

Research on Tax Management and Tax Risk Prevention Measures

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Abstract: Firstly, tax management is an important aspect of financial management, which involves the selection and calculation of taxes. However, tax management also carries various risks, and we need to adopt different approaches to avoid these risks. In this article, we will discuss the definition of tax management, the different stages involved in the tax management process, and the differences in tax management in different countries. Secondly, this article also conducted case studies on tax management and tax risk prevention strategies, in order to deepen the understanding of these issues and their impact on the company's financial health. This article first provides the definition of tax management and tax risk prevention strategies, and then delves into the different stages involved in the tax management process. At the same time, this article emphasizes the importance of tax risk prevention strategies in enhancing the financial health of companies, and conducts in-depth analysis of cases.

Keywords: tax management, international taxation, tax risks, tax laws and regulations, tax service system

1. Introduction

Tax management is a crucial aspect of financial management, which involves the selection, calculation, and payment of taxes. On the other hand, tax risk prevention strategies involve identification and measurement of different types of risks to avoid taxpayers from unnecessary costs. Tax management and tax risk prevention measures are very important issues in the current economic environment. Tax management is an important means of promoting economic development and maintaining social equity. However, due to various reasons, tax management faces many risks, and how to effectively prevent and respond to these risks has become an urgent problem to be solved. Tax management is an important means of promoting economic development. Reasonable tax policies can guide enterprises to invest, expand domestic demand, and promote consumption, thereby promoting economic growth. In addition, tax management is also an important tool for maintaining social equity, and reasonable tax system design and tax preferential policies can promote social equity and sustainable development. Tax risk refers to the possibility of negative consequences such as reduced tax revenue, loss of tax sources, and increased tax costs due to various reasons. Tax risk prevention is an important means to ensure timely and sufficient entry of tax revenue. By effectively preventing tax risks, enterprises can reduce their tax related risks, improve their competitiveness, and promote stable economic development.

In this case study, the paper will explore the concept of tax administration and tax risk prevention strategies, their different stages involved in the process, and how they can help in enhancing the financial health of a company.

2. Tax Management

There are 3 tax collection systems, the Official Assessment system (a collection system that authorizes the government to determine the amount of tax owed by Taxpayers), Self-assessment (a system that gives full authority to Taxpayers to calculate, pay, and report their own amount of tax payable), and With Holding System (a collection system that authorizes third parties (not the government and not the taxpayer concerned) to determine the amount of tax owed by the taxpayer). Taxes are classified on the basis of whether they are applied directly (direct taxes), or on the basis of a number of other measurable performance characteristics of the company called indirect taxes [1].

Tax management is a series of activities organized, coordinated, supervised, and inspected by the government in accordance with certain laws and regulations to achieve tax objectives.

2.1. The Different Stages Involved In the Tax Management Process

Tax planning: This involves the selection of appropriate tax strategies to minimize taxes payable.

Tax return preparation: This involves the preparation of tax returns and other relevant documents for submission to the tax authorities.

Tax payment: This involves the timely payment of taxes due to the government.

Tax compliance: This involves compliance with all tax laws and regulations.

Tax representation: This involves representing the company in front of the tax authorities when necessary.

2.2. Principles of Tax Management

The principle of the rule of law. Tax management must be carried out in accordance with the law, strictly abide by national laws and regulations, and must not violate legal provisions.

The principle of fairness. Tax management should adhere to the principle of fairness, treating all taxpayers equally and not favoring any party.

Efficiency principle. Tax management should focus on efficiency, minimize unnecessary waste and repetitive labor, and improve management efficiency.

Simplification principle. Tax management should simplify procedures and procedures as much as possible, reduce unnecessary links and procedures, and facilitate taxpayers in handling business.

The principle of tax incentives. For example, the construction of Dalian Agricultural Risk Compensation Fund. When natural disaster risks engulf agricultural production, the government should allocate funds to rural disaster areas to help restore normal agricultural production, which lays a theoretical foundation for raising agricultural risk funds. For agricultural producers who do not have the ability to pay taxes, an agricultural risk compensation fund personal account should be established to collect payments from the personal account according to a certain proportion of the planting or breeding area [2].

2.3. The Main Content of Tax Management

Tax source management. Tax source management is the starting point of tax management, mainly including the management of taxpayer registration, tax registration, tax declaration, and other aspects.

Tax collection management. Tax collection is the core of tax management, mainly including the management of determining the taxable amount, collecting taxes, and reducing taxes.

Tax inspection management. Tax inspection is a key link in tax management, mainly including the inspection, supervision, and handling of taxpayers' compliance with tax regulations.

Tax statistical analysis management. Tax statistical analysis is an important means of understanding the tax situation, mainly including the management of tax data collection, organization, analysis, and reporting.

On the other hand, a key issue in tax management is that taxpayers have economic incentives to demand incorrect and selfish valuations. There are two main reasons why valuation issues are challenging. The first is the opposite incentive that taxpayers receive from tax authorities. For example, if receiving assets generates taxes, taxpayers typically benefit from lower valuations. Therefore, in self-reported systems such as the US federal income tax and transfer tax systems, taxpayers have a financial incentive to report their own service valuation in order to reduce taxes [3]. The second issue raised by valuation is only measuring accuracy: finding a fair method or formula for evaluating private assets or specific types of assets. For example, even real estate valuations with highly developed comparable systems vary greatly in quality in US jurisdictions where property taxes are levied. This measurement problem can be improved through technological and methodological improvements [3].

A tax compliance perspective on valuation issues also helps to gain a deeper understanding of valuation methods. Valuation methods that primarily rely on fair trading should face fewer violations than those that have important components of self reporting, even with evaluation support. However, ultimately, the technology of forcing taxpayers to handle tax management issues fairly may not be politically feasible. Any tax reform proposal that increases the demand for asset valuation should take into account these concerns and the distribution effect of tax evasion [3].

2.4. The Significance of Tax Management

Ensure national fiscal revenue. Taxation is the main source of national fiscal revenue. Effective tax management, can ensure the stable growth of national fiscal revenue and provide strong guarantees for the country's economic and social development.

Maintain tax order. Through standardized tax management, it is possible to effectively prevent illegal activities such as tax evasion, evasion, and tax evasion, maintain good tax order, and ensure the legitimacy and security of national fiscal revenue.

Promote economic growth and development. Through scientific tax management, the tax structure can be optimized, the burden on taxpayers can be reduced, enterprise development and consumption growth can be promoted, and economic growth and development can be promoted.

Improve taxpayer compliance and satisfaction. By providing high-quality tax services and management, taxpayers' compliance and satisfaction can be improved, their legal awareness and sense of responsibility can be enhanced, and the smooth progress of tax work can be further promoted.

2.5. The International Aspects of Tax Management

Taxation multinational corporations based on their global profits will reduce the profitability of their foreign subsidiaries, as global parent companies engage in less tax management than regional parent companies. This will not only have an impact on the repatriation of foreign profits, but also have an impact on the investment and reinvestment decisions of foreign subsidiaries abroad. Our research results indicate that foreign direct investment from multinational corporations in countries with global tax systems is at a disadvantage compared to investment from multinational corporations in countries with regional tax systems. The shift from a global tax system to a regional tax system has reduced the ETR of foreign subsidiaries, which in turn incentivizes companies to invest more in these subsidiaries.

In addition, changes in the territorial tax system may affect the optimal financing structure of multinational corporations and their subsidiaries, as a decrease in ETR can affect debt protection[4].

Tax management has international aspects because multinational companies need to comply with different tax laws and regulations in different countries. These guidelines provide a framework for multinational companies to avoid double taxation and to ensure that they comply with all relevant tax laws and regulations. Multinational companies need to have a global tax strategy to ensure that they comply with these guidelines and minimize taxes payable.

Tax management is an important aspect of financial management. It involves the selection, calculation, and payment of taxes to ensure that the company complies with all tax laws and regulations, and also to minimize taxes payable. Multinational companies need to have a global tax strategy to ensure that they comply with different tax laws and regulations in different countries and to avoid double taxation.

With the continuous deepening of economic globalization, the position of tax risk prevention in the national governance system is increasingly prominent. In order to effectively address various tax risks, a series of measures need to be taken to strengthen tax risk prevention.

3. Tax Risk

The importance of tax risk prevention strategies cannot be overstated. They help companies avoid unnecessary costs by identifying and measuring different types of risks that may arise during the course of tax administration. These risks may include legal risks, financial risk, operational risk, etc. By implementing effective tax risk prevention strategies, companies can ensure that their financial health is not compromised by any unnecessary costs or liabilities that may arise as a result of non-compliance or inappropriate tax planning.

3.1. Specific Case Analysis

The case analysis focuses on a Fortune 500 company that implemented a comprehensive tax risk prevention strategy as part of its financial management strategy. The company identified several risks during the course of tax planning, including legal risks related to transfer pricing regulations, financial risk related to interest rate swaps, and operational risks related to customs brokerage services. To address these risks, the company implemented a comprehensive risk prevention strategy that included:

Developing a transfer pricing policy that complied with domestic and international tax laws. Monitoring interest rate swaps to ensure that they complied with relevant regulations and did not result in unnecessary taxes or liabilities. Developing customs brokerage services that complied with all relevant regulations to avoid unnecessary costs or liabilities. The implementation of these strategies has helped the company to ensure that its financial health is not compromised by any unnecessary costs or liabilities that may arise as a result of non-compliance or inappropriate tax planning.

3.2. Strengthen the Construction of Tax Laws and Regulations

Why, when people hear the term 'tax', their minds are filled with confusion. If the sole purpose of the tax system is to increase income, it may be easy. But in this regard, it also has other goals, including efficiency, enforceability, and fairness. Therefore, identifying and managing tax risks should be a challenging task[5].

Establishing a sound and comprehensive tax laws and regulations system is the foundation for preventing tax risks. Firstly, it is necessary to strengthen legislative work, improve tax laws and regulations, clarify the basic requirements and standards for tax collection and management, and provide clear legal basis for both tax authorities and taxpayers. Secondly, it is inevitable to reinforce

the interpretation and promotion of tax laws and regulations, so that taxpayers can understand and master the content and requirements of tax laws and regulations and enhance their tax and legal awareness.

3.3. Improve the Tax Collection and Management Mechanism

Usually, tax rates are numerous and non parametric, tax structures are complex and varied, and tax obligations are discretionary and negotiable. The main sources of taxation are usually corporate profit tax, turnover tax (with highly differentiated product specific tax rates), and payroll tax; It is not important to impose direct taxes on individuals. Although tax revenue accounts for a high proportion of GDP in socialist countries, administrative costs are low and tax collection is simple because companies are often large and closely monitored[6].

As is well known, a sound tax collection and management mechanism is the key to preventing tax risks. Firstly, it is necessary to establish a sound tax registration system, improve the taxpayer information management system, and ensure the accuracy and completeness of taxpayer information. At the same time, it is necessary to establish a sound tax declaration system, standardize the tax declaration process, strengthen tax declaration supervision and management, and prevent the occurrence of false, omitted, and false declarations.

3.4. Strengthen the Construction of Tax Service System

Strengthening the construction of tax service system is an important measure to prevent tax risks. Firstly, it is necessary to establish a sound tax service system to provide taxpayers with convenient, efficient, and high-quality tax services. Secondly, it is necessary to strengthen training and guidance for taxpayers, improve their tax awareness and ability, and reduce their errors and mistakes. In addition, it is necessary to create a mechanism to protect the rights and interests of taxpayers, safeguard their legitimate rights and interests, and enhance their trust and satisfaction.

3.5. Strengthen the Construction of Tax Informatization

Strengthening the construction of tax informatization is a necessary means to improve the efficiency of tax management and prevent tax risks. Firstly, it is important to set up a sound information management mechanism, widely apply information technology to various aspects of tax management and improve management efficiency and level. Secondly, it is necessary to strengthen the maintenance and upgrading of information systems to ensure their stability and security. What's more, it is necessary to strengthen the supervision and management of information systems to prevent risks such as information leakage and data damage.

In general, this rapidly growing research field indicates that although third-party information and digitization can play an important role in tax enforcement and create powerful new tools for tax authorities, information itself cannot provide a panacea. However, law enforcement capabilities and information tracking can complement each other. Therefore, other aspects of strengthening tax capacity remain important [7].

3.6. Strengthen Communication And Collaboration with All Parties

Through close collaboration between researchers and tax authorities, a recent series of literature has focused more closely on understanding this gap and methods to reduce it. These collaborations not only inject new and rich data into public finance literature, but also raise a series of new issues based on exchanges of views with policy partners. A prominent key topic is related to the issue of information extraction faced by tax authorities. One of the main obstacles to converting tax revenue

from law into fiscal revenue is the ability of authorities to obtain reliable information about due taxes. The lack of this information is considered the main reason why the share of taxation in GDP has historically been much lower than that of highly developed countries today[7].

Preventing tax risks requires the joint participation and collaboration of tax authorities, taxpayers, government departments, and other parties. Firstly, it is necessary to strengthen communication and collaboration with government departments, establish cross departmental information sharing mechanisms, and timely obtain information and support from all aspects. Secondly, it is necessary to strengthen communication and collaboration with taxpayers, establish a good tax collection relationship, and enhance taxpayers' trust and satisfaction. Furthermore, it is necessary to strengthen communication and collaboration with other countries and regions, actively draw on advanced international tax management experience and methods, and improve the level of domestic tax management.

In short, preventing tax risks requires starting from multiple aspects, including strengthening the construction of legal systems, improving tax collection and management mechanisms, strengthening service systems, strengthening information technology construction, and strengthening communication and cooperation. Only in this way can we effectively improve the level of tax management, prevent various tax risks, and maintain the security and stable growth of national fiscal revenue.

4. Conclusion

Tax management and tax risk prevention have been topics of research in various countries in recent years. The purpose is to introduce modern risk management concepts into tax collection and management work, with the aim of responding to the increasingly complex economic situation, maximizing the prevention of tax loss, avoiding tax enforcement risks, implementing proactive management, minimizing collection costs, and creating a stable and orderly collection and management environment, it is a beneficial exploration to improve the quality and efficiency of tax collection management.

Tax management and tax risk prevention measures are important measures to ensure national fiscal revenue and promote economic development. By establishing a sound legal and regulatory system, improving tax collection and management mechanisms, strengthening information technology construction, and strengthening departmental collaboration, measures can effectively strengthen tax management and prevent tax risks. Faced with the complex and ever-changing domestic and international environment, we must fully recognize the importance and urgency of tax management and take effective measures to prevent and respond to various possible risks. Introducing and defining various tax risks, discussing their interrelationships and differences, and organizing and classifying them based on the analysis of the risk matrix can have a positive impact on the management and long-term development of enterprises [5].

In the future, people need to continue to strengthen research and practice on tax management and risk prevention, continuously improve the level of tax management, promote stable economic development and social fairness and justice.

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