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BRIGHTURE, 19 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. In order to continuously deepen the reform of "decentralization and enhancing administration and services" and to optimize the business environment, **the State Administration of Taxation (SAT) issued the Announcement on Matters Related to Optimizing and Integrating Export duty Refund Information System (SAT [2021] No. 15)**, which provides:

① Where a taxpayer fails to declare export duty refund (exemption) or issue a Certificate of Export Cargo Agent within the prescribed time limit due to the absence of electronic information in the export customs declaration form, certificate of export goods agent, certificate of entrusted export goods and certificate of VAT purchase or the inconformity of the electronic information to the information in the aforementioned documents, the declaration of export duty refund (exemption) without relevant electronic information shall be cancelled, **and submission of the Declaration Form of Export Duty Refund (exemption) Voucher without Relevant Electronic Information shall be ceased. After receiving all the duty refund (exemption) vouchers and relevant electronic information, tax payers may apply for duty refund (exemption).**

② **Where a taxpayer fails to declare export duty refund (exemption) or issue a Certificate of Export Cargo Agent within the prescribed time limit due to the absence of relevant documents for export duty refund (exemption), the declaration for extension of export duty refund (exemption) shall be cancelled, and submission of the application form for extension of export duty refund (exemption) and relevant evidential materials shall be ceased.** After receiving all the duty refund (exemption) vouchers and relevant electronic information, tax payers may apply for duty refund (exemption).

③ **The Export Duty refund (Exemption) Enterprise classification" (SAT [2016] No. 46, amended by SAT [2018] No. 31) in Article 6 of the "Class C tax credit rating or not yet evaluated" to "Class C and Class M tax credit rating or not yet evaluated". These provisions shall take effect from June 3, 2021.**

2. To foster a market-oriented and law-based international business environment and liberalize

and facilitate trade and investment, **The State Administration of Taxation (SAT) and the State Administration of Foreign Exchange (SAFE) issued the Supplementary Announcement on Issues Concerning Filing of Outbound Payment for Service Trade and Others (SAT & SAFE [2021] No. 19)**, which provides:

① **Where a domestic entity or individual (hereinafter referred to as the "holder of the file") needs to make multiple payments for the same contract, it only needs to apply for filing before the first payment.**

② Foreign investors who reinvest in China with lawful income from domestic direct investment need not apply for filing.

These provisions shall take effect from June 29, 2021.

3. The Stamp Tax Law of the People's Republic of China was adopted at the 29th Session of the Standing Committee of the 13th National People's Congress of the People's Republic of China on June 10, 2021, and will come into force on July 1, 2022.

4. The 28th Session of the Standing Committee of the 13th People's Congress of Shandong Province made the following decisions on the applicable rate of deed tax and the measures for exemption or reduction of deed tax under the Law of the People's Republic of China on Deed Tax and in light of the actual situation in Shandong Province:

① **The deed is subject to a unified tax rate of 3%.**

② Taxpayers who lose their houses due to force majeure and retake ownership of houses shall be exempted from deed tax.

This provision shall take effect from September 1, 2021.





Case of Financial and Taxation Services

Background: An international trading company established in 2017 has been engaging a small-scale bookkeeping agency to maintain its books. Later, the company management found that the bookkeeping was not standardized, the change of tax policy was not timely observed, and the vouchers were not bound. Fearing that it will cause potential tax risks to the company and affect the healthy development of the company in the long run, the company management decided to hire an internal accountant. However, the internal accountant was unable to understand tax laws and regulations in a timely manner, and due to absence of countercheck, unable to guarantee that the books are error-free. The company management came to Brighture for consultation and sought assistance in account-reviewing under recommendation of a friend.

Service provided: Our financial and tax consultants visited the enterprise, met and talked with the management, determined the roadmap for later consultation and accounting-review according to the needs of the enterprise, and assigned certified public accountants for consultation and accounting-review, so as to help it to prevent and control risks and guarantee the compliance operation of enterprises.

Friendly Reminder

Finance management is a very important work in company governance. When choosing service personnel, comprehensive consideration must be given as to their professional degree and the effectiveness of services. Some enterprises tend to engage inferior accountants or accounting agencies in order to reduce costs, resulting to untimely and/or substandard services and risks and hidden dangers.

As a professional financial and tax service institute, Brighture can provide professional, righteous and efficient services to help enterprises focus on their business and development with a peace of mind.

The Brighture's 6th Salon for 2021 was held through direct broadcast from 19:00 to 20:00 on July 2, 2021 under the theme of "Tax efficiency based on employee, executive and shareholder compensation models".

The anchor for this event was Sherry Xi, senior business advisor of Brighture, who has provided services to a hundred of domestic and overseas businesses in the eleven years' work period in Brighture and has profound experience in company structure, tax planning, change of equity and company registration/deregistration.

The lecture covered four aspects, namely, "recent changes of tax policy and regulatory environment, tax-saving ideas based on employee compensation model, tax-saving ideas based on executive compensation model, and tax-saving ideas based on shareholder compensation model".

(1) Recent changes in tax policy and regulatory environment

With the implementation of the new Individual Income Tax Law in 2019, a number of relevant policy documents were released.

① Tax-related items in the 14th Five-Year Plan and the 2035 Vision Goals include: optimizing the tax structure, improving the direct tax system, and appropriately increasing the proportion of direct tax, **improving personal income tax system, expanding comprehensive collection, and optimizing the tax rate structure.**

② **The State has adopted an overall plan for building a personal income and property information system.**

③ By using web crawler technology, inspectors can more accurately capture relevant webpage information according to the established goals to quickly obtain useful tax-related information on the Internet. **It is suggested that enterprises should consider the tax impact when they release information on their own websites and release information and advertisements to the news media.**

④ **Cooperation between tax authorities and banks: financial institutions will report to the People's Bank of China of large transactions by electronic means within 5 working days from the date of occurrence of such large transaction.**

(2) Tax-saving ideas based on employee compensation model

Under this heading, there are two models, namely: **high wages + low benefits and low wages + high benefits.** Usually, employees get after-tax wages with which their needs for food, clothing, housing and transportation and so on are met, and the tax burden will be relatively heavy. In this case, we can convert the cash wages into expenses paid by the enterprise for tax saving. For example, we can use the company's own property or rented house as

dormitories and provide free shuttle bus for employees as employee welfare, so as to reduce payment of tax through low salaries and high welfare.

(3) Tax-saving ideas based on executive compensation model

In general, senior executives are few in number and well paid. A company may adopt either an employment relationship or a partnership between the executives and the company and sign labor contracts or service contracts with senior executives. In signing a service contract, it is often necessary to have an entity, such as an individual business, a sole proprietorship, or a limited company. Tax burdens vary under different organizational forms. Analysis should be carried out based on the actual situation to choose the appropriate model.

(4) Tax-saving ideas based on shareholder compensation model

At present, there are mainly four types of equity structure: natural person direct structure, indirect structure, mixed structure, and overseas structure. When we design the equity structure, we will first consider the business strategy of the company, and then analyze the legal risk and tax cost. Usually, income on equity is mainly taxed in three forms: dividends, investment income, and investment losses. Each equity structure has its own advantages and disadvantages, for example:

A: Under indirect structure: dividends are exempt from income tax, and loss of transfer can be deducted; but the tax burden of transfer income is relatively high;

B: Individual direct structure: the tax burden on transfer income is low, but the income tax levied on dividends and transfer loss cannot be deducted.

Each enterprise has its specific situation. Therefore, copying of models is not advised. **We should choose the suitable plan according to the specific situation.**

As a professional service agency, Brighture can provide enterprises with one-stop service in the whole process of planning, designing and building equity structure, and assist enterprises in the implementation thereof. If you have any questions about finance and taxation, please feel free to contact us, and our financial and tax consultants will promptly give effective suggestions.

The Preview of next Salon

The Brighture's 7th Salon for 2021

Theme: Prevention of labor and employment risks

Time: July 30, 2021, 19:00-20:00

Recent Events of Kreston

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

1. On 17 June, 15:00-17:00 (UK time), Kreston held the Mid-Year Report to all members. The webinar progressed reports from Rich Howard (Kreston Chair), Liza Robbins (Chief Executive), Andrew Collier (Director of Quality and Professional Standards) and Virginia Cook (Marketing Director). Also, the reports provided an update on the Network's significant achievements and a preview on the key next steps.
2. Mark Taylor, Kreston Global Tax Group Leader, evaluated Brexit's impact on international tax and the tax changes for multinationals.
3. Digital Services Taxes (DSTs) are a new global initiative designed to charge larger technology companies that provide digital platforms such as social media, advertising, online marketplaces and other search engine tools for commercial transactions or selling user data online advertising. It is beginning to apply across the world at the behest of the G20. Guillermo Narvaez, Technical Director of Kreston Global Tax Group illustrated how will it affect the SME market.



4. The G7 Corporate Tax Deal Countries making up the G7 grouping have reached a historic deal on taxing multinational companies. The G7 countries in their meeting last week, came out with a plan to counter tax avoidance by corporates, endorsing the need to make corporates pay taxes in the countries where they do business. The G7 also agreed in principle to endorse a global minimum corporate tax rate of 15% to counter the possibility of countries undercutting each other to attract investments.

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*

Contact Us

Shanghai Office, China

Room 1612, Tomson Financial Tower, 710 Dongfang Road, Pudong New District

Tel: +86-21 6876 9886

E-mail: cpash@brighture.com



Qingdao Office, China

Room 602, Building A, Fulin Building, No.87, Fuzhou South Road, Shinan District

Tel: +86-532 8597 9808

E-mail: cpaqd@brighture.com



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 19 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.