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Study on Periodical Fiscal and Tax Problems of China Engineering Testing Company

-- Taking A Company as an example

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Abstract: If an enterprise wants to operate continuously and smoothly, the most important thing is to pay attention to its own fiscal and tax issues. Fiscal and taxation issues cover two major aspects, namely, financial issues and tax issues. Nowadays, most enterprises can pay attention to their own financial problems. For example, can the current situation of assets and liabilities guarantee the normal and stable operation of the enterprise? Is it possible for enterprises to make profits in their operation? Is there room for the future development of the enterprise? Etc. However, enterprises pay relatively little attention to the tax problems and potential tax risks generated in the process of their own operation. Now under the guidance of the comprehensive rule of law, the state's supervision of corporate tax issues is becoming more and more intense, and enterprises must implement tax obligations in accordance with the law. Therefore, what common tax problems and tax risks may exist in the daily production and operation of enterprises are worth summarizing and paying attention to. This article is based on Sichuan Province, China. Chengdu A Engineering Testing Company as a case, through the business process of its tax problems are summarized, and thus triggered thinking, finally put forward solutions or suggestions for improvement, hoping to bring some reference value to other companies in the same industry.

Keywords: Fiscal and taxation problems, Fiscal and tax suggestions, Financial and tax planning.

1. Theoretical Basis

1.1. Value-added Tax and Additional Tax

1.1.1. VAT Related Concepts

Value-added tax (VAT) is a kind of turnover tax, which is calculated on the basis of the value-added value of goods (including taxable services) generated in multiple links in the process of production and circulation. This kind of tax implements the off-price tax system, and the tax is usually borne by consumers. The tax object of value-added tax mainly includes two categories: general taxpayers and small-scale taxpayers (annual value-added tax should be levied sales less than or equal to 5 million yuan). VAT can be divided into multiple tax brackets according to different taxable behaviors of taxpayers. Specifically, the general taxpayer is divided into four tax rate brackets, namely: 13%, 9%, 6% and zero rate. For small-scale taxpayers, there are two tax rates, 5% and 3% respectively (1% can be reduced in certain cases). The breakdown is shown in the following table:

Table 1. VAT rate Table

Items	Tax rate
Sales of goods, provision of labor services, leasing services of tangible movable property, imported goods	13%
Transportation, postal service, telecommunications, construction, real estate leasing, real estate sales, transfer of land use rights, sales and import of some goods	9%
Provision of services, sale of intangible assets	6%
Exporting goods, selling services across borders	0%

VAT calculation method:

(1) Sales = tax-inclusive sales revenue/ (1+ applicable tax rate);

(2) Output tax (or input tax) = sales * applicable tax rate;

(3) Calculation formula of tax payable: tax payable = current output tax - current input tax.

1.1.2. Concepts Related to Value-Added Tax Surcharge

VAT surcharge includes: city maintenance and construction tax, education surcharge and local education surcharge.

The rate of urban maintenance and construction tax varies from region to region and is mainly divided into three tiers: within the urban area (7%); Counties and towns (5%), and non-county and non-town areas (1%). Education surcharges are taxed at a fixed rate of 3% and local surcharges are taxed at a fixed rate of 2%.

Calculation method of value-added tax surcharge:

(1) City construction tax = VAT payable in the current period *7%

(7% in urban areas; 5% for counties and towns; 1% for non-urban areas, counties and towns).

(2) Education surcharge = VAT payable for the current period *3%

(3) Local education surcharge = current VAT payable *2%

1.2. Enterprise Income Tax

Enterprise income tax is a kind of tax specially set up for enterprises operating in China and organizations that obtain income. The scope of taxation covers the production and operation income of these entities and other types of income.

The scope of enterprise income tax collection mainly includes two types of enterprises: one is resident enterprises; the other is non-resident enterprises. For resident enterprises, they must pay corporate income tax on their worldwide income, regardless of whether the income comes from within or outside China. As for non-resident enterprises, if they have set up establishments or premises in China, then the income earned by such establishments or premises in China, as well as the overseas income with actual connection to such establishments or premises, is also subject to corporate income tax.

The total income of a firm includes all kinds of income obtained from various channels in monetary or non-monetary form. Specifically, this involves earnings from the sale of goods, provision of services, transfer of property, and returns on investments such as dividends and bonuses; It also includes income from interest, leases and licensing rights. In addition, income earned by a company through a variety of other means, such as receiving donations, is also counted as total income.

Corporate income tax rate: 25% (non-resident businesses are taxed at 20%)

The calculation method of enterprise income tax is:

Enterprise income tax payable = taxable income × applicable tax rate - tax reduction - tax credit

There are two ways to calculate taxable income:

(1) Direct calculation method:

Taxable income = total income - not levied income - tax-free income - various deductions - allowed to make up for the loss of previous years;

(2) Indirect calculation method:

Taxable income = accounting profit + increase in tax adjustment - decrease in tax adjustment

1.3. Individual Income Tax

Personal income tax laws and regulations mainly involve the social relations established between tax authorities and individual taxpayers (including residents and non-residents) in the process of collecting, paying and administering personal income tax.

Individual income tax covers a wide range of groups, including: individuals who reside in China and obtain income, regardless of their nationality; Individuals who do not reside in China but derive their income from China; Foreign nationals who obtain income in China; And compatriots from Hong Kong, Macao and Taiwan.

The personal income tax is levied on a wide range of income, including income earned by individuals from a variety of sources. Specifically, it includes: Personal wages and salaries, remuneration for providing services, royalties for creating works, income from using royalties such as patents or Copyrights, income from business activities, rent from renting property, income from selling or transferring property rights, accidental income such as lottery wins, profits from trading virtual currencies, and income obtained from various other sources. In addition, it includes investment income such as interest, dividends and bonuses that an individual receives as a result of holding investment products such as stocks and bonds.

There are three different tax rates for personal income tax: (1) The comprehensive income tax covers wages, salaries, remuneration for services provided, remuneration for works created, and income derived from the use of patents or Copyrights and other royalties. There are seven different tax brackets for this type of income tax. The top rate is 45%, which applies to individuals with higher taxable income; While the lowest rate is 3% for individuals with low taxable income. (2) Income from production and business operations of individual businesses, as well as income from contracting and leasing operations of enterprises and public institutions, is usually taxed at a progressive rate of five levels of excess. The tax rate starts at the lowest level of 5%, which is applied to the lower taxable income, and rises to the highest level of 35%, which is applied to the higher taxable income. (3) Income received by individuals from interest, dividends and bonuses, as well as income from property leasing, transfer of property, contingent income and other types of income, is usually taxed at a fixed rate, and a uniform rate of 20% is generally applied.

Personal income tax is calculated as follows:

Individual taxable income = monthly income - 5,000 yuan (exemption amount) - special deduction (three insurances and one housing fund, etc.) - special additional deduction - other deductions determined according to law.

1.4. Stamp Duty

Stamp duty is a tax levied on the act of making or receiving a document with legal effect in an economic activity.

The taxpayers of stamp duty include: (1) entities or individuals who are directly related to taxable vouchers and assume rights and obligations; (2) In the loan contract written by the way of entrusted loan, the taxpayer includes the trustee and the borrower; (3) In the case that the confirmation of auction transaction is regarded as a sales contract or property rights transfer document and needs to pay stamp duty, the main taxpayer is the ownership holder and the ultimate purchaser of the auction items.

Stamp duty taxable vouchers include: (1) signed outside the People's Republic of China, but used in the territory of the need to pay stamp duty; (2) Between enterprises, the documents used to establish the relationship between sales and define the rights and obligations of the buyer and the seller are not accompanied by a formal sales contract, these documents still need to pay stamp duty according to regulations; (3) Power purchase and sale contracts signed between power plants and power grids, as well as between different power grids.

2. Operation Status of The Case Company

2.1. Introduction of An Engineering Inspection Co., LTD

A Engineering Testing Co., LTD. (hereinafter referred to as "A Company") was established in 2005, is a construction engineering testing and related consulting; Building foundation testing; Rock, soil and water quality analysis and testing; Environmental testing and monitoring; On-site inspection of construction projects; House safety appraisal; Building quality, safety, accident inspection and appraisal; Ventilation and air conditioning system testing; Building electrical inspection; Soil source heat pump testing; Building intelligent inspection; Building electromechanical energy saving engineering consulting; Environmental testing and monitoring consulting for the main business scope of engineering testing companies.

The company applies: general enterprise accounting standards, with RMB as the accounting standard currency, to the accrual production as the accounting principle, fixed assets, intangible assets using the straight-line method of depreciation, amortization, inventory accounting method for the actual cost method.

2.2. Analysis of the current situation of Company A's assets and liabilities

Table 2. Balance sheet of Company A from January to September 2023 Unit: Yuan

Items	Closing balance	Balance at the end of previous year	Items	Closing balance	Balance at the end of previous year
Monetary fund	1,449,265.46	2,628,014.75	Short-term borrowing	0.00	0.00
Notes receivable	178,037.81	443,137.81	Notes payable	0.00	0.00
Accounts receivable	9,063,839.41	7,679,983.57	Accounts payable	6,627,627.76	7,125,743.84
Prepayments	164,605.49	119,983.64	Advance payments	0.00	0.00
Other receivables	377,628.62	361,649.12	Employee compensation payable	0.00	0.00
Inventory	0.00	0.00	Taxes payable	61,756.78	47,464.01
Other current assets	737.64	80,035.59	Other payables	348,077.93	388,618.78
Total current assets	11,234,114.41	11,312,804.48	Total current liabilities	7,037,462.46	7,561,826.62
Long-term equity investments	0.00	0.00	Long-term borrowing	0.00	0.00
Fixed assets	818,222.95	957,346.12	Deferred revenue	0.00	0.00
Construction in progress	0.00	0.00	Other non-current liabilities	1,046,730.89	1,347,379.98
Productive biological assets	0.00	0.00	Total non-current liabilities	1,046,730.89	1,347,379.98
Oil and gas properties	0.00	0.00	Total liabilities	8,084,193.35	8,909,206.59
Right-of-use assets	0.00	0.00	Paid-in capital (or share capital)	2,575,000.00	2,575,000.00
Long-term deferred expenses	101,388.45	265,564.89	Capital reserve	39,322.78	39,322.78
Deferred tax assets	99,203.54	99,203.54	Surplus reserves	351,161.65	351,161.65
Other non-current assets	1,221,500.55	1,366,719.88	Undistributed profit	2,424,752.12	2,126,947.89
Total non-current assets	2,240,315.48	2,688,834.42	Total owners' equity	5,390,236.54	5,092,432.31
Total assets	13,474,429.89	14,001,638.90	Total liabilities and owners' equity	13,474,429.89	14,001,638.90

(1) Asset-liability ratio

Asset-liability ratio = total liabilities/total assets ×100%

= 8,496,699.97/13,738,034.39 ×100%

= 61.85%

The normal range of corporate asset-liability ratio is 40% to 60%. The asset-liability ratio of Company A is 61.85%, slightly higher than the normal range, which may affect the company's ability to use debt to finance production and business activities, and at the same time, the company may also have the risk of insolvency.

(2) Equity ratio

Equity ratio = total liabilities/total shareholders' equity ×100%

= 8,496,699.97/5,241,334.43 ×100%

= 1.62

The equity ratio reflects the relative proportion of debt capital and equity capital in the production and operation capital sources of an enterprise. Under normal circumstances, the standard value of the enterprise's equity ratio is 1.2, and the company's equity ratio is as high as 1.62, indicating that the proportion of debt financing is significantly higher than the proportion of equity financing. In the long run, it may have a negative impact on the company's solvency.

From the above analysis, it can be seen that the main source of operating funds of Company A is debt funds. Under the premise of stable operating conditions, the company has a small risk, but if there is a fund gap in the operation of the company, it is likely to face the crisis of insolvency.

2.3. Analysis of Company A's Operating Profit Status

Table 3. Profit statement of the Company from January to September 2023 Unit: Yuan

Items	Amount for the current period
I. Operating income	10,928,286.67
Less: Operating costs	9,464,241.74
Principal business taxes and surcharges	18,488.05
Selling expenses	0.00
Administrative expenses	1,059,158.79
Research and development expenses	0.00
Finance fees	32,528.76
Of which: interest expense	0.00
Interest income	0.00
Plus: Other gains	26,521.17
Operating profit	380,390.51
Add: Non-operating income	0.00
Less: Non-operating expenses	0.00
Total profit	380,390.51
Less: income tax expense	18,678.82
Iv. Net profit	361,711.69

(1) Net profit margin on sales

Net profit margin on sales = net profit/sales revenue ×100%

= 361,711.69/10,928,286.67 ×100%

= 3.31%

By September 2023, the net sales interest rate of Company A is 3.31%. Comprehensive analysis of the company's income statement shows that the company has high costs, among which the labor subcontracting cost accounts for 43.84% of the total cost. The reason for the high proportion of labor subcontracting cost may be that the company has the habit of withholding labor subcontracting cost. However, according to the accrual basis principle, the company's cost should be incurred first and then recorded in the account, so as to control the revenue-cost ratio within a reasonable range.

(2) Cost and expense

From January to September 2023, Company A's main business income: 10,888,286.67 yuan, main business cost: 9,129,241.74 yuan, gross profit margin of 16.16%, main business cost rate of 83.84%. The company belongs to the professional and technical service industry, and the labor cost accounts for a large proportion of the cost. The largest proportion of the cost of the company is the labor subcontract expenditure, followed by the labor wage.

2.4. Analysis of Financial and Tax Indicators of Company A

Table 4. Related financial and tax indicators of Company A

No.	Name of financial indicator	Financial indicator data	Name of tax indicator	Tax Indicator data
1	Main business cost to revenue ratio	83.84%	Nature of corporate tax	General taxpayer
2	Gross margin	16.16%	Industry	Testing services
3	Percentage of period fee income	10.03%	VAT rate	6%
4	Input tax as a percentage of main business costs	3.54%	VAT burden rate	2.50%
5	Corporate income tax burden rate (Advance payment from January to September)	0.17%		

Company A belongs to the testing industry, and the VAT rate is 6%. As the input tax of this company can be deducted by 5%, the overall VAT burden of your company is relatively low. In addition, the company is a small and micro enterprise, and the negative rate of enterprise income tax in advance is 0.17%.

2.5. An Analysis of Current Situation of Various Tax Categories of The Company

(1) Declaration and payment of value-added tax and additional tax

Table 5. Declaration and payment of value-added tax andadditional tax of Company A Unit: Yuan

Time of declaration	Time to belong	Filing taxes	Accounts are taxable	Differences	VAT payable	Paid-in VAT
		Base	Revenue			
	Carried forward from the previous period					
February 2023	January 2023	2,365,104.90	2,365,104.90	0.00	9,496.93	9,496.93
March 2023	February 2023	362,731.95	363,861.83	1,129.88	4,182.07	4,182.07
April 2023	March 2023	814,183.55	814,183.55	0.00	16,607.10	16,607.10
May 2023	April 2023	944,273.54	944,273.54	0.00	40,880.57	40,880.57
June 2023	May 2023	760,936.58	760,936.58	0.00	41,300.25	41,300.25
July 2023	June 2023	984,162.33	984,162.33	0.00	31,428.89	31,428.89
August 2023	July 2023	1,255,200.15	1,255,200.15	0.00	62,226.75	62,226.75
September 2023	August 2023	2,040,414.50	2,040,414.50	0.00	66,517.13	66,517.13
October 2023	September 2023	1,361,279.19	1,361,279.19	0.00	57,029.76	57,029.76
Total of		10,888,286.67	10,889,416.55	1,129.88	329,669.42	329,669.42

(2) Enterprise income tax declaration

Table 6. Corporate income tax declaration of Company A Unit: Yuan

Period of ownership	Account for the main business income	Declare income from enterprise income tax	The difference between the declared income and the recorded income of enterprise income tax
Q1 2023	3,542,020.39	3,542,020.39	0.00
Q2 2023	2,689,372.44	2,689,372.44	0.00
Q3 2023	4,656,893.84	4,696,893.84	40,000.00
Total	10,888,286.67	10,928,286.67	40,000.00

(3) Stamp duty calculation and payment

Table 7. Calculation of corporate stamp duty of Company A Unit: Yuan

Tax items	Filing	Measure up	Stamp duty rate	Tax payable	Actual tax paid (RMB)	Overdue taxes payable (RMB)
	Tax basis	Tax basis		Halved levy (Yuan)		
Sale and purchase contract	237,994.00	254,069.50	0.03%	38.11	35.70	2.42
Construction project contract	1,434,818.84	1,428,242.57	0.03%	218.33	215.23	3.11
Technical contracts	15,956,085.50	15,965,653.00	0.03%	2,394.85	2,393.41	1.44
Contract of Undertaking	0.00	35,227.00	0.03%	5.29	0.00	5.29
Rental contract	330,214.25	330,214.25	0.10%	165.11	165.11	0.00
Total	17,959,112.59	18,013,406.32	/	2,821.68	2,809.44	12.25

(4) Personal income tax

Table 8. Enterprise individual income tax of Company A

Unit: Yuan

Period of tax	Declare income	Book payroll, Bonuses	differences
January 2023	348,682.64	339,932.64	8,750.00
February 2023	309,325.84	309,325.84	0.00
March 2023	317,569.74	317,569.74	0.00
April 2023	382,589.84	382,589.84	0.00
May 2023	306,850.04	306,850.04	0.00
June 2023	307,055.49	307,055.49	0.00
July 2023	302,185.49	302,185.49	0.00
August 2023	305,102.75	305,102.75	0.00
September 2023	306,448.72	306,448.72	0.00
Total	2,885,810.54	2,877,060.54	8,750.00

3. Financial and tax problems of Company A

3.1. There is a Difference Between the Value-Added Tax and Additional Taxable Income and The Declared Taxable Income

From January to September 2023, the amount of taxable main business income of Company A is 10,889,416.55 yuan, but the tax base of the company is 10,888,286.67 yuan, and there is a tax difference of 1,129.88 yuan between the declaration data and the accounting processing data.

3.2. The Declared Income of Enterprise Income Tax Is Greater Than the Taxable Income in The Account

In the first three quarters of 2023, Company A's enterprise income tax declared income is greater than the taxable income listed in the account, and there is a difference of RMB 40,000.00 between the two.

3.3. There is a Risk of Underpayment of Enterprise Stamp Duty

From January to September 2023, the tax basis of stamp duty declaration of Company A is 17,959,112.59 yuan, but the tax basis of stamp duty calculated according to the contract ledger of sales contract, labor contract, technology contract and related accounting data provided by the company is 18,013,406.32 yuan. The estimated tax basis is 54,293.74 yuan more than the declared tax basis, which may eventually lead to the risk of underpayment of the stamp duty actually paid.

3.4. There is No Invoice for The Handling Fee Paid by The Enterprise to The Financial Institution in The Current Period

The commission paid by Company A to financial institutions has been included in the "financial expense" account of current profit and loss, but no invoice has been obtained.

3.5. The Trade Union Funds Bill Deducted by The Enterprise Before Tax Is Not Accurately Issued

When Company A submitted the union funds to the superior trade union committee, it only required the other party to issue the "ordinary receipt" and recorded it as the attachment of the original voucher. However, according to the Announcement of the State Administration of Taxation on the Issue of Credentials for Pre-tax Deduction of Enterprise Income Tax on Trade Union Funds (Announcement No. 24, 2010 of the State Administration of Taxation) : Starting from July 1, 2010, the funds allocated by enterprises for the workers' trade union, which do not exceed 2% of the total amount of wages and salaries, can be deducted from the enterprise income tax before tax by the special receipt for the income of trade union funds issued by the trade union organization. If only by ordinary receipts, this part of the trade union funds cannot be deducted before income tax.

3.6. The Item Name of Enterprise's "Construction Service" Invoice Is Not Standardized

Part of the "construction service" invoices obtained by Company A are not specified as second-level detailed items in the project name column. At the same time, the name of the county (city, district) where the construction service occurs and the name of the project are not indicated in the remark’s column.

3.7. The Invoice Cost Obtained by The Enterprise Has the Problem of New Year Accounting

The reimbursement of company A's travel expenses, testing fees, vehicle usage fees and bidding fees is inter-temporal.

3.8. No Invoice Has Been Obtained for The Provisional Estimated Cost of The Enterprise

According to the review, the provisional estimated labor cost of Company A in June and August 2023 is RMB 1,100,000.00, and the corresponding invoice has not been obtained.

3.9. The Amount of Individual Income Tax Declared Is Greater Than the Amount of Book Withdrawal

From January to September 2023, the amount of wages and salaries declared by individual income tax of Company A is RMB 2,885,810.54, and the amount of wages and bonuses withdrawn by book and issued is RMB 2,877,060.54. The amount of wages and salaries declared by individual income tax is RMB 8,750.00 more than the amount of wages and bonuses withdrawn.

4. Cause Analysis of Financial and Tax Problems of The Case Company

4.1. VAT and Additional Tax Shall Still Be Paid for The Refund of Individual Tax Handling Fee

The tax difference between company A's declaration data and accounting processing data is as follows: 1129.88 yuan of individual tax service fee received in February 2023 will be returned, and this part of individual tax service fee will be returned without VAT declaration and payment.

4.2. Enterprise Income Tax Declaration Is Not Based on Actual Income

In the third quarter of 2023, due to the time of filling in the accounting statements, the estimated income of RMB40,000.00 of Company A was not recorded in the account, but the operating income of this part was confirmed in the enterprise income tax return, which ultimately resulted in the declared income of the enterprise income tax being greater than the taxable income listed in the account.

4.3. The Tax Basis of Enterprise Stamp Duty Declaration Is Not Accurate Enough

Company A is a small and low-profit enterprise, which is subject to the "six taxes and two fees" reduction policy, and the tax payable on stamp duty is halved. However, according to the sales contract contract ledger, labor contract contract ledger, technology contract contract ledger and related accounting data provided by the company, it is found that A company did not declare the tax items of "contract of employment" (including processing, customization, repair, printing, advertising, surveying and mapping, testing and other contracts); "Sales contract" tax items, "construction project contract" tax items and "technology contract" tax items have less calculation, according to the actual calculation results, the company needs to pay the stamp tax: sales contract 2.42 yuan; 3.11 yuan for construction project contract; 1.44 yuan for technical contracts; And RMB5.29 for contract of employment, totaling RMB12.25.

4.4. The Handling Fee Paid by The Enterprise to The Financial Institution Shall Be Issued Uniformly

From the accounting data of Company A, it can be seen that the commission paid to financial institutions occurs every month, and the billing procedures of banks and other financial institutions are complicated, so it is difficult for the enterprise to issue an invoice once it pays the commission (and in the case of small amount of commission).

4.5. The Enterprise Does Not Know the Conditions and Policies for The Pre-Tax Deduction of Labor Union Funds

The financial personnel of the enterprise are not professional tax personnel, so they do not have a comprehensive understanding of the tax policy, and they have a misunderstanding of the expenses that can be deducted before the liquidation of income tax and the conditions of deduction.

4.6. When Receiving the Invoice, The Enterprise Should Pay Attention to Whether the Contents of Each Column of The Invoice Are Standardized

According to the Announcement of the State Administration of Taxation on Comprehensively Promoting the Pilot Project of Replacing Business Tax with Value-added Tax (Announcement No. 23, 2016 of the State Administration of Taxation) : (3) For the provision of construction services, when taxpayers issue VAT invoices by themselves or the tax authorities on their behalf, the name of the county (city, district) where the construction services occur and the name of the project shall be indicated in the remarks column of the invoices.

From the perspective of VAT, according to the No. 36 document of Finance and Taxation (2016): if the VAT deduction voucher obtained by the taxpayer does not conform to the legal provisions, administrative regulations or the relevant requirements of the State Administration of Taxation, then the input tax cannot be used to deduct the output tax. In terms of enterprise income tax, according to the provisions of Article 12 of the Announcement of the State Administration of Taxation on Issuing the Measures for the Administration of

Pre-tax Deduction Vouchers for Enterprise Income Tax (Announcement No. 28, 2018 of the State Administration of Taxation), If an enterprise receives improperly printed, forged, altered, invalid, illegally obtained, falsely issued, filled in non-standard invoices (hereinafter referred to as "non-compliant invoices"), as well as other external vouchers obtained that do not comply with relevant provisions of national laws and regulations (hereinafter referred to as "non-compliant other external vouchers"), these vouchers shall not be used as the basis for pre-tax deduction.

4.7. The Enterprise Does Not Strictly Handle Relevant Expenses According to The Accrual Basis Principle

Article 9 of the Regulations on the Implementation of the Enterprise Income Tax Law stipulates that enterprises should follow the accrual basis principle when calculating the amount of taxable income. This means that, regardless of whether the money has actually been received and paid, as long as it is generated in the current period of income and expenses, should be included in the current tax calculation. On the contrary, if the income and expenses are not incurred in the current period, they should not be included in the current tax calculation even if the money has been collected and paid in the current period. For engineering inspection enterprises, employee travel expenses and vehicle usage fees are important cost items. The single cost is not high, and the reimbursement personnel may have the situation of accumulated reimbursement without timely reimbursement.

4.8. If the Enterprise Ignores the Actual Occurrence of The Provisional Cost, It Needs the Invoice as The Basis

Article 13 of the Measures for the Administration of Pre-Tax Deduction Vouchers for Enterprise Income Tax issued by the State Administration of Taxation No. 28, 2018 stipulates that: If an enterprise should have obtained but actually did not obtain an invoice or other external certificate, or the invoice or other external certificate obtained is not in compliance with the provisions, as long as the expenditure is true and has indeed occurred, before the deadline for the annual tax settlement declaration, the enterprise shall request the other party to issue a supplementary invoice or replace it with a compliant invoice or other external certificate. Once the supplementary or replaced invoices and other external documents meet the requirements of the regulations, they can be used as valid proof of pre-tax deduction.

4.9. The Enterprise Has the Situation of Payroll of The Agent

As the staff personnel and labor relations belong to Company A, Company A issued staff bonuses and withheld individual income tax on behalf of the branch in January 2023, but the bonus cost was not included in Company A's book wages and salaries, resulting in the difference between the two.

5. Suggestions for Improving the Financial and Tax Problems of The Case Company

5.1. Timely Supplement the Value-Added Tax and Additional Tax Returned by The Handling Fee of Individual Tax Declaration

VAT payable: $1,129.88 \div (1+6\%) \times 6\% = 63.96$ yuan;

Should pay city maintenance and construction tax: $63.96 \times 7\% = 4.48$ yuan;

Additional education fee payable: $63.96 \times 3\% = 1.92$ yuan;

Local education surcharge: $63.96 \times 2\% = 1.28$ yuan

5.2. The Declared Income of Enterprise Income Tax Shall Be Consistent with The Recorded Income

If there is estimated unrecorded income, it shall be deducted when the current enterprise income tax is declared. After the estimated income is confirmed in the account, this part of income shall be declared for enterprise income tax.

5.3. The Calculation of Enterprise Stamp Duty Declaration Basis Needs to Be More Accurate

When declaring stamp duty for each tax item, Company A shall calculate according to the contract ledger for taxable purposes, and ensure the timeliness and completeness of the contract ledger to ensure the accuracy of the declaration data.

5.4. The Company Shall Timely Apply for Billing to The Financial Institution

According to Article 19 of the Measures for the Administration of Invoices of the People's Republic of China, when any unit or individual is engaged in purchasing commodities, receiving services or other business activities and making payments, it shall obtain invoices from the receiving party. In the process of obtaining an invoice, the name and amount of the goods on the invoice shall not be changed. Therefore, after the end of each quarter, the enterprise should submit the request for issuing an invoice to the financial institution and ensure that the invoice for handling charges is obtained in a timely manner. If the handling fee of the financial institution is not invoiced, then this part of the expense will not be deducted as a pre-tax deduction when the annual settlement of the enterprise income tax is made, and the corresponding tax adjustment is required

5.5. The Enterprise Shall Exchange the Applicable Special Bill for Trade Union Funds

Before May 31, 2024 (income tax settlement), Company A shall exchange the "Special Receipt for Trade Union Funds Income" to the superior trade union organization, so as to facilitate the legal and compliant pre-tax deduction of trade union funds.

5.6. The Enterprise Shall Replace the Standard Digital Invoice in Time

Due to the change of e-ticket style, a new label is added to the remark's column, which converts the unstructured information originally filled in by taxpayers in the remark's column into specific element information that can be read and collected, and the tax department will bring it into supervision. The digital electric invoice of construction services can be issued directly through the "Electronic Tax Bureau", and the corresponding "remark information" is required to be filled in. The required contents in the remark column of construction services include three elements: [place of construction service occurrence] [name of construction project] [sign of cross-site (city)]. It is suggested that Company A replace the invoice in time, and be accurate to the specific project name when receiving and issuing the construction service invoice.

5.7. Follow the Principle of Current Reimbursement Occurring in The Current Period

Correctly confirm the period of cost and expense, follow the accrual principle; Require employees of all departments of the company to reimburse in time: the time limit of invoice reimbursement can be stipulated; Regularly check with suppliers of the company and check whether the invoices are not timely in place, and do a good job in collecting invoices; If the invoice is not obtained before the end of settlement and payment, the tax can be adjusted and increased at the time of payment. When the bill is obtained in the future, it can be traced back to the annual deduction of expenses, handle tax refund or increase the amount of losses that can be made up in the year of occurrence.

5.8. Compliance Invoice Is Required for Pre-Tax Deduction of Provisional Cost

Company A shall timely supplement the invoice of provisional cost before the end of enterprise income tax settlement on May 31, 2024, so that the cost can be deducted before tax, otherwise it will be adjusted by tax.

5.9. The Wages and Salaries Issued by The Company Shall Be Recorded in The Account

The wages and salaries issued by Company A shall be accounted for and reflected in the book, so as to keep the declared data consistent with the book data in the later tax settlement and avoid potential tax risks.

References

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