TAXING THE HARD TO TAX, HIGH NETWORTH INDIVIDUALS & THE INFORMAL SECTOR

WATAF TRAINING - (ONLINE WEBINAR) NOVEMBER 03 TO 06, 2020
## HARD TO TAX AREAS - LAYOUT

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISK</strong></td>
<td>Developing Risk Profiles&lt;br&gt;Identifying High Net Worth Individuals (HINM’s)</td>
</tr>
<tr>
<td><strong>HNI’S</strong></td>
<td>Identifying indicators of HNI’s&lt;br&gt;Assessing information requirements,</td>
</tr>
<tr>
<td><strong>INFO NEEDS</strong></td>
<td>Identifying targets for compliance action</td>
</tr>
<tr>
<td><strong>INTELLIGENCE</strong></td>
<td>Matching legacy data to identify HNI’s&lt;br&gt;Develop intelligence models to capture HNI’s</td>
</tr>
<tr>
<td><strong>AUDIT PLANS</strong></td>
<td>Developing effective audit plans</td>
</tr>
</tbody>
</table>
RISK
Risk is the chance or probability that our organisation (and its processes) will not meet her expectations if it is exposed to a hazard (non compliance).
RISK ANALYSIS

DEFINITION

**Risk analysis** is a technique used to identify and assess factors that may jeopardize the success of a project or achieving a goal.

A **risk assessment** is the combined effort of: identifying and analysing potential events that may negatively impact individuals, assets, and/or the environment; and making judgments.

TYPES OF RISK

Business Risk, Non-Business Risk, and Financial Risk
RISK-BASED APPROACH

- Identify the highest compliance risks to your organization; and
- Prioritise them for controls, policies, and procedures.
- Reduce to acceptable levels, attend to lower level risks.

Non-Compliance
RISK ASSESSMENT METHODOLOGY

- Identify Risks
  - Threats
  - Vulnerabilities
  - Incidents
  - Assets
  - Strategy
  - Risk Appetite

- Evaluate Risks

- Treat Risks
  - Accept Risk
  - Transfer Risk
  - Reduce Risk
  - Avoid Risk

- Handle Changes

SUCCESS
HIGH NET WORTH INDIVIDUALS
INCOME INEQUALITIES

Wealth inequality

- Top 1%: 67%
- Top 10%: 93%
- Bottom 90%: 7%

USA

Africa
High-Net-Worth Individual (HNWI)

- **The VHNWI classification**—very high-net-worth individual—at least $5 million.
- **Ultra-high**-net-worth individuals (UHNWI) at least $30 million,

Excl. personal assets & property e.g. primary residence, collectibles and consumer durables.

![Number of High Net Worth Individuals, 2011](chart.png)

Source: Credit Suisse, Global Wealth Databook 2011
High-Net-Worth Individual (HNWI)

Ultra-High-Net-Worth Individuals (UHNWIs) – with more than US$30m or more in net assets - across the world has grown by 59% since 2003

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>2013</th>
<th>2023</th>
<th>2013 - 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>UHNWI's</td>
<td>1,868</td>
<td>2,858</td>
<td>53%</td>
</tr>
<tr>
<td>Centa Millionaires</td>
<td>509</td>
<td>767</td>
<td>51%</td>
</tr>
<tr>
<td>Billionaires</td>
<td>25</td>
<td>38</td>
<td>52%</td>
</tr>
</tbody>
</table>
High-Net-Worth Individual (HNWI)

INCREASE BY TERRITORY

Africa : 130%.  Middle East: 116%
Asia: 89%  Europe: 44%

Nairobi will lead with a 78% Marrakesh (60%),
Johannesburg (41%) and
Cape Town (37%).
FEATURES OF HNMI'S
INFORMATION NEEDS
# INFORMATION NEEDS

<table>
<thead>
<tr>
<th>HIGH VALUE TRANSACTIONS</th>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Intelligence Reports</td>
<td>Travel itineraries</td>
</tr>
<tr>
<td>◦ Suspicious Transactions Reports</td>
<td>Trend Analysis</td>
</tr>
<tr>
<td>◦ Large Cash Transaction Reports</td>
<td>◦ Similar profiles</td>
</tr>
<tr>
<td>Stamp Duty reports</td>
<td>◦ Calendar events</td>
</tr>
<tr>
<td>◦ MV Transfer</td>
<td>◦ Supply chains</td>
</tr>
<tr>
<td>◦ Land Transfer</td>
<td></td>
</tr>
<tr>
<td>◦ Shares Transfer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social Media (Facebook, flkr,</td>
</tr>
<tr>
<td></td>
<td>Instagram,...)</td>
</tr>
</tbody>
</table>
## INFORMATION NEEDS

<table>
<thead>
<tr>
<th><strong>COMPLIANCE REPORTS</strong></th>
<th><strong>OTHERS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent Loss filing companies</td>
<td>National Budgets</td>
</tr>
<tr>
<td>Customs Offences Reports and trend Analysis</td>
<td>Census Reports</td>
</tr>
<tr>
<td>High value vehicles</td>
<td>GDP / GNP reports</td>
</tr>
<tr>
<td>Tax Register</td>
<td>Transparency International reports</td>
</tr>
<tr>
<td>Excise assessment reports</td>
<td>Court Judgements (Bills of costs)</td>
</tr>
<tr>
<td></td>
<td>Govt incentives / Tax Exemptions</td>
</tr>
</tbody>
</table>
INFORMATION NEEDS

REAL ESTATE

Utility Consumption
Construction material Distribution chains
VAT analysis (refund claims and credits)

HIGH VALUE VEHICLES

Imports Records
Motor Vehicle Register
Insurance databases
International Dealership data
Interpol
INFORMATION NEEDS

GOOGLE EARTH - FACTORIES
INFORMATION NEEDS

GOOGLE EARTH - FACTORIES
GOOGLE EARTH – KARUMA DAM
INTELLIGENCE

THE TYPES OF INTELLIGENCE
by Mark Vobr

spatial understanding the world in 3D
naturalist understanding living things and reading nature
musical discerning sounds, their pitch, tone, rhythm, and timbre
quantitative reasoning making hypotheses and proving them
logical-mathematical

linguistic

coordinating your mind with your body
bodily-kinesthetic

sensing people’s feelings and motions
interpersonal

tackling the questions of why we lie and why we die
existential

finding the right words to express what you mean
intrapersonal understanding yourself, what you feel, and what you want

Frames of Mind: The Theory of Multiple Intelligences by Howard Gardner

adioma
Intelligence is a process using information from all sources and focused internally and externally, designed to reduce the level of uncertainty for a decision-maker.
TAX INTELLIGENCE

- **Tax Intelligence**: the activity of gathering information, which aims to counsel the tax administration in the planning and execution of its legal powers, especially in combating tax avoidance, tax evasion contraband, and terrorist financing.
PRINCIPLES OF GOOD INTELLIGENCE

- Honest
- Logical
- Timely
- Centralised
- Managed Effectively
- Controlled
- Coordinated
- Relevant
- Secure
Is all information intelligence?

No!

Until information is processed or analyzed it is simply data that may or may not be true, insightful, or relevant.
DATA, INFORMATION & INTELLIGENCE

Data / Information
- Crime reports
- Informers
- Media articles
- Witness reports
- Databases

Analysis
- Application of qualitative and quantitative techniques

Knowledge acquisition
- Intelligence development
### PRODUCTS OF UK MODEL

<table>
<thead>
<tr>
<th>Aim</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Assessment</strong></td>
<td>To identify the longer-term issues in an area, as well as the scope of, and projections for growing thin criminality.</td>
</tr>
<tr>
<td><strong>Tactical Assessment</strong></td>
<td>To identify the shorter-term issues in an area this, with prompt action, can prevent a situation from deteriorating or developing. To monitor progress on current business in the ‘tactical menu’.</td>
</tr>
<tr>
<td><strong>Target Profile</strong></td>
<td>To provide a detailed picture of the (potential) offender and his associates for subsequent action.</td>
</tr>
<tr>
<td><strong>Problem profile</strong></td>
<td>To identify established and emerging crime / incident series and crime hotspots.</td>
</tr>
<tr>
<td>Perspective</td>
<td>Content</td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Strategic Assessment</strong></td>
<td><strong>Aim (terms of reference):</strong> • Scope (functional / Geographic);</td>
</tr>
<tr>
<td></td>
<td>• Current situation/ survey;</td>
</tr>
<tr>
<td></td>
<td>• Progress since last assessment;</td>
</tr>
<tr>
<td></td>
<td><strong>• Main objectives set/ met;</strong></td>
</tr>
<tr>
<td></td>
<td><strong>• Major areas of criminality;</strong></td>
</tr>
<tr>
<td><strong>Tactical Assessment</strong></td>
<td><strong>Current situation–progress on targeting:</strong></td>
</tr>
<tr>
<td></td>
<td>crime and other series; hot spots; preventive measures.</td>
</tr>
<tr>
<td></td>
<td>• Options and Justification for further action.</td>
</tr>
<tr>
<td></td>
<td>• Time frame (short/medium). • Resource implications/ changes.</td>
</tr>
<tr>
<td><strong>Target Profile</strong></td>
<td><strong>Personal record:</strong></td>
</tr>
<tr>
<td></td>
<td>• Criminal record;</td>
</tr>
<tr>
<td></td>
<td>• Network / associations report;</td>
</tr>
<tr>
<td></td>
<td>• Financial profile;</td>
</tr>
<tr>
<td></td>
<td>• Communications report;</td>
</tr>
<tr>
<td><strong>Problem profile</strong></td>
<td><strong>Problem identification:</strong></td>
</tr>
<tr>
<td></td>
<td>• Background and causes;</td>
</tr>
<tr>
<td></td>
<td>• Level of disorder/ offending;</td>
</tr>
<tr>
<td></td>
<td>• Internal/ external links</td>
</tr>
<tr>
<td></td>
<td>• Scale of damage;</td>
</tr>
<tr>
<td></td>
<td>• Perpetrators;</td>
</tr>
</tbody>
</table>
The intelligence process relies on the ability to obtain and use data.

The problem to overcome lies with the collection and storage of this data which comes in many forms, hard electronically, and soft copy.
## UNIQUE INDUSTRIES

### INCALCULABLE INDUSTRY

**ENTERTAINMENT**
- Casino
- Food

### THE NIGHT ECONOMY

- Casino’s
- Transport
- Pubs
- Hostels
- Education

### OTHERS

<table>
<thead>
<tr>
<th>TRANSPORT</th>
<th>CONSTRUCTION</th>
<th>AGRICULTURE</th>
<th>SOFTWARE</th>
<th>ALCOHOL</th>
<th>FINANCIAL SVS SUGAR MINING (SAND, QUARRY, ALLUVIAL)</th>
</tr>
</thead>
</table>
COLLECTION

Data Collection Plan

1. How to collect data with help of advanced technology?
2. How to cleanse collected data and make it a routine?
3. What to do with collected market research data?
4. Where to find skilled data analysts to analyze collected data?
5. Who to approach for market research data analysis?
6. How to compete in new data rich research marketplace?
COLLECTION PLAN

**Definition:**

◦ A plan for gathering information from all available sources to meet an intelligence requirement.

The collection plan can be utilised in two ways:

◦ Structuring tool

◦ Management tool
### INTELLIGENCE COLLECTION PLAN

<table>
<thead>
<tr>
<th>INFORMATION REQUIREMENT</th>
<th>Source of information</th>
<th>Date required</th>
<th>Resp. Centre</th>
<th>Costs (Ugx '000)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Registered cases</td>
<td>Police systems</td>
<td>Sep 3, 20</td>
<td>STK</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>2. Possible suspects</td>
<td>Retail organisation</td>
<td>Oct 23, 20</td>
<td>DDM</td>
<td>33,000</td>
<td></td>
</tr>
<tr>
<td>3. Assessments</td>
<td>Bank security division</td>
<td>Oct 20, 20</td>
<td>MM</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>4. Bank Details</td>
<td>Stamp Duty</td>
<td>Nov 4, 20</td>
<td>AMM</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td>5. Declaration history</td>
<td>Informer X33</td>
<td>Sep 28, 20</td>
<td>SGT</td>
<td>4,000</td>
<td></td>
</tr>
</tbody>
</table>
CONTENT OF THE COLLECTION PLAN

• Problem definition
• Project aim
• List of collection items
• Possible sources
• Time frame
• Responsible individuals
• Costs

Key individual / individuals - **WHO?**
Non compliance activities - **WHAT?**
Method of operation - **HOW?**
Geographical scope - **WHERE?**
Motive - **WHY?**
Time-Frame - **WHEN?**
FEATURES OF A GOOD COLLECTION PLAN

Should include the information categories that are important to the analysis.

The specific data items needed to do the analysis.

Possible sources of information and sources to be contacted with specific requests.

Schedule to indicate when the information was requested and when it is needed by.
PRECAUTIONS - COLLECTION

avoid data overload; but data ignored because the provider believed it not to be relevant can cause problems later on.

ensure the *orderly and precise collection* of relevant information
Cornell and Erle, a confirmed association
Cornell and Lachlan, a confirmed association
Alwin and Wilford, an unconfirmed association
Erle and Wilford, an unconfirmed association
Alwin, an unconfirmed association with Nero’s Fireside

Cornell, a confirmed participant in Calero Social Club
Erle, a confirmed participant in Calero Social Club
Wilford, an unconfirmed association with Nero’s Fireside
Erle, a confirmed participant in Stella’s Starlite Room
Wilford, confirmed stockholder in Calero Social Club, not an office
INFORMATION MAPPING
PRELIMINARY LINK CHART

KEY
- Confirmed relationship
- Un-Confirmed relationship
- Company
- Individual

1. calero social club
2. cornell
3. Erle
4. Stella's Starlite Room
5. Wilford
6. Nero's fireside
7. Alwin
8. Lachlan
INFORMATION MAPPING
CLARIFY AND RE- PLOT

KEY

Confirmed relationship

Un- Confirmed relationship

Company

Individual

confirmed relationship

Company

Individual
**REVIEW OF PRIMARY INFORMATION**

- Cornell and Erle, a confirmed association
- Cornell and Lachlan, a confirmed association
- Alwin and Wilford, an unconfirmed association
- Erle and Wilford, an unconfirmed association
- Alwin, an unconfirmed association with Nero’s Fireside

- Cornell, a confirmed participant in Calero Social Club
- Erle, a confirmed participant in Calero Social Club
- Wilford, an unconfirmed association with Nero’s Fireside
- Erle, a confirmed participant in Stella’s Starlite Room
- Wilford, confirmed stockholder in Calero Social Club, not an office
TARGET PROFILE

FINDINGS AND OBSERVATIONS

AUDIT HISTORY
FIELD FINDINGS
LOCATION
MODE OF OPERATION
ONGOING INVESTIGATIONS

CONCLUSION

SUMMARY OF FRAUD INDICATORS
RECOMMENDATIONS
VERSION CONTROL
ANNEXURES
## AUDIT PLAN

### CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISK REPORT</strong></td>
<td></td>
</tr>
<tr>
<td>Nature of Business/Operations</td>
<td></td>
</tr>
<tr>
<td>Audit Objectives</td>
<td></td>
</tr>
<tr>
<td>Perceived Risks identified</td>
<td></td>
</tr>
<tr>
<td><strong>AUDIT SCOPE &amp; METHODOLOGY</strong></td>
<td></td>
</tr>
<tr>
<td>Details of Changes to the Scope of the Audit</td>
<td></td>
</tr>
<tr>
<td><strong>ALLOCATION OF AUDIT WORK AND TIME UTILIZATION</strong></td>
<td></td>
</tr>
<tr>
<td>Team Members, Audit Work Allocated Time</td>
<td></td>
</tr>
<tr>
<td>Allocated, Time Spent, Variations</td>
<td></td>
</tr>
<tr>
<td><strong>RESOURCE REQUIREMENTS</strong></td>
<td></td>
</tr>
<tr>
<td>Transport, Allowances, Paraphernalia (e.g.</td>
<td></td>
</tr>
<tr>
<td>laptops, F-Discs), Stationery, Additional/</td>
<td></td>
</tr>
<tr>
<td>Expert staff</td>
<td></td>
</tr>
<tr>
<td>Others (Specify – e.g. 3rd Party info)</td>
<td></td>
</tr>
<tr>
<td><strong>REVIEWS:</strong></td>
<td></td>
</tr>
<tr>
<td>Audit Supervisor / Manager’s Comments &amp;</td>
<td></td>
</tr>
<tr>
<td>Recommendations</td>
<td></td>
</tr>
</tbody>
</table>
GROUP SESSION:

1. Identify one of Sugar manufacturing or Gold mining industries.
2. Target the owners of the companies and
3. Develop and intelligence collection plan and an audit plan
4. Identify the sub activities and expected deliverables in the performance of these tasks