARY FUND

Fiscal Affairs Department

Revenue Administration: Taxpayer Audit—Development of Effective Plans

Prepared by Edmund Biber

Authorized for distribution by Carlo Cottarelli

April 2010

DISCLAIMER: This Technical Guidance Note should not be reported as representing the views of the IMF. The views expressed in this Note are those of the authors and do not necessarily represent those of the IMF or IMF policy.

JEL Classification Numbers:	H20, H29, H83, M42
Keywords:	taxpayer audit, audit plans, audit planning
Authors' E-Mail Addresses:	biber@alphalink.com.au

This page intentionally left blank

TECHNICAL NOTES AND MANUALS

Revenue Administration: Taxpayer Audit— Development of Effective Plans

Edmund Biber

This technical note addresses the following questions

- What is the value of audit planning?
- What should be considered in planning an effective taxpayer audit program?
- How is an audit strategic plan developed?
- How is an audit operational plan developed?
- How is an audit case plan developed?
- How can plans be evaluated?

I. What Is the Value of Audit Planning?

The role of audit extends beyond verification. It is generally accepted that a tax audit is an examination to determine whether a taxpayer has correctly reported and assessed their tax obligations. However, the role of an audit program in a modern tax administration must extend beyond merely verifying a taxpayer's reported obligations and detection of discrepancies between a taxpayer's declaration and supporting documentation.

A well managed audit program plays a major role in managing compliance. An effective audit program will have significantly wider impacts than just raising revenue directly from audit activities. By selecting the highest risk cases, efficiently detecting non-compliance, applying appropriate sanctions, and publicizing results of audit activity (either generally or specifically), taxpayers are put on notice that attempting to avoid tax will result in a high likelihood of detection and imposition of significant sanctions. Thereby, a well planned audit program can provide the administration with significant leverage across the community rather than only impacting on the taxpayer selected for audit and collecting the tax that should have been paid in the first place. Additionally, a tax system that is perceived to be fair and equitable by punishing taxpayers who do not comply builds com-

Note: Edmund Biber is a former Assistant Commissioner of the Australian Taxation Office and a Member of the IMF's Fiscal Affairs Department roster of experts.