

Discussion on the Necessity of Cutting Taxes and Administrative Fees

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Keywords: Cut Taxes and Fees, tax reform, corporate burden reduction, non-tax revenue.

Abstract: At the second meeting of the 13th National People's Congress, Premier Li Keqiang pointed out in the "Government Report" that this year it will reduce the burden of corporate tax and social security contributions by nearly 2 trillion yuan. In recent years, the Chinese government has been constantly improving the policy of "cutting taxes and administrative fees". The continuous deepening of the tax reduction and fee reduction policy also requires the continuous improvement of China's taxation system. In addition, there are still many areas that need to be improved in terms of the fee reduction policy, such as excessive non-tax revenue.

1. Introduction

At the second meeting of the 13th National People's Congress in 2019, Premier Li Keqiang pointed out in the "Government Report" that this year, a larger tax cut will be implemented, and the burden of corporate tax and social security contributions will be reduced by nearly 2 trillion yuan throughout the year. Not long ago, the State Administration of Taxation and the Ministry of Finance issued a new round of tax reduction documents. The most extensive coverage is the VAT (added-value tax) reform, which reduces the tax rate originally applied to 16% to 13%, and the original 10% tax rate is reduced to 9%. According to the data of the State Administration of Taxation, in the first half of the year, the country's cumulative new tax reductions and reductions were 1.17 trillion yuan. Among them, the VAT reform tax reduction was 4369 billion-yuan, accounting for 37% of the total accumulated tax reduction and reduction, the personal income tax two-step reform superimposed tax reduction of 307.7 billion-yuan, accounting for 26% of the total amount, and the micro-enterprise inclusive policy tax reduction of 116.4 billion. Yuan, accounting for nearly 10% of the total amount. Taking Shanxi Province as an example, according to the statistics of the Shanxi Provincial Taxation Bureau of the State Administration of Taxation, the cumulative tax reduction and reduction in Shanxi Province in the first half of the year was 19.215 billion yuan. It can be seen that the tax reduction and fee reduction in the first half of 19 years has been effective enough to exceed the 2 trillion tax reduction target.

Since the outbreak of the world financial crisis in 2008, the Chinese government has continuously adopted a more proactive fiscal policy to deepen the policy of "cutting taxes and administrative fees", from "structural tax reduction" and "universal tax reduction" to "inclusive tax reduction and Structural tax cuts are combined." The core of the tax reduction and fee reduction has always been to adjust the distribution methods and proportions of resources among the government, residents and enterprises, thereby stimulating the vitality of market entities such as residents and enterprises.

2. Analysis of the Reasons for Tax Reduction and Fee Reduction

The policy of "cutting taxes and administrative fees" is the current trend of China's economic development at home and abroad. Externally, China is currently facing a complicated international environment. The United States is constantly deliberately provoking trade frictions. The aftermath of the financial crisis has not yet been exhausted, and the world economy is in turmoil. Promoting

domestic demand has become a necessary choice to stimulate economic growth. Internally, with the weakening of the “demographic dividend”, China’s economic development has entered a new normal. 2007 was the golden period of China's economic growth, setting a miracle of 14% GDP growth. In recent years, China's economic growth has remained generally stable, but it has also declined. GDP growth has remained between 6.5% and 7%. At present, China faces a period of transition from rapid economic development to high-quality development. The long-standing problem of overcapacity and deflation of production has led to insufficient vitality of market players. As a result, the central government has issued a series of positive fiscal policies, in conjunction with the “tax reduction and fee reduction” measures, reducing corporate costs, simplifying administration and decentralization, and enhancing corporate competitiveness; increasing disposable income of residents, stimulating consumption, and stimulating market vitality.

The policy of "cutting taxes and administrative fees" is based on the Supply-side Structural Reform. On the basis of absorbing and borrowing from the Western "Supply-side economics" theory, China's "New Supply-side Economic" believes that supply can automatically create demand, but capital itself will not spontaneously shift to new supply. Due to the time lag of resource allocation, the old industry is often oversupply, and the total demand is insufficient. At this time, the supply cannot automatically create demand. The tax reduction and fee reduction are in line with the "New Supply-side Economic".

3. The Content of a New Round of Cutting Taxes and Administrative Fees

The policy of "cutting taxes and administrative fees" includes both "tax reduction and exemption" and "cancel or exempt administrative fees". Among them, the new round of tax reduction and exemption policy is mainly reflected in the following three aspects: inclusive tax cuts for small and micro enterprises, value-added tax and personal income tax reduction measures. These series of policies have effectively increased the net income of enterprises, reduced the cost of enterprises, stimulated the enthusiasm of their investment, and thus increased the effective supply. Specifically, first of all, for small and small-profit enterprises, the income standards of small-scale taxpayers have been adjusted, so that more small-scale and low-profit enterprises are exempted from value-added tax. In addition, the standards of small and meager enterprises that can enjoy tax incentives have been greatly reduced, so that more enterprises can enjoy the tax reduction preferential policies and increase the coverage of tax incentives. The essence of tax reduction is that the government transfers the profits of the enterprise to the enterprise, and it is also an investment of the government for the enterprise. Such a direct transfer of funds is beneficial to the capital turnover of the enterprise. The investment cost of the enterprise is reduced, and the investment return rate of the enterprise is increased, which further affects the industrial decision-making of the enterprise. In particular, it is conducive to the formation of a new industrialization development pattern. Second, VAT is one of the most important taxes in China. The direct downward adjustment of the tax rate will bring tangible economic benefits to enterprises in the manufacturing industry with economic downturn. Enterprises can convert reduced taxes and fees into cash flows, which can be used to increase research and development efforts and improve technology to improve output efficiency. It can also be used to open markets and expand production, thereby increasing employment and promoting employment difficulties. solve. Finally, the reform of personal income tax has increased the disposable income of residents, stimulated social demand, stimulated consumption, and made the economy grow. It can be seen that the purpose of tax reduction and fee reduction not only stops on the surface of reducing the burden on enterprises and individuals, but also promotes the optimization of the business environment, so that the market can fully exert its vitality.

Currently, the policy of "cutting taxes and administrative fees" has the following characteristics: First, the scope of tax reduction is broader. From the direct reduction of the VAT rate to the manufacturing industry, to the relaxation of small-scale and low-profit enterprise standards, and to the deduction of the services industry, almost all industries and departments can enjoy tax reduction policies. Second, the tax reduction policy is easy to understand, easy to implement, and the policy

implementation is fast, efficient and simple, so that individuals and businesses have a real sense of reducing the burden of acquisition.

4. The Requirements for Tax Reform

At the same time, under the policy of "cutting taxes and administrative fees", China's taxation system is also required to be continuously improved. The current taxation system still has some adverse effects on the market's resource allocation, and the vitality of market entities needs to be released. In general, the degree of taxation is not enough. There are 18 kinds of taxes in China, but only the eight types of taxes, such as personal income tax, corporate income tax, vehicle and vessel tax, environmental tax, tobacco tax, ship purchase tax, vehicle purchase tax and cultivated land occupation tax, are passed through the National People's Congress. Most other taxes are Rely on administrative regulations, regulations and regulatory documents to regulate implementation. Specifically, there are certain irrationalities in various taxes. The value-added tax has the problems of tax rate and tax refund; consumption tax, as a tax within the price, has repeated taxation. In addition, the proportion of value-added tax is far greater than the proportion of consumption tax. Due to the diminishing marginal propensity to consume, the consumption tax is regressive, that is, the less the income, the greater the proportion of consumer expenditure in its income, the heavier the tax burden, the more difficult the consumption tax can be taxed, and the unbalanced tax burden. In China, the tax system is over-reliant on indirect taxes, and the proportion of direct taxes is low. In addition, the corporate income tax rate is too high compared to other developed countries, and the burden on enterprises is heavier; in the personal income tax, there are problems in the supervision of high-income people (purchasing, net red, beauty bloggers, etc.) in emerging industries; The collection is not very strong, and (such as property tax) cannot effectively achieve rational allocation of resources.

The current problems require the continuous improvement of the taxation system, and point out the direction of the new tax reduction and fee reduction measures. First of all, the statutory principle of taxation should be further strengthened and implemented. In legislation, we will speed up the legislative process and promote the construction of taxation laws in the areas of taxation, taxation, and supervision. In the specific practice, we constantly improve existing laws, regulations, and departmental regulations. In the collection of taxation, it is simplified; in management, strict supervision, increased regulation, and creating a level playing field for the market. Second, in terms of achieving tax fairness. Further deepen the reform of value-added tax, the deductible tax rate will be the third-rate tax rate and will be two-shift, and implement a broader and more comprehensive system of retention. Relatively reducing the proportion of value-added tax and expanding the proportion of consumption tax will help promote tax fairness. Reduce the corporate income tax rate and integrate with the international market. One of the functions of taxation is to regulate income distribution, which requires increased taxation supervision for high-income people in new industries. In terms of small taxes, we will give full play to the adjustment function of small taxes. For example, resource tax, environmental protection tax, etc. Expand the scope of taxation and use the price mechanism to guide the allocation of resources to meet the people's needs for the ecological environment. Finally, taxation should play a role in guiding the optimization and upgrading of the economic structure, guiding resources to new supply and new business forms, and encouraging innovation and entrepreneurship. Based on the original tax incentives, the cost of innovative enterprises will be further reduced.

5. The Aspects of the Reduction in Fee Reduction

In addition, the "reduction of fees" in the policy of "cutting taxes and administrative fees" is also improved. The government's income is diversified. In addition to tax revenue, non-tax revenues such as administrative fees and fees, social security, funds, housing provident fund and land transfer fees still account for a large proportion. Since 2013, the State Council has issued a series of policies to

cancel and clean up administrative fees and general fee reductions. Reduce the proportion of corporate social security contributions, and take comprehensive measures to supplement the funding gap. In August 2016, the State Council issued the “Work Plan for Reducing the Cost of Real Economy Enterprises” to propose the following three aspects in the reasonable reduction of labor costs: First, reduce the proportion of contributions paid by basic employees of enterprise employees. Second, improve the housing provident fund system, and appropriately reduce the proportion of enterprise housing provident fund deposits in a standardized and phased manner. Third, improve the minimum wage adjustment mechanism and improve the labor market system. We will make overall plans to take into account the affordability of enterprises and protect the minimum labor remuneration rights of workers, and guide all localities to reasonably determine the adjustment range and adjustment frequency of minimum wage standards. Since May 1, 2019, the measures for social security reduction have been officially implemented. It is expected that the social security contribution will be reduced by more than 300 billion yuan in 2019. There are two measures introduced this time: First, reduce the proportion of unit payment for pension insurance. The payment ratio of basic endowment insurance units for urban employees will be 16%. Second, postpone the implementation of the policy of reducing the unemployment insurance and work injury insurance contributions.

Under the background of tax reduction and fee reduction, the social insurance premium rate was lowered for the fifth time. From a global perspective, the decline in social security contributions has become a mainstream trend. According to the US Social Security Administration's Global Social Security Plan report and data released by the World Bank, the average payment of enterprises in 166 countries in the five social insurance projects is between 13% and 14%.

To further reduce the labor costs of enterprises, it is necessary to pay attention to both explicit costs and hidden costs. The government should improve the social security system, strengthen the management of social security funds, and enable enterprises to increase the affordability of labor costs. The government can expand the source of funds for the social security fund and adjust the method for determining the base of social security contributions. For different provinces and cities, due to the different levels of economic development, the minimum wage is different from the average wage. According to the principle of fairness, the geographical scope can be narrowed. For example, the average wage of the province is the base of social security contributions, and the average wage of a city or district is used as the base for payment. This will inevitably reduce the pressure on social security in lower wage areas and promote the principle of fairness. For different companies, different measures, such as high-tech enterprises and small-scale enterprises, can appropriately reduce the proportion of contributions.

At present, although it has achieved remarkable results in reducing the burden of corporate social security contributions and administrative fees, there are still significant room for cost reduction in other areas. One of the unreasonable aspects of local fiscal revenue in China is that non-tax revenue is too high, especially land finance has become the main income of local governments. In the reform of government fund income, in accordance with the principle of clearing taxes and fees, it is necessary to reduce the collection of government fund income. The high proportion of local government fund income means that the income of the first category is relatively high, and such income has obvious drawbacks. This type of income receives long-term management in the organization, which is not conducive to the standardized management of income, which increases the burden on residents. The most important part of local government fund income is land transfer income. Excessive land transfer income, which has brought about the problem of land finance, the government has obvious dependence on land finance. Getting rid of the excessive dependence of local finance on land transfer fees has become the primary issue of the current government departments. Although, in terms of economic efficiency, land transfer income can solve the problem of local government fiscal revenue, in the long run, there are many inadequacies. First of all, with the increasing population, the urbanization is constantly developing, and the land resources are very limited. The high land transfer fees have led to the rise of housing prices, and the people cannot afford housing. Secondly, land resources are a kind of natural resource. The land transfer can only

bring temporary economic benefits away from the sustainability of fiscal revenue. Third, the conflicts between the government and the peasants in the process of land acquisition and the demolition and resettlement have affected the harmony of society. Therefore, adjustments are made to the structure of fiscal revenue, reducing non-tax revenue, clearing taxes, optimizing fiscal revenue structure, and forming sustainable fiscal revenue. In addition, we must vigorously encourage enterprise innovation, stimulate the development of regional economy, and ensure the stability of tax sources. At the same time, we must also make the government's income open, transparent, and standardized, and create a good business environment.

6. Conclusion

Socialism with Chinese characteristics has entered a new era, and the main contradictions in our society have changed. This has put forward new requirements for the reform of the taxation system, and has also promoted the continuous improvement of the policy of "cutting taxes and administrative fees". The policy of "cutting taxes and administrative fees" can also promote the optimization of the fiscal revenue structure, making the tax structure tend to be rationalized, and the tax burden of individuals and enterprises is fairer. In order to cope with the risk challenges at home and abroad and withstand the downward pressure on the economy, the policy of "cutting taxes and administrative fees" is undoubtedly one of the most effective and direct measures. For enterprises, the reduced costs will be used for the research and development of new products, increase investment, the scale of enterprises will be expanded, new jobs will be increased, and employment will be stabilized. For individuals, the income of residents increases, people pursue higher quality of life, consumption power increases accordingly, and the employment population in the service industry increases. From this point of view, the policy of "cutting taxes and administrative fees" not only brings a sense of fullness to enterprises and individuals, but also has long-term significance to the whole society.

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