Research on Tax Collection and Management of Electronic Retail Industry in China

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Abstract. In recent years, with the rapid development of online shopping represented by Tmall JD.COM, more and more enterprises and individuals are choosing to trade and spend on online platforms, and online retail sales are growing rapidly. However, the tax laws and regulations related to online retail still can't adapt to the rapid development of online retail in China, resulting in a great conflict. This paper analyzes the current situation and difficulties of tax collection and management in China Analysis, and sort out the tax collection and management of electronic retail industry in foreign countries with mature experience. It provides corresponding suggestions for the improvement of tax collection and management efficiency of China's electronic retail industry. This paper holds that to improve the efficiency of tax collection and management in China's electronic retail industry, we should improve the tax system design in related fields, strengthen the cooperation with the third-party platform, establish a perfect third-party withholding and remitting system, and strengthen the training of tax collection and management personnel to improve the overall quality of tax collection and management staff.

Keywords: E-retail, Tax loss, Efficiency of tax collection and management

1 Introduction

In recent years, with the rapid development of online shopping represented by Tmall JD.COM, more and more enterprises and individuals choose to trade and spend on online platforms, and online retail sales have increased rapidly. However, the tax laws and regulations related to online retail still can't adapt to the rapid development of online retail in China, resulting in a great conflict.

According to National Bureau of Statistics Data, from 2016 to 2020, the national e-commerce transaction volume increased from 26.10 trillion yuan increased to 37.21 trillion yuan, with an annual growth rate of 9.3%. China has become the largest and most dynamic online retail market in the world, with 782 million online shopping users. [1] In recent years, the electronic retail industry has grown rapidly, and the uniqueness of its trading mode has promoted the rapid growth of China's consumption level. Consumption has promoted the growth of China's economic level and become a new engine to stimulate China's economic development.

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According to statistics from the Central University of Finance and Economics Research Group (2017), he amount of tax loss under the C2C model was 18.21-25.633 billion yuan in 2012, 26.466-37.241 billion yuan in 2013, 35.794-50.366 billion yuan in 2014, and 43.660-614.33 yuan in 2015. Therefore, the actual overall tax loss scale of online retail industry is huge, so it is necessary to continuously strengthen the level of tax collection and management.[2] Tax authorities need to improve the tax management system, strengthen the effectiveness of supervision of electronic retail industry, standardize the tax order of electronic retail industry, and put forward higher requirements for the tax authorities' collection and management level. As far as the tax compliance of electronic retail operators is concerned, taxpayers' awareness of tax legal system is weak, and quite a few enterprises maliciously conceal taxpayers' identity by disguising themselves as individual business operators, resulting in serious tax loss and destroying the tax order.

2 The Development Status of My Country's Electronic Retail Industry

2.1 The Concept of Electronic Retail Industry

[3]Electronic retail is a business activity supported by information network technology to carry out commodity retail. That is, the activity of conducting transactions by electronic trading on the Internet trading platform. It is the networking and informatization of traditional trading methods. It is called online shopping in social life, including three types: B2C, C2C and O2O.

2.2 Promulgation and Improvement of the E-Commerce Law

In August, 2004, the Electronic Signature Law was passed, and the legislative road of electronic retail began. Subsequently, the relevant regulatory laws of electronic commerce were continuously introduced, and the taxation of electronic retail industry was gradually put forward. In 2018, the Standing Committee of the National People's Congress voted to pass the E-Commerce Law, which regulated e-retail behavior and stipulated that e-commerce platforms should fulfill the corresponding review obligations and ensure the safety of consumers. March 15, 2021, State Administration for Market Regulation The promulgation of the Measures for the Supervision and Administration of Online Transactions and the detailed supervision system of online transactions are of special practical significance for improving the overall compliance of network business entities or strengthening tax collection and management.

2.3 Development Status of Electronic Retail Industry

According to data from the China Bureau of Statistics, from 2015 to 2020, National online retail sales increased from 7.18 Billion yuan increased to 15.42 Trillions of yuan, the growth rate will rise in 2023 after fluctuations from 2020 to 2023 (Fig. 1).

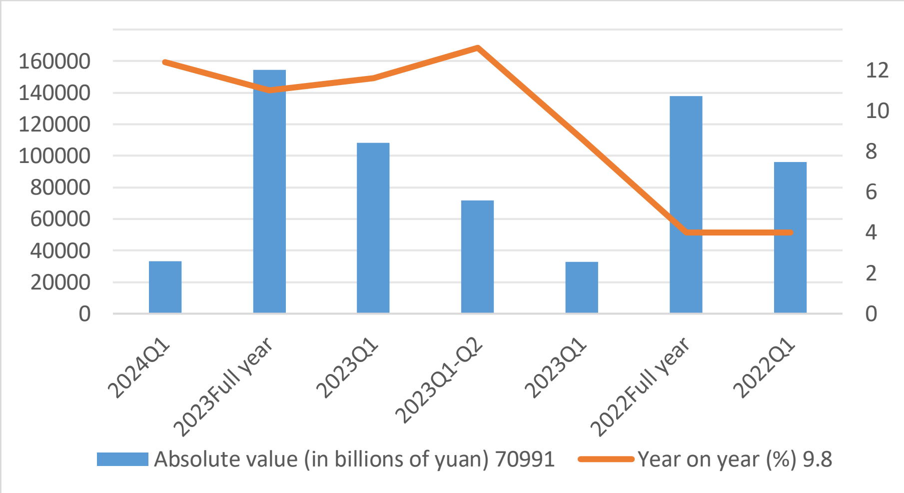

Fig. 1. National Online Retail Sales and Growth Rate.

From 2017 to the first quarter of 2024, the proportion of online retail sales of physical goods in total retail sales of consumer goods nationwide showed a fluctuating upward trend. In 2023, the national online retail sales of physical goods accounted for 27.6% of the total retail sales of consumer goods, an increase of 17.6% compared with 2017% (Fig. 2), so the ratio of online retail sales of physical goods will continue to increase in the next period, occupying a more important position in the retail sales of social consumer goods.

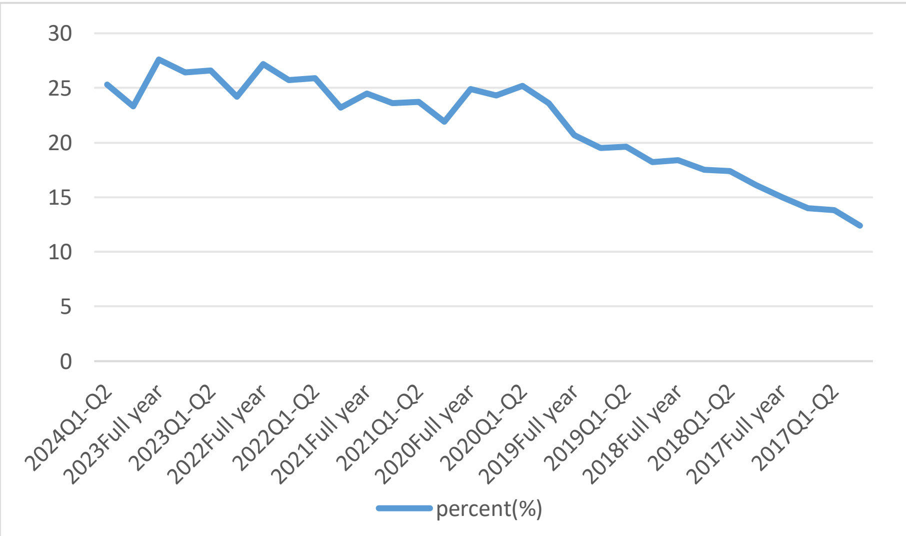

Fig. 2. Proportion of online retail sales of physical goods in total retail sales of social consumer goods.

3 Characteristics of Tax Collection and Management in Electronic Retail Industry and Difficulties

3.1 Tax-Related Characteristics of Electronic Retail Industry

3.1.1 The Breadth of Transaction Scope.

The electronic retail industry faces the people of the whole society who use the Internet through the online trading platform, which exceeds the limitation of geographical areas. With the rapid development of logistics technology, online trading is becoming more and more fast and efficient.

3.1.2 Concealment of the Transaction Subject.

In the electronic retail industry through Internet transactions, both parties to the transaction do not need face-to-face transactions, and the promotion of products is also carried out through the Internet platform. In the transaction process, purchase, payment and logistics are all carried out through the Internet, which makes it difficult to determine the tax object in the whole transaction process.

3.1.3. Digitalization of Transaction Information.

In the transaction process of electronic retail industry, transaction information is presented in a digital way, because transaction and payment information are easily tampered with and concealed. The traditional tax collection and management methods can't obtain the corresponding transaction information, which greatly improves the difficulty of tax collection and management departments.

3.2 Difficulties in Tax Collection and Management of Electronic Retail Industry

3.2.1 Taxpayer is Difficult to Determine.

The electronic retail industry has a clear virtualization characteristic. Taxpayers register on the trading platform, and each link is virtual, so it is difficult to determine the real taxpayer. As a business Due to the virtual nature of identities and the online places, it is difficult to conduct daily online supervision and collection management. As a result, some people have formed the perception that e-commerce does not register and does not levy taxes. At the same time, some companies operate by disguising themselves as natural persons. way to avoid taxation[4].

3.2.2 It is Difficult to Determine the Place of Tax Payment.

Because the transactions of online retail industry are carried out on the online platform, it is difficult to determine the identity, address, business place and domicile of the operators, and even some new trading methods emerge. Some operators do not have the source of goods but agents. At the same time, the Internet retail industry has a wide range of transactions, and the traditional tax collection and management methods of retail industry are difficult to verify the identity of the business, resulting in omission or double taxation, resulting in tax collection and management confusion[5].

3.2.3 The Tax Deadline is Difficult to Determine.

The electronic retail industry goes through many links in the transaction process. Consumers place orders and pay, and this money is temporarily stored in the third-party trading platform until the consumer confirms the receipt before it can be transferred to the operator's account. There is a dispute as to whether the calculation of the tax deadline takes place after the goods are ordered or when the consumer confirms the payment. At the same time, these transactions are information materials all exist in third-party trading platforms and third-party payment platforms. If the tax department wants to determine the tax deadline, it is necessary to obtain accurate transaction materials from these platforms[6].

3.2.4 The Tax Object is Difficult to Determine.

Because many products do not exist in physical form in e-retail, and many physical products are even transformed into digital information, the nature of products has changed in e-retail environment. The true nature of the product also becomes difficult to determine in the virtualized characteristics of e-retail. These digital e-commerce products, because of their information characteristics, can be copied and downloaded, and their transactions are also concealed to a certain extent, so it is difficult to be determined as taxable objects[7].

4 Practice and Experience of Tax Collection and Management in Foreign Electronic Retail Industry

4.1 U.S. Electronic Retail Tax Collection and Management Practice

The United States was the first to produce Electronic retail Countries, the tax collection and management of electronic retail industry are also the first to start studying. In 1996, the United States published the white paper "Selective Tax Policy for Global E-commerce", which proposed Electronic retail The principle of tax jurisdiction, tax neutrality and avoidance of double taxation.

Under this principle, the Internet Tax Exemption Act was promulgated in 1998, which includes three aspects: First, the local government can only levy business sales tax on taxpayers who conduct "tax management" locally, and determine the local tax jurisdiction; The second is to maintain the existing tax burden level and not set up new taxes to ensure the principle of tax neutrality; Third, right Electronic retail Avoidance of double taxation.

The United States advocates Electronic retail Tax exemption has promoted the rapid development of online retail industry, but this bill has also led to the leading position of electronic retail industry in the market competition of retail industry and destroyed the market order of the United States. Therefore, in 2019, the United States passed the

"Market Competition Act", which recognized the right of local governments to levy sales taxes on non-local online retailers[6].

In the practice of tax collection and management, the United States has established an information system of tax collection and management, through which consumers' taxes payable are directly deducted from banks. At the same time, it is stipulated that the e-commerce payment platform has the obligation to actively report the annual information of the period, and must actively report the income and expenditure in its own business process. A third-party withholding and remitting mechanism has been established.

At the same time, local governments have the power of tax legislation, resulting in a perfect tax intermediary organization, providing tax consulting services to help taxpayers submit corresponding tax materials. Because of the neutrality of tax intermediaries, the tax materials provided by them have considerable credibility, which reduces the difficulty of tax inspection and improves the efficiency of tax collection and management.

4.2 EU E-Retail Tax Collection and Management Practice

European Union's Electronic retail Tax practice developed earlier, and through the Declaration of Bonn Ministerial Conference, it was put forward that: Adhere to the principle of tax fairness and neutrality, and levy value-added tax on network trade, but not interfere too much Electronic retail Development and avoiding additional tax burden on electronic transactions. In terms of tax jurisdiction, the EU implements network value-added tax managed by the place of consumption[7].

In the process of tax practice in the European Union, the behavior of direct sales by the platform is regarded as two different electronic trade behaviors, namely, B2B transactions between physical sellers and e-commerce platforms and B2C electronic sales between e-commerce platforms and consumers. B2B sales are applicable in accordance with the appropriate tax laws Zero Tax rate, B2C sales between e-commerce platforms and consumers should be borne by the platform to withhold and pay value-added tax for consumption. [8] At the same time, the European Union has introduced a one-stop electronic tax registration and declaration platform, bringing all e-commerce transactions into the scope of monitoring, and improving tax collection and management capabilities.

4.3 Reference for China's Reform

4.3.1. Improve the Third-Party Withholding and Remitting System.

Both the United States and the European Union have established a perfect information system of tax collection and management to realize the withholding and payment of tax payable in the electronic retail industry by the third-party trading platform. Because the sellers participating in online retailing in China are small in capital and small in profit, the transaction information is complex, and there are many kinds of online physical products sold. China can learn from the third-party withholding and remitting system in the United States. The third-party trading platform provides transaction information to the third-party payment platform. The third-party payment platform reports the transaction information to the tax authorities and fulfills the obligation of withholding and remitting, and the tax payment behavior of e-retail behavior is carried out in the process of Internet transactions and capital circulation (Fig. 3).

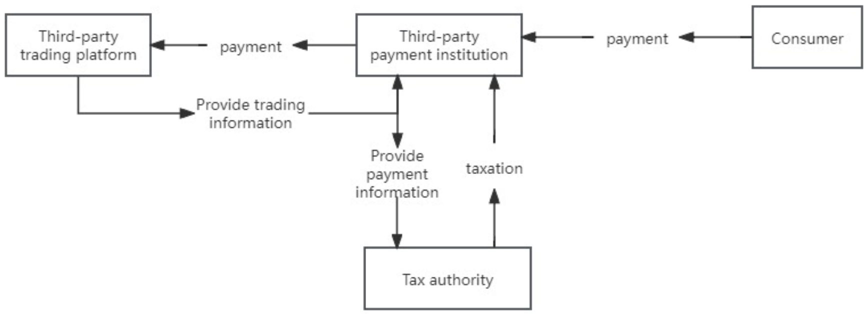

Fig. 3. Third party withholding and payment process diagram.

4.3.2. Developing Third-Party Tax Intermediaries.

Because our citizens' awareness of tax compliance and honest tax payment is weak, our country can learn from the perfect and sound tax intermediary institutions in the United States to Taxpayers provide professional tax consulting and tax agency services.

By establishing and perfecting the relevant laws and norms of tax intermediaries, the development of tax intermediary industry can have laws to follow, and endorsements can be provided for qualified tax intermediaries, so as to enhance the credibility of tax intermediaries. At the same time, tax authorities can also carry out tax publicity activities through tax intermediaries to improve taxpayers' tax compliance. [9]

5 Conclusion

5.1 Analysis of Existing Countermeasures

In 2018, my country passed the "E-Commerce Law" to clarify the code of conduct for the operation of the e-retail industry. Electronic Commerce ActIt is clear that both the operators of electronic retail industry and traditional retail industry have tax obligations, and it is clearly stipulated that the levy business activities should be registered as market entities, which should be included in the tax supervision system like the operators of traditional retail industry. However, the business amount is small, the number of times is small, and the non-profit business trading activities do not require the registration of market entities.

Incorporating practitioners in the e-retail industry into the tax collection and management system through the registration of market entities has standardized the market order of the retail industry to a certain extent. However, due to many loopholes in the online trading platform and the difficulty of supervision, there are still many low-cost online retailers who have not registered in the market to avoid paying taxes. Therefore, it is necessary to put forward higher requirements for the supervision obligations of Internet trading platforms.

The E-Commerce Law defines the taxable objects of products and services in electronic retail transactions. At the same time, due to the wide scope of e-retail transactions, it stipulates that e-retail behaviors in China should be included in the scope of taxation in China.

On collaboration with e-retail platforms. In order to prevent Electronic retail For the tampering of tax-related information of e-commerce by operators, it is clear that the third-party trading platform has the obligation to actively submit the identity information and tax-related information of taxpayers to the tax authorities.

5.2 Analysis of Practical Countermeasures

5.2.1. Improve the Tax System Design of Electronic Retail Industry.

As a new engine to stimulate social and economic development, e-retail has a considerable contribution to economic development. Therefore, to improve the tax system of electronic retail industry, we should adhere to the principle of tax neutrality, minimize the impact on the economic development of electronic retail industry, and give full play to the role of market in allocating resources. However, the electronic retail industry is essentially another manifestation of the traditional retail industry, so it is not recommended to set up new taxes, but to improve and perfect the traditional tax system structure. As for the competitive advantages of electronic retail and traditional retail, in the long run, the improvement of tax system structure should maintain the consistent tax environment of electronic retail and traditional retail, and design a reasonable tax burden considering their different costs and income, business scale and tax burden capacity.

As for the promulgated E-Commerce Law, it should be improved in time to cope with the gaps in the current development of e-retail industry, and the management of online transactions should be more standardized. At the same time, the applicability and operability of the Electronic Signature Law and the Contract Law in the field of electronic retail should be enhanced, and the trading environment of electronic retail should be optimized. [10]

5.2.2. Strengthen the Collaboration between Tax Authorities and Third-Party Platforms.

Tax authorities should strengthen the cooperation mechanism with third-party platforms. Improve the tax registration system of the electronic retail industry. After the electronic retail industry operators go through industrial and commercial registration, they will register in real-name registration system on the Internet trading platform by virtue of the network business license, industrial and commercial department registration and tax registration certificate. [11] For individual operators, they can refer to the

Evaluation Standards for Integrity Files of E-commerce Enterprises issued by the Ministry of Commerce to establish personal business integrity files evaluation standards. When an individual opens a virtual store, he can register an online store according to his integrity file to carry out C2C e-retail activities.

At the same time, we should make clear legal norms and guidance for the tax collection and management behavior of electronic retail industry. Clarify the responsibilities among tax authorities, third-party trading platforms, non-Internet financial institutions and banks, and provide corresponding legal basis for realizing the third-party withholding and remitting system. It is clear that the Internet trading platform should submit relevant transaction information to the tax authorities to cooperate with the tax authorities to complete the responsibility of withholding taxes. [12] Improve the informatization level of tax collection and management, reduce the tax payment links in the field of electronic retail industry, and alleviate the tax loss caused by the traditional tax collection and management methods. At the same time, the goal of supervision will be transferred to the platform, and the mechanism of joint supervision between tax authorities and third-party trading platforms will be established[13] At the same time, it also urges the platform to more strictly monitor the performance of tax obligations by the way that the platform should bear a certain degree of joint and several liability for the behavior of the settled sellers on the platform.

5.2.3. Strengthen the Training of Tax Department Personnel.

With the rapid development of electronic retail industry, the abundance of consumption patterns and the improvement of people's consumption level in China. The work pressure faced by the tax authorities is increasing day by day. To enhance the efficiency of tax collection and management in the electronic retail industry, it is closely related to the working ability of tax staff. For tax authorities, develop high-quality tax talents and enhance the professional level of tax authorities' staff. [14] It is necessary to carry out timely training for tax staff according to the existing economic environment and changes in policies and regulations, constantly update the relevant knowledge of tax staff, and improve the level of collection and management. At the same time, tax authorities should focus on high-quality tax talents when recruiting staff.

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