

Tax Policies in the Digital Economy Era: Cross border Business and Technological Challenges

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Abstract: With the rapid development of the digital economy, cross-border business and technological challenges have put forward new requirements for tax policies. The traditional tax collection and management model of tax units can no longer meet the global economic integration environment and the rapid development trend of science and technology in the Internet era. The traditional tax collection and management model has many drawbacks, making it difficult for enterprises to cope with massive data and resulting in low tax collection and management efficiency. Therefore, this article combines the impact of cross-border business and technological development on tax policies in the digital economy era, and proposes a series of tax policy recommendations that are suitable for the digital economy era, aiming to promote the healthy development of the digital economy.

Keywords: Digital Economy; Tax Policies; Cross Border Business; Technological Challenges

Preface: In March 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council issued the “Opinions on Further Deepening the Reform of Tax Collection and Management”, which clarified a series of requirements for deepening tax system reform and optimizing the tax collection and management system. Based on the current diversified international situation, this paper comprehensively explores how to cope with the current tax collection and management environment, properly solve the new problems brought by the digital economy to tax collection and management, implement new development concepts, improve the modern tax system, and effectively enhance the level of tax collection and management services in China. To promote the transparency of China’s tax management system and promote the healthy and stable development of local economies.

1. The impact of cross-border business on tax policies

1.1 Cross border business makes tax collection and management more complex

With the increasing cross-border sales of digital products and services, tax authorities are facing the challenge of determining taxable income and taxpayer positions. Traditional tax collection and management methods may not be able to adapt to the complexity of such cross-border transactions. Meanwhile, multinational corporations may use tax havens for tax avoidance activities, further increasing the difficulty of tax collection and management.

1.2 Cross border business poses challenges to tax jurisdiction

Under traditional tax systems, tax jurisdiction is usually based on the principle of territoriality or the principle of personal ownership. However, in the era of digital economy, the sales of digital products and services often cross national borders, making it difficult for tax authorities to determine taxable income and the location of taxpayers. This may lead to tax loss and the emergence of tax inequality, posing a challenge to the existing tax system.

1.3 Cross border business also poses higher requirements for tax treaties and information exchange

In order to address the challenges of cross-border business, it is necessary to strengthen international cooperation, sign tax agreements and information exchange agreements, and jointly combat cross-border tax avoidance. Better grasp the taxable income and tax situation of multinational corporations, and improve the efficiency of tax collection and management. At the same time, the international community also needs to establish unified tax rules and standards to address the cross-border tax challenges of the digital economy era.

2. The Impact of Technological Development on Tax Policies

2.1 Technological development has also had a profound impact on tax policies

With the continuous advancement of technology, many transactions have become virtualized and digitized, which poses a challenge for tax authorities to determine the authenticity and value of transactions. For example, the development of e-commerce has gradually replaced traditional tangible goods transactions with virtualized digital products and services. Tax authorities need to adapt to this change and take corresponding measures to ensure tax collection.

2.2 Technological development has put forward higher requirements for data protection

In the era of digital economy, data has become an important asset. In order to protect the confidentiality of individuals, enterprises, and the country, it is necessary to establish data protection regulations that clarify the ownership and use rights of data. These regulations can also provide better data support for tax authorities, improve the efficiency of tax collection and management, and reasonably and legally obtain and use data to support tax collection and management work.

2.3 The development of technology has also put forward higher requirements for the digital literacy of tax personnel

In the era of digital economy, tax personnel need to possess digital skills and literacy to cope with the challenges of digital transactions. Improve the digital literacy and response ability of tax personnel through training and education. Tax authorities also need to establish a sound digital infrastructure and information system to provide a digital work environment and support for tax personnel.

3. Tax policy recommendations for adapting to the digital economy era

3.1 Strengthening cross-border tax cooperation

Cross border business is one of the important characteristics of the digital economy era, which has a profound impact on tax policies. In order to address the challenges of cross-border business, countries need to strengthen international cooperation and work together to combat cross-border tax avoidance. By signing tax treaties and information exchange agreements, it is possible to better grasp the taxable income and tax situation of multinational corporations, and improve the efficiency of tax collection and management. At the same time, strengthening cross-border tax cooperation can also promote cooperation and development of the international community, and promote the formulation and improvement of international tax rules.

3.2 Improve the tax collection and management system

It is necessary to establish a digital tax collection and management system based on the characteristics of digital transactions. Digital transactions have the characteristics of anonymity and privacy protection, making it difficult for tax authorities to determine the authenticity and value of transactions. Therefore, establishing a digital tax collection and management system requires strengthening the supervision and investigation of digital transactions, improving the transparency and traceability of digital transactions. At the same time, it is necessary to strengthen digital training and education for tax personnel, improve their digital literacy and skill level.

3.3 Develop data protection regulations

In the era of digital economy, data has become an important asset. In order to protect personal privacy, corporate secrets, and national key protected information, relevant departments need to first formulate data protection regulations, clarify the ownership and use rights of data, and strengthen the management and protection of data security. Meanwhile, these regulations can also provide better data support for tax authorities and improve the efficiency of tax collection and management. The formulation of data protection regulations requires balancing the relationship between personal privacy and corporate interests, ensuring the legitimate use and protection of data.

3.4 Promoting digital talent cultivation

The digital economy era requires talent support with digital skills. With the continuous development and application of digital

technology, tax authorities need digital talents to support their transformation and upgrading. Therefore, tax authorities need to strengthen talent cultivation, improve personnel's digital literacy and skill level. At the same time, it is necessary to strengthen the cultivation and introduction of digital talents in other fields, such as information technology and data analysis. By promoting the cultivation of digital talents, it can promote the development of the digital economy and improve the efficiency of tax collection and management.

3.5 Establishing a tax system that adapts to the digital economy

With the continuous development of the digital economy, we need to establish a tax system that adapts to the digital economy. This includes measures such as formulating tax rules that are suitable for digital transactions, improving regulatory mechanisms for digital transactions, and strengthening tax inspections for digital transactions. At the same time, we need to pay attention to new challenges and opportunities, continuously improve tax policies to meet the needs of economic development. Establishing a tax system that adapts to the digital economy requires balancing the interests of all parties and ensuring the fairness, transparency, and operability of the tax system.

4. Summary

Tax policies in the digital economy era need to address the dual challenges of cross-border business and technological development. By implementing a series of tax reinforcement measures, we can better address these challenges and ensure the fairness and effectiveness of taxation. Meanwhile, with the continuous development of the digital economy, we need to continue to pay attention to new challenges and opportunities, continuously improve tax policies, and adapt to the needs of economic development. Only in this way can we promote the healthy development of the digital economy and promote the prosperous development of economies in various countries. To achieve China's modernization goal of taxation as soon as possible, promote the digital economic transformation and development of countries around the world, and provide a favorable international environment.

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