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Tax Audit: Implementation of Compliance Risk Management

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Abstract: *In 2011, the OECD published a Compliance Risk Management (CRM) guide that countries worldwide can use to mitigate the level of taxpayer compliance risk. In 2019, the Directorate General of Taxes began implementing a national-scale CRM using computerization, especially in tax audits. Using the Compliance Risk Management model in tax audit activities is a step forward because the Directorate General of Taxes has implemented technology according to OECD recommendations. This study aimed to determine the tax audit system before and after implementing the Compliance Risk Management (CRM) model and assess the impact of implementing the Compliance Risk Management model on tax audit activities in Indonesia. This study also aims to determine the obstacles and effects of implementing Compliance Risk Management (CRM) on tax audits in Indonesia. This research is a qualitative descriptive study with data collection methods through library research and interviews. The results of this study reveal that implementing the Compliance Risk Management (CRM) model has a positive impact, especially on the process before the tax audit. The Compliance Risk Management (CRM) model can help to set priorities based on the level of taxpayer risk.*

Keywords: Tax Audit; Compliance Risk Management; Tax Compliance

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INTRODUCTION

The Minister of Finance of the Republic of Indonesia reported that net tax revenue as of December 26, 2021, was IDR 1,232.87T. This amount is equivalent to 100.19% and has exceeded the APBN target for the 2021 budget year of Rp. 1,229.6T. That is a historical phenomenon that has never happened in the last decade. Previously, the tax revenue target was never achieved during the ten years. The achievement of this revenue is highly dependent on the price movements of critical commodities such as mining products and palm oil. During the 2002-2020 period, nominally tax revenues always recorded growth, except for 2020 due to the Covid-19 pandemic. Furthermore, in 2021, the tax revenue target has been achieved. Of course, many factors enable the success of achieving these targets, one of which is the participation of all taxpayers in carrying out their tax obligations.

The Director-General of Taxes said that the euphoria of achieving the tax revenue target does not need to be exaggerated. Furthermore, the challenge of tax revenue will become more severe over time. Then, 2022 is very important because it will be the last year the APBN deficit can exceed 3%. By 2023, this deficit should already be less than 3%. On the other hand, there is still uncertainty about the risk of the Covid-19 pandemic. Therefore, government revenues must be higher to cover the state budget deficit. Thus, the task of the government, especially the Directorate General of Taxes or tax authorities, will increase. The director-general of taxes' mission is to continue collecting state revenues and improving taxpayer compliance.

As a developing country with a self-assessment system, compliance will always be linked to tax revenue. In the self-assessment system, the public, especially taxpayers, are given the authority to calculate, deposit, and report their tax obligations. Thus, community compliance, exceptionally high taxpayers, is expected to be in line with increased tax revenues, but vice versa. Tax compliance is defined as the Taxpayer's commitment to complying with tax regulations in his country (Purwanto, 2015). The problem of compliance is one of the problems that are often the topic of taxation problems that tax authorities must face in various countries, both developed and developing countries. Supervision that is not yet ideal is usually caused by limited human resources and the inability of the tax authorities to adapt to the speed of technological development.

Taxation has an essential role in supporting economic activity and growth. Tax is a coercive levy, but the government still needs taxes to support development and equity in Indonesia. As part of the government, the tax authorities bear a significant burden in carrying out this task. With all the existing limitations, the tax authorities are expected by the stakeholders to become institutions with high professionalism, have adequate or competent capabilities to provide tax services and achieve the target of tax revenues charged annually.

The tax authorities face various obstacles and challenges in carrying out their duties. The multiple barriers encountered can be obtained from the external and internal capacity of the organization. Inefficient governance, bureaucracy, and technology still lagging have caused a decline in public trust. In addition, shadow economy that is difficult to identify are risks categorized as high and can affect the efficiency of tax authorities in developing countries based on the existing literature (Kharisma, 2020).

The Directorate General of Taxes (DGT), the authority has given the authority, has the task of carrying out tax administration to collect tax revenues to support development financing. In carrying out its duties, the DGT faces various obstacles and challenges in conducting tax administration. For example, declining economic growth, financial crises, trade wars, natural disasters, and pandemics are obstacles that generally cause the inability of taxpayers to pay taxes. To deal with these obstacles, the DGT provides a more lenient policy approach to maintain taxpayer compliance by extending the deadline for submitting the Annual SPT, providing tax incentives with certain conditions and conditions, providing tax payment instalment facilities, and also reducing or eliminating administrative sanctions. These policies are a quick response of the authorities to conditions in the field to maintain compliance and increase taxpayers' trust in the organization.

OECD (2001) recommends creating a systematic process in response to constraints and challenges that may occur in the future. This process is risk management with a guarantee of achieving the objectives of tax administration by utilizing limited resources as effectively as possible. With good design and planning, risk management can help tax authorities identify, provide assessments, determine priorities, and deal effectively with compliance risks (IRM, 2002; OECD, 2010a). Furthermore, the existing literature suggests tax authorities be more proactive and innovative in finding solutions to manage risks (OECD, 2004; Bird, 2004).

Empirical studies that have been conducted previously state that a stricter tax regime in applying provisions (enforcement) tends to result in a higher level of compliance (Andreoni, Erard and Feinstein, 1998; Sandmo, 2004). Methods of imposing sanctions or penalties and conducting audits may be effective in reducing tax evasion (Franzoni, 1998). Obedient taxpayers may expect different treatment from the tax authorities compared to non-compliant taxpayers. However, enforced compliance costs more (Ayres and Braithwaite, 1992; Welsh, 2009) and is not an appropriate strategy for the DGT as the tax authority in Indonesia (Rizal, 2021).

Since the renewal of the provisions of tax regulations in 1983 by replacing tax regulations that the Dutch colonial had made, the tax system adopted by Indonesia then was a self-assessment system, where taxpayers were given the authority and trust to calculate, deposit, and report their tax obligations. The role of the tax authorities, especially the Directorate General of Taxes, is only to monitor a series of supervisory and law enforcement actions in the taxation sector. According to Made Ari, taxpayers in the self-assessment system may tend to understand their tax obligations and then look for opportunities to commit fraud (Wahyuni, 2020).

The Directorate General of Taxes, the tax authority in Indonesia every year, has a tax revenue target set by the Ministry of Finance and listed in the APBN. Administrative problems and policies that change dynamically seek the perfect form following the development of economic conditions, which affect the change in compliance patterns every year and will provide room for leaks of tax revenues. Although taxpayer compliance risk can't be overcome entirely, it is still possible to manage the risks that arise at an acceptable or reasonable level in line with the targets and objectives set by the government by considering the existing limitations.

The Organization for Economic Cooperation and Development (OECD) and the European Union (EU) issued guidelines for managing and improving taxpayer compliance. The guidelines are in the form of a systematic process framework on how to manage compliance risk and maximize voluntary taxpayer compliance. This guide starts by identifying, providing an assessment, determining priorities for systemic compliance risk, determining treatment ranges based on the information, and understanding the risks and behaviour of taxpayers observed.

The Director-General of Taxes uses the CRM system to help determine the risk profile and appropriate and effective treatment for Taxpayers. The limitations of the Director-General of Taxes in providing services and supervision. The tax revenue targets that must be achieved and the government's expectation of increasing voluntary compliance with the self-assessment system make the Director-General of Taxes feel the need to develop this CRM system to support its performance. This development is to answer all the limitations of the Director-General of Taxes in providing services, supervision, and inspection.

As a developing country, Indonesia, with the Directorate General of Taxes as the tax authority, is given the power to administer central taxes. An example of a central tax is income tax (PPh). The tax authority is given the authority to issue the leading tax. However, the tax authorities face various problems, namely limited human resources, fixed allocation of funds from the state budget, and others. Until now, the Director-General of Taxes is still trying to increase compliance through voluntary compliance, which is the backbone of the self-assessment system to generate sustainable tax revenues and increase the tax ratio.

Currently, the taxation system in Indonesia has used a self-assessment system, namely by giving the authority to taxpayers to fulfil their tax obligations. In its implementation, taxpayers must know about taxation and a high level of compliance. However, the self-assessment system does not mean that the Director-General of Taxes is hands-off in supervising taxpayers. For this reason, an audit mechanism must be carried out to ensure that the Taxpayer has carried out his tax obligations and to test the Taxpayer's compliance with the provisions of the tax laws and regulations. As explained in PMK Number 184/PMK.03/2015, an Audit is an activity to test the Taxpayer's compliance with their tax obligations and for other purposes in fulfilling the Taxpayer's commitments in the taxation sector. That is done objectively and follows the existing audit provisions. Therefore, based on the explanation stated in PMK Number 184/PMK.03/2015, based on its purpose, the audit is divided into two, namely audits to test taxpayer compliance and for other purposes in terms of fulfilling their tax obligations following the provisions of tax laws and regulations.

In Article 1 (25) KUP Law no. 16 2009, as amended according to the law on the Harmonization of Tax Regulations, a tax audit is an activity to test the compliance of the Taxpayer with his tax obligations and for other purposes in terms of fulfilling the Taxpayer's commitments in the taxation sector. That is done objectively and following the existing audit provisions. There are examination criteria according to the background of the examination, which can be divided into two. First, routine inspections test taxpayer compliance with their tax obligations. Second, special audits are carried out based on risk analysis resulting in gaps in the Taxpayer's non-compliance with their tax obligations. Based on its scope, tax audits can be divided into two types. First, field inspection is carried out at the residence of the Taxpayer, the place of free work or business activity, the site of domicile, the location of business activity or independent work, or other places determined by the Director-General of Taxes. Second, office inspection is conducted at the Director-General of Taxes or the Tax Service Office (KPP).

One of the powers of the Directorate General of Taxes (DGT) in supervising taxpayers is to conduct tax audits. Based on article 1 paragraph 25 of Law no. 16 of 2009 concerning General Provisions and Tax Procedures, a tax audit is a series of activities to collect and process data, information, and evidence carried out objectively and professionally based on an audit standard to test compliance with tax obligations and for other purposes in to implement the provisions of tax laws.

Based on the background of the audit, the audit criteria can be divided into 2, namely routine inspections that are carried out because they are related to the fulfilment of the rights or implementation of tax obligations of the Taxpayer and special audits carried out based on the results of risk analysis with indications of non-compliance in fulfilling tax obligations.

Based on its scope, tax audits are divided into two types, namely field inspections conducted at the domicile, place of business activity or independent work, the residence of the Taxpayer, or other places determined by the Director General of Taxes and office audits conducted at the office of the Director General of Taxes. Or the Tax Service Office (KPP). The tax audit period is divided into 2 (two), namely first, the Testing Period, which consists of field audits, no later than 6 (six) months from the date the Field Audit Notification Letter is submitted to the Taxpayer until the date the Tax Audit Result Notification (PHP) is submitted. to taxpayers. Second, office audit, no later than 4 (four) months from the date the Taxpayer arrives to fulfil the Office Audit Summons until the SPHP is submitted to the Taxpayer. Finally, there is a Final Discussion Period on Audit Results and Reporting, which is carried out no later than 2 (two) months from the date the SPHP is submitted to the Taxpayer until the Audit Result Report (LHP).

Following OECD recommendations, tax authorities need to reduce the administrative burden of taxpayers to increase voluntary compliance. In addition, tax authorities are expected to understand taxpayers' behaviour and motivation to comply with applicable regulations or not, so those good decisions can be made. Understanding the behaviour of taxpayers can help tax authorities to encourage voluntary compliance by taxpayers when fulfilling their obligations, especially with the implementation of a self-assessment system. The government trusts taxpayers to calculate, deposit, and report their tax obligations.

In September 2019, the Directorate General of Taxes started using the Compliance Risk Management (CRM) model. CRM can make it easier for tax authorities to map the criteria of taxpayers based on their compliance class to produce different segmentation for each Taxpayer according to the level of risk. Based on Circular Letter (SE) Number 24/PJ/2019 as amended according to Circular Letter (SE) of the Director-General of Taxes Number 39/PJ/2021 regarding the implementation of Compliance Risk Management and Business Intelligence. CRM is a comprehensive mapping, mitigation, and evaluation step based on the level of taxpayer compliance risk. The main goal of the tax authorities is to create the highest possible level of tax compliance to ensure that the revenue collected reaches the maximum amount (Highfield, 2013). However, the tax authorities have limited resources to carry out their functions. Thus, the tax authorities are required to allocate resources rationally and efficiently. Therefore, a structured and systematic process is needed that can help tax authorities determine priorities in taking actions to enforce compliance (OECD, 2004). The Committee on Fiscal Affairs reported in a Note published in July 1997 that several national tax authorities have begun to apply risk management principles (OECD, 2004). The process can determine compliance enforcement needs and how compliance risks should be addressed. This process is known as compliance risk management (CRM).

According to the OECD (2004), CRM is a structured process of identifying, assessing, rating and managing tax compliance risks that are carried out repeatedly as risk management, in general, to support decision-making in compliance enforcement. Meanwhile, according to EC (2010), CRM is a systematic process carried out by tax administration agencies in selecting handling instruments to enforce compliance based on knowledge of taxpayer behaviour following their capacity. So it can be concluded that CRM is a series of structured and systematic processes based on risk management principles applied by tax authorities as a decision-making tool to determine the actions needed to improve taxpayer compliance. After going through a series of CRM procedures, it will produce a clear, objective, and systematic framework to efficiently manage the level of compliance risk while at the same time preventing the level of non-compliance based on taxpayer behaviour. Because of this, this study will discuss the tax audit system before and after implementing the Compliance Risk Management (CRM) model.

This study aimed to determine the tax audit system before and after implementing the Compliance Risk Management (CRM) model. In addition, this study also seeks to assess the impact of implementing the Compliance Risk Management model on tax audit activities in Indonesia and the obstacles and challenges of implementing the Compliance Risk Management model on tax audits in Indonesia.

METHODOLOGY

This study uses a qualitative descriptive method to understand the social situation and patterns after implementing Compliance Risk Management (CRM) in tax audits. The qualitative descriptive method is part of the qualitative method. This method focuses on contextual theory processes and the involvement of researchers in the research. According to Williams in his research method (Williams, 2007), qualitative methods have the characteristics of having a natural setting, the researcher as a key instrument, various data sources, inductive data analysis, participant meaning, emerging designs, theoretical lenses, interpretations, and accounts. The writer in this study will collect the data himself through documentation and interviews with the informants. The author means not only collecting data from one source but can take the data in question through interviews and documentation.

In addition, in terms of collecting data to complete this paper, the authors also use primary and secondary data collection techniques. In collecting data primarily, the author uses the interview stage to collect the data. Interviews were conducted together with relevant informants to collect the data in question. The data collected will initially be presented in the form of questions which will then be answered directly by the relevant resource persons to obtain reliable and detailed data. In this paper, the author questions relevant stakeholders such as the Head of P3 KPP, functional tax auditors, and PKN STAN lecturers as academics. Then, the secondary data collection process, namely indirect data collection, can provide the necessary data to the author (Creswell, 1994). The author uses documentation studies to collect secondary data, namely collecting desired data through various data sources such as print media, scientific journals, books, and other sources. The documentation will cover the lessons or patterns found that relate to the theory.

Interview Method

The interview method was chosen because it considered the current pandemic situation and conditions that did not allow the author to conduct face-to-face interviews. However, this interview became possible when the author carried out street vendors' activities. The sources in this interview were the head of P3 KPP, functional tax inspectors, and PKN STAN lecturers as academics. Interviews were conducted through question-and-answer with the resource persons, with the final result being able to obtain the data intended to complete the process of preparing the paper and obtain reliable information from parties directly related to the formulation of the Compliance Risk Management model. The authors conducted interviews to obtain data regarding the process of implementing the Compliance Risk Management model, the things that became obstacles, and the efforts made to resolve and deal with these obstacles.

Literature Study

In addition to interviews, the author also uses library research or library research methods which are carried out from the results of library studies and legal sources relevant to the problem's topic in this research (Ormrod, 2001). The various literature sources are not only limited to previous research but also utilize other library sources, namely books, scientific journals, laws and regulations, and papers related to the issues discussed in preparing the paper. A literature study was conducted to obtain a theoretical basis for discussing this Final Project. In addition, in this study, the authors discuss matters that have not been discussed in previous studies and compare the previous data with the latest findings. In addition, the author also uses a literature review of the applicable tax laws and regulations related to implementing the Compliance Risk Management model.

RESULTS

Tax audit before and after the implementation of the Compliance Risk Management (CRM) model

Tax audits are a long process, with a period of up to 12 months. They start with issuing a warrant in the case of an inspection or SP2. SP2 is a notification letter regarding the existence of a review. The period of tax-related audit will begin to calculated since the notification letter related to the presence of the audit has been submitted to the Taxpayer. Until the result report states that the audit has been carried out or is commonly referred to as LHP, a tax-related assessment letter will be issued or referred to as SKP. After the audit process is complete, the Taxpayer also has the right to file legal remedies in the form of Objections or Appeals if the Taxpayer still has a difference of opinion with the tax auditor or does not agree with the audit results. Therefore, tax revenue from the audit will not necessarily be obtained in the same year as the year SP2 is issued. Even in some cases, the audit does not result in tax revenue following the target in the audited taxpayer risk analysis, so the Directorate General of Taxes feels the need to improve the tax audit process even before the start of the tax audit of the Taxpayer.

The Directorate General of Taxes had carried out compliance risk management since 2014, managed by the CRM Preparation Team until 2019 when the Compliance Risk Management (CRM) model began to be used. Compliance Risk Management (CRM) in the audit is carried out before the audit starts when the Taxpayer will be selected to carry out the audit phase related to his taxation. Since 2015, the Director-General of Taxes has begun to improve the tax administration system with the issuance of PER-46/PJ/2015, related to the IT sector in the Director-General of Taxes strategic plan. Director-General of Taxes has started implementing the Compliance Risk Management (CRM) model using the McFarlan Strategic Grid to map information system applications, including the high potential grid quadrant. Applications contained in the high possible grid quadrant are information system applications that have the potential to increase tax-related revenues. However, there is no objective evidence regarding the potential payments. Before the Compliance Risk Management (CRM) model was used with the enactment of SE Number 24/PJ/2019, the Director-General of Taxes used the Benchmark Behavioral Model (BBM) following SE Number 02/PJ/2016.

Benchmark Behavioral Model (BBM) is one of the supporting tools to explore tax potential based on mapping the risk of non-compliance by corporate taxpayers whose names are registered in the Director-General of Taxes administrative system data. BBM is determined by considering financial performance based on the financial statements of Corporate Taxpayers and within the range of scales of similar business activities. However, the Benchmark Behavioral Model (BBM) cannot be used directly to determine or calculate the tax payable. Instead, the financial performance referred to in BBM is prepared in financial ratios from Corporate Taxpayers' Annual Tax Return (SPT). The financial ratios used include gross profit margin (GPM), operating profit margin (OPM), profit margin before tax (PPM), corporate tax to turnover ratio (CTTOR), net profit margin (NPM), and other related ratios.

The Director-General of Taxes regional office makes or updates BBM annually with a minimum number of 6 (six) business groups. BBM will be used as the basis for preparing the Analytical Working Paper (KKA), which will be used as the basis for issuing the inspection proposal. The obstacle in the field when using BBM is that BBM can only explore the potential of Corporate Taxpayers. No provisions regulate business scale, so the resulting comparison is less precise. Then, the ratio used has not been able to describe the economic capacity of the Taxpayer, especially in carrying out his obligations in the field of taxation during the audit later because the audit is carried out during the past tax year, and the determination has not yet expired.

Before implementing the Compliance Risk Management (CRM) model, all taxpayers were identified or viewed from the same perspective. There is no different treatment between non-compliant and obedient taxpayers, or all taxpayers receive the same treatment. However, tax audits are not possible for all taxpayers in their applications. That is due to limited human resources and not both technically and economically. So that the tax authority, in this case, the section related to audits, can only conduct selective audits by considering several conditions following the Taxpayer. When audited, taxpayers often question the reasons for conducting audits, especially for audits based on risk analysis (risk base audit) or special audits, even though they feel that their tax obligations have been carried out following the current regulations. Special audits are carried out based on manual risk analysis or analysis results based on available information or data so that compliant and non-compliant Taxpayers have the same possibility of conducting tax audits.

Compliance Risk Management (CRM) is carried out before the audit, determining the Taxpayer to be audited. Then, preparation of the essential targets for priority taxpayers is selected for further exploration of their tax potential, in this case, referred to as DSP3, and the crucial targets for priority taxpayers are selected for audit or commonly referred to as DSPP. Before the implementation of the Compliance Risk Management (CRM) model, the preparation of DSP3 and DSPP was based on SE Number 15/PJ/2018. As for before the implementation of the Compliance Risk Management (CRM) model, first, the preparation of a compliance map based on KLU or other relevant matters. Second is the determination of DSP3 based on KLU or other industries with low compliance integrity based on field facts. Third, the compliance map and DSP3 must be attached to the DSP3 and the official report (BA) of compliance mapping. Fourth, based on DSP3, the Head of the Tax Service Office determines which taxpayers will be included in the DSPP by studying further the revenue targets targeted by the Directorate of Audit and Collection (P2) of the Director-General of Taxes Head Office, audit history, audit arrears, Tax Auditor Functional workload (FPP). And a deterrent effect based on the sanctions given to Taxpayers who the tax examiner will audit. Fifth, the preparation of the compliance map, DSP3, and DSPP is carried out by the Head of KPP, assisted by the relevant section and the functional supervisor of the tax examiner.

However, after implementing the Compliance Risk Management (CRM) model, the first is preparing a compliance map based on the CRM compliance map of the Rikwas function in the Approweb application. Second, the determination of DSP3 is based on the CRM compliance map, other data, and field facts. Third, regarding the compliance map, the compliance committee of the Taxpayer must attach a discussion of DSP3 to be designated as DSPP and DPP. Fourth, based on DSP3, the Head of the Tax Service Office and members of the compliance committee from the Taxpayer must carry out DSP3 discussions to determine the DSPP and DPP. Fifth, the DSP3 Compliance Map and the DSPP are prepared by the Tax Compliance Committee consisting of the Head of KPP, Head of Inspection, and related Section Heads, as well as the Tax Auditor Functional Supervisor (FPP).

Figure 1. Compliance Map (Source: Produced by the Author from CRM Technical Guidance Broadcast)

The picture above shows the framework or matrix of compliance maps in the Compliance Risk Management (CRM) model, namely the Extensification Function, which contains nine risk categories ranging from X1Y1 to X3Y3. Category X1Y1 contains Taxpayers with the lowest compliance risk, while the X3Y3 category contains Taxpayers with the highest compliance risk. Overall, the matrix indicates three significant groups of risks faced. First, taxpayers with X1Y1, X2Y1, and X1Y2 categories have a low compliance risk. Second, the X1Y3, X2Y2, and X3Y1 categories are the midpoint which includes taxpayers with moderate compliance risk. Third, the riskiest points that receive full attention in tax supervision and audit activities are the X2Y3, X3Y2, and X3Y3 categories because they contain taxpayers with a high risk of non-compliance.

DISCUSSION

Impact of implementing the Compliance Risk Management model on tax audit activities

The contribution of audits to tax revenues is still relatively low, but audits are still needed to maintain the level of taxpayer compliance during the stages of implementing this audit. It is hoped that there will be an increase in taxpayer compliance, not only from the taxpayers being audited but also to provide a broader deterrent effect to other taxpayers and to all people who have not registered themselves as taxpayers (Gunadi, 2004). The low contribution of revenue from audit activities is most likely due to the unsystematic selection of Taxpayers to whom the audit phase will apply and the relatively long audit completion time of approximately 11 months. The number of Tax Assessment Letters (SKP) resulting from audits that will be followed up further based on legal efforts is relatively few and will increase yearly.

After using the Compliance Risk Management (CRM) model, the Director-General of Taxes' performance, especially in audits, has a positive impact. That is because the Compliance Risk Management (CRM) model can help meet the availability of trigger data and other data, making it easier for tax inspectors to assess the risk of taxpayer non-compliance quantitatively and objectively. That can also shorten the task of the tax examiner to map the taxpayers who will be the target of the audit (if the tax auditor is asked to make a DSPP). The negative impact is tax examiners' lack of a qualitative analysis approach. When assessing the truth of potential taxation from the data provided, the Compliance Risk Management (CRM) model has not been able to identify the application of tax regulations to certain taxpayers specifically and cannot conclude the actual business processes of taxpayers if only through the data.

The audit assignments that have been issued are Taxpayers who do not respond to the appeal letter or SP2DK, Taxpayers who are challenging to handle by Account Representatives, so it is necessary to create a deterrent effect for similar Taxpayers. That is where the Compliance Risk Management (CRM) model can be used to screen taxpayers based on their level of risk. However, because the data is processed based on the self-reported Taxpayer SPT (self-assessment), there is still a lot of junk data (not generating potential). Taxpayers who do not comply with the administration will appear in quadrant X3Y3 which will later be proposed for examination, but when it is examined, it does not produce results. Significant acceptance. In the end, it has not contributed significantly to tax revenue.

Barriers and Challenges in the Implementation of the Compliance Risk Management (CRM) Model in Tax Audit

The Compliance Risk Management (CRM) model is carried out before the audit, from selecting the Taxpayer to be audited to preparing an audit plan (Audit Plan). With the Compliance Risk Management (CRM) model, taxpayers can be classified based on priority or order of risk levels and later determine the treatment to be given. As a result, the audit assignment can be more focused on considering Human Resources, workload, and existing data (Data-Driven Risk-Based Audit Case Selection). For example, the Director-General of Taxes uses the Compliance Risk Management (CRM) model to establish a priority scale to determine a list of taxpayers who have the potential to increase tax revenues if their tax potential is explored. Tax auditors often face the adjustment of variable data used in the Compliance Risk Management (CRM) model with tax regulations that change frequently. And must be adjusted to the current rules and the classification of the quadrant of the level of taxpayer compliance risk is not too high in line with the potential tax of the Taxpayer.

The obstacles to applying the Compliance Risk Management (CRM) model, the solutions that can be given are the Approweb application used by Account Representatives to display the history of the Taxpayer's audit for which a risk analysis will be made. Thus, the tax examiner will not re-analyze the Taxpayer being audited but simply check back on the Approweb application used by the previous Account Representative. Second, it is hoped that a work collaboration menu can be added between Account Representatives and the Tax Auditor Functional in conducting a risk analysis of Taxpayers who will be proposed for audit. Thus, the tax examiner will not re-analyze the Taxpayer being audited but can discuss it directly with the Account Representative first. Third, the purpose of the tax audit should be to focus more on producing a good Audit Result Report (LHP) so that it can provide a deterrent effect to other taxpayers with similar businesses rather than being required to generate high tax revenues. Fourth is the combination of all the variables used in the Compliance Risk Management model. And then, the Account Representative and Head of the Supervision Section can determine priorities based on Taxpayer quadrants. Fifth, Data Integration can be created, containing a combination of all data on the fulfilment of the Taxpayer's tax obligations that are connected in real-time with the Compliance Risk Management (CRM) model on the Taxpayer's Online DJP account. For example, suppose the Taxpayer receives a notification on the DJP Online account due to negligence or intentionally not fulfilling his tax obligations. In that case, the Taxpayer will receive a red warning, which means that the Taxpayer is categorized as a Taxpayer with a high level of non-compliance or enters the high-risk quadrant. Furthermore, the Taxpayer concerned can immediately fulfil his tax obligations.

CRM in the Director-General of Taxes business processes is a step toward achieving the assigned targets. The Director-General of Taxes can assure the public that using the Compliance Risk Management (CRM) model will treat taxpayers differently based on the risk level category. Taxpayers who have complied are no longer the "target" of the Director-General of Taxes for inspection. Director-General of Taxes is no longer "hunting at the zoo" like the stigma circulating in the community. Tax auditors also benefit from using the Compliance Risk Management (CRM) model. The Compliance Risk Management (CRM) model is helpful for the initial analysis of taxpayer non-compliance risk. However, in the audit process, the conclusions of the research may be different because the tax auditor with authority can borrow detailed accounting and financial data from the Taxpayer, which results in findings closer to the truth than the initial analysis.

With the Compliance Risk Management model and after the issuance of SE Number 24/PJ/2019, risk management in the DSP3 and DSPP preparation process can be carried out even earlier. Synergy and collaboration between AR, Tax Auditor Functional, Tax Assessor Functional, JSPN, and Investigator is increasing. The quality of the proposed strategic taxpayer audit (LHP2DK) is maintained because it has been discussed with the Account Representative, the Head of the Supervision Section, and the Tax Auditor Supervisor.

CONCLUSION

Before the Compliance Risk Management (CRM) model is used, in determining the Taxpayer to be audited using the Benchmark Behavioral Model (BBM) based on the Classification of Business Fields (KLU). Obstacles faced in the field are taxpayers who do not comply and have complied receive the same treatment. That causes frequent audits carried out on obedient taxpayers and does not result in high tax revenues due to the absence of differences in the treatment of taxpayers. In addition, it can decrease taxpayers' trust in the Director-General of Taxes. The Compliance Risk Management model, which was started after the issuance of SE Number 24/PJ/2019 and although it did not revoke SE-15/PJ/2018, resulted in several changes in tax audits, including the involvement of tax auditors represented by Supervisors from an early age in the preparation of tax audits. Strategic Taxpayer DSPP, the Audit Order (SP2) issued, has a better risk analysis because it is more detailed and has considered the risk of taxpayer compliance. The tax examiner can use the available data in the Compliance Risk Management (CRM) model so that the audit can be more targeted when considering the deterrent effect. The RikWas function is to determine the main points of the audit.

Using the Compliance Risk Management model in tax audit activities is a step forward because the Directorate General of Taxes has implemented technology according to OECD recommendations. The Compliance Risk Management (CRM) model helps tax officers at the Tax Service Office set priorities based on the level of risk of the Taxpayer, which will then be audited. The application of CRM in audit activities has a positive impact. For tax auditors, it can accelerate the risk analysis of taxpayer non-compliance and help tax auditors determine the audit's focus, especially in making Audit Plans and Audit Programs. And then audit assignments received by tax auditors based on the processed results of the Compliance Risk model. Management (CRM) so that it can undoubtedly target taxpayers with a high risk of non-compliance. In addition, the negative impact is that the Compliance Risk Management (CRM) model only quantitatively processes data from taxpayer reports. So taxpayers who do not carry out formal obligations will be categorized in the X3Y3 quadrant but do not necessarily have high tax potential. Then, it needs to be re-examined because sometimes there are analytical errors. For example, CRM in comparing the data has not considered external data because the data is separated into trigger data and test data to be followed up separately.

Various obstacles and challenges when implementing the Compliance Risk Management (CRM) model in audit activities. The variable data used in the Compliance Risk Management (CRM) model with frequent tax regulations must be adjusted to current rules and quadrant classification. As a result, the Taxpayer's compliance risk level is not yet in line with the Taxpayer's tax potential. Furthermore, to face various obstacles in implementing the Compliance Risk Management (CRM) model, the solution that can be given is the Approweb application used by Account Representatives to display the history of the Taxpayer's audit for which a risk analysis will be made. Then, a work collaboration menu can be added between the Account Representative and the Tax Auditor Functional in conducting a risk analysis of the Taxpayer who will be proposed for audit. The merging of all variables used in the Compliance Risk Management (CRM) model with trigger data and test data and if there is any other data to be used as the basis for determining the Taxpayer compliance risk quadrant. It is hoped that Big Data Integration can be implemented, which contains a combination of all Taxpayer's tax compliance data that is connected in real-time with the Compliance Risk Management (CRM) model on the Taxpayer's Online DJP account. The Directorate General of Taxes applies the Compliance Risk Management (CRM) model with the aim of mapping taxpayers following the level of risk. For the Tax Auditor, it can help determine the focus of the audit so that the purpose of the audit is better in terms of tax revenue and duration of the impact generated (deterrent effect).

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