

Construction of Tax Planning Model in the Development of Commodity Circulation Enterprises

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Abstract: This paper focuses on the tax planning in the development of commodity circulation enterprises, uses case analysis and comparative analysis method to sum up how commercial and trade enterprises can better evade tax and prevent its risk, and briefly explores the application of tax planning model in the business development of commercial enterprises.

1. Tax planning in enterprises should follow principles

The most important characteristics of tax planning in enterprises are targeted, purposeful, economic and controllable. In my opinion, the tax planning in a company is not actually carried out at will. In addition, there are usually constraints of various conditions in the whole process. In this regard, the author believes that in order to ensure the smooth progress of tax planning, enterprises must abide by certain principles[1].

(1) Legality. Taxation is an important means of national macro-control on the conditions of market economy, and it is also a legal basis. Therefore, all financial activities of the enterprise must be carried out within the controllable range allowed by laws and regulations. Specifically, the formulation of tax planning in enterprises must comply with the relevant provisions of the current laws of tax. More directly, the formulation of tax planning in enterprises should be based on the provisions of the current laws of tax and be consistent with the standard requirements of laws and regulations of tax. Only in this way can the occurrence of violations of law and discipline be stopped from the source.

(2) Entirety. The so-called "entirety" can be summarized into two levels. First, the tax planning in a company is a large whole. The various financial management activities are carried out for the coordinated development of all departments of the enterprise. Therefore, enterprises usually need to focus on the overall tax incidence of the enterprise, instead of focusing only on the tax incidence of a single tax in the process of tax planning [2]. Secondly, the entirety also emphasizes a sustainable development, that is, the formulation and implementation of tax planning programs should not focus on the short-term development needs, but take into account the development planning of enterprises in the future period, that is to approach problems from a long-term development perspective. For example, enterprises need to consider the time value of money and the risk value of money.

(3) Timeliness. As we all know, the market is constantly changing and developing, especially in the 21st century of full-speed development, the market economy environment is even more unpredictable. Therefore, it can be predicted that the adjustment and revision of the laws and regulations of tax of the state and industry will also make new optimum adjustments along with the changes of the market economy environment. For this reason, enterprises should be based on the present and firmly grasp the changes in current affairs in the process of tax planning. It is necessary for the financial personnel of the enterprise to follow up the changes in the tax policy in a timely manner and make changes to adapt to the development needs of the new market economic environment. Only in this way can the feasibility and timeliness of the enterprise tax planning program be ensured, and finally can the enterprise market objectives of the initial market development be achieved [3].

(4) Risk aversion. Regarding the purpose of tax planning in enterprises, the above has been

explained many times. In order to maximize the profit of various business operations in the market, in many cases, the realization and pursuit of "profit" is the core management content. For this reason, enterprises often go to the edge of tax laws for the sake of so-called "profit". In this situation, the operational risk is very great. In short, once the company has not considered the risks that may be faced in the process of tax planning, it is likely that the tax planning obtained will be quite different from expectations, and there will be legal sanctions. In this regard, the author believes that timely measures should be taken to share the risk to optimize the tax revenue of the enterprise no matter in what kind of policy, what kind of market economy environment and what kind of business situation.

2. Construction of tax planning model in enterprise -- Taking H Trading Company as an example

2.1. Basic situation of H Trading Company

H Trading Co., Ltd. was established in September 2010 and is located in a sub-provincial city in northern China. The registered capital of the company (RMB) is 5 million yuan. The main business is sales and maintenance of household electrical appliances, furniture franchise, and later the field of housekeeping services are involved. As a well-known enterprise in the sales of household appliances and in the service industry in the region, H Trading Company mainly provides agency services for major domestic and foreign household appliances manufacturing enterprises. Small household electrical appliances such as mobile phones, digital cameras and induction cookers, and large appliances such as computers, water heaters, refrigerators, washing machines, etc are included. At present, the retail channels of all kinds of electronic products sold by the trading company are almost all over the large shopping malls and supermarkets in the city. In addition, in terms of wholesale channels, it covers more than 30 township wholesale stores in 6 cities. In short, during the entire 12th Five-Year Plan period, H Trading Company's sales revenue was relatively stable. Especially in 2016, the sales strategy was changed and the initial results were achieved. It is expected that the market outlook will continue to increase throughout the 13th Five-Year Plan period[4].

In my opinion, the reason way H Trading Company was able to achieve good results in just five or six years is that there is a complete institutional system within the company. Adhering to the service concept of veracity and quality first, seeking development at a low price and taking the voice of customer as the criterion.

2.2. Financial situation of H Trading Company

The company has a dedicated finance department. The task of the financial department is to formulate the monthly and quarterly financial regulations of the company. Besides, it also needs to invest and raise the company's current capital. For example, the distribution of company profits, the preparation of the company's financial plan, and the management of company operating funds. At present, the financial department of H Trading Company consists of 11 employees, including 1 department manager, 2 cashiers and 8 accountants. In other words, the company's finance department does not set up a specialized tax account. In this situation, the advantage is that the relationship between the finance department and the purchasing department, distribution center and other departments becomes very close. However, the financial department of the company has not had the post of chief financial officer. Table 1 below shows the major financial data of H Trading Co., Ltd. for the first half of 2016.

Table 1 Statistics of major financial data of H Trading Company from January to June 2016

Items	Main business income	Other operating revenue	Main business cost	Other operational costs	Taxes and surcharges
Grand total (yuan)	26020580	5434670	26153730	0	36020
Items	Selling expenses	Management expenses	Financial expenses	Business income taxes	Enterprise net income
Grand total (yuan)	3965548	400381	6530	13345	923346

From Table 1 the main financial data (cumulative) statistics of H Trading Company in the first two quarters of 2016, it can be known that the gross profit margin of the company's main business in the first half of 2016 was around 16%, while the net profit is unusually low, only about 3%. These financial data are sufficient to show that H Trading Co., Ltd.'s operating and management costs in the course of business development are significantly higher. In short, it means that the company spends a large proportion of the expenses on this management. Of course, from another perspective, it can also be understood as that the company's profitability is low.

The statistics in Table 2 below are the taxation of the main taxes of H Trading Co., Ltd. (January-June 2016).

Table 2 Taxation of major tax types of H Trading Company from January to June 2016

Items of taxation	VATes	Business income taxes	Land use taxes	Building taxes	Stamp taxes
Payment	95186.6	13342.1	985.9	460.0	25.0
proportion %	86.53	12.13	0.90	0.42	0.02

It can be seen from Table 2 Taxation of major tax types of H Trading Company from January to June 2016 that the VAT and income tax accounted for more than 95% of the total tax payment. And the VAT accounted for more than 85%, which has become the main tax incidence of the H company. Of course, land use taxes, building taxes, stamp taxes, etc. are almost negligible. Therefore, the work content that H Trading Co., Ltd. needs to strengthen in the new round of tax planning management is very clear, that is, to focus on the tax planning of VAT and income tax.

2.3. Optimization of tax planning technology in H Trading Company -- Tax planning model

The management work link that H Trading Co., Ltd. needs to strengthen at the level of financial management and cost control in the future can be basically known after the above statistical analysis on the company's financial data. In addition, in solving the above-mentioned practical problems, it is mainly to control three points. First, planning on items of taxation. Second, the planning of business activities. Third, tax-saving planning. To understand it simply, it means building the above three basic tax planning techniques into a spatial dimension. For example, dimension I represents the life cycle of H Trading Company. Dimension II represents the business development process of H Company, including production, sales, investment, research and development, and so on. Dimension III represents the organizational system of H company, namely subsidiaries, separate departments and so on.

2.4. Instances comparison

As the main service link of commercial circulation enterprises (hereinafter referred to as H Company) is the sales, this part focuses on studying the application of tax planning in the sales link.

Assuming 1: In order to expand the company's business as much as possible to obtain more market profits in the process of selling household appliances products out, H Business and Trade Co., Ltd. usually also undertakes some installation, consulting, and after-sales services. See Table 3 below for details.

Table 3 Business tax on service items of H Trading Company

Installation charge	Substituted money on VAT	Increase in pre-tax profits
100 thousand yuan	Reduced 17,000 yuan	Increased 11,200 yuan
200 thousand yuan	Reduced 34,000 yuan	Increased 22,400 yuan

As shown in Table 3, the author thinks that H Trading Company can focus on using the relevant provisions of the current tax policy to conduct mixed sales behavior within the framework of the law control according to the company's own situation. That is, VAT and income tax are paid separately.

See Table 4 for details. Assuming that the monthly sales of H Trading Company is 10 million, then, without considering other related additional tax incidence, the taxation of three different sales promotion discount methods is obtained.

Table 4 H Comparisons of three kinds of tax discounts for commercial and trading companies

Way of letting profits	VAT	Income tax	Net cash flow
Discount on sale	218,000	423,100	859,000
Sale allowances	610,300	1184,600	-95,000
Sash discount	506,800	987,200	-495,700

As mentioned above, the author suggests that some sales strategies and financial management methods can be combined in the sales of products for commercial circulation enterprises. For example, in the past, most of the commercial activities of profit promotion were used. In this regard, it is suggested that H Trading Company can adjust and optimize appropriately. As shown in the comparison of the three types of discounted taxes in Table 4, it can be known that the taxes generated by different ways of letting profits are also very different. The specific situation and how to select it still requires the company to make a comprehensive decision after weighing the pros and cons.

3. Conclusion

In short, if modern commercial circulation enterprises want to enhance their own strength and competitiveness in an unprecedentedly fierce market economy environment, the first thing they must recognize is their own problems, solving problems from the inside. Improving tax planning awareness, mastering tax law and financial knowledge, and using tax planning methods and techniques proficiently are all prerequisites for commercial circulation enterprises to achieve effective cost control and to maximize market profits.

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