

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



RSM METHOD: TAX COMPLIANCE MANAGEMENT SYSTEM

Avoid personal liability – Get a Tax Compliance Management System

Operating in a global environment you may have made the experience that no jurisdiction is like the other. Nevertheless, one thing – especially tax jurisdictions – have in common is a growing amount of compliance requirements. As a result, your daily business faces more and more complexity and administrative burdens.

The failure to meet legal, tax transparency or documentation requirements may have severe consequences, resulting in financial damages, legal penalties and reputational risks not only for the company in general but also for board and management individually. The increase of digitalization and regulatory workload makes it increasingly difficult to oversee all mandatory requirements. The German fiscal authorities may prosecute tax evasion and hold the executive management personally liable if he/she failed to properly supervise the tax processes within the company.

However, there is a solution: In a financial decree from Germany's Ministry of Finance (dating 23 May 2016) it was held that the existence of a tax compliance management system may be an indicator that a breach of tax law was not committed willfully or with gross negligence. It may prove that the incomplete tax return was not filed deliberately or due to an act of carelessness. It is also likely that, in future, the tax authorities may initiate tax audits depending on

whether a company has or has no functioning tax compliance management system. Against this background, the implementation of a tax compliance management system becomes inevitable not only for multinational corporations but also for smaller and medium sized companies.

How does a Tax Compliance Management System look like?

The German Ministry of Finance's decree does not provide any detailed guidelines for the set-up of such a tax compliance management system but rather defines expectations connected with it. Thus, there is no "one size fits all approach". Based on our experience you can rely on us to customize your tax compliance management system to your individual needs and specific business environment. Following the RSM method, a functioning and efficient tax compliance management system can be established in three steps:

1. Health Check

To examine the given status quo, RSM runs a health check on your current tax processes and administrative set-up. Assessing existing documentation and controls, we can identify which compliance effects are already in place. Looking at their connection with other processes within your business, we can identify which areas might need improvements.

2. Support on Implementation

When it comes to the design of the tax compliance management system, RSM supports you in finding the best solution including a tax strategy for pursuing all tax related matters within your business. This can include a risk assessment in order to identify all tax-related threats for the compliance of your business. Further, we can help you in finding an efficient business structure for implementing the designed set-up. Together with you, we work on monitoring, supervising, training and communication concepts to sustainably anchor tax compliance in your business culture.

3. Audit

The institute of Public Auditors in Germany (IDW) has published an audition guideline according to which the efficiency and soundness of a tax compliance management system can be assessed (IDW PS980). We can perform the audit according to this standard and, in case of a positive outcome, would certify its effectiveness. Such certificate would give you a high amount of legal security. RSM has substantial experience in audit on tax compliance management systems and ensures a smooth and fluent process.

INTERESTED? LET'S GET IN TOUCH



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