

CBI VISION

Business Compliance Management
Monthly Journal

2024

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Toyota Motor Corporation recently announced that the president (CEO) of its subsidiary Daihatsu Motor Co., Ltd., Aoki Koichiro, will resign. Prior to this, the subsidiary was exposed for improper conduct related to violating collision safety tests. A third-party investigation committee found that there were fraudulent activities in the safety airbag tests of Daihatsu Move/SUBARU Stella, Daihatsu Cast/Toyota Pixis Joy, and Daihatsu Granmax/Toyota Town Ace/Mazda Bongo models.



State Administration for Market Regulation: Steadily advancing the idea of normalized supervision

On January 31, at a press conference held by the State Council Information Office to stimulate the vitality of market entities and support high-quality economic development, Xu Lefu, Director of the Anti-Monopoly Enforcement Division II of the State Administration for Market Regulation, stated that the State Administration for Market Regulation attaches great importance to the normalization of supervision over the platform economy. They are planning high-quality measures to support the high-quality development of the platform economy.



Discussion on tax compliance issues of the 2024 flexible employment platform

In recent years, with the development of internet technology and the policy support from the government for the platform economy and the flexible employment industry, flexible employment platforms, as bridges connecting employers and flexible workers, have shown a trend of vigorous development.



Compliance Hotspot

The president and chairman of Daihatsu Motor Co. resigned, and the chronic problems of the Japanese automotive industry remain unresolved

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Toyota's Chief Executive Officer for Latin America and the Caribbean, Masahiro Inoue, will succeed Kohei Otsubo as the president of Daihatsu, effective March 1st.

Otsubo spent nearly forty years in his career at Toyota. He joined the company in 1979 and became the president of Daihatsu in 2017.

In addition, Toyota announced that Daihatsu's Chairman, Sunao Matsubayashi, will also step down, leaving the position temporarily vacant. Toyota also stated in a separate statement that Daihatsu will be removed from the commercial vehicle joint venture with Business Japan Partner Relations Technology (CJPT) due to improper conduct in safety crash tests.

In April of last year, Daihatsu admitted to misconduct in side-impact crash safety tests for 88,000 vehicles. A third-party committee released a report during a press conference, revealing 174 falsified records in 27 test items involving not only Daihatsu vehicles but also Mazda and Subaru models, totaling 64 models with 3 different engines.

The third-party investigation committee found that Daihatsu Move/SUBARU Stella, Daihatsu Cast/Toyota Pixis Joy, and Daihatsu Granmax/Toyota Town Ace/Mazda Bongo models were involved in fraudulent behavior in safety airbag-related tests.



In December 2023, Daihatsu President Ichiro Ohira admitted that the company had engaged in misconduct during new car safety tests and announced the suspension of shipments of all models sold domestically and internationally. Toyota also halted delivery of some models.

In recent years, the Japanese automotive industry has been plagued by industrial scandals. A third-party investigation report cited management issues such as "excessive on-site responsibility, lack of involvement from management", "management only focusing on short-term development, turning a blind eye to violations", and "rigid and stressful work schedules leading to a lack of concern for others in the workplace".

At the time, Daihatsu President Ichiro Ohira stated, "To ensure that the same issues do not recur, we will not only re-examine certification application processes but also fundamentally reform our corporate culture, prioritizing compliance awareness and mobilizing the entire company to regain trust in Daihatsu."

Its parent company Toyota expressed shock at the incident and pledged to undergo fundamental reforms within its subsidiary.

With the resignation of top executives including Ichiro Ohira, the accountability process for Daihatsu's falsification of crash tests has come to a conclusion. However, apologies and accountability alone cannot solve the issue, as the reputation of Daihatsu, Toyota, and the entire Japanese automotive industry has been tarnished. Without learning from this experience, the spirit of craftsmanship risks being degraded into a "self-serving" mentality.

Case Sharing

State Administration for Market Regulation: Steadily promote the normalization of regulatory thinking for pre-compliance, in-process review, and post-accountability

On January 31, at a press conference held by the State Council Information Office to stimulate the vitality of market entities and support high-quality economic development, Xu Lefu, Director of the Anti-Monopoly Enforcement Division II of the State Administration for Market Regulation, stated that the State Administration for Market Regulation attaches great importance to the normalization of supervision over the platform economy. They are planning high-quality measures to support the high-quality development of the platform economy.

The so-called "pre-compliance" refers to the pre-focus on compliance advocacy and the implementation of corporate responsibility. It emphasizes the enhancement of corporate compliance awareness, the formulation of the "Guidelines for Anti-Monopoly Compliance of Operators", the establishment of a normalized communication mechanism with platform enterprises, and the proactive provision of services for the compliance operation of enterprises. It is understood that platform enterprises, especially large platform enterprises, have significantly improved their compliance awareness in recent years. They have generally established internal anti-monopoly compliance systems and equipped corresponding human resources. At present, due to the significant improvement in anti-monopoly compliance awareness, no new violations of operators' concentration by platform enterprises have been found since the implementation of the new "Anti-Monopoly Law" on August 1, 2022.



The "in-process review" refers to focusing on review services in the process to enhance the quality and efficiency of reviews. The revised "Provisions on the Review of Concentrations of Business Operators" were issued, and the online business operator concentration anti-monopoly review system was launched. The internal work requirements for simple cases were clearly defined as "double twenty", which means that the time from company application to formal acceptance should not exceed 20 days in principle, and the time from formal acceptance to conclusion should not exceed 20 days in principle. If exceeded, the system will remind, and the handling personnel will need to explain. This provides companies with clearer and more stable regulatory expectations.

From acceptance to conclusion, the average review time for business operator concentration cases in 2023 is approximately 25.7 days, with simple cases taking 17.7 days. In the main anti-monopoly judicial jurisdictions, the efficiency is among the best. Since the new "Anti-Monopoly Law" came into effect on August 1, 2022, we have unconditionally approved 29 business operator concentration cases in the platform economy sector, with no conditional or prohibited cases.



"Accountability after the fact" refers to focusing on law enforcement deterrence afterwards and strengthening accountability. Currently, efforts are being made to study and formulate benchmarks for centralized administrative penalties for illegal operators, as well as the working rules for handling cases of operator concentration that do not meet reporting standards but may have the effect of excluding or restricting competition, in order to strengthen supervision of new illegal behaviors by operators after the implementation of the new Anti-Monopoly Law, as well as "tipping point" mergers that do not meet reporting standards but may have the effect of excluding or restricting competition, further enhancing institutional deterrence and safeguarding fair competition in the market.

Xu Lefu, Director of the Anti-Monopoly Enforcement Division II of the State Administration for Market Regulation, stated that "competition policy is development policy," and the purpose of anti-monopoly supervision is to urge companies to grow and strengthen legally, maintain the healthy and sustainable development of industries, and thereby provide consumers with more high-quality and affordable products and services. In the next step, the Market Regulation Administration will adhere to the principles of seeking progress while maintaining stability, promoting stability through progress, and establishing regulations before enforcement. It will uphold the dual approach of promoting development and regulating supervision, adopt a tolerant and cautious regulatory attitude, continuously improve the level of regular supervision, and promote the healthy and standardized development of the platform economy.



Compliance Information

Discussion on tax compliance issues of the 2024 flexible employment platform

In recent years, with the development of internet technology and the policy support from the government for the platform economy and the flexible employment industry, flexible employment platforms, as bridges connecting employers and flexible workers, have shown a trend of vigorous development.

In terms of taxation, flexible employment platforms also help solve the problem of businesses unable to issue invoices for services provided by individual workers, reducing the tax burden for businesses and gaining favor from them.

However, as a new and emerging organizational format, flexible employment platforms are still in a period of rapid development and imperfection. National policies are also being further updated, with a strong regulatory trend in the tax field emerging. Tax incentives such as financial returns will gradually be phased out.

In 2023, there were multiple cases of suspected false invoicing involving flexible employment platforms, reflecting the weaknesses in the business operations and tax handling processes of these platforms. On one hand, some flexible employment platforms use tax refund policies as a capital for false invoicing to profit from fees and other illegal benefits, issuing false invoices indiscriminately which leads to losses in national tax revenue and disrupts tax management order.

On the other hand, some flexible employment platforms prioritize business and profits, neglecting tax compliance construction, resulting in loopholes in their business models which are exploited by criminals to commit illegal activities such as false invoicing, putting them at risk of criminal liability. Therefore, flexible employment platforms urgently need to strengthen tax compliance construction and prevent tax risks.

1. Current Development Status and Future Trends of Flexible Employment

The flexible employment industry, relying on the development of the Internet, has broken the traditional full-time employment relationship. It is characterized by saving labor costs, improving enterprise production efficiency, and providing employees with high flexibility in work. It has developed rapidly in the market, and the market size is steadily increasing. According to data from the National Bureau of Statistics and third-party organizations, the market size of flexible employment is expected to reach 1.44 trillion yuan in 2023, an increase of 184.74% compared to 2019. It is projected that in 2024, China's flexible employment market size will exceed 1.7 trillion yuan. It can be foreseen that the future development space of the flexible employment industry is vast.

2. Executives and other relevant personnel in the flexible employment platform lack understanding of tax compliance

The flexible employment platform is a new business model, and traditional companies inevitably face some challenges when engaging in new business activities, leading to a lack of understanding of tax compliance in the flexible employment platform. For example, executives and finance and tax personnel in the flexible employment platform may not fully realize the risk of not being able to obtain compliant invoices for deducting corporate income tax when facing many natural persons providing labor services. In addition, the flexible employment platform has not made a clear distinction between "labor remuneration" and "business income," and in cases where it is not clear, they have not consulted with the competent tax authorities and tax professionals, leading to incorrect application of tax items and penalties from the tax authorities. There are also instances where the flexible employment platform incorrectly determines its legal relationship with flexible workers, classifying a labor relationship as a cooperative relationship and subsequently failing to fulfill the obligation of withholding and paying taxes on behalf of the workers, resulting in penalties from the tax authorities.



3. Analysis of Tax Risks in Flexible Employment Platforms

The original intention of setting up flexible employment platforms is to promote employment by matching the labor supply of flexible and freelance workers with the labor demand of enterprises. At the same time, these platforms aim to solve a series of issues such as the inability of individual workers to issue invoices to enterprises and the difficulty in monitoring their income taxes. However, a problem that arises is that flexible workers registered on these platforms provide services to enterprises on behalf of the platform, which issues invoices in its own name. However, the platform itself may lack input invoices and cost deduction vouchers.

Thanks for reading

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A white silhouette of the Beijing skyline against a dark blue background. It includes various landmarks such as the Oriental Pearl Tower, the CCTV Tower, and the Temple of Heaven.

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