

Problems and Policy Suggestions in the Implementation of the New Individual Income Tax

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Abstract: Personal income tax is an important means of adjusting income distribution and reducing the gap between the rich and the poor. The purpose of this article is to analyze the impact of the new tax reform, and find out the deficiencies and improvements in the new tax implementation plan, and put forward corresponding measures and recommendations, and strive to promote the maturity of China's personal income tax, which is in line with National conditions are in line with the world, and a complete and reasonable socialist individual income tax system with Chinese characteristics has been established.

The newly revised "IIT Law" and the "Interim Measures for Special Additional Deductions for Individual Income Taxes" have been implemented since January 1, 2019. The personal income tax reform has reduced the tax burden on residents to a certain extent, and has actually increased low- and middle-income income. The disposable income of horizontal residents has increased the overall level of residents' consumption. It is of great significance to stimulate domestic demand and promote the redistribution of social wealth. It is also a milestone for the further development and improvement of China's tax system. However, while the personal tax reform has brought many positive effects, it also exposes the problems in the new personal tax law. Solving these problems can further improve China's personal income tax.

1. Problems in the implementation of personal income tax

In recent years, the overall scale of China's individual taxes has been continuously expanded, and the amount of individual tax revenue has increased year by year, and its proportion of GDP has also increased year by year, becoming the third largest tax after the value added tax and corporate income tax (see Table 1). However, due to the late start of China's individual tax and the short development period, there is still a large gap compared with developed countries. The tax structure with income tax as the main body has not yet been formed. The proportion of individual tax revenue to the total tax is at a low level. The degree will affect the role of individual taxes in regulating income distribution.

Table 1: Analysis of personal income tax as a percentage of tax revenue and GDP

years	GDP (billion yuan)	tax income (Billion yuan)	Tax income (Billion yuan)	Individual tax revenue as a percentage of GDP (%)	Individual tax revenue as a percentage of tax revenue (%)
2013	592963.2	110530.70	6531.53	1.10	5.91
2014	641280.6	119175.31	7376.61	1.15	6.19
2015	685992.9	124922.20	8617.27	1.26	6.90
2016	740060.8	130360.73	10088.98	1.36	7.74
2017	820754.3	144369.87	11966.37	1.46	8.29
2018	900309.5	156402.86	13871.97	1.54	8.87

1.1 The issue of fairness is increasingly prominent

1.1.1 Impact of tax reform before and after tax reform on residents with different incomes

This article selects the amount of income in different tax rate levels to compare and calculate the differences in the tax burden caused by changes in thresholds, changes in tax rates, and range values before and after the new tax reform. According to the calculation in Table 2, it can be seen that the new individual tax reform has greatly reduced the tax burden of individual taxpayers, and individuals have different tax reductions at different income levels.

Table 2: Comparison before and after tax reform

Taxable income before the reform	Monthly taxable income after reform	Excess progressive tax rate	Progressive level before reform	Progressive level after reform
0—1500yuan	0—3000yuan	3%	—	—
1500—4500yuan	3000—12000yuan	10%	3.333	3.333
4500—9000yuan	12000—25000yuan	20%	2.609	2.424
9000—35000yuan	25000—35000yuan	25%	1.807	1.741
35000—55000yuan	35000—55000yuan	30%	1.356	1.724
55000—80000 yuan	55000—80000yuan	35%	1.401	1.592
80,000 yuan or more	80,000 yuan or more	45%	1.600	1.727

Among them, low-income people with monthly income below 5000 do not have to pay personal income tax; middle-income groups have huge tax reductions, with tax reduction rates ranging from 49% to 100%, and the most effective tax reduction for this group of people; high-income groups are taxable. The net reduction is the largest, but the tax reduction rate decreases as income increases. As shown in Table 3 below.

Table 3 Comparison of tax reduction rates before and after reform

Monthly income (yuan / month)	Tax payable before reform	Taxes after reform	Net tax reduction	Tax reduction rate
A: 7000	245	60	185	75.5%
B: 12000	1145	490	655	57.2%
C: 23000	3870	2190	1680	43.4%

Note :(The monthly income listed in the table above is the amount after deducting social security premiums, and does not take into account other conditions such as special additional deductions)

For low-income groups, increasing the individual tax exemption will only exempt individuals who collect less than 5,000 yuan a month from tax. For individual taxpayers with a monthly income of about 5,000 yuan, it can moderately reduce the tax burden and reduce living cost. However, as the income level increases, the income effect of the exemption on middle- and high-income groups is becoming less and less; while middle-income groups, especially the working class, have a single source of income, which is mainly income from wages and salaries. Poor awareness of tax avoidance, lack of timely and comprehensive understanding of tax incentives, often become the backbone and main force of personal income tax payment, and compared to the old individual tax, the individual tax growth rate of middle-income groups is much higher than high income crowd. High-income groups receive a wide range of sources, have timely and accurate information, and can make corresponding tax planning rationally to reduce taxes. It can be seen that the current tax rate setting and the applicable excessive progressive tax rate levels cannot effectively reflect the significant role of individual tax in regulating income fairness and reducing the gap between the rich and the poor.

1.1.2 The basic cost reduction standards do not reflect regional differences and wealth differences

At present, the basic deduction standard for individual taxes is 5,000 yuan per person per month or 60,000 yuan per year. In different periods of economic development, disposable income is closely related to the market economic environment, regional economic development, inflation, and price levels. It can be seen from Table 4 that the regional differences in per capita disposable income in China are significant. It is difficult to balance the regional differences in tax burdens of taxpayers by implementing uniform standards across the country, which is contrary to the principle of vertical equity of taxation.

Table 4: Per Capita Disposable Income of Residents of China by Eastern, Central, Western, and Northeastern Region (Unit: Yuan)

area	year2013	year2014	year2015	year2016	year2017	year2018
east	23658.4	25854.0	28223.3	30654.7	33414.0	36298.2
Central	15263.9	16867.7	18442.1	20006.2	21833.6	23798.3
west	13919.0	15376.1	16868.1	18406.8	20130.3	21935.8
northeast	17893.1	19604.4	21008.4	22351.5	23900.5	25543.2

The income of Chinese residents is greatly affected by regional and industry factors, and the corresponding deduction mechanism is also different due to regional economic conditions, wage levels, and price levels. At the same time that income levels increase, the cost of living is correspondingly increased, and the effect of cost deductions on low- and middle-income groups is far greater than that of high-income groups.

1.1.3 Due to different family burdens, there are certain shortcomings in taking individuals as the levy unit.

China's current levy mode is based on the individual as the levy unit. However, under the influence of the family, the taxation of one person as the basic unit cannot truly reflect the principle of fairness and is not conducive to promoting social equity. China attaches importance to the irreplaceable and important role played by the family in the entire society. The family is the basic unit of the country. At the same time, the special additional deductions for child education, housing loans, medical care for the serious illness, and the elderly are all based on the family. For different taxpayers, the composition of different family members and their financial capabilities have caused significant differences in the financial burden of each taxpayer's family, and thus indirectly formed different tax burdens.

1.2 Concealment and dispersion of tax sources

1.2.1 Lag of tax law drains tax sources

With the extensive development of China's economy and society, the income forms of resident taxpayers are becoming more and more diverse, with a wide range of income sources and a complex structure. Express mobile payments such as WeChat and Alipay have become mainstream, and the income from online payment transactions has not been fully incorporated into Within the scope of personal income tax collection, and China's huge population base, it is difficult to effectively monitor tax sources and ensure the normal storage of taxes.

1.2.2 Extensive sources of income indirectly lead to loss of tax sources

The socialist market economy is booming, information technology is becoming increasingly mature, and emerging industries are emerging. The relative lag in the formulation of tax laws has led to inadequate information sharing, asymmetry in resource sharing, difficulty in truly grasping tax source information, and loss of tax sources. Tax evasion provides hidden space.

1.3 Specific additional deduction regulations still need to be detailed

1.3.1 The relevant provisions in the special additional deduction do not meet the principle of fairness

There are only a few cases where taxpayers have continued education and allow deductions in accordance with regulations. The coverage is relatively narrow. At present, only six items of special additional deductions have regional differences in housing rents. Support for the elderly does not consider the elderly's own physical condition. The number of elderly people and the support situation of the elderly on both sides of the couple. At the same time, when the elderly have multiple children, the economic affordability of each child has not been taken into account, and the principle of vertical equity in taxation has not been reflected.

1.3.2 Children's education should continue to expand the scope of deductions

The special supplementary deduction policy stipulates that child education should continue to expand the scope of deductions. Instead, child support is more appropriate and more in line with social needs. Nowadays, with the gradual release of the second child policy in China, more and more families need to bear more. The cost of raising children is much higher, and the cost of raising children between one and three years of age has increased significantly. It is indeed inappropriate to allow the deduction of education costs for children three years of age and older. Economic burden difference. Due consideration should be given to increasing the cost of supporting children between the ages of one and three years in order to better adapt to the actual needs of the current era and to better promote the implementation of China's current fertility policy.

2 Countermeasures and suggestions to solve the problems in the implementation of individual taxes

2.1 Improve the tax model and shift to a comprehensive income tax model

At present, China has initially established a mixed taxation model, that is, a combination of classification and comprehensive taxation. For resident taxpayers, first classify and levy withholding and prepayment, and then reconcile the annual income. Non-resident taxpayers implement withholding and payment. China's tax system model has made great breakthroughs. The goal of future reforms should be to gradually establish a tax collection model for syndromes, which will help better implement the principle of tax fairness. It can effectively reduce the tax burden caused by the same income but different tax burdens, and also help slow down the wide range of taxpayer sources of income. There is no corresponding tax item in the tax collection model without taxation and less taxation.

2.2 Establish a dynamic adjustment mechanism, differentiate cost deductions, timeliness, and flexibility

The disposable income of Chinese residents is strongly related to the level of regional economic development, personal income, family consumption, and prices and inflation. Based on the above characteristics, the basic living expenses of residents should also be based on wages, prices and social security. Designing a dynamic change adjustment mechanism can appropriately increase deductible basic livelihood expenses for economically developed areas, follow the principle of affordability, and share tax revenue based on the taxpayer's affordability, effectively protect the basic living needs of residents, enhance the flexibility of the tax system, The tax model is more scientific and rational.

2.3 Continue to improve specific additional deductions

The special additional deduction items should reflect regional differences and economic differences, and provide taxpayers with multi-dimensional and multi-dimensional deduction methods. Continuing education programs should expand the scope of deductions for continuing professional qualification certification; child education is expanded to child support, increasing

deductions for child support and early education costs for children before the age of three; support for the elderly should be given. The number of elderly people on both sides has been carefully divided and reasonable deduction schemes have been given. The special additional deduction can well embody the principle of fairness of taxation and conform to the national policy of benefiting people's livelihood. Therefore, it is urgent to devote more efforts to implement the principle of fairness.

2.4 Improve the collection management system and increase the tax collection rate

Speed up the construction of personal information system, form a unified and complete personal information network across the country, continue to implement the real-name system of financial accounts, and make taxpayer property transactions transparent; improve relevant laws and regulations, increase credit awards and punishments, and increase tax "black list" monitoring and punishment, alert all taxpayers to pay taxes in good faith, and consciously pay taxes in accordance with the law. Strengthen the monitoring and management of assets and capital, require real-time reporting of overseas income, establish a tax credit system, and cooperate with the international community to increase supervision and control of overseas property.

2.5 Implement a tax collection scheme based on family taxation

Providing a taxpayer with a family income taxation scheme can accurately measure the economic burden of a family to the greatest extent, so that scientific and reasonable special additional deductions are made, which makes the tax policy better reflect the principle of fairness and promote social equity, narrowing the gap between the rich and the poor, and better implementing redistributive adjustment policies.

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