

# Study on the Impact of National Audit on Illegal Tax Avoidance Behavior of Enterprises

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**Abstract:** Since the conception of the state, taxation has played an important and irreplaceable role in the economic structure of the country and is the main source of its general revenue. With a sound tax system, the state can continuously activate the engine of social and economic development. However, since the introduction of the tax system, many tax-related issues have arisen and some illegal tax evasion has become a matter of public concern. State auditors have certain statutory responsibilities that require them to examine and monitor the tax practices of corporate enterprises. They need to accurately assess a company's tax avoidance, tax savings, shifting schemes, tax evasion and omissions and other actions and reasonably determine the legal liability in their tax schemes. Tax avoidance is not only a global problem that may have adverse economic consequences, harm the long-term interests of the state, reduce public revenues and undermine the foundations of the state, but it is also closely related to the social and economic order and can affect the normal business operations of enterprises. For this reason, exploring the impact of National audits on corporate tax avoidance will be the focus of this paper.

**Keywords:** National audit; Corporate tax avoidance; Tax System.

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## 1. Introduction

### 1.1. Research Background and Significance

In the current complex economic environment, tax as an unavoidable cost in the process of business operations, prompting some enterprises to take more aggressive tax planning strategies to reduce the burden. Especially in recent years, affected by the global economic downturn, international trade friction and other factors, many enterprises in China are facing operational difficulties and lack of market vitality. Although the government has introduced a series of tax cuts and fee reduction policies to ease the pressure on enterprises, how to legally comply with tax planning and avoid the risk of falling into illegal tax avoidance is still an important issue that enterprises need to address. In the short term, tax avoidance may enhance the profit level of enterprises and reduce cash flow pressure, but in the long term, excessive or illegal tax avoidance will not only harm the national fiscal revenue and economic interests and disturb the market order, but also may backfire on the enterprises themselves due to the tax risk, affecting their sustainable operation. Therefore, the government and National audit authorities must take effective measures to strengthen the supervision and guidance of tax avoidance behavior of enterprises, and create a fair and transparent business environment for enterprises while maintaining national tax security.

Based on the unique perspective of National audit, this paper systematically explores its role mechanism and realistic challenges to the illegal tax avoidance behavior of enterprises, and puts forward optimization suggestions, which has important theoretical and practical value. At the theoretical level, it is found through the literature that the existing studies mainly focus on the influence of enterprise internal audit (such as audit committee and internal audit department) on tax avoidance behavior, while there is a relative lack of research on external audit, especially the National audit,

which is an important supervisory force. The innovation of this paper is to incorporate National audit into the analytical framework, to explore in depth its restraining effect on corporate tax avoidance behavior, and to propose a path of improvement for the systematic loopholes and implementation difficulties in the current regulation, so as to enrich the theoretical research in the field of audit and tax compliance. At the practical level, the governance of illegal corporate tax avoidance behavior is not only related to the operational health of micro subjects, but also directly affects macroeconomic stability and social equity. As a core component of the economic supervision system, national audit plays an irreplaceable role in standardizing market order, preventing tax fraud, and enhancing the efficiency of collection and management. The policy suggestions put forward in this paper, such as strengthening the collaborative supervision between audit and tax departments, improving the application of big data audit technology, and establishing an enterprise tax credit evaluation system, are aimed at optimizing the supervisory effectiveness of the National audit, effectively curbing the illegal tax avoidance of enterprises and guiding them to enhance their awareness of tax compliance, so as to ultimately achieve a win-win situation for the interests of the national tax revenues and the healthy development of enterprises.

### 1.2. Literature Review

The tax avoidance behavior of enterprises will not only affect the operation of the enterprise itself, but also have a certain impact on the economic security of the country and the flourishing society. A lot of scholars have conducted a large number of studies on this, and the previous studies are summarized as follows:

Cheng Zhaorong (2021) deeply analyzed the mechanism of corporate governance on enterprise tax avoidance behavior. The results of the study found that the level of corporate governance has a significant inhibitory effect on the tax avoidance behavior of enterprises [1]. Zhang Ling and Zhu

Tingting (2015) proved through empirical analysis that strict taxation increases the tax avoidance cost of enterprises, thus inhibiting their tax avoidance behavior [2]. Chen Jun and Xu Yude (2015), in their study of internal control and corporate tax avoidance, found that in a strong tax regulatory environment, corporate tax avoidance activities face higher risks, and the internal control of enterprises has a stronger inhibiting effect on corporate tax avoidance activities [3].

Zhang Hui (2022) examined the intrinsic connection between executives with auditing background and corporate tax avoidance using a combination of multiple regression and quantile regression methods with A-share listed companies in China from 2011 to 2020 as the research object. The results found that executives with auditing background have a significant inhibitory effect on the degree of corporate tax avoidance, and the reduction effect is gradually enhanced with the increase in the degree of corporate tax avoidance; executives with decision-making auditing background do not have a significant inhibitory effect on the degree of tax avoidance, and executives with supervisory auditing background can significantly inhibit the degree of corporate tax avoidance, and the inhibitory effect is gradually enhanced with the increase in the degree of corporate tax avoidance [3].

Chen CaiHong (2022) explores the role of audit industry expertise in corporate tax avoidance. The results found that audit industry expertise can reduce firms' tax avoidance behavior [5]. Ding Rui and Xu GaoShuang (2021) test the external governance effect of implementing mandatory internal control audits on corporate tax avoidance behavior. It is found that corporate tax avoidance is reduced after the implementation of mandatory internal control audits, and this effect is more significant in non-Big 4 audited firms [6]. Wang Xiong (2018) finds that audit committees and corporate tax avoidance are significantly negatively related, and their governance effect on firms is more prominent in the early years of firm formation. In subsequent years, it is less pronounced, and the persistence of the inhibitory effect needs to be enhanced. Compared with firms without audit committees, firms with audit committees have a significant inhibitory effect on tax avoidance [7]. Tan Xue et al. (2015) argue that the expertise of auditors can effectively regulate and control the tax avoidance activities of firms [8]. The study of Chan et al. (2016) shows that the level of tax avoidance is generally low in firms that employ large accounting firms [9].

The above literature has analyzed the tax avoidance behavior of enterprises and the harm that tax avoidance brings to enterprises and the country, as well as how effective control of tax avoidance can be implemented in the context of auditing. However, the research in the above literature is limited to the study of how the auditors and audit committee members in the enterprise affect the tax avoidance behavior of the enterprise, which is to analyze how to inhibit the tax avoidance of the enterprise in the context of auditing from the perspective of the internal audit of the enterprise, and lacks the study of illegal tax avoidance of the enterprise under the perspective of the external audit. Therefore, this paper will carry out the research on the impact of audit on the illegal tax avoidance behavior of enterprises through the perspective of National audit, firstly, point out the problems of National audit in the management of enterprise tax avoidance, and then explore the mechanism through which the National audit affects the illegal tax avoidance of enterprises, and finally put forward the corresponding solutions. In order to make the National audit effectively supervise the illegal tax avoidance

behavior, it is inevitable to expand the scope of the National audit to supervise the illegal tax avoidance behavior of enterprises and to solve the problems and dilemmas of the National audit in the tax avoidance behavior of enterprises.

## **2. Concept Definition**

### **2.1. National Audit**

National audit refers to a specialized activity in which national audit institutions conduct inspections, reviews, and supervision of the implementation of government budget revenue and expenditure and accounting materials of state organs, administrative institutions, and state-owned enterprises in accordance with relevant laws and regulations. In addition to specialized audit institutions, national audit institutions also include professional audit agencies such as fiscal departments, tax authorities, customs administrations, the People's Bank of China, or specialized banks. For government administrative agencies, national audit is also one of the professional supervisions in administrative supervision and an indispensable component of fiscal administration.

National audit is a statutory audit, and the audited entities shall not refuse it. The audit decisions made by the audit institutions must be implemented by the audited entities and relevant personnel. Where audit decisions involve other relevant units, these units shall assist in their implementation.

### **2.2. Tax Avoidance by Enterprises**

Tax avoidance refers to management actions taken by taxpayers to reduce or avoid tax burdens through clever business and financial arrangements, provided that they comply with tax laws and regulations. Tax avoidance can be categorized into two types: legal and illegal, with fundamental differences between the two. Legal tax avoidance involves utilizing relevant national laws and regulations to reduce the taxpayer's tax liability through means such as lowering tax rates or increasing tax incentives. By effectively utilizing tax incentive policies, identifying loopholes in tax laws, and conducting reasonable tax planning, the goal of reducing the tax burden is achieved, which is the essence of legitimate tax avoidance. There also exists a gray area between legal tax avoidance and tax evasion, which poses potential risks and requires taxpayers to exercise caution. This gray area refers to the transitional zone between legal tax avoidance and tax evasion. Illegal tax avoidance violates tax laws and is unlawful. For those who violate tax laws and policies, their actions are equivalent to tax evasion and must be subject to stringent enforcement measures. The focus of this paper is on the impact of national audits on corporate illegal tax avoidance.

Illegal tax avoidance refers to companies using various methods to evade tax responsibilities and obtain illegal benefits. Engaging in illegal tax avoidance can lead to severe consequences, including fines and reputational damage. Common forms of illegal tax avoidance include overstating costs, using offshore accounts for tax avoidance, and issuing fake invoices. Illegal tax avoidance involves violating tax regulations and using improper means to evade tax obligations, thereby causing losses to national tax revenue.

### **3. Problems Existing in the Supervision of National Audit on the Illegal Tax Avoidance Behavior of Enterprises**

The supervision and management of illegal tax avoidance behavior of enterprises by audit organs is mainly to check, evaluate and deal with the tax behavior of enterprises in the process of audit. The main problems existing in the current National audit work on the management of illegal tax avoidance behavior of enterprises are as follows:

#### **3.1. Inadequate Supervision of Illegal Tax Avoidance Behavior of Enterprises by National Audit**

At present, China's existing laws and regulations on enterprise illegal tax avoidance of the relevant provisions, the lack of operability, so that the National audit in the enterprise illegal tax avoidance behavior supervision is more difficult. In addition, the definition of tax avoidance behavior of enterprises in China is relatively vague, and some local governments have adopted some policies to encourage tax avoidance in order to encourage the development of local enterprises.

With the rapid development of market economy, the business activities of enterprises in China tend to be more and more internationalized and market-oriented. In order to maximize their own interests, enterprises constantly carry out tax avoidance activities. Tax avoidance activities are often characterized by concealment and complexity, and it is difficult for state auditors to conduct a comprehensive and in-depth review of enterprises due to the limitations of their own knowledge structure and business level. As China's current tax authorities implement a vertical leadership system and a vertical management system, the tax authorities have strong authority and law enforcement power. Therefore, it is easy to form local protectionism in the work of tax collection and management, which to a certain extent affects the implementation of China's tax policies and tax laws and regulations, as well as the ability of the National audit to supervise the illegal tax avoidance behavior of enterprises.

#### **3.2. The Audit Department Cannot Accurately Grasp the Data of Enterprise Tax Avoidance Behavior**

At present, the tax department makes very limited use of tax information on taxpayers, and only the State Administration of Taxation has published part of the tax information, but it has not made complete records and reflections on the tax avoidance behavior of enterprises. At present, the tax department lacks data on tax-related information and tax payment, and these data mainly come from the tax department's own statistics and analysis, and have not been included in the government's auditing work. Due to the lack of accurate and reliable data support, the audit department can not effectively determine the enterprise tax avoidance behavior on the national tax impact and whether there is tax evasion and tax leakage. When the national audit department evaluates the management of enterprise tax avoidance, it can only understand the situation of enterprise tax avoidance through some sides. Moreover, the state audit authorities cannot effectively participate in the management of enterprise tax avoidance, especially in the audit of enterprise tax avoidance, they often cannot effectively utilize

the modern audit means and methods, and cannot timely detect and put forward effective audit opinions and suggestions, which makes the audit supervision lag behind to a certain extent.

#### **3.3. The Impact of Audit Committee on the Illegal Tax Avoidance Behavior of Enterprises low**

Studies by relevant scholars at home and abroad have concluded that audit committees play a positive and contributing role in ensuring the implementation of internal controls, the quality of financial reporting, and the management of internal and external audits, etc. However, when testing whether auditors can play an inhibitory role in the tax avoidance of executives, a large number of studies have shown that auditors conducting external audits of enterprises have no significant moderating effect between executives and corporate tax avoidance. If the enterprise tax avoidance use is not illegal means, the auditor will choose not to interfere with the enterprise tax regulation behavior, otherwise too much intervention, may make their own loss of customers; but if the executives with the help of authority, is excessive, illegal tax avoidance behavior, this may be easy to external regulation and investors, once the auditor found that it should be stopped in time, otherwise it is easy to be held accountable. It can be concluded that the external auditor of the enterprise is mainly aimed at the excessive tax avoidance to produce inhibitory effect, the minor tax avoidance will not attract too much attention, the audit committee to inhibit corporate tax avoidance issues need to be strengthened.

#### **3.4. Insufficient Collaboration Between Audit Authorities and Other Departments**

Collaboration between audit authorities and other departments also has an important impact on corporate tax avoidance. The most important of them is the collaboration between audit and tax departments. Through the collaboration of audit and tax departments, the effective control of illegal tax avoidance by enterprises can be increased, and the tax avoidance behavior of enterprises can be controlled at a lower level. In the activities of auditing illegal tax avoidance of enterprises, the intervention and help of tax departments are often needed to ensure the accuracy and completeness of the audit evidence; in addition, compared with the audit department, the tax department is legally endowed with stronger enforcement rights. Audit authorities can take advantage of the compulsory enforcement of the tax authorities, in the case of the audited enterprises do not cooperate and do not provide information, to obtain important audit evidence, to obtain all kinds of tax information of the audited object, to investigate the tax avoidance behavior of the enterprise, to determine whether it is legal and reasonable, and then determine the direction of the next step of the audit; to the tax department, it can take advantage of the specialization, independence and professional characteristics of the auditing department in economic supervision, making it more effective. For the tax department, it can make use of the specialization, independence and professional characteristics of the audit department in economic supervision to make it more effective in controlling and suppressing the illegal tax avoidance behavior of enterprises.

## **4. How National Audits Affect Illegal Tax Avoidance by Enterprises**

National audit is a full-time supervisory organization to supervise the economic system, which can maintain the orderly development of social economy and prevent the occurrence of mistakes and fraud in the operation of market economy, and it has a very significant responsibility in reviewing and supervising the tax payment behavior of enterprises. State auditors of corporate finance audit, for corporate taxpayers tax planning behavior, must make effective judgment and distinction, accurately defining corporate tax avoidance issues, tax savings and tax evasion. This can not only urge the enterprise taxpaying body to comply with the law and tax collection and management norms in the implementation of tax planning behavior; it can also make the audit supervision behavior become standardized, the audit conclusions are accurate, and effectively prevent and avoid the occurrence of audit risks.

According to the immune system theory of national audit put forward by the Audit Office in 2008, the mechanism of the three main functions of national audit on the influence of illegal tax avoidance behavior of enterprises is as follows:

### **4.1. Preventive Function of National Audit Prevents Illegal Tax Avoidance Behavior of Enterprises**

As the "immune system" that guarantees the healthy operation of the national economy and society, it is necessary to give full play to the preventive function in the first place. As an institutional arrangement, national audit has inherent deterrent effect, therefore, audit supervision must be strengthened to give full play to its inhibitory effect on various "diseases" affecting the healthy operation of the economy and society. As an auditing organization that performs supervisory duties, it has the advantages of independence, objectivity, impartiality, transcendence, and involvement of all aspects of society, so it has the responsibility to detect incipient and tendency problems in a timely manner, perceive risks early, and issue alerts in advance in order to achieve the purpose of early warning.

Financial auditing of enterprises mainly includes reviewing the reasonableness of statements, the legality of economic activities, and the effectiveness of the internal control system. In the process of reviewing the construction and formulation of the internal control system, the auditing organization will check whether there are any problems in the formulation and operation of the tax-related systems in the enterprise, and whether the tax-related systems are operating effectively, so as to find out the hidden dangers and check the problematic systems. The problems of the internal control system will be raised and corresponding suggestions will be made to prevent the next occurrence.

### **4.2. National Audit's Revealing Function Exposes Enterprises' Illegal Tax Avoidance Behavior**

According to the law, the primary duty of audit is to supervise the violation of laws and regulations, and such supervision must be premised on the discovery of problems and correction of errors. Therefore, the audit must crack down on violations of laws and regulations, economic crimes, waste of resources, wastefulness, resource destruction,

environmental pollution, damage to the interests of the people, and threats to national security. It must reveal the existence of institutional barriers, defects, distorted mechanisms, and management loopholes to ensure the safe and healthy operation of the economy and society. Through the function of revelation, the national audit has to examine the accuracy, lawfulness and reasonableness of the financial statements of enterprises.

#### **4.2.1. Authenticity of enterprise tax records**

Authenticity refers to whether the tax business recorded in the financial statements actually occurred, whether the business actually occurred in a specific accounting period, and whether it is consistent with the account records, and whether there are false assets, liability balances, revenues and expenses incurred.

#### **4.2.2. Integrity of Business Tax Records**

Whether the tax-related accounting transactions occurred during the accounting period are completely recorded in the relevant books of accounts and clearly presented in the accounting statements to avoid the situation of mistaken omission and concealment of economic operations and accounting transactions, etc., which is known as completeness.

#### **4.2.3. Rights and Obligations of Enterprise Taxation**

That is, the economic content included in the statements is indeed owned by the audited entity, and there are no omissions and presentations without property rights. Finally, it is also necessary to check whether the tax calculations in the financial statements are accurate and whether there are any misstatements or illegal tax avoidance, as a way of examining the existence of illegal false accounts and wrong accounts.

## **4.3. National Audit's Functions to Curb Illegal Tax Avoidance by Enterprises**

The duty of the audit is not only to reveal the problems, but also to analyze, reveal and reflect the problems from micro to macro, from individual to general, from local to global, from seedling to trend, and from surface to inner layer, so as to mobilize the positive factors and prevent the negative factors from intruding into the whole economic and social system, so as to promote the reform of the system, improve the rule of law, improve the system, standardize the mechanism, strengthen the management, prevent the risk, improve the quality and performance of economic and social operation, and enhance the economic and social performance. The quality and performance of economic and social operations, enhance the "immunity" of economic and social operations, and promote comprehensive, coordinated and sustainable economic and social development.

The defense function of national audit is a kind of legitimacy audit, which is to check the legitimacy of economic activities. Financial audit not only to the enterprise's financial income and expenditure whether there is a problem or error misstatement behavior audit, but also to go to the economic activities are legitimate to systematically review and draw conclusions. Examine whether the corresponding tax avoidance business of the enterprise is legal, to find not legal and reasonable business, so as to resist illegal tax avoidance.

## **5. Countermeasures to Improve National Audit to Control Illegal Tax Avoidance by Enterprises**

As mentioned above, the countermeasures on how to use the function of national audit to improve the control of illegal tax avoidance behavior of enterprises by national audit are as follows:

### **5.1. Improve the Preventive and Supervisory Mechanism of National Audit in Enterprise Tax Avoidance Behavior and Expand the Scope of Supervision**

In order to minimize the tax avoidance behavior of enterprises, the national audit must strengthen the supervision of each enterprise in the aspects of taxation and auditing, such as auditing, taxation and public security departments should strengthen the business mode of enterprises, and supervise and investigate the financial income and expenditure and other changes in a timely manner, and should focus on tracking and observing and investigating the companies involved in the tax avoidance and require them to report their business operation status to the taxation department on a regular basis. For companies involved in tax avoidance, they should focus on tracking and observing, requiring them to report regularly to the tax authorities on their business operation status, and focusing on supervision of companies with abnormal operation and greater suspicion of tax avoidance. Moreover, a special audit investigation and follow-up audit system has been implemented, which means that the national auditing authorities will carry out comprehensive supervision on the use of state budget funds. Although the legal avoidance system has its efficacy in preventing and combating tax avoidance activities, some tax avoidance activities are generally difficult to recognize due to the fact that tax avoidance activities are generally more complicated in practice. Therefore, the judgment of enterprise tax avoidance shall be combined with the specific case and not necessarily generalized, so as to achieve the purpose of considering both principle and flexibility.

In addition, the supervision of national audit on enterprise tax avoidance is more on accounting. This status quo makes the scope of national audit supervision limited, and cannot completely and effectively control the tax avoidance behavior of enterprises. Therefore, in order to better play the role of national audit in controlling illegal tax avoidance, it is necessary to expand the scope of national audit supervision on enterprise tax avoidance. First of all, the enterprise income tax, business tax declaration and payment of additional tax should be included in the supervision of the national audit; secondly, the authenticity, legitimacy and completeness of the accounts and financial statements of the enterprises should also be taken as the object of the national audit; and lastly, the legitimacy and completeness of the relevant tax information of the enterprises should also be included in the supervision of the national audit. Only by expanding the scope of national audit, can we carry out better supervision on the tax avoidance behavior of enterprises, and strengthen the supervision of state tax authorities on the tax avoidance behavior of enterprises, and further strengthen the national audit on the tax avoidance behavior of enterprises.

## **5.2. Strengthening Audit on Tax Collection and Management**

Tax collection and management is one of the important contents of national audit, and tax collection and management audit is to audit whether the tax collection and management system complies with the provisions of the tax law and whether there is tax evasion and tax evasion behavior. Tax collection and management audit can effectively solve the problem of state auditors' lack of awareness of corporate tax avoidance behavior. If state auditors fail to consider issues from the perspective of taxpayers, it will lead to inaccurate audit conclusions, which will seriously affect the quality and efficiency of national audit work. Therefore, national audit authorities should strengthen their audit efforts in tax collection and management, especially emphasizing the collection of taxpayers' financial information and information on business activities. In particular, it should strengthen the cooperation between audit organs and tax departments. Because through the collaboration of audit and tax departments, the effective control of enterprise tax avoidance can be increased, and the enterprise tax avoidance behavior can be controlled at a lower level, thus effectively suppressing the illegal tax avoidance of enterprises.

### **5.3. Encourage Enterprises to Introduce Audit Background Executives**

Audit background executives in the executive team can inhibit the degree of corporate tax avoidance, with the increase in the number of executives with audit background, the degree of corporate tax avoidance will gradually decline. Although the lower level of tax avoidance behavior is difficult to be detected, and audit background executives on corporate tax avoidance is not completely intolerable, but they have a permissible range, when the level of tax avoidance is very low they may not immediately stop, but when the level of tax avoidance rises and exceeds the tolerance range, they will have a suppression of tax avoidance, which also indicates that the higher the level of tax avoidance, the more the suppression effect of the auditing background of the executives. This also indicates that the higher the level of tax avoidance, the stronger the disincentive effect of executives with audit background. Executives with auditing background will make full use of their relevant professional knowledge to effectively identify tax avoidance behaviors of enterprises and keenly assess the legality and reasonableness of their tax avoidance behaviors, which will help to keep the degree of tax avoidance of the enterprise at a relatively low level, and at the same time, executives with auditing background joining the enterprise will also send a message to the enterprise and the members of the enterprise, that is, the financial aspects of enterprise. At the same time, executives with audit background join the enterprise also send a message to the enterprise and members of the enterprise, that is, the enterprise's financial behavior must comply with the rules and regulations and must be strictly based on accounting standards, which will also give other members of the enterprise to increase the invisible pressure, which can make the enterprise's degree of tax avoidance is reduced, and the tax avoidance behavior can be significantly reduced.

#### **5.4. Strengthening the Construction of National Audit Organs and Cooperation Between Audit and Other Departments**

National audit refers to the specialized activities of the national audit organs in accordance with the relevant laws and regulations on the state organs, administrative institutions and state-owned enterprises to implement the government's budget revenue and expenditure and accounting information to carry out inspection and supervision. National auditing can indeed influence the effect of corporate governance, which is mainly reflected in the supervision of the quality of financial reports and information disclosure of enterprises, the strengthening of internal control and the interactive management of internal and external auditing. Therefore, the national audit institutions should improve their political and operational quality, and establish the image of law enforcement in accordance with the law and clean and efficient administration. At present, China's accounting regulations system has been initially formed, but with the deepening of China's market economic system reform, some new situations, new problems continue to emerge, the national audit institutions must keep pace with the times, to strengthen their own construction in the spirit of keeping abreast of the times. In addition, it is also necessary to improve the level of professional ethics of auditors and establish a high-quality audit team. Modern society is an increasingly competitive society, to survive and develop in the fierce competition it is necessary to have a high-quality talent team. In addition, due to tax avoidance issues related to various sectors of social and economic life, so only rely on tax audit authorities to strengthen the prevention of tax avoidance work is far from enough, so the audit authorities must work with various professional departments and all kinds of auditing, accounting, tax firms to do a good job on the tax avoidance control measures, to safeguard the dignity of the tax law, to protect the social economy and the interests of the country.

#### **5.5. Improve the Laws and Regulations and Increase the Punishment for Tax Avoidance**

In addition to invalidating the tax avoidance behavior and restating the business income for tax declaration, the enterprises that have been identified as tax avoidance should also be penalized to a certain extent. For repeated implementation of tax avoidance behavior, and the amount of tax avoidance is particularly large as well as other heavier tax avoidance activities of the enterprise, should be severely punished. With the increase in penalties, enterprises may face misgivings when engaging in tax avoidance activities because the increase in the cost of tax avoidance will have a warning effect on the enterprises, thus reducing the likelihood of their tax avoidance behavior. The law should be clear as to which behaviors are tax avoidance behaviors and the corresponding legal consequences, etc. What is considered serious and should be punished with heavier penalties should be clearly stipulated by the law so as not to have an impact on the actual

implementation of the law. For example, article 43 of China's tax law, although the law clearly stipulates that multinational companies should disclose to the tax authorities the companies with which they are associated, the provisions do not explicitly stipulate what kind of punishment will be imposed for failure to fulfill the obligation, resulting in the failure to declare the association in a timely manner to the tax authorities in practice and the failure to impose the corresponding punishment.

### **6. Conclusion**

To summarize, the illegal tax avoidance behavior of enterprises will not only affect the operation of the enterprise itself, but also have a certain impact on the economic security of the country and social development. The national audit is a full-time supervisory organization to supervise the economic system, which can keep the orderly development of social economy, prevent the occurrence of errors, fraud and other phenomena in the operation of the market economy, and has a very significant responsibility in reviewing and supervising the tax payment behavior of enterprises. So the national audit is bound to take appropriate measures to control illegal tax avoidance behavior, the implementation of economic regulation in order to avoid unreasonable and illegal tax avoidance by enterprises, and to create a favorable environment for enterprises in the market.

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