

# Tax Control Framework

## Are you in control of your tax risk management?

New and rapidly changing legislation creates greater compliance challenges for CFOs and tax directors. The increasing tax reporting obligations required by the Dutch tax authorities, regulators and other stakeholders make it even more important to identify and manage your tax risks. How do you do that? As CFO or tax director of an (international) organization, you must be able to address these issues.

If you're a CFO or tax director, one of your responsibilities is to keep an eye on the interests of your organization. Besides paying the legally required (minimum) tax, you might also have an opinion on whether your organization is paying its 'fair share'. As the interests of your stakeholders increase, the boardroom is finding tax risk management ever more important. So make sure that you can provide a clear view of your organization's tax position.

## Horizontal Monitoring further developed

The Dutch tax authorities uses 'Horizontal Monitoring' which enable them to work together with you as a taxpayer. Horizontal Monitoring was further developed in 2020 and this new regime will come into effect as of 2023. There is a transition period until that time.

## Can you take part in the new regime?

Under the new regime, the Dutch tax authorities have established three groups of taxpayers who can take part in Horizontal Monitoring:

1. The so-called 'top 100' largest and most complex Dutch taxpayers. The Dutch tax authorities will set up an individual monitoring plan for each member of this group.
2. Taxpayers with obligations for annual accounts, as defined in Book 2, Title 9 of the Dutch Civil Code. Members of this group can make individual agreements with the Dutch tax authorities.
3. Other taxpayers. Members of this group can only take part in Horizontal Monitoring under the provisions of a tax service provider covenant. Grant Thornton is one of the organizations qualified to act as an official tax service provider.

### What are the criteria you have to meet?

This applies to all groups of taxpayers. You can only take part in the further developed Horizontal Monitoring scheme if:

- You are open to being transparent and cooperative.
- You have a modern approach to tax control and can demonstrate this.

### What benefits does the new regime offer you?

If you take part in the further developed Horizontal Monitoring scheme, then:

- You will be informed on the correctness of your tax declarations faster than usual.
- The Dutch tax authorities will prioritize your queries.
- There will be a better understanding between you and the Dutch tax authorities.

### What can you expect from the Dutch tax authorities?

Under Horizontal Monitoring:

- The Dutch tax authorities will adjust the methods and intensity of the monitoring to suit the level of your tax control.
- The Dutch tax authorities will go from making reactive checks (over the previous years) to proactive cooperation (which offers certainty and works with current data).
- The relationship between your organization and the Dutch tax authorities will be based on trust, mutual understanding, and transparency.
- You can apply Horizontal monitoring to all kinds of taxation such as corporate income tax, VAT and payroll tax.

# Tax Control Framework gives you a clear view on your tax position

When it comes to tax risks and the periodic reporting of your tax position, the Tax Control Framework offers you a systematic approach so that you can meet the increasing expectations of stakeholders in organizations operating in the Netherlands and internationally (including the Dutch tax authorities). The Tax Control Framework is effective because:

- It is an important mechanism for internal control within your own organization.
- It helps ensure that your tax declarations are both complete and correct.
- It enables you to see into the most important tax domains affecting your organization.
- It makes it possible for you to manage your tax risks.

## What does an effective Tax Control Framework do for you?

If you have an effective Tax Control Framework, then:

- It offers you and other stakeholders, such as the Dutch tax authorities, a clear view on your tax position and its relevant tax risks.
- It drastically reduces the number of checks and (expensive) discussions with tax authorities.
- It improves your relationship with the Dutch tax authorities and sends a positive message to your other stakeholders.

## How will the Tax Control Framework be affected by the new regime?

When it comes to the further developed Horizontal Monitoring scheme, the Dutch tax authorities have said that it will monitor the application and design of the Tax Control Framework more closely in the future. We use the Tax Control Framework to map out the tax processes of your (internationally operating) organization so that you can manage your tax risks. This means that you have:

- A view into your current tax data and reports.
- An overview of your tax positions.
- Efficient and user-friendly software to help you identify and manage your tax risks.



## The benefits of a Tax Control Framework

- It offers a view into your processes and tax risks.
- It helps you implement new (international) legislation and its associated compliance obligations.
- It makes it easier for you to manage and train employees responsible for tax-related work.
- Everything needed to use a Tax Control Framework is in the cloud and accessible from anywhere.
- It makes it easier for your organization to comply with Horizontal Monitoring's covenant requirements should you wish to take part.



## The benefits of our Tax Control Framework

- Quick and easy to implement.
- Strong reporting capabilities.
- Fully operable from the cloud and therefore easy for your IT department to handle.
- Built on years of practical experience with Tax Control Frameworks.
- Maintenance and updates can be carried out internally within your organization or we can do it for you.
- Cost efficient.

## Contact

Do you have any questions or would you like more detailed information? Then please get in touch with one of our experts.



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