ISSN: 2688-9323

Tax Risks and Suggestions of Enterprise Merger and Reorganization

Jingfeng Liu

Fuzhou University of International Studies and Trade, Fuzhou, Fujian, 350202, China

Abstract

At this stage, there are many M & A activities in our country's social market, and many enterprises have improved their core strength in this way, promoted the optimal allocation of their own resources and achieved the expected goals. But at the same time, M & A transactions are also accompanied by certain tax risks. The differences of M & A schemes will lead to different economic losses. Therefore, this paper deeply analyzes the possible tax risks in the management of M & A, and puts forward effective suggestions for reference.

Keywords

Enterprises; Merger; Tax Risk.

1. Preface

M & A activities have been accepted by more and more enterprises at this stage, and its technical content is relatively complex. It can not only be conducive to the long-term development of enterprises, but also play a positive role in the realization of their strategic planning and generate impetus for them.However, the high return must bring high risks. Some enterprises have a large tax burden during the period of M & A, and have suffered losses in terms of capital cost, integration cost and finance.Therefore, this requires enterprises to strictly manage tax risks, avoid adverse risks and reduce the tax burden of enterprises in M & A.

2. Basic Overview of Tax Risk in Enterprise Merger and Reorganization

(1) Merger and reorganization

At this stage, academic experts have different research on M & A.From the perspective of law, the main purpose of M & A is to reconstruct the contract in order to achieve the expected goal. In the broad sense, it refers to the enterprise integration of all aspects of resource allocation. In the narrow sense, it refers to the enterprise; reorganization of debt, M & A assets and M & A equity in order to optimize its own equity structure and resources, so as to further optimize the allocation of its own resources [1]. From an economic perspective, the M & A of enterprises is a process of integrating and optimizing their own resources. During this process, enterprises successfully completed the re combination of resources and realized the win-win development among restructured enterprises.Generally, M & a mainly refers to M & A, and there is no specific breakdown of M & A and reorganization.M & A refers to a series of activities of equity participation, formation and merger transactions with other companies in order to improve their own economic strength and obtain the dominant control of other enterprises.

(2) Tax risk inspection

Tax risk mainly refers to the inability to determine the tax cost. The reason is that there are differences in the financing institutions of enterprise M & A and the payment methods of M & A, resulting in different tax burden, which can easily lead to the uncertainty of tax cost, resulting in a series of tax burdens.The main factors of tax risk during enterprise merger and reorganization lie in two aspects. One is that the enterprise itself has not carefully analyzed the

ISSN: 2688-9323

relevant laws and regulations and has not made rational use of the relevant preferential policies, so it has paid some unnecessary tax money again.Second, due to the enterprises failure to pay taxes in time and effectively, it has the risk of punishment, overdue fine and tax payment, which not only affects the enterprise own reputation, but also damages the enterprise image.

3. Problems Encountered in Tax Risk Management of Enterprise Merger and Reorganization

(1) Insufficient awareness of tax risk

There is a unified organic correlation between tax risk prevention and tax planning. Tax planning plays a dual role in tax risk. If the enterprise makes reasonable and scientific tax planning, it will not only bring after tax benefits, but also achieve good results during the period of tax risk prevention;However, if the relevant work is not done well, it will lead to new tax risks and increase the tax burden of the enterprise.Some enterprises often use legal provisions with vague provisions or no clear boundaries in tax planning, but if they do not grasp the terms and standards in the specific implementation plan, it is likely to lead to the risk of tax evasion [2].At this stage, the relevant supervision of the enterprise market environment in our country needs to be strengthened. Some enterprises still lack sufficient understanding of the internal tax planning and management. They believe that as long as they have a good relationship with the relevant tax authorities, they can effectively take advantage of the legal loopholes. Such ideological understanding leads to the prohibition of illegal acts of industry enterprises.At the same time, there are some deficiencies in our count relevant tax policies, which enlarges the personal authority of organ staff and adds their own subjective consciousness when studying the policies, resulting in unclear policy content standards.Enterprises and tax authorities lack sufficient risk awareness, which can easily lead to the illegal phenomenon of enterprises, resulting in the increase of tax risk.

(2) The efficiency of internal control management is not high

At this stage, there are no normative requirements for the overall governance framework of M & A in our national enterprises. In addition, the internal control awareness of some enterprise managers needs to be improved. These aspects affect the overall internal control level of the enterprise to a certain extent, so it is difficult to ensure the supervision of various links of production management, resulting in the disconnection of the final internal control from the strategic objectives of the enterprise [3].In addition, at present, the internal audit work of many enterprises is not comprehensive and perfect enough to give full play to its functions, which affects the improvement of the overall internal control of enterprises.Therefore, this requires enterprises to pay attention to improving their internal control level, pay attention to the accuracy of tax risk management data in the specific process of M & A, and carefully study the provisions of tax policies in the early stage of submission, so as to clearly standardize the overall governance scope and supervise all aspects of production management.

(3) Lack of risk management mechanism

At present, the relevant management system of tax risk assessment in our country has not really formed, and there is a lack of relevant effective methods and theories, which leads to many problems in tax risk management.The main content of tax risk management covers risk identification, risk control, risk assessment and risk feedback. Therefore, enterprises need to pay attention to their management mechanism and form a good management environment in order to effectively improve their overall management efficiency in reorganization and M & A.Enterprises also need to pay attention to forming a good risk management mechanism to strengthen the whole process of tax risk management, protect them from the impact of tax risk during M & A, and further improve their management level.

4. Suggestions on Tax Risk Management of Enterprise Merger and Reorganization

(1) Strengthen and improve tax risk awareness

When enterprises carry out tax planning, the cost they need to pay often shows a positive relationship with the benefits they get, because when enterprises get relatively large benefits, they will also face the same tax risk, because enterprises need to pay attention to the following aspects in their specific cognition of the tax risk of M & A.First, in the risk consideration, it is also necessary to include the risks arising during the specific implementation of the tax planning scheme.Tax planning can be said to be an effective way to pursue profits. Under the premise of tax risk prevention, it is combined with planning to reduce the tax burden of enterprises and increase after tax income [4].During the period of M & A, the work flow of enterprises is complex and cumbersome, and the scale is huge. Therefore, it is also necessary to comprehensively consider the impact of specific transaction methods, financing methods and accounting standards, so as to better deal with the problems of unpaid tax, less tax and so on.At the same time, during the tax planning program, we also need to have a forward-looking vision and pay real-time attention to the development trend of the market environment, so as to keep pace with it and avoid tax risk and financial risk in the planning [5].Second, pay attention to the national tax norms and tax policies. During the tax planning of M & A, enterprises need to put it in the first place, consider the current tax policies and economic policies, and pay attention to the implementation and change dynamics of their policies and regulations, to adjust and optimize the planning plan in time. Third, strengthen and improve the overall risk awareness of relevant responsible personnel. Some staff of enterprises and tax units will add deviation of subjective awareness in the interpretation of relevant tax law provisions, because it is about to go. The responsible personnel need to have a certain risk awareness and have written communication with tax units in advance before the formulation of the plan,Clarify the normative policies related to tax policies, so as to effectively reduce tax risks.

(2) Improve the level of internal control and give full play to its management efficiency

The business process of M & A is lack of clear provisions, and the relevant provisions of relevant tax laws are vague. Therefore, domestic enterprises and relevant tax departments have different opinions on tax collection and management. Therefore, some ambiguities will inevitably appear during the specific restructuring period.At the same time, coupled with the rigid characteristics of tax collection and management, if the enterprise lacks a clear understanding of the tax policy, it is very likely that part of the tax will be recovered, which will directly affect the good reputation of the enterprise.Therefore, in order to effectively improve the internal control level of enterprises and ensure the tax compliance of M & A, we also need to take the following aspects as the entry point.first.Strengthen the investigation on the tax risk of M & A [6]. Since the M & A enterprises will inherit the historical tax risks between the M & A enterprises, they also need to carefully investigate the past tax situation of the M & A enterprises, pay attention to the audit work, strengthen and improve the internal audit work related to tax, clarify their compliance and non-compliance, and avoid the remaining problems of M & a tax, resulting in new tax risks,Generate unnecessary tax sharing.Strictly review and analyze the comprehensive tax status of the target enterprise, pay attention to whether its use of preferential policies and tax health comply with tax regulations, and carefully investigate the annual financial accounting of the merged enterprise before merger and acquisition, so as to ensure that it will not cause additional tax burden and tax risk after merger and reorganization.Secondly, strengthen cooperation with professional institutions.During the period of M & A, enterprises will inevitably involve some contents of management, science and technology network, human resources, laws and regulations, etc. these contents have been involved in addition to the financial specialty. Therefore, it is also necessary to pay attention to

ISSN: 2688-9323

hiring professionals with strong ability during the M & a business processing, so as to achieve the high-quality effect of "special person in charge of special affairs".Hiring special personnel from professional institutions to deal with the tax work related to enterprise M & A can minimize the tax risk from the perspective of tax risk.

(3) Build a risk management mechanism and strengthen the whole process of management

In the stage of reorganization and M & A, if enterprises want to improve their after tax risk management level, they also need to pay attention to the formation of a perfect management mechanism, which should also cover risk identification mechanism, risk control mechanism, risk assessment mechanism and risk feedback mechanism, strengthen the whole process of after tax risk management and give full play to their management efficiency.For the tax risk identification mechanism, when selecting the merged enterprise, it is necessary to clarify the profit and loss of the target enterprise and determine the possible tax burden.And strengthen the research on M & A methods, select the optimal methods, study various preferential policies related to tax policies, and make reasonable analysis, so as to reduce some unnecessary tax burden on this basis.The management content of tax risk control mechanism is to effectively control the tax risk generated in reorganization and M & A [7]. First, we need to understand the possible risk factors in the tax work, strictly control the potential tax risks, build a control mechanism, review the scientific rationality of the specific plan, strengthen the evaluation of its risk elements, strengthen the in-depth communication at the decision-making level and management level, and minimize the risk. Tax risk assessment mechanism, including level analysis, comprehensive analysis, qualitative analysis and so on.Before the reorganization and merger of the target enterprise, the enterprise must reasonably evaluate its potential tax risk and deeply analyze its dynamic influencing factors, so as to make scientific judgment and ensure the effectiveness and rationality of risk control. At the same time, it is also necessary to pay attention to the study of the influencing factors of tax risk. In the process of evaluation, the level analysis method is generally used. The reason is that its analysis method is simpler, which can not only avoid too many competent factors, but also improve its system cattiness [8]. The qualitative analysis method contains strong subjective factors, and the analysis needs to collect a large amount of data, which is cumbersome, there are too many influencing factors of comprehensive analysis, and the system cattiness is low. Tax risk feedback mechanism, after completing the assessment of tax risk, enterprises need to build relevant information feedback system, apply various information technologies, and fully implement various contents of risk management. At the same time, it is also necessary to strictly review the risk information and report it to the management decision-making level on the basis of ensuring its rationality and effectiveness, so as to support the enterprise risk management decision-making, so that the management decision-makers can effectively respond to the identified tax risks and achieve the purpose of risk control. Therefore, enterprises need to combine the above mechanisms to build a tax risk management mechanism in line with their own development, comprehensively supervise the whole process of tax risk management, improve its feasibility, and promote enterprises to control the tax risks generated in reorganization and M & A.

5. Conclusion

To sum up, M & A can not only provide new development opportunities and development opportunities for enterprises, but also cause tax risks for enterprises. Therefore, M & A enterprises need to standardize their risk impact and effectively improve their core competitiveness and economic benefits. At the same time, in practice, it is also necessary to reduce its M & a cost, strengthen the internal audit and tax planning, and ensure the comprehensiveness and scientificity of after-tax planning. Based on the current situation of the enterprise, choose the optimal M & a scheme and integrate various legal provisions of relevant

ISSN: 2688-9323

tax policies, so as to reasonably control the tax cost, reduce the tax expenditure and provide an active role for the development of the enterprise.

References

[1] Li Zhifeng, Gao Yanrong. Analysis on tax and accounting treatment of performance commitment in M & A -- Taking Steyr company as an example [J]. Chinese certified public accountant, 2021, (08): 120-124.

[2] Yin Lei. Research on the effect of corporate income tax policy of M & A in China -- a large sample empirical test based on A-share listed companies [J]. Tax research, 2021, (07): 104-111.

[3] Wang Shouhong. Analysis on the practical operation of tax planning and financial treatment of enterprise industrial restructuring and integration [J]. Tax, 2021,15 (16): 49-50.

[4] Jiang Xinlu, Wu Jian. Application of transfer tax policy in M & A of listed companies from a case [J]. Certified tax agent, 2020, (11): 28-32.

[5] Hao bichuan. Discussion on tax risk prevention in M & a business [J]. Accountant, 2020, (10): 31-32.

[6] Wan ting. Research on tax planning of M & A activities of real estate enterprises [D]. Yunnan University of Finance and economics, 2019.

[7] Wang Xiaoxue. Research on tax planning for special tax treatment applicable to enterprise absorption and merger [D]. Guangdong University of Finance and economics, 2019.

[8] Chen Xiaoying. Research on tax planning in enterprise M & A [D]. Hebei University of economics and trade, 2019.