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Development of the Strategy to Control the Enterprise Tax Risks

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Abstract*: *In the rapidly changing economic and legal conditions, constant attention must be paid to identifying and assessing risks, as well as managing tax risks. The use of performance indicators is carried out through continuous monitoring of key risk indicators, which allow you to identify negative events in the early stages and take timely measures to reduce risks. Recently, there has been a trend in the relationship between the functions of tax risk management and monitoring compliance with current legislation. This leads to the fact that the discussion of one of these functions inevitably affects the other. Strengthening the requirements of the law, toughening the responsibility for their non-compliance with this risk of damage to the reputation of the organization. Many organizations continue to focus on top management and tax risk management. Achieving the goals of the organization requires specific ideas about the main activity of the organization, as well as the study of the main types of risks. The process in which the activities of an organization are directed and coordinated in terms of the effectiveness of risk management and is risk management. The application of the risk management system in the organization allows to increase the effectiveness of the organization, namely, to maximize profits due to the reasonable adoption and management of risks, meet leading industry practices, the expectations of counterparties and investors, increase planning efficiency, ensure the predictability of financial results, increase the stability of operating indicators for account of the implementation of the monitoring system.

Thus, it should be concluded that tax risk management is one of the key tools aimed at improving the effectiveness of the organization's leaders, which they can use by introducing a risk management system to identify and take measures to reduce risks to an acceptable level.

Keywords*: *tax risk, tax risk management, risk management, risk reduction.

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I. INTRODUCTION

Management of tax risks of an economic entity involves the existence of procedures, principles, methods and management methods. The management process itself envisages the adoption of certain decisions and actions by the entity - the taxpayer organization, in relation to the management entity - tax risk, aimed at changing the status of the facility in order to improve the financial condition of the entity. The basis of tax risk management of an economic entity is the theory of the risk life cycle, according to which tax risk goes through 4 stages: identification, assessment, management actions and analysis. This theory reflects only the general essence of the risk management process and does not reveal all its features.

The corporate tax risk management process is based on the theory of the risk life cycle and consists of a number of stages and processes.

The basis of tax risk management is the tax policy of the organization, as well as the internal structure of the business entity. The risk management process begins with the approval of the tax policy, which sets out the goals, methods and methods of managing tax risks, and the management procedure. Next comes the process of operational risk management, which begins with the collection of risk information and cataloging of risks. At this stage, risk identification, identification of the causes, risk assessment and analysis of the consequences of the onset of risk occur.

Based on the results of the risk assessment at the first and second stages, a decision is made on the appropriateness of risk management. Next, at the third stage, a risk response strategy is adopted: avoidance, reduction, acceptance, transposition. And at the last stage, management methods (retro-perspective, current, promising) are selected and specific measures are taken that will allow to implement a risk response strategy.

II. MATERIALS IN METHODS

Achieving the goals of the organization requires specific ideas about the main activity of the organization, as well as the study of the main types of risks. The process in which the activities of an organization are directed and coordinated in terms of the effectiveness of risk management and is risk management.

Implementation of a risk management system in an organization enables:

- create a risk management service in the organization. If this service is created in the organization, then it is necessary to formalize risk management processes;
- evaluate how the company is affected by currency fluctuations, whether hedging is carried out using derivative financial instruments;
- check whether the company maintains a risk register. Find out in which program (Excel, SAP, etc.) Identify what are the most significant risks that have occurred lately, whether the company was ready for them, and whether response measures were implemented in a timely manner;
- to monitor the financial condition of counterparty banks, consumers of products operating on a pre-delivery basis, and other counterparties. Identify the existence of a specified risk limit depending on the financial condition of the organization.

III. RESULT AND DISCUSSION

Based on the results of the risk assessment at the first and second stages, a decision is made on the appropriateness of risk management. Next, at the third stage, a risk response strategy is adopted: avoidance, reduction, acceptance, transposition. And at the last stage, management methods (retro-perspective, current, promising) are selected and specific measures are taken that will allow to implement a risk response strategy.

In the process of managing tax risks, a company can apply various risk response strategies.

Avoid. In the event that the company has a choice to take the risk or not to go, the organization may refuse the risk. This method is effective if the negative consequences of taking risk are much greater.

The decline. An organization can reduce the negative effects of risk if it does not give up risk. The reduction may be due to the diversification of risks, the implementation of certain procedures for tax optimization, improvement of the tax service of the company and other actions.

Adoption. This strategy is the easiest to manage and least costly, as the company accepts risk with its adverse effects. It is advisable if the magnitude of the negative consequences of the risk is less than the cost of managing it.

Arrangement. This strategy is implemented in the form of risk transfer to another entity. Risk may be insured, hedged or transferred to another company.

When taking specific response measures, a risk management method is selected.

Retrospective. It is applied when the risk has already occurred. It manifests itself in minimizing and eliminating the negative consequences of the risk situation.

Current. It is characteristic for managing tax risks arising in current activities that require immediate resolution and response to them.

Perspective. It is implemented in the form of tax planning and forecasting of potential risk situations.

When managing tax risks, one should be guided by the following principles:

• taking into account the absence of a direct relationship between the amount of tax risk and profitability. In relation to tax risks, the rule “more risk - more financial result” is not applicable;

• taking into account the variability of tax laws and policies;

• the need to simultaneously comply with the interests of owners, employees of the company and the state;

• methods for reducing tax risks are individual. The risk management method applied to one tax risk is not applicable to another;

• tax optimization and risk reduction methods must be legal.

Tax risk management process
is inextricably linked with tax planning and tax optimization. Current trends in tax management are aimed at the transition from minimization to optimization of tax payments [1]. Accordingly, tax risk management should be aimed at optimization rather than minimization. This is due to the fact that minimizing tax risks under certain circumstances can lead to an increase in tax liabilities. At the same time, ineffective tax risk management can lead to an increase in tax consequences.

When optimizing tax risks, it is important to evaluate the effect of the optimization in order to make a decision on risk management. For evaluation, various methods and calculation formulas are used.

One of these is inequality, which allows one to determine the effectiveness of optimization measures:

$$CNP+NOPT+P<NOB \qquad (1)$$

CNP - the price of tax optimization measures;
NOPT - optimized tax payments;
P - tax optimization risks;
NOB - tax payments in the usual mode.

If tax payments in the usual mode are less than payments after optimization, then these measures are ineffective. This formula takes into account both the risk itself and its consequences, and the price of its management, since tax risk cannot be assessed separately from other components.

The effect of tax risk management can also be assessed using the average return formula for changing tax parameters:

$$X_{sr} = \sum\left[L_i \times \left(N_i - O_i\right)\right] \qquad (2)$$

X_{sr} - is the average savings from a legitimate change in the parameters of taxation;
I - the number of taxes, the value of which varies due to changes in taxation parameters;
L_i is the probability of a favorable outcome for the i-th tax;
N_i is the amount of the i-th tax before optimization.

When managing tax risks, it is also important to evaluate not only the effect of risk management, but also the risk itself. For this, a rating system of ratings and a matrix method of risk assessment are used.

To assess the risk, you need to have 2 components: the probability of negative consequences and the impact of risk. To assess the probabilities, the probabilities of negative consequences as a result of the analysis of 5 independent groups of sources are correlated: legislation and regulatory legal acts adopted in accordance with it; letters and legal clarifications;

judicial practice - clarification of regulatory legal acts; articles and opinions of independent experts; own expert / consultant position.

Each source is assigned a rating score corresponding to the share (weight) in the aggregate of all sources. To assess the probability, both external and internal sources of information are used.

When evaluating external data sources, open information is used that is available in the media, as well as an assessment of independent auditing and consulting companies, tax consultants, and rating agencies.

When evaluating internal data sources, internal expert opinion is used, based on both open sources and confidential information, and the expert's professional experience.

Next, the risk impact level is estimated, which is the ratio of the sum of the magnitude of the consequences of tax risk and the costs of its management to the amount of retained earnings of the company / project, expressed as a percentage:

$$RISK = \frac{\text{The magnitude of tax consequences} + \text{Risk price}}{\text{Retained earnings}}$$

Based on the obtained data on the probability and impact of tax risk, a tax risk matrix is compiled "Fig. 1".

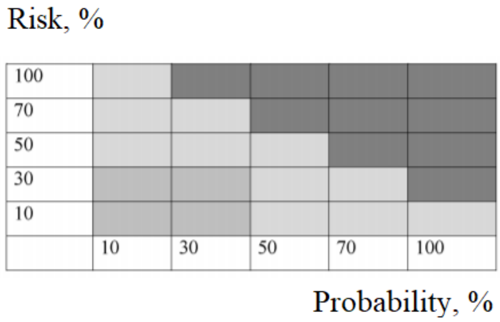

Fig. 1. Risk matrix

Further, based on the situation of tax risk in a certain area, a certain risk response strategy is adopted:

- identification and understanding of the existence of risk (you cannot manage if the cost of management is less than the price of risk);
- monitoring and taking action to prevent;
- immediate response (risk management is necessary, despite the cost of management).

IV. CONCLUSION

So, applying the risk management procedure based on the theory of the life cycle of risk, the methods and methods of risk management described above, investment and construction companies can build an effective tax risk management system that allows you to objectively assess tax risks and implement effective -effective monitoring and management decisions based on the calculation of the feasibility of management. The technique is adaptable for any industry, including construction. The advantage of this technique is the ability to rank risks, since it provides for a risk rating rating.

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