Research on Tax Risk Management and Control Strategy of Small and Medium Enterprise

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Abstract. China's small and medium-sized enterprise is facing many risks in the management. Tax risk is the necessary factor for the small and medium-sized enterprise financial risk, the control strategy can avoid the financial risks effectively, and further reduce operating loss, promote the long-term development of small and medium-sized enterprises. Based on the analysis of the characteristics and causes of tax risk of small and medium-sized enterprises in China, this paper, based on the current situation of tax risk control of small and medium-sized enterprises, and then builds a well-defined tax-enterprise relationship from strengthening the awareness of corporate tax planning, establishing tax risk control system, The establishment of tax risk assessment of the early warning mechanism and other aspects of the corresponding control strategy.

Introduction

Financial risk is a very important part of the operation process of small and medium enterprises. Small financial risk is reduced profits, large financial risk is broken capital chain led to corporate bankruptcy. However, tax risk is a part of financial risk that cannot be overlooked. With the rapid development of China's national economic development, the competition of small and medium-sized enterprise is becoming more and more intense. If the small and medium-sized enterprises are to survive in the market economy, they must pay attention to the tax risk of the enterprises. Therefore, The operate of small and medium enterprises to strengthen the management of tax risk management and control, so to avoid some unnecessary financial risks and operational risks.

The Basic Characteristics of Tax Risk

Many small and medium enterprises because of its limited profitability, so the tax paid less, often overlooked hidden in the financial risk of tax risk. In recent years, China's State Administration of Taxation attaches great importance to corporate tax risk management, which carried out a series of activities, such as: carry out special lectures, the introduction of relevant policies and regulations. Its purpose is to arouse the attention of corporate managers to tax risk.

Universality

Tax risk is similar to financial risk and is universal. It exists in enterprises of different scales and types. Tax all over the production and operation in all aspects of small and medium enterprises as long as the production and operation, we must face a problem - tax. It will not be limited because of small and medium-sized enterprises, limited size and get relief. Therefore, in different aspects of taxation, a little carelessness will bring tax risk to the enterprise, thereby affecting the size of the profits of small and medium enterprises and business development is good or bad.

Subjective

Small and medium enterprises in the production and operation process had to face tax-related business, on the one hand, different types of enterprises on the tax-related business understanding and tax treatment in different ways, so as to breed tax risk; the other hand, small and medium
enterprises standing in the enterprise itself point of view to look at the tax problem, and the tax authorities is standing at the national regulatory level to look at the same tax issues, resulting in the tax treatment on the two issues there are major differences, the enterprise tax risk will be the resulting.

**Contradictory**

In order to maximize the net profit after tax, small and medium-sized enterprises will take various measures to reduce the payment of tax payment as much as possible in their production and management process. This goal is not consistent with China's tax collection and management law, there is a certain degree of contradiction. In order to achieve this goal, enterprise managers will impose ideas on the enterprise accounting practitioners, but because of the tax laws and regulations every year changes, accounting personnel to understand the tax laws and there are certain limitations, so it will have a certain tax risk.

**Harmfulness**

When small and medium-sized enterprises have tax risks, managers and professional tax accounting personnel have not taken effective and feasible measures to defuse this risk in time. Will inevitably lead to corporate financial crisis; affect the long-term development of enterprises at a certain level. If the tax risk of small and medium enterprises do not have a better deal, lightness then leading to business profits, business and other aspects of goodwill by varying degrees of loss, the weight of the case leading to the failure of production and operation of enterprises or business failures.

**The Cause of Tax Risk of Small and Medium - Sized Enterprises**

The tax related behaviors of small and medium-sized enterprises are all over the process of production and management, and the tax risks resulting from them are hidden here. A little carelessness will soon lead to tax risks. There are many reasons for the tax risk of small and medium-sized enterprises, not only internal factors, such as the lack of tax risk consciousness of enterprise managers and their accountants, the defects of internal management system, It’s also affected by some external factors, such as China's current market environment is not standardized, the state to develop tax laws and regulations cover imperfections and so on.

**Not Strong Sense of Tax Risk**

For small and medium enterprises, the cost of establishing a separate tax planning department is quite large, and the managers of the enterprise will use the accounting department of the finance department as a versatile person who understands the accounting and taxation. However, this is not the case, we cannot deny that the accounting staff and tax officers or have a certain degree of difference. At present, most of our accounting staff for the relevant tax laws and regulations to understand and grasp the degree is not very comprehensive, which will lead to future tax business in the actual operation level there will be some obstacles. Potential tax risk will be triggered by this.

**Imperfect Internal Management System**

China's vast majority of small and medium enterprises due to the limited size of funds and scale, resulting in its financial management level is still not comprehensive enough, making the future financial management will be a lot of problems. Part of the small and medium-sized enterprise managers ignored the financial management of the tax level, no professionals to provide the tax management, or in order to reduce the cost of enterprises, try to reduce the internal accounting personnel. Another part of the small and medium-sized enterprise managers, one person as many people use and one man has many duties. So that people who do not have accounting expertise to engage in accounting work. As a result, it will not only cause confusion in internal financial management, but also bring unnecessary financial and business crisis to the enterprise.
Nonstandard Market Environment

The complex and volatile market environment is one of the important factors that generate tax risk. The development of every small and medium-sized enterprise cannot be separated from the market environment. Small and medium-sized enterprises to operate, they have to deal with suppliers, vendors and other vendors. By their composition of a social relations environment is the market environment for small and medium enterprises. The market environment is directly affected by the size of the tax risk of small and medium-sized enterprise, if the enterprise where the market environment is not standardized, fraud, money transactions are too frequent, small and medium enterprises in this bad atmosphere under the influence of non-normative operation, And thus increase the enterprise's own tax risk.

Not Sound National Tax Laws and Regulations

The imperfect policy of tax laws and regulations in our country is another big factor that triggers tax risk. It is mainly reflected in two aspects: one is the tax laws and regulations of the system is not perfect, on the other hand is the tax collection and management authorities are not strict in the law enforcement process. In the process of Tax Administration for small and medium-sized enterprises, the tax collection and management institutions in China often make subjective judgments to simplify the workload, and eventually give the enterprises a notice and the results of processing. This behavior of the tax collection and management authorities not only violates the "three public" principle, but also at some level damage the legitimate rights and interests of taxpayers, and even the taxpayer of small and medium enterprises to cause a certain tax risk.

The Control Strategy of Tax Risk of Small and Medium - Sized Enterprises

Enhance the Awareness of Corporate Tax Planning

Most of the tax risk is due to the absence of tax planning or unreasonable tax planning. To effectively reduce the tax risk of small and medium enterprises, enterprises should strengthen the management of the correct tax planning concept, and warned of the risk of tax risk. Small and medium-sized enterprises should not only raise their awareness of tax planning, but also popularize and work in the financial and tax work of enterprises. Enterprise managers can build an internal forum, WeChat group and other social platforms, to share their understanding of tax risk content in this social platform. Thereby encourage all of them to participate in the discussion of tax risk, and then to improve their understanding and importance of tax risk. We can also give full play to brainstorming, and explore effective strategies to better control the tax risks of enterprises.

The Establishment of Tax Risk Control System

Small and medium-sized enterprises should set up corresponding tax planning departments under their own conditions. Tax planning department practitioners should have excellent professional knowledge, able to master the relevant knowledge of tax and to be used. If the small and medium-sized enterprises own conditions are not allowed, it should also employ all aspects of high-quality accounting personnel to control the overall tax work of the enterprise. Tax risk throughout the production and operation of all aspects, it is not just the financial sector, but also the specific implementation of the relevant departments to the relevant personnel, such as: Sales staff in the Sales Department, Purchasing personnel in purchasing department, etc. We should also establish relevant internal audit institutions to effectively reduce the occurrence of tax risk, to prevent tax risk hit a security lock. The internal staff also rewarded for the possible recommendations and initiatives to prevent tax risks, and thus promote the full control of tax risk.

Build a Good Relationship between Tax and Enterprise

The socialist market economy in our country has been developing continuously, and the tax policy of the country has been updated year after year. In view of this situation, small and medium-sized enterprises should understand relevant tax policies in a timely, and their managers should strengthen
and constantly improve the tax knowledge of the relevant personnel. Managers of small and medium-sized enterprises should invite tax authorities to explain tax knowledge to their employees, and respond to what employees don't understand. This greatly reduces tax risks arising from understanding differences and promotes good relations between tax authorities and enterprises. Small and medium-sized enterprises managers should also encourage employees to communicate with the tax authorities and promote better development of tax management.

**Establish an Early-Warning Mechanism for Tax Assessment Risk**

Tax assessment is that the tax authorities compare and analyze the data information submitted by the enterprise, and verify the authenticity of these data by collecting various knowledge. For enterprises that do not conform to the actual data, the tax authorities take certain measures to punish them. Based on this principle, we might as well make an early assessment of the tax before the tax authorities make a tax assessment of small and medium-sized enterprises. Small and medium-sized enterprises should set up a good and feasible early-warning mechanism of tax assessment risk, and establish a corresponding evaluation system for tax assessment to test the legal rationality of tax. Therefore, the implementation of this mechanism can effectively reduce tax risk.

**Conclusion**

With the continuous prosperity of the market economy, tax risk management is a part of business management cannot be ignored in all small and medium enterprises. If the potential tax risk is not circumvented, the existing risks are not dealt with and will inevitably hinder the healthy and sustainable development of the enterprise. It is necessary to set up a reasonable and efficient tax risk assessment mechanism. It helps to improve the ability of small and medium enterprises to prevent tax risks and promote the healthy and sustainable development of enterprises.

**References**

