

A Brief Discussion on the Key Points of Enterprise Income Tax Audit

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Abstract

Based on the analysis of the main factors affecting the annual income audit fee payable by the enterprise, this paper proposes several key audit matters for the key audit standards and considerations for the relevant enterprise income tax, and the key audit of the accounting of the relevant enterprise income tax expenses. In the key audit of the existing enterprise income tax, the following key audit matters are mainly considered: first, focus on reviewing whether the tax revenue, cost, expense and accounting method of the existing enterprise are accurate, second, focus on reviewing whether the tax adjustment policy of the income of the existing taxpaying enterprise is correct, and third, from the perspective of the national tax policy, whether the tax payment of the enterprise under review fully meets the preferential conditions of the national tax policy, on the basis of this key point, Several audit focus issues on corporate income tax accounting under the new National Tax Accounting Standards were raised.

Keywords

Adjustment of Individual Tax System; Evading Personal Income Tax in Accordance with the Law; Audit.

1. Introduction

Financial accounting and general taxation need to follow different accounting principles, serving different economic purposes, financial accounting and tax accounting principles need to strictly follow the general financial accounting principles, true, complete and accurate reflection of the financial management status of an enterprise, business management results and actual financial status, etc., to provide useful financial information for users in the financial statements in a timely manner, and the income tax law is to improve the taxation policy as the main purpose, according to the enterprise economic rationality, fair tax burden, In accordance with the relevant tax laws and regulations, the amount of enterprise income tax that enterprise taxpayers should pay every year during a certain financial period shall be determined in accordance with the relevant tax laws and regulations. Due to the different accounting purposes of the tax accounting system and other tax laws, their calculation of financial gains, expenses, assets, liabilities, etc. is also different from the start and end times and calculation ranges, which may lead to a large difference between the pre-tax accounting profits and the taxable accounting income before tax. This psychological difference usually consists of a temporary difference and a permanent difference. The tax adjustment and payment accounting of enterprise income tax should be based on the basis of pre-tax accounting and the provisions of relevant tax laws and regulations as the basis for accounting, and the adjustment of pre-tax accounting should be based on the total profits and should calculate the income of taxpayers, which is easy to produce some income that cannot be included in the accounting of business expenses, but cannot be deducted in some tax laws or cannot be included in operating income in some tax laws, and in the tax law, it is also a translation adjustment between business items

that cannot participate in taxation. Therefore, when conducting an audit review of the relevant enterprise income tax, we should pay attention to examining whether the correct perspective of the adjustment of the exchange between the following two and whether it is carried out in accordance with the correct procedures in accordance with the regulations, and whether there is any illegal suspicion of tax evasion and tax evasion.

2. Confirmation of Corresponding Tax Income

The key to the specific calculation method of the turnover of enterprise tax payable income tax lies in whether the specific calculation method of the enterprise income receivable in advance tax is correct. According to the relevant provisions of the current Regulations on the Administration of Enterprise Income Tax, the actual taxable income should not be equal to the amount of the enterprise after the increase and decrease in the total income and profit of the enterprise, and a specific practice in the process of actual tax payment work should be: on the basis of deducting the total profits of the enterprise's accounting for the whole year, clarify the scope of the amount of deduction and the standard of the amount of the deduction in accordance with the relevant provisions of the Income Tax Law, and adjust the tax adjustment of the amount of the project after the deduction. Combined with the increase of the enterprise taxpayer due to the adjustment, minus the amount of the increase or decrease of the enterprise taxpayer due to the adjustment, that is, the actual income of the tax payable by the enterprise for the whole year is deducted.

Among them, the increase after the adjustment of the tax payment amount generally mainly includes the taxable items that meet the relevant provisions of the Tax Law and allow the full deduction of charges at the same time, but do not exceed the fee amount that meets the standard of the allowable deduction amount in the relevant provisions of the Tax Law, and the taxable items that the taxable enterprise has been included in other current service expenses but are not allowed to be fully deducted at the same time as the relevant provisions of the Tax Law, and the projects that have higher income than the taxable enterprises. If the total expenditure on the publicity expenses of the relevant business items incurred by the enterprise taxpayer in each year is not less than 5% of the tax exemption range of the sales income of the enterprise, the deduction can be granted according to the facts, but the excess part shall not continue to be deducted, and the surplus part shall also be appropriately increased to the income that has not been included in the tax payable by the taxpayer in the current year, and if the business items that are not allowed to be deducted according to law mainly include intangible capital business expenses, intangible asset equity transfer fees and development business expenses, Fines for enterprises operating in violation of laws and regulations, guarantee business expenses, and risk reserves for the price increase or decrease of commodity inventories that are regularly accrued by enterprises, risk reserves for new construction projects outside the country, long-term investments, impairment risk reserves, and comprehensive risk reserves also include funds for investing in the comprehensive risk reserves of enterprises and any other form of risk reserves other than risk reserves that can be withdrawn regularly. These can all be due to permanent differences. The main reason for this temporary difference is the long-term difference that may arise due to the inconsistency between the depreciation calculation method of the value of fixed assets used in the enterprise tax and the one used in the corporate tax law. If the enterprise stipulates that the depreciation of the balance raised shall be calculated by the method of double depreciation of the balance in the current year, and the tax law of the current year stipulates that the depreciation of the balance shall be calculated by the average calculation of the age tax method, the depreciation expense of the balance that the enterprise should deduct in the first year may be much greater

than the depreciation expense that should be fully deducted under the tax law of the current year, and the excess part shall be re-included in the income of the taxpayer of the enterprise.

The amount of tax that should be reduced after the adjustment of the taxpayer shall only be used in accordance with the relevant provisions of the tax law for the loss of the enterprise that is allowed to be fully compensated and the loss item that is allowed to be fully exempted according to law. General circumstances include tax exemption to make up for fund losses, income from interest and interest payments to the Treasury, income from tax-free direct subsidy funds, tax-free direct transfer fund income, tax-free foreign fund investment fees directly included in the management of the financial budget fund or tax-free additional overseas fund income, and other tax policy preferences enjoyed by tax exemption. These may be the income directly included in the accounting of the pre-tax enterprise in the fiscal year, and in the current tax law, the enterprise can not directly include part of the pre-tax taxable business income, and then calculate the pre-tax business income of the enterprise according to the pre-tax business profit, and this part of the operating income should be deducted.

3. The Main Form of Income Tax Evasion by Businesses

The main manifestations of the crime of enterprises illegally evading personal income tax include: (1) not calculating fixed assets in accordance with the regulations and mentioning one less depreciation, such as the inability to continue to calculate and under-mention the fixed assets that have been calculated and calculated, or the fixed assets that have not been used for a long time and have been scrapped cannot continue to calculate one depreciation or arbitrarily change a depreciation, and the accounting method is mostly to accumulate or reduce the depreciation to significantly reduce the tax payable by the enterprise. The national accounting system clearly stipulates that the various accounting methods for the depreciation of fixed assets cannot be changed arbitrarily once the accounting is determined. (2) Illegally conceal sales revenue by means of other means such as false accounts and false accounts, such as transferring the sales income price of some enterprises to the outside of the account, or including the price of some sales revenues in taxes or expenditures outside the enterprise account. Write off the taxable accrued cost expenses paid, etc., (3) make full use of the multi-topic taxable cost expenses paid on the accrued cost expenses, such as multiple accruals of the basic social security subsidy fund for employee labor, bank interest, etc. (4) Make full use of the enterprise current loan account to increase the transfer fund income, such as the transfer income of product packaging obtained by the enterprise, the transfer income of property appreciation and the conversion price, etc. all transferred to the use of current loans, and all the transfer funds are transferred to directly related production enterprises and direct customers to invest in the purchase of production raw materials. (5) Direct accounting for fixed capital financial expenditure is included in fixed income financial expenditure. (6) Illegally using other tax-related preferential policies to illegally evade other taxes, such as illegally using other enterprises to merge, merge and apply for the replacement of other enterprise names, fraudulently obtain preferential policies related to income tax, and repeatedly apply for other preferential tax-related preferential policies that intersect finance and taxation.

4. Key Issues to Consider for Income Tax Audits

From the calculation of the tax amount of income derived from the annual taxable expenses payable by Chinese enterprises and the main forms of behavior of Chinese enterprises to evade the income tax payable every year, it can be fully seen that the factors affecting the income tax payable by Chinese enterprises every year mainly include including the total fixed income expenditure of the enterprise, the tax items that are allowed to be directly deducted from the total income and expenditure of the enterprise, the tax items that are exempted from the tax

items included in the income of the taxable expenses of the enterprise, and other preferential tax deduction policies. Therefore, when auditing the taxable income tax expenses of enterprises, they should pay full attention to the following points. First, check whether the criteria relating to the calculation of the sales revenue, costs and expenses of the enterprise and other major factors affecting the profit of the enterprise are fully compliant with the regulations, and then gradually confirm the total profit in the accounting of the enterprise; Second, in accordance with the tax payment standards stipulated in the relevant tax regulations, it is required to check whether the relevant tax items of the enterprise that increase or continue to decrease the tax payment during the adjustment period are correct; Third, from the perspective of corporate tax policies, review whether the relevant corporate policies fully meet the conditions for preferential tax treatment. These three main aspects are described below.

4.1. Review Whether the Operating Income, Costs, Expenses and Accounting Data of the Accounting Enterprise are True and Accurate

4.1.1. Periodic Review of Income from Assets

Strictly implement and supervise the related enterprises to determine the asset income of the current period on their own in accordance with the basic principle of the accrual system of changes in the rights and responsibilities of banks, and conduct periodic reviews of the income from non-cash assets of the current period obtained by the enterprise through non-bank monetary cash asset allocation and exchange; Examining the economic transactions between related enterprises is mainly used to examine whether their income is accounted for according to the transaction price of the securities market, to see whether the enterprise has transferred assets, and to calculate the expenditure of its income in a hidden or small amount; At the same time, the main production and direct sales of products and price data of related enterprises are subject to economic analysis and statistical review to see whether the average production and marketing rate and the average inventory level of related enterprises are consistent. Whether there is a business transfer, concealing the quantity of goods sold in the current year and not lowering the sales price of the goods are the main problems in concealing the taxable operating income of the year.

4.1.2. Accounting Review of the Cost of the Business

It mainly examines whether the accounting treatment methods of the enterprise on the cost of income of the enterprise during the accounting period are consistent, whether the accounting treatment method of the enterprise cost is changed, whether the audit organ that has the right to apply for approval by the enterprise has the right to apply for approval, and whether the cost of multiple frozen transfers affects the cost of accounting for the income of the enterprise in the current period. At present, some small and medium-sized enterprises often change the traditional accounting treatment method through accounting, expand the cost of the current period, and reduce the income of the enterprise, such as in the year of rising prices, the enterprise arbitrarily changes the inventory discharge method and asset measurement method, without submitting it to the tax authorities for the record.

4.1.3. Physical Review of Financial Costs

In the process of actually reviewing costs, special attention should be paid to accurately grasping three key aspects:

First, the determination of the ratio of expenses to actual income to determine the quality audit requirements: strictly examine whether the expenses are unrelated to the actual production and operation of the company's main products or the abnormal situation that the products only have actual costs and almost no actual income, and the abnormal phenomenon that the relevant expenses are obviously higher than the actual income. Other expenses that the taxpayer may

actually deduct must be closely related to the income actually obtained in terms of the nature of the business and the root cause of the expenses.

Second, the system of rights and responsibilities is the basic requirement of the accrual system. The focus is to check whether the inflated costs and expenses that the enterprise deliberately deducted have continued to occur, check whether the falsely reported taxpayer enterprises have deliberately overstated the accrued costs and expenses that have been deducted from the relevant items or have not yet been deducted, and if they are included in the false reporting of the profit and loss of the enterprise in the current period, strictly control the falsely reported accrued costs and expenses, and the items of the false content of the corresponding costs and expenses should be reviewed item by item, and the reasons for the false accrual costs and expenses that have been surplus at the end of the previous fiscal year should be promptly identified and verified. For some enterprises deliberately and unspent a number of inflated accrued costs and expenses, it is also necessary to adjust the profit and loss of the current period in a timely manner.

Third, strictly implement the service quality standard requirements for dividing fixed capital income expenditure and fixed income income expenditure. It is mainly responsible for examining whether the investment enterprise has included the receivable in fixed assets and other intangible assets, whether the enterprise has invested in the value of assets such as outward direct investment, and whether it has been included in the operating cost expenses at one time. For the expenses for the improvement of fixed asset operations, they should be appropriately included in other capital expenses to increase the value of fixed asset improvement, and cannot be deducted within their appropriate period of time. The re-repair of fixed assets that meet one of the conditions of the following paragraphs in accordance with the law shall be regarded as the expenses for repairing and improving fixed assets, and the cost of re-repair and improvement shall reach more than 0% of the original value of the improvement of fixed assets; The service life of an economic purpose of other related fixed assets after re-repair shall be extended by more than two years; The fixed assets that have been repaired again continue to be used for a new or different economic purpose. For example, some SMEs often fail to properly distinguish between low- and medium-value consumables and fixed income assets, and include physical assets that meet the fixed asset criteria as low-value consumables. Such as high-end cameras, mobile phones, sports equipment, boss tables and chairs, etc. into the low-value consumables, a one-time amortization into the management costs when they are used, artificially reducing the taxable income of the enterprise in the current year, so when auditing the amortization of low-value consumables in the management expenses, it should be reviewed whether the entry vouchers for low-value consumables are true and legal, whether the amount meets the standards of fixed assets, if there is an incorrect division, the amortized low-value consumables should be adjusted into fixed assets, and depreciation should be extracted according to the years stipulated in the tax law. At the same time, the taxable income of the enterprise will be increased. In addition, since the ownership of fixed assets accounts for a large proportion of the value of tax funds, it is necessary to focus on examining at the same time whether the filing of the depreciation calculation method for the re-accrual of fixed assets has been submitted to the tax authority at the same level in charge of taxation for examination and approval, whether there is any illegal phenomenon of arbitrarily changing the calculation method of depreciation tax and not submitting it to the tax administrative department at the same level for review and filing in a timely manner, and whether there is no provision for stopping depreciation for tax items that are used for the non-overdue withdrawal of fixed asset depreciation.

4.2. Review Whether the Adjustment to Tax Income is Correct

In income tax accounting, the main reason for the more common tax evasion and fraud is that there is no corresponding super-standard tax item that has not been adjusted to the tax item, such as the super-standard business salary management expenses, business advertising management expenses, interest expenses, donation expenses and the business advertising expenses management expenses of liquor producers and liquor processing enterprises, etc., which are not suitable for adjustment of corresponding tax items or tax adjustments not in accordance with the tax period stipulated by the state. Therefore, in the process of reviewing the qualifications of enterprise income tax personnel, it is necessary to carefully analyze whether the main business expenses and hospitality expenses, salary management expenses, interest expenses, donation expenses, advertising expenses, publicity expenses and other income that should be deducted in the enterprise tax calculation should conform to the proportion of income that should be deducted as stipulated in the Income Tax Law.(2) For the increase projects that are not allowed to be fully deducted, the special treatment of the income tax payable by the increase projects needs to be carried out in a timely manner, and the main contents of these increase projects that are not allowed to be fully deducted on time include related capital expenses, intangible asset equity transfer fees and development-related expenses, fines related to illegal operations, losses related to the confiscation of personal property by the defendant, late fees, fines and other fines related to various enterprise taxes, natural disasters or other accidents, and there is no corresponding compensation in the loss. All kinds of social sponsorship expenditures, guarantee fee expenditures, excluding deposit reserves that allow private enterprises to deduct in full and other expenses unrelated to the total amount of operating income actually obtained. Therefore, when conducting a budget audit every year, it is necessary to conduct an item-by-item budget review of the non-operating business expenditure items of the current year, examine whether these expenditure items that are not explicitly allowed to be fully deducted are included in the calculation of the personal income payable in the current year, and make budget adjustments. Some private enterprises can directly record the loss of personal property in their business profit or loss without the approval of the local tax authorities, and for this special situation, it is necessary to strictly review and appropriately adjust the total income of the taxpayer.

4.3. From the Tax Policy, it is Necessary to See Whether the Enterprise Meets the Conditions for Tax Preferences

China's current interim regulations on the collection of individual income tax can implement special tax deduction preferential policies for some specific enterprise taxpayers, and may temporarily reduce or reduce or not pay personal income tax for a long time. Some Chinese enterprises have begun to use this tax avoidance policy to adopt various improper tax avoidance measures in an attempt to avoid paying high corporate income tax. For example, for those large enterprises and institutions with high operating profit margins, the use of various interest relations to obtain preferential tax reduction and exemption policies given by local tax authorities at all levels that exceed the authority of tax reduction and reduction obligations is a common tax reduction method they use to reduce corporate income tax payment fees. When conducting an audit, full attention should also be paid to other relevant audit documents provided by the audit enterprise in accordance with the law to prove the true validity. For small and medium-sized enterprises that have not yet enjoyed the preferential policies of the national government for a certain period of time, they often use various means to adjust operating costs or increase income to directly postpone the collection of taxpayers, or during the period when enterprises enjoy preferential government policies for tax reduction and reduction, they can achieve the main purpose of paying taxes by a small number of people.

5. Conclusion

In short, enterprise income tax revenue is currently one of the important taxes levied in China, is an important source of expenditure for the entire country's public finance revenue, and because the accounting profits of enterprises are inconsistent with the calculation method of income derived by other taxable enterprises, it is easy to lead to tax evasion and fraud when accounting and foreign exchange illegally pay enterprise income tax, so we should conduct a key supervision and audit of the income tax revenue of some enterprises to effectively prevent some enterprises from illegally evading and paying income tax.

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