

China's tax practices and optimization suggestions for promoting public health and economic development

Rui Fei

Nanjing University of Finance & Economics Hongshan College, Nanjing, Jiangsu 210003

Abstract: Major public health emergencies will have a huge impact on China's economic development, and the impact of three-year health events on the economy has been proved by this. As an important macro-control tool for the country to respond to public health emergencies, tax policy has unique advantages that other policies cannot replace. Based on the comprehensive analysis of China's excellent tax experience and shortcomings in coping with major public health emergencies, this paper puts forward optimization suggestions on how to play the role of tax support under public health emergencies from three aspects: reforming and improving the intensity of preferential tax policies, comprehensively considering the policy effects, and following the principle of broad inclusiveness and balance.

Keywords: Public health; Tax policy; Recommendations

Taxation is not only the foundation of national governance but also an important pillar of fiscal revenue, tax policy as an integral part of the tax system, tax preferential policies in promoting the enterprise war epidemic to promote development has the magical power of "four or two thousand pounds". From the perspective of public health prevention and control, good tax policies also provide material and financial guarantees for the medical and health sector in responding to health emergencies. It can be seen that the active response of taxation can play a decisive supporting and guaranteeing role.

1. China's tax policies for promoting public health and economic development in recent years

In order to cope with the above-mentioned economic losses caused by public health emergencies, China has also introduced many preferential tax policies to try to alleviate China's macroeconomy affected by public health emergencies

Table 1 Tax policies for promoting public health and economic development

Policy basis	Policy Details
Announcement No. 8 of 2020 of the Ministry of Finance and the State Administration of Taxation	Enterprises producing key safeguard materials for the prevention and control of public health emergencies may apply to the competent tax authority for a full refund of the VAT incremental retained tax credit on a monthly basis
	Taxpayers who provide income from the transportation of key safeguard materials for the prevention and control of public health emergencies are exempt from value-added tax
Announcement No. 8 of 2020 of the Ministry of Finance and the State Administration of Taxation	Taxpayers are exempt from value-added tax on income from the provision of public transportation services, daily life services and express delivery services for residents' essential daily necessities
Announcement No. 9 of 2020 of the Ministry of Finance and the State Administration of Taxation	Goods donated free of charge in response to public health emergencies are exempt from VAT
Announcement No. 22 of 2020 of the Ministry of Finance and the State Administration of Taxation	Continue to implement preferential tax policies to support inclusive finance for small and micro enterprises, individual industrial and commercial enterprises and farmers
Ministry of Finance, State Administration of Taxation No. 7 of 2021	The implementation period of the preferential VAT tax policy to support the resumption of work and business of individual industrial and commercial enterprises has been extended to December 31, 2021
Ministry of Finance, State Administration of Taxation No. 9 of 2020	Full pre-tax deduction is allowed for donations of public health emergencies directly to hospitals undertaking public health emergencies
Ministry of Finance, State Administration of Taxation, Ministry of Human Resources and Social Security No. 18 of 2021	The implementation period of the preferential tax policies stipulated in the announcement on the VAT exemption policy for donations of poverty alleviation goods has been extended to December 31, 2025 The maximum carry-over period for losses in 2020 for enterprises in difficult industries that are greatly affected by public health emergencies has been extended to 8 years

Ministry of Finance, State Administration of Taxation No. 9 of 2020	Cash and goods donated in response to public health emergencies through public interest social organizations or state organs such as people's governments at the county level or above and their departments are allowed to be fully deducted before tax
Ministry of Finance, State Administration of Taxation No. 9 of 2020	Donations of goods to respond to public health emergencies directly to hospitals undertaking the task of prevention and treatment of public health emergencies are allowed to be fully deducted before personal income tax
Ministry of Finance, State Administration of Taxation, Ministry of Civil Affairs No. 14 of 2021	Enterprises whose annual sales revenue from special supplies for disabled persons (excluding income from exports) accounts for more than 60% of the total income of the enterprise are exempt from enterprise income tax

Source: State Administration of Taxation official website (only part of the compilation)

Among these tax incentives, there are many tax incentives for specific taxpayers such as small-scale taxpayers, small and micro enterprises, and the financial industry. By exempting or reducing relevant taxes and fees, extending the preferential period, etc., we will alleviate the economic pressure caused by taxpayers due to public health emergencies, continue to implement relevant tax support policies for inclusive finance, enhance their ability to resist risks, and help them tide over difficulties.

Other preferential policies for taxes include tariffs, deed taxes, urban maintenance and construction taxes, etc., such as the use of zero tariffs or duty-free methods to encourage imports, the use of loose tax policies to attract more international enterprises to participate in the exhibition, while maintaining the price of imported goods stable while promoting the recovery of China's economy. With the blessing of these preferential tax policies, China's economy has slowly recovered, and even developed rapidly with the help of tax policies in some industries. Examples include smart devices, online office, big data collection, etc.

2. Summary of China's tax experience for promoting public health and economic development

2.1 China's excellent experience in tax policies

1. The tax reduction and exemption policy is directly effective in the short term

In ancient times, rulers usually chose to reduce the psychological and economic burden of the people by reducing the amount of tax reductions, such as exemption from land tax and poll tax, which laid the foundation for future economic recovery. This way of dealing with public health emergencies has been widely accepted and used by successive rulers.

In the face of a public health emergency, tax breaks and exemptions are the most common form of tax incentives. It can directly and effectively curb the sustained losses caused by public health emergencies in the short term, such as during the "public health event" in 03, exempting the import of medical supplies for the prevention and control of public health emergencies from taxes and fees, under the national conditions at that time, the Chinese government can make corresponding policies in a short period of time, and with the assistance of these policies, it only takes more than seven months to stabilize public health emergencies. This policy continues to be applied in this public health emergency. These tax reduction policies have played a positive role in providing materials, encouraging the whole people to fight the epidemic, and mobilizing resources at all levels of society, and have provided valuable experience to the personnel of China's Ministry of Finance and the State Administration of Taxation.

2. Tax policies support prevention and control materials and rescue

In this public health emergency, China's tax policy is prominent in supporting prevention and control materials and public health emergency relief. For example, income and subsidies obtained during the period of public health emergency prevention and control work are exempt from personal income tax, and epidemic prevention materials obtained by individuals in enterprises are not included in wages and are exempt from income tax. The former item encourages the public to participate in the prevention and control of public health emergencies, encourages the whole people to fight the epidemic, and solves the problem of insufficient manpower during the tense period of public health emergencies, while the latter directly treats the materials issued by enterprises not as welfare but as labor protection items.

At the same time, the public welfare donation policy introduced by the state encourages individuals or enterprise organizations to donate materials to areas with serious public health emergencies and all medical personnel through public welfare organizations or local government departments, which not only solves the living needs of the "locked-down" people, but also helps enterprises reduce the pressure on the tax burden. These decisions are well suited to national conditions and accelerate the country's control of the spread of public health emergencies.

3. It plays a great role in resuming work and production

The national preferential tax policy plays a pivotal role in supporting enterprises to resume work and production. During the public health emergency, the major industries suffered serious losses, the reason is that the cost of prevention and control of public health emergencies after resuming work and production may be relatively high, and the loss caused by the suspension of work and production will be smaller than the resumption of work and production, such as the most typical is the cinema industry, and the most serious problem encountered is cash flow. The timely policies introduced by the state, such as the extension of the maximum carry-over period for losses incurred by enterprises and industries seriously damaged in public health emergencies in 2020 to 8 years, show that the state not only supports the resumption of work and production of damaged enterprises in public health emergencies, but also cares about the future

development of these enterprises.

2.2 China's tax policies to deal with major impacts on people's health and enterprise development need to be optimized

1. Tax policy is systematically to be integrated

China's current tax policies aimed at affecting people's health and enterprise development are mainly reflected in some direct tax incentives, and the types of tax incentives can be richer, and the scope of taxes involved can be further expanded. Implement the principle of statutory systematization of tax policies, with greater flexibility and execution, and can focus on precise support.

2. The normative rationality of tax policies needs to be improved

The purpose of the state's preferential tax policies for enterprises is to promote the health of the people and help enterprises to restore normal and orderly development, and some income tax incentives are based on the reduction and reduction of the amount of profits of enterprises, and those enterprises that are seriously losing money and not making profits can also be supported accordingly. In addition, there should be clear indicators on how these policies are implemented. For example, there should be overall arrangements for the funds required by relevant policies, because the timing of the issuance of fiscal funds in different places brings different results, and the overall arrangement is conducive to proper management of funds.

3. The types of preferential tax policies need to be comprehensive

China's current preferential tax policies are mainly realized through tax exemption and deduction of donated materials, which should be supplemented by tax refunds, loss compensation, investment credits and other types of preferential policies. Secondly, the content of tax incentives is mainly aimed at reducing the operating burden of enterprises, while the policy content to guide the inflow of social capital needs to be enriched. In some of the preferential tax policies formulated in China, because they will target certain specific groups of people, the policy description should be further standardized and clear, so that taxpayers can take their seats.

3. Further improve tax policy recommendations for promoting public health and economic development

3.1 The improvement of the preferential tax system needs to be further strengthened

To aim at the improvement of the preferential tax system, it is first necessary to comprehensively sort out and summarize the current preferential tax policies, collect the power from government departments at the provincial level and above, and let senior government departments make overall arrangements and formulate different policies according to different regions. At the same time, the preferential tax system should be more flexible. For individuals and enterprises to support epidemic prevention and treatment work, their public welfare donation procedures should be simplified, which can not only facilitate more individuals or enterprises to make public welfare donations, but also enable public health emergency areas to accept these materials and funds more quickly. Secondly, to deal with the problems of local and national financial allocation, when a public health emergency occurs, local government funds have been consumed more than half of the first round of epidemic prevention work, and the government's reserve funds to fight public health emergencies are worrying, so when improving the tax policy for public health emergencies, we must fully consider reducing the preferential strength of some shared taxes, because the large tax exemptions and exemptions of shared taxes will lead to a greater shortage of local government funds, and this part of the reduced preferential strength should be transferred to the central finance, so as to better and more effectively ensure the implementation of new policies during public health emergencies.

In addition, the state can formulate different preferential tax policies for different regions under different levels of public health emergencies in advance, so that the preferential tax system can be legalized, which can not only ensure the fairness of future taxation, but also lay a good foundation for rapid response when the next public health emergency occurs. This would also reduce the various administrative costs incurred by national governments in formulating policies on an ad hoc basis.

3.2 The actual effects of policies should be considered in an all-round way

The state should take the deficiencies of the tax policy during this public health emergency as a reference, and timely evaluate the feasibility and rationality of the policy to be introduced in the future. From a short-term perspective, the emergency policies that the country needs during public health emergencies are used to solve the most serious economic mobility problems, rather than realistic stimulus tax policies, and it is necessary to understand what enterprises need most in the face of public health emergencies.

The purpose of tax policy is to help small and medium-sized enterprises and individuals cope with the plight, so the policy must be pragmatic and effective, and the slow policy is not the first choice in the event of a public health emergency. For example, in this public health emergency, there are many preferential tax policies for medical workers on the frontline of the fight against the epidemic, including not only exemption from personal income tax, but also various welfare subsidies. From this point of view, the state can moderately expand the scope of application of these policies, because the purpose of these policies is to encourage the anti-epidemic personnel, strengthen their confidence, and recognize their efforts. In this case, the policy should not only be radiated to front-line medical workers, because there are many front-line transportation personnel, charitable organizations, security maintenance personnel, etc., who should also enjoy the same treatment at the same time.

From a long-term development point of view, because small and medium-sized enterprises are the most seriously damaged in this public health emergency, the government should increase efforts to support the future development of small and medium-sized enterprises, such as the current policy to give small and medium-sized enterprises tax reduction tax incentives, but there are still some small and medium-sized enterprises due to public health emergencies and hovering on the verge of bankruptcy, so it is suggested that the state can

implement tax deferral or income tax exemption for such enterprises, and colleagues should introduce more policies to ensure the living needs of the unemployed. At the same time, it can increase the intensity of stimulating consumption, cause the economic growth of various enterprises through the increase in consumption, and indirectly help the unemployed solve the work problem.

3.3 Preferential tax policies shall be broadly inclusive and balanced

From the long-term perspective of the country, the formulation of preferential tax policies should not only play a role in epidemic prevention during public health emergencies, but also play a role in stimulating consumption and restoring the economy after public health emergencies. For example, in the supply of public medical supplies, the state can reconsider whether the source of these public services can only be the government and not other enterprises or individuals. It is recommended to moderately relax the restrictions on the application of tax incentives, so that more people can experience tax incentives. For example, for loss-making enterprises, in addition to extending the loss carry-over date, they can also adopt the amortization model of “first three and last five” for a total of eight years to solve the financial crisis faced by small and micro enterprises in public health emergencies.

It is recommended to increase the preferential treatment of investment credits so that more enterprises can integrate funds. However, at present, China’s epidemic prevention and treatment situation can not be taken lightly, to fully study the various problems encountered in the process of economic reconstruction after public health emergencies, the country needs to alleviate the economic decline through policies, and try to reduce the losses caused by public health emergencies as much as possible. And these tasks cannot be achieved without tax incentives. Therefore, public health emergencies cannot be treated only in a single tax incentive, but rather should be considered in many aspects and formulated reasonable tax preferential policies from multiple angles.

Bibliography

- [1] Liu Shangxi, Chen Shaoqiang . Construction of emergency response mechanism for public finance[J]. Fiscal Research, 2003, (8).
- [2] LI Wanfu . Selection of tax response strategies under epidemic relief[N]. Economic Observer, 2020-02-24.
- [3] U. S. Government Accountability Office. Influenza Pandemic-Lessons from the H1N1 Pandemic Should be Incorporated into Future Planning (GAO- 11-632)[R]. June 2011.
- [4] Government of Sierra Leone. National Ebola Recovery Strategy for Sierra Leone(2015-2017)[EB/OL].[2020-02-10].https://ebolaresponse.un.org/sites/default/files/sierra_leone_recovery_strategy_en.pdf.

Project Information: Jiangsu Province University Philosophy and Social Science Research Fund Project: Research on Tax Policies for Response to Major Public Health Emergencies (Project No.: 2021SJA2291).

Rui Fei , the training target for young backbone teachers of the “Blue Project” in Jiangsu Province in 2023.