



TAXATION AND DIGITALIZATION: TAX POLICY OPTION IN CHINA

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BACKGROUND

- The world economy is still in the period of deeply adjustment.
- All the economies have been turning to creating new competitive advantage.
- The rapid growth of the information and communication technologies has been greatly accelerating the pace of economic globalization.

BACKGROUND

- The digital economy is undergoing rapid growth and innovation.
- The digital economy is gradually becoming the main trend of the world economy and an important driver of the economy growth.
- The contemporary economy has been into the era of internet economy. More national coordination is needed to achieve the inclusive growth.

BACKGROUND

- **2016“G20 Digital Economy Development and Cooperation Initiative”:**
- **The seven common principle:**
- *innovation*
- *fellowship*
- *coordination*
- *agility*
- *inclusiveness*
- *open and favorable business environment*
- *boosting economic growth*
- *trust and security information flow*

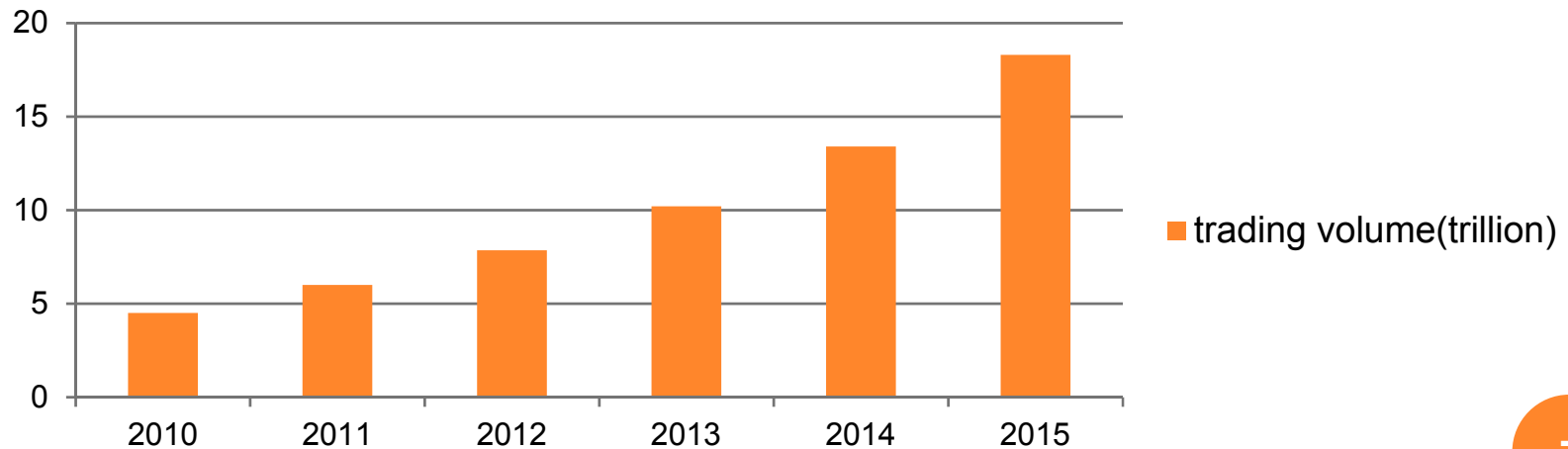
BACKGROUND

- **OECD** "Addressing the Tax Challenges of the Digital Economy":
- The current international tax rules still apply to the digital economy.
- While the digital economy does not generate unique BEPS issues, some of its key features exacerbate BEPS risks.
- Some key items should be modified to adapt the broader tax challenges arising from the digital economy. For example, PE, intangible, CFC, and so on.

THE DIGITAL ECONOMY IN CHINA

- **Rapid expansion of scale**
- In the First half of 2016, the trading volume of E-commerce of China reached 10.5 trillion RMB, year-on-year growth is 37.6%.

2010-2015 the trading volume of E-commerce in China



THE DIGITAL ECONOMY IN CHINA

- **B2B is the main transaction model, and online retailing is also developing rapidly.**
- In the First half of 2016, the trading volume of B2B reached 7.9 trillion RMB, year-on-year growth is 36.2%.
- In the First half of 2016, the trading volume of online retailing reached 2.3 trillion RMB, which accounts for 14.8% of total retail sales of social consumer goods, the year-on-year growth is 43.4%.

THE DIGITAL ECONOMY IN CHINA

- **Cross-border E-commerce is developing rapidly, of which more than 80% is export.**
- In the First half of 2016, the trading volume of Cross-border E-commerce reached 2.6 trillion RMB, the year-on-year growth is 30%.

THE DIGITAL ECONOMY IN CHINA

- **Mobile terminal becomes the online retail market's main field.**
- In the First half of 2016, the trading volume of mobile online shopping reached 1.6 trillion RMB, year-on-year growth is 90.8%.

TAXATION POLICY OPTION IN CHINA

- **Challenges:**
- Concealment and strong liquidity of the digital economy transaction, increasing the difficulty of tax regulation.
- The related parties of the digital economy have no obligation to provide the tax information. It's hard for the tax authorities to grasp the massive tax information, and the tax evasion is more prominent.
- Some tax policies need to be optimized and clarified combined with the characteristics of the digital economy.
- The tax loss of cross-border e-commerce still exists.

TAXATION POLICY OPTION IN CHINA

- **Options:**
- **Equitable principle:** the same tax principles and policies are applied to both the digital economy and traditional economy.
- **Improving the tax administration of e-commerce:**
- Strengthening the registration management of e-commerce practitioners.
- Strengthening the obligation of the third party to provide necessary information.
- Vigorously promoting the innovation of the administration and service.

TAXATION POLICY OPTION IN CHINA

- **To concern:**
- **“the reverse discrimination”:**
- The control of the information is more effective for the digital economy than for the traditional economy.
- The administration of the digital economy may be more severe than that of the traditional economy, which will have a negative impact on the development of the digital economy.

○ *Thank you!*