

Original Paper

Research on the Path of Consumption Tax Reform in the Context of Promoting High-Quality Development

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Abstract

Consumption tax, as an important tax in my country's tax system, faces challenges such as tax items, tax rates, taxation link settings, and coordinated adjustments with other taxes in the context of high-quality economic development. The future direction of reform is to promote high-quality with development as the goal, tax items, tax rates, and tax collection links should be reasonably set up, and coordinated adjustment functions should be achieved together with other tax types.

Keywords

High-quality development, consumption tax, tax system reform, scope of taxation

The new normal of our country's economic development has shifted from a stage of high-speed growth to a stage of high-quality development. The report of the 20th National Congress of the Communist Party of China pointed out that high-quality development is the primary task of comprehensively building a modern socialist country. Taxation is an important fiscal means for regulating the economy. A sound modern fiscal and taxation system is the guarantee for high-quality economic development and a stabilizer and regulator for high-quality economic development. After the implementation of the comprehensive "business tax to value-added" reform and the revision of the Personal Income Tax Law, consumption tax has become the next hot tax category in tax system reform. Consumption tax has the functions of regulating consumption and promoting the optimization of industrial structure. The improvement of the consumption tax system meets the requirements of high-quality economic development. At the same time, the consumption tax reform based on the new development concept reflects the value of the modern tax system in serving society and also contributes to high-quality economic development.

1. Positioning of Consumption Tax Functions in the Context of High-Quality Development

1.1 Innovative Development-Oriented Tax Regulation Function

Innovation is the first driving force for high-quality development. Tax support is the driving force for independent innovation of enterprises. Giving full play to the “non-neutrality” of consumption tax can guide enterprises to commit to transformation and upgrading and achieve high-quality development. Enterprises can realize the role of consumption tax resource allocation through the coordination of relevant tax types, tax preferential guidance, and adjustment of tax collection links, thereby promoting consumption upgrades. Specifically, from the perspective of enterprises, in order to maximize profits and sustainable development, consumption tax guides industry self-regulation through innovative development; from the perspective of consumers, if lower consumption taxes are levied on independently innovative products, rational consumers will be more inclined to purchase such products to help enterprises upgrade their industries.

1.2 Coordinate Development-Oriented Income Redistribution Functions

General Secretary Xi Jinping pointed out in the article “In-depth Understanding of the New Development Philosophy” that “coordination is both a means and a development goal, and it is also a standard and yardstick for evaluating development”. In order to narrow the gap between the rich and the poor and coordinate coordinated regional development to achieve high Quality development and giving full play to the role of consumption tax in regulating income distribution are the orientations of the modern tax system. Within the scope of consumption tax are luxury goods such as high-end watches, precious jewelry and jade, which correspond to general goods. In addition to value-added tax, the price of such goods also includes higher consumption tax. As non-daily necessities, the setting of consumption tax rates and the expansion of taxation scope will give full play to the function of taxation in regulating revenue and achieve the high-quality development goal of common prosperity.

1.3 Green Development-Oriented Environmental Protection Regulation Functions

The concept of green development is the guarantee for the transformation of economic development methods and is an innovative development of Marx’s ecological civilization theory combined with national conditions. Carrying out green economic reforms and leading green development are the best choices to achieve high-quality economic development. Both are turnover taxes, and value-added tax has the characteristics of universal collection, while the scope of consumption tax is selective and is only levied on special commodities. Therefore, consumption tax has a relatively obvious role in regulating consumption. Specifically reflected in: levying consumption tax on high-energy-consuming, high-pollution and high-energy-consuming consumer goods such as cars, firecrackers and solid wood floors can guide consumers to understand the concept of tax-guided green consumption, reduce the purchase of such goods, and help High-quality economic development.

2. Challenges Faced by Consumption Tax in the Context of High-Quality Development

2.1 *The Function of Consumption Tax Items in Guiding Consumption Still Needs To Be Highlighted*

Since the introduction of consumption tax in my country in 1994, the consumption tax items have been adjusted three times to form the current 15 tax categories, which are mainly summarized into three parts: those that are harmful to health, levied from the perspective of environmental protection, and levied from the perspective of regulating income distribution. Since the addition of two new tax items, coatings and batteries, in 2016, there have been no further adjustments to the consumption tax items. In the context of high-quality economic development, the current consumption tax items cannot fully reflect the function of the modern tax system in assisting economic development, and the tax items need to be adjusted urgently. First of all, the current scope of consumption tax only involves goods, but not high-end services. High-income groups not only buy luxury goods on a daily basis, they also tend to receive high-end services to obtain a better consumer experience. Therefore, the role of consumption tax in guiding consumption and adjusting income distribution has not been fully reflected. In addition, with the development of the economy and the improvement of living standards, the definition standards of high-consumption goods such as high-end watches and high-end cosmetics no longer meet the definition of high-consumption goods in daily economic activities and need to be improved urgently.

2.2 *The Consumption Tax Rate Setting Cannot Effectively Achieve the Regulatory Effect*

At present, consumption tax has three tax forms: proportional tax rate, fixed tax rate and compound tax rate, which guide consumption from two aspects: commodity price and consumption quantity. However, in the context of high-quality development, the setting of some tax items cannot effectively achieve the regulatory effect, and there is room for adjustment of tax rates.

2.2.1 *The Role of Consumption Tax Rate in “Combining Prohibition with Collection” Needs To Be Strengthened*

In the current tax rate setting, individual consumption tax rates are on the low side and cannot fully exert the function of consumption tax in guiding consumption. Starting from the function of taxation to guide consumption, the most effective means of regulation is to increase the prices and consumption taxes of tobacco and alcohol. In 2020, the weighted average retail price of a pack of cigarettes was 18.69 yuan, of which the tax rate excluding corporate income tax and profits paid by state-owned enterprises accounted for 48.4%, which is far lower than the 75% level recommended by the WHO, and the tax rate accounted for 65%. It can be seen that the proportion of consumption tax in the price is 31.46%, which is far lower than the proportion in other countries. The regulatory effect of consumption tax in guiding the consumption of such goods cannot be fully reflected. In addition, from the perspective of green development and high-quality development, the tax rates for batteries, coatings and wooden disposable chopsticks are 4%, 4% and 5%, and the tax rates are set on the low side. Manufacturing enterprises cannot promote technological upgrading and innovation of their own enterprises due to the lower consumption tax burden, thereby guiding industrial upgrading. As a group at the end of circulation, consumers cannot establish green consumption concepts and plan reasonable consumption through the price transmission mechanism.

2.2.2 *The Accuracy of the Consumption Tax Rate in Regulating Consumption Is Not Significant*

The consumption tax rate for most commodities is a single proportional rate, and the set tax rates for some sub-tax items are unreasonable, resulting in a lack of accuracy in regulating consumption with consumption tax amounts. For example, the refined oil tax items are classified according to different types of refined oil. The gasoline sub-category is not further subdivided. As a result, the consumption

tax for different types of gasoline is 1.52 yuan/liter, which fails to achieve precise regulation from an environmental protection perspective. In addition, for precious jewelry and jade, the differences in craftsmanship and brand lead to large price differences, and a single proportional tax rate cannot reflect the regulatory effect of taxation.

2.3 The Coordinated Adjustment Effect of Consumption Tax and Other Taxes Needs To Be Strengthened

In view of the particularity of the scope of consumption tax collection, consumption tax, together with value-added tax, resource tax and environmental protection tax, will play a tax regulatory role, which will accelerate the industrial upgrading of enterprises and promote high-quality development. However, the current linkage effect of consumption tax on coordinating other taxes is not particularly significant.

2.3.1 The Synergy between Consumption Tax and Value-Added Tax Needs To Be Strengthened

Value-added tax and consumption tax are the two major types of turnover taxes and are the main sources of tax revenue in our country. The development of high-quality development requires the transformation and upgrading of manufacturing enterprises, and taxation is an effective means for the government to promote the transformation and upgrading of enterprises. Effective use of the “two-tax linkage mechanism” of value-added tax and consumption tax can help high-quality development. First of all, from the perspective of taxation scope analysis, after the completion of the comprehensive “business tax to VAT” in 2016, the taxation scope of value-added tax covers all goods in daily business activities. The service industry that was previously classified as business tax will be uniformly assigned to value-added tax and implement a unified 6% value-added tax. The tax rate is lower than the previous 20% business tax rate. Among them, the value-added tax rate for high-consumption services is relatively lower than that of general services, which is inconsistent with the collection of consumption tax on high-consumption goods after the consumption tax expansion, and cannot fully exert the coordinated adjustment effect of the “two taxes”.

2.3.2 The Coordination Mechanism between Consumption Tax, Environmental Protection Tax and Resource Tax Needs To Be Improved

The background color of high-quality development is green, and green development is the only magic weapon to achieve high-quality development. Now the tax system is an important tool for the country to regulate economic development. The coordinated regulation mechanism of consumption tax, environmental protection tax and resource tax is an important breakthrough in tax system reform. The current consumption tax is a type of green tax. Its tax scope involves high energy-consuming and polluting commodities, and it plays a certain regulatory role. However, from the overall analysis of the tax system, consumption tax lacks connectivity with environmental protection tax and resource tax, and cannot play the coordinated regulatory role of the modern tax system. Specifically, consumption tax items have little overlap with environmental protection taxes and resource taxes. For example, the consumption tax includes refined oil products within the scope of taxation, but coal, which consumes a large amount of the same type of energy, is not included in the scope of taxation. From the perspective of green energy conservation, excessive consumption of coal will cause waste of resources and environmental pollution. As green taxes, consumption tax and resource tax cannot be collected consistently for the same type of tax items. Furthermore, for tax objects with similar overlapping tax items, the inconsistency in tax rate forms results in inconsistent product policy directions for the same raw material under different tax categories. For example, the resource tax on crude oil is levied on an

ad valorem basis, while the consumption tax on refined oil is levied on a volume basis. As a result, the difference in tax rate types cannot achieve unified control over the production of refined oil.

2.4 The Setting of Tax Collection Links Is Unreasonable

Except for individual commodities, most of my country's consumption tax levies are taxed in the production link. The collection of consumption tax in the production link can raise financial funds from tax sources and improve the efficiency of tax collection and management. However, from the perspective of high-quality development, a large tax burden in the production link will increase the production cost of enterprises, which is not conducive to optimizing the industrial structure, and thus makes it difficult to achieve high-quality development through taxation. In addition, the function of consumption tax is mainly to guide consumption. However, with the goal of maximizing profits, enterprises will use various means to transfer the tax to consumers in the retail link. Since consumption tax is an in-price tax, it is difficult for consumers to detect it, and consumption tax guides consumption. The function of consumption upgrade is difficult to realize.

3. Analysis of Consumption Tax Reform Paths to Support High-Quality Development

3.1 The Scope of Consumption Tax Is "Expanded" And "Streamlined" Simultaneously

As a green tax with the main function of regulating consumption, in order to achieve the goal of high-quality development, the scope of consumption tax should include more luxury goods and high-consumption behavior, high-pollution and high-consumption consumer goods into the scope of collection. Improve high-consumption goods in consumption tax categories, and convey the tax concept of consumption tax to guide consumption through the circulation of goods. For example, high-consumption services such as private jets and high-end beauty services will be included in the scope of consumption tax. In addition, with the high-quality development of the economy, living standards are improving day by day, and consumption upgrading is accelerating, which requires reasonable adjustments to consumption tax items. The definition standards of individual tax items should be appropriately improved with the development of the economy, and goods that are widely consumed by people should be removed from the tax items. The definition standards for high-end cosmetics and high-end watches should be gradually improved, and some cosmetics and watches should be removed from the scope of consumption tax to give full play to the redistribution function of consumption tax revenue.

3.2 Optimize the Consumption Tax Rate Structure and Achieve Precise Regulation

Based on the perspective of consumption tax guiding green and healthy consumption, the tax rate structure should be further optimized and adjusted for different tax items to achieve precise regulation of green taxation under high-quality development. First of all, in order to strengthen the role of the consumption tax rate in "combining prohibition with taxation", tobacco and alcohol are not good for health products, high energy consumption and high pollution products such as wooden disposable chopsticks and paint, the consumption tax rate should be appropriately increased to realize the effective regulation function of consumption tax and accelerate Consumption upgrades, promote the upgrading of industrial structure, and realize the function of the modern tax system in promoting high-quality development. Secondly, for high-energy-consuming and high-pollution commodities, tax rates should be optimized to achieve precise regulation. After the high-end service items are included in the tax items, along with the increase in the consumption tax rate of general goods such as tobacco, alcohol and refined oil, the consumption tax on high-end service goods should reflect the positioning of a

higher tax rate, reflect the progressivity of the consumption tax rate, and achieve income adjustment functions. In addition, the optimization and adjustment of tax rates for high-energy-consuming and high-pollution commodities should be based on the perspective of green taxation and set based on the specific composition and carbon emission scale of such commodities to achieve the function of precise regulation of consumption tax and linkage with resource taxes, environmental protection taxes and other green taxes. Coordinated tax regulation.

3.3 Strengthen the Coordinated Adjustment Effect of Consumption Tax and Other Taxes

First, consumption tax and value-added tax should be coordinated to adjust and improve the modern tax system reform. Value-added tax and consumption tax, as two major turnover taxes, are an important part of tax revenue. In order to improve the turnover tax structure, the consumption tax reform should assume the role of regulating part of the tax burden after the comprehensive “business tax to value-added” reform. Under the “expansion” adjustment of consumption tax categories, in order to adjust the tax burden convergence caused by the low value-added tax rate of some high-end services after the business tax-to-VAT reform, a higher consumption tax rate is set for high-end services such as high-end beauty services and club services to achieve Coordinated adjustment of tax rates for “two taxes”. In addition, the consumption tax rate should reflect the characteristics of “innovation preferential” and reflect the preferential orientation consistent with VAT-related policies. For example, for high-pollution products such as coatings and batteries, the production and research and development of innovative technology products should be encouraged based on their production processes, and the relevant consumption tax rates can be appropriately reduced. Secondly, the green tax system should be improved with coordinated adjustment of consumption tax, environmental protection tax and resource tax. The direction of consumption tax reform should connect environmental protection taxes and resource taxes on high-polluting, high-energy-consuming consumer goods and consumer behavior, so as to achieve the synergistic regulating effect of green taxation and promote high-quality development. For example, the consumption tax rate for cars is set according to the emission of the car, coal, as a high energy-consuming consumer product, is included in the scope of consumption tax, and crude oil and refined oil products of the same type of consumer goods are subject to the same fixed tax rate, etc.

3.4 Move the Tax Payment for Some Consumer Goods to the Retail Stage

In order to strengthen the control of tax sources, most taxable consumer goods are taxed in production and other links. Compared with the production link, consumption tax paid in the retail link can alleviate the cost pressure of tax payment by production enterprises, and use more funds for technological innovation and industrial upgrading. Achieve high-quality economic development. At the same time, paying taxes at the retail level can increase the perception and sensitivity of consumption tax to taxes, allowing consumption tax to better play its role in guiding consumption upgrades. For example, moving the tax payment of luxury goods, cars and high-end services to the retail link can better play the role of consumption tax in guiding consumption. However, tax payment in the retail link poses certain challenges to tax collection management and requires the cooperation of all departments. Strengthen tax source control and improve tax collection and administration efficiency.

4. Conclusion

Faced with the challenges posed by high-quality economic development to the reform of the modern tax system, consumption tax, as a hot spot in tax system reform, must rise to the challenge. With the goal of promoting high-quality development, we must dig deep into the existing problems in tax rates, tax items and tax payment links, and reform with determination, fully realize the adjustment and distribution functions of taxation.

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