



Tax Intelligence Solution

China VAT ready

June 2017

Effectively managing your VAT liabilities to minimise risks, maximise savings opportunities and gain transparency

KPMG has developed **the China ready version of Tax Intelligence Solution (TIS)**, which provides an integrated suite of VAT technology based analytical tools, methodologies and insights. The China-ready version is specifically written for Chinese VAT and includes linkages between transactions going through your Enterprise Resource Planning (ERP) and the **Golden Tax System**. TIS can easily switch between simplified Chinese and English; is ready to use with ERP systems commonly used in China; and has been built with data security at the forefront.

We are living in an era where VAT in China dominates discussions amongst governments, economists, businesses, the media, and even the general public.



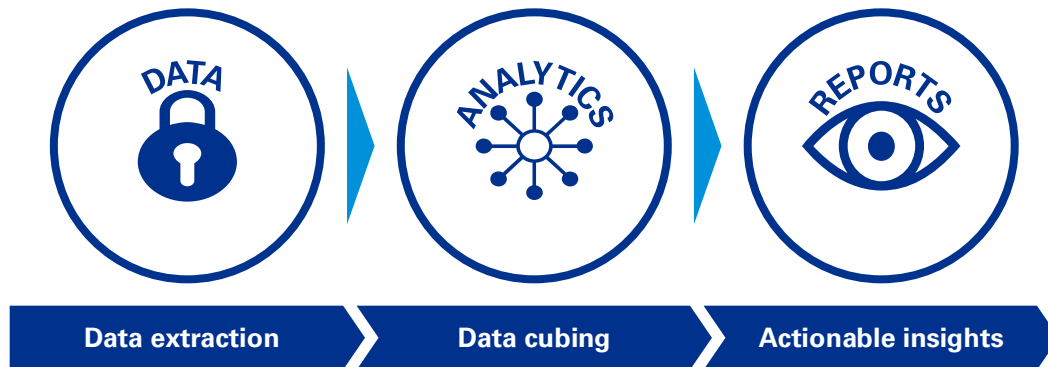
These discussions highlight the importance of data, and how it can be used to provide valuable information to a business as a means of increasing revenue, finding savings, and detecting errors and anomalies in data.

To transform this data into knowledge and insight, you need a solution that can deliver informed decision-making for global operations, this is where TIS can help.

Ask yourself this ...

- Would you like oversight to reconcile invoices recorded in your ERP system and those sent or validated by the **Golden Tax System** for analysis?
- Are you correctly complying with China's **deemed sales** provisions for accounting for VAT on free gifts and other benefits?
- Do you have oversight over **input VAT transferred out** as a result of exempt sales or non-creditable purchases?
- Can your data be transformed into valuable information to enable you to **identify opportunities** to reduce your VAT liabilities?
- Do you have visibility over **how much VAT you are paying**, and are you certain you are not overpaying, or under-claiming VAT credits?
- Is the **VAT logic applied correctly to your data**? Repetitive errors can occur and remain undetected, which may lead to substantial costs for your business.

What is data and analytics?



KPMG's Tax Intelligence Solution on-premises solution for China

Key features at a glance

- **The TIS VAT module includes** a comparison of sales or purchase invoices recorded in your ERP system and those sent or validated in the Golden Tax system for analysis; deemed sales analysis for goods; and a review of input VAT transferred out from apportionment and many more analytical tests.
- **How do you manage data security?** KPMG has developed an on-premises' solution for China, meaning that the data will never leave your premises.
- **Does it work with our ERP system?** KPMG's Tax Intelligence Solution for China has been developed using a 'common data model', meaning that the data can be extracted from most ERP systems used in China.
- **Does this mean expensive software licensing or purchase?** No – the KPMG team will use the Tax Intelligence Solution for China on your premises, and we retain ownership of our proprietary software. We work with you to analyse the data and provide you with the results of the analytics.
- **Can it work with Chinese characters?** Yes, all of our tests are shown in a user-friendly dashboard which is bilingual, and can switch easily between simplified Chinese and English.



What are the potential benefits for your business?



Gain control and visibility over VAT in China

- TIS provides fact-based insight into the level of VAT compliance in China.
- TIS is an enterprise-based IT solution that uses transaction-level data and bespoke analytical tests to populate a dashboard with relevant exception data.
- TIS is scalable, flexible and leverages existing IT platforms.



Transform data into value

- Gain insight into potential cash savings
- Identify system configuration improvement opportunities
- Recognise business procedure gaps to support optimisation efforts



Increase efficiency

- Drive improvements by identifying reporting errors and inefficiencies
- Identify invoice inputting efficiencies
- Helps reduce the level of effort typically required during the VAT return preparation cycle



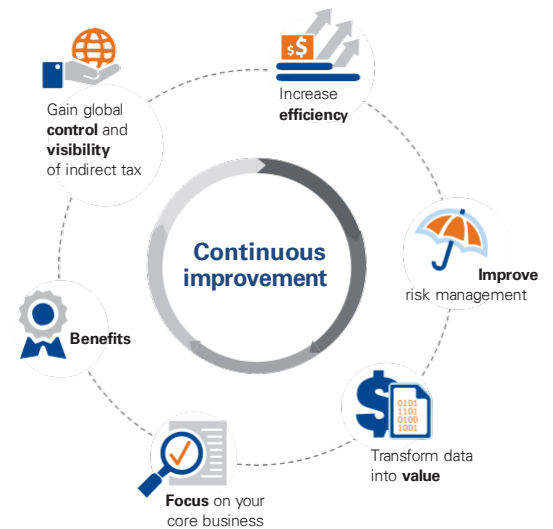
Improve risk management

- Provides access to sophisticated VAT exception monitoring based on 50+ standard exception analytic tests – customised to a business's specific situation
- Provides insight into your accounts receivable and accounts payable procedures, and the associated VAT risk
- Tracks master data management procedures to monitor compliance with internal controls



Focus on your core business

- The reduction in compliance effort should allow you to redeploy tax staff to VAT planning and prevention, rather than VAT audits and form filling.



Case studies

Case study: Review of unrecoverable input VAT credits

A multinational company was concerned that it was incurring VAT on its expenses, which was irrecoverable because some of its suppliers either did not provide special VAT invoices (*fapiaos*) or they were small-scale VAT taxpayers. KPMG China used its Tax Intelligence Solution to identify the amount of irrecoverable input VAT being incurred, and the major suppliers from which it was being incurred.

This provided the company's global tax team with a snapshot of the areas for improvement, and the setting of targets or benchmarks for reducing irrecoverable VAT. It also provided a ready means for identifying the major suppliers contributing to this problem, leading to the renegotiation of their commercial arrangements.

Case study: Review of invoices to foreign customers with VAT

A major Chinese logistics firm provides services to domestic customers, as well as foreign customers which potentially qualify for VAT exemption. However, an analysis of their data using KPMG China's Tax Intelligence Solution highlighted that the company had been incorrectly coding some of their transactions, resulting in output VAT being paid unnecessarily at 6 percent on services provided to foreign customers.

In addition to reminding finance staff about the correct coding to be used, regular analysis performed using KPMG's Tax Intelligence Solution can quickly identify these errors and enable the relevant output VAT amounts to be corrected. It can also transfer out the related input VAT.

Why KPMG?

KPMG has developed a comprehensive suite of data and analytics tools to provide insights into VAT, Transfer Pricing, and Trade & Customs which have all been specifically adapted for China. The VAT technology analytical tools, methodologies and insights can add value to your tax and finance departments. It has helped our clients gain quantitative insights and visibility into the status of compliance, procedure efficiencies and savings opportunities, which can drive real financial value for the tax department and the wider business.

Key features of our approach include the following:

- Built with data security in mind, as data never leaves your premises
- Standardised tools to analyse tax-relevant data from all major ERP systems
- Sophisticated technology to analyse transactional data, and identify risks, opportunities and areas for procedural improvement
- The ability to 'enrich' finance and tax data with other key information, including authorisation data, corporate expense data and ERP master data
- Over 50 standardised indirect tax analytical tests to examine the information gathered
- Data visualisation and reporting tools to allow easy manipulation and refinement of outputs
- Bilingual client dashboard in simplified Chinese and English
- Access to the collective insight of KPMG's Global Indirect Tax practice in driving savings for global businesses

VAT transformation and technology contacts

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