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Arnaldo Marques de Oliveira Neto

Governance and Risk Management in Taxation

Springer

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Foreword

The corporate governance issue has been studied for less than three decades and can be considered a relatively new subject. Studies and discussions on corporate governance have gained increasing prominence in the corporate environment strongly impacting the market, in the media and in academia.

Corporate governance systems may have different characteristics according to the economic, political, regulatory, and legal standpoint in a country and is also regarded as a dynamic system with practices in the process of evolution, which have been improved in recent decades. A good governance system helps strengthen companies.

However, the degree of sophistication of the discussions surrounding the issue has gained new and diverse developments. Currently, one aspect highlighted is the increasing demand for new monitoring and control mechanisms, especially when it comes to the separation of ownership and control between shareholders and managers.

Within this system of governance, one of the board of directors' responsibilities is to ensure that the board preemptively identifies the main risks to which organizations are exposed, and their probability of occurrence, the financial exposure to these risks and measures and procedures adopted for their prevention or mitigation.

Also it is the duty of this collegiate who continuously supervises the management in respect of such risks. It is worth noting that for a good governance system, it is necessary that it be properly managed so that administrators have subsidies at the time of decision making.

According to the study of Solomon and Kroehn (2002, pp. 68–72), quoted by the author, a survey of PWC points Brazil as the country where large companies spend more time trying to understand the maze of rules and requirements to meet obligations to the tax authorities.

Therefore, we can evaluate the relevance of this book to the Brazilian market and the importance that managerial information systems play in identifying tax risks within the governance structure of the companies.

Also important to note that the author has developed and tested a Model of Corporate Risk Management for the identification, implementation, management, and monitoring of risks by the companies surveyed, based on the existing theoretical framework. The difference, however, lies in the fact that, in the face of lack of theoretical framework of a Specific Model of Tax Risk Management, the author has developed and tested a framework of specific analysis of tax risk management (GRTrib) that may be used by the market.

I repeat, therefore, the opportunity and utilitarian importance of this book.

2016

Heloisa Belotti Bedicks
General Superintendent of the Brazilian
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Preface

Much has been talked about—in-print and broadcast media, seminars, conferences, and doctrine—the importance of corporate governance and sustainability in corporate life. In this book, we demonstrate that the tax governance—that must be seen as part of corporate governance—adds value (in the short, medium and long term) to their owners and stakeholders as well as help to make enterprises more sustainable and less risky in the context of the principles of good corporate governance.

The countries' tax system is a set of laws and principles that impose, to enterprises and individuals, a number of taxes, which will be used to enable the state to aim its social, economic, and political objectives. Therefore, paying taxes has a reason for being, which is to enable the government to provide to the citizens the infrastructure and essential services such as health, education, transportation, housing, and security.

However, taxpayers will not have to pay more tax than they actually are legally required. As well, they can not pay less tax than, in fact, have legally to pay. Taxation is the main path for the state to play its role—because, for lack of funds, he could not offer individuals the existential minimum to which they are entitled as citizens—taxation should be limited by law that every taxpayer has to organize and enjoy their own property.

Then, it comes the tax governance, a concept which sometimes is treated as management and planning of taxes, or as tax planning, or even as corporate governance. In fact, the tax governance is contained in corporate governance, as well as tax planning is contained in the strategic plan. Therefore, tax governance, management and planning of taxes, and tax planning are terms that are similar and converge toward the same goal.

To simplify the understanding, we say that through tax governance, the enterprise seeks to identify the most beneficial event of levy of taxes (which implies less disbursement of financial resources) in order to allow its operational activities, usually encumbered in order more heavily, can be benefited by reducing tax burden or even inserted in the context of non-levy of taxes. In addition, the enterprise must minimize the possibility of generating tax risks; i.e., it should seek to reduce tax risks and allow more transparency and consistency of its financial statements.

We understand that as a precept of good corporate governance practice, the tax governance should be a cooperative process between the senior management and the board of directors. It is up to the senior management develops, sometimes with the help of external consultants and proposals for management and planning of taxes, which must be analyzed, evaluated, criticized, and finally approved by the board of directors, which thus becomes coresponsible for the good tax governance practices. The enterprise that conducts business from tax compliance undoubtedly minimizes risks of questioning by the tax authorities, which can scratch your image and consequently decrease its value in the marketplace.

In many countries, the complexity of their tax system is undeniable. In the case of the Brazilian one, the tax legislation is complex and dynamic and technologically sophisticated. Because of this, it has occasioned the need for enterprises to organize their businesses, under appropriate tax governance. The tax burden on Brazilian enterprises is considered one of the highest in the world. Therefore, for the efficient and effective tax compliance, good tax governance practices are essential, both to avoid possible questioning by the tax authorities as to allow a reasonable tax savings.

Therefore, efficient and sustainable enterprise from the tax point of view (regardless in which country it is) is one that seeks to identify with the requisite notice the legal and tax alternatives less costly to achieve their business objectives and adopt a set of coordination procedures, control and review in order to minimize the possibility of generating tax contingencies. We remind you that from the owners' point of view the obligation of senior management of the enterprise to plan its business, in order to increase—in a continuous, permanent, and sustainable manner—its revenues and reduce their costs (including tax), to make it increasingly profitable, respecting the good corporate governance.

It is worth remembering that one of the principles of good corporate governance is that the board has to provide the strategic direction of the enterprise, covering aspects of short, medium, and long term. The tax governance such as risk mitigation and scavenging of tax burden reduction opportunities should be seen as part of strategic planning, one of the ways to make it more profitable and sustainable.

For all this to occur is very important that the enterprise has and uses a managerial information system that produces information to the senior management and to the board of directors who can identify, analyze, treat, and monitor the corporate risks, including the tax ones.

The Part I of this book is intended to provide an overview of the theoretical referential that served to support its writer and is structured into six chapters: introduction to the theme of the book; the complexity, dynamism, and sophistication of the Brazilian Tax System (STN); the main corporate taxes of the STN; cases of extension of the tax responsibility of the enterprise to its owners and administrators; the corporate governance and the risk society; and the tax governance in the context of risk management.

The Part II is structured into three chapters and intended to provide an overview regarding the context of the academical research conducted by the writer of this book in terms of research theme, the research question, the research general objective, the research specific objectives, the research justification and contributions, as well as an overview of the methodological procedures used in this research.

Specifically, it is meant to show the design or type of research in which the researcher chose to write this monograph and the process he used for the collection, analysis, and interpretation of data obtained in the research. Additionally, it is proposed to present the results found and the final considerations. Such research intended to verify how the Brazilian enterprises of XXX Group use their managerial information system (SIG) to identify tax risks *vis-à-vis* the theoretical referential presented in the Part I of this book.

This book serves as a helpful resource for enterprises, practitioners, academic community, as well as for tax governance as a species of corporate governance genus. It focuses on the academic research conducted by the author in a Brazilian enterprise group of advertising and publicity services. The research was justified mainly because the enterprises of such a group will be able to use the resources and procedures of managerial information detected and recommended by the researcher to identify tax risks that may be incurring and thus minimize the possibility of questioning by the tax authorities, which may result in issuance of notices of violation, with fines and default interest and even the extent of their responsibility to their administrators.

Thus, it aims to enable those enterprises to become more efficient, effective, and sustainable from the tax point of view. Additionally, the research was justified by allowing the academic community and other economic segment enterprises to benefit from the results as well as replicate, test, and use the structure (framework) of deployment, management, and monitoring a Model of Corporate Risk Management (GRCorp) and a Specific Model of Tax Risk Management (GRTrib) developed by the researcher (Fig. 8.1).

I dedicate this book to my parents, William (*in memoriam*) and Angela, the training they have given me, and my wife Lucinalva and my son Daniel, for their patience and support they have given me in the most difficult hours of this academic journey.

I thank God; my advisor of the master's degree Prof. Dr. Henrique Formigoni; my advisor of the Ph.D. degree Roberto Vertamatti, Ph.D.; the members of the examing table of both degrees, for the shared knowledge and wisdom; and the executives of the enterprises of the XXX Group, which did not hesitate to provide their valuable time to work, so that the research could be carried out. Finally, I thank Prof. Dr. Kiymet Caliyurt and Springer for the invitation to write this book and its publication.

São Paulo, Brazil — Arnaldo Marques de Oliveira Neto
2016

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About the Author

Arnaldo Marques de Oliveira Neto is a Brazilian business consultant with 28 years of experience in the tax and corporate areas, in national and international audit, and in consulting firms. He started his career in Arthur Andersen (American audit and consulting firm) where worked for 14 years in 3 different states of Brazil. He was international partner of Mazars & Guerrad (French audit and consulting firm), partner and member of the board of directors of Performance Auditoria e Consultoria (Brazilian audit and consulting firm), and partner of Branco Consultores (Brazilian tax consulting firm). In 2011, he decided to found Marques Consultoria (Brazilian business administration consulting firm).

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He is a professor in MBA courses of FGV Foundation since February 1999 and a lecturer of IBGC in courses for Board of Directors since May 2000. He was Arthur Andersen's international instructor (Andersen Center for Professional Education—Illinois—USA), as well as instructor for various in-house professional education courses and seminars for clients.

He is coauthor of the book Gestão e planejamento de tributos (Tax management and planning), FGV, 2º Ed., 2011, and author of the collective work book Gestão dos stakeholders (Stakeholders management), Saraiva, 2010. e-mail: amarques@fgvmail.br

Abbreviations and Acronyms

ADIN	Direct Inconstitutionality Action
ATIS	Actual Taxable Income System (*Sistemática do Lucro Real*)
BACEN	Central Bank of Brazil
BI	Business Intelligence
BOVESPA	São Paulo Stock Exchange
BRL	Brazilian Reals Currency
CA	Board of Directors
CCO	Chief Controlling Officer
CDA	Tax Active Debt Certificate
CEO	Chief executive officer
CF/88	Federal Constitution of 1988
CFO	Chief financial officer
CIDE	Contribution for Intervention in the Economic Domain Tax
CNI	National Industry Confederation
CNJ	National Council of Justice
COFINS	Contribution to the Financing of Social Security Tax
CONFAZ	National Council of Fiscal Policy
COSO	The Committee of Sponsoring Organizations of the Tradeway Commission
CPC	Code of Civil Procedure
CRM	Customer relation management
CS	Cumulative system
CSC	Shared services center
CSLL	Social Contribution on Profits Tax
CTN	National Tax Code
CVM	Securities and Exchange Commission of Brazil
DARF	Collection Document of Federal Taxes
DTIS	Deemed Taxable Income System (*Sistemática do Lucro Presumido*)
DW	Data warehousing
ECD	Digital Accounting Bookkeeping

EFD	Digital Tax Bookkeeping
ERP	Enterprise resource planning
GRCorp	Model of Corporate Risk Management
GRTrib	Specific Model of Tax Risk Management
HTC	Harmonized Tariff Code
I.E.	Tax on Exports
I.I.	Tax on Imports
IBGC	Brazilian Institute of Corporate Governance
IBPT	Brazilian Institute of Tax Planning
ICMS	Tax on Movement of Goods and on Rendering Services
IN	Normative instruction
INPI	National Institute of Industrial Property
IOF	Tax on Financial Transactions
IPEA	Institute for Applied Economic Research
IPI	Tax on Manufactured Product
IRPJ	Federal Corporate Income Tax
IRRF	Withholding Income Tax
JCP	Interest on Shareholders' Equity
LIBOR	London Interbank Offered Rate
MEGRT	Specific Map Control of Corporate Tax Risks
MGRC	General Map Control of Corporate Risks
NCS	Non-cumulative system
NF-e	Electronic Invoice
OECD	Organization For Economic Co-Operation And Development
PGFN	General Attorney of the National Treasury
PIB	Gross domestic product
PIS	Contribution to the Social Integration Program Tax
PWC	PricewaterhouseCoopers
RFB	Internal Revenue Service of Brazil
SCM	Supply chain management
SIG	Managerial information system
SOD	State of destination
SOO	State of origin
SOX	Sarbanes-Oxley Act
SPED	Public Digital Bookkeeping System
STB	Brazilian Tax System
STF	Federal Supreme Court
STJ	Superior Court of Justice
STN	National tax system
TCR	Thin capitalization rules
TI	Information technology
TPR	Transfer pricing rules
USD	United States Dollar
VAT	Value-added tax

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Part I
Theoretical Referential

Abstract: This part is intended to provide an overview of the theoretical referential that served to support the researcher and is structured into five topics: introduction to the theme of the book; the complexity, dynamism, and sophistication of the national tax system (STN); the main corporate taxes of the STN; the extension of the responsibility of the enterprise to its owners and administrators; the corporate governance and the risk society; and the tax governance in the context of risk management.

Chapter 1
Introduction

Abstract This chapter is intended to provide an overview of the theme of the book. It makes reference regarding all topics of its Part I.

Keywords Brazilian Tax System · Tax risks · Managerial information system

Introduction to the Theme of the Book

The complexity and dynamism of the Brazilian Tax System (STB)—henceforth called the national tax system (STN)—and its growing sophistication, especially after the implementation of the Public Digital Bookkeeping System (SPED), have occasioned the need for enterprises to organize their business under appropriate tax governance for effective and efficient tax compliance, in order to maximize the legitimate economy of taxes and avoid or minimize the 'risk' of possible questioning by the tax authorities, which may result in identification of 'tax contingencies' and the consequent issuance of notices of violation (infringement notification), with a corresponding recovery of punitive fines and penalty interest.

'Risk' is an identified future event to which one can associate a probability of occurrence. 'Uncertainty' is an identified future event to which one cannot associate a probability of occurrence (Faber et al. 1996, pp. 209–211). 'Contingency' means eventuality, a possibility that something will happen or not (Civita 1999, p. 261). The expression 'tax,' notably, expresses the quality or the condition of everything that is required to pay a tax (Silva 2005, p. 1433).

From the tax point of view, there may be the extent of the responsibility of the legal entity to its partners, directors, officers, or legal representatives in some of the situations referred to in Article 135 of the National Tax Code (CTN), which may even result in the blocking of their personal property, including their bank accounts, among other measures.

Solomon and Kroehn (2012, pp. 68–72) report that, according to a survey by consultancy PwC, Brazil is where large enterprises spend the most time fulfilling obligations to the tax authorities. They spend, on average, 2.6 thousand hours per

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year, not just because of the amount of existing taxes—about 60—but because of the tangle of rules and requirements of the tax authorities.

The STN is composed of an ordered set of laws and principles, logically classified and correlated, which requires from individuals and enterprises various taxes, whose main objective is to finance the state to fulfill its social, political, and economic purposes. It is governed by Constitutional Amendment No. 18/65, complementary laws, resolutions of the Senate, and, in the limits of their tax jurisdiction, federal laws, state constitutions and laws and municipal laws (CTN 1966, article 2).

The tax jurisdiction (the legal power to issue tax rules) is not delegable, except in the assignment of functions to collect or inspect taxes or enforce laws, services, actions, or administrative decisions on tax matters, conferred by a legal person of public law to the other (CTN 1966, article 7). The tax jurisdiction is tied to the Legislative Branch; tax functions (for example, to inspect and collect) are linked to the Executive Branch (Ribeiro de Moraes 1995, p. 265).

The STN, for over a decade, has been gaining efficiency and technological sophistication, regarding the tax inspection and collection and combat of tax evasion. Its high point is the SPED, 'digital tool that unifies the activities of receipt, validation, storage, and authentication of documents and books of commercial and tax bookkeeping of entrepreneurs and entrepreneurial enterprises through unique and computerized information flow' (DECREE No. 6022/2007).

SPED—regulated by Normative Instruction No. 787/2007 of the Internal Revenue Service of Brazil (RFB)—aims to promote integrated operation of federal, state, and municipal tax authorities, through the standardization and streamlining of information and shared access to digital accounting and tax bookkeeping of the taxpayers, by legally authorized persons.

In a scenario of intensive use of technological and integrated resources by the tax authorities of different levels (federal, state, and municipal), of increasing deployment of electronic obligations, intensifies the need for effective management of appropriate technological resources and tools of control in order to ensure creation of value in enterprises (Silva 2015, p. 488).

In an increasingly globalized world, the concept of risk society emerges from the characteristics of modern society. Beck (1997, p. 15) states that the risk society designates a phase in the development of modern society, in which social, political, economic, and individual risks increasingly tend to escape from the institutions for the control and protection of society given to having become (the modern society) increasingly global. In other words, the world is increasingly flat and borderless.

Rocha (2006, p. 219 and 223) states that, specifically with regard to taxation, the risk society, in relation to aspects of ambivalence, indeterminacy, and uncertainty, affects life of Brazilian taxpayers in full, bringing them juridical insecurity and confusion at the time to meet their tax obligations.

And speaking of uncertainty, Sakate (2013, p. 53)—commenting on the billionaire assessments (infringement notifications) of RFB in some of the largest enterprises in the country, which exposes undoubtedly the uncertainty of the tax system and the limits of tax planning, among other things—states the following:

> "In Brazil, until the past is uncertain." This phrase, attributed to Pedro Malan, former Minister of Finance, made reference to judicial decisions on facts from the past that created new expenditures for public accounts. It remains as relevant today as also affecting the private sector. In the last two months large enterprises were confronted by assessments of RFB on charges of errors in the payment of taxes on transactions made, in some cases, seven years ago. MMX, NATURA, FIBRIA and SANTOS BRAZIL, all listed enterprises on the stock exchange were notified that they must, together, BRL 6.4 billion in taxes, plus fines up to 150 %.

In Brazil, uncertainty, ambivalence, and the juridical insecurity concerning tax matters, for decades, have led enterprises to court. The Federal Supreme Court (STF), for example, has to decide on various billionaire tax disputes waiting a long time for an outcome. Pombo (2013, p. E1) exemplifies several of these disputes. Some excerpts reveal the causes and their estimated values:

> The billionaire volume of tax cases waiting for years for an outcome in the Supreme Court can finally be completed by the end of next year. In the table to return the 94 trial for tax, whose analysis was stopped by order of the ministers request of view. Not counting the 113 tax topics with general repercussions. Only three major cases - one of them from Barbosa rapporteurs - that are ready for analysis of the plenary totalize BRL 110 billion. The dispute in the Court of greater value, however, not enters this account. Its release depends on the liberation of the vote of the Minister Celso de Mello for the beginning of the judgment regarding to the inclusion of ICMS - Tax on Movement of Goods and on Rendering Services in the PIS - Contribution to the Social Integration Program Tax and COFINS - Contribution to the Financing of Social Security Tax, which puts at stake BRL 89.4 billion.

Continuing his explanation on this subject Pombo (2013, p. E1) says:

> By the Supreme regiment, the president minister just keeps rapporteur cases which released voting for trial. It was what he did on the 19th with the extraordinary appeal of COAMO that will decide whether the Federal Government can collect Federal Corporate Income Tax (IRPJ) and Social Contribution on Profits Tax (CSLL) of affiliates or subsidiaries abroad by Brazilian enterprise prior to the availability of resources in Brazil. The discussion that has lasted 12 years is estimated at BRL 36.6 billion. But just VALE is charged at BRL 30.5 billion. The expectation of tax lawyers is also taken up with the discussion on the calculation basis of PIS and COFINS collected by insurency enterprises. In May, the Minister Marco Aurélio returned resource AXA SEGUROS BRASIL for trial. The case is pending in the Supreme Court since 2003. The discussion of insurance enterprises is also locked by financial institutions - in feature of SANTANDER - who want to know what kind of revenue to comprise the calculation of CSLL. The two discussions, according to the Federal Government, have an impact of BRL 40 billion.

Whereas organizations face uncertainty and the challenge for executives is to determine how much uncertainty the enterprise is capable of monitoring to continue generating value, the adoption of a Model of Corporate Risk Management (GRCorp) is perceived as a tool of management needed to create a culture of prevention to mitigate risks and generate business opportunities, supported by a framework of strong and effective internal controls (SÁ 2009).

The IBGC (2014, p. 59) emphasizes that internal control systems should encourage the bodies responsible for monitoring and enforcement to adopt preventive and proactive attitude in minimizing and anticipating of risks.

According to Martin et al. (2004, p. 2), the administration, especially of large organizations, has become more complex and difficult, requiring specialists in different areas of knowledge, inducing the separation between ownership and management, to allow business to be conducted in a more professional manner.

It is in this context that the corporate governance takes place, which is the way organizations are led, directed and managed, so that they can survive and perpetuate themselves in a world more complex, which is typical of the risk society. According to Oliveira Neto (2012, p. 34), 'tax governance as a part of corporate governance will add value to owners and other interested parties and will help to make enterprises more sustainable, profitable and with less tax risks.'

Good corporate governance practices attributed to the board of directors and, in its absence, the senior management of the organization, the fundamental task of identifying, prioritizing, and ensuring effective management of various risks that may affect its business and even its continuity. In this vein, the responsibility of the board and the senior management members—from both a corporate and a tax perspective—loomed in the risk society. In Brazil, this occurred especially after the enactment of Law No. 5172/66 (CTN), No. 6404/76 (Brazilian Corporate Law) and No. 10406/02 (Civil Code).

Therefore, it is necessary that enterprises have adequate managerial control that, among other things, identifies, treats, controls, and reports tax risks (contingencies). The managerial control will be exercised through activities, resources, and structure compatible with the enterprise or corporate group of which it is a part.

The 'managerial control' is the set of activities to ensure that management plans are achieved. This set of activities requires resources and structure to which activities are developed. 'Managerial accounting,' from a managerial information system, provides such resources and the 'controllership' constitutes the structure that usually takes care of both the financial and the managerial accounting (Anthony and Govindarajan 2008).

Merchant and Van der Stede (2007) argue that 'managerial control' includes all devices and systems that managers use to ensure that the behaviors and decisions of their employees are consistent with the goals and strategies of the organization.

According to Horngren et al. (2004), 'managerial accounting' is the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating information that helps managers to achieve organizational goals.

Nisiyama et al. (2012, p. 3) emphasize that the information generated by 'managerial accounting' is fundamental to the enterprise's managers from all functional areas and is used to plan, evaluate, and control within an entity and ensure the appropriate use and responsibility for their resources, setting the process developed as 'managerial control.'

Peleias (2002) defines the 'controllership' as an area of the organization to which is delegated authority to make decisions on events, transactions, and activities that enable proper support to the management process. According Padoveze (2005), the 'controllership' can be defined as the administrative unit responsible for the use of the whole set of Accounting Science within the enterprise.

To Frezatti et al. (2009, p. 72), the 'managerial information system (SIG)' is the set of independent resources and procedures that interact to produce and communicate information to management. SIG is responsible for collecting data on component parts of a larger system, which also processes and transmits the information generated to another component of the larger system.

Frezatti et al. (2009) also point out that a SIG should work as follows: (a) identifying the events; collecting, recording, and accumulating data on events and process data, performing calculations (measurement), and generating information; (b) communicating information about events, activities, products and their attributes, business units, etc. (information); and (c) signaling and guiding the actions of managers and motivating them to make better decisions.

'System' is a preset procedure to perform an activity or set of activities; activities are usually repetitive (Anthony and Govindarajan 2008). 'Information' are collected, organized, and ordered data, to which meanings and context are assigned (Mcgee and Prusak 1994). The adjective 'managerial' means something concerning the management or administration (Frezatti et al. 2009, p. 72).

The word 'resource' means: request for aid or relief; the means to solve something; wealth; the means that you can have technological as well as human, financial, and natural resources (Houaiss et al. 2008, p 638.). From Latin, *recursus* means: the act or effect of recourse; means employed to overcome a difficulty or embarrassment; action by which invokes the aid, or to help someone (Civita 1999, p. 773).

Ching (1997) conceptualized 'resources' as economic items or elements used to perform activities. 'Resources' are material, labor, technology, equipment, or facilities. Botelho (2006) defined 'activity' as any work in the organization involving people, technology, and raw materials, with the objective of providing a service or producing a product.

From the Latin *procedere*, the word 'procedure' generally expresses the 'method' for doing or performing something, i.e., how to act, or the action to proceed. In this sense, 'procedure' means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100). From the Latin *methodus* and the Greek *methodos*, the word 'method' means 'the path through which seeks to come up with something or a way to do something' (Turato 2003, p. 149).

O'Brien (2004) defined 'information system' as a collection of people, hardware, and communication networks, exposed in an organized manner, able to transform the data into useful information collected for different types of organization that can be classified with various concepts, according to use, as Fig. 1.1 displays.

Also, with regard to SIG, Frezatti et al. (2009) explained that, under the pragmatic point of view, information systems are operationalized through technological devices (apparatus). This technological dimension mediates the relationship between accounting and information systems. Some examples of these tools include enterprise resource planning (ERP), data warehousing (DW), business intelligence (BI), and customer relationship management (CRM).

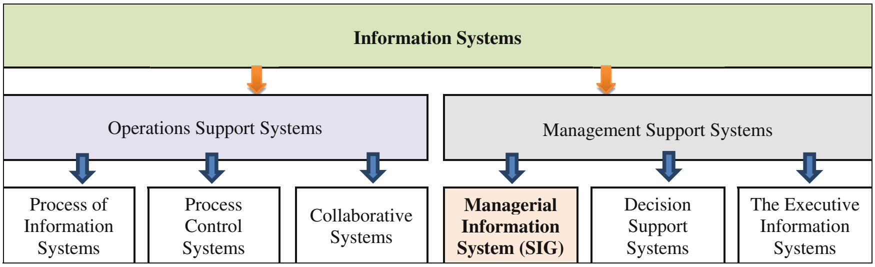

Fig. 1.1 Classification of information system. *Source* Adapted from O'Brien (2004)

In the 1990s, ERP systems emerged, sold as 'packages' that were various prepared programs for implementation and use, which are tools that have been imposed on the objective of maximizing operational efficiency, reducing costs, integrating 'processes,' and consolidating information in a single database. These systems were considered as basic tools for enterprises to obtain competitive advantage (Decoster 2008). The term 'process' means continuous and prolonged performing of any activity method or procedure (Houaiss et al. 2008, p. 605).

According to Hall (2001), ERP systems aim to integrate all key processes of the organization, unlike traditional software models where each area had its own system to meet its particular needs. ERP brings all data together in one database, which facilitates communication across the enterprise.

The ERP can be expanded to other processes such as SCM (supply chain management), CRM (client relationship management), SEM (strategic enterprise management), and BI (business intelligence), among others (Davenport, 1998).

The technological apparatus used to operationalize the SIG of the enterprise or the business group, as a rule must reach out to users, which is understood as the information necessary for decision making, through reports that the technological tool is able to generate.

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Chapter 2
The Complexity, Dynamism, and Technological Sophistication of the National Tax System (STN)

Abstract This chapter is intended to provide an overview of the theme of the Brazilian Tax System, its complexity, dynamism, and sophistication, especially after the implementation of the Public Digital Bookkeeping System (SPED) and the need of the appropriate tax governance practice for the enterprises.

Keywords Tax compliance · Tax system reform · Digital tax bookkeeping

The Complexity, Dynamism, and Technological Sophistication of the National Tax System (STN)

The STN is considered one of the most complex and sophisticated in the world, besides being very dynamic in regard to the changes that have been undertaken in the legislation of the main taxes in force in the country.

The complexity arises not only from the excessive amount of taxes, but mainly from the extensive and confusing laws governing each in particular producing a disproportionate volume of paperwork and bureaucracy. It is that the tax system is not equipped with a coherence and rationalization becomes itself more simplified and understandable, both in terms of legal structure, as the control procedures of the collection. With this, there is an increase in the costs of administration and tax compliance, especially for enterprises, which reduces the competitiveness and intensifies tax resistance.

Gallo (2015, p. 120), commenting about the complexity of the Brazilian tax legislation, says (the italics are of the author):

> This complexity is not restricted only to legislation but also in relation to accessory tax obligations, which are numerous and every day demanding better training of professionals involved in taxes. All this creates the so-called cost of tax compliance as highlights Bertolucci (2003), corresponding to the costs that taxpayers must bear to comply properly with their tax obligations, regardless tax amount to be paid, covering the administrative side controls, courses for preparation of the personnel concerned, subscriptions to specialized publications, the cost of specialized consultants, computer programs, etc. There are also the

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compliance costs of taxation organs to be able to monitor tax collection under their responsibility.

Chaves (2011) states that the tax burden on domestic enterprises, the amount of rules dealing with tax matters, and the constant changes in the tax law constitute the most important variables in conducting business in Brazil and in the globalized world in which it is.

In a comprehensive way, the 'tax burden' can be understood as the sum of 'taxes' collected by families and enterprises for the benefit of government (Mattos and Politi 2010, p. 63). 'Tax' is a compulsory payment, in cash or the value of which it can be expressed, which is not because an illicit act was commited, established by law and charged through a fully linked administrative activity (CTN 1966, Article 2).

Concerning the concept of 'tax' contained in the CTN, Paulsen (2010, pp. 617–621) says:

> It takes care benefits in cash required compulsorily by public entities, who reveals ability to pay, or that relates directly or indirectly to specific state activity, aimed at raising funds for the general financing of the State or to the financing of activities or purposes performed and promoted by the State itself or by third parties in the public interest, with or without promise of return. […]. The tax is no sanction of illicit act and therefore cannot put the legislator, abstractly, the illicit as the tax obligation generator or scale the amount due on the grounds of illegality. […]. Established the tax lawless, the standard infralegal founding and therefore invalid, leaving without support their recovery will be unconstitutional. […]. Occurred the triggering event of the tax obligation, the administrative authority has a duty to determine these so, to establish the tax credit through the launch, and demand compliance with the obligation by the taxpayer. The full linkage means that the authority is enrolled to unrestricted tax compliance, including all regulatory acts such as normative instructions and ordinances.

Salomão and Korehn (2012, pp. 68–72) report that a survey of the Brazilian Institute of Tax Planning (IBPT) revealed that between the enactment of the Federal Constitution in October 1988 (CF/88) and October 2012, 291 thousand rules were issued only in the tax area. Silva (2015, p. 487) points out that in addition to the number of rules, there is still the complexity of application because, according to a study of the IBPT, on average, each standard has 3 thousand words. In a survey with current regulations in October 2013, there are 263 thousand articles, 612 thousand paragraphs, 2 million items, and 257 thousand subitems.

Oliveira et al. (2011) pointed out that the CF/88 brought profound changes in the STN, not only in relation to the quantity or field incidence of taxes, but also about the distribution of amounts collected among the federal, state, and municipal governments, that is currently committing a reasonable tax reform mainly because there is no consensus among the rulers on what amounts collected should be shared.

For years, the need for a tax reform that simplifies the STN and reduces the burden of taxes imposed on individuals and enterprises has been discussed in Brazil. Several governments have passed and, despite some timid attempts, what was seen was actually a large scrap quilt—the result of specific reforms—which has resulted in over 60 taxes throughout the 5 existing species, which are taxes, surcharges, improvement contributions, special contributions, and compulsory loans (Salomão and Korehn 2012, pp. 68–72.).

Zilveti (2013, p. A13) did considerations about the need of a tax reform. Some stretches require special consideration:

> As soon enacted the Constitution, which will complete 25 years in 2013, began successive movements of tax reform. In the last two governments, in particular, have been promoted so-called sliced reforms. You can just watch them increase government revenue and loss of taxpayer rights. While the representatives of the people do not understand about the reform, the taxpayer suffers from the tax system. The Institute for Applied Economic Research (IPEA) reveals in a recent study, the poorest people work almost the double of the days per year than the richest ones to pay for the taxes they are subject. Poorest ones undertake a third of its gain with regressive tax system, while the richest ones 20 % only. To arouse the animal spirit of the entrepreneur it is necessary simply to ensure reduction, legal certainty and predictability to the tax system. President Dilma owes it to the entrepreneur and to the Brazilian taxpayer.

A more efficient way to raise revenue for the government is to tax consumption and services, because in this case individuals have greater difficulty to change their behavior. Families can consume more or less of a particular good or replace it with another, because the collection of indirect taxes (levied on consumption and services), but certainly not cease to consume certain goods because of the tax itself (Mattos and Politi 2010, p. 64).

Tax systems that are not administered consistently, or that impose high costs of legal compliance, are likely to hamper competitiveness. The instability in the tax system resulting from frequent changes in policy or legal requirements will also increase the levels of uncertainty in the minds of investors. For a country to be considered a 'good place to do business' many aspects of their tax system are likely to be relevant, not just your tax regime on businesses (Matthews 2011, p. 9).

Costa (2015, p. A12), talking about what should be a serious tax reform in Brazil, says (the italics are of the researcher):

> The theme is formally discussed since 2003 by Executive and Legislative Branches, with remote chances of effective breakthrough, because the necessary reform would result in a complete change in current tax practices, which are markedly regressive. […]. A serious reform necessarily involves […] for a greater share of taxation on high incomes and the stock of wealth, including wealth tax, which never left the "constitutional imaginary". The transformation of this reality demands something like <u>a new social contract</u>, including <u>a new tax model</u> or <u>an effective tax reform</u>, which, it seems, will never occur, for notorious lack of political will. It is therefore necessary to find a way to remove the responsibility of enterprises for collecting the bulk of taxes, which should address, indirectly, only in transactions with low essential goods and services, getting most of the originated revenues from direct taxation, reaching people with high incomes and / or significant assets.

By referring to the expression 'tax system,' we seek to bring to the mind of the reader the idea of logical classification, correlation between units of a whole. According to Carvalho (2001), juridical system means the set of rules that relate to each other in various ways, as a unifying principle. The national tax system, in turn, is a set of laws and principles that impose a series of taxes, which will serve to facilitate the social, economic, and political goals of the state (Castro et al. 2011, p. 16):

The CF/88 established the STN as the main guideline of the Tax Law, establishing ground rules to run of the State/Treasury and private/taxpayer relationship and defining the species of taxes, the limitations of the power to tax, the distribution of tax jurisdiction, and the allocation of tax revenues, characterized by rigidity and complexity (Moraes 2006, p. 790).

The STN is governed by: Constitutional Amendment No. 18/65, complementary laws, resolutions of the Senate and in the limits of their tax jurisdiction: in federal laws, state constitutions and laws and municipal laws (CTN 1966, Article 2).

The CTN as a complementary law is the first reference to the ordinary law, to establish general guidelines regarding tax laws, including here the regulation on the inspection. Note that the theme of inspection is versed in CTN jointly to activity of tax administration after having disciplined all the formalization regime of tax credits and tax jurisdictions in your articles 194–200 (Marins 2012, p. 208).

'The […] tax jurisdiction comprises the full legislative power, subject to the limitations contained in the CF/88, the Constitutions of the States and the Organic Laws of the Federal District and of the municipalities, […]' (CTN 1966, article 6). 'The tax jurisdiction is not delegable, except assignment of functions to collect or inspect taxes, or enforce laws, services, acts or administrative decisions on tax matters, conferred by a legal person of public law to another, […]' (CTN 1966, article 7).

Ribeiro de Moraes (1995, p. 265), commenting on the difference between tax power and tax functions, writes (italics are of the researcher):

> The CF/88, which provides the purpose, i.e., the tax and related revenue, it also provides the means for the legal person of constitutional public law. Beside the tax jurisdiction (legal power to issue tax rules), the taxing entity receives tax functions arising from the Administration's duty to apply the tax laws, to execute laws, administrative acts or decisions, where they are the functions of inspecting and collecting tax created by law. We cannot therefore confuse these two different orders: the tax jurisdiction, or tax power, arising from the sovereign, which is realized with the enactment of the tax legal rule; and tax functions, due to the duty of administration, which are realized with the exercise of inspection and tax collection. The tax jurisdiction finds itself tied to the Legislative Branch; tax functions are linked to the Executive Branch.

The tax administrations of the federal government, states, federal district, and municipalities, which are essential to the functioning of the state activities conducted by specific careers, will have priority resources to carry out its activities and will act in an integrated manner, including the sharing of records and tax information, as provided by law or agreement (CF/88, article 37, item XXII). The President of the country has the private competency for endorsing, enacting, and promulgating laws and issue decrees and regulations for the true enforcement (CF/88, article 84, item IV).

From the standpoint of 'inspection,' 'collection,' and 'evasion combat,' taxation in Brazil, especially in regard to federal taxes, gains efficiency and technological sophistication, especially after the establishment of SPED by Presidential Decree No. 6022/2007 and regulated by IN RFB No. 787/2007, such as a smart tool that unifies the activities of receipt, validation, storage, and authentication of books and documents that comprise the commercial and fiscal bookkeeping of entrepreneurs and enterprises through unique and computerized information flow.

SPED aims to promote integrated operation of federal, state, and municipal tax authorities through the standardization and streamlining of information and shared access to digital accounting and tax bookkeeping of the taxpayers by legally authorized persons. It consists of several modules, including: (i) Electronic Invoice (NF-e), to document the movement of goods or services operations; (ii) Digital Tax Bookkeeping (EFD), which replaces the bookkeeping tax records held in paper; and (iii) Digital Accounting Bookkeeping (ECD) of books: Daily, Auxiliary Reason, Trial Balance, Balance sheets and evidentiary release.

Silva (2015, p. 487), commenting about the complexity and high financial cost management and tax control in enterprises, remembers that (the italics are of the researcher):

> The other side of the STN weight on enterprises is the amount of accessory tax obligations, <u>technological density</u> involved and the number of hours that is required for the preparation and delivery within the agreed timeframe. It is within this context that we implemented the new tax management model by the three levels of government (federal, state and municipal) through the <u>SPED projects, technological, automated and integrated densely attributes</u>, which makes the tax management is become even more complex, costly and high financial cost, by multiplying for enterprises, management and control costs.

It seems clear that RFB has become an agile, modern, and very efficient body when it comes to establishing requirements and monitor taxpayers, especially after the SPED. Unfortunately, there is the other side of RFB when it comes to providing services to taxpayers, few agile and efficient. Becho (2015, p. E2) analyzes the both sides of RFB, where some parts are worth mentioning:

> […]. On the one hand, we see an agile, modern and efficient body when it comes to establishing requirements for taxpayers. […]. But there is another side of the RFB. Part of it is currently exposed in Zelotes Operation.[1] But it is not only. In addition to the criminal problem, it has its 'B' side, which covers up a slow, archaic and inefficient body. I give two examples. The first one is the delay in making the consolidation of payments on installment programs, the famous REFIS, PAES, PAEX, etc. […]. The RFB gives itself the right to make verification of payments just five years after the money go into the public coffers. As a result, thousands of court cases, in which the taxpayers paid the benefits of the 2009 installment, only in the end of 2014 were recognized and are now, being extinct. They remained in bins of Justice generating unnecessary costs for all involved. The second one is the RFB that does not comply with the legislation. We emphasize that provides short-term so that the administrative process is sent to the National Treasury in order to be initiated judicial collection. […]. Enterprises close, people die, and the documents are lost. Thus, the faster the legal collection process begins the more chances to succeed. […]. The RFB

[1]The name 'Zelotes' comes from the adjective 'zelote,' referring to the one who pretends to have zeal. He alludes to the contrast between the role of CARF counselors to safeguard the public coffers and the possible deviations that effected. The 'Zelotes Operation' of Federal Police investigates one of the largest tax evasion schemes ever discovered in Brazil (FOLHA DE SÃO PAULO, April 1, 2015. Available in: http://www1.folha.uol.com.br/mercado/2015/03/1608360-pf-faz-acao-contra-suspeitos-de-fraudar-ate-r-19-bi-contra-receita-federal.shtml. Access in: July 20, 2015).

> simply does not meet the legal deadlines. […]. The tax foreclosures begin five years after the non-payment of the tax.

Taxpayers have obtained an important victory in the STF, which will allow access to their own data stored by public agencies. […]. Ministers authorized an enterprise to access information contained in the System of Current Account of Corporate Person (Sincor), of the RFB. Such access was denied by the RFB. The STF also ruled that the so-called *habeas data*, provided in the Constitution, is the appropriate instrument to request data from other public bodies (Aguiar 2015, p. E1).

Despite constant increases of tax revenue (RFB has hit successive records of collection), investments in infrastructure, education, health, security, transportation, etc., so important to the well-being of citizens and the country's development, have always been desired. It seems that resources are never enough, although this has revealed the successive increases of the relationship between tax burden and Gross Domestic Product (GDP)—35.31 % in 2011 (Zilveti 2013, p. A13).

Guandalini and Sakate (2013, pp. 52–55) report that the collection of the federal government exceeded BRL 1 trillion in 2012, despite weak GDP. The lethargy in the economy shows wear based on high taxation and little incentive to investment formula. Some excerpts are worthy of special mention:

> […] GDP slightly progresses, productive investments dwindle, highways and ports follow congested, but the burden of taxation does not cool. […] The expenses are higher than the total collected. The difference is financed by selling bonds. […] The analysis of public accounts reveals two essential imbalances: first, the government, although very taxing, cannot live within their means; Second, most of the resources is consumed by expenses that contribute nothing to the increase in production capacity, as wages, retirement, pensions and debt interest. […]

The budget of the three levels of government (federal, state, and municipal) is rigid and does not support substantial cuts. When writing about the pro-cyclical spending and fiscal adjustment and comment on the rigidity of public budgets, Mendes (2015, p. A14) explains that:

> This is a result from: minimum mandatory spending on health and education; social security rules that generate liquid, certain and growing obligations; political impossibility of substantial cuts in social programs, stability of the public servers in employment together with other remuneration benefits guaranteed by law. In 2014, these expenses consumed 89 % of the available primary revenue from the federal government (wage and unemployment insurance allowance: 5.3 %; benefit of continued provision: 3.8 %; family allowance: 2.6 %; social security: 38, 9 %; health: 9.3 %; education: 9.3 %; and personal, excluding health and education: 19.7 %). In the state and municipal governments the picture is similar.

Besides the rigidity of the public budget, there are several studies that attest to the low management efficiency in the public sector in its various areas. According to Maciel (2015, p. A12), the biggest problem refers to the waste of resources due to mismanagement, the bad combination of operating rigidity and lack of results orientation. The author adds that:

> The international experience of reforms to improve public sector efficiency is linked to institutional designs that give greater freedom to public officials act and, on the other hand, greater accountability is required, setting goals and objectives related to the services provided to society, as well as greater transparency for social control. With regard to public sector control mechanisms, an obvious way to make them more effective is simplifying the rules. The more complex the rules, the greater the difficulty of finding irregularities or suggest managerial improvements.

The Brazilian state has ceased to be a lever of growth to become a hindrance to our development. In the Global Competitiveness Report 2015, six major barriers for doing business in the country are directly related to government performance in this order: tax regulations, labor regulations, inadequate infrastructure, high taxes, inefficient government bureaucracy, and corruption (Pinheiro 2015, p. A11).

As highlights Schwab (2014, pp. 4–9 and 12) editor of the Global Competitiveness Report 2015, regarding the development and use of The Global Competitiveness Index:

> The Global Competitiveness Index has been used as an important tool for policy-makers in many countries over the years. Since its first publication in 2005, the index has become widely recognized as one of the key global competitiveness ratings, as defined by the World Economic Forum. Components are grouped into 12 pillars of competitiveness: institutions; infrastructure; macroeconomic environment; health and primary education; higher education and training; market efficiency; efficiency of the labor market; financial market development; technological upgrading; market size; business sophistication; and, innovation.

Also commenting on the quality of Brazilian utilities, Pinheiro (2015, p. A11), referring to a 2015 World Bank survey on the business environment in 189 countries, reports that the country is poorly classified in general—120th position—and will especially bad in the categories that reflect the services that the state should render to society: 138th position in terms of registering property, 167th regarding the granting of authorization to start a business, 174th when it comes to building licenses, and 177th in respect of work it takes to pay taxes.

The tax burden has grown by 50 % in the last quarter century, equaling that of many European countries. However, the 'europeanization' did not prevent the 'africanization' of essential public services and, contrary to what is observed in developed countries, grew based on indirect taxation, so a characteristically regressive tax system (Loyola 2013, p. A13).

The fact is that the Brazilian tax burden continues to rise. In 2015, after six months of the management of the new Minister of Finance, the tax measures forming part of the fiscal adjustment to balance the books of the federal government now account for 0.5 % of GDP in 2014.

Such measures make up a package that involves both a reduction of public spending with a view to achieving a primary surplus, as the resumption of the growth course of the Brazilian economy and represent an increase of: IOF[2] on

[2]Tax on Financial Transactions.

credit—BRL 7,3 billion; PIS,[3] COFINS[4] and CIDE[5] on fuel—BRL 13,2 billion; IPI[6] on cosmetics—BRL 381,31 million; PIS and COFINS on imports—BRL 1,19 billion; Reduction of Tax Incentive Program REINTEGRA[7]—BRL 2,36 billion; and PIS and COFINS increase on financial income—BRL 2,7 billion (Piscitelli and Freire 2015, p. E2).

The commitment of the Minister Levy to deliver the fiscal surplus target in 2015 deserves recognition. However, as noted by Loyola (2015, p. A11), much of the fiscal effort in progress has occurred more by increasing taxes and curtailment of investment and funding expenses, and less by perennial changes with potential to affect positive dynamics of public spending over the next few years. The author highlights (the italics are of the researcher):

> On the expenditure side, the unsustainability occurs by failure to eliminate sources of growth of the public expenditure, generating alternating cycles of compression and expansion spending, and the lack of initiatives to moderate the explosive trend of spending on Social Security. On the side of taxes, in a country where the tax burden has already reached 38 % of GDP, the recurrent use of taxation to "close the accounts" negatively affect the potential for economic growth and cause a boomerang effect on the trajectory of the collection, and encourage "lobbies" in search of differential tax regimes for some sectors and enterprises.

There is a consensus in the academic and industrial environment that the current fiscal adjustment alone does not guarantee the sustainable recovery of the economy. It is necessary that the country promotes necessary structural reforms. In this sense, Teixeira (2015, p. A11) suggests that (the italics are of the researcher):

> Government adopts the slogan: 'Reform for Growth', instead of 'Adjust for Go Ahead'. The strategy would include the discussion in Congress of measures to improve, among others, the educational system, the tax structure, the functioning of the public sector and the pension system. […]. A profound revision of the tax structure would reduce the burden of taxes, simplify the system and eliminate the distortions created in recent decades. But a broader reform requires the reduction of public spending. […]. It would be appropriate that the three powers contained its payroll in the coming years. […]. A reorganization of the public sector would also reduce the cost Brazil. The measures need to include significant reduction of state participation in the economy, with privatization and consolidation of state-owned enterprises, the strong reduction of benefits are offered, with its greater control by society, and the formalization of the operational autonomy of the Central Bank, which contribute to lower the interest rate. […]. A smaller number of ministries would signal the government's commitment to limit spending and raising its efficiency. The country needs to seriously address the issue of pension system to resume more sustainably higher growth.

[3]Contribution to the Social Integration Program Tax.

[4]Contribution to the Financing of the Social Security Tax.

[5]Contribution for Intervention in the Economic Domain Tax.

[6]Tax on Manufactured Product.

[7]The industrial enterprise that undertakes export of manufactured goods in Brazil may determine values for the purpose of reimbursing part or in full the existing tax residue in its production chain (PROVISIONAL MEASURE No. 540, 2011, regulated by DECREE No. 7633, 2011).

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Chapter 3
The Main Corporate Taxes of the STN

Abstract This chapter is intended to provide an overview of the main corporate taxes in force in the Brazilian Tax System (STN): IRPJ, CSLL, PIS, COFINS, IPI, I.I., I.E., ICMS, and ISS.

Keywords Federal taxation · State taxation · Municipality taxation

The CF/88 has conferred taxing authority on the federal government, the states, the federal district, and the municipalities. The CTN, accommodated by the CF/88, provides for the governmental instances that may create and collect taxes. They are presented below background information on the main Brazilian corporate taxes in force.

Federal Taxation

The main Brazilian federal corporate taxes in force are as follows: Corporate Income Tax (IRPJ), Social Contribution on Profits Tax (CSLL), Contribution to the Financing of Social Security Tax (COFINS), Contribution to the Social Integration Program Tax (PIS), Tax on Manufactured Product (IPI), Tax on Imports (I.I.), Contribution for Intervention in the Economic Domain Tax (CIDE), Withholding Income Tax (IRRF), and Tax on Financial Transactions (IOF).

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Corporate Income Tax—IRPJ, Social Contribution on Profits Tax—CSLL[1]

The IRPJ and CSLL are normally calculated through the actual taxable income system—ATIS (*Sistemática do Lucro Real*). In same cases, enterprises may be eligible to a simpler tax regime called Deemed Taxable Income System—DTIS (*Sistemática do Lucro Presumido*). Except where the tax law requires the enterprise to calculate IRPJ and CSLL according to ATIS, the enterprise is free to elect the best method available.

Enterprises under the following situations are required to use ATIS: (i) enterprises with annual total revenue in the preceding year of more than BRL 78 million, or a proportional amount of revenue if the enterprise was operational for less than 12 months in the preceding year; (ii) financial institutions and similar entities; (iii) enterprises that earn profits, earnings, or capital gains outside Brazil; (iv) enterprises enjoying IRPJ exemptions or reductions; (v) factoring enterprises; and (vi) securitization enterprises (of real estate, finance, and agribusiness credits).

*Actual Taxable Income System—ATIS (***Sistemática Do Lucro Real***)*

In such system, IRPJ and CSLL are determined based on the calendar year, with monthly tax payments, and are generally computed on the basis of annual or quarterly taxable income. They are calculated on net income (before IRPJ and CSLL accrual), adjusted by the add-backs (nondeductible expenses, such as tax penalties) and by the exclusions (non-taxable income, such as equity pickups and dividend income).

The IRPJ is charged at the basic income tax rate 15 % plus a surcharge of 10 % on annual taxable income in excess BRL 240 thousands or quarterly taxable income in excess BRL 60 thousands. The CSLL is also assessed on net income, with adjustments similar to those prescribed for IRPJ purposes. It is no longer a deductible item, when calculating the IRPJ, and it is not deductible when computing itself, either. The CSLL is charged at the rate of 9 % for enterprises in general and 20 % for financial institutions.

[1]This topic was written based on the following legal framework: Complementary Law No. 125/07; Complementary Law No. 124/07; Law No. 12973/14; Law No. 12766/12; Law No. 12715/12; Law No. 12249/10; Law No. 9430/96; Provisional Measure No. 2158/01; Decree No. 4213/07; Decree No. 4212/07; Decree No. 3000/99 (RIR/99)—Brazilian IRPJ Code; Resolution No. 20/10; Ordinance (*Portaria*) No. 427/13; Ordinance No. 2091-A/07; IN RFB No. 1515/14; and IN RFB No. 1154/11.

IRPJ and CSLL Tax Losses Carry Forward (Only for ATIS)

An important point to be stressed in relation to the IRPJ and CSLL is the rule applicable to the tax losses carry forward (they may not be carried back). Tax losses offset is restricted to 30 % of each subsequent annual or quarterly taxable income. Loss for this purpose is defined as the accounting loss adjusted for tax purposes (adjusted by the add-backs and by the exclusions that were mentioned above).

An example is if one enterprise bears BRL 2 thousands of tax losses and is generating BRL 1.5 thousand of taxable income in the current year, it will only be able to use BRL 0.450 thousand of tax losses (BRL 1.5 thousand × 30 %). Thus, the enterprise will end up paying tax on BRL 1.05 thousands.

On the other hand, tax losses have no expiration date, being available over an indefinite period of time. They may be extinguished in certain instances, such as a result of mergers and split-offs, and may not be used by the survivor and/or successor. Additionally, tax losses may be extinguished when an enterprise undergoes simultaneously a change in control and its business activity.

Enterprise's losses generated from January 1, 1996, must be divided into operating and non-operating losses for offset purposes. Additionally, the non-operating losses can absorb 100 % of the year's non-operating net income, as long as they do not exceed 30 % of current year total taxable income (operational plus non-operational).

Tax Payments and Digital Tax Accounting Bookkeeping—ECF[2] (Only for ATIS)

According to Law No. 9430/96, enterprises must pay for their IRPJ and CSLL bill either: (i) on a monthly basis, considering estimated tax payments, as a percentage of revenues, then applying a full year closing, with the corresponding tax liability's true-up, or (ii) on an actual quarterly basis, after closings in the months of March, June, September, and December; in this option, each quarter is treated as a separate/final tax period.

Enterprises must elect for either one of the procedures in January of each calendar year and are not allowed to change from one procedure to the other, during any given year. The ECF shall be delivered at the end of each calendar year, until a specific date set by the tax authorities. Also, Brazilian legislation establishes other events in which the ECF must be delivered, such as a split-off and merger.

As commented above, IRPJ and CSLL are assessed on the actual taxable income, which is computed by taking into consideration net revenues, cost of goods

[2]The Corporate Income Tax Return (DIPJ) was replaced by the Digital Tax Accounting Bookkeeping Model (ECF) of the SPED for taxable events occurred from January 1, 2014, onward.

or services sold, overhead, and capital gains. However, certain items of income are subject to a Withholding Income Tax (IRRF) that may be used to offset the total tax liability. For example, interest income and financial gains and capital gains are derived from stock markets where the income produced is variable (futures, commodities, hedges, etc.). However, the losses generated by the operations in this market may only be used to offset gains derived from operations in the same market.

Corporate Income Tax—IRPJ Incentives (Only for ATIS)

Enterprises located under the Superintendence for Development of the Amazon Region (SUDAM) and Superintendence for Development of the Northeastern Region (SUDENE) jurisdiction may present projects for implementation, expansion, diversification, and modernization of certain industrial or agricultural businesses and obtain favorable funding, financing, and tax incentives (e.g., exemption or reduction of IRPJ for such a period).

SUDAM and SUDENE are federal agencies created some decades ago to promote economic development and reduce economic inequality in Brazil's poorest regions (north and northeastern ones). Only investments that fall among business sectors defined as priority for regional development by SUDAM and SUDENE, as the case may be, are entitled to present projects and benefit from tax incentives.

Interest on Shareholders' Equity—JCP (Only for ATIS)

Since January 1, 1996, enterprises have been allowed to remunerate their shareholders by paying interest on own capital (JCP), subject to certain limitations (i.e., limited to Long Term Interest Rate—TJLP variation, 50 % of the profits, etc.).

As of January 1, 1997, the expense related to this payment is not only deductible for purposes of IRPJ, but also for CSLL. These payments are still subject to a 15 % Withholding Income Tax—IRRF, except for beneficiaries located abroad in listed low tax jurisdictions or under listed tax favorable regimes for which the rate is 25 %. For Japanese residents, the rate is 12.5 % (because of Brazil–Japan tax treaty). For enterprises under ATIS and DTIS regimes, the IRRF is considered as an advance against the IRPJ due by the beneficiary.

In some causes, the use of JCP may be an instrument for tax planning and reduction of the enterprise's IRPJ and CSLL because it generates a tax deduction equivalent of up to 34 and 40 % of the interest paid (34 and 40 % being the maximum combined rate of IRPJ and CSLL, respectively, for enterprises in general and financial institutions), despite of the IRRF.

JCP payments within the same economic group are an advantage where payment is usually made to individuals, tax-exempt organizations of foreign beneficiaries. The net advantage will be 19 % (34 − 15 %) or 25 % (40 − 15 %). When it comes to payments made to Brazilian enterprise, equity holders with same economic group may be no longer true. It depends on case-by-case situation to be analyzed because of the taxation on such holders, inclusively related to PIS and COFINS taxes at the rate of 1.65 and 7.6 % for enterprises under ATIS regime and 0.65 and 3 % for ones under DTIS regime.

Taxation of Foreign Income (Only for ATIS)

IRPJ and CSLL adopted the principle of territoriality for defining taxable income up until 1995. However, as of January 1, 1996, this principle is no longer applicable and corporate income taxes are assessed on worldwide income basis. Therefore, foreign source income, gains of any nature, and net of foreign source losses are subject to taxation in Brazil, when distributed or made available in the terms of the Brazilian legislation. A credit for the income tax paid abroad is allowed, limited to the total Brazilian tax liability assessed on the foreign income.

Transfer Pricing Rules—TPR

Since 1997, Brazilian TPR deal with the tax deductible costs, or expenses, when domestic taxpayers buy goods and services from foreign-related parties. They also address the minimum taxable revenues when local enterprises sell goods and services to foreign-related parties. In other words, Brazilian TPR seek to curb practices detrimental to Brazilian interests, resulting from the manipulation of prices in the import and export of goods, services, or rights with related parties abroad.

It should be mentioned that such rules are also applicable to operations involving a taxpayer resident or domiciled in Brazil with any individual or legal entity (related or not) located in a tax haven jurisdiction (parties domiciled in low tax jurisdiction and/or under a favorable tax regime in a foreign location).

With respect to financial transaction, Brazilian TPR determine that the interest paid or credited to a related party, when arising from a contract which is registered or not with the Central Bank of Brazil (BACEN), will only be (the maximum) deductible for the purpose of determining the taxable income of the Brazilian borrower, the interest rate plus a spread determined by the Ministry of Finance according to market averages: (i) for transactions in USD with prefixed rates—market rates for the Brazilian sovereign bonds issued abroad in USD; (ii) for transactions in Brazilian Reals (BRL) with prefixed rates—market rates for the

Brazilian sovereign bonds issued abroad in BRL; and (iii) for any other case—the London Interbank Offered Rate (LIBOR) for six months.[3]

In the case of a loan arrangement with a related party, the lending legal entity, operating in Brazil, must recognize as taxable income (imputed interest), as the case may be, at least the same as those listed above, plus a spread determined by the Ministry of Finance. In August 2013, the Ministry of Finance sets new spreads: 2.5 % when the Brazilian entity is the lender and 3.5 % when it is the borrower.

Different from other countries, where arms' length principle and comparable prices are the rule, the Brazilian TPR go another direction by basically establishing fixed formulas to determine the accepted transfer price. But Brazil does not ignore completely comparable prices or the arm's length principle; notwithstanding, it limits its application by setting accepted standards for their application. The Brazilian enterprise has to demonstrate compliance with TPR. Otherwise, the tax authorities may start a case and elect an alternative method to calculate the price that should be used for tax purpose.

Thin Capitalization Rules—TCR (Only for ATIS)

Brazil introduced TCR in 2009 that limit the ability for enterprise taxpayers under ATIS to fully deduct interest expenses associated with loans contracted with: (i) foreign-related parties or (ii) parties domiciled in low tax jurisdiction and/or under a favorable tax regime in a foreign location (tax haven). In this second situation, the amount of debt cannot exceed 30 % of the net equity of the Brazilian enterprise. The same TCR limits and restrictions also apply to debt with a foreign enterprise where the guarantor, legal representative, or any intervening party in the relevant transaction is resident in low tax jurisdiction or is under a favorable tax regime.

In addition to the requirement that interest be a business expense for the Brazilian enterprise, the following requirements apply to debt contracted with a foreign-related creditor, depending on whether or not the related party participates in the capital of the Brazilian enterprise: (i) The amount of the relevant debt cannot exceed twice the amount of the participation of the foreign-related party in the net equity of the Brazilian enterprise; (ii) the amount of the relevant debt with a foreign-related party (that does not participate in the capital of the Brazilian enterprise) cannot exceed twice the amount of the net equity of the Brazilian enterprise; and (iii) the total amount of debts (with foreign-related parties) cannot

[3]This rule must be jointly considered with the Law No. 12249/10 that creates Thin Capitalization Rules (TCR) and, consequently, same restrictions on the tax deductibility of interest paid to a foreign-related party.

exceed twice the total amount of all participations of foreign-related parties in the net equity of the Brazilian enterprise.

Any excess interest calculated according to the rules above will be disregarded as a business expense and will be nondeductible for tax purposes. The definition of related parties for TCR purposes is the same used for TPR purposes, according to Law No. 9430/96.

*Deemed Taxable Income System—DTIS (*Sistemática Do Lucro Presumido*)*

According to Law No. 9718/98, small- and middle-sized enterprises may be eligible to a simpler tax system called *Sistemática do Lucro Presumido* (Deemed Taxable Income System—DTIS) upon which such enterprises pay the IRPJ and CSLL based on a presumed taxable income as opposed to pay them on actual taxable income (ATIS). It means that costs and expenses are irrelevant to determine IRPJ and CSLL liability at the end of the quarter.

Enterprises with total revenue equal to or lower than BRL 78 million in the previous year, which do not benefit from tax incentives nor receive profits or income from capital gains abroad, may choose to pay IRPJ and CSLL on such presumed taxable basis. In addition, enterprises initiating their operation in Brazil may also choose this path if their total revenue does not exceed BRL 6.5 million multiplied by the number of months of operation on the current year.

The DTIS income is generally calculated based on percentages (deemed tax margins) of gross revenues that are established according to the business in which the enterprise is engaged: (a) 8 % on the sale of goods and merchandise; (b) 1.6 % in relation to the sale, for consumption of petroleum, derivatives, and natural gas; (c) 8 % on cargo transportation services; (d) 16 % on other transport services; and (e) 32 % for other services.

Over the resulting amount, the rate applied is 15 %, and there will be an additional rate of 10 % levying on the resulting amount that exceeds BRL 60 thousands for quarter.

For CSLL purpose, the rate applied is 9 % over the resulting amount of the percentages applicable over the gross revenues: (a) 12 % all activities except services and (b) 32 % for services.

It is important to mention that the percentages (deemed tax margins) apply only over the enterprise's gross operational income. It means that capital gains and income from financial investments do not benefit from this tax treatment. Instead, they are added to the DTIS tax basis (resulting from the application of the deemed profit margin over the operational gross income) for purposes to apply the IRPJ and CSLL tax rates.

Although the accrual basis of accounting can be used by enterprises under DTIS (enterprises under ATIS must use it), tax regulations allow them to adopt the cash basis of accounting for IRPJ and CSLL purposes, which is more appropriate to most DTIS enterprises as taxation is deferred until the moment that the cash is received.

Contribution to the Financing of Social Security Tax—COFINS and Contribution to the Social Integration Program Tax—PIS[4]

The PIS was conceived as a means of sharing the business profits with the employees, through a mandatory national savings program, financed by monthly deposits collected as a percentage of 0.65 % on the sales gross revenues. Some federal social programs are also financed with these funds. The COFINS was created to finance special social programs enforced by the federal government through the collection of a tax at the rate of 3 % (4 % for financial institutions) on the sales gross revenues. Both taxes were calculated by cumulative system (CS). In this case, enterprises cannot be discount tax credits calculated over the acquisition of raw materials and some expenses from PIS and COFINS amounts.

In 1999, the PIS and COFINS calculation bases were extended, considering all revenues, being allowed to exclude revenues related to export of services and goods, equity, dividends, fixed assets sales, recovery of costs and expenses, reversal of provisions, etc.

Since December 2002 (for PIS) and February 2004 (for COFINS), enterprises that are subject to calculated as IRPJ and CSLL based on ATIS have the obligation to pay PIS and COFINS calculated by non-cumulative system (NCS). In such system, the rate is 1.65 % for PIS and 7.60 % for COFINS. However, through this new system, enterprises can be discount tax credits calculated over the acquisition of raw materials and some expenses—at the rate equal to 1.65 % for PIS and 7.60 % for COFINS—from the PIS and COFINS amounts calculated upon their sales gross revenues.

There is a third regime called ‘Single-Phase’ one (SPR) that increases tax rates to a given enterprise within the distribution chain of a product (manufacturers and importers) and reduces to zero the tax rates levied on that same product in subsequent transactions, in order to minimize tax evasion in the distribution chain in which the products have many points of sale at retail level (for example, cold beverages, pharmaceuticals, gasoline, vehicles, machines, and autoparts).

[4]This topic was written based on the following legal framework: Complementary Law No. 70/91; Complementary Law No. 07/70; Law No. 12973/14; Law No. 10865/04; Law No. 10833/03; Law No. 10637/02; Law No. 10548/02; Law No. 10147/00; Law No. 9718/98; Ordinance (*Portaria*) No. 348/10; and IN RFB No. 1060/10.

Tax on Manufactured Product—IPI[5]

IPI was introduced in Brazil in 1967. It is a single-stage VAT[6]-like tax at production level and is levied by the federal government on: (i) supplies of manufactured goods in Brazil and (ii) the importation of goods into Brazil.

A taxpayer, for IPI purposes, is either the importer or the enterprise that industrializes (manufactures) goods. Industrialization, for IPI purposes, comprises assembly, transformation, packaging, and reconditioning, among other activities.

Basically, the calculation basis is the value of the transaction carried out by the taxpayer. IPI on imports is charged on the cost/insurance/freight (CIF) of the goods plus the Import Tax—I.I. (please, find below more information about I.I.). The IPI rates tend to be selective and vary according to the nature of goods, from zero-rate for basic supplies and rising for nonessential goods in accordance with the Harmonized Tariff Code (HTC): (i) from 3 to 330 %, applicable to goods depending on the HTC and (ii) 0 %, applicable to basic supplies such as food, with the exception of alcoholic beverages.

The mechanism used for IPI accounting is that each enterprise offsets the total IPI paid on purchases (inputs) against the total IPI collected on its sales (outputs). The amount of tax due must be calculated once a month.

Brazilian legislation establishes that products imported under the temporary admission and drawback regimes are exempted from IPI, if some obligations are observed. In addition, products or merchandise imported into free trade zones are also exempted from the aforementioned tax. Goods exported from Brazil are exempt from IPI.

Tax on Imports—I.I. and Tax on Exports—I.E.[7]

The I.I is a tax due upon customs clearance of the imported products, usually pursuant to an *ad valorem* tax rate. It is levied on the cost plus insurance plus freight (CIF) price of the goods. The rate depends on the degree of necessity of the good and is defined by the HTC.

The taxes on importation are levied on top of one another, as follows: (i) the I.I. is applied to the CIF price; (ii) the IPI is levied on the total of CIF price plus I.I.; (iii) PIS and COFINS are applied to the total of CIF price plus I.I. plus IPI due on imports, and the PIS and COFINS are include in their own basis; and (iv) ICMS is

[5]This topic was written based on the following legal framework: Law No. 8248/91; Law No. 8191/91; Decree No. 7212/10 (IPI Code); Decree No. 6405/08; Decree No. 5906/06; and Decree No. 97409/88.

[6]Value Added Tax.

[7]This topic was written based on the following legal framework: Law No. 11727/08; Law No. 9716/98; Law No. 5172/66 (CTN); and Decree-Law No. 1578/77.

applied to the total of CIF price plus I.I. plus IPI plus PIS and COFINS, and ICMS is included in its own basis.

The I.I. is a cost to the enterprise (not recoverable). The ICMS, IPI, PIS, and COFINS paid on imports are generally creditable (recoverable) to offset against the total of the respective tax collected on its sales.

Besides generating tax revenues, the I.I. is also used as an instrument of economic policy, regulating not only imports, but also domestic supply. Shortage of a given product in the Brazilian market may lead the government to reduce I.I. rate immediately to avoid unpleasant price hikes and inflation. Its rates are established by presidential decree (it means that no formal law is required) with immediate effect.

Similar to I.I., the I.E. is levied on a limited product list established by the Executive Branch. It is used as an instrument of economic policy, regulating not only exports, but also domestic supply. The idea is that exports are not subject to any taxation including I.E., in order to promote competitiveness of Brazilian products in international markets. Its rates are established by presidential decree (it means that no formal law is required) with immediate effect and usually applied on an *ad valorem* basis.

State Taxation

The main state tax in force is the Tax on Movement of Goods and on Rendering Services (ICMS).

Tax on Movement of Goods and on Rendering of Interstate and Intermunicipal Transportation Services and on Communications—ICMS[8]

The CF/88 granted authority to the Brazilian states to collect the tax on the movement of goods and on rendering of interstate and intermunicipal transportation services and on communications (ICMS), even when the transaction and the rendering of services start in another country. It is not a cumulative tax, that is, such tax is only assessed on the increase in the price of the product in each part of the circulation process (it is an almost-true VAT).

[8]This topic was written based on the following legal framework: Complementary Law No. 87/96; Complementary Law No. 24/75; Senate Resolution No. 13/12; ICMS Agreement (*Convênio ICMS*) No. 123/12; ICMS Adjustment (*Ajuste SINIEF*) No. 20/12; and ICMS Adjustment (*Ajuste SINIEF*) No. 19/12.

Table 3.1 ICMS—interstate movement rates

From	To	Rate[a]
South and southeastern region	South and southeastern region	12 %
South and southeastern region	North, northeastern, and mid-west	7 %
North, northeastern and mid-west	Any other state	12 %
Any state	Non-ICMS-registered taxpayer	Internal rate (17, 18, or 19 %) from the state of the sender[b]
Any state	Any state	4 %, for transactions evolving imported goods under certain conditions

Source Prepared by the researcher

[a]The State of Espírito Santo, for ICMS Interstate transactions purposes, is considered a state of northeastern region

[b]Because of the Constitutional Amendment No. 87/15, as of January 1, 2016, there will be the sharing of ICMS, in such transactions, between the state of origin (SOO) and the state of destination (SOD). Being so, all interstate transactions will be submitted to the interstate rates (7 or 12 %) and the difference between them and the internal rate of the SOD will be shared for the states envolved: (i) in 2016, 60 % for SOO and 40 % for SOD; (ii) in 2017, 40 % for SOO and 60 % for SOD; (iii) in 2018, 20 % for SOO and 80 % for SOD; and (iv) As of 2019, 100 % for the SOD

A taxpayer, for ICMS purposes, is any individual or legal entity that deals with products, goods, or merchandise or renders communication services or interstate or intercity transportation services that can be considered as having commercial purposes. Basically, ICMS is chargeable on: (i) supplies of goods in Brazil; (ii) supplies of interstate and intermunicipal transportation services; (iii) supplies of telecommunications services; and (iv) importation of goods into Brazil. Goods exported from Brazil are exempt from ICMS.

Basically, the ICMS calculation basis is the value of the transaction or service carried out by the taxpayer, including the value of the tax itself. In summary, ICMS is collected by most states at the rate of 17 %, except for the states of São Paulo, Minas Gerais, and Paraná, whose tax rates are 18 %, and Rio de Janeiro where the rate is 19 % (from January 1st, 2016, the general internal rates were increased to 18 % in the following states and Federal District: Amazonas, Bahia, Maranhão, Paraíba, Pernambuco, Rio Grande do Norte, Rio Grande do Sul, Sergipe e Tocantins).

Special rates apply to interstate movement, defined by the Senate, as demonstrated in the Table 3.1.

It should be noted that states currently impose a higher internal rate (usually 25 %) for what the authorities deem 'luxury' goods, including firearm ammunition, perfumes and cosmetic products, leather, fur and goods made of them, alcoholic beverages, and leisure boats. Some products exceptionally trigger a lower rate (car industry and other special industries are below 17 or 18 %).

ICMS legislation prescribes a lot of incentives, such as exemption, deferment, reduced tax basis, and deemed tax credit. However, it should be noted that Brazil has 27 different ICMS tax authorities and regulations, each one granting distinct benefits. Investors must evaluate not only the tax savings usually granted for the first years of operation, but also if they compensate the distance from consuming centers, ports capable of exporting production, lack of trained labor, etc.

It is important to note that state tax incentives per se should not be a problem for the investors if states followed federal legislation that requires their prior approval by means of an agreement executed among representatives of all Brazilian states at the so-called National Council of Fiscal Policy—CONFAZ (*Conselho Nacional de Política Fazendária*).

Because agreement over certain tax breaks is sometimes difficult to approve at CONFAZ, some states decide to grant their own tax breaks without such approval, which results in harmful tax competition usually referred to as 'tax war' among Brazilian states. Controversies over 'tax war' often reach the STF, where a given state may try to seek cancelation of ICMS tax breaks in violation of federal legislation in that sense.

Municipality Taxation

The main municipality tax in force is Tax on Services (ISS).

Tax on Services—ISS[9]

The ISS is a municipal tax on gross billings for certain services designated by the federal government. The applicable rates to be determined by each municipality can vary between 2 and 5 %. The minimum rate was established to prevent harmful tax competition among municipalities to attract businesses to their jurisdiction. But some municipalities bypass such minimum rate by granting other incentives that reduce the ISS overall tax burden, such as tax base reductions.

In general, the service tax is levied by the municipality in which the enterprise is headquartered. There are some exceptions to this rule for services involving assembly, construction, and demolition, among others. Despite the fact that the law is so clear regarding the municipality to which the ISS must be paid, some municipalities have being implementing withholding tax systems requiring client

[9]This topic was written based on the following legal framework: Complementary Law No. 116/03.

enterprises located within their boundaries to withhold ISS from providers located in other municipalities even though such providers be subject to the general rule and not to the exceptions ones. The result is a truly double taxation. In that case, the taxpayer's only solution is to go to court to eliminate this harmful conflict of ISS jurisdiction.

New regulation, effective as from January 2004, resulted in important changes to the ISS legislation. The original list of services subject to the tax was expanded, and the import of services is now subject to ISS. Additionally, ISS is not levied on exports of services, except when the results of these services will be applied in Brazil.

Taxes on Payments to Nonresidents[10]

The Brazilian taxes in force generally applicable on payments to nonresidents are as follows: Withholding Income Tax (IRRF), CIDE, COFINS, Contribution to the Social Integration Program Tax (PIS), Tax on Services (ISS), and Tax on Financial Transactions (IOF).

Withholding Income Tax—IRRF

Any payment, credit, or remittance made by an enterprise located in Brazil, to an individual or legal entity resident or domiciled abroad, is subject to IRRF. The most important operations and corresponding rates are contained in the Table 3.2.

Contribution for Intervention in the Economic Domain Tax—CIDE

Brazilian enterprises with royalty, license, or service agreements with foreign entities shall pay 10 % CIDE, based on the gross amount paid, credited, delivered, used, or remitted to nonresident beneficiaries as royalties in general and compensation

[10]This topic was written based on the following legal framework: Complementary Law No. 116/03; Complementary Law No. 87/96; Law No. 12865/13; Law No. 12715/12; Law No. 11452/07; Law No. 10865/04; Law No. 10332/01; Law No. 10168/00; Law No. 8383/91; Law No. 4506/64; Decree No. 7212/10 (IPI Code); Decree No. 6306/07—Brazilian IOF Code; Decree No. 3000/99 (RIR/99)—Brazilian IRPJ Code; and, IN RFB No. 1455/14.

Table 3.2 IRRF rates on remittances to abroad

Description	Rate (%)
Dividends	Not taxable[a]
Interest	15[b,c]
Royalties	15[b, c, d]
Technical and administrative services	15[b, c]
Other services	25[b, c]
Repatriation of capital	Zero[e]

Source Prepared by the researcher

[a]Brazilian tax authorities respect the non-taxation from IRRF for all dividend payments, including those subject to IRRF under the provisions of a tax treaty

[b]These rates are effective unless otherwise specified by tax treaty

[c]Payments of any type made to Tax Heavens, defined as jurisdictions that do not tax income or tax income at a rate lower than 20 %, will be subjected to IRRF at a rate of 25 %

[d]The contract has to be approved by the National Institute of Industrial Property—INPI and filed with the Central Bank of Brazil—BACEN. Deductions for royalties on the IRPJ and CSLL taxable basis are generally limited up to 5 % of net sales of the product that has used the imported technology. The percentage depends on the type of product or activity

[e]Repatriation of capital in excess of the cost of the nonresident investment in Brazil is subject to capital gain tax at 15 % (or 25 % for Tax Heaven jurisdiction)

under the following agreements: (i) transfer of technology; (ii) technical assistance; (iii) transfer and licensing of trademarks; (iv) transfer and licensing of patents; and (v) technical services, administrative assistance, and similar services.

Social Integration Program—PIS and Social Contribution on Gross Sales—COFINS

As from May 1, 2004, the PIS and the COFINS apply also on the payments of services to nonresidents. The rates are generally the same as those applicable to non-cumulative regimes: 1.65 % to PIS and 7.6 % to COFINS. For import services, the tax basis of PIS and COFINS is the service price paid, credited, delivered, used, or remitted abroad, before IRRF, plus ISS. That sum must be grossed up for the value of PIS and COFINS.

Enterprises subject to non-cumulative regime take tax credit for the PIS and COFINS on importation and use it to offset any non-cumulative PIS and COFINS due by them in their domestic daily operations, since the imported services could be considered as inputs (more information about such contributions could be found above).

Tax on Services—ISS

As from January 1, 2004, payments of services to nonresidents may also be subject to the ISS at rates varying from 2 to 5 % (more information about such tax could be found above).

Tax on Financial Transactions—IOF

As a general rule, foreign exchange of currency transactions made in order to allow payments to nonresidents, considering royalties, technical services, technical, administrative, and any other assistance or any other revenue, including the reimbursement of any costs, are subject to IOF.

Historically, these transactions were subject to an IOF maximum rate of 25 %. Several rate reductions are often established by presidential decrees. At press time, the standard rate is 0.38 % for most currency transactions.

Chapter 4
The Extent of the Tax Responsibility of the Enterprise to Its Owners and Administrators

Abstract This chapter is intended to provide an overview of the extension of the tax responsibility of the enterprise to its owners and administrators, since they are personally responsible for claims relating to tax liabilities arising from acts performed with the excess of power or violation of law, article of incorporation or bylaw.

Keywords Tax responsibility · Tax Active Debt Certificate · Tax contingency

The Extent of the Tax Responsibility of the Enterprise to Its Owners and Administrators

Much has been noted, in doctrine and administrative and judicial jurisprudence, regarding the responsibility of the owners and administrators of enterprises. The main controversy that circumscribes this topic refers to the extension of the tax responsibility of the enterprise to its owners and administrators, in some circumstances of business life. To begin addressing this issue, Zavascki (2011, p. 51) notes that the CTN (article 121) states that the juridical duty corresponding to the due performance of a tax credit falls upon how the law originally indicates as the tax passive person, being him taxpayer or tax responsible person. The article reads as follows (emphasis added by the author):

> Art. 121 - Tax passive person of the principal tax obligation is the person liable to pay tax or pecuniary penalty.
>
> Sole paragraph - The tax passive person main obligation is to:
>
> I. Taxpayer when has personal and direct relationship with the situation that constitutes its triggering event;
>
> II. <u>Tax responsible person, when, without coating the condition of the taxpayer, his obligation arising out of an express provision of law</u>.

There are cases, however, where persons not expressly listed in instituting standard tax can be held liable for their payment. They are the hypothesis of

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third-party responsibility, which, at first glance, are not of any of the conditions laid down in article 121, sole paragraph of the CTN, because their responsibility depends on the occurrence and verification of any fact or circumstance beyond the triggering event of the related obligation (Zavascki 2011, p. 51). This is the case of the tax responsibility of partners, directors, managers, or legal representatives of legal entities of private law provided for in the CTN, article 135.

The question of the extent of the tax responsibility to owners and administrators disciplined by article 135 of the CTN is stormy and has sparked intense debate in doctrine and jurisprudence, and even today, there is no peaceful understanding about. This situation, evident in the jurisprudence of the Superior Court of Justice—STJ, is very worrying, because the big losers in this jurisprudential hermeneutics and oscillation are Brazilian businessmen and the nation itself (Takano 2012, p. 65).

The article 135 of the CTN provides as follows (emphasis added by the author):

> Art. 135 They are personally responsible for claims relating to tax liabilities arising from acts performed with excess of power or violation of law, article of incorporation or bylaw:
>
> I. people mentioned in the preceding article;
>
> II. the agents, representatives and employees;
>
> III. directors, managers or representatives of legal persons of private law.

According Becho (2012, p. 52), a subject deserves special attention: the managing partner that, in general, was not even included in article 134 or in article 135. However, the STJ saw fit to include him in the list of tax responsible person, as a third party in a (for us) clear creation of the tax authorities upheld by the judiciary.

Takano (2012, p. 65) notes that the jurisprudence of the STJ only consolidated the understanding that (i) the irregular dissolution of the enterprise allows for responsibility of owners and administrators (usually the investigation of irregular dissolution occurs in the execution stage, which is why the Precedent of STJ No. 435 refers to the 'redirection of the tax foreclosure'); (ii) the mere default of the tax, by itself, does not authorize the responsibility of CTN, article 135.

On the extent of the tax responsibility, that is, what people can actually achieve by the legal norm and by being coerced to pay tax debt—and this is a very problematic point—there is no consensus in various law jurisprudential constructions that often are mutually contradictory (Takano 2012, p. 65).

The controversy generated by article 135 CTN is given as to the assumptions, the scope, and nature of the tax responsibility established by it (if solidary, or subsidiary or by substitution of the principal debtor). Furthermore, the definition of the contours of this legal relationship of substantive law directly reflects the procedural legal relationship established when the filing of tax foreclosure for collection of related tax credit (Zavascki 2011, p. 51).

Martins (2015, pp. 98–99) believes that the tax responsibility of the people mentioned in article 135 of the CTN, when acting on behalf of legal entities, excluding the responsibility of them (therefore, it is substitution responsibility), but believes that this is not the prevailing view, giving the following explanation (the italics are of the author):

> Contrary to previous device (article 134), in which the legislator speaks of solidary tax responsibility, article 135 speaks only - and, in my view, incisively and permanently - in personal responsibility. However, the fundamental element is the fact of article 135 to care of acts committed intentionally (in an illicit way) against the interests of represented tax-payers, that it did the legislator to consider as tax responsible person, not represented entities (legal entities), but only their legal representatives (their management). For this reason, we understand as legitimate the solidarity to faulty acts, as practiced with mal-practice, negligence, imprudence or even omitted, and the article 134 limited such responsability. The same people, however, practicing detrimental acts to the Treasury, fraudulently, if they seek to blame their represented taxpayers, such responsibility derails itself for the clear legal formulation, making them personally responsible and excluding others from the tax-legal relationship established consequently. Now, whenever contracts or bylaws (the protector diplomas of the corporate life) are violated by those who would be obliged to preserve them, it is clear that the legal entity they belong to, is, as the tax authorities, in position of victim, and the victim can not be transformed into author.

The word ‘guilt,’ derived from the Latin *culpa* (fault, lack, inadvertent error, or recklessly) is understood as the ‘fault’ committed against the ‘duty,’ by act or omission, proceeded from ignorance or negligence (Silva 2005, p. 401).

Since the word ‘fraud,’ according to Silva (2005, p. 494), means:

> From the Latin *dolus* (artifice, cunning, craftiness), in legal terminology is employed to indicate any kind of ‘gimmick’, ‘mistake’ or ‘management’, with the intention of inducing another to commit a legal act, to the detriment of this and own or another’s advantage (this is the meaning of fraud in civil purposes). In the criminal sense, fraud is ‘criminal intent’, the criminal intent on making the ‘wrong’, which constitutes a crime or offense, either by act or omission. It is an act of ‘bad faith’, which is why it says ‘fraudulent’, being as it is, the order’s own fraud, or to defraud, because without fraud or preconceived prejudice not have malice in their exact meaning.

Becho (2012, p. 53) informs that the issue has reached the Federal Supreme Court (STF) and highlights the key part of the decision reported by the eminent Minister Joaquim Barbosa: ‘The principles of contradictory and fully legal defense apply to the recording tax credit in disfavor of any kind of tax passive person, irrelevant to its legal nomenclature (taxpayers, tax responsible people, tax substitutes, solidary tax debtors, etc.).’

Referring to the article of the CF/88 which deals with access to due legal process in the administrative sphere, Henrique (2015, p. E2) points out:

> Being the access to due legal process at the administrative level, entrenchment clause (CF/88, article 5, LV – to the litigants, in judicial or administrative proceedings and to the defendants in general are ensured of the right of contradictory and fully legal defense, with means and resources inherent to it), inserted in the list of individual rights and guarantees, and in the Supreme Court diction also extends to tax discussions, any breakdown in the examination of actions brought by taxpayers erodes liquidity and certainty of the resulting entries in debt against taxpayers. The guarantee of due legal process emerged in the UK in order to contain the will of the monarchy. On American soil evolved as a way to curb Legislative violations. And in Brazil is an important tool for the protection of taxpayers in the face of abuses by the various taxable spheres.

Also, according to the decision reported by the Minister Joaquim Barbosa (STF 2011):

> The administrative decision granting passive subjection by responsibility or substitution should also be adequately motivated and justified without relying on assumptions and inadmissible legal fictions under the Public Law and Administrative Law. It is considered impermissible presumption that requiring the tax passive person evidentiary duties ontologically impossible, unreasonable or disproportionate, and those devoid of reputable motivation, that is, which did not show the effort of the tax apparatus to identify the legal circumstances that permit the extent of the tax legal relationship.

Given that it is not tax solidary or by tax succession responsibility, the debt may simply be required of the tax responsible person, but take care, that yes, personal responsibility resulting from a illicit practice, incumbent who is determined not only the occurrence of the triggering event, but the illicit itself that causes the debt may be required of the third party. That is, the illicit taking place personal responsibility has to be properly determined administratively, giving the opportunity to those responsible for the right of defense already at the administrative level (Paulsen 2008, p. 949).

Indeed, the coexistence in our legal system of a plurality of the STJ decisions on the subject—which, in principle, should provide an interpretation of that statutory provision capable of guiding their application—gives undesirable freedom for the RFB edit of additional standards that with footstool in jurisprudence and under the guise of regulating (order actually merely raises revenue) belittle guarantees granted by the complement legislator to the taxpayer (Takano 2012, p. 65).

As such, the controversy generated by article 135 and the plurality of the STJ decisions represent—both for the enterprise and for its administrators—the possibility of generating tax contingency, which may result in tax assessments, with the payment of punitive fines and penalty interest and the financial expenditure on hiring tax and legal advisors. In the case of the owners and administrators, the achievement of their personal property blocks their bank accounts, among other measures.

After the creation of Tax Active Debt Certificate (CDA), the Treasury can file a tax lien, since this certificate is an extrajudicial execution document, with the ability to be on the CDA many taxpayers, including the tax responsible person. So when the CDA bear the name of the tax responsible person, it is necessary to know who has the burden of proving the occurrence of the event provided in the article 134 or article 135, both of CTN, if the government or the tax responsible person (Lima 2013, p. 99).

In this regard, the STJ (2005, pp. 560–561) decided that it is for the tax authorities to prove that the third party falls in tax responsibility assumptions:

> […]. 3. In order for the judgment creditor binding partner of the debtor enterprise to the due performance of the tax obligation based on the provisions of article 135, II, of the CTN, should it allocate the act of practice with excessive powers or law violation. In the absence of such an indication, it is not allege that the burden of proof is the entrepreneur, because he has nothing to prove, since of nothing he was accused. […].

However, as STJ (2009), there was a change of understanding in place of repetitive resources, as the transcribed decision below:

> […], if the execution was filed only against the legal entity, but the partner's name appears in the CDA, it bears him the burden of proof that was not characterized any the circumstances provided for the article 135 of the CTN, i.e., there was not the performance of acts "with excessive powers or law violation, article of incorporation or bylaws. […].

Lima (2013, p. 101) explains that such understanding was used in other resources. However, stresses that the reverse burden of proof apply in cases where the partner's name appears on the CDA. But even when not appear in it, the Treasury subsequently turns out to redirect the execution to the detriment of the partner. In this case, the burden of proof is on the tax authorities, as the STJ decision (2013):

> […]. 1. This Court confirmed the understanding that, being the tax foreclosure only against the enterprise, the Treasury must prove the violation of law, article of incorporation or bylaw or irregular dissolution of the enterprise to redirect the execution against the partner, because the mere breach of tax liability or no attachable assets not support redirection. […].

The participation of the taxpayer and any tax responsible person in the CDA formation process is crucial to its legitimacy. It is worth remembering that the CDA is the only extrajudicial execution document in which there is no will debtor manifestation, or of the State Judge intervention, as happens in other documents listed in the Code of Civil Procedure (CPC). The opportunity of the participation of the taxpayer/tax responsible person in the administrative procedure before the formation of the CDA is the only measure capable of meeting this deficit consent (Faro and Moreira 2014, p. 394 and 395).

The General Attorney of the National Treasury (PGFN, 2010) prescribes the moment that there may be the inclusion of the tax responsible person in CDA, demonstrating that there must be necessary caution to precede such inclusion (the italics are of the author):

> Art. 2 - <u>The inclusion of the tax responsible person in the CDA</u> Federal Government <u>will only occur after the reasoned statement of the competent authority of the RFB</u>, the Ministry of Labor and Employment or PGFN on the <u>occurrence of at least one of the following four situations</u>: I - excess powers; II - violation of the law; III - violation of the social contract or statute; IV - irregular dissolution of the legal person. Sole paragraph - In case of irregular dissolution of the legal entity, the managing partners and the third parties with management powers at the time of dissolution, as well as the triggering event should be held tax solidarity responsible people.

This justifies the CDA have presumption of certainty and liquidity, so that, with the administrator name included, it will be assumed his responsibility in the administrative process, which ensured his right of defense, who moved the court decisions that accept their quote, and whose names appear in the CDA, authorizing redirection in the tax foreclosure (Faro and Moreira 2014, p. 394).

Only the externalization of the reasons of fact and of law which may lead the authority to act in a certain practice enables citizens to see the decision and freely choose to accept or challenge it administratively or judicially. Also, only with this externalization can the judge authority to control the validity of the contested act. Thus, an entry made without giving reasons or insufficient reasons for the externalization unclear and inexact of the fact assumptions and applicable law is void for procedural defect (Xavier 2005, 175 and 178).

Brazilian tax lawyers have argued that the attempt of the government to restrict the taxpayer's right to adversarial, legal defense, and due process is something that occurs a long time. There is always something new in this regard, as reported by Calcini (2013, p. E2):

> The legal order innovates, through simple federal law (Law No. 12.767/12), to specifically allow the protest of tax debts of Federal Government, States, Municipalities, Federal District, as well as their agencies and public foundations. The protest of the CDA sets up a totally unnecessary political sanction, i.e., the use of indirect or oblique means aiming to embarrass the taxpayer and hence get the receipt of the required taxes. Now the tax CDA already have, especially the arts. 201 and 204 of the CTN, the relative presumption of certainty, liquidity and demand, filling adequately demonstrate the function of default and allow the settlement of that claim through a legal and fair process, which is the tax lien. There is no doubt that the protest of CDA, under the recent Law No. 12.767/12, is unconstitutional for breaching fundamental rights of the taxpayer, in particular, proportionality, reasonableness, free enterprise, due process, among others, unshaken by even by constitutional amendment, leaving the judiciary to its protection. […]

Machado (2015, p. 79 and 88) also states that the protest of the CDA, under the Law No. 12767/12, is unconstitutional. Because of this, the National Industry Confederation (CNI) proposed Direct Unconstitutionality Action—ADIN No. 5135/DF—in which formal and material unconstitutionalities are aimed (the italics are of the author):

> Formal because the attacked device holds no relevance in relation to the matters dealt with in the interim measure whose conversion into law resulted. Material because the CDA already enjoys the presumption of liquidity and certainty, has preconstituted proof effect and entails the executive collection; there is no need for protest. […]. The protest in the case of CDA has the sole purpose to function as coercive means of collection of the tax debt, which constitutes true political sanction, or indirect execution, contrary to article 5, item XXXV of CF/88. Also violates the constitutional principle of proportionality, and in the face of their advertising entails restrictions on the taxpayer activity, with restrictions to his credit, affront the constitutional postulates aimed at ensuring the free circulation of lawful economic activity (article 170, sole paragraph) and freedom of professional practice (article 5, item XIII).

Commenting about the 'political sanction' that the protest of the CDA represents, Machado (2015, pp. 88–89) cites the opinion of the Minister Napoleon Nunes Maia Filho—of the STJ—who, after refuting the arguments of those who advocate such protest, said:

> The effect of morally constrain the tax debtor to pay the debt under the threat of protest of the CDA and prejudicantes effects procession that such protest triggers, seems to lie in the notorious 'political sanction', as proscribed as 'method' of speeding taxes collection, including why the official protest has no power to 'judge' the CDA appears to be appealed is or not legitimate credit or contains some excess as including repeated due credit or eventually prescribed installments, or protest it may be halted or denied if the debtor allege any impeditive cause, amending or extinguish the enforceability of the obligation expressed

> in the title? The answer can only be negative. What protest CDA entails is humiliation, especially to the small borrowers, it will be deprived of getting credit in the trade to acquire a car, a refrigerator or a television will eventually lose access to 'overdraft' and 'credit cards', in addition to including in 'blacklists' of delinquent debtors and agencies as 'dirty sheets' in the register of banks; as is surely wrong that these are the desired effects by the administration - of course not - that remains to be said is that the unique and irreplaceable legal means to the Public Treasure recover their debts is even a tax foreclosure, so that the protest CDA is unnecessary or unappropriate, illegitimate and shameful, perhaps can be considered even an authentic 'abuse' or an act of misuse of administrative function.

The fact is that, unfortunately, the National Council of Justice (CNJ) has recommended that the state courts enact normative act to regulate the CDA protest, expressly admitting the possibility of legal protest. And perhaps for this reason, the STF modified its understanding going to admit the protest of the CDA (Machado 2015, pp. 78–79).

Returning to the expression 'tax contingency,' explains Silva (2005, p. 369), the adjective 'contingent' is derived from Latin *contingens*, from the verb *contingere*. It indicates anything that might happen or succeed is the eventual, occasional happening. They want to express the possibility, the chance, the fortuitous happening, or everything that is contingent, meaning contingency, which is the substantive form of the thought. The word 'contingency,' according to Civita (1999, p. 261), means character than is contingent, while eventuality means the possibility that something will happen or not.

The adjective 'tax' means which pays 'tax'; concerning 'tax' and, notably, expresses the quality or the condition of everything is subject to payment of a 'tax' or the condition of things that affect the 'taxes.' Thus, the tax matter designates a thing, or usefulness that lies on, or over which focuses the correct tax (Silva 2005, p. 1433).

Therefore, 'tax contingency'—in the context of article 135 of the CTN and for the purposes of research inserted in the Part 2 of this book—is everything that can possibly happen in the enterprise that makes it susceptible to questioning by the tax authorities, and the tax assessments suffer mildly, including the payment of the unpaid tax, plus penalty and default interest. In certain circumstances, such 'tax contingency' can personally achieve administrators and owners, jeopardizing their enterprise and their personal assets.

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Chapter 5
The Corporate Governance and the Risk Society

Abstract This chapter is intended to provide an overview of the importance of the corporate governance in the risk society, i.e., the manner in which the organizations are led, directed, and managed, so that they can survive and perpetuate themselves in a more complex world, typical of the risk society.

Keywords Corporate governance · Risk management · Risk society

The Corporate Governance and the Risk Society

The globalization, a typical feature of modern society, made the concept of risk society that, from the perspective of taxation and in relation to its aspects of ambivalence, indeterminacy, and uncertainty, affects taxpayers, creating juridical insecurity and confusion in meeting their tax obligations.

The term 'risk' comes from the word *risicu* or *riscu*, in Latin (which means to dare, in English). It is customary to understand 'risk' as the possibility of 'something does not work,' but its current concept involves the quantification and qualification of uncertainty, both in regard to 'loss' as the 'earnings,' in relation to the course of events planned, either by individuals or by organizations (IBGC 2007, p. 11).

In the definition of Faber et al. (1996, pp. 209–211), 'risk' is an identified future event, to which it can associate a probability of occurrence. 'Uncertain' is an identified future event, to which it cannot associate a probability of occurrence.

When investors buy stock, surgeons perform operations, engineers design bridges, entrepreneurs open their businesses, and politicians run for elected office, the risk is an unavoidable partner. However, their actions reveal that the risk need not be so feared today: Managing it has become synonymous with challenge and opportunity (Bernstein 1996, p. VII).

Bernstein (1996, p. VII) also states that:

> Throughout the ages man has been learning to continually live with the risk. For it has developed numerous methods for their management. The boundary between modern times and the past is the mastery of risk capacity, considering that the future would not only be a

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> whim of the gods and mankind would not be forever at the mercy of natural phenomena. Since there is the possibility of not knowing the future, every human being is a risk manager, not by choice, but by an absolute necessity for survival.

The 'risk management' is a usual and ancient practice that has been a part of the routine of any business for many years. A vast literature has historically been drawn to the area of insurance, and more recently, the topic came into vogue and has developed as a structured methodology from several aspects, such as finance, audit, and information technology (IBGC 2007, p. 38).

Regarding 'risk management', there are regulations in Brazil that are in line with the Sarbanes–Oxley Act (SOX) and the Basel Agreement (for financial institutions). The SOX was published in 2002 in the USA, in response to some corporate scandals. It introduced important changes for the regulation of financial practice and corporate governance of enterprises. It emphasized the critical role of internal controls.

The Basel Agreement (Basel II, 2005), which had its first release in 1988, proposed a structure based on three pillars: (i) the minimum regulatory capital adequacy based on credit and operational market risks; (ii) strengthening the ability of bank supervisors to evaluate and adapt the regulatory capital to the conditions of each financial institution; and (iii) the assignment to transparency and disclosure of relevant role in fostering market discipline (IBGC 2007, p. 40).

For example, the Instruction of the Securities and Exchange Commission of Brazil (CVM) No. 220/94 defined rules related to internal controls. For financial institutions, the Resolution of the Central Bank of Brazil (BACEN) No. 2554/98 establishes the implementation of the internal control system. Additionally, the BACEN set the rules for credit risk (Resolution No. 2099/94); exposure to currencies (Resolution No. 2606/99); liquidity risk (Resolution No. 2804/00); predetermined risk (Circular No. 2972/01); implementation of Basel II (Notice No. 12746/04); and operational risk (Resolution No. 3380/06), among others.

Commenting on some aspects of risk society that most affect taxation, Rocha (2006, p. 219 and 223) shows that:

> Some aspects of the risk society that most affect the taxation are ambivalence, indeterminacy and uncertainty, which fully impact the tax rules jeopardizing juridical insecurity for taxpayers and the ability of taxable entities to collect taxes that are endowed by the Constitution. As a result, the tax laws proliferates the use of indeterminate concepts, fictions and assumptions that make complex and difficult to be understood by its recipients applicators and taxpayers. Especially when as a matter of practicality, tasks of determining, collecting and inspecting taxes are delegated to taxpayers.

This is one of the reasons the administrations, notably of the large enterprises, have become more complex and difficult, requiring professionals with expertise in various areas of knowledge, causing the separation of ownership (owners) and management (executives) to allow business to be conducted in a more professional manner.

The separation between ownership and management is an institutional arrangement that, in the modern world, creates immense opportunities for the development of the equity of the enterprises, since the organization is run by individuals whose qualifications are much larger than a single owner or a small group of owners could ever achieve (Martin et al. 2004, p. 2).

Such a separation is never easy. The challenge is to ensure that the decisions do not become slower with higher risk and without following the strategies outlined by the owners. As pointed out by Martin et al. (2004, p. 3):

> If every decision an enterprise had to be submitted to a meeting of owners, enterprises, of course, would be paralyzed. It is inevitable, therefore, that there is a transition of power into the hands of administrators, which should be large enough so they can make decisions quickly and take reasonable risks. But this power cannot be absolute, nor wholly discretionary. The fundamental guideline is that the enterprise resource should always be employed in the interests of the owners.

Hence, the importance of corporate governance is provided, the manner in which the organizations are led, directed, and managed, so that they can survive and perpetuate themselves in a world more complex, typical of the risk society. According to the Code of Best Corporate Governance Practices of the Brazilian Institute of Corporate Governance (IBGC 2009, p. 19):

> Corporate governance is the system by which organizations are directed and monitored, involving relationships between owners, board of directors, management and control bodies. Good corporate governance practices and objective recommendations convert principles, aligning interests in order to preserve and enhance the value of the organization, facilitating their access to resources and contributing to their longevity. Its principles are transparency, equity, accountability and corporate responsibility.

Corporate governance—through its various angles of observation—is for organizations, growth, value creation, sustainability, and longevity. Oliveira Neto (2010, p. 56), based on the IBGC (2006) highlights that:

> Corporate governance is a plural reality, which houses various angles of observation: for the enterprise, corporate governance is transparency and control; for executives, it is the responsibility and commitment (accountability); for owners, is democracy and justice; for investors, is protection and justice. For all this, corporate governance is value. It is value that is created and capture; value that is generated and distributed. The corporate sustainability, in view of Egydio Roberto Setúbal, can be defined as the ability of creating value for its owners over the long term, through proper management of risks associated with economic, social and environmental factors enterprises. Soon, the enterprise, concerned with sustainability, investing in its continued ability to continue growing. There is a natural convergence between sustainability and implementation of corporate governance practices. From an economic standpoint, we can say that there is no sustainability without profitability. The ability to grow and develop is intrinsically linked to the ability to generate profits that can be reinvested. It is the logic of continuous development.

Corporate governance has emerged in the USA in the late 1980s. It had in the 1990s, its expanded use, due to the important role that pension and investment funds now have as major investors in the capital market, which has improved, becoming more demanding as the transparency of information provided by public enterprises (Silva Jr (2015, p. 488).

Silva Jr (2015, p. 489) explains that, in the UK, due to confidentiality issues of financial reports before the risk of corporate bankruptcy, it was released the Cadbury Report in December 1992, which highlighted two main values: 'accountability' which is providing account and 'disclosure' which is translated into transparency.

The governance codes have had a vigorous affirmation in France (in 1995, 1999, and 2002), in the Netherlands (in 1997), in Belgium (in 1998), in Spain (in 1998), in Italy (in 1999), and in Greece (in 1999 and 2001). There was also the adoption of codes in Canada and Australia. This international expansion of the debate was largely caused by the Organization for Economic Cooperation and Development (OECD), approved in 1999 (Camera 2005, pp. 71–72).

The OECD emphasizes that a good corporate governance system enables corporations to operate for the benefit of the community, with investor confidence, and attract stable long-term capital. It stands out for the range of topics dealt with and their influence on the global dissemination of the principles of good corporate governance practices. According to the OECD, governance fixes as a link of development of bond markets, corporations, and nations (Oliveira Neto 2010, p. 60).

Oliveira Neto (2010, p. 61) also highlights the adoption in 2002 of US Law SOX, printing new coherence to the rules of corporate governance, as renewal element of good practices of legal compliance, provision accounts (accountability), transparency (disclosure), and sense of justice (fairness).

Recently, the financial crisis in the USA led to the enactment of the Dodd-Frank Act to correct the perceived shortcomings in financial reporting and risk management by financial institutions (Ruiz 2013, p. 158).

In Brazil, an important milestone was the creation of IBGC in 1999, who edited the Brazilian code of best practices in 2000 (Silva Jr, 2015, p. 490). In June 2002, the CVM issued a handbook defining corporate governance as a set of practices that aims at optimizing the enterprise's performance in protecting all stakeholders, facilitating access to capital, involving mainly transparency, equity treatment of shareholders, and accountability (Oliveira Neto 2010, p. 58).

São Paulo Stock Exchange (BOVESPA) released, in 2000, the New Market Level and Levels 1 and 2 of corporate governance, special levels of listing developed with the dual aim of stimulating investor interest and value the enterprises (IBGC 2006, p. 65–67).

Law No. 10303/01, to reform the Law of the S/A (Law No. 6404/76), was a major boost to the Brazilian stock market, to reinforce and emphasize the two principles of corporate governance: transparency and fairness (Oliveira Neto 2010, p. 58).

Law No. 11638/07 promoted reform in the Law of the S/A eliminating regulatory barriers that prevented the full integration of public enterprises in the international accounting convergence process and increase the transparency of financial reporting, including the large enterprises incorporated under the form of a limited liability enterprise (França and Adamek 2008, p. 76).

An enterprise is considered a large one if itself or a group of enterprises under common control have, in the previous fiscal year, total assets of more than BRL 240 million, or total gross revenue higher than BRL 300 million (Law No. 11638, 2007, Article 3, Sole Paragraph).

The IBGC (2014, p. 9) edited the Notebook of Good Corporate Governance Practices to Private Enterprises in order to further the recommendations of the current Code of Best Corporate Governance Practices, given the reality of the vast majority of enterprises operating in Brazil.

Many are the reasons that lead private enterprises to adopt the best corporate governance practices, among them, contributing to their longevity—length of time that the enterprise maintains its existence. According to the IBGC (2014, pp. 14–15), good governance contributes to their longevity and sustainability to the extent that provides reflection on cycles of growth, maturity, and reorientation of its activities and promotes management aligned with values and strategic long-term vision. It facilitates identification, monitoring, and mitigation of risks. It develops, innovates, and anticipates trends of environmental, social, legal, and institutional.

Meibak (2015, p. D2) informs that already discussed in Brazil a single corporate governance code for enterprises (at least 56 countries already have your own). The IBGC leads a coalition of eleven organizations involved in governance or to the capital market, called the Interagency GT, which will be responsible for developing the Brazilian unified code.

In a weak economy scenario and corruption scandals involving large enterprises, enhancing good management practices is essential to break the mistrust. What justifies the creation of a single governance code? (Meibak 2015, p. D2)

The controllership plays a key role in processes related to corporate governance. According Frezatti et al. (2009), this role includes the following: (a) coordination of the managerial control process; (b) standardization and harmonization of reporting; (c) supporting the risk measurement process; and (d) supporting the corporate governance process, the work of the board, supervisory board, and committee support.

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Chapter 6
The Tax Governance in the Context of Risk Management

Abstract This chapter is intended to provide an overview on the importance of the tax governance in the context of risk management.

Keywords Tax governance · Compliance · Tax planning

The Tax Governance in the Context of Risk Management

A species of the genus corporate governance, tax governance, is the way in which organizations are led, directed, and managed to optimize their tax burden, identifying opportunities for their reduction, and minimizing the possibility of tax contingencies (risks).

Through tax governance, the enterprise aims to identify the most beneficial tax incidence hypothesis, to allow their activities may lawfully be benefited by the reduction in tax burden, or inserted in the context of no tax levy. The enterprise should also minimize the generation of tax contingencies (Oliveira Neto 2012, p. 34).

To define 'tax governance' from the perspective of efficient business management, Amaral and Ainsworth (2005) argue that tax governance ranges from the organization and planning of business activities, identification, quantification, and control of tax risks—from the perspective of an efficient business management, in order to minimize uncertainty and legitimate extension of results—to preserve the good reputation and strategic, technical, operational, economic, financial, and business issues.

The tax governance considers all aspects of the issue, from a legal, tax, accounting, financial, and economic outlook in light of domestic and international experience in order to minimize risks and maximize the legitimate tax savings, following high ethical standards and in full compliance with the letter and spirit of applicable laws (Lopes 2011).

Therefore, the tax governance comprises the tax management and the tax planning. It represents the tax engineering developed by the enterprise's managers

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and considered in its strategic plan, aimed at greater market competitiveness. Gallo (2015, p. 116) defines tax management and tax planning (the italics are of the author):

> Tax management is the choice of alternatives of licit actions or omissions and always prior to the occurrence of triggering events. Manage, administer, and choose the best alternative among several options available, such as: choice among the following regimes to calculate corporate income taxes: real profit, presumed profit, arbitrated profit or national simple. Tax planning is a solution for complex or controversial issues in the dynamics of taxes, clarification of tax issues arising out of gaps or dark in tax law or regulation, i.e., strategic planning with taxes. That is, when mounting a legal operation necessary to taxes saving, such as with corporate reorganizations and other tax engineering operations based on gaps or loopholes. Logically, tax planning, to be more specific, would be inserted into tax management, it would be more general.

Silva Jr (2015, p. 492 and 493) proposed a tax governance model at three levels, as shown in Fig. 6.1 (the italics are of the researcher):

> Governance in view of the involvement of the top management of the enterprise, defining policies and guidelines to be followed by the organs of management and defining strategic objectives with the tax aspects as focus. Risk management – to identify the risks that could jeopardize the achievement of defined objectives and assessment of impacts on results. By feeding the high management with such information, they will then be considered in the definition of strategic objectives and defining enterprise risk assumption policy. Such drivers will be important in defining the tax planning of investments and the valuation of the enterprise's operations. Adherence (compliance) - to split the requirements set out in laws, regulations, standards and procedures governing the management of the enterprise. Thus, control of processes, compliance testing, audits, and other control features, seek to lead the management both for adherence to standards and procedures as in alignment with the goals and policies.

Jensen and Meckling (1999) argue that the central task of modern governance in the enterprise is deploying a set of controls and incentives in an integrated fashion to solve the problems of custody and performance of the resources invested in it, within an environment of risk, which means even considering that all business risks are also the risks of mismanagement.

Commenting about the need to maintain mechanisms and organs of control, the IBGC (2015, p. 59) says:

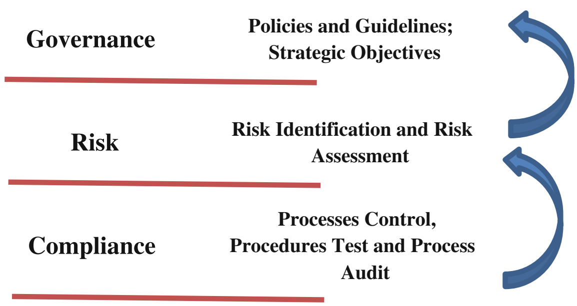

Fig. 6.1 Tax governance model at three levels, *Source* Silva Jr (2015)

> The enterprise shall maintain an information system, managerial controls, structured operational and administrative processes, as well as a transparent and effective communication. These mechanisms and control bodies have as main objectives: (i) provide a reliable record of accounting, financial, operational, strategic and relevant tax information, to monitor the management and support decision of the enterprise management's decision; (ii) ensure higher quality and security of such information; (iii) obtain more credibility with providers of capital (banks, partners, investors); and, (iv) manager risk and avoid contingencies for the enterprise.

In other words, should be alerted to the risk of agency and prevent such controls, which may be infected by deliberate or incompetent information (Martins et al. 2004). The agency conflict is characterized by a misalignment of interests and thus inhibits the optimization of resources and maximizing the returns of the enterprise, and it is desirable to reduce it to the lowest possible levels, to increase the wealth of the enterprise (Lelis and Mário 2009, p. 3).

The internal control is the practical dimension of governance, especially in a world increasingly computerized and online. As explained by Silva Jr (2015, p. 493):

> The internal control is the practical dimension of governance, which brought to the tax sphere, models the controls at the level of processes, given that we can not look at the tax obligations without considering how they are born or form. Especially in a digital world, the electronic bonds are more than a set of data or information because they reflect the organizational culture in managing their processes, which result in a complex set of records that, once consolidated, form the electronic obligations files. It is they who, as a result, define taxes debits and credits and hence the main and accessory obligations. Process can be understood as a set of ordered and interrelated actions, carried out in a logical sequence, which aim to achieve a particular purpose, as it adds value to certain customers. In addressing tax governance, we must look to create value for business processes and the resulting tax obligations associated with them. (the italics are of the researcher)

Operating or administrative activities—including accounting or tax—permeate the enterprise's business processes. Consequently generate updated information that is recorded in corporate systems that should express the effective enforcement of the regulations, as they will form the basis of information to comply with the various tax obligations (Silva Jr 2013, p. 127).

Erle (2008, p. 205 and 207), underlining the growing interest of stakeholders in the enterprise in obtaining information related to the management of tax, says (the italics are of the author):

> Stakeholders show increasing interest in obtaining complete information about the management of tax risks is implemented and supervised in the enterprise. Performance of financial indicators used to be the most important performance measures for enterprises and therefore "the lower the tax burden, the better" was the rule used. Now value of sustainability and management concepts are assuming increasing importance. The value of tax planning strategies is increasingly in doubt, especially when taking into consideration the potential damage to reputation. Stakeholders require information on: the tax risks are being controlled, how the tax risk management system is implemented; and as the business conduct of the tax point of view is supervised. In theory, there is no doubt that the management of tax risk is part of the corporate governance system and therefore is the enterprise's top management responsibility. Taxes have become an ethical and reputational

> issue and the board of directors is responsible for raising awareness across the organization to tax issues.

Matthews (2011, p. 13), commenting on promoting strong corporate governance in the tax area, refers to the OECD Forum on Tax Administration and says (the italics are of the author):

> The OECD Tax Administration Forum is committed to engaging with businesses and with regulators and other responsible agencies around the world, aiming to further improve the corporate governance codes, to ensure that the supervision of the tax risks by the governing bodies of enterprises is recognized as a principle of good corporate governance. Experience has shown that boards of directors need to be aware of reputational and financial risks associated with non-compliance with tax laws and the use of aggressive tax planning, and establish policies and controls to assess this risk. Based in the paper at its meeting in 2009 in Paris entitled 'Corporate Governance and Tax Risk Management' - which deals with the experience of three countries relate taxes and governance - the Forum created a project to further develop this work.

What is clear is that the recent wave of corporate scandals, the success of inspections related to aggressive tax schemes, and the general change in attitude with tax planning combine to produce a greater awareness of the board of directors of the importance of the tax issues (Owens 2008, p. 10).

The OECD (2009, p. 7), noting that the management of tax risks has been gaining more importance on the board, emphasizes (the italics are of the author):

> Recent international surveys by large accounting firms indicate that the management of tax risks has been gaining more importance on the board. Senior executives are increasingly looking for information about taxes, because of its potential material impact on the financial statements and the tax issue can no longer focus exclusively on tax compliance and managing the effective rate of taxes. CEOs and board members are doing more complex questions about how your organization manages its exposure to tax risk.

The OECD has stressed the importance of the involvement of the board in tax strategies of multinational enterprises: 'Encourage the board, the CEO, and the audit committees from the large enterprises to have more interest and responsibility for their taxes strategies'. There is a clear expectation that the OECD will expand its guidelines on corporate governance for the tax area of the enterprises in the near future (Erle 2008, p. 215).

The board of directors of the enterprise, as the greatest guardian of its interests and the interests of its owners, must ensure that the board adopts a preventative and proactive approach as the main business risks.

The board shall ensure that the senior management identifies preventively—through an adequate information system—and lists the main risks to which the organization is exposed, in addition to its probability of occurrence, the consolidated financial exposure (according to their probability of occurrence, the potential financial impact, and intangible aspects), and the actions adopted for its prevention or mitigation (IBGC 2009, p. 31).

Commenting on the challenges of the board in managing tax, Erle (2008, p. 210) says (the italics are of the author):

> Tax risks include the risk of paying more or less tax than legally required. Damage to reputation resulting from such errors may cause additional costs which are difficult to measure. Errors in assessing the tax effects of transactions may lead to wrong business decisions. For many enterprises, the tax is a cost factor which may be important for their competitiveness. Tax risks consist primarily of compliance, transactional, operational and reputational risks. These are good reasons for the board is involved in the management of tax risk.

In turn, the IBGC Guideline for the Management of Corporate Risks (IBGC 2007, p. 11), commenting on what should be the position and the attitude of the board facing the corporate risk, prescribes as follows:

> So that the board of directors can effectively identify, prioritize and ensure the effective management of the organization's exposure to various risks that may affect its business, it must present a proactive attitude, requiring information based on Model of Corporate Risk Management (GRCorp). This will become possible to the extent that senior management has sufficient knowledge about the subject and is able to evaluate the models, tools and measures used.

Even making comments about the management of tax, Erle (2008, p. 209 and 210) says (the italics are of the author):

> […] The taxes cannot be in splendid isolation in which its technical nature, historically, put it. The management of tax risk has become increasingly important in light of recent corporate changes. The public, shareholders and lawmakers expect that members of the board address these effects through the system of corporate governance of enterprises. […]. A key challenge is to ensure that the risk attitude of the board is reflected in the actual behavior of the enterprise and the mindset of everyone involved. It cannot be two policies: one for the board and one for the tax department.

Dealing with business risk management issue Ruiz (2013, p. 168) states:

> The management of business risks is an effected process by the board of directors, officers and others in the enterprise, applied to the definition of strategy, designed to identify potential events that may affect it and to manage risks, so that they are framed within their tolerance limits, providing reasonable assurance that the entity's objectives will be realized (ASSI, 2012). […]. The COSO framework has evolved, leaving risks associated with internal controls and expanding the scope to incorporate all relevant risks that may prevent the realization of the strategy and other entity's objectives. The internal control model has been expanded to include, within its framework, processes related to setting objectives, identifying events that could harm their achievement and response to risks, after their identification and evaluation.

In Brazil, public enterprises, the authorized capital, and the mixed economy ones must have the board (Law No. 6404, 1976, Articles 138–142, 145–160 and 239). There is no obligation of constitution of board of directors for the privately held enterprises.

For privately held enterprises aimed at achieving an advanced stage of governance and professionalization and necessarily to the large size and corporate complexity ones, it is recommendable that they have an acting and effective board of directors, which can pave ways for improving their results, facilitate access to resources, and contribute to the longevity and sustainability of the business (IBGC 2014, p. 46).

The GRCorp is a process designed to identify and respond to events that may affect the organization's strategic goals. Its guidelines should be established by the board of directors, and actions arising should be implemented by senior management in order to provide, with reasonable assurance, the realization of the goals of the organization from a proper alignment of strategy with its risk appetite (COSO 2004).

The COSO (The Committee of Sponsoring Organizations of the Treadway Commission) is a non-profit organization dedicated to improving financial reporting through ethics, effective internal controls, and corporate governance. In 1992, COSO published the 'Internal Control—Integrated Framework', aiming to help organizations assess and improve their internal control systems. It has become a world reference for the study and application of internal controls. The SOX recommends that enterprises use the recommendations of COSO, for preparation and review of its internal controls.

Known as COSO II, which seeks a more robust and extensive focus on the topic of corporate risk management, in September 2004, the document 'Integrated Structure Corporate Risk Management' was released.

Sá (2009) commented that all organizations face uncertainty, and the challenge for the executives is to determine how much uncertainty the enterprise is capable of monitoring to continue generating value. GRCorp is perceived as a necessary management tool, capable of creating a culture of prevention to mitigate risks and generate business opportunities, supported by a framework of strong and effective internal controls.

The key steps in a methodology for implementing a GRCorp are as follows: identification and classification; evaluation; measurement; treatment; monitoring; and information and risk communication (COSO 2004).

As good corporate governance practices, a general map control of corporate risks (MGRC) must be prepared for the enterprise to identify, assess, and manage their risks. According to the teachings of Martins et al. (2004, p. 9):

> Such a framework is extremely important to the board of directors knows and assesses all the risks surrounding the organization, the odds of their occurrence and the severity of its impact on the business assets (if possible claims are supported internally). The particular map layout of existing risks on a certain date is called risk profile of the enterprise on that date.

Commenting on the risk that the organization can take when seeking to achieve their business objectives, IBGC (2009, p. 30) states that the risk appetite is associated with the level of risk that the organization can accept in the pursuit and achievement of its mission/vision (activity more associated with prior risk analysis). The risk tolerance is in line with acceptable levels of variability in achieving the goals and objectives defined (activity more associated with risk monitoring). Together, these two components defining the organization's risk profile, in relation to the exposure to the risk that it accepts, apply.

Managers—in compliance with the guidelines and limits set by the board—should choose the appropriate and specific techniques of risk management, especially those related to minimization, immunization, and transferring these risks. According to Martin et al. (2004, p. 11):

> It is to comply with the guidelines and limits set by board of directors that managers will choose the specific risk management techniques that will be put into practice. As the occurrence of some of these risks can lead to the solution of the continuity of the organization, board of directors always determines narrow limits to their retention and directly approves the transfer and immunization techniques proposed by the executive board for their management. The most crucial part of the control of the custodian is the monitoring of risk management made by administrators therefore beyond simple monitoring compliance with policies and limits set by the board of directors, should check their own adequacy of methods used to manage them.

Depending on the research question of study inserted in the Part 2 of this book, the researcher focused on the first stage of GRCorp, namely Use of SIG for Corporate Risk Identification (external or internal). However, that study focused on the Use of SIG for Tax Risk Identification. According to IBGC (2007, pp. 18–20):

> 'External risks' are events associated with the macroeconomic, political, social, natural or industry in which the organization operates […] that, in general, cannot intervene directly on these events and will therefore have a predominantly reactive action. This does not mean that external risks cannot be "managed"; rather, it is crucial that the organization is well prepared for this reactive action. 'Internal risks' are events originated in the own structure of the organization, its processes, its staff or its technology environment. The organization can and should, in general, interact directly with a proactive action. […] As for 'technology', the risk is represented by failures, unavailability or obsolescence of equipment and facilities […] as well as computerized control systems, communication, […] and operational management, which adversely affects or impossible to continue the regular activities of the organization […]. Can also be associated with errors or fraud, internal or external, in the computerized capture, record, monitor and report transactions or positions correctly systems. […] As for 'compliance', the risk is related to lack of skill or discipline of the organization to comply with the law […] applies to business (legal risk arising from the enforcement of labor laws, tax, etc.) […] and to the internal rules and procedures.

According to Silva Jr (2015, p. 498), in the event identification process, which is the first dimension of risk assessment, management must consider factors occurring inside and outside the organization. In Fig. 6.2 are mentioned same risk factors that are related to tax administration, which materialize the risk events, whether conjugated or not.

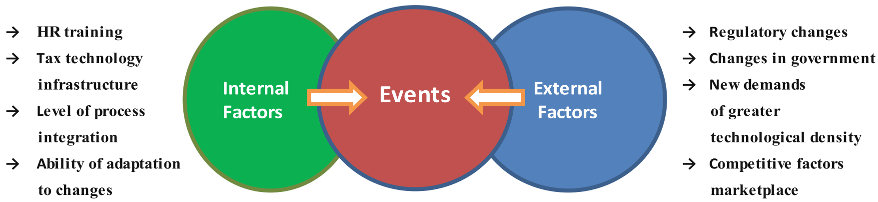

Fig. 6.2 Risk factors that are related to tax management, *Source* Silva Jr (2015)

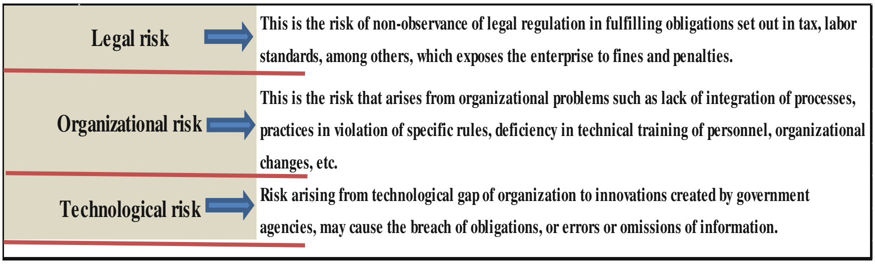

Fig. 6.3 Risk classes in tax management, *Source* Silva Jr (2015)

Risks must also be classified according to their nature. In tax management, there are three risk classes, as shown in Fig. 6.3. The risks assessment comes as they are identified and analyzed to determine their influence on the organization's objectives. It is evaluated also the functional model of treatment and contingency of the effects of the identified risks, the probabilities of occurrence, and the resulting impacts (Silva Jr, 2015, p. 499).

The tax governance will have to cover the tax philosophy and strategy of the enterprise, internal policies, and procedures with regard to tax risks and external communication regarding all tax matters. The board of directors will be responsible for defining a direction, the implementation of a tax system of governance and of course for enhancement of enterprise value, through tax reduction (Erle 2008, p. 220).

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Part II
Academical Research

Abstract: This part is intended to provide an overview regarding the context of the research theme, the research question, the research general objective, the research-specific objectives, and the research justification and contributions; and an overview of the methodological procedures used in this research. Specifically, it is meant to show the design or the type of research in which the researcher chose to write this monograph, and the process he used for the collection, analysis, and interpretation of data obtained in the research. Finally, it is proposed to present the results found.

Chapter 7
Question, General and Specific Objectives, Justification, Contributions, and Methodological Procedures of the Research

Abstract This part is intended to provide an overview regarding the context of the research theme, the research question, the research general objective, the research-specific objectives, and the research justification and contributions; an overview of the methodological procedures used in this research. Specifically, it is meant to show the design or type of research in which the researcher chose to write this monograph.

Keywords GRCorp · GRTrib · Content analysis

Research Question

Given the above, the following research question was formulated: **How do the Brazilian enterprises of XXX Group[1] use its managerial information system (SIG) to identify tax risks?**

The XXX Group, when contacted by the researcher, showed interest in participating in this project, understanding the importance of tax governance in the Brazilian context. Founded in 2002, it is a media group that operates through three strategic pillars: 'Advertising' (Advertising and Publicity), 'Branding' (Branding Services Management), and 'Content' (Content Production).

In turn, the researcher, as a teacher of postgraduate courses and business consultant, had access to senior management of XXX Group, who chose to conduct his job search in the enterprises of XXX Group.

Research General Objective

The aim of this study was to verify how the Brazilian enterprises of XXX Group use its managerial information system (SIG) to identify tax risks.

[1]The actual name of the business group was omitted by the researcher and replaced by XXX Group at the request of its senior management.

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Research-Specific Objectives

This study had four specific goals:

i. Identify the independent and interactive 'resources' of managerial information used by enterprises of XXX Group to identify tax risks;
ii. Identify the independent and interactive 'procedures' of managerial information used by enterprises of XXX Group to identify tax risks;
iii. Develop a 'structure' (framework) for deploying, managing, and monitoring a Model of Corporate Risk Management (GRCorp) and a Specific Model of Tax Risk Management (GRTrib), which serves as reference to the XXX Group, for the study, development, and implementation of recommendations made by the researcher; and
iv. Test the 'structure' of deployment, management, and monitoring of GRCorp and GRTrib prepared by the researcher in the enterprises of XXX Group in order to support its practical application and support the recommendation that it be replicated and tested in other enterprises.

'Structure' is the way in which the parts of a whole are arranged among themselves, while a whole means the parts of the assembly and the relationship between them; including frame; skeleton; framework (Civita 1999, p. 404). Structure means frame; framework; way of thinking; working and organizing something; method (Houaiss et al. 2008, p. 322).

Justification of the Study

This research was justified mainly because the enterprises of XXX Group will be able to use the resources and procedures of managerial information detected and recommended by the researcher to identify tax risks that may be incurring and thus minimize the possibility of questioning by the tax authorities, which may result in issuance of notices of violation, with punitive fines and penalty interest and even the extent of their responsibility to their partners, directors, and legal representatives. Thus, it aims to enable these enterprises to become more efficient, effective, and sustainable from the tax point of view. Additionally, the search was justified by allowing the academic community and other enterprises to benefit from the results as well as replicate, test, and use the structure of deployment, management, and monitoring GRCorp and GRTrib developed by the researcher.

Contributions of the Study

This study contributed to the following:

i. Identification of the adequacy of the independent and interactive 'resources' of managerial information used by enterprises of XXX Group to identify tax risks;
ii. Identification of the adequacy of the independent and interactive 'procedures' of managerial information used by enterprises of XXX Group to identify tax risks;
iii. Development of a 'structure' (framework) for deploying, managing, and monitoring a GRCorp and a GRTrib, which serve as a reference to the XXX Group, for the study, development, and implementation of recommendations made by the researcher; and
iv. Test, in the enterprises of XXX Group, the 'structure' of deployment, management, and monitoring GRCorp and GRTrib prepared by the researcher, in order to support its practical application and support the recommendation that it be replicated and tested in other enterprises.

It should be noted that the conclusions and recommendations contained in this research, although directed to the XXX Group enterprises, can contribute to the enterprises in general, in view of the need for identification of tax, from the point of view of good corporate governance practices.

Type and Method of Research

Various types of research designs are advocated by different authors. Facing the numerous types is highlighted to reflect upon those who keep a closer relationship with what is intended in terms of research in accounting (Beuren 2012, p. 77).

Thus, the researcher decided to adopt the types of research designs, according to the teachings of Beuren (2012), which groups them into three categories, namely type of research regarding the goals, type of research as to the procedures, and type of research as to approach the problem.

Type of Research Regarding the Goals

Regarding the goals, research can be exploratory, descriptive, or explanatory. This study was an exploratory one, since the researcher seeks to observe how the XXX Group Brazilian enterprises use managerial information system (SIG) to identify tax risks.

The characterization of the study as exploratory usually occurs when there is little knowledge about the topic being addressed. Thus, we seek to know the subject in greater depth in order to make it clearer or build important issues for the conduct of research (Beuren 2012, p. 80). The exploratory research is developed in order to provide a general vision about a specific fact, especially when the theme chosen is little explored (or not yet explored), and it becomes difficult to formulate precise and practicable hypotheses (Gil 1999).

This type of research can provide opportunities for study and exploration of studies that were not well understood by the academy. According to Gil (2010), exploratory research is intended to provide greater familiarity with the problem, in order to make it more explicit or to build hypotheses.

Type of Research as to the Procedures

The procedures in scientific research refer to the manner in which the study is conducted and therefore the data are obtained. It falls into this typology: case study, survey research, literature research, documentary research, participatory research, and experimental research (Beuren 2012, p. 83).

This research adopted a survey type using face-to-face interviews, given that the data for this typology were collected based on sample from a given population or universe that is desired to know, by the impossibility of analyzing the entire population.

The interview is a conversation geared toward a defined goal: collect, through the questioning of the informant, data for research. The interview is considered the technique of data collection used in the field of social sciences (Beuren 2012, p. 132).

To Mattar (1999), the instrument to be applied to obtain the data will serve to record the answers. Richardson et al. (2011) stated that the interaction between people through the interviews is important in social science research, while the interview is a technique that allows the development of a close relationship between people.

This study also used the literature and documents surveys as part of the exploratory research, since information and prior knowledge about the problem and materials that have not yet received an analytical treatment were collected as laws, regulations and official decrees (Beuren 2012, pp. 86–90).

Type of Research to Approaching the Problem

Beuren (2012, p. 91) comments that, in this perspective to approach the problem, one must highlight the qualitative and quantitative research. In this project, the researcher adopted the qualitative approach. According to the mentioned author, in qualitative study, researchers use deeper analyses in relation to the phenomenon being studied, and the aim is to highlight unobserved characteristics through quantitative study, given the shallowness of the latter in relation to the search for natural features that the phenomenon studied.

Also, according to the author, in accounting, it is quite common to use the qualitative approach. Moreover, remember that despite that the accountant intensely deals with numbers, it is a social science, not an exact science as many would think, which explains the relevance of qualitative approach.

As Bryman (2004) found, qualitative research demonstrates the ability of a researcher to "see through the eyes" of others and seek the interpretation of events from the point of view of the researcher. Richardson et al. (2011), the qualitative method differs in principle from the quantitative insofar as it uses a statistical basis for how the instrumental analysis of a problem process. For these authors, in qualitative research, they do not have to worry about renumbering or measuring units or homogenous categories.

Collection, Analysis, and Interpretation of Data

According Beuren (2012, p. 117), the process of collection, analysis, and interpretation of data searches for regularities or patterns of association of data that are not idiosyncratic to the facts that are being examined, but common to the whole category of similar facts.

This item survey was designed to address: the sample, the procedure of data collection, and the procedure of data processing.

Population and Sample

It is true that it is impossible to analyze all the elements of a population in some exploratory research. Population or research universe is the totality of distinct elements that have certain characteristics defined for parity in certain study. That is why the sample selection is a mechanism to facilitate the process of analysis and interpretation of data. Sample is a small part of the selected population or universe in accordance with certain rules (Beuren 2012, p. 120).

In this research, the researcher used a non-probability sample, whose results showed trends only, without the possibility of statistical inferences. This method generally provides no representation for statistical analysis, but it is powerful when it comes to exploring more detailed answers of respondents and to discover motivations behind these (Martelanc et al. 2002, p. 1).

Richardson et al. (2011) noted that the universe or population is the set of elements that have certain characteristics, so talk of population refers to all the inhabitants of a particular place. Each unit or member of a population or universe is called an element, and when taking a certain number of elements to find out something about the population from which they come is talk of the sample. According to Vergara (2005), the population is a set of elements to be addressed in a study, as the sample, a portion of that population, or universe.

The initial sample was composed of controllers (or, in their absence, Finance Directors) of enterprises of XXX Group. In the first half of 2013, there were fifteen enterprises. The controller—professional responsible for controllership—performs many tasks, especially those related to the processes of planning and control, i.e., not only developing and disseminating managerial reporting, but also analyzing and interpreting information and offering suggestions that improve the process of management of the enterprise (Frezatti et al. 2009).

According to information available on its web site on the Internet, http://www.grupoxxx.com (accessed in May 4, 2013), the XXX Group was founded in 2002. It is a media group that operates through three strategic pillars: Advertising and Publicity, Branding Services Management, and Content Production. XXX Group of Enterprises, located in Brazil—which operate independently and sometimes compete with each other—are as follows[2]:

(1) XXX (Group Holding);
(2) ENTERPRISE 2;
(3) ENTERPRISE 3;
(4) ENTERPRISE 4;
(5) ENTERPRISE 5;
(6) ENTERPRISE 6;
(7) ENTERPRISE 7;
(8) ENTERPRISE 8;
(9) ENTERPRISE 9;
(10) ENTERPRISE 10;
(11) ENTERPRISE 11;
(12) ENTERPRISE 12;
(13) ENTERPRISE 13;
(14) ENTERPRISE 14; and
(15) ENTERPRISE 15.

XXX Group is at the nineteenth position in the world ranking for media enterprises and has three hundred customers and two hundred employees (until the first half of 2013) and earned BRL 402 million in 2012.

Procedure for Data Collection

Technically, the research instruments are understood as principles or processes that the researcher should use to drive in a logical and systematic way, the process of collecting, and analyzing and interpreting data. It is understood that the instruments to collect more data addressed by the social sciences in the field of accounting are as

[2]They are fictitious names. The actual names of the enterprises were omitted by the researcher at the request of their senior management.

follows: observation, questionnaires, interviews, checklists, and documentary research (Beuren 2012, p. 128).

For the purposes of this research, the data collection was conducted through face-to-face interview—by script (roadmap) in Appendix A, conducted by the researcher using a semi-structured questionnaire with open questions.

The ‘roadmap interview’ was based on the following structure: research title; research question; research general objective; research-specific objectives; contributions of the study; closed questions to characterize the enterprise and the respondent; and nineteen open questions to meet the objectives of the study. The questions in the interview guide include issues related to the objectives of this research, aiming thereby to obtain the desired results.

Procedure of Data Processing

After the data collection, the questionnaires were organized to identify incomplete or inconsistent responses. The consolidation and interpretation of responses not only allowed the identification of independent and interactive resources and procedures of managerial information used by enterprises in identifying tax, but also the understanding of the reasoning behind the choices made by the professionals interviewed.

Given that the instrument of data collection was a semi-structured questionnaire with open questions, the researcher used the ‘technique of content analysis,’ according to Bardin (2007).

Bardin (2007) defines ‘content analysis’ as a set of analysis techniques for communications, targeting, through systematic and objective procedures to describe the content of the messages, and obtaining (or not) quantitative indicators that allow the inference of knowledge related to the conditions of production/reception of the inferred variables of the messages.

By this definition, one can intuit that the method of ‘content analysis’ is to study communication among men, with greater emphasis on the content of the messages. In such a way, the method favors qualitative data, although it is also applicable in the quantitative approach (Beuren 2012, p. 137).

The content analysis according to Bardin (2007) is basically divided into three stages, namely (a) pre-analysis, (b) exploration of the material, and (c) treatment of the results.

The pre-analysis can be highlighted as an operational phase of organization of ideas and materials, selection of documents to be evaluated, the formulation of hypotheses, and objectives and structuring indicators that will inform final interpretation. According to Bardin (2007), for the implementation of analytical procedures, the observation of the following rules is required: completeness—take into account all the elements, without any omission; representativeness—possibility to use a sample that represents the universe; homogeneity—the data must be related to the same topic, obtained by the same technique and performed by similar individuals; and relevance—the withheld documents must conform to the content, contributing to the achievement of the research objective.

The exploration of material consists of coding, according to previously defined criteria. As Bardin (2007) found, the coding is the conversion—made according to precise rules—of the raw data, through a job: cut (choice of units); enumeration (choice of counting rules); and classification and aggregation (choice of category), achieves representation of the content.

According to Bardin (2007), a set of good categories should possess the following qualities: mutual exclusion—each element cannot exist in more than one division; homogeneity—a single classification principle should govern its organization; relevance—the category should be adapted to the material chosen for analysis; objectivity and fidelity—different parts of a material (same category) should be coded in the same way; and productivity—the set of categories should be productive, providing fertile results.

As for the treatment of results, according to Bardin (2007), 'content analysis' procedures of the technique, which were outlined according to Fig. 7.1 will be used.

The researcher used in this study 'data triangulation,' seeking thus to compare the data from this survey. As Silverman (2001) notes, triangulation comprises the comparison of different data types and methods to identify common points.

The researcher conducted the interviews, which were recorded in digital media (in the form of audio), with the voice recorder on an iPhone (cell phone from Apple). The recorded interviews were later transferred to a Samsung notebook (laptop), where all the research and analysis was conducted.

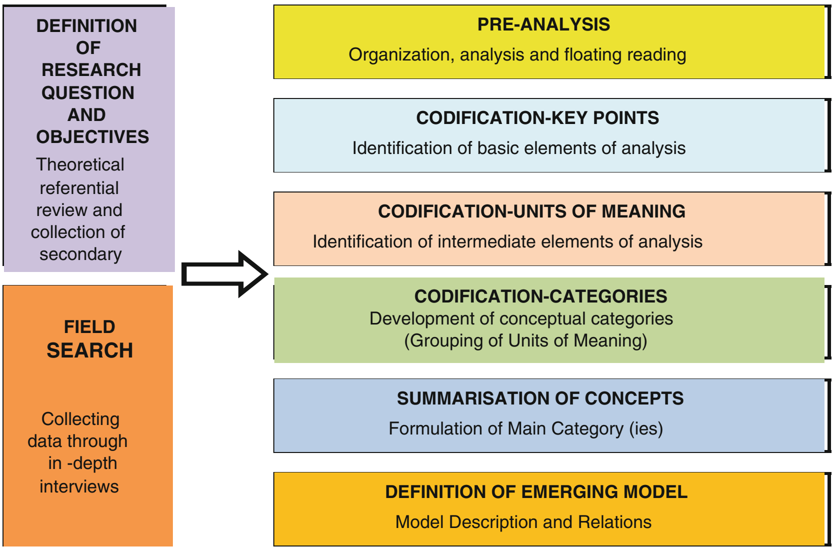

Fig. 7.1 Basic flow of content analysis. *Source* Perez (2006)

According to Lage (2011), the use or not of computational resources to support data analysis in qualitative research is the prerogative of the researcher. Thus, the decision of the researcher was not to use any software (computer program) in the analysis process, although this technological resource could free up additional time to stage the inferences of this research.

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Chapter 8
Presentation, Analysis, and Triangulation Results of the Research

Abstract This part is specifically meant to show the presentation, analysis, and triangulation of the results of this research. Finally, it is proposed to present the results found.

Keywords Analysis structure · Research results · MEGRT

Presentation, Analysis, and Triangulation Results of the Research

Before presenting the analysis and triangulation of the results, it is important to note that the researcher, based on the theoretical referential, developed and tested the constant 'structure' (framework) of Fig. 8.1, which is related to the implementation, management, and monitoring of a GRCorp, being based, in particular, on what COSO states.

The open questions of the Roadmap interview in Appendix A have been prepared based on that structure.

It is also important to note that, in relation to a Specific Model of Tax Risk Management (GRTrib), the researcher found nothing in terms of specific theoretical referential. It has used the theoretical referential of GRCorp (understanding that 'tax risks' are species of the genus 'corporate risks') to develop and offer such structure analysis, which was tested in the enterprises of the XXX Group and can be replicated and tested in other enterprises.

'Structure' is the way in which the parts of a whole are arranged among themselves; this means the assembly of these parts and the relations between them; frame; skeleton; framework (Civita 1999, p. 404). It means frame; framework; way of thinking, working, and organizing something; method (Houaiss et al. 2008, p. 322).

Thus, the 'analysis structure' constant of Fig. 6.2 should be considered as one of the main results of this study.

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and Application, DOI 10.1007/978-981-10-2297-5_8

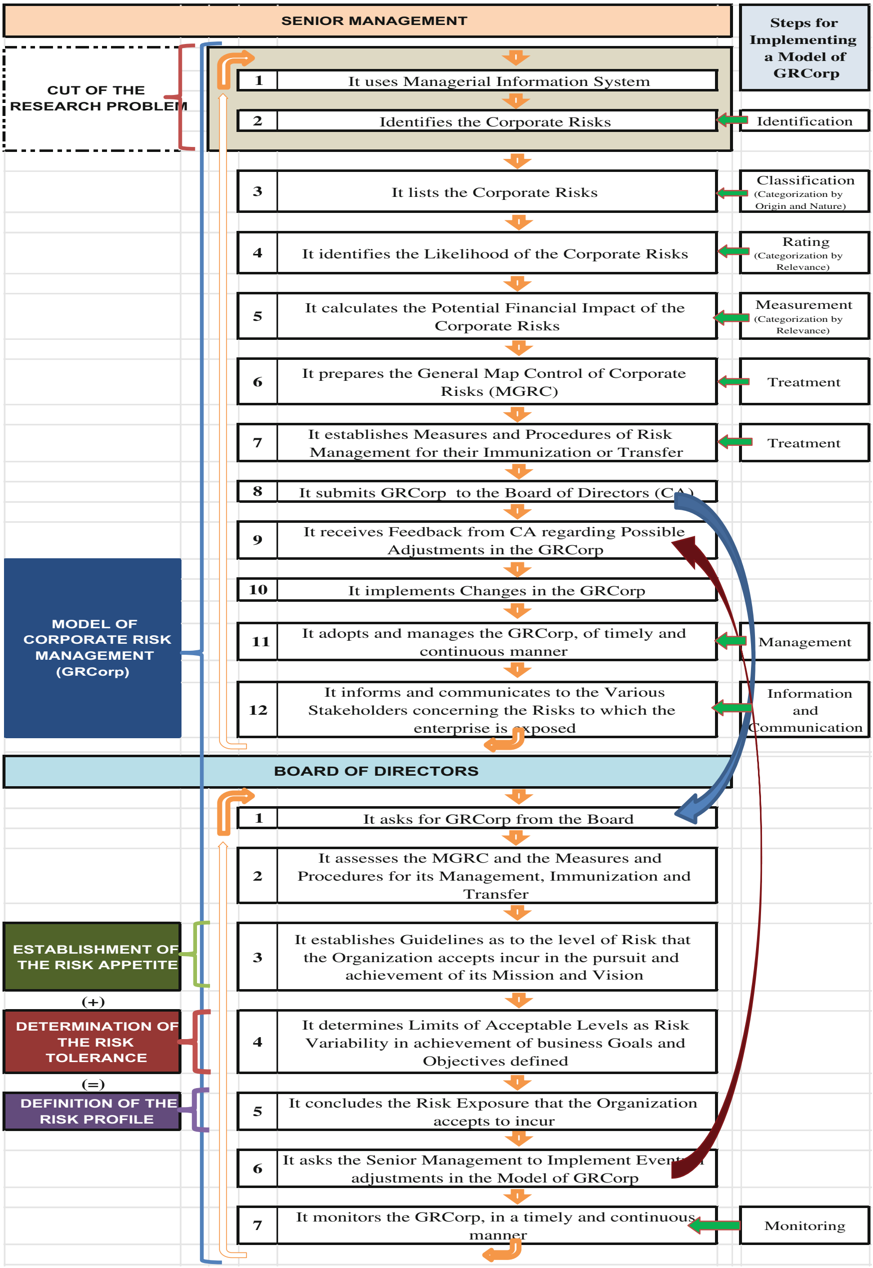

Fig. 8.1 Structure of implementation, management, and monitoring of a GRCorp. *Source* prepared by the researcher

Thus, the enterprises of the XXX Group, as well as other enterprises, may use the structure constant of Fig. 6.2 to develop your GRCorp and in it contain their GRTrib, or even use that structure to develop just your GRTrib.

Back to presentation, analysis, and triangulation of results, initially, the researcher presented the profile of the XXX Group and its enterprises, the profile of respondents, along with the transcript of the interviews and their analysis following the technique of content analysis as earlier section of this dissertation.

Finally, as a way to complete this research section, the researcher discussed these results and proceeded to the triangulation of evidence obtained, which was indispensable for the research of the survey type through face-to-face interview requirement.

Enterprise Profiles of the XXX Group

According to information in the XXX Group Website (accessed in March 17, 2014), the XXX Group began in 2002 with entrepreneur 1[1] and entrepreneur 2[9], having the WWW Group[9] as a partner investor. Its launch marked the return of entrepreneur 1–entrepreneur 2 to the advertising market, after the sale of their agency, ENTERPRISE 5, and a rich Web experience with the creation of the portal SSS[9].

The goal this time was bigger: build one of the great advertising groups in the world, with headquarters in Brazil and Brazilian DNA. The XXX Group focused its first operation in advertising, with the ENTERPRISE 5, ENTERPRISE 2, and ENTERPRISE 9 agencies. After seeking mastery of all disciplines of communication and marketing, it has expanded its operations with specialized services such as events, direct marketing, and point-of-sale marketing enterprises. In this way, entrepreneur 1, entrepreneur 2, and the WWW Group gained new partners: the advertisers 1 and 2 and the investment fund YYY[9].

The internationalization began in 2008, opening its first branch outside of Brazil, ENTERPRISE 12 in San Francisco (USA). In 2010, ENTERPRISE 2 GLOBAL[9] arrived in New York. In 2013, the KKKKK Investments (henceforth KKKKK)[9] became a partner of the XXX Group[9], adding their financial knowledge and resources to accelerate the expansion of the group.

Having been characterized by the presence of managing partners in each of its businesses, the owners of the XXX Group understand that meritocracy, excellence in management, and the ongoing training of its executives form the only possible basis for sustainable growth.

The XXX Group also seeks to understand and participate in the communities where it operates. The same sense of urgency that gives the needs of its customers, the Group gives social programs with which it is involved: supporting schools in

[1]The actual name was omitted by the researcher at the request of the searched business group.

the outskirts of Sao Paulo and partnerships with the Organization of United Nations to fight AIDS in ENTERPRISE 2. It sees in enterprises and in entrepreneurship the best way for the development and prosperity of all. Therefore, it has strong partnerships with its clients and feels proud to join their success.

Through his enterprises, the XXX Group offers the following services to the market:

1. ***Advertising***—The best national and internationally recognized talents dedicated to think advertising on a strategy of consistent communication at the service of brand building;
2. ***Branding***—Creating and managing brand value; A group of experts in strategy, design, verbal identity, and financial evaluation;
3. ***Content***—Relevant information handled within the brand values to strengthen the consumer-brand relationship;
4. ***Digital***—Digital thought inserted in brand building, with responsibility for intelligence experts in the use of the new tools that have emerged with the internet process;
5. ***Activation***—*Expertise* in brand activation on any platform, with the largest market experts;
6. ***Public Relationship***—Search the public interest through the media to generate positive brand image; Strategic marketing service from the generation of newsworthy facts about the brand, line advertising campaigns. Ability to pass messages through a wide range of vehicles in free spaces with brand ambassadors and journalists as spokespersons;
7. ***Incentive***—Specific actions of endomarketing built intelligently and within a strategic context;
8. ***Mobile***—Development of communication, activation, content, and relationship to mobile platforms. Production and management of applications for smartphones, tablets, and mobile sites. Mobile experiences really interesting, from the intersection between the mobile behavior of users and the purpose of the marks;
9. ***Marketing of Relationship***—Identification and approach of preferred customers and building profitable long-term relationships;
10. ***Events***—Creation, planning, organizing owners events or as a business platform;
11. ***Endomarketing***—Strategy used to establish efficient communication channels and strategic application to the internal environment of enterprises. It is a liaison between clients, enterprises, and their employees;
12. ***Merchandising***—Inserting the brand at preselected programs generating value through credibility of the content;
13. ***Trade Marketing***—Marketing strategy for channel management in order to increase sales and create differentiation for products and services;
14. ***Social Media***—Strategy, activation, and brand management in social media. Capitalization of the enormous potential of knowledge, information, and relationship of users, plus the *likes*.

15. ***Studies about Brazil***—Deep knowledge with regional data and analysis of the various markets that make up Brazil.

Table 8.1 shows the services provided by enterprises of the XXX Group to market, which formed the basis for the researcher to develop a list of services. They were disregarded, besides XXX Holding, which does not provide services to the market, ENTERPRISE 10, considering that, at the request of the XXX Group, the enterprise was not included in this research.

According to Lodi and Lodi (2014, p. 4 and 40), from English language, *holding* derives from the verb to hold (to maintain, to control, to store). Holding enterprise, therefore, is one that participates in the share capital of other enterprises in sufficient levels to control them. It is called "pure" when, in its bylaws, it consists only of participation in the capital of other enterprises; and "mixed" when it additionally performs the operation of any business activity. XXX Holding is a pure holding.

Presentation of Research Results

This subsection is intended to show the profile of the respondents and the top management of the enterprises of the XXX Group, as well as present the results obtained in the interviews conducted in the period between February 17 and March 28, 2014.

Before beginning the interview, the researcher mentioned to the respondents: the research title; the research question; the research general objective; the research-specific objectives; the contributions of the study; how the questionnaire was structured, with closed questions to characterize the enterprise and the respondent; and the nineteen open questions to meet the objectives of the study.

To ensure that the interviewees were on the "same page" with the researcher, he presented some concepts used in this research contained in the theoretical referential, which are important for the correct understanding of the open questions in the questionnaire (in Appendix A). They are as follows:

'Managerial Information System (SIG)' is the set of independent resources and procedures that interact to produce and communicate information to management. 'Resources' are economic items or elements used to perform activities (material, labor, technology, equipment, facilities). 'Procedures' generally express the method for doing or performing something, i.e., how to act and the action to proceed.

'Risk' is an identified future event, to which it can associate a probability of occurrence. 'Contingency' means eventuality, possibility that something will happen or not. 'Tax' expresses the quality or the condition of everything that is subject to payment of a tax.

'External risks' are occurrences associated with the macroeconomic, political, social, natural, or industry in which the organization operates, which in general cannot intervene directly on these events and will therefore have a predominantly

Table 8.1 Services provided to the market by enterprises of the XXX Group

	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	More services rendered/qty company	More services rendered/percentage of companies
Digital	1			1		1	1		1	1	1	1	1	9	69
Social media		1				1		1	1	1	1	1	1	8	62
Advertising	1			1	1	1		1	1	1				7	54
Branding						1	1	1		1	1	1		6	46
Content		1				1			1	1	1		1	6	46
Activation		1				1		1	1			1	1	6	46
Public relationship		1	1							1	1	1		5	38
Endomarketing		1				1			1			1	1	5	38
Relationship marketing		1									1	1	1	4	31
Merchandising	1					1			1				1	4	31
Incentive		1										1	1	3	23
Events		1							1				1	3	23
Trade marketing		1							1				1	3	23
Studies about Brazil							1						1	2	15
Mobile										1	1			2	15
Total services	3	9	1	2	1	8	3	4	9	7	7	8	11		
Percentage of total services	20	60	7	13	7	53	20	27	60	47	47	53	73		

Source prepared by the researcher

reactive action. 'Internal risks' are events originating in the structure of the organization, its processes, its staff, or its technology environment.

Finally, the researcher began the interview, which lasted on average 40 min for each participant.

Profile of Respondents of Senior Management

From the 17 professionals susceptible for interviewing (14 of operating enterprises, 2 of XXX Holding and 1 of the Shared Services Center—CSC of the XXX Group), the researcher had access to 16 of them (94 %), with very similar characteristics, as can be seen from the results presented in Figs. 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, and 8.8. It was outside of the survey the CFO of ENTERPRISE 10 considering that, at the request of the XXX Group, the enterprise was not included in this study.

The profile of respondents, as shown in Table 8.2, is as follows:

According to Figs. 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, and 8.8 of the respondents, the majority were male (75 %); were CFOs (62.5 %); were in the position between 1 and 5 years (69 %); were in the enterprise between 6 and 10 years (43 %); reported to the CEO and XXX Holding (75 %); had bachelor's degrees in business administration (68.75 %); had more of an academic education (50 %); were a native of Sao Paulo (81 %); and were Brazilian (100 %).

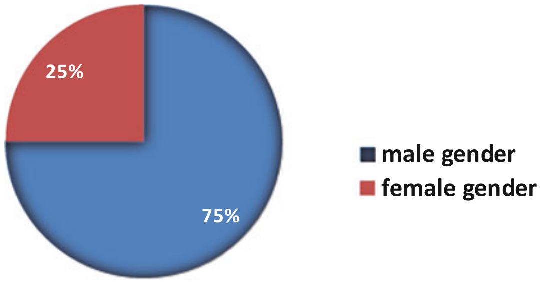

Fig. 8.2 Profile of respondents according to sex. *Source* prepared by the researcher

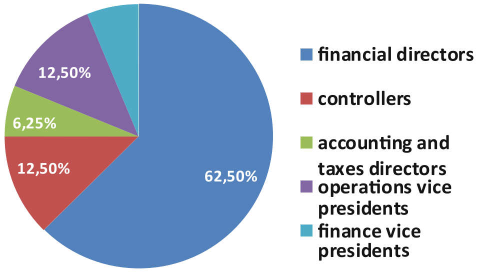

Fig. 8.3 Profile of respondents as to the position. *Source* prepared by the researcher

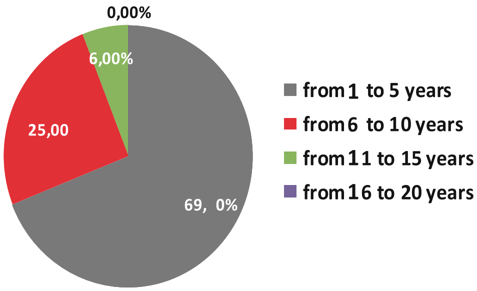

Fig. 8.4 Profile of respondents as to the time in the position. *Source* prepared by the researcher

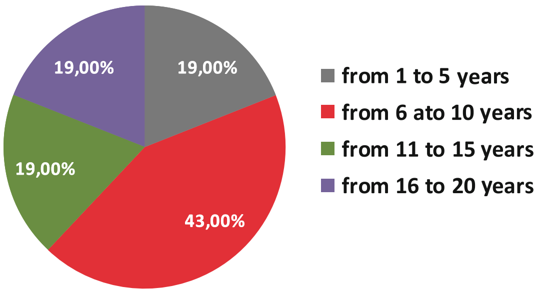

Fig. 8.5 Profile of respondents as to the time in the enterprise. *Source* prepared by the researcher

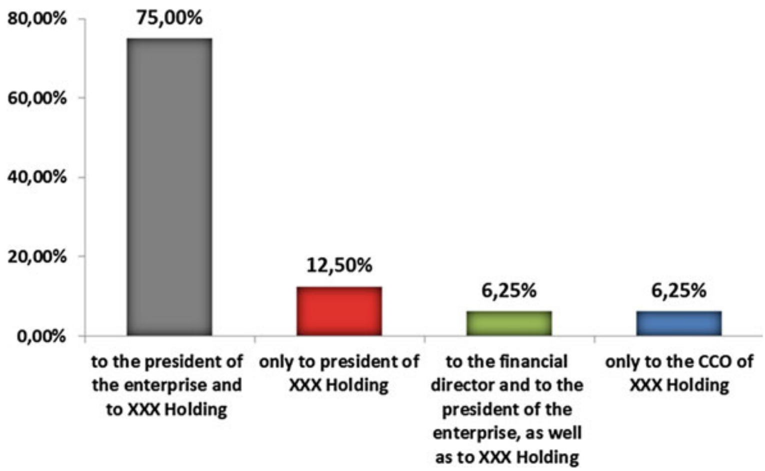

Fig. 8.6 Profile of respondents as to who refers in the enterprise. *Source* prepared by the researcher

Table 8.2 shows the profile of the professionals interviewed by the XXX Group enterprise, in alphabetical order, and forms the basis for the researcher to elaborate in Figs. 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, and 8.8.

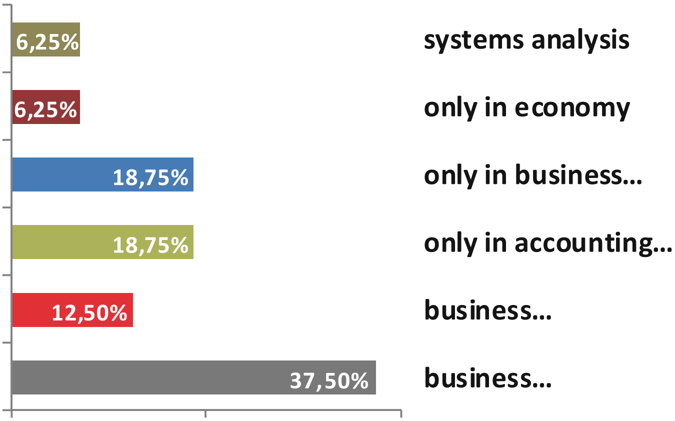

Fig. 8.7 Profile of respondents regarding school graduation. *Source* prepared by the researcher

Enterprises Profile of the XXX Group

Of the 15 enterprises in the XXX Group (14 operating enterprises and 1 holding), the researcher had access to 14 of them (93.33 %), since, at the request of the XXX Group; the ENTERPRISE 10 was left out of the sample. Thus, in relation to the profile of these 14 enterprises in the final sample, as shown in Table 8.3, the researcher can observe the following:

In summary, it can be seen in Figs. 8.9, 8.10, and 8.11 that most enterprises are located in São Paulo (79 %); have up to 100 employees (50 %); and have more revenue than $50 million per year (64 %).

Table 8.3 shows the profile of the enterprises of the XXX Group, in alphabetical order, and forms the basis for the researcher elaborating in Figs. 8.9, 8.10 and 8.11.

In relation to the services that can be provided by 13 enterprises in the final sample, the researcher can observe, from Table 8.2, the following:

In summary, it can be seen that these six types of services, namely digital, social media, advertising, branding, content, and activation are what the XXX Group can count on the highest number of enterprises able to provide them.

Fig. 8.8 Profile of respondents regarding their naturalness. *Source* prepared by the researcher

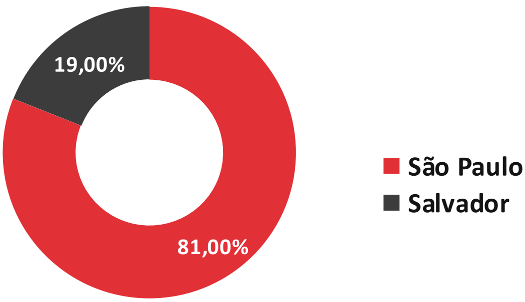

Table 8.2 Profile of respondents of the XXX Group, per enterprise, in alphabetical order

Enterprise	Gender	Position	Time in the position	Time in the enterprise	To who refers in the enterprise	School graduation	Naturalness	Nationality
XXX Holding	Male	Chief Financial Officer	3.5	3.5	president of XXX Holding	Systems Analysis	Salvador—BA	Brazilian
XXX Holding	Male	Chief Controlling Officer	9	12	president of XXX Holding	Accounting Sciences	São Paulo—SP	Brazilian
Enterprise 2	Female	Vice president Finance	12	12	president of Enterprise 2 and XXX Holding	Business Administration	Salvador—BA	Brazilian
Enterprise 3	Female	Finance Director	8	16	president of Enterprise 3 and XXX Holding	Business Administration	São Paulo—SP	Brazilian
Enterprise 4	Male	Controller	3	10	finance director and president of Enterprise 4 and XXX Holding	Administration and Accounting Sciences	São Paulo—SP	Brazilian
CSC	Male	Accounting and Taxes Director	2.5	2.5	Chief Controlling Officer of XXX Holding	Accounting Sciences	São Paulo—SP	Brazilian
Enterprise 5	Male	Finance Director	5	8	president of Enterprise 5 and XXX Holding	Administration and Accounting Sciences	São Paulo—SP	Brazilian
Enterprise 6	Male	Finance Director	5	8	president of Enterprise 6 and XXX Holding	Administration and Accounting Sciences	São Paulo—SP	Brazilian
Enterprise 7	Male	Finance Director	5	8	president of Enterprise 7 and XXX Holding	Administration and Accounting Sciences	São Paulo—SP	Brazilian
Enterprise 8	Male	Finance Director	5	8	president of Enterprise 8 and XXX Holding	Administration and Accounting Sciences	São Paulo—SP	Brazilian
Enterprise 9	Male	Finance Director	5	5	president of Enterprise 9 and XXX Holding	Administration and Accounting Sciences	São Paulo—SP	Brazilian

(continued)

Table 8.2 (continued)

Enterprise	Gender	Position	Time in the position	Time in the enterprise	To who refers in the enterprise	School graduation	Naturalness	Nationality
Enterprise 11	Male	Finance Director	2	11	president of Enterprise 11 and XXX Holding	Economy	São Paulo —SP	Brazilian
Enterprise 12	Female	Finance Director	6	6	president of Pereira & O'Dell and XXX Holding	Accounting Sciences	São Paulo —SP	Brazilian
Enterprise 13	Male	Operations Vice president	5	18	president of Enterprise 13 and XXX Holding	Business Administration and Economy	São Paulo —SP	Brazilian
Enterprise 14	Male	Operations Vice president	5	18	president of Enterprise 14 and XXX Holding	Business Administration and Economy	São Paulo —SP	Brazilian
Enterprise 15	Female	Finance Director	8	8	presidente da Enterprise 15 e XXX Holding	Business Administration	Salvador—BA	Brazilian

Source prepared by the researcher

Table 8.3 Profile of the enterprises of the XXX Group, in alphabetical order

Enterprise	City	State	Number of professionals	Range of annual revenue
XXX Holding	São Paulo	SP	25	Above R$ 50 million
Ent2	São Paulo	SP	300	Above R$ 50 million
Ent3	São Paulo	SP	150	Above R$ 50 million
Ent4	São Paulo, Rio de Janeiro, Belo Horizonte, Brasília and Washington	SP, RJ, MG, GO and EUA	373	Above R$ 50 million
Ent5	São Paulo	SP	300	Above R$ 50 million
Ent6	Rio de Janeiro	RJ	50	From R$ 10 to R$ 50 million
Ent7	Porto Alegre	RS	70	From R$ 10 to R$ 50 million
Ent8	São Paulo	SP	50	From R$ 10 to R$ 50 million
Ent9	São Paulo	SP	200	Above R$ 50 million
Ent11	São Paulo	SP	152	Above R$ 50 million
Ent12	São Paulo	SP	39	From R$ 1 to R$ 10 million
Ent13	São Paulo	SP	33	From R$ 1 to R$ 10 million
Ent14	São Paulo	SP	170	Above R$ 50 million
Ent15	São Paulo	SP	85	Above R$ 50 million

Source prepared by the researcher

In relation to enterprises that can provide a greater amount of 15 services within the scope of the XXX Group, the researcher can observe, as shown in Table 8.4, the following.

In summary, it can be seen in Fig. 8.10 that seven enterprises of the Group are able to provide most of the services that the XXX Group plans to provide.

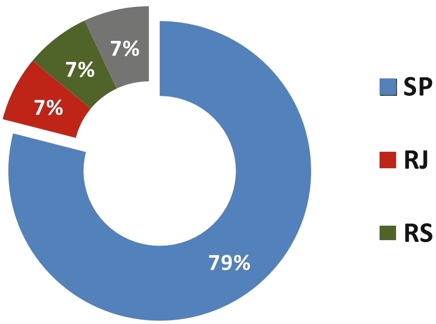

Fig. 8.9 Profile of enterprises for location. *Source* prepared by the researcher

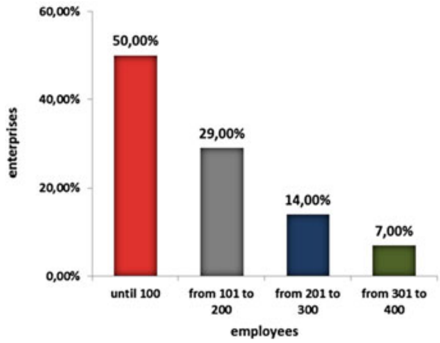

Fig. 8.10 Profile of enterprises as the number of employees. *Source* prepared by the researcher

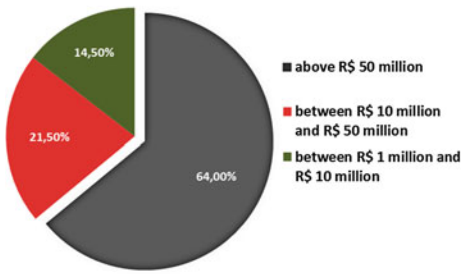

Fig. 8.11 Profile of the enterprises on the annual revenues. *Source* prepared by the researcher

Table 8.4 shows the profile of the services provided by the enterprises of the XXX Group, most services provided by enterprise, and total services provided by each enterprise, having aided the researcher to develop Figs. 8.12 and 8.13.

Presentation of the Results of the Interviews

The presentation of the results of the interviews follows the order of the questions contained in the Roadmap Interview (Appendix A) for a better understanding.

Table 8.4 Profile of the services provided by the enterprises of the XXX Group

	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	More services rendered/qty enterprises	More services rendered/% of enterprise
Digital	1			1		1	1		1	1	1	1	1	9	69
Social media		1				1		1	1	1	1	1	1	8	62
Advertising	1			1	1	1		1	1	1				7	54
Branding						1	1	1		1	1	1		6	46
Content		1				1			1	1	1		1	6	46
Activation		1				1		1	1			1	1	6	46
Public relationship		1	1							1	1	1		5	38
Endomarketing		1				1			1			1	1	5	38
Marketing of relationship		1									1	1	1	4	31
Merchandising	1					1			1				1	4	31
Incentive		1										1	1	3	23
Events		1							1				1	3	23
trade marketing		1							1				1	3	23
Studies about Brazil							1						1	2	15
Mobile										1	1			2	15
Total services	3	9	1	2	1	8	3	4	9	7	7	8	11		
Percentage of total services	20	60	7	13	7	53	20	27	60	47	47	53	73		

Source prepared by the researcher

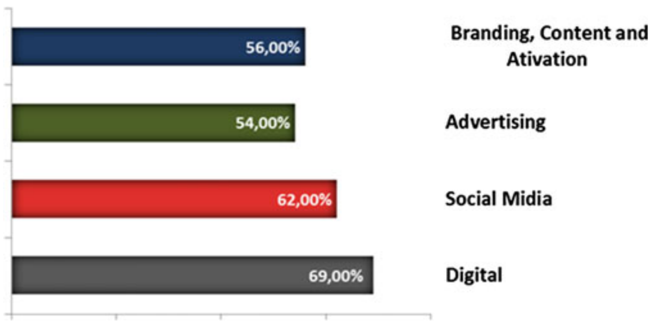

Fig. 8.12 Services that can be most provided by the enterprises. *Source* prepared by the researcher

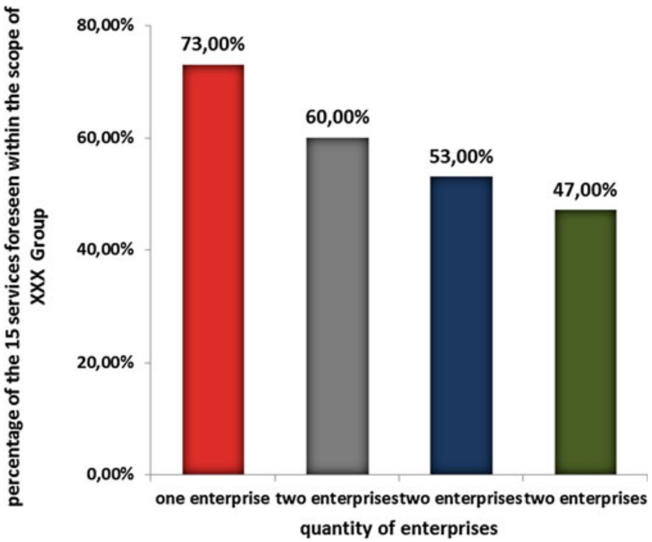

Fig. 8.13 Number of enterprises able to provide most the services. *Source* prepared by the researcher

Question 1: Does the enterprise use some (internal or external) managerial information resource to identify tax risks? It can be observed, by analyzing the responses of 100 % of executives surveyed, that enterprises use some (internal or external) managerial information resource to identify tax risks.

The use of resources by the enterprise goes to meet the theoretical referential. Ching (1997) conceptualized resources as economic items or elements used to perform activities (e.g., material, labor, technology, equipment, and facilities).

Question 2: Does the enterprise use some (internal or external) managerial information procedure to identify tax risks?

It can be observed, by analyzing the responses given by 100 % of executives surveyed, that enterprises use some (internal or external) managerial information procedure to identify tax risks.

The use of procedures by the enterprise goes to meet the theoretical referential. Procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

Question 3: If not, why does the enterprise not use or have the resources to identify tax risks?
It can be observed, by analyzing the responses given by 100 % of executives surveyed, that this question does not apply to enterprises of the XXX Group.

Question 4: If not, why does the enterprise not use or have procedures for identification of tax risks?
It can be observed, by analyzing the responses given by 100 % of executives surveyed, that this question does not apply to enterprises of the XXX Group.

Question 5: If so, what managerial information resources does the enterprise use to identify tax risks?
Frame 8.1 shows the responses of the interviewees, transcribed literally, when asked about what managerial information resources the enterprise uses to identify tax risks.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 100 % considers as a resource of the managerial information system used in identifying tax system risks: (i) themselves and (ii) a tax consulting firm hired by the XXX Group (16/16);
- 94 % considers as a resource of the managerial information system used in identifying tax system risks: (i) employees, (ii) the staff of the CSC, and (iii) the current IT system (15/16);
- 69 % thinks the law firms that hire or who are hired by XXX Holding as a resource of the managerial information system used in identifying tax system risks (11/16);
- 63 % considers the independent auditing firm that is hired by XXX Holding as a resource of the managerial information system used in identifying tax system risks (10/16);
- Other resources cited are in a range that varies between 6 % (1/16) and 38 % (6/16), and so obviously are not highlighted here by the researcher, though included in Table 8.5.

In summary, it can be verified through the analysis of the answers given by the executives that the absolute majority (100 %) considers themselves as a resource of the enterprise's managerial information system used to identify tax risk as well as the tax consulting firm hired by the XXX Group. Additionally, it can be seen that the vast majority (94 %) also considers its direct employees, employees of CSC,

Frame 8.1 Responses to Question 5

Enterprise 2	Vendors are on the register, which was recently revised. Only one person is authorized to do the registration in each area of the enterprise. The system is locked. And people who do pay have such a knowledge that sometimes gets error of CSC. I even identify the variations and question. My finance manager too. My employees ask CSC when they have questions. I think Protheus, which is a system of TOTVS being deployed in enterprises of the Group, will greatly reduce the risk, because it will be a well-hung system that all group enterprises will have to use. The accounting and the calculation of the ENTERPRISE 2 taxes are prepared by CSC team. There is a hired tax consulting firm by XXX Holding, which is the parent enterprise of the XXX Group, to make some revisions. This advice also coordinates a tax committee that always meets to discuss tax issues. I think very good meetings involve the exchange of experiences between agencies. The tax consulting firm also answers queries that are made by CSC and ENTERPRISE 2. The enterprise is also audited by KPMG, once a year, after things have already happened. Therefore, we have also feedback from KPMG, although it is not as timely as tax advice. Sometimes we consult outside lawyers
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	The supplier registration was revised. Some people have the notion that registers suppliers, and there are people who have no tax concept. A person goes to the system and checks whether the customer is registered or not. If not, the employee asks for help in our financial sector. If doubt still exists, then we query CSC. CSC processes the accounting and calculates the taxes. My finance manager is meticulous. When he cannot solve any questions alone, he talks with CSC or with the tax consulting firm, or with me, if applicable, before making a decision. I believe that this improved the team, but it is still far from an ideal team. And my financial system is good and makes the deductions correctly. The Protheus helps significantly because it will be locked in and has access levels. It has a tax consulting firm that makes revisions, both the tax burden, as the declaration of IRPJ. She also answers queries directly to us, or via the CSC, and organizes the tax committee of the XXX Group. She suffers internal audit partner DDB; and external KPMG and E&Y by the KKKKK, which is the investment manager controlled by Banco Itaú bought that stake in XXX Holding. But it is not all about the tax area. They work considering materiality for purposes of issuance of the opinion. We also consult law offices regarding specific issues

(continued)

Frame 8.1 (continued)

Enterprise 9	I use a person on my team to prepare and make tax payments and retentions in the current system. The Protheus is coming to close the possibilities of improper handling. It will have passwords depending on what is intended to pursue and generate it. She passes me the payments in print. This human resource is the controller of the agency. I also use the staff of CSC. They prepare the calculation of taxes. They also exchange ideas with the controller of XXX Holding. I exchange ideas with professionals from other enterprises that are my peers. XXX Holding hired a tax consulting firm there for quite some time to reduce the tax burden and the declaration of IRPJ of the Group enterprises. This advice also coordinates a tax committee that meets regularly to discuss matters of tax and also answer queries formulated directly by the enterprises, or CSC. The XXX Group is also audited by the audit firm KPMG. ENTERPRISE 9 also hired a law firm that assists law in some tax issues, especially with regard to the defense of assessment notices
Enterprise 12	It is all done in CSC. There is just one employee who helps me and I have myself. I use the ADN Net system which is a financial system. It is not accounting or tax. That is why I have to trust everything that the CSC does. There is a tax consulting firm, hired by XXX Holding, to revise the tax burden and declaration of IRPJ, and their enterprises also organize a tax committee. Queries that CSC does are also answered by her
Enterprise 11	My accountant and I do a check of what is done by CSC, both from an accounting perspective and the tax point of view. We compare the calculations we do here with the findings of CSC. There are a few accounts that CSC controls, such as depreciation, for example, where difference may appear. We do things here because we have activities here that the other enterprises of the Group do not have. Even here we have ICMS, which the others did not have. CSC has something that would not take tax and accounting activity. The Protheus itself, ENTERPRISE 11, will be the last. And there will be things that are not possible with Protheus. We are subscribers to the IOB and sometimes do consultations, as does the CSC itself. We know that there is a tax consulting firm that makes some revisions in the calculation of taxes and IRPJ statement. In addition, this firm leads the meetings of the tax committee. I have not participated in these meetings, but I get the minutes. I do not receive reports of the revisions

(continued)

Frame 8.1 (continued)

Enterprise 14 and Enterprise 13	The enterprise uses the accounting and tax services from CSC. I have my finance director who makes a check that is done by CSC. I sign all the paychecks. I have the benchmarks in my head. If the figures for taxes not seem right, I question. I know what is reasonable in terms of the tax amounts that ENTERPRISE 14 has to pay every month. Our current system is good, but it will be even better when the Group deploys modules under Protheus. The XXX Group uses the services of a tax consulting firm. I also have an external auditor that audits some bills. He has the tax question on his radar
Enterprise 15	We send invoices to CSC when we have any questions. But generally we launch invoices in our Adnet system Adnet, which makes the deductions. But soon we will Protheus which is much better than the current. My finance manager is thorough. When something is different, you can ask subordinate people questions. Anyway, she revises the payment before it actually occurs. When something is more complicated, my manager brings the subject to me. My staff has done trainings on retentions. The findings of taxes are made by CSC. We have a tax consulting firm that reviews the findings made by CSC. CSC answers queries of people and leads a tax committee that brings together professionals from all the Group enterprises. When we deem necessary, hire legal counsel as well. KPMG also has that audits the Group
Enterprise 3	I have an employee who is an accountant and knows a bit about taxes, who revises and clarifies questions of other employees that input invoices and tax withholdings in the system. When he has doubts, he goes straight to the CSC or comes to me. The accounting and tax burden of the calculations are made by CSC. The time is coming when we will use Protheus, which is a more complete and more stringent access criteria system. There is a tax consulting firm that has been our external resource. It helps us in relation to some queries that do, reviewing the calculations made by the CSC and organizing and coordinating a tax committee, with the participation of all professionals of enterprises of the XXX Group. In some specific cases, we hire outside lawyers. We are audited by KPMG
Enterprise 4	The enterprise accountant prepares payments, tax withholdings and makes the calculation of taxes. There is a person under the accountant who enters the invoices. I seek information on DATASUL system. We use the modules of the DATASUL system: accounting, payroll, and financial. The enterprise has an external tax advisor. I also use the Fiscosoft and Cenofisco consulting firms. The enterprise is audited by E&Y. I know the XXX

(continued)

Frame 8.1 (continued)

	Group hires a tax consulting firm to make revisions to the calculations of taxes and IRPJ statement, but as the ENTERPRISE 4 joined the Group recently, we have not passed these revisions. We also use law firms
CSC	Our area is segregated between fiscal cadaster, direct, and indirect taxes. There are 10 employees. There are cell leaders for each group of employees and a coordinator who is above leaders. And I'm above the coordinator. There is a team to take care of indirect taxes, including withholding taxes. We use ADSolution and Adnet financial systems. What we are building Protheus. First, the format of the job: I'm bringing a Central Receipts for CSC. And Protheus will be tied to inputs. No matter what information is entering CSC or firms, the system is parameterized. We use the tool Easyway to direct PIS, COFINS, income and social contribution taxes. It is a specific program for direct taxes. "From" "To" of accounting for Easyway. The Protheus begin on 01/01/14 with the first enterprise. Our biggest problem is the bottleneck and not Protheus calculating PIS and COFINS. It has a routine. The interface Easyway has SPED. Today, I have the two food systems. The enterprise has a tax consulting firm, hired by XXX Holding, to revise the tax burden and to review the statement of income of the enterprises tax. This advice also coordinates a tax committee that meets regularly to discuss matters of tax and also answer queries formulated directly by the enterprises, or the CSC. The XXX Group is audited by KPMG. At the end of the year, KPMG analyzes the tax base of taxes and DIPJ but not as deeply as the tax consulting firm does. When there is a specific subject, we ask legal support from external lawyers
XXX Holding—CCO	As I am responsible for the activities of the CSC, I understand that all employees are internal resources. I am also responsible for the Corporate Legal Department, which has two lawyers. The Personnel Department is also corporate and subordinate to me (I have the RH, but the SD of all enterprises). I no longer have under me Areas of Corporate IT and Corporate Purchasing. I am responsible for the accounting and managerial information system. I have struggled a lot to get an Internal Audit Department. I still do not have it. I have no internal procedure in checking XXX Holding Tax Area enterprises. I do not care much about the tax area. I worry about the lack of governance. Things should be better defined. We are now changing the point of view of governance, at the top of enterprises. We are deploying Protheus of Totvs. The accounting module is already deployed. The Protheus will "stifle" things a bit. So we will have more control over the processes and procedures of enterprises. We

(continued)

Frame 8.1 (continued)

	have to dose the inflexibility because we provide service enterprises. With Protheus, we will have a decent ERP in operation. The Director of the CSC is always aligned with me. Whenever you need to exchange ideas and share decisions, call me. Considering external resources, we have a tax consulting firm and independent audit firm. We also have law firms that we consult on complex subjects and also hire to conduct due diligence of targets enterprises—only external preventive work
XXX Holding—CFO	We have the staff of CSC and the Corporate Legal Department, which has two lawyers. As far as I know, in XXX Holding, there is no specific procedure for the review of tax issues. Considering external resources, we have a tax consulting firm and independent auditing firm, besides the lawyers we consult, or we engage to conduct due diligence on target enterprises of our acquisitions

Source prepared by the researcher

and the current ERP as resources, and the majority (69 %) considers law firms, which are closely followed by the external audit firm (63 %).

Table 8.5, prepared by the researcher based on the contents of the Frame 8.1, shows the ratio between the amount of times the resource of the managerial information system has been quoted and the total of interviewed executives.

The use of internal and external professionals as well as an ERP by the enterprise goes to meet the theoretical referential. As mentioned in Question 1, Ching (1997) conceptualized resources such as economic items or elements used to perform activities (material, labor, technology, equipment, and facilities).

Question 6: If so, what managerial information procedures does the enterprise use to identify tax risks?

Frame 8.2 shows the responses of the interviewees, transcribed literally, when asked about what managerial information procedures the enterprise uses to identify tax risks.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 100 % said they adopt the procedure of taking questions from subordinates and do some checks with the goal of identifying tax risks (16/16);
- 100 % said the tax consulting firm reviews the tax burden and the tax return and coordinates and organizes meetings of the tax committee and that they consider such procedures identifiers of tax risks (16/16);
- 94 % said the CSC staff is responsible for corporate accounting and the calculation of taxes, which means, in their view, a greater possibility of identifying tax risks (15/16) than if such procedures were internal in the enterprise;

Table 8.5 Percentage that the resource of the SIG was quoted

Resources	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Total of quoted resource by the interviewee	Percentage of quoted resource by interviewee (%)
I (the respondent)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
Tax Consulting Enterprise	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
Employees	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	15	94
CSC	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	15	94
Current ERP	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	15	94
Law Firm	1	1	0	1	1	1	1	1	0	0	0	0	1	1	1	1	11	69
Independent Audit Firm (Big Four)	1	0	1	1	1	1	1	1	0	0	0	0	0	1	1	1	10	63
Finance Manager	1	0	0	1	1	1	1	0	0	0	0	0	1	0	0	0	6	38
Protheus Totvs ERP (in development)	1	0	0	0	0	0	0	0	1	0	1	1	0	1	1	0	6	38
Independent Audit Firm (Big Four) 2	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	4	25
Internal Audit by one of the partners	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	4	25
Accountant	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	2	13
Team Leaders	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	13
Supervisor	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	13
Finance Director	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	2	13
Independent Auditor	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	2	13

(continued)

Table 8.5 (continued)

Resources	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Total of quoted resource by the interviewee	Percentage of quoted resource by interviewee (%)
Controller	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	6
Professionals of Other Enterprises of the same Segment of Services	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	6
Tax Consultant Firm	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
IOB Consulting Firm	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	6
FISCOSOFT Consulting Firm	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
CENOFISCO Consulting Firm	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
EasyWay Software	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	6
Total resources used by the enterprise	9	6	9	10	10	10	10	9	7	5	8	8	7	11	10	6		
Percentage of total resources used by the enterprise (%)	39	26	39	43	43	43	43	39	30	22	35	35	30	48	43	26		

Source prepared by the researcher

Frame 8.2 Responses to Question 6

Enterprise 2	Like I said, I even identify the variations and question them. My finance manager does as well. We question the CSC when we have doubts. But the double check we do here is not formal or formalized. The tax calculations are made by CSC. We did not perform any internal review procedure. Only the tax consulting firm reviews the calculation of taxes and the IRPJ statement. Therefore, we have the procedures of review that are adopted by the tax consulting firm and the tax committee meetings such a firm organizes and coordinates. Sometimes, we make queries to the tax consulting firm, directly or through CSC. There is also the external audit, but the review is superficial, only to support its opinion. When the subject requires, we consult outside lawyers
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	As I just explained, it is not always some from the finance department who registers the invoice. Some people have the notion, and there are people who have no tax concept. A person goes to the system and checks whether the customer is registered or not. If not, the employee asks for help from our finance sector. If there is still doubt, then we query the CSC. But I know that we need to recruit better and better train people. My finance manager has even talked with customers, especially regarding the invoices of transfer of costs of third suppliers. My finance manager is meticulous. When he cannot solve something alone, he talks with the team of CSC, or tax advice, or even me, before taking a decision. The tax calculations are made by CSC. I do double check visually. I have sometimes identified errors because the numbers that are presented to me call my attention, when they are not reasonable, at least in my opinion. But I'm not sure that in detail, things are correct. But I know that the CSC is conservative. I believe that the findings are correct. I have some concern with the PIS and COFINS taxes, as the recognition of credits on purchases of inputs. The tax consulting firm is periodically reviewing the tax burden of the enterprise and its IRPJ tax return, and it organizes and coordinates the meetings of tax committee and answers queries made by CSC, which the ENTERPRISE 5DDB owns, by my finance manager or by myself
Enterprise 9	I understand the following, and I approve all daily payments. They are prepared by the controller of ENTERPRISE 9. I can see the tax classifications of documents. So with my review, I train because I say what is wrong, because it is wrong, what is right, and do not miss the person. The tax assessments made by the CSC are compared by me with the budget that I did for the agency. When I see that has any difference, I check what it is. And it took much a lot to adopt this procedure. I exchange ideas with the controller of XXX Holding. Like

(continued)

Frame 8.2 (continued)

	I said, I do some checks with colleagues from other enterprises that are competitors. The tax consulting firm adopts independent review procedures of the tax burden of the enterprise and its IRPJ tax return. Moreover, the firm organizes and coordinates the meetings of the tax committee. It also adopts the procedure to formalize consultation responses made by both the CSC and ENTERPRISE 9, in person with me or in the presence of my finance manager. There is also the external audit, which adopts the procedures imposed by the regulator of its activity
Enterprise 12	Like I said, I have a girl who helps me and I have myself. She enters the invoices, and I check if tax deductions are correct. The enterprise is very new. I think it has no relevant tax issues that are not known. The tax assessments are made by the CSC, but here we do not review anything that it does. As I already said, it is up to the tax consulting firm. I have attended some meetings of the tax committee and I always get the minutes if I did not attend. I have not made inquiries directly about this, nor do I have access to any report issued about it
Enterprise 11	I am just adding to the previous answer. My accountant and I do a check work done by CSC. We compare the calculations we do here with the findings of the CSC. There are things that CSC has not taken into account regarding some tax and accounting activities. The Protheus itself, ENTERPRISE 11, will be the last. And there will be things that are not possible with Protheus. We are subscribers of IOB consulting firm and sometimes we do consultations. We understand that it is an external procedure that seeks to minimize risks of doing something wrong. CSC is also consulted in this regard. The only point is that its staff does not know the ICMS tax of our operation. We know that there is a tax consulting firm that makes some revisions in the calculation of taxes and IRPJ tax return. In addition, there are meetings of the tax committee. I have not participated in these meetings, but I get the minutes. I do not receive reports of such revisions
Enterprise 14 and Enterprise 13	As I said, the enterprise uses the accounting and tax services from CSC. Its staff handles our bookkeeping and makes the calculation of taxes. I have my finance director who checks that it is done by CSC. I sign all the paychecks. I have the benchmarks in my head. If the figures for taxes do not make sense, I question. I know what is reasonable in terms of the tax amounts that ENTERPRISE 14 has to pay every month. The tax consulting firm makes its work of review. It revises the calculation of taxes and revises the IRPJ tax return. I think very much of the meetings of the tax committee.

(continued)

Frame 8.2 (continued)

	The tax issues discussed and decisions are taken in a timely manner. It also answers queries by CSC. Sometimes we also do queries directly. The ENTERPRISE 14 also hires a small audit firm that does some checks on management reports. It is a bit more than that. Look at the thing as a whole—every six months at maximum. He can do more if deemed necessary. Before entering the ENTERPRISE 14 group, its participation was stronger. Now, with the CSC, we are less concerned. But the auditor still looks some things for me. It is something to anticipate
Enterprise 15	As I said, we send invoices to CSC when we have any questions. But generally we launch invoices in our Adnet system and make the deductions. My finance manager is meticulous. When she cannot solve a problem, she talks with the CSC or tax advisory firm or even me if it is about a more relevant decision. The CSC has its routine to calculate the taxes of the Group enterprises. We have an external firm of tax consultants who review the findings made by the CSC. CSC answers queries of people and leads a tax committee that brings together professionals from all the Group enterprises. Also we hire legal counsel when the matter is complicated and requires the opinion of external legal experts
Enterprise 3	Like I already said, I have an employee who is an accountant and knows a bit about taxes, including revision, and clarifies questions of other employees inputting the tax on the system notes and tax withholdings. When he has doubts, he goes straight to the CSC. Accounting, as well as the calculation of taxes, is made by CSC. As I have mentioned, there is a consulting firm that has been our external resource. It helps us in relation to some queries, reviews the calculations made by the CSC and organizes and coordinates a tax committee, with the participation of all professionals of the XXX Group. In some specific cases, we hire outside lawyers
Enterprise 4	As I said earlier, the enterprise accountant prepares the payments and makes the tax deductions. There is a person behind the counter that inputs the invoices. The accountant prepares spreadsheets for calculation of taxes (in Excel). He passes the information to make finance payments. The accounting and tax calculations are still made right here in ENTERPRISE 4. We're not yet at the CSC. I seek information on DATASUL system and do some checks. We reconcile everything. As I said, the enterprise has a foreign tax consultant who does the review of the most relevant issues. He gives a counterpoint; it is very legalistic. I also use the Fiscosoft and Cenofisco consulting firms, who respond to my

(continued)

Frame 8.2 (continued)

	queries and send me information daily by e-mail about changes in tax laws. The E&Y is hired to do what accountants call the Limited Examination (makes quarterly visits) because it is not an audit opinion. It also makes a revision of the IRPJ tax return. I know the XXX Group hires a tax consulting firm to make revisions to the calculations of taxes and IRPJ tax return, but as ENTERPRISE 4 joined the Group recently, it has not been through these reviews
CSC	Our area is segregated between fiscal cadaster and direct and indirect taxes. There are 10 employees. They do the calculations. We do the reconciliation. We have some risks that were mapped but not in a formalized way. There are cell leaders for each group of employees. Everything is double-checked. Overall, 80 % is manual (on Excel). It is done on the system. The coordinator is also involved in the review. There is a team to take care of indirect taxes, including withholding taxes. The ADSolution and Adnet finance systems generate DARFs—collection documents for federal taxes. Then, in an Excel spreadsheet, we handle the confrontation between the finance and accounting. There is a risk in the quality of information that was imputed by the enterprises, i.e., we cannot be sure whether the document was counted correctly. The document comes only after the CSC. This is today—what we are building in Protheus. First, the format of the job: I'm bringing a Central Receipts of Invoices to CSC. And Protheus will be tied to inputs. The system is parameterized with information entering the CSC or enterprise. Classification and analysis goes through the Central of Invoices. We will have access to invoices for analyzing in a timely manner, but not as it is today. Enterprises of group "A" (Advertising) give more comfort to us because we do the registration of suppliers. This happens in ADSolution. We use the tool Easyway to direct taxes PIS, COFINS, IRPJ and CSLL. It is a specific program for direct taxes. "From" "To" of accounting for Easyway. The findings come from Easyway. I do work backwards. In the Protheus, this will all be theoretically mitigated. The Center of Invoices of the enterprises of group "A" will be here. For group "B," we will have someone circling our enterprises to provide guidance and make checks. We review the record in all agencies. The Protheus began on 01/01/14 with the first enterprise. Our biggest problem and bottleneck is that Protheus will not calculate PIS and COFINS. It does not have a routine. Some enterprises have a mismatch between what we are telling the SPED and the calculations. We do not have detailed information line by line, invoice by invoice within the Protheus. Thus, we cannot feed the SPED.

(continued)

Frame 8.2 (continued)

	Today, I work backwards. Then, I go to the Finance Dept. and ask to take place here and there, from the standpoint of making credit or not. The Easyway does not have an interface with the SPED. Today, we already feed two systems. The tax area of ENTERPRISE 4 is not yet here at CSC. The accounting itself is processed there. But there is already a set schedule to bring it to the CSC, as soon as possible. All work is reviewed by a tax person and, besides, we do all the reconciliations. In addition, there are some things that are in progress. My Fiscal Coordinator has a control in Excel over where he will go checking if everything was delivered or not. The XXX Group hired a tax consulting firm to review the tax burden and to review the IRPJ tax return of its enterprises. This firm also coordinates a tax committee that meets regularly to discuss matters of tax and also answer queries formulated directly by the enterprises, or by the CSC. The XXX Group is also audited by KPMG. At the end of the year, it analyzes the tax base. But it does not analyze as deeply as the tax consulting firm does. When there is a specific subject, we ask for support from legal advisors
XXX Holding—CCO	The CSC has its tax and accounting routine. There is segregation of functions and teams specialized in accounting, direct taxes and indirect taxes. There are cell leaders and coordinators. Above them is the Director of the CSC. The Corporate Legal Department takes care of the relationship with external law firms and also we perform some activities of corporate character. The Department of Corporate Staff takes care of Leaf and labor and social security routines. The area of Corporate IT is looking after the implementation of Protheus. Area Corporate Purchasing centralizes all hiring of others. I am responsible for the accounting and managerial information system. I prepare the Monthly Book that has 60 pages of managerial information of the enterprises. As I said, I have no internal procedure in Holding to check the tax area of the enterprises. I do not care much about the tax area. I think the CSC is prepared to handle it. I'll be more relaxed even when the tax module of Protheus is implemented. We are now changing the point of view of governance, at the top of enterprises. We are creating some committees. With Protheus, we will have more control over the processes and procedures of the enterprises. We have to reduce the inflexibility because we provide service enterprises. With Protheus, we will have a decent ERP in operation. The Director of the CSC is always aligned with me. Whenever he needs to exchange ideas and share decisions, he calls me. External resources, we have a tax consulting firm and

(continued)

Frame 8.2 (continued)

	independent auditing firm. The tax consulting firm performs some revisions, and the result is reported periodically. Also, it handles the tax committee that has been operating for several years. In it, we have always discussed timely issues of tax. We also have law firms that are consulted on complex subjects and also hired to conduct due diligence of target's enterprises. The audit firm audits all enterprises to be able to issue its opinion on XXX Holding. Somehow, albeit with some limitation of scope, it also looks at the tax area businesses. Outside lawyers issue a monthly progress report of court proceedings. Even when there is only external preventive work. We have not adopted any specific review procedure internally
XXX Holding—CFO	I have no detailed knowledge about the procedures of the CSC. The CCO of XXX Holding is in charge of it. He takes care of it. The legal department assists in interfacing with law firms. The governance of the group is being enhanced, including on account of some committees being created. Considering external resources, we have a tax consulting firm and an independent auditing firm. The COO of XXX Holding makes contact with the tax consulting firm that performs some revisions. He, along with a partner consulting enterprise, also coordinates with the tax committee, which has already been working for a long time. KPMG audits the enterprises to be able to issue its opinion on XXX Holding. Law firms send their reports to monitor the legal causes each month

Source prepared by the researcher

- 88 % reported that as part of the procedures that aim to identify tax risks, there are direct employees who impute data related to invoices in the current ERP system and that such a procedure suffers checks (14/16);
- 69 % considers the advice provided by external legal counsel to be a procedure of the managerial information system used to identify tax risks;
- 63 % considers the work in the tax department made by the independent auditing firm to be a procedure of the managerial information system used to identify tax risks, albeit with limited scope to support the issuance of their opinion of the independent audit on the finance statements of the enterprise (10/16);
- The other procedures are cited in a range between 6 % (1/16) and 38 % (6/16), and so they are not herein described by the researcher, although they are listed in Table 8.6.

In summary, it can be verified through the analysis of the answers given by the executives interviewed that the absolute majority (100 %) adopts the following procedures in order to identify tax risks: (i) answering questions from subordinates and making some checks and (ii) hiring a tax consulting firm that reviews the tax

Table 8.6 Percentage that the procedure of the SIG was quoted

Procedures	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the procedure was quoted in relation to the total number of respondents	Percentage relative to the amount of times the procedure was quoted in relation to the total number of respondents (%)
I (interviewee) solve doubts and do some checks	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
The tax consulting firm reviews the tax burden and the tax return and arranges and coordinates meetings of the tax committee	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
CSC is the responsible for accounting and taxes calculation	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	15	94
The employees impute data in current ERP	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	0	14	88

(continued)

Table 8.6 (continued)

Procedures	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the procedure was quoted in relation to the total number of respondents	Percentage relative to the amount of times the procedure was quoted in relation to the total number of respondents (%)
The law firm issues legal opinion on certain more complex themes	1	1	0	1	1	1	1	1	0	0	0	0	1	1	1	1	11	69
The independent audit firm (Big Four) does a superficial review of the tax area, for the purpose of issuing its opinion	1	0	1	1	1	1	1	1	0	0	0	0	0	1	1	1	10	63
Protheus Totvs ERP is still in deployment. It will provide greater control because it is more connected, closed	1	0	0	0	0	0	0	0	1	0	1	1	0	1	1	0	6	38

(continued)

Table 8.6 (continued)

Procedures	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the procedure was quoted in relation to the total number of respondents	Percentage relative to the amount of times the procedure was quoted in relation to the total number of respondents (%)
The finance manager reviews the work of the officials	1	0	0	1	1	1	1	0	0	0	0	0	1	0	0	0	6	38
The internal audit by one of the partners makes the review based on the SOX, including tax issues	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	4	25
A second Independent auditing firm (Big Four) does a superficial review of the tax area, for the purpose of issuing its opinion	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	4	25
The team Leaders review the staff job	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	13

(continued)

Table 8.6 (continued)

Procedures	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the procedure was quoted in relation to the total number of respondents	Percentage relative to the amount of times the procedure was quoted in relation to the total number of respondents (%)
The supervisor reviews the work of team leaders	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	13
The accountant imputes data in current ERP	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	2	13
The financial director reviews the work of officials	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	2	13
The independent auditor does review of managerial reports of the enterprise and also some tax issues	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	2	13

(continued)

Table 8.6 (continued)

Procedures	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the procedure was quoted in relation to the total number of respondents	Percentage relative to the amount of times the procedure was quoted in relation to the total number of respondents (%)
The employees impute data in EasyWay software	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	6
The controller reviews the work of officials	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	6
I discuss tax topics with professionals from other enterprises of the same business segment	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	6
The tax consultant does some checks in some tax aspects of the enterprise	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6

(continued)

Table 8.6 (continued)

Procedures	Ent1	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the procedure was quoted in relation to the total number of respondents	Percentage relative to the amount of times the procedure was quoted in relation to the total number of respondents (%)
We consult the IOB Firm regarding some doubts in the tax area	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	6
We consult the FISCOSOFT firm regarding some doubts in the tax area	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
We consult the Cenofisco firm regarding some doubts in the tax area	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
Total of procedures used by the enterprise	8	5	8	9	9	9	9	8	6	4	7	7	6	10	9	5		
Percentage of the total number of procedures used by the enterprise (%)	36	23	36	41	41	41	41	36	27	18	32	32	27	45	41	23		

Source prepared by the researcher

burden and the tax return and coordinates and organizes meetings of the tax committee.

Additionally, it can be seen that the vast majority (94 %) believes that the fact that CSC staff is responsible for corporate accounting and the calculation of tax means a greater chance of identifying tax risks, and the majority (69 and 63 %, respectively) considers that the opinions expressed by outside legal counsel and the work done in the tax department of the enterprise by the independent auditing firm, albeit with limited scope to support the issuance of its independent audit opinion on the enterprise's finance statements, represent identification procedures of tax risks.

Table 8.6, prepared by the researcher based on the contents of Frame 8.2, shows the ratio of the number of times each procedure of the managerial information system has been quoted to the total number of executives interviewed.

The action developed—by internal and/or external professionals—to achieve a certain goal (procedure) that, in the previous case, would have been to identify tax risks goes to meet the theoretical referential. As mentioned in Question 2, procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

The complexity and dynamism of Brazilian tax law justify the use of procedures by the enterprise in identifying tax risks, either through internal or external professionals (resources). According to Rocha (2006, pp. 219, 223), the use of indeterminate concepts, fictions, and assumptions proliferates in tax laws, making them complex and difficult for recipients, applicators, and taxpayers to understand. This is especially the case when as a matter of practicality, tasks of determining, collecting, and inspecting taxes are delegated to taxpayers.

Question 7: Does the enterprise identify the probability of occurrence and the potential finance impact of tax risks (i.e., preparing a specific map control of enterprise tax risks—MEGRT)? Frame 8.3 shows the responses of the interviewees, transcribed literally, when asked if the enterprise identifies the probability of occurrence and the potential finance impact of tax risks (i.e., preparing a MEGRT).

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 100 % said a map of tax risks does not exist, at least not in a formal and structured manner. It exists only in their heads, suggesting the existence of a mental risk map (16/16);
- 50 % said the controller and CFO of XXX Holding know of the tax risks of the enterprise, although they are not documented (8/16);
- All other responses are in the range between 6 % (1/16) and 38 % (6/16), and so they are not highlighted here by the researcher, although they are listed in Table 8.7.

In summary, it can be verified through analysis of the answers given by the executives interviewed that the absolute majority (100 %) stated that MEGRT does

Frame 8.3 Responses to Question 7

Enterprise 2	The preparation was never formal. This map does not exist, at least formally. We try to enforce the law as we can. Non-compliance can happen due to our ignorance or because we assess risk and make the decision. But I know exactly what tax risks ENTERPRISE 2 has. I always try to be aligned with XXX Holding
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Only in my head. And the copresidents know. We have a meeting every Monday. Specifically regarding the tax part, owners, including XXX and TTT[a], know the main risks. The assessment notices, notifications that are issued electronically by the IRS, they know they exist, but not in terms of values. Conceptually, at least, no one can claim they did not know the risk, except the DDB with regard to assessment notices. The audits also do not know why there are no provisions because the assessment notices are in the administrative phase. They do not appear in circularization of lawyers
Enterprise 9	This map does not formally exist because all procedures are within the law. The few tax risks that exist are in my mental map of risk. The other partners of the enterprise also know what they are
Enterprise 12	This map does not exist. The few tax risks that exist are on the radar of the partners, if only in their heads
Enterprise 11	This is all done in an informal way. There is no a structured procedure. But we know the tax risks that the enterprise has
Enterprise 14 and Enterprise 13	I have a clear idea of what the tax risks are. The main tax risks are clear in my head. But I have no risk map prepared by using some methodology that is available in the market
Enterprise 15	There is no method to this. The main tax risks are mapped in my head. I do not have a methodology to map risk
Enterprise 3	We do not have a method to map risks. The main tax risks are mapped only mentally
Enterprise 4	This map does not exist. The few tax risks that exist are in my head. By imposition of KKKKK we had to revise some procedures. According to XXX Holding, we are managing to achieve the targets set by the Board of Directors, via KKKKK
CSC	Today, no. But, it is in my plans to assemble a map, a grid of risks, with specific value and probability of occurrence. Today, I have an idea of the risks, but not in a structured way. Especially when we have an inspection, we run behind the potential amounts involved; i.e., the thing still happens reactively

(continued)

Frame 8.3 (continued)

XXX Holding—CCO	Today, no: no specific tax risk map or general corporate risk map. It is not yet required. But the Governance Committee has just been created. The CFO of XXX Holding and I are there. The Risk Map will have to be prepared. The KKKKK made his Corporate Risk Map when he did the due diligence for the purchase of equity interest in XXX Holding. Monthly, we have a meeting to discuss Result—N2, businesses. We discuss the budget, including tax issues, especially those raised by KKKKK, with the president and the finance director of each enterprise visited
XXX Holding—CFO	No. Except when KKKKK joined the Group, when KKKKK conducted a Due Diligence and identified risks, including tributaries

Source prepared by the researcher
[a]The actual name was omitted by the researcher at the request of the searched business group

not exist; at least in a formal and structured manner. It exists only in their heads. Exactly half of them (50 %) reported that the controller and CFO of XXX Holding know of the tax risks of the enterprise, although they are not documented.

Table 8.7, developed by the researcher based on the contents of Frame 8.3, shows the ratio of the amount of times the response was cited by respondents when asked if the enterprise identifies the probability of occurrence to the potential finance impact of tax risks compared to the total number of respondents.

The non-formal and structured preparation of MEGRT does not meet the theoretical referential, thus considering that the tax governance is species of the genus corporate governance, the first one is the way in which organizations are led, managed, and administered to optimize their tax burden, identifying opportunities for their reduction and minimizing the possibility of tax contingencies.

Through tax governance, the enterprise aims to identify the most beneficial tax incidence hypothesis, to allow its activities to lawfully benefit by a reduction of the tax burden or inserted in the context of no tax levy. The enterprise should also minimize the generation of tax risks (Oliveira Neto 2012, p. 34). And the MEGRT is species of the *MGRC* genus (see inference to Question 8).

Question 8: If there is no MEGRT, is there the preparation of a general map of control of enterprise risks (MGRC)?

It could be observed by analyzing the responses given by 100 % of executives surveyed that there is no formal and structured preparation of an MGRC in the enterprises of the XXX Group.

The non-formal and structured preparation of the MGRC does not meet the theoretical referential. Therefore, considering that organizations face uncertainty, the challenge for executives is to determine how much uncertainty the enterprise is capable of monitoring to continue generating value; the adoption of an MGRC is perceived as a necessary management tool that is able to create a culture of

Table 8.7 Percentage that the response was quoted regarding whether the enterprise identifies the probability of occurrence and the potential finance impact of tax risks

Probability of occurrence and potential financial impact of tax risks-preparation of specific tax risk map (considering an administrative hierarchy)	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The map of tax risks does not exist; at least formal and structured way. Only exists in my head.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
Are in my plans to assemble the map of tax risks.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	6
Has just been created the Governance Committee. The Risk Map will having to be developed.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	6
The financial director of the company know of tax risks, although not documented	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
The president of the company know of tax risks, although not documented	0	0	0	1	1	1	1	0	0	0	0	0	0	0	1	1	6	38

(continued)

Table 8.7 (continued)

Probability of occurrence and potential financial impact of tax risks-preparation of specific tax risk map (considering an administrative hierarchy)	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The other partners of the company know of tax risks, although not documented	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	4	25
The other majority shareholder also know of tax risks, although not documented	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	4	25
The CCO and the CFO of the XXX Holding know of tax risks, although not documented	1	0	1	1	1	1	1	0	0	0	0	0	0	0	1	1	8	50
The president of the XXX Holding know of tax risks, although not documented	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	3	19
The Board of Directors of the XXX Holding knows of tax risks, although not documented	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	1	3	19

(continued)

Table 8.7 (continued)

Probability of occurrence and potential financial impact of tax risks-preparation of specific tax risk map (considering an administrative hierarchy)	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
Total of procedures used by the company	3	1	3	5	5	5	5	1	1	1	1	1	1	2	6	5		
Percentage of the total number of procedures used by the company (%)	14	5	14	23	23	23	23	5	5	5	5	5	5	9	27	23		

Source prepared by the researcher

prevention to mitigate risks and generate business opportunities, supported by a framework of strong and effective internal controls (de Albuquerque Sá 2009).

Question 9: Does the enterprise establish measures and procedures for managing tax risks for minimization, transfer, or immunization of them?
It can be observed by analyzing the responses given by 100 % of the interviewed executives that enterprises establish measures and procedures for managing tax risks for minimization, transfer, or immunization of them.

As mentioned in Question 6, the developed action—by internal and/or external professionals—to achieve a certain goal (procedure) that, in the previous case, would have been to identify tax risks goes to meet the theoretical referential. As mentioned in Question 2, the procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence. (Silva 2005, p. 1100).

The complexity and dynamism of Brazilian tax law justifies the use of procedures by the enterprise to identify tax risks, either through internal and/or external professionals (resources). According to Rocha (2006, pp. 219, 223), the use of indeterminate concepts, fictions, and assumptions proliferates upon tax laws, making it complex and difficult for recipients, applicators, and taxpayers to understand. This is especially the case when as a matter of practicality, tasks of determining, collecting, and inspecting taxes are delegated to taxpayers.

Question 10: If not, why does not the enterprise establish measures and procedures for managing tax risks for minimization, transfer, or immunization of them?
It can be observed by analyzing the responses given by 100 % of executives surveyed that this question does not apply to enterprises of the XXX Group.

Question 11: If yes, what are the measures and procedures established by the enterprise to manage tax risks for minimization, transfer, or immunization of them?
Frame 8.4 shows the responses of the interviewees, transcribed literally, when asked what measures and procedures were established by the enterprise for managing tax risks for minimization, transfer, or immunization of them.

It can be observed by analyzing the responses given by 100 % of executives surveyed that the procedures adopted by the enterprise are those already mentioned in the responses to Question 6.

As mentioned in response to questions 6 and 9 above, the developed action—by internal and/or external professionals—to achieve a certain goal (procedure) that, in the previous case, would have been to identify tax risks goes to meet the theoretical referential. As mentioned in Question 2, the procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

The complexity and dynamism of Brazilian tax law justifies the use of procedures by the enterprise to identify tax risks, either through internal and/or external professionals (resources). According to Rocha (2006, pp. 219, 223), the use of

Frame 8.4 Responses to Question 11

Enterprise 2	I have sought to minimize the known risks, which are few. Changing people, improving processes. Looking to have operational structures compatible with the existence of the enterprise, doing some double checks. I also count on the revisions that are made by the enterprise and tax consulting firm through its own work developed by CSC. The fact of the enterprise being audited by KPMG also gives me a sense of risk minimization; i.e., those already commented
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Internal and external procedures were already commented on this interview. Basically the revisions are made both internally and with the aid of a tax consulting firm. We have two external audits: KPMG and Deloitte at KKKKK. Internal Sarbanes-Oxley—SOX. The controller DDB Argentina comes to audit me and I audit Mexico. I have external tax advising. I have law firms Pinheiro Neto and Krakoviak with the issue of PPP[a]. I realize improvements in the CSC team that is stabilized and, technically, changed for the better. I am a former auditor. Because of my training, I tend to be conservative. I do not think you can do what we want. I feel protected. I'm not immune, but protected. It is not perfect. We can improve, but it is already good
Enterprise 9	Internal and external procedures that have been mentioned. Basically the internal reviews and tax consulting firm, in addition to the KPMG audit and support external lawyers
Enterprise 12	As I said, I just check that I do the withholding tax and the revisions made with the aid of a tax consulting firm. I think the CSC makes its checks
Enterprise 11	The procedures are I have discussed and explained
Enterprise 14 and Enterprise 13	As I said, nothing too structured. Internal and external procedures that exist are those that we've talked about. I'm already using the Finance Module of Protheus. The risk decreased as it is a more rigid system. With Protheus things will be different
Enterprise 15	They are those that I commented on in the previous questions. But nothing that follows a methodology for this
Enterprise 3	Although there is no methodology implemented for this, they are those that I have commented in the previous questions
Enterprise 4	Those who have already reported previously. Basically the revisions that are made, both internally and with the help of a tax advisor
CSC	Internal and external procedures were already explained by me. Basically the revisions are made both internally and by the tax consulting firm and also by KPMG itself,

(continued)

Frame 8.4 (continued)

	albeit more superficially. The existence of CSC helps to minimize risks and because we have specialized accounting and tax procedures are more standardized and corporate; i.e., we do not run the risk of each enterprise doing it the way it thinks is best or more correct
XXX Holding—CCO	The many I have commented on so far
XXX Holding—CFO	Those I commented on earlier

Source prepared by the researcher
[a]The actual name was omitted the researcher at the request of the searched business group

indeterminate concepts, fictions, and assumptions proliferates upon tax laws, making it complex and difficult for recipients, applicators, and taxpayers to understand. This is especially the case when as a matter of practicality, tasks of determining, collecting, and inspecting taxes are delegated to taxpayers.

Question 12: Does the Board of Directors Establish the Appetite, Tolerance, and Hence the Profile of Tax (or Corporate) Risk of the Enterprise?
Frame 8.5 shows the responses of the interviewees, transcribed literally, when asked if the board establishes the appetite, tolerance, and hence the profile of tax (or corporate) risk of the enterprise.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 100 % said the establishment by the board of directors, of the appetite, tolerance and, consequently, the tax (or corporate) risk profile, in its understanding, does not occur in writing or in a structured way (16/16);
- 81 % reported that other owners of the enterprise know the tax risks of the enterprise (13/16);
- 69 % said the controller of XXX Holding knows the tax risks of the enterprise (11/16);
- 56 % reported that the controller of XXX Holding passed them some tax guidelines when KKKKK entered the XXX Group (9/16);
- 56 % said the controller of XXX Holding monitors the enterprise, on a monthly basis, to see if it is hitting the risk limits established by the Board, via KKKKK (9/16);
- 50 % said the CFO of XXX Holding knows the tax risks of the enterprise (8/16);
- 44 % reported that the CFO of XXX Holding passed them some tax guidelines after KKKKK entered the XXX Group (7/16);
- 44 % said the CFO of XXX Holding monitors the enterprise on a monthly basis to see if it is achieving the risk limits defined by the Board, via KKKKK (7/16);
- All other responses are considered to be in a range of between 13 % (2/16) and 25 % (4/16), and so they are not highlighted here by the researcher, although they are listed in Table 8.8.

Frame 8.5 Responses to Question 12

Enterprise 2	Written, I think not. But the president or the controller or CFO of XXX Holding have knowledge of the risks. The other partners in ENTERPRISE 2, no. Only if it is something very important. Every month we have an internal meeting on results with the other owners of ENTERPRISE 2. Then we talk to the controller and the CFO of XXX Holding. From the point of view of XXX Holding, the controller passed on some tax guidelines after KKKKK joined the Group. It monitors to see if ENTERPRISE 2 has managed to reach the limits established by the Board of Directors of XXX Holding
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Not that I know of in writing. Now we have a board of partners of ENTERPRISE 5DDB that meets monthly. No one can say you did not know, though I have nothing in writing. It is always a conversation. XXX Holding does not participate in these weekly meetings. The controller of XXX Holding passed on some tax policies, but largely because of KKKKK. XXX Holding is eyeing in it and is on top of making sure that we are taking steps to achieve the limits and guidelines established by the Board of Directors. The ENTERPRISE 5DDB has a representative (guest) on the Board of Directors
Enterprise 9	I don't know any that are written. We have a board of partners ENTERPRISE 9 that meets weekly to discuss all matters relating to the enterprise. And every time I feel the need, I talk about tax risks. So no one can say he did not know, though I have nothing in writing. It is always a verbal conversation. From the point of view of XXX Holding the president of ENTERPRISE 9 and I recently were invited to a meeting with the president and the controller of XXX Holding to pass on some guidelines, including the tax point of view, due to the entry of KKKKK to the XXX Group and the Board of Directors. That is, we speak of appetite and tolerance to certain tax risks that the enterprise is subject to. And XXX Holding monitors us to see if ENTERPRISE 9 has sought to resolve the issues and strived to achieve the limits established by the Board
Enterprise 12	I do not think any are written. Here, when I need to talk it is verbal with the other partners. The controller and the CFO of XXX Holding always come here to leave guidelines and to collect results. ENTERPRISE 12 have tried to solve the issues and strived to achieve the limits established by the Board of Directors, but it is something that is not so simple and easy to achieve, despite the enterprise's effort

(continued)

Frame 8.5 (continued)

Enterprise 11	Although in a way I think it is not very structured, yes. At least, we have been informed of some guidelines, following the entry of a new partner, the KKKKK in XXX Holding. We learn them through the CFO of XXX Holding, who always appears here monthly to discuss the enterprise's results. The other partners also know
Enterprise 14 and Enterprise 13	Now, here in ENTERPRISE 14 owners meet weekly to discuss all matters relating to the enterprise. And I, every time I feel the need, talk about tax risks. Sometimes I get out of meeting the tax committee and go over what was discussed there. So no one can say he did not know, though I have nothing in writing. It is always a conversation. The controller of XXX Holding passed on some tax guidelines, due to the new shareholder of Holding, KKKKK
Enterprise 15	We only have the guidelines that were given to us by the controller of Holding after KKKKK acquired a stake in XXX Holding. He knows and monitors guidelines and what we have done in relation to risks
Enterprise 3	We only have those that passed the CFO of XXX Holding and monitor the guidelines after the KKKKK bought shares of XXX Holding
Enterprise 4	Written, not that I know of. I know some tax guidelines were required by KKKKK. Here in ENTERPRISE 4 partners are always informed by me of tax risks we have. XXX Holding, via its CFO, always comes by to monitor the achievement of goals, including the tax point of view
CSC	I know there are none written. It is always a verbal conversation. I know KKKKK raised the potential risks, including tributaries. Then it left some guidelines, based on the survey of the accounting firm that did the due diligence. The controller of XXX Holding left some guidelines on the tax point of view, on account of the entry of the KKKKK Group. It always monitors our work. He tells me everything that is happening, because he knows there will be accounting and tax purposes
XXX Holding—CCO	It is always a casual conversation, except what KKKKK raises potential tax risks. Then yes, KKKKK left some guidelines based on the due diligence that was done by an external audit firm. Based on these guidelines I discuss and ask for the results of the enterprises in the monthly meetings where we discuss results and budget
XXX Holding—CFO	Not in a structured way. KKKKK cared about this when it joined the group. The points raised by KKKKK underpin monthly talks with enterprises to check if the points are being referred to and treated as they should

Source prepared by the researcher

Table 8.8 Percentage that the answer was quoted regarding whether the CA establishes appetite, tolerance and tax (or corporate) risk profile

Appetite, tolerance and risk profile	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
In a written and structured way, I understand that It not	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
The other partners of the enterprise know about the tax risks of the enterprise	0	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	13	81
The controller of XXX Holding knows about the tax risks of the enterprise	1	0	0	1	1	1	1	1	0	1	0	0	1	1	1	1	11	69
The controller of XXX Holding passed us some tax guidelines after the Kinea entered in the XXX Group	1	0	0	1	1	1	1	1	0	0	0	0	1	1	1	0	9	56

(continued)

Table 8.8 (continued)

Appetite, tolerance and risk profile	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The controller of XXX Holding monitors the enterprise, on a monthly basis, to see if we are succeeding in attaining the risk limits set by the CA, through Kinea	1	0	0	1	1	1	1	1	0	0	0	0	1	1	1	0	9	56
The CFO of XXX Holding knows about the tax risks of the enterprise	0	1	1	0	0	0	0	0	1	1	1	1	0	0	1	1	8	50
The CFO of XXX Holding passed us some tax guidelines after the Kinea entered in the XXX Group	0	1	1	0	0	0	0	0	1	1	1	1	0	0	0	1	7	44

(continued)

Table 8.8 (continued)

Appetite, tolerance and risk profile	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The CFO of XXX Holding monitors the enterprise, on a monthly basis, to see if we are succeeding in attaining the risk limits set by the CA, through Kinea	0	1	1	0	0	0	0	0	1	1	1	1	0	0	0	1	7	44
The president of XXX Holding knows about the tax risks of the enterprise	1	0	0	0	0	0	0	1	0	0	0	0	0	0	1	1	4	25
The other partners of the enterprise do not know about the tax risks of the enterprise	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	13

(continued)

Table 8.8 (continued)

Appetite, tolerance and risk profile	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
Total of procedures used by the enterprise	6	5	5	5	5	5	5	6	5	6	5	5	5	4	7	7		
Percentage of the total number of procedures used by the enterprise (%)	60	50	50	50	50	50	50	60	50	60	50	50	50	40	70	70		

Source prepared by the researcher

In summary, it can be verified through the analysis of the answers given by the executives interviewed that the absolute majority (100 %) stated that the establishment by the board of directors, of the appetite, tolerance and, consequently, of the tax (or corporate) risk profile of the enterprise, in their understanding, does not occur in writing and in a structured way. The vast majority (81 %) reported that the other owners of the enterprise know the tax risks of the enterprise.

The majority (69 %) and half (50 %) reported, respectively, that the controller and CFO of XXX Holding know of the tax risks of the enterprise. The majority (56 %) and slightly less than half (44 %) reported, respectively, that the controller and CFO of XXX Holding passed them some tax guidelines when KKKKK entered the XXX Group. The majority (56 %) and slightly less than half (44 %) stated that the controller and the CFO of XXX Holding monitor the enterprise on a monthly basis to see if they are getting their risk limits established by the Board, via KKKKK.

Table 8.8, prepared by the researcher based on the contents of Frame 8.5, shows the ratio of the amount of times the response was cited by respondents when asked if the board establishes the appetite, tolerance, and hence the tax (or corporate) risk profile in relation to the total number of respondents.

The non-establishment by the board of directors, of the appetite, tolerance and hence the profile of tax (or corporate) risk of the enterprise, in writing and in a structured way, does not meet the theoretical referential. The board of directors shall ensure that the senior management identifies preventively—through an adequate system of information—the main risks to which the organization is exposed, in addition to the probability of their occurrence, the financial exposure to these risks and measures, and the procedures adopted for their prevention or mitigation (IBGC 2009, p. 31).

Question 13: Is there interaction between the senior management and the board of directors during the preparation, review, and monitoring of the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) can be fed back?
Frame 8.6 shows the responses of the interviewees, transcribed literally, when asked whether there is interaction between the senior management and the board of directors during the preparation, review, and monitoring of the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 56 % said the interaction between the senior management and the board of directors during the preparation, review, and monitoring of the MEGRT (or the MGRC) so that the GRTrib (or the GRCorp) could be fed back takes place in an informal and unstructured way, via the controller of XXX Holding, who meets monthly with the president and the finance director of the enterprise (9/16);
- 44 % said that the interaction occurs in an informal and unstructured way, via the CFO of XXX Holding, who meets monthly with the president and the finance director of the enterprise (7/16);

Frame 8.6 Responses to Question 13

Enterprise 2	The Board of Directors is from the XXX Group, but there is a partner from ENTERPRISE 2 who is part of the Board as a guest. The president of the Board of Directors is also from ENTERPRISE 2. I realize that there is some interaction, albeit informal. The controller of XXX Holding interacts with me
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Informally. The ENTERPRISE 5DDB has a guest on the Board, and the controller of XXX Holding interacts with us monthly. I can say that there is feedback, yes, but not in a purposeful or structured way
Enterprise 9	In a formal and structured way, no. It is informal. What exists is an agreement between XXX Holding the other partners of ENTERPRISE 9 defining several guidelines on what can and what cannot be done without the participation of XXX Holding, but not the tax point of view. I try to interact with the controller of Holding
Enterprise 12	Yes, but it is informal. I think ENTERPRISE 12 San Francisco should interact more with XXX Holding. I report to them and they report to XXX Holding. The local and internal interaction that exists today is between me and the staff of CSC. They are telling me what was included in the guidelines depending on the KKKKK entry to the XXX Group. I talk a lot with the CFO of XXX Holding
Enterprise 11	There is interaction between the partners of ENTERPRISE 11. The conversation is very open. The feedback occurs naturally, even casually. XXX Holding has a perception that ENTERPRISE 11 is structured; it is not a lost enterprise. There is a monthly information exchange with the CFO of XXX Holding. We talked to him about the result; we talk about tax issues also. When I say I cannot do, they insist, but we have to meet the two sides. It is now. Now, do not. Now, I cannot yet. Be calm! We'll get there. I also would like to do it "this way" or "that way"
Enterprise 14 and Enterprise 13	There is interaction between the partners of ENTERPRISE 14. Here we talk about tax risks. The president understands when I talk about tax matters. XXX Holding, through its CFO, interacts with us monthly. So I think that the feedback occurs, but very informally
Enterprise 15	There is no interaction between the partners of ENTERPRISE 15 with regard to tax risks. We do not talk about tax risks here. They do not know anything about taxes. Every matter is passed on to them, especially in relation to the guidelines that have been passed by the Board of Directors due to the entry of KKKKK. XXX Holding interacts with us on a monthly basis through its Controller. Thus, feedback occurs somehow, though not so formally

(continued)

Frame 8.6 (continued)

Enterprise 3	There is no interaction here on tax risks. We do not talk about tax risks here. We've done this in the past. They do not understand a lot of taxes, except the guidelines that have been passed by the Board of Directors through the CFO due to the entrance of KKKKK. Every month, the controller of XXX Holding interacts with us. Then feedback occurs somewhat, even casually
Enterprise 4	There is a Board of Partners here in ENTERPRISE 4. Whenever I need to think, I talk to them, but not as a deep approach. With the Board of Directors of XXX Holding we interact indirectly via the CFO of XXX Holding.
CSC	In a formal and structured way, no. It is informal, unless specific points have been identified by KKKKK, as I already mentioned. The controller of XXX Holding disseminated the specific issues by the Group. But things are punctual
XXX Holding—CCO	As I said in answer to the previous question, it is always a casual conversation, except what KKKKK raised about potential tax risks. Then yes, KKKKK spent some guidelines, based on the due diligence that was done. Based on these guidelines to convert and an end result of the enterprises, at the monthly meetings we discuss results and budget. After the monthly meetings, at the Board of Directors meeting, I give an account of what I said to the management of the enterprises. Thus, I consider that there is a feedback process, albeit informal and unstructured
XXX Holding—CFO	The Board of Directors directly, no. Who makes such interactions are the CFO and CCO of Holding. Based on the points raised by KKKKK, they do follow-up on business. At meetings of the Board of Directors, we summarize our discussions with the management of the enterprises. That is, in a way, the process is fed back, albeit in an amateurish way

Source prepared by the researcher

- All other responses are considered to be in a range varying between 13 % (2/16) and 31 % (5/16), and so they are not herein described by the researcher, although they are listed in Table 8.9.

In summary, it can be verified through the analysis of the answers given by the executives interviewed that the majority (56 %) and slightly less than half (44 %) reported, respectively, that the interaction between the senior management and the board of directors when preparing, reviewing, and monitoring the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back occurs informally and unstructurally via the controller and CFO of XXX Holding, who meet monthly with the president and finance director of the enterprise.

Table 8.9 Percentage that the response was quoted regarding whether there is interaction between the senior management and the CA during the preparation, review, and monitoring of the MEGRT (or the MGRC) so that the GRTrib (or the GRCorp) can be fed back

Interaction between the Senior management and the Board of Directors—CA (Question 13)	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents
The interaction is informal and unstructured way through controller of XXX Holding, which meets monthly with the president and the finance director of the enterprise	1	0	0	1	1	1	1	1	0	0	0	0	1	1	1	0	9	56
The interaction is informal and unstructured way through CFO of XXX Holding, which meets monthly with the president and the finance director of the enterprise	0	1	1	0	0	0	0	0	1	1	1	1	0	0	0	1	7	44
A partner of the enterprise is a member of the CA	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	3	19

(continued)

Table 8.9 (continued)

Interaction between the Senior management and the Board of Directors—CA (Question 13)	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents
A partner of the enterprise participates in the CA as a guest	1	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	5	31
I do the intermediation between what I discuss monthly in the enterprises and the CA and vice versa		0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	13
Total of procedures used by the enterprise	3	1	1	2	2	2	2	1	1	1	1	1	1	1	3	3		
Percentage of the total number of procedures used by the enterprise	60	20	20	40	40	40	40	20	20	20	20	20	20	20	60	60		

Source prepared by the researcher

Table 8.9, prepared by the researcher based on the contents of Frame 8.6, shows the ratio between the number of times each response was cited by respondents when asked if there is interaction between the senior management and the board of directors when preparing, reviewing, and monitoring the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back in relation to the total number of respondents.

The non-interaction between the senior management and the board of directors, upon the preparation, review, and monitoring of the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back in a formal and structured way does not meet the theoretical referential. For the board of directors to effectively identify, prioritize, and ensure the effective management of the organization's exposure to various risks that may affect its business, it must present a proactive attitude, requiring information based on the GRCorp. This will become possible to the extent that the senior management has sufficient knowledge about the subject and is able to evaluate the models, tools and measures used (IBGC 2007, p. 11).

Question 14: If yes, how often does this interaction occur?

The Frame 8.7 shows the responses of the interviewees, transcribed literally, when asked about the frequency with which this interaction occurs.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 50 % said the frequency of interaction between the senior management and the board of directors, upon the preparation, review, and monitoring of the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back occurs monthly through the controller of XXX Holding (8/16);
- 44 % stated that such interaction occurs in the meetings of the board of directors (7/16);
- 44 % said that such interaction occurs monthly through the CFO of XXX Holding (7/16);
- The other responses considered are in the range of 6 % (1/16), and so they are not highlighted here by the researcher, though they are included in Table 8.8.

In summary, it can be verified through the analysis of the answers given by the executives interviewed that the majority (56 %) and slightly less than half (44 %) reported, respectively, that the interaction between the senior management and the board of administration, when preparing, reviewing, and monitoring the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back occurs monthly through the controller and CFO of XXX Holding. A little less than half (44 %) stated that such interaction occurs in the meetings of the board of directors. In this case, this is due to the enterprise having a member or a guest on the board of directors.

Table 8.10, prepared by the researcher based on the contents of Table 8.7, shows the ratio between the number of times the response was cited by respondents when asked how often in the interaction between the senior management and the board of

Frame 8.7 Responses of respondents when asked about the frequency with which this interaction occurs

Enterprise 2	The controller and the CFO of XXX Holding every month come to know how the results are. When we deem necessary, we talk about any tax issue. But, as I said, ENTERPRISE 2 has representatives on the Board of Directors of XXX Holding
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	On a monthly basis XXX Holding comes here to do its checks. We talk about fiscal issues
Enterprise 9	As I said, we were called to a meeting a few months ago. I do not know if we will be called again. But, the controller and the CFO of XXX Holding, on a monthly basis, come to know how the results go, if we are to meet goals. When necessary, we talk about tax issues
Enterprise 12	The controller and the CFO of XXX Holding, on a monthly basis, come to know how the results and goals are. They also discuss tax issues
Enterprise 11	We meet with the partners at least monthly. The CFO of XXX Holding on a monthly basis comes to know the results. Occasionally, we talk about tax issues
Enterprise 14 and Enterprise 13	With the partners there is no specific periodicity. The controller of XXX Holding comes here on a monthly basis to discuss the results. We also talk about taxes, when I feel the need or he does
Enterprise 15	As I said in the previous answer, not in ENTERPRISE 15. I meet with the controller of XXX Holding, on a monthly basis
Enterprise 3	With the controller of XXX Holding, monthly
Enterprise 4	On a monthly basis, both with partners of the ENTERPRISE 4 and with XXX Holding.
CSC	Whenever the controller of Holding deems necessary, he talks to us about tax risks. Similarly, we do the same. We listen to him to understand tax issues that could represent tax risk
XXX Holding—CCO	Whenever I judge necessary, I speak in monthly meetings on tax issues. In turn, the senior management of the enterprises also brings me some tax concerns they have. The CFO of XXX Holding and I interact well with the president of XXX Holding and with the Board of Directors
XXX Holding—CFO	The CCO of XXX Holding and I do a good "link" with the Board of Directors, the president of XXX Holding and the Senior Management of the enterprises, at least monthly

Source prepared by the researcher

directors occurs during the preparation, review, and monitoring of the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) could be fed back in relation to the total number of respondents.

Table 8.10 Percentage that each answer was quoted regarding how often the interaction between the senior management and the CA occurs in the preparation, review, and monitoring of the MEGRT (or the MGRC) so that the GRTrib (or the GRCorp) can be fed back

The frequency of the interaction	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents
Through the controller of XXX Holding, monthly	1	0	0	1	1	1	1	1	0	0	0	0	1	0	1	0	8	50
With the CA, in its meetings	1	0	0	1	1	1	1	0	0	0	0	0	0	0	1	1	7	44
Through the CFO of XXX Holding, monthly	0	1	1	0	0	0	0	0	1	1	1	1	0	0	0	1	7	44
Through the controller of XXX Holding, whenever he or I deem necessary	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	6
Total of Procedures Used by the Enterprise	2	1	1	2	2	2	2	1	1	1	1	1	1	1	2	2		

(continued)

Table 8.10 (continued)

The frequency of the interaction	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents
Percentage of the Total number of Procedures Used by the Enterprise	67	33	33	67	67	67	67	33	33	33	33	33	33	33	67	67		

Source prepared by the researcher

The method of interaction between the senior management and the board of directors (and not the frequency itself) does not meet the theoretical referential (see inference and comparison with the theoretical referential to questions 12 and 13), given that it occurs only in relation to the three enterprises of the XXX Group (ENTERPRISE 2, ENTERPRISE 5 and XXX Holding), i.e., only 21 % of total enterprises. In other cases, the interaction occurs indirectly through the controller and CFO of XXX Holding.

Question 15: Did the enterprise suffer some kind of tax assessment? In this case, was the enterprise aware of the situation motivating the assessment? In the case of any resource or procedure of managerial information for identification of tax risk, was it implemented before or after the assessment?
Frame 8.8 shows the responses of the interviewees, transcribed literally, when asked if the enterprise suffered some kind of tax assessment. If so, they were asked whether the enterprise was aware of the situation motivating the assessment. If there is a resource or procedure of managerial information to identify tax risks, they were asked if it was implemented before or after the assessment.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 50 % said the enterprise received assessment notices (electronic notices of federal tax authorities), and they did not know of the possibility of them and even took the initiative to develop resources or procedures of managerial information before or after receiving them (8/16);
- 31 % said that the enterprise received tax assessments issued by the tax auditor in person and knew about the possibility of them but did not take the initiative to develop resources or procedures of managerial information before or after receiving them (5/16).

In summary, it can be verified through the analysis of the answers given by the executives interviewed that exactly half said the enterprise has only received assessment notices, and there was a possibility that they did not know about them or take the initiative to develop resources or procedures of managerial information before or after receiving them. Less than half (31 %) stated that the enterprise received tax notices and knew of the possibility of them but did not take the initiative to develop resources or procedures of managerial information before or after receiving them.

Table 8.11, developed by the researcher based on the contents of Frame 8.8, shows the ratio between the amount of times the response was quoted by respondents when asked if the enterprise suffered some kind of tax assessment. If so, they were asked whether the enterprise was aware of the situation motivating the assessment, whether there was a resource or procedure of managerial information to identify tax risks and whether it was implemented before or after the assessment in relation to the total number of respondents.

The lack of a resource or procedure of managerial information before or after assessment notices and infringement notices does not meet what is provided in the

Frame 8.8 Responses to Question 15

Enterprise 2	Electronic assessment notices were motivated by filing error declarations or failure to document not very recent periods; i.e., they were not issued unless there was a tax risk involved. I never thought of developing managerial information for this sort of thing. Every now and then I get a damn fright. But it is something from the past. The time of the previous accountant. Now, infraction notices are assessed by an IRS employee, infraction notices are not assessed I'm scared because I'm not here with a document. It all goes to the CSC. This thing that bothers me is not under my control. But I did not create new procedures
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Some electronic assessment notices. I did not think what was wrong, even though I was not here at the time. it was the time of the previous accountant, mostly because of an incomplete reporting error. I have never thought of developing management information for this topic. The tax assessments, yes, we knew that could happen, the way that tax planning was implemented. But it was the decision made by the controlling shareholder at the time
Enterprise 9	Only electronic notification. I do not have managerial information for that, either before or after. Sometimes the value is so low that it is better to pay. Now, we do not have an assessment notice issued by an IRS employee
Enterprise 12	So far we have not suffered any assessment, also because the enterprise is very new. We have no structured way to identify tax risks
Enterprise 11	The history of assessments here in ENTERPRISE 11 is zero
Enterprise 14 and Enterprise 13	We always knew that our activity has risks. Once, there was a tax question for which I already knew what would happen and it happened. Today, we try to adopt some preventive actions. I do not adopt anything new before or after questioning.
Enterprise 15	We always knew that our activity (events organization) has risks. We knew we could be fined, depending on the transfer regarding the cost of third suppliers. Events are not propaganda and advertising. Therefore, the tax treatment is different. But, we decided to use the same treatment. Customers also are no longer accepting the transfer when it comes to event. There is client that wants to be taxed twice; i.e., we knew the tax assessment that occurred could happen. The president of ENTERPRISE 15 knows about the infraction. He knows the amount involved. The tax assessment was in 2007 in the amount of BRL 300,000.00. But there is nothing specific before or after the assessment. In most cases, they are electronic assessment notices for earlier periods

(continued)

Frame 8.8 (continued)

Enterprise 3	Events organization is not propaganda and advertising. And We offer some services that are billed as Events organization and others as Advertising and Publicity. We always knew what was Events organization and what was not and there is a risk because the tax treatment is not the same in both cases. ENTERPRISE 3 is under surveillance at this time. I'm pretty sure we will be fined. But we and XXX Holding already knew about the risk, although the enterprise will be fined. We always thought we were to be defensible in case of litigation. Anyway, we proceed by making some adjustments in contract terms to improve accuracy for the provision of our services. There are also assessment notices, but they are related to events of the past
Enterprise 4	By electronic notification. But for some wrong padding inputs, or by a mistake of crossing the IRS itself. We never develop managerial information for this. Sometimes the value is so low that it is better to pay. Now infraction notices are issued by IRS employee, no. Assessment is zero
CSC	Most orders are electronic notifications for earlier periods and not notices of violation. We have few notices of violation. Because of our mistakes, or even of information processing by the IRS. We do not develop managerial information for this. Some procedures were implemented after the notice of violation. For example, standardization of contracts, expanding the scope of contracts, etc.
XXX Holding—CCO	I have had no surprises, as I had in the past, related to tax assessments. Some Group enterprises have received assessment notices that are (electronic notices) issued by the IRS computers, related to moments of the past; no, infraction notices are issued by inspectors in personal visits. Filing errors are ours, or even of information processing by the IRS. We have few notices of violation. The Group has not developed managerial information either before or after, except we did some standardization of contracts to better support the services that we hire and for which we are contracted
XXX Holding—CFO	Who cares about this are the CSC and CCO of Holding and administration of the enterprises. I prefer not to speak out about it

Source prepared by the Researcher

theoretical referential. Adopting an MGRC is perceived as a necessary management tool, able to create a culture of prevention to mitigate risks, and generate business opportunities, supported by a framework of strong and effective internal controls (de Albuquerque Sá 2009). This assertion gains importance, since, from the standpoint of inspection, collection, and combat evasion, the tax authorities are

Table 8.11 Percentage that the answer was quoted regarding when the enterprise suffered tax assessment, whether it knew what motivated the situation and whether any resource or procedure of managerial information was implemented before or after

Tax assessment	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents
"Despachos Decisórios", which are electronic notifications of Internal Revenue Service. We did not know before, and we did not take the initiative to develop a managerial information resource or procedure, either before or after	1	1	1	1	0	0	0	1	0	0	0	0	1	1	1	0	8	50
Assessment Notice tilled in person by Fiscal Auditor. We knew it could happen, but we do not	0	0	0	1	0	0	0	0	0	0	0	1	1	1	1	0	5	31

(continued)

Table 8.11 (continued)

Tax assessment	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents
develop resource or procedure to this																		
Total of procedures used by the enterprise	1	1	1	2	0	0	0	1	0	0	0	1	2	2	2	0		
Percentage of the total number of procedures used by the enterprise	50	50	50	100	0	0	0	50	0	0	0	50	100	100	100	0		

Source prepared by the researcher

gaining efficiency and technological sophistication, especially following the establishment of the SPED (DECREE 6022 and IN RFB 787, 2007), which increases the possibility of detecting errors in tax bookkeeping of the taxpayers and the consequent omission of assessment notices and tax assessments.

Question 16: Do the board of directors and the senior management receive periodic reports addressing the tax risks and their evolution?
Frame 8.9 shows the responses of the interviewees, transcribed literally, when asked if the board of directors and the senior management receive periodic reports addressing the tax risks and their evolution.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 100 % said the enterprise does not produce internal reports that address tax risks and their evolution (16/16);
- 94 % said the tax consulting firm hired by the XXX Group sends an annual review report of the tax return to the controller of XXX Holding and to the director of CSC staff (15/16);
- 88 % said the tax consulting firm sends, on a bimonthly basis, the minutes of the meeting of the tax committee for the finance director of the enterprise, the controller of XXX Holding, the director of the CSC staff, and other meeting participants (14/16);
- 81 % reported that XXX Holding receives each year's external audit report (13/16);
- 69 % reported that XXX Holding receives monthly reports of external lawyers regarding the progress of legal proceedings (11/16);
- 63 % reported that the tax consulting firm sends, in a semi-annual basis, the review report of the tax burden to the finance director of the enterprise, the controller of XXX Holding, and the director of the CSC staff (10/16);
- The other responses considered are in the range of 31 % (5/16), and so they are not highlighted here by the researcher, though they are included in Table 8.12.

In summary, it can be verified through the analysis of the answers given by the executives interviewed that the absolute majority (100 %) stated that the enterprise does not produce internal reports that address tax risks and their evolution.

The vast majority (94, 88, and 81 %, respectively) reported that (i) a tax consulting firm sends an annual review report of the tax return to the controller of XXX Holding and director of CSC staff; (ii) the tax consulting firm sends, on a bimonthly basis, the minutes of the meeting of the tax committee for the finance director of the enterprise, the controller of XXX Holding, the director of the CSC staff, and other meeting participants (14/16); and (iii) XXX Holding receives each year's external audit report.

The majority (69 and 63 %, respectively) reported that (i) XXX Holding receives monthly reports of external lawyers regarding the progress of legal proceedings (11/16) and (ii) the tax consulting firm sends, on a semi-annual basis, the

Frame 8.9 Responses to Question 16

Enterprise 2	We have no internal reports. The reports we receive are sent by the tax consulting firm because of revisions it does. We also receive the minutes of the bimonthly meetings of the tax committee. XXX Holding also receives status reports of legal processes and the audit of KPMG
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	There are not generated by us Internally. We, the controller of XXX Holding and the Director of CSC and I, receive reports sent by the tax consulting firm. KPMG sends the opinion to XXX Holding, the E&Y for KKKKK, plus the reports of outside lawyers about legal proceedings and the minutes of bimonthly meetings of the tax committee
Enterprise 9	Internally generated, no. I, the controller of XXX Holding and the Director of the CSC receive semiannual reports reviewing the tax burden and annual reports revising the IRPJ tax return, which are sent by the tax consulting firm. It also sends the minutes of the tax committee. In addition, XXX Holding receives the report of KPMG. XXX Holding also receives reports from external lawyers regarding the progress of cases
Enterprise 12	Only the reports sent by the tax consulting firm, but I have not had access. I receive the minutes of the meetings of the tax committee also
Enterprise 11	We have never spoken of the need for their generation and transmission. In XXX Holding and in CSC I know that reports are sent by the tax consulting firm. I never received them. I only get the minutes of the tax committee, even without attending the meetings
Enterprise 14 and Enterprise 13	I have never done or been charged for internal reporting. Now the tax consulting firm sends its reports to the controller of XXX Holding and the Director of CSC. I have never received these reports. I only get the minutes of the tax committee. In addition, XXX Holding receives the report of KPMG. What I always get are the minutes of the meetings of the tax committee
Enterprise 15	Internal, no. External only that the tax consulting firm issues; including the minutes of the tax committee or a lawyer, when demanded. KPMG also sends its report to XXX Holding, which conducts the audit
Enterprise 3	Internal reports do not exist. External reports, only those that are issued by the external lawyers and by the tax consulting firm as well as the minutes of the tax committee. The external audit sends a report to XXX Holding on its audit work

(continued)

Frame 8.9 (continued)

Enterprise 4	We never developed internal reports for this purpose. External reports, only the tax consulting firm or audit. I know XXX Holding receives reports that are sent by external consultants. But, as I said, is not yet the case of ENTERPRISE 4, as we are not the CSC, or the meetings of the tax committee have participated. Not even the minutes
CSC	Someone never asked us. My coordinator prepares a spreadsheet control of all administrative and judicial proceedings in progress and sends it to our Legal Dept. Externally, the Controller, which is XXX Holding, and the finance director of each enterprise received semiannual reports reviewing the tax burden and annual reports revising the IRPJ tax return, which are sent by the tax consulting firm, which also sends monthly minutes of meetings of the tax committee. In addition, XXX Holding receives the report of KPMG and reports of outside lawyers about the status of processes or any specific legal advice
XXX Holding—CCO	Inside, only the book that I prepare with managerial information of the enterprises, often without information about tax issues. Externally, the Director of CSC and Finance Directors of enterprises and I receive reports of reviews conducted by the tax consulting firm. Here in XXX Holding we receive the audit report issued by KPMG and the reports of lawyers. All participants of the tax committee (the finance directors and finance managers of the enterprises, the director of CSC and I) receive the minutes of meetings of the tax committee. In addition, we get legal advice that XXX Holding orders from the law firms
XXX Holding—CFO	Inside, only the monthly report prepared here in Holding, with the help of the finance directors of the enterprises in which there is rarely information on taxes. I also know that, externally, finance directors of enterprises, the Director of CSC and the CCO of XXX Holding receive reports of reviews conducted by the tax consulting firm, but I do not get involved with this. I have access to and read the audit report issued by KPMG and the reports of the lawyers

Source prepared by the researcher

review report of the tax burden to the finance director of the enterprise, the controller of XXX Holding, and the director of the CSC staff.

Table 8.12, prepared by the investigator based on the contents of Frame 8.9, shows the ratio of the amount of times the response was quoted by respondents when asked if the board of directors and the senior management receive periodic reports addressing tax risks to their evolution.

Table 8.12 Percentage that the answer was quoted regarding the CA and the senior management receiving periodic reports addressing tax risks and their evolution

Periodic reports	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
We do not produce internal reports that approach the tax risks and their evolution	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	100
The tax consulting firm sends annually, the report of revision of the income tax return to the CCO of XXX Holding and to the director of the CSC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	15	94

(continued)

Table 8.12 (continued)

Periodic reports	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The tax consulting firm, every two months, send the minutes of the tax committee meetings to the finance director of the enterprise, the CCO of XXX Holding, the director of the CSC and other meeting participants	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	14	88
The XXX Holding receives annually the external audit report	1	1	0	1	1	1	1	1	0	0	1	1	1	1	1	1	13	81

(continued)

Table 8.12 (continued)

Periodic reports	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The XXX Holding receives monthly reports of external lawyers regarding the conduct of court proceedings	1	1	0	1	1	1	1	1	0	0	0	0	1	1	1	1	11	69
The tax consulting firm semiannually sends the report review of tax burden to the finance director of the enterprise, the CCO of XXX Holding and director of CSC.	1	1	0	1	1	1	1	1	0	0	0	0	1	1	1	0	10	63

(continued)

Table 8.12 (continued)

Periodic reports	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
The tax consulting firm semiannually sends the report review of tax burden to the CCO of XXX Holding and director of CSC.	0	0	1	0	0	0	0	0	1	1	1	1	0	0	0	0	5	31
Total of procedures used by the enterprise	6	6	3	6	6	6	6	6	4	4	5	5	6	6	6	3		
Percentage of the total number of procedures used by the enterprise (%)	86	86	43	86	86	86	86	86	57	57	71	71	86	86	86	43		

Source prepared by the researcher

The lack of production by the enterprise of internal reports that address tax risks and their evolution does not meet what is provided in the theoretical referential, especially considering that the enterprise has technological apparatus that should be able to generate them. Frezatti et al. (2009) explains that SIG is operationalized through technological devices such as enterprise resource planning (ERP) and that this apparatus must reach out to its users, the information considered necessary for decision making, through reports that it is able to generate.

The production of reports issued by the external consultancy, advocacy, and audit firms meets what is provided in the theoretical referential. Reports contain information that is collected, organized, and ordered as data to which meanings and context are assigned (Mcgee and Prusak 1994). Under the tax risks, such information may be used by management to gain knowledge of and treat these risks and the feedback of the MEGRT as well as the GRTrib contained in GRCorp.

Question 17: If not, why not get them?

Frame 8.10 shows the responses of the interviewees, transcribed literally, when asked why the board of directors and the executive directors do not receive regular reports addressing the tax risks and their evolution.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 81 % said internal reports addressing the tax risks and their evolution are never requested by the board of directors and the senior management. As for external reports, they are already addressed in the response to the previous question (16/16);
- All other responses are considered to be in the range of 13 % (2/16) 25 % (4/16), and so they are not highlighted here by the researcher, although they are listed in Table 8.11.

In summary, it can be verified by analyzing the responses of the executives surveyed that the vast majority (81 %) stated that internal reports addressing tax risks and their evolution are never requested by board of directors and senior management. As for external reports, they are already addressed in the response to the previous question.

Table 8.13, developed by the researcher based on the contents of Frame 8.10, shows the ratio between the number of times the response was quoted by respondents when asked why the board of directors and the senior management do not receive regular reports addressing tax risks and their evolution.

Failure of the board of directors and senior management to request internal reports addressing tax risks and their evolution does not meet what is provided in the theoretical referential. To effectively identify, prioritize, and ensure the effective management of the organization's exposure to various risks that may affect business, the board of directors must present a proactive attitude, requiring information based on GRCorp. This will become possible to the extent that the senior management has sufficient knowledge about the subject and is able to evaluate the models, tools, and measures used (IBGC 2007, p. 11).

Frame 8.10 Responses to Question 17

Enterprise 2	Internal reports do not exist. Only external ones, as I already explained
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Internal ones do not exist. They were never requested. Regarding external ones, I have just talked about them in the previous answer
Enterprise 9	Internal reports are not received because they are not generated and collected. As for the external, I spoke about them earlier
Enterprise 12	I was never asked about internal reports. Regarding external ones, I have just talked about them in the previous answer
Enterprise 11	They do not receive them because the internal reports were never requested. As for external, see the previous answer
Enterprise 14 and Enterprise 13	The internal reports were never requested. As for external, those have already been spoken of
Enterprise 15	I was never requested about internal reports. Regarding external ones, I have just talked about them in the previous answer
Enterprise 3	I was never requested about internal reports. As for external ones, those were already discussed
Enterprise 4	Internal reports are not received because they are not generated and collected. As for external ones, see the previous answer
CSC	I was never asked about internal reports. Regarding external ones, I have just talked about them in the previous answer
XXX Holding—CCO	See the previous answer
XXX Holding—CFO	See the previous answer

Source prepared by the researcher

Question 18: Does the Board of Directors Explicitly Express Itself Regarding Tax Risks in Its Decision-Making Processes?

The Frame 8.11 shows the responses of the interviewees, transcribed literally, when asked if the board of directors explicitly express itself regarding tax risks in its decision-making processes.

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 75 % said that the board of directors informally expresses itself on tax risks in its decision-making processes and only since KKKKK entered the XXX Group (12/16);
- The other responses considered are in the range of 25 % (4/16), and so they are not highlighted here by the researcher, though they are included in Table 8.12.

Table 8.13 Percentage that the answer was quoted regarding the CA and the senior management not receiving regular reports on tax risks and their evolution

Periodic reports—not receiving	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
They were never requested	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	13	81
They do not exist	1	0	1	0	0	0	0	1	1	0	0	0	0	0	0	0	4	25
See previous answer	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	13
Total of procedures used by the enterprise	1	1	2	1	1	1	1	2	2	1	1	1	1	1	1	1		
Percentage of the total number of procedures used by the enterprise (%)	33	33	67	33	33	33	33	67	67	33	33	33	33	33	33	33		

Source prepared by the researcher

Frame 8.11 Responses of respondents when asked if the board of directors explicitly expresses itself regarding tax risks in its decision-making processes

Enterprise 2	In my perception, the Board of Directors does, but in an informal way. This is my perception. The monthly meeting of partners of ENTERPRISE 2 is also not formalized
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	The Board of Directors expressed tax guidelines when KKKKK joined the Group. Among the partners of ENTERPRISE 5 it is only expressed orally, when it occurs
Enterprise 9	As the Board of Directors of XXX Holding, I understand that yes, but not formally and in terms of the entry of the KKKKK Group. As for the Board of Partners, the manifestation, when there is one, is informal
Enterprise 12	It greatly depends on the entry of KKKKK in the XXX Group, I think the Board is manifested, but not in a structured way, in writing
Enterprise 11	We know of some manifestations, through the CFO of XXX Holding. It seems to me that they are specific manifestations and not formalized or structured
Enterprise 14 and Enterprise 13	I think so. Probably only verbally
Enterprise 15	With KKKKK, things have changed a bit. The Board of Directors began to manifest itself, but I know there is no methodology for this
Enterprise 3	The Board of Directors expressed views on taxes, only with the input of KKKKK, but without a specific methodology for this
Enterprise 4	Not that I know about. I know only from the controller and CFO of XXX Holding that some guidelines as to tax risks were passed by the Board of Directors, by imposition of KKKKK
CSC	I think there is only an oral manifestation, not formalized. But anyway, at least after KKKKK, we became aware of some tax guidelines.
XXX Holding—CCO	KKKKK only did this when it bought a stake in XXX Holding; i.e., after KKKKK, we learned some tax guidelines by virtue of due diligence it did
XXX Holding—CFO	The only explicit demonstration that I saw here was when KKKKK joined the Group

Source prepared by the researcher

In summary, it can be verified by analyzing the responses of the executives surveyed that the vast majority (75 %) stated that the board of directors informally expresses itself regarding tax risks in its decision-making processes and only since KKKKK entered the XXX Group.

Table 8.14, developed by the researcher based on the contents of Frame 8.11, shows the number of times the response was quoted by respondents when asked if

Table 8.14 Percentage that the answer was quoted regarding the CA explicitly expresses itself about tax risks in its decision-making processes

Expression of the board of directors	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
Informally and only when KKKKK joined the Group	0	1	1	1	1	1	1	1	0	1	0	0	1	1	1	1	12	75
Informally, yes	1	0	0	0	0	0	0	0	1	0	1	1	0	0	0	0	4	25
Total of procedures used by the enterprise	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		
Percentage of the total number of procedures used by the enterprise (%)	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50		

Source prepared by the researcher

the board of directors explicitly expresses itself regarding tax risks in its decision-making processes.

The informal and onetime expressions of the board of directors about tax risks and their evolution do not meet what is provided in the theoretical referential. According to COSO (2004), GRCorp is a process designed to identify and respond to events that may affect the organization's strategic goals. Its guidelines should be established by the board of directors, and resulting actions should be implemented by the senior management in order to provide, with reasonable assurance, the realization of the goals of the organization from a proper alignment of strategy with its risk appetite.

Question 19: Do you consider that the enterprise's degree of perception of tax risk is high? If so, does it have compatible resources or procedures of managerial information for identification of tax risks that lead it to have better performance (lower tax events, such as the payment of fines and interest, errors, reprocessing of books, statements, declarations, and invoices)?
Frame 8.12 shows the responses of the interviewees, transcribed literally, when asked if they consider the enterprise's degree of perception of tax risk to be high. If so, they were asked whether they have compatible resources or procedures of managerial information for identification of tax risks that lead the organization to have better performance (lower tax events, such as the payment of fines and interest, errors, reprocessing of books, statements, declarations, and invoices).

From the responses of the 16 executives interviewed, the researcher can observe the following:

- 57 % (38 % + 19 %) stated that in the firm, the degree of perception of tax risk is high (9/16);
- 19 % said that in XXX Holding, the degree of perception of tax risk is high (3/16);
- 25 % reported that in the enterprise, the degree of perception of tax risk is low (4/16);
- The other responses considered are in the range of 6 % (1/16), and so they are not highlighted here by the researcher, though they are included in Table 8.15.

In summary, it can be verified through the analysis of the answers given by the executives interviewed that the majority (57 %) stated that the degree of perception of tax risk in the enterprise is high, a minority (19 %) said it is high in XXX Holding, and a minority (25 %) reported that in the enterprise such perception is low.

Table 8.15, developed by the researcher based on the contents of Frame 8.12, shows the number of times each response was quoted by respondents when asked if they consider that in the enterprise, the degree of perception of tax risk is high. If so, they were asked if it has compatible resources or procedures of managerial information for identification of tax risks that lead it to have better performance (lower tax occurrences).

Frame 8.12 Responses to Question 19

Enterprise 2	The partners of ENTERPRISE 2 have zero degree of perception of tax risk. The responsibility is mine. That is why I seek to align myself with XXX Holding. This is what I do. After all, ABC has 60 % of ENTERPRISE 2
Enterprise 5, Enterprise 7, Enterprise 6 and Enterprise 8	Yes, although partners are not experts in taxes
Enterprise 9	The partners of ENTERPRISE 9 have a high degree of perception of tax risk. They are not experts, but they have a keen perception of risk. That is why I consider the enterprise conservative from a tax point of view
Enterprise 12	The partners of ENTERPRISE 12 have a good degree of perception of tax risk. Few are aware of the problems related to tax risks. Also because the enterprise is very new, it has few customers and few employees
Enterprise 11	The partners of ENTERPRISE 11 have a high degree of perception of tax risk. And this gives me security because they understand and talk. They have a lot of science and, in the end, the problem can get them individually
Enterprise 14 and Enterprise 13	The partners of ENTERPRISE 14 have a great degree of perception of tax risk
Enterprise 15	The partners of ENTERPRISE 15 have extremely low levels of perception of tax risk
Enterprise 3	The partners of ENTERPRISE 3 have low risk perception of taxes
Enterprise 4	The partners of ENTERPRISE 4 have a great degree of perception of tax risk
CSC	I think from a corporate perspective the degree of perceived risk is high; i.e., in XXX Holding and in CSC. In business, not so much. The perception is low. It has greatly improved. Our tax committee meetings helped much in the spread of risk. Knowledge of the risk they take on the committee. Now, that enterprise is more concerned than others and always runs after asking questions and exchanging ideas with us. It has a director who cares, seeks to know. He monitors risks
XXX Holding—CCO	In CSC and XXX Holding I think the perception is high. In business, I think it is low. It has improved, but it is still low
XXX Holding—CFO	In the XXX Holding, except for specific counselors, the CCO and I, the perception of others is relatively low. In enterprises it is low

Source prepared by the researcher

Only slightly more than half of respondents said that the degree of perception of tax risk is high. This can be explained by the complexity, dynamism, and sophistication of the national tax system. Rocha (2006, pp. 219, 223) states that some aspects of the risk society that most affect taxation are ambivalence, indeterminacy,

Table 8.15 Percentage of each answer quoted regarding whether the perception of tax risk is high and, if so, whether the enterprise has managerial information resources and procedures for identification and has lower tax occurrences

Degree of risk perception	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
High degree of tax risk perception	0	0	0	1	1	1	1	1	1	0	0	0	0	0	0	0	6	38
Low degree of perceived on tax risk	0	1	0	0	0	0	0	0	0	0	0	0	0	1	1	1	4	25
Great degree of perceived on tax risk	0	0	1	0	0	0	0	0	0	0	1	1	0	0	0	0	3	19
In the XXX Holding is high.	1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	3	19
In the CSC is high.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	13
Zero degree of perceived on tax risk	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
Extremely low degree of perceived on tax risk	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	6

(continued)

Table 8.15 (continued)

Degree of risk perception	Ent2	Ent3	Ent4	Ent5	Ent6	Ent7	Ent8	Ent9	Ent11	Ent12	Ent13	Ent14	Ent15	CSC	XXX Holding CCO	XXX Holding CFO	Number of times the answer was quoted in relation to the total number of respondents	Percentage relative to the amount of times the answer was quoted in relation to the total number of respondents (%)
Good degree of perceived on tax risk	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	6
The perception of CCO, CFO and certain Directors is high	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	6
Total of procedures used by the enterprise	2	1	1	1	1	1	1	1	1	1	1	1	1	3	3	2		
Percentage of the total number of procedures used by the enterprise (%)	22	11	11	11	11	11	11	11	11	11	11	11	11	33	33	22		

Source prepared by the researcher

and uncertainty, which fully impact the tax rules jeopardizing juridical insecurity for taxpayers and the ability of taxable entities to collect taxes that are endowed by the Constitution.

This is why it is important to have independent resources and procedures of managerial information for allowing the detection of tax risks.

The enterprises of the XXX Group have such resources and procedures. However, the lack, in a significant portion of them, of an executive with multifaceted experience does not meet the precepts of the theoretical referential. According to Martin, Santos and Dias Filho (2004, p. 2), administration, notably in large enterprises, has become more complex and difficult, requiring professionals with expertise in various areas of knowledge, causing the separation of ownership (shareholders) and management (executives) to allow business to be conducted more professionally.

Triangulation of the Results

Through triangulation of the results of the evidence obtained and the analysis of data from the questionnaires, it was found that some answers of respondents are in line with what is provided in the theoretical referential, while many others are not. This result is described below, where certain findings obtained from the research sources had to be repeated for the benefit of their better understanding.

During the process of content analysis, the researcher characterized the responses of the questions from 1 to 19—inserted in the roadmap of the face-to-face interviews with a semi-structured questionnaire with open questions (Appendix A)—in (i) responses that go to meet the theoretical referential and (ii) responses that do not go to meet the theoretical referential, as shown below (questions 3, 4, and 10 are considered not applicable to the enterprises of the XXX Group):

Responses that Go to Meet the Theoretical Referential

Question 1:
The absolute majority (100 %) stated that the enterprise uses some (internal or external) managerial information resource to identify tax risks.

Ching (1997) conceptualized resources such as economic items or elements used to perform activities (material, labor, technology, equipment, facilities).

Question 2:
The absolute majority (100 %) stated that the enterprise uses some (internal or external) managerial information procedure for the identification of tax risks.

Procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

Question 5:
The absolute majority (100 %) considers the enterprise's managerial information system a resource used to identify tax risk as well as the tax consulting firm hired by the XXX Group. Additionally, it can be seen that the vast majority (94 %) also considers their direct employees, employees of CSC and the current ERP to be resources, and most (69 %) mention law firms, which are closely followed (63 %) by the external audit firm.

As mentioned in Question 1, Ching (1997) conceptualized resources as economic items or elements used to perform activities (material, labor, technology, equipment, facilities).

Question 6:
The absolute majority (100 %) adopts the following procedures: answering questions from subordinates and making checks, and hiring a tax consulting firm that reviews the tax burden and the tax return and organizes and coordinates the meetings of the tax committee. The vast majority (94 %) believes that the fact that the CSC staff is responsible for corporate accounting and the calculation of taxes means a greater chance of identifying tax risks.

The majority (69 and 63 %, respectively), considers that the opinions expressed by outside legal counsel and the work done in the tax department of the enterprise by the independent auditing firm, albeit with limited support for the issuance of its opinion represent identification procedures of tax risks.

So there developed an action—for internal and/or external professionals—to achieve a certain goal (procedure) that, in the previous case, would have been to identify tax risks. As mentioned in Question 2, procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

The complexity and dynamism of Brazilian tax law justifies the use of procedures by the enterprise in identifying tax risk through professional internal and/or external (resources). According to Rocha (2006, pp. 219, 223), the use of indeterminate concepts, fictions, and assumptions proliferates upon tax laws, making them complex and difficult to understand by recipients, applicators, and taxpayers. This is especially the case when as a matter of practicality, tasks of determining, collecting, and inspecting taxes are delegated to taxpayers.

Question 9:
The absolute majority (100 %) reported that enterprises establish measures and procedures for managing tax risks through their minimization, transfer, or immunization.

As mentioned in Question 6, there are enterprises in the XXX Group that developed an action—for internal and/or external professionals—to achieve a certain goal (procedure) that, in the previous case, would have been to identify tax risks. As mentioned in Question 2, procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

Question 11:
It can be observed by analyzing the responses given by 100 % of executives surveyed that the procedures adopted by the enterprise are those already mentioned in the answers to Question 6.

As mentioned in questions 6 and 9, there is in the enterprises of the XXX Group a developed action—for internal and/or external professionals—to achieve a certain goal (procedure) that, in the previous case, would have been to identify tax risks. As mentioned in Question 2, procedure means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1100).

Question 16:
The vast majority (94, 88 and 81 %, respectively) reported that (i) a tax consulting firm sends an annual review report of the tax return to the controller of XXX Holding and director of CSC staff; (ii) the tax consulting firm sends, on a bimonthly basis, the minutes of the meeting of the tax committee to the finance director of the enterprise, the controller of XXX Holding, the director of the CSC staff, and other meeting participants (14/16); and (iii) XXX Holding receives each year's external audit report.

The majority (69 % and 63 %, respectively) reported that (i) XXX Holding receives monthly reports of external lawyers regarding the progress of legal proceedings (11/16) and (ii) the tax consulting firm sends, on a semi-annual basis, the review report of the tax burden to the finance director of the enterprise, the controller of XXX Holding and the director of the CSC staff.

Reports are produced and issued by the external consultancy, advocacy, and audit firms. The reports contain information on data collected, organized, and ordered and to which meanings and context are assigned (Mcgee and Prusak 1994). From a tax risks standpoint, such information may be used by management to learn about and treat such risks and MEGRT feedback as well as the GRTrib contained in GRCorp.

Responses that Do not Go to Meet the Theoretical Referential

Question 7:
The absolute majority (100 %) stated that a specific map for managing tax risks (MEGRT) does not exist, at least not in a formal and structured manner. It exists only in their heads. Half of them (50 %) reported that the controller and CFO of XXX Holding know of the tax risks of the enterprise, although they are not documented. So there is no formal, structured preparation of the MEGRT.

Considering that tax governance is a species of the genus corporate governance, the former is the way in which organizations are led, directed, and managed to optimize their tax burden, identify opportunities for their reduction and minimize the possibility of tax contingencies (risks). Through tax governance, the enterprise aims to identify the most beneficial tax incidence hypothesis to allow its activities to lawfully benefit from reduced tax burden or be inserted in the context of no tax levy. The enterprise should also minimize the generation of tax risks (Oliveira Neto 2012, p. 34). MEGRT is a species of the genus MGRC.

Question 8:
The absolute majority (100 %) stated that there is no formal and structured preparation of an MGRC in the enterprises of the XXX Group. So there is no formal, structured preparation of a MGRC.

Considering that organizations face uncertainty and that the challenge for executives is to determine how much uncertainty the enterprise is capable of monitoring to continue generating value, the adoption of an MGRC is perceived to be a necessary management tool that is able to create a preventative culture to mitigate risks and generate business opportunities, supported by a framework of strong and effective internal controls (de Albuquerque Sá 2009).

Question 12:
The absolute majority (100 %) stated that the establishment by the board of directors, of the appetite, tolerance, and, consequently, tax (or corporate) risk profile of the enterprise, in their understanding, does not occur in writing and in a structured way. The vast majority (81 %) reported that the other owners of the enterprise know the tax risks of the enterprise.

The majority (69 %) and half (50 %) reported, respectively, that the controller and CFO of XXX Holding know of the tax risks of the enterprise. The majority (56 %) and slightly less than half (44 %) reported, respectively, that the controller and CFO of XXX Holding passed them some tax guidelines when KKKKK entered in the XXX Group. The majority (56 %) and slightly less than half (44 %) stated that the controller and the CFO of XXX Holding monitor the enterprise on a monthly basis to see if they are hitting their risk limits established by the Board, via KKKKK.

Therefore, there is the establishment by the board of directors of the appetite, tolerance, and consequently, the tax (or corporate) risk of the enterprise in a written and structured profile.

The board of directors shall ensure that the senior management identifies preventively—through an adequate system of information—the main risks to which the organization is exposed, in addition to their probability of occurrence, the financial exposure to these risks and measures and the procedures adopted for their prevention or mitigation (IBGC 2009, p. 31).

Question 13:
The majority (56 %) and slightly less than half (44 %) reported, respectively, that the interaction between senior management and the board of directors when preparing, reviewing, and monitoring the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) is fed back occurred informally and unstructuredly via the controller and CFO of XXX Holding, who meet monthly with the president and finance

director of the enterprise. So there is no interaction between the board and the board of directors, upon the preparation, review, and monitoring of the MEGRT (or the MGRC), so the GRTrib (or the GRCorp) is fed back, in a formal and structured manner.

So that the board of directors can effectively identify, prioritize, and ensure the effective management of the organization's exposure to various risks that may affect its business, it must present a proactive attitude, requiring information based on GRCorp. This will become possible to the extent that the senior management has sufficient knowledge about the subject and is able to evaluate the models, tools, and measures used (IBGC 2007, p. 11).

Question 14:
A little less than half (44 %) stated that the frequency of interaction between the senior management and the board of directors when preparing, reviewing, and monitoring the MEGRT (or the MGRC) so the GRTrib (or the GRCorp) is fed back takes place in the meetings of the board of directors. In this case, this is due to the enterprise having a member or a guest on the board of directors.

The mode of interaction between the board of directors and the senior management (and not the frequency itself) does not meet the features of the theoretical referential (see comments on questions 12 and 13), considering that it occurs only in relation to three enterprises of the XXX Group (ENTERPRISE 2, ENTERPRISE 5 and XXX Holding), i.e., only 21 % of the total number of enterprises. In other cases, the interaction occurs indirectly through the controller and CFO of XXX Holding.

Question 15:
Exactly half (50 %) said the enterprise only received assessment notices, and there was a possibility that they did not know them and had not taken the initiative to develop a resource or management information procedure before or after they received them. They were derived from differences in calculation periods indicated in the not-too-recent past. Less than half (31 %) said the enterprise received tax notices, and there was a possibility that they knew of them but did not take the initiative to develop a managerial information resource and procedure before or after they received them. Therefore, there was a lack of a resource or managerial information resource and procedure before or after receipt by the enterprise of assessment notices and tax assessments.

Adopting an MGRC is perceived as a necessary management tool that is able to create a culture of prevention to mitigate risks and generate business opportunities supported by a framework of strong and effective internal controls (de Albuquerque Sá 2009). This assertion gains importance, since, from the standpoint of inspection, collection, and combat evasion, the tax authorities are gaining efficiency and technological sophistication, especially since the establishment of SPED (DECREE 6022 and IN RFB 787, 2007), which increases the possibility of detecting errors in taxpayers' bookkeeping and the consequent omission of assessment notices and tax assessments.

Question 16:
The absolute majority (100 %) stated that the enterprise does not produce internal reports that address tax risks and their evolution. Therefore, there is a lack of production of internal reports that address tax risks and their evolution, which should not happen considering that the enterprise has technological apparatus that should be able to generate them.

Frezatti et al. (2009) explain that SIG is operationalized through technological devices such as ERP and that this apparatus must reach out to its users, the information considered necessary for decision making, through reports that it is able to generate.

Question 17:
The vast majority (81 %) stated that internal reports addressing tax risks and their evolution are never requested by the board of directors or senior management. Therefore, the lack of a request by the board of directors or senior management for internal reports addressing tax risks and their evolution does not meet the theoretical referential.

So that the board of directors can effectively identify, prioritize, and ensure the effective management of the organization's exposure to various risks that may affect its business, it must present a proactive attitude, requiring information based on GRCorp. This will become possible to the extent that the senior management has sufficient knowledge about the subject and is able to evaluate the models, tools, and measures used (IBGC 2007, p. 11).

Question 18:
The vast majority (75 %) stated that the board manifested informal and punctual on tax risks in its decision-making processes only after KKKKK entered the XXX Group. Therefore, there was informal and timely action of the board on tax risks and their evolution.

As provided in COSO (2004), GRCorp is a process designed to identify and respond to events that may affect an organization's strategic goals. Its guidelines should be established by the board of directors, and actions arising should be implemented by the senior management in order to provide, with reasonable assurance, the realization of the goals of the organization from a proper alignment of strategy with its risk appetite.

Question 19:
Slightly more than half (57 %) stated that the degree of perceived risk in the tax business is high. A minority (19 %) said it is high in XXX Holding; and a minority (25 %) reported that it is low in the enterprise.

This can be explained by the complexity, dynamism, and sophistication of the national tax system. Rocha (2006, pp. 219, 223) states that some aspects of the risk society that most affect taxation are ambivalence, indeterminacy, and uncertainty, which fully impact the tax rules jeopardizing juridical insecurity for taxpayers and the ability of taxable entities to collect taxes that are endowed by the Constitution.

That is why it is important to have independent resources and procedures of managerial information to allow the detection of tax risks.

The enterprises of the XXX Group have such resources and procedures. However, the lack in a significant portion of the XXX Group of enterprises of executives with multifaceted experience does not meet the precepts of the theoretical referential. According to Martin, Santos and Dias Filho (2004, p. 2), administration, notably the large enterprises, has become more complex and difficult, requiring professionals with expertise in various areas of knowledge, causing the separation of ownership (shareholders) and management (executives) to allow business to be conducted more professionally.

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Chapter 9
Final Considerations

Abstract This part is specifically meant to show the final considerations related to the research conducted by the researcher.

Keywords Roadmap interview · GRTrib structure · Research recommendations

The objective of this research was to verify how the Brazilian enterprises of XXX Group use a managerial information system (SIG) to identify tax risks.

This objective was divided into four specific objectives: (i) to identify the independent and interactive resources of managerial information used by enterprises of XXX Group to identify tax risks; (ii) to identify the independent and interactive procedures of managerial information used by enterprises of XXX Group to identify tax risks; (iii) to develop a structure (framework) for deploying, managing, and monitoring a Model of Corporate Risk Management (GRCorp) and of a Specific Model of Tax Risk Management (GRTrib) to serve as reference for XXX Group during the study, development, and implementation of recommendations made by the researcher; and (iv) to test in the enterprises of XXX Group, the structure of deployment, management, and monitoring GRCorp and GRTrib prepared by the researcher in order to support their practical application and support the recommendation that they be replicated and tested in other enterprises.

The study was characterized by adopting exploratory, bibliographical, and documentary research, a qualitative approach and the technique of content analysis to analyze the data and information collected.

After doing a critique of the theoretical referential and finding a gap to be filled related to the lack of a GRTrib the researcher used the theoretical referential of GRCorp (understanding that tax risks are species of the genus corporate risk) to develop and offer a structure (framework) for analysis, which was tested in the enterprises of XXX Group and can be replicated, tested, criticized, and perfected in other enterprises. Thus, the enterprises of XXX Group, as well as other enterprises, may use the constant structure of Fig. 8.1, prepared by the researcher, to develop their own GRCorp and in it contain their GRTrib, or even use that structure to develop only their GRTrib.

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Thus, based on respondents' answers to the open questions in the roadmap interview, prepared based on the structure of deployment, management, and monitoring of a GRCorp and a GRTrib prepared by the researcher, one can see that the enterprises of XXX Group employ SIG to identify tax risks through adequate and independent resources and procedures that go to meet the theoretical referential. However, we also found that there is an absence in the XXX Group of an MEGRT and an MGRC prepared in writing and in a structured way. The MEGRT must be contained in a GRTrib to be contained in a GRCorp along the lines of constant structure of Fig. 8.1.

Therefore, the structure was designed by the researcher and tested in XXX Group and can be replicated by other researchers or professionals in other enterprises, who can criticize it, support it, or improve it. Therefore, the recommendation is that that framework be applied in other enterprises.

The researcher believes that, taking into account the resources and procedures followed by enterprises of XXX Group to identify tax risks, as well as the study, development, and implementation by XXX Group of the structure of deployment, management, and monitoring of a GRCorp prepared by the researcher, these enterprises will have a managerial information system that is more consistent, structured, and complete for purposes of identification, classification, evaluation, measurement, treatment, management, information, and communication of tax risks.

It should be noted that the recommendations of this research can contribute to enterprises in general (beyond those of XXX Group), in view of the need for identification of tax risks from the point of view of good corporate governance practices.

Thus, the managerial information resources and procedures used by enterprises of XXX Group to identify their tax risks, as well as the structure of deployment, management, and monitoring of a GRCorp and a GRTrib prepared by the researcher, can also serve as a reference to enterprises in general during the study, development, and implementation of recommendations made by the researcher.

Appendix A
Schedule of Interviews

University: ___________________________________

Researcher: **Arnaldo Marques de Oliveira Neto**

Teacher Advisor: ___________________________________

Research Theme:

Tax Governance—the Importance of a Managerial Information System in identifying tax risks.

Research Question:

How do the Brazilian enterprises of XXX Group use a managerial information system (SIG) to identify tax risks[1]?

Research General Objective:

The aim of this study was to verify how the Brazilian enterprises of XXX Group use a managerial information system (SIG) to identify tax risks.

Research-specific Objectives:

Identify the independent and interactive resources of managerial information used by enterprises of XXX Group to identify tax risks;

Identify the independent and interactive procedures of managerial information used by enterprises of XXX Group to identify tax risks;

[1]'Risk' is an identified future event to which a probability of occurrence can be associated. Uncertainty is an identified future event to which a probability of occurrence cannot be associated. 'Contingency' means an eventuality and possibility that something will happen or not. The expression ***Tax***, notably, expresses the quality or the condition of everything that is required to pay a tax. 'External risks' are events associated with the macroeconomic, political, social, or natural characteristics of the industry in which the organization operates […] that, in general, cannot intervene directly in these events and will therefore have a predominantly reactive action. This does not mean that external risks cannot be 'managed'; rather, it is crucial that the organization is well prepared for this reactive action. 'Internal risks' are events that originate in the structure of the organization, its processes, its staff, or its technological environment.

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Develop a structure (framework) for deploying, managing, and monitoring a Model of Corporate Risk Management (GRCorp) and of a Specific Model of Tax Risk Management (GRTrib), which serves as reference to XXX Group during the study, development, and implementation of recommendations made by the researcher.

Test, in the enterprises of XXX Group, the structure of deployment, management, and monitoring of GRCorp and GRTrib prepared by the researcher, in order to support its practical application and support the recommendation that it be replicated and tested in other enterprises.

Contributions of the Study:

Identification of the adequacy of management information resources used by enterprises in XXX Group to identify their tax practices from the point of view of good corporate governance practices;

Identification of the adequacy of management information procedures used by enterprises in XXX Group to identify their tax practices from the point of view of good corporate governance practices;

Recommendation of formal procedures used by enterprises of XXX Group (including resources and information management procedures), to be used in the identification of their tax practices, taking into consideration the risk exposure that may incur;

Preparation of a deployment framework, management, and monitoring of a GRCorp and a GRTrib to serve as a reference to XXX Group during the study, development, and implementation of recommendations made by the researcher; and

Test in the enterprises of XXX Group, the deployment, management, and monitoring of GRCorp and GRTrib, elaborate structures developed by the researcher, in order to support their practical application and support the recommendation that such a structure is replicated, tested, criticized, and improved in other enterprises.

Closed Questions:

1. **Characterization of the Enterprise**:

    1.1. Name of legal entity:
    1.2. Business activity:
    1.3. Location (city and state):
    1.4. Number of employees:
    1.5. Range of annual revenue:

        1.5.1. To BRL 1 million;
        1.5.2. From BRL 1 to BRL 10 million;
        1.5.3. From BRL 10 to BRL 50 million;
        1.5.4. Over BRL 50 million.

2. **Characterization of the Respondent**:
   2.1. Name:
   2.2. Job title:
   2.3. Time in position:
   2.4. Length of service:
   2.5. Who reports in the enterprise:
   2.6. Education:
   2.7. Birth and nationality:

Open Questions:

1. Does the enterprise use (internal or external) managerial information resources[2] to identify tax risks?
2. Does the enterprise use (internal or external) managerial information procedures[3] to identify tax risks?
3. If not, why does the enterprise not use or have resources to identify tax risks?
4. If not, why does the enterprise not use or have procedures to identify tax risks?
5. If so, what managerial information resources does the enterprise use to identify tax risks?
6. If so, what managerial information procedures does the enterprise use to identify tax risks?
7. Does the enterprise identify the probability of occurrence and the potential financial impact of tax risks (i.e., preparing a specific map control of enterprise tax risks)?
8. If there is no specific map control of enterprise tax risks, is there the preparation of a general map control of enterprise risks?
9. Does the enterprise establish measures and procedures for managing tax risks through their minimization, transfer, or immunization?
10. If not, why does the firm not establish measures and procedures for managing tax risks through their minimization, transfer, or immunization?
11. If yes, what are the measures and procedures established by the enterprise for managing tax risks through their minimization, transfer, or immunization?

[2]The word ‘resource’ means request for aid, relief; means to solve something; wealth, means that you can have - technological resources including human, financial, natural (Houaiss et al. 2008, p. 638). From Latin, *recursus* means the act or effect of recourse; means employed to overcome a difficulty or embarrassment; action by which aid is invoked to help someone (CIVITA 1999, p. 773).
[3]From the Latin *procedere*, the word ‘procedure’ generally expresses the method for doing or performing something, i.e., how to act, the action to proceed. In this sense, ‘procedure’ means the activity or developed action to substantiate the desired thing, putting it in motion the means you can have according to the ordered sequence (Silva 2005, p. 1.100).

12. Does the board of directors establish the appetite, tolerance, and hence the profile of tax (or corporate) risk of the enterprise[4]?
13. Is there interaction between the senior management and the board of directors during the preparation, review, and monitoring of the MEGRT (or the MGRC so the GRTrib (or the GRCorp)) can be fed back?
14. If yes, how often does this interaction occur?
15. Did the enterprise suffer some kind of tax assessment? In this case, was the enterprise aware of the situation motivating the assessment? In the case of any resource or procedure of managerial information for identification of tax risk, was it implemented before or after the assessment?
16. Do the board of directors and the senior management receive periodic reports addressing the tax risks and their evolution?
17. If not, why do they not get them?
18. Does the board of directors explicitly express itself regarding tax risks in its decision-making processes?
19. Do you consider that the enterprise's degree of perception of tax risk is high? If so, does it have compatible resources or procedures of managerial information for identification of tax risks that lead it to have better performance (lower tax events, such as the payment of fines and interest, errors, reprocessing of books, statements, declarations, and invoices)?

[4]'Risk appetite' is associated with the level of risk that the organization can accept in the pursuit and achievement of its mission/vision (activity more associated with prior risk analysis). 'Risk tolerance' is in line with acceptable levels of variability in achieving the goals and objectives defined (activity more associated with risk monitoring). Together these two components define the organization's 'risk profile' in relation to the exposure to the risk that it accepts to apply (IBGC 2009, p. 30).

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