

Original Paper

Governance Pathways for Tax Risk Management by Tax Type in Sichuan Tobacco

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Received: March 15, 2026

Accepted: March 26, 2026

Online Published: March 30, 2026

doi:10.22158/jbtp.v14n1p54

URL: <http://dx.doi.org/10.22158/jbtp.v14n1p54>

Abstract

The traditional tax administration model is increasingly inadequate for the demands of high-quality, data-driven tax governance. To reduce tax management risks in the Sichuan tobacco industry and promote the sound development of cigarette taxation, a province-wide questionnaire survey was conducted to assess the current state of tax-type risk management. The results reveal prominent risk concerns, characterized by weak institutional mechanisms, limited information support, inconsistent standards, and evident governance gaps. In response, this study proposes an optimized framework for tax-type risk management based on four dimensions: top-level design, platform support, refined governance, and safeguard measures. The framework aims to advance a standardized model of digital tax risk governance and to provide theoretical and practical support for the modernization of tax governance.

Keywords

cigarette taxation, tax-type administration, risk status, governance pathways

1. Introduction

Tobacco taxation serves several policy goals, including fiscal revenue, public health, and industry regulation. As tax administration becomes more digital and intelligent, tax risk control is no longer shaped mainly by experience-based judgment. It is now moving toward a data-based approach that stresses top-level design, model assessment, tiered response, and coordination across departments (Chen, M. D., 2025, pp. 109-112; Chen, Y., 2018, pp. 63-67). Under this trend, many large business groups have worked to standardize internal rules, bring analytical models into risk control systems, and build digital support for the whole process (Li, D. Y., Liang, L., & Ma, Y. M., 2024, pp. 99-105). The growing complexity of tax administration and the expansion of cross-regional operations have also pushed firms to use new technologies in risk identification and compliance management (Li, X. N., Zhang, R., Li, J., & Jiang, D. K., 2020, pp. 37-42). For the tobacco industry, this means that institutional improvement and digital transformation need to move forward together, since long-standing problems in risk identification, coordination, and compliance still remain (Liang, L. J., Ye, H. S., & Huang, J. S., 2025, pp. 1-3).

The tobacco industry is linked to a complex chain of taxes, including excise tax, value-added tax (VAT), individual income tax, and corporate income tax (Liu, Z. A., Wu, Q., Sun, Q. M., & Han, X.,

2025, pp. 69-73). Excise tax risks mainly involve taxable pricing, extra-price charges, the treatment of special transactions, and changes across collection stages (Chen, M. D., 2025, pp. 109-112; Research Group of Shenzhen Tax Bureau, State Taxation Administration, 2023, pp. 109-112). VAT risks are mainly found in abnormal input tax credits, VAT refund claims, and the consistency between VAT treatment and corporate income tax treatment (Wen, Y. D., Huang, T., & Luo, L. Q., 2024, pp. 68-74). Corporate income tax risks are mostly related to cost allocation, book-tax differences, and the quality of annual reconciliation, while individual income tax risks are more often tied to weak compliance practices (Yan, B. T., 2020, pp. 29-34; Zhang, X. J., & Li, Q. Y., 2019, pp. 61-63). In Sichuan Tobacco, these problems are harder to manage because high tax burdens, strict regulation, and cross-regional operations exist at the same time. The situation is made more difficult by inconsistent standards across tax types, broken evidence chains, and the weak coordination of governance.

The above analysis shows that there is a clear tax risk management in other fields, and Sichuan tobacco is in the beginning stage. Most of the tobacco risk research is in the stage of policy research and judgment. The actual risk identification is mainly based on empirical judgment, and the tax risk management system is not constructed. There is a lack of uniform caliber standards for taxes, and the data channels between regions and levels are not opened and the consistency test is lacking. To this end, the research will improve the disclosure and analysis caliber, build a multi-tax risk analysis framework for tobacco enterprises in the province, propose an efficient tax risk prevention and control plan, and establish a “system-process-behavior” governance model. In order to improve the accurate identification and collaborative governance of tax risks in multi-tax, cross-regional and multi-level scenarios while complying with tobacco control policies and financial efficiency, it provides a set of tax risk response policies that can be evaluated and promoted for Sichuan Tobacco.

2. Research Design

2.1 Questionnaire Design

This study used a questionnaire survey built around the life cycle of tax-type management and the specific features of the tobacco industry. The questionnaire had two parts. The first examined the current tax-type management mechanisms and risk control practices of tobacco companies. The second focused on risk management in the main tax categories, including value-added tax, excise tax, corporate income tax, and individual income tax, so that comparable risk profiles could be developed for each category, as shown in Figure 1.

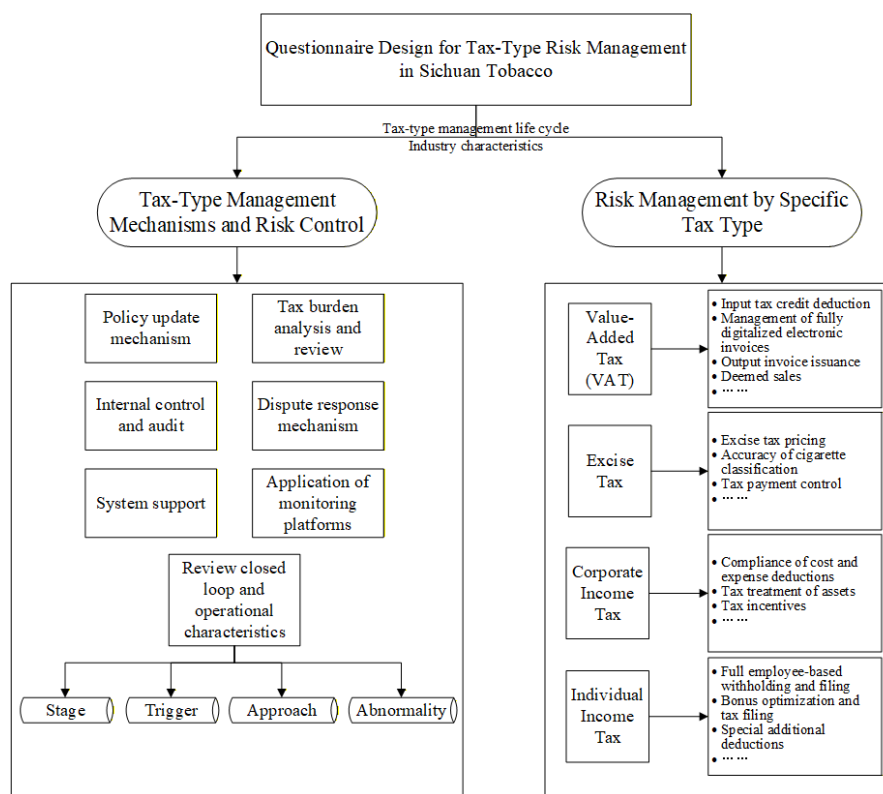


Figure 1. Questionnaire Design for Investigating the Current Status of Tax-Type Risk Management

2.2 Data Collection and Sample Description

The data were from 24 units of Sichuan Tobacco, covering all municipal units in the province. The questionnaire respondents were all professional leaders. The structured electronic questionnaire was used to ensure the professionalism and reliability of the data. The questionnaire recovery rate was 100 %.

2.3 Analytical Methods

The analysis method uses quantitative and qualitative analysis, quantitative surface analysis, qualitative deep excavation. The application of quantitative analysis is reflected in the elimination of outliers and invalid values. Descriptive statistics are used to analyze the distribution and frequency of each item score, describe the concentration trend and dispersion degree of core items and indexes, and quantify the management status. Qualitative analysis classifies and refines the current situation analysis, and excavates the deep causes and countermeasures behind the data. Through the mixing of methods, we can conduct a comprehensive analysis of the risk management of tobacco taxes in Sichuan, deeply interpret the internal logic of management, explore potential optimization paths, and lay a solid methodological foundation for the in-depth study of Sichuan tobacco tax from current situation description to problem diagnosis to solution measures.

3. Current Status of Tax-Type Risk Management in Sichuan Tobacco

3.1 Tax-Type Management Environment

This section examines the overall institutional setting of tax-type management. It looks at policy and internal control mechanisms, systems and monitoring, and the closed-loop process of audit and operation. The results are shown in Table 1.

Table 1. Analysis of the Current Status of Tax-Type Risk Management

Focus Area	Valid N	Mean	Median	Standard Deviation
Policy update mechanism	24	3.042	3.000	1.197
Tax burden analysis and review	23	3.348	4.000	1.301
Internal control and audit	23	2.696	3.000	1.396
Dispute response mechanism	23	2.783	3.000	1.278
System support	24	2.292	2.000	0.908
Application of monitoring platforms	23	2.043	2.000	1.224

As shown in Table 1, tax burden analysis and review received the highest median and mean scores, at 4.000 and 3.348. This suggests that most units have already formed routine practices for tax burden analysis and comparative review based on industry and historical data. Still, the standard deviation is relatively high at 1.301, which shows clear variation across units. Some units have not yet built a stable review mechanism. Policy update mechanisms, internal control and audit, and dispute response mechanisms all had a median of 3.000. Their mean scores ranged from 2.696 to 3.042, which suggests that these institutional arrangements have been put in place in many units, though their overall level is still only moderate. The relatively large standard deviations also show noticeable differences among units in both institutional development and actual implementation. System support and the use of monitoring platforms received the lowest scores. Their mean values were 2.292 and 2.043, and the median for both items was 2.000. This pattern reflects weak digital support and limited data-based management capacity across the province. Tax-type management in Sichuan Tobacco has, at this stage, built a basic institutional foundation, but problems in inter-unit balance, implementation quality, and digital support are still quite visible. These weaknesses continue to constrain the move away from reactive administration and make proactive risk prevention harder to put into practice.

3.2 Tax-Type-Specific Analysis of Risk Management Performance

The survey further looked at the main tax types currently prioritized by Sichuan Tobacco. These covered value-added tax, excise tax, corporate income tax, individual income tax, and four minor taxes. The results are presented in the figure below.

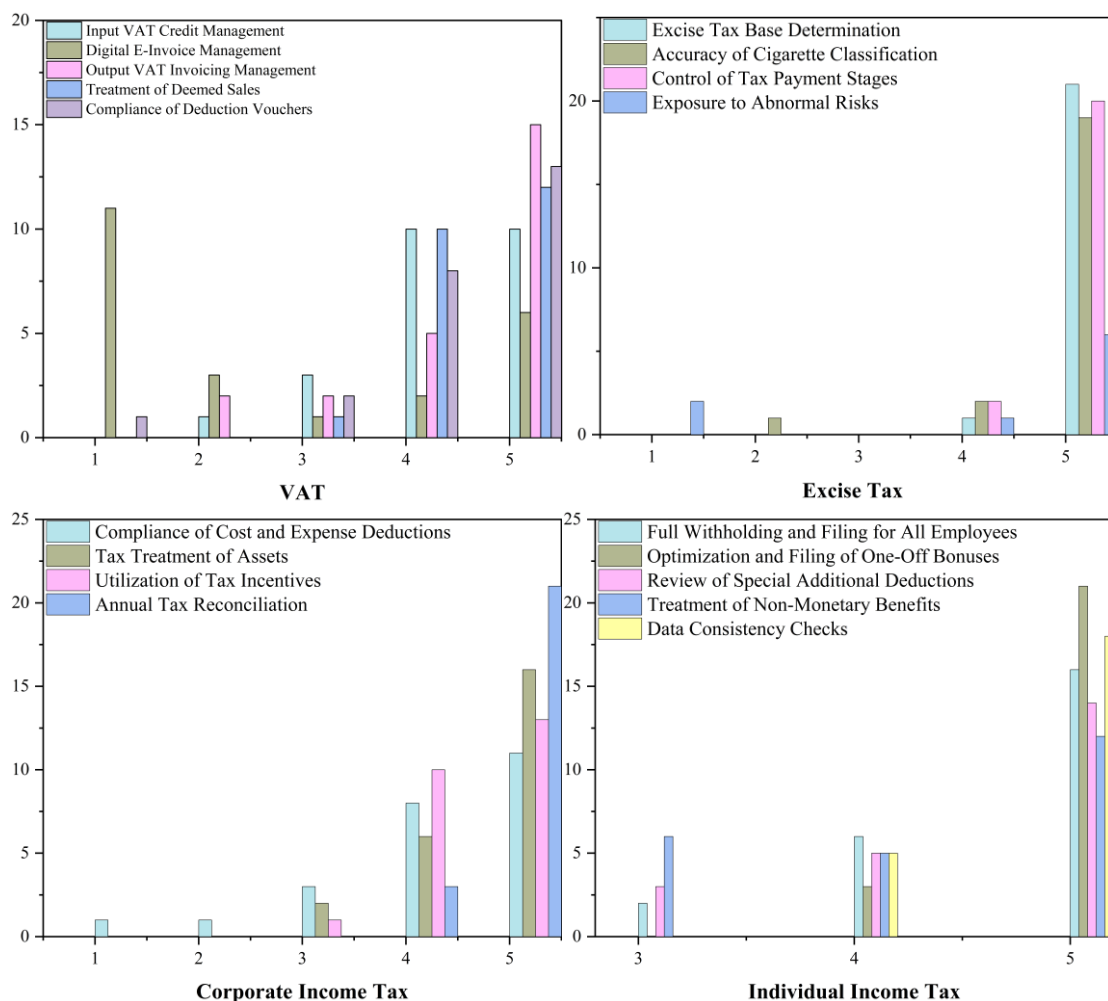


Figure 2. Risk Management Performance by Tax Type

As shown in Fig 2, the overall level of tax-type risk management is relatively high. Only a few clear gaps and limited abnormal risk exposure can be observed. For value-added tax (VAT), most indicators fall in the higher score range, which suggests a fairly solid foundation. The main weakness lies in digital e-invoice entry identification. This suggests that systematic risk control in VAT management still needs further improvement. Excise tax performs well in tax base determination, cigarette classification, and control over tax payment stages. This reflects clear rules, stable implementation, and a generally manageable level of abnormal risk. It also points to relatively strong compliance capacity in both institutional arrangements and staff performance. For corporate income tax, most indicators are concentrated in the upper-middle range, around a score of 4. This shows a reasonable level of competence in annual tax reconciliation and tax treatment. At the same time, weaker performance in cost and expense deduction compliance shows that an important gap still remains. That gap limits the development of a stable long-term governance pattern. Individual income tax also shows a relatively mature level overall. Institutional arrangements and implementation standards are largely in place. Still, the weaker result for the treatment of non-monetary benefits suggests that control over detailed risk points is not yet strong enough.

3.3 Problem Diagnosis and Status Assessment

Based on the findings above, tax-type risk management in Sichuan Tobacco has already formed a basic governance foundation. Even so, some deeper structural weaknesses and potential risks are still present. They appear not only in the overall management environment, but also in the way specific tax types are managed in practice.

3.3.1 Tax-Type Management Mechanisms and Risk Control

Although a basic framework for tax-type management is now in place, several problems still stand out. The most obvious are the low level of digitalization, uneven implementation, and inconsistent master data standards. System support and monitoring tools remain weak, and tax management still relies heavily on Excel-based work and manual handling. This dependence limits rule standardization, automated checking, audit trails, and early risk warning. It also makes proactive risk prevention difficult in daily practice. Mechanisms for policy updating, tax burden analysis, and dispute response have already been established, but their implementation still varies widely across units. These differences are most visible in evidence retention, sampling inspection, problem rectification, and the use of external monitoring tools. This means that institutional arrangements have not yet produced equally effective governance in practice. Data consistency is also a clear problem. Field definitions and statistical standards for key objects such as contracts, assets, vehicles, and personnel still differ across systems. Because of this, staff continue to rely heavily on manual cross-system reconciliation. This reduces management efficiency and raises the risk of data distortion and biased risk identification.

3.3.2 Tax-type-specific Risk Pattern

At the level of specific tax types, the main tax administration processes still show different levels of risk and institutional weakness. Value-added tax (VAT) management is generally well standardized, but delays in identifying digital e-invoice entries remain common. Abnormal cases are still dealt with mainly after they arise, not through early warning or workflow-based closed-loop control. Excise tax management shows a relatively high level of maturity overall, though further improvement is still needed in process standardization and evidence retention. Corporate income tax management also performs fairly well, but some weaknesses still remain. These are mainly seen in the detailed application of deduction standards, the consistency of ledger records, and the evidence chain for cost and expense deductions, especially for non-invoice expenditures. Cross-departmental data coordination and eligibility verification also need to be strengthened. For individual income tax, the main risks are found in the treatment of non-monetary benefits. Unclear valuation standards and uncertain attribution periods continue to create compliance uncertainty and increase the chance of regulatory review.

4. Optimization Pathways for the Tax-Type Risk Management Mechanism in Sichuan Tobacco

Based on the systematic diagnosis of the current situation of tax management risk in Sichuan, in order to effectively improve the efficiency of tax management and realize the transformation from passive compliance to active governance, the optimization path of tax risk management mechanism of top-level design-platform protection-fine governance-collaborative ecology will be proposed.

4.1 Overall Framework Design

According to the current situation of tax risk management, an optimized path framework is designed, as shown in Fig 3.

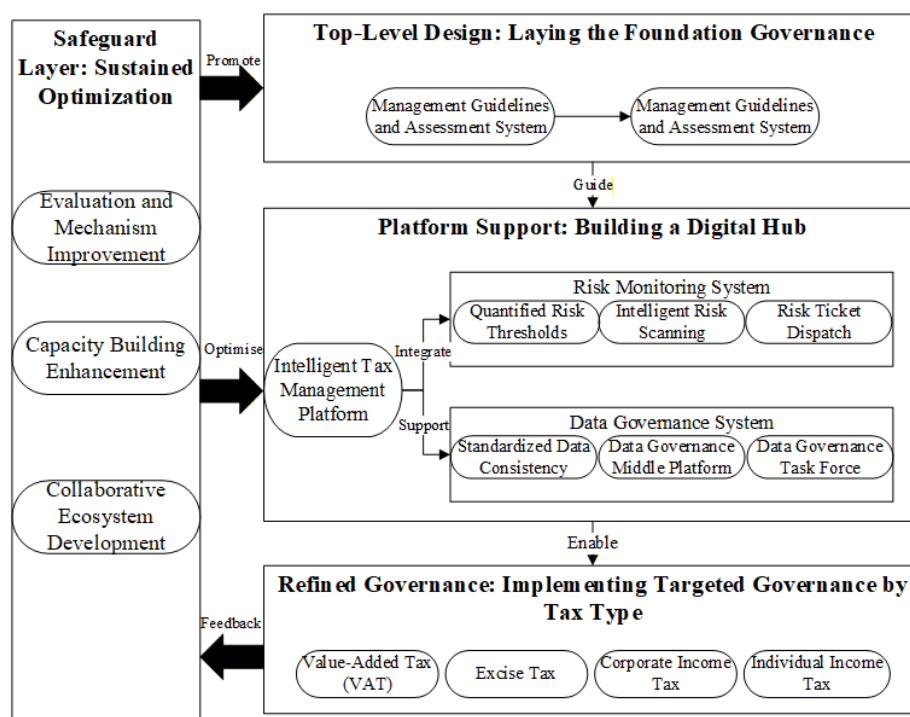


Figure 3. Framework for Optimizing the Tax-Type Risk Management Mechanism

4.2 Specific Optimization Pathways

4.2.1 Strengthening Top-Level Design and Governance Mechanisms

Relevant units have taken the lead in formulating and issuing the Outline for the Construction of Tax Risk Management System, clarifying the transformation path to systematization, standardization and intelligence in the next few years, clarifying job requirements and responsible departments, and incorporating key risk control indicators into annual assessment standards, which has become a rigid management requirement. Promote the leap-forward development of the system from form to reality. In view of the existing systems such as policy update, internal control audit, dispute response, supporting the release of implementation rules and list of evidence, the principle requirements are transformed into specific actions that can be checked and left marks. Establish an annual review and update mechanism to ensure that it is always in sync with business changes and regulatory requirements.

4.2.2 Building a Tax Platform and Risk Protection System

Build a unified intelligent tax management platform to realize the automatic management of the whole life cycle of invoices, the embedded tax rule engine, the risk early warning model, and the whole process electronic file management. It aims to completely replace Excel manual operation, and realize rule curing, automatic verification and trace management. At the same time, strengthen data connectivity, unify data standards, set up a special data governance team and a data governance middle platform, uniformly define the fields and calibers of core objects such as contracts, assets, vehicles, and personnel, and enforce them in various business systems.

4.2.3 Implementing Refined Governance by Tax Type

In view of the problems existing in the current subdivision of taxes, it is necessary to suit the remedy to the case. The core lies in the transformation from post-correction to intervention in the matter and early warning in advance through systematic and regular means and refined governance. Specifically, we

should focus on the core risk points of taxes and carry out differentiated governance. In terms of value-added tax, through process embedding and contract analysis, focus on the management of digital bills; in the field of consumption tax, relying on the price main database and monitoring model, we should strengthen the linkage monitoring of tax price chain and price quantity. For corporate income tax, quarterly simulation-based calculations and case databases should be introduced so that tax adjustments and preferential tax management can be moved forward. For individual income tax, unified standards for attribution periods and full-process system integration should be adopted to address problems in cross-period reconciliation and small-scale withholding.

4.2.4 Optimizing Capacity Building and the Collaborative Ecosystem

Targeted training programs should be arranged by tax type and job category, with greater attention to data use, system operation, and judgment in complex cases. A province-wide tax talent pool and expert team should also be established. Internal and external coordination also needs to be strengthened. Clarify the responsibility interface of business, finance and taxation departments in tax-related matters. Optimize the cooperation mode of intermediary institutions, and transform from the traditional authentication service to the strategic cooperation of process co-construction, knowledge transfer and system empowerment; establish a normalized evaluation mechanism. Key performance indicators are set and regularly monitored, evaluated and reported by provincial companies to continuously drive management improvement.

5. Conclusion

As tax administration becomes more digital, improving tax-type risk management in Sichuan Tobacco has become increasingly important. It matters for stronger tax compliance, better management performance, and long-term sustainable development. Drawing on a province-wide questionnaire survey, this study finds that Sichuan Tobacco has already built a basic foundation for tax-type risk management, but clear institutional and operational weaknesses still remain. In view of these findings, the study sets out an optimization path built around top-level design, platform support, refined governance, and collaborative development. This framework aims to strengthen compliance, improve risk control capacity, and offer practical support for strategic decision-making and high-quality development in Sichuan Tobacco.

Funding

Research on the Digitalization of Tobacco Tax Risk Prevention and Control (SCYC202542).

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