The Study of the Tax Loss in the Cross-Border E-Commerce in China

Liu Chuge

No. 18 Jiaoda East Road, Haidian District, Beijing, China
865763571@qq.com

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Abstract. As a new business transaction model, cross-border e-commerce has developed rapidly under the promotion of the continuous development of cross-border logistics and digital information construction in China, and has been widely recognized by individuals and enterprises, and it also provides a new growth point for our country's economy. However, with the rapid growth of cross-border e-commerce transactions, the problem of tax loss in the process of import and export goods will not only bring the loss of financial revenue, but also affect the fair and transparent market construction, and even promote the illegal and criminal acts such as tax evasion and tax avoidance. Based on the current situation of the tax loss of cross-border e-commerce, the paper makes use of comparative analysis and experience analysis, combined with the international experience and the realistic background of China's economic development, puts forward some reasonable suggestions to solve the problem of tax collection and management.

1. Literature review

Foreign scholars do not have much research on the tax loss of cross-border e-commerce, but the tax collection and management of this field. Aim James and Melnik Mikhail (2010) used eBay's sales data as a sample to study the seller's tax compliance, which showed that overall tax compliance was low and tax compliance increased as time spent in the industry extended. American scholars Cline and Neubig (2015) are staunch tax-free parties. They believe that the development of cross-border e-commerce has little impact on taxation.

Domestic scholars have extensive research on the taxation and policy issues of cross-border e-commerce. He Yawen (2016) pointed out that China lacks taxation and management laws and techniques. It should actively learn from the experience of developed countries, and improve the law and establish an effective collection and management system. Yuan Chaoxia (2017) took the change of tax policy of cross-border e-commerce as the starting point, combined with the new taxation policy of 2016, pointed out that the customs should be improved on the supervision of cross-border e-commerce. Zhang Li (2018) analyzed the evolution of cross-border e-commerce policy in China for the problems in cross-border e-commerce taxation, and proposed that China needs to speed up the process of e-commerce, especially cross-border e-commerce taxation legislation. Many scholars' research shows that the current cross-border e-commerce tax collection and management has the lack of system and the disqualification of taxpayer behavior, but the analysis of the problem of cross-border e-commerce tax loss is still missing. This article will explain this aspect. Make up for the shortcomings of current research work in this field.

2. Analysis of the current situation of cross-border e-commerce development

China's cross-border e-commerce has shown a rapid development trend in recent years. It can be seen from the following figure that the annual turnover of cross-border e-commerce continues to rise.
The following figure shows that China's cross-border e-commerce exports are also much larger than the import volume. According to the monitoring data of the E-Commerce Research Center, the scale of cross-border e-commerce transactions in the first half of 2018 was 3.47 trillion yuan, a year-on-year increase of 26%; the scale of imported cross-border e-commerce transactions was 1.03 trillion yuan, a year-on-year increase of 19.4%.

3. Tax Loss in Cross-border E-commerce

3.1 Current status of tax loss

At present, China's cross-border e-commerce tax collection and management faces many difficulties, and the resulting tax loss problem is even more inevitable. In 2012, the tax loss scale reached 99 billion yuan. And in 2017, the scale has reached more than three times that of 2012. Although it is regrettable that the specific amount of this tax loss is not easy to count, it does not prevent us from discovering that China is facing an increasingly serious tax collection and management problem.

3.2 Analysis of the causes of the problem of tax loss

The reasons for this phenomenon are various. From the domestic level, the current international tax collection and management regulations that China follows are the tax jurisdiction of the source of income, that is, the taxation based on the principle of territoriality, and the transaction of cross-border e-commerce. Secondly, even if a citizen or legal person can be taxed, the information that can be used as the basis for taxation is also difficult to obtain. In addition, cross-border e-commerce itself has a tendency to actively avoid tax. What the government needs in the current complex situation is more advanced regulatory technology and professional teams, but this is also what China currently does not have.

From an international perspective, all countries in the world are committed to encouraging the development of cross-border e-commerce in the country to stimulate exports, promote economic
growth, and safeguard national interests. Accordingly, countries have adopted a series of measures to safeguard the interests of domestic enterprises, build new international tax barriers, and hope to increase the economic dividend by increasing the tax burden of foreign companies by protecting domestic enterprises. However, the current cross-border e-commerce not only includes trade between the two countries, but also more exchanges between many countries. These measures adopted by various countries not only violate the principle of international tax fairness, but also are not conducive to fair and open market construction.

4. Cross-border e-commerce tax management measures and comparison between China and foreign countries

4.1 China's cross-border e-commerce tax management measures and their effects

The transaction behavior of cross-border e-commerce is similar to the ordinary import and export trade in essence. The biggest difference lies in the means of trading. At the same time, due to the state's policy support for cross-border e-commerce transactions, it can enjoy the preferential treatment of export tax rebates for eligible goods. In 2014, the General Administration of Customs of China promulgated the "Announcement on the Relevant Supervision and Regulation of Import and Export Goods and Goods for Cross-border Trade E-Commerce", and incorporated the trade of goods and services realized through the e-commerce transaction platform connected through the Customs into the scope of supervision. It even includes data transmission and so on. In 2016, China promulgated the “Announcement on the Relevant Supervision of Cross-border E-Commerce Retail Import and Export Commodities”, which stipulated the basic legal framework for cross-border e-commerce retail import and export commodity supervision and clarified its basic legal rights and obligations. A major step forward in cross-border e-commerce legislation in China. However, because it does not elaborate on specific measures, has few hard rules, and is difficult to interpret, it is difficult to solve complex tax collection and management problems.

At present, China is generally inclusive and cautious about cross-border e-commerce trade. The cross-border e-commerce new policy, which came into effect on January 1, 2019, continues to implement the current regulatory policies for cross-border e-commerce retail imports and the regulation of personal use of inbound goods. And the addition of 63 new tax items, raising the single transaction limit and the end of the year trading limit, has brought significant benefits to China's imports of cross-border e-commerce industry. As shown in the table below, China's current policy orientation is still characterized by lowering tariffs and expanding external demand. The overall taxation system is relatively loose.

<table>
<thead>
<tr>
<th>project</th>
<th>main content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs clearance</td>
<td>Supervision of cross-border e-commerce retail imports based on personal use of imported goods</td>
</tr>
<tr>
<td>Scope of application</td>
<td>Expanded from 15 cities including Hangzhou to 22 cities including Beijing, Nanjing and other 22 new cross-border e-commerce comprehensive experimental zones</td>
</tr>
<tr>
<td>New tax item</td>
<td>On the basis of the zero-tariff within the limit of the cross-border e-commerce retail import list, the import link value-added tax and consumption tax are levied on the basis of 70% of the statutory tax amount, and 63 items of tax items are added to the products enjoying the preferential policies.</td>
</tr>
<tr>
<td>Transaction limit</td>
<td>The single transaction limit is raised from 2000 to 5000, and the annual transaction limit is raised from 20,000 yuan per person per year to 26,000 yuan.</td>
</tr>
</tbody>
</table>

In the future, it is necessary for China to rationally adjust policies and maintain tax security based on the development of cross-border e-commerce and future expectations.
4.2 Comparison of Chinese and Foreign Cross-border E-commerce Tax Management Policies

China and the United States have different attitudes toward cross-border e-commerce taxation issues. China advocates taxation and management of cross-border e-commerce to standardize its development, while the United States advocates free tax exemption. China is a developing country, although cross-border e-commerce trade is currently exporting mainly, does not have the US brand advantage and dominant position, so the tax exemption policy does not adapt to the stage of China's economic development and China's consistent cooperation. China and the EU have a relatively consistent attitude towards this issue, and they all adhere to the principle of tax neutrality. However, there are differences in the implementation of tax collection and management. The EU directly regulates cross-border e-commerce trade in the form of value-added tax. China, on the other hand, adopts a consumption tax with multiple management mechanisms, which is more detailed.

Both China and Australia pay attention to the improvement of the legal system in the collection and management measures, but Australia has made the law as the main management method of taxation and has not adjusted the current tax law, while China has made the law as a guarantee to deal with the problem of cross-border e-commerce tax loss. In the legislation, it pays attention to the improvement of government policies and the addition of existing tax laws.

5. Solution to tax loss problem

5.1 International solution to the problem of tax loss

In 2013, the OECD released the BEPS Action Plan and delivered a presentation at the G20 Summit in September of the same year. BEPS behavior refers to a behavior that cross-border enterprises use different countries' tax system differences to carry out tax transfer, thereby alleviating or even eliminating their tax burden, which is harmful to market fair competition. The first action plan for BEPS (tax base erosion and profit transfer) is “Responding to the Tax Challenge of the Digital Economy”, and the digital economy referred to is represented by the digital goods trade of cross-border e-commerce. Cross-border e-commerce can use the advantages of its own digital operations to circumvent tax control when conducting international digital commodity transactions, thereby causing serious tax evasion and tax avoidance consequences, affecting the effective allocation of resources. The implementation of the BEPS Action Plan is to curb the behavior of multinational corporations, thereby ensuring the interests of low-income countries and small and medium-sized enterprises, improving the tax compliance of other enterprises, and safeguarding the tax sovereignty of countries.

5.2 Domestic solutions to the problem of tax loss

First, from the perspective of basic principles, China should adhere to the principle of tax neutrality, reduce the cost of taxation, and adopt a cautious and inclusive attitude towards the development of cross-border e-commerce. Although the growth rate of cross-border e-commerce in China has slowed down in recent years, its annual growth rate is still above 10%, which means that China's current tax policies for cross-border e-commerce will pass the tax economy in the future. Leverage affects economic development. Therefore, in the critical period of China's economic transformation and upgrading, the steady problem of dealing with the tax loss of cross-border e-commerce is a key step to reduce the hidden dangers of China's economy.

Second, the tax system should be adjusted in a timely manner in accordance with the development of cross-border e-commerce, and relevant laws and regulations should be improved. Tax incentives such as export tax rebates for cross-border e-commerce should be refined, and should also be guaranteed to be compatible with other laws and regulations, and can be linked in this process.

Third, we should establish a data system that includes business and personal transaction information. When the company conducts trading activities, it timely grasps the information of all parties, and at the same time, establishes enterprise files and regularly pays attention to the growth of the company. The establishment of this system is conducive to clarifying the source of taxation.
In the transaction activities, it can measure and control the specific information of the transaction. On the other hand, this system is also beneficial to the government agencies at all levels to keep abreast of the specific situation of the operation of the enterprise and to identify problems.

References


