

# The Construction and Application of the "Three Linkages" Tax Management System

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**Abstract.** Enterprise tax management should focus on the strategic goals of the enterprise, with the focus on "digitization of value management, risk control in action, and standardization of basic management". It should innovate and promote the linkage of tax management with tax policies, business front-end, and external audit and internal inspection, strengthen value leadership, prevent business risks, promote financial transformation, consolidate financial foundation, and build a financial team to ensure leading financial performance indicators, Provide financial support for the company's lawful and compliant operations.

**Keywords:** Tax risk, tax policy, business front-end internal audit, external inspection, integration of industry and finance.

## 1. Introduction

With the deepening of the reform of "streamlining management and serving the government" in the tax field, helping to create a market-oriented, legal, international business environment, and the advent of the era of information big data, enterprise tax management has encountered unprecedented new challenges, and tax risk has gradually become one of the main risks faced by enterprise management[1-2]. Tax risk is a potential form of risk that we need to pay attention to and prevent in our daily business activities. Excessive tax risks and hidden dangers can pose harm to enterprises at any time and may have serious negative impacts on them. Based on the current economic, legal, and tax collection and management environment of the enterprise, and relying on relevant national financial and tax laws, regulations, and policies, we actively explore the "three linkage" model of tax management, namely: linkage between tax management and tax policies, linkage between tax management and business front-end, linkage between tax management and internal audit, external inspection, and internal control. Timely grasp the formulation and changes of tax regulations, fully integrate the implementation of internal control systems of enterprises, strengthen the linkage with external audits, and effectively reduce tax risks[3-4].

## 2. The necessity of creating a "three linkage" tax management system

### 2.1 Tax related risk management needs in the era of big data

The Opinions of the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council on Further Deepening the Reform of Tax Collection and Management require the State Administration of Taxation to establish a "credit+risk" supervision and management system, adhere to a risk management orientation based on tax big data analysis, improve a new tax risk supervision and management mechanism with credit evaluation, monitoring and warning, and risk response as the core, and improve the three-level collection of provincial, municipal, and county bureaus A comprehensive tax big data management system that utilizes big data governance to break the limitations of administrative regions on tax risk management[5-6].

### 2.2 The need to enjoy tax incentives and reform dividends

With the continuous development of reform, the country has continuously released reform dividends. Since China fully implemented the tax system reform of replacing business tax with

value-added tax, it has fundamentally solved the problem of incomplete value-added tax deduction chain and duplicate taxation. The main business of drilling companies is the construction industry, and the value-added tax rate has decreased from 17% to 9% for oil and gas field enterprises, significantly reducing the value-added tax burden[7-8]. In recent years, especially since the COVID-19, the state has continuously introduced preferential tax policies to reduce the tax burden of enterprises and help enterprises overcome temporary difficulties. Companies should enjoy the dividends brought by tax policy reform.

### **2.3 The need to implement internal control systems in enterprises**

In order to standardize enterprise business behavior, effectively prevent risks, promote the establishment and improvement of various management systems, improve management level, ensure the realization of development strategies, comply with external regulatory requirements, enhance the soundness and effectiveness of internal control, and implement the internal control responsibilities of enterprises, Sinopec Group Corporation has issued the "Enterprise Internal Control Manual". The manual proposes the overall goal of "improving the level of tax risk prevention and management, reasonably controlling tax risks, preventing tax violations, and fulfilling tax obligations in accordance with the law". The company actively implements the requirements of the group company, sorts out potential tax risks, evaluates risks, strengthens management, implements policies, and eliminates the occurrence of tax violations.

## **3. The Method of Constructing a Tax Management System through "Three Linkages"**

### **3.1 Linkage between tax management and systems, and improvement of tax system standardization system**

(1) Improve the tax risk management system. In recent years, the company's tax department has established and improved tax mechanisms, strengthened the implementation of measures, continuously enhanced work execution and management constraints, and ensured that tax management work is implemented into specific business processes. We have revised and improved systems such as the "Company Tax Management Measures", "Product Oil Refund Management Measures", and "Management Measures for Conducting Self inspection of Tax Payment in accordance with the Law", clarifying work objectives, decomposing and implementing responsibilities, achieving institutionalized management, procedural management, and process information, and ensuring that tax risk management operates on the track of institutional construction.

(2) Establish a tax risk response system. Establish a responsible tax quality responsibility system at all levels, sort out key indicators and error prone information in advance, highlight audit priorities, and increase audit control efforts. Strengthen the review and rationality analysis of abnormal value-added tax indicator data through information technology, and effectively improve data quality. Strengthen the verification and verification of non-financial indicators such as research and development, labor, investment, and social contribution, grasp the requirements for indicator filling, and ensure the accuracy and rationality of various statistical data. Establish a tax report quality assessment mechanism, strictly enforce reward and punishment constraints, and force data quality improvement.

(3) Enjoy tax incentives to bring policy dividends. Comprehensively sort out tax preferential policies, prepare for the application of tax preferential policies such as accelerated depreciation, additional deduction of research and development expenses, enterprise investment in basic research, comprehensive utilization of resources, environmental protection, and energy-saving and water-saving projects. In accordance with relevant policies and regulations, carry out the enjoyment of tax preferential policies in advance and relevant ledger management, as well as keep and

organize materials for future reference. Through the application of tax preferential policies, enterprises have underpaid income tax by 1.56 million yuan, and 82 disabled employees of the company enjoy the preferential policy of reducing personal income tax, effectively safeguarding the rights and interests of employees. In order to do a good job in tax planning for Xinjiang's external market, tax management personnel carefully studied tax policies and went to Karamay City, Xinjiang to actively communicate with the competent tax bureau and the local government. The Second Branch of Xinjiang Taxation Bureau launched a joint review of seven departments. After joint review by the tax authorities, Xinjiang Branch has been rated as a Class A tax paying enterprise. Due to the company's good credit rating and compliance with tax retention and refund regulations, a value-added tax refund of 5.45 million yuan was obtained.

### **3.2 Linkage between tax management and business front-end to promote compliance in company operations**

Tax personnel continuously strengthen the construction of financial information, taking contract management as the entry point, to achieve the organic unity of ERP, ERS, CMIS management platforms and other systems, and to create an information processing platform supported by big data information technology, guided by business processes, and covering all economic businesses of the company. With the help of platform construction, the entire process and business coverage of tax management can be achieved, accurate accounting and real-time warning monitoring of the company's production and operation situation can be completed, the company's business processes can be sorted out, and the entire process can be optimized from market research, decision-making, production and operation, budget accounting, assessment and accountability, etc. The "five dimensional" analysis can be carried out on a regular basis, and the "five in one" supervision can be implemented to comprehensively regulate the company's business behavior. Participated in 12000 major contract reviews throughout the year, proposed over 640 valuable suggestions, made 34 tax planning attempts, and reduced costs by over 3 million yuan, highlighting the value of tax saving and efficiency creation.

### **3.3 Linkage between tax management and internal audit and external investigation, striving to reduce the company's operational risks**

The wind rises at the end of the green duckweed, and the waves form between the gentle waves. Risk prevention and control focus on details, achievements in daily life, and always on the road. The tax department of the company firmly establishes a tax risk awareness, adheres to problem orientation, compacts rectification responsibilities, refines rectification measures, identifies and fills gaps, and applies points to areas. It solidly analyzes the causes of problems found in internal and external audits and implements rectification work, effectively playing the role of auditing in promoting tax work. The tax department will carry out comprehensive problem rectification in conjunction with internal and external audits, adhering to the principle of correcting any errors, and addressing all types of issues discovered during audits without leaving any blind spots. Pay attention to the deep mining of doubtful data, draw inferences from the problems identified in inspections and audits, and extend self-inspections in relevant problem areas to promote the deepening and implementation of rectification results. The tax department attaches great importance to the pre-management of tax risks, regularly carries out daily risk prevention and control, and prevents and resolves various risks. Focusing on high-risk businesses and fields, strictly auditing, identifying and addressing risks and issues as soon as possible, timely blocking potential issues, and effectively controlling the spread of damage consequences.

## **4. The "Three Links" Tax Management System Promotes Companies to Operate in Accordance with Laws and Regulations**

### **4.1 Realize the systematization of tax management information**

Through the exploration and implementation of the "three linkage" model, the systematization and full staff of tax management have been achieved, and management innovation in tax risk prevention has been achieved. One is to fully utilize information management methods to conduct tax risk assessment, reasonably utilize various qualitative and quantitative analysis methods, and strive to comprehensively and systematically grasp tax risks. The second is to strengthen the supervision process of tax risk prevention, establish an effective supervision mechanism, establish a regular inspection system in implementation and practice, effectively control all aspects of tax risk, and achieve effective "Pre-audit, in-process supervision, and post evaluation". The third is to improve the company's risk management emergency measures and enhance its ability to respond to emergencies.

### **4.2 Reduce the risks and hidden dangers of tax management**

(1) Strengthen the management foundation and strictly control invoice risks and hidden dangers. By establishing a sound invoice management system, clarifying departmental responsibilities, and combining regular and irregular inspections, as well as internal and external inspections, the hidden dangers of invoice management can be comprehensively blocked; Establish an invoice warning indicator system to alert potential invoice risks and prevent the risk of false invoicing; Strengthen training for invoicing personnel in terms of business processes, policy level, warning education, etc., and enhance employees' awareness of risk prevention and control; In response to the development of new businesses and the emergence of new risk points, actively coordinate with business and information departments, continuously improve and improve the functionality of invoice management systems, and technically plug invoice risk loopholes.

(2) Risk management should be moved forward and dynamic. The tax department will continue to improve the tax risk prevention system, strengthen the construction of risk management systems, apply information management methods, strive to move forward risk control nodes, dynamically monitor key indicators in real-time, and enhance the ability to accurately warn and control risks. Strengthen publicity and implementation, strengthen internal control environment and execution awareness, and deepen internal control improvement actions; Implement tax risk warning and tracking to prevent major financial risks; Improve the level of tax audit, do a good job in closed-loop management of consumer inspection issues, and shift from "addressing symptoms" to "addressing root causes".

## **5. Conclusion**

By constructing a "three linkage" tax management system and applying the concept of industry tax integration, we have achieved systematic arrangements such as platform design, business planning, contract arrangement, tax planning, tax management, and invoice management. This has optimized the resource investment and efficiency improvement of the company's tax management, and achieved a comprehensive and coordinated development of tax management and risk prevention. The company's tax management level continues to improve, and tax risk control efforts continue to strengthen, providing strong financial support for the company's lawful and compliant operation.

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