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Research on Enterprise Internal Control and Tax Risk Prevention

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Abstract: *With the continuous improvement of the tax system, the management of tax risks has become a part of the enterprise's own risk management. Preventing tax risks is particularly important in the increasingly complex living environment, which not only involves tax costs, but also involves the safety of business operations. This article will take the relevant theories of tax risk and internal control as the foundation, briefly analyze current corporate tax risks and other issues in my country, and demonstrate the importance of building a sound tax risk management system in internal control, and the tax risks that arise for enterprises and their reasons. Carry out analysis to identify and prevent tax risks.*

Keywords: *internal control, tax risk, prevention, research*

1. Introduction

With economic globalization and the further reform and development of the market economy system, business operations are gradually diversified, and the taxation system is also constantly updated and improved, restricting the production, operation and internal management activities of enterprises. The business decision-making and daily business activities of an enterprise may cause tax problems, which will increase the tax risk of the enterprise. If the enterprise does not have a good tax risk internal control management system, the possibility of tax risk will increase. Therefore, in the enterprise Among the internal control activities of China, tax risk management is a very important part. The article will take the relevant theories of tax risk and internal control as the foundation, briefly analyze the current corporate tax risk and other issues in my country, and demonstrate the importance of building a sound tax risk management system in internal control, and how to double scientific and reasonable management activities To avoid tax issues.

2. Theoretical analysis

2.1. Tax risk

2.1.1. Tax risk concept

Tax risk is actually a kind of uncertainty in tax management in the course of business operations. As long as the company exists, there will be tax risks. Tax risks cannot be completely eliminated. Tax risks may increase business costs due to improper handling of tax-related matters. The improper handling may cause the company to face administrative fines, late fees or even criminal liability, which may cause great damage to the company's reputation, and severe cases may result in the company's inability to continue production and operation. Tax risk management is the process of reducing tax risk management activities through a series of tax control measures in the overall business management process of an enterprise. Effective tax risk management can reasonably control corporate tax risks, reduce tax costs for enterprises, and form a good corporate reputation, thereby promoting the healthy and stable development of enterprises, providing reasonable guarantees for the realization of corporate goals, and improving corporate benefits. Strengthening tax risk management is conducive to enhancing the core competitiveness of enterprises and promoting the sustainable development of enterprises.

2.1.2. Factors affecting tax risk

(1) External factors

First, my country's current tax laws and policies are complex and change frequently. My country's

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tax laws and regulations are very numerous, including tax laws and regulations, but also departmental rules, regulations and local regulations. On the other hand, very few tax laws have passed legislation, and more are departmental rules, interim regulations, local tax policies and implementation rules. According to the current tax law, there are differences in the specific regulations of different tax types in various localities. If the business activities of a company involve multiple regions and multiple tax types, because the relevant tax regulations are not fully grasped, the company can easily step on the red line of taxation. Create tax risks. On the other hand, the tax authorities will promptly adjust the current tax regulations based on the problems encountered or the loopholes identified in the implementation of the current tax law. Due to the adjustment of tax laws and regulations, the tax authorities' publicity is not timely or in place, causing taxpayers to misunderstand or improperly operate the new tax policies and violate the laws and regulations, resulting in tax risks.

Second, the living environment is complicated. The living environment of an enterprise includes the macro environment such as the country's economic and trade development and the promulgation and adjustment of relevant policies, as well as the micro-environment such as the industry in which the enterprise is located and its own internal environment. The general policy of the macro environment will not undergo major changes in a short period of time. Enterprises should always pay attention to the changes in the industries related to daily operations and their own conditions. May fall into a passive situation in taxation by the industry's immediate business unspoken rules.

(2) Internal factors

First, some companies lack the necessary awareness of social responsibility, and the concept of tax risk is not strong. As the main body of the market, paying taxes is an obligation of enterprises and a mandatory requirement of the state on enterprises. National taxation has three characteristics: compulsory, unpaid, and fixed. From another perspective, we can also see the "common problem" of my country's tax laws and regulations: overemphasizing the taxpayer's tax liability, but ignoring the protection of taxpayer's rights. To a large extent, this has led many companies to be prejudiced against taxation, believing that taxation will only reduce the economic benefits of the company and have no effect on the development of the company. As a result, they avoid taxation through various actions and make tax evasion, tax avoidance and other illegal things frequent. hair. In addition, few companies pay attention to tax risk management, lacking a strong concept of tax management risk, and tax processing only relies on financial staff, which greatly increases the tax risk of enterprises.

Second, the internal control system of the enterprise is not perfect. The internal control of an enterprise involves many aspects, including performance evaluation, financial and accounting management, information communication, internal audit, risk management, and overall supervision. Tax-related matters may arise in various businesses in the daily business activities of an enterprise, so the management of tax risks is an important part of the daily management of an enterprise. If the company's internal control regulations are not perfect, tax risks may occur at any time in all links

2.2. The relationship between internal control and tax risk

The link between internal control and tax risk is related to risk management. In 2004, the United States summarized the original corporate reports and upgraded it to relevant corporate risk management regulations. This framework pointed out the definition of comprehensive risk management, and integrated risk management and internal control, and at the same time integrated risks in business activities. , The risks in financial management, the risks brought by following relevant policies and measures, and the risks in enterprise production and operation are regarded as the key points of enterprise risks. As a part of tax risk management, internal control of tax risk can prompt companies to complete their overall goals. Strengthening the management and control of tax risks can help companies further improve their internal control mechanisms and promote progress in comprehensive risk management and control.

3. Analysis on the Problems and Causes of the Internal Control of Enterprise Tax Risk

3.1. Problems in the internal control of corporate tax risk

3.1.1. Imperfect tax risk identification mechanism

Tax risk identification is an important link in tax management. It can find contradictions in time, identify risks, and take timely measures to prevent unnecessary losses. However, the company does not

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set up special tax positions. All tax-related transactions are handled by financial staff. The chief financial officer is then responsible for supervising daily affairs, resulting in a situation where he is not responsible for his own supervision. Financial risks and tax risks are different. Financial management personnel are not responsible. Must have professional skills or basic skills in tax management, there is no guarantee that all potential tax problems will be discovered and identified, which will increase corporate tax risks.

3.1.2. Tax information and communication mechanisms are not efficient

When making strategic decisions, the corporate management did not take tax risks into consideration, or the business department did not have a strong sensitivity to the tax system, and did not communicate with tax personnel in time for business planning and procedures. The communication or participation of tax-related personnel is the final step of paying taxes. Then, the two steps of pre-tax management and in-process management are omitted, and the pre-tax planning has no effect, or simply relying on post-tax treatment can no longer reduce the tax cost of the enterprise to the greatest extent.

3.1.3. Inadequate financial management

The accounting management here involves the accounting methods, financial processing, and accounting data selected by the enterprise based on its own situation. For example, the company did not choose appropriate investment financing channels based on its own situation, its investment ability was weak, and it was not suitable for cash management, and it would be over or under idle. The collection and processing of tax bills were not standardized, leading to deductibles. The loss of tax deductions; and the inadequate management of some financial accounts will affect the accounting and financial processing and subsequent tax processing, and will also leave hidden tax risks.

3.2. Analysis of the Causes of Problems in Tax Internal Control

3.2.1. The corporate tax risk management concept is not strong

The company does not set up a tax management position in terms of job setting. From the perspective of organizational structure, the management does not attach importance to the establishment of a tax risk management system. Tax matters are the responsibility of the financial department. And due to fierce market competition and the pursuit of maximizing after-tax profits, various tax reduction methods will be used to save money to obtain more profits. When the financial staff processed the business data, because the management did not give specific tax risk assessment indicators or did not have supervision in place, the financial staff did not actively or objectively analyze the tax data of different periods for comparison, and discover and explore the potential Tax risk. Moreover, it does not rule out the subjective instigation of enterprise management personnel or the instigation of tax undertaking personnel to forge accounting vouchers and conduct false tax declarations and other violations. Once investigated and dealt with by the tax authorities, the economic and reputation losses of the company will become even more unmeasured. Therefore, if the financial department that shares most of the business affairs of the enterprise does not have high professional skills and professional ethics, it is easy for the enterprise to get into trouble.

3.2.2.

An enterprise's internal control system should be a strategic thinking from the perspective of the enterprise. Whether it is financial risk, business risk or tax risk, there should be a very complete internal control system, because this is the main force to prevent these risks. The company's internal tax control is not perfect. Corresponding to the five elements of internal control to tax risk management:

(1) Internal environment. The management and other personnel do not have a strong sense of tax risk management, because there is no full-time tax processing position, resulting in unclear powers and responsibilities and division of labor;

(2) Risk assessment. The company has not set specific risk management goals, and cannot conduct scientific and reasonable analysis to deal with risks for various uncertain factors in achieving the goals;

(3) Control activities. Although certain tax control measures will be adopted, without scientific risk assessment, the control activities will not achieve the expected results;

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4. Suggestions on Improving Internal Control of Tax Risk

4.1. Strengthen tax risk management awareness

The occurrence of tax risk is largely due to the lack of due attention to tax risk management by managers or tax-related personnel, or the failure to understand the changes in relevant national policies in a timely manner. Many people generally believe that tax risks should be managed by the financial department, and they don't realize that the coordination and cooperation of the decision-making management and business departments of the enterprise are needed. Therefore, in order to manage tax risks well, it is necessary to strengthen the awareness of tax risk management of the entire company. On the one hand, the management should understand the management of tax risk from a strategic perspective, always pay attention to the changes in national tax policies and adjust the company’s strategies in different periods in time with its own situation, and strengthen the supervision of tax management during the implementation process. , To promote the formation of an overall company culture. On the other hand, every employee also needs to have tax risk awareness, and tax-related behaviors may occur at any time during operation. This requires tax managers to have a better sense of tax management, and strengthen their relationship with financial personnel and business personnel. Communicate and use tax law related knowledge to help them establish risk prevention awareness.

4.2. Establish a sound internal control system and increase auditing efforts

The internal control of an enterprise mainly includes legal person governance, staffing, organizational structure, and system improvement. In order to truly implement the taxation management of an enterprise, the first thing it needs to do is to establish and improve the internal control system and improve the organizational structure, and strengthen the tax risk Types of early warning and prevention to ensure that companies can ensure the standardization of tax-related behaviors from the organizational structure and staffing, so as to effectively solve the risk problems in the taxation process, thereby promoting the efficient and long-term development of the company. Enterprises need to proceed from their own development and the laws of market changes, continuously improve the internal control system, and fully refer to the opinions of relevant staff to ensure that the system can be truly implemented. This enables a unified target for corporate taxation work, and at the same time helps to restrict the behavior of the staff, so that they can follow the rules, violations must be investigated. Secondly, the financial department and tax consultants of enterprises need to confirm their major tax issues and tax risk management strategies in strict accordance with industry regulations. This requires companies to design a special tax risk management system, and they can also include relevant content of tax risk prevention in the internal control system, and design a reasonable tax management process to ensure that tax risks are truly controlled. Finally, as an important part of enterprise internal control, internal audit is directly related to the reasonable conduct of business operations and the normal operation of corporate funds. In order to effectively prevent corporate tax risks, it is necessary to strengthen the importance of internal auditing, improve the independence and authority of internal tax audits, to ensure the true play of the role of internal auditing. At the same time, corporate internal tax auditing can be conducted in two auditing methods, regular and irregular. Through a comprehensive inspection and understanding of corporate tax-related situations, we can identify hidden risks in the taxation process and establish a corresponding tax audit report system. , And then organize the relevant audit content and recommendations into a report and submit it to the relevant department personnel in a timely manner.

5. Conclusion

According to surveys, tax risk is a major hidden danger that companies cannot ignore. The state is also continuously increasing the intensity of corporate tax audits. Enterprises themselves must realize the importance of tax risk management and avoid tax risk management due to weak tax risk management concepts. , The additional operating costs caused by the imperfect internal tax control system of the enterprise or the risk of the loss of the enterprise’s reputation as a result, to maintain the healthy development environment of the enterprise. A sound internal control of tax risks is a necessary way to prevent tax risks. Enterprises must constantly explore effective tax risk prevention measures that suit them in their long-term operations, and at the same time actively cooperate with tax authorities to comply with laws and regulations, and take the initiative to assume certain social responsibilities.

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