

Analysis of Suggestions on Corporate Income Tax Planning

Xiaojun Cheng

Hebei University of Architecture, Zhangjiachou, Hebei, China

Abstract: *In the process of daily operation and development, enterprises will involve many types of taxes. Among them, enterprise income tax is the most basic and key tax, enterprise leaders and decision makers should do a good job of tax planning, in the case of law, reduce taxes, save costs. This paper focuses on the tax planning of the enterprise income tax, aiming at promoting the stable development of enterprises. Enterprises need to understand the control policies of tax authorities, especially the trend of digital tax administration. For example, the introduction of the fourth phase of the Golden tax system has made the tax authorities' supervision of enterprises more comprehensive. In addition, enterprises also need to pay attention to the impact of digital tax management. For example, the enterprise information network verification system involving banks and non-bank payment institutions can timely verify the mobile phone real name information, enterprise tax status, enterprise registration information and other important information, so as to prevent enterprise account opening risks and reduce the work burden of financial personnel.*

Keywords: tax; Corporate income tax; Tax planning; Economic benefit.

1. INTRODUCTION

It is the responsibility and obligation of every enterprise to pay tax on time. The following will briefly summarize the basic concept of enterprise income tax, deeply interpret tax planning work, and introduce reasonable and legal tax planning strategies combined with actual cases, so as to save tax costs for enterprises.

From the professional point of view, the corporate income tax is a tax levied on the business income and other income of domestic enterprises and production and management units. As a lawful taxpayer of enterprise income tax, he shall strictly abide by the law and pay tax on time. It is important to note that partnerships and sole proprietorships are not subject to this tax.

2. TAX PLANNING

2.1 Income Planning

Nowadays most enterprises in order to comply with the development needs of The Times, need to provide customers with a full range of high-quality services. Although these services are all subject to VAT by nature, they are subject to very different tax rates according to the internal laws of the industry. If enterprises apply the same 17 percent tax rate for mixed sales, the tax cost will be increased. If enterprises actively do tax planning, or objectively assess their own level of economic development, set up corresponding branches, according to the legal tax rate regularly pay taxes, it can reduce the cost of VAT to a large extent.

2.2 Tax Planning for Costs

(1) Tax planning for depreciation expenses

In the whole cost system, depreciation expense occupies a very important proportion. In the process of enterprise income tax planning, it is necessary to comprehensively consider whether the enterprise enjoys preferential tax policies of income tax in the early stage of production and operation. If in the period of enterprise income tax preferential policies, then can be recognized in the case of laws and regulations, reasonably extend the depreciation life of fixed assets, reduce the preferential period of tax costs. On the contrary, if the enterprise does not enjoy preferential income tax policies, the depreciation life of fixed assets should be lowered to maintain the economic profits of the enterprise during this period.

(2) R&D expenses shall be deducted from tax planning

For the deduction of research and development expenses, the first prerequisite is to clarify the basic concept and scope of this expense, implement tax accounting and planning work. In order for enterprises to fully enjoy the preferential policies given by government agencies in this respect, an independent research and development team should be established, all the grass-roots staff involved in the research and development process should be planned to this department, and the related expenses should also be allocated to this department. Do a good job of research and development project establishment, data filing and fund settlement, to ensure that the enterprise's research and development work is consistent

Related to legal and institutional requirements. At the same time, the accounting system should be constantly improved and perfected, and the R&D expenses spent in the process of project research and development should be independently accounted

for, so as to clarify its division with the main body of production and management. In addition, R&D expenditure items should be established in full combination with the accounting standards within the enterprise, and on this basis, a second-level ledger should be set up, and then a third-level ledger should be set up on the basis of expense items. If the research and development project achieves the predetermined goal and forms intangible assets, the capital expenditure for the research and development project which is not converted into intangible assets shall be included in the current profit and loss during the accounting period. Because the balance of the end debit of R&D expenditure is actually the expenditure of the unfinished part of the R&D project, in the process of annual tax declaration, it should fully meet the standards and regulations formulated by the tax department, fill in the annual R&D expenditure statement on the premise of the actual situation, and also deduct the prescribed amount of expenses before tax, and finally submit it to the tax department for unified record .

(3) Tax planning for business entertainment expenses

According to the latest tax law, the pre-tax deduction standard for business entertainment expenses is 60 percent of business entertainment expenses and less than 0.005 percent of the company's annual income. From the perspective of enterprises, meal expenses are generated by various activities, some are generated in the process of providing services for the main economic activities, some are generated when holding internal meetings, and there are staff lunch, overtime allowance and so on. According to the difference of the diners, the accounting method and tax treatment process are not the same. In view of this, the dining business more units, should do a good job of relevant tax planning. For example, meal expenses incurred during internal meetings should be independently accounted for, and then all expenses outside the scope of business entertainment expenses should be centrally handled by the tax department.

In a period of relatively tight business, the company should provide catering subsidies for employees to work overtime, which can be included in the cost of welfare. The meals generated during economic activities and business negotiations should be increased by 40% of the amount of taxable income. At the same time, the enterprise should also urge the financial department to adopt appropriate tax accounting strategies and actively implement tax planning.

(4) Tax planning of advertising expenses and business publicity expenses

Usually, enterprises will carry out preliminary publicity before formally selling products, such as light box advertising, newspapers and publications, network media. The expenses generated by these market behaviors should be included in the advertising and publicity expenses, and such expenses also have pre-tax deduction limits. However, the deduction limits adopted by different business entities are also different. The limit for the pre-tax deduction of advertising and publicity expenses in general trades shall be 15 percent of the annual profit of the enterprise; Tax on advertising expenses of enterprises in medical and health care and beverage manufacturing industries. The former limit deduction is 30 percent of the annual operating income. In addition, tobacco advertising expenses and voluntary publicity expenses of tobacco enterprises shall not be deducted before the calculation of taxable income. With the exception of the tobacco industry, enterprises can be allowed to deduct their advertising expenses if they exceed their budget.

(5) Tax planning for welfare expenses and labor protection expenses

Articles distributed by an enterprise that are related to the main body of production and business and fall into the category of Labour protection articles shall be included in Labour protection expenses; The goods distributed have nothing to do with the main body of production and management, and should be classified as welfare expenditures. There is a certain difference between the two deductions before income tax, and the welfare expense is also by the limit standard, requiring it to be lower than fourteen percent of the total wage, and the two deductions before income tax is inconsistent, there is a certain limit on the welfare expense, requiring it to be lower than fourteen percent of the total wage, and there is no limit on the deduction of labor protection expense.

(6) Tax planning for investment income

In the process of calculating investment income, enterprises should clearly classify different income business scopes, adopt targeted accounting methods, and accurately judge whether it is pre-tax income or after-tax income. When declaring corporate income tax, pre-tax income and post-tax income should be clearly marked, and one of them should be included in the taxable income amount to avoid double taxation.

3. METHODS AND APPLICATIONS OF INCOME TAX PLANNING

(1) According to the relevant internal regulations, the tax planning of the enterprise organization form must be carried out, and the taxpayer must be the legal representative.

This to a certain extent, for the enterprise to build branches to reserve sufficient adjustment space. A subsidiary has the status of an independent legal person, so it can pay income tax independently. When economic losses occur to the parent company, the subsidiary can not only make up for the losses, but also increase the tax costs. On the contrary, a branch company is not an

independent legal person, so it cannot pay income tax separately. Therefore, it can make up for the economic losses of the parent company, so as to achieve the purpose of mutual offset of profit and loss.

Case: A company plans to set up a sales representative office in place A in 2017, so the competition between the industry of the company is relatively fierce. It is estimated that in the first year of setting up the office, the sales representative may always be in the state of loss, the total loss is estimated to be 2 million yuan, while the profit of the company headquarters in the same year is about four million yuan. So in order to make the enterprise better development, the company should set up a subsidiary or a branch? If you ignore the adjustment of taxable income first, the corporate income tax rate is 25 percent. According to the above data, the analysis is as follows:

Assume that the sales representative office of a company is a subsidiary, then

The amount of income tax to be paid by the corporate headquarters in 2017 is $=400 \times 25\% = 100$.

The subsidiary in place A does not need to pay income tax due to its loss in the current year, and its loss should be reserved to make up for the next year before tax.

Assuming that A sales representative office is established in the form of a branch company, the income tax payable by the corporate headquarters in 2017 is $(-200+400) \times 25\% = 50,000$ yuan

Through comprehensive analysis, it can be seen that designing A sales representative office as a branch office is more beneficial to A company.

(2) In some cases, the tax rate of income tax can be adjusted to 20%, and enterprises can make plans with the help of tax rate differences.

Case: In the year-end final accounts, the taxable income payable by an enterprise is 101,000 yuan. According to the regulations, the enterprise should pay the income tax at the rate of 33%.

The total amount is 33,330 yuan, so the net profit of the enterprise is 67,670 yuan. If the enterprise donates 1,000 yuan to public welfare through domestic and foreign non-profit social organizations and state organs within the statutory deduction amount of 3,030 yuan, then the taxable income of the enterprise is 100,000 yuan. In this case, the tax rate is 27%, and the paid amount is 27,000 yuan. Therefore, the net profit of the enterprise is more than the former 5330 yuan. It can be seen that this method is more beneficial to enterprises.

(2) There will be preferential tax policies for some enterprises in China

It can be taken into account when planning income tax payment. For example, preferential policies for public welfare donations may be allowed to be deducted if they do not exceed 12% of the net income of the enterprise after deducting the total amount of expenses. However, according to accounting standards, there are no restrictions on the disbursement of donations. Therefore, enterprises can make use of this part of tax regulations for tax planning.

4. CONCLUSION

To sum up, the author of this paper puts forward several practical suggestions for corporate income tax planning from a professional perspective. No matter the size of the enterprise, it should actively do a comprehensive planning work, make the enterprise tax reasonable and legal, and finally achieve the maximum economic benefits.

REFERENCES

- [1] Zhang Xinyang. Research on Tax planning Method of Enterprise Income Tax [J]. Finance and Economics (Academic Edition), 2015(7):340-341.
- [2] XIANG Jinyun. Discussion on Tax Planning of Enterprise Income Tax [J]. Getting Rich Monthly, 2011(6):90-91.
- [3] Lin Shanwei. Research on Tax planning of Corporate Income Tax [J]. Modern Corporate Culture, 2015(8):104-105.