

Analysis of Tax Risk Management in the E-commerce Industry

-- Taking Company A as an Example

Wei He, Wendi He and Yilei Li *

School of Southwest Petroleum University, Sichuan 610000, China

* Corresponding author: Yilei Li

Abstract: With the rapid growth of e-commerce, tax risks in the industry have become increasingly prominent. Under the intelligent tax supervision system centered on the "Golden Tax Phase IV" initiative, tax authorities leverage big data analytics to precisely identify corporate tax-related risks. This paper analyzes Company A's financial data from 2022 to 2024, incorporating the characteristics of platform economy—light assets and high transaction volumes—to conduct vertical and horizontal comparative analysis using big data risk control models. It identifies business risk points through Golden Tax System early warning indicators, details the circumstances of evidence-gathering interviews and on-site inspections, and ultimately produces this case analysis report. This aims to provide reference for e-commerce enterprises in tax compliance management under the new data-driven tax governance environment.

Keywords: E-commerce Industry, Tax Risk, Tax Assessment, Golden Tax Phase IV, Big Data.

1. Background Introduction of Company An E-commerce Co., Ltd.

1.1. Industry Context

The e-commerce industry falls under the broader category of business services. As a light-asset sector providing intermediate value-added services for commodity circulation and consumption, business services are currently undergoing three major trends: digitalization, cross-border integration, and global outsourcing. While benefiting from modern service industry tax incentives, it faces significant audit challenges: arbitrary revenue recognition timings, off-the-books operations and private account receipts, fraudulent invoicing and "tax point" procurement, profit shifting via related-party transactions, and non-compliance with withholding obligations in cross-border services—issues particularly pronounced in e-commerce firms. These issues create significant tax risks for VAT and corporate income tax, necessitating standardized business practices and comprehensive documentation to withstand tax audits.

1.2. Basic Information

Company A operates as a light-asset, platform-based end-to-end consumer goods industrial internet platform. Centered on internet retail, it integrates functions like brand management, connecting over 2,000 suppliers and 10,000 distributors. It offers high-value, full-category products through mainstream channels, with business encompassing internet retail and foreign trade. Primarily serving SMEs, it provides value-added services such as brand licensing, store decoration, and big data analytics, while also conducting mobile digital marketing via a prepaid model. This model requires substantial prepayments, with profits derived from rebate and return-goods differentials. Its operations carry three major audit risks: - Failure to recognize income from rebate and return-goods differentials over time may lead to tax adjustments and additional tax liabilities. - Prepaid funds

lacking valid documentation or involving unreachable counterparties may trigger a 25% income tax surcharge. - Discrepancies between invoice flows and business substance may trigger risks of fraudulent invoicing and tax evasion.

1.3. Key Tax-Related Operations

Revenue Recognition and Rebate Issues: Company A recognizes platform service fees, brand licensing fees, and marketing promotion fees through different methods. Due to misalignment between revenue recognition timelines, settlement cycles, and the "7-day no-questions-asked return" period, significant "contract liabilities" and "other receivables—platform rebates" have accumulated. From July 2023 to June 2024, three rebate programs involved: - Cash rebates without red-letter invoices to offset payments - Physical rebates not treated as deemed sales - Discounted invoices for threshold-based promotions lacking standardized labeling

Abnormal Tax Burden Metrics: Company A ranks in the upper-middle tier of its industry in terms of scale, profit model, and tax capacity. However, its tax burden metrics are significantly below average, with gross profit margin, VAT tax burden rate, and corporate income tax burden rate all falling below the industry median.

Related-party transactions and tax incentive abuse: In 2023, Company A underwent major related-party restructuring, establishing subsidiaries in Hainan, Tibet, and Shanghai Lingang New Area to access tax incentives. Issues include: internal settlement prices for business transferred from the parent company to low-tax subsidiaries exceeding third-party quotes; related-party transaction unit prices lower than non-related-party prices; and falsely valuing R&D projects to inflate expenses for additional tax deductions.

Unrecorded Personal Account Transactions: In 2024, Company A received RMB 5 million in dealer deposits and management fees via shareholders' personal bank cards without recording them. Additionally, RMB 2 million in cost expenses were paid through employees' personal bank cards

without obtaining compliant invoices or maintaining proper records.

Inflated Revenue from Fake Transactions and Unwithheld Individual Income Tax: During the 2023 6.18 and Double 11 sales events, Company A generated 190,964 fake transactions worth 125.7 million yuan, inflating revenue. It paid promotional performance bonuses to employees without withholding and remitting individual income tax as required by law.

Unreported service fee revenue: In 2024, Company A charged a 6% service fee on merchant sales. While the actual payment of ¥82.5 million for a certain quarter was fully recognized as revenue, only ¥77.55 million was invoiced. The ¥4.95 million difference was neither invoiced nor declared, instead being deducted from platform service costs.

Fabricated Purchases and Fraudulent Invoicing: Company A entered into fictitious purchase contracts with shell companies, paying "handling fees" to obtain falsely issued VAT special invoices. These were used to claim input tax credits and recorded as costs/expenses. The fraudulent transactions were concentrated between June and November 2022, forming a closed-loop capital recycling scheme.

Failure to withhold individual income tax on influencer commissions: In 2024, Company A paid 1 million yuan in promotion commissions to influencers who did not provide invoices, failing to withhold and remit individual income tax.

Failure to withhold VAT on payments to non-resident enterprises: On June 30, 2024, Company A paid 4.3 million yuan to three non-resident enterprises without withholding VAT. The full amount was deducted before taxes. The violation was discovered on March 30, 2025, representing a 273-day delay.

Equity Transfer Issues: In 2022, Company A acquired 60% equity in M Technology for RMB 12.5 million. In September 2024, it signed an agreement with Q Company to transfer this stake for RMB 28 million with installment payments. The agreement did not specify transfer procedures or penalties for delays.

1.4. Key Financial Data

Company A's revenue declined initially then rebounded from 2022 to 2024. It fell 18.7% year-on-year in 2023 but recovered to RMB 3.36 billion in 2024, marking a 24.75% increase exceeding 2022 levels. The operating cost ratio averaged approximately 85% over three years. In 2024, sales expenses surged 4.3-fold to RMB 590 million. Due to multiple factors, the subsidiary's profits fell short of expectations, and goodwill impairment provisions caused the company to shift from profit to a loss of RMB 244 million for the year. The company maintains a light-asset structure with zero interest-bearing debt, ensuring no immediate short-term liquidity concerns.

Company A's total tax payments fluctuated significantly from 2022 to 2024, amounting to RMB 34,878,194.40, RMB 30,541,907.20, and RMB 8,361,725.89 respectively. Value-added tax (VAT) and corporate income tax dominated the tax structure. VAT declined significantly from RMB 1.644 billion in 2022 to RMB 90 million in 2024, a 94.5% decrease, driving a reduction in surtaxes. Corporate income tax followed an inverted V-shaped pattern, rising to RMB 2.019 billion in 2023 before falling to RMB 627 million in 2024. Company A's total tax payments decreased by 76% cumulatively over three years, driven by factors including tax incentives, internal merger planning, and profit structure optimization.

Table 1.1. Company A Financial Data

| Financial Data | 2022 | 2023 | 2024 |
|--|------------------|------------------|------------------|
| Revenue | 3,309,675,441.00 | 2,692,224,564.00 | 3,358,459,080.00 |
| Cost of Sales | 2,734,481,186.00 | 2,268,783,408.00 | 2,853,222,863.00 |
| Operating Profit | -300,554,975.90 | 127,480,982.50 | -268,143,188.60 |
| Total Profit | -253,806,855.80 | 130,452,286.00 | -253,918,367.90 |
| Net Profit | -294,823,698.10 | 108,186,811.50 | -243,599,230.30 |
| Value-Added Tax | 16,438,800.67 | 5,876,855.37 | 900,436.16 |
| Corporate Income Tax | 15,722,908.14 | 20,191,242.50 | 6,267,961.88 |
| Individual Income Tax | 638,802.71 | 3,101,896.19 | 481,879.60 |
| Urban Maintenance and Construction Tax | 785,480.76 | 272,067.39 | 27,318.22 |
| Education Surcharge | 462,175.23 | 161,790.82 | 11,707.81 |
| Local Education Tax Surcharge | 308,117.96 | 107,860.55 | 7,805.21 |
| Consumption Tax | 521,908.93 | 830,194.38 | 664,617.01 |

2. Key Tax Risks in the Industry

2.1. Revenue Recognition and Reporting Risks

Timely recognition of online sales revenue is delayed and fails to comply with the accrual basis. Some income is not declared as required, or even concealed through off-the-books operations and private account receipts.

Fictitious transactions through order padding occur, with deemed sales failing to be declared and taxed as required. This leads to errors in calculating the deduction bases for business entertainment expenses, advertising expenses, etc., affecting corporate income tax pre-tax deductions.

Discrepancies between the recognition criteria for platform

service fees and the content of invoices, failing to recognize revenue in line with the actual business substance. This creates compliance risks of having invoices without revenue or revenue without invoices.

Accounts receivable management exhibits sales without corresponding purchases, recording sales transactions without matching input vouchers or capital inflows, potentially implying dual risks of inflated or concealed revenue.

2.2. Risks Related to Costs, Expenses, and Pre-Tax Deductions

Costs and expenses lack compliant supporting documents, with some expenditures improperly claimed as pre-tax

deductions, violating documentation management regulations.

Cost-to-revenue ratios significantly exceed industry warning thresholds, with sales expenses abnormally surging. This indicates risks of inflated costs or unreasonable expense allocations, directly reducing taxable income for corporate income tax purposes.

Sales rebates and discounts are not accounted for using the net method or issued as credit invoices as required, but are instead directly deducted from costs/expenses. This distorts both output VAT and corporate income tax revenue.

2.3. Related-party Transactions and Profit Shifting Risks

Unfair transaction pricing set through brand licensing, consulting services, technical support, or similar arrangements between related parties transfers profits to low-tax entities. This causes abnormal fluctuations in core business profit margins, triggering special tax adjustment risks.

Improperly leveraging a subsidiary's high-tech enterprise qualification to allocate the parent company's R&D expenses to the subsidiary, thereby illegally claiming additional R&D expense deductions without retaining necessary supporting documentation, constitutes unreasonable tax avoidance.

2.4. Invoice and Input Tax Credit Risks

Purchasing VAT special invoices unrelated to actual business operations by paying tax points, or accepting invoices from agents who failed to fulfill consumption tax withholding obligations, resulted in improper input tax deductions. This artificially lowered the VAT tax burden to levels significantly below industry benchmarks.

Discrepancies between input tax and output tax trends indicate risks of inflated input tax or concealed output tax, directly impacting VAT payment accuracy.

2.5. Cross-Border Business Risks

Utilizing the "buy-and-export" model for cross-border

transactions to circumvent export tax rebate audits and foreign exchange controls may be deemed as fake exports, potentially leading to tax rebate recovery and penalties.

Failure to withhold and remit VAT and corporate income tax when paying dividends, interest, or royalties to overseas affiliates or non-resident enterprises creates compliance risks of underpayment or non-payment of taxes.

2.6. Capital and Labor Risks

Receiving business payments through shareholders' or employees' personal bank cards without recording them in company financial ledgers results in concealed income and lacks compliant documentation for corresponding costs and expenses, creating a tax loophole where income and expenses are disconnected.

Failure to withhold and remit individual income tax on commissions paid to flexible workers, or direct payments from corporate to personal accounts without obtaining compliant invoices, results in dual non-compliance with cost deductions and individual income tax reporting.

2.7. Equity Transfer Risks in Specialized Operations

Improper handling of income tax for equity transfers, where the transfer price is below the net asset value share without reasonable justification, may result in underreporting or underpayment of individual income tax or corporate income tax on property transfer gains, posing a risk of tax underpayment.

3. Tax Risk Indicator Thresholds

Analyze Company A's production scale, costs, expenses, output volume, sales volume, and other tax-related information. Based on data published by the tax bureau, derive warning indicators for the business services industry, as detailed in Table 3.1.

Table 3.1. Comparison of Company A's Tax Risk Warning Indicators with Industry Standards

| Indicator | Company Indicator Value | | | Industry Warning Threshold |
|--|-------------------------|--------|---------|----------------------------|
| | 2022 | 2023 | 2024 | |
| VAT Tax Burden Rate | 0.50% | 0.22% | 0.3% | 1.50% |
| Operating Profit Margin | 11.29% | 6.97% | -5.22% | 8% |
| Income Tax Rate | -16.16% | 17.07% | 4.06% | 1.50% |
| Cost Expense Ratio | 88.71% | 92.95% | 105.22% | 72.70% |
| Period Expense Ratio | -16.63% | 22.84% | 20.33% | 10%–30% |
| Ratio of Main Business Revenue Change to Main Business Profit Change | 0.37 | 0.44 | 0.11 | 1 |
| Ratio of Main Business Revenue Change Rate to Main Business Cost Change Rate | 1.57 | 1.24 | 0.55 | 1 |
| Ratio of Main Business Cost Change to Main Business Profit Change | 0.24 | 0.36 | 0.19 | 1 |
| Inventory Turnover Rate Change Ratio vs. Sales Revenue Change Ratio | -0.08 | 0.19 | -3.31 | 1 |

4. Identification of Tax Risk Points in

4.1. Approach and Basis for Risk Point Assessment

This risk identification is grounded in the digital tax governance environment established by the Golden Tax Phase IV system. First, the system's embedded risk control model automatically calculates key indicators such as the enterprise's VAT tax burden rate and income tax burden rate.

These are dynamically compared against industry alert thresholds, with automatic triggering of alerts when deviations exceed $\pm 30\%$. Concurrently, the system intelligently analyzes the consistency between the trend changes of primary taxes and supplementary taxes. Second, leveraging big data technology tailored to the e-commerce sector, it verifies the substantive nature of business operations—such as platform transaction flows and capital circuits—while assessing the compliance and sustained eligibility of tax incentives.

Risk assessments primarily rely on two factors: significant deviation of key indicators from industry benchmarks in big data comparisons, and abnormal financial data fluctuations. For instance: - A VAT burden rate significantly below industry levels may indicate delayed revenue recognition or excessive input tax credits. - Excessively high cost-to-revenue ratios or surging sales expenses warrant scrutiny of invoice compliance and individual income tax withholding. - Abnormal growth in investment income coupled with sharp declines in core business profits may signal profit shifting through related-party transactions. - Given business globalization trends, cross-border transaction compliance must be prioritized to mitigate tax avoidance risks.

4.2. Analysis Calculation Process and Conclusions

4.2.1. VAT Tax Burden Rate

Table 4.1. Calculation Table for Company A's VAT Tax Burden Rate

| | 2022 | 2023 | 2024 |
|------------------------------------|---------|---------|---------|
| Company A VAT Tax Burden Rate | 0.5% | 0.22% | 0.3% |
| Industry Threshold | 1.50% | | |
| Difference Rate | -66.67% | -85.33% | -80.00% |
| Average Tax Burden Difference Rate | -78% | | |

According to Table 4.1, Company A's VAT tax burden rate from 2022 to 2024 is significantly below the industry warning threshold. The persistent low tax burden rate indicates anomalies in the company's VAT management and suggests potential VAT tax risks. Company A may be abusing preferential policies, resulting in an artificially low effective tax rate. Compliance with policy application should be closely monitored to prevent policy misuse. The low tax burden rate may also be related to revenue recognition timing. Additionally, the company may be involved in issuing or accepting fraudulent invoices, or improperly deducting input tax credits, leading to inflated input tax amounts and further lowering the tax burden rate. Tax authorities should conduct

Table 4.3. Analysis of Cost-Related Data Changes for Company A

| | 2022 | 2023 | 2024 | Industry Early Warning Threshold |
|----------------------------|---------|--------|---------|----------------------------------|
| Cost-to-Revenue Ratio | 88.71% | 92.95% | 105.22% | 72.70% |
| Cost-to-Revenue Ratio | -10.24% | 5.09% | -7.59% | 25%–30% |
| Period Expense Change Rate | -16.63% | 22.84% | 220.33% | 10%–30% |

Company A's cost-to-revenue ratio showed a continuous upward trend from 2022 to 2024, consistently exceeding the industry warning threshold of 72.70%. Its cost-to-revenue profit margin remained negative in both 2022 and 2024, falling far below the industry's expected range of 25%–30%, further indicating deficiencies in the company's cost management. The period expense fluctuation rate surged to 220.33% in 2024, far exceeding the industry's normal range of 10%–30%, revealing uncontrolled expense management. Combined with tax authority audit findings, the company faces tax risks related to overstating costs and concealing revenue. To ensure tax fairness and accuracy, tax authorities should further verify the compliance of the company's cost composition, revenue recognition, and expense expenditures, and legally address and penalize any identified violations.

further verification.

4.2.2. Corporate Income Tax Tax Burden Rate

Table 4.2. Corporate Income Tax Burden Rate Calculation Table for Company A

| | 2022 | 2023 | 2024 | Industry Warning Threshold |
|----------------------------------|---------|--------|--------|----------------------------|
| Operating Profit Margin | 11.29% | 6.97% | -5.22% | 8% |
| Corporate Income Tax Burden Rate | -16.16% | 17.07% | 4.06% | 1.50% |

According to Table 4.2, Company A's corporate income tax burden rates for 2022 to 2024 were -16.16%, 17.07%, and 4.06%, respectively. These rates fluctuated significantly, with a negative value in 2022 that fell far below the industry warning threshold. The negative tax burden rate in 2022 primarily resulted from substantial losses incurred that year. Attention should be paid to the authenticity of these losses and whether they were artificially created through internal fund transfers, profit shifting, or similar practices. The increase in the tax burden rate in 2023 may be related to the company's profit recovery or one-time gains from equity disposals. The authenticity and compliance of such gains require verification. The decline in the 2024 tax burden rate may be attributed to factors such as the offset of deferred tax assets and an increased proportion of additional deductions for R&D expenses. It is necessary to confirm whether the company meets the conditions for enjoying relevant tax preferential policies. In summary, Company A exhibits significant fluctuations in its corporate income tax burden rate, with risks of loss shifting and tax incentive abuse. Tax authorities should focus their audits on the company's profitability, applicability of tax incentives, and matching of revenues and costs, considering the characteristics of the e-commerce industry, to ensure accurate calculation and payment of corporate income tax.

4.2.3. Analysis of Cost-Related Data Changes

Concurrently, the company should strengthen internal management by establishing robust cost control and expense management mechanisms, enhancing financial management standards, and mitigating tax risks.

4.2.4. Tax Risks Based on Matching Indicators

Comparison of Main Business Revenue Change Rate and Main Business Profit Change Rate:

Under normal circumstances, the ratio of the change rate in main business revenue to the change rate in main business profit should be close to 1. However, Company A's ratio for these three years was significantly less than 1, and both figures were negative. This indicates that as main business revenue decreased, Company A's main business profit declined at a greater rate. This strongly suggests potential tax risks arising from practices such as issuing fictitious invoices,

fabricating business transactions, overstating costs and expenses, or improperly including non-deductible items in pre-tax deductions to expand the scope of tax deductions. Overstating costs and expenses and expanding the scope of pre-tax deductions directly impact the calculation of taxable income, thereby affecting corporate income tax payments. Consequently, Company A faces significant corporate income tax risks.

Conclusion: Company A exhibits abnormal mismatch between the fluctuation rate of its main business revenue and that of its main business profit, indicating tax risks related to overstating costs and expenses and expanding the scope of pre-tax deductions. Tax authorities should conduct further verification of the company's cost and expense deductions to ensure tax fairness and accuracy.

Table 4.4. Calculation of the Ratio of Main Business Revenue Change Rate to Main Business Profit Change Rate for Company A

| | 2022 | 2023 | 2024 |
|--|------|------|------|
| Ratio of Main Business Revenue Change Rate to Main Business Profit Change Rate | 0.37 | 0.44 | 0.11 |

Comparison of Main Business Revenue Change Rate and Main Business Cost Change Rate:

Under normal circumstances, the ratio of the change rate in main business revenue to the change rate in main business costs should also be close to 1. Company A's matching ratio exceeded 1 in both 2022 and 2023, indicating that the fluctuation in main business costs was smaller than that in main business revenue. However, the ratio fell below 1 in 2024, suggesting that the fluctuation in main business costs exceeded that in main business revenue. Particularly in 2024, both figures were negative and the ratio was significantly below 1. Considering the characteristics of the business services industry and e-commerce companies, Company A may have inflated costs through practices such as issuing fictitious invoices or fabricating transactions to reduce its tax burden. By concealing revenue through off-the-books operations and private account receipts, the company caused an abnormal decline in revenue fluctuation rates. It may even have inflated costs to match fictitious profits after hiding income. These practices primarily impact the calculation of Company A's taxable income for corporate income tax and input tax credits for value-added tax, exposing the company to significant corporate income tax and VAT risks.

Conclusion: The discrepancy between Company A's main business revenue fluctuation rate and main business cost fluctuation rate in 2024 indicates potential tax risks related to inflated costs or concealed income. Tax authorities should conduct further verification of the company's revenue recognition and cost allocation compliance to ensure tax fairness and accuracy.

Table 4.5. Calculation of Company A's Main Business Revenue Change Rate and Main Business Cost Change Rate

| | 2022 | 2023 | 2024 |
|--|------|------|------|
| Ratio of Main Business Revenue Change Rate to Main Business Cost Change Rate | 1.57 | 1.24 | 0.55 |

Comparison of Main Business Cost Change Rate and Main Business Profit Change Rate:

Under normal circumstances, the ratio of the main business cost change rate to the main business profit change rate should also be close to 1. For Company A, the matching ratios over these three years were all significantly less than 1, and both were negative. This indicates that as main business costs fluctuate, the decline in main business profits is more pronounced. This may suggest issues such as overstating costs and expenses or expanding the scope of pre-tax deductions. This finding corroborates the conclusions from Section 4.1 analysis. Company A may have overstated costs and expenses through practices like issuing fictitious invoices or fabricating transactions to expand pre-tax deductions. These actions directly impact the calculation of taxable income for corporate income tax purposes.

Conclusion: The abnormal disparity between Company A's main business cost fluctuation rate and main business profit fluctuation rate further confirms the company's tax risks involving over-reporting costs and expenses and expanding pre-tax deduction scope. Tax authorities should strengthen scrutiny of the company's cost and expense deductions.

Table 4.6. Calculation of Company A's Main Business Cost Change Rate and Main Business Profit Change Rate

| | 2022 | 2023 | 2024 |
|---|------|------|------|
| Ratio of Main Business Cost Change to Main Business Profit Change | 0.24 | 0.36 | 0.19 |

Inventory Turnover Rate vs. Sales Revenue Change Rate Comparison:

Company A's inventory turnover ratio-to-sales revenue change ratio has consistently lagged far behind the industry average over these three years, exhibiting significant volatility. The ratios turned negative in 2022 and 2024, indicating inconsistent trends between inventory turnover and sales revenue changes. Although the ratio was positive in 2023, it remained far below the industry average. This may reflect inefficient inventory management or the presence of fictitious sales, causing a mismatch between sales revenue fluctuation and inventory turnover rates. Fictitious sales may involve irregularities such as issuing fraudulent invoices or inflating costs, primarily posing tax risks related to corporate income tax, output VAT payments, and potential non-compliance with stamp duty requirements for fictitious sales contracts.

Conclusion: Company A exhibits abnormal discrepancies between its inventory turnover rate and sales revenue fluctuation rate, indicating potential tax risks related to inefficient inventory management or fictitious sales. Tax authorities should conduct further verification of the company's inventory management practices and the authenticity of its sales operations to ensure tax fairness and accuracy. Additionally, by analyzing fluctuations in input tax and output tax, authorities should investigate whether the company manipulates tax burdens through adjustments to input and output tax variations.

Table 4.7. Calculation of the Matching Ratio Between Company A's Inventory Turnover Rate Change and Sales Revenue Change

| | 2022 | 2023 | 2024 | Industry Average |
|--|---------|---------|---------|------------------|
| Inventory Turnover Ratio | 6.43 | 6.05 | 8.78 | 8–10 times/year |
| Inventory Turnover Rate Change Rate | 1.19% | -5.97% | 45.11% | 5%–8% |
| Sales Revenue Change Rate | -14.88% | -30.76% | -13.62% | Within ±10% |
| Inventory Turnover Rate Change Ratio vs. Sales Revenue Change Ratio Comparison | -0.08 | 0.19 | -3.31 | 0.5–2.0 |

Note: Industry average inventory turnover rate is based on data from normal operating periods

Analysis of data from 2022 to 2024 reveals that Company A's sales revenue has been declining continuously. However, the fluctuations in input tax and output tax have been persistently mismatched over the long term. Particularly in 2022, input tax experienced abnormal growth, and the allocation ratio deviated significantly, indicating potential risks of inflated input tax or non-compliant tax deductions related to VAT. Simultaneously, the divergence between revenue and input/output tax figures may also indicate deliberate tax burden manipulation, potentially affecting the compliance of taxes calculated based on VAT, such as urban maintenance and construction tax, education surcharge, and corporate income tax.

Conclusion: Company A may be engaged in activities such as inflating input tax credits, concealing sales revenue, or manipulating tax burdens through policy exploitation. Tax authorities should conduct further verification of the authenticity of the company's procurement and sales operations, compliance with invoice management, and the rationality of tax policy application to ensure tax fairness and accuracy.

Table 4.8. Analysis of Variation Rate Indicators for Company A

| | 2022 | 2023 | 2024 |
|----------------------------------|---------|---------|---------|
| Sales Revenue Variation Rate | -14.88% | -30.76% | -13.62% |
| Inventory Turnover Ratio (Times) | 6.43 | 6.05 | 8.78 |
| Input Tax Variation Rate | 189.56% | 52.07% | 0.46% |
| Output Tax Variation Rate | -22.73% | 57.68% | -25.24% |
| Matching Ratio | -8.34 | 0.90 | -0.02 |

4.3. Potential Risk Areas

The company may face multiple financial and tax risks, including: insufficient pre-tax deduction documentation due to missing cost/expense vouchers; failure of contractors to fulfill consumption tax withholding obligations and non-issuance of VAT invoices affecting input tax credits; "sales without purchases" issues in accounts receivable management; untimely or non-standard recognition of online sales revenue; and potential "fake orders" or fictitious transactions. Additionally, tax-related processes may involve: purchasing tax credits through fraudulent invoicing; misclassifying sales rebates and discounts; discrepancies between platform service fee revenue recognition and invoicing; non-compliant flexible employment arrangements and commission payments; and mixing personal and corporate accounts to evade oversight. In cross-border operations, potential risks include "purchased export" customs declaration schemes, failure to withhold and remit taxes for overseas payments (), and improper tax avoidance through transfer pricing and profit shifting via related parties. Additionally, improper

handling of income tax on equity transfers exists, along with risks of improper tax avoidance by leveraging subsidiaries' high-tech enterprise status to claim R&D expense deductions.

5. Formal Consultation and Evidence Submission

Based on the tax risk points identified in Section IV, the tax authorities formally interviewed Company A, requiring it to provide reasonable explanations and supporting evidence for the relevant anomalies. Through the interview, Company A provided reasonable and well-documented responses to the three risk points: the entrusted party's failure to withhold and remit consumption tax and issue VAT invoices affecting input tax credits, the "sales without purchases" issue in accounts receivable management, and the use of transfer pricing and profit shifting among related parties for unreasonable tax avoidance. These risks were excluded, and no on-site investigation was required.

6. On-Site Investigation

After preliminarily excluding the three risk points through the interview, the tax authority conducted an on-site investigation into the remaining 12 risk points.

Risk Point 1: Tax officials retrieved Company A's 2023 corporate income tax final settlement return and detailed cost ledgers. They discovered expenditures totaling RMB 566,497.23 under the accounts "Raw Material Procurement" and "Commissioned Processing Fees" lacked valid tax-deductible supporting documents. Further verification of original accounting vouchers and contract ledgers revealed the company could not provide key supporting documents such as corresponding purchase contracts, bank payment records, or logistics transport documents, casting doubt on the authenticity of the transactions. After interviewing the financial manager, they admitted these expenditures were actually off-book expenses without invoices, which had been improperly deducted in full before taxes. This constituted the practice of falsely inflating costs to reduce corporate income tax liability. Per relevant regulations, expenditures without valid invoices are ineligible for tax deductions and must be added to taxable income. Company A's additional corporate income tax payable = ¥566,497.23 × 25% = ¥141,624.31; additional VAT payable = ¥566,497.23 × 13% = ¥73,644.64.

Risk Point 2: Tax officials reviewed sales contracts and settlement records between Company A and its wholly-owned subsidiary. They discovered that in 2023, Company A sold 100,000 units of its proprietary brand goods to the subsidiary registered in a low-tax region at a settlement price of ¥80 per unit. During the same period, the same goods were sold to unrelated third-party distributors at ¥120 per unit, resulting in a transaction price discrepancy rate of 33%. The subsidiary enjoyed a preferential 15% corporate income tax rate. This low-priced related-party transaction resulted in profit shifting, reducing the group's overall tax burden. Upon verification,

the enterprise had neither prepared contemporaneous documentation nor conducted transfer pricing analysis. Where business dealings with related parties violate the arm's length principle, tax authorities have the right to adjust. Tax officials informed the enterprise's finance personnel that the comparable uncontrolled price method would be applied, using the non-related-party transaction price of ¥120 per unit as the benchmark for fair value. The company's financial director acknowledged the intent to reduce the group's overall tax burden through related-party transactions and expressed willingness to cooperate in paying the additional tax. Company A's adjusted income increase = 100,000 units × (120 - 80) yuan = 4 million yuan. Additional corporate income tax payable = 4 million yuan × 25% = 1 million yuan.

Risk Point 3: Tax officials retrieved Company A's e-commerce platform backend data, brand licensing agreements, and bank statements. They discovered that while the company reported 2023 revenues of 100 million yuan (60 million yuan in brand service fees and 40 million yuan in self-operated sales), its actual self-operated GMV reached 80 million yuan, with brand service income amounting to only 20 million yuan. The company concealed self-operated sales revenue through personal accounts, falsely reporting 40 million yuan as brand service income to artificially manipulate its revenue structure for tax avoidance. Verification revealed the platform's commission rate was 5%. Bank records showed actual self-operated receipts of 76 million yuan and brand licensing fees of 18 million yuan, casting doubt on the authenticity of the business operations. During the interview, the financial officer admitted to exploiting income category discrepancies to evade tax obligations. Company A's additional VAT payment = 40 million yuan × 13% = 5.2 million yuan.

Risk Point 4: Tax officials retrieved Company A's 2024 "618" and "Double 11" period platform backend data and bank transaction records, cross-referencing them with tax system filings. Through big data modeling, they uncovered: - 8,620 self-purchased and self-sold circular transactions inflating revenue by 12.35 million yuan; - 10,476 fraudulent orders exploiting platform rule loopholes inflating revenue by 220,000 yuan. The company fabricated RMB 12.57 million in revenue, paid employees RMB 35,000 in fake order bonuses without withholding individual income tax, and failed to declare stamp duty on electronic orders. Investigations revealed abnormal patterns including closed-loop fund circulation, shipping empty packages, and bulk orders from identical IP addresses. Marketing expenses related to fake orders lacked genuine business support. During the interview, the financial officer admitted to the fake orders. The company must pay additional VAT of 12.57 million × 13% = 1.6341 million yuan; taxable income was adjusted upward by 12.655 million yuan, requiring an additional corporate income tax payment of 3.1638 million yuan.

Risk Point 5: Tax officials reviewed Company A's 2024 platform service fee contracts and invoicing records, discovering that while the company fully recognized revenue based on the merchants' actual payment of 82.5 million yuan, it only issued invoices for the net amount of 77.55 million yuan after deducting commissions. The 4.95 million yuan difference was not declared for taxation. The company directly offset this amount against sales expenses without issuing invoices for the difference, resulting in underreported sales revenue. During the interview, the finance director acknowledged misunderstanding revenue recognition and invoicing policies. The company paid additional VAT of

¥280,000 (¥4.95 million ÷ 1.06 × 6%), adjusted taxable income upward by ¥4.6362 million, and paid additional corporate income tax of ¥1.159 million.

Risk Point 6: Through the "Smart Audit" module of the Golden Tax Phase IV system, tax officials discovered that 13 VAT special invoices obtained by Company A between June and November 2022 exhibited characteristics of "violent fraudulent invoicing." These involved three shell companies in Shanghai, Jiangsu, and Zhejiang, with a total value including tax of 11.7 million yuan and a tax amount of 1.521 million yuan. Bank transaction reviews revealed a closed-loop fund recycling scheme: After Company A paid the "goods" invoices, the issuing parties deducted 6%-8% tax points, with the remaining funds circulating back to accounts associated with the company's controlling shareholders via personal accounts within 1-3 days. On-site investigations confirmed no actual inventory records existed, storage certificates were forged, and the purchased metal materials did not align with the company's core e-commerce services business. During questioning, the financial manager admitted purchasing invoices to reduce tax liabilities. The company must reverse input tax credits of ¥1.521 million, pay additional VAT of ¥1.521 million, adjust taxable income upward by ¥10.179 million, and pay additional corporate income tax of ¥2.5448 million.

Risk Point 7: Tax officials retrieved commission payment records between Company A and an influencer, revealing a 1 million yuan promotion commission paid to a certain influencer in 2024. The influencer failed to provide an invoice, and the company did not withhold and remit individual income tax. Investigation revealed the influencer had registered an individual business in a tax haven to falsely declare labor remuneration income as business income for tax purposes. Under the Individual Income Tax Law of the People's Republic of China, the payer is the withholding agent and must withhold and remit individual income tax on labor remuneration. During the interview, the financial manager admitted non-compliant tax handling for flexible employment arrangements. Since the ¥1 million commission lacked invoices, it was ineligible for tax deduction, resulting in an additional corporate income tax liability of ¥1,000,000 × 25% = ¥250,000.

Risk Point 8: Leveraging the penetrative oversight capabilities of Golden Tax Phase IV over capital flows, tax officials retrieved transaction records from the personal bank cards of Company A shareholder Zhang and employee Li. They discovered that in 2024, Zhang's card received 5 million yuan in dealer deposits and management fees not recorded in company accounts, while Li's card paid 2 million yuan in promotion fees without invoices or bookkeeping. Upon verification, these actions resulted in 5 million yuan of taxable income going unreported and 2 million yuan of expenses being ineligible for tax deductions, constituting tax evasion. During the interview, the financial manager admitted using personal cards to circumvent oversight. Under the Tax Collection and Administration Law of the People's Republic of China, payments received via shareholder cards may be treated as dividends subject to 20% individual income tax, while employee-paid expenses may be reclassified as salary income. Company A must: - Pay additional VAT: ¥500,000 ÷ 1.06 × 6% = ¥283,000 - Adjust taxable income upward by ¥7,000,000 - Pay additional corporate income tax: ¥1,750,000 - Pay additional individual income tax, late payment penalties, and fines.

Risk Point 9: Tax officials reviewed Company A's 2024 overseas payment vouchers and discovered payments to three companies in Singapore, the United States, and the United Kingdom: RMB 2 million for technical services, RMB 1.5 million for advertising fees, and RMB 800,000 for market research fees. Company A failed to fulfill its withholding obligations or complete tax filing procedures for these payments, which were fully deducted from pre-tax income. Upon verification, relevant regulations stipulate that when overseas entities engage in taxable activities within China, the purchaser is the withholding agent. During the interview, the financial manager admitted to lacking understanding of tax policies for overseas payments. Company A should have withheld RMB 236,100 in VAT and RMB 393,500 in corporate income tax, resulting in an adjusted taxable income of RMB 1,405,600 and an additional corporate income tax payment of RMB 351,400.

Risk Point 10: Tax officials retrieved related-party transaction contracts between Company A's parent company and its Zhejiang affiliate. They discovered that in 2024, the parent company sold 1 million units of products to the affiliate at ¥80 per unit, while the fair market price for non-affiliated parties during the same period was ¥120 per unit, resulting in a profit transfer of ¥40 million. Additionally, the affiliate charged the parent company ¥15 million in fictitious consulting fees. Upon verification, the affiliated company was 90% controlled by the parent company, with core personnel and decision-making under the parent company's control. Both transactions violated the arm's length principle. Pursuant to Article 41 of the Enterprise Income Tax Law of the People's Republic of China, tax authorities applied the comparable uncontrolled price method to adjust the taxable income, determining that the parent company should increase its taxable income by RMB 55 million. During the interview, the financial officer admitted to using related-party transactions to shift profits and reduce the overall tax burden. The parent company paid an additional 13.75 million yuan in corporate income tax plus 95,200 yuan in interest. The affiliated company returned 750,000 yuan in tax refunds and 1,500 yuan in interest. Company A paid a net additional 13.0937 million yuan.

Risk Point 11: Tax officials retrieved Company A's equity transfer agreement and M Technology's equity change records, discovering that the 2024 transfer of 60% equity generated RMB 28 million in income. The transfer payment should have been recognized in two installments, but the enterprise erroneously recognized it in a single lump sum in 2025. The cost was deducted only for the monetary contribution of RMB 10 million, omitting RMB 2 million in tangible assets and RMB 500,000 in taxes and fees, while improperly applying special tax treatment. Per State Taxation Administration Circular [2010] No. 79, income should be recognized in installments upon agreement effectiveness and equity transfer. Verification revealed that in 2024, RMB 18 million in income should have been recognized with RMB 12.5 million in costs deducted, resulting in RMB 5.5 million in taxable income; RMB 10 million should have been recognized in 2025. During the interview, the financial officer admitted to misunderstanding the policy and agreed to make up for the underpayment of corporate income tax: 2 million yuan for 2024 and 2.5 million yuan for 2025, totaling 4.5 million yuan. Additionally, they agreed to pay 30,000 yuan in late payment penalties and 2 million yuan in fines.

Risk Point 12: Tax officials reviewed the technical

development contract between Company A and its subsidiary S Company, along with R&D personnel attendance records. They discovered that in 2024, Company A falsely valued a platform technology development project worth RMB 2 million at RMB 5 million and commissioned it to the high-tech enterprise S Company, while the actual R&D activities were still performed by Company A personnel. Company S inflated R&D expenses by 3 million yuan, improperly claiming a 100% additional deduction policy, while Company A overstated commissioned R&D expenses by 3 million yuan. Upon verification, this related-party transaction violated the arm's length principle and constituted abuse of tax incentives for profit shifting. Company S must pay an additional 900,000 yuan in corporate income tax, while Company A must pay an additional 750,000 yuan in corporate income tax and 180,000 yuan in value-added tax.

7. Case Summary

This case study evaluates Company A in the business services sector. By analyzing its 2022–2024 financial data and comparing it against industry tax risk warning indicators, multiple potential tax risks were identified. After addressing three risk points through consultation and evidence submission, tax authorities conducted on-site verification of 12 suspicious issues using clues and data from the Golden Tax Phase IV system. This ultimately confirmed six categories of problems: unfair pricing in related-party transactions, improper handling of promotional activities, and fictitious transactions created through fake orders. This case clearly demonstrates that under the digital tax governance framework, the concealment of traditional non-compliance methods has been significantly reduced. Therefore, enterprises must proactively adapt to the new environment of intelligent supervision and internalize tax compliance as a critical component of their operational management. Company A has already paid the corresponding taxes, late fees, and penalties for the identified issues. It has also committed to systematic rectification through measures such as strengthening data-driven management, enhancing professional capabilities, and standardizing internal processes to fundamentally improve its tax risk management level.

References

- [1] Zhong, X. Y., & Chen, P. (2025). New trade formats and urban fiscal revenue: Evidence from cross-border e-commerce comprehensive pilot zones. *International Business (Journal of the University of International Business and Economics)*, (04), 22-42.
- [2] Liu, Zhengkun. Research on Challenges and Solutions for China's Cross-Border E-Commerce Retail Import Tax System [J]. *Taxation and Economy*, 2025, (02): 39-48.
- [3] Tang Xuotong. Research on the "Six-in-One Intelligent" Tax Governance Platform for Live-Streaming E-commerce Enterprises [J]. *Accounting and Finance Bulletin*, 2024, (06): 148-152.
- [4] Sun Xuejiao, Zhao Yujie. Urban E-commerce Transformation and Corporate Tax Compliance: Promotion or Inhibition [J]. *Journal of Anhui University (Philosophy and Social Sciences Edition)*, 2023, 47(06):114-125.
- [5] Wang Fengfei. Assessment of E-commerce Tax Compliance and Research on Tax Administration Strategies [J]. *Journal of Hebei University of Economics and Business*, 2023, 44(03): 102-109.