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New Financial and Tax Policies

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Brighture Salon

KRESTON News

Seniority as of Now

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 support the small and micro enterprises, the **Ministry of Finance (MOF) and the State Administration of Taxation (SAT)** issued the **Announcement on the Policy of "Six Taxes and Two Fees" for Small Enterprises with Low Profits (CAISHUI [2022] No. 10)**, which provides:

(1) The people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall, in light of the actual conditions of their respective regions and the needs of macro-control, determine that the resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding stamp tax on securities transactions), farmland occupation tax, education surcharge and local education surcharge on small-scale VAT payers, small enterprises with low profits and individual industrial and commercial households may be reduced within a range of 50%.

(2) The small-scale VAT payers, small enterprises with low profits and individual industrial and commercial households that have been enjoying the preferential policy on resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding stamp tax on securities transactions), farmland occupation tax, education surcharge and local education surcharge may also enjoy the relief policy in Clause 1 herein.

(3) The term "small and low-profit enterprises" refers to enterprises engaged in industries that are not restricted or prohibited by the State and that simultaneously meet the following three conditions: annual taxable income does not exceed 3 million Yuan, number of employees does not exceed 300, and total assets does not exceed 50 million Yuan.

(4) This Announcement is valid from **January 1, 2022 to December 31, 2024**.

2. To promote the equipment and technology upgrading of micro, small and medium-sized enterprises, the **Ministry of Finance (MOF) and the State Administration of Taxation (SAT)** issued the **Announcement of Policies on Pre-tax Deduction of Equipment and Appliances Costs of Micro, Small and Medium-sized Enterprises (SAT [2022] No. 12)**, which provides:

(1) For equipment and appliances newly purchased at a unit value of more than 5 million Yuan by micro, small and medium-sized enterprises between January 1, 2022 and December 31, 2022, the enterprise will voluntarily elect to deduct a certain proportion of the unit value before the corporate income tax. Among them, the equipment and appliances with a minimum depreciation life of 3 years as set out in the **Implementation Regulations of the Corporate Income Tax Law** can have 100% of the unit value deducted in a lump sum before tax in the same year; where the minimum depreciation life is 4, 5 or 10 years, 50% of the unit value can be deducted before tax in a lump sum in the current year, and the remaining 50% can be deducted as per the depreciation ratio before tax in the remaining years.

Where a business elects to apply the above policies, the loss in connection with inadequate deduction can be carried forward to the following five tax years to make up for the loss. Enterprises enjoying other policies for extending the period of

loss carry-forward can follow the current regulations.

(2) Micro, small and medium-sized enterprises can enjoy the above policies in the advance payment declaration on a quarterly (monthly) basis.

(3) Micro, small and medium-sized enterprises can elect to enjoy the above policies according to their own needs. **If they do not elect to enjoy the policies in the current year, they shall not change their policies in the following years.**

3. To promote the growth of industrial economy and support the small, micro and medium-sized enterprises in the manufacturing industry, the **Ministry of Finance (MOF) and the State Administration of Taxation (SAT)** issued the **Notice on Continuation of Policy of Postponement of Certain Taxes and Fees by Small, Micro and Medium-sized Enterprises in Manufacturing industry (CAISHUI [2022] No. 2)**, which provides:

(1) **Continue to defer the payment of some taxes for the fourth quarter of 2021. The validity of the policy of postponing payment of certain taxes and fees in the fourth quarter of 2021 for micro, small and medium-sized enterprises in the manufacturing industry** contained in The Notice of the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) on Matters Related to Postponing Payment of Certain Taxes and Fees in the Fourth Quarter of 2021 for Micro, Small and Medium-sized Enterprises in the Manufacturing industry ([2021] No.30) **will be extended for another 6 months.**

(2) **Postpone the payment of some taxes and fees in the first and second quarters of 2022.** After duly filing tax returns, micro, small and medium-sized enterprises in manufacturing industry that meet the requirements of this Announcement may, in case of a medium-sized enterprises, defer payment of 50% of various taxes and fees stipulated herein, and in case of micro and small enterprises, postpone the payment of all taxes and fees stipulated herein, for a period of 6 months. Upon the expiration of the postponement, the taxpayer shall pay duly the corresponding monthly or quarterly taxes.

(3) **The term "medium-sized manufacturing enterprise"** contained herein refers to an enterprise in the industrial category of the national economy with an annual sales between 20 million Yuan (including 20 million Yuan) and 400 million Yuan (excluding 400 million Yuan), while the term "micro and small manufacturing enterprise" refers to an enterprise in the industrial category of the national economy with annual sales less than 20 million Yuan (excluding 20 million Yuan).





Case of Financial and Taxation Services

Background: The natural-person shareholders of an import and export company in Qingdao established in 2018 plan to transfer their equity to other natural persons due to changes in business strategy, and an equity transfer agreement was signed on DD/MM/2022. The natural shareholders understand that equity transfer is a very professional and complex matter beyond their grasp, and therefore come to Brighture for help.

Service provided: After learning the situation of the company, our professional service team communicated at length with the shareholders, and designed the consulting and planning scheme which have been implemented smoothly after the confirmation by both sides of the transaction. As a result, RMB 182,000 in taxes was saved, and long-term consulting and cooperation intention was reached with the enterprise.

Equity transfer usually involves a large amount of money and complex transaction relationship, covering individual income tax, corporate income tax, land value-added tax, stamp tax, and withholding enterprise income tax. Therefore, a set of rational equity transfer plan based on the existing laws and regulations can not only prevent and control tax risks, but also can effectively reduce shareholders' tax-related costs.

Friendly Reminder

Equity transfer has always been considered "unfathomable" by many executives since they have little experience in equity transfer in daily operation, therefore, it seems difficult for them to grasp once they find themselves in need. Depending on the circumstances, equity transfer may involve a lot of laws and tax-related regulations, such as Company Law, Law on Foreign-Invested Enterprises, Enterprise Income Tax Law and its Implementation Regulations, Individual Income Tax Law and its Implementation Regulations, as well as the Announcement ([2014] No.67) of the State Administration of Taxation. Therefore, when handling equity transfer, enterprises need to refer to relevant policies and regulations according to the specific situation, and make rational plans so as to protect the legitimate rights and interests of the enterprises and the parties of the transaction.

The Brighture 2nd Salon for 2022 was held from 19:30 to 20:30 on March 4, 2021 under the theme of "Tax risk management for typical contracts".

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 years' period with Brighture, and has profound experience in equity structure design, tax planning, change of equity and company registration/deregistration.

The lecture covers three aspects, namely "tax control in contract, purchase and sales contract tax risk management, house-rent contract tax risk management".

A contract determines the business process of the enterprise. The contract amount, terms of payment, time of payment, invoicing and other details agreed upon in the contract will impact the enterprise's tax obligations and time of accrual, and further determine the accounting treatment and tax treatment methods.

(1) Tax control in contract

When entering into a contract, attention must be paid to the following: consistency of the flows of cargo, fund and invoice, consistency of subject amount and actual business scale, clearness of contract amount (tax-exclusive price, tax amount, tax-inclusive price, prices for various products or services), **mode of settlement, time of payment, penalty, and in addition, post-contract management.**

(2) Purchase and sales contract tax risk management

① There may be cases where the object of the contract is partially or completely different from the actual object. **It is suggested to sign supplementary agreements in time when the actual business is adjusted; in addition, if gifts are involved, they should be specified in the contract.**

② **The way contract amounts are expressed affects the cost of taxation. In the case of concurrent transaction, it is recommended to specify the amount of goods or products with different duty rates or levies separately, or enter into two contracts separately.**

③ **In the sale of goods or taxable services, the time when the VAT obligation arises is the day on which the sales proceeds are received or the proof for claiming sales proceeds is obtained; where the invoice is issued first, it shall be the date of invoice. Where the actual payment-**

collection time is later than the time specified in the contract, the contract terms shall be amended accordingly and supplementary agreements shall be signed to ensure that the contract matches the actual situation and accounting treatment.

(3) House-rent contract tax risk management

① **In a tax-inclusive business, it is suggested that the leaser and lessee in the lease contract to specify the pre-tax rate, rather than only write the after-tax rate; it shall be stated in the lease contract that relevant taxes and fees shall be borne by the leaser during the lease term, but shall be withheld and paid by the lessee. The withholding tax shall be deducted from the rental agreed upon in the lease contract so that the rent paid by the lessee can be deducted from the income tax before tax.**

② **When signing a house rent contract, if it includes open-air parking spaces and warehouses that do not belong to the real estate, it is suggested to specify the rent of each area so as to save the real estate tax.**

③ **In a certain period and under the same rental, property tax liability when there is an agreed rent-free period in the contract is different from when there is no an agreed rent-free period. Property taxes may be lowered if rent-free period is not specified.**

A company must pay close attention to tax control in contract. The impact of the terms of the contract on the cost and time of tax payment shall be taken into account. At the same time, the follow-up management of the contract must be strengthened and supplementary agreement timely signed to ensure that the contract is consistent with the actual transaction; last but not the least, the accounting, tax treatment and invoicing should match the contract.

As a professional service organization, we can help customers draw up and review contracts from the perspectives of finance, taxation, legal compliance and business operation, plan in advance and prevent and control risks. If you have any financial, tax and legal questions, please feel free to contact us.

The Preview of next Salon

The Brighture 3rd Salon for 2022

Theme: The financial and tax information that a boss must understand

Time: Mar. 31, 2022, 19:30-20:30

Recent Events of Kreston

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

1. BANSBACH adds BDO firm to Freiburg team, GERMANY –

Kreston Global member firm, BANSBACH, has added another location in Freiburg, growing the audit offering. BANSBACH currently has over 400 employees across 9 offices across Germany.

2. Kreston Reeves strengthens Private Client Tax team with new Director

UK-based Kreston Global firm, Kreston Reeves, has strengthened its Private Client Tax team with the appointment of a new director.

3. Jelle Bakker, tax partner at Dutch firm Bentacera and European Regional Tax Director at Kreston Global, recently commented on the relocation of Shell and Unilever relocating their headquarters to the UK, avoiding dividend withholding exit tax. Speaking in The Tax Journal, Jelle highlighted the UK as one of the few OECD member countries that do not levy a dividend withholding tax. Although the Dutch opposition party is pushing a new bill to try and enact DWT on countries leaving the Netherlands, it is uncertain whether the Dutch government will support the new Bill.



4. Indian state of Gujarat announces new incentive to attract IT and IT enabled Services companies

Kreston member firm Kreston OPR is delighted to promote this new inbound investment initiative for IT service providers, announced by the Gujarat government in India.

Seniority as of Now



Jade Zang
Customer Development
Dept.
Intermediate Accountant
- 13Years

Motto:
Strive to be qualified, exert
to be excellent.



Elina Yang
VIP Dept.
Intermediate Accountant
- 10 Years

Motto:
Choice is more important
than effort, preparation is
more important than
performance



Julie Cui
English Speaking 1 Dept.
- 10 Years

Motto:
Great undertakings are
achieved in a minute way,
hard works are done in a
easy manner



Martina Zhang
English Speaking 3 Dept.
Intermediate Accountant
- 10 Years

Motto:
A smile is a language with
multiple meanings.



Eileen Song
VIP Dept.
- 8 Years

Motto:
Learning gives rise to
comprehension, working
results in progress.



Partrica Jiang
English Speaking 2 Dept.
- 3 Years

Motto:
The world will give way to
those who have goals and
vision.

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 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.