

Be Fully Prepared for Tax Audits! Transform Concerns into Confidence with Our "Simplified Mock Tax Audit Service"

Former National Tax Agency (NTA) officials will help identify your company's tax challenges and assist you to prepare for tax audits.

Are You Fully Prepared for Tax Audits?

- Recent data shows the annual number of tax audits reaching **59,000** (on-site investigations^{*1})
- Undeclared income per audit and additional tax assessments are on the rise. In 2023 additional tax assessments reached the **second-highest level** in the past decade) ^{*1}

Case 1

Withholding tax omissions on interest from loans to foreign subsidiaries

Interest added to principal's income is considered "paid" and subject to withholding tax.

Case 2

Non-compliance with the Controlled Foreign Corporation (CFC) rules

Proper application requires accurate judgment based on tax burden ratios and the classification of foreign-related companies.

Case 3

Appropriateness of group transactions

Documentation that explains transaction details and justifies the burden allocation is essential.

When issues are flagged during a tax audit, they could lead to **additional tax liabilities**, as well as **reputational** and **credibility risks**.

Overview of the Simplified Mock Tax Audit Service

Deloitte Tohmatsu Tax Co's, "Simplified Mock Tax Audit Service" includes the following features^{*2}:

Service

- Former NTA officials with extensive audit experience help identify your company's tax challenges.
- Provide tailored advice on your organizational structure and operational workflows.^{*3}
 - Covers corporate income tax, consumption tax, withholding income tax, and customs duties.
 - Includes document reviews and interviews with tax department personnel to identify areas of concern.
 - Simulated tax audits conducted by experienced auditors acting as tax officers.

^{*1}: Source) National Tax Agency, "Summary of Corporate Tax Audit Results for FY2023"

^{*2}: This service does not guarantee outcomes during actual tax audits

^{*3}: The content provided may vary depending on the selected service plan

Step	Example of Services Provided (Content varies by plan)
Step 1: Kick-Off	■ Conduct a pre-meeting to clarify concerns and align on the scope of work ■ Identify key areas of focus based on your company's concerns
Step 2: Information Gathering	■ Request your company to prepare documents related to specific tax items ■ Prepare questions and potential findings based on the shared documents
Step 3: Mock Audit	■ Conduct a simulated audit with former NTA officials acting as tax officers
Step 4: Reporting	■ Provide a detailed report of findings and identified issues based on the mock audit results

Expected Benefits

By utilizing the "Simplified Mock Tax Audit Service," the following benefits can in general be expected (not guaranteed):



- Identify risks in advance and prevent potential issues from being flagged during tax audits
- If errors are discovered, you can mitigate penalties (e.g., additional tax liabilities, surtaxes) through voluntary amended filings
- Strengthen governance, including for subsidiaries, and improve operational processes

At Deloitte Tohmatsu Tax Co., our team of experts, including former NTA officials with extensive audit experience, will support your company in addressing tax audit challenges.

If you have concerns about tax audits or would like to learn more about our services, please do not hesitate to contact us.

Deloitte Tohmatsu Tax Co.

T&L Global Inbound Group

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