

The Tax Policy and Tax Planning Approach to the Current Situation Analysis and Investigation

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Abstract. Tax planning is also known as reasonable tax avoidance. Under the premise of paying taxes in accordance with the law and complying with the tax law, it is very reasonable to use appropriate means to avoid tax obligations and reduce the company's tax expenses. There is no lack of public figures who have low tax awareness so that tax evasion is penalized by tax regulators. Meanwhile, due to the introduction and official launch of the fourth phase of the Golden Tax, more tax evasion behaviors have been detected and penalized. While paying a large amount of back taxes, it also faces a ruined reputation as well as imprisonment. There is no lack of many individuals or enterprises do not pay attention to the national tax policy, the information is too closed, or even think it is the behavior of tax evasion and tax evasion, the decision-making is too cautious, and can not enjoy the tax relief policy. The purpose of this paper is to enhance the importance of tax planning for individuals and enterprises, and to better respond to the tax policy issued by the state.

Keywords: Tax Planning; Tax Obligation; Golden Tax IV; Reduction and Exemption Policy; Tax Preference.

1. Introduction

Individuals and enterprises as different subjects, in the tax planning work, should be based on the requirements of the policy system and the requirements of the laws and regulations, the choice of tax payment methods in a scientific manner, to develop a sound risk prevention and control program, strict control of tax payment time point, to enhance the level of the work of tax planning by means of lawful compliance, to use the Favorable policies, tax planning methods to achieve the purpose of part of the tax relief.

2. Definition of Relevant Concepts

(i) Taxation To deeply understand the tax, we must pay attention to the definition of tax-related concepts, which is also the basis for their own or the enterprise to make tax planning decisions. The essence of tax is the cost or expense of public products and services provided to the society by the national government to meet the needs of the society; the main body of the tax is the government or the state; the tax has the characteristics of mandatory, gratuitous and fixed; the tax is based on the law; and the purpose of the tax is to meet the public needs of the society.

To summarize, tax is the financial income that the state or government compulsorily collects from enterprises and individuals to meet the public needs of the society, which has the characteristics of mandatory, gratuitous and fixed, and is an important guarantee for the government to provide public products and public services.

By defining the concept of tax, emphasizing its mandatory and gratuitous nature, stressing that it is an indispensable obligation for Chinese citizens, and pointing out the serious consequences of tax evasion and tax evasion, we can better avoid accidents of falling into the trap of tax evasion and tax evasion due to the lack of common sense.

(ii) Tax planning Tax planning refers to the taxpayers in the scope of the tax law allows, through the enterprise's own business activities in all kinds of tax-related matters for planning and arrangement, so that it applies to the tax incentives, so as to realize the savings in taxes, reduce the cost of the planning activities of the enterprise.



First of all, it should be clear that tax planning is a right that enterprises should have, and it is a legal behavior. Reasonable tax avoidance is qualitatively different from tax evasion or fraud. Whether it is from the book of false or from the production, supply and marketing of the whole process to do two sets of information flow, capital flow, logistics, for the completion of the original accumulation, the false part can never become true. Under the supervision of the fourth phase of the Golden Tax Project Program (referred to as Golden Tax IV) implemented by the State Taxation Bureau in 2021 for better supervision of enterprises, enterprises will face huge fines as well as penalties for tax non-compliance, as well as tax evasion and tax evasion.

Tax avoidance is not the way out, it is necessary to point out a way out, that is, a new method of tax saving - tax planning. If the fake accounts issued in order to specifically respond to the audit is to avoid tax from the perspective of business operations, that tax planning is from the perspective of business operations to save tax legally. This method of tax saving, and tax avoidance is very different, it is not alone accountant can be implemented, not the financial manager to implement, it is an economic entity up and down the concerted efforts to complete a major project.

Tax planning as a big project, there are three basic principles. The first is its legitimacy, the above text for the legitimacy of tax planning has been expressed very clearly; the second is the principle of prior planning, prior planning refers to the taxpayer's planning behavior is carried out before the occurrence of a specific business, so these activities or behaviors belong to be ahead of the behavior. If a business has occurred, then it will produce the corresponding tax results, tax planning has lost its original role; the third is its global nature, China's tax law issued by the relevant policies in fact contains a number of tax incentives, there are a number of first-time entrepreneurs do not know much about the tax law, do not know what tax incentives can be applied for the enterprise, at this time, if there is a tax planning, then it can save A tax bill that allows that money to be invested in projects for higher profits. Comparison of the enjoyment of the preferential policies or pay a large cost, you can choose the most favorable program for the enterprise.

The most important point: tax planning is reasonable and legal, which is the most significant feature that distinguishes it from tax evasion and tax avoidance. It is not only legal in form, but also conforms to the intention of the legislative branch of the tax law, and is a protected and encouraged behavior. The more advanced tax planning project, advocating away from the regulations or close to the regulations, here is not contrary to the meaning of the regulations, but within the scope of legal compliance away from the regulations of the enterprise is not good, close to the regulations of the enterprise is good.

(iii) The theoretical basis of tax planning - tax planning methodology Methodology refers to the general method of people's understanding of the world, transforming the world, is what kind of ways and means people use to observe things and deal with problems.

Descartes advocated "doubt everything", "I think therefore I am". These familiar quotes are from his work, and the steps he put forward in this work to solve problems have far-reaching influence. And according to the classic theory of Methodology, the methodology of tax planning can be put forward so that the majority of enterprise management workers can more easily grasp this tax behavior. This methodology requires us to start from the big picture, i.e., to have the overall situation and foresight, and at the same time to improve from the small picture, i.e., to check whether it is legal or not, and whether it conflicts with the overall economic interests of the enterprise.

With the theoretical foundation, the next step is to practice, and the basis of practice is the enterprise life cycle theory, that is, any organization, including enterprises, is a living organism, with its birth, growth, maturity, decline and demise process.

After the founding of New China, tax policy has been continuously developed and improved. Tax policy refers to the national government in order to achieve a certain period of social or economic goals, through certain tax policy means, to a certain extent, mandatory intervention in the operation of the market mechanism of an economic activity. The implementation process of tax policy is also

a complete regulatory system, the most important branches are tax policy for individuals and tax policy for enterprises.

3. Ways of Tax Planning

(i) Individuals According to the Interim Measures for Special Additional Deductions for Individual Income Tax issued by the State Council in December 2018, there are six special additional deductions for children's education, continuing education, medical treatment for major illnesses, interest on housing loans or housing rents, and support for the elderly, and the measures will come into effect on January 1, 2019 onwards. Since then the tax incentives for personal income tax have increased dramatically. And in August 2023, the special additional deduction for the care of infants and children under the age of 3 was added, and the amount of special additional deduction that can be claimed for supporting the elderly and children's education was increased.

In the annual comprehensive remittance, you will be eligible for special additional deductions to fill in the completion of the annual remittance, often can be refunded to the amount of tax is very substantial. Of course, the special additional deductions mentioned above fill in more favor of the formal employees working in the enterprise, based on wages and salaries to pay personal income tax made by the corresponding additional deductions. In addition to wages and salaries, there are three other types of personal income tax payable: remuneration for labor, remuneration for articles and royalties. Remuneration for labor is mainly paid to college students (undergraduate, graduate and postgraduate) for internships, which is not the same as the wages and salaries paid by the enterprises after the formal transfer, and the individual income tax charged for labor remuneration is fully refundable after the remittance, and full-time college students can also receive monthly subsidies from the government, which vary from region to region. Other than that, remuneration and royalties are for a different audience and have their own tax incentives.

The tax incentives related to individual income tax are usually declared by the individual as a unit, and in March of the current year, you can fill in the special additional deductions of the previous year on an individual basis and submit a tax refund application after the annual settlement and the tax will be refunded by the state treasury after the audit. Although the tax incentives for personal tax has been popularized for a long time, there are still a lot of employees who do not understand, or even do not know the existence of tax incentives and do not enjoy the policy, this paper hopes to make the tax incentives popularized in the public awareness.

(ii) Enterprises Compared with the understanding of individual tax incentives, the way of tax planning for enterprises is much more complicated and controversial. In recent years, there have been new tax relief policies for enterprises, for example: VAT can be added and deducted in the service industry of the nature of production and living; incentives to support industries in local parks; preferential urban land use tax for logistics enterprises for bulk commodity warehousing facilities (50% deduction); preferential income tax for small and microenterprises (the portion of the enterprise income tax that is less than one million dollars is calculated at 5%, and the portion of the enterprise income tax that is more than one million dollars but less than three million dollars is calculated at 10%); pre-tax R&D expenses are calculated at 10%. In addition, the enterprise tax incentives include: (a) the 10% enterprise income tax on the part of 1 million yuan; (b) the pre-tax deduction for R&D expenses; (c) the tax incentives for enterprises to invest in basic research; and (d) the increase in the strength of the policy of VAT final tax rebate.

It is not difficult to see that the changes in corporate tax incentives in recent years can largely reflect matters related to tax planning based on tax incentives. From the above part of the tax incentives can draw some conclusions: China's tax policy for enterprises is constantly changing, belongs to the "differentiated" policy, but no matter how to change, the adjustment of tax policy should be consistent with China's macroeconomic regulation. Academics often say that tax incentives is one of the important means of regulation of the national economy, and the government uses tax incentives to guide the market behavior of enterprises to better achieve the strategic objectives of national

economic development. Explore its reasons, in addition to the external economic environment changes, the internal development of enterprises and other factors to promote, but also includes a large number of national tax policy support with the times.

With the ever-changing effectiveness of tax incentives, tax planning can be full of vitality and keep pace with the times, and it can be said that tax incentives are the cornerstone of enterprise tax planning.

If there is a tax policy about the enterprise one by one makes people a little puzzled, do not know how to tax planning based on these policies, then the next is some of these tax policies can be planned according to several ways for enterprises to carry out tax planning.

1. Tax planning by using tax incentives

The state and the government have set up some preferential terms for enterprises in order to encourage certain behaviors of enterprises when designing taxes. For these enterprises, they should utilize these preferential terms as much as possible to reduce the taxable amount. Select local preferential policies to meet the conditions to achieve the purpose of tax reduction. At the same time, you can also observe the relevant enterprise's fiscal policy, select goods, apply for relevant qualifications tax reduction. For example, the expense is the passing factor of taxable income, in the scope allowed by the tax law, as far as possible, the current expenses to reduce taxable income.

2. Reasonable use of enterprise organization form for tax planning

This method is suitable for companies with a little economic strength, using subsidiaries and branches to divert financial taxes, so as to achieve cost savings. It should be emphasized that subsidiaries have independent legal personality and are entities capable of assuming civil legal liabilities; however, branches do not have independent legal personality and need to be legally responsible and liable by the head office.

3. Use inventory valuation for tax planning

That is, the goods will be sold in streams, the first to sell the first to buy, and then sell the latest products. The purpose is to reduce financial pressure and inventory accumulation.

It should be emphasized that planning their own tax behavior is the right of business operators, reasonable tax planning is certainly beneficial to the enterprise, but there are hundreds of tax planning methods, must be legal to use.

4. Conclusion

The whole article mainly explains the tax-related concepts and principles, tax planning methodology and the application of enterprise life cycle theory, and importantly explains the specific ways of tax planning for individuals and enterprises, including the utilization of special additional deduction for personal income tax and preferential policies for enterprise income tax, personal tax relief policies for individuals and preferential policies and tax incentives for enterprises in a combination of ways. Emphasize that tax policy is one of the important means of regulation of the national economy, the government uses tax policy to guide the market behavior of enterprises to achieve the strategic goal of national economic development, and tax planning is an important and indispensable part for enterprises.

To summarize, tax planning is the activity of enterprises to save tax and reduce cost by planning and arranging tax-related matters within the scope of tax law. Individual income tax special additional deduction and enterprise income tax preferential policies are specific ways of tax planning. Tax preference policy is one of the important means of regulation of the national economy, and the government uses tax preference policy to guide the market behavior of enterprises and realize the strategic goal of national economic development. Tax planning methods include the rational use of enterprise organization form, the use of inventory valuation and so on. Enterprises can choose their

own tax planning methods according to the specific situation, in order to reduce taxes and improve economic efficiency.

About the selection of topics positioned to China's personal and corporate tax policy, because tax planning must be closely linked with the country's tax policy, the policy is changing rapidly with the times, tax planning and built on the basis of the policy, which is closely related to the people's livelihood, but due to the tax law and tax policy is not very popular among the public, so the public does not have a comprehensive understanding of this. This paper aims to make the public's knowledge of tax clearer by summarizing the tax-related policies.

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