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Research on the influence of different tax policies on the business model of financial leasing companies under the new standards

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Abstract: Because the leasing business plays a very important role in the capital market, the financial leasing industry has also developed rapidly. In order to fully reflect the essence of leasing business and truly reflect the risks borne by the lessee and the lessor respectively, the new leasing standards came into being. The implementation of the new leasing standards puts forward new requirements for financial leasing, which ensures the innovation and optimization of its accounting work and is the key to embody the value of the new leasing standards. Firstly, this paper analyzes the implementation effect of the new lease criteria, summarizes the impact of the new lease criteria on tenants and investors, and discusses the impact of different tax policies on financial leasing companies under the new lease criteria, which is of great significance to enhance the application value of the new lease criteria.

1. Introduction

The new lease standard refers to an important standard in International Financial Reporting Standards (IFRS), namely "Lease" (IFRS 16) [1]. This standard came into effect on January 1, 2019, and has made significant changes in the accounting treatment of lease contracts worldwide [2]. In the past, according to the old standards (IAS 17), lease contracts were divided into two categories: financial lease and operating lease, and these two types of contracts were treated differently in accounting [3]. According to the new lease criterion, most lease contracts are classified into a new way, which is called "direct confirmation of lease". According to the new lease standards, the lessee should list the leased assets and related lease liabilities in the lease contract on the balance sheet to reflect the lessee's control over the leased property and its lease obligations [4]. Specifically, the lessee needs to list both leased assets (as non-current assets or current assets) and leased liabilities (as non-current liabilities or current liabilities) on the balance sheet [5]. On the income statement, the rental expenses have also changed, replacing the rental payment under the old standards. In addition, the lessee also needs to disclose relevant lease information. For the lessor, the new lease standard has not introduced any major changes, and accounting is still carried out according to the treatment of the old standard (IAS 17) [6]. Generally speaking, the implementation of the new leasing standards has had a certain impact on the business model of financial leasing companies, such as the presentation of balance sheets and income statements, changes in financial indicators, etc., and also improved the disclosure requirements for leasing contracts. Financial leasing companies need to understand and adapt to the provisions of the new leasing standards, so as to correctly handle implementation of accounting and make corresponding adjustments to the company's financial reports.

According to the new lease standards, financial leasing companies need to list the leased assets and related lease liabilities in the lease contract on the balance sheet [7]. This means that the company's assets and liabilities may increase, which will have an impact on the company's financial situation. According to the new lease standards, financial leasing companies need to directly confirm the lease to measure the lease expenses, replacing the lease payment under the old standards [8]. This may lead to different expense structures on the company's income statement and affect the company's profitability. As the presentation of assets and liabilities changes, some financial indicators such as debt ratio and capital structure will also be affected [9]. Financial leasing companies need to re-evaluate their financial indicators and make corresponding analysis and disclosure according to the new standards. The new lease standards require more detailed and comprehensive disclosure of lease contracts, and financial leasing companies need to provide more information about lease contracts, including lease term, rent payment plan and lease measurement policy [10]. This brings certain challenges to the company's financial reporting and disclosure process. The new leasing standards may prompt financial leasing companies to re-evaluate their business models and business strategies. Due to the change of accounting treatment, some leasing projects may no longer be attractive or economical, so the company may adjust its leasing selection and pricing strategy.

2. The impact of the new leasing standards on the financial leasing industry

The main change of the new lease criterion is that the lessee does not need to classify the lease, but adopts a single accounting model. In the process of implementing the new lease standards, accountants should first make clear the object. The new standard stipulates that short-term leases and low-value leases that choose simplified treatment can be accounted for in a simple way, and the financial expenses for calculating lease liabilities are directly included in the current profit and loss. However, there is no clear explanation on the determination method of low-value lease in the new lease criterion. Although the lessor's accounting treatment method has basically not changed, the new lease standards have updated the guidelines on the definition of lease, sublease, contract merger and split, and the lessor is still likely to be affected. Under the influence of the new lease standards, the internal structure of the balance sheet will change to a great extent, and the liabilities and turnover of assets will also be affected. In the period before the lease expires, the straight-line method will be used to depreciate assets in different accounting periods, and the role of asset accrual will also be revealed to a great extent. During the implementation of the new lease standards, the assets in the book of the right to use will change, and the specific changes will be greatly affected by the liabilities of the right to use. Therefore, the new lease standards will lead to a poor level of the owner's equity. Under the implementation of the new lease standards, if one party transfers the right to control the use of one or more identified assets in exchange for consideration, the contract is a lease or includes a lease. The change of lessee's accounting treatment will affect the arrangement of lessee's leasing business structure, and then affect the lessor's business model and business negotiation with the lessee. The total expenses of the leasing entities are roughly the same, but the differences in the leasing accounting period will become the main influencing factors of the leasing expenses. Only by effectively controlling the leasing profits and losses can we fully adapt to the effective control of the expense deduction order and provide strong support for the control of operating results in the implementation of the new leasing standards. In the process of implementing the new lease standards, the lease expenses will be disposed of with the confirmation of the lessee, and the operating expenses will be calculated more effectively.

These changes may have an impact on the financial report and business model of financial leasing companies, especially in the presentation of balance sheets and income statements, as well as contract negotiation and pricing with customers. In a word, the new leasing standards have changed the accounting treatment of the financial leasing industry, affected the balance sheet, income statement, financial ratio and disclosure requirements, and also prompted the company to re-evaluate its business model and business strategy. Financial leasing companies need to understand the standards in time and cooperate with professionals to ensure accurate implementation of the standards, compliant operation and adapt to the new financial accounting requirements.

3. The impact of different tax policies on the business model of financial leasing companies under the new standards

3.1 Do a good job in market response and optimize business model

The competition in financial leasing industry is becoming increasingly fierce, and optimizing business model and market response is the key to enhance competitiveness. Through innovative cooperation mode and digital transformation, we can improve operational efficiency, reduce costs and enhance service quality, so as to gain a larger share in the market. The market demand is constantly changing, and the customer's demand for rental products and services is also constantly evolving. By optimizing the business model and coping with the market, we can better grasp the market trend, meet the changing needs of customers and provide more competitive solutions. Financial leasing business involves asset ownership and risk management during leasing. Optimizing the business model is helpful to establish a sound risk management system, evaluate the credit risk of customers, avoid the generation of non-performing assets and bad debts, and improve the recovery rate and asset value. Tax policies, compliance requirements and relevant laws and regulations are constantly being adjusted and updated, which has an impact on the operation of financial leasing companies. By optimizing the business model and coping with the market, we can adapt to the changes of laws and regulations in time, ensure compliance and reduce legal risks. Optimizing business model and coping with the market are the keys for financial leasing companies to achieve sustainable development. Adapting to market changes and customer needs, improving competitiveness, controlling costs and providing quality services can create more stable profitability and long-term development potential for the company. In a word, optimizing the business model of financial leasing companies and coping with the market are of great necessity to adapt to market demand, improve competitiveness, manage risks, comply with laws and regulations and achieve sustainable development. This will help the company maintain its competitive advantage in the highly competitive market environment and provide customers with rental products and services that better meet their needs. The optimized business model of the financial leasing company is shown in Figure 1.

To cope with the market and optimize the business model, we need to constantly pay attention to market changes and customer needs, innovate cooperation models, promote digital transformation, strengthen risk management and compliance, optimize capital structure and cost control, and provide quality customer service. These measures will help financial leasing companies adapt to market changes, enhance their competitiveness and achieve sustainable development.

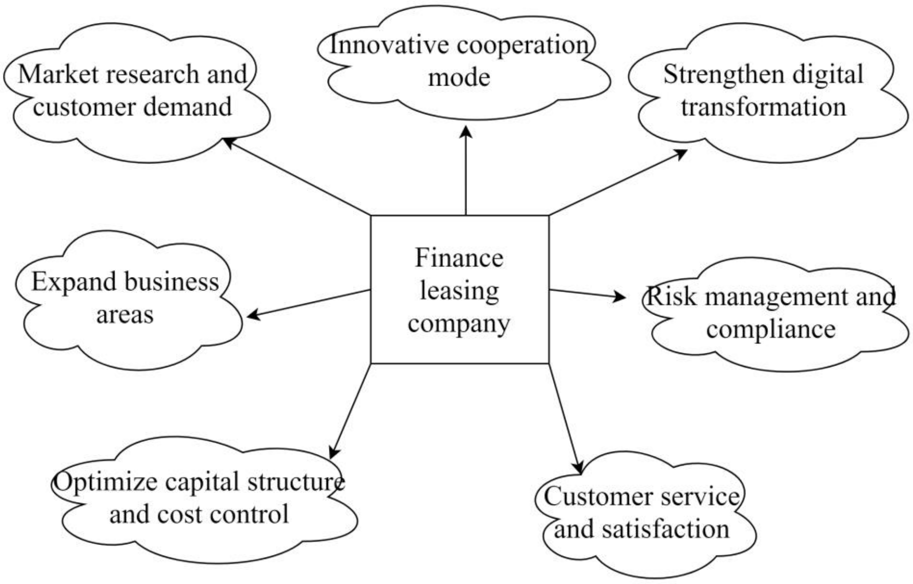

Figure 1: Business Model of Financial Leasing Company

3.2 Innovative ways of development, seeking the road to the transformation of the financial leasing industry

Faced with the impact of the new leasing standards on the financial leasing industry, enterprises need to actively respond and innovate to seek the next path of transformation and development. Financial leasing industry refers to a business model in which enterprises or individuals acquire capital equipment, machinery equipment and vehicles through leasing. In the process of seeking transformation, innovative development approaches can help the financial leasing industry adapt to changes in market demand, enhance its competitiveness and achieve sustainable development. In the process of pursuing transformation and innovative development, the financial leasing industry needs to pay attention to market demand, changes in policies and regulations, technological progress and other factors, and constantly improve its professional ability and service quality to adapt to the changing business environment. On the road of transformation and development, the financial leasing industry needs to focus on the following aspects to ensure the enforceability and specialization of transformation. First, to ensure the function of the main leasing business, the transformation still needs to be based on the financing function, and on this basis, we will innovate the field of financial leasing, provide leasing services to enterprises in need more efficiently, and give full play to its due value; Secondly, organizations should expand their leasing scope, deepen their business services, and innovate business models in accordance with customer demands, all while ensuring compliance and legality, in order to cater to the diverse requirements of the market; Third, all enterprises in the financial leasing industry should also proceed from their own actual situation and characteristics, subdivide their business areas and clarify their main direction, and implement differentiated development strategies among enterprises in the industry to achieve specialization and refinement. At the same time, in the actual business operation of the financial leasing industry, general leasing and service are tied together, while the service business is different from leasing, and it still follows the original accounting treatment mode. Therefore, the financial leasing industry can choose to change to service and asset management according to the actual situation, but it should pay attention to the judgment of the transaction essence, clearly divide the leasing and service, asset management business and their respective contract amounts, and pave the way for transformation and development. The innovative model of financial leasing industry is shown in Figure 2.

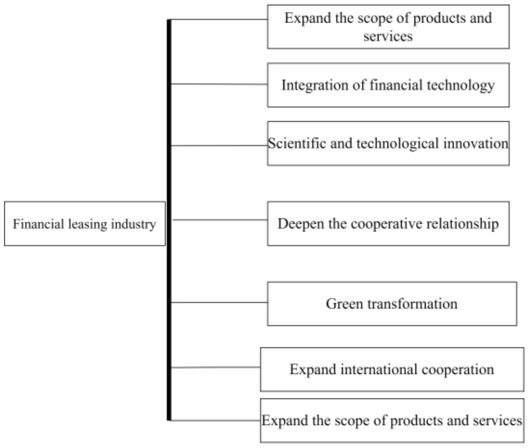

Figure 2: Innovative mode of financial leasing industry

4. Conclusions

In recent years, the reform and upgrading of tax policy around the world has been an important issue. Under the new standards, different countries and regions have adjusted the tax policies of financial leasing companies to adapt to economic development and changes in financial markets. Under the new standards, different tax policies may have a certain impact on the business model of financial leasing companies. Financial leasing is a business model to acquire capital equipment, machinery equipment and vehicles through leasing. Traditionally, the profitability of financial leasing companies mainly depends on rental income. However, under the new standards, the change of tax policy may have a direct impact on the cash flow, cost structure and profitability of financial leasing companies. Generally speaking, changes in tax policies may have an impact on the operating environment and profitability of financial leasing companies. Therefore, financial leasing companies need to pay close attention to the changes of relevant tax laws and consider tax factors when formulating business strategies and decisions. At the same time, companies should collaborate with tax professionals to ensure compliance and maximize the utilization of available tax incentives, thus maintaining their competitiveness and promoting sustainable development.

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