

Tax Structure Optimization and High-Quality Economic Development: Mechanism of Action and Basis of China's Experience

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Abstract

Theoretically, the optimization of tax structure can both directly contribute to the economic quality development and affect the economic quality development through the internal tax changes. This paper firstly explains the mechanism of tax structure on high-quality economic development at the theoretical level, and then empirically examines the effect of tax structure changes on the quality of local economic growth by establishing a dynamic panel data model and adopting GMM estimation.

Keywords

Tax structure; High quality economic development; Direct and indirect taxation.

1. Introduction

The 19th Fifth Plenary Session of the Party clearly put forward: to improve the modern taxation system, to improve the local taxation and direct taxation system, to optimize the taxation structure, and to appropriately increase the proportion of direct taxation. The above requirements point out the direction for the future reform of China's tax system structure. Theoretically, the optimization of the tax system structure can not only directly contribute to the high-quality economic development, but also influence the high-quality economic development through the internal tax adjustment changes. Therefore, this project firstly interprets the mechanism of tax structure on high quality economic development from the theoretical level systematically, and then investigates the effect of tax structure optimization on high quality economic development by establishing a dynamic panel data model and estimating it with the help of GMM method. The research of this project is beneficial to the optimization of China's tax system structure and the rational allocation of market resources, and it can also provide an important reference for decision making and practical basis for solving the problems encountered in the new era of economic and social development and promoting high-quality economic development, which is of great theoretical significance and application value. On October 29, 2020, the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China (CPC) deliberated and adopted the "Proposal of the CPC Central Committee on Formulating the 14th Five-Year Plan for National Economic and Social Development and the 2035 Visionary Goals", in which it was clearly proposed that: to improve the modern taxation system, to improve the local taxation and direct taxation system, to optimize the taxation structure, and to appropriately increase the proportion of direct taxes. The above requirements point out the direction for the reform of China's tax structure in the next five years. The tax system structure is the combination and relative status of tax categories and tax types set up and formed by a country according to the level of economic development and political requirements in accordance with laws and regulations. These tax categories and tax types are interlinked, coordinated and complementary to each other, and finally form the tax structure system.

2. Organization of the Text

2.1. Optimization of tax structure

The original meaning of "optimization" is to take certain measures to make it "better", "better" means "superior", however, there is no fixed standard for "superior". However, there is no fixed standard for "superiority", and the one that is suitable is the best. Similarly, there is no fixed model for the merits and demerits of the tax structure itself. Whether it has achieved optimization depends on whether the tax structure is adapted to the current characteristics of the times on the one hand and whether it can achieve the government's decision-making goals on the other. Unless the political, economic and social environment of the time has been solidified, an unchanging tax structure will definitely hinder the progress of society and slow down the pace of economic development. Therefore, the optimization of China's tax structure should be based on the development stage and the objective environment faced by China, guided by the national development strategy and policy objectives, and devoted to solving the problems encountered in economic and social development. In the specific study for China, this paper focuses on the optimization of tax structure and high-quality economic development, and explores the impact of China's tax structure (direct tax category and indirect tax category) on economic growth, with the aim of providing some rationalized suggestions on tax system optimization for China's economic development.

2.2. Analysis of the mechanism of the tax system structure on the high quality economic growth

In a recent press conference held at the State Council Information Office, the person in charge of the Ministry of Finance introduced that during the 14th Five-Year Plan period, China will further improve the modern taxation system, improve the local taxation and direct taxation system, optimize the taxation structure, and establish a sound taxation system that is conducive to high-quality development, social equity and market unity.

First, improve the local tax system and cultivate local tax sources. Improve the local tax system, rationalize the allocation of local tax authority, rationalize the relationship between taxes and fees, move back the collection link of consumption tax and steadily transfer it to localities in accordance with the reform program of dividing the central and local revenues, and promote the reform by combining the legislation on consumption tax with the integrated study. Under the premise of unified central legislation and tax levying authority, the provincial tax administration authority will be appropriately expanded through legislative authorization. Coordinate and promote the reform of non-tax revenue.

Second, improve the direct tax system and gradually increase the proportion of direct taxes. Improve the direct tax system with income tax and property tax as the mainstay, gradually increase its proportion of tax revenue, effectively play the role of direct tax in raising fiscal revenue, regulating income distribution and stabilizing the macro economy, and solidify the foundation of social governance. Further improve the combination of comprehensive and classified personal income tax system. Actively and steadily promote real estate tax legislation and reform.

According to the introduction, by deepening the reform of the tax system, the structure of China's tax system has been further optimized, and the proportion of direct taxes has gradually increased from 28.4% in 2011 to 34.9% in 2020. The regulating role of taxation on national income distribution and the mechanism role of automatic stabilizer are gradually enhanced

The relevant discussions on income distribution in the Second Tenth Report not only reaffirm the basic policy of income distribution in socialism with Chinese characteristics, but also creatively put forward new discussions such as "regulating the wealth accumulation mechanism", which further provides a direction for "improving the direct tax system and

appropriately increasing the proportion of direct taxes". This further points out the direction for "improving the direct tax system and appropriately increasing the proportion of direct taxes".

Firstly, the personal income tax system combining comprehensive and classification is improved. With the remarkable improvement of people's living standard, the tax source of personal income tax is getting richer and richer, and it has become the most potential tax in China. The goal of the future construction of the individual income tax system is not only to increase the proportion of income, but also to enhance the fairness and reasonableness of the tax system. It is necessary to promote the expansion of the scope of comprehensive personal income tax collection, optimize the tax rate structure, reasonably regulate excessive income and standardize the management of capital income. In view of the fact that property income is an indispensable channel to increase residents' income, the relationship between property income and labor compensation for personal income tax should be balanced to prevent lax taxation of property income and overly strict taxation of labor compensation. Individual income tax should be levied on legally compliant excessive property income according to the law. While increasing the personal income tax revenue of high-income groups, it is also necessary to improve the special additional deductions to reduce the tax burden of the elderly, disabled and other groups; to establish a dynamic adjustment mechanism for the basic deduction and special additional deductions for personal income tax, to take into account factors such as inflation, and to adjust the deduction and deduction standards dynamically according to the relevant economic indicators on a regular basis to reduce the tax burden of the middle and low-income classes.

The Second Tenth Report points out that high-quality development is the primary task of comprehensively building a modern socialist country, which further indicates the way forward for tax reform and development. An important direction for optimizing the current tax structure is to improve the overall operational efficiency of the tax system and promote the transformation of the tax system from a revenue-functional to a development-functional one with the theme of high-quality development, so as to promote the effective improvement of economic quality and reasonable growth of quantity. To this end, it is necessary to reasonably set up various types of taxes and their proportional relationships to form a mutually coordinated and complementary tax system structure system, so as to effectively play the functional role of taxation in promoting high-quality development.

In terms of tax structure, in 2021, VAT accounts for 45.5% of China's total tax revenue, corporate income tax for 24.3%, personal income tax for 8.1% and consumption tax for 8.1%, and these four taxes are the main taxes in name only. We should continue to optimize the structure of the main tax types, continue to play the main role of VAT in securing tax revenue, reduce the proportion of corporate income tax, increase the proportion of individual income tax, and better play the role of individual income tax in regulating income distribution. In addition to optimizing the structure of the main tax types, the auxiliary tax types should be further reformed and improved, especially the adjustment and optimization of real estate-related taxes.

In terms of the structure of tax categories, the proportion of goods and services tax category in China's total tax revenue in 2021 is 53.6%, and the proportion of income tax category is 32.4%. Compared with the member countries of the Organization for Economic Cooperation and Development (OECD), the proportion of goods and services tax category in China is significantly higher and the proportion of income tax is significantly lower. It is necessary to continue to optimize the tax structure with goods and services tax and income tax as the main tax, and actively create conditions to promote the transformation of the tax structure with income tax as the main tax. Considering that the goods and services tax system and income tax system directly affect market transactions and the efficiency and fairness of the overall economic operation, their unity and consistency should be more emphasized; while the property tax

system is more closely integrated with localities, its localities and differences should be reflected, so as to provide institutional support for the differentiated development of each place. In addition to optimizing the structure of tax types and tax categories, we should also focus on optimizing the combination of tax types, giving full play to the advantages of the combination of tax types and forming a tax policy system that supports innovative development, green development and coordinated development.

In supporting innovation development, we will continue to increase tax preferences for scientific and technological innovation, and strive to build a tax preference policy system that includes multiple tax types such as corporate income tax, personal income tax and value-added tax, and includes various means such as direct and indirect preferences, covering multiple innovation elements, different innovation links and various types of enterprises. In particular, we should focus on the development of national basic industries and promote the transformation and upgrading of the manufacturing industry, increase the preferential value-added tax for enterprises in key "neck" areas and new infrastructure enterprises, increase the preferential income tax for basic scientific research and development, study and improve the preferential personal income tax policy for high-end and scarce talents engaged in basic research, for example, to include For example, the scope of the policy of individual income tax differential subsidy for high-end and scarce talents outside Guangdong, Hong Kong and Macao Bay Area covers the scientific and technological personnel who are engaged in "neck" technology in important fields and key links in the territory.

In supporting green development, on the one hand, we will further reform and improve green taxes such as resource tax, arable land occupation tax and environmental protection tax; on the other hand, we will "green" and adjust traditional taxes such as corporate income tax, value-added tax, consumption tax, vehicle purchase tax and vehicle and vessel tax, and improve and perfect environmental protection tax as the main body, resource tax, arable land occupation tax as the main body, and value-added tax, vehicle purchase tax and vehicle and vessel tax as the main body. The main focus is on environmental protection tax, and the main focus is on resource tax and arable land occupation tax, with VAT, consumption tax, corporate income tax, vehicle purchase tax and other taxes as auxiliary green tax system. We will implement tax policies that are conducive to energy conservation, environmental protection and comprehensive utilization of resources, accelerate the pilot conversion of water resources fees into taxes, and play the role of positive incentive and negative pushback of environmental protection tax to form a tax system that guides and promotes green production and consumption.

Optimize the structure of tax types, improve the efficiency of tax system operation and promote high-quality development.

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3. Conclusion

In supporting coordinated development, improve tax policies to support western development and rural revitalization, study tax policies to support the construction of Xiong'an New Area, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Economic Belt, Chengdu-Chongqing Twin Cities Economic Circle, and the ecological protection and high-quality development of the Yellow River Basin, unify enforcement standards, eliminate policy differences, and promote urban-rural integration and coordinated regional development. Entering the new era, the main contradiction of our society has been transformed into the contradiction between people's growing need for a better life and unbalanced and insufficient development. Optimizing the tax system must adapt to the requirements of the new situation in the new era, adhere to the innovation drive, emphasize independent innovation, ensure a smooth economic cycle, achieve a high level of self-reliance and self-improvement, focus on solving the problem of unbalanced development, promote the harmonious coexistence of man and nature, continuously improve the internal and external linkage of development, and effectively safeguard social justice.

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