

Central Assessment Directorate

Large Business Division

**Visit of the Danish Delegation
at the Italian Revenue Agency**

(September 21, 2012)



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September 21, 2012

THE APPROACH TO LARGE BUSINESS TAXPAYERS

SUMMARY

1. BACKGROUND
2. DESIGN ISSUES
3. ORGANIZATIONAL ISSUES
4. RELEVANT STEPS
5. IMPACT ON COMPLIANCE BEHAVIOUR
6. SOME FIGURES...

THE APPROACH TO LARGE BUSINESS TAXPAYERS

1) BACKGROUND

- Relevant Legislation introduced in January 2009
- New framework for tax compliance of LBTs
 - Based on a **risk analysis approach**
 - In line with the Italian Revenue Agency's **mission**:
 - a) *to tackle tax evasion and avoidance, not only by means of **enforcement measures**, but also through initiatives aimed at increasing the **voluntary compliance** of taxpayers; and*
 - b) *to **assist** taxpayers to understand and meet their tax obligations*

THE APPROACH TO LARGE BUSINESS TAXPAYERS

2) DESIGN ISSUES

The **key features** of the new approach are the following:

- comprehensive management of each LBT
 - based on the attribution of all administrative functions, previously scattered among different local offices, to the 21 Regional Directions
 - covering all Direct taxes and VAT issues
- risk-based approach driven by the specific features of the industry and by any other available information potentially affecting the level of taxpayers' compliance
- timely risk review process aimed at assessing whether there may be tax risks arising from any operations performed

In particular...

- The **risk management monitoring** activity can be defined as “a permanent monitoring and analysis of the behaviours and attitudes of a LBT, including its tax results”, leading to
 - the identification of the relevant risks;
 - the prioritisation and the choice of the taxpayers to be controlled;
 - the adoption of different approaches depending on the outcomes of the risk analysis (level of risk detected) and on the specific peculiarities of these taxpayers

Large Business Taxpayers covered by the programme:

- Taxpayers with total turnover or operating revenues not less than € 100 million (legal criteria)
- As for banks, financial and insurance institutions, additional indicators have been provided (such as total interest income, total insurance premiums and other proceeds).
- Approximately 3.000 LBTs in Italy (Source: tax returns for the year 2010)

THE APPROACH TO LARGE BUSINESS TAXPAYERS

3) ORGANIZATIONAL ISSUES

Organizational Structure:

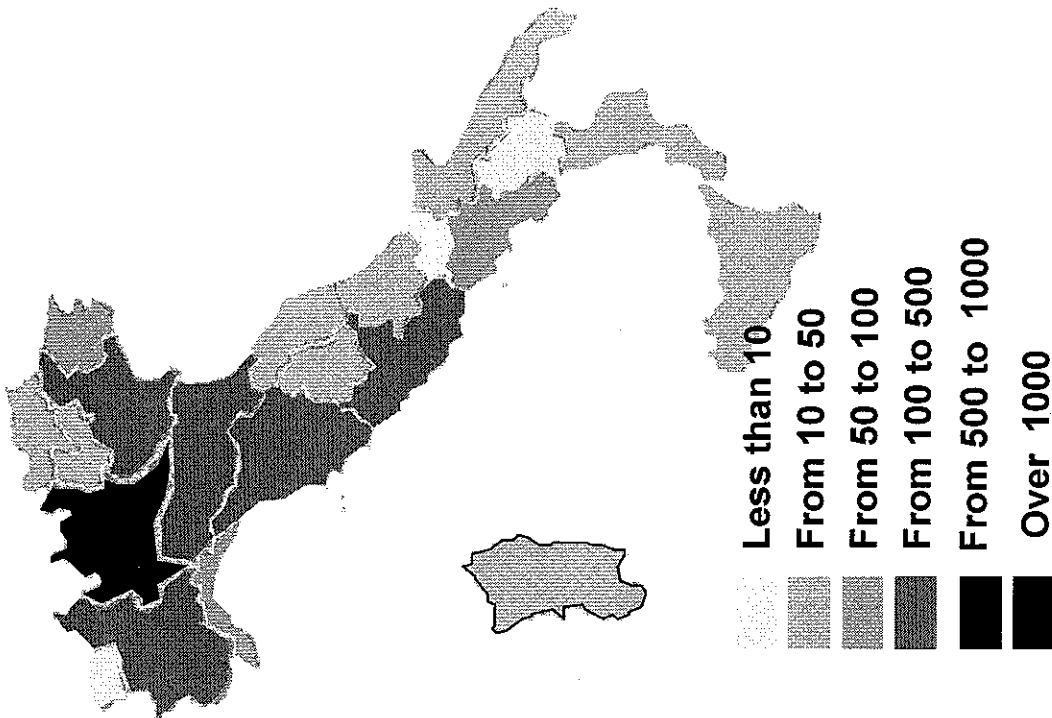
At central level:

a Large Business Taxpayers Division ensures the adoption of a consistent approach to the risk analysis and to the auditing activities. It is composed of three units:

- "Risk Analysis Unit"
- "Governance Unit"
- "Special Audits Unit"

At regional level:

special units in each Regional Directorate are responsible for the major operational functions (both service and control functions such as control of tax returns, tax examinations, recovery of taxes, refunds etc.)



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3) ORGANIZATIONAL ISSUES

The Central Level - details (1)

- The **Risk Analysis Unit** is competent for the following functions:
 - Segregation and updating of the LBTs database;
 - Identification of other relevant taxpayers;
 - Development of risk analysis tools aimed at fighting tax evasion and tax avoidance;
 - Analysis of tax evasion and tax avoidance risks;
 - Evaluation and implementation of strategies and operational methodologies for tax verification activities;

- The **Governance Unit** is responsible for:
 - Planning the annual tax audit activities of LBTs;
 - Issuing specific instructions concerning the control activities;
 - Coordinating the tax assessment activities carried out by regional directorates;
 - Monitoring the outcomes and the effects of the activities in terms of enhanced compliance;

THE RISK MANAGEMENT MONITORING OF LBTS

3) ORGANIZATIONAL ISSUES

The Central Level - details (2)

- The **Special Audits Unit** is in charge of:
 - Carrying out complex verification activities;
 - Testing and validating audit methodologies;
 - Giving operational support to Regional Directorates.

THE APPROACH TO LARGE BUSINESS TAXPAYERS

4) RELEVANT STEPS

The risk management monitoring process can be divided into three logical steps:

- 1) Collection and analysis of any relevant information** able to provide indications of risks in the behavior of LBTs that might affect their tax compliance. Information is included in a specific file called “risk analysis file”. Following the evaluation of this set of information, each large business taxpayer is attributed with a certain risk profile that drives the choice of the most appropriate audit tool;
- 2) Execution of the tax audits.** The higher the risk profile is, the more intrusive the method of control chosen: potential high-risk taxpayers can expect thorough investigations and deeper reviews, while for apparently medium/low-risk customers a disclosure-based approach can be adopted;
- 3) Update of the risk analysis file** also based on the outcomes of the audits, in order to confirm the risk profile or, if necessary, to reconsider the risk classification.

THE APPROACH TO LARGE BUSINESS TAXPAYERS

5) IMPACT ON COMPLIANCE BEHAVIOUR

The benefits of the new approach (1):

- better allocation of resources
- increased awareness and know-how about tax planning opportunities arising from the exploitation of aggressive schemes;
- identification of areas which cannot be tackled (only) with audits and that require the introduction of legislative or administrative changes;

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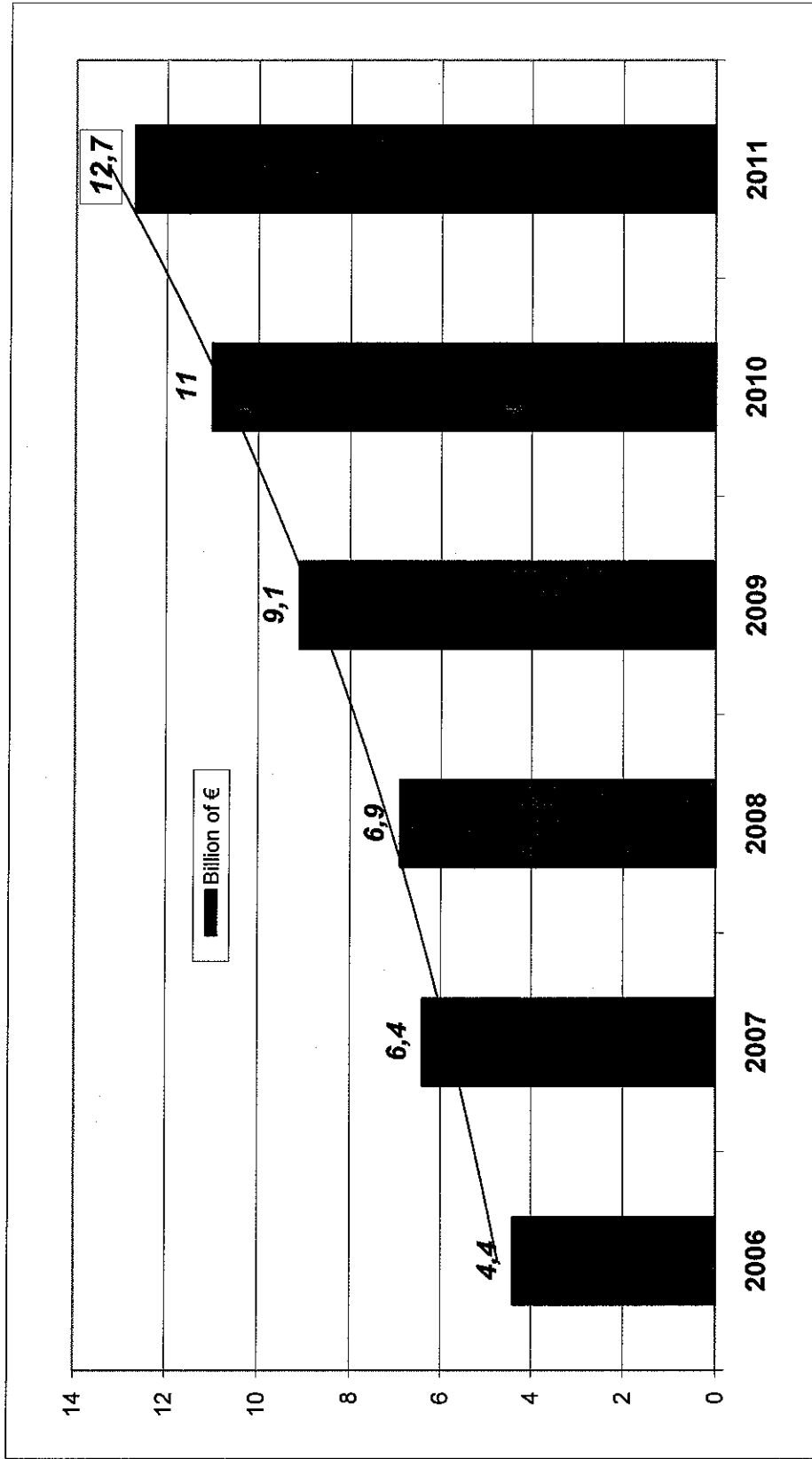
5) IMPACT ON COMPLIANCE BEHAVIOUR

The benefits of the new approach (2):

- ❑ increased awareness of taxpayers on the improved detection and response strategies' capabilities of the revenue bodies, with direct and indirect benefits on tax compliance;
- ❑ overall improvement in the quality of the audits with direct benefits in terms of well-grounded tax assessments, reduction of tax litigations and of quick recovery of taxes.

THE RISK MANAGEMENT MONITORING OF LBTS
6) SOME FIGURES...

Tax Collection: trend 2006-2011



**THE APPROACH TO LARGE BUSINESS TAXPAYERS
6) SOME FIGURES...**

Audits (2011)

	Total	LBTs	%
Number of audits	9.923	435	4,38%
Amounts (€/million)	16.504	8.546	51,78%

Assessments (2011)

	Total	LBTs	%
Number of assessments	697.248	2.763	0,40%
Amounts (€/million)	30.433	5.532	18,18%

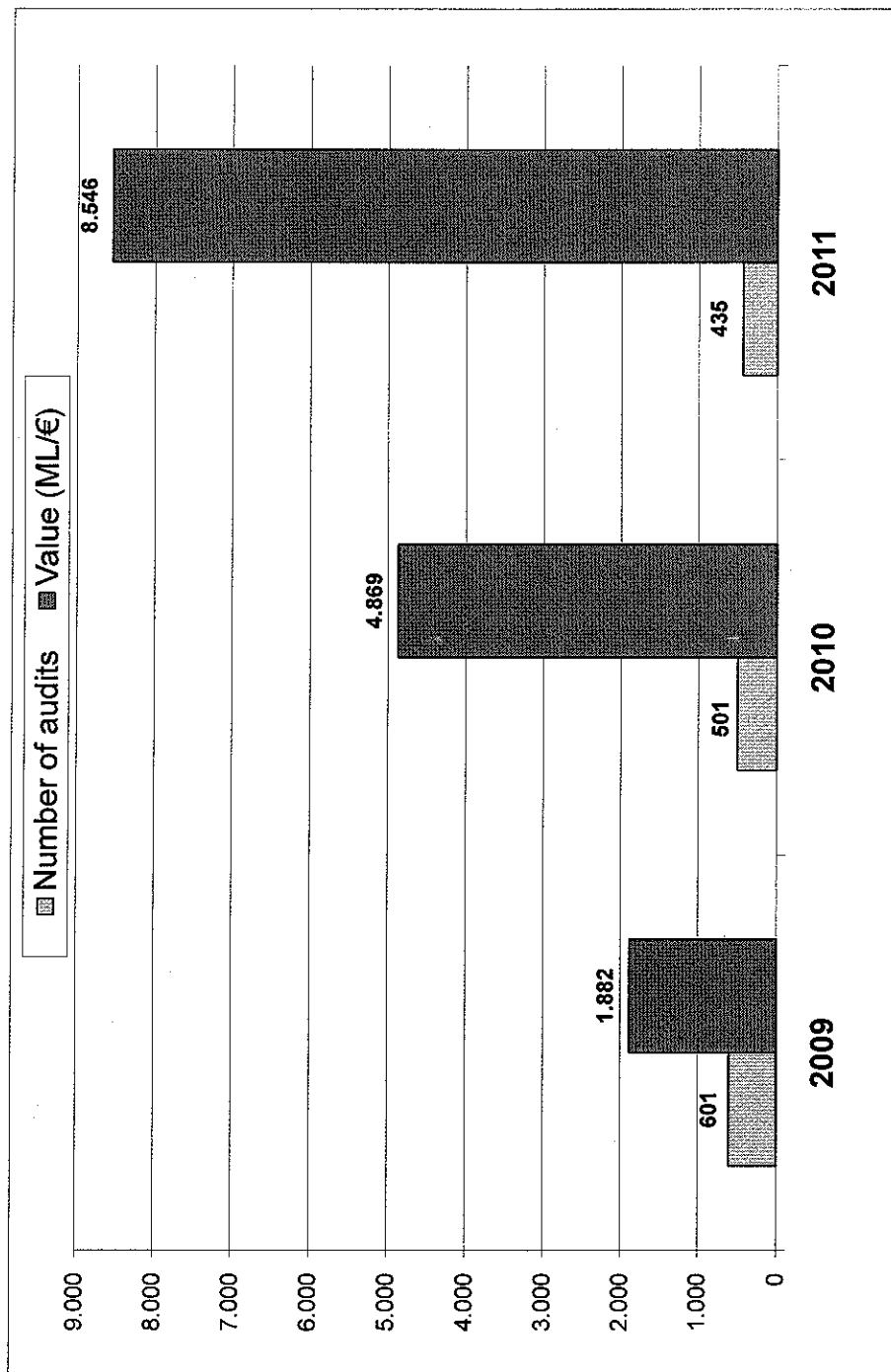
Settlements (2011)

	Total	LBTs	%
Number of settlements	271.615	1.576	0,58%
Amounts (€/million)	3.428	1.253	36,55%

THE RISK MANAGEMENT MONITORING OF LBTS

6) SOME FIGURES

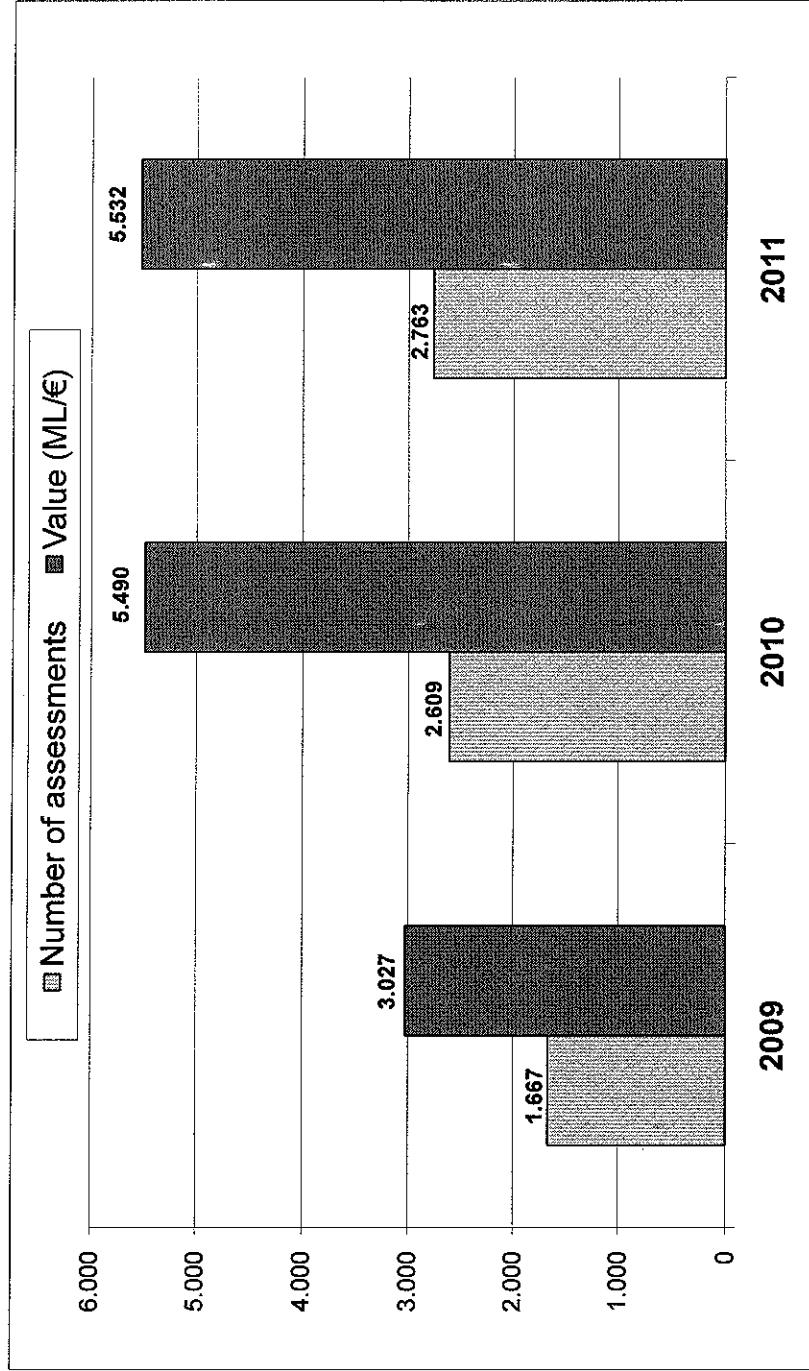
Audits (2009 – 2010 – 2011)



THE APPROACH TO LARGE BUSINESS TAXPAYERS

6) SOME FIGURES

Assessments (2009 – 2010 – 2011)



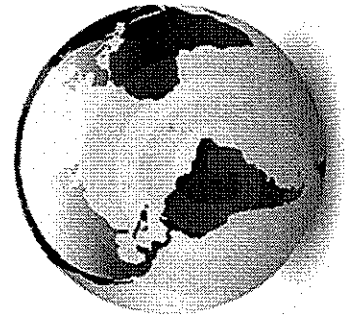


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