

# TAX CONTROL FRAMEWORK - DEFINITIONS

I  
N  
C  
O  
N  
T  
R  
O  
L  
M  
O  
D  
E  
L



**COMPLIANCE MODEL**  
Which tax declarations are in time and completed?

**AUDITOR**  
Afterwards an audit to ensure risk control actions are well executed

## TAX CONTROL FRAMEWORK - DEFINITIONS

| Definition   | Description  |
|--|--|
| <b>1 Create new event</b>  |  |
| Business Group    | A business group is an organizational entity as per HFM and consisting of one or more business units. The business group (BG) is represented by a blue icon.   |
| Business Unit     | A business unit is an organizational entity as per HFM and consisting of one or more reporting entities. The business unit (BU) is represented by a green icon.  |
| Reporting entity  | The reporting entity is the HFM entity code as per HFM. Every reporting entity is linked to a legal entity. The reporting entity is represented by a yellow icon.  |
| Legal entity   | The statutory entity as incorporated under the local law. Every legal entity is linked to a country.   |
| Event  | Any occurrence (once-off or recurring) that potentially has a material impact on the business and therefore falls within the scope of the TCF standard agenda.   |
| Event (once-off)   | Example 1: Change in business organization and / or resources.<br>Example 2: Change in sales and purchase streams.<br>Example 3: Change in the tax rate or legislation.  |
| Event (recurring)  | Example 1: Repetitive business processes such as customs clearance of goods.<br>Example 2: Regular returns / declarations: CIT, VAT, Wages tax, Grants, Packaging, Statistics etc.   |
| Internal event   | An event occurred as a result of the internal business processes   |
| External event   | An event occurred outside the influence, for example a change of legislation.  |
| <b>2 Evaluate impact of event</b>  |  |
| Master file  | This file describes the activities and properties for transfer pricing purposes.   |
| Local file   | This file describes the activities and properties of a reporting entity for transfer pricing and other purposes. All local files in a country together will form the country file.<br>A local file has a standard format, covering transfer pricing and other business processes.                          |
| <b>3 Insert tax risks for the event</b>  |  |
| Tax types  | The various taxes that exist like CIT, VAT, Wages tax, Customs, etc.   |
| Tax risk areas   | Specific tax areas like thin capitalization for CIT, tax free remunerations for wages tax, invoice requirements for VAT.   |
| Tax risk   | An attention point or opportunity from a tax point of view.  |
| <b>4 Assess tax risk</b>   |  |
| Impact   | The assessment of given parameters in the financial and non financial area will result in the risk index (low, medium, high, very high). The importance impact rule allows to separately increasing the overall importance in case of a low financial impact in conjunction with a high reputation impact. |
| Financial area   | The financial area that is affected by the risk. Standard this is "Tax area".  |
| Non financial area   | The non financial area that is affected by the risk. Standard this is "Financial Reputation".  |
| Transfer pricing   | Tick the box when the risk is related to transfer pricing.   |
| Organisation   | Tick the box when the risk is related to a change in the organization.   |
| Stakeholder  | A person, group, organization or system that is affected by the risk. Standard this is "Authorities".  |
| <b>5 Control tax risk</b>  |  |
| Control types  | Determine how the risk will be managed: avoid, reduce, share or accept.  |
| <b>6 Define and assign risks control actions</b>   |  |
| Control task   | A regular task to control the risk of an event.  |
| Tax return task  | A task in conjunction with tax return of a legal entity.   |
| Crisis task  | A crisis task is assigned when a control task is not done in time or not properly done.  |
| Audit task   | A task assigned to an auditor to audit a (completed) event.  |
| <b>7 View My events</b>  |  |
| Open event   | An event which is not assessed yet.  |
| Pending event  | An event which is being assessed.  |
| Completed event  | An event which is already assessed and any tasks executed.   |
| Inactive event   | A completed event which is deactivated by the tax coordinator as no longer relevant.   |
| Refused event  | An event which has been refused by the tax coordinator as not relevant for tax purposes.   |
| <b>8 View My events</b>  |  |
| Accountable  | Ultimately responsible for having the task executed.   |
| Execution  | Responsible for executing the task, through delegation from accountable person.  |
| Consulted  | Internal or external person to be consulted.   |
| Informed   | Internal or external person to be informed.  |