Analysis on the Related Problems in the Tax Planning of Personal Income Tax

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Abstract. In nowadays, the market economy activity is more and more active and the competition is quite violent. The main force of the business activities, namely the people pay more attention to their own economic interests and attempt to adopt a series of ways to reduce tax burden, in order to achieve their own benefit maximization. Tax planning of personal income tax is an important prerequisite for rapid economic progress and also the most important part to promote the national system to perfect degree. There are still many conditions for the implementation of current personal income tax in the of tax planning.

1. Analysis of Individual Income Tax Planning in China

In recent years, the value of our staff salaries kept increasing and the number of individuals to pay personal income tax is also increasing, which resulted in China’s number of personal income tax overriding other tax items successfully. We can see personal income tax planning become a necessity. But now it is very small amount people dig deep the professional knowledge of personal income tax planning. That is because the tax planning came to our country is not very long time and the research and development is not perfect in this area.

First, tax planning theory is weak. It is not very long time for Chinese people began to study the personal income tax planning that many theoretical knowledge are from the west and neighboring countries, which is pressing for the coming up of the real policy combine of national conditions. However, talent at this level of personal income tax planning is scarce in China and the exploration of theory and practice is poor [1]. Second, the limitations on company or the main person in charge of tax planning understanding. Third, China’s tax laws and regulations are not stable enough and change quickly. Fourth, we lack of technical personnel on tax planning.

2. Problems in Tax Planning of Individual Tax in China

2.1 Misunderstanding on tax planning

In the aspect of tax planning problems focused on the extent, our country has not very clear points through the ages and there is always biased or even fluke mind. In many people’s minds, there is also confusion on whether tax planning is tax evasion or tax avoidance. In fact, there are some taxpayers even “planning” by the use of illegal means in their own interests and precisely because of these wrong “planning” effect, the result is not only not achieve tax savings effect, but also to let them fall into the tax evasion pit and even disposable and paid the penalty by the of the tax authorities and bring the wrong demonstration to the community.

2.2 Collection mode is unreasonable

From the world perspective, the collection of personal income tax model is divided into three types of tax system, which are classified income tax system, the consolidated income tax system and the mixed income tax system. At present, the implementation of China’s tax collection is classified income tax system, which is simple in calculation method, but is not comprehensive that the taxpayers grasp the full income and there may be inequality in the actual tax situation.
2.3 The neglect of tax planning risk

Many people will encounter many unstable situations in tax planning process. If they are negative factors are likely to bring bad influence, in order to guard against these negative factors to bring negative impact on the tax planning results, we must make every effort to solve them. For example, once the country implement macro-control on personal income tax, introduced some of the policies will bring a great impact and risks to individuals and even enterprises. When individuals and enterprises cannot predict the possible negative factors in the future and the risk awareness is not high and do not complete the defense program for potential risks in the future planning, the general situation will make the adverse impact in the whole tax planning [2].

2.4 There is a loophole in the tax system

In the current taxation of personal income tax on the current we select of fixed income and fixed rate of deduction method, but did not recognize the special circumstances existence in taxpayers’ family. Such as the maintenance of the population, child support, reading, learning, cost on major diseases to be paid to the hospital, which makes the individuals in the needy family to become taxpayers and thus widen the gap between the rich and the poor.

3. Reasons for Relevant Problems in Tax Planning

3.1 People over-pursuit of interests and their misconducts

At present, China’s market economy has a very strong momentum of development, people continue to pursue more economic benefits and the main impact on their income is the tax planning is good or bad. But more haste less speed, there are some people even mistakenly draw the same number on tax planning with tax evasion and tax evasion and other financial irregularities. Most of them difficult to understand the legal requirements of tax planning and only a small number of financial managers and leaders have a deep understanding of tax planning, but they also just stay in the simple tax planning.

3.2 Tax planning risk is easy to be missed

Tax planning is to take legal and reasonable form of tax avoidance in the case of tax law, however driven by the interests, some taxpayers in the use of tax planning process and tax agents in tax planning services all particularly emphasis on tax efficiency and often ignoring their own risk the tax planning can bring. Then we have a similar understanding that the tax planning can reduce the pressure of taxation, thereby expanding their efficiency. According to the reality of tax planning, the effectiveness of tax planning is only a measure and resolution of individual tax planning, not on behalf of the fact that the operation is appropriate. Therefore tax planning itself that lie dormant of risk and sometimes make good measures into a dead letter or directly disposed as a tax evasion behavior.

3.3 Practitioners with low professional quality

Tax planning is not popular in many low-level tax authorities and always inexplicable deny in accordance with the regulations of the tax planning, which undermines the tax benefits and the use of tax planning individuals and enterprises will be punished. Then it buried the seeds of confusion on tax planning in the enterprise and even the hearts of individuals that they thought through tax planning is a mistake or even disgraceful things. Then under this situation, the vast majority of enterprises that tax planning are not as good as to please the tax authorities. The problems of tax can be smoothly solved, which has impeded the implementation of personal income tax planning.

3.4 The making of tax laws, regulations and policy exist drawbacks

Firstly, there are many problems that are difficult to solve in China’s tax legal system, that are defective provisions, such as tax law, clauses, discordant mechanisms, unclear policy, imperfect content, which may lead to differences on tax leadership and tax people’s understanding and also provide the conditions for taxpayers tax evasion.
Secondly, China’s tax law system is unstable, changing too fast, which prompted the tax planning program cannot update with the relevant laws and regulations on the requirements and brings many factors of instability for the tax planning. Although the tax legal mechanism is constantly improving and improving, but the publicity of the relevant departments is poor, which will weaken people’s enthusiasm for tax planning and affect the taxpayers to maintain their vital interests.

Thirdly, China’s personal income file system does not exist, then the tax department and other corresponding departments lack of sharing information resources and they have to carefully read the original data at the work junction, which affecting work efficiency [3]. And now the individual funds emerged diversity and recessive that it is necessary to establish data collection and improvement of the system.

Fourthly, the punishment on tax evasion is not strict enough in China, which leads to some taxpayers to breed speculation psychology of criminal acts on tax evasion and tax avoidance when the lower economic costs they reached with light potency dimension of the legal disposition on tax evasion and tax avoidance.

4. Suggestions on the Planning of Individual Income Tax

4.1 Cultivating citizens’ awareness of tax law

First of all, we can use television, radio, and weekly and other media dissemination when broadcast tax law and tax policy advocacy to taxpayers. Also by virtue of the Internet, television advertising, free tax consultation and other ways to let citizens take the initiative to know current regulatory policy, the tax payment algorithm, the steps and terms of payment, rights and obligations and other complex but practical provisions.

Secondly, the current collection and management of personal income tax should focus on three complement advocating that compliance with laws and regulations, policy requirements and moral rules, to strengthen the citizens of tax law awareness. Then it also requires people to improve their own moral qualities, after in knowing the knowledge, knowing the morality, knowing the honor, knowing the disgrace, to seek knowledge and civilization from the innermost heart.

Finally, it is strongly recommended that China should establish a personal income tax assessment mechanism, so that we can use public judgments results to judge practitioners’ job promotion, advanced selection, etc. to supervise whether the legal practitioner is reasonable and lawful.

4.2 Establish and improve the tax policy of tax planning

First, the development of efficient collection and management program for the concealment of property, property transfer and other activities to use the most appropriate collection and management methods and make every effort to fill the individual investors in the personal income tax levy management losses. The second is to create and perfect the organization and monitoring mechanisms on the collection of management records of the key taxpayers, in particular, included the real high-income groups in main supervision of the object. Thirdly, continue to strengthen the core projects and areas of collection management, the advertising, entertainers and investment shareholders’ personal income tax collection management. Fourthly, in the implementation of the income of other people’s property, we must closely manage all types of tax items, to form joint control of various levels of high-income tax collection and management.

4.3 Devoting major efforts to cultivating talents of high quality tax planning

Tax planning must be legal and reasonable that it is in the complex taxes, varies enterprises, changing external environmental conditions and also requires tax planning must have excellent professional standards and responsive respond ability. Therefore, China should increase the investment to the training of personnel of financial and accounting knowledge. While in the major schools we should set up tax planning related majors to keep up with the community’s demand for tax planning senior personnel. On the other hand, we can regularly organize the introduction of new policy test paper to the workers at the post to enhance their financial capacity. Moreover, it is also
possible to convene domestic planning experts to write a set of national-level planning materials according to the situation in China and summarize the theoretical research and policies that can be implemented in recent years.

4.4 Strengthen the standardization of tax agency

At present, there is a tax agent in China that can bind tax authorities and taxpayers together. They can greatly reduce the cost of collection in the case of raising the collection rate, which can improve personal income tax levy inconsistencies in the meantime to protect the tax payable time accurately and sufficient amount of storage. At the same time, the tax authorities of the country should supervise and instruct the tax agency to carry on the task and it is necessary to emphasize that the tax agency should continuously introduce the competition system, openly and impartially recruiting talents and arranging the internal structure. The tax agents must update their knowledge in the continuous development of the national economy to enhance operational capacity.

References

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