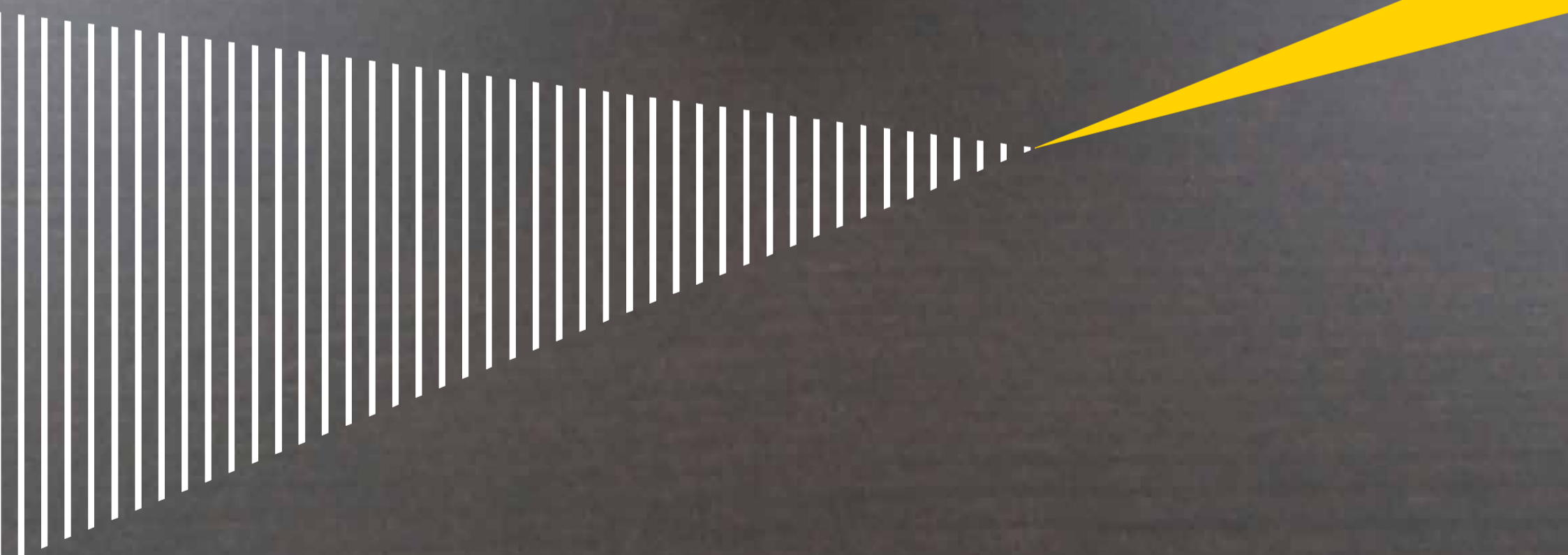




Tax corporate governance

Is your board prepared?



“Australian income tax legislation has long imposed tax compliance obligations on companies. While this is not new, what we are observing – both here and overseas – is an increasing focus by regulators on the need for robust risk management frameworks. This convergence is bringing many companies’ tax risk management into the public arena.”

Speech by Commissioner of Taxation Michael D’Ascenzo to the Australian Institute of Company Directors, Sydney, 16 February 2010

Increased focus on tax corporate governance

The Australian Taxation Office (ATO) has announced a renewed focus on tax corporate governance, and has set out its expectations of taxpayers in this area.

Australian companies will need to demonstrate that they have a sound tax corporate governance system in order to improve their risk rating with the ATO.

Your risk rating directly influences the level of scrutiny you can expect from the ATO, and the potential for risk review and audit.

Is your board prepared?

What the ATO expects

As revenue authorities around the world become more connected, the ATO expects all large businesses to establish a corporate governance framework to deal with tax risk.

The ATO will look at a range of factors including your company’s past tax compliance history and existing tax corporate governance framework to determine your risk profile.

As revenue authorities become more connected, how the ATO views your risk profile may also have flow on effects to the level of scrutiny applied to your global business operations.

What do you need to do?

Building an appropriate tax corporate governance framework relies on input from all business functions, and transparency at board level.

Here we provide guidance on how to develop and test the strength of your approach.

“We will continue to engage with business and with the agencies responsible for the development of corporate governance codes and guidelines with a view to ensuring tax compliance is included as an aspect of good governance.”

Fifth meeting of the OECD Forum on Tax Administration, FTA Communiqué, Paris, 29 May 2009

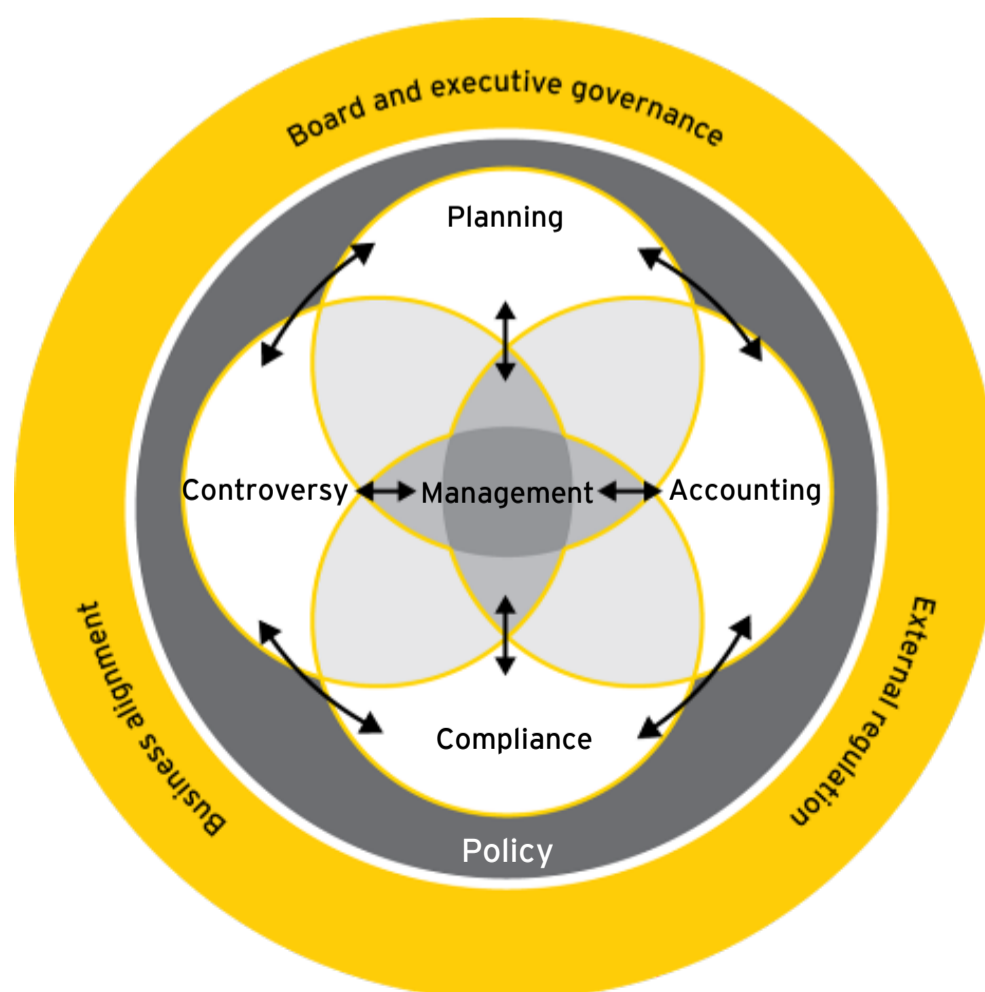
Building an effective tax corporate governance framework

ATO expectations	Our recommended approach Review and determine the effectiveness of your:	Outcomes
<ul style="list-style-type: none"> ▶ Reporting requirements that elevate significant tax risks to the board ▶ Sign-off procedures followed for material transactions 	<ul style="list-style-type: none"> ▶ Board policy ▶ Tax charter ▶ Regulatory reporting to the Audit Committee 	<ul style="list-style-type: none"> ▶ The board demonstrates oversight of significant tax transactions
<ul style="list-style-type: none"> ▶ Procedures in place to comply with tax obligations ▶ Your tax function is adequately resourced 	<ul style="list-style-type: none"> ▶ Policies and procedures ▶ Assigned roles and responsibilities ▶ Risk registers 	<ul style="list-style-type: none"> ▶ Compliance with tax obligations ▶ Ability to deal with changing law and policy ▶ Tax function effectiveness
<ul style="list-style-type: none"> ▶ Understanding of your risk rating ▶ Effective use of ATO compliance products ▶ Appropriate tax dispute management 	<ul style="list-style-type: none"> ▶ Audit readiness ▶ Annual Compliance Arrangements ▶ Approach to alternative dispute resolution and litigation 	<ul style="list-style-type: none"> ▶ Appropriate strategies in place for dealing with revenue authorities
<ul style="list-style-type: none"> ▶ Systems in place to identify, assess, monitor and approve material tax issues 	<ul style="list-style-type: none"> ▶ Tax risk reporting ▶ Tax accounting for month and year-end balances ▶ Uncertain tax position disclosure 	<ul style="list-style-type: none"> ▶ Meeting compliance obligations for other regulatory requirements

Governance and the tax lifecycle

In an increasingly complex and constantly evolving tax environment; tax planning, tax provision, tax compliance and tax controversy processes are more closely linked than ever before.

The best decisions are made with the entire tax life cycle in mind, through a process encompassed and controlled within a sound tax corporate governance framework that has been signed off by the board.



How our Tax Controversy team can help you

Our national Tax Controversy team brings together highly technical skills, experience and a strategic perspective to help you plan and manage your approach to tax administration; tax audit; strategies for the settlement of tax disputes; and, where necessary, litigation.

We work closely with both in-house tax functions and external tax advisors to provide issue-specific advice, minimising disruption to your business. Our experience in managing disputes concerning historical tax matters enables you to focus your resources on addressing current tax issues and future opportunities.

We form part of Ernst & Young's global Tax Policy and Controversy network, sharing practical insight and extensive experience with clients affected by cross-border tax matters and disputes.

Please contact our Tax Controversy team for more information.

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