

The Effects, Problems and Suggestions of the Implementation of Enterprise Income Tax Law

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Keywords: New Tax Law; State-Owned Enterprises; Tax Reform; National Economy

Abstract: The implementation of the new tax law has improved the unfair competition among enterprises and played an important role in promoting the rapid development of China's economy, but the implementation of the new policy has also brought new problems. Based on the basic content of the new tax law, the implementation effects and problems of enterprises income tax were elaborated in detail, and suggestions were given for issues such as the vague definition of new concepts and unclear policy enforcement specification brought by the new tax law, so as to provide theoretical support for relevant research.

1. Introduction

Based on the actual needs of China's national economic and social development in the new era, the new income tax law is a new economic law by drawing on the successful experience of the international community, which will play a very significant role in improving China's independent innovation capability, building an innovative country, transforming the mode of economic development, promoting product optimization and upgrading, and promoting economic growth. In general, the positive significance of the implementation of the new tax law in reducing the tax burden level of enterprises with domestic funding and promoting the fair and unified tax policy environment among regions has been generally recognized, but there are also some problems such as vague definition of new concepts and unclear specification of policy implementation. It is necessary to timely analyze and analyze the implementation of the new tax law, summarize the problems that have been revealed, and formulate targeted supplementary and refined adjustment measures.

2. The Effect of the Implementation of Enterprise Income Tax Law

The promulgation and implementation of the new enterprise income tax law are of great significance to create a fair competition tax environment for all kinds of enterprises, promote the modernization of tax system, and promote the sound and rapid development of the national economy. From the overall situation of the implementation of the new enterprise income tax law, the income tax system of domestic and foreign enterprises was unified, the tax environment of fair competition among all kinds of enterprises was realized, and the socialist market economic system of our country was further improved through new enterprise income tax law. The new tax law shifts the focus of tax preferences from regional preferences to industrial preferences, supplemented by regional preferences, so as to further exert the regulating function of enterprise income tax on economy and promote regional coordinated development [1]; in addition, the new tax law has raised the standard of pre-tax deduction for public welfare donations, improved social security expenditures and employee education expenditure deduction policies, implemented preferential policies for resettling disabled persons and state-enforced resettlement personnel, and formed a policy system to support and improve people's livelihood; in terms of preferential income tax policies for domestic and foreign enterprises, the new tax law focuses on high-tech enterprises and basic industries, which is conducive to improving the quality and level of utilizing foreign capital by utilizing domestic and international markets and resources. On the other hand, the new enterprise income tax law fully drew lessons from the experience of tax system reform in the world in recent

years, regulated the enterprise income tax system by law, and ensured that the enterprise income tax system is more scientific, complete and forward-looking. In addition, the new enterprise income tax law also drew lessons from the enterprise financial accounting system, further narrowing the difference between taxation and accounting [2].

By comparing and analyzing the relevant data of listed companies before and after the implementation of the new tax law (annual report data in 2007 and 2008), it is not difficult to find that there are differences in the impact of the implementation of the new tax law on the industry of listed companies. The average real tax burden of most industries has declined, while the average real tax burden of a few industries has risen and the average real tax burden of a few industries has remained almost unchanged. The implementation of the new tax law makes the lowest average actual tax burden level in the financial and insurance industries, which basically reflects the goal of the country's industrial restructuring.

Table 1 Comparison of actual tax burden of listed companies before and after the implementation of the new tax law

Industry	Number of Listed Companies	Actual tax burden level (2008)			Actual tax burden level (2007)		
		Minimum value	Maximum value	Mean value	Minimum value	Maximum value	Mean value
Total	1013	-16.29	206.25	20.88	-13.72	85.78	22.06
Agriculture, forestry, animal husbandry and fishery	22	0.29	136.08	11.41	0.00	47.16	11.25
Mining industry	19	1.02	29.51	21.81	10.37	54.97	26.04
Food industry	49	-1.81	75.08	23.07	0.00	79.71	24.61
Textile industry	52	-3.29	94.48	23.38	0.00	61.76	21.13
Pharmaceutical industry	68	0.00	62.53	17.27	-5.43	54.19	22.18
Construction business	23	5.83	112.52	23.52	-0.69	67.62	27.99
Communications and transportation industry	49	0.00	47.76	17.86	0.00	42.61	21.98
Information Technology Industry	53	-2.66	112.18	18.62	0.00	85.78	17.65
Financial and Insurance Industry	21	9.15	55.38	23.09	9.79	57.89	33.13
Estate	29	0.00	85.93	25.97	-9.43	81.55	24.70
Social service industry	36	0.00	80.28	22.07	0.00	60.68	25.91
Comprehensive industry	55	-16.29	86.05	24.17	0.00	80.71	22.36

Although the new enterprise income tax law has brought tremendous results to the economic development, after the promulgation and implementation of the new enterprise income tax law, there are also some problems in the following policy formulation and supporting management. These problems affect and restrict the implementation effect of the new enterprise income tax law to a certain extent, which need to be paid attention to and solved.

3. Main Problems

3.1. The collection and expropriation of general branch income tax caused by the adjustment of the taxpayer's scope

Nowadays, more and more modern enterprise organization forms such as limited companies, limited liability companies, partnerships and sole proprietorship enterprises are gradually replacing traditional enterprise organization forms such as state-owned enterprises, collective enterprises and

private enterprises, which make it necessary to further improve the standard of criterion for the original enterprise income tax payer. The new tax law will define enterprises and income-generating organizations in the form of corporation and non-corporation as taxpayers of enterprise income tax, which is an inevitable choice to adapt to the changing forms of economic agents and reflects international practices and forward-looking [3]. However, China's current tax collection and management system and enterprise economic organization form also have many particularities. At present, the issue of income tax collection and management of trans-provincial general branch is one of the main problems arising from this, which mainly embodies in two aspects: on the one hand, problems existing in the secondary branch taxation and collection management, and on the other hand, problems of collection and management in the implementation of consolidated tax payment by inter-provincial and general branch office [4]. The implementation of the new tax law will inevitably have a significant impact on the division of tax sources of state and local taxes, the actual income-sharing of enterprise income tax between the central and local governments and between them, and the resulting problems of two collection and management systems and the game of interests between regions are unavoidable, income tax ownership and division of collection and management rights from inter-provincial general branches [5].

3.2. Problems in the calculation of taxable income

Tax-free income deduction problems: Article 28 of the Implementation Regulations of the New Enterprise Income Tax Law: "The expenses or property formed by the non-taxable income of the enterprise for expenditure shall not be deducted and corresponding depreciation and amortization deductions cannot be calculated" [6]. This provision does not distinguish the nature of expenditure, and the spirit of "no taxation" is not really reflected.

The uncertainty of rationality principle in concrete implementation: The new tax law stipulates the "reasonable" standard in pre-tax deductions. The application of the principle of rationality is a general practice in the world. Reasonable expenditures incurred by enterprises in relation to income generation can be fully compensated according to law. However, as a relatively vague concept, due to differences in understanding angles and knowledge background, rationality can easily lead to diametrically opposed opinions on both sides of the levy and the levy authorities in the specific implementation [7].

Welfare deduction: The implementation regulations of the new enterprise income tax law still allow for the withdrawal of employee benefits, which is inconsistent with the new accounting standards and makes the company uncomfortable.

3.3. Some problems existing in preferential tax policy

The preferential catalogue of enterprise income tax has not been promulgated yet: at present, except for the identification criteria of high-tech enterprises, the implementation criteria of other tax preferential projects have not yet been introduced, which is not conducive to the development of public infrastructure projects and safety production enterprises supported by the state.

The scope problem of expenditure for developing new technologies: Although the implementation regulations of the new enterprise income tax law clarify that the enterprise income tax research and development expenses plus deductions are limited to "developing new technologies, new products, new processes", the policy also extended other issues: including the identification of new technology research and development, specific costs and other issues.

The connection problem of the fixed assets plus deduction policy: The new tax law stipulates that enterprise's fixed assets due to technological progress and other reasons can shorten the depreciation period or adopt accelerated depreciation method [8]. However, there is a convergence problem that is inconsistent with the old tax law in determining the depreciation life of fixed assets.

The policy problem of comprehensive utilization of resources: Most of the products produced by the comprehensive utilization of enterprise resources are not sold to the outside world, but continue to be used as raw materials for production [9]. How to reasonably confirm the relevant income, price, measurement of products and so on is an issue that must be considered when formulating a preferential catalogue.

3.4. Problems existing in authorized collection enterprises and the collection and management of enterprise liquidation income tax

The Application problem of tax preferences to enterprises in the verification and collection of enterprise income tax: The “Notes on the Pre-paid Tax Return for Enterprise Income Taxes (Quarterly)” stipulates: “Taxpayers who apply for the verification of enterprise income tax can enjoy tax preferences in the transitional period, preferences for small low-profit enterprises and high-tech enterprises and other tax reduction or exemption preferences approved or filed by tax authorities according to law” [10]. However, this provision is not linked to the relevant provisions of the notice of the state administration of taxation on printing and distributing the “Measures for the Examination and Approval of Enterprise Income Taxes” (Trial)”.

Income tax declaration problem for enterprise liquidation: Over the years, due to the lack of clear collection and management regulations for enterprise liquidation, most enterprises did not submit liquidation reports to the tax authorities when canceling enterprises. In fact, it is difficult for tax authorities to manage the liquidation income of enterprises, and the loss of tax revenue is serious when canceling enterprises.

4. Suggestions

4.1. Improvement of taxation and collection and management system of enterprise income tax in headquarters and branches

In terms of detailed taxation measures, it is necessary to further strengthen the supervision of tax avoidance of branch organizations by using the change of organizational structure, to further refine the applicable criteria for judging secondary branches and sub-secondary branches, formulate the tax management supporting system for the general and branch offices of construction and installation enterprises and real estate enterprises, implement an annual tax feedback system for all branches that do not carry out in-situ prepaid operations across regions.

On the relation of enterprise income tax collection and management in general and sub-organizations, it is necessary to rationalize the tax collection and management relationship between the head office and branches as soon as possible, strengthen the taxation management of the unincorporated branches from the institutional level, and establish an information network platform and a joint assessment system for the national general branches, realize the dynamic sharing of data information such as taxpayer household registration and declaration, and establish a feedback system for information and a coordination and supervision agency of the general administration, and implement a two-way declaration and review filing system for annual tax returns.

4.2. The optimization of taxable income deduction provisions

In order to optimize the deduction of taxable income, it is necessary to further improve the expression of non-taxable income in the implementation regulations of the new enterprise income tax law, and clarify the expenditure or property formed by the enterprise's non-taxable income used for expenditures related to the acquisition of taxable income, clarify the wage deduction standard, bridge the difference between the new tax law and the new accounting standards, and clarify the connection method of welfare deduction. In addition, the transitional connection of several pre-tax deduction items under the original tax system should be further clarified.

4.3. Strengthen the formulation of enjoyment conditions and examination and approval system of preferential policies

The state needs to speed up the promulgation of relevant policies supporting the preferential policies of the new tax law, and clarify the timeliness and effectiveness of the original preferential policies as soon as possible, promulgate relevant preferential judgment standards for key points and difficulties of the current new tax law, as well as related matters that need to be resolved and clarified, so that the grassroots can follow the rules in operation.

5. Conclusion

Enterprise income tax plays a vital role in organizing income, regulating economy, adjusting income distribution and guaranteeing national tax rights and interests, which not only can unify the income tax system of domestic and foreign enterprises, promote the tax environment of fair competition among all kinds of enterprises, but also improve the socialist market economic system of our country. However, there are still some problems in the implementation process. Therefore, it is necessary to attach great importance to the management of enterprise income tax policy and constantly strengthen the management of enterprise income tax policy, improve various policies that are compatible with the new enterprise income law, so as to better give full play to the function of enterprise income tax and improve the management level of enterprise income tax.

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