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New Financial and Tax Policies

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Brighture Salon

Brighture 2022 Seaside Outing

KRESTON News

Seniority as of Now

BRIGHTURE, 20 Years in financial and tax services

Mission Statement :

Add value to clients by professionalism, be a respected financial consultant

Vision :

Be a leader in financial service sector and a century business

Values :

Always focus on the clients and serve them with professionalism, integrity and efficiency



Shanghai



Qingdao

1. To implement the new combined tax support policy, serve the market players and stimulate the innovation vitality of enterprises, the State Administration of Taxation (SAT) issued the Announcement on Matters Related to the Preferential Policy of Mark-up Deduction for R & D Expenses in Corporate Income Tax Prepayment(SAT [2002] No. 10), which provides:

(1) When an enterprise prepays the corporate income tax for the third quarter (for those who prepays on quarterly basis) or September (for those who prepays on monthly basis) in October, it can elect to enjoy preferential policy of mark-up deduction for R & D expenses in the first three quarters of the year. Where an enterprise does not elect to enjoy the preferential policy during the pre-payment period of October, it may enjoy the same when it goes through the final settlement of corporate income tax of the current year

(2) When an enterprise enjoys the preferential policy of mark-up deduction for R & D expenses, it shall identify by itself the truthful R & D expense incurred, apply to competent tax authority for the preferential treatment beforehand, and retain the relevant information for future reference.

(3) An enterprise that, upon its own judgment, meets the requirements of small and medium-sized technology-based enterprises in the current year, it may elect to enjoy, for the time being, the preferential policy of mark-up deduction for R & D expenses of small and medium-sized technology-based enterprises in accordance with the provisions in pre-payment and declaration in October, and determine the eligibility for such preferential policy for small and medium-sized technology-based enterprises at the time of annual settlement according to the warehouse entry registration number obtained.

(4) This Announcement shall take effect on January 1, 2022.

2. In order to stabilize market entities, employment and people's livelihood, on the basis of the policy of deferment payment of basic old-age insurance premiums, unemployment insurance premiums and work-related injury insurance premiums (hereinafter referred to as social insurance premiums) for employees of enterprises in extremely difficult industries, The Ministry of Human Resources and Social Security(MHRSS), the National Development and Reform Commission, the Ministry of Finance, and the State Administration of Taxation issued the Announcement on Expanding the Temporary Payment Deferment of Social Insurance Premiums Policy (MHRSS [2022] No.31), which provides

(1) To expand the industrial coverage of the temporary payment deferment policy. On the basis of suspending the payment of three social insurance premiums for five industries in extreme difficulties, namely catering, retail, tourism, civil aviation, and highway, waterway and railway transportation, the coverage of the policy will be further expanded focusing on manufacturing enterprises whose industrial and supply chains are greatly affected by the pandemic and whose production and operation are in difficulty.

The difficult enterprises belonging to the industries under the expanded coverage may apply to the relevant authorities for the payment deferment of the premiums of the three social insurances which are born by the employers, provided that the deadline for pension premium deferment is set at the end of 2022, and the validity period for premium deferment for industrial injury and unemployment insurance is not longer than one year. In addition, the closing date for the pension deferment for the aforesaid five industries in extreme difficulties shall be extended to the end of 2022 accordingly. No overdue penalty shall be charged during the deferment period.

(2) Micro, small and medium-sized enterprises greatly affected by the pandemic and with difficulties in production and operation shall be eligible for the payment deferment policy. All micro, small and medium-sized enterprises and individual businesses (buying insurance in the name of an entity) that have encountered temporary difficulties in production and operation in areas severely affected by the epidemic, may apply to the relevant authorities for the payment deferment of the premiums of the three social insurances which are born by the employers, provided that the deadline for premium deferment is set at the end of 2022, and no overdue penalty shall be charged during the deferment period.

(3) To further leverage the role of unemployment insurance in stabilizing employment. More governmental subsidies in support of stable employment shall be provided, with the subsidy for large enterprises increased from 30 percent to 50 percent of the premiums

3. In order to boost automobile consumption and support automobile industry, the Ministry of Finance and the State Administration of Taxation issued the Announcement on Reducing Purchase Tax on Some Passenger Vehicles (CAISHUI [2022]No.20), which provides:

(1) Purchase tax shall be halved on passenger cars with displacement of 2.0 liters or less purchased between June 1, 2022 and December 31, 2022 and the unit price (VAT exclusive) is not more than 300,000 Yuan.

(2) The term "passenger vehicles" as used herein refers to vehicles designed and built primarily for carrying passengers and their carry-on luggage and/or articles, with a maximum of nine seats including the driver's seat.

(3) The taxable price of a vehicle shall be taken as the unit price of a vehicle for the purpose of purchase tax.

(4) The issuing date of valid documents such as motor vehicle sales invoice or payment letter for customs duties shall be taken as the purchase date of passenger cars.





Case of Financial and Taxation Services

Background: Mr. Zhang, a natural person of Chinese nationality, has settled in Germany for a long time with his family and is a holder of permanent residence permit in Germany. He is currently employed by a German company. In order to expand the Chinese market, his employer sent him to China for a business trip to visit customers for one year, during which the employer paid salary to his overseas account. Mr. Zhang was not sure of payment of personal income tax during his business trip in China. Therefore, he came to Brighture for advice. **Service provided:** Our staff had a full understanding of Mr. Zhang's situation through detailed communication upon his request. Mr. Zhang is a Chinese citizen, but his family and economic interests have moved to Germany, and he will return to Germany after his business trip to China. Based on the information, our financial and tax consultant issued a special consulting report based on the Individual Income Tax Law of the People's Republic of China and the tax agreement between China and Germany, which served as a comprehensive and detailed answer to his questions, assisted him to handle the returns of individual income tax, and avoided tax risks.

2 BRIGHTURE NEWSLETTER (No. 273). June 2022

Friendly Reminder

It is not uncommon that Chinese nationals are employed by foreign companies and travel to China on business. However, the determination of their tax liabilities in China is usually complicated. It is necessary to consider comprehensively the household registration, location of family and economic interest and other factors to determine whether a Chinese citizen has permanent domicile in China. If he or she has permanent domicile in China, he or she is a tax resident in China. If he or she has no permanent domicile in China, other factors shall be taken into considerations, such as the number of days he or she has lived in China, the tax agreements between China and the other countries etc. to determine whether he or she has tax obligations in China. With rich experience in personal income tax consulting and declaration, our team of professional financial and tax consultants will provide consulting and declaration services based on individual's specific situation, help our esteemed clients improve personal tax compliance and avoid tax risks.

The Brighture 5th Salon for 2022 was held from 19:30 to 20:30, May 27, 2022 under the theme of "Financial and tax planning for the current 3 popular business models".

The lecturer for this event was Sherry Xi, senior business advisor of Brighture, who has provided services to a hundred of domestic and overseas businesses in a dozen-year's period serving Brighture and has profound experience in equity structure design, financial and tax planning, company registration/deregistration and change of equity.

The lecture covered three business models, namely "Membership business model, contract business model, and franchise business model"

1. Financial and tax planning for Membership business model

Membership is a medium for communication between people or organizations. It is initiated and managed by an organization to attract customers to join voluntarily, **with a purpose to contact members regularly and provide them with benefit packages of higher perceived value.** **Membership business model is not only a way of marketing, but also a way of tax planning.**

(1) Common application scenarios:

① **Marketing and value-added methods**, such as ****Plus members, VAT shall be paid as per the sale of other equity intangible assets;**

② **The way services are provided**, such as gym membership and training course membership, **VAT shall be paid as per the tax items the services are subjected to.**

Membership business model is widely applied in wholesale, retail, service, and real estate industries.

(2) Tax planning and treatment:

① **VAT: Membership rights belong to intangible assets**, and sales of intangible assets are subject to **the VAT rate of 6%.** Compared with the VAT rate of the main business of the enterprise, **it can save up to 7% tax points.**

② **Corporate income tax:** There are two circumstances: where a member has to pay for all services or goods consumed, **the membership fee will be, upon acquisition, recognized as taxable income for the purpose of corporate income tax;** where a member needn't pay for all services or goods consumed during the term of membership, or pays lower prices than non-members, **membership fees shall be recognized in installments throughout the benefit period.**

(3) Tax-related risks and their prevention:

① **There should be substantial business and a complete membership service system;**

② **The membership system shall clearly define the rights and obligations of members and the conditions for enjoying such rights;**

③ **The amount of membership fee should be linked with the services, but not directly linked with the purchase quantity, otherwise VAT off-price cost will be incurred;**

④ **Membership fees should not only include coupon benefits, but also other membership benefits.**

2. Financial and tax planning for contract business model

Contract operation refers to the business form where an enterprise is contracted out to other entities or individuals, the contractor operates in the name of the employer or himself, and the income of the employer is directly related to the contracted operation results.

(1) Common application scenarios:

① **Business requiring qualification:** **The employer has qualification while the contractor has no qualification.** Such as gas stations, hotels, and construction sectors;

② **Difficult in internal control: the employer is weak in management while the contractor is strong in management.** Such as staff canteen, school clinic, etc

(2) Tax planning and treatment:

The Employer shall pay the contractor service fees and the Contractor shall issue an invoice to the Employer for **"business management services"** based on the terms and conditions set out in the agreement entered into by both parties.

(3) Tax-related risks and their prevention:

① the Employer

A: Risk points: the Contractor fails to follow the legal requirement in tax treatment and has such illegal behaviors as off-book income, obtaining invoices in illegal manner, and false invoicing, etc.

B: Suggestions: Compliance operation shall be agreed upon in the contract, and in addition, deposit payment, audit and monitoring in the intermediate process shall be enforced;

② the Contractor

A: Risk points: Intrinsic business risks and tax risks are involved, and "management right" invoice for the operation risk, tax risk and contract fee must be obtained.

B: Suggestions: Compliance operation and due diligence

3. Financial and tax planning franchise business model

Commercial franchise refers to a type of business operation where an enterprise that owns registered trademark, enterprise logo, patent, proprietary technology and other operating resources licenses (franchises) its operating resources to other operators in the form of contract, whereby the franchisee shall operate under a unified business model as agreed upon and pay franchise fees to the franchisor.

(1) **Common application scenarios: Hotels, convenience stores, restaurants, beauty salons, real estate agents, etc.**

(2) Tax planning and treatment:

① **Different charging categories are subject to different VAT items and tax rates;** For instance, the franchise fee is subject to 6% VAT on sales of intangible assets, while food material distribution is subject to 13% VAT on sales of goods;

② **The enterprise's business model planning:** To achieve profit transparency through the model of **"company + self-employed"**.

(3) Tax-related risks and their prevention:

① Reasonable charges, stable operation;

② Multiple charge items, different items for different tax items and tax rates. Be serious in signing and safe-keeping contracts.

Business model design is a systems engineering. The transaction mode, signing of contract, invoicing, and receipt and payment of capital between enterprises and customers should all match the business model, and all links should be well controlled. **Business model should be adjusted with the development of enterprises, and different models should be designed for different business types.**

As a professional service agent, Brighture can make analysis in an all-round way including finance, tax, law, management and so on, and based on the actual situation of the enterprise, we can design a business model that matches the current development stage of the enterprise and assist the implementation of the business model, so as to be the intimate tax manager of the enterprise.

The Preview of next Salon

The Brighture 6th Salon for 2022

Theme: VAT tax planning and risk prevention under Golden Tax IV

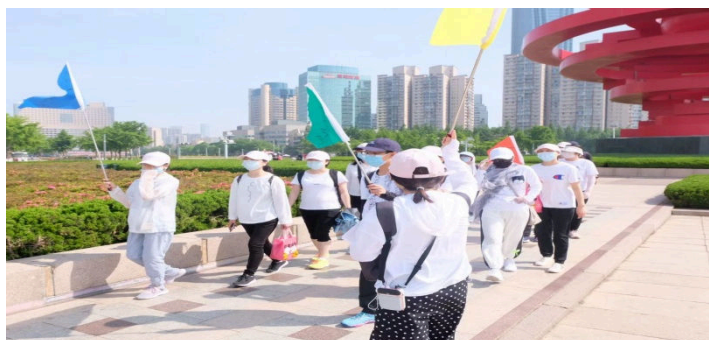
Time: June 29, 2022, 19:30-20:30

The "Two-Decades Friendship, a reliable finance and tax steward" theme team activity was held on May 28, 2022 to celebrate Brighture's twentieth anniversary of and entertain the staff in seaside scenic spots.



At 8:00 a.m., when the morning sun shone on the blue sea, we arrived at the assemble place.

Facing the rising sun, we started our beautiful day. Our colleagues were put in three teams in the Walking Event.



There were colorful challenging games in the event, where the referee gave out clues and rules of the game and the team members searched the game site of "team rope skipping" and marched forward in lines.

When the team members arrived at the game site, two of them swung the rope to let the others complete 10 serial skip-jumps, and after taking a group picture, the challenge was successfully overcome. We worked together in the game and took on the challenge through concerted efforts.



After the game of "team rope skipping", we discussed the best route to the finish line. Each team kept the task in mind and successfully clocked in to get the pass to the finish line.



The last game was "drum-beating", where the winner had to make a ball beating a drum 10 times. People tried various ways to find the best method to keep the ball bouncing consistently on the drum. Finally, the challenge was overcome.



The friendship and warmth of Brighture family will stay in the mind of every member. Unity, friendship, vitality, and responsibility are our pursuit. There is no perfect individual but a perfect team, and that is our constant belief!

As your reliable finance and tax steward, Brighture will continue to work hand in hand with you and to be a helping hand on the way forward.

Recent Events of Kreston

In order to promote the communication and cooperation among Kreston members, Kreston recently held the following activities:

1. Kreston Global has today welcomed Kreston Macedonia, based in North Macedonia, to its global network. Kreston Macedonia was founded earlier this year and was originally known as TPM Audit prior to joining the Kreston Global network. Led by founding partner Nenad Torteovski, it provides audit, tax, accounting, and valuation/forensics services to businesses operating in North Macedonia, from its Skopje office.

2. Kreston Global welcomes Slovakia member firm. A4 GroUP was established in 2021 by merging two companies with more than 15 years of tradition in the market which created one of the largest consulting companies in Slovakia, providing audit, tax advisory, legal and accounting services, payroll services and specialist services such as ESG reporting and cybersecurity.

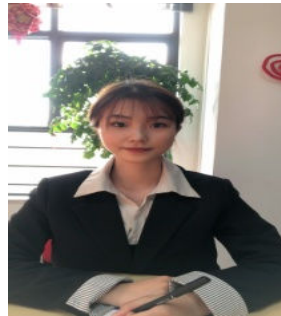


3. Kreston takes action on Earth Day. Environmental sustainability is essential for our earth, as climate change is ever-growing all businesses can adapt to support this. Accountants and auditors are in the best place to be able to give advice to clients on ESG and aid with sustainability frameworks in the future.



Crystal
Tax Reimbursement Dept.
Intermediate Accountant
- 7 Years

Motto:
Study, study, study!
Learn, and then know.



Mia
AI Dept.
- 3 Years

Motto:
No excuses for failure,
Find a way to succeed

Brighture was incorporated at the beginning of 2003 and has been committed to provide domestic and foreign enterprises with financial outsourcing, legal, audit and business services. Our mission is to provide clients with high quality tax services and tailored solutions to meet their different needs, while building trust and long-term partnership with them.

In 2015, Brighture became a member of Kreston International, the 13th largest accounting network in the world. We not only provide services for domestic clients, but also provide resource docking and service assistance for other clients from all over the world based on our international vision and local resources.

Scope of services

Financial and taxation services: Perennial fiscal and tax consultation, fiscal and tax outsourcing, tax planning, export duty rebate, merger and reorganization, transfer pricing, tax training

Legal services: Daily legal consultation, legal due diligence, contract review, compliance review, intellectual property protection, labor relations

Audit services: internal control audit, financial statement audit, fiscal and tax due diligence, asset evaluation, capital verification

Business services: registration of domestic and foreign-funded enterprises, change of registration items, enterprise liquidation and cancellation, personnel outsourcing

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Disclaimer: The information contained herein is for reference only, please refer to the relevant laws, bylaws and judgment made by local administrative authorities.

We provide domestic and foreign enterprises with financial, tax, legal, audit and business services leveraging our 20 year's experience. It is a prudent decision to cooperate with a time-honored consultant with international vision, local resources, one-stop solutions, a member of Kreston International which is the 13th largest accounting network in the world.