Don't be reactive: Be proactive with Tax Risk Management {TRM}

Be Proactive!

Wikipedia, the free online encyclopedia, defines the word "**proactive**" as originally coined by the psychiatrist Victor Frankl …and…

popularized in the business press in Stephen Covey's 7 Habits of Highly Effective People…and…

the word has come to mean "to act before a situation becomes a source of confrontation or crisis" vs. after the fact."

Executive Summary

BEING PROACTIVE WITH tax risk management {TRM} requires decisive steps to be taken by the CFO, with the tax manager. The steps include forming a tax team, under the leadership of the legal team to ensure legal privilege, plotting a tax risk management {TRM} strategy, and then determining what the on and off-the-radar screen issues are. The aim of the process is to eliminate the tax risks before they become disputes, obtaining resolution through the Revenue Service representative sign-off, moving towards a soft outcomes solution to any {TRM} issues. With the completion of the {TRM} process, the taxpayer's ability to tax plan into the future increase proportionately.

Incriminating evidence

"YOUR HONOUR, MAY I present the overwhelming evidence that tilts the balance of the probability scale in favor of the proposition that tax is one of the most significant risks facing businesses, and that, viewed from different perspectives, the clear conclusion to be drawn is that corporate officers display a laissez-faire attitude towards the inherent danger tax risk poses to the fortunes of shareholders, despite an attempt by numerous regulators to arrest the problem".

In an online survey conducted on what were the main causes of material weakness disclosures to the SEC in the USA under SOX 404 (see Chapter 8), nearly 30% of all reports showed problems with tax accounting. The highest material weakness!

FIN 48 and IFRS (see Chapter 8) require companies to determine their tax liabilities and disclose these in their tax returns, despite the fact that the actual liability may only arise in the future. Failure to quantify such a tax liability will result in qualified or inaccurate financial statements. This in turn will cause repercussions under SOX 404 for companies trading their stocks on the USA stock markets.

A large international accounting firm tax risk specialist has suggested in a paper by one of its leading tax risk specialists that as much as 75% of businesses tax risk remains outside the accepted realm of tax compliance.

The degree of inattention to tax risk management {TRM}

In an online tax risk management {TRM} survey conducted by over 167 member businesses at http://www.dnerasmus.com/ArticleDetail.aspx?ID=125
It is clear that the majority of corporations have hidden and uncovered tax risk.