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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. To implement the policies of the State Council for encouraging enterprises to increase R & D investment and optimize the policy of mark-up deduction for R & D expenses, the State Administration of **Taxation (SAT) released the Announcement on Further Implementing Mark-up Deduction of R & D Expenses (SAT [2021] No.28.)**, which provides:

(1) **When filing the corporate income tax for the third quarter (quarterly advance payment) or September (monthly advance payment) in October, an enterprise may decide at its discretion the preferential policy of mark-up deduction of R & D expenses for the first three quarters. The enterprise that does not choose the preferential treatment during the October pre-payment period can enjoy the preferential treatment during the final settlement of 2021 corporate income tax in 2022.**

(2) **The mark-up deduction of enterprise R & D expenses shall be handled on truthful circumstances, and the enterprise shall identify by itself the R & D expense incurred, apply to competent tax authority for the preferential treatment beforehand, and retain the relevant information for future reference.** An enterprise shall, based on the actual R & D expenses, calculate the deduction amount and fill out the Monthly (Quarterly) Pre-Payment Form of the People's Republic of China for Corporate Income Tax (Category A), and further fill out the List of R & D Expense Deduction Preference (A107012) based on the eligible R & D expenses (the first three quarters). The List of R & D Expense Deduction Preference (A107012) shall be kept for future reference together with other required information.

(3) **The calculation method of "other related expenses" limit has been adjusted and optimized.** Previously, the "other related expenses" limit was calculated separately for each R & D project; now, it shall be calculated uniformly for all R & D projects, thus allowing the flexible use of "other related expenses" limit across a number of projects and increasing the amount of deductibles.

(4) **After the release of the 2021 VERSION of R & D expense auxiliary ledger style, the 2015 VERSION of R & D expense auxiliary ledger style remains in effect.** However, it should be noted that if an enterprises continue to use the 2015 VERSION of R & D expense auxiliary ledger style, they can refer

to the 2021 VERSION of R & D expense auxiliary ledger style to adjust the calculation formula of entrusted overseas R&D expenses and other related expense limits accordingly.

2. Based on the economic and social development of Shandong Province and the increase of the wages of employees, **the People's Government of Shandong Province issued the Notice on the Minimum Wage Standard of Shandong Province [LuZhengZi (2021) No. 169] after the review of the Ministry of Human Resources and Social Security**, which provides:

① **After the adjustment, the province's monthly minimum wages stand at 2100 Yuan, 1900 Yuan and 1700 Yuan; and hourly minimum wages stand at 21 Yuan, 19 Yuan and 17 Yuan.**

② **The monthly minimum wage standards apply to full-time employed workers, while the hourly minimum wage standards apply to non-full-time laborers.**

③ **The adjusted minimum wages will take effect from October 1, 2021.**

3. According to the arrangement for the identification of high-tech enterprises in Qingdao, **Qingdao Science and Technology Bureau issued the Notice on the Identification of the Third Batch of High-Tech Enterprises in Qingdao in 2021, and the application for the third batch of high-tech enterprises in 2021 has started.**

The deadline for enterprise application shall be 17:00 on October 20, 2021 (Wednesday), and the deadline for submission by the district science and technology departments shall be 17:00 on October 25, 2021 (Monday).





Case of Financial and Taxation Services

Background: An information technology company was jointly established by two shareholders in 2015, with Shareholder A holding the core technologies and customer resources being the actual controller of the company, and Shareholder B being responsible for the day-to-day management. The company employed a full-time accountant who was not objective or neutral in his work and the accounting treatment assigned by the two shareholders, and in addition, held different attitudes towards different shareholders, thus harming the legitimate interests of the actual controller. Later on, the actual controller realized the importance of objectivity and neutrality of corporate accounting system and decided to outsource the financial operation. He therefore chose Brighture for financial management.

Services rendered: After the professional financial and tax consultants of Brighture knew the problems, they paid a field visit to the actual controller and had a detailed understanding of the business operation and specific requirements for financial management. A set of financial workflow was established to ensure the smoothness of financial operation, and financial data support was provided for enterprise management to implement effective control of the receivables and reduce the risk of bad debts, and promoted the healthy development of enterprises.

Friendly Reminder

conditions of the enterprise objectively through professional fiscal and tax treatment to provide the shareholders of the enterprise true and effective information. At the same time, they should abandon “book-keeping accounting” and adopt “management accounting” to serve the operation and management of enterprises.

As a third-party independent organization, Brighture adheres to the objective and neutral principle in providing professional, honest and efficient services and offering professional financial and tax advice for the executives to boost the healthy development of enterprises.

The Brighture 9th Salon for 2021 was held through direct broadcast from 19:00 to 20:00 on September 29, 2021 under the theme of “**Enterprise tax supervision and tax-related warnings under Golden Tax IV**”.

The lecturer for this event was Ms. Martina Zhang, Manager of No. 3 European and American Department of Brighture, who has served Brighture for ten years with profound theoretical basis and rich practices.

The lecture covered four aspects, namely, the situation of tax-supervision after the launch of Golden Tax IV, tax warning indicators after the launch of Golden Tax IV, key behaviors and key sectors subject to tax-supervision under Golden Tax IV”.

(1) Document (SAT [2021] No. 21)

- ① **Accelerate the construction of smart tax;**
- ② **based on “credit + risk”.** Dynamic credit rating classification and intelligent risk supervision of taxpayers should be carried out upon the full implementation of the real-name tax payment system.
- ③ **Strengthen risk prevention, control and oversight in key areas.** For industries, regions, and people prone to tax-evasion, proportion of random and open inspections shall be increased appropriately in light of tax risks; for tax evasion behaviors such as concealing income, falsely representing costs, shifting profits, and using "tax depressions," "dual contracts," and related party transactions, preventive system shall be strengthened, and prevention, control and inspection shall be intensified.

(2) Tax-supervision after the launch of Golden Tax IV

- ① **The modernization of China’s tax administration**
Collection and administration method: tax collection - tax declaration - tax calculation
Collection and administration process: computer - Internet - cloud
Collection and administration efficiency: tax administration by experience - tax administration by tickets - tax administration by digit

② Comparison between Golden Tax III and Golden Tax IV

Golden Tax III

Golden Tax III is the first unified state and local tax collection and administration APP system focusing on the goal of "one platform, two processing levels, three coverage, and four systems".

Invoicing software expanded to include the unit and commodity code, five-certificates-in-one, tax authorities, industry and commerce administration, social security, statistics, bank and other interfaces, grasping such information as commodity inventory, bank account, employee, monitoring the flow of capitals of corporate affiliated enterprises and corporate funds, and **controlling tax through invoicing.**

Golden Tax IV

Golden Tax IV is a upgraded version of Golden Tax III, which was expanded to include non-tax business control, personal income tax settlement, real-name verification of mobile phone number, real-name verification of bank account, **enabling it more accurately monitor business, personnel, information, funds, invoices and other links.**

③ Tax supervision:

New tax enforcement system: no disturbance of taxpayer who has no tax risks, any violation must be investigated, whole process of intelligent control, that is, to achieve

sharing of business data by tax authorities and enterprises. In the process of production and operation, the flow of fund generated by the personal bank cards of the legal representative or shareholders of each company is compared with the enterprise operation data.

New tax service system: "No blind spots for offline services, no closing time for online services, and wide coverage of customized services", that is, it covers industry and commerce administration, land and housing reform authorities, banks, commerce bureau and foreign exchange administration, etc., and to implement electronic invoicing in all aspects by the end of 2022.

New tax supervision system: The basic approach is "double random and one openness" supervision, "Internet + supervision", supplemented by key supervision, based on "credit + risk" supervision.

(3) Tax warning indicators after the launch of Golden Tax IV

- ① **Tax burden indicator warning:** abnormal income tax contribution rate and VAT tax burden rate;
- ② **Operating indicators warning:** low salary, less social security, large site, high electricity cost, low income and so on;
- ③ **Profit and loss indicator warning:** abnormal comparison of revenue, cost and expenditures;
- ④ **Asset indicators warning:** abnormal ratio of assets and transactions;
- ⑤ **Warning of invoice use:** abnormal invoice association, issuance and deduction;
- ⑥ **abnormal tax declaration:** property tax without land use tax, etc.;
- ⑦ **System management risk warning:** QISHUITONG linkage after launch of Golden Tax IV.

(4) Key behaviors and key sectors subject to tax-supervision under Golden Tax IV

Key behaviors: abnormal registration information, purchase of invoices, large increase in invoice consumption, deduction on agricultural products, cheating on export tax refund, large amount transfer of public fund to private, abnormal tax burden rate, long-term zero declaration, enjoyment of tax preference.

Key sectors: processing of agricultural and sideline products, waste materials, trading of futures and bulk commodities, for-profit educational institutions, medical beauty, tax depressions, film and television sector, e-commerce sector, construction industry, labor dispatch, pharmaceutical industry.

In addition, for most small and medium-sized enterprises, the export tax rebate of foreign trade industry is the most prone to problems. For high-tech enterprises, mark-up deductions and preferential treatment shall be strictly checked jointly with the science and technology bureau.

As a professional service agency, Brighture provides esteemed clients with one-stop services in finance, taxation, law, auditing and business and helps them prevent and control risks in an all-round way. Brighture is a genuine business partner of enterprises.

The Preview of next Salon

The Brighture 10th Salon for 2021

Theme: How do enterprises review business contracts

Time: Oct.29, 2021, 14:00-16:00

The 2021 Annual Financial Management Course of Brighture was held on September 26, 2021 at 09:00-11:00, with Sweety, Manager of Customer Development Department, as the lecturer. The Course, which covered cashier management, financial management and export duty rebate, was attended by clients and friend with great enthusiasm.

A. Cashier management

The cashier is mainly responsible for cash and bank deposits, other monetary fund management; control of check, draft, invoice and receipt; preparation of bank accounts and cash accounts, and keeping of company seals (checks and seals should be kept separately); daily reimbursement; salary payment, and daily internal management, etc.

(1) **Security of funds:** Many criminals commit fraud through voice synthesis, AI face-changing, forwarding wechat voice and other means. **Multiple verification methods should be taken to confirm the identity of the other party, and corporate and personal information protection awareness should be strengthened.**

(2) **Custodian of certificates and documents:** different market entities have different certificates; the cashier should keep corporate certificates, seals, invoices, and blank checkbook.

(3) **Internal personnel management:** labor contract should be executed in time when new staff is enrolled, social security premiums should be paid for the new personnel, and communication with the accountant should be timely made to facilitate the declaration of individual tax.

B. Financial management

Enterprise financial management is to realize the comprehensive management of enterprise capital movement through the form of value, reflecting and regulating each link of production and operation.

(1) **Enterprise credit rating:** according to the Tax Payment Credit Management Measures (Trial), the tax payment credit rating shall be evaluated and directly graded by means of annual evaluation index score, with a fiscal year as the tax payment credit evaluation cycle. Currently there are five tax payment credit levels: A, B, C, D and M. Tax authorities shall provide classified services and administration to taxpayers of different credit levels in the principles of encouraging good faith and punishing bad faith.

(2) **Original document management:** documents are mainly divided into bank documents, reimbursement documents, income documents, and cost documents. **Not all documents can be deducted before tax. Therefore discrimination should be made according to the business situation of the enterprise.**

The original document used for reimbursement must be

invoices printed under the supervision of tax authorities. Receipts (except the receipt issued by administration or public utility organs), informal document, self-made voucher, false invoice, computer-printed slip etc. cannot serve as document for reimbursement.

C. Export tax rebate

Many enterprises have problem in export tax rebate due to the failure to follow the provisions. **The method of tax rebate and the materials required are also different in different circumstances.**

(1) Conditions for export tax rebate:

A: The goods must be subject to VAT (in case of excise rebate, subject to excise tax);

B: The goods must be declared to the customs for export and physically out of the country, otherwise, they shall not be deemed as export goods and be eligible for tax rebate, whether settled in foreign currency or RMB or how they are handled financially. The so-called customs declaration and departure (namely export) is the export of goods through the customs, which is one of the main standards to distinguish whether the goods meet the conditions for tax rebate or exemption; the goods must be paid in foreign exchange or deemed paid in foreign exchange.

(2) Matters of attention in declaration of export tax rebate

A: The "commodity name", "unit" and "quantity" in the export declaration form shall be strictly consistent with the information on the input VAT invoice.

B: Input VAT invoices obtained after February 1, 2011 must be affixed with the invoice seal of the invoicing party, otherwise the tax authorities will not handle the tax refund.



Recent Events of Kreston

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

1. *Kreston Week: In the year that the Kreston Global network celebrates its 50th anniversary, we are launching Kreston Week – an annual event to celebrate our international connections.*
2. *Factsheet 2021 campaign to launch soon: Every year, Kreston collects members' information via an online factsheet form. The factsheet information is essential for quality monitoring, accurate invoicing, data maintenance and statistical purposes. It also allows Kreston to determine where the Network positions itself in the financial world rankings.*
3. *Ganesh Ramaswamy, assistant to Kreston Rangamani, published his latest article in International Accountant, discussing the different effects of Brexit on the Asian continent and how people should pay attention to the new negotiating position of the UK on any new or upcoming free trade agreement with the region. In his article, he mentioned that in recent years, several major events have taken place in the world, leading to great changes in Global trade strength: eg. Brexit. Although this development may slow down trade between the UK and the EU and disrupt supply chain activities, it may also bring great favourable opportunities for countries and enterprises in other regions, especially Asia.*



4. *David Whitmer, CBIZ transfer pricing practice leader and transfer pricing network lead and Srinidhi Tuppal, CBIZ transfer pricing manager at Kreston Global, published The impact of COVID-19 on transfer pricing in Accountancy Daily.*

Due to the lack of comparables in similar industries, multinationals sometimes rely on companies that perform similar functions, eg, distribution, manufacturing, or sales and marketing functions, to determine the arm's length range. Previously accepted comparables used for establishing a company's transfer pricing policy might not be comparable due to the impact of the pandemic, warn David Whitmer and Srinidhi Tuppal.

They also mentioned that one of the critical transfer pricing strategies affected by economic conditions resulting from the Covid-19 pandemic was the applicability of existing unilateral, bilateral, and multilateral advanced pricing arrangements (APAs)⁶. The key benefit of APAs is to provide tax certainty regarding international transactions for tax purposes.



Lareina Chen

Chinese Dept.1

-4 Years

*Motto: only the most rigorous training
can create the freest qualification.*

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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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.