

Investigating Tax Relief in Business Model Based on Internet Age

Ziqiang Chen¹, Wei Chen², Ziwen Zhang², Jinming Yu², Yuting Ma², Zhe Wang³,
Nairu Xu²

¹Anhui University of Finance and Economics, China

²Anhui Xinhua university, China

³Anhui University, China

Abstract

In the Internet age, the global economic competition has become increasingly fierce. How to better reduce costs and improve profits has become a very important issue for enterprises, and corporate taxation is undoubtedly a major burden to increase costs. With the increasing scale of e-commerce, the impact on taxation, or further, on national finance is increasing. At the same time, cross-border taxation has many hidden dangers, so it must be highly valued. Tax avoidance means that taxpayers use legal means to reduce the tax amount as much as possible through the arrangement of business and financial activities within the scope permitted by tax laws and regulations. This paper will summarize the reasonable tax avoidance methods of e-commerce enterprises, and put forward the principles of reasonable tax avoidance, in order to provide reference opinions for the reasonable tax avoidance of e-commerce enterprises in daily production and life.

Keywords

Internet; E-commerce enterprises; Reasonable tax avoidance.

1. Introduction

Internet technology has realized data-driven information and reduced information asymmetry, thus changing the state of human social and economic operation and bringing benefits to human society. Since the reform and opening up, China's economic growth has been changing from extensive to intensive, and R&D investment, as the main aspect of national innovation, has a significant indirect impact on economic growth, so more and more scholars began to pay attention to China's R&D investment and its contribution to economic growth [1]. Study the differences between tax laws of different countries, and plan the financial tax-saving plan within individuals or groups to avoid paying taxes [2]. Reasonable tax avoidance is beneficial for enterprises to discover tax hidden dangers, correct and recover losses in time, and safeguard taxpayers' legitimate rights and interests from infringement. At the same time, reasonable tax avoidance is also of positive significance to tax collectors.

As an independent accounting enterprise, "buying raw materials, equipment, talents and technology at a high price" and "selling products at a low price" result in reduced book profits and even losses, thus effectively saving income tax [3]. In different historical periods and under different economic development conditions, tax incentives have different forms of expression. Reasonable tax avoidance is carried out within the scope permitted by law, which is essentially different from tax evasion, tax evasion and tax resistance. This paper first points out some shortcomings of the current tax collection and management mode under the background of the Internet era, and then puts forward some suggestions on how to adapt to the development trend of the Internet and realize the reform of the tax collection and management mode.

2. The hidden tax trouble caused by Internet Age

2.1. The problem of international tax avoidance is aggravated, and the risk of national tax loss is increased

E-commerce combines with information network and uses Internet as the trading platform, thus breaking through the restrictions of regions, countries and borders to a great extent. It is a worldwide commercial activity without borders and boundaries. On the one hand, some tax officials have poor acceptance of information technology, and can not fully and deeply understand the reform of tax collection and management mode in the Internet era; On the other hand, some staff members of the tax department have a one-sided understanding of the status of tax collection and management, and think that tax revenue depends on the ability of tax collection and management [4]. For e-commerce enterprises, the bigger the business scale, the better. From the perspective of reasonable tax avoidance, choosing an appropriate business scale will have a certain impact on the amount of tax paid, thus directly affecting the profits of enterprises. At present, some international tax havens have even launched "tax avoidance service" on the Internet, which makes it easy for enterprises to avoid tax by using the sites of low-tax countries, tax-exempt countries and negative tax countries. All these phenomena lead to a large amount of tax loss.

2.2. The data quality of tax information is not high

Taxpayers are an important element of tax law, and because e-commerce itself is a paperless operation mode, tax agencies can't pass the comprehensive examination of taxpayers' business registration and accounting vouchers, which leads to the fact that those businesses that have not passed tax registration have never paid taxes although they have tax obligations. In many cases, enterprises engaged in internet trade can easily avoid the tax obligation, which is bound to make the tax burden of internet trade enterprises obviously lighter than that of traditional trading enterprises, and induce traditional trading enterprises to surf the Internet one after another and enter the "tax zone" of cyberspace [5]. For example, some enterprises will get into trouble or even close down because of the tax burden. At the same time, the tax burden has a snowball effect. If enterprises fail to pay taxes on time, the tax burden will accumulate and become an unbearable burden for enterprises.

2.3. Difficulties in collection and inspection

Although the virtuality of e-commerce itself can promote the rapid development of e-commerce, it also brings difficulties to the determination of tax jurisdiction. There are both developed countries and developing countries along the route, and their tax jurisdictions have different emphases. Internet provides manufacturers and consumers with worldwide direct trading opportunities. This leads to the weakening of the role of commercial intermediaries, which in turn weakens the role of intermediaries who are relatively familiar with tax laws and regulations in withholding and paying taxes. Some enterprises practice tax evasion, which violates the relevant laws and regulations of the state. In fact, this is not to reduce taxes for enterprises, but to increase the cost of enterprises virtually. In addition, in the Internet age, massive tax-related information needs to be sorted and analyzed by means of information technology and professional equipment. The resulting international double taxation is usually exempted by means of bilateral tax treaties [6]. However, no matter which principle is chosen, it is difficult to determine who has the jurisdiction of taxation.

3. Basic meaning and feasibility of reasonable tax avoidance

Tax risk is a risk that all types of enterprises need to face at present, and the key to risk management of most enterprises is to manage tax risk. Reasonable tax avoidance, also known

as tax planning, means that taxpayers make full use of all the preferential conditions provided by tax laws and regulations through the arrangement of financial activities, and choose the one that can make the tax burden lightest among the various tax payment schemes within the prescribed scope, so as to enjoy the greatest tax benefits. There are two ways to reduce the tax burden of enterprises: one is to avoid paying taxes directly through reasonable planning, so as to absolutely reduce the tax amount; The second is to obtain the time value of tax payment by making use of the flexibility of accounting management system and reasonably planning the delay of tax payment.

3.1. Improve the management level of enterprises

Capital, cost (expense) and profit are the three major elements of enterprise management and accounting management. Reasonable tax avoidance is to achieve the best effect of capital, cost (expense) and profit, so as to improve the management level of enterprises [7]. In the environment of tax legalization, although the national macro tax law will be adjusted to adapt to economic development, it is relatively stable on the whole. The solidification of the national macro policy requires taxpayers to make choices in microeconomic behavior, otherwise the tax payment result should be unique.

Enterprises are one of the main application institutions for service invention-creation patents in China, in addition to universities, scientific research units, government organizations and other application institutions. See fig. 1 for the change trend of the number of patents accepted and authorized by each institution and their proportions. as far as the proportion of each institution is concerned, enterprises occupy a dominant position in both the number of patents accepted and the number of patents authorized. According to the data of recent ten years, the number of patent applications of enterprises accounts for more than 80%, and the number of patent authorizations of enterprises also accounts for more than 80% of the total, which shows that enterprises have become the main force of innovation activities in China.

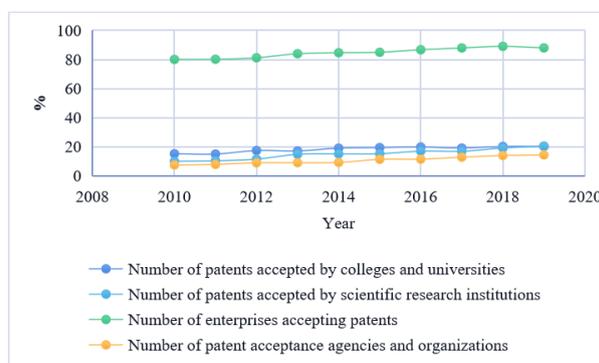


Figure 1 Acceptance and authorization of patent applications for service inventions in China Therefore, reasonable tax avoidance can not be separated from accounting, which is also the common saying that "there is no separation between fiscal and taxation". These practices have gradually changed the original misconceptions of attaching importance to legal affairs in the course of economic behavior, accounting in the course of implementation and taxation afterwards. Reasonable tax avoidance in financing decision-making can help enterprises reduce capital cost, optimize capital structure and increase owner's income.

3.2. Reduce the uncertainty risk brought by tax reform to taxpayers

Although the purpose of every tax reform is various, reducing tax burden is always one of the purposes. Reasonable tax avoidance has the same significance and economic value for saving tax expenditure and reducing product cost. The purpose of reasonable tax avoidance is to save taxes. To achieve this goal, we must strengthen management.

Enterprises' choice of production activities depends on the factor cost of input required for each production activity, that is, the cost required for each production activity [8]. It has been assumed above that enterprises only engage in X_1 (innovation activities) and X_2 (activities other than innovation), so these two activities constitute all the factor input combinations of enterprises. In fig. 2, AB represents equal cost curve, and Q_1, Q_2, Q_3 is equal yield curve.

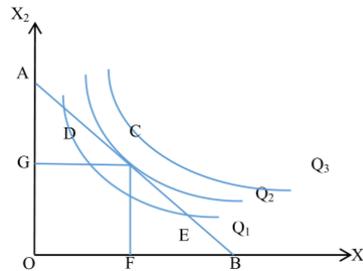


Figure 2 Enterprises' choice of innovation investment when they do not enjoy incentive policies

As shown in Figure 3, when an enterprise enjoys the government's financial subsidy policy, the cost that can be used for production increases, which shows that the equal cost AB will shift to $A'B'$ to the right, and the expected output of the enterprise will also increase, that is, the equal output curve will change from Q_1 to Q_2 . Therefore, the optimal combination point of production factors changed from J point to I point, and the amount of innovation input changed from B_1 to B_2 , which indicated that the financial subsidy policy made enterprises increase investment in innovation activities.

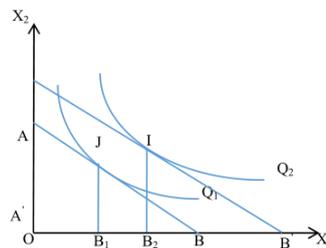


Figure 3 Choice of enterprise innovation investment under financial subsidy policy

In addition, with the deepening of the system reform, the status of enterprises tends to be independent. The government not only begins to recognize reasonable tax avoidance, but also encourages enterprises to actively implement reasonable tax avoidance. In the income tax systems of various countries, the tax rates adopted are roughly divided into proportional tax rate and progressive tax rate. Accounting is the accounting and supervision of economic activities after the event, which is intrinsically related to reasonable tax avoidance. High-quality, reasonable and legal reasonable tax avoidance depends on high-quality accounting information. Therefore, taxpayers can continuously improve their business level by learning and accumulating experience.

3.3. Differences in tax incentives among countries

Countries that implement international tax incentives generally offer various preferential conditions to foreign taxpayers, especially preferential treatment for investment income, which is common not only in developing countries but also in developed countries. Although reasonable tax avoidance is an anti-restrictive behavior by using tax loopholes, it does not affect or weaken the legal status of tax law. Any reform can not benefit all taxpayers in different industries and fields, and the effect can not be consistent. Because the economic system between countries, such as tax system, can not be completely consistent, the international differences, inclined economic and tax policies provide a very broad international space for

enterprises to avoid tax reasonably, and the competitiveness of enterprises in the international market has been further strengthened.

4. Tax avoidance methods commonly used by enterprises in the business model of Internet Age

4.1. Tax saving by enterprise separation

Enterprise separation refers to the legal act of dividing an enterprise into two or more new enterprises according to the law. This kind of substantial enterprise existence provides the possibility for reasonable tax avoidance. The tax avoidance effect is more obvious when the operating income of companies in high-tax areas is transferred to companies in low-tax areas by lowering the sales price. At present, multinational corporations mainly adopt this way to avoid tax. Information sharing is the most obvious feature of the Internet. By constructing a tax-related information sharing platform, the exchange and sharing of tax-related information among platforms can be realized. Taxpayers are allowed to deduct their special expenses that meet the requirements from their taxable amount at a certain rate or in whole. It mainly includes investment credit and foreign tax credit.

4.2. Reasonable tax avoidance in investment

The state has different tax policies for different industries, and there are related tax inclinations for some industries. These tax inclinations constitute industry preferences, which makes it of great practical significance for enterprises to avoid tax rationally for investment industries. That is to say, the distribution of investment profits (dividends) to investors is carried out after paying income tax, so the financing cost of investment financing can not reduce the taxable income, and can not get tax benefits. Based on the current tax system, according to the characteristics of e-commerce, the current tax system should be modified, supplemented and improved. This will not cause too much impact on the current tax system, nor will it cause too much financial risk.

4.3. Tax rate tax avoidance

Tax-rate tax avoidance is a method to reduce tax payment by making tax plans by making use of different tax rates set by national tax laws. The new enterprise income tax law must pay attention to rationality and pay attention to the wage level of peers. Otherwise, the tax authorities may make tax adjustments for unreasonable expenditures. There is no need to enter the account based on formal payment voucher, and then it will be charged from the accrued expenses when the actual expenses are incurred. By adopting internal pricing methods such as "AG is low" or "low into high", the income will be transferred to independent accounting enterprises in low-tax areas, while the expenses will be transferred to independent accounting enterprises in high-tax areas as much as possible, so as to achieve the purpose of transferring profits and reducing the overall tax burden of the company.

4.4. Choose reasonable accounting policies and accounting treatment methods to avoid tax burden

Because of the different accounting policies adopted, they have different impacts on corporate tax burden. Enterprise managers can reasonably and legally use the selectivity of accounting policies to minimize the tax burden of enterprises. If a high-tech enterprise applies for tax reduction or exemption, it shall also provide the certificate of high-tech enterprise identification, the financial and accounting statements of the earliest profit-making year after the start-up and the year before the earliest profit-making. Generally speaking, there are three main sources of funds for enterprise production and operation: self-accumulation, debt financing, and equity financing (issuing stocks). The interest paid by debt financing has a certain

tax reduction effect, which can offset its income tax. Reasonable arrangement of financing will bring certain tax avoidance effect to enterprises.

Enterprises can set up legally recognized high-tech enterprises in high-tech development zones to enjoy tax incentives; In addition to tax reduction and exemption, the materials to be provided for enjoying other tax benefits are different. For example, there are special provisions for applying for loss offset and tax refund on a daily basis, and taxpayers can provide information according to relevant regulations. Because depreciation expense of equipment investment can be deducted before tax, amortization expense of intangible assets can be deducted before tax as management expense, thus reducing tax base. Reasonable tax avoidance among subsidiaries within an enterprise group through leasing activities can smoothly realize the desire of the operators for reasonable tax avoidance, so it is often used by people.

5. Conclusion

To sum up, in the business model of Internet era, there are many paths and methods for enterprises to avoid tax reasonably, but at the same time, they must abide by certain principles, especially the principle of reasonable and legal tax avoidance, and pay attention to the cost of tax planning should not exceed the benefits it can bring, otherwise it will not be worth the candle. Due to the tax preference, the actual tax rate in some countries is much lower than the nominal tax rate, and even in some countries with high tax rates, there will be opportunities for tax avoidance. At present, China's tax law environment, differences in tax laws and the characteristics of e-commerce enterprises all provide conditions for the implementation of reasonable tax avoidance, and apply reasonable tax avoidance scientifically and effectively to obtain financial benefits, thus promoting the rapid development of e-commerce enterprises.

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