



# **HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT**

## **PEOPLE'S REPUBLIC OF CHINA**

Advancing Risk Management for Large Taxpayers

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**Fiscal Affairs Department**

**High-Level Summary Technical Assistance Report**  
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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

**ABSTRACT:** This summary provides an overview of guidance provided to State Taxation Administration officials on ways to advance risk management for large taxpayers. Building from previous FAD guidance, this report focused on enhancing risk management, and governance and accountability.

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## Background

In response to a request from the State Taxation Administration (STA) of the People's Republic of China, a capacity development mission of the International Monetary Fund's (IMF) Fiscal Affairs Department (FAD) visited Yangzhou, and Beijing, China during the period November 4-15, 2024, to advise on advancing risk management for large taxpayers.

In recent years, the STA has made significant strides in modernizing its operations, particularly through the adoption of digital solutions aimed at enhancing tax administration. This modernization has coincided with the evolution of China's tax laws and regulations, resulting in a more transparent and effective system that prioritizes the integration of advanced analytics. A key component of this strategy is the utilization of data analytics to strengthen risk assessment capabilities, which in turn aims to improve compliance, reduce compliance costs, and foster stronger relationships with the large business tax community.

To further advance these initiatives, this mission provided guidance on advancing risk management for large taxpayers in China. A series of lectures and technical discussions delved into critical areas such as organizational governance, the application of artificial intelligence (AI) and big data, and CRM. Key topics covered strengthening risk assessment approaches, strategic planning, developing treatment strategies, and compliance improvement plans (CIP), as well as building the necessary capabilities and skills to effectively manage large taxpayers. The discussions emphasized the importance of digital solutions in contemporary risk assessment processes, ensuring that large businesses operate within a framework that upholds accountability and transparency.

This report presents strategic recommendations for the STA to further enhance risk management for large taxpayers, and to enhance governance and accountability. Each section addresses priority issues and contains elements of good practice that are expected to permit enhancements in the management of large taxpayers.

## Summary of Findings

### Enhancing Risk Management

The STA has implemented a focused approach for large taxpayer risk assessment, primarily focusing on an entity-by-entity basis. Transitioning from this individual perspective to a more holistic aggregate approach in risk assessment would enable the STA to identify and prioritize the highest risk cases within the entire large taxpayer population more effectively. This strategic shift would enhance the STA's capacity to recognize patterns and interconnections among various entities, fostering a deeper understanding of the overall risk landscape.

To further modernize STA's approach to risk management, it is important to establish a framework that anticipates the necessary data and technology requirements. By integrating strategies to identify emerging data sources and utilizing advanced analytical tools, the STA can significantly improve its analytical capabilities and responsiveness to evolving tax compliance challenges. This integrated approach would not only enhance the accuracy of risk assessments but also ensure that the STA is well-prepared to adapt to future developments in tax administration and CRM.

## Strengthening Governance and Accountability

**To enhance organizational effectiveness, it is important to establish clear structures and responsibilities within the organization.** Designating the Large Enterprise Tax Administration Department (LETD) as the primary functional department at headquarters will centralize the coordination of all large business programs and supporting functions, such as those carried out in the VAT Department, the Income Tax Department, Tax Big Data and Risk Management (TBDRM) Bureau, and the Auditing Department. This central focal point will facilitate better communication, streamline processes, and ensure that the various components work collaboratively towards common objectives, ultimately improving the management of large taxpayers.

**In addition to this structural realignment, it is also important that the STA establish a dedicated CRM unit to lead the CRM strategy and governance framework.** A senior-level committee will provide the necessary oversight and strategic direction, ensuring the integration of risk management practices into the STA's operations. This focused approach to CRM will empower the STA to proactively identify, assess, and mitigate compliance risks, creating a robust environment for taxpayer compliance while enhancing overall tax administration effectiveness. Together, these changes will help establish a more organized and efficient framework for managing large business programs and compliance risks within the STA.