

# Research on Tax Planning of B Liquor Company

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**Abstract:** Tax planning is an important part of enterprise strategic management and enterprise financial management. In recent years, the liquor industry as a traditional industry in China, the tax burden is relatively heavy. In this paper, B company as an example, within the scope of the tax law allows through tax planning, reasonable tax avoidance, reduce the tax burden of enterprises, to help enterprises achieve sustained and steady development, while its tax planning strategy has a certain degree of representation and reference.

**Keywords:** Tax planning; liquor enterprise; sales link.

## 1. Introduction

With the rapid development of China's economy, tax planning has gradually become an important part of corporate financial management. Company B is the leading enterprise in liquor industry in China, and its tax planning strategy has certain representativeness and reference significance. This report will take Company B as an example to analyze its tax planning strategy.

## 2. Overview of Tax Planning

### 2.1. Concept of Tax Planning

Tax planning is also known as "reasonable tax avoidance," which is that the taxpayer uses legal means to raise and arrange the production and operation links of the enterprise in advance on the premise of legal compliance to reduce the cost of tax payment of the enterprise. In the process of modern enterprise management, tax planning occupies a more and more important proportion, large enterprises have a separate tax planning department, the level of tax planning has increasingly become an important indicator to measure the level of corporate finance. [1]

### 2.2. Purpose of tax planning

Enterprise tax planning has a certain purpose: First, the operation of the enterprise standardized management, reduce the risk of law. For a business, they are most concerned about their own costs and profits. Excessive pursuit of interests is likely to lead enterprises to the wrong path and bear the corresponding legal consequences. The introduction of tax planning program can be a good solution to this problem, that is, in tax planning, enterprises can be arranged and executed in accordance with the plan, so as to achieve the purpose of reducing costs and increasing profits. In particular, the process of integrating the relevant knowledge of tax regulations with their own business activities in the design of tax planning programmes is tantamount to regulating and adjusting their operations within a legal framework, which then minimizes legal risks. Second, to restructure and improve the management capacity of enterprises. To reduce the tax burden, enterprises tend to operate in the direction of tax concessions granted by the government, and during this period they follow the government's lead in the

transformation of the industry, the renewal of products and the movement of goods. Moreover, the implementation of tax plans is both a study of the country's development policies and policies and a process that combines current development policies and trends with the development of enterprises, both to reduce the tax burden and to establish a scientific and efficient financial system that improves the efficiency of their operations and optimizes the enterprise's resource allocation. Third, reducing the tax burden and strengthening the firm's basic core competitiveness. Capital, costs, and profits are the three main elements of an enterprise's financial operations. How to use capital rationally, and how to control and reduce the cost of investment in order to obtain more benefits has been the focus of the enterprise's work. If the aim is to reduce costs and increase profits, then there will be more adequate capital guarantees for subsequent re-production and expansion of enterprises. At the same time, reducing production costs ensures both profitability and a greater advantage in the same product, thus achieving greater competitiveness in the same product at a higher value for money[2].

### 2.3. Introduction to tax laws

#### 2.3.1. Value-added tax

Value added tax (VAT) is a turnover tax that refers to a tax on the value added component of the value in the course of a transaction for goods or services. In particular, VAT is a tax on the added value or value of goods in various segments of the production, circulation and services of goods.

In the case of general taxpayers, the value added tax calculation formula is as follows: taxable = current sales tax - current advances tax, where the sales tax = sales × tax rate, sales = including tax sales (1+ tax rate).

#### 2.3.2. Enterprise income tax

The tax rate on corporate income tax varies according to the type of enterprise and the region in which it is located.

In accordance with our tax laws, the tax rate for a resident's income tax is 25 per cent for a general enterprise and 20 per cent for a non-resident's enterprise. Taxable income = taxable income for the period × applicable tax rate, taxable income = total income - amount of deductible items.

#### 2.3.3. Consumer tax

Consumer tax is a tax on specific consumer goods or services. Consumer tax is levied on a wide range of goods and

services, including tobacco, alcohol, cosmetics, and automobiles. The consumption tax rate varies depending on the goods or services, and generally adopts a proportional tax rate or a fixed tax rate. For example: liquor consumption tax is a compound plan, liquor consumption tax rate of 0.5 yuan / jin, the proportion of tax rate of 20%. The tax calculation formula is: tax payable = sales amount × proportional tax rate + sales quantity × fixed tax rate.

#### 2.3.4. Others Trials

In addition to these three taxes, there are personal income tax, stamp tax, resource tax, property tax, land value added tax, vehicle tax, customs duty, urban maintenance and construction tax, etc.

### 3. Company B profile

#### 3.1. Company profile

Company B's main business is alcohol products, etc., and its production method is unique, using a variety of models such as distribution mode and direct sales mode to ensure that

each consumer is covered. At the same time, it has a wide range of influence and recognition in the domestic and foreign markets.

### 3.2. Current state of corporate development

#### 3.2.1. Status of Corporate Development

Company B, a large business with a focus on the production and marketing of alcohol, has a wide range of operations. It also includes areas such as modern manufacturing, modern packaging, modern logistics, financial investment, and the healthy industry. The company is committed to building a diversified industrial ecosystem and has achieved significant achievements and developments in a number of ways.

#### 3.2.2. Status of operations

Since 2018, company B's net profits have grown from \$18.7 billion to \$37.2 billion. By the third quarter of 2023, B had achieved business income of 62.5 billion yuan, an increase of 12.11 per cent over the second quarter of 2023. By the third quarter of 2023, B had achieved net profits of 23.8 billion yuan.

**Table 1.** Company B Statement of Financial Position 2018-2022

Unit: Billion Yuan

Financial indicators	2018	2019	2020	2021	2022
Total assets	861	1064	1139	1356	1528
Total liabilities	210	303	261	342	361
Owner equity	651	761	878	1014	1167
Assets growth over years	21.39%	23.58%	7.04%	19.08%	12.68%
Liabilities increase over years	29.09%	44.46%	-13.75%	30.97%	5.54%

**Table 2.** Company B Main Accounting Data and Financial Indicators for 2018-2022

Unit: Billion Yuan

Financial indicators	2018	2019	2020	2021	2022
Business income	400	501	573	662	740
Operating costs	215	261	297	340	370
Selling expenses	37.784	49.856	55.789	65.035	68.442
Finance costs	-10.850	-14.307	-14.855	-17.317	-20.264
Administrative costs	23.405	26.553	26.095	29.000	30.681
Operating profit	187	242	278	326	372
Total profit	186	241	277	325	371
net profit	140	182	209	245	280
Operating costs	215	261	297	340	370

#### 3.2.3. Taxation

**Table 3.** Company B's main taxes and fees from 2018 to 2022

Unit: Billion Yuan

	2018	2019	2020	2021	2022
Income tax expense	45.682	58.778	67.651	79.430	91.329

### 4. Tax Planning Program Design

The following assumptions are made from the tax planning programme of Company B's business sales chain. The marketing chain is a complex area whose objective is to improve the economics of enterprises through sound tax planning. Enterprises can work out the optimal tax plan according to tax regulations and related policies to reduce tax burden and improve capital utilization. Tax planning for the sales chain involves the major business sectors in the supply

chain: the Ministry of Planning, the Ministry of Production, the Ministry of Logistics, and the Department of Marketing. Tax planning at this stage is crucial and necessary, not only for the best tax performance, but also for more accurate marketing plans.

#### 4.1. Tax Planning Approach

The following are the main tax planning methods used in the sales process.

##### (1) Choice of depreciation method

Sales discount refers to a kind of price preference given to the buyer in order to promote the sale of goods and recover the sales payment as soon as possible under the circumstances of credit sales and commercial credit. If the enterprise adopts sales discount and sells the product at the same price, the discount given to the other party will be included in the financial expense, and the VAT payable in this case will be the same as the original sales price. Through this sales discount

sales, you can reduce the tax burden of value-added tax

Discounting is the activity of reducing the price of a product or service. Merchants will discount on the basis of the original price to attract consumers to buy. By using this method, the sales amount minus the discount can be recorded and declared, which can reduce the tax burden.

A sale concession is a sale price reduction granted by an enterprise for reasons such as the non-conformity of the quality of the goods sold. After the enterprise sells the goods to the buyer, the buyer may require the seller to grant a price reduction if it finds that the goods do not meet the requirements in terms of quality, specifications, etc. If the sale is made prior to the recognition of the proceeds of the sale, the sales proceeds shall be recognized directly at the amount after the deduction of the sales proceeds; ; sales credits for goods sold that are recognized as proceeds of sale and that are not part of post-balance sheet transactions should, at the time the proceeds from the sale of goods in the current period should be offset against the amount of the recognized value added tax (VAT) if the deduction of the amount of the VAT tax is permitted as required

For example, assume that Company B sells to Company A a series of liquor products with a total price of 26.58 million yuan excluding tax. A 5% discount is possible if payment is made within ten days. One per cent discount if payment is made after ten days or within thirty days. If payment is made after 30 days, the original price shall be paid without any discount.

Option 1: Use a cash discount. The value-added tax payable can be calculated as  $2658 \times 13\% = 3.4554$  million yuan.

Option 2: Use commercial discounts. The price will be fixed at 5% discount, payment within ten days, normal delivery, if more than ten days, collect 150.177million yuan breach of contract. The value-added tax payable within ten days of payment can be calculated as  $2658 \times 95\% \times 13\% = 3.2826$  million yuan.

To sum up, it can be seen that Scheme I saves 172.8 thousand yuan compared to Scheme II. Similarly, the consumption tax and the urban construction surcharge will save the corresponding tax.

(2) Planning for transfer packaging sales

This method is to first separate the packaging of the wine product and sell it to other companies as a product. Then the liquor is sold, and finally the final packaging work is completed by it, thus forming two independent sales activities, and the cost of packaging is no longer included in the sales of liquor to levy consumption tax, which produces tax-saving benefits.

**4.2. Expected effectiveness of tax planning**

**Assuming the business of an enterprise's sales chain, other conditions are not considered for analysis as follows.**

Company B purchased 9,000 tons of barley and 6,000 tons of peas from company S of the original food company. For the production of 12,000 tons of white wine, the price of barley was \$3,700 per ton and the price of peas was 1600 per ton. Company B and Company S agreed in the contract that the goods would be picked up by Company B to Company S, Company S gave Company B a price concession of 200000 yuan. Company S used Company L (as the general tax payer) to carry out the transportation, and the freight was 360000 yuan (excluding tax price). Company B was also stipulated in the contract to pay for the barley and peas in full within 15 days after the completion of the quality inspection. The

depreciation method is the straight-line depreciation method, with an original value of 450000 yuan and a depreciable life of 15 years, having been used for 4 years, and an estimated net salvage value of 3%. The goods are targeted planned production, all sold to Company A, the price excluding tax is 60000 yuan / ton, giving Company A 5% cash discount for payment within 7 days after arrival and acceptance. After the withdrawal by Company A, Company B made a 400000 yuan discount.

(1) Before tax planning

Value added tax (VAT) payable:  $(12000 \times 60000 - 400000) \times 13\% = 93548000$ (yuan)

Taxes on consumption should be paid:  $(12000 \times 60000) \times 0.2 + 12000 \times 2000 \times 0.5 = 156000000$ (yuan)

Urban construction taxes and surcharges are due:  $(93548000 + 156000000) \times (5\% + 3\% + 2\%) = 24954800$ (yuan)

Corporate income tax payable:  $((12000 \times 60000 - 400000) \times 97\% - 156000000 - 24954800) \times 25\% = 129264300$ (yuan)

Total tax payable:  $93548000 + 156000000 + 24954800 + 129264300 = 403767100$ (yuan)

(2) After tax planning

At the time of sale, according to the previous research and analysis, the cash discount is changed into a commercial discount.

Value added tax (VAT) payable:  $60000 \times 12000 \times 95\% \times 13\% + 300000 \times 9\% = 88947000$ (yuan)

Taxes on consumption should be paid:  $((12000 \times 60000) \times 0.2 + 12000 \times 2000 \times 0.5) \times 0.95 = 148200000$ (yuan)

Urban construction taxes and surcharges are due:  $(88947000 + 14820000) \times (5\% + 3\% + 2\%) = 10376700$ (yuan)

Corporate income tax payable:  $((12000 \times 60000 - 400000) \times 97\% - 148200000 - 10376700) \times 25\% = 134858825$ (yuan)

Total tax payable:  $88947000 + 148200000 + 10376700 + 134858825 = 261009525$ (yuan)

**Table 4.** A comparison of the results of tax planning.

Unit: Yuan

	Before planning	After planning
<b>Value added tax (VAT) payable</b>	93548000	88947000
<b>Taxes on consumption should be paid</b>	156000000	148200000
<b>Urban construction taxes and surcharges are due</b>	24954800	10376700
<b>Corporate income tax payable</b>	129264300	134858825
<b>Total tax payable</b>	403767100	261009525

Compared with before and after tax planning, the overall effect is good, and the total amount of taxes and fees that Company B needs to pay has saved tens of millions of yuan compared with before planning. From the final overall data, the planned program is further away from the goal of tax planning and creates more profits for the enterprise.

**5. Conclusion**

The tax obligation of the enterprise is stipulated by law.

From this point of view, the enterprise tax payment is a necessary activity that cannot be evaded. From the perspective of the enterprise, if the enterprise can carry out tax planning through reasonable and legal means during the tax payment process, it will reduce part of the tax burden of the enterprise and improve the value creation of the enterprise. While increasing the value of the enterprise, it also improves the force majeure factors to deal with unexpected situations and enhances the core competitiveness of the enterprise itself. And then achieve the good operation of the enterprise.

From the above B company's tax planning strategy analysis case, we can also see that Enterprises can reduce their tax burden and improve their economic efficiency through rational use of preferential policies, rational planning of VAT output tax and input tax, and rational use of enterprise organizational forms for tax planning. At the same time, the tax planning strategy of Company B also provides some beneficial enlightenment for enterprises: first, enterprises should pay attention to the changes of national tax policy and adjust the tax planning strategy in time; Secondly, enterprises should strengthen cooperation with suppliers and customers

to achieve the goal of tax planning. Finally, enterprises should pay attention to improving the level of financial management and training professional tax planning talents to cope with the increasingly complex tax environment.

In general, the tax planning strategy of Company B has typical significance, but in practice, the enterprise should consider various factors according to its own situation and work out a tax planning program that meets its own reality. At the same time, enterprises should follow tax laws and regulations, pay taxes according to law, avoid tax risks, and achieve sustainable development of enterprises.

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