

# Discussion on tax planning and risk management of real estate companies

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**ABSTRACT.** *The tax expenditure of real estate companies is a cost second only to the cost of land and construction and installation, which has a significant impact on the profits and cash flow of real estate companies. To strengthen tax planning and risk management and control, full-time tax positions can be set up within the enterprise. Taxation runs through almost the entire process of real estate development and operation, and tax planning and tax risk management should also be run through, and all nodes need to be coordinated.*

**KEYWORDS:** *real estate company, tax planning, risk control*

Since China's reform and opening up, the real estate industry has developed rapidly. It can be concluded from the recent media inventory: China's housing prices are still rising. The real estate enterprise referred to in this article refers to an enterprise engaged in real estate development and operation. It is not only a producer of real estate products, but also an operator of real estate products. It is a real estate project company that actually develops its business. It is usually a general taxpayer of value-added tax. qualifications.

## 1. Current status of tax planning for real estate companies

With the transformation of China's economy, the historical task of real estate has come to an end. The normalization of regulatory policies and the tightening of the financing environment and tax environment are historically inevitable. There are many types of taxes involved in real estate companies. The highest tax burden is value-added tax, corporate income tax, land value-added tax, in addition to land use tax, real estate tax, deed tax, stamp tax, urban maintenance and construction tax and educational surcharges. The real estate industry has always been a key tax source contribution industry and a key industry for annual tax inspections. When the policy is loose, real estate companies will not set up professional tax positions, and even pay insufficient attention to taxation. Some real estate companies not only fail to save reasonable tax during their operations, but also pay part of the unjust tax, and there are many fines and late fees. In fact, taxation almost runs through the whole process of real estate development and operation, and the following situations

generally exist in real estate enterprise taxation.

1) Weak taxation awareness and lack of attention to taxation. Real estate companies only focus on land acquisition and sales, and only deploy financial personnel after the project is established. The positioning of financial positions is also limited to fund collection and payment, purchase of invoices, and tax declarations. Taxation is only the work of the financial department. In terms of tax processing, delays in filing have occurred from time to time, and it is even when the tax bureau audits or meets the tax bureau's liquidation conditions that the tax payable is clarified. It is understood that currently only leading real estate companies have established a professional tax management team. In recent years, most of the small and medium-sized real estate companies that have concentrated on tax risks still rely on general financial accounting personnel to concurrently perform tax management work.

2) Financial management is chaotic. Finance positions are only engaged in simple accounting work, and they are not familiar with, combing, or instructing the business process of the operation. The financial personnel themselves have insufficient tax professional and management capabilities, and there is no scientific and systematic financial and tax control process. Internal control is in the taxation process it's useless.

3) Communication between various business departments is not smooth. Based on various considerations such as business confidentiality, real estate companies have not smooth communication in the fiscal and taxation links of specific businesses. Even if a full-time tax officer is established, the job positioning and authority setting are not reasonable enough, and there is insufficient participation in the business, leading to tax risks.

## **2. Suggestions on tax planning and risk management of real estate companies**

With the strengthening of audits by tax authorities, real estate companies have gradually realized the importance of taxation in the process of responding to audits, and large real estate groups have become increasingly aware of tax planning and tax risk prevention. However, the development of real estate enterprises is uneven, and some small and medium real estate enterprises generally lack or even ignore taxation. In view of the above-mentioned problems, the author puts forward several suggestions on tax planning and risk control of real estate enterprises.

### ***2.1 Pay attention to tax work and build a tax management team***

First of all, we must pay attention to tax professionals, and important tasks should be dedicated to dedicated personnel. Strengthen tax risk management by setting up full-time tax positions. Because of the particularity of the real estate business and the complexity of taxation, what is needed is a comprehensive talent who understands both business and finance and taxation. Attach importance to a position, and set permissions that match responsibilities, so that tax managers can

fully participate in various businesses. Only by early intervention and early detection of problems can tax management play a role in preventing risks. Enhancing the overall tax prevention and control awareness of the enterprise, especially the fiscal and taxation department and management of the enterprise, can effectively improve the overall tax risk prevention and control level of the enterprise by cutting in from the internal control system, paying attention to all employees, and managing and controlling all employees.

## ***2.2 Standardized tax management and full-process tax control are the basic requirements for tax planning***

Taxation almost runs through the entire process of real estate development and operation, and tax planning and risk management should also run through. There are six nodes for land acquisition, financing, development, pre-sale, delivery, and liquidation. Tax planning and risk management need to be carried out in cooperation with each node.

### **(1) Land acquisition link**

The focus is on the choice of transaction methods, the acquisition of land bills, and the signing and review of supporting documents such as contract agreements. The amount of legal and effective land bills directly affects the tax burden of the three major taxes.

General taxpayers in real estate companies sell their developed real estate projects (except for the simplified taxation method for old real estate projects), and the balance after deducting the land price paid to the government department when the land is transferred is the total price and extra-price fees obtained Sales. Demolition compensation fees paid by real estate enterprises to other units or individuals when acquiring land are also allowed to be deducted when calculating sales. When taxpayers deduct demolition compensation fees according to the above regulations, they shall provide the demolition agreement, the payment and receipt of demolition compensation fees by both parties to the demolition and other materials that can prove the authenticity of the demolition compensation fees.

Real estate companies have a variety of land acquisition methods, such as bidding, auction and listing, equity acquisition, transfer of projects under construction, investment in shares, cooperative development, and enterprise separation. In the bidding, auction and listing mode, as long as the fiscal bills issued by the Land Reserve Center are obtained, the deduction can be calculated subsequently. Under other methods, there are many risk points and large tax differences. Therefore, starting from the acquisition of land project materials by real estate companies, tax officials should step in to learn more about the project information, the composition and amount of original land bills, predict the impact on the tax burden of the entire project, and plan the most suitable land transaction method. If the transaction causes the transfer of land ownership, the company that inherits the land must pay deed tax and stamp tax in time.

(2) Financing link

One is to pay attention to the signing of financing contracts, and the other is to pay attention to the acquisition of legal interest notes.

There are various forms of financing for real estate companies. Generally, bank development loans, entrusted loans, and trust funds are common. Bank development loans are the most conventional financing method. As long as the bank's interest list and interest invoices are obtained, the full amount can be deducted from the corporate income tax and land value-added tax settlement. The entrusted loans between enterprises have always been disputed over the issue of the full deduction of land value-added tax. In other financing methods, there are common tax problems such as difficulty in obtaining invoices or deduction disputes, which is a difficult point in tax control.

(3) Development stage

The focus is on contractual tax control, strict review of the obtained value-added tax invoices for timely verification and deduction, attention to changes in tax policies and adjustment of business processing methods, and timely declaration and payment of relevant taxes and fees. What tax arrangements should be considered when signing a contract, and how to agree on tax-related clauses are issues that companies should focus on, and they are also a key link in saving tax burdens. Contract tax control should follow two concepts: one is to match the contract with accounting and tax treatment, and the other is to match the contract with the invoice issuance. The taxes and fees involved in the development stage include contract stamp duty, land use tax, etc. If there are real estate on the project land, real estate tax is also required.

(4) Pre-sale stage

Refers to the development of real estate enterprises to a certain extent and obtains the pre-sale license to open for sale. The focus of tax management is the prepayment of the three major tax types: value-added tax, corporate income tax and land value-added tax. Although real estate companies did not have any taxable activities in the pre-sale process, they are obliged to pay value-added tax in advance. In addition, we must pay attention to the tax-related issues of sales offices and model houses, individual tax issues such as wages, bonuses, sales commissions, etc., and timely obtain construction and installation, materials (materials are relatively large in the case of material supply), and other various material procurement and Special VAT invoices corresponding to services, etc. For a real and reasonable business, you need to obtain a legal bill to effectively deduct or deduct it, and truly reduce the tax burden of the enterprise.

(5) Delivery stage

The focus is on issuing invoices, carrying forward revenue and costs, and adjusting tax differences.

Completion and delivery is a watershed for real estate corporate income tax. Recognition of revenue needs to match the cost. At this time, the project is often not

yet settled. Obtaining bills and costing should be planned in advance. Failure to plan in advance to obtain input invoices such as unsettled construction costs will not only affect income tax, but also affect value-added tax, which may lead to tax risks such as overpayment of taxes, first payment of taxes, and difficulty in late tax refunds, which will bring economic losses to the enterprise.

#### (6) Liquidation stage

The focus is on the settlement of land value-added tax and corporate income tax. The settlement of land value-added tax is a key and difficult point in the tax management of real estate enterprises and requires a lot of energy to complete. After the enterprise has settled the land value-added tax on the development project in accordance with the regulations, if the corporate income tax settlement and payment in the current year is at a loss, and there is no subsequent development project, it is calculated according to the regulations that the project development due to land value-added tax causes overpays the enterprise in each year For income tax, you can apply for a tax refund.

Planning first, and then controlling the key points of management according to all aspects of development and operation, so as to achieve standardization of tax management throughout the process and control of tax risks. In addition, regular tax calculations are carried out, and changes in tax burdens are monitored throughout the process to implement tax planning.

### ***2.3 Smooth internal and external communication***

Tax planning and risk management are inseparable from the cooperation and support of various business departments. Before business occurs, various departments should fully communicate, repeatedly confirm, plan ahead and implement effectively. In addition, real estate companies must take the initiative to build good communication channels for tax companies, and promptly clarify their claims to tax authorities when new policies or new businesses occur, so as to achieve legal compliance.

### **3. Conclusion**

Standardized tax management and full-process tax control ensure that tax risks in all links can be controlled. It is not only the management goal of tax work, but also the basic requirement of tax planning. Reasonable tax planning and effective tax risk management and control will help improve business efficiency and core competitiveness.

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