

Implementing Refined Risk Control Strategies Based on the Characteristics of Tax Types

[Overview of Tax-Type Specific Risk Management]

I. Concept of Tax-Type Specific Risk Management

Tax-Type Specific risk management refers to a systematic management model in which tax authorities conduct targeted risk identification, assessment, and response based on the distinctive tax system features, computation logic, and collection chains of different tax types. Distinguished from traditional generalized risk management approaches, this model is underpinned by data empowerment and guided by international standards. It enables precise analysis of core risk points for each tax type, builds targeted risk control systems, and achieves data-driven, refined tax governance, ultimately improving the efficiency and quality of tax collection while reducing tax revenue losses.

II. Necessity of Tax-Type Specific Risk Management

From the perspective of national and regional tax administration: First, it ensures stable fiscal revenue. By implementing precise prevention and control measures targeting the core risk points of each tax type, it minimizes tax base erosion and revenue loss, providing solid fiscal support for public services and social governance. Second, it regulates the tax collection order. By clarifying risk control standards and procedures for each tax type, it unifies enforcement discretion, avoids arbitrary collection practices, and fosters a fair market environment. Third, it improves the efficiency of resource allocation in tax administration, channeling limited resources toward high-risk areas such as VAT export rebates, corporate income tax restructuring transactions, and cross-border individual income tax, thereby maximizing administrative effectiveness.

From the perspective of taxpayers: First, it reduces the risk of unintentional non-compliance. Through targeted policy guidance and risk alerts, it helps taxpayers accurately understand tax system requirements and avoid penalties and late payment fees arising from policy misinterpretation or filing errors. Second, it alleviates the compliance burden. Through digital tools and intelligent services, it simplifies filing processes and reduces documentation requirements, lowering both time and economic costs for taxpayers. Third, it protects taxpayers' lawful rights and interests. Through differentiated risk control measures, it avoids disruption to compliant taxpayers'

normal business operations from indiscriminate enforcement, while establishing robust dispute resolution and credit restoration mechanisms to safeguard taxpayers' rights.

[Development History of Tax-Type Specific Risk Management]

With the advancement of information technology, the evolution of tax governance concepts, and the improvement of collection capabilities, Tax-Type Specific risk management has gradually progressed from traditional manual, fragmented management to digital, specialized management, and further to intelligent, integrated governance.

I. Traditional Manual Stage

This stage represents the foundational phase of Tax-Type Specific risk management, characterized by manual operations, fragmented management, and rudimentary processes. Countries and regions with low levels of digitalization in tax administration and limited application of information technology remain at this stage.

Core characteristics: Risk management for each tax type operates independently without a unified management system; risk identification relies on tax officials manually verifying filing data against financial records, resulting in low efficiency and high error rates; risk response is primarily post-audit-based with limited means; cross-departmental data sharing is lacking, making it difficult to obtain third-party taxpayer information; and cross-border tax risks remain largely unmonitored.

Management logic: Centered on "ex-post punishment," collection resources are mainly focused on major tax evasion cases, while small-amount, widespread risks lack effective control; collection standards vary across tax types, leading to significant enforcement discretion; and taxpayers face a heavy compliance burden due to extensive manual verification requirements.

II. Digital Transformation Stage

This stage represents the transitional phase of Tax-Type Specific risk management, characterized by data empowerment, specialized division of labor, and standardized processes. Countries and regions with initial digital development in tax administration, basic information systems, and limited cross-departmental data sharing capabilities are at this stage.

Core characteristics: Independent information systems are established for each tax type, enabling automated collection and storage of filing data and invoice information; specialized tax-type management departments are set up to develop standardized risk indicators and response procedures for core risk points of each tax type; basic data

sharing with banks, market regulators, and other departments is achieved to support risk identification; cross-border tax risk management begins to take shape, leveraging international tax treaties for information exchange and coordinated audits.

Management logic: The focus extends from "ex-post punishment" to "in-process control," using digital tools for batch risk identification and response to improve administrative efficiency; greater emphasis is placed on the intensive allocation of collection resources toward high-risk tax types and matters; enforcement discretion is reduced through standardized procedures, but systems for each tax type remain isolated, creating data silos that hinder the identification of cross-tax type related risks.

III. Intelligent Governance Stage

This stage represents the advanced phase of Tax-Type Specific risk management, characterized by intelligent analysis, targeted policy application, and integrated coordination. Countries and regions with mature digitalization in tax administration, the capacity to apply big data and artificial intelligence technologies, and comprehensive cross-departmental and cross-regional data sharing are at this stage.

Core characteristics: A unified big data platform for tax administration is established, connecting data pipelines across all tax types to enable integrated cross-tax data analysis; artificial intelligence and machine learning technologies are applied to build intelligent risk prediction models, enabling ex-ante risk assessment and source prevention; cross-tax, cross-departmental collaborative risk response mechanisms are established to achieve integrated risk resolution; cross-border tax risk management is digitalized and automated, leveraging international information exchange mechanisms such as CRS for precise monitoring of cross-border tax bases.

Management logic: Centered on "ex-ante prevention, precision supervision, and collaborative governance," the focus of risk management is shifted forward to reduce tax revenue losses at the source; differentiated management is implemented based on taxpayer risk profiles, balancing administrative effectiveness with taxpayer rights; barriers between tax types and departments are broken down to build an integrated risk control system covering all tax types, processes, and taxpayers.

[How to Implement Tax-Type Specific Risk Management]

From a global perspective, tax systems and administrative capabilities vary significantly across countries and regions, making it difficult to adopt a one-size-fits-all approach. Therefore, this product focuses on the most common tax types—VAT (also referred to as Goods and Services Tax in some countries or regions), Corporate Income Tax (also referred to as Company Tax, Corporate Tax, Federal Corporate Income Tax, etc.), Individual Income Tax (Salaries Tax), and Real Estate

Tax (the property-related component of real estate property tax, land tax, or property tax)—to provide actionable reference solutions for interested countries and regions, allowing flexible application based on their administrative infrastructure, digitalization level, and taxpayer structure. Throughout the design of risk control systems at all stages, full consideration is given to social costs and taxpayer compliance burdens, adhering to the principle of "balancing administrative effectiveness with compliance costs" to avoid imposing unnecessary time and economic burdens on taxpayers.

I. VAT Risk Management

The core tax system features of VAT are characterized by prominent transaction-based flows, broad tax coverage, and clear computation logic. Typical risks include the compliance risk of VAT input tax deductions, the accuracy of tax base calculation, the correct application of tax rates and categories, and cross-border transaction coordination risks. In response to these features and risks, countries and regions at different risk control levels may adopt the following differentiated measures:

(1) Basic Risk Control Level. Establish fundamental risk control processes to prevent major overt risks while avoiding excessive compliance burdens on taxpayers; employ manual verification of filing data against invoice information, focusing on combating major violations such as fraudulent input tax deductions and false invoicing; simplify filing forms and procedures, promoting one-stop offline taxpayer services; apply simplified collection methods for small and micro enterprises to reduce their accounting and filing difficulties; disseminate policy and filing requirements through service hall bulletin boards and policy briefings; establish a basic taxpayer credit evaluation mechanism, offering green-channel services and other basic incentives for compliant taxpayers.

(2) Intermediate Risk Control Level. Leverage digital tools to achieve scaled risk control, enhance the precision of risk identification, and balance administrative effectiveness with compliance costs; build a VAT invoice risk management system for automated collection and matching of invoice information; establish a basic risk indicator model focusing on mismatches between sales and purchase invoices, abnormal invoicing, and other risk points; implement a combined "online + offline" self-assessment and verification mechanism, providing alerts for low-risk taxpayers and conducting on-site audits for medium- to high-risk taxpayers; promote electronic invoicing and online filing services with partial pre-filing of filing data; deliver personalized risk alerts and self-assessment guidance via SMS, email, and e-taxpayer portals; improve the taxpayer credit evaluation system, linking credit ratings to invoice issuance and filing convenience, and implement differentiated management for taxpayers with poor credit.

(3) Advanced Risk Control Level. Build a full-chain intelligent risk control system to

achieve source-based risk prevention and minimize taxpayer compliance costs; fully promote fully digitalized electronic invoices and develop a universal anti-fraud tool for the entire invoice chain, leveraging the media-free, element-based, and tagged characteristics of digital invoices to achieve end-to-end closed-loop control over invoice issuance, delivery, deduction, and bookkeeping; apply big data and artificial intelligence technologies to build comprehensive risk warning models, enabling real-time dynamic monitoring of input and output taxes and precise identification of false invoicing and fraudulent deduction risks; establish data links with customs, logistics, and other departments to achieve full-chain monitoring of cross-border transactions. Promote "one-table aggregation" and "one-click filing" intelligent services, enabling automatic aggregation and intelligent validation of invoice data into filing returns; establish a tax credit restoration mechanism to promptly restore credit for taxpayers who proactively correct violations; introduce tax health check services to provide personalized risk alerts and compliance recommendations for taxpayers.

II. Corporate Income Tax and Individual Income Tax Risk Management

The core tax system features of Corporate Income Tax and Individual Income Tax are characterized by prominent ability-to-pay principles, systematic computation rules, and broad collection coverage. Typical risks include the completeness of income and compliance of tax liability recognition, the authenticity and legality of pre-tax deductions, the compliance of individual income tax filing and withholding obligations, and international tax risks related to cross-border investments and transactions. In response to these features and risks, countries and regions at different risk control levels may adopt the following differentiated measures:

(1) Basic Risk Control Level. Establish basic filing and withholding risk warning mechanisms to prevent obvious tax base erosion while considering feasibility and taxpayer burden; focus on verifying large corporate expense deduction vouchers and high-income individuals' salary filings; primarily investigate reported cases and major tax evasion cases; simplify annual corporate income tax filing forms and apply presumptive taxation for small and micro enterprises; standardize withholding filing procedures and provide offline guidance and risk alerts for withholding agents. Offer more filing conveniences and lower risk ratings for withholding agents with good compliance records.

(2) Intermediate Risk Control Level. Leverage digital tools to improve the precision of income tax collection, strengthen risk control in key areas, and balance enforcement intensity with compliance costs. Build a corporate income tax final settlement risk warning system for automatic comparison of financial statements and tax filing returns; establish a full-amount withholding filing risk warning system for individual income tax to enable comprehensive collection and monitoring of withholding data; focus on monitoring related-party transactions, asset loss deductions, and equity transfers by high-income individuals. Promote "automatic comparison and

real-time alerts" for corporate income tax filings; improve online individual income tax filing services with online risk reminders for comprehensive annual reconciliation. Establish a credit and risk evaluation mechanism for withholding agents, reducing inspection frequency for those with high credit ratings and low risk levels.

(3) Advanced Risk Control Level. Build a comprehensive intelligent risk control system covering all taxpayers to achieve precision supervision of income tax and significantly optimize taxpayer services. Develop risk profile models for both corporate and individual taxpayers by integrating multidimensional information including income, assets, business operations, and filings, enabling automatic risk identification and targeted alerts for income tax; build an intelligent related-party transaction analysis platform using big data to identify non-arm's length transfer pricing, profit shifting, and other tax avoidance behaviors; deepen information sharing with other government departments to achieve full-chain monitoring of high-income and high-net-worth individuals' tax sources. Promote "intelligent tax calculation" services for corporate income tax, enabling automatic aggregation of income, cost, and expense data and automatic computation of tax payable. Improve the individual income tax credit system, linking credit ratings to public services such as credit access and travel to encourage voluntary compliance.

III. Real Estate Tax Risk Management

The core tax system features of Real Estate Tax are characterized by stable tax sources, strong coupling with collection chains, and broad collection coverage. Typical risks include the accuracy of property valuation and tax base calculation, as well as the closed-loop monitoring of tax sources throughout the entire lifecycle. In response to these features and risks, countries and regions at different risk control levels may adopt the following differentiated measures:

(1) Basic Risk Control Level. Establish basic tax source registration and filing risk monitoring systems to identify major tax sources and avoid widespread under-collection. Conduct surveys of taxable property and establish a basic tax source monitoring ledger. Provide simplified filing channels and offline guidance for individual taxpayers. Publicize real estate tax obligations through announcements and media campaigns.

(2) Intermediate Risk Control Level. Leverage cross-departmental data sharing to improve tax source management, enhance the accuracy of tax base calculation and digitalization, and strengthen transaction-related risk control. Establish basic data sharing mechanisms with other government departments to obtain registration, ownership change, and other information; build a tax source risk monitoring system for dynamic updating and comparison of tax source information; focus on monitoring risks such as undervalued property transaction prices. Deliver real estate tax risk alerts and self-assessment guidance through e-taxpayer portals and provide online

professional guidance for taxpayers.

(3) Advanced Risk Control Level. Build a full-lifecycle tax source monitoring system to achieve refined real estate tax governance and comprehensively improve administrative effectiveness. Establish a standardized and intelligent fair property valuation mechanism, linking market fair values and third-party professional appraisal data to build an intelligent property valuation comparison and validation model; build a cross-departmental collaborative governance platform to enable real-time sharing and closed-loop management of property transaction, registration, and tax payment information; use big data to identify violations such as "yin-yang contracts" and concealed taxable property. Promote "mobile" and "self-service" real estate transaction tax services, enabling full-process online processing; achieve automatic pre-filing of filing data, requiring taxpayers only to confirm the information to complete filing.

IV. Cross-Tax Type Risk Management

Independent risk management for individual tax types has shortcomings such as data fragmentation, insufficient linkage identification, duplicate verification, and waste of administrative resources. Cross-tax type risk management refers to comprehensive risk management covering all tax types for a single taxpayer, while also addressing composite risks such as cross-tax type tax base mismatches and artificial income splitting. In response to these features and risks, countries and regions at different risk control levels may adopt the following differentiated measures:

(1) Basic Risk Control Level: At this stage, systems for each tax type operate independently without a unified data platform. Risk control is achieved through manual linkage and cross-analysis to eliminate obvious and significant discrepancies in filing information across tax types. Before risk response actions are initiated, case analysts are required to conduct desk reviews to identify additional tax risks to the greatest extent possible, and the working principle of "one visit, simultaneous multi-tax audit" is implemented.

(2) Intermediate Risk Control Level: At this stage, data interoperability among tax type collection systems is achieved, a cross-tax type risk indicator library is established, and digital tools are leveraged for batch cross-tax type linkage analysis. Data from all tax types are integrated and standardized to build multidimensional cross-tax type risk indicators, and a "single-household" comprehensive tax analysis platform for taxpayers is established to generate consolidated risk ratings, with different supervision methods set for different risk levels.

(3) Advanced Risk Control Level: At this stage, a unified big data platform is built to achieve deep integration of internal and external data across all tax types and integrated analysis and resolution across all tax types. An integrated intelligent risk

profile is created for each taxpayer by integrating data from various tax filings, financial statements, asset holdings and dispositions, enabling penetrating risk scanning across all tax types, all business scenarios, and all stages. Machine learning, large model algorithms, and other technologies are applied for intelligent predictive analysis of composite risks. An intelligent closed-loop management system is built featuring comprehensive task coordination, dynamic workflow linkage, precise control of response results, and efficient multi-department collaboration.

[Typical Cases of Tax-Type Specific Risk Management]

China: Digital Invoice Anti-Fraud Early Warning

China's fully digitalized electronic invoice anti-fraud early warning system is a core risk control module in the Golden Tax Phase IV Smart Tax Construction. Leveraging the key characteristics of digital invoices—"media-free, element-based, code-assigned, and credit-limit-based"—it has built a full-chain, real-time, intelligent invoice anti-fraud risk prevention and control system. It establishes a national unified invoice risk control indicator model, connects tax officials, taxpayers, issuers, and recipients at all ends, and supports functions such as real-time risk scanning and alerts, loss prevention and mitigation, response and resolution, and grid-based multi-channel information delivery. The system enables rapid collection of economic transaction data and linked management of invoice and tax risks, building an open and shared digital invoice ecosystem. It facilitates the transition from "voluntary" compliance to "automatic" compliance and comprehensively enhances tax supervision capabilities. This secures the VAT collection safety line, safeguarding national tax revenue while continuously optimizing a market-oriented, law-based business environment.

Cambodia: Highly Digitalized, Risk-Based Management System

Cambodia's General Department of Taxation has transformed from a manual, extensive management model to a highly digitalized, risk-based management system that implements Tax-Type Specific differentiated management. In terms of VAT, the focus is on invoice verification, cross-matching of input and output VAT filings, and full-process monitoring of refund applications to prevent tax fraud. It also uses digital filing systems and data analysis technologies to precisely identify inconsistencies between buyers' and sellers' tax data, while applying stricter review standards for high-risk industries and refund applications. In terms of Corporate Income Tax, enforcement focuses on high-risk entities such as companies with consecutive losses or abnormal profit margins; for compliant businesses, on-site audits are generally limited to no more than once every three years. Additionally, strict transfer pricing benchmarks and related-party transaction documentation requirements are implemented to prevent profit shifting risks, effectively replacing random inspections with precise, evidence-based enforcement. In terms of Individual Income Tax, the use of a mandatory salary tax calculation APP and the publication of official tax rate

tables standardize corporate tax calculation methods, significantly reducing the risk of manual calculation errors, while establishing clear audit trails for both resident and non-resident employees.

Mongolia: Big Data Analytics Strategy

To establish an efficient risk management system, Mongolia's tax authorities have implemented a big data analytics strategy, building a standardized big data platform and fully integrating it into the collection system to form precise risk identification standards, analysis methods, and predictive models. Within a unified risk assessment framework, exclusive risk assessment indicators are set for different tax types. Through Tax-Type Specific analysis, high-risk taxpayers and risk groups are precisely identified.

In terms of Corporate Income Tax, machine learning prediction models are used to conduct risk assessments for registered corporate entities, precisely identifying tax risks. In terms of Individual Income Tax, a lightweight risk assessment model is adopted, focusing on verifying the consistency of taxpayer registration and filing data, with an emphasis on the timeliness compliance risks of filing and payment.

Singapore: Enterprise Risk Profile

Singapore's Inland Revenue Authority of Singapore (IRAS) adopts a risk-based approach to tax administration, underpinned by automation, data analytics and risk profiling through its Integrated Compliance and Service Framework. The objective is straightforward: make tax compliance easy for the vast majority of taxpayers who are willing to comply, through a simple tax system and reliable services, while making non-compliance increasingly difficult for those who choose otherwise. IRAS calibrates its responses according to taxpayer behaviour, ranging from proactive assistance for those seeking to comply, to targeted enforcement against higher-risk and/or persistent non-compliance.

IRAS' Entity Risk Profile (ERP) is a key enabler of this approach. It applies analytics to assess filing, reporting and payment risks across multiple tax types from a taxpayer-centric perspective. These insights enable IRAS to priorities risks, tailor interventions, and deploy resources where they will have the greatest impact, strengthening the effectiveness and efficiency of tax administration.

[Future Outlook]

With the continued advancement of global digital transformation and the ongoing evolution of tax governance concepts, Tax-Type Specific risk management will move toward intelligent, integrated, service-oriented, and internationalized development, building a more precise, efficient, and fair modern tax risk control system.

I. Deep Technology Empowerment to Build a Comprehensive Intelligent Risk Control Ecosystem

With big data, artificial intelligence, blockchain, and other technologies as core drivers, Tax-Type Specific intelligent risk control models will be iteratively upgraded. Large language models will be applied to achieve automatic extraction of risk characteristics, dynamic iteration of risk indicator models, and intelligent monitoring of response effectiveness; blockchain technology will be used to achieve tamper-proof verification and full-process traceability of invoice and cross-border transaction information.

II. Deep Integration of Supervision to Build a Long-Term Mechanism for Voluntary Compliance

Promote the transformation of tax governance from a "control-oriented" model to a "governance-oriented" model, building a modern tax credit system with "incentives for trustworthiness and penalties for untrustworthiness." Deeply integrate tax credit with public services such as financing and credit access, market access, government procurement, and immigration, providing more conveniences and policy preferences for trustworthy taxpayers; improve the mechanism for restoring credit and risk ratings, promptly restoring tax credit and lowering risk ratings for taxpayers who proactively correct violations without serious consequences; promote full-lifecycle tax health check services to provide personalized compliance guidance and risk alerts for taxpayers.

III. Integrated Cross-Tax Type Coordination to Achieve Holistic Collaborative Governance

Accelerate the dismantling of fragmented management barriers across tax types and build an integrated risk control system covering all tax types, all processes, and all taxpayers. Connect data pipelines across all tax types to establish a unified big data platform for tax administration, enabling integrated cross-tax data analysis and linked risk identification; establish cross-tax risk collaborative response mechanisms to achieve unified management, joint resolution, and shared results of risk tasks; deepen routine data sharing and enforcement coordination with market regulators, financial institutions, customs, public security, and other departments to build a "Tax + N" multi-party collaborative governance framework.

IV. Deepened International Coordination to Improve Cross-Border Tax Risk Control Systems

Leverage international platforms such as the OECD, G20, and the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) to promote the

establishment of unified cross-border tax risk control standards and information exchange mechanisms; upgrade the CRS information exchange system to achieve automatic, real-time, and standardized sharing of cross-border tax information; establish cross-border joint risk control and audit mechanisms to jointly combat base erosion and profit shifting by multinational enterprises; explore the establishment of cross-border tax credit linkage mechanisms to ensure that "a breach of trust anywhere results in restrictions everywhere," comprehensively enhancing global cross-border tax governance capabilities.