

Exploring Corporate Tax Compliance in the Era of Digital Tax Collection and Administration: Insights from the “Golden Tax Phase Four” Project

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Abstract: This article primarily examines the current state of tax collection and management, alongside other associated issues. It integrates insights from China’s “14th Five-Year Plan” and anticipates the imminent implementation of the “Golden Tax Phase Four.” With this backdrop, the article offers recommendations for advancing the reform of the tax collection and management system, fostering the development of intelligent taxation, and accelerating the modernization of tax collection and management in China.

Keywords: Golden Tax Phase Four; Modernization of tax collection and administration; Tax compliance

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1. Background status

In recent years, China has undergone a continuous deepening of tax collection and administration reforms, leading to a steadily improving environment for tax management. The “14th Five-Year Plan” emphasizes the pivotal role of enhancing the modern tax system, with a clear focus on deepening tax collection and administration reforms, fostering smart taxation, and advancing tax management modernization.

One significant aspect highlighted in the plan is the substantial enhancement of tax law compliance, which is not only a long-term priority for tax administration reform but also crucial for strengthening tax supervision and inspection. This effort aims to bolster the effectiveness of tax governance and uphold national tax security. Amid the economic imperative of prioritizing stability, China is tasked not only with implementing expansive, staged tax and fee reduction policies but also with effectively managing revenue collection.

In this context, improving tax law compliance stands as a cornerstone for balancing these objectives ^[1]. It encompasses not only tax authorities organizing revenue and delivering tax payment services following laws and regulations but also entails timely and accurate tax payments from enterprises and other taxpayers. Embracing the new tax law enforcement paradigm of “no risk, no disturbance, investigation of illegal activities, and robust intelligent control,” achieving compliance with tax laws necessitates optimizing the tax collection

and administration environment, particularly through the reinforcement of tax management technology.

The technical evolution of tax collection and administration discussed in this paper encompasses macro-level reforms formulated by the state, specific measures implemented by tax authorities, and the compliance behavior of micro-entities such as enterprises. Given the pivotal junctures in the ongoing reform of the tax collection and administration system, studying the impact of technological advancements in tax management on corporate tax law compliance is imperative.

This paper focuses on corporate tax compliance, examining the influence of technological shifts in tax collection administration on the compliance of listed companies with tax laws. It offers policy recommendations aimed at further enhancing the tax collection and administration environment and improving corporate tax law compliance in China ^[1].

2. Research significance

Theoretical research suggests that digital reforms in tax collection and administration, exemplified by the “Golden Tax Phase Four” project, have substantially enhanced enterprises’ tax compliance. This improvement primarily stems from the reduction of information asymmetry between tax collection entities and taxpayers, thereby increasing the cost of tax evasion for enterprises. Additionally, these reforms standardize tax collection and administration procedures, streamlining the tax payment process for taxpayers and consequently reducing compliance costs for enterprises.

The initiation of the “Golden Tax Phase Four” project represents a strategic fiscal policy choice aimed at striking a balance between promoting economic growth and ensuring debt sustainability. While prioritizing fiscal expenditure strength, it’s imperative not to overlook fiscal discipline and efficiency. Looking ahead, the digitization of taxation will continue to be reinforced ^[2]. Following the “release, management, and service” reform, tax departments will progressively assume more “non-tax” functions. The “Golden Tax Phase Four” aims for nationwide networking of all tax-related processes and data, drawing from the successful experiences of personal income tax reforms, intending to enhance corporate tax compliance and optimize the tax collection and management environment.

Tax compliance serves as a crucial metric for optimizing tax resource management and evaluating the effectiveness of tax collection and administration. An efficient tax management system is intricately linked with the level of tax compliance, as a well-designed tax management system should incentivize compliance. This relationship is particularly evident in tax collection and administration, where effective implementation relies on taxpayers’ high level of awareness and active cooperation ^[3]. Only with taxpayers’ voluntary adherence to tax laws and regulations can the proper enforcement of national tax systems and policies be ensured, fostering a fair tax environment and upholding tax orders to guarantee the full and timely inflow of tax revenue.

From the standpoint of social and economic development, rational tax collection and management methodologies impact the redistribution of social resources, promote tax burden fairness, enhance tax service security, reduce tax evasion, and contribute to achieving shared prosperity. Improving the technical proficiency of tax collection and administration is instrumental in boosting national tax revenue, reducing the costs associated with tax collection and payment for both the government and enterprises, and driving social and economic progress. Moreover, it holds significant scientific value for informing discussions on modernizing tax collection and administration, providing valuable theoretical insights for tailoring tax collection and administration approaches to China’s specific national conditions ^[4].

3. Status quo

Compared to developed Western countries, taxpayers in China often lack knowledge of tax laws, exhibit weak independent consciousness regarding tax payments, and commonly engage in tax evasion, resulting in low tax compliance. Non-compliance behaviors in tax payment within China predominantly manifest as follows: delayed or incomplete tax registration updates, untimely and inaccurate tax declarations, disorderly and illegal usage of invoices, and various forms of tax evasion and resistance, including violent acts.

The current tax collection and administration model in China is characterized by a reliance on tax declarations, optimized services, computer systems, centralized collection, key inspections, and reinforced management ^[5].

While the continuous enhancement of tax collection and administration methods has significantly contributed to sustained and rapid growth in tax revenue, challenges persist within tax administration. These challenges are evident across three main areas:

3.1. Low level of tax service and lack of standardization in the information management system

The tax payment credit management system serves as the cornerstone information system supporting tax authorities in conducting credit evaluations of various tax-related entities ^[6]. Currently, the national unified tax payment credit management system faces challenges in information collection, including issues such as individual enterprises engaging in fraudulent activities and insufficient credit data availability. Regarding credit evaluation, reliance on a single tax credit rating system without considering local contexts results in a significant disparity between rigid and flexible credit evaluations, undermining the core of China's credit rating framework. Additionally, shortcomings in information tracking and analysis prevent achieving comprehensive, end-to-end information tracking, impeding the closure of the information tracking loop.

3.2. Inadequate supervision of non-tax activities and low efficiency in platform data services

Currently, the smart tax platform fails to provide seamless integration across various data terminal platforms, resulting in suboptimal performance. Both the taxpayer tax platform and tax personnel work platform require enhancements to their intelligence capabilities, as the current data-driven, rule-oriented online services fall short of delivering comprehensive support to taxpayers. The existing work platform support no longer adequately addresses the increasingly complex needs of tax administrators ^[7]. Moreover, the social insurance premium collection management and payment information systems face challenges in terms of comprehensiveness and coverage of management and service objects. Certain payer groups remain underserved, and the system's identification procedures are overly complex, failing to fully meet the requirements of local tax authorities and the majority of social insurance premium payers.

3.3. Standardization issues and lack of business information sharing in tax big data

The current tax big data platform faces several challenges, including inconsistent data standards for tax collection and management, limited sharing of business information, varying data quality, and difficulty accessing data repositories, hindering large-scale data collection, governance, and sharing. The efficiency of transferring back-end data assets to front-end application capabilities is low, and the diverse user channels, business types, and links do not align, impeding the support for specific application and innovation endeavors ^[8]. Furthermore, the core collection and management system of the inspection command platform lacks deployment by the General Administration. This results in disconnects in the national tax audit case

management between the General Administration's inspection bureau and the provincial bureaus. The last mile of the information highway from the General Administration to the provincial bureaus experiences disruptions, leading to inadequately equipped third-level inspection departments for checking case information and low levels of leadership decision-making support in inspection information services.

4. Recommendations for reform direction

Drawing from the preceding analysis, this paper presents suggestions for enhancing the future tax collection and administration system in China. Central to these recommendations is the advancement of the technological level of tax collection and administration within the current economic context. This includes initiatives such as digitalization and intelligence in tax collection and administration, along with their implications for bolstering enterprise tax compliance. Furthermore, the paper outlines gradual improvements in the requisite measures surrounding this model.

4.1. Standardizing the tax credit management system and strengthening tax administration for individuals

This involves establishing unified standards, including a national unified version and standardized credit evaluation processes. Additionally, implementing a national unified credit evaluation system will ensure comprehensive coverage, encompassing all enterprise taxpayers. Moreover, result-sharing mechanisms, facilitated through the utilization of credit collection mechanisms, will enable the sharing and exchange of credit evaluation outcomes nationwide^[9]. Tax-related professional service institutions and personnel will serve as the evaluation subjects, with the establishment of a credit evaluation index system for tax-related professional services. The outcomes of these evaluations will enrich the management capabilities of tax departments, enhance supervision measures, and assist institutions and personnel in continuously elevating the quality of tax-related professional services. Ultimately, this will foster the healthy development of the tax-related professional service market^[10].

4.2. Enhancing the development of the smart electronic tax bureau and improving oversight of non-tax activities

The smart tax platform, accessible through traditional websites, computer desktops, smartphones, and self-service terminals, provides support to taxpayers and tax personnel. It accomplishes this through the integration of the smart business service platform and the smart data service center^[10], serving various stakeholders including taxpayers, tax personnel, the public, and intermediaries. To enhance service efficiency and stability, it is imperative to refine the integrated electronic tax service platform, the tax public business support platform, and the shared business service center. This will establish a tax business center aimed at providing efficient and stable support for both taxpayer and tax personnel applications. The goal is to enable swift response to business changes, foster innovation, and facilitate electronic and internet-based tax transactions. The platform should offer diversified tax business handling channels, including web, mobile, client, and self-service terminals. It should also provide taxpayers with comprehensive, multi-channel, and highly efficient online services through data-driven, rule-oriented, and innovative service approaches^[11]. Leveraging cloud computing, big data, artificial intelligence, and other emerging internet technologies, knowledge mining tools should be utilized to extract insights from big data and tax business knowledge. This will provide data and rule-based support for higher-level intelligent applications.

4.3. Aligning tax big data sharing and enhancing enterprise supervision to strengthen risk management

Centered on “data standards,” this initiative prioritizes managing and monitoring data quality to ensure its credibility and accessibility. It emphasizes the visual and transparent management of data assets. Tailored to diverse application and user needs, data content is packaged, and flexible data access methods are provided to support data analysis applications. By aggregating global original business data and conducting standardized processing and calculations, three key data layers are established: the basic data layer, the high-value standard data layer, and the theme data layer. These layers offer unified data support and services for various tax-related applications involving both natural and legal persons ^[13]. The primary objective is to enhance the efficiency of translating back-end data assets into front-end application capabilities. This involves providing optimal channels for users (taxpayers, external departments, etc.), various tax management departments, and different stages of business processes (pre-, during, and post-) to support specific application development and innovation efforts.

4.4. Improving inspection efficiency and advancing the technical proficiency of tax collection and management

Enhancements to the inspection command platform are crucial. This includes providing comprehensive support to national inspection departments at all levels as well as facilitating overall management and task assignment for inspection cases, tasks, data, blacklists, and prosecution cases. Addressing the disconnection in the management of national tax audit cases caused by the absence of a core collection and management system within the General Administration’s inspection bureau is imperative ^[14]. Furthermore, the implementation of decision-making packages has facilitated the promotion of random sampling inspections in tax audits, thereby augmenting law enforcement efficiency. This has entailed establishing a robust and scientific random sampling mechanism, standardizing tax inspections, and innovating inspection methods. The goal is to achieve a new inspection mode characterized by unified versions, dual deployment levels, three directories, and comprehensive coverage, facilitating the random selection of inspection targets and inspectors. Tailored to the tax service and management requirements of large enterprises, the system has been customized to accommodate the diverse realities of different regions ^[15].

5. Conclusion

Against the backdrop of China’s digitalization and intelligent transformation of tax collection and administration, a range of strategies is required to enhance the efficiency of tax collection and administration and elevate the quality of tax payment services. The fourth phase of the “Golden Tax” initiative emerges as a pivotal tax policy, significantly impacting online enterprise information verification, personal account monitoring, electronic invoice reforms, and big tax data sharing. However, the current implementation of the fourth phase of the Golden Tax remains at an embryonic stage, leading to anticipated challenges and hindrances in achieving short-term objectives. The expansion of the “Golden Tax Phase Four” to include additional non-tax business management and taxpayer credit rating services profoundly influences corporate tax compliance. Consequently, future improvements in China’s tax collection and management technology will undoubtedly shape enterprise tax compliance. Central to this endeavor is the recognition of the intricate relationships between high-net-worth individuals, legal entities, and their financial transactions with individuals. Achieving a heightened level of tax oversight, reshaping digital-driven tax collection and management processes, and fostering continuous enhancements in tax collection and management efficiency emerge as essential priorities.

Disclosure statement

The authors declare no conflict of interest.

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