

# Improving My Country's Local Tax System

## -- Based on the Perspective of Improving the Tax Management System

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### Abstract

Improving my country's local tax system is an important step in establishing and improving a modern fiscal and taxation system. Since the reform of the tax-sharing system in 1994, my country's local tax system has undergone several changes. Based on the practice of tax management, this paper discusses the optimization and improvement of the tax management system under the background of reform, analyzes the current problems existing in my country's local tax system in terms of administration, tax system and collection and management, and based on the analysis of the article, gives the relevant information on improving and improving the local tax system in the new era. Suggestions, in order to provide a certain reference for promoting tax legislation, improving the tax management system and strengthening the modernization of national tax governance.

### Keywords

Local Tax System; Tax System Management; Collection Management.

## 1. Introduction

Under the institutional background of Chinese-style fiscal decentralization, an asymmetric pattern of asymmetric financial and administrative powers has been formed at the local level. First, the central government regards large-scale and stable tax sources, such as value-added tax and income tax, as shared taxes, and enjoys a higher share. The local tax types are those that are unstable in tax sources and difficult to collect, such as property tax and stamp duty. On the other hand, in the context of unclear division of powers, local governments have to bear most of the people's livelihood expenditures. This alienation of financial and administrative powers has led to a larger gap between local governments' revenue and expenditures and increasing local financial pressures. Therefore, whether it is to further improve the tax management system in accordance with the requirements of strengthening the tax governance system and the modernization of governance capabilities, or to improve the inter-governmental financial relationship from the perspective of central and local finance and taxation, and to improve the local tax system is one of the comprehensive deepening reforms in the field of finance and taxation in my country. vital content.

## 2. Literature Review

What is the local tax system, there are two main views at present: the first is from the perspective of tax types, the local tax is relative to the central tax, which refers to the tax revenue that is uniformly legislated by the central government and divided into local areas. The second is from the point of view of where the tax revenue belongs, regardless of the tax legislative power, but only if the revenue is controlled by the local government, then the tax is a local tax. Although the two mainstream viewpoints define local tax from different

perspectives, it can be found that the two have similarities in thinking and logic. It is still the question of the ownership of the legislative power of local tax that directly constrains local tax revenue, which is also related to the direction of the relationship between the central government and local governments.

Based on the general theory in academic circles, and then based on the analysis of the definition of local tax, it is believed that the content of the local tax system should include at least the following three aspects: the ownership of each tax revenue, the local tax legislative power, and the local tax collection and management power.

### 3. Current Situation of My Country's Local Tax System

#### 3.1. Concepts Related to Local Tax

To study and analyze the local tax system, we must first understand the connotation and scope of the local tax. At present, no matter in the taxation academic circle or the practical circle, the definition of local tax has not formed a consistent concept. The so-called local tax system refers to an overall system that integrates local tax legislation, law enforcement and judiciary, including the local tax system, local tax collection management and local tax administration system. The specific content can be briefly summarized into three points: (1) the local tax system (2) the local tax administration system (3) the local tax collection management system.

#### 3.2. Current Status of Local Tax Revenue

Local tax revenue is one of the main sources of revenue for local governments, so the total amount and growth trend of local tax revenue have a significant impact on local finance (Chen Yunling, 2021). In 2019, the total local fiscal tax revenue in my country was 2.83 trillion yuan.

##### 3.2.1. The Proportion of National Local Tax Revenue and Total Tax Revenue

The ratio of local tax revenue to the national total tax revenue can reflect the distribution of financial resources of governments at all levels.

**Table 1.** 2016-2019 local tax revenue and national total tax revenue (Unit: 100 million yuan)

year	national tax revenue	local tax revenue	proportion
2016	130354	21767	16.70
2017	144360	24170	16.74
2018	156401	26776	17.12
2019	157992	28347	17.94

##### 3.2.2. The Ratio of Local Tax Revenue to Local Fiscal Revenue

Local fiscal revenue generally includes local taxes, local and central shared taxes, and non-tax revenue. The main source of fiscal revenue is local tax revenue.

**Table 2.** Proportion of local tax revenue to local fiscal revenue from 2016 to 2019 (Unit: 100 million yuan)

year	Local level fiscal revenue	local tax revenue	proportion
2016	87195	21767	24.96
2017	91448	24170	26.43
2018	97905	26776	27.35
2019	101077	28347	28.04

### 3.2.3. Proportion of Local Tax Revenue to Local Fiscal Expenditure

The index of the proportion of local tax revenue in local fiscal expenditure reflects the degree of financial self-sufficiency of local governments in performing public service functions (Fu Zhihua et al., 2018). The data shows that the proportion of local tax revenue in the fiscal expenditure of the local government at the local level has been below 15% since the business tax was changed to VAT on May 1, 2016. As a result, local governments will find ways to find more other sources of income.

**Table 3.** Proportion of local tax revenue to local fiscal expenditure in 2016-2019 (Unit: 100 million yuan)

year	Local level fiscal expenditure	local tax revenue	proportion
2016	160437	21767	13.57
2017	173471	24170	13.93
2018	188198	26776	14.23
2019	203759	28347	13.91

### 3.2.4. Internal Structure of Local Tax Revenue

There are many types of local taxes in my country. The following table shows the income of various local taxes and their proportion to local tax income from 2016 to 2019 after the change from business tax Around, the deed tax is maintained at around 20%.

**Table 4.** Internal proportion of local tax revenue in my country from 2016 to 2019 Unit: %

tax	2016	2017	2018	2019
Resource tax	4.63	5.60	6.09	6.43
Urban land use tax	10.98	9.77	8.92	7.74
Urban maintenance and construction tax	19.71	18.02	18.17	17.01
Stamp tax	4.67	4.71	4.57	4.35
Land Value Added Tax	20.50	20.32	21.10	22.83
Property Tax	10.81	10.78	10.80	10.55
Vehicle and Vessel Tax	3.31	3.19	3.11	3.11
Tobacco Leaf Tax	0.64	0.48	0.42	0.39
Farmland Tax	9.77	6.83	4.93	4.90
Deed Tax	20.91	20.31	21.41	21.92
Environmental Protection Tax			0.57	0.78

## 3.3. Overview of the Local Tax System

### 3.3.1. Local Tax Administration Power

The power of local tax administration is a very important public power (Li Xinheng, 2019). When the tax-sharing system reform was implemented in 1994, the powers of tax administration between the central and local governments were clearly divided. With the deepening of the tax system reform, adjustments have been made, but the general framework has not changed. It mainly has the following characteristics: First, the power of tax legislation is concentrated in the central government; second, the power of local tax administration is limited. Taking into account the differences in the political, economic and social environment of different regions, the provincial legislative units and the provincial government will stipulate and interpret some local tax rules in order to improve the operability of local tax collection. However, at present, the local authority is clearly given only within a certain range of tax rate adjustment and tax reduction, which will affect the enthusiasm of local governments to a certain extent.

### **3.3.2. Local Tax Collection and Management**

In terms of tax collection authority, before 2018, local taxation bureaus at the provincial and sub-provincial levels had the right to collect and manage various local taxes and "fees". There are differences in management and so on. After the merger of the State and Local Taxation Bureaus in 2018, major adjustments have been made to various management systems and operating systems. With the rapid development of informatization, cloud technology, and big data, as well as the gradual improvement of the golden tax system, the collection and management of data and the authority of collection and management will become more and more concentrated.

## **4. Analysis of the Existing Problems in the Current Local Tax Management**

### **4.1. The Management of the Local Tax System Needs to be Improved**

#### **4.1.1. There is a Mismatch between the Financial and Administrative Powers between Governments at all Levels**

In 1994, the reform of the tax-sharing system was followed by the continuous increase of financial power and the continuous sinking of administrative power and expenditure responsibilities. In this way, an asymmetric pattern between the central and local governments will inevitably be formed, that is, the central government has more revenue and less expenditure, and there is a surplus, while the local government has more revenue and less revenue, and there is a gap.

#### **4.1.2. The Local Government has Limited Tax Management Power**

The power of local tax administration refers to the power granted to specific state organs according to the Constitution. Judging from the current legislative status of local taxes in my country, the basic laws and regulations of all taxes are the central government, except for some taxes, which are determined by the provincial government. Local governments basically have no legislative power. This can easily lead to a mismatch between the problem methods and the lack of effective channels for local governments to allocate financial resources according to local conditions.

#### **4.1.3. The Lack of Local Tax Subjects**

Before 2016, business tax was the main local tax, so changes in business tax income affected the whole body, that is, a small change would also affect the local tax income to a large extent, which was not conducive to stabilizing the local tax income. After the full implementation of the "replacement of business tax with value-added tax" in May 2016, the lack of local main tax types also reflects from the side that at least half of the local government's tax revenue is divided into the scope of the central and local shared tax.

### **4.2. There are Deficiencies in the Management of Local Tax Collection**

#### **4.2.1. Insufficient Attention to Management Awareness**

In the whole tax system, local tax is not the main tax. There are many types of taxes, and each type of tax accounts for a small proportion. Therefore, some people also call it a small type of tax. There is a gap between the local government's work requirements and emphasis on local taxation, resulting in insufficient attention to local taxation in the allocation of resource management for a long time. Moreover, because the tax sources of local tax are not concentrated, it leads to the problems of high collection cost and difficulty in collection and management. The tax authorities at all levels always focus on the tax types with larger income in the management of local tax collection, and the collection and management of individual local taxes appear to be somewhat negligent.

#### **4.2.2. Management Methods and Management Tools are Lagging Behind**

After the tax-sharing system reform in 1994, there was no unified construction standard for the informatization construction of the local tax system, and the construction progress and the degree of application were different, which failed to give full play to the effectiveness of modern management methods. Because the information standardization and standardization system has not been perfected, the so-called real tax source database has not been established, and the lack of tax source collection and management data makes it difficult to carry out subsequent tax audits, proofreading and evaluation. The amount is still in the early stage, which makes it difficult to use the tax source database to analyze and guide the follow-up collection and management work.

#### **4.2.3. The Comprehensive Social Tax Management Environment is not Perfect**

It has been proved by practice that reasonable bargaining with superiors, actively seeking the support of local governments, and taking a suitable comprehensive tax management road can solve the problem of local tax collection and management, and on the other hand, can greatly reduce the cost of tax collection, and also help improve the overall society. Awareness of paying taxes according to law. However, in the actual collection and management work, firstly, there is a lack of institutional guarantee for cooperation between departments, and there is no strong binding force. Second, the information interaction is not smooth. The centralization and interaction of the core collection and management system data is based on the State Administration of Taxation and the provincial level, and third-party data cannot make full use of the shared departmental information obtained. At the same time, the third-party data standards in different regions are different, and until now, the national unification of the intelligent ratio of third-party data and tax data has not been achieved.

#### **4.3. Local Tax Administration Needs to be Strengthened**

First, the division of departmental functions is not clear enough. The regulations on the scope of functions of various departments within the tax authority are relatively general, and the work content only gives a general concept and scope, and the definition is not clear. In order to save trouble, some grass-roots taxation units completely copy the corresponding level of the higher-level authorities, which violates the principle of adapting measures to local conditions and making the system suitable for local work (Liu Lei et al., 2019). At the same time, in view of the need to consider the placement of personnel in the merger of national and local taxes, the timely update of responsibilities and boundaries according to the needs of taxpayers and collection management has led to the emergence of a "grey area" of responsibilities, which has sowed the seeds for the phenomenon of mutual excuses.

Secondly, the management of human resources needs to be improved. Although the current digital information personnel and data performance system has a certain effect in the selection and motivation of cadres, there are still some shortcomings. Especially after the reform of the national tax and local tax collection and management system, it fell into the embarrassing situation of overall redundancy of employees and tension of personnel in special positions.

Finally, the administrative cooperation mechanism is relatively lagging behind. The current collaboration mechanism is not perfect, which compromises the efficiency of communication and makes it difficult to quickly and efficiently resolve complex situations. There are often many obstacles when grassroots tax units want to cooperate with higher authorities from the bottom up. Because higher authorities focus on different directions, the coordination and cooperation matters proposed by lower authorities are not targeted, resulting in lower authorities not having enough motivation. to finish.

## 5. Suggestions on Improving the Local Tax System

### 5.1. Improve the Local Tax System

#### 5.1.1. Integrate Real Estate-related Taxes, Levy Real Estate Tax, and Optimize the Tax System for Real Estate Circulation

my country's existing real estate tax system was set in the early years, so the current tax system is no longer applicable to the current actual situation. For example, there are many taxes in the circulation link, and the tax base is heavy, which is not conducive to the flow of real estate factors. Internationally, the common practice in the circulation link is not to specifically set up taxes to target the paid transfer of real estate, but to include the paid transfer of real estate into the scope of value-added tax collection, and to collect proportionally according to the transfer price. Such a tax system can greatly encourage the flow of real estate factors and stimulate the economic supply of land factors.

#### 5.1.2. Reform Stamp Duty

With the gradual emergence of my country's market economy, the forms of economic transactions have become increasingly diversified and complex, making it more and more difficult to collect and administer stamp duties. Many enterprises have the problem of tax evasion and stamp tax evasion. Sex is also difficult to verify. In addition, the contribution of stamp duty is less, except for the stamp duty on securities transactions, the rest only accounts for 0.5% of the national total tax revenue, and the adjustment effect is weak. In accordance with the principles of reducing collection costs and simplifying the tax system, it should be abolished in due course. Since stamp duty is a local tax and is mainly classified as county-level tax revenue, it can be considered to be incorporated into the urban construction tax after cancellation, and the urban construction tax rate should be adjusted reasonably.

#### 5.1.3. Improve Vehicle and Vessel Tax

In order to improve the local tax system, my country's vehicle and vessel tax system needs to be further improved.

The first is to adjust the tax basis for vehicle and vessel tax. At present, my country's vehicle and vessel tax is levied according to the number and weight of vehicles. After the nature of vehicle and vessel tax has changed, it is necessary to reflect the adjustment function of its property tax nature. The second is to increase the tax burden of vehicle and vessel tax and implement differential tax rates. At present, the overall tax burden of my country's vehicle and vessel tax is relatively low compared with the current level of social and economic development. At the same time, motor vehicles are not only an important source of pollution, but also a large energy consumer, and raising the tax burden will help to exert their environmental protection function.

### 5.2. Optimizing the Local Tax Collection and Management System

#### 5.2.1. Establish and Improve the Collection and Management Model of Natural Persons

The source of local tax is relatively fixed and closely related to local natural persons. Therefore, it is necessary to establish and improve such a management mechanism that can improve tax compliance, that is, encourage natural persons to actively declare and pay taxes. According to the "one-person" tax source information collection principle, establish an effective association of "person-house-car", build a database of natural person property, and at the same time strengthen the application of natural person tax management system, and establish a national unified big data platform on the cloud .

#### 5.2.2. Interaction of Tax Types to Realize Integrated Management of Local Taxes

The collection and management of local tax has two key cores: the collection and management of natural persons and the management of real estate tax (Chen Long, 2018). For the former, it

has been proposed above that a "one-person" management model needs to be established. For the latter, it is necessary to explore and establish an "integrated" management model, which requires "integrated" management as the main line, and seizes important elements such as houses, parcels, and projects. The dynamic management of key tax sources shall be grasped by means of housing control, land control, and ticket control, etc.; fiscal and tax risk prevention shall be strengthened through the coordinated co-governance and mutual linkage of tax types. Realize the integrated management of tax linkage, intelligent service, and data-driven real estate taxation of all tax categories and the entire chain.

### **5.3. Improve the Efficiency of Local Tax Administration**

#### **5.3.1. Improve the Professional Quality of Employees**

Local tax itself has strong professional attributes, and practitioners must have high tax professional quality. At the same time, due to the characteristics of local taxes, the cadres of the tax authorities also need to have sufficient knowledge of real estate and land. For example, cadres engaged in resource and environmental taxation need to understand the professional knowledge of natural resources and environmental protection, which is no less demanding than the standard requirements for high-level tax intermediaries. This requires the local tax management department to strengthen training, and the second is to communicate frequently with other departments, encourage tax officials to experience temporary employment in different departments, and comprehensively enhance the overall quality of talents.

#### **5.3.2. Strengthen the Management of Local Tax Performance Indicators**

After years of practice, the performance management of the tax system has become a "ballast stone", "baton", "accelerator", "monitor" and "lifeline". It should be said that the performance management of taxation system plays an important role in improving the administrative management system of local taxation. In the performance indicators of local tax, the proportion of local tax should be further increased, and the total amount of income should not be regarded as a hero, so as to highlight the key position of local tax work in the overall work.

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