

The Enlightenment of the “Double Pillar” Scheme on Solving the Tax Problem of China's Digital Economy

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Abstract: The rapid development of the digital economy has seriously affected the traditional cross-border tax environment. At present, China has not carried out corresponding tax reform for digital enterprises. It is vital to solve the domestic tax problems of the digital economy according to the “double pillar” scheme, actively maintain the fair environment of international tax revenue, and promote the development of international and domestic digital trade. For this reason, this paper analyzes the impact of the “dual pillar” scheme on the tax policy reform of China's digital economy from three aspects of economy, politics and regulations, and summarizes the conclusions and enlightenment of the analysis.

1. Introduction

1.1. Definition of digital economy

The predecessor of the concept of digital economy is the information economy. The term “digital economy” was first explicitly put forward by Don Tapscott in the 1990s. With the extensive application, renewal and transformation of digital technology, the changes in economic form and environment followed, and the connotation of digital economy is constantly enriched and extended. There is still no unified definition of the concept of digital economy^[1]. At present, a common explanation is that human beings can realize the rational and rapid optimal allocation and regeneration of resources through the guidance of big data to achieve high-quality economic development. Compared with the traditional real economy, the unique characteristics of the digital economy make it particularly prominent in the process of contemporary economic development. The digital economy has such tax related characteristics as virtualization, universality, strong liquidity, high concealment, and user value creation^[2].

1.2. “Two pillars” scheme

The predecessor of the concept of digital economy is the information economy. The term “digital

economy” was first explicitly put forward by Don Tapscott in the 1990s^[3]. There is still no unified definition of the concept of digital economy^[4]. At present, a common explanation is that human beings can realize the rational and rapid optimal allocation and regeneration of resources through the guidance of big data to achieve high-quality economic development. Compared with the traditional real economy, the unique characteristics of the digital economy make it particularly prominent in the process of contemporary economic development^[5]. The digital economy has such tax related characteristics as virtualization, universality, strong liquidity, high concealment, and user value creation^[6].

1.3. Definition of digital tax

The predecessor of the concept of digital economy is the information economy. The term “digital economy” was first explicitly put forward by Don Tapscott in the 1990s^[7]. With the extensive application, renewal and transformation of digital technology, the changes in economic form and environment followed, and the connotation of digital economy is constantly enriched and extended. There is still no unified definition of the concept of digital economy. At present, a common explanation is that human beings can realize the rational and rapid optimal allocation and regeneration of resources through the guidance of big data to achieve high-quality economic development. Compared with the traditional real economy, the unique characteristics of the digital economy make it particularly prominent in the process of contemporary economic development^[8]. The digital economy has such tax related characteristics as virtualization, universality, strong liquidity, high concealment, and user value creation^[9].

2. Analysis of the Impact of the “Double Pillar” Scheme on the Tax Policy Reform of the Domestic Digital Economy

2.1. Economic impact

2.1.1. Impact on domestic and foreign cross-border enterprises

From the current situation of talent cultivation in colleges and universities, there is a serious imbalance between talent demand and talent supply in China. In order to better meet the requirements of the development of socialist cause with Chinese characteristics and improve the quality of talent cultivation in colleges and universities, the direction of talent cultivation in colleges and universities in the new era has changed from traditional skill-based talent cultivation to comprehensive talent cultivation, which highlights the importance of Civic and Political Education^[10]. The industrial structure determines the development speed and scale of national economy. In this new historical period, how to integrate the teaching of accounting profession and ideological and political education in higher education has become a crucial challenge for universities^[11]. In the current teaching process of accounting majors in colleges and universities, there are still many colleges and universities neglecting the teaching of ideology and politics, and many teachers of accounting majors are influenced by traditional teaching ideas, and generally think that the main task of students is to learn professional courses and neglect ideological and political education^[12].

2.1.2. Impact on national tax benefits

The international double taxation, tax base erosion and profit transfer of enterprises using tax low-lying areas to avoid taxes directly affect national tax interests^[13]. The “double pillar” scheme enables market countries to participate in the distribution of “residual profits” created by digital enterprises through user value creation or marketing of intangible assets^[14].

2.1.3. Impact on national economy and consumption

National taxation is an important means of national income, which is inseparable from people's livelihood. The change of the international tax system will inevitably lead to the adjustment of the national tax system, thus affecting the government's tax revenue^[15]. With the increase of tax revenue, people's disposable income decreases, and total demand decreases, thus consumption decreases, finally affecting the overall economic level^[16].

2.2. Regulatory Impact

2.2.1. Impact on the existing domestic income tax law

The “Pillar I” scheme goes beyond the independent transaction principle, and calculates the tax payable using the formula distribution method on the basis of determining the user value creation place according to the SEP rules^[17]. This “top-down” calculation logic, which gathers all regions and departments from the group level, conflicts with the current “bottom-up” method of calculating the pretax profits of all affiliated enterprises in which China's corporate income tax is levied on a single subject of tax liability.

2.2.2. Impact on current tax collection and management capacity

The development of the digital economy requires the tax authorities to have complex business capabilities. They not only have a solid understanding of the theoretical knowledge of financial accounting and taxation and rich experience in tax work, but also need to have a good understanding of computer science, information technology and foreign language skills^[18]. In addition, the characteristics of the digital economy have determined that taxation is difficult. The business model of transnational digital companies has gradually changed from traditional sales of stylish goods to online sales of services or intangible assets. Various emerging technologies can easily avoid taxation.

2.3. Political influence

2.3.1. Impact on domestic political situation

Taxation is a special distribution relationship in which the state, by virtue of its political rights, imposes taxes on taxpayers within the scope of application in accordance with legal standards. The essence of taxation is a political product. Taxation is related to the rise and fall of the country and social stability. Tax reform is closely related to political changes^[19].

2.3.2. Impact on China's international status

China actively participates in the reconstruction of the international tax system, actively coordinates with organizations or countries with strong digital economy such as the EU and the United States to resolve the conflict between the source of taxation and tax jurisdiction, and strengthens international tax exchanges and cooperation with other countries, which is conducive to consolidating China's international status and grasping the international discourse power.

2.3.3. Impact on China's international trade cooperation

Unilateral taxation measures taken by some countries against the digital economy will result in unfair distribution of benefits, which will seriously affect international trade relations. The “two pillar”

scheme gives China the right to distribute the remaining profits of digital non-resident enterprises. The reasonable tax rate in the scheme can protect the basic interests of enterprises and countries, and promote international trade cooperation.

3. The Research Conclusion and Enlightenment of the “Double Pillar” Scheme on Solving the Tax Problem of the Domestic Digital Economy

3.1. The Research Conclusion of the “Double Pillar” Solution to the Tax Problem of the Domestic Digital Economy

According to the “unified approach” of the “Pillar I” plan, the first solution to the problem of digital taxation in the domestic economy is to determine the user value creation place based on the SEP principle, and redistribute China's taxation right for large digital multinational enterprises by using the new linkage rules. At the same time, we should adhere to the principle of tax fairness and not levy unilateral digital service tax. This is not only because the scale of foreign digital enterprises in China has not yet had a significant impact, but also because we need to maintain the promotion of multilateral consensus. The “double pillar” plan has published the legislative template for tax formulation of the digital economy and provided a task schedule. The right to tax is actually the embodiment of the national tax interests. The connection of domestic income tax laws should be completed as soon as possible to improve the digital tax system, and to some extent, the initiative in the international tax system should be obtained^[20].

3.2. The Enlightenment of the “Double Pillar” Scheme on Solving the Tax Problem of the Domestic Digital Economy

Under the background of “double pillars”, we will continue to improve the existing domestic tax system and adjust the scope of taxation in the digital economy. Colleagues should help “going global” enterprises solve the problem of double taxation, strengthen the training of tax and accounting talents, and improve the comprehensive business level of tax authorities. China should safeguard its own tax interests. Large foreign cross-border enterprises are good at using various “tax depressions” and tax traps to reasonably avoid paying taxes, and improve China's tax system to safeguard national tax fairness and interests.

At the same time, beware of the resurgence of unilateral taxation policies. As the main consumer of the digital economy, EU countries have been trying to promote the establishment of tax policies for the digital economy, hoping to make up for the economic gap caused by the epidemic through unilateral taxation. The residual profits in the “Pillar I” plan will be redistributed, allowing the EU to temporarily suspend the collection of DST, However, the premise is that the “double pillar” scheme can be successfully implemented, otherwise the unilateral taxation policy will continue to be implemented.

Participate in the formulation of international tax policies and issue the “Voice of China”. China should actively participate in the formulation of international tax policies, shoulder the responsibility of a major country, issue the “Voice of China” and at the same time seek the most basic interests for developing countries. China is the second largest economy in the world. It should maintain the international tax order with a fair and just multilateral thinking.

4. Conclusion

The rapid development of the digital economy not only promotes global economic growth, but also brings a series of international tax challenges. As a digital Economic power, facing the

increasingly serious problem of tax base erosion and profit transfer, it is of great significance to solve the tax problem of domestic digital economy. Faced with the wave of digital economy development and the unstable international tax environment, there are many aspects worth learning and learning from in the construction of digital economy tax systems in countries and multilateral organizations around the world. In future development, it is necessary to continuously improve them.

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