



Transparent and responsible tax risk management

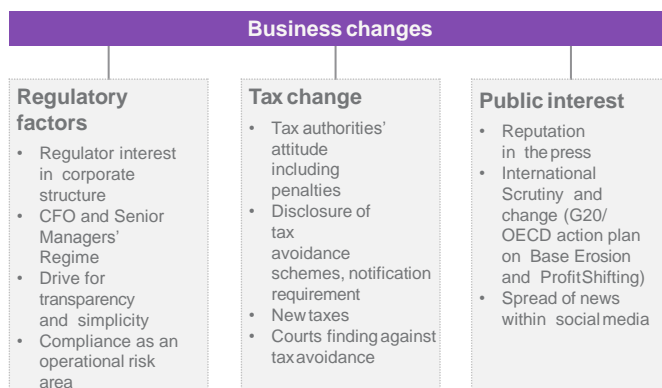
An enterprise wide responsibility

Risk and reputation is a hot topic – with the public, the press and in politics. Today’s business leaders face unrelenting scrutiny from wider stakeholders, who are increasingly demanding more than just shareholder return, but also good citizenship and corporate reputation to succeed. This is intensified by rapid global change and disruption. Innovation and collaboration are central for business response, growth, as well as a wider economic vibrancy.

Why risk management needs to be everyone’s responsibility?

Risk management should be on the forefront of boards’ agendas and embedded in all levels of their group strategy, management, operations and culture. We are moving from a climate where risk management lies with one department or one person. It is something all teams need to understand and embed in their organisation to become part of the culture. There needs to be a transition from a planning mind-set to that of a risk and control function. One significant area of risk is, for example, tax. It should be firmly on the boardroom agenda, including review of business tax profile to ensure that tax risk is being managed in line with the wider group strategy and culture.

What are the external drivers?



What are the sources of tax risk?

We see risk falling into five main categories, each of which interact and each of which stem from a rapidly changing environment presenting particular challenges for effective risk management.

- **Reputation:** With increased public interest, political debate and scrutiny, combined with global operations and increased speed of communication; proactively managing your reputation has never been more important than now.
- **Operations:** Effective compliance, reporting and payment rely on robust enterprise wide processes; and authorities are increasingly intolerant of instances of failure.
- **Legislative change:** The pace of change in tax laws and practices both internationally and domestically is more rapid than ever.
- **Authorities:** The attitude of authorities continues to harden and their statutory powers for information gathering are accelerating payments.
- **Financial risk:** Assessments and penalties can result in significant financial losses and can carry right down to personal liability.

What does best practice look like?

The past

- Tax departments were a 'black box'
- Structured tax planning common and often ineffective
- Characteristically: legal, transactional, technical
- Tax was rarely on boardroom agenda
- Tax planning invisible to and/or tolerated by management, public and the government
- Corporate structure dictated by tax considerations
- Little oversight or accountability for critical tax functions in the business
- Cosy relationship with tax authorities

Now, the future and governance

- Documented tax strategy approved at board level
- Tax management consistent with wider culture and integrated into enterprise wide thinking
- Tax is firmly on the Internal audit agenda and boardroom
- Documentation and testing of tax risks and controls, details shared with authorities
- Review of all potentially tax sensitive transactions by tax professionals
- Ensure finance systems and controls are adequate for reporting and risk
- Defined ownerships of the business universe, accountability gaps eliminated and clarity of responsibilities between wider functions
- Tailor resourcing and organisational design towards risk management

How Grant Thornton can help?

Businesses may not have the depth of technical resources necessary to undertake a risk assessment of the whole organisation, evaluate the appropriateness of controls around processes and assess any mitigating factors. Even where they do, an independent pair of eyes can provide the required level of assurance and validation of processes and procedures and make valuable suggestions for improvement.

Board governance and strategy

- Governance and strategy arrangements
- Review of past and current business for tax reputational risk and PR response plan

Head of tax

- Process mapping including design, documentation and implementation
- Process and control review
- Internal audit of tax
- Tax automation
- Managing relationships with tax authorities

Individual tax operations

- Guidance and manuals
- Training
- Data mining and interrogation
- Dealing with HMRC enquiries

Our clients consistently tell us that we work with them in a very different way. We make sure our clients receive what they need – advisory expertise that's responsive and insightful and a relationship that's built on their agenda not our own. Working with us we will ensure you benefit from our established risk credentials and the close working between our specialists, with you at the centre. We are perfectly placed to provide you with tailored expertise and assurance to support you to manage your risk and reputation whilst providing you with a high quality service.

Contact us

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