



Enterprise Tax Risk Management

Na Wang, Li Ji

University of Shanghai for Science and Technology, Shanghai 200093, China
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Abstract: With the introduction of tax and fee reduction policies and the digital transformation of tax collection and management, the tax benefits enjoyed by enterprises have gradually increased, while tax collection and management have been gradually strengthened, and the potential tax risks of enterprises have gradually emerged as well as the risk of being audited by the tax authorities has gradually climbed. Tax risk will not only bring property loss to enterprises, but also may cause reputation loss and even be subject to legal sanctions. While tax risk hinders the sustainable development of enterprises, it also has a far-reaching impact on the macro-economy due to the importance of taxation. This paper will focus on the current tax environment in China, which combines strictness and leniency, to analyse corporate tax risks caused by non-subjective factors, and provide a series of tax management tools for enterprises to deal with these tax risks. In this way, it will help enterprises to improve tax compliance and reduce tax-related offences, while avoiding the impact of tax burden on enterprises.

Keywords: tax risk, enterprise management, tax administration, digital transformation

1. Introduction

Enterprise tax risk is one of the risks faced by the business activities of enterprises, it is a kind of uncertainty or possibility of loss. This uncertainty includes penalties for enterprises penalized by the tax authorities and the enterprise over-payment of taxes, the possibility of bearing unnecessary tax burden (Luo, W. , 2012)[1]. On the one hand, with the introduction of various tax cuts and fee reduction policies, as well as various people-friendly initiatives, enterprises have a good tax business environment while also facing tax risks such as over-payment of tax due to insufficient understanding of tax incentives. On the other hand, with the advancement of digital transformation of tax collection and management, the tax risks that enterprises have hidden by using digital loopholes in their past operations are gradually exposed. Therefore, it is particularly important for enterprises to understand the problems of tax risk management and solve them in time. Under the current situation, the tax risk management of enterprises has put forward higher requirements, which requires enterprises to better carry out tax risk management in order to prevent tax risks.

2. China's tax environment

Under the digital economic environment, the multi-dimensional transaction method increases the concealment and mobility of the tax source (Wang, T., 2023)[2]. However, with the introduction of the Opinions on Further Deepening the Reform of Tax Levy and Administration, the digital transformation of tax levy and administration is advancing, and the original hidden tax risks of enterprises are gradually exposed to the supervision of the tax department. The tax department uses big data, cloud computing, artificial intelligence, mobile Internet and other modern information technologies, focuses on promoting the convergence and connection of internal and external tax-related data, and the organic connectivity between online and offline, driving innovation in the tax law enforcement, service, and regulatory systems and business changes, and further optimizing the organizational system and resource allocation.

As an important "production factor" of the business environment, the tax environment reflects the maturity of an economy's capital market, its ability to attract foreign investment and its development potential(Li, L. P. , Zhou, Y. F. &Gong, Y. F. , 2020)[3]. According to Doing Business 2023, China's business environment continues to be optimized, ranking 31st in terms of ease of doing business, and has been evaluated by the World Bank as one of the 10 economies with the most significant reforms in the global business environment in the past year. In recent years, china's tax authorities have continued to make efforts to reduce taxes and fees, create a more relaxed tax business environment, and promote high-quality economic and social development.

The 20th National Congress of the CPC proposed to promote the leapfrog development of tax modernization supported by science and technology. With the development of digitization of tax administration, the tax authorities are vigorously implementing high-quality and efficient smart tax services to help enterprises better avoid tax risks. The tax authorities are

constantly optimizing the implementation of "policy to find people", using big data to accurately push targeted policies according to the policy demands of people with different identities within the enterprise, and at the same time simultaneously releasing interpretations of preferential policies, so that enterprises are clear about what they should know about the policies and are able to enjoy the preferences they are willing to enjoy, and so that the tax dividends can accurately benefit the enterprises. With the digital transformation of tax collection and management and the continued promotion of smart tax, the tax department is deeply implementing the collection of data through the system and the sharing of information between departments to reduce the duplication of reporting by enterprise financial personnel and improve efficiency and satisfaction. The full promotion and popularization of the Electronic Tax Bureau has transformed the traditional mode of offline filing into online filing, so that corporate finance staff can solve all tax needs without leaving their homes. Using intelligent analysis of tax big data to provide accurate online services, continuously optimize offline services, and continuously optimize measures for tax handling and payment.

In addition, since the 18th National Congress of the CPC, the Party Central Committee and the State Council have introduced a series of tax rebates, tax reductions and fee reductions to help enterprises face the impact of the economic downturn. For example, VAT reductions for small-scale taxpayers, income tax concessions for small and micro enterprises, and tax concessions for venture capital enterprises. At the same time, we have expanded the scope of self-employed businessmen who are entitled to half of the individual income tax, reduced the six taxes and two fees for small and micro enterprises and self-employed businessmen by half, and raised the tax credit limit for key groups such as graduates of colleges and universities engaging in self-employment, etc. In a word, China's tax environment is favourable to enterprises[4].

All in all, China's tax environment is in the mode of both relaxation and tightening. On the one hand, the successive introduction of tax and fee reduction policies has gradually reduced the tax burden of enterprises, and the policies have boosted the development of enterprises, while the promotion of information technology and the introduction of more and more convenient measures have made it more and more convenient for enterprises to pay taxes; on the other hand, with the continuous advancement of the digitization of tax collection and management, the supervision of tax collection and management institutions will be strengthened, and the enterprises will take advantage of the original loopholes of the collection and management of the "small actions" hidden in the tax collection and management of the enterprises. On the other hand, as the digitization of tax collection and management continues to advance, the supervision of tax collection and management agencies will be strengthened, and enterprises will be punished accordingly when their "small actions" are exposed under the sunlight by the tax authorities. In this environment, enterprises need to update the tax risk management policy in a timely manner, in line with the policy trend, to promote the development of enterprises.

3. Tax risks that enterprises are prone to

Tax risk includes that the enterprise's business behaviour does not make legal and reasonable tax planning or fails to fully enjoy the tax incentives, etc. , and pays more tax or pays tax earlier, so that the enterprise bears the tax burden and economic loss that it does not need to bear; it also includes that because the enterprise's tax behaviour does not comply with the provisions of the tax law and is subjected to tax audit, so that the enterprise is subjected to legal sanction, and at the same time, it suffers from the loss of its property and reputation.

3.1 Inadequate internal financial system

Some enterprises focus on economic efficiency and pursue low cost. On the one hand, there is no professional tax personnel within the enterprise, on the other hand, the relevant personnel division of labour is not clear, or the existing financial personnel within the enterprise did not carry out timely and systematic training in tax knowledge. These factors directly lead to the enterprise can not multi-angle all aspects of the analysis of tax risk, at the same time, the enterprise on the internal and external information mastery is incomplete, which leads to the development of enterprise strategy has one-sided.

3.2 Inadequate understanding of tax policy

Part of the enterprise did not set up a special tax management department, the enterprise can not keep abreast of the new national tax policy, resulting in the enterprise on the one hand did not enjoy the benefits of tax incentives, on the other hand, bear the risk of violations of the law.

3.3 Insufficient professionalism of financial personnel

Some of the existing financial personnel within the enterprise do not have sufficient tax knowledge reserves, while there is not enough responsibility and other professional qualities, so the formulation of the strategy on the one hand can not meet the current policy environment, on the other hand, is not conducive to the development of enterprises.

4. Tax risk management tools

Taxation is the main source of national revenue. When tax risk occurs within the enterprise, it may not only have an impact on the continuation and development of the enterprise, but also affect the national public utilities and welfare. Therefore, it is particularly important for enterprises to carry out tax risk management in both macro and micro perspectives. In the enterprise internal control system, tax risk management is an important content, that is, the enterprise should combine its own situation, combine the business tax risk with basic management, apply it in the various contents of enterprise development and operation, formulate risk management system, carry out effective tax risk management and other work (Lu, X. M, 2024)[5].

The core of enterprise management is the relevant internal management personnel. In order to cope with potential tax risks, enterprises should recruit tax professionals of complex professionals, and at the same time, the existing financial personnel within the enterprise regular training, timely understanding of tax law reform and the latest tax policy, training of financial personnel with a high level of professionalism, and improve the professionalism of the enterprise's internal tax; in particular, the internal financial information of the large enterprises is more complex, and it is necessary to set up a specialize tax management department, and In particular, large enterprises with complex internal financial information need to set up special tax management departments and establish special unified tax management systems to improve the overall tax within the enterprise; for enterprises that have already set up tax management departments, the responsibilities of each department and member should be further clarified to ensure the smooth progress of tax risk management.

In the era of big data, it has become simpler for enterprises and tax authorities to collect relevant information, and if enterprises fail to adjust their corresponding strategies according to the relevant information in time, they may become the target of audit by tax authorities. Therefore, enterprises should regularly and comprehensively collect internal and external information, analyse potential tax risks arising from daily business activities, and formulate appropriate strategies and measures according to the actual situation of enterprises. Enterprises should make reasonable use of big data and other intelligent tax tools to keep abreast of tax policies and change their strategies in a timely manner, so as to avoid the emergence of new policies that cause enterprises' original compliant behaviors to become unlawful and illegal.

5. Conclusion

Compared with the tax violations caused by the subjective reasons of enterprise managers, the objective factors due to management omissions are more important. Enterprise managers first need to clarify the importance of tax to the state finance, from the subjective to avoid any form of illegal behaviour. At the same time, they should regularly carry out tax risk finding, risk analysis and other means, combine with the enterprise situation, refer to the corresponding tax risk management means, and formulate a reasonable and lawful tax strategy suitable for the development of the enterprise.

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