Thoughts on the Deduction of Individual Income Tax Expenses

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Abstract. As a kind of direct taxation, personal income tax is closely related to the vital interests of the people. Since January 1, 2019, China has carried out a new round of tax reform. The type of tax system has changed, from the original classified income tax system to the combination of classification and synthesis of mixed income tax system, the cost deduction standard has been improved, the tax rate has also been adjusted. Everything is moving in a direction that is more beneficial to taxpayers. Here, we discuss the deduction standard of tax and fee in the individual income tax reform, in order to improve the personal income tax system.

Status of Deduction of Personal Income Tax Expenses

Deduction Criteria for Consolidated Income

Basic Livelihood Costs
Deduction of 60,000 yuan per person throughout the year, that is, the equivalent of 5000 yuan per month.

Special Deductions
That is, including the basic old-age insurance, basic medical insurance, unemployment insurance and other social insurance premiums and Housing Provident Fund paid by individual residents in accordance with the scope and standards stipulated by the State.

Special Additional Deductions
(1) Children's Education
Children to educate the taxpayer's children to receive pre-school and academic education related expenses, according to each child's annual standard of 12000 yuan (1000 yuan per month) deduction. Preschool education consists of reaching the age of 3 to pre-primary school. Academic education includes compulsory education, upper secondary school and higher education. The education of children expressly allows deduction for overseas education. The parents of the educated child are deducted by 50% of the deduction criteria respectively, and the parents agree that they may also choose to be deducted by one of them in accordance with 100%.

(2) Continuing Education
To continue to educate taxpayers on the expenditure of continuing education for academic qualifications (degrees), in accordance with the quota of 4800 yuan (400 yuan per month) per year during the education of academic qualifications (degree). Taxpayers receive skilled personnel to continue education, professional and technical personnel vocational qualifications Continuing education expenditure, in the year of obtaining the relevant certificate, in accordance with the annual quota of 3600 yuan deduction. If an individual accepts the same degree of education (degree) and meets the deduction conditions stipulated in the individual Income tax law, it may be deducted by his parents in accordance with the expenses of the child's education, or by himself in accordance with the expenditure on continuing education, but not at the same time.
(3) Major illness medical treatment

Major illness medical treatment in a tax year, in the social health insurance Management Information system recorded (the health care catalogue within the scope of the out-of-pocket part) by the individual burden of more than 15000 yuan of medical expenses, for the major diseases of health care expenditure, can be in accordance with the annual 80000 Yuan standard limit of the factual deduction. 15,000 Yuan is the deduction condition, deduction limit 80,000 means that the occurrence of 95,000, can be deducted 80,000, instead of 80,000 minus 15,000 after 65,000. Medical special supplementary deduction for major diseases shall be deducted when the taxpayer handles the settlement and payment.

(4) Interest on housing loans

The interest expense of the first set of housing loans incurred by the taxpayer or the spouse who uses the commercial bank or the Housing Provident Fund Individual housing loan to purchase the housing for himself or his spouse, during the repayment of the loan, may be deducted according to the standard quota of 12000 yuan per year (1000 yuan per month), not the interest of the first home loan, Taxpayers are not allowed to deduct. Taxpayers can only enjoy a set of first home loan interest deduction, housing loan interest and housing rent may not enjoy the deduction at the same time.

(5) Housing rent deduction

Housing rent deduction of the taxpayer himself and his spouse in the taxpayer's main working city without housing, and rental expenses incurred in the main city rental housing can be deducted according to the following standard quota: The leased house is located in the municipality, the provincial capital city, the planned cities and other cities determined by the State Council, the deduction standard is 18000 yuan per year (1500 yuan per month); The leased house is located in another city, the municipal district household registration account exceeds 1 million, the deduction standard is 13200 yuan per year (1100 yuan per month), the leased house is located in other cities, the municipal district household registration population does not exceed 1 million (inclusive), the deduction standard is 9600 yuan per year ( 800) yuan per month. Housing rental expenditure is deducted by the lessee who entered into the lease housing contract.

(6) Supporting the Old

Maintenance expenses of the elderly taxpayer supporting the maintenance of parents and other legal dependants of 60 years (inclusive) may be deducted according to the following standard quota: The taxpayer is an only child, in accordance with the standard quota of 24000 yuan per year (2000 yuan per month); The taxpayer is not an only child, The deduction amount of 24000 yuan per year (2000 yuan per month) shall be apportioned with its siblings, including the sharing of shares, the designation of the dependants or the agreement of the dependants. The amount of assessment per taxpayer shall not exceed 50% of the deductible amount for the specified apportionment or agreed apportionment.

Other

Income from remuneration for services, contributions and royalties shall be the balance of income minus 20% of expenses. Income from contributions is reduced by 70%. That is to say, the equivalent of these three income is 20% fixed rate deduction fee, and the remuneration of contributions enjoy a 30% reduction. And other deductions prescribed by the State Council.

(1) Deduction of operating income expenses

The taxable income shall be the balance of the total income of each tax year after deducting costs, expenses and losses. Costs and expenses refer to the indirect expenses incurred in production and business activities, as well as the sales expenses, management expenses and financial expenses included in the allocation of costs. The losses referred to are the losses of inventory, destruction and
scraping of fixed assets and inventories occurring in production and business activities, loss of property transferred, loss of bad debts and natural disasters caused by force majeure factors. Losses and other losses.

If an individual who obtains business income has no comprehensive income, he shall deduct 60,000 yuan of expenses, special deductions, special additional deductions and other deductions determined according to law when calculating his taxable income for each tax year. Special additional deductions shall be deducted when handling remittance and settlement.

(2) Deduction of expenses from property leasing

If the income from property leasing does not exceed 4,000 yuan per time, the expenses shall be deducted by 800 yuan; if the income exceeds 4,000 yuan per time, the expenses shall be deducted by 20 percent; and the remaining amount shall be taxable income.

(3) Deduction of expenses derived from the transfer of property

Income from the transfer of property shall be taxable income after deducting the original value of the property and reasonable expenses from the income from the transfer of property.

Taxable income = income per time - original value of property - reasonable expenses

(4) Income from interest, dividend, dividend and accidental income is not deducted

Income from interest, dividends, dividends, incidental income and other income shall not be deducted from expenses, and the amount of each income shall be the amount of taxable income.

(5) Problems in the Deduction of Personal Income Tax Expenses

The deduction of comprehensive income expenses is too complicated

The cost deduction of comprehensive income includes basic livelihood expenses, special deduction, special additional deduction, income from labor remuneration, contribution remuneration and royalty, which is deducted by 20% of income, and the benefit of contribution remuneration is deducted by 30%. And other deductions prescribed by the State Council. Too many regulations can better reflect fairness, but the complex tax system itself will increase tax costs and reduce tax efficiency.

(6) The deduction of operating income expenses is too general

The taxable income shall be the balance of the total income of each tax year after deducting costs, expenses and losses. If an individual who obtains business income has no comprehensive income, he shall deduct 60,000 yuan of expenses, special deductions, special additional deductions and other deductions determined according to law when calculating his taxable income for each tax year. It is too general to mention that there is no comprehensive income, and the extreme situation is not taken into account.

(7) There is no difference in deduction of property rental expenses

There is no difference in the deduction of property rental income. Taxpayers in different situations use the same method to deduct expenses without considering the burden of taxpayers.

(8) It is difficult to operate the deduction of the expenses from the transfer of property

Mainly manifested in the reasonable expenses need to issue reasonable and legitimate vouchers. In practice, taxpayers are unable to obtain one, and it is difficult to retain the other.

(9) Incidental income does not take account of purchase cost expenditure

State-issued sports lottery and welfare lottery purchasing expenditure, equivalent to increasing social welfare, if the Lieutenant General, regardless of their purchase expenditure is not fair.
(10) Suggestions on the Deduction of Personal Income Tax Expenses

To simplify the deduction of comprehensive income expenses as much as possible

Plan 1: We can consider raising basic livelihood costs, such as raising the proportion to 10,000 yuan. Eliminate the other three deductions of income and expenses (remuneration for services, remuneration for contributions and royalties) and the deduction of additional expenses. At the same time, it is stipulated that the annual cost deduction will be increased by a certain proportion compared with the previous year. This ratio can be linked to factors such as rising prices.

Plan 2: At the level of existing policy provisions, cancel the other three deductions (labor remuneration, manuscript remuneration, royalties) of income and expenses. Improve the provision of additional cost deduction. For example, there is still much room for improvement, increase and improvement in supporting the elderly, housing loans, housing interest, etc.

(11) Details should be taken into account in deduction of operating income expenses

The taxable income shall be the balance of the total income of each tax year after deducting costs, expenses and losses. If an individual who obtains business income has no comprehensive income, he shall deduct 60,000 yuan of expenses, special deductions, special additional deductions and other deductions determined according to law when calculating his taxable income for each tax year. It is too general to mention that there is no comprehensive income, and the extreme situation is not taken into account. For example, individual business households receive 2,000 yuan of contribution fee income in a certain year, which belongs to the comprehensive income. If this item is taxed separately on the basis of comprehensive income, it will be unfair. Therefore, it is suggested that the deduction of operating income expenses should allow deduction of 60,000 yuan, special deduction, special additional deduction and other deductions determined by law. And clarify some details of the problem, specific taxation.

(12) Discriminatory treatment of deduction of property rental income expenses

Income from property leasing shall be treated differently in terms of deduction of expenses. Individuals who make a living by renting houses and those who have other income sources and rental income at the same time are treated differently in terms of cost deduction. To maximize the protection of people's basic living needs.

(13) Operability of deduction of expenses derived from property transfer

The original value of property is difficult to verify for some old houses. Reasonable expenses, it is difficult to retain the corresponding vouchers. In practice, it is not easy to operate. Consideration may be given to charging according to a certain proportion of the transfer income.

(14) Incidental income should consider the cost and expenditure of purchase

For example, to purchase sports lottery and welfare lottery issued by the state, consider the lottery revenue minus the purchase cost of the period, and then calculate the tax. The deduction of personal income tax expenses is closely related to the people's vital interests. Considering the burden of different taxpayers, we adopt a personal income tax system combining classification and synthesis. The deduction of expenses adopts the method of sub-item deduction, which embodies the principle of entitlement. As long as the conditions are met, we can enjoy deduction according to the quota standard, so that taxpayers can fully enjoy the tax deduction dividend. It will not only make the tax system more equitable and reasonable, but also promote the realization of the goals of educating young people, educating them, treating their illnesses, living in their homes and supporting the elderly. However, a good tax system should be simplified, fair and reasonable. On the way to tax reform, we can do better!
References


