

Research on the Basic Ideas and Methods of Enterprise Tax Planning

Rui Zhao, Liangyan Lu*

Yunnan College of Business Management
Kunming, Yunnan, China

Abstract—With the continuous improvement of China's tax system construction, the tax-related matters of enterprises have gradually increased, and the tax burden has become an important expenditure of enterprises. Whether to minimize the cost is one of the important links in the realization of the financial management objectives of modern enterprises. It is required that enterprises should scientifically plan and arrange taxation matters in financial activities in advance to realize the ultimate goal of maximizing the value of financial management enterprises. On the basis of expounding the research status of corporate tax planning at home and abroad, this paper focuses on the specific cases of tax planning, investment process, business process, dividend distribution process, corporate restructuring and other tax planning, analyzes tax planning problems the modern enterprise finance Management uses, and proposes improvements.

Keywords—Basic ideas; Methods; Enterprise tax planning

I. INTRODUCTION

Tax planning is the legal economic behavior of enterprises. After studying the tax law, enterprises in the current tax environment and legal premise, planning and arranging their own operations, investment, financing, etc., to achieve the purpose of reducing tax burden. It is an inevitable outcome of the market economy and an act permitted and encouraged by the state. With the deepening of China's tax reform and economic development, enterprises are increasingly required to upgrade their own management level, and tax planning is also a necessary management measure. Enterprises must profoundly understand tax laws, reduce tax risks, learn related policies, and combine their own business to do tax planning [1-2].

II. THE CONCEPT OF CORPORATE TAX PLANNING

The so-called tax planning means that in order to guarantee the legitimate rights and interests of the enterprise, the taxpayer in the enterprise will follow the existing laws and regulations and follow the tax regulations. On the basis of not violating the tax law, the tax burden of the enterprise will be reduced and the enterprise will be increased. As the goal, we will reduce the tax burden on the business aspects, investment aspects, and fundraising of the company, and formulate some measures and countermeasures that can achieve the fiscal revenue goal without breaking the law. Therefore, the tax planning work of enterprises is to make full use of the loopholes in the tax law, plus

their own business activities, investment activities and fundraising activities to reduce the tax burden of enterprises. However, although tax planning can bring certain benefits to enterprises, there are also certain risks. If the company can not fully pay attention to the risks brought by tax planning, and blindly carry out tax planning work, it will not only bring benefits to the enterprise, but also cause the company to suffer greater losses.

III. THE SIGNIFICANCE OF TAX PLANNING FOR ENTERPRISES

A. Tax Planning for Enterprises is an Important Measure to Obtain Tax Benefits to Reduce Tax Burden

The goal of business operation is to maximize profits. As an independent accounting entity, enterprises need to be responsible for their own profits and losses, and need to improve their own economic benefits and reduce costs. As the competition in the market economy continues to increase, the operating pressure of modern enterprises continues to increase. Enterprises need to continuously reduce the cost of products to enhance their competitive advantages in the market. Tax incentives can reduce the overall enterprise by rationally utilizing existing tax policies [3-4]. The tax burden is transferred to the cost of the product through these reduced tax burdens, thereby reducing the overall operating costs of the product and increasing the profit of the company. At the same time, the company's tax planning can also plan the time for tax payment, and obtain the time value of funds by delaying the payment of tax, and improve the cash flow and benefits of the enterprise.

B. Tax Planning for Enterprises is an Important Measure to Enhance Corporate Tax Awareness and Management Ability

In order to carry out tax planning, enterprises must raise the level of financial personnel of the enterprise. By hiring some experienced financial personnel or strengthening internal training, tax planning can be done well, and internal operations and management also need to cooperate with the financial department [5]. In this way, the financial management level of the enterprise will also be improved. In order to do a good job in tax planning, the financial personnel of the enterprise need to understand the relevant tax policies and reflect on their own taxation work, which can raise the tax awareness and the tax planning itself is legal. The financial information needs to be true and the accounting rules are standardized. Therefore, this can improve the management ability and taxation awareness of the enterprise.

Corresponding author: Liangyan Lu

C. The Tax Planning of Enterprises is Conducive to the Implementation of the National Economic Restructuring Policy

To conduct tax planning, enterprises must be familiar with and fully utilize the country's tax policy, and make use of local tax incentives. When the state formulates tax policies, it is combined with the needs of economic development, and consciously guides enterprises to increase through tax incentives. In order to better use tax policies and improve the tax planning depth of enterprises, enterprises must adjust their production and operation in order to better use taxation policies and invest in emerging industries. Such adjustments are in line with the interests of enterprises, and are also conducive to the realization of national policies and intentions, and achieve the purpose of national macro-control. At the same time, enterprises improve their own profit level after tax planning, and achieve business integration and profit improvement through industrial adjustment. This is ultimately beneficial to the adjustment of the country's taxation and economic structure. Therefore, tax planning can realize corporate interests and national interests. Unity.

IV. THE STATUS QUO AND PROBLEMS OF CORPORATE TAX PLANNING IN CHINA

Tax planning is very common in developed countries, and as an industry is fully developed, it is an indispensable part of the development of the market economy. Tax planning has only entered China for nearly a decade. In 1994, China established a taxation system that was adapted to the needs of the market economy. The tax law was gradually standardized, and the professionalism of tax planning was also strengthened. After the establishment of the market economic system, enterprises that are the mainstay of the market economy have launched fierce competition in order to achieve their respective economic interests. In the case of the establishment of operational capacity and external environment, government taxation and corporate disposable interests are a relationship of mutual growth and decline.

In theory, tax planning that can legally reduce taxable taxes, save tax costs, and maximize profits should be an inevitable choice for taxpayers. However, in practice, tax planning has not been widely carried out. Even if tax planning is implemented, taxpayers are still in the stage of primary tax planning to avoid additional tax burdens in the business process. Few taxpayers are based on intermediate tax planning to choose the best business decision-making based on taxation, and based on reflection and appeal. High-level tax planning for actively pursuing tax policies that are beneficial to them is even more difficult to achieve. Faced with this situation, the main problems in the tax planning of Chinese enterprises are:

At present, there are still many people who do not understand tax planning. When it comes to tax planning, it is associated with evading tax payment. Some people even evade paying taxes in the name of tax planning. In fact, tax planning is essentially different from evading tax payment. It is illegal to evade paying taxes, which is contrary to the legitimacy of tax planning. Others mentioned that tax planning is about tax avoidance, that is, taxpayers use loopholes in tax laws, make appropriate

financial arrangements or tax planning, and achieve activities that reduce or eliminate taxation without violating tax laws. In fact, tax planning is different from the taxation authorities' severance of tax evasion, and because of its rationality, it is also different from the corporate tax avoidance behavior that we have extensive contact with. For the tax avoidance behavior of enterprises, the tax authorities have carried out anti-tax avoidance activities, trying to plug the loopholes through the revision and improvement of the tax law. In the current theoretical discussion and corporate tax-related practices, there is a broad mix of tax planning and tax avoidance concepts, which makes many tax avoidance schemes of enterprises be cloaked in tax planning.

From the current practice of corporate tax planning in China, taxpayers generally believe that tax planning can reduce the tax burden and increase their own income, and rarely or even do not consider the risk of tax planning. In fact, tax planning as a method of planning decision-making is inherently risky.

First, the risk of policy choices and policy changes. When enterprises are planning tax planning, they have insufficient understanding of policies and are not sure about them. They cannot correctly understand and choose policies that suit enterprises. Different places have different laws or rules and regulations. A region's adaptive laws and regulations may not adapt to another. In the region, relying on the subjective judgment of the enterprise will inevitably lead to risks. With the continuous advancement of the society, the continuous development of the economy, and the deepening of the legal system, the taxation policy will be constantly changing to adapt to the needs of the times, which in turn will cause the tax planning scheme to not adapt to the risk of new policy changes. For example, in the corporate income tax treatment of enterprises' policy-relocation of newly acquired assets, Guoshuihan [2009] No. 118 stipulates that newly purchased assets after policy relocation are allowed to be deducted from the relocation income, and the State Administration of Taxation announced 2012 No. 40 document. It is stipulated that new purchase assets shall not be deducted. It can be seen that there is a risk of policy changes in corporate tax planning.

Second, the tax authorities enforce the risk of deviation. Corporate tax planning follows the relevant laws and regulations of the country and is legal. However, in actual application, it is still necessary for the tax authorities to confirm whether it is legal. In this confirmation process, there is an objective risk of tax administrative law enforcement deviations resulting in tax planning failures. For example, China's business tax law stipulates that the tax rate applicable to business tax paid by enterprises engaged in entertainment industry is 5%-20%, but it is not clear what the business tax rate of each place or a certain enterprise is. The local tax authorities may determine the business tax rate based on the business operations of the company and the local conditions. It can be seen that if enterprises want to carry out tax planning, they must consider the risk of law enforcement deviation of tax authorities.

Finally, cost risk. The planning of corporate tax planning takes a lot of cost from the control to the implementation to the evaluation of the results. If the company's tax planning can

bring benefits to the company, but in the process of tax planning, it consumes too much cost, even exceeds the income it can create, then this kind of planning is obviously risky.

Tax planning is essentially a high-level, high-intelligence financial management activity. It is a prior planning and arrangement. Once an economic activity occurs, it cannot be remedied afterwards. Therefore, the tax planners should be highly intelligent and compound talents. They need to have professional knowledge such as taxation, accounting, and financial management, and fully understand and be familiar with the entire business, investment, and fundraising activities of the enterprise. When planning tax planning, tax planners must not only be proficient in tax laws, but also keep abreast of changes in tax policies, and be very familiar with the business situation and processes of their businesses, so as to predict different taxation plans, compare and optimize their choices, and then make the most favorable decision making. However, most companies currently lack professionals who are engaged in such businesses.

V. COUNTERMEASURES FOR ENTERPRISES TO STRENGTHEN TAX PLANNING

A. *Enterprises and Governments Should Pay Attention to Tax Planning Matters and Correctly Understand Tax Planning*

For enterprises, tax planning is their legitimate right. Enterprises should make good use of tax planning to reduce the overall cost of enterprises, improve the internal management level of enterprises, strengthen the planning of taxation work, and correctly position the tax planning of enterprises to ensure their correct positioning. Corporate tax planning can be truly valued. Enterprises must have a deep understanding of the significance of tax planning. Pay attention to the role and significance of tax planning in overall business decision-making. In the business decision-making, on the one hand, we must ensure the smooth implementation of normal operations, on the other hand, we must make full use of the state's tax policy, make appropriate adjustments to relevant links in business operations, and reduce the overall tax burden of enterprises. Senior management and financial personnel must correctly understand tax planning and incorporate taxation costs into the strategic decision of enterprise management. For the government, the local tax bureaus must deeply understand the rationality of corporate tax planning and its benefits to the long-term development of the country, actively adapt to changes in the market economy, and cannot blindly improve their short-term tax sources, abuse their power, and amend the regulations. Reduce the space for corporate tax planning. In the communication and exchanges of daily enterprises, enterprises should also be guided to tax planning, use national policies to adjust their business and upgrade industrial structure, promote long-term sustainable economic development, and promote the upgrading of local economy.

B. *Pay Close Attention to Changes in Tax Laws and Tax Incentives, and Acquire Relevant Knowledge*

To conduct tax planning, enterprises need to seriously study the country's tax laws and local tax regulations, recognize the differences between tax planning and tax avoidance, actively consider and communicate the legislative intent of national and local tax laws and tax regulations, and conscientiously safeguard the seriousness of tax laws. Sex, combined with the legislative intent and its own business characteristics to carry out tax planning, reducing the possibility of violations. At present, China's tax reform has been deepened, and changes in tax laws have become more frequent in the future. Enterprises need to obtain relevant tax laws and regulations through multiple channels, collect relevant tax laws related to business operations and possible future involvement, and strengthen communication with tax authorities. Exchange, timely understand the changes in tax laws and tax regulations, explore possible tax planning space and methods for enterprises, flexibly apply tax laws and regulations, and do a good job in tax planning. When enterprises grasp the content of the tax law and its regulations, they should consider the factors affecting the tax base in combination with their own business, use the tax incentives of different taxpayers and different regions to plan, adjust the business model and product structure in time, and improve the space for tax planning.

C. *Set Up A Special Tax Accountant, Hire A Professional Tax Planner, and Establish an Information Platform*

Enterprises must change the pattern of tax planning, from passive planning to active planning, and actively consider ways of tax planning. To strengthen proactive tax planning, companies need to have relevant talents, strengthen exchanges within the industry, cooperate with intermediaries, establish an information platform, standardize financial information, and improve the integrity and standardization of bill management. In order to do a good job in this aspect, enterprises must first set up corresponding tax accounting positions. This position is mainly to confirm the measurement related income, cost, accounting tax amount, prepare tax returns, and do a good job in tax planning for future taxation. Forecast, reduce the actual tax burden of the company. Many companies do not have full-time tax accounting. Under the premise of considering cost and benefit, enterprises can consider setting up relevant full-time personnel and hiring people who are familiar with the external legal environment, tax laws and tax regulations, and have solid accounting skills. Secondly, enterprises should strengthen communication with the outside world. Enterprises can strengthen their ties with intermediaries, hire professional tax planners, and use their professional planning and tax incentives. At the same time, enterprises should strengthen exchanges with the industry and make full use of the industry. The excellent cases are studied, familiar with the planning points and key points of tax planning, strengthen communication with tax authorities, and avoid misunderstandings in understanding tax laws and tax regulations. The state must also actively promote the growth of professional tax planning agencies and professionals. At the same time, enterprises should establish a sound financial information platform and operation platform, so that tax planners can obtain necessary financial data and business data in a timely

manner, and formulate tax planning strategies in a timely manner.

D. Conduct Cost-Benefit Analysis, Firmly Establish Risk Awareness and Strengthen Departmental Collaboration

The tax planning of enterprises can not blindly damage the overall interests of enterprises for tax planning. Enterprises need to comprehensively consider the explicit costs and hidden costs related to tax planning, and combine the strategic deployment of enterprises to do tax planning, not for tax planning. Enterprises lose opportunities for development. Enterprises also need to focus on tax planning, mainly focusing on how to reduce the tax base and tax rate indicators, and can not be obsessed with some too detailed content, thus diversifying the company's energy. Enterprises should control the risk of taxation while enjoying tax revenues. By improving their internal control system, they should properly declare and pay taxes in a timely manner, collect changes in tax laws in a timely manner, avoid risks caused by tax planning, and discover the possibility of existence in time. Risk, improve the safety of tax planning. At the same time, good collaboration between departments is also the basis for the success of corporate tax planning. Enterprises should promote the significance of tax planning and enhance the support of other departments for the financial department. Tax planning itself is also the planning of cost and expenses. Each department is the bearer of cost and needs to support the work of the financial department. The department must also keep the bills in custody and collection, and promptly hand it over to the finance department, especially the VAT bills. The business department and contract review department of the enterprise need to have early control to avoid the VAT special invoices. Enterprises can't deduct the input tax, which leads to an increase in the tax burden of enterprises. Any department must realize that it is also a participant in the tax planning process. It must actively cooperate with the work of the financial department and do its own work according to the rules and regulations. Strengthen departmental collaboration and improve the efficiency of tax planning.

VI. CONCLUSION

Corporate tax planning is an important measure to improve corporate management and tax awareness. It is also a guiding way to achieve national macro-control. Implementing good tax planning is conducive to the unification of corporate interests and national interests. At present, there are still some tax planning in Chinese enterprises. The problem, in response to the above problems, the author proposed some measures, hoping to be helpful to the enterprise.

REFERENCES

- [1] Wu Dan. Research on corporate tax planning risk and its evasive countermeasures [J]. Commercial Economy, 2013, 03: 50-51+60.
- [2] Gu Xuncai. The Risks and Preventive Measures of Corporate Tax Planning[J]. China Chief Accountant, 2013, 01: 100-101.
- [3] Ji Shi. Analysis of the risks and countermeasures of corporate tax planning [J]. Modern Business, 2013, 09: 199.
- [4] Zhou Min. Analysis on the Risks of SMEs' Tax Planning and Countermeasures[J]. China Business Theory, 2015, 13: 18-20.
- [5] Yuan Huiying. Analysis of corporate tax planning risks and countermeasures [J]. China Business, 2014, 23: 113-114.