

# Analysis on the Optimization Path of Tax Business Environment under Digital Tax Governance System

Yue Yao

Shanxi University of Finance and Economics, Taiyuan 030000, China

**Keywords:** Digital economy, Tax business environment, Digital tax, Tax governance

**Abstract:** The information technology revolution promotes the rapid development of the digital economy. In the new round of reform of China's tax collection and management system, it proposes the goal of "digital" tax governance, changes the traditional way of tax collection and management and realizes the transformation of "tax by ticket" to "tax by number". A high-quality tax business environment cannot be separated from an efficient tax governance mode, and the digital tax governance provides good conditions for a tax business environment. Based on the background of the digital tax governance, this paper analyzes the current situation and problems of a tax business environment from the perspective of tax management, tax compliance and tax service, and analyzes the path of the tax business environment optimization, to put forward targeted policy suggestions.

## 1. Introduction

The information technology revolution has set off a wave of the digital economy. The innovation of the digital economy has brought new opportunities and challenges to the global business environment. Influenced by the global economic downturn and the impact of the epidemic, the economic development of various countries is enjoying the dividends of the digital economy and making the business environment meet higher requirements. As an important part of the business environment, the tax business environment directly or indirectly affects the economic behavior of market entities and the power of wealth creation. The narrow sense of tax business environment only includes tax business environment, which coincides with the World Bank's business environment indicator system. Since 2003, the World Bank has released the Doing Business Report, which has set up a special description of the tax payment and business environment indicators. Subsequently, the World Tax Report released in 2006 further analyzed the tax indicators (see Fig. 1). From a broad sense, the tax business environment collects the tax behaviors in terms of tax management, tax compliance, and tax service, and covers a more comprehensive and diversified tax business environment. The reform of the economic development mode has promoted the reform of tax governance, and the traditional tax management mode, such as "focusing on people and households", "tax management by votes", and "territorial management", can no longer adapt to the intelligent tax collection and management system in the current big data era. In the context of the digital economy, digital governance has optimized the tax business environment, reduced the tax costs of both parties, and ensured the efficient operation of tax collection and administration. Compared with traditional tax service, digital tax service is more efficient (Toomas Kastik, 2019), which improves taxpayer tax compliance, and modern tax governance makes up for the deficiency of the traditional tax governance model. Under the current trend of international digital economy, the importance of optimizing tax business environment by digital tax governance is more practical.

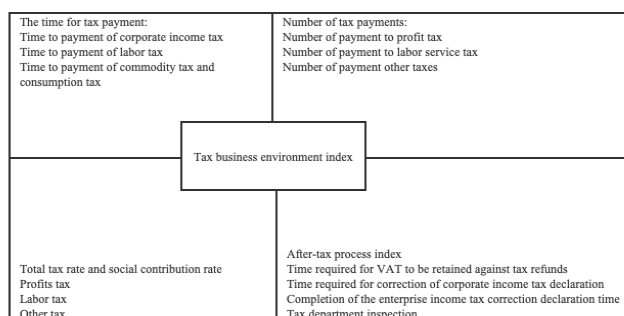


Fig.1 Tax and Business Environment Evaluation Indicators Chart

The tax business environment is closely related to the optimization of tax services and tax management reform (Li Cheng, 2020), which is reflected in a series of institutional arrangements conducive to various business activities of enterprises in the field of tax revenue (Yue Shumin, 2021). With the development of the digital economy, information technology is being widely used by national government departments, and “e-government” and “digital government” have provided more convenience for government governance (Gary et al.2003). In order to adapt to the digital economic situation, the government has carried out digital government governance (Radu B ores, 2016). Among them, digital government governance refers to the government's use of big data and other digital ways, which helps to improve government transparency and strengthen the disclosure of government information (Erkut, 2020). Tax authorities, as one of the government authorities, also tend to adopt digital technology for tax administration (Zeleti & Walsh, 2021). The digital economy has brought convenience to the business environment. Digital tax governance is one of the contents of the government's tax governance mode reform, which is reflected in the tax business environment. At present, many documents adopt the World Business Environment Report of the tax business environment evaluation index system published by the World Bank, in which the specially established tax assessment report records the tax performance of many national economies, becoming an important reference for the level of tax business environment in various countries (Chen Yanli et al., 2021).Tax business environment is also reflected in tax compliance. Mawejje & Okumu (2016) links the business environment with tax compliance, and believes that taxpayer tax evasion is related to government governance. It shows that the government tax governance behavior is related to the willingness to pay taxes, and improving the efficiency of tax governance can improve the tax business environment. The Tax business environment is reflected in the tax service, which mainly refers to the simplification of the tax system. Engelschalk (2004) believes that in the tax business environment, we need to simplify tax procedures, optimize tax services, reduce the tax burden of enterprises, and stimulate their vitality. Luo Qin (2017) elaborated that the tax business environment is reflected in that the weight of the tax burden directly affects the net profit of enterprises, thus changing the flow of investment, and the level of tax management and service also directly affects the level of the tax cost of enterprises.

## 2. The Status Quo

### 2.1 Promoting Modern Tax Administration through Digital Tax Administration

In the era of big data, the tax system also adopts digital management, and the Internet is a typical tool for the development of the digital economy. Under the development of Internet technology in the field of tax revenue, the cost of tax collection and payment has also been greatly reduced. Using Internet technology to play the intelligent driving role of “data + rules” can simplify the tax collection procedures and bring convenience to both sides of tax collection and payment. In the digital age, Chinese government build tax big data platform, break the data of departmental barriers, industry barriers and regional barriers. The government issued “the opinions on further deepening the reform of tax collection and administration”, planning the difference period of tax modernization governance new goal, opened the” the new journey of digital tax management

transformation. Tax authorities have responded to the call, designing, building and applying a data bridge between “business operation” and “system policy” in the digital age, forming a barrier-free communication on a data platform. At present, in most parts of China, many cities built digital tax governance platform. In 2013, China took the lead in promoting it in Beijing; And Ningbo and Shijiazhuang in 2020. In January 2021, the electronic implementation of special invoices has provided a lot of convenience for some areas. For example, the proportion of electronic special tickets handled in Beijing has increased rapidly, and the processing volume has increased from less than 5% to 65%. It can be seen that the implementation of electronic tax bills has achieved remarkable results in tax governance, which increases the efficiency of tax collection and administration and improves the convenience of the tax business environment.

## **2.2 Governing Tax by Numbers to Improve Tax Compliance**

The ultimate purpose of the reform of tax collection and management mode is to reduce the cost of tax compliance, enhance the tax awareness of market entities, and reduce tax evasion. Tax declaration as to the basic content of tax payment, the methods of the current tax declaration in China: direct declaration, mail declaration and data message declaration. Due to the increasing education level of taxpayers and payers, and the increasing awareness of the digital economy, the vast majority of taxpayers realize the importance of digital tax governance. According to the taxpayer's tax compliance degree and tax payment credit, the tax authorities divide the taxpayer's credit rating into five grades: A, B, M, C or D, and score the taxpayer's credit and classify it into five grades. For the taxpayers with different credit grades, the tax authorities adopt different tax inspection rates. Implement full coverage tax inspection for tax payers with Class D, and implement “green convenient channel” for taxpayers with Class A. Since the implementation of the “golden Tax system”, the system has monitored the tax payment services more comprehensively, and shared the tax data and information among various institutions and departments. So far “gold system” has been upgraded to four periods, with “Internet + tax” as the keyword, the system control of taxpayers, taxpayers' tax compliance awareness also gradually improved, from the entertainment star tax evasion to regulate local “tax depression”, not only rely on the government mandatory measures but also need taxpayers to strengthen tax consciousness.

## **2.3 Optimize Tax Payment Services by Counting and Controlling Tax Revenue**

The most effective application of digital technology in the field of tax governance is reflected in the tax service. Internet as a typical tool for the development of digital economy, tax field under the development of the Internet technology, the cost is greatly reduced, using the Internet technology, play the role of intelligent drive “data + rules”, online tax registration, tax declaration, tax cancellation business, can simplify the tax procedures, to both bring many convenience. In tax service, China's state administration of taxation and 2018 tax matters “up to run a” reform, through the information into the Internet platform, convenient statistics and information taxpayers, taxpayers can complete through the network platform, tax cancellation, etc., the tax authorities can also make tax payment through the Internet service, let enterprises deeply feel “convenient tax spring breeze action”. In 2020, due to the impact of the epidemic, tax authorities have comprehensively optimized tax technology and tax services. During this period, 99% of the national tax declaration business can be handled “run online, online and hand-held”. The handling procedures for taxpayers 'tax-related matters are simplified, the tax processing is no longer limited by time and space, and the cost is also greatly reduced. Convenient digital tax administration can improve taxpayers' satisfaction, thus improve taxpayers' compliance, and finally optimize the tax business environment.

## **2.4 The Overall Tax and Business Environment Has Been Improved**

Looking at the literature on tax business environment at home and abroad, the research on tax business environment is based on the World Business Environment Report released by the World Bank, which is an authoritative measure of the business environment evaluation indicators, and has been published for many years and has attracted much attention. This study will be based on the

Business environment report released by the World Bank to measure the current situation of the tax business environment in China from the perspective of tax governance, tax compliance and tax services. In recent years, the Chinese government has attached great importance to improving the tax business environment. As shown in Table 1, from the 2016 to 2020 edition during the 2014 to 2018 evaluation period, China's business environment convenience rose from 84th to 31th, totally improving 53 places; The Business environment increased from 66.93 to 77.9, a total of 10.97 points were increased; Tax ranking improved from 132nd to 105th, totally promoting 27 places; Tax score increased from 64.6 to 64.46, a total of 5 points were increased. From the perspective of the tax and business environment evaluation index system, China's tax revenue and business environment has been continuously improved. In the number of tax indicators, China tax times from 9 times down to 7 times, tax time from 261 times in 2014 to 138 hours in 2018, down nearly 50%, visible in the big data mining, artificial intelligence, computer advanced technology booming, China's tax authorities tax procedures simplified, digital tax management to improve the tax business environment convenience.

Table 1 : the Evaluation of China's Business Environment

metric	Version 2016 (2014)	Version 2017 (2015)	Version 2018 (2016)	Version 2019(2017)	Version 2020 (2018))
The convenience of business environment ranking	84	78	78	46	31
Business Environment Score Evaluation (0-100)	62.93	64.28	65.29	73.64	77.9
Tax ranking	132	131	130	114	105
Tax score evaluation, (0-100)	64.46	60.46	62.90	67.53	70.10
Number of taxes paid (times/year)	9	9	9	7	7
Tax payment time (hour/year)	261	259	207	142	138
Total tax revenue and contribution rate: (%)	67.90	68.20	67.30	64.90	59.20
Tax process index	48.98	48.98	48.98	50.00	50.00

Source: World Business Report 2016-2020

### 3. Problems Existing in the Tax and Business Environment

#### 3.1 The Foundation of the Tax Management System is Not Complete Enough.

The modern tax management system is reflected in the mode of “streamlining regulation and service”. At present, the implementation of “decentralization” and “management” is not in place, and there is no good coordination of the relationship the both. Delegating power and management complement each other. Delegating power reflects the simplification of the tax process, while management reflects the process of tax authorities “input and filing of taxpayers” information. Because of taxpayers 'unconscious awareness of tax payment, there are some taxpayers' imperfect information and the occlusion of enterprise tax information, which makes the management efficiency of tax authorities poor. Second by “pipes” system is not sound, tax legislation is not sound, China's current “pipes” system is still in the preliminary establishment stage, the establishment of many local tax authorities can't adapt to the current reform and tax collection mode change, the tax audit as an important collection and management system and means, because the lack of corresponding legal system and mandatory means, the enterprise to avoid inspection, hidden destruction, against law enforcement phenomenon is difficult to stop, leading to “pipes” reform cannot smoothly and effectively.

#### 3.2 Tax Compliance Costs Are Still Too High.

The cost of tax compliance is first reflected in the tax paid. In the 2020 Global Business Report, China's business environment was ranked higher. In the world tax report, China's total tax revenue was reduced, which reduced the tax burden on enterprises to a certain extent. However, according to

the ranking of the world Tax burden pain Index, China's tax pain index still exceeds 50%, as high as 64.6%, indicating that the incentive effect of tax policy is a long-term process, and it is difficult to achieve a substantial reduction in the tax burden in the short term. Local governments can't make ends meet, which will make local governments unable to have enough funds to encourage enterprises' innovation, and promote industrial optimization at the provincial level and economic structure transformation. Secondly, the implementation cost of tax collection is tax payment. For example, there is still the traditional tax management procedure of "managing tax by ticket" in some areas, and the management mode of "managing tax by ticket" is cumbersome, which not only cannot reduce the tax cost and reduce the tax burden but also has management and labor costs in the tax collection process of tax authorities.

### **3.3 The Optimization of Tax Payment Services Faces Challenges.**

As taxpayers handle tax matters from offline to online, it is difficult to adapt to the digital tax administration habits of tax authorities in the short term. In particular, with the impact of the epidemic and the rapid development of online services, they have set higher requirements for taxpayers to handle online tax matters, such as learning to operate, using tax system software, and learning network knowledge. In practice, for taxpayers with weak learning ability and over-dependence on on-site tax handling, the conversion between offline and online will increase the problem of tax handling errors and low efficiency. Moreover, online tax handling has higher requirements on online tax systems. At present, tax information software and hardware are not very stable, and system software problems are still widespread, which affects taxpayers' compliance with online tax handling.

## **4. The Optimization of the Path and Analysis**

### **4.1 Digital Tax Governance**

Digital tax governance refers to promoting the reform of tax collection and administration and service mode under the background of digital development, relying on modern scientific management concepts and advanced digital technology, realizing the digital transformation of tax governance, and finally improving the efficiency of tax compliance and management (Li Ping, 2020). The digitalization of tax governance includes not only the tax collection and administration, but also the tax system and the tax environment, so both sides must cooperate and jointly operate a good tax governance environment. At present, digital tax governance urgently needs new elements, new technologies, new equipment and new means, so the primary basic conditions of "digital taxation" include (Fig. 1): network system, which can ensure the network communication between tax authorities and tax payers. Hardware facilities: the common use of intelligent terminal equipment and computer equipment for tax authorities and tax payers. Information technology: Information technology needs to be updated in time to match the progress of digital development. Digital platform: a digital platform built to provide a unified tax collection and administration and efficient tax payment service. Legal system: digital economy and digital technology are improved, and tax laws and regulations are timely updated to meet the digital requirements. Sound data security, digital environment and digital literacy reflect that tax authorities and taxpayers can timely grasp digital technology and software use; market entities adopt digital economic activities; network data security and high management level, which can protect taxpayers' privacy.

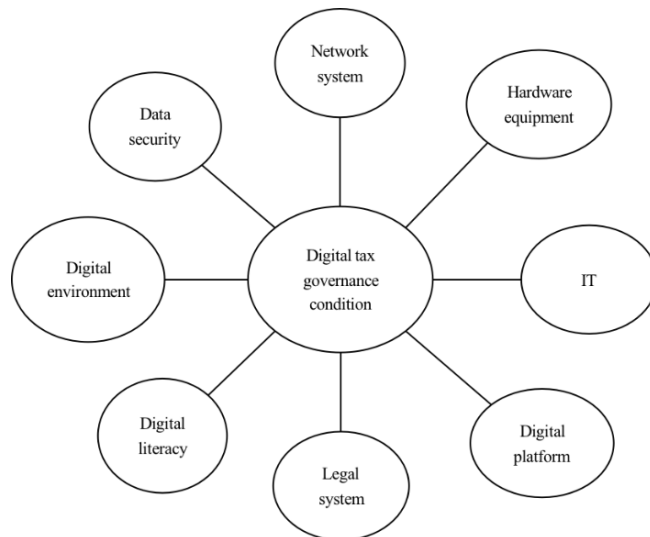


Fig.2 Basic Conditions for the Digitization of Tax Governance

The digital development path of tax governance needs to go through three stages, and each stage is based on promoting the strengths and circumventing the weaknesses of the previous stage: The first stage is the initial application stage of tax information technology, in which the information system forms a state of separation, and the tax authorities pay more attention to the development of an independent information technology. The second stage is the tax information technology integration stage, which is not used with the independent information technology application stage. Tax authorities pay more attention to the connection between various systems, optimize the information channels, reduce the cost of information transmission and improve the efficiency of tax governance. The third stage is the digital tax technology stage, which requires a more specific tax governance model, and an efficient tax governance system is built through digital technology. The digital technology stage is further divided into the initial period and the mature period. In the initial period, the digital technology application mode is single, and the centralized planning of digital tax governance will further stabilize the use of digital information, and the digital tax governance mode is more efficient. (See Fig. 3)

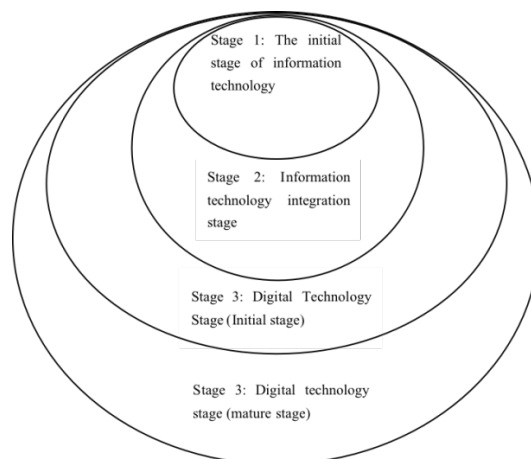


Fig.3 Digital Development Path Chart of Tax Governance

#### 4.2 Optimize the Tax Business Environment from the Perspective of “Digital Tax Governance”

Under the reform of digital tax governance, this study analyzes the optimization path of the tax business environment from the perspectives of tax management, tax compliance and tax service, and will further analyze the mechanism role of digital tax governance on the tax business environment. There is a mutual influence and interdependence between the tax business environment and the digital tax governance (see Fig. 4). Tax business environment provides a favorable environment and convenient conditions for digital tax governance. Under the background

of economic globalization, a good tax business environment in a country can attract investment and bring competitive advantages. In order to efficient governance, the government will increase the efficiency of “digital tax” governance. Digital tax governance provides policy support, technical equipment and information channels for the tax business environment, improves the quality of tax information, excavates the value of data, and provides a high-quality tax business environment for taxpayers.

Tax authorities and government departments at all levels should master the massive tax data, and they should make clear the objective law that “data has become an important productive force”, take the construction of “digital tax” as an important starting point, take the initiative to adapt to the era of the digital economy, and promote the modernization of tax revenue. Digital tax governance breaks the past hierarchical fracture situation of data chimneys, information islands between systems, businesses and departments, and takes the integration and sharing of tax data as the entry point, and integrates a large number of tax data into the overall joint, unified planning and collaborative management.

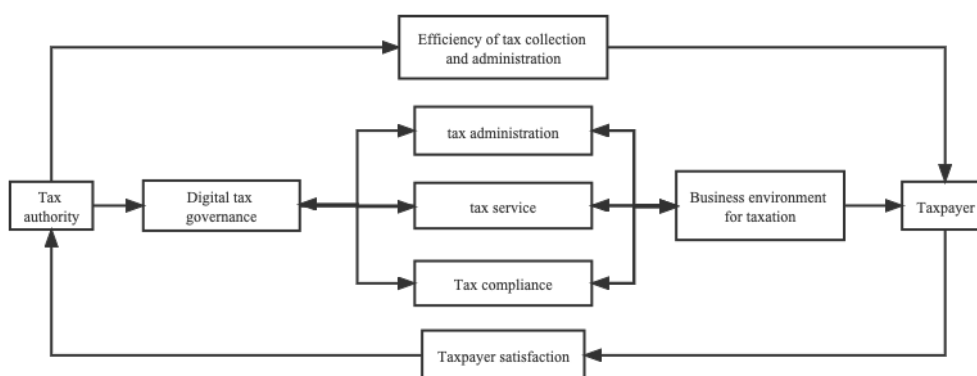


Fig.4 Relations between Digital Tax Governance and Tax Business Environment

## 5. Suggestions for Improving the Tax Business Environment

### 5.1 Unified Planning of Tax Information Management

Optimizing the tax business environment requires the efficient management mode of tax authorities. Strengthening the construction of “digital government” and improving the digital governance system of the government are the premise and foundation of realizing “the tax administration by digital”. Overall planning of digital government top-level design, unified planning and deployment, to build a digital tax governance system. Firstly, establishing a standards of unified digital tax governance, strengthening cross-regional tax information contact, building a national integrated digital tax information platform, and implementing the interconnection of various regional tax platforms. Secondly, promoting the standardization construction of the tax governance system, integrating the tax system into the national government platform, and using the modernization of tax governance to promote the modernization of national governance. Finally, promoting the comprehensive and overall planning, and promoting the digital tax governance system from point to point and surface, and focus on the promotion.

### 5.2 Improve Taxpayers' Enthusiasm for Tax Compliance

The effective improvement of the tax business environment cannot be achieved without the tax compliance of taxpayers. Reform to the management system, management mode and management measures, etc., in terms of declaring pay, changing the traditional way of tax, simplifying the tax process, using information system, data collection and management mode, strengthening the tax personalized, differentiated service, according to different enterprises different focus, practical tax cuts and fee work, give full play to the policy dividend. Moreover, to clarify the relationship between the two parties, deal with the relationship between the responsibilities and clear the

boundaries between the two sides, the tax authorities can not only pay attention to their power but also to taxpayers, avoid tax party too much authority, excessive law enforcement, lead to taxpayers “loss” to reduce the taxpayer satisfaction and enthusiasm.

### **5.3 Comprehensively Optimize Tax Payment Services**

In the final analysis, the optimization of the tax business environment cannot be separated from the high-quality tax service. In order to meet the requirements of the business environment, it is also necessary to improve the breadth and depth of the tax service. We will use scientific and technological innovation means, and adopt the “Internet plus” approach to shift “tax by votes” to “tax by digital”. Relying on the Internet platform to set up tax declarations, tax tips, risk warning, tax guidance and other links; The introduction of artificial intelligence and machine learning to build a “tax service hall” and a “12366” service hotline, For taxpayers tax knowledge consultation, solve the way to pay tax; Constantly optimize and upgrade the electronic tax handling platforms, such as mobile app clients, self-service terminals, tax websites, and other convenient payment methods, combined with WeChat, Alipay and other convenient payment methods, Make it easier for taxpayers to pay taxes; Building an electronic tax system, an electronic tax bureau. Intelligently identifying, classifying and sorting out the taxpayers' identity information. Providing taxpayers with online billing, online declaration, online tax payment series services, achieving the taxpayer invoice “zero cost, zero difficulty”, Solve the problem of ““difficult billing””. Finally, make good use of the tax intermediaries, so that the whole society can understand and apply the professional tax services of the third-party tax agencies.

## **6. Conclusion**

In the context of the era of digital economy development, China's economic form is also moving towards digital development. Digital tax governance reflects that China's reform moves along with the trend. Correct understand the tax business environment, change from a narrow tax business environment to a broad tax business environment, and reasonably handle the relationship between tax authorities and taxpayers in tax collection and payment. Understand the special role of digital tax governance of tax authorities in optimizing the tax business environment, and make full use of advanced digital information technology to form a trend of tax administration, tax compliance and tax service going hand in hand. Change the traditional tax collection and administration mode, increase the administration and service, rely on the era of big data to realize intelligent tax management, and improve the efficiency of tax management; make good use of various platforms to transmit tax information, improve the tax awareness of market subjects, enhance tax compliance; build intelligent tax service platform, to meet the personalized needs of enterprises, achieve accurate tax service, and finally achieve quality tax business environment.

## **References**

- [1] Kästik T. The impact of digital governance on the business environment: The case of Estonian tax and customs board[C]//Proceedings of the 12th International Conference on Theory and Practice of Electronic Governance.2019: 472-474.
- [2] Li Cheng. Challenges and opportunities facing China's Tax and Business Environment [J]. Tax Research, 2020(09):27-31.DOI:10.19376/j.cnki.cn 11-1011/f.2020.09.005.
- [3] Yue Shumin, Zhang Meng. Reference and path selection for optimizing China's tax business environment [J]. Tax Research, 2021(02):133-138.DOI:10.19376/j.cnki.cn 11-1011/f.2021.02.020.
- [4] Gary M .DIGITAL GOVERNMENT[J].Communications of the ACM, 2003, 46(1):24-27.
- [5] Bores R .E-Governance In The Digital Economy Era[J].”Stefan cel Mare” University of Suceava, Romania, Faculty of Economics and Public Administration - Economy, Business Administration and Tourism Department.2016.



- [6] Erkut B. From Digital Government to Digital Governance: Are We There Yet?[J].Sustainability, 2020, 12.
- [7] Zeleti F A , Walsh G , Ojo A , et al. Multi-functional view of technology governance in tax administration: A case study[C]// DG.O'21: The 22nd Annual International Conference on Digital Government Research.2021.
- [8] Chen Yanli, Jiang Qi. Construction and Application of China's Tax Business Environment Evaluation System -- is based on root theory research method [J]. Tax Research, 2021(06):125-132.DOI:10.19376/j.cnki.cn 11-1011/f.2021.06.019.
- [9] Mawejje J, Okumu I M .Tax Evasion and the Business Environment in Uganda[J].South African Journal of Economics, 2016, 84(3):440-460.
- [10] Engelschalk, Michael.[Contributions to Economic Analysis] Taxing the Hard-to Tax:Lessons from Theory and Practice Volume 268 || Creating a Favorable Tax Environment for Small Business[J].2004:275-311.
- [11] Luo Qin. Comparison and reference of international experience of Tax business Environment [J]. Tax Research, 2017(11):26-31.DOI:10.19376/j.cnki.cn 11-1011/f.2017.11.004.
- [12] Li Ping. A Digital Analysis of Tax Governance from an International Perspective [J]. Tax Research, 2020(04):62-68.DOI:10.19376/j.cnki.cn 11-1011/f.2020.04.010.