Individual Income Tax Anti-Avoidance Under the Substantial Progress of CRS: Problems and Countermeasures

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Abstract. As an important participant in the global economy, China actively promotes and implements CRS to strengthen cross-border taxation mechanisms and address the cross-border tax avoidance issues of domestic taxpayers. China's implementation progress includes key steps such as signing a multilateral tax collection and management mutual assistance convention, and issuing due diligence management measures for tax related information of non-resident financial accounts, reflecting China's active role in global tax cooperation. However, the implementation of CRS is not without obstacles. The article analyses the challenges faced by CRS in institutional design and implementation, including technical challenges, legal and policy differences, obstacles to international cooperation, and issues of public awareness and transparency. To address these challenges, a series of countermeasures and suggestions have been proposed, such as improving the level of information technology, strengthening the connection between domestic legislation and international standards, strengthening international cooperation and exchange, enhancing public awareness and transparency, and regularly evaluating and revising systems. Through continuous efforts and improvements, China will further consolidate the implementation effect of CRS, make greater contributions to global tax cooperation and international tax governance, and promote the healthy development of the global economy.

Keywords: Individual Income Tax, Tax Anti-Avoidance, CRS

1 Introduction

Under the background of economic globalization, the flow of capital, technology, labor and other factors of production is becoming more and more frequent, which brings about the problem of anti-tax avoidance of personal income tax, which has become a major issue in the field of international tax law. From a realistic point of

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view, many developed countries have taken corresponding measures to safeguard the tax interests of various countries. However, these measures often have a double effect. After the strategic concept of "The Belt and Road Initiative" was put forward, overseas investment increased significantly. A large number of Chinese-funded multinational enterprises have emerged as the times require, and the resulting problem of cross-border tax avoidance by Chinese taxpayers has become a major problem in China's tax supervision, while participating in and implementing the unified reporting standard (Common Reporting Standard, hereinafter referred to as CRS) [1]. It will certainly provide new ideas and legal basis for China's tax authorities to improve the cross-border taxation mechanism.

In July 2014, the Organization for Economic Cooperation and Development (OECD) issued the Standard for Automatic Exchange of Financial Information in Tax Matters. Referred to as AEOI Standard, which consists of two parts: the Model Competent Authority Agreement (referred to as "MCAA Agreement") and CRS. CRS standards stipulate the relevant requirements and procedures for financial institutions to collect and submit information on individual and enterprise accounts of foreign tax residents, aiming at improving tax transparency, strengthening global tax cooperation and jointly combating tax evasion in cross-border financial accounts. With the vigorous promotion of the G20, as of July 2019, 106 countries (regions) have signed multilateral competent authority agreements to implement the standards, of which 92 countries (regions) have carried out relevant information exchange.

After the substantial progress of CRS, although it has a good regulatory effect on the traditional scheme, there are also new schemes such as the use of offshore trust to avoid tax. At present, CRS is facing unprecedented challenges. This paper will start with the impact of CRS on traditional schemes, explore the upgrade of anti-tax avoidance schemes after the implementation of CRS, and analyse the new challenges faced by CRS, so as to put forward policy recommendations for the better implementation of CRS in China.

2 Individual Income Tax Anti-Avoidance under CRS

2.1 General Scheme for Cross-Border Tax Avoidance of Individual Income Tax

Tax residents use offshore companies to avoid tax. An offshore company is a company that is established in a tax haven, but all or most of its business activities are conducted outside the tax haven. Most of these companies are controlled by foreign shareholders, which is one of the main means for the rich to use tax havens for international tax avoidance. By setting up offshore companies, the wealthy class collects property and income outside the tax haven into the accounts of offshore companies, thus evading the tax they should pay to the country where the income comes from. In recent years, the means of tax avoidance by using international offshore places have been constantly updated, which not only seriously erodes the tax base of the country of residence and causes capital loss, but also infringes on the sovereignty of tax collection and management of the country of residence, and increases the difficulty of tax collection and management of the country of residence [2]. In 2012, the New York Times published the news of Apple's tax avoidance through international tax planning, and analyzed its tax avoidance methods. Since then, the tax avoidance model of offshore companies has entered the center of the international tax avoidance arena, and has begun to attract the attention of countries all over the world.

This Paper takes a typical case for analysis and demonstration: during 2009-2010, 14 major shareholders of an overseas listed company in Nanjing, through its offshore company registered in the British Virgin Islands (BVI)-FA Company, reduced their holdings of 65 million shares and 57 million shares of its overseas listed entity Y Company twice. The accumulated transfer income exceeded HK $1.8 billion. Nanjing Local Taxation Bureau of Jiangsu Province successfully recovered 247.6 million yuan of tax on the basis of the principle that resident taxpayers should bear full tax obligations.

In this case, although on the surface, the equity transfer is the transfer of the equity of Overseas Company Y held by Overseas FA Company, Company Y is an overseas registered company listed in the red-chip mode. Although such a company is registered offshore, it may still be recognized as a Chinese resident company according to the principle of the actual management body of the Enterprise Income Tax Law [3]. If so, the act of transfer becomes the transfer of non-resident company FA to resident company Y, which can establish the jurisdiction of the Chinese tax authorities. Nanjing Local Taxation Bureau decided to adopt the principle of resident jurisdiction-although FA Company's transfer to Y Company is a non-resident transfer, the management shareholders of FA Company are Chinese resident taxpayers, and if FA Company distributes the reduction gains to them, the Chinese tax authorities should exercise tax jurisdiction. After several rounds of negotiations, in the face of evidence and facts, the taxpayer acknowledged the fact that FA Company reduced its income distribution and was willing to declare and pay taxes on the overseas reduction income according to law. After calculation, the tax payable is 321.1 million yuan, deducting 73.5 million yuan of tax paid back to China, and the tax payable is 247.6 million yuan.

The existence of offshore companies promotes the prosperity of transnational investment and international economy and trade to a certain extent, but also intensifies the international tax avoidance behavior of transnational taxpayers. All countries and relevant international organizations should pay attention to the international tax avoidance behavior of offshore companies, and regulate the international tax avoidance behavior of offshore companies by formulating and improving their domestic tax laws and signing bilateral and multilateral tax agreements. China, as an economy gradually integrating into the tide of world economic development, and as a developing country that is fully implementing the combination of "bringing in" and "going out", the international tax avoidance behavior of offshore companies has a particularly serious impact on China, so it is very important to take effective measures to regulate the international tax avoidance of offshore companies in China.

2.2 Become a Non-Tax Resident

Immigration tax avoidance refers to giving up the current nationality, joining the nationality of tax havens with no or low taxes, becoming residents of tax havens, bearing only limited tax obligations, which can greatly avoid higher tax quotas, which is also the most commonly used tax avoidance mode for the rich in China [4]. China's current personal income tax law gives more preferential tax policies to foreign individuals in terms of expense deduction, tax relief and so on. For example, those who reside in China for no more than 90 consecutive days may only pay tax on the part of wages and salaries paid by our country, and the part of wages and salaries paid by foreign countries shall be exempted from tax (CaiShuiZi [1980] No.189); the dividends and bonuses obtained by foreign individuals from enterprises with foreign investment shall be temporarily exempted from individual income tax (CaiShuiZi [1994] No.20). At the same time, the tax treaties signed by China also give some tax preferences to the negative income of foreign individuals. Therefore, the wealthy class can change their nationality through immigration, hold shares in domestic enterprises as foreigners, and avoid unlimited tax obligations in China while enjoying additional tax incentives.

The key to the success of the above traditional tax avoidance schemes lies mainly in the use of the non-disclosure and non-transparency of tax data between the country of residence and the country of income. Tax data, as an important information resource of tax departments in the era of big data, plays an important role in improving the efficiency of tax collection and management, economic prosperity analysis and social information governance. Compared with domestic tax supervision, cross-border tax supervision information is difficult to obtain, and there may be a situation that other countries do not cooperate. In the absence of a corresponding mutual assistance treaty between the two countries, the cross-border exchange of tax data is bound to be more difficult.

2.3 Emergence and Progress of CRS

In July 2014, the Organization for Economic Cooperation and Development (OECD) issued the Standard for Automatic Exchange of Tax-related Information in Financial Accounts (AEOI Standard), which is the latest product of the era of international automatic exchange of tax-related information [5]. The AEOI Standard consists of two parts, the Uniform Reporting Standard (CRS) and the Competent Authority Agreement. The implementation of CRS provides a specific standard for the due diligence procedures and main requirements for financial institutions in each tax jurisdiction to collect and submit information on financial accounts opened by foreign tax residents in their own institutions. CRS hopes to improve international tax transparency by strengthening global tax cooperation and crack down on taxpayers using cross-border financial accounts to evade tax. In China, the implementation of CRS is expected to significantly enhance tax transparency and the ability of tax authorities to deal with offshore tax evasion and tax avoidance, and reflects the trend of China's full recognition, active participation and promotion of CRS.

China has made remarkable progress in the implementation of CRS, which is shown in Fig. 1. In August 2013, China signed the Multilateral Convention on Mutual Assistance in Tax Collection and Management, which provides a legal prerequisite for the implementation of CRS. In September 2014, the Chinese government pledged to implement the AEOI standard. In December 2015, the State Administration of Taxation signed the Agreement between the Competent Authorities on Automatic Exchange of Tax-related Information in Financial Accounts, which provides operational guidelines for the implementation of automatic exchange of information. In October 2016, the Measures for the Management of Due Diligence Investigation of Tax-related Information in Non-resident Financial Accounts (Draft for Consultation) were issued to the public. On July 1, 2017, the State Administration of Taxation, the Ministry of Finance, the People's Bank of China and other departments jointly issued the Measures for the Management of Due Diligence Investigation of Tax-related Information in Non-resident Financial Accounts. In May 2018, the Chinese version of CRS was formally implemented, and the automatic exchange platform was opened. This series of measures marks that China has taken a solid step in international tax cooperation.

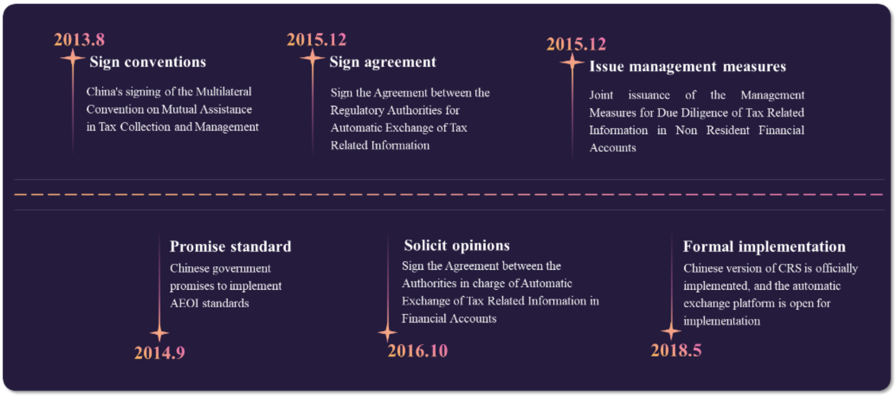

Fig. 1. Remarkable Progress in the Implementation of CRS of China.

Under the background that China actively promotes the implementation of CRS, the traditional personal income tax avoidance scheme has been significantly impacted. For example, offshore company tax avoidance scheme, due to the implementation of CRS, global financial account information will be automatically exchanged, making it difficult to set up offshore companies for financial account tax avoidance. In addition, tax avoidance schemes that become non-tax residents are also affected. Under the framework of CRS, countries have the obligation to exchange tax information, which restricts the behavior of evading tax by changing the status of tax residents. However, although CRS has made progress globally, there are still some countries that have not joined CRS, which provides an opportunity for tax avoidance. For example, the United States, as an activist of global transparency, has implemented FATCA, but refused to join CRS, which has weakened the effect of CRS to some extent [6].

To sum up, the implementation of CRS has a significant impact on the traditional scheme of cross-border tax avoidance of personal income tax. The tax avoidance schemes of offshore companies and non-tax residents are challenged under the framework of CRS, but at the same time, we should also see that the full implementation of CRS still faces problems such as non-participation of some countries and regions. Therefore, while actively promoting the implementation of CRS, China needs to further strengthen tax cooperation with other countries and improve relevant laws and regulations to ensure the effectiveness and fairness of tax collection and management.

3 New Anti-Tax Avoidance Problems Brought by CRS

With the implementation of CRS, the traditional cross-border tax avoidance scheme of personal income tax has been seriously impacted, but this does not mean that tax avoidance behavior has completely disappeared. In fact, when facing the new challenges of CRS, high net worth people and related institutions have not stopped looking for new ways to avoid tax. Instead, they have tried to circumvent CRS regulations by innovating and adapting strategies to maintain their tax advantages in the new regulatory environment. The emergence of these new tax avoidance schemes not only challenges the effectiveness of CRS, but also brings new difficulties for tax authorities to crack down on tax avoidance worldwide.

3.1 Upgrade of Individual Income Tax Cross-Border Anti-Tax Avoidance Scheme

The new scheme is mainly based on two ideas: one is to retain the identity of CRS residents, but to adjust the attributes of financial accounts through legal means so that they are not included in the scope of CRS exchange; The second is to adjust the resident status of CRS and keep the attributes of financial accounts unchanged. The essence of these two strategies is that, whether by changing the nature of financial accounts or by adjusting personal identity, the purpose is to ensure that relevant financial information is not automatically exchanged to tax authorities.

Products not included in the scope of financial account exchange. The main idea of the new scheme is to use the loopholes and restrictions of CRS to transfer assets to non-financial accounts or to avoid the supervision of CRS by adjusting personal identity through legal financial and legal means [7]. As a non-financial account product, offshore trust has become the first choice for high-net-worth people because it does not directly participate in the automatic exchange of financial accounts. Through the establishment of offshore trust, we can not only protect assets from the impact of automatic information exchange, but also use the legal characteristics of trust to manage and use assets flexibly, so as to achieve tax optimization on the premise of abiding by the law.

Based on its vast flexible space and flexible practical design, the trust system has the natural attribute of avoiding tax burden since its birth. On the basis of the inherent flexible mechanism of trust, offshore trust also makes full use of the tax advantages of offshore jurisdictions and becomes a powerful tool for international tax planning. At present, the more common offshore jurisdictions are the British Virgin Islands, the Cayman Islands, Bermuda, Jersey and so on. The particularity, innovation, flexibility and complexity of trust have brought many challenges to the construction of trust tax system [8]. For example, the legal status of a trust is different from that of a company. The legal relationship of a trust includes multiple parties such as the trustor, the trustee and the beneficiary. The operation of a trust involves many links such as establishment, existence, change and termination. The types of a trust are varied in practice, and the trust business involves many taxes.

The opaque tax system of offshore tax havens provides a breeding ground for offshore trust tax avoidance and even tax evasion. Offshore tax havens are often characterized by low or even no taxes. At the same time, based on the strict confidentiality system, offshore tax havens are strictly confidential for the business information and profit information of the entities established in the mainland, and information confidentiality is one of the important conditions for successful international tax avoidance. For example, the British Virgin Islands does not impose any taxes on trusts, nor does it require trusts to be registered, and there are significant obstacles to obtaining and providing trust tax information. When some jurisdictions requested the BVI to provide information on the identity of the trust, the BVI failed to provide the information or provided incomplete information.

At present, CRS does not involve information about non-financial accounts, so some high-net-worth individuals transfer their income to non-financial accounts (such as offshore trusts). Because non-financial accounts do not participate in the exchange of tax information between countries, these high-net-worth individuals succeed in tax avoidance.

At present, some countries have not joined CRS. Because these countries do not participate in the exchange of tax-related information, the tax residents of these countries can easily hide income information, so as to achieve the purpose of successful tax avoidance. As of July 2019, 106 countries/regions have signed the CRS framework. In the first batch of nearly 2000 bilateral exchange relations in 50 countries (regions) in July 2017, 500000 natural persons have been disclosed offshore assets, and about 85 billion euros have been taxed. Mainland China, Hong Kong, China and Macao, China also completed the first information exchange with other CRS participating countries in September 2018. It has even prepared a new tax anti-avoidance clause for this purpose. However, the United States, which promotes global transparency, uses FATCA to control/recover its taxpayer’s money and knows the overseas accounts of its own people like the palm of its hand, while using FATCA as a shield, refuses to join CRS and does not want to give up its "onshore" financial construction [9]. The US Treasury is not even apologetic for refusing to sign up to the OECD's new global disclosure standards. As a result, the United States has become the biggest loophole in CRS. Therefore, in recent years, the transfer of money from the traditional offshore paradise to the onshore paradise of the United States has become a new business opportunity for American financial institutions. The existence of "shore paradise" in the United States also brings a lot of challenges to the operation of CRS.

Tax residents of countries that have not joined or substantially exchanged. At present, there are still some countries that have not joined CRS or have not started substantive exchange. Because these countries do not participate in the exchange of tax-related information, the tax residents of these countries can easily hide income information, so as to achieve the purpose of successful tax avoidance.

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3.2 Challenges in CRS System Design

CRS is designed to improve global tax transparency and combat cross-border tax avoidance by automatically exchanging financial account information. However, as CRS is implemented and time passes, challenges at its design level emerge.

Firstly, CRS mainly focuses on the exchange of financial account information, but tax avoidance often involves a wider range of areas, including non-financial assets and offshore structures. For example, through the transfer of non-financial assets such as art, jewelry, real estate, or the use of complex offshore corporate structures, it is still possible for tax avoiders to evade the regulation of CRS. Secondly, the implementation of CRS depends on the cooperation and information sharing of tax authorities in various countries. However, there are differences in tax laws, regulatory systems and information technology levels in different countries, which may lead to the efficiency and accuracy of information exchange being affected. In addition, some countries may be reluctant to fully comply with the CRS for the sake of protecting their financial industry or safeguarding national interests, thus weakening the global consistency and effectiveness of the CRS. Moreover, the system design of CRS needs to be constantly updated to cope with new tax avoidance strategies. As tax avoiders learn more about CRS, they may develop new tax shelters to circumvent CRS regulations. Therefore, the system design of CRS needs to be flexible and adaptable enough to respond to these new challenges in a timely manner. For example, CRS may need to expand the scope of its information exchange to include non-financial assets and broader economic activities to more fully cover tax avoidance.

3.3 Challenges in the Implementation Level of CRS System

The implementation of CRS faces many challenges, not only in terms of technology and operation, but also in terms of law, policy and international cooperation.

First, technical challenges are a key issue in the implementation of CRS. Tax authorities in various countries need to establish and maintain complex information systems to collect, process and exchange large amounts of financial account information [10]. This requires tax authorities to have a high level of information technology capacity and resources, which is a big challenge for some developing countries with a weak technology base.

Second, the inconsistency of laws and policies also poses an obstacle to the implementation of CRS. Differences in tax laws and policies across countries may create barriers to the exchange of information; for example, definitions of financial accounts and reporting standards may be understood and applied differently. In addition, some countries may have legal loopholes or policy shortcomings that allow tax avoiders to use these differences to avoid CRS regulation.

Third, the challenge of international cooperation is also a problem that needs to be overcome in the implementation of CRS. The successful implementation of CRS requires close cooperation and coordination among the tax authorities of various countries. However, international cooperation may be affected by political factors, conflicts of economic interests and obstacles to information sharing. Some countries may be reluctant to fully comply with CRS regulations for the sake of protecting their financial industry or safeguarding national interests, which may lead to inconsistency and unfairness in the implementation of CRS [11].

Fourthly, the implementation of CRS also needs to take into account public acceptance and transparency. Tax authorities need to explain to the public the purpose and significance of CRS and how to protect personal privacy and data security. At the same time, tax authorities also need to establish a transparent information sharing mechanism to ensure that the implementation process of CRS is open, fair and fair. This requires tax authorities not only to abide by laws and international agreements, but also to actively communicate and interact with the public to win their understanding and support in the process of implementing CRS.

4 Countermeasures and Suggestions for China's Implementation of CRS

In view of the above challenges, we can draw some constructive countermeasures and suggestions to strengthen and improve the implementation mechanism of CRS in China. These recommendations cover technical, legal, international cooperation, public education and institutional evaluation. Through the implementation of these countermeasures, China will be able to participate more effectively in global tax governance and play a more active and responsible role in the global economy.

4.1 Improve the Level of Information Technology

With the implementation of CRS, Chinese tax authorities are faced with the challenge of processing and exchanging large amounts of financial account information. In order to effectively deal with this challenge, it is essential to upgrade the level of information technology. Tax authorities need to establish and maintain an efficient and reliable information system to ensure accurate collection, safe storage and rapid processing of data. This requires tax authorities to increase investment in information technology infrastructure, upgrade hardware facilities, and adopt advanced database management systems and data processing technology. Through regular training and professional courses, the staff's understanding of information technology and operational skills are improved to ensure that they can effectively use information systems to deal with complex data exchange tasks. In addition, tax authorities should train a professional information technology team to be responsible for the daily maintenance and problem solving of the system, so as to ensure the stable operation of the information exchange platform [12]. Tax authorities should strengthen cooperation with financial institutions, promote financial institutions to improve their information technology level, and ensure that they can timely and accurately submit relevant financial account information in accordance with the requirements of CRS. This may require tax authorities and financial institutions to work together to develop technical standards and operational procedures to provide technical support and guidance. Tax authorities should actively explore and apply emerging technologies, such as block chains and artificial intelligence, to improve the efficiency and security of information exchange. For example, blockchain technology can provide a decentralized and tamper-proof data recording platform, which can help improve the transparency and traceability of data. Artificial intelligence technology can be used for data analysis and risk warning to help tax authorities identify and combat tax avoidance more effectively.

4.2 Strengthen the Docking of Domestic Legislation and International Standards

In order to ensure the effective implementation of CRS in China, the key is to strengthen the connection between domestic legislation and international standards. China needs to review and revise existing tax laws and regulations to ensure that they are consistent with CRS requirements. This includes clarifying the reporting obligations, standardizing the reporting process, defining the reporting subject and the scope of information, and setting corresponding penalties for violations. At the same time, it was important to ensure that national legislation was consistent with international standards and to avoid obstacles to implementation resulting from differences in legislation. By participating in the activities of OECD and other international organizations, China can share its own experience, learn from other countries' practices, and promote the improvement and development of international tax rules. At the same time, China should work with other countries to discuss and solve the problems encountered in the implementation of CRS and promote international tax cooperation.

China should establish a cross-sectoral cooperation mechanism to ensure effective communication and coordination among relevant departments such as taxation, financial supervision and diplomacy. This helps to form a unified policy implementation standard, avoid information islands between departments, and improve the overall efficiency of CRS implementation. China should strengthen the supervision and evaluation of the effect of CRS implementation. Through regular inspection and evaluation, problems are found in time and measures are taken to improve. This requires the tax authorities to establish a sound supervision and evaluation system, including the formulation of evaluation indicators, the collection of feedback information, and the analysis of the results.

4.3 Intensify International Cooperation and Exchanges

The implementation of CRS is a global tax cooperation project, and strengthening international cooperation and exchanges is of vital importance to China. First of all, China should actively participate in international tax cooperation and discuss and solve the problems encountered in the implementation of CRS with other countries. By participating in international conferences, seminars and other activities, China can share its own experience, learn from other countries' practices, and promote the improvement and development of international tax rules. Secondly, China should establish a stable information exchange mechanism with other countries. This includes not only the automatic exchange of financial account information, but also the exchange of tax laws and regulations, tax avoidance cases, best practices and so on. Through these exchanges, China can keep abreast of the latest developments in international taxation and improve its tax collection and management capabilities. Moreover, China should strengthen cooperation with international organizations. For example, we should maintain close contact with OECD, G20 and other international organizations, participate in international tax cooperation projects, and jointly promote global tax governance. This will help China play a greater role in the field of international taxation and enhance its international influence. Finally, China should strengthen tax cooperation with developing countries. By providing technical assistance, training and other support, we will help these countries improve their tax collection and management capabilities and jointly meet the challenges of cross-border tax avoidance. This will not only help to enhance China's image among developing countries, but also help to build a fair and reasonable international tax system.

4.4 Enhance Public Awareness and Transparency

The implementation of CRS requires not only the efforts of the government and financial institutions, but also the understanding and support of the public. First of all, tax authorities should widely publicize the purpose and significance of CRS through various channels, such as the media, the Internet and public lectures, so as to raise public awareness of tax compliance. This will help to form a good tax culture and encourage the public to consciously abide by tax laws and regulations. Tax authorities should establish a transparent information sharing mechanism. On the premise of protecting personal privacy, the progress and achievements of CRS implementation should be made public so that the public can understand how tax authorities use the information collected and how this information can help combat tax avoidance. This will help to enhance public trust in tax authorities and improve the transparency of CRS implementation. Tax authorities should encourage public participation in the formulation and evaluation of tax policies. By soliciting public opinions and organizing public consultation activities, the public will have the opportunity to express their views and suggestions. This will not only help tax authorities better understand the needs of the public, but also help to improve the fairness and effectiveness of tax policies. Tax authorities should strengthen the guidance and supervision of financial institutions. To help financial institutions understand and comply with CRS requirements by providing training and developing operational guidelines. At the same time, tax authorities should regularly check the reporting of financial institutions to ensure that they submit information in accordance with regulations.

4.5 Evaluate and Revise System Periodically

CRS is a long-term and dynamic system, and regular evaluation and revision of the system is essential for its effective implementation. Tax authorities should establish a regular evaluation mechanism to quantitatively analyse the effect of CRS implementation. This includes assessing the timeliness and accuracy of information exchange, as well as the actual effectiveness of CRS in combating tax avoidance. Through these assessments, tax authorities can find problems in time and take measures to improve them. Tax authorities should revise and improve the CRS system in time according to the evaluation results. This may include adjusting reporting requirements, optimizing information exchange processes, and strengthening regulation and enforcement. The revision and improvement of the system should take full account of the changes in international tax rules, the renewal of tax avoidance means, and the development of domestic tax practice. Tax authorities should strengthen cooperation with academia and professional institutions to jointly study the implementation effect and improvement measures of CRS. By introducing the opinions and suggestions of external experts, tax authorities can have a more comprehensive understanding of the implementation of CRS and improve the scientific and forward-looking design of the system. The tax authorities shall make public the results of the assessment and revision and accept the supervision of the society. This will help to improve the transparency of CRS implementation, enhance public trust in tax authorities, and help to form public consensus on tax policy.

5 Conclusions

CRS, as a global standard for tax transparency and automatic information exchange, has made substantial progress in China, playing an important role in combating cross-border tax avoidance and protecting national tax interests. However, with the continuous evolution of tax avoidance strategies and changes in the international tax environment, the implementation of CRS still faces many challenges, including improving the level of information technology, aligning domestic legislation with international standards, deepening international cooperation and communication, enhancing public awareness and transparency, and regular evaluation and revision of systems. To effectively address these challenges, China needs to continuously optimize its information technology infrastructure, strengthen the integration of legislation and international standards, actively participate in international tax cooperation, raise public awareness of the importance of CRS, and establish a long-term mechanism for institutional evaluation and revision. Through these measures, China will further consolidate and enhance the implementation effectiveness of CRS, and make greater contributions to global tax cooperation and international tax governance. At the same time, this will also contribute to building a more fair and transparent international tax system, promoting the healthy development of the global economy.

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