

Analysis on the Feasibility of Collecting Estate Tax in China

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Abstract. Since the reform and opening up, China's economic development has continuously made new breakthroughs and new progress, and has created a huge dividend for economic development, and the people's living standards have continuously improved. However, we should also note that while the economic development has achieved fruitful results, there have been some problems that cannot be ignored. Especially with the development of the economy, the gap between the rich and the poor among the residents is expanding, and the Chinese government urgently needs to take measures to further adjust income distribution and narrow the gap between the rich and the poor. Since the acquisition of the estate will enable the individual to obtain a larger wealth in the short term, thus further widening the gap between the rich and the poor, the taxation of the inheritance can theoretically narrow the gap between the rich and the poor to a certain extent. This paper analyzes the feasibility of collecting inheritance tax in China, and puts forward corresponding suggestions for the status quo of China.

Keywords: Estate tax; the gap between rich and poor; feasibility.

1. Introduction

An inheritance tax is a country or region that levies taxes on the legacy of the deceased. Sometimes it is also called a “death tax” in foreign countries. The estate tax is an older tax, and the Netherlands established an inheritance tax in 1598, but the inheritance tax dates back to slavery. The creation of inheritance tax in the Netherlands is the true application of inheritance tax in modern times. Many countries now have an inheritance tax, but China has not yet imposed an inheritance tax. The collection of inheritance tax is conducive to regulating the distribution of wealth among members of the society, and at the same time it can increase the government's fiscal revenue. At present, China's economic development determines that China has already established the conditions for the introduction of inheritance tax, and because China's current social income gap continues to expand, It is necessary to levy an inheritance tax. However, due to the complexity of the estate tax, the wide range of issues and the difficulty of collection and management, there are still some problems and challenges in the introduction of inheritance tax in China.

2. The Necessity of Levying Inheritance Tax in China

In the face of China's expanding gap between the rich and the poor, it is necessary for the Chinese government to explore a new way to regulate the distribution of social wealth, thereby narrowing the gap between the rich and the poor. The special role played by inheritance tax in regulating the gap between rich and poor members of society, coupled with China's current level of economic development, makes it necessary to levy inheritance tax in China.

2.1 Increase Fiscal Revenue and Improve Tax Structure

As the main source of government revenue, taxation is the basis and guarantee for the government to organize economic construction and carry out macroeconomic regulation and control. China's current tax system is based on the tax system of commodity tax and income tax, but commodity tax still accounts for a large proportion, and there is still much room for improvement in direct tax based on income tax. In the income tax, the wage income and the individual income tax are both highly progressive, but the individual income tax is regressive. As a kind of tax on property, the inheritance tax can increase the government's tax revenue, and at the same time make up for the shortcomings of the existing property tax, thus improving the tax structure.

2.2 Regulate Income Distribution and Narrow the Gap between Rich and Poor

China's current gap between the rich and the poor is large, and more social wealth is concentrated in the hands of a very small number of people. According to the National Bureau of Statistics, the Gini coefficient of China's income has been higher than 0.45, indicating that the gap between the rich and the poor in China is very large. By accepting the form of the father's inheritance, the offspring can obtain a larger wealth in a short period of time. This wealth is not obtained through labor, but is obtained through the law giving the heirs the corresponding rights. The acquisition of this wealth will further widen the gap between the rich and the poor in society, the taxation of inheritance through the introduction of inheritance tax can regulate income distribution to a certain extent and narrow the gap between the rich and the poor.

2.3 Strengthen Supervision of Taxpayer Property Information

The premise of collecting the inheritance tax is to accurately grasp the taxpayer's relevant property information, which will enable the relevant government departments to take active measures to improve China's personal property declaration system and asset assessment system, laying the foundation for the collection of estate tax. On this basis, the taxation department can further accurately grasp the taxpayer's relevant property information, which can strengthen the supervision of taxpayer property information, which can reduce the possibility of taxpayers using taxable property to avoid taxation and reduce tax losses.

3. Problems in the Introduction of Inheritance Tax in China

Despite the necessity of collecting inheritance tax in China, due to the complexity of the inheritance tax itself, the wide coverage and the related supporting measures, the inheritance of the estate tax in China still faces some problems.

3.1 Information Asymmetry between the Tax Authorities and Taxpayers

In order to tax the estate, it is necessary to accurately understand the type, quantity, amount, and other information related to the estate that the taxpayer accepts. Only by understanding this information can the taxation department effectively tax the estate. However, in order to reduce their own tax costs, taxpayers will choose to hide their relevant property information as much as possible, so as to achieve less tax purposes. This kind of information asymmetry is not conducive to the tax department to accurately grasp the taxpayer's property information, which will increase the taxation cost and taxation difficulty of the taxation department.

3.2 Relevant Laws and Regulations are not Sound

The taxation department must levy taxes on taxpayers in accordance with the relevant laws and regulations, so that there are laws to follow, so that the relevant tax collection procedures can be more rigorous, and it is also beneficial for taxpayers to regulate their behavior according to the law and enhance Taxpayer's tax compliance. However, although China has levied a property tax at present, the laws and regulations directly related to the estate tax are not perfect, and it is not possible to provide the taxation department with a basis for law enforcement, which is not conducive to the levy of the estate tax.

3.3 China's Asset Assessment Industry is Lagging Behind

The key to taxing an estate is to assess the value of the estate and accurately grasp the value of the estate. Although the taxpayer itself registers part of the property value in the relevant department, in some cases, the asset assessment department is still required to evaluate the assets, thus providing effective data for the taxation department to collect taxes. China's current asset appraisal industry is relatively backward in development, and the asset appraisal talents are insufficient to meet the current requirements for asset appraisal business in China. This will not be conducive to the introduction of inheritance tax in China.

4. Conclusions and Recommendations

Although China's economic development status provides conditions for the introduction of inheritance tax in China, due to the complexity of the inheritance tax itself, the wide coverage, and the difficulty of collection and management, coupled with the fact that China does not currently have the relevant supporting facilities for the introduction of inheritance tax, China's current levy of inheritance tax is not operational.

Faced with the widening gap between the rich and the poor in China, although China is not suitable for the introduction of inheritance tax, we must take active measures to curb the further widening of the gap between the rich and the poor. This is not only the issue of people's livelihood but also the people's Personal interests, but also related to the image of our country's international power. Therefore, we must actively face the problem and find a solution to the problem. The inheritance tax, as a tax that has been levied abroad, cannot be ignored. Therefore, China can actively learn from the advanced experience of other countries. Nevertheless, we can take some measures to create conditions for the introduction of inheritance tax.

4.1 Further Improve the Personal Property Declaration System and Asset Assessment System

In order to accurately collect taxpayer's property information, China must constantly improve the existing personal property declaration system and asset evaluation system. Only in this way can we lay the foundation for the introduction of inheritance tax in China, and ensure that the taxation department can accurately collect relevant information of taxpayers and improve the efficiency of collection and management. On the one hand, we must further improve the personal property declaration system and guide taxpayers to voluntarily conduct personal property declaration; on the other hand, we must improve the asset assessment system, actively introduce asset assessment talents, and learn advanced foreign asset valuation methods. And experience, as well as regular training of asset assessment personnel to meet the requirements of market economy development.

4.2 Use Internet Big Data to Promote Information Sharing Across Departments

The lack of sharing of information between departments is another reason for the high taxation costs of tax authorities. Due to the imperfect information sharing mechanism between various departments, the tax department often only obtains part of the information when obtaining taxpayer tax information, but cannot grasp the comprehensive information, which makes the taxation department's collection more difficult. With the development of the Internet and various industries and the development of big data technology, this provides opportunities and possibilities for information sharing between various departments. Relevant government departments should actively introduce relevant policies to guide the sharing of information between various departments, thereby improving the efficiency of tax collection and management.

4.3 Accelerate the Legislative Process of Property Tax

As a kind of property tax in China, real estate tax plays an important role in regulating the distribution of wealth of members of society and the healthy development of the newly entered real estate market. By taxing real estate, those who have high income levels and purchase multiple properties will pay more taxes, while tax incentives will be given to basic living houses owned by low- and middle-income people, which reflects the fairness and justice of our tax laws. The concept is also conducive to narrowing the gap between the rich and the poor. The levy of property tax provides a good demonstration role for the introduction of inheritance tax, but at present, the levy of property tax in China has not yet risen to the level of legislation. This requires the government to further accelerate the legislative process of property tax, so as to explore the road in China and release of the inheritance tax.

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