

NEW APPROACHES TO ASSESSMENT OF TAX RISKS

Armenian State University of Economics

ASHOT MATEVOSYAN

Dean, accounting and auditing, Doctor of Economic Sciences,

Armenian State University of Economics

VAHAN BAGHDASARYAN

Vice-Dean Department of finance, PhD in Economics

Financial activity involves organizations numerous financial risks, the management of which is important factor in improving and maintaining the stability of the financial management of the organization. The most significant financial risks are the risks of tax, as tax-related financial activities of all spheres of organizations. The high relevance of tax risk management determined a significant share of tax payments in the total amount as expenses and cash outflows, as well as sufficiently high level of tax burden Armenian commercial organizations.

In Armenia, the issue of taxation has always been one of the key in the economy. Any organization puts one of his goals for the reduction of the tax burden legal and sometimes illegal ways. The imperfection of the Armenian legislation creates opportunities for taxpayers to resolve these assignments. Mostly lies another problem - to apply to the taxpayer liable for the illegal actions or deliberately distorted use of the methods of tax optimization, which creates conditions for the organization of the so-called tax risks. Tax risks have significant importance in the financial management system, as a tax relations mediate the majority of financial transactions and, therefore, are an important factor in determining their effectiveness. Criteria for assessing the quality of the decisions made on the effects of the parameters of taxation of business entities in the financial management should be not only maximize the financial result and cash flow in order to strengthen the financial condition and increase the market value of the organization, but also to minimize the risks of that effect.

And in view of the impact of the tax value of the financial risk performance and cash flows for tax planning can be calculated only approximately, in the case of significant deviation is adoption may result inef-

efficient management solutions in the area of tax management. Thus, the purpose of assessing the tax is to reduce the risks of uncertainty of information used under the influence of the parameters of tax entity.

Tax risk is appropriate to consider as a variety of financial risks, because the tax planning as a result of the application of any tax schemes arise financial losses. The calculation of the uncertainty that arises in the course of solving the problems of tax planning particularly relevant, as some of the developed tax schemes to optimize the existing model taxation, designed to minimize the maximum financial risk.

The tax risk should understand the danger of the subject of legal financial tax incur (and other) losses associated with the process of taxation, due to the negative deviations for the subject of suspect, based on the existing rules of law, conditions of the future, the rate of which they make decisions in the present or the possibility of additional benefits (income) as a result of the positive deviations.

In order to take adequate measures to manage tax risk which is primarily of interest in the identification and assessment of tax risks with negative consequences. In formalized form definition of risk from the negative effects of tax planning is as follows.

Let F - objective function that determines the result of tax planning, F_1 - expected by the objective function; ΔF - area of uncertainty about the values of the objective function.

The uncertainty is the set of all values which are on the basis of available information which also can't be excluded as a possibility.

The risk of loss in tax planning (ΔpF) - a set of objective function values that belong to the area of uncertainty of about the values of the function, and that the firm is worse than expected value:

$$\Delta pF = \{ F \in \Delta F \mid F < F_1 \}.$$

The presence of target risk (ΔpF) is a consequence of the presence of risk factor (ΔPX). Thus, the presence of risk (ΔpF) due to the existence of uncertainty about the value of the vector of variables X function $F(X)$:

$$\Delta pX = \{ X \in \Delta X \mid F(X) \in \Delta pF \}.$$

In turn, the vector of variables X may be a function of other variables: $X = X(Y)$, etc. Thus, we can speak of the factor of risk of first, second and subsequent levels. Identified causal relationships can be the basis for

hazard classification in tax planning, in which each risk corresponds to a certain level of the hierarchy. Building on the concept of trust and risk factor in tax planning and applying the method of logical modeling, tax risks can be categorized by the following signs.

1. By subjects carrying the tax risks,
2. On the factors determining the financial risk,
3. The object with other types of risk,
4. By type of consequences for businesses,
5. The magnitude of potential losses,
6. By the time of.

The tax risk should understand the danger for the subject to suffer financial loss as a result of tax relations due to the negative deviations from the expected future conditions, the rate of which they make decisions in present, or the ability to obtain additional benefits (income) as a result of positive deviations.

From the mathematical point of view, the risk of loss in tax planning (ΔpF) - the set of values of the objective function, which belong to the domain of uncertainty about the values of this function, and firm is worse than the expected value. The presence of target risk (ΔpF) is a consequence of the presence of risk factor (ΔPX). Thus, the presence of risk (ΔpF) due to the existence of uncertainty about the value of the vector of variables X function $F(X)$. In turn, the vector of variables X can be function of other variables: $X = X(Y)$, etc. Thus, we can speak of risk factor of the first, second and subsequent levels.

The variety of forms of the economic risks suggest a variety of methods of assessment. Risk assessment is the identification of quantitative or qualitative way value (degree of) risk. The main objective of qualitative analysis is to identify potential risks and factors affecting the level of risk when adopting specific solutions. Quantitative analysis-the definition of an articular size of individual subtypes of financial risk and financial risk in population. Operated in the risk assessment of probabilistic models, the most suitable for the measurement of uncertainty, and serves a variety of risks. Moreover, the probabilistic nature of the category of “risk” specifies that a quantitative risk assessment can’t be mixed.

In absolute terms, the risk can be estimated by the magnitude of potential

losses, both in the form of increased costs and variances of income and profit to the downside compared to expected values. In relative terms, the risk can be defined as the value of possible losses, attributed to a base (assets, capital expenditures resources, expected revenue or profit). The probability of a risk event can be determined on the basis of two methods: the objective and the subjective. The concept of objective probabilities is based on the interpretation of probability as the limited value of the frequency at an infinite number of experiments. Objective method based by calculating the frequency with which a particular result was obtained in similar conditions.

To identify and assess the risk of the tax is needed above all and reliable information. Accounting sources to identify and assess tax risk are financial reporting, statistical reporting, operational accounting data, sample credentials. By assigning data sources in neglect audits, internal and external audit, the results of monitoring and inspections, and explanatory memoranda, correspondence with the financial and credit agencies. In addition, a risk analysis must take into account trends in the economy as a whole, the situation in the industry and to correlate them with the financial position of their own enterprise, with the existing investment plan and development of production, which is impossible without the involvement of appropriate planning and regulatory data contained in sections business plan, reference sources.

In order to assess the tax risk and to take appropriate decision as to provide baseline information about the carrier risk. This initial stage is called "risk identification" and involves two steps: selection of information about the structure of the object and detection of hazards or incidents. The main methods to obtain baseline information about the study include the following:

- a standardized questionnaire,
- review and analysis of primary documents and management financial statements,
- analysis of quarterly and annual financial reports,
- preparation and analysis of the organizational structure chart the enterprise,
- preparation and analysis of the maps of the process streams production governmental processes,
- inspection visits of production units,

- consulting professionals in the industry,
- the examination of documentation consulting firms.

In the third phase should also be a risk assessment.

The process of direct impact on the risk presented by scheme in three ways: reduction, preservation and transfer of risk.

The final stage of risk management is to control and adjust the outputs of the selected strategy in the light of new information. Control is to obtain information from the managers of the loss occurred and the measures taken to minimize them. It can be expressed in the new facts that change the level of risk that the transfer of this information the insurance company monitoring efficiency of security systems.

This technique will identify the current status of tax in the enterprise and to identify further measures to minimize tax risks.

Tax risk assessment must be present at each stage of tax planning, both strategic and current. Evaluation only the effectiveness of tax planning without risk factors could lead to incorrect management decisions, the implementation of which the financial loss or loss of profits caused by the effect of the tax component of risk to exceed intended effect of actions in the area of tax planning.

We offer a methodology for assessing tax risks which are based in following stages:

- Analysis of the information base;
- determination of the total tax burden;
- analysis of the share of taxes paid;
- Analysis of tax incentives;
- identification of problem areas;
- identification of tax risks;
- Organizational analysis of tax planning;
- assessing the accounting principles;
- diagnostics on individual taxes;
- an audit expression.

Overall, at the moment the problem of assessing and minimizing economic risk has been widely discussed in the scientific community, and in many large commercial structures, there are special services involved in risk management. The lack of in-depth studies tax risk issues determines the relevance of this manual and further research in this area.