



GUIDANCE FOR ASSESSMENT OF THE TAX CONTROL FRAMEWORK

INTRODUCTION

We invite you to explore our Co-operative Compliance Programme (CTCP) in more detail. To facilitate discussions during the intake phase, we provide not only the brochure but also this document, which can serve as a **guide** for **intake meetings**.

In this document, we describe the **building blocks** of the **Tax Control Framework (TCF)** that we use to assess its maturity. This approach aligns with the OECD's interpretation of a TCF. Additionally, we take into consideration the specific characteristics of your company, group, and sector, as well as any potential use of other compliance frameworks within your organisation.

Discussions occur in an **interactive dialogue** tailored to your company to ensure a tailored assessment. Elements that do not apply to your company are excluded.

It's important to note that a participant in the CTCP can continue developing the various components of their TCF, both during the intake phase and throughout the operational phase, provided there is a sufficiently mature TCF overall to be admitted to the CTCP. We will monitor this development to adjust our maturity assessment.

The elements mentioned in this guide do **not** constitute **an exhaustive list**, and additional elements related to the six building blocks may arise during intake discussions. While the six building blocks are interconnected, specific recommendations per block may be made at the end of the intake phase if necessary.

Some elements listed in this guide may not yet be fully provided and implemented during the intake phase. We will monitor these during the operational phase.

Absolute confidentiality of provided information and protection of personal data are, of course, of utmost importance to us and are correctly respected in accordance with all applicable laws and our employees' professional secrecy.

Do not hesitate to contact us if you have any questions. We are happy to assist you with your participation in the CTCP to collaboratively enhance tax compliance.

COMPANY AND INDUSTRY KNOWLEDGE

Aim: To understand the drivers behind transactions and activities.

<input type="checkbox"/>	Organisational structure
<input type="checkbox"/>	Industry characteristics
<input type="checkbox"/>	Challenges the company faces commercially and financially
<input type="checkbox"/>	Other company and industry knowledge

BUILDING BLOCK 1 – TAX STRATEGY ESTABLISHED

Aim: *Enabling the understanding of principles of corporate tax policy, VAT policy, payroll policy, transfer pricing policy... in the context of the general business strategy.*

The information we wish to discuss for this building block is:

- What is the tax strategy?
- What is the tax risk appetite?
- What are the tax objectives or KPIs?
- How do you engage with stakeholders?
- Is there a code of conduct and how does it function?
- What is the tone at the top regarding tax?

We look at not only the organisation of the tax department but also the so-called tax function within the company: all staff members and departments of the organisation with responsibility for tax matters.

Possible participants during the intake meeting Building block 1: tax function of the company, risk management.

1. VISION AND MISSION OF THE COMPANY

<input type="checkbox"/>	Mission, vision and values of the company/group
<input type="checkbox"/>	Tax strategy of the company/group
<input type="checkbox"/>	Periodical update of the tax strategy (frequency, validation processes, communication to stakeholders)
<input type="checkbox"/>	Person responsible for <ul style="list-style-type: none">• the development of the tax strategy• the communication of the tax strategy• the validation of the tax strategy• the (self-)evaluation of the tax strategy• the update of the tax strategy• the compliance with the tax strategy

2. RISK APPETITE

<input type="checkbox"/>	Tax risk appetite of the company/group (positioning in line with the tax strategy)
<input type="checkbox"/>	Responsibilities in terms of defining risk appetite within the company
<input type="checkbox"/>	Key risks and corresponding controls linked to tax strategy (tolerance thresholds determined according to risks involved, their completeness)
<input type="checkbox"/>	Tax uncertainties: identification of these uncertain or material tax positions (documenting the decision-making process, documented and centralised in a register)

3. GOALS, OBJECTIVES AND KPIS FOR TAX AND THE COMPANY'S TAX DEPARTMENT

<input type="checkbox"/>	Strategic and operational objectives on tax strategy
<input type="checkbox"/>	Tax relevant and compliance KPIs (list, identification, follow-up...)

4. STAKEHOLDER MANAGEMENT – COMMUNICATION OF TAX STRATEGY AND POLICY (INTERNAL AND EXTERNAL)

<input type="checkbox"/>	List of internal stakeholders involved in defining and implementing the tax strategy
<input type="checkbox"/>	List external stakeholders involved in the implementation of the tax strategy
<input type="checkbox"/>	Communication of the tax strategy to different stakeholders
<input type="checkbox"/>	Communication of the risk appetite to different stakeholders

5. TONE AT THE TOP & ETHICS

<input type="checkbox"/>	Code of conduct of the company/group
<input type="checkbox"/>	Communication on code of conduct
<input type="checkbox"/>	Reporting tax topics to senior and top management

BUILDING BLOCK 2 - RESPONSIBILITY ASSIGNED

Aim: Understanding the internal organisation of large companies and interdependencies between strategic and operational functions.

- Through **organisation charts**, we want to understand how the company is organised and the position of the tax department within the company.
- We also take a closer look at the content of roles and responsibilities and function descriptions **within the processes and at recruitment**.
- We also look at the roles and responsibilities of external **specialists** such as auditors, tax consultants, the SSC.

We also want to learn more about the internal lines of communication and interactions between the tax department and other departments (HR, sales...), tax training for employees of the tax department as well as for employees whose activities have an impact on tax and the continued training plan. An RA(S)CI model or similar is a good instrument to assess this building block.

Possible participants during intake meeting Building block 2: tax function, risk management, HR coordinator assigned to the tax department.

1. ORGANISATIONAL STRUCTURE

<input type="checkbox"/>	Organisational structure and organisation chart of the group/company
<input type="checkbox"/>	Person responsible for the organisational structure: assessment, evaluation, revisions...
<input type="checkbox"/>	Human resource management (career development, incentives, evaluation, sanctions...) tax relevant functions
<input type="checkbox"/>	Periodic update of organisational structure and human resources management
<input type="checkbox"/>	Decision-making or advisory committees within the company and situate tax function

2. ROLES AND RESPONSIBILITIES (TAX DEPARTMENT AND TAX FUNCTION)

<input type="checkbox"/>	Functions responsible for developing and maintaining the TCF, areas of responsibility and allocation of tasks linked to the various levels of the organisational structure
<input type="checkbox"/>	Function descriptions stating competencies and periodic evaluations
<input type="checkbox"/>	Division/segregation of duties (e.g. RA(S)CI matrix) and corresponding actions
<input type="checkbox"/>	Decision-making or advisory committees in the company on which the tax function is represented
<input type="checkbox"/>	Communication within tax function and updates on tax
<input type="checkbox"/>	Roles and responsibilities of external specialists such as financial service providers, auditors, tax advisors, IT specialists, SSCs (Shared Service Centres)

3. TAX SKILLS

<input type="checkbox"/>	Key tax functions
<input type="checkbox"/>	Necessary skills per tax function
<input type="checkbox"/>	Training plan to stay up-to-date with changes and developments and annual follow-up of this training plan
<input type="checkbox"/>	Periodic evaluation of tax objectives
<input type="checkbox"/>	Lines of communication between the tax department and the other operational departments (through committees, information sessions, newsletters, intranet)

4. RISK MANAGEMENT AND COMPLIANCE SKILLS

<input type="checkbox"/>	Knowledge level of employees on compliance and risk management
<input type="checkbox"/>	Given training on compliance and risk management
<input type="checkbox"/>	Periodic review : annual assessment or KPI

5. DELEGATIONS AND AGREEMENTS

<input type="checkbox"/>	Delegations of authority : description, communication, update and monitoring
<input type="checkbox"/>	Service level agreements (related to tax) with external service providers (validation of tender specifications, evaluation of conformity of services provided)

BUILDING BLOCK 3 - APPLIED COMPREHENSIVELY

Aim: *Understanding the process-oriented approach for tax risk management and the meaning of 'change management' of tax functions within companies*

We ask within this building block to go over the **tax-relevant business and tax processes** with us.

We look at both **manual and automated tasks**.

The existence of

- **soft controls** and the whistleblower scheme that allows reporting errors and
- the tax and general business code of conduct

is also part of it.

We assess not only tax processes, but also processes with a tax impact.

Examples of participants during the intake meeting Building block 3: tax function, departments responsible for processes with a significant tax impact (e.g. finance department), risk management, compliance.

1. PROCESSES AND PROCEDURES

<input type="checkbox"/>	Process inventory/handbook
<input type="checkbox"/>	Process owners
<input type="checkbox"/>	Documentation on processes (flowcharts, process descriptions...) and controls
<input type="checkbox"/>	Periodic update of processes (flowcharts, process descriptions, in case of changes in tax legislation...) and controls
<input type="checkbox"/>	Communication and consultation processes
<input type="checkbox"/>	Link organisational chart/RACI matrix/function description and processes
<input type="checkbox"/>	Automated processes
<input type="checkbox"/>	Manual processes and semi-automated processes and manual interventions
<input type="checkbox"/>	Segregation of duties: incompatible tasks within a process and separation of these tasks
<input type="checkbox"/>	Tax processes and other tax-relevant processes
<input type="checkbox"/>	Identified tax-related risks associated with these processes
<input type="checkbox"/>	Main types of taxes and their identification methods
<input type="checkbox"/>	Tools supporting these processes (ERP, tax software, end-user computing tools such as Excel...)

2. IMPORTANCE OF TAX

<input type="checkbox"/>	Presence of objectives for measuring process effectiveness (register of incidents, list of process anomalies)
<input type="checkbox"/>	Communication to the tax department in case of process changes (evaluation of direct or indirect tax impact of changes in processes)
<input type="checkbox"/>	Tax issues on the agenda of various decision-making/business committees

3. (SOFT) CONTROLS

<input type="checkbox"/>	Hard controls (e.g. identity/access management - IAM) and/or soft controls (e.g. ESG policies)
<input type="checkbox"/>	Code of conduct, inclusion policy, satisfaction surveys... communicated and respected
<input type="checkbox"/>	Procedure in case of identified errors
<input type="checkbox"/>	Whistleblowing procedure

4. INTRODUCING CHANGE MANAGEMENT PROCEDURES

<input type="checkbox"/>	Communication of tax changes and other legislative, staff changes, organisational and business changes
<input type="checkbox"/>	Identification of key elements of change management that are important to be in control
<input type="checkbox"/>	Identification and treatment of risks and opportunities arising from the changes
<input type="checkbox"/>	Formal processes on change management legislative changes, organisational changes... and action plans

5. CLEAR LINES OF COMMUNICATION ON TAX ISSUES WITH INTERNAL AND EXTERNAL STAKEHOLDERS AND LINES OF ACCOUNTABILITY

<input type="checkbox"/>	Procedures, process communication plans for internal and external stakeholders
<input type="checkbox"/>	Lines of communication for internal and external stakeholders incorporated into processes

BUILDING BLOCK 4 - GOVERNANCE DOCUMENTED: TAX GOVERNANCE & RISK MANAGEMENT

Aim: Understanding and comparing internal risk management guidelines within organisations.

In this context, we mainly ask about the comprehensive **risk management strategy** including tax and reporting

- **Procedures** for identifying key **risks** that may have a tax impact. These risks can be at strategic, operational, financial and reputational levels.
- Concerning these identified key risks, the following aspects have to be determined
 - the **impact** and the **likelihood** of their occurrence
 - as well as the **measures and controls to mitigate these risks**.

Here it comes down to showing us how the framework works.

Examples of intake meeting participants Building block 4: tax function, risk management.

1. AT THE LEVEL OF THE COMPANY AS A WHOLE

<input type="checkbox"/>	Risk management policies (update, ownership, validation process...)
<input type="checkbox"/>	Persons of contact in the different operational departments and their cooperation with the risk management department and the person in charge of risk management
<input type="checkbox"/>	Methodology for the identification and follow-up of risks
<input type="checkbox"/>	Methodology for the identification and follow-up of incidents
<input type="checkbox"/>	Person responsible for updating this list of risks and incidents
<input type="checkbox"/>	Tools supporting risk management (ERP, tax software, end-user computing tools such as Excel , GRC tool...)

2. AT THE TAX RISK LEVEL

<input type="checkbox"/>	Identification of key risks that are tax-relevant (e.g. tax risk register)
<input type="checkbox"/>	Update key risks and controls that are tax-relevant
<input type="checkbox"/>	Measurement of these risks (determine importance: likelihood, impact and materiality thresholds)
<input type="checkbox"/>	Validation process for the list of key risks and control measures at tax level and action plans
<input type="checkbox"/>	Reporting on these risks and control measures (e.g. dashboard)
<input type="checkbox"/>	Monitoring of control measures

<input type="checkbox"/>	Indicators for monitoring these risks (Key Risk Indicators, KRI) and periodic reporting and communication on them (key risk report)
<input type="checkbox"/>	Monitoring process in case the acceptance thresholds for these risks are exceeded (risk appetite specific to this risk) or in case the measures taken are not effective
<input type="checkbox"/>	Action plans (corrective measures taken...)

BUILDING BLOCK 5 - TESTING PERFORMED

Aim: Bridging generic risk management concepts to proper tax risk management

We focus on the tax-relevant part of internal audit and control and analyse the following components:

[1] **monitoring** and

[2] **maintenance** of control measures.

Among other things, we examine:

- How the **internal control system** is structured.
- What the **lines of defence** are and how internal audit and control works at local and group level.
- How the **testing** and **adjustment of control measures** take place.
- What is the **training** of employees on mastering these controls and compliance.
- How **reporting** on tested controls is done.
- How the **follow-up process** for any observations made is carried out both at internal audit/control and the tax department.

Our aim here is to reuse to the maximum extent possible the work that has already been carried out.

This does not mean that we cannot carry out our tests. These can then be done via statistical sampling but also the usual techniques within internal control such as observation and interviews.

Examples of intake meeting participants Building block 5: tax function, risk management, internal control, those responsible for operational-level controls.

1. METHODOLOGY, MONITORING, COMMUNICATION AND REPORTING

<input type="checkbox"/>	Design test plan, test process and test methodology (integration of tax relevant risks; manual, semi-automatic or automatic tests; segregation of duties has been applied; detective or corrective testing; segregation of duties has been applied; incidents and deficiencies; methodology used to determine sample size as a function of control frequency; testing techniques chosen such as interviews, observations, inspections, reperformance...)
<input type="checkbox"/>	Frequency of current test plan and testing schedule
<input type="checkbox"/>	Execution, monitoring, escalation and communication of (tax) test results
<input type="checkbox"/>	Report on test results and communication to stakeholders
<input type="checkbox"/>	Procedure in case of ineffective test and follow-up (action plans) and reporting on the action plan

BUILDING BLOCK 6 - ASSURANCE PROVIDED

Aim: *Understanding the approach and role of internal and external auditors in tax and the concept of tax assurance*

This building block can be seen as the overall result of all the other building blocks and should provide additional assurance to various stakeholders and, of course, within the CTCP, to the tax administration.

In the governance process, the assurance provided consists of an **internal and an external part**.

Here we will pay a bit more attention to the **role of external auditors** (4th line of defence) and the **concept of tax assurance**.

We would like also to reuse for this building block the work already done within the company, sharing internal and external audit and control reports can ease the work within the previous building block and the testing by the administration.

This building block is not always deeply developed within companies. Even within the OECD guidelines, it is the less developed building block. We, therefore, take this into account while assessing the tax control framework.

Possible intake meeting participants Building block 6: tax function, internal audit, external audit TCF.

1. INTERNAL AUDIT

1.1 METHODOLOGY

<input type="checkbox"/>	Audit Committee (composition, meeting frequency, reporting...)
<input type="checkbox"/>	Relationship between the audit committee and the internal audit department
<input type="checkbox"/>	Position of internal audit within the organisation (organisation chart) and within the group - Organisation of internal audit
<input type="checkbox"/>	Treatment of tax aspects within the internal audit process
<input type="checkbox"/>	Documentation and communication of audit report
<input type="checkbox"/>	Findings of the previous audit(s) related to tax
<input type="checkbox"/>	Periodicity of the internal audit missions and the audit plan
<input type="checkbox"/>	Materiality level used
<input type="checkbox"/>	Tax knowledge within the internal audit department and communication to tax and other departments

1.2 FOLLOW-UP

<input type="checkbox"/>	Reporting on results of the internal audit
<input type="checkbox"/>	Follow-up on any recommendations from internal audit: action plans and reporting to management on follow-up

2. EXTERNAL AUDIT

2.1 METHODOLOGY

<input type="checkbox"/>	Use of independent third party specialised in (non-)financial audit services to obtain assurance on the design and operational functioning of the TCF
<input type="checkbox"/>	Last two external audit reports of the statutory audit and the TCF audit
<input type="checkbox"/>	Materiality used by the external auditor
<input type="checkbox"/>	Methodology and scope of external audit
<input type="checkbox"/>	Treatment of tax issues within the external audit process

2.2 FOLLOW-UP

<input type="checkbox"/>	External auditor's conclusions regarding the statutory audit and the TCF audit
<input type="checkbox"/>	Processing of results
<input type="checkbox"/>	Follow-up action plans by an external auditor
<input type="checkbox"/>	Documentation and communication of results of external audit

3. MISCELLANEOUS

<input type="checkbox"/>	<p>Other compliance programmes</p> <ul style="list-style-type: none">• Authorised Economic Operator• other certificates• CTCP of third countries• GRI 207: Tax• CSR objectives (Corporate Social Responsibility)• ESG report (Environmental, Social, and Governance)• ...
--------------------------	---