

The Influence of International Taxation Rules on Taxation Incentive Policy of Scientific and Technical Innovation in China

Zhang Zheng

Xi'an International University, Xi'an Shaanxi, 710077

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Abstract: As the constant deepening of economic globalization, China's science and technology, and economic power continue strengthening. Under the background of the constant innovation achievements of scientific and technological in China, the taxation incentive policy of scientific and technical innovation in our country is increasing concerned by the international academic circle of taxation day by day. The formulation of taxation incentive policy of s scientific and technological innovation in China is based on the international taxation rules; therefore, the international taxation rules have a great influence on the taxation incentive policy of China's scientific and technological innovation. Based on this analysis, the author of this paper thinks about the key points of the international taxation on scientific and technological innovation, and analyzes the actual influence of international taxation rules on the taxation incentive policy of scientific and technological innovation in China, and puts forward some countermeasures.

1. Introduction

In recent years, great progress has been made in scientific and technological of China no matter on the propositions of scientific idea or the innovations of technical standard; these are constantly concerned by the academic world. As an important part of the global economic integration, China's taxation incentive policy for scientific and technological innovation needs to be formulated in accord with international taxation rules, which not only can promote the improvement of the taxation incentive policy for scientific and technological innovation, but also can play a guiding and supplementary role in other supporting science popularization activities, scientific research investment, new product development and other practical works. Under the background of the constant development and innovation of the scientific and technological achievements of China, it is necessary to study the influence of international taxation rules on the taxation incentive policy of scientific and technological innovation.

2. Main Points of International Taxation Rules on Scientific and Technological Innovation

From the international point of view, the taxation incentive policy of scientific and technological innovation not only involves multilateral relationship of many countries, but also covers many aspects, such as government, civil organizations, enterprises, industries and so on. Therefore, there are a variety of rules to guide the taxation rules in the world.

There are many guidelines and instructions on the taxation of scientific and technological innovation in WTO rules, such as the *Agreement on Technical barriers to Trade*, the *Trade Related Intellectual Properties*, and so on. From these agreements, it is clear that the relevant rules that can promote the scientific and technological innovation need strict supervision and guidance, such as product standards and intellectual property rights, etc. When it comes to scientific and technological innovation in a country, the government directly or indirectly provides enterprises with financial support and subsidies for scientific and technological innovation, which may violate some of the principles of the WTO, such as the principle of transparency and most-favored-nation clause, etc. In the past many years, China has been regarded as a "non-market economy country" by other countries. Therefore, in anti-dumping investigations against China, the "surrogate country" method

is usually used to calculate the degree of dumping. According to the statistics of the Ministry of Commerce of China, China accounts for a very high proportion of the anti-dumping decisions filed by the WTO in the world, and China is the most seriously affected country in the world. Although according to the regulations, China's status of surrogate country has expired at the end of 2016, but it will take some time for other countries to consider China as a non-surrogate country, and these problems have affected the incentive policy of China's scientific and technological innovation taxation.

In 2015, the fifteen plans of BEPS were approved in G20, which represents a new generalization and division of international tax rules in some respects. In the fifth plan, "dealing with harmful taxation competition" is the most critical point, which is dealt with by the OECD forum, and which emphasizes the judgment of harmful taxation and potential harm and requires participating countries to reform the current taxation system, so as to avoid harmful elements from the taxation system. This requirement has turned the taxation system of the participating countries upside down. In China's view, the introduction of the new system has enabled the effective reform ---- "four-key-adverse taxation system" was proposed by China in the annual report of 1998; at the same time, the taxation system becomes more fair and open.

Judging from the impact on taxation incentive policy of scientific and technological innovation, the OECD/G20 rules require "actual activities" and "artificial market segregation" in scientific and technological innovation. It can also guide the distribution of enterprises' incomes of intellectual property rights to match their economic activities and value contributions, and adopt the way of correlation method to calculate the preferential income that enterprises can enjoy, that is, enterprises without research and development activities cannot enjoy preferential benefits; Enterprises have research and development activities and have research and development results need to participate in the distribution according to their research and development contributions, which further emphasizes the fairness and justice of the taxation policy of scientific and technical innovation.

3. Problems in the combination of taxation incentive policy of scientific and technological innovation and the practice of international tax rules

In 2009, China became the largest exporter in the world, and then, China became the largest victim of international trade and the first target of trade friction. China's tax system has been concerned and discussed by other trading countries. About 50% of the trade cases that China has been involved in after its entry into the WTO are related to the tax system. In 2015, the United States puts forward the issue of "localization of technology", which emphasizes a series of preferential policies and subsidy standards for high-tech enterprises in the aspects of fiscal policies, research and development activities, intellectual property right, and so on. These policies had greatly influenced the foreign enterprises in China, so that these enterprises have to carry out research and development activities in China. Although this is a common method, however, in China, foreign enterprises are treated equally with domestic enterprises, but according to the WTO rules, all kinds of subsidies to enterprises in China are actionable, so there is a dispute over taxation. This has become one of the problems of combining the tax incentive policy of scientific and technical innovation with the practice of national taxation rules.

In 2015, there were four preferential taxations on scientific and technological innovation in China were reviewed by the FHTP forum, in which the industries involved technology transfer, energy conservation, advanced technology and high-tech enterprises. In these four preferential taxations, technology transfer, energy conservation, and advanced technology were deemed they are harmless, however, the taxation of high-tech enterprises have been disputed. According to China's *Business Income Taxes Law*, the business income taxes of the Hi-tech enterprises are levied at a tax rate of 15%. If an enterprise wants to obtain the qualification of a Hi-tech enterprise, it must continue to invest in research and development, results transformation, and so on. However, according to the proportion calculation method of OECD/G20 that is summarized above, many Hi-tech enterprises in China do not have actual research and development results. China's current taxation incentive policy for scientific and technological innovation is aimed at encouraging the

research and development activities of the Hi-tech enterprises. China's incentive policy includes several aspects such as personnel construction, scientific and technological achievements transformation, and so on. This kind of incentive policy goes beyond the FHTP Forum's conclusion on harmful results. At the same time, there are many differences between the results by means of Chinese calculation methods and that by means of the international calculation methods, so that it brings about the discussion of harmful taxation competition.

4. Suggestions on circumventing the influence of international tax rules on tax incentive policy of science and technology innovation in China.

International taxation rules are an important part of the global governance system and play an important role in improving global governance. It can not only resist the risks of the international economy, but also play a guiding role in China's innovative development. But in practice, as a member of the WTO and G20, and the largest representative of developing countries, China has some disputes and risks in the taxation incentive policies for scientific and technological innovation, so it needs some reasonable suggestions.

At present, China should keep and improve China's right to speak in the international taxation circle, strengthen the foundation of China's international taxation power, and strengthen the cultivation of the talents of international scientific and technological innovation. As a matter of fact, China should strengthen the cultivation of talents, understand and study the international taxation rules, master the international taxation policy of scientific and technological innovation, standardize the relevant contents of international law, and lay solid foundation for the improvement of taxation incentive policy for scientific and technological innovation. In some cases, if the taxation incentive policy for scientific and technical innovation conflicts with the international taxation rules, then it is necessary to have a good understand the specifications of international review in this respect, so as to do a good job in the research and analysis of the emergency plan; moreover, it is also necessary to strengthen relevant training to enable the staff to develop their international awareness on the drafting, preparation and revision of taxation incentive policy for scientific and technical innovation, and to enhance their ability to analyze and predict international risk, so as to avoid unnecessary disputes.

At present, the global governance system is changing greatly, which is a critical turning point. Both the concept of peaceful development and the common concept of economic development require a more sound international mechanism and stricter international rules, so as to achieve global development. Under this background, China should strengthen cooperation and exchanges with relevant international organizations, put forward suggestions and proposals that are suitable for the development of international taxation and financial rules, and give full play to the advantages of the largest developing countries. While keeping modesty, China, the world's largest economic entity, should also take the best of the power of the largest economic entity, work with the BRICS to improve their ability of taxation collection, and help other developing countries, so as to fulfill the spillover effects from developing countries, and the comprehensive and inclusive development. At present, China is in the stage of rapid transformation of science and technology, so in the negotiation process of international taxation, innovation, etc, we should try our best to meet the possible expectations in future development and reduce the dynamics risk in future.

China is actively promoting the signing of multilateral taxation agreements in order to enrich the connotation of science and technology diplomacy, on the basis of which we also need to adhere to win-win cooperation in scientific and technical innovation. In the formulation of taxation incentive policy for domestic scientific and technological innovation, we should fully consider the international taxation rules, the core of that is to accord with both national development and international rules. At present, the Ministry of Finance and the Ministry of Science and Technology of China are perfecting the policy of deducting the research and development expense before taxing and the measures for the determination and management of Hi-tech enterprises, canceling some of the previous ways in which the enterprises acquire intellectual property rights, encouraging companies to gain more Hi-quality intellectual property rights and dealing with moral risks.

From the above study, we can see that if the taxation incentive policy for scientific and technological innovation in China is in accordance with the relevant rules, then under certain conditions it will lack effectiveness. Under the background of the rapid development of science and technology in China, the taxation incentive policy of scientific and technical innovation in China should achieve greater effectiveness under the premise of following relevant rules. The government should promote the effective implementation of taxation policies, ensure that tax policies can be effectively implemented, and avoid problems such as idleness. At the same time, the government should also improve the policy in accordance with the relevant rules, such as tax preferences of research and development before competition, increasing the inclusive preference, and so on. What's more, in basic research, public research, small and medium-sized enterprises research, and other aspects, the government should give more preferential supports, so as to enhance the competitiveness of China.

China should adjust the normative system of the relationship between international law and domestic law, make clear the principle, make out the matching rules in accordance with the international law, strengthen the legislative research on anti international tax avoidance, and perfect the domestic and international connection system. In terms of taxation, China should objectively criticize the current international practices according to the rules of international tax law, eliminate the expressive risks in the policy to the maximum extent, and establish a linkage mechanism between the relevant domestic departments, so as to ensure the smooth access to international information channels, ensure the active domestic information interaction and the reduction of technical hidden dangers.

5. Summary

In a word, the taxation incentive policy of scientific and technical innovation in our country needs to be formulated in combination with international taxation rules, so we should analyze the irregularity and contradiction of it, avoid the negative influence of international taxation rules on the taxation incentive policy of scientific and technological innovation in China, so as to realize the rationality and effectiveness of the taxation incentive policy of scientific and technological innovation in China.

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