Tax Risks of University Hotels based on the Reform of Change from Business Tax to Value-Added Tax

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ABSTRACT

Reform of Change from Business Tax to Value-Added Tax is the highlight of propelling the reform of finance and taxation. The year of 2015 is the key point of full coverage of Change from Business Tax to Value-Added Tax since the trials in 2012. As one part of the trials in universities, the hotels must grasp the opportunity and realize the risk caused by the reforms. This paper analyses the risk of Change from Business Tax to Value-Added Tax towards university hotels based on the features of hotels and university industry and preventive measures were also discussed.

KEYWORDS
Change from Business Tax to Value-Added Tax, university hotels, tax risk.

INTRODUCTION

Since January 2012, the Change from Business Tax to Value-Added Tax (BT to VAT) has been on a trial basis gradually in some areas and industries, and 2015 is essential to achieve full coverage year and has entered the endgame now. Early in 2015, Jun Wang, the chief secretary of State Administration of Tax, indicated that in order to fully complete the mission of BT to VAT, the scope of reform will be extended to the construction industry, real estate, financial and insurance industry and life services at the national tax work conference. Besides, On May 18th, The State Council approved the National Development and Reform Commission the document of “On the key work of deepening economic restructuring in 2015”, and this document indicated that the reform of BT to VAT should be achieved fully. Four areas including construction industry, real estate, financial and life services should be involved into the BT to VAT. The tax rates of real estate and construction industry were reclosed to 11%, and the tax rates of financial industry and life services were reclosed to 6%.

Undoubtedly, implement of BT to VAT is greatly positive for the continued downturn hotel industry. But at the same time, in order to defend the risk arising from BT to VAT, the administrator so hotels must keep enough vigilance to take action actively. Especially in the hotel industry of universities, more attention must be played because of tax risks resulting from historical reasons.

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THE CHARACTERISTICS OF HOTEL INDUSTRY BUSINESS

As the Main Business, Accommodation And Catering Generally Account For More Than 80% Of The Hotel's Total Operating Incomes, And The Other For The Sale Of Goods And Entertainment Incomes.

Large Scale of Asset Investments

As an architecture facility of providing accommodation, catering and other services, there must be relatively rich space in hotel and equipped with facilities and equipment to match the type of hotel, which will be invested heavily. The higher of the star lever, the more funds for the star to its investment.

High Investments in Labor Costs

There is also a characteristic of "people-centered" for hotel service, therefore, it is necessary to employ a lot of manpower to ensure business quality and the hotel industry becomes a labor-intensive industry.

Lower Proportion in Material Cost

The room material costs are very low with only a small number of daily consumables, while the food materials costs are high with mostly agricultural and sideline products and drinks.

CHARACTERISTICS OF UNIVERSITY HOTELS

Asset Nationalization

University hotels are generally developed on the basis of college guesthouses, and their assets are generally state-owned.

Located In the Universities

Because of originating from university logistics, the hotels are generally in the universities or around the universities. So, the energy consumptions such as water and electricity are transferred by the schools but no separate pipeline, and settled accounts using the school administrative receipts.

Complex staff Structures

The university hotels are reformed from the university logistics, including the school business preparation, enterprise preparation, contract workers, temporary workers and interns and other preparations. The university hotel managers are mostly appointed by the universities. The main restrictions of the administrators who come from the original logistics management staffs are the lack of hotel management expertise and operational capacity.
Equipment and Facilities Aging Seriously

The socialization of university logistics pushes the university hotels to the society. Because the original hostels are not good, they are bound to spend more money for renovation in order to meet the business needs.

THE CONCEPT OF TAX RISK

Tax risk is a possibility suffering legal sanctions, financial losses or reputation damage because the taxpayer's tax-related behaviors in the tax administration, calculation and payment of taxes and other aspects fail to properly and effectively comply with tax laws and regulations and other reasons. It is also because the enterprise does not correctly grasp the legal spirit of the tax law and fully comprehend and use the tax-oriented and preferential policies, resulting in more taxable possibilities.

The impact of tax exposure on the enterprise is mainly manifested in two forms. One is the direct form. There is a deviation between tax law understanding and implementation in enterprise because of the subjective and objective reasons, increasing the possibilities of the tax late fees, fines, and other additional expenses. The enterprise manage behaviors may also apply tax law inaccurately, thus the enterprise did not use the preferential tax policies fully, and reduce the deserved economic benefits directly, assuming excessively tax costs. Another form is indirect. If the tax inspection confirms that the enterprises have tax evasion and imposes an administrative penalty, the public financial information will cause a bad social impact to the enterprise, making the legitimacy and legitimacy of the business activities of the enterprise questioned by the public and reducing the enterprise value to a certain extent.

TAX RISK OF UNIVERSITY HOTEL

The Materials Purchased by Hotels are Mostly Agricultural and Sideline Products. Farmers or Industrial and Commercial Households Who Provide those Materials Cannot Provide Value-Added Tax Invoices, and There Will Be Part of The Input Tax Deductible Loss.

The Energy Consumptions of Hotels Are Transferred by the Universities, So the Hotels Fail to Obtain the Value-Added Tax Invoices and Lose an Opportunity to Deduct the Value-Added Tax.

The Risk of Invoicing

The hotel staff’s qualities are varied. There are many cashier branches. The business taxes have been paid in the past, and invoice requirements were not very strict. The practical operation requirements whether can adapt the stringent requirements of VAT after BT to VAT. BT and VAT invoices are different, and VAT invoices has a monetary function. The tax authorities will be punished with heavy penalties on the violation of VAT invoices management regulations.
Time Selections of Renovation and Equipment Replacement

Because the construction industry is also within the scope of BT to VAT, the hotel renovation invests very much. If the initial time is not good, it may not be able to obtain the VAT deductions in BT to VAT in construction industry. Similarly, the time purchasing equipment will also affect the amount of input taxes.

The Risk of Grasping Policy

In the background of BT to VAT, the relevant policies in the continuous improvement may change more, and bring risks to the hotel.

THE TAX RISK PREVENTION OF BT TO VAT IN UNIVERSITY HOTELS

Process Reengineering

For the hotel business, BT to VAT is not only the financial accounting changes, but also the cooperation among all business-related departments. And there will be a great impact on the existing workflow, so the departments should pertinently carry out process reengineering around to VAT. First of all, for original material suppliers, they should have reorganized and arranged, are selected preferentially who is the general taxpayers and can provide qualified VAT invoices. Direct procurement from farmers should be minimized.

Coordinate Energy Use Invoice Issues

Because of the historical reasons, the original energy consumption account is the university, and the invoices can only be opened to the school. But most schools are not VAT general taxpayers and cannot draw VAT invoices. Then it should be discussed effective ways to obtain value-added tax invoices with the school, the energy sector and the State Taxation Bureau. One way to do this is to open a separate account, making out an invoice to the hotel by the energy department directly. Another method is that the university obtains the general taxpayer qualification, making out an invoice to the hotel by the school. No matter what methods, the hotel should solve the problem as soon as possible.

Delay Decoration Renovation and Equipment Updates Appropriately

Reform of BT to VAT is growing soon, and the hotel business should be considered delaying appropriately. Furniture, equipment and even a large number of linen updates should be postponed after BT to VAT of the hotel industry as far as possible. Decoration and other large-scale renovation should be postponed after BT to VAT of construction installation and real estate business.

Training and Learning Strengthen

It is necessary to organize the hotel departments to learn the related knowledge of BT to VAT from the ideological attention. The process aiming at BT to VAT should be perfect constantly. In order to prevent tax risk fund mentally, following up the
renovation of tax regulations timely and training for cashier billing and accounting staff are required.

CONCLUSION

The impact of propelling the progress of BT to VAT on the development of university hotels relatively large. The hotel should actively prepare, improve the process, plan and prepare reasonably and reduce tax risk to maintain the legitimate rights and interests of the hotel maximally.

REFERENCES