

# *Research on the Digital Capability of China's Tax Administration under the Cross-Border Digital Economy*

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**Keywords:** Cross-border digital economy; Digitization of tax collection and management; Smart taxation

**Abstract:** The rapid development of cross-border digital economy has become an important driving force for China's economic development, which also brings opportunities and challenges to the digital construction of tax collection and management in China. It is of profound significance to comprehensively analyze the opportunities and challenges of digital tax collection and management capacity building in China at this stage, and to enhance the digital tax collection and management capacity in China at this stage. Based on the existing research results, this paper analyzes the present situation, opportunities and challenges of digital capacity building of tax collection and management under the cross-border digital economy, and puts forward some solutions and suggestions.

## 1. Introduction

### 1.1 Research background and Significance

The development of digital economy has reshaped the global economic development model, which has become important support for the economic development of all countries in the world. At the same time, it has challenged the traditional cross-border tax collection and management system, and put forward new requirements for the cross-border tax collection and management system and capacity building in China <sup>[1]</sup>. The existing capacity of tax collection and management in China can no longer meet the existing demand. How to speed up the development of digital tax collection and management capacity in China, seize the opportunity brought by cross-border digital economy, and promote the construction of tax collection and management system in China digital economy has become the only way for the transformation and upgrading of tax collection and management system in China.

### 1.2 Research status locally and abroad

#### 1.2.1. Research on Smart Taxation

The fundamental problem of cross-border tax collection and management lies in how to innovate

the means of government tax collection and management<sup>[2]</sup>. Smart tax relies on hardware and software equipment, with multiple technical logic design, so as to achieve the effect of multiple capabilities<sup>[3]</sup>, so smart tax is a new digital tool to innovate the means of government tax collection and management. Rational use of smart tax will help to promote the transformation of China's tax system from "controlling tax by votes" to "governing tax by numbers"<sup>[4]</sup>.

### **1.2.2. Research on the relationship between cross-border digital economy and tax collection and management**

With the development of digital economy, the traditional relationship between production and consumption can be exchanged quickly and conveniently, and the path of information mining and acquisition also need to face more hidden and diversified challenges<sup>[5]</sup>. The digital economy has a great impact on China's tax collection and management methods through direct and indirect ways<sup>[2]</sup>. However, data analysis, cognitive system and robot technology can bring multiple benefits to tax collection and management, and at the same time enable more tax intermediaries to provide brand-new services different from traditional online auditing and tax filing<sup>[6]</sup>.

### **1.2.3. Research on the Opportunities and Challenges of Digitalization of Tax Collection and Management**

The emergence of digital economy in the process of economic globalization is a major challenge for every country<sup>[7]</sup>. China lacks practical experience in tax collection and management in the field of cross-border digital economy, which is difficult to meet the new development needs<sup>[8]</sup>. In addition, expanding the tax base is an opportunity brought by the digital economy, and it also brings many advanced technological achievements<sup>[9]</sup>. Digital economy is the development direction of global economy, which has penetrated into every link of economic society and greatly improved the existing productivity<sup>[10]</sup>. Meanwhile, enterprises can improve the technical efficiency of production and operation of enterprises, and also improve the efficiency of tax collection and management departments<sup>[5]</sup>.

## **2. Theoretical Overview of Digital Ability of Tax Collection and Management in China under Cross-border Digital Economy**

### **2.1 Connotation of digital economy**

Compared with the traditional economic era, the digital economy has different characteristics and connotations in technology, industry, scene application and governance<sup>[11]</sup>. Digital economy is a new economic form with data elements as the key elements, digital platform and its ecology as the main carrier, and it can create value in both the physical world and the digital space through digitalization and intelligence<sup>[12]</sup>.

### **2.2 Connotation of China's Tax Collection and Management System and Digitalization Ability**

The deep integration and efficient linkage between modern information technologies such as big data, cloud computing, artificial intelligence and mobile Internet and the tax supervision system has profoundly changed the domestic tax collection and management environment at the macro level<sup>[13-14]</sup>. China has formed a foundation for tax declaration and service optimization. Among them, in 2016, the third phase of Golden Tax Project proposed by the tax authorities is a typical successful case of China's tax digitalization construction.

### **3. Opportunities and Challenges of Cross-border Digital Economy to China's Tax Collection and Management Ability**

#### **3.1 Innovative tax collection and management technology in cross-border digital economy**

Cross-border digital economy, will provide favorable technical conditions for the intelligent upgrading and digital construction of tax collection and management, and enable China to realize the transformation of "tax management by numbers" at an early date <sup>[4]</sup>. Smart tax management mode will realize the digital coverage of management cycle and a series of digital changes <sup>[3]</sup>. On the technical level, the combination of digital technologies will provide strong support for building a smart tax system with China characteristics. First, cloud computing technology, can help China tax collection and management system to achieve the goals of "running at most once". Second, Internet big data technology enables structured and unstructured tax data to be effectively processed, providing large-capacity, high-speed and accurate data support for intelligent tax collection and management.

#### **3.2 Cross-border digital economy increases the risk of tax collection and management in China**

Based on the background of cross-border digital economy, multinational companies tend to make their business network and virtualization, which also makes the way of realizing enterprise value greatly different from the traditional management mode, thus making it easier for these multinational companies to implement a series of tax planning activities and achieve the purpose of bilateral and multilateral non-taxation. How to innovate the collection and management mode through accurate taxpayer portrait and refined tax risk management is a realistic problem worth exploring <sup>[16]</sup>. With the development of cross-border digital economy, digital services have broken the shackles of time and space, the tax avoidance methods of digital enterprises have become more diversified and hidden <sup>[17]</sup>.

### **4. Analysis and Evaluation of China's Tax Collection and Management Ability under the Cross-border Digital Economy**

#### **4.1 Analysis of China's tax collection and management ability**

##### **4.1.1. Collection and management**

The emergence of the digital economy in East Asia has brought great social transformation effects, and at the same time, the research field of digital economy in China has become very active<sup>[18]</sup>. At present, the function of China's tax system allows taxpayers to pay taxes online without leaving home. At the same time, under the guidance of the government's opinions on accelerating the construction of smart tax, local tax authorities have effectively played a role in the tax integration of big data and cross-border digital economy by relying on the advantages of information technology.

##### **4.1.2. Tax inspection**

In March, 2021, the Opinions on Further Deepening the Reform of Tax Collection and Management issued by the General Offices of the General Office of the Central Committee of the CPC and the State Council called for the improvement of smart taxation. First, relevant laws and regulations should be improved to improve tax compliance. Second, we should strengthen the

internal control and supervision of tax law enforcement and improve the law enforcement system and mechanism. Third, we must strictly regulate tax law enforcement behavior and improve the satisfaction of taxpayers and payers <sup>[19]</sup>.

## **4.2. Evaluation of China's tax collection and management ability**

### **4.2.1. The traditional tax collection and management model is difficult to adapt to digital economy**

Digital economy can blur geographical boundaries and rely on intangible assets that are difficult to monetize, which complicates the distribution of trade <sup>[19]</sup>. For traditional enterprises in China, they often have fixed office space, fixed production equipment and other physical assets. However, under the background of cross-border digital economy, the operation activities of multinational enterprises can often be carried out with the help of online virtual platforms, which leads to the concealment of trading subjects and trading venues, that is, the value of digital economy is vague in geographical attribution <sup>[20]</sup>.

### **4.2.2 Lack of legal system of digital tax collection and management in China**

In China's tax law, as long as there is a transaction, regardless of goods or services, except for tax-free items stipulated by law, taxable income will be generated, and taxpayers must bear the tax obligation. However, in the specific practice of cross-border digital economy industry, due to the lack of clear provisions and basis of the current tax system and the lack of relevant legal system, many multinational companies mistakenly believe that there is no need to pay taxes or avoid taxes through e-commerce.

## **5. Conclusions**

### **5.1 Promote the construction of smart tax information**

First, government actively develop digital and informational tax application tools, use Internet technology to promote the construction of inspection command management application system, enhance collaborative governance and data exchange with third-party trading platforms. Second, government build a departmental data cloud sharing platform, relying on big data and cloud computing information technology, break the data island, improve the corresponding data sharing mechanism.

### **5.2 Constructing a new digital tax collection and management system**

At present, the OECD/G20 Inclusive Framework makes the international digital rules undergo profound changes. It is of great significance to seize the opportunity and build a tax collection and management system with China characteristics to protect the fundamental interests of China. Therefore, we can make the domestic tax collection and management system close to the international digital standard according to the relevant provisions of OECD so as to build a new digital tax collection and management system and protect the interests of digital enterprises in China in international development.

### 5.3 Improve the system and mechanism of tax collection and management to adapt to the development of digital economy

Cross-border digital tax-related issues have brought a series of challenges to the legal system of all countries, but adhering to the principle of statutory taxation is the consensus among countries and the main prerequisite for improving the tax collection and management system and mechanism that adapts to the development of digital economy. Therefore, In order to promote the development of cross-border taxation, we should improve the relevant tax laws and regulations, clarify the principle of anti-tax avoidance, stipulate the working powers of relevant organs.

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