Research on Tax Planning of E-commerce Enterprises Against the Background of Tax Reduction and Fee Reduction
Taking HXZ (Hua Xian Zi) Company as an Example
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ABSTRACT
At present, the international and domestic economy is facing tremendous downward pressure, and the development of enterprises is facing severe challenges. In order to further stimulate market vitality, China has successively introduced a number of tax reduction and fee reduction measures to boost the development of enterprises. Although the scale of e-commerce enterprises is large, the profit space is getting thinner and thinner; the majority of taxpayers, especially e-commerce enterprises should fully and accurately grasp the state's tax policy, through tax planning to reduce the burden of enterprises to enhance market competitiveness. This paper first analyzes the common methods of tax planning for e-commerce enterprises; combined with the actual business of HXZ enterprise, this paper puts forward a series of tax planning skills for e-commerce enterprises, summarizes the possible risks in the process of tax planning, and puts forward some preventive countermeasures.

Keywords: The electronic commerce, Tax preparation, Freight, Risk prevention.

1. INTRODUCTION
In recent years, the rapid development of e-commerce enterprises, National Bureau of Statistics of the People's Republic of China said that in 2019, the national e-commerce transactions of 34.81 trillion yuan, an increase of 6.7 percent over the previous year. Of this total, 33.76 trillion yuan in merchandise and service e-commerce transactions, up 6.6 percent, and 1.05 trillion yuan in contract e-commerce transactions, up 10.1 percent. As of October 2020, there were 2,651 million e-commerce entities in China, of which 1.960 million were enterprises, 691,000 were self-employed and 26.1 percent were self-employed e-commerce entities, accounting for more than a quarter of the total. But with lower prices and increased costs, e-commerce business profit space is getting thinner, most e-commerce business profit margin of less than 10%, or even lower. Against the background of national tax reduction and fee reduction, how to make good use of the policy and reduce the tax burden by legal means is also a way to improve the profit space of e-commerce enterprises.

2. COMMON METHODS OF TAX PLANNING FOR E-COMMERCE COMPANIES

2.1 Tax Preferences Law
Preferential tax policy refers to a special provision of the tax law that encourages and takes care of certain taxpayers and tax objects. In order to support the development of certain specific industries, industries, regions, enterprises and products, or to give preferential treatment to certain taxpayers with practical difficulties, the state makes certain special provisions in the tax law. It includes tax exemption technology, tax reduction technology, tax rate difference technology, tax deduction technology, tax deduction technology, tax refund technology and so on.
2.2 Tax Deferral Law

Tax deferral law refer to a tax planning method that allows taxpayers to postpone the payment of taxes and save taxes under legal and reasonable circumstances. The taxpayer's deferred payment for the current period cannot reduce the taxpayer's absolute total tax payment, but it is equivalent to obtaining an interest-free loan, which can increase the taxpayer's cash flow for the current period; due to the time value of money, more funds invested today can generate benefits, so that you can get more after-tax income in the future, and relatively reduce taxes.

2.3 Transfer Pricing Act

"Transfer pricing" refers to the transfer of income or profits between economically connected parties in the process of exchange or sale, not in accordance with market rules and market prices, but based on their common interests. In this kind of transfer, according to the wishes of both parties, the transfer price of the product can be higher or lower than the price determined by the supply and demand relationship in the market, in order to achieve the purpose of paying less or not paying taxes.

2.4 Some Common Mistakes

Planning by using loopholes in tax law is a method of planning by using the neglect of tax law or loopholes in tax administration, which belongs to tax avoidance planning. Loopholes mainly refer to the stipulations of the Tax Law on some contents, the diversity of the understanding of the tax law caused by the ambiguity of the grammar or the words, and the omission of the tax law in the actual operation. Loopholes are bound to exist in a country's tax law, and they are scattered in the links of legislation and law enforcement, it is mainly determined by the time change, the place difference, the personnel quality, the technical means as well as the economic situation complex, the variety and the changeable characteristic.

3. CASE ANALYSIS OF TAX PLANNING FOR E-COMMERCE COMPANIES — TAKING HXZ COMPANY AS AN EXAMPLE

3.1 Analysis on Tax-related Situation of Shandong HXZ Company

Shandong HXZ E-commerce Co., Ltd. was established in 2015, with electronic equipment as the media for all trade activities of e-commerce enterprises. The company's business scope includes chemical products sales business and e-commerce trading platform, two separate business accounting. The company belongs to the value-added tax general taxpayer, the chemical product sales business applies to the general tax method. Trade revenue for 2018 was 36,105,500 yuan, compared with 10,526,400 yuan in the first quarter of 2019. The e-commerce trading platform is for small-scale taxpayers and applies to a 3 percent levy rate. At present, e-commerce trading platform in the form of income for the collection of membership fees, in the resulting transaction activities do not charge a commission or service fee. 2018 E-Commerce platform to facilitate transactions 460 million yuan, and actually obtained membership fee income of 557,600 yuan, in the improvement of the platform and data based on the gradual collection of commission or service fees.

3.2 Tax Dilemma in Company Development

Shipping costs cause higher corporate tax burden: in chemical sales, a business buys products and sells them to earn the difference. Since HXZ has no transportation qualification, it can only charge the sales revenue and freight on the same invoice and calculate the sales tax at 13% tax rate. The purchase of goods tax rate is 13%, freight charges by 9% deduction, freight charges to pay 6% VAT, resulting in the company's operating costs increased, and net income decreased. The cost of transportation is borne by the company, which accounts for about 10% of the total revenue of the goods. Since the establishment of the company, the average monthly purchase price of goods without tax is 2.3 million yuan, and the applicable tax rate for deductible items is 13%; the sales price without tax is 3 million yuan, and the sales tax is 390,000 yuan; transportation expenses without tax are 300,000 yuan, and can obtain the special invoice
issued by the transportation enterprise with a tax rate of 9%.

Software development business does not enjoy tax incentives: At present, the company has a software development business and is still at the stage of self-development and use, and the software has formed intangible assets and applied for a patent. However, this business is not accounted for separately in accounting and cannot enjoy the additional deduction of software research and development expenses. With the company’s current accounting methods and institutional settings, the more software development, the higher the cost of the company and the insufficient deduction. Therefore, the corporate income tax and future value-added tax paid will increase the tax burden of the company, which is not conducive to further development of enterprise e-commerce business. At present, the company has only one software product developed by itself, which is used in the company, and the preliminary accounting is not separately calculated.

3.3 HXZ Tax Planning Scheme Design

3.3.1 HXZ E-commerce Co., Ltd. Freight Planning

Taxation before planning: The freight business is a mixed sales, involving the main tax categories for value-added tax, urban construction tax, additional education fees and corporate income tax. Before the planning, the total tax payable by the business is as follows:

- VAT payable=(390000-230000*13%-3000000*9%)*12=768000(yuan)
- Urban maintenance and construction tax =768000*7%=53760(yuan)
- Education fee surcharge=688000*3%=20640(yuan)
- Total tax=688000+53760+20640=756800(yuan)
- EBIT=(2700000+300000-2300000-200000)*12-48160-20640-200/4=5431200(yuan)
- Tax burden rate=Total tax/EBIT=756800/5431200=13.93%
- Net profit=[(2700000+300000-2300000-200000)*12-48160-20640-200/4]*75%=4073400(yuan)

Advantage: Net profit is increasing year by year. The purchase of transportation vehicles belongs to the company, which can generate additional income from external operations.

Disadvantage: Vehicles must be qualified to transport hazardous chemical products, but the qualification is difficult to obtain. The company can consider calling a qualified transportation company, but it will require a certain fee.

Option I: The establishment of a non-independent accounting department can issue special value-added tax invoices of 13% and 9%, with sales of 2.7 million yuan and freight income of 300,000 yuan. It is necessary to purchase three transport vehicles at the time of establishment. It is assumed that the total cost is 2 million yuan without tax, and the input tax can be deducted by 260,000 yuan. The depreciation of the vehicles is calculated using the straight-line method. The period is four years and there is no net output value; other personnel are required. The cost is 200,000 yuan/year.

- VAT payable=(2700000*13%+300000*9%-2300000*13%)*12-260000=688000(yuan)
- Urban maintenance and construction tax =688000*7%=48160(yuan)
- Education fee surcharge=688000*3%=20640(yuan)
- Total tax=688000+48160+20640=756800(yuan)
- EBIT=(2700000+300000-2300000-200000)*12-48160-20640-200/4=5431200(yuan)
- Tax burden rate=Total tax/EBIT=756800/5431200=13.93%
- Net profit=[(2700000+300000-2300000-200000)*12-48160-20640-200/4]*75%=4073400(yuan)

The tax planning is as follows:
• VAT payable=(2700000*13%-2300000*13%)*12+(300000*9%-0)*12=948000(yuan)

• Urban maintenance and construction tax =948000*7%=66360(yuan)

• Education fee surcharge=948000*3%
  =28440(yuan)

• Total tax=948000+66360+28440
  =1042800(yuan)

• EBIT=(2700000-2300000+300000)*12-66360-28440
  =8305200(yuan)

• Tax burden rate=Total tax/EBIT
  =1042800/8305200=12.56%

• Net profit=[(2700000-2300000+300000)*12-66360-28440]*(1-25%)
  =6228900(yuan)

Advantage: There is no need to set up transportation agencies, no need to purchase transportation vehicles and personnel expenses, and existing resources can be integrated.

Disadvantage: M&A is an independent company, there will be control risks.

Then the author compares the two options and gets the following "Table 1":

<table>
<thead>
<tr>
<th>Content</th>
<th>Before planning</th>
<th>After planning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Option I</td>
<td>Option II</td>
</tr>
<tr>
<td>VAT</td>
<td>768000</td>
<td>888000</td>
</tr>
<tr>
<td>Urban maintenance and construction tax</td>
<td>63760</td>
<td>48160</td>
</tr>
<tr>
<td>Education fee surcharge</td>
<td>23040</td>
<td>20640</td>
</tr>
<tr>
<td>Total tax</td>
<td>844800</td>
<td>1042800</td>
</tr>
<tr>
<td>Tax burden rate(%)</td>
<td>17.89%</td>
<td>12.56%</td>
</tr>
<tr>
<td>Net profit</td>
<td>3542400</td>
<td>6228900</td>
</tr>
</tbody>
</table>

By comparison, the tax burden rate and net profit of Option I and Option II are superior to those before the plan; although Option II is higher than Option I, the tax burden is higher, but the overall tax burden rate is lower, and the net profit is far better than Option I. Therefore, from the perspective of tax burden rate and net profit, Option II is the best.

3.3.2 HXZ E-commerce Enterprise Software Development Planning

3.3.2.1 Independent Accounting of Research Costs for Software Development

The future development of software products first go to the relevant departments for project approval, and then accounting on an independent accounting, then enjoy the plus discount. The cost of research and development, including labor cost, direct input cost, depreciation cost, field test cost and other related costs, which are not intangible asset, can be deducted at 75% plus; intangible asset can be amortized at 175% of the cost before tax.

3.3.2.2 Establishing an Independent "Tech-based SME" Subsidiary

First, once a software development project has been approved, it can enjoy the financial subsidy from the Innovation Fund for small and medium-sized technology-based enterprises; Second, if the quarterly sales volume does not exceed 300,000 yuan, it can enjoy the preferential treatment of VAT exemption, even if it reaches the standard of the general taxpayer, after the value-added tax is levied at the rate of 13%, the part of the actual tax burden that exceeds 3% will be entitled to a rebate; once again, the part of the income from the transfer of software products that does not exceed 5 million yuan will be exempted from enterprise income tax, more than 500 million yuan of the part of the enterprise income tax by half; finally, can enjoy the small and micro enterprises tax concessions. (See "Table 2")
Table 2. Software business tax policy

<table>
<thead>
<tr>
<th>Tax</th>
<th>File</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>Announcement No. 4 (2019) of the State Administration of Taxation</td>
<td>Small-scale taxpayers who declare and pay tax on a quarterly basis and whose quarterly sales do not exceed 300,000 yuan shall be exempted from value-added tax.</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>Ministry of Finance and State Administration of Taxation (2011) No. 100 State Administration of Taxation Order No. 48(2019)</td>
<td>After the value-added tax (VAT) is levied at the rate of 13% on the software products developed and produced by the General Taxpayer, the policy of immediate refund shall be implemented for the part of the actual VAT burden exceeding 3%.</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>Ministry of Finance, State Administration of Taxation (2018) No. 99</td>
<td>If the research and development expenses incurred by an enterprise for the development of new technologies, products or processes are not intangible asset into the profits and losses of the current period, on the basis of deduction according to the provisions, and on the basis of actual facts, during the period from January 1,2018 to December 31,2020, this is then deducted before tax at 75 percent of the actual amount incurred; where the intangible asset is formed, it is amortized before tax at 175 percent of the intangible asset cost during the said period.</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>Announcement No. 2 (2019) of the State Administration of Taxation</td>
<td>From January 1,2019 to December 31,2019, the part of the annual taxable income of small and micro-profit enterprises not exceeding 1 million yuan shall be reduced by 25% to be included in the taxable income amount, and the enterprise income tax shall be paid at the 20% tax rate; if the annual taxable income exceeds 1 million yuan but does not exceed 3 million yuan, the taxable income shall be reduced by 50% and the enterprise income tax shall be paid at 20%.</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>Tax Law</td>
<td>Part of the income from technology transfer not exceeding 5 million yuan shall be exempted from enterprise income tax, while the part exceeding 5 million yuan shall be reduced by half to collect enterprise income tax.</td>
</tr>
</tbody>
</table>

3.4 Contract Planning

3.4.1 Compressed Amount Method

The stamp duty is calculated based on the amount stated in the contract. Therefore, for mutual interest, both parties or parties can make reasonable plans to reduce the amount of various expenses and raw materials from the amount stated in the contract through non-illegal means. In addition, the contract amount is best to be signed at the price excluding tax, but it should be indicated in the contract so that the tax can be paid at a smaller amount.

3.4.2 Fuzzy Amount Method

In real economic life, parties to various economic contracts sometimes encounter situations where the taxable amount cannot be finalized when signing the contract. However, most of my country’s stamp tax calculation basis is determined based on the amount recorded in the contract and the specific applicable tax rate. When the tax calculation basis cannot be finalized, the taxpayer’s stamp tax payable amount cannot be determined accordingly. Specifically, the fuzzy amount planning law refers to the fact that when economic parties sign a contract with a larger amount, the amount stated in the contract is deliberately not finalized under clear conditions, so as to achieve the purpose of paying less stamp duty an act.

Example: Suppose HXZ Company wants to sign a lease contract with a transportation company. Since there are more leased vehicles and the transportation vehicles themselves are more expensive, the annual rent is 2 million yuan. This is if the rent of 2 million yuan is clearly specified when the contract is signed, both companies should pay stamp tax, which is calculated as follows: Each taxable amount = 2000000×1‰=2000 (yuan)

If the two companies only stipulate the daily rent amount in the signing of the contract, but do not specify the time limit for the implementation of the lease contract, according to the above regulations, the two companies only need to pay a stamp duty of 5 yuan each, and the rest will be paid at the time of settlement, so as to achieve the purpose of saving taxes.
4. E-COMMERCE ENTERPRISE TAX PLANNING RISKS AND COUNTERMEASURES

4.1 Risks of Tax Planning for E-commerce Companies

4.1.1 Policy Risk

It mainly includes policy selection risks and policy adjustment risks. The main reason for the risk of policy choice is that the planner has insufficient understanding of the policy and is not sure about it. The understanding of tax policy should be understood strictly in accordance with the literal meaning of the tax law. It cannot be expanded or reduced. At the same time, attention must be paid to the effective interpretation of legislative and administrative agencies; Policy adjustment risks refer to changes with economic development, the risks brought by tax policy adjustments. The government's tax policy always has irregular or relatively short timeliness, which not only increases the difficulty of corporate tax planning, but may even make it impossible to achieve the goal of corporate tax planning. Therefore, the plan must be predictable.

4.1.2 Cost Risk

Tax planning belongs to the category of corporate financial management. Its goal is to maximize shareholder wealth or corporate value. Therefore, tax planning should follow the principle of cost-effectiveness. When making tax planning, it is necessary to conduct cost-benefit analysis first, and reasonably predict planning costs and planning benefits. Planning costs refer to the additional costs incurred by choosing a planning plan or the opportunity cost of abandoning other plans, such as consulting fees from an accounting firm, the possible benefits of abandoning other plans, and so on. Only when the newly incurred expenses or losses are less than or far less than the profits, the planning plan is reasonable; when the expenses or losses are greater than the profits, the planning plan is a failure, which causes cost risks in tax planning.

4.1.3 Credit Risk

The failure of tax planning sometimes means loss of credit. Once a company is deemed tax evasion or even a crime by the tax authority, its reputation will suffer serious damage. Of course, sometimes taxpayers' accounts are unclear or tax payments are inaccurate, which may be caused by the company's unawareness or insufficient understanding of tax laws. But in any case, it will lead to the loss of corporate credit, making taxpayers may face credit risks due to the failure of tax planning, which will hinder the development of the enterprise.

4.2 Tax Planning Risk Prevention Countermeasures

4.2.1 Improving Internal Control Environment

The performance evaluation of tax planning involves the cost-benefit analysis of the plan. The internal audit department can use its specialized technical methods to analyze and estimate its uncertain benefits and costs. Therefore, a temporary internal audit department can be established when conducting tax planning for large-scale or large-scale projects to analyze the cost of tax planning using specialized technical methods, evaluate its performance, and put forward practical recommendations based on actual conditions.

4.2.2 Using Intermediaries to Transfer Risks

When an enterprise has a large-scale or complex business or tax-difficult project, it is necessary to assume greater risks in its own planning, and the enterprise can entrust a professional tax agency. Because professional institutions have stronger tax planning capabilities, their tax planning plans have a relatively high probability of success. Entrusting professional institutions not only has low cost and risk, but also can transfer part of the tax risk through prior agreement. The entrusting party shall pay attention to the stipulations of the entrusted planning contract to clarify the boundaries of responsibilities in the process of cooperation with the entrusted party to realize the transfer of tax risks.

4.2.3 Establishing the Concept of Paying Taxes According to Law and Risk Awareness

As taxation policies are constantly changing and the business environment is complex and changeable, tax planning risks are everywhere. Therefore, corporate planners should firmly establish risk awareness. When making tax planning, enterprises should make full use of the
Internet, newspapers, etc. to collect and sort out tax policies or changes related to the enterprise, and adjust tax planning plans at any time.

4.2.4 Strengthening Ties with Tax Authorities

In peacetime, strengthening ties with tax authorities can obtain timely information when tax policies change, which is conducive to adjusting corporate tax planning plans as soon as possible. Since most tax policies formulated by the state have a certain degree of flexibility, the subjective judgment of tax officials often has a certain influence in confirming the legitimacy of the planning plan. In addition, corporate planners should fully understand the tax collection and management requirements of the local tax department, so as to adapt and meet the specific requirements of the local tax department in the design of the plan.

5. CONCLUSION

In the context of tax reduction and fee reduction, this article first introduces the tax planning methods commonly used by e-commerce companies, and then uses Shandong Huaxianzi E-commerce Co., Ltd. as the research object. According to the company's current financial status and actual taxation in previous years, it is proposed Practical tax planning plan enables the company to maximize tax benefits to achieve the company's fiscal and taxation goals. At the same time, it summarizes the tax planning risks of e-commerce enterprises and proposes preventive countermeasures.

AUTHORS' CONTRIBUTIONS

This paper is independently completed by Xueli Sun.

REFERENCES


