

Thoughts on the Direction of China's Future Tax Development

-- Take Value-added Tax as the Entry Point

Ziyue Zhang

Anhui University of Finance and Economics, P.R. China, 233030, China

lxdvipyx@163.com

Abstract

Throughout the history of taxation development in China, value-added tax has developed rapidly with its unique advantages since its birth, until it became the king of taxation in China. This article uses value-added tax as the starting point to analyze the advantages and disadvantages of value-added tax. And combined with the development direction of the times, study the development trend of China's taxation in the future. The research results are of great significance for advancing the reform of China's taxation system, promoting taxation to perform its functions, and guiding the steady and orderly development of the economy.

Keywords

Tax reform; Development direction; Value-added tax.

1. Research Background

1.1. The Widening Income Gap among Residents

2020 is a crucial year to win the battle against poverty, and it is also a year of victory. When the battle for poverty alleviation is about to be won, we have to think about a question. How is the gap between the rich and the poor among Chinese residents? In the context of China's rapid economic development, in fact, the income gap is also showing a widening trend [1]. The Gini coefficient of China collected in the past two decades is as follows:



Figure 1: Gini coefficient trend chart

It can be seen from the figure that China's Gini coefficient has actually been higher than the international warning line of 0.4 in the past 20 years. The trend of the Gini coefficient over the past 20 years has shown a trend of "rapidly rising-falling-rising-falling-rising". But no matter

what, the problem of the gap between rich and poor in China has always existed, and the gap is large.

1.2. Government Implements Tax Reduction Policy

Since 2018, China has introduced a series of tax and fee reduction policies. In 2019, the scale of tax cuts and fee reductions was expanded, reaching a total of 2.36 trillion yuan, driving the annual GDP growth by about 0.8 percentage points. As an important policy to guide the future development of China's taxation, tax reduction and fee reduction have greatly promoted the economic development of the entire country. Especially in the context of China's economic slowdown and entering a new normal.

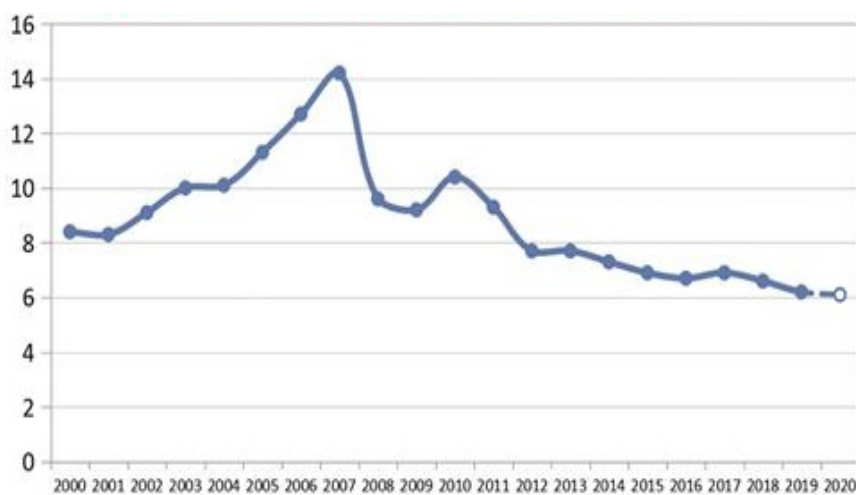


Figure 2: China's GDP growth rate

In this context, tax reduction and fee reduction are conducive to promoting the vitality of social investment, and the macro tax burden of enterprises has been significantly reduced, helping the healthy development of small and micro enterprises, and improving the consumption capacity and level of residents [2]. 2020 is an extraordinary year. The arrival of the new crown pneumonia epidemic has caused many companies to go bankrupt and close down. Therefore, the State Administration of Taxation and the Ministry of Finance have also introduced a series of tax preferential policies to promote the stable and healthy operation of the economy. There is no doubt that the future tax and fee reduction policies will be even stronger.

2. The Advantages and Disadvantages of VAT

Why can value-added tax be the main tax in our country? Mainly due to the advantages of value-added tax. Considering the background and development direction, the advantages are as follows:

2.1. Advantages of VAT

The VAT burden is not affected by changes in the production and operation of commodities and structural changes. As long as the final price of the product is the same, no matter how many production steps are passed, the final value-added tax paid is the same, that is, the same price is the same. In addition, VAT has the major advantage of being easy to collect. Large companies of the rich cannot evade tax, and the collection process is simple. A tax reduction system is implemented to deduct the tax paid for goods in the previous production links when calculating the tax payable to avoid double taxation.

2.2. Disadvantages of VAT

Combining the views of scholar Daliao Zheng[3], we make the following discussion:

2.2.1. The Collection is Relatively Unfair, and the Consumer Tax Burden Increases

Based on the regressive nature of value-added tax, it is not difficult to find that value-added tax is actually not conducive to curbing the gap between the rich and the poor, and easily leads to the widening of social income gap.

As the largest tax in my country, the scope of VAT is very wide, but its tax burden will eventually fall on consumers.

2.2.2. Excessive Tax Reduction and Exemption Policies

On the surface, preferential tax reduction and exemption policies are conducive to stimulating enterprises to increase production enthusiasm and expand reproduction. In fact, its negative effects cannot be ignored. Excessive tax exemption will not only lead to tax evasion of fee invoices and transfer invoices such as "free rider", but also destroy the internal control mechanism of special value-added tax invoices and increase the difficulty of tax collection and management.

3. The Future Development Direction of China's Tax

The focus of China's taxation future development is direct taxation. Therefore, it is necessary to promote a healthy, reasonable, stable, and orderly economic development, so as to form a tax development trend from indirect tax to direct tax. Because China's current tax types are mainly indirect taxes, supplemented by direct taxes, and direct taxes are mainly income taxes, real estate taxes, etc., the future development of China's tax types will focus on income taxes and real estate taxes.

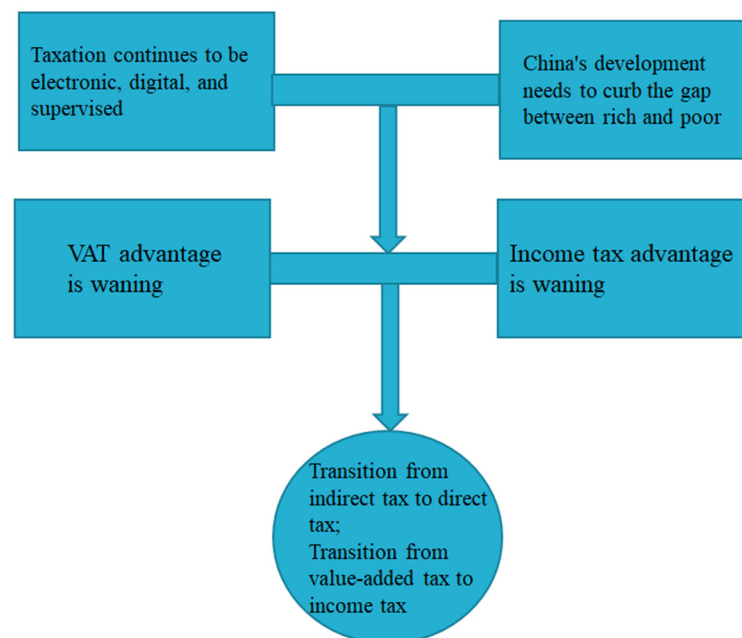


Figure 3: The future development direction of China's taxation

3.1. Personal Income Tax

In order to gradually shift the focus of value-added tax to income tax, the important direction of the future development of personal income tax is to establish a set of tax collection management system based on big data cloud computing technology and credit data, covering the whole society; second, Continuously promote to enhance taxpayers' taxation awareness and taxation philosophy. Only with the establishment of a data-based tax collection system and the

continuous improvement of personal taxation concepts can income tax gradually develop into China's main tax, thereby playing a role in restraining the gap between the rich and the poor and promoting the rationalization and modernization of the development of China's tax system. The scholar Wanghao Zhao proposed: continue the transition from the classified comprehensive tax system to the comprehensive tax system, aggregate all the income of taxpayers, determine the applicable tax rate after appropriate deductions, and reduce the taxpayer's tax avoidance space and the taxation unit gradually changes from individuals to Reform methods such as family transformation [4] belong to the change of the tax system in the individual tax, and can also achieve its purpose based on a more complete tax management system technology.

3.2. Corporate Income Tax

Corporate income tax needs to be reformed and more rationalized, but this reform and rationalization must be built within the framework of the continuous reduction of the overall macro tax burden of the enterprise. In this framework, how to develop specifically, here is one suggestion:

One is to continuously optimize and improve the tax collection management of enterprises by continuously using big data cloud computing technology. This is similar to the direction of development and reform of personal income tax, and it is also the direction of development of all types of taxes. Its representative achievement is the continuous development and improvement of the Golden Tax Phase III system. Scholar Huan Wang once had research results that showed that the reform of Golden Tax Phase III big data integration of invoices and taxation is conducive to the establishment of the concept of taxation according to law, promotes the improvement of corporate financial management systems, and helps to improve the management level of corporate information construction [5]. Therefore, on the road of informatization, corporate income tax still has to go on.

3.3. Property Tax

As a kind of direct tax, the levy of real estate tax has a broad tax base, but how to make real estate tax play a role in restraining housing prices and promoting social equity is the direction of future development. Here are some suggestions:

We must pay attention to supervision and fairness. For this new type of tax, the real estate tax is prone to various loopholes in the early stage of collection, which is normal and inevitable. As long as the purpose and direction of the real estate tax are not changed when the property tax is levied, no major problems will arise. Su Zhang of the Finance Bureau of Yunyan District, Guizhou City once mentioned: "Due to loopholes in the system and supervision, people who have bought a new house can use their power or exploit regulatory loopholes to register them as old houses, thereby evading taxes and harming national interests. "[6] This explains the problem of real estate tax. Since it is a direct tax, it must play its role in raising revenue for the country and alleviating the contradiction between the rich and the poor in society. As long as the general direction is not biased, with the development of the times, real estate tax will become more and more mature.

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