Academic Journal of Engineering and Technology Science
ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

Research on Tax Supervision of Off-balance Sheet Assets in Equity Transfer

Xurong Ding

ShangHai University, China
1494159191@qq.com

ABSTRACT. *In order to adjust the industrial structure and optimize the allocation of resources, equity transfers are becoming more frequent, and with the advancement of national tax incentives, the wave of equity transfers will continue. When confirming the fair value of equity transfers, tax evasion caused by the valuation of off-balance sheet assets has become the focus of public attention. Therefore, this article will study the tax supervision of off-balance sheet assets in equity transfers, and will focus on how the tax department uses "big data" to control the source of tax-related issues on off-balance sheet assets.*

KEYWORDS: *equity transfer, off-balance sheet assets, tax supervision, big data*

1. Introduction

In the context of the country's promotion of supply-side structural reforms, equity transfer is an important way for companies to adjust their industrial structure and optimize resource allocation. With the country's implementation of preferential tax rates for corporate income tax, personal income tax, etc., equity transfer is an important way for enterprises. Good choice for reorganization. In equity transfers, taxation is a common and complex issue. Among them, the tax-related issues of off-balance sheet assets are the focus of attention of both the taxation department and the enterprise. It may often be due to the fact that the assessed value of the transferred equity is difficult to be fair. Enterprises bring opportunities for tax evasion.

In July 2017, a beverage investment company in Beijing attracted the attention of the tax authorities due to the tax-related issues of off-balance sheet assets in the transfer of shares of its subsidiary (GYL). In 2014, the company transferred 12% of its own GYL Company's equity at a price of 1.2 million to 12 affiliated companies. The tax department determined that the equity transfer price was obviously low through crawling technology, and did not truly reflect the transferred equity the fair value of the company requires the company to pay additional taxes totaling 23.28 million yuan. During this period, the company has entrusted an asset appraisal firm

ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

to issue an asset appraisal report that retroactively assesses the value of GYL. According to the conclusion of the asset appraisal report, the company is willing to re-determine the 12% equity transfer price based on the estimated net asset value of 208.32 million yuan it is 25 million yuan, thereby paying a tax of 5.95 million yuan and the corresponding late fee. However, the two back-up amounts of asset appraisal agencies are far from the tax authorities. What is the problem? The tax assessment will experience twists and turns and there will be disputes between the two parties. Whether the tax agency accepts the value assessment provided by the professional appraisal agency Conclusion, if there is no adjustment, what is the basis for the tax authorities to enforce the law? The biggest reason for this period is that the determination of the value of the off-balance sheet assets of the transferred company is controversial.

Off-balance sheet assets refer to a kind of "intangible assets" that can bring economic benefits to the enterprise but do not meet the conditions for asset recognition, mainly including contract rights, franchise rights, contract rights, trademarks, marketing networks, customer lists, domain names, and websites Wait. In the above cases, it is precisely because of the existence of off-balance sheet assets—contractual rights, that GYL's asset appraisal conclusions differ greatly from the subjective perception of tax officials. The "Professional Standards for Asset Appraisal" classifies contractual rights as intangible assets. Therefore, companies need to consider the present value of contractual rights when evaluating value. However, the omission of this point by the asset appraisal agency led to its first recovery amount. Is not fair. It can be seen that the existence of off-balance sheet assets will bring serious tax-related risks to the equity transfer process.

So far, few scholars in my country have conducted research on the tax supervision of off-balance sheet assets in the transfer of corporate equity. Wu Hongtao (2014) believes that my country's equity transfer behavior is in a process of "emphasizing documents and ignoring the law", and most companies have inaccurate understanding of the issue of taxation in the process of equity transfer. In the actual process, most companies use legal loopholes to conduct more frequent tax planning activities, but behind the tax planning, huge tax-related risks and hidden inspection risks are hidden (Zhang Chunping, 2018). Huang Jiayong and Chen Yanhong (2017) also pointed out that due to the hidden nature of the equity transfer transaction, the initial investment cost of the equity and the fair value of the equity at the time of the transfer are false when determining the gains from the equity transfer. Great difficulty. Cao Lina (2017) pointed out that at the emergence stage, most companies in my country adopt the income method to evaluate the value of equity transfer. Due to the uncertainty of future operations, it is difficult for both parties to the transaction to accurately measure the fair value of the company. Zhang Fuwei (2019) also believes that in equity transfer transactions, the value of off-balance sheet assets has long been ignored by people due to its own particularities, but its existence will bring serious tax-related problems to enterprises. Therefore, the existence of off-balance sheet assets in equity transfers has brought greater challenges to the supervision of tax authorities. Enterprises as taxpayers have the obligation and responsibility to complete tax declarations. As tax supervision authorities, they need to take effective supervisory measures. To jointly manage the tax-related process of off-balance sheet assets. With the rise of big data, massive data analysis provides an opportunity to solve the taxation problems caused by off-balance sheet assets. For this reason, this article proposes tax-related risk management measures for off-balance sheet assets from multiple aspects.At the same time, focusing on How does the tax department use big data to manage off-balance sheet assets.

2. Difficulties in tax supervision of off-balance sheet assets for equity transfer

(1) The value of off-balance sheet assets is difficult to evaluate

1. The content of off-balance sheet assets is complicated

The balance sheet will not directly display the value of off-balance sheet assets, and only disclose relevant information in the financial statements. There is no unified standard for evaluatiing the value of off-balance sheet assets. The main reason is that there are large differences in the form and content of off-balance sheet assets in different industries and different companies. Regardless of whether it is an accountant of an enterprise or a staff member of a tax authority, the valuation process of off-balance sheet assets is still relatively vague, so the valuation of off-balance sheet assets of related enterprises has strong operability. It is precisely because of the complexity of the content of off-balance sheet assets that has led to inconsistencies in the valuation of off-balance sheet assets, making the value verification between enterprises and tax authorities lack comparable. Therefore, it is difficult for tax authorities to conduct tax-related management through direct valuation of off-balance sheet assets.

2. No off-balance sheet asset account set system has been established

At the current stage, Chinese companies have not established an account set system for off-balance sheet assets involved in equity acquisition transactions. One is due to the immaturity of off-balance sheet asset business. In daily business activities, companies generally do not need to consider the specific value of off-balance sheet assets, and their business scope is narrow. Second, it is difficult to verify the value of off-balance sheet assets. Different industries and different companies have different assessment standards, and the definition of assets in the accounting field is different from the definition of assets in the asset appraisal field. Therefore, it is difficult for the financial staff of most companies to calculate the value of off-balance sheet assets with accounting knowledge. Because of the lack of a systematic management system, companies lack detailed information when making tax declarations involving off-balance-sheet assets, which increases the work intensity and difficulty of tax administration.

(2) The asset evaluation report lacks accuracy

According to the "State-owned Assets Evaluation Management Measures", in order to objectively and scientifically evaluate the fair value of the transacted object, enterprises must conduct asset evaluations during mergers, mergers, and divisions.

ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

According to Article 40 of the "Asset Appraisal Standards-Company Value", a registered asset appraiser shall identify the off-balance sheet and on-balance sheet assets and liabilities of the appraised company's balance sheet in accordance with accounting policies and business operations. However, the current asset evaluation management in my country is still not standardized. Some institutions that have not obtained the evaluation qualifications make unauthorized evaluations, and those who do not have the evaluation qualifications participate in the evaluations, and the evaluation methods are frequently improper, resulting in a decline in the quality of evaluation. In addition, the asset appraisal report itself will also explain that its appraisal conclusion is not a guarantee for determining the transaction price, which plays a certain exemption effect, thus giving the asset appraisal agency the opportunity to violate professional ethics for personal gain. Therefore, the appraiser or appraisal agency Driven by benefits, the assessment is carried out according to the needs of the assessee, resulting in serious discrepancies between the assessment results and the actual situation.

(3) The yin-yang contract is too concealed

In the process of equity transfer, in order to avoid taxation, the two parties usually choose to sign a false contract that is parity or lower than the real transaction price in addition to the normal contract, the so-called yin-yang contract. The problem of tax loss caused by the “yin-yang contract” exists in China, and it is difficult to identify. At this stage, the tax collection method of China’s tax authorities is generally withholding and paying or self-declaring taxes. The submitted materials are the main tax basis. If the taxpayer submits a "positive contract", when the tax department does not understand the essence of internal transactions, it is difficult to distinguish the problems in the external contract due to the asymmetry of information. This gives both parties the opportunity to evade taxes. In most cases, the tax supervision of the "yin and yang contract" relies on reports from insiders, so this makes the tax department in a passive position in the monitoring of the "yin and yang contract". Off-balance sheet assets are due to their own The particularity of value makes it difficult to control the specific amount, which creates more opportunities for the use of "yin and yang contracts" for equity transfer transactions involving off-balance sheet assets, causing serious tax losses.

(4) Lack of professionalism

When an enterprise fulfills its tax obligation for equity acquisitions, the entire tax payment process generally involves three parties, namely the enterprise, asset appraisal agency, and tax authority. When the tax department monitors the tax-related issues caused by the off-balance sheet assets of the company, it needs to review the tax declaration materials submitted by the company and need to make professional judgments on the reliability of the asset evaluation report. These require tax personnel to be aware of tax law, accounting Both standards and asset evaluation standards can be more accurately grasped. Faced with the practical problems of interdisciplinary research, my country’s tax authorities currently do not have professional asset appraisers and external support platforms. They tend to rely on the appraisal reports of external asset appraisers to estimate corporate tax risks.

ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

However, it is often difficult for tax authorities to detect collusion between the assessed company and asset appraisal agencies, which inevitably creates work barriers for tax authorities.

3. Tax supervision of off-balance sheet assets

(1) Make full use of big data

1. Feasibility study of big data

1.1 Big data provides new ideas for tax-related management of off-balance sheet assets

Big data has already become a hot topic now, and its methods have been applied to telecommunications, medical care, education, finance and other fields. And after actual use, its role has brought efficiency and convenience to our work and life, and then in the tax field, we can also consider using big data methods to conduct tax-related management of off-balance sheet assets. The main reason why big data concepts and big data methods can set off an upsurge lies in the explosive growth of various data information in today's society compared to the past few decades. In order to analyze and process information, it must rely on big data for support. In the taxation field where data and information are also abundant, big data provides new ideas for tax-related risk management of off-balance sheet assets.

1.2 Big data provides technical support for the analysis and processing of off-balance sheet asset data

The big data method is also called massive data analysis. Using its high-speed data processing function and powerful data analysis function, it can filter out valuable data from a large amount of data, so that the correlation between the data is presented, and then Carry out systematic data management. This has brought a turning point to the bottleneck of the tax department's manual processing of large amounts of tax data, and has also made tax management more systematic and rigorous. The tax-related risks of off-balance-sheet assets in equity transfers are expected to be initially resolved.

1.3. The application of big data in other fields is fruitful

In recent years, big data methods have been used in various fields such as finance, education, and telecommunications, and its extensive use in the medical field has made the phenomenon of “islands” of medical big data history. In 2017, Google invested in the digital healthcare startup Senosis Health, Alipay launched the Future Hospital, Tencent invested US$70 million in Dingxiangyuan, Baidu built a health cloud platform, Xiaomi invested in Jiu’an Medical, etc. This series of technology giants have joined the field of medical big data, bringing huge possibilities for the development of the medical industry and bringing medical benefits to each patient. Patients only need to enter their symptoms at one end of the platform, and the best treatment will be provided to the patients.

ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

2. The specific application of big data in the tax-related risk management of off-balance sheet assets

2.1 The tax department establishes a complete off-balance sheet asset management system

When a company involving off-balance sheet assets develops to a certain scale, the amount of assets reflected in its financial statements often differs from its fair value. The main reason is that the existence of off-balance sheet assets can also bring about Huge economic benefits. Since there is no unified accounting standard for off-balance sheet assets, this has brought work difficulties to both the enterprise and the taxation department. However, after the emergence of "big data", from the perspective of the taxation department, the method of "big data" can be used to directly manage the off-balance sheet assets of enterprises. For example, the tax department can design a management system dedicated to recording off-balance sheet assets. In this system, the system platform can not only store the off-balance sheet asset information after massive data analysis, but also divide the scale and region The off-balance sheet assets of enterprises are compared, and the economic efficiency brought by the off-balance sheet assets of each enterprise is evaluated. The off-balance sheet asset management system of the tax department forms a real-time connection with the data terminal of each company, so that each company can directly understand the relevant situation of its off-balance sheet assets, and adjust its business methods in time to increase the off-balance sheet assets for the company. The efficiency of the value added. And it can give companies a predictive function when they conduct tax declarations for tax-related matters related to off-balance sheet assets in the future.

2.2 Mass data analysis of off-balance sheet assets

An important reason why companies can evade and avoid tax payments during mergers is the information asymmetry between tax authorities, and taxpayers have an information advantage. When a company makes a tax declaration, after the various indicators in the business process are transmitted to the data receiving end of the tax department through the Internet, big data relies on the resources of massive data and uses the powerful data analysis capabilities of the platform to analyze all the indicators of each business Integrate and analyze, find the correlation between different data, and display the influencing factors of each company's off-balance sheet assets, so as to automatically establish an off-balance sheet asset value evaluation model with corporate characteristics, and use the data provided by the platform to calculate The value range of the company's off-balance sheet assets, and produce a corresponding off-balance sheet asset value report. The report not only needs to analyze the value according to regional differences, but also analyzes the value of different taxpayers, and sorts them according to the value and changes, so that the tax department can carry out highly targeted tax response work , To control tax risk at a low level.

Taking the catering industry with more off-balance sheet assets as an example, the tax department can use "big data" means to incorporate various detailed business indicators such as business income, asset scale, operating hours, and business nature

ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

of each company into the "big data" database It also uses crawlers and other technologies to conduct simulated visits to corporate data, collect effective information, and use relevant software to plan the value of off-balance sheet assets of each catering company, and compare it with the value declared by the company, so as to find the company to pay taxes The suspicious points declared to improve the efficiency of taxation monitoring by the taxation department.

2.3 Establish a risk early warning system through data analysis

Now tax authorities can use big data-related technologies to collect enterprise production and operation data from various channels, and conduct more in-depth mining of the data in this department, providing strong data support for the evaluation of off-balance sheet assets of various enterprises. While the tax department uses big data to value the company’s off-balance sheet assets, it also needs to use the strong computing power of the database to determine the main tax-related risks, and find related companies through big data technology, and finally compare the off-balance sheet assets of related companies Asset value and determine whether there is tax evasion. When an abnormality is discovered, the risk early warning system of the tax department issues a warning, and the company must re-estimate the value of off-balance sheet assets within the specified date. If the warning status has not been lifted after the second estimation, the system will list the company as a key monitoring object for off-balance sheet assets and closely track its tax-related transactions on off-balance sheet assets. The use of big data can help the tax department to establish a sound risk model so that it can conduct tax audits in a timely manner when risks are high.

(2) Establish off-balance sheet asset ledger account by household

When an enterprise conducts equity transfer transactions, it needs to establish an off-balance sheet asset ledger. Its purpose is to provide evidence support for the determination of the entire equity transaction price, and also to provide a monitoring basis for the taxation department to conduct tax audits on off-balance sheet assets. The information that should be registered in the off-balance sheet asset ledger mainly includes all factors that affect the value of off-balance sheet assets, such as expected future sales, discount rates, and taxation basis to follow. Due to the different forms of off-balance sheet assets in different industries and different companies, each company needs to formulate the best off-balance sheet asset ledger content and format according to its actual business operations, and then establish and store a correspondingly complete database.

(3) Clarify policy basis and operating procedures

For taxpayers, the standards for tax collection and management should be unified, otherwise there will be phenomena like "yin and yang contracts" that will make taxpayers who should pay taxes take advantage of the loopholes in the system. Useful methods for this include: first, clarify the management policy for the pricing of equity transfer income, and consider the significantly lower standard of transaction pricing and the processing method; second, make corresponding specifications for the submission of asset evaluation reports, including the scope of

ISSN 2616-5767 Vol.3, Issue 7: 124-131, DOI: 10.25236/AJETS.2020.030713

submission, Evaluation methods, etc.; third, the government will introduce a standardized and reasonable intermediary through official channels to conduct a reasonable evaluation of the value of the equity being traded, so as to determine a more reasonable fair value;

References

[1] Wu Hongtao. "Research on Taxation Issues in the Transfer of Enterprise Equity." Finance and Economics (Academic Edition). 33 (2014): 248-249.
[2] Huang Jiayong, Chen Yanhong. Analysis of corporate income tax management issues in equity transfer [J]. Economic Research Reference, 2017, (05), 66-69.
[3] Zhang Chunping. "Key Points of Concern for Tax Planning of Enterprise Equity Transfer." Certified Tax Agent .03 (2018): 15-18.
[4] Zhang Fuwei. "The Application and Thinking of Off-balance Sheet Assets in Tax Inspection." Tax Research. 08 (2018): 115-118.
[5] Yang Fan. "Research on Data Sharing Mechanism in Financial Supervision." Financial Supervision Research. 10 (2019): 53-68.
[6] Sun Xinbo, et al. "Research on the Realization Mechanism of Big Data Driven Enterprise Supply Chain Agility." Management World 35.09 (2019): 133-151+200.