Audit • Tax • Advisory • Outsourcing

5 must-haves for good tax strategy and governance

- Greater public scrutiny of individual and corporate tax affairs means greater risks around your tax strategy and governance. Here are five ways to get up to speed in a tax-sensitive world.

- Benjamin Franklin, one of the Founding Fathers of the United States said there were two things certain in this world, death and taxes. And right now tax is rarely out of the headlines and it's not going away.

- For businesses that think the current scrutiny only applies to large multinationals, they need to think again. A mid-sized business (MSB) for example might escape the media spotlight and may not be directly affected by wider international initiatives (Base Erosion and Profit Shifting as an example) but they need to adopt similar approaches to their tax strategy and governance – and quickly.

- Good tax strategy and governance shouldn't be adopted just because the tax authority is checking – although our experience indicates this is happening more regularly to mid-sized businesses. It needs to be adopted because it's good business practice. Tax shouldn't drive behaviour but it needs to be considered, and considered early. The sooner you adopt good tax strategy and governance, the sooner it will embed into your processes and procedures, and the risk of being caught out reduces.

- So what do you need to do to ensure you have good tax strategy and governance in place?

This article is contributed by
Mr. Martin Lambert, Partner of Grant Thornton UK

1. Implement a tax strategy

The key is to be proactive and ensure implementation of a robust, transparent and effectively communicated tax strategy that meets the needs of the business. The strategy should cover the governance of specific business activities with on-going tax operations, in order to comply with both local and global requirements. It is best practice to formally document the strategy, get it approved by the board of directors and then communicate it to all relevant stakeholders.

2. Maintain a tax risk register

Many businesses have processes and procedures in place for a range of situations, anything from a terror alert to Icelandic volcanic ash clouds. Historically not many MSBs have had any processes or guidance in relation to tax risks, however. In conjunction with implementing a tax strategy, businesses should set up, monitor and maintain a tax risk register that should be reviewed regularly at board level. The register should include:

- regular assessment of external and internal tax risks facing the organisation and controls in place to manage these risks
- identification, monitoring and documentation of controls and processes surrounding tax risks arising from all tax processes, including compliance and financial reporting
- obtaining assurance from the relevant tax authorities with regards to any areas of tax uncertainty.

3. Benchmark your tax control framework

The quality of the underlying systems, control and governance frameworks will often affect the accuracy of a business's tax returns. It is important that businesses understand the quality of their tax control framework, and develop plans to enhance and improve it in light of changes to relevant legislation. All businesses should, at the very least, benchmark their current tax control framework against the internationally approved COSO standards and, if appropriate, make the necessary improvements to ensure their framework is fit for purpose.

4. Carry out a tax health check

- The tax rules continue to grow in complexity and length, and already-stretched financial departments often need assistance with keeping up to date with changes to the law. It is best practice, especially with the increasingly fast-paced changes made to the transactional taxes, to undertake periodical reviews of effectiveness of the control framework for each tax. A health check covers the main principals of the tax rules and ensures that businesses are meeting their tax obligations.
- This is especially true for those businesses considering an Initial public offering (IPO) or preparing for a sale; in our experience these areas can create difficulties in the sale process, including price chipping, delay of sale and, in the worst-case scenario, a deal collapse.
- If tax issues are identified as part of the review then it is important to resolve these as quickly as possible. Depending on the nature of the issue, and how you interact with the tax authorities, it may be necessary to inform the local tax authority as well.

5. Maximise innovation reliefs

A number of tax incentives exist in many countries to help business growth and to encourage innovation. However, not all businesses are maximising their entitlement to relief and there are some significant sums available for businesses to claim.

Please contact tax experts at Grant Thornton Vietnam for a free privilege consultation section.

Contacts

This newsletter is for reference purposes only. Grant Thornton Vietnam holds no responsibility for mistakes therein, as well as damages caused by the use of information from this newsletter without official advisory opinions from Grant Thornton Vietnam before practice.

Should you need to use information from this newsletter or support from Grant Thornton Vietnam, please contact our professional consultants.

For download

Please visit our website:

www.grantthornton.com.vn

Hanoi Office
18th Floor, Hoa Binh International Office Building, 106 Hoang Quoc Viet Street
Cau Giay District
Hanoi, Vietnam
T + 84 4 3850 1686
F + 84 4 3850 1688

Hoang Khoi
Tax Partner
D +84 4 3850 1618
E Khoi.Hoang@vn.gt.com

Nguyen Dinh Du
Tax Partner
D +84 4 3850 1620
E Du.Nguyen@vn.gt.com

Kaoru Okata
Director – Japanese Desk
D +84 4 3850 1680
E Kaoru.Okata@vn.gt.com

Pham Ngoc Long
Tax Director
D +84 4 3850 1684
E Long.Pham@vn.gt.com

Ho Chi Minh Office
14th Floor, Pearl Plaza
561A Dien Bien Phu Street
Binh Thanh District
Ho Chi Minh City, Vietnam
T + 84 8 3910 9100
F + 84 8 3910 9101

Nguyen Hung Du
Tax Partner
D +84 8 3910 9231
E HungDu.Nguyen@vn.gt.com

Valerie – Teo Liang Tuan
Tax Director
D +84 8 3910 9235
E Valerie.Teo@vn.gt.com

Tran Hong My
Tax Director
D +84 8 3910 9275
E HMy.Tran@vn.gt.com

Tomohiro Norioka
Director – Japanese Desk
D +84 8 3910 9205
E Tomohiro.Norioka@vn.gt.com

Tran Nguyen Mong Van
Tax Director
D +84 8 3910 9233
E MongVan.Tran@vn.gt.com