

Research on Structural Optimization of Tax Reform

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Abstract: Personal income tax is a typical direct tax, and it is the tax that is most closely related to the interests of ordinary people. Therefore, the comprehensive reform of personal income tax involves a wide range of issues, and it is necessary to coordinate the interests of all parties and the full cooperation of various departments. This paper starts with the evaluation of the previous round of personal income tax reform in China and the current status quo, points out the bottleneck problem of personal income tax reform, and puts forward the orientation and specific suggestions of China's personal income tax reform.

1. Introduction

Personal income tax (hereinafter referred to as “single tax”) is an indispensable and important tax in China's compound tax system. In an economic environment where the market plays a decisive role in resource allocation, differences in people's possession of property and differences in labor capacity and family status will inevitably lead to a disparity in income. Especially in recent years, China's “golden development period” and “contradictory period” are accompanied by the fact that the income distribution gap of residents has gradually widened. This has become one of the indisputable facts and one of the prominent contradictions of the society. Some settings of the individual tax system are also criticized. As one of the taxes most closely related to the people, the tax is more and more endless. Especially after economic development has entered a new normal, China's tax reform has not been a specific factor of reform, but has entered a new stage of holistic reform. It is necessary to combine economic and social development planning and full consideration of various means. The operability of the measures, re-designing the taxation model, fee deduction, tax rate, and collection and management process [1].

2. Disputes Related to Personal Income Tax Rate

The contradiction between lowering the tax rate and enhancing the role of individual tax adjustment. In recent years, China's high-speed tax revenues and the call for lower tax rates have always emerged. On the other hand, at this stage, the proportion of China's individual tax revenue in the overall tax revenue is too small, which has caused greater constraints on the use of tax-regulated income distribution. If it is only a simple underground tax rate, and does not make a detailed analysis of the various factors of the entire tax rate and propose corresponding structural adjustments, then the expectation of enhancing the role of tax adjustment will be difficult to achieve. Moreover, the simple underground tax rate not only reduces the taxpayer's tax burden is not significant, but also further deteriorates the proportional relationship between direct tax and indirect tax in China, which is extremely unfavorable for the optimization of the overall tax system. Therefore, in the face of the problem of individual tax rate, it is necessary to treat different taxpayer groups differently, and appropriately increase the proportion of taxpayers in the taxable amount of high-income groups, through ways of increase, decrease, and structural optimization. Effectively reduce the tax burden of low- and middle-income groups, and further improve the adjustment function of individual taxes, so that the adjustment of individual tax rate is carried out within a reasonable range [2].

The contradiction between the fact that the amount of exemption is continuously raised and the original intention of the “wide tax base”. The exemption amount is the amount exempt from

taxation in the total amount of tax deductions specified in the tax law. The exemption amount is related to the actual tax burden, so it can be regarded as a factor in determining the tax rate. It is different from the threshold. The main difference between the two is that when the taxable object is larger than the exemption amount or the threshold, whether or not the taxable income of the taxable object should be taxed. In fact, in recent years, the main force of China's reform of individual taxes has also focused on the amount of exemption. The previous tax reforms have not been used as an important entry point. According to estimates, at present, China's taxpayers account for about 8% of the total number of employees, which also means that taxes have been reduced to a small number of people's taxes. The important aspect of perfecting the tax system is to "wide tax base", that is, to let the tax cover more people, so that we can better play the role of tax adjustment. Obviously, if we simply respond to or delay the public's expectation of individual tax reform by increasing the amount of exemption, this is inconsistent with the current trend of tax reform.

Controversy over the priority issue of tax rate adjustment in the entire tax reform. As we all know, the reform of the taxation system involves all aspects of the factors, not only by the hardware of tax collection and management capabilities, but also the acceptability of taxpayers. Therefore, some scholars believe that when advancing the tax reform, we should first do some basic work in the early stage, such as further optimizing the taxation target, taking into account the family factor, or strengthening the tax collection and management capacity. Correspondingly, the tax rate issue is more sensitive and should be adjusted after the conditions are basically met. Other scholars believe that the tax rate issue is one of the core of a tax reform. It should be placed in the priority position of the reform of the entire tax system. The tax rate problem has not been properly solved, and it is difficult to improve the tax system. Both of these opinions have certain rationality. Therefore, when studying the tax rate, we must refer to it and try to find the position of the tax rate adjustment in the entire tax reform [3].

3. The Problems of Personal Income Tax and the Necessity Of Reform

China's individual tax has been officially levied in 1980 for 36 years. The reform direction of "combination of comprehensive and classified" has already been clarified in the 2003 Central Document, but to this day, the existing reforms of individual taxes have always focused on the income from wages. The reforms that combined the deductions in the true sense of integration and classification have not been substantially advanced.

In the tax system design, the first thing to consider is the functional positioning of tax types. Traditionally, the most basic function of a tax is to organize fiscal revenue and regulate income distribution. However, in the past decade or so, China's individual tax accounted for an average of only 7% of total tax revenue; its share of public finance income was only 6%. It can be seen that China's individual tax is not ideal in terms of the function of the organization's fiscal revenue. The main reason is that China is still in the primary stage of socialism. Although after years of development, the level of productivity and per capita GDP are still relatively low compared with developed countries. Most households' income is used to maintain their basic needs. Personal income is difficult to target as a general levy. In addition, with the deepening of reform and opening up and the development of the socialist market economy, the phenomenon of unfair income distribution in China is becoming more and more obvious, both between urban and rural areas, between regions, between industries, and between residents and individuals. The level gap is large, and some even have a polarization. The existence of these differences makes the tax revenues also have large differences. Moreover, in recent years, the income of individuals and families no longer depends solely on wage income, showing the characteristics of diversification and invisibility, and the individual tax reform is obviously lagging behind this income pattern change for various reasons, and the relevant system design exists. Defects and problems make the role of tax-regulated income distribution very limited. Not only that, but the taxation is also marginalized, and its regulation function needs to be optimized and strengthened.

At present, China implements a classification income tax system. The personal income tax is divided into 11 categories, and the deduction standard, applicable tax rate and taxation method for

each taxable item are specified. This taxation model is clear at a glance and is easy to collect, but it also has drawbacks [4].

First, the scope of taxation adopts the “positive enumeration” approach, which does not cover all forms of income. In recent years, the income of Chinese residents has been diversified from wage income to income. Some incomes cannot be automatically taxable under the “positive enumeration” method, which makes the tax base of China's personal income tax narrow.

Second, the sub-item collection cannot reflect the principle of horizontal equity in the tax system. People with the same income will have different tax burdens due to different sources of income, which may cause tax distortions among taxpayers. That is to say, people with more income sources have more tax deductions, and the tax burden is relatively lighter. For those with a single source of income, the tax burden will be relatively heavier because of the lower cost deductions.

Third, it is easy to generate tax loopholes and create space for tax evasion. The existing taxation model for the classification of individual taxes, that is, different types of personal income apply different tax rates, the original intention is to light tax on the taxpayer's hard work income, in order to achieve the country's specific policy objectives, but in fact The achievement of policy objectives is not ideal. The 11 tax items of the tax, because of their different tax rates and deductions, the scope of the income range is rather vague, creating a space for taxpayers to transfer their income between different projects.

Personal income tax is a kind of tax generally levied by countries all over the world. In the past few decades, the tax system has changed a lot, especially in terms of tax rate, fee deduction standard and tax structure. The trend of personal income tax in countries around the world is the tax structure with low tax rate and wide tax base. In contrast, China is currently in need of reform and optimization in terms of tax rates, grades and marginal tax burdens.

China's current tax is a combination of cost deduction and rate deduction. This method is relatively simple, easy to calculate and manage, but it has major drawbacks. For example, wage income, the current deduction for all taxpayers in China is 3,500 yuan, without considering the different situations of different taxpayers. For example, some people may be single for a long time; some have families and different family members; some need to educate their children; some need to support the elderly. Moreover, living standards in different regions are not the same. These will affect the total cost of living and the actual tax burden of taxpayers. In addition, even taxpayers with the same income level will have different tax deductions due to different income sources and different deductions.

4. The Overall Thinking and Policy Recommendations of China's Personal Income Tax Reform

Drawing on the experience of international personal income tax reform, combined with China's national conditions, China's personal income tax reform should be oriented to give full play to its role in regulating the income distribution gap, taking into account the awareness of taxation and the cultivation of middle-income groups. It is true that the function of adjusting the income distribution gap of individual tax should be objectively treated, that is, the tax is not a “universal medicine”, and the field in which it functions is limited. The initial distribution and the formation of the property distribution pattern will also be affected by other factors, and other tax types will need to play a role.

Specifically, the first is to consider the income from the nature of labor remuneration, such as wages, salary income, labor remuneration, remuneration income and royalties, to be included in the comprehensive taxation. Of course, in order to realize the comprehensive taxation of these incomes, it is necessary to solve many institutional and technical bottlenecks. The most important thing is how to accurately grasp the total amount of labor compensation for each person. Since the current local taxation is mainly levied by the local taxation bureau, the local taxation bureau does not have the authority to cross-border taxation. In this way, the part-time income of laborers in different places cannot be taxed. Therefore, it may be considered that the State Administration of Taxation will take the lead in establishing a “collective collection and collection system for income from

personal labor income”. The taxpayer’s personal income information can be transmitted to the local tax bureau according to its employment unit, and the local tax bureau will collect it. Second, the income from interest, dividends and dividends is the income of the investment. The income from the lease of the property belongs to the income from the transfer of the right to use. The income from the transfer of property belongs to the change of ownership. It can be considered to still follow the current classification method.

There are many shortcomings in the classification and taxation. Most countries in the world implement a mixed tax system combining comprehensive and classified. In addition to classifying individual income sources, they also use their annual income to be included in the taxable range, thus avoiding income. There are many “countries” in the system that have a small amount of tax payment. In addition, most countries provide special tax credits for low-income people, allowing taxpayers to deduct a certain amount of livelihood costs for their support and actual burden, to a certain extent, the tax burden between taxpayers is roughly Balanced, giving the tax system a humanized design core [5].

The design principle of the tax rate should be to reduce the burden on taxpayers as a whole, especially for low-income and middle-income earners, while reducing the marginal tax rate and simplifying the collection and management. Drawing on international experience, the tax rate reform of individual taxes can be considered to reduce the tax rate from the current 7 files to 5 files. At the same time, the annual tax time unit is used, and the minimum marginal tax rate is designed to be 1%, and the highest marginal tax rate is designed to be 35%. In addition, in the design of the collection and management, we can consider the combination of source deduction and self-declaration, and settle the payment at the end of each year. In this way, it can not only ensure that personal income tax is paid into the warehouse in full and on time, but also cultivate residents' awareness of tax payment and reduce the cost of collecting and managing.

The first is to establish a personal income tax information system in which the tax department and the banking, public security, industry and commerce, customs and other departments are networked in real time, and all tax-related information in the system can be used as needed. In this way, not only can efficiency be improved, but real-time monitoring of taxpayers can also be achieved. The second is to establish and improve a personal credit system. That is, it is necessary to locate and identify each taxpayer and establish a unified taxpayer identification number. You can consider the ID number, social security number and personal tax number of each member of the society to be the only and lifetime information unit code, and also become the tax identification number. The income can be credited to this number, and the credit rating can be based on the taxpayer's tax liability performance. The rating result will have a substantial impact on the taxpayer's work, loans and other social behaviors, thereby promoting the taxpayer. Consciously fulfilling tax obligations.

5. Conclusion

China is in the process of tax reform that is promoted throughout the country. The reform will lead to a decline in China's indirect tax burden. Therefore, this year is also the best time for China's personal income tax reform. At this time, the tax reform should improve China's tax status on the one hand, and improve the fairness direction of the individual tax system on the other hand. Taxes reduce the role of the income gap. □□

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