



## Tax Planning Competencies, Legal Compliance, and Impact of Tax Audit Examinations Among Philippine Economic Zone Authority Registered Entities

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### ABSTRACT

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The study aimed to identify the relationship between tax planning competencies, legal compliance, and the impact of tax audit examinations among Philippine Economic Zone Authority (PEZA) registered entities in Laguna, Philippines. A descriptive correlational research design was used in this study. The study revealed that tax planning competencies were observed with an average weighted mean of 3.23, legal compliance was highly practiced with an average weighted mean of 3.22, and the impact of tax audit examinations was agreed with a weighted mean of 2.79. Correlations indicated that there was a significant relationship between tax planning competencies and legal compliance, tax planning competencies and impact of tax audit examinations and legal compliance and impact of tax audit examinations. In terms of significant relationships, legal compliance in terms of regulatory reporting and training and education is dependent on the tax planning competencies of PEZA registered entities. Also, proves that tax audit examination in terms of financial implications and company's reputation is dependent on the tax planning competencies of PEZA registered entities. Lastly, there was a low positive correlation between respondents' level of legal compliance and impact of tax audit examination under company's reputation among PEZA registered entities. Regulatory reporting shows a weak and nonsignificant correlation with both financial implications and company reputation.

### KEYWORDS:

Philippine Economic Zone Authority (PEZA), Tax planning, Legal compliance, Tax audit examination, Descriptive-correlational Method

### INTRODUCTION

In the contemporary globalized business environment, where economic zones play a pivotal role in fostering trade and investment, the Philippine Economic Zone Authority (PEZA) stands as a prominent facilitator. PEZA registered entities, characterized by diverse industries ranging from manufacturing to information technology, are subjected to a unique set of challenges and opportunities in the realm of taxation. In this intricate landscape, understanding the intricacies of tax planning competencies, legal compliance, and the consequential impact of tax audit examinations becomes imperative for sustainable growth, financial stability, and the overall success of businesses operating within the PEZA framework.

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In the pursuit of industrial and regional development, many developing countries have established export processing zones (EPZ) and special economic zones (SEZ). The establishment of PEZA in 1995 marked a strategic move by the Philippine government to attract foreign investments by providing a conducive environment for economic activities. For the year 2023 alone, total investments already amounted to Php 111.207 billion, with the top investors being Japanese, Singaporean, Caymanian, British, and South Korean (PEZA press release, 2023).

Amidst these developments and with the legislation of various laws such as R.A. 10708 – TIMTA Law and R.A. 10963 – TRAIN Law, that impacts PEZA registered entities, the nexus between corporate entities, taxation, and compliance within PEZA has become increasingly complex. Tax planning, as a strategic financial management tool, plays a crucial role in optimizing resources and maximizing profits. Understanding the competencies employed by PEZA registered entities in navigating this intricate tax landscape is vital for comprehending the underlying mechanisms that drive their financial strategies.

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Tax planning is the intentional use of methods to create tax benefits in order to maximize earning after tax (Wilde & Wilson, 2018). Tax planning is an essential part of tax management for individuals and businesses to minimize their tax liabilities while complying with the applicable tax laws and regulations. (Gusti, 2023). It involves understanding the tax implications of various financial decisions and employing legal and ethical strategies to optimize tax efficiency. The primary goal of tax planning is to ensure that individuals and businesses pay the least amount of taxes required by law. The self-assessment system is considered to be a modern mechanism of tax administration which is applied in many countries around the world. It is based on the voluntary compliance of taxpayers and supports risk management techniques (Phan et al., 2020). Ensuring legal compliance among Philippine Economic Zone Authority (PEZA) registered entities demands a comprehensive approach with a focus on regulatory reporting, compliance audits, and ongoing training and education. In terms of regulatory reporting, PEZA registered entities are obligated to submit accurate and timely information to regulatory authorities, encompassing financial reports and operational data. This commitment not only fulfills legal obligations but also fosters transparency and accountability within the organization.

Tax penalties, tax audits, and taxpayers' awareness positively affect corporate taxpayer compliance. However, the compliant intention is unable to moderate the effect of fines, tax audits, and taxpayers' awareness toward corporate taxpayer compliance. This is due to the applied penalties and tax audits following the taxation laws and the corporate taxpayer's awareness of the importance of taxation as the source of state income (Rahmayanti et al., 2020).

Several studies have been conducted to demonstrate the interrelationships between and among tax planning competencies, legal compliance, and impact of tax audit examinations. Li et al. (2019) explores the relationship between tax planning strategies and audits, highlighting that knowledge of tax audits can inform business decisions, which influences compliance behavior. This aligns with Rahmayanti, et al. (2020) findings that penalties and audits play a vital role in corporate tax compliance. Furthermore, Wang (2022) extends the discussion by analyzing factors influencing corporate tax compliance, including the size of enterprises and the cost of tax evasion. The study finds that larger companies with higher operational costs and greater accountability tend to comply with tax laws more effectively. This aligns with Rahmayanti et al. (2020), who note that audits and penalties are key drivers in ensuring corporate compliance. Moreover, tax audits and enforcement mechanisms are vital in maintaining compliance. Authors like Migai et al. (2018) and Bruno (2019) emphasize the need for tax authorities to adopt strategies that encourage voluntary compliance, without over-relying on enforcement. Audits, as

detailed by Yap (2023), serve not only as a deterrent but also as a means to ensure equity and fairness in taxation, addressing underreporting or non-compliance.

However, despite the numerous studies conducted about tax planning competencies, legal compliance, and impact of tax audit examinations, there were no studies yet conducted on tax planning competencies, legal compliance, and impact of tax audit examinations specific to PEZA registered entities in Laguna, Philippines which is covered by special laws.

Thus, the purpose of the study was to determine the tax planning competencies, legal compliance, and impact of tax audit examinations among PEZA registered entities, serving various purposes. Firstly, it would offer insights for strategic decision-making within economic zones, enabling organizations to align with long-term goals, ensure regulatory compliance, and mitigate tax audit risks. Secondly, the study would inform regulatory policies, helping governments address inconsistencies and enhance transparency in economic zones. Lastly, it would contribute to professional competence by guiding tailored training programs for tax professionals in special economic zones, ensuring they navigate complexities and contribute to sustainable business growth.

### METHODS

This research employed a descriptive-correlational research design to investigate the relationship between variables and assess the presence of significant correlations and differences. Utilizing a quantitative research approach through a survey, the study was distributed to selected representatives of PEZA registered entities. Through this design, this study gave emphasis on the tax planning competencies, legal compliance, and the impact of tax audit examinations among PEZA registered entities. Statistical method utilized to give credence and reliability to the work. This is one in which information is collected without changing the environment (i.e., nothing is manipulated). It is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. The methods involve range from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time (Polka, 2018). The researcher used the gathered data and documentary data for the conduct of the study.

The researcher used empirical data and documentary data for the conduct of the study. Empirical data were acquired from the respondents of the study who were the selected representative of PEZA registered entities and who honestly answered the questionnaires provided in the study. This study aimed to determine the tax planning competencies, legal compliance, and the impact of tax audit examinations on PEZA registered entities located in economic zones in

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Laguna. The study encompassed a total population of six hundred sixty-seven (607) PEZA registered entities situated across the selected six (6) diverse economic zones in Laguna. A representative sample of sixty-six (66) PEZA registered entities was selected to serve as respondents for the study, using the Raosoft calculator with the confidence level of 95 percent and margin of error of five percent (5%), purposive sampling was utilized to identify qualified respondents chosen by the respective companies to represent the organization in this study. The study was conducted during Academic Year 2023-2024.

The research utilized a self-administered questionnaire as the primary data collection instrument. The questionnaire was structured into three parts to comprehensively address the study's objectives. The research questionnaire was composed of validated questionnaires, which attempted to the tax planning competencies, legal compliance, and the impact of tax audit examinations among PEZA registered entities. The questionnaire was divided into three parts. The first part of the questionnaire dwelled on the

tax planning competencies, part two dealt with the legal compliance and part three focused on the impact of tax audit examinations.

Since the questionnaire was self-made, it was subjected to face and content validity. It was shown to the panel of experts in business management, in statistics and in research for their comments and suggestions. First, the questionnaire was validated by the expert to evaluate the content and appropriateness of the items. To ascertain that the indicators that were used in the research questionnaire were relevant to the study, the researcher sought the opinions of other experts from educational management, research, and statistics. Also, the researcher-made questionnaire underwent Cronbach's Alpha reliability test for thorough validation of the formulated indicators. The results were: for - tax planning at 0.989, legal compliance at 0.974, and the impact of tax audit examinations at 0.959.

To measure the tax planning competencies and impact of tax audit examinations among PEZA registered entities, the following scale was used:

Assigned Points	Numerical Ranges	Categorial Responses / Verbal Interpretations
4	3.25 – 4.00	Strongly Agree (SA)
3	2.50 – 3.24	Agree (A)
2	1.75 – 2.49	Disagree (D)
1	1.00 – 1.74	Strongly Disagree (SD)

To measure the level of legal compliance among PEZA registered entities, the following scale was used:

Scale	Numerical Ranges	Categorial Responses	Verbal Interpretations
4	3.25 – 4.00	Strongly Agree (SA)	Very High
3	2.50 – 3.24	Agree (A)	High
2	1.75 – 2.49	Disagree (D)	Low
1	1.00 – 1.74	Strongly Disagree (SD)	Very Low

To expedite data collection and ensure the study's integrity and authenticity, the researcher sought formal endorsement from Philippine Economic Zone (PEZA), Philippine Institute of Certified Public Accountants (PICPA) Laguna and Association of CPAs in Public Practice (ACPAPP) Laguna. Given that many of these companies required formalities for participation in studies, this step was crucial. Upon completion of the data gathering process, the collected data were meticulously tabulated and subjected to statistical treatment.

The following statistical tools were used in this study: 1. Weighted mean and ranking were used to determine the tax planning competencies, legal compliance, and impact of tax audit examinations among PEZA registered entities. 2.

Pearson r was used to determine the relationship between respondents' tax planning competencies, legal compliance, and impact of tax audit examinations among PEZA registered entities.

### RESULTS AND DISCUSSIONS

Discussion of tax planning competencies, legal compliance, and impact of tax audit examinations is presented in the succeeding tables and textual presentations.

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**Table 1. Composite Table of the Franchise Branding of the Selected Food Franchise Businesses in the 1st District of Laguna**

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. Technical tax knowledge	3.32	Agree	1
2. Analytical skills	3.19	Agree	4
3. Strategic planning skills	3.23	Agree	2
4. Risk management skills	3.15	Agree	3
<b>Overall Weighted Mean</b>	<b>3.23</b>	<b>Agree</b>	

Table 1 presents the Composite Table of the tax planning competencies among PEZA registered entities. As seen in the table, Indicator 1, "Technical tax knowledge," got a weighted mean 3.32 and was verbally interpreted as agree was ranked 1, Indicator 3, "Strategic planning skills," got a weighted mean of 3.23 and was verbally interpreted as agree was ranked 2, Indicator 4, "Risk management skills," got a weighted mean of 3.15, and verbally interpreted as agree was ranked 3, and lastly Indicator 2, "Analytical skills," with weighted mean 3.19 was verbally interpreted as agree, was ranked 4.

In summary, a weighted average of 3.23 revealed that the tax planning competencies along with technical tax knowledge, analytical skills, strategic planning skills and risk management skills were agreed by respondents.

The findings support the study of Rabiya et al. (2021) that taxpayer compliance in fulfilling their obligations to pay taxes depends on how tax officers provide the best quality service to taxpayers. Taxpayer awareness is a person's good faith to fulfil the obligation to pay taxes based on a sincere conscience. The higher the level of taxpayer awareness, the better the understanding and implementation of tax obligations so that it can increase compliance.

**Table 2. Composite Table of the Level of Legal Compliance among PEZA Registered Entities**

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. Regulatory reporting	3.39	High	1
2. Training and education	3.05	High	2
<b>Overall Weighted Mean</b>	<b>3.22</b>	<b>High</b>	

Table 2 presents the Composite Table of the level of legal compliance among PEZA registered entities. As seen in the table, Indicator 1 'Regulatory reporting' got a weighted mean of 3.39 and was verbally interpreted as high, was ranked 1, and Indicator 2 'Training and education' with a weighted mean of 3.05 and was verbally interpreted as high, was ranked 2.

adheres to and satisfies the legal requirements, regulations, and standards relevant to its operations.

The result of the study supports the study of Bruno (2019) which states that tax compliance is achieved when most taxpayers voluntarily file their tax returns and pay tax liabilities as stipulated without the intervention of the tax authorities through enforcement. Third-party reporting and self-reported income are keen to evade taxes but only have limited information on how many others evade taxes. The lower the quality of tax regulation, the less tax compliance can be achieved.

In summary, an overall weighted mean of 3.22 revealed that the level of legal compliance in terms of regulatory reporting and training and education was highly agreed by respondents. This means the respondents or entity

**Table 3. Composite Table of the Impact of Tax Audit Examinations among PEZA Registered Entities**

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. Financial implications	2.93	Agree	1
2. Company's reputation	2.65	Agree	2
<b>Overall Weighted Mean</b>	<b>2.79</b>	<b>Agree</b>	

Table 3 present the impact of tax audit examinations among PEZA registered entities. As seen in table, Indicator 1 'Financial implications' got a weighted mean of 2.93 with a verbal interpretation of agree, was ranked 1 and lastly, Indicator 2 'Company's reputation' got a weighted mean of 2.65 with a verbal interpretation of agree, was ranked 2.

by the respondents. This implies that the respondents or entity adheres to and satisfies the legal requirements and regulations and how tax audit examinations have impact on the company's financials and reputation.

The findings support the study made by Olaoye and Ekundayo (2019), the government should intensify tax audit through the employment of more competent staffs and intermittent training in order to cause increase in tax

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compliance level in the State. Also, Audited files that reveal criminal act should not be taken slightly. Tax evaders and

avoiders should be seriously dealt with so as to deter others from plodding the same criminal path.

**Table 4. The Relationship between the Tax Planning Competencies and Level of Legal Compliance among PEZA Registered Entities**

Tax planning competencies	Legal compliance	
	Regulatory reporting	Training and education
Technical tax knowledge	r=0.751** moderate correlation p=0.000	r=0.665** moderate correlation p=0.000
Analytical skills	r=0.680** moderate correlation p=0.000	r=0.714** moderate correlation p=0.000
Strategic planning skills	r=0.612** moderate correlation p=0.000	r=0.749** moderate correlation p=0.000
Risk management skills	r=0.685** moderate correlation p=0.000	r=0.740** moderate correlation p=0.000
<b>**Significant @ 0.01</b>		

As shown in Table 4, there was a significant relationship between respondents' tax planning competencies and level of legal compliance among PEZA registered entities. The correlation coefficients (r-values) indicated the strength and direction of the relationship, while the p-values assessed the significance of the correlations. For Technical tax knowledge, in the regulatory reporting there was a moderate positive correlation (r = 751, p = 0.000). On the other hand, training and education have a moderate positive correlation (r = 0.665, p = 0.000). When it comes to analytical skills in the regulatory reporting indicates that the correlation efficient (r=0.680) was a moderate correlation (p=0.00) and as well as in training and education with correlation efficient (r=0.749) have a moderate correlation (p=0.000). However, relationship between the tax planning competencies and legal compliance among PEZA registered entities under the risk management

skills shows that in the regulatory reporting, there was a moderate correlation (r=0.685, p=0.000) while training reporting on the other hand there was a moderate correlation (r=0.740, p=0.000). The probability values were all less than the 0.01 significance level. This implies that legal compliance is dependent on the tax planning competencies of PEZA registered entities.

The findings support the study made by Isa and Pope (2011) as cited by Sanusi et al. (2022) by who found that the respondents argued the entities provided inconsistent to technical tax knowledge and regulation due to lack of knowledge. Apart from that, the research also found out that it took a long duration to finalize. Moreover, due to analytical skills on the nature of business and accounting treatment, it may not be able to justify and require attention.

**Table 5. Relationship between the Tax Planning Competencies and the Impact of Tax Audit Examinations among PEZA Registered Entities**

Tax planning competencies	Impact of tax audit examination	
	Financial implications	Company's reputation
Technical tax knowledge	r=0.227 Low correlation p=0.067	r=0.295* Low correlation p=0.016
Analytical skills	r=0.143 Low correlation p=0.253	r=0.263* Low correlation p=0.033
Strategic planning skills	r=0.029 Negligible correlation p=0.814	r=0.250* Low correlation p=0.042
Risk management skills	r=0.134 Low correlation p=0.282	r=0.242 Low correlation p=0.050
<b>**Significant @ 0.01, *Significant @ 0.05</b>		

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As shown in Table 5, there was a significant relationship between respondents' tax planning competencies and impact of tax audit examination under company's reputation among PEZA registered entities. The correlation coefficients (r-values) provided in the table indicate the strength and direction of these relationships, while the associated p-values assess their significance. Technical Tax Knowledge, for Financial Implications, a low positive correlation ( $r = 0.227, p = 0.067$ ) suggests a tentative association between technical tax knowledge and the financial implications of tax audit examinations. While not statistically significant at the 0.05 level, the correlation shows potential relationship. Company's reputation, there is a statistically significant low positive correlation ( $r = 0.295, p = 0.016$ ), indicating that higher levels of technical tax knowledge may modestly influence the impact of tax audit examinations on a company's reputation. In terms of Analytical Skills for Financial implications, there is a low positive correlation ( $r = 0.143, p = 0.253$ ) between analytical skills and the financial implications of tax audit examinations, although not statistically significant at the 0.05 level. Company's reputation, there is a statistically significant low positive correlation ( $r = 0.263, p = 0.033$ ) suggests that analytical skills may modestly affect the impact of tax audit examinations on a company's reputation. Strategic Planning Skills, Financial implications, there is a negligible correlation ( $r = 0.029, p = 0.814$ ) between strategic planning skills and the financial implications of tax audit examinations,

indicating no meaningful relationship. Company's reputation, there is a statistically significant low positive correlation ( $r = 0.250, p = 0.042$ ) suggests that strategic planning skills may have a slight influence on the impact of tax audit examinations on a company's reputation. Risk Management Skills, Financial implications: A low positive correlation ( $r = 0.134, p = 0.282$ ) between risk management skills and the financial implications of tax audit examinations is observed, although not statistically significant at the 0.05 level. For Company's reputation, there is a low positive correlation ( $r = 0.242, p = 0.050$ ), suggesting a potential but modest influence of risk management skills on the impact of tax audit examinations on a company's reputation. The probability values were all less than the 0.05 significance level. This implies that the impact of tax audit examination is dependent on the tax planning competencies of PEZA registered entities.

The findings showed that the degree of tax compliance of businesses in Lagos State has a positive correlated to tax audit and tax investigation. It was advised that tax authorities conduct annual tax audits and expand tax audits and investigations to cover more businesses, particularly those operating in the digital economy and informal sector and provide constant professional training for tax auditors and investigators to equip them for the evolving changes in the industry. Continuous improvement in tax compliance of businesses through encouragement and enforcement will assist the government in generating more tax-related revenue. (Kilimvi, 2023).

**Table 6. Relationship between the Level of Legal Compliance and the Impact of tax Audit Examinations among PEZA Registered Entities**

Legal compliance	Impact of tax audit examination	
	Financial implications	Company's reputation
Regulatory reporting	r=0.201 Low correlation p=0.106	r=0.178 Low correlation p=0.152
Training and education	r=0.133 Low correlation p=0.289	r=0.317** Low correlation p=0.009
<b>**Significant @ 0.01</b>		

As shown in Table 6 there was a significant relationship between level of legal compliance and the impact of tax audit examinations among registered entities. There was a low positive correlation between respondents' level of legal compliance and impact of tax audit examination under company's reputation among PEZA registered entities. Regulatory reporting shows a weak and nonsignificant correlation with both financial implications and company reputation. The Relationship between the Level of Legal Compliance and the Impact of tax Audit Examinations among PEZA registered entities with the given indicators under legal compliance of regulatory reporting toward with the financial

implication ( $r=0.201$ ) and company's reputation ( $r0.178$ ) have a low correlation ( $p=0.106$  and  $p=0.152$ ). While the given indicator of training and education have a low correlation toward financial implication ( $r-0.133, p=0.289$ ) and company's reputation ( $r=0.317, p=0.009$ ). Regulatory Reporting, Financial implications, there is a low positive correlation ( $r = 0.201, p = 0.106$ ) between regulatory reporting and the financial implications of tax audit examinations. However, this correlation is not statistically significant at the 0.05 level, suggesting only a tentative association. Company's reputation: Similarly, there is a low positive correlation ( $r = 0.178, p = 0.152$ ) between regulatory

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reporting and the impact of tax audit examinations on a company's reputation, which is also not statistically significant at the conventional level. Training and Education, Financial implications there is a low positive correlation ( $r = 0.133$ ,  $p = 0.289$ ) between training and education and the financial implications of tax audit examinations is observed. However, this correlation is not statistically significant at the 0.05 level. Company's reputation, there is a statistically significant low positive correlation ( $r = 0.317$ ,  $p = 0.009$ ) between training and education and the impact of tax audit examinations on a company's reputation, indicating that higher levels of training and education may modestly influence a company's reputation in the context of tax audit examinations. The probability value was lower than the test of significance at 0.01 leading to the rejection of the null hypothesis. This shows that there was a significantly high relationship between the level of legal compliance and impact of tax audit examination. This implies that the impact of tax audit examination is dependent on level of legal compliance. It also suggests that while there may be some associations between the level of legal compliance and the impact of tax audit examinations, particularly in terms of company reputation, the correlations are generally low and may not be statistically significant at conventional levels, except for the relationship between training and education and its impact on company reputation. This indicates the potential role of training and education in shaping how tax audit examinations affect a company's reputation among PEZA registered entities.

According to Alleyne and Howard (2020) suggested that the person involved must have trained and educated individual as tax auditing involves the collection and assessment of evidence to support the findings in order to make a judgement and report on the degree of correspondence between the information and certain established criteria.

### CONCLUSION AND RECOMMENDATION

Based on the findings of the study, the study conclusions were drawn: the tax planning competencies along technical tax knowledge, analytical skills and risk management skills were agreed by respondents. The level of legal compliance along regulatory reporting, and training and education was high. The impact of tax audit examinations in terms of financial impact, and company's reputation were agreed by respondents. The more detailed the tax planning, the greater the technical tax knowledge. The more extensive the tax planning, the higher the level of legal compliance. The greater the technical tax knowledge exhibited, the higher the level of legal compliance.

The following recommendations are based on findings and conclusion of this study: PEZA registered entities should recognize the importance of balancing economic growth activities and tax planning activities

together with its implications in its operations. PEZA registered entities should incorporate technical tax knowledge, analytical skills, strategic planning skills and risk management skills as part of Finance and Accounting Department personnels' core competence on top of managing the day-to-day operations. Tax education can provide PEZA-registered entities with the information needed to comply with tax laws by increasing their level of compliance with regulatory reporting through training and education. The Human Resources Department should design and create seminars, trainings, and programs related to compliance by enhancing competency skills in legal compliance and taxation. The higher the taxpayer's knowledge, the better they can manage their behavior and follow tax regulations. Training and education help address skills gaps in legal compliance and taxation, which can be accomplished through in-house training programs or external parties for areas lacking subject-matter experts (SMEs). The Finance and Accounting Department, Legal Department, and Internal Audit Department should coordinate with the Information Technology (IT) Department to utilize technology and automation in designing a monitoring system to comply with regulatory reports. Modern applications such as Management Information Systems (MIS) can be employed to monitor reportorial requirements, tracking due dates and levels of compliance. Automation of finance and accounting processes reduces clerical and other human errors. Management, through the recommendations of these departments, may develop an in-house application tailored to the unique operations of a PEZA registered entity. Off-the-shelf accounting software can also be considered, as some are already tailored to Philippine taxation, facilitating the generation of reports to expedite the creation of alphabetical lists, VAT relief, inventory lists, related party transactions, and other relevant information or reports required by various government agencies. PEZA-registered entities should increase tax planning competencies and maintain a high level of compliance in regulatory reporting through proper education and training to mitigate the impact of tax audit examinations. Finance and Accounting personnel must attend seminars, training, and continuing professional education. Further, the Finance and Accounting Department may seek professional assistance from tax experts or practitioners for areas requiring expertise or an independent view. They should also maintain close coordination with respective government agencies for the latest updates in taxation and ensure timely submission of pertinent documents and protest letters during the tax audit examination process. PEZA registered entities, through the budget committee, should allocate a reasonable budget to cover any possible deficiency taxes during tax audit examinations, accepting the reality that these examinations will not achieve their objectives without any tax implications for the taxpayer. However, Finance and Accounting Department, Internal Audit Department and Legal

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Department should demonstrate tax competencies to maintain a high level of compliance, thereby reducing the amount of the assessment or the possibility of being selected during the selection process of the Bureau of Internal Revenue. Legal compliance is a crucial consideration to ensure that the company operates legally and ethically. The Legal and Internal Audit Department of PEZA registered entities should ensure legal compliance because it affects not only taxation but also local, labor, and environmental laws. This may include designing and implementing audit programs that focus on compliance, proper methodology during tax audit examinations and conduct special studies for potential tax exposure in complex areas such as transfer pricing, inter-company transactions, and other provisions of PEZA Law and related legislations and regulations. Tax Practitioners and Consultants based on the result of the study, may consider, and deepen their understanding of the challenges and opportunities related to tax planning, legal compliance, and tax examinations and equip them with valuable insights to offer more tailored and effective advisory services to PEZA registered entities.

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