

# Research on Local Taxation Management of Natural Person

—Based on the Practice of XX District Guangzhou City

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## Abstract

Since the reform and opening-up, the economy of our country has developed rapidly, industrial structure has been constantly optimized and the disposable income of residents has dramatically increased, but at the same time, the gap between the rich and poor in the society also increasingly widens. Thus, it is urgent to solve the problem about how to strengthen the local taxation management of natural person, play the role of tax in adjusting redistribution of income to narrow the gap between the rich and poor. On the basis of working practice of local taxation in xx District, Guangzhou City, this paper points out the problems existing in local taxation management of natural person and analyzes its reasons, and puts forward relevant countermeasures and suggestions, which has certain practical and guiding significance to raise the degree of taxpaying compliance of natural person, improve the quality and efficiency of local taxation management of natural person and structure a harmonious relationship between tax collection and paying.

## Keywords

Natural Person, Taxation Management, System Reform, Information Management Tax

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## 1. Introduction

Since our country implemented the tax-sharing system over two decades, the tax system has gone through many reforms, and taxation management objects have been diversified. Tax means give full play to the role of macro-control, but the tax structure also gradually imbalances. Above all, our country has established a relatively perfect tax collection and management system and legal system for

corporate taxpayer, but there are shorts of systems aiming at the taxpayer of natural person. Therefore, how to strengthen the local taxation management of natural person has become the main problem that the tax authority needs to solve. With the combination of the working practice of local taxation in xx District, Guangzhou City, this paper points out the problems existing in local taxation management of natural person and analyzes its reasons, and puts forward relevant countermeasures and suggestions.

## **2. Problems Existing in Local Taxation Management of Natural Person in XX District**

The Local Taxation Bureau of xx District manages the natural person according to the current tax laws and regulations and collection mode. Due to the vast territory and scattered tax source of natural person, there are great difficulties in tax collection and management and some problems in taxation management.

1) The proportion of income from direct and indirect tax of natural person imbalances. Among the main tax categories that levy natural persons, the income from direct tax such as individual income tax, house property tax and deed tax accounts for an obviously large proportion in total tax income of natural person, and the income from indirect tax accounts for an obviously small proportion. From the data about the three-term taxation management system of golden tax, it can be seen that from 2014 to 2016, the proportions of business tax levied by the Local Taxation Bureau of xx District from natural people as well as income from complementary tax and the main tax revenue of natural person (including business tax as well as additional tax, individual income tax, house property tax and deed tax) respectively are 0.05%, 10.87% and 3.13%, which is obviously lower than the proportion of direct tax such as individual income tax, house property tax and deed tax. It reflects that there exist problems in tax structure and design of taxation system of natural person, and also shows that there is a great space for tax authority to improve the management about indirect tax of natural person.

2) The natural person's house property tax revenues levied on value are clearly few. Form the data about the three-term taxation management system of golden tax, it can be seen that most house property taxes of natural person are levied on rent and few are levied on value in xx District from 2014 to 2016. XX District is located in rural-urban continuum and has set up many wholesale markets, such as xx Leather City, xx Foreign Trade Clothing Mall and so on. The ownership of part shops in wholesale market belongs to the natural person, and the rental shops generally have rent-free period. According to the stipulation of tax law, when taxpayers rent the house property, the house property tax should be levied on value during the rent-free period. Thus, part of natural persons with operational house property can't pay the house property tax in full amount.

3) The tax contribution rate of high-income groups is not high. Form the data about the three-term taxation management system of golden tax, it can be seen that from 2014 to 2016, about annual taxable income of more than 1 million

yuan, the proportions of number of people respectively are 0.06%, 0.16% and 0.27% in the total number of people who declare the individual income tax, and about annual taxable income of less than 0.12 million yuan, the proportions respectively are 96.57%, 94.42% and 94.33% in xx District, and more than 90% people about declaration of individual income tax focus on the annual taxable income of less than 0.12 million yuan. Seeing from the data, people with “high income and high net value” have low tax contribution rate to xx District. The tax authority should strengthen the individual income tax management of natural person with annual taxable income of less than 0.12 million yuan.

4) Income from wages and salaries has a larger proportion in individual income tax revenues. Form the data about the three-term taxation management system of golden tax, it can be seen that the individual income tax revenues mainly come from wages and salaries in xx District. From 2014 to 2016, the individual income tax revenues from wages and salaries account for the proportion of above 80% in the total individual income tax revenues, the proportion of other 10 categories is less than 20%, and in fact, the individual income tax descends to “payroll tax”. Because the employers want to avoid bearing the tax risk, most of them will withhold and remit the individual income tax from wages and salaries according to laws. About income from remuneration for personal service, income from leasing property and income from transferring property, due to the covert economic behaviors, the two parties of trade may sign yin-yang contract or trade in cash, thus it is difficult for tax authority to supervise and manage.

5) The consciousness about self-declaration of individual income tax of natural person is not strong. Form the data about the three-term taxation management system of golden tax, it can be seen that from 2014 to 2016, about 90% individual income tax is withheld and paid in xx District, the proportion of self-declaration is not high, and the individual income tax revenues mainly come from wages and salaries and center on the annual taxable income of less than 0.12 million yuan, which shows that the subject of individual income tax payment mainly is working class. At present, the individual income tax management of tax authority is mainly withholding and remitting, and the consciousness about self-declaration of natural person is not strong.

6) Zero declaration rate of individual income tax is high. Form the data about the three-term taxation management system of golden tax, it can be seen that from 2014 to 2016, the natural persons who declare individual income tax have increases to 9.13 million from 7.99 million in xx District, and there are lots of declaration people. But during 2014-2016, the zero declaration rate of individual income tax is also high, and in 2014, the number of people who haven't declared the individual income tax accounts for the proportion of 73.85% in total number of people who declare the individual income tax, in 2015, it is 71.82%, and in 2016, it is 68.47%, which reflects the obligors of withholding and remitting tax generally fulfill their duties. However, because the individual income tax has expense deduction standard, a minority of withholding and remitting units may

achieve the goal of tax evasion through false number of workers and fictitious wages and salaries.

### 3. Analysis on Reasons for Problems

Analysis on reasons for problems generating in local taxation management of natural person in xx District mainly involves with taxpaying compliance of natural person, legal system and tax-related information acquisition after all.

1) Natural persons don't have enough cognition about tax. Part of natural persons may not have the subject intent of tax evasion, but because of limited knowledge, they are not able to know about and master tax and accounting knowledge in time, which cause that the assessable income can't be declared and pay taxes by rules. Part of natural persons are not able to have a deep understanding of connotation of tax, and think paying tax is a unilateral give, and they don't enjoy the interests that the government pays back after paying taxes, as a result, they are unwilling to pay taxes and have a low degree in taxpaying compliance.

2) There are not enough protection about legitimate rights and interests of taxpayers. At present, the main stipulations that protect the legitimate rights and interests of taxpayers in our country are *Tax Collection and Management Law*, such as right to delay in filling tax returns, right to delay in paying tax, right of remission and drawback, right of statement and defense and right to apply for withdrawal, but the stipulations are relatively simple and not specific enough. In addition, the most taxpayers whose legitimate rights and interests are protected by our country are those of legal person, and the stipulations that protect the legitimate rights and interests of taxpayers of natural person are ambiguous. Thus, natural persons think their own legitimate rights and interests are not protected well, and have certain resistance psychology about paying taxes according to laws.

3) The self-declaration system of natural person is imperfect. The current collection model of individual income tax in our country mainly is withholding at source, and the self-declaration system is imperfect. It is difficult for tax authority to supervise whether the natural persons file tax returns themselves or not after gaining assessable incomes. This collection model causes low tax consciousness of natural person and excessive dependence on withholding units for withholding.

4) The reform of individual income tax system lags. At present, the classified individual income tax system implemented in our country makes for the control of source, but it can't effectively reflect taxable capacity of taxpayers and can't confirm the tax burden according to the actual ability of taxpayer and reflect the principle of ability to pay, which causes that some taxpayers conceal and decompose assessable income. In addition, there is no regional difference, industrial difference and family burden difference in the expense deduction standard of individual income tax. The stipulations about tax rate are complex, which not only has progressive tax rate, but also has flat rate. The flat tax includes the indi-

vidual income tax levied by rules, and also the individual income tax levied by addition.

5) Tax collection laws and regulations are short of stipulations about natural person. *Tax Collection and Management Law* doesn't have clear and specific stipulations about tax registration of natural person and administrative compulsory, and doesn't establish the unique identification number of natural person either, which gives rise to that the tax authority has no laws to abide by or are difficult to abide by laws in law enforcement. For example, the enforced objects of tax in *Tax Collection and Management Law* don't contain natural persons.

6) The tax credit system of natural person is incomplete. The stipulations about tax-paying credit are few in our country, of which includes *Taxpayer Credit Management Method (Trail Implementation)* issued by State Administration of Taxation in 2014. According to this method and normative documents issued by State Administration of Taxation later, the application range of taxpayer credit management is only restricted to independent accounting enterprise, individual business establishment and partnership which have handled tax registration, are engaged in production and management and apply to audit and levy. Individual business and natural person don't apply at all.

7) The real-time system of individual deposit is unsound. At present, there are still many unreasonable places in real-time system of individual deposit in our country. The first is less severe punishment to the financing institutions that violate rules. According to relevant regulations about real-time system of individual deposit account, if the bank and other financing institutions don't check identity documents by rules, they will be given the punishment of warning and can be fined RMB 1000 - 5000; for a severe violation, they will be ordered to suspend, and give punishment to person in charge according to laws and regulations; if constituting a crime, they will be investigated for their criminal responsibility in accordance with the laws. The second is not to definite the responsibility and consequence of individuals for violation. The real-time system of individual deposit doesn't make clear the legal liability that the individuals should bear if they don't provide identification paper truthfully when handling deposit business. Thus, due to incomplete real-time system of individual deposit, the tax authority is difficult to monitor the assessable income of natural persons.

8) The information sharing between departments is not synchronous. At present, the tax authority and other government departments are not able to timely, completely and accurately share with tax-related information of natural person. Although, Guangzhou Municipal Comprehensive Tax Treatment Platform provides tax-related information of part taxpayers, the information is not comprehensive enough and doesn't have strong timeliness. In addition, when the tax authority goes to relevant departments to query tax-related information, some departments don't cooperate actively. Thus, because departments set up information barriers and information sharing channels don't work well, the tax authority is not able to know and master the assessable income situation of natural person timely and accurately.

#### 4. Countermeasures and Suggestions

Aiming at the problems existing in local taxation management of natural person, this paper puts forward suggestions to strengthen local taxation management of natural person from the aspect of how to improve taxpaying compliance of natural person and perfect relevant tax collection laws as well as how to structure property income monitoring system of natural person and reinforce the third-party information communication.

1) Strengthen tax publicity and tutoring. The tax authority should make full use of Internet to make innovations on the form of tax publicity and tutoring, optimize its content, and carry out its targeted work. The first is to standardize the content of tax publicity and tutoring. Timely update the tax policy on propaganda carries to ensure the accuracy and timeliness of content. The second is to optimize the channels of tax publicity and tutoring. Give full play to the advantages of large amount of network information and easy retrieve and transmission, and by virtue of Internet, take mobile phone and computer as clients to carry out the work of tax publicity and tutoring. The third is to pay attention to the publicity and tutoring of classified tax. About staff of fixed units, flexible employees and other different groups, the tax authority should have targeted content and form of tax publicity and tutoring.

2) Reform the individual income tax system. Establish the individual income tax that the classification and the synthesis unify. The first is to widen the taxation range of individual income tax. Widen the taxation range on the basis of 11 original levying tax items to fully cover various incomes of natural person. The second is that the object of taxation takes the family as the unit. The tax pattern is divided into prepaying and remitting link. In prepaying link, take the individual as the object of taxation, and let the obligor of withholding and remitting tax withhold. In the year-end remitting link, take the family as the object of taxation, let the family members with tax liability aggregate the income, and take the whole family burden into account to make final settlement of the individual income tax of family member in tax year. The third is to reasonably determine expense deduction standard. In the year-end remitting link, expense deduction standard is divided into basic expense deduction and franchise expense deduction. Basic expense deduction is determined mainly according to the number of natural person's relatives who conform to the conditions of support and basic allowance of family. Franchise expense deduction is divided into standard deduction and itemized deduction, and can be chose freely by taxpayers. Standard deduction formulates different quota standards according to the constitution of family declared members whose type is usually divided into joint declaration of couple, single parent family declaration and individual declaration. Itemized deduction mainly considers actual outlay of taxpayers, such as medical treatment, education and house loan. Itemized deduction standard should set up maximum limit and requires taxpayers to provide legal and valid certificates [1].

3) Improve e-tax channels. Actively innovate on the "Internet + tax" tax mod-

el, take part in the establishment of e-tax channels such as electronic tax bureau, WeChan official account and mobile declaration software, explore the demand of taxpayer in depth, perfect the service function of mobile declaration software and WeChan official account, and realize the all coverage of tax service platforms and tax-related business function of tax software. At the same time, speed up the implementation of whole electronic process of tax-related business handling and the use of taxpayer information in the whole process through collecting once, break the boundary of time and space, and provide convenient tax-paying service for natural person.

4) Establish the unique identification number of natural person. Give natural person unique tax code, and defined the source and use of the unique identification number of natural person. The tax authority should update information of natural person timely, makes the unique identification number of natural person associated with other information, and sets up a complete natural person's tax collection and management system and taxpayer information database. Strengthen the cooperation between departments, and increase the social function of unique identification number. Make tax identification number not only be used by tax collection and management, but also more carry the management function, which will have a social meaning [2].

5) Improve the natural person's tax credit system. Make related stipulations about the tax-paying credit management perfect. Enlarge the scope of objects of tax-paying credit rating, which will include natural persons. Make clear tax-paying credit score and grade setting standard of natural person, implement standardized tax-paying credit index, and establish the natural person's punishment system of breaking faith [3]. Strengthen the monitoring to natural persons, and regard accumulated situation of taxpayers in daily collection and management as the basis of credit rating.

6) Standardize the personal cash management system. Make the limit and scope of using cash by natural person clear, and stipulate that the natural person are allowed to use cash when the incidental expenses are below single norm, but the expenses of single above norm needs to be compulsively transferred. Establish the reporting system of cash transaction in large amount [4]. Build the information interaction platform between commodity or service supplier and tax authority, if the single expenses of natural person when using cash is above the specified standard, the system will automatically transmit related information to tax authority, making the information of cash transaction be maximally included into the monitoring system of tax authority.

7) Perfect the real-time system of individual deposit and other properties. Accelerate the improvement on the real-time system of individual deposit, and make clear the punishment standard and responsibility investigation about providing false information or using other illegal means to open individual deposit account. Promote the implementation of real-time registration system of other properties especially the real-time registration of real estate. The Land Department should effectively implement *Real Estate Registration Provisional Regula-*

tions and its enforcement regulations, completely and really includes related information of real estate of natural person into management and shares it with tax authority. The tax authority carries out follow-up management according to the information provided by Land Department, traces the use of operation of real estate, and strengthens the tax source management of real estate of natural person.

8) Strengthen the cooperation between tax authority and other departments. Apply "Internet+" to set up tax source information database, construct the cooperation platform with benign interaction, implement real-time sharing of information between tax authority and other government departments, effectively exchange tax-related economic activity information of natural person according to laws and lay a solid data foundation of local taxation management of natural person. Classify and store the tax-related information, analyze and contrast tax-related information with collection and management information about collection and management system and invoice system of tax authority, and dig questionable points and apply them into each link of collection and management.

## 5. Conclusion

In conclusion, the tax authorities should devote greater effort to tax propaganda, to strengthen the taxpayers' awareness of the tax law, to further perfect tax laws and regulations, to heighten the tax services quality, to enhance information sharing and collaboration among departments. A targeted taxation management system to the natural person, can effectively improve taxpayers' compliance and tax management quality of the natural person which contributes to a harmonious establishment of tax levying and paying.

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