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# China Taxation Administration: Challenge and Reform

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State Administration of Taxation

# 1. Status of Chinese Taxation Administration

- \* Currently, China levies 18 taxes including Value-Added Tax, Excise Tax, Business Tax, Corporate Income Tax, Individual Income Tax, Resource Tax, Urban and Township Land Use Tax, Real Estate Tax, Farmland Occupation Tax, Vehicle acquisition Tax, Vehicle and Vessel Tax, Deed tax, Custom Duties and so on

China practices a financial management system of tax division

The national tax bureau and local tax bureau levy mainly per types of taxes.


## 2. Challenges faced by China Taxation Administration

some are  
general issues  
that are  
commonly  
encountered  
in most  
countries

and the rest  
are special  
issues solely  
in China

# Firstly, changes in tax sources bring new challenges to taxation administration

- \* By the end of 2012, the number of taxpayers registered in China has reached over 34 million (of which the number of business taxpayers is 12.78 million, accounting for 36.9%)
- \* The traditional management method is not suitable for the current situation

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- \* Nowadays, an increasing number of tax administration problems are raised by large cross-regional or cross-industry enterprise groups
  - \* The conflicts: between those cross-regional business enterprises and China's taxation apportionment management.

## The second : modern information technology revolution brings new challenge to tax administration

The rapid development of e-commerce increases the degree of asymmetric information between tax officials and taxpayers

# The third, further steps of taxation revolution bring new challenge

- \* On the next step, China will promote the reform of real estate tax and individual income tax reform.
- \* we lack the necessary experience and support of appropriate laws and regulations



# The fourth : Economic globalization brings new challenges to Chinese international tax administration

- \* Chinese tax authorities are in lack of officials who are professionals of managing cross-border transactions

# 3.The Direction of China's tax administration reform

- \* Tax modernization:
  - \* complete system of tax laws
  - \* well-developed tax regime
  - \* convenient taxation service
  - \* scientific tax management system
  - \* powerful information system
  - \* Clear and efficient organization system

# (1) Encourage tax administration with information technology

- \* Accelerate “Golden taxation project”
- \* Enable tax collection online
- \* Promote information sharing
- \* Endeavor to obtain third-party information
- \* Settle the difficulty of asymmetric information

## (2) promote risk management.

Create a “unified analysis, classified response” risk management system

## (3) Strengthen professional management

- \* Distinguish different types of taxpayers
- \* Apply to different management method
- \* Such as : for those large-scale and cross-regional business taxpayers, upgrade the management level to municipal or provincial tax bureau

## (4) Strengthen tax administration of large enterprises

- \* Put more resource on the tax administration of large enterprises
- \* Establish professional tax management mechanism of large enterprises

## (5) Improve taxation service

- \* SAT has established a specialized department to guide tax service and improve taxpayer's satisfaction

# (6) strengthen international cooperation in tax administration

Multilateral Convention on Mutual Administrative Assistance in Tax Matters

Base Erosion and Profit Shifting



## (7) Promote the improvement of relevant supporting systems

- \* Clear and definite the third parties' obligations to provide tax authorities with all kinds of necessary information
- \* Promote the establishment of a social credit system

## (8) Improve the ability of tax specialists

- \* We has started a high-end tax talents cultivation project since last year
- \* Intend to build up a 1000-talent team for the subsequent 10 years