

# Thoughts and Research on Tax Planning of Colleges and Universities in the New Era

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**Abstract.** With the deepening of University reform, the business of University-run industry, scientific research, training, logistics and so on has gradually stepped out of the school door to the society, and the proportion of tax revenue in University income is increasing. Taxation in Colleges and universities has become the focus of attention of the tax authorities. However, what is not suitable for it is that colleges and universities have insufficient understanding of taxation according to law, relevant national taxation policies and contacts with government tax authorities, lack of professional knowledge, deviation of understanding of tax policies and improper handling of tax-related businesses, which need to be studied and solved urgently.

**Keywords:** tax planning, tax incentives, cost-effectiveness, basic work.

## 1. Introduction

With the deepening of University reform, Hunan Railway Vocational and Technical College has gradually stepped out of its school-run industries, scientific research, training, logistics and other businesses to the community, and the proportion of tax revenue in college income is growing. In order to prevent and control tax-related risks and at the same time to seek the greatest economic benefits for schools and faculty, tax planning plays an increasingly prominent role in university financial management. However, the long-standing problems such as weak tax awareness, lack of professional knowledge, deviation of tax policy understanding and improper handling of tax-related business need to be studied and solved urgently.

## 2. Analysis of the Income Composition and Tax Payment of Colleges and Universities in China

In fact, the income of colleges and universities in China can be divided into four categories, namely, financial allocation and subsidies from higher authorities, education, scientific research and other types of income. The common types of taxes are VAT, urban construction tax and additional tax, stamp tax, real estate tax, urban land use tax, enterprise income tax and personal income tax. Fiscal allocation and higher-level subsidy income are special development subsidies for colleges and universities, which do not pay value-added tax and enterprise income tax. Income from educational undertakings includes income from administrative undertakings, service fees, fees on behalf of others and training fees. Income from Administrative Undertakings does not pay VAT and enterprise income tax, while service fees and social training fees are subject to VAT. Income of scientific research is divided into vertical and horizontal research income. Vertical research income does not need to pay VAT. Some horizontal research, such as R&D technology development, can be exempted from VAT after going through the relevant procedures of the state.

At present, colleges and universities also have a certain tax planning. Using the preferential policy of education tax, we choose to apply for VAT exemption for further education fees, training fees and R&D technology development, and 3% simple tax calculation for VAT tax rates of R&D technology services, certification services and educational auxiliary services, so that the VAT tax burden of schools not only reduces substantially, but also simplifies financial reimbursement and accounting. Family's preferential tax rebate policy for purchasing domestic equipment in Colleges and universities can provide a certain amount of tax rebate income for schools every year to supplement the shortage of educational funds in Colleges and universities; due to the large number of departments, uneven remuneration and large difference in tax rates, University teachers' income should be combined and divided, and annual bonuses should be paid and utilized in order to reduce

the individual tax of teachers. Tax law provides for tax planning of teachers' income, reduces the tax rate of teachers' income, increases the actual income of teachers, and also mobilizes the enthusiasm of teachers. Other tax categories, such as real estate tax, also use preferential policies of education tax to reduce or exempt tax accordingly.

### **3. Analysis on the Problems of Tax-related Business Management in Colleges and Universities**

#### **3.1 Change the Concept, Establish the Consciousness of Paying Taxes According to Law, Strengthen the Training of Tax Business, and be Familiar with Various Tax Policies.**

For a long time, influenced by the concept of "tax does not go to school", the university is not an enterprise, and is not for profit. It does not need to pay tax except for the payment of personal income tax according to the national policy. School leaders and financial personnel have weak tax awareness; financial personnel have insufficient or biased knowledge of tax policies; schools and tax authorities also lack proper communication; the majority of teachers and staff believe that tax payment is a matter of financial departments and they have nothing to do with them. However, with the development of school education and the enlargement of the scale of running a school, the operating taxable income is increasing, and the tax-related risk is increasing. Accompanied by this, tax authorities have intensified their efforts to investigate and punish the tax payment of colleges and universities. In order to avoid tax risks, the author believes that: first of all, we should popularize knowledge of tax law to the whole school staff, let the staff understand what taxes should be paid in the current school business, how to calculate the payment quota, understand from the concept that tax payment is closely related to everyone, and let the staff and staff establish tax awareness and tax cost awareness in accordance with the law. Secondly, financial personnel should strengthen the study and training of tax knowledge, familiarize themselves with and master various tax laws and regulations of colleges and universities, and at the same time try to tap information sources and obtain preferential tax policies through multiple channels. Once again, try to maintain good communication with tax authorities to obtain the approval of tax authorities in the process of tax planning.

#### **3.2 Define the Connotation of Tax Planning and Grasp the Entry Point of Tax Planning**

Tax planning refers to an enterprise planning behavior in which taxpayers, in accordance with the guidance of tax policies and regulations and in accordance with the laws and regulations of the state, choose a tax payment plan to maximize tax benefits beforehand to deal with their production, operation, investment and financial management activities. With the in-depth reform of education, colleges and universities as institutions are facing more and more tax-related economic business. It is urgent for colleges and universities to carry out tax planning. Tax planning will not be a strange concept. Since 1994, the state has introduced a series of preferential tax policies to make up for the shortage of education funds. For example, the Ministry of Finance and Taxation [2004] 39, the State Administration of Taxation "Notice on Education Tax Policy"; the Ministry of Finance and the State Administration of Taxation in 2006 "Notice on Strengthening the Administration of Business Tax Collection of Education and Labor Services"; the Notice on Tax Policy of Operating Student Apartments and Canteens in Colleges and Universities [2013] 83, and so on.. As a taxpayer, the State supports and encourages the use of preferential tax policies, because the more taxpayers use preferential tax policies, the more conducive to the realization of specific international policy objectives. Therefore, as a university, tax planning can be carried out with tax preferential policies as a starting point. The author thinks that tax planning in Colleges and universities should be defined as: without violating the tax law, making full use of the preferential policies of tax revenue in Colleges and universities to achieve the purpose of tax saving, so as to avoid the tax burden to the greatest extent and obtain the greatest economic benefits for schools and teachers.

## **4. Make Full Use of Various Preferential Tax Policies and Earnestly do a Good Job in Tax Planning**

### **4.1 Income-related Preferential Tax Policies**

Tax planning in Colleges and universities is different from that in general enterprises. The purpose of tax planning in enterprises is to maximize the profits of enterprises, while the purpose of tax planning in Colleges and universities is to make better use of all kinds of educational resources. Due to the lack of systematic tax planning in Colleges and universities, we should do a good job in tax planning in Colleges and universities, reduce tax burden reasonably and legally to the greatest extent, so as to save more educational resources for students and teachers.

### **4.2 Colleges and Universities Should Employ Professionals in Tax Planning**

Colleges and universities in China should strengthen the awareness of tax planning, incorporate tax planning into an important part of school financial management, and invest a certain amount of funds for tax planning. Priority should be given to tax planning before carrying out daily teaching and research work and paying taxes according to law. In order to ensure the rationality and validity of the tax planning plan in Colleges and universities, tax planning staff need to know the income situation of schools and the types of tax-related income in a timely manner, and grasp the changes of the relevant tax preferential policies of the government in real time. Therefore, colleges and universities should hire professional financial staff to specialize in tax planning, and regularly train financial staff to form a high-quality work team.

### **4.3 Bring into Full Play the Maximum Benefit of the Government's Preferential Policy of Education Taxation**

In terms of College income, the preferential policies of education tax provided by the government include various kinds of taxes, such as enterprise income tax, real estate tax, urban land use tax, value-added tax, stamp tax and land occupation tax deed tax, etc. Facing so many preferential policies of education tax, colleges and universities should actively study these policies and take measures to actively reduce school tax expenditure. When there are many tax options available, they should make a reasonable and legal choice to bear the lowest tax burden. And relying on the preferential policy of government education tax, we can encourage students to work-study, standardize the signing of scientific research contracts, promote the socialization of University logistics, and improve the management of school accommodation income.

### **4.4 Tax Exemption and Different Tax Rates Should be Accounted for Separately**

The tax law of our country clearly points out that the income of the preferential policy of education tax in Colleges and universities must be separated from other taxes, accounted for and declared separately, otherwise the relevant policies can not be enjoyed. Before tax planning, colleges and universities should conduct in-depth analysis and categorization of the specific items of various types of school income, clearly understand which income needs to be taxed according to law and which income can be exempted through preferential tax policies. In the process of financial accounting, tax-free income and different tax rates are calculated separately, so as to ensure the legitimacy and rationality of tax planning and reduce the risk of tax planning in Colleges and universities.

### **4.5 Strengthen the Management of Tax Relief Evidence**

When colleges and universities apply for tax reduction or exemption of part of their income, the relevant tax laws of the state clearly stipulate the need to provide written proof of tax exemption. Colleges and universities should pay attention to collecting and preserving evidence of tax reduction and exemption when obtaining relevant tax reduction and exemption income, and should know the time and process of tax reduction and exemption declaration in real time, and handle relevant procedures in time. Ensuring that the application for tax reduction and exemption can be successful can effectively reduce the risk of tax planning in Colleges and universities.

#### **4.6 Strengthen the Standardization of the Use of College Bills.**

University financial bills are used for tax-exempt items, tax invoices are used for tax-payable items, strictly distinguishing the tax-exempt and tax-paying nature of the two kinds of bills, strengthening the standardization of the use of bills, bills become an effective tool for paying taxes according to law, plugging tax loopholes in universities, standardizing University fees, and achieving tax planning of "controlling taxes by tickets" to reduce the tax risk of universities.

### **5. Conclusion**

This paper analyses the problems existing in the income composition and tax-related business management of colleges and universities in China, and then puts forward some measures, such as employing professionals in tax planning, giving full play to the advantages of the government's preferential tax policy on education, accounting tax-exempt business separately from tax-exempt business at different tax rates, and strengthening the management of tax-exempt evidence. This paper discusses how to strengthen the tax planning of College income in China, so as to reduce the overall tax burden of colleges and universities rationally and legally, save school funds and increase the income of staff and workers.

In a word, tax planning pays attention to the principle of cost-effectiveness at the same time. Schools should be equipped with financial personnel with high professional quality, should be familiar with various tax laws and regulations, and be able to timely know the latest tax information. Strengthen accounting, classify and refine the accounting of income and expenditure, and clarify taxable and non-taxable income and income at different tax rates. Do a good job in tax declaration

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