

Study of the "Fly in the Ointment" in China's New Income Tax Reform

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Abstract. On October 20, 2018, the Ministry of Finance and the State Administration of Taxation, together with relevant departments, drafted an "Interim Measures for Special Additional Deduction of Individual Income Tax (Draft for Soliciting Opinions)" and publicly solicited opinions from the society. That is to say, when calculating taxable income in the future, after deducting 5,000 yuan of basic deduction fee and "three insurance and one fund", we can continue to enjoy six special additional deductions, namely, children education, continuing education, serious illness medical treatment, interest on housing loan or rent, and support for the elderly. This policy sounds good, but there is many unreasonableness in it.

Keywords: New personal income tax reform; Special additional deduction; irrationality.

On the day of October 20, 2018, "Interim Measures for Special Additional Deduction of Individual Income Tax (Draft for Consultation)" was published, which triggered extensive and heated discussions among the general social groups. Next, specific analysis and discussion are made on the unreasonable items in the six special additional deductions of this tax.

The first deduction is for children's education. Related expenses of preschool education and academic education for taxpayers' children is deducted according to the standard quota of 12,000 yuan per child per year (1,000 yuan per month). Among them, pre-school education is from the age of 3 to the Pre-primary school entrance; academic education covers primary school to doctoral students.

From the point of view of policy effect, this reform has lightened some economic burden for families with two children, and to a certain extent embodied the synergy of policy. But at the same time, there will be many problems, such as, first of all, the expenditure on children's education in different regions is different, then why can't the expenditure on children's education set regional differences, deduct it according to the level of wages and expenditure on education in different regions; second, why can't we set different standards according to the different stages of education? Obviously, from kindergarten to doctoral students, there is a difference in expenditure at every stage of education; another question is whether the deduction of children's educational expenditure in private and public schools is equal; whether such a one-size-fits-all rule is fair to all; and finally, education expenditure for this child is actually a disguised increase in the tax of single people. Burden, for married people and people with children, they can deduct this part of the expenditure from their wages, but for single people, they are not married and have no children, so there is no deduction in this respect. On the other hand, it is a disguised increase in the tax of these people, which can also be called a disguised "single tax".

The second deduction is the expenditure on continuing education. The taxpayer's expenditure on continuing education for academic qualifications is deducted according to the quota of 4800 yuan per year (400 yuan per month) during the period of academic education. The expenditure on continuing education for vocational qualifications of skilled personnel and professional and technical personnel by taxpayers is deducted according to the quota of 3600 yuan per year in the year of obtaining relevant certificates.

This provision is unreasonable. What is the basis for tax deduction by tax authorities? Is it only based on relevant certificates obtained? If a person receives relevant certificates after continuing education for many years, the deduction of continuing education can only be deducted in the year of obtaining certificates or in each year of receiving education, if it is only allowed in the year of

obtaining relevant certificates? Deduction, then what to do with the year of continuing education, and that is not deductible for those who participated in continuing education but did not ultimately obtain the relevant certificates, but they do have continuing education ah, this continuing education only to participate in the examination to obtain certificates can be called continuing education is not reasonable, that is for ordinary us. Reading and learning by oneself or learning on the Internet are also regarded as continuing education, so these people's education expenditure cannot be deducted? These are all issues we need to consider.

The third deduction is medical expenditure for serious illness. Within a tax year, taxpayers can deduct the medical expenditure of more than 15,000 yuan recorded by the management information system of social medical insurance, which is the medical expenditure for serious illness, according to the standard limit of 60,000 yuan per year.

The irrationality of this provision is that, first of all, if a person is seriously ill, his medical expenditure is not a problem of 60,000 yuan, but is likely to be a huge expenditure of hundreds of thousands of yuan or even hundreds of thousands of yuan. Secondly, a large part of the society sometimes suffers from serious illness in a year, but the minor illness keeps on, for them. Their expenses often exceed the deduction standard of 15,000 yuan. Can we deduct them for this kind of situation? Documents may not be deductible, but in reality deductions are necessary. Finally, I think tax authorities can stipulate different deduction standards according to the severity of diseases. For example, for those minor diseases, the deduction standard can be set a little lower, while for serious diseases such as cancer, organ transplantation, etc., the deduction standard can be set higher. According to the actual situation, the deduction standard can be set higher. To alleviate the burden of family medical expenditure, I would like to know what the specific criteria of 15,000 yuan and 60,000 yuan set by the state are. Has it been investigated universally? This question needs further explanation.

The fourth deduction is housing rent deduction. Taxpayers themselves and their spouses do not have housing in the main working cities of the taxpayers. The rental expenditure incurred in rental housing in the main working cities can be deducted according to the quota of 800 yuan to 1200 yuan per month according to the different cities where the rental housing is located.

The irrationality of this provision is that the deduction basis is deducted according to the housing lease contract or any other contract. As long as it is a contract, the problem arises. A lease contract like this can be completely fabricated. How can the tax authorities distinguish whether the lease contract is true or false? Taxpayers can absolutely not rent the house, and then sign a fake housing lease contract. In the same way, the amount is set above the deduction limit. Taxpayers take this fake rental contract to tax authorities for a fixed deduction. As for whether the taxpayers have actually paid the rent, the tax authorities are really difficult to verify. There is also the deduction standard for people who rent houses in big cities like Beijing and Shanghai. The rent is not only 800 yuan to 1200 yuan, but may be thousands of problems. So I feel that the deduction for people in such cities is a little bit small. Although there are provisions for different regions in the documents, the standard is still a little unreasonable.

The fifth deduction is the deduction of support for the elderly. Taxpayers can deduct the support expenditure of parents over 60 years old and other legal support persons, which can be divided into two cases: one-child and non-one-child.

This provision is also unreasonable. On the one hand, if there are three or four or more children in the family, after the allocation, the deduction on each person will be very few. For individuals, it does not promote much. On the other hand, for the elderly over 60, some have retirement wages, while others do not. For the old people with retirement wages, they can use their own retirement wages to provide for the aged in the later period. To a certain extent, these old people have not increased their children's pension related expenditure, but these people have the same amount of deduction as the salary class who raise the old people without retirement wages. So it is not reasonable to deduct this kind of situation. On the other hand, how to prove that my father is my father and my mother is my mother? Does taxpayer have to go to the Civil Affairs Bureau or the Public Security Bureau to open a certificate like "My father is my father and my mother is my mother"? Or how to prove that

my father is my father and my mother is my mother? Or that husband and wife can detain their parents or both of them separately? These are in the documents. There is no specific explanation.

In a word, although these six special additional deductions have brought some benefits to some people, the irrationality of them does exist. Want to know if the state has investigated how many people still have incomes of less than 5,000 a month; their children do not need to go to school, their parents will not be sick? Don't they have to buy a house all their lives? Don't you have to send your children to study in the city for their future? People with tens of thousands of monthly incomes can pay thousands of yuan more each month, while those workers whose salaries are not even up to 60,000 a year and migrant workers without units are hundreds of millions of people. It is always felt that this reform will make the rich richer and the poor poorer. When formulating the tax system, the state should consider all factors more comprehensively. For personal income tax, it is necessary to formulate different tax rates. There is a big gap between the income levels of the bottom, middle and top people. It is only more beneficial for the rich to formulate the same tax rate, but for the income. It is undoubtedly a heavy burden to enter a lower group. Therefore, I think the state should set different tax rates. For the rich, a higher tax rate can be introduced. For the low-income group, the tax rate is lower, balancing the interests of all classes and achieving maximum fairness.

In the end, I think the country should pay more attention to those people who do not have wages and salaries like peasants, but only rely on the remuneration of labor services. It seems that all the tax reform policies formulated by the state do not take this group into account too much. According to the statistics, by 2017, the rural population in China reached 57.61 million people, accounting for 41.48%. Faced with such a large population, the state is. We should not consider giving them more preferential treatment to achieve maximum fairness.

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