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OPTIMIZING TAX REPORTING PROCESSES DURING COMPANY LIQUIDATION

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Abstract

This article examines taxation and tax reporting problem areas that arise during company liquidation and proposes practical approaches to optimizing these processes. Based on an analysis of scientific literature, key risks are identified and recommendations are developed for preliminary tax planning, digitalization of reporting, the use of checklists, and final reconciliation procedures with the tax authorities.

Keywords: Company liquidation, tax reporting, tax planning, process optimization, digitalization, tax reconciliation.

The research's novelty lies in the development and validation of an optimized procedural template for company liquidation that integrates tax planning, digital reporting, and a cooperative model for interaction with tax authorities, thereby reducing regulatory risks and shortening the time it takes to wind down a business.

The company liquidation process is accompanied by a significant number of tax and legal obligations, requiring strict adherence to deadlines and high-quality reporting. Errors or delays at this stage can lead to denial of state registration of the liquidation, additional tax assessments and penalties, and litigation with tax authorities [1]. Researchers note that 30 to 50% of all liquidation procedures are complicated by tax claims caused by a lack of timely tax planning and inconsistencies in accounting and tax records [2].

Of particular importance are asset transactions, settlements with employees and affiliated structures, and the correct settlement of obligations for VAT, income tax, and social contributions. International practice emphasizes the need for preliminary identification of tax risks (tax clearance) already at the preparatory

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stage of business closure [3]. Tax authorities in many countries require enhanced oversight of the reporting of liquidated organizations, including verification of transfer prices, profit distribution, and sources of income.

In today's digital environment , automated accounting tools and information exchange with tax authorities are increasingly important, reducing compliance costs [4]. However, research shows that in many jurisdictions, liquidation procedures remain fragmented and require significant time and administrative costs, which is particularly critical for small and medium-sized businesses [5].

Thus, there is a need to optimize tax reporting processes during enterprise liquidation: standardizing procedures, implementing digital services, creating regulations and checklists , and integrating additional analytical tax planning tools.

Tax reporting procedures during company liquidation are influenced by two groups of factors: national tax legislation and international corporate tax standards.

International documents, in particular the OECD Model Tax The Convention and its updates define the principles for the distribution of tax rights and the prevention of double taxation in cases of cross-border asset disposal and the closure of legal entities [6]. For international group companies, the transfer pricing and documentation requirements established by OECD recommendations play a significant role. Transfer Pricing Guidelines and manuals of major auditing companies [3].

According to scientific study "Liquidation of Companies: Accounting, Legal and Fiscal Implications" countries EU And OECD basic accent at liquidation is being done on final tax reconciliation (tax clearance), ensuring regulation:

- corporate tax liabilities,
- VAT on the final sale of assets,
- social contributions,
- capital gains taxes [1].

Despite formal standards, the liquidation procedure remains one of the most resource-intensive in tax administration: for SMEs it takes from 6 months to 2 years, which is confirmed by the data of the scientific work " Fiscal responses to pandemics and firm surviva" using 27 countries as an example.

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To systematize the key regulatory obligations arising during the liquidation of organizations, we present their classification by areas of tax control.

Table 1 - Main areas of tax control during liquidation of organizations and corresponding requirements

Direction of tax control	Specific requirements
Final corporate tax reporting	Declarations taking into account all income and expenses up to the date of liquidation
Asset transactions	Reflection of tax consequences of the sale, liquidation or transfer of assets to affiliates
VAT and indirect taxes	Adjustments to tax deductions, confirmation of export/tax-free transactions
Settlements with personnel	Withholding and transfer of taxes and contributions upon final payments
Transfer pricing control	Documenting the marketability of intra-group transactions upon business closure

Despite the established regulatory framework, research reveals a number of bottlenecks:

1. Lack of standardized procedures for rapid tax support of liquidation: many operations are interpreted ambiguously by tax authorities [4].
2. Weak digitalization of document flow in a number of countries: delays in reconciliations and verification of declarations lead to an increase in liquidation times [7].
3. High control over transactions with affiliated parties: risk of reclassification of transactions as asset stripping and additional tax assessments [3].
4. Insufficient coordination of accounting and tax records: especially when disposing of fixed assets and writing off debts [1].
5. Incompleteness of regulatory framework: the need for parallel compliance with corporate, tax, and labor legislation [2].

Researchers note that the most significant consequences of non-compliance with tax reporting procedures include: extension of the company's closure deadline, the accrual of tax penalties and fines, disputes with tax authorities, and criminal liability if signs of tax evasion are detected. As noted in the work " Fiscal"

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responses to pandemics and firm surviva", every fourth liquidation undergoes at least one tax audit with repeated adjustments of liabilities [5].

Consequently, despite the development of digital services and the unification of tax principles, liquidation remains one of the most complex and risky procedures for businesses. Insufficient integration of tax control and financial accounting requires the development of regulations to optimize reporting processes.

Optimizing tax reporting during a company's liquidation involves using tools aimed at reducing legal risks, expediting procedures, and ensuring transparency in settlements with tax authorities. Three key areas are identified: tax planning, digitalization of reporting, and improved interaction with institutional structures. To clearly demonstrate the potential for optimizing tax processes during company liquidation, we have systematized the main tools and the expected results of their application. The practices presented in the table reflect both international standards and assessments of their effectiveness based on empirical research and analytical data.

Table 2 - Tools for optimizing tax reporting during company liquidation and their expected effect

Tool	Content	Expected effect
Pre-liquidation audit	Reconciliation of settlements with the budget, verification of the correctness of transactions	Reducing the risk of tax claims
Inventory of assets and liabilities	Determining the tax consequences of property disposal	Minimization of income taxes and VAT
Restructuring of liabilities	Closure, assignment, debt write-off	Reduction of additional charges and fines
Evaluation of affiliated transactions	Preparation of documentation for TP	Reducing the risks of reclassification of operations

According to EY, the analysis of VAT transactions is particularly significant, as errors are found in 47% of liquidated enterprises [3].

Digital technologies in liquidation administration are recognized as a key driver of cost reduction. Practices include: electronic tax filing and reconciliation services, automated integration of accounting systems with tax platforms, the

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use of e- invoicing technologies and electronic primary documents, and real-time online reconciliation of settlements with the budget. According to scientific research, the implementation of digital platforms can reduce the average liquidation time to 2–4 months in highly developed jurisdictions compared to 12+ months in countries with weak digitalization [5].

Many states are implementing regulatory mechanisms for assisted liquidation based on a consultative model:

- preliminary agreement of tax liabilities;
- simplified tax audit procedure with full disclosure of data;
- a personal curator at the tax authority to reduce communications.

Such practices are especially widespread in the Netherlands, Great Britain, and Canada.

Empirical results of the work " Fiscal policy and business survival during COVID -19 » show that cooperative programs compliance programs reduce the average amount of additional tax assessments by 25–35% due to early disclosure of information [8].

Based on a comparison of existing practices, we have proposed a unified algorithm for optimizing liquidation processes, including:

1. Pre-liquidation audit and tax planning.
2. Evaluation and adjustment of asset transactions.
3. Digital automation of reporting.
4. Constant communication with regulators.
5. Post-liquidation control of the absence of future claims.

This model is in line with OECD recommendations for reducing administrative barriers for business [6].

Thus, effective optimization of tax reporting processes requires a combination of organizational, digital, and regulatory tools to reduce liquidation timeframes, reduce tax uncertainty, and ensure compliance with tax integrity principles.

Taking into account the identified legal and institutional requirements, as well as proven optimization tools, it is possible to develop a unified procedural template for company liquidation aimed at reducing time and financial costs. Similar models are used in OECD countries and are supported by the "cooperative" concept. compliance» - proactive tax .

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The optimized liquidation procedure can be structured into five main stages:

1. Preparatory stage:
- audit of tax liabilities;
- inventory of assets and liabilities;
- assessment of transactions with affiliated persons;
- closing risky transactions.

2. Planning the tax consequences of business termination:
- forecast of taxes on profits, VAT, capital gains;
- modeling of asset disposal options;

adjustment of financial statements for previous periods.

3. Digitalization and automation of reporting processes:
- electronic filing of declarations;
- online reconciliation of tax liabilities;
- integration of accounting systems with tax portals.

4. Accompanied interaction with tax authorities:
- preliminary agreement on controversial obligations;
- consultative communication mode;
- accelerated desk audit of liquidation reports.

5. Completion of liquidation and post-control:
- confirmation of absence of debt;
- receiving notification;
- recording of an archive of financial documents.

To confirm the advantages of the proposed procedural template, we compared the key parameters of the traditional and optimized liquidation models. A comparative analysis based on findings from international studies is presented in Table 3.

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Table 3 - Comparison of the effectiveness of traditional and optimized models of company liquidation

Performance indicator	Traditional liquidation	Optimized model
Average duration of the procedure	12–24 months	3–6 months
Potential for tax claims	Medium/high	Low
Amount of additional costs	10–15% of the asset value	3–7%
Number of reporting transactions	High	Reduced due to digitalization

A key element of the template is the early identification of tax risks, including: reclassification of asset transactions, unrecorded liabilities from previous periods, transfer pricing requirements, and duplication of reporting due to lack of digital integration.

Risk minimization is achieved by a combination of due diligence, automation and cooperative compliance, which is confirmed by empirical studies of the tax stability of liquidated firms [8].

Thus, the optimized liquidation procedural template provides a comprehensive approach that integrates tax planning, automated reporting, and ongoing dialogue with regulators. This approach makes the liquidation process more transparent, faster, and more manageable, creating conditions for a more stable business climate.

Based on the conducted analysis and the proposed procedural liquidation template, recommendations were formulated aimed at increasing the efficiency of tax administration and reducing risks for businesses.

Recommendations for regulators:

1. Implementation of the mechanism of advance tax approval (tax clearance), which will ensure the completion of the budget reconciliation before the submission of the liquidation report and will eliminate repeated audits.

2. Standardize procedures using digital services. Creating a single electronic window integrating tax, corporate, and social registries will reduce liquidation time.

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3. Develop a risk-based approach to audits of liquidated companies. Focusing on companies with a high probability of tax violations will reduce the burden on bona fide businesses.
4. Publishing methodological recommendations and checklists for taxpayers will reduce uncertainty and the time required to prepare documents.

Recommendations for business:
1. Preliminary diagnosis of tax risks. Due Diligence at the beginning of the liquidation procedure reduces the risk of additional charges.
2. Early inventory of assets and liabilities allows for the optimization of taxes when disposing of property and making settlements with counterparties.
3. Leverage digital integration between accounting and tax services. Automation reduces the likelihood of errors and speeds up reconciliations.
4. Proactively interact with tax authorities. Early disclosure of information reduces the likelihood of conflict and delays.
The proposed measures will reduce liquidation timeframes, mitigate regulatory risks, and increase the transparency of tax calculations, thereby enhancing the overall stability of the business environment and the investment attractiveness of the economy.
Thus, optimizing tax reporting processes during company liquidation is possible through a combination of predictive tax audits, standardized regulations, early communication with tax authorities, and the digitalization of procedures. Implementing these proposed measures reduces the timeframe for closure, reduces the likelihood of fines, and increases transparency for all stakeholders .
For cross- jurisdictional cases, consideration of international standards and information exchange remains mandatory.

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