

Optimizing Corporate Interests: A Comprehensive Study on Tax Planning Strategies for Company a Under the Framework of Enterprise Income Tax Law

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Abstract. In terms of taxation, as one of the main sources, corporate income tax is 20% according to the newest financial reports. Therefore, conducting tax planning and developing a series of corporate income tax planning plans is crucial for maximizing corporate interests. This paper is based on the Enterprise Income Tax Law, with Company A as the research object. In response to the development of the company in the past three years, literature review and case analysis methods are used to plan for enterprise income tax payment of the company, in order to reduce taxes and increase profits. This article introduces the company's overview, financial situation, and existing problems, such as not fully utilizing tax preferential policies Failure to reasonably distinguish or plan expenses, resulting in exceeding tax amounts and failing to recognize revenue methods for various sales, has led to corresponding planning plans to reduce risks while reducing expenses, which not only reduces the taxable amount of corporate income tax but also increases profits.

Keywords: Tax Planning, Corporate income tax, Income tax incentives.

1. Introduction

With the promising development prospects and increasing profits of various enterprises, the tax burden is also increasing. Therefore, in order to reduce the tax burden, various enterprises have made tax planning one of the key points to reduce costs. In the tax system, corporate income tax plays a very important role. In recent years, taxation has become a concern for various enterprises, thus saving tax costs has become a concern for management personnel [1]. However, in various taxes, the proportion of corporate income tax amount is particularly important.

From the research situation of tax planning, the discussion of tax planning by enterprises is relatively scattered and systematic [2]. Based on the research results of domestic and foreign experts and researchers, the tax strategies, avoidance strategies, tax reductions, and current analysis data have been systematically organized. The theoretical basis and implementation conditions of tax planning analyzed the problems that exist in the process of tax planning and the factors that restrict the development of China's tax system plan. Combined with the current economic environment, it predicted the prospects of tax planning, advocating that tax planning will tend towards legalization, standardization, generalization, and specialization, and that tax planning will achieve a "win-win" situation between the government and enterprises, with a bright future. The opinions and ideas proposed in this article can provide useful assistance for improving tax planning research, and also hope to enhance people's understanding of corporate income tax planning and promote smooth development.

2. Preliminary

2.1. Corporate income tax

Corporate income tax [3] is a type of tax that conducts independent audits of the production and income of enterprises and organizations within one nation, with the aim of taxpayers collecting

corporate income tax. Corporate income tax payable is equal to the multiple of Current taxable income and Applicable tax rate.

2.2. Transaction costs

The basic discussion of transaction cost theory is to explain the nature of enterprises, and the phenomenon of occupational division of labor occurs due to the use of division of labor and market price functions [4]. Enterprises, suppliers, and customers are united and united. They are in a competitive and cooperative relationship. Enterprises want to purchase materials from suppliers at low prices and sell to customers at high prices. The customer wants to purchase the product at a low price. One is to restrict each other and reduce the tax burden. However, in terms of taxation, the three parties negotiate and cooperate together to reduce taxes. Through negotiation, the aim is to achieve a mutually agreed "balanced price" among the three parties, maximize the common interests of all three parties, reduce taxes, choose appropriate sales methods to reduce taxes, reduce costs, and reasonably maximize common interests [5]. Minimize tax amounts in legally reasonable circumstances.

2.3. Tax effects

Taxation has formed an economic phenomenon that has developed with the emergence and development of the country. Like other economic phenomena, taxation also has economic effects. Moreover, it can be divided into substitution effect and income effect [6]. From a tax perspective, changes in tax rates and taxpayers' tax amounts result in changes in taxpayers' income levels, economic actions, and demands. The effect of tax revenue varies depending on the average tax rate [7]. That is to say, the average tax rate refers to the higher the proportion of tax payment to total income, the greater the income effect on taxpayers. Conversely, the income effect is minimal.

The theoretical basis of the tax effect theory is actually a game between taxpayers' economic activities and the government's tax policies to maximize their respective economic interests. The purpose of formulating and implementing a tax system is to ensure the fulfillment of national taxation and public functions. As a taxpayer, we fully utilize the economic impact of taxation, with the ultimate goal of ensuring the maximum increase in bonded income [8]. Moreover, economic means such as taxpayer consumption affect changes in government policies, making full use of tax policies and commodity advantages, adjusting services or economic measures, adapting to new needs, and offsetting the negative economic benefits of the tax system, this reflects the fact that the company has indeed chosen a plan to maximize after tax profits [9].

2.4. Tax planning methods for corporate income tax

It is divided into differences in tax rates between regions, industries, and enterprises, the actual application should consider the characteristics of the enterprise itself, find the region or industry with the lowest tax rate, and be able to maintain it for a long time. It is also important to note that according to changes in the national economy, differential tax rates will also change. Enterprises should keep up with the times in order to enjoy the benefits of low tax rates in the long term.

By utilizing the characteristic of the time value of funds, the tax payment period can be extended to the maximum extent, which will increase the interests of the enterprise and reduce the amount of corporate income tax paid in this quarter.

3. Current status of corporate income tax

3.1. Data preprocessing

The data used in the paper is mainly comes from the financial reports of the corporations in the list of investigation. According to the Table 1, it can be seen that from 2016 to 2018, the company's operating revenue has been increasing year by year. With the rapid development of the economy, the continuous improvement of national construction technology, and the increasing demand for steel,

the market size has continued to increase. As an essential raw material for various construction projects, the demand for steel continues to rise, leading to a continuous increase in operating revenue.

Table 1. Extract of Annual Report

Project	2016	2017	2018
Income	849146.74	1419006.78	1745360
Main income	849146.74	1419006.78	1745360
Gross profit	52818.8	194115.2	153153.83
Profit	39470.91	145418.38	108832.41
Debt	201077.64	227669.63	263547.47

3.2. Corporate income tax burden

From Table 2, it can be seen that as the enterprise continues to grow, the total tax payment and corporate income tax amount have been continuously increasing in the past three years.

Table 2. Overall tax situation

Year	Tax
2018	8.88 billion
2017	6.98 billion
2016	3.22 billion

According to the above data and the following analysis, the operating income has been continuously increasing in the past four years, and the costs and expenses have also gradually increased. The reason why the company's tax burden is generally higher than that of other industries and other manufacturing enterprises is mainly due to the need to improve the efficient utilization of tax preferential policies, as well as strict requirements for distinguishing between travel expenses and welfare expenses in terms of expenses.

3.3. Issues with income tax

The production of one ton of steel by the company requires 29.65 cubic meters of water. The daily production quantity of steel by the company is about 5500 tons, which will consume 163000 tons of water. The commercial water consumption per ton is 8.15 yuan, which will cost the company 1.32845 million yuan in water bills per day. This is considerable, and the production of steel requires a lot of water and energy. Therefore, purchasing water-saving equipment is an inevitable choice. If water-saving equipment can reduce water and energy consumption by 30% in one day, it can save 398535 yuan in water bills in one day and 1195605 yuan in water bills in one month, which is considerable. Over time, the amount of water bills that can be saved is very huge.

From this perspective, the previous investment of 510 million yuan by the enterprise can save 51 million yuan in corporate income tax, and the actual investment in purchasing equipment is 459 million yuan. If A Steel Plant invests 400 million yuan in purchasing water-saving equipment in 2020, it will reduce corporate income tax by 40 million yuan, and the actual investment will be 360 million yuan.

3.4. Problems in revenue recognition

In order to prevent payment delays, enterprises cannot accurately calculate overdue payments in the later stage. Usually, direct payment is used to confirm revenue as shown in Table 3. In the following planning plan, revenue is recognized through installment payments in two phases, with the first phase recognizing half of the contract revenue and the second phase recognizing the other half of the revenue. It is shown in Table 4. By comparison, if Corporation uses installment payment to recognize revenue from customers, the company can provide a more favorable tax amount for corporate income tax in the current quarter compared to the revenue recognition method using direct payment [10].

Table 3. Direct collection

Tax	Limit
Value added tax	55.17 billion
Urban construction tax	3.86 billion
Education surcharges	2.76 billion
Corporate income tax	54.55 billion
Gross tax	116.34 billion

Table 4. Comparison between such two methods

Tax	Direct payment	Installment payment
Income	55.17	27.59
Main income	3.86	1.9313
Gross profit	2.76	1.3795
Profit	54.55	27.27
Debt	116.34	58.1708

4. Enterprise Income Tax Adjustment Plan

4.1. Different sales methods determine sales revenue based on time

In the Enterprise Income Tax Law, the income obtained by the operator from the sale of goods can be recognized in stages for business income. Enterprises can use methods such as advance payment or entrusted sales, installment payment, etc. for income recognition, which can extend the enterprise income tax to the next quarter or year, reducing the amount of enterprise income tax payable for that year. To obtain the time value of taxes.

When recognizing revenue for this enterprise, direct payment is usually used to confirm revenue. After calculation, I chose installment sales method. By comparing and comparing the methods of installment payment to confirm revenue, it is more effective than direct payment to confirm revenue.

4.2. Deemed sales planning.

According to the essence, enterprises can distinguish and separately account for the two. On the other hand, this is a typical sales action. On the other hand, when steel is used for donations, debt repayment, advertising, employee benefits, profit distribution, and other purposes, sales will also pay specific taxes. The corporate income tax policy has regulations that determine sales volume and timing.

According to the recent market sales prices of similar products in enterprises.

The sales amount is determined by the tax authorities based on the market value of products developed in other places.

The specific amount is determined by the tax authorities based on the profit margin of product costs. At this point, accountants should use three methods to calculate and record the lowest sales price in their accounts.

4.3. Cost planning adjustment plan

Business entertainment expenses include expenses incurred in business operations such as entertainment reception, mainly including product marketing, supplier and customer transactions, conference reception, etc. Business entertainment expenses are easily confused with travel and welfare expenses, so there are many things to pay attention to when planning business entertainment expenses. In the tax law, it is stipulated that business entertainment expenses shall be deducted at 60% of the amount incurred and shall not exceed 0.5% of the operating revenue. Therefore, we can plan and formulate reasonable expenditure plans based on the critical point, minimize the expenditure of

business entertainment expenses, and control the business entertainment expenses to just reach the critical point. Prevent the excess from increasing the taxable amount and reducing tax burden.

5. Conclusion

This paper draws on the results and rich experience of tax planning at home and abroad and adopts a combination of practice and theory to conduct in-depth research on the problems and solutions in the tax planning of enterprise income tax at A Steel Plant. Starting from actual cases, many ideas and suggestions were provided. We provide many references for the enterprise to reasonably save taxes and reduce tax burden in the future. However, the tax planning methods for corporate income tax are not comprehensive and comprehensive enough, and the impact and consequences in future practical applications may not be deeply considered.

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