

Research on Tax Planning in Different Promotion Modes of Retail Enterprises

Jieyu Qin

School of Economics and management, North China Electric Power University, Baoding, 071003, China

Email: 739864722@qq.com,

Keywords: promotion method; tax planning; value added tax

Abstract: Retail enterprises include department stores, supermarkets, retail stores, etc. that directly engage in the sale of integrated goods. However, with the prevalence of commercial retail enterprises, competition among enterprises has become increasingly fierce. In daily production and operation, retail companies will adopt different promotion methods to promote consumption and increase profits. For each enterprise, the tax burden has a certain limit on the growth of corporate performance, and tax planning is particularly important. Who can grasp the tax opportunities, who can have a place in the fierce competition. Therefore, tax analysis of various promotional methods can help companies choose the appropriate promotion methods and obtain the maximum income after tax as much as possible.

1 Introduction

The new normal will bring new development opportunities to China and bring new challenges to China's economic reform. After more than 30 years of rapid growth, China's economy is no longer the same. In the face of an increasingly fierce competitive environment, enterprises must take various measures to maximize economic benefits in order to gain a place in the market competition for survival of the fittest. Therefore, enterprises should clearly recognize that different promotion methods bring economic benefits to enterprises, and they also bring different degrees of tax burden to enterprises. Enterprises should fully recognize the importance of tax planning. According to the current tax law, combined with their own conditions, and make full use of the country's tax policy, enterprises can alleviate the pressure on tax burden, improve the economic benefits of enterprises, and obtain the maximum benefit value. .

2 The significance of tax planning for retail enterprises and tax planning space

2.1 The significance of tax planning for retail enterprises

Retail companies have low barriers to entry, resulting in increasingly fierce competition in retail companies. The lower cost is conducive to maintaining the company in a favorable position in the competition. Reasonable tax planning can achieve the purpose of helping enterprises to save taxes

within the scope of the law, reduce the cost of enterprises, increase the core competitiveness of enterprises, and have important significance for the growth and development of enterprises.

2.1.1 Tax planning is conducive to reducing the tax risk of retail enterprises

Due to the lack of construction of its financial management department, some financial professionals with insufficient professional quality have insufficient understanding of taxation, which often creates risks of tax evasion and tax evasion. As a result, enterprises are subject to tax penalties. At the same time, the use of relevant preferential policies And implementation is not in place, often causing companies should not bear the loss. Reasonable tax planning is in line with relevant laws and regulations, and can help companies to reduce tax burdens. It is especially important in daily production and operation.

2.2.2 Tax planning is conducive to saving operating costs of retail enterprises

A company's taxation matters are closely related to a country's tax policy. The country's tax policy is constantly changing as the economy develops and changes, and it has certain timeliness. In order to adapt to different periods of economic development, some measures of the Chinese government will change accordingly. Therefore, by constantly learning new tax policies and using the preferential conditions of tax policies, we can reduce the operating costs within the scope of the law, and promote the performance improvement of enterprises, helping enterprises to stand out in the competition of the same industry. .

2.2.3 Tax planning is conducive to improving the management level of retail enterprises

While conducting reasonable tax planning, enterprises have increased the legal awareness of enterprises and improved the tax management level of corporate finance departments. The positive and reasonable tax planning of the enterprise is conducive to the establishment of a good image of self-integrity and tax payment, and improves the internal management control level of the enterprise.

2.2 Retail enterprise tax planning space

For retail enterprises, the main business activity is to transfer goods from the production field to the sales field, so that consumers can purchase, and the company realizes the value-added of capital. Therefore, VAT is the main tax item. The amount of VAT paid is based on the difference between the output tax and the input tax, and the tax can be reduced by controlling the sales and inputs. There are different regulations under different promotion methods, and enterprises should pay attention to the standard of payment of value-added tax under special circumstances. Within the scope permitted by the tax law, skilled use of accounting treatment can effectively reduce corporate tax burden and avoid unnecessary losses.

3 analysis of common promotion methods in retail enterprises

3.1 Discount Promotion

Discount promotion, also known as discount sales, is a way for enterprises to determine the profit-making coefficient according to the original price of the product in a specific market scope and business period, and to sell at a reduced price. By giving consumers a more obvious price concession, the product can be effectively improved. The market competitiveness, strive for

consumers, create a good market sales situation. At the same time, stimulate consumers' desire for consumption, encourage consumers to purchase goods in large quantities, and create a market profit-making mechanism of "small profits but quick turnover". In terms of value-added tax, in the relevant documents of the State Administration of Taxation on specific issues concerning VAT, taxpayers who use discounts for promotion can pay VAT at a discounted price when paying VAT, provided that the taxpayer will sell And the discount amount is on the same invoice and noted separately. In terms of corporate income tax, corporate income is reduced by the form of discounted sales, which also reduces corporate income tax. □□

3.2 Gifts

"Gifts" refers to the way in which a customer purchases a specified item or consumes a specified amount to receive the item for free. In terms of value-added tax, Article 4 of the "Regulations on the Provisional Regulations on Value-Added Tax" promulgated by China in November 2008 (No. 538 of the State Council of the People's Republic of China) stipulates that when the operator gives away the purchased goods for free, the act belongs to If you donate for free, the goods you give should be treated as goods and pay VAT. At the same time, in order to attract customers, the goods presented are already after-tax goods, and the company bears the personal income tax paid by the consumers.

3.3 points rebate

Point rebate refers to the company will give consumers a certain amount of points according to the price of the goods when selling the goods, the customer can convert the points of the reward to the corresponding goods under certain conditions or deduct a certain amount of the goods by points. It is divided into two categories: commodity exchange and point redemption. The former directly converts the goods, while the latter uses a certain point to offset the corresponding commodity prices and enjoy the discount of the goods. □□

3.3.1 Commodity Exchange□□

The VAT and corporate income tax treatment is the same as the "buy gift". At the same time, according to the third point of Article 1 of Caishui [2011] No. 50, if the enterprise reaches a certain standard for the cumulative consumption of consumers, the corresponding gifts will be given according to the points they consume, and the gifts will not be subject to personal income tax.

3.3.2 Points Redemption□□

In essence, the "discounted sales" tax treatment is the same as the "discounted sales".

3.4 full coupon

"Return coupons" refers to the promotion method in which the customer purchases a corresponding amount of shopping coupons after reaching a certain threshold. There are two ways to do this. One is to treat the sent shopping voucher as a "sales fee", and the other is to register only when the voucher is issued, not to do the accounting process, and to do the discount processing when the voucher is consumed. The actual sales amount is only the part other than the shopping voucher.

3.5 full cash back

Full cashback refers to the promotion method in which a merchant returns a certain amount of cash to a consumer when the consumer's consumption reaches a certain standard. The scope of value-added tax is the value-added amount generated by an enterprise by selling goods or providing processing, repairing and matching labor and importing goods. There is no refund of VAT for cash returned from purchases. On the other hand, the taxation of corporate income tax is the sales income of the enterprise, the return of shopping consumption reduces the income of the enterprise, and the enterprise income tax is not levied.

4 Tax planning for retail enterprises under different promotion methods

Retail enterprise zero is a commercial enterprise that directly supplies consumers as a basic task for daily consumption or supply to social groups as non-productive consumption. This article takes Jia as an example. Suppose that the business place of Company A is located in City A, which is a general taxpayer. It is operated by the current sales and purchase method. The discounts, gifts, points rebates, full rebates, and full returns are used by the company. The five promotion methods are now analyzed in detail to obtain the most favorable solution for corporate taxation.

4.1 Tax planning analysis of different promotion methods of retail enterprises

4.1.1 Discount sales

Suppose that Company A sells goods with a cost of 5,000 yuan and a price of 10,000 yuan at a price of 7,000 yuan after 30% discount, and opens the sales and discount amount on the same invoice and separately indicate. The tax situation and after-tax profit of the enterprise are as shown in Table 1

Table 1: Taxation of discount sales

| |
|---|
| VAT payable = $7000 / (1 + 7\%) * 17\% - 5000 / (1 + 7\%) * 17\% = 290.60$ (CNY) |
| Urban construction tax and education surcharge = $290.5983 * (7\% + 3\%) = 29.06$ (CNY) |
| Net profit = $(7000-5000) / (1 + 7\%) - 29.06 = 1680.34$ (CNY) |
| Corporate income tax = $1680.34 * 25\% = 420.09$ (CNY) |
| Net profit after tax = $1680.34-420.09=1260.25$ (CNY) |
| Total tax payable = $290.60+29.06+420.09=739.75$ (CNY) |
| Net cash flow = $7000-5000-739.65=1260.35$ (CNY) |

4.1.2 Gifts

Suppose that a company adopts consumer consumption a commodity of over 10,000 yuan, that is, a 3,000 yuan b product. The profit margin of both a commodity and b commodity is 50%. The tax situation and after-tax profit are as follows:

4.1.3 points rebate□□

4.1.3.1 Commodity Exchange□□

Suppose that a company adopts consumer consumption a commodity of over 10,000 yuan, that is, a 3,000 yuan b product. The profit margin of both a commodity and b commodity is 50%. The tax

situation and after-tax profit are as shown in Table 2:

Table 2: Taxation of Commodity Exchange

| |
|--|
| a goods should be subject to VAT = $(10000-5000) / (1 + 17\%) * 17\% = 726.50$ (CNY) |
| b goods should be subject to VAT = $(3000-1500) / (1 + 7\%) * 17\% = 217.95$ (CNY) |
| Total VAT payable = $726.50 + 217.95 = 944.45$ (CNY) |
| Urban construction tax and education surcharge = $944.45*(7\%+3\%)=94.45$ (CNY) |
| Net profit = $(10000-5000+3000-1500)/(1+17\%)-94.45=5461.11$ (CNY) |
| Corporate income tax = $5461.11 * 25\% = 1365.28$ (CNY) |
| Net profit after tax = $5461.11-1365.28=4095.83$ (CNY) |
| Actual net profit after tax = $(5461.11-3000/(1+17\%))*(1-25\%)=2172.76$ (CNY) |
| Personal income tax paid on behalf of customers = $3000 / (1-20\%) * 20\% = 750$ (CNY) |
| Actual net profit after tax = $2172.76-750=1422.76$ (CNY) |
| Total tax payable = $944.45 + 94.45 + 1365.28 + 750 = 3154.18$ (CNY) |
| Net cash flow = $10000-1500-5000-3154.18=345.82$ (CNY) |

4.1.3.2 Points Redemption □□

It is essentially a "discount sale", and the tax treatment is the same as "discount sales". Therefore, it will not be repeated here.

4.1.4 Full refund coupon

Assume that the sales of a company's voucher are 10,000 yuan, including 7,000 yuan in cash, 3,000 yuan in shopping vouchers, and a profit margin of 50%. The tax situation and after-tax profit are as shown in Table 3:

Table 3: Taxation of Full refund coupon

| |
|--|
| a goods should be subject to VAT = $(10000-5000) / (1 + 17\%) * 17\% = 726.50$ (CNY) |
| b goods should be subject to VAT = $(3000-1500) / (1 + 7\%) * 17\% = 217.95$ (CNY) |
| Total VAT payable = $726.50 + 217.95 = 944.45$ (CNY) |
| Urban construction tax and education surcharge = $944.45*(7\%+3\%)=94.45$ (CNY) |
| Net profit = $(10000-5000+3000-1500)/(1+17\%)-94.45=5461.11$ (CNY) |
| Corporate income tax = $5461.11 * 25\% = 1365.28$ (CNY) |
| Net profit after tax = $5461.11-1365.28=4095.83$ (CNY) |
| Actual net profit after tax = $(5461.11-3000/(1+17\%))*(1-25\%)=2172.76$ (CNY) |
| Total tax payable = $944.45 + 94.45 + 1365.28 = 2404.18$ (CNY) |
| Net cash flow = $10000-5000-1500-2404.18=1095.82$ (CNY) |
| VAT payable = $(10000-5000) / (1 + 17\%) * 17\% = 726.50$ (CNY) |
| Should be included in the city construction tax with education surcharge = $726.50* (3\% + 7\%) = 72.65$ (CNY) |
| Net profit = $10000 / (1 + 7\%) - 5000 / (1 + 7\%) - 3000 - 72.65 = 1200.85$ (CNY) |
| Corporate income tax = $1200.85 * 25\% = 300.21$ (CNY) |
| Net profit after tax = $1200.85-300.21=900.64$ (CNY) |
| Total tax payable = $726.50+72.65+300.21=1099.36$ (CNY) |
| Net cash flow = $7000-5000-1099.36=900.64$ (CNY) |

4.1.4.1 When doing sales expenses processing

4.1.4.2 When the shopping voucher is issued, the accounting process will not be processed.

When the voucher is recycled, the “discount” will be listed directly on the sales, and the sales revenue will be confirmed only for the cash sales. The tax situation and after-tax profit are as shown in Table 4:

Table 4: The tax situation and after-tax profit

| |
|---|
| VAT payable = $(7000-5000) / (1 + 17\%) * 17\% = 290.60$ (CNY) |
| Should be included in the city construction tax with education surcharge = $290.60 * (3\% + 7\%) = 29.06$ (CNY) |
| Net profit = $(7000-5000) / (1 + 7\%) - 29.06 = 1680.34$ (CNY) |
| Corporate income tax = $1680.34 * 25\% = 420.09$ (CNY) |
| Net profit after tax = $1680.34-420.09=1260.25$ (CNY) |
| Total tax payable = $290.60+29.06+420.09=739.75$ (CNY) |
| Net cash flow = $7000-5000-739.65=1260.35$ (CNY) |

Table 4: Taxation when the shopping voucher is issued,

4.1.5 full cash back

Assume that Company A stipulates that consumer spending is “10,000 minus 3000” and the average profit rate of the company is 50%. The tax situation and after-tax profit are as shown in Table 5:

Table 5: The tax situation and after-tax profit

| |
|---|
| VAT payable = $(10000-5000) / (1 + 17\%) * 17\% = 726.50$ (CNY) |
| Should be included in the city construction tax with education surcharge = $726.50 * (3\% + 7\%) = 72.65$ (CNY) |
| Net profit = $(10000-5000) / (1 + 17\%) - 3000 - 72.65 = 1200.85$ (CNY) |
| Corporate income tax = $1200.85 * 25\% = 300.21$ (CNY) |
| Net profit after tax = $1200.85-300.21=900.64$ (CNY) |
| Personal income tax paid on behalf of customers = $3000 / (1-20\%) * 20\% = 750$ (CNY) |
| Actual net profit after tax = $900.64-750=150.64$ (CNY) |
| Taxable total = $726.50 + 72.65 + 300.21 + 750 = 1849.36$ (CNY) |
| Net cash flow = $7000-5000-1849.36 = 150.64$ (CNY) |

Table 5: Taxation of full cash back

4.2 Tax planning for different promotional forms of retail enterprises

Comparison of profits under different forms of promotion are as shown in Table 6:

Table 6: Comparison of profits under different forms of promotion

| Program | | VAT(CNY) | Net profit (CNY) | Net profit after tax (CNY) | Taxable total (CNY) | Net cash flow (CNY) |
|--------------------|------------------------------|----------|------------------|----------------------------|---------------------|---------------------|
| discount promotion | | 290.6 | 1680.34 | 1206.25 | 739.75 | 1260.35 |
| Gift item | | 944.45 | 5461.11 | 1422.76 | 3154.18 | 345.82 |
| Point rebate | Commodity exchange | 944.45 | 5461.11 | 2172.76 | 2404.18 | 1095.82 |
| | Redemption | 290.6 | 1680.34 | 1206.25 | 739.75 | 1260.35 |
| Full refund coupon | Do sales expenses processing | 726.5 | 1200.85 | 900.64 | 1099.36 | 900.64 |
| | Make discount processing | 290.6 | 1680.34 | 1206.25 | 739.75 | 1260.35 |
| Full cash back | | 726.5 | 1200.85 | 150.64 | 1849.36 | 150.64 |

According to the above analysis and comparison, it is found that the net profit after the commodity exchange tax in the point rebate is the highest; the net profit after the tax is paid for the sales of the full amount of coupons; the discount, the point redemption in the point rebate, the discount in the full rebate, and the net after tax The profits are the same. The discounted tax is the lowest in the discount promotion, the point rebate in the point rebate, and the full amount of the rebate; the gift tax is the highest. The discounted cash flow generated by discount sales, point redemption, and full rebate is the largest; the net cash flow generated by full cash back is the lowest.

From the perspective of net profit, it is the most reasonable solution to choose commodity rebate in point rebate. From the perspective of tax burden, it is the most reasonable solution to choose discount sales, point rebate in point rebate, and discount in full rebate. The nature and characteristics of retail enterprises determine that financial security is both a difficult point in financial management and a key point of financial management. [1] Therefore, from the perspective of cash flow analysis, you should choose discount sales, point redemption in point rebates, and discounts in full rebates.

5 Conclusion

Along with the development of China's economy, the retail industry is facing competitive pressure from home and abroad. In order to make enterprises in an invincible position in the competition, retail enterprises should adopt reasonable promotion methods to attract customers and create corporate profits. Tax planning, efforts to reduce business costs and improve corporate competitiveness. At the same time, we must also pay attention to the choice of the promotion method in combination with the company's own situation, choose the program that is most conducive to the realization of economic and social benefits.

References

- [1] Lin Shen. *Tax analysis and planning of retail enterprises' promotion methods* [D]. Tianjin University of Finance and Economics, 2014.
- [2] Fengyu Huang. *Tax Planning: Strategies, Methods and Cases* [M]. Dalian: Dongbei University of Finance and Economics, 2007. [2] [3] Wang Zhiqun. *Risks of Corporate Tax Planning and Its Prevention*[J]. *Contemporary Managers* . 2006 (12)
- [4] Zuolin Sun. *Comparison of Tax Planning Income of Different Promotional Plans of Commercial Enterprises*[J]. *Finance and Accounting Monthly*.2013(01)
- [5] Yuli Zhao. *Risk Control Analysis of Tax Planning in Retail Enterprises*[J]. *Finance and Accounting*, 2016(15):167.
- [6] Yanan Chen, Chen Yan. *Risk Control in Enterprise Tax Planning Activities* [J]. *Finance and Accounting News*, 2016 (11): 115-117.
- [8] Yanbo Luo. *Research on Tax Planning Risks and Countermeasures of Retail Enterprises*[J]. *Times Finance*, 2013(15): 62-63.
- [9] Jie Yu. *Retail Tax Planning* [J]. *Modern Business*, 2013 (18): 18-19.
- [10] Yuan Tian. *Comparison of accounting and tax treatment of promotional behaviors* [J]. *China Collective Economy*, 2011 (36): 147-148.
- [11] Wuyi Zhu. *Discussion on the sales discount and discount of commodity sales and the accounting of supplier rebate business* [J]. *Finance and Accounting*, 2017 (19): 113+115.