

Reflections on Doing a Good Job of Individual Income Tax Collection and Administration in Grassroots Tax Departments

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Abstract: With the economic development, the amount of per capita disposable income has increased dramatically, and the income gap between the natural person subjects has become bigger and bigger, while the personal income tax has gradually become one of the important taxes in the tax collection and management after going through seven reforms, playing a more significant role in regulating the distribution of income and promoting the fairness of taxation. In the context of the current individual tax reform, combined with the requirements of deepening the reform of the levy and administration system, four countermeasures are proposed from the situation of individual income tax levy and administration of grass-roots tax departments, such as strengthening the legal protection, enhancing tax compliance, strengthening data sharing, and strengthening the support of talents.

Keywords: Individual income tax, Reforme, Tax collection, Countermeasure, Fairness, Grass-root.

1. Introduction

Individual income tax can mobilize the state's financial revenue, and to a certain extent, it can regulate the social distribution, which is of great significance to maintain the efficiency and fairness of the society. With the continuous improvement of China's tax system, as a direct tax, the tax administration of personal income tax is getting more and more attention.

China introduced the Individual Income Tax Law in 2019, which changed the tax system from the original nine classified tax system to a combined comprehensive and classified tax system, with nine taxable incomes, including wages and salaries, remuneration for labor services, business income, interest, dividends, etc., and six special additional deductions, such as support for the elderly, medical treatment for serious illnesses, children's education, continuing education, interest on housing loans, and housing rent, added from January 2022, completing a smooth transition from the old to the new system. 6 special additional deductions In addition, six special additional deductions have been added to the nine items of taxable income, including alimony for the elderly, major medical care, children's education, continuing education, housing loan interest, and housing rent. However, from the point of view of the current tax administration, the reform has changed from a single tax system to a comprehensive tax system, with the implementation of annual remittance and the addition of special additional deductions, which makes the whole process of collection and payment more complicated than before, and the extension of tax collection and administration from withholding agents to natural person taxpayers, so that the tax department will have to deal with hundreds of millions of individual income taxpayers. The tax authorities have to deal with hundreds of millions of individual income taxpayers. Problems such as lack of experience in the declaration and management of natural persons, contradiction between collection and payment, low tax compliance of natural persons, and low level of information in tax administration have been exposed.

Based on the tax administration practice of the tax department in City A of Sichuan Province, this paper tries to put forward four countermeasure suggestions, including strengthening legal protection, enhancing tax compliance, reinforcing data sharing, and reinforcing human resources support, in light of the actual situation after the reform of individual income tax in City A.

2. New Features and Challenges Facing the Administration of Personal Taxes

2.1. The collection is broad and socially responsible.

After the changes in the levy and management reform, withholding units and natural persons are the objects of levy and management, which are closely related to the personal income tax, and taxpayers can directly obtain their personal income tax information through the personal income tax app and other channels. for example, they can inquire about their own incomes, the taxes they paid, and check whether they have been fraudulently used by other companies or individuals to use their identities, which has greatly increased the social attention and sensitivity of the personal income tax. Under the background of the big data era, the economic form is also gradually digitalized and convenient, and there are more and more B2B, B2C, and even C2C transaction forms. The income channels of natural persons are also increasing, which makes the number of natural person taxpayers explode. The situation of the natural person group is very different, with different levels of culture and education. At the same time, the tax department lacks experience in managing a large number of taxpayers, and it is difficult to communicate with and contact them, which may easily lead to public opinion if not paid attention to.

2.2. Asymmetry of tax-related information and complexity of sources

Individual income tax collection system is huge; it involves various industries, horizontally involves provinces, cities, counties and townships of all kinds of natural persons, involving a large number of people. At present, most of the personal income tax information in the tax system can only be obtained by withholding agents and taxpayers' self-declaration, such as tax registration and tax declaration. However, the authenticity of the information, such as cell phone number, account opening bank, bank card number, etc. cannot be confirmed. Due to the source status of taxpayers, the tax authorities want to verify the authenticity of taxpayers, but they have certain difficulties. So the tax source information to obtain a single channel, authenticity is difficult to ensure, tax-related information asymmetry, not only increase the difficulty of tax collection and management, but also increases the risk of tax evasion and tax evasion of taxpayers.

2.3. Ambiguous taxpayer awareness and low tax compliance

Before the individual tax reform, withholding and payment declarations were mainly made by withholding agents, while under the new tax system, in addition to withholding by withholding agents on behalf of taxpayers, natural persons are required to make declarations on their own on a monthly or per-occasion basis. Taxpayers are required to fill in the eligible special additional deductions on their own, and the withholding agents are required to update the tax-related information of the taxpayers at any time, and they are required to make the consolidated income remittance from March 1 to June 31 every year. The whole tax system has produced great change, and also put forward higher requirements for taxpayers' tax compliance. Most of the taxpayers do not have a high degree of compliance in declaring tax consciously due to a lack of relevant tax knowledge, do not understand the risks and penalties of tax evasion and avoidance, and have a strong resistance to self-declaration, which leads to the loss of tax sources, which is also a new challenge for the tax authorities to strengthen the levy and control and to improve the tax compliance degree of the taxpayers.

3. Issues Highlighted

3.1. Poor quality of individual tax returns

The dilemma of returning rights and responsibilities to taxpayers. The current mode of collection and management has changed from monitoring the whole process to supervising the whole process after the fact, which has made it possible to realize the return of power and responsibility to the taxpayers, but some contradictions have also been exposed in the process. Firstly, taxpayers have a weak sense of tax law and lack of obligation for withholding and comprehensive income annual remittance. Secondly, there are cases that the understanding and application of individual tax policies are not in place. Some withholding agents have poor quality of withholding declaration, such as concealment and misreporting of employees' salary or wrong splitting; inaccurate declaration of the number of people, misreporting, omission, etc.; deviation in the understanding of declaration of deduction; incomplete understanding of tax exemption, reduction, exemption, or enjoyment of tax incentives and

wrong filling in the declaration.

3.2. Barriers to information exist

In the course of the current collection and management practice, the tax authorities have limited sources of information, the data dimension is not wide enough, and there is a lack of a rapid and accurate information collection mechanism. In addition, due to the limitation of functions and division of labor, there is no information interoperability with customs, public security, banking, construction management, housing management, medical care, and other departments, and the data of the tax department presents a closed and independent state, which makes it difficult to develop data resources, resulting in low quality and efficiency of tax assessment, risk capture and control. Due to the lack of effective coordination and collaboration, there is no mature risk early warning system, and there is information lag in the case of obvious tax evasion or substantial tax increases or decreases. In cases of obvious tax evasion, or substantial tax increase or decrease, there is an information lag, which also leads to insufficient construction of risk indicators before and during the process and insufficiently strict supervision and monitoring during and after the process.

3.3. Bottlenecks in the capacity of tax cadres

After the tax reform, tax cadres are required to update their knowledge, know the policies, change their original concepts of collection and management, and at the same time have certain big data analysis abilities. There is a lack of composite talents, and there are even fewer tax cadres who can master specialized tax knowledge and are skilled in the Internet, big data, and cloud computing. And the age of the tax department is obvious, such as in A city with 1390 in-service cadres, 441 people under the age of 35, accounting for 35.59%; 36-45 years old, 3 people, accounting for 18.7%; 46-years-old cadres, 566 people, accounting for 45.68%; the whole A city tax system presents a "two big, middle small" distribution situation: young cadres fault, training pressure, and aging, resulting in the actual volume of human resources being difficult to meet the needs of the tax department. The actual volume of human resources also makes it difficult to meet the needs of normal work.

4. Proposals to Strengthen the Collection and Administration of Personal Income Tax

4.1. Strengthening legal safeguards for tax enforcement.

It is necessary to clarify the scope and rights of tax enforcement through the enactment of laws so that law enforcement can be carried out in accordance with the law, and to give tax cadres a basis for strengthening their management so as to make it more conducive to cracking down on tax violations. This includes, but is not limited to, revisions to the Tax Administration Law, such as the refinement of the provisions on tax preservation and tax enforcement in the provisions on the administration of personal income tax, and so on.

4.2. Improving tax compliance

It is necessary to cultivate taxpayers' awareness of the initiative to pay taxes and increase their trust in the tax authorities so that taxpayers can pay taxes with peace of mind

and sincerity. Increase the ways for taxpayers to make suggestions and recommendations, so that taxpayers can have a sense of participation in taxation. In addition, the supervision and management of taxpayers will be strengthened, such as timely reminders of the declaration, so as to prejudge the risk of taxation and payment in advance. Expanding the scope of publicity, strengthening the strength of counseling and management, and adopting diversified services, including door-to-door tax counseling, etc., not only teach taxpayers to familiarize themselves with the operation process but also solve the problems in a targeted manner; tax cadres can also obtain first-hand information in the withholding and remittance process, and dig out more useful information.

4.3. Strengthening data-sharing mechanisms

Only by strengthening the horizontal connection with public security, banking, customs, market supervision, housing management, finance, and other departments, and actively expanding the access to data from external departments can real data sharing be realized, and more data on capital flow and labor platform transactions, which are closely related to the business of individual income tax, can be captured. Expanding the scope of data, further expanding tax-related data sources and channels, establishing a standardized and efficient Internet information acquisition mechanism, adopting various forms such as purchasing or self-development, and legally complying with the law to capture the tax-related information on labor compensation transactions, equity transfers and other personal income tax information on the Internet, such as social networking platforms, so as to make up for the problem of the lack of information on the signing of dual contracts and the transfer of equities by some taxpayers.

4.4. Strengthening talent support

Firstly, it is to improve the mechanism for the cultivation of composite talents, promote the construction of a professional team for the management of personal income tax risks, scientifically formulate the talent cultivation plan, emphasize the cultivation of talents in the fields of risk management, tax and fee analysis, and the application of big data, carry out the rotational and practical training of various departments, and create composite professionals who have both strong professional knowledge of personal income tax

and practical experience by means of theories and practical exercises.

5. Conclusion

With the deepening of the personal income tax reform, the problems of personal income tax collection and administration have been gradually exposed. Due to the wide scope of personal income tax, the problems are different from place to place, but most of them are caused by the existence of information barriers and the low degree of taxpayers' compliance. Local tax departments can only improve the quality and efficiency of personal income tax collection and administration and promote income fairness by strengthening the measures of source control, information tax control, data tax control and collaborative tax control, etc. Meanwhile, the tax departments should also strengthen the publicity and awareness program. At the same time, tax departments should also strengthen publicity to enhance taxpayers' awareness of paying taxes on their own, improve taxpayers' compliance with tax laws, and encourage natural person taxpayers to develop the habit of paying taxes on their own, so as to bring into full play the role of personal income tax in promoting the common prosperity of the society and regulating the distribution of incomes.

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