

# Improvement of the New Rural Insurance Policy

Jie Li

College of Finance and Public Administration, Anhui University of Finance and Economics,  
Bengbu, Anhui 233000, China

## Abstract

The purpose of this case study is to analyze the tax risk of Company X, and then understand the tax problems in the whole real estate industry, and analyze the common taxes, such as value-added tax, enterprise income tax, stamp tax, property tax and urban land use tax, in order to achieve the dual purpose of reducing the cost of tax collection and tax payment. 2021 is the opening year of the Fourteenth Five-Year Plan, in order to achieve the goal of "common prosperity". The year 2021 is the opening year of the "14th Five-Year Plan", and in order to realize "common prosperity", the real estate industry will inevitably undergo structural adjustments and move towards high-quality development. This requires that our government and companies have to take tax risk seriously, learn from typical cases, and combined with China's national conditions to reduce the tax risk of countermeasures.

## Keywords

Tax Planning; Structural; Tax.

## 1. Real Estate Industry Information

The development of the real estate industry is an important symbol of the economic take-off of a region, but also the main source of local tax revenue. At present, real estate development companies should pay taxes to the tax authorities mainly include: enterprise income tax, stamp duty, land value-added tax, property tax (urban real estate tax), urban land use tax, urban maintenance and construction tax, education surcharge and local education surcharge, etc. The main tax payment links are shown in Table 1 below. With the continuous improvement of China's tax system, the tax risks faced by the Company have been increasing due to the characteristics of its long investment and development cycle, large project amount and large tax-related scope.

## 2. Information of Company Q

### 2.1. Q Company Basic Information

X Corporation (abbreviated as "X Corporation") belongs to the real estate development industry. X Corporation was founded in May 1984, entered the real estate industry in 1988, and formally established its core business of mass housing in 1993, with its business covering 31 cities focusing on the Pearl River Delta, Yangtze River Delta and Bohai Rim economic circles. The company's business covers 31 cities in the Pearl River Delta, Yangtze River Delta and Bohai Rim economic zones. The registered office of the Company is X Company Center, No. 33, Huanmei Road, Dameisha, Yantian District, Shenzhen, with a registered capital of RMB11,625,383,375 and a unified social credit code of 91440300192181490G. The Company's operational headquarters is located in Shenzhen, Guangdong Province, and its scope of business is: real estate development; establishment of businesses (specific projects to be declared separately); domestic commerce, supplies and marketing (excluding monopoly). Domestic commerce, material supply and marketing (excluding monopoly, monopoly control, monopoly

goods); import and export business (in accordance with the provisions of the Shenzhen Economic Development Examination and Certification No. 113 foreign trade company validation certificate for processing). 2021 June 23, X company in the internal transformation and development of the briefing announced that it will fully accelerate the transformation and development of the "development of the operation of the service and focus on the same". The organizational restructuring was divided into two main parts: one was to reorganize the Research and Development Professional Union into the Development and Operation Center, which would be responsible for the professional capacity building and business development of the development and operation business; and the other was to split the existing five major real estate regional groups into seven regions.

(1) If the rate of change of three items of expenses for the current period is higher than the average level of the previous three years, the three items of expenses for the current period may be high, and must be further analyzed by using other indicators;

(2) If the rate of change in the three items of expenses is positive and much higher than the warning value, there may be problems such as overaccounting for expenses and expanding pre-tax deductions.

**Table 1.** Abnormal analysis of the rate of change of three items of expenses

Higher than the average of the previous three years	Possibility of high cost of three items in the current period
Much greater than the early warning value	There are issues of over-costing and extended pre-tax deductions.

### 3. Judgmental Thinking

Indicator value:

(1) Ratio of change in three items of expense = (total three items of expense for the current period - total three items of expense for the base period) ÷ total three items of expense for the base period x 100%.

(2) Ratio of change in selling (management and finance) expenses = [Selling (management and finance) expenses for the current period - Selling (management and finance) expenses for the base period] ÷ Selling (management and finance) expenses for the base period × 100%.

Indicator warning value:

(1) Comparative analysis of the three indicators of the rate of change in expenses with the average of the previous three years to understand the changes in the Company's expenses for the current period;

(2) Generally speaking, it is normal for the company's three expenses to increase, but if the increase is too much and too fast, it is considered abnormal.

#### 3.1. Calculation and Analysis Process

Company X based on the Mission 2020 annual tax return data in the sales expenses of 750,000 yuan administrative expenses of 500,000 yuan, financial expenses of 450,000 yuan. The company's three expenses for the year 2019 are 500,000 yuan, 400,000 yuan and 400,000 yuan respectively. The warning values set by the tax authorities according to the specific conditions of the industry in the region are 20%-30%, 10%-20%, 10%-20% accordingly.

Change in selling expenses = [(75-50) ÷ 50] × 100% = 50% > 30% Change in administrative expenses = [(50-40) ÷ 40] × 100% = 25% > 20% Change in finance costs = [(45-40) ÷ 40] × 100% = 12.5% < 20%.

The above results indicate that the company may have over-expensed selling and administrative expenses before tax in FY2019, and financial expenses are basically normal.

The abnormal proportion of input deducted from X company's freight invoices is mainly due to the large amount of banknotes it receives, some even exceeding 400000 yuan, far exceeding the warning value. During the investigation, it was found that most of the company's vehicles were local license plates, but the invoices were for freight from other places such as Jiangsu Dongtai and Yancheng. After carefully checking these invoices, we found that the shipping costs incurred during the company's procurement of raw materials were mostly inconsistent with the direction and quantity of goods shipped. So an investigation was conducted with the car owners who indicated the license plate number information on the invoice, but these car owners all reported that they had not helped X Company purchase raw materials. At this point, X Company began to accept the use of false freight invoices to offset value-added tax. Finally, by examining the culture of financial personnel, reviewing financial information, conducting visits, and other forms, it was found that the company's salespeople had falsely issued invoices to offset personal income tax payments, and the company had used these falsely issued invoices to declare and offset value-added tax.

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Under normal circumstances, the relationship between the two rates of change is negatively correlated, with a decrease in construction in progress and an increase in property tax.

If the change rate of construction in progress during the analysis period is less than 0 and the change rate of property tax is less than or equal to 0, there may be a problem of underpayment of property tax; If the ongoing construction project exceeds 0 for a long time and the property tax change rate is less than or equal to 0, the company's property may have been inspected or delivered for use before inspection, and the property tax may not have been declared and paid according to regulations.

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