

论中国地方税体系模式和架构的设想*

The ideas about the model and structure of China's local tax system

In 1994, China carried out a fiscal system reform and introduced a tax distribution system on the basis of which the current local tax system combines successful construction of foreign ones and our unique national conditions. After 20 years of implementation, the tax-sharing system has generally played a great role in giving full play to the initiative of central and local governments, building a mechanism of steadily increasing central and local tax revenue, advancing the optimization of resource allocation and industrial restructure, reinforcing macro-control as well as boosting the socialist market economy. However, as it is going through a major reform that it is impossible take place instantly, China's existing tax system, local tax system in particular, is far from perfection. There is a long way to go before meeting demands of governing a modern country ruled by law with a new normal economy.

I . The Definition of Local Tax and Its System

For the present, there is no agreement on the definition of local tax and its system. In terms of this conception, almost all the studies and researches home and abroad concern about whether the taxes are subject to the lawmaking authority, the collection and administration and the ownership of the local tax bureau system. Here I divide China's local taxes into pure local taxes - completely subject to the ownership of the local tax bureau system - and shared taxes by central and local governments.

II .The Existing Problems of China's Local Tax Bureau System

Despite its implementation for years, China's local tax system still has problems in terms of taxation responsibilities division, tax revenue distribution as well as collection and administration division.

(I) The Problems in Local Taxation Responsibilities Division

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1. Improper delegation of local tax lawmaking authority violates the rule of law

We can see problems in distribution of taxes such as, responsibilities and highly centralized taxation powers, especially when it comes to tax lawmakers, from the operation of the local tax system. First, tax laws are low in the legislative hierarchy. At present, only three taxes of existing local taxes - enterprise income tax, individual income tax and vehicle and vessel tax - have specific laws, while the others are levied in accordance with regulations, decrees or measures. The low efficient hierarchy of tax legal system doesn't only think beneath the stability and dignity of law but also contravenes the "tax governance by law" principle and the Legislation Law. Second, local governments lack tax legislative power. Almost all the tax laws, regulations and their details are enacted and promulgated by the central government, while local governments can only adjust the rates within the fixed area and have incentives of a few local taxes. It is the central legislative and administrative authorities that enact local tax laws and policies but local governments can merely submit opinions, which reflects the general absence of beneficiaries in the lawmaking process.

2. The immoderate centralization of collection scopes damages the balance of tax collection authorities division between the central and local governments

China's collection scopes of state tax bureaus and local tax bureaus have been changed several times in violation of standardized enforcement. The taxes of several industries under the business tax which is a local tax are subject to the collection and administration of the central tax bureau system, not to mention the much more complicated enterprise income tax. Initially tax revenues were distributed in accordance to administrative division rather than tax categories. However, in terms of local enterprise income tax, the income tax to be paid by district banks and non-bank financial enterprises and even collective credit cooperative are the central government revenue; in terms of the enterprises that were newly established after 2002, the collection and administration of the enterprise income taxes shall be in the charge of the state tax bureaus; from 2009, the enterprise income taxes of the newly added enterprises which shall pay value added taxes are subject to collection and administration by the state tax bureau system. This nonstandard distribution objectively transforms the tax distribution system into "the tax selection system" or "the money distribution system".

3. The imperfections of judicial protection of local tax system dilute the seriousness of tax laws.

Due to lack of proper division of taxation judicial responsibilities between China's tax authorities and judicial organs, the former with human and material resources to conveniently deal with tax-related cases has no jurisdiction enabled by the law. Therefore, in the process of handling a case, we can see a dilemma where the latter have jurisdiction but no resources while the former in contrast. The public security organs in charge of tax-related cases usually are unfamiliar with taxation so that the cases handed over from tax authorities are always prolonged. With almost no case they can transfer, procuratorates have no case to deal with.

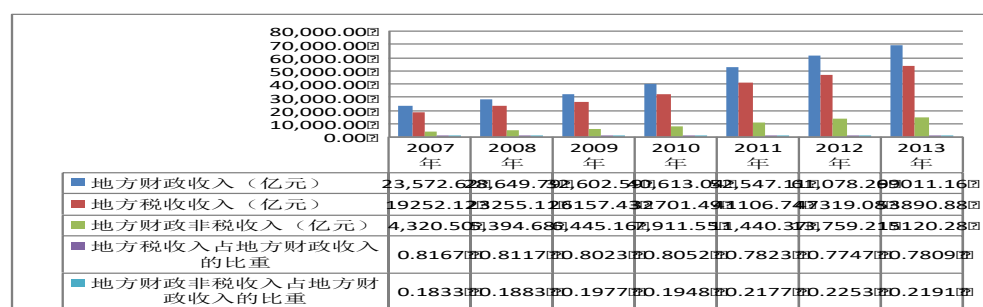
(II) The Nonstandard Distribution of Local Tax Revenues

1. The lack of local major taxes limits the fiscal collection capacity of local governments

As VAT-reform program launches in full scale, the business tax which is a local major tax will be replaced by a value added tax gradually, leaving no effective local major tax. If local spending responsibilities were unchanged, there would be no doubt that it would influence local governments in providing public goods and services as well as decrease local fiscal revenues and the taxation financial control.

2. The relatively small local tax revenues affect governance and action regulations of local governments

As is shown in P1, although it is 80% area, the percentage of local tax revenues in local fiscal revenues gradually declined from 2007 to 2012. The relatively small local tax revenues at all levels caused local fiscal difficulties. Many regions collect more fees as substitutes for taxes, directly spawning various local fees and severely disturbing local taxation order. According to statistics, China's non-tax revenue was 1375.921 billion in 2012, an increase of 3.185 times than 432.05 billion 5 years ago.



P1 The Percentage of Local Tax Revenues in Local Fiscal Revenues

Statistics of local tax revenues come from China's Taxation Statistics Yearbook in every year and

those of local fiscal revenues come from the website of National Bureau of Statistics

(III) Configuration Problems in the Collection and Administration of Local Taxes

1. Overlapping tax collection and administration by the central and local governments impairs regulations of government actions

First, the tax collection authorities of the state tax bureau system and the local tax bureau system are overlapping. Some local revenues including those of trade markets and foreign-related taxes are still levied by the State Administration of Taxation, while local governments don't have full administration of their own revenues due to overlap of the collection and administration of business tax, income tax as well as city maintenance and construction tax. Second, collection authorities lag behind the others. Some local revenues are to be collected by the State Administration of Taxation but there is a tough way to figure out how other powers such as administration, procuratorial and reconsideration authorities can be consistent with collection authorities. Third, in terms of the tax administration authorities in accordance with the current regulations, the local tax bureaus can only issue tax registration certificates to the taxpayers that shall only pay local taxes but not those shall pay both the value added tax and local taxes so that administration lags behind collection.

2. The fragmented collection and administration system blocks tax-related information sharing mechanism and reduces administrative ability

Currently because of the different and unconnected collection and administration systems of state tax bureaus and local tax bureaus, transferring massive basic data and records comes across huge barriers. Without effective tax-related information sharing mechanism, state tax bureaus and local tax bureaus can't exchange real-time information efficiently. Worse still, there is no uniform effective collection system between state tax bureaus and local tax bureaus. For the moment in terms of minor taxpayers that apply to purchase temporary invoices, the authorization for state tax bureaus to collect certain local taxes is based on the unofficial negotiation between state and local tax bureaus without a effective restrictive standardization.

3. The VAT-reform program makes the collection and administration of local tax bureaus more difficult, leading to taxation loss

Before unifying the business Tax and the value added tax, local revenues of individual income tax, land appreciation tax and city maintenance and construction

tax that are consistent with the collection and administration of business tax amounted in excess of 15% of the total local tax revenues at a same period. After the launch of the reform, almost all the temporary invoices will be issued by state tax bureaus. As the collection and administration authorities are handed over, local tax bureaus have no effective control of newly added taxpayers but tougher collection and administration of current city maintenance and construction tax as well as educational surcharge (including local education surcharge) than ever before. In terms of individual businesses in accordance to the “levying tax via invoices” principle, it’s hard to collect individual income tax, city maintenance and construction tax as well as educational surcharge (including local education surcharge).

III. Advice on how to construct a reasonable provincial taxation system

The construction of the provincial taxation system is a huge project, which cannot be done overnight. Therefore, we should gradually carry out the fiscal and taxation reform in the Third Plenary Session of the 18th Central Committee of CPC. And on the basis of VAT-reform program, we should launch step by step the lawmaking activities of the house property tax, improve a series of supporting systems, accelerate the building of tax information system and eliminate the obstacles in the tax collection and administration in order to establish a mature provincial taxation system, .

i. The pattern of provincial taxation system

The pattern of taxation authority division: The central government is in charge of the tax lawmaking and suspension, while local governments are enabled to make certain adjustment and interpretation.

Given that Chinese local governments lack strict discipline and taxation competition is serious under the imperfections of the central macro-control mechanism, the taxation authority division shall be a progressive course, adhere to the centralization of major taxes and devolution of minor taxes as well as focus on supervision to deal with the relations between the centralization and the delegation, as appropriate. In accordance to this principle, we can classify administrative authority between the central government and local governments properly. Undoubtedly, provincial tax

power is mainly centralized in provincial governments where they have certain power to regulate local governments, including the power of tax collection and administration, certain policy adjustment and explanation.

2. The pattern of tax distribution

In 1994, China introduced the tax sharing system with the value added tax as a shared tax, while the business tax and income tax were major taxes in provinces and regions. After the implementation of the reform on income tax distribution, the business tax became a local major tax, accounting for 33% of the local government tax revenue. In 2011, business tax and value added tax took up more than 47% in total. Starting from 2013, the proportion of shared taxes is expanded by the VAT reform. At that year, the revenues from shared taxes exceeded 67.85%, which supported a large-scale tax distribution system in China. Additionally, all the existing local taxes are minor, while major ones take time to develop. Under this circumstance, it is necessary to set up a large-scale tax distribution system with shared taxes as major taxes and supplemented by provincial taxes so that the local government revenues shall be diverse. In the process of establishment and development of provincial taxes, the second pattern shall take effect. That is to say, shared taxes shall be the major one in provinces and regions in the short term while we cultivate other local major taxes. And then in the long run, mature provincial taxes will become the pillar supplemented by shared taxes. Through expanding the percentage of provincial taxes in the local government revenue, the proportion of provincial taxes shall be equivalent to that of shared taxes.

(ii) The Standard on Division of Tax Authorities

1. The division of tax lawmaking authority

In accordance to the current tax power mode, the legislative power is centralized in the central government, and it enacts basic tax laws and regulations, including basic tax laws, law on the scope of tax collection and general law on the process of tax collection and payment; the central government is in charge of the lawmaking, interpretation and collection of central taxes; in terms of shared taxes, the central government shall exercise the legislative and interpretation power, while the collection shall be determined on the basis of tax sharing approaches to be in the charge of the central government or split between the central and local governments; in terms of provincial taxes, the central government shall still exercise the legislative power, while the local governments are in charge of the tax collection. Based on

actual circumstances, the tax authorities of interpretation, adjustment and so on shall be in accordance with the following rules:

(1) In terms of provincial taxes with a profound influence on national economy and volatile tax bases, the establishment and suspension of the tax collection, the adjustment of tax categories, the power to set the range of tax rates, the decision-making authorities of tax reduction, exemption and increases shall be subject to the central government, whereas the power to set tax rates within the range in regions shall vest in local governments.

(2) In terms of the provincial taxes with relatively stable tax bases and regional characteristics, the central government shall enact the basic tax laws and regulations of urban and township land use tax, house property tax, land appreciation tax, resource tax, environmental protection tax, deed tax and so on. The power to adjust detailed rules for implementation, tax categories and rates with the uniform range and scope set by the central government shall vest in people's congress of the provinces. The reduction and exemption as well as the collection and administration of these taxes can be determined by people's congress of the provinces under administrative regulations.

(3) In terms of provincial taxes that are only collected in certain regions with high cost and that are earmarked for specific activities, such as tobacco leaf tax, city maintenance and construction tax and educational tax (transform the current educational fees into an educational tax), the establishment and suspension of the tax collection shall be in the charge of the central government, while the governments at the provincial level exercise the tax policy-making power based on local actual circumstances to flexibly determine tax rates, reduction and exemption without a unified range and scope set by the central government. However, the tax collection plans shall be filed with the central government.

2. The division of the tax law enforcement

First, we should clarify the scope of law-enforcing authority of state and local tax bureaus. On the basis of the nature of taxes, symmetric powers and duties as well as parallel tax collection and administrative systems, the local law-enforcing authority shall be handed over to local tax bureaus as soon as possible. Second, in terms of problems in the overlapping tax collection and administration, a cooperative tax system shall be established to integrate the informational resources from two departments. Also, a connected taxpayer inspection system shall be introduced to

inform each other in time of the results of check on taxpayers in the charge of both systems. Major cases and check shall be dealt with in a consistent manner.

3. The division of tax judicial power

I suggest integration of the judicial power of administration of tax-related criminal cases and relevant investigation, detention, arrest and preliminary hearing of state and local departments at all levels to introduce a one-level-down joint conference system that holds coordinated discussions among different agencies. Thus, we can strengthen communication and collaboration among tax authorities, public security agencies and judicial organs to ensure sound implementation of the taxation power. Under favorable conditions, in accordance with economic division instead of local administrative division, a special tax judicial organization parallel with state and provincial tax bureaus at all levels shall be established under the leadership system of vertical administration by the central government. And a uniform, standardized system of the tax judicial safeguards shall be built up with the connection and support of taxation inspection, procuratorate and trial organs.

(iii) How to Make A Decision on Tax revenues Distribution

1. Local tax revenue shall take reasonable proportion

Provincial taxes are collected on the demand of local expenditures so the upper limit of local tax revenues in theory shall be: $\text{local tax revenues} \leq \text{local fiscal expenditures}$, which means all the local spending shall be covered by local tax revenues as the only source to support the local financial needs. Given to the tax distribution system and diverse sources of fiscal revenues, local tax revenues generally have no possibility to be higher than local fiscal expenditures. Of course, there are certain economically developed regions that have amplified tax sources to satisfy the demand of the local expenditures only by local tax revenues. However, under actual circumstances, the majority of regions has many other sources of fiscal revenues except for taxation. Thus the lower limit of local tax revenues shall be: $\text{local tax revenues} \geq \text{necessary expenditures} + (\text{optional spending} - \text{other fiscal revenues})$. If the number of necessary expenses is given, the local tax revenues is inversely proportional to other fiscal revenues in quantity. As a result, increasing local tax burdens is required to complement the loss rather than other fiscal revenues. In other words, local tax revenues generally shall exceed the minimum of local necessary spending. All in all, the country's local tax revenues shall be determined within the range in theory.

(1) The local tax revenue proportion of the volume shall be reasonable

In terms of some countries that have similar scale of land, population and national conditions as China, the local tax revenues in Japan account for 34.7% of the total tax revenues, Canada and the United States are 51.3% and 44.6% respectively. One year before the introduction of the tax distribution system in 1994, the figure in China was 13.43%, and increased dramatically after the reform. In 2002, it amounted 42.00% and then 47.03% in 2012. Compared with other countries, this percentage is not low. However, given that the proportion of local public fiscal spending in China has been in excess of 70% of the national public fiscal spending since 1994 with its peak of 85% in 2012, the local tax revenues shall take up the share of approximately 50% on the basis of a reasonable division of expenditure responsibilities to effectively reduce local governments' dependence on the central government's tax rebates and ease the burdens of transfer from the central government to local governments.

(2) The local tax revenue proportion of local financial revenue (expenditure) shall be reasonable

Between 2002 and 2012, although the local tax revenues accounted for more than 75% of the local financial revenues, it witnessed a downward trend from 86.98% in 2002 to 77.47% in 2012. The local tax revenue proportion of the local public expenditures increased from 48.47% in 2002 to 50.59% in 2005, and then declined to 44.15% in 2012. This is why the local financial revenue takes up about 50% of the national financial revenue, while the local financial expenditure accounts for over 70%. Take the figures in 2012 for example. Local fiscal revenues constituted 52.09% of the national fiscal revenues, whereas the local fiscal spending accounted for 85.10%, 33% higher than the former. In other words, local fiscal revenues and expenditures have a gap of 33% which requires the transfer from the central government with tax rebates as the major approach. The percentage was nearly 40% of the local fiscal spending in total, obviously above the average level.

Therefore, the local tax revenue proportion shall be restored to more than 85% of the local public fiscal revenues. Meanwhile, through the reasonable division of expenditure responsibilities, central responsibilities which were taken by local governments shall be in the charge of the central government again. The local fiscal spending proportion shall be slashed to increase the local tax revenue proportion of local public fiscal expenditures and lessen local governments' dependence on other

fiscal revenues, especially the non-tax revenues.

(3) The proportion of local tax revenues in GDP shall be reasonable

Theoretically, the local tax revenue proportion of GDP shall be in accordance with the economic development level of the country and relevant regions. However, it has two influential factors: the proportion of tax revenue volume in GDP and the percentage of local tax revenues in tax revenue volume. If they are reasonably defined, then the proper proportion of local tax revenues in GDP is clear.

The proportion of local tax revenues in GDP of other developing countries (below average) with similar income to China is 15.61%, or generally around 23% of board macro tax revenues including the revenues from the social security fund. In terms of those above the average, the proportion of local tax revenues in GDP in 2006 was 17.04%, or generally around 24.28% of board macro tax revenues including the revenues from the social security fund. The percentage of local tax revenues in GDP in China is by far 18% with its peak of 19.81% in 2007 and 19.39% in 2012. Therefore, the proportion of local tax revenues in GDP in China is better to remain at the current level (approximately 20%) instead of increasing. According to the rough estimate above, if the percentage of local tax revenues in tax revenue volume is 50%, the proportion of tax revenue volume in GDP shall be around 10%.

2. The standard on the division of shared taxes

(1) The division of value added tax

In order to ensure that the VAT reform can be successfully accomplished, we adopt the plan to remain the business tax revenues at previous administrative tier in the process. The revenues of VAT rather than the business tax are still local government revenues and not share with the central government. But this is just a transitional measure which cannot run in the long term. Once VAT reform is completed in full swing, it is unavoidable to adjust the tax share between central and local governments.

In order to strike a better balanced relations between the fiscal powers and expenditure responsibilities, alleviate the current difficulty of local fiscal revenues and expenditures and straighten out the fiscal distribution system, this article will give two pieces of advice on the local proportion of VAT as follows:

- i The percentage shall increase to 40% by 15bp. According to the data in 2012, business tax revenue was RMB 1.574764 trillion (among which RMB 1.554291

trillion is subject to local government revenue, whereas RMB 20.473 billion subject to central government revenue), value added tax revenue was RMB 2.6415.51 trillion. The equation is local governments revenue $= 15542.91 + 26415.51 \times 25\% =$ RMB 2.228007 trillion. Providing that the VAT reform is completed in full scale, if the sharing of VAT revenue between central and local government remain unchanged (the revenue from Ministry of Railways, banks and insurance companies are still subject to the central government), then the local revenue will decrease by RMB 1.165718 trillion $= 15542.91 \times (1 - 25\%)$. If the percentage of tax sharing in VAT changes to 40%, according to the static analysis, the equation will be local revenue $= (15542.91 + 26415.51) \times 40\% =$ RMB 1.678337 trillion, contracted by RMB 549.670 billion. Given that the VAT reform will slash taxes, it is estimated that the local revenue will plunge by RMB 750 billion, according to the dynamic analysis.

ii The percentage shall increase to 50%. The local government revenue $= (15542.91 + 26415.51) \times 50\% =$ RMB 2.097921 trillion, a decrease of RMB 130.086 billion. Given that the VAT reform will cut taxes, it is estimated that local revenue will be down by RMB 380 billion, according to the dynamic analysis.

Therefore, after the VAT reform, the figure should not exceed 50%, and I suggest 40%. The local revenue losses shall be complemented, to some extent, by adjusting the tax sharing in income tax.

iii The standard on distribution of the enterprise income tax

In order to cover the local revenue loss, the advice is that the enterprise income tax should be split in half. According to the data in 2012, the enterprise income tax at the national level was RMB 1.965453 trillion, among which RMB 757.16 billion was subject to local government revenue. Assuming that the figure is adjusted to 50%, the local revenue $= (19654.53 - 725.53) \times 50\% = 946.45$ billion Yuan, an increase of RMB 189.29 billion.

iv The standard on distribution of the individual income tax

Similarly, individual income tax revenue shall be split in half. In 2012, individual income tax at the national level was RMB 582.028 billion, among which RMB 232.763 billion was subject to local government revenue. Provided that the figure is adjusted to 50%, the local revenue $= 5820.28 \times 50\% = 291.014$ billion, an increase of RMB 58.251 billion.

Therefore, after the ratio of VAT is adjusted to 6:4 and that of income tax becomes 5:5, the local revenue will drop by RMB 502.5 billion which will be covered through the construction of local major taxes.

(4) The setting of main local tax types

Basically, the main local tax types must meet the following three standards: Firstly, it should have wide tax base and multiple tax sources, with growth potential and great impacts on enlarging the local tax scale. Secondly, it should have a strong capability to adjust the income and industrial structure of our region. Thirdly, it should have a strict and transparent tax system which makes it easy to supervise. Therefore, the setting of main tax types must meet our economic growth and tax structure and the main local tax should be determined in a phased way and be refined constantly. According to the principle of three-layer finance, we should first settle the main local tax on provincial level, followed by the municipal one. We can't determine all the main taxes on different levels at one time.

1. The setting of main local tax on provincial level—the reform of consumption tax. For the time being, consumption tax is the only major tax type that is qualified to be the main local tax on provincial level. Although the initial purpose of setting up the consumption tax is to adjust taxes, the existing consumption tax has never been a pure central tax, tax revenues are relevant to tax return. Since the reform of refined oil tax, the consumption tax, which mostly comes from the road toll, needs to be largely rebated to the local government.

Vehicle purchase tax should be included in consumption tax, because it's a kind of one-off taxes on property purchase, which is similar to the purchase of properties, private jets, yachts, luxury furniture and transaction of expensive collections. So it can be integrated into consumption tax and serve as a shared tax by central and local government so as to establish a local tax system focusing on consumption tax. But according to international practices, special consumption tax on state monopoly like tobacco should be on the list of central tax.

While appropriately decreasing the VAT rate, we also need to refine the tax scope, link of paying tax in the setting of the new consumption tax system. Firstly, we should enlarge the tax scope of consumption tax, and impose consumption tax on private jets, luxury furniture, art works, calligraphy collections and paintings. Secondly, we should levy in the consumption link instead of production link.

When the new consumption tax is developed into a mature main local tax on provincial level and becomes a stable source of income of the local government, VAT is likely to see a smaller proportion shared with central government. Take the statistics of 2012 for example, the vehicle purchase tax was 222.891 billion RMB, consumption tax was 787.558 billion RMB, 300 billion RMB of consumption tax on tobacco was deducted, about 700 billion RMB can be tuned into the provincial government income. The income is likely to see a further increase if we enlarge the tax scope and adjust the tax rate.

(2)The setting of main local tax on municipal level—The development of property tax in owning link

Given the current circumstance and our development goal in the future, municipal government is the basis of the government. In terms of the setting of main tax of the municipal government, with the practice and experience of foreign counterpart and the general development climate of China's property market, we should establish a new local tax system on municipal level, with focus given to property tax, making the property tax one of the important sources of local tax income.

As property tax doesn't exist at the beginning of economic growth, and China's current property tax is least mature, it's our long-term goal to make property tax in owning link the main tax of municipal government. For the time being, we should do

the basic, accelerate the legislation, specify the goal of reform, combine the farmland occupation tax, tax on using urban land, land value increment tax for the purpose of increasing income, establish a new tax system, devise a registration system of property right on national level. In the meantime, provide guidance to establish the independent, third-party institution to assess the property value so as to lay a foundation for the setting of property tax. Allowing for the difficulty of reform, we'd better divide it into two phases, we should reform the existing property tax for the time being. And in the long term, we should combine property tax, farmland occupation tax, tax on using urban land, land value increment tax and relevant taxes and devise a new property tax.

(5) The reform of the rest of taxes

1. The reform of resource tax

There are many flaws of the existing resource tax in terms of tax scope, tax base, and the setting of tax rate. That's why we need to refine the resource tax. In terms of enlarging the tax scope, water resource, forest resource and rangeland resource which is developed and utilized in a protective way in international community should be included in the tax scope so as to make proper use of scarce resources in China. In terms of tax base, we should change taxation according to quantity into taxation according to price. In the reform of resource tax, we need to adjust the ownership of resource tax, strengthen the control of local government. We shouldn't ignore that many resources are interconnected, so we need to well handle the speed of the reform of resource tax, and bind the right time.

2. The levying of environment protection tax

The act of environmental pollution, resources damage should be on the list of tax scope of environment protection tax, we need to list the tax items respectively, and gradually enlarge the tax scope. Since environmental pollution is usually local and relevant to specific behavior, it's suitable to be the tax base in order to make the levy more convenient and allow enterprise, individual, and local government to reach

consensuses on national tax policies which aim to punish polluters and facilitate environmental protection. Besides, environment protection tax should be tied with the reform of consumption tax so as to achieve mutual complementarity and avoid double levy.

(6)The local tax structure in the future

Based on what mentioned above, the local VAT, consumption tax, income tax of enterprise and individual, resource tax and stamp tax are shard tax. VAT and income tax will be shared by central and local government according to certain proportion. Consumption tax will be shared in line with tax items. All the consumption taxes belong to provincial government except for consumption tax on tobacco. The provincial government has the right to determine the proportion of tax shared with municipal government. Resource tax belongs to the local government except for resource tax on marine oil, which belongs to central government. Stamp tax belongs to municipal government except for security transaction stamp tax, which is shared with central government with a proportion of 97/3. Construction tax, property tax in owing link, contract tax, tax on tobacco, environment protection tax is local tax, which all belong to municipal government(Table 1 includes more details).

The local tax structure in the future

Tax	Category	Division of income	More details
VAT	Shard tax	Shared by central and local government with a proportion of 6:4	If the tax belongs to provincial government, the provincial government has the right to determine the proportion of tax shared with provincial government
Consumption tax	Shard tax	Belong to local government except for tax on tobacco, which belongs to central government	vehicle purchase tax is included in consumption tax, if the tax belongs to provincial government, the provincial government has the right to determine the proportion of tax shared with provincial government
Business	Shard tax	Shared by central and	If the tax belongs to provincial

income tax		local government with a proportion of 5:5	government, the provincial government has the right to determine the proportion of tax shared with provincial government
Individual income tax	Shard tax	Shared by central and local government with a proportion of 5:5	If the tax belongs to provincial government, the provincial government has the right to determine the proportion of tax shared with provincial government
Property tax in owing link	Local tax	Belong to municipal government	The property tax is reformed for the time being. In the long term, farmland occupation tax, tax on using urban land, land value increment tax and relevant taxes will be combined into a new property tax.
Resource tax	Shard tax	belong to local government except for resource tax on marine oil	Belong to municipal government
Stamp tax	Shard tax	belong to local government except for security stamp tax which is shared by central and local government with a proportion of 97:3	Belong to municipal government
Construction tax	Local tax	belong to municipal government	
Contract tax	Local tax	Belong to municipal government	
Tax on tobacco	Local tax	Belong to municipal government	
Environment protection tax	Local tax	Belong to provincial government	The provincial government has the right to determine the proportion of tax shared with municipal government

Such a structure will ensure the source of income of provincial and municipal

government so as to regulate the government income and improve its governance.

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