

Research on Tax Collection and Management of Third-party Payment Platform

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Abstract: The development of science and technology has promoted the integration of Internet technology and traditional financial industry. The third-party payment industry has developed rapidly under this trend. Although the third-party payment platform brings convenience to people's life, it also brings some problems. Due to its business characteristics and the hidden nature of the network, the tax collection and management problems cannot be ignored. This paper analyzes the current situation and difficulties of tax collection and management for third-party payment platforms in China, and puts forward improvement suggestions from the perspectives of legislation and supervision, so as to provide reference suggestions for tax collection and management of third-party payment platforms in China and promote the healthy development of third-party payment.

1. Introduction

In recent years, the advent of the Internet economy era has made the third-party payment enterprises rise rapidly, bringing convenience and efficiency to the lives of businesses and consumers. However, while the third-party payment platform brings convenience to people, it also exposes problems such as personal information disclosure, related accounting treatment issues, risk management issues, and imperfect laws related to deposited funds and interest. Among them, the issue of tax collection and management cannot be ignored. It not only affects the government's fiscal revenue, but also has a significant impact on the standardization and development of the financial industry, information technology services and other related industries. However, there are few researches on tax loopholes of third-party payment platforms in China, and the related works are almost blank. Therefore, the research on tax collection and management of third-party payment platform has theoretical and practical significance.

2. Research Status of Tax Collection and Management of Third-party Payment Platform

As a network payment mode, the third-party payment platform is a transaction payment platform with certain integrity and strength that uses information technology such as computers to connect merchants and banks. In other words, the third-party payment platform has built a bridge to connect buyers and sellers under the supervision of banks. As a new industry, there is relatively little research on tax payment by third parties at home and abroad. Basu (2004) proposed to use information technology systems such as information service providers (ISP) for tax calculation and collection. Foreign scholar Irene S Y Kwan (2005) proposed that the general tax method can be applied to the dominant income of financial services, while the flow revenue and expenditure method can be applied to the invisible income, and zero tax rate can be applied to other income export financial services. This method can solve the problem of special income from financial services, but it is necessary to calculate the income and expenditure flow according to the investment behavior and operation behavior of the enterprise. China's Internet third-party payment has developed rapidly, and the research on tax collection and management of third-party payment platforms has also aroused the interest of many scholars recently. For example, Jingjing Wang et al. (2017) designed C2C e-commerce tax collection and management based on a third-party payment platform. Tax departments can use all transaction information recorded on the e-commerce shared

cloud platform to complete tax inspection and improve the efficiency of tax collection and management by tax departments.

At the same time, precipitation funds interest on third-party platforms has also attracted the attention of many scholars. Precipitation fund refer to funds that are idle in society and have not been collected and used, such as funds paid and collected by agencies for customer service and funds deposited by customers in agencies. Scholars have also expressed their views on the control of precipitation funds and the attribution of interest income. For example, Michael Tow Cheng (2001) made an analysis on the EU's third-party payment policy and strengthening the supervision of interest income from precipitation funds paid by third parties. Pei Yu et al. (2018) proposed that if the interest generated by precipitation funds stored on the third-party payment platform is returned to the consumer's account, a series of labor and material expenses generated during the interest return process are most likely greater than the interest itself, and the interest generated by a part of precipitation funds cannot be expressed in the current monetary unit of measurement.

3. Difficulties in Tax Collection and Management of Third-party Payment Platform

3.1 The place of payment is difficult to determine

According to article 7 of Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the income from providing labor services shall be determined according to the place where the labor services occur. Therefore, the income of the third-party payment platform, as income from providing labor services, should be taxed in the place where the labor services occur. However, unlike the traditional payment industry, the third-party payment industry mainly provides services through network servers, so the place where the labor service occurs is the server or the location of the server. However, the network server can move freely from a technical point of view, which leads to the uncertainty of the tax payment location. Some people took advantage of this feature and moved the server to some tax-free areas to avoid taxes. Therefore, it is also worth discussing whether the address of the network server should be taken as the place of labor service.

3.2 The time of payment is difficult to determine

Due to the rapid and highly hidden nature of Internet transactions, it is difficult to determine when labor services will take place. For example, some enterprises may deliberately extend the time limit for tax payment. Some Internet businesses, as well as many users, do not report their income to the tax authorities accurately because the tax payers cannot be identified by the tax authorities. Therefore, it is difficult for the tax authorities to determine the tax payment time of the third-party payment institution whether it is determined by the payment method or the payment method.

3.3 The amount of tax payable is difficult to determine

Like other e-commerce, third-party payment has gradually entered the paperless era, which makes all kinds of vouchers exist in the form of digital information. Unlike paper vouchers, electronic certificate is operable in many aspects, such as transaction content, transaction time and even transaction results. They are easy to be changed and forged, which will lead to the emergence of many illegal and untrue electronic certificate. Therefore, it is very difficult for the tax department to identify the authenticity of the certificate, which makes it difficult for the tax department to accurately confirm the amount of tax payable. And the work of tax collection and administration is faced with great challenges.

3.4 Tax collection and management of interest income of precipitation funds

The payment for goods paid by the seller through the third-party payment platform does not directly reach the seller's account, but stays in the account provided by the third-party payment agency for a few days, and the remaining funds are precipitation funds. Although the interest rate of this part of funds is low, the transaction volume is huge, thus generating a huge amount of interest income. Before 2017, this part of income will be completely tax-free. At that time, this issue also

aroused a heated discussion among scholars. Firstly, whether this part of income should be classified as the property of third-party payment institutions; secondly, according to the law, the deposit interest of general enterprises is not taxable. However, considering the large amount of this part of income and its own particularity, whether it should be taxed is also controversial. At the beginning of 2017, the Central Bank issued the Notice on Implementing Centralized Depositing and Management of Customer Reserves of Payment Institutions, which requires that starting from April 17, 2017, payment institutions should deposit customer reserves in a certain proportion in a special deposit account of designated institutions, and interest will not be paid on the funds in this account. The People's Bank of China issued the Notice on Matters Related to Centralized Deposit of All Prepaid Funds for Customers of Payment Institutions on June 29, 2018, requiring that starting from July 9, 2018, the centralized deposit ratio for customers of payment institutions shall be gradually increased on a monthly basis to achieve 100% centralized deposit by January 14, 2019. In December 2018, the Central Bank's payment and settlement department issued the Notice on The Work of Payment Institutions to Cancel RMB Reserve Accounts as an urgent document. The document requires all third-party payment institutions to open a "centralized deposit account for reserves" before January 14 of the following year according to their business connection with China Union Pay or Internet Union, and to cancel the deposit account for RMB customers opened in the deposit bank, except for those accounts that can be reserved according to regulations.

At this point, the interest income from the large amount of customers' reserve funds on the third-party payment platform has become a thing of the past, and the reserve funds will no longer generate interest when they are put into custody. However, this method completely separates the customer's reserve fund from the third-party payment platform. Although the safety of the customer's fund is guaranteed, this part of the fund also loses its liquidity. Therefore, it is still worth exploring whether there is a more suitable way to deal with the situation in China in the future.

4. Suggestions on Perfecting Tax Supervision of Third-party Payment Platform

4.1 Improve the legislation construction of tax collection and management of the third-party payment organization

As there are still some gaps in the relevant laws and regulations on third-party payment institutions in China, the loopholes in tax collection and administration are not easy to fill. Perfecting the tax collection and management law of our country's third-party payment institutions and carrying out tax system reform can not only reduce the loopholes in the system, but also promote tax fairness, which is conducive to reducing the psychological impact caused by injustice. For this, we can learn from Singapore's practice. Singapore realized the potential risks of third-party payment early and promulgated the Payment System Supervision Law in 2006, which provides unified regulations for the third-party payment system. China should also have a sense of crisis in this regard and issue relevant policies as soon as possible. At the same time, our country should also reform the tax system as soon as possible. Whether the third party, payment organization and other e-commerce industries should levy new taxes or implement certain preferential tax policies should be put on the agenda.

4.2 Strengthen Tax Supervision

As the third-party payment institutions have the same concealment as other e-commerce, China should strengthen the supervision on the tax collection and management of third-party payment institutions. And we can learn from the United States in some ways of tax supervision of third-party payment platforms. For example, U.S. law requires third-party payment agencies to report their customers' transaction records to the tax authorities. In case of special circumstances, the government has the right to require these agencies to submit online transaction records and detailed transaction records of special customers with bad records such as tax evasion.

4.3 Optimize the Tax Environment of Third-party Payment Institutions

Optimizing the tax environment mainly includes optimizing the legal environment and optimizing the cultural environment. The optimization of legal taxation not only includes the improvement of laws and regulations, but also requires the departments concerned to severely punish tax evasion and encourage tax paying. In order to optimize the cultural environment, taxpayers should first raise their awareness of paying taxes and realize the positive significance of taxation. It requires the relevant departments of the state to step up publicity efforts to change people's tax concepts. When the tax concepts of all walks of life are updated, reshaped, returned and integrated, a social public opinion atmosphere and civilized environment can be created. People will agree that paying taxes according to law is glorious and escaping tax is shameful. In this way, social and psychological pressure can be exerted on illegal acts such as tax evasion, thus effectively eliminating tax evasion from the root and achieving the effect of optimizing the tax environment.

4.4 Suggestions on Interest of Precipitated Funds

Since January 14, 2019, all third-party payment platforms have centralized custody of customer reserves to a special interest-free account for central bank customers' reserves, which means that the third-party payment platform shall not misappropriate the customer's reserves. This part of the capital has lost its liquidity and will not be able to maintain or increase its value. For this part of the funds, some foreign practices can be used for reference. For example, some European Union countries allow third-party payment platforms to make certain investment activities on the basis of ensuring the safety of this part of funds. Specifically, the third-party payment institution should separate other accounts of the enterprise from the deposit fund account firstly, and set up a separate account as the deposit fund account to calculate the income separately. Secondly, the deposit fund limit and residence time of the third-party payment platform are specified. At the same time, the scope of its use should be limited. For example, a third-party payment institution may not invest this fund into projects with high risk and low liquidity, and at the same time, it shall set aside risk reserves to ensure that the safety of customer reserves will not be damaged.

To sum up, the difficulties in the tax collection and management of third-party payment institutions include not only the tax payment time and place caused by network secrecy, but also the problems caused by their own business, such as precipitation funds, prepaid card income tax. To solve these problems, the industry and commerce departments, tax departments, third-party enterprises and relevant shopping websites need to work together to ensure the smooth implementation of tax collection and management. Besides, we can learn a lot from the experience of other countries, especially the successful cases of other countries with similar national conditions. In order to solve the problem of tax evasion from the root, we should step up legislative construction and tax supervision, and strengthen people's awareness of tax revenue. At the same time, we should implement specific solutions for different types of income to avoid the loss of fiscal and tax revenue and the confusion of the industry.

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