

## *Original Paper*

# Construction of Enterprise Financial Compliance Management System in the Context of Digital Taxation

Guizi Li<sup>1</sup> & Binhui Guo<sup>1</sup>

<sup>1</sup> Guangzhou College of Commerce, Guangzhou, Guangdong, China

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### ***Abstract***

*In the context of digital taxation, constructing an enterprise financial compliance management system is an important means to ensure compliance with tax regulations, optimize tax management, and improve economic efficiency. As a crucial component of modern tax administration, "digital taxation" imposes new requirements on enterprise financial compliance management. This paper aims to explore how to construct an effective enterprise financial compliance management system under the backdrop of "digital taxation" to enhance the quality of accounting information and financial compliance, thereby reducing financial and tax risks and promoting the sustainable development of enterprises.*

### ***Keywords***

*Digital Taxation, Golden Tax Phase IV, Financial Compliance, Tax Compliance*

## **1. Necessity of Enterprise Financial Compliance Management under "Digital Taxation"**

"Digital taxation" refers to a management model that utilizes information technology, especially modern digital technologies such as big data, cloud computing, and artificial intelligence, to optimize and reconstruct the entire tax management process, thereby enhancing tax administration's efficiency and effectiveness. Under the context of digital taxation, tax authorities demand higher transparency and real-time requirements for enterprise financial data. Therefore, enterprises need to construct financial compliance management systems adapted to these requirements to meet the challenges of the digital era. Enterprise financial compliance management can assist enterprises in effectively responding to regulatory requirements from tax authorities, ensuring the authenticity, accuracy, and completeness of

financial reports, avoiding tax risks, reducing tax penalties, and thereby protecting the brand reputation and economic interests of enterprises. The necessity of financial compliance is mainly manifested in the following aspects:

Firstly, financial compliance can standardize enterprise operations, help enterprises comply with accounting laws and regulations, avoid losses and risks caused by illegal behaviors, and thereby protect the legitimate rights and interests of enterprises.

Secondly, financial compliance can promote improving management level and efficiency, and reduce tax risks. For example, by establishing sound financial management systems, strengthening internal controls and supervision systems for financial audits; enhancing the transparency and efficiency of company operations, preventing and resolving financial and tax risks; improving the management level and efficiency of enterprises, reducing operating costs, and thus enhancing profitability.

Thirdly, financial compliance can enhance the sense of social responsibility and credibility of enterprises. If enterprises can achieve legal and regulatory compliance in financial and tax matters, they can not only gain trust and support from governments, customers, and society but also establish the social image and credibility of enterprises, enhancing their market competitiveness.

Fourthly, financial compliance can help enterprises seize opportunities to enter the capital market. When financing or listing on the capital market, investors have extremely strict requirements for the financial and tax compliance of enterprises. Only compliant enterprises can obtain more financing opportunities and better market performance. (Wang, 2023) Therefore, financial compliance is the foundation and prerequisite for enterprise tax compliance, and the construction of an enterprise financial compliance management system is an inevitable path for enterprise tax compliance under the context of "digital taxation"

## **2. The Impact of Golden Tax Phase IV on Enterprise Financial Supervision**

1) Characteristics of Golden Tax Phase IV The Golden Tax Project is a national-level e-government project approved by the State Council and is one of the "Twelve Gold Projects" of national e-government. It encompasses various tax management information system projects. The project has evolved through three phases, namely Golden Tax Phase I, Phase II, and Phase III. Currently, Phase IV, characterized by "digital taxation," has officially commenced pilot operation. The characteristics of Golden Tax Phase IV mainly include: Firstly. Comprehensive Monitoring of Business Operations: Golden Tax Phase IV enables more comprehensive monitoring of business operations. In addition to monitoring enterprise income, costs, expenses, and profit levels, the information system can also monitor non-financial information such as enterprise social security information. (Liu, 2022) Secondly, Information Sharing: The system facilitates information sharing among various government departments and commercial banks, including enterprise bank account information, social security data, and cash flow. Thirdly. Effective Information Verification: Golden Tax Phase IV enables effective information verification, such as inquiries into the personal information of responsible persons in

enterprises, tax status, and enterprise registration information. Fourthly, Smart Tax Administration: Golden Tax Phase IV achieves "cloudification" integration, enabling comprehensive monitoring of enterprise business processes. Its fundamental logic lies in creating "one-stop" and "one-person" digital tax accounts for taxpayers, facilitating intelligent aggregation and monitoring of tax information for each legal entity and individual taxpayer. Furthermore, it promotes the deep integration of tax, finance, and business, shifting the "contact points" between taxpayers and tax authorities from the past "after-tax" association to the present "tax-related" association, even extending to the "pre-tax" stage. (Shang, 2023) This integration embeds tax rules, algorithms, and data directly into taxpayer business operations.

2) Impact of Golden Tax Phase IV on Enterprise Financial Supervision The operation of Golden Tax Phase IV has a series of impacts on enterprise financial supervision and management, including changes in invoice management, taxpayer management, management of various financial data within enterprises, and tax-related procedures.

First, Invoice Management: Enterprises' invoice data applications are automatically calculated for tax amounts with each transaction activity, and relevant tax declaration forms are automatically pre-filled, achieving integrated tax declaration. Golden Tax Phase IV promotes the full electronic processing of enterprise financial processes from invoice issuance, reimbursement, posting, and archiving to storage.

Secondly, Enterprise Financial Data: Golden Tax Phase IV comprehensively collects enterprise financial data through measures such as deploying electronic invoice systems and enhancing the direct submission of enterprise financial data. This means that all financial activities and tax information of enterprises leave traces in the tax system, providing tax authorities with a richer and more accurate data source for tax and accounting supervision. The collection of tax data indirectly enhances the authenticity and transparency of enterprise accounting data, necessitating enterprises to strengthen financial data management and enhance the quality of accounting information. Additionally, it strengthens the supervision of enterprise tax compliance, enabling tax authorities to timely identify tax violations through the analysis of enterprise financial data and prompting enterprises to enhance tax compliance management.

Thirdly, Higher Requirements for Enterprise Financial Systems and Fund Management: Golden Tax Phase IV imposes higher requirements on enterprise financial systems and fund management. In terms of financial systems, this includes internal systems, processes, the execution of systems, and internal oversight mechanisms within enterprises. Regarding fund management, it requires enterprises to comply with national laws, regulations, and industry norms to ensure the legality of fund sources and flows, as well as the safety, stability, and legality of funds, thereby avoiding legal risks and reputational damage from illegal activities. It ensures the legality, compliance, standardization, and efficiency of enterprise financial and business activities. (Guo, 2022) Enterprises need to continuously strengthen internal financial and tax compliance management efforts and fully utilize modern digital information technology to enhance supervision and management efficiency to adapt to these changes.

### 3. Elements of Enterprise Financial Compliance Management under Digital Taxation

Under the context of digital taxation, enterprise financial compliance and tax compliance are mutually interrelated and conditional, yet they also exhibit independent aspects. Adapting to the era of digital taxation, key elements of accounting compliance management for enterprises should encompass the following aspects:

1) **Digitalized Financial Reporting Management** The establishment of an enterprise financial compliance system must be grounded in digitalized financial management. (Guo, 2022) By introducing advanced financial information systems, enterprises can efficiently and accurately process financial data, thereby ensuring the authenticity and integrity of digital financial reports. Digitalized financial management not only enhances the efficiency of compliance processes but also provides a foundation for the construction of compliance systems. Digital taxation promotes the adoption of advanced financial management systems by enterprises, including financial software and data analysis tools. The application of these technologies enables enterprises to process financial data more rapidly and accurately, reducing the occurrence of human errors. The introduction of these technological means enhances the independence of financial compliance and reduces the potential for human manipulation. In the era of digital taxation, the primary task for enterprises is to ensure the digital compliance of financial reports. This includes accurately recording, reporting, and disclosing financial data to meet regulatory and tax requirements. Enterprises need to establish advanced financial information systems to ensure the authenticity and integrity of digital reports while employing techniques such as encryption and digital signatures to safeguard the security of financial data.

2) **Privacy and Security Management of Financial Data** In the era of digital taxation, enterprises face increasingly complex and diverse risks, necessitating the strengthening of digital monitoring to construct a financial compliance system. (Liu, 2022) By employing advanced digital monitoring tools, real-time monitoring and analysis of financial data can be achieved, enabling the timely identification of potential risk points. Digital risk monitoring helps improve the perception of compliance risks and provides more scientifically supported measures for enterprise risk prevention. As enterprises deal with a large amount of sensitive data in the era of digital taxation, privacy and security management of financial data have become integral components of compliance. Enterprises need to establish clear data privacy policies to regulate employees' handling of customer and internal data. Additionally, advanced data encryption, access control, and monitoring technologies should be employed to ensure the confidentiality and integrity of financial data, preventing information leakage and misuse.

3) **Management of Digital Invoice Issuance for Enterprises** Digital taxation advocates for electronic management of invoices, and enterprises should adapt to this trend to ensure compliant management of electronic invoices. This includes the lawful generation, transmission, storage, and retrieval of electronic invoices, as well as mechanisms for verifying the authenticity and integrity of electronic documents. Enterprises need to establish sound electronic invoice management systems to ensure compliance with tax regulations. Fully electronic invoices serve as essential evidence for economic

vouchers and accounting, aligning with the trend of the digital economy. Moreover, fully electronic invoices remain valid proof of transaction activities, statutory vouchers for financial income and expenditure, original basis for accounting, and important evidence for law enforcement inspections by higher supervisory and tax authorities. Fully electronic invoices possess the same efficacy as paper invoices, surpassing paper invoices in terms of security and convenience due to the adoption of state-of-the-art digital technologies. Management of digital invoices constitutes a crucial element of enterprise financial compliance management. (Hou & Bai, 2023)

4) **Compliance Risk Prevention Management** Digital transformation enables enterprises to utilize automated tools to monitor potential compliance risks. By establishing warning mechanisms and automated audit procedures, enterprises can promptly identify potential compliance issues and take corresponding measures. This automated risk monitoring mechanism enhances the independence of financial compliance and reduces reliance on manual intervention. In the era of digital taxation, where compliance risks are complex and varied, enterprises need to establish compliance risk monitoring and prevention mechanisms. By using intelligent compliance monitoring tools, enterprises can monitor and analyze financial data in real time, identify potential compliance risks, and take timely measures. Additionally, establishing an internal compliance training system can enhance employees' awareness of compliance risks and reduce the probability of non-compliance behaviors.

5) **Compliance Management of Tax Regulations under Digital Taxation** The construction of an enterprise financial compliance system must closely adhere to national and regional laws and regulations, adjusting strategies promptly to adapt to policy changes under digital taxation. It is recommended that enterprises establish professional legal teams to closely monitor regulatory updates, ensuring that enterprise financial and tax operations comply with the latest legal requirements, thereby reducing compliance risks. In the era of digital taxation, enterprises need to deeply understand and comply with relevant regulations to ensure the legality of business operations. This includes timely adjustments to enterprise financial management strategies to adapt to changes in tax policies and digital taxation regulations. Enterprises should establish specialized legal teams to closely monitor relevant regulatory updates, ensuring the legality and standardization of business activities. (Wang & Liu, 2022) Compliance management of enterprises cannot solely rely on technological means but also requires strengthening employees' professional training and awareness. By conducting regular compliance training, employees can understand the latest regulations and compliance requirements, enhancing their compliance awareness. Furthermore, establishing an internal reporting mechanism encourages employees to proactively report potential financial compliance issues, fostering a compliance culture involving all employees.

#### **4. Building Path of Enterprise Financial Compliance System under Digital Taxation**

Under the backdrop of digital taxation, strengthening accounting compliance construction can provide a solid foundation for tax compliance. The requirements of tax compliance also promote the

enhancement of enterprise financial compliance. Enterprises should actively utilize new technologies to improve their accounting management level and construct a financial compliance management system adapted to digital tax management while adhering to financial and tax legal norms.

1) Establishing Enterprise Compliance System and Strengthening Compliance Skills Training , enterprises should establish a sound set of accounting policies and internal control systems, clarify the responsibility system for tax compliance, including operational procedures and responsibility allocation for tax planning, declaration, payment, inspection, and risk management at various stages. (Wang & Chen, 2023) Secondly, enterprises need to identify applicable laws, regulations, and relevant guidelines for their financial activities, including national, regional, and industry financial regulations, accounting principles, reporting requirements, etc., and provide compliance training to ensure that all employees understand the company's financial policies, regulations, and guidelines, and comply with relevant provisions. Thirdly, regular compliance training for enterprise financial personnel and tax management personnel should be conducted to continuously improve their understanding and application capabilities of financial and tax laws, cultivate compliance awareness, and master the proficient use of digital tax management tools to ensure the effective implementation of enterprise financial compliance work. Fourthly, enterprises need to pay more attention to information transparency and social responsibility. By actively disclosing compliance reports, enterprises convey information about their compliant operations to shareholders and society, enhancing transparency. At the same time, actively participating in social welfare undertakings and fulfilling corporate social responsibilities not only contributes to the compliance image of the enterprise but also helps integrate into the overall development of society.

2) Strengthening Accounting Information System Construction to Achieve Data Accuracy and Authenticity, adopt advanced accounting information systems, and introduce technologies such as cloud computing and big data to improve data processing capabilities. For example, enterprises can utilize ERP, financial shared service centers, and other information technologies to achieve the automation of financial data processing and real-time monitoring, improving the efficiency and accuracy of data processing. At the same time, ensure timely and accurate submission of tax information through electronic data exchange with tax authorities. (Wang, 2022) Secondly, enterprises should establish a sound data management system. As the "Golden Tax III" is a fully digital tax system, its operation is based on accurate data, which requires enterprises to improve accuracy in data collection, input, and storage to enhance the accuracy, completeness, and timeliness of tax declaration and tax management. Ensure information security, strengthen network security management, and ensure the security and integrity of accounting information. Intelligent compliance auditing. Under the background of digital taxation, the application of intelligent compliance auditing tools becomes a key factor in enhancing independence. These tools, based on artificial intelligence and big data analysis, can comprehensively and deeply audit enterprise financial data to identify potential non-compliance behaviors. Intelligent compliance auditing not only improves audit efficiency but also reduces

subjective interference, thereby enhancing the independence of financial compliance. The construction of the above accounting information systems can realize the authenticity of digital behavior and fundamentally solve the management problems of digital invoices, making the process of issuing and using digital invoices more standardized and transparent.

3) Determining Internal Control Systems to Optimize Financial Compliance Management Processes

Establishing appropriate internal control systems is the basis of financial compliance. Internal control systems include clear policies, procedures, and control measures aimed at ensuring the accuracy, reliability, and integrity of financial information. Optimizing financial compliance management processes mainly starts from the following points: First, enterprises should establish internal financial risk control mechanisms that are suitable for their characteristics and can operate effectively. Improve internal control systems from aspects such as enterprise organizational structure, positions and responsibilities, identification, assessment, control, response, supervision, and improvement of financial risks, plan financial risk control, formulate full-process control measures covering major financial risks in various links, and prevent risks from the system level to help enterprises resist various financial risks. Secondly, conduct regular reviews and monitoring. Regularly review and monitor financial activities to ensure compliance. This includes internal audits and compliance reviews, which can be carried out through methods such as sampling inspections, verification of records, and review of reports. Monitoring mechanisms such as risk assessment, anomaly detection, and internal reporting can also help identify non-compliance behaviors and abnormal situations. Thirdly, compliance reporting and disclosure. Accurate and timely reporting and disclosure of company financial information are important aspects of financial compliance. According to applicable reporting requirements such as financial statements, tax declarations, annual reports, etc., ensure the transparency and accuracy of financial information. In addition, for publicly listed companies, compliance with relevant stock exchange and regulatory disclosure requirements is also required. Fourthly, supervision and improvement. Enterprises need to establish supervision and feedback mechanisms, jointly supervise mechanisms such as compliance management evaluation, compliance inspection, and compliance audit to timely discover and correct problems and loopholes in financial compliance, and continuously improve the processes and systems of financial compliance.

#### 4) Integrated Management of Business, Finance, and Taxation

On the one hand, the essence of "digitally-driven tax governance" lies in the evaluation of the logical coherence among business, taxation, and finance. On the other hand, there exists a close relationship between the business, taxation, and financial risks of enterprises, necessitating comprehensive planning for business operations. (Wang, 2023) Since business operations are generally guided by business, tax planning and finance can be pre-planned in business planning, with related risk points being pre-assessed and relevant contingency plans being formulated. Additionally, under the backdrop of "digitally-driven tax governance," tax planning and risk control should not rely on temporary "ideas" or

"accounting techniques" but should be based on "business adjustment, arrangement, and restructuring" and comprehensive financial planning (Hou, 2023).

Firstly, establishing a tax compliance information system is imperative. By establishing such a system, supervision and management of the tax declaration and payment process can be realized, thereby enhancing the accuracy and legality of tax declaration and payment. Secondly, establishing a tax data management system is essential. Through this system, the management and analysis of enterprise tax data can be achieved, providing data support for the management of tax compliance. Thirdly, establishing a tax compliance risk warning system is crucial. This system serves to alert and remind enterprises of potential tax risks, enabling timely measures to be taken to prevent and control tax risks. Fourthly, establishing a tax risk assessment and monitoring mechanism is essential. Regular tax compliance inspections and risk assessments should be conducted to promptly identify and address potential tax compliance issues, thereby reducing tax disputes and penalties. Additionally, through electronic data exchange with tax authorities, the timely and accurate submission of tax information can be ensured.

## 5. Conclusion

Financial compliance is a dynamic process, and with changes in regulations and standards, enterprises need to update and adjust their compliance measures promptly to ensure compliance with the latest requirements. The construction and implementation of a financial compliance system play a crucial role in establishing sound corporate governance and intelligent taxation. It is not only of significant importance to the enterprises themselves but also holds important value in protecting the interests of stakeholders and maintaining market order. When constructing a compliance system, enterprises should selectively choose appropriate strategies based on their characteristics and business needs to ensure that the financial compliance system can operate steadily and efficiently in the era of digital tax governance. This will contribute to improving the management level of enterprises, reducing compliance risks, and enhancing their competitiveness and sustainable development capabilities.

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