

Opinions on Further Deepening the Reform of Tax Collection and Administration

In recent years, China's tax system reform has been steadily deepening, and the tax collection and administration system has been continuously optimized. The standards, convenience and precision of taxpayer services and tax law enforcement have also been constantly improved. In order to further advance the reform of "delegating power, streamlining administration and optimizing government services" in tax area, improve the tax supervision system, create a market-oriented, rule of law-based and internationalized business environment, and better serve the development of market entities, the following opinions are hereby proposed to further deepen the reform of tax collection and administration.

I. Overall requirements

(I) Guiding thoughts

--Press ahead with the building of smart taxation featuring high integration, high safety and high efficiency, which will focus on serving taxpayers and fee payers, take e-invoicing reform as a breakthrough and be driven by big data;

--further advance accurate law enforcement, targeted service, precise supervision and sincere co-governance;

--substantially improve tax compliance and social satisfaction, and significantly reduce the costs of both tax authorities and taxpayers;

--bring into full play the fundamental and supportive role of tax in underpinning the national governance, and render strong support for high-quality development.

(II) Working principles

1. Upholding the rule of law in taxation

Adept at deepening reform with the rule-of-law mindset and methods, continuously optimize law enforcement and effectively promote the rule of law in taxation.

2. Upholding the people-centric principle

Further improve services for people and enterprises and better meet taxpayers' and fee payers' reasonable needs.

3. Upholding the problem-oriented approach

Strive to overcome weaknesses and effectively resolve key outstanding issues in tax collection and administration.

4. Upholding reform and innovation

Deepen the reform of “delegating power, streamlining administration and optimizing government services” in tax area, and promote the transformation of the philosophy and means of tax law enforcement, service and supervision on all fronts.

6. Upholding systematic thinking

Coordinate reform measures and improve the efficiency of tax governance in a holistic and integrated manner.

(III) Major objectives

By 2022, important progress will be made in standardization of law enforcement, convenience of service and precision of supervision.

By 2023, a new system of law enforcement featuring “no disturbance with no risks, investigation upon violation and intelligent control for the whole process” will be basically completed, realizing the transformation from experience-based enforcement to scientific and precise enforcement.

And a new service system featuring “offline services accessible where needed, online services available at any time, and tailored services widely covered” will be basically achieved, realizing the transformation from non-differentiated service to targeted, intelligent and personalized service. In addition, a new “credit plus risk”-based supervision system featuring the basic approach of “random selection of cases and tax inspectors and timely results publication” and “internet plus supervision” supplemented by targeted supervision will be basically delivered, realizing the transformation from “tax administration through invoices” to data-driven, segmented and precise supervision.

By 2025, outstanding achievements will be made in deepening the reform of tax collection and administration system. Smart taxation with powerful functions will be basically completed and domestic first-class intelligent administration applications will be developed, which will comprehensively promote the capacity of law enforcement, service and supervision.

II. Advancing comprehensive digital upgrade and intelligent reform of tax collection and administration

(IV) Accelerating the building of smart taxation. By making full use of modern information technology such as big data, cloud computing, artificial intelligence, and mobile Internet, great efforts will be made to promote the convergence and integration of internal and external tax-related data, covering both online and offline channels, so as to drive the innovation and reform of tax law enforcement, taxpayer services and the regulatory system, and further optimize the organizational structure and resource allocation. The intelligent collection of “one legal person-based” and “one natural person-based” tax and fee information

will be basically realized by 2022. Such collection will be extended to each tax authority and each tax official by 2023, enabling automatic analysis and management of taxpayers' and fee payers' behavior, automatic assessment and evaluation of the whole process of tax officials' performance, and automatic classification and distribution of decision-making information and tasks. Deep integration, efficient interaction and comprehensive upgrade of law enforcement, service, supervision and intelligent application of big data will be achieved by 2025.

(V) Rolling out e-invoicing reform steadily. A nationally unified e-invoicing service platform will be established by 2021, providing taxpayers with 24-hour free online services such as application, issuance, delivery and verification of electronic invoices. Following the introduction of the national standards for electronic invoices and orderly promotion of electronic invoices in rail transport and civil aviation, all-area, whole-process and all-element e-invoicing will be basically achieved by 2025 to substantially reduce the institutional transaction costs.

(VI) Deepening the sharing and application of big data. The application of blockchain technology will be explored in social security contributions collection and real estate transaction and registration, and be further promoted in tax- and fee- related information sharing. The big data cloud platform will be further improved to strengthen the development and utilization of data resources, and the tax cloud platform connection with the national IT systems, and IT systems of related departments will be constantly advanced. By 2025, a regular and institutionalized data sharing and coordination mechanism will be

established between tax authorities and related departments to enable the legally authorized acquisition of necessary tax-related information. The mechanism of providing tax- and fee- related information for other parties will also be optimized. With the large-scale, multi-type, high-value and fine-granularity big data in place, the data-driven effect will be brought into full play. The big data security governance and management system will be improved and the construction of the security situational awareness platform will be strengthened. Regular assessment and inspection of data security risks should be carried out and the monitoring, early warning and emergency response mechanisms should be improved to ensure life-cycle safety of data. More effort will be put in the intelligent analysis of big data to strengthen in-depth application in economic situation judgment and society management.

III. Improving the law enforcement system and mechanism continuously

(VII) Improving the laws and regulations relating to taxes and fees.

Adhering to the principle of “taxation by law”, the upgrade of current tax provisional regulations to laws will be accelerated, so as to improve the modern tax system, better discharge the role of taxation, and promote the establishment of a modern fiscal and tax system. The amendment of specific laws, regulations and rules such as the Law on Tax Collection and Administration, the Law on Anti-money Laundering and the Measures for Invoice Management should be advanced and the legal system construction for non-tax revenue administration will also be strengthened.

(VIII) Standardizing tax law enforcement rigorously. Collecting taxes and fees in accordance with laws and regulations, and collecting all

amounts due shall be persistently upheld. At the same time, inadequate implementation of tax and fee cuts, collection of “undue taxes and fees” and improper administrative intervention in tax administration shall be resolutely guarded against. Information publicity of law enforcement, recording of the whole process of law enforcement, and legal review of major law enforcement decisions will be fully implemented. Online input of law enforcement information, online flow of law enforcement procedures, online supervision of law enforcement activities and online inquiry of law enforcement results will be further promoted to basically complete an intelligent quality control system for tax law enforcement by 2023. Relevant guidelines for tax law enforcement and taxpayer services will be continuously improved and the benchmark system for exercising discretionary power in administrative punishment will also be constantly optimized.

(IX) Improving the accuracy of law enforcement continuously.

Non-mandatory measures such as persuasion, education and warning should be adopted to innovate law enforcement, and laws should be enforced with both force and warmth to achieve the integration of law and reason, tempering justice with mercy. Extensive, selective and “one size fits all” law enforcement must be avoided. The boundaries between general tax law violations and tax crimes shall be accurately defined in order to deal with these acts as per law and impose proper penalties. The system of “no penalty for the first violation” list will be explored and promoted in tax law enforcement. Adhering to the principle of inclusiveness and prudence, tax law enforcement will be optimized by adopting a problem-oriented approach to actively support the healthy development of new industries and new business models and promote tax compliance and fair competition.

(X) Strengthening cross-regional coordination of tax law enforcement.

The unification of tax law enforcement standards across regions will be advanced to facilitate the exchange of law enforcement information and mutual recognition of law enforcement results and thus better serve the regional coordinated development strategy of the country. The procedures for dealing with tax and fee matters relating to enterprises' cross-provincial relocation will be further simplified, and common recognition of qualifications in different regions will be basically realized by 2022. The scope of tax- and fee-related matters that can be dealt with in any region of the country for enterprises operating cross-provincially will be further expanded, and all matters can basically be dealt with anywhere across the country by 2025.

(XI) Strengthening internal control and supervision of tax law enforcement.

By 2022, an IT-based internal control and supervision system targeting on law enforcement risks with comprehensive coverage of all processes and all staff will be basically in place. Risk prevention measures will be embedded in IT systems to achieve ex ante warning, in-process interruption and ex post accountability. Internal and external audit supervision as well as the mechanism of “investigation of the misconduct of tax officials while investigating major law violations” should be strengthened, and regular, accurate and systematic supervision of tax law enforcement will be constantly improved.

IV. Promoting quality, efficient and intelligent taxpayer services

(XII) Ensuring taxpayers' direct and quick access to tax and fee preference items. The synchronized release and interpretation of

implementation details and instructions together with the new preferential tax and fee policies will be realized by 2021 to enhance the timeliness, certainty and consistency of the policy implementation. The processes and procedures for enjoying preferential treatment will be further simplified, and the scope of “self-judgment, self-filing, ex post facto supervision” will also be expanded to ensure convenient operations, fast enjoyment and effective supervision. By 2022, big data will be used in accordance with the law to notify targeted taxpayers of specific preferential policies, helping market entities fully share policy benefits.

(XIII) Reducing the burdens of dealing with tax and fee matters effectively. Data will be actively collected through IT systems and data sharing with other departments will also be strengthened to effectively reduce taxpayers’ duplication of submissions. The “notification and commitment” mechanism will be applied to all tax certification matters, and more matters will be allowed to be dealt with in the absence of supporting documentation. More tax-related documentation will be kept by taxpayers for future reference instead of being submitted in advance.

(XIV) Improving the way of dealing with tax and fee matters comprehensively. By 2021, enterprises can deal with most tax and fee matters online, while individuals can do it via smartphones. By 2022, a nationwide, unified and standardized electronic tax platform will be established, allowing more tax and fee matters to be processed in a “contact-free” and “non-face-to-face” manner. The traditional way of filing taxes in forms will be gradually changed. By 2023, IT systems can basically realize the automatic extraction of data, automatic calculation of the amount of taxes payable and automatic pre-population of tax returns, and taxpayers and fee payers can file the returns online after confirmation

or correction.

(XV) Reducing the frequency and time of dealing with tax and fee matters continuously. Implementing the Regulation on Optimizing Business Environment and aligning with international standards, “all-in-one-form” tax and fee filing will be greatly promoted and filing periods for specific taxes will be merged in accordance with the law in order to reduce the frequency and time of filing taxes. The scope of data shared among departments will be expanded and the export tax refunding process will be accelerated. By 2022, the average time for tax authorities to process normal export tax refund claims will be reduced to less than six working days, and the time for enterprises with high tax credit rating to get refunds will be further shortened.

(XVI) Promoting intelligent and personalized services actively. The 12366 tax and fee service platform will be upgraded to accelerate the transformation to 24-hour intelligent consultation service as the main channel and questions raised by a taxpayer can be basically answered by any tax official across the country by 2022. Big data will be used to intelligently analyze the real experience and personalized needs of every taxpayers and fee payers and to provide targeted online services. The offline services will also be optimized constantly to meet the needs of special groups and special matters.

(XVII) Safeguarding the legitimate rights and interests of taxpayers and fee payers. The mechanisms for the taxpayers’ and fee payers’ rights relief and for the settlement of disputes over taxes and fees will be improved, and the unimpeded channels for effective collection of demands, rapid response and timely feedback will be established.

Advance rulings for large businesses will be explored and implemented and relevant regulations will also be made and improved. The personal information protection mechanism for taxpayers and fee payers will be revamped to strengthen the control of the authority to query tax- and fee-related data and record keeping in accordance with the law. The business secrets and personal privacy of taxpayers, fee payers and withholding agents shall be strictly protected to prevent leakage or abuse of personal information. Tax authorities and tax staff that violate relevant laws and regulations and cause heavy losses due to the neglect of supervision shall be held accountable in accordance with the law.

V. Implementing tax supervision precisely

(XVIII) Establishing and improving a new type of supervision mechanism based on “credit plus risk”. The system featuring incentives for high creditworthiness and penalties for low creditworthiness will be improved to bring into full play the fundamental role of tax-paying credit rating in the social credit system. A sound tax and fee paying credit rating system will be established to give more convenience to market entities with high credit ratings. Based on the full implementation of the real-name system, the dynamic credit rating classification and intelligent risk supervision of taxpayers and fee payers will be employed to prevent tax evasion with the most stringent standards and avoid affecting the normal production and operations of enterprises. The natural person tax and fee service and supervision system featuring “data integration plus quality service plus correction through reminding plus investigation and punishment by law” will be improved. The service and supervision targeted on high-income and high-net-worth individuals

shall be strengthened in accordance with the law.

(XIX) Enhancing risk prevention, control and supervision in key areas. For industries, regions, and groups of people where tax evasion and avoidance occurs frequently, the proportion of random checking shall be properly increased according to the risk level. For practices such as revenue concealment, inflated cost, profit shifting, and exploiting “low tax or no tax region”, “duplicate contracts” and related transactions, the building of preventive systems will be strengthened, and prevention, control, supervision and inspection shall be enhanced in accordance with the law.

(XX) Cracking down hard on tax crimes in accordance with the law. Tax-related big data will be fully utilized, and the whole process of invoice issuance and use will be verified and monitored in real time relying on tax network-based trusted identity system, so as to realize the transformation from the punishment of tax offenses such as false issuance of invoices and tax refund frauds to accurate prevention in advance. The system of law-breaking investigation and punishment will be improved and the multi-data aggregation function of the national “Internet plus supervision” system will be fully relied on to accurately and effectively crack down on false issuance of invoices by “fake enterprises”, refund frauds by “false exports” and defrauding of tax and fee preference by “improper filings”, ensuring tax safety of the country. Major tax offenses will be closely investigated, severely punished and exposed in accordance with the law, and the results shall be incorporated into the credit records of enterprises and individuals pursuant to relevant regulations, and shared

on the national credit information platform.

VI. Deepening and expanding tax co-governance continuously

(XXI) Strengthening collaboration between government departments.

Digitalization of accounting and financial management will be greatly promoted, and paperless reimbursement, entry into accounts, filing, and storage of electronic invoices will be accelerated by establishing connection with fiscal and financial payment systems, various accounting systems and electronic archives systems. “Tax-bank interaction” will be constantly deepened to help solve financing difficulties for small and micro enterprises. Exchange of information, information notification and coordinated law enforcement will be further strengthened to advance cross-departmental supervision.

(XXII) Strengthening social synergy. Industry associations and social intermediaries will be actively tapped. Tax authorities will support third parties in providing taxpayers with personalized services according to market principles, and strengthen the supervision of tax-related intermediaries, practices and the whole industry. The popularization and publicity of tax and fee laws and regulations will be carried out, and in particular, education on the rule of law in taxation for juveniles will be deepened to bring into play the preventive and guiding role of education and publicity of tax laws, fostering a strong atmosphere of paying tax in good faith in the whole society.

(XXIII) Strengthening judicial support for taxation. The public

security departments should strengthen the investigation and handling of tax-related crimes, and substantiate the liaison mechanism of stationing officials with public security authorities in tax authorities. The institutionalization and digitalization of joint case handling between tax authorities and public security departments will be conducted to further facilitate the mechanism of connecting administrative law enforcement with criminal law enforcement. The procuratorial authorities, discovering that administrative agencies with tax supervision duties do not perform their responsibilities in accordance with the law, shall make procuratorial recommendations by law. Tax-related judicial interpretations will be improved to clarify judicial judgment standards.

(XXIV) Strengthening international tax cooperation. The STA will be deeply involved in international taxation rulemaking with respect to the digital economy and other fields and continue to advance the building of global taxation governance system. Base Erosion and Profit Shifting Actions will be carried out to crack down hard on international tax evasion and avoidance, protect the lawful rights and interests of foreign enterprises, and safeguard China's tax interests. Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) will be steadily improved to help developing countries with their tax administration capacity building. The tax treaty network will be further expanded and improved, and greater efforts will be made to settle cross-border tax disputes. Bilateral double tax agreements shall be implemented to support high-level "bringing in" and "going global".