Developing a tax strategy, governance and risk framework

Let's talk

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The growing need for tax governance and control

The rapidly evolving global tax landscape requires a critical examination of today's tax function. The tax functions are facing increasing pressure to demonstrate that they are in control over tax, provide global transparency and manage risks in a way that facilitates real time compliance and data oriented auditing by tax administrations.

Good tax governance can no longer be considered in isolation form the wider business governance. More pressure is placed on tax functions to better manage tax and related risks by strengthening the control environment that governs reporting processes. As (tax) laws and accounting standards continue to evolve, tax is challenged to look closely at how transactions, data and related documents are received, processed, and ultimately retained, while continuing to add value through strategic decision making and transparency reporting.

These challenges combined with increasing compliance requirements and the demand for transparency means that companies need to respond in a clear and thoughtful way to a much wider base of stakeholders than ever before, including tax administrations and governments, but also regulators, investors, non-governmental organisations (NGOs), clients, the media and the general public.

What we see

- Tax compliance requirements are increasing, e.g. Country-by-Country Reporting, SAF-T, Audit standards for Tax Control Frameworks
- Changing compliance risk management approaches of tax administrations, focus is shifting towards co-operative compliance and data oriented, real time audit
- Robust tax control frameworks are becoming increasingly important or even mandatory. In the coming years many jurisdictions will legislatively require the adaption of a Tax Control Framework which follows guidelines similar to the OECD/Forum on Tax Administration guidelines on Tax Control Frameworks and the COSO risk management approach
- Other supervisory authorities are incorporating tax risk management in their requirements, e.g. central banks
- Increase in stakeholders, internal, external and society at large of which the latter results in more (mandatory) transparency.

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What we do:

Sets the strategic objectives for tax

- Set by the Board and reviewed periodically
- Aligned to the business strategy
- Managing stakeholder obligations
- Approach to tax governance and risk management
- Should include attitude to structuring, risk appetite and tax transparency.

Establishes how tax is managed

- Defines principles for tax governance
- Roles and Responsibilities – Board and Management
- Tax risk management approach
- Control activities
- Information/communication and reporting
- Monitoring and testing approach.

Day to day operations of tax

- Operational policies and procedures
- Detailed roles and responsibilities
- Process, controls and people
- Systems and data
- Documentation
- Knowledge and training.

Benefits

- Provides the broad framework for identifying and managing tax risk within the organisation.
- Supplementing the broad Governance Statement specifically in relation to tax governance matters.
- Manage the impact of each specific tax risk on the organisation.
- Document steps which directors can take to manage taxation risk of the group.
- Formalises the role of the tax function.
- Describes how you disclose obligations to the tax authorities.